HOMEOWNERSHIP OPPORTUNITIES

• Purchase existing house
• Rehabilitation of existing house
• Purchase and rehabilitation
• New construction
  — Manufactured
  — Modular/stick built
• Refinancing
PROPERTY REQUIREMENTS

• Trust land or land within an Indian area
• Meet construction and safety codes
• Single family (1-4 units)
  – *Examples include: house, duplex, tri-plex, four-plex, town home, manufactured/modular home*

• Manufactured Housing
  – Affixed to a permanent foundation
  – Manufactured after 6/15/76
LAND OWNERSHIP

• Tribal trust land

• **Allotted individual trust land**

• Fee simple land in a defined Indian operating area
LAND OWNERSHIP

• Program requirements and processing procedures vary depending upon how land is held

• Land in an Indian Area = area in which a Tribe/TDHE is authorized to provide housing
LAND CHARACTERISTICS

Tribal Trust Land

• Land or interest in land held in trust by BIA for a Tribe

• Land may not be encumbered or alienated (leasehold)
LAND CHARACTERISTICS

Allotted Individual Trust Land

• Land or interest in land held in trust by the BIA for an individual Indian

• Tribe has no interest in land

• Subject to restrictions against alienation or encumbrance
LAND CHARACTERISTICS

Fee Simple Land

• Estate in land that is absolute or unrestricted

• **Owner can dispose of land**
  – *Subsequent sale of home and/or foreclosure; land and home sold together*

• Located on reservation or within Tribe’s operating area for housing
• Leasehold interest must be established between borrower and tribe

• Title Status Report from BIA
  – Certified TSR with lease
  – Certified final with lease/mortgage

• Parties to lease: BIA, Tribe, and Borrower
  – HUD approval/review
184 LENDING ON TRIBAL TRUST LAND (cont.)

Note: Leasing instrument normally approved when tribe submits documentation to participate in 184 program
184 LENDING ON INDIVIDUAL ALLOTTED TRUST LAND

• Generally no lease
• BIA approval required
• BIA issues Certified Title Status Report with recorded mortgage & approval
184 LENDING ON INDIVIDUAL ALLOTTED TRUST LAND

- Fractionated ownership
- Lease (due to fractionated ownership)
- Foreclosure can result in loss of land
- Excess land
184 LENDING ON FEE SIMPLE LAND

• Lease not required

• Title policy required

• Property must be in a designated Indian Operating Area (Tribal certification on Land Status and Jurisdiction Form)
184 LEASE REQUIREMENTS

- Not to exceed 50 year term
- Provision preventing termination without HUD approval
- Language indicating lessee can mortgage the leasehold, and foreclosure is allowed
- Language preventing transfer or assignment of leasehold interest without HUD/Tribe approval
LOAN PROCESS FOR TRUST TRANSACTIONS
LOAN PROCESS For TRUST TRANSACTIONS

• Land status verified with tribe and/or BIA:
  – Title Status Report needed to verify individual allotment ownership
  – Land Status and Jurisdiction Form
Underwriting the Title Status Report

- Documentation required from the Bureau of Indian Affairs
  - Tribal Trust
    - Certified TSR (1 years or less) with/without recorded lease
    - Executed lease
LOAN PROCESS For TRUST TRANSACTIONS

Underwriting the Title Status Report (Cont.)

— Individual Allotted Trust land
  • Certified TSR (6 months or less)
  • BIA approval to mortgage

— Individual Allotted Trust Land with lease
  • Title Status Report with recorded lease
  • NO BIA approval to mortgage
• Borrower works with Tribe/BIA to obtain 184 lease if tribal trust land
  – Lease is recorded with BIA and TSR issued

• Borrower works with Tribe/BIA to get environmental review completed.  **REQUIRED ON ALL LOANS**
LOAN PROCESS For TRUST TRANSACTIONS (Cont.)

• Lender submits simultaneously:
  – Complete underwriting package to HUD (fee simple, tribal trust and individual allotment)
  – Copy of proposed mortgage/DOT to BIA for approval (trust land)
  – Complete underwriting package to BIA (individual allotted land)
Lender receives commitment for BIA (individual allotment)

Lender receives commitment from HUD

BIA Issues Certificate of Mortgage Approval (trust land)

BIA Title Plant completes certified Title Status Report for lender (trust land)

Guarantee Package to HUD for Loan Guarantee Certificate
THE TRIBE OR TDHE AS BORROWER
UNDEVELOPED MARKETS

• Limited Housing Supply
  – Low turnover, vacancy rate
  – Limited availability of developed lots
  – Limited sales

• Modest homes

• Tribal developers
  – Financing generally grant based
  – Limited exposure/access to financial markets

• Subsidies
  – Construction (grants, guarantees, interest rate)
  – Down payment & closing costs
• When the Tribe or TDHE borrowers for the construction/purchase of rental property, they must demonstrate:
  
  – Property management skills  
  – Rental and maintenance plan  
  – Renters able to pay
• These properties are eligible for assumption by qualified borrowers:
  – Tribe/TDHE pays cash investment and loan payments during construction
  – Qualified Borrowers able to assume
  – After qualifying assumption, Tribe or TDHE is released from liability
TRIBE/TDHE LOANS (Cont.)
Financial Capacity

- Demonstrated ability to pay mortgage loan:
  - Credit History (Dunn & Bradstreet)
  - Sources of funds to close
  - Income
  - Liabilities
TRIBE/TDHE
LOANS (Cont.)

• Coverage of debt service
• Skills, experience to undertake project
• Demonstration of need
• Marketing plan
• Audited financial statements
• Evidence of authority to borrow

• Evidence of ability to obtain deficiency judgment

• Plans for projects exceeding 20 homes must be built in phases
LOAN CLOSING and THE GUARANTEE CERTIFICATE
LOAN CLOSING

• Lender closes loan
  – All commitment conditions met
  – All closing documents including specific to 184
  – 1% guarantee fee sent
  – Lender sends Mortgage/DOT for recording to BIA and/or county/tribe and requests final TSR/Title Policy
ENDORSEMENT PACKAGE

• Received within 60 days after closing
• Reviewed
  – 184 required documents
  – Commitment conditions
  – Closed as underwritten
• Late endorsement (more than 60 days after closing)
  – Special processing requirements, fees may apply
GUARANTEE FEE

• HUD 53038, Guarantee Fee Transmittal Form

• Check to lock box in Atlanta, GA
  – Must be received 15 calendar days after closing
  – Late charge/interest
TRUST LOANS

• Final certified TSR with evidence:
  – Mortgage
  – Lease

• Removal of old mortgages
  – Via satisfaction
SECONDARY MARKETS

- Ginnie Mae
- Fannie Mae
- Freddie Mac
- Local Markets
THANK YOU!

• More information on the 184 program: