

Very Low-income Housing Repair Loans and Grants (Section 504)

September 2002

The Rural Housing Service (RHS) is a part of Rural Development (RD) in the U.S. Department of Agriculture (USDA). It operates a broad range of programs that were formerly administered by the Farmers Home Administration to support affordable housing and community development in rural areas. RHS both provides direct loans (made and serviced by USDA staff) and also guarantees loans for mortgages extended and serviced by others.

The RHS National Office is located in Washington, D.C., and is responsible for setting policy, developing regulations, and performing oversight. RHS employs a central collection and servicing center in St. Louis, Mo. and a computerized system called DLOS for Section 502 direct and Section 504 loans. In the field, RHS operations are carried out through the USDA's RD offices. Each RD State Office administers programs in a state or multistate area. The organization of Rural Development offices within a state varies, but typically Area or District Offices supervise Local Offices (also termed county or community development offices) and do the processing and servicing of organizational loans and grants. Local Offices process single family housing applications, assist District Offices with organizational applications and servicing, and provide counseling to applicant families and backup servicing as needed.

PROGRAM BASICS

The Very Low-Income Housing Repair program provides loans and grants to very low-income homeowners to repair, improve, or modernize their dwellings or to remove health and safety hazards.

ELIGIBLE ACTIVITIES

To obtain a loan, homeowner-occupants must be unable to obtain affordable credit elsewhere and have very low incomes, defined as below 50 percent of the area median income. They must need to make repairs and improvements to make the dwelling more safe and sanitary or to remove health and safety hazards.

Grants are available only to homeowners who are 62 years old or older and cannot repay a Section 504 loan. They may be used only to pay for repairs and improvements to remove health or safety hazards.

The regulations provide a liberal interpretation of "owner."

PROJECT REQUIREMENTS

Loans of up to \$20,000 and grants of up to \$7,500 are available. Loans are for up to 20 years at 1 percent interest. A real estate mortgage is required for loans of \$2,500 or more. Full title services are required for loans of \$7,500 or more. Grants may be recaptured if the property is sold in less than three years. A grant/loan combination is made if the applicant can repay part of the cost. A loan and a grant can be combined for up to \$27,500 in assistance.

Standards

Repaired properties do not need to meet other RHS code requirements, but the installation of water and waste systems and related fixtures must meet local health department requirements. Not all the health and safety hazards in a home must be removed with Section 504 funds, provided that major health and safety hazards are removed. All work must meet other applicable local codes and standards.

**Rural Housing and
Economic Development Gateway**
1-877-RURAL-26 (1-877-787-2526)
www.hud.gov/ruralgateway/
U.S. Dept of Housing & Urban Development
451 7th Street, S.W., Room 7137
Washington, DC 20410

Approval

The Rural Development local office manager should make a decision on an application within 30 to 60 days of receiving it if no backlog exists.

Basic Instruction

7 CFR Part 3550 subparts A, C, D, and E, HB-1-3550, and HB-2-3550.

FOR MORE INFORMATION

For additional information on Section 502 self-help and RHS, contact the RHS National Office, 1400 Independence Avenue, S.W., Room 5037S, Washington, D.C. 20250; 202-720-4323. Contact your Rural Development State Office to find out the location of the Local Office closest to you, or visit www.rurdev.usda.gov/recd_map.html. Copies of RHS regulations are available online at <http://rdinit.usda.gov/regs>.