

Four Directions Development Corporation

Orono, Maine

Organizational Profile

Created in 2001, Four Directions Development Corporation (Four Directions) is a Native community development financial institution (CDFI) serving the four Wabanaki tribes in Maine: the Penobscot, Passamaquoddy, Micmac, and Maliseet Nations. While Four Directions has a small business lending portfolio, the majority of its work focuses on home improvement, home mortgage, credit-builder, and home equity/debt consolidation loans, as well as financial capabilities workshops and counseling. Its board of directors and advisory board are composed of tribal leaders, councilors, and directors of tribal government departments, as well as, non-Native members specializing in banking, small business, community development, and housing.



Key Facts

Service Area:	State of Maine
Number of Tribal Citizens:	8,700
Lending Portfolio:	\$5,864,478
Annual Budget:	\$650,000
Number of Employees:	6
Number of Mortgage Loans:	218 loans for \$11.5 Million



Project Description

Four Directions offers a direct mortgage loan program for new construction, home purchase, home improvements, or refinance. It also offers energy efficiency loan products. It is an approved Section 184 lender, but it has not yet participated in the program.

In order to minimize its risk exposure on trust land, Four Directions entered into agreements with two of the four tribes. For example, in the case of a defaulting borrower, a trust agreement with the Penobscot Nation provides that Penobscot Trustees will take title to the borrower's real estate by mortgage or deed, allowing the property to be transferred away from the Penobscot

member in default without transferring it away from Penobscot ownership generally.

In addition, Four Directions has a Memorandum of Understanding with the Passamaquoddy Tribe similar to the One Stop lending code used by the federal programs that provide lending products (HUD, UDSA, VA). This MOU provides the ability for Four Directions to take collateral assignments, and gives legal recourse, if necessary. It also provides that in the case of a default, Four Directions will work closely with the Passamaquoddy Housing Authority, which will purchase the property or assist in finding an eligible borrower.



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Promising Approach

Risk mitigation through collateral assignment and legal recourse. These model agreements provide Four Directions, as the lender, a mechanism for collateral assignment and legal recourse while respecting the tribe's sovereignty and control of its trust land.

Formalized relationships with tribal leadership.

In order to address the interests of all parties, Four Directions has nurtured and formalized strong relationships with each partner tribe and their housing authorities/departments. Each tribe has two representatives on the Four Directions board, one of which may be the tribal housing director.

Four Directions also supports the *Wabanaki Housing Circle*, a collaboration of Maine's Tribally Designated Housing Entities (TDHEs), federal officials, and other housing partners. Tribes take turns hosting the tri-annual meetings, which focus on addressing common housing issues, discussing resources and best practices, and touring the host community's housing developments.

Impact

- Increased access to mortgage capital for tribal members in Maine.
- New entrants to Maine's Native mortgage market now that Four Directions has shown private lenders that "it can be done."
- Enhanced Native community integrity as families are able to return home to the reservation as homeowners to live near and support one another.
- Improved credit scores of borrowers whose mortgage loan repayments are reported to a credit bureau by Four Directions.

Lessons Learned

- It is important to clarify and document the residential leasing process to ensure a common understanding of the steps and responsibilities of the borrowers, lenders, and all stakeholders.
- For mortgage lending in Native communities to succeed, strong relationships with tribes and tribal housing authorities/departments are critical.
- Financial education and on-going support for borrowers play a key role in successful mortgage lending.

Ongoing Challenges

- Accessing affordable, long-term capital to fund 30-year mortgages.
- Slow processing through the Bureau of Indian Affairs' lease and mortgage approval process.
- Private lenders' perceived risk of lending on tribal land.

On the Horizon

Looking to the future, Four Directions plans to expand its model efforts by refining and strengthening its existing agreements with the Penobscot and Passamaquoddy tribes, and bringing these agreements to other tribes (Micmac and Maliseet) to make homeownership available on all of Maine's Indian reservations.

