

# U. S. Department of Agriculture Rural Development



Section 504 Rural Housing Repair  
And  
Rehabilitation Loans and Grants  
**-An Overview-**



## Section 504 Direct Loan /Grant Programs



- USDA Rural Development provides direct loans and grants, as-well-as guaranteed loans, in rural areas.
- Rural areas include open country and places with a population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 35,000 population.
- Low-income is defined as between 50 and 80 percent of area median income (AMI); Very low-income is below 50 percent AMI.

# Rural Development Service Area and Eligibility Information



- RD Rural Housing Programs are rural programs. Service area, income and property eligibility can be determined by contacting the local RD Service Center or online at:

<http://eligibility.sc.egov.usda.gov/eligibility/>



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## Eligibility

You must use [Internet Explorer 7.0](#) or higher, [Mozilla Firefox 3.6](#) or higher, and [Google Chrome 8.0](#) or higher to view this site. Best viewed using screen resolution of 1024 X 768.

### Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs and the USDA Satellite Grant Program. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased or served must be located in an eligible rural area as defined by USDA.

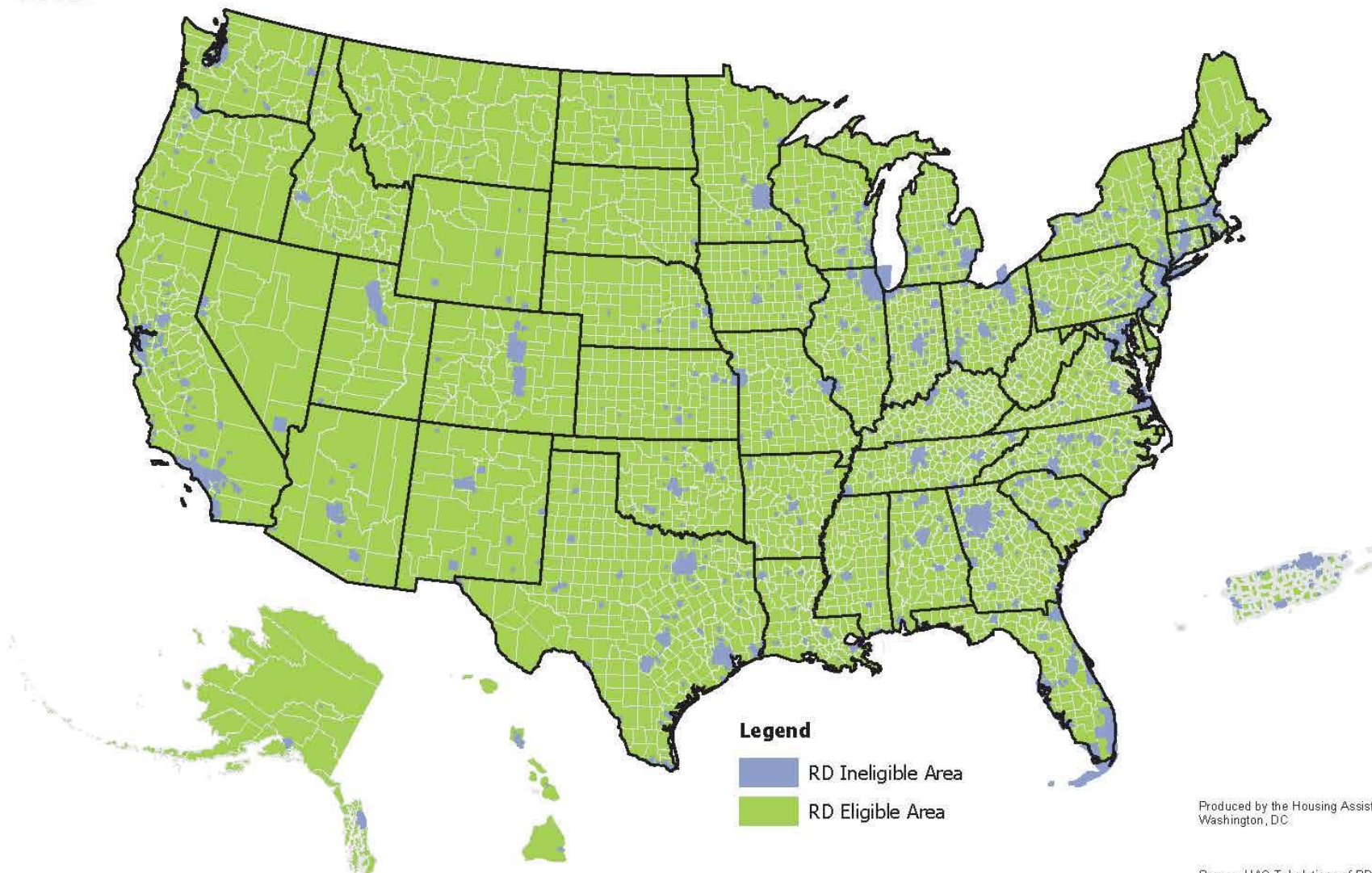
To learn more about a USDA home loan program, click on the **Loan Program Basics** link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the **Property Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.

To determine income eligibility of an applicant/household, click on the **Income Eligibility** link on the



# U.S. Department of Agriculture -- Rural Development Eligible Areas



Produced by the Housing Assistance Council  
Washington, DC

Source: HAC Tabulations of RD Data

# Section 504 Home Repair Loans and Grants



## **Purpose:**

- Section 504 Housing Repair programs provide loans and grants to very low-income homeowners to repair, improve, or modernize their dwellings or to remove health and safety hazards; or remodel dwellings to make them accessible to household members with disabilities.

# Section 504 Home Repair Loans and Grants



## **Purpose:**

- Section 504 Loan Funds may be used to improve or modernize, make a dwelling decent, safe, and sanitary; and/or remove health and safety hazards.
- Section 504 grant funds may be used **only** for repairs and improvements that will remove health and safety hazards, or to repair or remodel dwellings to make them accessible and useable for household members with disabilities.

# Section 504 Home Repair Loans and Grants



## Purpose:

- Section 504 loan and grant funds can also be used to repair mobile or manufactured homes if:
  - The applicant owns the home and the site and occupied the home prior to filing an application;
  - The repairs are needed to remove health or safety hazards; and
  - The home is on a permanent foundation, or will be put on a permanent foundation with Section 504 funds.



# Section 504 Home Repair Loans and Grants



## Restrictions on the Use of 504 Funds

Section 504 loan or grant funds cannot be used to or for:

- Acquisition or new construction
  - Pay for off-site improvements
  - Refinance debt
  - Purchase/Install appliances (*Proposed handbook change to allow as eligible purpose*)
  - Site preparation or landscaping
- (Above Examples - Include, but are not limited to)*

# Section 504 Home Repair Loans and Grants



## Eligibility:

- Homeowner-occupants must be unable to obtain affordable credit elsewhere and must have very low incomes, (below 50 percent of the area median income).
- Repairs and improvements must make the dwelling more safe and sanitary or remove health and safety hazards.

# Section 504 Home Repair Loans and Grants



## **Eligibility:**

Direct Loans and Grants Income Limits located at:

[http://www.rd.usda.gov/HSF-Direct\\_Income\\_Limits.html](http://www.rd.usda.gov/HSF-Direct_Income_Limits.html)

# Section 504 Home Repair Grants



## Eligibility:

- Grants are only available to homeowners who are 62 years old or older and cannot repay a Section 504 loan.
- At least one applicant must be 62 or older.
- If a budget analysis, based on *Form RD 1944-3*, indicates that a grant applicant has partial repayment ability, as much of the amount as possible must be issued as a loan, with ONLY the remainder issued as a grant.

# Section 504 Home Repair Loans and Grants



## Terms:

- Loans of up to \$20,000 and grants of up to \$7,500 are available.
- Loans are for up to 20 years at 1 percent interest. (If the loan amount is less than the maximum that the applicant could repay, the loan term should be shortened)

# Section 504 Home Repair Loans and Grants



## Terms:

- Repairs financed with grant funds must result in the removal of health and safety hazards.
- Loans and grants can be combined for up to \$27,500 in Section 504 assistance.

# Section 504 Home Repair Loans and Grants



## Terms:

- A grant/loan combination is made if the applicant can repay part of the cost.
- Loans made in combination with grants must be amortized over the full 20 years to maximize the loan amount while minimizing the grant amount.

# Section 504 Home Repair Loans and Grants



## **Maximum Loan and Grant Amounts:**

- The sum of the outstanding balance on all Section 504 loans can never be more than \$20,000.
- The lifetime grant assistance to any applicant cannot exceed a cumulative total of \$7,500.

## **Maximum Based on Eligible Costs:**

- The applicant can only receive loan/grant funds to cover eligible costs. (For example, if the applicant has only \$5,000 of eligible repairs to make, the maximum loan/grant allowed is \$5,000.) [7 CFR 3550.112]



# Section 504 Home Repair Loans and Grants



## **Property Requirements:**

- Must be considered modest for the area
- Must not have an in-ground pool
- Must not have a value in excess of the area loan limit.

# Section 504 Home Repair Loans and Grants



## Standards:

- Repaired properties must remain modest and all work must be completed in accordance with local codes and standards.  
*[7 CFR 3550.106(c)]*
- Water supply and sewage disposal systems should meet RHS requirements.

# Section 504 Home Repair Loans and Grants



## Standards:

- Major health and safety hazards must be corrected.
- Not all existing hazards need to be removed, provided the property does not continue to have major health or safety hazards after the planned repairs are made.

# Section 504 Home Repair Loans and Grants



## Security:

- Section 504 Loans greater or equal to \$7,500, must be secured by a mortgage on the property.
- Section 504 Grants, no security required.  
(Grant recipient must sign Form 3550-24 Grant Agreement stating grant funds are subject to recapture, and must be repaid in full, if property is sold within 3 years) [7 CFR 3550.114]

# Section 504 Home Repair Loans and Grants

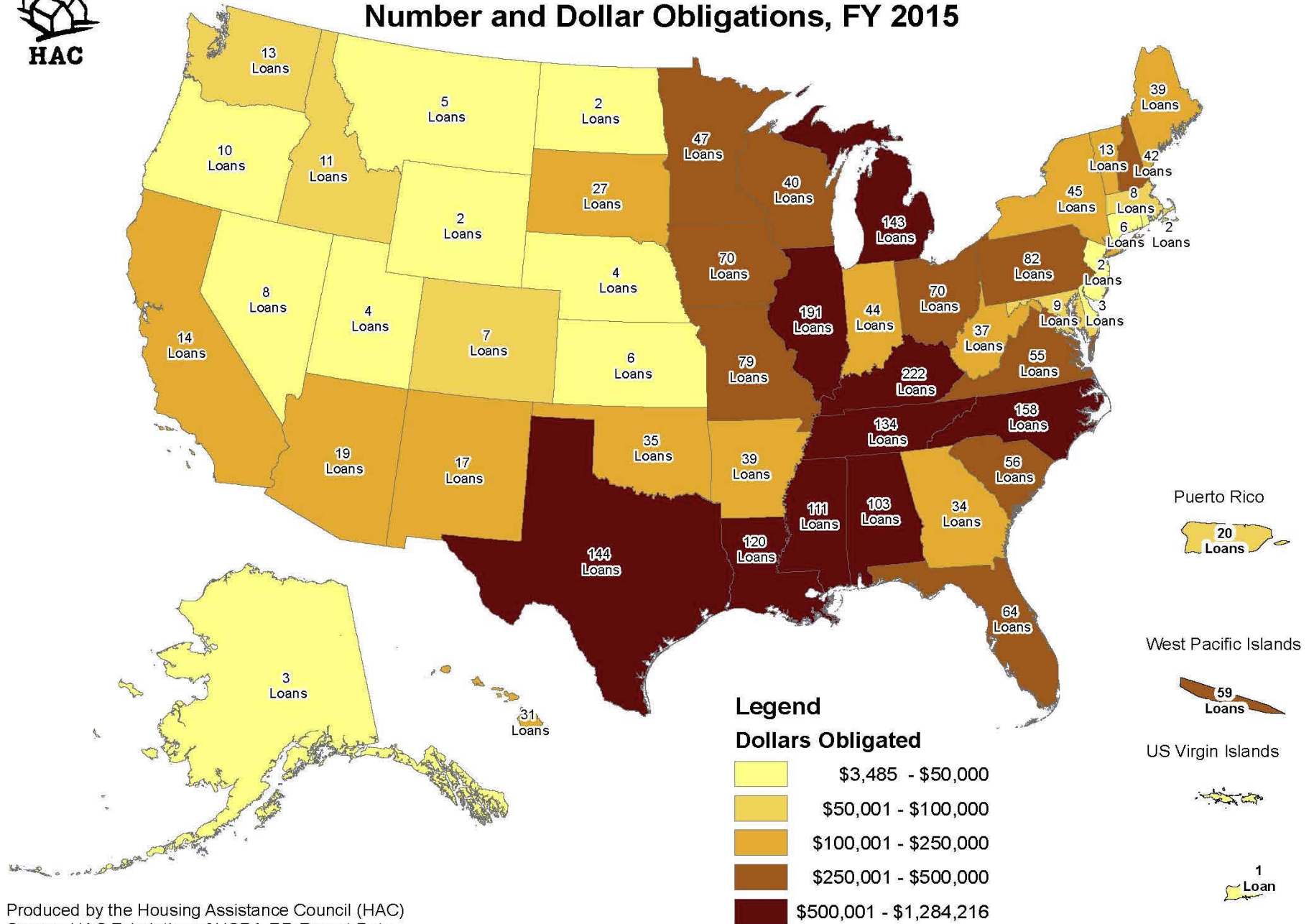


## Approval:

- Rural Development should typically make a decision on an application within 30 to 60 days of receiving it.
- Approvals are always contingent upon availability of funding.



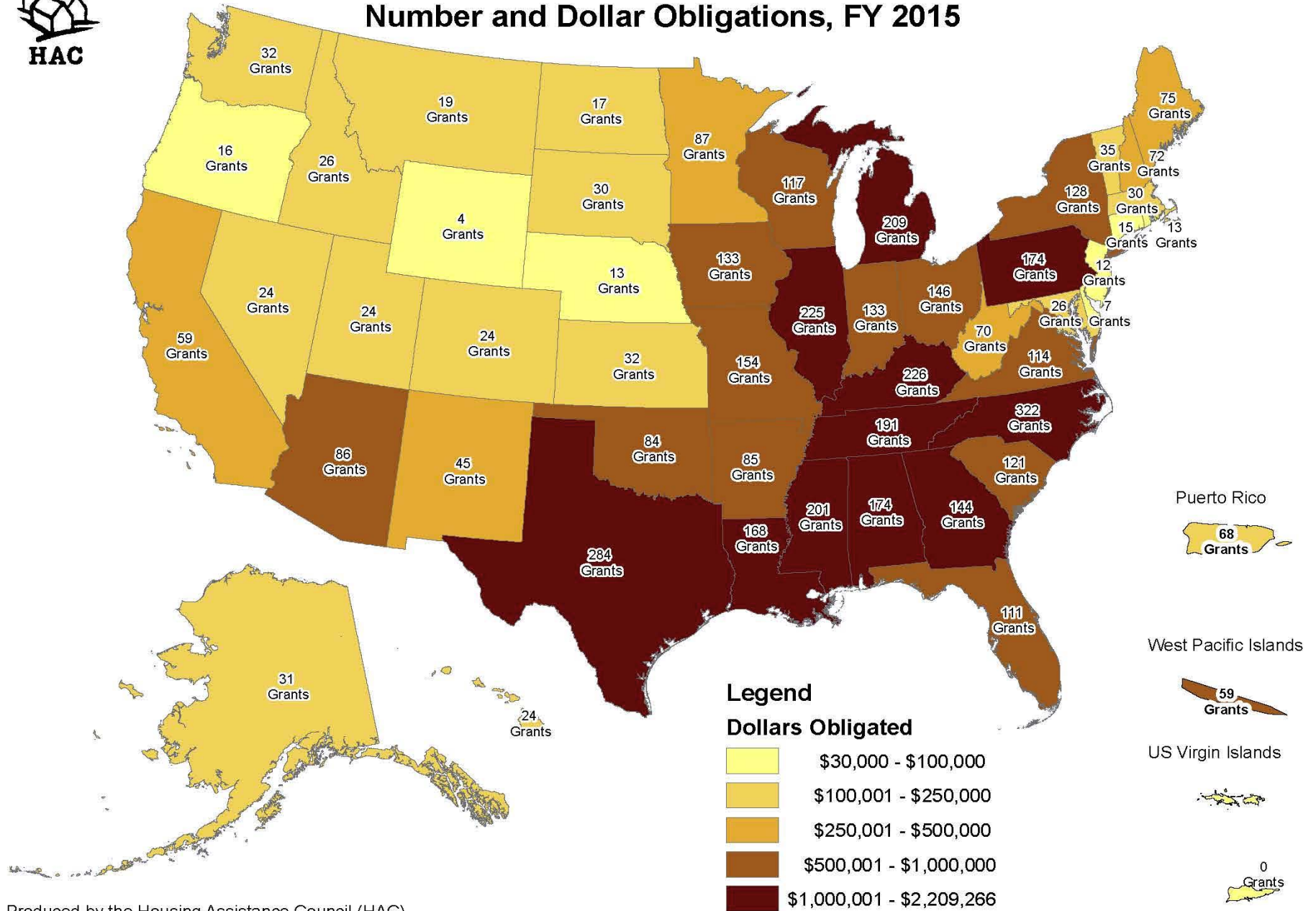
# USDA Section 504 Home Rehabilitation Loans, Number and Dollar Obligations, FY 2015



Produced by the Housing Assistance Council (HAC)  
Source: HAC Tabulation of USDA-RD Report Data



# USDA Section 504 Home Rehabilitation Grants, Number and Dollar Obligations, FY 2015



Produced by the Housing Assistance Council (HAC)  
Source: HAC Tabulation of USDA-RD Report Data

# Section 504 Home Repair Loans and Grants



**Regulation/Handbook:**  
7 CFR Part 3550 and  
HB-1-3550, Chapter 12  
Section 504 Loans and Grants



# Regulations



- Regulations for USDA/RD Section 504 Rural Housing Repair and Rehabilitation Loans and Grants, are compiled in 7 CFR Part 3550;
- Two handbooks provide details and instructions about the various aspects of the 504 program.
  - HB-1-3550 covers tasks undertaken by RD field offices;
  - HB-2-3550 explains the work of the agency's centralized servicing center.

# FINDING A LOCAL RD OFFICE



For Additional Information:

- USDA Rural Development Website

<http://www.rd.usda.gov/>

- USDA's Office Locator Web Site:

<http://offices.sc.egov.usda.gov/>

- Check in the white pages in your local phone book under USDA/Rural Development
- Call Rural Development's Public Information line to be connected to the State Office servicing your area. 1-800-670-6553

# Application Forms



USDA E-Forms Website

<http://forms.sc.egov.usda.gov>

Form RD 410-4, "Uniform Residential Loan Application"

<http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD410-4.PDF>

Form RD 3550-1, "Authorization to Release Information"

<http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-1.PDF>

# Additional Information



- For additional information on the Section 504 Home Repair Loan and Grant Programs, and Rural Development, contact the National Office, 1400 Independence Avenue, S.W., Washington, DC 20250; 202-690-1533.

# Wrap-Up



- Participant Questions
- Conclude