

Little-known Program Offers Loans to Rural Home Buyers

USDA effort» Farm agency extends low-interest, no-money-down credit.

By Dawn House

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A little-known federal program created to boost home ownership in Utah's rural areas is helping hundreds of cash-strapped buyers qualify for low-interest and no-money-down loans.

The U.S. Department of Agriculture last year helped 830 Utah families become homeowners, double the number from the previous year, and assisted 88 rural homeowners to make needed house repairs.

In central Utah, Devin and Amy Shepherd would not have been able to afford their three-bedroom rambler in Fountain Green if they had applied through private, conventional lenders. The couple, who are expecting their second child, got a loan that paid for the lot, all construction costs and required no down payment. Their USDA-backed mortgage is one of the few no-down-payment programs offered since private lenders tightened standards in the wake of the financial meltdown last fall.

In July, when Devin Shepherd was laid off from his farming job and four months after closing on the loan, the Shepherds could have asked for a temporary suspension of their mortgage payments. In fact, the program gives borrowers a two-year moratorium on payments if breadwinners lose their jobs.

The Shepherds opted instead to sell their two new vehicles and buy a used car. He also was able to pick up some construction work before returning to his regular duties in January at a turkey farm.

"We were kind of stubborn about keeping up on our payments," said Amy, who learned about the loan program through word-of-mouth. "But it was good to know we had other options."

Last year, the USDA spent more than \$251 million in rural Utah to help with housing, utilities, community facilities and farming costs, according to a report from the USDA's Rural Development.

"We offer several programs," said Donna Birk, spokeswoman for Rural Development in Utah. "It's sad that more people don't know that this funding is available."

The loan programs aren't well known because the farm agency has no money for advertising. And, few think of the USDA as a bank.

Home, business and community loans and grants are restricted to areas with lower population densities, generally outside the Wasatch Front and the city limits of St. George in southern Utah. The loans are made through Rural Development's seven statewide offices or approved private lenders.

They are designed for moderate- and low-income families. For instance, a family of four making up to \$70,750 per year qualifies, and subsidies are available for lower-income households.

Loans failure rates are small, said federal housing specialist Janice Kocher. In Utah, three homes went into foreclosure last year, from a portfolio of more than 2,000 loans. She credits the success to fixed rates, blaming adjustable-rate mortgages whose rates rise over time for leading home owners into financial trouble.

Rural Development also has formed partnerships with nonprofit housing groups to give individuals and families the opportunity to reap financial benefits when they construct up to 65 percent of their own homes. Families must be willing to work 35 hours per week under the supervision of a licensed contractor, and no one moves in until the subdivision or project is completed.

On Feb. 1, the program's interest rate was reduced to 4.375 percent from 5.375 percent, to purchase an existing home, a lot or to build a home. Interest rates may be as low as 1 percent, depending on family income. The 33-year mortgage payments also allow for closing costs to be folded into the loan, and borrowers will never pay more than 30 percent of their gross income for interest and principal.

"These are the types of mortgages that some people can only dream of," said Brad Bishop, executive director of the Rural Housing Development Corp. in Utah County, one of seven nonprofit housing groups in Utah that administrator the self-help initiative program.

Since August 2000, Bishop's group has overseen the construction of 150 single-family homes in Utah County. Statewide, 460 homes have been built in the past seven years.

Rural Utahns also have gotten help with rental payments. Under the Multi-Family Housing program, more than 700 tenants were provided affordable rents last year, up from 582 the year before.

The goal is for Rural Development to become the lender of first opportunity, said agency spokeswoman Birk.

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For loan information

Go to www.rurdev.usda.gov/ut or contact local USDA Rural Development offices:

» Salt Lake, Utah, Wasatch, Summit and Tooele counties:

BOR Building

302 E. 1860 South

Provo

(801) 377-5580, ext. 12, 13, 23 or 33.

» Box Elder, Cache, Rich, Weber, Davis and Morgan counties:

USDA Service Center

1860 N. 100 East

Logan

(435) 753-5480, ext. 14, 30, 33 or 35.

» Uintah, Daggett and Duchesne counties:

USDA Service Center

80 N. 500 West, Suite 2

Vernal

(435) 789-2100, ext. 20 or 23.

» Sanpete, Millard and Juab counties:

City Building

50 S. Main St., Suite 6

Manti

(435) 835-4111, ext. 11 or 19.

» Sevier, Wayne and Piute counties:

USDA Service Center

340 N. 600 East

Richfield

(435) 896-8250, ext. 120, 126 or 110.

» Iron, Beaver, Garfield, Washington, Kane counties:

2390 West Highway 56, Suite 13

Cedar City

(435) 586-7274, ext. 11, 12 or 24

» San Juan, Grand, Emery and Carbon counties:

Young Building, 32 S. 100 East

P.O. Box 639

Monticello

(435) 587-2473, ext. 10 or 13.

Help for energy efficiency

USDA Rural Development offers a variety of programs in the form of loans, grants and guarantees geared toward improving energy efficiency in housing, farms, businesses and community facilities. For information, e-mail donna.birk@ut.usda.gov, or visit www.rurdev.usda.gov/ut/.