



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

February 21, 2007

**H.R. 835  
Hawaiian Homeownership Opportunity Act of 2007**

*As ordered reported by the House Committee on Financial Services  
on February 14, 2007*

**SUMMARY**

H.R. 835 would reauthorize the Native Hawaiian Housing Block Grant and Loan Guarantee programs and would authorize the appropriation of such sums as necessary for those programs for each of the fiscal years 2008 through 2012. In addition, the bill would reauthorize loans provided under Title VI of the Native American Housing Assistance and Self-Determination Act of 1996 for fiscal years 2008 through 2012 and would expand eligibility to include the Department of Hawaiian Home Lands (DHHL).

CBO estimates that appropriation of the amounts necessary to implement H.R. 835 would cost \$39 million over the 2008-2012 period. Enacting H.R. 835 would not affect direct spending or revenues.

H.R. 835 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would provide benefits to the state of Hawaii.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 835 is shown in the following table. The costs of this legislation fall within budget functions 600 (income security) and 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Spending Under Current Law for Hawaiian Housing Programs						
Budget Authority <sup>a</sup>	12	0	0	0	0	0
Estimated Outlays	4	2	2	2	2	1
Proposed Changes:						
Native Hawaiian Housing Block Grants						
Estimated Authorization Level	0	9	9	10	10	10
Estimated Outlays	0	1	3	5	7	9
Native Hawaiian Loan Guarantees						
Estimated Authorization Level	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1
Title VI Loan Guarantees						
Estimated Authorization Level	0	2	2	2	2	2
Estimated Outlays	0	2	2	2	2	2
Total						
Estimated Authorization Level	0	12	12	13	13	13
Estimated Outlays	0	4	6	8	10	12
Spending Under H.R. 835 for Hawaiian Housing Programs						
Estimated Authorization Level <sup>a</sup>	12	12	12	13	13	13
Estimated Outlays	4	6	8	10	12	13

a. The 2007 level is the amount appropriated in that year for Native Hawaiian Housing Block Grants, Native Hawaiian Housing Loan Guarantees, and Title VI Loan Guarantees.

## BASIS OF ESTIMATE

### Native Hawaiian Housing Block Grants

Section 2 would authorize the appropriation of such sums as necessary for the Native Hawaiian Housing Block Grant program from 2008 through 2012. Program grants are used to assist affordable housing activities for eligible low-income Native Hawaiian families. In

2007, \$9 million was appropriated for this program. Assuming appropriation of similar amounts (and adjusting for anticipated inflation), CBO estimates that implementing this section would cost \$23 million through 2012.

### **Native Hawaiian Housing Loan Guarantees**

Section 3 would authorize the appropriation of such sums as necessary for the Native Hawaiian Housing Loan Guarantee program from 2008 through 2012. This program guarantees loans made to eligible Native Hawaiian families who reside on the Hawaiian Home Lands and who otherwise could not acquire private financing because of the unique legal status of the Hawaiian Home Lands. In 2007, \$1 million was appropriated for this program. Assuming appropriation of similar amounts (and adjusting for anticipated inflation), CBO estimates that implementing this section would cost \$5 million through 2012.

### **Title VI Loan Guarantees**

Section 4 would extend the authorization of the Title VI loan guarantee program through 2012 and expand eligibility to include the DHHL. Such guarantees allow Native American Block Grant recipients to leverage their funding by pledging future grants as security for the repayment of a loan. A private lender provides the financing and the Department of Housing and Urban Development (HUD) provides a 95 percent guarantee of the principal and interest due in the case of a default. The size of the Title VI loans can be no larger than five times the grant recipient's annual grant amount. HUD estimates this program currently has a subsidy rate of about 12 percent. In 2007, \$2 million for subsidy costs was appropriated for the program, which would support about \$17 million in loans. Assuming appropriation of similar amounts and adjusting for the expansion of eligibility to include DHHL, CBO estimates that implementing this section would cost \$11 million through 2012. CBO assumes that loans to DHHL that are paid off using Native Hawaiian Housing Block Grants would have a similar loan-to-grant ratio as those Title VI loans backed by Native American Block Grants.

There have been few losses to date in the Title VI program; however, repayment of these loans have been funded by federal grants. As a result, the actual cost to the government is borne by the grant program. It is uncertain what the cost of these loans would be in the absence of the grant program but it likely would be higher, perhaps substantially.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 835 contains no intergovernmental or private-sector mandates as defined in UMRA and would provide benefits to the state of Hawaii. The bill would allow certain state and tribal entities in the state of Hawaii to continue helping native Hawaiians with low incomes purchase, construct, or refinance homes.

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