

USDA Rural Development

Mortgage Lending Single Family Housing Section 502 Direct & Guaranteed Loans



Committed to the future of rural communities.

Key Features of the Section 502 Direct Loan Program

- Loan is direct from Rural Development
- Interest rates are subsidized based on income with Payment Assistance
- Term is usually 33 years
- Payment Assistance is recaptured
- Can be made for 100% LTV



Key Features of the Section 502 Direct Loan Program



- Applicants must be low or very-low income
- Can purchase new site-built, existing site-built, or new manufactured homes
- Repayment ratios are 29/41 for very-low and 33/41 for low-income borrowers

Key Features of the Section 502 Guaranteed Loan

- Applications are made with approved lenders.
- Mortgages are 30 years fixed rate.
- Interest rates are negotiated by the applicant and the lender.
- There is no maximum loan amount except what is dictated by an applicant's repayment ability and the value of the property.
- In some cases, closing costs and repairs can be financed with the home purchase
- Moderate Income limits apply.
- There is a 2% Guarantee Fee.
- No Private Mortgage Insurance (PMI) is required.
- Loans may be made on Tribal Trust lands

The background features a stylized, light-colored illustration of a rural landscape. It includes a water tower on the right, several houses of varying shapes in the middle ground, and rolling green hills in the foreground. The entire scene is rendered in a soft, muted color palette.

Repairing Single-Family Homes

Key Features of the Section 504 Loan and Grant Program

- Funds are available for repairs to improve or modernize a home, remove health and safety hazards, and to make homes accessible for people with disabilities.
- Must be the owner/occupant of a modest single family home.



Key Features of the Section 504 Loan and Grant Program

- Very-low income limits apply.
- The maximum grant amount is \$7,500 and the maximum loan amount is \$20,000.
- The interest rate is 1% with a maximum term of 20 years.
- Grants are available for people 62 years old and older who cannot afford to repay a loan.



Key Features of the Housing Preservation Grant Program



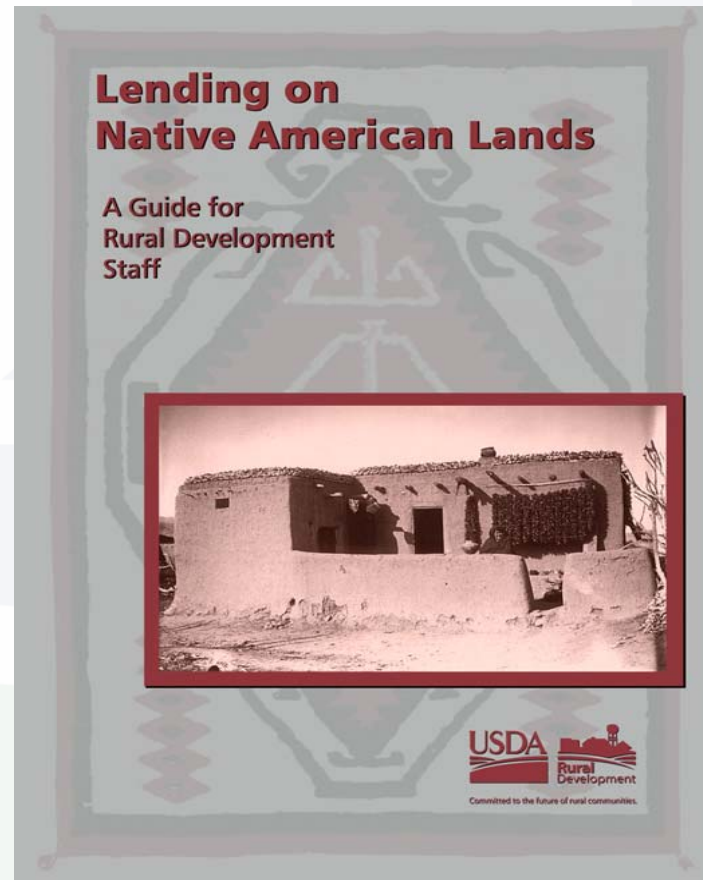
- Eligible entities include: Political Subdivision, Indian Tribe, or Non-profit Corp.
- Ultimate recipient Must be the owner/occupant of a modest single family home.

Key Features of the Housing Preservation Grant Program

- Very-low income limits apply.
- Grantee writes its own program
- Maximum of \$50,000 available
- Competitive Funding based on NOFA



Lending on Native American Lands



www.rurdev.usda.gov/rd/aian/LendingOnNativeLands_RD.pdf

Two Processes

1. Direct Loans – USDA Rural Development is the lender
2. Guaranteed Loans – Approved lenders include:
 - Any State housing agency;
 - Lenders approved by:
 - HUD for submission of applications for Federal Housing Mortgage Insurance or as an issuer of Ginnie Mae mortgage backed securities
 - U.S. Veterans Administration as a qualified mortgagee
 - Fannie Mae for participation in single family mortgage loans
 - Freddie Mac for participation in single family mortgage loans
 - Any Farm Credit System institution with direct lending authority;
 - Any lender participating in other USDA Rural Development and/or Farm Service Agency guaranteed loan programs.

Step 1:

Determine Applicant Eligibility

Step 2:

Rural Development Reviews and Approves Tribal Lease and Foreclosure Ordinances
One Stop Documents Speed This Up

Step 3:

Applicant Obtains: Building & Site Plans, Specs, Bids or Offer to Purchase.
Simultaneously Obtains Residential Lease and Submits to BIA.

Step 4: RD Conducts Site Visit to Determine Eligibility & Necessary Repairs. BIA approves Lease & Issues TSR.

Step 5:

Property is Appraised

Step 11:

Funds are Disbursed By Escrow Agent

SFH 502 Direct Loans Eleven *Easy* Steps

Step 6:

Loan Approved & Funds Obligated Based on Underwriting Criteria

Step 7:

RD Sends Mortgage & Underwriting Criteria to BIA for Approval. RD Simultaneously Sends Other Loan Closing Documents to Title Company or Escrow Agent for Closing.

Step 8:

Closing Agent Reviews Closing Instructions and Receives Approvals & TSR Endorsement. BIA Issues "Commitment For Mortgage/Deed of Trust Approval

Step 9:

Loan is Closed & Mortgage Sent to BIA for Recording.

Step 10: BIA Records Mortgage & Issues "Certificate of Approval for Leasehold Mortgage/ Deed of Trust" & TSR Endorsement

Step 1:
Determine Applicant Eligibility

Step 2:
Rural Development Reviews and Approves Tribal Lease and Foreclosure Ordinances
One Stop Documents Speed This Up

Step 3:
Applicant Obtains: Building & Site Plans, Specs, Bids or Offer to Purchase.
Simultaneously Obtains Residential Lease and Submits to BIA.

Step 4: BIA Approves Lease and Distributes Copies Along with TSR.

Step 5:
Property is Appraised

Step 6:
Loan Approved & Documents Submitted to RD for Conditional Commitment

SFH 502 Guaranteed Loans Process is Similar!

Step 11:
RD Issues Loan Note Guarantee Upon Evidence of Loan Closing and All Necessary Documents Recorded

Step 9:
Loan is Closed & Mortgage Sent to BIA for Recording.

Step 8:
Closing Agent Reviews Closing Instructions and Receives Approvals & TSR Endorsement. BIA Issues "Commitment For Mortgage/Deed of Trust Approval

Step 7:
Lender Sends Mortgage & Underwriting Criteria (as Appropriate) to BIA for Approval.

Step 10: BIA Records Mortgage & Issues "Certificate of Approval for Leasehold Mortgage/Deed of Trust" & TSR Endorsement



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What if Title Insurance is Not Available

1 RD Sends Mortgage & Underwriting Criteria to BIA for Approval. RD Sends Other Loan Closing Documents to Title Company or Escrow Agent for Closing. **1**

2 BIA Issues “Commitment of Mortgage/Deed of Trust” & TSR **2**

Title Insurance

Review TSR & Local County Records & Provide Title Commitment to RD/Lender

Upon Review of Title Commitment RD/ Lender Submits Closing Instructions to Title Company’s Escrow Agent for Closing

Title Company Closes Loan & Submits Signed Original Mortgage to BIA for Recording. Title Policy is Provided & Funds are Disbursed

BIA Records Mortgage & Provides “Certificate of Approval for Mortgage/Deed of Trust” & Endorsement Back to Title Company

3
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4
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5
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6

Escrow Agent

(Title Insurance Not Available)

Attorney Reviews TSR & Local County Records if Appropriate. Provides Preliminary Title Opinion to RD/Lender

Upon Review of Preliminary Title Opinion, RD/Lender Submits Closing Instructions to Attorney/Escrow Agent for Closing

Attorney Closes Loan & Submits Signed Original Mortgage to BIA

Upon Receipt of the Endorsement & “Certificate of Approval for Mortgage/Deed of Trust,” Final Title Opinion is Provided and Funds are Disbursed



Rural Development's National Web Site

www.rurdev.usda.gov



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Any questions?



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