



Committed to the future of rural communities.

Affordable Rental Housing for Rural America





USDA Rural Development's Multi-Family Housing Programs

People with low or moderate incomes often have trouble finding safe and sanitary rental housing in rural areas.

Lack of affordable rental housing can have profound effects on a rural community. Elderly citizens who are unable to remain in the homes they have owned for years may not be able to find a suitable place close to the amenities they need. Members of the local workforce unable to find suitable living arrangements may also be forced to move, or to live in substandard housing. Not only can economic growth suffer, but the very fabric of community life could be affected by population decline.

USDA Rural Development administers several programs addressing America's need for affordable rural housing. The Rural Rental Housing Program (Section 515) and the Guaranteed Rural Rental Housing Program (Section 538) preserve and build new, affordable multi-family rental housing in rural areas. USDA Rural Development also administers the Farm Labor Housing Loan and Grant Program and the Housing Preservation Grant Program. Loans are available to house very-low to moderate income families, farm workers, the elderly, and persons with disabilities. Rural Development employees partner with developers, lenders, community organizations, and State and local governments to develop housing solutions that work for rural communities.

Today, more than 475,000 rental units in more than 16,000 complexes across the Nation are financed through USDA multi-family housing programs, providing clean and adequate apartment-style housing for more than 750,000 people who otherwise could not afford it.

Nearly half of Rural Development's multi-family housing portfolio provides shelter for elderly residents, giving them the opportunity to live in dignity in their own com-

munities. About 71 percent of tenants are single heads of households, and 59 percent are elderly or disabled. The average annual income of tenants in USDA-financed complexes is less than \$11,500.

Farm labor housing allows agricultural workers to live in decent surroundings close to vital services – a sharp contrast to the conditions they often face. Loans are made for new construction, rehabilitation of existing units, and to continue providing safe and affordable rental housing in areas in which rents are increasing. Funds are provided in a variety of ways. Subsidized credit is available to developers of affordable multi-family and farm worker housing; rents may be further subsidized, and grants are made to nonprofit or community organizations to bring deteriorating housing up to code.

Rural Rental Housing (Section 515)

This program makes loans with interest rates as low as 1 percent to qualified rental housing developers. Almost 90 percent of tenants in these properties have incomes below 54 percent of the area median income (AMI). Section 515 housing is available to families, people 62 or older, and people with disabilities. Tenants must have very-low, low, or moderate incomes. Very-low income is defined as below 50 percent of AMI. Low income is between 50 and 80 percent of AMI. Moderate income is capped at \$5,500 above the low income limit. Most tenants fall into the low or very-low income categories.

The housing complexes must be located in rural areas with populations of 20,000 or less. While most loans are for new construction, funds are also available to rehabilitate existing housing. Loans may also be used for other related purposes, such as buying and improving land, and providing necessary facilities, such as water and waste disposal systems. Loans are made under the following categories:

- Multi-family rental housing;
- Purchase and rehabilitation;
- Congregate housing;
- Group homes for persons with disabilities.

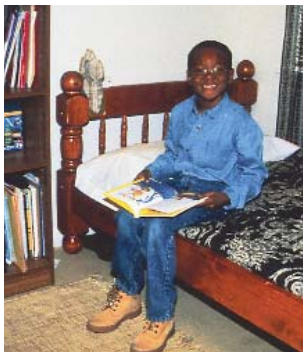
Eligible Borrowers

Section 515 loans are available to individuals, trusts, associations, partnerships, limited partnerships, State or

local public agencies, consumer cooperatives, Native American tribes, and profit or nonprofit corporations. For-profit borrowers must agree to operate on a limited-profit basis (currently 8 percent of initial investment) and to provide rental units for occupancy to eligible individuals or families.

Loan Terms

The maximum repayment period is 30 years, with a 50-year amortization. Applicants must provide initial operating capital equal to at least 2 percent of the cost of the complex. For nonprofit organizations and State and local public agencies, fees for application packaging and the 2-percent operating capital may be included in the loan as part of the development cost. Loans to nonprofit organizations and State or local public agencies can be for up to 100 percent of the appraised value or development cost, whichever is less. Loans to all other applicants are limited to not more than 97 percent of the appraisal value or development cost, whichever is less, for those proposals not using Low Income Housing Tax Credits (LIHTC). The maximum is 95 percent for proposals using LIHTCs.



Security Requirements

Loans are secured to protect the Federal Government's financial interests through a mortgage on the property that is purchased or improved.

Evaluation of Applications

Loan applications are rated competitively and are considered at the USDA Rural Development State office in the State where the housing will be located. Rural Development annually establishes a State-by-State list of communities targeted for Section 515 assistance based on need, and makes the list available through its State offices. The agency also announces the available funding through a Notice of Funding Availability (NOFA) in the

Federal Register that is published as soon as possible after the start of the fiscal year. It includes:

- The funding levels for the year;
- The information that applicants must submit in their proposal;
- The criteria that USDA will use to evaluate and rank proposals;
- The deadline for submitting proposals; and
- The State office addresses where proposals must be sent.

Information regarding funding for new complexes is available at Rural Development State and regional offices (see “We’re Here To Help” below). Before a loan can be approved, applicants must provide detailed plans, specifications, and cost estimates. They are also responsible for providing complete architectural services, including inspections during construction. Rural Development staff reviews the plans and inspects construction as it progresses.

USDA Rural Development State directors may approve loans of up to \$3 million. The national office must review loan requests above that amount. Borrowers who are builders and can construct a complex may obtain a loan under the same conditions as any other applicant. However, they may be permitted a contractor’s fee typical for the area. All borrowers are encouraged to obtain interim construction funds from other lenders. Borrowers must show that alternative construction funds are not available before USDA will provide such funds.

Rental Assistance (Section 521)

A Rental Assistance subsidy is offered for many tenants in Rural Rental or Farm Labor Housing complexes. Tenants living in rental assistance units pay no more than 30 percent of their income in rent. Rent includes the cost of monthly rental payments to the owner plus a utility allowance.

Guaranteed Rural Rental Housing Program (Section 538)

The Guaranteed Rural Rental Housing Program provides capital to increase the supply of affordable multi-family housing in rural areas through partnerships between USDA Rural Development and qualified lenders,

as well as State and local housing finance agencies. USDA guarantees loans which support private and public lenders that finance affordable rental properties that meet program standards. The majority of tenants in these properties are very-low and low income elderly residents, families, and individuals.



Types of Assistance and Fees

Generally, guarantees made by the agency are up to 90 percent of the principal and interest on these loans. When authorized by Congress, annual financial assistance on the loan in the form of an interest rate credit may be paid directly to the lender to reduce the market interest rate to a “below-market rate,” lowering the property operating costs. The Government may charge an initial fee and/or annual renewal fees for the guarantee.

Use Restrictions

Guarantees encourage construction of new rural rental housing and related facilities, and preservation of existing affordable housing. Guarantees can cover both construction and permanent loans. The lender must be granted a first lien on the property. Projects generally include five or more dwellings and must be in a rural area as defined by statute. Guarantees may not be made for nursing, special care, or industrial type housing. Tenant income must not exceed 115 percent of the Area Median Income at the time of initial occupancy.

Applicant Eligibility Requirements

Only lenders are eligible for the program. Lenders that are approved and currently active with Fannie Mae, Freddie Mac, the U.S. Department of Housing and Urban Development’s Federal Housing Administration insurance programs, Ginnie Mae, or are a State or local Housing Finance Agency, meet the basic eligibility criteria. Members of the Federal Home Loan Bank System or other lenders may be eligible if they can demonstrate satisfactory multi-family lending experience. Eligible borrowers include: individual partnerships, profit and nonprofit corporations, limited liability companies, trusts, State and local agencies, and Indian tribes.

Application and Award Process

Developers create proposals and submit them to an approved lender, which then underwrites and originates the loan and provides the required documentation to USDA Rural Development. The agency reviews applications for compliance with the program requirements and issues the Conditional Commitment of Guarantee. Once the conditions of that guarantee are met, the final guarantee is issued.

Farm Labor Housing Program (Section 514/516)

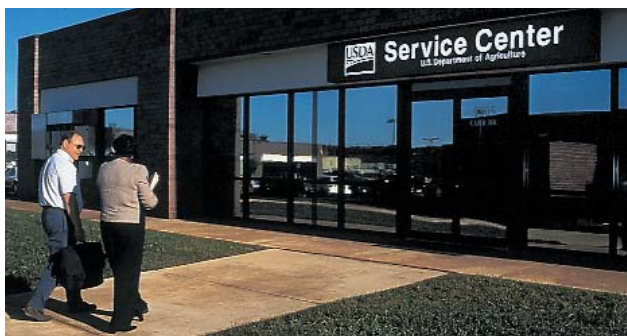
The Farm Labor Housing program, the only national source of funds dedicated to construction of dwellings for farm laborers, provides low-interest loans and grants to public or nonprofit agencies or to individual farmers to build affordable rental housing for migrant and year-round farmworkers. Funds may be used to construct, repair, or purchase housing and acquire the necessary land and improve it for housing construction. Funds may also be used to develop related support facilities, such as central cooking and dining areas, small infirmaries, laundry facilities, daycare centers, or other essential equipment, facilities, or recreation areas. Funds may also be used to pay certain fees and incidental interest. For more detailed information, see “Building a Better Future for Farmworkers,” Program Aid 1669.

Housing Preservation Grant Program (Section 533)

Housing Preservation grants are used to renovate deteriorating homes and rental properties occupied by low and very-low income families. Nonprofits — including, but not limited to, faith-based and community organizations, local governments, and Native American tribes — can receive grants to repair properties and bring them up to code. Section 533 grantees usually invest the funds in a specific geographic area, which can revitalize entire communities, and the grants are typically used in conjunction with funds from outside sources. This leveraging of funds maximizes the impact of taxpayer dollars and accomplishes more than would otherwise be possible.

We're Here To Help

For more information, contact your regional USDA Rural Development office. These are usually listed in telephone directories under “Federal Government,



Department of Agriculture.” Rural Development State offices can also provide further information as well as the address of your regional office. To be connected to your State office, call toll-free (800) 670-6553, press 1 and follow the prompts. Further information, including the locations of State and regional offices, is also available on the USDA Rural Development Web site at: http://www.rurdev.usda.gov/LP_Subject_HousingAndCommunityAssistance.html or at the following address:

USDA Rural Development, STOP 0701
Rural Housing Programs
1400 Independence Avenue, SW
Washington, DC 20515-0701

Telephone: (202) 720-3773
Fax: (202) 690-3025

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