



Committed to the future of rural communities.

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Single Family Housing Direct Loan Program Program Overview

HOME OWNERSHIP LOANS (Section 502)

Rural Development service provides loans in rural area to finance homes and building sites. Rural areas include open country and places with population of 10,000 or less and, under certain conditions, town and cities between 10,000 and 25,000 population. Each person who applies gets equal consideration without regard to race, color, religion, sex, marital status, age, handicap, or national origin. Eligible areas can be found on the internet at <http://eligibility.sc.egov.usda.gov/eligibility/mainervlet> or by contacting our local offices.

HOW MAY LOAN FUNDS BE USED?

Home ownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities, and to provide adequate water and waste disposal systems. Homes may be built on individual tracts or in subdivisions. Funds may also be used to modernize homes, add bathrooms, central heating, modern kitchens, and other improvements such as driveways and foundation plantings. Borrowers may buy an existing house and lot or buy a site on which to build a home. Under certain conditions, funds may be used to refinance debts on a home.

WHO MAY BORROW?

Home ownership loans are offered to help families or persons with low and moderate income. They must:

1. Be unable to obtain a loan from other sources on terms and conditions that they can reasonably be expected to meet.
2. Have sufficient income to pay house payments, insurance premiums and taxes, and necessary living expenses. Persons with inadequate repayment ability may obtain cosigners for the loan.
3. Possess the legal capacity to incur the loan obligation.
4. Possess the ability to carry out the undertakings and obligations required in connection with the loan.

WHAT ARE THE TERMS?

Loans may be made for up to 100 percent of the Rural Development appraised value of the site and the new home if construction inspections were made by Rural Development or other parties authorized by Rural Development. Homes over 1 year old and improvements to them also may be financed with 100 percent loans. The maximum repayment period for manufactured homes is 30 years.

USDA Rural Development is an equal Lender, Provide and Employer

IS THE BORROWER EXPECTED TO REFINANCE THE LOAN?

Rural Development loans make it possible for families of low and moderate income to become owners of adequate homes. When the financial position of the borrower improves so that the loan can be refinanced through a commercial lender, the loan contract provides that this shall be done.

WHO DETERMINES APPLICANT ELIGIBILITY?

Homes will be modest in size, design, and cost but adequate to meet family needs. New homes average about 1,050 square feet of living area. Cost and design vary in different areas of the county.

WHO FURNISHES BUILDING PLANS?

Applicants or builders are expected to supply detailed building plans, specifications, and cost estimates. These may be obtained from any reliable source.

WHERE MAY HOUSES BE LOCATED?

Houses will be located on desirable sites with an assured supply of safe drinking water and suitable arrangements for sewage disposal. In subdivisions, the houses will be sighted in an attractive manner to avoid straight-line monotony and to accent and preserve the natural advantages of topography, trees, and shrubbery. The streets, water, and waste disposal systems shall meet Rural Development requirements. Funds may be included in the loan to finance lawn seeding and landscaping measures that beautify the home and make it an attractive addition to the community.

ARE PLANS REVIEWED AND IS CONSTRUCTION INSPECTED?

Yes, the Rural Development reviews the plans and inspects the construction as it progresses.

WHEN CAN CONSTRUCTION START?

When a borrower obtains a loan to build or improve a home, the loan must be closed before construction starts or debts incurred for material or labor.

WHAT SECURITY IS REQUIRED?

Each loan will be adequately secured to protect the Government's interest. A loan of more than \$7,500 and any loan to be repaid in more than 10 years will be secured by a mortgage. A loan of not more than \$7,500 scheduled for repayment within 10 years may be secured under certain conditions by a promissory note.

ARE THERE LOAN FEES AND OTHER CHARGES?

The applicant pays for the legal services necessary to guarantee a satisfactory title to the site, for credit reports, and other incidental loan-closing costs. Except for credit reports, these expenses may be included in the loan.

WHERE DOES ONE APPLY?

Applications are made at the Rural Development area office servicing the area in which the house or farm service buildings will be located. Anyone unable to locate the Rural Development area office in the local telephone directory may write to the Rural Development Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

IS THERE OTHER HOUSING CREDIT?

The Rural Development also offers:

1. Loans to build rental or cooperatively owned housing for the elderly and low and moderate income families.
2. Building site loans to local nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance.
3. Self-help housing loans to groups of low income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.
4. Loans to owner occupants with low or moderate income to make minor repairs or home improvements.
5. Loans and, in some cases, grants for labor housing for domestic farm workers.