

Fast Facts!

Section 502 Direct Loans Open Doors to Rural Homeownership

If the President's FY13 budget is approved by Congress, Section 502 Direct Loan Program appropriations will be cut by nearly 42 percent from FY11 to its lowest in more than 40 years. Since 2003, the program's Budget Authority has been reduced by more than 80 percent – from \$203 million to \$42 million.

What is it?

- ❖ Section 502 is the *only* federal homeownership program that is *exclusively targeted* to very low- and low-income rural families. Over 60 years, the program has helped more than 2.1 million families realize the American Dream and build their wealth by more than \$40 billion.

- By law, at least 40 percent of Section 502 funds must be used to assist families earning less than 50 percent of the area median income. Two-thirds borrowers have incomes less than 60 percent of AMI, with an average income less than \$27,000.
- With a Section 502 Direct Loan, these families can access affordable, safe mortgages with interest rates starting at just 1 percent over a 38-year term.

Proposed Funding Levels

Section 502 Direct Loans

FY12 Appropriations:	\$900M
FY13 Budget Request:	\$653M
FY13 Senate:	\$900M
FY13 House:	\$653M

Why is it important?

- ❖ Section 502 is the *most cost-effective federal housing program*. On average, each loan costs less than \$7,200, *over its entire lifetime*. Other federal housing programs can cost more than \$7,000 *each year*.
- ❖ Section 502 Direct Loans fill a gap in the private market by serving families that are otherwise unable to access affordable mortgage credit. The program is one of the best ways to reach smaller, poorer, and more remote rural communities with limited access to mortgage credit.
- ❖ Demand for Section 502 loans continues to outpace supply. Between 2009 and 2011, an average 15,000 loan applications – amounting to \$1.9 billion – were on program's waiting lists each year.
- ❖ The Section 502 Direct Loan program cannot be replaced by any other program, including the Section 502 Guaranteed Loan program. Unlike the Direct Loan program, the Guarantee program:
 - Overwhelmingly serves families higher incomes – with an average income of \$50,000, or twice that of the Direct Loan program.
 - Does not provide interest rate subsidies. This will become even more significant when interest rates return to normal levels.
- ❖ With a foreclosure rate of only 5.34 percent – compared to 14.45 percent in the commercial market for similar borrowers – Section 502 Direct Loans are a safe investment.

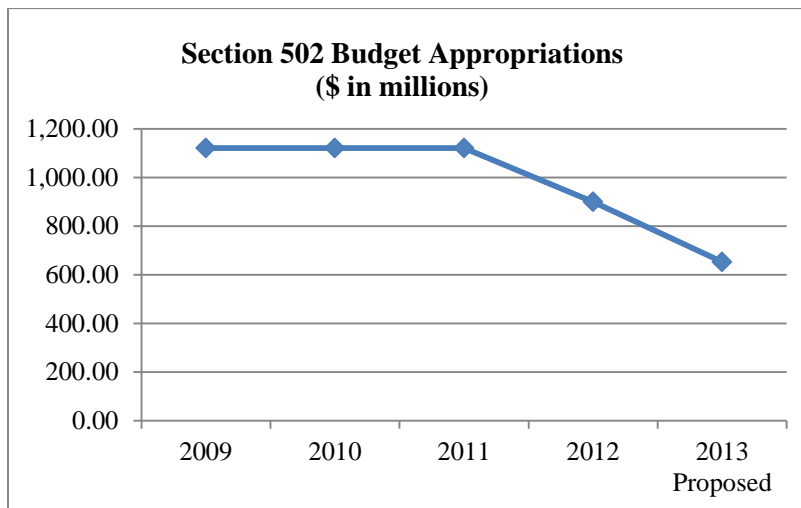
Learn more about how the FY 2013 budget impacts rural communities.

The National Rural Housing Coalition is national member organization composed of community groups, public officials, and non-profit developers who believe that rural people have the right, regardless of income, to decent, affordable housing, clean drinking water, and basic community services.

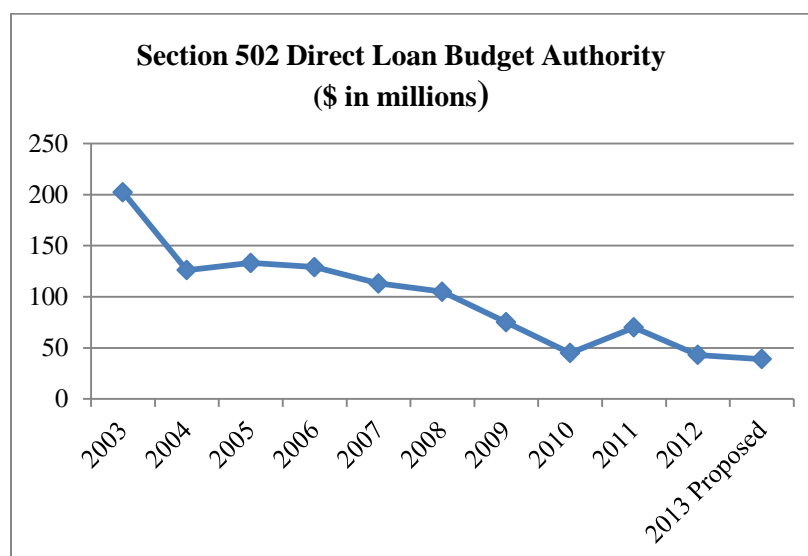


How does the budget impact Section 502?

- ❖ The President's proposed budget does not adequately fund the Section 502 program. This request is nearly 42 percent—or \$468 million—less than FY09.



- ❖ Ultimately, this budget weakens the *single, most cost-effective federal housing program*. Between FY03 and FY12, the program's Budget Authority has been reduced by more than 80 percent – from \$203 million to \$43 million. If approved, the BA would be reduced further to only \$39 million.



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