

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2017 Summary Statement and Initiatives
(Dollars in Thousands)**

INDIAN HOUSING LOAN GUARANTEE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation	\$7,000	\$16,437	...	\$23,437 ^a	\$19,726	\$18,000
2016 Appropriation	7,500	3,711	...	11,211 ^b	9,712	11,000
2017 Request	<u>5,500</u>	<u>3,000</u>	...	<u>8,500</u>	<u>6,999</u>	<u>6,000</u>
Program Improvements/Offsets	-2,000	-711	...	-2,711	-2,713	-5,000

a/ Total resources, obligation and outlays include permanent indefinite authority of \$10.5 million for guaranteed loan upward re-estimates and approximately \$48 thousand from recaptures realized in 2015.

b/ Total resources, obligation and outlays exclude permanent indefinite authority of \$33 million for guaranteed loan upward re-estimates, plus interest.

	<u>2015 Enacted</u>	<u>2016 Request</u>	<u>2017 Request</u>
Loan Guarantee Commitment Limitation	\$744,047	\$1,190,000	\$1,341,000

1. What is this request?

The Department requests \$5.5 million for fiscal year 2017 for the Indian Housing Loan Guarantee program (also known as the Section 184 program). This request is \$2 million less than the fiscal year 2016 enacted level, and will support up to \$1.341 billion in loan guarantees (based on a subsidy rate of 0.41 percent).

Key outcomes of the Indian Housing Loan Guarantee Fund are:

- access to market-rate home mortgage lending for Native American families;
- investment and engagement of mortgage lenders serving Native American families and tribal borrowers; and
- increased supply of housing in Indian to relieve overcrowding.

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2. What is this program?

The Indian Housing Loan Guarantee program is authorized by Section 184 of the Housing and Community Development Act of 1992, P.L. 102-550, enacted October 28, 1992, as amended. Regulations are at 24 CFR part 1005. The program addresses the special needs of American Indians and Alaska Natives by making it possible to achieve homeownership with market-rate financing. This loan guarantee program maximizes a relatively minimal federal investment by insuring approximately 4,000 loans each year, and by expanding markets for lenders. The program provides an incentive for private lenders to market loans to this traditionally underserved population by guaranteeing 100 percent repayment of the unpaid principal and interest due in the event of default. Lenders get the guarantee by making mortgage loans to American Indian and Alaska Native families, Indian tribes, and tribally designated housing entities to purchase, construct, refinance, and/or rehabilitate single-family homes on trust or restricted land, and in tribal areas of operation. There is no income limit or minimum required to participate, but borrowers must qualify for the loans. In an effort to meet program demand and reduce reliance on federal appropriations, HUD started collecting a 1.5 percent up-front fee in fiscal year 2014. In fiscal year 2015, HUD added 0.15 percent annual premium payment. In fiscal year 2017, HUD anticipates an increase in the annual fee from 0.15 to 0.25 percent, while the upfront loan guarantee fee will remain at 1.50 percent. HUD will outreach to tribes before implementation of this fee increase.

The program makes it possible for Indian tribes, Indian housing authorities, and tribally designated housing entities to promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The program allows Native Americans from across the income spectrum the opportunity to purchase quality housing in their native community. Tribes can also use the program to diversify the type of housing on native lands by developing housing for homeownership or as long-term rentals, without affordability restrictions.

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

Historically, American Indians and Alaska Natives have had limited retail banking opportunities and limited access to private mortgage capital, primarily because much of the land in Indian Country is held in trust by the federal government. Land held in trust for a tribe cannot be encumbered or alienated, and land held in trust for an individual Indian must receive federal approval through the Bureau of Indian Affairs before a lien can be placed on the property.

HUD continues to be the largest single source of financing for housing in tribal communities. The Section 184 program is the primary vehicle to access mortgage capital in Indian communities. The program helps tribes promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The Section 184 program does not have minimum requirements for credit scores and allows for alternative forms of credit and non-traditional income to address specific issues within the Native American communities. The program gives Native Americans from across the income spectrum the choice of living in their

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native community. Tribes and tribally designated housing entities (TDHE) are eligible borrowers. This benefit of the program makes it possible for tribes and TDHEs to address housing shortages by developing and financing rental housing or promote homeownership opportunities for tribal members through lease purchase programs through the Section 184 program.

- In fiscal year 2013, 3,852 loans were guaranteed for almost \$672.3 million. The average loan in fiscal year 2013 was approximately \$174,529.
- In fiscal year 2014, 3,449 loans were guaranteed for more than \$595 million. The average loan in fiscal year 2014 was \$172,517.
- In fiscal year 2015, 4,198 loans were guaranteed for more than \$738 million. The average loan in fiscal year 2015 was \$175,820.
- In fiscal year 2016, 5,400 loans are expected to be guaranteed, for approximately \$950 million.
- In fiscal year 2017, 5,800 loans are expected to be guaranteed, for approximately \$1.05 billion.

Additionally, this program:

- Supports much needed financial literacy programs in Indian Country;
- Helps stem the foreclosure crisis by educating and counseling consumers when buying or refinancing a home, and by servicing delinquent loans; and
- Creates financially sustainable homeownership opportunities by making private financing accessible to a historically underserved population.

4. How do we know this program works?

The primary indicator of performance is the number of loans guaranteed under this program. As of September 30, 2015, a total of 30,448 (cumulative over the 21-year life of the program) loans had been guaranteed, with loan guarantee authority of almost \$5 billion.

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Indian Housing Loan Guarantee – Summary of Loan Activity

	Actual 2015	Estimate 2016	Estimate 2017
(Dollars in Thousands)			
Number of Loan Commitments.....	\$4,304	\$5,700	\$6,600
Number of Loans Endorsed.....	4,198	5,400	5,800
Average Loan Size of Endorsed Loans	\$176	\$177	\$180
Number of Loans in Delinquent Status at End of Fiscal Year.....	1,750	1,750	1,750
Number of Loans that Defaulted in Fiscal Year	253	350	500
Total Number of Loans in Default	800	1,150	1,650
Loan Guarantee Commitment Limitation	\$772,000 a/	\$1,190,000	\$1,341,000
Subsidy Rate	1.16 b/	.63	0.41

a/ This is the amount of guaranteed loan commitments made; the fiscal year loan guarantee commitment limitation was \$774,047,000.
 b/ This rate represents a blended rate due to change in annual premium rate being implemented during the fiscal year.

5. Proposals in the Budget

HUD proposes four statutory changes to ensure the program’s long-term viability and maximize Native American housing resources.

Proposals included in the 2017 Request:

- Authority to get indemnification from lenders participating in the direct guarantee program. Lenders participating in the Section 184 direct guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184 requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. (Sec. 232)

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- Authority to allow lenders to be terminated from the program. This proposal would allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives HUD authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines. (Sec. 232)
- Redefine the term "Indian" to be consistent with the Native American Housing Assistance and Self Determination Act (NAHASDA). In the definition section of the current statute the definition for the term "Indian" is outdated. This proposal simply makes the definition of Indian consistent with NAHASDA. (Sec. 233)
- Redefine the term "Indian Tribe" to be consistent with the Native American Housing Assistance and Self Determination Act (NAHASDA). In the definition section of the current statute the definition for the term "Indian Tribe" is outdated. This proposal simply makes the definition of Indian Tribe consistent with NAHASDA. (Sec. 234)

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

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Loan Guarantee Credit								
Subsidy	\$6,250	\$14,949	\$21,199	\$19,726	\$6,750	\$1,738	\$8,488	\$5,500
Transformation								
Initiative .....	...	...	...	...	...	...	...	...
Land Title Report								
Commision .....	...	99	99	...	...	99	99	...
Loan Guarantee								
Contracts	<u>750</u>	<u>1,389</u>	<u>2,139</u>	<u>265</u>	<u>750</u>	<u>1,874</u>	<u>2,624</u>	<u>...</u>
Total	7,000	16,437	23,437	19,991	7,500	3,711	11,211	5,500

NOTES: Total resources, obligation and outlays include permanent indefinite authority of \$10.5 million for guaranteed loan upward re-estimates and approximately \$48 thousand from recaptures realized in 2015.

Total resources for fiscal year 2016 excludes permanent indefinite authority of \$33 million for guaranteed loan upward re-estimates plus interest.

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Appropriations Language**

The fiscal year 2017 Budget includes proposed changes in the appropriation 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 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a), [~~\$7,500,000~~] *\$5,500,000*, 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: *Provided further*, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, up to [~~\$1,190,476,190~~] *\$1,341,463,415*, to remain available until expended: *Provided further*, That up to \$750,000 of this amount may be for administrative contract expenses including management processes and systems to carry out the loan guarantee program. (*Department of Housing and Urban Development Appropriations Act, 2016.*)