



**Office of Native American Programs**  
**Section 184, Loan Guarantee Program**  
<http://www.hud.gov/pih/ih/homeownership/184/>  
**(602) 379-7202**

**Section 184**  
**Indian Housing Loan Guarantee Program**  
**Homeownership in Indian Country**

In 1992, Congress established the Section 184 Indian Housing Loan Guarantee Program. The program is designed to offer homeownership and property rehabilitation opportunities for eligible Native American individuals or families, tribes, and Tribally Designated Housing Entities (including Indian Housing Authorities) who want to own a home on their native lands, or fee land located in approved states, such as Arizona, California, New Mexico, and Nevada.

**Why a loan program specific to Indian Country?**

Historically, there has been a lack of mortgage capital in Indian Country because the United States government holds much of the land in trust for the benefit of a particular tribe or individual Native American. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual, must receive Bureau of Indian Affairs (BIA) approval before a lien is placed on the property. Recordation must also take place with the local BIA.

**How does the Section 184 Indian Housing Loan Guarantee Program bring mortgage capital to Indian Country?**

For a home loan on tribal trust land, the eligible individual borrower leases the home site from the tribe. The BIA and the Department of Housing and Urban Development (HUD) must approve the lease, which creates a leasehold interest. It is the home and the leasehold interest on the home site that are mortgaged. In the event of a foreclosure, the lender forecloses on the home and leasehold interest, not the tribal land. The ownership of the land remains in trust for the tribe.

The Office of Native American Program (ONAP)'s Office of Loan Guarantee (OLG), which administers the program, is currently partnering with over 190 lender offices and 117 tribes that are committed to making homeownership a reality for Native Americans. To continue the program's growth and success, OLG continually seeks to expand lender and tribal partnerships.

- Section 184 Program Facts**
- o 100% guarantee to lender
  - o Refinancing available
  - o Nationwide program on tribal trust land, allotted trust, or fee simple land in an Indian operating area (AZ, CA, NM, NV)
  - o New & existing housing are eligible
  - o Single-close construction (permanent) loan
  - o Loan limit—see county lending limits
  - o Low down payment
  - o No maximum income limits
  - o Flexible underwriting
  - o 1% guarantee fee at closing
  - o Assumable



## How Does Section 184 Work?

HUD guarantees the mortgage loan made by eligible lenders to eligible borrowers. The loan guarantee assures the lender that its investment will be repaid in the event of foreclosure. The borrower pays a 1% loan guarantee fee at closing. The guarantee fee may be financed in the mortgage or paid in cash. The borrower applies for the loan with a participating lender. The borrower works with the tribe and the BIA if leasing tribal land. The lender compiles and evaluates the necessary loan documentation, submitting the loan for approval to OLG for underwriting and a formal commitment, unless the lender is an approved direct guarantee lender.

## Who is Eligible for a Section 184 Loan?

- σ A person recognized as Indian/Alaskan Native by an Indian tribe, the federal government or any state
- σ An Indian tribe
- σ A Tribally Designated Housing Entity (TDHE)
- σ An Indian Housing Authority (IHA)

## What is an Eligible Activity?

Individuals, Tribes, TDHEs, or IHAs can use the 184 Loan for:


- σ Acquisition of existing housing
- σ Acquisition and rehabilitation of existing housing
- σ Rehabilitation of existing housing (check with HUD representative for active dates for locations)
- σ Construction of new housing, including manufactured housing affixed to a permanent foundation
- σ Refinancing existing higher rate home loans (check with HUD representative for active dates)

Eligibility is limited to single-family housing (1–4 units) and fixed-rate loans for thirty years or less. Section 184 cannot be used for commercial structures or with adjustable rate mortgages (ARMs). In addition, Tribes, TDHEs, or IHAs can obtain funds to develop rental housing or to build single-family homes that are subsequently sold (or assumed) by eligible borrowers.

## How Can Tribes Participate in the Section 184 Program?

Before tribal members can participate in the federal government's mortgage loan programs, the tribe must demonstrate that a legal and administrative framework exists that is sufficient to protect the interest of the borrower, the lender, and the federal agency that will guarantee or insure the mortgage loan. To establish this legal and administrative framework, tribes must have developed and adopted procedures that address: (1) foreclosure, (2) eviction, (3) priority of lien and (4) leasing procedures for tribal trust land. The One Stop Mortgage Program provides model tribal lending ordinances that may be adopted or serve as a guide for a tribe. Use of these models complies with the Section 184 Loan Guarantee Program and other federal lending programs.

**Need a sample of foreclosure, eviction, lien, or leasing procedures? Visit our website at [www.codetalk.fed.us/ONE\\_STOPCTR\\_main.html](http://www.codetalk.fed.us/ONE_STOPCTR_main.html) or call (602) 379-7202.**



## Section 184 Highlights

**100% Guarantee:** HUD guarantees 100% of the outstanding principal and interest due and the payment of other necessary and allowable expenses in the event of foreclosure and claim.

**One time 1% Guarantee Fee:** The borrower pays a 1% guarantee fee (1% of the mortgage amount) that can be financed or paid in cash at closing. It is the lowest cost of any government or conventional guarantee or insurance program in Indian Country. Borrowers are not required to pay a monthly premium for a Section 184 loan.

**Flexible Underwriting:** Section 184 has statutory and regulatory parameters for the maximum loan amount and term of the loan. Within these parameters, lenders have significant latitude to approve loans. OLG encourages a flexible approach in a wide variety of situations while ensuring that prudent underwriting practices (industry standards) are followed. OLG's published underwriting guidelines offer greater flexibility than standard conventional guidelines, including guidelines for credit history and source/adequacy of income and assets to close. The Section 184 Program uses one qualifying ratio-41% total debt-to-income ratio.

**Single Construction Loan:** Only one closing is required. At closing the amount allocated for construction or rehabilitation is placed in an escrow account and is drawn down as the work is satisfactorily completed. Monthly mortgage payments will begin as on an existing home purchase. The loan amount can include an escrow of up to six monthly mortgage payments (the maximum construction period).

**Low Down Payment:** 1.25% or 2.25% down payment requirement depending on the value or cost to acquire the home.

**Secondary Markets:** A strong secondary market exists for Section 184 loans including the security given for the loan. The lender may sell or assign the loan and security to any financial institution subject to examination and supervision by an agency of the federal government or by any state. Fannie Mae, Freddie Mac, Ginnie Mae, some state housing finance agencies, and some Federal Home Loan Banks purchase Section 184 loans.

**Refinance.** The Section 184 loan may be used to refinance single family units that meet standard housing requirements and located on trust land or land located in an Indian or Alaska Native area. Note: Check website or call HUD representative for eligible dates and locations for refinance transactions.



Office of Public & Indian Housing

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