

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2018 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>
2016 Appropriation	\$7,500	\$5,702	...	\$13,202 ^a	\$4,734	\$3,842
2017 Annualized CR	7,500	6,645	-\$14 ^b	14,131 ^c	4,999	4,550
2018 Request .....	...	<u>9,132</u>	...	<u>9,132</u>	<u>4,006</u>	<u>4,440</u>
Change from 2017	-7,500	+2,487	+14	-4,999	-993	-110

a/ Total resources, obligations and outlays includes \$167 thousand from recaptures realized in fiscal year 2017 and excludes mandatory permanent indefinite authority of \$33.1 million for guaranteed loan upward re-estimates.

b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

c/ Total resources, obligations and outlays excludes mandatory permanent indefinite authority of \$7 million for guaranteed loan upward re-estimates, plus interest.

	<u>2016 Enacted</u>	<u>2017 Request</u>	<u>2018 Request</u>
Loan Guarantee Commitment Limitation	\$1,190,000	\$1,190,000	...

1. Program Purpose and Fiscal Year 2018 Overview

The Department will carry forward balances of prior year subsidy budget authority sufficient to guarantee up to \$1.78 billion in loans in fiscal year 2018 under the Indian Housing Loan Guarantee program (also known as the Section 184 program); therefore, the President's Budget does not request new appropriation of budget authority. The request is \$7.5 million less than the fiscal year 2017 Annualized CR level. The Department projects loan guarantee volume in fiscal year 2018 of \$880 million, and the subsidy rate is 0.37 percent.

Key outcomes of the Indian Housing Loan Guarantee Fund are:

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- 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 Country to relieve overcrowding.

2. Request

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 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. To meet program demand and reduce reliance on federal appropriation, 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 increased the annual fee from 0.15 to 0.25 percent, while the upfront loan guarantee fee remained at 1.50 percent.

This program makes it possible for Indian tribes, Indian housing authorities, and tribally designated housing entities to promote the health of reservation economies and 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. Justification

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 native community. In addition to individual Indians, 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 by promoting homeownership opportunities for tribal members through lease purchase programs.

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The primary indicator of performance is the number of loans guaranteed under this program. As of December 31, 2016, a total of 36,324 (cumulative over the 22-year life of the program) loans had been guaranteed, with loan guarantee authority of more than \$6 billion.

- 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 was \$172,517.
- In fiscal year 2015, 4,198 loans were guaranteed for more than \$738 million; the average loan was \$175,820.
- In fiscal year 2016, 4,149 loans were guaranteed, for \$709.6 million; the average loan was \$171,036.
- In fiscal year 2017, 4,444 loans are expected to be guaranteed, for approximately \$800 million. As of December 31, 2016, 1,035 loans had been guaranteed (in the first 3 months of fiscal year 2017), for approximately \$214 million.
- In fiscal year 2018, 4,889 loans are expected to be guaranteed, for approximately \$880 million.

In January 2017, as part of the congressionally mandated Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, HUD published, *Mortgage Lending on Tribal Land: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs*. The report finds that the Section 184 program successfully eliminates the functional market barrier to private lending presented by tribal trust land. The report also details several recommendations the Department will pursue to further increase lending to Native American families through efforts like enhanced agency coordination and regulatory streamlining. 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.

The companion report to *Mortgage Lending on Tribal Land*, found that much of Indian Country suffers from a severe lack of decent, affordable housing. *Housing Needs of American Indians and Alaska Natives in Tribal Areas* (published by HUD in January 2017) reports that housing conditions vary by region, but are substantially worse overall among American Indian and Alaska Native households in tribal areas than among all U.S. households, with overcrowding being especially severe. Physical deficiencies in plumbing, kitchen, heating, electrical, and maintenance issues were found in 23 percent of households in tribal areas, compared to 5 percent of all U.S. households. Overcrowding coupled with another physical condition problem was found in 34 percent of households in tribal areas, compared to 7 percent of all U.S. households. The percentage of households with at least one “doubled-up” person staying in the household because they had nowhere else to go was 17 percent, estimated to be up to 84,700 people. The report estimates that 68,000 new units of affordable housing are needed immediately in Indian Country to relieve overcrowding and replace substandard units.

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Loan Guarantee Credit								
Subsidy	\$6,750	\$3,711	\$10,461	\$37,842	\$6,737	\$4,163	\$10,900	...
Transformation								
Initiative .....	...	...	...	...	...	...	...	...
Land Title Report								
Commision .....	...	99	99	...	...	99	99	...
Loan Guarantee								
Contracts	<u>750</u>	<u>1,892</u>	<u>2,642</u>	<u>242</u>	<u>749</u>	<u>2,383</u>	<u>3,132</u>	<u>...</u>
Total	7,500	5,702	13,202	38,084	7,486	6,645	14,131	...

NOTES: Total resources, obligations and outlays include permanent indefinite authority of \$33.1 million for guaranteed loan upward re-estimates, and \$167 thousand from recaptures realized in fiscal year 2017.

Total resources, obligaitons and outlays exclude permanent indefinite authority of \$7 million for guaranteed loan upward re-estimates, plus interest. Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.