

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	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	2,000	8,548	-	10,548	2,818	1,537
2022 Annualized CR	2,000	7,740	-	9,740	3,716	2,900
2023 President's Budget	5,521	6,024	(2,400)	9,145	6,021	4,800
Change from 2022	3,521	(1,716)	(2,400)	(595)	2,305	1,900

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

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, Indian 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 2023 President's Budget requests \$5.5 million for the Section 184 program, which is \$3.5 million more than the 2022 annualized CR level. It includes \$5.5 million for credit subsidy. It does not include funding for administrative contract expenses, which has sufficient carryover funding to support 2023 activities. The credit subsidy will support up to \$1.1 billion in new loan commitment authority to remain available until September 2024 at a subsidy rate of 0.5 percent, which includes a projected volume increase associated with a legislative proposal to expand program eligibility (see the Legislative Proposal section below for more information). HUD requests \$1.4 billion in overall commitment authority in the event that actual volume is higher than projected; this additional increment could be funded by using 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 released its first module in 2022, 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, and interim data dashboards for management analysis.

JUSTIFICATION

The Section 184 program is the primary vehicle to access mortgage capital in Indian Country, supporting Departmental priorities of assisting underserved communities and promoting homeownership. The program allows eligible borrowers from across the income spectrum the opportunity to purchase quality housing by guaranteeing home mortgages provided by private lenders. 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 and 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 2021, program demand remained steady. Lenders requested slightly more than 4,800 case numbers, which resulted in 3,652 firm commitments (or "loan approvals"). These firm commitments, in turn, resulted in 3,133 loan guarantees in 2021. Between October 1, 2021, and March 1, 2022, HUD has issued 1,764 loan guarantees and anticipates demand to continue to be high for the remainder of the fiscal year.

Since the inception of the Section 184 program in 1992, HUD has obligated funds to guarantee approximately 49,000 loans with a loan level over \$8.0 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 American homebuyers.

HUD continues to make progress towards modernizing the Section 184 program. Under the Office of the Chief Information Officer's leadership, the Office of Public and Indian Housing (PIH) is developing *Native Advantage*, which is a multi-year information technology modernization initiative.

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>)

When fully deployed, it will cover all loan functions, from origination to claims and loan closeout. The Claims Module, which was released in December 2021, allows lenders, servicers, and Office of Native American Programs (ONAP) staff to submit, edit, and track claims. The Loan Origination Module, which will be released later in 2022, will enable lenders to submit loan guarantee documents electronically.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carry over Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carry over Into 2022	2022 Total Resources	2023 President's Budget
Loan Guarantee Credit Subsidy	1,500	4,315	5,815	2,498	1,500	3,326	4,826	5,521
Skilled Workers Loan Credit Subsidy	-	1,727	1,727	-	-	1,727	1,727	-
Administrative Contract Expenses	500	2,506	3,006	321	500	2,687	3,187	-
Total	2,000	8,548	10,548	2,818	2,000	7,740	9,740	5,521

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language

The 2023 President’s Budget includes the following:

As HUD plans to align the Indian Housing Loan Guarantee Program (184) authority with other HUD credit programs, HUD requests loan limitation for a two-year period. The remaining balances of no-year subsidy budget authority and loan limitation are proposed to be cancelled. The proposal to cancel prior-year subsidy budget authority and associated loan limitation will in no way impact the volume of loans the Department can guarantee or its continued ability to meet program demand.

Legislative Proposals

The 2023 Budget supports the following legislative proposals and will seek changes through the authorization process:

- **Service Area Expansion.** This proposal would amend the Section 184 authorizing statute to permit HUD to expand the program service area to all Tribal members, regardless of where they purchase a home. While the original program served only Tribal members on reservation/trust lands, an expansion initiated in the early 2000s to include HUD-designated “Indian areas” resulted in a service area covering approximately 75 percent of the total Native American population. This patchwork approach has led to sometimes arbitrary geographic disparities in eligibility; for example, an eligible family would be able to use the Section 184 program for a home located in Michigan, but not a comparable home located just over the border in Ohio. To reduce these disparities, HUD proposes to remove these geographic restrictions, which would allow the remaining 25 percent of Native Americans in the country to use a Section 184 loan to purchase or refinance their home. The credit subsidy funding for the service area expansion is incorporated into the 2023 Budget request.

- 40-Year Mortgages. This proposal would authorize HUD to guarantee mortgages up to 40 years in length, when seeking to modify a loan to avoid foreclosure. The proposal will permit Section 184 loss mitigation options to align with those offered by the Federal Housing Administration.
- Indemnification Authority. A planned rulemaking will permit lenders in the Section 184 program to underwrite loans for closing without prior HUD review (in other words, “direct endorsement” of the loans). HUD seeks indemnification authority to require the lender to accept the loss (rather than HUD) when the lender closes noncompliant loans. HUD anticipates this will improve performance and accountability of the program.

APPROPRIATIONS LANGUAGE

The 2023 President’s Budget includes the appropriation language listed below.

INDIAN HOUSING LOAN GUARANTEE FUND PROGRAM ACCOUNT

(INCLUDING CANCELLATIONS)

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), \$5,521,000, 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 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 \$1,400,000,000, to remain available until September 30, 2024: Provided further, That any remaining loan guarantee limitation authorized under this heading in fiscal year 2020 or prior fiscal years is hereby permanently cancelled: Provided further, That any amounts determined by the Secretary to be unavailable are hereby returned to the General Fund of the Treasury of the United States.

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.