

Statement by Congressman Les AuCoin
Before the Subcommittee on Housing
and Community Development
April 25, 1978

This amendment provides additional authority to Farmers Home Administration to provide decent safe and sanitary housing to low income families in rural areas.

The amendment expands FmHA's existing Home Ownership program. Under the new program, low income families would pay 25% of their adjusted family income as their share of all housing costs--principal, interest, taxes, insurance and maintenance. The differences between the family's contribution and housing costs would be paid by Farmers Home Administration.

When a family who is assisted under the program sells their home, FmHA would be required to "recapture" as much of the total subsidy as possible from the increase in equity which results from appreciation. The family would always retain a portion of the equity as an incentive to maintain the home. This recapture provision would apply as well to future interest credits made under the 502 program.

Farmers Home Administration needs this new authority because many families in rural areas and small towns are unable to obtain needed housing assistance. This situation exists for three reasons. First, many rural areas do not have Public Housing Authorities which can develop Public Housing or administer Section 8 Housing Assistance Payments contracts. Secondly, private developers are not attracted to small towns because they cannot aggregate enough units to make development and management of rental housing financially attractive. Third, FmHA and HUD require that assisted rental housing be developed only

in "established" communities which have sewer and water systems. This requirement excludes many communities whose citizens need housing assistance.

The administration has supported this new program in its fiscal 1979 budget. By fiscal 1980, FmHA plans to assist 16,000 units annually.

I urge my colleagues to join me and Congressman Lundine in supporting this important new program.