

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

INDIAN HOUSING LOAN GUARANTEE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation	\$7,000	\$3,596 ^a	...	\$10,596	\$5,233	\$7,162
2011 CR	7,000	6,463 ^b	...	13,463	6,450	8,282
2012 Request	<u>7,000</u>	<u>7,013</u>	...	<u>14,013</u>	<u>9,118</u>	<u>9,092</u>
Program Improvements/Offsets .....	...	+550	...	+550	+2,668	+810

a/ Includes permanent indefinite authority of \$1.2 million for upward re-estimates of loan authority.

b/ Includes permanent indefinite authority of \$1.1 million for upward re-estimates of loan authority.

Summary Statement

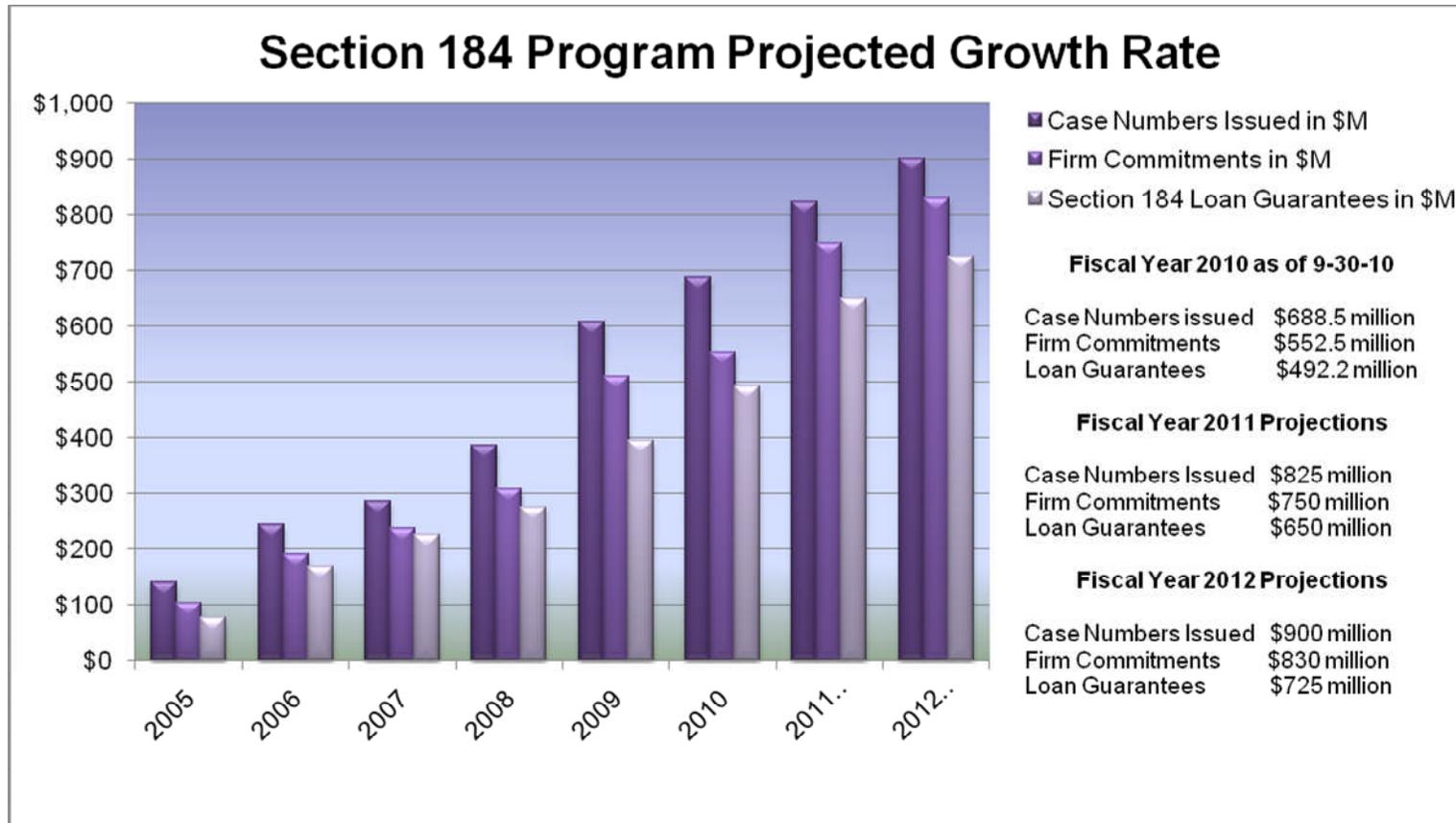
The fiscal year 2012 Budget requests \$7 million for the Indian Housing Loan Guarantee Fund (Section 184), of which \$6.25 million in credit subsidy is to support loan guarantee authority of \$428 million (based on subsidy rate of 1.46 percent). In order to sustain the rapid growth of the Section 184 program, the Department is also requesting \$750,000 for Administrative Contract expenses to perform management processes and make system upgrades as necessary to meet the growing demand.

This Budget request is based on expectations and historical growth rate. This Budget request will allow HUD to meet projected demand for this program, which has grown significantly since 2002. In fiscal year 2012, the Section 184 program will assist approximately 5,000 families in building, acquiring, or rehabilitating homeownership units or assisting families in purchasing homes. Of the \$7 million request, \$750,000 will be designated for administrative contract expenses to carry out the loan guarantee program. These funds will support the efficient management of systems and analyses that will help ensure that the program continues to be managed effectively. Electronic document transmittal and other efforts to streamline the loan application process through automation will benefit the lender, the borrower, and the Government. The Section 184 loan guarantee program addresses the special needs of Native Americans by making it possible to achieve homeownership with market-rate financing. As of September 30, 2010, a total of 12,062 (cumulative over the life of the program) loans have been guaranteed, with loan guarantee authority of \$1.82 billion. In 2011, the program is expected to grow by 32 percent. HUD expects this growth trend to continue in fiscal year 2012 as key secondary market participants return to asset-based lending with an emphasis on government insured and guaranteed products.

As quality lenders return to government lending, the number of mortgage companies underwriting Section 184 loans will increase. Significant progress has been made in working with Ginnie Mae and the Federal Home Loan Bank of Chicago in opening their portfolios to purchase Section 184 loans. HUD has expanded outreach and is working with financial institutions and credit unions that serve Native American communities to increase access to borrowers at the grassroots level. Expanding the secondary market will increase liquidity for these lenders. This growth is essential to the expansion of the program.

Indian Housing Loan Guarantee Fund

As of September 30, 2010, the Section 184 program had guaranteed \$494.2 million for 3,028 loans, which exceeded the amended performance goals for fiscal year 2010. For information about the population that this program serves, see the table at the end of this section entitled "Demographics on Office of Native American Programs (ONAP)." The program maintained a foreclosure of less than 1 percent of loans guaranteed, far below the target of 4 percent. HUD staff worked with counseling agencies affiliated with NeighborWorks America lenders to help families with delinquent loans avoid foreclosures by accessing Federal foreclosure prevention dollars.



Program Relationship to Strategic Plan Goals and Subgoals:

The Section 184 loan guarantee program addresses the special needs of Native Americans, thus making it possible to achieve homeownership with market-rate financing.

The Section 184 loan guarantee program contributes to Strategic Plan Goal 1 (Strengthen the Nation’s Housing Market to Bolster the Economy and Protect Consumers) and impacts all the associated subgoals (1A: Stem the foreclosure crisis; 1B: Protect and educate consumers when they buy, refinance, or rent a home; 1C: Create financially sustainable homeownership opportunities; 1D: Establish an accountable and sustainable housing finance system).

Indian Housing Loan Guarantee Fund

Subgoal 1A: Stem the foreclosure crisis

In fiscal year 2010, the program maintained a foreclosure (claim rate) of less than 1 percent of the loans guaranteed, far below the target of 4 percent. HUD staff worked with counseling agencies affiliated with NeighborWorks America lenders to assist families with delinquent loans to avoid foreclosure by accessing Federal foreclosure prevention dollars.

Subgoal 1B: Protect and educate consumers when they buy, refinance, or rent a home

HUD is the primary funding agency for the Native American Indian Housing Council (NAIHC), a non-profit housing advocacy organization focused on Native Housing issues. The NAIHC provides culturally specific homeownership and credit counseling Train the Trainer certification for tribal counseling service providers. The primary function of the Office of Loan Guarantee staff is to provide technical assistance and capacity building in support of the Section 184 loan guarantee program. The ONAP Area Offices perform direct outreach to assist tribes with credit counseling, homeownership fairs and Earned Income Tax Credit applications.

Subgoal 1C: Create financially sustainable homeownership opportunities

The Office of Loan Guarantee (OLG) has a unique relationship with the Section 184 lenders. OLG assumes the credit and collateral risk through the loan guarantee in exchange for the lender financing homeownership. The program requires the servicing lender to play an active role in the servicing of the loan. This requires the lender to make direct contact with the borrower when a loan becomes 30 days past due. Early intervention and loss mitigation have made it possible for the Section 184 program to maintain a claim rate below 1 percent in difficult economic times.

Indian Housing Loan Guarantee Fund

Subgoal 1D: Establish an accountable and sustainable housing finance system

OLG increased internal capacity to do lender monitoring and raised the lender approval standards. Section 184 will continue updating underwriting guidelines to keep pace with evolving changes in lending trends. Demand for the Section 184 program is exceeding staffing capabilities and underwriting timelines have exceeded industry standards. Timely turnaround for Loan Guarantee Certificate issuance is essential to the secondary market. The automated assistance from the Computerized Homes Underwriting Management System (CHUMS) integration will provide enhanced data tracking, validation, and accuracy while also providing a more streamlined process for lenders.

Indian Housing Loan Guarantee Fund

The table below depicts demographic information for this population.

Demographics on Office of Native American Programs (ONAP)			
<p>Regional Breakdown^{a/}</p> <p>Number of American Indians and Alaska Natives in IHBG Formula Areas by ONAP Area</p> <p>■ Alaska ■ Eastern/Woodlands ■ Northern Plains ■ Northwest ■ Southern Plains ■ Southwest</p> <p>Total: 1,545,788</p>	<p>Median Age (years)</p> <p>Both Sexes 29.7 Male 28.8 Female 30.7</p>	<p>States with Largest AI/AN Population</p> <p>California 15.0% Oklahoma 9.0% Arizona 7.0% New Mexico 4.0% Others 65.0%</p>	<p>Median Block Grant^{a/}</p> <p>\$299,097</p>
	<p>Disabled HoH</p> <p>24.3%</p>	<p>Ten Largest IHBGs Tribes</p> <p>Navajo 12.5% Cherokee 7.5% Muscogee 5.7% Lumbee 4.3% Choctaw 3.1% Chickasaw 2.5% Cook Inlet AK 2.2% Oglala Sioux 2.0% Gila River (AZ) 1.2% White Mountain 0.8% Others 58.2%</p>	<p>Income Status^{a/}</p> <p>Extremely Low Income (≤30% AMI)^{c/} 36% Very Low Income (≤50% AMI)^{c/} 28% Low Income (≤80% AMI)^{c/} 36%</p>
<p>Average Family Size^{a/}</p> <p>5.3</p>		<p>Poverty Rate</p> <p>American Indian/Alaska Native 25.3% Black 24.7% Hispanic origin 22.0% Asian 10.9% White 10.6% Others 6.5%</p>	<p>Average Rent</p> <p>N/A</p>
			<p>Average Gross Income</p> <p>N/A</p>

Source: U.S. Census Bureau unless specified
a/ Source: IHBG Formula Database – FY 2010
b/ Source: ONAP/OLG Database – FY 2010
c/ AMI is Area Median Income

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
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	\$6,250	\$3,246	\$9,496	\$4,833	\$6,250	\$5,763	\$12,013	\$6,250
Transformation								
Initiative .....	...	...	...	...	...	...	...	...
Loan Guarantee								
Contracts	<u>750</u>	<u>350</u>	<u>1,100</u>	<u>400</u>	<u>750</u>	<u>700</u>	<u>1,450</u>	<u>750</u>
Total	7,000	3,596	10,596	5,233	7,000	6,463	13,463	7,000

NOTE: Fiscal years 2009 and 2010 carryover includes \$99,000 for Land Title Report Commission. Fiscal year 2010 carryover into 2011 includes \$1.1 million permanent indefinite authority for upward re-estimates.

<u>FTE</u>	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
Headquarters	11	9	9
Field	<u>21</u>	<u>23</u>	<u>22</u>
Total	32	32	31

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)**

Loan Guarantee Credit Subsidy	<u>Amount</u>
2010 Appropriation	\$6,250
2011 CR	6,250
2012 Request	<u>6,250</u>
Program Improvements/Offsets .....	...

Indian Housing Loan Guarantee - Summary of Loan Activity	Actual	Estimate	Estimate
	<u>2010</u>	<u>2011</u>	<u>2012</u>
	(Dollars in Thousands)		
Number of Loan Commitments.....	3,420	3,700	5,000
Number of Loans Endorsed	3,028	3,600	4,200
Average Loan Size of Endorsed Loans	\$163	\$165	\$165
Number of Loans in Delinquent Status at End of Fiscal Year	432	525	650
Number of Loans that Defaulted in Fiscal Year	29	52	70
Total Number of Loans in Default	108	166	236
Loan Guarantee Commitment Limitation	\$536,000 a/	\$919,000	\$428,000
Subsidy Rate	0.68	0.83	1.46

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2010 loan guarantee commitment limitation is \$919 million.

Proposed Actions

This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. The fiscal year 2012 Budget proposes an appropriation of \$7 million, of which \$6.25 million in credit subsidy is to support loan guarantee authority of \$428 million, based on an estimated subsidy rate of 1.46 percent. The projected carryovers in unobligated balances and loan guarantees along with the new funding will be sufficient to meet the anticipated demand for the program.

Indian Housing Loan Guarantee Fund

The loan guarantees made under this program shall guarantee repayment of 100 percent of the unpaid principal and interest due. Funding for this program provides loan guarantees for Native American families, Indian tribes, and Tribally Designated Housing Entities (TDHEs) to purchase, construct, refinance, and/or rehabilitate single family homes on trust or restricted land and in tribal areas of operation. The Section 184 loan guarantee has made private financing of home mortgages by private financial institutions possible based on individual borrower's qualifications, regardless of land status. There is no income limit or minimum required to participate.

The term "federally recognized tribe" means any Indian tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians pursuant to the Indian Self-Determination and Education Assistance Act of 1975. Indian tribes themselves determine their membership criteria.

The trend toward greater utilization of the Section 184 Indian Housing Loan Guarantee can be traced to the Department's shift from a broad-based national outreach campaign to a more localized grassroots marketing approach. To achieve the desired result, HUD identified and targeted lenders, tribes, and markets that offered the greatest opportunity for immediate success. The Office of Loan Guarantee (OLG) effectively implemented the same type of approach wholesale mortgage lenders use to increase individual market share. The outreach campaigns established specific production goals for each ONAP Area Office.

In fiscal year 2012, HUD expects the growth trend to continue as mortgage lenders emphasize government insured and guaranteed products. Over the past 6 years (fiscal years 2005-2010), the dollar volume associated with new Section 184 loan applications has increased from \$140.5 million to \$688.5 million. The corresponding loan guarantee activity over the same period has increased from \$77 million to \$494.2 million. The chart illustrates the relationship between the issuance of a case number on a new application and the issuance of a loan guarantee certificate to the lender. The dollar volume of loan guarantees is generally within 95 percent of the case number issued totals from the prior fiscal year. We expect loan guarantee activity to continue to grow and demonstrate stellar performance in the future.

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)**

Loan Guarantee Contracts	<u>Amount</u>
2010 Appropriation	\$750
2011 CR	750
2012 Request	<u>750</u>
Program Improvements/offsets .....	...

Proposed Actions

The Department proposes \$750,000 in fiscal year 2012 for Administrative Contract expenses, including management processes and systems necessary to carry out the guaranteed loan program. This funding will continue the transition to contractual services to meet the growing demands placed on the program by increased loan activity. The contractor will be responsible for servicing functions, which includes capturing pertinent payment information from lender data, producing timely reports, and tracking performance trends. Other duties will include efforts to increase the data elements collected during the mortgage process. This data will enhance the development of performance measures; create risk modeling for credit reform estimates; and forecast growth, payment performance, and default risk projections for the loan guarantee program.

In fiscal year 2010 ONAP and the Contractor completed a screen-by-screen analysis of the data collected within FHA Connect and Computerized Homes Underwriting Management System (CHUMS) to identify the existing fields that meet the data collection requirements of the program office. After identifying the universe of data to be captured, the encoding and logic model was completed creating the separate overlays that enable the Program Office to automate the data collection process. Initial beta testing of FHA Connect and CHUMS began in the fourth quarter of fiscal year 2010. Phase 2 which is slated to start in fiscal year 2011 addresses loan servicing data. The servicing platform accessed through FHA Connect is a system that is in common use by many government lenders. Adding this data collection tool will enable ONAP to improve accuracy and gain efficiencies by standardizing reporting formats for loan servicing.

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND
Program Offsets
(Dollars in Thousands)**

Transformation Initiative	<u>Amount</u>
2010 Appropriation
2011 CR
2012 Request	<u>...</u>
Program Improvements/Offsets

Proposed Actions

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for administrative contracts may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

Indian Housing Loan Guarantee Fund

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

Below is the italicized appropriation language for the Indian Housing Loan Guarantee Fund (Section 184).

For the cost of guaranteed loans, as authorized by section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z), 7,000,000, 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, up to \$428,000,000: Provided further, That up to \$750,000 shall be for administrative contract expenses including management processes and systems to carry out the loan guarantee program.

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
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	\$6,250	...	...	...	\$3,246	\$9,496
Transformation Initiative .....	...	...	...	...	...	...
Loan Guarantee Contracts	<u>750</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>350</u>	<u>1,100</u>
Total	7,000	...	...	...	3,596	10,596

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
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	\$6,250	...	...	\$5,763	\$12,013
Transformation Initiative
Loan Guarantee Contracts	<u>...</u>	<u>750</u>	<u>...</u>	<u>...</u>	<u>700</u>	<u>1,450</u>
Total	7,000	...	...	6,463	13,463