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EVIDENCE MATTERS

Transforming Knowledge Into Housing and Community Development Policy

RURAL HOUSING

IN THIS ISSUE

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PD&R

Message From PD&R Leadership

HUD works in and with rural communities as a core part of our mission to foster strong neighborhoods; support quality, affordable homeownership opportunities; and promote self-sufficiency among all Americans. Since his confirmation in 2025, HUD Secretary Scott Turner has brought this commitment to the fore as he visits rural places and partners nationwide. His frequent call for HUD to support “rural, tribal, and urban” areas emphasizes the role HUD has played in these communities for decades.

HUD’s focus on rural America reflects President Trump’s commitment to increase prosperity for all Americans. Upon starting his second term, the president called on federal leaders to identify ways to “lower the cost of housing and expand housing supply.” HUD is pulling many levers to deliver on this promise in rural areas, including through its efforts to ensure the transformative potential of Opportunity Zones. Created through the Tax Cuts and Jobs Act of 2017 and made permanent in the One Big Beautiful Bill Act of 2025, Opportunity Zones are federally designated, economically distressed communities where new investments may be eligible for preferential tax treatment. With 40 percent of the original Opportunity Zones located in rural areas, there is great potential. Other HUD initiatives, including the Rural Capacity Building program and the HUD-Veterans Affairs Supportive Housing program, also are key to expanding housing to rural citizens.

HUD’s Office of Policy Development and Research (PD&R) has long supported research into rural housing issues and generated data to support rural communities. Our core program parameters, including income limits and Fair Market Rents, support HUD programs in rural communities, and PD&R’s formula support for disaster recovery is often focused on rural America. Produced in conjunction with the U.S. Census Bureau, the American Housing Survey (AHS) provides insights into housing conditions in rural America, and PD&R’s Worst Case Housing Needs reports use AHS data to inform stakeholders about housing conditions nationwide, including U.S. rural areas. Furthermore, PD&R’s current research on innovations in building technology can identify ways to lower building costs and expand housing options in rural communities. As an example, a PD&R-funded project in Nome, Alaska, is testing the feasibility of 3D-printing concrete homes in remote subarctic communities. Nome offers researchers an opportunity to innovate and meet the housing needs of rural residents.

This issue of *Evidence Matters* examines housing challenges in rural areas as well as the unique strengths found in rural communities. We explore the many definitions of “rural” that define who and what we see in this space. We also explore work being done at the state level in North Dakota, South Carolina, and Kansas — programs run by the people who know these places best. This issue of *Evidence Matters* is the first one published under my leadership as PD&R’s principal deputy assistant secretary, and I am happy that it is highlighting the needs of rural America.

– John Gibbs, *Principal Deputy Assistant Secretary*

Editor's Note

This issue of *Evidence Matters* explores rural housing in the United States. In this issue, you will learn about the complex housing issues confronting rural communities and innovative strategies advanced to ameliorate them.

The lead article, "Rural Housing," discusses housing challenges unique to and prevalent in U.S. rural communities, such as affordability, the physical inadequacy of homes, homelessness, difficulty in aging in place, and disaster response and recovery. The article also describes federal, state, local, and private policy efforts to address these challenges.

The Research Spotlight article, "Toward a Context-Based Definition of 'Rural,'" highlights the lack of a common definition of the term "rural" and the resulting implications and challenges for researchers and policymakers. The article summarizes various definitions of rural that federal agencies use and concludes that these differing definitions affect whether households meet classification standards for government programs. The Research Sidebar, "Rural Access to Mortgages," examines evidence of the challenges to obtaining mortgages in rural areas, focusing on the scarcity of small-dollar loans.

The In Practice article, "States Address Housing Barriers in Rural Communities," details three rural housing initiatives states have implemented to spur development and boost homeownership. These efforts include North Dakota's Rural-Workforce Initiative to Support Housing, South Carolina's County First initiative, and Kansas' Moderate Income Housing program.

We hope that the articles in this issue of *Evidence Matters* will offer readers greater insight into rural housing in the United States. We welcome feedback at **www.huduser.gov/forums**.

– Brian Knudsen, *Editor*

FEATURE

Rural Housing

HIGHLIGHTS

- **Approximately 44 percent of rural renter households and 19 percent of rural homeowning households are cost burdened.**
- **More than half of the 6.7 million occupied manufactured homes in the United States are in rural areas, where they make up 13 percent of all occupied homes.**
- **Numerous federal, state, and local programs along with private-sector initiatives help address rural housing challenges.**

Housing challenges such as unaffordable housing, homelessness, and housing supply that fails to keep up with demand often are thought of as problems of urban areas, where housing markets are tight and labor and land are costly. Yet rural areas have their own affordability and supply challenges. Some housing issues are unique to rural areas, such as the difficulty and cost associated with construction in remote areas, and some issues are experienced differently or more commonly in rural areas, such as "hidden" homelessness and housing inadequacy. Other issues, such as housing cost burdens, are similar to those households elsewhere face but with underlying causes specific to rural areas. This article summarizes the housing challenges unique to and prevalent in U.S. rural communities and describes efforts to address these challenges.

Defining Rural

Multiple definitions of rural exist, each with different implications for research and policy (see "Toward a Context-Based Definition of 'Rural,'" p. 13). Unless otherwise noted, this article reports statistics from the Housing Assistance Council (HAC), a leading source of information on rural housing. HAC bases its definition of rurality primarily on housing density and commuting distance at the subcounty level.[1] HAC's census-tract-level definition distinguishes between rural tracts (which include small-town tracts), suburban tracts (which include exurban tracts), and urban tracts.[2] Since 1984, HAC has published decennial reports on the state of rural housing called *Taking Stock*. HAC tabulates data from the U.S. Census Bureau such as the American Community Survey, the American Housing Survey, and other sources according to its geographic designations. Using the 2023 edition of *Taking Stock* as a source of demographic, economic, and housing statistics allows this article to report an array of information using a consistent definition of rural.

HAC estimates that 60.4 million people live in rural areas (rural and small

There are many different ways to define "rural," with implications for research, policy, and program eligibility.

town tracts) of the United States, including Appalachia; the “Black Belt” across the South; much of the Midwest, West, and Southwest; and the 56 million acres of Indian Country.[3] HAC found that between 2010 and 2020, the rural population experienced little to no overall growth while the population in other areas increased, making the rural population in 2020 a relatively smaller share of the total U.S. population at approximately 18 percent. This population change was uneven, however; the population of rural areas in the West rose, and the population of areas in the Midwest and Southeast fell.[4] In 2020, three-quarters of the rural population was non-Hispanic White, down from 85 percent in 1990. With a median age of 41, rural America’s population was older than that of the nation as a whole (median age of 38).[5] The U.S. Department of Agriculture’s (USDA’s) Economic Research Service, which defines rural as nonmetropolitan (see “Toward a Context-Based Definition of ‘Rural,’” p. 13), reported that between 2020 and 2022, more than half of nonmetropolitan counties experienced net in-migration. Driving this recent migration has been the increasing number of remote workers and retired people who are seeking recreational amenities and an improved quality of life.[6]

HAC reports that in 2021, 15.1 percent of rural households lived in poverty, higher than the national rate of 12.6 percent. Rural poverty rates are especially high among female-headed households with children, Black households, and Native American households and are much higher among renter households than homeowner households (26.5% and 6.3%, respectively).[7] Persistent poverty also is geographically concentrated in rural areas. Approximately 83 percent of the 455 persistent poverty counties and county equivalents in the United States (counties with a poverty rate of 20% or higher for three consecutive decades) are in rural areas — Appalachia, the South, the Southwest, and parts of the West.[8]

Rural Housing: Challenges and Responses

According to HAC’s 2023 *Taking Stock* report, approximately 29 million housing units are in rural areas and 23 million (80%) of those units are occupied.[9] Single-family detached homes make up 72.1 percent of rural housing units; 13.4 percent are manufactured or mobile homes and 12.2 percent are structures with two or more units.[10] The percentage of owner-occupied homes in rural areas is higher than that of the nation as a whole (73% and 65%, respectively), and nearly half of those homes are owned outright, with no mortgage debt, compared with 37 percent of such homes in the nation as a whole.[11] HAC reports that significant numbers of rural residents face housing challenges.[12] These challenges include insufficient supply in some places, cost burdens for both renters and homeowners, limited credit access, physical housing inadequacy, homelessness, difficulty aging in place, and difficulty responding to and recovering from natural disasters. Although many of these challenges are not unique to rural areas, their causes and aspects of the experience of the challenges often are different from those of suburban or urban areas. For example, many renters in both urban and rural areas struggle with affordability; in urban areas, high land costs exacerbate this problem, but in rural areas, where land is generally less expensive, the problem stems from different factors, such as limited supply, lower population densities that make building at scale less profitable, infrastructure costs, a lack of lenders, relatively low median incomes, and construction costs related to transporting labor and materials to remote places.[13]

Affordability. In 2021, 44 percent of rural renter households, totaling 5.6 million households, were cost burdened (spending more than 30% of household income on housing) and 21.5 percent were severely cost burdened (spending more than 50% of household income on housing). Approximately 18.7 percent of rural homeowners are cost burdened.[14] By some estimates, only 54 affordable units exist for every 100 extremely low-income renter households in rural areas (when rural is defined as areas that are not in metropolitan or micropolitan areas).[15]

Between 2010 and 2020, the housing supply grew much more slowly in rural areas, at 1.7 percent, than in suburban areas (12%) and in the nation as a whole (9%). That growth was also uneven; the supply of rural homes increased in 26 states and decreased in 24.[16] Although rural areas have vacancy rates of roughly 20 percent, nearly half of these vacancies (47%) are seasonal or vacation homes and therefore do not indicate available supply or slack in the market.[17] The remaining vacant homes account for 10.4 percent of all homes in rural areas, closer to the 7.6 percent nationally that are vacant but are not second or vacation homes.[18]

Construction can also be more difficult and costly in remote rural areas. Barriers to greater supply include the lack of local builders and construction workers and the costs involved for them to travel from larger markets, the difficulty of building at scale in low-density areas, and the expense of connecting infrastructure to serve these areas.[19] Materials costs may escalate with additional shipping and handling, and additional pay or benefits may be required to attract labor to distant locations.[20]

Migration has stoked housing demand in some rural areas since 2021. Using Census data, researchers found that in 2023, almost 60 percent of rural counties experienced net-positive domestic migration.[21] Average home prices increased by more than one-third in rural areas, defined as "counties outside of metro areas, counties in smaller markets, and the lower-density suburbs of large metro areas with over 1 million people," between March 2020

Table 1. Rural and National Housing Statistics

Housing Characteristics	Rural	National
Housing units (2021)*	29 million	140 million
Housing occupancy rate (2021)*	80%	89%
One-unit detached (2021)	72.1%	61.6%
Manufactured homes (2021)	13.4%	5.9%
20 or more units (2021)	2.5%	9.7%
Homeownership rate (2021)	72.5%	64.7%
Homeowners with no mortgage (2018)	48%	37%
Housing stock built before 1980 (2021)	53%	52%
"High-cost loans" with interest rate at least 1.5 percentage points higher than prime rate (2022)	10%	7%

*Derived from 2017–21 American Community Survey and 2020 Census of Population and Housing.
Source: Housing Assistance Council. 2023. "Rural Housing," *Taking Stock*; Housing Assistance Council. 2020. "Homeownership in Rural America," *Rural Research Brief.*

USDA Rural Housing Production Programs

USDA programs define rural in statute based on population thresholds and other, more subjective characteristics such as "rural character," with some amendments to grandfather in areas where the population has exceeded the definition's limits.

- USDA Section 515: Rural Multifamily Rental Housing Direct Loans — direct loans to construct or rehabilitate multifamily rental housing for low-income households.
- USDA Section 514: loans to purchase, construct, or repair housing for farm laborers.
- USDA Section 516: grants to Section 514 loan recipients for up to 90 percent of development costs.
- USDA Section 538: guarantees for loans to purchase, construct, or rehabilitate multifamily rental housing for low- and moderate-income households.
- USDA Multifamily Housing Preservation and Revitalization Demonstration: grants, no-interest loans, and loan modifications to improve the condition of Section 515 and Section 514 properties.

Source: Katie Jones and Maggie McCarty. 2022. "USDA Rural Housing Programs: An Overview," Congressional Research Service.

and March 2023.[22] Those increases were uneven, however, because nearly one-third of those rural areas experienced price increases of 40 percent or more during this period.[23]

Several federal programs aim to create or preserve the supply of affordable housing. Some of these programs specifically target rural areas through USDA (see "USDA Rural Housing Production Programs") or Indian Country, which is rural; other programs do not expressly target rural areas but are used to meet housing needs in rural areas.

Approximately 28,000 rental properties with more than 533,000 apartments have been constructed through the USDA Section 515 program since it began in 1963. However, no new construction has been financed through the program since 2012, and many properties have prepaid their mortgages or reached the expiration of their affordability restrictions, leaving fewer than 400,000 Section 515 units as of 2023.[24] Although not a rural-specific program, low-income housing tax credits (LIHTCs) are a substantial source of funding for the construction of rural multifamily rental housing. According to a Freddie Mac analysis of the 2018 5-Year American Community Survey and the National Housing Preservation Database, 25.7 percent of multifamily renter households in rural areas live in properties actively supported by LIHTCs compared with 12.6 percent in the nation as a whole.[25]

Although these programs focus on constructing, rehabilitating, or preserving housing, other programs ease affordability pressures through rental assistance (see "HUD and USDA Rental Assistance Programs," p. 8).

Additional programs support rural homeowners, one in five of whom are cost burdened.[26] Homeownership rates are higher in rural areas, but barriers to mortgage access persist. Rural buyers traditionally have borrowed from brick-and-mortar lenders, which have become less prevalent. Rural borrowers also are more likely to have low or absent credit scores. Rural homes are more likely to have titling and adequacy deficiencies that make them ineligible for a mortgage.[27] (See "Rural Access to Mortgages," p. 18, for more on rural credit access.)

USDA's Section 502 Single Family Housing Direct Loans program provides direct loans to low- or very low-income homebuyers at low, fixed rates and, in some cases, with subsidized monthly payments.[28] In fiscal year (FY) 2023, USDA issued 7,128 Section 502 loans totaling $1.7 billion.[29] Section 502 also has a loan guarantee component that covers 90 percent of the loan's principal to encourage private lenders to lend to borrowers who cannot otherwise secure credit.[30] In FY 2023, the program guaranteed 37,756 loans totaling $6.8 billion.[31] Over time, the proportion of guaranteed Section 502 loans to direct loans has grown substantially.[32] The Section 184 Indian Home Loan Guarantee program is an additional mortgage guarantee program available to Native American borrowers, and, of course, Federal Housing Administration and U.S. Department of Veterans Affairs mortgage insurance is available to qualified borrowers nationwide.[33]

Another source of affordable housing in rural areas is manufactured housing. Excluding the cost of land, the average cost of manufactured housing is lower than that of site-built housing. Subject to the construction standards set in HUD Code, modern manufactured housing is comparable in quality, safety, strength, and efficiency to site-built housing.[34] Manufactured homes often are financed through a personal property loan, and homeowners may not own their homesites (see “Rural Access to Mortgages,” p. 18). Manufactured housing currently makes up roughly 13 percent of occupied homes in rural areas and could potentially provide additional affordable housing stock. HAC estimates that more than half of the approximately 6.7 million occupied manufactured homes in the United States are in rural areas.[35] Although newer manufactured homes are comparable to other homes at a much lower average construction cost, the roughly 20 percent of occupied manufactured homes that were built before 1980 may have quality deficiencies.[36] Zoning that prohibits manufactured housing, complicated financing, and delivery challenges all pose barriers to the broader use of manufactured housing.[37] There also is potential for modular, factory-built homes, which benefit from better cost efficiency; stronger quality control; and shorter, more predictable construction times, to make up a greater share of rural housing.[38] In 2023, less than 4 percent of housing in the United States was modular housing, indicating that policymakers and developers have underutilized this innovative strategy.[39] Modular housing faces many of the same challenges as manufactured housing.[40]

Physical Inadequacy. Over the past 50 years, the United States has drastically reduced the number of physically inadequate homes (those that are overcrowded or have poor ventilation) and severely inadequate homes (those that have other quality deficiencies such as lacking plumbing or heating or having serious electric or structural deficiencies). However, a disproportionate share of the remaining inadequate and severely inadequate homes are in persistently poor rural areas.[41] In 2023, according to HAC analysis of the American Housing Survey, more than 1.4 million rural homes were classified as inadequate, with 368,000 having severe issues such as deficient plumbing, heating, or electrical wiring.[42] Accounting for the large number of substandard homes further reduces the supply of safe, affordable housing. When excluding physically inadequate housing, the number of affordable units available for every 100 extremely low-income renters in nonmetropolitan, nonmicropolitan areas drops from 54 to 44 — closer to the 43 per 100 in low-density suburban areas, and still better than the 35 per 100 in central cities.[43]

One resource homeowners can use to address physically inadequate housing is the USDA Section 504 Single-Family Housing Repair Loans and Grants program. Section 504 provides loans and grants to very low-income homeowners to make repairs and improvements. Homeowners must be aged 62 or older to be eligible for grants.[44] In FY 2023, USDA issued 4,113 grants totaling $39.2 million and 1,973 loans totaling $15.1 million.[45] HUD’s HOME Investment Partnerships and Community Development Block Grant programs also can fund state and local home repair programs.[46] The Section 533 program funds housing repairs through grants to nonprofit organizations, government entities, Indian Tribes, and other eligible groups that can help homeowners and rental property owners repair or replace roofs, install or repair water and septic systems, improve accessibility, or repair or replace heating systems, among other activities. In FY 2021, USDA awarded 115 grants totaling $13.5 million.[47]

Seventy-two percent of rural homes are single-family detached units, and only 12.2 percent consist of two or more units, contributing to a lack of affordable rentals.

Nonprofits also can play a role in meeting some of the need for home repairs. In an area of southern Appalachia spanning the states of Kentucky, North Carolina, Tennessee, Virginia, and West Virginia, the Appalachia Service Project (ASP) deploys teams of volunteers to repair homes at no cost to the homeowner. ASP can replace and repair roofs, floors, siding, and drywall and can build ramps.[48] Since its founding in 1969, ASP has repaired more than 19,000 homes, but the organization notes that they are "only able to serve a small percentage of those applying," indicating that the need for additional organizations and resources remains great.[49]

In addition to the challenges to accessing credit noted above, homeowners in rural areas may struggle to finance repairs and rehabilitation because of appraisal gaps, meaning that the cost of repairs exceeds the expected value of the rehabilitated property. Such gaps are especially likely for homes that are older, have been vacant, are in severe disrepair, and are in weak markets.[50]

Homelessness. Rural homelessness is sometimes referred to as "hidden," meaning that it may be less visible than homelessness in urban areas. HAC's tabulation of HUD data estimated that approximately 109,000 people were experiencing homelessness in rural Continuums of Care (CoCs) in 2022, amounting to 19 percent of the national total.[51] Slightly less than 60 percent of these people were sheltered. However, conducting point-in-time counts can be difficult when covering large areas with low capacity and few service sites.[52] Consequently, people experiencing homelessness in rural areas are likely to be undercounted.[53]

Several unique factors contribute to rural homelessness or make the experience different, including a higher prevalence of inadequate housing, higher rates of poverty, and low social service capacity. The remoteness of providers in many areas makes getting help and accessing resources harder for people experiencing homelessness.[54] Regional disparities in homeless services may cause people to move to cities in search of supports, but researchers note that limited data exist on the migration patterns of people experiencing homelessness.[55]

HUD CoCs can help build and coordinate service capacity. Many rural areas are covered by a Balance of State CoC, which allows smaller jurisdictions to share a centralized administration system, but providing services over a large geographic area remains challenging.[56] Transportation help, which is especially

HUD and USDA Rental Assistance Programs

- HUD Housing Choice Voucher program: subsidizes rent for low-income households seeking units in the private rental market, typically capping rent payments at 30 percent of household income. In 2017, the program served 584,900 people in rural areas and small towns.[1]
- HUD-VASH: combines housing vouchers with supportive services for veterans.[2]
- Tribal HUD-VASH: serves Native American veterans.[3]
- USDA Section 521 Rural Rental Assistance: subsidizes rent for low-income rural households by capping rental costs at 30 percent of income.[4] The average annual income of Section 521 recipients is $13,696, and two-thirds of assisted units are headed by someone aged 62 or older.[5] In fiscal year 2023, Section 521 rental assistance covered 228,047 units at an expense of $1.5 billion.[6]
- USDA Section 542 Rural Development Vouchers: provides rental assistance to households that are being forced out of units due to properties exiting their Section 515 affordability requirements through mortgage prepayment or expiration of their affordability restrictions.[7]

[1] Center on Budget and Policy Priorities. 2017. "United States Housing Choice Vouchers Fact Sheet."

[2] U.S. Department of Housing and Urban Development. "HUD-Veterans Affairs Supportive Housing (HUD-VASH)" **(www.hud.gov/helping-americans/housing-choice-vouchers-homeless-veterans)**. Accessed 16 June 2025.

[3] U.S. Department of Housing and Urban Development. "Tribal HUD-VASH" **(www.hud.gov/helping-americans/public-indian-housing-tribal-hud-vash)**. Accessed 16 June 2025.

[4] Katie Jones and Maggie McCarty. 2022. "USDA Rural Housing Programs: An Overview," Congressional Research Service, 14–5.

[5] National Low Income Housing Coalition. 2024. "Housing Needs in Rural Communities." Accessed 24 April 2025.

[6] Housing Assistance Council. 2023. "USDA Rural Development Housing Activity Report: Fiscal Year 2023."

[7] Jones and McCarty, 16–7.

Nearly half of owner-occupied rural homes are owned outright, with no mortgage debt.

needed in areas where little public transportation infrastructure exists, connects people to homeless services.

Difficulty in aging in place. The median age of rural residents is older than that of the nation as a whole. Rural residents are more likely to age in place than their urban counterparts, but rural areas also tend to have fewer alternative aging-friendly options, so rural residents might stay in homes that are not well-suited for aging.[57] Rural residents also often are distant from services and amenities, including grocery and other retail stores, hospitals and medical facilities, and transportation hubs.[58] Remoteness and social isolation can be particularly challenging for older residents, especially those who do not drive and lack other transportation options. Healthcare services can be difficult to access.[59] Rural areas typically have low residential density, and their internet service can be slow or unreliable — factors that increase social isolation, especially among seniors.[60]

Many of the same programs that help residents afford home modifications to address general housing deficiencies can be used to make homes more amenable to aging in place, including USDA's Section 504 program, which restricts eligibility to participants aged 62 and older. Common modifications to help aging residents include installing shower grab bars, stairway handrails, and entryway ramps.[61] HUD also awards grants to nonprofits, state and local governments, and public housing agencies to implement home modifications and repairs that enable low-income seniors to age in place through its Older Adults Home Modification Program. Qualifying improvements aim to increase safety and functionality for residents. No less than one-third of the funding for this program must go to grantees serving substantial rural populations, defined as "a Census-defined county, county subdivision, or place that is outside of a Census-defined urbanized area for the 2020 Census."[62]

Communities can invest in transportation infrastructure, or, in areas where low density makes that infeasible, in services and technologies that can help overcome transportation barriers, such as broadband internet to support telehealth or mobile health services.[63] For example, with philanthropic support, North Dakota State University's Extension Program administers the Aging in Community Project. The project is being piloted in two rural communities, Lisbon and Western Morton County, to provide services to older adults that allow them to age in place.[64] Services include transportation to medical appointments, fall prevention classes, and technology help.[65]

Disaster response and recovery. Rural communities face unique challenges when responding to and recovering from disasters. Rural areas may have limited resources and capacity to respond to disasters, administer federal housing aid, or even share information about available resources.[66] Remote areas might be difficult for emergency responders to reach quickly.[67] Resource limitations are especially acute in rural places marked by persistent poverty. Older manufactured housing, which is more prevalent in rural areas, can be more susceptible to damage from natural disasters.[68] The lack of affordable housing, low housing density, and dearth of emergency housing options such as hotels mean that families displaced

Transporting materials to remote locations over difficult terrain can increase construction costs.

by disaster may have to relocate far from their homes, and there may be few places for emergency responders to stay to provide long-term support.[69] Distributing needed resources can also be more difficult when the population is widely dispersed. Finally, some rural areas have limited access points. It can be difficult to provide needed resources if, for example, a disaster closes the only road or bridge that connects a location to the surrounding area.[70]

Although rural communities often have limited material resources, researchers find that residents of rural areas often have developed a sense of community and self-reliance that can aid in disaster response and recovery.[71] Researchers recently studied the recovery of the town of Happy Camp, California, where the 2020 Slater Fire destroyed 212 homes — 40 percent of the town's housing units. The researchers found that the residents' strong sense of community and commitment to the town helped Happy Camp activate preexisting partnerships in recovery work. These community assets have been especially critical given the considerable challenges that the disaster posed. The researchers have found that isolation and lack of housing have made it difficult for residents not only to rebuild but also to recruit teachers and other personnel needed to support the needs of children who lived through the fire and the subsequent displacement and disruption of their lives.[72] A study by Bethany Cutts and David Lowry of rural Robeson County in North Carolina, which was hit by devastating hurricane-related floods in 2016 and 2018, noted the importance of community organizations, particularly churches, in post-disaster communication and direct assistance.[73]

Federal resources to help rural communities recover from disasters include the Federal Emergency Management Agency, HUD's Community Development Block Grant Disaster Recovery, and USDA programs. USDA currently has a Single Family Housing Rural Disaster Home Repair Grants program for low- and very low-income homeowners of properties that sustained damage from presidentially declared disasters in the 2022 calendar year.[74]

State, Local, and Private Efforts

In addition to the many federal programs, state and local governments, along with private partners, can support rural renters and homeowners. Purdue University and the Indiana Office of Community and Rural Affairs find that 22 percent of states have rural-specific housing programs ranging from homebuying counseling to infrastructure grants to support housing development.[75]

For example, the Rural-Workforce Initiative to Support Housing (R-WISH) pilot program in North Dakota issues construction loans in rural areas where companies have relocated or expanded, and the County First initiative in South Carolina provides forgivable downpayment assistance to eligible homebuyers (see "States Address Housing Barriers in

Rural Communities," p. 22). In a portion of Appalachia spanning Kentucky, Tennessee, West Virginia, Alabama, Virginia, and Maryland, Fahe — a member-owned network of more than 50 community nonprofits — makes community loans to, facilitates collaboration among, and provides technical assistance to member organizations to build up rural communities.[76] Since launching in 1980, Fahe has supported 515 households with $115.4 million in mortgages. Fahe also introduced a program in 2009 to package USDA Section 502 loans that has served rural areas across 18 states with 3,500 loans totaling more than $500 million.[77] At the local level, rural towns such as Mount Pleasant, Iowa, are using state programs like the Iowa Housing Loan Program to provide low-interest loans to developers.[78]

Conclusion

Overall, most rural residents have physically adequate, affordable housing, and they both own homes and own homes outright at rates higher than that of the nation as a whole. However, rural areas face unique dynamics that lead to housing affordability challenges for their residents, such as low population densities that make building at scale difficult, remote locations requiring costly infrastructure expansion and transportation for construction materials and labor, lower incomes, and inadequate service provision. These and other factors lead to housing challenges for many residents — 44 percent of renters and 18.7 percent of homeowners are housing cost burdened, 1.4 million units of housing in rural areas is classified as inadequate, and the phenomenon of hidden homelessness leaves many residents unserved. Too often, rural communities are not considered in discussions of housing affordability and other housing issues. This lack of visibility underscores the importance of tailoring housing interventions to rural contexts. Many federal, state, and local programs along with private-market solutions such as manufactured housing seek to alleviate rural housing problems, but needs remain. EM

[1] Housing Assistance Council. 2023. "What Is Rural?" *Taking Stock.*

[2] Ibid.

[3] Housing Assistance Council. 2024. "Demystifying Rural Data: Do You Know Your Market?" *Rural Voices* 26:1; Institute for Research on Poverty. 2020. "Many Rural Americans Are Still 'Left Behind,'" *Fast Focus Research/Policy Brief* 44-2020; U.S. Department of the Interior, Indian Affairs. 2017. "What is a federal Indian reservation?" (**www.bia.gov/faqs/what-federal-indian-reservation**). Accessed 3 February 2026.

[4] National Low Income Housing Coalition. 2023. "Housing Assistance Council Releases Latest Edition of Taking Stock Report"; Housing Assistance Council. 2023a. "Rural People and Places," *Taking Stock.*

[5] Housing Assistance Council 2023a.

[6] John Cromartie. 2024. "Net Migration Spurs Renewed Growth in Rural Areas of the United States," *Amber Waves,* U.S. Department of Agriculture, Economic Research Service; Housing Assistance Council 2023a.

[7] Housing Assistance Council. 2023b. "The Rural Economy," *Taking Stock.*

[8] Ibid.

[9] Housing Assistance Council. 2023c. "Rural Housing," *Taking Stock.*

Rural borrowers face various barriers to accessing mortgage credit, including a decline in the number of local lenders and the scarcity of small-dollar loans.

[10] Ibid.

[11] Ibid.

[12] Ibid.

[13] Sierra Stoney. 2022. "Housing the Workforce in the Rural Fifth District," *Econ Focus,* Federal Reserve Bank of Richmond; National Low Income Housing Coalition. 2024 "Housing Needs in Rural Communities." Accessed 24 April 2025; Affordable Housing Tax Credit Coalition. 2024. "Tackling the Rural Housing Crisis: The Vital Role of the Housing Credit"; Sierra Latham and Peter Dolkart. 2022. "The Pricing and Supply of Rural Housing," Federal Reserve Bank of Richmond.

[14] Housing Assistance Council 2023c; National Low Income Housing Coalition. n.d. "Rural Housing."

[15] Joint Center for Housing Studies of Harvard University. 2024. "America's Rental Housing," 38.

[16] Housing Assistance Council 2023c.

[17] Housing Assistance Council. 2020. "Housing Change and Occupancy in Rural America," *Rural Research Brief* September, 3.

[18] Housing Assistance Council 2023c.

[19] Kansas Housing Resources Corporation. 2021. "Kansas Statewide Housing Assessment," 32; National Low Income Housing Coalition. n.d. "Rural Housing"; North Dakota Housing Finance Agency. 2022. "Statewide Housing Needs Assessment 2020–2025 (Condensed)," 13; Root Policy Research. 2024. "Wyoming Community Development Authority Statewide Housing Needs Assessment," 40, 43.

[20] American Institute of Architects. 2013. "Construction Costs," *Emerging Professional's Companion,* 163.

[21] Joint Center for Housing Studies of Harvard University. 2024. "The State of the Nation's Housing," 18.

[22] Alexandra Hermann and Peyton Whitney. 2024. "The Geography of Pandemic-Era Home Price Trends and the Implications for Affordability."

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Toward a Context-Based Definition of "Rural"

Among the biggest challenges facing researchers and policymakers studying the unique characteristics and needs of rural areas are both the availability of data covering rural areas and the lack of a clear definition of the term "rural" itself. The availability of representative data covering rural areas is limited due to the cost and logistical challenges of rural data collection. A more important factor, however, is the tension that arguably exists between the potential analytical advantages of having a common definition and the multidimensional and sometimes perceptual nature of the rural construct.[1]

The construct of rural is multidimensional and not always consistent with standard geographic boundaries; many counties contain areas characterized as both rural and urban within their borders.

A standardized definition could reduce inconsistent or confusing findings. For example, researchers using the U.S. Census Bureau's definition of rural will find higher rural poverty rates than researchers using other measures.[2] Such discrepancies complicate researchers' efforts to synthesize findings from multiple sources and understand the challenges facing rural America. The varying definitions of rural also directly affects those served by government programs; an individual classified as a rural resident by one program might not be one by the standards of another program.[3]

The construct of rural is multidimensional and not always consistent with standard geographic boundaries; many counties contain areas characterized as both rural and urban within their borders.[4] Furthermore, determining the line between suburban and rural has become increasingly difficult as suburban areas have spread from outlying metropolitan areas into previously undeveloped land.[5] Recent research suggests that the largest geographic category in the United States is actually the suburbs and that suburban, urban, and rural residents are distinct in terms of their "attitudes on social issues, labor and economic outcomes, and health outcomes."[6]

HUD serves both rural and urban individuals and communities nationwide. In some cases, HUD directs assistance to rural areas, such as capacity-building funds for community development and affordable housing in rural areas. HUD, however, does not consider rural or urban status in issuing most of its household-based assistance, making the HUD-assisted population an interesting demonstration of how the number of rural households served would vary based on the definition of rural used.

This article examines selected definitions of rural that federal agencies employ.[7] Using data on HUD-assisted individuals as a lens for comparing definitional approaches, this article demonstrates the effects of applying different definitions of rural to the HUD-assisted population and recommends that policymakers consider a programmatic, context-based approach to defining rural in future interventions. Furthering program or policy goals may require an expansive definition of rural or favor a more targeted approach.

HIGHLIGHTS

- **Federal agencies use various definitions of rural, including a dichotomous rural/urban distinction, a scale to classify the fluidity between rural and urban areas, a perception-based measure, and an additive definition that combines different data sources.**
- **HUD employs several methods to define rural, including the Office of Management and Budget's county- and block-level census classifications, the 2010 census definition, and perception-based definitions derived from American Housing Survey responses.**
- **The particular definition of rural that a federal agency uses directly affects whether rural households meet classification standards to qualify for a given government program.**

Definitions of Rural

Definitions of rurality differ across federal agencies and programs. Some agencies classify any place not otherwise considered urban as rural, some use a scale to represent different areas along a continuum from most rural to most urban, others incorporate a subjective measure of how residents perceive an area, and still others use a combination of measures. This section will describe various methods used by the Office of Management and Budget (OMB), U.S. Census Bureau (Census), U.S. Department of Agriculture (USDA), U.S. Department of Health and Human Services Health Resources and Services Administration (HRSA), and HUD.

Dichotomous Definitions of Rural

Office of Management and Budget

OMB does not technically use the term *rural*; rather, it classifies counties as metropolitan, micropolitan, or nonmetropolitan based on their population and adjacency to a "large population nucleus."[8] Agencies using OMB definitions generally consider all counties outside of metropolitan areas — both micropolitan and nonmetropolitan — to

Exhibit 1. Rural-Urban Commuting Area (RUCA) Code Descriptions

Code	Classification description
1	Metropolitan area core: primary flow within an urbanized area (UA)
2	Metropolitan area high commuting: primary flow 30% or more to a UA
3	Metropolitan area low commuting: primary flow 10% to 30% to a UA
4	Micropolitan area core: primary flow within an urban cluster of 10,000 to 49,999 (large UC)
5	Micropolitan high commuting: primary flow 30% or more to a large UC
6	Micropolitan low commuting: primary flow 10% to 30% to a large UC
7	Small town core: primary flow within an urban cluster of 2,500 to 9,999 (small UC)
8	Small town high commuting: primary flow 30% or more to a small UC
9	Small town low commuting: primary flow 10% to 30% to a small UC
10	Rural areas: primary flow to a tract outside a UA or UC

Source: U.S. Department of Agriculture. 2025. "Rural-Urban Commuting Area Codes — Documentation" **(www.ers.usda.gov/data-products/rural-urban-commuting-area-codes/documentation)**. Accessed 16 June 2025.

be rural.[9] Many programs, communities, and researchers, such as USDA and the National Center for Health Statistics, base their definitions of rural areas on OMB designations.[10]

Despite this widespread use, OMB cautions against using its classification system to designate counties as urban or rural, because county geographies typically are large enough to encompass both urban and rural areas; the Grand Canyon, for example, is located within a metropolitan county.[11] OMB stresses that key programming considerations lie at the heart of rural definitional challenges: "[P]rograms that seek to strengthen rural economies by focusing solely on counties located outside [metropolitan statistical areas (MSAs)] could ignore a predominantly rural county that is included in an MSA because a high percentage of the county's residents commute to urban centers for work."[12]

U.S. Census Bureau

Census defines rural areas as areas not otherwise defined as urban based on area population, density, land use, and other factors.[13] The agency designates urban and rural areas at the census block level; these smaller geographies identify rural areas located within otherwise metro- or micropolitan counties and eliminate some of the challenges that OMB's county-level data present. The analysis of Census data, however, is affected by geographic boundary changes between decennial censuses as well as changes in the rural-urban designation process. In 2020, Census increased the minimum population for urban census tracts from 2,500 to 5,000 and incorporated housing density as a qualifying factor. As a result of this change, 2020 data show approximately 4.2 million people in rural areas that previously had been classified as urban in 2010.[14] This change complicates longitudinal comparisons of data, making it difficult to determine whether changes in rural population over time stem from an observable change in population or the definitional change.

Scales to Categorize Rurality

U.S. Department of Agriculture

USDA's Economic Research Service has created several measures of rurality.[15] One definition researchers commonly use relies on the Rural-Urban Commuting Area (RUCA) codes, which use a proximity-based scale rather than a strict urban/rural dichotomy to classify urban and rural areas (exhibit 1). For RUCA, USDA uses Census commuting data and a methodology similar to that used to define metropolitan and micropolitan areas to classify areas at the census-tract level and on a scale of 1 to 10.[16] For example, a 1 on the RUCA scale indicates a metropolitan area core with the primary commuting flow occurring within an urbanized area, whereas a 10 on the RUCA scale indicates the most rural areas, with primary commuting flows occurring mainly to tracts not in urbanized areas or urban cores. One common use of RUCA, referred to as RUCA1, sets an urban/rural threshold, designating codes 4 and above as rural.[17] Another use of RUCA, called RUCA2, defines urban areas as those with both high population and commuting flows (codes 1, 4, and 7) and tracts in the remaining codes as rural.

Perception-Based Definitions

USDA's Concept of "Rural in Character"

In addition to the continuum code noted above, some USDA programs also apply a subjective measure of rurality. For example, USDA's Single-Family Housing Loans and Grants program sets automatic eligibility criteria based on population density. However, the program's eligibility guidelines also offer Field Offices additional discretion to designate areas that are considered "rural in character" or "open country" based on analyses of economic vitality, aerial maps, site visits, or other factors.[18]

Urbanization Perceptions Small Area Index

In 2017, HUD added a question to the American Housing Survey (AHS) asking respondents to describe their neighborhood as urban, rural, or suburban.[19] HUD and Census researchers used these AHS neighborhood perception data to co-create the Urbanization Perceptions Small Area Index (UPSAI), a national, census-tract-level urbanization classification index published in 2020. Using machine-learning techniques, researchers created a model based on the relationship between the AHS neighborhood description question and other variables to predict how households outside of the sample would describe their neighborhood. They then classified each tract based on the most likely description (urban, suburban, or rural).[20]

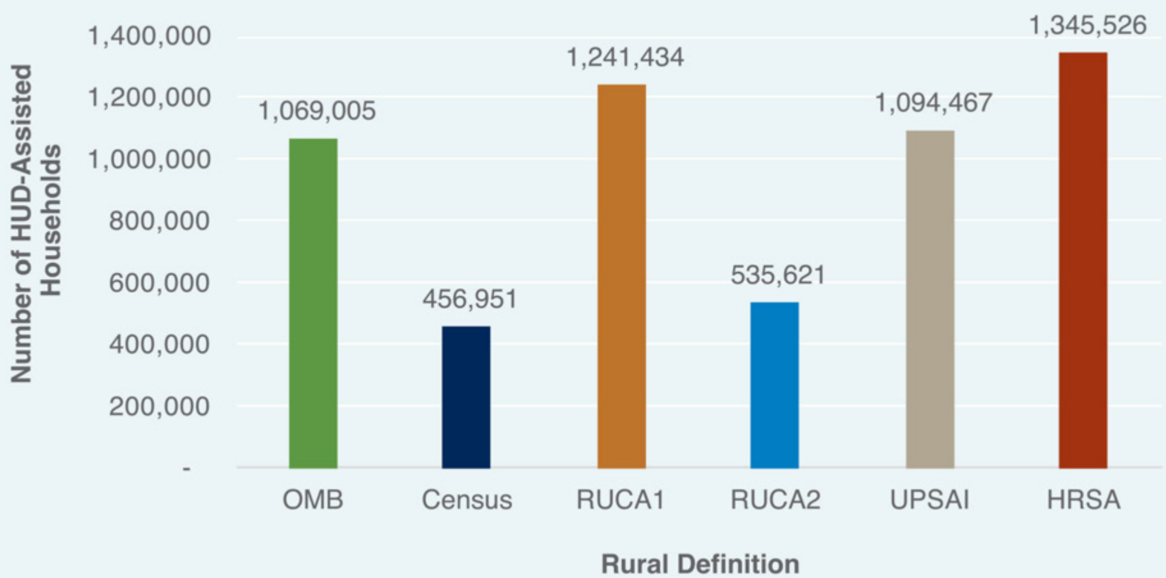
Definitions That Combine Geographies

Some federal agencies and programs use a combination of the available data to define rurality for the purposes of eligibility for their programs, which may result in a combination of geographies. These definitions adopt an additive and data-based approach rather than relying on perceptual assessments.

Health Resources and Services Administration

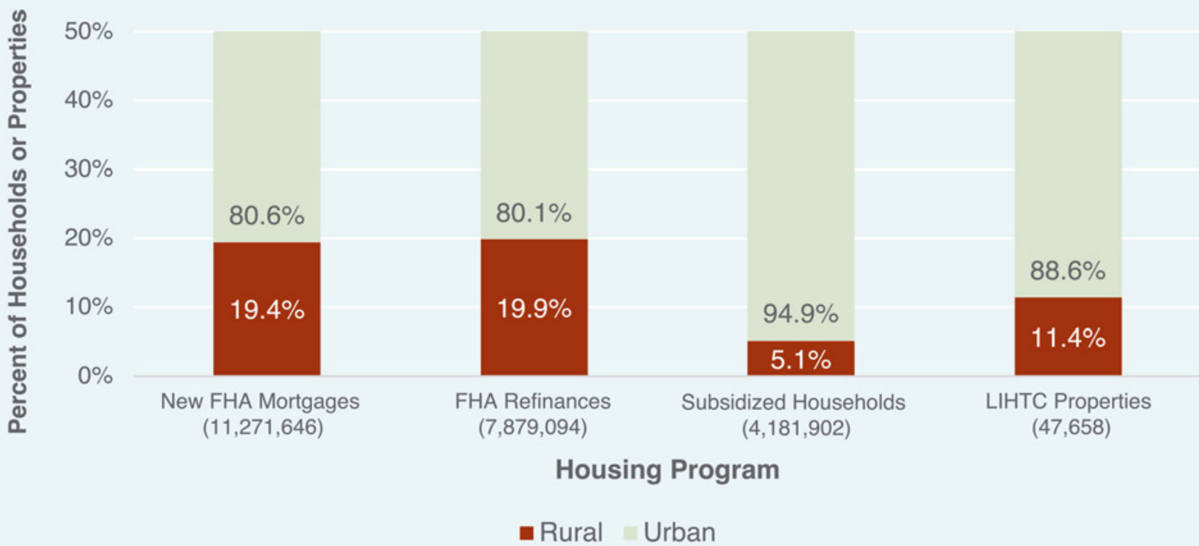
One of the more expansive definitions of rural comes from HRSA, the division of the U.S. Department of Health and Human Services focused on increasing access to care for people in rural communities.[21] Rural residents may lack access to health care because their areas lack providers or because of other barriers, such as a lack of transportation

Exhibit 2. Number of HUD-Assisted Households in Rural America in 2019 by Rural Definition



Note: HRSA = Health Resources and Services Administration, OMB = Office of Management and Budget, Census = U.S. Census Bureau, RUCA = Rural-Urban Commuting Area, UPSAI = Urbanization Perceptions Small Area Index.
Source: December 2019 extract standardized across two HUD administrative databases — PIC and TRACS; Peter Han. 2022. "Rural Definitions Matter: Implications for HUD Assistance Programs," *Cityscape* 24:3, 215–30.

Exhibit 3. 2023 HUD Housing Assistance in Rural Areas Using 2010 Census Definition of Rural



Note: FHA = Federal Housing Administration, LIHTC = Low-Income Housing Tax Credit program.
Source: Author analysis of 2023 HUD administrative data, HUD FHA data, and HUD LIHTC data using the 2010 census definition of rural and 2010 census block geographies.

or the inability to pay for care or secure time off from work.[22] To determine eligibility for rural grants, HRSA uses a broad, data-driven approach combining data from multiple sources in two levels of geography. HRSA begins with counties that OMB has identified as nonmetropolitan counties, adds outlying metropolitan counties with populations below 50,000, and then incorporates additional census tracts with RUCA codes greater than 4 plus tracts with RUCA codes 2 or 3 that meet certain area or population density criteria or are in areas with rugged terrain.[23]

U.S. Department of Housing and Urban Development

HUD also employs several of the above methods to define rurality. For example, HUD uses data from multiple sources to determine the rural status of its public housing agencies (PHAs), the local government entities that receive HUD subsidies to administer housing programs. To help small and rural PHAs that may not have sufficient staffing and resources for unit inspections or environmental reviews, HUD reduces regulatory burdens for agencies designated as small rural PHAs.[24] HUD defines a PHA as small and rural if the PHA's address is in a rural area or if more than 50 percent of its units are in rural areas. For this designation, HUD defines rurality using a mix of OMB county classifications and block-level census classifications: rural PHAs are those whose address is not in an OMB metropolitan county, not in a micropolitan county adjacent to a metropolitan county, or not in a Census block defined as urban.[25]

HUD also awards grant funding for housing and community development in rural areas and has used varying definitions of rurality based on program design. For some programs, HUD has used the 2010 census definition of rurality to target grant funds to rural areas.[26] For example, HUD used the 2010 census definition to determine eligibility for $12 million in grant funding for fiscal years 2023 and 2024 for the Rural Capacity Building Program.[27]

Other grant funding has used an additive definition of rural. In 2022, HUD set aside $54 million of its Special Notice of Funding Opportunity to Address Unsheltered and Rural Homelessness for projects that serve rural areas.[28] Eligibility guidelines for this program defined a rural area as a county that is not within an OMB-designated metropolitan area, has at least 75 percent of its population in census blocks classified as nonurban, or is in a state with a low population density.

Measuring Housing Programs in Rural Areas

Visualizing Definitions of Rural

This section uses HUD data to present a tangible example of the variation among definitions. First, I use HUD administrative data to illustrate the difference between various definitions of rurality, and then I demonstrate the potential of a new measure of rurality that combines data from Census and UPSAI.

As exhibit 2 shows, HRSA's expansive definition of rurality captures nearly three times as many HUD-assisted households as Census' more targeted definition.[29]

Program Takeup in Rural Areas

HUD housing programs and the affordable housing properties created under the Low-Income Housing Tax Credit (LIHTC) program are available in both rural and urban areas. Thus, an important policy question involves determining the extent to which the share of rural households that HUD housing programs serve matches the share of all rural households.

The analysis in exhibit 3 uses 2023 HUD administrative data, 2023 Federal Housing Administration (FHA) loan data, and 2023 LIHTC data to show that some programs have greater coverage in rural areas than do others. Using HUD's more limited definition of rural — the 2010 census definition described above — the rural share of the 19 million FHA mortgage (19.4%) and refinancing (19.9%) loans originated in 2023 was similar to the share of the U.S. population living in rural areas (20%).[30] In contrast, only approximately 5 percent of the nation's 4 million subsidized households — those participating in programs such as the Housing Choice Voucher and Public Housing programs — were in rural areas.[31] Slightly more than 11 percent of LIHTC properties, low-income housing developments created using federal tax incentives, are in rural areas.

Using UPSAI Findings for an Additive but Targeted Definition of Rural

Future housing policymakers and researchers might consider an additive definition that combines data and geographies that Census identifies as rural with Census-HUD UPSAI data.[32] This new definition would continue to emphasize the most rural areas but would allow the flexibility to incorporate areas defined as urban or suburban that residents perceive as being rural in character. Exhibit 4 shows that residents of census-defined Urban Clusters (urban areas with fewer than 50,000 people) were nearly as likely to describe their neighborhood as rural as they were to describe it as urban (26% and 28%, respectively).[33] In addition, 5 percent of respondents in census-defined Urbanized Areas (urban areas with more than 50,000 people) also considered their neighborhoods to be rural.

These differences in rural perception versus rural census classification could mean that some households in areas that Census would define as urban may face barriers to housing that are more akin to those that rural households face. To demonstrate the potential extent of this phenomenon, the dark red bars in exhibit 5 illustrate an expanded definition of rural that includes areas that are either categorized as rural by the 2010 census or perceived as rural in UPSAI. This new measure results in increases in the number of rural households covered by all four kinds of housing assistance analyzed, with the biggest percentage increases observed in HUD-subsidized households (an increase of nearly 70%) and LIHTC properties (an increase of more than 50%). More research is needed to better understand the housing needs of those living in rural pockets of urban areas.

Exhibit 4. How Respondents Described Their Neighborhood, by 2010 Census Urban Area Category

	UPSAI Categories			
2010 Census Category	"Urban"	"Suburban"	"Rural"	Total*
Urbanized Area	33%	63%	5%	101%
Urban Cluster	28%	45%	26%	99%
Rural	5%	16%	79%	100%

Note: UPSAI = Urbanization Perceptions Small Area Index. Rows may not add up to 100 percent because of rounding.
Source: Jed Kolko and Shawn Bucholtz. 2018. "America Really Is a Nation of Suburbs," *CityLab*, 14 November.

Discussion

This article highlights the extent to which the population described as rural can vary based on the definition used. This variance suggests the importance of carefully considering policy goals when deciding how to define rurality: Would a targeted definition or a widely cast net provide the greatest benefit? Is the program designed to serve only the most rural households, or should beneficiaries include rural

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Rural Access to Mortgages

Most Americans regard homeownership as a key component of the “American dream,” and a mortgage is the vehicle for achieving it.[1] Nearly all first-time homebuyers — 91 percent — and 69 percent of repeat buyers finance their purchases with a mortgage.[2] Mortgages also offer buyers greater transparency, protections, and legal recourse. For example, federal laws require mortgage lenders to disclose key loan terms, demonstrate good faith in estimating closing costs, and limit certain fees.[3]

Although rural homeownership rates are higher than those in urban areas, many rural buyers struggle to obtain mortgages.[4] Homebuyers used mortgages for less than half (43%) of all rural homes sold between 2004 and 2022 compared with two-thirds of homes sold in urban areas during the same period.[5] Both rural and urban homebuyers who are unable to either obtain a traditional mortgage or buy their house outright face less desirable financing options, and some may be shut out of homeownership entirely. Recently proposed legislation has attempted to address nationwide challenges in obtaining mortgages for lower-cost homes. If passed, these laws would increase access to mortgages and create opportunities for researchers and policymakers to better understand how to foster homeownership in rural America.

Challenges to Obtaining Mortgages in Rural Areas

Differences in loan denial rates are partly to blame for rural buyers’ lower access to mortgages. Between 2004 to 2023, lenders denied approximately 20 percent of completed mortgage applications from rural borrowers compared with 12 percent of applications from urban borrowers over the same period. This gap persisted even after controlling for loan size and debt-to-income ratios.[6] Mortgage affordability is also a challenge. Many rural communities are small and remote, which limits lender competition and makes high-cost loans, such as those with higher interest rates, more common. In 2022, nearly 10 percent of rural mortgage originations were considered high cost[7] compared with 6.6 percent of mortgages nationally.[8]

Manufactured homes play an important role in rural markets and exemplify many of these challenges.[9] Manufactured homes make up 13 percent of all occupied homes in rural communities — nearly double the national rate.[10] Yet 66 percent of all manufactured home loans in 2022 were high cost, which is 10 times the national average for all homes.[11] In addition, prospective buyers of manufactured homes face higher denial rates. Lenders denied 54 percent of completed financing applications from buyers purchasing manufactured homes compared with only 7 percent of applications from site-built buyers.[12] Improving financing options for manufactured homes may boost demand for this lower-cost alternative to site-built housing, thereby potentially expanding homeownership opportunities to more rural households.[13]

Scarcity of Small-Dollar Loans

A key challenge for rural homebuyers is the availability of small-dollar loans, which are less than $150,000.[14] Small mortgages help lower-income households afford homeownership, and they play an important role in rural markets, where housing prices are lower. Between 2004 and 2022, the median purchase price for a rural home was lower than that of an urban home ($213,000 and $374,000, respectively), and lower-cost sales made up a larger share of overall transactions in rural areas. Approximately 37 percent of home sales in rural areas were low-cost sales (less than $150,000) compared with 15 percent of sales in urban areas. Low-cost sales were especially common in rural communities within the Great Plains, Midwest, and Southeastern regions of the United States.[15] Small-balance loans also constitute a larger share of mortgage originations in rural areas compared with the overall mortgage market.[16]

Small-dollar mortgages, however, have declined in recent years. Between 2004 and 2021, the number of mortgages issued that were valued at less than $150,000 fell by nearly 70 percent nationally, from 2.7 million to 830,000 loans per year, whereas larger mortgage lending (mortgages exceeding $150,000) increased by 52 percent over the same period, from 2.9 million to 4.4 million loans per year.[17] A recent HUD study focusing on mortgages for $70,000 or less found that these very small loans also have decreased over the past decade, from 11 percent to 3.5 percent between 2011 and 2020. The number of small-dollar loans specifically used to purchase low-cost homes may be overestimated because not all small loans were used to purchase low-cost homes. Between 2018 and 2020, only 57 percent of small-dollar originations ($70,000 or less) were used to purchase owner-occupied, lower-priced homes, and the remainder were for homes that cost more than $70,000.[18]

The scarcity of small-dollar loans can be explained in part by rising housing prices (particularly during the pandemic, when median housing prices surged), but not entirely.[19] Small-value mortgages can be less profitable, or even unprofitable, for many lenders, because origination and servicing costs are fixed for all loans, and loans with smaller balances do not generate enough revenue to offset these costs.[20] Loan origination and servicing costs also have risen over time, making the unprofitability of small-dollar loans harder to overcome. Some research also suggests that mortgage loans for homes priced at less than $100,000 are associated with higher delinquency rates (3% for lower-priced homes compared with 1.6% for more expensive homes), suggesting that these loans may be riskier for lenders.[21]

Nonmortgage Options for Rural Homeowners

Because of these financing challenges, many rural homes are not financed with mortgages.[22] Some rural purchasers buy their home outright with cash, although this option is available only for wealthier households and is rarely an option for first-time buyers.[23] In addition, rural households tend to have lower cash savings overall. In 2024, only 48 percent of adults in rural areas reported having access to 3 months' worth of emergency savings compared with 56 percent of adults in urban areas.[24]

Other prospective homebuyers are forced to consider alternative methods such as personal property loans, land contracts, lease-to-purchase agreements, and seller-financed mortgages. These financing methods often are associated with higher costs and higher risks. Approximately 12 percent of rural homebuyers use alternative methods to finance their home compared with 8 percent of urban buyers.[25] Some prospective buyers may be shut out of homeownership entirely and are forced to compete for rental housing instead.

Policy Solutions and Future Research

In 2022, approximately 25 percent of all lending for rural home purchases was government backed, which is a higher rate than that in suburban and urban areas (22% and 17%, respectively). HUD's Federal Housing Administration (FHA) backed 13 percent of all rural mortgages, followed by loan guarantees from the U.S. Department of Veterans Affairs (9%), and the U.S. Department of Agriculture's Rural Development guaranteed lending programs (3%). Government-backed lending has played a larger role in the rural mortgage market, increasing from less than 10 percent in 2005 to 25 percent in 2022.[26]

FHA insures single-family mortgages with the goal of encouraging lenders to issue loans they otherwise would not make. FHA does not impose minimum loan amounts and, compared with the rest of the market, FHA disproportionately insures loans for lower-priced homes. The composition of FHA-insured loans, however, is limited by the number of loans lenders submit for FHA insurance endorsement as well as by FHA policies, which Congress shapes. For this reason, FHA alone cannot boost the availability of small-dollar loans.[27]

Recent legislative initiatives have attempted to encourage additional small-dollar mortgages. The ROAD to Housing Act, introduced by Senator Tim Scott from South Carolina in 2024, instructs the director of the Bureau of Consumer Financial Protection, in consultation with HUD, to revise FHA limitations on points and fees to encourage lenders to approve loans of less than $70,000.[28] In 2024, Representative Young Kim from California also introduced legislation that aimed to increase the availability of financing for lower-cost homes (Small Dollar Loan Certainty Act, 2024).[29]

New legislation encouraging small-dollar lending may improve access to mortgages in rural areas. It could also create opportunities for researchers to understand the most effective methods to expand rural homeownership, such as determining which strategies most effectively increase the profitability of low-cost loans while minimizing risks to both borrowers and lenders.[30]

– Amanda Gold, *PD&R, HUD*

[1] According to a nationally representative survey conducted by Bankrate.com, 82 percent of Americans consider homeownership to be a key component of the American dream. *See*: Jeff Ostrowski. 2025. "Bankrate's 2025 Home Affordability Report," Bankrate, 14 May; Bankrate. 2025. "82% Consider Homeownership to be Part of the American Dream," 16 April press release.

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[3] Federal laws regulating mortgages include the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Fair Housing Act, the Equal Credit Opportunity Act, the Homeowners Protection Act, and the Home Mortgage Disclosure Act.

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[5] Adam Staveski. 2024. "Small Mortgages Offer Opportunity to Invest in Rural Communities," Pew Charitable Trusts.

[6] Ibid.

[7] A high-cost loan is a first lien loan with an interest rate that is at least 1.5 percentage points higher than the interest rate one would receive for a similar prime rate loan. For second lien loans, a high-cost loan has an interest rate of at least 3.5 percentage points more than the interest rate for a similar prime loan. For more information, *see:* Consumer Financial Protection Bureau. "§ 1026.35 Requirements for higher-priced mortgage loans." **(www.consumerfinance.gov/rules-policy/regulations/1026/35/#a)**.

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8 Housing Assistance Council.

9 HUD defines a manufactured home as a structure that is transportable in one or more sections. To be eligible for FHA mortgage insurance, all Manufactured Housing must also meet additional standards, such as being designed as a single-family dwelling; having a floor area of not less than 400 square feet; having the HUD Certification Label affixed or having obtained a letter of label verification issued on behalf of HUD evidencing that the house was constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards; being classified as real estate; being built and remaining on a permanent chassis; being designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing; and have been directly transported from the manufacturer or the dealership to the site. For more information, *see:* U.S. Department of Housing and Urban Development. 2025. "Handbook 4000.1: FHA Single Family Housing Policy Handbook," 10 January.

10 Housing Assistance Council.

11 Ibid.

12 Linlin Liang, Rachel Siegel, and Adam Staveski. 2022. "Data Shows Lack of Manufactured Home Financing Shuts Out Many Prospective Buyers," Pew Charitable Trusts.

13 Karan Kaul and Daniel Pang. 2022. "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," Urban Institute.

14 Some studies define small-dollar mortgages as loans valued at less than $100,000, or even less than $70,000. The sources cited within this report use various thresholds, which are specified in the text.

15 Staveski.

16 Nuno Mota. 2019. "An Analysis of Small Balance Loan Origination in Rural and High-Needs Rural Areas," Fannie Mae.

17 Note that median sale prices for all homes increased dramatically between 2020 and 2022, largely driven by the COVID-19 pandemic rather than housing market factors; Tracy Maguze, Tara Roche, and Adam Staveski. 2023. "Small Mortgages Are Too Hard to Get," Pew Charitable Trusts.

18 U.S. Department of Housing and Urban Development. 2022. "Financing Lower-Priced Homes: Small Mortgage Loans."

19 Maguze, Roche, and Staveski.

20 Mike Fratantoni, Marina Walsh, Eddie Seiler, Jenny Masoud, Jon Penniman, and June Wang. 2023. "How do Mortgage Revenues, Costs and Profitability Vary by Loan Balance? An Analysis Using Benchmarking Data," Mortgage Bankers Association.

21 U.S. Department of Housing and Urban Development 2022.

22 Staveski.

23 Maguze, Roche, and Staveski.

24 Staveski; Federal Reserve Board. 2025. "Report on the Economic Well-Being of U.S. Households: Survey of Household Economics and Decisionmaking."

25 Staveski.

26 Housing Assistance Council.

27 U.S. Department of Housing and Urban Development 2022.

28 U.S. Congress. 2024. *ROAD to Housing Act.*

29 U.S. Congress. 2024. *Small Dollar Loan Certainty Act.*

30 U.S. Department of Housing and Urban Development 2022.

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households that have the opportunity to commute to a more populous area regardless of whether they do so successfully? Answers to these questions can help decisionmakers determine whether to adopt a targeted or more expansive definition of rurality and whether to choose a dichotomous rural/urban definition, a scale illustrating the continuum between rural and urban, a perceptual measure, or an additive definition that chooses areas that meet various criteria.

Similarly, future housing research on the needs of households in rural areas should consider how comparing the results of multiple definitions might foster improved findings. Future research is also warranted to investigate several key questions in rural housing policy: do place-based programs in rural areas effectively address the housing needs of rural residents? Are participants in tenant-based programs able to find housing in their desired areas? What are the experiences of residents in areas that data alone might classify as urban but perceptions classify as rural in character? The findings of such research will help inform future housing policy in rural America. EM

— Gretchen Armstrong, *HUD Staff*
Stephanie Hawke, *HUD Staff,* contributed key analyses to this article.

1 Kevin J. Bennett, Tyrone F. Borders, George M. Holmes, Kati Backes Kozhimannil, and Erika Ziller. 2019. "What Is Rural? Challenges and Implications of Definitions that Inadequately Encompass Rural People and Places," *Health Affairs* 38:12, 1985–92.

2 Julianna Long, Paul Delamater, and George Holmes. 2021. "Which Definition of Rurality Should I Use? The Relative Performance of 8 Federal Rural Definitions in Identifying Rural-Urban Disparities," *Medical Care* 59:10(5), S413–9.

3 Corianne Payton Scally, Eric Burnstein, Matthew Gerken, and Evelyn Immonen. 2020. "In Search of 'Good' Rural Data: Measuring Rural Prosperity," Metropolitan Housing and Communities Policy Center Research Report.

4 Bennett et al.; Office of Management and Budget. 2021. "2020 Standards for Delineating Core Based Statistical Areas," *Federal Register* 86 FR 37770, 16 July.

5 Payton Scally et al.

6 Jed Kolko and Shawn Bucholtz. 2018. "America Really Is a Nation of Suburbs," *CityLab,* 14 November.

7 *See* "Rural Housing" (p.3) for a definition of rural from a nongovernmental entity, the Housing Assistance Council.

8 Office of Management and Budget.

9 Austin Sanders. 2025. "Rural Classifications – What is Rural?" U.S. Department of Agriculture.

10 Ibid.; Bennett et al.; Peter Han. 2022. "Rural Definitions Matter: Implications for HUD Assistance Programs," *Cityscape* 24:3, 215–30.

11 Health Resources and Services Administration. "How We Define Rural" **(www.hrsa.gov/rural-health/about-us/what-is-rural)**. Accessed 16 June 2025.

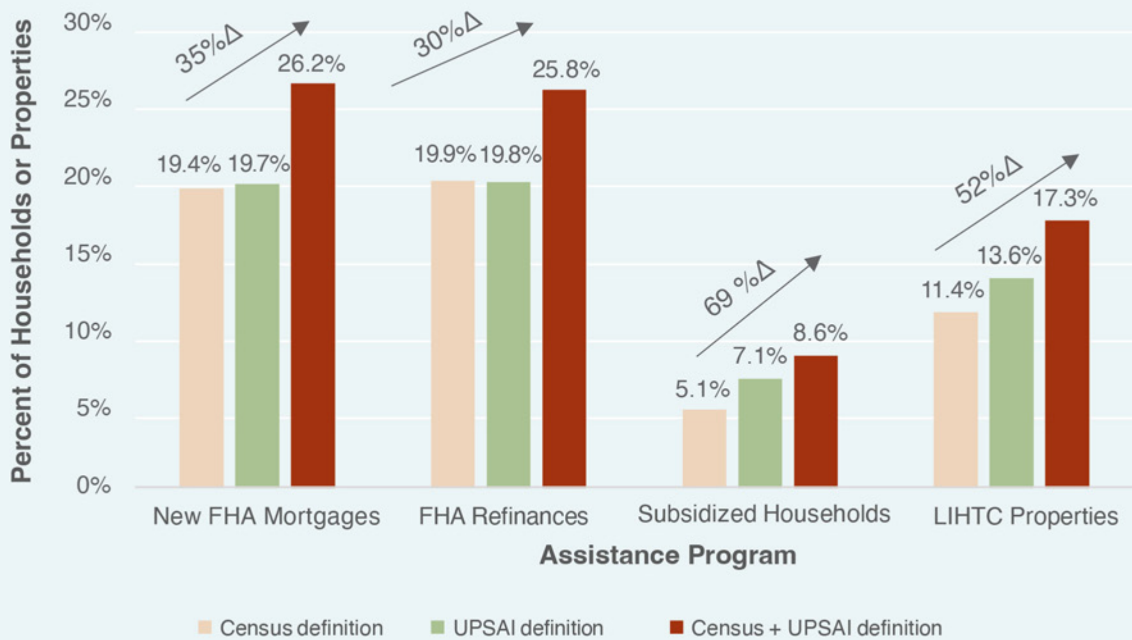
12 Office of Management and Budget.

13 Michael Ratcliffe, Charlynn Burd, Kelly Holder, and Alison Fields. 2016. "Defining Rural at the U.S. Census Bureau," American Community Survey and Geography Brief, December.

14 U.S. Census Bureau. 2022. "Nation's Urban and Rural Populations Shift Following 2020 Census," press release CB22-CN.25, 29 December.

15 In addition to the Rural-Urban Commuting Area (RUCA) codes, USDA tools also include Rural-Urban

Exhibit 5. Housing Assistance in Rural Areas in 2023: Census and UPSAI Definitions of Rural



Note: FHA = Federal Housing Administration, LIHTC = Low-Income Housing Tax Credit program.
Source: Author analysis of 2023 HUD administrative data, HUD FHA data, and HUD LIHTC data using the 2010 census definition of rural and 2010 census block geographies and UPSAI classifications.

Continuum codes, assigned to counties on a scale of 1 to 9 based on the degree of urbanization or rurality; Urban Influence codes, designed to indicate the impact of nearby urban areas on rural areas; and Frontier and Remote Area codes, which indicate areas that are highly remote. John Cromartie and Shawn Bucholtz. 2008. "Defining the 'Rural' in Rural America," *Amber Waves,* USDA Economic Research Service, 1 June.

[16] Sanders.

[17] Han.

[18] U.S. Department of Agriculture. 2020. "Chapter 5.3: Rural Area Designation" in Direct Single Family Housing Loans and Grants — *Field Office Handbook,* HB-1-3550 Revised (03-19-20) PN 534.

[19] U.S. Department of Housing and Urban Development, Office of Policy Development and Research. "The 2017 AHS Neighborhood Description Study" **(www.huduser.gov/portal/AHS-neighborhood-description-study-2017.html#small-area-tab)**. Accessed 16 June 2025.

[20] Shawn Bucholtz, Emily Molfino, and Jed Kolko. 2020. "The Urbanization Perceptions Small Area Index: An Application of Machine Learning and Small Area Estimation to Household Survey Data," U.S. Department of Housing and Urban Development; Kolko and Bucholtz; Shawn Bucholtz. 2020. "Urban. Suburban. Rural. How Do Households Describe Where They Live?" *PD&R Edge,* 3 August.

[21] Health Resources and Services Administration. 2025. "About HRSA: Tens of millions of Americans receive quality, affordable health care and other services through HRSA" **(www.hrsa.gov/about)**. Accessed 25 March 2025; Health Resources and Services Administration. 2024. "Mission" **(www.hrsa.gov/rural-health/about-us/mission)**. Accessed 16 June 2025.

[22] "Healthcare Access in Rural Communities," Rural Health Information Hub website **(www.ruralhealthinfo.org/topics/healthcare-access)**. Accessed 16 June 2025.

[23] Health Resources and Services Administration's use of RUCA codes differs from that of researchers using RUCA1 or RUCA2. Health Resources and Services Administration. "How We Define Rural" **(www.hrsa.gov/rural-health/about-us/what-is-rural)**. Accessed 16 June 2025; Health Resources and Services Administration. 2024. "Inclusion of Terrain Factors in the Definition of Rural Area for Federal Office of Rural Health Policy Grants," *Federal Register* 89 FR 92131 Document 2024-27133.

[24] U.S. Department of Housing and Urban Development. 2019. "Section 209 of the Economic Growth, Regulatory Relief, and Consumer Protection Act: Initial Guidance," *Federal Register* 84 FR 4097 Document 2019-02359.

[25] "Subpart H—Assessment of Small Rural Public Housing Agencies," 24 C.F.R. § 902.101 **(www.ecfr.gov/current/title-24/subtitle-B/chapter-IX/part-902/subpart-H)**; "Requirements for higher-priced mortgage loans,"12 C.F.R. § 1026.35(b)(2)(iv)(A)(1) **(www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-E/section-1026.35#p-1026.35(b)(2)(iv)(A))**.

[26] Although data using the 2020 census definition of urban and rural are available, HUD was still using the 2010 census definition as of the publication of this article.

[27] U.S. Department of Housing and Urban Development. 2024. "HUD Invests $12 Million to Strengthen Rural Communities," 18 December press release; U.S. Department of Housing and Urban Development. "Rural Beneficiary Mapping Tool" **(www.hudexchange.info/programs/rural-capacity-building/)**. Accessed 13 March 2025.

[28] U.S. Department of Housing and Urban Development. 2022. "Continuum of Care Supplemental to Address Unsheltered and Rural Homelessness: Technical Correction."

[29] "HUD-assisted households" are households that participate in HUD programs that provide subsidies to reduce rents for low-income tenants who meet program eligibility requirements. This assistance may be attached to public housing; tenant-based vouchers; or privately owned, project-based units. U.S. Department of Housing and Urban Development, Office of Policy Development and Research. "Picture of Subsidized Households" **(www.huduser.gov/portal/datasets/assthsg.html)**. Accessed 17 April 2025; Han.

[30] The change from 19.3 percent of the rural population in 2010 to 20 percent of the rural population in 2020 was primarily the result of changes in the definitions of rural rather than a substantial change in living patterns. U.S. Census Bureau.

[31] U.S. Department of Housing and Urban Development, Office of Policy Development and Research. "Picture of Subsidized Households" **(www.huduser.gov/portal/datasets/assthsg.html)**. Accessed 17 April 2025.

[32] Todd Richardson. 2021. "Another Definition for Rural?" *PD&R Edge,* 21 December.

[33] Kolko and Bucholtz.

States Address Housing Barriers in Rural Communities

HIGHLIGHTS

- **North Dakota's Rural-Workforce Initiative to Support Housing program offers construction loans of up to $3.5 million for housing projects in rural communities experiencing economic growth.**
- **The County First initiative facilitates low-interest, fixed-rate first mortgages and offers up to $10,000 in downpayment assistance for homebuyers in South Carolina counties that HUD has designated as economically distressed.**
- **The Kansas Housing Resources Corporation administers the Moderate Income Housing program, which issues grants of up to $650,000 to rural cities and counties for housing construction and rehabilitation.**

In response to growing housing challenges in rural areas, such as a lack of inventory, high construction costs, and aging housing stock, many states are implementing rural housing initiatives to spur development and boost homeownership. The Rural-Workforce Initiative to Support Housing is a North Dakota pilot program that provides housing construction loans in rural cities where a company is starting up, relocating, or expanding its workforce. South Carolina's County First initiative offers forgivable downpayment assistance and low fixed-rate mortgage financing to eligible homebuyers in HUD-designated economically distressed rural counties. In Kansas, the Moderate Income Housing program issues grants to rural counties and cities with up to 60,000 residents to develop and rehabilitate single and multifamily properties. These programs rely on strong partnerships with the local government, financial institutions, developers, and local companies to expand housing access and meet the demands of rural populations.

North Dakota Rural-Workforce Initiative to Support Housing Program

Much of the state of North Dakota is rural. According to the U.S. Department of Agriculture's 2017 Census of Agriculture, farms and ranches occupy nearly 40 million acres — approximately 90 percent of the state's total land.[1] Data from the 2020 decennial census indicate that 39 percent of the state's total population of 779,094 live in rural areas.[2] The state has 357 incorporated cities, 86 percent of which have fewer than 1,000 residents. In addition, 56 percent of the state's incorporated cities have fewer than 200 people. Cities with a population of less than 20,000 are beginning to attract new employers and need financial and technical assistance to meet growing housing demand.[3] North Dakota's housing stock is also aging; 29 percent of the state's housing was built before 1960, and these units are most prevalent in rural areas.[4]

Courtesy of North Dakota Governor's Office

The R-WISH program emerged from discussions among public officials and banks who sought to develop housing for employees of companies that are expanding operations into Ellendale and Grafton, North Dakota.

Supporting Rural Communities in Need

In June 2024, the North Dakota Industrial Commission, consisting of the governor and other state officials, approved the Rural-Workforce Initiative to Support Housing (R-WISH) pilot program targeting areas with no more than 20,000 residents. The goal of R-WISH is to construct single- or multifamily housing in areas where a company is starting up, relocating, or expanding.[5] Working alongside the North Dakota Housing Finance Agency and the North Dakota Housing Initiative Advisory Committee, the Bank of North Dakota (BND) allocated $10 million to R-WISH to finance new housing construction and the rehabilitation of existing housing units.[6] The program emerged through conversations with public officials and banks in Ellendale and Grafton, cities struggling with a lack of housing for employees of new companies.[7]

R-WISH allows eligible rural cities to access BND loans of up to $3.5 million to lower housing construction


Courtesy of North Dakota Governor's Office

Ellendale is the first city in North Dakota to use the R-WISH program to build 20 single-family rental homes.

costs in areas experiencing economic growth, which makes the resulting housing more affordable to the local workforce.[8] "The intent of R-WISH," said Don Morgan, president and chief executive officer at BND, "is to create a public-private partnership that brings the capital to the table to incentivize a developer or homebuilder to ramp up to meet the need in the community."[9] The program serves rural cities with 20,000 or fewer residents that are experiencing population and economic growth due to a company starting up, relocating to the area, or expanding by more than 10 full-time employees.[10] The program will help fund projects whose market rent will not fully compensate for the high costs of construction.

Qualifying developers must prove that they will rent units at market rates and obtain market-rate financing from a local institution. In addition, the city and the company must provide funding or in-kind support to the project, such as land, property, infrastructure, or labor. The city may also demonstrate that it has obtained funding from a local development corporation or created future dedicated tax programs to offset construction costs. Projects meeting these criteria can qualify for BND funding, which amounts to the lesser of 20 percent of project costs, $3.5 million, or a company match.[11] R-WISH, unlike traditional housing finance models, integrates a corporate entity in the capital stack.[12]

Early Progress

Ellendale, with a population of 1,125 as of 2020,[13] is the first city to use the R-WISH program to fund a housing project.[14] Applied Digital is building a new data center in Ellendale that will employ 100 to 130 new workers.[15] To accommodate this workforce, the city of Ellendale is collaborating with Applied Digital and BND to construct Ellendale Acres, which includes a 38-unit rental apartment complex and a total of 20 single-family rental homes consisting of 12 two-bedroom homes and 8 four-bedroom homes.[16] BND allocated a $3.5 million R-WISH loan to the housing project, and Applied Digital provided a matching $3.5 million private equity contribution.[17] In fall 2024, the city of Ellendale provided in-kind support for the project by selling 20 lots for $2,400, well below market value, to Headwaters Development, a modular building company, with the goal of constructing the new single-family housing within 18 months. Headwaters Development built the single-family homes offsite, an innovative approach to speed up the development process. In addition to Headwaters Development and BND, Applied Digital worked with Starion Bank to finance the project. The city and Applied Digital provided capital investment, demonstrating a strong public-private partnership.[18]

Headwaters Development will maintain ownership of the apartments and single-family homes and rent them to Applied Digital employees.[19] Headwaters Development completed the single-family homes in 2025.[20] The single-family homes range from 1,300 to 2,600 square feet, with a mix of two-bedroom and four-bedroom units that each offer two to three bathrooms.[21] The homes rent from $1,500 to $1,900 per month.[22] According to Morgan, Applied Digital "is guaranteeing the rents on the houses for a period of 5 years to give the developer confidence in making the investment and developing the subdivision." Rents for the multifamily units are expected to range from $975 to $1,550 per month.[23] Headwaters Development collaborates with Applied Digital to set the rents, which are based on construction costs and employees' average wages.[24] The R-WISH program gives developers more time to repay their loans while the value of the property increases, especially in cases in which the developer might spend more to construct a home than its appraised value. The housing project is the initial step in a broader effort to improve the quality of life in Ellendale, which is also developing new childcare solutions, public safety projects, and commercial areas.[25]

Grafton, North Dakota, with a population of 4,170 as of 2020,[26] is the second city using $3.5 million in R-WISH funds to provide housing for employees of an expanding company. Marvin Windows is using R-WISH funds to construct a 72-unit multifamily project with the capacity to house company employees as well as other city residents. Like the Ellendale project, the project in Grafton will rent units to residents for $975 to $1,550 per month based on construction costs and wages, said Morgan. Marvin Windows invested $1 million in the project and donated $500,000 in windows and doors. In addition, Marvin Windows is guaranteeing the rents on the units for 5 years.[27]

As a pilot, R-WISH is establishing operational capacity in rural cities and will refine program processes and guidelines throughout implementation. Ongoing collaboration to strengthen partnerships with companies, developers, and financial institutions will be critical going forward to develop the capital needed to fund projects.[28]

South Carolina County First Initiative

Agribusiness forms the foundation for South Carolina's economy, contributing nearly $42 billion in state revenue and supporting more than 200,000 jobs. The state is composed of nearly 5 million acres of farmland, and two-thirds of the land is forest.[29] Out of a total population of 5.1 million, 1.6 million (32%) of South Carolina residents lived in rural areas in 2020.[30] Although the population is projected to grow to 5.73 million by year 2030, it will be distributed unevenly, with metropolitan and coastal counties such as Jasper, Horry, and Berkeley expecting the largest population growth. On the other hand, 27 counties (primarily rural) out of the state's 46 counties are projected to experience population declines by 2030.[31] Nearly one-quarter of homeowners in the state were housing cost burdened in 2023, spending more than 30 percent of their income on housing. The proportion of homeowner inventory that is vacant and for sale in South Carolina is 0.9 percent, indicating limited availability.[32] One factor affecting the state's housing supply stems from generational property, because extended family members hold onto properties rather than listing them for sale. In some cases, retirement-age homeowners prefer to rent out their homes as a source of additional income.[33] Access to financing is another barrier to homeownership in rural areas. Despite being able to afford the mortgage payment on a larger, more expensive home, owners of lower-priced homes often lack the financial resources to afford the downpayment. Likewise, first-time homebuyers often face financial barriers to homeownership such as low credit scores or difficulty affording a downpayment.[34]

Courtesy of North Dakota Governor's Office

In March 2025, Governor Kelly Armstrong (middle) toured the Applied Digital data center that will bring hundreds of jobs to Ellendale, North Dakota.

Assisting Underserved Rural Areas

Operating as the sole public housing agency at the state level, the South Carolina State Housing Finance and Development Authority (SC Housing) administers several affordable housing programs and oversees funding for homeownership assistance. SC Housing operates numerous homebuyer programs across the state's 46 counties, but approximately 8 to 10 years ago, agency administrators realized that very few of the loans SC Housing issued were in rural areas. Clayton Ingram, external relations and policy manager at SC Housing, stated, "We seek to spread our programs, especially our homeownership program, over the entire state. We like to see some activity in every county knowing that there are some counties where there are very few real estate transactions of any kind."[35]

The County First initiative facilitates homeownership in underserved rural counties in South Carolina through low-interest, fixed-rate first mortgages and forgivable downpayment assistance.

Expanding its impact across the state, SC Housing launched the County First initiative in September 2020 to facilitate homeownership in the state's underserved rural areas. The initiative offers low-interest, fixed-rate first mortgages through lending partners and forgivable downpayment assistance as a second mortgage to eligible first-time homebuyers and move-up homebuyers wishing to purchase their next home across the more than 20 rural South Carolina counties that HUD has designated as economically distressed.[36] To qualify as economically distressed, a county must meet one of three criteria based on the 2020 American Community Survey (ACS) 5-year estimates: an average unemployment rate of at least 9 percent, a poverty rate of at least 20 percent among individuals not enrolled in higher education; or a population decline of 5 percent or more between the 2010 decennial census and 2020 ACS 5-Year estimates.[37] For example, Dillon, Lee, Marion, and Marlboro counties qualify as economically distressed, with poverty rates of 30 percent, 26 percent, 23 percent, and 29 percent, respectively, based on 2020 ACS 5-year estimates.[38]

Financed through the sale of tax-exempt mortgage revenue bonds, SC Housing offers families a second mortgage of up to $10,000 to finance downpayment or closing costs with zero interest and no monthly payments. The second mortgage has a 15-year term, and if families remain in the property for 15 years, the loan is forgiven. To qualify, homebuyers cannot own a home at the time of closing on the new property.[39] Households must also meet median annual income and house price limits, which range from $108,600 for a one- to two-person household to $126,600 for a household with three or more people for a home priced at no more than $425,000. Recipients can use their downpayment assistance to purchase single-family residences, condominiums, townhomes, and modular homes.[40] The County First initiative enables households with credit scores of at least 640 to qualify for 30-year first mortgages from more than 100 approved SC Housing lending partners.[41] Eligible borrowers must complete a homeownership education course led by their mortgage lender to help them navigate the homebuying process and encourage successful ownership.[42] Borrowers can choose Federal Housing Administration, conventional, U.S. Department of Agriculture, or U.S. Department of Veterans Affairs loan products.[43] Wes Barr, underwriting manager at SC Housing, noted that the lending partners originate the mortgages and follow SC Housing's eligibility and approval guidelines. The lending partners originate the first mortgage and downpayment assistance lien, and, upon closing, SC Housing purchases the loans.[44]

Spreading Impact

Sharing information about the County First initiative has been vital to its uptake in rural areas. At its inception, "we put it on a rate sheet as a separate program, tracked it separately, and we'd go out and do outreach and marketing" to increase its visibility, said Steve Clements, director of single-family programs at SC Housing.[45] Since 2020, the initiative has served 196 households with a total of $37.8 million in first mortgage liens delivered to SC

Housing for purchase and an average loan amount of $173,000. To date, the program has issued 195 downpayment assistance second mortgages totaling $1.8 million. As of spring 2025, the program served 20 counties. As Barr explained, the number of counties the initiative serves can change from year to year based on the number of loans delivered to SC Housing in areas that HUD has designated as economically distressed. At its inception, the initiative selected counties with 5 or fewer loans to be eligible for reduced interest rates, but, as Barr noted, SC Housing now selects counties that have 10 or fewer loans delivered in the previous 12-month period. Although SC Housing does not receive tax funding from the state general fund, the agency strives to work alongside state officials to demonstrate impact.[46]

Facilitating Mobility

SC Housing administrators recognize that homeowners want to remain in their homes to keep their mortgages with historically low interest rates in the face of rising prices.[47] For example, in the Greenville-Anderson-Mauldin housing market area, the number of existing home sales from April 2022 to April 2023 decreased 22 percent from 21,250 to 16,550.[48] Areas that historically have seen few real estate transactions now see even fewer transactions, said Ingram.[49] SC Housing has developed additional initiatives to help move-up buyers afford their next home, such as the SC Homebuyer and Palmetto Home Advantage programs, which, like County First, also offer competitive, fixed-rate mortgages and downpayment assistance. Across its programs, SC Housing offers interest rates that tend to range from an eighth to a quarter of a percentage point lower than conventional rates.[50]

Kansas Moderate Income Program

Kansas is largely a rural state with small pockets of urban areas in Kansas City to the northeast, Topeka to the west, and Wichita in the south-central area of the state. Approximately 88 percent of the state's land area consists of farmland.[51] In 2023, approximately 859,000 people, or 29 percent of Kansas' total population of 2,940,546, lived in rural areas that are not part of a metropolitan statistical area as defined by the U.S. Office of Management and Budget.[52] A 2021 statewide housing needs assessment revealed an affordable housing shortage in Kansas. Since 2010, the number of renter households in Kansas that are housing cost-burdened has increased, which has led many households to delay homeownership.[53] According to the 2023 American Community Survey, 43.5 percent of renters in Kansas were housing cost burdened compared with 24.4 percent of homeowners.[54] Approximately 30 percent of Kansas' housing stock was built before 1960, and in rural areas, much of this housing has fallen into disrepair. In addition to its aging housing stock, the state has an aging population. In many rural counties, older units no longer meet residents' accessibility needs as they age. Many housing units in the state's rural areas have undervaluation challenges, where the cost to build new or rehabilitate existing

Courtesy of Scott Jessop

Following mass devastation from a tornado in Greensburg, Kansas, MIH funds have financed recovery through the construction of these duplexes.

housing exceeds property appraisals. These units, however, serve as naturally occurring affordable housing, further necessitating reinvestment to meet existing and future housing needs.[55] The Kansas legislature launched the Moderate Income Housing (MIH) program in 2012 to award grants to rural cities and counties to rehabilitate and develop single- or multifamily homes and rental properties. Increasing the supply of housing in the state's rural areas is vital to attracting residents and employers.[56]

Program Eligibility

The MIH program awards grants capped at $650,000 to rural cities and counties to develop and rehabilitate single-family, multifamily, duplex, and triplex homes. The Kansas Housing Resources Corporation (KHRC), a public corporation and the state's housing finance agency, administers the program with financing from the state general fund.[57] Alissa Ice, former director of housing development at KHRC, indicated that this financing for project development is vital to boosting housing affordability.[58]

MIH program administrators define a rural city or county as having no more than 60,000 residents, which is the case for nearly all (99%) of the state's cities.[59] Cities and counties applying for MIH funds may partner with public housing agencies, nonprofit organizations, developers, local contractors, and consultants to support project development.[60] Cities and counties typically apply for funding well in advance of construction, and KHRC disburses funds throughout the construction process. In some cases, KHRC can issue the first disbursement before construction begins to cover architectural, design, site assessment, survey, attorney, engineering, and consulting fees. KHRC holds 10 percent of the grant funds until the project's completion.[61] All MIH funds must be used for physical housing development, including property acquisition, construction costs, modular or manufactured housing, vacant housing rehabilitation, and housing conversion projects. Grantees can also use MIH funds to finance supportive infrastructure for housing, such as street and utility extensions, general site clearing and preparation, and sidewalks to serve multiple housing units.[62] All projects that receive funding must be completed within 18 months of award notification unless KHRC approves another timeframe.[63]

KHRC allocates funding based on the demonstrated needs cities and counties outline in their MIH applications, which include a summary of findings from a needs assessment in addition to a written narrative detailing project scope, potential partners and funders, project timeline and anticipated lease-up, and project renderings.[64] "We rely on the community to do their own housing assessment to determine what they need, [and KHRC recognizes that a] moderate-income household in one community could look very different [from] another, so we want to make sure that the units are affordable to the people that are living and working in those communities," said Ice. KHRC's prices for units are context dependent, serving residents earning between 60 to 150 percent of a county's area median gross income (AMGI).[65]

Describing Outputs

Since 2012, the MIH program has helped finance more than 2,000 housing units across Kansas through a total of $50.7 million awarded from the state general fund. From 2012 through 2021, the program received $2 million annually from the state general fund.[66] In April 2022, the program received a funding boost thanks to the passage of Senate Bill 267, which allocated $20 million from the state general fund and $20 million in American Rescue Plan Act funds to the MIH program. The legislation also established a $20 million Rural Housing Revolving Loan program for developing moderate- and low-income housing or related infrastructure. In addition, House Bill 2237 (passed in May 2022) established another program, the Kansas Housing Investor Tax Credit (KHITC), with a $13 million budget to support investors in rural counties with up to 75,000 residents.[67]

With the added funding, the number of MIH applications increased by more than 71 percent, from 28 applications in 2021 to 48 in 2022, with a total of $7.4 million awarded to construct 195 units. Applicants requested approximately $25.8 million in MIH funding in 2022, up from $8.7 million in 2021. In 2023, MIH applicants requested $58.9 million, the program's highest funding request to date, and MIH awarded $13.2 million to 26 projects that created 1,029 units. In 2024, the program allocated $8.2 million to 15 projects selected from a pool of 43 applications, enabling the construction of 229 housing units.[68] The 2024 round 4 program allocation included funding to 3 small counties with populations of less than 8,000, 4 mid-sized counties with populations ranging from 9,000 to 21,000 residents, and 3 large counties with populations ranging from 34,000 to 72,000.[69]

Deanne Engstrom, director of housing development at KHRC, reported that KHRC considers signs of economic growth when assessing the viability of various housing projects.[70] The increase in applications in recent years stems from major employers relocating to the state's rural areas. Hilmar Cheese opened a new processing plant in Dodge City in 2024, creating approximately 250 new jobs and attracting more than $600 million in capital investment.[71] In addition, the city of De Soto welcomed a new Panasonic manufacturing plant in July 2025, which created approximately 4,000 jobs, necessitating thousands of new housing units. "We're seeing one of the biggest job manufacturing economic boosts to the state of Kansas' history with Panasonic," said Engstrom.[72] Other major employers, including Great Plains Manufacturing in Salina and Russell Stover in Iola, will also need housing for their employees.[73]

Courtesy of Scott Jessop

MIH, KHITC, and Rural Housing Revolving Loan Fund dollars from KHRC financed the construction of nine units above the city hall in Alma, Kansas.

Engstrom and Ice recalled three notable projects. In 2024, KHRC awarded a $650,000 grant to the 740-resident city of Greensburg, the county seat of Kiowa County in southwest Kansas, to construct a project with 3 rental units. KHRC periodically has awarded MIH funds to Kiowa County and the city of Greensburg as the area strives to recover and rebuild after a 2007 tornado.[74] In addition to the latest MIH grant award in 2024, Greensburg received $920,000 in MIH grants in 2019 and 2022 to construct 12 housing units.[75] Kiowa County received an MIH grant of $650,000 in 2023 to construct six units.[76] In 2020, the 802-resident city of Alma, located west of Topeka, received a $307,050 MIH grant for the construction of 8 multifamily rental units.[77] The project also received $70,000 in KHITCs in 2023 and $200,000 from the Rural Housing Revolving Loan Fund in 2024.[78] Combined funding from MIH, KHITC, and the Rural Housing Revolving Loan Fund supported the construction of nine units located above the Alma city hall.[79]

Located west of Wichita, Dodge City has a population of 27,788 and stands out for its longstanding use of MIH funds, noted Ice.[80] In 2022, Dodge City received $450,000 in MIH grant funding to construct one single-family home and two eightplexes.[81] To construct the single-family home, Dodge City partnered with the Community Housing Association of Dodge City (CHAD), a local nonprofit that operates the Abandoned Housing Program in collaboration with Dodge City Community College (DC3). The Building Construction Technology Program at DC3 aims to stabilize neighborhoods, remove blight, and increase tax revenue while also teaching students construction techniques and code compliance skills.[82] Although some MIH projects in Dodge City have been larger projects of more than 40 units,[83] CHAD pursues smaller projects. Each class in the Abandoned Housing Program constructs one house that is sold to a moderate-income buyer, and the proceeds from the sale become revenue to fund the next project. Although this project is small, said Ice, "[i]t's keeping people in the building trades in a very real way," and through this program, the city is building its "own construction base."[84]

Engstrom explained that the $20 million tranche of funding allocated from the state general fund in 2022 helped establish the operational components of MIH, such as staff to review documentation and reports from project developers and customer service delivery to developers and partners. KHRC requires grantees to upload quarterly reports on construction progress, online listings, and project type (rental or owner occupied). The MIH program operates under a 5-year compliance period, and, as funds are disbursed, grantees must submit documentation demonstrating compliance with their disbursement schedule and proof that they are selling or renting homes within their county's AMGI range. All this oversight requires continued operational funding.[85]

Award cycles vary from year to year and depend on funding availability and staff capacity; KHRC had three cycles of MIH funding in 2023 but only one round in 2024. "We understand the need, so our goal is to deploy the resources safely and diligently yet as quickly as we can," said Engstrom.[86] Engstrom noted that sustained funding will be vital for the MIH program, but she emphasized that KHRC staff members are nimble and can pivot as needed to ensure program longevity. "We've come the other way [without] a complete[ly] clear path … but we're patient, we're understanding, and we're able to just work with what funding we have available to us," she said.

In addition, the high cost of building materials leaves many rural cities and counties unable to install infrastructure such as sidewalks, utilities, and electrical lines to support the construction of new housing. "In communities that haven't had significant housing growth or economic growth, they just haven't [built] the infrastructure," said Ice. In the early years of MIH, KHRC completed the infrastructural components that many areas needed, but this work left no available funding to construct housing units. As a result, the state developed tools through its Department of Commerce to continue these infrastructure improvements, allowing KHRC to devote its funds to housing development. "We really lean on those programs to work in tandem with each other. They do the infrastructure, we do the vertical build, and everybody's happy," said Ice.[87] Continued collaboration across state agencies will be critical to maintain the program's momentum.

Conclusion

Many rural areas face significant housing challenges stemming from aging housing stock, limited inventory, and high construction costs. The R-WISH, County First, and MIH programs serve as potent examples of strategies to improve housing development and access to homeownership in rural areas by combining state and private-sector funding. North Dakota's R-WISH program aims to create a partnership between the state, cities, local financial institutions, and companies to develop market-rate housing.[88] The program's eligibility criteria require all entities — local banks, developers, and cities — to supply in-kind or financial capital. This "all-in" approach ensures that cities have a financial stake in housing projects. The MIH program in Kansas originated at a time when rural areas were losing residents and lacked housing near available jobs. The MIH program has a long track record of supplying vital funding to push rehabilitation and new construction projects over the finish line, and the Rural Housing Revolving Loan program and KHITC have provided additional funding to complete needed housing projects.[89] Although R-WISH and MIH primarily focus on rental housing, South Carolina's County First initiative addresses the needs of potential homebuyers in underserved rural counties by providing downpayment assistance and access to mortgage products at low, fixed rates in areas that HUD has designated as economically distressed.[90] The initiative has helped SC Housing expand its reach to areas where real estate transactions are rare and homeownership might not otherwise have been possible. In the face of rising housing costs and population shifts, these state programs are critical funding sources for housing in rural areas. EM

Courtesy of Mollea Lightner

Dodge City is developing its own construction workforce base with Dodge City Community College students, who are learning hands-on construction and code compliance skills to enter the trade.

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Additional Resources

- "Rural America at a Glance" (2024), by Tracey Farrigan, Brandon Genetin, Austin Sanders, John Pender, Kelsey L. Thomas, Richelle Winkler, and John Cromartie, examines socioeconomic conditions, demographic shifts, and aging in place in rural communities. **ers.usda.gov/sites/default/files/_laserfiche/publications/110351/EIB-282.pdf?v=63413**.

- "Rural Homeownership Challenges: A Perspective from Eastern Kentucky" (2025), by Sharon Cornelissen and Katie McCann, uses a case study of Perry County, Kentucky, and the surrounding areas to illustrate housing challenges in rural areas. **consumerfed.org/wp-content/uploads/2025/04/Rural-Homeownership-Challenges-Eastern-Kentucky-Report.pdf**.

- "Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas" (2018), by Andrew Dumont, explores how states allocate low-income housing tax credits to rural areas. **federalreserve.gov/econres/feds/files/2018077pap.pdf**.

- "Preventing and Eliminating Homelessness in Rural Illinois" (2023), by the Housing Assistance Council, presents a case study of the state of Illinois to demonstrate the distinctions of rural homelessness and approaches to address the problem. **ruralhome.org/wp-content/uploads/2025/04/R2-Comprehensive-Report-SHPA_3.21.25.pdf**.

For additional resources archive, go to **www.huduser.gov/portal/periodicals/em/additional_resources_2026.html**.

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