

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	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	-	5,926	-	5,926	-	-
2022 Annualized CR	-	5,926	-	5,926	-	-
2023 President's Budget	-	5,926	(5,926)	-	-	-
Change from 2022	-	-	(5,926)	(5,926)	-	-

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 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 2023 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 Housing Loan Guarantee Fund (the Section 184A program). The Section 184A program continues to guarantee loans on a negative subsidy basis, which is a function of the historically low default and high recovery rates. In addition, 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 2023, the Section 184A program is requesting \$28.0 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 2023 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, supporting the Departmental priority of promoting homeownership. 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, 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 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. The Congress 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 is 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.

When the program switched to negative subsidy, the \$5.9 million of subsidy remaining as no-year carryover was no longer needed to issue new loans. As HUD plans to align the Native Hawaiian Loan Guarantee Program (184A) 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.

Since 2005 (when program activity began), HUD has guaranteed approximately 809 loans worth \$206.0 million. Of this amount, 55 loans worth approximately \$16 million were guaranteed in 2021. Based on the current economic climate, HUD anticipates guaranteeing loans worth approximately \$17 million in both 2022 and 2023.

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	-	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

Legislative Proposals

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

- 40-Year Mortgages: HUD proposes authority to guarantee mortgages up to 40 years in length, when seeking to modify a loan to avoid foreclosure. The proposal will permit Section 184A loss mitigation options to align with those offered by the Federal Housing Administration.
- Indemnification Authority: A planned rulemaking will permit lenders in the Section 184A 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.

APPROPRIATIONS LANGUAGE

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

NATIVE HAWAIIAN HOUSING LOAN GUARANTEE FUND PROGRAM ACCOUNT (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, to remain available until September 30, 2024: 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 loan guarantee limitation associated with such amounts in such prior Acts are hereby permanently cancelled.

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.