

**FOR MORE INFORMATION AND WHO TO
CONTACT TO APPLY FOR ASSISTANCE:**

THE RURAL DEVELOPMENT OFFICE CAN ASSIST YOU IN FIGURING MONTHLY PAYMENTS AND HOUSING COSTS AND FIGURE THE AMOUNT YOU CAN AFFORD TO BORROW. CALL THE OFFICE FOR AN APPLICATION AND TO DISCUSS THE POSSIBILITIES OF ASSISTANCE.

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Serving Counties of:

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NETWON, TIPPECANOE AND WHITE

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**RURAL HOUSING
REPAIR &
REHABILITATION
LOAN & GRANT
PROGRAM**

USDA UNITED STATES DEPARTMENT OF
AGRICULTURE
RURAL DEVELOPMENT

**"PARTICIPATING IN THE SUCCESS
OF AFFORDABLE HOUSING IN
RURAL COMMUNITIES"**



This brochure is designed to explain the USDA Rural Housing Repair Loan & Grant program. It will assist you in understanding the application process, basic eligibility requirements, identify the terms of your mortgage loan, determining what terms are best for your situation, and identifying issues you should be aware of before entering into a loan or grant transaction.

Rural Development, an agency of the US Dept. of Agriculture, provides financial assistance to eligible applicants for very low-income owner occupants of modest single family homes in rural areas to repair their homes.

Loan funds are available for repairs to improve or modernize a home, make it safer or more sanitary, or remove health and safety hazards.

For homeowners 62 and over who cannot repay a loan, grant funds may be available to remove health and safety hazards, or remodel dwelling to make them accessible to household members with disabilities. Grant funds are only available to persons over 62 years of age and are unable to repay a loan.

WHAT ARE THE LOAN AND GRANT TERM REQUIREMENTS?

LOANS:

- 1% interest rate on loans
- Repayment up to 20 years
- Maximum total loan is \$20,000
- Real Estate mortgage to secure a loan
- Appraisal may be required (*Appraisal fee paid by borrower*)
- Escrow of taxes & insurance required for indebtedness over \$15,000
- Loans over \$7,500 to be closed by closing agent (*Fees paid by borrower*)
- Property insurance required for indebtedness over \$15,000

GRANTS:

- Must be 62 years of age or older
- Must be unable to repay a 1% loan for 20 years
- Lifetime maximum grant amount is \$7,500
- Must sign a 3 year grant agreement
- A portion of the financing may be obtained from another source

WHAT ARE THE APPLICANT ELIGIBILITY REQUIREMENTS?

- Applicant's adjusted income must not exceed the *very low* income limit (50% median income) for the county of residence
- Applicant needs a stable & reliable income
- Must have a credit history that indicated a reasonable ability and willingness to repay a loan (*Cost of credit report is not charged to the applicant.*)
- Applicant must provide information about household assets such as checking & savings accounts, IRA, etc.
- Must lack personal resources to pay for repairs
- Must be a US citizen or a non-resident who qualifies as a legal alien
- Must possess legal capacity to incur loan obligation
- Must own and occupy the property, and must be able to document ownership

WHAT CAN THE FUNDS BE USED FOR?

ARE YOU READY TO BORROW ADDITIONAL DEBT ON YOUR HOUSE?

LOANS:

- Loan funds may be used to:
 - improve or modernize the dwelling.
 - make dwelling decent, safe, and sanitary.
 - remove hazards.

GRANTS:

- Grant Funds can only be used to:
 - remove health and safety hazards.
 - make dwelling accessible to household members with disabilities.

EXAMPLES:

- Installation or repair of sanitary water and sewer systems with related plumbing fixtures
- Payment of reasonable connection fees for utilities, water, or sewer
- Storm windows or insulation
- Electric and heating systems

Before applying for a mortgage loan, make sure that you have sufficient income for your expenses and borrow only when you can afford it.

If you're spending less each month than you take home, and the additional debt load will not cut into the amount you've committed to savings, only then should you consider taking on additional debt.

Once you have established the amount you want to borrow, take time to figure out what you can afford for a monthly payment without putting a strain on your budget.

You must decide if you are ready to take on the responsibility of additional debt and maintaining the property. Homeownership does require additional funds each year to maintain the property. A simplified budget form is included in this brochure to assist you in determining your ability to pay additional debt.

WHAT ARE THE RESTRICTIONS FOR THE USE OF FUNDS?

HOW TO START THE APPLICATION PROCESS:

- Repair property that is considered above "modest" for the county
- Can not move a manufactured home
- Manufactured homes must be on site owned and occupied by the applicant and on a permanent foundation or placed on a permanent foundation with loan
- Can not assist in the construction of a new dwelling
- Can not refinance any debts
- Can not purchase or install appliances (*i.e.: ranges, refrigerators, washer or dryer*)
- For houses built before 1978, an evaluation for lead base paint may be required

- Contact local office for application and to schedule an appointment
- Income will be verified and a credit report obtained at no charge
- Written cost estimates will be required for all repair items (*Applicant must obtain the estimates*)
- Funds will be deposited in an escrow account and controlled by Rural Development
- All repairs must meet federal, state, and local residential codes
- Seek the possibility of other funding sources to partner with loan and grant funds

**KNOW THE TERMINOLOGY BEFORE YOU
SIGN.**

**CAN YOU AFFORD TO BUY A HOUSE AND
OBLIGATE YOURSELVES TO A
MORTGAGE LOAN?**

Loan Amount – The dollar amount of the credit that is provided to you. This includes any cash you receive, as well as the amount you may pay to other creditors and fees paid by you or your lender.

Monthly Payment Amount – The dollar amount due each month to repay the loan and the escrow amount for property taxes and insurance. Payment amount is applied to Principal (P), Interest (I), Taxes (T), and Insurance (I) = (PITI)

Escrow Account – An account to which the borrower contributes monthly payments to cover the anticipated costs of real estate taxes, hazard and flood insurance premiums, and other related costs.

Closing Cost – Various fees required to conclude a real estate transaction.

Hazard – A property condition that jeopardizes the health or safety of the occupants or members of the community, but does not make it unfit for habitation.

Major Hazard – A condition so severe that it makes the property unfit for habitation.

Grant Repayment Agreement – A written agreement that if a home repaired with funds from RHS program is sold within 3 years of grant approval, the full amount of the grant must be repaid.



[1] Start with your monthly take-home pay. This is the amount you have left after taxes and other deductions have been made. Include regular, part-time and other sources of income.

[2] Subtract the amount you need for saving.

[3] Subtract the amount you need for monthly expenses and monthly credit/loan payments, etc.

[4] The balance is the amount you can safely apply to debt repayment or saving.

The "Current" [5] column helps you determine how much credit you can afford and if adjustments need to be made.

The "Planned" [6] column reflects your new mortgage payment and adjustments you've made to expenses and credit obligations.

	Current [5]	Planned [6]
[1] Monthly Income	\$ _____	\$ _____
[2] Saving	-\$ _____	-\$ _____
[3] Monthly Expenses:		
Mortgage Payment/Rent	-\$ _____	-\$ _____
Utilities	-\$ _____	-\$ _____
Food	-\$ _____	-\$ _____
Transportation	-\$ _____	-\$ _____
Insurance (Home, Car, etc.)	-\$ _____	-\$ _____
Taxes	-\$ _____	-\$ _____
Home Maintenance	-\$ _____	-\$ _____
Clothing	-\$ _____	-\$ _____
Personal	-\$ _____	-\$ _____
Entertainment	-\$ _____	-\$ _____
Gift & Contributions	-\$ _____	-\$ _____
Family	-\$ _____	-\$ _____
Education/ Education Loans	-\$ _____	-\$ _____
Credit Card Payments	-\$ _____	-\$ _____
Car Payments	-\$ _____	-\$ _____
Support Payments	-\$ _____	-\$ _____
Other Loan Payments	-\$ _____	-\$ _____
[4] REMAINING BALANCE	=\$ _____	=\$ _____