



OFFICE OF PUBLIC AND INDIAN HOUSING

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

Date: June 06, 2023

Dear Lender Letter 2023-05

To: All Tribes
All Tribally Designated Housing Entities
All Section 184 Approved Lenders and Servicers

Subject Reduction in the Upfront and Annual Loan Guarantee Fees

Purpose The purpose of this Dear Lender Letter (DLL) is to provide guidance to Lenders on the implementation of the reduction in the Upfront and Annual Loan Guarantee Fees under the Section 184 Indian Home Loan Guarantee Program (Section 184 Program), as published in the Federal Register on May 4, 2023.

Effective Date In accordance with the Federal Register Notice 88 FR 28598, the policies in this DLL are effective on July 1, 2023.

Public Feedback HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the Office of Loan Guarantee at Section184Comments@HUD.gov. HUD will consider the feedback in determining the need for future updates.

Affected Programs This guidance applies to the Section 184 program.

Background Section 184 of the Housing and Community Development Act of 1992 (Public Law 102–550, approved October 28, 1992), as amended, which establishes the Section 184 program, allows HUD to establish an Upfront Loan Guarantee Fee of up to an amount not exceeding 3.00 percent of the principal obligation of the loan and an Annual Loan Guarantee Fee in an amount not exceeding 1.00 percent of the remaining guaranteed balance.

On May 4, 2023, HUD published a Federal Register Notice (88 FR 28598) reducing the Upfront Loan Guarantee Fee from 1.50 to 1.00 percent and the Annual Loan Guarantee from 0.25 percent to 0.00 percent. The Notice is effective July 1, 2023.

**Reduction in
Upfront and
Annual Loan
Guarantee Fees**

This DLL implements the reduction in the Section 184 program Upfront Loan Guarantee Fee from 1.50 to 1.00 percent and the Annual Loan Guarantee Fee from 0.25 to 0.00 percent. Lenders shall apply the reduction in fees in the following manner:

1. Loans without Firm Commitments as of July 1, 2023.

The reduced loan guarantee fees must be applied to all Firm Commitments issued on or after July 1, 2023.

2. Loans with existing Firm Commitments and a closing date scheduled for on or after July 1, 2023.

In cases where a Firm Commitment was issued before July 1, 2023, and the loan is scheduled to close on or after July 1, 2023, Lenders must request an updated Firm Commitment to reflect the reduced loan guarantee fees before the closing date.

Lenders who fail to request an updated Firm Commitment and proceed to closing without the reduction in loan guarantee fees are required to refund to the Borrower:

- (i) *Upfront Loan Guarantee Fees paid in cash at closing:* Lenders must refund the difference between Upfront Loan Guarantee Fee paid by the Borrower at 1.50 percent and the new rate of 1.00 percent through a cash reimbursement.
- (ii) *Upfront Loan Guarantee Fees financed at closing:* Lenders must refund the difference between the Upfront Loan Guarantee Fee financed by the Borrower at 1.50 percent and the new rate of 1.00 by applying the refund to the unpaid principal balance. Lenders must also modify the Note and the amortization schedule or reclose the loan based on the new fee structure.
- (iii) *Annual Loan Guarantee Fees paid by the Borrower:* Lenders must refund any Annual Loan Guarantee Fee installments collected from the Borrower through a cash reimbursement and halt any further collection of Annual Loan Guarantee Fees.

Refund payments made to the Borrower, whether paid in cash or applied to the unpaid principal balance, must be completed as part of the post-closing process and occur no later than 90 days after closing. Lenders must also document the refund(s) in the Borrower's loan file.

3. Loans closed prior to July 1, 2023.

The reduction in the Upfront Loan and Annual Loan Guarantee Fees is not retroactive and will not apply to any loan that closed prior to July 1, 2023.

Any questions regarding this DLL may be directed to
Section184Comments@hud.gov.

Signature



Dominique Blom
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for Public and Indian Housing