

Welcome to Rural Development

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Our Mission: *To increase economic opportunity and improve the quality of life for all rural Americans*



Committed to the future of rural communities.

USDA is an equal opportunity provider, employer and lender.



Rural Development Programs

- Administered through three services:

- ✓ *Rural Business & Cooperative Development Service*
- ✓ *Rural Housing Service*
- ✓ *Rural Utilities Service*



- **USDA Rural Development :**
“The Venture Capitalists of Rural America.”



Community Programs

Grants, Direct Loans, and Loan
Guarantees for

Community Facilities



Committed to the future of rural communities.

Community Facilities

- Provide Essential Service to the Community
- Be unable to obtain funds from commercial sources at reasonable rates and terms
- Have the legal authority to own, construct, operate, and maintain the proposed facility (Public Body/NPO)
- Provide for facilities needed for orderly community development, consistent with the State strategic plan.

Eligible Applicants

- Rural Communities <20,000 population
- Public Entities or NPO's with significant ties to the community
 - Associated with local government
 - Broad-based community representation
 - Substantial public funding
 - Letters of Support

Eligible Projects

- Health Care
- Public Safety
- Education
- Social or Cultural Services
- Recreation = Guaranteed Loan Only!

Funding Sources

- **Grants**: Priority to less populated rural communities with low median household incomes
- **Direct Loans**: Up to 100% of Project cost, Tiered Rate Structure, subject to change quarterly, based on the performance of the Bond Buyer Index.
- **Loan Guarantees**: Up to 90% Guarantee, 1% Fee

Fund Uses

Loan and Grant funds can be used for:

- Construction
- Land Acquisition
- Legal fees
- Engineering Fees
- Equipment
- Project Contingencies

any other cost that is determined by Rural Development to be necessary for the completion of the project

Loan Guarantee Rates and Terms

- Interest rate negotiated between lender and borrower (fixed or variable)
- Maximum loan guarantee is 90%
- Lender must retain 5% of the total (which would be from non-guaranteed portion)
- Maximum 40 years on real estate, or useful life of facility.

Security



- Real Estate
- Machinery & Equipment
- Accounts Receivable & Inventory

Financial Feasibility

- The borrower or lender may prepare financial feasibility analysis in the following instances:
 - fire and rescue loan
 - facilities not dependent on revenues (tax based)
 - loans less than \$500,000
 - projects where the borrower has operated similar facilities on a successful basis
- An independent feasibility report is required for loans over \$500,000.

Processing

PreApplication

Complete SF 424-2,
Application for Federal
Assistance

Compile basic information

Financial Statements

Financial projections

Organizational
documents

Application

If the Agency determines that the project meets requirements and is likely to be funded, the lender is instructed to file a complete application.

Timing

- Within 30 days from the receipt of a complete application, loan applications must be approved or disapproved (subject to budgetary authority).
- A Conditional Commitment for Guarantee (449-14) will be issued citing conditions to be met prior to the issuance of a loan note guarantee.
- The lender and borrower must “accept” any conditions by signing and returning a copy to the Agency.
- The lender may close at any time after acceptance of the conditions.

Timing (cont.)

- Loan note guarantee request
- Complete Lender's Agreement
- Submit Closing documents
- Submit Guarantee Fee (1 percent of guaranteed portion)

CF Guaranteed Loan Program

Benefits to the Lender

Maximum guarantee is 90%

No maximum loan limit

Security determined by Lender

Primarily use Lender's forms

Guaranteed portion saleable on secondary market

May be able to provide better rates and longer terms

Success Stories

Mass. Youth Soccer Assn. \$4.7 Million Guarantee



Johnson Memorial Hospital, Stafford Springs CT, \$14 Million Combination



Nature's Classroom \$3,700,000 – Charlton, MA Guarantee



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Community Facilities
Guaranteed Lending

QUESTIONS?

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9 Housing Programs That Make a Difference

SINGLE FAMILY HOUSING

502 Direct SFH Loans

502 Guaranteed SFH Loans

Self Help Housing

504 SFH Loans & Grants

MULTI FAMILY HOUSING

515 Direct MFH

538 Guaranteed MFH

514 Farm Labor Housing

Loans & Grants

533 Housing Preservation
Grants



USDA Rural Development *Housing Programs*



USDA Rural Development
Housing Programs
Guaranteed Housing and
Direct Housing loans offer
affordable home financing for
communities as well as great
opportunities for increasing
tax bases.

USDA Rural Development *Housing Programs*

- Since October 2000, more than 23,000 households in Massachusetts have been helped to acquire a new or existing home through one of our single family housing programs. Of those 23,000 loans, more than 11,000 or 48% of those loans have been to very-low and low income households. Those 23,000 loans represent more than \$2.1 billion invested in housing in Massachusetts.
- The Holden Office has assisted over 260 families find homes in Central Massachusetts this fiscal year.

A Place to Live

Affordable, Decent & Safe Housing

- Building New Housing Stock
 - Direct Housing Loans
 - Guaranteed Housing Loans
 - Self-Help Housing
- Repair & Rehabilitation of Existing Housing
 - Section 504 Loans & Grants –for individuals
 - Housing Preservation Grants –for groups

Rural Areas Are Defined As:

- **Open country that is not part of or associated with an urban area; or**
- **Any town, village, city, or place(including the immediately adjacent densely settled area) that is not part of or associated with an urban area, and that:**
 - ◇ **Is rural in character population less than 10,000; or**
 - ◇ **Is not contained within a Metropolitan Statistical Area(MSA) and has a serious lack of mortgage credit with a population between 10,000 and 20,000.**

Income & Property Eligibility



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

Eligibility

You must use [Internet Explorer 5.0](#) and higher or [Netscape 4.76](#) and higher in order 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. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased 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.

To determine income eligibility of an applicant/household, click on the **Income 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 income eligibility screen for the Rural Development loan program you selected.

To find out how to apply for a Rural Development Loan, click on the **Contact Us** link on the left side of the screen and then select a Rural Development Loan program.

- Eligibility**
- [Home](#)
- Property Eligibility Programs**
 - [Single Family Housing](#)
 - [Multi Family Housing](#)
 - [Business Programs](#)
- Income Eligibility Programs**
 - [Single Family Housing](#)
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- Loan Program Basics**
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 - Business Programs**
 - [Direct and Guaranteed](#)

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

Direct SFH Loans

What is Low & Very Low Income?

- **The very low-income limit is approximately 50 percent of the median income for the area, adjusted for household size;**
- **The low-income limit is approximately 80 percent of the median income for the area, adjusted for household size**

USDA Rural Development *Direct SFH Loans*

- Loan made & serviced by Rural Development
- Very Low & Low Income Applicants
- No Down Payment
- 33 or 38 year loan
- Fixed Rate
- Subsidized Pmt as low as 1%
- Partner with other Funding Sources



Direct Housing Loans

- Eligibility:
- To purchase new or existing, can include some repairs and closing costs in loan
- Families must not already own adequate housing.
- They must be able to afford the mortgage payments, including taxes and insurance.



Direct Housing Loans

Eligibility:

Repayment feasibility is based on repayment ratios.

- **29 percent Maximum** Very Low income Principal, Interest, Taxes and Insurance (PITI)
- **33 percent Maximum** Principal, Interest, Taxes (PITI) and Insurance for other applicants
- **41 percent** Total Debt Ratio (all applicants).

Direct Housing Loans

- Direct SFH loans are serviced by the Centralized Servicing Center, 4300 Goodfellow Blvd., St. Louis, MO.
- After loan closing and activation by the field office, CSC is responsible for all servicing actions for the borrower.

Direct Housing Loans

- Borrowers can contact CSC by calling toll free at 1-800-414-1226 to discuss items such as:
- [How can I contact the CSC about my home loan?](#)
- [When can I talk to a customer service representative?](#)
- [Can I receive basic account information any time?](#)
- [May I contact USDA Rural Development offices within my State about my home loan?](#)
- [Where should I send my payment?](#)
- [Who will service my loan?](#)
- [What if I have financial difficulties?](#)
- [Can I have payments automatically deducted from my bank account?](#)
- [Can I shorten the loan payment period?](#)
- [What about real estate taxes and property insurance? What is an escrow account?](#)
- [What fees may borrowers incur?](#)

Direct Housing Loans

CSC handles the various servicing authorities available to borrowers such as moratorium on payments, delinquency work out agreements, escrowing of taxes and insurance, insurance claim proceeds, the management and sale of properties acquired through foreclosure.

Guaranteed Single Family Housing Loan



Guaranteed Single Family Housing Loan

- Available to households up to moderate income
- 1 –4 person household: \$92,600
- 5 –8 person household: \$122,050
- Some counties in MSAs may vary

Guaranteed Single Family Housing Loan

- Purchase new or existing homes
- Purchase land to construct new home
- Pay closing costs (not discount points)
- Pay pre-paid expenses and insurance
- Pay guarantee fee (2%)
- Pay for necessary repairs

Guaranteed Single Family Housing Loan

- Loans can be made up to 100% of market value
- 90% Loan Guarantee
- No down payment required
- 30-year fixed rate
- No maximum loan amount
- No mortgage insurance premium (MIP)

Guaranteed Single Family Housing Loan

- USDA Rural Development is committed to assisting rural families obtain financing for homeownership.
- While guarantee loan funds are expected to be exhausted, USDA Rural Development continues to fund single-family housing loans through the direct loan program. Information regarding the direct loan program is available at any USDA Rural Development office.

USDA Rural Development *Self-Help Housing Program*



- Self-Help Housing offers affordable housing through families helping each other to build their homes.

USDA Rural Development *Self-Help Housing Program*

- Families build their own homes
- Work together as a group
- Learn valuable skills
- Labor = sweat equity



USDA Rural Development *Self-Help Housing Program*

- Families participating in a mutual self-help housing project perform approximately 65 percent of the construction labor on each other's homes under qualified supervision.

USDA Rural Development *Self-Help Housing Program*

- Organizations apply for grant funds
 - Administrative costs
 - Recruiting
 - Construction supervisor
 - Construction tools



USDA Rural Development *Housing Programs* *Individual Repair and Weatherization* *Programs*



504 Loans & Grants

- Very Low Income Limit
- Own Home
- 1% loan up to 20 years
- \$20,000 outstanding at one time
- Grant for those over 62 years of age
- Grants to remove Health & Safety Hazards
- \$7,500 lifetime limit

504 Repair Loans & Grants

- Loan: Terms to 20 years @ 1% interest not to exceed \$20,000. Mortgages taken on loans of \$7,500 and more.
- Grant: Available to very low-income homeowners 62 years and older who are unable to repay a loan. Maximum lifetime grant is \$7,500.

USDA Rural Development *Housing Preservation Grants*

- Eligible organizations receive grant funds, such as state agencies, units of local government, Native American tribes, and nonprofit organizations.
- 80% for Repair/Rehab
 - very low & low income homeowners
- 20% for administration purposes
- NOFA process

USDA Rural Development *Multi-Family Housing Loan Programs*



USDA Rural Development

Multi-Family Housing Loan Programs

- Financing to construct or rehabilitate multi-family housing units for people with very low, low, and moderate-incomes.

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Multi-Family Housing Loan Programs

- Rural Rental Housing Loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families; the elderly; and persons with disabilities. This is primarily a direct mortgage program, but its funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems.

USDA Rural Development *Direct Multi-Family Housing Loan*

- Ownership --Individuals, partnerships, limited partnerships, for-profit corporations, nonprofit organizations, limited equity cooperatives, Native American tribes, and public agencies are eligible to apply. For-profit borrowers must agree to operate on a limited-profit basis (currently 8 percent on initial investment). Borrowers must be unable to obtain credit elsewhere that will allow them to charge rents affordable to low-and moderate-income tenants.

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Direct Multi-Family Housing Loan

- Tenancy --Very low-, low-, and moderate-income families; the elderly; and persons with disabilities are eligible for tenancy of Section 515-financed housing. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI; moderate income is capped at \$5,500 above the low-income limit. Those living in substandard housing are given first priority for tenancy. When rental assistance is used top priority is given to very low-income households.

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Direct Multi-Family Housing Loan

Rental Assistance

- To make Section 515 housing available to tenants who cannot afford market rents, USDA provides assistance through the separately appropriated Section 521 Rental Assistance Program, which brings tenants' rent down to 30 percent of their adjusted incomes and makes up the difference to the landlords.

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Direct Multi-Family Housing Loan

- Competitive Applications --Rural Development State Directors use needs criteria to establish a list of targeted communities for which applicants may request loan funds. A list of these communities is published yearly in the *Federal Register in the form of a Notice of Funding Availability (NOFA)*. *The applications are then rated competitively in order to select recipients.*

USDA Rural Development *Guaranteed Multi-Family Housing Loan*



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Guaranteed Multi-Family Housing Loan

- New construction and acquisition with rehabilitation of at least \$6,500/unit
- Guarantee on permanent financing or a guarantee on a construction/ permanent loan combination
- Housing with 5 or more adequate dwellings

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Guaranteed Multi-Family Housing Loan

- Loans can be made up to 90% of the lesser of total cash development cost or property value
- 90% Loan Guarantee
- Fixed interest rate with a maximum 40-year term
- Maximum loan amount determined by lender

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Guaranteed Multi-Family Housing Loan

- Housing is available to families or persons whose income at initial occupancy does not exceed 115% of area median income. After initial occupancy, a tenant's income may exceed these limits.
- Rent (including tenant-paid utilities) for any unit at initial occupancy cannot exceed 30% of 115% of area median income, adjusted for family size
- Average rent (including tenant-paid utilities) for all units in a project cannot exceed 30% of 100% of area median income, adjusted for family size

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Guaranteed Multi-Family Housing Loan

- Lenders eligible for approval include HUD, Ginnie Mae, Fannie Mae, and Freddie Mac approved multifamily lenders
- Lenders with multifamily lending experience and demonstrated capacity to provide all aspects of loan processing, and asset management functions, including disposition

USDA Rural Development *Farm Labor Housing*



USDA Rural Development

Farm Labor Housing

- Loans are made to farmers, associations of farmers, family farm corporations, Indian tribes, nonprofit organizations, public agencies, and associations of farm workers.
- Typically, loan applicants are unable to obtain credit elsewhere, but in some instances, farmers able to get credit elsewhere may obtain loans at a rate of interest based on the cost of federal borrowing.
- Grants are made to farm worker associations, nonprofit organizations, Indian tribes, and public agencies. Funds may be used in urban areas for nearby farm labor.(This is the only Housing and Community Facilities Programs rural service area exception.)

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Farm Labor Housing

- Farm Labor Housing loans and grants are provided to buy, build, improve, or repair housing for farm laborers, including persons whose income is earned in aquaculture (fish and oyster farms) and those engaged in processing.
- Loans are for 33 years at 1% interest, except as noted above. Grants may cover up to 90% of development costs. The balance may be a Farm Labor Housing Program loan.

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Single Family Housing
Multi-family Housing

QUESTIONS?

Thank You

