

Center for Indian
Country Development
Research Summit

*Panel Discussion:
Opportunities and
Challenges of
Homeownership on
Trust Land*

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NeighborWorks[®]

AMERICA

Working Together for Strong Communities

Moderator:

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@NeighborWorks



There are **574** American Indian and Alaska Native Tribes in the United States

- ◆ **Tribal Trust:** 66 million acres held in trust.
 - ◆ **Allotted:** Over 10 million acres belonging to individual Indians.
 - ◆ **Restricted Fee:** 2.5 million acres
 - ◆ **Fee Simple:** 1.6 million acres
- 36 States have Indian trust or restricted lands.
 - Fee Simple land typically included in an Indian Area.



Indian Country Housing Need

- 2017 HUD Indian Housing Needs Study revealed a need for **68,000 New Units**¹.
 - 35,000 to Alleviate Substandard Homes
 - 33,000 to Alleviate Overcrowded Conditions
- In **FY 2021**, it was reported to Congress that **346 units** (newly constructed or acquired) were developed with the **Indian Housing Block Grant** funding.
 - the rest of the flat-level appropriation was used to modernize existing Indian housing units.

At this pace addressing the substantial need for new units can only be achieved through accessing private investment.

State of Native Housing

Indian Housing Block Grant funding and its impact

Since 1998, funding allocations for the IHBG have remained constant; however, with inflation the buy-power has decreased.

What is the result of flat-lined funding?

Con: new development decreases, while maintenance and rehab increases.

Opportunity: tribes seek to leverage IHBG funds.

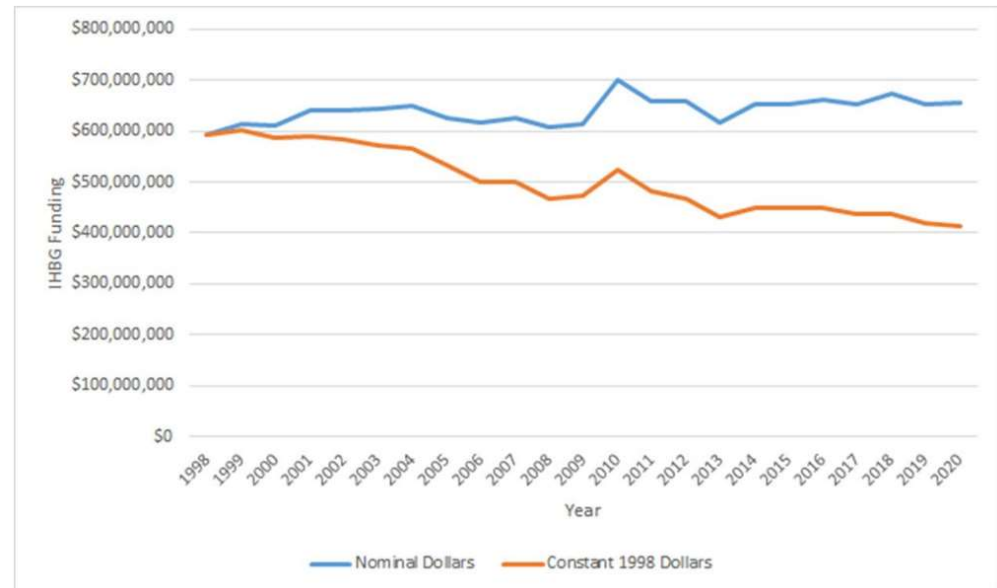
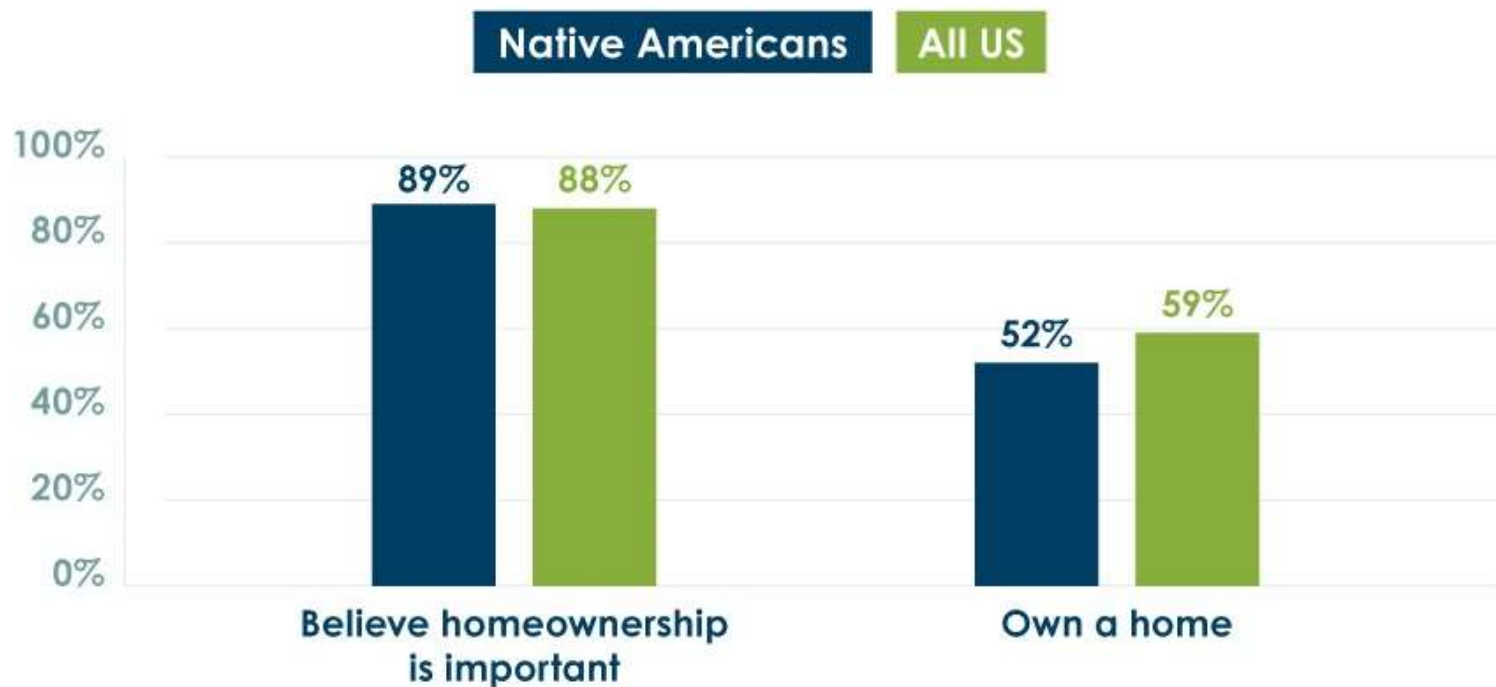


Table: Consulting, B. W. (2021, October 6). Assessment of Native Housing Needs: Findings and Lessons Learned. Washington: Housing WA Conference.

*Special Note: the final 2021 allocation added \$450M in ARPA funding, and funding did increase in 2022 to \$774.8M (~\$450M in '98 dollars). New federally recognized tribes added and growing service area/population.

Native Americans broadly believe homeownership is important, just like most other Americans. However, the homeownership rate for Native Americans trails the average.



Today, a very large proportion of Native Americans is looking for new places to live, but many lack important credit-building tools that could expand their options.

Native Americans looking for a new place to live



36% All US

Native Americans that have a checking account



80% All US

Native Americans that have a credit card



67% All US

The lack of credit is one reason why many Native Americans are concerned about their ability to meet important financial milestones.

44%

have delayed a financial decision as a result of credit concerns

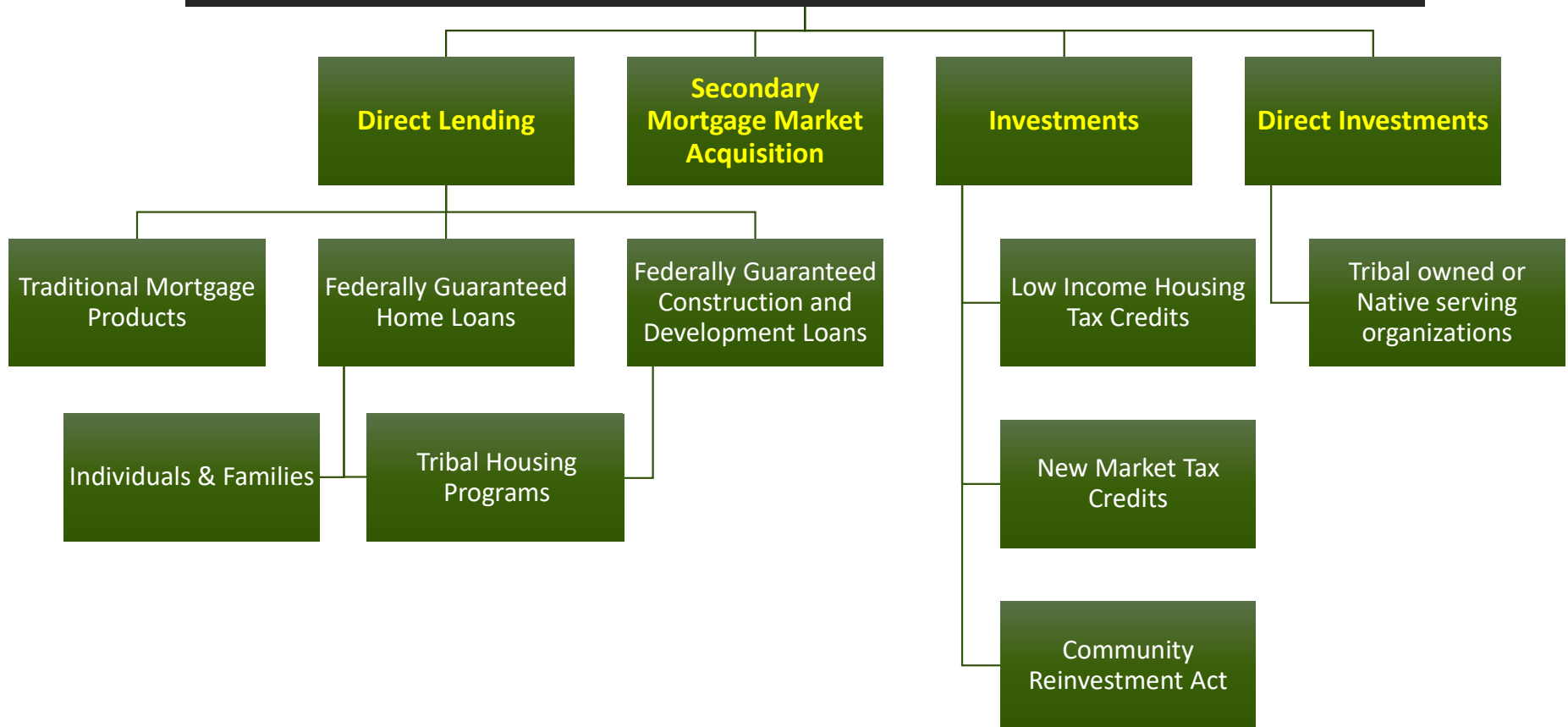
80%

of non-owners don't think banks or credit unions will approve them for a mortgage

66%

say they could use any guidance on acquiring and effectively using credit

Helping Homeownership in Indian Country



Native American Mortgage Loan Comparisons (March 2022)

Please see page 3 for website links.

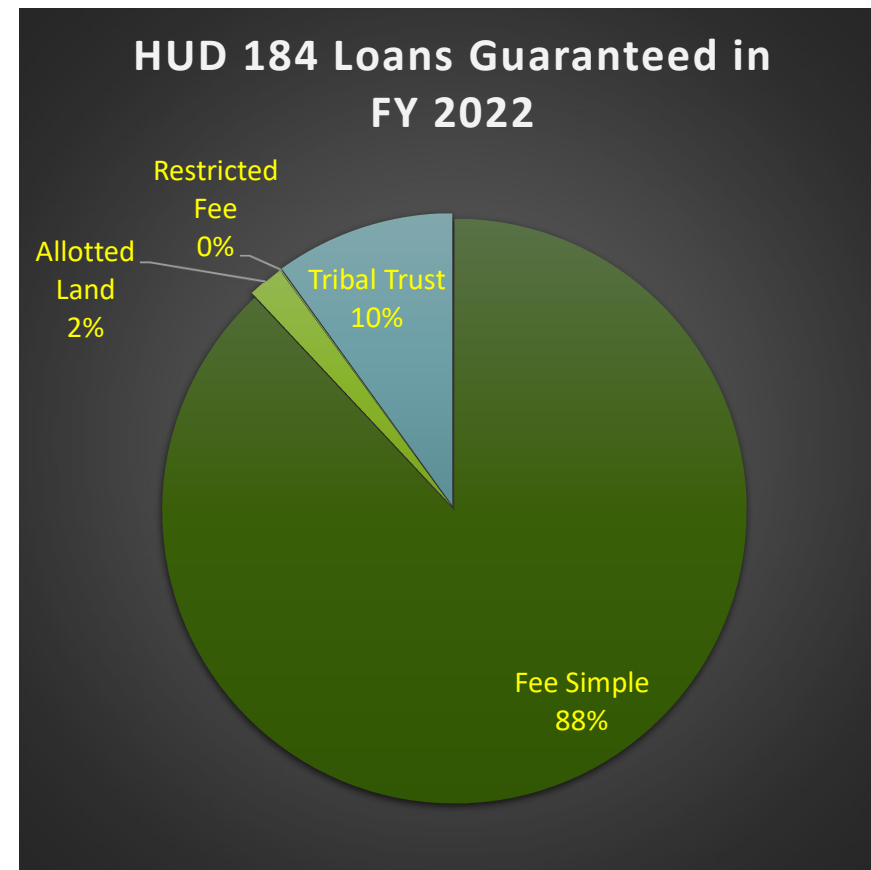
Details	USDA Rural Housing 502 Guaranteed Loan	USDA Rural Housing Service 502 Direct Loan	VA Native American Direct Loan	HUD Section 184 Indian Home Loan	FHA	Fannie Mae HomeReady (Affordable Product) *See Selling Guide for up to date guidelines	Fannie Mae Conventional (LTV 95-97%) *See Selling Guide for up to date guidelines
Income Restrictions	Yes	Yes	No	No	No	80% of area median income (AMI)	No Income Limits
Max Loan Amount	None	Based on County limits	None	Based on State and County limits	Based on County MSA limits	\$647,200 (1 Unit) \$970,800 High Cost Area (1 Unit)	\$647,200 (1Unit) \$970,800 High Cost Area (1 Unit)
Purchase Maximum LTV and Down Payment Requirement	Not typically required	Not typically required	100% LTV plus (funding fee finance) Down Payment not typically required	2.25% of Acquisition Cost 1.25% for loans under \$50k	3.5% to 10%	Principal Residence Transactions 1 Unit Purchase 5% or 95% LTV OR 3% or 97% with DU® Approval 2 Unit Purchase 15% or 85% LTV 3 and 4 Unit Purchase 25% or 75% LTV No First Time Home Buyer (FTHB) Requirement	Principal Residence Transactions 1 Unit Purchase 5% or 95% LTV 3% or 97% with DU® Approval* 2 Unit Purchase 15% or 85% LTV 3 and 4 Unit Purchase 25% or 75% LTV *At least one borrower must be a First Time Home Buyer
Refinance Maximum LTV and Down Payment Requirement	No	Yes, subject to eligibility- NO cash-outs	No	Yes, subject to eligibility-97.75% LTV for Rate/Term and 85% LTV for cash-out	Yes, including cash-out	Principal Residence, Limited Cash-Out Refinance Transaction 1 Unit Purchase 5% or 95% LTV OR 3% or 97% with DU® Approval* AND existing Fannie Mae loan 2 Unit Purchase: 15% or 85% LTV 3 to 4 Unit Purchase: 25% or 75% LTV *Existing mortgage must be owned or securitized by Fannie Mae	Principal Residence, Limited Cash-Out Refinance Transactions 1 Unit Purchase 5% or 95% LTV OR 3% or 97% with DU® Approval AND existing Fannie Mae loan* 2 Unit Purchase 15% or 85% LTV 3 to 4 Unit Purchase 25% or 75% LTV *Existing mortgage must be owned or securitized by Fannie Mae
Construction –to - Perm Permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Mortgage Lending in Indian Country

In the 1990's, several government-backed and conventional loan products were created to secure the leasehold mortgages.

HUD 184 Loan Guarantee Product

- Primary loan product specifically developed for Tribal Trust and Restricted land
- Guaranteed approximately **49,000 loans** for **\$8 billion** (1992 to Sept. 30, 2021)
 - 13% of loans on Tribal Trust and Restricted lands.
- **3,680 loans** were guaranteed in **FY 2022**.
 - **441 loans** were on Tribal land.
 - 1/3 of the loans were refinance during FY22



Unique Challenges to Indian Country

- Infrastructure and Housing Costs
- Lack of available land, existing housing stock, industry representatives, and appraisals
- Lack of mortgage ready buyers as a result of the environment
- Processing timelines for (Loan Applications) leases, title information, mortgage packages
- Lender reticence to invest in residential lending due to unfamiliarity, concerns about volume/transaction costs

Processing Timelines

- Delays in review and approvals hinder development for all phases of the project.
- No averages for each area – agency has info.



Building mortgage ready buyers

Oweesta Corporation

- First Native Housing Counseling Intermediary in the 50-year history in HUD's program

Homebuyer Education Curriculum

- Oweesta's Building Native Communities Financial Education Train-the-Trainer
- NAIHC's Pathways to Homeownership



Pathways Home

A Native Homeownership Guide



SOUTH DAKOTA
Native Homeownership
Coalition

- Example of partnership
- Various public/private agencies
- Share data and information
- Create strategies
 - 502 relending pilot project
 - Construction intern project
- Build unity and understanding
- Open and trustful relationships





LIHTC to Homeownership Curriculum & Training Project

Under the **LIHTC** program, a property owner may convert rental units to homeownership units following the initial 15-year compliance period.

Since its inception, the LIHTC Program has allowed for the creation of approximately **31,000 housing units** across Indian Country as of 2019.