

# Congress of the United States

Washington, DC 20515

May 15, 2026

The Honorable Brooke Rollins  
Secretary  
U.S. Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250

Dear Secretary Rollins:

As Members representing rural communities, we write with serious concern regarding the February 10, 2026, revisions issued by the U.S. Department of Agriculture (USDA) to the Section 502 Direct Loan Program handbook.<sup>1</sup> These changes undermine one of the federal government's most important rural homeownership tools and risk putting affordable homeownership further out of reach for the low-income families the program is intended to serve. At a time when rural housing affordability has sharply deteriorated and homeownership is already becoming harder to attain for working families, USDA should be strengthening the program, not making access harder.<sup>2</sup>

The Section 502 Direct Loan Program is the only federal mortgage product specifically designed to help low-income households in rural communities purchase, build, rehabilitate, or repair a home. Under current law and regulation, the program serves low- and very low-income borrowers, provides payment assistance to increase repayment ability, and remains one of the most deeply targeted homeownership programs in the country. For many rural families, it is not simply one option among many; it is often the only realistic path to homeownership.<sup>3</sup>

We are concerned that the February 10 handbook revisions impose new administrative burdens, reduce program accessibility, and depart from longstanding practice in ways that will make the program less workable on the ground. Among the most troubling changes are the reduction in the maximum loan limit from 80 percent to 60 percent of Federal Housing Administration (FHA) Section 203(b) area limits, new state director review requirements that add additional layers of approval, a sharp reduction in packaging fees relied upon by nonprofit intermediaries to help borrowers navigate the application process, and the exclusion of Supplemental Nutrition Assistance Program (SNAP) benefits from repayment calculations. Taken together, these changes will make it harder for USDA to move loans efficiently and harder for otherwise eligible rural families to qualify. The governing regulation at 7 C.F.R. Part 3550

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<sup>1</sup> U.S. Department of Agriculture, Rural Development. (2026, February 10). *Section 502 Direct Loan Program handbook revisions* (PN 655). <https://www.rd.usda.gov/media/file/download/pn655.pdf>

<sup>2</sup> Executive Office of the President, Council of Economic Advisers. (2025, June 12). *The deterioration of housing affordability in rural America*. White House. <https://www.whitehouse.gov/wp-content/uploads/2025/03/The-Deterioration-of-Housing-Affordability-in-Rural-America.pdf>

<sup>3</sup> U.S. Department of Agriculture, Rural Development. (n.d.). *7 C.F.R. Part 3550, Subpart B—Section 502 direct loan program*. Electronic Code of Federal Regulations. <https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XXXV/part-3550/subpart-B>

provides that repayment income includes income from all sources except specified exclusions, which is why the new SNAP treatment raises serious concerns.<sup>3</sup>

These revisions are especially troubling given the reality of today's rural housing market. In its June 12, 2025 brief, *The Deterioration of Housing Affordability in Rural America*, the White House Council of Economic Advisers found that real rural house prices have risen at more than six times the pace of homeowner incomes since 2000 and that rural homeownership rates have declined for working-age households, including by 3.2 percent for households ages 31 to 35 and 3.8 percent for households ages 36 to 40. Lower loan limits may appear manageable on paper, but in practice they do not reflect the conditions rural families are facing in the housing market and will make the program less usable in many communities.<sup>4</sup>

We are also deeply concerned about the effect of these revisions on the Mutual Self-Help Housing program. By denying loans when a self-help home appraises above the new loan limit even if the actual Section 502 loan amount falls below that cap, the revised handbook effectively penalizes families for building equity through sweat equity. That undermines one of the most successful wealth-building tools available in rural America and cuts against the purpose of a program that is supposed to expand homeownership opportunities for low-income rural families.

In addition, these revisions come at a time when USDA's own budget materials show the importance and continued scale of the Section 502 Direct Loan Program, while the National Rural Housing Coalition and other stakeholders have raised concerns that staffing losses, reduced packaging support, and disrupted technical assistance will create delays, confusion, and underuse of available funds. The Office of Management and Budget Credit Supplement Technical Supplement reports a 4 percent defaults-net-of-recoveries figure for Section 502 Single Family Housing direct loans in the 2025 subsidy assumptions, compared with 2.7 percent for Guaranteed 502 Single Family Housing in the corresponding guaranteed-loan assumptions. That is a relatively modest difference given that the direct program serves significantly lower-income borrowers and exists precisely to reach households who cannot access conventional credit on reasonable terms.<sup>4</sup>

We are particularly troubled by the impact of these changes on applicants who have already been in the pipeline for months. Families who submitted applications before February 10, 2026, or at the start of fiscal year 2026, should not have the rules changed on them midstream after they have already structured their plans around USDA's prior guidance.

For these reasons, we urge USDA to rescind the February 10, 2026, handbook revisions and work with Congress and relevant stakeholders to develop any future changes in a transparent and workable manner. At a minimum, applicants with loans pending at the start of fiscal year 2026, or submitted before February 10, 2026, should be processed under the rules that were in place when they applied. USDA should also renew technical assistance support for the Mutual Self-Help Housing program so rural families are not left without the assistance they need to navigate the homeownership process.

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<sup>4</sup> Office of Management and Budget. (2025). *Credit supplement technical supplement*. Executive Office of the President. <https://www.whitehouse.gov/wp-content/uploads/2025/04/BUDGET-2026-CREDIT.pdf>

As we said at the outset, these handbook changes move in exactly the wrong direction. They weaken a core federal rural homeownership program and make it harder for low-income rural families to buy, build, or keep a home at the very moment when rural housing affordability is under real strain. USDA should reverse course and ensure that the Section 502 Direct Loan Program remains a workable, reliable, and accessible path to homeownership for the rural communities we represent.

Sincerely,



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Jim Costa  
Member of Congress



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Sarah McBride  
Member of Congress



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Member of Congress



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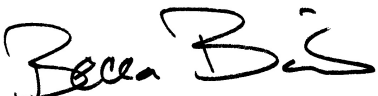
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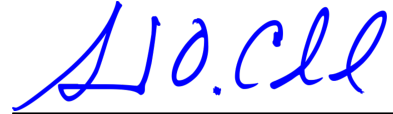
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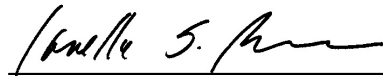
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Gabe Amo  
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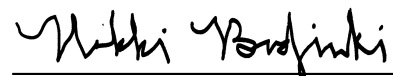
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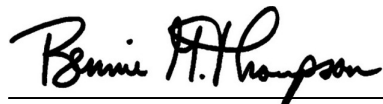
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