

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2012 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE HAWAIIAN LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation	\$1,044	\$4,254	...	\$5,298	\$1,072	\$536
2011 CR	1,044	4,226	...	5,270 ^a	1,400	1,175
2012 Request .....	...	<u>3,870</u>	...	<u>3,870</u>	<u>1,960</u>	<u>1,650</u>
Program Improvements/offsets	-1,044	-356	...	-1,400	+560	+475

a/ Excludes permanent indefinite authority of \$61 thousand for upward re-estimates of loan authority.

Summary Statement

The fiscal year 2012 Budget does not request additional funds for the Native Hawaiian Loan Guarantee Fund (Section 184A). The Section 184A has sufficient carryover funding from past appropriations to meet the anticipated needs in fiscal year 2012 based on a projected credit subsidy rate of 0.93 percent.

The Section 184A program supports the investment of private capital in underserved markets and addresses the Presidential goal to promote sustainable communities by increasing homeownership opportunities. The Section 184A loan guarantee makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian Home Lands. Through this program eligible Native Hawaiians can obtain a mortgage with a market rate of interest to purchase, acquire and rehabilitate, or build a single family home on Hawaiian Home Lands. As of September 30, 2010, 152 firm commitments have been issued totaling \$38.5 million, and 80 loans have been guaranteed for homes on Hawaiian Home Lands, with a HUD guarantee of approximately \$20.6 million in financing. The program is projected to assist 110 families in fiscal year 2010 to build, acquire, or rehabilitate homeownership units, or assist families in their purchase. The growth trend for fiscal years 2011 and 2012 is expected to continue by assisting 125 families in fiscal year 2011 and 140 families in fiscal year 2012 to become homeowners. The table below shows estimated and actual activity based on loan guarantee activity:

Loan Guarantee	FY 2012 Estimate	FY 2011 Estimate	FY 2010 Actual	FY 2009 Actual	FY 2008 Actual
Obligations in Millions	\$70	\$50	\$37.2	\$14.9	\$4.4
Expenditures in Millions	\$60	\$43	\$20.6	\$3.4	\$4.2
Homes Financed	140	125	80	16	17

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The Section 184A loan guarantee program provides access to sources of private financing for eligible Native Hawaiian families who wish to reside on Hawaiian Home Lands, thus making it possible to achieve homeownership with market-rate financing. The program contributes to the Strategic Plan Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers and positively affects other subgoals (1B: Protect and educate consumers when they buy, refinance, or rent a home; 1C: Create financially sustainable homeownership opportunities).

Hawaii is a high cost-area. The price of homes and the low number of resale each year creates a huge backlog for housing on Hawaiian Home Lands. The Office of Native American Programs (ONAP) has partnered with the Department of Hawaiian Home Lands and Hawaii Community Assets, a HUD-approved counseling agency to provide pre- and post-closing credit counseling services to Section 184A applicants and borrowers. This initiative is providing a much needed service to an underserved community that must rely on mortgage financing to meet the growing demand for housing.

The ONAP Office of Loan Guarantee has successfully worked with a local Community Development Financial Institution (CDFI) to address the housing needs of Native Hawaiians at the grassroots level. Since becoming an approved Section 184A lender, Hawaii Community Lending (HCL) has contributed significantly to the growth of the program by combining a strong counseling program with solid lending practices.

As of September 30, 2010, the Section 184A Loan Guarantee Program has guaranteed a total of 124 loans, of which 80 loans were guaranteed in fiscal year 2010. The cumulative loan guarantee certificates issued through September 30, 2010, total \$30 million, of which \$20.6 was issued in fiscal year 2010. Due to the expanded marketing and outreach efforts, training has been provided to potential lenders and borrowers. Lenders are hesitant to provide home mortgage financing when legal title to the real property cannot be used as collateral. This program provides access to sources of private financing for eligible Native Hawaiian families who wish to reside on Hawaiian Home Lands and who could not otherwise acquire private financing. Through this program, private financing will be used to cover construction or acquisition costs while Federal dollars are used only to guarantee payment in the event of a default. The Section 184A Loan Guarantee Program provides a perfect complement to the limited amount of financing options available for properties on Hawaiian Home Lands.

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Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Budget Authority</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2010 Obligations</u>	<u>2011 CR</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2012 Request</u>
Loan Guarantee Credit								
Subsidy	<u>\$1,044</u>	<u>\$4,254</u>	<u>\$5,298</u>	<u>\$1,072</u>	<u>\$1,044</u>	<u>\$4,226</u>	<u>\$5,270</u>	<u>...</u>
Total	1,044	4,254	5,298	1,072	1,044	4,226	5,270	...

<u>FTE</u>	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
Headquarters
Field
Total

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Program Offsets
(Dollars in Thousands)**

Loan Guarantee Credit Subsidy	<u>Amount</u>
2010 Appropriation	\$1,044
2011 CR	1,044
2012 Request .....	...
Program Improvements/Offsets	-1,044

Proposed Actions

	<u>Actual 2010</u>	<u>Estimate 2011</u>	<u>Estimate 2012</u>
	(Dollars in Thousands)		
Native Hawaiian Loan Guarantee - Summary of Loan Activity			
Number of Loan Commitments	127	185	245
Number of Loans Endorsed	80	125	140
Average Loan Size of Endorsed Loans	\$256	\$270	\$285
Number of Loans in Delinquent Status at End of Fiscal Year	0	2	5
Number of Loans that Defaulted in Fiscal Year	0	0	0
Total Number of Loans in Default	0	0	0
Loan Guarantee Commitment Limitation	\$37,258 a/	\$41,504	...
Subsidy Rate	2.52	.83	0.93

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2010 loan guarantee commitment limitation is \$41.5 million.

Proposed Actions

The fiscal year 2012 Budget does not request additional funds for this program. The Section 184A has sufficient carryover funding from past appropriations to meet anticipated needs in fiscal year 2012 (based on a projected credit subsidy rate of .93 percent). The loan guarantee program, known as Section 184A, was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, private, and non-profit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on

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Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian Home Lands.

Lenders are hesitant to provide home mortgage financing when legal title to the real property cannot be used as collateral. This program provides access to sources of private financing for eligible Native Hawaiian families who wish to reside on Hawaiian Home Lands and who could not otherwise acquire private financing. Through this program, private financing will be used to cover construction or acquisition costs while Federal dollars are used only to guarantee payment in the event of a default.

The final regulations implementing the Native Hawaiian Loan Guarantee program became effective on December 29, 2003. The initial focus of the program had been on institutional transactions, with the DHHL serving as the borrower. In fiscal year 2006, HUD entered into an agreement with the DHHL to expand the program to include individual Native Hawaiians. Additional marketing and outreach to Native Hawaiians who are eligible to reside in the Hawaiian Home Lands will be required, and is underway, to make the program more effective. The Office of Native American Programs has been working with the DHHL and lenders to increase program activity. In fiscal year 2008, DHHL suffered an unexpected setback when one of its contractors went bankrupt. This resulted in delays that reduced the number of new homes made available for delivery in fiscal year 2008. Since July 2008, the projects have been on track, and HUD is projecting increased loan activity in future years.

DHHL continues to make progress in its development of master-planned communities throughout the State. This strategy of housing development will provide homeownership and housing opportunities to Hawaiian Home Lands beneficiaries where individual lots will be leased as improved lots, either for the lessee to construct a home, complete with a turnkey home, or arrange for the construction of a self-help home. According to the Annual Performance Report from DHHL, as of September 20, 2010, eight new housing developments are underway at various stages of development, ranging from design to infrastructure construction to home construction. Over the last 7 years, approximately 640 homes have been completed, 150 are under construction and another 250 units are expected to begin construction within the next year. In each instance, the lessee will seek financing to construct or purchase the home. The Section 184A Loan Guarantee Program provides a perfect complement to the limited amount of financing options available for properties on Hawaiian Home Lands.

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Crosswalk of 2010 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Loan Guarantee Credit Subsidy	\$1,044	\$4,254	\$5,298
Total	1,044	4,254	5,298

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**PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 Crosswalk of 2011 Changes
 (Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Loan Guarantee Credit Subsidy	\$1,044	...	...	\$4,226	\$5,270
Total	1,044	...	...	4,226	5,270