

# Multifamily Guaranteed Rural Rental Housing

## What does this program do?

**USDA Rural Development provides up to a 90 percent guarantee for loans made by commercial lenders to borrowers developing or rehabilitating multifamily rental housing for low- and moderate-income tenants in rural areas.**

### Program Features

#### Loan Amount

The principal obligation is limited to maximum per-unit limits under Section 207(c) of the National Housing Act (available at this link: <https://go.usa.gov/xe5dn>). Loan-to-value limit for a nonprofit cannot exceed 97 percent, and for-profit entities cannot exceed 90 percent of the development costs.

#### Guarantee Types

The agency offers three loan guarantee options:

- **Option One:** Permanent Loan guarantee. The Agency guarantees the permanent financing only.
- **Option Two:** Construction and Permanent guarantee. The agency guarantees construction advances and permanent financing once regulatory requirements have been met.
- **Option Three:** Single Continuous guarantee for construction and permanent financing. Projects that have a loan-to-cost ratio of 70 percent or lower are eligible for this guarantee.

#### Borrower's Equity

For-profit: must provide at least 10 percent equity

Nonprofit: must provide at least 3 percent equity

#### Interest Rate

Fixed rate negotiated between lender and borrower.

#### Loan Terms

Minimum: 25 years

Maximum: 40 years

#### Eligible Lenders

- Lenders must demonstrate multifamily lending experience and the capacity to successfully carry out all aspects of loan processing and asset management, including disposition and liquidation.

#### Eligible Borrowers

- Nonprofit and for-profit corporations
- Individuals, partnerships, and trusts
- Most state and local governmental entities
- Federally-recognized Tribes

#### Tenant Requirements

- Tenant income cannot exceed 115 percent of the area median income adjusted for family size.
- Rent for individual units is capped at 30 percent of 115 percent of the area median income, adjusted for family size.
- To ensure the project remains affordable, the average rent for an entire project (including tenant-paid utilities) cannot exceed 30 percent of 100 percent of the area medium income, adjusted for family size.

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## What governs this program?

- Code of Federal Regulation, 7 CFR Part 3565, available at this link: <https://go.usa.gov/xMfcA>
- Origination and Servicing Handbook, HB-1-3565, available at this link: <https://www.rd.usda.gov/files/HB-1-3565.pdf>
- This program is authorized by Title V of the Housing Act of 1949, available at this link: <https://go.usa.gov/xMwFR>

## For More Information

Please contact Multifamily Housing toll-free at 800-292-8293 or visit <https://www.rd.usda.gov/multifamily> and scroll to the bottom of the page to find your processing and review branch, based on the state in which your project is located.

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**NOTE:** Because citations and other information may be subject to change, please always consult the program instructions listed in the section above titled *“What Governs This Program?”* You may also contact our [Multifamily Housing staff](#) for assistance. You will find additional forms, resources, and program information at [rd.usda.gov](https://www.rd.usda.gov). *USDA is an equal opportunity provider, employer, and lender.*