



Section 184 Indian Housing Loan Guarantee Program

Woodlands National Bank

- ▶ Cindy Koonce – Vice President / Mortgage Operations
- ▶ Mortgage business for 35 years and banking for 40 years with over a decade HUD 184 experience.
- ▶ Partnered with Mille Lacs Band to establish HUD Section 184 Home Loan program in Minnesota, State wide.
- ▶ We don't say “no” we give you direction to move forward.
- ▶ We have the tools and support systems to help families become homeowners!

Woodlands National Bank

- ▶ Passionate about Financial Education in Indian Country.
- ▶ Available to assist with developing Financial Education programs to support Home buying and home ownership
- ▶ Partners with Federal Home Loan Bank Des Moines to obtain NAHI grants.
- ▶ Your local lender.

Woodlands National Bank

- ▶ Proudly owned by the Mille Lacs Band of Ojibwe
- ▶ Acquired one location in 1996 and have grown to seven locations throughout Minnesota
- ▶ Strong Community Bank Governed by the OCC – Very Well Capitalized
- ▶ Community Reinvestment Act Rating of Outstanding

Section 184 Home Loan PROGRAM OVERVIEW

1992 Housing and Community Development Act

Annual funding by Congress

Nationwide Program

LENDING IN INDIAN COUNTRY IS UNIQUE

▶ Land status

- Tribal Trust Land
- Allotted Trust Land
- Unrestricted Land aka Fee Simple County lands

▶ Underserved markets

- Non-traditional credit
- Limited access/exposure to financing
- Manual underwriting

184 PARTNERS

- ▶ HUD 184 Program Staff
- ▶ Lenders: Woodlands National Bank
- ▶ Tribes
- ▶ TDHEs (Tribally Designated Housing Entities)
- ▶ BIA (Bureau of Indian Affairs)

On Reservation



WHAT DOES THE LENDER DO?

- ▶ Lends the money!
- ▶ Explains the 184 mortgage loan process and prepares the loan package
- ▶ Serves as liaison between borrower and HUD
- ▶ Woodlands National Bank will Underwrite all loans (Direct Guarantee approved) Saves weeks of delays.

WHAT DOES THE Woodlands PROVIDE?

- ▶ Land in trust: Works with tribal housing authority.
- ▶ Homeownership counseling. Woodlands National Bank can help with this education through our First time homebuyers training.
- ▶ Financial Assistance/ via Grants

HUD Section 184

PROGRAM FEATURES AND REQUIREMENTS

Who can apply for a 184 Loan?

ELIGIBLE BORROWERS

- ▶ Indian or Alaska Native individuals enrolled in a Federally recognized tribe. **Enrollment verification mandatory.**
- ▶ TDHE/IHA (Indian Housing Authority)

LOAN FEATURES

- ▶ Term: 30 years or less
- ▶ Fixed interest rate determined by lender
- ▶ 1.5% guarantee fee that may be rolled into the loan.
- ▶ Minimal down payment requirement
- ▶ No Adjustable Rate Mortgages
- ▶ No commercial structures

HOMEOWNERSHIP OPPORTUNITIES

- ▶ Purchase a house/ **Primary residence only**
- ▶ Rehabilitation of existing house
- ▶ Purchase and rehabilitation
- ▶ New construction
 - Manufactured
 - Modular/stick built
- ▶ Refinancing or purchase on tribal lands or county taxed lands known as fee simple.

PROPERTY REQUIREMENTS

- ▶ Trust land or land within an Indian area (note: the entire state of Minnesota and Wisconsin are considered Indian areas.)
- ▶ Single family (1–4 units)
 - *Examples include: house, duplex, tri-plex, four-plex, town home, manufactured/modular home*
- ▶ Manufactured Housing
 - Affixed to a permanent foundation
 - Manufactured after 6/15/76 and meet code.

LAND OWNERSHIP

- ▶ Tribal trust land
- ▶ Allotted individual trust land
- ▶ Fee simple land in a defined Indian operating area (includes all of Minnesota and Wisconsin).

Tribal Trust Land

- ▶ Land or interest in land held in trust by BIA for a Tribe
- ▶ Land may not be encumbered or alienated
- ▶ Leasehold interest established for a 50 year term (25+ 25 year terms)
- ▶ No land value is given when appraising trust land.

Allotted Individual Trust Land

- ▶ Land or interest in land held in trust by the BIA for an individual Indian
- ▶ Tribe has no legal interest in land
- ▶ Subject to restrictions against alienation or encumbrance
- ▶ Land value/equity

Fee Simple Land

- ▶ Estate in land that is absolute or unrestricted. Generally county taxed.
- ▶ Owner can dispose of land
 - *Subsequent sale of home and/or foreclosure; land and home sold together*
- ▶ Can be located on or off reservation lands

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LOAN PROCESS FOR TRUST TRANSACTIONS

LOAN PROCESS For TRUST TRANSACTIONS

- ▶ Land status verified with tribe and/or BIA:
 - Certified Title Status Report needed to verify individual allotment ownership
 - Land Status and Jurisdiction Form

LOAN PROCESS For TRUST TRANSACTIONS

- ▶ Documentation required from the Bureau of Indian Affairs
 - Tribal Trust
 - Certified TSR (1 years or less) with/without recorded lease
 - Executed lease

LOAN PROCESS For TRUST TRANSACTIONS

Underwriting the Title Status Report

- Individual Allotted Trust land without lease:
 - Certified TSR (6 months or less)
 - BIA approval to mortgage needed
- Individual Allotted Trust Land with lease:
 - Title Status Report (less than 12 months old) with recorded lease
 - BIA approval to mortgage

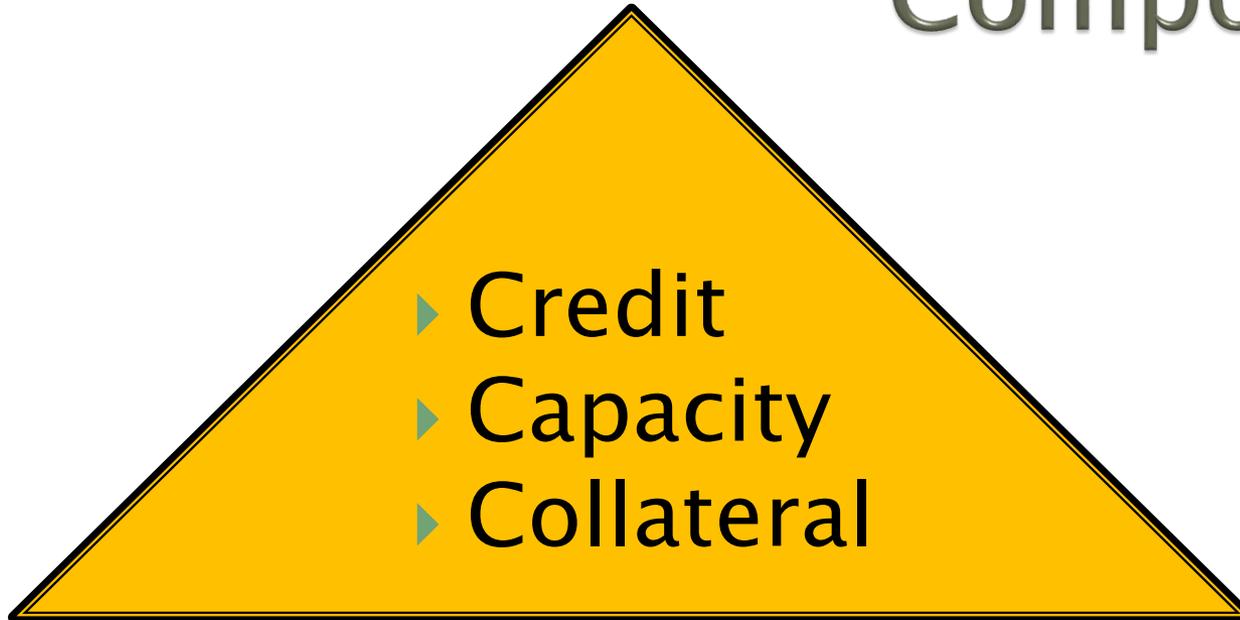
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SECTION 184 LOAN PROCESSING

LOAN ORIGINATION

- ▶ Borrower contacts an approved lender
- **Lender determines if borrower meets program eligibility**
 - Native American (ID/Enrollment Card or paperwork to show enrollment)
 - Tribe on 184 approved list
 - Indian operating area All of Minnesota and Wisconsin
- ▶ Lender requests case number from HUD (funds reservation)

Underwriting Components



The underwriting review determines the borrower's ability and willingness to repay the mortgage debt.

Underwriting Components

- ▶ The borrower's ability to repay the debt is assessed by considering:
 - *Income history and stability;*
 - *Employment history and stability*
 - *Debts and payment history*
 - *Payment shock must be avoided*
- ▶ The borrower's willingness to repay the mortgage debt is assessed by considering
 - *Credit*
 - *Pay history and savings established*

INCOME

Income – Types:

- Salary or Wages
- Overtime and Bonus
- Commissions
- Seasonal and Part Time
- Retirement, Alimony, Child Support
- Rental
- *Trust and Non-Taxable*
- Self Employment
- *Tribal Distribution; Per Capita*

What are we looking for?

CREDIT HISTORY

- ▶ Show borrower(s) payment pattern
- ▶ Show previous/existing debt
- ▶ No unpaid judgments, collections and liens which may affect borrower's ability to obtain a loan
- ▶ No unpaid state or federal tax liens or prior Gov Loan default

Note: Lack of Credit is not basis for denial

CREDIT REVIEW

Credit Requirements:

- ▶ No current open collections or late payments
- ▶ No late mortgage payments within 12 months
- ▶ No bankruptcy, judgments in 24 months (special circumstances reviewed on case by case basis) Example: proof of medical problems which caused the bankruptcy.
- ▶ No accounts reverting to collection in 12 months that are currently not paid in full.

Lack of credit not grounds for rejection; alternative credit accepted; 1 to 3 sources.

BORROWER'S INVESTMENT

- ▶ Cash investment — difference between the mortgage loan and the cost to acquire the property
- ▶ Range of investment — 1.25% to 2.25% based on maximum mortgage limit. Varies by county

FUNDS TO CLOSE

Borrower can obtain the down payment and closing cost funds from any of the following sources:

- ▶ Saving/Checking
- ▶ Secured funds
- ▶ *Gifts*
- ▶ Cash
- ▶ Land equity
- ▶ Sale of Personal Items
- ▶ Sale of Home Proceeds
- ▶ 401(K) Loan
- ▶ Sale of Investments
- ▶ NAHI Grants in MN
- ▶ Other Grants where available.

We need to document:

Source of the down payment

- ▶ Verification of all assets
- ▶ Verification of sale of personal property
- ▶ Verification of savings and checking accounts.
- ▶ Verification of retirement funds AND the ability to withdraw for down payment.

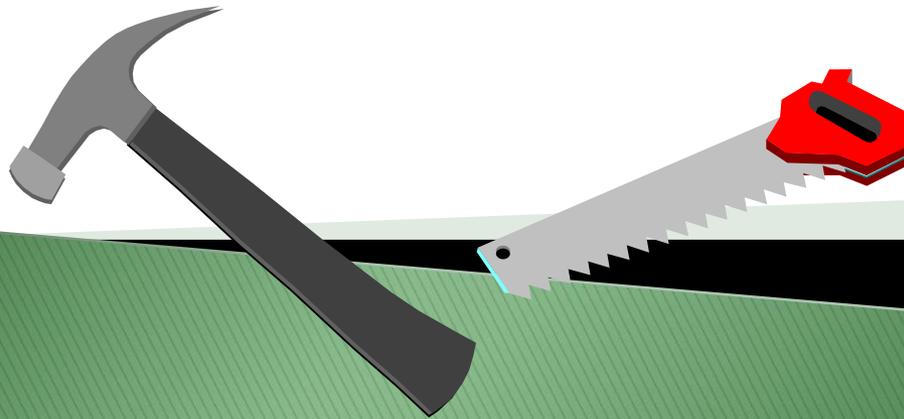
TRIBE/TDHE ASSISTANCE

- ▶ Provide a gift or loan to borrower:
 - Gift letter
 - 2nd mortgage letter
 - Recorded documents with the endorsement package
- ▶ Tribal funds:
 - No restriction on use/amounts

APPRAISAL

- ▶ **Market Approach**
Using FHA appraiser/guidelines
- ▶ **Cost Approach**
Trust land, rural areas
- ▶ **Types of Appraisals**
 - Manufactured or Modular
 - Condominiums
 - Standard 1 – 4 Single family units

184 SINGLE CLOSE CONSTRUCTION LOANS





CONSTRUCTION LOAN OPTIONS

- ▶ 2 options available to borrowers:
 - Lender or Bank carries interim construction loan
 - 184 loan used to payoff construction loan; not closed or guaranteed until after house is complete
 - 184 single close construction loan

SINGLE CLOSE CONSTRUCTION LOAN

- ▶ One time Single Close
- ▶ Construction starts within 60 days after closing
- ▶ Mortgage payments begin after closing
- ▶ 6 month construction period
- ▶ *Guarantee issued after closing*

SINGLE CLOSE REHAB LOANS

- ▶ Acquisition or existing debt + improvements can't exceed program LTV requirements
- ▶ \$10,000 + of improvements required for eligibility
- ▶ Appraisal requirements or borrower's wish list allowable.
- ▶ Luxury items and items not a permanent part of the property are not eligible

REFINANCES

TYPES OF REFINANCES

- ▶ Streamline refinances (existing 184 loans)
 - With or without an appraisal (without an appraisal then borrower to pay closing fees on their own. Must have current 184 loan to qualify)
 - With or without credit qualifying
- ▶ Cash out with an appraisal and credit qualifying
- ▶ No cash out with an appraisal and credit qualifying
- ▶ Property must be primary residence.

LOAN CLOSING

LOAN SERVICING

- ▶ Protect HUD's interest so home inspections may occur during the loan cycle
- ▶ File retention (life of mortgage + 3 years)
- ▶ Escrow accounts are mandatory
- ▶ Notification of servicing change if loan is sold but currently Woodlands National Bank offers full servicing for all HUD Section 184 loans.

FORECLOSURE OR ASSIGNMENT

- ▶ Option to foreclose or assign in the event of default.
- ▶ 100% payment is made to the lender.
- ▶ Claim submission forms must be sent to HUD after all other options are exhausted.

SECONDARY MARKETS

- ▶ Ginnie Mae
- ▶ Fannie Mae
- ▶ Freddie Mac
- ▶ Federal Home Loan Bank



THANK YOU!

- ▶ More information on the 184 program:
 - <http://www.hud.gov/offices/pih/ih/homeownership/184/>
 - HUD/Office of Native American Programs
 - Toll Free: 1-888-532-4142
 - Local: 320-532-7000 ext 9004
 - Ask for Cindy

Woodlands National Bank Member FDIC Equal Housing Lender