



## Remarks by Rural Development Under Secretary Lisa Mensah for the National Housing Conference

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Good morning!

Let me say at the onset how delighted I am to know that two stalwart organizations long allied with the Rural Development mission were honored last night with the National Housing Conference's "Housing Visionary Award."

For 45 years, the Housing Assistance Council has helped local, community-led organizations figure out how to build safe, affordable single- and multi-family housing by working *with* ... and *empowering* ... the marginalized poor in America's most vulnerable regions:

... among farm laborers ... in Appalachia ... along the Mississippi Delta ... in the Southwest border Colonias ... and in Indian country.

So a hearty congratulations to the Housing Assistance Council!

Similarly, since 1995, Rural LISC has worked to transform rural communities in more than 40 states, providing technical assistance and financial support to economic developers who are rooted in – and devoted to – rural communities.

Among Rural LISC's goals? To – quote – "Build sustainable communities by *expanding investment in housing and other real estate.*" You can imagine how this is music to *all our ears* at USDA Rural Development!

So, a big congratulations to Rural LISC!



Both Rural LISC and the Housing Assistance Council promote home ownership through the idea of “Mutual Self-Help” ... a highly successful sweat equity concept close to USDA’s heart ... and something I’ll talk more about in just a bit.

Now, please join me again in congratulating the Housing Assistance Council and Rural LISC on their well-deserved honors.

I’m also especially pleased to help the National Housing Conference commemorate 85 years of growth and progress in “*Moving Housing Forward.*”

You’ve been at this since the Great Depression – touching millions of American lives in a way that quite literally “hits home.”

The National Housing Conference was instrumental in the passage of the Housing Act of 1934 ... and the Low Income Housing Tax Credit created under the Tax Reform Act of 1986.

“LI-tek” now accounts for nearly 90 percent of *all* affordable rental housing in the United States.

In a time when more than eight million low-income families spend more than half their income on rent or are living in hazardous, substandard housing, I believe your efforts and energy – actually, *our* efforts and energy – are needed now more than ever.

So, I want to begin by making the “Case for Rural” – and I’d like you to imagine me up here with a giant eraser, rubbing out all those arbitrary, make-believe lines that for too long have separated “rural” from “urban” housing.

This is a symbiotic relationship. There is no “them,” ... only “we.”



## I. The Case for Rural

Let's start with a fairly straightforward premise: *Rural* America's success ... is AMERICA'S success. Let me explain why:

As you may already know, about 15-percent of the population of the United States is considered "rural."

But, that comparatively small percentage belies a far more impressive statistic: nearly 75-percent of our *land mass* from 'sea to shining sea' is ... rural!

And that 15-percent of the population? It represents *46 million Americans* ... many of whom work to provide food, fuel, fiber and durable goods to the rest of the nation ... *and* much of the world.

As Secretary Vilsack often says, "This isn't your grandfather's 'rural.'"

Rural America is a gem of opportunity and an engine of economic growth, providing distinct advantages when it comes to land, labor, logistics, leverage ... and leadership.

Rural America cultivates and moves this country's food supply ... the *safest* food supply in the world.

Our clean energy future ... reliant on burgeoning renewable technologies like anaerobic digestion, next generation solar, biomass and bio-based product development ... *simply will not move forward* without rural innovation and buy-in.

*All of America* needs the ingenuity, productivity and creativity I've witnessed in every rural community I've had the pleasure to visit.



As I shared with my friends at Rural LISC’s national conference last week, stories of rural innovation are woven deeply into the history of this country.

Looking back:

A young Utah farm boy – Philo Farnsworth – dreamt up his 19<sup>th</sup> century “image dissector” while plowing a field. Today, we call his invention the “television.”

Then there’s Eli Whitney – the “Father of American Technology” whose “first-born” was the cotton gin ... Cyrus McCormick’s mechanical reaper ... John Deere’s motorized tractor ... George Washington Carver’s bio-based inventions ... not a single one of these “gadgeteers” was a city dweller, yet *all* of them changed American lives at the most fundamental level.

And that long tradition of rural innovation continues today ... changing lives ... and moving us ... *all* of us ... forward.

So, we’ve been considering the shiny side of the “rural coin,” haven’t we? ... Looking at all that is good and *right* about rural ... abundant natural resources ... innovation and ingenuity ... the strength of purpose and character embodied by rural people.

But, like any coin, the rural coin has *two* sides. The flip side – reflective of persistent poverty and the challenges that accompany it – needs our full attention ... and our best effort. After all ... we can’t change ... what we won’t confront.

The unvarnished truth is that we leave places ... and people ... behind at our own peril. And there are so *many* reasons why “rural” deserves our well-placed intention, and most importantly, *meaningful, sustained* financial investment.



The kinds of things *most* of us urbanites take for granted: safe, clean drinking water ... functional wastewater treatment ... access to comprehensive healthcare ... even Broadband internet service – none of this is yet assured in the rural landscape.

And it's time to ask ... *how do we make it happen?*

Speaking at a recent Federal Reserve Board forum on rural housing, Housing Assistance Council Board President Peter Carey said many people tend to look at rural America as 'flyover country' ... with decisions being made by folks with no direct connection to rural areas.

And in an unfortunate irony, one of the primary reasons investors seem to overlook rural opportunity is – as I mentioned earlier – the blight of persistent poverty.

Yes, the numbers are daunting:

- Eighty-five percent of our country's persistent poverty counties are found in rural America
- This means more than a third of all rural Americans live in poverty.
- One in four rural children is *born* into poverty here – an alarming statistic ALL of us should find utterly intolerable.
- On average, there are 14 homeless people for every 10,000 individuals living in rural areas. This is a good example of a "flyover" challenge. Urban homeless tend to live on the street ... and that's harder to ignore ... rural homeless live in their cars ... or in campgrounds ... often unseen and further marginalized
- And finally, it's no secret that the opioid addiction epidemic is decimating middle America

Through the years, I've come to understand finance almost never flows to poor places unless it's incentivized ... I've often said that a rising tide doesn't necessarily lift *all* boats ... and rural places and rural people do not rise easily with *macro* growth alone.



But, we've learned a lot from Congressman Jim Clyburn's 10/20/30 effort, which gives us a roadmap of the 474 counties in the United States where 20 percent or more of the population has been living below the poverty line for at least 30 years.

As you might imagine, most of these persistently poor counties – 377, in fact – are rural ... and this represents the very heart of our “unfinished work.” Okay, so it's time for *another* unvarnished truth – this one is a *little* easier to confront. Here it is: we've *made* progress – and we're *MAKING* progress – in addressing persistent rural poverty!

The fact is, we have the resources at hand to “turbocharge” successful systems already in play: to pair market money with government money and *adamantly refuse* to accept that there are parts of America where you're simply trapped and cannot rise.

As an interesting side note: soon, there will be an unprecedented moment to help drive capital and credit to a segment of our population that hasn't had access to it in the past.

The Federal Housing Finance Agency's proposed “Duty to Serve Underserved Markets” rule is rounding third base ... and headed for home.

This rule places increased attention on manufactured housing, affordable housing preservation, and rural housing, requiring Fannie Mae and Freddie Mac to facilitate a secondary market for mortgages for very low-, low- and moderate-income families in these markets.

So, you see, the formidable power of a bank to drive capital and credit can indeed help bring prosperity to impoverished places. But our banking sector needs federal partners like USDA RD, armed with the tools, to make sure all of America prospers.

That's the legacy of Rural Development's 80-year history: we may not have solved it all, but we **ARE** hitting some things out of the park, and this brand of financing has the power to change lives.



So let me talk a little more about Rural Development’s mandate ... our approach ... and why investing in rural housing on a grand scale just makes good economic sense for the country ... and for our future.

## **II. The Case for Rural Development**

It’s important to say at the onset that I think of myself as a development banker, and this is the lens through which I view Rural Development’s mission.

Throughout my professional life, I’ve moved fluidly between conventional finance and foundation work.

I can tell you without hesitation that, for *far* too long, poverty has been the “leftover side” of the economy.

My colleague, Bobby Goode, Rural Development State Director in Tennessee pretty much summed it up for me recently.

He said, “For the part of America that needs us, we are IT. And if we’re in this business for the numbers, we’re missing the boat. Because it’s not about the numbers ... it’s about the *people*.” Of course, he’s right. But \*I\* believe it can be about the people *AND* the numbers!

Rural Development is a field-based agency, anchored strongly in the communities we serve. We understand the privilege and wisdom of supporting the people and places we call “home.” This is why ensuring the availability of safe, affordable housing remains primary among our goals. Because most of our Rural Development professionals nationwide *live* where they *work*, it’s *personal*.



Consider Stacy Lopez, a Rural Development loan specialist in California who *singlehandedly* closed 249 Direct home loans totaling nearly \$47 million dollars – *last year alone!* Stacy’s herculean efforts – and those of her Rural Housing Service colleagues nationwide – mean that thousands of low- and moderate income borrowers are now on the journey to homeownership.

*This* is Rural Development’s battlespace: we are the growers ... the builders ... we “build and invest” just like *you*.

“RD” – as we are known in our communities – manages a broad loan portfolio of more than \$212 billion dollars in rural utility, rural business and cooperative services, and rural housing and community programs.

Of that \$212 billion, just under HALF – or about a hundred billion – sits squarely in the housing portfolio. And, as we at USDA commemorate National Homeownership Month, I can say with great confidence that a hundred billion dollars is a *pretty* significant commitment!

Since 2009, RD has helped more than a million rural families buy, refinance and maintain homes with more than \$137 billion in Rural Housing Service investments.

During the last fiscal year alone, we provided more than \$19 billion dollars to help about 140-thousand families with modest incomes finance their homes. And we boast a *consistently low* default rate.

Hands down, USDA offers one of the *best* home mortgages in the United States! I’m proud to say we left *no dollar unused* in our 502 Direct mortgage program last year ... and we’re on track to do so again this fiscal year.

We are a gentle servicer ... our Direct Loans include a “pause clause” to help mortgage holders navigate a job loss.



We also help applicants learn how to create or bolster their credit ratings safely and sensibly ... and we work hard to “get to yes” when faced with limited – *but stable* – incomes.

Let me share an example:

In January, I visited a remarkable neighborhood in Gustine, California, where USDA Mutual Self-Help Grants – those “sweat equity” grants I mentioned earlier – have successfully been paired with nearly \$7 million dollars in direct loan funding to help more than 50 families.

Rural Development’s long-term partnership with Self-Help Enterprises – (which pioneered the whole self-help housing concept a half-century ago) – is now bearing fruit for a *lot* of hardworking Americans.

Many of these folks work full days in nearby Ag fields and return at night to put “sweat equity” into their American Dream.

In Gustine, I met Adie Etheridge – whose family lost its small dairy farm five years ago ... and with it, she says, their sense of place and belonging.

But with guts, determination, and more than a little help from her “Self-Help family,” Adie was able to build a home in the same community her grandparents had settled in as immigrants many years earlier.

I’m *deeply moved* by seeing our money at work, and there’s something extraordinary about rural America’s ability to survive and thrive. It’s a place where values count and where stewardship is a meaningful obligation.



At the *micro* level, the benefit to families is obvious: “home” is often the point from which all family activities pivot, providing continuity and stability.

The benefits at the *macro* level are no less significant: homeownership *quite literally* lays the foundation that helps build broader wealth and security in rural communities.

We’ve just come through a recession and housing crisis but in USDA RD – because of our inherent agility – we were able to move mortgages when other banks were paralyzed during the economic downturn.

And that’s especially important to us because, rural areas have a *higher* rate of homeownership – 72 percent versus 66 percent – compared to the national average.

Now, let me offer you another glimpse of how the 502 Direct home mortgage program changed one California family’s lives.

U.S. Army veteran Jimmy Vasquez struggles with Post Traumatic Stress Disorder. And, like many of our service members, Jimmy relies on the Veterans Administration for disability resources to survive.

His wife, Alexandra, cares for him along with their three young children.

Given the circumstances, Jimmy and Alexandra thought homeownership would be impossible, but the 502 Direct home mortgage program doesn’t require a down payment *and* offers extended terms for eligible low-income homebuyers. [Slight pause]

Last month, the Vasquez family got the keys to their very own “American Dream” – a four bedroom, two bath home in the San Joaquin Valley.



Another important tool in the Rural Housing Service arsenal is our single family loan guarantee program, which operates in the \$19 billion dollar range. We celebrate this month the 25<sup>th</sup> Anniversary of this guarantee program.

This is a *fantastic* example of a nimble, highly successful public-private partnership: proof that sometimes, government *really does* get it right.

And ... it's budget neutral!

The loan guarantee program supports robust partnerships with private banks and lending institutions that – because we are their *first line of defense* – are able to provide affordable, sound mortgages to thousands of hardworking rural Americans.

And because housing isn't a one-size-fits-all proposition, USDA's Multi-Family Housing program is an equally important part of our "All-of-the-Above" strategy.

Our rural rental housing programs foster the essential concept of "safety of place" – allowing – among others – grandmothers and single moms an opportunity to continue to live, work, and raise their families in rural America.

In fact, our Multi-Family Housing Program represents eight percent of the affordable rental market in this country. But ... the portfolio is aging.

Multi-Family Housing was a real triumph in its day ... and now, we must do *our generation's work* to preserve it.

*We* think this presents an unprecedented opportunity for us to work together with our urban neighbors to identify creative, workable solutions that benefit us all.



We have an administration that *wants* to do more in rural America ... and we understand there's still a need to use *every* tool at hand ... not just for new construction, but to upgrade ... to renovate ... and rebuild.

Without a doubt, we need to do this generation's work in a way that protects the environment and, at the same time creates new jobs in the emerging post-fossil fuel economy.

We *can* do this. We have proof of what can happen when we work together.

It may be true that rural America traditionally is considered more reliant on publicly-funded and subsidized programs than its urban counterparts.

But as David Dangler, who directs rural initiatives for Neighbor Works America, points out, *"There can be a disproportionate pain in rural areas as we attempt to right our financial books by cutting back on federal housing programs."*

David is right. And this is why I believe we need to adjust course ... to rethink the way ahead. We *know* RD has a *phenomenal* Direct Home Loan program. *Let's fund it!* We *know* RD manages a successful and productive Multi-Family Housing program. *Let's fund it!*

So *this* is where I want to us to put our attention: on rural's unfinished work ... and how we as a nation can join forces to flip the "rural coin" to the "shiny side" ... for the benefit of *all*.

### **III. The Primacy of Housing and Rural's Place in it: Our Unfinished Work**

Charles Dickens astutely wrote, "In love of home, the love of country has its rise..."

And it's *true*, isn't it?!



A house seems like such a *simple* thing. But the truth is, it's THE thing: *the* leading indicator that underpins our *entire* economy. Housing has *always* been integral to the way America moves forward ...

Rural is an important part of that equation. *You* are an important part of it, too!

So ... here's my ask: USDA wants *you* to help press forward our mission to serve rural America ... to help the 15 percent that helps the rest of the country thrive.

Now is not the time to “sell off the farm” and give over to a solely urban stance.

In pressing our mission, the great thing is, we already have a lot of the right tools and we know how to use them. We've *been* using them successfully for years ... there's just no reason to reinvent the wheel here.

Beyond this, we need “All-In” investors. People like you who truly understand that “*in love of home, the love of country has its rise.*”

It's time to invest in rural infrastructure, renovation and restoration. It's time to *punch up* innovative programs like Mutual Self-Help and Habitat for Humanity.

It's time to address the tragedy of hidden rural homelessness ... and to create safe, modest housing options for our disabled, our senior citizens and other marginalized populations.

It's time to fully invest in the idea of “place” and “belonging.”

This isn't just good for the homeowner ... it's good for *all* of us. It creates jobs ... encourages innovation ... and moves the American economy as a whole.



*Stay* the course with us ... there *is* a market to match the need! Rural is part and parcel of the regrowth of this nation ... and there is *so* much more to do.

Let the love of country ... *rise*.