

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Indian Housing Loan Guarantee Fund (Section 184)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Appropriation	1,600	7,919	-	9,519	1,040	3,079 ^{a/}
2021 Appropriation	2,000	8,548	-	10,548	2,600	2,600
2022 President's Budget	3,500	8,048	-	11,548	3,100	3,100 ^{a/}
Change from 2021	1,500	(500)	-	1000	-	-

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

a/ Outlays differ from the Budget Appendix due to rounding.

PROGRAM PURPOSE

The Indian Housing Loan Guarantee Fund (also known as the Section 184 program) is a loan guarantee program that facilitates homeownership and increases access to capital for American Indian and Alaska Native families, Tribes, and Tribally Designated Housing Entities (TDHEs). The Section 184 program provides an incentive for private lenders to make market-rate home mortgages available to Native Americans by guaranteeing 100 percent of the unpaid principal and interest due in the event of a loan default. In January 2017, HUD published *Housing Needs of American Indians and Alaska Natives in Tribal Areas*.¹ According to the study, overcrowding and a lack of available housing are major challenges for many Tribal communities. By providing the loan guarantee, the Section 184 program helps increase the supply of housing, which in turn helps relieve overcrowding in Indian Country.

BUDGET OVERVIEW

The 2022 President's Budget requests \$3.5 million for the Section 184 program, which is \$1.5 million more than the 2021 enacted level. It includes \$3.0 million for credit subsidy and \$500 thousand for administrative contract expenses. The credit subsidy will support up to \$1.4 billion in new loan commitment authority to remain available until September 2023 at a subsidy rate of 0.33 percent, as well as granting commitment authority for unobligated credit subsidy balances from prior years.

The request for a two-year appropriation intends to (1) mitigate disruption in operations during the transition from one year to the next; (2) reduce operational challenges in the event of a short-term continuing resolution; and (3) allow the new loan origination system Native Advantage, which will be deployed in 2021, to continue automated processes during the transition from one year to the next. This change will minimize the potential disruption to Native American families trying to become homeowners.

¹ Housing Needs of American Indians and Alaska Natives in Tribal Areas: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs (<https://www.huduser.gov/portal/publications/HNAIHousingNeeds.html>).

The administrative contract expenses will support data integrity efforts to resolve outstanding Office of Inspector General findings, costs associated with data management for subsidy rate analysis, contractual needs for legal information services, operational task orders related to existing operational software Computerized Homes Underwriting Management System (CHUMS), and interim data dashboards for management analysis.

JUSTIFICATION

The Section 184 program is the primary vehicle to access mortgage capital in Indian Country. The program allows eligible borrowers from across the income spectrum the opportunity to purchase quality housing by guaranteeing home mortgages provided by private lenders. Indian Tribes and TDHEs can also use the program to diversify the type of housing in Indian Country by developing housing for homeownership or long-term rentals, without affordability restrictions.

The Section 184 program maximizes a relatively minimal Federal investment by insuring thousands of loans each year and by expanding markets for lenders. In a typical year, demand ranges between 3,000 to 4,000 loans. Lenders get the guarantee by making mortgage loans to purchase, construct, refinance, and rehabilitate single-family housing on trust or restricted land, in tribal areas of operation, as well as on fee simple land in Indian Country.

In January 2017, HUD published *Mortgage Lending on Tribal Land*.² The report showed that the Section 184 program has helped address the functional market barrier to private lending presented by Tribal trust land. Historically, Native Americans 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. Before a lien can be placed on a property, it must receive Federal approval through the U.S. Department of the Interior's Bureau of Indian Affairs.

To meet program demand and reduce reliance on Federal appropriations, HUD started collecting a 1.5 percent up-front fee in 2014 and a 0.15 percent annual fee starting in 2015. In 2017, HUD increased the annual fee to 0.25 percent, while keeping the up-front fee at 1.5 percent.

In 2020, program demand remained steady. Lenders requested more than 5,600 case numbers. These case numbers resulted in 3,800 firm commitments (or "loan approvals"). These firm commitments, in turn, resulted in 2,028 loan guarantees in 2020 and 849 loan guarantees in the first quarter of 2021. Given demand and low interest rates, HUD expects the volume to increase in 2021 and 2022 relative to 2020. In 2020, HUD issued slightly more than 2,000 case numbers between October 1 and March 25. In 2021, HUD has already issued almost 2,500 case numbers during the same period and anticipates continued high demand for the remaining six months of the fiscal year.

Since the inception of the program in 1992, HUD has obligated funds to guarantee approximately 46,000 loans with a loan level of \$7.7 billion. By encouraging lenders to serve Native communities, the Section 184 program helps increase the marketability and value of Native assets, strengthens the financial standing of a traditionally underserved population, and helps ensure housing equity for Native Americans homebuyers. The 2022 President's Budget includes \$3.0 million for the loan guarantee credit subsidy, which is \$1.5 million more than the 2021 appropriation level.

HUD continues to make progress towards modernizing the Section 184 program. In 2020, HUD sought to leverage the FHA Catalyst Information Technology Initiative to find IT solutions for the

² Mortgage Lending on Tribal Land: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs (<https://www.huduser.gov/portal/publications/NAHSC-Lending.html>).

Section 184 program. Under the Office of the Chief Information Officer’s leadership, PIH was able to roll out a new system based on FHA Catalyst known as *Native Advantage*. The system will be rolled out in phases covering different portions of the loan cycle, including electronic document submission, endorsements, underwriting, claims, and more. This effort has been incredibly successful to date and will ultimately be a major step towards achieving true IT modernization in the program.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2020 Budget Authority	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations	2021 Appropriation	2020 Carryover Into 2021	2021 Total Resources	2022 President's Budget
Loan Guarantee Credit Subsidy	1,100	4,470	5,570	952	1,500	4,315	5,815	3,000
Skilled Workers Loan Credit Subsidy	-	1,727	1,727	-	-	1,727	1,727	-
Administrative Contract Expenses	500	1,722	2,222	88	500	2,506	3,006	500
Total	1,600	7,919	9,519	1,040	2,000	8,548	10,548	3,500

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

None.

APPROPRIATIONS LANGUAGE

INDIAN HOUSING LOAN GUARANTEE FUND PROGRAM ACCOUNT

The 2022 President’s Budget includes proposed changes in the appropriations language listed below. New language is italicized, 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), [~~\$1,500,000~~] *\$3,000,000*, 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 an additional \$500,000, to remain available until expended, shall be available for administrative contract expenses including management processes to carry out the loan guarantee program: Provided further, That [for fiscal year 2021] funds made available in this and prior Acts 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), that are unobligated, including recaptures and carryover, are available to subsidize total loan principal, any part of which is to be guaranteed, up to [~~\$1,000,000,000~~] *\$1,400,000,000*, to remain available until September 30, 2023. (*Department of Housing and Urban Development Appropriations Act, 2021*)