

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 2008 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>
2006 Appropriation	\$900	\$3,867	-\$9	\$4,758	\$35	\$39
2007 Full-Year CR Estimate.....	35	4,723	...	4,758	1,300	1,300
2008 Request	<u>1,044</u>	<u>3,458</u>	<u>...</u>	<u>4,502</u>	<u>1,400</u>	<u>35</u>
Program Improvements/Offsets	+1,009	-1,265	...	-256	+100	-1,265

Summary Statement

The Department is requesting \$1.04 million for the Native Hawaiian Loan Guarantee Fund (Section 184A). This is an increase of \$1.09 million from the fiscal year 2007 President's request and an increase of \$1.09 million from the fiscal year 2007 Continuing Resolution estimate. The fiscal year 2008 budget proposes an appropriation of \$1.0 million in credit subsidy to support loan guarantee authority of \$41.5 million based on a subsidy rate of 2.42 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 2008, the Department is not proposing any new initiatives in this program.

Strategic Goals and Objectives

Native Hawaiian Loan Guarantee Fund supports the President's goal and the Department's Goal A: Increase homeownership opportunities. In fiscal year 2008, this program's goal is to provide mortgage financing of \$19.2 million guaranteed for Native Hawaiian homeowners.

Native Hawaiian Loan Guarantee Fund (Section 184A)

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 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Budget Authority</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2006 Obligations</u>	<u>2007 CR Estimate</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2008 Request</u>
Loan Guarantee Credit								
Subsidy	\$856	\$3,867	\$4,723	...	...	\$4,723	\$4,723	\$1,009
Administrative Expenses	<u>35</u>	...	<u>35</u>	<u>\$35</u>	<u>\$35</u>	...	<u>35</u>	<u>35</u>
Total	891	3,867	4,758	35	35	4,723	4,758	1,044
<u>FTE</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Estimate</u>					
Headquarters	1	1	1					
Field .....	...	...	...		
Total	1	1	1					

Native Hawaiian Loan Guarantee Fund (Section 184A)

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

Loan Guarantee Credit Subsidy	<u>Amount</u>
2006 Appropriation	\$856
2007 Full-Year CR Estimate.....	...
2008 Request	<u>1,009</u>
Program Improvements/Offsets	+1,009

	<u>Actual 2006</u>	<u>Estimate 2007</u>	<u>Estimate 2008</u>
	(Dollars in Thousands)		
Native Hawaiian Loan Guarantee - Summary of Loan Activity			
Number of Loans Endorsed	0	80	120
Average Loan Size of Endorsed Loans	0	\$160	\$160
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	0 a/	\$43,000	\$41,504
Subsidy Rate	2.42	2.35	2.42

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2006 loan guarantee commitment limitation is \$35.7 million.

Proposed Actions

The Department proposes \$1.0 million for loan guarantees for Native Hawaiian housing to support loan guarantee authority of \$41.5 million based on a subsidy rate of 2.42 percent. The anticipated increase in 2008 activity is due to the May 2006 execution 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, 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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

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 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.

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. In May 2006, a Lenders' Forum was conducted in Honolulu to introduce the Section 184A Loan Guarantee Program to 35 representatives from the lending industry and the Department of Hawaiian Home Lands.

In fiscal year 2005, DHHL financed the first affordable housing project in Wauchula on the island of Maui, using the Native Hawaiian Housing Loan Guarantee Program. Loan guarantee authority of \$1.7 million was used to finance the construction of 11 houses with DHHL as the borrower.

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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

PUBLIC AND INDIAN HOUSING
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Program Offsets
(Dollars in Thousands)

Administrative Expenses	<u>Amount</u>
2006 Appropriation	\$35
2007 Full-Year CR Estimate.....	35
2008 Request	<u>35</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department proposes \$35 thousand for administrative expenses in fiscal year 2008 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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

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

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), \$1,044,000, 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 \$41,504,255.

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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

PUBLIC AND INDIAN HOUSING
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 Crosswalk of 2006 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Loan Guarantee Credit Subsidy	\$865	-\$9	...	...	\$3,867	\$4,723
Administrative Expenses	35	...	...	...	...	35
Total	900	-9	...	...	3,867	4,758

Transfers to Other Accounts

As authorized by Section 184A of the Housing and Community Development 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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

PUBLIC AND INDIAN HOUSING
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 Crosswalk of 2007 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2007 President's Budget Request	FY 2007 CR Estimate	2007 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2007 <u>Resources</u>
Loan Guarantee Credit Subsidy .....	...	...	...	...	\$4,723	\$4,723
Administrative Expenses	<u>\$35</u>	<u>\$35</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>35</u>
Total	35	35	...	...	4,723	4,758

Transfers to Other Accounts

As authorized by Section 184A of the Housing and Community Development 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.

**PUBLIC AND INDIAN HOUSING
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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	
		2006 Plan	2006 Actual	2007 Plan	2008 Plan
Section 184A mortgage financing of \$19.2 million is guaranteed for Native Hawaiian homebuyers during FY 2008.	PIH Office Of Native American Programs Administrative Data	6 million	\$152,158	12.8 million	19.2 million

EXPLANATION OF PERFORMANCE

Indicator: Section 184A mortgage financing of \$19.2 million is guaranteed for Native Hawaiian homeowners during fiscal year 2008.

The Native Hawaiian Loan Guarantee (Section 184A) program is directed toward meeting the President's goal and the Department's strategic 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.

In 2003, the Department of Hawaiian Home Lands introduced a strategic plan to award 6,000 residential lease 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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

In May 2005, HUD entered into an agreement with the Department of Hawaiian Home Lands that facilitates a transition that permits individual Native Hawaiians to apply directly for financing under the Native Hawaiian Home Loan Guarantee program. This action increases the availability of market-based mortgage financing to Native Hawaiians with homestead leases. ONAP conducted training for banks and mortgage lenders interested in offering the Section 184A loan guarantee program. HUD has projected 80 loan guarantees in fiscal year 2007, and 120 in fiscal year 2008. The budget assumptions conservatively estimate a 50 percent increases in loan totals in fiscal year 2008.

Fiscal year 2005 saw the first loans guaranteed using the Section 184A program. As of May 2006, 11 homes have been built on Hawaiian Home Lands, with HUD guaranteeing approximately \$1.7 million in financing. In fiscal year 2006, this program became available to individual Native Hawaiians (during fiscal year 2005 it was only available for institutional transactions); thus, activity is expected to greatly increase in the future.