



Committed to the future of rural communities.

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## RURAL HOUSING PROGRAMS

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### DIRECT RURAL RENTAL HOUSING LOAN PROGRAM

*Loans for rental housing in rural areas are available from USDA Rural Development to provide rental units for persons with low and moderate incomes including those age 62 and older and/or handicapped persons. Rural areas in Nebraska include those communities with a population of 20,000 or less and the communities of Columbus and Norfolk.*

#### **How May Loan Funds Be Used?**

Loans are primarily made to build new, or to purchase and rehabilitate an existing structure. The housing must be modest in size, design and cost, but adequate to meet the tenants' needs.

Funds may be used to:

- Buy and improve the land on which the buildings are to be located.
- Pay construction costs, including interest accruing during construction.
- Provide streets and water and waste disposal systems.
- Supply appropriate recreation and service facilities.
- Install laundry facilities and equipment.
- Landscaping, including lawn seeding, shrubbery and tree planting or other measures to make the housing an attractive addition to the community.
- Pay related costs such as fees and charges for market studies, tax credit application, legal, architectural and other appropriate technical and professional services.

Funds may not be used for nursing, special care or other institutional type housing.

#### **Who May Borrow?**

Eligibility of applicants will be determined by USDA Rural Development. Borrowers must have the ability and experience to operate and manage a rental housing complex successfully. Rental housing loans can be made to individuals, trusts, associations, partnerships, limited partnerships, limited liability companies, state or local public agencies, American Indian tribes, consumer cooperatives and profit and nonprofit

corporations. Nonprofit corporations may be organized on a regional or multi-county basis.

Borrowers must agree to provide rental units for occupancy by eligible individuals or families. They must be unable to finance the housing with personal resources and, with the exception of state or local public agencies, be unable to obtain credit from other sources on conditions and terms which would permit them to rent units to eligible families. If the borrower is a profit and limited profit organization, the assets of the individual members will be considered in determining whether other credit is available.

#### **Does USDA Rural Development Limit The Borrower's Profit?**

In all cases, rent charges must be within limits that eligible occupants can afford to pay. Borrowers are required to deposit rental income in special accounts and establish reserve funds to meet long-term capital replacement needs. Limited profit borrowers are allowed an 8% return on their initial investment determined at the time of loan approval.

#### **Who May Occupy The Housing?**

The housing is for families and individuals with very low, low and moderate incomes and may include persons age 62 or over and/or handicapped persons. The maximum income level for occupancy will be established by USDA Rural Development.

#### **What Are The Terms?**

The payment period will not exceed 30 years from the date of note; however, if necessary to assure affordability, the loan may be amortized for a period not to exceed 50 years. All applicants are required to provide initial operating capital equal to at least 2% of the cost of the project. For nonprofit organizations and state and local public agencies, the 2% operating capital may be included in the loan as part of the development cost.

Loans to nonprofit organizations and state or local public agencies can be up to 102% of the appraisal value or development cost, whichever is less. Loans to applicants receiving low income housing tax credit (LIHTC) are limited to not more than 95% of the appraisal value or development cost, whichever is less. Loans to all other applicants will be limited to 97% of appraisal value or development cost, whichever is less.

#### **What Security Is Required?**

Each loan will be secured in a manner that adequately protects the financial interest of the Government. A first mortgage will generally be taken on the property purchased or improved with the loan.

#### **Where May Housing Be Located?**

Each year the USDA Rural Development ranks each eligible community in the state based upon median income, amount of substandard housing and number of tenants in the community with rent overburden. Those communities which are indicated to have the greatest need for affordable housing are placed on a designated list. Applications, for that year, will only be accepted to develop rental units in communities on the designated list.

The housing will be located on desirable sites in a residential area that is easily accessible to community services and amenities, with an assured supply of safe drinking water and suitable arrangements for waste disposal approved by USDA Rural Development. Housing will be arranged on the site in an attractive manner to accent and preserve the advantages of natural topography, trees and shrubbery.

### **What Information Is Needed?**

USDA Rural Development loan specialists will provide information on how to complete and file applications.

Applicants must furnish:

- Complete financial information.
- Preliminary plans, specifications and cost estimates.
- A budget of anticipated income and expense.
- Market information supporting the need for housing in the area.

Applicants may obtain application forms and other forms for completing budgets and market surveys from any USDA Rural Development office.

This is a competitive loan program and funding is available when announced in the Federal Register.

### **What About Loan Applicant Fees And Other Charges?**

Fees are not charged for loan processing. However, the applicant pays for appraisals and for legal services necessary to guarantee a satisfactory title to the site and for other incidental loan closing costs. These expenses may be included in the loan.

### **Where Can Applications Be Made?**

This is a competitive loan program. Applications will be accepted when announced through a NOFA (Notice of Funding Availability) published in the Federal Register by the USDA Rural Development National Office. The application period generally runs for 90 days and usually begins around January 1st. Application packets may be obtained from the USDA Rural Development State Office. Packets include the information and forms needed to apply for these loans. Additional information is available at the following website: <http://www.rurdev.usda.gov/regs/>.

Each person or group applying for credit must be given equal consideration without regard to race, color, religion, age, sex, marital status, handicap or national origin.

### **How Will Planning And Construction Be Performed?**

Before a loan can be approved, applicants must provide detailed plans, specifications and cost estimates. The applicant must provide complete architectural services, including inspections during construction. USDA Rural Development will review the plans and inspect the construction as it progresses.

A borrower who is a builder and capable of building a project may obtain a loan under the same conditions as any other applicant. The builder-applicant may be permitted a contractor's fee which is typical for the area. All borrowers are encouraged to obtain interim construction funds from local lenders. A borrower must show that local construction

funds are not available before USDA Rural Development will provide construction financing.

### **When Can Construction Be Started?**

The borrower must wait until the loan is closed and authorization given by USDA Rural Development to start construction. If interim construction financing is to be used, authorization to start construction will be granted after the loan is approved, loan funds obligated and when it is determined that all loan conditions can be met.

### **Is Other Financial Assistance Available For Housing?**

USDA Rural Development also offers:

- Home ownership loans to help families with very low and low incomes finance homes and building sites.
- Building site loans to public and nonprofit organizations to buy, develop and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance or for nonprofit rural rental housing projects.
- Housing loans to groups of very low and low income eligible households who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain technical assistance grants to provide guidance and direction to such groups.
- Repair loans for families with very low and low incomes who wish to improve their homes.

### **For More Information**

For more information contact your local USDA Rural Development Office or the USDA Rural Development State Office at:

USDA Rural Development  
Attn: Rural Housing Division  
Federal Building, Room 152  
100 Centennial Mall North  
Lincoln, NE 68508-3888  
Phone: (402) 437-5594 (voice)

National Office Web Site: <http://www.rurdev.usda.gov/rhs>  
Rural Development Toll Free: (800) 670-6553  
Nebraska Rural Development Web Site: <http://www.rurdev.usda.gov/ne>  
Nebraska State Office Telephone Number: (402) 437-5551  
Nebraska State Office Facsimile Number: (402) 437-5408  
Nebraska State Office TDD Number: (402) 437-5093

*“USDA Rural Development is an Equal Opportunity provider, employer and lender.” To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington D.C. 20250-9410 or call (800) 795-3272 (voice), or (202) 720-6382 (TDD).*

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