

Section 538 Guaranteed Rural Rental Housing Program (GRHHP)

LOAN PRODUCTS

- Up to 90% guarantee
- Interest credit (interest rate buy down)

ELIGIBLE PURPOSES

- New construction and acquisition with substantial rehabilitation
- Take-out permanent financing and combination construction/permanent loans

ELIGIBLE USES

- All hard costs
- Soft costs - professional services, bond fees, developer's fees, land acquisition & development, cost of financing

ELIGIBLE BORROWERS

- 10% equity - Individuals and for-profit partnerships
- 3% equity - Limited liability companies, trusts, state and local agencies, Indian Tribes

ELIGIBLE LENDERS

- Lenders eligible for approval include HUD, Fannie Mae, and Freddie Mac approved multifamily lenders
- Lenders with multifamily lending experience and demonstrated capacity to provide all aspects of loan processing, and asset management functions, including disposition.

BENEFITS TO LENDERS

- 90% protection against loan losses
- Credit towards fulfillment of Community Reinvestment Act requirements
- Secondary mortgage market participation
- Loans exempted from lender's legal lending limits
- Enables lenders to expand their portfolios, while improving the economic health of rural communities

ELIGIBLE AREAS

- Rural areas with populations up to 20,000

LOAN FEATURES

Maximum Loan Amount

- No limit

Interest Rate

- Best negotiated rate between lender and borrower fixed over the loan term
- Buy down of interest rate with annual interest credit payments up to the Applicable Federal Rate

Maximum Repayment Terms

- 25 year min., 40 year max.
- 25 year min. for balloon with 40 year amortization

PROGRAM GUIDELINES

- Available to families or persons whose incomes at time of initial occupancy do not exceed 115% of median income
- Rent (including tenant-paid utilities) for any unit at initial occupancy cannot exceed 30% of 115% of area median income, adjusted for family size
- Average rent (including tenant-paid utilities) for all units in a project cannot exceed 30% of 100% of area median income

GRRHP REGULATIONS & FORMS

- Regulations are available online at: <http://rdinit.usda.gov/regs/hblist.html#hbw6>
- Forms are available online at: <http://rdinit.usda.gov/regs/formtoc.html>
- The application process and competitive selection criteria will be described in an annual Notice of Funding Availability (NOFA) published in the Federal Register

