

Single Family Housing Guaranteed Loans Combination Construction to Permanent Loans

What does this program do?

Lenders and homebuilders participating in the Single-Family Housing Guaranteed Loan Program now have a new tool to expand access to affordable rural housing and increase financing opportunities for low- to moderate-income applicants. The combination construction-to-permanent loan, also called a “single close loan,” allows approved lenders to close a new construction loan and receive a loan note guarantee before construction begins!

What are some of the benefits?

- **Reduced risk for lenders and builders.** With this single close product, the loan is fully funded at signing, ensuring the build will happen to completion. Additionally, USDA issues the Loan Note Guarantee immediately, before construction even begins, allowing lenders to immediately package the loan into a mortgage-backed security or sell it to a participating investor.
- **Reduced risk for builders.** Homebuilders will lower their risk when investing capital into a home construction project because the loan will be fully funded at closing.
- **Increased economic activity.** New home construction generates business at the local level for the construction trade and other related

How do we get started?

- **Lenders:** To be eligible to participate in the combination construction-to-permanent loan program, the USDA-RD Approved Lender must have two years of experience in originating and administering construction loans.
- **Homebuilders:** USDA-RD approved lenders will review homebuilders’ qualifications and determine them eligible to construct new homes under the program.

Where are these loans made?

USDA finances housing in eligible rural areas with populations up to 35,000. Check [eligible addresses](#) for the program.

How may loan funds be used?

Funds may be used to construct and purchase single family homes, including manufactured and modular homes. The loan may include the lot purchase, reasonable construction and administrative costs, contingency reserves, inspection fees, landscaping costs, and other authorized items.

What are the loan terms?

Interest rates are fixed at loan closing before construction begins. The appraised value will determine the maximum loan amount. This program allows for two product options: a standard option with interest only payments made during construction and a securitized version where full PITI payments are made. The securitized version eliminates the need for a loan modification upon completion of the build, which allows for the loan to be packaged or sold prior to construction, and eliminates the need for a warehouse line of credit. Both options allow for payments during construction to be escrowed from loan funds and both receive the Agency’s Loan Note Guarantee at signing, before a shovel goes into the ground!

For More Information

Lenders and homebuilders may direct questions to
sfhgld.lenderpartner@usda.gov.

Home buyers should visit our website :
rd.usda.gov