May 4, 2020

SECTION 504 REPAIR LOAN AND GRANT

OBJECTIVE

The basic objective of the Rural Housing Section 504 loan/grant program is to help very-low income owner occupants of modest single family homes in rural areas repair those 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 years old and over who cannot repay a loan, grant funds are available to remove health or safety hazards, or remodel dwellings to make them accessible to household members with disabilities.

WHO IS ELIGIBLE

To be eligible for a Section 504 loan and/or grant, the applicant must meet the following eligibility requirements:

1. Must own and occupy a dwelling in an eligible rural area.

2. Dwelling and site must be modest for the area, must not have an in-ground pool, and must not have a value in excess of $576,800.00.

3. Be unable to obtain financial assistance from other non-RHS credit or grant sources and lack personal resources that can be utilized to meet their needs. If applicant owns an undivided interest in the home, co-owners must also be unable to provide or obtain financing for the improvements either individually or jointly with the applicant. Personal resources in terms of assets (cash, stocks, bonds, CD, real property, etc.) may not exceed $15,000.00 ($20,000.00 for elderly), excluding the personal residence, automobile, household goods, etc.).

4. Have an adjusted annual income for a **loan** which does not exceed the applicable very-low income limits established below:

Family Size:	1 to 4 people in household	5 to 8 people in household
Income Limit:	$62,950	$83,100

Rural Development • Area I Office
300 Ala Moana Blvd, Suite 1-340 • P. O. Box 50266 • Honolulu, HI 96850
Voice (808) 541-2600 Ext. 4 • Fax (855) 878-2464

USDA is an equal opportunity provider, employer and lender.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

Have an adjusted income for a **grant** which does not exceed the applicable very-low income limits established below:

Family Size:	1	2	3	4	5	6	7	8
Income Limit:	$26,450	$30,250	$34,000	$37,750	$40,800	$43,850	$46,850	$49,850

5. Have sufficient and dependably available income including welfare assistance, Social Security, pension, etc., to repay the Section 504 loan.

6. Need to make repairs or improvements to the dwelling, which he/she owns and occupies, to make it safe and sanitary and remove hazards to the health of the applicant.

7. Be a citizen of the United States or a non-citizen who qualifies as a legal alien.

8. Have an acceptable credit history (for loans only).

9. Possess the legal capacity to incur the loan obligation.

LOAN AND GRANT PURPOSES

Section 504 loan and/or grant funds may be used for paying the cost of repairs and on-site improvements, including but not limited to:

1. Repairing or replacing of roof and deteriorated exterior siding.
2. Making essential repairs to the electrical system.
3. Repairing or providing structural supports.
4. Providing an adequate and sanitary water supply.
5. Repairing or installing a bath and waste disposal system.
6. Making necessary improvements to the home to accommodate the handicapped, such as redesigned bath facility, ramps, and other essential health and safety measures.
7. Payment of incidental expenses including loan closing costs.

LOAN LIMITATIONS

A Section 504 loan or grant may <u>not</u> be made to:

1. Assist in the construction of a new dwelling;
2. Make repairs to a dwelling in such poor condition that when the repairs are completed, the dwelling will continue to have major hazards;
3. Move a mobile home or manufactured home from one site to another;

LOAN LIMITATIONS (continued)

4. Pay for off-site improvements except for the necessary installation and assessment costs for utilities;
5. Refinance any debt or obligation of the applicant incurred before the date of application, except for the installation and assessment costs of utilities;
6. Purchase or install equipment in the property (e.g., ranges, refrigerators, washers or dryers);
7. Pay packaging fees to for-profit entities;
8. Provide site preparation or landscaping (e.g., grading, foundation plantings, seeding or sodding, trees, walks, yard fences, or driveways to a building site);
9. Construction of new decks (existing decks may be repaired if a safety hazard exists);
10. Installation of concrete or asphalt driveways.

GRANT LIMITATIONS

1. Must comply with all of the above cited loan limitations.

2. Applicant must be at least 62 years of age and unable to repay all or a portion of the financial assistance requested.

3. Grant funds may be used only to pay costs for repairs and improvements that will remove identified health and safety hazards or to repair or remodel dwelling to make them accessible and useable for household members with disabilities. Unused grant funds must be returned to USDA Rural Development.

AMOUNT OF SECTION 504 LOANS AND GRANTS

1. Maximum outstanding loan assistance may not exceed $20,000.00.

2. Maximum cumulative grant assistance may not exceed $7,500.00.

RATES AND TERMS

1. A Section 504 loan will be scheduled for repayment in accordance with the applicant's ability to repay, up to a maximum term of 20 years.

2. The interest rate for a Section 504 loan is 1 percent.

SECURITY

1. Section 504 Loans – Loans of $7,500.00 or more will be secured by a mortgage on the borrower's real estate. The total debt must not exceed the market value of the property.

2. Section 504 Grants – All persons receiving grant funds will be required to sign a repayment agreement which specifies that the full amount of the grant must be repaid if the property is sold in less than 3 years from the date the grant was approved.

Evidence of ownership

1. Applicant must provide a copy of the deed to the subject property, or if leasehold, a copy of the written lease.

2. For loans, the unexpired portion of the lease must be at least 2 years longer than the term of the promissory note.

   For grants, the remaining lease period must be at least 5 years.

Insurance Requirements – For loans of more than $15,000.00, adequate hazard insurance, including hurricane coverage, must be obtained and maintained until the loan is paid in full. Flood insurance is required in Special Flood Hazard Areas (SFHA) throughout the term of a loan, regardless of the loan amount. For grants of more than $5,000.00, flood insurance is required when the grant is approved, unless grant funds will be used to obtain the insurance.

Eligible Rural 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)

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.

USDA Rural Development
Area I Office
300 Ala Moana Boulevard, Suite 1-340
Honolulu, HI 96850