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

Structuring Title VI Loan Payments

Even though the "need portion" of a tribe's/TDHE's annual Indian Housing Block Grant funds is pledged to HUD, a tribe/TDHE may still use those funds to make payments on its Title VI loan. Annual payments decrease as the loan term increases.

The following example illustrates the impact of different amortization periods on debt service, using a loan amount of $2.5 million, an interest rate of 5.5%, and a need allocation of $500,000.

Annual Debt Service Example:

Amortization Period	Debt Service	% of Need Allocation	Need Balance
5 Years *	$573,035	115%	($73,035)
10 Years	$325,579	65%	$174,421
15 Years	$246,125	49%	$254,875
20 Years	$206,366	41%	$293,634

*In this example, a 5-year amortization period is not an acceptable option. The annual debt service must not exceed the annual allocation of need.

If the need portion of the annual IHBG allocation is the only source of loan repayment, then the longer loan term gives the tribe more than half of its need allocation, which could be used for additional construction or for other eligible housing activities.