



Fast Facts!

Section 502 Direct Loans Open Doors to Rural Homeownership

The Section 502 Direct Loan Program is one of tools to help smaller, poorer, and more remote rural communities gain access to mortgage credit. If approved by Congress, President's FY14 Budget would cut program levels by 68 percent from FY11 and would reduce the program's Budget Authority by 95 percent since 2003.

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.

Section 502 Direct Loans

FY11: **\$1,121M**

FY12: **\$900M**

FY13: **\$900M***

FY14: **\$360M**

*Subject to a 5% and 2.5% across-the-board reduction.

Why is it important?

- ❖ Section 502 is the *most cost-effective federal housing program*. On average, each loan costs \$3,000, *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.
- ❖ 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 (\$27,000).
 - Does not provide interest rate subsidies. This will become even more significant when interest rates return to normal levels.
- ❖ With a 10% net delinquency rate and a 5.4% foreclosure rate, Section 502 Direct Loans perform on par with FHA loans (12% delinquency/4% foreclosure), which serve higher income borrowers. Section 502 Direct far outperforms the private subprime market (20% delinquency/14.5% foreclosure).

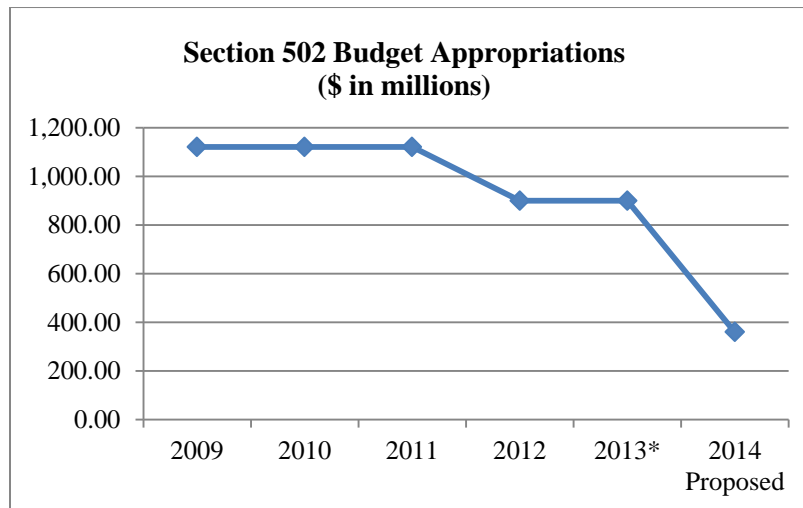
Learn more about how the FY 2014 budget impacts rural communities.

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.



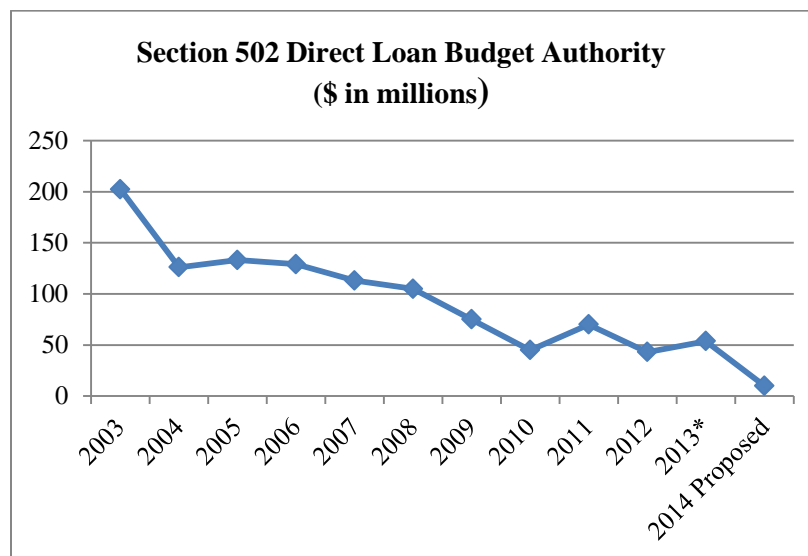
How does the budget impact Section 502?

- ❖ The President's proposed budget would cut program levels by 68 percent since FY11, from \$1.12 billion to just \$360 million.



* Includes a 5% and 2.5% across-the-board cut

- ❖ In one year, the President's budget proposes an 81 percent cut to the program's Budget Authority. If approved by Congress, the program's BA will have been slashed by 95 percent.



* Includes a 5% and 2.5% across-the-board cut

Learn more about how the FY 2014 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.