

# Single Family Housing Repair Loans & Grants

## What does this program do?

### Also known as the Section

**504 Home Repair program, this provides loans to very-low-income homeowners to repair, improve, or modernize their homes or provides grants to elderly very-low-income homeowners to remove health and safety hazards.**

## Who may apply for this program?

### To qualify, you must:

- **Be the homeowner and occupy the house**
- **Be unable to obtain affordable credit elsewhere**
- **Have a family income below 50 percent of the area median income**
- **For grants, be age 62 or older and not be able to repay a repair loan**

### What is an eligible area?

Generally, rural areas with a population less than 35,000 are eligible. Applicants may check the address of their home to determine eligibility online.

### How may funds be used?

- Loans may be used to repair, improve, or modernize homes or to remove health and safety hazards.
- Grants must be used to remove health and safety hazards.

### How much money can I get?

- Maximum loan is \$20,000.
- Maximum grant is \$7,500.
- Loans and grants can be combined for up to \$27,500 in assistance.

### What are the terms of the loan or grant?

- Loans can be repaid over 20 years.
- Loan interest rate is fixed at 1%.
- Full title service is required for loans of \$7,500 or more.
- Grants have a lifetime limit of \$7,500.
- Grants must be repaid if the property is sold in less than 3 years.

- If applicants can repay part, but not all of the costs, applicants may be offered a loan and grant combination.

### Is there a deadline to apply?

Applications are available year round as long as funding is available and are processed in the order they are received.

### How long does an application take?

Approval times depend on funding availability in your area. Talk to a USDA home loan specialist in your area for help with the application.

### How do I get started?

Contact a USDA home loan specialist in your area.

### What governs this program?

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

**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.**

# 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.

# Rural Home Loans (Direct Program)

## What does this program do?

**Also known as the Section 502 Direct Loan Program, this program assists 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 35,000 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.