



### The Housing Assistance Council (HAC)

is a national nonprofit organization that supports affordable housing efforts in rural areas of the United States. HAC provides technical housing services, seed money loans from a revolving fund, housing program and policy assistance, and research and information services. HAC is an equal opportunity lender.

For more information about rural housing, visit HAC online.



[www.ruralhome.org](http://www.ruralhome.org)

## USDA Rural Rental Housing Loans (Section 515)

***Section 515 Rural Rental Housing Loans are mortgages made by USDA to provide affordable rental housing for very low-, low-, and moderate-income families, elderly persons, and persons with disabilities.***

### Purpose

Section 515 loans are made by the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs Office (RD), acting as a lender. Borrowers may use the funds to purchase buildings or land, to construct or renovate buildings, and to provide necessary facilities such as water and waste disposal systems.

Each year, Rural Development State Directors use needs criteria to establish a list of targeted communities for which applicants may request loan funds. RD issues an annual Notice of Funding Availability (NOFA) for these communities, and applications are then rated competitively in order to select recipients.

Portions of the available funds are set aside for nonprofit organizations, applicants serving counties and colonias designated by USDA as underserved, and Rural Economic Area Partnership zones.

### Eligibility

**Owner:** Individuals, partnerships, limited partnerships, for-profit corporations, nonprofit organizations, limited equity cooperatives, Native American tribes, and public agencies are eligible to

**Section 515 has financed more than 550,000 decent, safe, sanitary, and affordable homes, which are often the only such rental housing in rural communities. There is significant additional need, however: Worst case needs, as defined by HUD, afflict one in every four very low-income renter households in nonmetropolitan areas. That is, they are extremely cost burdened and/or inadequately housed, and they do not receive federal housing assistance.**



apply. For-profit borrowers must agree to operate on a limited-profit basis. Borrowers must be unable to obtain credit elsewhere that will enable them to charge rents affordable to low- and moderate-income tenants.

**Tenants:** Very low-, low-, and moderate-income families; elderly persons; and persons with handicaps and disabilities are eligible to live in Section 515-financed housing. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI; moderate income is capped at \$5,500 above the low-income limit. Those living in substandard housing are given first priority for tenancy.

When USDA Section 521 Rental Assistance is used, top priority is given to very low-income households.

As of April 2010, the average income of Section 515 tenants was \$11,086 with 94 percent of them considered to have very low incomes. Incomes of tenants receiving rental assistance averaged \$9,230. Sixty percent of all Section 515 tenants were elderly or disabled.

### Terms

Loans are for up to 30 years at an effective 1 percent interest rate and are amortized over 50

years. Tenants pay basic rent or 30 percent of adjusted income, whichever is greater. RD Section 521 Rental Assistance subsidy can be used to limit tenants' payments to 30 percent of their income. Tenants may receive rent subsidies from other sources as well, such as U.S. Department of Housing and Urban Development Section 8 vouchers or state assistance programs.

Loans made through contracts entered into on or after December 15, 1989 can be prepaid only under certain conditions. Owners may obtain guaranteed equity loans after 20 years as an incentive for continued participation in the program.

### Standards

RD site standards, the Model Energy Code, and HUD physical standards apply. Square footages per unit are no longer prescribed by RD, though unit sizes should be "economical." Projects must be designed to have two or more units per building except in certain exceptional situations.

### Regulations

Regulations for all USDA RD multifamily housing programs, including Section 515 and Section 521 Rental Assistance, are compiled in 7 CFR part 3560. Three handbooks provide additional details about different aspects of the program. HB-1-3560 covers loan origination, HB-2-3560 addresses asset management, and HB-3-3560 describes project servicing. The regulation at 7 CFR part 3560 is included in each handbook as Appendix 1.

## ADDITIONAL INFORMATION

For additional information on Section 515 Rural Rental Housing and RD, contact the National Office, 1400 Independence Avenue, S.W., Washington, D.C. 20250, 202-690-1533, or your Rural Development State Office, which can be identified at [http://www.rurdev.usda.gov/recd\\_map.html](http://www.rurdev.usda.gov/recd_map.html) or contacted by telephone through 202-720-4323.

RD regulations and handbooks are available online at <http://www.rurdev.usda.gov/RegulationsAndGuidance.html>.



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