

Using Section 184 Financing to Meet Your Housing Needs

November 8, 2018



OLG Director Update



Krisa Johnson, Director of the Office of Loan Guarantee

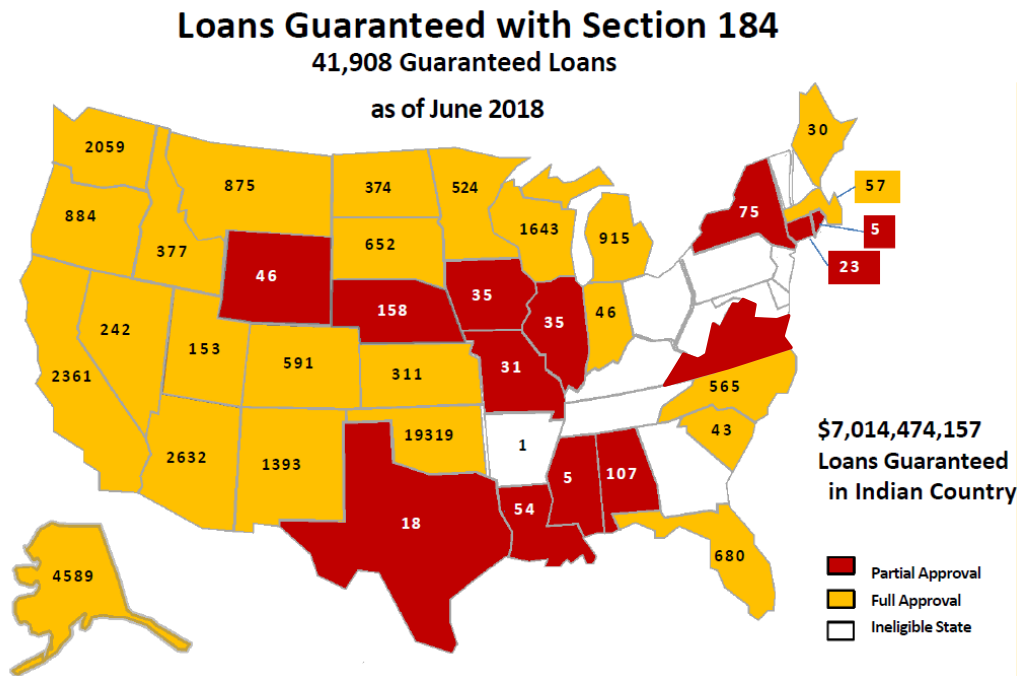
- Welcome
- Section 184 Regulations
- Upcoming Consultation session (NAIHC December 10-12, 2018)

Meet our Trainer

Deanna Lucero, Senior Loan
Guarantee Specialist, Denver, CO

Section 184 Loan Background

#1 Federal loan guarantee program serving AI/AN in the country!



Section 184 is a Tool for Housing Development

Purpose of today's presentation is to highlight how Tribes and Tribally Designated Housing Entities can use Section 184 financing to:

- Address the housing need
- Increase housing opportunities on and off reservation
- Develop tribal assets
- Rehab existing units
- Provide flexibility in types of housing available to members

What is Section 184?

A loan product for tribes, TDHEs, and Federally recognized tribal members

100% guarantee to lenders to lend in tribal communities

Financing can be for:

- New Construction
- Rehab
- Purchase of existing units
- Purchase & Rehab
- Refinance



Section 184 Advantages

Loans can be manually underwritten by approved lender

Interest rates are based on market rates

Low Down Payment

- 1.25% if \$49,999 or less*
- 2.25% if \$50,000 or more*

For individuals:

- 100% of down payment can be from a gift
- Can use non-traditional credit sources

Section 184 Advantages

Service area includes:

- 22 entire states
- Financing can be used on or off reservation for the following land types:
 - Fee simple land (on or off reservation)
 - Tribal trust with an executed lease
 - Individual allotment
 - Individual ownership
 - Fractionated ownership

Role of HUD and Lender

HUD Office of Loan Guarantee:

- Develops and implements policy and regulations
- Conducts training and technical assistance
- Provides underwriting guidance
- Issues the loan guarantee certificate

Lender:

- Initial contact with the applicant
- Liaison between HUD and applicant
- Originate, processes, underwrites, closes the loan

Role of Tribe and BIA

Tribes Role in order to use Section 184 Financing:

- Develop Housing Ordinances:
 - Foreclosure, Eviction, Lien and Leasing Procedures

Bureau of Indian Affairs:

- Issues Title Status Report
- Records Lease
- Records plats for subdivisions

THE TRIBE OR TDHE AS BORROWER

Define Your Housing Goals

- What do you want to do?
 - Construct new homes
 - Rehab existing units
 - Create workforce housing
 - Create new rental units
 - Create local jobs



Section 184 Financing Provides You with Lots of Options!



Who, Where, What?

Project considerations:

- Project Tenants: Elderly, low-income, moderate/over-income
- Housing Type: Site Built, Modular/Manufactured, or Rehab of units
- New Construction: Single unit or duplex, triplex, or 4-plex
- Project Location: On/off reservation; scattered site or subdivision

New Development



CONCERNS	SCATTERED SITES	SUBDIVISIONS
Infrastructure Costs	Costly due to distances and individual site costs	Less expensive – shared expense
Environmental and Archeological costs	Individual environmental and archeological clearances are required	Blanket environmental and archeological clearances possible
Contractor and construction financing	Choice of contractor; limited by job scope and higher costs	Choice of contractor; shared fees
Proximity	Remote areas of reservation; roadways, resources, infrastructure	Pre identified; shared infrastructure; existing

Construction Loan Options

2 options available to borrowers:

1. Lender or Bank carries interim construction loan
 - 184 loan used to payoff construction loan; not closed or guaranteed until after house is complete

2. 184 single close construction loan

The definition of Single Family = 1 – 4 units;
1 loan can produce 1 unit or a duplex, triplex, or 4-plex!!!

Rental Unit Considerations

- Rental to housing
- Rental to assisted housing
- Cost per home (initial vs. upkeep)
- Rental and maintenance plan

Tribe/TDHE Loans – Rental Units

- Construction/purchase of rental property, applicant must demonstrate:
 - Property management skills
 - Housing Stock
 - Rental and maintenance plan
 - Marketing plan that identifies who you will rent to and what rents you will charge; or, if selling – what are sales prices, etc.
 - Eligible/interested tenants

Options with 184 Financing

RENTAL OPTION 1

IHBG dollars used in the project:

- Rent to low-income Native American families
- Family pays 30% of income toward rent
- If their payment is less than mortgage payment, subsidize the rest of the payment with IHBG dollars.

RENTAL OPTION 2

NO IHBG dollars used:

- Rent to Native or non-Native (for workforce housing for tribal employees)
- Rent to over-income tenants
- Rent at market value
- Tribe is in property management business; uses rent to pay mortgage and maintenance costs

Tribe/TDHE Loans - Homeownership

Construction/purchase of homeownership property, applicant demonstrates:

- Financial ability to pay upfront costs
- Marketing plan
- Debt service
- Eligible/interested tribal members
- Eligible/interested tenants – conversion rent to own
 - Lease options to purchase vs. long term rental
 - Subsidized debt service

Options with 184 Financing

SALES OPTION 1

Construct a home (up to 20 loans)

- Have the family assume the loan at the same rate/terms (must qualify for loan)
- Family has no upfront costs other than assumption fee (minimal)
- Tribe's loan is paid off; family now makes payments to lender

SALES OPTION 2

Multiple Sales Options

- Tribe sells home to borrower at appraised value
- Tribe sells home to borrower at reduced rate
 - Tribe no longer has mortgage; can build new units, OR
- Tribe leases home to tribal member

Assumption Benefits

- Tribe/TDHE pays up front costs
- Constructs home
- Loan can be assumed by a qualified borrower at same rate and term of the tribe's loan
- Tribe is released from the loan
- Loan is now new borrower's responsibility
- Tribe had minimal upfront investment of down payment and closing costs
- Tribal member has new home

Costs Involved



EXAMPLE:



184 LOAN TO CONSTRUCT
A 3 BEDROOM HOME FOR
\$175,000



LOAN = \$171,062



2.25% DOWN PAYMENT =
\$3,937

Also, closing costs and 10% contingency for construction loans

Section 184 is a Tool for Housing

- Helps you expand your housing stock for:
 - Tribal members
 - Over-income
 - Workforce housing for medical staff and teachers
- Helps you serve a wide range of tenants and incomes
- Minimal upfront investment
- Helps you save your IHBG \$ for other projects
- Expands your assets!!!

ONAP Best Practice Webinar Series featuring: San Felipe Pueblo Housing Authority

December 5, 2018 Webinar 1:00PM -3:00PM Eastern Time



Learn more about how San Felipe Pueblo used Section 184 financing to meet their housing needs – <http://ems8.intellor.com/login/809464>

Dial-in: 1-877-369-5243. Access Code: 0360884##

We're Interested! Now What?

HUD Contacts

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(800) 561-5913

Contact an approved Section 184 Lender

www.hud.gov/section184participatinglenders

Helpful Links

Section 184 Homepage: www.hud.gov/Section184

Section 184 for tribes: www.hud.gov/section184tribes

10 steps for bringing homeownership to your community:

[https://www.hud.gov/sites/dfiles/PIH/documents/10 Steps Bringing Homeownership.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/10_Steps_Bringing_Homeownership.pdf)

Checklist of items lenders will need from tribes:

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

Questions?