

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

3
4 **Chapter II – Origination to Final Underwriter Approval**

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6 **C. UNDERWRITING THE PROPERTY**

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8 DG Lenders must underwrite the completed appraisal to determine if the Property provides
9 sufficient collateral for the loan intended for the Section 184 Program. The Property and the
10 appraisal must comply with all applicable Section 184 Program requirements, including this
11 subsection and subsection E, Appraisal.

12 **1. Property Eligibility Criteria**

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14 **a. Section 184 Approved Area**

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16 With respect to fee simple properties, the Eligible Property must be in a
17 Section 184 Approved Area.

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19 With respect to Tribal Trust Land properties, the Eligible Property must in an
20 area under the jurisdiction of a Tribe approved to participate in the Section 184
21 Program.

22
23 See Subsection B.2.b.

24
25 **b. Eligible Property**

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27 The property must be an Eligible Property. See Subsection B.2.d.

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29 **c. Property Types**

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31 Eligible Properties includes detached or semi-detached dwellings, modular
32 homes, manufactured homes, and one to four family dwelling units, with and
33 without Accessory Dwelling Unit(s), townhouses or row houses, individual
34 units within a FHA-approved Condominium Projects.

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36 Eligible Property Types include the following:

37 **i. One Family Dwelling Unit**

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39 **a) Definition**

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41 A One Family Dwelling Unit is a Single-Family residential
42 Property with a single Dwelling Unit, including modular
43 homes, or with a single Dwelling Unit and a single ADU.

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ii. Two Family Dwelling Unit

a) Definition

A Two-Family Dwelling Unit is a residential Property with two individual Dwelling Units.

iii. Three to Four Family Dwelling Unit

a) Definition

A Three- to Four- Family Dwelling Unit is either a residential Property with three or four individual Dwelling Units; or a Two-Family Dwelling Unit and one ADU or Three Family Dwelling Unit and one ADU.

iv. Accessory Dwelling Unit

a) Definition

An Accessory Dwelling Unit (ADU) refers to a single habitable living with means of separate ingress and egress that meets the minimum requirement for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary Single-Family Dwelling, which together constitute a single interest in real estate.

b) Standard

A Single-Family Dwelling Unit with an ADU remains a Single-Family Dwelling Unit.

For any two to four family dwelling unit, a separate additional dwelling unit must be considered an additional unit.

v. Manufactured Housing

a) Definition

Manufactured Housing is a structure that is transportable in one or more sections. It may be part of a Condominium Project, provided the project meets applicable Section 184 Program requirements.

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b) Standard

To be eligible for Section 184 Program all
Manufactured Housing must:

- (1) be designed as a one-family dwelling;
- (2) have a floor area of not less than square footage requirements under 24 CFR 1005.419;
- (3) have the HUD Certification Label affixed or have obtained a [letter of label verification](#) issued on behalf of HUD, evidencing the house was constructed on or after June 15, 1976, in compliance with the [Federal Manufactured Home Construction and Safety Standards](#);
- (4) be classified as real estate and, where applicable, taxed as real estate. For Tribal Trust properties, see exception in Subsection E.h.1.1;
- (5) be built and remain on a permanent chassis;
- (6) be designed to be used as a dwelling with a permanent foundation built in accordance with the [Permanent Foundations Guide for Manufactured Housing \(PFGMH\)](#); and
- (7) have been directly transported from the manufacturer or the dealership to the site.

c) Required Documentation

(1) HUD Certification Label

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The appraisal must provide information on and a photograph of the HUD Certification Label. If the appraisal indicates the HUD Certification Label is missing from the Manufactured Housing unit, Lenders must obtain label verification from the [Institute for Building Technology and Safety \(IBTS\)](#).

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(2) Permanent Foundation Guide for Manufactured Homes (PFGMH) Certification

Lenders must obtain a certification by an engineer or architect, who is licensed/registered in the state where the Manufactured Home is located, attesting to compliance with the PFGMH.

Lenders may obtain a copy of the foundation certification from a previous Section 184 guaranteed Loan, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.

If the Appraiser notes additions or alterations to the Manufactured Housing unit, DG Lenders must ensure the addition was addressed in the original foundation certification.

If the additions or alterations were not addressed in the original foundation certification, Lenders must obtain:

- an inspection by the state administrative agency that inspects Manufactured Housing for compliance; or
- certification of structural integrity from a licensed structural engineer if the state does not employ inspectors.

vi. Condominium Unit

a) Definitions

Condominium Unit (Unit) refers to real estate consisting of a one-family Dwelling Unit in a Condominium Project.

A **Condominium Project** refers to a project in which one-family Dwelling Units are attached, semi-detached, detached, or Manufactured Home units, and in which owners hold an undivided interest in Common Elements.

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ii. Time Restriction on Transfers of Title

The eligibility of a Property for a Loan guaranteed by the Section 184 Program is determined by the time between the date the seller acquired title to the Property and the resale date.

The Seller’s Date of Acquisition refers to the date the seller acquired legal ownership of that Property. The Resale Date refers to the date all parties have executed the sales contract that will result in the Section 184 guaranteed Loan for the resale of the Property.

iii. Restriction on Resales Occurring 90 Days or Fewer after Acquisition

A Property that is being resold 90 Days or fewer following the seller’s date of acquisition is not eligible for a Section 184 Program guaranteed Loan.

iv. Resales Occurring between 91 Days and 180 Days after Acquisition

A DG Lender must obtain a second appraisal by another Appraiser if:

- the resale date of a Property is between 91 and 180 Days following the acquisition of the Property by the seller; and
- the resale price is 100 percent or more over the price paid by the seller to acquire the Property.

If the second appraisal supports a value of the Property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used as the Property Value in determining the Adjusted Value.

The cost of the second appraisal may not be charged to the Borrower.

v. Exceptions to Time Restrictions on Resale

Exceptions to time restrictions on resale are:

- a) properties acquired by an employer or relocation agency in connection with the relocation of an employee;
- b) resales by HUD under its REO program;
- c) sales by other U.S. government agencies of

1 Single Family Properties pursuant to programs
2 operated by these agencies;

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- 4 **d)** sales of Properties by nonprofits approved to
5 purchase HUD-owned Single Family Properties at
6 a discount with resale restrictions;
- 7
- 8 **e)** sales of Properties that are acquired by the seller by inheritance;
- 9
- 10 **f)** sales of Properties by state and federally
11 chartered financial institutions and Government-
12 Sponsored Enterprises (GSE);
- 13
- 14 **g)** sales of Properties by Tribal, state or local government
15 agencies; and
- 16
- 17 **h)** sales of Properties within PDMDAs, only upon
18 issuance of a notice of an exception from HUD.

19 The restrictions listed above and those in 24 CFR 1005.415(c)
20 do not apply to a builder selling a newly built house or building
21 a house for a Borrower planning to use a Section 184 loan.

22 **vi. Required Documentation**

23 Lenders must obtain a 12-month chain of title documenting
24 compliance with time restrictions on resales.

25 **f. Legal Restrictions on Conveyance**

26 Lenders must determine that legal restrictions on conveyance, if any,
27 conform with the requirements in 24 CFR 1005.423.

28 **g. Special Flood Hazard Area**

29 Lenders must determine if a Property is located in a Special Flood
30 Hazard Area (SFHA) as designated by the Federal Emergency
31 Management Agency (FEMA). Lenders must obtain flood zone
32 determination services, independent of any assessment made by the
33 Appraiser, to cover the Life of the Loan Flood Certification.

34
35 A Property is not eligible for the Section 184 Program if:

- 36
- 37 • a residential building and related improvements to the Property
38 are located within any SFHA Zone on a FEMA Flood Insurance
39 Rate Map beginning with the letter A, an SFHA, or any Zone
40 beginning with the letter V, a Coastal High Hazard Area, and

1 insurance under the National Flood Insurance Program (NFIP)
2 is not available in the community because the community does
3 not participate in the NFIP ; or
4

- 5 • the improvements are, or are proposed to be, located within
6 the Coastal Barrier Resources System (CBRS).

7 For the loan to be eligible for guarantee under the Section 184
8 Program, a Property located in an SFHA must be in a community
9 that participates in the NFIP and has NFIP available, regardless of
10 whether the Borrower obtains NFIP coverage or Private Flood
11 Insurance.

12 i. Flood Insurance

13 a) Definitions

14 **Flood Insurance** refers to insurance provided by an
15 NFIP or a Private Flood Insurance (PFI) policy that
16 covers physical damage by floods.

17 An **NFIP policy** refers to insurance managed by the Federal
18 Emergency Management Agency (FEMA) that covers physical
19 damage by floods.

20 A **PFI policy** refers to insurance provided by a private
21 insurance carrier that covers physical damage by
22 floods.

23 b) Standard

24 If any portion of the dwelling and related Structures or
25 equipment essential to the Property Value is in an
26 SFHA and NFIP insurance is available in that
27 community, the DG Lender must ensure the Borrower
28 obtains and maintains Flood Insurance.
29

30 c) Required Flood Insurance Coverage

31 For Properties located within an SFHA, Flood Insurance
32 must be maintained for the life of the Loan in an amount
33 at least equal to the lowest of the following:
34

- 35 • 100 percent replacement cost of the insurable
36 value of the improvements, which consists of the
37 development or project cost less estimated land
38 cost;
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- the maximum amount of NFIP insurance available with respect to the particular type of Property; or
- the outstanding principal balance of the Loan.

d) Requirements for PFI

If the Borrower purchases a PFI policy in lieu of an NFIP policy, the DG Lender must ensure the PFI policy meets the following requirements:

- is issued by an insurance company that is licensed, admitted, or otherwise approved to engage in the business of insurance in the state or jurisdiction in which the Property to be guaranteed is located, by the insurance regulator of the state or jurisdiction; or, in the case of a policy of difference in conditions, multiple peril, all risk, or other blanket coverage insuring nonresidential commercial property, is recognized, or not disapproved, as a surplus lines insurer by the insurance regulator of the state or jurisdiction where the Property to be guaranteed is located;
- provides Flood Insurance coverage that is at least as broad as the coverage provided under a standard Flood Insurance policy under the NFIP for the particular type of property, including when considering exclusions and conditions offered by the insurer;
- includes deductibles that are no higher than the specified maximum, and includes similar non-applicability provisions, as under a standard Flood Insurance policy under the NFIP;
- includes a requirement for the insurer to provide written notice 45 Days before cancellation or nonrenewal of Flood Insurance coverage to the Borrower and DG Lender. In cases where the DG Lender has assigned the loan to HUD, the insurer must provide notice to ONAP and, where applicable, to the Borrower;

- includes information about the availability of Flood Insurance coverage under the NFIP;
- includes a loan interest clause similar to the clause contained in a standard Flood Insurance policy under the NFIP;
- includes a provision requiring the Borrower to file suit no later than one year after the date of a written denial for all or part of a claim under the policy; and
- contains cancellation provisions that are as restrictive as the provisions contained in a standard Flood Insurance policy under the NFIP.

ii. Private Flood Insurance Policy

Compliance Aid

a) Definition

The Private Flood Insurance (PFI) Policy Compliance Aid is the statement: “This policy meets the definition of private flood insurance contained in 24 CFR 203.16a(e) for Section 184 Guaranteed Loans.”

b) Standard

The PFI Policy Compliance Aid may be made by the insurance provider, attesting that a PFI policy meets the requirements of Flood Insurance. The DG Lender may rely on the PFI Policy Compliance Aid to determine whether a PFI policy meets the Flood Insurance requirements. A DG Lender may not reject a policy solely because it is not accompanied by a PFI Policy Compliance Aid.

iii. Required Documentation

For Properties located within an SFHA, the DG Lender must include in the case binder:

- a)** a Life of Loan Flood Certification for all Properties;
- b)** a copy of the certificate of Flood Insurance or complete copy of the Flood Insurance policy, if required; and

1
2 c) if applicable, include a:

3
4 (1) FEMA Letter of Map Amendment (LOMA);

5
6 (2) FEMA Letter of Map Revision (LOMR); or

7
8 (3) FEMA NFIP Elevation Certificate ([FEMA](#)
9 [Form FF-206-FY-22-152](#)).

10 **iv. Required Reporting**

11 The Loan must report the required Flood Insurance information in the
12 insurance application screen in *Native Advantage*.

13
14 **v. Eligibility for New Construction in SFHAs**

15
16 If any portion of the dwelling and related Structures or
17 equipment essential to the Property Value is located in an
18 SFHA, the Property is not eligible for loan under the Section
19 184 Program, unless the Lender:

- 20
21 • obtains a FEMA-issued final LOMA or LOMR
22 that removes the Property from the SFHA; or
23
24 • obtains a FEMA NFIP Elevation Certificate ([FEMA](#)
25 [Form FF-206-FY-22-152](#)). The Elevation Certificate
26 must document that the lowest floor of the residential
27 building, including the basement, and all related
28 Structures or equipment essential to the Property Value
29 are built at or above the 100-year flood elevation in
30 compliance with the NFIP criteria; and
31
32 • ensures the Borrower obtains Flood Insurance.

33 **vi. Eligibility for Existing Construction in SFHAs**

34 When any portion of the residential improvements is
35 determined to be located within an SFHA, Flood Insurance
36 must be obtained.

37 **vii. Eligibility for Condominiums in SFHAs**

38 The DG Lender must ensure the Condominium Association
39 obtains Flood Insurance on buildings located within the SFHA.
40 The Flood Insurance coverage must protect the interest of the

1 Borrowers who hold title to an individual unit, as well as the
2 common areas of the Condominium Project.

3 **viii. Eligibility for Manufactured Housing in SFHAs**

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5 The finished grade level beneath the Manufactured Home must
6 be at or above the 100-year return frequency flood elevation. If
7 any portion of the dwelling and related Structures or equipment
8 essential to the Property Value for both new and existing
9 Manufactured Homes is located in an SFHA, the Property is not
10 eligible for Section 184 Program, unless the DG Lender:

- 11 • obtains a FEMA-issued LOMA or LOMR that
- 12 removes the Property from the SFHA; or
- 13 • obtains a FEMA NFIP Elevation Certificate ([FEMA](#)
- 14 [Form FF-206-FY-22-152](#)) showing that the finished
- 15 grade beneath the Manufactured Home is at or above
- 16 the 100-year return frequency flood elevation; and
- 17
- 18 • ensures the Borrower obtains Flood Insurance.
- 19
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21 **ix. Restrictions on Property Locations within Coastal Barrier**
22 **Resources System**

23 In accordance with the [Coastal Barrier Resources Act](#), a
24 Property is not eligible for Section 184 loan guarantee if the
25 improvements are or are proposed to be located within the
26 [Coastal Barrier Resources System](#).

27 **h. Property Assessed Clean Energy**

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29 Property Assessed Clean Energy (PACE) refers to an alternative means of
30 financing energy and other PACE-allowed improvements for residential
31 properties using financing provided by private enterprises in conjunction with
32 state and local governments. Generally, the repayment of the PACE obligation
33 is collected in the same manner as a special assessment tax; it is collected by
34 the local government rather than paid directly by the Borrower to the party
35 providing the PACE financing.

36
37 Generally, the PACE obligation is also secured in the same manner as a
38 special assessment tax against the Property. In the event of a sale, including a
39 foreclosure sale, of the Property with outstanding PACE financing, the
40 obligation will continue with the Property causing the new homeowner to be
41 responsible for the payments on the outstanding PACE amount. In cases of
42 foreclosure, priority collection of delinquent payments for the PACE
43 assessment may be waived or relinquished.

1 Properties which will remain encumbered with a PACE obligation are not
2 eligible for a Section 184 Guaranteed Loan.

3 4 **2. Property Acceptability Criteria**

5 6 **a. Defective Conditions**

7
8 DG Lenders must evaluate the appraisal in accordance with the requirements for
9 Defective Conditions, outlined in Subsection E of this chapter. When defective
10 conditions exist and correction is not feasible, the DG Lender must reject the
11 Property. The DG Lender may only approve an Eligible Property after the DG
12 Lender confirms that all defects reported by the Appraiser have been corrected.

13 14 **b. Standard Housing Requirements**

15
16 As the on-site representative for the DG Lender, the Appraiser provides
17 preliminary verification that a Property meets Section 184 Program's Standard
18 Housing requirements.

19
20 Standard Housing requirements refer to requirements under 24 CFR 1005.419
21 and related administrative requirements, including but not limited to
22 requirements under Subsections C and E.

23
24 When examination of the Eligible Property reveals noncompliance with the
25 Standard Housing requirements, the Appraiser must note all repairs necessary to
26 make the Property comply with the Standard Housing requirements, together with
27 the estimated cost to cure. If the Appraiser cannot determine that a Property meets
28 Section 184 Program standards, the DG Lender may obtain an inspection from a
29 qualified entity to make the determination. DG Lenders must use professional
30 judgment in determining when inspections are necessary to determine that a
31 property meets Section 184 Program standards. DG Lenders must also use
32 professional judgment in determining when a Property condition poses a threat to
33 the health and safety of the occupant and/or jeopardizes the soundness and
34 structural integrity of the Property, such that additional inspections and/or repairs
35 are necessary. The DG Lender must confirm that the Property complies with
36 the following eligibility criteria. If the Loan is to be guaranteed under the
37 Section 184 Single Close Construction, Rehabilitation and Refinance with
38 Escrows program, the DG Lender must confirm that the Property will comply
39 with the following eligibility criteria upon completion of repairs and
improvements.

40 **i. Encroachment**

41 The DG Lender must ensure the subject's dwelling, garage, or other
42 improvements do not encroach onto an adjacent Property, right-of-way,
43 utility Easement, or building restriction line. The Lender must also
44 ensure a neighboring dwelling, garage, or other improvements do not

1 encroach onto the subject Property. Encroachment by the subject or
2 adjacent Property fences is acceptable provided such Encroachment
3 does not affect the marketability of the subject Property.

4 **ii. Overhead Electric Power**

5 The DG Lender must confirm that any Overhead Electric Power
6 Transmission Lines do not pass directly over any dwelling, Structure
7 or related property improvement, including pools. The power line
8 must be relocated for a Property to be eligible for Section 184-
9 guaranteed financing.

10 The residential service drop line may not pass directly over any
11 pool, spa or water feature.

12 If the dwelling or related property improvements are located within the
13 Easement area, the DG Lender must obtain a certification from the
14 appropriate utility company or local regulatory agency stating that the
15 relationship between the improvements and Local Distribution Lines
16 conforms to local standards and is safe.

17 **iii. Access to Property**

18 The DG Lender must confirm that the Property is provided with a
19 safe pedestrian access and Adequate Vehicular Access from a public
20 or private street. Streets must either be dedicated to public use and
21 maintenance or retained as private streets protected by permanent
22 recorded Easements.

23 Private streets, including shared driveways, must be protected by
24 permanent recorded Easements, ownership interest, or be owned and
25 maintained by an HOA. Private
26 streets and shared driveways do not require a joint maintenance
27 agreement.

28
29 Private streets, including shared driveways, on Tribal land must comply
30 with Tribal law. The DG Lender is responsible for verifying compliance
31 with Tribal law regarding access to the Property.

32 **iv. Onsite Hazards and Nuisances**

33 The DG Lender must require corrective work to mitigate
34 potential adverse effects from any onsite hazards or nuisances
35 reported by the Appraiser.

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v. Abandoned Gas and Oil Well

If the Property contains any abandoned gas or oil wells, the DG Lender must obtain a letter from the local jurisdiction, tribe or appropriate state agency stating that the subject well was permanently abandoned in a safe manner.

If the Property contains any abandoned petroleum product wells, the DG Lender must ensure that a qualified petroleum engineer has inspected the Property and assessed the risk, and that the appropriate state authorities or tribal authorities when on trust land have concurred on clearance recommendations.

vi. Requirements for Standard Housing under 24 CFR 1005.419

See Subsection E.1.i for Requirements for Standard Housing under 24 CFR 1005.419.

vii. Swimming Pools

The DG Lender must confirm that any existing swimming pools comply with all Tribal or local ordinances. The Section 184 program does not finance the construction or installation of swimming pools.

viii. Structural Conditions

The DG Lender must confirm that the structure of the Property will be serviceable for the life of the Loan.

The DG Lender must confirm that all foundations will be serviceable for the life of the Loan and adequate to withstand all normal loads imposed.

ix. Economic Life

The DG Lender must confirm that the term of the Loan is less than or equal to the remaining economic life of the Property.

x. Environmental

The DG Lender must confirm that the Property is free of all known environmental and safety hazards and adverse conditions that may affect the health and safety of the occupants, the Property's ability to serve as collateral, and the structural soundness of the improvements.

1 **xi. Lead-Based Paint**

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3 The relevant requirements of the Lead-Based Paint Poisoning Prevention
4 Act (42 U.S.C. 4821–4846), the Residential Lead-Based Paint Hazard
5 Reduction Act of 1992 (42 U.S.C. 4851–4856), and implementing
6 regulations at 24 CFR part 35, subparts A, B, H, J, K, M, and R shall
7 apply.

8 **xii. Methamphetamine Contamination**

9 If the DG Lender or the Appraiser identifies a Property as
10 contaminated by the presence of methamphetamine (meth), either by
11 its manufacture or by consumption, the Property is ineligible due to
12 this environmental hazard until the Property is certified safe for
13 habitation.

14 **xiii. Repair Requirements**

15 The DG Lender must determine which repairs must be made for
16 a Property to be eligible for Section 184-guaranteed financing.

17 **xiv. Utility Services**

18 If utilities are not located on Easements that have been permanently
19 dedicated to the local government or appropriate public utility body,
20 the DG Lender must confirm that this information is recorded on the
21 deed record.

22 **xv. Water Supply Systems**

23 **a) Standard**

24
25 The Property must have a public or private Water Supply System
26 that conforms to applicable Tribal building Code, if there is no
27 applicable Tribal code or the property is fee simple, the minimum
28 building standards established by the appropriate local or State
29 Code, or International Building Code.

30 **b) Documentation**

31
32 **(1) Public Water Supply System.** When a public water
33 supply system is present, the water quality is considered to
34 be safe and potable and to meet the requirements of the
35 health authority with jurisdiction, unless the Appraiser
36 indicates deficiencies with the water or notifies the DG
37 Lender that the water is unsafe.
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1 **(2) Private Water Supply System**

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3 A water test is required for all properties on a private
4 water supply system and must meet the water standards
5 in compliance with Tribal, State or local code. If there
6 are no Tribal water standards State or local water
7 quality standards shall apply and water quality must
8 meet the standards set by the EPA, as presented in the
9 National Primary Drinking Water regulations in [40](#)
10 [CFR §§ 141-142.](#)

11 All testing must be performed by a disinterested third
12 party. This includes the collection and transport of the
13 water sample collected at the water supply source. The
14 sample must be collected and tested by the local health
15 authority, a commercial testing laboratory, a licensed
16 sanitary engineer, or other party that is acceptable to the
17 local health authority when available.

18 DG Lenders must follow the documentation
19 requirements of shared wells, as addressed in FHA
20 Single Family Housing Policy Handbook 4000.1.

21 DG Lender must follow FHA 4000.1 as it pertains to
22 the minimum well standards and distance required
23 between wells and sources of pollution for existing
24 and new construction.

25 **xvi. Individual Residential Water Purification System**

26 **a) Definition**

27
28 An Individual Residential Water Purification System refers to
29 equipment, either point-of-entry or point-of-use, installed on
30 Properties that otherwise do not have access to a continuous
31 supply of safe and potable water.
32

33 **b) Standard**

34
35 If a Property does not have access to a continuous supply of
36 safe and potable water without the use of a water purification
37 system, the DG Lender must ensure that the Property has an
38 individual residential water purification system as well as a
39 service contract for the ongoing maintenance of the system, a
40 plan approved by the tribe, or if the tribe has no code or the
41 property is fee simple then local or state health authority, and
42

1 an escrow account.

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3 **c) Approved Equipment for Individual Residential Water**
4 **Purification Systems**

5 Water purification equipment must be approved by a
6 nationally recognized testing laboratory acceptable to the
7 tribe, or if the Tribe has no code or the property is fee simple,
8 local or state health authority approval/standards shall apply.
9 Lenders must obtain a certification from Tribe, or if the Tribe
10 has no code or the property is fee simple a local or state
11 health authority which certifies that:

- 12 (1) A point-of-entry or point-of-use water purification
13 system is on the Property. If the system employs
14 point-of use equipment, the purification system must
15 be employed on each water supply source (faucet)
16 serving the Property. Where point-of-entry systems
17 are used, separate water supply systems carrying
18 untreated water for flushing toilets may be
19 constructed.
- 20
21 (2) The system is sufficient to ensure an uninterrupted
22 supply of safe and potable water adequate to meet
23 household needs.
- 24
25 (3) The water supply, when treated by the equipment,
26 meets the requirements of the local or state health
27 authority, and has been determined to meet tribal
28 code, or if the tribe code has no code or the property is
29 fee simple local or state quality standards for drinking
30 water. If tribal code, state or local standards are
31 applicable, then quality must be determined in
32 accordance with standards set by the Environmental
33 Protection Agency (EPA) pursuant to the Safe
34 Drinking Water Act in 40 CFR Parts 141–142.
- 35
36 (4) A plan exists that provides for the monitoring,
37 servicing, maintenance, and replacement of the water
38 equipment, and the plan meets the service contract
39 requirements.
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1 **d) Borrower Notice of Water Purification System**

2 The DG Lender must provide written notification to the
3 Borrower that the Property has a hazardous water supply that
4 requires treatment to remain safe and acceptable for human
5 consumption. The notification to the Borrower must identify
6 specific contaminants in the water supply serving the
7 Property, and the related health hazard arising from the
8 presence of those contaminants.

9 The DG Lender must ensure that the Borrower has received a
10 written estimate of the maintenance and replacement costs of
11 the equipment necessary to ensure continuous safe drinking
12 water.

13 **e) Service Contract for Individual Residential Water**
14 **Purification Systems**

15 Before Loan closing, the DG Lender must ensure that the
16 Borrower has entered into a service contract with an
17 organization or individual specifically approved by the tribe,
18 or if the tribe has no code or the property is fee simple local
19 or state health authority to carry out the provisions of the
20 required plan for the servicing, maintenance, repair, and
21 replacement of the water purification equipment.

22 **f) Approved Plan for Individual Residential Water**
23 **Purification Systems**

24 An approved plan is a contract entered into by the Borrower
25 and DG Lender and approved by Tribe, or if the Tribe has no
26 code or the property is fee simple the local or state health
27 authority, and that sets out conditions as described below that
28 must be met by the parties as a condition to insurance of the
29 DG Lender by HUD. The plan must set forth the respective
30 responsibilities to be assumed by the Borrower and the
31 Lender, as well as the other entities who will implement the
32 plan, such as the tribe, health authority and the service
33 contractor. In particular:

- 34 **(1)** The plan must set out the responsibilities of the health
35 authority for monitoring and enforcing the
36 performance of the service contractor, including any
37 successor contractor that the health authority may
38 later have occasion to name. By its approval of the
39 plan, the health authority documents its acceptance of

these responsibilities, and the plan should so indicate.

(2) The plan must provide for the monitoring of the operation of the water purification equipment, as well as for servicing (including disinfecting) and repairing and replacing the system as frequently as necessary, taking into consideration the system’s design, anticipated use, and the type and level of contaminants present. Installation, servicing, repair, and replacement of the water purification system must be performed by an individual or organization approved for this purpose by the local or state health authority and identified in the plan. The plan must refer to specific terms and conditions of the required service contract.

(3) Under the plan, responsibility for monitoring the performance of the service contractor and for ensuring that the water purification system is properly serviced, repaired, and replaced rests with the tribe, or if the tribe has no code or the property is fee simple, local or state health authority that approved the plan. The plan must confer on the health authority all powers necessary to effect compliance by the service contractor. The health authority’s powers must include the authority to notify the Borrower of any noncompliance by the service contractor. The plan must provide that upon any notification of noncompliance received from the health authority, the Borrower may discharge the service contractor for cause and appoint a successor organization or individual as service contractor.

(4) The DG Lender must ensure that any plan developed in accordance with this section must provide that an analysis of the water supply must be obtained from the tribe or if the tribe has no code or the property is fee simple, the local or state health authority no less frequently than annually, but more frequently if determined at any time to be necessary by the health authority or by the service contractor. The plan must provide that if the dwelling served by the water purification system is refinanced, or is sold or otherwise transferred with a Section 184 Loan Guarantee, the plan will:

- continue in full force and effect;
- impose an obligation on the Borrower to notify any subsequent purchaser or transferee of the necessity for the water purification system and for its proper maintenance, and of the obligation to make escrow payments; and
- require the Borrower to furnish the purchaser with a copy of the plan before any sales contract is signed.

g) Escrow for Maintenance and Replacement of Individual Residential Water Purification Systems

The DG Lender must establish and maintain an escrow account to ensure proper servicing, maintenance, repair, and replacement of the water purification equipment. To the extent permitted under RESPA, the amount to be collected and escrowed by the DG Lender must be based upon information provided by the manufacturer for the maintenance and replacement of the water purification equipment and for other charges anticipated by the service contractor. The initial monthly escrow amount must be stated in the plan. Disbursements from the account will be limited to costs associated with the normal servicing, maintenance, repair, or replacement of the water purification equipment. Disbursements may only be made to the service contractor or its successor, to equipment suppliers, to the tribe or if the tribe has no code or the property is fee simple, local or state health authority for the performance of testing or other required services, or to another entity approved by the health authority. The Lender must maintain the escrow account as long as water purification remains necessary, and the Loan is insured by HUD. The lender must provide the Borrower with the Water Purification Equipment Rider for signature.

Required Documentation:

(1) Borrower Notice of Water Purification System

A copy of the notification statement (including cost estimates), dated before the date of the sales contract and signed by the prospective Borrower to acknowledge its receipt, must accompany the submission for loan guarantee. If a sales contract is

1 signed in advance of the disclosure required by this
2 paragraph, an addendum must be executed after the
3 information is provided to the prospective Borrower
4 and after they have acknowledged receipt of the
5 disclosure.

6 **(2) Borrower’s Certification of Water Purification**
7 **System**

8 At the time the application is signed, the Borrower
9 must sign a certification acknowledging that the
10 Property has a water purification system that must be
11 maintained.

12 **(3) Approved Plan for Individual Residential Water**
13 **Purification Systems**

14 The DG Lender must ensure a copy of the approved
15 plan is provided to HUD.

16 **(4) Service Contract for Individual Residential Water**
17 **Purification Systems**

18 The DG Lender must ensure a copy of the service
19 contract signed by the Borrower is provided to HUD.

20 **(5) Water Purification Equipment Rider for**
21 **Individual Residential Water Purification Systems**

22 The DG Lender must ensure a copy of the Water
23 Purification Equipment Rider is provided to HUD.

24 **xvii. Sewage System**

25 **a) Definition**
26

27 An Onsite Sewage Disposal System refers to wastewater
28 systems designed to treat and dispose of effluent on the same
29 Property that produces the wastewater.

30 **b) Standard**

31 The DG Lender must confirm that a connection is made to a
32 public or community sewage disposal system whenever
33 feasible and available at a reasonable cost. If connection costs
34 to the public or community system are not reasonable, the
35 existing Onsite Sewage Disposal Systems are acceptable

1 provided they are functioning properly and meet the
2 requirements of the Tribal, State, or local health department.

3 When the Onsite Sewage Disposal System is not sufficient
4 and an off-site system is available, the DG Lender must
5 confirm connection to an off-site sewage system. When the
6 Onsite Sewage Disposal System is not sufficient and an off-
7 site system is not available, the DG Lender must reject the
8 Property unless the Onsite Sewage Disposal System is
9 repaired or replaced and complies with local health
10 department standards.

11 **c) Documentation**

12 An Onsite Sewage Disposal Systems inspection must
13 document the system is functioning properly and meet the
14 requirements of the Tribal, State, or local health department.
15 The inspection must be performed by the local health
16 authority, a commercial inspection company, a licensed
17 sanitary engineer, or other party that is acceptable to the
18 Tribal, State or local health authority when available.

19 **xviii. Termites**

20 The DG Lender must determine that the Property is free of wood
21 destroying insects and organisms. The DG Lender must obtain a
22 termite inspection report if required by Tribal, State or local law.

23 If the appraisal is made subject to inspection by a qualified pest control
24 specialist, the DG Lender must obtain such inspection and evidence of
25 any required treatment to confirm the Property is free of wood
26 destroying insects and organisms.

27 **xix. Special Airport Hazards**

28 If a Property is an Existing Construction and is located within Runway
29 Clear Zones (also known as Runway Protection Zones) at civil airports
30 or within Clear Zones at military airfields, the DG Lender must obtain a
31 Borrower's acknowledgement of the hazard.

32 If a New Construction Property is located within Runway Clear Zones
33 (also known as Runway Protection Zones) at civil airports or within
34 Clear Zones at military airfields, the DG Lender must reject the Property
35 for loan guarantee .

36 Properties located in Accident Potential Zone 1 (APZ 1) at military
37 airfields may be eligible for loan guarantee under the Section 184
38 Program provided that the DG Lender determines that the Property

1 complies with Department of Defense guidelines.

2 **c. Minimum Required Repairs**

3 When the appraisal report or inspection from a qualified entity indicates
4 that repairs are required to make the Property meet ONAP's Standard
5 Housing requirements, the DG Lender must comply with Repair
6 Requirements.

7 If repairs for Existing Construction cannot be completed prior to closing,
8 the DG Lender may establish an escrow account in accordance with
9 Repair Completion Escrow Requirements.

10 **d. Leased Equipment**

11 The DG Lender must ensure that the Property Value does not include the
12 value of any equipment, including an energy system, that is not or will not
13 be fully owned by the Borrower. The DG Lender must review the terms of
14 the lease on any equipment to ensure they do not contain any Legal
15 Restrictions on Conveyance (Free Assumability).

16 **e. Chain of Title**

17 The DG Lender must review the appraisal to determine if the subject Property
18 was sold within 12 months prior to the case number assignment date. If the
19 subject Property was sold within the previous 12 months, the DG Lender must
20 review evidence of prior ownership and determine if there are any undisclosed
21 Identity-of-Interest transactions, and for compliance with Restrictions on Property
22 Resale.

23 **3. Required Documentation for Underwriting the Property**

24
25 If additional inspections, repairs, or certifications are noted by the appraisal or are
26 required to demonstrate compliance with Property Acceptability Criteria, the DG Lender
27 must obtain evidence of completion of such inspections, repairs, or certifications, and
28 include the repair cost estimate.

29
30 If the Appraiser is being utilized to provide evidence of completion of repair(s) or
31 condition(s) noted in the original appraisal report, Fannie Mae Form 1004D/Freddie Mac
32 Form 442, *Appraisal Update and/or Completion Report*, Certification of Completion
33 must be used.
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1 **4. Trust Land Property Considerations**

2
3 **a. Definitions**

4
5 **Indian** is defined in this chapter, subsection B.2.a.i. **Tribe** is defined in this
6 chapter, subsection B.2.a.iii. **Trust Land** means land title which is held in
7 trust by the United States for the benefit of an Indian or Tribe, or title which is
8 held by a Tribe subject to a restriction against alienation imposed by the
9 United States or the Tribe.

10
11 It is important to note that Trust Land may also include land not held in trust
12 by the United States.

13
14 **b. Eligible Property and Section 184 Approved Area**

15 Trust Land property must be an Eligible Property. See Subsection B.2.d.

16 Trust Land property must be under the jurisdiction of a Tribe approved to
17 participate in the Section 184 Program.

18 **c. General Property Acceptability Criteria**

19
20 Loans for Trust Land Properties intended for the Section 184 Program must
21 meet all General Property Acceptability Criteria outlined in Subsection C.2.
22 above.

23
24 **d. Land Status**

25
26 The DG Lender must confirm with the Tribe and, where applicable, the Bureau
27 of Indian Affairs the land status. The categories are as follows.

28
29 **i.** Tribal Trust Land refers to land held in trust by the United States for
30 the benefit of the Tribe and is subject to a restriction against alienation
31 by the United States.

32
33 **ii.** Individual Trust Land or Allotted Land refers to land held in trust by
34 the United States for the benefit of an individual Indian or Indians and
35 is subject to a restriction against alienation by the United States.

36
37 **iii.** Restricted Fee refers to land not held in trust by the United States and
38 land owned by the Tribe whereby alienation is restricted by operation
39 of Tribal law and/or Federal/State law.

40
41 DG Lender's understanding of the Land Status is critical as it impacts how DG
42 Lender complies with other Section 184 Programs requirements and processing
43 procedures, such as verifying chain of title, liens and encumbrances, lien

1 priority, recordation...etc.

2
3 If the DG Lender is unable to determine the Land Status despite consulting
4 with the Tribe, Indian Family or the BIA, DG Lender should contact the Office
5 of Loan Guarantee for further technical assistance. Inquiries may be emailed
6 to Section184@hud.gov.

7
8 **e. Compliance with Applicable Section 184 Program Requirements**

9
10 Unless Section 184 administrative guidance expressly exempts Tribal Trust
11 Land properties from certain Section 184 Program requirements or alternative
12 Section 184 Program requirements are provided, loans involving Trust Land
13 intended for the Section 184 Program must follow all applicable Section 184
14 Program regulatory and administrative requirements.

15
16 **5. Condominiums**

17
18 **a. Approved Projects**

19
20 Condominium Units (Units) on the [FHA Approved Condominium Projects](#) list
21 that have been approved under the HUD Review and Approval Process
22 (HRAP) and Condominiums eligible for financing through the Alaska
23 Housing Finance Agency with a current status of “Accepted” or “Site Condo”
24 on the [Alaska Housing Finance Agency Condo Project](#) List is an Eligible
25 Property.

26
27 In addition, Section 184 will guarantee loans that meet the definition and
28 standards for a Site Condominium.

29
30 **b. Units Not Requiring Approval**

31
32 **i. Streamline Refinances**

33
34 Streamline Refinances do not require Condominium Project Approval
35 or Single-Unit Approval. If the Unit is in a Condominium Project that
36 has an FHA Condo ID, the DG Lender must enter the FHA Condo ID
37 when the Section 184 Case Number is requested.

1 **c. Requirements for Units in Approved Projects**

2
3 The DG Lender must verify the following requirements for individual Units
4 located in an Approved Condominium Project or Legal Phase.

5
6 **i. Continued Eligibility under FHA Approved Condominium**
7 **Projects**

8
9 **a) Definition**

10
11 FHA and Section 184 Loan concentration refers to the number
12 of FHA-insured Mortgages and Section 184 Guaranteed Loans
13 within a Condominium Project.

14
15 **b) Standard**

16
17 The Section 184 program may suspend the issuance of new case
18 numbers for loans on a Unit in a Condominium Project where the
19 FHA and Section 184 Loan Program total concentration is greater
20 than 50 percent of the total number of Units in the Condominium
21 Project.

22
23 **ii. Form HUD-XXXX, Condominium Loan Level/Single-Unit**
24 **Approval Questionnaire**

25
26 **a) Definition**

27
28 Form HUD-5XXXX, Condominium Loan Level/Single-Unit
29 Approval Questionnaire, refers to a set of questions designed to
30 collect pertinent loan, Condominium Project, and Unit
31 information for Section 184 Loan Guarantee.

32
33 **b) Standard**

34
35 The DG Lender must obtain a completed, signed, and dated
36 form HUD-5XXXX from the Condominium Project.

37
38 **iii. Owner Occupancy Percentage**

39
40 **a) Definition**

41
42 Owner Occupancy Percentage refers to the percentage of Units
43 considered owner-occupied as shown in the calculation.
44
45
46

1 (5) single-phased Condominium Project, all Units.

2
3 A Unit owned by the builder/developer is not an owner-
4 occupied Unit.

5
6 **iv. Financial Condition**

7
8 **a) Units in Arrears**

9
10 **(1) Definition**

11 Units in Arrears refer to each Unit with Condominium
12 Association dues or any special assessments that are
13 more than 60 Days past due.

14
15
16 **(2) Standard**

17 The Lender must verify that no more than 15 percent of
18 the total Units are Units in Arrears (does not include
19 late fees or administrative expenses).

20
21
22 **(3) Required Documentation**

23 The DG Lender must submit form HUD-5XXXX to
24 Section 184 Program at time of LGC submission.

25
26
27 **b) Individual Owner Concentration**

28
29 **(1) Definition**

30 Individual Owner Concentration refers to the
31 percentage of Units owned by a single owner or Related
32 Party.

33 Related Party includes, but is not limited to:

- 34
35
36
37
 - an individual serving as the Unit owners' officer,
38 director, or employee; or
 - a Unit owner's direct parent company, subsidiary, or
39 any related entity with which the Unit owner shares
40 a common officer or director.

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(2) Standard

The DG Lender must determine that for Condominium Projects with 20 or more Units, the Individual Owner Concentration is 10 percent or less. The Mortgagee must determine that for Condominium Projects with fewer than 20 Units, the Unit owner may not own more than one Unit. No Related Party may own a Unit.

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(3) Exception

Affordable housing Units owned by an eligible governmental or nonprofit program defined in 24 CFR § 203.41 are not subject to the Individual Owner Concentration requirements. The affordable housing Units must be identified by recorded legal documents.

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21
22
(4) Required Documentation

The DG Lender must submit form HUD-5XXXX to the Section 184 Program at time of loan endorsement.

23
24
25
26
(5) Calculation

For the Individual Owner Concentration calculation:

- on a multi-phased Condominium Project, the Individual Owner Concentration is calculated based on the total number of Units in the first declared Legal Phase and cumulatively on subsequent Legal Phases; or
- for a single-phased Condominium Project, all Units are used in the denominator when calculating the Individual Owner Concentration, except that unoccupied and unsold Units owned by a builder/developer are excluded from the numerator and denominator in the Individual Owner Concentration calculation.

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46
The Lender must use the total number of declared Units in the Condominium Project for Complete Condominium Projects and Gut Rehab to calculate the Individual Owner Concentration.

1 v. **Insurance**

2
3 **a) Walls-In (HO-6)**

4
5 **(1) Definition**

6
7 Walls-In Insurance refers to insurance that covers the
8 interior of the Unit and Personal Property inside the
9 Unit.

10
11 **(2) Standard**

12
13 The Lender must verify that the Borrower has obtained
14 a Walls-In policy (HO-6) if the master or blanket policy
15 does not include interior unit coverage, including
16 replacement of interior improvements and betterment
17 coverage to ensure improvements that the Borrower
18 may have made to the Unit.

19
20 **(3) Required Documentation**

21
22 The Lender must submit form HUD-5XXXX and the
23 certificate of insurance or complete copy of the
24 insurance policy to Section 184 Program prior to loan
25 endorsement.

26
27 **b) Hazard Insurance**

28
29 **(1) Definition**

30
31 Hazard Insurance refers to insurance coverage that
32 compensates for physical damage by fire, wind, or
33 natural occurrences.

34
35 **(2) Standard**

36
37 Lenders must verify that the Condominium Association
38 has a master or blanket Hazard Insurance policy in
39 place for the entire Approved Condominium Project in
40 an amount equal to at least 100 percent of the insurable
41 replacement cost of the Approved Condominium
42 Project, including the individual Units in the Approved
43 Condominium Project.

44
45 Lenders must verify that any policy with a coinsurance
46 clause includes an agreed amount endorsement,

1 selection of the agreed value option, or an amount of
2 coverage equal to at least 100 percent of the insurable
3 replacement cost.
4

5 Lenders must verify that any pooled insurance policy
6 satisfies the insurance coverage standard for each
7 Condominium Project insured under the policy.
8

9 The insurance policies must list the Condominium
10 Association as the named insured, or, in the case of an
11 affiliated Approved Condominium Project or
12 Condominium Association, the name of the affiliated
13 Approved Condominium Project or Condominium
14 Association may be listed as a named insured.
15

16 **(3) Required Documentation**

17
18 DG Lenders must submit form HUD-5XXXX, the
19 certificate of insurance or complete copy of the
20 insurance policy, and, if applicable, acceptable
21 evidence of the replacement cost value.
22

23 **c) Flood Insurance**

24 **(1) Standard**

25
26
27 Flood Insurance for Condominiums must meet the
28 requirements in Flood Insurance.
29

30 The Lender must verify that the Approved
31 Condominium Project located in a Special Flood
32 Hazard Area (SFHA) continues to meet the Flood
33 Insurance requirements in the Condominium Project
34 Approval section.
35

36 The insurance policies must list the Condominium
37 Association as the named insured, or, in the case of an
38 affiliated Approved Condominium Project or
39 Condominium Association, the name of the affiliated
40 Approved Condominium Project or Condominium
41 Association may be listed as a named insured.
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(2) Required Documentation

The Lender must submit:

- form HUD-5XXXX;
- if applicable, the Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR), or a FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152); and
- if applicable, the certificate of insurance or a complete copy of the Flood Insurance policy.

d) Exceptions to Section 184 Loan Guarantee Requirements

This exception applies to Manufactured Home Condominium Projects, Detached Condominium Housing Projects, and Common Interest Housing Developments unable to satisfy the current insurance requirements.

(1) Definitions

A **Manufactured Home Condominium Project (MHCP)** refers to a Condominium Project that consists of two or more Manufactured Homes.

A **Detached Condominium Housing Project (DCHP)** refers to a Condominium Project that has individual detached Single Family Dwelling Units, garage, and onsite improvements that are owned and maintained by the homeowner. The ground beneath the residential improvements is owned by the Condominium Association or Homeowners' Association (HOA) or is under a long-term leasehold interest and considered common area or limited common area.

A **Common Interest Housing Development (CIHD)** refers to a planned residential community that may consist of Units within a two- to four-unit building and/or contain multiple housing types, structured with different ownership interests, managed by a common Condominium Association or HOA, and governed under one Declaration of Covenants, Conditions, and Restrictions (CC&Rs). The CIHD may share a variety of common amenities and services.

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(2) Standard

DG Lenders must verify that the Unit owners and the Condominium Association or HOA comply with Section 184 insurance coverage requirements.

(3) Manufactured Housing Condominium Project

If the governing documents require the Unit owners to maintain all applicable property insurance coverage for the dwelling, site area, and any Personal Property contained within, the MRCP is not required to maintain:

- a blanket Hazard Insurance policy, provided the governing documents require the Unit owners to maintain individual Hazard Insurance (Walls-In);
- a Liability Insurance policy, provided the governing documents require the Unit owners to maintain individual Liability Insurance; or
- a Flood Insurance policy, provided that the governing documents require the Unit owners to maintain individual Flood Insurance if the Unit has been identified as located in a Special Flood Hazard Area (SFHA).

The Condominium Association or HOA must carry master or blanket insurance for Structures/improvements that are considered common areas of the project outside the footprint of the individual site.

(4) Detached Condominium Housing Project

If the governing documents require the Unit owners to maintain all applicable property insurance coverage for the dwelling, site area, and any Personal Property contained within, the DCHP Condominium Association or HOA is not required to maintain:

- a blanket Hazard Insurance policy, provided the governing documents require the Unit owners to maintain individual Hazard Insurance;

- a Liability Insurance policy, provided the governing documents require the Unit owners to maintain individual Liability Insurance; and
- a Flood Insurance policy, provided the governing documents require the Unit owners to maintain individual Flood Insurance.

The Condominium Association or HOA must carry master or blanket insurance for Structures/improvements that are considered common areas of the project outside the footprint of the individual site.

(5) Common Interest Housing Development

If the governing documents require the Unit owners of the detached Single-Family homes, Site Condominiums, duplex, or two-to-four units within the project to maintain and carry property insurance for the dwelling, site area and any Personal Property contained therein, the Condominium Association or HOA is not required to maintain:

- a blanket Hazard Insurance policy, provided the governing documents require the Unit owners to maintain individual Hazard Insurance;
- a Liability Insurance policy, provided the governing documents require the Unit owners to maintain individual Liability Insurance; and
- a Flood Insurance policy, provided the governing documents require the Unit owners to maintain individual Flood Insurance.

The Condominium Association or HOA must maintain and carry master/blanket Hazard, Liability, and Flood insurance for the Structures that contain the attached units and the common areas of the project.

(6) Required Documentation

The DG Lender must submit form HUD-5XXXX and the certificates of insurance or complete copies of the insurance policies.

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