

**PUBLIC AND INDIAN HOUSING  
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)  
2019 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>
2017 Appropriation .....	\$7,227	\$7,079 <sup>a</sup>	...	\$14,306	\$5,427	\$4,791 <sup>b</sup>
2018 Annualized CR .....	7,227	8,879	-\$49 <sup>c</sup>	16,057	4,009	3,333
2019 Request .....	...	<u>11,710</u>	...	<u>11,710</u>	<u>3,040</u>	<u>3,883</u>
Change from 2018 .....	-7,227	+2,831	+49	-4,347	-969	+550

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit reestimates is excluded.

a/ This number includes \$434 thousand of funds recaptured from prior year obligations in fiscal year 2017.

b/ This number differs from the President's Budget due to rounding.

c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

**1. Program Purpose and Fiscal Year 2019 Overview**

The Department will carry forward balances of prior year subsidy budget authority and loan commitment authority that will be sufficient to guarantee the \$880 million in loans projected for fiscal year 2019 under the Indian Housing Loan Guarantee program (also known as the Section 184 program); therefore, the President's Budget does not request new appropriation of budget authority.

Key outcomes of the Indian Housing Loan Guarantee Fund are:

- access to market-rate home mortgage lending for Native American families;
- investment and engagement of mortgage lenders serving Native American families and tribal borrowers; and
- increased supply of housing in Indian Country to relieve overcrowding.

## **2. Request**

The Indian Housing Loan Guarantee program is authorized by Section 184 of the Housing and Community Development Act of 1992, P.L. 102-550, enacted October 28, 1992, as amended. Regulations are at 24 CFR part 1005. The program addresses the needs of American Indians and Alaska Natives by making it possible to achieve homeownership with market-rate financing. This loan guarantee program maximizes a relatively minimal federal investment by insuring approximately 4,000 loans each year, and by expanding markets for lenders. The program provides an incentive for private lenders to market loans to this traditionally underserved population by guaranteeing 100 percent repayment of the unpaid principal and interest due in the event of default. Lenders get the guarantee by making mortgage loans to American Indian and Alaska Native families, Indian tribes, and tribally designated housing entities to purchase, construct, refinance, and/or rehabilitate single-family homes on trust or restricted land, and in tribal areas of operation. There is no income limit or minimum required to participate, but borrowers must qualify for the loans. To meet program demand and reduce reliance on federal appropriation, HUD started collecting a 1.5 percent up-front fee in fiscal year 2014. In fiscal year 2015, HUD added 0.15 percent annual premium payment. In fiscal year 2017, HUD increased the annual fee from 0.15 to 0.25 percent, while the upfront loan guarantee fee remained at 1.50 percent.

This program makes it possible for Indian tribes, Indian housing authorities, and tribally designated housing entities to promote the health of reservation economies and communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The program allows Native Americans from across the income spectrum the opportunity to purchase quality housing in their native community. Tribes can also use the program to diversify the type of housing on native lands by developing housing for homeownership or as long-term rentals, without affordability restrictions.

## **3. Justification**

HUD continues to be the largest single source of financing for housing in tribal communities. The Section 184 program is the primary vehicle to access mortgage capital in Indian communities. The program helps tribes promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The Section 184 program does not have minimum requirements for credit scores and allows for alternative forms of credit and non-traditional income to address specific issues within the Native American communities. The program gives Native Americans from across the income spectrum the choice of living in their native community. In addition to individual Indians, tribes and tribally designated housing entities (TDHE) are eligible borrowers. This benefit of the program makes it possible for tribes and TDHEs to address housing shortages by developing and financing rental housing or by promoting homeownership opportunities for tribal members through lease purchase programs. The primary indicator of performance is the number of loans guaranteed under this program. As of

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September 30, 2017, a total of 39,436 (cumulative over the 23-year life of the program) loans totaling over \$6.6 billion had been guaranteed.

- In fiscal year 2013, 3,852 loans were guaranteed for almost \$672.3 million.
- In fiscal year 2014, 3,449 loans were guaranteed for more than \$595 million.
- In fiscal year 2015, 4,198 loans were guaranteed for more than \$738 million.
- In fiscal year 2016, 4,841 loans were guaranteed for \$828 million.
- In fiscal year 2017, 4,147 loans were guaranteed for approximately \$782 million.
- In fiscal years 2018 and 2019, 4,889 loans are expected to be guaranteed for approximately \$880 million.

In January 2017, as part of the congressionally mandated Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, HUD published *Mortgage Lending on Tribal Land: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs*. The report finds that the Section 184 program have helped to address the functional market barrier to private lending presented by tribal trust land. The report also details several recommendations the Department will pursue to further increase lending to Native American families through efforts like enhanced agency coordination and regulatory streamlining. Historically, American Indians and Alaska Natives 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. Land held in trust for a tribe cannot be encumbered or alienated, and land held in trust for an individual Indian must receive federal approval through the Bureau of Indian Affairs before a lien can be placed on the property.

The companion report to *Mortgage Lending on Tribal Land* found that much of Indian Country suffers from a severe lack of decent, affordable housing. *Housing Needs of American Indians and Alaska Natives in Tribal Areas* (published by HUD in January 2017) reports that housing conditions vary by region, but are substantially worse overall among American Indian and Alaska Native households in tribal areas than among all U.S. households, with overcrowding being especially severe. Physical deficiencies in plumbing, kitchen, heating, electrical, and maintenance issues were found in 23 percent of households in tribal areas, compared to 5 percent of all U.S. households. Overcrowding coupled with another physical condition problem was found in 34 percent of households in tribal areas, compared to 7 percent of all U.S. households. The percentage of households with at least one “doubled-up” person staying in the household because they had nowhere else to go was 17 percent, estimated to be up to 84,700 people. The report estimates that 68,000 new units of affordable housing are needed immediately in Indian Country to relieve overcrowding and replace substandard units.

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### **General Provisions**

The President's Budget proposes the following General Provisions for the Indian Housing Loan Guarantee account:

- Authority to get indemnification from lenders participating in the direct loan guarantee program, and to allow lenders to be terminated from the program. Lenders participating in the Section 184 direct loan guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184 requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. This proposal would also allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives this program authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines. (Sec. 246)
- Clarification of the definitions of "Indian", "Indian tribe", "federally recognized tribe", and "state-recognized tribe" in Section 184 of the Housing and Community Development Act of 1992, in order for them to align with the definitions in the Native American Housing Assistance and Self-Determination Act of 1996. (Sec. 247)
- Allowing HUD to use funds previously appropriated for the Land Title Commission to be used more broadly to support the same goal of improving processes and systems related to maintaining land records in Indian Country. (Sec. 249)

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Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Loan Guarantee Credit								
Subsidy .....	\$6,477	\$4,598	\$11,075	\$3,986	\$6,433	\$7,391	\$13,824	...
Transformation Initiative .....	...	...	...	...	...	...	...	...
Land Title Report Commision .....	...	99	99	...	...	99	99	...
Loan Guarantee Contracts .....	<u>750</u>	<u>2,382</u>	<u>3,132</u>	<u>1,441</u>	<u>745</u>	<u>1,389</u>	<u>2,134</u>	<u>...</u>
Total .....	7,227	7,079	14,306	5,427	7,178	8,879	16,057	...

NOTES: Carryover into 2017 includes \$434 thousand of funds recaptured from prior year obligations in fiscal year 2017. The table above reflects only discretionary budget authority; mandatory authority for upward credit reestimates is excluded. Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.