Section 184 Indian Housing Loan Guarantee Program
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!
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
HUD Section 184

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
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
HUD Section 184

SECTION 184 LOAN PROCESSING
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)
The underwriting review determines the borrower’s **ability and willingness** to repay the mortgage debt.
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 – 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 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
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.
Provides a gift or loan to borrower:
- Gift letter
- 2nd mortgage letter
- Recorded documents with the endorsement package

Tribal funds:
- No restriction on use/amounts
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
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.
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.
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:

- HUD/Office of Native American Programs
- Toll Free: 1–888–532–4142
- Local: 320–532–7000 ext 9004
- Ask for Cindy