

1 **SECTION 184 INDIAN HOUSING LOAN GUARANTEE PROGRAM POLICY**
2 **HANDBOOK**

3

4 **Chapter II – Origination through Final Direct Guarantee Underwriter Approval**

5

6 **B. LOAN THRESHOLD AND PARAMETERS**

7

8 **I. General Overview of the Section 184 Program**

9 The Section 184 Program, administered by HUD’s Office of Native American Programs
10 (ONAP), guarantees loans for eligible borrowers, including Indian Family Members,
11 Tribes, and Tribally Designated Housing Entities.¹ The Section 184 Program guarantees
12 loans underwritten and closed by approved Direct Guarantee (DG) Lenders; the Section
13 184 Program does not directly lend, provide downpayment assistance, or provide grants
14 to Eligible Borrowers.

15 The Section 184 Guaranteed Loans may be used to acquire, refinance, construct or
16 rehabilitate eligible one to four-unit single-family homes in Indian Housing Block Grant
17 (IHBG) Formula Areas or other Section 184 Approved Program Areas. More specifically,
18 the Section 184 Program transaction types are:

- 19 i. Acquisition
- 20 ii. Refinance (the three subcategories are Rate and Term, Cash-Out and Streamline)
- 21 iii. Single Close Construction
- 22 iv. Rehabilitation
- 23 v. Assumption

24 All loans must meet subsections A through E of this chapter. Subsection F provides
25 additional requirements for refinance, single close construction and rehabilitation. Additional
26 requirements related to assumption transactions are discussed in Chapter 5, Servicing.

27 Eligible Borrowers may utilize Section 184 loans on Trust Land under the jurisdiction of
28 Tribes approved to participate in the Section 184 Program and certain Fee Simple areas.²

29 Closed loans must meet all Section 184 Program originating, underwriting, appraisal, and
30 closing requirements to qualify for Section 184 loan guarantees. Closed loans that do not

¹ The terms “Indian Family Members”, “Tribes” and “Tribally-Designated Housing Entities” are defined in subsection 2.A.2 below.

² Guidance on ONAP-approved Section 184 lending areas is explained in Chapter 2, subsection B.2

1 satisfy all applicable Section 184 Program requirements are ineligible to receive loan
2 guarantees.³

3 In the event a Borrower defaults on his or her Section 184 Guaranteed Loan, the loan
4 guarantee covers 100% of the Borrower's unpaid principal balance, accrued interest, and
5 additionally reimburses the Holder for certain eligible claim-related expenses. When the
6 Holder has serviced the defaulted Section 184 Guaranteed Loan and assigned the loan or
7 conveyed the Property in compliance with all applicable Tribal, Federal, State, and
8 Section 184 Program requirements, the Holder may submit a claim to ONAP.

9 To obtain a Section 184 loan guarantee, Lenders must understand the Loan Thresholds
10 and Parameters, and all the requirements associated with underwriting the Property,
11 Borrower, and appraisals.

12 **2. Loan Thresholds**

13 Lenders must first determine whether Loan Thresholds can be satisfied. Loan Thresholds
14 cannot be waived.

15 **a. The four Threshold Requirements**

- 16 **i.** There must be an Eligible Borrower;
- 17 **ii.** There must be an Eligible Property;
- 18 **iii.** The Eligible Property must be in a Section 184 Approved Area or be
19 on Trust Land under the jurisdiction of a Tribe who is approved to
20 participate in the Section 184 Program; and
- 21 **iv.** The loan does not exceed the Maximum Loan Limits.

22 **b. Eligible Borrower**

23 Eligible Borrowers include an Indian Family, Non-occupant Indian Co-
24 Borrowers, Tribes, and Tribally Designated Housing Entities (TDHE).

25 **i. Indian Family**

26 **a) Definition**

27 Indian Family means one or more persons maintaining a household
28 where at least one Borrower is Indian.

³ There is one exception. With respect Trust Land loans, in cases of missing trailing documents from the Bureau of Indian Affairs (BIA) on closed loans, DG Lenders have the option to indemnify HUD for any losses in exchange for loan guarantees. When OLG receives the missing BIA trailing documents from the originating lender and the trailing documents complies with Section 184 Program requirements, OLG shall release the indemnification. Guidance on indemnifications related to missing trailing documents from the BIA is explained in the Endorsement Chapter (Chapter IV).

1 Indian means a person who is recognized as being Indian or Alaska
2 Native by a federally recognized Tribe, a regional or village
3 corporation, as defined in the Alaska Native Claims Settlement
4 Act, a State recognized tribe eligible to receive assistance under
5 Title I of the Native American Housing Assistance and Self-
6 Determination Act of 1996 (NAHASDA).

7 **b) Standard**

8 An Indian Family is an Eligible Borrower. With the exception of
9 Non-Occupant Co-Borrower, the Indian Family must occupy the
10 Property as their Principal Residence.

11 **c) Documentation**

12 An Indian Family must provide evidence of enrollment in a
13 federally recognized Indian Tribe, membership in an Alaska
14 Native village, or regional or village corporation established
15 pursuant to the Alaska Native Claims Settlement Act, or State
16 recognized Tribes eligible to receive assistance under Title I of the
17 Native American Housing Assistance and Self-Determination Act
18 of 1996 (NAHASDA).

19 • **The State Recognized Tribes**

- 20 ○ Coharie Tribe (North Carolina)
- 21 ○ Haliwa-Saponi Tribe (North Carolina)
- 22 ○ Lumbee Tribe (North Carolina)
- 23 ○ Waccamaw Siouan Tribe (North Carolina)
- 24 ○ MOWA Band of Choctaw (Alabama)

25 • **Tribal Enrollment Identification Card. The Eligible**
26 **Borrower's Tribal enrollment identification document must**
27 **identify the following:**

- 28 ○ Name of the Federally Recognized Indian Tribe
- 29 ○ Tribal Member's full name
- 30 ○ Tribal Member's Date of Birth
- 31 ○ Enrollment Information, such as Enrollment
32 Number or Date
- 33 ○ Expiration Date, if applicable

1 • Tribal Verification Letter. If a photocopy of the Borrower’s
2 Tribal Enrollment Identification Card is not provided, a
3 verification letter provided by the Tribe must be signed and
4 dated by the Tribe’s membership official. The Tribal
5 verification letter must identify the following:

- 6 ○ Name of the Federally Recognized Indian Tribe
- 7 ○ Tribal Member’s full Name
- 8 ○ Tribal Member’s Date of Birth
- 9 ○ Enrollment Information, such as Enrollment
10 Number or Date.

11 • Alaska Native Village Verification Letter. The Alaska
12 Native Village verification letter must be signed and dated
13 by the Alaska Native village official, confirming the
14 Borrower’s enrollment. In the case of an Alaska Native
15 regional or village corporation, there must be a stock
16 Certificate evidencing Borrower’s ownership shares in an
17 Alaska Native regional or village corporation.

18 NOTE: The Borrower’s name as shown on the Tribal ID, or
19 identified in the Tribal or Alaska native village letter or
20 Alaska Native regional or village corporation must match
21 one other governmental-issued document, such as a United
22 States passport, State issued driver’s license, Social
23 Security card or birth certificate. See Appendix XXX titled
24 “Name Variations” for further guidance.

25 The enrollment membership determination is made by the
26 Tribe. The BIA’s Certificate Degree of Indian Blood does
27 not confer enrollment or membership in a Federally
28 Recognized Tribe.

29 **d) Limitation on the Number of Section 184 Guaranteed**
30 **Loans**

31 An Indian Family Borrower is limited to one Section 184
32 Guaranteed Loan for primary residence at a time; however, the
33 Indian Family Borrower may also be a Non-Occupying Co-
34 Borrower on one other Section 184 Guaranteed Loan, subject to
35 the Non-Occupant Co-Borrower requirements below.

36 An Indian Family Borrower may be a Non-Occupying Borrower
37 on only one active Section 184 Guaranteed Loan.

1 **ii. Non-Occupant Indian Co-Borrower**

2 **a) Definition**

3 A Non-Occupant Indian Co-Borrower means an individual who is
4 related by blood to the Indian Family Borrower, or an unrelated
5 individual who can document evidence of a family-type,
6 longstanding, and substantial relationship to the Indian Family
7 Borrower not arising out of the loan transaction.

8 **b) Standard**

9 A Non-Occupant Indian Co-Borrower is an Eligible Borrower. The
10 Non-Occupant Indian Co-Borrower does not intend to and is not
11 required to reside in the Property as their Primary Residence.

12 **c) Limitation on the Number of Section 184 Guaranteed Loans**

13 An Eligible Borrower may only be a Non-Occupant Indian Co-
14 Borrower on one Section 184 Guaranteed Loan at a time.

15 A Non-Occupant Indian Co-Borrower may also be a Borrower on
16 one other Section 184 Guaranteed Loan, so long as the Borrower
17 occupies the property as his or her primary residence on the other
18 Section 184 Guaranteed Loan.

19 **iii. Tribe**

20 **a) Definition**

21 Tribe means any Indian Tribe, band, nation, or other organized
22 group or community of Indians, including any Alaska Native
23 village or regional or village corporation as defined in or
24 established pursuant to the Alaska Native Claims Settlement Act
25 (43 U.S.C. 1601, et seq.), that is recognized as eligible for the
26 special programs and services provided by the United States to
27 Indians because of their status as Indians pursuant to the Indian
28 Self Determination and Education Assistance Act of 1975.

29 **b) Standard**

30 Tribes and Indian entities federally recognized by and eligible to
31 receive services from the United States Bureau of Indian Affairs
32 are Eligible Borrowers. The Primary Residency requirement shall
33 not apply.

34 Tribes and Indian Tribal Entities are listed in the Bureau of Indian
35 Affairs (BIA) annual Federal Register Notice, typically titled

1 “Indian Entities Recognized by and Eligible to Receive Services
2 from the United States Bureau of Indian Affairs.”

3 **c) Limitation on the Number of Section 184 Guaranteed**
4 **Loans**

5 Tribes are not subject to a limitation on the number of Section 184
6 Guaranteed Loans. However, the Section 184 Program may impose
7 limits on new Section 184 Loans if a Tribe is unable to meet the
8 underwriting requirements for new loans or is experiencing or
9 anticipating defaults on its existing Section 184 Guaranteed Loans.

10 **iv. Tribally Designated Housing Entity**

11 **a) Definition**

12 Tribally Designated Housing Entity (TDHE) means an entity as
13 defined in the IHBG Program under the Native American Housing
14 Assistance and Self Determination Act at 25 U.S.C. 4103(22).

15 **b) Standard**

16 TDHEs are Eligible Borrowers. The Primary Residency
17 requirement shall not apply. Eligible Borrower must meet all
18 borrower underwriting requirements as outlined in this Chapter.

19 Lenders must verify that the TDHE is listed on the ONAP National
20 Tribal Housing Directory.

21 **c) Limitation on the Number of Section 184 Guaranteed**
22 **Loans**

23 TDHEs are not subject to a limitation on the number of Section
24 184 Guaranteed Loans. However, the Section 184 Program may
25 impose limits on new Section 184 Loans if a TDHE is unable to
26 meet the underwriting requirements for new loans or is
27 experiencing or anticipating defaults on its existing Section 184
28 Guaranteed Loans.

29 **Section 184 Approved Area**

30 **i. Standard**

31 With respect to lending on Fee Simple lands, the Section 184 Approved
32 Areas are the areas identified in the ONAP document titled Section 184
33 Approved Counties by State.

34 With respect to lending on Trust Lands, the Section 184 Approved Areas
35 include Trust Land under the jurisdiction of a Tribe approved by ONAP to
36 participate in the Section 184 Program.

1 Lenders must verify that the Tribe is a Section 184 Program Approved
2 Tribe. Lenders must confirm that the name of the Tribe that has
3 jurisdiction over the Property is exactly the same name that appears on the
4 Section 184 Program Tribal Participation List.

5 **b. Section 184 Guaranteed Loan Minimum and Maximum Loan Limits**

6 **i. Definition**

7 Base Loan Amount is determined by calculating (i) 97.75 percent of the
8 appraised value of the Property or the Acquisition Cost, whichever is less;
9 or (ii) 98.75 percent of the value of the Property or sales price, whichever
10 is less, when the appraised value or sales price is \$50,000 or less.

11 **ii. Standard**

12 Lenders shall not require a minimum loan amount for a Section 184
13 Guaranteed Loan.

14 The Base Loan Amount must not exceed the Section 184 Guaranteed Loan
15 Limits. The Section 184 Guaranteed Loan Limits are published in a Dear
16 Lender Letter on the ONAP website.

17 Additionally, the transaction type will determine additional Base Loan
18 Amount limitations. See Chapter II.B.10 for details on transaction types.

19 **iii. Exception -Addition to the Base Loan Amount**

20 **i. Financing of Upfront Loan Guarantee Fee**

21 A Borrower may add the cost of the Upfront Loan Guarantee Fee
22 to the Maximum Base Loan Amount. For additional information
23 on the Upfront Loan Guarantee Fee, see Section B.8.

24 **c. Eligible Property**

25 **i. Definition**

26 An Eligible Property means a one to four single family dwelling that
27 meets the requirements for Standard Housing under 24 CFR 1005.419 and
28 is located in a Section 184 Approved Program Area. Eligible Properties
29 include detached or semi-detached dwellings, modular homes,
30 manufactured homes, and one to four family dwelling units, with and
31 without Accessory Dwelling Unit(s), townhouses or row houses, and
32 individual units within FHA-approved Condominium Projects. See
33 Subsection C.1.g.

1 **ii. Standard**

2 Properties located in a Section 184 Approved Program Area or whose
3 property is under the jurisdiction of a Tribe approved to participate in the
4 Section 184 Program are Eligible Properties. Eligible Properties must meet
5 all property underwriting requirements outlined in Subsections C and E of
6 this Chapter.

7 **v. Minimum Required Investment**

8 **a. Definition**

9 Minimum Required Investment means the difference between the appraised value
10 or the Acquisition Cost, whichever is less, and the Base Loan Amount.

11 Acquisition Cost means the sum of the sales price or construction cost for a
12 property and the cost of allowable repairs or improvements for the same property,
13 less any unallowable sales concession(s). For the purposes of this definition, the
14 term “sales concession” means an inducement to purchase a property paid by the
15 seller to consummate a sales transaction.

16 **b. Standard**

17 The Borrower must make a Minimum Required Investment (MRI) of:

- 18 i. 2.25 percent of the appraised value of the property or the Acquisition
19 Cost, whichever is less, for properties equal to or greater than \$50,001;
20 or
21 ii. 1.25 percent of the lesser of the appraised value or sales price when the
22 appraised value or sales price is \$50,000 or less.

23 **vi. Total Required Investment**

24 **a. Definition**

25 Total Required Investment refers to the amount the Borrower must contribute
26 to close the loan. The Total Required Investment includes, for example, the
27 Minimum Required Investment (MRI), Borrower’s downpayment (which may
28 include the MRI), Borrower-paid transaction costs, Section 184 Upfront Loan
29 Guarantee Fee (when not financed in whole or in part by Borrower), and fees
30 charged to Borrower by lender as may be permitted under 24 CFR 1005.515,
31 along with any discounts as may be provided by lender or seller.

32 **b. Standard**

33 The Borrower must have funds to cover the Total Required Investment.
34
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1 **vii. Upfront and Annual LG Fee; Financing Upfront LG Fee**

2 **a. Definition**

3 **i. Upfront Loan Guarantee Fee**

4 Upfront Loan Guarantee (LG) Fee means a fee, paid by the Borrower at
5 closing, collected by the DG Lender, and remitted to HUD for the
6 purposes of financing the Indian Housing Loan Guarantee Fund.

7 **ii. Annual Loan Guarantee Fee**

8 Annual Loan Guarantee (LG) Fee means a fee calculated on an annual
9 basis and paid in monthly installments by the Borrower, which is collected
10 by the Servicer and remitted to HUD for the purpose of financing the
11 Indian Housing Loan Guarantee Fund. The current Annual LG Fee is zero
12 percent.

13 **b. Standard**

14 **i. Upfront Loan Guarantee Fee**

15 The DG Lender must collect the Upfront LG Fee from the Borrower at
16 closing and remit the fee to HUD. The Upfront LG Fee amount is
17 published in a Federal Register Notice.

18 The Upfront LG Fee, in whole or in part, may be financed into the Section
19 184 Guaranteed Loan or paid in cash by the Borrower. When the Upfront
20 LG is financed, the Maximum Principal Loan Amount may exceed the
21 Section 184 Guaranteed Loan Limit, as described in Section XXX.

22 However, the amount financed must be in whole dollars, and any
23 remaining amount that is not financed must be paid in cash at closing.

24 The final loan amount must be rounded down to the nearest whole dollar
25 amount, regardless of whether the Upfront LG Fee is financed or paid in
26 cash. The Upfront Loan Guarantee Fee is not refundable.

27 **ii. Loan Guarantee Fee**

28 Effective July 1, 2023, the Annual LG Fee was reduced to zero percent.

29 For loans closed prior to July 1, 2023, the Servicer must continue to
30 collect any required Annual LG Fee from the Borrower at the Annual LG
31 Fee rate in effect at the time the loan was closed.

32 This fee is collected until the LTV falls below 78%, based on the
33 amortization schedule created as part of the Section 184 Program
34 Mortgage Credit Analysis Worksheet and approval signed by the DG
35 Underwriter.

1 For additional information on the process related to the cancellation and
2 Borrower's overpayments of the Annual LG Fee, see Chapter XX,
3 Servicing.

4 **iii. Documentation and Remittance of LG Fees**

5 DG Lenders' instructions on remitting the Upfront LG Fee and, where
6 applicable, the Annual LG Fee to ONAP, and associated documentation
7 requirements are explained in Chapter XX. Penalties for DG Lenders'
8 failure to timely remit fees to ONAP is outlined in Chapter XX, Servicing.

9 **viii. Maximum Loan Term; Prepayment Privilege**

10 Borrowers may choose any loan term, not to exceed a maximum of 360 months.

11 The Loan must contain a provision permitting the Borrower to prepay the Loan in whole
12 or in part at any time. The Loan must not provide for the payment of any fee or penalty
13 on account of such prepayment.

14 **ix. Interest Rate**

15 The Loan shall bear an interest rate agreed upon by the DG Lender and the Borrower.
16 The agreed upon interest rate may not exceed the rate generally charged in the area for
17 mortgage loans not guaranteed or insured by any agency or instrumentality of the Federal
18 Government.

19 The agreed upon interest rate must not take into consideration a Borrower's credit score
20 and must not be based on any risk-based pricing.

21 **x. Identity of Interest and Impact on the Loan-To-Value (LTV) Ratio**

22 **a. Definitions**

23 Identity of Interest means a Property sales transaction between family members, business
24 partners, or other business affiliates.

25 Business Relationship means an association between individuals or companies
26 entered into for commercial purposes.

27 **b. Standard**

28 If an Identity of Interest exists, the DG Lender must review for any possible
29 Conflict of Interest. As a closing requirement, all Borrowers must execute a
30 Section 184 Borrower's Certification, addressing any Identity of Interest and
31 Conflict of Interest.

1 **c. Maximum LTV for Identity-of-Interest and Tenant/Landlord**
2 **Transactions**

3 The maximum LTV percentage for Identity-of-Interest transactions or
4 transactions with a tenant-landlord relationship is restricted to 85 percent. This
5 LTV limitation supersedes the LTV limitations outlined in Chapter II.B.10.

6 **d. Exceptions to the Maximum LTV for Identity-of-Interest transactions**

7 Under the following circumstances, the 85 percent maximum LTV restriction does not
8 apply for Identity-of-Interest transactions:
9

10 **i. Family Member Transactions**

11 The 85 percent LTV restriction may be exceeded if a Borrower purchases
12 as their Principal Residence the Principal Residence of another Family
13 member.

14 **ii. Builder’s Employee Purchase**

15 The 85 percent LTV restriction may be exceeded if an employee of a
16 builder, who is not a Family Member, purchases one of the builder’s new
17 houses or models as a Principal Residence.

18 **iii. Tenant Purchase**

19 The 85 percent LTV restriction may be exceeded if the current tenant
20 purchases the Property where the tenant has rented the Property for at least
21 six months, immediately predating the sales contract. A lease or other
22 written evidence to verify tenancy and occupancy is required.

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