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Community Voices: Californians redlined from important mortgage program

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When it comes to the second Trump administration, there are certain things that are done with clear intention; either to further a MAGA value or stake a claim on the culture war, which is a feature in today's politics.

Then, there are things that don't make sense at all. One of these is a recent action at the United State Department of Agriculture that essentially redlines California from access to an important rural funding source — the 502 Direct mortgage program.

This program has been a resounding success in California, enabling thousands of rural residents of limited income to achieve homeownership. In fact, California is regularly the leader in usage of 502 loans in the country, taking advantage each year of unused funds from other states in an annual pooling process.

How has USDA cut off access to these funds? By arbitrarily reducing the allowable appraised value of a modest home they will finance. In our sweat equity program, which has assisted more than 7,000 low-income households to achieve the American dream of homeownership, three- and four-bedroom homes range in size between 1,100 and 1,400 square feet — modest by any measure, but no longer to USDA.

To make matters worse, even if a loan request is within their new “area loan limit,” if the appraised value exceeds that limit, there is no opportunity to use the 502 program. Throughout the San Joaquin Valley, that limit now is set at \$324,722. Even in our more remote rural markets, our modest homes are appraising above that baseline.

The 502 Direct loan is unique in that it offers a sliding scale subsidized interest rate depending on the borrowers’ income, who ultimately pays this subsidy back either during a resale or when the principal is fully repaid.

It is not just “blue” states like California that are affected. Developers in Idaho, Montana, Utah, Ohio, Maine and Florida have all reported similar challenges in utilizing the modified program.

If USDA had consulted with its broad stakeholder community before making such drastic changes, they could have found other less disastrous changes to achieve their desired goal of reducing the cost of the program. Unfortunately, they chose to use the ax when a less blunt instrument would have been more effective.

The Trump administration purports to champion the working man and wants to make homeownership more accessible by removing barriers to development. Inadvertently, they have just created a new barrier. We hope that they will listen as we raise this issue at both USDA and with Congress