Appendices

Glossary of Common Acronyms and Lending Terms

Acronyms

AHP	Affordable Housing Program administered by the regional Federal Home Loan Banks.
BIA	Bureau of Indian Affairs, the agency within the U.S. Department of the Interior with trust obligation to tribes, which has responsibilities for mortgage lending and oversees the TSR process and TAAMS recording system.
CDFI	Community Development Financial Institutions: Lending agencies certified by the US Department of the Treasury.
DOI	U.S. Department of Interior.
FHLB	Federal Home Loan Bank.
IHA	Indian Housing Authority: Interchangeable with "tribal housing authority." Created through tribal government action, typically a separate entity from the tribal government responsible for providing housing within its jurisdiction to tribal members.
IHBG	Indian Housing Block Grant: Block grants to tribes, or tribal TDHEs, for housing under NAHASDA.
IHS	Indian Health Service: The public health provider within the U.S. Department of Health and Human Services that ensures safe drinking water and sanitary waste disposal for all Indian people within their service area.
HUD	U.S. Department of Housing and Urban Development: Administers NAHASDA and the Title VI and Section 184 guaranteed loan programs.
IHP	Indian Housing Plan: Annual housing plan required as part of the application for NAHASDA block grants.
LIHTC	Low-Income Housing Tax Credits.
LTRO	Land Title and Records Office: Regional offices of the BIA where documents relating to Indian trust lands are recorded.

NAHASDA	Native American Housing Assistance and Self-Determination Act: 1996 law establishing the current Indian housing block grant program, the principal federal Indian housing assistance program.
NAIHC	National American Indian Housing Council: A nonprofit member organization representing the interests of tribes and tribal housing entities across the United States. NAIHC provides advocacy, technical assistance, training, and other services to its members.
ONAP	Office of Native American Programs: Office within HUD that administers NAHASDA and other Indian-related programs through national and regional offices.
OLG	Office of Loan Guarantees: Office within HUD ONAP that administers the Section 184 guaranteed loan program, the NAHASDA Title VI guaranteed loan program, and the IHBG Leveraging Finance Program.
RD	Rural Development: A mission area within the U.S. Department of Agriculture that includes the Rural Housing Service.
RHS	Rural Housing Service: The agency within RD that administers the Section 502 loan programs and the Community Facilities Program.
RUS	Rural Utilities Service: An agency within RD that administers programs for the financing of water and wastewater systems.
Section 184	Section 184 of the Housing and Community Development Act of 1992, permits HUD to guarantee loans made to tribal members by private lenders.
TAAMS	Trust Assets and Accounting Management System.
TDHE	Tribally Designated Housing Entity: As part of NAHASDA, the tribal government may designate an entity to receive and administer its IHBG. It may be a tribal housing authority, division of tribal government, or corporate entity.
TSR	Title Status Report: Report of title status of tribal trust lands or individual trust lands generated by the Realty Office of the BIA (or from the tribal LTRO) that provides a description of the parcel of land and reflects any encumbrances on the parcel of land.
Tribal Council	The tribal council is the elected body of officials charged with the responsibility for managing the government and related affairs of the nation. The tribal council exercises the sovereignty authority of the nation, enacts laws and regulations, enters into contracts and financial agreements, and oversees the delivery of services to members.

Lending Terms

Leverage

Leverage is a term with many meanings. In the housing context, it often refers to increasing the potential return of an investment through the use of borrowed or contributed capital, usually from private sources.

An example helps to illustrate this meaning:

Under the old HUD programs, ONAP provides $150,000 in IHBG grant funding to an IHA. The IHA uses that $150,000 to build two $75,000 Mutual Help houses for two families, using no other funding. Net result: two homes.

Under NAHASDA, ONAP provides $150,000 in IHBG grant funding to a TDHE. The TDHE uses the $150,000 grant, blends it with $150,000 in bank mortgage financing, and builds four $75,000 homes for four families. Net result: four homes.

Equity

Equity is the difference between what a homeowner owes and what the home is worth. A renter does not earn equity in the property through rent payments.

Equity is one of the principal financial features of homeownership. Even in markets where the value of property is not rising, a homeowner's equity increases because the mortgage is being paid off over time. In this way, equity is like a savings account.

Fee Simple

Fee simple land means land held absolute and clear of any restriction, and where the owner has the unconditional power to sell, convey, or encumber.

Foreclose

Foreclose means to deprive a mortgagor of the right to redeem mortgaged property, as when payments have not been paid. Here is an illustration of the foreclosure process:

If a borrower falls behind on payments, the lender usually makes every effort to work out the delinquency. But if the borrower falls three months past due, the lender will send a demand letter asking for the entire balance due within 30 days. The loan is "accelerated," and full payment of the entire debt is requested. After those 30 days have passed, the lender gives the case to a lawyer to begin the foreclosure.

The case is heard in court, which will order a foreclosure sale, which is a public auction. The lender can bid the debt owed. When the court approves the sale, a deed is issued to the lender or other successful bidder. The borrower has one month to "redeem" the property by paying cash for the price bid at the sale, plus interest. After this redemption period is over, if payment is not made the lender has full ownership of the property and will resell it at the highest possible price in order to recover his investment.

Each state and several tribes have laws covering foreclosure and allowing for the enforcement of this procedure. On reservations, tribal leaders need to enact comparable laws to provide this legal framework.

Standardization and the Secondary Mortgage Market

The mortgage financing system in the U.S. is moving toward standardization of lending processes. Lenders now employ standard automated credit scoring systems to analyze credit histories generated by national credit bureaus that accumulate and report standard information on all types of financial transactions, including credit card payments, car and loan payments, and tax arrears, among others. Home appraisals are performed on standard forms; employment verifications are generated on another standard form.

The primary reason for standardization is the secondary market, which consists of financial organizations – including the two largest secondary market entities, Fannie Mae and Freddie Mac – that buy mortgages from the banks and mortgage companies that make them. A third, Ginnie Mae, packages Federal Housing Administration and VA mortgages and loans made under the HUD 184 program.

The secondary market is far removed from the individual homebuyer and makes decisions to buy a mortgage based on standard calculations about the borrower.

Homebuyers benefit from this process too, because it increases the flow of capital to lenders. That allows them to originate more affordable mortgages, which in turn makes homeownership more accessible to low-income and minority communities.