



Benefits of the 184 Loan Guarantee Program

Housing Opportunities for Native Americans & Alaska Natives



The Section 184 Loan Guarantee Program is a home loan product for federally recognized tribal members, tribes, and tribally designated housing entities. Eligible borrowers include American Indians, Alaska Natives, Tribes, Indian Housing Authorities and Regional or Village Corporations formed under the Alaska Native Claims Settlement Act

- The 184 Loan product can be used to finance new construction, rehabilitation, purchase of an existing house and refinancing, including “cash out” refinancing.
- One qualifying ratio: 41% total debt to gross income ratio, which can be exceeded with compensating factors. This means that your anticipated monthly mortgage payment, plus your debt (personal loans, auto loans, students, loans, credit cards, etc.) combined cannot exceed 41% of your gross monthly income. So, the more debt that you have, the less funds you have left over toward a mortgage payment.
- You will need a down payment of 2.25% that is based on the lower of the appraised value or the cost to acquire the home. Loans less than \$50,000 require a down payment of 1.25%.
- Rather than pay a monthly mortgage insurance premium on top of your monthly mortgage payment you will pay a one time 1% guarantee fee at closing. The loan guarantee fee can be financed with the mortgage loan. This is the lowest cost government guarantee or conventional mortgage insurance program available.
- Construction can be financed with a Single Close loan that provides permanent guaranteed financing before construction begins. Monthly mortgage payments begin after closing which can be financed during construction. At closing, the amount allocated for construction or rehabilitation plus a 10% contingency and up to 6 months mortgage payments are placed in an escrow account and are drawn down as the work is satisfactorily completed.

For Lenders:

- There are no limits on gifts to the borrower to assist with the down payment or other loan costs
- There are no income limits. However, the individual should have sufficient income to cover their monthly debts and mortgage payment.
- Loans may be assumed by an eligible creditworthy borrower
- 100% guarantee to the lender in the event of a foreclosure and claim.

- Strong secondary market through Alaska Housing Finance Corporation, Fannie Mae, Freddie Mac, Federal Home Loan Bank, Ginnie Mae, etc.

Why Section 184 Program Loans?

The Section 184 Loan Guarantee Program is a mortgage program for members of a federally recognized tribe. Congress created the program to increase Native American homeownership by reducing loan costs and encouraging lending on tribal lands. The Section 184 program is often the best mortgage loan available to Native Americans because it requires a low down payment of 2.25% and the lowest mortgage loan guarantee cost available. The guarantee fee is a one-time cost of 1% of the loan. The guarantee fee can be financed and there is no monthly mortgage insurance. Section 184 loans also offers more flexibility regarding property and credit standards to make mortgage financing available to more Native Americans.

How to Qualify for a Section 184 Loan?

The borrower must show they have sufficient income to pay back the loan. This is determined by the ratio of the borrower's debt to income. Under the Section 184 program, total monthly debts, including the costs for the planned mortgage loan, typically cannot exceed 41% of the gross monthly income.

The borrower must show they have a good history of meeting their financial obligations. This is based on the borrower's credit report. See below for more info about credit reports.

The property being purchased must meet loan standards. The lender will send an appraiser to verify the condition and value of the property to be purchased with the loan. Site control must also be established for the lot.

The borrower must provide documentation of membership in a federally recognized Indian tribe or corporation formed pursuant to the Alaska Native Claims Settlement Act. The tribe/corporation makes the determination of membership and how membership is documented. Typically the tribe/corporation issues a membership card to its members. A copy of the membership card is provided to the lender to verify eligibility as a Section 184 borrower.

What is the Interest Rate for a Section 184 Program Loan?

The lender determines the interest rate for a Section 184 loan based on the prevailing interest rate in the market. A lender may also offer special financing for qualified borrowers such as first time homebuyers. Only fixed interest rates are available under the Section 184 program. Fixed rate loans lock in debt service payments for the term of the loan regardless of changes in the market. This protects borrowers from unpredictable changes.

TIPS For Borrowers:

Save money! You will need cash for the loan to cover your down payment and closing costs. Savings also demonstrate your capacity to be a successful borrower

Do not enter into new debt! The more you owe, the less you can borrow to buy a house.


Stay current with existing payments! Make sure you pay all your bills on time. Any late payments will show up on your credit report and may disqualify you as a borrower. If you can, pay extra on loan payments to reduce your debt and interest expense.


Get a free copy of your credit report and clear up any issues! The credit report shows your debt payment history and tells the lender if you are a good borrower. So review your credit report to see if it is accurate. If credit problems are reflected in your credit report, contact the lender and try to resolve the problem so you have a clean record when you go to get your house loan. You can get a free copy of your credit report at www.annualcreditreport.com.

How to Get a Loan?

You apply directly with an approved lender for a Section 184 Program loan. The lender will obtain a copy of your credit report and coordinate with HUD and a property appraiser to prepare the loan package for processing. The interest rate for the loan is based on the current market rate.

Lenders must be approved for the Section 184 Program. A complete list of approved lenders is on the Section 184 Program website. A link to this website is provided below. Contact the Section 184 Program Coordinator for more information about lenders and loan originators that are active in the Section 184 Program in your area.

 To apply for a loan you will be asked to complete the Uniform Residential Loan Application that discloses detailed information about income, expenses, debts, and assets of the borrowers

 You will also be asked to provide the following documentation:

- ✓ W-2s for the past two years
- ✓ Current pay statement
- ✓ Last Federal Income Tax Return
- ✓ Current Bank Statements
- ✓ Membership verification of a federally recognized Indian tribe or ANCSA Corporation

Information for Homebuyers:



Link to Section 184 Program website:

www.hud.gov/offices/pih/ih/homeownership/184



Link to homebuyer resources on the HUD website:

www.hud.gov/buying/index.cfm



Link to free workshops for homebuyers provided by HUD Approved Counseling Agencies: www.hud.gov/counseling

While homebuyer education seminars are not required to access 184 financing it is *strongly* recommended that you attend a seminar to educate yourself on the home buying process. Remember! This is the largest financial obligation many folks make in their lifetime. Learn what you can to make sure that you are making an educated and well-informed financial decision that benefits you and your family in the long run.

Uses for a Section 184 Program Loan

Section 184 Program loans may be used to purchase, rehabilitate, construct and refinance housing of one to four units both on (some limitations) and off reservation throughout Washington, Oregon, and Idaho.

How Much Can I Borrow?

The maximum Section 184 Program loan is the *lowest* of the following:



Appraised value of the property less the down payment

Actual cost of the property less the down payment

The amount the borrower can afford to repay

150% of the old FHA limits

Why a Loan Guarantee?

Unless the borrower is making a down payment of 20% or more, the lender will require the borrower to have a loan guarantee, mortgage insurance or both. The Section 184 program offers the lowest cost loan guarantee fee available on the market today. The Section 184 guarantee fee is a one-time cost of 1% and there is no monthly mortgage insurance. The guarantee fee can be included in the mortgage loan. The low cost of the Section 184 guarantee and the low down payment requirement of 2.25% are the primary financial advantages of the program.

Questions:

Contact N. Iris Friday, Section 184 Coordinator, (206) 220-5420 or iris.Friday@hud.gov.

How Much Can I Afford to Borrow?

Under the Section 184 program total monthly debts, including the costs for the planned mortgage loan, typically do not exceed 41% of your gross monthly income. To estimate the monthly payment you qualify for use the following formula:

- Step 1 - Determine your monthly gross income _____
- Step 2 - Multiply by 41% _____
- Step 3 - Determine current monthly debt payments
and subtract _____
- Step 4 - The remainder is the estimated monthly
payment you can afford for the mortgage
loan _____

Payments for the mortgage loans will include property insurance, property tax as well as the loan payment. The loan payment will include repayment of the amount borrowed at the interest rate and term of your loan.

Loan calculators are available on the Internet that make it easy to determine how much you can borrow and the effect of various interest rates and loan terms.

If you do not have access to the Internet, use the following formula to estimate how much you can borrow at 6.5% interest for 30 years.

- Step A – Start with the amount from Step 4 above _____
- Step B - Estimate the monthly cost of property tax
& property insurance _____
- Step C - Subtract to determine funds available to
Pay the monthly debt service _____
- Step D – Divide by 6.32 _____
- Step E – Multiply by 1000 to estimate the amount
of the loan you can afford based on your
current income and current debt _____

Please note that this is an estimate only. The lender will determine the actual loan amount.

Be a Proactive Borrower:

Follow up with your lender to make sure that they have received your loan documents and all supporting documentation. Be sure to ask if they require any more information from you. If your lender has a complete loan application, find out when you can expect to receive a firm commitment and follow up with them diligently.

If you don't understand the language or terms being used, ask your lender to explain them to you. If your lender asks you for documents respond promptly. If you cannot locate the documents ask your lender where you can request a copy. Good communication is key to moving through the loan process in a quick and efficient manner.

Who are the Approved Section 184 Lenders in the Northwest?

Note: You must make application with a Section 184 approved lender from the following list. Each of these lenders has been trained on originating Section 184 loans to ensure your loan process moves forward in a smooth and efficient manner.

OREGON LENDERS

Canyon National Bank

Sue Batts
Palm Desert, CA
(877) 262-4184

Cascade Residential Mortgage

Jim Mahoney
10250 SW Greenburg Rd. #217
Portland, OR 97223
(503) 892-0011 xt. 205

Countrywide

Valerie Harjo
Clackamas, OR 97015
(503) 785-2115

Columbia River Bank

Gary Hager
5665 Meadows Rd. Suite 300
Lake Oswego, OR 97034
(503) 906-2523

Key Bank

Mia Vermillion
601 108th Avenue, 5th Floor
Bellevue, WA 98004
(253) 861-8812

Native American Bank

Paula Crawford
999 18th Street, Suite 2460
Denver, CO 80202
(800) 368-8894

Wells Fargo

Juel Burnette
Native American Banking Svcs.
101 N. Phillips Ave. Suite 404
Sioux Falls, SD 57118
(605) 575-8730

IDAHO LENDERS

Key Bank

Mia Vermillion
601 108th Avenue, 5th Floor
Bellevue, WA 98004
(253) 861-8812

Native American Bank

Paula Crawford
999 18th Street, Suite 2460
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Sioux Falls, SD 57118
(605) 575-8730

Canyon National Bank

Sue Batts
Palm Desert, CA
(877) 262-4184

WASHINGTON LENDERS

Canyon National Bank

Sue Batts
Palm Desert, CA
(877) 262-4184

Cascade Residential Mortgage

Jim Mahoney
10250 SW Greenburg Rd. #217
Portland, OR 97223
(503) 892-0011 xt. 205

Goldmark Financial Corporation

Patricia Cassady
Lynnwood, WA 98036
(425) 422-3037

Horizon Bank

Ann Noble
Bellingham, WA 98227
(360) 733-3050

Horizon Bank

Judy Arp
Puyallup, WA 98372
(253) 604-6222

Key Bank

Mia Vermillion
13802 Pacific Avenue
Tacoma, WA 98444
(253) 861-8812

Mountain View Mortgage

Bellevue, WA 98004
(425) 688-1188

National City Mortgage

Federal Way, WA 98003
(866) 238-2365

Longview, WA 98362
(360) 575-9946

National City Mortgage

Kennewick, WA 99336
(509) 374-9096

Spokane, WA 99201
(509) 326-8844

Spokane Valley, WA 99212
(888) 674-8844

Tacoma, WA 98402
(888) 393-9021 ext. 249

Tacoma, WA 98466
(253) 564-6960 ext. 209

Tumwater, WA 98501
(360) 736-3890

Native American Bank

Paula Crawford
999 18th Street, Suite 2460
Denver, CO 80202
(800) 368-8894

Versata Home Loans

Kayla Lea Jorgenson
Lacey, WA 98503
(360) 412-1000

Wells Fargo

Juel Burnette
Native American Banking Svcs.
101 N. Phillips Ave. Suite 404
Sioux Falls, SD 57118
(605) 575-8730

Dave Borcharding
Silverdale, WA 98383
(360) 731-1109

WHOLESALE LENDERS:

M&T Bank

Melissa Wanko
(518) 877-3678

American Southwest Mortgage

Jim Miller or Claudia Miller
(405) 826-5827

Countrywide

Melissa Marciglio
(813) 615-3633