

RURAL HOUSING PROGRAM DEVELOPMENT
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THE FOURTH ANNUAL HOUSING SEMINAR
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SINCE THE GREAT DEPRESSION SOME FOUR DECADES AGO, OUR
FEDERAL GOVERNMENT HAS BECOME INCREASINGLY INVOLVED IN MEETING
THE SHELTER NEEDS OF THE AMERICAN PEOPLE. IT WAS THE HARDSHIP
AND MISERY BROUGHT ABOUT BY THE DEPRESSION THAT MOBILIZED PUBLIC
OPINION TO SUPPORT NEW DEAL PROGRAMS AND POLICIES WHICH WERE
DESIGNED TO RESTORE HEALTH AND VITALITY TO OUR NATION'S ECONOMIC
SYSTEM.

ALL OF YOU ARE SOMEWHAT FAMILIAR WITH VARIOUS HOUSING PROGRAMS
WITHIN THE FEDERAL GOVERNMENT. THE HOUSING PROGRAMS OF THE VETERANS
ADMINISTRATION FOLLOWING WORLD WAR II, WHICH HAVE REACHED TENS OF
MILLIONS OF VETERANS, PROVIDING OPPORTUNITIES FOR HOUSING THAT MIGHT
NOT HAVE OTHERWISE EXISTED, ARE WELL KNOWN TO ALL OF YOU. AND, MANY

OF YOU ARE ACQUAINTED WITH THE HOUSING PROGRAMS AND POLICIES OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WHICH HAVE BEEN DIRECTED AT LOW AND MODERATE INCOME AMERICANS. HOWEVER, MANY OF YOU MAY BE LESS FAMILIAR WITH SOME OF THE EARLIEST HOUSING PROGRAMS OF THE FEDERAL GOVERNMENT, THOSE PROGRAMS TARGETED AT RURAL AMERICANS.

THESE PROGRAMS ARE LOCATED WITH THE FARMERS HOME ADMINISTRATION WHICH WAS ESTABLISHED IN 1935 DURING THE DEPTH OF THE DEPRESSION. IN THE 43 YEARS THAT IT HAS EXISTED, FARMERS HOME HAS BEEN DEVELOPED INTO A SIGNIFICANT FORCE IN THE RURAL DEVELOPMENT POLICIES OF THIS NATION, A FORCE THAT REACHES WELL BEYOND ASSISTANCE TO THE FARMERS AND RANCHERS OF THE NATION. INDEED, FARMERS HOME HAS LEFT ITS IMPRINT ON THE LIVES AND WELLBEING OF ALL RURAL AMERICANS.

IN MY COMMENTS TODAY I WILL TOUCH UPON THE HISTORY OF THE FARMERS HOME ADMINISTRATION, RELATING THE PROGRAMS OF THIS IMPORTANT AGENCY TO AMERICA'S RURAL DEVELOPMENT NEEDS. IN THE FINAL PART OF MY BRIEF REMARKS I WILL REPORT TO YOU ON ACTION TAKEN RECENTLY IN THIS AREA BY MY RURAL HOUSING SUBCOMMITTEE.

LET ME BEGIN BY SAYING THAT THERE SIMPLY IS NOT ENOUGH TIME HERE THIS EVENING TO GIVE FULL CREDIT TO THIS RICH HISTORY. HOWEVER, I WOULD BE REMISS IN MY COMMENTS IF I DID NOT MENTION THE CONTRIBUTIONS OF SENATOR JOHN SPARKMAN AND THE LATE SENATOR HUBERT HUMPHREY. SENATOR SPARKMAN HAS DONE MORE TO MEET THE HOUSING NEEDS OF RURAL AMERICANS THAN ANYONE I KNOW. WHEN THE DISTINGUISHED SENIOR SENATOR FROM ALABAMA RETIRES AT THE END OF THIS SESSION, THE ENTIRE CONGRESS WILL FEEL A DEEP LOSS.

SENATOR HUMPHREY'S COMMITMENT TO RURAL DEVELOPMENT HAS BEEN NOTED ON MANY OCCASIONS. HUBERT WAS THE PRIMARY AUTHOR AND MOVING FORCE BEHIND THE RURAL DEVELOPMENT ACT OF 1972 WHICH GREATLY EXPANDED THE ROLE OF FARMERS HOME.

THE HISTORY OF THE FARMERS HOME ADMINISTRATION IS RICH AND VARIED. THE LINEAGE OF FARMERS HOME CAN BE TRACED BACK TO THE RESETTLEMENT ADMINISTRATION WHICH WAS CREATED BY THE EXECUTIVE ORDER OF PRESIDENT ROOSEVELT. THE RESETTLEMENT ADMINISTRATION TOOK OVER DEPRESSION-ERA PROGRAMS THAT HAD BEEN CARRIED OUT IN ABOUT 40 STATES BY RURAL REHABILITATION CORPORATIONS FORMED UNDER THE EMERGENCY RELIEF ACT OF 1933. RURAL REHABILITATION LOANS WERE INTENDED TO HELP FARM FAMILIES STAY ON THE FARM AND WORK THEIR WAY OFF RELIEF ROLLS.

DURING ITS BRIEF LIFE, THE RESETTLEMENT ADMINISTRATION MADE HUNDREDS OF THOUSANDS OF SHORT-TERM LOANS, OFTEN SUPPLEMENTED BY GRANTS, TO LOW-INCOME FAMILIES TO HELP THEM BECOME SELF-RELIANT AND SELF-SUFFICIENT. BORROWERS WERE ALSO PROVIDED TECHNICAL COUNSELING ON FARM AND FINANCIAL MANAGEMENT.

By 1937 there was a growing conviction in the Congress that supervised credit as pioneered by Resettlement could be the answer to a worsening national problem of hardship and failure among tenant farmers. On July 22, 1937, the Bankhead-Jones Farm Tenant Act was enacted, creating a new program of supervised 40-year farm ownership loans to farmers who lacked other sources of credit for buying their own land and for farm and home improvements.

Also enacted in 1937 was the Water Facilities Act, also operated by Resettlement, to cope with drought and water shortages.

THIS PROGRAM WAS THE FORERUNNER OF PRESENT DAY MASSIVE RURAL PROGRAMS IN WATER SYSTEMS, WASTE DISPOSAL SYSTEMS AND OTHER RURAL COMMUNITY FACILITIES NOW ADMINISTERED BY FARMERS HOME.

IN 1938 THE RESETTLEMENT ADMINISTRATION WAS RENAMED THE FARM SECURITY ADMINISTRATION WHICH CARRIED OUT SUPERVISED CREDIT PROGRAMS THAT ENABLED THOUSANDS OF FARMERS TO BECOME FARMOWNERS. THE SUCCESS OF A LARGE PERCENTAGE OF THESE BORROWERS HELPED TO STRENGTHEN FAMILY FARM AGRICULTURE, AND FORTIFIED THE NATION'S ABILITY TO MEET ITS AWESOME FOOD-PROCESSING CHALLENGES IN WORLD WAR II.

FSA ALSO ESTABLISHED NEW PROGRAMS TO ESTABLISH NEW FARMS AND COMMUNITIES, SERVICES IN GROUP MEDICAL CARE, AGRICULTURAL COOPERATIVES, MIGRATORY LABOR CAMPS, AND OTHER SOCIAL AND ECONOMIC PROGRAMS.

PERHAPS THE IMPORTANT POINT TO MAKE CONCERNING THESE DEPRESSION-ERA PROGRAMS RELATES TO THE STRUCTURE OF AMERICAN AGRICULTURE. WITHOUT THESE PROGRAMS, THE NUMBER OF FARMERS WOULD HAVE SURELY BEEN REDUCED WITH ACCOMPANYING ECONOMIC AND SOCIAL DISLOCATION. NORTH CAROLINA HAS THE FIFTH LARGEST NUMBER OF FARMS IN THE NATION AND MAINTAINING THE FAMILY FARM, WHICH IS THE MOST EFFICIENT ECONOMIC UNIT IN OUR AGRICULTURE, IS IMPORTANT TO THE CULTURAL FABRIC OF THE NATION.

By 1946, CONGRESS HAD CONCLUDED THAT A RESTRUCTURING OF FSA WAS NECESSARY. SOME OF THE OLD RESETTLEMENT PROGRAMS WERE NO LONGER JUSTIFIED, OTHER PROGRAMS COULD BE IMPROVED, AND PERHAPS NEW PROGRAMS WOULD BE NEEDED IN THE POSTWAR PERIOD.

IN AUGUST OF 1946, CONGRESS PASSED THE FARMERS HOME ADMINISTRATION ACT. COMBINED IN THE NEW FARMERS HOME WERE SOME PROGRAMS OF FSA

AND THE EMERGENCY CROP AND FEED LOAN PROGRAM. THE FARMERS HOME ADMINISTRATION ACT ALSO GAVE FMHA A NEW AUTHORITY, TO INSURE LOANS MADE BY BANKS, OTHER AGENCIES AND PRIVATE INDIVIDUALS, AS WELL AS TO MAKE DIRECT GOVERNMENT LOANS. THE ACT BROUGHT AN END TO RURAL REHABILITATION LOANS, OF WHICH THREE MILLION HAD BEEN MADE SINCE 1935 BY RESETTLEMENT AND FSA FOR A TOTAL EXCEEDING ONE BILLION DOLLARS.

FARMERS HOME PROGRAMS REMAINED AT RELATIVELY LOW LEVELS THROUGH THE LATE 1940'S UNTIL EARLY IN THE 1960'S. IN 1961, CONGRESS PASSED THE CONSOLIDATED FARMERS HOME ADMINISTRATION AND FEDERAL HOUSING ACTS. THE CONSOLIDATED HOME ADMINISTRATION ACT CONTAINED MAJOR PROVISIONS AFFECTING LIMITS ON FARMER LOANS AS WELL AS OPENING UP THE WATER SYSTEM PROGRAM TO RURAL POPULATION, INCLUDING INCORPORATED TOWNS OF UP TO 2,500.

THIS 1961 ACT RAISED LIMITS ON FARMER LOANS -- TO \$60,000 FOR FARM OWNERSHIP, REPLACING A FORMULA WHEREBY EACH COUNTY'S LIMIT HAD BEEN THE AVERAGE VALUE OF ITS FAMILY FARMS, AND FROM \$20,000 TO \$35,000 FOR FARM OPERATING PURPOSES.

THE EXPANSION OF OLD PROGRAMS AND ENACTMENT OF NEW ONES DURING THE FIRST FOUR YEARS OF THE 1960'S HAD RAISED FMHA'S TOTAL LOAN AND GRANT VOLUME FROM THE \$300 MILLION LEVEL OF FISCAL YEAR 1960 TO \$750 MILLION IN FISCAL YEAR 1965. BUT THIS WAS ONLY THE BEGINNING OF THE UPSURGE IN FMHA SERVICES BROUGHT ON BY THE LARGE SCALE RURAL HOUSING AND RURAL DEVELOPMENT PROGRAMS ENACTED DURING THE ENSUING 10 YEARS.

RATHER THAN SET UP NEW AGENCIES TO ADMINISTER NEW SERVICES, CONGRESS DECIDED IN 1972 TO UTILIZE FMHA'S EXISTING SYSTEM OF COUNTY OFFICES, LONG EXPERIENCED IN SERVING RURAL COMMUNITIES, AS

THE DELIVERY VEHICLE FOR NEW AND LARGE RURAL PROGRAMS MANDATED BY THE RURAL DEVELOPMENT ACT OF 1972. AS A RESULT, FMHA'S ANNUAL VOLUME OF LENDING AUTHORITY HAS EXPANDED TO WHERE IT WILL REACH NINE BILLION IN FISCAL YEAR 1979.

THE RURAL DEVELOPMENT ACT OF 1972 GREATLY EXPANDED THE ROLE OF FARMERS HOME, AS I SAID EARLIER IN MY COMMENTS. THIS ACT AUTHORIZED THE INTRODUCTION OF NEW PROGRAMS IN BUSINESS INDUSTRIAL DEVELOPMENT AND COMMUNITY FACILITIES. MORE IMPORTANTLY, THE ACT GAVE USDA PRIMARY RESPONSIBILITY FOR FEDERAL ACTIVITIES IN SUPPORT OF RURAL DEVELOPMENT. IT ESTABLISHED AN ASSISTANT SECRETARY FOR RURAL DEVELOPMENT WHO IS CHARGED WITH OVERSEEING THE WORK OF THREE USDA AGENCIES -- FMHA, THE RURAL ELECTRIFICATION ADMINISTRATION AND THE RURAL DEVELOPMENT SERVICE.

IN 1977, FARMERS HOME ENTERED INTO A NEW ERA OF SERVICE TO ABOVE-MODERATE INCOME FAMILIES. I PUSHED THIS ADDITION TO THE HOUSING ACT AMENDMENTS OF 1977, PRIMARILY BECAUSE OF MY CONCERN THAT A LARGE SEGMENT OF RURAL AMERICA WAS BEING DENIED ADEQUATE HOUSING. THE ADMINISTRATION HAS YET TO USE THIS NEW AUTHORITY ALTHOUGH I HAVE BEEN GIVEN ASSURANCES VERY RECENTLY THAT THE ADMINISTRATION WILL BEGIN TO USE THIS AUTHORITY TO THE TUNE OF \$900 MILLION ANNUALLY.

IT IS IMPORTANT TO KEEP IN MIND THAT THE FARMERS HOME ADMINISTRATION WAS CREATED TO MAKE UP FOR SHORTFALLS IN LOCAL AND PRIVATE RESOURCES. HISTORICALLY, THE AVAILABILITY OF CREDIT THROUGH FMHA WHEN NONE OTHER WAS TO BE FOUND HAS ENABLED HUNDREDS OF THOUSANDS OF RURAL AND SMALL TOWN FAMILIES TO WIN THEIR Foothold ON THE LAND, RATHER THAN ABANDON FARMING OR SMALL TOWNS,

ADDING TO THE HUGE FARM-TO-CITY MIGRATION OF DISTRESSED PEOPLE THAT AGGRAVATED DECLINE IN THE COUNTRYSIDE AND TURMOIL IN THE CITIES DURING RECENT DECADES.

MORE THAN ONE MILLION ILL-HOUSED RURAL FAMILIES HAVE MOVED INTO ADEQUATE HOMES THANKS TO FARMERS HOME. SOME 11,000 RURAL LOCALITIES AND FARMLAND SECTIONS HAVE SOLVED THEIR WATER AND SANITATION PROBLEMS THROUGH MODERNIZED CENTRAL WATER AND SEWAGE SYSTEMS, AGAIN THANKS TO FMHA.

INDEED, FMHA HAS PROVEN TO BE A GOOD INVESTMENT. LOAN LOSSES WRITTEN OFF DURING THE 43 YEARS OF THE AGENCY AMOUNT TO LESS THAN TWO PERCENT OF PRINCIPAL ADVANCED.

I KNOW THAT MANY OF YOU ARE EXPERTS IN THE FIELD OF FEDERAL

FINANCING OF RURAL HOUSING. NONETHELESS, I THOUGHT IT WOULD BE USEFUL IF I SHARED WITH YOU SOME OF THE COMPONENTS OF OUR HOUSING PROGRAM. ALL OF THE MAJOR COMPONENTS FIND THEIR STATUTORY AUTHORITY UNDER TITLE V OF THE HOUSING ACT OF 1949. SOME OF THE PROVISIONS DATE BACK TO 1949, OTHERS MUCH MORE RECENT.

THE COMPONENTS INCLUDE:

SECTION 502. THIS IS THE MOST SIGNIFICANT SECTION WITH FUNDING OF \$2.7 BILLION THIS FISCAL YEAR. THIS SECTION WAS WRITTEN TO ALLOW RURAL PEOPLE TO BUY, BUILD OR REPAIR HOMES. THIS SECTION GIVES THESE PEOPLE THE OPPORTUNITY TO ACQUIRE SAFE AND SANITARY HOUSING FOR THEIR OWN USE.

SECTION 504. THIS IS A MODEST PROGRAM OF GRANTS AND LOANS TO REPAIR HOUSING WHICH CAN BE CONSIDERED SUBSTANDARD. THE GRANT

Section 502. This is the most significant Farmers Home program, in dollar terms, with funding of \$2.7 billion this fiscal year. This Section was written to allow rural people to buy, build, or repair homes. Based on information for loans made during FY 1977, the typical Section 502 borrower is 30 years of age, has an annual income of \$9,800 and a net worth of less than \$5,000.

The household consists of between three and four members and is likely to reside in a community of less than 2,500 population. About 57 percent of these borrowers purchase a new home, containing an average of 1,057 square feet, for an average cost of \$25,067.

Section 504. This is a modest program of grants and loans to repair housing which can be considered substandard. The typical Section 504 loan recipient is 58 years of age and has an annual income of \$3,706. The typical borrower lives in a place of less than 2,500 population. The average 504 loan is \$2,474. All persons receiving Section 504 grants are over 62 years of age and have an income so low that the recipient cannot repay a loan. Loans are at an interest rate of one percent. This year, the Government will invest \$5 million in grants and \$20 million in loans under this authority.

Section 515. This Section was designed to provide rental housing. These loans, which will total \$700 million this fiscal year, are made to nonprofit organizations, public housing authorities or, in some cases, to individuals. Loans made under this Section to individuals are designed so that the owner cannot make a profit greater than eight percent on his investment. More than 38 percent of the Section 515 projects provide rental housing specifically for senior citizens of 62 years of age or older. Senior citizens can also occupy residences in the remaining 62 percent of the projects. In fact, experience shows that the elderly and young married couples occupy Section 515 housing not specifically oriented toward the elderly.

The average size of a 515 project is about 24 units, costing an average of a little over \$18,000 per unit. Most projects are of one or two story construction with most units being one or two bedroom apartments.

Also under Section 515 is a new rental assistance program. Under this new provision, the Farmers Home Administration will subsidize that portion of rent that is greater than 25 percent of the renter's income.

Section 516. This small Section, worth \$17.5 million, is for labor or migrant housing. Most of this money, \$10.5 million, is for a loan program with the remaining \$7 million for grants to nonprofit organizations. This Section is of utmost importance, despite its small size. We know all too well how desperate the housing conditions are for migrant workers. In the future, I intend to direct this program in a much more responsive fashion.

Most recently, my Rural Housing Subcommittee has acted to

IMPROVE FMHA STILL FURTHER. SOON, THE SENATE WILL ACT ON THE

RURAL HOUSING ACT OF 1978 THAT CONTAINS SEVERAL NEW PROVISIONS.

THESE INCLUDE:

--LOW-INCOME HOME OWNERSHIP SUBSIDIES;

--A MODERATE-INCOME SUBSIDY PROGRAM;

--A REQUIREMENT THAT FARMERS HOME ADMINISTRATION

REPORT ON REMEDIES FOR RURAL HOUSING WITHOUT SANITATION

WITHIN SIX MONTHS;

--A REQUIREMENT THAT FARMERS HOME COMPLETE, WITHIN

ONE YEAR, A STUDY ON MIGRANT WORKERS HOUSING CONDITIONS

TO COPE WITH PROBLEMS IN THIS AREA; AND

--A CHANGE IN THE "CREDIT ELSEWHERE" CLAUSE OF

EXISTING FARMERS HOME MIGRANT WORKER HOUSING

FINANCE PROGRAM, MAKING IT DISCRETIONARY WITH THE

SECRETARY OF AGRICULTURE.

THESE CHANGES WILL ENHANCE THE HOUSING PROGRAMS OF RURAL AMERICA. MIGRANT HOUSING CONDITIONS ARE DEPLORABLE. POOR HOUSING CONDITIONS CONTRIBUTE TO DISCONTENT. I AM NOT SAYING HERE THAT ALL MIGRANT HOUSING IS BAD; CLEARLY MUCH OF IT IS GOOD.

THE SANITATION OF RURAL HOUSING IS OF EQUAL CONCERN. FINDINGS BY MY SUBCOMMITTEE INDICATE THAT MANY HOMES IN RURAL AREAS LACK INDOOR PLUMBING. MANY OF THESE HOMES, I REGRET TO SAY, ARE IN MY HOME STATE.

THE HOUSING INDUSTRY HAS A VITAL ROLE TO PLAY IN SOVLING THE ENERGY CRISIS. ALMOST ONE THIRD OF ALL ENERGY USED IN THE UNITED STATES IS USED IN SPACE HEATING AND COOLING. EVEN THIS FIGURE UNDERESTIMATES THE IMPORTANCE THAT HOUSING HAS FOR OUR ENERGY POLICY. FOR IN HOUSING THERE APPEAR TO BE READILY AVAILABLE

SUBSTITUTES FOR EXTRAVAGANT ENERGY CONSUMPTION: INSULATION AND SOLAR HEATING. OUR SUCCESS OR FAILURE TO MOVE AGGRESSIVELY IN THESE AREAS COULD WELL DETERMINE THE SUCCESS OR FAILURE OF OUR ENERGY POLICY.

RESPONDING TO THE HIGHER FUEL PRICES OF RECENT YEARS, A BOOM HAS OCCURED IN THE HOME INSULATION AND WEATHERIZATION MARKET. WE ARE WELL ON OUR WAY TO MAKING OUR BUILDINGS MUCH MORE FUEL EFFICIENT.

BUT THERE IS MORE THAT CAN BE DONE TO REDUCE ENERGY CONSUMPTION IN THE HOUSING AREA. SOLAR HEATING AND COOLING SYSTEMS SHOW GREAT PROMISE AS A SUBSTITUTE FOR DWINDLING SUPPLIES OF FOSSIL FUELS. IN MOST PARTS OF THE COUNTRY, SOLAR HOT WATER HEATERS ARE ALREADY VERY COMPETITIVE WITH CONVENTIONAL FUEL SOURCES. IN LARGE AREAS OF THE COUNTRY, SOLAR HEATING AND COOLING SYSTEMS ARE

RAPIDLY BECOMING COST COMPETITIVE. THERE IS AN ENORMOUS POTENTIAL
HERE.

IN JUNE, THE SUBCOMMITTEE ON RURAL HOUSING, OF WHICH I AM
CHAIRMAN, WILL HOLD HEARINGS ON THE POTENTIAL FOR SOLAR ENERGY
IN RURAL AREAS. AS YOU MAY KNOW, THE FARMER'S HOME ADMINISTRATION
RECENTLY PROPOSED REQUIRING ALL HOMES BUILT IN 1980 AND BEYOND,
TO HAVE ALTERNATIVE ENERGY SOURCES FOR AT LEAST PART OF THEIR ENERGY
NEEDS. IN THE JUNE HEARINGS, I WANT TO TAKE A CLOSE LOOK AT THE
PRACTICALITY OF THIS PROPOSAL AND WAYS IN WHICH THE CONGRESS CAN
MOVE TO STIMULATE SOLAR USEAGE IN RURAL AREAS.

WE CANNOT AFFORD TO BECOME COMPLACENT WITH OUR HOUSING POLICIES
AND PROGRAMS. SHELTER IS ONE OF THE ESSENTIALS OF LIFE. WE
MUST EXAMINE WAYS FOR THE FEDERAL GOVERNMENT TO WORK MORE CLOSELY
WITH THE PRIVATE SECTOR TO MEET HOUSING NEEDS. CERTAINLY, THE

MONETARY AND FISCAL POLICIES OF THIS NATION NEED TO BE COORDINATED
IN A MANNER THAT MINIMIZES THE COSTS THAT CITIZENS PAY FOR
HOUSING. I AM PLEASED THAT THE PRESIDENT HAS DECIDED TO CONFRONT
THE TWIN CHALLENGE OF INFLATION AND UNEMPLOYMENT. I AM EQUALLY
PLEASED THAT THE PRESIDENT HAS NOT GIVEN UP ON HIS COMMITMENT TO
BALANCE THE BUDGET. SUCH GOALS ARE NECESSARY TO RESTORE THE FULL
VITALITY OF THIS NATION.

THANK YOU FOR THIS OPPORTUNITY TO DISCUSS THESE ISSUES WITH
YOU. I WILL BE HAPPY TO ENTERTAIN A FEW QUESTIONS.