



***National Self-Help Housing Conference
USDA Rural Development - Site Loans
March 12, 2025***

Training Objectives

- Overview of the Section 523 and 524 Site Loan Programs

Regulatory References

- Section 523
 - [7 CFR 1944, Subpart I, Exhibit F](#)
 - [RD Instruction 1944-I, Exhibit F](#)
- Section 524
 - [7 CFR 1822, Subpart G](#)
 - [RD Instruction 444.8](#)



The Section 523 and 524 Site Loan Program

- Section 523 Site Loans are direct loans for the purchase and development of building sites for housing to be built by the Self-Help method.
- Section 524 Site Loans are direct loans for the purchase and develop land in rural areas.
 - ✓ This land will be subdivided into adequate building sites and sold on a nonprofit basis to families eligible for low- and moderate-income Section 502 RHS loans
- Governed by 7 CFR Part 1822, Subpart G
 - ✓ RD Instruction 444.8 and 1944-I, Exhibit F
- Site Loans are fully secured(mortgage/deed of trust) loans.

523 Site Loan

Section 523 Site Loan to Self-help Grantees

What is the program purpose?

- To enable eligible applicants to establish revolving loan accounts with which to obtain options on land that will be needed as building sites by self-help families participating in the Self-Help Housing Program



523 Site Loan to Self-help Grantees

Eligible Applicants
MUST Meet
Organizational
Definitions at
§1944-I, Exhibit F

Self-help grantees that are currently operating in a satisfactory manner



Potential Site Loan applicants that have applied for a Self-help grant but are not already a grantee may apply if it appears the grant will be made

- *The Site Loan may be approved but not closed until the Self-help grant is closed*

Section 523 Site Loan to Self-help Grantees

The following requirements are specific only to the 523 program (1944-I, exhibit F):

- Loan Amount
 - 15% of the purchase price
 - State Director approves loans less than or equal to \$10,000
- 3% Interest Rate
- Repayment Terms
- Revolving loan accounts
- \$5 million annual funding allocation
- 523 Site Loan funding available after all 524 funding has been exhausted



Section 523 Site Loan Application

- Cover letter
- SF-424, Application for Federal Assistance
- Purchase option(s) on Form RD 440-34, "Option to Purchase Real Property"
- Section 502 loan options
- Proposed method of repayment for the Site Loan
- Resolution from the applicant's governing body
- Appraisal



523 Site Loan to Self Help Grantees

Loan Closing and Beyond

- RD conducted closing
- Loan closing instructions
 - Office of General Counsel (OGC)
- Form RD 1940-16, Promissory Note
 - Kind of loan- 'SO loan'
 - Modified for one installment

524 Site Loan

524 Site Loan

What is the program purpose?

- To assist public or private nonprofit organizations interested in providing sites for housing, to acquire and develop land in rural areas
- Land is subdivided into adequate building sites and sold on a nonprofit basis to families who are very-low to moderate income



524 Site Loan - Applicant Eligibility

- **“Public nonprofit organization”** is a nonprofit corporation other than a private nonprofit corporation, including a municipal corporation or other corporate agency of a State or local government.



524 Site Loan - Applicant Eligibility (Cont'd)

- A "**private nonprofit organization**" is a corporation which:
 - (1) is owned and controlled by private persons,
 - (2) is organized and operated for purposes other than making gains or profits for the corporation or members, and
 - (3) is legally precluded from distributing to its members any gains or profits

524 Site Loan - Applicant Eligibility - (Cont'd)

Additional membership requirements of a Private Nonprofits

- Established organization:
 - The membership must include some local community leaders
- New organization
 - Board should have at least 10 local community leaders
 - Plan to adopt Articles of Incorporation and Bylaws that are appropriate to the purposes and powers of an eligible applicant (RD Instruction 444.8)
 - All docs should be reviewed by the Office of General Counsel (OGC)
- In either case, membership may include persons eligible to buy or interested in buying the developed sites

524 Site Loan

- No RHS loan will be made to any applicant which will result in the applicant's owing an unpaid principal balance of more than \$100,000 on such loan unless prior authorization for a larger loan is obtained from the National Office
- Fixed interest rate
- 5 year loan term
- Very-Low to Moderate-Income Households
- Sold on a non-profit basis
- \$5 million annual allocation



Section 523 and 524 Eligible Loan Purposes

For the purchase and development of adequate sites, for very-low-, low- and moderate-income households:

- Construction of essential access roads, streets, utilities, and related equipment which will become a permanent part of the development
- If public water and waste disposal facilities are not available and cannot reasonably be provided on a community basis with other financing



524 Site Loan

Application

Application packages and inquiries must be submitted to your Rural Development State Office.

The application package must include Form SF 424, Application for Federal Assistance, with the following information included in attachments:

1. Name and address of the applicant
2. A copy of, or an accurate citation to, the specific provisions of State law under which the applicant is organized
3. A copy of the applicant's Articles of Incorporation, Bylaws, and other authorizing documents including:
 - The names and addresses of the applicant's members, directors, and officers; and if another organization is a member of the applicant organization its name, address, and principal business
4. A current, dated, and signed financial statement showing assets, and liabilities, together with information on the repayment schedule and status of each debt, and the most recent audit, if available
5. Evidence of inability to obtain credit from other sources at affordable interest rates and loan terms for very-low-, low-, and moderate-income site development
6. Option to purchase or letter of Intent to purchase the real estate
7. Loan Resolution in RD Instruction 444.8, Exhibit B

524 Site Loan

Application (Cont'd)

8. Project Description

- Location and size of tract(s)
- Number and size of individual sites
- Detailed plot plan, if available
- Preliminary engineering plans, if available
- Cost Estimate and amount of loan request
- Explanation of applicant's financial contribution to the project
- A map of the property and other supporting information on the neighborhood and existing community facilities and utilities
- An explanation of how water and sewage systems, paved streets, sidewalks, lighting, and other utilities will be provided
- Evidence of need for the proposed sites by low- and moderate-income families
- Written evidence of any State, county or local planning, zoning or other ordinances imposing additional restrictions or requirements upon the proposed sites
- Marketing plan for the lots

524 Site Loan

Application (Cont'd)

- SAMS registration Unique Entity Identifier(UEI)
- Employer Identification Number (EIN)
- Form RD 400-1, Equal Opportunity Agreement
- Form RD 400-4, Assurance Agreement
- Form RD 400-6, Compliance Statement
- Form RD 1910-11, Application Certification
- Form HUD 935.2B, Affirmative Fair Housing Marketing Plan

524 Site Loan- Application cont'd

- Appraisal secured by the applicant
 - Administrative Exception
 - Requirements at 7 CFR 1822, 1822.270(a)
 - 1) The fair market value of the total property “as is”
 - 2) The aggregate fair market value of the building sites after development
- Lot Prices
 - Example - \$500,000 project cost(development costs + P&I for 5 yrs / 25 sites= minimum sales price if \$20,000
- Environmental Review



Environmental Review and Documentation

- Environmental Assessment Checklist (RD Instruction 1970-A, Exhibit C)
- Categorical Exclusion
 - Less than 10 acres and up to 4 sites
 - Previously developed sites
- Environmental Assessment
 - Raw Land, more than 10 acres (regardless of the number of sites)
 - More than 4 sites



524 Site Loan -Role of the State/Field Office

1. State and Field office staff will be the primary contact for the potential applicant
2. A checklist is available
3. Verify that the information provided is accurate and complete
4. Determine that:
 - a) The applicant meets the eligibility requirements
 - b) The site will be located in a good residential area and that essential facilities and services will be provided
 - c) The lots will be reasonable in cost and of a type the agency can appropriately finance
 - d) There is an immediate and ready market for the proposed sites in the planned location

524 Site Loan - Closing

- Preliminary Title Opinion
- OCG Closing Instructions
- Insurance
- Mortgage/deed of trust
- Security Agreement
- Promissory Note
- UCC-1 Financing Statement
- Deposit Agreement

524 Site Loan- Post Closing and Beyond

- Construction draws will require a minimum of 5-10% retainage
- Sale of the individual lots to very-low to moderate income individuals or families
- Subordination
- Partial Release of Security



Questions??

If you have any questions, you can reach me at:

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608-697-7725

Are you interested in learning more about the
Single-Family Housing Direct Programs?

Please contact your applicable RD State Office.

<https://www.rd.usda.gov/contact-us/state-offices>



Rural Development

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