

THE DESERT SUN

As the government shutdown continues, would-be homeowners are stuck waiting on USDA aid

January 15, 2019

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Add this to the local toll of the federal shutdown: Trying times for homebuyers looking to use federal housing assistance from the Department of Agriculture.

USDA is better known for programs like the Supplemental Nutrition Assistance Program, called SNAP or, more colloquially, food stamps, and assistance to farmers. But the agency also provides rural housing assistance – 130,000 home loans, loan guarantees and grants across the country worth \$18.4 billion in 2018. The programs fund things like new home construction, home repairs and rental assistance. Some families use USDA money to build their own houses.

A survey of real estate agents conducted by The National Association of Realtors last week found delays caused by USDA loans were the second-most-common reason cited for all real estate deals that have been thrown into jeopardy because of what has become the longest government shutdown in U.S. history, second only to buyers who pulled out of deals because of “general economic uncertainty.”

And in California, two affordable housing nonprofits – including one in the Coachella Valley – say the delayed aid is leaving the people that benefit from USDA funding in a bind. Some families are unable to start construction on their homes. Other families are uncertain how much they’ll owe in mortgage payments. And the nonprofits themselves are worried they’ll have to dig into their own pockets to pay contractors like plumbers.

Gideon Anders, a senior attorney with the National Housing Law Project, an advocacy group, sees one basic issue at the heart of it all: People seeking to use USDA funding have been left in the dark.



Houses built under a Coachella Valley Housing Coalition program where homeowners built their own house.

“The most major problem is that USDA has put up absolutely nothing to inform people as to what’s happening in their programs,” Anders said. “People are totally at a loss.”

And David Lipsetz, CEO of the Washington, D.C.-based Housing Assistance Council, a nonprofit that provides training and loans to affordable home developers in rural areas, said the effects could go well beyond the direct recipients of housing assistance.

“As we watch the budget stalemate continue, the impact on rural communities and small towns is becoming more severe,” Lipsetz said.

One of the USDA funding sources in limbo is Section 502, which provides or guarantees home loans. To qualify for direct loans, recipients have to meet income requirements and live in rural communities of fewer than 35,000 residents.

Billions of dollars are at stake. In the 2018 fiscal year, the Section 502 program, which includes loans guaranteed by the USDA and direct loans from the USDA, provided 115,000 loan guarantees worth \$16.8 billion and 7,200 loans worth \$1.1 billion, according to an analysis of USDA data by the Housing Assistance Council.

California was a major recipient. It bagged \$151 million for 678 direct loans in 2018, more than any other state, and \$370 million for 1,750 loan guarantees.

The 502 program is one source of financing the Indio-based Coachella Valley Housing Coalition has used to help 2,000 homeowners build their own homes in Riverside and Imperial counties since 1987. USDA has awarded the nonprofit \$30 million since 2005.

Families can wait years to be chosen for the loan assistance. But Javier Lopez, a CVHC spokesperson, said some families lucky enough to be approved by USDA can't start construction because they haven't closed their loans with USDA.

Similarly, Lopez said, the USDA isn't processing pending loan applications. For both groups of would-be homeowners, the paperwork has a 90-day expiration period.

And if the shutdown lasts through the end of February, the applicants and CVHC would have to redo their financial information from scratch, doubling the workload for both.

A Northern California housing nonprofit that also uses USDA funding is experiencing similar problems as it works with 18 families waiting to close USDA loans.

“They've gone through an arduous process. It's frustrating,” said Tom Collishaw, president and CEO of Self-Help Enterprises. The nonprofit's staff has supervised the construction of 6,300 homes built in the San Joaquin Valley using USDA funds.

Collishaw said his organization has 70 homes under construction. The nonprofit needs to pay contractors and subcontractors \$700,000 by the end of the month. Otherwise, the contractors – many of them mom and pop operations that need to be paid on time – could put liens on the families' properties.

“We're not there yet, but if this thing is prolonged, if we go into February, there's going to be a lot of anxiety around that kind of an issue,” Collishaw said.



A child plays outside a house in Coachella built under a Coachella Valley Housing Coalition program where homeowners build their own houses on December 21, 2015.

For CVHC, lack of federal funding is also a fear for the 63 families in the process of building their homes. Anticipating a shutdown, the nonprofit took out \$143,845 from USDA funds in December, money the families needed to purchase building material and hire contractors. CVHC has already spent the funds.

Even families that have finished building homes face some risks. The families have to recertify – that is, prove – their incomes with USDA every year, a process that allows USDA to calculate their mortgage payments. CVHC has fielded more than a dozen calls from borrowers concerned because they don't know how much they will owe monthly since they haven't been able to reach USDA. If they can't recertify, Lopez said the homeowners could have to pony up the maximum monthly payment instead, as much as \$1,200 a month.

Depending on how long the shutdown lasts, both Collishaw and Lopez said their nonprofits could be forced to borrow money or pay out of pocket in order to make up the difference in funding not available through the USDA and other federal sources.

Anders, the attorney with the National Housing Law Project, suggested homeowners turn to lawyers for advice.

“Literally, I would urge them to go to a local legal services program,” he said.