Section 184 Indian Home Loan Guarantee Program

Provides access to credit for American Indian and Alaska Native families, Alaska Villages, Tribes, or Tribally Designated Housing Entities

BACKGROUND AND PURPOSE

The Section 184 Indian Home Loan Guarantee Program was created by the Housing and Community Development Act of 1992 to address the lack of mortgage lending in Indian Country. Native American homeownership has historically been an underserved market. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive approval from the Bureau of Indian Affairs (BIA), before a lien is placed on the property. Without the ability to mortgage and foreclose on a home or place a lien on individual trust property, lenders have found it difficult to make home loans to individual Native Americans. Working with an expanding network of private sector and tribal partners, the Section 184 Indian Home Loan Guarantee Program endeavors to increase access to capital for Native Americans and provide private funding opportunities for tribal housing agencies with the Section 184 Indian Home Loan Guarantee Program.

The program has grown to include eligible areas, determined by participating tribes, across the country. The Section 184 Indian Home Loan Guarantee Program is a home mortgage specifically designed for American Indian and Alaska Native families, Alaska Villages, Tribes, or Tribally Designated Housing Entities.

PROGRAM NAME	Section 184 Indian Home Loan Guarantee Program
AGENCY	U.S. Department of Housing and Urban Development
EXPIRATION DATE	Not Applicable
APPLICATIONS	https://www.hud.gov/program_offices/public_indian_housing/ih
WEB LINK	https://www.hud.gov/program_offices/public_indian_housing/ih/homeownership/184
CONTACT INFORMATION	800-561-5913, ask for the Office of Loan Guarantee
APPLICATION PERIOD	Continuous
GEOGRAPHIC SCOPE	 The land located in an eligible Indian area or Alaska Native area (as determined by the participating Tribes) may entail Tribal Trust, Allotted Trust, or fee simple. The section 184 loan is available in all counties in AK, AZ, CA, CO, FL, HI, ID, IN, KS, MA, ME, MI, MN, MT, NC, ND, NM, NV, OK, OR, SC, SD, UT, WA, and WI. The section 184 loan is available in SELECT counties in AL, CT, IA, IL, LA, MO, MS, NE, NY, RI, TX, and WY. The section 184 loan is NOT available in AR, DE, DC, GA, KY, MD, NH, NJ, OH, PA, TN, VT, VA, and WV.

Section 184 Indian Home Loan Guarantee Program loans can be used, both on and off native lands, for new construction, rehabilitation, purchase of an existing home, or refinance. To help increase access to financing, the Office of Loan Guarantee within HUD's Office of Native American Programs guarantees the Section 184 home mortgage loans made to Native borrowers. By providing a 100 percent guarantee, the program encourages lenders to serve Native Communities. This increases the marketability and value of the Native assets and strengthens the financial standing of Native Communities.

This program is very similar to Section 248 Mortgage Insurance on Indian Lands. However, Section 248 allows for refinancing, while Section 184 does not. Section 184 allows for mortgages on individual trust land as well as tribal trust land, whereas Section 248 may only be used on tribal trust land.

BORROWER CRITERIA

Income limits: This program has no income limits.

Credit: Interest rates are based on market rates, not on an applicant's credit score. There is no minimum credit score required to qualify for the program. However, in all cases the borrower must be creditworthy. Alternative credit is allowed, but not as a substitute for traditional credit. When delinquent accounts are revealed on the borrower's credit report, underwriters must use their best judgment and experience to determine whether the late payments were due to a disregard for financial obligations, an inability to manage these obligations, or factors beyond the control of the applicant.

First-time homebuyers: Allowed; confers no benefit.

Occupancy and ownership of other properties: The guarantee funds are reserved for primary residences only.

Special populations: Borrowers wishing to use a Section 184 Indian Home Loan Guarantee Program Ioan must be a currently enrolled member of a Federally Recognized Tribe or Alaska Native. For Native Hawaiians, participation is through Section 184A: Native Hawaiian Housing Loan Guarantee Program.

Special assistance for persons with disabilities: Outfitting a home for use by a person with a disability is an eligible use of program funds.

Property type: Single-family, one- to four-unit homes only. Homes must be of standard quality and must meet applicable construction and safety codes. In addition, homes must be modest in size and design. To meet this requirement, no loan under the Section 184 Indian Home Loan Guarantee Program may exceed 150 percent of the maximum FHA mortgage limit for the area. Loans may be used to:

- purchase an existing home;
- construct a new home (site-built or manufactured homes on permanent foundations);

POTENTIAL BENEFITS

The Section 184 Indian Home Loan Guarantee Program may allow community banks to expand their customer base in low- and moderate-income communities, particularly near Tribal Reservations and on Tribal trust land.

The Section 184 Indian Home Loan Guarantee Program offers competitive pricing and terms.

The Section 184 Indian Home Loan Guarantee Program may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.

POTENTIAL CHALLENGES

Lenders must have a way to access the program, whether through direct sales or a cor respondent arrangement, as discussed in the introduction to this section. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.

Manual underwriting is a requirement of this program.

A limited pool of borrowers is eligible for this program. The borrower must be a currently enrolled member of a Federally Recognized Tribe.

- rehabilitate a home, including weatherization;
- purchase and rehabilitate a home; or
- refinance a home (rate and term, streamline, cash-out).

LOAN CRITERIA

Loan limits: The maximum mortgage amount may not exceed 150 percent of current FHA mortgage limits. FHA mortgage limits vary by the number of units and by the county or Metropolitan Statistical Area in which the property resides. HUD issues a Mortgagee Letter announcing the new mortgage limits every year.

Loan-to-value limits: The LTV is 97.75 percent on loans over \$50,000 and 98.75 percent on loans under \$50,000.

Adjustable-rate mortgages: Not allowed.

Down payment sources: No requirement for personal funds. Gifts and down payment assistance programs from entities with a clearly defined and documented interest in the applicant are allowed. Gifts from entities with an interest in the sale of the property are considered inducements to purchase and must be subtracted from the sales price. Subordinate financing may be used, but must be included in the calculation of the applicant's qualifying ratios. Anything that does not need to be repaid while the borrower lives in the home is considered a gift.

Homeownership counseling: Not required, but highly recommended. Some lenders or Tribes offer financial assistance to borrowers who attend these classes.

Mortgage insurance: Loans with a LTV of 78 percent or greater are subject to an annual 0.15 percent mortgage insurance premium.

Debt-to-income ratio: No more than 41 percent, or no more than 43 percent with two or more compensating factors (minimal housing cost increase, strong credit history, additional income not used as qualifying income, substantial cash reserves, loan to value below 75 percent).

Temporary interest rate buy downs: Acceptable on purchase transactions only. Loans must be underwritten at note rate.

Fees: The program monitors the fees approved lenders can charge Native borrowers. A one-time 1.5 percent up-front guarantee fee is paid at closing and can be financed into the loan.

Guarantee: The Office of Native American Programs guarantees Section 184 Indian Home Loan Guarantee Program loans at 100 percent repayment.

Maximum loan amount: In no case can the mortgage amount exceed 150 percent of the FHA's mortgage limit for the area.

Underwriting: Manual underwriting only. The Section 184 guaranteed loan utilizes a hands-on approach to underwriting and approval.

Appraisals: Home values can be based on cost or market. On reservation³ properties, land values are not added into total appraisal values.

Special considerations: For a home loan on tribal trust land, the eligible individual borrower leases the land from the tribe for 50 years. It is the home and the lease-hold interest that are mortgaged. The land remains in trust for the tribe.

Secondary market: A Section 184 Indian Home Loan Guarantee Program Ioan, including the security given for the Ioan, may be sold or assigned by the lender to any financial institution. A strong secondary market exists for Section 184 Indian Home Loan Guarantee Program Ioans. A growing network of national lenders as well as Fannie Mae, Freddie Mac, Ginnie Mae, some state housing financing agencies, and some Federal Home Loan Banks purchase Section 184 Indian Home Loan Guarantee Program Ioans.

³ According to the U.S. Department of the Interior Indian Affairs, a "federal Indian reservation is an area of land reserved for a tribe or tribes under treaty or other agreement with the United States, executive order, or federal statute or administrative action as permanent tribal homelands, and where the federal government holds title to the land in trust on behalf of the tribe."

Refinance: Allowed.

Potential Benefits

- The Section 184 Indian Home Loan Guarantee Program may allow community banks to expand their customer base in low- and moderate-income communities, particularly near Tribal Reservations and on Tribal trust land.
- The Section 184 Indian Home Loan Guarantee Program offers competitive pricing and terms.
- The Section 184 Indian Home Loan Guarantee Program may help community banks access the secondary market, providing greater liquidity to enhance their lending volume.
- The insurance provided by FHA under this program may help reduce exposure to credit risk.
- Loans originated through Section 184 Indian Home Loan Guarantee Program may receive favorable consideration under the CRA, depending on the geography or income of the participating borrowers.

Potential Challenges

- Lenders must have a way to access the program, whether through direct sales or a correspondent arrangement, as discussed in the introduction to this section. Depending on the arrangement, community banks may need to acquire or develop new expertise and infrastructure in order to participate.
- Manual underwriting is a requirement of this program.
- A limited pool of borrowers is eligible for this program. The borrower must be a currently enrolled member of a Federally Recognized Tribe.
- A lender or mortgagee is removed from the lender approval list if there has been no Section 184 Indian Home Loan Guarantee Program activity for six consecutive months.

ADDITIONAL INFORMATION

Training is currently not being offered by HUD due to staffing constraints. Lenders may originate loans under the program without formal training or HUD approval. The Office of Loan Guarantees will match new lenders with experienced lenders. In addition, the Office will assign a regional loan specialist who will help the lender generate complete application packages.

Section 184A: Native Hawaiian Housing Loan Guarantee Program

The Hawaiian Homes Commission Act of 1920, as amended, set aside lands in Hawaii known as Hawaiian homelands. These lands are held in trust for the benefit of eligible Native Hawaiians.

Because of the unique status of Hawaiian homelands, the Section 184A program was created in 2000 to provide increased access to sources of private financing for Native Hawaiians.

Requirements: The participation requirements are the same as for the Section 184 program.

Participation: Loans are originated and serviced by lenders that have completed Section 184A training, and participating lenders are:

- approved by HUD's Office of Native American Programs (HUD/ ONAP) to originate Section 184A Native Hawaiian Housing Loan Guarantee loans;
- approved by HUD/FHA for participation in the single-family mortgage insurance program;
- authorized by the U.S. Department of Veterans Affairs (VA) to originate automatically guaranteed housing loans;
- approved by the U.S. Department of Agriculture to make loans for single-family housing; or
- supervised, approved, regulated, or insured by any agency of the federal government.

Secondary Market: A Section 184A Native Hawaiian Housing Loan Guarantee loan, including the security given for the loan, may be sold or assigned by the lender to any financial institution. However, it is subject to examination and supervision by an agency of the federal government or of any state. Fannie Mae, Freddie Mac, Ginnie Mae, and some Federal Home Loan Banks purchase Section 184A Native Hawaiian Housing Loan Guarantee loans.

For more information about Section 184A, go to https://www.hud.gov/program_ offices/public_indian_housing/ih/ codetalk/onap/program184a

RESOURCES

Direct access to the following web links can be found at https://www.fdic.gov/mortgagelending.

FHA mortgage limits

https://entp.hud.gov/idapp/html/hicostlook.cfm

Section 184 Underwriting Guide

https://www.hud.gov/sites/documents/PIH201422UNDRWRITGUIDELNS.PDF

Lenders Section 184 Resources

https://www.hud.gov/program_offices/public_indian_housing/ih/homeownership/184/lenders

Participating Lenders

https://www.hud.gov/sites/dfiles/PIH/documents/SEC184LENDER.pdf

Participating Tribes

https://www.hud.gov/program_offices/public_indian_housing/ih/homeownership/184/tribal_list