FY 2026 Programmatic and Language Appropriations Request
Department of Agriculture
Rural Housing Service
Agriculture Appropriations
Rural Development
Rural Housing Service

Program: Section 502 Direct Homeownership Loans
Request: $1, 258,000

Bill Language: $1,250,000,000 for direct loans authorized under section 502 of the Housing Act of 1949, of which $8,000,000 shall be for a Single-Family Housing Relending demonstration program for Native American communities.

Justification for Request: The Section 502 direct loan program administered by the Rural Housing Service of the U.S. Department of Agriculture (USDA) provides direct long-term subsidized loans, as low as one percent, to rural households with incomes not exceeding 80 percent of the median. Section 502 is the only federal program of its kind and the most deeply targeted homeownership mortgage product in America.

In many cases, Section 502 loans are made in conjunction with the Mutual Self Help Housing program, which works with families who build their homes, gaining "sweat equity" through their labor.
Over the last ten years, through annual appropriations, the annual program level for Section 502 loans has hovered around $1 billion. Section 502 loans are made at a market interest rate and subsidized at a graduated interest, depending on family income. Borrowers may obtain 100% financing, and loans are generally for 33 years (with a 38-year option for those below 60% of the area median household income), ensuring sustainable home ownership. Minority households make up 40 percent of Section 502 borrowers.

In FY 24, USDA made 4450 Section 502 loans totaling $1.1 billion. The Fiscal Year 2024 Consolidated Appropriations Act, HR 4366, reduced Section 502 loans to $880 million. Under the interchange authorized under the Consolidated Farm and Rural Development Act, USDA transfers $23 million in BA from expiring disaster assistance appropriations, which increases the total available to $1.25 billion. Even with the transfer, the 4450 loans made were the lowest by USDA since the mid-1950s.

Section 502(d) of the Housing Act of 1949 sets aside 40 percent of Section 502 loans for very low-income borrowers. At the FY 24 rate, only about one thousand loans will be set aside for very low-income households.

Appropriations Status

FY 24 Final: $1.1 billion
Final FY $25: $800 million (based on FY 24 enacted budget authority)