

FHFA Duty to Serve Listening Session on Rural Housing - July 13, 2022

Toi Roberts:

Hello and welcome to the Federal Housing Finance Agency's 2022 Duty to Serve Public Listening Session. I am Toi Roberts, a member of the Duty to Serve Markets team, and I will be emceeding today's listening session. And this session is being recorded.

Thank you all for joining us here today. We are excited to be hosting a series of three public listening sessions this year that will focus on specific topic areas under each of the three Duty to Serve underserved markets. Today's listening session, we'll be focusing on the rural housing market. And the topic is Native American Housing.

Before we get started, we would first like to introduce a very special speaker for today's listening session in particular on Native American Housing, our summer intern from the Office of Fair Lending oversight here at FHFA, Harrison Yazzie.

Harrison Yazzie:

[Navajo greeting translated here into English] Good afternoon, my name is Harrison Yazzie. I am the Charcoal Streaked Division of the Red Running into Water Clan (Mother's Clan), born for the Bitter Water clan (Father's Clan). My maternal grandparents clan is Bitter Water and my paternal grandparents clan is Folded Arms. In this way, I am a Two-Spirited being and I am from Mentmore, New Mexico. I also attend college at Arizona State University. Thank you!

[Continued greeting in English] Good afternoon. My name is Harrison Yazzie. And I am a student intern for the Office of Fair Lending and Overview within the Division of Housing Mission and Goals.

It is such an honor to open today's listening session with several amazing guest speakers who will give insight about Native American housing and rural areas on Turtle Island, which is the United States. So I like to say thank you to everyone who participated in this session and who's also listening in to the session and I would like to hand it over to Marcea.

Marcea Barringer:

Thank you so much, Harrison, for providing that opening. I'm Marcea Barringer, and I'm the Supervisor and Policy Analyst for the Duty to Serve program at FHFA. Which means that I'm the team lead for the Duty to Serve program.

It's a real special pleasure for me to welcome all of you to this session today. This first Duty to Serve listening session that we've ever had specifically on Native American housing issues.

It's also my extreme pleasure to introduce Naa Awaa Tagoe, who will be providing our opening remarks today. Naa Awaa is the Acting Director of Housing Mission and Goals here at FHFA. She is

responsible for FHFA policy development and analysis, oversight of housing and regulatory policy, oversight of the mission and goals of the Enterprises, that's Fannie Mae and Freddie Mac, as well as the housing finance and community and economic development mission of the Federal Home Loan Banks.

Naa Awaa also oversees and coordinates FHFA activities, including data analysis, market surveillance, systemic risk monitoring and analysis affecting housing finance and financial markets. Among other offices, she supervises the Office of Housing and Community Investment where oversight of both of the Enterprises Duty to Serve and Housing Goals are housed. Naa Awaa, I'm handing it off to you.

Naa Awaa Tagoe:

Thanks, Marcea. I really appreciate the introduction. Good afternoon to everybody and welcome. I also want to thank Toi for the introduction for starting off the session today. And thank you Harrison for that beautiful opening and for getting us started today. And most of all, thanks to all of you for your participation.

As you know FHFA's Duty to Serve program is one of our most important responsibilities. And we just couldn't do it without input from stakeholders like all of you. And as you know, today we will discuss, as Toi mentioned, the Duty to Serve rural housing market. And in particular, we look forward to hearing today's speakers talk about issues in Native American Housing. As Marcea just said, FHFA has not held a session on Native American Housing before. So it is a special privilege to be here today with all of you.

Today's session is the last of our series of three Duty to Serve listening sessions we held this week. On Monday we had a session on two issues in the Affordable Housing Preservation market. And yesterday we focused on manufactured housing with a session on consumer protections.

I did want to tell you about, you know, a lot of work that has gone into these efforts, just leading up to this. So in May of last year, Fannie Mae and Freddie Mac submitted their proposed Duty to Serve plans. But unfortunately FHFA found that none of those initial plans met the Duty to Serve non-objection standard.

So we sent Fannie and Freddie back to the drawing board to revisit their initial submissions. And after nearly a year of intense effort, they came back to us with revised plans that are bold, they're aggressive and, you know, most importantly to us, they are also sustainable.

The amended plans go much further in accomplishing the Enterprises' important mission roles than their original plans. The targets and strategies and the plans which as you know, run from 2022 through 2024 are more comprehensive and importantly, they're built on lessons learned and progress made during the first four years of the Duty to Serve program.

I think it's important to remember that the Enterprises' fulfillment of their Duty to Serve obligations is an ongoing process. So specific activities that are outlined by the Enterprises remain subject to FHFA review and approval, because we want to ensure compliance with the Enterprises' charter acts, either, you know, safety and soundness principles and other conservatorship and regulatory requirements.

Now we know that there are many challenges when talking about Native American Housing. And many of which are the direct or indirect result of a long legacy of harmful land and housing policies. We know that tribal area residences continue to have outsized shares of plumbing and heating deficiencies. And in addition, in tribal areas, there are multi-generational households occupying houses that may be quite small, and may not have adequate space for everyone.

And that the complicated legal status of land ownership on tribal and trust lands has hampered access to conventional mortgages. And we also know that lack of access to credit and to financial services continue to be key barriers to attaining homeownership in Native communities.

Now on the other hand, we know that there are remarkable leaders working in the Native American and housing and CDFI fields, including our speakers today, who have come up with creative solutions to tackle these challenges. The Enterprises have supported Native American housing since the inception of the Duty to Serve plans in 2018. And they will tell you more about what they've done and what they plan to do under their current three year plans in a few minutes.

Now we at FHFA are especially interested in hearing from you today about the issues surrounding Native American houses -- housing and the best practices out there. And we want to hear your ideas about what we at FHFA and the Enterprises can do to support efforts in this area. So I want to thank you again for joining today's important session. And I will now turn things back over to Toi. Thank you.

Toi Roberts:

Thank you, Naa Awaa. Thank you, Marcea. And thank you Harrison. All right, so before we move forward with the remainder of the agenda today, I do have a few important housekeeping remarks.

As you know, we have organized this webinar in order to obtain your input on specific topic areas that fall under each of the three Duty to Serve underserved markets. During today's session, FHFA will not discuss the status or timing of any potential rulemaking. If FHFA does decide to engage in a rulemaking on any matters discussed at this meeting, this meeting would not take the place of a public comment process.

The rulemaking document would establish the public comment process and you would need to submit your comments, if any, in accordance with the submission instructions in that document.

FHFA may summarize the feedback gathered at today's session in a future rulemaking document, if we determine that a summary would be useful to explain the basis of a rulemaking.

Also, please keep in mind that nothing said in today's session should be construed as binding or -- binding on or a final decision by the FHFA Director or FHFA staff. Any questions we may have are focused on understanding your views and do not indicate a position of FHFA staff or the agency.

Now with that we have a great lineup of speakers today. We will be hearing from 12 guest speakers, and midway through we will have a short ten minute break. Each speaker will have up to seven minutes to speak and we will try our best to stay on schedule and ask that everyone speaking helps us do so as well.

We will be chat -- I will I'm sorry, I will be chiming in to give each speaker a one minute warning as their time draws to a close. If someone does go over their time, unfortunately, I will have to interrupt in order to keep us on schedule. However, if that does happen, speakers are welcome to submit written testimony, and their whole testimony will be included in the public comments record.

Each speaker will have the ability to mute and unmute their microphones throughout the session, but we ask that you keep your microphones muted until it is your time to speak. We also ask that all speakers be prepared to turn on your video cameras during your speaking segment.

Finally, as was mentioned earlier, today's listening session will be recorded. FHFA will also prepare a transcript of today's session,

which will include the names of all speakers and organizations they present -- they represent. We will post the recording and transcript on FHFA's website and YouTube channel along with any materials being presented today.

Okay, now before we begin hearing from our guest speakers, each enterprise will speak briefly about today's listening session topic Native American Housing. And first up we will hear from Freddie Mac. And speaking from the Freddie Mac Duty to Serve team is Ms. Simone Beaty.

Simone Beaty:

Thanks, Toi. And good afternoon to everyone. And thank you all for taking the time to participate in today's listening session. My name is Simone Beaty, and I am part of Freddie Mac's affordable lending team working on strategies and initiatives in support of underserved markets.

In terms of today's topic of Native American Housing, the nationwide shortage of affordable housing receives a lot of attention. But what often is not discussed is the critical housing gap for Native households and tribal areas.

Freddie Mac is working with organizations across the housing ecosystem to help make housing more accessible and affordable in these areas. Over the last Duty to Serve plan cycle, we have worked in partnership with key organizations to provide education support that has helped over 1,200 individuals complete financial and homebuyer education and counseling to increase the population of mortgage ready individuals in tribal areas.

We have supported curriculums for teens and young adults to help lay the foundation for younger generations to attain and sustain future homeownership. We have also expanded the capacity for organizations to provide foreclosure prevention, and also introduced credit building services as a resource.

While we have made and continue to make LIHTC equity investments in support of rental housing needs in tribal areas, we also want to support affordable, sustainable homeownership through a conventional product offering. We want to leverage and expand the partnerships that we have established during the first plan cycle to foster an exchange of ideas that can help us build out both a conventional product offering and the resources that can be tailored to fit the realities of Native households.

We will also continue to expand the capacity of stakeholders in this segment to educate and support homebuyer education and also

facilitate and foster more train the trainer programs that can teach to mortgage financing and mortgage readiness.

We see the value that community development financial institutions provide to the Native community, along with small and regional lenders that primarily serve this market. We want to ensure that we prioritize a path to liquidity for these institutions.

We have an opportunity to bring together stakeholders to promote effective, productive collaboration and create channels for responsible lending and access to credit, while educating organizations on both the resources and products we offer and learn together how to fill the gaps in our existing offerings and processes.

Thanks to all of you in attendance today who made this progress possible. We are excited about the difference we're making together. And we look forward to hearing from you about how we might do more to expand both homeownership and rental opportunities. Thank you.

Toi Roberts:

Thank you, Simone. Okay, so now we'll hear from Fannie Mae and the speaker from the Fannie Mae Duty to Serve team is Mr. Benjamin Navarro.

Benjamin Navarro:

Thank you, Toi. Good afternoon, everybody. My name is Ben Navarro and I lead Fannie Mae's efforts under its Rural Duty to Serve plan. Before I go further, we do have some slides to accompany my remarks today. Thank you.

While I'm the one here speaking to you today, our work focusing on underserved markets is truly spread across Fannie Mae, including representatives embedded in our single family and multifamily businesses, and also supported by partners around the country.

Thank you to FHFA for convening this event and for giving me an opportunity to share some of the highlights of our work in rural affordable lending with a particular focus on Native American lending. And thank you in advance to today's speakers, we'll be listening closely for your suggestions, and we look forward to working with many of you to advance this important work. Next slide, please.

I'll start by highlighting some of our key multifamily and single family accomplishments during the first Duty to Serve plan cycle. During that time, we provided more than \$8 billion in total liquidity to the underserved markets covered by Duty to Serve. In multifamily this meant over 626,000 units financed and in single family this meant over 138,000 home loans purchased.

In the manufactured housing space, nearly 16,000 MH pads had tenant side lease protections. In affordable housing preservation, we finance shared equity loans across 15 states. And in rural, we provided financing to over 20,000 units in high needs rural regions. And that's just a few examples of the work that we've done. Next slide, please.

So looking at this year's rural plan, I'd like to note that we have substantive work planned across the various rural sub markets, which includes innovative work that, for example, expands rural access to down payment assistance, explores the potential for an equity investment in CDFIs that serve rural markets, and focuses our attention on small rural rental properties.

But with regard specifically to Native American Housing, we have three objectives dedicated to improving financing options. First, we're continuing to provide technical assistance to organizations committed to developing or preserving multifamily housing for Native American communities.

Second, we're establishing the relationships necessary to finance single family loans on tribal trust land, including supporting Native CDFIs. And third, we will support the expansion of housing counseling targeted to prospective Native American borrowers, including serving at least 800 consumers as a result of this work. Next slide, please.

Even though today's focus is rural, I wanted to briefly share some information on what's contained in the other two sections of our Duty to Serve plan. In affordable housing preservations, you can see we have nine areas of focus, many of which have loan purchase commitments. And we got many high impact projects in this market, but I'll highlight the bottommost bullet on the right hand side of the slide.

In support of residential economic diversity, we've launched a Housing Choice Voucher Program, which is currently available in select geographic markets which do not have source of income protections. Next slide, please.

In manufactured housing, we continue to expand financing to homes secured by MH titled as real property and to MH communities that have nontraditional ownership or that have these protections, or the can have certain rental flexibilities. And the ladder refers to a new product called MH Rental Financing, which offers additional proceeds to the borrower to be used to enhance the community. Next slide, please.

I've already spoken about our rural work this year, but I wanted to highlight the broad scope of what we're doing across our 12 focus areas over the next three years. A few highlights.

We have plans to grow our loan purchases and we'll lean into this work with small financial institutions and Native CDFIs for example, to better build their capacity and needs. We'll continue to focus on down payment assistance initiatives to improve access to affordable housing. And we'll expand our loan purchases of single family mortgages serving high needs rural regions, which by the end of this Duty to Plan cycle has a target which is 40% greater than our baseline.

On the multifamily side, we'll continue to -- our current work underway and look forward to expanding in areas such as continuing to bring equity capital to rural markets through our LIHTC investments, and to expand our loan purchases of multifamily properties serving high needs rural regions, and for small rural rental properties. Next slide, please.

We look forward to working with you on these initiatives. And we welcome your comments and suggestions on how we can continually improve our plans. Thank you for your time this afternoon and for participating in this important session.

Toi Roberts:

Thank you, Benjamin. All right, so now without further ado, we will begin to hear from our guest speakers. And the first couple of speakers are from the US Department of Agriculture. Mr. Tedd Buelow in Joaquin Altoro.

Tedd Bulow:

Thank you, Toi. My name's Tedd Buelow. I'm the Tribal Relations team lead for USDA Rural Development, as well as the tribal coordinator. I'm coming to you today from Denver, Colorado. I'm hopeful and heartened by the participation today from not only the panelists, but everyone that's online as an attendee, nice to see so many familiar names in -- on Zoom.

I'm of the firm professional and personal opinion that any of the solutions that are going to work to improve the Indian housing situation and challenges that we face are going to come from Indian Housing practitioners. So a special call out to all the other presenters that will be speaking today. I encourage and support your work. And I'm heartened by your continued devotion and commitment to making things better for tribal members on tribal lands specifically, so I'm really excited to listen today. So I'll be on for the remainder of the session. And we will be listening.

I'm also humbled by the ongoing challenges that we all face, including the challenges that USDA Rural Development has faced historically in extending our programs on tribal lands. I want to acknowledge our shortcomings and want to remind folks that we're committed to remain present and engaged in discussions and in helping to bring capital for homeownership and for multifamily housing projects on tribal lands

I encourage the ongoing engagement and support of FHFA, Fannie, Freddie and the Federal Home Loan Banks, you've been great partners in the past, and we stand ready to stand with you moving forward. So without further ado, I'd like to turn it over to our Administrator of the Rural Housing Service, Mr. Joaquin Altoro, Administrator Altoro, the floor is yours.

Joaquin Altoro:

Thank you, sir. I myself am reaching out to you all from a senior leadership retreat here in Washington, DC. So here -- very thankful. Thank you to the entire Federal Housing Finance Agency team for your leadership and organizing this event. I know there's a lot of work that goes on behind the scenes to coordinate these important listening tours.

USDA truly appreciates this opportunity to be in dialogue and in community with many organizations whose missions are to address our growing housing crisis. Thank you also to Ted and Kathy from our Rural Development Team, for your tireless work to help provide and expand opportunities for homeownership and for your commitment to providing more equitable access to homeownership for our tribal communities.

Good afternoon, or good morning, wherever you're located. My name is Joaquin Altoro, and I am the Administrator for the USDA's Rural Housing Service. For more than 30 years, I was a scrappy banker and a leader in affordable housing development across Wisconsin where I was able to leverage partnerships with state government, the state housing finance agency, and even many of our tribes, community developers to address our local affordable housing challenges.

As I've transitioned into this new role at USDA, I recognize the tremendous responsibility that the Rural Housing Service has in providing the means for rural residents to access affordable housing, the direct impact our work has on the ability of families to build a legacy and the importance of the various financial products, which deliver the capital for underserved, rural and tribal communities to thrive.

During the pandemic, we work together with the Biden/Harris Administration, across government agencies, and in partnership with many of the organizations who are participating today to ensure homeowners and renters were able to live with dignity during the unprecedented public health and economic crisis.

Because of you, we were able to prevent evictions and foreclosures for tens of thousands of seniors, families, and individuals with disabilities across the country. However, we have to be honest with each other. The Native American Housing Market presents a unique set of challenges, which will continue to push us to be creative, and evermore diligent, as we continue to work together to address the historic inequities and complicated land trust paradigms that present barriers to homeownership for tribal members at every turn.

It is one of my top priorities to get out in the field to visit tribal communities to strengthen our local partnerships, and to identify innovative strategies to connect homeowners and lenders to increase sources of capital.

So what does this look like as we move forward? Increasing our staff numbers and investing in training for our employees, investing in upgrade of our technology to expedite our work, and help our -- to better deliver our service. Leveraging and deepening our external partnerships as well as identifying new and more diverse networks. Improving our communications with our partners to increase transparency and bring stakeholders to the table earlier in our processes. And investing in technical assistance grants to help strategically expand capacity of our core partners across the country.

For example, in our single family housing division, our real lending demonstration program was proposed to USDA by the South Dakota Native Homeownership Coalition. After much work with many partners, we launched the program a few summers ago. Excuse me. Through the demonstration program, we lent 1.6 million of the mortgage capital to two Native CDFIs in South Dakota, at an interest rate of 1%.

Each Native CDFI leveraged 200,000 in additional capital, and then used that funding to relend to qualify -- qualified families for construction, acquisition, and rehabilitation of affordable housing and tribal trust land.

And we're already seeing results. Since the pilot was launched, the Native CDFIs have closed approximately 20 loans on the Pine Ridge

and Cheyenne River reservations, tripling rural development's pace of lending activity on tribal trust land in South Dakota compared to the five -- the prior five years.

Though it's a bit early to know how these loans will perform, we will anticipate that trusted local leaders, the Native CDFIs, will bring high touch, flexible servicing to ensure positive outcomes for homeowners that were reached through the demonstration program.

This is just one example of the innovative ways we are approaching our work as we move towards incorporating equity at every level of organization, internally and externally. However, we realize that we need to expand our outreach and there's much more for us to do.

Rural Housing Service and USDA are here to make sure we don't only acknowledge the challenges in the Native American housing market, but that we work together to innovatively empower the local communities to find solutions. And we support their continued growth and partnerships.

We cannot undo generations of inequity in one fell swoop, but we can move the pendulum of progress forward together. It is our duty to ensure residents of tribal communities inherit their part of housing legacy, which is at the foundation of the American dream.

In closing, we look forward to reading your comments and reviewing the data trends as well as the action plans generated by the three day listening tour. Thank you again for having me.

Toi Roberts:

Thank you, Mr. Altoro. Our next speaker on the agenda is Mr. John Marion from the Northern Cheyenne Tribal Housing Authority. However, he is not available right now at this moment. So we're going to push him to the second half of our agenda and move on to the next speaker, which is Jennie Rogers from the Enterprise Community Partners.

Jennie Rogers:

Thank you, Toi. Hi, everybody, and thank you for having Enterprise here today. I'm Jenny Rogers. I'm the Vice President and Market Leader at Enterprise for Rocky Mountain Tribal Nation and Rural Market.

Enterprise is an affordable housing intermediary that works nationally to increase the supply of affordable housing, advanced racial equity, and build resilience and upward mobility. I have a slide deck if it's possible to use that during my presentation. Thank you.

Our Enterprise team works in coalition with partners, including tribal housing entities, tribes and coalitions across the country to meet housing needs of Native American communities, thanks in large part to support of our organization and our partners from the GSEs. This work includes providing trainings, playing active roles with Native American homeownership coalitions and providing training and tools and capital for multifamily projects being developed by tribal housing entities. Next slide.

Today, my comments are going to focus on the importance of education and coalition building. There are a number of strong and successful Native American homeownership coalitions building capacity among members to increase homeownership opportunities on trust land, including the South Dakota Native Homeownership coalition, that you heard our USDA partners mention and who I want to thank for many of the slides that I'm going to use today. The New Mexico Homeownership Coalition who's also going to speak today, and the Montana Native Homeownership Coalition.

Idaho is following suit and beginning to build a coalition as well, learning from those who have gone before them. And Alaska and Hawaii Tribal Housing Coalitions are actively educating members, increasing access to GSE and federal loan products, and increasing homebuyer education training.

Coalition members support each other and organizations like Enterprise are able to offer additional training and technical assistance to multiple tribal housing entities at one time through the coalitions. GSE support for coalition efforts is critical to their continued success, innovation and growth. Go to the next slide, please.

In the past five or so years, in addition to the work of home ownership coalition, support from the GSEs has allowed Enterprise and partners to offer multiple training series to tribal housing entities through learning community cohorts.

Through these cohorts we're able to engage with many different organizations, including the Native CDFIs, tribal housing authorities and tribal housing entities. Participants receive grant funding, training and technical assistance that covers topics such as land lease processes, mortgage financing and ordinances, community planning, homebuyer readiness, design and construction.

Cohort members are able to support each other, which is critical. Building the field and expertise across the country and within community is critical to move the needle and expand

homeownership among our Native American communities. Next slide.

Today I'd also like to highlight some exciting work emerging from the South Dakota Native Homeownership Coalition to address barriers to expanding homeownership beyond access to mortgage products and homebuyer education, which are also critical to increasing homeownership in Native communities.

These new initiatives illustrate the power of local coalitions to build the field and the importance of GSE support to do so. Again, I'd like to acknowledge that I'm using slides created by the South Dakota Coalition.

In South Dakota, the coalition has created a very successful construction internship program, tackling the lack of decent homes for buyers, skilled Native contractors and subs, working in Native communities, and a desire to increase the number of well-paying jobs for tribal members. Next slide.

The coalition is building on the success of the construction internship program, and now tackling a lack of certified building inspectors and building codes. You can see on this slide that this coalition held its first training and testing for building codes in 2006. They're working on code adoption, which ensures Native sovereignty and working with the ICC, with guidance on pursuing codes and tribal nations. Next slide.

This effort continues to grow and there's interest nationally and other states such as North Dakota to replicate and build upon the successes in South Dakota and South Dakota partner expertise. Next slide.

In addition to tackling building codes and inspections, coalitions are also discussing the need for appraisers who come from and live within their communities to ensure that this service is available, that appraisals are fair, and also to build this industry as a job and business creator.

Support from GSEs is critical to continue innovation such as I've described, and to tackle barriers in addition to a lack of access to cultural -- culturally relevant mortgage products. Thank you so much for listening today. Thank you for your support and your continued interest in Native American housing issues. And that's the end of my comments.

Toi Roberts:

All right, thank you, Ms. Rogers. Our next speaker is from the Midwest Minnesota CDC, Ms. Julia Nelmark.

Julia Nelmark:

Good afternoon, and thank you for inviting me to speak this afternoon. I lead Midwest Minnesota Community Development Corporation or MMCDC, a complex Community Development Financial Institution, or CDFI, and a member of NeighborWorks America. I also lead our subsidiary White Earth Investment Initiative, a Native CDFI. We provide several lending products plus housing and additional services.

To answer your first question, what does a well-functioning housing market on tribal land look like? We need to back up and ask what is desired by the residents. Certainly they want quality affordable housing. But I was surprised years ago to learn from tribal members in one of our financial literacy classes, that only one of them wanted to buy the house they lived in. Others didn't want the hassle or expensive maintenance. So the meaning of asset building varies and we need to get at what is really desired there.

We've also seen indications that people who don't have any skin in the game often don't value the home they're there in and they're less likely to maintain it, which then devalues both their home and those around them. Rental housing is even more prone to this issue.

To help those in our communities obtain affordable housing, we look at the entire process starting with the preparation for homeownership through homebuyer education. We utilize the standard home stretch curriculum, as well as pathways home, which is culturally specific for Native Americans. Since this program is offered free of charge, we partner with the Minnesota Homeownership and others for funding to support that program.

We recently became a HUD certified provider by joining Oweesta's HUD network with about 12 other Native CDFIs who otherwise wouldn't be able to access HUD certification. And for customers not yet ready to purchase, we offer financial counseling as well.

So for customers seeking rental housing, we manage housing both for our own portfolio and others in Northwest Minnesota. That is difficult in terms of finding maintenance personnel to hire or contract with. The cost of continual maintenance for aging properties is increasing. Our property managers are receiving the brunt of the stress, solitude and difficulty of our tenants in dealing with the pandemic.

Housing vouchers are difficult to fill even when available, the paperwork is extensive and when customers finally complete and return it they struggled to find adequate housing both on and off the reservation. Tax credit rental properties owned by for profit

investors that come up for sale often suffer from years of disinvestment, and it is therefore difficult to maintain the affordability of that housing.

Some reservation communities are also struggling with drug problems as dealer networks have targeted reservations to branch out and hit on vulnerable populations.

In terms of development of affordable family housing, it's nearly impossible to build without low income housing tax credits, or some other subsidy, especially in reservation communities. We find them very difficult to obtain in rural areas even with 50% or 60% median family income limits. In our state, this currently focuses on densely populated areas and on special needs populations.

Investors in rural areas, especially on reservations, are difficult to find. When we do find them, the pricing is much lower than that elsewhere. And census data is usually incomplete for reservations, which makes low income housing tax credits and other competitive grant funding, difficult to attract without that objective data, the true state of poverty, as well as the lack of housing for some who may be couch surfing for long periods of time.

MMCDC developed single family housing in Northwest Minnesota, that cost of developing that has increased roughly 50% from two years ago. A recent reservation -- or housing developed on reservations appraise much lower even than other rural areas. A recent project appraised for about half of what it costs to build.

Even prior to the pandemic, we needed state grant funding to close the value gap for single family homes in a small town near the reservation, with about \$50,000 per house difference between construction costs and market value. We expect that gap to be \$75,000 to \$100,000 per home for some housing we're looking at building in Multnomah on the reservation.

Stick built homes are difficult to construct affordably, with the increased costs. What used to cost, just a few years ago, \$200,000 is now close to \$300,000. And in many communities, were not able to provide affordable stick built housing. Therefore we're looking at manufactured housing, to try to fill the gap between those renting and unable to bridge that gap to affordable purchase housing.

We're working with other companies who are active in the manufactured housing space and hope to begin offering that in the near future.

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We provide mortgage financing for people throughout Minnesota through both direct customers in our community bank referral network. We've -- we have delegated underwriting authority for two lenders in the secondary market. So we're able to originate and then sell conforming mortgage loans to replenish capital. However, those investors don't buy loans on trust land or manufactured housing loans. So we're seeking another investor to fill that gap.

Toi Roberts:

One minute remaining.

Julia Nelmark:

All right, thank you. And we've been working on down payment assistance programs in our state and several others. We've also been working with USDA Rural Development and the wider tribe to establish parameters to provide rural development fiber to guaranteed loans on trust lands. With the code and regulations that the tribe passed three years ago, we will now be able to provide those guaranteed loans. There are so many more details to discuss here, but those get the highlights. Thank you for your time.

Toi Roberts:

Thank you, Ms. Nelmark. All right, our next speaker is from Venturous Community. Mr. Eric Sheperd.

Eric Sheperd:

Hi, thank you very much, very honored for -- to be a guest speaker on today's panel with such grace -- great legacies here with everybody. My name is Eric Sheperd. I'm from Sisseton-Wahpeton Housing Authority. I'm the executive director. I'm also the Vice Chairman of the South Dakota Native Homeownership Coalition, which was highlighted by Jenny Rogers from Enterprise. Thank you very much Jennie for highlighting such great work that has been in progress some years back, and our vision moving forward for our future.

A few things I'd like to highlight here is I admire the work that's been done since time forward. Each of you guys have targeted some specific areas towards Native Tribal housing. We wouldn't be here where we are today, if there wasn't that recognition from the beginning of time, we've also evolved since that time as well. So a lot of data, updated data, reassessing your needs is critical at this time right now.

One thing COVID has really taught us here at Sisseton-Wahpeton Housing Authority is to restructure our organization and how we deliver our needs to our community and being creative with the federal subsidies that have been provided from the government.

Since that time, it didn't stop our progress. We have gone out and brought in external resources to help meet our demands of our

need. We also have developed a very unique way of utilizing the HUD 184 Program and developing our own lease to own or lease to own program, putting us at risk -- putting us, the Housing Authority at the risk at first, but also providing a way for tribal members to work on their credit -- to become credit worthy over the next 36 months.

In that -- utilizing that program we have developed, I want to say about 40 new dwelling units for the -- in the past two years, which is also another partnership with our Tribal College, in building our capacity building future contractors, featured tribal businesses, but also helping us build another home for our Native family to be serviced.

That has been a great highlight since I've been here during my tenure over the past three and a half years at the Sisseton-Wahpeton Housing Authority. That is one program that I really take a lot of pride in with our team. Our team does a great job here.

That's another area that we've been focusing on is capacity building. Having the team to deliver certain federal subsidies so that we can show success. Our team was just recently hired -- awarded actually a HUD competitive grant, which was in the amount of \$5 million, which we look forward to delivering those -- the outcomes there. But what we wrote nine months ago, it's going to be a challenge to deliver what we said we were going to do due to the housing -- the inflation of cost, supply and demand, which is what we're all faced with during this time right now, is inflation costs, supply chain issues nationwide. That's not just here in South Dakota, I know that that goes on in all regions across Indian country.

We've -- we're fortunate enough to have -- we might not have a financial institution in our backyard, but we actually have a tri state building company right in our backyard that we work hand in hand with. So we've had a few benefits of that. Our reservation is actually a board town reservation, which is along the state of our interstate. So we're able to get some materials here a little easier than some areas that are faced with some hard time challenges.

You know, we do have our challenges as well. You know, I listened to Fannie Mae and Freddie Mac open up with their focus areas. You know, sometimes though, at times, we need to kind of, yeah, let's take a deeper dive and listen to the individuals as myself, administrators, that are in the heart of Indian country, on what works and what doesn't work.

There are some tools, there are some suggestions, we have some ideas we'd love to share. There's a lot of -- sometimes there's a lot of income restrictions that we're putting there which kind of tie up, or our straightjacket, our operations at that point. We'd really love to work with each of you funders to how do we put in some unrestricted funds into Indian country to kind of help deliver a deeper dive into Indian country to help homeownership a little easier on our people.

I'm not saying asking for a handout, because we're willing to put the skin in the game. We have a ten year development plan. That's a mandated plan between the Sisseton-Wahpeton Housing Authority, and our Sisseton-Wahpeton Tribal council, which actually puts skin in the game on both ends so that there's not a risk just on the government -- aren't just looking, like I said, looking for some support so that we can meet the demands. We're looking to build another 100 homes within the next five years.

Within the -- we are in year three right now of our ten year development plan. We're looking to, out of that ten year plan, we're looking to develop about 200 homes with about 50% of that geared towards workforce housing. Thank you very much for this time. Love to hear from everybody else. Thank you.

Toi Roberts:

All right. Thank you, Mr. Shepherd. So this brings us to an early break where we would start our break now. It's just about to be 1:50 p.m., and we can resume back here at 2:00 p.m. to hear the second half of our guest speakers. All right. Thank you.

[break session]

Toi Roberts:

All right, hello and welcome back from that short break. And now we will begin hearing from the second half of our guest speakers. And the first speaker is from the Northern Circle Indian Housing Authority, Ms. Elizabeth Elliott.

Elizabeth Elliott:

Good afternoon. Thank you so much for giving me this opportunity to speak on behalf of the consortium tribes that I serve. I wanted to just jump in to the questions really quickly, and maybe make Fannie Mae aware of the fact that your Native American home ownership page, bringing choices to tribal lands, your contact information and your email is dead.

And so that's one of the first things that could be changed when approaching home ownership or addressing the housing needs on tribal lands is, we can no longer take a check the box approach. Just like as in these listening sessions. We actually need to see action and

movement, and not just listening sessions that are held to make it look like there's equitable opportunities.

The pandemic has impacted our tribes terribly, we've had huge amounts of loss. We've had huge amounts of housing instability. Fortunately, we have been able to sustain, through the Department of Treasury's ERA1 Program.

And so with that, we partnered with the Credit Builders Association. And we were able to launch a credit building and credit cleanup program for our on-site tribal members. And so while we were providing ERA1 rental assistance, our members were working collectively with our resident service program to clean up their credit.

But beyond that, look at whatever historical trigger or event in their life, or lack of empowerment tools, that have led them to the -- their current financial situation. We've addressed it by providing financial literacy courses, wellness courses, and overall wraparound services to our membership.

So I believe that the credit building program is an approach that could be accessed by multiple tribes and tribal housing authorities to build more opportunities for home ownership. In the last year, we have housed or stabilized 563 families, and then created at least 24 homeowners, whereas in a traditional year, outside of COVID, we only had two people enter into home ownership.

At Northern Circle, we take a trauma informed approach. And so we don't just look at housing as numbers. Your home is your first classroom, and that builds the foundation of who you are as a person. So we apply that in everything we do. Not looking at communities with -- that they have a lack of tools, but they've been provided a lack of empowerment. The communities know what they need and as the previous presenter said, you -- that's key when working with tribal communities is ensuring that you're not speaking for them, but allowing them to drive the needs for their community.

The other approach that I wanted to mention is changing value for affordable rental homes. So if the conditions of low rent units, both on and off the reservation are subpar, we are committing structural violence as an organization. We're impacting both the physical, mental and spiritual health of the membership that we serve.

One of the obstacles that I've found serving here in Northern California, is that even as an executive director in my current housing market, it took three years for me to find housing. And it's

taking even longer for my membership. I have staff members that remained unhoused for four years, because our housing stock is so low.

So instead of trying to create more low rent housing stock, we've taken the approach that we want to just continue to build home owners, and essentially buy back our communities one neighborhood at a time. The stakeholders in my program are the tribal members all the way from age eight, until their elders.

We believe that providing financial literacy empowerment training will help to create more homeowners in the future and to create the foundation for more entrepreneurs and sovereign business entities or development.

Going back again, the gaps are that in the programs that are listed, they have to actually be accessible and they have to have an understanding of lending on tribal land. I've seen a big approach, having appraisals come on tribal land. And in that appraisal, most often people include the value of the land underneath. And there needs to be a widespread empowerment or education approach to our tribal Indian providers to help them understand that that land value shouldn't be included because the tribal member will never actually own that as it belongs to the federal government.

Toi Roberts:

On minute.

Elizabeth Elliott:

Yes, sorry. Manufactured homes right now, our only option being that we've been in severe fire zones since 2017, the cost for me to build stick built homes is tremendous and not really an option for the tribes that I serve. So manufactured homes and being able to have accessible loans that allow us to place those on tribal lands are key in finding success for our communities. I hope that we can work together and find more approaches or opportunities that are sustainable and equitable for all tribal communities. Thank you very much for your time.

Toi Roberts:

Thank you, Ms. Elliott. Our next speaker is from the NeighborWorks America, Mr. Steven Barbier.

Steven Barbier:

Thank you, Toi. Good afternoon. My name is Steve Barbier. I am a senior relationship manager in the western region for NeighborWorks America. On behalf of NeighborWorks, I want to thank the Federal Housing Finance Agency for the opportunity to provide these comments regarding the Duty to Serve Native American Housing plans with Fannie Mae and Freddie Mac.

I also want to acknowledge the great ideas and perspectives of all the speakers on this call. And in particular, the Native practitioners on the ground doing the work every day.

Our mission at NeighborWorks America is to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. I want to acknowledge and thank Fannie Mae and Freddie Mac for their multifaceted partnerships with NeighborWorks America for many years, including Fannie Mae's recent financial support to develop culturally specific training curriculum for Native communities focused on post purchase homeownership counseling.

NeighborWorks America has been fortunate to have the perspective of over 25 years of history in mortgage lending on tribal trusts and restricted lands, going back to the presidential one stop mortgage initiative in the '90s and continuing through the present with our collaboration with the Center for Indian Country Development at the Minneapolis Federal Reserve Bank, on the lending systems focus group. And OCC's Project Reach, Native Homeownership Financing Subcommittee.

When we began our work on the Navajo Nation in 1995, there was little or no access to mortgage loans. We found households using credit cards and paying cash to buy materials to construct their homes.

So what would a well-functioning housing market on tribal land look like? It would be an adequate supply of homes and a range of mortgage products that meet a variety of income levels, including middle and higher income Native households. There would be buy and sell opportunities and potential for home appreciation and wealth building. Sales transactions would be routine rather than one off. It would be infrastructure of Native housing industry professionals dedicated to homeownership.

The timing of transactions on trust land would approximate the timing of fee simple transactions. Although there's been some improvement in standardizing homeownership related transaction processing at the Bureau of Indian Affairs, and other federal agencies, the mortgage industry is still constrained by many solvable challenges.

It could be said that without a conventional loan product, there's less loan product diversification today than there was in the early 2000's. Indian country does not currently benefit from the automation of the mortgage industry. Federal programs and policies

that focus on low and moderate income households have been at the exclusion of middle and upper income Native populations, challenging economic diversification and tribal communities.

Further, housing industry professionals are in short supply. This in turn elevates the cost of appraisals, surveys, in some cases, environmental reviews, and challenges the economics of home buying.

First, we need conventional lending in Indian country. We've estimated that there were only approximately 225 trusts and mortgages originated annually from the federal agencies of HUD, USDA and VA for the 574 federally recognized tribes between 1995 and 2016.

The economic impact that the home purchase industry has on the national economy is not reaching Indian country. There needs to be greater home loan choice for normal real estate markets to evolve. We need more redundancy and access to capital when federal agencies hit loan caps.

Fannie Mae has worked to make their loan products more competitive with the HUD 184 loan guarantee product by allowing for cost basis appraisals and accepting the BIA certified title status reports in place of the requirement for title insurance.

Secondly, as you've heard from many voices today, we need to continue to build local capacity and housing industry infrastructure. To this point, we need more housing professionals working in Indian country. We commend the work of both the GSEs in supporting Native CDFIs and Native state homeownership coalitions. Fannie Mae's work in supporting HEARTH Act implementation in New Mexico and Freddie Mac's work with training for appraisers in South Dakota are examples of impactful projects.

Third, the issue of legal infrastructure and memorandums of understanding for conventional mortgages between the GSEs and the tribes looms large. It is our understanding that in the early 2000's there were approximately 40 MOUs use in place between Fannie Mae and tribes. However, Fannie believes all these have expired and need to be redundant, refreshed, necessitating in most cases Tribal Council resolutions, for lending to be conventional and to be possible.

Today, there are approximately four of these MOUs in place. The staff available the GSEs, which are into these relationships with tribes is extremely undersized in comparison with a task of even

getting back to where they were in the early 2000's, in any reasonable amount of time.

We suggest building on the legal infrastructure in place through the federal agencies, including updating interagency legal infrastructure documents, to include the GSEs as a way to provide the same access to mortgage credit available to all Americans.

Fourth, set meaningful loan production targets in the Duty to Serve plan. To affirm a commitment to conventional lending, we would like to see loan purchase targets included in the current and the future Duty to Serve plans.

We suggest the GSEs consider using special purpose credit programs to drive these targets when necessary. In summary, the scale and dominance of the GSEs in the housing industry suggests that they increase their capacity building, play a larger role in encouraging lenders to actively foster relationships with tribal governments, tribal housing authorities, Native CDFIs and developers.

Develop more loan products in partnership with the primary market and incentivize affordable home -- affordable housing development on trust land. It could be a powerful force, particularly when combined with the proposed changes to CRA that could encourage investment on Native lands.

Let me conclude by saying NeighborWorks is grateful for the opportunity to continue to work with FHFA and the GSEs to increase liquidity and expand credit to all Americans in underserved communities across the country. We welcome additional focus and resources for serving Native Americans with their critical housing needs. Thank you.

Toi Rogers:

Thank you, Mr. Barbier. All right, so our next speaker is from the Native Community Capital, Mr. Dave Castillo.

Dave Castillo:

Thank you and no need to show the slides. But good afternoon. First, I'd like to recognize the staff and leadership at the Housing Assistance Council, where I serve as a member of the Board of Directors. They will submit official written comments as requested. However, my comments today may be a bit more pointed.

The reason is, I've had -- been working on the specific issue of access to capital mortgage lending in Indian country my entire career as have other others on this call. And I think we can all agree that we have much work yet to do. An improved Duty to Serve initiative must be a vital part of it.

The primary question posed to this group prior to today's meeting is an intriguing one. And since you asked I took some liberty to imagine what approximately a well-functioning housing market on tribal lands might look like.

Native Americans wishing to build or buy or sell a home on tribal trust lands would have the benefits of the complete housing market ecosystem. Previous speakers have already talked about this so I think this will be a theme going forward.

My focus is, as a lender, as it should be for the GSEs. but which likely differ from that of tribal governments, tribal housing, tribal realty, tribal code enforcement practitioners and others. Nevertheless, the components of a well-functioning tribal housing market ecosystem should include homebuyer education classes taught by certified instructors where ideally Native American. Financial institutions with branches on or near tribal lands. Ready availability of appraisal inspection vendors, as well as general contractors and subs. Tribal realty departments that have taken full advantage of the Helping Expedite and Advance Responsible Tribal Homeownership Act also known as the HEARTH Act.

A complete absence, if not outline of storage shed vendors, marketing and selling units for use on tribal lands as tiny, unsafe and unsanitary homes. And finally, large lenders who use their expertise and experience to develop exotic financing options for their highest net worth clients, and to finally also craft financial products that are appropriate and useful for tribal trust lands.

If that is what you surmise a well-functioning housing market and tribal lands would look like then yes, it would include all of those components and more.

However, the Native American Housing Assistance and Self-Determination Act, also known as the HASDA, was signed into law in 1996, the very year I began my career in Tribal Community and Economic Development. Now HASDA was as heralded on the floor of the Senate during its debate, expected to and I quote, "lift the yoke of paternalism, and finally make the American dream of homeownership available to Native Americans!"

Over 25 years later, that dream remains just that, for far too many American Indian people who need homes on their homelands. And so if a HASDA alone has not provided the impetus required to establish and grow homeownership opportunities for Native people on tribal trust lands, then we must ask what else is needed?

One element is certainly additional policy. The graphic provided and you can view that later shows four critical pieces of legislation since in the HASDA that have provided additional regulatory infrastructure and resources necessary for developing a well-functioning housing market on tribal lands.

Nevertheless, policy functions more as an almost static structure, akin perhaps to the framing, the plumbing and electrical components of the home. Likewise, the electric power as well as the hot and cold running water that allows the home to operate, or like the financial resources needed to allow a well-functioning housing market to operate.

Keeping with that analogy, while offers off reservation citizens enjoy conventional and renewable energy generated by modern technology, a tribal citizen is too often left depending on nothing more than a simple wood burning stove to heat their entire home. And if connected to the grid, electric service that is unreliable at best.

We, Native CDFIs, are like those wood burning stoves in a tribal home. Where we operate, we can operate at full capacity and still fall far short of what is needed in a modern home or more specifically for our work in a nascent tribal housing market.

A well-functioning housing market on tribal lands requires modern, reliable and varied sources of financing. We need equitable access to the types and volume of financial resources that are available outside of tribal lands. A well-functioning housing market on tribal lands would be one where Native American citizens who are aspiring homeowners are seen and heard by the mortgage industry.

By seeing, I mean to say that tribal lands would attract the attention of GSEs and by extension banks, both in the area of product development and investment. In our latest Duty to Serve plans the GSEs loan production goals for Native America are exactly zero. By comparison, single family home loan production, purchase goals or purchase goals for other non-Native rural areas such as Appalachia, the Gulf Coast, and Colonias or Hispanic communities is 19,032.

A loan purchase target for Native America is not even contemplated until 2024. Instead, Fannie Mae has proposed to provide only technical assistance.

I mentioned being seen and heard. By heard I mean that financial products and services noted would be developed in such a way that takes into account logistical and market conditions which exist in

Indian Country. Several ideas on that topic are in our written comments and so I trust you will review those and invite additional discussion later.

But true leadership by this GSEs and by extension regulated financial institutions, would see those institutions lead by committing the resources necessary to recruit and retain Native Americans and achieve low production goals that have measurable and growing impacts in tribal communities. Yet it's been 25 years since the passage of the HASDA, and instead, what we've seen is that the big banks and the GSEs have retreated.

Despite even a federal mandate created by Duty to Serve, there seems to be a willful acceptance of the status quo. It seems a lack of Native American personnel and related production goals for this effort is in fact their policy. I fear technical assistance alone places too much of a burden on tribes, as well as small undercapitalized Native CDFIs.

The challenge of lending in Indian country does not exist as it is portrayed by the GSEs and banks. Otherwise, how is it that a small, minimally funded, skeleton crew at a Native CDFI in a rural part of New Mexico can raise capital, get licensed as a mortgage lender and originate private mortgages on tribal trust lands, whereas a \$4 trillion private financial institution cannot? I offer thoughts on that in additional run written comments I may submit separately from the Housing Assistance Council.

Tribal communities, and in my case, Native CDFIs are not necessarily asking banks to do work that we can do ourselves. However, we do need a level playing field. If the GSEs and banks will not lead than they should commit cash resources, equity investments and grant funds to grow the balance sheets of Native CDFIs and others that are actively and typically exclusively serving Native people and communities.

Regarding technical assistance, intensive technical assistance by true subject matter experts and specific to getting established as a seller servicer with the GSEs, or other activities as were mentioned previously, is very much appreciated.

However, technical assistance --

Toi Roberts:

One minute remaining.

Dave Castillo:

On minute, yeah. Technical assistance from generalist contractors who offer a little more than passive, remedial training that a loan is

expected to generate aspirational and unrealistic outcomes is a waste of time and money.

If that is the extent of such technical assistance, then it is much better to direct fund Native CDFIs to hire or contract with the requisite professionals on their own, so as to build their own internal capacity.

The plain fact is that we need serious, significant and sustained investment to make up for literally centuries of active exploitation by the US government, and more recently, active neglect. That is modern redlining by the private sector. Thank you for your attention and your assistance to help us improve implementation of the Duty to Serve provisions as related to Native America. I stand ready to assist in any additional way you may see fit. Thank you.

Toi Roberts:

Thank you, Mr. Costello. All right, so our next speaker, looks like we now have Mr. Marion back with us. So I'll go ahead and introduce Mr. Marion. He's from the Northern Cheyenne Tribal Housing Authority. Mr. John Marion.

John Marion:

Just unmuted myself here. Thank you guys. So I know it's a very short discussion this morning, this afternoon. But a real quick introduction of myself. I began my mortgage and banking career with Bank One, business banking, as a loan officer and underwriter and then was heavily involved with PMI Mortgage Insurance as a secondary market analyst, both on the origination side and on the servicing side. And I am currently the Healthy Homeless Program Manager for the Northern Cheyenne Tribal Housing Authority.

And so when I took a look at the questions that were prompted for me for housing here in Indian country, I kind of didn't even get past the first question. What would a fully functioning mortgage market on tribal land look like?

And my answer is nothing like it looks like today. And nothing like it looks like off the reservation either. Mortgages as they are conceived of, originated, bought, sold and serviced off the reservation won't work on Tribal land, particularly in most rural areas.

So I'm going to use the Northern Cheyenne Lodge, the Teepee and the three pole base as kind of a talking points to illustrate my position. And so there's three main pillars that I see that are challenging.

There's the consumer market challenges. There's the loan processing and sale of mortgages. And then the long term servicing of the mortgages.

So when the consumer challenges specifically for our reservation, we lack supply. So we don't even have homes for sale. Builders that are here primarily focused on doing rehab and remodel work. We also face massive infrastructure challenges in regards to water and electricity.

The Northern Cheyenne Tribal Housing Authority has not built a new home since the early 2000's. And I even want to say private homes, we may have seen one or two built in that timeframe.

We have no surveyors or appraisers on the reservation, most of those professionals were coming from the closest major city, which is 90 miles away, almost two hours. And so we're always finding ourselves having to pay for windshield time to get those people paid and get their expertise.

We don't have any properties for sale. The cost of building materials keeps continuing to increase and kind of making homes unaffordable. And the nearest place to get competitive supplies, again, is 90 miles away.

The other thing that I kind of noticed on here is that, at least here in the northern states, manufactured housing is not a solution to the problem. For example, I currently stay in a little single wide trailer here on the reservation, and it gets both hot in the summertime and cold in the wintertime. It's just that -- it is not an effective way to keep the cost of ownership down for people that are typically already income challenged.

The second pillar I want to talk about is the loan process. The time that it takes for that to happen. Credit worthiness of our applicants that are applying. And I know that the 184 program does do a manual underwrite, but kind of the over reliance upon FICO and desktop underwriting. Misunderstanding of what the tribal land is, and how that functions differently than fee land.

Misunderstandings about the tribal lease. And then of course, fractionation on lands that are owned by families in tribal members creates a massive headache for any family that's trying to build on the family plot, if they can't get everybody to sign on the title status report to allow a building to happen.

The other big thing to consider is kind of the cost to operate the whole. Out here on the reservation, we pay about 50% more in

electricity bills than people do off the reservation. Propane is expensive. You know, we have residents and tenants that are paying upwards of \$300 and \$400 a month during the summer and winter months to keep their houses hot or cold depending upon the time of year, which to me if you're a low income, that's not a tenable solution.

And then the last notion I wanted to talk about here is kind of the secondary market. And I was talking to one of our bankers here about why they're not doing 184 mortgages on the reservation. And her explanation was that Fannie Mae and Freddie Mac stopped buying them. They had no longer an outlet. I do know there that in Montana, the Montana Native American Homeownership Coalition has agreed to now buy all 184 mortgages that tribes originate. So that's definitely a step in the right direction. But it is still, you know, we still have our hands tied by that traditional mortgage product that's out there.

One of the things I'd called attention to as well is how are these loans in Native country being serviced? You know, they -- the servicing profile is much more akin to like a subprime loan in the context that the borrowers need to have a lot of hand holding and in conversations. If they do miss a payment, there needs to be kind of built in workarounds and forbearance for people if there's job losses and changes of jobs and reductions of income.

And so just how do we accommodate the changing family dynamics. One of the things I thought about was like a mortgage portability. And this is just an example and kind of a dream. But for example, in Canada if you get a mortgage on a house, and then you buy a new house, you can take that mortgage with you, called mortgage portability.

I see that as being a little bit different here in Indian Country. You have a homeowner that might be an elder and has the house has the mortgage, and then that person may pass away. Well if there's still a mortgage on the house, where does that go? I would advocate or make a suggestion that perhaps that mortgage could be portable to the next generation, or to an heir for that particular house. And so the family continues to get to stay in the house. There's no risk of foreclosure. There's no risk of the tribe having to buy it back. But there's a way to work around, you know, deceased applicant or deceased mortgagee.

And that can also come into play when some of the politics that happened over the reservation. You may have an applicant or a borrower that may be the director of a program or a department for

the tribe. And then a new election happens and that person is now out. And the only job they can find these days is a bus driver. Well that income isn't going to be the same. So how do we account for that in the mortgage process without having to go through foreclosure, things like that. So the fluidness of mortgages on Indian land is something that is a consideration.

So I guess what I'm getting at is the mortgage on tribal land needs to be reimagined, not just repackaging of a conventional mortgage with a workaround of selling property back to the tribe, in the event of default. Essentially burden the tribal nation financially and administratively to assume individual's mortgage.

So my key takeaways is that the mortgages ought to be intergenerational, or intra-familial and more tied to the home or to the house, then the individual borrower. Credit needs to be uniquely -- or reviewed uniquely in a nontraditional lens from the banking sense.

Appraisals need to be geared towards construction costs. We don't have the ability to get comps out here at all. I mean the closest comps to anything on the reservation is 60 or 70 miles away. So it's not even a viable way to appraise and estimate the value of a property.

Toi Roberts:

On minute remaining.

John Marion:

And those days seem to be much longer. You know, if your 60 day or 90 day timeframe, we might not even have a certified title status report ready by that coming out. And then also kind of streamline the buyback process where the bank may assume marketing and responsibility to the tribal communities are members.

So just some observations from my experience in the mortgage industry, construction industry and so forth. I'm not sure if any of the suggestions can tread water or not, but there's my thoughts on the process of mortgages in Indian country.

Toi Roberts:

Thank you, Mr. Marion. All right, so our next speaker is from the Federal Reserve Bank of Minneapolis. Ms. Libby Starling.

Libby Starling:

Thank you, Toi. Thank you to the Federal Home Financing Administration. And thank you to all of the previous presenters and past partners with the Center for Indian Country Development. Sally, I do have slides to share, so while the slides are coming up next slide.

I'm coming to you today from the Center for Indian Country Development, which is a Research and Policy Center housed at the Federal Reserve Bank of Minneapolis. Our focus is on supporting tribes in reaching their full economic potential through actionable research and community collaboration to advance solutions in Indian country. Particularly focusing on key elements of tribal economic prosperity, such as homeownership. Next slide, please.

So our research indicates that interest in homeownership across Indian country is high. So looking across all residents, home ownership is higher on reservations in tribal land than in the U.S. overall. Although homeownership rates are lower for Native American individuals, both nationally and specifically on recognized American Indian reservations.

We're also tracking past research that indicates that as many as 90% of renters in Indian country are interested in becoming homeowners to take advantage of the wealth building and asset building that homeownership provides households. Next slide.

However, as many speakers already have talked about today, the status of land in Indian country does present unique challenges for homeownership. As previous speakers have mentioned, as many as 60 million acres of Native lands are held in trust by the federal government, and managed through the Bureau of Indian Affairs, creating the challenges of transferring titles without -- or transferring of titles requiring the consent of the federal government. And the process of a title status report, or the TSR, that several other speakers have referenced.

Processing the TSR can take as much as a year, adding that to the overall time of processing the overall exchange of land. So simply getting title to land is much more time consuming on tribal trust land. Next slide.

So as a result, Native American borrowers on tribal lands, particularly tribal trust lands, are more likely to receive high cost mortgages. So the procedural differences in the lack of the secondary market that we've talked about, we're seeing homebuyers on trust land generally must use a leasehold mortgage, not a fee simple mortgage, because of the difficulties in collateralizing trust land. And as a result, the loans are more likely to be non-conforming and outside the typical requirements of resale to the GSEs.

Without that resale market, we see constraints on the capital liquidity available to Native CDFIs and other entities that are lending in Indian country.

On top of this, we see the greater use of manufactured housing in Indian country, as some speakers have referenced. And those loans are more likely to be chattel loans, although there are attempts to allow manufactured housing to access a more conventional lending market.

But with all of these our research indicates that Native American borrowers are much more likely to receive high cost mortgage loans. And as a result on a \$200,000 loan purchase, we've estimated that Native American borrowers may be paying as much as \$70,000 in additional interest over the lifetime of the loan, because of these various dimensions of the procedural challenges of affordable mortgage lending in Indian Country. Next slide.

As previous speakers have already mentioned, there are tools that are designed to work specifically in Indian country, the section 184 program, or USDA section 502 program are underutilized, particularly on tribal trust land. And some of our conversations with lenders seems to suggest that people who understand how to make these programs work among lenders have left those roles and are moved on elsewhere.

And that there's a lack of capacity and understanding how to make these more challenging programs work in the challenging locations of Native lands. So there's an opportunity to learn collectively how to make these tools work more effectively in Native lands. Next slide.

So with this, the opportunities are, and I feel like I'm echoing many of the past speakers before me, are the continued investments in the capacity, particularly in financial capacity of Native CDFIs. But Native CDFIs cannot address all of the needs alone. So there's an important need of increasing the capacity of traditional lenders to lend successfully in Indian country.

And as there are improvements in the title process on trust land, the ultimate need is to get to a normalized and easy lending process in Indian country more similar to what the rest of the country is able to access without many of the challenges and processes that are so unique and different in that make Indian Country lending such a challenge. Next slide.

And with that, thank you for your time, it's been an honor to participate.

Toi Roberts:

Thank you, Ms. Starling. Our next speaker, is from the Cheyenne River Housing Authority, Sharon Vogel. Ms. Vogel, your microphone is muted.

Sharon Vogel:

Thank you for the opportunity to share my comments. You know, and I just appreciate all the expertise of the panelists that are definitely contributing to I think hope, hopefully contributing to you to your understanding of the issues of housing development or creating a well-functioning housing market on tribal land.

In looking at the question of, you know, what is a well-functioning housing market, one it needs to address the housing shortage in tribal communities. The housing market must provide opportunities for our families to have access to affordable housing, both rental and homeownership.

These opportunities must be available for all income levels. Housing Development Strategies, both long term and short term require partnerships, leveraging access to infrastructure development funds, master planning of mixed use subdivisions, enhanced management capacity for both development and property management.

It all starts with a favorable environment of shared vision by stakeholders, advocacy for policy reform, reoccurring allocations of federal, state and local resources, targeting rental and homeownership development. Local capacity to develop and execute development projects. Affordable mortgage loan product and lenders. Homebuyer readiness services in a stable economy for workforce population.

A well-functioning housing market will emerge from a diverse collaborative approach to invest resources using models that are successfully working in tribal communities. The current state of the housing market on tribal lands is certainly not functioning well. There is a critical housing shortage that continues to grow each year. There is not a balanced approach to both rental and homeownership housing development opportunities, we are not keeping up with the demand for housing.

Poverty conditions cannot be ignored when discussing a well-functioning housing market. It is our reality. Affordable housing takes on a new meaning when you have hundreds of families you serve living below the poverty income guidelines.

Currently, Tribal Housing Develop -- the Housing Authorities fill the roles of owner, developer, general contractor and property manager, simply because this is what we must do to develop housing. Therefore, management capacities for our tribes and TDAGs is so important. There was no one else stepping in to fill these roles.

Unlike other developers, we are not in this for a profit, we must use all our resources wisely. Also, our rent schedules must remain affordable for our families. It is not unusual for our families to have no income for months at a time. Because of this, we as housing authorities must be very careful with our loan portfolio. Our rent schedules cannot support large development loans, which is why we need the subsidies to help us keep rent schedules affordable and be able to cash flow our projects.

Infrastructure, or the lack of infrastructures, is one of the biggest barriers to housing development. I believe the future of sustainable housing development starts with financing the infrastructure for mixed use development subdivisions that create opportunities for both rental and homeownership.

We need to accelerate this process because everything is at a standstill when you do not have infrastructure. The current housing market falls short in the areas of adequate supply of affordable rental units and opportunities for affordable homeownership. The lack of housing stock is a barrier to transition families from being good renters to successful homeowners.

COVID-19 has brought awareness to the dangers of severe overcrowded conditions for vulnerable members of a household. The critical housing shortage was a glaring deficit in our tribal communities, especially when quarantine measures were needed. Our waiting list increased because families living in overcrowded conditions applied for rental housing to avoid the risks of COVID-19.

During this time, we've also seen an increase in the number of individuals seeking homeownership. They want to protect their families. Fortunately, we were able to assist individuals navigate the loan process, despite the pandemic challenges.

The increase in our homeownership rates is happening because individuals recognize the long term benefits of owning a home. The availability of community infrastructures, such as public facilities contributed to how comprehensive the outreach activities were developed and implemented. Public facilities are a critical part of

our community and need to be a part of master planning for our residential housing subdivisions.

There are programs and initiatives that have been what I call tribally designed and tribally manage. And those are often the best approach because we take models and we adapt them to what works for us. In doing this --

Toi Roberts:

On minute remaining.

Sharon Vogel:

In doing this, we really hope that we will be able to see the importance of the work of our Native CDFIs and that there are efforts made to assist them access capital for mortgage lending and community development.

Work with our tribes and housing authorities to increase management capacity to develop master planning strategies, and establish diverse development teams. Contribute to the resources to tribal communities to promote homebuyer readiness for individuals seeking homeownership.

Join the efforts to create a well-functioning housing market in tribal communities by taking the recommendations you receive from tribal housing practitioners and other stakeholders and develop a long term investment plan into tribal lands. Thank you.

Toi Roberts:

Thank you, Ms. Vogel. And for our next speaker, and our last speaker, she is from the Montana Native Growth Fund, Ms. Tonya Plummer.

Tonya Plummer:

Thank you, Toi. And thank you to FHFA and everyone on this call today, I'm so grateful for the opportunity to speak. We all come to you today with a zeal for improved outcomes as we seek the best solutions together, and my heart is so warm sharing space with so many strong voices from our communities. I heartily agree with so many of the comments that are made today.

I'm the Executive Director for Montana Native Growth Fund, we're a Native CDFI built primarily to improve homeownership opportunities for the tribal community of Fort Belknap in Montana. And I'm also a driving party in the growth of our Montana Native Homeownership Coalition, where tribes, housing authorities, Native CDFIs, banks, credit unions, developers can all seek solutions together.

Our relationship with FHFA and other key partners, so many of you on this call today to create these opportunities is highly valued.

These conversations need to continue to be broader, bridge building conversations in order to achieve Duty to Serve goals.

My comments today directly answer three of the questions posed by FHFA and might seem quite literal, or overly simplistic in response, however, there's often an asset base larger stakeholders assume or take for granted when they begin the work here. And I think it's important to continue to highlight the realities on the ground even if in literal fashion.

It's also important to mention that confronting harsh realities needs to continue to be met with positive, collaborative solutions driven hearts and minds. You asked, what does a well-functioning housing market on tribal lands look like? And several others have taken a stab at that. I would support most of those, I'm just going to do a quick rundown.

Number one, six items, homes for sale. That means a current housing stock, built with physical infrastructure, construction laborers, building codes, tribal lands dedicated for homes and the development funds to construct them.

Number two, if tribal members cannot pay cash for those homes, there needs to be loans available to buy them over time. Without having to jump through hoops any more significant than a non-Native purchasing on fee land. There would be loan options for different credit profiles and incomes and not a one size fits all product.

HUD 184s are not the only or best answer. And as tribal economies grow, we need products for all profiles rather than being encouraged to remain poor.

Lenders who understand the loans and lands, that's number three, and have money to lend. And it means if recovery if that's necessary, that protects accurately assessed risk, while respecting tribal sovereignty.

Number four, an ecosystem of support around the lending process, inspectors to ensure quality, appraisers to determine value and a clear method of valuation that acknowledges the value of the tribal land under a home and a clear quick means of obtaining clear title to land, a land home package, through improved BIA processes and increased tribal adoption of the HEARTH Act.

Number five, buyers built and prepared to own a home and to pay back the loan they took out for it. This requires social and emotional infrastructure created with culturally empowered curriculum from

instructors who understand trust land. There remains a continued press for HUD certified counselors without acknowledging that large portions of traditional curriculum are not even used in Native communities and large portions of education and TA provided are needed for homeownership in Native communities is not at all included in HUD curriculums.

We need to support tribal practitioners who cover the right material in the right way. Nod to Elizabeth who mentioned a trauma informed approach. I very much appreciated that.

Sellers, last one, sellers have homes on tribal lands, housing authorities -- underfunded housing authorities cannot be the only builders and sellers. But with many of the above elements lacking there are a few tribal developers building and selling homes. And with unclear title processes it's complicated and lengthy to exchange title for some of the older existing homes.

Each of these elements impacts the others and each is just as crucial as the others. To solve this problem there must be a multifaceted approach. There remains a Duty to Serve all, not only the areas with robust and mature presence of the above elements. If service cannot deliver homeownership the way it currently exists, the work lies in developing these elements to maturity, all while building tribal relationships that acknowledge and respect tribal sovereignty and encouraging and leveraging relationships with providers and resources that can partner in the work.

If we're building a home, the general contractor can't do it all themselves. We need the excellent carpenters, electricians and plumbers, sorry, no pun intended. the GSEs cannot uphold their Duty to Serve alone, they'll need increased partnership with Native CDFIs, national intermediaries, who actually understand Indian country and are doing the work on the ground/ And improved tribal relationships to get it done.

I'm sorry, I'm speaking so fast, but there's so much to cover. Another question was, how does the current state live up to this vision and in what ways is it falling short? And then can you acknowledge COVID-19?

No doubt the pandemic made it difficult to gather and hold homeowner education classes. Economic fallout from that has limited the full scope of development potential. Price of a two by four, OSB has tripled. Finding materials and getting them to communities is more expensive, that impacts the number of homes

built. Rates are now increasing, that it limits the amount of home a tribal member can afford.

However, the systemic issues with creating a healthy housing market on tribal lands precede the pandemic. They have triggering factors outside the pandemic and solutions independent of pandemic recovery. I think it's important to acknowledge that.

To answer the first part of that question, I want to speak as an underwriter, because I was an underwriter by trade before I entered this work and because you've asked. The difference between an underwriter in the conventional sense with a stringent and non-pliable outlook in a worn out declined stamp, and a producing underwriter supportive of successful close deals and a well-used approved stamp is perspective.

It is adapting a mindset that does not hold a no, unless you do the things we require. But rather holds a mindset of yes, when these core components are met. And how can we help you meet them? While keeping an open mind about how each profile learns to meet them.

It requires leadership that balances wise risk mitigation, and the larger goal of improved homeownership outcomes. So if we were to underwrite Duty to Serve effectiveness and the ability of tribal communities to attain increased homeownership, because of their outreach and resources today, we would assess based on the five C's. So let's do that.

What is Duty to Serve plans? What are they selling on the street corner that tribal communities aren't yet buying and why? Capacity, most lenders have pulled out of tribal communities, prioritizing profit over potential and leaving limited capacity to access mortgages. So Native CDFIs are left on the ground to fill this role, but with far less resources than the larger banks and lenders.

It's notable that Duty to Serve has chosen to focus on capacity building, and a very smart move that needs to be further enriched and supported.

Collateral, housing stack is low, in excess of -- resulting in excessive manufactured homes, trailers, high interest, tattle loans and depreciating collateral or even sheds. Yes, people are buying sheds and living in them and calling it home. It's sad that this has become one of the best options for home in some tribal communities.

To fix this, we need to build the ecosystem of support around homeownership. How can partnerships be expanded to improve the

number and quality of homes for purchase? If you stand on a corner, in Phoenix, in a summer selling hot chocolate, nobody's going to buy that. So if you publish an MOU and a white paper with a willingness to say that you're there to help and provide resources, but no money to do that, nobody's going to engage and that's where it feels like Duty to Serve sits at this moment.

Character --

Toi Roberts:

On minute remaining.

Tonya Plummer:

Okay. Indian country is redlined. Its judged too often less valuable because its lands are held in trust with the federal government. Indian citizens, American citizens are born with Indian blood and they inherit a connection to trust land, because the lenders have retreated and those resources are no longer there, there are a few homes that homeownership opportunities.

Without that ability to build equity or generational wealth Native Americans hold eight cents on every dollar that white Americans hold. And that equates immediately to a value judgment and a view that there's a lack of character. So we need better means of determining good character that build sustainable homeownership conditions with stagnant development and limited homeownership in tribal communities on tribal lands.

Primary cornerstone of economic development has a foundation issue. And the cycle of economic growth is stunted. I'm going to submit further comments on this further, but I want to get through all of my points here.

The last would be capital, even if the capacity is built collateral is there, characters properly validated and conditions are right, the money has to come from somewhere. So stepping away from banks and lenders who retreated long ago and leaning into directly and substantially supporting the Native CDFIs and mission focused intermediaries who can facilitate direct support is where the solutions are going to be.

The Duty to Serve as a duty to listen to new ideas and avenues, to remove barriers, to source funds to mitigate risk and to secure long term stability. It requires clarity of how the goals will be achieved for each element. And surety the method is effective. It's a duty to amend its perspective from no, because, to yes, when and to help us get there. Thank you.

Toi Roberts:

Thank you, Ms. Plummer. All right. So and thank you all to all of our guest speakers today. That now brings us to close to the end of our

session today. And giving closing remarks, I'd like to hand it back over to Marcea Barringer.

Marcea Barringer:

Thank you, Toi. And I'm going to echo what Toi just said. Thank you so much to everyone who participated today. As I said at the beginning, and so did Naa Awaa, this is our first listening session that we've had specifically on Native housing issues. And we really appreciated hearing all of your perspectives today.

I also really want to thank the audience for attending. We really appreciate the diversity of views that all of our speakers today have expressed. And we will take all of the remarks that we've heard today, and any written comments that are submitted into consideration.

Toi mentioned and I think she's going to mention again in a moment that this presentation will be available for this listening session on FHFA's YouTube channel, and also on our website.

We are also going to send out instructions about how best to submit comments, but you can always send them to me in the meantime. We really look forward to continued collaboration with all of you on this super important issue with a lot of really amazing best practices that we heard about today and a lot of continuing challenges that we need to acknowledge. So thanks again, and I'll let Toi do the wrap up.

Toi Roberts:

Thank you, Marcea. Yes, so that does conclude today's session. And thanks again to everyone for joining us today. And again, if you would like to submit written comments for today's rural session, rural housing market session, please visit our Duty to Serve website at www.FHFA.gov/DTS.

And again, this recording will be on our website and also on our FHFA YouTube channel. And we just really want to thank everyone for participating, and we really appreciate your feedback. Thank you.