



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

JUN 23 2016

SUBJECT: REQUESTING TRIBAL FEEDBACK on a Proposed Increase to the Annual Premium for the Indian Housing Loan Guarantee Program

Dear Tribal Leader:

The Department requests your comments on a proposal to increase the annual fee that borrowers must pay to participate in the Indian Housing Loan Guarantee program, also known as the Section 184 program.

The Section 184 program is HUD's home mortgage guarantee specifically designed for American Indian and Alaska Native families, Indian tribes, Alaska Villages, and Tribally Designated Housing Entities (TDHEs). These loans can be used, both on and off native lands, for new construction, rehabilitation, purchase of an existing home, or refinance.

The program is funded by money appropriated by Congress, as well as by premiums (fees) paid by the borrowers who benefit from the program. The 2013 Consolidated and Further Continuing Appropriations Act (Public Law 113-6, approved March 26, 2013) amended section 184(d) of the Housing and Community Development Act of 1992 to establish and collect annual premium payments in an amount not exceeding one percent of the remaining guaranteed balance (excluding the 1.5 percent, one-time fee collected when the guarantee is issued). The premiums paid by borrowers increase or decrease slightly each year to reflect the actual risks associated with the program's mortgage loan portfolio.

In recent years, rapidly growing demand and more loan defaults have led to an increased overall risk for the program. Increased risk increases the cost to operate the program, and to continue to provide for the increasing demand, HUD must consider increasing the annual premium charged to the borrowers.

Currently, the annual fee, or premium, is .0015 percent of the unpaid loan balance, and is assessed until the unpaid principal balance, (excluding the one-time loan guarantee fee), reaches 78 percent of the lower of the initial sales price, or the appraised value based on the initial amortization schedule. A borrower with a balance of \$177,000 now pays about \$21.71 each month to cover this fee.

At this time, HUD is considering raising the annual premium to .0025 percent. The increase would apply to all new loan guarantees, including refinances. This increase would mean that a borrower with a \$177,000 loan could expect to see his or her monthly payment increase by about \$14.47, for a total monthly fee of approximately \$36.18.

Without a premium increase, HUD may be forced to temporarily limit loan issuance to certain categories or even cease all new loan activity for several months in fiscal year 2016.

These full or partial suspensions of program activity, even if temporary, could cause lenders to lose confidence in the program's stability and create real hardship for potential Indian borrowers.

HUD values your opinions as a tribal leader with an interest in and knowledge of Indian housing issues. Please submit your comments on this proposal within 30 days of the date of this letter to:

Tom Wright, Office of Loan Guarantee
Office of Native American Programs, HUD
451 Seventh St., SW, Room 5143
Washington, DC 20410

Or by e-mail to Section184Consultation@hud.gov.

Thank you for taking the time to consider this important issue.

Sincerely,



Heidi J. Frechette
Deputy Assistant Secretary
for Native American Programs