

502 Direct Single Family Housing Mortgage Loan

The Single-Family Housing 502 Direct Loan Program assists low and very low-income applicants obtain decent, safe, and sanitary housing in eligible rural areas by providing payment assistance to increase an applicant’s repayment ability. Payment assistance is a type of subsidy that reduces the mortgage payment for a short time. The amount of assistance is determined by the adjusted family income and debt to income ratio.

Who may apply for this program? Several factors are considered when determining an applicant’s eligibility for the 502 Direct Loan Program. At a minimum, applicants interested in obtaining a direct loan must have an adjusted income that is at or below the applicable low-income limit for the area where they wish to buy a house and they must demonstrate a willingness and ability to repay debt.

How may funds be used? Loan funds may be used to help low-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate, or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities

APPLICANT’S ELIGIBILITY REQUIREMENTS:

- Be without decent, safe, and sanitary housing.
- Be unable to secure credit from conventional resources.
- Meet citizenship or eligible noncitizen requirements.
- Agree to occupy the property as your primary residence.
- Have adequate and dependable income.
- Have adequate repayment ability.
- Have an adequate credit history.
- Not be suspended or debarred from participation in federal programs
- Have the legal capacity to incur a loan obligation.
- Have access to capital for the following fees:
 - credit report fee (\$25.00 non-refundable, due at the time of application);
 - home inspection fee (\$550 average, may be refunded with loan funds).
 - First year homeowner’s insurance (\$900-1,200 average, may be refunded with loan funds).
 - Closing costs (average of \$3,500 which include an appraisal and tax service fee. May be refunded with loan funds or seller concessions.)
- No down Payment
- No PMI (Private Mortgage Insurance).

PROPERTY REQUIREMENTS:

- Property must be in an eligible rural area. **What is an eligible area?** Generally, rural areas with a population less than 35,000 are eligible. Visit the [USDA Income and Property Eligibility](#) website for complete details.
- Must not have a market value in excess of the applicable area loan limit. (Max is \$265,400)
- Be modest in size for the area.
- Must not be larger than 2,000 square feet.
- Must not be designed for income producing activities.
- Must not have an in-ground swimming pool.
- Must have access to its own water and waste facilities
- Cannot be on a private road
- Property must not be dividable.
- No existing manufactured homes. Existing modular is allowed. New manufactured homes provided by an approved dealer is allowed.
- Existing dwellings require a whole home inspection.
- Repairs: Based on a Home Inspection some repairs may be required to meet decent, safe & sanitary standards. Required repairs may be included in loan contingent upon appraisal and loan eligibility being high enough to cover cost.
- Current interest rate is 2.75%
- Payback period is 33 years with a 38-year payback for very low-income applicants who can’t afford the 33-year loan term.
- Subsidy may be available.
- No deadline to apply.

HOW TO GET STARTED?

Does your income fall at or below the income in the following chart based on the county you want to live in and household size?

ADJUSTED MAXIMUM INCOME LIMITS: Based on Family Size

Counties	1-4 in household	5-8 in household	Maximum Property Value
Arenac, Clare, Iosco, Gladwin, Ogemaw, Roscommon, Huron, Sanilac, Bay, Tuscola and Gratiot	\$51,100.00	\$67,450.00	\$265,400.00
Isabella	\$52,700.00	\$69,550.00	\$265,400.00
Lapeer and St. Clair	\$62,800.00	\$82,900.00	\$265,400.00
Midland	\$64,400.00	\$85,000.00	\$265,400.00
Saginaw	\$51,100.00	\$67,450.00	\$265,400.00

If your income is **above** the ranges in the income chart you may be eligible for an SFH Guaranteed Loan. You can find more information on the SFH Guaranteed Program at <https://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program>

If your income is at or below the ranges in the chart above. Please visit our online eligibility assessment tool to determine if you may be eligible for the SFH 502 Direct Loan Program at: <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=assessmentType>

PLEASE NOTE: This assessment tool is based on unverified information and does not confirm that you will be eligible for the SFH 502 Direct Loan Program.

Prior to starting the online assessment tool, Rural Development encourages you to obtain a copy of your credit report. You can access a copy of your credit report by visiting <https://www.annualcreditreport.com> or calling 1-877-322-8228. Having a copy of your credit report will help you fill out the online assessment tool as accurately as possible. *Rural Development recommends saving a copy of your credit report to be reviewed. The Assessment tool does not provide a full credit evaluation.*

Once you have completed the online eligibility assessment tool, we ask that you call Rural Development to discuss your results. Rural Development can be reached at 989-673-8173 x 4 (Caro) or 989-345-5470 x 4 (West Branch). This will allow Rural Development to discuss your results and outline the next steps in the process. We ask that you call regardless of your online eligibility assessment tool results. If your results were not favorable, Rural Development will be able to help by giving you the information you need to correct any issues.

If you do not have access to a computer to complete the online eligibility assessment tool or have questions before you start, Rural Development can help. Just give us a call and we can assist you.

Rural Development
1075 Cleaver Road
Caro, MI 48723
989-673-8173 x 4

Rural Development
240 W. Wright Street
West Branch, MI 48661
989-345-5470 x 4

Indicators of Unacceptable Credit

- Little or no credit history. The lack of credit history on the credit report may be mitigated if the applicant can document a willingness to pay recurring debts through other acceptable means such as third-party verifications or canceled checks. Due to impartiality issues, third party verifications from relatives of household members are not permissible.
- Payments on any installment account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.
- Payments on any revolving account which was delinquent for more than 30 days on two or more occasions within the last 12 months.
- A foreclosure that has been completed within the last 36 months.
- An outstanding Internal Revenue Service (IRS) tax lien or any other outstanding tax liens with no satisfactory arrangement for payment.
- Two or more rent or mortgage payments paid 30 or more days late within the last 2 years. If the applicant has experienced no other credit problems in the past 2 years, only 1 year of rent history will be evaluated. This requirement may be waived if the program loan will reduce shelter costs significantly and contribute to improved repayment ability.
- Outstanding collection accounts with a record of irregular payments with no satisfactory arrangements for repayment, or collection accounts that were paid in full within the last 6 months, unless the applicant had been making regular payments previously.
- Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago.
- Agency debts that were debt settled within the past 36 months or are being considered for debt settlement.
- Delinquency on a federal debt.
- A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months, except:
 - A bankruptcy in which:
 - Debts were discharged more than 36 months prior to the date of application; or
 - Where an applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the 12 months prior to the date of application.
 - A judgment satisfied more than 12 months before the date of application.

An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is not eligible for a Section 502 loan. This requirement is statutory and cannot be waived.

Eligibility Assessment Tool Instructions

GO TO: <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=assessmentType>

Select: One of the following from the drop-down box.

Build a Single-Family Home	Purchase a Single-Family Home	Refinance an Existing Single-Family Home
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Select: Your State and the County you would like to purchase in.

Next you will answer the following questions:

Applicant: 1 – This is automatically input

Number of Co-Applicants: Only use if you are applying with another person

Number of (Minor) Dependents: Under the age of 18

Number of Full-time Students 18 Years or older: This is for adults in the household that are not applicants

Number of other adult household members: Over the age of 18, not including applicants

Total number of people in the household: including applicants and co applicants

Is the Loan Applicant or Co-Applicant at least age 62 (or a disabled person)? Answer Yes or No

Are there any Disabled Persons living in the household? Answer Yes or No

Estimated Annual Property Taxes: Ranges from \$2,000 to \$4,000 on average depending on your location and property value.

Estimated Annual Insurance: Ranges from \$900 to \$1,200 on average

Estimated Annual Homeowners Association Dues: Not often used. Depends on the property being purchased.

Next step is to enter in income.

You can add columns for additional income if you have more than one income sources. For those with co-applicants and other adults in the household with income. It will have you enter their income in as well.

Next is to enter your debts.

This includes credit cards, installments, and other lines of credit. This does not need to include rent, household utilities, car/health insurance, etc. You can add as many rows as you need for each credit item.

Next step is to review credit. (See possible indicators of unacceptable credit.)

You can access a copy of your credit report by visiting <https://www.annualcreditreport.com>

Answer the credit questions as they apply to you.

Once you have entered in the following information the assessment tool will indicate whether you may or may not be eligible. **Please Note** this is based on unverified information and does not guarantee you will be eligible.

Please contact Rural Development regardless of the outcome of your eligibility assessment at 989-673-8173 Ext. 4 (Caro) or 989-345-5470 x 4 (West Branch) to discuss your results and the next steps in the process.