Section 184 Loan Guarantee Program

How Are Tribes and Housing Authorities Using the 184 Loan?
WHY
Section 184 Program Overview

- 1992 Housing and Community Development Act
- Annual funding by Congress
- Nationwide Program
Why? 
Uniqueness in Indian Country

- Government to government relationships
- Unique land status
  - Tribal Trust Land
  - Allotted Trust Land
  - Unrestricted Land
- Underserved markets
  - Non-traditional credit
  - Limited access/exposure to financing
A varied housing market

- Location
- Income
  - (per cap income)
  - (non taxable income)

- Title Issues
  - On reservation title provided by the Bureau of Indian Affairs

- Appraisal
  - Market or cost approach determined by the assigned appraiser

- Tribe and Housing Authority able to borrow to increase housing opportunities on and off reservation
BASICS OF THE 184 LOAN
Section 184 Loan

- Mortgage Loan for Native Americans, Tribes and Housing Authorities
  - Individuals enrolled in a Federally Recognized Tribe
    - Homeownership
  - Tribes or Housing Authorities
    - Sale
    - Long Term Lease to Own
    - Rental
    - Assumption
184 Partners

- HUD 184 Program Staff
- Lenders
  - Over 250 participating Lenders
- Tribes
- Housing Authority
- Bureau of Indian Affairs
Role of HUD and Lender

**HUD**
- Develops and Implements Policy
- Conducts Training and Marketing
- Underwrites the Loan
- Issues the loan guarantee certificate
- Liaison between Lenders and Tribal Government

**Lender**
- Initial contact with the applicant
- Liaison between HUD and applicant
- Lends the money
- Processes, prepares, underwrites and closes the mortgage loan
Role of the Tribe/Housing

- Access Capital to Provide Housing and future homeownership opportunities
- Front/seed Money
- Development
- Address Variety of Housing Needs
- Leasing
- Infrastructure
- Housing Counseling

- And Much More...........................................
THE TRIBE OR TDHE AS BORROWER
Why the Tribe or TDHE should be the borrower?

- Cost effective
  - Financial Resources
  - Infrastructure

- Increase Housing Options
  - Staff and Financial Capacity
  - Timeliness
  - Location
  - Maximize Housing Needs
Advantages

- Multiple homes
  - 1–20 initial request; no ceiling once tribal/housing capacity determined

- Tribal Driven
  - Debt Service; Location; Conveyance of ownership; rental; land base location

- No limits on occupancy
  - Low, moderate, high income
  - Tribal member
  - Non Tribal members
    - Very low foreclosure!
Using the 184 Loan For:

- New Housing
  - Manufactured and/or Modular Housing
  - Stick Built
- Rehabilitation of Existing Housing
  - i.e. Mutual Help
- Refinance
  - Cash Out
  - Rehabilitation
  - Lower Debt Ratio
Where Can the 184 Be Used:

- Tribal Trust on Reservation
  - Leasehold on the land; mortgage on the home
- Fee Simple (Restricted) on Reservation
- Fee Simple Off the Reservation
  - Section 184 approved areas
Mortgage Loan Process

- Apply for the Mortgage Loan through participating lender
  - Tribe or Housing Authority choose the lender

- Lender obtains income/credit documentation to determine eligibility (pre qualification)
  
  Eligibility based on financial capacity for up to 20 loans; additional loans once financial ability defined

Lenders are skilled in assisting the tribe or housing authority to determine the best financial approach to the I84 loan (single close construction, refinance, interim financing, etc.)
Mortgage Loan Process Advantages

- Same Underwriting Requirements
  - Minimal down payment (maximum 2.25%)
  - No Credit Scoring
  - Cashout to replenish funds
  - Select housing type/location
  - Determine need
  - Manage Builder
New Development Option
Section 184 Training, Sponsored by HUD
When the Tribe or TDHE is the borrower for the construction/purchase or rehabilitation of rental property, they must demonstrate:

- Property management skills
- Rental and maintenance plan
- Waiting list of eligible tenants
- Amount of debt service they will collect to assist with payment of the mortgage
TRIBE/TDHE LOANS

- Property management skills
- Rental and maintenance plan
- Occupancy of units
- Amount of rehab required (must be $10,000 or more; must include bids and after improved value of the home)
Demonstrated ability to pay mortgage loan:
- Credit History (Dunn & Bradstreet)
- Sources of funds to close
- Income
- Liabilities
- Rental property management history
Coverage of debt service
Skills, experience to undertake project
Demonstration of need
Marketing plan
Audited financial statements
TRIBE/TDHE
LOANS (Cont.)

- Evidence of authority to borrow

- Plans for projects exceeding 20 homes must be built in phases
Program Advantages

- Mortgage loan designated specifically for Native Americans, Tribes, and Housing Authorities
- National Loan Program
  - 22 entire states (Montana an Approved State)
  - On/off reservation
  - Fee simple land (on or off reservation)
  - Tribal trust with an executed lease
  - Individual allotment
    - Individual ownership
    - Fractionated ownership
184 Loan Program Advantages

- Manual Underwrite
- Tribe/Housing Authority can be the borrower for new construction or rehabilitation of existing housing stock.
- Increase housing options on and off reservation for tribal members
- No Credit Scoring
  - NOTE: Applicants must have acceptable Credit
  - Non traditional credit acceptable
- Market interest rate
- Minimum down payment
  - 1.25% if $49,999 or less
  - 2.25% if $50,000 or more
- 100% of the cash requirement can be paid by an acceptable gift source
  - Tribe
  - Housing Authority
  - Family
It Works!

- **Cherokee**
  - 619 for $47,717,768
    - Pending $2,282,000

- **Metlakatla**
  - 14 for $3,182,778
    - 4 Single Units; 6 Duplexes; 4 Fourplexes
    - All Occupied by Tribal Members
It Works!

- Lac Du Flambeau WI
- Santee Sioux, NE
- Tulalip, WA
- San Felipe, NM
- Red Cliff, MN
- MOWA Choctaw, AL
- Seminole, FL
- Nez Perce, ID
- Coeur D Alene, ID
- Three Affiliated Tribes, ND
- And more………………………………………………
## Montana Loans
### July 2017

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On Reservation Barriers:

- Title Process
  - BIA delays for lease approval and timeliness to issue certified TSR
- Infrastructure
  - Lack of
  - Cost
  - Indian Health Services
- Environmental
  - Cost
  - Timeliness
- Survey
- Land Base
  - Defined Use
  - Cost
  - Waiting List
- Appraising
  - Lack of appraisers
  - Approach
  - Value of land and site improvements
Contact an approved Section 184 Lender
Visit our website at: http://www.codetalk.184.com

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