

RURAL DEVELOPMENT

Rural Housing Service (RHS)

Home Ownership Loans

USDA Rural Development provides loans in rural areas to finance homes and building sites. Rural areas include open country and places with a population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 20,000 population. Each person who applies gets equal consideration without regard to race, color, religion, marital status, age, handicap or national origin.

How May Loan Funds Be Used?

Home ownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities and to provide adequate water and waste disposal systems.

Homes may be built on individual tracts or in subdivisions. Funds may also be used to modernize homes - add bathrooms, central heating, modern kitchens and other improvements.

Borrowers may buy an existing house and lot or buy a site on which to build a home. Under certain conditions, funds may be used to refinance debts on a home.

Who May Borrow?

Home ownership loans are offered to help families or persons with low and moderate income. They must:

1. Be without decent, safe and sanitary housing.
2. Be unable to obtain a loan from other sources on terms and conditions they can reasonably be expected to meet.
3. Have sufficient income to pay house payments, insurance premiums and taxes and necessary living expenses. Persons without adequate repayment ability may obtain co-signers for the loan.
4. Possess the legal capacity to incur the loan obligation.
5. Possess the legal ability to carry out the undertakings and obligations required in connection with the loan.

Under some conditions, holders of long term leases on farms or building sites may be eligible.

What Are The Terms?

Loans may be made for up to 100 percent of the appraised value of the site and the new home if construction inspections were made by USDA Rural Development or other parties authorized by USDA Rural Development. The maximum

repayment period is 33 years and, under certain conditions, 38 years. The maximum repayment period for manufactured homes is 30 years. Maximum loan amount can not exceed applicant's repayment ability.

Is The Borrower Expected To Refinance The Loan?

USDA Rural Development loans make it possible for families of low and moderate income to become owners of adequate homes. When the financial position of the borrower improves, refinancing through a commercial lender is required.

Who Determines Applicant Eligibility?

The USDA Rural Development manager usually determines the eligibility of applicants.

What About Size And Design Of Homes?

Homes are to be modest in size, design and cost, but adequate to meet family needs. Cost and design vary in different areas of the state.

Who Furnishes Building Plans?

Applicants or builders are expected to supply detailed building plans, specifications and cost estimates. These may be obtained from any reliable source. USDA Rural Development has a limited number of sources for ordering plans.

Where May Houses Be Located?

Houses will be located on desirable sites with an assured supply of safe drinking water and suitable arrangements for sewage disposal. In subdivisions, the houses will be sited in an attractive manner to avoid straight-line monotony and to accent and preserve the natural advantages of topography, trees and shrubbery. The streets and water and waste disposal systems shall meet USDA Rural Development requirements. Funds may be included in the loan to finance lawn seeding and landscaping measures that beautify the home and make it an attractive addition to the community.

Are Plans Reviewed And Is Construction Inspected?

Yes. USDA Rural Development reviews the plans and inspects the construction as it progresses.

When Can Construction Start?

When a borrower obtains a loan to build or improve a home, the loan must be closed before construction starts or debts incurred for material or labor.

What Security Is Required?

Each loan will be adequately secured to protect the Government's interest. A loan of more than \$2,500, and any loan to be repaid in more than 10 years, will be secured by a mortgage.

A loan of not more than \$2,500 scheduled for repayment within 10 years may be secured under certain conditions by a promissory note.

Are There Loan Fees And Other Charges?

The applicant pays for the legal services necessary to guarantee a satisfactory title to the site, for credit reports, and

other incidental loan closing costs. These expenses may be included in the loan.

Where Does One Apply?

Applications are made at the USDA Rural Development office serving the area in which the house will be located.

Is There Other Housing Credit?

USDA Rural Development also offers:

1. Loans to build rental or cooperatively owned housing for the elderly and low and moderate-income families.
2. Building site loans to local nonprofit organizations to buy, develop and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance.
3. Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.
4. Loans to owner occupants with low or moderate income to make minor repairs or home improvements.
5. Loans and, in some cases, grants for labor housing for domestic farm workers.

What Other Loans Does USDA Rural Development Make?

The agency makes loans to establish or improve rural water and waste disposal systems; develop rural business and industry; and provide essential community facilities.

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Monticello Sub Area Office - 435-587-2473 x4

Serves San Juan, Grand counties

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U.S. Department of Agriculture
Rural Development

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