

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Indian Housing Loan Guarantee Fund (Section 184)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	3,500	7,740	(419)	10,821	1,921	2,979
2023 Appropriation	5,521	8,908	-	14,429	10,000	4,968
2024 President's Budget	906	4,429	-	5,335	2,000	4,160
Change from 2023	(4,615)	(4,479)	-	(9,094)	(8,000)	(808)

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

PROGRAM PURPOSE

The Indian Housing Loan Guarantee Fund (also known as the Section 184 program) is a loan guarantee program that facilitates homeownership and increases access to private capital for American Indian and Alaska Native families, Indian Tribes, and Tribally Designated Housing Entities (TDHEs). The Section 184 program provides an incentive for private lenders to make market-rate home mortgages available to Native Americans by providing a 100 percent guarantee in the event of a loan default.

A January 2017 HUD report, *Housing Needs of American Indians and Alaska Natives in Tribal Areas*, found that overcrowding and a lack of available housing are major challenges for many Tribal communities.¹ The study concluded that lending in Indian Country faces barriers like those in other underserved markets and rural areas. By providing the loan guarantee, the Section 184 program helps increase the supply of housing and relieve overcrowding in Indian Country.

BUDGET OVERVIEW

The 2024 President's Budget requests \$906 thousand in credit subsidy for the Section 184 program, which is \$4.6 million less than the 2023 enacted level. It also requests \$1.2 billion in loan commitment authority, which includes a projected volume increase associated with a legislative proposal included in the Budget. The proposal, also included last year, expands program eligibility (see the Legislative Proposal section below for more information). Given the program's strong performance and low default rate in recent years, the credit subsidy rate is being reduced to 0.1 percent in 2024. Given this rate, the requested credit subsidy would support roughly \$900 million in new loan commitment authority.

The 2024 President's Budget requests no funding for administrative contract expenses. Carryover balances are sufficient to support needs, such as data integrity efforts to resolve outstanding Office of Inspector General findings, costs associated with data management for subsidy rate analysis, contractual needs for legal information services, operational task orders related to existing operational software Computerized Homes Underwriting Management System, and interim data dashboards for management analysis.

¹ <https://www.huduser.gov/portal/publications/HNAIHousingNeeds.html>

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

JUSTIFICATION

The Section 184 program is the primary vehicle to access mortgage capital in Indian Country, supporting HUD priorities of assisting underserved communities and promoting homeownership. The program allows eligible borrowers from a range of incomes the opportunity to purchase quality housing by guaranteeing home mortgages provided by private lenders. Eligible lenders obtain the guarantee by making mortgage loans to purchase, construct, refinance, and rehabilitate single-family housing on trust or restricted land, in Tribal areas of operation, as well as on fee simple land. Tribes and TDHEs can also use the program to diversify the types of housing in Indian Country by developing housing for homeownership or long-term rentals, without affordability restrictions.

The Section 184 program has helped address market barriers to private lending due to the nature of Tribal trust land, as found in the January 2017 HUD report, *Mortgage Lending on Tribal Land*.² 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. Before a lien can be placed on a property, it must receive Federal approval through the U.S. Department of the Interior's Bureau of Indian Affairs.

The Section 184 program maximizes a relatively small Federal investment by ensuring thousands of loans each year and by expanding markets for private lenders. In a typical year, HUD receives between 3,000 and 4,000 loan applications and can potentially help between 3,000 and 4,000 families, Tribes, and tribal entities finance homes. HUD anticipates that demand will increase in 2024 if the legislative proposal to make the program available nationwide is approved. Currently, American Indians and Alaska Natives must live in certain approved service areas to access loans guaranteed under this program. The legislative proposal, which was included in the 2023 President's Budget, allows American Indian and Alaska Native families to access this program and achieve homeownership wherever they choose to live in the United States.

Since the inception of the Section 184 program in 1992, HUD has obligated funds to guarantee approximately 49,000 loans worth more than \$8.0 billion. By encouraging private lenders to serve Native communities, the Section 184 program helps increase the marketability and value of Native assets, strengthens the financial standing of a traditionally underserved population, and helps ensure housing equity for American Indian and Alaska Native homebuyers.

In recent years, the Section 184 program has experienced low claims. At the same time, HUD's partners have contributed to improving the program performance. For example, private lenders have improved their Section 184 underwriting and servicing practices, and Tribes continue to proactively provide housing counseling and support to keep families in their homes. As a result, the performance of the program has been strong. For these reasons, the credit subsidy rate has fallen. As a result, HUD is able to provide financial relief to homebuyers and intends to do this by reducing program fees, which have more than offset actual claims.

Reducing program fees will have a direct positive financial impact on a typical borrower. Under the revised fee structure, HUD estimates that the average borrower will save over \$500 in their first year and have continued savings for the duration of the loan. By making the program more affordable,

² <https://www.huduser.gov/portal/publications/NAHSC-Lending.html>

more Native families will be able to become homeowners and help increase the overall rate of homeownership in Indian Country.

Equity

This investment is an important step in bringing about equity for American Indians and Alaska Natives by increasing the production of and access to affordable housing for Tribes. By providing loan guarantees, the Section 184 program expands the market for private lenders, ensures access to private-market mortgages in Indian Country, and increases homeownership opportunities for Native American households.

Key Assumptions

HUD estimates the program will operate with a 0.1 percent credit subsidy rate in 2024.

Stakeholders

Stakeholders include American Indian and Alaska Native borrowers, Tribes, TDHEs, and Section 184 approved lenders. The Office of Native American Programs (ONAP) works with financial institutions to encourage private lending, which provides a path for Native American families to become homeowners.

Operational Improvements

HUD continues to make progress towards modernizing the Section 184 program. Under the leadership of HUD’s Office of the Chief Information Officer, HUD is developing *Native Advantage*, which is a multi-year initiative to modernize the information technology of the loan process. When fully deployed, *Native Advantage* will cover all loan functions from origination to claim 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 case number and firm commitment cohort number assignments electronically.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carryover Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carryover Into 2023	2023 Total Resources	2024 President's Budget
Loan Guarantee Credit Subsidy	3,000	2,907	5,907	1,592	5,521	4,743	10,264	906
Skilled Workers Loan Credit Subsidy		1,727	1,727	-	-	1,727	1,727	-
Administrative Contract Expenses	500	2,687	3,187	329	-	2,438	2,438	-
Total	3,500	7,321	10,821	1,921	5,521	8,908	14,429	906

Note: 2021 carryover into 2022 loan guarantee credit subsidy amount reflects rescission of \$419 thousand.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Legislative Proposals

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

- Service Area Expansion: This proposal would amend the Section 184 authorizing statute to permit HUD to expand the program service area to all Tribal members regardless of where they purchase a home.
- 40-Year Mortgages: This proposal would authorize HUD to guarantee mortgages up to 40 years in length, when seeking to modify a loan to avoid foreclosure. The proposal will align Section 184 loss mitigation options with those offered by the Federal Housing Administration (FHA).
- Indemnification Authority: A planned rulemaking will permit lenders in the Section 184 program to underwrite loans for closing without prior HUD review (in other words, “direct endorsement” of the loans). 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 184 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.

For the cost of guaranteed loans, as authorized by section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z–13a), [~~\$5,521,000~~/\$905,700, to remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974 (2 U.S.C. 661a): Provided further, That amounts made available in this and prior Acts for the cost of guaranteed loans, as authorized by section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z–13a), that are unobligated, including recaptures and carryover, shall be available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed [~~\$1,400,000,000~~]*\$1,200,000,000*, to remain available until September 30, [2024: Provided further, That any remaining loan guarantee limitation authorized under this heading in fiscal year 2020 or prior fiscal years is hereby rescinded: Provided further, That any amounts determined by the Secretary to be unavailable are hereby returned to the General Fund of the Treasury] *2025. (Department of Housing and Urban Development Appropriations Act, 2023.)*