

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Public and Indian Housing

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

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	-	5,926	(5,926)	-	-	-
2023 Appropriation	-	-	-	-	-	-
2024 President's Budget	-	-	-	-	-	-
Change from 2023	-	-	-	-	-	-

Note: The table above reflects only discretionary budget authority; mandatory authority for upward credit re-estimates is excluded.

#### PROGRAM PURPOSE

The Native Hawaiian Housing Loan Guarantee Fund (also known as 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 for Native Hawaiians.

#### BUDGET OVERVIEW

The 2024 President's Budget requests no funding in credit subsidy for the Section 184A program, which is equal to the 2023 enacted level. It also requests \$21 million in loan guarantee commitment authority. The 2024 President's Budget also requests continued refinance authority.

This program aligns with HUD 2022-2026 Strategic Objective 3A: *Advance Sustainable Homeownership* and 3B: *Create a More Accessible and Inclusive Housing Finance System*.

#### JUSTIFICATION

The Section 184A program helps make the dream of homeownership possible for Native Hawaiians, who have traditionally been underserved by other homeownership programs. This investment helps correct historic inequities for Native Hawaiians by increasing the production of and access to affordable housing and addresses the needs identified in the 2017 HUD report, *Housing Needs of Native Hawaiians*.<sup>1</sup> According to the report, Native Hawaiians and other Pacific Islanders account for 39 percent of the State's overall homeless population, despite only representing 10 percent of the State's population. The study also indicates that Native Hawaiian beneficiaries on the Hawaiian home lands waiting list experience a higher rate of housing problems than Native Hawaiians overall and other residents of Hawaii. For example, 10 percent of Native Hawaiian beneficiaries on the waitlist lack complete plumbing facilities, 38 percent experience overcrowding, and 46 percent experience cost burden (defined as paying more than 30 percent of their income on housing costs).

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<sup>1</sup> 2017 HUD report, Housing Needs of Native Hawaiians,  
<https://www.huduser.gov/portal/sites/default/files/pdf/HNNH.pdf>

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 provided by the U.S. Department of the Interior. In 1921, Congress enacted the Hawaiian Homes Commission Act, which established the Hawaiian home lands and created a homesteading program to support the self-sufficiency and well-being of Native Hawaiians. These public trust lands are meant to be leased to eligible Native Hawaiian beneficiaries 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 is inalienable and cannot be used as collateral. The Section 184A program established a vehicle through which financing could be provided to Native Hawaiians wishing to own a home on lands in trust.

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 organizations experienced in the planning and development of affordable housing for Native Hawaiians. Since 2005 (when program activity began), HUD has guaranteed more than 850 Section 184A loans, in turn, making homeownership a reality for Native Hawaiian families.

Without the mortgage resources available through the Section 184A program, Native Hawaiian families are at risk of not being able to obtain financing that would allow them to purchase their homes or reduce their housing costs by refinancing their mortgage. It is commonly believed that owning a home increases the health and wellbeing of those who become homeowners. Accordingly, the Section 184A program contributes to the wellbeing and health of Native Hawaiian families.

### **Equity**

This investment helps increase equity for Native Hawaiians by increasing the production of and access to affordable housing. By providing loan guarantees, the Section 184A program expands the market for lenders and ensures access to private-market mortgages for Native Hawaiians, who have been a traditionally underserved population for homeownership.

### **Key Assumptions**

HUD estimates the program will operate at a negative credit subsidy rate in 2024 and does not require additional appropriations to continue to guarantee loans and meet program demand.

### **Stakeholders**

Stakeholders include Native Hawaiian borrowers, DHHL, and Section 184A lenders. The Office of Native American Programs (ONAP) works with financial institutions to encourage private lending, which allows Native Hawaiian families to become homeowners.

### **Operational Improvements**

HUD continues to make progress towards modernizing the Section 184A program, which will help reduce potential risk to the Federal Government. Under the Office of the Chief Information Officer's leadership, HUD is developing *Native Advantage*, a multi-year information technology modernization initiative. When fully deployed, it will cover all loan functions from origination to claims and loan closeout. The Claims Module, which was released in December 2021, allows lenders, servicers, and ONAP staff to submit, edit, and track claims. The Loan Origination Module, once released, will enable lenders to obtain a case number and firm commitment cohort number assignments electronically.

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carry over Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carry over Into 2023	2023 Total Resources	2024 President's Budget
Loan Guarantee								
Credit Subsidy	-	5,926	5,926	-	-	-	-	-
<b>Total</b>	-	<b>5,926</b>	<b>5,926</b>	-	-	-	-	-

**LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**

**Legislative Proposals**

The 2024 Budget supports the following legislative proposals and will seek changes through the authorization process:

- 40-Year Mortgages: HUD proposes authority to guarantee mortgages up to 40 years in length, when seeking to modify a loan to avoid foreclosure. The proposal will align Section 184A loss mitigation options with those offered by the Federal Housing Administration (FHA).
- Indemnification Authority: HUD seeks indemnification authority to require the lender to accept the loss (rather than HUD) when the lender closes noncompliant loans.
- Prohibition of Property Assessed Clean Energy (PACE) Priming: This proposal would extend the existing FHA proposal to prohibit PACE priming to the Section 184A program without prior consent from HUD.

**APPROPRIATIONS LANGUAGE**

The 2024 President’s Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

New commitments to guarantee loans, as authorized by section 184A of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z–13b), any part of which is to be guaranteed, shall not exceed [~~\$28,000,000~~] *\$21,000,000* in total loan principal, to remain available until September 30, [2024] *2025*: Provided, That the Secretary may enter into commitments to guarantee loans used for refinancing. (*Department of Housing and Urban Development Appropriations Act, 2023.*)