

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

INDIAN HOUSING LOAN GUARANTEE FUND (Section 184)

PROGRAM HIGHLIGHTS

	<u>ACTUAL</u>	<u>ENACTED</u>	<u>ESTIMATE</u>	INCREASE + DECREASE -
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002 vs 2001</u>
	(Dollars in Thousands)			
<u>Enacted:</u>				
Budget Authority .....	\$6,000	\$6,000	\$5,987	-\$13
Rescission .....	...	-\$13	...	+\$13
Carryover .....	<u>\$12,640</u>	<u>\$17,310</u>	...	-\$17,310
Subtotal .....	\$18,640	\$23,296	\$5,987	-\$17,310
<u>Loan Guarantee Limitation</u>				
Loan Guarantee Limitation .....	\$71,956	\$71,956	\$234,283	+\$162,327
Loan Guarantee Limitation				
Carryover .....	<u>\$155,473</u>	<u>\$212,910</u>	...	-\$212,910
Subtotal .....	\$227,429	\$284,866	\$234,283	-\$50,582
<u>Administrative Expenses</u>				
Administrative Expenses .....	[\$150]	[\$200]	[\$200]	...
<u>Budget Outlays</u>				
Budget Outlays .....	\$1,635	\$3,329	\$7,411	+\$4,082

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2002 Budget proposes an appropriation of \$6 million in credit subsidy to support loan guarantees of \$234 million, based on a subsidy rate of 2.47 percent. The requested funds can guarantee 2,206 homes mortgages, however, the Department is expected to guarantee approximately 204 home mortgages. During fiscal year 1998, the largest lender of Indian loans in Alaska dropped out from the Indian Housing Loan Guarantee Fund. In addition, HUD debarred another lender from the program because of their abusive and fraudulent loan practices. These actions have caused the program to suffer tremendously. However, a key legislative change in the fiscal year 2001 Appropriation Act is expected to attract additional lenders to the program. That change removes language requiring lenders to certify that borrowers with property on fee simple land do not have access to private financial markets. Also to stimulate program activity, the Department and other Federal agencies are supporting One Stop Mortgage Centers. One Stop Mortgage Centers provide information, guidance and assistance to tribal members to become homeowners. Presently there are centers at Navajo Nation and Pine Ridge Reservation.

Also included in this request is \$200,000 for administrative expenses, an amount that will be transferred and merged with the Department's appropriation for Salaries and Expenses. Administrative expenses provide funding for travel for program marketing, on-site monitoring, systems development, and other training.

EXPLANATION OF INCREASES AND DECREASES

Indian housing loan guarantee limitation increased as a result of the fiscal year 2002 subsidy re-estimate. The subsidy re-estimate has resulted in a downward subsidy adjustment. The increase in outlay projections is based on increased commitments expected as a result of the above mentioned initiatives to stimulate program activity.

## Indian Housing Loan Guarantee Fund

Budget authority decrease is from fiscal year 2001 Governmentwide rescission of an amount equal to 0.22 percent of the discretionary budget authority.

### PROGRAM DESCRIPTION AND ACTIVITY

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 by Section 701 of the Native American Housing Assistance and Self-Determination Act (NAHASDA) of 1996, Public Law 104-330, Section 595(e) (11-13), enacted October 26, 1996. Funding for this program provides loan guarantees for Native American families, Indian tribes, and tribally designated housing entities to purchase, construct and/or rehabilitate single family homes on trust or restricted land and in designated Indian areas. It has made possible the private financing of home mortgages by private financial institutions, which would otherwise not have been possible because of the unique legal status of Indian lands.

Private financing for the purchase of homes in Indian country was almost non-existent prior to the implementation of this program in September 1994. Since its inception, the Section 184 Indian Housing Loan Guarantee Fund has guaranteed 775 home loans (as of September 30, 2000) for eligible families, tribes and tribally designated housing entities totaling \$74.9 million.

This program has made homeownership available to Native Americans living on Indian lands, and enabled lending institutions to serve a new client group. Due to the unique legal status of Indian trust or restricted lands, lenders had previously been hesitant to assume the risk of providing home mortgage financing where legal title to the real property could not be used as collateral. In addition, many lenders were unwilling to take the risk of going into tribal courts in the event of default. As a direct result of this program, numerous banks are now lending in Indian Country, and many tribes have established legal procedures for processing foreclosures and evictions.

This program has also served as the vehicle to leverage private funds with Federal dollars in Indian Country in order to create housing opportunities where Federal subsidy programs historically provided 100 percent of the costs of new unit construction. Through this program, private financing is now used to cover construction costs while Federal dollars are used only to guarantee payment in the event of a default.

This program is not restricted to low-income families; rather, it provides opportunities for income-eligible families currently living in subsidized units to afford a market-rate home mortgage, thus freeing up assisted housing units for use by other lower-income families. This is the housing cycle that has been operative in non-Indian Country for decades.

In contrast to the Title VI Indian Federal Guarantees Program (funded as a set-aside in the Indian Housing Block Grant program), any Indian family, tribe, or tribally designated housing entity can apply for a Section 184 mortgage loan and be qualified on the basis of their income and other mortgage credit guidelines. The Title VI program provides loan guarantees only for Indian Housing Block Grant recipients who are unable to borrow from other sources. The borrower uses future Indian Housing Block Grant funds to provide collateral for the loan.

### STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

The Indian Housing Loan Guarantee Fund is essential to achieve HUD's Strategic Goal 1: Increase the availability of decent, safe, and affordable housing in Native American communities, and specifically Strategic Objective 1.2 - to make affordable rental housing available to low-income Native Americans on tribal trust and allotted trust lands and on fee simple lands in Indian and to provide eligible Indian tribes and tribally designated housing entities the opportunity to provide additional housing to tribal members.

SELECTED Performance Measures

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
<b>Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities.</b>			
Discretionary BA (Dollars in Thousands)	5,000	4,987	4,987
FTE	4	4	4
<b>Strategic Objective 1.2: Affordable rental housing is available for low-income households.</b>			
Output Indicator 1.2.d: The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases.	220 estimate	275 estimate	275
<b>Strategic Goal 4: Improve community quality of life and economic vitality.</b>			
Discretionary BA (Dollars in Thousands)	1,000	1,000	1,000