

Guaranteed Rural Housing Loans



This program is administered by the Rural Housing Service (RHS), an agency within the Rural Development mission area of the U.S. Department of Agriculture (USDA).



Sometimes good credit and a steady income are not enough to qualify for a home loan at a commercial lending institution, such as a bank, savings and loan or mortgage company.

More rural families and individuals may be eligible to become homeowners with the help of a USDA guaranteed home loan. When the federal government agrees to guarantee a loan, lending institutions can help buyers while incurring less risk. Through USDA's Guaranteed Rural Housing Loan Program, low- and moderate-income people can qualify for mortgages even without a down-payment.

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To be eligible, applicants must:

- Have an adequate and dependable income;
- Be a U.S. citizen or be legally admitted to the United States for permanent residence;
- Have an adjusted annual household income that does not exceed the moderate income limit established for the area. A family's income includes the total gross income of the applicant, co-applicant and any other adults in the household. Applicants may be eligible to make certain adjustments to gross income—such as annual

child care expense and \$480 for each minor child—in order to qualify. USDA Rural Development field offices can provide information on the moderate income limits for the areas that fall within their jurisdiction, and can provide further guidance on calculating household income;

- Have a credit history that indicates a reasonable willingness to meet obligations as they become due;
- Have repayment ability based on the following ratios: Principle, Interest, Taxes, and Insurance (PITI) divided by gross monthly income must be equal to or less than 29 percent. Total debt divided by gross monthly income must be equal to, or less than, 41 percent.



Homes That Qualify:

- Guaranteed loans can be made on either new or existing homes;
- Existing homes must be structurally sound, functionally adequate, and in good repair;
- There are no restrictions on the size or design of the home financed;
- The home must not be used for income-producing purposes;
- Homes must be located in rural areas. Rural areas include open country and places with a population of 10,000 or less and—under certain conditions—towns and cities with between 10,000 and 25,000 residents. USDA Rural Development field offices can determine eligible areas.



Highlights of the USDA Guaranteed Rural Housing Loan Program

- Loans may be for up to 100 percent of appraised value or for the acquisition cost, whichever is less. No downpayment is required;
- Mortgages are 30-year fixed rate at market interest rates;
- Loans may include funds for closing costs, guarantee fee, legal fees, title services, cost of establishing an escrow account and other pre-paid items, if the appraised value is higher than sales price;
- Sellers may contribute to the buyer's closing costs;
- Home buyers make application with participating lenders;
- Buyers must personally occupy the dwelling following the purchase;
- A one-time guarantee fee of 2 percent of the loan amount is charged to the lender, but may be passed on to the buyer;
- Closed loans have secondary market acceptability, including Freddie Mac, Fannie Mae, Ginnie Mae pools, and many state housing finance agencies;
- Guaranteed loans are subject to the provisions of the Civil Rights statutes, including the Equal Credit Opportunity Act.



We're Here to Help

Interested home buyers should call or visit their local lender or the nearest USDA Rural Development field office for information about the program. USDA Rural Development field office staff will refer potential applicants to participating lenders. Lenders interested in becoming approved to participate in the program may also contact USDA Rural Development for further information. USDA offices are listed in the government section of the telephone book under "United States Government, Department of Agriculture." To be connected to your Rural Development state office, you can also dial (202) 720-4323, then press 1.

Information is also available on the Rural Development website at:
<http://www.rurdev.usda.gov/rhs/index.html>. Or write:

USDA Rural Development
Rural Housing Service
STOP 0701
1400 Independence Ave. SW
Washington, D.C. 20515-0701

PA 1501
September 2000



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