

# HUD's Office of Native American Programs (ONAP)

**Office of Loan Guarantee – Targeted Solutions to Increase Housing in Tribal Communities**

**NAIHC Annual Convention & Tradeshow**

**June 24 – 27, 2024**



## What Is Section 184?

A loan product for Federally-recognized Tribes, Tribal Designated Housing Entities (TDHEs), and enrolled members of Federally-recognized tribes. Section 184 Offers 100% guarantee to lenders to lend in Tribal communities. Financing can be for:

- New Construction
- Purchase of existing Units
- Purchase and rehabilitation
- Refinance



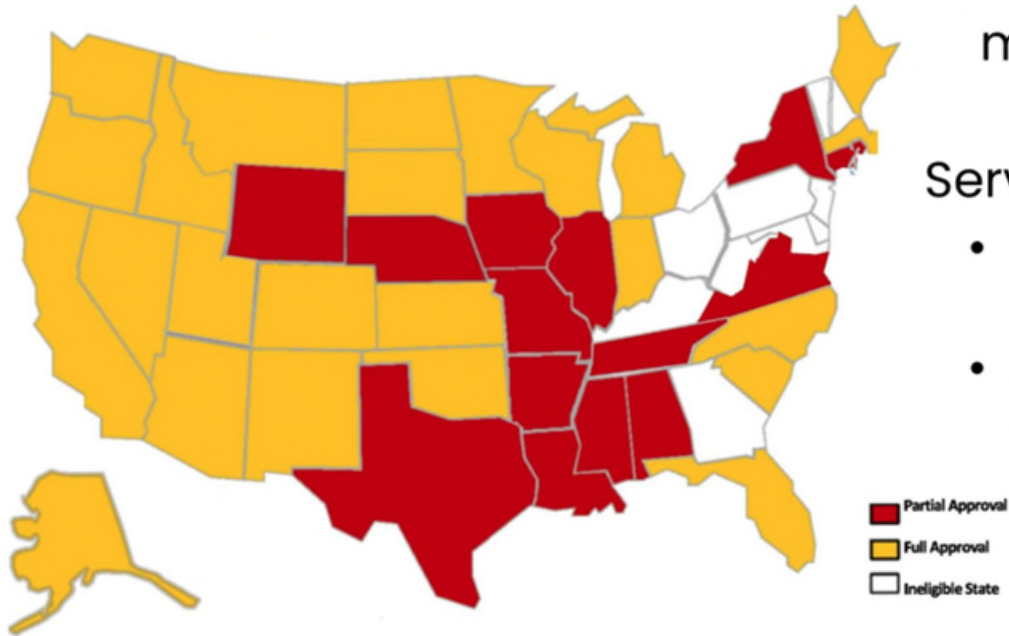


## **Section 184 is a tool to increase affordable housing in Tribal communities**

Federally-recognized Tribes and Tribally Designated Housing Entities can use Section 184 financing to:

- Address the housing need
- Increase housing opportunities on and off reservations
- Develop tribal assets
- Rehab existing units
- Provide flexibility in types of housing available to members

# Section 184 Advantages



- Loans can be manually underwritten by approved lender interest rates based on the market rates.

Service area includes:

- 22 entire states
- Financing can be used on or off reservation for the following land types:
  - Fee simple land (on or off reservation)
  - Tribal trust with an executed lease
  - Individual allotment
    - Individual ownership
    - Fractionated ownership

# Benefits of Section 184

- Helps you expand your housing stock for:
  - Tribal members
  - Over-income
  - Workforce housing for medical staff and teachers
- Helps you serve a wide range of tenants and incomes
- Minimal upfront investment
- Helps communities save their Indian Housing Block Grant (IHBG) funding for other projects
- Expands homeownership



# Section 184 Partners

## Department of Housing and Urban Development

HUD develops and implements policy and regulations governing the program, conducts training and technical assistance and provides underwriting guidance and Issues the loan guarantee certificate



## Tribes

Develops Housing Ordinances (Foreclosures, Evictions, Liens and Leasing Procedures)

## Lenders

Initial contact with applicant, liaises between HUD and applicant and originates, processes, underwrites, and closes the loan



## Bureau of Indian Affairs

Issues Title Status Report, Records Lease, Records plats for subdivisions

<https://www.hud.gov/section184>

# Section 184 Final Rule

## Statutory Amendments

Makes conforming amendments to statutes



## Lender Participation

Increases lender participation in the program



## Regulations

Strengthens regulations to meet the program's growing demands



## Stakeholders

Clarifies rules for stakeholders



## FINAL RULE UPDATE / SECTION 184 HANDBOOK

- Since publishing the final rule, HUD has determined that additional time is required to fully implement the rule.
- HUD is in the process of drafting the Section 184 Program Indian Housing Loan Guarantee Program Handbook (Section 184 Handbook).
- The Section 184 Handbook will provide comprehensive guidance and clarification for all stakeholders to fully understand and implement the final rule.
- Given the size of the Section 184 Handbook, HUD has determined that it will not be available prior to the previously stated June 18, 2024, effective date.
- HUD has also determined that it needs additional time to ensure compliance with the Paperwork Reduction Act requirements.
- HUD has determined that Tribes, lenders, servicers, and other participants need additional time to conform their policies, procedures, and systems to comply with the final rule.
- As a result of these factors, HUD is delaying the effective date of the final rule from June 18, 2024, to December 31, 2024.
- In addition, to provide HUD time to complete drafting the Section 184 Handbook and to provide stakeholders time to implement it, HUD is delaying compliance until March 1, 2025.



# Section 184 Handbook

## Making it Easier to do Business with ONAP's Office of Loan Guarantee

Welcome to the ONAP OLG Drafting Table. On this page, OLG periodically posts policy drafts or other supplemental documents for industry and stakeholder feedback.

### Draft Documents: Comment Period Open

To comment on the below documents, please use the [OLG Comments and Feedback Template](#) and submit via email to: [Section184Comments@hud.gov](mailto:Section184Comments@hud.gov)

No Documents Available at this Time

Website Feedback

### Draft Documents: Comment Period Closed

#### Section 184 Policy Handbook

[Chapter 1 Section A](#) (Comment Period Closed 05/31/2024)

[Chapter 1 Section B](#) (Comment Period Closed 05/31/2024)

[Chapter 1 Section C- Table of Contents](#)

- [Chapter 1 Section C](#) (Comment Period Closed 06/13/2024)

[Chapter 1 Section D](#) (Comment Period Closed 06/13/2024)

[Chapter 1 Section E](#) (Comment Period Closed 06/13/2024)

HUD Drafting Table found at:

[www.hud.gov/OLG\\_Drafting\\_Table](http://www.hud.gov/OLG_Drafting_Table)

Link on Codetalk to subscribe

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To go direct:

[www.public.govdelivery.com/accounts/USHUDPIH/signup/28887](http://www.public.govdelivery.com/accounts/USHUDPIH/signup/28887)

Link:

[HUD's Office of Public and Indian Housing - Want to subscribe to OLG-INFO? \(govdelivery.com\)](#)



# Skilled Workers Demonstration

- Tribes/TDHEs may obtain a loan for the construction of rental housing for skilled workers.
- Tribes are given the flexibility to define skilled worker.
- Tribes may obtain multiple loans.
- The Tribe would use the rental payments received from the tenant(s) to pay for the Section 184 Skilled Worker Loan.
- As an incentive, the Demonstration reduces the Section 184 Upfront Fee to \$1 and eliminates the Annual Guarantee Fees.
- Tribes/TDHEs must apply with HUD. Refer to DLL 2022-06 for details.

# Title VI Training

June 24 -27, 2024

NAIHC 50<sup>th</sup> Annual Convention & Tradeshow



# Overview

Background of Title VI

Benefits of Title VI

How You Can Utilize Title VI To Help Reach Your Housing Goals

Our Requirements For Title VI

Project Planning





## THE AFFORDABLE HOUSING CRISIS IN NATIVE COMMUNITIES

- High Poverty - 32% poverty rate versus 18% nationally
- Lower Incomes – 33% less than national median
- Overcrowded Homes – 16% versus 2.2% nationally
- Poor Housing Conditions - 5X more likely
  
- High Development Costs – 50% report as barrier
- Limited Infrastructure – 70% report as barrier



# WHAT IS TITLE VI AND WHY WAS IT NEEDED?

## Why is Title VI Needed?

### GUIDING PRINCIPALS IN IMPLEMENTATION OF NAHASDA

- Need for Affordable Housing
- Federal Government
  - Provide Government Assistance
  - Assist in development of private finance mechanisms
  - Assistance Directly to Tribes/TDHE

## What is Title VI?

### DEVELOPED UNDER NAHASDA

- 95% US Government Guarantee
- Private Market Capital to Develop Affordable Housing

## Guiding Principles In The Implementation of NAHASDA:

- **The need** for affordable homes in safe and healthy environments on Indian reservations, in Indian communities, and in Native Alaskan villages **is ACUTE** and the federal government shall work not only to provide housing assistance, but also, to the extent practicable, to assist in the development of **private housing finance mechanisms** on Indian lands to achieve the goals of **economic self-sufficiency and self-determination** for Indian tribes and their members.
- **Federal assistance to meet these responsibilities** shall be provided in a manner that recognizes the right of **Indian self-determination** and **tribal self-governance** by making such assistance available **directly** to the Indian tribes or tribally designated entities.

# WHAT IS TITLE VI AND WHY WAS IT NEEDED?

## What is Title VI?

DEVELOPED UNDER NAHASDA

- 95% US Government Guarantee
- Private Market Capital to Develop Affordable Housing





# What is Title VI

- 95% Loan Guarantee for Lenders financing eligible activities under Indian Housing Block Grant for IHBG recipients
- Maximum loan limit of 5x adjusted need portion of IHBG award
- Loan terms negotiated with IHBG recipient and bank





## How is a Borrower or Lender Eligible?

### Borrower

- Tribe/TDHE must be IHBG recipient
- Tribe/TDHE must demonstrate administrative, managerial and financial capacity.

### Lender

- Please Contact The Office of Loan Guarantee for details.

# What Can Title VI Funds Be Used For?



CREATE NEW  
HOUSING



REHABILITATE  
HOUSING



BUILD  
INFRASTRUCTUR  
E



CONSTRUCT  
COMMUNITY  
FACILITIES



ACQUIRE LAND  
TO BE USED  
FOR HOUSING



PREPARE  
ARCHITECTURA  
L &  
ENGINEERING  
PLANS



FUND  
FINANCING  
COSTS

# What Are The Benefits

1. Create More Housing By Leveraging
2. Continued Availability of Pledged Funds
3. Unencumbered Land
4. Improved Financial Services
5. Flexible Financing Terms
6. Familiar Requirements

## HOW MUCH CAN MY COMMUNITY BORROW?

The guarantee is based on most recent IHBG allocation

<b>Need Allocation</b>	<b>400,000</b>
-IHBG Adjustments	-0
<b>Total Need:</b>	<b>400,000</b>
Title VI Multiplier (x5)	x5
<b>Max Title VI Loan:</b>	<b>2,000,000</b>
Less Other Title VI Loans	-0
<b>Maximum Potential Loan Amount:</b>	<b>\$2,000,000</b>

# How Can Title VI Impact My Community?

Determining number of homes that could be built  
(assuming \$400,000 in Need and costs of \$200,000  
per unit)

IHBG vs. Title VI:

IHBG = 2 units ( $\$400,000 / \$200,000$ )

Title VI = 10 units ( $\$2,000,000 / \$200,000$ )

**What is Your Communities Need? What is  
Within Capacity?**

# How Can Title VI Impact My Community?

Determining number of homes that could be rehabbed (assuming \$400,000 in Need and costs of \$25,000 per unit)

IHBG vs. Title VI:

IHBG = 16 units ( $\$400,000 / \$25,000$ )

Title VI = 80 units ( $\$2,000,000 / \$25,000$ )

# How Do I Structure My Title VI Loan Repayment To Fit My Specific Situation?

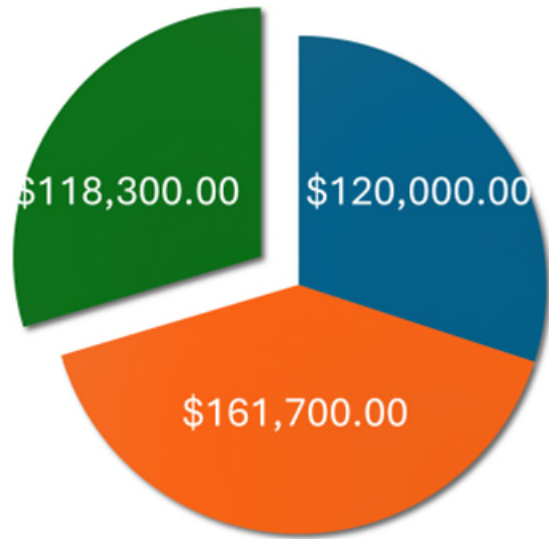
Annual Loan Payment assuming 5.25% fixed interest rate on \$2,000,000 debt.

- *Payment over 5 years = \$455,700\**
- Payment over 10 years = \$257,500
- Payment over 15 years = \$192,900
- Payment over 20 years = \$161,700

IHBG Grant-----	\$400,000
Less Debt Service-----	<u>\$161,700</u>
	\$238,300 *



# Operational Budget with Title VI



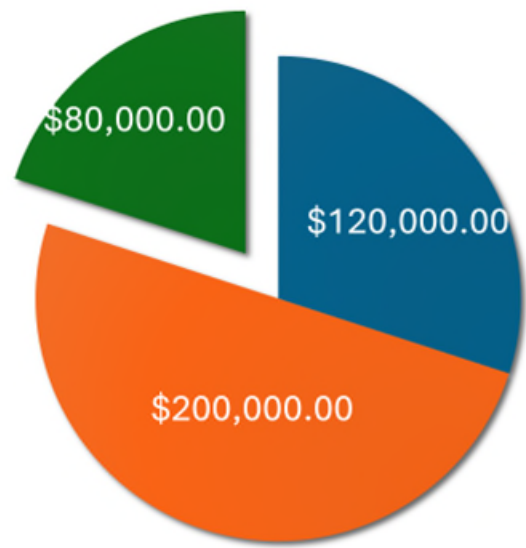
<b>Need Allocation</b>	<b>\$400,000</b>
Less: Admin Expense (30%)	<u>(\$120,000)</u>
<b>Net Need After Admin Expense:</b>	<b>\$280,000</b>
Less :Title VI Loan Repayment (20 Year Term)	<u>(\$161,700)</u>
<b>Remaining Need Allocation:</b>	<b>\$118,300</b>

■ Admin Expense

■ Title VI Debt Service

■ Remaining Balance

Operational Budget Solely with IHBG



■ Admin Expense    ■ Cost of Construction    ■ Remaining Balance

<b>Need Allocation</b>	<b>\$400,000</b>
Less: Admin Expense (30%)	<u>(\$120,000)</u>
<b>Net Need After Admin Expense:</b>	<b>\$280,000</b>
Less : Cost of Construction (1 house)	<u>(\$200,000)</u>
<b>Remaining Need Allocation:</b>	<b>\$80,000</b>



IHBG vs Title VI Budget Comparison

Operational Budget	IHBG	Title VI
Need Allocation	\$400,000	\$400,000
Less: Admin Expense (30%)	<u>(\$120,000)</u>	<u>(\$120,000)</u>
Net Need after Admin Expense:	<b>\$280,000</b>	<b>\$280,000</b>
Less: Cost of Construction/ Debt Service	<u>(\$200,000)</u>	<u>(\$161,700)</u>
Remaining Need Allocation: Units constructed *	<b>\$80,000</b>	<b>\$118,300</b>



# Sources of Title VI Repayment

IHBG

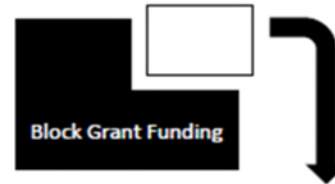
Project Income

- Rental Units

Sale of Homes to Eligible Families

- Section 184
- Tribal Homeownership Program

## INDIAN HOUSING BLOCK GRANT



Pledge Need Portion of Your Block Grant for a Title VI Loan to



Build New Houses and/or  
Rehab Houses



Build Roads, Sewers,  
Electrical Lines



Build Playgrounds,  
Community Centers,  
Acquire Land for  
Construction

Refinance Homes with Section 184 for  
Individuals or Tribal Ownership



Individual Homeownership/Rental

# Refinance w/ Section 184

# Case Study: San Felipe Home Ownership



- High Demand for Housing (Initial Waiting List of Over 300 Households)
- Water Treatment Plant w/ Extra Capacity From School and New Utility Infrastructure
- Tribe Contributed 100 Acres of Land for Black Mesa Development
  - Built 150 Homes for Black Mesa Subdivision
- Laid Infrastructure w/ Funding From Indian Housing Block Grant and American Recovery and Reinvestment Act
- Building Housing in Phases with Title VI and Additional Funding Sources/Refinancing with Section 184

## Question #2

How many of you can You See a Title VI Loan Benefiting Your Organization?



## IHBG & NAHASDA Compliance (Area Office & OLG)



Project is Financially Feasible



Included in Indian Housing Plan (IHP)



Acceptable Annual Performance Report &  
Annual Audit



Environmental Review



Cooperation Agreement in place



Relocation policy in place



## Management Capacity

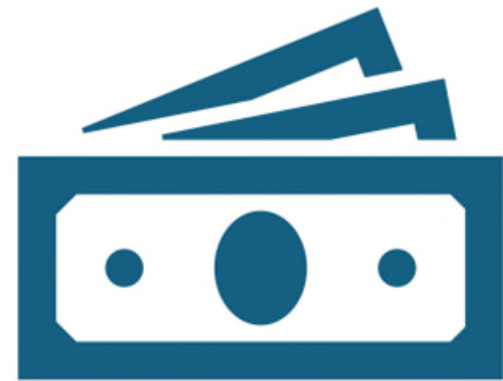
Experience

Acceptable Audits or financial statements as applicable – Most recent 2 years

Most recent monitoring reviews of IHBG and ICDBG

# Alignment of Costs and Sources of Funds

- Itemized project cost
- Sources and Uses of funds
- Documentation of sources of funds that are not IHBG or ICDBG



## Operating Income and Expense



Projected rental income



Itemized expenses



Operating subsidies and sources

## Title VI Loan Details



Lender information

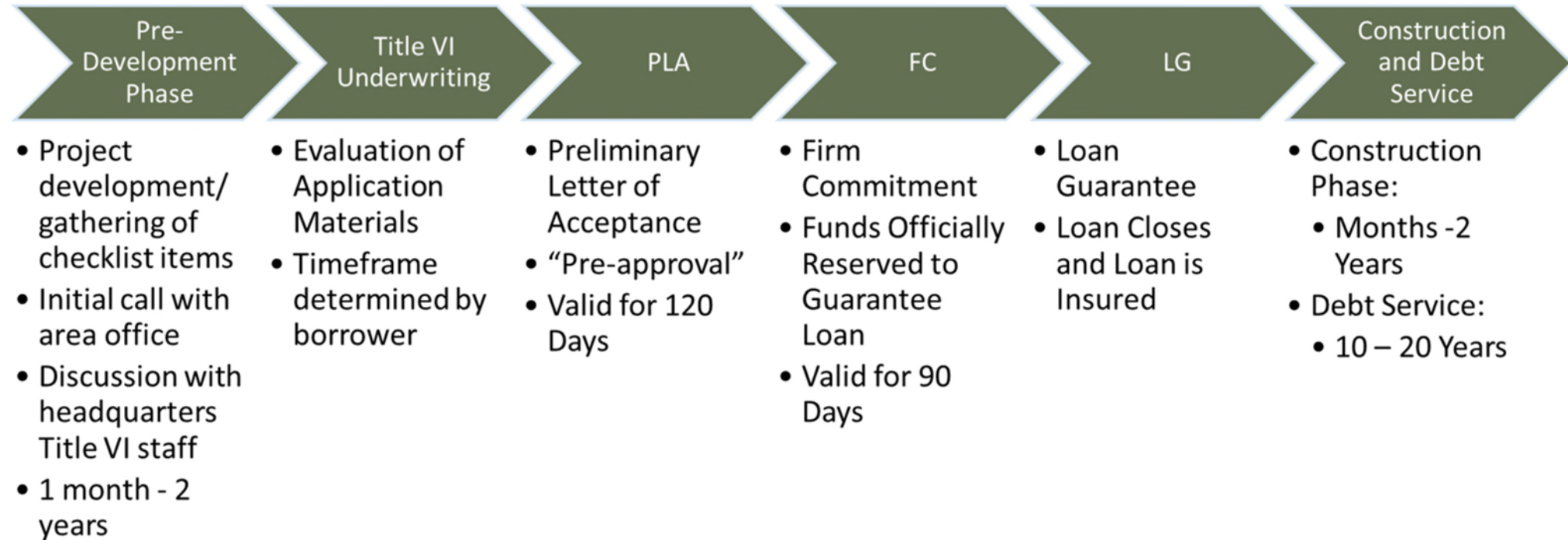


Terms and conditions of loan



Borrower's credit report

# Title VI Flow Chart





## **Project Planning , Feasibility & Processing Steps**

## Plan and Investigate Possibilities



CREATE A VISION OF  
WHAT THE COMMUNITY  
WILL BE



ASSESS THE  
COMMUNITY'S TRENDS &  
CONDITIONS, PROBLEMS  
AND OPPORTUNITIES



ANALYZE RESOURCES



PRIORITIZE  
*OPPORTUNITIES* AND  
IDENTIFY ANY POTENTIAL  
PROBLEMS.



DETERMINE LONG TERM  
GOALS



DEVELOP STRATEGIES  
AND IDENTIFY PARTNERS

# Pre-Development Phase Checklist Items



PLANNING



MARKET  
ASSESSMENT



NEEDS  
ASSESSMENT



COST ANALYSIS



GAP FUNDING  
ANALYSIS



CAPACITY  
DETERMINATION



## What Types of Housing is Needed?



- Home ownership
- Rental housing for families both subsidized and unsubsidized
- Rental housing for singles/couples/students
- Elderly housing
- Transitional housing

## What Questions Do I Ask When I Conduct A Needs Assessment?



What product do people want and are able/willing to pay for?



What is the existing demand for the housing at what price or rent levels?



What is your ability to meet that demand?



Where do families want to live?

# Conduct a Market Study



## Identify

Identify the income and family size occupants available in your target market



## Identify

Identify the desired location, amenities and services that will attract occupants to your project



## Support

Support the likelihood of families/persons that will choose your housing selection

# The Value of Market Studies

May be **required** by certain funding sources to help determine if your project can be successful

Provide valuable data that will save valuable time and money during the pre-development process.

Regardless of formal or informal study, **KNOW YOUR MARKET** and know your occupant.

## Common Market Assessment Oversights

Miscalculating your market area

Not developing the correct project type

Site selection (location & development costs)

Rents in excess of targeted market, sales prices are over-estimated

Inaccurate assessment of product type (style & design)

Insufficient development needs (amenities & square footage)

# Waiting Lists, A Valuable Marketing Tool

Waiting List is Indicator of:

Housing Need

Low-moderate income demand

Project type needed

Helps Determine if:

Individuals meet the Title VI and IHBG federal requirements

Characteristics meet the assumptions of your market study

Possibility of Project Income

## Critical Elements for the Final Decision To Proceed

### Project Feasibility

- Identify Needs and the Market
- Determine Construction Cost
- Determine Operating Cost
- Assess the Capacity of the Development Team

### Filling the Funding Gaps

- Identifying possible additional Funding Sources



## THE AFFORDABLE HOUSING CRISIS IN NATIVE COMMUNITIES

- High Poverty - 32% poverty rate versus 18% nationally
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- Poor Housing Conditions - 5X more likely
  
- High Development Costs – 50% report as barrier
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# How Has Title VI Impacted Indian Country?

Area Office	Total Number of Loans	Total Amount Guaranteed	Average Loan
Alaska	50	\$59,579,396.38	\$1,107,438.18
Eastern Woodlands	14	\$31,391,015.00	\$2,242,215.36
Southern Plains	7	\$61,182,477.00	\$8,740,353.86
Southwest	22	\$53,658,289.99	\$2,439,013.18
Northern Plains	14	\$43,762,914.00	\$3,125,922.43
Northwest	10	\$44,670,646.00	\$4,674,516.22
<b>TOTAL</b>	<b>117</b>	<b>\$294,244,738.37</b>	<b>\$2,514,912.29</b>





## **CONTACT INFO:**

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Questions?



# Thank You

For Your Attention



Visit Our Website

[hud.gov/section184](https://hud.gov/section184)

