



# Single Family Housing

# 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

# 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

# Section 502 Direct Program



- History of sound lending practices

# Section 502 Direct Program

- Delinquent rate well below National Average
  - CA Current - 8.01%      N/O 15.07%
  - CA 1<sup>st</sup> 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

# 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

# 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

# 502 Home Ownership – Property Eligibility



- 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

# 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



# Guaranteed Rural Housing Program



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

# 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

# Section 504 Grant

Before



After



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



# 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

# 504 Grant Program

Before



After



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

# 504 Loan Program



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

# 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

# 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

# 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

# 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

# Program Access

- Information regarding programs available at the Rural Development website
  - [www.rurdev.usda.gov/ca](http://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