

Remarks by Paul Rechlin to
Mike Johanns, Secretary, Department of Agriculture
In Minot, ND, on July 26, 2005

Mr. Secretary, my name is Paul Rechlin, and I'm executive director of a 10-county mostly rural Economic Development District, and executive director of a statewide nonprofit that is addressing housing issues in North Dakota.

On behalf of both organizations, I'd like to assure you that USDA-Rural Development programs are making a big difference. Most important, your staff in this state has worked hard to effectively deliver your programs to our rural communities.

As examples, we received help in providing a Self-Help program. Twenty-one homes were built in a city of 2,000 that had experienced virtual zero growth during the previous 4 years.

Since taking out the first three building permits for Self-Help homes, and one for a Rural Home Loan Partnership house, the development attracted more activity. In the next 4 years, \$7 million was invested in housing, infrastructure and commercial development in the town.

Rural Development assistance helped allow us to undertake a \$2 million project in which we converted an abandoned, historic middle school into 28 rental units for low-income people in a town of about 3,500 people.

With your help, we have been able to assist with small projects, such as a \$38,000 effort to rehab and make ADA accessible a community hall serving three townships with about 300 people.

And USDA-Rural Development has helped with larger projects, including a \$2 million water, sewer and gas line replacement project in partnership between EDA, CDBG and Rural Development, at the Indian-owned United Tribes Technical College.

The lines were in such bad shape that the future of the college was in jeopardy. Now that they have been replaced, the college has been able to double its enrollment, teaching more than 800 Native Americans new skills and trades.

Finally, for us, I believe your most effective program has been IRP.

A \$500,000 loan approved 10 years ago has allowed us to do \$1.34 million in financing to 20 rural businesses, creating 600 jobs for rural folks. Our investments helped leverage more than \$29 million in additional investments, for a total impact of more than \$30 million in 9 rural counties.

I am an ardent believer in revolving loan funds. They require accountability because success is dependent upon performance.

And they can provide access to flexible capital desperately needed in rural areas that can't be provided from any other source.

The successes I've described would not have been possible without your programs and support from your staff in North Dakota.

But, can more be done? Yes.

USDA programs assisting public facility infrastructure and economic development have been a success. However, we believe housing programs are too narrowly focused to address the broader housing issues that are restricting community and economic development, and contributing to outmigration in rural areas.

In rural areas, the problem is access to flexible capital. It is needed to overcome problems of:

- Appraisal gaps
- Poor loan-to-value ratios
- Lower incomes
- Limited lender expertise and access to secondary markets

The effect of that is:

- Existing housing stock in deteriorating
- New homes aren't being built.
- Existing residents are leaving, new ones aren't coming.
- No housing, and no ability to finance new housing, limits workforce, resulting in inability by existing rural businesses to expand, and unwillingness by new business to locate into rural areas.

CommunityWorks North Dakota, the nonprofit that I represent, has developed a revolving loan fund to deal with those issues.

In 2001, the year we started, about \$50,000 was loaned from our DREAM Fund. Four years later, we have loaned about \$4.5 million, most of it in rural areas. That has leveraged more than \$10 million in other financing and created \$6 million in new construction.

But rural areas like ours, with no major foundations, no major corporate headquarters, and limited public resources, are challenged with acquiring enough funds to capitalize an RLF that can meet that demonstrated need.

Mr. Secretary, Rural Development can help rural areas address its greatest challenge, using the IRP commercial lending program as its model.

Even a relatively small investment of \$500,000, that would be paid back, would immediately help 30-50 rural families become or remain homeowners. And with our ability, for instance, to sell not just first, but also second mortgages, the impact would be considerable.

During the term of the loan, thousands of rural families would be helped, generating total impact in the tens, even hundreds of millions of dollars.

I encourage you to consider establishing a Housing IRP program, or at least identifying one or a few demonstration projects that will show that it can do the same for housing that the current IRP program does for economic development.

The housing challenges and problems faced by rural areas, I believe, represent an opportunity for rural areas. A Housing IRP can help realize that opportunity.

Thank you, Mr. Secretary.

Paul Rechlin, Executive Director
CommunityWorks North Dakota
Lewis and Clark Regional Development Council
400 E. Broadway, Suite 418
Bismarck, ND 58501
701-255-4591
prechlin@communityworksnd.org