USDA United States Department of Agriculture

Rural Development

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Section 502 Guaranteed Loan Program

Background

What is the 502 Guaranteed Loan Program?

- **100% financing to Low to Moderate Income households**
- **Eligible rural areas**
- **90% guarantee to lender**

FY 2018 Highlights

- **$24 Billion Allocation**
- **$16.8 Billion Obligated**
- **30+ Delinquency Rate = 8.811%**
- **Foreclosure Rate = 0.885%**
- **Loss claims paid within 9 months**

Section 502 Guaranteed Loan Program

Feature Program

- **Single-Close Construction Loans**
  - The loan note guarantee is issued before construction begins

  Borrower benefits:
  - One-time close
  - Construction project is fully funded
  - Interest reserve account

  Lender benefits:
  - Protected during construction

Section 502 Guaranteed Loan Program

New Single Close Pilot

- **Warehouse line of credit lenders**

- **Mortgage backed securities**
  - **Principal reserve**
  - **No re-amortization**

Alabama, Arkansas, California, Colorado, Florida, Georgia, Indiana, Kentucky, Louisiana, Michigan, Missouri, Mississippi, New Mexico, New York, Ohio, Oregon, South Carolina, South Dakota, Puerto Rico, Tennessee, Texas, and Washington state. NEW: Arizona, Hawaii, New Jersey, North Carolina, and Utah.

Section 502 Guaranteed Loan Program

Manufactured Housing Pilot

- Existing manufactured homes constructed on or after January 1, 2006

- Units must not have any alterations; except for porches or decks or other structures built to engineered designs or inspected and approved by local code officials.

Colorado, Iowa, Louisiana, Nevada, New, Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Section 502 Guaranteed Loan Program

Proposed Rules

- User Technology Fee – published July 13, 2018
- Establishment of Maximum Interest Rate – published August 17, 2018
- Loss Claims - published August 23, 2018
- Net family assets – published August 30, 2018

Coming Soon…

- Lender Delegated Authority

Comments may be made online at the Federal eRulemaking Portal:
https://www.regulations.gov

Section 502 Guaranteed Loan Program

Program Updates

Hand Book 1-3555

- Chapter 9 – Income Calculations
- Chapter 10 - Credit Analysis
- Chapter 15 – Submitting the Application
- Chapter 16 - User Tech fee

Forms

- Form RD 3555-21- revised October 1, 2018

Training

- USDA LINC & Resource Library

https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library

THANK YOU

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