USDA

United States Department of Agriculture

July 1, 2020

SINGLE FAMILY HOUSING DIRECT LOAN PROGRAM

WHO IS ELIGIBLE:

1. Person without housing and/or lot to build on.
2. Will be an owner-occupant.
3. Unable to obtain credit from local lenders.
4. U.S. citizen or permanent resident alien.
5. Adequate, dependable income to pay for the housing loan, real estate taxes, fire insurance, other debts, and living expenses.
6. 18 years or older with the legal capacity to incur obligations of the loan.
7. Acceptable credit history.

LOAN PURPOSES:

1. Purchase an existing modest, safe, decent and sanitary dwelling and lot.
2. Purchase a lot and construct a dwelling.
3. Essential home repairs and/or home additions.
4. Construct a dwelling on Department of Hawaiian Home Lands (DHHL) leasehold property.
5. Solar heaters and photovoltaic systems can be financed if the unit is approved by USDA Rural Development.

LOT AND DWELLING RESTRICTIONS:

1. Dwelling must be modest in size and cost but adequate to meet family needs. Lot and dwelling value cannot exceed $576,800.00.
2. All dwelling sites must be serviced by a public water system, electricity, and all government dedicated roads.

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ELIGIBLE AREAS:

Waipio Acres, Waikele, Village Park and Royal Kunia subdivisions, Ewa Beach, Makakilo, Kapolei, the entire Waianae Coast, Central Oahu (from Whitmore Village, north to the North Shore; also the Kunia area), the entire North Shore area, Windward Oahu (from Kahuku, south to Haiku Road in Kaneohe) and Waimanalo (from Olomana Golf course to Sea Life Park)

TERMS:

1. 33 years or life expectancy of the home, whichever is less.
   30 years for Department of Hawaiian Home Lands.

2. No points, prepayment penalty, or escalation clause.

INTEREST RATE:

2.50% to as low as 1.0%*:

1. 33 year term:
   Monthly payments are $3.72 per $1,000 of loan amount for 2.50%, and $2.97 per $1,000 for 1.0%.

2. 30 year term:
   Monthly payments are $3.96 per $1,000 of loan amount for 2.50%, and $3.22 per $1,000 for 1.0%.

INTEREST RATES ARE SUBJECT TO CHANGE.
*The amount of subsidy granted is dependent upon family income which directly affects the rate of interest charged with a maximum subsidized rate of 1.0%.

PAYMENT ASSISTANCE (SUBSIDY) RECAPTURE:

Any payment assistance (subsidy) received by the borrower will be subject to repayment to the Government when the property is sold, assumed, released, or when no longer occupied by the borrower.

INCOME REQUIREMENTS:

1. The adjusted annual household income must be below the maximum adjusted income limit based on family size and the median income in the area to qualify for "payment assistance" or an interest rate below the note rate but not less than 1.0%. The following are the maximum adjusted annual income limits for the island of Oahu according to family size:

Size of Family:	1 to 4 people in household	5 to 8 people in household
Low Income Limits:	$100,700	$132,900

**Add $8,056 for each person in excess of family size of 8.

2. How to compute adjusted income: Annual income (gross) less the following allowable deductions:

   a. A maximum of $480 per dependent under 18 or full-time student aged 18 or older who is not the applicant, spouse, or co-applicant.

   b. A maximum of $400 per elderly family (at least 62 years of age) (NOTE: eligibility varies according to family composition).

   c. A maximum of $480 for each dependent 18 years of age or older who is not the applicant and is disabled or handicapped.

   d. A deduction for medical expenses not covered by insurance for any elderly family in excess of 3% of their gross annual income and allowed under IRS regulations.

   e. Child care deduction for children 12 years or younger that is necessary to enable the applicant or spouse to be gainfully employed or to further his or her education.

Example No. 1 (assume a family of 5, with 3 dependents [one handicapped]

$85,000 gross annual income
960 less 480 per dep. under 18
480 less 480 per handicapped dep.
$83,560 adjusted annual income

Example No. 2 (assume elderly family of 2, with $3,000 medical expenses)

$40,000
1,800 less med. deduction*
400 less deduction for elderly family
$37,800 adjusted annual income

*$40,000 x .03 = $1,200
$3,000 - $1,200 = $1,800

LOAN AMOUNT:

1. Up to 100% of USDA Rural Development appraisal value if the applicant has the repayment ability.

2. Applicants with substantial savings must provide a down payment to reduce the loan amount.

ASSUMPTIONS:

1. Existing loans can be assumed at the current rate and terms if the applicant is eligible.

2. Subsequent loans can also be made to pay the difference between the assumption and selling price, subject to an adequate security value.

3. Ineligible applicants can assume existing loans if it is in the best interest of the Government. A higher interest rate will be charged, down payment of at least 5% is required, and the loan is amortized typically over a ten-year period.

LOAN COSTS:

Buyers must pay for:

Credit Report	Notary Fee
Tax Service Fee	Mortgage Preparation Fee
Escrow Fee	Title Insurance
Recordation Fees	1 Year Prepaid Fire Insurance
Real Estate Appraisal Fee	Down Payment (if required)

Average Cost: $3,500.00

REQUIREMENTS PRIOR TO CLOSING (FOR EXISTING DWELLINGS):

1. Repairs may be required as a condition of the loan. Either the seller or buyer may pay for the repairs (subject to USDA Rural Development approval).

2. Direct-wired smoke detectors (UL-217) must be installed.

3. Termite clearance must be obtained prior to closing.

4. A survey must be obtained prior to closing to ensure no encroachments exist if property contains improvements at boundary areas.

5. Unpermitted improvements must either be permitted or removed prior to loan closing.

HOW TO APPLY:

Forms may be obtained from our office.

FUNDING/LOAN APPROVAL:

Loan approval will be subject to availability of funds in the USDA Rural Development Section 502 RH loan program.

NOTE: These guidelines are intended to provide only basic information and it should not be regarded or construed as a complete and thorough coverage of USDA Rural Development procedural requirements.

For further information, please contact our office at 541-2600 ext. 4.

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