Section 502 Direct Loan Program Overview

• Authorized by the Housing Act of 1949
• Provides affordable housing loans to eligible low- and very low-income applicants who wish to obtain modest housing in rural areas

https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do

• Rural Development (RD or Agency) is the lender and servicer
100% Financing

• 100% financing without private mortgage insurance

• Eligible loan purposes and uses include site-related costs, dwelling-related costs, and fees/related costs

• Eligible loan amount is limited by the applicant’s repayment ability and the home’s appraised value
Loan Terms

• Standard loan term is 33 years

• Loans up to 38 years is permitted when the household’s adjusted income doesn’t exceed 60% of the area median and a longer term is needed for repayment

• Manufactured homes have a maximum 30-year term
Interest Rate and Payment Assistance

• Interest rate is fixed: [www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans](http://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans)

• Borrowers may be eligible for payment subsidies that reduce their effective interest rate and their monthly mortgage payment.

• Depending on the home’s value, subsidies received may be repaid at the time of sale or non-occupancy.
Roles and Responsibilities

**National Office (N/O)**
- Issues nationwide loan making guidance
- Provides technical assistance
- Conducts program and compliance reviews
- Manages nationwide funding allocations
- Markets program to nationwide partners

**Servicing and Asset Management Office (S/O)**
- Issues nationwide servicing guidance
- Services loans after closing
- Requests Field Office assistance when needed

**State Office**
- Issues state specific guidance, which must be approved by N/O
- Liaison between N/O and Field Offices
- Manages statewide funding allocations
- Markets program to statewide partners
- Conducts statewide program and compliance reviews
- Provides feedback to N/O regarding program guidance and delivery

**Field Office**
- Delivers the program to the customers
- Markets the program locally
- Accepts and processes applications
- Provides feedback to State Office regarding program guidance and delivery
- Works with S/O to assist with servicing actions when needed
Loan Application Packaging

A loan application packager, who does not work for or represent RD, provides an optional service to parties seeking a housing loan by helping them navigate the loan application process.

• Certified Packager
• Non-Certified Packager
Certified Packagers

- Experience
- Training
- Structure, and performance requirements
- Access to funding reserves for applications submitted via an intermediary
- Three parties involved in the certified packaging process:
  - Agency-certified loan application packager
  - Qualified employer
  - Agency-approved intermediary
Certified Packaging Roles and Responsibilities

• Agency – Makes all decisions regarding eligibility, underwriting, final approval, and closing

• Certified Packager – Markets the program, prescreens and counsels potential applicants, and assists the applicant in assembling a complete application

• Intermediary – Performs quality assurance reviews, recruits certified packaging bodies, and provides supplemental training, technical assistance and support to certified packaging bodies

https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers
The direct loan program’s regulation is found in the Code of Federal Regulations (CFR) at 7 CFR Part 3550. The program’s regulation and guidelines can be found using the following link:

https://www.rd.usda.gov/resources/regulations/program-regulations
Handbook-1-3550

https://www.rd.usda.gov/resources/directives/handbooks
Searching Handbook-1-3550

To open a specific chapter, select that chapter’s link. HB-1-3550 is available chapter by chapter, or you can open the entire HB and search.

To open the entire handbook, select Consolidated version at the top of the chapter listing.

Consolidated version (large document may take long to load)

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Sign up for Govdelivery to receive email updates on this program.

Using the link below, enter your email and select the “SFH Direct Loan and Grant Programs” (and any other programs of interest) and then click “Submit”.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD 3027, found online at
http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by mail at: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410; by fax (202) 690-7442; or email at program.intake@usda.gov.
Are you interested in learning more about the Single Family Housing Direct Programs?
Please contact your applicable RD State Office.
https://www.rd.usda.gov/contact-us/state-offices

USDA is an equal opportunity provider, employer, and lender.