



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

OFFICE OF PUBLIC AND INDIAN HOUSING

Date: November 29, 2022

Dear Lender Letter 2022 - 06

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

Subject Section 184 Skilled Workers Demonstration

Purpose The purpose of this Dear Lender Letter (DLL) is to outline the requirements for the Section 184 Skilled Workers Demonstration (Demonstration).

Effective Date The provisions of this DLL are effective as of the issuance date.

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 DLL applies to the Section 184 program.

Background The Consolidated Appropriations Act of 2017 (Public Law 115 – 31) made available \$1,727,000 for the costs of guaranteeing Section 184 loans to Tribes and Tribally-Designated Housing Entities (TDHEs) for the construction of rental housing for law enforcement, healthcare, educational, technical, and other skilled workers (Skilled Workers).

The development of this rental stock is critical to enable Tribes to attract and retain professionals and skilled workers in these fields who are often unable to find rental housing in Indian Country due to the severe shortage of rental housing.

**Skilled
Workers
Demonstration
Program**

Under the Demonstration, Tribes/TDHEs may obtain a loan from a Section 184 approved Lender for the construction of rental housing for Skilled Workers within a Tribe's Section 184 Indian Area. Tribes/TDHEs may utilize the Demonstration to construct one to four family dwelling unit(s). The Section 184 program allows Tribes/TDHEs to obtain multiple loans, subject to underwriting requirements, to foster the construction of Skilled Workers housing within their communities. The Tribes/TDHEs would use the rental payments received from the Skilled Workers tenant(s) to pay for the Section 184 Guaranteed Loan's monthly debt service.

As an incentive for Tribes/TDHEs to participate in the Demonstration, the Demonstration reduces the Section 184 Upfront Fee to \$1 and eliminates the Annual Guarantee Fees.

To participate in the Demonstration, Tribes/TDHEs must first apply to HUD by submitting a description of the proposed development, if available, along with other documents required in the Application section of this DLL. All rental housing constructed under the Demonstration shall be subject to a Use Restriction. The Skilled Worker tenant is not required to be an enrolled member of the Tribe.

**Program
Requirements**

In addition to following general Section 184 Borrower requirements, Tribes/TDHEs must agree to the following:

A. Skilled Worker Policy. Tribes/TDHEs must adopt a Skilled Worker Policy that restricts occupancy of the rental housing financed under the Demonstration to person(s) who work in law enforcement, healthcare, education, technical trades, and other skilled workers. Tribes/TDHEs may restrict the rental housing to just one category or may choose to restrict the rental housing to all the permissible categories. Tribes/TDHEs' Skilled Worker policy should define the meaning of the category(ies) chosen by the Tribes/TDHEs.

After loan closing and while the rental housing is subject to the Use Restriction (as explained in Paragraph B below) any amendments to the Tribes/TDHEs' Skilled Workers Policy shall require HUD approval.

The Use Restriction shall require that at the time of initial leasing at least one member of the renter's household be employed in law enforcement, healthcare, education, technical and shall include other skilled workers, as defined by the Tribes/TDHEs' Skilled Workers Policy.

B. Use Restriction. Subject to paragraphs C and D below, for the life of the Section 184 Guaranteed Loan the property must be subject to a Use Restriction which restricts occupancy of the rental housing to Skilled Workers, as defined by the Tribes/TDHEs' Skilled Workers Policy. A Demonstration Model Use Restriction is provided as an attachment to this DLL.

C. Extended vacancy periods. In the event the rental property financed under the Demonstration experiences a vacancy period of 6 months or more, the Tribe/TDHE may request HUD approval to lease the property to non-skilled workers under an initial lease term of one year. Tribes/TDHEs may continue to renew the lease of the non-skilled worker so long as there are no eligible renters on the Tribes/TDHEs' waitlist for the skilled worker housing.

D. Prepayment within 10 years of loan closing. Tribes/TDHEs may prepay the Section 184 Guaranteed Loan in full at any time. However, if the Section 184 Guaranteed Loan is prepaid in full within ten years of loan closing, the use restriction shall remain in place for the balance of the ten-year period from the date of the loan closing. For example, if the Section 184 Guaranteed Loan is paid off in six years after loan closing, the Use Restriction shall remain in effect for the remaining four years.

E. Prepayment due to sale of rental housing. A property financed under the Demonstration may be sold to Skilled Workers. When there is a sale to Skilled Workers paragraph C above is not applicable and a request for the Use Restriction termination can be submitted to HUD.

F. Assumption of the Section 184 Guaranteed Loan. A property financed under the Demonstration may be assumed by an eligible Section 184 Borrower who is a Skilled Worker. When there is an assumption under this paragraph a request for the Use Restriction termination can be submitted to HUD.

G. Request for the termination of Use Restriction. To request a termination of the Use Restriction under paragraph D above, Tribes/TDHEs must submit a written request to HUD and provide a copy of the sales contract, evidence of closing, and documentation evidencing purchaser meets the Tribes/TDHEs' Skilled Workers Policy.

To request a termination under paragraph E above, the Tribe/TDHE must submit a written request to HUD, provide documentation evidencing the assuming Borrower meets the Tribes/TDHEs' Skilled Workers Policy and provide evidence of closing.

The request may be sent to Tribalrequests@hud.gov. Upon HUD's receipt of Tribes/TDHEs' request to terminate the Use Restriction and supporting

documentation, HUD may request additional information and/or records related to the Use Restriction termination.

H. *Records.* Tribes/TDHEs shall maintain records evidencing that at the time of initial leasing at least one member of the renter's household is employed in law enforcement, healthcare, education, technical or employed as a skilled worker, as defined by the Tribes/TDHEs Skilled Worker Policy. Tribes/TDHEs shall retain these records and copies of the executed leases so long as the Use Restriction is in place. Tribes/TDHEs shall provide copies of these records upon HUD's request.

**Upfront Fee
Reduced and
Annual
Guarantee
Fee Waived**

Tribes/TDHEs participating in the Demonstration shall have their Section 184 Upfront Fee reduced to \$1.00 and Annual Guarantee Fee waived for the life of the Section 184 Guaranteed Loan.

**Tribe/TDHE
Application
Submission**

Approved Tribes/TDHEs interested in participating in the Demonstration must submit the following documents to HUD at Tribalrequests@hud.gov.

HUD encourages Tribes/TDHEs to send the completed application as early as possible, but no later than 30 days prior to loan closing.

1. A letter from the appropriate Tribal or TDHE official stating:
 - The Tribe's/TDHE's intent to become a Borrower under the Demonstration.
 - A description of the rental housing project, if available.
 - The name of Lender the Tribe/TDHE is or will be working with, if known.
2. A Tribal resolution approving the Tribe's participation in the Demonstration, designation of the appropriate signatory authority for document execution and agreement to have the property be subject to the requirements of the Demonstration, including the Use Restriction.
3. The Tribe/TDHE's Skilled Workers Policy.
4. Demonstration Use Restriction.
5. The Tribe/TDHE's proposed lease.

The above documents should be submitted electronically to HUD at Tribalrequests@hud.gov.

HUD will review completed application materials upon receipt and determine if the documents meet the Demonstration requirements of this DLL. If all Demonstration requirements are met HUD will issue a notice to the Tribe/TDHE of their approval to participate. If the application contains deficiencies HUD will provide a letter explaining the deficiencies and provide Tribes/TDHEs the opportunity to cure.

**Direct
Guarantee
Lender
Requirements**

HUD-approved Direct Guarantee Lenders must identify the loan as a Section 184 Skilled Worker Demonstration. The Section 184 Guaranteed Loan endorsement package must include:

1. HUD approval letter of the Tribe/TDHE's participation in the Demonstration, including copies of the HUD approved use restriction and Tribe/TDHE's Skilled Workers Policy.
2. Demonstration Use Restriction used in the loan and evidence of recordation.
3. A copy of the Tribe/TDHE's Skilled Workers Policy used in the loan.

The Direct Guarantee Lender must verify only the HUD-approved Use Restriction and Skilled Workers Policy are the ones used under the loan. If there are any discrepancies between the HUD-approved documents and the documents submitted by the Tribe/TDHE the Direct Guarantee Lender must work with Tribe/TDHE to resolve the discrepancies prior to closing the loan.

The Direct Guarantee Lender shall charge the Tribe/TDHE a reduced Section 184 Upfront fee of \$1 and shall waive the Section 184 Annual Guarantee Fee for the duration of the Section 184 Guaranteed Loan.

HUD may provide additional instructions with respect to submission of the Section 184 Skilled Workers Demonstration loan to Native Advantage.

Questions

Any questions regarding this DLL may be sent to Section184comments@hud.gov. You may also contact Chung-yiu "Andrew" Lee at (202) 402-6190.

Signature

/s/

Dominique Blom
General Deputy Assistant Secretary
for Public and Indian Housing