

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (Section 184)

PROGRAM HIGHLIGHTS

	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
	(Dollars in Thousands)			
<u>Enacted:</u>				
Budget Authority	\$5,987	\$5,000	\$1,000	-\$4,000
Upward Reestimate of Subsidy ..	62
Carryover/Recaptures	24,157	29,293	25,293	-4,000
Downward Reestimate of Subsidy	...	<u>-1,000</u>	...	<u>1,000</u>
Subtotal	30,206	33,293	26,293	-7,000
<u>Loan Guarantee Limitation</u>				
Loan Guarantee Limitation	234,283	197,243	27,473	-169,770
Loan Guarantee Limitation				
Carryover	<u>272,000</u>	<u>549,473</u>	<u>538,592</u>	<u>-10,881</u>
Subtotal	506,283	746,716	566,065	-180,651
<u>Administrative Expenses</u>				
Administrative Expenses				
Transfer to S&E	[200]	[207]	[250]	[43]
Budget Outlays	804	4,478	4,703	225

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2004 Budget proposes an appropriation of \$1 million in credit subsidy to support loan guarantee authority of \$27 million based on a subsidy rate of 2.73 percent. Included in this request is \$250,000 for administrative expenses that will be transferred and merged with the Department's appropriation for Salaries and Expenses.

EXPLANATION OF INCREASES AND DECREASES

A decrease of \$4 million from fiscal year 2003 is requested for this program because there are sufficient resources currently available in the account to fund loan guarantees. In fiscal year 2001, the Department made program changes, as described below, that should result in increased utilization in fiscal years 2003 and 2004.

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 before 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. They are:

Indian Housing Loan Guarantee Fund

the elimination of the requirement that borrowers must prove and certify that they do not have access to private financial markets and new 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 963 home loans (as of May 31, 2002) totaling \$94 million.

This program has made homeownership available to Native Americans living on Indian lands and has 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 also has served as the vehicle to leverage private funds with Federal dollars in Indian country and has created new 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 available to families earning up to 80 percent of median income. It provides opportunities for income-eligible families currently living in subsidized units to afford a market-rate home mortgage, and thus frees up assisted housing units for use by other lower-income families.

In contrast to the Title VI Indian Tribal 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.

ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
FTE			
Headquarters	4	4	4
Field
Total FTE	4	4	4
S&E Cost (Dollars in Thousands)			
Personal Services	\$378	\$389	\$399
Travel	20	25	25
Other Services	...	250	250
Supplies	1	1	1
Total S&E Cost	\$399	\$665	\$675