

**Section 184 Loan Guarantee Program  
Fee Increase  
Frequently Asked Questions  
November 2, 2016**

**Question: Why was the annual fee for new Section 184 borrowers increased from 0.15 percent of the outstanding, guaranteed principal balance to 0.25 percent?**

Answer: The increase in the annual fee on new loans was necessary because without the proposed fee increase, the program could only support about half the home loans it approves now.

**Question: When was this change first proposed?**

Answer: The change was first proposed in February 2106, as part of the FY 2017 President's Budget formulation process.

**Question: How does HUD have the authority to make this change?**

Answer: The 2013 Appropriations Act) amended section 184(d) of the Housing and Community Development Act of 1992, and authorized HUD to establish and collect annual premium payments.

**Question: When would this change take effect?**

Answer: Starting December 1, 2016, all new borrowers would be subject to the increased annual fee.

**Question: Who would be affected by this change?**

Answer: Only new borrowers, including borrowers of refinance loans, on or after December 1, 2016 would be subject to the increased annual fee. Borrowers with existing Section 184 home loans are not impacted.

**Question: What is the impact on new borrowers of this change?**

Answer: HUD estimates that on average new borrowers will pay about \$15 more per month as a result of the annual fee increase (based on a \$175,000 home). This amount will gradually reduce to \$0 over an 11-year period.

**Question: Does the fee increase make the program less affordable than other similar loan products?**

Answer: Even with the fee increase, the Section 184 program is still one of the most affordable loan products available to Native American homebuyers.

**Question: What communication has HUD done with Tribes about this change?**

Answer: On June 23, 2016, HUD sent a Dear Tribal Leader Letter to tribal leaders and tribal housing organizations soliciting comments on the proposed fee increase.

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**Question: What types of comments did HUD receive in response to its Dear Tribal Leader Letter soliciting comments on the fee increase?**

Answer: HUD received a total of two comments. Both commenters expressed concern over the impact of increased loan cost on borrowers' ability to afford homeownership. One commenter was concerned about the lack of lending options for borrowers on trust land, and that the fee impacts those borrowers more because the program is one of the few that is available for trust land lending. Both commenters were concerned that the cost of the program, as described in the Dear Tribal Leader Letter, has grown. One commenter expressed willingness to work with HUD to keep costs down.

**Question: What is HUD's response to the comments it received on the fee increase?**

Answer: HUD appreciates commenters' contributions and looks forward to working with its partners, especially tribal leaders and tribal housing organizations, to explore ways to increase sustainable homeownership for tribal communities. That includes collaborative efforts to reduce defaults, which ultimately increase the long term cost of the program. HUD is sensitive to the relative lack of viable lending options and programs for trust land lending, and will consider carefully the impact to trust land borrowers before proposing any additional fee increases.

**Question: When will official notice of the fee increase be published?**

Answer: A *Federal Register* Notice was published on November 1, 2016, providing 30 days' notice before the fee increase becomes effective.

**Question: How can HUD increase the number of banks participating in the Section 184 program?**

Answer: HUD is committed to increasing affordable homeownership in Indian Country. Dependent on the availability of funding, HUD plans to hold six regional trainings for tribes and lenders to inform tribes how Section 184 can be used to promote homeownership and to expand the number of banks participating in the program in 2017.