



# Mortgage Markets Outlooks Post-Recession and Impacts in Indian Country: *A Response*

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Development

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## “We all know the story”:

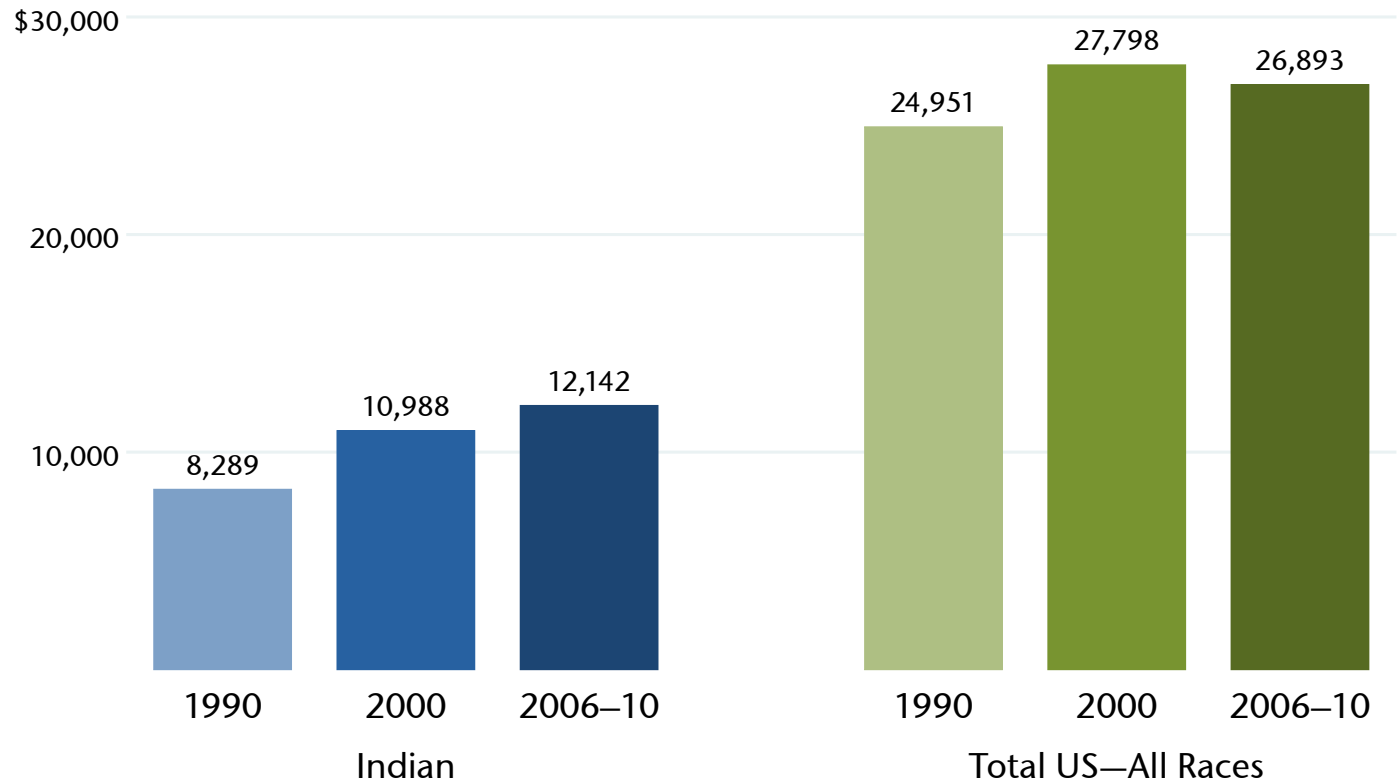
- Indian Country is poor, much poorer than other parts of the nation.
- Housing problems (conditions, availability, “need”) in Indian Country are severe.
- American Indians living on reservations have poor or nonexistent credit.
- If they get loans, Indian people won’t repay them anyway.
- Lending on trust land is difficult to impossible, given collateralization concerns.

***Psst... “The story” might not always be true.***



# Indian Country Incomes

Real Per Capita Income  
 Reservations Other than Navajo

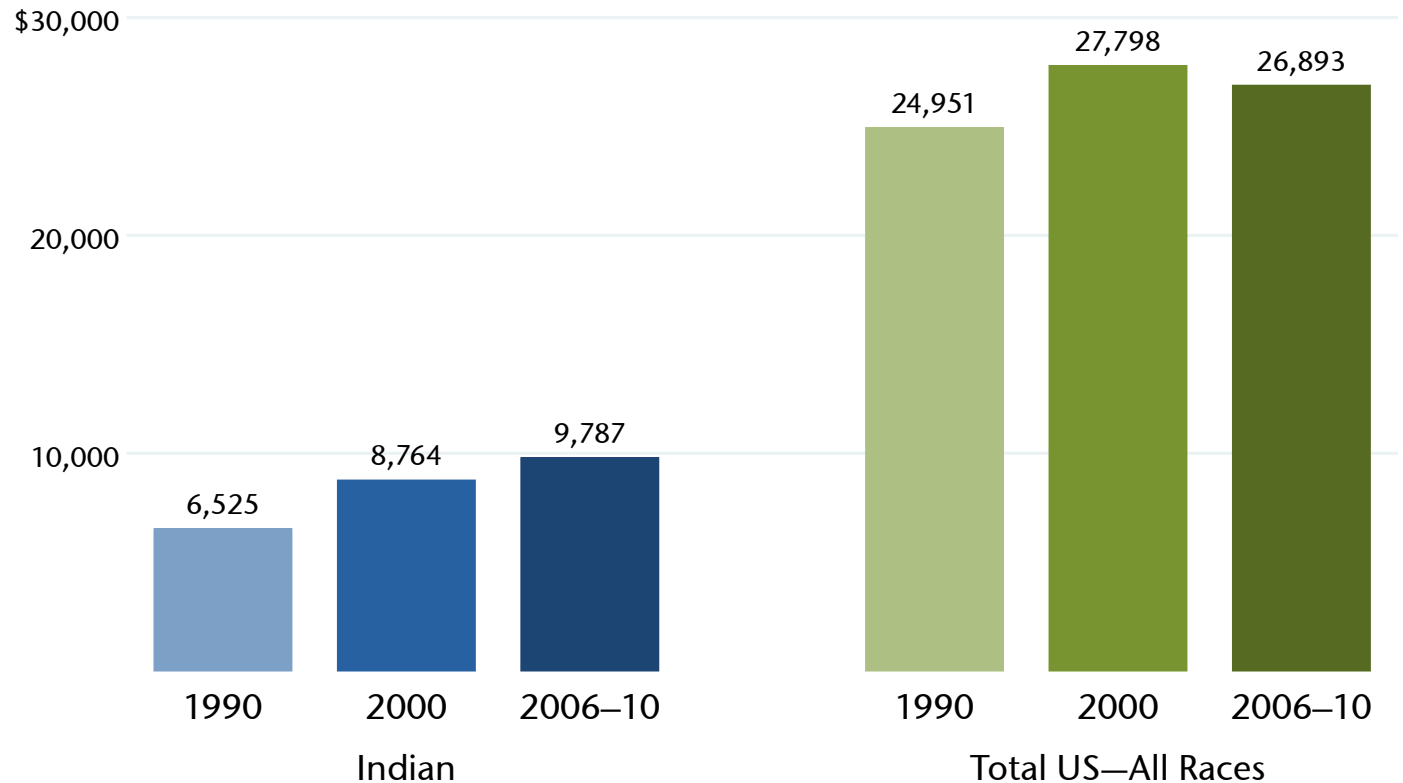


Source: Akee & Taylor (2014, Page 29)



# Navajo Country Incomes

Real Per Capita Income  
 Navajo Nation

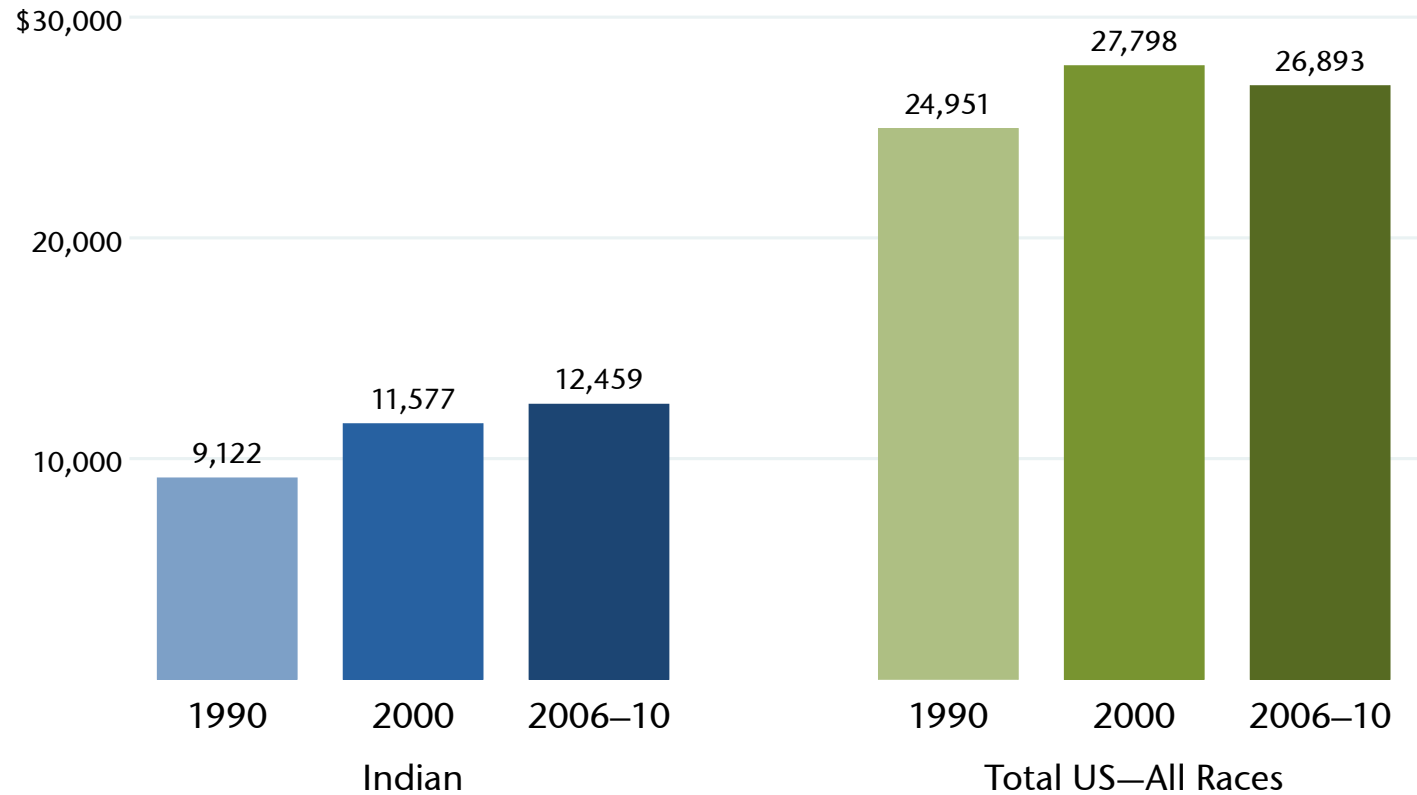


Source: Akee & Taylor (2014, Page 29)



# Indian Country Incomes

**Real Per Capita Income**  
 All Indian Areas (including statistical areas)

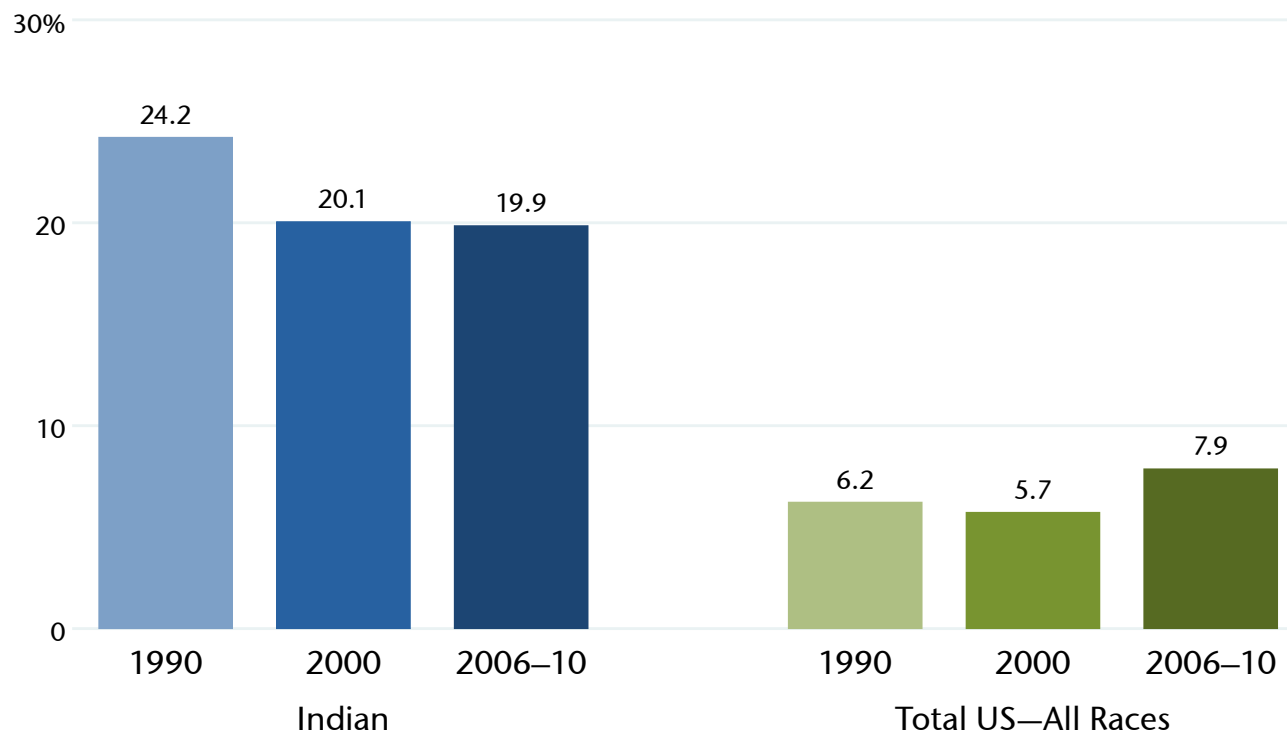


Source: Akee & Taylor (2014, Page 33)



# Indian Country Unemployment Rates

Unemployment Rate  
 Reservations Other than Navajo

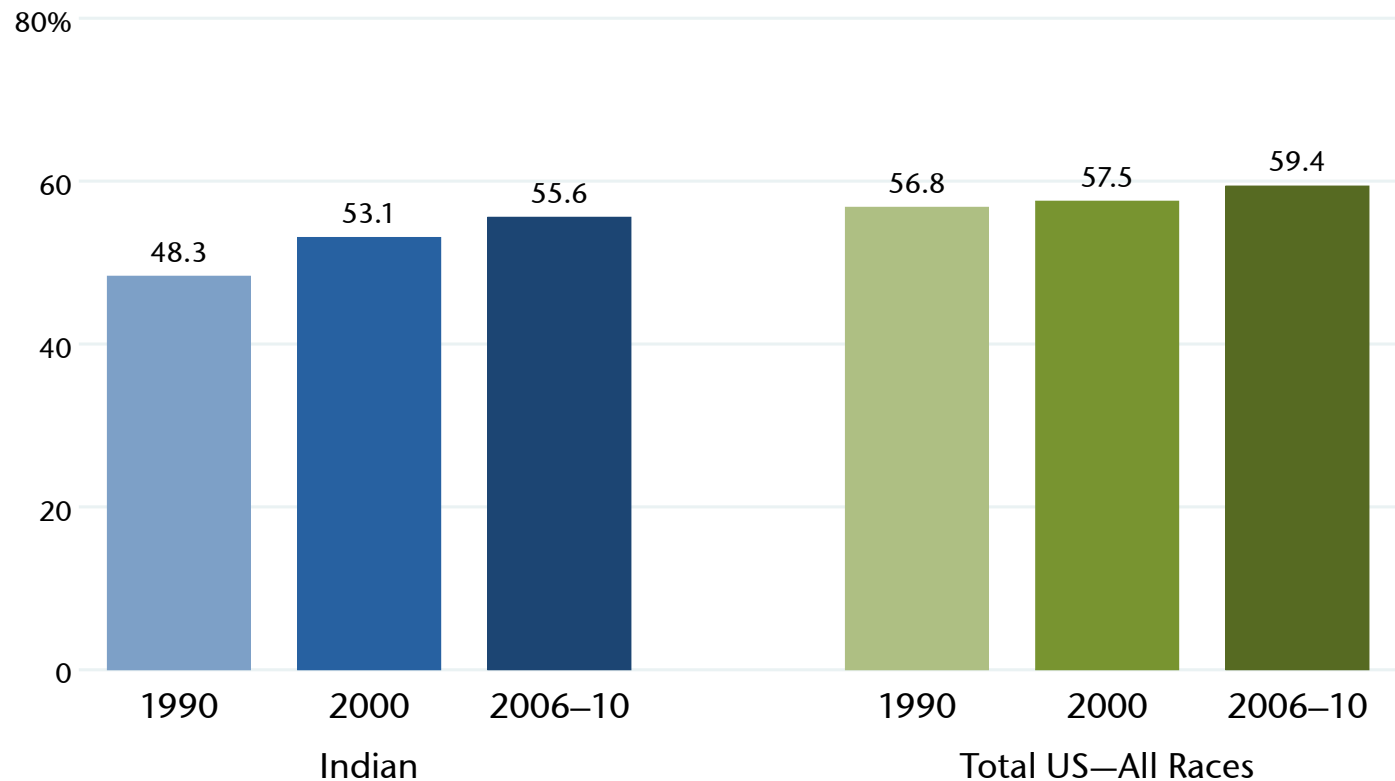


Source: Akee & Taylor (2014, Page 45)



# Indian Country Labor Force Participation: Women

Female Labor Force Participation Rate  
 Reservations Other than Navajo

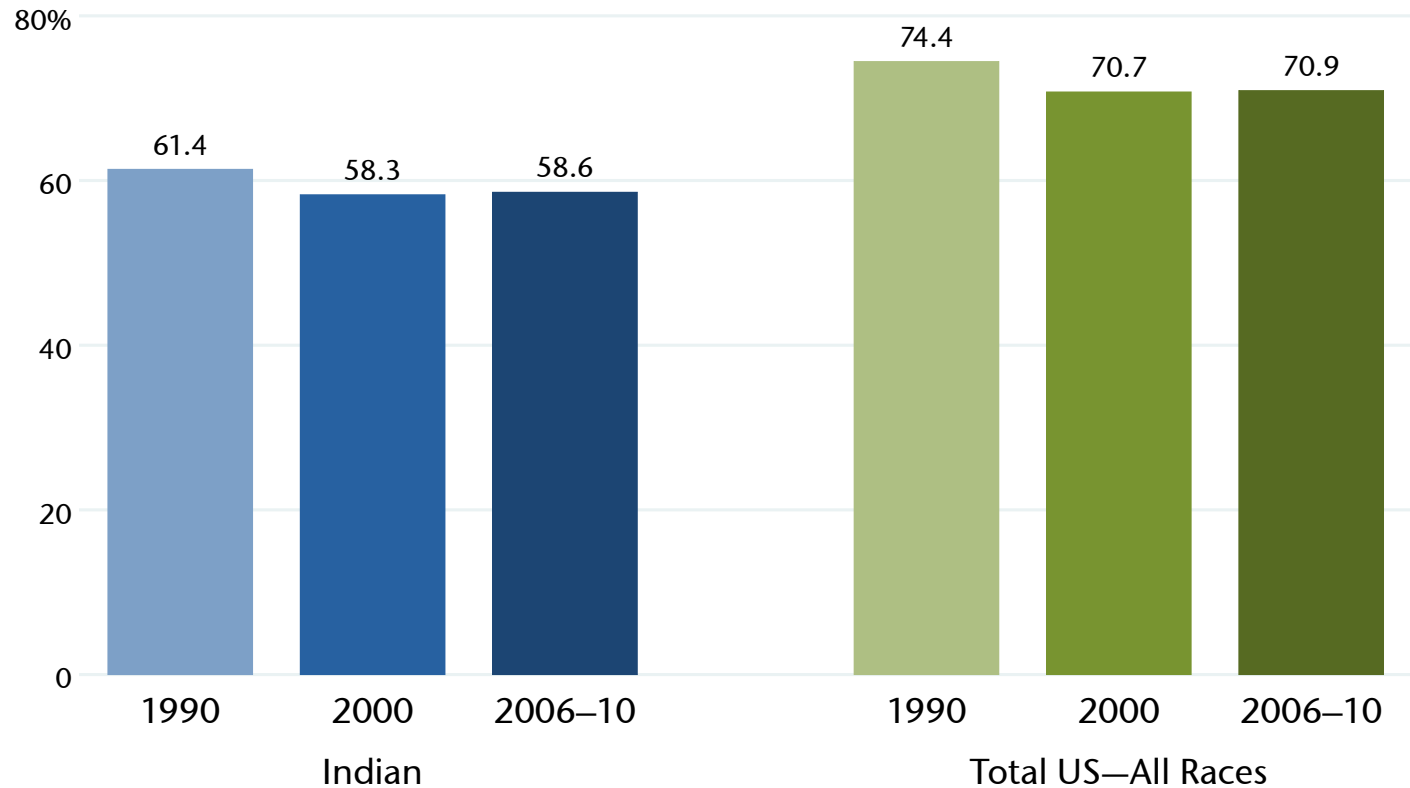


Source: Akee & Taylor (2014, Page 47)



# Indian Country Labor Force Participation: Women

Male Labor Force Participation Rate  
Reservations Other than Navajo



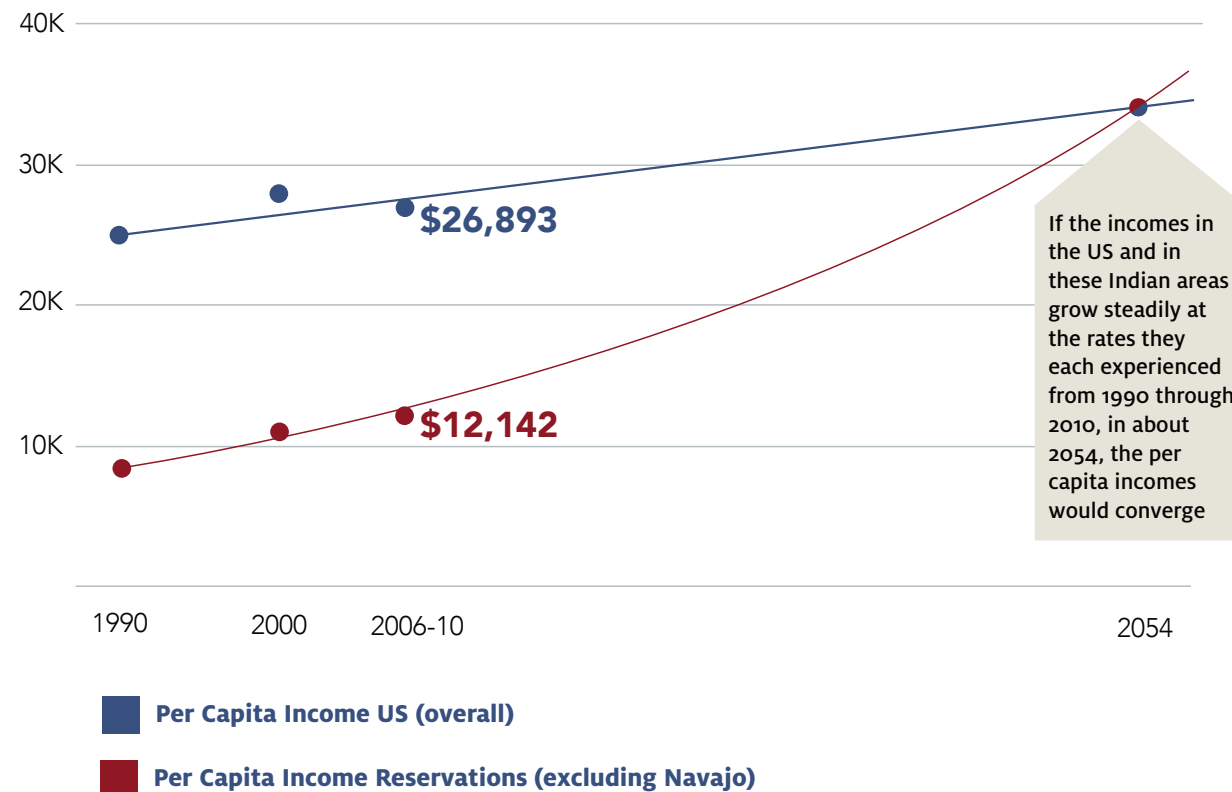
Source: Akee & Taylor (2014, Page 47)





# The Changing Economic Fortunes in Indian Country

Exhibit 1.3: Projected Real Per Capita Income Growth (reservations other than Navajo)



Source: Akee & Taylor (2014, Page 37)



## Conclusion on Incomes:

- There is a **growing** middle class in Indian Country (i.e. It's getting larger)
- There is a growing number of single identifier American Indians living in counties just off the reservation.
- “We want people of all incomes levels to be able to live on the reservation.”  
*(One of the most common responses during the engagement meetings in Indian Country for the Access to Capital and Credit Report.)*
- So income may not be the key barrier.

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## Access to Banks

Native American Lending Study (2001): “What is the approximate distance from the Reservation or Indian Lands to the nearest branch or ATM?”

- *Only 14 percent of communities on Indian Lands had a financial institution in their community*
- *Approximately half of these communities had a financial institution nearby (fewer than 30 miles away)*
- *Only about half had an easily accessible ATM*
- *Six percent of the residents of Indian Lands must travel more than 100 miles to reach a bank or ATM*

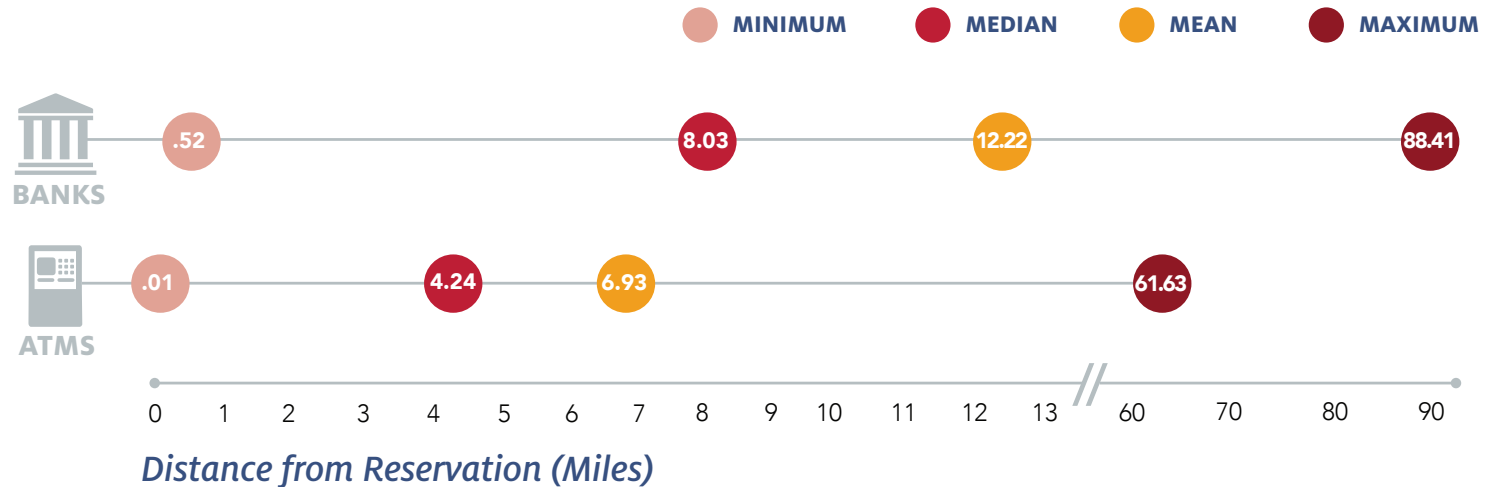
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## Cross-Country Distance from the Geographic Center of a Tribe's Reservation to the Nearest Bank or ATM



*Note: Calculations take account of 484 parcels that are part of 205 reservations belonging to 201 Tribes. When a reservation comprises multiple parcels, or a Tribe owns multiple reservations, the mean straight-line distance among the parcels or reservations was used to calculate the mean, median, and extreme values across Tribes. Data sources: FDIC (2013), Census Bureau (2012), and Digibits Media (2013); bank and ATM information current as of August 2013.*

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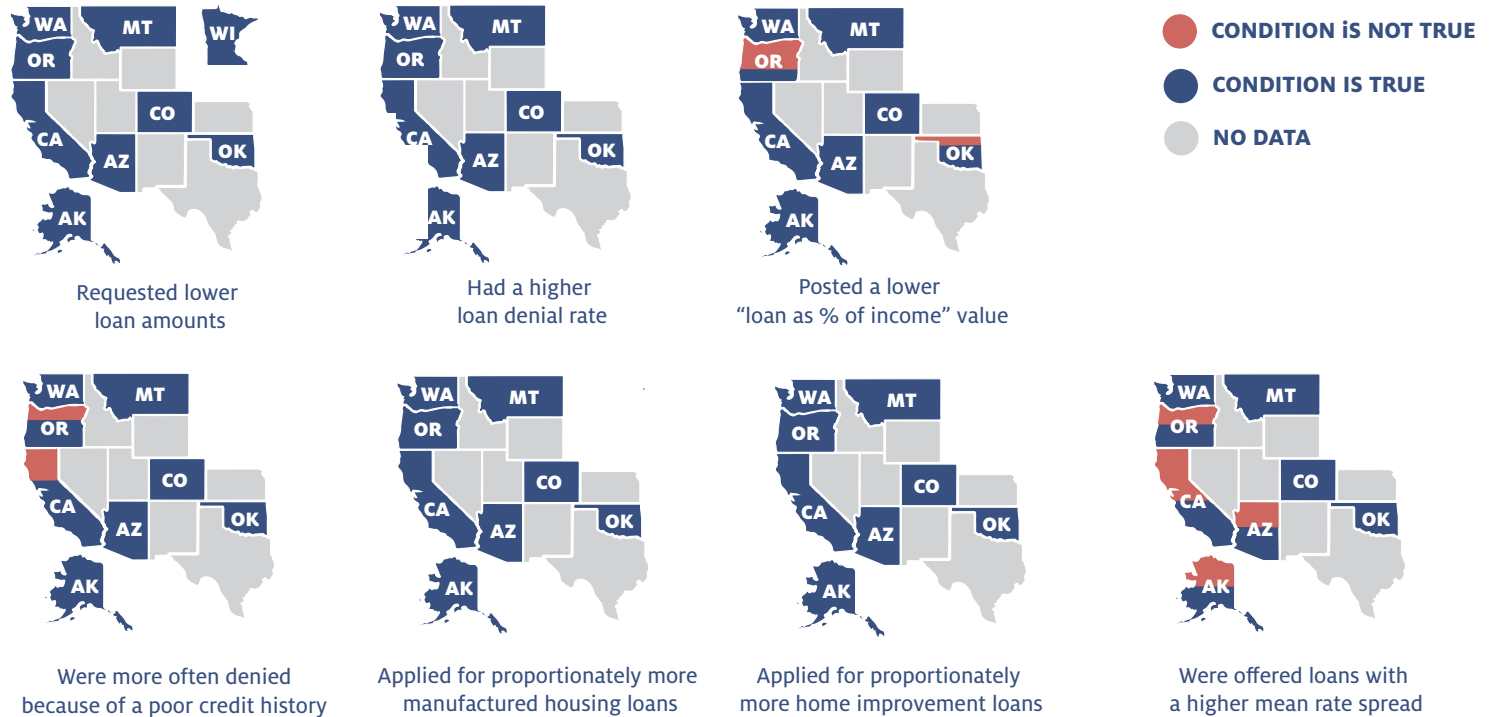
  
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# Mortgage Loan Applications 2003, 2006, 2010:

## AIAN Applicants on or near Indian Lands Compared to All Applicants in a State

*As compared to all applicants in the state, AIAN applicants on or near Indian Lands:*



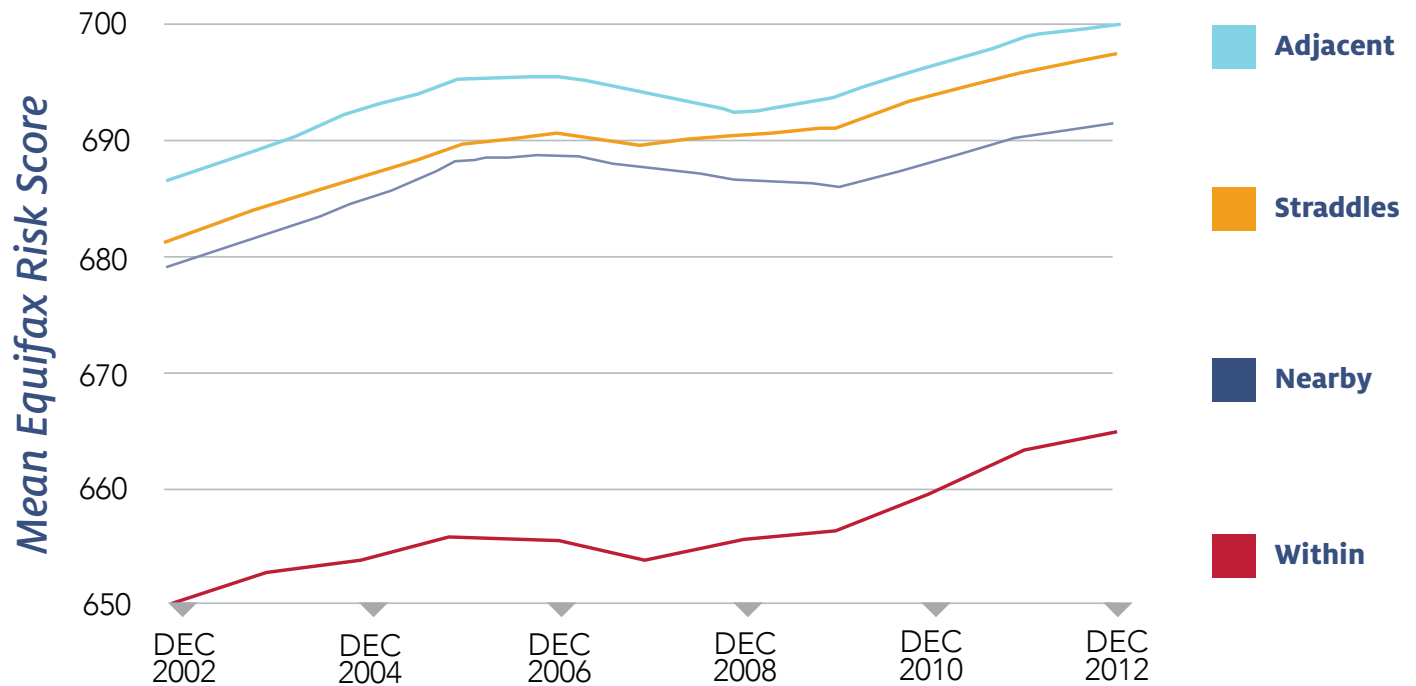
*Note: Data on manufactured housing loans and the mean rate spread were not reported in 2003.*

*Source: Home Mortgage Disclosure Act public datasets for 2003, 2006, 2010.*



# Credit Scores on Indian Lands

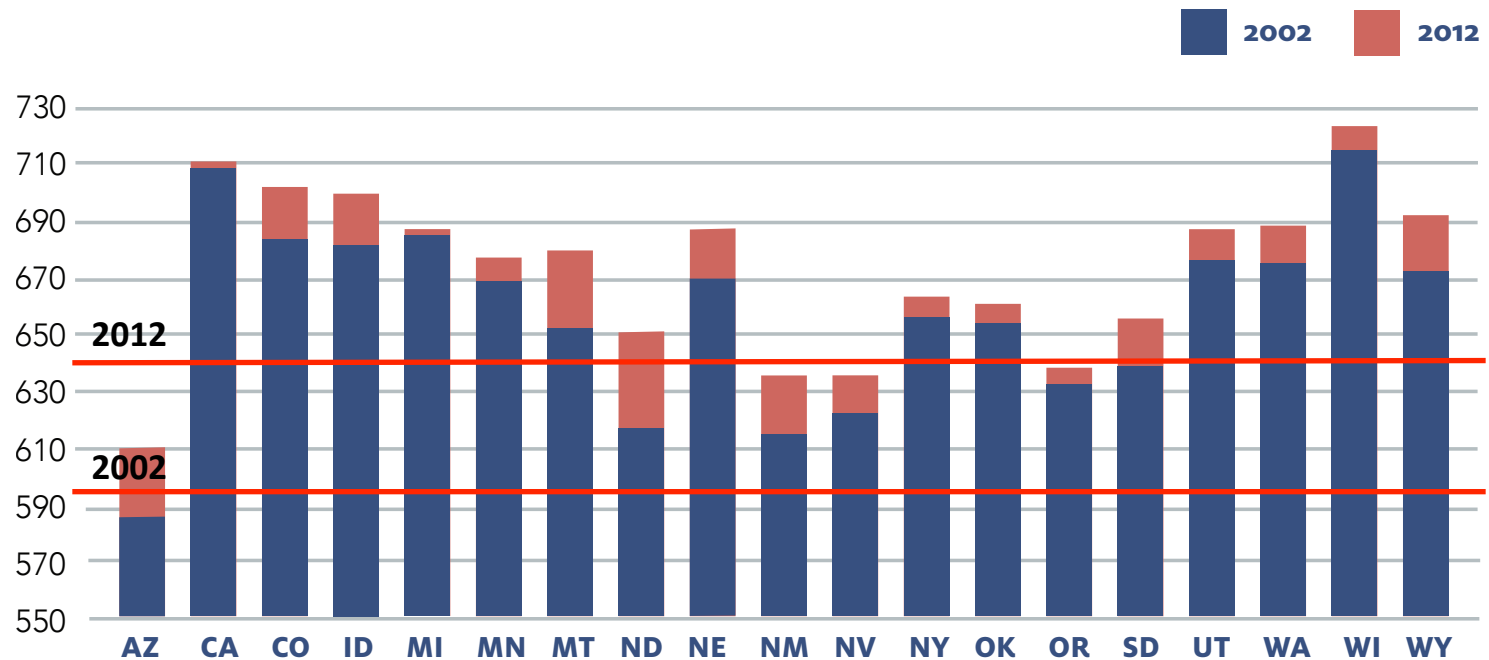
Average Credits Scores (All Races) by Geography, 2002-2012



Source: Dimitrova-Grajzl (2014, Table 3)



# On Reservation Mean Credit Scores

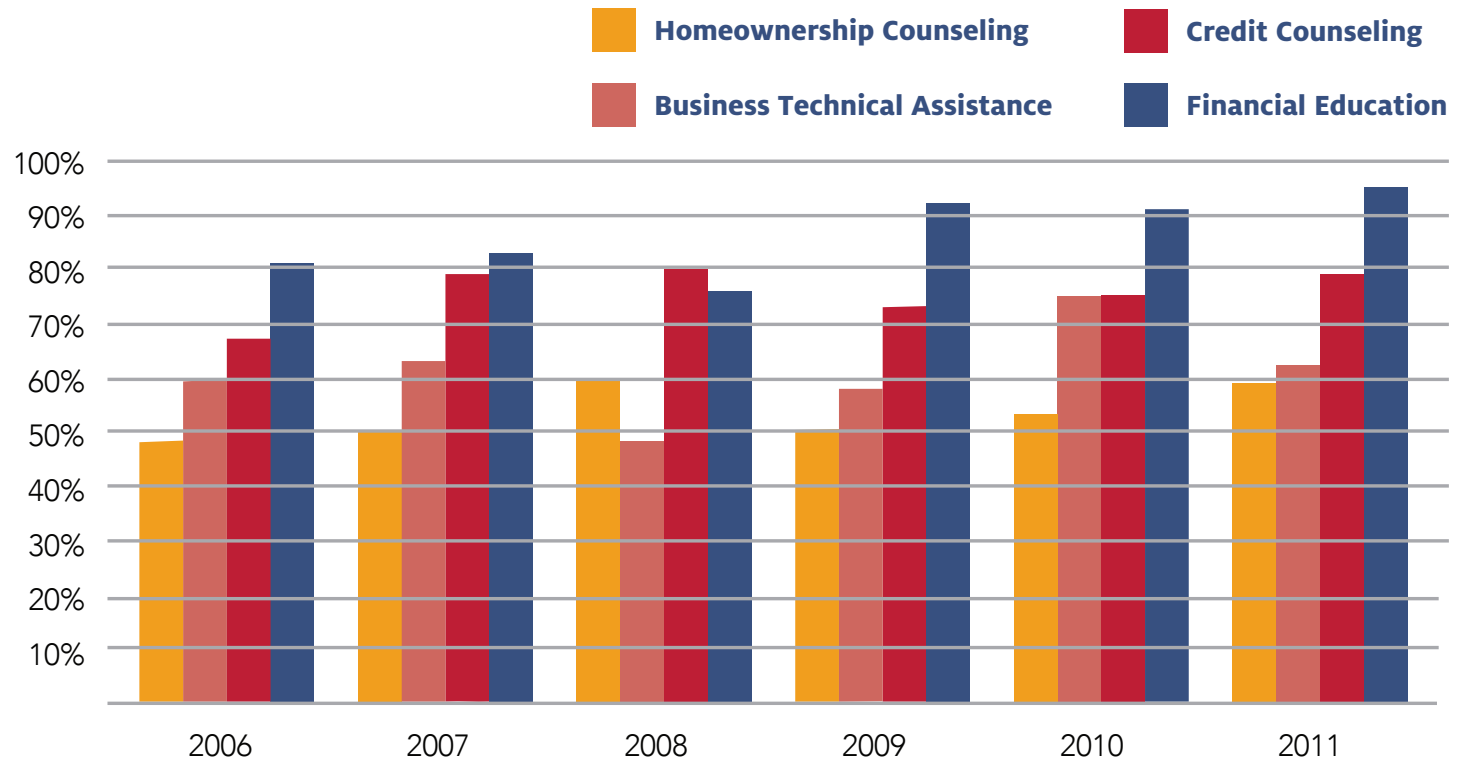


Notes: 1) Scores are for all races, that is, for Native and non-Natives. 2) On-reservation scores include block groups fully contained within reservations.

Source: Dimitrova-Grajzl et al. (2014, Table 3).



# CDFI Development Services Activity



*Note: The number of Native CDFIs reporting on development service activities ranges from 24 to 32.  
 Source: CDFI Fund Institution Level Reports 2006-2011.*

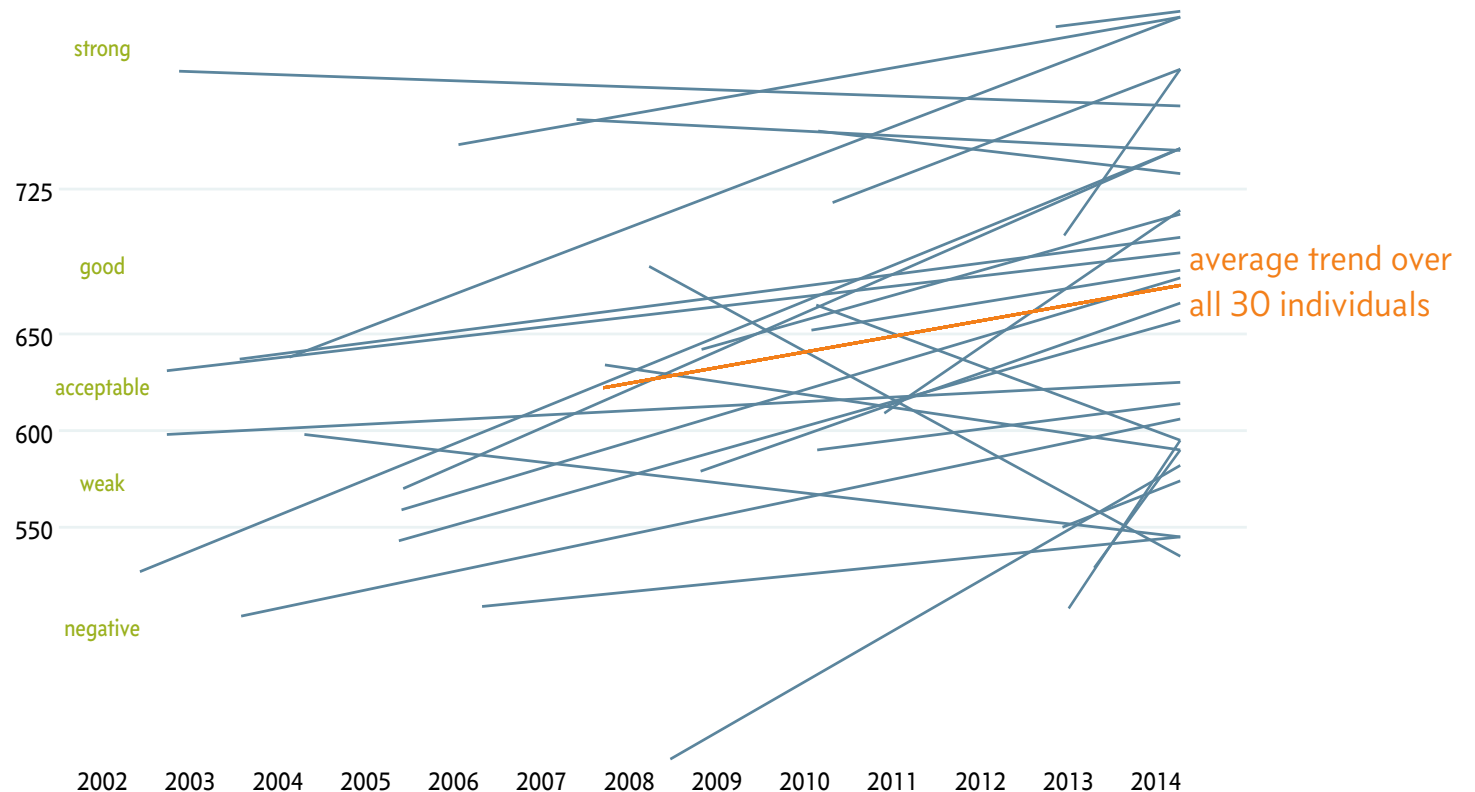




# One Native CDFI's Impact

## Credit Scores of Four Directions Clients Over Time

*movement from first credit score assessment to most recent*



Source: Four Directions Development Corporation, course of business files, 2002-2014



## Conclusions on Mortgage Access & Credit

- Access to banking services for American Indian living on reservation has probably improved.
- AIANs have tried to adjust their borrowing requests are still are denied, often due to “poor credit.”
- On reservation credit among borrowers of all races is poor—which points to land issues—*but non-housing loan performance is quite good.*
- CDFIs are working to make a difference, and the *are* making a difference for credit scores.

*But it still doesn't appear that there is much flow of mortgage lending to Indian Country.*

*Strengthening Indigenous Governance*



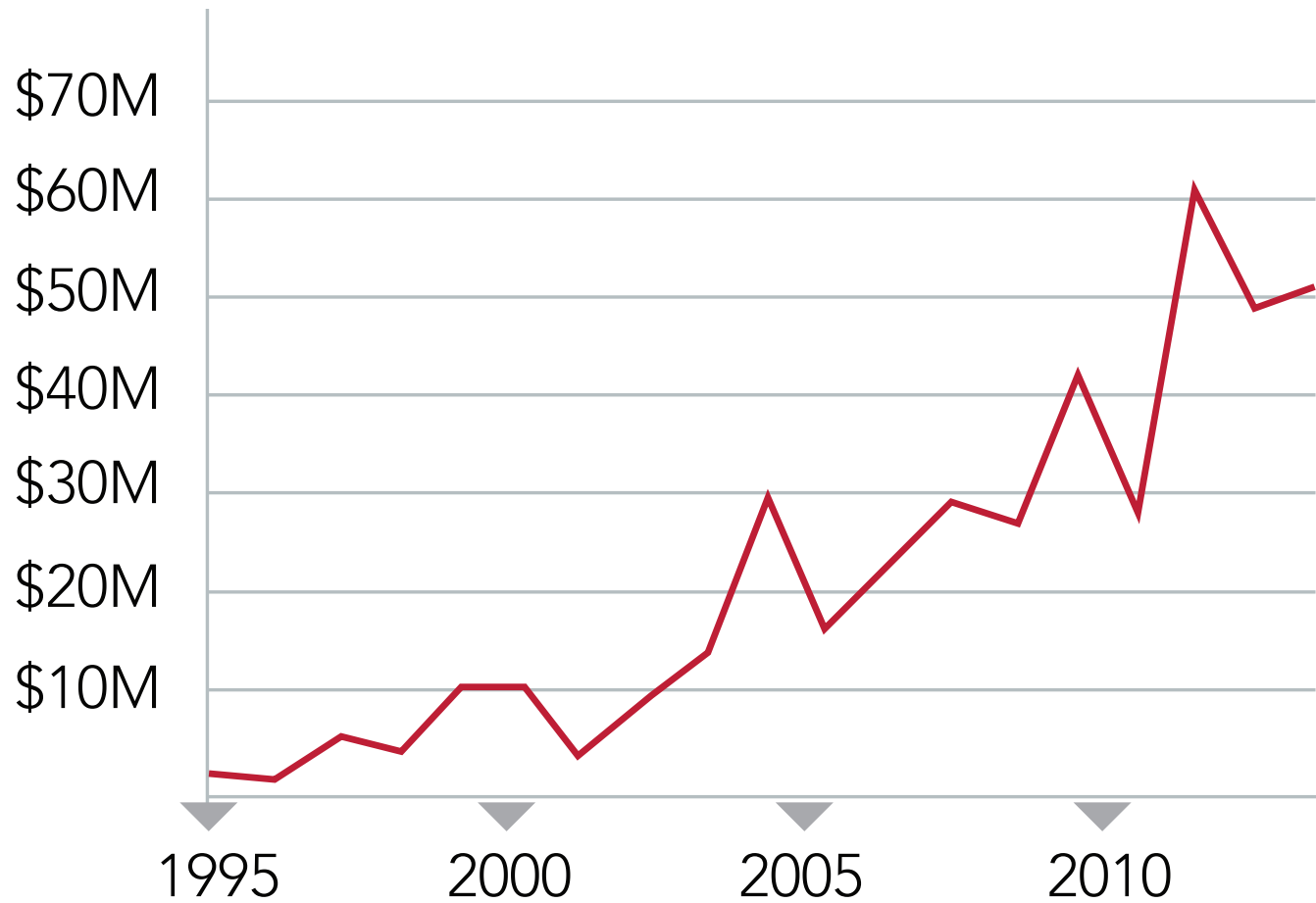
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# Housing: 184 lending



Source: HUD Office of Native American Programs, 2014

*Strengthening Indigenous Governance*



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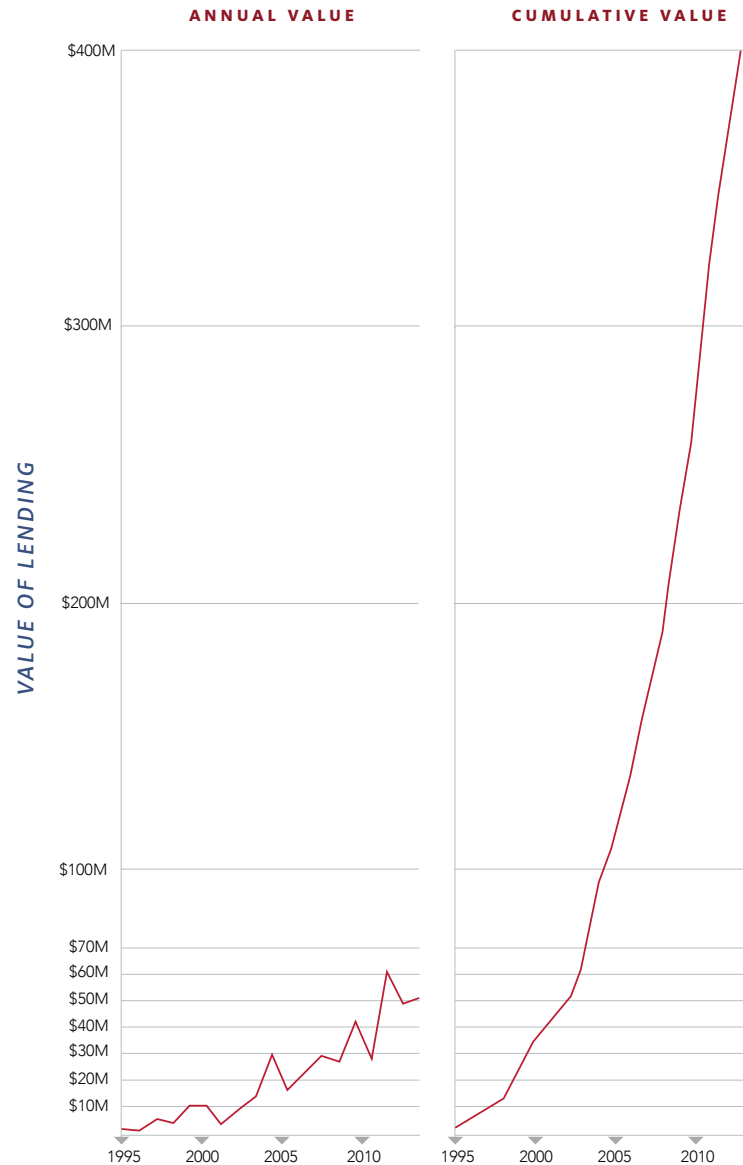
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# Housing: 184 lending

Exhibit 4.3: Annual and Cumulative Value of HUD Section 184- Guaranteed Mortgage Lending on Trust Lands, 1995-2013 (2013 dollars)



Source: HUD Office of Native American Programs, 2014

Strengthening Indigenous Governance

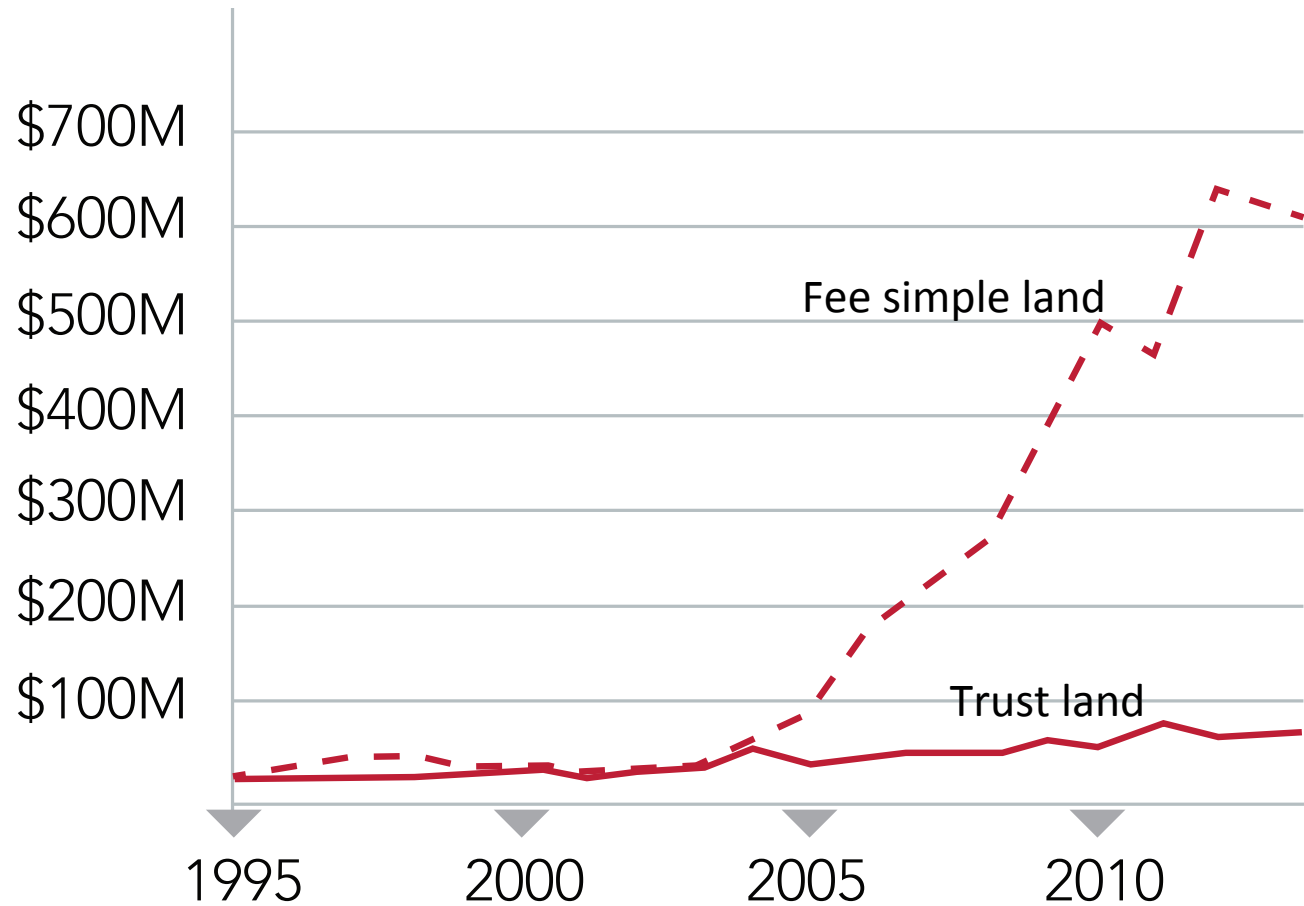


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# Housing: 184 lending

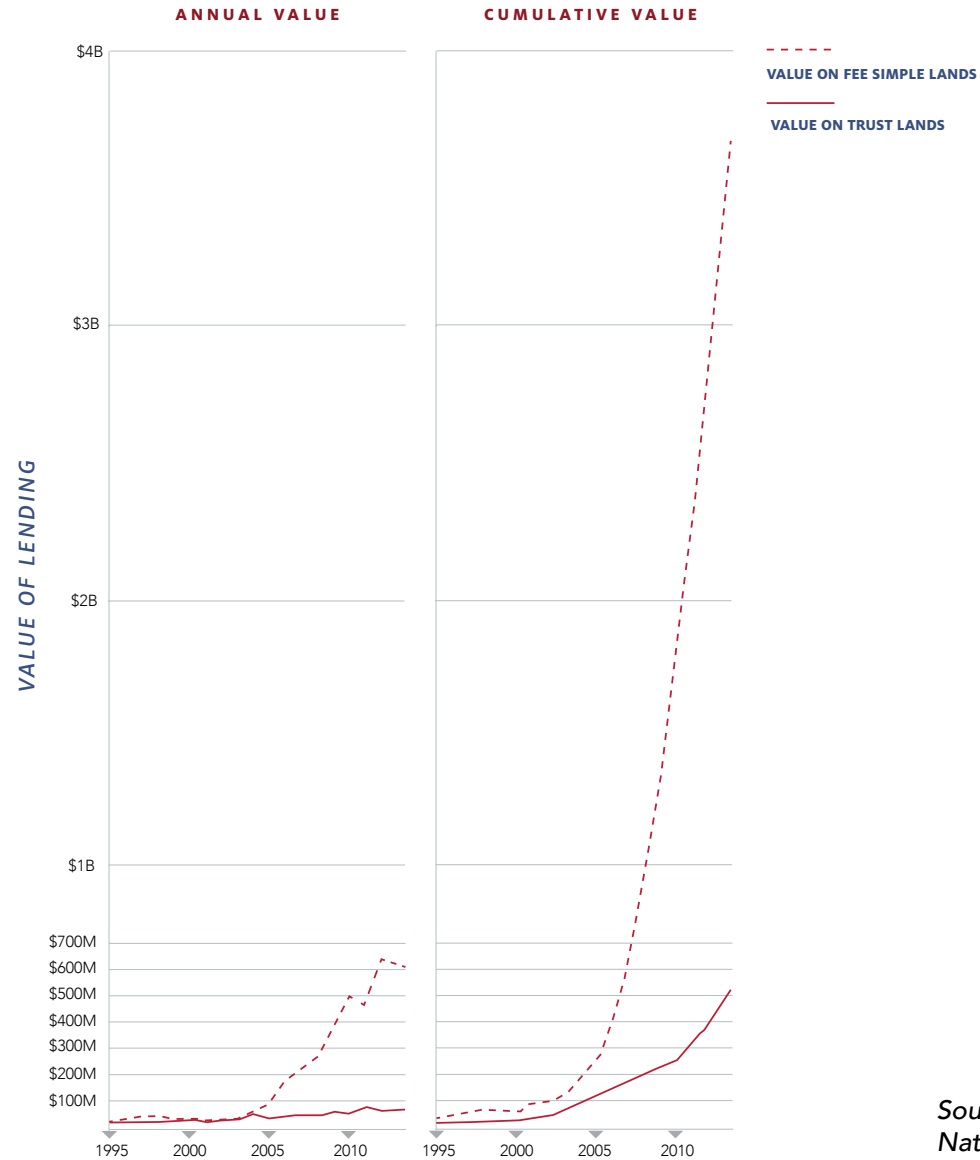


Source: HUD Office of Native American Programs, 2014



# Housing: 184 lending

Exhibit 4.4: Annual and Cumulative Value of HUD Section 184- Guaranteed Mortgage Lending on Trust and Fee Simple Lands, 1995-2013 (2013 dollars)



Source: HUD Office of Native American Programs, 2014



# Conclusions on Trust Land Lending

- Trust lands options exist
  - *But the apparent preference among borrowers and banks has been for lending on fee-simple lands*
  - *And funding for those models has been limited*
- It's *other* issues (especially bureaucratic issues) that complicate trust land lending, e.g.:
  - *Tribal trust land leasing codes need development*
  - *Slow title status report process*
  - *Tribal mortgage codes are needed.*
- Lenders need better / more information



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# Challenges Ahead

## Tribes

### Codes, Regulations, Capacity

- Accurate land surveys
- Title status reports
- Leasing codes
- Zoning policies
- Trust land mortgage code
- Trustee mortgage policies
- Court enforcement capacity



## Lenders

### Information, Collaboration, Trials

- Correction of misinformation
- Collaboration with Native CDFIs,  
housing entities
- Greater use of existing programs  
(RD, HUD, VA, state programs)
- New attempts at programs
- Inclusion in CRA activity
- New responses to risk regulation

