



## **Guaranteed Rural Housing Loans ... *a field of American dreams come true for many in today's residential lending market.***

As the financial and regulatory landscape of the residential lending market changes, banks continue to look for different mortgage options to serve their customers' unique situations. Today, many find themselves checking out Guaranteed Rural Housing (GRH), or Section 502, to provide home ownership opportunities for low- to moderate-income customers in rural areas.

Today's GRH program provides financial flexibility to homebuyers in identified "rural" areas. Buyers with limited assets may qualify, since no minimum down payment or reserves are required and allowable closing costs may be financed if supported by appraised value. Additionally, the guarantee fee may be paid by the buyer or seller or financed into the loan amount.

The Guaranteed Rural Housing Loan program recently transitioned into a self-funded program and now has the potential to reach a greater number of borrowers, which presents an expanded opportunity to originators and investors. According to [Tammye Trevino, Administrator USDA Rural Housing Services](#), "The American Recovery and Reinvestment Act of 2009 enabled USDA Rural Development to help more than 80,000 families in rural communities secure safe, decent, affordable homes. In the depths of the recession in early 2009, new home construction and private sector mortgage lending virtually ground to a halt in rural America. By more than doubling the number of families served during a difficult economic time, Rural Development's Single Family Housing Guaranteed program played a critical role in resuscitating the rural housing market."

### **"Rural" America might not be exactly what you'd expect**

As you explore the GRH opportunity to serve your customers, you will find that though some rural areas are typical "field of dreams" settings, some are not far from urban areas at all. In the USDA's online briefing [Measuring Rurality: What is Rural?](#), the agency provides the official U.S. Census Bureau definition that "rural areas comprise open country and settlements with fewer than 2,500 residents," and goes on to explain that, "most counties, whether metropolitan or nonmetropolitan, contain a combination of urban and rural populations."

Consider your own regional counties in which suburban or rural areas may not be far from metropolitan areas. What opportunities might be there for qualified GRH loans to provide homeownership opportunities for your bank customers? Areas defined as "rural" areas comprise 2,052 counties, **approximately 75 percent of the nation's land**. You can use the [USDA Property Eligibility](#) online tool to determine property eligibility and check out the [USDA Income and Property Eligibility](#) website for more related information.

## **Boomers go rural**

You might also find that baby-boomers, now in their 50's and 60's, may also figure into your GRH audience. Many in this population segment of over 80 million - representing about a fourth of the total US population near retirement - will migrate to and/or purchase homes to better fit their changing lifestyle within rural areas. According to findings published in the USDA's publication, [Baby Boom Migration and Its Impact on Rural America](#) (Aug 2009), baby-boomers following typical, historical migration patterns will move to non-metro settings. The publication projects a possible increase of 3.1 million baby-boomers living in non-metro locations in America between 2000 and 2020. Many will look for non-metro settings that are close to cultural amenities that urban areas tend to provide. Thus, these areas may have the highest growth potential within the next five to ten years.

In April 2011, **Wells Fargo Funding**, a residential loan investor and a partner with Business Solutions, an ABA subsidiary, began purchasing GRH loans from eligible sellers. On July 28, 2011 Wells Fargo Funding will host a Partner's-On-the-Line Call (Webinar) on Guaranteed Rural Housing as part of their series on *Capturing Today's Residential Lending Market*. The call will provide you with data from Guaranteed Rural Housing and examples of how the agency's Emerging Markets and Regional Sales teams can assist with maps and other statistical information to help you identify opportunities in your market. [Click here](#) to register (password is ABAPartners).

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Sources:

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