LOAN PROGRAM GUIDE

USDA Loan Guide

How USDA home loans work, how location and household income decide eligibility, what the guarantee fees are, how to check an address, and the difference between Guaranteed and Direct loans.

Reviewed November 18, 2026 against the sources listed at the end of this guide.

Who might consider a USDA loan

USDA home loans come from the U.S. Department of Agriculture's Rural Development agency. They help low- and moderate-income households buy in eligible rural and some suburban areas with no down payment. A USDA loan may fit if:

- The home you want is in a USDA-eligible area
- Your household income is within the local limit
- You will live in the home as your primary residence
- You have limited savings for a down payment but can handle the monthly payment

Few areas in Los Angeles County qualify, but eligible areas exist in several surrounding counties. Checking the address is always the first step.

How it works

There are two USDA home loan programs.

	Guaranteed loan	Direct loan (Section 502)
Who lends	A private lender, with a USDA guarantee	USDA itself
Who it serves	Low- and moderate-income households	Low- and very-low-income applicants
Income limit	Up to 115% of area median income	Lower limits set for the program
Down payment	None required	None required
Payment help	None	Payment assistance may reduce the effective rate
How to apply	Through an approved lender	Through your local USDA Rural Development office

Journey Mortgage Advisors works with lenders on **Guaranteed** loans. If you appear to fit the Direct program better, we will point you to USDA.

Location

USDA publishes a map of eligible areas. Eligibility follows the property address, and maps are updated from time to time, so check the specific home before you make an offer.

Household income

For a Guaranteed loan, household income must be at or below 115% of the median income for the area. USDA counts the income of everyone in the household, not just the people on the loan, and allows certain deductions, for example for dependents or childcare. That is different from the income a lender uses to qualify you for the payment, which counts only borrowers.

Zero down and the guarantee fees

A Guaranteed loan can finance up to 100% of the appraised value, plus the upfront guarantee fee. Instead of mortgage insurance, there are two fees. USDA's program flyer lists:

- **Upfront guarantee fee:** 1% of the loan, which can be financed
- **Annual fee:** 0.35% of the loan, paid monthly

The flyer is dated July 2020. USDA can change these fees, so we confirm the current amounts on your Loan Estimate. Guaranteed loans are typically 30-year fixed-rate mortgages.

How to check eligibility yourself

1. Go to USDA's eligibility site: eligibility.sc.egov.usda.gov.
2. Choose **Property Eligibility** and enter the address. The map shows whether it is in an eligible area.
3. Choose **Income Eligibility**, select the state and county, and enter your household size and income. The tool estimates whether you are under the limit.
4. Send us the results. We will confirm with the lender's calculation, which follows USDA rules for counting income.

> **Hypothetical example.** The Riveras earn $110,000 a year combined, and they have two children. They find a home in an eligible area where, for a household their size, the hypothetical Guaranteed limit is $125,000. Their household income is under the limit, so they can move on to qualifying for the payment. If Mr. Rivera's mother also lived with them and earned $30,000, her income would count toward the household total of $140,000, even though she isn't on the loan, and they would be over the limit. The figures are illustrations only.

Things to know before you shop

- **Primary residence only.** USDA loans are not for second homes or rentals.
- **Property condition.** The appraisal must show the home is safe and sound.
- **Two approvals.** The lender approves the loan, and USDA then issues its guarantee. That extra step can add time, so plan your escrow length with your agent.
- **Seller help.** Sellers can contribute toward closing costs within program rules.

What to gather

- [ ] Pay stubs for the last 30 days and W-2s for the last two years for every borrower
- [ ] Income information for every adult in the household, even those not on the loan
- [ ] Federal tax returns for the last two years if self-employed
- [ ] Two months of bank statements

- [ ] Childcare costs and dependent information, which may reduce countable household income
- [ ] The address of any home you are considering, with your eligibility-site results

Questions to ask

- Is this specific address eligible today?
- How will my household income be counted, and what deductions apply?
- What are the current upfront and annual guarantee fees?
- How long does USDA's review add to closing?
- Would FHA, VA or a 3% down conventional loan cost less in my situation?

Your next step

Tell us what you are trying to do and we will tell you, plainly, which options fit and what to gather. There is no cost to talk it through.

Start a free loan evaluation: journeymac.com/evaluation

Call: (626) 716-0585 **Email:** info@journeymac.com

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This guide is general education, not a loan offer, a rate quote or legal, tax or financial advice. Program rules change and lenders add their own requirements; confirm details for your situation before you act. Examples marked "hypothetical" are illustrations only.

Sources

Reviewed November 18, 2026. Program rules change; check the current version of each source.

1. USDA Rural Development: Single Family Housing Guaranteed Loan Program flyer (dated July 2020)
   www.rd.usda.gov/sites/default/files/Guarantee_SFH_Flyer.pdf
2. USDA Rural Development: Single Family Housing Direct Home Loans
   rd.usda.gov/programs-services/single-family-housing-direct-home-loans
3. USDA: Property and income eligibility site
   eligibility.sc.egov.usda.gov/eligibility
4. CFPB: Review your Loan Estimates
   www.consumerfinance.gov/owning-a-home/compare/review-loan-estimates