



The Housing Credit is our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Since its inception in 1986, the Housing Credit has built or preserved hundreds of thousands of rental homes in almost all rural counties across the nation.¹ It is currently the single largest financing source for developing and preserving affordable rural homes, making up 40 percent of all financing.² Nearly all states also include incentives to promote rural development in their allocation of Housing Credits. However, more rural affordable housing is sorely needed.

The Need for Affordable Rural Housing

Because of lower incomes, higher poverty rates, and now increased construction related costs due to a variety of factors associated with the coronavirus pandemic, housing options have become simply unaffordable for many rural residents. Especially in areas with increased in-migration from urban areas during the coronavirus pandemic, scarcity of homes and increased cost are making it extremely difficult to find affordable places to live. Around 44 percent of rural renter households are cost-burdened, spending more than 30 percent of their income on housing costs, and around half of those who are cost burdened spend more than half of their income on housing.³

As the nation's biggest source of financing for affordable housing, the Housing Credit will continue to be extremely important for the rehabilitation of aging Section 515 rental properties. The majority of tenants in Section 515 rental properties are elderly or disabled, and the average income of households served by the program is only \$15,500.⁴

The Affordable Housing Credit Improvement Act (AHCIA, S. 1515 / H.R. 2725)

Provisions to support Affordable Rural Housing Development

The AHCIA includes several provisions that make it easier to finance affordable rural housing through the Housing Credit.

Make Housing Credit Production More Feasible in Rural Areas. The bill would provide a basis boost for rural projects, and standardize income eligibility for rural properties, both of which will help serve low-income families and individuals in rural areas.

Expand the Housing Credit. The Housing Credit is over-subscribed, meaning far more potential developments are submitted to receive Housing Credits than are available. Increasing the annual Housing Credit allocation by 50 percent, phased in over two years, would finance an additional 167,000 affordable rental homes over 2025-34, providing more housing for low-income individuals and families in rural areas.

Increase the amount of Housing Credits for developments serving extremely low-income (ELI) tenants.* Developing housing affordable to ELI tenants requires significant additional subsidy because the expected rents will be too low to pay off much debt on the property. These properties often also include critically needed supportive services, adding to the cost of the development. Providing additional Housing Credits for ELI properties (if needed for financial feasibility) would allow the Housing Credit to serve more ELI persons. **ELI households make at or below the greater of 30 percent of Area Median Income or the Federal Poverty Line.*

¹ Urban Wire (2018). "Why the low-income housing tax credit matters for rural communities." <https://www.urban.org/urban-wire/why-low-income-housing-tax-credit-matters-rural-communities>

² National Rural Housing Coalition. (2021). 2021 Impact Report. <https://ruralhousingcoalition.org/wp-content/uploads/2021/11/Rural-Housing-Coalition-2020-Impact-Report2.pdf>

³ HUD. (2026). "Evidence Matters: Winter 2026." <https://www.huduser.gov/portal/sites/default/files/pdf/EM-Newsletter-winter-2026.pdf>

⁴ USDA, 2024.