

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2008 Summary Statement and Initiatives
(Dollars in Thousands)

INDIAN HOUSING LOAN GUARANTEE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2006 Appropriation	\$4,000	\$5,514 ^a	-\$40	\$9,474	\$5,126	\$4,712
2007 Full-Year CR Estimate.....	4,000	5,209 ^b	...	9,209	7,400	2,400
2008 Request	<u>7,450</u>	<u>1,809</u>	...	<u>9,259</u>	<u>5,962</u>	<u>5,400</u>
Program Improvements/Offsets	+3,450	-3,400	...	+50	-1,438	+3,000

a/ Includes permanent indefinite authority of \$269 thousand for upward re-estimates of loan guarantee.

b/ Includes permanent indefinite authority of \$861 thousand for upward re-estimates of loan authority.

Summary Statement

The fiscal year 2008 Budget proposes an appropriation of \$7.5 million, of which \$6.5 million in credit subsidy is to support loan guarantee authority of \$367 million based on a subsidy rate of 2.42 percent. This is an increase of \$1.5 million from the fiscal year 2007 President's request and an increase of \$3.5 million from the fiscal year 2007 Continuing Resolution estimate. Included in this request is \$248 thousand for administrative expenses that will be transferred and merged with the Department's appropriation for Salaries and Expenses. In addition, \$750 thousand is requested for administrative contract expenses to carry out the loan guarantee program.

The Section 184 loan guarantee program addresses the special needs of Native Americans, thus making it possible to achieve homeownership with market-rate financing. This request reflects substantial increased use of commitment authority and loan guarantees in recent years. As of November 30, 2006, a total of 3,896 (cumulative over life of program) loans had been guaranteed with guarantee loan authority of \$469 million. In fiscal year 2006, 1,139 loan guarantees were issued with loan guarantee authority of \$172.3 million and \$18.2 million is pending issuance of loan guarantees. As a percentage of the historical production of the program, the fiscal year 2006 total represents 37 percent of loan guarantee authority to date. This has occurred due in part to marketing and outreach efforts of the Section 184 Team, which is comprised of the Office of Loan Guarantee and Field Office staff (to include cross-marketing efforts with other housing and Indian-based organizations), and on-site training and technical assistance. Currently, the Office of Native American Programs has focused on working with Indian housing entities and lenders to develop larger projects rather than individual loans.

Significant progress has been made in working with Ginnie Mae and the Federal Home Loan Bank of Chicago in opening their portfolios to purchase Section 184 loans. Secondary markets for these products are essential to getting more retail bank participation.

Indian Housing Loan Guarantee Fund

Initiatives

In fiscal year 2008, the Department is not proposing any new initiatives in this program.

Strategic Goals and Objectives

Indian Housing Loan Guarantee Fund supports the President's goal and the Department's Strategic Goal A: Increase homeownership opportunities. In fiscal year 2008, this program's goal is to provide mortgage financing of \$159.6 million guaranteed for Native American homeowners.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
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 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Budget Authority</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2006 Obligations</u>	<u>2007 CR Estimate</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2008 Request</u>
Loan Guarantee Credit								
Subsidy	\$3,712	\$5,514	\$9,226	\$4,878	\$3,752	\$5,209	\$8,961	\$6,452
Administrative Expenses	248	...	248	248	248	...	248	248
Loan Guarantee								
Contracts .....	...	...	...	...	...	...	...	750
Total	3,960	5,514	9,474	5,126	4,000	5,209	9,209	7,450
<u>FTE</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Estimate</u>					
Headquarters	4	4	4					
Field	20	19	19					
Total	24	23	23					

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)**

Loan Guarantee Credit Subsidy	<u>Amount</u>
2006 Appropriation	\$3,712
2007 Full-Year CR Estimate.....	3,752
2008 Request	<u>6,452</u>
Program Improvements/Offsets	+2,700

Indian Housing Loan Guarantee - Summary of Loan Activity	<u>Actual</u> <u>2006</u>	<u>Estimate</u> <u>2007</u>	<u>Estimate</u> <u>2008</u>
	(Dollars in Thousands)		
Number of Loan Commitments	1,065	1,400	1,400
Number of Loans Endorsed	1,000	1,182	1,182
Average Loan Size of Endorsed Loans	\$151	\$145	\$140
Number of Loans in Delinquent Status at End of Fiscal Year	118	140	140
Number of Loans that Defaulted in Fiscal Year	4	10	10
Total Number of Loans in Default	30	40	50
Loan Guarantee Commitment Limitation	\$190,461 ^{a/}	\$251,000	\$367,000
Subsidy Rate	2.42	2.35	2.42

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2006 loan guarantee commitment limitation is \$116.2 million.

Proposed Actions

This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. The fiscal year 2008 budget proposes an appropriation of \$7.5 million, of which \$6.5 million in credit subsidy is to support loan guarantee authority of \$367 million, based on a subsidy rate of 2.42 percent.

The loan guarantees made under this program shall guarantee repayment of 100 percent of the unpaid principal and interest due on the obligations guaranteed. Funding for this program provides loan guarantees for Native American families, Indian tribes, and Tribally Designated Housing Entities (TDHEs) to purchase, construct, refinance, and/or rehabilitate single family homes on trust or restricted land and in tribal areas of operation. The Section 184 loan guarantee has made possible private financing of home mortgages by private financial institutions based on individual borrower's qualifications, regardless of land status.

Indian Housing Loan Guarantee Fund

Private financing for the purchase of homes in Indian Country and tribal areas was almost non-existent before the implementation of this program in September 1994. There has been a substantial increase in the use of this program since fiscal year 2003. In fiscal year 2006, 1,139 loan guarantees were issued with loan guarantee authority of \$172.3 million and \$18.2 million is pending issuance of loan guarantees. As a percentage of the historical production of the program, the fiscal year 2006 total represents 37 percent of loan guarantee authority to date. As of November 30, 2006, the Section 184 Indian Housing Loan Guarantee Fund had guaranteed 3,896 home loans totaling \$469 million.

This program supports the President's goal and the Department's strategic goal (A2) of increasing minority homeownership. The Office of Management and Budget (OMB) conducted an evaluation of the Section 184 program in fiscal year 2006, using its Program Assessment Rating Tool (PART). This program scored 89.5 percent, which translates to an "Effective" rating in PART assessment process. The Section 184 program has made homeownership available to Native Americans living on Indian lands and has enabled lending institutions to serve a new client group. Due to the unique legal status of Indian trust or restricted lands, lenders were hesitant to assume the risk of providing home mortgage financing where legal title to the real property could not be used as collateral. In addition, many lenders were unwilling to take the risk of going into tribal courts in the event of default. As a direct result of this program, numerous banks are now lending in Indian Country, and many tribes have established legal procedures for processing foreclosures and evictions.

This program also has served as the vehicle to leverage private funds with Federal dollars in Indian Country and has created new housing opportunities where Federal subsidy programs historically provided 100 percent of the costs of new unit construction. Through this program, private financing is now used to cover construction costs while Federal dollars are used only to guarantee payment in the event of a default. The Section 184 program has become a vital financing vehicle for tribes who are transitioning members to homeownership through lease/purchase initiatives. The initial loans are made to the tribe and assumed by a qualified borrower at a later date. This form of leveraging makes it possible to address overcrowding by recycling rental housing while strengthening communities through homeownership.

This program provides opportunities for qualified families currently living in subsidized units to obtain a market-rate home mortgage, and thus frees up assisted housing units for use by lower-income families. A family with acceptable credit and sufficient income to afford a private-market home mortgage can use the guarantee to ensure that the lender will approve the mortgage even if the home is located on trust or restricted Indian land.

In contrast to the Title VI Tribal Housing Activities Loan Guarantees program (funded as a set-aside in the Native American Housing Block Grant program), any Indian family, tribe, or TDHE can apply for a Section 184 mortgage loan and be qualified on the basis of their income and other mortgage credit guidelines. The Office of Loan Guarantee will continue to partner with State Housing Finance Agencies, HUD homeownership counseling centers, Federal Home Loan Banks, Fannie Mae, and other government-sponsored enterprises to increase program use and promote Native American homeownership. The program is supported by a contract that will provide regional training to lenders and non-profits in Indian Country.

The Department initiated two changes in policy that took effect in fiscal year 2005 that impact loan production in fiscal year 2006 and beyond. Through these initiatives, tribes can request and receive approval for an expanded service area for Section 184 loan guarantee activity. Since November 2004, 25 tribes have requested and received approval to offer Section 184 loan guarantee in expanded service areas in 20 different states. This initiative could add an additional \$20 million in loan activity in fiscal year 2007.

The second initiative involves conveyances of 1937 Act Mutual Help (MH) homes. Through the Section 184 program, MH recipients can refinance to access equity and achieve homeownership. This initiative has the potential to create \$5 to \$10 million in new activity in fiscal year 2007.

The Office of Loan Guarantee is working with the Bureau of Indian Affairs (BIA) and the Department of Agriculture (USDA) to streamline the Title Status Report (TSR) processing time. In September 2004, HUD, USDA, and the BIA entered into a Memorandum of Understanding (MOU) that, among other things, encourages the rapid production of TSRs, with the goal of accomplishing this within 30 days. The MOU workgroup is finalizing an expedited process that should reduce significantly the time it takes to obtain a TSR. Once perfected, this process will standardize the procedure for obtaining a TSR, which eliminates one of the major barriers to lending on trust lands.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
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Program Offsets
(Dollars in Thousands)

Administrative Expenses	<u>Amount</u>
2006 Appropriation	\$248
2007 Full-Year CR Estimate.....	248
2008 Request	<u>248</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department proposes \$248 thousand for Administrative Expenses in fiscal year 2008 to carry out the guaranteed loan program. These funds will be transferred to and merged with the appropriation for Salaries and Expenses to be used only for the administrative costs of the Indian Housing Loan Guarantee Fund.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND
Program Offsets
(Dollars in Thousands)

Loan Guarantee Contracts	<u>Amount</u>
2006 Appropriation .....	...
2007 Full-Year CR Estimate.....	...
2008 Request	<u>\$750</u>
Program Improvements/Offsets	+750

Proposed Actions

The Department proposes \$750 thousand for Administrative Contract expenses including information technology necessary in fiscal year 2008 to carry out the guaranteed loan program. This funding will assist in transitioning to contractual services to meet the growing demands placed on the program by increased loan activity. The contractor will be responsible for servicing functions, which includes capturing pertinent payment information from lender data, producing timely reports and tracking of performance trends. Other duties will include efforts to increase the data elements collected during the mortgage process. This data will enhance the development of performance measures, risk modeling for credit reform estimates and calculations, for the loan guarantee program.

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Performance Measurement Table**

Program Name: INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)					
Program Mission: This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. Funding for this program provides loan guarantees of up to 100 percent for Native American families, Indian tribes, and tribally designated housing entities to purchase, construct, and/or rehabilitate single family homes on trust or restricted land and in designated Indian areas. It has made possible the private financing of home mortgages by private financial institutions, which would otherwise not have been possible because of the unique legal status of Indian lands.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2006 Plan	2006 Actual	2007 Plan	2008 Plan
Section 184 mortgage financing of \$159.6 million is guaranteed for Native American homeowners during fiscal year 2007.	PIH ONAP administrative data	\$120 million	\$190.5 million	\$159.6 million	\$159.6 million

Explanation of Indicators

Indicator: Section 184 mortgage financing of \$159.6 million is guaranteed for Native American homeowners during fiscal year 2008.

Homeownership rates on reservations are low and housing needs are great. The homeownership rate for Native Americans is 55 percent, 13 percent below the then national rate, according to July 2002 Census data. The Indian Housing Loan Guarantee fund provides credit subsidies that support loan guarantees up to 100 percent to meet this need. The guaranteed loans can be used to purchase, construct, refinance, and/or rehabilitate single family homes on Indian trust or restricted land and in designated Indian areas. Because of the unique legal status of these lands, lenders previously had been hesitant to assume the risk of providing mortgage financing where legal title to the property could not be used as collateral. Other important constraints that limit the ability of tribes to take advantage of guaranteed loans include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of service providers such as appraisers and realtors.

The Office of Native American Programs (ONAP) tracks the annual number of homeownership loans for Native Americans guaranteed under Section 184. In fiscal year 2006, 1,139 loan guarantees were issued with loan guarantee authority of \$172.3 million and \$18.2 million is pending issuance of loan guarantees. The target in fiscal year 2007, \$159.6 million, which represent 1,182 loans, with an estimated average loan amount of \$145,000. For fiscal year 2008, the targets will remain at fiscal year 2007 levels.

The program's long-term goal is to ensure an adequate supply of safe, decent, affordable housing by guaranteeing 2,000 loans annually, by fiscal year 2011. This program supports the President's goal and the Department's strategic goal (A2) of increasing minority homeownership. The Office of Management and Budget (OMB) conducted an evaluation of the Section 184 program in fiscal year 2006, using its Program Assessment Rating Tool (PART) and the program scored 89.5 percent, considered "Effective" in PART rating. ONAP is exploring options of contracting for an independent, comprehensive program evaluation, as recommended by the OMB through the PART.

Indian Housing Loan Guarantee Fund

The Department decentralized its marketing efforts to reach a broader client base in fiscal year 2005. As of November 30, 2006, a total of 3,896 (cumulative over life of program) loans had been guaranteed with guarantee loan authority of \$469 million. In fiscal year 2006, 1,139 loan guarantees were issued with loan guarantee authority of \$172.3 million and \$18.2 million is pending issuance of loan guarantees. As a percentage of the historical production of the program, the fiscal year 2006 total represents 37 percent of loan guarantee authority to date. This has occurred due in part to marketing and outreach efforts of the Section 184 Team, which is comprised of the Office of Loan Guarantee and Field Office staff (to include cross-marketing efforts with other housing and Indian-based organizations), and on-site training and technical assistance. Currently, ONAP has focused on working with Indian housing entities and lenders to develop larger projects rather than individual loans.

The direct marketing also generated 30 new tribal participants, and 45 additional lending partners for HUD's Section 184 program.

Two program policy changes already implemented make the goals for fiscal years 2006 and 2007 feasible. In September 2005, the Interagency Memorandum of Understanding between HUD, USDA and the BIA produced a streamlined Title Status Report process that significantly reduces the processing time for HUD Section 184 transactions on trust land. The BIA policy change will make it easier for a real estate market to develop on tribal lands by improving the marketability of leasehold properties. The second component of the marketing strategy involves a collaborative effort to increase the participation of State Housing Finance Agencies (HFAs) in the Section 184 program. The emphasis on HFA involvement will provide low-cost home financing to Native Americans while reducing the risks associated with trust land transactions for the HFAs.

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Justification of Proposed Changes in Appropriations Language**

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), \$7,450,000, 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, as amended: Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed \$367,000,000: Provide further, That \$750,000 shall be for administrative contract expenses including information technology to carry out the loan guarantee program.

In addition, for administrative expenses to carry out the guaranteed loan program, up to \$247,500 from amounts in the first paragraph which shall be transferred to and merged with the appropriation for ``Salaries and Expenses.``

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
 INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
 Crosswalk of 2006 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Loan Guarantee Credit Subsidy	\$3,750	-\$38	...	...	\$5,514	\$9,226
Administrative Expenses	250	-2	...	...	...	248
Loan Guarantee Contracts .....	...	...	...	...	...	...
Total	4,000	-40	...	...	5,514	9,474

Transfers to Other Accounts

For administrative expenses, \$248 thousand has been transferred to the Salaries and Expenses account to be used for the administrative cost of the Indian Housing Loan Guarantee Fund.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
 INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
 Crosswalk of 2007 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2007 President's Budget Request	FY 2007 CR Estimate	2007 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2007 <u>Resources</u>
Loan Guarantee Credit Subsidy	\$5,692	\$3,752	...	...	\$5,209	\$8,961
Administrative Expenses	248	248	...	...	...	248
Loan Guarantee Contracts .....	...	...	...	...	...	...
Total	5,940	4,000	...	...	5,209	9,209

Transfers to Other Accounts

For administrative expenses, \$248 thousand will be transferred to the Salaries and Expenses account to be used for the administrative cost of the Indian Housing Loan Guarantee Fund.