Center for Indian Country Development Research Summit

Panel Discussion: Opportunities and Challenges of Homeownership on Trust Land

December 2, 2022
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**
  • 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.*
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.


*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: 51%
- Native Americans that have a checking account: 63%
- Native Americans that have a credit card: 50%

36% All US 80% All US 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

Direct Lending
- Traditional Mortgage Products
  - Individuals & Families
- Federally Guaranteed Home Loans
  - Tribal Housing Programs
- Federally Guaranteed Construction and Development Loans

Secondary Mortgage Market Acquisition

Investments
- Low Income Housing Tax Credits
- New Market Tax Credits
- Community Reinvestment Act

Direct Investments
- Tribal owned or Native serving organizations

NeighborWorks.org
# Native American Mortgage Loan Comparisons (March 2022)

*Please see page 3 for website links.*

<table>
<thead>
<tr>
<th>Details</th>
<th>USDA Rural Housing 502 Guaranteed Loan</th>
<th>USDA Rural Housing Service 502 Direct Loan</th>
<th>VA Native American Direct Loan</th>
<th>HUD Section 184 Indian Home Loan</th>
<th>FHA</th>
<th>Fannie Mae HomeReady (Affordable Product) <em>See Selling Guide for up to date guidelines</em></th>
<th>Fannie Mae Conventional (LTV 95-97%) <em>See Selling Guide for up to date guidelines</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Restrictions</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>$647,200 (1 Unit)</td>
<td>No Income Limits</td>
</tr>
<tr>
<td><strong>Max Loan Amount</strong></td>
<td>None</td>
<td>Based on County limits</td>
<td>None</td>
<td>Based on State and County limits</td>
<td>Based on County MSA limits</td>
<td>$970,800 High Cost Area (1 Unit)</td>
<td>$970,800 High Cost Area (1 Unit)</td>
</tr>
<tr>
<td><strong>Purchase Maximum LTV and Down Payment Requirement</strong></td>
<td>Not typically required</td>
<td>Not typically required</td>
<td>100% LTV plus (funding fee finance) Down Payment not typically required</td>
<td>2.25% of Acquisition Cost 1.25% for loans under $50k</td>
<td>3.5% to 10%</td>
<td>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</td>
<td>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 At least one borrower must be a First Time Home Buyer</td>
</tr>
<tr>
<td><strong>Refinance Maximum LTV and Down Payment Requirement</strong></td>
<td>No</td>
<td>Yes, subject to eligibility- NO cash-outs</td>
<td>No</td>
<td>Yes, subject to eligibility-97.75% LTV for Rate/Term and 85% LTV for cash-out</td>
<td>Yes, including cash-out</td>
<td>Yes, including cash-out</td>
<td>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</td>
</tr>
<tr>
<td><strong>Construction –to- Perm Permitted</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Existing mortgage must be owned or securitized by Fannie Mae*
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
NeighborWorks.org

• 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
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.