



U.S. Department of Housing and Urban Development
WASHINGTON, DC 20410-5000



Title VI Loan Guarantee Program Benefits to Lenders

Limited risk exposure:

HUD's 95% guarantee is for both outstanding principal and interest. In the event of a payment default, HUD will either make quarterly debt service payments on behalf of the tribe/TDHE, or pay off the debt. This significantly reduces risk and costs for lenders.

Reduced costs:

The Title VI Loan Guarantee Program reduces costs by:

- ▶ Having no guarantee fee
- ▶ Being a payment guarantee, which does not require foreclosure and related legal expenses for real estate that is not collateral
- ▶ Reducing closing expenses with the use of lender's loan documents

Improved marketing opportunities:

In working with the tribe/TDHE on a Title VI loan, relationships are established that increase the number of financial services that may be established in the community.

Community reinvestment goals:

The Title VI Loan Guarantee Program helps lenders fulfill requirements under the Community Reinvestment Act. This Act ensures investment opportunities are made available to underserved markets, which include many Native American communities.

Marketability of Loan:

The Title VI loan guarantee is transferrable to HUD-approved lenders/servicers. This permits the lender to balance its portfolio or increase liquidity as the need arises.