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For Immediate Release

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Residents Settle Lawsuit Against USDA and Landlord to Preserve Affordable Housing in Iowa and Nationwide

USDA and Northpark Apartments Agree to Keep Northpark Apartments Affordable

STORM LAKE, IA – After more than a year of federal court litigation, five residents of Northpark Apartments, represented by Iowa Legal Aid and the National Housing Law Project, will now be able to stay in their homes through a settlement finalized on December 15, 2022. In October 2021, the residents filed a federal lawsuit [Acosta v. Vilsack](#) in the U.S District Court for the Western District of Iowa against the United States Department of Agriculture (USDA) and the owners and managers of Northpark Apartments, alleging that the USDA unlawfully permitted Northpark Apartments to exit USDA's affordable housing programs, resulting in rent increases and housing insecurity for the tenants. The [settlement](#) will keep Northpark in USDA's programs, thereby keeping the housing affordable.

The residents alleged that, in violation of federal civil rights laws and federal laws governing prepayments, USDA unlawfully approved the prepayment of Northpark's Section 515 loan and ignored existing use restrictions that would have ensured the project continue to operate as affordable housing. Once the unlawful prepayment was approved, Northpark threatened to dramatically increase rents.

Background on the Section 515 and 521 Programs: USDA's Section 515 program provides extremely low mortgage interest rates (one percent over 50 years) to private owners with the commitment that the owners provide affordable housing to very low-, low- and moderate-income families, the elderly, and people with disabilities in rural America. USDA's Section 521 program provides additional Rental Assistance to families living in homes supported by the 515 program, so that their shelter costs account for no more than 30 percent of their adjusted household income. These programs also provide vital tenant protections, including protections from eviction without cause. When 515 loans are prepaid, the Rental Assistance that residents receive is terminated. Pursuant to the Emergency Low-Income Housing Preservation Act, USDA should not permit an owner to prepay a 515 loan if it will impact minority housing opportunities at the project and in the community.

Details about the Settlement: After extensive negotiations, the parties reached an agreement that returned Northpark to the USDA's 515 program, restored the Rental Assistance that tenants previously received, and ensured that tenants who paid more in rent or utilities were

made whole. USDA also agreed to revise its policies in order to protect all tenants who live in USDA 515 housing nationwide including by:

- initiating proposed rulemaking on USDA’s Rural Development Voucher program;
- convening a stakeholder listening session and revising tenant notification letters regarding the prepayment of a Section 515 loan and the Rural Development Voucher Program Guide;
- translating all tenant notification letters into Spanish; and
- issuing guidance reminding their multifamily housing staff and borrowers of their obligations to provide meaningful access to Limited English Proficiency populations.

“This is a terrific outcome for the Northpark residents and the Storm Lake community,” said Alex Kornya, litigation director and general counsel at Iowa Legal Aid. “We are grateful to the efforts made by USDA and Northpark to resolve this suit and restore affordable housing to our clients and to the Storm Lake area.”

“This settlement not only makes the residents whole but provides a framework for addressing the nationwide crisis of Section 515 prepayments, which threatens the housing stability and security of low-income rural residents,” said Natalie Maxwell, managing attorney at the National Housing Law Project. “We look forward to working with USDA and our partners in legal services to assure these measures are implemented across the country to assure that landlords remain in the program and unlawful prepayments end once and for all.”

A copy of the *Acosta v. Vilsack* [complaint](#) and [settlement](#) may be found [here](#) under “Active Cases.”

[Iowa Legal Aid](#) is a nonprofit organization providing critical legal assistance to low-income and vulnerable Iowans who have nowhere else to turn. Along with volunteer lawyers throughout the state, Iowa Legal Aid helps the legal system work for those who cannot afford help with legal issues.

The [National Housing Law Project](#)’s mission is to advance housing justice for poor people and communities. We achieve this by strengthening and enforcing the rights of tenants, increasing housing opportunities for underserved communities, and preserving and expanding the nation’s supply of safe and affordable homes.

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