USDA Home Loan

Zero-down financing for eligible rural and suburban homebuyers

A USDA Guaranteed Loan (Section 502) is backed by the U.S. Department of Agriculture's Rural Development program — a private lender issues the loan, and USDA guarantees up to 90% of it, which lets eligible buyers in rural and many suburban areas finance a home with no down payment at all.

KEY BENEFITS

- **No Down Payment**
  100% financing based on the appraised value — the single biggest USDA advantage.
- **No Maximum Purchase Price**
  The limit is your income and repayment ability, not a fixed sales-price cap.
- **No Minimum Credit Score Set by USDA**
  USDA sets no floor; individual lenders may still apply their own overlays.
- **Fixed-Rate, 30-Year Only**
  No ARMs, no balloon payments, no negative amortization, and no prepayment penalty.
- **Seller Can Cover Closing Costs**
  Seller concessions are allowed up to 6% of the sales price.

WHO'S ELIGIBLE

- **Household Income Limit**
  Total household income must fall within 115% of the area median income (base cap $119,850 for 1–4 members in most counties, 2026).
- **Property Location**
  Home must sit in a USDA-eligible rural or suburban area — check the address at USDA's eligibility map.
- **Credit**
  No required minimum score; alternative credit histories are accepted when traditional tradelines are thin.
- **Debt Ratios**
  Standard guideline is 29% housing / 41% total debt; a waiver up to 32%/44% is possible with a 680+ score and a compensating factor.
- **Occupancy**
  Must be your primary residence, occupied within 60 days of closing — no investment or vacation homes.

Ways to Use a USDA Guaranteed Loan

Purchase	Streamlined-Assist Refinance	Non-Streamlined Refinance	Single-Close Construction
Buy an existing home or new construction in an eligible area	No appraisal or credit/DTI review for existing USDA loans	New appraisal; add or remove borrowers	One closing covers the lot, build, and permanent loan

USDA Loan Fees — What You'll Pay Instead of a Down Payment

Fee	What It Is
Upfront Guarantee Fee	1% of the loan amount; can be financed into the loan, paid in cash, or covered by seller concessions
Annual Fee	0.35% of the average scheduled unpaid balance, collected monthly for the life of the loan
Technology Fee	A flat $25 fee, which may be passed to the borrower and financed into the loan
Down Payment	$0 — loans are guaranteed up to 100% of appraised value

USDA fees are set to keep the program budget-neutral (fully funded by fees, not taxpayer subsidy) and are subject to change, though the guarantee fee is capped by regulation at 3.5%.

Can I Use a USDA Loan Again?

- **Primary residence only — one at a time.** You generally can't hold a USDA loan on a second home or investment property, and USDA expects you to be financially qualified before taking on a second one.
- **You can qualify for another if your current home no longer fits your needs** — job relocation, a growing family, or a divorce where an ex-spouse keeps the existing home are common examples.
- **No lifetime limit.** Once a prior USDA loan is paid off, refinanced, or sold, you can use the program again if you still meet income and property-location rules.
- **Existing manufactured homes** are eligible only if the unit is within 20 years of its manufacture date at closing.

SOURCE: USDA Rural Development (rd.usda.gov) — Single Family Housing Guaranteed Loan Program Overview (January 2026), Technical Handbook HB-1-3555, and 7 CFR Part 3555.

EFFECTIVE DATE OF DATA: Fees, ratios, and income-limit figures reflect the USDA program overview published January 2026; the 32%/44% debt-ratio waiver threshold took effect November 4, 2025. Income limits vary by county — verify at USDA's eligibility website before relying on any figure.

DISCLAIMER: This fact sheet is for general information only and is not exhaustive. The author is not a licensed mortgage lender or financial advisor. Consult a USDA-approved lender for guidance specific to your situation.