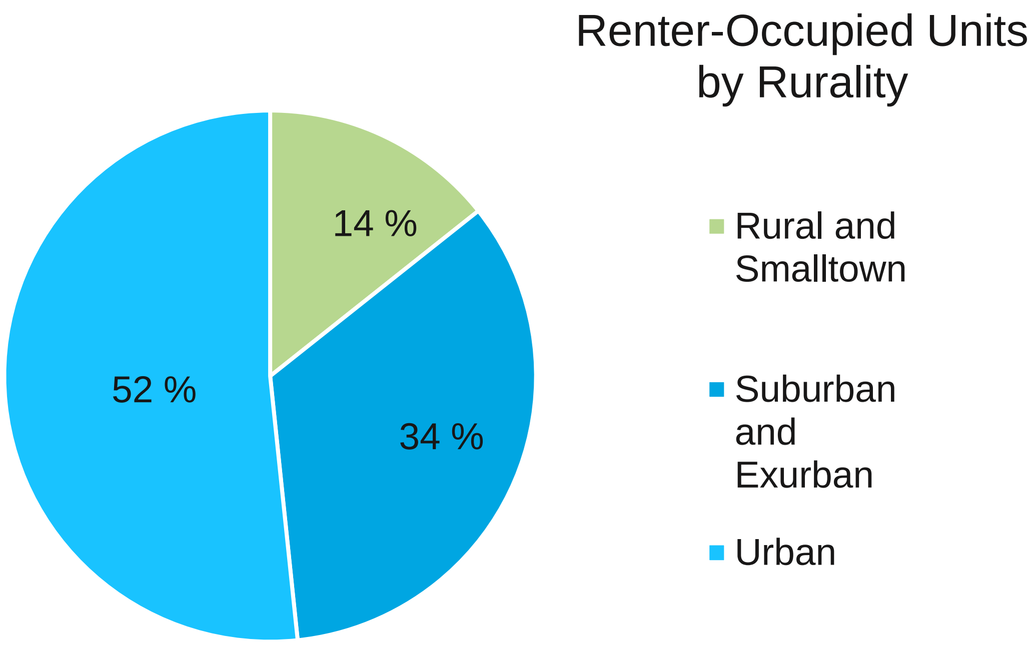
RURAL RESEARCH SYMPOSIUM

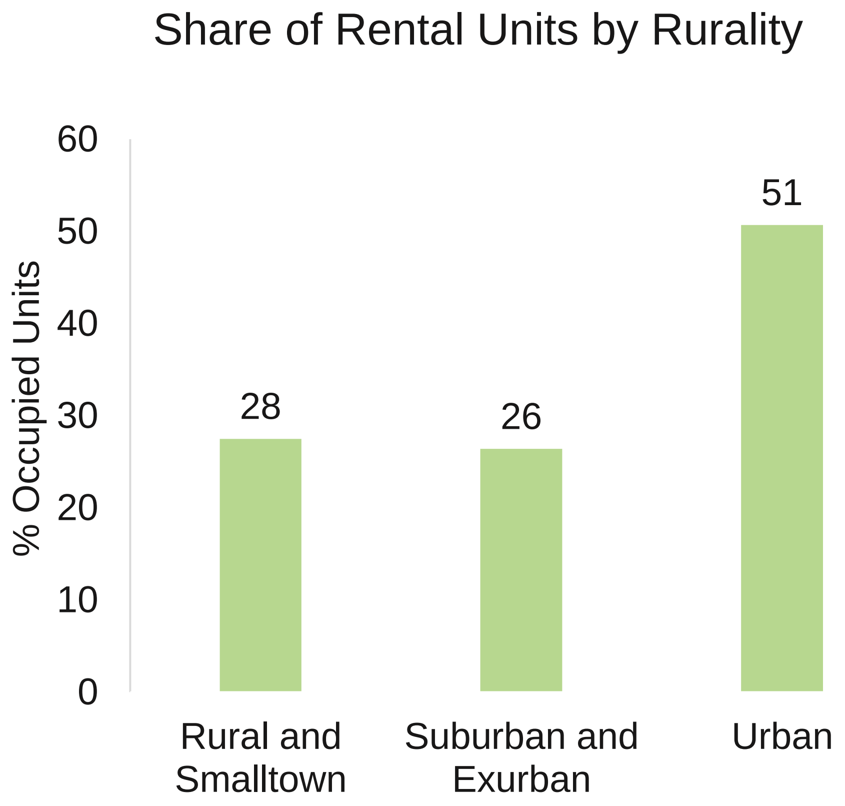
Freddie Mac

Examining the Landscape of Rural Rental Housing

Small but not Insignificant

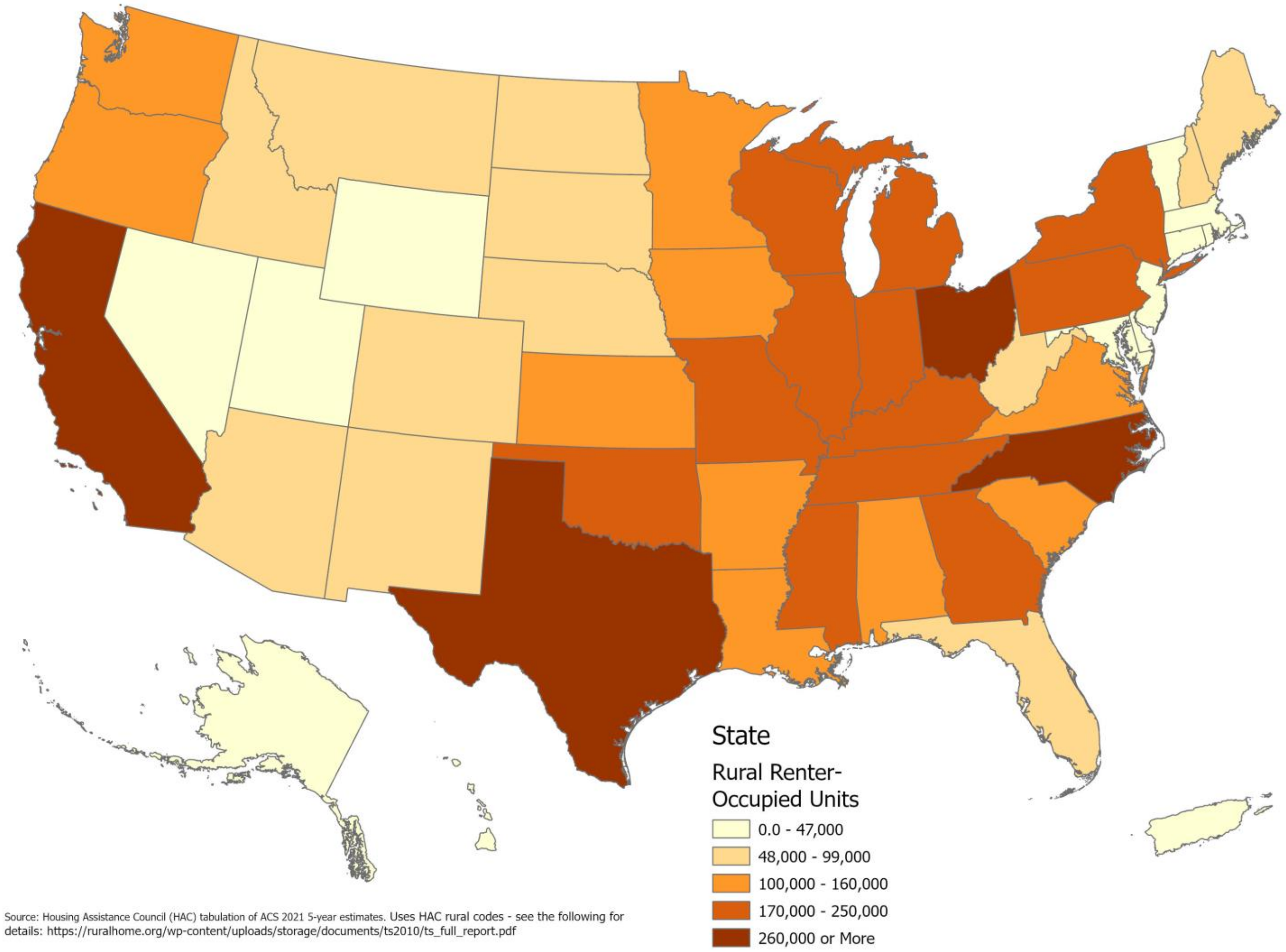


Source: Housing Assistance Council (HAC) tabulation of ACS 2021 5-year estimates. Data classified by HAC rural codes - see for more details: https://ruralhome.org/wp-content/uploads/storage/documents/ts2010/ts_full_report.pdf



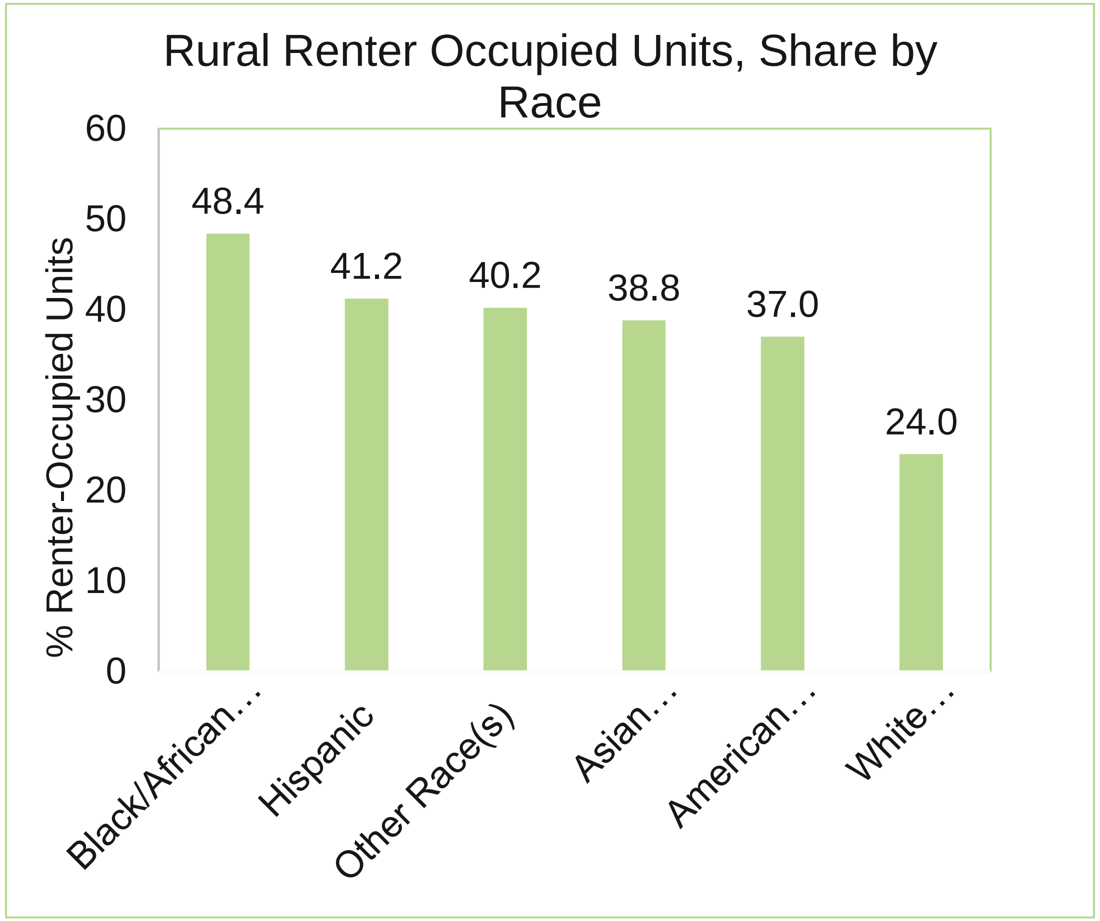
Source: Housing Assistance Council (HAC) tabulation of ACS 2021 5-year estimates. Data classified by HAC rural codes - see for more details: https://ruralhome.org/wp-content/uploads/storage/documents/ts2010/ts_full_report.pdf

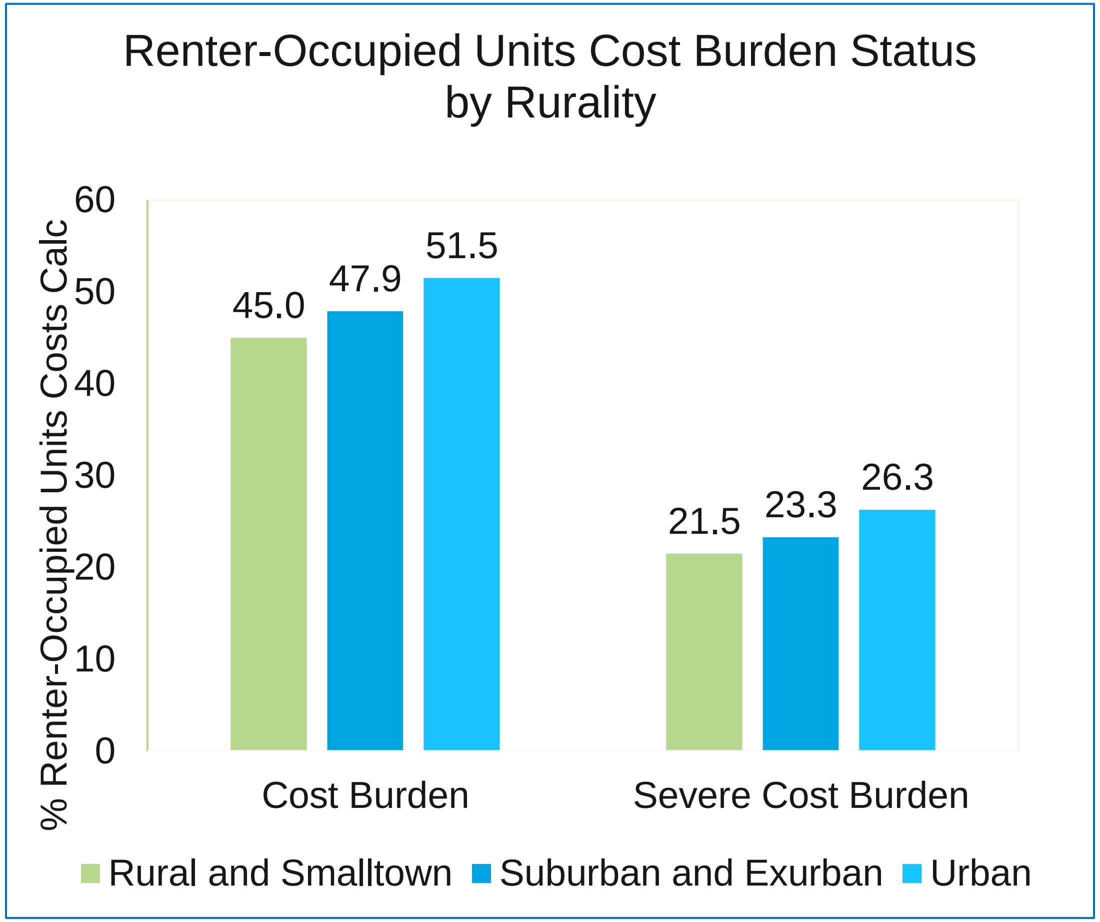
State Rural Renter-Occupied Units, ACS 2021



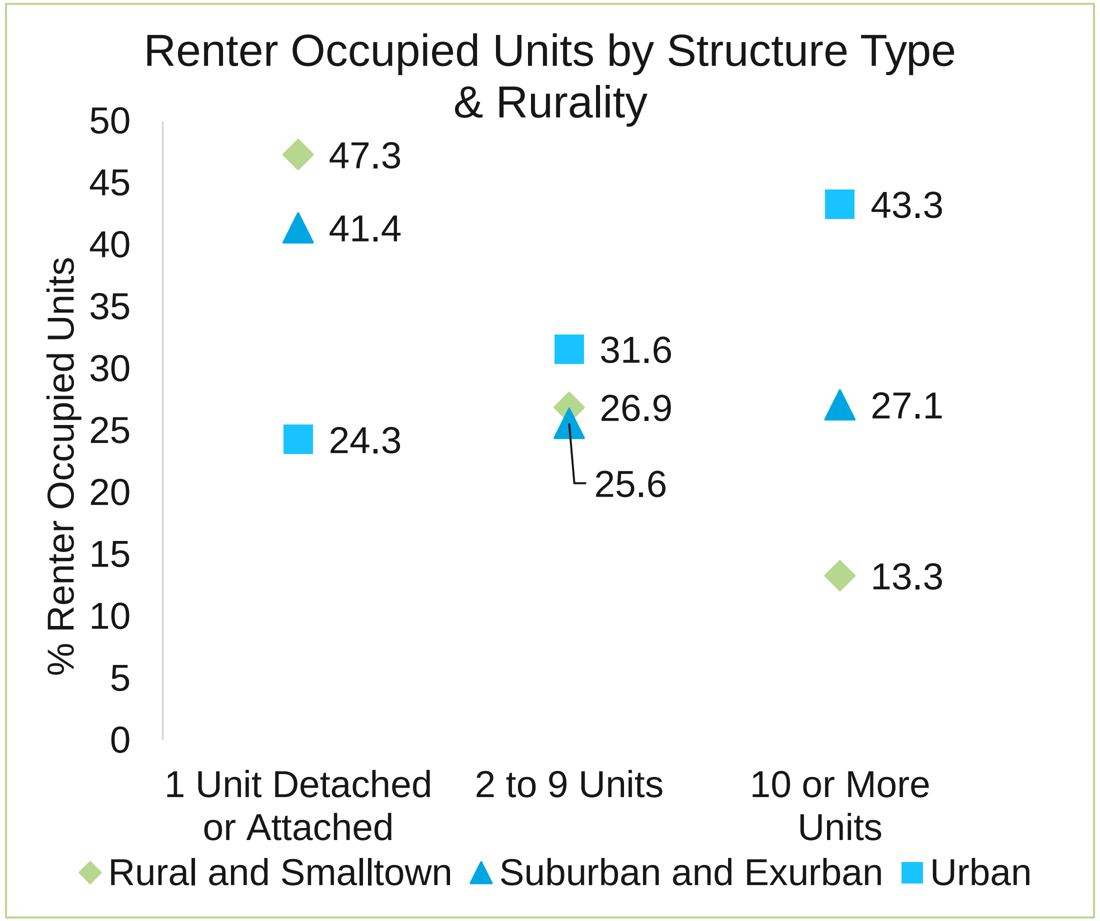
Source: Housing Assistance Council (HAC) tabulation of ACS 2021 5-year estimates. Uses HAC rural codes - see the following for details: https://ruralhome.org/wp-content/uploads/storage/documents/ts2010/ts_full_report.pdf

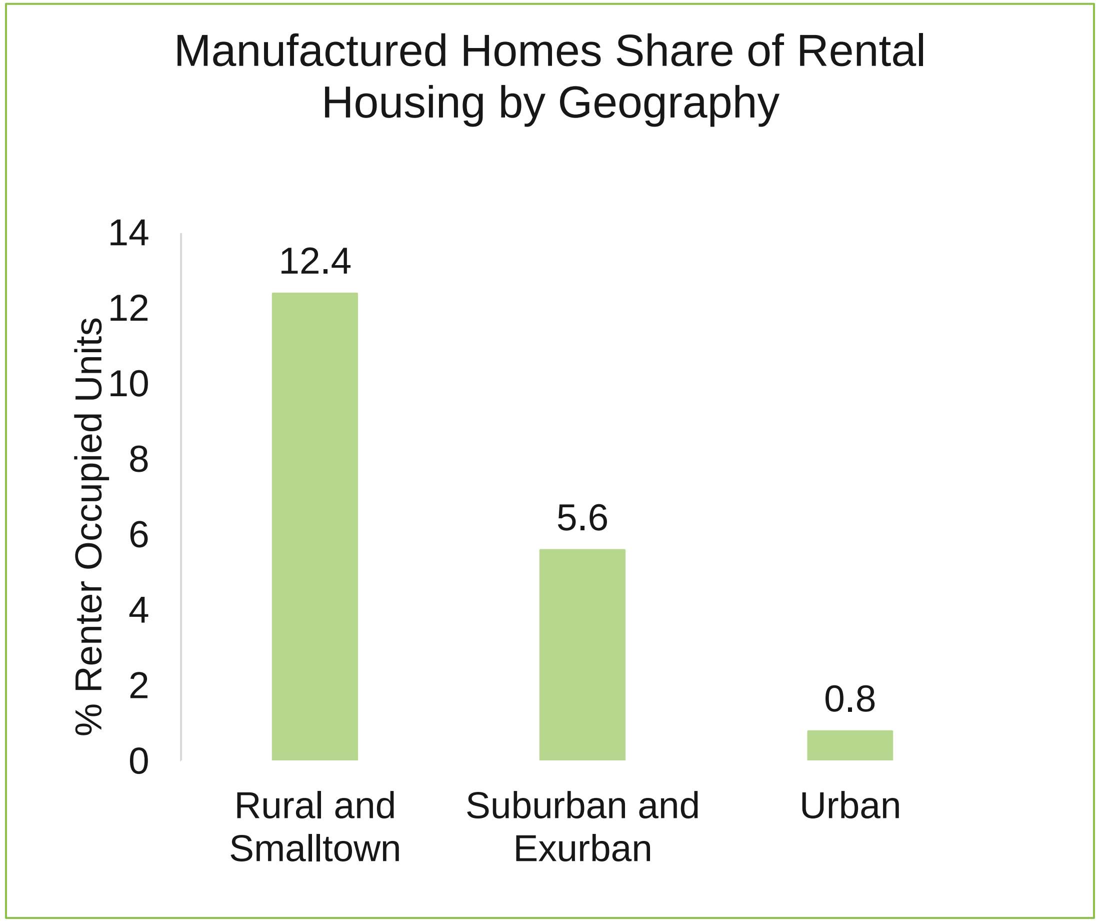
Similar Characteristics to Suburban/Urban Renters



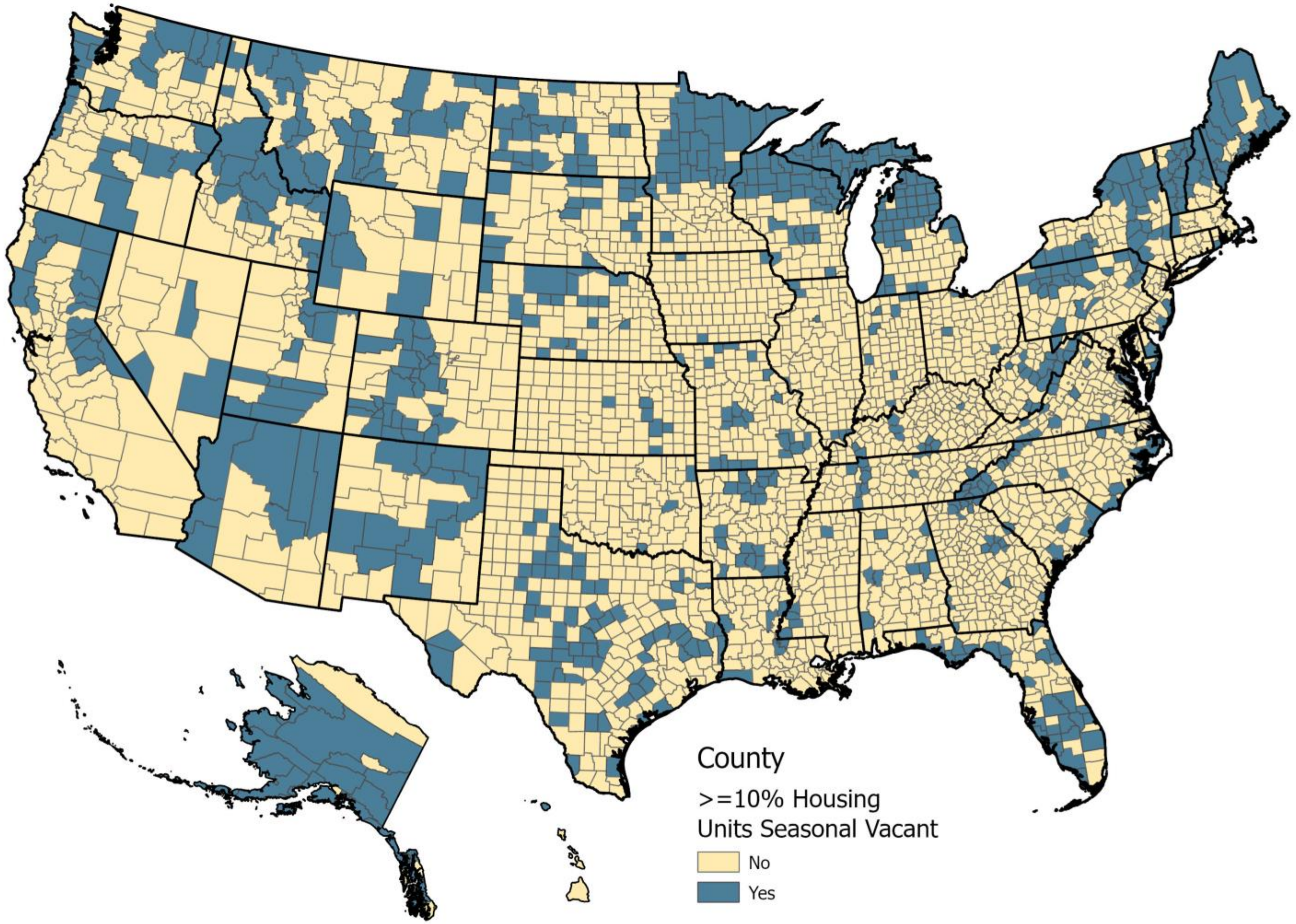


Unique Elements





Percent County Housing Stock Seasonally Vacant, ACS 2021

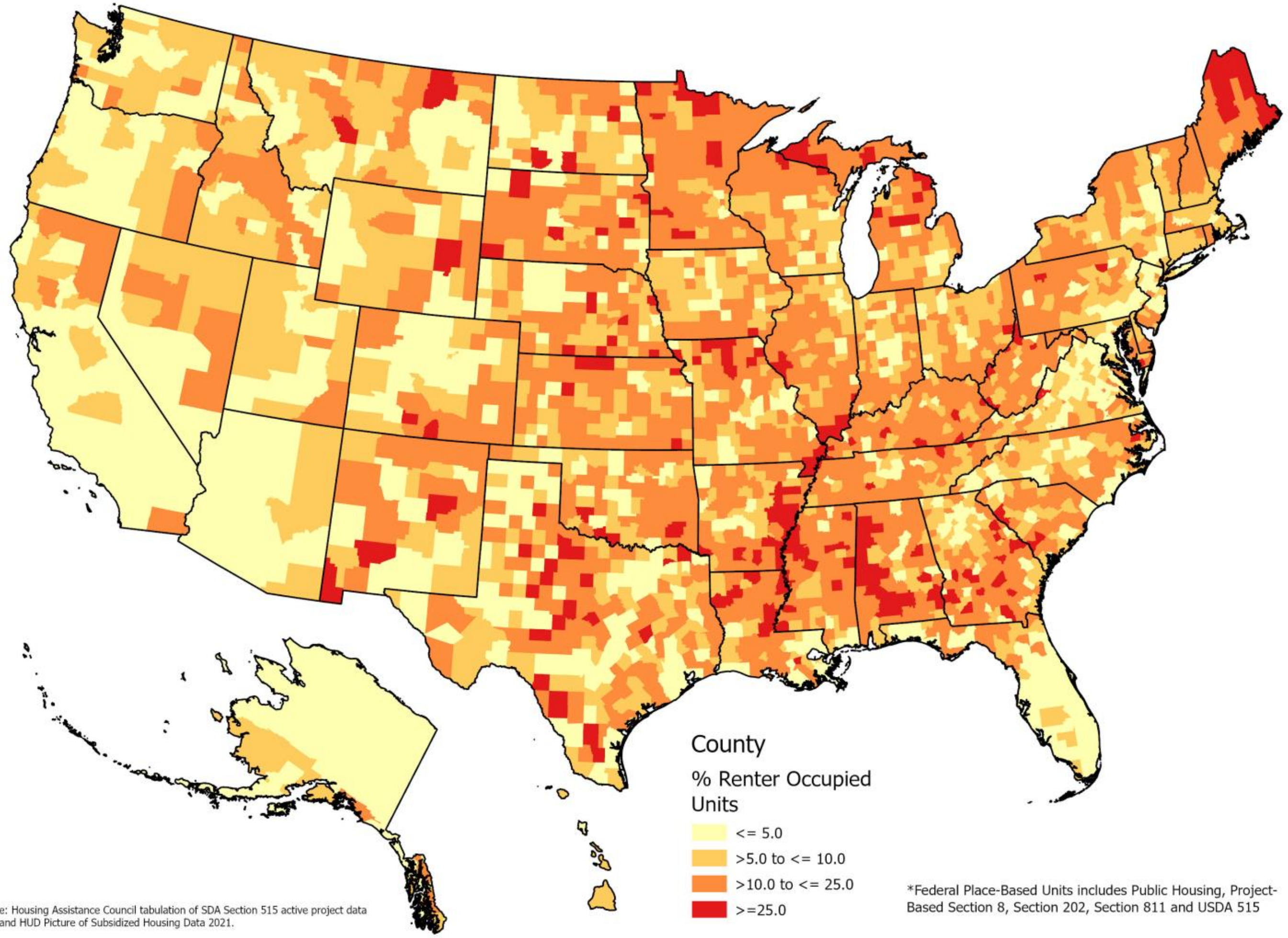


Source: Housing Assistance Council (HAC) tabulation of ACS 2021 5-year estimates.

Federal Government Assistance

Federal Program	Units
Low-Income Housing Tax Credits	292,466
Housing Choice Vouchers	285,416
Project-Based Section 8	211,749
Section 202/811	22,860

Select Federal Subsidized Units* as Share of Renter Occupied Units, ACS 2021



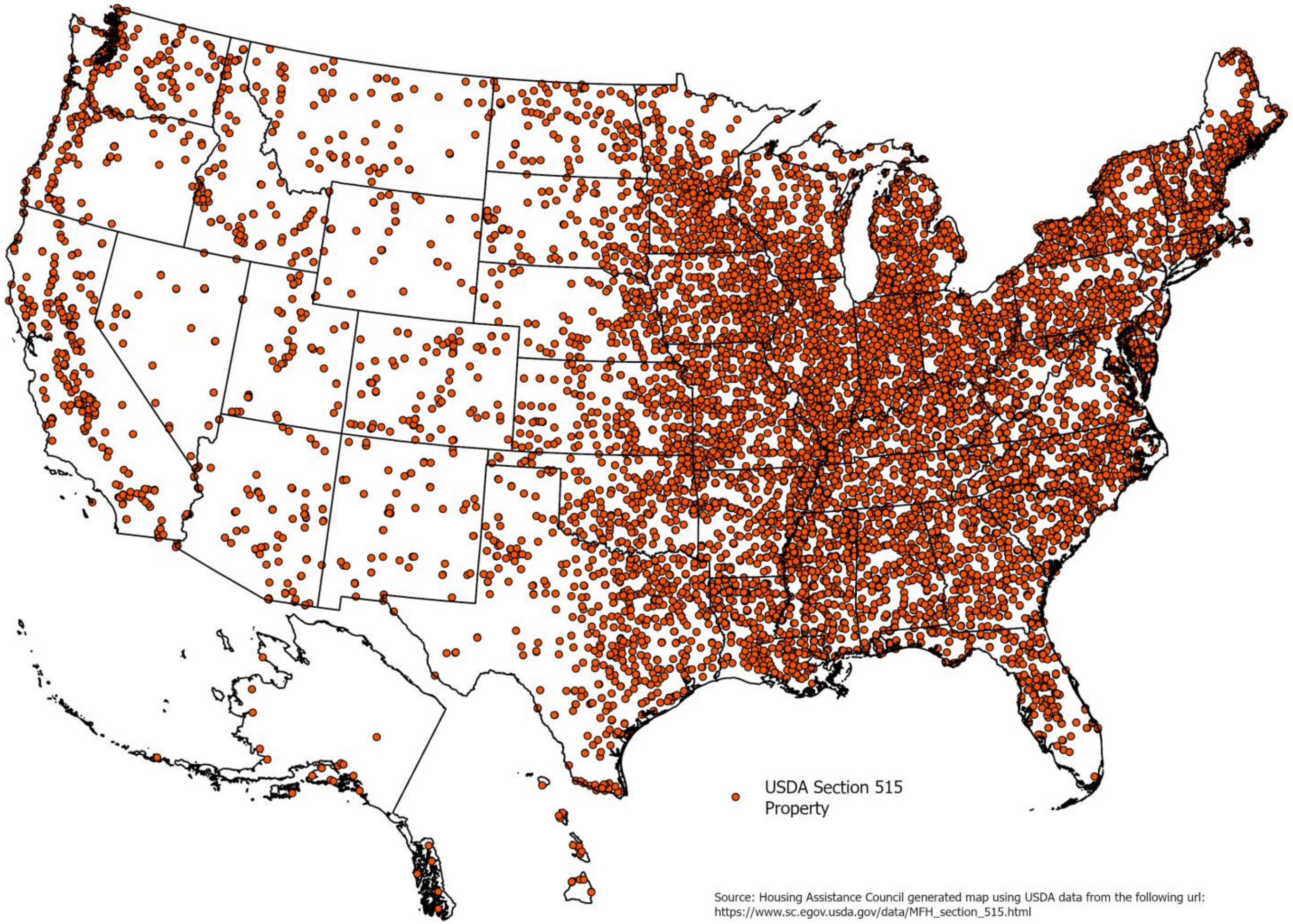
Source: Housing Assistance Council tabulation of SDA Section 515 active project data 2023 and HUD Picture of Subsidized Housing Data 2021.

*Federal Place-Based Units includes Public Housing, Project-Based Section 8, Section 202, Section 811 and USDA 515

USDA Section 515 Program Stats

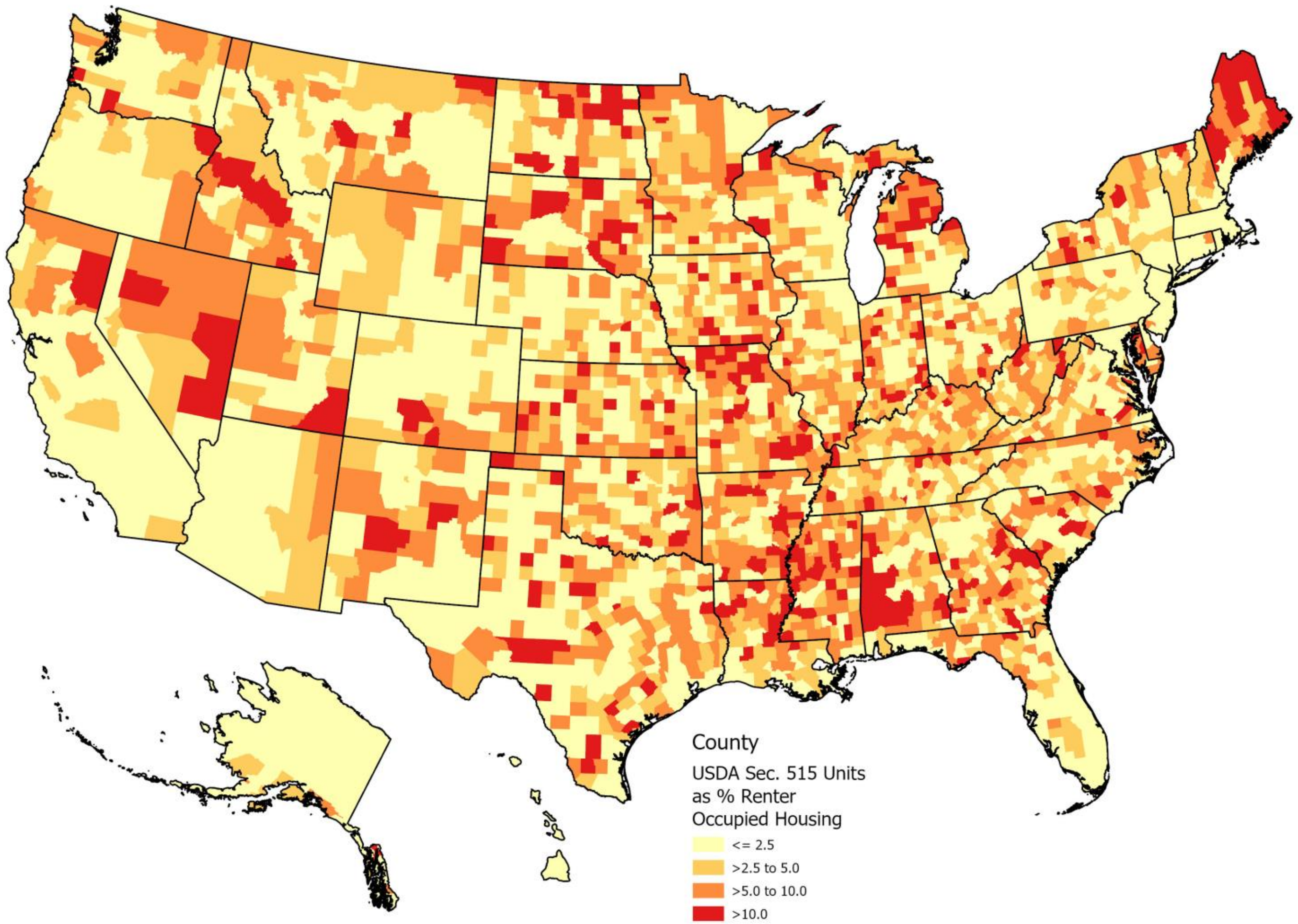
- 12,445 active properties containing 389,677 units
- At least one property in every state and Puerto Rico
- 85% of all counties have at least one active Section 515 property
- 73% of all active properties are in a rural census tracts

USDA Section 515 Active Properties, 9-2023



Source: Housing Assistance Council generated map using USDA data from the following url: https://www.sc.egov.usda.gov/data/MFH_section_515.html

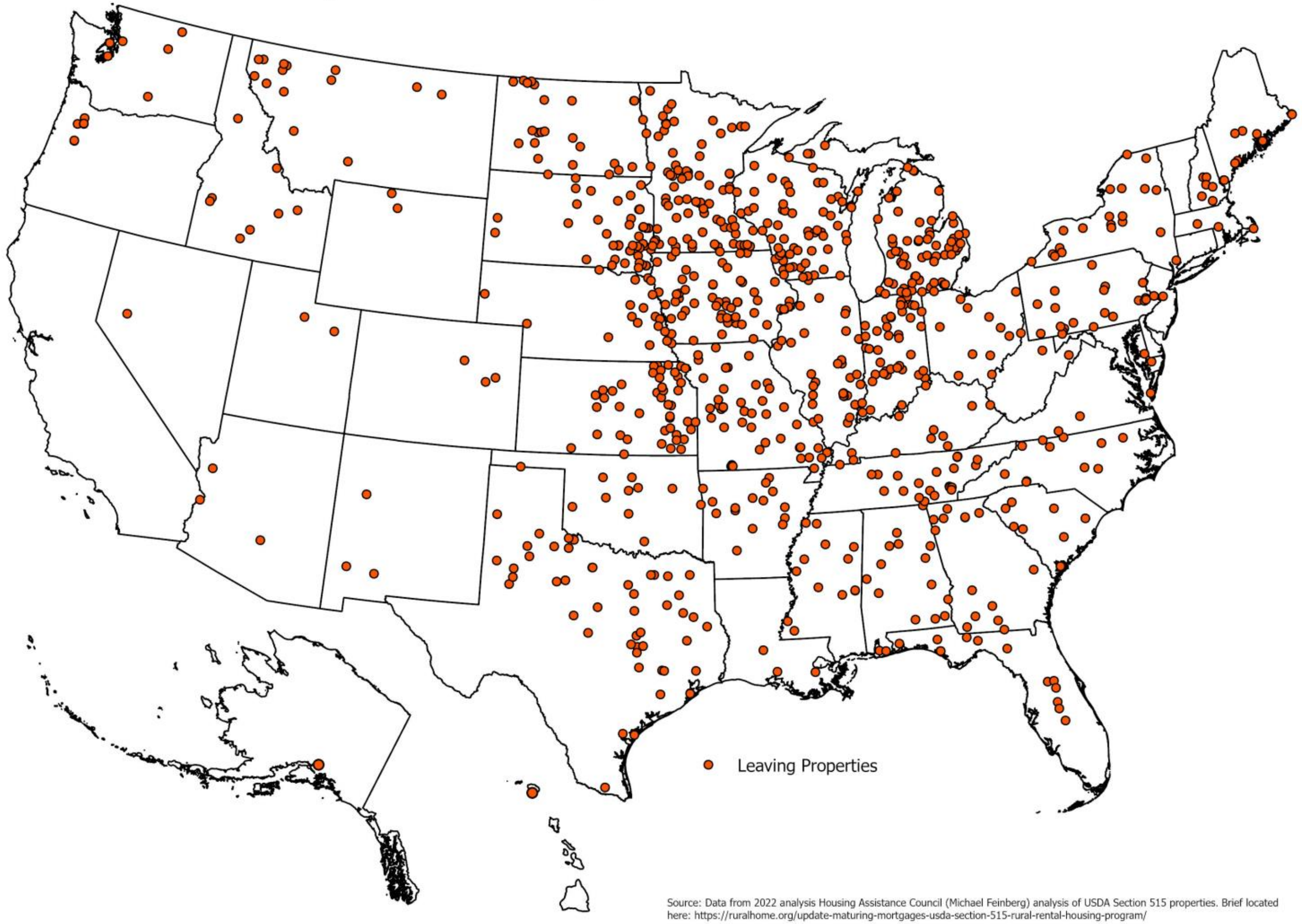
USDA Section 515 Units as a Percentage of County Occupied Renter Units



Risk – Section 515 Properties Maturing

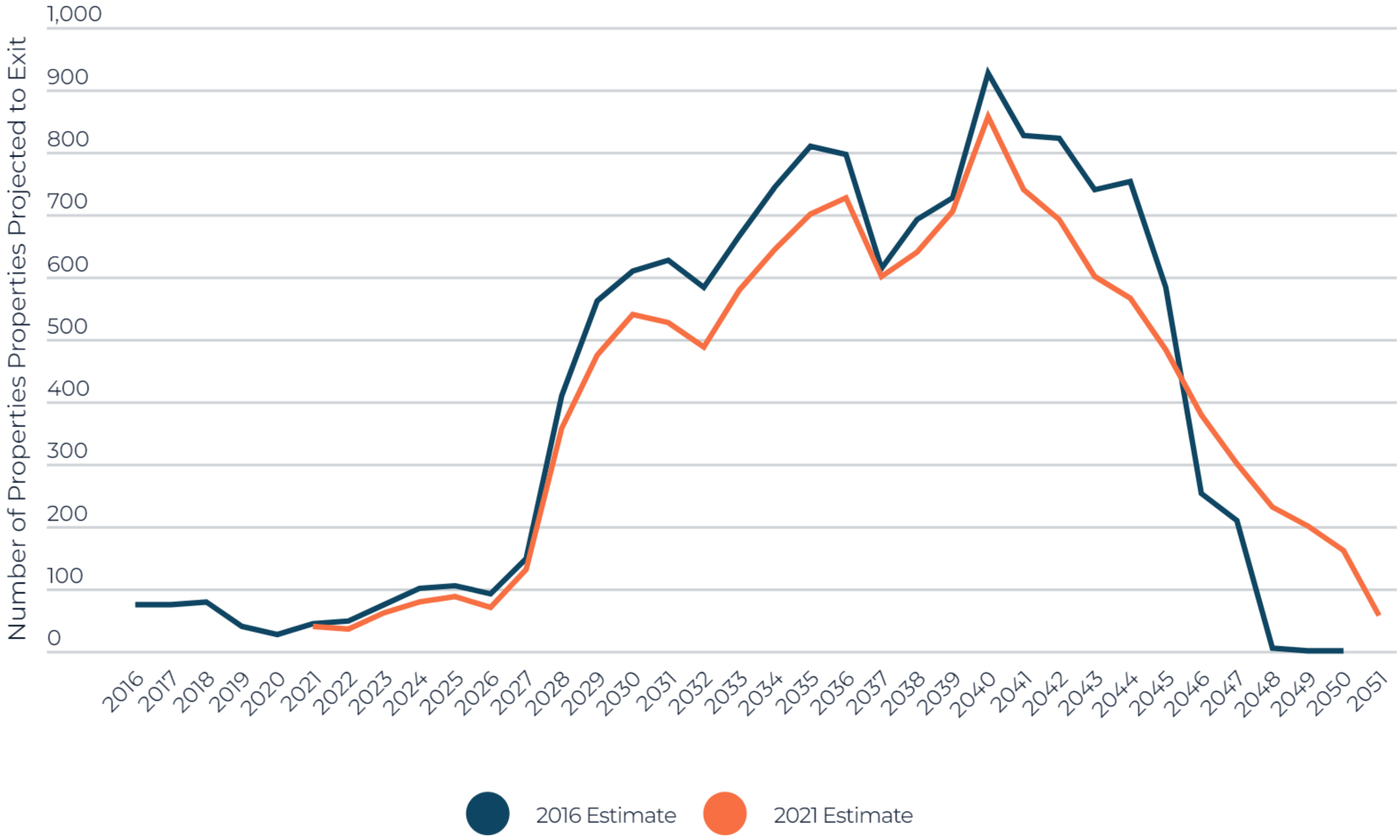
- Provides developers loans to purchase buildings or land to construct or renovate buildings
- 30-year loan terms with an effective 1 percent interest rate
- Once a loan reaches maturity, or, if eligible, has been prepaid, the owner can leave the program
- Losing these properties jeopardizes affordable housing options

USDA Section 515 Properties Exited Program 2016 to 2021



Source: Data from 2022 analysis Housing Assistance Council (Michael Feinberg) analysis of USDA Section 515 properties. Brief located here: https://ruralhome.org/update-maturing-mortgages-usda-section-515-rural-rental-housing-program/

Maturing Property Projections



Conclusion

- Rental Housing Overlooked, but Important
  - 25% of rural households, over 6 million units
  - Smaller and more in scale and more often manufactured homes
  - Similar affordability issue – elevated levels of cost-burden
  - Federal government assistance is important
  - USDA Section 515 program large role
  - USDA Section 515 program units at-risk, shows how relatively small changes can/could have big impact in rural communities.

Overview

Photo Credit: Noé Montes

- Background: United Lift Rental Assistance Program
- Evaluation Approach
- Key Findings
- Policy Recommendations

June 2020 to March 2021:
Riverside County funded United Lift with $33 million (funded by CARES).

March 2021- Present:
Program utilized ERA 1 and ERA 2 funding from the State and County’s direct allocation, authorized by the American Rescue Plan Act of 2021 and administered by the U.S. Treasury.

United Lift Rental Assistance Program

- Approved applicants received payments of up to 15 months of rental arrears and 3 months of future rent. The program distributed more than $300 million to over 35,000 households across Riverside County.
- Program prioritized households earning at or below 50% of AMI and applicants at immediate risk of homelessness.
    - First three months of program required more rigorous screening
- The evaluation included 39,853 applicants, but approximately 60,000 households applied to the program

Evaluation Approach: Tenant Survey and Interviews

- Online surveys were administered to 2,452 program applicants (December 2021 and April 2022)
- Primary objective was to understand how well the program was reaching its target households
- Online follow-up survey was administered (July 2022)
- Primary objective was to assess how their housing outcomes changed after receiving rental assistance
- Interviews conducted with 29 tenants (August 2022)
- Provided insight into decision-making, residential mobility, household budgeting, and overall benefits of the relief effort

Evaluation Approach: Landlord Survey and Interviews

Photo Credit: Noé Montes

Surveyed 338 landlords (December 2021)

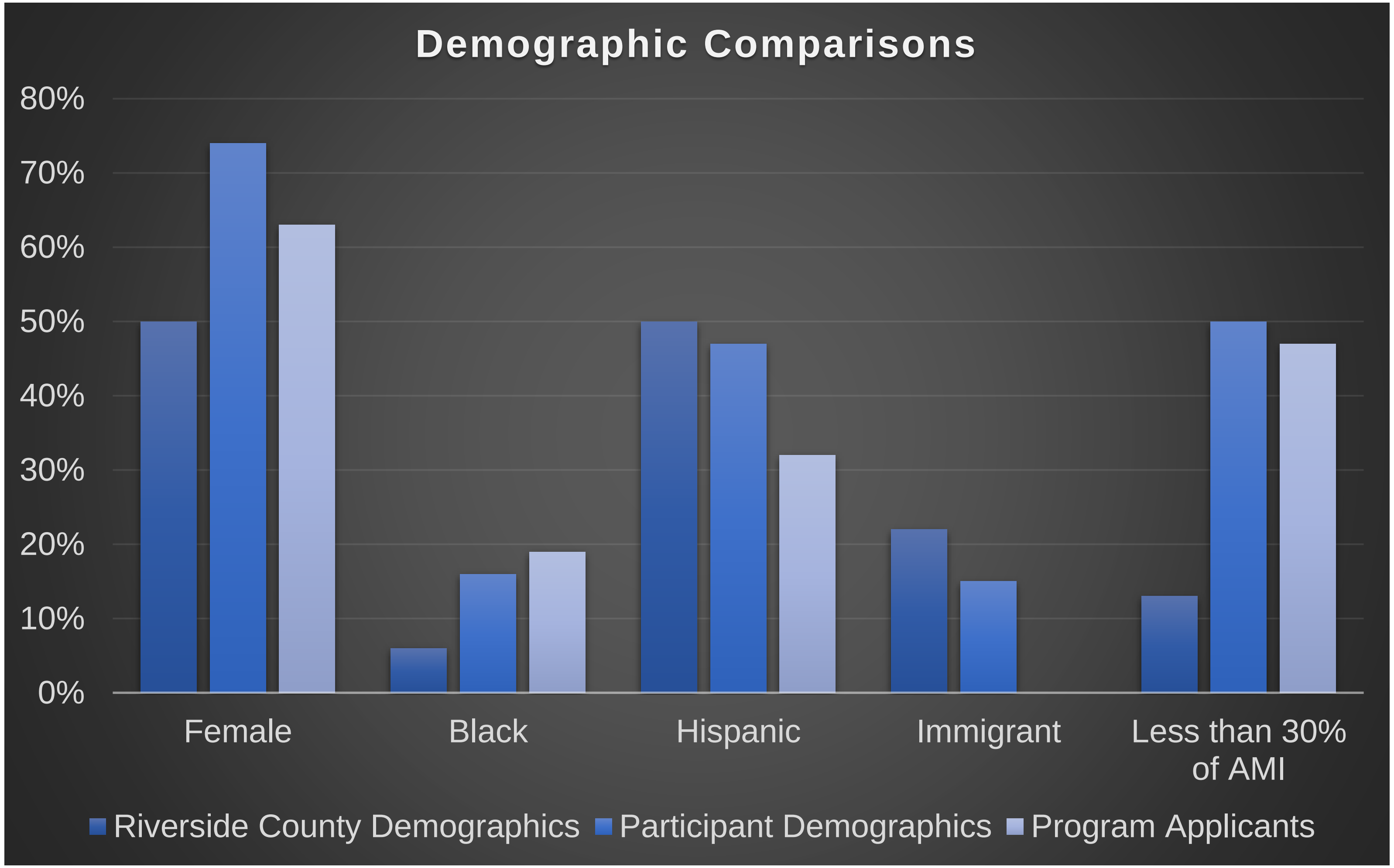
Assessed how the pandemic affected their ability to manage their properties

Interviewed 32 landlords (May 2022)

Assessed tenant-landlord relations

There was a strong, and disproportionate, need for a rental assistance program such as United Lift in Riverside County.

The United Lift program targeted specific populations in need of rental aid, and the data shows that the program was effective in doing so.



Key Findings: Tenants

- Reduced experiences of homelessness (5 pp lower)
- Reduced incidence of doubling up (1.67 pp lower)
- Mental health improved after receiving assistance
- People reported better physical health (6.35 pp higher)
- Fewer people cut back on food purchases to cover rent (52 vs. 42 percent)

Key Findings: Tenants

Receiving aid from United Lift acted as an adequate stopgap, providing salient benefits for renters.

When they say financial freedom, man, that really takes a weight off of you. My goal by the end of this year is to have financial freedom, to not have no weight of debt on me or thinking that I'm not going to be able to pay a certain bill or I don't have enough to do this, or I have to ask somebody for something because that stuff weighs you down, and it makes you feel like you're worthless because you can't even take care of yourself or your family.

Key Findings: Landlords

- The Riverside County rental market is majority small landlords (approximately 70% of sample).

- Large landlords enrolled in the United Lift program more than small landlords (35% of small landlords were unaware of the program. Only 2% of large landlords were unaware of the program).

- Existing challenges increased for landlords during the pandemic, with “tenant non-payment” increasing the most:
- 34% to 80% - Small landlords
- 41% to 79% - Large landlords

- While landlords valued the financial support they received, there were complaints about the time it took to approve applications.

I reached out to every single resident who owed money, and invited them in, and asked them to do a rental assistance application in my office, where they would have access to a computer and a scanner...because at the beginning they didn’t have mobile apps or websites set up, and it was very challenging for people to get the documents to the assistance agencies. There was a lot of back and forth

Additional Insights: Tenants

Photo Credit: Noé Montes

Tenants remain incredibly vulnerable to housing precarity.

- Must center accessibility and equity to ensure housing stability.
- Must increase outreach in specific geographic areas.

Additional Insights: Landlords

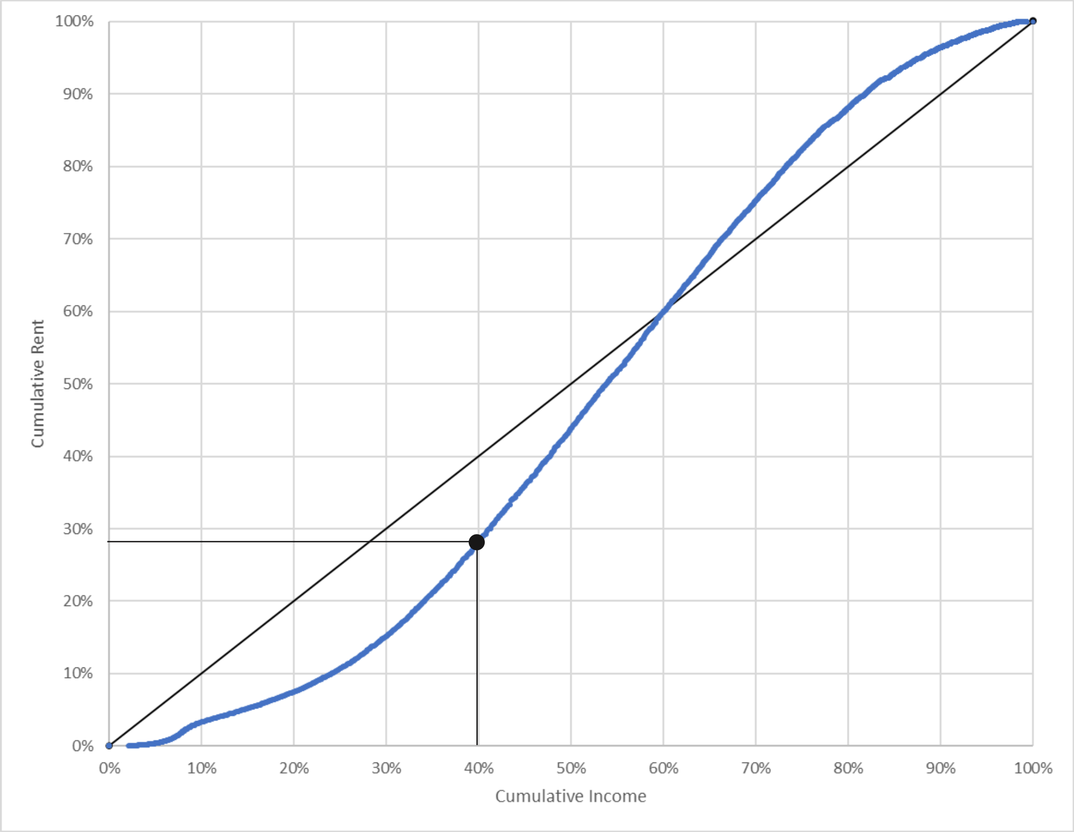
Photo Credit: Noé Montes

- Small landlords have an overwhelming desire to shake the negative connotations of the “landlord” label.
- There are huge disparities in program access for landlords depending on their portfolio size.
- Landlords have mixed perceptions on recent eviction moratoria and protections.

Policy Implications

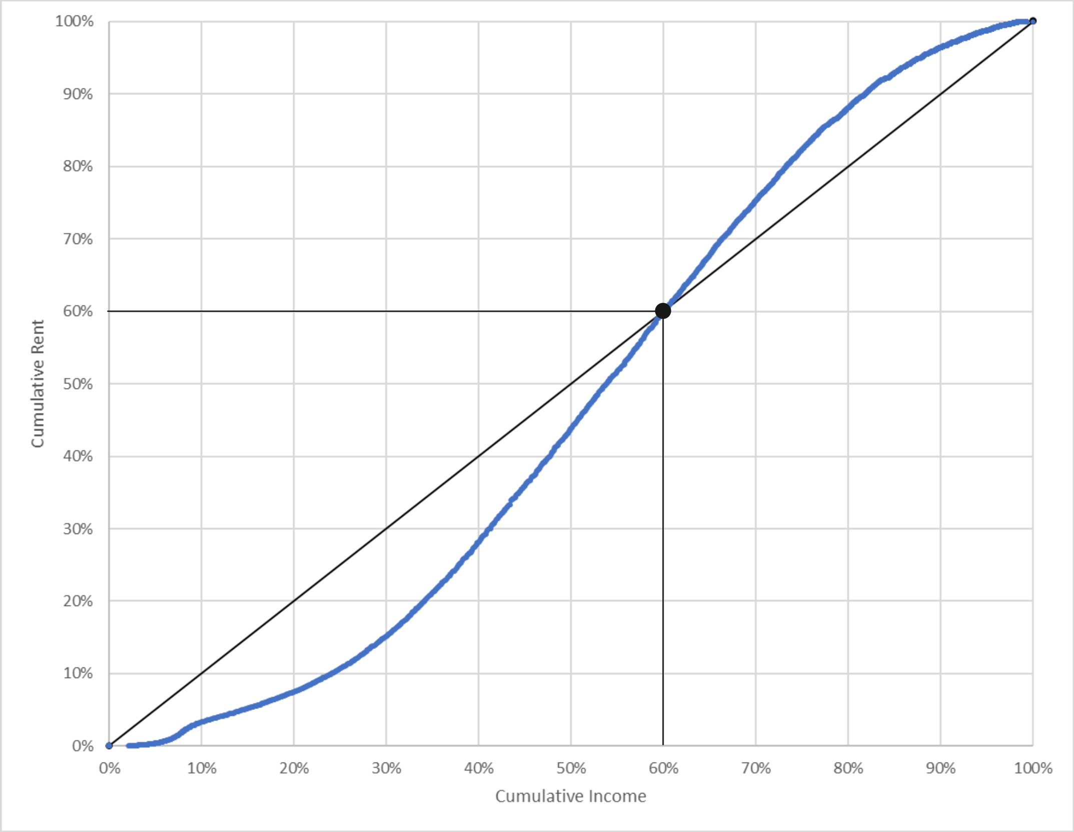
- Interventions for low-income renters at risk of eviction can be very effective
- Targeting/Screening raises administrative burdens for applicants and providers, but the populations served was nearly identical under the early and later regimes
  - Suggests rethinking how we deploy interventions for low-income households
- Many Landlords, because they own few properties, were just as likely to be confused by the public assistance programs as the tenants
  - Outreach to both landlords and tenants is essential to effective deployment of resources
  - The Riverside County program deployed over 80% of its resources during the pandemic period compared to less than 30% in many California Counties

Affordability Curve – Metro Areas Nationally



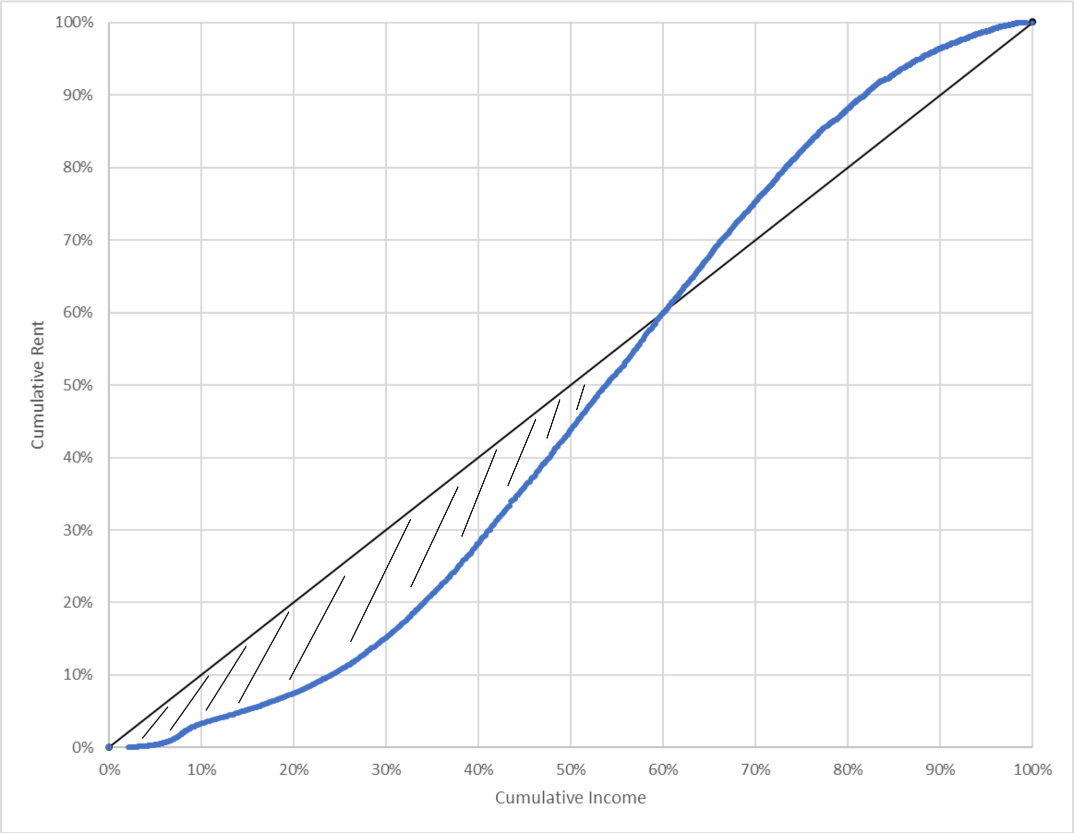
- Compares cumulative rent against cumulative income
- Black line represents complete parity (income and rent move in tandem)
- Blue line represents deviation from the parity line.
  - If there is a relative shortfall of affordable units at a particular income level, the blue line will be below the black line
- In this example, the household at the 40th percentile of income can afford roughly 28% of rental units
  - This equates to 46% of AMI

Intersection Point



- The point at which the Affordability Curve crosses the parity line provides one measure of affordability
- In general, the higher the intersection point, the less affordable the metro
- At all points to the left of the intersection point, there exists a shortage of affordable rental units
- Across all metro areas, the intersection point occurs at the 60th percentile of income and rent
  - This equates to 69% of AMI

Bottom Polygon



- The area under the parity line and above the Affordability Curve represents the severity of the affordable housing shortage for households to the left of the parity line
- In general, the larger the area between the curves, the worse the affordability is
- Across all metros, there is a housing shortage at the lower end of the income spectrum and a surplus at the higher end

Affordability Curve: Rural Extension

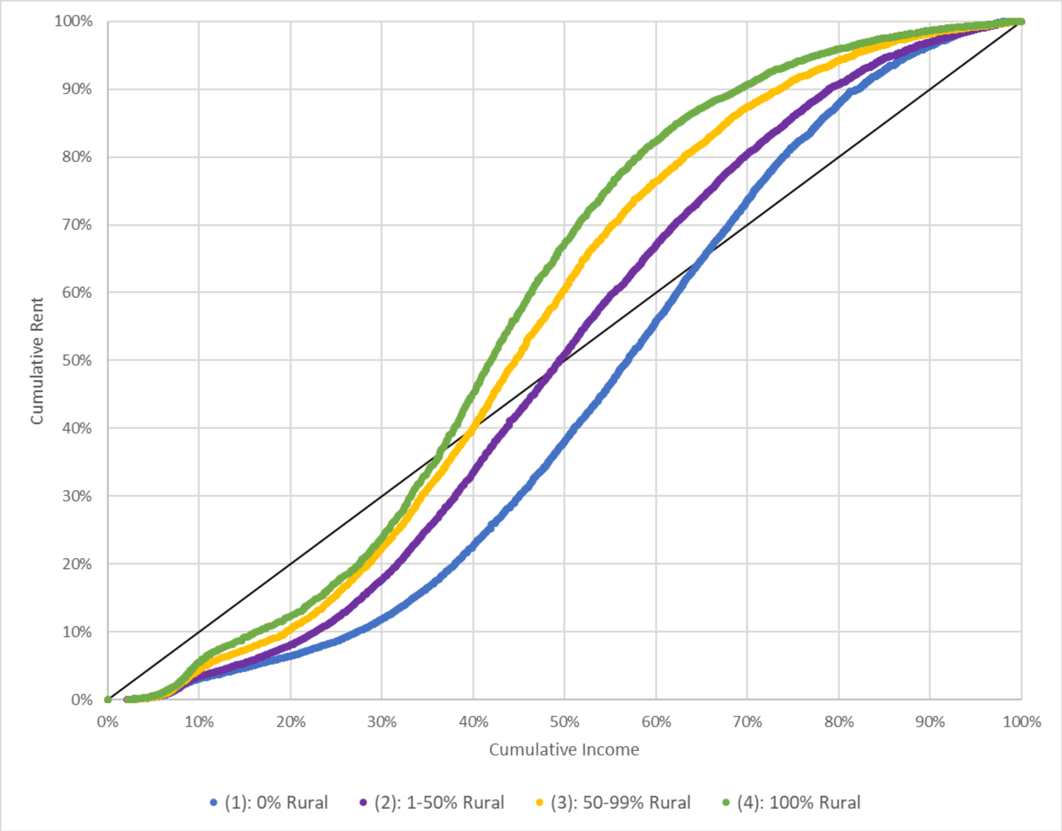
- We can extend the analysis to rural areas by using public use microdata areas (PUMAs)
- PUMAs are not commonly completely rural or nonrural, but we can group them based on rural composition
- There are 2,351 PUMAs in the country; 288 (12.3%) of them are completely rural* while 1,126 (47.9%) are completely nonrural

*(per FHFA's Duty to Serve definition)

Rural Composition Bucket	# of PUMAs	% of PUMAs
0%	1,126	47.9%
10%	322	13.7%
20%	152	6.5%
30%	103	4.4%
40%	62	2.6%
50%	72	3.1%
60%	60	2.6%
70%	36	1.5%
80%	37	1.6%
90%	36	1.5%
99%	57	2.4%
100%	288	12.3%

Final Buckets	# of PUMAs	% of PUMAs
(1): 0% Rural	1,126	47.9%
(2): 1-50% Rural	711	30.2%
(3): 50-99% Rural	226	9.6%
(4): 100% Rural	288	12.3%

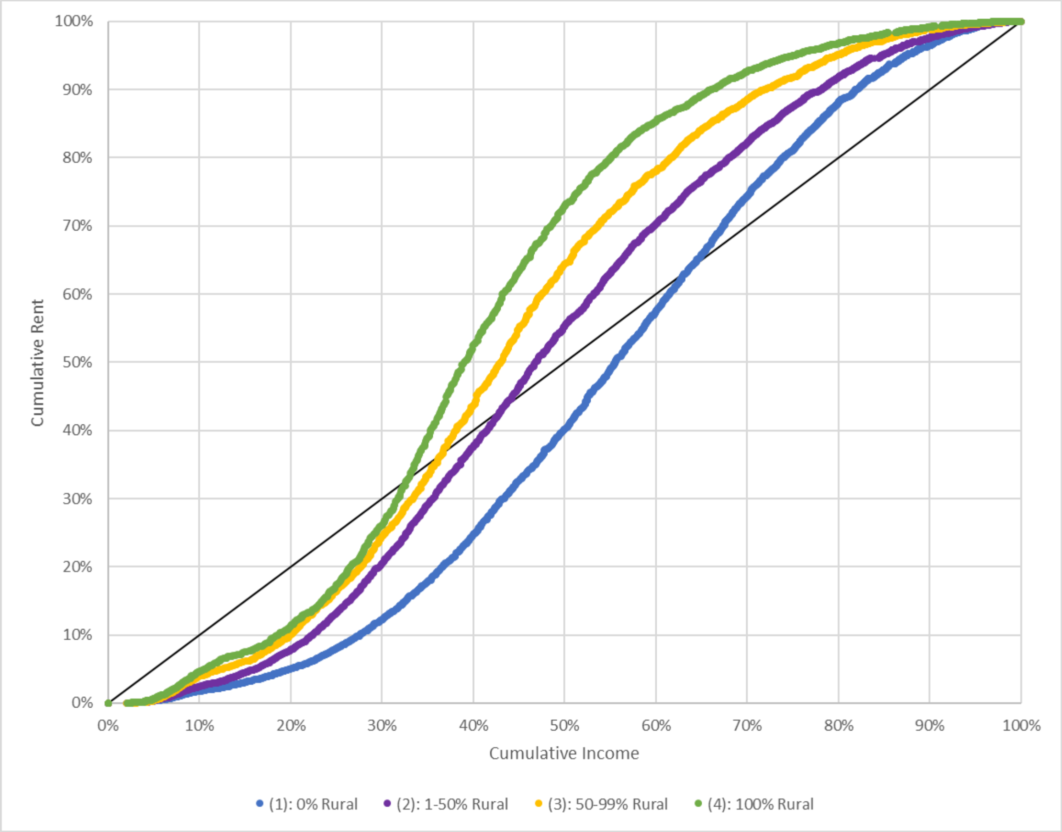
Affordability Curve – Rural Extension



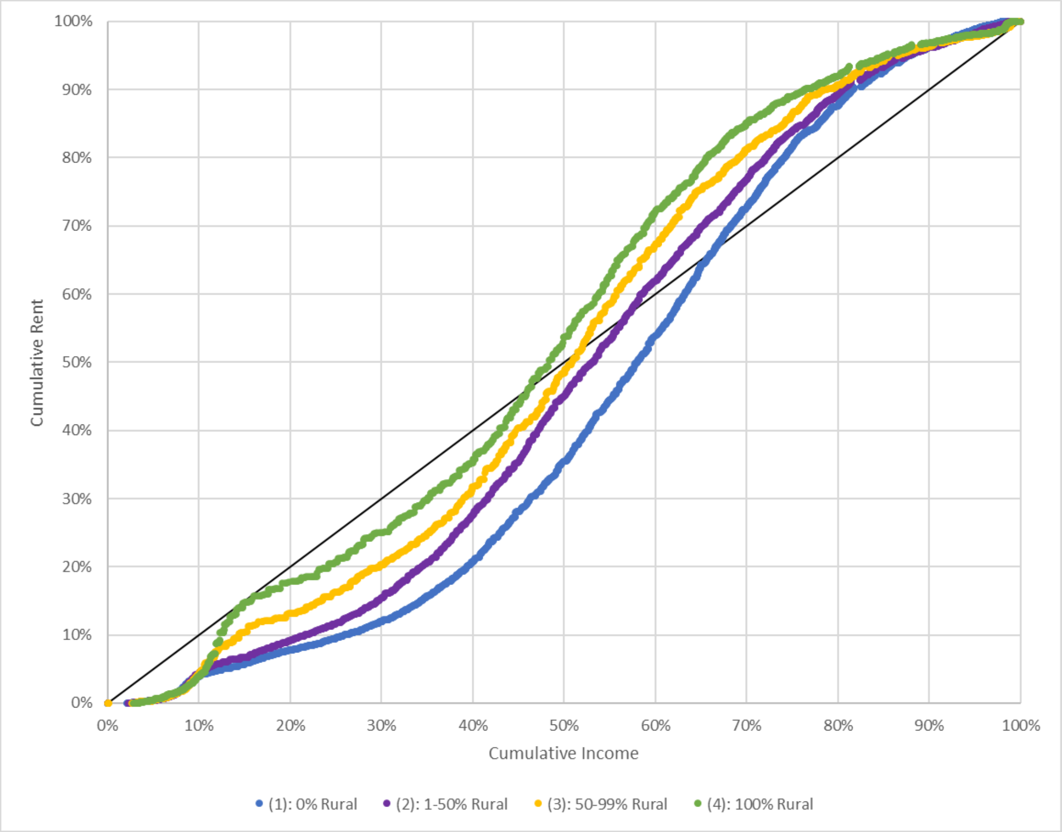
- Rural areas generally have less severe affordable housing shortages compared with non-rural areas
- The more rural the PUMA, the more affordable it tends to be
- Nationally, the intersection point represents 69% of AMI
  - For completely rural areas, the average is 51% of AMI
  - For completely nonrural areas, the average is 79% of AMI

Rental Units by Building Type

Single-Family



Multifamily



Explanation for Rural Differences

- Rents in rural areas are materially lower than in nonrural areas. Potential explanations for lower rural rents could include:
  - Older units
  - Higher rate of subsidization
  - Lower area median income (natural ceiling on rents)
  - Less access to broadband and internet services

- Despite lower rents and generally better affordability, rural rentals still tend to be:
  - Larger in size (number of bedrooms)
  - Occupied by households with fewer income earners

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Thank You