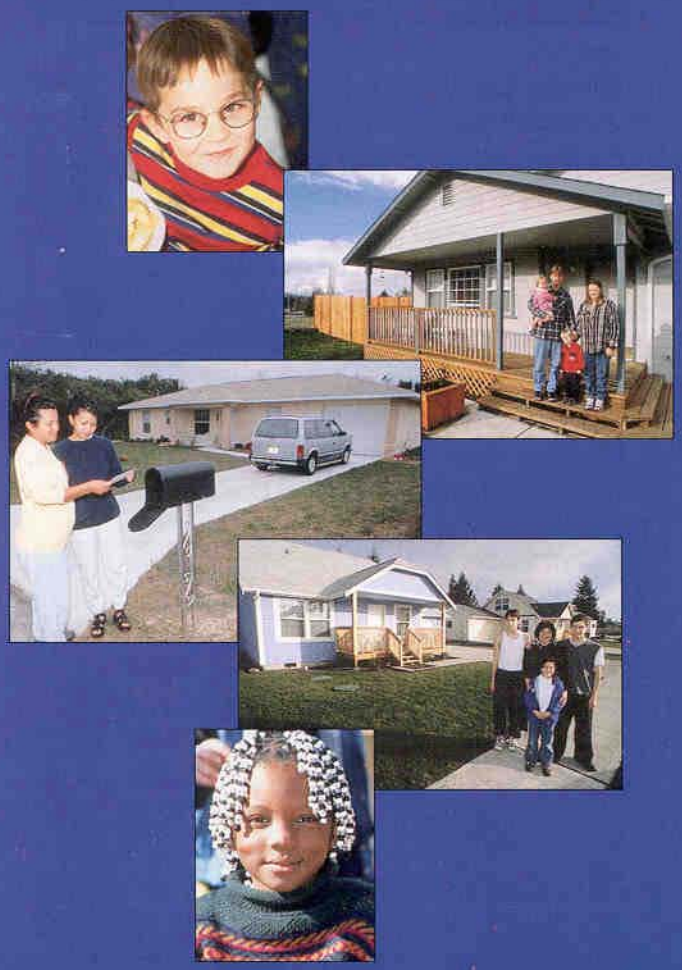
USDA

USDA Rural Development

Rural Housing Service

A Place To Live

Buying or Repairing a Home With Help From USDA's Single Family Housing Direct Loan Programs



A Place To Live

Owning your own home is part of the American dream. But in rural areas, financing a home can be difficult. Jobs often pay less than in more populated areas, and a large proportion of people are self-employed, making it harder for them to obtain credit. Also, rural lenders generally require a large downpayment and often interest rates and construction costs are higher than in urban areas.

However, if you want to own a home in a rural area, U.S. Department of Agriculture (USDA) Rural Development may be able to help.

USDA has been helping rural Americans become homeowners since 1949. It has invested well over $54 billion in helping people purchase or build their own homes. USDA Rural Development's Direct Homeownership Loan program offers home loans to lower income individuals who are unable to obtain credit elsewhere, with interest rates as low as 1 percent – and no downpayment.

Buying a House With Help from USDA

Section 502 Direct Loan Program

The Direct Homeownership Loan program is available to lower income individuals and families who wish to live in rural areas or rural cities or towns. Under the program, individuals or families receive a loan directly from Rural Development. Payments are based on income, with no downpayment required. You must be unable to obtain a homeownership loan from a bank or other conventional sources.

Loans under the Direct Homeownership Loan program are made to families with incomes below 80 percent of the median income level of the communities in which they intend to live.

Almost half of these loans are made to families and individuals with very low incomes. Since Rural Development is able to make loans to those who will not qualify for a conventional loan, the direct loan program enables many people to buy homes who otherwise could not do so. Even if you have minor credit problems, Rural Development may still be able to work with you.

Loans under this program may be made for the purchase of an existing home or to build a new home.

Other uses include purchasing and preparing sites -- including providing water and sewage facilities -- and repairing or renovating a house being purchased.

No Downpayment

There is no required downpayment for a USDA direct housing loan. The standard term for a loan is 33 years for most borrowers. However, 38-year loans are available to those who cannot afford a 33-year loan.

The interest rate for direct housing loans is set by Rural Development, and is based on your current income. Your local USDA Rural Development office can estimate the interest rate you would pay.

For further information on the Single Family Housing Direct Loan program, and to learn if you are eligible for assistance, contact the USDA Rural Development local office serving your area. Rural Development employees will help you complete an application.

Guaranteed Loans

If your income is too high to qualify for a direct housing loan, you may qualify for a guaranteed loan. These are loans made by other lenders, such as banks or credit unions, and are guaranteed by Rural Development. This allows other lenders to make loans to people they would not otherwise be able to serve. Guaranteed housing loans are available to applicants whose incomes are below 115 percent of the median area income. Your Rural Development local office can give you more details about this program.

The Mutual Self-Help Housing Program

Many rural families have achieved the American dream of owning their own homes through USDA's Mutual Self-Help Housing program.

Under this program, families provide a substantial portion of the labor involved in building their own homes. This "sweat equity" contribution reduces the total cost of purchasing a home – allowing many people to purchase houses that otherwise would have been out of reach. Also, because it brings different families together to work on each other's houses, the program builds and strengthens the ties of community.

Self-Help works in combination with a grant program to nonprofit organizations and the direct single family lending program, although other home financing sources can be used. The nonprofits help familes become successful homeowners by providing technical assistance. This includes homeownership education, loan packaging, and construction supervision.

The Mutual Self-Help Housing program has been in operation since 1971. It is active throughout the country and helps some 1,500 rural families build their own homes each year. Your USDA Rural Development local office can tell you if a Self-Help Housing effort is operating in the area in which you wish to live.

Home Improvement and Repair Assistance

If you're already a rural homeowner and your house needs repairs, or modifications to make it accessible to a person with a disability, you may be eligible for home improvement or repair assistance through USDA Rural Development.

Single-Family Housing Home Improvement Loans (Section 502)

In addition to providing loan funds for the purchase of a house, the Section 502 Single Family Housing Direct Loan program can help lower income rural homeowners make vital improvements to their homes. Section 502 loans are available to make substantial home repairs when other loan options are not available.

Home Repair Loan and Grant Programs (Section 504)

For families and individuals with very low incomes, Rural Development makes loans for repairs, to improve or modernize a home, make it safer or more sanitary, or to remove health hazards. For seniors 62 and older who cannot afford a loan, grant funds are available for these repairs.

The most common types of repairs financed by the Section 504 program include fixing or replacing roofs,

modernizing heating and wiring systems, and making houses accessible to people with disabilities.

You can also apply for funds to install insulation and storm windows, put in a septic system, and install or repair a bathroom.

The maximum amount you can borrow under the Section 504 Home Repair Loan program is $20,000. The interest rate for these loans is 1 percent and is limited to very-low-income, rural residents whose incomes fall below 50 percent of the area's median income.

For very-low-income homeowners 62 years old and older who can't afford to borrow the full amount required to make necessary repairs, grant funds are available. Grants may be used to remove health or safety hazards or to remodel dwellings to make them accessible to household members with disabilities. Grants are limited to $7,500. They are often combined with loans to increase the amount available for repairs.

Housing Preservation Grant Program

Under this program, nonprofit organizations, public bodies, and Native American tribes renovate deteriorating homes and rental properties using grants from Rural Development. Grant funds are used to repair and bring up to code properties occupied by families with low incomes. Your USDA Rural Development local office can tell you if a Housing Preservation initiative is operating in your area.

We're Here To Help

If you want to buy an affordable house in a rural area, USDA Rural Development employees want to help. They can tell you about the various programs available through Rural Development and assist you in applying for them.

Further information on all of USDA's housing programs is available at the USDA Rural Development office serving your area. These are usually listed in telephone books under "United States Government, Department of Agriculture." Information is also available on the USDA Rural Development website at http://www.rurdev.usda.gov/rhs/index.html, or contact the Rural Housing Service at the following address:

Rural Housing Service
USDA Rural Development
STOP 0701
1400 Independence Avenue, SW
Washington, DC 20515-0701

To be connected to your Rural Development state office, dial (202) 720-4323 and press 1.

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