

USDA Loans | Requirement, Map & Income Limits 2024

Your guide to USDA eligibility, loan terms and application process

What if you could secure a USDA loan that allows you to buy a house with **no down payment**, competitive mortgage rates, and reduced mortgage insurance costs?

It might sound like a dream, but it's entirely possible with the USDA mortgage program. Designed to assist low- and moderate-income Americans in becoming homeowners, USDA loans provide incredibly affordable financing options for eligible buyers.

Essentially, USDA loans empower individuals to transition from renting to owning, even when they thought homeownership was out of reach.

What is a USDA loan?

USDA loans are mortgages backed by the U.S. Department of Agriculture as part of its Rural Development Guaranteed Housing Loan program. The USDA offers financing with **no down payment**, reduced mortgage insurance, and below-market mortgage rates.

The USDA mortgage program is intended for home buyers with low-to-average household incomes. In order to qualify, you must also purchase a home in a "rural area" as the USDA defines it. Those who are eligible can use a USDA mortgage to buy a home or **refinance one they already own**.

How do USDA loans work?

USDA loans are insured by the U.S. Department of Agriculture. Government guarantees and subsidies allow lenders to offer 100% financing and below-market interest rates without excessive risk.

Private lenders, including banks, mortgage lenders, and credit unions, are authorized to offer USDA loans. The application process is similar to other home loans: compare rates, choose a lender, complete an application, provide financial documents, await approval, and set a closing day.

Very low-income borrowers may qualify for a USDA Direct home loan, which requires applying directly through the Department of Agriculture.



Types of USDA loans

The USDA offers three main loan programs:

USDA Guaranteed Loans

These loans are provided by approved private lenders and backed by the USDA. The government backs a portion of the loan, lowering the lender's risk and allowing more favorable terms for the borrower. These loans often have low interest rates, no down payment, and more lenient credit requirements. The property must be in an eligible rural area, and borrowers must meet household income requirements that vary by location and household size.

USDA Direct Loans

The USDA offers the Single Family Housing Direct Loan through the Section 502 Direct Loan Program to help low-income families buy, build, or fix up small homes in rural areas. The USDA provides funding for direct loans, which have favorable terms like low interest rates (as low as 1% with payment assistance) and long repayment periods (up to 38 years for eligible applicants). Income, creditworthiness, and the property's location in an eligible rural area all affect eligibility.

USDA Home Improvement Loan

The USDA's Single Family Housing Repair Loans and Grants program (Section 504) provides financing for home improvements. Low-income rural homeowners can access low-interest, fixed-rate loans and grants for necessary home repairs, improvements, and modifications.

Eligibility: USDA loan requirements

To be eligible for a USDA home loan, you'll need to meet a **number of requirements** that vary depending on whether you are applying for a USDA loan guarantee or a USDA direct loan.

Some general requirements, however, apply to all USDA loans, specifically those based on both buyer and property eligibility.

USDA loan property requirements

- **Eligible rural area:** The USDA defines an eligible area as having a population of 20,000 or fewer. Check the USDA's eligibility site or the map below.
- **Single-family primary residence:** USDA loans are only available for primary residences, not investment properties or second homes.
- **Meet safety standards:** The property must adhere to the USDA's minimum property requirements for safety, structural integrity, and access to utilities and services.

USDA loan borrower requirements

- **Income limits:** Household income can't exceed 115% of the area median income to meet USDA income eligibility requirements.
- **Stable income:** Applicants must demonstrate stable and dependable income, typically for at least 24 months before applying.
- **Creditworthiness:** Lenders usually seek a minimum credit score of 640 for guaranteed loans, with USDA Direct Loans potentially having more lenient criteria.
- **Debt-to-income ratio:** Monthly debt, including future mortgage payments, generally should not exceed 41% of gross monthly income, with exceptions based on credit score and cash reserves.

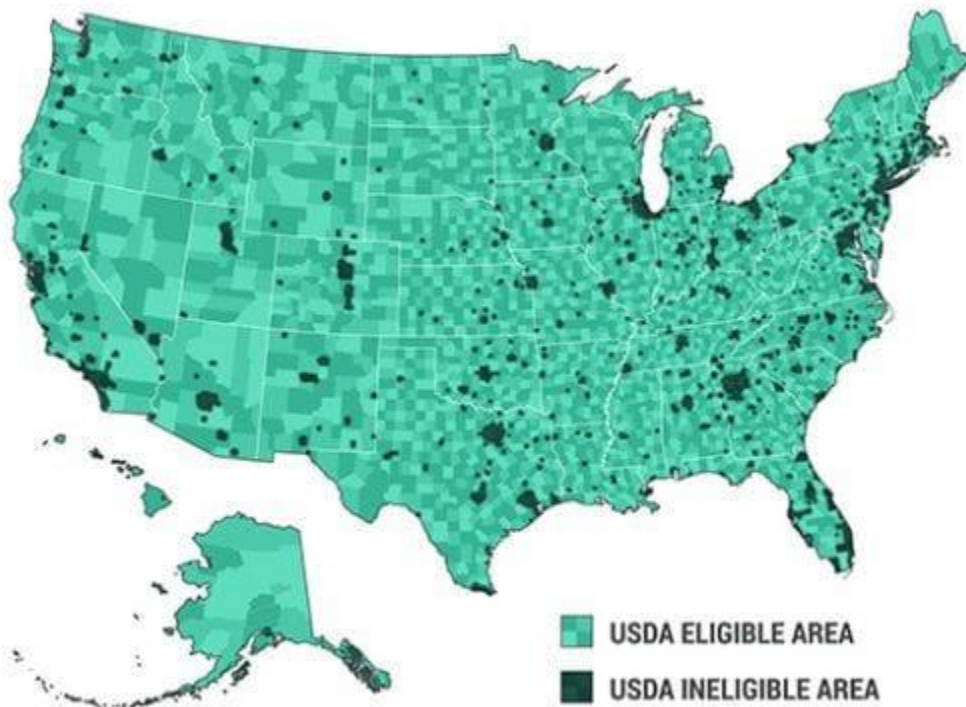
- **Citizenship status:** Applicants need to be U.S. citizens, U.S. non-citizen nationals, or qualified aliens with a valid Social Security number.

USDA loan eligibility map

The USDA eligibility map is a valuable online resource for potential borrowers. It helps them identify if a property is situated in an area of rural America that qualifies for USDA home loans.

Areas shaded in green are eligible for USDA loans, while areas in black are ineligible. Small black pockets within green areas typically represent cities or towns with populations exceeding 20,000, making them ineligible.

This interactive map allows users to enter a specific address or explore areas of the map to determine if they qualify for USDA guaranteed loans or direct loans. To get the most up-to-date and accurate information, users should consult the official USDA [eligibility map](#) and discuss their specific circumstances with a USDA-approved lender.



¹ Source: *USDAloans.com*, based on Housing Assistance Council data

USDA loan rates

USDA loans offer some of the most competitive interest rates in the mortgage market, making homeownership more accessible for low- and moderate-income families in rural areas. On average, USDA interest rates are around 0.5%–0.75% lower than other mortgage programs, like the FHA loans and conventional loans.

In May 2024, the USDA provided base rates for both Single Family Housing Direct Home Loans and Guaranteed Loans, which serve as a starting point for borrowers.

- **Single Family Housing Direct Home Loans:** Provided directly by the USDA, offering a standard rate of 4.625% for low-income and very low-income borrowers, with the most favorable terms for qualified borrowers.
- **Guaranteed Loans:** Provided by USDA-approved lenders, with maximum interest rates depending on the loan term: SOFR + 6.75% for variable or fixed rates less than 5 years and the 5-year Treasury note rate + 5.5% for fixed rates of 5 years or more.

It's important to note that the actual interest rates borrowers receive may differ from these base rates. Factors such as credit score, debt-to-income ratio, and the specific lender's policies can all influence the final interest rate offered. Borrowers should shop around and compare rates from multiple USDA-approved lenders to find the best deal for their situation.

Additionally, while USDA loan rates are generally lower than those of other mortgage programs, it's important to consider all aspects of the loan, including fees and closing costs, when comparing options.

How to get the best USDA mortgage rates

Improving your financial standing is essential for securing the best USDA loan rates. Consider using these strategies:

- **Improve your credit score.** A higher credit score can help you qualify for better USDA loan rates. Take steps to boost your credit before applying.

- **Make a down payment.** Although not mandatory, a down payment shows the lender your commitment to repaying the loan, making your application more attractive.
- **Reduce existing debt.** Lower your debt-to-income ratio (DTI) by paying off high-interest debts. This demonstrates your ability to manage the loan and make timely payments.
- **Compare lenders.** Shop around and compare interest rates, fees, closing costs, and loan terms from multiple participating lenders. This can save you thousands over the life of the loan. First-time home buyers may find better options than USDA loans, so explore all possibilities.

USDA loan costs

When financing a home purchase, buyers should take into account the numerous fees and expenses associated with USDA loans. These expenses may have a substantial impact on the entire home-buying budget.

Key USDA loan costs:

1. **Upfront guarantee fee:** A percentage of the loan amount (usually around 1%) required by the USDA to secure the loan. This fee can be paid upfront or rolled into the loan balance.
2. **Annual guarantee fee:** A monthly mortgage insurance premium of 0.35% of the remaining principal balance each year, divided into 12 installments and included in the regular mortgage payment.

Example: For a \$100,000 loan, the upfront mortgage insurance cost would be \$1,000, and the monthly payment for annual mortgage insurance would be \$29.17. Typically, USDA upfront mortgage insurance is rolled into your loan balance.

3. **Inspection fees:** \$300 to \$500 for a property inspection to ensure USDA eligibility requirements are met.
4. **Closing costs:** 2% to 5% of the home's purchase price, including loan origination fees, appraisal fees, and title search fees. Some costs can be rolled into the loan amount, while others may require out-of-pocket payments.

Understanding these costs helps first-time home buyers make informed decisions and plan their budgets accordingly when considering a USDA loan.

How to apply for a USDA loan

Qualifying for a USDA home loan can be a great way to finance a home, especially if you're looking to buy in a rural area. These loans offer attractive benefits like zero down payments and competitive interest rates.

However, the **USDA loan approval process** involves several steps and specific eligibility criteria. Here's a guide on how to apply for a USDA home loan.

Step 1: Check your eligibility

Before diving into the application process, it's important to determine if you meet the USDA's eligibility requirements. These typically include:

- A minimum credit score of 640, though this may vary by lender
- A debt-to-income (DTI) ratio of up to 41%, with some flexibility depending on the borrower's situation
- Income limitations, which vary by location and household size
- The property must be located in a USDA-eligible area and meet certain safety conditions and size requirements

Step 2: Gather necessary documentation

You'll need to provide various documents to prove your eligibility, including:

- Proof of income eligibility (e.g., pay stubs, tax returns)
- Employment verification
- Credit history report
- Personal identification (e.g., driver's license, passport)

Step 3: Pre-Qualification

Contact a USDA-approved lender to get pre-qualified or pre-approved for a mortgage. During this pre-qualification, the participating lender will review your financial situation to give you an estimate of how much you can borrow. Pre-approval involves a more thorough review of your financial situation and is a stronger indicator of loan approval.

[**Check if you're eligible for a USDA loan. Start here.**](#)

Both **pre-approval** and **pre-qualification** can give you a better idea of your budget and show sellers that you are a serious buyer.

Step 4: Property search

Once pre-qualified or pre-approved, you can start looking for a property that meets USDA guidelines. Keep in mind that the home must be your primary residence and be located in an eligible rural area.

Working with a real estate agent who has experience with USDA loans can be a big advantage.

Step 5: USDA home loan application

After finding the right property, you'll need to fill out the USDA loan application. Your lender will guide you through this process, which will include a more thorough review of your financial situation and the submission of additional documents.

Step 6: Property appraisal and inspection

The lender will arrange for an appraisal to ensure the property meets USDA standards. An inspection may also be required to identify any potential issues with the home.

Step 7: Loan approval and closing

Once the appraisal and inspection are complete and all documentation is verified, you'll move on to the **loan approval stage**. If approved, you'll proceed to closing, where you'll sign all necessary paperwork and officially secure your USDA home loan.

With the loan secured and the keys in hand, you're now ready to move into your new home!

By following these steps and working closely with a USDA-approved lender, you can navigate the USDA home loan process with confidence. Always remember to consult with your lender for the most accurate and personalized advice.

How do USDA loans compare to other types of loans?

USDA loans aren't the only type of mortgage out there. If you're not eligible for a USDA loan, you might be for an FHA or VA loan, or even a conventional loan. Here's an overview of some key differences between these types of loans:

Loan Type	Credit Requirements	Debt-to-Income Ratio	Down Payment	Mortgage Insurance
USDA Loan	None, but 640 is standard	Up to 41%	None	Upfront fee of 1% and annual fee of 0.35%
Conventional Loan	620	Up to 43%	3% or 5%	Required if down payment is less than 20%
FHA Loan	580	Up to 50%	3.5%	Upfront fee of 1.75% and annual fee of 0.45% to 1.05%
VA Loan	None unless lender requires	Up to 41%	None	Upfront funding fee of 1.25% to 3.3%, no annual fee

USDA loans vs. conventional loans

USDA loans have no down payment requirement, while **conventional loans** typically require a minimum of 3% down. USDA loans also have more flexible credit score requirements, with most lenders accepting scores as low as 640. Conventional loans usually require a minimum credit score of 620. Additionally, USDA loans do not require **private mortgage insurance (PMI)**, which is often required for conventional loans with a down payment of less than 20%.

USDA loans vs. FHA loans

Both USDA and **FHA loans** allow for low down payments (0% for USDA, 3.5% for FHA). However, USDA loans are limited to eligible rural areas, while FHA loans can be used for properties in any location. FHA loans also have slightly more lenient credit score requirements, with a minimum of 580.

USDA loans vs. VA loans

USDA and **VA loans** share many similarities, including no down payment requirement and competitive interest rates. However, VA loans are

exclusively for eligible military service members, veterans, and their surviving spouses. USDA loans are available to a broader range of borrowers but are restricted to eligible rural areas.

FAQ: USDA loans

The USDA Rural Housing Mortgage, also known as the Single Family Housing Guaranteed Loan Program or “Section 502” loan, is a USDA loan program designed to help single-family home buyers in eligible rural areas. This rural development loan offers the possibility of a zero-down payment to stimulate growth in less-populated and low-income areas.

What is the income limit for USDA home loans?

The income limit for USDA home loans is based on your area’s median income. To qualify for a USDA loan program, your household income cannot exceed the median income by more than 15 percent.

Do USDA loans take longer to close?

Yes, USDA loans can take around two to three weeks longer to close compared to other mortgage loan types. This is because USDA lenders must send each loan file to the Department of Agriculture for approval before underwriting.

Can I do a cash-out refinance with the USDA program?

No, the USDA Rural Development loan program does not allow cash-out refinancing. USDA loans are only for home buying and rate-and-term refinances.

What's the maximum USDA mortgage loan size?

The USDA does not set specific loan limits. However, the maximum mortgage loan size is limited by your household income and debt-to-income ratio, which is typically capped at 41 percent by the USDA loan program.

Where can I find a USDA loan lender, and what loan terms are available?

You can find approved USDA loan lenders on the U.S. Department of Agriculture’s website. The USDA Rural Development loan program offers a 30-year fixed-rate mortgage loan, with no 15-year fixed option or adjustable-rate mortgage (ARM) available.

Can I receive a gift or have the seller pay for my closing costs with a USDA loan?

Yes, the USDA Rural Development loan program allows gifts from family and non-family members, as well as seller concessions, to cover closing costs. Inform your loan officer promptly if using gifted funds, as extra documentation and verification are required.

Can I use the USDA loan for a vacation home, investment property, or working farm?

No, the USDA loan program is designed specifically for primary residences and cannot be used for vacation homes, investment properties, or working farms.

Am I eligible for the USDA if I recently returned to work or am self-employed?

W-2 employees are eligible for USDA loan program financing immediately, with no job history requirement. Self-employed individuals can also use the USDA Rural Development program but must provide two years of federal tax returns to verify income.

Can I use the USDA loan program for home repairs, improvements, accessibility, and energy-efficiency upgrades?

Yes, the USDA loan program can be used for eligible home repairs, improvements, accessibility modifications for household members with physical disabilities, and installing energy-efficient materials like windows, roofing, and solar panels.

Can a non-citizen qualify for a USDA loan?

Yes, both U.S. citizens and legal permanent residents of the United States can apply for a USDA loan.