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Alaska Rural Homeownership Resource Guide

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Forum Topics

Housing Needs in Rural Alaska – Why More Funding is Needed
Challenges and Opportunities with Mortgage Financing
Homeownership in Indian Country
Successful Mortgage Financing in Alaska Villages
Nuts and Bolts – How to Use Mortgage Financing in Rural Alaska

Forum Planning Team

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USDA Rural Development Alaska
Bureau of Indian Affairs
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Introduction

In November of 2015, several housing organizations gathered at an Anchorage hotel to discuss the housing situation in rural Alaska. The “Rural Homeownership Forum” began with remarks from Alaska Lieutenant Governor Byron Mallott in which he recounted a story from his childhood when his own family pitched in to improve their home in Yakutat and the pride everyone took in the effort. The Lt. Governor was followed by a presentation from the Alaska Housing Finance Corporation on the findings of the 2014 Alaska Housing Assessment that focused on the condition of housing, particularly in Alaska’s villages off the road system. Simply put, the conditions are not good. There is a severe lack of housing leading to tremendous overcrowding and much of the existing housing is aging, poorly constructed, expensive to heat, and unsafe due to structural problems, mold, and poor indoor air quality. Grants from federal housing agencies have not kept pace with the deteriorating housing stock.

This information was not news to the participants, especially those who live in rural Alaska. The purpose of the Forum was to discuss an approach to addressing the problem. That approach is to promote a seldom used source of capital for new home construction: private mortgages. Federal officials, rural leaders and administrators of housing programs were on hand to discuss the opportunities and challenges of mortgage financing in rural Alaska.

The guiding facts and understandings for the forum and this resource guide are:

- 1) There is a great need for more and better housing in rural Alaska.
- 2) Alaska Native housing organizations have done an excellent job with the funding available.
- 3) There will never be enough grant funding available to meet the growing need.
- 4) It is worth pursuing mortgages as an additional means of paying for housing.
- 5) Mortgage financing is not often done in Alaska villages due to the lack of cash in the local economy, the high cost of construction, and the lack of familiarity with debt.
- 6) Despite the barriers, mortgage financing has worked in some Alaska villages and on Indian reservations in other states.
- 7) Just because a community has a high poverty rate does not mean that every family is living in poverty.
- 8) Homeownership brings value to the family in the form of equity, self-sufficiency, pride of ownership, and improvement to the community.
- 9) Additional capital dollars in the form of mortgages can assist housing organizations to stretch their grant dollars and build more homes.
- 10) A significant part of a mortgage can be paid with the money saved by the lower fuel costs of a new, energy efficient home.
- 11) More families can qualify for a mortgage if there is assistance to finance the cost of the home.
- 12) To make mortgages work in rural Alaska, it will take a concerted effort on the part of Native leadership, federal and state agencies, Native housing organizations, private sector banks, the construction and real estate industry, and non-profit and philanthropic organizations.

The purpose of this guide is to provide resources and strategies to housing programs and developers interested in making mortgage financing available to more residents in rural Alaska. Lessons from the Rural Homeownership Forum are captured here, but this is not enough. Support and action are needed at every level—federal and state agencies, private lenders, regional housing authorities, and local community organizations—to increase the use of mortgage lending in rural Alaska. This resource guide is meant to serve entities and organizations interested in starting mortgage financing programs or expanding them in rural Alaska. The hope is to keep this an organic document which is open to editing and updating as the challenges and opportunities of rural homeownership are met in the future.

Background

Of the more than 300 communities in Alaska, approximately 40 percent are not connected to Alaska's main road or ferry systems. Living in the remote parts of rural Alaska presents tremendous challenges. The climate is often harsh, the country is vast, and the distances between communities are great. Because there are no roads, transportation expenses are very high for both personal travel and the shipment of goods. While the cost of living is high, personal income is often low due to a lack of economic activity. Living conditions are difficult with limited infrastructure including running water and adequate sanitation systems. Over the years, much has been done to improve these conditions including better health facilities, newer schools, improved airstrips, and better water and sanitation. **All things considered, the greatest unmet infrastructure need in rural Alaska is the condition of housing.**

The vast majority of residents in these communities are Alaska Natives. Given the federal government's trust obligation to Alaska Native tribes, housing was constructed for the residents of these communities by the Bureau of Indian Affairs (BIA) and later the Department of Housing and Urban Development (HUD). Most of the funding for housing in these communities still comes through HUD, though it is now granted directly to tribes or their designated housing entities according to the provisions of the Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA). Although NAHASDA funding levels are still too low for tribes and housing authorities to fully address housing shortages, the law does allow tribal governments to design housing programs better suited for their members and leverage federal block grants with private funding.¹

Under NAHASDA the quality of housing has improved. Tribes and tribal housing authorities have done a better job of building and repairing homes appropriate for Alaska's environment. Housing authorities build five and six-star energy efficient homes and employ local people which helps to build their knowledge and skill and keeps the payroll dollars cycling in the local economy.

Despite improvements much of the housing stock in rural Alaska is old and not designed for harsh winter conditions. With the rise in heating fuel costs, heating these homes can cost thousands of dollars per year. Moisture, the build-up of mold, and poor ventilation have contributed to high rates of respiratory illness. In addition to the condition of these homes, there is simply not enough housing in many communities leading to tremendous overcrowding. NAHASDA funding is not matching the need, nor is there much chance it ever will. What is largely missing is the creative use of federal housing dollars to leverage other sources of funds to help build new and better homes. Opportunities exist through housing and mortgage programs provided by government agencies such as BIA, USDA, HUD, and VA as well as private financial institutions and philanthropic organizations. Rural leaders and administrators of housing programs will need to be on board for leveraged financing to work. It is hoped that this guide can provide additional direction to improved housing in rural Alaska.



¹ New Mexico Tribal Homeownership Coalition, (2003). Designing and Operating Homeownership Programs on Tribal Lands. <http://www.enterprisecommunity.org/resources/designing-and-operating-homeownership-programs-tribal-lands-13679>.

Description of the Need

No one knows how many new and renovated homes in rural Alaska are needed to replace poorly constructed, overcrowded, and energy inefficient homes. The 2014 Alaska Housing Assessment identifies three indicators that help quantify the need for more and better housing: overcrowding, cost burden, and one-star energy ratings.² It is estimated that nearly 20,000 homes in Alaska would receive a one-star energy rating, indicating housing in need of replacement or very deep retrofit. One-star homes are concentrated in rural regions of the state. More than 78,000 housing units statewide are considered cost-burdened, meaning families spend more than 30% of their incomes on housing costs, which is often compounded by high energy costs in older and poorly insulated homes. Over 15,000 homes in Alaska are overcrowded, mostly in rural Alaska, and at least 3,500 homes are thought to be both overcrowded and cost-burdened.



Overcrowding

A total of 15,453 housing units in Alaska are overcrowded. A housing unit is "overcrowded" if more than one person lives in each room and severely overcrowded if more than 1.5 people do. Overcrowded houses are concentrated in rural areas with the highest percent of overcrowding in Western and Northern Alaska. The most overcrowded regions in Alaska have more than 12 times the number of overcrowded homes as the national average.



Cost-Burdened

A total of 78,646 housing units in Alaska spend more than 30 percent of their total household income on housing costs, such as rent/mortgage payments, energy bills, water and sewer charges and so on. This is 25 percent of homes statewide. Since energy costs in rural areas are often underestimated and many households receive assistance and subsidized rents, the 2014 Alaska Housing Assessment estimate is likely missing a significant number of cost-burdened homes in rural communities.



One-Star Homes

A total of 19,810 homes statewide would receive a one-star energy rating, indicating poor insulation and need for significant repairs. A one-star energy rating means a house uses at least four times as much energy as a new home built in accordance with the 2012 Alaska Building Energy Efficient Standard (BEES). The concentration of one-star homes is, again, in rural Alaska.



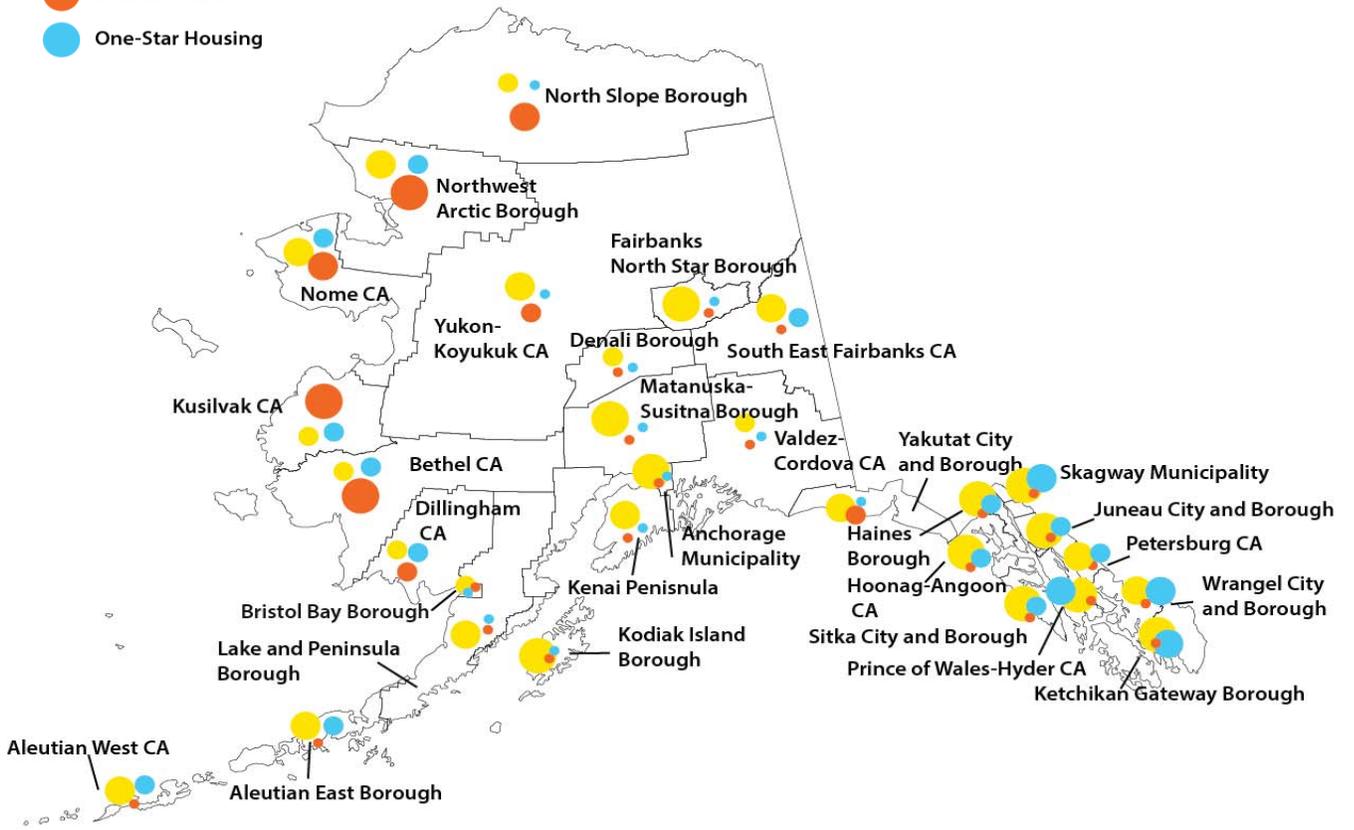
² Wiltse, N., Madden, D., Valentine, B., Stevens, V. (2014). Alaska Housing Assessment. Cold Climate Housing Research Center. Prepared for: Alaska Housing Finance Corporation.

Location and Density of Poor Housing Conditions

Percent of Households

- 30% and up
- 20-29%
- 10-19%
- less than 10%

- Cost-Burdened
- Overcrowded
- One-Star Housing



The Case for Homeownership – Capital Investment through Mortgages

The use of mortgages to finance home construction and build homeownership is rare outside urban Alaska, but mortgage lending can provide another tool to rural communities striving to meet housing needs. Mortgage financing can help rural communities, tribes, and housing authorities stretch available dollars to build and renovate more homes and increase homeownership in their communities. Currently, the traditional sources of public funding for rural housing projects in Alaska cannot keep up with the demand for affordable, livable, energy efficient housing.

Existing Capital Sources

The housing need in rural Alaska is widespread due to the lack of funds for home construction and repair. If federal grants (HUD and BIA) and tax credits continue to be the only source of funding, the backlog and housing need will grow. The estimated capital need for making only the most urgent improvements to the housing stock in rural Alaska is currently estimated to exceed \$2 billion, while the NAHASDA grant funds available for new home construction on average total \$20 million dollars a year.³ Relying solely on grants is not a viable option. To meet the severe housing need in rural Alaska, loan and home mortgage programs could make a significant difference.

Investment in the future of Alaska's villages

Addressing the housing need through retrofitting and construction will leave communities with a high quality and energy efficient housing stock. The benefits range from pride of homeownership, new equity and wealth for homeowners to attracting and keeping professionals and returning community members. All of these translate directly into economic development. As communities consider ways to maintain population levels and school enrollments and diversify and develop economic activities, mortgage financing can make a substantial contribution. This is an investment in the future by community members and leaders.

Wealth through equity and economic activity

The increased use of mortgage financing promotes greater homeownership in rural communities, allowing residents to build equity and wealth over time and take advantage of tax deductions. Building an individual or family's equity also opens doors to opportunities to finance new businesses or expand existing ones. Across the country, small business owners use home equity loans to finance start-up costs. The potential for economic diversification is supported by homeownership. **The benefits of homeownership are not just financial. Nationwide, homeownership is associated with greater educational achievement, civic participation, property maintenance and improvement, family and community stability, and higher life satisfaction and self-esteem.**⁴

Housing for professionals and returning community members

The shortage of safe, quality, affordable housing, whether for potential renters or owners, affects a community's ability to recruit and retain nurses, teachers, public safety officers and other professionals. Offering quality education, health care, and public safety services is extremely difficult when a community is unable to provide adequate housing to professionals. The same is true for community members who have left but are interested in returning.

For any of these individuals and families, ensuring quality and affordable housing is available will be critical to address the barriers to attracting professionals to communities. As with homeownership, the presence of new or returning professionals will have impacts on all aspects of community life. It will guard against the reduction or elimination of critical services, bring wealth to the community, and offer children and youth models of employment in the community.

Definition

Equity: Homeownership allows a homeowner to accumulate wealth if the value of the property increases as she or he pays down the mortgage. This accumulated wealth – the difference between what a homeowner owes and what the home is worth – is called "equity." Equity is an advantage of homeownership. Simply paying off a mortgage increases a homeowners' equity.

³ Need is based on the Alaska Housing Assessment estimate of 4,900 one-star homes in non-urban areas, which is likely a serious underestimate, and assumes upgrades would require new home construction estimated at \$400,000 in total development cost per home. This does not include rehab or weatherization costs. "Funds available" is based on the 2012 to 2015 average of NAHASDA IHBG funds designated for new home construction.

⁴ (National Association of Realtors, March 2011)

Common Obstacles to Mortgage Use and Strategies to Overcome Them

Recognizing that alternative financing tools are needed if the demand for more and better housing in rural Alaska is to be met, this section explores common obstacles to mortgage financing and strategies to overcome them. Historically, basic requirements for mortgage eligibility have not been met in rural projects due to the prevalence of existing barriers such as the lack of cash in the village economy, lack of mortgage financing lenders, the high cost of construction, lack of water and sewer infrastructure, limited private land availability, and homebuyer discomfort with debt. Mortgage lending is, as a result, an under-used tool for financing rural home construction and renovation.

Where mortgage financing is well established, the prospective homeowner usually works directly with a bank or other private lender to secure a mortgage loan. In rural Alaska, a regional or village housing authority, tribe, or other local organization may serve as a resource, advocate, and link between potential homeowners and mortgage lenders. The barriers and strategies addressed in this guide directly apply to mortgage programs for which the housing developer is a non-profit, regional housing authority, tribe, or local government.

Complexity and Partnerships – Managing A Mortgage Program

Mortgage eligibility requirements apply to the home and the land it sits on, as well as to the prospective home buyer. Housing developers coordinating a mortgage-financed project need to be familiar with these eligibility requirements and plan to work closely with the lender before construction is even approved. Factors to consider include ownership of the land, design of the house (size, number of rooms, construction details), water and septic, inspections, and energy efficiency; all of which must be approved by the lender. Partnering with the lender and other service agencies will significantly simplify the process, making it easier to utilize these strategies to handle and resolve common obstacles.

Affordability – Managing Mortgage Cost

Providing affordable, high-quality housing is a challenge in rural Alaska. From the high cost of construction to limited funding options, housing developers must address several factors when it comes to managing mortgage costs. By viewing affordability from two sides – bringing down the actual cost of the home and lowering the amount of that cost home buyers are required to pay – housing developers can implement strategies to address affordability, the most challenging obstacle to expanding mortgage use and homeownership in rural Alaska.



Housing development costs

Construction

Developing housing in rural Alaska is a very expensive endeavor. Reports from several housing authorities and tribes providing housing in rural communities show total development cost (which includes land, platting, roads, water and sewer in addition to home construction) typically range from \$450,000 - \$750,000 a unit. These costs are a major barrier to supplying the number of housing units needed in rural communities for two major reasons. One, this high cost cripples a private housing market. Companies building homes to sell on a for-profit basis do not operate in rural communities because they cannot make a profit. For-profit housing developers are a major force in the production of housing in Alaska's urban centers, and this provides a partial explanation as to why the need in rural Alaska is so high. Second, the size of a mortgage that comes along with a very expensive home is not realistic for most in rural Alaska.

Infrastructure

Infrastructure, meaning roads and utilities for the houses being built, is also expensive in rural Alaska. It is not unusual for infrastructure construction to cost millions of dollars. In many rural communities, piped water and sewer services may never be feasible. The housing developer – whether the tribe, housing authority, or community organization—is responsible for connecting houses to roads, water, and sewer and this is another cost of construction that needs to be specifically targeted to bring down costs. One option for lowering these costs is to fully investigate the systems and alternatives available to determine what is economically and technically feasible and allowable by a lender.

Strategies to lower development costs

- 1) **Aggressively target high cost elements of home construction.** In most cases the total cost of development will far exceed the appraised value of a new house and the ability for the potential home buyer to pay. While there is no right answer for the total development costs for home building in rural Alaska, reducing those costs below \$300,000 is a good target.

Target transportation: Freight costs are typically a very large portion of the total construction cost. The housing design must take into consideration the need to reduce freight costs for construction.

- The Tagiugmiullu Nunamiullu Housing Authority (TNHA) has been continuously changing their housing plans to reduce total construction costs. Because they ship their materials by plane, TNHA selected metal studs instead of the typical 2x4 lumber. Metal studs can be “nestled” in each other reducing the volume that needs to be shipped. TNHA uses a spray foam for insulation because it is shipped in small canisters instead of sheets of foam board or rolls of fiberglass. This provides superior energy efficiency for the homes and reduces the cost of freight, which of course is a double win for them!

Streamline construction cost and time: Cold Climate Housing Research Center (CCHRC) has started work in several communities as part of the Sustainable Northern Communities program. The focus is on re-thinking how construction is done in small, northern communities by reducing construction time with new designs and employing local labor and local materials, when possible.

- In Crooked Creek using CCHRC's integrated truss system, replacement housing for a flooded community was built very quickly. The technology greatly reduced the time it took to frame and enclose the house. Due to the reduction in labor hours, the cost of building the home was significantly lower. But the home is still super-energy efficient and easy to maintain.

- 2) **Build super energy efficient homes.** Building an energy efficient 5-star or 6-star plus home provides significant energy savings that can offset monthly mortgage costs.
 - CCHRC and TNHA are working together to construct 6-star energy efficient housing in North Slope communities. TNHA estimates heating oil consumption for seven of these super energy efficient homes is 84 percent below

Definition

Housing Developer: Across the United States, housing developers are often private, for-profit businesses that are able to sell a home and the property upon which it stands for more than the cost of developing it. In rural Alaska and for the purposes of this guide, a housing developer is a non-profit entity, such as a regional housing authority, tribe, or local government. Non-profit housing developers do the same work and take on similar risks as private businesses, but they are also eligible for a wider range of state and federal funding.

average heating oil consumption in the area. Though TNHA and CCHRC are on the leading edge of energy efficient construction, significant savings levels are seen across the state. Families in new, highly energy efficient homes usually see a 65 percent reduction in energy use compared with a 2 or 2-star plus home, a common energy efficiency rating of older homes in rural Alaska. Using an example from the Calista Region where the average 2-star home uses 870 gallons of fuel to heat a home and the price of heating fuel was \$5 a gallon in 2016, a family may spend over \$4,000 per year on home heating. With a 65 percent reduction in energy use, a family may save over \$230 per month. This savings puts a significant dent in the amount paid for a monthly mortgage. For example, a family with a \$100,000 mortgage could be paying the mortgage off in amounts from \$300 to \$450 a month. With a super energy efficient home, a family may be paying less than \$100 in new expenses even with a mortgage.

- 3) Employ small-scale, tested technology.** The Alaska Department of Environmental Conservation created the Alaska Water and Sewer Challenge (AWSC) to develop innovative solutions for delivering water and sewer services to rural Alaska. Currently they are working on a system that would be on-site with the house and would reuse water as much as possible. This will greatly reduce the amount of water hauled to the house, making it a lower cost system that meets the sanitary needs of the homeowner.
- CCHRC has partnered with Alaska Native Tribal Health Consortium and Lifewater Engineering to develop an in-house sanitation system to be utilized in Kivalina. These innovative projects are showing promise to lower the cost of providing water and sewer to rural communities while still providing the necessary level of service to provide a satisfactory quality of life.

High Closing and Mortgage Costs

Mortgage loan programs typically require home buyers to pay a down payment of 3 to 5 percent of the total purchase price. With purchase prices in rural Alaska exceeding \$300,000, this equates to \$9,000 - \$15,000 in cash for the down payment. Assuming another \$2,000 - \$3,000 for closing costs, this brings the total cash requirements for purchasing a home even with a mortgage to \$11,000 - \$18,000. This is a significant barrier to purchasing a home for families in rural Alaska.



Strategies to reduce homeownership costs

A tribe, housing authority, or community organization acting as a housing developer is able to make mortgages affordable for the potential home buyer by directing them to specific loan or assistance programs.

- 1) **Select a mortgage program with low or no down payment requirements.** There are several mortgage programs offered by federal agencies that lower the down payment requirements. A few examples are: The (VA) Veterans Administration loan program, USDA Section 502 Direct, USDA Section 502 Guaranteed, HUD Section 184 loan guarantee and the FHA (Federal Housing Administration) loan guarantee program. Get the best loan terms that you can – interest rate and term.
- 2) **Provide closing cost assistance and/or down payment assistance** by using specific federal agency assistance programs (such as Bureau of Indian Affairs Category D) or a targeted use of NAHASDA or other funds. The housing developer offers these or connects home buyers to assistance programs to reduce the cash requirements needed to secure the mortgage and purchase the house.
 - In Togiak, Bristol Bay Housing Authority (BBHA) worked with two families to apply for BIA Category D down payment assistance. Both families were successful, receiving 30 percent of the purchase price of their homes to cover the down payment cost. For these two homes, this totaled \$75,000 per home. BBHA is utilizing this new option under the Category D program to expand mortgage financing for Bristol Bay families.
 - Cook Inlet Lending Center (CILC) offers Section 184 home mortgages that are guaranteed by HUD’s Office of Native American Programs. The loan guarantee assures the lender that its investment will be repaid in full in the event of foreclosure. The borrower applies for the Section 184 loan with a participating lender, in this case CILC. CILC then evaluates the necessary loan documentation and submits the loan for approval to HUD’s Office of Loan Guarantee. This loan program offers low interest rates and low down payment requirements.
- 3) **Leverage NAHASDA funds to combine mortgages with a soft second/ buy down.** In this case, a housing developer sets a purchase price at the total cost of the house and then supplies their own funding to lower the total purchase price for the potential home buyer. The amount by which the housing developer reduces the purchase price of the home is recorded as a lien against the property, but the home buyer does not make payments on the “buy down.” Instead, the amount is forgiven over time. It is called a “soft second” because a second mortgage is a second loan behind the first mortgage. The second mortgage is considered soft because the home buyer does not make monthly payments to pay off that second mortgage. Rather, a small percentage of the amount is forgiven every month. The amount of the purchase price remaining may then be financed using conventional loans or government loan programs (USDA Direct 502 Program or HUD Section 184, for example). Using government grants and subsidies enables potential home buyers to tap into the loan market and starts setting up a market and understanding of mortgage loans in a community. The same funds may be leveraged for conventional loans offered by private banks, should an eligible family be available.
 - In communities using mortgage financing, this strategy is critical. In Dillingham, Bristol Bay Housing Authority (BBHA) has arranged mortgages for several families. In these cases, the cost to build the homes averaged around \$450,000; however, the appraised value was \$250,000. BBHA worked with families to apply for loans from a private bank, the USDA Direct 502 Loan program, and the HUD Section 184 program. The mortgage amounts typically total \$125,000 with the remaining \$125,000 provided as a soft second by BBHA using NAHASDA funds. The soft second is not repaid; instead, one-tenth of the amount is forgiven every year for 10 years as long as the homeowner lives in and properly maintains the home for that period. In Galena and Quinhagak, the tribes used similar steps to mortgage finance homes in the community. With either a soft second or a buydown used to reduce the homes’ purchase prices to the appraisal value (\$200,000 in Quinhagak) or to lower the purchase price below the appraisal value (\$90,000 in Galena). Mortgages for these amounts were then secured using the USDA Direct 502 program.
- 4) **Establish alternative means for mortgage funding.**

Establish Community Development Financial Institutions (CDFI)

CDFIs are private financial institutions that provide affordable loans to households. CDFIs can be developed either as community banks, credit unions, loan funds or venture capital funds. When creating a CDFI, take advantage of

technical and financial assistance provided through the U.S. Department of the Treasury CDFI Fund.⁵

Develop a Tribal/Community Risk Mitigation Pool

One way to offset a lender's risk of foreclosure when providing a loan to low-income households - and increase the number of loans available - is a risk mitigation pool. A tribe, community organization, or housing agency promises to purchase any loan at risk of foreclosure. In the meantime, the agency works with the mortgage holder to maintain homeownership by restructuring the mortgage. If this fails, the agency will sell the mortgage to another eligible community member.

- 5) **Focus mortgage programs on moderate income families.** The other side of affordability has to do with the selection of the potential home buyers. In many rural Alaska communities, the housing need is large. The focus of housing programs has been on housing the poorest in a community, but this requires more soft seconds and limits the number of families served. If the housing developer targeted home mortgage opportunities to members of the community making higher incomes, the amount of money paid out on soft seconds would be reduced and more homes could be built with the same funding levels. Ultimately that means more people in the community are living in safe, efficient, and affordable housing. This is a change in thinking for most housing developers, but the math is powerful.

- For example, if housing costs \$500,000 a unit and the family with the least amount of income can only afford a \$40,000 mortgage (\$150/month payment) then the soft second is \$460,000. If the housing developer has a million dollars in housing grant funds, two homes will be built per year and \$80,000 earned from the sale of the homes and added to the available housing funding. At this rate, the mortgages would result in an additional house being built every 7 years or 15 homes total in 7 years. If the housing developer had selected families working for the tribe, city, school, or agency who could afford a larger payment of \$700 a month then the mortgage would be closer to \$250,000. This would allow the housing developer to build an additional house the next year, which would generate more income for the housing developer. This results in a total of 28 homes built in 7 years or almost double the number of families being assisted because families selected could afford more of a mortgage. Though a \$700 a month mortgage is much higher than typically paid for housing in rural Alaska, this is the exact price of the first 7 homes built and sold by the Native Village of Kwinhagak. As of November 2016, it has been 6 years and the majority of those families are making satisfactory payments on their mortgages.

Definition

Down Payment: A cash payment, usually a percentage of the asking price of a home, paid before the transaction is complete. The total mortgage loan is equal to the asking price of the home minus the down payment. Though a down payment is an upfront, cash deposit and may be difficult to make, several down payment assistance programs and no-down payment mortgage programs, such as USDA RD's Section 502 Direct Loan, are available.

Definition

Closing Costs: The fees, paid directly or indirectly, by the homebuyer to cover the transaction costs of buying a home. These typically include appraisal fees, tax service provider fees, title insurance, government taxes, and pre-paid expenses such as property taxes, homeowner's insurance, and interest until the first payment is due. The closing costs are in addition to the down payment made by the homebuyer on the cost of the home.

Ensuring Site Control – Managing the Land

Site control is the most basic issue that must be resolved to unlock the potential of mortgage financing. Site control means the housing developer has an enforceable right to use a parcel of land for the purpose of a housing development for the life of the housing development. Deeds, leases, or easements are the most common forms of written authorization to prove the right to use land. This written permission needs to be recorded in the State Recorder's Office. In many parts of Alaska, ownership records and site control are difficult to obtain or prove. Establishing adequate site control is required to be eligible for mortgage financing. This is one of many reasons why a housing developer must be certain that they own or control through a lease the land upon which they are building.

⁵ For more information about the CDFI Fund visit www.cdfifund.gov.

Strategies to manage site control

- 1) **Establish a partnership with a title insurance company or researcher** who is trained to research the details of property ownership and rights and will ultimately insure that the research is correct. This is critical in order to utilize mortgage financing because all mortgages require a title insurance policy.

The deed or lease for the property must be provided by a person or entity with the right to sell or lease the land. In other states, this would be a very simple process. In Alaska, it is not. Rural Alaska is impacted by the implementation of the Alaska Native Claims Settlement Act (ANCSA) and other Alaska land laws. The ownership of many tracts of land switches hands often or is in dispute. A common mistake is to accept a "Quit Claim Deed" to establish ownership of a particular lot of land. These deeds state that the person giving the quit claim deed is granting his/her rights to the land to the new owner. The problem is Quit Claim Deeds do not establish that the grantor of the property actually has the right to do so. In some cases, the person or entity signing the deed may think they are the property owner but have never gone through the legal process of obtaining title to the land. A "Warranty Deed," on the other hand, is a deed that says the grantor of the deed is the rightful owner of the property and there are no outstanding claims on the property. These deeds are backed up with a title insurance policy that protects the lender and the buyer if any of those claims are incorrect. A title company or a professional title research must identify the legal owner of the property.

- 2) **Partner with a land surveyor** who can plat the subdivision and place monuments on the land. This is critical to maximize the number of units offered for homeownership opportunities and more easily secure a title insurance policy on each lot. In many cases, parcels of land in rural Alaska have either never been surveyed or only have metes and bounds descriptions of the boundary of the parcel. Another common issue is the parcel is actually very large - 10 or more acres. For parcels of this size, more detail and steps are needed in the surveying process. Because the parcel of land will be used to collateralize the mortgage, the land must be surveyed into smaller parcels. This enables the housing developer to build multiple house (and provide homeownership opportunities to multiple families). This may mean a professional surveyor will need to develop a subdivision plat and place monuments in the ground that correlate with the plat. Doing so will ensure the parcels are adequately surveyed and may be used as collateral for the mortgages. In the case of a ten acre parcel, ten homes could be built on 3/4 acre plots and a platted road laid to provide access to all of the lots.
- 3) **Work with all of the local governing bodies that have the planning and platting authority relevant to where the subdivision plat is located.** Subdivision plats need to be approved by the local governing body (ies) with authority for planning and platting in the area. This could be two different governmental bodies depending on the area in which the property is located. For planning powers, this could be the city or the planning authority, if the city does not have planning powers. For platting, this may be the borough government for the area where the subdivision is located or, if there is not an organized borough, this could be the Alaska Department of Natural Resources, Division of Mining, Land, and Water - Survey Section.



Increasing the Use of Mortgage Financing— Educating and Counseling Potential Homeowners

Unfamiliarity and wariness of using mortgages to finance homes can be a major obstacle. In some communities where the Mutual Help Model has been the preferred way to homeownership, there is often apprehension to using loans for homeownership. In the HUD Mutual Help model homeowners made small monthly payments, typically \$100 – \$150, to a regional housing authority for 20 to 30 years. After which, the property was conveyed to the homeowner. In order to unlock the value in mortgage financing, several related educational actions are needed ranging from the basics of mortgages to the maintenance schedule for a residential boiler. The trainings and counseling found to be essential in rural Alaska fall into three areas:

Homebuyer Education

This is an excellent way to raise awareness and interest in homeownership in a community and provides education on mortgage options and the steps and costs of purchasing a home. It typically details how to develop a budget that will work for a family and highlights the importance of saving funds and the responsibilities of owning a home. Potential homeowners could then self-select if they are ready to dedicate their resources to homeownership.

Credit Counseling

When considering credit, a lender typically reviews a potential borrower/homeowner's payment history on major financial obligations, such as other loans and credit cards. Lenders receive detailed individual credit histories, and these reports are often the determinants of whether an interested home buyer will be considered for a mortgage. Identifying potential home buyers in rural Alaska with standard credit histories is extremely difficult. For a typical lender, no credit is just as problematic as bad credit. Lenders require evidence a borrower is capable of paying back debt. Government lenders in Alaska are cognizant of the challenges to tracking credit history for individuals living in rural Alaska. For example, USDA RD will consider non-traditional credit such as rental history, utility bills, cell phone bills, and even store credit. Even with this, credit must be considered long before a mortgage agreement is secured. This must be over a 12 to 24-month period of time.

Definition

Mutual Help Model: The Mutual Help Program was a HUD-funded program authorized by the Housing Act of 1937. Similar to a Lease to Own program for homeownership, it benefited low-income Native American families able to pay an amount for the home between 15 and 30 percent of their adjusted income and pay for or perform all required maintenance on the home. A majority of the program participants paid the \$100 a month Administration Charge, which was the minimum payment. Though replaced with NAHASDA, many clients of the Mutual Help Model are still in this type of agreement to own their home, referred to as MHOAs (Mutual Help Occupancy Agreements). These agreements usually last 20 years. Once a participant has lived in the same unit and made payments for 20 years, the unit is conveyed to them.



Home Maintenance Education

This provides the necessary training on why and how to keep and maintain a house. This training is critical to ensuring the home stays in good condition for the longest period possible and, by extension, to protect a homeowner's equity. Properly maintaining a home is the way to maximize the value of the homeowner's investment. Home maintenance education introduces a skill set enabling the homeowner to maintain their homes for the least amount of cost. It would be beneficial to provide this training on a regular schedule. This would allow homeowners a forum to ask specific questions about activities or maintenance needs. Appropriate maintenance will vastly improve the lifetime performance of the house and is critical for rural Alaska to meet housing needs.

Definition

Soft Second: A second loan behind the first mortgage that is usually offered by a non-profit housing developer or housing assistance entity. The second mortgage is soft because the home buyer does not repay the loan in monthly payments; instead, a small percentage of the second loan amount is forgiven each month. A homeowner is only required to re-pay the remaining amount left on the second mortgage if they sell the home before the home is paid off.

Strategies to ensure homebuyer readiness

- 1) **Organize homebuyer education trainings or workshops.** This will help a housing developer ensure potential home buyers understand the responsibilities of homeownership both in terms of financial commitment and upkeep of the physical structure. These may be held in the community by local trainers or conducted by trainers from outside the community working for housing organizations, such as AHFC.
 - In Quinhagak, AHFC conducted two homebuyer trainings in the village. This is credited with raising interest and awareness among potential home buyers in using mortgages and in setting the Native Village of Kwinhagak on the path to use mortgage financing.
- 2) **Ensure credit counseling is available to the families being considered for homeownership.** Qualifying for a mortgage requires a credit history that shows the ability to pay back major obligations. Typically, the housing developer would partner with a credit counseling agency or dedicate staff to help families correct their credit in preparation for owning a home. They can work individually with the families and pull their credit report to see if the family is able to qualify for a mortgage based on their credit. For families that have credit issues, the counseling agency or housing staff can provide a road map for correcting those credit blemishes to help prepare them for the next opportunity for homeownership. If done early enough, minor credit problems can be corrected and those families could then qualify for a mortgage. A lead time of 12 months should be sufficient to correct minor credit issues. A credit review a couple months prior to the actual sale of the homes is recommended to help determine which families would be, at that moment, mortgage ready. This will help to ensure the families picked to purchase the units are able to move quickly through the mortgage process.
 - Credit history is the biggest obstacle to finding eligible families for mortgage financing. Mortgages were successful in Dillingham, Galena, and Quinhagak because the housing authority or tribe dedicated significant staff time to documenting and, when needed, improving families' credit history.
- 3) **Require maintenance training tailored to the homes being built.** The housing developer should ensure, to the extent possible, that training is tailored to the actual homes being built. The training should have classroom work that goes over how to maintain the systems that require regular maintenance: boiler, appliances, HVAC systems, as well as the requirements for outside decking and siding. This should include a probable schedule for those maintenance activities so the potential homeowner can understand how often to complete these activities. This training should also include a hands-on portion actually demonstrating simple repairs that the homeowners will likely have to complete. Some examples are hanging doors, patching dry wall, painting, replacing flooring, as well as basic electrical and plumbing activities.

For all of these trainings, most housing authorities are already offering them. To set-up a training, the first contact should be made at the Tribe or Regional Housing Authority. It will likely be possible to arrange in-person training for community members, community housing staff, or to find out how to become a trainer for your community.

Roles and Responsibilities

The key role in home ownership belongs to the borrower. The borrower makes the decision to invest in and build equity in a home. Other organizations and agencies support the borrower from the initial decision to become a homeowner all the way through maintaining the property and making mortgage payments on time. This section lays out the roles and responsibilities of the borrower, housing authorities, lenders, and housing partners. These fit together with the borrower as the hub and the agencies and organizations that make up lenders and housing partners circling around the request, requirements, and responsibilities of the borrower

Definition

Total Development Costs: The total development cost for a new home includes planning, land, platting, roads, water and sewer on top of the cost of home construction.

Borrowers

The borrower needs to be engaged at every point in the home buying process. A borrower prepares to be a homeowner by taking the Homebuyer Education and Home Maintenance classes and participating in credit counseling and budgeting sessions. This is to ensure the borrower is financially able to afford a mortgage and understands how to make the house last as long as possible with appropriate housing maintenance. Finally, it is the Borrower that must make clear to the leadership in their community dealing with housing that they are both willing and able to use a mortgage to purchase a home, and at that point request assistance to ensure they use the mortgage and buy the home that is right for them.

Regional and Tribal Housing Organizations

Other than the ultimate responsibility of the borrower, Native housing organizations in Alaska can play the most significant role in advancing mortgage financing in rural Alaska. They can assist in several capacities included in this section – aligning with the borrower, serving as a lender, and picking up many of the roles of housing partners. Housing authorities can alter existing programs to allow for more homeownership opportunities that work well with the available loan programs. They can partner with agencies providing loan or grant funding to develop projects that work for the communities, identify issues with mortgage financing, and suggest solutions/changes to agencies that would make the programs work better for their service areas. They can partner with the appraisers and title companies to help identify parcels in the communities that would be eligible for mortgage financing. Also, the housing authorities can ensure the housing being constructed is eligible for financing by partnering early in the process with the agency in charge of the particular mortgage product to be used.

Lenders

Federal and State Agencies (HUD, USDA, BIA, VA, AHFC, etc.)

Agencies that provide loan, loan guarantee, or grant funding to housing developers need to continue to provide assistance to raise awareness and utilization of these programs. These agencies also have a responsibility to advocate for changes in their programs' regulations in order to allow them to be used in rural Alaska.

Private Banks, Credit Unions and Mortgage Companies

Non-governmental financial institutions can play a significant role in the development of housing markets in rural Alaska. The guaranteed programs and conventional financing for housing can work in all of the hub communities of rural Alaska as well as some of least-populated, most remote areas. Those entities that are members of Federal Home Loan Banks need to utilize down payment programs from those banks to lower the cost of mortgages and target those programs to rural Alaska. An example of this type of program is the Native American Homeownership Initiative, which is available from one of the Federal Home Loan Banks. Information is here: <http://www.fhlbdm.com/affordable-housing-products/down-payment-products/>.

Housing Partners

Developers and Builders

Resources need to be spent on developing new ways of delivering housing to rural Alaska that lower the overall costs of development and construction while still providing a super energy efficient and easily maintained home. Continued support of research and development to create these innovative designs and/or materials needs to be a priority for the industry.

Alaska Native Corporations

Native Corporations are major land owners in rural Alaska communities. Making land available for housing development could provide much needed resources. Much like the community organizations' role, putting the resources into surveying and platting the land into a subdivision could be an invaluable way to assist with housing development in communities.

Community Organizations *(non-profits, foundations, CDQ groups, etc.)*

There are several other organizations whose mission includes improving the quality of life in rural Alaska. They can participate in funding or offering other resources to the non-profit developers to increase the development of housing. This includes reducing financial and other barriers including providing funding for down payment assistance, providing soft second mortgage opportunities, purchasing land, surveying and platting a subdivision and gifting that property to the housing developer. Such help could unlock more potential for housing in rural Alaska.

Real Estate Industry *(insurance, appraisers, agents, title companies, law firms, etc.)*

Partnerships between the real estate industry and the non-profit housing developers needs to be formed to maximize the use of mortgage financing. A partnership between each professional necessary to bring mortgage financing would greatly increase the ease in which these programs are delivered in remote Alaska communities. Tribes, Regional Housing Authorities, and other non-profit agencies interested in bringing mortgage financing into remote Alaska need a partner in each field: appraiser, surveying, title insurance, etc.



Mortgage Stories in Alaska

Various local housing agencies, community organizations, and tribes in rural Alaska have been seeking new ways to assist potential homeowners in their community. Communities managed to leverage funds from private, state and federal agencies and found interest in mortgage programs through the AHFC homebuyer training.

The housing programs in the following four Alaska communities exemplify different options to support local home buyers in rural Alaska. With assistance from lenders and federal loans, more than 25 mortgaged houses haven been successfully built in recent years.

Galena

Mortgages	2 mortgages
Project	Completely renovated single family residences
Coordinating Agency	Louden Housing Authority with direct assistance of USDA-RD
Lenders/Funding	USDA (Section 502 Direct Loans)
Tools	Buydown or price forgiveness by Loudon Housing Authority, which already owned homes outright. The housing authority was able to write off 30% to 35% of appraised home value.

Quinhagak

Mortgages	7 mortgages
Project	New construction of single family residences
Coordinating Agency	Native Village of Kwinhagak
Lenders/Funding	USDA (Section 502 Direct Loans)
Tools	A soft second mortgage was provided by the Native Village of Kwinhagak using Title VI NAHASDA funds to reduce homeowner's mortgage amount by over half.

Dillingham

Mortgages	16 mortgages
Project	New construction of single family residences
Coordinating Agency	Bristol Bay Hosing Authority (BBHA)
Lenders/Funding	Wells Fargo, USDA (Section 502 Direct Loans), HUD (Section 184 Indian Home Loan Guarantee)
Tools	A soft second mortgage was provided by BBHA using Title VI NAHASDA funds to reduce homeowner's mortgage amount by half.

Togiak

Mortgages	2 mortgages
Project	New construction of single family residences
Coordinating Agency	Bristol Bay Hosing Authority (BBHA)
Lenders/Funding	BBHA (Indian Housing Bloc Grants), Bureau of Indian Affairs (Category D Down Payment Assistance)
Tools	A mortgage and soft second mortgage was provided by BBHA using Title VI NAHASDA funds and down payment assistance through BIA Category D granted 30% of the purchase price to the home buyer.

Conclusion

Increasing the use of private mortgages provides the best alternative for increasing the quality and quantity of housing in rural Alaska, but it is not a simple task. It is hoped that this guide will help to educate and inspire rural residents, housing organizations, and leaders to pursue this underutilized form of funding. But this guide is clearly not enough. It will take the concerted effort of all the entities mentioned in this guide to make mortgages work in the challenging environment of rural, remote Alaska. This effort is currently underway at the local level as evidenced by the successes mentioned above, at the state level as seen by the “Rural Homeownership Forum”, and at the national level by several organizations, such as the Federal Reserve Banks and in Indian Country by organizations in the states of South Dakota and New Mexico. Because it will take a continued dialogue to address the challenges and confront the barriers of rural homeownership, the Forum participants in Alaska believe that an ongoing rural homeownership coalition or roundtable should be formed to carry on this important work. Alaska’s rural communities are much too valuable to see them flounder under specter of deplorable housing conditions. It is a big challenge and there is no better time to start than now.



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Resources Available

- **Alaska Benteh Capital (ABC)** <http://www.alaskabentehcapital.org/>
A CDFI that offers loans, one-on-one financial counseling, and courses on homeownership counseling, credit and budget counseling, and financial concepts.
- **Alaska Housing Finance Corp (AHFC) Home Choice™** <https://www.ahfc.us/buy/homechoice>
A free class to help prospective home buyers work their way through the decisions and steps that buying a home can entail.
- **CHES Inc** <http://chesinc.org/services/homeownership-resource-center/for-home-buyers>
An online homebuyer education program developed by a HUD-certified nonprofit agency. It covers financial aspects of homeownership, things to look out for when buying a house and maintaining a home.
- **eHome America** <http://ehomeamerica.org>
An online homebuyer education platform, offering one-on-one counseling via phone or in person.
- **Framework** <https://framework.frameworkhomeownership.org>
A homebuyer education program, offering online classes.
- **NeighborWorks Alaska** <http://www.nwalaska.org/home-ownership>
A non-profit organization offering education and counseling, affordable loans, and home repair and improvement programs.
- **Regional Housing Authorities** <http://www.aahaak.org/members.php>
Alaska's Regional Housing Authorities have a wealth of one-on-one and community resources around financial planning, credit counseling and homeownership training.

Alaska Community Development Corporation (ACDC) Home Opportunity Program (HOP)

Assistance to low-income households with zero interest loans, down payment assistance and buy-downs.

Who can use the program?

Alaskans living in the Kenai Peninsula, the Mat-Su Borough, Glennallen, Valdez, Cordova, Juneau, Haines, Ketchikan, Petersburg, Wrangell, Sitka or Kodiak.

Requirements

Only low-income households (less than 80% of median income in respective borough) are eligible.

Why this might be a good fit

Provides zero interest loans to low-income home buyers with up to \$10,000 forgivable over a five-year period; applicants can receive down payment assistance, closing cost assistance and a buy-down on their first mortgage.

Why this might not be a good fit

The HOP loan assistance limit is \$30,000. Home buyers must not be in arrears on any child support obligation.

Website

www.alaskacdc.org/home-opportunity-program.html

Alaska Housing Finance Corporation (AHFC) Rural Owner-Occupied Loan Program

Provides financing to purchase or renovate owner-occupied housing in small communities. Long-term financing is also available for owner-built, newly constructed home.

Who can use the program?

Alaskans living in a small community of 6,500 or fewer not connected by road or rail to Anchorage or Fairbanks or in a community of 1,600 or fewer connected by road or rail to Anchorage or Fairbanks that is 50+ statute miles outside Anchorage or 25+ statute miles outside Fairbanks.

Why this might be a good fit

Provides a Rural Program interest rate on the first \$250,000 of the loan amount. Loans over \$250,000 receive a blended interest rate; the excess over \$250,000 is calculated at the Rural Program rate plus 1 percent.

Why this might not be a good fit

Commercial use is allowed only on single-family homes and is limited to 25 percent of the gross floor area. No commercial use is allowed on duplex, triplex or fourplex properties. All units must have a minimum of 600 square feet.

Website

www.ahfc.us/buy/loan-programs/rural-programs

Bureau of Indian Affairs (BIA) Housing Improvement Program (HIP)

A home repair, renovation, replacement and new housing grant program.

Who can use the program?

American Indians and Alaska Native individuals and families who cannot qualify for housing assistance from any other source.

Requirements

Must be a member of a federally recognized American Indian tribe or be an Alaska Native; live in an approved tribal service area; have an income that does not exceed 150% of the U.S. Department of Health and Human Services (DHHS) Poverty Guidelines.

Why this might be a good fit

Offers grants for interim solutions, repairs and renovations, replacement housing and new housing.

Why this might not be a good fit

Present housing must be substandard and able to show not eligible for other resource for housing assistance; current home not provided through a federally sponsored housing program.

Eligibility with other programs

Cannot be combined with other programs.

Website

www.bia.gov/WhoWeAre/BIA/OIS/HumanServices/HousingImprovementProgram

Making Home Affordable (MHA):

Designed to help low-income families in the U.S. with mortgage payments in times of unemployment, provides low monthly mortgages and offers refinancing programs.

Who can use the program?

Struggling homeowner living in the United States

Why this might be a good fit

Provides financial assistance on mortgage if you are in danger of falling behind on your mortgage.

Why this might not be a good fit

Program only eligible for mortgages obtained before 2009.

Website

www.makinghomeaffordable.gov

Regional Housing Authorities

Alaska's fourteen Regional Housing Authorities provide a wide variety of assistances to members in their respective regions.

Who can use the program?

Community members of the respective region.

Requirements

Special income requirements depend on the housing authority as well as the service provided.

Why this might be a good fit

Staff is available to provide local assistance to your tribe/organizations and its members can help with specific local topics and provide regional resources.

Website

Find out which local housing authority is responsible for your community at www.aahaak.org/members.php

U.S. Department of Agriculture (USDA) Direct 502 Program

Provides payment assistance to low-income applicants in rural areas to increase an applicant's repayment ability.

Who can use the program?

Low or very low-income individual or households in rural areas with a population of less than 35,000.

Requirements

Applicant's income must be below the low-income limit in the area where they wish to buy a house and must demonstrate willingness to repay debt.

Why this might be a good fit

Funds can be used to build, repair, renovate or relocate a home. Fixed interest rate as low as 1% and payback periods up to 38 years. No down payments are required.

Why this might not be a good fit

Applicants must be unable to receive a loan from other resources under reasonable conditions. The property cannot exceed 2,000 square feet, may not exceed the market value in the applicable area and cannot be used for income producing activities.

Website

www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans

U.S. Department of Agriculture (USDA) 504 Home Repair Loans/Grants

Provides loans to very low-income homeowners to repair, improve or modernize their homes and provides grants to elderly very low-income homeowners to remove health and safety hazards

Who can use the program?

Loans: very low-income owner.

Grants: very low-income individuals over age of 62.

Both in rural Alaska (other than Fairbanks and Anchorage area).

Requirements

Loans: family income must be below 50% of the area median income.

Grants: over the age of 62 and unable to repay a repair loan.

Why this might be a good fit

Loans: repair, improve or modernize homes.

Grants: remove health and safety hazards

Why this might not be a good fit

Maximum loan \$20,000, maximum grant: \$7,500. Grants must be repaid if the property is sold in less than 3 years. Applicants must be unable to get affordable credit elsewhere.

Eligibility with other programs?

USDA Loans and grants can be combined.

Website

www.rd.usda.gov/programs-services/single-family-housing-repair-loans-grants

U.S. Department of Agriculture (USDA) Single Family Housing Guaranteed Loan Program

Assists approved lenders in providing low- and moderate-income households the opportunity to own dwellings as their primary residence in eligible rural areas. The program provides a 90% loan note guarantee to approved lenders in order to reduce the risk of extending 100% loans to eligible rural home buyers.

Who can use the program?

Low and moderate-income households in rural Alaska.

Requirements

Income requirements vary by borough.

Why this might be a good fit

Closing costs and reasonable expenses may be included in loan guarantee. Funds can be allowed for the establishment of escrow accounts for real estate taxes and/or hazard and flood insurance premium as well as essential household equipment such as wall-to-wall carpeting, ovens, ranges, refrigerators, washers, dryers, heating and cooling equipment.

Why this might not be a good fit

Requires legal capacity to incur loan obligations; have the willingness and ability to meet credit obligations in a timely manner.

Website

www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program

U.S. Department of Housing and Urban Development (HUD) Indian Housing Block Grant Program (IHBG)

A formula grant that provides a range of affordable housing activities on Indian reservations and in Indian areas.

Who can use the program?

Federally recognized Indian tribes or their tribally designated housing entity (TDHE), and a limited number of state recognized tribes who were funded under the Indian Housing Program authorized by the United States Housing Act of 1937 (USHA).

Why this might be a good fit

Provides funding to tribes or TDHEs for the delivery of a range of affordable housing opportunities and housing-related activities to low and moderate-income members of federally recognized Indian tribes and Alaska Native villages.

Why this might not be a good fit

An eligible recipient must submit to HUD an Indian Housing Plan (IHP) each year to receive funding. At the end of each year, recipients must submit to HUD an Annual Performance Report (APR) reporting on their progress in meeting the goals and objectives included in their IHPs.

Eligibility with other programs?

IHBG funds may be used with HUD NAHASDA Title VI Loans

Website

portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/grants/ihbg

U.S. Department of Housing and Urban Development (HUD) Title VI Loan Program

Allows tribe or Tribally Designated Housing Entities (TDHE) receiving the Indian Housing Block Grant (IHBG) to leverage additional funds to finance affordable housing activities.

Who can use the program?

Federally recognized tribes and TDHEs

Requirements

Only IHBG recipients (borrowers) are eligible.

Why this might be a good fit

Unlike most other grant or funding programs does not have a site control requirement. That opens it up to use land as collateral for mortgage which allows loan holder to take out a smaller mortgage. Funds may be used to create new housing, rehabilitate housing, build infrastructure, construct community facilities, acquire land to be used for housing, prepare architectural & engineering plans and to fund financing costs.

Why this might not be a good fit

Not available for families or individuals.

Eligibility with other programs?

Title IV loan guarantee can be used with a variety of funding, must be combined with IHBG

Website

portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/homeownership/titlevi

U.S. Department of Housing and Urban Development (HUD) Section 184 Indian Home Loans

Guarantee 100% of the loans made to Native Borrowers, encouraging lenders to serve Native Communities.

Who can use the program?

American Indian and Alaska Native families, Alaska Villages, Tribes, or Tribally Designated Housing Entities.

Why this might be a good fit

Can be used, both on and off native lands, for new construction, rehabilitation, purchase of an existing home, or refinance. Tribes and housing authority can borrow funds to develop rental housing or to build single-family homes that are subsequently sold (or assumed) by eligible borrowers.

Why this might not be a good fit

Maximum loan limits apply and differ by borough. For loans over \$50,000 a 2.25% down payment is required. Eligibility is limited to single-family housing (1-4 units), and fixed-rate loans for 30 years or less. Neither adjustable rate mortgages nor commercial buildings are eligible for Section 184 Loans.

Website

portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/homeownership/184