



UNITED STATES DEPARTMENT OF
AGRICULTURE



US EPA Residential Woodsmoke Training/Workshop

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USDA Rural Development Overview

- Affordable Financing for Rural Areas
 - Business Programs
 - Community Facilities
 - Multi Family Housing
 - Single Family Housing
 - Home Purchase
 - Home Repair

Single Family Housing Programs



- Home Purchases
 - Section 502 Direct Loans
 - Section 502 Guaranteed Loans
- Home Repairs
 - Section 504 Loans
 - Section 504 Grants

Section 502 Direct Loans

- Purpose
 - Purchase or build a modest rural home
- Affordable Financing
 - 100% financing
 - 30, 33 or 38 year terms
 - Subsidized: USDA RD will subsidize monthly loan payments based on income level and number of people in household

Section 502 Direct Loans

- Eligibility
 - Low income (80% of Area Median Income)
 - Unable to afford a loan from a bank
 - Acceptable credit history
 - U.S. citizen or qualified resident alien
 - Owner-occupant
- Self Help Program Option

Section 502 Direct Loans

- Examples:
 - Purchase of existing home: Funds can be held back at closing to pay for installation of a new heating source such as a fireplace insert or freestanding woodstove
 - Construction of new home: Builder or buyer can choose to install a woodstove heating source

Section 502 Guaranteed Loans

- Purpose
 - Purchase a modest rural home
- Affordable Financing
 - 100% financing – no down payment
 - 30 year term
 - Originated by other lenders, public or private, at market interest rates. USDA guarantees repayment to the lender.

Section 502 Guaranteed Loans

- Eligibility
 - Moderate income (115% of Area Median Income)
 - Acceptable credit history
 - U.S. citizen or qualified resident alien
 - Owner-occupant
 - Additional lender requirements

Section 504 Repair Loans and Grants

- Purpose
 - Loans and Grants to repair, improve, or modernize a dwelling, remove health and safety hazards, or provide access for disabled
 - 7 CFR Part 3550; HB 1-3550



Section 504 Repair Loans and Grants

- Loans – Terms

- Up to \$20,000

- 20 year amortization

- 1% interest

- Loans are made directly from USDA RD to individual homeowners

Section 504 Repair Loans and Grants

- Loans – Example: New \$5,000 woodstove
 - USDA RD 20 year loan payment at 1% would be \$23/month
 - Private lender 15 year line of credit payment at 7% would be \$45/month

Section 504 Repair Loans and Grants

- Loans – Eligibility
 - Very low income (50% of Area Median Income)
 - Unable to afford a loan from a bank
 - Acceptable credit history
 - U.S. citizen or qualified resident alien
 - Owner-occupant

Section 504 Repair Loans and Grants

- Grants – Terms
 - \$7,500 lifetime maximum
 - No repayment required unless sell home within 3 years. If sell home within 3 years, must repay full amount of grant received.
 - Grants are awarded directly from USDA RD to individual homeowners

Section 504 Repair Loans and Grants

- Grants – Example: New Woodstove
 - No payments to USDA
 - Must remove health and safety hazards or provide disability access
 - Example: Replace failing heat source
 - Example: Improve indoor air quality
 - Example: Relocate a woodstove, away from curtains, or for wheelchair access

Section 504 Repair Loans and Grants

- Grants – Eligibility
 - Very low income (50% of Area Median Income)
 - One owner is at least 62 years of age
 - Unable to afford a Section 504 loan
 - Credit history generally unimportant
 - U.S. citizen or qualified resident alien
 - Owner-occupant

Section 504 Repair Loans and Grants

- **Loans and Grants – Process**
 - **Apply** – Eligibility documentation (income, expenses, credit, assets) collected and verified
 - **Inspect** – USDA Rural Development staff or partner agency inspects property to view desired repairs, and identify other repairs that may be required or recommended. Bid sheet prepared

Section 504 Repair Loans and Grants

- **Loans and Grants – Process**
 - **Select Contractor** – Applicant finds licensed, bonded, and insured contractors to bid on the work per the bid sheet, and selects a contractor to perform the work
 - **Fund and Close** – Funds are reserved to pay contractor, and applicant signs loan and contract paperwork

Section 504 Repair Loans and Grants

- **Loans and Grants – Process**
 - **Repairs** – Contractor performs repairs. Work must be performed per applicable code and up to standard of the trade
 - **Payment** – If applicant and USDA Rural Development are satisfied with repairs, contractor is paid. Payments can occur as work progresses, or in one lump sum at the end

Section 504 Repair Loans and Grants

- **Loans and Grants – Incentives**
 - **Improve Air Quality**
 - **Income Opportunity**
 - Loans and grants are made directly from USDA RD to the recipient. However, public agencies, tribes, and non-profit organizations may collect a fee of up to \$500 in exchange for packaging services. Packaging entails outreach to potential repair applicants, prescreening, submitting applications, and generally assisting in coordinating the repair process
 - Packaging fee paid by applicant (HB 1-3550, Attach. 3A)
 - Packaging fee paid from Housing Application Packaging Grant from USDA RD (RD Instruction 1944-B)



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Contact Information

USDA Rural Development Offices in Your State:

http://www.rurdev.usda.gov/recd_map.html

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