

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 2007 Summary Statement and Initiatives
 (Dollars in Thousands)

NATIVE HAWAIIAN LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2005 Appropriation	\$1,000	\$2,953	-\$8	\$3,945	\$78	\$74
2006 Appropriation/Request	900	3,867	-9	4,758	1,400	1,400
2007 Request	<u>1,010</u>	<u>3,358</u>	<u>...</u>	<u>4,368</u>	<u>1,400</u>	<u>1,400</u>
Program Improvements/Offsets	+110	-509	+9	-390	...	...

Summary Statement

The Department is requesting \$1 million for the Native Hawaiian Loan Guarantee Fund (Section 184A). The fiscal year 2007 budget proposes an appropriation of \$975 thousand in credit subsidy to support loan guarantee authority of \$43 million based on a subsidy rate of 2.35 percent. Included in this request is \$35 thousand for administrative expenses that will be transferred to and merged with the Department's appropriation for Salaries and Expenses.

Initiatives

In fiscal year 2007, the Department is not proposing any new initiatives in this program.

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 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2005 Obligations</u>	<u>2006 Budget Authority/ Request</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2007 Request</u>
Loan Guarantee Credit								
Subsidy	\$957	\$2,953	\$3,910	\$43	\$856	\$3,867	\$4,723	\$975
Administrative Expenses	<u>35</u>	<u>...</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>...</u>	<u>35</u>	<u>35</u>
Total	992	2,953	3,945	78	891	3,867	4,758	1,010
<u>FTE</u>	<u>2005 Actual</u>	<u>2006 Estimate</u>	<u>2007 Estimate</u>					
Headquarters	1	1	1					
Field	<u>...</u>	<u>...</u>	<u>...</u>					
Total	1	1	1					

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 Program Offsets
 (Dollars in Thousands)

Loan Guarantee Credit Subsidy	<u>Amount</u>
2005 Appropriation	\$957
2006 Appropriation/Request	856
2007 Request	<u>975</u>
Program Improvements/Offsets	+119

Native Hawaiian Loan Guarantee - Summary of Loan Activity	<u>Actual</u> <u>2005</u>	<u>Estimate</u> <u>2006</u>	<u>Estimate</u> <u>2007</u>
		(Dollars in Thousands)	
Number of Loan Commitments	4	20	40
Number of Loans Endorsed	4	10	20
Average Loan Size of Endorsed Loans	\$118	\$118	\$118
Number of Loans in Delinquent Status at End of Fiscal Year	0	0	0
Number of Loans that Defaulted in Fiscal Year	0	0	0
Total Number of Loans in Default	0	0	0
Loan Guarantee Commitment Limitation	\$37,403	\$35,714	\$43,000
Subsidy Rate	2.58	2.42	2.35

Proposed Actions

The Department proposes \$975 thousand for loan guarantees for Native Hawaiian housing to support loan guarantee authority of \$43 million based on a subsidy rate of 2.35 percent. The anticipated increase in 2007 activity is due to the present negotiation of an agreement with the Department of Hawaiian Home Lands (DHHL) to begin offering Section 184A mortgages to individual Native Hawaiians in fiscal year 2006. The initial focus of the program had been on institutional transactions with DHHL serving as the borrower.

This program is authorized by Subtitle B of Title V of the Hawaiian Homelands Homeownership Act of 2000 (Public Law 106-569) enacted December 27, 2000. Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and private non-profit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be possible because of the unique legal status of Hawaiian Home Lands.

Lenders are hesitant to provide home mortgage financing where legal title to the real property cannot be used as collateral. This program provides access to sources of private financing for eligible Native Hawaiian families who wish to reside on Hawaiian Home Lands and who otherwise could not acquire private financing because of the unique legal status of the Hawaiian Home Lands. Through

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this program, private financing will be used to cover construction or acquisition 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. 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.

The final regulations implementing the Native Hawaiian Loan Guarantee program became effective on December 29, 2003. To make the program more effective, it requires additional marketing and outreach to Native Hawaiians who are eligible to reside in the Hawaiian Home Lands. The Office of Native American Programs (ONAP) plans to work with the Department of Hawaiian Home Lands and lenders to increase program activity. The initial focus of the program had been on institutional transactions, with DHHL serving as the borrower.

DHHL has made an application with a leading financial institution to finance the first affordable housing project in Waiohuli on the island of Maui, using the Native Hawaiian Housing Loan Guarantee Program. A total of 11 houses will be built with DHHL as the borrower. DHHL will enter into homebuyer agreements with families who would otherwise find it difficult to obtain mortgage financing. In fiscal year 2005, a loan guarantee authority of amount of up to \$1.7 million was issued.

DHHL is taking an aggressive approach to provide housing opportunities to Hawaiian Home Land beneficiaries with a plan to award 6,000 residential leases in 5 years. Aside from doing in-fill projects, DHHL has initiated the development of master-planned communities on Hawaiian Home Lands where approximately 4,800 individual lots will be leased as an improved lot either for the lessee to construct a home, complete with a turnkey home, or with an arrangement for the construction of a self-help home. In each instance, the lessee will seek financing to construct or purchase their home. The Section 184A Loan Guarantee Program will provide a perfect complement to the limited amount of financing options available for properties on Hawaiian Home Lands.

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Program Offsets
(Dollars in Thousands)

Administrative Expenses	<u>Amount</u>
2005 Appropriation	\$35
2006 Appropriation/Request	35
2007 Request	<u>35</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department proposes \$35 thousand for administrative expenses in fiscal year 2007 to carry out the Native Hawaiian Loan Guarantee program. Administrative expense funds will be transferred to and merged with the Department's appropriation for Salaries and Expenses.

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Performance Measurement Table**

Program Name: NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)					
Program Mission: This program is authorized by subtitle B of Title V of the Hawaiian Homelands Homeownership Act of 2000 (P.L. 106-569) enacted December 27, 2000. Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, and private nonprofit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be possible because of the unique legal status of Hawaiian Home Lands.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2005 Plan	2005 Actual	2006 Plan	2007 Plan
Section 184A mortgage financing will guarantee loans creating 200 housing units for Native Hawaiian homebuyers.	PIH Office Of Native American Programs Administrative Data	50 units	10 units	40 units	200 units

Explanation of Indicators

The Native Hawaiian Loan Guarantee (Section 184A) program is directed toward meeting the President’s goal of increasing minority homeownership. This program directly supports the President and Secretary’s goal of adding 5.5 million minority homebuyers by the end of the decade.

Fiscal year 2005 saw the first loans guaranteed using the Section 184A program. Although the Department did not meet its goal, these loans will finance 11 homes to be built on Hawaiian Home Lands, with HUD guaranteeing approximately \$1.7 million in financing. In fiscal year 2006, this program will be available to individual Native Hawaiians (during fiscal year 2005 it was only available for institutional transactions) and thus activity is expected to greatly increase in fiscal year 2006.

The Department of Hawaiian Home Lands introduced a plan to award 6,000 residential leases opportunities to Hawaiian Home Land beneficiaries over the next 5 years. Aside from doing in-fill projects, DHHL has initiated the development of master-planned communities on Hawaiian Home Lands where approximately 4,800 individual lots will be leased as an improved lot either for the lessee to construct a home, or with an arrangement for the construction of a self-help home. In each instance, the lessee will seek financing to construct or purchase their home. The Section 184A Indian Loan Guarantee Program will provide a perfect complement to the limited amount of financing options available for properties on Hawaiian Home Lands. Due to the current opportunities in the Hawaiian Home Lands, the Department expects to see significant growth in the Section 184A program in fiscal year 2007.

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Justification of Proposed Changes in Appropriations Language**

The 2007 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 184A of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b), [\$900,000] *\$1,010,000*, 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 [\$35,714,290] *\$43,000,000, to remain available until committed.*

In addition, for administrative expenses to carry out the guaranteed loan program, up to \$34,650 from amounts in the first paragraph which shall be transferred to and merged with the appropriation for "Salaries and Expenses".

Explanation of Changes

There are no proposed changes to the appropriation language.

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 Crosswalk of 2005 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Loan Guarantee Credit Subsidy	\$965	-\$8	...	...	\$2,953	\$3,910
Administrative Expenses	<u>35</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>35</u>
Total	1,000	-8	...	...	2,953	3,945

Transfers to Other Accounts

As authorized by Section 184A of the HCD Act of 1992, \$35 thousand has been transferred to and merged with the appropriation for Salaries and Expenses to be used only for the administrative costs of the Native Hawaiian Loan Guarantee Fund.

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 Crosswalk of 2006 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 President's Budget Request</u>	<u>Congressional Appropriations Action on 2006 Request</u>	<u>2006 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Loan Guarantee Credit Subsidy	\$847	\$865	-\$9	...	\$3,867	\$4,723
Administrative Expenses	<u>35</u>	<u>35</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>35</u>
Total	882	900	-9	...	3,867	4,758

Transfers to Other Accounts

As authorized by Section 184A of the HCD Act of 1992, \$35 thousand shall be transferred to and merged with the appropriation for Salaries and Expenses to be used only for the administrative costs of the Native Hawaiian Loan Guarantee Fund.