

HUD Section 184 Indian Home Loan Guarantee Program

This fact sheet highlights the U.S. Department of Housing and Urban Development's Section 184 Indian Home Loan Guarantee Program (IHLGP), which was authorized by the Housing and Community Development Act of 1992. Section 184 is one of the most important federal programs that help Native Americans obtain home mortgages. By guaranteeing home loans, the program encourages lenders to underwrite mortgages in Indian country.

What Is the Section 184 Program?

The Section 184 program is a home mortgage federal loan guarantee for enrolled members of federally recognized tribes or for Tribally Designated Housing Entities.

One of the obstacles to lending in Indian country has been the unique status of Indian lands, which generally are held in trust. Lenders interested in making home loans to Native American borrowers often are unable to obtain legal assurances that the property purchased with the loan can be reclaimed in the case of default.

To help increase home ownership in Indian country, the Section 184 program provides a 100 percent guarantee on all housing loans made by private lenders and tribal housing agencies to American Indian and Alaska Native borrowers.

The program is administered by the Office of Loan Guarantee within HUD's Office of Native American Programs. HUD works with a broad group of private lenders and tribal partners to promote access to capital through this program. Potential borrowers are advised to take home-buyer financial education courses, which often are offered by home-buyer counseling services.

Section 184 loans offer many advantages:

- **Low down payment:** 2.25 percent on loans of more than \$50,000 and only 1.25 percent on loans of less than \$50,000.
- **Fixed interest rate:** Lenders charge market rate. No adjustable rate mortgages are permitted. Fees are monitored to prevent predatory loans.
- **No monthly mortgage insurance:** A one-time 1.5 percent fee is paid by the borrower at closing and can be financed into the loan. In addition, loans with a loan to value of 78 percent or greater will be subject to an annual 0.15 percent mortgage insurance premium.
- **Manual underwriting:** The program uses a hands-on approach to underwriting and approval, as opposed to automated decision-making tools.

- **Liquidity:** A Section 184 guaranteed loan, including the security given for the loan, may be sold or assigned by the lender to any financial institution. Section 184 loans are eligible for inclusion in Ginnie Mae’s mortgage-backed securities. Additionally, some state housing financing agencies and federal home loan banks purchase Section 184 loans.
- **Growing national network of approved lenders:** The program’s network of approved lenders includes national companies and local banks, aimed at a variety of borrowers’ needs. Lenders also have been trained in the unique circumstances of Native American home ownership.

A Section 184 loan can be used only for a single-family home (1–4 units) and for a primary residence, not for a second or investment property. More specifically, a loan can be used to

- purchase an existing home.
- construct a new home (site-built or manufactured homes on permanent foundations).
- rehabilitate a home, including weatherization.
- purchase and rehabilitate a home.
- refinance a home (rate and term, streamline, cash out).

Participating tribes determine the areas where the Section 184 loan can be used. Many states are eligible in their entirety, but only select counties are eligible in other states.

How Can Banks Participate in the Section 184 Program?

To join the Section 184 program, banks must meet the HUD program requirements.

For detailed information on the requirements and procedures of the approval process, contact the HUD’s Office of Native American Programs in Washington, D.C., at (800) 561-5913.

What Are the Benefits for Banks?

By providing a 100 percent guarantee, the program allows banks to extend capital to eligible Native American borrowers with the full confidence that the mortgage risk is mitigated in case of a default.

Lenders may receive positive CRA consideration for loans originated under the IHLGP program. Loans that meet the definition of a home mortgage loan are considered under the lending test. Intermediate small banks may choose to have home mortgage loans that have a community development purpose evaluated as community development loans if these loans were not reported under the Home Mortgage Disclosure Act. Banks evaluated under the lending, investment, and service tests may also receive consideration for innovative or flexible lending practices.

What Risks and Fees Do Lenders Face?

Since the loans are guaranteed at 100 percent, there is no credit risk. However, lenders should familiarize themselves with the program guidelines to avoid potential operational risks. Besides costs associated with the HUD requirements, there are no fees assessed on the lender.

Resources

- [HUD's Section 184 Indian Home Loan Guarantee Program](#)
- A [map](#) of guaranteed loans by state
- [Lenders Section 184 Resources](#)
- A [list](#) of approved Section 184 lenders

Disclaimer

Community Developments Fact Sheets are designed to share information about programs and initiatives of interest to bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered definitive regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable, but the use of this information does not constitute an endorsement of its accuracy by the OCC.