

Rural Development thermal and site standards. Manufactured housing must be permanently installed and meet the HUD Manufactured Housing Construction and Safety Standards and HCFP thermal and site standards.

Approval: Rural Development officials usually make a decision within 30-60 days of the office's receipt of a complete application.

Rural Development, which is part of the US Department of Agriculture, just celebrated 50 years of improving the economy and quality of life in all of rural America. Their programs support essential public facilities such as housing, water and sewer systems, health clinics, emergency service facilities, and electric and telephone service. Rural Development promotes economic development by supporting loans to businesses through banks and community-managed lending pools. Technical assistance and information is also provided to help agricultural and other cooperatives get started and improve the effectiveness of their member services.

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MUTUAL SELF-HELP HOUSING LOANS PURPOSE:

Purpose: Primarily to help very low- and low-income households construct their own homes. The program is targeted to families who are unable to buy clean, safe housing through conventional methods. A group of 8-12 families and individuals work together under the guidance of a construction supervisor hired by a nonprofit housing developer. Working together for 8-10 months, families and individuals participating in a mutual self-help project perform approximately 65 percent of the construction labor on each other's homes under qualified supervision. The savings from the reduction in labor costs allows families to own their homes. Families that cannot meet their mortgage payments during the construction phase may include these payments in the loan. This program has helped more than 25,000 people.

Eligibility: Applicants must have income below 80 percent of AMI. Families must be without adequate housing but they must be able to afford the mortgage payments including principal, interest, taxes and insurance (PITI). Payments are about 24 percent of an applicant's income. In addition, applicants must be unable to obtain credit elsewhere and have reasonable credit histories. Families with very low incomes living in substandard housing are given first priority.



Terms: Loans are for up to 33 years and may be extended to 38 years for those with incomes below 60 percent of AMI and who cannot afford 33-year terms. The promissory note interest rate is set by Rural Development. The interest rate is not usually meaningful since payment assistance can reduce the interest rate to as low as 1 percent. The amount of subsidy is determined by family income so that the family pays about 24 percent of their income for principal, interest, taxes, and insurance (PITI) up to an amount not exceeding the promissory note rate. There is no required down payment. Rural Development must also determine repayment feasibility using ratios of repayment (gross) income to PITI and to total family debt.

Standards: Housing must be modest in size, design, and cost. Modest housing is defined as housing costing less than the agency's Area Loan Limit. Houses constructed must meet the voluntary national model building code adopted by the state and Rural Development thermal and site standards.

Approval: Rural Development Area Loan Specialists have the authority to approve most Mutual Self-Help Housing loan requests. Decisions on applications are generally made within 30 to 60 days of the Rural Development office's receipt of the application.

CONTACTS AND LINKS

US Department of Agriculture
Rural Development
STOP 0701
1400 Independence Avenue, SW
Washington, DC 20515-0701

Get Connected to Your USDA
Rural Development State Office
by Calling 1 (800) 670-6553

Rural Development Single-Family Home Programs
at 202.720.5177

Rural Development Web Site
<http://www.rurdev.usda.gov>

Rural Development Office Locator
<http://offices.sc.egov.usda.gov/locator/app>

Income Eligibility Calculator and Income Limits
<http://eligibility.sc.egov.usda.gov>

Electronic Applications:
<http://forms.sc.egov.usda.gov/eforms/mainervlet>>

SFH Area Loan Limits (Direct)
<http://www.rurdev.usda.gov/rhs/sfh/RHS%20Area%20Loan%20Limits.htm>
(Note: the Guaranteed program does not have loan limits)

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USDA Rural Development
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Rural
Development
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REALTORS® AND USDA RURAL DEVELOPMENT

Working Together to Help People Fulfill the American Dream

REALTORS® and Rural Development, which is part of the U.S. Department of Agriculture (USDA), have been partners in creating homeownership opportunities in rural communities for more than 50 years. USDA Rural Development provides funding for single family homes, apartments for low-income persons or the elderly, housing for farm laborers, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, and much more. Rural Development works to make sure that rural citizens can participate fully in the global economy.

USDA Rural Development housing programs help improve the quality of life for rural Americans by ensuring they have access to safe, affordable, well-built homes.

Homeownership builds economic stability and, over the long-term, creates equity for people to finance education, business startup, and retirement. Residential construction and rehabilitation provide direct and indirect economic impacts that reverberate throughout a community as wages are earned and spent by those directly involved in housing development. Rural Development has an \$86 billion portfolio of loans and will administer nearly \$16 billion in program loans, loan guarantees, and grants through our programs.



HOMEOWNERSHIP LOANS

Rural Development's housing programs finance new or improved housing for low- to moderate-income home buyers who wish to live in rural communities. Financing is available with no down payment and favorable rates and terms. Loans can be used for the purchase, construction, rehabilitation, or relocation of a dwelling. The two types of loans offered are guaranteed and direct loans.

Guaranteed Rural Housing Loans

Section 502-Guaranteed loans are primarily used to help low- and moderate-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. Buyers must occupy the dwelling following the purchase.

Eligibility: Applicants for loans must have an adequate and dependable income that may be up to 115 percent of AMI. Buyers must be without adequate housing but be able to afford the mortgage payments, including taxes and insurance. Applicants must also have reasonable credit histories.



Approved lenders under the Single Family Housing Guaranteed Loan program include:

- Any state housing agency
- Lenders Approved By:
 - HUD for submission of applications for Federal Housing Mortgage Insurance or as an issuer of Ginnie Mae mortgage backed securities
 - U.S. Veterans Administration as a qualified mortgagee
 - Fannie Mae for participation in family mortgage loans
 - Freddie Mac for participation in family mortgage loans
 - Any FCS (Farm Credit System) institution with direct lending authority
 - Any lender participating in other USDA Rural Development and/or Farm Service Agency guaranteed loan programs.

Terms: Loans are for 30 years with a fixed-interest rate set by the lender. There is no required down payment and borrowers may finance up to 102 percent of appraised value. Loans may include funds for closing costs, guarantee fee, legal fees, title services, cost of establishing escrow, and other costs. Sellers may contribute to buyer's closing costs. The lender must also determine repayment feasibility, using ratios of repayment (gross) income to PITI and to total family debt. PITI divided by gross monthly income must be equal to or less than 29 percent. Total debt-to-income ratio must be less than 41 percent.

Standards: Housing must be modest in size, design, and cost. Houses constructed, purchased, or rehabilitated must meet the voluntary national model building code adopted by the state and Rural Development thermal and site standards. New Manufactured housing must be permanently installed and meet the HUD Manufactured Housing Construction and Safety Standards and Rural Development

thermal and site standards. Existing manufactured housing will not be guaranteed unless it is already financed with Rural Development direct or guaranteed loan or it is Real Estate Owned (REO) formerly secured by an HCFP direct or guaranteed loan.

Approval: Rural Development officials have the authority to approve most Section 502 loan guarantee requests.

Direct Loans

Commonly referred to as Section 502 Direct Loans, these are loans directly funded by the federal government. Loans are available for low- (80% of Area Median Income) and very low-income (50% of Area Median Income) households to obtain homeownership. Applicants may obtain 100 percent financing to purchase an existing dwelling, purchase a site and construct a dwelling, or purchase newly constructed dwellings located in rural areas. Mortgage payments are adjusted through a payment assistance formula based on the household's adjusted income.



Purpose: Primarily to help low- and very-low- income individuals or households purchase homes in rural areas. Funds can be used to build together with the purchase and preparation of the building site, including providing water and sewage facilities, repair, renovate or relocate a home.

Eligibility: Applicants must have low- or very-low incomes. Very-low income is defined as below 50 percent of the area median income (AMI) and low income is between 50 and 80 percent of AMI. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance, which are typically about 24 percent of an applicant's income. Payment subsidy is available to applicants to enhance repayment ability. Applicants must be unable to obtain credit elsewhere, including 502-Guaranteed, and have reasonable credit histories.

Terms: Loans are for up to 33 years and may be extended to 38 years for those with incomes below 60 percent of AMI and who cannot afford 33-year terms. The term is 30 years for manufactured homes. The promissory note interest rate is set by Rural Development based on the Government's cost of money and is modified by payment assistance subsidy.



Standards: Housing must be modest in size, design, and cost for the area, does not have market value in excess of the applicable area loan limit, and does not have certain prohibited features. Houses constructed, purchased, or rehabilitated must meet the voluntary national model building code adopted by the state and