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

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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

<table>
<thead>
<tr>
<th>Year</th>
<th>Indian</th>
<th>Total US—All Races</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>8,289</td>
<td>24,951</td>
</tr>
<tr>
<td>2000</td>
<td>10,988</td>
<td>27,798</td>
</tr>
<tr>
<td>2006–10</td>
<td>12,142</td>
<td>26,893</td>
</tr>
</tbody>
</table>

Source: Akee & Taylor (2014, Page 29)
Navajo Country Incomes

Real Per Capita Income
Navajo Nation

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>6,525</td>
<td>8,764</td>
<td>9,787</td>
<td>24,951</td>
<td>27,798</td>
<td>26,893</td>
</tr>
<tr>
<td>2000</td>
<td>8,764</td>
<td>9,787</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Akee & Taylor (2014, Page 29)
Indian Country Incomes

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Indian</th>
<th>Total US—All Races</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>9,122</td>
<td>24,951</td>
</tr>
<tr>
<td>2000</td>
<td>11,577</td>
<td>27,798</td>
</tr>
<tr>
<td>2006–10</td>
<td>12,459</td>
<td>26,893</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Indian Female</th>
<th>Total US—All Races</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>48.3%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>53.1%</td>
<td></td>
</tr>
<tr>
<td>2006–10</td>
<td>55.6%</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>56.8%</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>57.5%</td>
<td></td>
</tr>
<tr>
<td>2006–10</td>
<td>59.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Akee & Taylor (2014, Page 47)
Indian Country Labor Force Participation: Women

Male Labor Force Participation Rate
Reservations Other than Navajo

<table>
<thead>
<tr>
<th>Year</th>
<th>Indian</th>
<th>Total US—All Races</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>61.4</td>
<td>74.4</td>
</tr>
<tr>
<td>2000</td>
<td>58.3</td>
<td>70.7</td>
</tr>
<tr>
<td>2006–10</td>
<td>58.6</td>
<td>70.9</td>
</tr>
</tbody>
</table>

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)

- If the incomes in the US and in these Indian areas grow steadily at the rates they each experienced from 1990 through 2010, in about 2054, the per capita incomes would converge.

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.
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
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.
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:

- Requested lower loan amounts
- Had a higher loan denial rate
- Posted a lower “loan as % of income” value
- Were more often denied because of a poor credit history
- Applied for proportionately more manufactured housing loans
- Applied for proportionately more home improvement loans
- Were offered loans with a higher mean rate spread

Note: Data on manufactured housing loans and the mean rate spread were not reported in 2003.
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.
average score was 622, and on October 9, 2014, borrowers’ average score was 675. This 53-point increase would be enough to move many customers from one rating category (negative, weak, acceptable, good, strong) to the next.

FIGURE 12
Credit Scores of Four Directions Clients Over Time
movement from first credit score assessment to most recent

Four Directions’ success at helping clients improve their credit is yet another measure of its success at helping them build assets. This is because good credit is itself an asset: an individual can use it to leverage one asset into another, it can put an individual on an upward path of wealth accumulation, and losing it can have lasting effects on a person’s lifetime income.

The cost of borrowing is influenced by a variety of factors, including the interest rate on the loan, the term of the loan, fees associated with borrowing (closing costs, for example), mortgage insurance requirements, and security payments, among others. The interplay of these costs, including whether or not various upfront costs can be amortized with the loan principal, are what determine the payments due at closing and the monthly payments of a loan. Consumers are sensitive to all of these factors.

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.
Housing: 184 lending

Source: HUD Office of Native American Programs, 2014
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
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
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