

**USDA**



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## **Rural Housing Programs Overview**



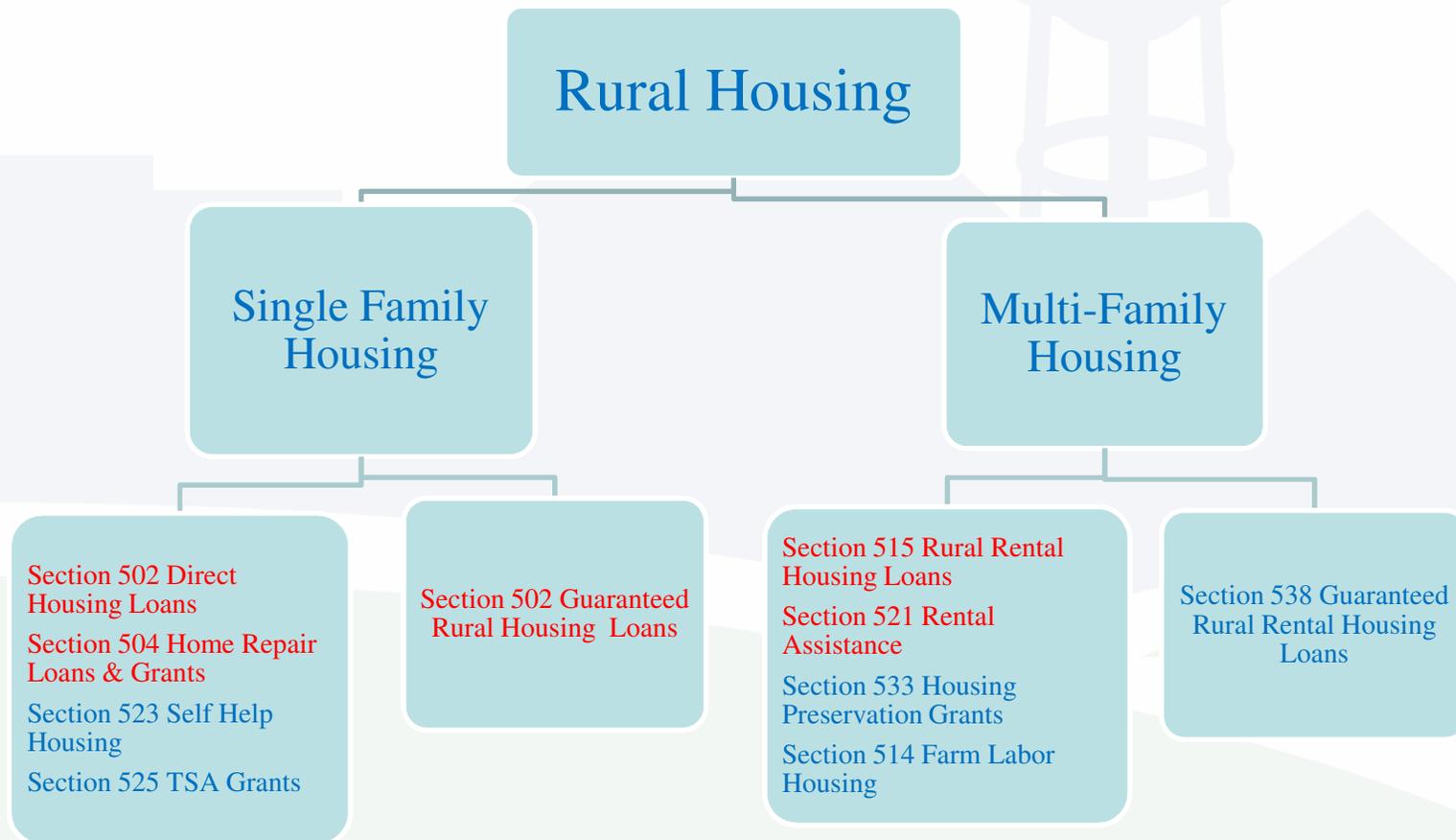
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# USDA's Housing Role and Mission



- Increase economic opportunity & improve the quality of life for people of rural America.
- Rural Development has been helping rural Americans to purchase and repair homes since 1949
- Finance well built, affordable and energy efficient housing
- Home ownership still viewed as American dream & investment

# What housing programs do we offer?



# HOME OWNERSHIP LOANS

## 502 Direct Single Family Housing Program



- Direct financing to very low to low income households (<80% of median income for area) to purchase a home in a rural area.
- Funds to purchase or build a home, or renovate an existing home.
- No down payment requirements - 100% loan to value financing.
- No Principal Mortgage Insurance (PMI) required.
- Interest Rate is fixed and payment assistance (subsidy) is available for many program participants. Subsidized interest rate can be as low as 1%, for qualifying applicants.
- Standard loan term of 33 years (30 for manufactured home).



## Section 502 Direct Loans

### Eligibility Guidelines

- Must have stable and dependable income
- Have an adjusted income that is at or below the applicable low-income limit at loan approval
- Have acceptable credit
- Meet asset limitations – qualifying assets in excess of \$15K (20K for elderly\* household) must be used towards purchase of dwelling
- Have the legal capacity to incur debt
- Agree to occupy the dwelling on a permanent basis
- Meet citizenship or eligible non-citizen requirements
- Demonstrate both the willingness and ability to repay the loan



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## Section 502 Direct Loans

### Eligibility – Credit History

#### CREDIT REQUIREMENTS

- RD will evaluate the credit history for each applicant who will be a party to the note.
- Credit score 640 or higher qualifies for streamlined credit approval
- <640 - “Indicators of Unacceptable Credit” primary guide for credit analysis. HB-1-3550, Exhibit 4-4
- Lack of credit history can be mitigated alternative credit available – history demonstrating applicant pays bills on a regular basis



## Section 502 Direct Loans

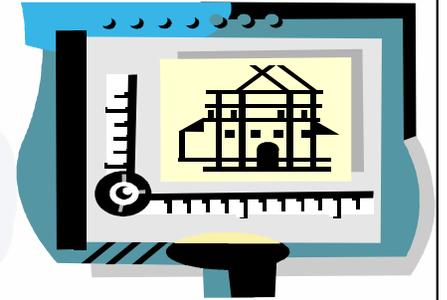
### Certificate of Eligibility

- If income, assets, credit and repayment favorable, a Certificate of Eligibility (COE) is issued to applicant. “COE” provides the maximum amount the applicant is eligible for based on a county average of property taxes and homeowners insurance.
- COE issued for 45 days and applicant may request two 30 day extensions

#### Repayment Ratios (factoring in qualifying subsidy)

|  |     |
|--|-----|
| PITI Ratio - Very low-income applicants: | 29% |
| Low Income applicants:                   | 33% |
| TD Ratio (all applicants):               | 41% |

# Property Guidelines



- Must be modest (market value cannot exceed applicable area loan limits) and be in designated rural lending area
- In-ground swimming pools are not allowed
- Cannot be designed for income producing purposes or have farm outbuildings
- Access from a street is required and lot cannot be sub-divided (typically 1-2 acres)
- Must be a single-family dwelling
- Cannot finance existing manufactured homes
- Home & site must meet agency requirements for decent, safe & sanitary OR can be brought into good repair with loan funds, while still meeting eligibility criteria.

# Eligible areas:

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

The screenshot shows the USDA Rural Development website. At the top left is the USDA logo with the text "United States Department of Agriculture Rural Development". At the top right is the Rural Development logo with the text "Committed to the Future of Rural Communities". Below the logos is a banner with images of a green leaf, a field, a bicycle, and a tractor. A navigation bar contains links for "Home", "About", "A", and "Contact Us". The main content area has a green header "Eligibility" and a breadcrumb "You are here: Eligibility /Home". A yellow starburst overlay with the text "Bookmark as a Favorite" is positioned over the "Eligibility" header. Below the header is a text box with browser requirements: "You must use Internet Explorer 5.0 and higher or Netscape 4.76 and higher in order to view this site. Best viewed using screen resolution of 1024 X 768." Below this is the heading "Welcome to the USDA Income and Property Eligibility Site" followed by three paragraphs of introductory text. On the left side, there is a navigation menu with sections: "Eligibility" (with a sub-link "Home"), "Property Eligibility Programs" (with sub-links "Single Family Housing", "Multi Family Housing", and "Business Programs"), "Income Eligibility Programs" (with sub-link "Single Family Housing"), "Income Limits" (with sub-links "Single Family Housing", "Direct", and "Guaranteed"), and "Loan Program Basics" (with sub-links "Single Family Housing", "Direct", and "Guaranteed"). The "Single Family Housing" link under "Property Eligibility Programs" is circled in red.

USDA United States Department of Agriculture  
Rural Development

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Home About A Contact Us

You are here: **Eligibility /Home**

## Eligibility

You must use [Internet Explorer 5.0](#) and higher or [Netscape 4.76](#) and higher in order to view this site. Best viewed using screen resolution of 1024 X 768.

### Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased must be located in an eligible rural area as defined by USDA.

To learn more about a USDA home loan program, click on the **Loan Program Basics** link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the **Property Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.

To determine income eligibility of an applicant/household, click on the **Income Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate income eligibility screen for the Rural Development loan program you selected.

**Eligibility**

- ▶ [Home](#)

**Property Eligibility Programs**

- ▶ [Single Family Housing](#)
- ▶ [Multi Family Housing](#)
- ▶ [Business Programs](#)

**Income Eligibility Programs**

- ▶ [Single Family Housing](#)

**Income Limits**

- ▶ [Single Family Housing](#)
- ▶ [Direct](#)
- ▶ [Guaranteed](#)

**Loan Program Basics**

- ▶ [Single Family Housing](#)
- ▶ [Direct](#)
- ▶ [Guaranteed](#)

**Bookmark as a Favorite**

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## Property Guidelines

# Inspection Requirements

The following inspections must be performed by a licensed home inspector:

- Structural
- Roof
- Electrical
- Water
- Septic systems
- Furnace or Heating/Cooling system
- Plumbing
- Wood Infestation Report (NPMA-33)

# Property Eligibility



If any repairs are required as a result of inspections and/or appraisal, the applicant should submit (3) estimates for the repairs. The cost for these repairs can be included in the loan amount so long as the appraised value continues to support the repair costs and the applicant continues to be eligible for the increased loan.



My household income is too high for the 502 Direct Loan program, but I still want to own my own home.

I'm feeling a little left out .....



Do you have a program for me?



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# Yes we do!

## Lets look at our Guaranteed Rural Housing Loan Program

- Loan originated, underwritten, closed, owned & serviced by approved RHS participating lender.
- USDA “guarantees” lender against losses up to 90% of the original loan.
- No PMI, but up front guarantee fee of 2% plus annual fee of .3% based on avg. unpaid principal balance.



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# Guaranteed Rural Housing Program

## Terms & Highlights

- Low and moderate income households can qualify – in many NY counties, a household of four can qualify with an adjusted income up to \$74,750
- No down payment required
- No Private Mortgage Insurance
- Applicant can borrow up to 100% of the appraisal amount plus the guarantee fee
- It is not uncommon for the applicant to be able to include all or most of the closing costs (including pre-pays) with the loan
- No RD limit on seller's concessions



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# Guaranteed Rural Housing Program

## Terms & Highlights Cont.

- Liberal repayment ratios to qualify - 29% and 41% (ratios may be exceeded with good compensating factors).
- Streamlined credit approval with credit scores of 640 and higher.
- Gift funds can be contributed by any non-interested party.
- Term of mortgage is 30 years.
- Fixed interest rate.

# Guaranteed Rural Housing Program

## PROPERTY REQUIREMENTS

- No maximum loan limits
- Must be located in designated USDA rural area
- Cannot be income producing property, no in-ground swimming pools or farm outbuildings
- Site cannot exceed 30% market value of home
- Loans can be made on either new or existing homes – but only *new* manufactured homes.
- HUD roster appraiser can certify that property complies with minimum property standards and/or home inspection required (existing homes)



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## Guaranteed Rural Housing Program

- Applicants apply directly through an approved lender; who processes and underwrites the loan.
- The file is then forwarded to RD.
- The file is reviewed and a decision is made on a complete application –typically within 48 hours.



# Changing Lives – One Home At a Time



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# SECTION 504 LOANS & GRANTS



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Assist very-low income households make needed repairs to their homes to include accessibility modification for individuals with disabilities



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## Program Guidelines & Terms –Section 504 Loans

- Maximum outstanding 504 loan amount is \$20,000
- Interest rate is fixed at 1%
- Maximum term of 20 years (term and payment is based upon the family budget)
- Appraisal and escrow account is required for loans over \$15,000
- Flood insurance is required for properties located in a flood zone
- Mortgage, title work and closing agent required for loans of \$7,500 or more
- Mortgage is filed for loans of \$7,500 and over
- Assets above \$15,000 (\$20,000 for elderly/disabled households) must be applied toward repairs.
- Residential Mortgage Credit Reports are ordered by Agency for loans of \$7,500 and over (RMCR fee paid by Rural Development)



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## General Eligibility Criteria – Section 504 Loans

- Household income must not exceed “very low” income limits; < 50% HUD median income
- Applicant must own home (to include site when considering manufactured housing) and occupy house on a permanent basis
- Demonstrate repayment ability based upon a family budget
- Stable and dependable source of income
- Acceptable credit – reasonable ability and willingness to meet debt obligations
- Meet asset limitations (15K non-elderly and \$20K elderly\*)



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## Program Guidelines & Terms –Section 504 Grant

- Maximum cumulative lifetime grant assistance is \$7,500
- Grantee must sign Grant Agreement requiring occupancy of home for 3 years
- No lien on property
- Repairs to remove health and safety hazards or to make the home accessible and useable for household members with disabilities.

# General Eligibility Criteria – Section 504 Grants

- At least one applicant must be 62 years of age or older.
- Household income must not exceed “very low” income limits;  
< 50% HUD median income
- Applicant must own home (to include site when considering manufactured housing) and occupy house on a permanent basis
- Repairs must be necessary to remove health and safety hazards or to make the home accessible and useable for household members with disabilities.
- Must demonstrate a lack of repayment ability based upon a household budget.
- Meet asset limitations (15K non-elderly and \$20K elderly\*)
- No outstanding federal judgments



## SECTION 504 PROPERTY REQUIREMENTS

- Must be modest for the area; market value cannot be in excess of USDA established area loan limit
- Property must be located in a designated rural area
- Must not have an in-ground swimming pool
- If the property has income producing land or structures, we may use loan/grant funds as long as repairs are used for the residential portion of the home.
- Mobile or manufactured homes must be on a permanent foundation or be placed on a permanent foundation loan or grant funds.



# Eligible Repairs

## Section 504 Loan

General repairs to improve or modernize the home, remove health or safety hazards, incorporate energy saving measures or to remodel dwellings to make them accessible to household members with disabilities.

Examples: siding, windows, additions, remodel bathroom, flooring, furnace, insulation, handicapped ramp, etc.

## Section 504 Grant

Grant funds limited to:

Remove health or safety hazards or to remodel dwellings to make them accessible to household members with disabilities.

Examples: Furnace, septic, well, windows (when health & safety), grab bars, roof, etc.



# USDA Financed Energy Efficiency Improvements

Loan and Grant Combination – Wilson, NY  
Window replacement, insulation, siding and trim



# USDA Financed Accessibility Modifications



# USDA Financed Home Improvements

Before



After –New siding





# Multi-Family Housing

## New York's Loan Portfolio:

- 460 Complexes / 13,110 units

➤ 270 are \*elderly projects / 7,921 units

➤ 190 are family projects / 5,189 units



## Section 515 Direct Rural Rental Housing Loans

- Construction, Acquisition and Rehabilitation of MFH
- Funding based on Notice of Funding Availability (**NOFA**)
- Only available in *designated places*
- Loan may not exceed **\$1 million**.
- Individual; corporation; association; Trust; Indian tribe; public and private nonprofit organization, public agencies
- Project based RA tenant subsidy *may* be available
- 1% note rate; 30 yr fixed w/50yr amortization (Balloon)
- ROI fixed at 8% of Initial Equity; reserves based on 20-yr CNA
- Subject to Restrictive Use Covenant (RUC)



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## Section 521 Rental Assistance Program

- Provides subsidies to many tenants in Rural Development rural rental (515) or off farm labor housing complexes (514/516) so that they do not pay more than 30% of incomes for rent and utilities.
- Tightening budget for traditional subsidized housing . Limited Rental Assistance (RA) or other forms of subsidies available and subsidies needed to make projects successful.



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Visit our websites:

<http://www.rurdev.usda.gov/>

Rural Development website

<http://www.rurdev.usda.gov/NYHome.html>

Rural Development in New York website

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

Property Eligibility & Income Limits

[http://www.rurdev.usda.gov/ny/toolbarpages/contacts/service enters.htm](http://www.rurdev.usda.gov/ny/toolbarpages/contacts/service%20enters.htm)

Rural Development Area Offices in NY

<http://www.rurdev.usda.gov/regs/> - Forms & Handbooks



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**Questions?**  
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