

# Rural Home Loans (Direct Program)

## What does this program do?

**Also known as the Section 502 Direct Loan Program, this program helps low- and very-low-income applicants buy decent, safe, and sanitary housing in eligible rural areas by providing payment assistance to increase their applicant's repayment ability. Payment assistance is a type of subsidy that reduces the mortgage payment for a short time. The amount of assistance is determined by the adjusted family income.**

### **Who can apply for this program?**

A number of factors are considered when determining eligibility for Single Family Direct Home Loans. At a minimum, applicants must have an adjusted income that is at or below the applicable low-income limit for the area in which they wish to buy a house (an income limit map is available at this link: <https://go.usa.gov/xzcfb>). They must also demonstrate a willingness and ability to repay debt.

### **Applicants must:**

- Be without decent, safe, and sanitary housing
- Be unable to obtain a loan from other resources on terms and conditions that can reasonably be expected to be met
- Agree to occupy the property as their principal residence
- Have the legal capacity to incur a loan obligation
- Meet citizenship or eligible noncitizen requirements
- Not be suspended or debarred from participation in federal programs

### **Properties financed with direct loan funds must:**

- Be modest in size for the area
- Not have market value in excess of the applicable area loan limit
- Not be designed for income-producing activities

Borrowers are required to repay all or a portion of the payment subsidy received over the life of the loan when the title to the property transfers, or the borrower is no longer living in the dwelling.

Applicants must meet income eligibility for a direct loan. You can visit the USDA Income and Property Eligibility website (available at this link: <https://go.usa.gov/xzcdM>) for complete details. Or, contact your local Rural Development office (a map is available at this link: <https://www.rd.usda.gov/browse-state>) to learn more.

### **What is an eligible area?**

Properties must be located in an eligible rural area. Visit the USDA Income and Property Eligibility website (available at this link: <https://go.usa.gov/xzcdM>) for details.

### **How can funds be used?**

Loan funds can be used to help low-income people or households buy homes in rural areas. Funds can be used to build, repair, renovate, or relocate a home, or to purchase and prepare sites, including providing water and waste treatment equipment.

### **How much can I borrow?**

The maximum loan amount an applicant qualifies for depends on their ability to repay a loan. Rural Development considers various factors, such as income, debts, assets, and the amount of payment assistance the applicant is eligible to receive. Regardless of repayment ability, applicants can never borrow more than the area loan limit (plus certain other costs eligible to be financed) in the county in which the property is located (information is available at this link: <https://go.usa.gov/xzcGB> - PDF)

## What is the interest rate and payback period?

- The interest rate is fixed, and based on current market rates at loan approval or closing, whichever is lower.
- When modified by payment assistance, the monthly mortgage payment can be reduced to a low as an effective 1 percent interest rate.
- The payback period is 33 years (38 years for very-low-income applicants who can't afford a 33-year loan term).

## How much down payment is required?

Down payments are not typically required, but applicants with assets higher than the asset limit can be required to use a portion of those assets.

## Is there a deadline to apply?

Applications are accepted year-round through your local Rural Development office. A map is available at this link: <https://www.rd.usda.gov/browse-state>.

## How long does an application take?

Processing times vary depending on funding availability and program demand in the area in which the applicant is interested in buying. Processing times also are dependent upon the completeness of the applicant's package.

## What governs this program?

- The Housing Act of 1949 as amended; 7 CFR, Part 3550 (available at this link: <https://go.usa.gov/xzcvG>)
- HB-1-3550 - Direct Single Family Housing Program Field Office Handbook (available at this link: <https://go.usa.gov/xzcvM> - PDF)

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**NOTE: Because citations and other information are subject to change, always consult the program instructions listed in the section above titled “What Governs This Program?” You can also contact your local office for assistance (a list is available at this link: <https://go.usa.gov/xzjP7>). You will find additional forms, resources, and program information at [rd.usda.gov](https://rd.usda.gov). USDA is an equal opportunity provider, employer, and lender.**