

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
2020 Appropriation	-	5,926	-	5,926	-	-
2021 Appropriation	-	5,926	-	5,926	-	-
2022 President's Budget	-	5,926	(5,926)	-	-	-
Change from 2021	-	-	(5,926)	(5,926)	-	-

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward re-estimates and interest is excluded.

PROGRAM PURPOSE

The Native Hawaiian Housing Loan Guarantee Fund (Section 184A program) offers Native Hawaiians homeownership, property rehabilitation, and new construction opportunities on Hawaiian home lands. 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 Native Hawaiians.

BUDGET OVERVIEW

The 2022 President's Budget requests no funding for credit subsidy budget authority and rescinds \$5.9 million in previously appropriated credit subsidy for the Native Hawaiian Loan Guarantee Fund. The Section 184A program continues to guarantee loans on a negative subsidy basis, which is a function of the historically low defaults and high recovery rates. However, it proposes to align the Section 184A program with other credit programs by clearly specifying a loan limitation level every year based on estimated demand.

In 2022, the Section 184A program is requesting \$28 million in loan guarantee commitment authority, including authority to guarantee refinance loans. In the Appropriations Acts for 2012 through 2015, the Congress provided HUD with the authority to guarantee refinance loans under the Section 184A program. While the program has been operating under a negative subsidy rate since 2017 and has not needed additional appropriations, HUD projects that refinance loan guarantee commitment authority will be exhausted by the second quarter of 2022 given current program activity and estimates. Without this specific authority, HUD will no longer be able to guarantee refinance loans under the Section 184A program.

JUSTIFICATION

The Section 184A program expands the market for 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 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, 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 home lands is a distinctive feature of the housing situation for members of the Native Hawaiian community. The home lands 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. This program strengthens and broadens the Federal housing safety net for people in need, improves housing choices and greater economic opportunity and promotes climate resilience, environmental justice, and energy efficiency across the housing sector. 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.

Since 2005, when program activity began, HUD has guaranteed approximately 754 loans worth \$190 million. Of this amount, 55 loans worth approximately \$15.2 million were guaranteed in 2020. Based on the current economic climate, HUD anticipates guaranteeing loans worth approximately \$17 million in both 2021 and 2022.

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	-	5,926	5,926	-	-	5,926	5,926	(5,926)
Total	-	5,926	5,926	-	-	5,926	5,926	(5,926)

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

None.

APPROPRIATIONS LANGUAGE

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.

(INCLUDING CANCELLATIONS)

New commitments to guarantee loans, as authorized by section 184A of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z–13b), any part of which is to be guaranteed, shall not exceed \$28,000,000 in total loan principal: Provided, That the Secretary may enter into commitments to guarantee loans used for refinancing: Provided further, That any unobligated balances, including recaptures and carryover, remaining from amounts made available under this heading in prior Acts and any remaining total loan principal guarantee limitation associated with such amounts in such prior Acts are hereby permanently cancelled. (Department of Housing and Urban Development Appropriations Act, 2021.)