

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

3

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

5

6 **Subsection E – Appraisal**

7

8 **E. APPRAISAL**

9

**1. Appraisals**

10

**a. Introduction**

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This subsection provides guidance on establishing a credible appraisal for property that serves as security under the Section 184 Guaranteed Loan Program for various stakeholders, including Appraisers, Direct Guarantee (DG) Lenders, and DG Underwriters.

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An appraisal evaluates the existing or proposed property as security for the loan intended for the Section 184 Program. The Appraisal includes an estimation of the market value of the land for fee simple properties, the improvements, as well as an analysis of the project's market need, location, and, if applicable, residential rent and operating expenses.

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Property refers to the Eligible Property as outlined in [Chapter II, Subsection B.2.d.](#)

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Appraisals are required for all properties under the Section 184 Guaranteed Loan Program unless the proposed transaction is a Streamline Refinance, which does not require an Appraisal.

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DG Lenders shall have the property appraised in accordance with all applicable federal requirements, including but not limited to the [Uniform Standards of Professional Appraisal Practice \(USPAP\)](#), the [Equal Credit Opportunity Act](#), and the [Fair Housing Act](#).

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Appraising properties on Tribal land involves unique considerations due to land restrictions and variability in comparable sales. Appraisers must be familiar with the unique land restrictions on Tribal land and develop the appropriate value for the subject property. The supply of comparable sales and rental transactions varies by site and Tribe. Until sufficient sales exist on Trust Land to provide a reasonable sales comparison approach for determining the value of Tribal trust leaseholds or allotted lands, Appraisers must rely on other value indicators. The appraisal process must be documented more thoroughly than a typical market

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1 appraisal. Appraisals on Trust land may utilize the cost approach. ONAP will  
2 accept Appraisals if Appraisers have documented the search for comparable sales  
3 and clearly supported their conclusions. Appraisers must exercise their best  
4 judgment and experience when deriving the approach to value.

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6 **b. Ordering the Appraisal**

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8 **i. Selection of a Qualified Appraiser**

9 DG Lenders must select an Appraiser on the Federal Housing  
10 Administration Appraiser Roster.

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12 Appraisals must be ordered by DG Lenders. Prior to ordering appraisals,  
13 DG Lenders must obtain a Section 184 Case Number.

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15 **c. Property Appraisal Guidelines**

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17 DG Lenders and Appraisers must ensure that an appraisal and related  
18 documentation satisfy the Section 184 Guaranteed Loan Program appraisal  
19 requirements. Both parties bear the responsibility for the quality of the appraisal  
20 and satisfying such requirements.

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22 The appraisal reporting form to be used will depend on the property type that is  
23 being appraised. The Appraiser must select the appropriate appraisal form based  
24 on the proposed collateral for the loan intended for the Section 184 Program. The  
25 Appraiser must complete the form in a manner that clearly reflects the  
26 thoroughness of the investigation and analysis of the appraisal findings.

27 Appraisers and DG Lenders must follow the most current FHA Single Family  
28 Housing Policy Handbook 4000.1 as it pertains to Appraisers, property  
29 requirements (not otherwise modified or prohibited by Section 184 Program  
30 requirements), communications with Appraisers, Appraiser fees, safeguards for  
31 Appraiser independence and conflicts of interest, except as otherwise specified in  
32 the sections to follow.

33 DG Underwriters are responsible for the quality of the appraisal report and may  
34 request clarifications and discuss with the Appraiser components of the appraisal  
35 that influence its quality.

36 **d. Safeguards**

37 DG Lenders must clearly demonstrate that it has prudent safeguards to isolate its  
38 collateral evaluation process from influence or interference from its loan  
39 production process.

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1 **e. Terminology**

2 When reviewing FHA Single Family Housing Policy Handbook 4000.1 on  
3 appraisals, apply the following changes:

4 *1-800-CALLFHA (1-800-225-5342)* should be replaced with *(800) 561-5913*.

5 *answers@hud.gov* should be replaced with [section184@hud.gov](mailto:section184@hud.gov)

6 *Disbursement Date* should be replaced with *Closing Date*.

7 *Federal Housing Administration (FHA)* should be replaced with *Office of Native*  
8 *American Programs*.

9 *Loan Broker* should be replaced with *Non-DG Lender*.

10 *Mortgage* and *Forward Mortgage* should be replaced with *Section 184 Program*  
11 *Loan*.

12 *Mortgage Insurance Certificate* should be replaced with *Section 184 Loan*  
13 *Guarantee*.

14 *Mortgagee* should be replaced with *DG Lender*.

15 *Mortgagor* should be replaced with *Borrower*.

16 **f. Prohibited Properties**

17 Five or more family homes, mixed-use properties (residential and commercial use  
18 in one property), commercial buildings, boarding houses, tourist houses, private  
19 clubs, bed and breakfast establishments, transient housing, and vacation homes  
20 are not Eligible Properties under the Section 184 Program.

21 With the exception of Non-occupant Indian Co-Borrower, and where the Tribe or  
22 TDHE is the borrower, the Section 184 Program requires owner occupancy,

23 Hawaii is not a Section 184 Approved Area for the Section 184 Program. Please  
24 consult with the Section 184A Native Hawaiian Housing Loan Guarantee  
25 Program for lending in Hawaii.

26 Additional guidance on Eligible Properties can be found in [Chapter II, subsection](#)  
27 [C.1.b and c](#).

28 **g. Alternative Valuation Methods**

29 Under [24 CFR 1005.457](#), HUD may establish alternative requirements to USPAP,  
30 when necessitated by the location of the Property and availability of an Appraiser.

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2 **The following options are available as alternative appraisal methods:**

3 **i. Remote Observation**

4 **a) Definition**

5 Remote Area and Adequate Vehicular Access are defined in  
6 subsection E.1.g.iii below.

7 Remote Observation is a technology-based method that allows  
8 Appraisers to directly observe the Property characteristics,  
9 concurrently and in coordination with another individual at the  
10 Property. The technology must provide data capture of the  
11 observation and include metadata with geocoding for location  
12 confirmation. Remote Areas, such as parts of Alaska and other  
13 Tribal lands within the contiguous 48 States, may not have  
14 Adequate Vehicle Access. The appraiser should note in the  
15 comments section the main travel ways for these remote areas,  
16 such as plane or boat, and/or the times of year in which travel  
17 ways, such as roads, are open for safe passage.

18 **b) Standard**

19 All required visual exhibits and photograph images for the  
20 applicable scope of work must be included. A Remote Observation  
21 option is only available in connection with appraisal requests in  
22 remote areas where licensed appraisers are not readily available,  
23 and due diligence is documented by DG Underwriters. The process  
24 must be monitored by and deemed acceptable by the DG  
25 Underwriter and DG Lender.

26 **c) Required Documents**

27 When using Remote Observation technology, the appraisal report  
28 must include a certification that states the visual inspection was  
29 performed with Remote Observation and that technology verified  
30 the location of the Property.

31 The appraisal must indicate if the property is in a Remote Area.

32 **ii. Proposed Alternative Valuation Method**

33 **a) Definition**

34 A Proposed Alternative Valuation Method consists of a proposal,  
35 prepared by DG Lenders, which identifies an alternative method of  
36 valuing property that is necessitated due to the remote location of a

1 Property/Properties where FHA Roster Appraisers are not readily  
2 available.

3 **b) Standard**

4 DG Lenders must submit the Proposed Alternative Valuation  
5 Method to the Director of the Office of Loan Guarantee. The  
6 submission may be sent by email to [XXXX@hud.gov](mailto:XXXX@hud.gov).

7 **c) Required Documents**

- 8 • A cover letter on DG Lender's letterhead providing the Section  
9 184 Case Number, property address, land status type and  
10 information explaining the request.
- 11 • An explanation of the proposal that identifies and resolves all  
12 pertinent risks.
- 13 • All documents used to support the use of the alternative  
14 valuation method.

15 **iii. Access to Property**

16 **a) Definition**

17 Adequate Vehicular Access refers to an all-weather road surface  
18 over which emergency and typical passenger vehicles can always  
19 pass.

20 Remote Area means communities that do not have Adequate  
21 Vehicular Access or are only accessible by water or air.

22 **b) Standard**

23 The Property must have Adequate Vehicular Access.

24 **c) Section 184 Exception**

25 Remote areas of Alaska and other Tribal land within the contiguous  
26 48 States may not have Adequate Vehicle Access. The appraiser  
27 must note in the comments section the main travel ways for these  
28 remote areas, such as plane or boat, and/or the times of year in  
29 which travel ways, such as roads, are open for safe passage.

30 **i. Requirements for Standard Housing**

31 A loan intended for guarantee under the Section 184 Program must meet the  
32 Requirements for Standard Housing (i through v below), standards of the  
33 International Building Code, and applicable Tribal, state, local, or regional  
34 construction standards.

1 **FHA's Minimum Property Requirements and Minimum Property Standards**  
2 **do not apply.**

3 **i.** The dwelling must include a heating system that:

4 **a)** Can maintain a minimum temperature of 65 degrees Fahrenheit  
5 during extreme cold;

6 **b)** Is safe to operate and maintain;

7 **c)** Provides uniform heat distribution; and

8 **d)** Adheres to applicable Tribal heating codes when on tribal land  
9 and the Tribe has established construction standards, or in their  
10 absence and for fee simple properties, complies with appropriate  
11 local, state, or International Building Codes.

12 **ii.** The dwelling must also include a plumbing system that:

13 **a)** Uses a properly installed system of piping;

14 **b)** Includes a kitchen sink and a partitioned bathroom with a  
15 lavatory, toilet, and bath or shower; and

16 **c)** Uses water supply, plumbing, and sewage disposal systems that  
17 conform to any applicable Tribal building code when on tribal land  
18 and the Tribe has established construction standards, or if no Tribal  
19 code exists and for fee simple, the minimum standards established  
20 by appropriate local or state codes, the International Building  
21 Code.

22 **iii.** The dwelling must have an electrical system using wiring and  
23 equipment properly installed to safely supply electrical energy for  
24 adequate lighting and appliance operation. This system must conform to  
25 any applicable Tribal code when on Tribal land and the Tribe has  
26 established construction standards, or if no Tribal code exists and for fee  
27 simple, an appropriate local, state, or International Building Code.

28 **iv.** The dwelling must conform with energy performance requirements for  
29 new construction under section 526(a) of the National Housing Act (12  
30 U.S.C. 1735f-4(a).

31 **v. The dwelling must meet minimum square footage requirements as**  
32 **follows:**

33 **a)** At least 570 square feet for a family of up to 4 persons;

34 **b)** At least 850 square feet for a family of 5 to 7 persons;

35 **c)** At least 1020 square feet for a family of 8 or more persons; or

1 d) Current locally adopted standards for dwelling unit size,  
2 documented by the Direct Guarantee Lender.

3 In cases where the Properties include ADUs, ADUs must comply Section 184  
4 Program Requirements for Standard Housing but are not subject to the above  
5 minimum square footage requirements. However, ADUs must comply with  
6 minimum square footage requirements, if any, under Tribal, State or local law.

7 **j. Eligible Property Requirements**

- 8 i. Be an Eligible Property, as defined in Chapter II, Subsection B.2.e.  
9 ii. Comply with Tribal, state or local zoning requirements.  
10 iii. All dwelling units must be located on the Eligible Property and include  
11 a legal description that is reflected on the appropriate loan documents and  
12 recorded under the loan.

13 **k. Property Rights Appraised**

14 The value of the collateral is determined by a property appraisal, which includes  
15 all eligible property improvements. Trust land, which is secured by the leasehold  
16 interest or other property interest, is not considered collateral that is awarded  
17 value in an appraisal. However, value can be assigned to some forms of real  
18 property ownership.

19 When the Property is not fee simple, Appraisers and DG Lenders must correctly  
20 identify the Tribal Trust Land Type. See Chapter II, Subsection C.4.

21 **l. Property Requirements for Manufactured Homes**

22 HUD's terminology for mobile home is "Manufactured Home", but does not  
23 include modular construction, which is also a factory-built home that is treated the  
24 same as onsite or stick-built housing. Manufactured Home refers to single-  
25 dwelling unit structures that are transportable in one or more sections. The  
26 Manufactured Home and site exist together as one real estate entity on Fee Simple  
27 land in accordance with state law and must be treated as real estate for taxation  
28 purposes. They are designed to be used as a dwelling when connected to the  
29 required utilities, which include the plumbing, heating, air conditioning, and  
30 electrical systems. Manufactured Home is designed and constructed according to  
31 the federal Manufactured Home Construction and Safety Standards (MHCSS) as  
32 evidenced by an affixed HUD Certification Label. Only Manufactured Homes  
33 built after June 15, 1976, will bear that seal; any Manufactured Homes built  
34 before those dates are ineligible for Section 184 financing.

- 35 i. A Manufactured Home is eligible for a Section 184 Guaranteed Loan  
36 when the manufactured home is installed according to 24 CFR part 3286  
37 and conforms to property standards under § 1005.419. It must be

1 constructed in line with 24 CFR part 3280, as evidenced by the  
2 certification label. Manufactured Homes must comply with the following,  
3 and on Trust Land must comply with the following in addition to all Tribal  
4 installation standards, if the Tribe has any.

5 **a) Towing Hitch, Running Gear, and Other Mechanical**  
6 **Systems**

7 The towing hitch, running gear, and any other mechanical systems  
8 designed to allow the manufactured housing unit to be towed over  
9 public roads must be removed. The home must be erected on a  
10 permanent foundation and permanently attached using adequate  
11 anchoring devices.

12 **b) Manufactured Homes Must be Properly Enclosed**

13 The space beneath Manufactured Homes must be properly  
14 enclosed. The perimeter enclosure must be a continuous wall that  
15 is adequately secured to the perimeter of the unit and allows for  
16 proper ventilation of the crawl space. Skirting, when applicable,  
17 must extend from the bottom of the Manufactured Home to the  
18 permanent foundation or the perimeter enclosure, whichever is  
19 appropriate for the situation. This skirting must be permanently  
20 affixed to both the Manufactured Home and the foundation or  
21 perimeter enclosure, and there must be a properly enclosed crawl  
22 space.

23 **c) Affixed HUD Certification Label**

24 Manufactured Homes must have an affixed HUD Certification  
25 Label located at one end of each section of the house,  
26 approximately one foot up from the floor and one foot in from the  
27 roadside, or as near that location on a permanent part of the  
28 exterior of the house as practicable. Etched on the HUD  
29 Certification Label is the certification label number, also referred  
30 to as the HUD label number. Label numbers are not required to be  
31 sequential on a multi-section house.

32 **1)** Appraisers must report the HUD label number for all  
33 sections, or report that the HUD Certification Label is  
34 missing or that the Appraiser was unable to locate it.

35 **2)** In Cases of Single Close construction where the  
36 manufactured home is not installed prior to the appraisal,  
37 the appraiser must report the HUD Certification Label on  
38 the final inspection.



1 **d) Appraiser Reporting**

2 Appraisers must report the information on the Data Plate within the  
3 appraisal, including the manufacturer name, serial number, model,  
4 and date of manufacture, as well as wind, roof load, and thermal  
5 zone maps.

6 **1)** If the Data Plate is missing or the Appraiser is unable to  
7 locate it, the Appraiser must report this in the appraisal and  
8 is not required to secure the Data Plate information from  
9 another source.

10 **2)** In Cases of Single Close construction where the  
11 manufactured home is not installed prior to the appraisal,  
12 the appraiser must report the Data Plate on the final  
13 inspection

14 **e) Additions or Structural Changes**

15 If Appraisers observes additions or structural changes to the  
16 original Manufactured Home, Appraisers must condition the  
17 appraisal upon inspection by the state or local jurisdiction  
18 administrative agency that inspects Manufactured Housing for  
19 compliance, or a licensed structural engineer may report on the  
20 structural integrity of the manufactured dwelling and the addition  
21 if the state does not employ inspectors.

22 **f) Loan Terms**

23 The loan must cover both the manufactured unit and its site, or the  
24 appropriate lease documents must be in place.

25 **g) Required Inspections and Foundation Requirements**

26 Existing foundations must be inspected by a professional engineer  
27 and certified that the foundation is adequate to support all loading  
28 (including snow loads), and that the manufactured home is  
29 securely fastened to the ground or the foundation, and that the  
30 connections will withstand any possible shaking, uplift, or wind  
31 loading that may be typical in the area.

32 **h) Title Requirements**

33 If there were two existing titles at the time the housing unit was  
34 purchased, DG Lenders must ensure that all state or local  
35 requirements for proper purging of the title (chattel or equivalent  
36 debt instrument) have been met, and the subject Property is  
37 classified as real estate prior to endorsement. The loan should

1 cover both the manufactured home(s) and the site, constituting a  
2 property loan that is classified and taxed as real estate where  
3 applicable.

4 **1)** Exception on Tribal Trust Land, where Tribal law does  
5 not require or address title elimination of manufactured  
6 homes on Tribal Trust Land, title elimination will not be  
7 required. However, the requirements under [24 CFR](#)  
8 [1005.429\(b\)](#) shall apply.

9 **m. Sale of Property - Resales**

10 **i. Owner of Record Requirement:**

11 Seller Must be Owner of Record. See [Chapter II, Subsection C.1.d.](#)

12 **ii. Time Restrictions on Resales:**

13 Restrictions on Property Flipping apply. See [Chapter II, Subsection C.1.e](#)

14 **n. Site Map and Legal Description**

15 Appraiser and DG Lenders must verify that the site area and legal description  
16 match throughout the documents provided, such as the sales contract, construction  
17 plans, and site map as applicable. When a discrepancy is noted, the appraiser  
18 should determine the reason and confirm the correct legal description.

19 Each property that is intended to be guaranteed under the Section 184 Program  
20 must have its own unique legal description. **The same legal description must not**  
21 **appear on any other active or pending Section 184 and active non-Section**  
22 **184 Guaranteed Loan.** This includes the lease and the survey. Master Leases  
23 alone are not acceptable.

24 **o. Single Close Construction and Rehabilitation**

25 **i.** DG Lenders must provide appraisers with contracts, property plans and  
26 specifications, and other related construction exhibits when the appraisal is  
27 ordered.

28 **ii.** The Builder's Certification of Plans, Specifications, and Site [Form](#)  
29 [HUD-5XXXX](#) must be provided to appraisers for reference before the  
30 performance of an appraisal on the property.

31 **iii.** Construction may not have started prior to the disbursement date of the  
32 loan. Appraiser must comment on any construction that has started at the  
33 time of initial appraisal.

34 **iv.** Flood data

1                   **a)** Single Close Construction may not be completed in a  
2                   determined flood zone or unmapped area without a FEMA letter of  
3                   Map Amendment (LOMA),

4                   **b)** final Letter of Map Revision (LOMR) that removes the property  
5                   from a Special Flood Hazard Area (SFHA)

6                   OR

7                   **c)** Flood Insurance Program Elevation Certificate ([FEMA Form](#)  
8                   [086-0-33](#)) prepared by a licensed engineer or surveyor. The  
9                   elevation certificate must document that the lowest floor, including  
10                  the basement of the residential building, and all related  
11                  improvements/equipment essential to the value of the property, is  
12                  built at or above the 100-year flood elevation in compliance with  
13                  the NFIP criteria, and flood insurance must be obtained,  
14                  notwithstanding [24 CFR 58.6\(a\)](#)

15                  AND

16                  **d)** Single Close Construction of a new manufactured home must be  
17                  two (2) feet above the 100-year flood elevation.

18                  **v.** Appraisers are not considered qualified inspectors for the purpose of  
19                  quality of construction.

20                  **vi.** When construction changes occur the appraiser must be notified and  
21                  review the property to determine if the changes negatively affect the value.

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