



# Packaging and Partnering with USDA Rural Development's Section 504 Home Repair Program

# Objectives

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## Part 1 – Section 504 Program Overview

- Section 504 Home Repair Loan & Grant Program highlights – loan and grant terms, applicant eligibility and repairs that can be completed with funds

## Part 2 - Loan Application Packagers

- Learn about the benefits of loan/grant packaging for your organization, our customers and Rural Development.
- Overview on the different types of packaging arrangements and fee structure that can be established.

## Part 3 – Best Practices

- Hear from some of our successful packagers on how this packaging partnership has benefitted their home purchase and rehabilitation programs.
- Leveraging both funds and staff resources to promote affordable and sustained homeownership in rural communities.



# Part 1 – Section 504 Program Overview



## SECTION 504 SINGLE FAMILY HOME REPAIR PROGRAM

Assist very-low income rural homeowners to make repairs to their single family homes to include accessibility modifications for individuals with disabilities

# Section 504 Loan Highlights

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- Repairs to improve or modernize home and/or to make the home accessible for household members with disabilities
- Maximum outstanding 504 loan amount is \$40,000
- Interest rate is fixed at 1%
- Term of 20 years
- Satisfactory credit and qualifying total debt (TD) to income ratio applies - 41%
- Mortgage filed for loans of \$7,500 and over; promissory note only for loans <\$7500

# Section 504 Grant Highlights

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- Maximum cumulative lifetime grant assistance is \$10,000
- At least one applicant must be 62 years of age or older
- Grant funds must be used to make repairs that will remove health and safety hazards or to make the home accessible and useable for household members with disabilities.
- Grantee to sign Grant Agreement requiring ownership and occupancy for three years. After three years, no repayment requirements
- No lien required / filed for Section 504 Grant assistance

# General Eligibility Guidelines

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- Household income - at or below the applicable very-low income limit for the county where home is located:  
<https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>
- Must own the home, site and occupy the property
- Property must be modest and located in a RD designated rural area  
<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp>
- Demonstrate a willingness and history of paying debts/bills when due (evaluated for loan assistance)
- Asset Limitations (\$15K non-elderly; \$20K elderly household)

# Part 2 – Loan/Grant Packaging Benefits

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- USDA RD Single Family Housing Direct Loan & Grant application packagers provide program outreach and help the Agency to better reach applicants that need our housing assistance in underserved areas; particularly in regions our Area Offices are not located.
- Assist RD in reaching very low-income applicants
- Prescreen potential applicants before they apply for RD assistance; counsel on credit, assess repayment ability (loans only), help coordinate repair estimates and confirm other program eligibility criteria.
- Ensure applications submitted to RD are complete and accompanied by supporting documentation for Agency decision; Attachment 12-E “Checklist of Items to Accompany Application for Home Repair Loan or Grant Funds.”





## Benefits to USDA

- Packagers promote USDA Single Family Housing programs, conduct outreach and assemble applications for customer and RD.
- Applications received are complete and eligibility decision can be rendered timely by RD staff without having to issue HB-11 “Request for Information” to the applicant.
- Packagers work with customers on the home repair process and can pre-screen program eligibility prior to application submission; successful outcomes.
- Processing timeframes are shortened, and RD staff can process more applications.
- Partnered / packaged loans for RD NY have received national recognition to include materials used in Agency outreach and leadership highlights.





# Impacting a Community





## Benefits to Packager

- Cost recovery for application assembly services that partner Agency was already providing at a referral level to leverage funds with RD.
- With packaged & leveraged funds, helps to spread your organization's rehabilitation funds further by co-funding projects with Section 504.
- Packaging supports organization with a more diversified revenue stream - fee for service.
- Helps strengthen other grant writing outcomes with this federal partnership and experience gained in formalized loan / grant origination.
- Partnered events can provide national recognition and local outreach for the featured family and organization. Generates additional support for your programs and services.

# RD NY packaging partnership with HFH Genesee County Highlighted in national newsletter “Packaging Express”





## Benefits to Customer

- Packager can help the customer complete the application, gather items to accompany it and obtain estimates for repairs from local contractors.
- Time from application to eligibility decision shortened; < 30 days for a packaged application.
- Access to affordable housing grants when they are available from packager. 504 (1% loan) funds can be reduced by partnered funds from packager.
- Packaging fee can be included in Section 504 loan and/or grant assistance.





**Changing Lives  
One Home At a Time**

# 502 Direct Packaging Types as described in HB-1-3550

## Attachment 3-A

<https://www.rd.usda.gov/resources/directives/handbooks>

[https://www.rd.usda.gov/sites/default/files/3550-1chapter03\\_0.pdf](https://www.rd.usda.gov/sites/default/files/3550-1chapter03_0.pdf)



HOME · RESOURCES · DIRECTIVES

About RD >  
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Programs & Services >  
Newsroom >

**Resources** ▾  
Acronyms  
**Directives** ▾  
Administrative Notices  
Electric Sample Documents  
Form Letters  
Guide Letters  
**Handbooks**  
Informational Publications  
Instructions  
Procedures Notices

Below are handbooks information

**HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook** —

Consolidated version (large document may take long to load)  
Table of Contents  
Acronyms  
Glossary  
Chapter 1 Overview  
Chapter 2 Overview of Section 502  
Chapter 3 Application Processing  
Chapter 4 Borrower Eligibility  
Chapter 5 Property Requirements  
Chapter 6 Underwriting The Loan

### Section 502 Direct Packaging Type, Permissible Packaging Fee, and Eligible Loan Purpose:

The Section 502 direct packaging type and who is involved impacts the permissible packaging fee amount and whether the fee is an eligible loan purpose. Duplicate fees for packaging services are not permitted.

502 Direct Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?
Certified packaging body with an intermediary	Up to \$2,000 split between certified packaging body and intermediary	Yes 3550.52 (d)(6) and 3550.75	Yes
Certified packaging body without an intermediary (occurs when the State Director approves an opt-out request or when a state is not served by an intermediary)	Up to \$1,750	Yes 3550.52 (d)(6) and 3550.75	Yes
Intermediary acting as a certified packaging body	Up to \$1,750	Yes 3550.52 (d)(6) and 3550.75	Yes
Approved non-certified	Up to \$750	Yes 3550.52 (d)(6)	Yes
Other non-certified packaging arrangements (packaging activities outside of the Agency's regulatory controls such as packaging by for-profit entities)	Not regulated and discouraged when a fee is charged	No	No. In addition, the Agency will review the impact of the fee to the applicant and will make the determination if it adversely affects their qualification.

504 Packaging also described in HB-1-3550— Attachment 3-A



504 Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan and/or Grant Purpose?
Public and private nonprofit organizations that are tax exempt under the Internal Revenue Code	Up to \$750	Yes 3550.102 (d)(5)	Yes
Other packaging arrangements	Not regulated and discouraged when a fee is charged	No	No. In addition, the Agency will review the impact of the fee to the applicant and will make the determination if it adversely affects their qualification.



# 504 Packaging

Intake and assembly of complete applications addressed in HB-1-3550, Attachment 3-A

- Phase 1: Eligibility Cover Letter
- Applicable items in Attachment 12-E, Checklist of Items to Accompany Application for Home Repair Loan or Grant Funds
- 504 Automated Worksheet
- Packaging Disclosure Letter

Program information can be found on the [Single Family Housing Repair Loans & Grants](#) website under “To Apply” tab and in Handbook-1-3550 available on the [Handbooks](#) website

# Certified Packager

## Certified Packaging Body Consists of:

- 1) Certified loan application packager
  - At least 1 year of affordable housing loan origination experience and/or housing counseling (resume)
  - Be employed by a qualified employer
  - Taken the required certified packaging course and passed the test

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- 2) Qualified Employer
  - Nonprofit organization, Native American Tribe or public body
  - Engaged in affordable housing per bylaws
  - Disclose financial interest
  - Submit applications via intermediary

## Non-Certified Packager

(Includes Section 504 Home Repair Program)

- Packaging Fee up to \$750
- Non-profit, tax-exempt packaging partner
- Executes a non-certified / 504 Packaging MOU
- Must disclose fee structure to applicant
- Training, mentoring and oversight by State RD staff
- Non-certified packagers can be equally effective as certified packagers with outreach support and co-funding partners in underserved rural areas.

- About RD >
- State Offices
- Programs & Services >
- Newsroom >
- Resources >
- Contact Us >

[7 CFR 3550](#) | [Handbook-1-3550](#) | [Attachment 3-A](#) | [eForms](#) | [Income and Property Eligibility](#) | [Interest Rates](#)

The information on this page is provided to assist packagers and intermediaries of the Section 502 Direct Loan program. The content will be reviewed and updated as appropriate. To view the content on this page, make sure you have the appropriate technology/software installed on your computer. For information specific to Section 504 Loan and Grant Packaging, please visit [here](#).

## Upcoming Certified Loan Application Packaging Trainings

Please visit [502 Loan Application Packager Training \(usda502directtraining.org\)](#)<sup>ext</sup> for a calendar of events and registration information for trainings that are provided by approved non-Agency trainers.

## Trainings

[Program Overview](#)

[Pre-qualification and Application Processes](#)

Determining Income

- [Annual](#)
- [Adjusted](#)
- [Repayment](#)

[Worksheet for Computing Income & Max Loan Calculator](#)<sup>ext</sup>

[Credit Requirements](#)

[eForms Application Process \(Video](#)<sup>ext</sup> , [User Guide](#))

[Role of the Intermediary \(Video](#)<sup>ext</sup> )

[How to Become an Intermediary \(Video](#)<sup>ext</sup> )

[Certified Loan Application Packaging Process](#)

[Becoming a Certified Packager \(Video](#)<sup>ext</sup> )

## Resources

[Sign Up for GovDelivery](#)<sup>ext</sup> (e.g. email updates for program information and Loan Packaging Express newsletters)

[Intermediary Coverage Map](#) - Revision date: 4/18/22

[Intermediary MOU Template](#) - Revision date: 7/28/21

[Stacking Order Checklist](#) (required for intermediaries) - Revision date: 10/16/20

[RD State Office Contact Info](#)

[Certification on Certified Packaging Bodies - Annual Report Template](#)

[Complying with Civil Rights Requirements](#)<sup>ext</sup>

[Worksheet for Computing Income & Max Loan Calculator \(August 4, 2022 version\)](#)

# Packaging Partnership Impacts RD NY

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- In FY23, 19% of our 502 Direct home purchase applications were packaged, representing 31.85% of our loan obligations
- FY24 to date, 22% of our 502 Direct applications were packaged, representing 35% of our loan obligations.
- In FY23, RD NY obligated 139% of our Section 502 Direct Loan allocation, 141% of our Section 504 Loan allocation and 179% of our Section 504 Grant allocation.
- FY23, RD NY infused over \$30.4 million in SFH Direct Loan and Grant assistance into NY's rural economy; 19.5% increase compared prior year. This translates into 427 loans and grants obligated / families assisted! An additional \$862,898 of leveraged funding from partnering agencies; many of which were HFH affiliates and packagers.





HFH Steuben County – General Contractor & Project Manager  
Canisteo, NY

Partnering  
Section 504  
Loans & Grants

- Flood damage to heating system (boiler), foundation, and roof.
- Mold growth due to the water that entered the basement
- USDA funds were used for the new heating system and residential dehumidifier to prevent future mold growth
- Habitat provided funds for the foundation and roof with a Veteran's grant.

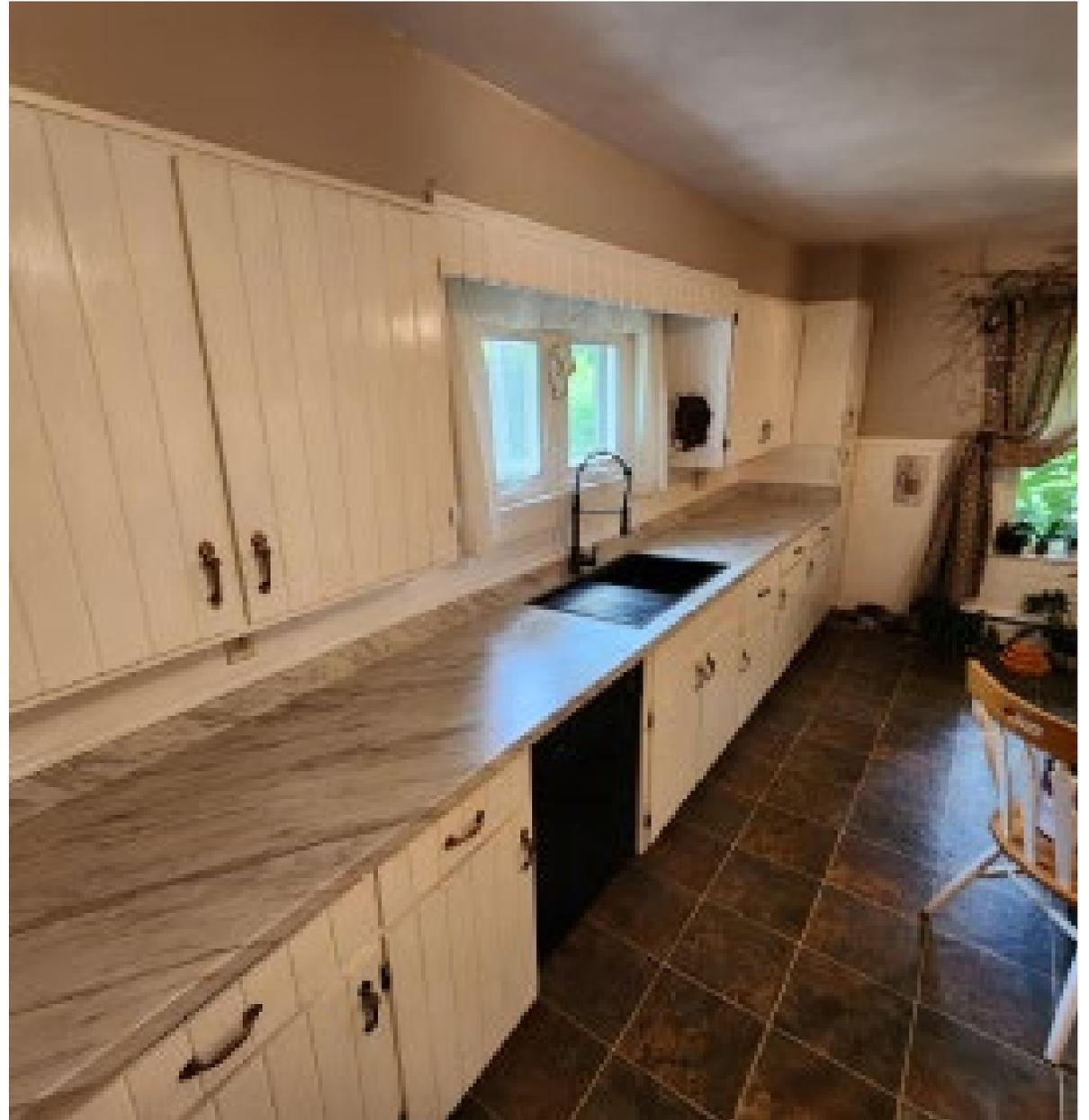
Packaged Section 504 Home Repair – Gerry, NY

Packager: Chautauqua Opportunities Inc

- Leaking kitchen sink
- Damaged countertops
- Damaged attached garage wall
- Detached ceiling fan vent in the bathroom

“Before”





Packaged Section 504 Home Repair – Panama, NY

Packager: Chautauqua Opportunities Inc

- 72-year-old Veteran and his wife on fixed income
- Manufactured home on a permanent foundation
- Furnace replacement and bathroom repairs



“Before”



“After”



# Part 3 –Best Practices

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- Packaging partners have a shared mission with USDA Rural Development
  - Provide decent, safe and affordable housing
  - Strengthening families & communities
- Most of what you gather for your existing rehabilitation programs can be used for Section 504 packaged application.
  - Familiarize yourself with Attachment 12-E “Checklist of Items to Accompany Application for Home Repair Loan or Grant Funds.”
- Begin with “Section 504 Pre-screening Questionnaire”
  - RD staff can review and discuss responses / scenario with you before you begin working up an application package with customer.
  - Eventually you can go from questionnaire straight to application intake process.
- Contact local RD Area Office and/or Loan Processing Center staff to schedule in person training meeting to learn how to package Section 504 Loans/Grants
  - RD Single Family Housing program staff will come to your office
  - Your organization will package / work with the same staff that trains you
  - Ongoing support and available to ask questions, run scenarios and provide follow-up meetings

# Packager Panel Questions

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## Question #1

In what ways has packaging USDA Rural Development's Single Family Housing Programs positively impacted your organization? How does it benefit administering your rehabilitation program?

# Packager Panel Questions

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## Question #2

Considering other local, state or federal home rehabilitation programs that your organization administers, how does RD's loan/grant program origination compare in terms of application requirements, program oversight and RD staff support?

# Packager Panel Questions

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## Question #3

What would you say is the most challenging aspect of packaging USDA loans/grants and how have you worked with USDA to alleviate that challenge?

# Packager Panel Questions

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## Question #4

For organizations thinking about becoming a USDA Single Family Housing Direct Loan and/or Grant packager, what would you provide for advice, tips and/or start up suggestions?

# Questions & Discussion