

**PUBLIC AND INDIAN HOUSING  
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)  
2019 Summary Statement and Initiatives  
(Dollars in Thousands)**

NATIVE HAWAIIAN LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2017 Appropriation .....	...	\$5,926 <sup>a</sup>	...	\$5,926	...	\$11
2018 Annualized CR .....	...	5,926	...	5,926	...	...
2019 Request .....	<u>...</u>	<u>5,926</u>	<u>-\$5,000</u>	<u>926</u>	<u>...</u>	<u>...</u>
Change from 2018 .....	...	...	-5,000	-5,000	...	...

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit re-estimates is excluded.  
a/ This number includes \$262 thousand of funds recaptured from prior year obligations in fiscal year 2017.

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

The Department will carry forward balances of prior year loan guarantee authority sufficient to guarantee the \$23.3 million in projected loans in fiscal year 2019 in the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program). Since 2017, the program has operated on a negative subsidy basis for fiscal year 2019; therefore, the President’s Budget proposes to rescind \$5 million in previously appropriated credit subsidy that is no longer needed.

Key outcomes of the Native Hawaiian Loan Guarantee Fund are:

- Increased access to private mortgage financing to Native Hawaiian families for homes on the Hawaiian home lands;
- Availability of an affordable mortgage financing option for homes on the Hawaiian home lands; and
- Homeowners on the Hawaiian home lands who contribute to the economic sustainability of the community.

## Native Hawaiian Loan Guarantee Fund (Section 184A)

### **2. Request**

The Section 184A program (12 U.S.C. 1715z-13b) was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992. Regulations are at 24 CFR part 1007. The program is administered by HUD's Office of Native American Programs; one program specialist is assigned to the HUD office in Honolulu, Hawaii.

This program offers Native Hawaiians the opportunity to become homeowners by offering lenders a 100 percent guarantee in the event of a default. This guarantee makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian home lands. Through this program, eligible borrowers can obtain a mortgage with a market rate of interest to purchase and rehabilitate, or build a single-family home on Hawaiian home lands. The 100 percent guarantee provides the incentive for private lenders to market loans to this traditionally underserved population. Private financing is used to cover construction or acquisition costs, while federal dollars are 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 (State) Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, or private non-profit organizations experienced in the planning and development of affordable housing for Native Hawaiians.

### **3. Justification**

This program makes it possible for moderate income Native Hawaiians to access private mortgage capital for acquiring, constructing or rehabbing homes on the Hawaiian home lands. DHHL can also use the program to diversify the type of housing on the home lands by developing housing for homeownership or long-term rentals without affordability restrictions.

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 the State of Hawaii's Department of Hawaiian Home Lands (DHHL) with oversight of the state's management provided by the U.S. Department of the Interior. Hawaii established a homesteading program in 1921 to support the self-sufficiency and well-being of the Native Hawaiian people. These public trust lands are meant to be leased to eligible Native Hawaiian community members 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 cannot be used as collateral. The Native Hawaiian Loan Guarantee program (Section 184A) addresses this problem by providing a 100 percent guarantee to lenders in cases of default.

## Native Hawaiian Loan Guarantee Fund (Section 184A)

The program maximizes a minimal federal investment by expanding the market for lenders and ensuring access to private-market mortgages for a traditionally underserved population.

In fiscal year 2017, HUD issued 67 loan guarantee certificates, representing more than \$15 million in mortgage loans. Since program activity began in fiscal year 2005, through September 30, 2017, 599 loans for more than \$146 million have been guaranteed. In 2010, there were 6,150 Native Hawaiian households (families) on the home lands, and, as of 2013, there were 14,350 households on the waiting list for a home lands lease<sup>1</sup>.

Rates of overcrowding on the Hawaiian home lands is higher than rates for Native Hawaiians state-wide. During the 2006-2010 period, about 19 percent of home land households were overcrowded, compared with 15 percent of Native Hawaiian households statewide. There is widespread agreement that more homes are needed to relieve overcrowding and homelessness for this population.

### **General Provisions**

The President's Budget proposes the following General Provision for the Native Hawaiian Loan Guarantee Fund 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 184A 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 184A 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. 248)
- Rescission of \$5 million of unused loan subsidy: As the Section 184A program has moved to a negative subsidy program, the subsidy appropriated in previous years is no longer needed. HUD proposes to rescind \$5 million, leaving a balance of \$1 million in case of changing subsidy rates. (Sec. 251)

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<sup>1</sup> **Housing Needs of Native Hawaiians: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, May 2017.**

<https://www.huduser.gov/portal/publications/housing-needs-native-hawaiians.html>

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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 .....	...	\$5,926	\$5,926	...	...	\$5,926	\$5,926	...
Total .....	...	5,926	5,926	...	...	5,926	5,926	...