

Native American Mortgage

Section 184 Loan Guarantee Program



Office of
Native American
Programs

Office of Public & Indian Housing

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**
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Indian Country

A varied housing market/need

- ▶ **Location (on and off reservation)**
- ▶ **Income**
 - (Per cap income)
 - (non taxable income)
- ▶ **Appraisal & Title Issues**
- ▶ **Tribe and Housing Authority borrow to increase housing opportunities on and off reservation**



Section 184 Program Overview

- ▶ **1992 Housing & Community Development Act**
 - ▶ **Annual funding by Congress**
 - ▶ **Nationwide Program**
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184 Partners

- ▶ **HUD 184 Program Staff**
 - ▶ **Lenders**
 - **Over 200 participating Lenders**
 - ▶ **Tribes**
 - ▶ **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**

▶ Lender

- Initial contact with the applicant**
- Liaison between HUD and applicant**
- Lends the money**
- Processes and prepares the mortgage loan package**



184 Program Advantages

- ▶ **Mortgage loan designated specifically for Native Americans**
- ▶ **National Loan Program**
 - **On/off reservation**
 - **Fee simple land (on or off reservation)**
 - **Tribal trust with an executed lease**
 - **Individual allotment**
 - **Individual ownership**
 - **Fractionated ownership**

184 Program

- ▶ **Manual Underwrite by HUD**
- ▶ **No Credit Scoring**
 - **NOTE: Applicants must have acceptable Credit**
 - **Non traditional credit acceptable**

- ▶ **Market interest rate**
- ▶ **NO monthly mortgage insurance (monthly cost savings)**
- ▶ **Minimum down payment**
 - **1.25% if \$49,999 or less**
 - **2.25% if \$50,000 or more**

- ▶ **Seller contribution (up to exceed 6%)**
- ▶ **100% of the cash requirement can be paid by an acceptable gift source**
 - **Tribe**
 - **Housing Authority**
 - **Family**

184 Program

▶ **Eligible Borrowers**

- **Individuals enrolled in a Federally Recognized Tribe**
 - Homeownership
- **Tribes or Housing Authorities**
 - Rental, resale, community development

▶ **Purpose**

- **Purchase**
- **Rehabilitation**
- **Refinance**
- **NOTE: Mutual Help for all 3 above**

Property Requirement

- **1-4 units**
- **Mutual Help**
- **Manufactured/Modular on permanent foundation**
- **Site/stick built home**

Energy Related Weatherization

- **Weatherization Items:**
 - **Thermostats**
 - **Insulation**
 - **Storm Windows and Doors**
 - **Weather Stripping/Caulking**



Energy Related Weatherization

- **May be added directly to the mortgage provided the appraiser includes them in the appraisal value and the cost will be paid by the applicant (or seller)**
- **Appraised value After Improved Value**
 - **Repairs**
 - **Energy related**
- **Cost**
 - **Sales Contract**
 - **Executed Bids**



Energy Related Weatherization Financed in 184 Loan

- **Weatherization Items:** may be added to the sales price and the appraised value up to the amounts shown below before determining the maximum mortgage amount
 - **\$2000.00** without a separate value determination
 - **\$3500.00** if supported by a value determination by an approved appraiser or contractor; o
 - **More than \$3500.00** subject to a val and an on-site inspection made by a appraiser/inspector or by the lender



THE TRIBE OR TDHE AS BORROWER

UNDEVELOPED MARKETS

- ▶ Limited Housing Supply
 - Low turnover/vacancy rate
 - Limited availability of developed lots
 - Limited sales
- ▶ Mutual Help Homes - Conveyance
- ▶ Tribal developers
 - Financing generally grant based
 - Limited exposure/access to financial markets
- ▶ Subsidies
 - Construction (grants, guarantees, interest rate)
 - Down payment & closing costs

TRIBE/TDHE LOANS

- ▶ When the Tribe or TDHE borrowers for the construction/purchase of rental property, they must demonstrate:
 - Property management skills
 - Rental and maintenance plan
 - Renters able to pay



Section 184 Training, Sponsored by
HUD

TRIBE/TDHE LOANS (Cont.)

- ▶ These properties are eligible for assumption by qualified borrowers:
 - Tribe/TDHE pays cash investment and loan payments during construction
 - Qualified Borrowers able to assume
 - After qualifying assumption, Tribe or TDHE is released from liability

TRIBE/TDHE LOANS(Cont.)

Financial Capacity

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

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
- ▶ Evidence of ability to obtain deficiency judgment
- ▶ Plans for projects exceeding 20 homes must be built in phases

Summary

Contact an approved Section 184 Lender

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

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