



Center for Indian Country Development

FEDERAL RESERVE BANK of MINNEAPOLIS

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United States Senate

“Lending Opportunities: Opening the Door to Homeownership in Indian Country”

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Chairman Hoeven, Vice Chairman Udall, and members of the committee . . .

Thank you for the opportunity to testify today on the crisis of lending and homeownership in Indian Country.

My name is Patrice Kunesh and I'm the director of the Center for Indian Country Development. I'm also an assistant vice president at the Federal Reserve Bank of Minneapolis, and the views I express here are not necessarily those of the Minneapolis Fed or the Federal Reserve System.

The Center for Indian Country Development is the Federal Reserve System's national research initiative focused on Native Nations' economic issues. We're based at the Minneapolis Fed, whose region is home to more than 45 Native American tribal nations, and also to you, Chairman Hoeven, and Senators Tester, Daines, and Smith.

Becoming a homeowner has long been considered the path to creating social and economic health and wealth for many Americans. But Native Americans have largely been denied this opportunity, especially those living on reservation trust lands.

In my short time here today, I'd like to share a handful of key messages to guide you in your policymaking.

First, tribes have sovereign authority over their lands, but they do not have control over the complex federal processes to put those lands to good and productive use.

As we move forward to improve access to housing and affordable lending, we need to fix a collection of byzantine BIA processes that create untenable impediments.

For example: the HUD Section 184 Home Loan Guarantee Program is a very popular and much-needed program. But, in recent years, **93 percent of its loans** have bypassed reservations mostly because of administrative hurdles.

Second, there is the human element.

Those impediments have deprived real people and real families – Native people and their families, including my own on the Standing Rock Reservation – from building personal assets.

Those processes also have discouraged investments to create prosperity among our Native communities.

With that context in mind, allow me to offer some recommendations.

For one, there *must* be an expansion of access to capital and credit in Indian Country.

As conventional lenders have retreated from Indian Country, Native Community Development Financial Institutions, or Native CDFIs, have become critical sources of capital for home loans. They intimately know the lending needs and capacity of their constituents.

Tapping into their strength and networks -- and supporting them with more funds -- could better deliver all of the key federal programs, such as the HUD 184 loan guarantee, the USDA Rural Development 502, and the VA Native American Direct Loan.

For another, I recommend using innovative loan products and delivery systems. For example, the USDA is expanding access to public capital by providing Native CDFIs in South Dakota re-lending authority to deploy Section 502 home loans on trust land. That could mean access to millions of dollars of housing investments in Indian Country.

But we need even more innovation to support this persistently underserved population, such as pooling leasehold mortgages and access to a secondary market

Recent Center for Indian Country Development research found that Native borrowers for homes on reservations are significantly more likely to have higher-priced mortgages, with rates *nearly 2 percentage points higher* than for non-Native borrowers outside the reservation.

In 2016, that meant that the average Native American borrower would pay *\$107,000 more* in interest over a 30-year mortgage. This, I believe, is a matter worthy of your concern and examination.

Chair Hoeven, members of the committee: the Native population is growing at a rate far higher than the national rate. So is per capita Native income, although it remains stubbornly low. There is a scarcity of housing supply on reservations and an enormous demand.

That's why seeking solutions to the Native American housing and lending crisis can deliver a substantial return on investment to our economy.

Even more important are the powerful life-changing impacts that homeownership could bring to families, along with the needed hope homeownership can instill in our Native communities.

Thank you for this opportunity. I look forward to answering your questions.