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RCAC's mission and vision

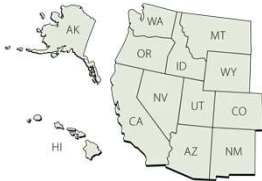

- RCAC provides training, technical and financial resources and advocacy so rural communities can achieve their goals and visions.
- RCAC envisions vibrant, healthy and enduring rural communities throughout the west.



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Service area

- 13 western states and the Pacific Islands

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RCAC's core values

- Leadership: identifies innovative strategies to further rural community and economic development and inspires partners to achieve great outcomes
- Collaboration: achieves superior results by respectfully and inclusively identifying partners
- Commitment: works with passion and dedication to improve rural communities and the lives of their low-income residents
- Quality: produces exceptional work products to help our partners meet their goals
- Integrity: practices the highest professional standards and cultural competency in our work



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Environmental infrastructure services

- Water, wastewater and solid waste assistance
- Tribal Circuit Rider program
- Agua4All, addresses a lack of affordable drinking water in rural California



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Building Rural Economies



- Trains and builds community support for local entrepreneurial development
- Outcomes through the BRE Program since 2014:
 - 16 new businesses created
 - 62 new business ventures created
 - 20 existing businesses expanded
 - 24 existing business ventures expanded
 - 10 existing business retained
 - 25 existing jobs retained
 - 104 new jobs created



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Lending

- Housing, environmental infrastructure or community facilities
- Community development loans available to Tribes, Tribal entities and individuals in the Southwest
- Small Business loans including Re-Emerging Loan Fund (RELieF)
- Household wells and septic

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RCAC Housing Programs

- HUD Certified Housing Counseling
- Development Solutions
- Technical & Management Assistance for USDA 523 Mutual Self-Help Grantees
- Disaster Recovery
- Tribal Housing Excellence Academy (THE Academy)
- Homeownership Program



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Development Solutions

Development Solutions supports nonprofit organizations and Native organizations by partnering with them to develop affordable rental housing in the rural West. We have the flexibility to provide a wide range of services—from technical assistance to consulting to partnering. RCAC will only develop or own rental housing with a local nonprofit partner.





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What THE Academy Includes

- ◆ Combines training with technical assistance to apply lessons directly to your housing project
- ◆ Multi-year program offers:
 - ◆ Six training sessions spread over 18 months
 - ◆ Shorter webinars in between on special topics
 - ◆ Coaching for your housing project through 2024
- ◆ Participants commit to:
 - ◆ Staff time for same two staff to attend all trainings, plus time to work on your housing project
 - ◆ Travel costs for in-person trainings (after \$4,000 scholarship)

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Who THE Academy Is For

- ◆ Eligible applicants are IHBG or NHHBG grantees:
 - ◆ Tribal or Native housing authorities, TDHE's, housing departments
- ◆ The housing must be Rural by HUD Rural Capacity Building Grant definition
- ◆ Successful applicants will have:
 - ◆ Some recent development experience
 - ◆ A viable housing project to work on
 - ◆ A desire to stretch/innovate

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HUD Certified Housing Counseling

RCAC is a HUD Approved Intermediary for Housing Counseling Agencies, with 18 subgrantees, providing funding, training, and technical assistance to Housing Counseling agencies. We are also one of 5 approved Intermediaries that provide nationwide training to housing counselors on topics that assist them in complying with HUD Housing Counseling regulations and program requirements.



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RCAC Provides Technical and Management Assistance to USDA Rural Development 523 Self-Help Grantees



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RCAC Homeownership Program

- Resources to assist rural communities in their homeownership goals for new and existing homes
- USDA 502 Direct Intermediary
- USDA 502 Direct Trainings – this includes the required training for certified packagers and other smaller training resources
- Technical Assistance for rural communities and their homeownership programs



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USDA Rural Development 502 Direct Certified Packaging Intermediary

Intermediary for 502 loan packaging—provides quality assurance reviews of USDA 502 Direct loan packages submitted by Certified Packagers in RCAC service area.



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USDA 502 Direct Loan Application Packaging Training

- Training agencies will provide at least 8 trainings a year.
- RCAC has virtual training March 27-31st and September 18-21st
- RCAC has shorter refresher/introduction sessions, offered on an as-needed basis. These are typically free, but *do not* meet the training requirement for certified packagers.



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RCAC's Increasing Equality in Access to Homeownership Initiative

- Initiative's Goal to increase homeowners who are Indigenous and people of color through:
- Technical Assistance for rural communities and their homeownership programs
- Scholarships for required USDA 502 Direct Loan Application Packaging process and other RCAC housing trainings
- Pass-through funding for initiative focused activities



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Increasing Equality Access to USDA 502 Direct Loans

- Training and Technical Assistance for USDA 502 Direct loan application packaging
- Scholarships for RCAC's USDA 502 Direct Loan Application Packaging Training
- Assistance in USDA 502 Direct lending barriers/challenges
- Small Amounts of Pass-through Funding to build USDA 502 Packaging capacity
- Peer-to-Peer Networking Calls and Best Practices
- Training in Preparation for Native CDFI Relending



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Additional Initiative Resources

- Training resources in homeownership programs and housing counseling
- Technical Assistance
- Pass-Through Resources
- Down Payment Assistance
- GOAL – New and Preserved Homeowners



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502 Program Basics



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502 Program Overview


- Serves: Very-Low income (VL) and Low-income applicants
- Direct Loan from Rural Development (not a 502 Guarantee Loan)
- Property must be in a rural area and meet program requirements



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502 Program Overview, cont...


- Typically, No Down Payment required
- Payment Assistance makes the payments affordable
- Some closing costs may be included in the loan, up to the appraised value
- Private Mortgage Insurance (PMI) **not required**



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502 Loan Terms


- Standard term - 33 years
- When income eligible and needed – the term may be 38 years
 - Uses 38 years (if income eligible) to reach max loan c
- Manufactured Homes = 30-year max
- Typically, 100% Loan to Value



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Income Limits and Area Loan Limit

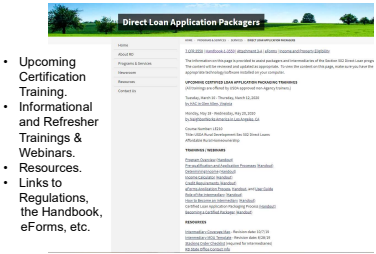
- Income Limits are on a per county basis and similar to HUD except USDA uses income banding (1-4 member households = 4-person income limit and 5-8 member households = 8-person income limit)
- Maximum loan amount is based on the County's Area Loan Limit, Appraised Value and Amount the applicant can afford




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Direct Loan Application Packagers Website

<https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>




- Upcoming Certification Training.
- Informational and Refresher Trainings & Webinars.
- Resources.
- Links to Regulations, the Handbook, eForms, etc.



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Roles and Packaging Fee


- Certified Packaging Body** markets the 502 program and works with potential applicants
 - Agency-Certified loan application packagers who are employed by a Qualified Employer (i.e. nonprofits, tribal housing authorities)
- Intermediaries** provide assistance to packagers/perform quality assurance reviews.
- RD** determines eligibility and underwrites.
- Packaging Fee** – currently \$2,000 and split with Intermediary (RCAC's split – \$1,525 to packager and \$475 to RCAC)



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Packaging Responsibilities


- Stay informed of RD 502 regulations.
- Market the 502 program in your area.
- Intake, preliminary eligibility, and assembly of complete applications (per HB-1-3550, Attachment 3-A).
 - **Phase 1: Eligibility.**
 - **Phase 2: Property.**
- Submit loan packages to intermediary for quality assurance review/submittal to RD.



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Certified Packaging Role – Phase1 Packaging:


- Initial Intake – determine the likelihood of eligibility based on undocumented information
- Income Eligibility – Verify based on 3rd party documentation for program eligibility
- Credit Analysis – Review per USDA regulations and make recommendations
- Other Program Requirements
- Compile and Submit



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Addressing Credit Issues


- No minimum credit score is required
- If the applicant has a 640 score or higher and no Significant Delinquencies, the applicant qualifies for a streamlined credit review
- If the score is under 640, full credit analysis is completed using Indicators of Unacceptable Credit



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Establishing Credit


- If under 640 score, a landlord verification is a requirement, if it is possible to obtain
- A minimum of three trade lines are reviewed and alternative/nontraditional credit can be used if three trade lines are not included in the credit report
- In order to be counted as a trade line the applicant must be the responsible party and not just an authorized user.



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Certified Packaging Role – Phase 1 (Cont.):


- Intermediary Reviews – if additional items are needed the intermediary will request them
- Intermediary submits to RD for review and if approved, a Certificate of Eligibility is issued
- Applicant starts looking for a home to purchase.



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Certified Packaging Role – Phase 2 Property Submission:


- Compile property documents.
- Assist the applicant with the review of the inspection report and addressing health and safety items.
- Prepare a cost estimate for repair items not covered by the seller.
- Submit to Intermediary for review.
- Intermediary reviews and submits to RD for review and underwriting.



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Becoming a Certified Packager

- Sign up with an intermediary in your state
 - Within 12 months of signing up.
 - Complete Agency-Approved course within 12 months of signing up with an intermediary
 - Successfully pass the corresponding test
- Meet eligibility requirements:
 - At least one year of affordable housing loan origination and/or housing counseling experience (resume).
 - Be employed by a qualified employer.



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Creating a Local USDA 502 Direct Packaging Program



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Recommended Components of a 502 Direct Packaging Program

- Outreach
- Housing/Credit Counseling (optional yet extremely helpful)
- Knowledge of the Local Housing Market
- Knowledge of Local Down Payment Assistance Programs



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Creating a Pipeline and Realistic Expectations

Budget Demands of Low and Very-Low Income Applicants

- High rental cost = cost burdened applicants
- Student Loans
- Credit/Debt Culture = low credit scores and high debt ratios
- Payment Shock for applicants living at home with family



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Organization Budget Expectations

- Packaging fees are only paid for loans that close, at the time of loan closing.
- This results in several months of packaging before the first loans reach closing.
- Nonprofits shouldn't expect to receive any packaging fees for 9-12 months after the packaging has started.



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Budget Expectations - # of Closed Loans


- This varies for each nonprofit.
- The expectations that should be taken into consideration are:
 - Area serviced.
 - Outreach and resulting pipeline of applicants.
 - Homebuyer Education and Housing Counseling – short and long-term support.
 - Program design.
 - Staff capacity.



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Developing the Required Capacity


- Partnerships for outreach, homeowner education, housing counseling
- Required training and online exam
- Developing the 1-year experience
 - Housing Counseling
 - Partnering with existing packager
- When to invest in the USDA 502 Direct Loan Application Packaging Training



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Community/Organization Benefits of USDA 502 Direct

- Homeownership is affordable for a much larger number of very low and low-income applicants
- Limited resources for down payment assistance and/or affordability gap financing go much further when using 502 Direct
- Certified Packaging fee for applications that close
- Certified packagers working locally to assist applicants



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Questions?




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Summary and Next Steps


- Attend an upcoming information session and trainings
- Contact RCAC if interested to discuss ways to participate



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Contact Information


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Where to find us

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