



USDA Rural Development-Texas Section 502 Leveraged Loan Program

Rural Development has the authority to provide Leveraged (blended) Loans for Single Family Homes in rural areas. Rural areas include open country and communities with populations of 10,000 or less, and under certain conditions, towns and cities with populations between 10,000 and 25,000.

ADVANTAGES

Leveraged loans allow the Agency to serve additional families with its Section 502 Direct funds. These loans give borrowers lower financing costs with no mortgage insurance on the first mortgage. The second lien is based on the borrower's ability to pay with Payment Assistance provided by the Agency. In most cases, no down payment is required. The limit on seller contributions is based on who will purchase the lender's note. Leveraged loans furthermore afford lenders the opportunity to expand their borrower population, which often results in business relationships of benefit to all parties.

ELIGIBLE MORTGAGES

Rural Development will accept a copy of the originating lender's underwritten package as our original. The lender should use an appraiser from Rural Development's BPA list (available from any Rural Development office). However, in some cases, Rural Development may accept an appraisal from a licensed appraiser who is not on the BPA list.

The Agency requires the lender to provide at least 20% of the funding. The maximum loan is up to 100% of the appraised value. The loan can exceed the purchase price when the closing cost and prepaid settlement costs are financed up to the appraised value.

The term of the first mortgage is 30 years or a 15 year balloon amortized for 30 years. The Agency loan term is 33 years. The maximum loan amount is set for each county. High cost areas will have higher limits. In some cases, qualified borrowers can have zero move-in costs. A list of leveraged lenders can be found at <http://www.rurdev.usda.gov/tx/sfhdocs.htm>

ELIGIBLE PROPERTIES

Eligible properties include single family dwellings, condos, planned unit developments (PUDs) and rehabilitated units. The property must be in an eligible rural area. Manufactured housing must be new and meet USDA Rural Development guidelines. A property inspection is required by a qualified inspector agreed upon by both the lender and the Agency. Repayment ability is the determinate factor for the size and type of housing which can be financed.

ELIGIBLE APPLICANTS

Borrowers must be very-low or low income based on the median income amounts listed by the number of people per household. Repayment ratios are 29/41 for very-low income and 33/41 for low income borrowers for the total first year loan payment (PITI) and total debt (TD) ratios respectively. Credit must be acceptable per HB-1 3550, Section 3, Exhibit 4-3 (available at <http://www.rurdev.usda.gov/regs/hblist.html>).

Applicants for assistance in the Leveraged loan program receive priority processing and funding in each Rural Development office.

A list of USDA Rural Development Offices in Texas is located on the Texas USDA Rural Development Web site www.rurdev.usda.gov/tx/

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).