



**AgEcon** SEARCH

RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Rural Community Development Service

HOUSING AND RELATED COMMUNITY SERVICES

Talk by Frank D. Pollard  
Program Operations Division  
at the 44th Annual Agricultural Outlook Conference  
Washington, D. C., 10:30 A.M., Thursday, November 17, 1966

---

During the 1966 fiscal year more than 32,000 rural families constructed new homes or made improvements in their present homes with the help of loans from the Farmers Home Administration. Among this number were about 6,500 senior citizens past the age of 62. Nearly 1,000 more senior citizens benefited from loans for the construction of multi-family rental housing projects in rural areas.

Altogether, this represents more than twice the amount of activity during the previous fiscal year. This sharp increase can be attributed in large measure to changes authorized in the Rural Housing Program by the Housing and Urban Development Act of 1965. Prominent among these was the provision for converting the basic program to an insured basis. In previous years it had consisted almost entirely of direct loans.

It is obvious that this program is serving an exceedingly worthwhile purpose by giving thousands of rural people their first real opportunity to live in decent homes. Beyond the direct benefits to the families receiving loans, there are significant indirect benefits to the rural areas involved as a result of the employment generated, the demand for construction materials, increase in property values and all of the other side effects which are more difficult to measure, but which are just as surely present.

Impressive as this record is, for every rural family which the Farmers Home Administration is able to help, there are hundreds of other rural families who have acute housing problems and are in need of help, but cannot be served, either because of a lack of loan funds or a lack of demonstrated ability to repay loans even under the favorable terms applicable to the Rural Housing Program.

On many occasions, you have been reminded of the Census figures showing more than 5 million housing units in rural areas which are dilapidated or in need of major repairs. But did you realize that over 60 percent of those families had annual incomes of less than \$3,000? This is an income level below which it is extremely difficult to find a satisfactory basis for any type of housing credit.

To make much of a dent in this tremendous inventory of poor housing, the Rural Housing Program will have to be greatly expanded. In addition, new ways must be found for meeting the needs of those rural families who cannot qualify

for loans under present programs. Much more must be done just to replace the dilapidated, unsafe homes now being occupied, to say nothing of the housing needed to accommodate the anticipated influx of new post-war families arriving on the scene during the next few years.

In the discussion of housing at the Outlook Conference last year, you were informed of the major changes then being made in the many housing programs as a result of the Housing and Urban Development Act of 1965. There was a more detailed discussion of the changes related directly to the housing program administered by the Farmers Home Administration.

This year I should like to reverse that process somewhat and discuss briefly additional changes in the Rural Housing Program authorized by the recently enacted Demonstration Cities and Metropolitan Development Act of 1966 and then go into more detail regarding alternatives which might be developed for obtaining better housing for rural people under programs administered by the Department of Housing and Urban Development.

In doing this, there is no intent to discount the importance of changes authorized in the Rural Housing Program. For some of them can be quite significant. Let me, therefore, enumerate some of those changes rather quickly.

Last year, the Housing and Urban Development Act of 1965 made it possible -- as I have already indicated -- to place the basic Rural Housing Program on an insured basis. It also broadened the authority to permit loans to rural families to purchase building sites and to buy previously occupied homes. And for the first time it defined as a "rural area" any place of a rural character having a population of 5,500 or less.

The Demonstration Cities and Metropolitan Development Act of 1966 authorizes additional changes which may prove to be just as significant as those made a year ago. For example, the Act would:

1. Permit loans for the purchase of new homes not previously occupied. This could encourage builders to make more housing available in rural areas and would relieve the families of some of the headaches associated with the construction process.
2. Permit co-signers on notes given by families whose prospective repayment ability is doubtful and would otherwise disqualify them for assistance. Heretofore, co-signers could be used only in connection with loans to the elderly.
3. Increase from \$1,000 to \$1,500 the amount of assistance which can be provided for housing improvements necessary to make the buildings safe and sanitary.
4. Authorize loans for financing cooperatively-owned housing to be occupied by low and moderate income rural families.

5. Broaden the present authority to permit the financing of rental housing for a larger segment of the rural population -- not just for the elderly as in the past. In addition to making more housing available to low-income families, this feature of the program could be beneficial in getting certain needed services into rural areas. For example, if adequate rental housing were available, more and better qualified school teachers might be prevailed upon to take jobs in areas to which they could not otherwise be attracted.

These and other changes should contribute a great deal to the efforts being made to meet the housing needs of rural people under the Rural Housing Program administered by the Farmers Home Administration.

The Demonstration Cities and Metropolitan Development Act of 1966, which received a great deal of publicity while it was being guided through the legislative process, contains some other provisions which may be of equal interest to you.

The basic purpose of that portion of the law which authorizes the Demonstration Cities Program, as taken from the Act itself is

"to provide additional financial and technical assistance to enable cities of all sizes (with equal regard to the problems of small as well as large cities) to plan, develop, and carry out locally prepared and scheduled comprehensive city demonstration programs containing new and imaginative proposals to rebuild or revitalize large slum and blighted areas, to expand housing, job, and income opportunities, to reduce dependence on welfare payments, to improve educational facilities and programs; to combat disease and ill health; to reduce the incidence of crime and delinquency; to enhance recreational and cultural opportunities; to establish better access between homes and jobs; and generally to improve living conditions for the people who live in such areas, and to accomplish these objectives through the most effective and economical concentration and coordination of Federal, State, and local public and private efforts to improve the quality of urban life."

Except for those of you who are from sizeable urban places, and except for the emphasis placed upon equal regard being given to the problems of small as well as large cities, this part of the law may be of little interest to you. But for the 50 or 60 places, large and small, which can qualify under the Act, grants and technical assistance beyond anything now authorized can be provided to help plan and carry out more comprehensive programs than ever before to upgrade the quality of living in those areas.

More specifically, 80 percent grants would be available for planning, developing, and administering such comprehensive demonstration programs. In addition, grants equal to 80 percent of the aggregate amount of non-Federal contributions required in connection with all Federal grant-in-aid projects

which are essential parts of an approved comprehensive city demonstration program would be authorized for use in carrying out individual projects -- and normally, individual projects not financed under any Federal grant-in-aid program.

Supplementary grants up to 20 percent of the cost of certain metropolitan development projects such as libraries, airports and hospitals are likewise authorized.

Beyond the financial assistance which can be provided, technical assistance in planning, developing and administering an acceptable Demonstration Cities Program can be provided. And when requested by local officials, Metropolitan Expeditors can be appointed by the Secretary of Housing and Urban Development to provide information and other assistance to local authorities, private individuals and other agencies within the metropolitan area about various Federal programs which may be pertinent to the needs of the area.

To lend additional emphasis to the mandate for giving equitable consideration to both large and small places, the law defines a city demonstration agency which can qualify for assistance to include counties. Likewise, it defines a city as any municipality or any county or other public body having general governmental powers. Thus, it is obvious that the benefits of the program are expected to extend beyond the boundaries of metropolitan areas and it seems likely that some urbanized counties, at least, will want to participate. How applicable the program will be, if at all, to a typical rural county remains to be seen.

Several other provisions of the Act also may be of interest to you.

One provision authorizes the Federal Housing Administration to insure for the first time mortgages given to finance the construction or rehabilitation of facilities for the group practice of medicine, optometry, or dentistry, particularly in smaller communities. The mortgages can also finance equipment for the facilities. The applicant must be a private, non-profit corporation; however, both profit-making and non-profit groups may use the facilities. This provision of the law may provide an opportunity for many rural communities to improve the availability of medical, optometric, and dental care.

Another provision expands the authority contained in the Housing and Urban Development Act of 1965 to insure mortgages for land development purposes. This authority is designed to help private developers provide a steadier supply of improved building sites in an orderly and economical manner. The type of improvements which may be financed include water lines and water supply installations, sewer lines and sewage disposal installations, roads, streets, curbs, gutters, sidewalks, and other improvements of a similar nature found to be necessary or desirable to prepare the land primarily for residential and related uses. The mortgage on the land developed is retired as individual buildings are constructed and sold.

Heretofore, the area to be developed had to be associated with an already developed area. Under the change which has been made, it is applicable to completely new communities. In either event, this provision of the law may be increasingly helpful to small towns and rural areas in providing a more favorable climate for the development of housing projects. The absence of satisfactory financing for installing the type of facilities referred to has often been a handicap in the development of housing in many areas, particularly in and around small towns.

One other new provision which may be of particular benefit to rural areas is that which authorizes 50 percent grants to States to help them provide information to small communities about Federal, State and local programs along with technical assistance which may be beneficial to such communities in dealing with their urban problems. The Act does not define what constitutes urban problems, but presumably they would encompass problems of housing, community facilities, transportation and all of the other problems with which cities are confronted and which are of equal concern to small towns, even though to a different degree. The Act does define a small community, however, as one having a population of less than 100,000. The fact that it places a ceiling, but not a floor, upon the size of place to which the program is applicable would seem to imply a priority to the smaller places. The fact that a ceiling of 25,000 instead of 100,000 was seriously considered at one time lends support to this idea.

Finally, for any who may be concerned with the State of Alaska, the Demonstration Cities and Metropolitan Development Act of 1966 contains a \$10 million authorization under which 75 percent grants can be made through that State or through an authorized agency of the State to help provide housing for families who cannot otherwise obtain the shelter they need. Such assistance has to be provided in accordance with an approved State-wide plan and the grants may not exceed an average of \$7,500 per dwelling unit. Furthermore, it is contemplated that the prospective owners will contribute their labor to the construction of the homes to the fullest extent possible.

As indicated previously, one of the more pressing needs in rural areas is for assistance in providing housing for families not able to qualify for loans from the Farmers Home Administration because of their low incomes and limited repayment prospects.

Let us then consider a couple of programs administered by the Department of Housing and Urban Development which might be used more extensively to help fill at least a part of that need, particularly among low-income families in the small towns throughout rural America.

One of these is the Rent Supplement Program, which is relatively new. The other is the Public Housing Program, which is one of the oldest housing programs now in operation. However, it has some new features which perhaps are being overlooked.

Both of these programs are designed to serve families at the lowest income level. Similarly, both are designed primarily for the purpose of providing rental housing. Under certain circumstances, however, arrangements can be made for ultimate ownership of the units by the tenants.

The Rent Supplement Program was authorized by the Housing and Urban Development Act of 1965. However, it was not funded until several months later. Initially, \$12 million was provided. More recently an additional \$20 million was appropriated, making a total of \$32 million available for the payment of rent supplements. Under this Program, the Federal Housing Administration is authorized to insure mortgages for qualified non-profit, limited dividend, and cooperative organizations, on terms which are more favorable than those applicable to the usual type of mortgage insurance. The proceeds may be used to finance both the construction and rehabilitation of rental housing to be occupied by low-income families.

Although a project must consist of 5 or more dwelling units, they may be located in detached or semi-detached structures, which is more typical of housing in small towns and strictly rural areas. Families qualified for rent supplements must have been living previously in substandard homes or qualify under certain other specified conditions. In addition, their incomes must be comparable to those of families qualified for the occupancy of public housing in the area. They are expected to pay 25 percent of their income for rent, with the balance of the established rent being paid to the landlord in the form of a rent supplement.

For the most part, financing for Rent Supplement Projects is provided under the so-called 221(d)(3) Program administered by the Federal Housing Administration at the customary rate of interest. However, 5 percent of the funds available can be used on projects financed at an interest rate below the customary market rate. At the present time, this means an interest rate of 3 percent on the long-term loan.

Another 5 percent of the funds available may be used in paying rent supplements on projects for the elderly financed with direct 3 percent loans from the Housing Assistance Administration (formerly the Community Facilities Administration) or with mortgage insurance from the Federal Housing Administration.

One feature which may be of particular interest to small towns and rural areas is the provision in the law which authorizes rent supplement payments on behalf of selected tenants who choose to occupy rental units under leases containing options to purchase. The extent to which prospective purchasers can be given credit, if any, for payments made directly by them or on their behalf in the form of rent supplements before exercising their options has not been determined. However, this does afford an opportunity of home ownership which these families might never have under any other program.



The other program which was mentioned as having possibilities of serving the housing needs of a larger segment of low-income rural families is the Public Housing Program.

In this connection it is interesting to note that more than half, or about 1200, of all the housing authorities which have been established serve communities with populations of less than 5,000. This, of course, represents only a small percent of the total number of dwelling units which Public Housing Projects provide. But it is an indication of the interest which the small towns and other rural areas have shown in this program over the years. On the other hand, there are roughly 15,000 places with less than 5,000 people. So only a small percent have been reached thus far.

All of you are familiar, I am sure, with the traditional Public Housing Project, consisting of newly constructed multi-family units owned and operated by local housing authorities created under the laws of the particular State. However, the Housing and Urban Development Act of 1965 and the Demonstration Cities and Metropolitan Development Act of 1966 contain provisions which could change this pattern. Now assistance can be extended to the local authorities to acquire or rehabilitate existing housing units instead of building new structures. Furthermore, if a housing authority does not want to own the housing, it can now lease for as much as 5 years existing dwelling units and use them for public housing purposes. The assurance of a 5-year lease ought to encourage private builders to construct and supply more of the houses needed for that purpose. With this same assurance, it ought to be possible to interest present property owners in making similar use of houses they own. If improvements are needed to meet minimum standards, the owners should find ample justification for making the improvements under a 5-year lease.

To encourage home ownership, arrangements can be made for public housing families to purchase from the housing authority on very reasonable terms the units which they occupy, provided they are constructed as detached or semi-detached dwellings.

On Indian Reservations, the idea of home ownership has been taken one step further. Projects have been developed under which the construction labor was supplied by the prospective occupants and arrangements were made at the outset for ultimate ownership by the families themselves. In such instances, the contributed labor, rental payments, and annual contributions by the Federal Government, as well as voluntary payments by the families, have helped build up equities in the property and shortened the time required for full ownership. Perhaps this idea can be extended to non-Reservation areas.

There is one other feature common to the Rent Supplement and Public Housing Programs that I should mention. That is the requirement that there be developed and in effect a Workable Program for Community Improvement which has been certified or recertified within the past year by the Department of Housing and Urban Development. There are exceptions which will be mentioned later, but communities nevertheless should be aware of this requirement.

A Workable Program is simply a plan of action on the part of the particular jurisdiction involved to eliminate and prevent slums and blight and to foster development of an area. It does not in itself provide any Federal assistance, although it is a prerequisite for participation in certain programs that do offer financial assistance.

A Workable Program is directed primarily at the improvement of housing for residential purposes. The adoption of codes and ordinances that will assure sound construction and proper use of dwelling units is therefore a matter which must be given major consideration in the development of a Workable Program. Consideration must be given, however, to other aspects of improvement, development and growth.

Even though a plan such as that described is essential for the orderly development of a community, counties and small towns often are reluctant to commit themselves to any such undertaking. Perhaps this results more from a lack of understanding than from the actual obligations associated with such a program. Consequently, any community which indicates an interest in participating in programs requiring a Workable Program for Community Improvement ordinarily will find it beneficial at the outset to arrange for a meeting between the local governing body or representatives thereof and appropriate representatives of the Department of Housing and Urban Development concerned with this particular activity.

Generally speaking, incorporated towns have the legal authority to adopt and carry out the provisions of a Workable Program. Counties may have such authority to a lesser degree. However, this should not stand in the way of counties wanting to participate in programs requiring a Workable Program. Indications are that the Department of Housing and Urban Development will be quite sympathetic to county proposals, if a county goes as far as it can and demonstrates its willingness to work toward getting the necessary enabling legislation which would permit them to carry out an acceptable Workable Program.

Undoubtedly, the Workable Program requirement has discouraged many communities from participating in the Rent Supplement and Public Housing Programs. It should be noted, however, that this requirement is not applicable to Rent Supplement Projects, if the community has never had an approved Workable Program. Even if there has been an approved program, it is not a requirement if no projects were financed in connection with it. In such instances, only the endorsement of the local governing body or other authorized agency is required. Neither is a Workable Program required in connection with Public Housing Projects, if the units to be occupied are to be leased instead of owned by the housing authority.

With these facts in mind and with the considerable flexibility which has been introduced into the Rent Supplement and Public Housing Programs, along with the continuing expansion of the Rural Housing Program, we have a better opportunity than ever before to help meet the continuing need for more adequate housing to accommodate rural people. Our success will depend, in large measure, upon our ability to adapt existing programs to meet those needs.