Section 502/523/504 Programs

• Home Ownership Programs
  – Section 502 Direct – 100%
  – Section 502 Guaranteed – 100%

• Section 523 Self Help Program

• Home Repair Programs
  – Section 504 Loan/Grant Program

Single Family Housing
Section 502 Direct Program

- 33 – 38 year terms

- Subsidized Financing – as low as 1% effective rate - Current note rate – 4.875%

- No buy downs, defer payment, interest only, etc – straight term loan

Single Family Housing
Section 502 Direct Program

- History of sound lending practices

Single Family Housing
Section 502 Direct Program

• Delinquent rate well below National Average
  – CA Current - 8.01%      N/O 15.07%
  – CA 1st year - 1.16%    N/O 2.32%

• 100% Rural Development Financing

• No down payment
502 Home Ownership Eligibility

• Income
  – Very Low – 50% of County Median income
  – Low – 80% of County Median Income
  – Stable and Dependable
  – Qualifying Ratios
    • Very low loan - 29/41 PITI/TD
    • Low loan - 33/41 PITI/TD
    • Energy efficient – 31/43 PITI/TD and 35/43PITI/TD

Single Family Housing
502 Home Ownership Eligibility

- Must have acceptable Credit – Score 640+
- If score <640 – analyze applicants payment history – rent, utilities, private credit, etc.
- Zero credit does not necessarily mean bad credit – Review rental payment and savings history as well as job prospects

Single Family Housing
502 Home Ownership Eligibility

• Modest in size

• Primary Residence
  – must personally occupy the property

• Citizen or Permanent Resident

• Unable to obtain credit elsewhere
502 Home Ownership – Property Eligibility

• Rural Area
  – Open country not part of an urban area
  – Cities and town with populations up to 25,000 and rural in character
  – Rural Area Eligibility – based on current Federal 10 year population census and reviewed every 5 years

Single Family Housing

USDA Rural Development
Committed to the future of rural communities.
Modest Sites

- Even small backyard gardens can produce much of the vegetables & fruits a family consumes
502 Home Ownership – Property Eligibility

– Cannot be subdivided
– Value must not exceed 30% of as improved market value of property
– Must not include farm service buildings
– Adequate water and wastewater systems
– Publicly maintained and dedicated road

Single Family Housing
Eligibility Issues

• 502 SFH

  – Finding Very Low Income applicants

  – Affordability – income limits do not equate to cost of housing

  – Vast range of housing costs in California for a similar modest house causes inequity – someone on the coast cannot afford the same house as someone in the desert.
Guaranteed Rural Housing Program

- Lender driven program
- Lenders loan guaranteed by Rural Development
- Moderate Income – 115% of County Median income
- Citizen or Permanent Resident
- 30 year fixed-rate
- 3.5% Guarantee fee
- 100% Financing

Single Family Housing
Guaranteed Rural Housing Program

- History of solid loan making principles
- Outstanding delinquency rate
- CA 8.6% N/O 11.2%
- 1st year 1.8% N/O 2.5%

Single Family Housing
Guaranteed Rural Housing Program

- Qualifying ratios – 29/41 PITI/TD or higher with strong compensating factors
- Dependable and stable income
- Credit Score 620 or above
- Rural Area – same as 502 Direct program
- Property Eligibility – size of dwelling is based on family household repayment ability

Single Family Housing
Section 504 Grant

- Maximum grant amount $7500 – must be 62 years old

Single Family Housing
504 Grant Program

• Citizen or Permanent Resident

• Income
  – Very Low – 50% of County Median Income
  – Based on family budget – not ratios

• Unable to obtain a section 504 loan

• Must own and personally occupy home – evidence of ownership required

Single Family Housing
504 Grant Program

• Provides basic health and safety needs, i.e. roof, water heater, etc.

Single Family Housing
504 Loan Program

- $20,000 loan at 1% for a maximum repayment period of 20 years
- Citizen or Permanent Resident

Single Family Housing
504 Loan Program

• Income
  – Very Low – 50% of County Median Income
  – Stable and Dependable
  – Adequate for repayment
  – Based on family budget – not ratios

• Credit History
  – Ability and willingness to meet debt obligations
  – Follow Section 502 guidelines, but general credit requirements may be less stringent

Single Family Housing
504 Loan Program

• Property – meet rural area requirements

• Must own home – evidence of ownership required

• Must be primary residence and must personally occupy dwelling

• Must be unable to obtain credit elsewhere

• Must have legal capacity to enter into binding contract

Single Family Housing
Self Help Program

• Invest 35-40 hours per week in addition to their normal employment

• Family labor results in sweat equity

• The Self Help Program stimulates local economies, builds skills, confidence and communities

Single Family Housing
How Our Programs Work Together

- Affordable Housing Products
  - State Programs
    - Down-payment Assistance Program
    - Joe Serna Farm Worker Grant
    - School Fees
  - Affordable Housing Program – Federal Home Loan Bank

Single Family Housing
Program Access

• Information regarding programs available at the Rural Development website
  – www.rurdev.usda.gov/ca

• 502 and 504 Direct may also call the area offices directly or refer to Grantee if interested in Self Help Program

• 502 Guaranteed can find a list of approved lenders on the website

Single Family Housing