



USDA Rural Development Single Family Housing Program Overview

February 29th, 2024

Mission of RD's Single Family Housing Programs



USDA financed home, Hamburg, Iowa

- Provide decent, safe, sanitary & affordable housing to eligible applicants in eligible rural areas through our:
 - 502 Direct Home Loan Program *(home purchase)*
 - Guaranteed Home Loan Program *(home purchase)*
 - 504 Home Repair Loan & Grant Program

502 Direct Home Loan Program



502 Direct Home Loan: Program Benefits

- 100% financing
- No down payment required (*unless over non-retirement asset limit*)
- No private mortgage insurance (PMI)
- Fixed loan term: 33 or 38 years
- Maximum mortgage limit of \$377,600 statewide
 - *Increasing to \$398,600 effective March 8th, 2024*
- Interest rates established monthly – currently 4.625% through 2/29
 - *Decreasing to 4.5% March 1st, 2024*
 - *Fixed for life of the loan*
- Payment assistance available, can reduce IR to as low as 1%
- Closing costs can be rolled into the loan (*appraisal must support*)
- Not limited to first time homebuyers
- Allowed to partner with other funding sources



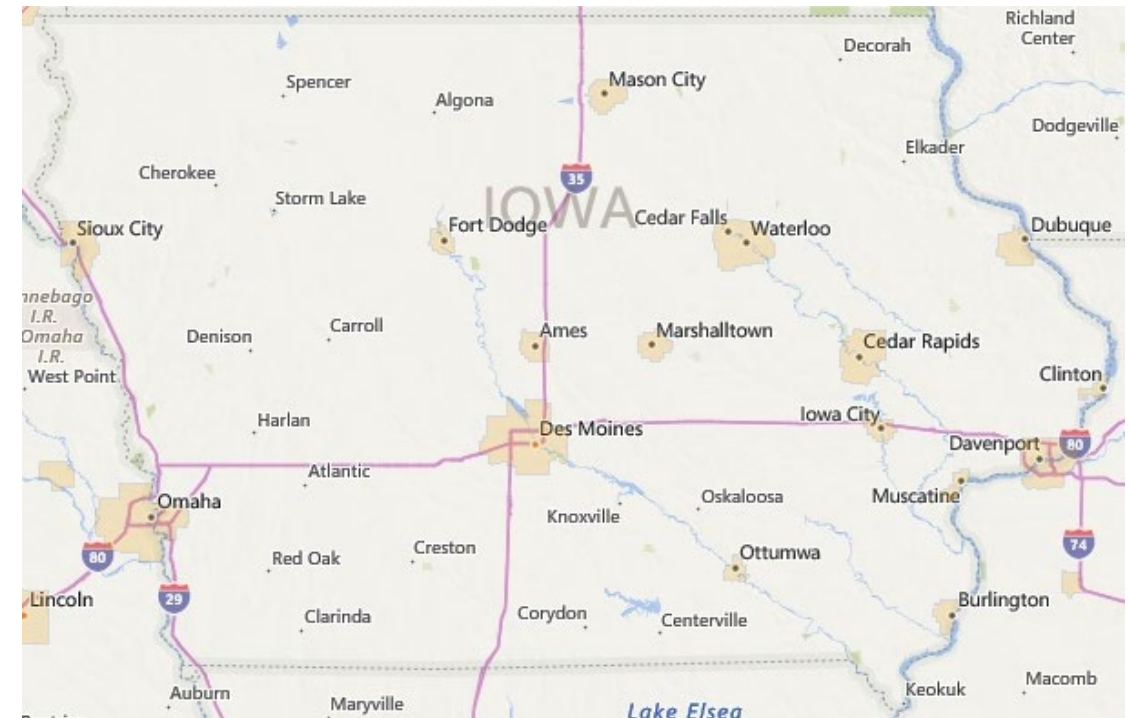
502 Direct Home Loan: Property Requirements & Eligible Purposes

PROPERTY REQUIREMENTS:

- Located in an eligible rural area = population < 20,000 people
- Existing home must be structurally sound and functionally adequate
- Modest in size: site cannot be large enough to be subdivided
- Not located in a floodplain
- Cannot be income producing property
- Must have access to safe drinking water & public sewage disposal

ELIGIBLE USES OF FUNDS:

- Construct or purchase a new or existing dwelling
 - Stick built, modular, some manufactured, condos, townhomes, PUDs
- Land acquisition & site prep
- Repairs
- Special design features or necessary disability equipment
- Relocation of a dwelling
- Purchase and installation of essential equipment: range, fridge, washer/dryer



502 Direct Home Loan: Applicant Eligibility

- U.S. Citizen or Qualified Alien
- Income eligible – based on county & household size
 - Cannot exceed ‘low’ income limit threshold
- Acceptable credit history
- Able to show repayment ability
- Fall within ratio limits:
 - **PITI**: principal, interest, taxes, insurance
 - 33% - all applicants
 - **TD**: total debt (includes PITI)
 - 41% - all applicants
- Fall within non-retirement asset limit threshold
- Not own another home at the time of loan closing
- Must agree to occupy the property as their primary residence
- Not be suspended or debarred from participation in federal programs



502 Direct Home Loan: Applicant Income Eligibility

- **Annual Income:**

- The amount of income used to determine an applicant's eligibility for assistance
- Includes all amounts, monetary or not, that go to, or are received on behalf of the applicant/borrower, co-applicant/co-borrower, or any other household member
- Gross income, before deductions
- Used as the base for computing adjusted income

- **Adjusted Annual Income:**

- The income of all household members is considered
- Used to determine whether a household is income eligible for PA
- Based on annual income & provides deductions to account for varying household circumstances & expenses

- **Repayment Income:**

- Used to determine whether an applicant has the ability to make monthly loan payments
- Based only on income attributable to parties to the note



502 Income Limits - Example

HB - 1 -3550, APPENDIX 9 STATE: IOWA		----- FY 2023 A D J U S T E D I N C O M E L I M I T S -----							
P R O G R A M		1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON*
Butler County, IA									
	VERY LOW INCOME	41750	41750	41750	41750	55150	55150	55150	55150
	LOW INCOME	66800	66800	66800	66800	88200	88200	88200	88200
	MODERATE INCOME	110650	110650	110650	110650	146050	146050	146050	146050
	38 YEAR TERM	50100	50100	50100	50100	66200	66200	66200	66200
Calhoun County, IA									
	VERY LOW INCOME	41750	41750	41750	41750	55150	55150	55150	55150
	LOW INCOME	66800	66800	66800	66800	88200	88200	88200	88200
	MODERATE INCOME	110650	110650	110650	110650	146050	146050	146050	146050
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	LOW INCOME	72000	72000	72000	72000	95050	95050	95050	95050
	MODERATE INCOME	110650	110650	110650	110650	146050	146050	146050	146050
	38 YEAR TERM	54000	54000	54000	54000	71300	71300	71300	71300

• Deductions & Adjusted Household Income:

- Dependent Deduction: \$480/dependent (*members of the household who are not the borrower, co-borrower, spouse, are age 17 or younger, or an individual with a disability, or are a full-time student*)
- Childcare expenses (*reasonable unreimbursed expenses for the care of children age 12 and under*)
- Elderly household: \$400
- Medical deductions in excess of 3% of annual income
 - Unreimbursed ongoing/projected medical expenses: Medicare premiums, supplemental insurance, long-term care insurance, prescription drug coverage, pharmacy expenses, co-payments, eyewear, hearing aid/batteries, exams, monthly payments for medical bills, disability expenses, etc.

502 Direct Home Loan: Acceptable Credit History

- Applicant(s) must demonstrate a reasonable ability and willingness to repay our agency loan
- Each applicant's credit is looked at separately

Credit breakdown:

- 640+ score, no significant delinquency, & more than 1 score = streamlined analysis
- 640+ score w/ significant delinquency **OR** >640 = further analysis
- No score = must develop credit history from additional sources
- Any score with a judgement obtained in U.S. Federal Court = a denial

Credit Score	# of Scores	Form RD 1944-61 "Credit History Worksheet" required?	Additional information needed
Any score, with a judgment obtained in U.S. Federal Court (other than a U.S. Tax Court)	n/a	Yes. Application must be denied.	N/A
640 or above, no significant delinquency	>1	No. This qualifies as streamlined processing & does not need to be evaluated for indicators of unacceptable credit.	N/A
Any other score (640 and above with significant delinquency, 640 or below)	>1	Yes	<ul style="list-style-type: none"> - If score < 640 and indicators of unacceptable credit exist, need 3rd party verifications to support applicant's explanation. - For significant delinquencies, if not shown on credit report, need 3rd party documentation to confirm applicable dates, 12-month payment history for Ch. 13 bankruptcy, etc. - If only 1 score (whether above or below 640), develop credit history from at least 3 sources (can be combination of traditional and nontraditional). However, only 2 sources are required if 1 of those is a verification of rent or mortgage payments.
No Score	n/a		<ul style="list-style-type: none"> - Develop credit history from at least 3 sources (can be combination of traditional and nontraditional). However, only 2 sources are required if 1 of those is a verification of rent or mortgage payments.

502 Direct Home Loan: Details of the Application Process

- Applicants apply directly through us – we are the lender!
- Applications are processed in the order they are received
- Applications are accepted all year-round as long as funding remains available
- **Overview of the loan process:**
 - 1) Potential applicant prequalifies with staff or completes the online ‘Single Family Housing Self-Assessment’
 - 2) If a viable candidate, ‘A’ submits an application & all applicable supporting documents needed
 - Paystubs, W-2s, federal tax returns, bank statements, photo id, 12-month payment history of alimony/child support, evidence of childcare expenses
 - Upfront fee: \$30/60 for credit report
 - 3) LO processes application, gathers all additional documents needed, then passes file onto LAO
 - 4) LAO underwrites the file & determines eligibility
 - 5) Applicant is either issued a Certificate of Eligibility (*good for 120 days*) or sent a denial letter

502 Direct Home Loan: Details of the Application Process - continued

- 6) Applicant enters into a Purchase Agreement/Contract
- 7) If existing home, a 3rd party home inspection is required
- 8) LAO reviews inspection report and determines what repairs, if any, will be required
**all health & safety issues must be addressed*
- 9) If repairs are needed, the buyer/seller determines who is responsible for them
- 10) Once repairs are figured out, an appraisal is ordered
- 11) Once the appraisal is completed, returned, & determined acceptable, move towards closing
- 12) Loan closes
- 13) If repairs are being rolled into the loan, they will be completed after closing



****The timing of the process from start to finish is dependent on a # of different factors****

502 Direct Home Loan: Details of a 'Purchase New' Transaction

- Developer/builder fronts the cost of the build & we come in at the end with the financing
- In order to offer 100% financing (100% of market value plus allowable excess costs), we'll need either:
 - A Certificate of Occupancy (COO) issued by the local governing agency AND the dwelling be covered by an insured 10-year warranty plan
- OR
- A complete set of certified plans & specifications AND written proof of proper construction inspections from a professional construction inspector. The inspector may be a local building official, an inspector certified by a nationally recognized home inspection entity, or a State-licensed inspector who inspects property according to the International Code Council (ICC).
The inspector must be a 3rd party who is not affiliated with the transaction.
- **Minimum Inspection reports required:**
 - 1) Footings while under construction
 - 2) After dwelling is framed-in
 - 3) Final inspection once all the work is complete

If neither of the above two options can be met, RD is limited to loaning 90% of the market value plus allowable excess costs. (In other words, the buyer will need to make a down payment).



Iowa's 502 Program Impact & Current Funding Situation

- **Fiscal Year 2024 Obligations Year-To-Date:**

- 31 loans for \$6,217,162

- \$200,553 – *average 502 loan amount*

- *Iowa's 1st year delinquency rate: 1.82% (national average: 5.3%)*

- **Fiscal Year 2023 Obligations:**

- 128 loans for \$23,239,525 (*218.04% of allocation*)

- *Initial state allocation = \$10,658,523*

- *\$181,558 – average loan amount*

- *Funded 18-20 purchase new/new constructions homes*

Questions??





Guaranteed Rural Housing (GRH) Program Overview

SFH Guaranteed Loan Lender Benefits



Premium Pricing.
On Secondary Market due to low delinquency rate



Community Reinvestment Act.
USDA provides lender CRA credits



Loan Servicing.
Retain or sell lender servicing rights



Performance.
USDA have historically low delinquent and foreclosure rates



90% Guarantee
Provides less risk to the lender



Training Resources available
Agency-led or user-paced online

SFH Guaranteed Loan Homebuyer Benefits



No Down Payment



Buy, Build, or Refinance



Finance up to 101% of Appraised Value



Gifts, grant funds, and down payment assistance allowed. No CLTV!



Finance Closing Costs, Fees, Repairs, etc.



30-Year Fixed Rate



No Purchase Price Limits



No set acreage limits

NOT limited to first time home buyers!

SFH Guaranteed Loan Basic Qualifications

Must not exceed moderate-income limits (115% of median family income)	INCOME	Income Limits by Area
Must be in an eligible rural area; site must be typical for the area	PROPERTY	Property Eligibility Map
30-year fixed rate	INTEREST RATE	The Lender and Borrower are free to negotiate any mutually acceptable fixed interest rate
Apply through a participating SFHGLP Lender	HOW TO APPLY	Active Lenders are listed at https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-guaranteed-loan-program

SFH Guaranteed Loan Eligible Purposes

HB-1-3555, Chapter 6



Acquire a Site & Dwelling. Loan funds may be used to purchase existing or build new.



Reasonable & Customary Expenses. These closing costs may be paid for with loan funds.
✓ Seller contributions are limited to 6% of sales price.



Repairs & Rehab. May be financed when combined with purchase of home.



Refinance. May include “take out” construction financing or refinance of an existing Rural Development Direct or Guaranteed loan.

SFH Guaranteed Loan Applicant Eligibility

HB-1-3555, Chapter 8.2



Owning a Dwelling. Applicant is limited to owning one SFH unit *other* than the house associated with the loan request.



Obtaining Credit. Applicant must be unable to secure credit with reasonable terms from other sources.



Occupying the Property. Applicants must occupy the dwelling as a principal residence.



Suspension or Debarment. Applicants must not be suspended or debarred from Federal programs.



Citizenship. Applicant must be a U.S. citizen, a U.S. non-citizen national or qualified alien.

Download the Full GRH Contact Sheet on the SFH Guaranteed Lender Page [here](#).

Have a question on a SPECIFIC file already submitted to RD
Contact the OPD!



Need TRAINING?
Contact the LPA team!



Have a question on POLICY?
Contact the PAC team!



TOPIC	CONTACT
File-Specific Questions Information to include in email: <ul style="list-style-type: none"> Identify the state the application is located; if applicable; Provide applicant's name and USDA borrower ID, if applicable; GUS loan number, if applicable Include contact information; and Indicate if you would like a call back (otherwise you will receive an email reply) 	Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WP, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI
File-Specific Questions by phone:	*833-314-0168, ext. 2
Lender Self-Report	sfhqld.compliance@usda.gov
Program Training	sfhqld.lenderpartner@usda.gov
Program Marketing & Outreach	
General Loan Scenario Questions	sfhqld.program@usda.gov or *833-314-0168, ext. 4
Loan Policy/Regulation/Handbook	
Turn Times	*833-314-0168, ext. 1
Lender Approval/Recertification	sfhqldservicing@usda.gov
Loan Servicing	
Technical Issues: GUS	RD.HD@USDA.GOV or *833-314-0168, ext. 5
Technical Issues: e-Authentication	E-Authentication FAQs: https://www.eauth.usda.gov/eauth/b/usda/faq E-Authentication Contact Us: https://www.eauth.usda.gov/eauth/b/usda/contactus
Loss Claims	guarantee.svc@usda.gov
Monthly & Quarterly Status Reporting	
GUS User Agreements	rd.nfaoc.hsb@usda.gov

*Phone System Availability: 9:00 am to 3:30 pm ET

TOOLS & RESOURCES
Regulation and Handbook: https://www.rd.usda.gov/resources/directives
Lender Webpage: Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/sfh-guaranteed-lender
USDA LINC: Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library
GovDelivery: Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscriber/new

Iowa's Guaranteed Rural Housing Program Impact

- **Fiscal Year 2024 Obligations Year-To-Date:**
 - 171 loans for \$23,532,331
 - *Average loan amount: \$137,615*
 - *Iowa's 1st year delinquency rate: 4.258% (national average: 4.069%)*
- **Fiscal Year 2023 Obligations:**
 - 811 loans for \$114,350,555
 - *Average loan amount: \$140,999*
 - *Initial state allocation: \$322,104,785 (35.5% spent)*
 - *Nationwide: 35,739 loans obligated for \$6,440,102,843*

Questions??





Single Family Housing
504 Home Repair
Loan & Grant
Program

504 Home Repair Program Overview

Purpose:

- Assist *very-low-income* homeowners make general repairs to their home
- Make a dwelling decent, safe, and sanitary
- Remove health and safety hazards
- Make more accessible and useable for a household member with a disability
- Improve or modernize a home

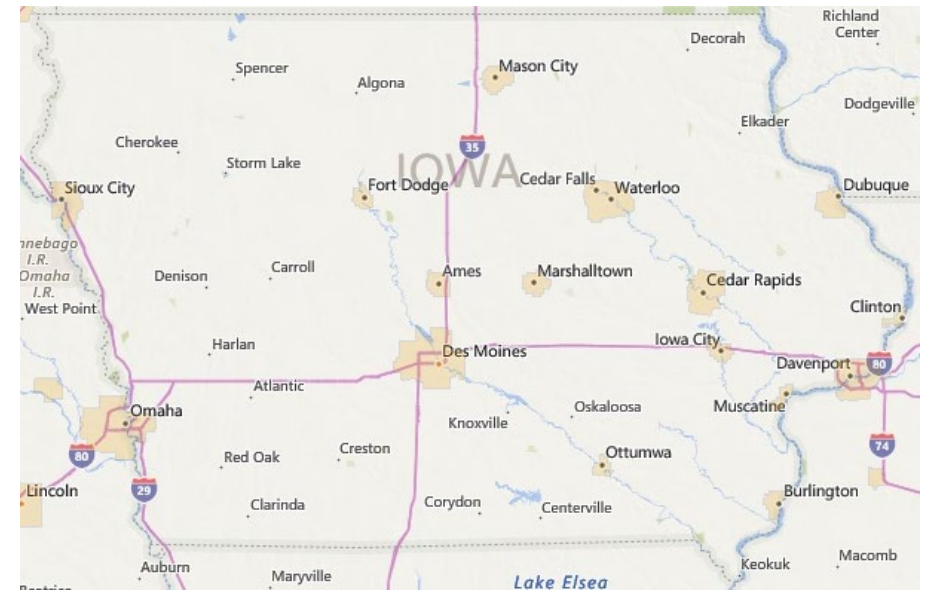


*We're here to help people stay in their own home!
Helping to keep homes in good repair helps families
and communities throughout the entire state of Iowa!*

504 Home Repair Program Overview

To qualify:

- Home must be located in an eligible rural area
 - Eligible areas are typically focused on those areas of the state with a population of 20,000 people or less
- Applicant must be the homeowner
- Home must be the applicant's primary residence
- Unable to obtain affordable credit elsewhere at reasonable rates & terms
- Fall within our non-retirement asset limit: \$20,000 for an elderly household



USDA United States Department of Agriculture
Rural Development

Home Tutorials

Single Family Housing Guaranteed Single Family Housing Direct Multi-Family Housing Rural Business OneRD Loan Guaranteed Water and Environmental Guaranteed Water and Environmental Direct Community Facilities Guaranteed

Self-Assessment Income Limits Loan Basics **Property Eligibility** Previous Eligibility Areas

Rural Housing Services

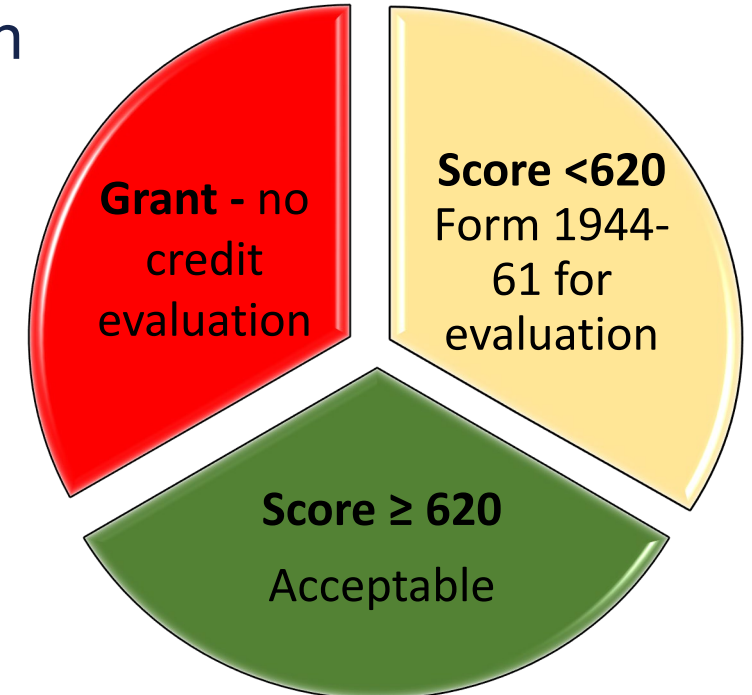
Property Eligibility Disclaimer

Every effort is made to provide accurate and complete information regarding eligible and ineligible areas on this website, based on Rural Development rural area requirements. Rural Development, however, does not guarantee the accuracy, or completeness of any information, product, process, or determination provided by this system. Final determination of property eligibility must be made by Rural Development upon receipt of a complete application. Viewing eligibility maps on this website does not constitute a final determination by Rural Development. To proceed with viewing the eligibility map, you must accept this disclaimer.

Accept Decline

504 Loan: Who Qualifies & What are the Terms?

- Adjusted household income must not exceed the **VERY LOW-INCOME LIMIT** for the household size and county that the applicant currently resides in
- Lack personal resources to pay for the needed repairs and have reliable income source sufficient to allow repayment of a loan
 - TD ratio limit of 41%
- Fixed interest rate of 1%
- Standard repayment term of 20 years
- Max loan of \$40,000
- Loans less than \$7,500 secured by note only



504 Grant: Who Qualifies & What are the Terms?

- Adjusted household income must not exceed the **VERY-LOW-INCOME** limit for the household size and county that the applicant currently resides in
- At least one applicant must be **62+ years of age**
- The grant must be used to:
 - ✓ 1) remove a health & safety hazard
 - ✓ 2) repair or modernize a dwelling to make it more accessible and usable for a household member with a disability
- **\$10,000 lifetime maximum** to any one household or dwelling
- No minimum grant requirement
- 100% forgiven after three years
 - If the home is sold within three years of grant approval, the full amount of the grant must be repaid



504 Income Limits - Example

P R O G R A M		1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON*
Butler County, IA									
	VERY LOW INCOME	41750	41750	41750	41750	55150	55150	55150	55150
	LOW INCOME	66800	66800	66800	66800	88200	88200	88200	88200
	MODERATE INCOME	110650	110650	110650	110650	146050	146050	146050	146050
	38 YEAR TERM	50100	50100	50100	50100	66200	66200	66200	66200
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	38 YEAR TERM	54000	54000	54000	54000	71300	71300	71300	71300

- Deductions & Adjusted Household Income:

- Elderly household: \$400
- Medical deductions in excess of 3% of annual income
 - Unreimbursed ongoing/projected medical expenses: Medicare premiums, supplemental insurance, long-term care insurance, prescription drug coverage, pharmacy expenses, co-payments, eyewear, hearing aid/batteries, exams, monthly payments for medical bills, disability expenses, etc.

- Income Limits: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>

How Can 504 Repair Funds Be Used?

- Insulation
- Adding ramps, handrails, walk-in tubs/showers
- Repair or replace things such as:
 - Roof
 - Windows
 - Electrical issues
 - Plumbing issues
 - Furnace
 - Air conditioner
 - Water heater
 - Storm doors
 - Structural support
 - Siding
 - Steps
 - Stoops
 - Water and sewer systems
 - Site prep & landscaping
 - Decks (new & existing)
 - Driveways



Restricted Uses of 504 Repair Funding

- Assist in the construction of a new dwelling
- Make repairs to a dwelling in such poor condition that when the repairs are completed, the dwelling will continue to have major hazards
- Move a mobile home or manufactured home from one site to another
- Pay for any off-site improvements except for necessary installation and assessment costs for utilities
- Refinance non-Agency debt or obligations that the applicant incurred before the date of application
- Pay packaging fees to for-profit entities



Details of the 504 Program Application Process

- Applications are available and accepted all year-round as long as funding remains available
- Applicants apply directly through us & applications are processed in the order they are received
- Typical timeframe to process an application & obligate funds varies from applicant to applicant
- Application packet contains a checklist of all the supporting documents & items we require to process the application
 - At least 1 bid per repair is needed
- No application fee or credit report fee
- No or minimal closing costs involved in most cases
- If someone you know would benefit from our 504 Home Repair program, have them call us! We'd be happy to go through the application process with them in-person or over the phone!



Iowa's 504 Program Impact & Current Funding Situation

- **Fiscal Year 2024 Obligations Year-To-Date:**

- 35 grants for \$194,296
 - *\$5,551 average grant amount*
- 12 loans for \$90,628
 - *\$7,552 average loan amount*

- **Fiscal Year 2023 Obligations:**

- 96 grants for \$644,207 *(192.89% of allocation)*
- 53 loans for \$326,635 *(108.16% of allocation)*

Iowa RD's Housing Team Structure – 502 & 504



Centralized Email & Phone #:

IowaHomeLoans@usda.gov

Phone: 515-284-4444

Fax: 855-415-3562

210 Walnut Street

Room 873

Des Moines, Iowa 50309

Questions??





Iowa Single Family Housing Newsletter

- Quarterly updates on Rural Development Single Family Housing Programs
- Sign up through GovDelivery: https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_12

Homes for Iowa, Newton Correctional Facility

Contact Information

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IowaHomeLoans@usda.gov

Phone: 515-284-4444

Fax: 855-415-3562

210 Walnut Street
Room 873

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Abbey Lukehart

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Rural Development

U.S. DEPARTMENT OF AGRICULTURE