



OFFICE OF PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

**Date: September 3, 2021**

**Dear Lender Letter 2021-09**

**To:** All Tribes  
All Tribally Designated Housing Entities  
All Section 184 Approved Lenders and Servicers  
All Section 184A Approved Lenders and Servicers

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**Subject** Technical changes and updates to property preservation, reasonable diligence time frames and attorney fees for Loan Guarantee claim payments.

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**Purpose** The purpose of this Dear Lender Letter (DLL) is to inform Lenders participating in the Section 184 Indian Home Loan Guarantee program (Section 184) and Section 184A Native Hawaiian Housing Loan Guarantee program (Section 184A) of technical changes and updates to previous guidance on property preservation, attorney fees and reasonable diligence timeframes.

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**Effective Date** This DLL is effective upon publication.

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**Public Feedback** HUD welcomes feedback from interested parties for a period of 30 calendar days from the date of issuance. To provide feedback on this policy document, please send feedback to the Office of Loan Guarantee at [Section184Comments@hud.gov](mailto:Section184Comments@hud.gov). HUD will consider the feedback in determining the need for future relief.

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**Affected Programs** This guidance applies to Section 184 and Section 184A programs. The technical changes and updates in this DLL supersede the provisions in the PIH Notice 2014-11 and the Section 184A Processing Guidelines, where they conflict.

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**Background**

On April 30, 2019, ONAP sent a letter to all Section 184 Lenders describing how to calculate interest on a claim payment:

*HUD will pay interest on the unpaid obligation under the loan agreement from the date of default to the earliest of the following: (1) the execution of a deed-in-lieu of foreclosure; (2) the execution of the post-foreclosure deed to the lender, HUD or third-party as applicable; (3) the execution of the assignment of the loan to HUD; or (4) the expiration of the reasonable diligence timeframe and calculated in the following manner: the date of default plus 180 days, plus the reasonable diligence timeframe as provided in HUD Handbook 4000.1, Appendix 5.0 (unless such total timeframe was extended in writing by HUD). HUD will also reimburse the lender for reasonable costs incurred through the earliest of the dates specified above. A schedule for reasonable property preservation costs may be found in Appendix 6.0 of the same handbook. ONAP's guidelines and policy apply to all lenders participating in the Section 184 program.*

The Appendices referenced above were renumbered in HUD Handbook 4000.1. This DLL makes a technical change to properly align the updated Appendices references utilized by the Section 184 and Section 184A Programs.

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**Summary of Changes**

A summary of technical changes and updates include:

- A technical change to the numbering of relevant Handbook 4000.1 Appendices used for attorney fees, reasonable diligence timeframes and property preservation allowances and schedules.
  - Clarification that the threshold for property preservation allowances is \$5,000.
  - Clarification that there is no reasonable diligence timeframe for defaulted Section 184 Trust Land loans or Section 184A loans being assigned to HUD.
  - How interest should be calculated for Section 184A loans.
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**Schedule of  
Attorney Fees**

Lenders are to use **Appendix 5.0 HUD Schedule of Standard Possessory Action and Deed-in-Lieu or Foreclosure Attorney Fees** to determine the allowable costs for attorney fees for properties securing Section 184 or Section 184A Guaranteed Loans. This appendix also provides links to schedules for routine foreclosure and bankruptcy actions.

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**Reasonable  
Diligence  
Timeframe**

Lenders are to use **Appendix 6.0 First Legal Actions to Initiate Foreclosure and Reasonable Diligence Time Frames** to determine the reasonable diligence timeframe for properties securing Section 184 or Section 184A Guaranteed Loans.

The reasonable diligence timeframe does not apply when a Section 184 Trust Land loan or Section 184A loan is to be assigned to HUD. If a Lender chooses to assign a Trust Land Loan to HUD rather than complete the foreclosure in Tribal court, then assignment should take place within 180 days of default, when the borrower is not under an active loss mitigation plan.

Lenders must always comply with 12 CFR Part 1024 - Real Estate Settlement Procedures Act (Regulation X).

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**Property  
Preservation  
Allowances  
and Schedules**

Lenders are to use **Appendix 7.0 – Property Preservation Allowances and Schedules** to determine the allowable costs for property preservation for properties securing Section 184 or Section 184A Guaranteed Loans.

The Maximum Property Preservation Allowance is \$5,000 per property. Prior written approval must be obtained from HUD if property preservation is anticipated to exceed this amount.

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**Interest  
Calculation for  
Section 184A  
Claim  
Payments**

HUD will pay interest on the unpaid obligation under the loan agreement from the date of default to the earliest of the following:

- the execution of a deed-in-lieu of foreclosure;
- the execution of the post-foreclosure deed to a third-party;
- the execution of the assignment of the loan to HUD; or
- the date of default plus 180 days.

HUD will also reimburse the Lender for reasonable costs incurred through the earliest of the dates specified above.

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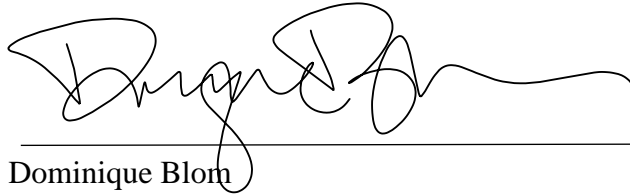
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**Questions**

Any questions regarding this DLL may be directed to  
[Krisa.M.Johnson@hud.gov](mailto:Krisa.M.Johnson@hud.gov)

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**Signature**

A handwritten signature in black ink, appearing to read "Dominique Blom", written over a horizontal line.

Dominique Blom  
General Deputy Assistant Secretary  
for Public and Indian Housing