



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



Title VI Loan Guarantee Program Frequently Asked Questions

OVERVIEW

What is a Title VI loan?

Under Title VI of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), the tribe or its Tribally Designated Housing Entity (TDHE) pledges a portion of its Indian Housing Block Grant (IHBG) funds to HUD. In turn, HUD will guarantee a lender's loan to the tribe/TDHE.

How does HUD's loan guarantee to a lender help the tribe/TDHE?

The guarantee protects the lender from a payment default by the tribe/TDHE. The guarantee enables a lender to offer loan terms that would not generally be available to a borrower.

What must the tribe pledge to HUD to receive a Title VI loan?

The tribe/TDHE pledges the need portion of its annual IHBG funds and the financed project's income to HUD as collateral for a loan guarantee. The pledged funds can still be used by the tribe/TDHE for eligible IHBG activities, including debt service, unless the tribe/TDHE has defaulted on a previous loan.

Who is an eligible borrower for a Title VI loan?

A tribe/TDHE that receives and administers IHBG funds is an eligible borrower. Since a tribe has the authority to withdraw the designation of a TDHE, the tribe must be a party to the pledge of IHBG funds.

How may the loan funds be used?

The loan funds must be used for affordable housing activities eligible under NAHASDA.

Does a tribe/TDHE have to comply with IHBG regulations if the money is actually coming from a private lender?

Yes, Title VI and IHBG funds are authorized under NAHASDA and are subject to the IHBG regulations at 24 CFR Part 1000. IHBG regulations apply to any project that uses funds from a loan guaranteed under Title VI.

Does the project have to be on Trust land or allotted land?

No, but the project must be located in the area that the tribe/TDHE currently serves, using its NAHASDA funding. The project must also be included in the tribe’s Indian Housing Plan.

APPLICATION QUESTIONS

What steps are required to obtain a Title VI loan guarantee?

In general, there are several steps in the process.

1. The tribe/TDHE submits an application for a preliminary review of acceptance from HUD. HUD reviews the proposed project’s feasibility and the tribe’s/TDHE’s capacity to implement the project. If acceptable, HUD will issue a preliminary letter of acceptance (PLA) that is valid for 180 days.
2. The tribe/TDHE selects a lender and applies for a loan from that lender.
3. The lender requests a firm commitment from HUD, so that a loan guarantee may be issued. When the request is approved, HUD will issue a firm commitment to the lender specifying the terms that must be met for a guarantee to be issued. The lender and tribe/TDHE have 90 days to close the loan.
4. The lender and tribe/TDHE meet the conditions for the guarantee and close the loan. Once closed, HUD will issue the guarantee to the lender.

Why are the firm commitment and guarantee directed to the lender?

HUD is guaranteeing the lender’s loan to the tribe/TDHE. The lender is responsible for meeting the terms and conditions for the guarantee.

Does HUD guarantee the full amount of the loan?

No, HUD guarantees payment of 95% of the unpaid principal and interest on the loan. The guarantee does not include late fees or other expenses. The guarantee does not cover any other costs or fees, including late fees or legal expenses.

What is the maximum loan amount that can be guaranteed under Title VI?

The maximum loan amount depends on the amount of the tribe’s annual Indian Housing Block Grant. IHBG allocations are based on a formula that considers two basic factors: the number of units of Formula Current Assisted Stock that the grantee has in its inventory; and the need of each tribal community. The need portion of the IHBG is calculated using weighted factors such as the local population’s income levels, the condition of existing housing, and housing costs. The maximum commitment amount under Title VI is limited to five times the need portion of the annual IHBG allocation.

Can a tribe/TDHE have more than one Title VI loan?

Yes, but the total amount of available funding for all of the Title VI loans cannot exceed the maximum commitment amount, which is five times the need portion of the annual IHBG allocation.

Are there restrictions on the annual debt service?

Yes, the annual debt service must not exceed the need portion of the IHBG allocation.

Does the amount of the guarantee change with each annual allocation?

No, once the guarantee is issued, the maximum amount of that guarantee is fixed and does not change, regardless of any changes in the annual IHBG allocation.

GUARANTEE QUESTIONS

What is the collateral for a loan guaranteed under Title VI?

The loan has no real estate collateral. The guarantee is the primary collateral for the lender. The tribe/TDHE pledge of the need portion of the IHBG allocation is the collateral for HUD's guarantee.

Can a lender also use a pledge of IHBG funds for loan collateral?

No, the pledge of IHBG funds is made to HUD, and cannot be pledged a second time.

Can a lender require more than the guarantee as collateral for the loan?

Yes, additional collateral may be negotiated between the tribe/TDHE and the lender. For example, it is common for a lender to request cash collateral for the 5% that is not covered by the guarantee. Depending on the type of account or collateral, the additional collateral may be an eligible financing expense under NAHASDA.

If a payment is not made, can a lender immediately call the loan due and payable in full?

No, HUD must approve the demand for full repayment of interest and principal.

Has HUD made payments due to a borrower defaulting on a Title VI loan?

No, as of September 2014, there had been no claims paid on a guarantee through the 15-year life of the program.

LOAN DOCUMENT QUESTIONS

Are there application forms for a Title VI loan?

There are no application forms. However, HUD does provide a checklist of documents needed to qualify. The checklist generally follows the documentation requirements that lenders have for commercial development financing.

May the lender use its standard loan documents?

Yes, HUD does not have documents for the lender to use for its loan. However, HUD will review the lender's documents and may require some changes.

What are the required HUD guarantee documents for the tribe/TDHE?

The required documents include a contract for the pledge of the tribe's/TDHE's IHBG funds and a certification of compliance with NAHASDA.

What are the required HUD guarantee documents for the lender?

The required documents include a guarantee agreement and the guarantee certificate.

Does HUD require special terms in the lender's loan documents?

The Title VI Loan Guarantee Program is designed to be flexible; however, the loan terms must meet the needs of the project. The maturity date should not exceed 20 years, and the tribe/TDHE may not be a party to any hedge structure for fixed-rate financing.

Does the tribe/TDHE need to include the Title VI project and financing in its annual Indian Housing Plan (IHP)?

Yes, HUD requires the IHP to include the project, loan proceeds, and estimated debt service. The useful life of the project must equal or exceed the loan term.

SERVICING QUESTIONS

Does the lender need to monitor construction?

Yes, loan advances that pay for construction costs need to be based on completed work.

What loan reports must the lender provide to HUD?

The lender must provide quarterly payment reports that include the current principal balance and current interest rate, as well as the amount of principal and interest payments. In addition, the lender must report any payment delinquencies that are more than 30 days late.

Does the tribe/TDHE have Title VI reporting requirements?

Yes, the project must be included in the tribe's/TDHE's Annual Performance Report, annual audit, and the self-monitoring plan. In addition, the debt service should be included in the annual Indian Housing Plan.

Will HUD conduct a monitoring review of a Title VI project?

Yes, HUD will include a Title VI project in its on-site monitoring reviews. In addition, it may undertake a desk review of all or a portion of a project.

May a Title VI guaranteed loan be modified to change one or more terms?

Yes, the loan terms may be modified with HUD's written approval of the changes.



To learn more about using the Title VI Loan Guarantee Program for your housing project, contact Robert.A.Lamp@hud.gov or call (202) 402-4134.

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