



Benefits of the 184 Loan Guarantee Program



Housing Opportunities for Native Americans & Alaska Natives

- 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
- 100% guarantee to the lender in the event of a foreclosure and claim.
- 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.
- The maximum loan amount for each census tract and borough in Alaska, subject to appraised value and down payment requirements, is attached
- Loans may be assumed by an eligible creditworthy borrower
- 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. This is the lowest cost government guarantee or conventional mortgage insurance program available.
- Loan can be used for new construction, rehabilitation, purchase of an existing house and refinancing including “cash out” refinancing.
- One qualifying ratio: 41% total debt to gross income ratio, which can be exceeded with compensating factors.
- Construction can be financed with a Single Close loan that provides permanent guaranteed financing before construction begins. Monthly mortgage payments begin after closing which can be financed during construction. At closing the amount allocated for construction or rehabilitation plus a 10% contingency and up to 6 months mortgage payments are placed in an escrow account and are drawn down as the work is satisfactorily completed.
- Strong secondary market through Alaska Housing Finance Corporation, Fannie Mae, Freddie Mac, Federal Home Loan Bank, Ginnie Mae, etc.
- No limits on gifts to the borrower to assist with the down payment or other loan costs
- No income limits

Web Site: www.hud.gov/offices/pih/ih/homeownership/184

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Why Section 184 Program Loans?

The Section 184 Loan Guarantee Program is a mortgage program only available to Native Americans. 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 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 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.

What is the Interest Rate for a Section 184 Program 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.

TIPS For Borrowers:

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. So 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 house loan. You can get a free copy of your credit report at www.annualcreditreport.com.

How to Get a Loan?

You apply directly with an approved lender for a Section 184 Program loan. 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.

Lenders must be approved for the Section 184 Program. A complete list of approved lenders is on the Section 184 Program website. A link to this website is provided below. Contact the Section 184 Program Coordinator for more information about lenders and loan originators that are active in the Section 184 Program in your area.

- 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:
 - 1' W-2s for the past two years
 - 1' Current pay statement
 - 1' Last Federal Income Tax Return
 - 1' Current Bank Statements
 - 1' Membership verification of a federally recognized Indian tribe or ANCSA Corporation

Information for Homebuyers:

- Link to Section 184 Program website:
www.hud.gov/offices/pih/ih/homeownership/184
- Link to homebuyer resources on the HUD website:
www.hud.gov/buying/index.cfm
- Link to credit counseling:
<http://www.cccsofak.com>
- Link to free workshops for homebuyers provided by the Alaska Housing Finance Corporation
www.ahfc.state.ak.us/workshops/homechoice.cfm

Uses for a Section 184 Program Loan

Section 184 Program loans may be used to purchase, rehabilitate, construct and refinance housing of one to four units.

How Much Can I Borrow?

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

- The maximum loan limit for the program
- 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

How Much Can I Afford to Borrow?

Under the Section 184 program total monthly debts, including the costs for the planned mortgage loan, typically do not exceed 41% of your gross monthly income. To estimate the monthly payment you qualify for use the following formula:

- Step 1 - Determine your monthly gross income
- Step 2 - Multiply by 41%
- Step 3 - Determine current monthly debt payments
and subtract _____
- Step 4 - The remainder is the estimated monthly
payment you can afford for the mortgage
loan _____

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 on the Internet that make it easy to determine how much you can borrow and the effect of various interest rates and loan terms.

If you do not have access to the Internet, use the following formula to estimate how much you can borrow at 5% interest for 30 years.

- Step A – Start with the amount from Step 4 above
- Step B - Estimate the monthly cost of property tax &
property insurance
- Step C - Subtract to determine funds available to
Pay the monthly debt service
- Step D – Divide by 5.37
- Step E – Multiply by 1000 to estimate the amount
of the loan you can afford based on your
current income and current debt _____

Why a Loan Guarantee?

Unless the borrower is making a down payment of 20% or more, the lender will require the borrower to have a loan guarantee, mortgage insurance or both. The Section 184 program offers the lowest cost loan guarantee fee available on the market today. The Section 184 guarantee fee is a one-time cost of 1.5% and a small .15% monthly mortgage insurance. The guarantee fee can be included in the mortgage loan. The low cost of the Section 184 guarantee and the low down payment requirement of 2.25% are the primary financial advantages of the program.

Who are the Approved Section 184 Lenders in Alaska?

- Academy Mortgage
- Advantage Mortgage
- Alaska Lending
- Alaska Pacific Bank
- Alaska USA Federal Credit Union*
- Bank 2*
- Cook Inlet Lending Center
- Denali Alaskan Federal Credit Union
- First National Bank Alaska
- Home State Mortgage
- Kodiak Island Housing Authority
- Premier Mortgage
- Residential Mortgage
- Spirit of Alaska Federal Credit Union
- Summit Mortgage
- Titan Mortgage Capital
- Tlingit-Haida Regional Housing Authority
- Wells Fargo Home Mortgage*

*** Direct Guarantee Lender**

Direct Guarantee Lenders are authorized to process Section 184 loans without prior HUD approval.