

Rural Housing Loans

For Informational and Educational Purposes Only

Borrowers in rural areas have easier access to affordable housing thanks to Fannie Mae's partnership with the Rural Housing Service (RHS), a division of the U.S. Department of Agriculture.

Section 502 Guaranteed Rural Housing Service loans are available through participating lenders, and Rural Direct Leveraging loans are available from RHS. To learn more about these mortgage loans, contact your nearest RHS office for information on qualified areas within your state and names of participating lenders. The RHS Website at www.rurdev.usda.gov/rhs also may provide additional information.

Loan Features

- Fixed-rate loan with a 30-year repayment period.
- No down payment required for low- and moderate-income buyers.
- No cash reserves required after closing.
- For Guaranteed loans, the borrower's income must be at or below 115 percent of area median income (RHS makes available local income information, adjusted for family size). Borrowers assisted by the program cannot be eligible for conventional financing.
- For Leveraged loans, the borrower's income must be at or below 80 percent of area median income (as reported by RHS). Borrowers assisted by the Leveraged loan program must first contact the RHS field office in their area and cannot be eligible for conventional financing on the total amount of the first and second mortgages.
- Eligibility is limited to rural areas. Generally, "rural areas" include settled places having a population not in excess of 10,000, or not in excess of 20,000 if outside any Metropolitan Statistical Area (MSA). RHS State Directors maintain information on qualified areas within their states.
- Eligible properties include single-family, non-farm, owner-occupied principal residences, including condominiums, planned unit developments, and new manufactured housing units.

Considerations

- Can provide up to 100 percent financing for low- and moderate-income applicants.
- You need less cash up-front than you would for an FHA-insured loan.
- You may be able to obtain a below market interest rate by using the Rural Direct Leveraging loan.

Example

Here is a hypothetical example:

- \$100,000 purchase price
- 3% down payment
- 1% origination fee (including prepaid interest and mortgage insurance)
- 30 year fixed rate
- 8% interest rate
- 8.109% APR

The interest rate and APR shown are examples only and are not intended to represent actually available terms.

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