USDA United States Department of Agriculture

Rural Development

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. Our new **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 of these single close loans?

- **Reduced risk for lenders.** Lenders can reduce their risk in new-construction lending and realize immediate profits. USDA will issue a loan note guarantee before construction begins, allowing lenders to immediately package the loan in a mortgage-backed security or sell it to a participating investor.
- **Reduced risk for builders.** Homebuilders will not be at 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 for subcontractors, hardware stores, landscapers, utility companies, inspectors, appraisers, and other housing industry suppliers at the local level.

How do we get started?

- **Lenders:** To be eligible to participate in the combination construction-to-permanent loan program, the USDA Rural Development-Approved Lender must have two years of experience in originating and administering construction loans.
- **Homebuilders:** USDA-approved lenders 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 homes and eligible condominiums. This includes purchasing a lot, reasonable construction administrative costs, contingency reserves, inspection fees, builder's risk insurance, landscaping costs, and other authorized items.

What are the loan terms?

Interest rates are fixed at loan closing before construction begins. Property appraisals determine maximum loan amounts. Annual fees and loan interest begin accruing the month after closing, but lenders may establish escrow/reserve accounts for payments, along with real estate taxes and homeowners' insurance due during construction, if eligible.

Initial principal and interest payments may be postponed for up to one year, if necessary, during construction. When the home is completed, loans may be modified and re-amortized to obtain full payment within the remaining loan term.

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Who can answer questions?

Lenders and homebuilders should contact the USDA Rural Development **Guaranteed Loan Coordinator** in your state for more information about single-close combination construction-to-permanent loan guarantees.

What law governs this program?

- **7 CFR Part 3555**
- **HB-1-3555 SFH Guaranteed Loan Program Technical Handbook**
- **RD Instruction 1924-A**

NOTE: Because citations and other information may be subject to change please always consult the program instructions listed in the section above titled "What Law Governs this Program?" You may also contact **your local office** for assistance. You will find additional forms, resources, and program information at **www.rd.usda.gov**. ***USDA is an equal opportunity provider, employer, and lender.***

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