

# How to Fund Your Next Habitat House Through USDA

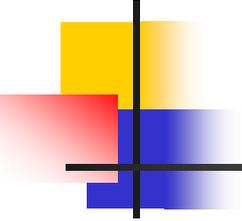
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If your affiliate needs immediate funds to purchase land and build houses then this is for you!

# Hanover Habitat/USDA Houses



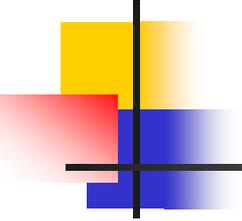
These three houses have been built within the last year with funds from USDA and Hanover Habitat as the general contractor. All were Earth Craft Certified



# Who Can Work With USDA?

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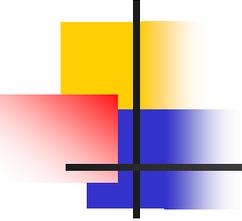
- Habitat affiliate must have a demonstrated track record of success.
- Affiliate's land must be in a rural area.
- <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>
- Partner Family must fall into RD's income categories.
  - Very Low
  - Low



# Why Partner?

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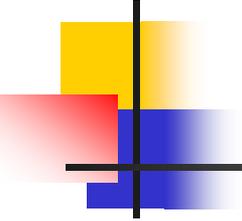
- Similar Missions - See Handout Sheet
  - USDA's Rural Development Mission
  - Habitat's Mission
- Similar requirements
  - Substandard housing
  - Overcrowding
  - Cost Burden
  - Ability & Willingness to repay a loan



# Why Partner?

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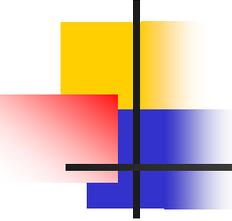
- Benefits to USDA
  - Habitat provides over 20% leverage with Sweat Equity
  - This allows USDA to access Rural Home Loan Partnership Funds, a National Office priority for funding
- Benefits to Habitat
  - Enables affiliate to buy land
  - Increases number of annual builds
  - Assists with cash flow problems



# Applying to USDA

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- Affiliate & USDA sign a MOU – Draft Copy Provided in Handout
- Affiliate identifies a family & refers to USDA
- USDA Field Staff determines if the family qualifies
- Credit Scores/income/repayment
- If qualified, family receives a Certificate of Eligibility –COE with (loan approval amount)



# Buying Land – Building Houses

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- Partner Family uses USDA funding (COE) to buy land from Habitat or other seller
- Habitat becomes contractor for build *if they are a Class A Contractor*
- Habitat signs construction agreement with Partner Family & Habitat as the General Contractor (GC).
- USDA provides funding for Habitat build in 2 ways
  - Habitat - 3 draw downs
    - Minimum start-up funds required
  - Habitat - 1 draw down
    - Spec. house – Allows for faster build start
- Habitat significantly improves cash flow

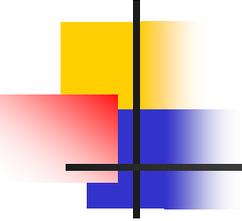
# Construction Steps

1. **The GC (Habitat) obtains all permits for construction.**
2. **Construction begins.**
3. **Three Construction draws are authorized at 60% of value of the work in place for the first two..**

## ■ Draw Schedule:

- Footer- 60%
- Rough-in- 60%
- Final inspection (move in)- 100%

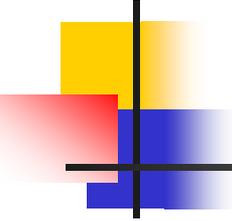




# USDA Loan Servicing

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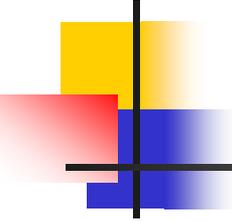
- USDA portfolios the mortgage
- Taxes and insurance are escrowed by RD
- USDA servicing benefits
  - Moratorium on mortgage payments
    - Up to 2 years with qualifying loss of income
    - Can assist with reduced payments down to an effective loan rate of 1%.



# Rural Development and Habitat

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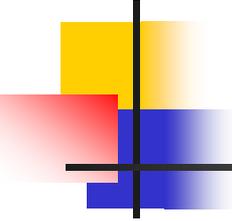
- Four ways to partner together
- 1. Act as General Contractor for building a RD funded house.
- 2. Build a “spec” house for RD funding.
- 3. Provide funds for home repair materials.
- 4. Affiliate is recipient of an RD Community Facility loan and/or grant.



# Rural Development and Habitat for Humanity

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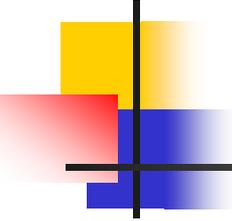
- Rural Development has a program to help very-low income families with home repair and modernization.
- We can fund up to \$20,000 at 1% interest (NO RECAPTURE) for 20 years.
- Imagine what this could do when partnered with other Block Grant Programs.



# Rural Development and Habitat for Humanity

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- Rural Development has a **Community Facilities Program** which can finance essential community needs as:
  - Transportation van
  - Computer or office equipment
  - “Home stores”
  - **Did you know that Habitat for Humanity affiliate if a rural Non-profit, is probably eligible for CF funds?**



# Recapture

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- Only applies if the value of the home goes up. If not, then there is NO value appreciation and NO recapture.
- Recapture can be “set aside” without interest if the family pays off USDA’s lien and lives in the house.
- If they pay off recapture at closing then there is a 25% forgiveness.

# Contact information for Hanover Habitat for Humanity

For more information about Hanover Habitat for Humanity's collaboration with USDA please contact the following:

Tim Bowring – Executive Director for Habitat in Hanover, VA

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(C)804-543-4436

[www.hanoverhfh.org](http://www.hanoverhfh.org)





Committed to the future of rural communities.

For more information about these or other Rural Development programs, contact the office for your area.

Office locations:

<http://www.rurdeve.usda.gov/va/offices.htm> or

Janice Stroud-Bickes, Area Director (804)-287-1615 or  
[janice.stroud-bickes@va.usda.gov](mailto:janice.stroud-bickes@va.usda.gov)

TDD: (804)-287-1753

The Rural Housing Service is an Equal Opportunity Lender and its programs are operated on an equal opportunity basis. Complaints of discrimination may be filed with the Secretary of Agriculture, Washington, D.C. 20250

