



# Section 184 Indian Housing Loan Guarantee Program



## Homeownership in Indian Country

In 1992, Congress established the Section 184 Indian Housing Loan Guarantee Program. The program is designed to offer homeownership and housing rehabilitation opportunities for

eligible Native American individuals or families, tribes, and Tribally Designated Housing Entities (including Indian Housing Authorities) on their native lands.

## Why a Loan Program Specific to Indian Country?

Indian Country is an underserved market with vast potential for mortgage financing. The Section 184 program was designed to improve access to capital for Native Americans, act as a credit enhancement mechanism for lenders, and provide private funding opportunities for tribal housing agencies. A major benefit of the program

is a 100% guarantee for home loans. This guarantee can assist participating tribes in creating sustainable economies.

The Office of Native American Program (ONAP)'s Office of Loan Guarantee (OLG), which administers the program, is currently

partnering with over 200 lender offices and 130 tribes that are committed to making homeownership a reality for Native Americans.



White Mountain Apache, Arizona

## Section 184 Program Highlights

- More than 1400 Loans creating more than \$143 Million in mortgage financing
- Refinancing available
- Nationwide program on Tribal trust land, allotted trust, or fee simple land in an Indian operating area.
- New and Rehab Loan Guarantees Available
- Single-close for construction and permanent loans
- Loan limit – 150% of FHA limit
- Low Down Payment
- No Maximum income limits
- Flexible Underwriting
- 1% guarantee fee at closing
- Assumable
- Secondary market potential
- 100 % guarantee to lender

## How Does Section 184 Work?

HUD guarantees the mortgage loan made to eligible borrowers. The loan guarantee assures the lender that its investment will be repaid in the event of foreclosure. The borrower pays a 1% loan guarantee fee at closing. The guarantee fee may be financed in the mortgage or paid in cash. The borrower applies for the loan with a partici-

pating lender. The borrower works with the tribe and the BIA if leasing tribal land. The lender compiles and evaluates the necessary loan documentation, submitting the loan for approval to OLG (located in Denver, Colorado) for underwriting and a formal commitment, unless the lender is an approved direct guarantee lender.

## Who Is Eligible for A Section 184 Loan?

- Any Native American, Alaska Native that is a member of a federally recognized tribe or an Alaska Village.
- An Indian tribe that has qualified for the Section 184 Program.
- A Tribally Designated Housing Entity (TDHE).
- An Indian Housing Authority (IHA).



Bristol Bay, Alaska

## What Is an Eligible Activity?

Individuals, Tribes, TDHEs, or IHAs can use the 184 Loan for:

- Acquisition of existing housing
- Acquisition and rehabilitation of existing housing
- Rehabilitation of existing housing
- Construction of new housing, including manufactured housing affixed to a permanent foundation

- Refinancing

Eligibility is limited to single-family housing (1-4 units) and fixed-rate loans for thirty years or less. Section 184 cannot be used for commercial structures or with adjustable rate mortgages (ARMs). Tribes, TDHEs, or IHAs can obtain funds to develop rental housing or to build single-family homes that are subsequently sold (or assumed) by eligible borrowers.

## How Can Tribes Participate in the Section 184 Program?

Before tribal members can participate in the federal government's mortgage loan programs, the tribal government must demonstrate that a legal and administrative framework exists that is sufficient to protect the interest of the borrower, the lender, and the federal agency that will

guarantee or insure the mortgage loan. To establish this legal and administrative framework, tribes must have developed and adopted procedures that address: (1) foreclosure, (2) eviction, (3) priority of lien and (4) leasing procedures for tribal trust land. The One Stop Mortgage Pro-

gram provides model tribal lending ordinances that may be adopted or serve as a guide for a tribe. Use of these models complies with the Section 184 Loan Guarantee Program and other

federal lending programs. For a sample of foreclosure, eviction, lien, or leasing procedures, visit our website <http://www.codetalk.fed.us/loan184>.

## How Can Lenders Participate?

Loans are originated and serviced by lenders who are:

- Approved by HUD/ONAP to originate Section 184 loans;
- Approved by HUD/FHA for participation in the single-family mortgage insurance program;
- Authorized by the Veterans Administration (VA) to originate automatically guaranteed housing loans;
- Approved by the Department of Agriculture to make loans for single-family housing; or
- Supervised, approved, regulated, or insured by any agency of the federal government.

## What Are the Lender Approval Requirements?

Lenders interested in originating Section 184 loans must submit the following to the OLG for review:

1. Evidence of federal approval, supervision, regulation or insurance. For example, all HUD/FHA approved lenders must submit the HUD/FHA lender identification number for each approved branch office that will originate Section 184 loans.
2. Address; telephone number and name of the branch manager for each branch office that will originate Section 184 loans. HUD/FHA approved lenders must provide the HUD/FHA lending area for each branch office.
3. If a HUD/FHA correspondent/sponsor relationship exists, provide a copy of the HUD/FHA approval for the relationship; including the sponsor's lender identification number.
4. The name and location of the entity that will service the Section 184 loans must be submitted for review.

## Are Guaranteed Loans Marketable?

Yes! A Section 184 guaranteed loan, including the security given for the loan, may be sold or assigned by the lender to any financial institution subject to examination and supervision by an agency of the federal government or of any state.

A strong secondary market exists for Section 184 loans. Fannie Mae, Freddie Mac, Ginnie Mae, some state housing financing agencies, and some Federal Home Loan Banks can purchase Section 184 loans.



Hulbert, Oklahoma

## Section 184 Highlights

Working through the South Dakota Housing Development Authority, Wells Fargo Home Mortgage, and tribal non-profit organizations like the Oglala Sioux Tribal Partnership for Housing, and the HUD Office of Native American Programs have assisted more than 132 South Dakota Native American families purchase homes on tribally-owned, allotted or individual fee land on the nine reservations throughout the state. These loans total more than \$8.6 million in the State of South Dakota, and more than \$143 million nationwide since the first loan was made in 1995.

HUD's Section 184 Loan Program allows borrowers to get a mortgage with a low down payment of only 2.25 percent and pay a minimal loan guarantee fee to get into a home of their own. The program allows for the acceptance of leasehold mortgages on reservation trust lands.

In 2004, U.S. Housing and Urban Development Assistant Secretary Michael Liu joined Alex Pollock, President and CEO of the Chicago Federal Home Loan Bank to announce their first purchase of HUD Section 184 mortgages. The involvement of the Chicago FHLB extends the initiative to the 884 FHLB member financial institutions in Illinois and Wisconsin.

The first transaction involved the sale of three mortgages worth \$217,248 to the Chicago FHLB from Chippewa Valley Bank, a Indian owned bank in Winter, Wisconsin, which originated the loans. The transaction relieves Chippewa Valley

of the interest rate risk associated with the fixed-rate mortgages. The Jackson County Bank, in Black River Falls, Wis., is servicing the mortgages for the Chicago FHLB, which holds the loans in its investment portfolio. The families who received the loans are members of The Bad River Band of Lake Superior Chippewa Indians and The Lac Courte Oreilles Tribe.

Ronan State Bank in Pablo, MT, a participant since only 2003, has completed over \$1 million of Section 184 guaranteed loans on the Salish and Kootenai Reservation. Several of these loans have been sold to the Federal Home Loan Bank of Seattle. The Federal Home Loan Bank of Seattle has purchased 16 loans for a total of \$1.6 million.

Many lenders, including Wells Fargo Home Mortgage, Bank One, Leader Mortgage, M & T Mortgage, US Bank and McClain Bank, support this important Indian Country program. For a complete list of participating lenders, please visit the CodeTalk web site.

HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities, creating affordable housing opportunities for low-income Americans, and supporting the homeless, elderly, people with disabilities and people living with AIDS. More information about HUD and its programs is available on the Internet. For more information on the Section 184 Indian Loan Guarantee Program, please visit [www.codetalk.fed.us/loan184](http://www.codetalk.fed.us/loan184).



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