



# Benefits of the 184 Loan Guarantee Program

## Housing Opportunities for Native Americans & Alaska Natives



**What is the Section 184 Loan Guarantee Program?** It is a home mortgage loan program. The Section 184 Loan Program within HUD's Office of Native American Programs was designed to provide access to mortgage financing to Native American and Alaskan Native tribal members. Section 184 home loans are guaranteed 100% by the Office of Loan Guarantee to the lender in the event of foreclosure and claim.

### **Highlights of the Section 184 Loan Program Include:**

- Eligible borrowers include American Indians, Alaska Natives, Tribes, Indian Housing Authorities and Regional or Village Corporations formed under the Alaska Native Claims Settlement Act.
- Available everywhere in Alaska including tribal trust, individual allotted trust or fee simple land.
- Loan can be used for new construction, rehabilitation, purchase of an existing house and refinancing including "cash out" refinancing.
- For individuals, the loan must be for a primary residence.
- The loan is for single family homes defined as 1 to 4 units (duplex, triplex, fourplex).
- Loans must be fixed rate.
- Low down payment of 2.25% based on the lower of the appraised value or cost to acquire the home. Down payment of 1.25% for loans less than \$50,000.
- 1.5% guarantee fee at closing and this fee can be financed with the mortgage. There is a small annual premium for the loan guarantee of .25% of the outstanding balance until a Loan to Value of 78% is achieved.
- No limits on gifts to the borrower to assist with the down payment or other loan costs.
- Section 184 loan limits are updated annually and are available at [www.hud.gov/section184](http://www.hud.gov/section184).

### **Additional Section 184 Loan Program Resources and Information**

- Section 184 Loan Program website: [www.hud.gov/section184](http://www.hud.gov/section184)
- Section 184 Loan Program website information for borrowers: [www.hud.gov/section184borrowers](http://www.hud.gov/section184borrowers)
- Alaska Office of Native American Programs website: [www.hud.gov/akonap](http://www.hud.gov/akonap)  
Alaska Section 184 Coordinators:
  - Carla Vance: [carla.vance@hud.gov](mailto:carla.vance@hud.gov) or (907) 677-9873
  - Deb Alston: [deb.alston@hud.gov](mailto:deb.alston@hud.gov) or (907) 677-9863

## **Why Choose a Section 184 Loan?**

---

The Section 184 Loan Guarantee Program is a mortgage program only available to Native Americans and Alaska Natives. Congress created the program to increase Native American homeownership by reducing loan costs. The Section 184 program is often the best mortgage loan available to Native Americans because it requires a low down payment of 2.25% and is one of the lowest mortgage loan guarantee cost available. The guarantee fee is a one-time cost of 1.5% of the loan. The guarantee fee can be financed and there is a small monthly mortgage insurance fee of .25%. Section 184 loans also offers more flexibility regarding property and credit standards to make mortgage financing available to more Native Americans.

## **How Can a Section 184 Program Loan Be Used?**

---

Section 184 Program loans may be used to purchase, rehabilitate, construct and refinance housing of one to four units. For individuals, the loan must be for a primary residence and cannot be used for investment or vacation properties.

## **How to Qualify for a Section 184 Loan?**

---

**The borrower must show they have sufficient income to pay back the loan.** This is determined by the ratio of the borrower's debt to income. Under the Section 184 program, total monthly debts, including the costs for the planned mortgage loan, typically cannot exceed 41% of the gross monthly income.

**The borrower must show they have a good history of meeting their financial obligations.** This is based on the borrower's credit report. See below for more info about credit reports.

**The property being purchased must meet loan standards.** The lender will send an appraiser to verify the condition and value of the property to be purchased with the loan. Site control must also be established for the lot.

**The borrower must provide documentation of membership in a federally recognized Indian tribe or corporation formed pursuant to the Alaska Native Claims Settlement Act.** The tribe/corporation makes the determination of membership and how membership is documented. Typically, the tribe/corporation issues a membership card to its members. A copy of the membership card is provided to the lender to verify eligibility as a Section 184 borrower.

## **How Much Can I Borrow?**

---

The maximum Section 184 Program loan is the lowest of the following:

- The maximum loan limit for the program. The current loan limits are available at

[www.hud.gov/Section184](http://www.hud.gov/Section184) .

- Appraised value of the property less the down payment.
- Actual cost of the property less the down payment.
- The amount the borrower can afford to repay.

Payments for the mortgage loans will include property insurance, property tax as well as the loan payment. The loan payment will include repayment of the amount borrowed at the interest rate and term of your loan.

Loan calculators are available online that make it easy to determine how much you can borrow and what the payments will be with various interest rates and loan terms.

### **What is the Interest Rate for a Section 184 Loan?**

---

The lender determines the interest rate for a Section 184 loan based on the prevailing interest rate in the market. A lender may also offer special financing for qualified borrowers such as first-time homebuyers. Only fixed interest rates are available under the Section 184 program. Fixed rate loans lock in debt service payments for the term of the loan regardless of changes in the market. This protects borrowers from unpredictable changes.

### **How to Apply for a Section 184 Loan?**

---

You apply directly with an approved lender of your choice for a Section 184 Program loan. A complete list of approved lenders is on the Section 184 Program website at [www.hud.gov/section184](http://www.hud.gov/section184) .

You may want to apply at multiple lenders since the rates may vary by lender.

The lender will obtain a copy of your credit report and coordinate with HUD and a property appraiser to prepare the loan package for processing. The interest rate for the loan is based on the current market rate.

- To apply for a loan, you will be asked to complete the Uniform Residential Loan Application that discloses detailed information about income, expenses, debts, and assets of the borrowers
- You will also be asked to provide the following documentation:
  - W-2s for the past two years
  - Current pay statement
  - Last Federal Income Tax Return
  - Current Bank Statements
  - Membership verification of a federally recognized Indian tribe or ANCSA Corporation

## Who Are the Section 184 Lenders for Alaska?

---

A list of all the approved Section 184 lenders can be found on the Section 184 website at: [www.hud.gov/Section184](http://www.hud.gov/Section184). Some lenders are approved for certain states while others may be approved for all states.

Some of the lenders that loan for Alaska include but are not limited to the following:

- Academy Mortgage Corporation
- Alaska Pacific Bank
- Alaska USA Federal Credit Union
- Bank of England
- Chickasaw Community Bank
- Cook Inlet Lending Center
- Cornerstone Home Lending
- First National Bank Alaska
- Homestate Mortgage Company
- Kodiak Island Housing Authority
- Northrim Bank
- Residential Mortgage

## Are You Ready for Homeownership?

---

Purchasing a home is one of the biggest financial decisions you will make in your lifetime, so it's critical to prepare yourself in advance. The following steps are intended to help you get started.

1. Educate yourself on the homebuying process or take a free homebuyer education class. Check with your tribe to see if they provide classes and/or check with a HUD-approved Counseling Agency at: [www.hud.gov/counseling](http://www.hud.gov/counseling). In Alaska, AHFC and some lenders also offer homebuyer classes.
2. Do a self-assessment.
  - ✓ Income—do you have adequate and stable income? Do you have a two-year employment history?
    - Use one of the many online mortgage loan calculators to determine how much payment you can afford. Don't forget to include property taxes and home insurance.
    - Make a budget and include all costs with the home including mortgage payment, taxes, insurance, utilities, etc. to make sure you can afford the home and all of your regular bills (car payments, cell phones, credit cards, savings, etc). Will you have enough funds to cover everything and have money left over?
  - ✓ Credit—Have you reviewed your credit report recently? Is it accurate? You can order a free copy at: [www.annualcreditreport.com](http://www.annualcreditreport.com)

- ✓ Debt—Student loans, car loans, credit cards, personal loans all are included in your monthly debt ratio. If needed work to pay off debts.
  - ✓ Down payment—You'll need 2.25% to cover the cost of your down payment. Check with your tribe or the state Housing Finance Agency to see what they provide. Ensure you have additional funds to cover closing costs.
3. Tribal Trust or Allotted Lands—Do you own your own land? Are you the only owners of record? Does the property have infrastructure? Allotted: Order a title status report to see owners listed; Trust: Check with your tribe about getting a lease.
  4. If you've covered all of the above, then check-in and apply with a Section 184 approved lender. The lender will explain the loan approval process to you and request numerous documents that are needed to complete your loan file. Follow up quickly to ensure the loan process is not delayed.

Additional tips:

- **Save money!** You will need cash for the loan. Savings also demonstrate your capacity to be a successful borrower
- **Do not enter into new debt!** The more you own, the less you can borrow to buy a house.
- **Stay current with existing payments!** Make sure you pay all your bills on time. Any late payments will show up on your credit report and may disqualify you as a borrower. If you can, pay extra on loan payments to reduce your debt and interest expense.
- **Get a free copy of your credit report and clear up any issues!** The credit report shows your debt payment history and tells the lender if you are a good borrower. Review your credit report to see if it is accurate.

If credit problems are reflected in your credit report, contact the lender and try to resolve the problem so you have a clean record when you go to get your home loan. You can get a free copy of your credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com).