

USDA



UNITED STATES DEPARTMENT
OF AGRICULTURE

RURAL DEVELOPMENT
RURAL HOUSING SERVICE

"Applicant Information Sheet" - Single Family Housing

The Rural Housing Service (RHS) provides loans in rural areas to eligible low- and very low-income applicants. The loan may be to purchase existing housing, purchase and repair existing housing, purchase a building site and construct a dwelling, or purchase new housing. Rural areas include open country and places with population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 25,000 population.

The property must be in good repair or placed in good repair with loan funds and meet Agency thermal standards. Third-party inspections are required for insulation, electrical, heating, plumbing, water and wastewater disposal systems, if applicable, and termite inspections. These third-party inspections must be performed by a qualified inspector. The payments for costs associated with the inspections will be agreed upon between the buyer and the seller and should be discussed prior to signing a purchase agreement.

All who apply get equal consideration without regard to race, color, religion, sex, marital status, age, disability, or national origin.

The following documents are attached and may be completed and returned to your local Rural Development office located at the following address:

USDA Rural Development
2287 N. Texas Blvd., Suite 1
Alice, TX 78332
Phone: (361) 664-0455 ext. 4

1. Form RD 410-4, "Uniform Residential Loan Application"
Please contact the above Rural Development office if you have questions or would like assistance in completing this form.
2. Form RD 3550-1, "Authorization to Release Information"

USDA Rural Development is an Equal Opportunity Lender,
Provider and Employer. Complaints of discrimination should be
sent to: USDA, Director, Office of Civil Rights, Washington, DC 20250-9410

To determine if you qualify, review these frequently asked questions:

"DOES IT MATTER HOW MANY OTHER BILLS I HAVE TO PAY?"

RHS will look at how much you currently owe to others. We'll want to know if paying back the proposed loan on top of your other payments will be difficult for you.

"WHAT IF I THINK MY INCOME IS TOO LOW?"

Having enough income to repay your loan is an important part of getting a loan; however, the RHS loan may be subsidized. A subsidized loan is based on the applicant repaying a percentage of their income toward the housing payment, taxes, and insurance. The percentage is generally 22, 24, or 26 percent of the applicant's household income.

"WHAT CAN I DO IF MY INCOME IS TOO LOW?"

The easiest thing you can do is consider a co-applicant to apply with you. RHS will then look at the combined credit histories and income. That can do a lot to improve your chances for approval. If you want a co-borrower, be sure to have the person complete the Co-Applicant section of the application form and sign his or her name next to yours.

"HOW CAN I DETERMINE IF MY INCOME IS ADEQUATE TO REPAY A LOAN?"

The amount of your proposed monthly house payment, real estate taxes, insurance, and other credit debts cannot exceed 41 percent of your gross monthly income. If you have questions regarding how this determination is made, you may contact the local Rural Development Office shown on the front cover.

"CAN I GET A LOAN IF I'M UNEMPLOYED?"

A steady source of income is very important to getting a loan. An applicant must show sufficient resources to repay the housing loan. Not having a job may have an impact on the Agency's decision. Experience has shown that applicants with stable jobs are more likely to repay the loan.

"WILL YOU FIND OUT ABOUT OTHER CREDIT I'VE HAD?"

Yes. Your credit bureau report provides information on your payment history including any difficulty you have had repaying other loans or credit cards. That information will be used to see if you can easily repay the loan.

"HOW CAN I FIND OUT IF I'M ELIGIBLE FOR A LOAN?"

A Rural Development employee is available to discuss eligibility requirements with you on an individual basis by phone or in person during regular office hours. Any interested person may make written application at the local Rural Development office.

"WILL I KNOW RIGHT AWAY IF I QUALIFY FOR A LOAN?"

Rural Development staff can pre-qualify the applicant with unverified information provided by the applicant by phone or in person. However, a final eligibility determination will not be made until a written application is filed, household income is verified, and a mortgage credit report is obtained.

"WILL I NEED TO GET PART OF MY FINANCING FROM ANOTHER SOURCE?"

Applicants who demonstrate the ability to obtain a portion of the needed funds from outside sources (i.e. conventional lenders, housing authorities, etc.) must do so. These loans are referred to as leverage loans. Requiring supplemental funding from outside sources allows applicants to establish relationships with private lenders and helps Rural Development assist more families in buying their own homes. Please note that leveraged loans receive processing priority.

"HOW LONG WILL IT BE BEFORE I CAN MOVE INTO MY NEW HOME?"

Typically, applicant eligibility, loan approval, and loan closing may be accomplished within approximately 90 days of filing of the written application. However, depending on the availability of Government funding, this time-frame may be extended. The applicant is periodically advised regarding the status of his or her application when there is lack of funding.

"HOW MUCH MONEY WILL I NEED FOR A DOWN PAYMENT?"

A down payment is not required. Loans may be made for up to 100 percent of the market (appraised) value. Simply put, this means if the sales price of the property is equal to or less than the appraised value, no down payment is needed.

"DOES THIS MEAN I WON'T NEED ANY CASH TO GET A LOAN?"

Generally, the applicant will need some cash available. There are costs associated with the credit report, appraisal report, escrow, and other related closing costs. The credit report fee is always paid by the applicant. Costs pertaining to the appraisal, escrow, and loan closing may be included in the loan amount. You may also negotiate with the seller to contribute a percentage toward closing costs. Any agreement with the seller should be entered into prior to signing, and documented in, the purchase agreement or sales contract.

"DOES THE APPLICANT HAVE OTHER RESPONSIBILITIES?"

Yes. Rural Development staff are available to assist the applicant from the application to loan closing. The applicant is responsible for providing requested information timely. The information may be requested by Rural Development staff, a real estate agent, or a closing agent. Failure to provide information timely results in delayed decisions and other actions.

"ARE THERE OTHER ELIGIBILITY REQUIREMENTS?"

Yes. The applicant must:

1. Be without decent, safe, and sanitary housing.
2. Be unable to obtain a loan from other resources on terms and conditions that they can reasonably be expected to meet.
3. Possess the legal capacity to incur the loan obligation.

"WHAT ARE THE TERMS OF THE LOAN?"

The maximum repayment period is 33 years and, under certain conditions, 38 years. The maximum repayment period for manufactured homes is 30 years.

"WHERE MAY HOUSES BE LOCATED?"

Houses must be located on desirable sites with an adequate supply of safe drinking water and suitable arrangements for sewage disposal. Streets must have an all-weather surface and be maintained by a public body.

"WHAT ABOUT THE SIZE AND DESIGN OF THE HOME?"

Cost and design vary in different areas of the country. The value of a dwelling may not exceed the Area Loan Limit for the area in which the applicant is requesting financing.

"WHO IS RESPONSIBLE FOR INSPECTING THE HOME?"

The applicant/borrower is responsible for making inspections necessary to protect their interests. Rural Development (RD) also performs its own inspections for the dual purpose of determining that RD has adequate security for its loan and is achieving the statutory goal of providing adequate housing. Rural Development inspections are not conducted to guarantee that the house is built in accordance with the plans and specifications. RD inspections create or imply no duty or obligation to the applicant/borrower.

"WHERE MAY I APPLY?"

Applications are made at the local Rural Development office serving the area in which the house will be located. Anyone unable to locate Rural Development in the local telephone directory may write to Rural Development, U.S. Department of Agriculture, Washington, DC 20250.