

Single Family Home Loan Guarantees

What does this program do?

This no downpayment, 100% financing program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe and sanitary dwellings as their primary residence in eligible rural areas.

Eligible applicants may purchase existing homes (which may include costs to rehabilitate, improve or relocate the dwelling) or build new.

USDA provides a loan note guarantee to approved lenders, encouraging participation by minimizing their risk.

This program is NOT restricted to first-time homebuyers.

Who may apply for this program?

Applicants must:

- Have a household income that does not exceed 115% of median household income.*
- Agree to occupy the dwelling as their primary residence.
- Be a U.S. citizen, U.S. non-citizen national, or Qualified Alien.
- Be unable to obtain conventional financing with no private mortgage insurance (PMI).
- Not be suspended or debarred from participation in federal programs.

What properties are eligible?

- Must be located within an eligible rural area.*
- Must be a single-family dwelling (may include detached, attached, PUD, condo, modular, and manufactured).
- Must meet HUD 4000.1 minimum standards.
- No set maximum purchase price (based solely on applicant repayment ability).
- No set acreage limits. Must be common for the area.
- No seasoning requirements ("flipped" properties allowed).

What are applicant qualifications?

- **Income.** *Non-Self-Employed:* One-year history required.
Self-Employed and Seasonal: Two-year history required.
- **Assets.** No downpayment or reserves required.
- **Credit.** Must demonstrate a willingness and ability to repay debts. No set score requirement. Alternative credit allowable for those with no traditional credit.
- **Monthly housing payment.** Total payment (principal, interest, taxes, insurance, HOA dues, RD annual fee) typically should not exceed 29% of gross monthly income.
- **All monthly debt payments.** All payments included on credit report, including proposed new mortgage payment, typically should not exceed 41% of gross monthly income.
Student loan payments. Fixed payment: use actual payment or 1% of loan balance.
Non-fixed payment (IBR, graduated, adjusted, etc.) plans: Use 0.5% of loan balance.
- **Seller (or interested party) contributions.** Not to exceed 6% of sales price.
- **Gift funds.** No limit.

What types of loan products are available?

- Purchase existing or build new with the Single-Close construction program.
- Current USDA Rural Development loan holders can take advantage of lower rates by utilizing one of Rural Development's refinance options.
- Interest rate is negotiated between the applicant and the lender. Rate must be a 30-year fixed rate.
- Program lending is extended to 100% of appraised value, not purchase price, so borrowers may potentially include closing costs and home repair expenses into USDA financing.
- Funds may be used for closing costs, reasonable and customary expenses associated with the purchase transaction, connection fees for utilities, tax and insurance escrows, essential household equipment, site preparation.

How do we get started?

Interested applicants can apply for a Section 502 Guaranteed Loan through any approved USDA Rural Development lender. We encourage you to contact your preferred lender and ask if they are an approved lender with USDA Rural Development.

Who can answer questions?

Applicants with questions should contact an approved lender. We encourage you to contact your preferred lender and ask if they are an approved USDA Rural Development Guaranteed lender.

What governs this program?

- **7 CFR part 3555** - This part sets forth policies for the Single Family Housing Guaranteed Loan Program (SFHGLP) administered by USDA Rural Development. It addresses the requirements of Section 502(h) of the Housing Act of 1949, as amended, and includes policies regarding originating, servicing, holding, and liquidating SFHGLP loans.
- **HB-1-3555** - SFH Guaranteed Loan Program Technical Handbook. This handbook provides Agency staff and lenders participating in the Single Family Housing Guaranteed Loan Program with the tools needed to originate, underwrite, and service guaranteed loans efficiently and effectively.

Why does the USDA Rural Development do this?

This program helps lenders work with low- and moderate- income families living in rural areas to make homeownership a reality. Providing affordable homeownership opportunities promotes prosperity, which in turn creates thriving communities and improves the quality of life in rural areas.

What if I don't qualify?

USDA also offers a direct 502 purchase program which provides for subsidized payments for those applicants from households with income below 80% of MHI and who cannot qualify for a guaranteed loan. Interested applicants should contact their state USDA Rural Development office.

Tools and Resources:

To determine Property and Income eligibility: <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

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 will find additional forms, resources, and program information at: rd.usda.gov. Go to the "Programs and Services" tab and then select "Single Family Housing Programs." *USDA is an equal opportunity provider, employer, and lender.*