

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Public and Indian Housing

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

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental / Rescission	Total Resources	Obligations	Outlays
2019 Appropriation	-	5,926	-	5,926	-	-
2020 Appropriation	-	5,926	-	5,926	-	-
2021 President's Budget	-	5,926	(2,000)	3,926	-	-
Change from 2020	-	-	(2,000)	(2,000)	-	-

Note: The table above reflects only discretionary budget authority; mandatory authority for upward reestimates and interest is excluded.

#### PROGRAM PURPOSE

The Native Hawaiian Housing Loan Guarantee Fund (also known as the Section 184A program) offers Native Hawaiians homeownership, property rehabilitation and new construction opportunities on Hawaiian homelands. By incentivizing private lenders with a 100 percent guarantee in the event of a loan default, the Section 184A program increases access to private financing for homeownership.

#### BUDGET OVERVIEW

The 2021 President's Budget does not request any new credit subsidy budget authority for this program and rescinds \$2 million in previously appropriated credit subsidy. The Section 184A program continues to guarantee loans on a negative subsidy basis.

#### JUSTIFICATION

The Section 184A program expands the market for private lenders and ensures access to private-market mortgages for a traditionally underserved population. Private financing is used to cover construction or acquisition costs, while Federal funding is used to guarantee payment in the event of a default. Eligible borrowers include Native Hawaiian families who are eligible to reside on the Hawaiian homelands, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and organizations experienced in the planning and development of affordable housing for Native Hawaiians.

The existence of the Hawaiian homelands is a distinctive feature of the housing situation for members of the Native Hawaiian community. The homelands are managed by DHHL with oversight 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 Native Hawaiians. These public trust lands are meant to be leased to eligible Native Hawaiian beneficiaries 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 are inalienable and cannot be used as collateral. The Section 184A program helps to address this problem by providing a 100 percent guarantee to lenders in cases of default.

In 2019, 44 loans worth approximately \$12.6 million were guaranteed. As of September 30, 2019, approximately 700 loans worth \$174.8 million have been guaranteed. In 2021, an estimated 55 loans worth approximately \$14.9 million will be guaranteed.

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2019 Budget Authority	2018 Carryover Into 2019	2019 Total Resources	2019 Obligations	2020 Appropriation	2019 Carryover Into 2020	2020 Total Resources	2021 President's Budget
Loan Guarantee Credit Subsidy	-	5,926	5,926	-	-	5,926	5,926	(2,000)
<b>Total</b>	-	<b>5,926</b>	<b>5,926</b>	-	-	<b>5,926</b>	<b>5,926</b>	<b>(2,000)</b>

**LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**

Legislative Proposals

The 2021 Budget supports the following legislative proposal and will seek changes through the authorization process rather than the appropriations process:

- HUD seeks to add authority to improve the performance and accountability of the Section 184A program, including indemnification from lenders participating the loan guarantee program and to allow lenders to be terminated from the program. Like the Federal Housing Administration (FHA), lenders participating in the Section 184A program can underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with Section 184A requirements, indemnification authority would give HUD the option of requiring them to indemnify HUD for any losses suffered. Lenders could also be terminated from the program if it is determined that they pose an unacceptable risk to the program. HUD will seek these changes as part of the ongoing Native American Housing Assistance and Self-Determination Act reauthorization process. These changes will ensure HUD has sound business practices similar to those of FHA.

General Provisions

The 2021 President's Budget proposes the following new general provision:

- **Cancellation of Funds:** This provision would cancel \$2 million from unobligated balances, including recaptures and carryover. As this program is a negative subsidy program, subsidy is not needed to issue loans:

*CANCELLATION OF FUNDS.--Of the unobligated balances, including recaptures and carryover, available from amounts appropriated under the heading "Native Hawaiian Housing Loan Guarantee Fund Program Account" for the cost of guaranteed loans, \$2,000,000 shall be cancelled: Provided, That this cancellation shall not limit the authority to commit new loan guarantees under loan guarantee limitations provided in prior appropriations Acts. (2021 President's Budget, Section 228)*