

STATEMENT OF MICHAEL LIU
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BEFORE THE
UNITED STATES SENATE
COMMITTEE ON INDIAN AFFAIRS

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INTRODUCTION

Mr. Chairman, Mr. Vice Chairman, and Members of the Committee, thank you for inviting me to provide comments on President Bush's fiscal year (FY) 2006 budget for HUD's Indian Housing and Community Development programs.

My name is Michael Liu, and I am the Assistant Secretary for Public and Indian Housing. I am responsible for the management, operation and oversight of HUD's Native American programs. These programs are available to over 562 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.

It is a pleasure to again 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. Tribes are taking advantage of new opportunities to improve the housing conditions of the Native American families residing on Indian reservations, on trust or restricted Indian lands, in Alaska Native Villages and Native Hawaiians on the Native Hawaiian Homelands. For example, during FY 2004, tribes and their TDHEs used their IHBG grants to build 2,115 new housing units. Each new housing unit gave shelter to a family. If all of this building were used to relieve over-crowding, then it would have reduced the incidence of overcrowding in Indian Country by 4.5 percent. The Department is working on a measure to precisely track reduction in over-crowding and we are committed to working with Indian Housing Block

Grant (IHBG) grantees to establish a set of measures that illustrate the program's outcomes. While there is still a long way to go, we expect to see overcrowding reduced by at least one percent in the coming year, which means that 467 additional families will be housed.

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 Indian tribes. HUD is committed to honoring this fundamental precept in our work with American Indians and Alaska Natives.

For several years now I have updated you on the progress tribes and tribally designated housing entities (TDHEs) have made toward the obligation and expenditure of funding. For FY 2005, ONAP has enhanced its performance measures and continues its expansion of the ACCESS database system to ensure we are able to accurately report on the rate of fund obligations and expenditures. The Department is consulting with tribally elected leaders and TDHEs for their input so that we may improve and streamline data collection through the required Indian Housing Plan (IHP), the Annual Performance Report (APR) and the Annual Status and Evaluation Report (ASER) for the ICDBG Program.

I am now more confident than ever that the majority of tribes and their TDHEs are obligating and spending their grants in an expeditious manner. The Department's electronic Line of Credit Control System shows that more than 82 percent of all grant funds appropriated between 1998 and 2004 have been expended by grantees.

BUDGET SYNOPSIS

Let me now turn to the President's budget request for FY 2006. This is a tight budget. But having said that, this budget also recognizes the low-income housing needs in Native American communities. This budget also increases the budget authority for Section 184 Indian Housing Loan Guarantee program. Thus, the Department's homeownership efforts on behalf of Native American communities will continue at an accelerated pace. HUD will also increase its efforts in promoting leveraging of federal dollars with private investments for both rental housing and homeownership. We believe accessing greater sources of private capital will increase housing opportunities on Indian reservations, on trust or restricted Indian lands, in Alaska Native Villages and on the Native Hawaiian Homelands.

For FY 2006, the President's budget proposes a total of \$594.9 million dollars specifically for HUD programs that serve Native Americans, including American Indians, Alaska Natives, and Native Hawaiians.

Of this total, \$582.6 million is authorized under the Native American Housing Assistance and Self-Determination Acts (NAHASDA). Of the NAHASDA funds, approximately \$517.7 million is for direct, formula allocations through the Indian Housing Block Grant Program. \$4.8 million is proposed for NAHASDA's Title VI Tribal Housing Activities Loan Guarantee Fund for credit subsidy and administrative expenses. This will leverage \$37.9 million in loan guarantee authority. The NAHASDA allocation also includes \$57.8 million for the Native American Housing and Community Development Block Grant Program. Finally, there is \$2.458 million available under NAHASDA for training and technical assistance to support these programs.

The President's budget request provides \$2.65 million for the Section 184 Indian Housing Loan Guarantee Fund for credit subsidy and administrative expenses. This will provide \$99 million in loan guarantee authority.

The Native Hawaiian community will receive, through the Department of Hawaiian Home Lands, \$8.8 million for the Native Hawaiian Housing Block Grant Program, and \$882,000 for the Section 184A Native Hawaiian Home Loan Guarantee Fund, which will leverage approximately \$35.0 million in new loan guarantees.

HUD TRAINING AND TECHNICAL ASSISTANCE

The Training and Technical Assistance set-aside of \$2.661 million has provided the initial training and technical assistance to most grantees, enabling them to function effectively under NAHASDA. For FY 2006, the President's request includes an

additional \$353,000 to provide similar services for the management and oversight of the Native Hawaiian Housing Block Grant program.

NATIONAL AMERICAN INDIAN HOUSING COUNCIL (NAIHC) TRAINING AND TECHNICAL ASSISTANCE

Difficult decisions had to be made for this budget. Therefore, no funds were requested under the IHBG training and technical assistance set-aside for NAIHC as the Department believes they have sufficient funding. NAIHC's current balance from the Indian Housing Block Grant set-aside is \$5.35 million. In addition, NAIHC has a \$4.56 million balance in prior budget set-asides from the Department's Office of Community Planning and Development. We have worked closely with NAIHC representatives over the past year to put these resources to work in a more expeditious manner.

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 \$4.65 million in credit subsidy to continue loan activities at previous levels. The 2006 request will support \$37.9 million in loan guarantee authority, which will be sufficient to cover future program needs. This program has been underutilized in past years. For 2006 our goal is to use 100 percent of the loan guarantee authority that is projected to be available.

SECTION 184 INDIAN HOUSING LOAN GUARANTEE FUND

The President's budget request for this program is \$2.645 million, which will leverage nearly \$99 million in loan guarantee authority. For FY 2006, the projected loan guarantee authority, including carryover will support over \$255 million in Section 184 loan activity, which will be sufficient to cover anticipated loan demand.

In Fiscal Year 2004 we increased the number of mortgage loan guarantees to 622, up from 271 loan guarantees in FY 2003, the most since the program's inception. We now have completed more than 2,125 Section 184 Loan Guarantees that represent over \$212 million dollars in homeownership investments. HUD's FY 2006 goal is to issue \$120 million in loan guarantees for this program.

The Department believes the Section 184 program will continue to play a vital role in keeping with the President's commitment to create 5.5 million minority homeowners by the end of this decade. To assist in this process during the past year, HUD reached out to the Bureau of Indian Affairs and the Department of Agriculture's Rural Development Office to formulate a Memorandum of Agreement to develop an expedited process for land title searches. This agreement will establish interagency coordination that will help create more homeownership opportunities in Indian Country.

NATIVE HAWAIIAN HOUSING BLOCK GRANT PROGRAM

For FY 2006, the Department is requesting \$8.8 million. There is a \$353 thousand dollar set aside for training and technical assistance. The Department of Hawaiian Home Lands (DHHL) has been an active partner; there are numerous affordable housing activities in process at more than 14 sites.

SECTION 184A NATIVE HAWAIIAN HOUSING LOAN GUARANTEE FUND

The budget request includes \$882 thousand for the Section 184A Native Hawaiian Housing Loan Guarantee Fund. The request will provide up to \$35 million in loan 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 now in its fourth year of operation.

At present, including carryover funds, there is over \$157 million in credit authority available under the 184A program. 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 (ONAP) 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.

I am pleased to announce that DHHL has entered into an agreement with a housing development firm to construct 20 turnkey homes in Waiohuli on the island of Maui using the Section 184A Loan Guarantee Program. The Department of Hawaiian Home Lands will access the Section 184A loan guarantee program as an “institutional borrower” for the permanent financing on this project. DHHL would use the proceeds from the 184A loan to enter into homebuyer agreements with families who would otherwise find it difficult to obtain mortgage financing. The project has drawn interest from a number of national lenders experienced in HUD loan guarantee programs. And there is real interest among secondary mortgage market investors to purchase loans generated through the program.

NATIVE HAWAIIAN PROGRAMS SPECIALIST

I want to report to you on our efforts to fill the Native Hawaiian programs specialist position in Honolulu. I told you last year that we would act to fill this job as soon as possible. I am pleased to announce that we have filled that position effective October 4, 2004. I believe we have selected a person with the specific experience that I wanted for this critical position.

FORMULA ALLOCATION NEGOTIATED RULEMAKING

I'd like now to update you on the status of the NAHASDA formula rule. The Department participated with the Neg-Reg Committee in seven meetings, which resulted in drafting a proposed formula rule. The Committee approved the draft and it

was forwarded to the Office of Management and Budget (OMB). OMB has completed its review and has cleared the rule for publication. No substantial changes were made to the substance of the negotiated rule as a result of the OMB review process. We will be meeting via conference call with the full neg-reg committee to discuss OMB's comment and will meet with the full committee after the public comment period on the proposed rule.

FUTURE NEGOTIATED RULEMAKING II

This year we are planning to establish a second negotiated rulemaking committee that will provide advice and recommendations on developing changes to the Indian Housing Block Grant program. A proposed notice has been drafted and we expect it to be published this month.

CONCLUSION

Finally, let me state for the record that the President's budget request for HUD's Indian housing, community and economic development programs supports the progress being made by tribes in providing the housing needed in their communities and throughout Indian Country.

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