

Section 184 Skilled Workers Demonstration

Webinar for Lenders

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Point of Contact

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Authority and Guidance

Congress created the demonstration which funds the costs of guaranteeing Section 184 loans to Tribes and TDHEs for the construction of rental housing for law enforcement, healthcare, educational, technical, and other skilled workers (Skilled Workers).

- https://www.hud.gov/program_offices/public_indian_housing/i/h/Dear_Lender_Letters
- Dear Lender Letter (DLL) 2022–06; published on November 29, 2022.
- DLL 2022–06 provides a Model Use Agreement. Separate attachment.

Topics

- Who can take out the Demonstration loan ?
- What can the Demonstration loan be used for ?
- How does a Tribe participate in the Demonstration ?
- Other requirements/features Lenders should know about?

Who ?

Who can take out the Demonstration loan ?

- Tribes
- Tribally Designated Housing Entities
- Tribal members are not eligible.

- Tribes/TDHEs can take out more than one Demonstration loan.

What ?

What can the Demonstration loan be used for ?

- New construction of one to four family rental housing.
 - No acquisition / No rehabilitation.
 - Purchase of new Manufactured Homes included.
 - Current Section 184 Loan Limits apply.
 - Current Section 184 Approved Areas apply.
- For the sole purpose of housing Skilled Workers.
 - Tribe/TDHE creates “Skilled Workers Policy” and defines the term “Skilled Worker(s)”.
 - law enforcement, healthcare, educational and technical workers and “other skilled workers”.
 - Skilled Workers can be non-Tribal members.
- Property may be on and off reservation.

What ?

What about the leasing aspect ?

- Tribes/TDHEs create their own Demonstration Lease.
- Demonstration imposes no min or max income limits on renters nor any particular rent structure.
- At least one person on the Demonstration Lease must be a “Skilled Worker”.
- Skilled Worker can be a non-Tribal member.

What ?

If Demonstration housing suffers a vacancy period of 6 months or more because the Tribe/TDHE cannot find Skilled Workers to lease to, is there any relief for the Tribe/TDHE?

- Under these circumstances, the Tribe/TDHE may lease unit to non-Skilled Worker for an initial one year term. After one year, if there are no other Skilled Workers on the waitlist desiring to lease, Tribe/TDHE may continue to renew the lease annually. However, at each lease renewal period Tribe must attempt to lease unit to a Skilled Worker.

How ?

How does a Tribe/TDHE participate in the Section 184 Demonstration ?

- Tribe/TDHE emails a letter of interest to the Office of Loan Guarantee.
- Tribal submission must include Tribal resolution, Skilled Workers Policy, Proposed Demonstration Use Restriction, Proposed Demonstration Lease and name of lender and description of project, if known.

How ?

- If the Tribe/TDHE's documents are acceptable the Office of Loan Guarantee will provide the Tribe/TDHE with an approval letter.
- When the Tribe/TDHE is submitting their Demonstration loan application to a Lender, Tribe/TDHE must provide Lender with a copy of the HUD approval letter and copies of all HUD approved documents.
- There is no deadline for a Tribe/TDHE to submit a letter of interest to HUD. However, the Demonstration is subject to available funding.

Other requirements/features

Are there any incentives to encourage Tribes/TDHEs to participate in the Demonstration ?

Yes!

- Upfront Fee reduced to \$1.
- No Annual Loan Guarantee Fee.

Other requirements/features

What should I know about the Use Agreement ?

- HUD provides Tribes/TDHEs with a Model Use Agreement - restricts rental housing to “Skilled Workers”.
- Tribes/TDHEs may make changes to the Model Use Agreement. However, any changes to the Model Use Agreement is subject to HUD approval. Only the HUD approved Use Agreement can be used to close the loan.
- Use Agreement remains in place for the life of the Demonstration loan.

Servicing Demonstration Loans

What happens when there is:

- Prepayment within 10 years of loan closing (not related to the sale of housing to a Skilled Worker).
- Prepayment beyond 10 years of loan closing
- Prepayment due to sale of rental housing to a Skilled Worker
- Assumption of loan by a Section 184 borrower, who is also a Skilled Worker

Servicing Demonstration Loans

What happens when there's a prepayment ?

- Prepayment within 10 years of loan closing (not related to the sale of housing to a Skilled Worker).
- When Tribe/TDHE prepays Demonstration loan within ten years of loan closing, the use restriction remains in place for the balance of the ten-year period.

Servicing Demonstration Loans

What happens when there's a prepayment beyond 10 years of loan closing ?

- Prepayment beyond 10 years of loan closing.
- Lender must request Use Agreement termination from HUD and provide supporting documentation.

Servicing Demonstration Loans

What happens when there's a prepayment due to sale of rental housing to a Skilled Worker ?

- Prepayment due to sale of rental housing to a Skilled Worker.
- When a property subject to the Demonstration Loan is sold to a Skilled Worker, the Use Agreement may be terminated.
- Lender must request Use Agreement termination from HUD and provide supporting documentation.

Servicing Demonstration Loans

What happens when there's an assumption ?

- Assumption of Demonstration loan.
- A property financed under the Demonstration may be assumed by an eligible Section 184 Borrower who is a Skilled Worker. When this happens the Use Agreement may be terminated.
- Lender must request Use Agreement termination from HUD and provide supporting documentation.

Servicing Demonstration Loans

Servicing of Demonstration loans.

- Lender emails a cover letter requesting termination of Use Agreement and provide supporting documentation.
- Email Section184@hud.gov

Q&A



Questions ?