Breakout Session 1
Rural Housing
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Single Family Housing Programs
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Overview

- Section 502 Loans
- Section 504 Loans
- Section 504 Grants
Single Family Housing – Direct 502 Loans

- Fixed rate loan for 33 years- no prepayment penalty
- Payment Assistance to those who qualify
- No down payment required if funds are not available.
- Some closing costs may be included in the loan up to appraised value.
- Private Mortgage Insurance (PMI) is not required
- Loan Limits vary by county
- Income limits vary county
- Self – Prequalification / Eligibile Areas
  https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do
Single Family Housing – Guaranteed 502 Loans

- Fixed rate loan for 30 years- no prepayment penalty
- Apply through mortgage companies / banks
- 100% financing up to the appraised value
- Private Mortgage Insurance (PMI) is not required
- No Loan Limits vary by county
- Income limits vary county
- Eligible area map located at: https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do
To be considered “modest”, must not have a market value in excess of the applicable area loan limit, and not have certain prohibited features such as:

- In-ground swimming pools
- Income producing land or structures. Homebased operations not requiring specific features are OK (child care, product sales, craft production)
- Square footage generally limited to 2000 sq ft

***Guaranteed Loans don’t have loan size or square foot limitations***
Why use Rural Development funding?

• Because the Agency mission is to serve homebuyers who are unable to obtain private credit, there are some differences between Rural Development credit compared to private credit:
  • Less stringent than private lenders;
  • Little or no down payment;
  • Subsidies enhance repayment ability;
  • Internal quality checks;
Eligible Use of Funds

• Site related costs: Providing a minimum adequate site, adequate utilities; grading & landscaping;
  • Dwelling related costs: Acquisition, construction, repairs, or relocation.
  • Special design features for handicapped; energy saving materials/methods; storm cellars; essential equipment (appliances)
  • Fees: Legal; Homeownership education; realty taxes; escrow accounts; packaging fees to nonprofits.

***Ability to loan these items make it possible for those that qualify to move in for zero out of pocket expenses.***
Evaluating a borrower’s creditworthiness requires a determination of the applicant’s ability and willingness to meet obligations.

- Ability – Income availability and reliability
- Willingness – Credit Payment history
- Credit history of last 3 years is evaluated.
- Outstanding collections and judgments with no satisfactory payment arrangements are considered regardless of when opened.
Other Requirements

• Must not currently own a home, except for refi (unless unsound, inadequate, too small then repair or purchase OK);
• Unable to obtain credit elsewhere;
• Agree to occupy the dwelling;
• Legal capacity to incur debt >18 years old;
• Suspension or debarment;
• Meet citizenship or eligible non-citizen;
• Willing and able to repay the loan;
• Proof of identity
504 Loans and Grants

• Must be owner occupied
• 1% interest loan for 20 years
• Potential for Grant funds for health and safety repairs
  • Example – roof, septic system, electrical repairs
• Must be 62 for Grant funding
• Minimal review of credit for 504 loans/grants
• Max Grant - $7500 (Texas currently in pilot and can go to $10K)
• Max Loan - $20,000
The Peters Family

Thanks to the wonderful staff at the USDA Rural Development office, we now have our forever home!! I can't express how awesome they are and how much they helped us with the loan process! There were countless emails and phone calls, our officer Cassie was always so helpful throughout the whole process!

Forever grateful
The Peter’s family
The Smith Family
"We are very grateful for all of the guidance we received from the Rural Development team and helping us become first time home buyers! We are truly blessed to have the opportunity to live a dream come true. We love our new and beautiful carefree home!"

Miguel and Angelica Hernandez
First time home buyers
Tsitshi and Mbura Family

"It is truly perfect in every way and far beyond our expectations as to what our 'first house in the US' would look like."

Eciba Tsitshi & Fatuma Mbura
New Homeowners

Taken from a Letter of Appreciation to their realtor
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Multi-Family Housing Programs Overview

- Multi-Family Housing Direct Loans (Section 515)
- Housing Preservation and Revitalization Demonstration Loans and Grants (MPR)
- Farm Labor Direct Loans and Grants (Section 514/516)
- Housing Preservation Grants (Section 533)
- Multi-Family Housing Loan Guarantees (Section 538)
Multi-Family Housing Direct Loans (Section 515)

• This program provides competitive financing for affordable multi-family rental housing for low-income, elderly, or disabled individuals and families in eligible rural areas.

• **Who may live in the rental housing?** Very-low income to moderate-income families or individuals, Elderly people aged 62 or older, and people with disabilities.

• Applications for this program are solicited via a Notice of Funding Availability (NOFA) that is posted in the Federal Register.
  • Note: a NOFA has not been published for this program in many years. The most active timeframe for direct loans for the new construction of 515 properties was from the early 1970's to the mid 1990's.

• Total number of 515 properties in Texas: 626 (most in the Nation)
• Total number of units in Texas: 22,108

• The primary focus has been servicing the existing portfolio and rehabbing properties.
Housing Preservation and Revitalization Demonstration Loan and Grants (MPR)

• This program restructures loans for existing Rural Rental Housing and Off-Farm Labor Housing projects to help improve and preserve the availability of safe affordable rental housing for low income residents.

• Current multi-family housing project owners with Rural Rental Housing and Off-Farm Labor Housing loans may apply for this program. Borrowers must continue to provide affordable rental housing for 20 years or the remaining term of any USDA loan, whichever is later.

• The funds may be used to preserve and improve existing Rural Rental Housing and Off-Farm Labor Housing projects in order to extend their affordable use without displacing tenants through increased rents.

• A variety of restructuring tools are available including: grants, limited to nonprofit applicants, no interest loans, soft-second loans, and debt deferrals.

• A two-phase application process starts with pre-applications accepted on an annual basis through a Notice of Funding Availability (NOFA) in the Federal Register.

• Selected pre-applications are invited to submit final applications.
Farm Labor Housing Direct Loans and Grants (Section 514/516)

• This program provides affordable financing to develop housing for year-round and migrant or seasonal domestic farm laborers.

• This program assists qualified applicants that cannot obtain commercial credit on terms that will allow them to charge rents that are affordable to low-income tenants. Borrowers must have sufficient qualifications and experience to develop and operate the project.

• Housing may be constructed in urban or rural areas, as long as there is a demonstrated need.

• Funds can be used for Construction, improvement, repair and purchase of housing for domestic farm laborers is the primary objective of this program.

• Funding may also be available for related activities including: Buying and improve land, Purchasing household furnishings, Paying construction loan interest.

• **Who may live in the rental housing?** Domestic farm laborers, including those working on fish and oyster farms and on-farm processing, Retired and/or disabled farm laborers, Must be a U.S. citizen or permanent resident, and Very-low- to moderate-income households.

• Low interest loans and grants are available based on need and may not exceed 90% of project cost.

• A two-phase application process starts with pre-applications accepted on an annual basis through a Notice of Funding Availability (NOFA) in the Federal Register. Selected pre-applications are invited to submit final applications.
Housing Preservation Grants (Section 533)

• This program provides grants to sponsoring organizations for the repair or rehabilitation of housing owned or occupied by low- and very-low-income rural citizens.

• **Who may apply for this program?** Most State and local governmental entities, Nonprofit organizations, Federally Recognized Tribes, Individual homeowners are **not eligible**

• Areas that may be served include: Rural areas and towns with 20,000 or fewer people and Federally Recognized Tribal lands.

• Applications are accepted on an annual basis through a Notice of Solicitation of Application (NOSA) in the Federal Register.
Multi-Family Housing Loan Guarantees (Section 538)

• This program works with qualified private-sector lenders to provide financing to qualified borrowers to increase the supply of affordable rental housing for low- and moderate-income individuals and families in eligible rural areas and towns.

• Private lenders may apply for a loan guarantee on loans made to eligible borrowers who are building or preserving affordable rural rental housing.

• Eligible borrowers include: most state and local governmental entities, Nonprofit organizations, For-profit organizations, including LLC’s, and Federally-recognized Tribes.

• Additional requirements include: Rent for individual units is capped at 30% of 115% area median income, Average rent for an entire project (including tenant paid utilities) cannot exceed 30% of 100% of area medium income, adjusted for family size. Complexes must consist of at least five units, and Complexes may contain units that are detached, semi-detached, row houses or multi-family structures

• **What are the terms of a loan guarantee?** The Agency offers guarantees of up to 90% of the loan amount, For-profit entities may borrow up to 90% and non-profit entities may borrow up to 97% of the total development cost or appraised value, whichever is less. Minimum term of 25 years and maximum term of 40 years. Interest rate negotiated between the lender and the borrower is fixed for the life of the loan guarantee

• **Who may live in the rental housing?** Low- to moderate-income families or individuals.

• Applications for this program are accepted on an annual basis. A Notice of Funding Availability (NOFA) is posted in the Federal Register.
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Wrap Up
Break