

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2006 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>
2004 Appropriation	\$5,300	\$33,370 ^a	-\$31	\$38,639	\$2,478	\$2,451
2005 Appropriation	5,000	36,161	-33,040 ^b	8,121	4,960	4,996
2006 Request	<u>2,645</u>	<u>3,161</u>	<u>...</u>	<u>5,806</u>	<u>2,750</u>	<u>4,431</u>
Program Improvements/Offsets	-2,355	-33,000	+33,040	-2,315	-2,210	-565

a/ Includes permanent indefinite authority of \$303 thousand for upward re-estimates of loan guarantees.

b/ Includes rescission of \$33 million of prior year balances \$40 thousand for fiscal year 2005 across-the-board rescission.

Summary Statement

The fiscal year 2006 Budget proposes an appropriation of \$2.6 million of which \$2.4 million in credit subsidy is to support loan guarantee authority of \$99 million based on a subsidy rate of 2.42 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.

There is \$1.6 million increase in funding sought in fiscal year 2006 from the amount requested in fiscal year 2005. As of July 2002, 981 loans had been guaranteed with guarantee loan authority of \$95.9 million. By September 2004, there were 1,938 loans with guarantee loan authority of \$198.9 million, an increase of \$103 million in 22 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.

Initiatives

The Department is not proposing any new initiatives in this program.

Indian Housing Loan Guarantee Fund

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 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Loan Guarantee Credit Subsidy	\$5,020	\$33,271	\$38,291	\$2,229	-\$28,288	\$36,062	\$7,774	\$2,395
Administrative Expenses	249	...	249	249	248	...	248	250
Land Title Report Commission .....	...	99	99	...	...	99	99	...
Total Indian Housing Loan Guarantee Fund	5,269	33,370	38,639	2,478	-28,040	36,161	8,121	2,645

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters	3	3	3
Field	21	21	21
Total	24	24	24

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>
2004 Appropriation	\$5,020
2005 Appropriation	-28,288
2006 Request	<u>2,395</u>
Program Improvements/Offsets	+30,683

Indian Housing Loan Guarantee - Summary of Loan Activity	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>
	(Dollars in Thousands)		

Number of Loan Commitments	596	1,000	1,065
Number of Loans Endorsed	619	850	1,000
Average Loan Size of Endorsed Loans	\$103	\$118	\$120
Number of Loans in Delinquent Status at End of Fiscal Year	94	115	118
Number of Loans that Defaulted in Fiscal Year	4	4	4
Total Number of Loans in Default	19	20	21
Loan Guarantee Commitment Limitation	\$197,243	\$145,345	\$98.967
Subsidy Rate	2.73	2.58	2.42

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 2006 Budget proposes an appropriation of \$2.6 million of which \$2.4 million in credit subsidy is to support loan guarantee authority of \$99 million based on a subsidy rate of 2.42 percent. The loan guarantees made under this program shall guarantee repayment of 100 percent of the unpaid principal and interest due on the obligations guaranteed. 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 tribal areas of operation. 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.

Indian Housing Loan Guarantee Fund

Private financing for the purchase of homes in Indian country and tribal areas of operation 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 2004. As of September 2004, the Section 184 Indian Housing Loan Guarantee Fund has guaranteed 1,938 home loans totaling \$198.9 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 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 Tribal Housing Activities Loan 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 sponsored 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

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Program Offsets
(Dollars in Thousands)

Administrative Expenses	<u>Amount</u>
2004 Appropriation	\$249
2005 Appropriation	248
2006 Request	<u>250</u>
Program Improvements/Offsets	+2

Proposed Actions

The Department proposes \$250 thousand for Administrative Expenses in fiscal year 2006 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.

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>
2004 Appropriation
2005 Appropriation
2006 Request	<u>...</u>
Program Improvements/Offsets

Proposed Actions

Funding for Land Title Report Commission is not requested in fiscal year 2006. 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.

Indian Housing Loan Guarantee Fund

**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	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
1,000 new guarantees are planned to issued for Native American homeowners during fiscal year 2005 through the Section 184 mortgage-financing program.		200	596	1,000	1,065
Increase the number of loans guaranteed by Section 184 - 26 percent over the fiscal year 2003 levels.			619	850	1,000

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 reservations 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 2004 was exceeded by 396. During the year, 619 loan certificates were issues for \$63.8 million.

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

Indian Housing Loan Guarantee Fund

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

The 2006 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), [~~\$5,000,000~~] *\$2,645,000*, 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 [~~\$145,345,000~~] *\$98,559,671*.

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 [~~expenses~~] *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 rescinded.]

Explanation of Changes

No change in the appropriation language is requested.

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 Crosswalk of 2004 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Loan Guarantee Credit Subsidy	\$5,050	-\$30	...	...	\$33,271	\$38,291
Administrative Expenses	250	-1	...	...	...	249
Land Title Report Commission .....	...	...	...	...	99	99
Total	5,300	-31	...	...	33,370	38,639

Transfers to Other Accounts

For administrative expenses, \$249 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

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 Crosswalk of 2005 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 President's Budget Request</u>	<u>Congressional Appropriations Action on 2005 Request</u>	<u>2005 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Loan Guarantee Credit Subsidy	\$750	\$4,750	-\$33,038	...	\$36,062	\$7,774
Administrative Expenses	250	250	-2	...	...	248
Land Title Report Commission .....	...	...	...	...	99	99
Total Changes	1,000	5,000	-33,040	...	36,161	8,121

Transfers to Other Accounts

For administrative expenses, \$250 thousand will be transferred to the Salaries and Expenses account to be used for the administrative cost of the Indian Housing Loan Guarantee Fund.