

Section 184 Loan Guarantee Program

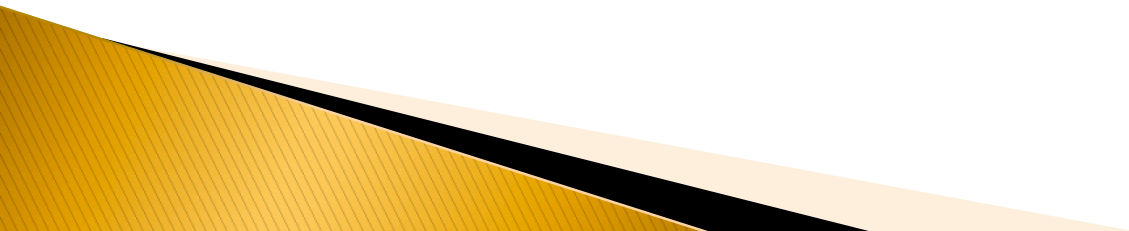
How Are Tribes and Housing Authorities Using the 184 Loan?




Office of
Native American
Programs

Office of Public & Indian Housing

WHY



Section 184 Program Overview

- ▶ **1992 Housing and Community Development Act**
 - ▶ **Annual funding by Congress**
 - ▶ **Nationwide Program**
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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**

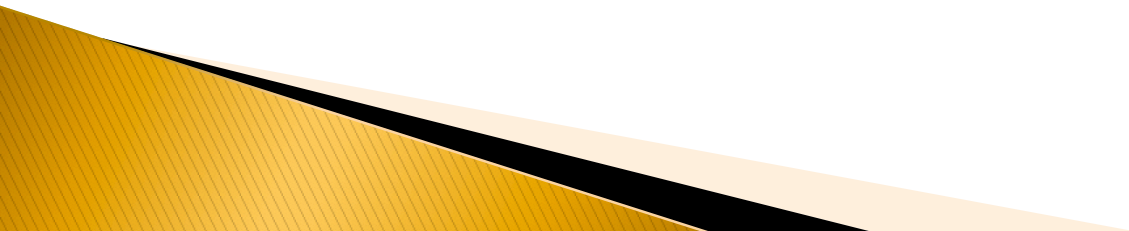
Indian Country

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**
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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

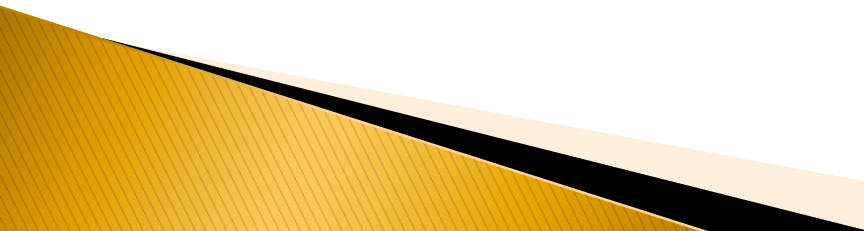
Lends the money

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.....
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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
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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
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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

TRIBE/TDHE LOANS

- ▶ 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)

TRIBE/TDHE

Financial Capacity

- ▶ Demonstrated ability to pay mortgage loan:
 - Credit History (Dunn & Bradstreet)
 - Sources of funds to close
 - Income
 - Liabilities
 - Rental property management history

TRIBE/TDHE LOANS (Cont.)

- ▶ 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**
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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

MONTANA	817	\$116,246,935	
FEE SIMPLE	455	\$69,111,020	
TRIBAL TRUST	185	\$22,053,482	
ALLOTTED	177	\$25,082,433	

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

Summary

Contact an approved Section 184 Lender

Visit our website at: <http://www.codetalk.184.com>

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