
Report to Congress

**Native Hawaiian Housing Block Grant Program
Section 184A Loan Guarantee Program for Native Hawaiians**

Fiscal Year 2019

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
Office of Native American Programs

REPORT to CONGRESS

on the

Native Hawaiian Housing Block Grant Program Section 184A Loan Guarantee Program for Native Hawaiians

Fiscal Year 2019

The following report is submitted to Congress pursuant to Section 823 of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4101 *et seq.*).

This report addresses two housing programs administered by the U.S. Department of Housing and Urban Development (HUD) through the Office of Native American Programs (ONAP) for the benefit of Native Hawaiians.

- The **Native Hawaiian Housing Block Grant** (NHHBG) program was established by Title VIII of NAHASDA. The sole recipient for this program is the Department of Hawaiian Home Lands (DHHL) (<http://dhhl.hawaii.gov/>), which is the department of the government of the State of Hawai'i responsible for the administration of the Hawaiian Homes Commission Act. HUD's regulations implementing NHHBG are found at 24 CFR part 1006. NHHBG funds are used to build and maintain housing for low-income families eligible to reside on Hawaiian home lands.
- The **Section 184A Loan Guarantee Program for Native Hawaiians**, also known as the **Section 184A** program, was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (Public Law 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). This program provides a 100-percent loan guarantee to lenders that make housing loans to Native Hawaiian borrowers who otherwise could likely face considerable constraints acquiring housing financing because of the unique legal status of the Hawaiian home lands or as a result of a lack of access to private financial markets.

In accordance with Section 823 of NAHASDA, this report contains:

- A description of the progress made in accomplishing the objectives of the NHHBG program;
- A summary of DHHL's use of NHHBG funds during fiscal year (FY) 2019; and

- A description of the aggregate outstanding loan guarantees under Section 184A of the Housing and Community Development Act of 1992.

Native Hawaiian Housing Block Grant Program

Funding Summary

In FY 2019, Congress appropriated \$2 million for the program. Since its inception in 2000, the program has been appropriated \$160.5 million.

Federal Appropriations for the Native Hawaiian Housing Block Grant Program (FY 2012 through FY 2019)

(Dollars in Thousands)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Native Hawaiian Housing Block Grant								
Grants	\$12,700	\$12,035	\$9,700	\$8,700	---	\$2,000	\$2,000	\$2,000
Training and Technical Assistance	\$200	\$190	\$200	\$200	---	---	---	---
Travel	\$100	\$95	\$100	\$100	---	---	---	---
Total	\$13,000	\$12,320	\$10,000	\$9,000	---	\$2,000	\$2,000	\$2,000

Progress

To address critical housing issues facing households residing on Hawaiian home lands, such as affordability, overcrowding, structural quality, and availability, DHHL has targeted a significant amount of NHHBG funds to support activities, such as:

- Site improvements and infrastructure for new construction of affordable housing;
- Financial assistance for homebuyers;
- Rehabilitation of existing affordable housing units;
- Homeownership counseling; and
- Technical assistance to prepare families for home purchase and ownership.

Most of DHHL's affordable housing projects are planned and executed over multi-year timeframes. DHHL works with many Hawaiian organizations, civic groups, and service agencies in the public, private, and government sectors. Some of DHHL's housing and community development partners are:

- Habitat for Humanity;
- Council for Native Hawaiian Advancement;
- Hawai'i Home Ownership Center;
- Hawaiian Community Assets;
- Helen Wai, LLC;
- Nanakuli Housing Corporation; and
- U.S. Department of Agriculture (USDA), Rural Development.

Use of NHHBG Funds

The following table reflects DHHL’s expenditure of NHHBG funds during its program year, which runs from July 1, 2018 to June 30, 2019.

FY 2019 Expenditures of NHHBG Grants

	Program Year
Rehabilitation of two affordable homes	\$25,600
Provided financing to 13 families to construct new homes	\$4,657,059
Provided housing services to 129 families (e.g., training, counseling, and rental assistance)	\$152,492
Funding for planning and administrative costs to implement the NHHBG program	\$835,868

Training and Technical Assistance

In FY 2019, staff from DHHL received training and technical assistance (T&T/A) provided by T/A providers with appropriate housing expertise, made possible through cooperative agreements with ONAP. The following initiatives began in FY 2018; the first was completed in FY 2019 and the other two are expected to conclude in FY 2020.

- Improve DHHL’s internal reporting and tracking of NHHBG-assisted units;
- Develop a DHHL NAHASDA Loan Processing Manual and provide staff training; and
- Recommend processes and tools to help DHHL increase efficiency of NHHBG project management.

DHHL staff also received T&T/A from HUD personnel regarding NHHBG program requirements in the following areas:

- Environmental Review;
- Lead-Based Paint; and
- Labor Standards.

Summary of DHHL Progress

Over the past 18 years (from FY 2002 to FY 2019), DHHL has:

- Expended \$140.4 million in NHHBG program funds (almost 90 percent of all NHHBG funds awarded);
- Built, acquired, or rehabilitated 706 affordable homes using NHHBG funds;
- Improved approximately 693 lots with infrastructure development to support construction of new homeownership housing units;
- Rehabilitated three community centers to provide housing services to affordable housing residents; and
- Provided 2,211 individuals and families with housing services, such as pre- and post-home purchase education, financial literacy training, and/or self-help home repair training to sustain safe, decent homeownership housing.

Section 184A Loan Guarantee Program for Native Hawaiians

The Section 184A Loan Guarantee program provides an additional opportunity for Native Hawaiians to become homeowners by providing a 100-percent guarantee to lenders that make housing loans to Native Hawaiian borrowers eligible to reside on the Hawaiian home lands.

- In FY 2019, HUD guaranteed **44** loans worth **\$12.6 million**; and
- Since FY 2005 (when program activity began), HUD has guaranteed a total of **699** loans worth **\$174.8 million**.
- In FY 2019, HUD paid a total of \$958,228.74 for four claims. HUD anticipates a full reimbursement of this amount in accordance with the HUD and DHHL Agreement in place where DHHL is to reimburse HUD for its 184A claim payments. .
- At the end of FY 2019, the program’s overall default rate was approximately 3 percent, prior to reimbursement. As a reminder, the Section 184A program is currently operating at a negative subsidy rate.

Additional Background on Hawaiian Housing Programs

Pursuant to NAHASDA, the term “Native Hawaiian” means any individual who is a citizen of the United States and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawai’i, as evidenced by genealogical records; verification by *kupuna* (elders) or *kama’aina* (long-term community residents); or birth records of the State of Hawaii.

The 2013-2017 American Community Survey (ACS) (U.S. Census), estimated 369,673 “Native Hawaiians and other Pacific Islanders” living in Hawai’i – about 26 percent of Hawai’i’s total population of about 1.4 million.

DHHL maintains approximately 45,000 applications on its waiting list, of which almost 23,000 are applications for residential homestead leases on the home lands; the rest are for agricultural and pastoral purposes. The *Housing Policy Study*, conducted by the Department of Hawaiian Home Lands in 2006, and a Beneficiary Needs Survey conducted in 2014, estimated that there were more than 34,000 low-income Native Hawaiian households eligible for assistance under the NHHBG program.

The Hawaiian home lands are scattered throughout various geographic areas of the islands, typically in rural areas. The term “Hawaiian home lands” means lands that have the status as Hawaiian home lands under section 204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110) or are acquired pursuant to that Act. The home lands are composed of about 200,000 acres, or about 4.9 percent of the land surface of the State.

Some of the home lands are inaccessible, and unsuitable for productive development. Hawaiian home land areas, such as Kawaihae on the island of Hawai’i, Kula on the island of Maui, and Kalamaula on the island of Molokai, are in areas that are remote, and located on steep, rocky terrain. The State of Hawai’i’s isolated location in the Pacific Ocean results in higher

construction costs compared to the continental United States because materials must be shipped to the Hawaiian Islands by boat. Significant distances from existing water and sewer facilities add to the normal costs of construction. A typical Hawaiian home lands infrastructure development project includes grubbing of the land, grading of the house lots, and installing drainage, roadways, water, sewer, and electric utilities.

According to the U.S. Census, 2017 American Community Survey (ACS) 1-Year Estimates, the median value of an owner-occupied home in Hawai'i was \$617,400, compared to \$217,600 nationwide, almost three times the nationwide average.