



United States  
Department of  
Agriculture

# Rural Development



## Rural Development Homeownership Opportunities

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# Affordable Housing: A Shared Mission

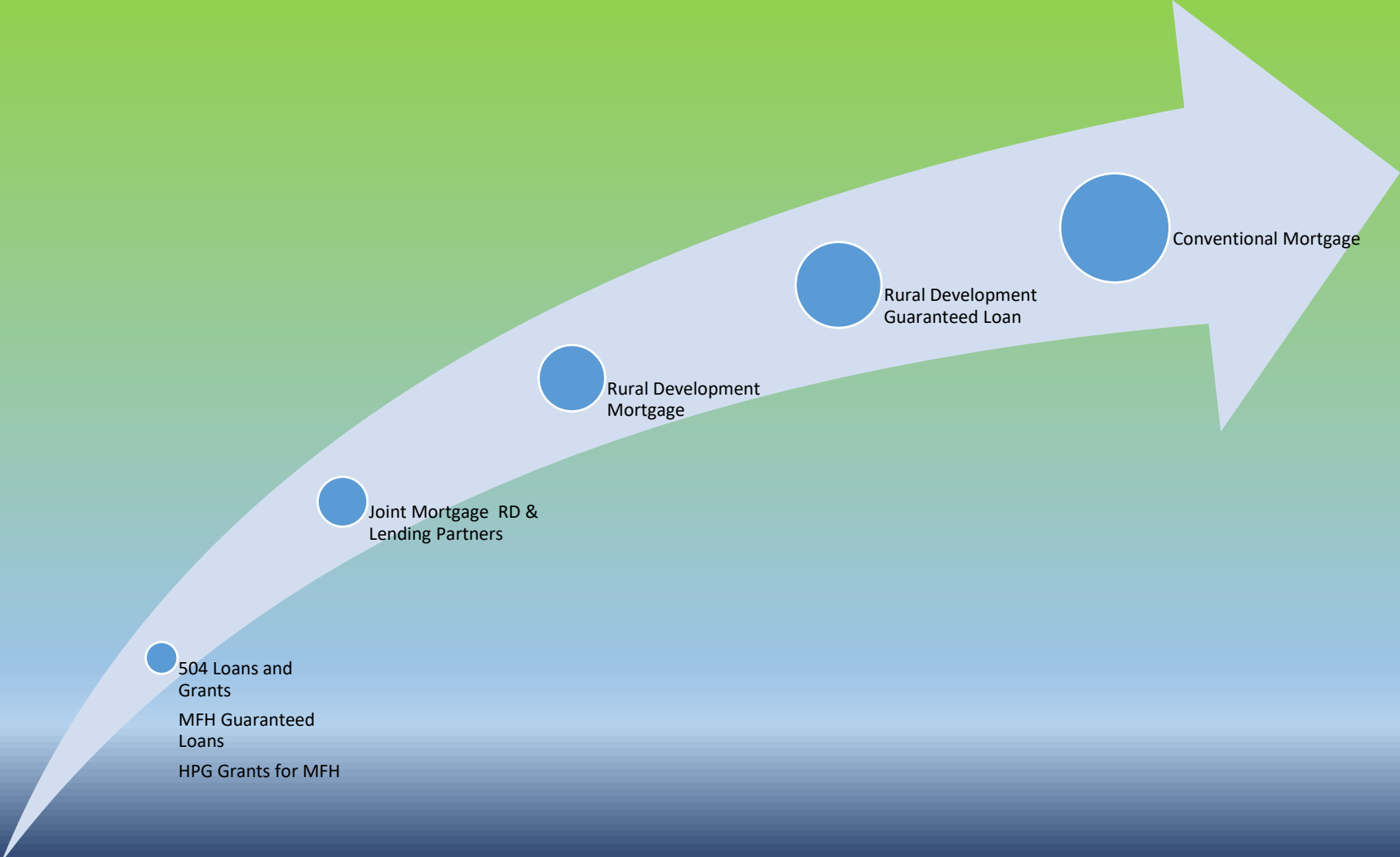


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**Rural Development**



# Qualifying Continuum



# Jointly Funded



Rural Development funds the loan amount for which the applicant qualifies



Lending Partner takes a second lien position for the balance needed to purchase the home or complete repairs



# Why Joint Funding?

Funding is stretched further

Partners can set up a revolving fund for future projects or to buy land

Rural Development's funding is stretched farther

Households who otherwise couldn't qualify, have the opportunity for homeownership or home repair


# Affordable Financing Options


- Grants without long-term restrictions
- Forgivable loans
- Deferred payment loans
- Affordable Housing Loans (i.e. low interest loans)

# Partnership Opportunities

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- Referrals

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- Packaged Applications for Rural Development Loan

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- Acquisition: Partners own property, oversees construction, packages application; RD processes loan; when construction is complete, loan closes and Partner is paid pre-determined Sales Price using loan funds

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- Repairs: Applicant may already own property; Packagers packages application; RD processes loan; loan/grant closes and repairs begin. OR Partner owns property, repairs done prior to closing and loans funds purchase of house like an acquisition loan.

# Packaging Applications

Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?	Distinct Access to National Office Reserve?
Certified Packaging Body Via An Intermediary	Up to \$1,500 split between certified packaging body and intermediary	Yes 3550.52 (d)(6) and 3550.75	Yes	Yes
Certified Packaging Body Without An Intermediary	Up to \$1,250	Yes 3550.52 (d)(6) and 3550.75	Yes	No
Intermediary Acting As Certified Packaging Body	Up to \$1,250	Yes 3550.52 (d)(6) and 3550.75	Yes	Yes
Approved Non-Certified Application Packager	Up to \$350	Yes 3550.52 (d)(6)	Yes	No
504 Repair Program Public and private nonprofits that are tax exempt under the Internal Revenue Code	Up to \$500 for loans	Yes 3550.102 (d)(5)	Yes (Section 504 loan only)	n/a



# Single-Family Housing 502 Direct Loans

- Rural Areas
- 80% of median income
- Purchase, build, repair, or refinance (limited)
- No down payment
- Repayment Ability/Good Credit
- Typically a 33 year loan with Fixed interest rate
- Payment Assistance
- Area Loan Limits by County
- Modest Housing



# Real Estate Owned Properties – Acquisition/Rehab

- Rural Development has properties available for resale
- Habitat or homeowner purchases the home from Rural Development, Habitat assists homeowner with repairs

<http://www.resales.usda.gov/resales/index.jsp>

# 502 Guaranteed Rural Housing Loan

- Up to 115% of median income
- Good credit history
- Loan on Lender's terms
- Purchase, build or refinance
- No down payment
- Up front fee and an annual fee, but no private mortgage insurance

# Partnership Examples

## Funding Partnership

Purchase Price:	\$180,000
RD loan amount for which applicant qualifies	\$ 90,000
<u>Partners Second</u>	<u>\$ 90,000</u>
Total Funding	\$180,000

## Resource Partnership

RD loan for materials:	\$10,000
Partner: Packages Application and Provides Volunteer Labor	
Total Funding	\$10,000

# 504 Repair Program

- Up to 50% of median income (Very Low)
- Remove health/safety hazards, repair, improve, hook up utilities, etc.
- 1% interest payment for 20 years
- Loans are first option and have more flexibility for eligible purposes
- Eligible Seniors (62+), may qualify to obtain a grant up to \$7,500
- Loans and grants may be combined for up to \$27,500 in Section 504 assistance (provided the applicant is grant eligible)



# Sample 504 Repair Loan Payments

## 20 Year Term

\$20,000 = \$92.00

\$10,000 = \$46.00

\$ 5,000 = \$23.00

# Eligible 504 Repair Program Funds Usage

## 504 Loan

(eligible very low income homeowners)

### **Flexible use – repairs and modernization**

- Same safety and health items that can be completed with Grant funds
- Cosmetic items such as: interior/exterior paint, flooring, system upgrades
- “remodel” items such as modernizing kitchen/bath

## 504 Grant

(eligible very low income Senior homeowners)

### **Limited use - Health/Safety Issues ONLY**

- Structural issues
- Primary Heat source
- Water/Sewage Disposal (including hookup and assessment fees)
- Electrical, Plumbing Repairs
- Roof/Weatherization
- Disability Accommodations

# Property and Income Eligibility Website

For both 502 and 504 programs, this website can be used to determine income and property eligibility:

<http://eligibility.sc.egov.usda.gov/eligibility/>



# Basic Property Requirements for 502 & 504 Programs

- Located in a Rural Area (use eligibility website to determine)
- Modest Home
  - Typically, 2000 square feet or less
  - Market Value under the area loan limit
  - Stick Built, Modular or Manufactured
- No prohibited Features
  - In ground swimming pool
  - Income producing property
- Hazard insurance typically required; must be able to obtain flood insurance if located in a flood zone
- May be on fee simple, leased land, community land trust, tribal land, etc.

# Bridging the Gaps

With our combined resources, we can make a significant difference in the lives of our applicants and stimulate economic growth in our communities



We look forward to collaborating with you!



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**Are you interested in learning more  
about Rural Development programs?**

**Please contact Lori Silva, Housing Program Director.**

**[Lori.Silva@usda.gov](mailto:Lori.Silva@usda.gov)**

**<https://www.rd.usda.gov/UT>**

*USDA is an equal opportunity provider, employer, and lender.*