

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2016 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>
2014 Appropriation	\$100	\$5,672	...	\$5,772 ^a	\$60	\$293
2015 Appropriation/Request	100	5,713	...	5,813	80	300
2016 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>80</u>	<u>300</u>
Program Improvements/Offsets	-100	-5,713	...	-5,813

a/ This amount excludes permanent indefinite authority of \$182 thousand for guaranteed loan upward re-estimate.

1. What is this request?

The Department does not request an appropriation in fiscal year 2016 for the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program), which is \$100,000 less than the 2015 enacted level. Current carryover balances are sufficient to administer this program and guarantee 80 loans in fiscal year 2015 and 80 loans in fiscal year 2016.

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.

Key outcomes of the Native Hawaiian Loan Guarantee Fund 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.

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

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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 2011-2013 American Community Survey, the median value of an owner-occupied home in Hawaii was \$495,400, compared to a national median value of \$173,200. The high price of homes and the low number of resale transactions each year has 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.

As a rule, communities on the Hawaiian home lands are not located in prime resort locations, and in fact, are often in less desirable areas, with steep terrain that is difficult to access and develop. The difficulties involved in developing this raw land add to the already high cost of providing housing. This loan guarantee program complements HUD's Native Hawaiian Housing Block Grant (NHHBG), which is provided to the (State) Department of Hawaiian Home Lands. The Block Grant funds are used in many cases to develop the raw land and install infrastructure, so that homes can be constructed using a Section 184A guaranteed loan.

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Presidential Initiatives and Interagency Partnerships: In June 2013, HUD staff participated in a meeting coordinated by the Federal Reserve Bank of San Francisco on strengthening Hawaii's housing market. Besides HUD staff, participants included HUD-approved housing counseling agencies, the Hawaiian State Department of Commerce and Consumer Affairs, and representatives of local financial institutions, the State Housing Finance Agency, USDA, Honolulu Board of Realtors, rental housing management agencies, and Wells Fargo Home Mortgage's regional office in California. The purpose of the meeting was to discuss foreclosure activity in Hawaii; the status of the National Foreclosure Settlement and how it is being implemented in Hawaii; trends observed by housing counselors; and effects on the rental housing market. The meeting also provided an opportunity for Wells Fargo, as one of the big five mortgage companies included in the National Foreclosure Settlement, to share information on its mortgage loan servicing process, and loss mitigation options available to Wells Fargo customers.

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.

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.

The average loan in fiscal year 2012 was \$242,859; in fiscal year 2013, it was \$247,763; in fiscal year 2014, it was \$232,842.

According to the Department of Hawaiian Home Lands, there are approximately 8,335 Native Hawaiian families living on Hawaiian home lands; 26,926 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 qualify for a loan, will benefit from this program. Lenders also benefit, as the guarantee expands their traditional customer base.

According to the U.S. Census, 2008-2012 American Community Survey (ACS), approximately 346,900 Native Hawaiians live in Hawaii, which is about 25 percent of Hawaii's total population. The 2006-2010 ACS reported that approximately 25 percent of Native

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Hawaiian (and other Pacific Islander) households in the State of Hawaii were overcrowded, compared to 9 percent of all households in Hawaii.

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 2012, 21 loans were guaranteed for \$5.1 million. In fiscal year 2013, the program guaranteed 61 loans for more than \$15.1 million. In fiscal year 2014, 87 loans were guaranteed for almost \$20.3 million.

In the program's 10 years of operation, fiscal years 2005 through 2014, a total of 424 loans were guaranteed. The cumulative loan guarantee certificates issued through September 30, 2014 total \$104.9 million.

As a result of efficient underwriting, counseling, and prompt loan servicing, the foreclosure rate for the program has remained low. HUD paid five claims in fiscal year 2014, representing 1.2 percent of all program loans.

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

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Loan Guarantee Credit								
Subsidy	<u>\$100</u>	<u>\$5,672</u>	<u>\$5,772</u>	<u>\$60</u>	<u>\$100</u>	<u>\$5,713</u>	<u>\$5,813</u>	<u>...</u>
Total	100	5,672	5,772	60	100	5,713	5,813	...