



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

OFFICE OF PUBLIC AND INDIAN HOUSING

MEMORANDUM

FROM: Office of Native American Programs, Office of Loan Guarantee, Section 184 Program, Krisa M. Johnson, Director

TO: All Section 184 Approved Lenders, Indian Housing Authorities, Tribally Designated Housing Entities and Tribes

SUBJECT: Underwriting compliance reminders for Streamline Refinances and Projected Obligations

The purpose of this memorandum is to remind all participants in the Section 184 program of current policy regarding the maximum eligible loan amount for a streamline refinance transaction and how projected obligations are underwritten.

**Streamline Refinance:** The Office of Loan Guarantee (OLG) established written policy on how lenders must calculate the maximum loan amount for streamline refinances in the *Section 184 Indian Housing Loan Guarantee Program Processing Guidelines (2014)*. These requirements are found in at Chapter 11.4 “Streamline Refinance Transactions (184 to 184).” All lenders must comply with these requirements to receive a Section 184 Loan Guarantee Certificate.

As a quick reference, the chart below summarizes how to calculate the maximum loan amount for a streamline refinance. Please see Chapter 11 of the processing guidelines for additional information. The Section 184 Processing Guidelines may be found at: [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/homeownership/184/guidelines](https://www.hud.gov/program_offices/public_indian_housing/ih/homeownership/184/guidelines)

MAXIMUM LOAN AMOUNT FOR STREAMLINE REFINANCE

WITH AN APPRAISAL, THE LESSER OF:	WITHOUT AN APPRAISAL, THE LESSER OF:
The sum of the existing mortgage payoff amount, interest, closing costs, prepaid expenses and reasonable discount points	The outstanding principal balance of the original Section 184 loan (including accrued interest-see note below)
Appraised value times 97.75% (or 98.75% if the value of the property is \$50,000 or less)	The original principal balance of the existing Section 184 mortgage

**Projected Obligations:** On November 15, 2016, OLG issued memorandum “Update to Section 148 Indian Loan Guarantee Program Processing Guidelines, Notice PIH 2014-22”

(<https://www.hud.gov/sites/documents/DEC16PIH2014-22.PDF>). This memorandum updated PIH Notice 2014-22, including revising the methodology to calculate the monthly payment obligation for student loans separately from other types of projected obligations. This policy is still in place today.

Below is an excerpt from the November 15, 2016 memorandum providing the specific detail of the changes from 2014 to 2016.

<p style="text-align: center;"><b>PIH 2014-22</b> <b>September 14, 2014</b></p>	<p style="text-align: center;"><b>Changes to PIH 2014-22</b> <b>Effective Case Numbers October 1, 2016</b></p>
<p><b>Page 19: Projected Obligations</b></p> <p>Debt payments, such a student loan, car lease or balloon payment not scheduled to begin or come due within 12 months of the mortgage loan closing, must be included aby the creditor as anticipated monthly obligations during the underwriting analysis. Debt payments do not have to be classified as projected obligations if the applicant provides written evidence that the debt will be deferred to a period outside the 12-month timeframe. If a borrower has a loan in forbearance or deferment due to a hardship (not due to being in school), then the projected student loan amount must be included by the creditor as anticipated monthly obligations during the underwriting analysis.</p>	<p>See FHA Mortgagee Letter 2016-08 effective June 30, 2016 for guidance on <b>all</b> Student loans, i.e., existing, deferred, contingent, etc.</p> <p>The projected obligation section on page 19 still applies to all non-student projected obligations.</p>

Here is a link to Mortgage Letter 2016-8 as presented in the FHA Single Family Housing Handbook 4000.1

<https://www.hud.gov/sites/documents/FHASTUDENTLOANREPAYAPR16.PDF>

**Compliance:** Compliance with these and all other program guidelines are required for a Section 184 Loan Guarantee Certificate. Compliance reviews may take place during a pre-endorsement review or a post-endorsement review.