

Guide to Responding to USDA's Review of Community Eligibility for Rural Housing Loans

USDA Rural Development Loan Eligibility

The US Department of Agriculture - Rural Development (USDA) operates the Rural Housing service (RHS), which provides both Direct and Guaranteed Loans to low to moderate-income homebuyers in designated rural or "rural in character" areas throughout the country. These loan products are essential to the health of housing markets in many rural communities.

Currently, USDA is in the process of reviewing USDA designated "rural" geographic areas for eligibility for USDA rural development programs. These reviews occur every five years, with the last review conducted in 2012-13. Areas are determined to be rural either by straight population limits, or they can be designated rural in character.

For this 2018 review, some areas currently eligible for USDA Rural Housing loans are being reviewed to see if they are now ineligible due to a rise in population, as determined by American Community Survey (ACS) data. This review is conducted at the state level through each state's USDA Rural Development Office. Every state office will accept comments on why a certain geographic area should be considered "rural in character" eligible for USDA rural programs.

Communities at Risk of Losing USDA Rural Loan Eligibility

Each state USDA office has a list of the communities being reviewed for eligibility for USDA Rural Development programs. Here's how to find the localities in your state that may no longer qualify as "rural" for USDA Rural Housing Programs:

Go to your state's USDA Rural Development website. Each state USDA Rural Development website follows this format www.rd.usda.gov/xx, with the standard two letter abbreviation for your state following the www.rd.usda.gov/. You can find direct links to each state office here: <https://www.rd.usda.gov/contact-us/state-offices>.

Retrieve the Notice on Areas Under Review. Under the section of the home page titled "Highlights" there will be a link to a document listing the areas of your state that are being reviewed. The title of the notice does vary between the state offices, but should be along the lines of Changes to Area Maps for Rural Development Programs. This document will detail which communities are at risk of losing USDA eligibility status, when comments are due (90 days from the official announcement), and where to send the comments. For most states, this means comments letters are due by the end of February 2018.

Writing a Comment Letter to USDA

When creating a comment letter to demonstrate an area is rural in character, consider using the following factors:

USDA Stated Factors of Interest

The following characteristics have been directly stated in USDA's guidance as factors USDA will consider when making the rural in character determination:

- *Economic Vitality.* Whether the area's economy faces high unemployment due to loss of a major employer or similar factors, and whether the population is shrinking due to people leaving the area.
- *Colleges and Universities.* Whether the population fluctuates or is transient due to student presence from a local college or university.
- *Prison Population.* Whether a prison populations affects the total population in the area.(USDA guidance suggests that these populations should NOT be counted for the purposes of eligibility)
- *Serious Lack of Mortgage Credit.* The extent to which an area has access to a variety of lenders and mortgage financing options or if USDA plays an outsized and/or necessary role in mortgage lending.

Other Characteristics to Consider

The following characteristics are not stated directly in USDA's guidance, but have been successfully used by areas in the past to demonstrate they are rural in character:

- *Quality of Housing Stock.* Whether the properties in the area could be considered more traditionally "rural," such as large farm-like lots, older properties, distinctive features vs cookie cutter type housing associated with traditional suburbs or exurbs.
- *Access to Metropolitan Areas.* How much time or effort it requires to access stores, schools, et. The availability of public transportation and quality of the infrastructure generally.
- *Other Population Factors.* Influx of non-traditional populations, such as a seasonal retirement community.
- *Source of Water/Sewer* – Is there a lack of municipal water, and many people rely on wells or the like. This can also be a demonstration of a more rural community.

Other Items to Include

The following suggestions have been previously used by local and state associations in advocating that communities remain eligible for USDA Rural Development programs:

- Include pictures of the areas that can suggest the rural in character nature to your comment.
- Attach geographic maps or plans that demonstrate a distinctive break with a neighboring population that may not be considered rural in character.
- Reach out to state based or local organizations focused on rural issues for additional data and information.
- Provide HMDA loan level data for specific counties. Reach out to Ken Fears, kfears@realtor.org, for more information.



Think Outside the Box

Finally, consider reaching out directly to your USDA State Office and offer to facilitate their study of the different areas. This could include taking USDA staff on a tour of the area to highlight its rural character, or providing them with connections to local persons or groups who can give a fuller picture of the rural nature of the area.

For questions or comments, please contact Sehar Siddiqi, ssiddiqi@realtors.org or 202-383-1176, or Megan Booth, mbooth@realtors.org or 202 -383-1222.