



DEPARTMENT OF AGRICULTURE

Rural Housing Service

[Docket No. RHS-26-SFH-0133]

Single Family Housing Section 502 Home Loan Program – Self-Help and Affordable Housing

AGENCY: Rural Housing Service, USDA.

ACTION: Notice.

SUMMARY: The Rural Housing Service (RHS or the Agency), a Rural Development (RD) agency of the United States Department of Agriculture (USDA), is issuing this notice to announce a pilot for the Single Family Housing Section 502 direct loan program (Section 502) to test alternative values of modest housing for self-help housing and when affordable housing products are provided. The Agency intends to evaluate the impact of authorizing the value of properties constructed through the self-help program to exceed the maximum area loan limit under RHS's current regulations; and permitting grants and other affordable housing products to exceed the area loan limit for all Section 502 loans. This notice outlines the pilot parameters and provides contact information for additional details about the pilot.

DATES: *Pilot Duration:* The effective date of this pilot program is [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER] and will continue until March 23, 2028.

FOR FURTHER INFORMATION CONTACT: Sunceri Dade, Finance and Loan Analyst, Special Programs and Initiatives Branch, Single Family Housing Direct Division, Rural Development, U.S. Department of Agriculture, Email: Sunceri.dade@usda.gov; Phone: (202) 720-1485.

SUPPLEMENTARY INFORMATION:

Authority:

The RHS Single Family Housing direct program is authorized under Section 502 of the Housing Act of 1949, as amended, and is codified in the U.S. code at 42 U.S.C. § 1472(h); it is

implemented under 7 CFR part 3550. Demonstration programs for the Section 502 program are authorized by the Housing Act of 1949 in section 506(b) (42 U.S.C. § 1476(b)) and 7 CFR 3550.7. Program requirements that are not addressed in this notice will remain in effect.

Background

The RHS offers a variety of programs to build or improve housing and essential community facilities in rural areas. The Agency offers loans, grants, and loan guarantees for single- and multifamily housing, community facilities, such as, child-care centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, multifamily housing for farm laborers, and much more. RHS also provides technical assistance loans and grants in partnership with non-profit organizations, Indian tribes, state and federal government agencies, and local communities.

The RHS administers the Section 502 program with the objective to assist very-low and low-income applicants obtain decent, safe and sanitary housing in eligible rural areas by providing payment assistance to increase an applicant's repayment ability. The purpose of this pilot program is to evaluate the impact of authorizing the value of properties constructed through the Section 502 self-help program to exceed the maximum area loan limit at 7 CFR 3550.63(a)(1); and permitting grants and other affordable housing products to exceed the area loan limit for all Section 502 direct loans. This pilot program is necessary to ensure that any new area loan limits do not prohibit new construction under the self-help housing method and allows for other affordable housing financing products to successfully supplement gaps in financing.

The following twenty-four (24) States are selected to participate in the pilot based on program usage, the wide geographic variation, historic loan levels, and variety of construction and affordable housing partners: Alaska, Arizona, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Maine, Maryland, Michigan, Minnesota, Montana, New York, North Carolina, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Washington, Utah, and Virginia.

Maximum Loan Limit Pilot Program

The implementation of the Maximum Loan Limit Pilot Program is an alternative approach to underwriting self help loans and all Section 502 direct loans with additional affordable housing financing from third parties. Agency staff will indicate in each individual Section 502 borrower file, that one or more of the approaches below were used in approval of the loan.

1. The first approach is to remove the maximum loan limit for self-help housing found at 7 CFR. 3550.63(a)(3). The purpose of this pilot is to demonstrate the viability of allowing self-help loan amounts to align with market realities, particularly in higher cost areas where market values often exceed total financial assistance plus sweat equity needed to complete the home's construction. The Agency's security interest will still be protected as the maximum self-help loan amount must still not exceed the area loan limit established in 7 C.F.R. §3550.63(a)(1). Additionally, the appraised value will continue to be used to determine the value of sweat equity as it relates to the original equity amount shown on Form RD 3550-12, Subsidy Repayment Agreement.

2. The second approach will address situations when an applicant is receiving a housing grant or other form of affordable housing assistance from a third party for purposes other than closing costs. In these situations, the maximum loan limit may be exceeded by the third party financing amount(s), as long as the agency loan itself remains at or below the maximum loan limit. Using this process deviates from the requirements set forth in 7 C.F.R. §3550.63(a)(2)(ii) but is needed to establish whether or not other affordable housing financial products supplement gaps in financing. The Agency will not subordinate its first lien position in these situations.

Paperwork Reduction Act

The regulatory exceptions for this pilot contain no new reporting or recordkeeping burdens under OMB control number 0575-0179 that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35).

Non-Discrimination Statement

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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the State or local Agency that administers the program or contact USDA through the Telecommunications Relay Service at 711 (voice and TTY). Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at <https://www.usda.gov/about-usda/general-information/staff-offices/office-assistant-secretary-civil-rights/how-file-program-discrimination-complaint> and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

(1) Mail: U.S. Department of Agriculture

Office of the Assistant Secretary for Civil Rights

1400 Independence Avenue, SW

Washington, D.C. 20250-9410; or

(2) Fax: (202) 690-7442; or

(3) Email: Program.Intake@usda.gov.

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Anthony Priest,

Chief of Staff,

Rural Housing Service.

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