

# Rural Home Loans (Direct Program)

## Immediate Measures to Support Rural Communities Affected by COVID-19

- USDA has waived or relaxed certain parts of the application process, including site assessments, and has extended the time period that certificates of eligibility are valid. An applicant's expiring certificate of eligibility can be re-issued for a new 45 days, then extended two more times for 30 days each.
- A borrower who is experiencing a reduction of income can request a payment assistance package to learn if he or she is eligible for payment assistance or for more assistance than currently received.
- Moratorium assistance for up to a total of 1 year) is available for Direct Loan borrowers experiencing financial hardship due, directly or indirectly, to the COVID-19 emergency. You can call us and verbally request a payment moratorium. Borrowers have the option to cancel the moratorium at any time or request the moratorium be extended up to an additional 180 days. At the end of the 1-year time period, these 502 Direct borrowers can request the moratorium be extended up to an additional year making it a total of 2 years. However, the borrower must submit a moratorium application and meet eligibility criteria to be granted that last year.
- For more information, contact USDA's Customer Service Center at 800-414-1226 or [rd.usda.gov/contact-us/loan-servicing](https://rd.usda.gov/contact-us/loan-servicing).
- Additional information can be found at: [rd.usda.gov/coronavirus](https://rd.usda.gov/coronavirus).

### What does this program do?

Also known as the Section 502 Direct Loan Program, this program helps low- and very-low-income applicants obtain decent, safe, and sanitary housing in eligible rural areas by providing payment assistance to increase an 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 may apply for this program?

A number of factors are considered when determining an applicant's eligibility for Single Family Direct Home Loans. At a minimum, applicants interested in obtaining a direct loan must have an adjusted income that is at or below the applicable low-income limit for the area where they wish to buy a house and they must 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 meet
- Agree to occupy the property as your primary 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 have in-ground swimming pools
- 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. Please contact your local RD office to ask for additional details about eligibility requirements.

### What is an eligible area?

Generally, rural areas with a population less than 20,000 are eligible. Visit the USDA Income and Property eligibility website for complete details.

### How may funds be used?

Loan funds may be used to help low-income individuals or households purchase 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 sewage facilities.

## How much may I borrow?

The maximum loan amount an applicant may qualify for will depend on the applicant's repayment ability. The applicant's ability to repay a loan considers various factors such as income, debts, assets, and the amount of payment assistance applicants may be eligible to receive. Regardless of repayment ability, applicants may never borrow more than the area loan limit (plus certain costs allowed to be financed) for the county in which the property is located.

## What is the interest rate and payback period?

- Fixed interest rate based on current market rates at loan approval or loan closing, whichever is lower.
- The monthly mortgage payment, when modified by payment assistance, may be reduced to as little as an effective 1 percent interest rate.
- Up to 33-year payback period– 38-year payback period for very-low-income applicants who can't afford the 33-year loan term.

## How much down payment is required?

No down payment is typically required. Applicants with assets higher than the asset limits may be required to use a portion of those assets.

## Is there a deadline to apply?

Applications for this program are accepted through your local RD office year-round.

## How long does an application take?

Processing times vary depending on funding availability, the program demand in the area in which an applicant is interested in buying and the completeness of the application package.

## What governs this program?

- The Housing Act of 1949 as amended, 7 CFR, Part 3550
- HB-1-3550 - Direct Single Family Housing Loans Field Office Handbook

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**NOTE: Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled “What Governs This Program?” You may also contact your local office for assistance. You will find additional forms, resources, and program information at [rd.usda.gov](http://rd.usda.gov). USDA is an equal opportunity provider, employer, and lender.**