

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2013 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>
2011 Appropriation	\$1,044	\$4,287	-\$2	\$5,329 ^a	\$257	\$4,261
2012 Appropriation/Request	386	5,072	...	5,458 ^b	186	152
2013 Request	<u>1,000</u>	<u>5,272</u>	<u>...</u>	<u>6,272</u>	<u>233</u>	<u>99</u>
Program Improvements/offsets	+614	+200	...	+814	+47	-53

a/ Includes permanent indefinite authority of \$61 thousand for upward re-estimates of loan authority.
b/ Excludes permanent indefinite authority of \$329 thousand for upward re-estimates of loan authority.

1. What is this request?

The Department requests \$1 million for the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program). This request of \$1.0 million in credit subsidy is to support loan guarantee authority of \$107 million based on a projected credit subsidy rate of 0.50 percent. This request is an increase of \$614 thousand from the enacted fiscal year 2012 appropriation. This loan guarantee authority will provide Section 184A financing for 720 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 Department realized approximately \$5 million in credit subsidy carryover. It is natural for the loan guarantee program to have carryover funds each year to make sure there is no break in loan guarantee activity at the beginning of the new fiscal year. The Native Hawaiian Housing Loan Guarantee program has significant carryover funding. This program has experienced an increase in loan guarantee activity over the past three years, and HUD expects this trend to continue. The average loan in fiscal year 2011 was \$264,000. In fiscal year 2012, the Office of Loan Guarantee anticipates to guarantee approximately 140 loans, based on the ability to do refinance transactions.

Native Hawaiian Loan Guarantee Fund (Section 184A)

2. What is this program?

The Section 184A program (12 U.S.C. 1715z-13b) 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. Regulations are at 24 CFR part 1007.

The program is administered by HUD's Office of Native American Programs; one program specialist is assigned to the HUD office in Honolulu, Hawaii. Historically, native Hawaiians eligible to reside on the Hawaiian home lands had limited access to private mortgage capital, primarily because lenders were reluctant to do business on land that cannot be encumbered or alienated, such as the home lands, which are held in trust. In Hawaii there is a great demand for affordable housing and construction costs are extremely high. The high price of homes and the low number of resale transactions each year has resulted in a huge waiting list (25,000 families) for housing on the Hawaiian home lands.

This program offers native Hawaiians the opportunity to become homeowners by offering lenders a 100 percent guarantee in the event of a default. This 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 and rehabilitate, or build a single family home on Hawaiian home lands.

The 100 percent guarantee provides the incentive for private lenders to market loans to this traditionally underserved population. Private financing is used to cover construction or acquisition costs, while Federal dollars are used only to guarantee payment in the event of a default.

Eligible borrowers include native Hawaiian families who are eligible to reside on the Hawaiian home lands, the (state) Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, or private nonprofit organizations experienced in the planning and development of affordable housing for native Hawaiians.

The Hawaiian home lands are located in various geographic areas of the islands, typically in rural areas, and some with terrain that is difficult and costly to develop. The term Hawaiian home lands means lands that have the status as Hawaiian home lands under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110); or are acquired pursuant to that Act. The term native Hawaiian means any individual who is a citizen of the United States, and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by kupuna (elders) or kama'aina (long-term community residents); or birth records of the State of Hawaii.

Native Hawaiian Loan Guarantee Fund (Section 184A)

This loan guarantee program complements HUD’s Native Hawaiian Housing Block Grant (NHHBG), which is also administered by HUD’s Office of Native American Programs. The block grant, which has averaged about \$10 million annually for 11 years, is similar to HUD’s Indian Housing Block Grant, but has as its sole recipient Hawaii’s State Department of Hawaiian Home Lands. Block grant funds are used primarily to develop vacant Hawaiian home lands and build homes for low-income native Hawaiians eligible to reside on the Hawaiian home lands.

Staffing

FTE	2011 Actual	2012 Estimate	2013 Estimate
Headquarters	1	1	1
Field
Total	1	1	1

The Honolulu Area Office is staffed by one outstationed Headquarters employee who serves as the primary contact for the Section 184A and NHHBG program. This individual represents the Office of Loan Guarantee (OLG), managing all aspects of the lender relationships, and facilitating and supporting mortgage lending initiatives on Hawaiian home lands. Responsibilities include meeting with the Department of Hawaiian Home Lands (DHHL), mortgage lenders, homebuyers and credit counselors, conducting training, reviewing loan documents, pre and post- closing, issuing loan guarantees, collecting servicing data; making policy and procedure recommendations; and conducting environmental reviews.

The program office manages all aspects of the lender relationships. This includes, but is not limited to: formulating national program policies and procedures, preparing budget justifications, tracking and analyzing national performance goals, managing administrative functions, and responding to inquiries from Congress and the Administration. In addition OLG conducts lender training, approval, quality control monitoring and re certifications; post closing technical reviews, and issuance of loan guarantee certificates; loss prevention/early intervention, loan workouts and modifications, short sales, claims processing; foreclosures, property preservation, real estate listings, sales; data collection, loan servicing monitoring, and risk management.

Key workload drivers are: applications for loans; monitoring requirements; consultation requirements; annual appropriations requirements, the need to provide technical assistance and training, etc.

3. Why is this program necessary and what will we get from the funds?

is program creates financially sustainable homeownership opportunities by making private financing accessible to a historically underserved population. It also helps stem the foreclosure crisis by educating consumers when they buy a home, and by servicing delinquent loans.

In 1996, HUD issued a report indicating that native Hawaiians have the highest percentage of housing problems (49 percent) of any group in the United States. Also, native Hawaiians experience the worst housing conditions of any group in the State of Hawaii and constitute approximately 30 percent of Hawaii's homeless population. Although HUD's report on native Hawaiian housing conditions is 16 years old, it is still relevant because it is the only extant study of its type, and it detailed the significant housing needs of native Hawaiians in Hawaii.

Sixty-eight percent of low-income native Hawaiian households experience some kind of housing problem such as affordability, overcrowding, structural quality, availability, or some combination of these problems. For very low-income native Hawaiian households (not exceeding 50 percent of area median income), the needs are more severe, with 75 percent of households in this category facing some kind of housing problem.

The Housing Policy Study, conducted by the Department of Hawaiian Home Lands in 2006, and a Beneficiary Needs Survey conducted in 2008, estimated that there are more than 33,200 low-income native Hawaiian households.

According to the Department of Hawaiian Home Lands, there are 7,560 native Hawaiian families living on Hawaiian home lands; 25,937 applicants on the waiting list to reside on the home lands; and an estimated 32,460 potential native Hawaiian applicants. More than 33,200 households are considered low-income.

According to the U.S. Census, American Community Survey for 2005-2009:

- 447,591 people reported being native Hawaiian or other Pacific Islander (one race) in the United States. This was 0.15 percent of the total, national population (in 2009) of 301,461,533.
- 112,940 people reported being native Hawaiian or other Pacific Islander (one race) in the State of Hawaii. This was 8.82 percent of the total population in the State of Hawaii (in 2009) of 1,280,241. Another 278,000 people in the State of Hawaii reported being two or more races.
- 17.4 percent of native Hawaiians (and other Pacific Islanders) live below the poverty level in the State of Hawaii, compared to 9.4 percent of the total population in Hawaii.
- 21.6 percent of native Hawaiian (and other Pacific Islander) households in the State of Hawaii are overcrowded, compared to 3.21 percent of White households in the State of Hawaii, and 8.72 percent of all households in the State of Hawaii.

Native Hawaiian Loan Guarantee Fund (Section 184A)

- \$19,478 is the per capita income for native Hawaiians (and other Pacific Islanders) in the State of Hawaii; compared to \$38,650 for Whites in the State of Hawaii, and \$28,662 for the total population of Hawaii.

In fiscal year 2013, HUD will continue the ongoing comprehensive study of housing needs in Indian Country, including native communities in Alaska and Hawaii, which was mandated by Congress and started in 2011. The assessment will be conducted by the Urban Institute, and will be managed by HUD's Office of Policy Development and Research. The project is expected to be completed by 2014, and has been budgeted at \$4 million, to include research not only of native Hawaiians in Hawaii, but also of American Indians and Alaska Natives throughout the United States. The results of the study will allow HUD to broaden its efforts, in collaboration with its Federal partners, to address other barriers to building economically sustainable communities in Indian Country and on the Hawaiian home lands. This comprehensive assessment will look at housing and other factors important to long-term economic stability, including access to quality health care, schools, transportation, and employment.

To date, the only comprehensive study of housing needs of Native Americans is HUD's 1996 Assessment of American Indian Housing Needs and Programs, and Housing Problems and Needs of Native Hawaiians. This study is still being used, despite being more than 15 years old and predating the Section 184A and Native Hawaiian Housing Block Grant programs. U.S. Census reports offer useful data, but given their more general perspective, typically fail to provide a thorough understanding of the housing conditions experienced by HUD's program beneficiaries.

The comprehensive housing needs study will update Census data to include information from the 2000 and 2010 Decennial Censuses and the American Community Survey. It will consist of several components, including interviews with state government leaders, staff at the Department of Hawaiian Home Lands, and other community leaders and stakeholders. Because the 1996 study was published before the Section 184A program began, the new study will also undertake an examination of the program's impact since its implementation.

4. How do we know this program works?

The primary indicator of performance is the number of loans guaranteed under this program. In fiscal year 2011, 131 loans were guaranteed, and 140 loans are expected to be guaranteed in fiscal year 2012, and 160 loans are expected to be guaranteed fiscal year 2013. As a result of efficient underwriting, counseling, and prompt loan servicing, the foreclosure rate for the program has remained at less than 1 percent.

As of September 30, 2011, the Section 184A Loan Guarantee Program had guaranteed a total of 255 loans, of which 131 loans were guaranteed in fiscal year 2011. The cumulative loan guarantee certificates issued through September 30, 2011, total \$64.4 million, of which \$34.6 million was issued in fiscal year 2011.

The Department of Hawaiian Home Lands price estimates for homes it built on the island of Oahu in 2011 ranged from \$197,500 to \$360,000 for an average of \$278,750. A number of factors contribute to the high cost of housing in Hawaii. The cost of shipping for

Native Hawaiian Loan Guarantee Fund (Section 184A)

building materials, the remote locations and higher elevations of Hawaiian Home Lands all contribute the high prices. In addition, Section 214 of the National Housing Act adjusts mortgage loan limits in Hawaii to accommodate the higher cost of housing.

DHHL continues to make progress in its development of master-planned communities throughout the State. This strategy of housing development will provide homeownership opportunities to Hawaiian home lands beneficiaries. 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. 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.

HUD will continue to provide training and technical assistance to lenders, borrowers, and homeowners to increase and improve participation in the program.

The table below shows estimated and actual activity based on loan guarantee activity:

Loan Guarantee	FY 2013 Estimate	FY 2012 Estimate	FY 2011 Actual	FY 2010 Actual	FY 2009 Actual	FY 2008 Actual
Obligations in \$Millions	\$38	\$33	\$12.3	\$37.2	\$14.9	\$4.4
Expenditures in \$Millions	\$30	\$26	\$34.6	\$20.6	\$3.4	\$4.2
Homes Financed	160	140	131	80	16	17

Native Hawaiian Loan Guarantee Fund (Section 184A)

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Loan Guarantee Credit								
Subsidy	<u>\$1,042</u>	<u>\$4,287</u>	<u>\$5,329</u>	<u>\$257</u>	<u>\$386</u>	<u>\$5,072</u>	<u>\$5,458</u>	<u>\$1,000</u>
Total	1,042	4,287	5,329	257	386	5,072	5,458	1,000

Native Hawaiian Loan Guarantee Fund (Section 184A)

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Appropriations Language**

The fiscal 2013 President's Budget include proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the cost of guaranteed loans, as authorized by section 184A of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z) and for such costs for loans used for refinancing, [\$386,000] *\$1,000,000*, to remain available until expended: Provided, That such costs, including the costs of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, [not to exceed] up to [\$41,504,000] *\$107,000,000*, to remain available until expended. (Department of Housing and Urban Development Appropriations Act, 2012.)