



UNITED STATES DEPARTMENT OF
AGRICULTURE

Rural Housing Service

Serving Rural America

Steve Cruz, Area Specialist

Single Family Housing



- Section 502 Direct Loan program
- Section 502 Guaranteed Loan program
- Section 504 Housing Repair Loan and Grant programs

Single Family Housing Programs

Section 502 Rural Housing Direct
Loans

Section 502 Direct Loans



- **Purpose**

- to provide home-ownership opportunities to rural families with very low and low incomes
- loans may be used to buy, build, improve, or repair rural homes

Section 502 Rural Housing Direct Loans

Eligibility:

- Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. Payments are typically within 24 percent of an applicant's income.

Section 502 Rural Housing Direct Loans

Eligibility:

- Very low income is defined as below 50 percent of the area median income (AMI)
- Low income is between 50 and 80 percent of AMI.

ADJUSTED INCOME LIMITS

as of 4/20/09

• #PERS	V.LOW	LOW	38YRS
• 1PER	22050	35300	21800
• 2PERS	25200	40300	24900
• 3PERS	28350	45350	28050
• 4PERS	31500	50400	31150
• 5PERS	34000	54450	33650
• 6PERS	36550	58450	36150
• 7PERS	39050	62500	38650
• 8PERS	41600	66550	41100

Section 502 Rural Housing Direct Loans

Eligibility:

- Applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories.

Section 502 Rural Housing Direct Loans

Eligibility:

- There is no required down payment.
- Repayment feasibility is based on repayment ratios.

Section 502 Rural Housing Direct Loans

Terms:

- Loans are for up to 33 years (38 for those with incomes below 60 percent of AMI and who cannot afford 33-year terms).

Section 502 Rural Housing Direct Loans

Terms:

- Interest rate is set by RHS, currently the interest rate is 4.625%.
- Interest rate is modified by payment assistance subsidy.
- **Dededo Village ineligible area**

MAXIMUM LOAN AMOUNT

- \$244,961 subject to change
- $\text{max. purchase price} / \text{mkt. value}$



Section 502 Rural Housing Direct Loans

Payment Assistance

- The amount of payment assistance subsidy is determined by adjusted family income as percentage of AMI so that a family pays 24 percent of their income for principal, interest, taxes, and insurance (PITI) up to the promissory note rate.

RD Payment Assistance Example:

Low Inc. 4 pers

Annual Inc: \$50k

Purchase home for \$200k

1. Monthly pmt. w/ pmt assist. (981 max pmt; subsidy 180)	\$806
2. Est. real estate taxes	\$50
3. Est. Hazard Ins.	\$125
4. Total Housing Pmt.	\$981
5. Other debts	\$675
6. Grand Total Debts	\$1,656

PITI ratio: 23.54%

Total Debt ratio: 39.75%

Maximum repayment ratios: 33% / 41%

Applicant appears eligible

Conventional Lender Pmt. Example

Low Inc. 4 pers

Annual Inc: \$50k

Term: 30 yrs, 5.5%

Purchase home for \$200k

1. Monthly pmt.	\$1,136
2. Est. real estate taxes	\$50
3. Est. Hazard Ins.	\$125
4. Total Housing Pmt.	\$1311
5. Other debts	\$675
6. Grand Total Debts	\$1,986

PITI ratio: 31.47%

Total Debt ratio: 47.66%

(max ratios: 29%/36%)

Applicant ineligible

Est. maximum amount eligible: \$114,303

Comparison:

- RD pmt \$981 Vs Lender pmt. \$1,311

Savings: \$330/mo.

- RD Eligible Loan Amt. \$200k Vs \$114,300

Difference of \$85,700 in borrowing buying power

Section 502 Rural Housing Direct Loans

Standards:

- Housing must be modest in size, design, and cost.
- Houses must meet the voluntary national model building code adopted by the state and RHS thermal and site standards.

Section 502 Rural Housing Loan Guarantees

Purpose:

- Section 502 loans guarantees are primarily used to help moderate income households purchase homes in rural areas. Funds can be used to build or purchase a home, closing costs fees.

Section 502 Rural Housing Loan Guarantees

Eligibility:

- Income of up to 115% of median income for the area/State. Adj. Income Limits (4/20/09)
 - 1-4 pers \$73,600
 - 5-8 pers \$97,150
- The lender determines repayment feasibility, using repayment ratios.

Section 502 Rural Housing Loan Guarantees

Eligibility:

- Applicants must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories.

Section 502 Rural Housing Loan Guarantees

Approved GRH Guam lenders:

- Bank of Guam
- Bank of Hawaii
- BankPacific
- Citibank N.A. Guam
- Citizens Security-Anz Bank
- First Hawaiian Bank
- Community First Federal Credit Union

Section 502 Rural Housing Loan Guarantees

Terms:

- Loans are for 30 years.
- Interest rate is set by the lender.
- No required down payment.
- No loan limit

Section 502 Rural Housing Loan Guarantees

Standards:

- Housing must be modest in size, design, and cost.
- Houses must meet the voluntary national model building code adopted by the state and RHS thermal and site standards.

Single Family Housing Programs

Section 504 Rural Housing Repair
and Rehabilitation Loans and Grants

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Purpose:

- The Very Low-Income Housing Repair program provides loans and grants to very low-income homeowners to repair, improve, or modernize their dwellings or to remove health and safety hazards.

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Eligibility:

- Homeowner-occupants must be unable to obtain affordable credit elsewhere and must have very low incomes, (below 50 percent of the area median income).
- Repairs and improvements must make the dwelling more safe and sanitary or remove health and safety hazards.

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Eligibility:

- Grants are only available to homeowners who are 62 years old or older and cannot repay a Section 504 loan.

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Terms:

- Loans of up to \$20,000 and grants of up to \$7,500 are available.
- Loans are for up to 20 years at 1 percent interest.

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Terms:

- Grants must be repaid if the property is sold in less than three years.
- Repairs financed with grant funds must result in the removal of health and safety hazards.

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Terms:

- A grant/loan combination is made if the applicant can repay part of the cost.
- Loans and grants can be combined for up to \$27,500 in Section 504 assistance.

Section 504 Rural Housing Repair and Rehabilitation Loans and Grants

Standards:

- Major health and safety hazards must be corrected.
- All work performed must meet local codes and standards.



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Rural Development
For more information visit our website at:
www.rurdev.usda.gov



The Rural Housing Service is an Equal Opportunity Lender and its programs are operated on an equal opportunity basis. Complaints of discrimination may be filed with the Secretary of Agriculture, Washington, D.C. 20250



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