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USDA Rural Housing Programs: An Overview

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USDA Rural Housing Programs: An Overview

SUMMARY

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While residents of rural areas are potentially eligible to participate in the full range of housing programs administered by the federal government, the U.S. Department of Agriculture's (USDA's) Rural Housing Service (RHS) administers several housing programs targeted specifically to residents of rural communities. These programs are authorized under Title V of the Housing Act of 1949, as amended, and are usually referred to by the section of that act under which they are authorized. The definition of *rural* for the purposes of USDA housing programs is established in statute and is based on population thresholds and, in some cases, other characteristics.

Programs administered by RHS support both single-family and multifamily housing, generally through grants, direct loans, or loan guarantees. The programs are primarily targeted toward lower-income residents of rural areas; specific income thresholds and other eligibility criteria vary by program. Single-family programs include loans to purchase homes, loans and grants to repair homes, and grants to support self-help housing programs (i.e., programs where families contribute their own labor to the construction of their homes). Multifamily programs include loans to develop or rehabilitate rental housing, loans and grants to finance housing for farm laborers, and associated rental assistance.

There has long been concern about preserving the affordability of the existing stock of rental housing properties subsidized by some RHS programs. This is because when USDA mortgages on rural rental properties mature or are paid off early, affordability restrictions (agreed to by property owners benefitting from favorable USDA mortgage terms) end and the properties are eligible to convert to market-rate housing. Various policies to preserve USDA-assisted affordable rental properties have been implemented, several new policies were enacted in the 119th Congress as a part of the 21st Century ROAD to Housing Act (P.L. 119-101), and additional policies have been proposed.

Contents

Background 1
Defining *Rural* 2
Housing Characteristics in Rural Communities 3
RHS Rural Housing Programs 5
Single-Family Homeownership Programs 7
Section 502 Single Family Housing Direct Loans 7
Native Community Development Financial Institutions (CDFI) Relending Program 8
Section 502 Single Family Housing Guaranteed Loans 9
Section 504 Very Low-Income Rural Housing Repair Loans and Grants 10
Section 523 Mutual and Self-Help Housing Grants 11
Section 523 Self-Help Housing Land Development Loans 11
Section 524 Site Development Loans 12
Multifamily Rental Housing Programs 12
Sections 514 and 516 Farm Labor Housing Direct Loans and Grants 12
Section 515 Rural Multifamily Rental Housing Direct Loans 14
Section 521 Rural Rental Assistance 14
Section 538 Multifamily Housing Guaranteed Loans 15
Section 542 Rural Development Vouchers 16
Multifamily Housing Preservation and Revitalization (MPR) Demonstration 16
Other Programs 17
Section 533 Housing Preservation Grants 17
Selected Issues and Trends 18
Multifamily Rural Housing Preservation 18
Trends in Section 502 Direct and Guaranteed Loans 19
Program Coordination 21
Recent Appropriations 22

Figures

Figure 1. Number of New Section 502 Direct and Guaranteed Home Loans 20

Tables

Table 1. Housing Characteristics in Rural Areas Compared to the U.S. as a Whole 4
Table 2. Appropriations for Rural Housing Programs, FY2022-FY2026 22

Contacts

Author Information 23

Background

The U.S. Department of Agriculture's (USDA's) Rural Housing Service (RHS), part of USDA's Rural Development mission area, administers a number of federal housing programs[1] designed to support homeownership or rental housing primarily for lower-income families in rural areas.[2] These programs are authorized by Title V of the Housing Act of 1949 (P.L. 81-171; 42 U.S.C. §§1471 et seq.), as amended, and are usually referred to by the section of that act under which they are authorized.

RHS housing programs are under the jurisdiction of the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services. Appropriations for the RHS programs are provided through the annual appropriations acts that provide funding for the USDA, which are under the jurisdiction of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies subcommittees of the Senate and the House Appropriations Committees.

RHS housing programs are primarily grant and loan programs, including both guaranteed and direct loans.[3] For grant programs, annual appropriations acts specify the amount available for a program each year. For loan programs, annual appropriations acts specify a total dollar amount of loans that can be made or guaranteed (the loan authorization level), as well as provide any appropriations necessary to cover the expected costs of those loans (credit subsidy/budget authority).

RHS operates through a national office with staff in Washington, DC, and St. Louis, MO,[4] and within Rural Development (RD) state offices, led by presidentially appointed state directors.[5] These state offices administer the federal assistance programs, including accepting and processing applications for direct loans and grants.

While the RHS housing programs are targeted specifically toward rural areas, rural communities and residents may also benefit from other federal housing programs, most of which are administered by the Department of Housing and Urban Development (HUD).[6] For example, among other things:

[1] The Rural Housing Service also administers several rural community facilities programs; those programs are not discussed in this report. For more information on the community facilities programs, see https://www.rd.usda.gov/programs-services/community-facilities.

[2] The definitions of *rural* and *rural area* for the purposes of USDA rural housing programs are different than those used by the U.S. Census Bureau and are established in statute, based on population thresholds and other characteristics such as being "rural in character" or having a "serious lack of mortgage credit for lower and moderate income families." See 42 U.S.C. §1490. For a map of eligible and ineligible areas, see https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd.

[3] Like other government-insured or -guaranteed mortgages, single-family and multifamily mortgages guaranteed by RHS are eligible to be included in mortgage-backed securities guaranteed by Ginnie Mae. For more information on Ginnie Mae's role in facilitating a secondary mortgage market for government-backed mortgages, see https://www.ginniemae.gov/about_us/who_we_are/Pages/funding_government_lending.aspx.

[4] In June 2026, USDA Rural Development announced a reorganization plan that included relocating additional RHS staff from Washington, DC, to St. Louis to "to centralize and consolidate certain loan origination, processing, and servicing functions." For more information, see https://www.rd.usda.gov/reorganization.

[5] Information on states offices is available at https://www.rd.usda.gov/about-rd/state-offices.

[6] For an overview of the major federal housing assistance programs, see CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*.

- qualified individuals in rural areas can apply for mortgages insured by HUD's Federal Housing Administration (FHA) or for HUD Housing Choice Vouchers, or they may live in other HUD-assisted rental housing;
- housing developers in rural areas can compete for Low-Income Housing Tax Credits (a U.S. Department of the Treasury program administered by states); and
- rural communities can benefit from HUD grant funds provided to states (such as Community Development Block Grants).

In addition, some specific housing programs outside of the RHS programs may be largely used in rural areas, such as those that provide funding to Indian tribes.[7]

RHS programs may be used in conjunction with these other federal program resources. For example, a multifamily rural housing property may have an RHS loan and a HUD rental assistance contract and apply to receive an allocation of Low-Income Housing Tax Credits to finance a redevelopment.

Defining *Rural*

There are numerous definitions of *rural* used for different policies, programs, and purposes across the federal government.[8] The definitions of *rural* and *rural area* for the purposes of USDA rural housing programs are established in statute. They are based on population thresholds and, in some cases, other characteristics. Specifically

> the terms "rural" and "rural area" mean any open country, or any place, town, village, or city which is not [...][9] part of or associated with an urban area and which (1) has a population not in excess of 2,500 inhabitants, or (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or (3) has a population in excess of 10,000 but not in excess of 20,000, and (A) is not contained within a standard metropolitan statistical area, and (B) has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary and the Secretary of Housing and Urban Development.[10]

Over the years, Congress has amended this definition to grandfather certain communities that have had population growth that puts them at risk of losing eligibility for participation in USDA rural housing programs. Most recently, the statutory definition was amended in 2018 (P.L. 115-334) to extend these grandfather provisions until receipt of data from the 2030 decennial census. Specifically

> any area classified as "rural" or a "rural area" prior to October 1, 1990, and determined not to be "rural" or a "rural area" as a result of data received from or after the 1990, 2000,

[7] Federal funding for housing in tribal areas is provided primarily through HUD. While RHS programs can be used in tribal areas, there have been various efforts and proposals to increase their use. These efforts include the Native Community Development Financial Institutions Relending Program, discussed in the "Native Community Development Financial Institutions (CDFI) Relending Program" section of this report.

[8] See, for example, USDA Economic Research Service, "Rural Classifications: What Is Rural?," updated February 9, 2026, https://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural; and Alexander Hermann and Whitney Airgood-Obrycki, "In Search of Rural: How Varying Definitions Shape Housing Researach," Joint Center for Housing Studies of Harvard University, February 2024, https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_in_search_of_rural_hermann_obrycki_2024.pdf. For a review of definitions used by RD, see CRS Report R47510, *Rural Definitions Used for Eligibility Requirements in USDA Rural Development Programs*.

[9] The statute includes exceptions in the cases of Pajaro in California and Guadalupe in Arizona.

[10] 42 U.S.C. §1490

> 2010, or 2020 decennial census, and any area deemed to be a "rural area" for purposes of this subchapter under any other provision of law at any time during the period beginning January 1, 2000, and ending December 31, 2020, shall continue to be so classified until the receipt of data from the decennial census in the year 2030, if such area has a population in excess of 10,000 but not in excess of 35,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families.[11]

While the population thresholds are evaluated based on data from the U.S. Census Bureau, the other factors considered—being "rural in character" and having "a serious lack of mortgage credit for lower- and moderate-income families"—are less clearly defined in statute. According to USDA guidance, Rural Development State Directors are to determine if an area is "rural in character" by completing an analysis that considers population density per square mile.[12] Field offices must review all areas under their jurisdiction every five years (or three years for areas experiencing rapid growth).[13] USDA's handbook states that the assessment of "serious lack of mortgage credit" is made jointly by USDA and HUD.[14]

For a map of current eligible rural areas, see https://eligibility.sc.egov.usda.gov/eligibility/.

Additional Geographic Targeting Provisions

A portion of funding from some rural housing programs is subject to additional targeting provisions that direct funds to certain types of communities within rural areas. For example, 42 U.S.C. Section 1479(f)(4) directs 5% of lending authority for certain specified rural housing programs to be set aside for certain underserved counties, as designated by USDA, and colonias. (Colonias are residential communities in the United States located close to the border with Mexico that lack certain basic infrastructure, such as water or sewer facilities.[15]) In addition, annual appropriations acts often direct USDA to set aside a specified amount of funds from particular rural housing programs for certain designated areas, such as persistent poverty counties and Rural Economic Area Partnership (REAP) zones. In Division B of the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37), for example, Section 733 set aside funding for persistent poverty counties and Section 750 set aside funding for REAP Zones.

Housing Characteristics in Rural Communities

While rural areas experience many of the same housing challenges that affect the rest of the country, certain broad characteristics of housing in rural areas differ from housing in the United States as a whole. For example, as shown in **Table 1**:

- homeownership rates are higher;
- single-family detached homes account for a larger share of the housing stock;
- manufactured housing is more common;

[11] 42 U.S.C. §1490

[12] For discussion of the "rural in character" designation, see USDA RD Handbook-1-3550, Chapter 5.3.

[13] USDA RD Handbook-1-3550, Chapter 5.3.

[14] A prior version of USDA RD Handbook-1-3550, Chapter 5.3 included the following statement: "There is a serious lack of mortgage credit readily available to families throughout rural America at rates and terms comparable to those offered by the agency. Therefore, Agency officials do not need to determine if there is a serious lack of mortgage credit available when determining whether an area is rural or in reviewing rural area designations." This language had been cited by GAO and in agency response to a GAO recommendation. See U.S. Government Accountability Office, *Rural Housing: Changing the Definition of Rural Could Improve Eligibility Determinations*, GAO-05-110, December 3, 2004, https://www.gao.gov/products/gao-05-110. While this language does not appear in more recent versions of the handbook, CRS could find no evidence of a change in policy.

[15] While specific definitions can vary, the definition of *colonia* for the purposes of this set-aside is at 42 U.S.C. Section 1479(f)(8).

- A larger percentage of rental housing is in single-family properties (those with one to four units) and manufactured homes, while a smaller percentage of rental housing is in multifamily properties (those with five or more units);
- rural areas tend to have lower incomes; however, house prices and rents also tend to be lower, leading to lower rates of housing cost burden.

These data are drawn from the U.S. Census Bureau's American Community Survey, which uses a different definition of *rural* than the one used for RHS rural housing programs.[16] For example, as discussed in the "Defining Rural" section of this report, the definition of *rural* used for RHS programs allows communities with higher populations to be considered rural as compared to the Census definition.

Table 1. Housing Characteristics in Rural Areas Compared to the U.S. as a Whole

2024

Selected Housing Characteristics	Rural Areas	United States
Total Housing Units	31,260,218	146,740,964
Share single-family detached	78.6%	61.1%
Share manufactured/mobile homes	14.4%	5.4%
Owner-Occupied Units	22,459,202	86,635,506
Homeownership rate	83.3%	65.3%
Share of owner-occupied units with a mortgage	52.1%	59.7%
Median home value (owner occupied, $)	$284,200	$360,600
Share cost-burdened (owners with a mortgage)	26.8%	29.4%
Renter-Occupied Units	4,515,022	46,101,640
Renter rate	16.7%	34.7%
Median monthly gross rent ($)	$972	$1,487
Share cost-burdened	42.8%	51.7%
Share in 1-4 unit properties	66.9%	48.4%
Share in 5+ unit properties	13.1%	47.7%
Share manufactured homes	19.5%	3.7%
Median household income	$78,822	$81,604

Source: U.S. Census Bureau, *2024 American Community Survey*, 1-year estimates, Table DP04, Table B25032, and Table S1901.

[16] The Census Bureau defines *rural areas* as those outside the boundaries of urban areas based on the 2020 Census. *Urban area* is defined as "a statistical geographic entity consisting of a densely settled core created from census blocks and contiguous qualifying territory that together have at least 2,000 housing units or 5,000 persons." Rural areas include "all population, housing, and territory not included within an urban area." See Census Bureau, "Urban Area Criteria for the 2020 Census—Final Criteria," 87 *Federal Register* 16706-16715, March 24, 2022, https://www.federalregister.gov/documents/2022/03/24/2022-06180/urban-area-criteria-for-the-2020-census-final-criteria.

Notes: *Rural* as defined by the U.S. Census Bureau. Definitions of *rural* vary, and the Census definition differs from the definition used for eligibility for RHS rural housing programs.

Certain characteristics of rural areas, such as remote locations and smaller populations, can pose some challenges for housing development or residents' access to mortgage financing. These can include higher costs of obtaining materials and labor, lack of infrastructure, and less access to financial services, among other things.[17]

These differences in the housing stock, housing conditions, and community characteristics can have implications for rural housing needs and potential policy solutions. As noted earlier, however, rural can be defined in many ways, and the specific definition used has implications for the characteristics of the rural housing stock and the magnitude of various housing challenges in such areas.[18] Furthermore, while rural areas in general exhibit these features, housing conditions are not uniform across rural areas. Specific housing conditions and challenges can vary across rural regions (e.g., Appalachia, the Lower Mississippi Delta), different market or industry types (e.g., resort towns, natural resource boomtowns), or areas with certain distinctive features (e.g., tribal areas, colonias).

RHS Rural Housing Programs

The rural housing programs administered by USDA are authorized by the Housing Act of 1949 (P.L. 81-171), as amended. That law declared a national goal of "a decent home and a suitable living environment for every American family" and took a variety of actions related to housing. Title V of the law authorized the Secretary of Agriculture to provide financial assistance to farm owners to construct, improve, alter, repair, or replace dwellings or other farm buildings in order to provide decent, safe, and sanitary living conditions and adequate farm buildings. In the 1960s, Congress expanded eligibility for these programs to owners of other real estate in rural areas (rather than just farm owners),[19] and then to rural residents more generally.[20] Several other financial assistance programs were added via amendments to Title V throughout the 1960s, with additional programs added in the 1980s and 1990s. In 1994, a departmental restructuring was statutorily authorized, which resulted in USDA establishing the RHS and assigning it jurisdiction over these programs.[21] Additionally, various programmatic and policy changes have been enacted in appropriations acts or other laws or implemented through regulations or other administrative

[17] U.S. Congress, House Financial Services Committee, Housing and Insurance Subcommittee, *Housing in the Heartland: Addressing Our Rural Housing Needs*, 119th Cong., 1st sess., June 12, 2025, Serial No. 119-28 (GPO, 2025), https://www.congress.gov/119/chrg/CHRG-119hhrg60985/CHRG-119hhrg60985.pdf. See also Adam Staveski, "3 Major Obstacles Limit Rural Homeownership," Pew, December 19, 2024, https://www.pew.org/en/research-and-analysis/articles/2024/12/19/3-major-obstacles-limit-rural-homeownership.

[18] Alexander Hermann and Whitney Airgood-Obrycki, *In Search of Rural: How Varying Definitions Shape Housing Researach*, Joint Center for Housing Studies of Harvard University, February 2024, https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_in_search_of_rural_hermann_obrycki_2024.pdf.

[19] Section 803 of the Housing Act of 1961 (P.L. 87-70) amended Section 501 of the Housing Act of 1949 to allow assistance to be provided "to owners of other real estate in rural areas to enable them to provide dwellings and related facilities for their own use and buildings adequate for their farming operations" in addition to farm owners.

[20] See Section 1001 of the Housing and Urban Development Act of 1965 (P.L. 89-117). This law also expanded eligibility to allow for the purchase of previously occupied buildings and land for building sites.

[21] See Section 233 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354), which authorized the establishment of a Rural Housing and Community Development Service that could be assigned jurisdiction over the programs authorized by Title V of the Housing Act of 1949. USDA established this office in 1995 and later that year renamed it the Rural Housing Service; see USDA, "Revision of Delegations of Authority," 60 *Federal Register* 66713, December 26, 1995, https://www.govinfo.gov/content/pkg/FR-1995-12-26/pdf/95-31267.pdf.

mechanisms over the years. Most recently, Section 502 of the 21st Century ROAD to Housing Act (P.L. 119-101), enacted in July 2026, made changes to several rural housing programs. As of the date of this report, RHS had not fully implemented those changes. Where relevant, they are noted in this report. For more information about the act, see CRS Report R49354, *The 21st Century ROAD to Housing Act (P.L. 119-101)*.

This section of the report describes RHS's rural housing programs as they are currently structured. It is organized by type of program: programs that support homeownership,[22] programs that support multifamily rental housing, and one program that can support either.

Eligibility for most RHS programs is restricted to very low- or low-income households, depending on the specific program. These terms are defined as follows:[23]

- *very low-income households* are those with incomes at or below 50% of area median income,
- *low-income households* are those with incomes at or below 80% of area median income.

A few of the RHS programs can also serve moderate-income households. *Moderate-income* is defined differently for the purposes of homeownership versus multifamily rental housing programs:

- in the case of homeownership programs, moderate income is defined as income at or below 115% of area median income;
- in the case of multifamily rental programs, moderate income is defined as income above the low-income limit but not exceeding $5,500 more than that limit.

USDA annually publishes the dollar amounts that correspond to the income eligibility thresholds for every geography.[24]

Program descriptions are provided below along with information on recent program activity. Program activity is measured by program obligations and the number of units/loans/grants, as relevant. Obligations represent federal awards or commitments to spend funds. An appropriations table displaying the past five years of budget authority and loan authorization levels is provided at the end of this report (see **Table 2**). Budget authority and loan authorization levels provide the authority for federal agencies to make obligations. (Note that obligations in a given year frequently do not match amounts provided in the corresponding year's appropriations act for various reasons, including that appropriated funds may be used across fiscal years.)

[22] Depending on the specific program, eligible properties under the homeownership programs can include property types such as manufactured housing or individual condominium units.

[23] Regulatory definitions for single-family direct loan and grant programs can be found at 7 C.F.R. Section 3550.10; for single-family guaranteed loan programs at 7 C.F.R. Section 3555.10; for multifamily direct loan and grant programs at 7 C.F.R. Section 3560.11; and for multifamily guaranteed loan programs at 7 C.F.R. Section 3565.3.

[24] The thresholds for the multifamily programs can be found at https://www.rd.usda.gov/files/RD-MFHLimitMap.pdf; the thresholds for single-family direct loans can be found at https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf; the thresholds for single-family guaranteed loans can be found at https://www.rd.usda.gov/files/rd-grhlimitmap.pdf.

Single-Family Homeownership Programs[25]

Section 502 Single Family Housing Direct Loans

Through this program, USDA makes direct loans to very low- and low-income individuals who do not currently own adequate housing to purchase homes to be used as primary residences. Loan funds can be used to buy, build, rehabilitate, improve, or relocate a home.[26] The program provides mortgages with fixed interest rates to qualified borrowers who are unable to obtain credit elsewhere. Borrowers may qualify for payment subsidies that lower their monthly mortgage payments to the greater of (1) a principal, interest, tax, and insurance payment of no more than 24% of the borrower's income or (2) a loan payment based on a 1% interest rate, plus taxes and insurance.[27] Payment subsidy agreements remain in effect for specified periods of time but can be renewed if borrowers continue to qualify based on their income.[28] Borrowers are required to repay all or a portion of any payment subsidies they received when they pay off the loans, transfer title to the properties, or no longer occupy the homes.[29]

Statutory Authority: Title V, Section 502 of the Housing Act of 1949; 42 U.S.C. §1472.

Financing: Direct loans are provided to home purchasers. Interest rates are fixed at rates set by USDA,[30] but payment subsidies can reduce effective interest rates to as low as 1%. Loan amounts may be up to 100% of the property's market value or an area loan limit, whichever is less.[31] No down payment is generally required.[32] In general, the maximum loan term is 33 years; certain

[25] Certain single-family housing activities carried out by RHS are not described in this report, namely, single-family credit sales and Section 509 construction defects funding. The single-family housing credit sales program allows RHS to make Section 502 direct loans on non-program terms to certain purchasers of properties that USDA owns as a result of foreclosures on RHS mortgages. The Section 509 construction defects program provides grants for certain Section 502 borrowers with newly constructed properties to address construction defects; new appropriations have not been provided for the construction defects program in several years, but carryover funding has been available.

[26] Eligible loan purposes are described at 7 C.F.R. Section 3550.52. Refinancing is also an eligible loan purpose in certain specified circumstances. Current homeowners are generally not eligible for loans except under certain circumstances described in 7 C.F.R. Section 3550.53(d).

[27] 7 C.F.R. §3550.68. Borrowers' incomes are to be reviewed annually to determine continued eligibility for payment subsidies. Different types of payment subsidies have been used in the past, but the type of assistance described in the text has been used for borrowers who newly qualify for payment assistance since 2008. See USDA, RHS, "Single Family Housing Loans, Payment Assistance," 72 *Federal Register* 73252-73256, December 27, 2007.

[28] Payment subsidy agreements can be for up to 24 months. Agreements of more than 12 months require annual reviews to ensure that borrowers continue to qualify for payment subsidy, and borrowers receiving payment subsidy are required to report certain changes in household composition, employment, and income to RHS. For more information on payment subsidies, see RHS, *Direct Single Family Housing Loans and Grants Servicing Office Handbook*, chap. 4, https://www.usda.gov/guidance-documents/rhs-handbook/rhs/hb-2-3550-direct-single-family-housing-loans-and-grants-servicing-office-handbookpdf.

[29] Whether a borrower is required to repay all of the payment subsidy received, or just a portion of it, is based on a formula that considers property appreciation as well as other factors. For more information on these "subsidy recapture" requirements, see USDA, "Subsidy Recapture Single Family Housing (Direct Loans)," https://www.rd.usda.gov/media/file/download/508-rd-fs-rhs-subsidyrecapturedirectloans.pdf.

[30] 7 C.F.R. §3550.66. Current interest rates are typically posted on the program web page at https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-direct-home-loans.

[31] 7 C.F.R. §3550.63. In certain circumstances, the allowable loan amount may be higher or lower than 100% of market value. The area loan limits are set as a percentage of the Federal Housing Administration's maximum mortgage amounts as determined by RHS. For the current dollar amounts of the loan limits in a given area, see https://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf.

[32] 7 C.F.R. §3550.64. While no down payment is generally required, borrowers with assets above a certain threshold are to use such assets for a down payment.

borrowers with incomes below 60% of area median income may qualify for a loan term as long as 38 years.[33]

Eligibility Criteria: Borrowers must be either very low-income or low-income when the loan is approved.[34] (At least 40% of loan funds each year must be made available for very low-income households.[35]) Borrowers must also be unable to obtain credit elsewhere on reasonable terms, but be able to demonstrate an ability to repay the Section 502 loan.[36] The home purchased with the loan must be modest in size, design, and cost,[37] and the home must be used as the borrower's primary residence.[38] Current homeowners are generally ineligible except under certain circumstances, including if their current home is physically inadequate.[39]

Recent Program Activity: In FY2025, $752.8 million was obligated for 2,756 Section 502 direct loans.[40]

Native Community Development Financial Institutions (CDFI) Relending Program

Through this program, USDA lends Section 502 direct loan funds to Native CDFIs[41] that in turn re-lend the funds to eligible low-income borrowers in tribal areas. It is intended to increase access to Section 502 direct loans in tribal areas by leveraging Native CDFIs' expertise and relationships in tribal communities. USDA first announced the Native CDFI Relending Program as a pilot program in 2018.[42]

Statutory Authority: The Native CDFI Relending Program is not separately authorized, though ultimate recipients of the funds must meet the statutory requirements applicable to Section 502

[33] 7 C.F.R. §3550.67. While loan terms can be less than the maximum allowed, the RHS loan originator must consider the effect that a shorter repayment period would have on the amount of payment subsidy a borrower could be eligible to receive (i.e., a shorter loan term could result in a higher payment subsidy). Loans with terms of less than 25 years cannot receive payment subsidy. See RHS, *Direct Single Family Housing Loans and Grants Field Office Handbook*, chap. 6, §6.8, https://www.usda.gov/guidance-documents/rhs-handbook/rhs/hb-1-3550-direct-single-family-housing-loans-and-grants-field-office-handbookpdf. Shorter maximum loan terms apply for smaller loan amounts and manufactured homes.

[34] 7 C.F.R. §3550.53(a). The current low- and very low-income limits in specific areas are available at https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf.

[35] 42 U.S.C. §1472(d).

[36] 7 C.F.R. §3550.53(g) and (h). The borrower may be required to refinance the Section 502 direct loan with a mortgage from a private company in the future if RHS determines that the borrower has gained the ability to qualify for private credit at reasonable rates and terms. See 42 U.S.C. §1472(b)(3) and 7 C.F.R. §3550.160.

[37] 7 C.F.R. Section 3550.57 describes modest dwelling requirements, and, as noted earlier, the property value cannot exceed an area loan limit as described at 7 C.F.R. §3550.63.

[38] 7 C.F.R. §3550.53(c).

[39] 7 C.F.R. §3550.53(d).

[40] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-61, https://www.usda.gov/sites/default/files/documents/FY-2027-Chapter-31-RHS.pdf.

[41] CDFIs are financial institutions that provide financial products and services in communities that have historically lacked access to capital. They must meet certain conditions to be certified as CDFIs by the Treasury Department. Native CDFIs primarily serve tribal, Alaska Native, or Native Hawaiian communities. More information on certification and currently certified CDFIs (including Native CDFIs) is at https://www.cdfifund.gov/programs-training/certification/cdfi.

[42] USDA, "USDA Announces Pilot Program to Increase Homeownership Opportunities on Native Lands," press release, May 31, 2018, https://www.usda.gov/about-usda/news/press-releases/2018/05/31/usda-announces-pilot-program-increase-homeownership-opportunities-native-lands.

direct loans (42 U.S.C. §1472). Funding for the relending program has been provided in annual appropriations acts since FY2023.

Financing: USDA provides loans to Native CDFIs for a period of up to 33 years and at a 1% interest rate. Native CDFIs, in turn, provide Section 502 direct loans to individual homebuyers.

Eligibility Criteria: Applicants must be certified Native CDFIs serving eligible areas, including tribal lands, Native Alaskan communities, and the Hawaiian home lands. Additional applicant eligibility criteria are provided in Notices of Funding Opportunity.[43] Ultimate loan recipients must meet the eligibility criteria applicable to the Section 502 direct loan program.

Recent Program Activity: In FY2025, $4.6 million was obligated for seven loans under the Native CDFI Relending Program.[44]

Section 502 Single Family Housing Guaranteed Loans

Through this program, RHS guarantees loans made by approved private lenders to eligible low- and moderate-income households to purchase homes to be used as principal residences. Loan funds can be used for costs of acquisition, repairs, or relocation of an existing home or construction of a new home.[45]

Statutory Authority: Title V, Section 502(h) of the Housing Act of 1949; 42 U.S.C. §1472(h).

Financing: Loan guarantees are provided to private lenders making loans to eligible borrowers. The federal government guarantees 90% of the loan principal[46] as an encouragement to private lenders to make loans to eligible rural residents who would otherwise be unable to obtain credit. Borrowers pay upfront fees and annual guarantee fees, set at 1% and 0.35%, respectively, as of the date of this report.[47] These fees help cover the costs of loan defaults.[48] Loan terms cannot exceed 30 years and have fixed interest rates negotiated by the lender and the borrower.[49] Loan amounts can be up to 100% of the property's market value (plus the upfront guarantee fee) or the total of the purchase price and eligible acquisition costs, whichever is less.[50] No down payment is required.

[43] For example, see RD, Native Community Development Financial Institution Relending Demonstration Program, Fiscal Year 2026 Notice of Funding Opportunity, June 18, 2026, https://www.rd.usda.gov/media/file/download/sfh-ncdfi-fy26-nofo.pdf.

[44] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-61; and RD, "Rural Investments in Program Areas," https://www.rd.usda.gov/rural-data-gateway/rural-investments/program-areas (accessed September 3, 2026).

[45] 7 C.F.R. §3555.101. Refinancing is also an eligible loan purpose in certain specified circumstances.

[46] 42 U.S.C. §1472(h)(2).

[47] 42 U.S.C. Section 1472(h)(8) allows USDA to charge an upfront fee of no more than 3.5% and an annual fee of no more than 0.5%. The current fees that USDA charges are provided in RD Instruction 440.1, Exhibit K, https://www.rd.usda.gov/media/file/download/04401.pdf.

[48] Since FY2011, no budget authority has been required to cover the costs of Section 502 loan guarantees in annual appropriations acts, as the fees charged to borrowers are expected to cover the costs of loan defaults under the program.

[49] 42 U.S.C. §1472(h)(7).

[50] 42 U.S.C. §1472(h)(7)(C) and 7 C.F.R. §3555.103.

Eligibility Criteria: Borrowers must have incomes no higher than the moderate-income limit.[51] The home must be modest, decent, safe, and sanitary,[52] and used by the borrower as a principal residence.[53] Borrowers must be unable to obtain traditional mortgage credit, but be able to demonstrate an ability to repay the Section 502 loan.[54]

Recent Program Activity: In FY2025, $8.4 billion was obligated for 41,012 Section 502 Guaranteed Loans.[55]

Section 504 Very Low-Income Rural Housing Repair Loans and Grants

This program provides loans to low-income homeowners[56] and grants to very low-income homeowners to make repairs or improvements to their properties. To qualify for a grant (rather than a loan), applicants must also be age 62 or older. Grant funds can only be used to remove health and safety hazards or to make properties accessible to household members with disabilities, while loan funds can also be used for more general repairs or improvements.

Statutory Authority: Title V, Section 504 of the Housing Act of 1949; 42 U.S.C. §1474.

Financing: Direct loans and grants are provided to eligible homeowners. Loan and grant amounts cannot exceed maximum amounts set by RHS.[57] Loans have interest rates of 1% and have loan terms of 20 years.[58]

Eligibility Criteria: Rural residents who are low-income (for loans) and very low-income (for grants) and own and occupy a dwelling in need of repair are eligible for assistance. A homeowner must be unable to obtain affordable credit elsewhere but must demonstrate a reasonable ability to repay the Section 504 loan.[59] Grants are limited to very low-income homeowners age 62 and older[60] and support the removal of health or safety hazards.[61]

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[51] 42 U.S.C. §1472(h)(3). 7 C.F.R. Section 3555.10 defines *moderate income* as the greater of (1) 115% of the U.S. median family income, (2) the average of the statewide and state non-metro median family income, or (3) 115/80ths of the low-income limit for the county or metropolitan statistical area where the housing is located. The current moderate-income limits in specific areas are available at https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf.

[52] 7 C.F.R. §3555.151(d). Specific requirements that new and existing dwellings must meet are described at 7 C.F.R. Section 3555.202.

[53] 7 C.F.R. §3555.151(c).

[54] 7 C.F.R. §3555.151(h) and (j).

[55] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-62.

[56] The 21st Century ROAD to Housing Act expanded eligibility for Section 504 loans to low-income households. Prior to its enactment, eligibility for both loans and grants was limited to very low-income households.

[57] 7 C.F.R. §3550.112. Previously, the maximum outstanding loan amount was $20,000 and the maximum lifetime grant amount was $7,500. A 2022 final rule revised these maximums to be an amount determined by RHS, up to certain specified percentages of the national average area loan limit. In the final rule, RHS stated that it would use an initial loan maximum of $40,000 and an initial grant maximum of $10,000. These were still the maximums in place as of the date of this report. See RHS, "Direct Single Family Housing Loans and Grants Programs," 87 *Federal Register* 6768, 6773, February 7, 2022, https://www.federalregister.gov/documents/2022/02/07/2022-02470/direct-single-family-housing-loans-and-grants-programs. For current loan and grant maximums, see RHS, *Direct Single Family Housing Loans and Grants Field Office Handbook*, chap. 12, §12.8, "Maximum Loan and Grant Amounts."

[58] 7 C.F.R. §3550.113. Previously, the maximum loan term was 20 years, though the regulations specified that loan terms should be as short as possible based on the borrower's ability to repay the loan. A 2022 final rule revised this section of the regulations to provide that all Section 504 loans will have a term of 20 years. See 87 *Federal Register* 6768, 6773.

[59] 7 C.F.R. §3550.103.

[60] 7 C.F.R. §3550.103.

[61] 7 C.F.R. §3550.102.

Recent Program Activity: In FY2025, $10.7 million was obligated for 1,174 Section 504 loans, and $25.8 million was obligated for 2,968 Section 504 grants.[62]

Section 523 Mutual and Self-Help Housing Grants

This program provides grants to eligible nonprofit or government organizations to provide technical assistance to groups of low- and very low-income households that work cooperatively to build their houses using the self-help method. The self-help method involves homebuyers contributing their own labor—*sweat equity*—to the construction of the home to reduce the costs of homeownership. Mutual self-help refers to groups of families working together to build each other's homes. Homebuyers who participate in the mutual self-help programs supported by Section 523 grants often use Section 502 direct loans to purchase the homes.[63]

Statutory Authority: Title V, Section 523 of the Housing Act of 1949; 42 U.S.C. §1490c.

Financing: Grants are provided to eligible organizations, and uses of grant funds include office expenses such as rent, employee salaries and benefits, certain insurance and training expenses, and other qualifying costs of the participating organizations, as well as the purchase or rental of power or specialty tools for participating households to use.[64] Funds may not be used to purchase real estate or other property for participating families, hire personnel to perform construction work, or pay costs or debts of participating families, among other prohibited uses.[65]

Eligibility Criteria: Private and government nonprofit organizations (including Indian tribes) with relevant capacity are eligible.[66] Grantees provide technical and supervisory assistance in support of mutual self-help homeownership programs for very low- and low-income households.

Recent Program Activity: In FY2025, $22.8 million was obligated for 29 Section 523 grants.[67]

Section 523 Self-Help Housing Land Development Loans

This program provides funds to eligible private and public nonprofit organizations to purchase and develop building sites for housing for participants in self-help housing programs. The nonprofit organizations resell these improved sites to program participants or eligible organizations at cost.[68] The interest rate on the loans is 3%, and the nonprofit organizations repay the loans when they sell the properties.

Statutory Authority: Title V, Section 523(b)(1)(B) of the Housing Act of 1949; 42 U.S.C. §1490c(b)(1)(B).

Financing: Two-year direct loans with 3% interest rates are provided to eligible organizations that purchase and develop building sites.[69]

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[62] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-62. These figures do not include additional funding that was made available for home repair grants in response to disasters.

[63] A share of Section 502 direct loan funds is typically set aside to be used for participants in these self-help housing programs.

[64] 7 C.F.R. §1944.405.

[65] 7 C.F.R. §1944.406.

[66] 7 C.F.R. §1944.404 and 7 C.F.R. §1944.403(j).

[67] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-62.

[68] 7 C.F.R. §1822.275.

[69] 42 U.S.C. §1490c(b)(1)(B).

Eligibility Criteria: Qualified private and public nonprofit organizations are eligible.[70] Public nonprofit agencies include municipal corporations and other corporate agencies of state or local governments.[71] Section 523 loans are made to acquire and develop sites only for housing constructed by the self-help method.

Recent Program Activity: In FY2025, no Section 523 loans were made, and no funds were obligated despite funds being available.[72] USDA has suggested that demand for the program is low in part because the two-year loan term does not provide adequate time for loan recipients to develop and market the building sites.[73]

Section 524 Site Development Loans

This program is similar to the Section 523 land development loan program but is used to purchase and develop building sites for low- or moderate-income households more generally, not just self-help participants.

Statutory Authority: Title V, Section 524 of the Housing Act of 1949; 42 U.S.C. §1490d.

Financing: Two-year direct loans[74] with interest rates set by RHS are provided to eligible organizations that purchase and develop building sites.[75]

Eligibility Criteria: Like Section 523 loans, qualified private and public nonprofit organizations are eligible.[76] Section 524 loans can be used to acquire and develop sites for housing for low- or moderate-income households and are not restricted to those participating in self-help housing programs.[77]

Recent Program Activity: In FY2025, $721,000 was obligated for one Section 524 site loan.[78]

Multifamily Rental Housing Programs

Sections 514 and 516 Farm Labor Housing Direct Loans and Grants

USDA's Farm Labor Housing program is the only federal program to subsidize housing specifically for domestic farm laborers, including permanent, year-round, migrant, or seasonal farm laborers. Unlike other RHS programs, the funding for the Farm Labor Housing Programs may be used for housing development in non-rural areas, in order to house nearby agricultural labor.[79] Section 514 loans may be used to buy, build, improve, or repair housing (including furnishings and related facilities)[80] for farm laborers. Loans may be used for on-farm housing

[70] 7 C.F.R. §1822.264.

[71] 7 C.F.R. §1822.263.

[72] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-24.

[73] For example, see page 31-16 of USDA's FY2025 budget justification at https://www.usda.gov/sites/default/files/documents/31-RHS-2025-ExNotes.pdf.

[74] 42 U.S.C. §1490d(a)(1).

[75] 42 U.S.C. §1490d(a)(1) and 7 C.F.R. §1822.268(a). Current interest rates can be found in RD Instruction 440.1, Exhibit B, at https://www.rd.usda.gov/media/file/download/04401.pdf.

[76] 7 C.F.R. §1822.264.

[77] 42 U.S.C. §1490d(a)(1).

[78] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-24; and USDA, Rural Data Gateway, https://www.rd.usda.gov/rural-data-gateway/rural-investments/program-areas (accessed September 3, 2026).

[79] 7 C.F.R. §3560.1(a)(2).

[80] 42 U.S.C. §1484(f)(1)-(2).

(i.e., loans taken out by owners of farms to build housing on their properties for their laborers), but the majority of Section 514 funds are used for off-farm housing (i.e., loans to organizations that build housing in a community for local farm laborers).[81] Section 516 grants are awarded in conjunction with Section 514 loans to finance affordable, off-farm rental housing to low-income farm laborers.[82] Off-farm Farm Labor Housing properties may also receive rental assistance through the Section 521 program.

Statutory Authority: Title V, Sections 514 and 516 of the Housing Act of 1949; 42 U.S.C. §1484[83] and §1486.

Financing: Section 514 direct loans are provided to eligible borrowers for the development of on-farm or off-farm housing for farm laborers. The loans have an interest rate capped at 1%[84] and a maximum repayment term of 33 years.[85] Section 516 grants are awarded to recipients of Section 514 loans for off-farm properties and are capped at no greater than 90% of development costs for Section 514 properties.[86]

Eligibility Criteria: In order to be eligible to live in farm labor housing, a person must be a domestic farm laborer,[87] immediate family of a farm laborer, or a retired or disabled farm laborer.[88] They must be U.S. citizens, permanent residents, or legally admitted to the United States and authorized to work in agriculture (i.e., H-2A visa holders).[89] If there is a diminished need for farm labor housing, confirmed by USDA, off-farm labor housing properties may serve tenants who would be eligible under the Section 515 program (see below).[90]

Section 514 direct loans are available to farm owners, Indian tribes, farmer associations, public bodies, and nonprofit organizations.[91] Section 516 grants are available only to governments, Indian tribes, or nonprofit organizations and are awarded only in conjunction with Section 514 loans.[92]

Recent Program Activity: In FY2025, $32.7 million was obligated for 15 Section 514 loans, and $6.7 million was obligated for 3 Section 516 grants.[93]

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[81] According to email communication between CRS and USDA, RHS does not currently have a specific set-aside for on-farm loans, and any applications are reviewed as they are received. From FY2017 to FY2021, on-farm loans accounted for between 0% and 9% of Section 514 loan dollars obligated in a given year.

[82] 42 U.S.C. §1486.

[83] 42 U.S.C. §1484 authorizes the Secretary of Agriculture to make guaranteed loans under the Farm Labor Housing program. However, 42 U.S.C. Section 1487(b), which governs the Rural Housing Insurance Fund (the account used to fund the program), authorizes the Secretary to make direct loans under the program.

[84] 42 U.S.C. §1484(a)(2).

[85] 7 C.F.R. §3566(a).

[86] 42 U.S.C. §1486(a)(2).

[87] *Domestic farm laborers* are defined as persons who receive a substantial portion of their income from the primary production of agricultural and aquacultural commodities and the handling and processing of such commodities in the United States or its territories; 42 U.S.C. §1484(f)(3) and 7 C.F.R. §3560.11. (The 2008 farm bill amended the law to include aquaculture workers and workers in commodity processing facilities.)

[88] 42 U.S.C. §1484(f)(3).

[89] Temporary agricultural workers were ineligible for Farm Labor Housing until 2018, when P.L. 115-141 revised the statutory definition of eligibility to include them.

[90] 7 C.F.R. §3560.576(e).

[91] 42 U.S.C. §1484(a).

[92] 42 U.S.C. §1486(a).

[93] USDA Explanatory Notes, 2027, Rural Housing Service, P. 311-66.

Section 515 Rural Multifamily Rental Housing Direct Loans

The Section 515 multifamily housing program offers direct loans for the development of new, or rehabilitation of existing, rental housing for low-income individuals and families in rural areas. The properties developed with these loans often also receive rental assistance, commonly through the Section 521 Rental Assistance Program and in some cases through HUD's Section 8 project-based rental assistance program. With rental assistance, tenants pay a maximum of 30% of their income toward rent and utilities; without assistance, tenants pay a "basic rent," which is based on the amount needed to cover expenses in the project's approved budget (including the Section 515 loan payment).[94] RHS has not issued loans for the development of new units of Section 515 housing since FY2011; instead, all loan authority each year is used to support the preservation of existing Section 515 properties, through either refinancing existing loans or facilitating purchases of existing properties by entities committed to preserving them as affordable housing.

Statutory Authority: Title V, Section 515 of the Housing Act of 1949; 42 U.S.C. §1485.[95]

Financing: This program provides direct subsidized loans to eligible borrowers at a 1% interest rate, amortized over the lesser of the economic life of the property being financed or 50 years, and repaid over a 30-year term, with the remaining balance due in a lump sum at the end of the repayment term.[96]

Eligibility Criteria: Very low- to moderate-income families are eligible; some properties may be designated specifically for persons who are elderly. Assistance for very low-income households must be prioritized.[97] Loans are offered to for-profit and nonprofit organizations, as well as state and local government entities and Indian tribes.[98]

Recent Program Activity: In FY2025, $8 million was obligated for three Section 515 loans.[99]

Section 521 Rural Rental Assistance

This program provides rental assistance to Section 515 and Section 514 off-farm properties to subsidize the rents of eligible tenants. Tenants living in units with Section 521 assistance pay 30% of their income towards their rent and the program pays the property owner an amount to cover the difference between the tenant contribution and the basic rent for the unit.

Statutory Authority: Title V, Section 521(a)(2) of the Housing Act of 1949; 42 U.S.C. §1490a.

Financing: RHS makes rental payments under the terms of the rental assistance contracts it has with property owners. Funding is first directed to renewing existing rental assistance contracts. Remaining funds are then awarded for expansions of existing contracts to cover additional units in existing properties and new contracts for newly constructed or acquired properties.[100]

Eligibility Criteria: Owners of properties with Section 515 and Section 514 off-farm loans may request rental assistance funding from RHS to the extent appropriations are available. Tenants

[94] 7 C.F.R. §3560.203.

[95] 42 U.S.C. Section 1485 authorizes the Secretary of Agriculture to make guaranteed loans under the Rural Rental Housing program. However, 42 U.S.C. Section 1487(b), which governs the Rural Housing Insurance Fund (the account used to fund the program), authorizes the Secretary to make direct loans under the program.

[96] 7 C.F.R. §3560.67. Until 1997, Section 515 loan terms were 40 to 50 years.

[97] 42 U.S.C. §1485(p); 7 C.F.R. §3560.154.

[98] 42 U.S.C. §1485(b); 7 C.F.R. §3560.55.

[99] USDA Explanatory Notes, 2027, Rural Housing Service, P. 311-66.

[100] 7 C.F.R. §3560.255.

who are eligible to live in the properties are generally eligible for rental assistance. In cases where rental assistance in a property is limited (i.e., not all units receive rental assistance), owners must offer priority for rental assistance to very low-income tenants.[101]

Historically, a property had to have an active Section 515 or Section 514 loan in order to receive Section 521 assistance. The FY2024 appropriations law (P.L. 118-42) provided USDA with the authority to allow certain properties to retain their Section 521 assistance upon maturation of their Section 515 or Section 514 loans, referred to as Section 521 decoupling. The pilot has been extended through annual appropriations acts.[102] USDA was given permanent authority to extend Section 521 rental assistance contracts for properties with maturing mortgages by the 21st Century ROAD to Housing Act (P.L. 119-101). As of the date of this report, implementing guidance for this authority had not yet been released.

Recent Program Activity: In FY2025, $1.6 billion was obligated to support 212,630 Section 521 units.[103]

Section 538 Multifamily Housing Guaranteed Loans

This program provides a federal guarantee for certain loans to finance the construction, acquisition, and rehabilitation of multifamily housing for low- to moderate-income residents. Borrowers of Section 538 guaranteed loans are restricted in the rents they can charge to tenants.[104] Loans are commonly used to revitalize existing Section 515 properties; such use has accounted for approximately half of all loans in recent years.[105]

Statutory Authority: Title V, Section 538 of the Housing Act of 1949; 42 U.S.C. §1485.

Financing: The program provides guarantees of eligible loans issued to eligible borrowers by certified lenders.[106] For nonprofit and public borrowers, the program covers a 97% loan-to-value (LTV) ratio; for for-profit entities, the maximum LTV is 90%.[107] The cost of the program is supported by guarantee fees, currently set at an initial fee of between 0.60% and 0.65% of the total loan amount and an annual fee of between 0.25% and 0.35% of the total loan amount, depending on the purpose and use of the loan.[108]

[101] 7 C.F.R. §3560.257.

[102] More information is available on USDA's website at https://www.rd.usda.gov/programs-services/multifamily-housing-programs/section-521-stand-alone-rental-assistance.

[103] USDA Explanatory Notes, 2027, Rural Housing Service, P. 311-66.

[104] "The rent for any individual housing unit, including any tenant-paid utilities, must not exceed an amount equal to 30 percent of 115 percent of area median income, adjusted for family size. In addition, on an annual basis, the average rent for a project, taking into account all individual unit rents, must not exceed 30 percent of 100 percent of area median income, adjusted for family size." 7 C.F.R.§3565.203.

[105] See USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-16.

[106] 7 C.F.R. §3565.52(c).

[107] 7 C.F.R. §3565.204.

[108] Previously, these fee amounts were set in regulation. In December 2020, USDA published a final rule amending its regulations to remove the specific fee levels and to allow the agency to establish fees periodically via notice published in the *Federal Register*. See RHS, "Guaranteed Rural Rental Housing Change in Initial Guarantee Fee and Annual Guarantee Fee," 85 *Federal Register* 77985-77987, December 3, 2020. The most recent fee schedule, as of the date of this report, is available at RHS, "Revised Fee Structure for Section 538 Guaranteed Rural Rental Housing Program Initial and Annual Guarantee Fees," 91 *Federal Register* 61820, September 30, 2026.

Eligibility Criteria: Tenants must be low- to moderate-income households upon initial occupancy.[109] Borrowers may be for-profit or nonprofit entities, public bodies, or Indian tribes.[110]

Recent Program Activity: In FY2025, $187.6 million was obligated for 68 Section 538 loans.[111]

Section 542 Rural Development Vouchers

This program, first funded in 2006, provides rental assistance vouchers to eligible tenants facing displacement from Section 515 properties that have exited the program.[112] Modeled after HUD's Housing Choice Voucher (HCV) program, the vouchers subsidize the difference between tenants' rent contributions and the market rent for the area.[113] The voucher can be used to allow the tenant to remain in the existing (formerly subsidized) property or to move to a different property selected by the tenant.[114]

Statutory Authority: Title V, Section 542 of the Housing Act of 1949; 42 U.S.C. §1490r.

Financing: RHS directs rental payments to landlords on behalf of voucher recipients. Vouchers are issued to eligible tenants by RHS based on Section 515 prepayment requests by property owners and property foreclosures, as applicable.

Eligibility Criteria: Tenants must be low-income and residing in a Section 515 property on the date of prepayment or foreclosure.

Recent Program Activity: In FY2025, $47.3 million was obligated for 7,523 rural housing vouchers.[115]

Multifamily Housing Preservation and Revitalization (MPR) Demonstration

The Multifamily Housing Preservation and Revitalization (MPR) program was first created as a demonstration in the FY2006 annual appropriations law (P.L. 109-97) to support the preservation of Section 515 and Section 514 off-farm properties as affordable housing as they age or near the end of their loan terms and affordability restrictions. The demonstration program was continued in each subsequent appropriations act. The 21st Century ROAD to Housing Act (P.L. 119-101) permanently established the program by amending the Housing Act of 1949 (42 U.S.C. §1490u).

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[109] 7 C.F.R. §3565.202.

[110] 42 U.S.C. §1485(b); 7 C.F.R. §3565.151.

[111] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-66.

[112] Eligibility was initially limited in statute to tenants receiving Section 521 rental assistance residing in properties where the mortgages were prepaid or foreclosed. Beginning in FY2022, annual appropriations acts included provisions that expanded eligibility to all residents—including those without rental assistance—in properties with maturing mortgages for that fiscal year. The authorizing law was amended to expand eligibility to all residents in properties with maturing mortgages by P.L. 119-101.

[113] Section 542 voucher subsidy amounts have historically been established differently than those in HUD's HCV program. They are set based on a tenant's rent contribution at the time of prepayment or foreclosure of the Section 515 property and market rents at the time. Thereafter, the amount is fixed and will not increase based on decreases in tenant incomes or increases in rent (although RD may reduce the voucher amount if the tenant moves to a lower cost rental unit). See Chapter 4 of RD's "Rural Development Voucher Program Guide," September 2010. This subsidy calculation was changed to align with the HCV program by P.L. 119-101 in July 2026. The law gives USDA two years to implement those changes.

[114] USDA has not published regulations governing this program. Program guidance is included in USDA, RHS, "Rural Development Voucher Program," 82 *Federal Register* 21972, May 11, 2017; and USDA RD, "Rural Development Voucher Program Guide," September 2010.

[115] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-66.

MPR provides RHS with preservation funding tools and authorities including debt deferral, subordinate or soft second loans, 0% loans, and grants to address an existing Section 515 or Section 514 project's health and safety needs. Properties receiving this assistance agree to extended affordability periods.

Statutory Authority: The program was created and maintained as a demonstration program by annual appropriations acts, beginning in FY2006, until it was authorized at Title V, Section 545, of the Housing Act of 1949 by the 21st Century ROAD to Housing Act (P.L. 119-101), enacted in July 2026. The act directs RHS to begin the rulemaking process to fully implement the MPR program within 180 days of enactment, with an interim final rule to be published within one year of enactment.

Financing: RHS makes grants and loans, including loan modifications, to restructure the debt of existing Section 515 and Section 514 borrowers.

Eligibility Criteria: Owners of properties financed with Section 515 or Section 514 loans can apply for assistance; RHS maintains a waiting list for assistance.

Recent Program Activity: In FY2025, $1.3 million was obligated for 13 loans, and $3.8 million was obligated for eight grants under MPR.[116]

Other Programs

Section 533 Housing Preservation Grants

This program provides funding to qualified entities to provide housing repair and rehabilitation assistance to very low- and low-income homeowners and to rental property owners whose tenants are very low- and low-income households. Eligible repair and rehabilitation activities include, but are not limited to, installing or repairing water and waste disposal systems, replacing a roof, repairing or replacing heating systems, energy conservation measures, alterations to provide greater accessibility for people with disabilities, and housing replacement activities (for homeowners only) under certain circumstances.[117]

Statutory Authority: Title V, Section 533 of the Housing Act of 1949; 42 U.S.C. §1490m.

Financing: Grants are provided to nonprofit organizations and other eligible entities. Grantees provide assistance through loans or grants to qualified homeowners or rental property owners.[118]

Eligibility Criteria: Grants are made to nonprofit organizations, government entities, Indian tribes, and consortia of eligible grantees that meet certain conditions, including having relevant background and experience.[119] Assisted homeowners must be low- or very low-income, own a property in need of assistance, and have owned the property for at least one year and intend to continue residing in it.[120] Assisted rental or cooperative property owners must own a property in need of assistance where the current or intended tenant is very low- or low-income.[121]

[116] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-62.

[117] Eligible activities are listed at 7 C.F.R. Section 1944.664. Additional requirements related to replacement housing are at 7 C.F.R. Section 1944.659.

[118] 42 U.S.C. §1490m(b).

[119] 7 C.F.R. §1944.658 and 7 C.F.R. §1944.656.

[120] 7 C.F.R. §1944.661.

[121] 7 C.F.R. §1944.662.

Recent Program Activity: In FY2025, $9.5 million was obligated for 114 Section 533 grants.[122]

Selected Issues and Trends

Multifamily Rural Housing Preservation

Over time, the multifamily housing financed through the Section 515 and Section 514 programs may be at risk of loss to the affordable housing stock. This can happen because the RHS loan is ending through prepayment, agency enforcement actions, or natural maturation—any of which can terminate affordability restrictions, leading to tenant displacement and loss of affordable housing in a community.[123]

Initial rural housing preservation concerns centered on owners' ability to prepay their loans and exit the programs. Up until the late 1970s, there were no restrictions on loan prepayment, and there were concerns about owners exiting the programs before the end of their 40- to 50-year loan terms, at which point affordability restrictions ended. In response, several laws were enacted to restrict borrowers' ability to prepay and to change the terms of the programs so that later loans (those made after 1989) were ineligible for prepayment. For properties at risk of prepayment, these laws directed USDA to offer incentives to owners to remain in the programs or sell to preservation-focused purchasers; enacted various notification and first purchase right requirements; and authorized and then funded rental housing vouchers, under the Section 542 program, for tenants facing displacement upon owner prepayment (or mortgage foreclosure).[124]

Over time, concerns began to grow about the physical and financial condition of aging rural multifamily assisted housing properties. A report issued by USDA in 2004 found that no Section 515 properties had adequate reserves or sufficient cash flow to make needed repairs or meet maintenance needs over time.[125] These properties risk falling into physical disrepair, which can both threaten the health and safety of residents, and put the property at risk of foreclosure. In response to these concerns, the FY2006 appropriations law (P.L. 109-97) created a new demonstration program for the preservation and revitalization of USDA multifamily rental housing properties (see the "Multifamily Housing Preservation and Revitalization (MPR) Demonstration" section earlier in this report). The MPR program is intended to preserve Section 515 and Section 514 projects by funding their physical revitalization and extending their affordable use agreements. Under MPR, RHS can restructure existing loans, using debt deferral, soft second loans, 0% loans, and grants to preserve existing properties. The program was permanently established by the 21st Century ROAD to Housing Act (P.L. 119-101).

More recently, policymakers have focused on the preservation risks posed by maturing mortgages. When Section 514 and Section 515 loans mature, their affordability restrictions end. RHS has adopted some policies to encourage owners to refinance or otherwise re-amortize their mortgages in order to prevent loan maturation and extend use agreements and to notify tenants

[122] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-66.

[123] Not all owners have the right to prepay their loans. Congress amended the law to prohibit prepayment of loans made after December 15, 1989. (P.L. 101-235 §206).

[124] While the authority for Section 542 was added to the law in 1992 (P.L. 102-550, Title VII, §706(2)), the program was not funded until the FY2006 appropriations law.

[125] USDA, *Rural Rental Housing-Comprehensive Property Assessment and Portfolio Analysis: Final Study Report*, November 2004, prepared by ICF Consulting, available at https://peerta.acf.hhs.gov/sites/default/files/public/uploaded_files/Rural%20Rental%20Housing_ICF.pdf.

when a loan is reaching maturation.[126] Until recently, Section 542 vouchers were available only for rent-assisted tenants facing displacement due to owner prepayment or default, not mortgage maturation. The FY2022 appropriations law[127]—and each appropriations law thereafter—authorized RHS to offer Section 542 vouchers to all residents facing displacement, both those with and without rent assistance, including due to mortgage maturation. In July 2026, the 21st Century ROAD to Housing Act (P.L. 119-101) amended the law to make these changes permanent.

Similarly, until recently, USDA lacked authority to renew Section 521 rental assistance contracts on properties that no longer have active Section 515 or Section 514 loans, including those with maturing mortgages. In the FY2024 appropriations law (P.L. 118-47), Congress provided RHS with limited authority to test the renewal of Section 521 contracts for certain properties upon mortgage maturation, often referred to as Section 521 decoupling. This Section 521 decoupling authority—which RHS refers to as the Stand Alone Rental Assistance demonstration[128]—was extended by subsequent appropriations laws[129] until it was statutorily authorized in July 2026 by the 21st Century ROAD to Housing Act (P.L. 119-101).

Both Section 515 direct loans and Section 538 guaranteed loans have been used for preservation purposes, to refinance and/or fund the rehabilitation of existing Section 515 and Section 514 properties, often through the MPR process. As noted previously, since FY2012 RHS has used all its new Section 515 direct loan authority each year to support the preservation of existing Section 515 properties, either through refinancing existing loans or facilitating preservation purchases of existing properties. In recent years, half of all new Section 538 authority has been used for Section 515 property preservation. These preservation transactions have increasingly involved the use of other federal resources, including Low Income Housing Tax Credits (LIHTCs).

RHS estimates that preservation demand in the Section 515 program will exceed $30 billion between December 2025 and 2050, the equivalent of $1.2 billion per year,[130] which exceeds recent Section 515 and MPR funding levels (see **Table 2**). The extent to which the expanded set of tools that have recently been made available to RHS through appropriations provisions and P.L. 119-101 will be sufficient to address these preservation concerns remains to be seen.

Trends in Section 502 Direct and Guaranteed Loans

Over the past several decades, the volume of loans made through the Section 502 Guaranteed Loan Program has grown substantially larger than the Section 502 Direct Loan Program, reflecting an increased emphasis on the loan guarantee program. As shown in **Figure 1**, the number of Section 502 direct loans made annually peaked in FY1976, at nearly 133,000, and then began to steadily decrease, falling further since the guaranteed loan program became permanent in the early 1990s.[131] Meanwhile, the number of guaranteed loans made each year increased,

[126] USDA, "Management of Loan Payoffs in Multi-Family Housing Properties," unnumbered letter, December 28, 2016, available at https://www.rd.usda.gov/files/RDUL-Payoffs.pdf.

[127] P.L. 117-103.

[128] For more information, see RD, "Section 521 Stand-Alone Rental Assistance," https://www.rd.usda.gov/programs-services/multifamily-housing-programs/section-521-stand-alone-rental-assistance.

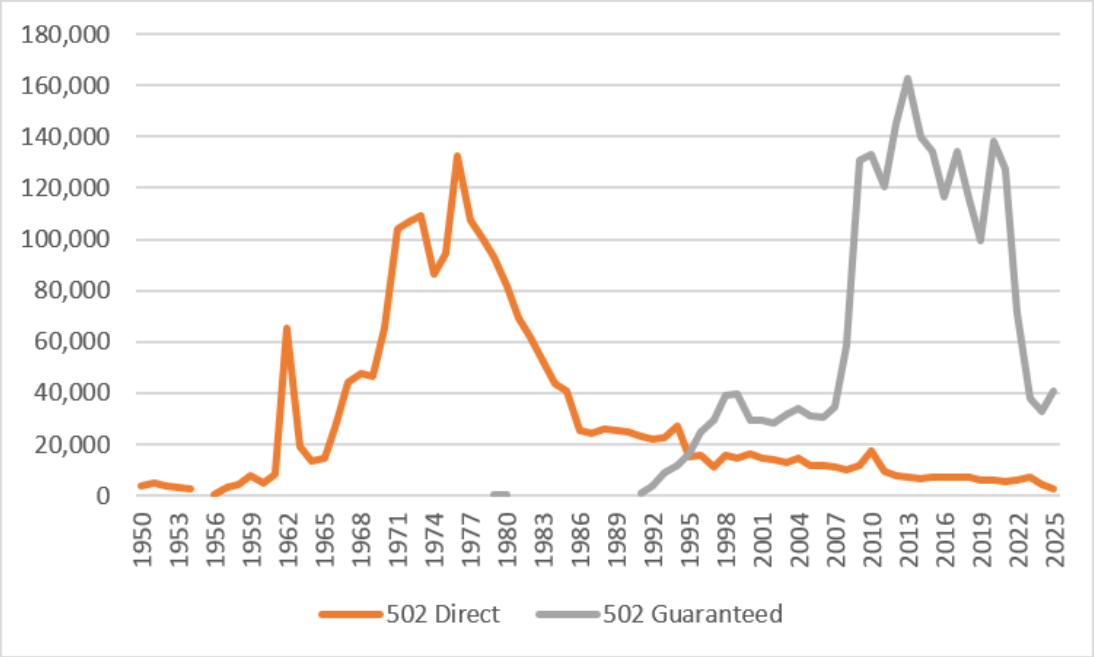
[129] As of the date of this report, the demonstration was available for properties with mortgages maturing between March 9, 2024, and September 30, 2026, with the time frame having most recently been extended by P.L. 119-37.

[130] USDA Explanatory Notes, 2027, Rural Housing Service, p. 311-64.

[131] Section 706 of the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625) established the Section 502 Guaranteed Loan Program on a permanent basis following a temporary demonstration program in the late 1980s.

peaking at nearly 163,000 in FY2013. In FY2025, USDA guaranteed about 41,000 Section 502 loans and made nearly 3,000 Section 502 direct loans.

Figure 1. Number of New Section 502 Direct and Guaranteed Home Loans



Sources: Figure created by CRS using data from the Housing Assistance Council's *USDA Rural Development Housing Activity Report—Fiscal Year 2024*, https://ruralhome.org/usda-rural-development-housing-activity-report-fiscal-year-2024, for data from FY1950 to FY2024 and USDA Explanatory Notes, 2027, Rural Housing Service, pp. 311-61 and 311-62, https://www.usda.gov/sites/default/files/documents/FY-2027-Chapter-31-RHS.pdf for FY2025 data.

Note: Loan counts include direct and guaranteed loans funded through supplemental appropriations provided by the American Recovery and Reinvestment Act (P.L. 111-5) in 2009.

The number of loans made through each program in a given year reflects a variety of factors. One factor is the loan authorization levels provided in annual appropriations acts, which typically authorize a larger volume of guaranteed loans than direct loans.[132] Housing and mortgage market conditions, such as mortgage interest rates, can also affect program activity.[133]

The increased focus on guaranteed loans in part reflects the cost of each program. The guaranteed program has long had a lower cost to the government than the direct loan program, and since FY2011 the guaranteed program has charged borrowers fees that are estimated to be sufficient to cover the costs of loan defaults and therefore has not required credit subsidy appropriations. (Appropriations are still provided for salaries and expenses related to administering the program.) The direct loan program does require credit subsidy appropriations, given the population it serves and the payment subsidy it provides. In FY2026, $130.6 million in appropriations was provided to support up to $1 billion in Section 502 direct loans.

[132] For example, in FY2026, the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37) authorized up to $1 billion in Section 502 direct loans and up to $25 billion in Section 502 guaranteed loans.

[133] Housing Assistance Council, "Home Mortgage Demand Declined in Rural America Too," February 8, 2023, https://ruralhome.org/wp-content/uploads/2023/02/rural-research-note-usda-502-guarantee-declines.pdf.

At times, there have been proposals to eliminate the Section 502 Direct Loan Program. Most recently, the FY2026 budget justification proposed no new funding for the program,[134] although Congress continued to fund the program in FY2026. The FY2027 budget justification did request funding for Section 502 direct loans.[135] Past budget requests that proposed no funding for the direct loans have argued that technological advances have increased access to credit in rural areas and that the guaranteed loan program could sufficiently serve rural needs.[136] Many rural housing advocates, however, argue that there is an ongoing need for the direct loan program. They maintain that the program serves many borrowers who would not otherwise be able to qualify for a mortgage, even with a guarantee. These advocates point to differences between the programs, such as the interest rate subsidy that many direct loan borrowers receive and differences in the income levels of the populations served by the direct and guaranteed programs.[137]

Program Coordination

As noted earlier, RHS programs are sometimes used in conjunction with other federal affordable housing programs, and some RHS housing programs provide similar types of assistance to that provided by non-RHS housing programs. There have been various proposals over the years to coordinate and/or streamline RHS programs and these other housing assistance resources. These have ranged from proposals encouraging or requiring USDA and HUD to coordinate in various ways to proposals to amend the law to move RHS programs to HUD and potentially integrate them with existing HUD programs.[138] Proposals to move USDA rural housing programs to HUD, in particular, have been met with opposition from rural housing stakeholders, many of whom argue that USDA's expertise on rural issues and its network of local offices provide advantages in administering rural housing programs and ensuring that they reach rural residents.[139]

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[134] USDA Explanatory Notes, 2026, Rural Housing Service, p. 31-12, https://www.usda.gov/sites/default/files/documents/31-2026-CJ-RHS.pdf.

[135] USDA Explanatory Notes, 2027, Rural Housing Service, p. 31-13.

[136] For example, USDA's FY2021 budget justifications stated that "rural areas once isolated from easy access to credit have shrunk as internet access and use has grown. Therefore, USDA is now in a position to utilize solely the guarantee program, and still achieve the Administration's goals for rural housing at a lower cost to taxpayers." See *2021 USDA Congressional Justification—Rural Housing Service*, p. 31-26, https://www.usda.gov/sites/default/files/documents/29rhs2021notes.pdf. Similar language was included in budget requests for FY2018-FY2020, which also proposed no funding for Section 502 direct loans.

[137] For example, see National Rural Housing Coalition, "Fast Facts! Section 502 Direct Loans Open Doors to Rural Homeownership," https://ruralhousingcoalition.org/wp-content/uploads/2020/02/Section-502-Direct.pdf; and Statement for the Record of Lance George, Director of Research and Information, Housing Assistance Council, for a hearing before the Senate Banking Committee on *The State of Housing, 2023*, February 9, 2023, p. 18, https://www.banking.senate.gov/imo/media/doc/George%20Testimony%202-9-23.pdf.

[138] For example, in 2018, a Trump Administration government reorganization proposal included a recommendation to move the RHS single-family and multifamily loan guarantee and rental assistance programs to HUD, arguing that such a move would help achieve operational efficiencies by consolidating similar programs under one agency. *Delivering Government Solutions in the 21st Century Reform Plan and Reorganization Recommendations*, p. 35, https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf. In a 2012 report, GAO examined opportunities for increased collaboration or consolidation among housing assistance programs in general, and the RHS and FHA single-family mortgage guarantee programs in particular, as well as some of the challenges and policy considerations that would be involved. GAO, *Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation*, GAO-12-554, August 2012, https://www.gao.gov/assets/gao-12-554.pdf.

[139] For example, see U.S. Congress, House Committee on Financial Services, Subcommittee on Housing, Community Development, and Insurance, *The Affordable Housing Crisis in Rural America: Assessing the Federal Response*, 116th Cong., 1st sess., April 2, 2019, Serial No. 116-13 (GPO, 2019), https://www.govinfo.gov/content/pkg/CHRG-116hhrg37396/html/CHRG-116hhrg37396.htm.

Most recently, the 21st Century ROAD to Housing Act (P.L. 119-101) included a provision requiring USDA and HUD to enter into a memorandum of understanding to review and potentially revise the environmental review process and requirements across the two agencies and to explore the feasibility of joint physical inspections for properties assisted by both agencies. In late September 2026, USDA announced that it had entered into that required agreement with HUD.[140]

The act also requires HUD and USDA to submit a report to Congress, not later than one year after enactment (July 11, 2027), that includes recommendations for legislative, regulatory, or administrative actions to improve the efficiency and effectiveness of housing projects funded by both agencies.

Recent Appropriations

Table 2 provides five years of appropriations information for the USDA rural housing programs discussed in this report. The table reflects budget authority (including credit subsidy) and loan authorization levels, as applicable and labeled.

Budget authority is the amount of new funding an agency is authorized to spend and is generally set in an appropriations act. Loan authorization levels are the total dollar volume of new loans an agency is authorized to issue (in the case of direct loans) or guarantee and are also generally set in an appropriations act. The cost to the federal budget of providing that authorized loan amount, as determined by the Congressional Budget Office, is reflected in the credit subsidy.

As noted earlier, obligation levels shown earlier in this report reflect commitments made by federal agencies to spend funding and may not match appropriations information shown in this table, as (among other reasons) appropriated funds may be obligated across fiscal years.

Table 2. Appropriations for Rural Housing Programs, FY2022-FY2026

Dollars in Millions

Program	FY2022	FY2023	FY2024	FY2025	FY2026
Section 502 Direct Home Loans*					
Loan Authorization	1,250.0	1,250.0	880.0	715.9	1,000.0
Credit Subsidy	23.3	46.4	84.5	84.5	130.6
Tribal Relending Demonstration*					
Loan Authorization	—	7.5	5.0	4.6	5.0
Credit Subsidy	—	2.5	2.3	2.3	2.1
Section 502 Guaranteed Home Loans*					
Loan Authorization	30,000.0	30,000.0	25,000.0	25,000.0	25,000.0
Section 504 Housing Repair Grants**	32.0	32.0	25.0	25.0	6.0
Section 504 Housing Repair Loans*					
Loan Authorization	28.0	28.0	25.0	25.0	25.0
Credit Subsidy	0.5	2.3	4.3	4.3	4.3

[140] USDA, "USDA and HUD Historic MOU Establishes a Framework for Collaboration Across Federal Housing Programs," press release, September 29, 2026, https://www.usda.gov/about-usda/news/press-releases/2026/09/29/usda-and-hud-historic-mou-establishes-framework-collaboration-across-federal-housing-programs.

Program	FY2022	FY2023	FY2024	FY2025	FY2026
Section 523 Mutual Self-Help Grants	32.0	32.0	25.0	25.0	25.0
Section 523 Self-Help Housing Land Development Loans*					
Loan Authorization	5.0	5.0	5.0	3.7	5.0
Credit Subsidy	0.1	0.3	0.6	0.6	0.7
Section 524 Site Development Loans*					
Loan Authorization	5.0	5.0	5.0	5.5	5.0
Credit Subsidy	0.2	0.2	0.5	0.5	0.5
Section 514 Farm Labor Housing Loans*					
Loan Authorization	28.0	20.0	15.0	13.5	15.0
Credit Subsidy	2.8	4.1	5.2	5.2	4.8
Section 516 Farm Labor Housing Grants*	10.0	10.0	7.5	5.5	6.0
Section 515 Rural Rental Housing Direct Loans*					
Loan Authorization	50.0	70.0	60.0	47.1	50.0
Credit Subsidy	4.5	13.4	21.0	18.7	15.1
Section 521 Rental Assistance	1,450.0	1,487.9	1,608.0	1,642.0	1,715.0
Section 538 Rural Rental Housing Guaranteed Loans*					
Loan Authorization	250.0	400.0	400.0	400.0	400.0
Rural Housing Vouchers	45.0	48.0	48.0	48.0	48.0
Multifamily Preservation and Revitalization*	34.0	36.0	34.0	32.0	30.0
Section 533 Housing Preservation Grants**	16.0	16.0	10.0	10.0	21.0

Source: Figures taken from the subsequent fiscal year's Comparative Statement of Budget Authority tables accompanying annual appropriations acts. Funding for Section 533 and Section 504 grants is generally specified in committee report text.

Note: * indicates program typically funded in the Rural Housing Insurance Fund account; ** indicates programs typically funded in the Rural Housing Assistance Grants account.

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