



# HUD Alaska Office of Native American Programs

## Alaska Office of Native American Programs

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# Overview

Today's presentation will briefly cover:

- Title VI Loan Guarantee Program
- Section 184 Loan Guarantee Program

# **TITLE VI LOAN GUARANTEE PROGRAM**

# Title VI Availability

The Title VI Loan Guarantee Program is only available to recipients of Indian Housing Block Grant (IHBG) funds under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA).

# What Is a Title VI Loan Guarantee?

- The Title VI Loan Guarantee Program was created to assist tribes, Alaska Native Villages, and Tribally Designated Housing Entities (TDHE) with financing affordable housing activities under NAHASDA.
- HUD will guarantee the loan against default, so it minimizes risk to the lender which assists recipients in obtaining loans for housing activities.
- HUD Guarantee is for 95% of the outstanding principal and interest owed on the loan.

# Title VI Loan Guarantee Cont'd

- Allows Indian Housing Block Recipients to leverage up to 5 times the need portion of the IHBG grant.
  - For example, a Recipient receives \$100,000 in IHBG need:  
 $\$100,000 \times 5 = \$500,000$  Loan
- Must obtain loan through a bank but must also obtain the approval for the Loan Guarantee through HUD's Office of Loan Guarantee.
- Recipient must demonstrate the capacity to successfully complete the project and repay the loan.

# What Can Title VI Be Used For?

Since Title VI is part of NAHASDA, it can only be used for activities that are in compliance with Section 202 of NAHASDA.

- Purchasing land and housing
- Designing building and site plans
- Construction and rehabilitation of housing
- Infrastructure (roads, sidewalks, water, sewer, gas, electric)
- Financing loans

# What is the Collateral for Title VI?

- Pledged IHBG funds are collateral to HUD for issuing the Loan Guarantee.
  - These funds can still be used by the tribe/TDHE unless there is loan payment default.
- The Title VI Loan Guarantee is the collateral for the lender's loan.
  - No land or improvements are used as collateral.



# Why Would a Recipient Want a Title VI Loan Guarantee?

- Cost Savings- projects are built or rehabbed at today's prices. Things only get more expensive each year.
- Allows more families to be served at one time.
- Flexible loan repayment terms of up to 20 years.
- Can be used with other financing resources.

# Title VI Loan Example

Recipient receives \$300,000 IHBG formula amount. The Recipient can get a loan up to 5 times the annual IHBG amount.

Maximum loan amount :  $\$300,000 \times 5 = \$1,500,000$  Title VI Loan

- 6% loan from the Lender for 20-year term = Annual loan payment of \$128,958 to lender.
- Leaves \$171,042 every year for other NAHASDA activities.

# Title VI in Alaska

- Since 2000, there have been 50 Loans resulting in over \$55 Million in Title VI Loans in Alaska.
- Common Title VI projects in Alaska have included:
  - New Construction of homeownership and rental units
  - Rehabilitation
  - Completion of roads to affordable housing subdivision
  - Construction of community buildings
  - Construction or rehabilitation of housing office

# **SECTION 184 LOAN GUARANTEE PROGRAM**

# What Is the Section 184 Loan Guarantee Program?

The Section 184 Loan Guarantee Program was created in 1992 to increase Native American Homeownership by reducing loan costs.

- Offers more flexibility for property and credit standards.
- Loan can only be used for single family housing (1 to 4 units).
- Can be used on Tribal Trust, Allotted Trust, or Fee Simple Land.

HUD guarantees 100% to the lender in the event of a foreclosure and claim.

# What Can Section 184 Loans Be Used For?

- New Construction
- Rehabilitation
- Purchase of an existing house
- Refinancing (Rate and Term, Streamline, Cash Out)

# Who Is Eligible For Section 184?

Eligible Borrowers include:

- American Indians/Alaska Natives
- Tribes
- Tribally Designated Housing Entities (TDHEs)
- Regional and Village Corporations formed under the Alaska Native Claims Settlement Act (ANCSA)

# Section 184 Loan Requirements

Loans can only be used for single family housing (1 to 4 units).

- For individual borrowers, the Section 184 can only be used for a primary residence.
  - Can not be used for second or investment properties.
- For Tribes/TDHEs/Regional or Village Corporations, the Section 184 can be used to develop rental housing or homes that are subsequently sold (or assumed) by eligible borrowers.
  - Can not be used for commercial buildings.



# Section 184 Loan Requirements Cont'd

- Requires low down payment of 2.25%.
  - Borrower may receive assistance for the down payment from other sources.
- Loan must be fixed rate and within the Section 184 loan limits.
- Borrower must pay a 1% Loan Guarantee Fee at closing.
  - It can be rolled into the loan.
- Has lower mortgage insurance premium rate of .25% .

# How Do Borrowers Get a Section 184 Loan?

- The borrower contacts a lender of their choice to apply for the mortgage program.
- The borrower must qualify with the lender just like other mortgage programs.
- The property must meet loan standards including having an appraisal.
  - 570 minimum square footage requirement.

# Getting a Section 184 Loan Cont'd

- The borrower must provide documentation of membership in a federally recognized tribe or corporation formed pursuant to ANCSA.
- Interest rate will be determined by the lender based on the prevailing interest rate in the market.

# Section 184 Lenders

- A full list of approved lenders can be found at [www.hud.gov/section184](http://www.hud.gov/section184)
  - There are both local and online lenders.
- Some of the lenders include but not limited to:
  - Alaska USA Federal Credit Union
  - Chickasaw Community Bank
  - Cook Inlet Lending Center
  - First National Bank
  - Home State Mortgage
  - Nuvision Federal Credit Union
  - Residential Mortgage

# Section 184 Loan Limits

- Section 184 loan limits are generally updated annually. They are available on AKONAP's website at [www.hud.gov/akonap](http://www.hud.gov/akonap) or on the Section 184 website at [www.hud.gov/section184](http://www.hud.gov/section184).
- The latest 2023 Section 184 Loan Limits for Kodiak Island are:

State	1 - Unit	2-Unit	3- Unit	4-Unit
AK	\$510,400	\$653,312	\$791,120	\$979,968

# Additional Information

Information about any of the programs discussed today can be found at the Alaska Office of Native American Programs website below:

[www.hud.gov/akonap](http://www.hud.gov/akonap)