

Single Family Home Loan Guarantees

What does this program do?

This program helps approved lenders make 100 percent-financed, no-money-down mortgage loans to eligible low- and moderate-income applicants.

Backed by USDA Rural Development, the 90 percent loan note guarantee encourages lender participation by helping them minimize risk.

With a Single Family Housing Guaranteed Loan, applicants can buy an existing home (including the cost of rehabilitating, improving, or relocating the dwelling) or they can build new. The home must be used as their primary residence, and must be modest, decent, safe, and sanitary.

This program is not restricted to first-time home buyers.

Who can apply?

Applicants must:

- Have a household income that does not exceed 115 percent of the median household income of the area in which the eligible house is located (information about income limits is available at this link: <https://go.usa.gov/xzwRp> - PDF)
- Agree to occupy the dwelling as their primary residence
- Be a U.S. citizen, U.S. non-citizen national, or qualified alien as defined in Public Law 104 - 193, Subtitle A, Sections 401 - 404, available at this link: <https://go.usa.gov/xtduS>
- Be unable to get conventional financing with no private mortgage insurance (PMI)
- Not be suspended or debarred from participation in federal programs

What types of properties are eligible?

- Must be located in an eligible rural area (a property eligibility map is available at this link: <https://go.usa.gov/xtJj>)
- Must be a single-family dwelling (this includes detached, attached, Planned Urban Development (PUD), condominiums, modular, and some manufactured homes)
- Existing dwellings must meet U.S. Housing and Urban Development (HUD) standards found in its Single Family Housing Policy Handbook 4000.1 (available at this link: <https://go.usa.gov/xtSt>)
- There is no set maximum purchase price. Loans are based on an applicant's repayment ability
- There are no set acreage limits, although acreage must be considered common for the area
- There are no "seasoning" requirements. Provided they are otherwise eligible, "flipped" properties are allowed

What are some primary applicant qualifications?

- **Income:** Borrowers must demonstrate stable and dependable income for repayment qualification. Minimum income history requirements depend on the income source.
- **Assets:** No down payment or reserves are required.
- **Credit:** Although there is no set credit score requirement, applicants must demonstrate a willingness and ability to repay debts. Lenders can assess alternative credit for applicants with no traditional credit.
- **Monthly housing payment:** Adjusting for eligible compensation factors, total payment (principal, interest, taxes, insurance, Home Owners' Association dues, and Rural Development's annual fee) cannot exceed 29 percent of the applicant(s) gross monthly income (32% when adequate compensating factors are present).
- **All monthly debt payments** shown on the applicant(s) credit report - including the proposed new mortgage payment - cannot exceed 41 percent of the applicant(s) gross monthly income, adjusting for eligible compensating factors (44% when adequate compensating factors are present).
- **Seller (or interested party) contributions** cannot exceed 6 percent of the sales price.
- There is no limit on the amount of gift funds an applicant can use.

How are the loans structured, and how can funds be used?

- Eligible buyers can purchase an existing, eligible dwelling, or build new using the USDA Combination Construction-to-Permanent (Single Close) Loan Program (available at this link: <https://go.usa.gov/xtfbc> (PDF)).
- Current USDA Rural Development borrowers can take advantage of lower rates by using one of RD's refinance options. Information is available in Paragraph 6.2(D) and on the Attachment 6-A, both accessible at this link: <https://go.usa.gov/xzwQC> (PDF)
- The interest rate is negotiated between the applicant and the lender, and must be a 30-year fixed rate.
- Program lending extends to 100 percent of the property's appraised value, not the purchase price. Thus, borrowers potentially can include closing costs and home repair expenses into the financing.
- In addition to closing costs and eligible repairs, funds can be used for reasonable and customary expenses associated with the purchase, including items such as utilities connection fees, tax and insurance escrows, essential household equipment, and site preparation.

How do we get started?

Interested applicants must work directly with approved USDA Rural Development lenders. A state-based list is available at this link: <https://go.usa.gov/xtfjV> (PDF).

Who can answer questions?

Any approved lender can answer questions. A state-based list is available at this link: <https://go.usa.gov/xtfjV> (PDF).

If you are interested in becoming an approved lender, email: sfhgld.lenderpartner@usda.gov.

What governs this program?

- 7 CFR part 3555 (available at this link: <https://go.usa.gov/xtfD7>) sets forth policies for the USDA Rural Development Single Family Housing Guaranteed Loan Program.
- HB-1-3555 (available at this link: <https://go.usa.gov/xtfDM> (PDF) - the Single Family Housing Guaranteed Loan Program Technical Handbook - provides Rural Development staff and participating, approved lenders the tools needed to effectively and efficiently originate, underwrite, and service loans.

Why does USDA Rural Development do this?

This program encourages approved lenders to partner with low- and moderate-income families in eligible rural areas to make homeownership a reality. In turn, this promotes prosperity, creating thriving communities and improving rural quality of life.

What other options are available?

USDA Rural Development also offers a Single Family Housing Direct loan program (available at this link: <https://go.usa.gov/xtfW8>) that provides payment assistance to qualified applicants from households with incomes below 80 percent of the Median Household Income (MHI) for their region. Applicants must not be able to qualify for the Single Family Housing Guaranteed Loan program. They can work with their state-based Rural Development office to apply (an alphabetical list is available at this link: <https://go.usa.gov/xtfVWw>).

Tools and Resources:

A property and income eligibility tool is available at this link: <https://go.usa.gov/xtfZk>.

NOTE: Because citations and other information is subject to change, please always consult the program instructions listed in the section above, titled "What governs this program?" You will find additional forms, resources, and program information at: rd.usda.gov. Go to the "Programs and Services" tab and then select "Single Family Housing Programs." *USDA is an equal opportunity provider, employer, and lender.*