



United States Department of Agriculture

Rural Development



Overview of USDA Single Family Housing Programs



July 14, 2015



Rural Development

Welcome

- Purpose of the Section 502 and 504 Single Family Housing Loan Programs
- Annual Appropriations
- National Office, State Offices and Field Offices
- Partnerships with local, state and other Federal agencies as well as professional organizations



Rural Development

Presenters and Webinar Format

A large green arrow graphic pointing to the right, with three blue rounded rectangular boxes containing text positioned along its horizontal shaft.

Guaranteed
Loan Program
by Lilian Lipton

Direct Loan
Program
by Migdaliz
Bernier

Centralized
Servicing
Center
by Mike Keller



United States Department of Agriculture

Single Family Housing Guaranteed Loan Program



What does this program do?

This program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe and sanitary dwellings as their primary residence in eligible rural areas.



Guaranteed Loan Program Overview

- ✓ No down-payment required
- ✓ 30 year fixed interest rates
- ✓ Guaranteed Underwriting System
- ✓ Automated Loan Closing System
- ✓ Mostly purchase transactions, 3-8% refinance
- ✓ 85% first time homebuyers
- ✓ 10% new construction
- ✓ Low and moderate income households
- ✓ Rural areas = up to 90% of the USA



Rural Areas

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



[Home](#) [About SCA](#) [Contact Us](#)

You are here: [Eligibility / Home](#)

Eligibility

You must use [Internet Explorer 7.0](#) or higher, [Mozilla Firefox 3.6](#) or higher, and [Google Chrome 8.0](#) or higher to view this site. Best viewed using screen resolution of 1024 X 768.

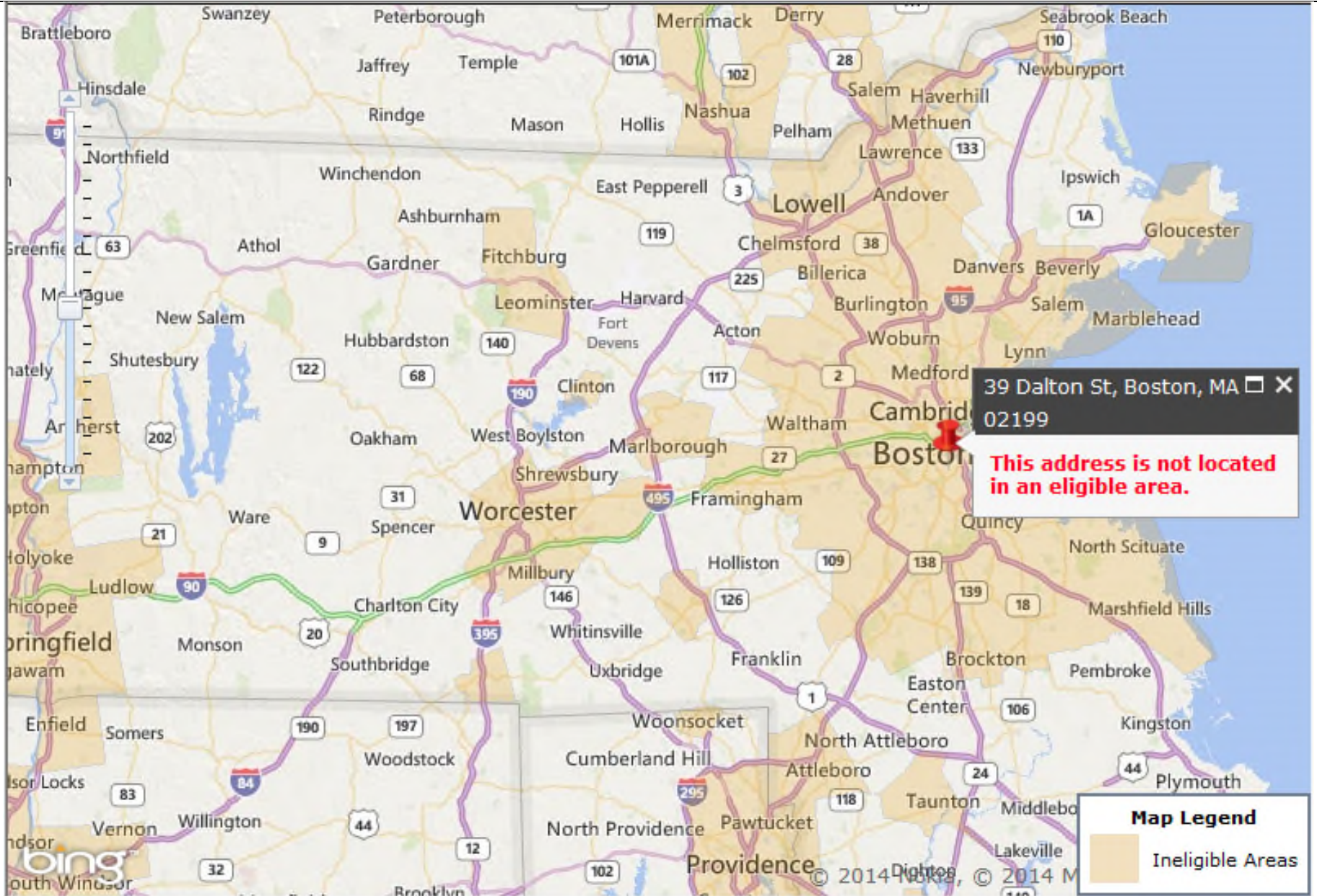
Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs and the USDA Satellite Grant Program. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased or served 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.

- Eligibility**
- [Home](#)
- Property Eligibility Programs**
- [Single Family Housing](#)
- [Multi Family Housing](#)
- [Business Programs](#)
- [Water & Environmental](#)
- Future Eligible Areas Programs**
- [Single Family Housing](#)
- [Multi Family Housing](#)
- Income Eligibility Programs**
- [Single Family Housing](#)
- Income Limits**
- [Single Family Housing](#)



39 Dalton St, Boston, MA 02199

This address is not located in an eligible area.

Map Legend

 Ineligible Areas



Who may apply for this program?

Applicants must:

- ✓ Meet [income-eligibility](#)
- ✓ Agree to personally occupy the dwelling as their primary residence
- ✓ Be a U.S. Citizen, U.S. non-citizen national or Qualified Alien
- ✓ Have the legal capacity to incur the loan obligation
- ✓ Have not been suspended or debarred from participation in federal programs
- ✓ Demonstrate the willingness to meet credit obligations in a timely manner
- ✓ Purchase a property that meets all program criteria



Income Eligibility

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



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- [Multi Family Housing](#)
- Income Eligibility Programs**
- [Single Family Housing](#)
- Income Limits**
- [Single Family Housing](#)



Single Family Housing Program Income Eligibility Determination Summary

Applicant is **ELIGIBLE** for the Section 502 Guaranteed Rural Housing Loan Program and **INELIGIBLE** for the Section 502 Direct Rural Housing Loan Program based on income entered and Program Income Guidelines in effect as of 07-09-2015. (Applicant must show repayment ability, have a reasonable credit history for the loan requested, and must meet other program requirements.)

[Contact Us](#) for further details on the Guaranteed Loan Program.

[Contact Us](#) for further details on the Direct Loan Program.

Summary of Adjusted Annual Household Income

Annual Household Income : **\$36,000.00**
Total Deductions : **\$.00**
Household Adjusted Annual Income : **\$36,000.00**

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and **\$75,650.00**
County :

Section 502 Direct Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and **\$34,450.00**
County :
Adjusted Household Income Exceeds Maximum Income by : **\$1,550.00**



New Regulation

- 7 CFR 3555 replaced the old regulation on December 1, 2014
- Handbook
- Expanded interest rate cap
- Construction to permanent financing
 - promotes new construction in rural areas
 - Replace aging housing stock
- Delegated servicing decisions
 - Approval of loss mitigation actions
 - Approval of property disposition plans to lender



How do we get started?

Applicants must contact an approved lender.

Applicants can review a partial list of [approved lenders](#) and information about all of the approved lenders in your state can be obtained by contacting your state's [Guaranteed Loan Coordinator](#) at the following address:

<http://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program>



What governs this program?

[7 CFR, Part 3555](#)

[HB-1-3555](#) - SFH Guaranteed Loan Program

Technical Handbook

The regulation and Handbook can be found at:

<http://www.rd.usda.gov/publications/regulations-guidelines>



Training Opportunities

Sign up for Automated Loan Closing

<https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>



[USDA LINC Home](#)

[FSA LINC Home](#)

[RBS LINC Home](#)

[RHS LINC Home](#)

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USDA LINC Training and Resource Library

The documents and material contained in the USDA LINC Training and Resource Library use Adobe PDF and Adobe Flash formats. To view PDF files you need [Adobe Acrobat Reader](#) installed on your computer. To view Flash files you must have [Adobe Flash Player](#) installed on your computer.

[Lender Loan Closing/Administration](#) [7 CFR 3555 New Lender Resources](#) [Guaranteed Outreach and Education](#) [Security Guaranteed Under Reporting \(ESR\)](#) [Guaranteed Annual Fee Billing and Payment](#) [Loss Mitigation](#) [Property Disposition](#) [Loss Claim Administration and Services](#)



Lender Loan Closing/Administration Training

Documentation and Resources

[Lender Loan Closing \(LLC\) Agreement Fillable \(PDF\)](#)

[Lender Loan Closing \(LLC\) Administrative Guide \(PDF\)](#)

[Quick Steps to Access Lender Loan Closing \(LLC\) \(PDF\)](#)

[Lender Loan Closing \(LLC\) User Guide \(PDF\)](#)

[Quick Steps to Complete a Lender Loan Closing \(LLC\) \(PDF\)](#)

[Additional Lender Security Administrator - Fillable \(PDF\)](#)

NEW!!! - 7 CFR 3555 and Draft Handbook – Implementation 9/1/2014

Training

[7 CFR 3555 Rule: Regulation Overview\(Flash\)](#)

[7 CFR 3555 Lender](#)

Documentation and Resources

[7 CFR 3555 Interim Final Rule\(PDF\)](#)

[Highlights of Changes\(PDF\)](#)

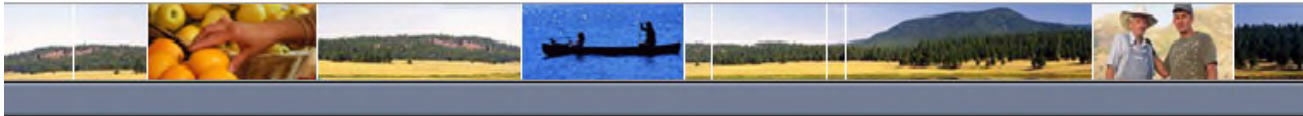


LISTSERV: www.rdlist.sc.egov.usda.gov



United States Department of Agriculture

Sales of farm products, both crops and livestock, this year are expected to top a record \$215 billion.



Enter your e-mail address below and choose the list(s) you would like to subscribe to or un-subscribe from. Press the appropriate button below to submit your request.

Email Address

SFH Guaranteed Loan Program

Single Family Housing Guaranteed Underwriting System (GUS) List

By subscribing to this e-mail list, you will receive information concerning the USDA Guaranteed Underwriting System (GUS). This list is intended for those lenders that are currently utilizing GUS or are in the process of becoming approved to utilize GUS for Rural Development Single Family Housing guaranteed loans. As a member of this list, you will receive updates that are specific to GUS and GUS users. To subscribe, please enter your e-mail address above, click the box at left to select the list, and then click the 'Subscribe' button at the bottom of this page.

SFH Guaranteed Loan Program

SFH Servicing News

By subscribing to this e-mail list, you will receive information concerning servicing of Rural Development Single Family Housing Loan Program loans, including information on monthly default and quarterly status reporting (EDI and Web based reporting), loss mitigation, loss claim and future recovery administration, REO property disposition, and other servicing policy issues. To subscribe, please enter your e-mail address above, click the box at left to select the list, and then click the 'Subscribe' button at the bottom of this page.



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Single Family Housing Direct Loan Program

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Purpose of Section 502 Direct Loans



- To provide homeownership opportunities to rural families with very low and low incomes
- Loans may be used to buy, build, improve, or repair rural homes

**National Average Income
Served: \$29,512**

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Section 502 Direct Loan Program Key Features

- ★ Directly funded by the Federal government
- ★ Down payments are generally not required
- ★ Payment assistance is available for those who qualify
- ★ Extended loan amortization term
- ★ Promissory note interest rate is fixed
- ★ Some closing costs may be financed
- ★ Private Mortgage Insurance (PMI) or upfront fee is not required
- ★ Refinancing allowed under special circumstances



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Loan Terms

- Loans are for up to 33 years
- A 38-year term is available for those with incomes below 60 percent of area median income (AMI) and who cannot afford a 33-year term
- Term is 30 years for manufactured homes



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Interest Rate and Payment Assistance

- Interest rate is set monthly by RHS
- Interest rate may be modified with payment assistance
- Payment assistance is a subsidy that reduces the borrower's monthly installment payment
- By law, subsidy received in accordance with a 502 loan is repayable to the government



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Key Eligibility Requirements

- Families must be without adequate housing but be able to afford the mortgage payments
- Must have a household income that does not exceed the low income limit for the area
 - Very low income is defined as below 50 percent of the AMI
 - Low income is between 50 and 80 percent of AMI



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Key Eligibility Requirements

- Applicants must be unable to obtain credit elsewhere
- They must demonstrate a willingness and ability to repay debt
- Repayment feasibility is based on repayment ratios
- Homebuyer education course required

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Income Eligibility

Annual Income

- Includes income from all household members
- First step before calculating adjusted income

Adjusted Income

- Used to determine eligibility for the program and payment assistance
- Considers certain deductions

Repayment Income

- Is used to determine repayment ability
- Based only on the income of note signers
- Must be stable and dependable

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Income Eligibility

- Adjusted income is used to determine eligibility for the program and for payment assistance
- Equals annual income less any of the following five deductions:

**Dependent
Deduction**

**Child Care
Expenses**

**Elderly
Household**

**Disability
Assistance**

**Medical
Expenses**



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Assets

- Assets are considered to:
 - Make income determinations
 - Establish down payment requirements
- Income from certain types of assets must be included in the income calculations
- Limitation on retirement and non-retirement assets



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Limitation on Assets

The cash value in excess of these amounts must be used toward the purchase of the property

	Non-Retirement Assets Limitation (cash value)		Retirement Assets Limitation (market value)
Non-elderly Household	\$15,000	Non-retired applicants	The applicable adjusted median income limit
Elderly Household	\$20,000	Retired Household	Not required if household income is derived from the these assets



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Credit Requirements

- Must show ability and willingness to repay debt
- Lending decision is not credit score driven
- Credit score used to expedite application processing
- Alternative credit verification used for applicants that lack sufficient traditional credit history
- Indicators of unacceptable credit (Exhibit 4-4)
- *An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is not eligible for a Section 502 loan*



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Income Ratio Limits

- PITI Ratio (principal, interest, taxes, insurance)
 - Very low income family: 29%
 - Low income family: 33%
- Total Debt Ratio takes in consideration all debts and the limit is 41% for both income categories
- Compensating Factors considered



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Other Borrower Requirements

- Does not currently own adequate home
- Agree to occupy the dwelling as primary residence
- Legal capacity to incur debt (generally 18 years old)
- Must not be debarred from participation in Federal programs
- Be citizenship or eligible non-citizen
- Provide proof of identity



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Key Property Standards

- Property must be located in designated rural area
- Housing must be modest in size, design, and cost
- Market value must not exceed area loan limit
- Houses must meet state building code and RHS site standards



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Area Loan Limits

- To be considered “modest”:
 - the property must be considered modest for the area
 - must not have a market value in excess of the applicable area loan limit
 - must not have certain prohibited features
- Area Loan Limits are reviewed annually



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Property Standards

- Cannot finance properties that include:
 - in-ground swimming pools
 - income producing structures or land
- Subject to environmental review and home inspection
- Manufactured housing must be permanently installed and meet the HUD Manufactured Housing Construction and Safety Standards and RHS thermal and site standards



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Loan Packaging

- Applicants may engage the optional service of a loan application packager
- Final rule on Certified Loan Packaging will be effective on October 1, 2015
- Packaging fee is limited by the regulation and RD
- Fee can be paid at closing and, under certain conditions, may be included in RD loan amount
- If fee cannot be fully financed by RD, seek seller concessions or other affordable housing sources

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Purpose of Section 504 Loan and Grants



- To provides loans and grants to very low-income homeowners living in rural areas to repair, improve, or modernize their dwellings or to remove health and safety hazards



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504 Loan Eligibility Requirements

- Owner-occupants unable to obtain affordable credit elsewhere
- Must have very low-income
- May be used to improve or modernize; make dwelling decent, safe, and sanitary; remove hazards
- Credit report needed if loan is over \$7,500; no fee charged
- Appraisal needed if loan is over \$15,000; fee is charged



Rural Development

504 Loan Terms

- Loans of up to \$20,000
- Loans are for up to 20 years at 1 percent interest
- No more than \$20,000 outstanding at one time
- Repayment ability not based on ratios but on household budget analysis



Rural Development

504 Grant Eligibility Requirements

- Grants are only available to homeowners who are 62 years old or older and cannot repay a Section 504 loan
- Must have very low-income
- May be used only to remove health and safety hazards or to make dwelling accessible to household member with disabilities



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504 Grant Terms

- Grants of up to \$7,500
- Repairs financed with grant funds must result in the removal of health and safety hazards
- Grants must be repaid 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



Rural Development

504 Property Standards

- Property must remain modest
- All work performed must meet local codes and standards
- Major health and safety hazards must be corrected
- No need to meet RHS standards but
 - Water, waste systems, and related fixtures must meet local health department requirements
 - Water supply and sewage disposal systems should meet RHS requirements



Rural Development

Regulations, Handbook, Guidance

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

- 7 CFR Part 3550 (Appendix 1 of the HB-1-3550)
- HB-1-3550, Field Office Handbook
- Unnumbered Letters (UL), Procedures Notices (PN), and Administrative Notices (AN)
- Applicable RD Instructions:
 - 1924-C; Site and Building Design
 - 1924-A; Construction and Repair
 - 1940-I; Truth in Lending
 - 1901-E; Civil Rights



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Rural Development Regulations

The screenshot shows the USDA Rural Development website. At the top left is the USDA logo and the text 'United States Department of Agriculture Rural Development'. A navigation bar contains links for Home, About RD, Newsroom, Agencies & Offices, Programs & Opportunities, Help, Contact Us, and En Español. Below the navigation bar is a search box labeled 'Search RD' with a 'Go' button. To the left of the main content is a sidebar with 'Browse by Audience' (Information For: dropdown) and 'Browse by Subject' (a list of categories including Business, Community Development, Cooperatives, Energy, Housing, Utilities, Loans, Grants, Technical Assistance, Forms & Publications, Regulations and Guidance, and Online Services). The main content area has a green header 'Regulations and Guidance'. Below this header, there is a paragraph explaining that all federal regulations can be found at Regulations.gov and that customers can search, review, and submit comments on Federal documents open for comment in the Federal Register. A second paragraph states that as a service to customers, Rural Development posts its Instructions, Administrative Notices, and forms in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc), and Text (txt). A third paragraph provides instructions for requesting a hard copy of documents due to accessibility issues. To the right of the main text is a box titled 'I Want To...' containing a list of links: Administrative Notices, Instructions, Forms, Handbooks, Procedure Notices, Significant Guidance Documents, and Unnumbered Letters. Below the main text is a section titled 'Rural Development:' followed by a numbered list of 9 items: Administrative Notices, Instructions, Forms, Spanish Forms, Form Letters and Guide Letters, Handbooks, Procedures Notices, Significant Guidance Documents, Unnumbered Letters, and Federal Register Publications. At the bottom of the main content area is a section titled 'Rural Utilities Service:' followed by a numbered list of 2 items: Bulletins and Federal Register. On the right side of the page, below the 'I Want To...' box, is a section titled 'See Also' containing a list of links: Hispanic and Women Farmers and Ranchers Claims Resolution Process, Income and Housing Eligibility, Rural Development Careers, and Freedom of Information (FOIA).

USDA United States Department of Agriculture Rural Development

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Regulations and Guidance

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As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development:

1. [Administrative Notices](#)
2. [Instructions](#)
3. [Forms](#)
4. [Spanish Forms, Form Letters and Guide Letters](#)
5. [Handbooks](#)
6. [Procedures Notices](#)
7. [Significant Guidance Documents](#)
8. [Unnumbered Letters](#)
9. [Federal Register Publications](#)

Rural Utilities Service:

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See Also

- [Hispanic and Women Farmers and Ranchers Claims Resolution Process](#)
- [Income and Housing Eligibility](#)
- [Rural Development Careers](#)
- [Freedom of Information \(FOIA\)](#)



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Section 502 Direct Loans ListServ

Want to receive automatic e-mail notifications of program updates and announcements?

Join the SFH Direct ListServ!

To sign-up, go to:

<http://www.rdlist.sc.egov.usda.gov/listserv/mainervlet>

Enter your e-mail address and choose the list(s) you would like to subscribe to and submit your request.



United States Department of Agriculture

Single Family Housing Centralized Servicing Center



Centralized Servicing Center (CSC)

- Customer Service Center – change pending
- The servicing arm of Rural Development
 - All Single Family Housing Direct Loans
 - Guaranteed Rural Housing Servicing
 - Loss Claim processing
 - Servicing Plan approval
 - Disposition Plan approval
 - Some aspects of Multi-Family Housing

CSC

- Created in FY 1997 to
 - Establish escrow for the portfolio
 - Lower cost of servicing
 - Reduce RD field FTE and number of offices
- Located in St. Louis MO
- Totals: 1.65 Million Families
 - 1.25 Million Loans
 - \$133.4 Billion Unpaid Principal Outstanding

HAMP and HOPE

- Statute allows for Servicers to offer
 - Re-financing
 - Extending Terms
 - Reducing Interest Rates
- RD Statute does not authorize:
 - Re-financing RD debt with RD funds
 - Extending terms
 - Lowering Promissory Note Interest Rate

Servicing Options

- Promise to Pay
- Delinquency Workout Agreement (DWA)
- Moratorium
- Subsidy
- Re-amortization: Re-write loan without
 - Changing Maturity Date
 - Changing Interest Rate
- Net Recovery Buyout (less common)

Promise to Pay

- Promise to Pay
 - Short term – less than 60 days
 - Agreement to pay delinquency
 - In installments
 - Lump sum on a designated date
 - Delay other actions until plan
 - Completed
 - Broken



Delinquency Workout Agreement

- Resolve delinquency over two years
- Payments:
 - Regular payment plus
 - Partial (1/24th) delinquency reduction
- Possible Re-amortization
 - Must remain current on the DWA repayment plan for six months
 - Re-write at existing rates and terms



Moratorium

- Suspend all payments for up to two years
- Qualifications
 - 20% reduction in household income
 - Pay Medical Expenses
 - Natural Disaster
 - Death in the family
 - Temporary Condition

Moratorium

- No payments
- RD continues to pay:
 - Real Estate Taxes
 - Property Insurance
 - Charge borrower Account
- Review every six months
- At conclusion automatic re-amortization

Subsidy

- RD can pay part of the borrowers P&I
- If currently receiving subsidy
 - May be eligible for additional subsidy if 10% reduction in household income
 - Two year subsidy agreement
- If not on subsidy
 - Must be below the applicable low income limit
 - Must be living in the home

Subsidy

- Various kinds of subsidy
- Basic premise
 - Borrower must pay % of income (20-26%)
 - Payments for PITI
 - Agency pays the difference
 - Minimum Borrower payment higher of:
 - Payment based on a 1% interest rate
 - The calculated percentage (20-26%)

Re-amortization

- Re-write loan with:
 - Existing Maturity Date
 - Interest rate stated on Promissory Note
 - May have subsidy if eligible
- Reasons for a Re-amortization
 - End of a moratorium
 - Six month current on DWA
 - Other (i.e. unauthorized assistance)

Re-amortization

- Pro:
 - Fresh start with no delinquency
 - Taxes and Insurance are current
 - Subsidy may reduce payments
- Cons: Payments may increase due to
 - Accumulated fees
 - Accumulated interest
 - Principal not reduced – fewer years same Principal

Net Recovery Buy-out

- For Accelerated Accounts
- Pay-off loan
 - Market Value
 - Less than debt owed
 - Balance of debt cancelled
- Retain ownership in home
- May have income tax implications

Summary

- RD does not use HAMP and HOPE options
- Servicing options different than Private Sector
- Servicing Options more robust
- Foreclosure avoidance
 - Short Sale
 - Net recovery buy-out
 - Voluntary Conveyance



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Questions





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THANKYOU!