

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2011 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>
2009 Appropriation	\$1,044	\$3,566	...	\$4,610	\$356	\$87
2010 Appropriation/Request	1,044	4,254	...	5,298	1,499	750
2011 Request .....	...	<u>3,799</u>	<u>...</u>	<u>3,799</u>	<u>1,499</u>	<u>900</u>
Program Improvements/offsets	-1,044	-455	...	-1,499	...	+150

Summary Statement

No additional funds are requested for the Native Hawaiian Loan Guarantee Fund (Section 184A) in fiscal year 2011. The projected demand for loan guarantees can be met with the \$4.2 million unobligated balance and loan guarantee carryovers. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian Home Lands.

Lenders are hesitant to provide home mortgage financing when 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 could not otherwise acquire private financing. 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 Section 184A program experienced a slow start-up during its early years of implementation. There is still a continued need for housing assistance on Hawaiian Home Lands. As of September 30, 2009, 57 firm commitments have been issued totaling \$14.1 million, and 16 loans have been guaranteed for homes on Hawaiian Home Lands, with a HUD guarantee of approximately \$3.4 million in financing. In fiscal year 2009, outreach was done to educate and encourage lenders to participate in the program. As a result, one mortgage lender responded and was approved to participate. As volume increases, additional lenders are expected to seek approval and join. In fiscal year 2010, as of December 2009, firm commitments totaling \$14.9 million have been issued, surpassing total fiscal year 2009 activity. The program activity is expected to grow based on the need and demand for this program.

With the current baseline funding the Section 184A Loan Guarantee Program has guaranteed 44 loans from fiscal years 2005 through August 2009. During that time, \$9.3 million was issued in loan guarantee authority. Due to the expanded marketing and outreach efforts, training has been provided to potential lenders and borrowers. Lenders are hesitant to provide home mortgage financing when 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 could not otherwise acquire private financing. 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 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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Transforming Native Hawaiian Loan Guarantee Fund

Building on transformation efforts initiated in fiscal year 2010, HUD is devising new methods for producing and preserving affordable housing, greening the nation's housing stock, and promoting sustainable growth in metropolitan areas. This transformation will be based on rigorous research, program evaluations, and demonstrations measuring the effectiveness of new initiatives.

For fiscal year 2011, the following activities and initiatives are essential to the efficient operation of the Office of Native American Programs (ONAP). Most will require financial resources to implement.

Assessment of HUD Native American Programs. Section 4 of the HUD Act of 1965, as amended, requires that all programs of the Department relating to American Indian and Alaska Native housing and community development be coordinated through ONAP. There are several programs that fall into this category that are not managed directly by ONAP, such as the Rural Housing and Economic Development program, which provides housing and economic development services to Indians. This program is administered by the Deputy Assistant Secretary for Community Planning and Development. The FHA Section 247 program, Insured Mortgages on Hawaiian Home Lands, is similar to ONAP's Section 184A loan guarantee program, and FHA's Section 248 program, Insured Mortgages on Indian Land, is similar to ONAP's Section 184 program. The Assistant Secretary for Policy Development and Research administers the grant funds to help tribal, Alaska Native, and Native Hawaiian colleges and universities build, expand, renovate, and equip their facilities. The Department will also focus on improving coordination between ONAP and other offices within HUD that serve Native Americans. A necessary first step in this process is to establish regular, on-going meetings among the various program offices responsible for these programs. The expected results include consolidation of efforts where feasible, the potential pooling of resources, better overall collaboration, and more efficient use of staff. Steps towards achieving this goal can begin immediately.

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Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Budget Authority</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2009 Obligations</u>	<u>2010 Budget Authority/ Request</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2011 Request</u>
Loan Guarantee Credit								
Subsidy	\$1,044	\$3,566	\$4,610	\$356	\$1,044	\$4,254	\$5,298	...
Total	1,044	3,566	4,610	356	1,044	4,254	5,298	...
<u>FTE</u>	<u>2009 Actual</u>	<u>2010 Estimate</u>	<u>2011 Estimate</u>					
Headquarters	1	1	1					
Field					
Total	1	1	1					

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Program Offsets
(Dollars in Thousands)**

Loan Guarantee Credit Subsidy	<u>Amount</u>
2009 Appropriation	\$1,044
2010 Appropriation/Request	1,044
2011 Request	<u>...</u>
Program Improvements/Offsets	-1,044

	<u>Actual 2009</u>	<u>Estimate 2010</u>	<u>Estimate 2011</u>
	(Dollars in Thousands)		
Native Hawaiian Loan Guarantee - Summary of Loan Activity			
Number of Loans Endorsed	16	17	50
Average Loan Size of Endorsed Loans	\$210	\$190	\$190
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	\$14,112 a/	\$41,504	\$41,504
Subsidy Rate	2.52	2.52	0.83

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2009 loan guarantee commitment limitation is \$41.5 million.

Proposed Actions

No additional funds are requested for the Native Hawaiian Loan Guarantee Fund (Section 184A) in fiscal year 2011. The projected demand for loan guarantees can be met with the program's \$4.2 million unobligated balance and loan guarantee carryovers. The loan guarantee program, known as Section 184A, was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). 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

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Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian Home Lands.

Lenders are hesitant to provide home mortgage financing when 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 could not otherwise acquire private financing. 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. The initial focus of the program had been on institutional transactions, with the DHHL serving as the borrower. In fiscal year 2006, HUD entered into an agreement with the DHHL to expand the program to include individual Native Hawaiians. Additional marketing and outreach to Native Hawaiians who are eligible to reside in the Hawaiian Home Lands will be required, and is underway, to make the program more effective. The Office of Native American Programs has been working with the DHHL and lenders to increase program activity. In fiscal year 2008, DHHL suffered an unexpected setback when one of its contractors went bankrupt. This resulted in delays that reduced the number of new homes made available for delivery in fiscal year 2008. Since July 2008, the projects have been on track, and HUD is projecting increased loan activity in future years.

DHHL continues to make progress in its development of master-planned communities throughout the State. This strategy of housing development will provide homeownership housing opportunities to Hawaiian Home Lands beneficiaries where individual lots will be leased as improved lots, either for the lessee to construct a home, complete with a turnkey home, or arrange for the construction of a self-help home. As of DHHL's 2009 fiscal year end, eight new housing developments are at various stages of development from design to infrastructure construction to home construction. Over the last 7 years, approximately 640 homes have been completed, 150 are under construction, and another 250 units are anticipated to start house construction within the next year. In each instance, the lessee will seek financing to construct or purchase the 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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Justification of Proposed Changes in Appropriations Language

The fiscal year 2011 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), \$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*].

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**PUBLIC AND INDIAN HOUSING
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Crosswalk of 2009 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Loan Guarantee Credit Subsidy	\$1,044	\$3,566	\$4,610
Total	1,044	3,566	4,610

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Crosswalk of 2010 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Loan Guarantee Credit Subsidy	<u>\$1,044</u>	<u>\$1,044</u>	...	...	<u>\$4,254</u>	<u>\$5,298</u>
Total	1,044	1,044	...	...	4,254	5,298