

Statement of Orlando J. Cabrera

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INTRODUCTION

Mr. Chairman, Mr. Vice Chairman, and other distinguished Members of the Committee, thank you for inviting me to provide comments on President Bush's fiscal year 2007 budget for HUD's Indian housing and community development programs.

My name is Orlando Cabrera, and I am the Assistant Secretary for Public and Indian Housing. As you may know, I am a relatively new addition to the HUD team, and I look forward to working with this Committee on issues of importance to you and our clients. As PIH's Assistant Secretary, I am responsible for the management, operation, and oversight of HUD's Native American programs. These programs are available to 561 federally recognized Indian tribes. We serve these tribes directly, or through their tribally designated housing entities (TDHE), by providing grants and loan guarantees designed to support affordable housing and community development activities. Our partners are diverse; they are located on Indian reservations, in Alaska Native Villages, on the Hawaiian Home Lands, and in other traditional Indian areas.

In addition to those duties, PIH's jurisdiction encompasses the public housing program, which aids over 3,000 public housing agencies that provide housing and housing-related assistance to low-income families.

It is a pleasure to appear before you, and I would like to express my appreciation for your continuing efforts to improve the housing conditions of American Indian, Alaska Native, and Native Hawaiian peoples. From HUD's perspective, much progress is being made. Tribes are taking advantage of new opportunities to improve the housing conditions of the Native American families residing on Native American reservations, on trust or restricted Native American lands, in Alaska Native Villages, and on the Hawaiian Home Lands.

This momentum needs to be sustained as we continue to work together toward creating a better living environment in Native American communities.

OVERVIEW

At the outset, let me reaffirm the Department of Housing and Urban Development's support for the principle of government-to-government relations with federally-recognized Native American tribes. HUD is committed to honoring this core belief in our work with Native Americans and Alaska Natives.

Increasing minority homeownership is one of the President's primary goals. HUD's Native American and Native Hawaiian housing and loan guarantee programs are the lynchpins for accomplishing this within Indian Country.

For example, during FY 2005, tribes and their TDHEs used Indian Housing Block Grant funds to build, acquire or rehabilitate 1,050 rental units and 5,455 homeownership units. Each of these became a home to a Native American family. There have been recent

successes with our loan guarantee programs too; and I will tell you more about this in a few moments.

The block grant and loan guarantee programs are important vehicles for achieving the Department's goal of reducing overcrowding in Native American communities by 10 percent over 10 years.

For several years now, we have updated you on the progress that tribes and TDHEs are making toward the obligation and expenditure of the funding appropriated for Native American programs. This year, we can report that the balances of grant funds outstanding for more than 3 years were reduced by more than 50 percent in both fiscal years 2004 and 2005. This represents substantial progress and indicates that tribes are increasing their capacity to comprehensively manage and grow their affordable housing programs. HUD's Office of Native American Programs (ONAP) has continued to develop new, more robust performance indicators to measure our progress and the progress of our grant recipients. At the same time, we are seeking to strengthen data collection capability to improve reporting and ensure that we can understand and communicate the rate of program fund obligations, expenditures, and production.

The Department is continuing to consult with tribal leaders and Native American housing officials on how we can improve and streamline data collection for the IHBG program and for the Indian Community Development Block Grant program.

BUDGET SYNOPSIS

Let me now turn to the President's budget request for FY 2007. This budget proposes a total of \$695,990,000, specifically for Native American and Native Hawaiian housing and community development. There is \$625.7 million authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA). Of that amount, approximately \$620.1 million is for direct, formula allocations through the Indian Housing Block Grant program. \$1.98 million in credit subsidy, which will leverage \$14.9 million in loan guarantee authority, is proposed for NAHASDA's Title VI Tribal Housing Activities Loan Guarantee Fund. \$57.4 million is for grants under the Indian Community Development Block Grant program, and \$5.9 million in credit subsidy, which will provide \$251 million in loan guarantee authority, is for the Section 184 Indian Housing Loan Guarantee Fund.

The Native Hawaiian community would receive, through the Department of Hawaiian Home Lands, \$5.9 million for the Native Hawaiian Housing Block Grant Program, and \$1 million for the Section 184A Native Hawaiian Home Loan Guarantee Fund, which will leverage approximately \$43 million in loan guarantees.

Finally, there is a total of \$3.8 million available for training and technical assistance to support the Native American and Native Hawaiian Housing Block Grant programs.

INDIAN HOUSING BLOCK GRANT PROGRAM

Adjustments have been made within the account for the Indian Housing Block Grant (IHBG) program to allow more funds to go directly to tribes. The FY 2007 budget includes \$620,086,000 for the IHBG program. Reducing set-asides results in an increase in IHBG grant dollars available to tribes.

HUD TRAINING AND TECHNICAL ASSISTANCE

Training and Technical Assistance remains a critical component of the IHBG program. The Training and Technical Assistance set-aside is \$3,465,000, which has provided the initial training and technical assistance to most grantees, enabling them to function effectively under NAHASDA.

TITLE VI TRIBAL HOUSING ACTIVITIES LOAN GUARANTEE FUND

The Title VI Tribal Housing Activities Loan Guarantee Fund (Title VI) is also a set-aside under the IHBG program. The President's Budget requests \$1,980,000 in credit subsidy to continue loan activities at previous levels.

The program's commitment rates have been somewhat lower than originally anticipated. Existing funding will provide over \$14,938,825 in loan guarantee authority, which will be sufficient to cover current program needs.

SECTION 184 INDIAN HOUSING LOAN GUARANTEE FUND

The President's budget request for this program is \$5,940,000. Each year, as required by the Credit Reform Act, the Section 184 Indian Housing Loan Guarantee Fund credit subsidy rate is re-calculated. The 2007 request will support \$251,000,000 in loan limitation guarantee authority which, when added to existing funding, should be sufficient to cover current program needs.

The Section 184 program is a success and the Department believes that this program will continue to play a vital role in reaching the President's commitment to create 5.5 million minority homeowners by the end of this decade. HUD's Section 184 program addresses the special needs of Native Americans, making it possible for Indian families to achieve homeownership with market-rate financing. To improve the visibility of the program, in FY 2005, HUD decentralized its outreach efforts to tribes and lenders, which enabled the Department to connect with more of our clients at the local level. This new approach resulted in 634 new homeowners and more than \$100 million in loan commitments in FY 2005. The loan commitment volume is up 68 percent over the year-end totals for 2004. The Department also implemented two new program initiatives that will have a profound impact on homeownership in Indian Country for years to come. The Interagency Memorandum of Understanding, executed by HUD with the Department of Agriculture and the Bureau of Indian Affairs (BIA) in 2004 has resulted in new BIA lease approval and recording processes that will speed approval of leasehold interests and enhance the mortgage delivery system.

The second improvement, known as the expanded service area initiative, enables tribes to expand their HUD Section 184 service area to better meet the needs of tribal members living outside a tribe's historic service area. Twenty-two tribes in 18 states sought and received approval for expanded services areas in 2005.

The increase in loan guarantee limitation authority for the Section 184 program is a direct response to the recent growth in loan activity. The Section 184 program produced 1,253 new homeowners over the past two years. This trend has continued in FY 2006, with 224 loan guarantees worth \$28.2 million completed in the first quarter. The FY 2006 1st quarter numbers represent a 58.4 percent increase in dollar volume of loan guarantees in a year-to-year comparison.

INDIAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The President's FY 2007 request for the Indian Community Development Block Grant program is \$57,420,000. As I mentioned, the Indian CDBG program will remain with the Department, and will continue to be administered in PIH by the Office of Native American Programs.

NATIVE HAWAIIAN HOUSING BLOCK GRANT PROGRAM

For FY 2007, the Department is requesting \$5,940,000. There is a \$299,000 set aside for training and technical assistance. This budget recognizes the unique housing needs of Native Hawaiian families eligible to reside on the Hawaiian Home Lands, and HUD continues to address those needs.

The Department of Hawaiian Home Lands (DHHL) has been an active partner; there are numerous affordable housing activities in process.

SECTION 184A NATIVE HAWAIIAN HOUSING LOAN GUARANTEE FUND

The budget request includes \$1,010,000 for the Section 184A Native Hawaiian Housing Loan Guarantee Fund (Section 184A). The request will provide up to \$43,000,000 in loan limitation guarantee authority to secure market-rate mortgage loans, and activities related to such projects, to eligible entities, including the DHHL, non-profit organizations and income-eligible Native Hawaiian families who choose to reside on the Hawaiian Home Lands.

This program is modeled after the Section 184 program, but originally it concentrated on infrastructure and other related activities. Over the past 6 months, the Department has been working with DHHL to finalize a lending agreement that will open the Section 184A program to individual Native Hawaiians. This agreement will enable income- and credit-qualified Native Hawaiians to access private sector mortgage capital, backed by a federal loan guarantee, to finance homes on the Hawaiian Home Lands homestead leases they possess.

The Section 184A lending agreement supports the State of Hawaii's goal to increase homeownership among Native Hawaiians. DHHL introduced a plan to award 6,000 residential leases to Hawaiian Home Land beneficiaries over the next 5 years. The Section 184A Loan Guarantee program shares many of the characteristics of the Section 184 program. The Department anticipates a high level of interest from individual Native Hawaiians when Section 184A becomes available to them later this year.

Presenting FY 2006, including carryover funds, there is \$190,867,000 in loan guarantee authority available under the program. The DHHL, a State agency, is our primary program partner. Among their other activities, they are responsible for allocation of leasehold interests on the Hawaiian Home Lands. Until direct-endorsement lenders are approved, the Office of Native American Programs National Programs Office will work closely with DHHL, other qualified program partners and individual borrowers to review, underwrite and issue guarantee certificates for all loans.

FORMULA ALLOCATION NEGOTIATED RULEMAKING

Two weeks ago we held our final Formula Allocation Negotiated Rulemaking Committee meeting. The formula, which was created under NAHASDA and fleshed out in its implementing regulations in 1998, required revisiting and updating. After extended deliberations, the Committee brought forward over 20 proposals, and reached consensus on about half. The public comments made on the proposed rule were reviewed and considered by the Committee at this meeting. It was an arduous and challenging process, and I commend all Committee members, tribal leaders and members of the public for their dedication. Before the end of this fiscal year, we will publish the final rule implementing all the changes agreed upon by the Committee.

I am committed to holding the next negotiated rulemaking as expeditiously as staffing and resources allow.

CONCLUSION

Finally, let me state also for the record that the President's budget request for HUD's Indian and Native Hawaiian housing programs, and for the Native American community development program, supports the progress being made by tribes and the Native Hawaiian community in providing the housing needed for America's indigenous peoples.

This concludes my prepared remarks. I would be happy to answer any questions you may have.