



Single Family Housing

Section 502/523/504 Programs

- Home Ownership Programs
 - Section 502 Direct – 100%
 - Section 502 Guaranteed – 100%
- Section 523 Self Help Program
- Home Repair Programs
 - Section 504 Loan/Grant Program

Section 502 Direct Program

- 33 – 38 year terms
- Subsidized Financing – as low as 1%
effective rate - Current note rate – 4.875%
- No buy downs, defer payment, interest only, etc – straight term loan

Section 502 Direct Program



- History of sound lending practices

Section 502 Direct Program

- Delinquent rate well below National Average
 - CA Current - 8.01% N/O 15.07%
 - CA 1st year - 1.16% N/O 2.32%
- 100% Rural Development Financing
- No down payment

502 Home Ownership Eligibility

- Income
 - Very Low – 50% of County Median income
 - Low – 80% of County Median Income
 - Stable and Dependable
 - Qualifying Ratios
 - Very low loan - 29/41 PITI/TD
 - Low loan - 33/41 PITI/TD
 - Energy efficient – 31/43 PITI/TD and 35/43PITI/TD

502 Home Ownership Eligibility

- Must have acceptable Credit – Score 640+
- If score <640 – analyze applicants payment history – rent, utilities, private credit, etc.
- Zero credit does not necessarily mean bad credit – Review rental payment and savings history as well as job prospects

502 Home Ownership Eligibility

- Modest in size
- Primary Residence
 - must personally occupy the property
- Citizen or Permanent Resident
- Unable to obtain credit elsewhere

502 Home Ownership –Property Eligibility



- Rural Area

- Open country not part of an urban area
- Cities and town with populations up to 25,000 and rural in character
- Rural Area Eligibility – based on current Federal 10 year population census and reviewed every 5 years

502 Home Ownership – Property Eligibility



- Modest Sites
 - Even small backyard gardens can produce much of the vegetables & fruits a family consumes

502 Home Ownership – Property Eligibility

- Cannot be subdivided
- Value must not exceed 30% of as improved market value of property
- Must not include farm service buildings
- Adequate water and wastewater systems
- Publicly maintained and dedicated road

Eligibility Issues

- 502 SFH
 - Finding Very Low Income applicants
 - Affordability – income limits do not equate to cost of housing
 - Vast range of housing costs in California for a similar modest house causes inequity – someone on the coast cannot afford the same house as someone in the desert.

Guaranteed Rural Housing Program

- Lender driven program
- Lenders loan guaranteed by Rural Development
- Moderate Income – 115% of County Median income
- Citizen or Permanent Resident
- 30 year fixed-rate
- 3.5% Guarantee fee
- 100% Financing



Guaranteed Rural Housing Program



- History of solid loan making principles
- Outstanding delinquency rate
- CA 8.6% N/O 11.2%
- 1st year 1.8% N/O 2.5%

Guaranteed Rural Housing Program

- Qualifying ratios – 29/41 PITI/TD or higher with strong compensating factors
- Dependable and stable income
- Credit Score 620 or above
- Rural Area – same as 502 Direct program
- Property Eligibility – size of dwelling is based on family household repayment ability

Section 504 Grant

Before



After



- Maximum grant amount \$7500 – must be 62 years old

504 Grant Program

- Citizen or Permanent Resident
- Income
 - Very Low – 50% of County Median Income
 - Based on family budget – not ratios
- Unable to obtain a section 504 loan
- Must own and personally occupy home – evidence of ownership required

504 Grant Program

Before



After



- Provides basic health and safety needs, i.e. roof, water heater, etc.

504 Loan Program



- \$20,000 loan at 1% for a maximum repayment period of 20 years
- Citizen or Permanent Resident

504 Loan Program

- Income
 - Very Low – 50% of County Median Income
 - Stable and Dependable
 - Adequate for repayment
 - Based on family budget – not ratios
- Credit History
 - Ability and willingness to meet debt obligations
 - Follow Section 502 guidelines, but general credit requirements may be less stringent

504 Loan Program

- Property – meet rural area requirements
- Must own home – evidence of ownership required
- Must be primary residence and must personally occupy dwelling
- Must be unable to obtain credit elsewhere
- Must have legal capacity to enter into binding contract

Self Help Program

- Invest 35-40 hours per week in addition to their normal employment
- Family labor results in sweat equity
- The Self Help Program stimulates local economies, builds skills, confidence and communities

How Our Programs Work Together

- Affordable Housing Products
 - State Programs
 - Down-payment Assistance Program
 - Joe Serna Farm Worker Grant
 - School Fees
 - Affordable Housing Program – Federal Home Loan Bank

Program Access

- Information regarding programs available at the Rural Development website
 - www.rurdev.usda.gov/ca
- 502 and 504 Direct may also call the area offices directly or refer to Grantee if interested in Self Help Program
- 502 Guaranteed can find a list of approved lenders on the website