



Homes by Habitat for Humanity Calaveras at Eureka Oaks

FAQ's: USDA -502 Direct Loans

Q: “CAN I ASSESS MY ELIGIBILITY PRIOR TO APPLYING?”

A: Using the Single-Family Housing Direct Self-Assessment tool, potential applicants may enter information online to determine if the Section 502 Direct Loan Program is a good fit for them prior to applying. The tool will provide a preliminary review after a potential applicant enters information on their general household composition, monthly income, monthly debts, property location, estimated property taxes, and estimated hazard insurance. To access the tool, visit <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> and click on the Single-Family Housing Direct tab. Potential applicants are welcome to submit a complete application for an official determination by Rural Development regardless of the self-assessment results. Upon receipt of a complete application, Rural Development will determine the applicant's eligibility using verified information and the applicant's maximum loan amount based on their repayment ability and the area loan limit for the county in which the property is located.

Q: “DOES IT MATTER HOW MANY OTHER BILLS I HAVE TO PAY?”

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

Q: “WHAT IF I THINK MY INCOME IS TOO LOW?”

A: 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 24 percent of the applicant's household income.

Q: “WHAT CAN I DO IF MY INCOME IS TOO LOW?”

A: Consider applying with a co-applicant if there is another member of your household willing and able to be a note signer. RHS will then look at your combined income and credit when determining repayment ability. You may also consider a cosigner. A cosigner is an individual who will not reside in the dwelling, but who is willing to be responsible for the debt. You may also consider applying for down payment assistance programs in your area which provide affordable housing products.

Q: “HOW CAN I DETERMINE IF MY INCOME IS ADEQUATE TO REPAY A LOAN?”

A: 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.

Q: “CAN I GET A LOAN IF I’M UNEMPLOYED?”

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

Q: “WILL YOU FIND OUT ABOUT OTHER CREDIT I’VE HAD?”

A: Yes. Your credit 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 determine if you can repay the loan. If you are unsure what your credit history contains, you can obtain a free credit report by calling 1-877-322-8228 or logging into <https://www.annualcreditreport.com>. By law, individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian, and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.

Q: “HOW LONG WILL IT BE BEFORE I CAN MOVE INTO MY NEW HOME?”

A: Typically, applicant eligibility, loan approval, and loan closing may be accomplished within approximately 120 days of filing a complete application. However, depending on the availability of Government funding, this timeframe may be extended.

Q: “HOW MUCH MONEY WILL I NEED FOR A DOWN PAYMENT?”

A: A down payment is generally 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.

Q: “DOES THIS MEAN I WON’T NEED ANY CASH TO GET A LOAN?”

A: 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 upfront. The first year’s hazard insurance premium and whole house inspection report fee are paid prior to closing unless included in the loan amount. Costs pertaining to the appraisal, escrow, and loan closing may be included in the loan amount. Any agreement with the seller should be entered into prior to signing and documented in the purchase agreement or sales contract.

Q: “DOES THE APPLICANT HAVE OTHER RESPONSIBILITIES?”

A: 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 loan application packager, a real estate agent, or a closing agent. Failure to provide information timely results in delayed decisions and other actions.

Q: “WHAT ARE THE TERMS OF THE LOAN?”

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

Q: “WHAT ABOUT THE FEATURES OF THE HOME AND SITE?”

A: While cost and features vary in different areas of the country, the home and site must be modest. A modest site generally cannot be subdivided under local zoning laws, does not include land or structures that will be used principally for income-producing purposes, and complies with local zoning requirements. An existing home with an in-ground swimming pool may be considered modest; however, in-ground swimming pools with new construction or with properties that are purchased new are prohibited. Under certain conditions, an exception to these standards may be granted on a case-by-case basis. The value of a dwelling may not exceed the area loan limit for the area in which the applicant is requesting financing.

Q: WHO IS RESPONSIBLE FOR INSPECTING THE HOME?

A: The applicant/borrower is responsible for hiring a qualified inspector to conduct a whole house inspection on an existing property and for making inspections necessary to protect their interests. While a Rural Development staff member or designee may inspect a property during and/or following construction or repair, these inspections do not create or imply a warranty or guarantee on the condition of the property.

Q: “WHERE MAY I APPLY?”

A: Applications are made at the local Rural Development office or through an application packager (Habitat for Humanity Calaveras 536 N. Main St Angels Camp, CA 95222 is a certified packaging body for USDA 502 Direct loans)

To locate your nearest Rural Development office, please visit:
<https://offices.sc.egov.usda.gov/locator/app?state=us&agency=rd>.