



United States  
Department of  
Agriculture

Rural Development

# Guaranteed Rural Housing Loans



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



*Sometimes a good credit history and steady income are not enough to qualify for a home loan with a commercial lending institution, community bank, mortgage loan company, or mortgage broker.*

*More rural families and individuals may be eligible to become homeowners with the help of a USDA guaranteed home loan. When the Federal Government guarantees a loan, lending institutions can assist buyers with reduced risk. USDA's Single Family Housing Guaranteed Loan Program may assist lenders to extend mortgage loans with affordable terms to low- and moderate-income homebuyers.*

### ***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 where the home is located. Eligible adjustments are allowed for dependents, elderly households, annual child care expenses, and qualifying medical and/or disability expenses. USDA Rural Development offices can provide applicants with information on income limits for their area and assist them in calculating household income. An automated income-eligibility calculator is available online at: <http://rdeligibility.usda.gov>;

- Have a credit history that indicates a reasonable ability and willingness to pay debt obligations as they become due;



- Meet repayment ability based on the following qualifying ratios:
  1. Principle, Interest, Real Estate Taxes, and Homeowners Insurance (PITI) of 29 percent of the gross monthly income.
  2. Total Debt (TD) consists of the PITI and all additional monthly debt obligations (i.e., installment loans, credit card payments, student loans, etc.) of 41 percent of the gross monthly income. Exceptions to exceed the qualifying ratios may be granted by Rural Development upon approved lender request.

### ***Homes That Qualify***

- Existing, modular, or new construction homes are eligible. New manufactured homes may be eligible; contact Rural Development for more information;

- Existing homes must be structurally sound, functionally adequate, and in good repair;
- There are no restrictions on the size or design of the home;
- The home must not be used for income-producing purposes, nor may it include buildings or other accessories that produce income;
- Homes must be located in eligible rural areas. USDA Rural Development field offices determine eligible areas. Rural areas may be identified by mapping an exact address or viewing individual counties by State online at: <http://rdeligibility.usda.gov>.

### ***Highlights of the USDA Guaranteed Rural Housing Loan Program***

- Loans may be guaranteed up to 100 percent of the appraised value; a portion or all of the upfront guarantee fee may be financed above market value. No downpayment is required;
- An annual guarantee fee is collected while the loan is in repayment status. The fee is included as part of the borrower's monthly payment;
- Thirty-year fixed interest rates apply and are agreed upon by the lender and applicant. Maximum interest rates apply;
- Loans may include eligible closing costs, legal fees, title services, pre-paid items, and the cost to establish an escrow account for real estate taxes, homeowners insurance, and/or annual fees if the appraised value is higher than sales price;
- Sellers may contribute to the buyer's closing costs;
- Homebuyers may apply with a participating approved lender of their choice;
- Buyers must occupy the dwelling as their primary residence;
- Refinance transactions are allowed for USDA Section 502 guaranteed or direct housing loans;
- Guarantee fees may be financed into the loan or paid at loan closing by the borrower, seller, builder, or eligible gift/grant funds;
- Lenders may use secondary market sources, including Fannie Mae, Freddie Mac, Ginnie Mae pools, and participating State housing 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 an approved lender of their choice to apply for mortgage financing. USDA Rural Development's field offices can provide more information about the guaranteed loan program, as well as a list of approved lenders that participate. 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." Rural Development State offices may be contacted at 1-800-670-6553, then press 1 and follow the prompts to be connected.

Please visit the Rural Development Web site for additional information at:

*<http://www.rurdev.usda.gov/rhs/>*

Or write:

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



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