



Committed to the future of rural communities.

Guaranteed Rural Housing Loans



This program is administered by USDA Rural Development, which serves the public through more than 800 field offices nationwide.



Sometimes good credit and a steady income are not enough to qualify for a home loan at a commercial lending institution, such as a bank, savings and loan or mortgage company.

More rural families and individuals may be eligible to become homeowners with the help of a USDA guaranteed home loan. When the federal government agrees to guarantee a loan, lending institutions can help buyers while incurring less risk. Through USDA's Guaranteed Rural Housing Loan Program, low- and moderate-income people can qualify for mortgages even without a down-payment.

Guaranteed Rural Housing Loans

To be eligible, applicants must:

- Have an adequate and dependable income;
- Be a U.S. citizen, qualified alien, or be legally admitted to the United States for permanent residence;
- Have an adjusted annual household income that does not exceed the moderate income limit established for the area. A family's income includes the total gross income of the applicant, co-applicant and any other adults in the household. Applicants may be eligible to make certain adjustments to gross income—

such as annual child care expenses and \$480 for each minor child—in order to qualify. USDA Rural Development field offices can provide information on the moderate income limits for the areas that fall within their jurisdiction, and can provide further guidance on calculating household income. There is an automated income eligibility calculator at:

<http://eligibility.sc.gov.usda.gov>;

- Have a credit history that indicates a reasonable willingness to meet obligations as they become due;
- Have repayment ability based on the following ratios: Principle, Interest, Taxes, and Insurance (PITI) divided by gross monthly income must be equal to or less than 29 percent. Total debt divided by gross monthly income must be equal to, or less than, 41 percent.



Homes That Qualify:

- Guaranteed loans can be made on either new or existing homes;
- Existing homes must be structurally sound, functionally adequate, and in good repair;
- There are no restrictions on the size or design of the home financed;
- The home must not be used for income-producing purposes;
- Homes must be located in rural areas. Rural areas include open country and places with a population of 10,000 or less and—under certain conditions—towns and cities with between 10,000 and 25,000 residents. USDA

Rural Development field offices can determine eligible areas. There is an automated rural area eligibility calculator at:

<http://eligibility.sc.egov.usda.gov> .

Highlights of the USDA Guaranteed Rural Housing Loan Program

- Loans may be for up to 100 percent (102 percent if the guarantee fee is included in the loan) of appraised value or for the acquisition cost, whichever is less. No downpayment is required;
- Mortgages are 30-year fixed rate at market interest rates;
- Loans may include funds for closing costs, the guarantee fee, legal fees, title services, cost of establishing an escrow account and other pre-paid items, if the appraised value is higher than sales price;
- Sellers may contribute to the buyer's closing costs;
- Home buyers make application with participating lenders;
- Buyers must personally occupy the dwelling following the purchase;
- Loans may be made to refinance either existing USDA Rural Development Guaranteed housing loans or our Section 502 Direct housing loans;
- For purchase loans, a one-time guarantee fee equal to 2.0 percent of the loan amount is charged to the lender. The charge for refinance loans is 0.5 percent. Typically, the lender passes on this expense to the borrower as a closing cost. After the one-time fee is paid, there is no recurring monthly expense charged for guaranteeing the loan;
- Closed loans have secondary market acceptability, including Freddie Mac, Fannie Mae, Ginnie Mae pools, and many state housing finance agencies;
- Guaranteed loans are subject to the provisions of the Civil Rights statutes, including the Equal Credit Opportunity Act.



We're Here to Help

Interested home buyers should call or visit their local lender or the nearest USDA Rural Development field office for information about the program. USDA Rural Development field office staff will refer potential applicants to participating lenders. Lenders interested in becoming approved to participate in the program may also contact USDA Rural Development for further information. USDA offices are listed in the government section of the telephone book under "United States Government, Department of Agriculture." To be connected to your Rural Development state office, you can also dial (202) 720-4323, then press 1.

Information is also available on the Rural Development Web site at:
<http://www.rurdev.usda.gov/rhs/index.html>. Or write:

USDA Rural Development
STOP 0701
1400 Independence Ave. SW
Washington, D.C. 20515-0701



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