

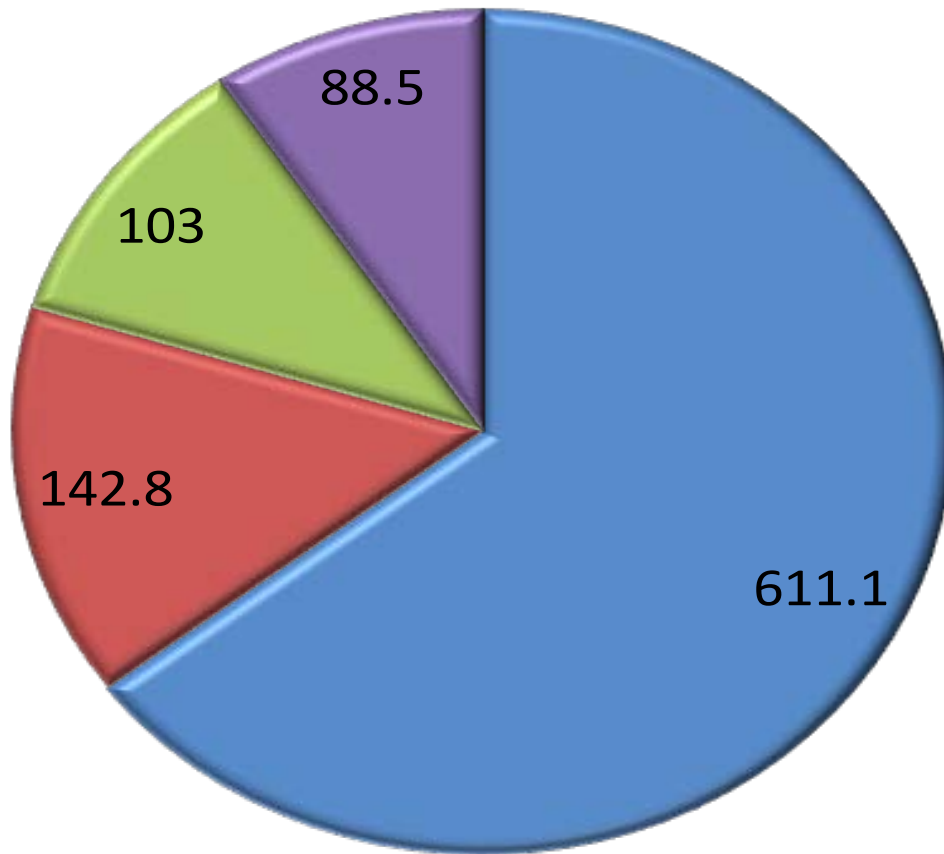


# Single Family Housing

# 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

# Funds Distributed FY09 - \$945.4 Million



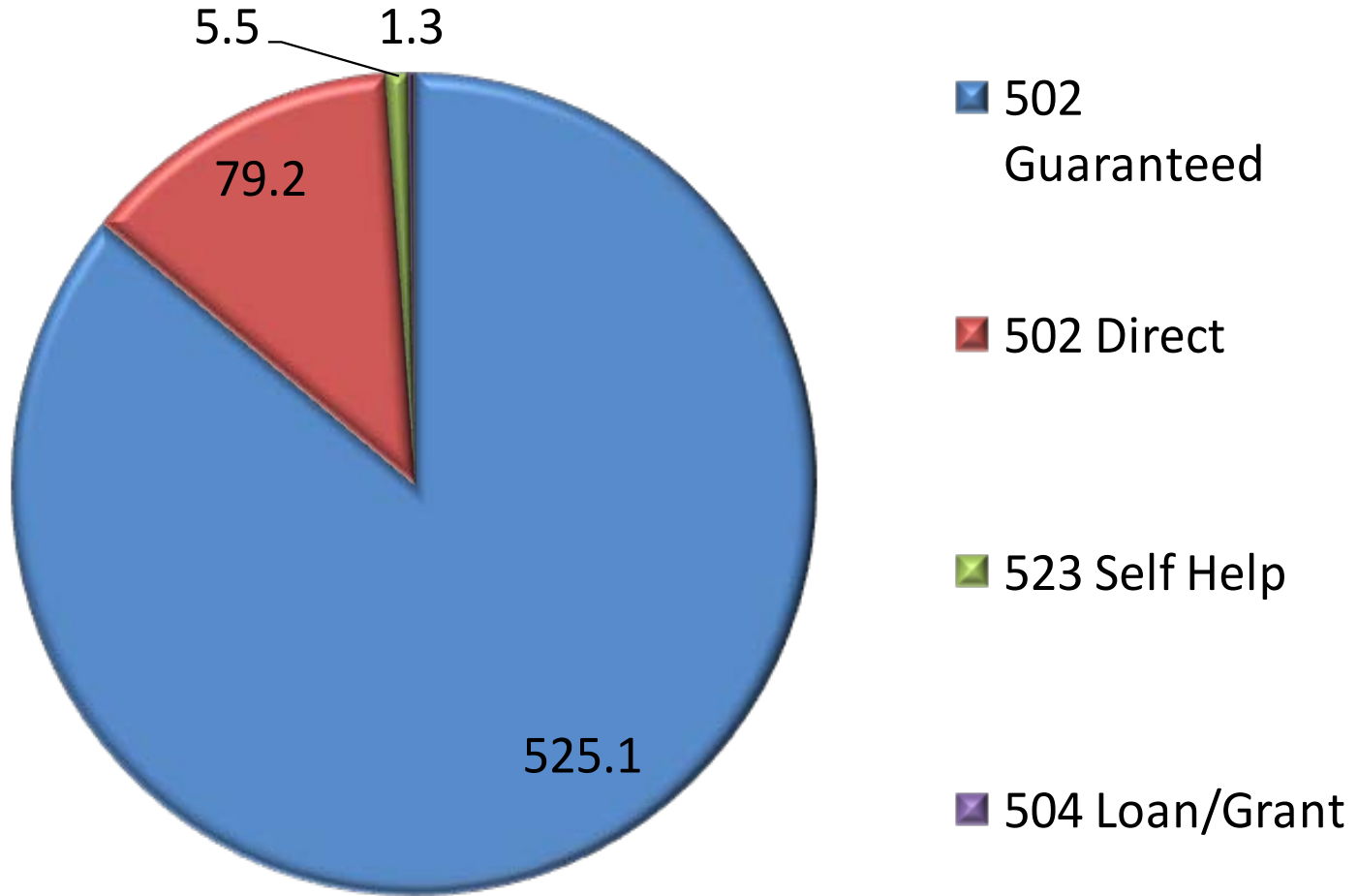
■ Single Family Housing

■ Multi Family Housing

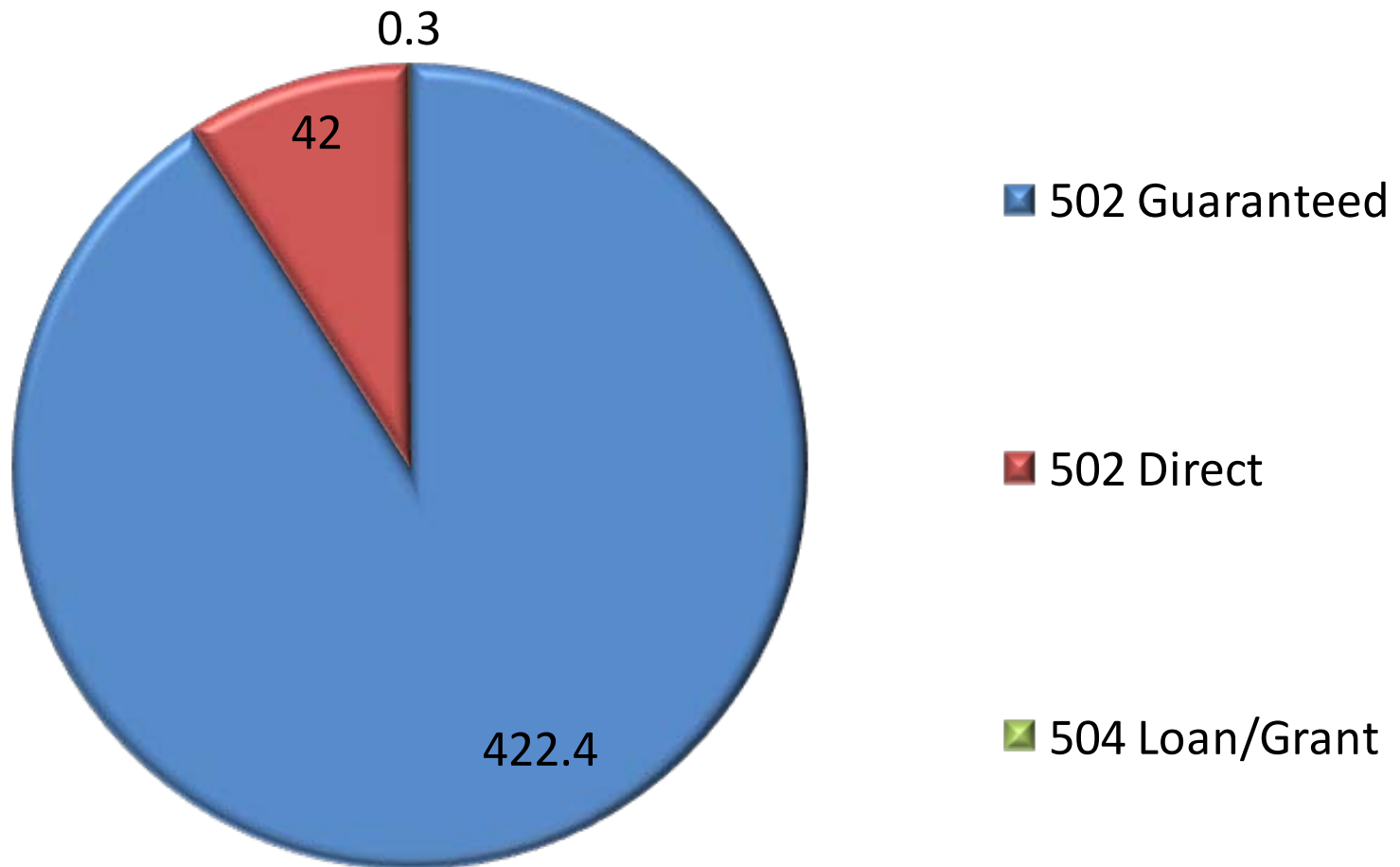
■ Business and  
Cooperative

■ Rural Utilities and  
Community Facilities

## Funds Distributed FY09 - \$611.1 Million



# Funds Distributed Year to Date FY10 - \$464.7 Million



# Rural Housing Programs



Where there are houses there are jobs –  
both directly and a multiplier

# Section 502 Direct Program



**True Success Story – People in a great home!**

**2009: 525 loans totaling \$80 million**

# 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 1<sup>st</sup> 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.

# Self Help Program



- Inception – 1971
- Sweat equity concept started with the Quakers in the early 60's. They saw the opportunity to capture the energy and dreams of rural America and developed better housing and quality of lives.

# Self Help Program



- Involves Families, Non-profit Organization and Rural Development

# Self Help Program



- A group of 8-12 families construct each other's home – approximately 8-15 months for one group to finish

# Self Help Program



- Families complete 65% of construction work

# 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

# Self Help Program



- RD Makes grants to non-profit organizations

# Self Help Program

- Non-profits:
  - Works with families to become eligible
  - Screens and packages application
  - Educates families on homeownership
  - Lines up buildable lots
  - Teaches families building and safety techniques

# Self Help Program



- Supervises construction of the dwelling by the families
- Lines up sub-contractors

# Self Help Program



– Each grantee has signature amenities - example

# Self Help Program

- Ten Self Help Grantees servicing areas that include multiple counties throughout California
- Very important partners!!
  - Grantees involved in other community building activities
- Self Help loan typically makes up 40-50% of production in the state

# Self Help Program



**Completion of the families Self Help homes  
is cause for celebration!**

# 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
- 2% Guarantee fee
- 100% Financing



# Guaranteed Rural Housing Program



- History of solid loan making principles
- Outstanding delinquency rate
- CA 8.6% N/O 11.2%
- 1<sup>st</sup> 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

Before



After



- \$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

# Program Access

- Information regarding programs available at the Rural Development website
  - [www.rurdev.usda.gov/ca](http://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

# 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

# Contact Information

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