

{As prepared for delivery}

National Rural Housing Conference

Washington, D.C.

Thursday, December 2, 2010

8:30 a.m.

Remarks for

USDA Rural Development Under Secretary

Dallas Tonsager

Introduction

Good morning and thank you for the kind introduction and the invitation to be with you today.

Today, more than ever, the work each of you is doing to help revitalize and rebuild rural America is vital to our nation's economic recovery. I have had the privilege to see firsthand the difference you are making in your communities, your state and our nation as a whole.

Many of you are familiar with USDA Rural Development; some of you even worked for our predecessor agency, the Farmers Home Administration (Bill Simpson (National Rural Water Association), Eileen Fitzgerald (NeighborWorks America) and the late Art Collings (Housing Assistance Council) who passed in March of this year. We have spent the last two years carrying on your tradition of compassion and dedication toward making positive impacts on the lives of those we serve through 40 rural development programs. The last two years have been especially significant for Rural Development.

Let me start with housing.

America's Housing

I don't have to tell you how important the work is that each of you does to help bring affordable, decent housing opportunities to rural citizens.

As you know, USDA Rural Development has been working with nonprofits, the private sector, local government, state leaders and housing industry players for more than seven decades to increase homeownership, improve rural housing, but also to improve the quality of life across the economic spectrum for rural citizens. And we remain more committed than ever to these important goals and ideals.

And it goes without saying that President Obama feels the same way. After all, we in rural Development and USDA work for him, seeking to implement his vision for rural economic prosperity and his dream of a stronger, more vibrant revitalized rural America. I am honored to serve as Under Secretary for USDA Rural Development (RD), an agency that has the capacity to build rural communities from the ground up.

The Department's goal, to ensure that rural areas are creating wealth, self-sustaining, repopulating, and thriving economically, is especially critical in the aftermath of the economic downturn. Recovery Act funding has leveraged our programs, allowing us to make unprecedented and lasting investments in rural America to pave the way for increased economic growth and productivity for years to come.

The Obama administration has been focused on these objectives since Day One. This conference is taking place at an excellent time as the President and the new Congress begin to lay the foundation for more progress, sustained progress for rural areas, and indeed the entire nation.

But before we get too focused on moving ahead, it is important to look at what the President and Rural Development have done over the past two years since the Administration took office.

And of course, we begin with the American Recovery and Reinvestment Act, commonly known as the Stimulus Act. Here are some highlights of Rural Development's programs and their far-reaching impact under this milestone legislation.

Affordable Housing

RD's Rural Housing Service (RHS) works to eliminate substandard housing from rural America by helping rural people buy, build, or rent affordable housing.

In a typical year, RHS enables 40,000 to 50,000 rural Americans to buy homes and assist 450,000 low-income rural people rent apartments or other housing.

Through the Recovery Act, RHS's Single Family Housing program provided more than \$1.4 billion in low-interest direct home loans and over \$10 billion for home loan guarantees. This funding enabled an additional 92,884 rural families to realize the American dream of homeownership by providing 100 percent financing for home purchases.

Consider how our implementation of the Recovery Act is transforming lives by offering the many benefits of homeownership in the following examples:

“A Mailbox in Vermont”

Christoph Zuppinger was excited about his new mailbox – which incidentally happened to be at the end of the driveway to his new home in Chester, VT.

“I never had a mailbox before,” he said. “I always had a post office box. Zuppinger, 44, a self-employed carpenter, and his wife Karen Zuppinger, 45, a freelance writer, have become first time home (and mailbox) owners through a USDA Rural Housing program, bolstered with American Recovery and Reinvestment Act dollars.

The Zuppingers started looking into home loans in 2004 and quickly found their unorthodox credit history was a problem. Specifically, they had never borrowed money before and had no debt. What a concept!

A native of Switzerland, Christoph was taught to spend what you have, and did not believe in debt. Unfortunately, their fiscal frugality left the

couple without a credit score. So they bought a car to establish one – only to find out they needed to pay it off for a better debt to income ratio to qualify for a USDA loan. Their hard work was finally rewarded last fall when the couple was able to purchase their home with a USDA Rural Development Single Family Housing Direct Loan. Their mortgage turned out to be the same price as they paid for rent – but they are now happily acquiring equity for the future.

“Missouri Mom and Family Obtain a Place to Call Their Own”

Amy Beery wanted to provide a decent, stable environment to raise her two small children, but she was unable to obtain financing through conventional means. After several months of trying to get financing from various lenders, a friend recommended that Beery contact the local Rural Development office in St. Joseph, Mo.

Rural Development staff helped her find an appealing low maintenance townhome, and they walked her through the entire home-buying process, from helping her with submitting her application for financing to closing on her first home loan through Rural Development’s Single Family Housing Direct Loan program, with funding made available by the Recovery Act.

Beery and her family now have a comfortable place to call home. They have a source of stability and a place to create lasting memories. She is excited about the opportunity to raise her children in a wonderful community with highly rated schools.

These are just two examples but they are representative of how the Recovery Act is helping rural citizens enjoy the blessings and benefits of owning a home.

Funding Available for Multi-Family Housing Rehabilitation Loans to Improve the Quality of Housing in Rural America

Let me take a moment now to shift gears a bit from the Recovery Act, to a demonstration program focused on preserving and rehabilitating existing multi-family and farm labor housing. Preserving our existing multi-family and farm labor housing stock is critical to rural communities. It is in many instances the only available housing for elderly and persons with disabilities and those who are critical to successful agricultural production. We are committed to working with multi-family and farm labor housing borrowers to ensure we maintain a quality housing option for those who are not able to own their own home.

I recently announced we have made available more than \$14 million to fund low-interest loans to finance repairs to multi-family and farm labor housing properties. The Preservation Revolving Loan Funds will help preserve much needed housing by creating a funding mechanism for eligible non-profit and public entities to gain access to capital to re-lend to organizations with existing Rural Development Multi-Family or Farm Labor Housing loans. Priority will be given to entities that have equal or greater matching funds from third parties, and entities with experience administering revolving loan funds and preserving multi-family housing.

In many cases, these funds will allow for improvements to be made that will reduce energy costs and improve energy efficiencies.

Additionally, in an effort to promote sustainable building development, energy-efficiency and conservation, USDA Rural Development adopted earlier this year a goal that all new multi-family housing projects that are to be financed in whole or in part by USDA will achieve net zero energy consumption – consuming no more energy than it produces.

We are committed to finding ways to support the multi-family housing community in maintaining a quality housing stock for rural residents in

need of housing and doing so with a focus on improving energy efficiencies.

Building Essential Community Facilities

With more than \$1.39 billion in Recovery Act funding, the RHS Community Facilities program helped to build or improve those essential facilities that anchor our rural communities, such as schools, libraries, child care centers, hospitals, medical clinics, police, fire and rescue stations, and public buildings. These construction and restoration projects enhanced public safety and improved access to health care and educational opportunities for rural communities across the country.

Revitalizing Critical Rural Infrastructure

RD's Rural Utilities Service (RUS) works to build and enhance rural infrastructure systems to deliver: Affordable and high-quality electric service, water, wastewater improvements, telecommunications services, including broadband, to rural Americans.

RD Technical Assistance and Training Grants for Rural Waste Systems

Purpose: To make grants to non-profit organizations to provide technical assistance and/or training to associations on a wide range of issues relating to delivery of water and waste disposal service. These associations are located in rural areas or cities and towns with a population of 10,000 or less.

Grants may be made to private non-profit corporations that have been granted tax exempt status by the Internal Revenue Service. Applicants must also have the proven ability, background, experience, legal authority, and actual capacity to provide technical assistance and/or training on a regional basis to associations. Grant assistance is available to qualified applicants to identify and evaluate solutions to water and waste disposal problems, to improve operation and maintenance of existing water and waste disposal facilities and to assist associations in preparing applications for water and waste disposal facilities in rural communities.

RUS's Water and Waste Disposal program invested more than \$3.27 billion in Recovery Act funding to replace aging, and oftentimes unsafe, water pipes and tanks, and provided improved access to clean drinking water and sanitary waste treatment facilities to more than 1.7 million rural residents.

Sanitary Sewer System Brings Hope to Arizona Colonia Community

Recovery Act funding from Rural Development's Water and Waste Disposal Program will bring an end to the persistent sewage problems that have plagued the community for Avenue B & C Colonia residents in Yuma County, Ariz., which is a community of about 1,000 homes, consisting of mostly trailers and modest houses. A stable neighborhood since the early 1900s, residents have worked for years to get help in fixing the chronic sewage problems (caused by failing septic systems and homemade cesspools).

Rural Development worked with Yuma County to bring together various funding partnerships that made the \$23 million project a reality. More than \$16 million in Recovery Act grant funds and \$2 million in loans were committed to this project. This project will connect all residents to a nearby municipal treatment system. The community will abandon individual septic systems and cesspools, reduce contamination of the groundwater table from failing septic systems, improve public health and safety, and improve the environment because of proximity to the Colorado River.

RUS's Broadband Initiatives Program invested \$3.5 billion in Recovery Act funding to expand access to high-speed broadband service in rural communities, strengthening competition and linking rural businesses to national and global markets.

Providing Jobs and Access to Capital. Our Rural Business Cooperative Service (RBS) has over 80 years of experience working with the cooperative sector. RBS's Business and Industry Guaranteed Loan program provided \$1.6 billion in Recovery Act funding to ensure that rural businesses could contribute to local economies by expanding operations and creating jobs. The Recovery Act allowed the Rural Business Enterprise Grant program to invest \$19.4 million in rural business creation and assistance. RBS also financed renewable energy initiatives, such as biofuels and solar power projects, which ensure that our rural communities are pushing forward and in more energy-efficient cost effective ways.

With Rural Development's loans, grants, and loan-grant combination financing for new and existing programs, we have leveraged our Recovery Act funds to ensure the greatest bang for the taxpayer's buck. Our Rural Development employees across the country went above and beyond their regular scope of duties to quickly deploy these Federal dollars expeditiously and responsibly and I am proud of what we have

accomplished over the last 2 years towards building livable, innovative, and sustainable rural communities.

Now, when you put it all together, it just reinforces what I said earlier: RD can literally build a community from the ground up!

“Recovery through Retrofit Initiative” Partnership with DOE to Boost Home Energy Efficiency in Rural America

As you know, owning a home can be expensive. You only need look at your monthly utility bills for a confirmation of how expensive it can be, especially during unseasonably warm summers or cold winters. Helping to reduce energy consumption is a key goal for the Administration.

On November 9, Secretary Vilsack announced a partnership with the U.S. Department of Energy to help rural homeowners lower energy costs by making cost-effective improvements to their homes. Named the Rural Economic Development Energy Efficiency (REDEE) effort, the USDA-DOE partnership is part of a government-wide "Recovery Through Retrofit" initiative announced by Vice President Biden.

This new effort is designed to expand green jobs opportunities and boost energy savings by improving home energy efficiency. At Rural Development, we have programs that support energy efficiency for housing, businesses, farms and utilities. Often the upfront costs of energy improvements stop homeowners from investing in cost-effective energy upgrades. To help them, USDA Rural Development is promoting REDEE, which combines the efforts and funding of the Rural Development's Utilities, Housing and Business program areas.

REDEE (Rural Economic Development Energy Efficiency) will focus on stimulating the energy efficiency improvement markets in rural America with the tools created by the "Recovery Through Retrofit" effort. REDEE also builds upon the work that Rural Development has done in providing funding and support for improving the energy efficiency of single and multi-family housing, businesses, farms, and utilities.

The Obama Administration will continue to support the growing home energy improvement market through interagency collaboration and by leveraging existing resources.

It's a strategy to encourage Americans to retrofit their homes to make them more energy efficient.

Background

The nearly 130 million homes in this country are responsible for more than 20 percent of our nation's carbon dioxide emissions, but through energy efficiency home improvements, retrofitting techniques and technologies, we can reduce energy use by up to 40 percent and lower home greenhouse gas emissions by up to 160 million metric tons annually by 2020.

Improvements could save up to \$21 billion each year. The ultimate goals are to create good green jobs, reduce energy bills and boost the American economy.

Existing Programs

How does rural America fit into the Retrofit plan? As you heard earlier, we already have programs and authorities through the Rural Utilities Service (RUS). We have direct loans for efficiency initiatives through the Electric Loan Program.

We provide opportunities for customers to reduce demand through installing energy conservation measures. We also have High Energy Cost Grants to improve energy generation, transmission and distribution facilities in communities with home energy costs exceeding 275% of the

national average. NOTE: Secretary Vilsack is expected to announce recipients for more than 12 million in funding for High Energy Cost Grants during the week of Nov 22, 2010.

An electric cooperative in Alabama was awarded a \$1 million High Energy Cost Grant to assist low income home owners with energy efficiency improvements. They've upgraded more than 125 mobile homes and in many cases reduced energy bills in half. That cooperative was just recently awarded a second grant to continue their successful efforts and two other cooperatives in Kentucky and Georgia have been awarded grants for this purpose.

"On-bill financing" is also a great initial step. Electric cooperatives create an incentive program to provide interest-free financing options for commercial and taxpayer-funded customers through their utility bills. It's a no debt obligation for customers to retrofit their homes because it's based on future energy savings.

Think about how you can be involved.

We can do more with home energy efficiency through the rural electric cooperative community than other partnerships we have because they're uniquely spread throughout the country and vary widely in size.

Conclusion

Throughout the USDA Rural Development portfolio, as I mentioned, we have over 40 programs. I just highlighted a few. Our array of housing and economic development programs, through collaboration with your organizations and programs, can position rural America for greater success.

We look forward to working with you and continuing our long and fruitful partnership and collaboration with the Housing Assistance Council and its partners and affiliates.

Today's conference is just the type of collaboration we need to create a stronger, revitalized rural America.

Rural Development is here to help and our state and field offices should be great resources for you. We've got nearly 500 of them, so I hope you'll get to know your local USDA Rural Development staff as we move the nation forward.

USDA Rural Development Web site

Please visit our Web site (www.rurdev.usda.gov)

Thank you. I'll be happy to take questions.