

## Rural Development



# Single Family Housing Programs Investing in Rural Communities

## Rural Development

# Barriers to Affordable Housing:

- Barriers to affordable housing:
  - limited housing choice;
  - Lack of economic development in the community; and
  
- Housing is affordable:
  - if a low- or moderate income family can afford to rent or buy a decent quality dwelling without spending more than 30 percent of its income on shelter.
  
- The increased availability of affordable housing would:
  - enable hardworking and dedicated people—including public servants such as police officers, firefighters, schoolteachers, and nurses—to live in the communities they serve.

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# Barriers to Affordable Housing:

- **Political barriers:**
  - public opposition
  - lack of awareness or disinterest in quality of life issues for households which are different from “ours” and/or earn less than households within “our” social class.
- **Regulatory barriers:**
  - existing legal barriers to affordable housing, which exist in our zoning, subdivision, and health and safety codes, and environmental laws.
- **Economic barriers:**
  - monetary barriers
  - the costs associated with project development, maintenance and management
  - the income and educational levels of residents
  - existing economic opportunities within the community and economic region.

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# Purpose

**Provide people in rural communities the opportunity to own adequate, modest, decent, safe, & sanitary homes**



In addition to providing loan funds for a house purchase, this program can help very low and low-income rural homeowners make vital improvements to their homes.

Loan funds are available to make substantial home repairs when other loan options are not available.

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# Single Family Housing Programs



- **Section 502 Guaranteed Loans**
- **Section 502 Direct Loans**
- **Section 504 Repair Loans**
- **Section 504 Repair Grants**
- **Mutual Self Help Housing**
- **Housing Preservation Grants**
- **Rural Housing Site Loans**



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# Single Family Housing Programs

## Program Funding Levels – FY2015

|   | <u>Number</u>     | <u>FY2015</u>             |
|---|-------------------|---------------------------|
| <b>Section 502 Guaranteed Loans</b>     | <b>6,666</b>      | <b>\$941,430,795</b>      |
| <b>Section 502 Direct Loans</b>         | <b>379</b>        | <b>\$51,800,936</b>       |
| <b>Section 504 Repair Loans</b>         | <b>158</b>        | <b>\$1,109,204</b>        |
| <b><u>Section 504 Repair Grants</u></b> | <b><u>322</u></b> | <b><u>\$2,209,266</u></b> |
| <b>NC Families Helped!!</b>             | <b>7,525</b>      | <b>\$996,550,201</b>      |

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# Section 502 Guaranteed Loans

## 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.
- Eligible applicants may build, rehabilitate, improve or relocate a dwelling in an eligible rural area.
- The program provides a 90% loan note guarantee to approved lenders in order to reduce the risk of extending 100% loans to eligible rural homebuyers.

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# Section 502 Guaranteed Loans

## Who may apply for this program?

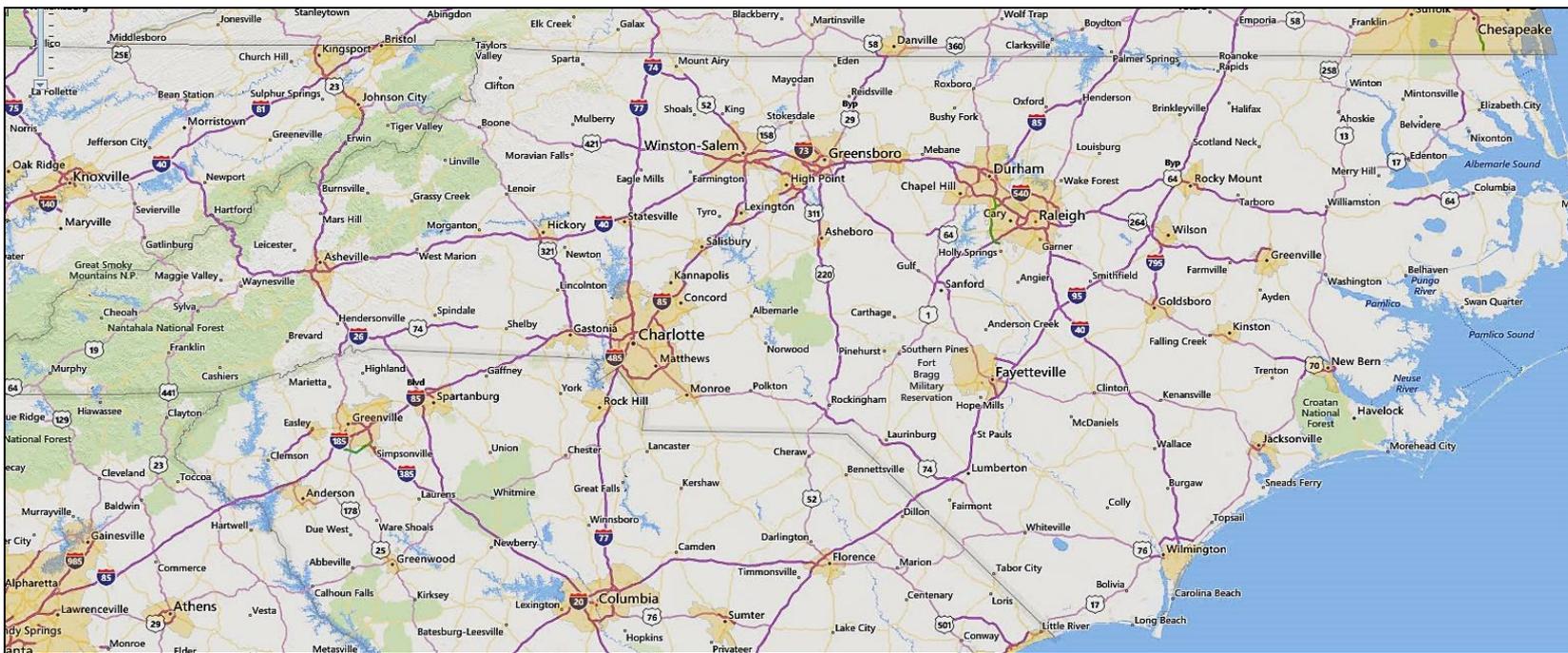
Applicants must:

- Meet income-eligibility (*income limits vary by county and persons in the household*)
- 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

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# Section 502 Guaranteed Loans

## What is an eligible area?



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# Section 502 Guaranteed Loans

## How may funds be used?

Funds backed by loan guarantees be used for:

- New or existing residential property to be used as a permanent residence. Closing cost and reasonable/customary expenses associated with the purchase may be included in the transaction
- A site with a new or existing dwelling
- Repairs and rehabilitation when associated with the purchase of an existing dwelling
- Refinancing of eligible loans
- Special design features or permanently installed equipment to accommodate a household member who has a physical disability
- Site preparation costs, including grading, foundation plantings, seeding or sod installation, trees, walks, fences and driveways



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# Section 502 Guaranteed Loans

## How do you get started?

- Applicants must contact an [approved lender](#).

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# Section 502 Direct Loans

## What does this program do?

- Assists low- and very-low-income applicants obtain decent, safe and sanitary housing in eligible rural areas
- Provides payment assistance to increase an applicant's repayment ability.
- Payment assistance is a type of subsidy that reduces the mortgage payment for a short time. The amount of assistance is determined by the adjusted family income.

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# Section 502 Direct Loans

## Who may apply for this program?

At a minimum, applicants interested in obtaining a direct loan must have an adjusted income that is at or below the applicable low-income limit for the area where they wish to buy a house and they must demonstrate a willingness and ability to repay debt.

Applicants must:

- ✓ Be without decent, safe and sanitary housing
- ✓ Be unable to obtain a loan from other resources on terms and conditions that can reasonably be expected to meet
- ✓ Agree to occupy the property as your primary residence
- ✓ Have the legal capacity to incur a loan obligation
- ✓ Meet citizenship or eligible noncitizen requirements
- ✓ Not be suspended or debarred from participation in federal programs

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# Section 502 Direct Loans

## **Properties financed with direct loan funds must:**

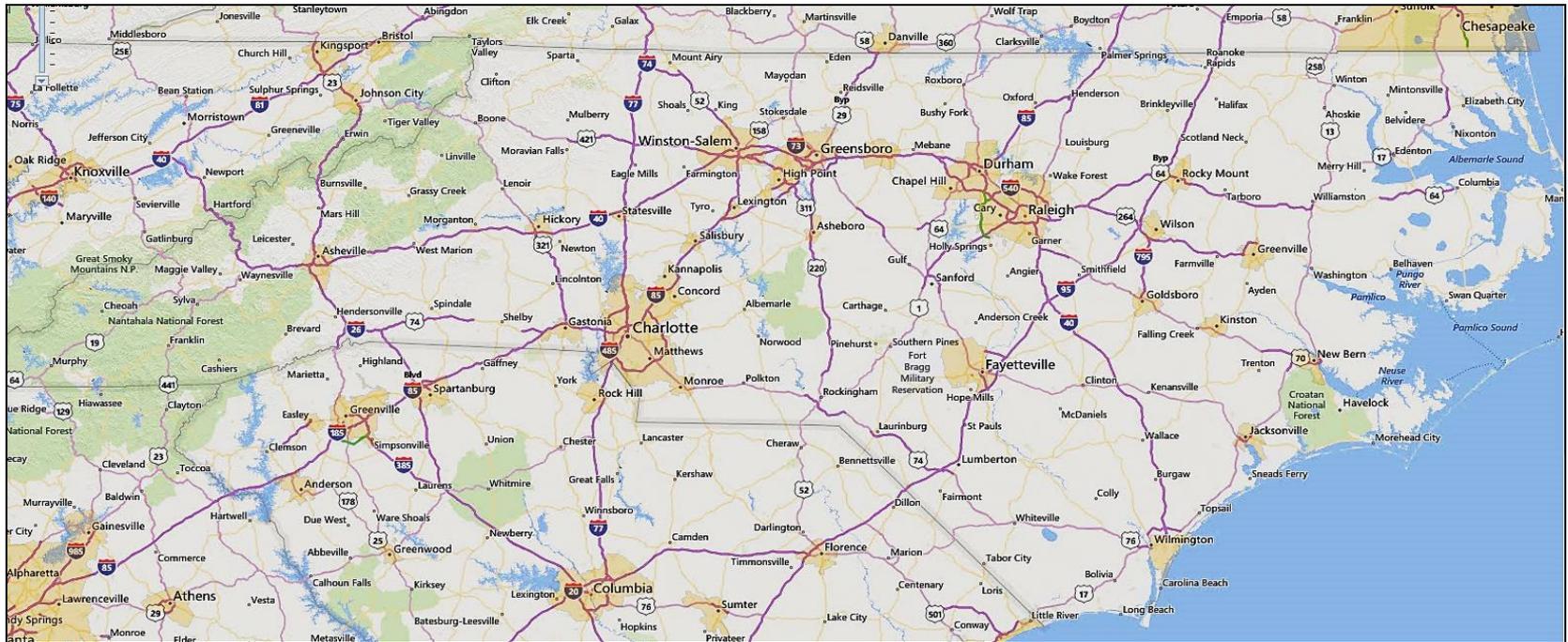
- ✓ Be modest in size for the area
- ✓ Not have market value in excess of the applicable area loan limit
- ✓ Not have in-ground swimming pools
- ✓ Not be designed for income producing activities

Borrowers are required to repay all or a portion of the payment subsidy received over the life of the loan when the title to the property transfers or the borrower is no longer living in the dwelling.

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# Section 502 Direct Loans

## What is an eligible area?



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## Section 502 Direct Loans

- ✓ Applicants must meet income eligibility for a direct loan.
- ✓ Please contact your local RD office to ask for additional details about eligibility requirements.
- ✓ Local Offices contact information can be found at [www.rd.usda.gov/nc](http://www.rd.usda.gov/nc)

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# Section 502 Direct Loans

## How much may I borrow?

- The maximum loan amount an applicant may qualify for will depend on the applicant's repayment ability.
- The applicant's ability to repay a loan considers various factors such as income, debts, assets and the amount of payment assistance applicants may be eligible to receive.
- Regardless of repayment ability, applicants may never borrow more than the area's loan limit (plus certain costs allowed to be financed) for the county in which the property is located.

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# Section 502 Direct Loans

## How much down payment is required?

- No down payment is typically required. Applicants with assets higher than the asset limits may be required to use a portion of those assets.

## Is there a deadline to apply?

- Applications for this program are accepted through your local RD office year round.

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# Section 504 Repair Loans and Grants

## What does this program do?

- Also known as the Section 504 Home Repair program
- Provides loans to very-low-income homeowners to repair, improve or modernize their homes
- Grants to elderly very-low-income homeowners to remove health and safety hazards.

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# Section 504 Repair Loans and Grants

## Who may apply for this program?

To qualify, you must:

- Be the homeowner and occupy the house
- Be unable to obtain affordable credit elsewhere
- Have a family income below 50 percent of the area median income
- For grants, be age 62 or older and not be able to repay a repair loan

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# Section 504 Repair Loans and Grants

## How may funds be used?

- Loans may be used to repair, improve or modernize homes or remove health and safety hazards
- Grants must be used to remove health and safety hazards

## How much money can I get?

- Maximum loan is \$20,000
- Maximum grant is \$7,500
- Loans and grants can be combined for up to \$27,500 in assistance

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# Section 504 Repair Loans and Grants

### What are the terms of the loan or grant?

- Loans can be repaid over 20 years
- Loan interest rate is fixed at 1%
- Full title service is required for loans of \$7,500 or more
- Grants have a lifetime limit of \$7,500
- Grants must be repaid if the property is sold in less than 3 years
- If applicants can repay part, but not all of the costs, applicants may be offered a loan and grant combination

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# Mutual Self-Help Housing TA Grants

## What does this program do?

- Provides grants to qualified organizations to help them carry out local self-help housing construction projects.
- Grant recipients supervise groups of very-low- and low-income individuals and families as they construct their own homes in rural areas.
- Group members provide most of the construction labor on each other's homes, with technical assistance from the organization overseeing the project.



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# Mutual Self-Help Housing TA Grants

## Who may apply for this program?

Eligible applicants include:

- ✓ Government non-profit organizations
- ✓ Federally-recognized Tribes
- ✓ Private non-profit organizations

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# Mutual Self-Help Housing TA Grants

### How may funds be used?

- Give technical and supervisory assistance to participating families
- Help other organizations provide self-help technical and supervisory assistance
- Recruit families, help them complete loan applications and carry out other related activities that enable them to participate

### Funds **MAY NOT** be used to:

- Hire people to perform construction work for participants
- Buy real estate, building materials or other property
- Pay debts, expenses or costs for the participants
- Pay for employee training
- Pay other indirect costs.

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# Housing Preservation Grants

## What does this program do?

It provides grants to sponsoring organizations for the repair or rehabilitation of housing occupied by low and very low income people.

## Who may apply for this program?

- Most State and local governmental entities
- Nonprofit organizations
- Federally Recognized Tribes
- Individual homeowners are **not eligible**

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# Housing Preservation Grants

### **Additional requirements include:**

- ✓ Applicants must have the necessary background and experience with proven ability to perform the responsibility of repair and rehabilitation of low-income housing
- ✓ Applicants are required to make quarterly progress reports and a final audit on their accomplishments

### **What is an eligible area?**

Areas that may be served include:

- ✓ Rural areas and towns with 20,000 or fewer people
- ✓ Federally Recognized Tribal lands

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# Housing Preservation Grants

## How may funds be used?

- ✓ Applicants provide grants or low-interest loans to repair or rehabilitate housing for low- and very-low-income homeowners
- ✓ Rental property owners may also receive assistance if they agree to make units available to low- and very-low-income families

## Eligible expenses include:

- Repairing or replacing electrical wiring, foundations, roofs, insulation, heating systems and water/waste disposal systems
- Handicap accessibility features
- Labor and materials
- Administrative expenses
- For a complete list, see Code of Federal Regulations (CFR) 1944.664

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# Rural Housing Site Loans

## What does this program do?

Rural Housing site loans provide two types of loans to purchase and develop housing sites for low- and moderate-income families:

- Section 523 loans are used to acquire and develop sites only for housing to be constructed by the Self-Help method.
- Section 524 loans are made to acquire and develop sites for low- or moderate-income families, with no restriction as to the method of construction. Low-income is defined as between 50-80% of the area median income (AMI)

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# Rural Housing Site Loans

### Who may apply for this program?

- Section 523 loans: Private or public non-profit organizations that will provide sites solely for self-help housing
- Section 524 loans: Private or public non-profit organizations. The building site may be sold to low- or moderate-income families utilizing USDA's Single Family Housing loan programs, or any other mortgage financing program which serves low- and moderate-income families
- Non-profits that have the legal authority to operate a revolving loan fund
- Non-profits that have the financial, technical and managerial capacity to comply with relevant federal and state laws and regulations
- Federally-recognized Tribes

## Rural Development

# Rural Housing Site Loans

## How may funds be used?

Site loans are made to provide financing for the purchase and development of housing sites for low- and moderate-income families.

## What are the terms of the loans?

- 2-year loans
- Section 523 loans: 3% interest rate
- Section 524 loans: market rate -- at the discretion of the customer, either at loan approval or closing

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# Single Family Housing Programs



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