

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

INDIAN HOUSING LOAN GUARANTEE FUND (Section 184)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
<u>Enacted:</u>				
Budget Authority	\$6,000	\$5,987	\$5,000	-\$987
Rescission	-\$13
Budget Authority (net)	\$5,987	\$5,987	\$5,000	-\$987
Carryover	<u>\$17,989</u>	<u>\$22,146</u>	<u>\$22,146</u>	...
Subtotal	\$29,963	\$34,119	\$32,146	-\$1,974
<u>Loan Guarantee Limitation</u>				
Loan Guarantee Limitation	\$71,956	\$234,283	\$197,243	-\$37,040
Loan Guarantee Limitation				
Carryover	<u>\$212,910</u>	<u>\$272,000</u>	<u>\$486,000</u>	<u>+\$214,000</u>
Subtotal	\$284,866	\$506,283	\$683,243	+\$176,960
<u>Administrative Expenses</u>				
Administrative Expenses	[\$200]	[\$200]	[\$207]	[+\$7]
<u>Budget Outlays</u>				
Budget Outlays	\$998	\$7,411	\$7,559	+\$148

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes an appropriation of \$5 million in credit subsidy to support loan guarantee authority of \$197 million, based on a subsidy rate of 2.43 percent. Included in this request is \$207,000 for administrative expenses that will be transferred and merged with the Department's appropriation for Salaries and Expenses.

EXPLANATION OF INCREASES AND DECREASES

No increase in funding is sought for this program. It has been underutilized by the communities in the past. However, in fiscal year 2001 the Department made program changes that are expected to result in increased utilization. Outlay projects have been increased to coincide with the expected increase in commitments.

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. 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. The following changes included in fiscal year 2001 Appropriations Act should result in increased utilization of this program: elimination of the requirement that borrowers must prove and certify that they do not have access to private financial markets, and the authority to refinance under this program that was previously prohibited. Although underutilized since its inception, the Section 184 Indian Housing Loan Guarantee Fund has guaranteed 841 home loans (as of June 30, 2001) for eligible families, tribes and tribally designated housing entities totaling \$82 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 operating in non-Indian country for decades.

In contrast to the Title VI Indian Federal Guarantees Program (funded as a set-aside in the Native American Housing Block Grant (NAHBG) 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 NAHBG recipients who are unable to borrow from other sources. The borrower uses future NAHBG 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 2: Help Families Move from Rental Housing to Homeownership, and specifically, Strategic Objective 2.2, to expand homeownership opportunities for minorities and persons with disabilities.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	\$5,987	\$5,987	\$5,000
FTE			
Headquarters	5	4	4

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Field	0	0	0
Subtotal	5	4	4
Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.			
Section 184 mortgage financing is guaranteed for 200 Native American homeowners during FY 2003.	89	180	200
FTE Total	5	4	4