



## **Rural Development**

Alan Stephens, State Director

## ***Housing Alliance Member Meeting***

**April 26, 2013  
San Luis, AZ**



**USDA Rural Development provides assistance for infrastructure and economic development in rural communities and on Tribal lands through programs such as Community Facilities, Water & Waste, Electric, Telecom, Business Development, and Housing.**





**In FY2012, USDA  
Rural Development  
invested over  
\$470,000,000 into  
rural Arizona  
Communities...**

**...over \$384,000,000  
of that was for  
HOUSING!**

A photograph of a house under construction. The house has a gabled roof and several windows. A 'SOLD' sign is visible in the foreground. The house is surrounded by a dirt lot.

# USDA RD Housing Stats for FY2012

<u>Program</u>	<u>#</u>	<u>Amount</u>
502 Direct Loans	158	\$ 7,733,437
502 Direct Self-help	89	\$ 8,503,673
502 Guarantee	2,783	\$350,877,917
504 Loans	20	\$ 143,532
504 Grants	117	\$ 825,080
306C Grants	77	\$ 321,603
HPG	2	\$ 55,000
Rental Assistance	2,800	\$ 14,073,600
Self-help T/A	1	\$ 1,010,880
MFH Direct Loans	1	\$ 566,855
MFH Guarantee Loan	1	\$ 332,500





# **USDA RD Re-Fi Program**

**The Rural Refinance Pilot is available to eligible borrowers who qualify to refinance their current primary residence USDA mortgage loans. The program was designed for the “Hardest Hit States” and under the pilot program, a lender does not need to submit a new credit report, new appraisal or any additional property inspections.**



# **USDA RD Re-Fi Program**

**Some of the requirements include:**

**The existing loan must be a Section 502 Direct or Guaranteed loan.**

**The borrower must meet current income eligibility requirements.**

**The account must be current and mortgage payments made timely for the 12-month period prior to the refinance.**

**The new loan interest rate must be at least 100 basis points less than the existing rate.**





# **USDA RD Re-Fi Program**

**So far in FY13, Arizona has obligated 285 refinance transactions totaling \$39,521,016.**

**In addition, so far this FY, we have obligated 1421 new purchase transactions totaling \$196,032,289.**

**This represents a 40% increase over the same period in FY12.**



# **MFH Energy Efficiency Initiative**

**The introduction of USDA Rural Development Multi-Family Housing Energy Efficiency Initiative as part of our existing application process is a continuation of a promise to help maintain and protect the environment for future generations and builds upon a strong foundation of environmental support from USDA-RD and others.**

**[http://www.rurdev.usda.gov/program\\_details.html](http://www.rurdev.usda.gov/program_details.html)**





# **MFH Energy Efficiency Initiative**

**The Multi-Family Housing Energy Efficiency Initiative enables Section 515 Rural Rental Housing Program for New Construction, Section 514 Farm Labor Housing Loans and Section 516 Farm Labor Housing Grants for Off-Farm Housing, Section 522 Housing Preservation Grants, and Sections 514, 515 and 516 Multi-Family Housing Revitalization Demonstration Program applicants to help the environment and increase their eligibility for funding by incorporating energy efficiency practices into project designs, construction, and operations.**



# USDA Rural Development has several housing programs within its portfolio, including:

- Single Family Housing Direct Loans
- Single Family Housing Guaranteed
- Farm Labor Housing
- Multi Family Housing
- MFH Rental Assistance
- Self-help Housing
- SFH 504 Repair Loans and Grants
- 306C Water/Waste Grants





# Single Family Housing Direct Loans

- Funded directly to applicant by USDA RD
- Available for low and very low income households
- 100% financing available for:
  - purchase of existing dwelling
  - purchase of site and construction of dwelling
  - purchase newly constructed dwelling
- Provides financing at reasonable rates and terms with no down payment
- Mortgage payments based on adjusted income



# Single Family Housing Direct Loans

Applicants must:

- Be very low or low income
  - below 50% of area median income
  - low is between 50-80% of area median income
- Be without adequate housing, but able to afford mortgage payments, including taxes and insurance (payments typically 22-26% of income)
- Be unable to obtain credit elsewhere, yet have reasonable credit histories

Loans up to 33 years (38 years under some conditions)

Loans up to 30 years for manufactured homes

Interest rate set by RHS

Interest rate and subsidy determined by income

**No down payment required**





# Single Family Housing Guaranteed Loans

Section 502 loans are primarily 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.

Applicants for loans may have an income of up to 115% of the median income for the area. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must have reasonable credit histories.



# Single Family Housing Guaranteed Loans

The homebuyer is the bank or lending institutions' customer. The bank or lending institution in Rural Development's customer.

Loans are for 30 years

The interest rate is set by the lender

No down payment is required

The lender determines repayment  
feasibility

USDA Rural Development guarantees the  
bank or lending institution's loan.





# **Mutual Self-help Housing—Section 502**

**The 502 mutual self-help housing loan program is used primarily to help very low- and low-income households construct their own homes. The program is targeted to families who are unable to buy clean, safe housing through conventional methods.**



# **Mutual Self-help Housing—Section 502**

**Families participating in a mutual self-help project perform approximately 65 percent of the construction labor on each other's homes under qualified supervision. The savings from the reduction in labor costs allows otherwise ineligible families to own their homes. If families cannot meet their mortgage payments during the construction phase, the funds for these payments can be included in the loan.**



# **Section 514**

## **Farm Labor Housing**

**The farm labor housing loan and grant program provides capital financing for the development of housing for domestic farm laborers. Loans are made to farmers, associations of farmers, family farm corporations, Indian tribes, nonprofit organizations, public agencies, and associations of farmworkers. Typically, loan applicants are unable to obtain credit elsewhere, but in some instances, farmers able to get credit elsewhere may obtain loans at a rate of interest based on the cost of federal borrowing.**





# Section 514

## Farm Labor Housing

Grants are made to farmworker associations, nonprofit organizations, Indian tribes, and public agencies. Funds may be used in urban areas for nearby farm labor.

(This is the only Rural Housing Service rural service area exception.)

Loans are for 33 years at 1% interest, except as noted above. Grants may cover up to 90% of development costs. The balance may be a farm labor housing loan. Funds may be used to build, buy, improve, or repair labor housing and to provide related facilities.





# Rural Rental Housing Section 515

The program is adaptable for participation by a wide variety of owners. Loans can be made to individuals, trusts, associations, partnerships, limited partnerships, State or local public agencies, consumer cooperatives, and profit or nonprofit corporations.

Very low-, low-, and moderate-income families; the elderly; and persons with disabilities are eligible for tenancy of 515-financed housing



# Rural Rental Housing Section 515

Individuals, partnerships, limited partnerships, for-profit corporations, nonprofit organizations, limited equity cooperatives, Native American tribes, and public agencies are eligible to apply. For-profit borrowers must agree to operate on a limited-profit basis (currently 8 percent on initial investment). Borrowers must be unable to obtain credit elsewhere that will allow them to charge rents affordable to low- and moderate-income tenants.





# **Rural Rental Housing RA—Section 521**

**Rental assistance may be used in both existing and newly constructed Rural Development regular or farm labor housing financed projects. Projects must be established on a nonprofit or limited profit basis.**

**Persons with very low and low incomes, the elderly, and persons with disabilities are eligible if they are unable to pay the basic monthly rent within 30 percent of adjusted monthly income.**



# Rural Rental Housing RA—Section 521

The rural rental assistance program provides an additional source of support for households with incomes too low to pay Rural Development's subsidized (basic) rent from their own resources. RD pays the owner of a multi-family housing complex the difference between the tenant's contribution (30 percent of adjusted income) and the monthly rental rate.





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# **Rural Rental Housing Section 538**

**Rural Development guarantees loans under the rural rental housing guaranteed loan program for development of multi-family housing facilities in rural areas. Loan guarantees are provided for the construction, acquisition, or rehabilitation of rural multi-family housing.**





# **Rural Rental Housing Section 538**

**Occupants must be very-low, low or moderate-income households, elderly, or disabled persons with income not in excess of 115% of the area median income. Very low income is defined as below 50 percent of the area median income; low income is between 50 and 80 percent; moderate income is capped at \$5,500 above the low-income limit. The average rent of all units is 30% of 100% of the median income of the surrounding area (adjusted for family size).**



# **Rural Rental Housing Section 538**

**The terms of the loans guarantee may be up to 40 years, and the loans must be fully amortized. Rates must be fixed, as negotiated between lender and borrower. The rate is based on the 30-year treasury bond rate on the day prior to date of loan closing.**

**Maximum rent is 30 percent of 115 percent of median income, and average rent of all units is 30 percent of 100 percent of the median income adjusted for family size.**





# **Rural Rental Housing Section 533**

**Housing preservation grants provide funds to sponsoring organizations for the repair or rehabilitation of low and very low income housing. The grants are competitive and are made available in areas where there is a concentration of need. The objective is to repair or rehabilitate individual housing, rental properties, or co-ops owned and/or occupied by very low and low income rural persons.**



# **Rural Rental Housing HPG—Section 533**

**Those assisted must own very low- or low-income housing, either as homeowners, landlords, or members of a cooperative. Eligible sponsors include state agencies, units of local government, Native American tribes, and nonprofit organizations.**



# **Section 504 SFH Repair Loans/Grants**

**Rural Housing Repair and Rehabilitation Loans are funded directly by the Government. These loans are available to very low-income rural residents who own and occupy a dwelling in need of repairs. Funds are available for repairs to improve or modernize a home, or to remove health and safety hazards.**

**This is a 1% loan that may be repaid over a 20 year period.**





## **Section 504 SFH Repair Loans/Grants**

**Loans up to \$20,000 and grants of up to \$7,500 are available. Loans are for up to 20 years at 1% interest. A real estate deed of trust is required for loans of \$7,500 or more. Full title services are required for loans of \$7,500 or more. Grants may be recaptured if the property is sold in less than three years.**





# **Section 504 SFH Repair Loans/Grants**

**Grant funds may be used only to pay for repairs and improvements resulting in the removal of health and safety hazards. A grant/loan combination is made if the applicant can repay part of the cost. Loans and grants can be combined for up to \$27,500 in assistance.**



# 306C Colonia Water/Waste Grants

306C Colonia grants are available to extend service lines from a central water or waste disposal system to a residence; to connect service lines to a residence's plumbing; to pay reasonable charges or fees for connecting to a system; pay for necessary installation of plumbing and related fixtures in homes lacking such facilities; and to construct and/or partition off a portion of the home for a bathroom (not to exceed 48 sq. ft.)



# 306C Colonia Water/Waste Grants

Colonias are any identifiable community designated in writing by the State or county in which it is located; determined to be a colonia on the basis of objective criteria including:

- lack of potable water supply
- lack of adequate sewage systems
- lack of decent, safe and sanitary housing
- inadequate roads and drainage
- in existence and generally recognized as a colonia before October 1, 1989.



# 306C Colonia Water/Waste Grants

The maximum grant to any individual for water service lines, connections and/or construction of a bathroom is \$3,500.

The maximum grant to any individual for sewer service lines, connections, and/or construction of a bathroom is \$4,000.

The lifetime assistance to any individual for initial or subsequent Section 306C WWD grants may not exceed a cumulative total of \$5,000.







## **CONTACT US!**

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