

**PUBLIC AND INDIAN HOUSING  
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)  
2018 Summary Statement and Initiatives  
(Dollars in Thousands)**

| NATIVE HAWAIIAN LOAN GUARANTEE | Enacted/<br>Request | Carryover    | Supplemental/<br>Rescission | Total<br>Resources   | Obligations      | Outlays |
|--------------------------------|---------------------|--------------|-----------------------------|----------------------|------------------|---------|
| 2016 Appropriation .....       | ...                 | \$5,746      | ...                         | \$5,746 <sup>a</sup> | \$82             | \$84    |
| 2017 Annualized CR .....       | ...                 | 5,664        | ...                         | 5,664 <sup>b</sup>   | ... <sup>c</sup> | 20      |
| 2018 Request .....             | ...                 | <u>5,664</u> | ...                         | <u>5,664</u>         | ... <sup>c</sup> | ...     |
| Change from 2017 .....         | ...                 | ...          | ...                         | ...                  | ...              | -20     |

a/ Total resources, obligations, and outlays exclude \$137 thousand of mandatory permanent indefinite authority for the upward re-estimate.

b/ Total resources, obligations, and outlays exclude \$360 thousand of mandatory permanent indefinite authority for the upward re-estimate.

c/ In 2017 and 2018, the Native Hawaiian Loan Guarantee program has a negative subsidy rate, so no obligations of subsidy will be made.

### **1. Program Purpose and Fiscal Year 2018 Budget Overview**

The Department will carry forward balances of prior year loan guarantee authority sufficient to guarantee up to \$23.3 million in loans in fiscal year 2018 in the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program); additionally, the program is operating on a negative subsidy basis for fiscal year 2018, therefore the President's Budget does not request new appropriations. This level is equal to the fiscal year 2017 full year CR. The Department projects existing authority is sufficient to meet performance targets of guaranteeing 55 loans in fiscal year 2017 and 55 loans in fiscal year 2018.

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.

## Native Hawaiian Loan Guarantee Fund (Section 184A)

### **2. Request**

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.

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 borrowers 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.

### **3. Justification**

This program makes it possible for moderate income Native Hawaiians to access private mortgage capital for acquiring, constructing or rehabbing homes on the Hawaiian home lands. DHHL can also use the program to diversify the type of housing on the home lands by developing housing for homeownership or long-term rentals without affordability restrictions.

The existence of the Hawaiian home lands is a distinctive feature of the housing situation for members of the Native Hawaiian community. The home lands are managed by the State of Hawaii's Department of Hawaiian Home Lands (DHHL) with oversight of the state's management provided by the U.S. Department of the Interior. Hawaii established a homesteading program in 1921 to support the self-sufficiency and well-being of the Native Hawaiian people. These public trust lands are meant to be leased to eligible Native Hawaiian community members for residential, agricultural, and pastoral purposes in homestead communities. However, the trust status of the land prevented most lenders from providing mortgages, as trust land cannot be used as collateral. The Native Hawaiian Loan Guarantee program (Section 184A) addresses this problem by providing a 100 percent guarantee to lenders in cases of default.

The program maximizes a minimal federal investment by expanding the market for lenders and ensuring access to private-market mortgages for a traditionally underserved population.

#### Native Hawaiian Loan Guarantee Fund (Section 184A)

In fiscal year 2016, HUD issued 64 loan guarantee certificates, representing more than \$16 million in mortgage loans. Since program activity began in fiscal year 2005, through December 31, 2016, 538 loans for almost \$133 million have been guaranteed. In 2010, there were 6,150 Native Hawaiian households (families) on the home lands, and 14,350 households on the waiting list for a home lands lease.

Rates of overcrowding on the Hawaiian home lands is higher than rates for Native Hawaiians state-wide. During the 2006-2010 period, about 19 percent of home land households were overcrowded, compared with 15 percent of Native Hawaiian households statewide. There is widespread agreement that more homes are needed to relieve overcrowding and homelessness for this population.

Native Hawaiian Loan Guarantee Fund (Section 184A)

**PUBLIC AND INDIAN HOUSING  
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)  
Summary of Resources by Program  
(Dollars in Thousands)**

| <u>Budget Activity</u> | <u>2016 Budget<br/>Authority</u> | <u>2015<br/>Carryover<br/>Into 2016</u> | <u>2016 Total<br/>Resources</u> | <u>2016<br/>Obligations</u> | <u>2017<br/>Annualized CR</u> | <u>2016<br/>Carryover<br/>Into 2017</u> | <u>2017 Total<br/>Resources</u> | <u>2018<br/>Request</u> |
|------------------------|----------------------------------|-----------------------------------------|---------------------------------|-----------------------------|-------------------------------|-----------------------------------------|---------------------------------|-------------------------|
| Loan Guarantee Credit  |                                  |                                         |                                 |                             |                               |                                         |                                 |                         |
| Subsidy .....          | ...                              | \$5,746                                 | \$5,746                         | \$82                        | ...                           | \$5,664                                 | \$5,664                         | ...                     |
| Total .....            | ...                              | 5,746                                   | 5,746                           | 82                          | ...                           | 5,664                                   | 5,664                           | ...                     |