

Direct Home Loan Program May 18, 2017

USDA Rural Development's Direct Home Loan Payment Subsidy Program

Payment subsidies available to USDA Rural Development direct home loan borrowers can help reduce the effective interest rate to as low as 1 percent and lower required monthly mortgage payments. The borrower's adjusted annual income determines how much, if any, payment assistance they are eligible to receive.

How much money could a payment subsidy save someone each month?

Here are some quick comparisons to illustrate the effect of a lower interest rate on a mortgage loan:

\$50,000 loan over a 33-year term:

- 4.5 percent interest = \$242.61 monthly payment
- 1.0 percent interest = \$148.30 monthly payment

\$50,000 loan over a 38-year term:

- 4.5 percent interest = \$229.07 monthly payment
- 1.0 percent interest = \$131.85 monthly payment

How can someone receive a payment subsidy?

Borrowers who are not currently receiving payment subsidy may request this assistance if their financial situation changes (loss of income, loss of a job, change in household members, etc.) If something like this happens, the applicant should call a Customer Service Center (CSC) counselor at 1-800-414-1226 to discuss the options.

What is a Payment Assistance Review (PAR)?

Payment assistance is generally granted for up to 2 years. A renewal packet is mailed to the borrower(s) for completion 90 days prior to the expiration of the current agreement. In general, borrower income must be reviewed annually to determine whether the borrower is eligible to continue receiving payment subsidies.

Annual and interim reviews of borrowers receiving payment subsidies is the responsibility of CSC. Borrowers who receive payment subsidies must notify CSC if any adult household member changes or obtains employment, the household composition changes, or if the household income

increases by 10 percent or more. If any of these changed circumstances happen outside the normal review period, they should be reported to CSC as soon as possible.

How is income verified?

Verification of income requires submission of the last two consecutive pay stubs for all household wage earners, a benefit or award statement from SSI, social security, retirement/pension, unemployment, AFDC, etc. for all household members receiving income other than wages, and a copy of the court order/divorce decree, or a current 12-month history to verify child support and/or alimony received.

What is subsidy recapture and when does it have to be repaid?

Subsidy recapture is when all or a portion of the subsidy received over the life of a loan may be subject to repayment after a borrower sells or no longer occupies the security property, or once the loan is paid in full. The amount of subsidy which must be repaid is the lesser of the total dollar amount of subsidy received, or 50 percent of the value appreciation.

USDA Rural Development Direct Home Loan Staff

USDA Rural Development's direct home loan program team assisting rural lowans with their homeownership needs includes:

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Contact USDA Rural Development

Contact USDA Rural Development direct home loan program housing staff today at (515) 284-4444, directIA@ia.usda.gov or visit www.rd.usda.gov/ia for more information.

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