

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2014 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>
2012 Appropriation	\$386	\$5,326 ^{a/}	...	\$5,712	\$281 ^{a/}	\$312
2013 Annualized CR	388	5,431	...	5,819	76	306
2014 Request	<u>...</u>	<u>5,743</u>	<u>...</u>	<u>5,743</u>	<u>80</u>	<u>1,000</u>
Program Improvements/Offsets	-388	+312	...	-76	+4	+694

a/ This amount includes \$5.072 million in actual carryover and \$8 thousand in recaptures realized in fiscal year, and permanent indefinite authority of \$246 thousand for upward re-estimate of loan authority.

1. What is this request?

The Department does not request an appropriation in fiscal year 2014 for the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program). This request is \$386 thousand less than the fiscal year 2012 enacted. Current carryover funds are sufficient to administer this program and guarantee 55 loans in fiscal year 2013 and 55 loans in fiscal year 2014.

Loan guarantees are provided to native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and private and non-profit organizations experienced in planning and developing affordable housing for native Hawaiians.

The intended outcomes of the program are:

- An increase in access to private mortgage financing to native Hawaiian families for homes on the Hawaiian home lands;
- Availability of an affordable mortgage financing option for homes on the Hawaiian home lands; and
- Homeowners on the Hawaiian home lands who contribute to the economic sustainability of the community.

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2. What is this program?

The Section 184A program (12 U.S.C. 1715z-13b) 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. Regulations are at 24 CFR part 1007.

The program is administered by HUD's Office of Native American Programs; one program specialist is assigned to the HUD office in Honolulu, Hawaii. Historically, native Hawaiians eligible to reside on the Hawaiian home lands had limited access to private mortgage capital, primarily because lenders were reluctant to do business on land that cannot be encumbered or alienated, such as the Hawaiian home lands, which are held in trust. In Hawaii, there is a great demand for affordable housing, and construction costs are extremely high. According to the U.S. Census 2011 American Community Survey, the median value of a home in Hawaii was \$478,400, compared to a national median value of \$173,600. The high price of homes and the low number of resale transactions each year resulted in more than 26,000 families on the waiting list for housing on the Hawaiian home lands.

This program offers native Hawaiians the opportunity to become homeowners by offering lenders a 100 percent guarantee in the event of a default. This guarantee 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. Through this program, eligible native Hawaiians can obtain a mortgage with a market rate of interest to purchase and rehabilitate, or build a single family home on Hawaiian home lands.

The 100 percent guarantee provides the incentive for private lenders to market loans to this traditionally underserved population. Private financing is used to cover construction or acquisition costs, while federal dollars are used only to guarantee payment in the event of a default.

Eligible borrowers include native Hawaiian families who are eligible to reside on the Hawaiian home lands, the (State) Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, or private non-profit organizations experienced in the planning and development of affordable housing for native Hawaiians.

The Hawaiian home lands are located in various geographic areas of the islands, typically in rural areas, and some with terrain that is difficult and costly to develop. The term Hawaiian home lands means lands that have the status as Hawaiian home lands under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110); or are acquired pursuant to that Act. The term native Hawaiian means any individual who is a citizen of the United States, and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by kupuna (elders) or kama'aina (long-term community residents); or birth records of the State of Hawaii.

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HUD provides training and technical assistance to lenders, borrowers, and homeowners to increase and improve participation in the program. This loan guarantee program complements HUD's Native Hawaiian Housing Block Grant (NHHBG), which is also administered by HUD's Office of Native American Programs.

Presidential Initiatives and Interagency Partnerships

In October 2009, President Obama signed the Executive Order re-establishing the White House Initiative on Asian Americans and Pacific Islanders. The Initiative is co-chaired by the U.S. Departments of Education and Commerce. The Initiative works to improve the quality of life and opportunities for Asian Americans and Pacific Islanders by facilitating increased access to and participation in federal programs where they remain underserved. This historic Executive Order provides increased access to the federal government for Asian American and Pacific Islander communities, and affirms President Obama's commitment to these communities.

The Initiative requires the White House Office of Public Engagement and federal agencies to work collaboratively to increase Asian American and Pacific Islander participation in programs in education, commerce, business, health, human services, housing, environment, arts, agriculture, labor and employment, transportation, justice, veterans affairs, and economic and community development.

The Initiative seeks to highlight both the tremendous unmet needs in the Asian American and Pacific Islander communities as well as the dynamic community assets that can be leveraged to meet many of those needs. The Initiative focuses on cross-cutting priority areas that may reach across all issue areas and agencies, including, for example, advancing research, data collection, analysis and dissemination for Asian Americans, native Hawaiians and Pacific Islanders, and ensuring access, especially linguistic access and cultural competence, for Asian Americans and Pacific Islanders and encouraging Asian American and Pacific Islander involvement in public service and civic engagement opportunities.

Salaries and Expenses (S&E) and Full-Time Equivalents (FTE) Request

Effective administration of the Native Hawaiian Housing Loan Guarantee Fund is dependent on the operating resources requested in the S&E Justification. For fiscal year 2014, \$166 thousand is requested to operate this program account. This is an increase of \$9 thousand from fiscal year 2012.

The Department requests funding for 1 FTE which equates to \$166 thousand for the Native Hawaiian Housing Loan Guarantee Fund Personnel Services. This is approximately the same FTE and an increase of \$8 thousand in funding from fiscal year 2012. The Department requests \$6 thousand in Non-Personnel Services funding for travel, contracts, training and other related operating expenses associated with the Native Hawaiian Housing Loan Guarantee Fund program, an increase of \$2 thousand from fiscal year 2012.

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Workload by Function

The small number of FTE dedicated to the Native Hawaiian Housing Loan Guarantee Program report to a number of functional areas, including but not limited to:

- 1 FTE will be used for processing 70 184-A applications. This is the same level as fiscal year 2012.

One staffer stationed in Honolulu serves as the primary contact for both Section 184A and the NHHBG. This individual manages all aspects of lender relationships and facilitates and supports mortgage lending initiatives on Hawaiian home lands. The program office also manages all aspects of lender relationships. Insufficient FTE funding would prevent the Department from managing all manner of key workload drivers: applications for loans; monitoring requirements; consultation requirements; annual appropriations requirements; the need to provide technical assistance and training; and other activities.

Headquarters staff generally formulates national program policy, justify budget appropriations, track and analyze national performance goals, manage administrative functions, and respond to inquiries from Congress and the Administration. ONAP's Office of Loan Guarantee staff work at Headquarters to administer the loan programs, but Area Office (field) staff assist them by promoting the programs and serving as first points of contact for those seeking to participate in the loan programs.

3. Why is this program necessary and what will we get for the funds?

This program creates financially sustainable homeownership opportunities by making private financing accessible to a historically underserved population. It also helps stem the foreclosure crisis by educating consumers when they buy a home, and by servicing delinquent loans.

According to the Department of Hawaiian Home Lands, there are 7,560 native Hawaiian families living on Hawaiian home lands; 25,937 applicants on the waiting list to reside on the home lands; and an estimated 32,460 potential native Hawaiian applicants. Native Hawaiian families who are eligible to reside on the Hawaiian home lands, and who would qualify for a loan if the home were not on trust land, will benefit from this program. Lenders also benefit, as the guarantee expands their traditional customer base.

According to the U.S. Census, 2011 American Community Survey:

- Approximately 339,751 native Hawaiians live in Hawaii, which is about 25 percent of Hawaii's total population.
- 28.3 percent of native Hawaiian (and other Pacific Islander) households in the State of Hawaii are overcrowded, compared to 9 percent of all households in Hawaii.
- 19.1 percent of native Hawaiians in Hawaii lived in poverty, compared to 10.2 percent of all people in Hawaii.

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Implications of Program Termination

Without this program, native Hawaiian families would not have financially sustainable homeownership opportunities. This program assists the native Hawaiian families living on Hawaiian home lands by making private financing accessible to a historically underserved population.

The average loan in fiscal year 2011 was \$278,750; in fiscal year 2012 was \$274,214.

4. How do we know this program works?

The primary indicator of performance is the number of loans guaranteed under this program.

In fiscal year 2011, 131 loans were guaranteed.

In fiscal year 2012, 140 loans were expected to be guaranteed, based on the program's new authority to refinance loans; however, the implementation of the refinance authority was delayed, pending publication of the Public and Indian Housing Implementation Notice. In addition, the Department of Hawaiian Home Lands did not construct as many homes in fiscal year 2012 as it did in previous years. These factors severely impacted new originations of Section 184A loans, and the program was forced to reduce its annual target at mid-year. In fiscal year 2012, 21 loans were guaranteed for \$5.1 million.

In fiscal year 2013, as of March 27, 2013, the Section 184A Loan Guarantee program had guaranteed a total of 13 loans for \$3.8 million.

In fiscal year 2014, 55 loans are expected to be guaranteed.

As a result of efficient underwriting, counseling, and prompt loan servicing, the foreclosure rate for the program has remained at less than 1 percent.

As of September 30, 2012, the Section 184A Loan Guarantee Program had guaranteed a total of 276 loans. The cumulative loan guarantee certificates issued through September 30, 2012, total \$69.6 million.

DHHL continues to make progress in its development of master-planned communities throughout the State. This strategy of housing development will provide homeownership opportunities to Hawaiian home lands beneficiaries. 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. In each instance, the lessee will seek financing to construct or purchase the home. The Section 184A Loan Guarantee program provides a perfect complement to the limited amount of financing options available for properties on Hawaiian home lands.

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The table below shows estimated and actual activity based on loan guarantee activity:

Loan Guarantee Authority	FY 2014 Estimate	FY 2013 Estimate	FY 2012 Actual	FY 2011 Actual	FY 2010 Actual	FY 2009 Actual	FY 2008 Actual
Obligations in \$ Millions	\$15.1	\$15.1	\$5.1	\$12.3	\$37.2	\$14.9	\$4.4
Expenditures in \$ Millions	\$13.8	\$13.8	\$5.5	\$34.6	\$20.6	\$3.4	\$4.2
Homes Financed	55	55	21	131	80	16	17

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

<u>Budget Activity</u>	<u>2012 Budget Authority</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2012 Obligations</u>	<u>2013 Annualized CR</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2014 Request</u>
Loan Guarantee Credit								
Subsidy	<u>\$386</u>	<u>\$5,326</u>	<u>\$5,712</u>	<u>\$281</u>	<u>\$388</u>	<u>\$5,431</u>	<u>\$5,819</u>	<u>...</u>
Total	386	5,326	5,712	281	388	5,431	5,819	...