

**FOR MORE INFORMATION AND WHO TO
CONTACT TO APPLY FOR A LOAN:**

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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:

***Benton, Carroll, Cass, Howard, Miami,
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RURAL HOUSING

DIRECT

HOMEOWNERSHIP

LOAN PROGRAM

**USDA UNITED STATES DEPARTMENT OF
AGRICULTURE**

RURAL DEVELOPMENT

"PARTICIPATING IN THE SUCCESS OF

AFFORDABLE HOUSING IN RURAL

COMMUNITIES"



ARE YOU READY TO GO INTO HOMEOWNERSHIP?

This brochure is designed to explain the USDA Rural Housing Direct Loan 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 the purchase of adequate, decent, safe, and sanitary housing. Loans are usually made in partnership with a loan from another lender. The applicant may finance existing, new, or new manufactured housing, and the site.

Mortgage loans are secured by your home. The loan amount is based on a home's value -- the amount of the loan will be determined from the appraised market value of the property minus other mortgages. As with any loan, it is important to make the monthly payments. *In the event you are unable to meet the monthly payments for the mortgage, the lender can foreclose and take your home.*

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 owning and maintaining a property. Homeownership requires 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.

WHAT ARE THE LOAN TERM REQUIREMENTS?

- Repayment -- 33 years; 30 years for manufactured housing
- 100% financing up to market value; loan may include closing costs, fees, purchase price, and costs of repairs.
- Loan amount cannot exceed maximum loan amount for the county
- Payments may be subsidized based on income. *Recapture (repayment) of subsidy is due upon sale of property.*
- Real estate taxes and property insurance included in house payments (escrow)

WHAT ARE THE APPLICANT ELIGIBILITY REQUIREMENTS?

KNOW THE TERMINOLOGY BEFORE YOU SIGN.

- Meet the low income limits based on family size of the area (80% median income or below)
- Have a stable & reliable income
- Have an acceptable credit history (A credit report will be obtained for information on your payment history, including any difficulty you have had repaying other loans, credit cards, collections, bankruptcy, etc. The information will be used to see if you can easily repay a mortgage loan.)
- Have repayment ability for loan obligations:
 - House payments (Rural Development and participating lender loans) of Principal, Interest, Taxes, & Insurance (PITI) cannot exceed
 - 29% of the monthly income for Very Low Income Applicants
 - 33% of the monthly income for Low Income Applicants
- Total debts (including PITI) cannot exceed 41% of the monthly income
- Are unable to obtain sufficient credit from another lending source (lack down payment funds, lack sufficient income for loan repayments)
- Do not presently own an "adequate" dwelling
- Are a US citizen or a non-resident who qualifies as a legal alien
- Possess legal capacity to incur loan obligation
- Will personally occupy property on a permanent basis and be located in a rural area. (metropolitan areas with a population of less than 10,000; non-metropolitan areas less than 20,000)

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.

PAYMENT ASSISTANCE – A payment subsidy available to eligible borrowers that reduces the effective interest rate of a loan, thus reduces the monthly payment.

RECAPTURE – An amount of subsidy to be repaid by the borrower upon disposition or nonoccupancy of the property of the payment assistance received.



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

WHAT DOES IT COSTS YOU WHEN BORROWING FOR A MORTGAGE LOAN?

[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	-\$ _____	-\$ _____

Just because a lender is willing to make you a loan doesn't mean that it is the right loan for you. Take the time to know and understand all of the terms, conditions and cost of a loan before you sign the contract.

Loan Amount (Estimate)	\$ _____
Monthly Payment Amount (PITI)	\$ _____
PITI with Payment Assistance	\$ _____
Length of Loan in Months or Years	_____
Fixed Interest Rate	_____ %
Payment Assistance Rate	_____ %
Credit Report Fee	\$ _____
Closing Costs:	
Attorney Fees	\$ _____
Title Search	\$ _____
Appraisal Fee	\$ _____
Mortgage Deed Filing	\$ _____
Tax Service Fee	\$ _____
Escrow Reserve	\$ _____
Leverage/ Participating Lender	
Lender Costs/ Fees	\$ _____
Loan Amount	\$ _____
Interest Rate	_____ %
Monthly Payment Amount (PITI)	\$ _____

TOTAL MONTHLY DEBT PAYMENTS \$ _____

