



# USDA Rural Development Single Family Housing Direct Programs

 Rural Development  
U.S. DEPARTMENT OF AGRICULTURE

2024 NAIHC Legal Symposium

### National Office

Headquarters located in Washington DC |  
Single Family Housing Deputy Administrator  
and staff

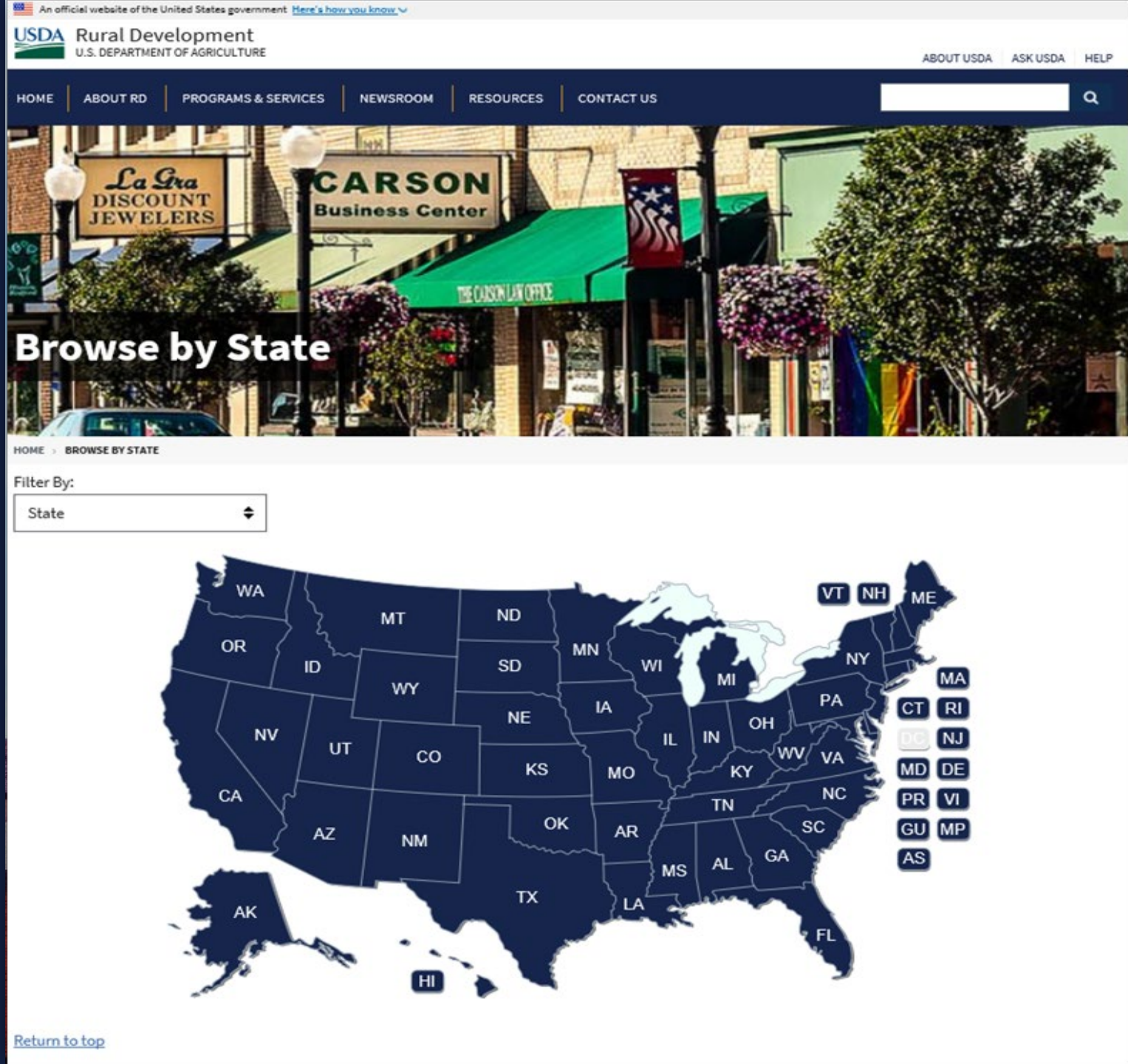
### State Offices

Located in 47 states | RD State Director and  
staff

### Area Offices

Numbers vary by state | RD Area Director  
and staff

# Rural Development (RD) – Single Family Housing ([www.rd.usda.gov](http://www.rd.usda.gov))



# Direct Home Loans

- RD makes direct loan to homebuyers.
- Benefits of program:
  - Fixed low interest rate with subsidy as low as 1%,
  - Extended payback term (33-38 yrs.),
  - No down payment required, and
  - Loans up to 100% of value of home.
- Applicants must meet low or very low-income eligibility.
- Home must meet property requirements; and
- Home must be in eligible rural area.



Rural Development Program Eligibility  
<https://eligibility.sc.egov.usda.gov/eligibility>

- Self- Assessment
- Adjusted Household Income limits
- Eligible Areas

The screenshot shows the USDA Rural Development Eligibility website. At the top right, there is a "Contact Us" link with a dropdown arrow. The main header features the USDA logo and the text "United States Department of Agriculture Rural Development" on the left, and the word "ELIGIBILITY" in large blue letters on the right. Below the header is a dark blue navigation bar with "Home" and "Tutorials" links. A secondary navigation bar contains several menu items: "Single Family Housing Guaranteed", "Single Family Housing Direct", "Multi-Family Housing", "Rural Business", "OneRD Loan Guaranteed", "Water and Environmental Guaranteed", "Water and Environmental Direct", and "Community Facilities Guaranteed". A third navigation bar includes "Self-Assessment", "Income Limits", "Loan Basics", "Property Eligibility" (which is highlighted in blue), and "Previous Eligibility Areas". Below this is a green banner for "Rural Housing Services". The main content area is a white box with a black border titled "Property Eligibility Disclaimer". The disclaimer text states: "Every effort is made to provide accurate and complete information regarding eligible and ineligible areas on this website, based on Rural Development rural area requirements. Rural Development, however, does not guarantee the accuracy, or completeness of any information, product, process, or determination provided by this system. Final determination of property eligibility must be made by Rural Development upon receipt of a complete application. Viewing eligibility maps on this website does not constitute a final determination by Rural Development. To proceed with viewing the eligibility map, you must accept this disclaimer." At the bottom right of the disclaimer box are two buttons: "Accept" and "Decline".

Contact Us ▾

USDA United States Department of Agriculture Rural Development

ELIGIBILITY

Home Tutorials

Single Family Housing Guaranteed Single Family Housing Direct Multi-Family Housing Rural Business OneRD Loan Guaranteed Water and Environmental Guaranteed Water and Environmental Direct Community Facilities Guaranteed

Self-Assessment Income Limits Loan Basics **Property Eligibility** Previous Eligibility Areas

Rural Housing Services

**Property Eligibility Disclaimer**

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Accept Decline

# Payment Assistance

- Payment Assistance Method 2
  - Borrowers pay the greater of:
    - 24% of their annual adjusted income less: any eligible leveraged payment, taxes and insurance; divided by 12; or
    - a principal payment at 1% interest plus any eligible leveraged loan payment plus taxes(where applicable) & insurance.
- Payment Assistance Eligibility
  - Income eligible
  - New initial loans
  - Subsequent loans/assumptions when the borrower is not currently receiving subsidy
  - Owner occupied
  - Term of at least 25 years
  - Program terms/secured

# Rural Development

## Review & Approval for loans on Tribal Trust lands or leased land

- RD State Office Staff collect documents from Tribes/TDHEs
- RD Staff conduct an initial review
- Request OGC to conduct legal review
  - Sample Lease
  - Tribal Foreclosure & Eviction Code / Laws
- OGC returns review to State Office
- BIA homesite lease approval as applicable

# Secure Leasehold Interest

- **Handbook-1-3550, Paragraph 5.11, 2-The lease must be in writing, and must contain all of the following provisions:**
  - The lessor's consent to allow the Agency's mortgage;
  - The right of the Agency to foreclose and sell the property without restrictions that adversely affect the market value of the property;
  - The right of the Agency to bid at a foreclosure sale or to accept voluntary conveyance of the property in lieu of foreclosure;
  - The right of the Agency to occupy, sublet, or sell the property should the leasehold be acquired through foreclosure, voluntary conveyance, or abandonment;
  - The right of the applicant to transfer the leasehold and Agency mortgage to an eligible transferee who will assume the Agency's debt, if the borrower defaults or is unable to continue with the lease;

# Secure Leasehold Interest –cont.

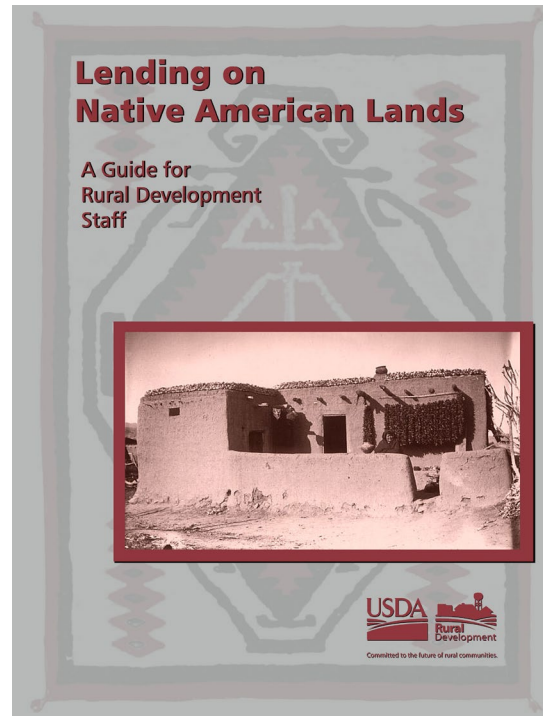
- Advance written notice of at least 90 days to the Agency of the lessor's intention to cancel or terminate the lease;
- Provisions are negotiated with the lessor before the leasehold interest is approved regarding the Agency's obligation to satisfy unpaid rent or other charges accrued before or during the time the Agency has possession of or title to the leasehold. During negotiations, the Loan Originator should consider the length of time it will take to foreclose, how much the Agency would be responsible for, and when the Agency would have to pay;
- Provisions to ensure fair compensation to the borrower for any part of the property taken by condemnation; and
- The unexpired term of the lease must be at least 150 percent of the term of the mortgage, unless the loan is guaranteed by a public authority, Indian Tribe, or Indian Housing Authority. For guaranteed loans, the unexpired term of the lease must be at least 2 years longer than the mortgage term. In no case may the unexpired term of the lease be less than 25 years.



# Laws and Leases

- Lending on Native American Lands- A Guide for Rural Development Staff
- Now in the Tribal Lending Guide:
  1. Attachment A - Model Tribal Lending Procedures
  2. Attachment B- Model Tribal Mortgage Lending Code
  3. Attachment C- Model Residential Lease of Tribal Owned Land

[The National Indian Law Library](#)



# Certified Packaging

502 Direct Program	Packaging Type	Permissible Packaging Fee
	Certified Packaging Body Via an Intermediary	Up to \$2,000 split between certified packager and intermediary.
	Certified Packaging Body <u>without</u> an Intermediary	Up to \$1,750
504 Direct Loan & Grant Program	Packaging Type	Permissible Packaging Fee
	Public and private non-profit organization (tax exempt)	Up to \$750

- Certified packagers increase awareness of RD homeownership opportunities and assist with the application process.
- Package high quality application files to submit to RD local offices for review/approval.
- Something for Tribes/ TDHEs to consider:
  - Tribal Homeownership activities may already include credit counseling and gathering documentation to determine repayment ability
  - Packaging the loan to Rural Development allows a fee to be collected for the service
  - TDHEs/Tribes know their area and housing opportunities
  - Increases homeownership opportunities for Tribal members both on and off Tribal land

# How do you become a certified packager?



**Have at least one year of affordable housing loan origination and/or affordable housing counseling experience; and be employed by a qualified employer (Tribes and Tribal Housing Authorities are qualified employers)**



**Complete an Agency approved 3-day classroom or virtual training course and pass the corresponding test**



**Packagers have one year from the date of being added to the certified packaging process to complete the course and pass the test. They may charge the full fee and submit applications during this time, provided they are submitting via an intermediary, or have qualified for a State Director approved opt-out**

# Packaging Partnership

- The certified packaging process partnership extends the reach.
- Your entity can charge a fee for your packaging services.
- Working together, we can potentially deliver more affordable homeownership options in rural areas.



# 504 Rehabilitation Loans & Grants

Loan Program: This program assists very low-income homeowners with a loan to repair, improve or modernize their home.

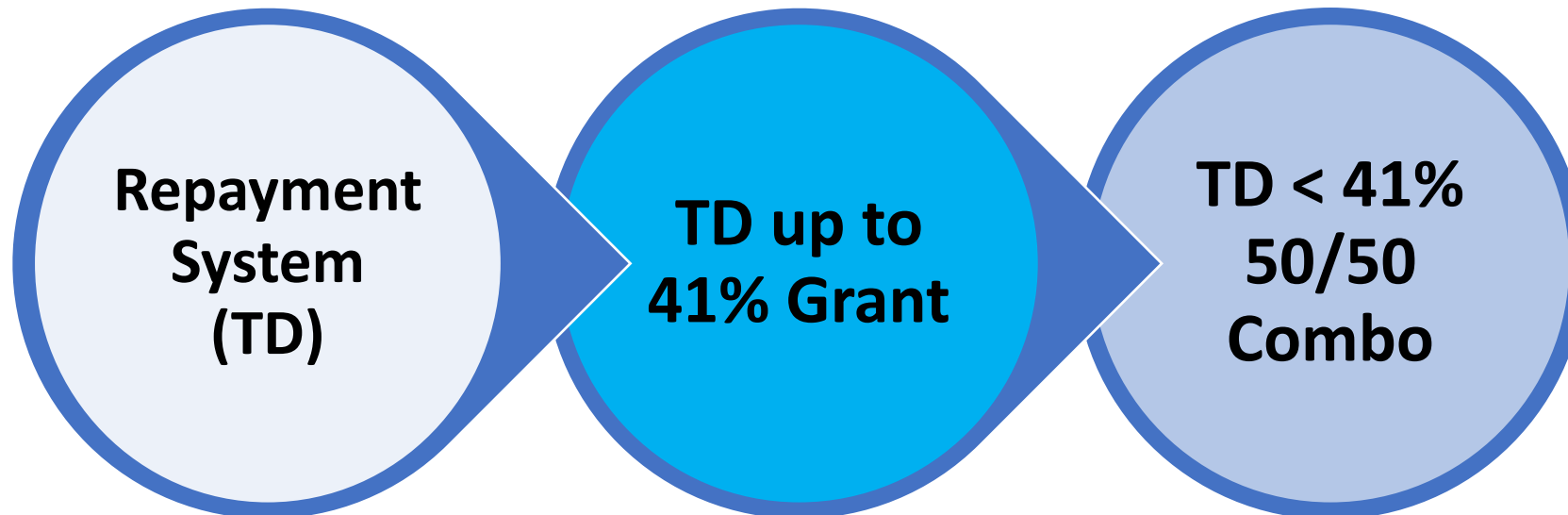
- Loans less than \$7,500 secured by note only
- 1% Fixed, 20 years repayment
- **Max. Loan \$40,000**

Grant Program: One-time grants to individuals (62+) very low-income homeowners to remove health and safety hazards in their home.

- **Max. Grant: \$10,000**

# 504 Loan and Combination Assistance

- 504 Loan/Combo
- Income > 30% AMI
- Up to Very Low-Income Limit
- Repayment Ability TD ratio up to 46%

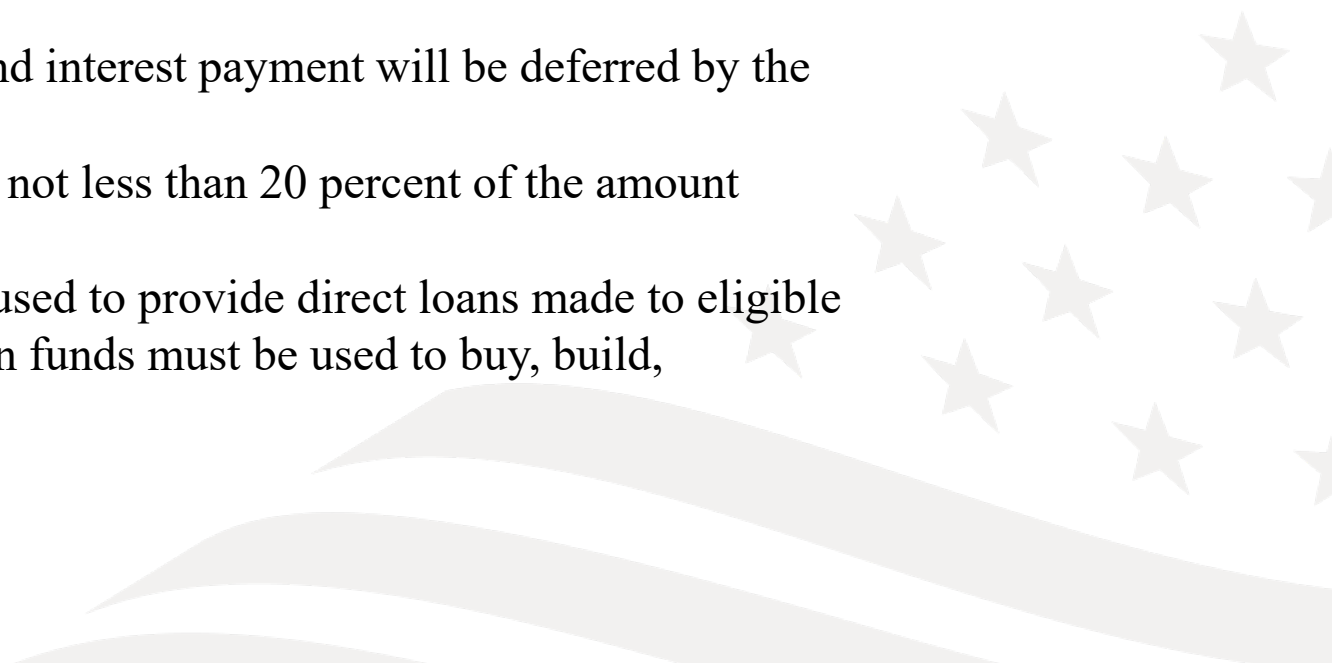


# Native CDFI Relending Demonstration Program

## What does the program do?

- The purpose of the NCDFI Relending Demonstration Program is to increase homeownership opportunities for Native American Tribes, Alaska Native Communities, and Native Hawaiian communities in rural areas. Additionally, the program will provide capital to NCDFIs; loans made to NCDFIs will be relented to the ultimate recipients (low- and very low-income tribal members, who will live in Indian Country in need of affordable, modest single family homes).

### Program Overview:

- 33 year loan at a 1% interest rate. The initial principal and interest payment will be deferred by the Agency for 3 years.
  - An NCDFI that receives a loan will be required to match not less than 20 percent of the amount received.
  - Loan funds must be placed in a revolving loan fund and used to provide direct loans made to eligible ultimate recipients in accordance with 7 CFR 3550. Loan funds must be used to buy, build, rehabilitate, improve, or relocate an eligible dwelling.
  - Must demonstrate a need for loan funds.
- 

# Native CDFI Relending Demonstration Program(Cont'd)

## Who is eligible to apply?:

- Eligible entities for these competitively awarded loans include Certified Native Community Development Financial Institutions (NCDFIs).

## How do we define a NCDFI?

- *Native Community Development Financial Institution.* An entity that has been certified as a community development financial institution by the Secretary of the Treasury; that is not less than 50 percent owned or controlled by members of Indian Tribes, Alaska Native communities, or Native Hawaiian communities; and for which not less than 50 percent of the activities of the entity serve Indian Tribes, Alaska Native communities, or Native Hawaiian communities; the term 'Native Hawaiian' has the meaning given the term in section 801 of the Native American Housing Assistance and Self-Determination Act of 1996 ([25 U.S.C. 4221](#));

## How do I apply?

- A Notice of Funding Availability (NOFA) will be published in the Federal Register in the Spring of 2023 to announce the funding availability and the application requirements.



# SFH 502 NCDFI Relending Demonstration Program FY24 Funds - \$5.5 Million

State	NCDFI Name	FY24 Amount
AK	Haa Yakaawu Financial Corporation	\$876,000
HI	Hawaii Community Lending	\$1,600,000
MI	Lake Superior CDC	\$700,000
OK	Cherokee Nation, CNDTA Inc.	\$876,000
OR	Nixwyaawii Community Financial Services	\$525,000
WI	Wisconsin Native Loan Fund	\$876,000.

# Self-Help Housing

- **Self-Help Technical Assistance Grant Program**

- [RD Instruction 1944-I](#)
  - Exhibit G 'Application Checklist'
- Grant recipient supervises very-low and low-income individuals and families to construct/repair their own homes.
- Purchase price of home reduced by owner/builder's labor aka "sweat equity"- building cost of home typically covered by 502 loan.



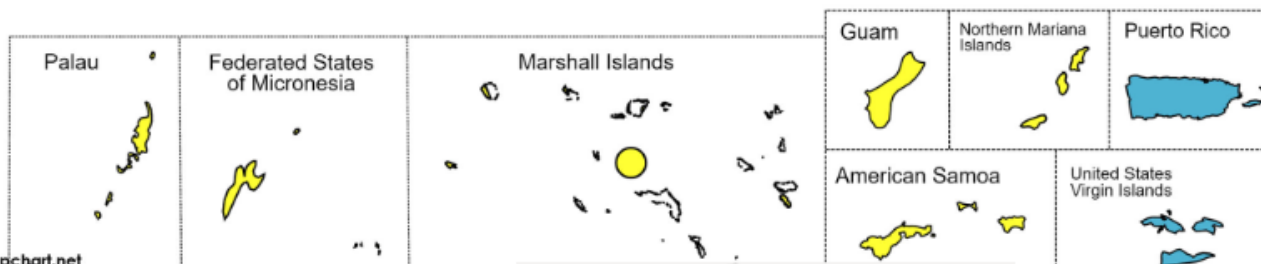
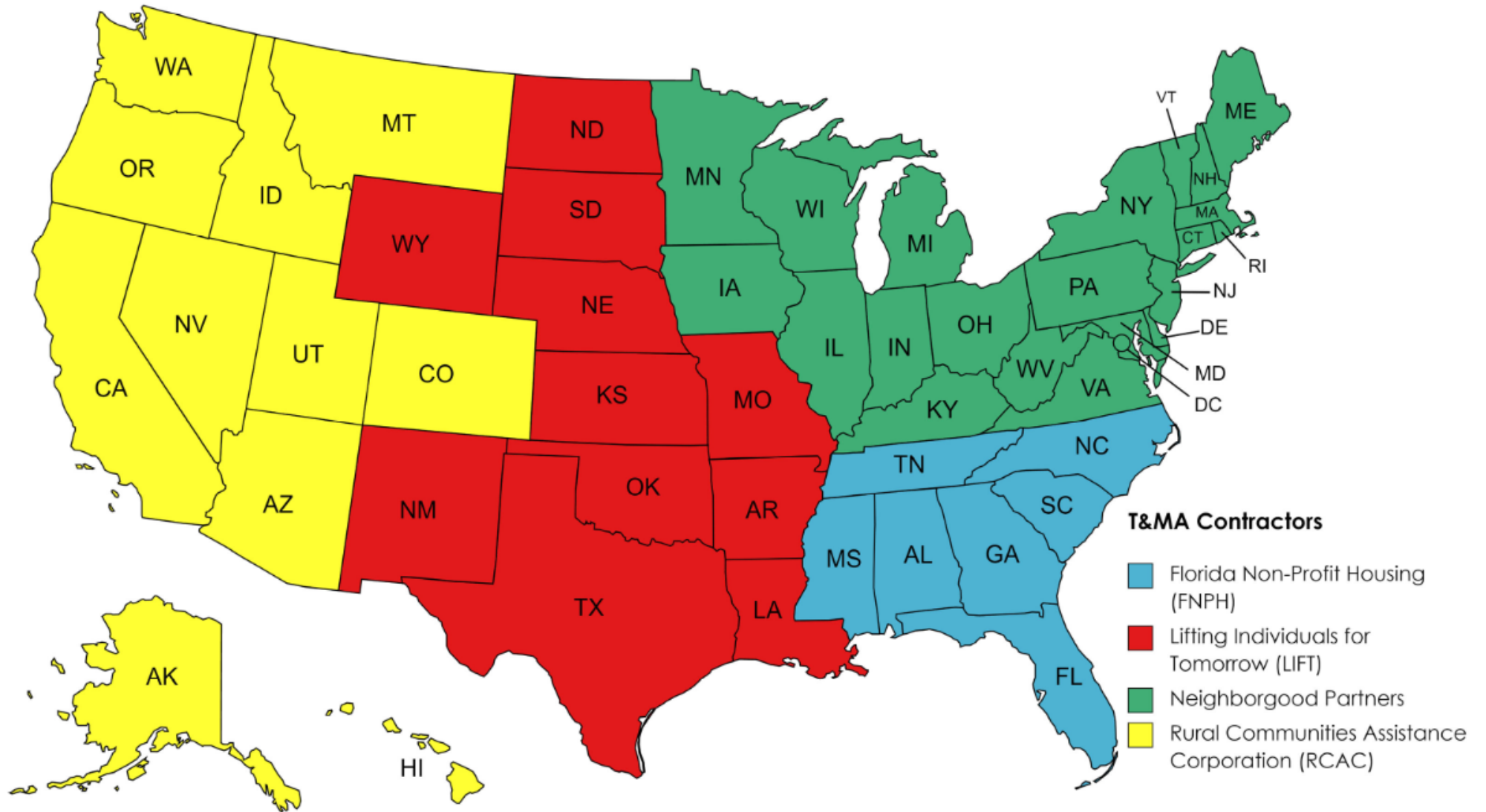
# How does it work?

- **Section 523 Technical Assistance (TA) grants go to non-profit, municipal organizations and tribes so they may provide necessary TA to:**
  - Recruit participating families
  - Package loan applications
  - Provide TA & training to construct homes
  - Coordinate the build (e.g., land, plans, costs, subcontractor etc.)
  - Provide financial supervision of loan funds to pay vendors for materials and contracted services
- **The self-help grantees leverage their organizational capacity to market the program, assemble groups of eligible families, and supervise the construction of the homes**

# Technical and Management Assistance

Rural Development (RD) contracts with 4 Regional Technical and Management Assistance (T&MA) contractors to furnish technical assistance and oversight to grantees.

- Florida Non-Profit Housing (FLNP)
- NeighborGood Partners
- Lifting Individuals For Tomorrow Community Action Agency, Inc. (LIFT CAA)
- Rural Community Assistance Corporation (RCAC)



# Site Loan Program

- RD Instruction 444.8 and 1944-I, Exhibit F
- Loans made to acquire and develop sites for low- or moderate-income families.
- Loan applicant may be private or public non-profit organization or a Federally Recognized Indian Tribe.
- Can be used on Tribal Trust Lands.
- Benefits: Lower cost of construction and working with one lender that is invested in the success of the project.



# Eligible Loan Purposes

For the purchase and development of adequate sites, for very-low-, low- and moderate-income households:

- Construction of essential access roads, streets, utilities, and related equipment which will become a permanent part of the development.
- If public water and waste disposal facilities are not available and cannot reasonably be provided on a community basis with other financing, including RD WEP loans and grants, funds may also be included for this purpose.



# Site Loan Preapplications

- The preapplication must include a letter to USDA Rural Development with the following information included in or attached to the letter: (444.8, XI A)
  - Name and address of the nonprofit, public, or tribal organization applicant.
  - Organizational and other authorizing documents, names and addresses of the applicant's members, directors, and officers; and if another organization is a member of the applicant organization its name, address, and principal business.
  - A current, dated, and signed financial statement showing assets, and liabilities, together with information on the repayment schedule and status of each debt. Most recent audit, if available.
  - Evidence of inability to obtain credit from other sources at affordable interest rates and loan terms for very-low-, low-, and moderate-income site development.



# Site Loan Preapplications (Cont'd)

## Project general description including:

- Location and size of tract or tracts to be bought and developed.
- Number and size of individual sites planned together
- Detailed plot plan, if available.
- Preliminary engineering plans, if available.
- Estimate cost and amount of loan request.
- Explanation of applicant's financial contribution to the project.
- A map showing the location of and other supporting information on neighborhood and existing community facilities and utilities.
- How water and sewage systems, paved streets, sidewalks, lighting, and other utilities will be provided.
- Evidence of need for the proposed sites by low- and moderate-income families (market survey or study).
- Written evidence of any State, county or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites.

# 533 Housing Preservation Grant Program (HPG)

## What does the program do?

- The HPG program provides funds(grant) to qualified organizations to repair or rehabilitate housing occupied by very-low and low-income families in eligible rural areas
- Properties can be owner occupied or rental/cooperative properties
- Project must be in eligible rural area.
- Individuals apply through an organization that has received a Housing Preservation Grant, not directly to USDA Rural Development



# Housing Preservation Grants (HPG) (Cont'd)

## Who is eligible to apply?:

Applicants can be:

- Most state and local government entities
- Nonprofit organizations
- Federally-recognized Tribes

What is the application process?

- Application are accepted on an annual basis through a Notice of Funding Availability published in the Federal Register.

<https://www.rd.usda.gov/programs-services/single-family-housing-programs/housing-preservation-grants>

# Resources

## Income and Rural Eligibility

- <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

## Handbooks and Regulations

- <https://www.rd.usda.gov/resources/directives/handbooks>

## Collaborating for Prosperity With American Indians & Alaska Natives

- [https://www.rd.usda.gov/sites/default/files/usdard\\_2019tribalreport.pdf](https://www.rd.usda.gov/sites/default/files/usdard_2019tribalreport.pdf)

## State and Local Office Contacts

- <https://www.rd.usda.gov/about-rd/state-offices>



# Contact Info

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