

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

November 9, 2022

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: November 15, 2022, Subcommittee on Housing, Community Development, and Insurance Hearing entitled, “Persistent Poverty in America: Addressing Chronic Disinvestment in Colonias, the Southern Black Belt, and the U.S. Territories”

The Subcommittee on Housing, Community Development, and Insurance will hold a hybrid hearing entitled, “Persistent Poverty in America: Addressing Chronic Disinvestment in Colonias, the Southern Black Belt, and the U.S. Territories” on Tuesday, November 15, 2022, at 10:00 a.m. ET in room 2128 of the Rayburn House Office Building and on the Webex. There will be one panel with the following witnesses:

- **Amber Arriaga-Salinas**, Assistant Executive Director, Proyecto Azteca
- **Yarimar Bonilla**, Director, Center for Puerto Rican Studies at Hunter College
- **Kiyadh Burt**, Vice President of Policy & Advocacy and Interim Director, HOPE Policy Institute
- **Lance George**, Director of Research and Information, Housing Assistance Council
- **Chris Potterpin**, President of Development, PK Companies

Background

This hearing will focus on persistent poverty in the colonias, the Southern Black Belt region (Black Belt), and the U.S. territories, and the housing and community development needs and challenges in these communities, which are predominantly rural. The colonias are defined by the Department of Housing and Urban Development (HUD) and US Department of Agriculture (USDA) as communities located within the 150-mile region along the U.S.-Mexico border that “lack adequate water, sewer, or decent housing, or a combination of all three.”¹ The Black Belt encompasses predominately Black rural communities in the area extending between Arkansas and North Carolina.

Rural counties represent a population of approximately 46.1 million people, with an overall poverty rate of 15.4% compared to 10.5% nationwide.² Rural communities often struggle with a lack of safe, decent, and affordable housing, homelessness, and community development challenges exacerbated by diminishing federal and private investments.³ A subset of these communities also experience “persistent poverty,” which refers to counties with poverty rates over 20% or more for three consecutive decades.⁴ Rural counties experiencing persistent poverty, which represent a population of 5 million people, are often geographically concentrated.⁵ For example, each of the 78 municipios in Puerto Rico (county equivalents) are classified as having persistent poverty.⁶ Not including Puerto Rico, the Housing

¹ HUD, [Colonias History](#) (Accessed on Nov. 1, 2022).

² USDA, [Data show U.S. poverty rates in 2019 higher in rural areas than in urban for racial/ethnic groups](#) (Aug. 23, 2021); U.S. Census Bureau, [Income and Poverty in the United States: 2019](#) (Sep. 15, 2020).

³ NLIHC, [Housing Needs in Rural America](#) (Accessed on Nov. 1, 2022).

⁴ Congressional Research Service, [The 10-20-30 Provision: Defining Persistent Poverty Counties](#) (Apr. 14, 2022).

⁵ Carsey Institute, [Concentrated Rural Poverty and the Geography of Exclusion](#) (2008); HAC, [Persistent Poverty](#) (Accessed on Nov. 1, 2022).

⁶ HAC, [The Persistence of Poverty in Rural America](#) (Apr. 7, 2022).

Assistance Council (HAC) estimates that there are 377 persistently poor counties, with 81% living in non-metropolitan areas, representing over 1.6 million people.⁷

The latest Census data show that there has been an increase in racial and ethnic diversity in rural communities over the last several years.⁸ As of 2020, people of color made up 24% of the rural population in the United States, a 3.5% increase from 2010 to 2020.⁹ The Black population makes up the largest non-White demographic in rural areas. However, rural Indigenous and Latinx populations have seen the most population growth among people of color in rural communities from 2010 to 2020.¹⁰ USDA found that half of the Black and Indigenous rural poor population lives in high and persistent poverty counties compared to 20% of poor Latinx and 12% percent of poor White households in these same counties.¹¹

Housing and Community Development Needs

Colonias

Based on HUD and USDA's definition of colonias, they are located in the states of Texas, New Mexico, Arizona, and California, with Texas having the highest percentage of colonias.¹² However, the definition of colonias differs across the federal, state, and local level and some have argued that HUD and USDA's definition deserves revisiting as some communities that experience similar challenges are located outside the 150-mile border region and therefore do not qualify for certain assistance targeted for colonias.¹³ For example, jurisdictions that participate in HUD's Community Development Block Grant program (CDBG) must set aside a share of CDBG funds, not to exceed 10%, for colonia investments.¹⁴

The border region, including colonias, is predominately Latinx today and home to many families with mixed immigration statuses.¹⁵ In Texas, for example, Latinx people represent 96% of colonia residents while 73.1% of all residents are U.S. citizens.¹⁶ Throughout the colonias region, more than 28% of households are experiencing persistent poverty.¹⁷ Colonias are often located in unincorporated areas, which means that they are not governed by any local municipal government. The lack of municipal government infrastructure creates unique challenges for many colonias that are struggling with severe housing and community development needs.

Overall, the colonias struggle with an aging and severely substandard housing stock that is exacerbated by a lack of funding for repairs, rehabilitation, and new construction.¹⁸ For example, one survey of housing in Texas' Cameron Park colonia showed that 80% of homes were substandard or dilapidated.¹⁹ Homes along the border region lack plumbing at twice the rate of homes in the rest of the U.S., are more likely to have incomplete kitchens,²⁰ and often do not have basic community infrastructure such as potable water, waste management, drainage, streetlights, broadband, and basic services like garbage pick-up.²¹ This lack of infrastructure also makes colonias susceptible to flooding and other

⁷ HAC, [The Persistence of Poverty in Rural America](#) (Apr. 7, 2022).

⁸ HAC, [The United States is Becoming More Racially Diverse – And So is Rural America](#) (Sep. 28, 2021); Brookings, [Mapping rural America's diversity and demographic change](#) (Sep. 28, 2021).

⁹ Brookings, [Mapping rural America's diversity and demographic change](#) (Sep. 28, 2021).

¹⁰ Brookings, [Mapping rural America's diversity and demographic change](#) (Sep. 28, 2021).

¹¹ USDA, [Rural Poverty Has Distinct Regional and Racial Patterns](#) (Aug. 9, 2021).

¹² HAC, [Housing in the Border Colonias](#) (Aug. 2013).

¹³ HAC, [Housing in the Border Colonias](#) (Aug. 2013).

¹⁴ HUD Exchange, [State CDBG Colonias Set-Aside](#) (Accessed on Nov 1, 2022); HUD, [History of the Colonias Set-Aside Amounts](#) (Accessed on Nov. 1, 2022).

¹⁵ Federal Reserve Bank of Dallas, [Las Colonias in the 21st Century](#) (Apr. 2015).

¹⁶ Federal Reserve Bank of Dallas, [Las Colonias in the 21st Century](#) (Apr. 2015).

¹⁷ HAC, [Housing in the Border Colonias](#) (Aug. 2013).

¹⁸ HAC, [Housing in the Border Colonias](#) (Aug. 2013).

¹⁹ HUD, [Colonia Redevelopment in Texas](#) (Accessed on Nov. 1, 2022).

²⁰ HAC, [Housing in the Border Colonias](#) (Aug. 2013).

²¹ Shelterforce, [In Their Own Hands: Colonias Organize](#) (Jul. 1, 1995); Global Citizen, [Hundreds of Texas Towns Lack Basic Water and Sewer Systems](#) (Mar. 13, 2018); Valley Central News, [COVID-19 highlights inequality of internet access in colonias](#) (Jun. 30, 2021).

damage due to climate change and worsening disasters.²² Much of the housing stock in this region is primarily made up of adobe, stick-built, and manufactured homes.²³ Further, due to challenges in securing formal title and building permits in unincorporated areas, and due to lack of access to fair and affordable lending in remote areas, many families have built their homes using sweat equity on land that they acquire directly from land owners or through informal contract-for-deed mechanisms. As a result, homes often do not comply with building codes and families sometimes do not have the necessary documentation to prove ownership.²⁴ While data shows high homeownership rates in colonias, 23.5% of homes in colonias are valued under \$50,000 compared to just 8.3% of homes nationwide.²⁵ Despite low home and rental prices compared to costs nationwide, nearly 24% of homeowners and 45.6% of renters in the colonias are still cost burdened, meaning they spend more than 30% of their income on housing expenses.²⁶

Southern Black Belt

The Black Belt spans across Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, and Virginia. Persistent poverty counties in the Black Belt make up half of the country's rural poor.²⁷ Black households are heavily located in this region due to the legacy of the institution of slavery in America.²⁸ Throughout slavery, predominately White land ownership sustained by unpaid Black slave labor was the primary tool for economic productivity. Post-slavery, there was a turnover of land to free Black people, which generated some wealth for Black households.²⁹ At the turn of the 20th century, Black land ownership, which was also tied to homeownership and housing stability for many, had reached its peak.³⁰ However, due to theft, forced land sales, as well as legally sanctioned discrimination, some researchers have estimated that there was a 90% decline in landownership between 1910 and 1997, resulting in a cumulative loss of more than \$326 billion in wealth.³¹ Policies were put in place to render much of this land legally unusable and discourage investment in the Black Belt.³² While some Black households moved North in the Great Migration, many remained tied to the Black Belt region due to a lack of resources to move or familial ties.³³ As a result of land disenfranchisement and chronic disinvestment writ large, the Black Belt continues to face persistent poverty and challenges to housing and community development.³⁴ Presently, over half of the U.S. Black population resides within the Black Belt region,³⁵ but Black households own less than 1% of land in the region.³⁶

Heirs' property, which entails the inheritance of real estate from one generation to the next without a formal will,³⁷ is also a barrier to economic inclusion and homeownership.³⁸ Heirs' property is a

²² Texas Public Radio, [Colonias Bear The Heaviest Burden When Rain Falls In The Rio Grande Valley](#) (Jul. 22, 2021).

²³ HAC, [Housing in the Border Colonias](#) (Aug. 2013); Prosperity Now, [Manufactured Homes A Key Element in Growing Latinx Homeownership](#) (Oct. 2021).

²⁴ Ward M. Peter, et al., ['Colonia' Land and Housing Market Performance and the Impact of Lot Title Regularisation in Texas](#) (Dec. 2004).

²⁵ HAC, [Housing in the Border Colonias](#) (Aug. 2013).

²⁶ HAC, [Housing in the Border Colonias](#) (Aug. 2013).

²⁷ The Nation, [Appalachia Gets Special Funding. The Black Rural South Deserves It Too](#). (Feb. 14, 2020).

²⁸ Alabama Political Reporter, [Report: All 25 Black Belt counties are among 35 counties with the highest poverty](#) (Mar. 29, 2022).

²⁹ Womack, Veronica, [Strategies for Asset Building and Wealth Creation for People of African Descent within the Black Belt Region of the American South](#) (Apr. 13, 2016).

³⁰ Francis, Dania V. et al., [Black Land Loss: 1920–1997." AEA Papers and Proceedings](#), AEA Papers and Proceedings (May 2022).

³¹ Francis, Dania V. et al., [Black Land Loss: 1920–1997." AEA Papers and Proceedings](#), AEA Papers and Proceedings (May 2022).

³² Eric Foner, *Reconstruction: America's Unfinished Revolution, 1863-1877*, Harper Perennial Modern Classics (2014).

³³ Isabel Wilkerson, *The Warmth of Other Suns: The Epic Story of America's Great Migration*, Vintage (2011).

³⁴ The Nation, [Appalachia Gets Special Funding. The Black Rural South Deserves It Too](#). (Feb. 14, 2020); Montgomery Advertiser, [Experts say these are the top 5 barriers to affordable housing in rural Alabama](#) (Oct. 19, 2022).

³⁵ Womack, Veronica, [Strategies for Asset Building and Wealth Creation for People of African Descent within the Black Belt Region of the American South](#) (Apr. 13, 2016).

³⁶ Black Farmers' Network, [7 scarring facts, figures about America's Black Belt Region people](#) (Jan. 13, 2021).

³⁷ Federal Reserve Bank of Atlanta, [Understanding Heirs' Properties in the Southeast](#) (Apr. 2016).

³⁸ Federal Reserve Bank of Atlanta, [Understanding Heirs' Properties in the Southeast](#) (Apr. 2016); Montgomery Advertiser, [Experts say these are the top 5 barriers to affordable housing in rural Alabama](#) (Oct. 19, 2022).

common, yet informal, real estate ownership structure widespread in the Black Belt as many families lack the resources or information for will preparation. Because multiple people are often the heirs to these properties, for many, it results in “clouded titles, instability associated with multiple owners, and potential forced sales by [co-owners or] real estate speculators.”³⁹ Such legal challenges of this ownership structure do not allow heirs to keep properties within their families.⁴⁰

The Black Belt also faces an aging housing stock where families often live in substandard housing that can lead to chronic health conditions, lead poisoning, and accidental injuries.⁴¹ Home health hazards are of particular concern in recent years as the housing stock in areas like Alabama suffers from mold issues, leaky roofs, and lead paint that may be exacerbating health disparities in the region.⁴² While homeownership rates trend higher for Black residents in the Black Belt compared to Black households in the U.S. overall, median home values in Alabama’s Black Belt counties, for example, are 35% lower than non-Black Belt counties.⁴³ In the rental market, renters in Black Belt counties in Alabama spend \$100 less per month compared to non-Black Belt counties, but all top ten counties experiencing rent burden—30% or more of income is spent on rent—are located in the Black Belt.⁴⁴

U.S. Territories

While U.S. territories have unique histories and are geographically and demographically diverse from one another, Puerto Rico, Guam, the Mariana Islands, the Virgin Islands, and American Samoa all suffer from persistent poverty, chronic disinvestment, and trends of population loss.⁴⁵ However, a lack of current, consistent, and comprehensive data on housing, employment, and other factors makes it difficult to fully analyze these trends.⁴⁶

In recent years, Puerto Rico’s already-vulnerable housing and community infrastructure has sustained significant damage and disinvestment due to worsening and more frequently occurring hurricanes and tropical storms, as well as inadequate funding to recover—felt most acutely in low-income, predominately Black, rural communities.⁴⁷ Unlike in the U.S. mainland, Puerto Rico does not require formal title or deed to a home to prove ownership, which has presented challenges to Puerto Ricans in accessing federal funds.⁴⁸ Because of the time and high legal fees it takes to resolve home title and deed issues, many are deterred from the process.⁴⁹ Additionally, the Puerto Rico has been grappling in recent years, especially in the wake of hurricanes, with growing trends of gentrification and displacement.⁵⁰ Meanwhile, nearly half of Puerto Ricans—renters and homeowners—pay 30% or more of their income on housing compared to 38% of households nationwide.⁵¹

³⁹ Federal Reserve Bank of Atlanta, [Understanding Heirs’ Properties in the Southeast](#) (Apr. 2016); See also Citizen Times, *Equity erased: Partition law exploitation, a box full of cash and an empty promise* (Nov. 15, 2021)

⁴⁰ Federal Reserve Bank of Atlanta, [Understanding Heirs’ Properties in the Southeast](#) (Apr. 2016); Montgomery Advertiser, [Experts say these are the top 5 barriers to affordable housing in rural Alabama](#) (Oct. 19, 2022).

⁴¹ Montgomery Advertiser, [Experts say these are the top 5 barriers to affordable housing in rural Alabama](#) (Oct. 19, 2022).

⁴² Montgomery Advertiser, [Black Belt leaders say demand for healthy home repairs higher than current project funding](#) (Mar. 24, 2022).

⁴³ Stephen G. Katsinas et al., [Poverty, Housing, & GDP in Alabama’s Black Belt, University of Alabama](#) (Mar. 7, 2022).

⁴⁴ Stephen G. Katsinas et al., [Poverty, Housing, & GDP in Alabama’s Black Belt, University of Alabama](#) (Mar. 7, 2022).

⁴⁵ The Washington Post, [People are fleeing Puerto Rico, Guam and every other U.S. territory. What gives?](#) (Sept. 23, 2022).

⁴⁶ House Natural Resources Committee, [Chair Grijalva and Territorial Delegates Introduce Bipartisan Bill to Address Disparities in Data Collection for U.S. Territories](#) (Jul. 29, 2022).

⁴⁷ Noreen Clancy et al., [Modernizing Puerto Rico’s Housing Sector Following Hurricanes Irma and Maria](#), Homeland Security Operational Analysis Center (2020); Axios, [Black Puerto Ricans’ post-hurricane struggle](#) (Oct. 13, 2022).

⁴⁸ Ayuda Legal PR, [Towards Just Recovery: Assistance to Owners without Formal Titles](#) (May 17, 2019).

⁴⁹ American Bar Association, [The Lack of Proof of Ownership in Puerto Rico Is Crippling Repairs in the Aftermath of Hurricane Maria](#) (May 21, 2021).

⁵⁰ Smithsonian Magazine, [Bad Bunny’s Latest Music Video Doubles as a Documentary on Gentrification in Puerto Rico](#) (Sep. 20, 2022).

⁵¹ Financial Services Committee, [Testimony of Ariadna Godreau Aubert](#) (May 4, 2021); Population Reference Bureau, [U.S. Housing Cost Burden Declines Among Homeowners but Remains High for Renters](#) (Apr. 15, 2022).

Guam, an island located in the western Pacific Ocean, has a population of 153,836, with 54% identifying as Native Hawaiian and other Pacific Islander.⁵² Excluding military households, 29,408 households or 20% experience poverty.⁵³ While Guam has struggled with persistent poverty for decades, housing affordability challenges have been exacerbated by increased housing demand due to a growing presence of U.S. military bases following World War II until today, as well as labor shortages.⁵⁴ While the HUD Public Housing and Housing Choice Voucher programs have been a lifeline for many, worsening housing market pressures have forced Guamanians onto years-long waitlists for public housing and unable to lease up vouchers.⁵⁵

Efforts to Equitably Invest in Areas of Persistent Poverty

Build Back Better. In September 2021, the Financial Services Committee passed the Build Back Better Act (Build Back Better) out of Committee, which later passed the House of Representatives in November 2021.⁵⁶ Build Back Better would have made a historic level of investments in rural and persistent poverty areas.⁵⁷ The Housing Title of the bill would have specifically provided over \$150 billion in fair and affordable housing investments throughout the U.S., including \$2.1 billion for housing and homeownership preservation, to increase the supply of housing, and provide rental assistance in rural communities through USDA, as well as \$500 million for infrastructure improvements in manufactured housing communities, and \$700 million for housing and community development investments in colonias, including those located outside of the 150-mile area from the U.S.-Mexico border, through the Community Development Block Grant Program.⁵⁸ Territories would have received a significant portion of these investments through required minimum allocations.⁵⁹

FHFA's Rule on Colonias. Under the Housing and Economic Recovery Act of 2008 (HERA), Fannie Mae and Freddie Mac (collectively “the Enterprises”) are required to meet certain affordable housing goals and support affordable housing activities.⁶⁰ Under HERA’s Duty to Serve (DTS) rule, the Enterprises are required to serve three specific underserved markets—manufactured housing, affordable housing preservation, and rural housing—by increasing the liquidity of mortgage financing for very low-, low-, and moderate-income families.⁶¹ After learning that its “rural area” definition “unintentionally excluded a large share of colonia census tracts from eligibility for [DTS] credit,” FHFA released a proposed rule in October 2022 to amend the DTS regulation to include a definition for “colonia census tract.”⁶² This change would allow Enterprise lending activities in colonias to be eligible for DTS credit and may help increase private housing investments in colonias.⁶³ Fannie Mae has also collaborated with the Housing Assistance Council to put out a white paper on how to increase mortgage access in colonias.⁶⁴

⁵² U.S. Census Bureau, [Census Bureau Releases 2020 Census Population and Housing Units Counts for Guam](#) (Oct. 28, 2021).

⁵³ U.S. Census Bureau, [Census Bureau Releases 2020 Census Population and Housing Units Counts for Guam](#) (Oct. 28, 2021).

⁵⁴ Guam Housing and Urban Renewal Authority, [Guam Housing Study and Needs Assessment](#) (Jan. 2020).

⁵⁵ Guam Housing and Urban Renewal Authority, [Guam Housing Study and Needs Assessment](#) (Jan. 2020); Pacific Daily News, [Spotlight on poverty](#) (Jul. 26, 2015).

⁵⁶ Financial Services Committee, [Committee Passes Build Back Better Agenda to Provide Long- Overdue Investments in Housing Resources](#) (Accessed Nov. 1, 2022); Financial Services Committee, [Waters on House Passage of the Build Back Better Act: We did it!](#) (Accessed Nov. 1, 2022).

⁵⁷ Center for American Progress, [Build Back Rural: New Investments in Rural Capacity, People, and Innovation](#) (Nov. 23, 2021).

⁵⁸ Financial Services Committee, [The Build Back Better Act](#) (Accessed on Nov. 1, 2022).

⁵⁹ Financial Services Committee, [The Build Back Better Act](#) (Accessed on Nov. 1, 2022).

⁶⁰ HERA, Pub. L. No. 110-289 (2008).

⁶¹ FHFA, [FHFA Announces Fannie Mae's and Freddie Mac's Duty to Serve Underserved Markets Plans for 2022-2024](#) (Apr. 27, 2022).

⁶² FHFA, [Enterprise Duty To Serve Underserved Markets Amendments Proposed Rule](#) (Oct. 5, 2022).

⁶³ FHFA, [Enterprise Duty To Serve Underserved Markets Amendments Proposed Rule](#) (Oct. 5, 2022).

⁶⁴ Fannie Mae, [Colonias Investment Areas: Working Toward a Better Understanding of Colonia Communities for Mortgage Access and Finance](#) (Nov. 2020). Note: Fannie Mae also recently worked with HAC to conduct research on a new proposal for “Colonia Investment Areas.”

Appendix: Legislation

- **H.R. ___ (Cleaver)**, is a discussion draft that would reauthorize HUD's Community Development Block Grant (CDBG) program, streamline program use for housing production, and expand flexibility to support public services. The draft also advances capacity and technical assistance resources to better support small and rural communities.
- **H.R. ___**, is a discussion draft to establish a federal task force to assess the housing and community development needs in areas of persistent poverty, including colonias, the Southern Black Belt, and the U.S. territories. The draft also requires that the task force report to Congress within 12 months with a set of policy recommendations to address the needs identified.
- **H.R. ___**, is a discussion draft to authorize \$700 million in housing and community development investments through HUD's CDBG Program for colonias, including those located outside of the 150-mile U.S.-Mexico border area.
- **H.R. ___**, is a discussion draft to authorize \$500 million for affordable housing and community infrastructure upgrades in manufactured housing communities through HUD's CDBG Program.
- **H.R. ___**, is a discussion draft to authorize \$3 billion through HUD's CDBG Program to establish a competitive grant program to create affordable, accessible housing and economic redevelopment in neighborhoods experiencing underinvestment and cycles of blight and abandonment.