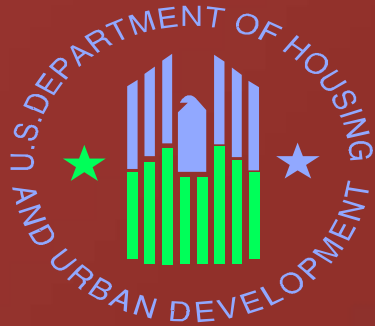


HUD Section 184 Program



Purpose of 184 Program

- n **To assist and promote homeownership opportunities on Indian reservations and/or designated Indian operating areas**
- n **To encourage the participation and investment by traditional financial institutions**
- n **To coordinate housing development activities to further economic and community development for Indian tribes and their members**



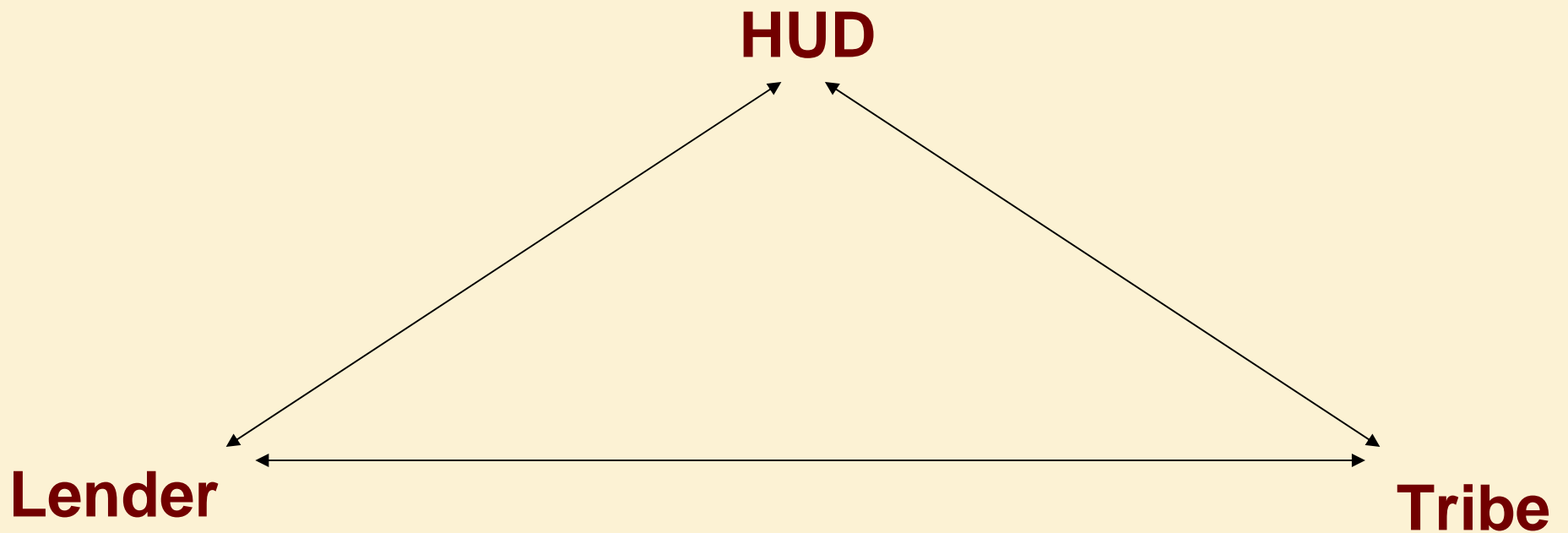
Benefits of the Section 184 Loan Program

- n **Available on and off reservation**
- n **Low down payment**
- n **Manual underwriting**
- n **1% guarantee**
- n **New construction/existing**
- n **Resale, rental, assumption**

HUD Section 184 Activity

184 Loans Activity	FY2009	FY2008	FY2007
Trust Land	71	177	1,137
Allotted Land	32	38	68
Fee Simple	1013	1361	1137

Three-Party Relationship



Eligible Borrower

- n **Tribe**
- n **Tribally Designated Housing Entity**

**Tribe or TDHE must demonstrate
administration, managerial and
financial capacity**

Tribe/TDHE

n **Loan Options**

- **New Construction**
- **Rehabilitation**
- **Purchase**
- **Purchase and Rehabilitation**
- **Refinance (including cash out)**

Tribe/TDHE

n **Loan Processing**

- **One application for each loan**
- **Initial loan request not to exceed 20 loans; subsequent requests based on income/credit**
- **Tribe/TDHE subject to income/credit analysis**
- **Down Payment based on acquisition/value**

Tribe/TDHE as the Borrower

- n **Demonstrated ability to pay mortgage loan:**

Credit Review

(Dunn and Bradstreet)

Amount/source of:

Funds for closing

Income

Liabilities

Tribe/TDHE Loans

- n **Assets Analysis**
 - **Infrastructure**
 - **Loan expenses**
 - **Coverage of debt service**
 - **Property Maintenance**

Tribe/TDHE Loans

- n **Evidence of authority to borrow**
 - Legal authority/capacity to borrow
- n **Not in Bankruptcy**
- n **Evidence of ability to obtain deficiency judgment**

- n **Documentation**
 - Board resolution
 - By Laws
 - Letter from tribal counsel



Tribe/TDHE Standard Documentation

- n **MCAW**
- n **Good faith**
- n **Executed URLA**
- n **Land Status Form**
- n **CAIVRS**
- n **Appraisal**

Tribe/TDHE Documentation

- n **Audited Financial Statements**
 - Current
 - Previous year's annual statement
- n **Demonstration of skills and experience to undertake project**

Tribe/TDHE Loans

- n **Housing Opportunities**
 - **Development and sale**
 - **Purchase and sale**
 - **Purchase and assumption**
 - **Retained ownership and management**

Development and Sale

n Development

- Budget
- Pro-forma
- Contractor schedule
- Finance leveraging
- Master documents

n Sale

- New loan
- Return of capital investment
- No borrower restrictions (Indian and/or non-Indian)

Assumptions

- n **Tribe/TDHE pays all closing costs, prepaids, down payment to originate loan**
- n **Section 184 loan must be guaranteed**
- n **Borrower must income/credit qualify**
- n **Borrower must be eligible for 184 loan (enrolled member of a Federally recognized tribe)**
- n **After qualifying assumption, tribe or TDHE has no further liability for loan**



Retained Ownership and Management

- n **Property management skills**
- n **Rental and maintenance plan**
- n **Renters**

Initial Planning – Financial Analysis

- n **Development of budget**
- n **Pro-forma**
- n **Construction schedule**
- n **Development of financing models**
- n **Sources and uses of funds**
- n **Potential team members**

Initial Planning – Capacity

- n **Is there sufficient experience and capacity to manage the project?**
- n **Will 3rd parties be needed to provide some of the services?**



Application Preparation

- n **HUD Section 184 project package submitted to OLG by Tribe/TDHE**
- n **OLG Review and Approval**

What is Included in the Loan Application

n **Project description**

- Number of units
- Homeownership, rental, or mixed
- Is project constructed, acquired or rehabilitated
- Is infrastructure required
- Estimated cost
- Estimated cost of project administration to 3rd parties
- Site Plan
- Number of families served

What is Included in the Loan Application

- n **Detailed summary of the applicant's capacity to complete the project:**
 - Resumes on responsible staff
 - History & photos of past completed projects
 - Ability to acquire grants, etc.

Project Description

- n **Detailed Description of Project**
 - Sources and Uses of Funds
 - Cash Flow Analysis
- n **Copy of the plans and specifications**
 - Construction Timetable
 - Infrastructure Needs of Project, Utilities, Roads, and Water and Sewer
- n **Name of Architect**
- n **Builder Information**
- n **Recordation of Project and Easements with BIA (if Applicable)**

Underwriting

- n **Underwrites the loan package using generally acceptable standards**
 - **Reviews financial statements of borrower**
 - **Analyzes the project, cost and pro-forma information to determine feasibility**
 - **Structures the loan**
 - **Approves the loan**
 - **Works with borrower to prepare lender's application for Firm Commitment and guarantee**

HUD Review

- n **Review tribe/TDHE “Project Summary”**
 - **Project Summary is based on initial planning and information and recognized that details might change**
- n **ONAP reviews performance and capacity for the project under NAHASDA**
- n **Verifies that the proposed project is included in the Indian Housing Plan, (IHP)**
- n **After the Project Summary is reviewed the Borrower may proceed with the application for firm commitment with their lender**

HUD Approval

- n **Underwrites lender's request for guarantee**
- n **Issues Firm Commitment**
- n **Reviews final loan documents**
- n **Issues guarantee**



Firm Commitment Request

2. Description of Project & Need

- n **Description of Project**
- n **Description of need and how the project meets that need**
- n **Copy of Indian Housing Plan**



Firm Commitment Request

3. Project's Financial Information

- n **Total Cost of the project**
- n **Description of proposed financing using the 184 loan guarantee**
- n **Additional Financing**
- n **Repayment (sources and schedule)**
- n **Environmental Review Certification**
- n **Land Status**

Firm Commitment Request

4. Financial Capacity

- n **Verification of funds for repayment**
- n **Verification of funds for operation and maintenance**
- n **Copy of applicant's most recent two years of financial statements**
- n **Applicant's credit report or credit history**



Firm Commitment Request

5. Management Capability

- n **Copy of contracts and resumes as applicable**

- n **Other documentation**

Firm Commitment Request

6. Loan Presentation

- n **Copy of lender's loan presentation for the 184 loan showing that the loan was underwritten and meets generally accepted underwriting standards**

Firm Commitment Request

7. Certifications

Copy of Certifications signed by the borrower stating the borrower:

- n Has legal authority to borrow funds**
- n Will comply with all regulations when restricted funds are leveraged with unrestricted funds**

Firm Commitment Request

8. Resolutions

**Copy of resolutions by Tribe
beneficiary or TDHE:**

- n Authorizing issuance of notes**
- n Authorizing repayment set asides
from IHBG if applicable**
- n Identifying official representative of
the borrower**



HUD Section 184 Application Tribe/TDHE Transaction

Proposed Documents

- n Leasehold Mortgage/ Mortgage
- n Note
- n Construction agreement
- n Pledge agreement of additional collateral (if applicable)
- n Legal opinion from borrower's counsel

Firm Commitment Request

9. Legal Opinion

Original opinion from Borrower's counsel stating that the:

- n Borrower is authorized under applicable law**
- n Borrower has authorized individual to execute the necessary documents**
- n Executed documents shall be binding and enforceable**
- n The pledge of IHGB and the Contract is valid (if applicable)**



Firm Commitment Request

10. Lender's Loan Documents

Copies of the proposed:

- n **Note**
- n **Construction Agreement**
- n **Pledge Agreement (if applicable)**



Firm Commitment Request After Submission

- n **The OLG will review the submitted application within 15 business days**
- n **If approved, a firm commitment good for 90 days to the lender will be issued**
- n **The lender and borrower execute the legal documents**
- n **Legal docs are submitted to the OLG for the Loan Guarantee Certificate**