

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2020 Summary of Resources**

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2018 Appropriation	-	5,926	-	5,926	-	-
2019 Annualized CR	-	5,926	-	5,926	-	-
2020 Request	-	5,926	-	5,926	-	-
Change from 2019	-	-	-	-	-	-

Note: The table above reflects only discretionary budget authority; mandatory authority for upward reestimates and interest is excluded.

1. Program Purpose and Budget Overview

The 2020 President’s Budget requests no funding for the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program), which remains equal to the 2019 Annualized Continuing Resolution (CR) level. Since 2017, the program has operated on a negative subsidy basis; thus, no new budget authority is necessary to support the demand for Section 184A loans.

2. Request

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. Since the program can operate from funds generated from guaranteeing loans, it does not require new budget authority; the program also has sufficient carryover commitment authority to maintain program levels.

3. Justification

Rates of overcrowding on the Hawaiian home lands are higher than rates for Native Hawaiians state-wide. Recent studies reveal that about 19 percent of home land households were overcrowded when compared with 15 percent of Native Hawaiian households state-

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wide.¹ The Section 184A program makes it possible for eligible borrowers to access private mortgage capital for acquiring, constructing, and rehabilitating homes on Hawaiian home lands. In addition, it allows the State of Hawaii's Department of Hawaiian Home Lands (DHHL) to diversify housing on the Hawaiian home lands by building new homeownership and rental housing without affordability restrictions.

The program expands the market for lenders and ensures access to private-market mortgages for a traditionally underserved population. 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, DHHL, the Office of Hawaiian Affairs, and private non-profit 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 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 Section 184A program helps to address this problem by providing a 100 percent guarantee to lenders in cases of default.

In fiscal year 2018, 51 loans worth approximately \$14.0 million were guaranteed. As of September 30, 2018, a cumulative total of 650 loans worth \$166.0 million have been guaranteed.

Legislative Proposals

The 2020 President's Budget continues to support added authority to improve the performance and accountability of the Section 184A program, including 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 program are able to underwrite loans for closing without prior HUD review. Indemnification authority would permit HUD to require the lender to accept the loss rather than the taxpayers when the lender closes noncompliant loans in the Section 184 program. Lenders could also be terminated from the program if it is determined that they pose an unacceptable risk to the program. The 2019 Budget included these changes as General Provisions, but HUD will

¹ 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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seek the changes, as part of the ongoing Native American Housing Assistance and Self-Determination Act reauthorization process, for sound business reasons and to address related Office of Inspector General concerns regarding the Section 184A program.

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Summary of Resources by Program**

(Dollars in Thousands)

Budget Activity	2018 Budget Authority	2017 Carryove r Into 2018	2018 Total Resources	2018 Obligations	2019 Annualized CR	2018 Carryover Into 2019	2019 Total Resources	2020 Request
Loan Guarantee Credit Subsidy	-	5,926	5,926	-	-	5,926	5,926	-
Total	-	5,926	5,926	-	-	5,926	5,926	-