

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2005 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>
2003 Appropriation	\$5,300	\$29,613 ^a	-\$34	\$34,879	\$1,811	\$1,548
2004 Appropriation/Request	5,300	33,068	-31	38,337	4,875	4,064
2005 Request	<u>1,000</u>	<u>33,462</u>	<u>-33,000</u>	<u>1,462</u>	<u>1,000</u>	<u>2,000</u>
Program Improvements/Offsets	-4,300	394	-32,969	-36,875	-3,875	-2,064

a/ Includes permanent indefinite authority of \$320 thousand for upward re-estimate of loan guarantees.

Summary Statement

The fiscal year 2005 Budget proposes an appropriation of \$1 million of which \$750 thousand in credit subsidy is to support loan guarantee authority of \$29 million based on a subsidy rate of 2.58 percent. Included in this request is \$250 thousand for administrative expenses that will be transferred and merged with the Department's appropriation for Salaries and Expenses. The budget proposes to rescind \$33 million of prior year unobligated funds.

There is no increase in funding sought in fiscal year 2005 from the amount requested in fiscal year 2004. There has been a substantial increase in the utilization of this program from fiscal year 2002 to fiscal year 2003. As of July 2002, 981 loans had been guaranteed with guarantee loan authority of \$95.9 million. By November 2003, there were 1,398 loans with guarantee loan authority of \$137.1 million, an increase of \$41.2 million in 15 months. This has occurred due in part to new refinancing authority, marketing and outreach (to include cross marketing efforts with other housing and Indian based organizations), and on-site training and technical assistance. Currently, the office has focused on working with Indian housing entities and lenders to develop larger projects rather than individual loans.

Significant progress has been made in working with Fannie Mae and the Federal Home Loan Banks of Seattle and Chicago in opening their portfolios to purchase Section 184 loans. Secondary markets for these products are essential to getting more retail bank participation.

The fiscal year 2005 appropriation along with fiscal year 2004 appropriation is sufficient to meet the demand for this program. Fiscal year 2004 and 2005 together will provide approximately \$226.3 million in guarantee loan limitation.

Initiatives

In fiscal year 2005, the Department is not proposing any new initiatives in this program.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
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 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Loan Guarantee Credit Subsidy	\$4,968	\$29,613	\$34,581	\$1,612	\$5,020	\$32,969	\$37,989	\$750
Administrative Expenses	199	...	199	199	249	...	249	250
Land Title Report Commission	<u>99</u>	<u>...</u>	<u>99</u>	<u>...</u>	<u>...</u>	<u>99</u>	<u>99</u>	<u>...</u>
Total Indian Housing Loan Guarantee Fund	5,266	29,613	34,879	1,811	5,269	33,068	38,337	1,000
FTE								
Headquarters			5				5	5
Field			<u>14</u>				<u>14</u>	<u>14</u>
Total			19				19	19

Indian Housing Loan Guarantee Fund

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

Loan Guarantee Credit Subsidy	<u>Amount</u>
2003 Appropriation	\$4,968
2004 Appropriation/Request	5,020
2005 Request	<u>750</u>
Program Improvements/Offsets	-4,270

Indian Housing Loan Guarantee - Summary of Loan Activity	<u>Actual</u> <u>2003</u>	<u>Estimate</u> <u>2004</u>	<u>Estimate</u> <u>2005</u>
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(Dollars in Thousands)

Number of Loan Commitments	381	450	500
Number of Loans Endorsed	271	340	430
Average Loan Size of Endorsed Loans	\$100	\$111	\$118
Number of Loans in Delinquent Status at End of Fiscal Year	70	94	115
Number of Loans that Defaulted in Fiscal Year	5	4	4
Total Number of Loans in Default	15	15	20
Loan Guarantee Commitment Limitation	197,243	197,243	29,070
Subsidy Rate	2.43	2.73	2.58

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 2005 Budget proposes an appropriation of \$1 million of which \$750 thousand in credit subsidy is to support loan guarantee authority of \$29 million based on a subsidy rate of 2.58 percent. Funding for this program provides loan guarantees of up to 100 percent 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 the fiscal year 2001 Appropriations Act resulted in increased utilization of this program: 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. There has been a substantial increase in utilization of this program from fiscal year 2002 to fiscal year 2003. As of November 2003, the Section 184 Indian Housing Loan Guarantee Fund has guaranteed 1,398 home loans totaling \$137 million.

Indian Housing Loan Guarantee Fund

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 were 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 provides opportunities for income-eligible families currently living in subsidized units to obtain a market-rate home mortgage, and thus frees up assisted housing units for use by lower-income families. A family with acceptable credit and sufficient income to afford a private-market home mortgage can use the guarantee to ensure that the lender will approve the mortgage even if the home is located on trust or restricted land.

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 guarantee only for NAHBG recipients who are unable to borrow from other sources. The Office of Loan Guarantee will continue to partner with State Housing Finance Agencies, HUD homeownership counseling centers, Federal Home Loan Banks, Fannie Mae, and other government sponsors enterprises to increase program use and promote Native American homeownership. The program is supported by a contract that will provide regional training to lenders and non-profits in Indian Country.

Indian Housing Loan Guarantee Fund

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

Administrative Expenses	<u>Amount</u>
2003 Appropriation	\$199
2004 Appropriation/Request	249
2005 Request	<u>250</u>
Program Improvements/Offsets	1

Proposed Actions

The Department proposes \$250 thousand for Administrative Expenses in fiscal year 2005 to carry out the guaranteed loan program. These funds will be transferred to and merged with the appropriation for Salaries and Expenses to be used only for the administrative costs of the Indian Housing Loan Guarantee Fund.

PUBLIC AND INDIAN HOUSING
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Program Offsets
(Dollars in Thousands)

Land Title Report Commission	<u>Amount</u>
2003 Appropriation	\$99
2004 Appropriation/Request .....	...
2005 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

Funding for Land Title Report Commission is not requested in fiscal year 2005. In fiscal year 2003, Congress provided \$100 thousand for the necessary expenses of the Land Title Report Commission pursuant to section 501(a) of the Public Law 106-569.

**PUBLIC AND INDIAN HOUSING
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Performance Measurement Table**

Program Name: Indian Housing Loan Guarantee Fund (Section 184)					
Program Mission: 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 of up to 100 percent 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					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
200 new guarantees are issued for Native American homeowners during FY 2005 through the Section 184 mortgage-financing program.		200	271		
Increase the number of loans guaranteed by Section 184 - 26 percent over the fiscal year 2003 levels.				340	430

Explanation of Indicators

Homeownership rates on reservations are low and housing needs are great. The Indian Housing Loan Guarantee fund provides credit subsidies that support loan guarantees up to 100 percent to meet this need. The guaranteed loans can be used to purchase, construct, and/or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas. Because of the unique legal status of these lands, lenders previously had been hesitant to assume the risk of providing mortgage financing where legal title to the property could not be used as collateral. Other important constraints that limit the ability of Tribes to take advantage of guaranteed loans include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of service providers such as appraisers and realtors. The Office of Native American Programs (ONAP) tracks the annual number of homeownership loans for Native Americans guaranteed under Section 184.

The homeownership rate for Native Americans is 55 percent, 13 percent below the national rate, according to July 2002 census data. Homeownership rates on reservation are historically low because lenders have been hesitant to assume the risk of providing mortgage financing for tribal land that cannot be used as collateral. The Section 184 program provides alternative financing for Native Americans so that they can move from rental housing into their own homes. This program is directed toward meeting the President's goal of increasing minority homeownership.

Results and analysis. The goal of 200 new loan guarantees for fiscal year 2003 was exceeded by over one-third. During the year, 271 loan certificates were issues for \$27.2 million. This was a 44 percent increase over the fiscal year 2002 level of 188 certificates, and a 63 percent increase over the dollar amount of \$16.7 million.

Data discussion. The Office of Loan Guarantee compiles data on the number of loan guarantee certificates issues. The Director of the Office of Loan Guarantee validates the data on a monthly basis. The Public and Indian Housing Budget Office verifies the count.

**PUBLIC AND INDIAN HOUSING
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Justification of Proposed Changes in Appropriations Language**

The 2005 President's Budget includes proposed changes in the appropriations 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 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a), [\$5,300,000] \$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, as amended: Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed [\$197,243,000] \$29,069,767. In addition, for administrative expenses to carry out the guaranteed loan program, up to \$250,000 from amounts in the first paragraph, which shall be transferred to and merged with the appropriation for ``Salaries and [e] Expenses'', to be used only for the administrative costs of these guarantees.

Of the unobligated balances remaining from funds appropriated in fiscal year 2004 and prior years under the heading, ``Indian Housing Loan Guarantee Fund Program Account,`` for activities related to the cost of guaranteed loans, \$33,000,000 are hereby rescinded.

Explanation of Changes

Changes loan guarantee to subsidize \$29 million based on decrease in budget authority request of \$1 million.
Adds language to rescind unobligated balances remaining from funds appropriated in fiscal year 2004 and prior.

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PUBLIC AND INDIAN HOUSING
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 Crosswalk of 2003 Availability
 (Dollars in Thousands)

<u>Budget Authority</u>	<u>2003 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2003 Resources</u>
Loan Guarantee Credit Subsidy	\$5,000	-\$32	...	...	\$29,613 ^a	\$34,581
Administrative Expenses	200	-1	...	...	...	199
Land Title Report Commission	<u>100</u>	<u>-1</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>99</u>
Total	5,300	-34	...	...	29,613	34,879

a/ Includes permanent indefinite authority of \$320 thousand for upward re-estimate of loan guarantees.

Transfers to Other Accounts

For administrative expenses, \$199 thousand has been transferred to the Salaries and Expenses account to be used for the administrative cost of the Indian Housing Loan Guarantee Fund.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
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 Crosswalk of 2004 Changes
 (Dollars in Thousands)

<u>Budget Authority</u>	<u>2004 President's Budget Request</u>	<u>Congressional Appropriations Action on 2004 Request</u>	<u>2004 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Loan Guarantee Credit Subsidy	\$750	\$5,050	-\$30	...	\$32,969	\$37,989
Administrative Expenses	250	250	-1	...	...	249
Land Title Report Commission .....	...	...	...	...	99	99
Total Changes	1,000	5,300	-31	...	33,068	38,337

Transfers to Other Accounts

For administrative expenses, \$249 thousand will be transferred to the Salaries and Expenses account to be used for the administrative cost of the Indian Housing Loan Guarantee Fund.