

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
2019 Appropriation	1,440	7,751	(99)	9,092	1,438	1,357
2020 Appropriation	1,600	7,919	-	9,519	2,000	2,000
2021 President's Budget	2,000	7,019	-	9,019	2,000	2,000
Change from 2020	400	(900)	-	(500)		

Note: 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, 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. 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 2021 President's Budget requests \$2.0 million for the Section 184 program, which is \$400 thousand more than the 2020 enacted appropriation.

The request includes \$1.5 million for credit subsidy and \$500 thousand for administrative contract expenses. The budget requests a total of \$1.0 billion in commitment authority in 2021, which includes \$500.0 million against new credit subsidy budget authority at a subsidy rate of .30 percent, and also grants commitment authority for unobligated credit subsidy balances from prior years.

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 ensuring thousands of loans each year and by expanding markets for lenders. 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*¹, a report showing 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 of the remoteness and 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. The majority of Section 184 lending is fee simple, but HUD routinely collaborates with the Department of the Interior to make continual improvements to communication, break down silos, and reduce administrative barriers.

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 2019, program demand remained steady. Lenders requested guarantees for almost 3,000 loans. Of these, HUD guaranteed 2,028 loans in 2019, and an additional 849 loans in the first quarter of 2020. Since the inception of the program in 1992, HUD has obligated funds to guarantee approximately 46,000 loans with a cumulative loan level of \$7.7 billion.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2019 Budget Authority	2018 Carryover Into 2019	2019 Total Resources	2019 Obligations	2020 Appropriation	2019 Carryover Into 2020	2020 Total Resources	2021 President's Budget
Loan Guarantee Credit Subsidy	1,440	3,986	5,426	1,426	1,100	4,470	5,570	1,500
Skilled Workers Loan Credit Subsidy	-	1,727	1,727	-	-	1,727	1,727	-
Administrative Expenses	-	1,939	1,939	12	500	1,722	2,222	500
Land Title Report Commission	-	99	99	(99)	-	-	-	-
Total	1,440	7,751	9,191	1,339	1,600	7,919	9,519	2,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Legislative Proposals

The 2021 Budget supports the following legislative proposal(s) and will seek changes through the authorization process rather than the appropriations process:

- HUD seeks to add authority to improve the performance and accountability of the Section 184 program, including indemnification from lenders participating the loan guarantee program and to allow lenders to be terminated from the program. Like the Federal Housing Administration (FHA), lenders participating in the Section 184 program can underwrite loans for closing without prior HUD review. When lenders close loans that do not comply

¹ 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>)

with Section 184 requirements, indemnification authority would give HUD the option of requiring them to indemnify HUD for any losses suffered. Lenders could also be terminated from the program if it is determined that they pose an unacceptable risk to the program. HUD will seek these changes as part of the ongoing Native American Housing Assistance and Self-Determination Act reauthorization process. These changes will ensure HUD has sound business practices similar to those of FHA and address Inspector General (IG) findings.

APPROPRIATIONS LANGUAGE

The 2021 President's Budget includes proposed changes in the appropriation 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), [~~\$1,100,000~~] *\$1,500,000*, 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 and systems processes to carry out the loan guarantee program: *Provided further*, That [the Secretary may subsidize total loan principal, any part of which is to be guaranteed, up to \$1,000,000,000, to remain available until expended: *Provided further*, That for any unobligated balances (including amounts of uncommitted limitation) remaining from amounts made available under this heading in Public Law 115-31, Public Law 115-141, and Public Law 116-6, and for any recaptures occurring in fiscal year 2019 or in future fiscal years of amounts made available under this heading in prior fiscal years, the second proviso of each such heading shall be applied as if "these funds are available to" was struck and "the Secretary may" was inserted in its place] *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 are available to subsidize total loan principal, any part of which is to be guaranteed, up to \$1,000,000,000. (Department of Housing and Urban Development Appropriations Act, 2020).*