

Please note that this transcript reflects corrections to inaccuracies in the real-time closed captioning in the roundtable video.

Eric Howard: Welcome to FHFA's fourth Roundtable Discussion. To those of you watching us live, we are in Oklahoma City. Our discussion today will explore the Federal Home Loan Banks' role or potential role in supporting Native American communities. My name is Eric Howard, and I am a principal policy analyst in the Federal Home Loan Banks' Affordable Housing branch. And I am joined by Joshua Stallings, the deputy director of FHFA's Division of Federal Home Loan Bank Regulation. I am also a proud member of the Choctaw Tribe. I was born and raised in Wetumka, Oklahoma, which is a small community founded and named by members of the Muscogee Creek Tribe after their ancestral home in Alabama. Wetumka is also the headquarters for two federally recognized Tribes, the Alabama-Quassarte Tribal Town, and the Kialegee Tribal Town. My family has been in Oklahoma for generations, and we have traced our ancestry back to Thomas Howard, who received a roll number through the Dawes Commission in 1907. Growing up in Oklahoma, I've seen firsthand the important roles the Tribes play in the lives of their people and in the state. Their efforts to preserve their languages, cultures, and traditions are very important, as is their emphasis on improving the health, education, and overall welfare of their people and their families, and this is also a great source of pride. Another source of great pride and in line with what we are here today to discuss are the programs the Tribes have implemented to provide housing for low-income households, the elderly, and veterans. I know from personal experience the significant impact these housing programs have had on the lives of my neighbors, my friends, and family. And I still remember to this day the sense of pride and accomplishment my aunt felt when she was able to qualify for and receive a single-family home through the Choctaw Nation. And this allowed her to raise her family in a safe, clean, and modern home. With that, I would like to say, Yokoke or thank you to our esteemed roundtable participants, our guests joining us here in-person and all of you watching on the livestream. We have been very pleased with the high level of stakeholder interest. Joshua will be your moderator today, and I'll turn it over to him for some opening remarks.

Joshua Stallings: All right, thank you for the introduction, Eric. And let me say thank you again to our esteemed roundtable participants and those watching on the live stream. As Eric noted, this is our fourth roundtable discussion. We had our inaugural roundtable just a month ago, it was just a month ago in Washington, DC. We've already done four of these and we've got a few more to go before we're done here this year where we explored the question of mission and the purpose of the Federal Home Loan Bank System. For all of those that are interested, the videos and transcripts of that inaugural roundtable can be found on our website. We have also been to Chicago and to the Mississippi Delta, where we had conversations about vulnerable communities, both in the urban and rural environment. These roundtables are the second phase of the Federal Home

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Loan Bank System at 100: Focusing on the Future initiative. With the Federal Home Loan Banks just turning 90 years old and approaching their centennial, our director, Director Thompson, felt that now was a good time, it was now as good a time as any to conduct a comprehensive review of the Federal Home Loan Bank System. We kicked this off with a comprehensive, well, we kicked off this comprehensive review with what turned into a three-day, three-part listing session due to the high interest. And that was all just the first phase before we got into these roundtables. So as I was already saying, we already had, we're on the fourth roundtable that we're gonna complete this year with three more to come, and we're expecting to do even more as we get into next year. So at today's roundtable discussion, we'll focus particularly on the topic of the Federal Home Loan Bank support for Native American communities. This is actually the first of a two-part roundtable as we will continue on the same topic next week in Washington, D.C. specific to CDFIs that are doing their work with the Native American community. As the director has mentioned many times, safety and soundness and equitable access to credit are not mutually exclusive. We, of course, will continue to focus on our safety and soundness mission. We are also committed to ensuring our regulated entities provide needed liquidity across the nation for historically underserved markets and populations such as Tribal communities and communities of color. We welcome bold ideas, some of which may require legislative action to implement. We also welcome recommendations that can be implemented in the near term. The Federal Home Loan Bank System has been a critical source of liquidity since its inception 90 years ago. This is particularly true during times of market stress and particularly for smaller members that often haven't had access to other sources of funding. Even with that being true, we would like to explore where and how the banks can expand their scope and thinking to be creative and to think more broadly about how they may help with affordability concerns that are being felt in all communities today. In this and future roundtable discussions, we are going to be asking some big questions on the Banks' role or potential role in addressing housing finance, community and economic development, affordability, the unique needs of rural and financially vulnerable communities and other related issues which will inform our actions, and we have been especially encouraged to hear from such a varied group of stakeholders. And I should say that we hope to extend the reach of this effort as well. That is in fact a big part of this initiative, to expand the reach to those that are not familiar with the Federal Home Loan Bank system. As the director has repeatedly stated, our stakeholders and potential stakeholders are an important part of our review process. While our roundtable discussions are with a small group of folks, we are live streaming the discussions, so that we can reach stakeholders and extend the reach to as many potential stakeholders as possible. In regard to Tribal communities and concerns, it is especially important to hear input from Tribal community members, especially those who may not be as familiar with the Federal Home Loan Banks. To that end, we believe it is critical to get out of Washington, DC,

which we have done, right? Here we are. To give us an opportunity to meet with local constituents and hear about local issues and topics in addition to concerns that may be shared on a more national basis. We look forward to the discussion today and the feedback we will receive as we continue the initiative. With that, let me thank the roundtable participants again and let us review some of the guidelines for the discussion.

Eric Howard:

Okay, so Joshua will be the moderator for our discussion today, and we'll be directing questions to our roundtable participants. We expect and hope that we will have an open and engaging discussion. No recommendation or views should be considered off the table, and we encourage you to offer differing views about some important questions that we will be covering this afternoon. We also want this to be orderly, and as such, we will ask that everyone turn their name placard to the side, so that Joshua will know to call on you. He will call on each of you in turn. We ask that everyone engage knowing that we will likely not agree on all points and in a respectful manner. To ensure that everyone has a turn to speak and we cover every discussion topic, if someone is going long, Joshua or I will interject to keep the conversation going. We will also have a break, probably 30 minutes based on the amount of time we have, it may be 20. And this break will be roughly halfway through today's event. So, we also have a disclaimer that we need to make you aware of, and this is something that I'm going to read verbatim. We have organized this roundtable to obtain your input on the mission of the Federal Home Loan Banks, including input on several specific questions that were sent to you prior to the meeting. 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 today, this meeting would not take the place of a public comment process. The rule making 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. Anything said in this meeting, and that also includes reactions, nodding, eye-rolling should not be construed as binding on or a final decision by the director of FHFA or FHFA staff. Any questions we may have are focused on understanding your views and do not indicate a policy or legal position. Participants in today's roundtable may have a financial interest, whether direct or indirect on outcomes that may affect the Federal Home Loan Banks and their businesses. Today's roundtable will be live streamed on FHFA's website and video recorded. FHFA may also prepare a transcript of today's session, which would include the names of all speakers and the organizations they represent if any. The recording and any transcripts prepared will be posted on FHFA's website and YouTube channel along with any materials being presented today or otherwise submitted in conjunction with the roundtable.

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Joshua Stallings: Okay. And, yeah, they had to edit that with the eye rolling specifically for me. I'm a little expressive. You'll see me doing some things, ignore all of that as you're talking. So for the benefit of those that are on the live stream, the roundtable participants have been given a set of prompts that we will reference during the course of this afternoon's discussion. We had a chance to meet during lunch before the roundtable discussion today, but again, for the benefit of those watching, let's begin with introductions. So, let me ask that you introduce yourself and state your affiliation with the Federal Home Loan Bank System, if you have one, whether that be in your current capacity or a former capacity. Let's start with Holly and work our way around clockwise. - Is this on? - I think they're all on.

Holly Johnson: Okay. Good afternoon. My name is Holly Johnson. I am a citizen of the Chickasaw Nation. I am a CPA, I am also an independent director of the Federal Home Loan Bank of Topeka. I have served the Chickasaw Nation in various capacities for 25 plus years, having retired as Secretary of Treasury in December of 19. I now serve my Tribe as an independent contractor working on special initiatives and special projects. I am nearing into my second term as a independent director for the Federal Loan Bank of Topeka, so I guess that makes seven years of service. I am the incoming audit committee chair and serve on the Risk Oversight Committee, as well as having served on Operations and Human Resources and Inclusion Committee. And I think I'm here today, not so much as an expert in Indian housing or a member bank perspective like my colleagues here today, but more as someone having a unique perspective of knowing the Federal Home Loan Bank System as well as Tribal government in general, so thank you for allowing me to participate.

Shay Stanfill: Great. Well, first of all, thank you all for coming to Oklahoma and hosting this conversation, so welcome to Oklahoma and thank you. My name is Shay Stanfill. I'm the director of Housing Management at the Housing Authority of the Cherokee Nation. I live in Tahlequah, which is the seat of the Cherokee Nation, and I have served Cherokee citizens for longer than I like to admit, now over 20 years. I've been with the Housing Authority for two years. I'm loosely affiliated with the Federal Home Loan Bank through an association with the Oklahoma Native Assets Coalition. I'm an Advisory Committee member of that organization, and we have recently become a grantee of the Federal Home Loan Bank System.

Jason Brower: My name is Jason Brower. I'm with the First State Bank in Anadarko, Oklahoma. I am here just to kind of throw my input and to give you guys an idea of how a local community bank has benefited or seen the benefit of down payment assistance programs with our Tribal members in Caddo County, Oklahoma.

Valerie Powell: I'm Valerie Powell. I'm with the Choctaw Nation Housing Authority and I'm currently serving as the senior director, and I've been there 25 years and served several capacities. I've also served formally on the Federal Home Loan Bank

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Affordable Advisory Council. Before that I was in the banking industry for several years, so thank you. Thank you for coming.

Robert Fightmaster: I'm Robert Fightmaster. I am the president of mortgage lending for First National Bank and Trust, a wholly owned entity of Citizen Potawatomi Nation. I'm also the current president of the Oklahoma Mortgage Bankers Association. My banking relationship with Federal Home Loan Bank goes back 10 to 12 years. We've sold into the program for a long time. We've been able to help 150 or so people get in the down payment assistance program over the years through the set aside and also through the program with ONAC. So we're big fans of the system and we use it on a pretty much daily basis. Good partners.

Sharon Wise: Hello, my name is Sharon Wise. I'm with Native American Housing Services. We're a 501(c)(3). Thank you so much for inviting us to be here today. I'm a Choctaw Tribal member, but our organization is Native, but it is not under any Tribe or as such. I started Native American Housing Services in 1999 and I left 22 years of mortgage banking to do so. So, we've worked with several Tribes in several areas. We've been the recipient of, I don't know exactly, two to three AHP grants in conjunction with tax credit projects that we're partnered on. And probably in 2000 or 2001 we wrote an AHP for the Apache Tribe of Oklahoma for down payment assistance and it was one of the first ones. So, I've been around a long time. Maybe that's why you invited me here. But it's a pleasure to be here. Thank you.

Gene Watson: Thank you for inviting me, my name is Gene Watson. I'm the CEO of Chickasaw Community Bank in Oklahoma City. Chickasaw Community Bank's a bank that's solely owned by the Chickasaw Nation. We were founded 20 years ago by Governor Anoatubby, with a vision of providing capital in Indian country where capital was hard to find or didn't exist at all. Happy to say that over the last 20 years that our institution has become a leader in the 184 Native American Home Loan product. We currently service over a billion dollars in servicing of that product for Native Americans across the country. We have a network of local lenders throughout several states that we work with on a correspondent or a wholesale basis. We provide the secondary market for that 184 product throughout the country. And thank you for inviting us. We're excited to participate. The bank's also a member of the Federal Home Loan Banking System. And typically, historically, we've leveraged that relationship for liquidity on big projects that we've done in the past, so thank you for inviting me.

Joshua Stallings: So we have people today, people at the table today who touch the housing and community development space from different angles. We have bankers, Tribal housing authorities and service providers. So if we can, let's start by setting a shared foundation. So, what are some important housing issues you see that are specific to your Tribe or Tribal area in general? And, Shay, can we start with you?

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Shay Stanfill:

Sure. So it's not just our market, but I think this is true across most Native communities, but affordability is a huge issue. The lack of financial education and the utilization of banking relationships amongst our population is lower than what we would like to see. If you just look at numbers, sometimes you'll see that someone may have an account, they may have a banking relationship, but they're still utilizing fringe services, which makes it difficult whenever it comes time to qualify for a loan. A lot of Native Americans are entrepreneurs. They might not call themselves business owners, they might not call themselves entrepreneurs, but they've got side hustles, they've got things they're doing on the side to earn income. Sometimes that income goes unreported, which again, then is a barrier when you want to go to a mainstream financial institution to obtain financing. Just this stock, affordability of housing stock is, it's just not there. I was talking to someone yesterday and I hadn't realized it, but Oklahoma needs 70,000 units, affordable units for individuals. These people need housing that they can afford. That is first and foremost. And then the second layer of that is people who are in homes, are in homes that oftentimes need a lot of rehabilitation. That is expensive. And while Tribes do receive funding from HUD or through the NAHASDA program, the sheer number of people needing significant repairs to their homes is just overwhelming. So I would love to see some more matched savings programs, individual development account programs for those people who, they can't wait on the Tribe to be able to take care of those non-emergent items. IDAs are a little tricky because sometimes we limit those based on income, and those are the individuals who typically struggle to meet day-to-day needs. So, I would say affordable housing stock and the rehabilitation of existing homes.

Joshua Stallings:

Robert, do you have anything?

Robert Fightmaster:

Sure. This is a topic that you hear for years. I did a little research trying to find some information on some of the things we're talking about at this roundtable. And I found a study that talked about the exact things that Shay's saying from 2015. So this is not a new topic by all means, but I think it's been magnified recently over the increased values that we have. Oklahoma somehow got on a list of the most affordable places to buy an investment property in the country. So if you're trying to buy your first home and you have limited assets, you're not only competing with other first time home buyers now here, you're competing with investors that include people from Wall Street. So if you are a seller, are you going to take the cash offer from an investor or are you going to have an FHA appraisal done on a 184 program or traditional FHA, so they can get down payment assistance program and worry about is it gonna appraise for enough, are there gonna be repair? So there's really not a lot of opportunities for Tribal members to buy a house if they're going up against those people. Another thing that we have talked about somewhat is when we have these down payment assistance programs, they're wonderful. We've helped a lot of people get into houses, but the limits on those incomes is like 80% of the median income. If you

take that, you can really only qualify for about \$180,000 house if you have another debt because rates have went up. So you can't, where you gonna find a house for \$150,000 anymore in the metro in Oklahoma City? You're not. So, that's something that we could probably talk about and consider on, is there an opportunity to raise those limits on some of these down payment programs to a hundred percent of the median income instead of 80% might grant these folks an opportunity to afford something.

Joshua Stallings: Valerie.

Valerie Powell: Yes, I would definitely echo that. Affordability is the big part of it. We've got to figure out a way to make the homes more affordable. Whether it is more funding for down payment, whether it is help with buy down of interest rates, because the costs are just too much for the, especially low-income families. But also echoing what Shay said, was the self-employed borrowers is almost impossible to get qualified for a home loan. You have to just layer on different programs that are available to them to make it happen for them. So, that is a huge need to address what can we do for those self-employed borrowers. Rehab is a big need. Our homes are in such dire need and we need programs to be able to come in. Whether, I'd love to see even a match. I mean, you wanna think boldly and what can we do? Tribes are willing to help their Tribal members and there's different organizations willing to help if we can match and so that greater funds are available. 'Cause it's gonna take a lot more funds than just a typical \$5,000 or \$10,000. It's gonna take more. One thing we've even talked about, because some of these homes aren't even able to be fixed, what can we do in that circumstance? And that is, tear 'em down and build something else. And that could be a modular home or something that can be more affordable. Those are just some of those really unmet needs.

Joshua Stallings: So, Holly.

Holly Johnson: Well, I don't think I have any specific data on this question. I would just reference, excuse me, there was a national housing needs assessment that was done by HUD, you might have been referencing it, I think it was in 2017. But I would just encourage FHFA to find that study and read it because although it is five years old, I think the content will still be very relevant. And in addition to just the state of housing in this current economy with the rising rates and material cost and you know, like they said, it's just the monies that we have are not going nearly as far. And the HUD, Indian Housing Block Grant has been critical to address Indian housing, but it doesn't go far enough. But I wish we could look at that as a source of leverageable capital, so we could, you know, like you said, this concept of layered funding, it should be used in conjunction with more mainstream housing finance and other grants and programs. And I think that our programs at the Federal Home Loan Bank should be more visible among those and we should be a strategic partner, and look for ways to be helpful in just meeting the immense needs.

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Joshua Stallings: Jason.

Jason Brower: Well, I just wanted to kind of, I was listening to Valerie and Robert, they said a couple of things that made me think there's some, from a small community areas, rural areas, there's a lot of smaller community banks. And I feel like this is an area where we could come in handy because that's my of expertise, small community banks, but so we're talking about loans that would stay on the books that wouldn't be sold off. With that means when we're talking about affordable housing, there's just some loans that we can do in our area that's gonna be, let's just say under the hundred thousand mark. The down payment assistance programs would come in really handy because then community banks could take on the risk, keep it on their books, whereas mortgage brokers who are selling the loan off, it wouldn't be as profitable for them. So, that's something that community banks could help out with. I like the idea of what, I think Shay and both Robert said this, the median income. If we could take that and make it we're qualifying for loans, that's gonna be a little bit easier for us in the smaller areas because if we could just think, I think you'd said it earlier, if we could just do 80% of the national or a hundred percent of the median income, because in my county the median income is very low compared to Oklahoma City. So making some changes on that, even in rural areas would help out a lot for getting people into homes. I've seen it where it's been very helpful for the down payment assistance programs to come in. That gives them a down payment. The community bank can come in and help make the loan and therefore we could keep it on the books and not sell it off.

Robert Fightmaster: Jason, you make the point about income, we talk about this all the time. If you're trying to go through the Federal Home Loan Bank or OHFA or any of these down payment assistance programs, the standard limit in Oklahoma City's been for a family of three is \$58,000. You have two teachers, they don't qualify. So, how long is it gonna take two teachers to save up \$15,000 to buy a house, or \$5,000 for their closing costs, et cetera. \$58,000 isn't much for a family of three. It's really not. And that's the issue that you run into a lot, is they just missed it.

Joshua Stallings: Gene. Or Sharon, it looked like you were about to say something. I'm gonna jump to you.

Sharon Wise: I was just gonna state that OHFA did a market study for the state of Oklahoma. You can access it through there for the housing needs. We reference that whenever we apply, most of the funding for my organization comes through Oklahoma Housing Finance Agency and the federal program is the HOME Partnership Investment Program. And we build homes and give down payment assistance. I've had, it's a different market now. We've had home buyers close in March at three and a half percent, and last month they closed at five and a half percent. And we paid additional point or fees to get their rate down to that amount, so it's very critical now. And there's a shortage of housing also that's been going up along with the rates. So it's just going to cause very, well, the

market's gonna be where we don't have as many home buyers and home ownership. I know that underwriting and in Oklahoma we don't have reservations, so our people compete with the regular population and investors, as Robert said, for the properties that they bid on. So I just would like to reinforce that it's cost. And the only thing to bring down cost is the down payment assistance. And our organization had to increase our down payment assistance up to a hundred thousand dollars and it's on a worksheet to get their top ratio to 25%. Because 25% with 5% for utilities gets you at a 30% housing. And HUD interprets anything over 30% to be a barrier for affordable housing.

Joshua Stallings:

Gene.

Gene Watson:

Yeah, I would echo, thanks for calling on me last, by the way. I would echo everything that my fellow panelists have said. And I think maybe a little unique perspective from us. We do land in 49 states, so I know we're talking about local issues, but the same issues are across the country for sure. That entry point for that first time home buyer or that low to moderate income, even LMI income, borrower, they've been driven outta the market over the last 18 months. We've had people that have been pre-qualified on 184 loans in multiple states throughout the United States that their offers aren't even accepted. The realtors will not put 'em in a car and go show 'em a house because the sellers will not accept anything but a cash offer or a conventional financing with 20% down, right? And it's a real phenomenon. And so, I don't know if there's anything from a legislative standpoint that can be done on that, some type of anti steering approach to that. But there's just something fundamentally wrong with disenfranchising government borrowers. These are qualified borrowers that are pre-approved, they can buy the house, they can afford the house. They're trying to make an offer on a house, and they can't even get in a car and go look at the house, so there's something fundamentally wrong with that. And that's happening all across the nation. Just starting to see it ease up a little bit in Oklahoma now. I don't know if the other lenders are as well, but we're starting to see our folks that have been pre-approved for a couple years now all of a sudden they're able to go look at homes and present offers, so that's a real problem. I would also say across the country, we're blessed here in Oklahoma with community bankers that understand Indian country and do a wonderful job with Robert and Jason and my bank, we've done a wonderful job and this is Indian country, right? But in other states there's not, especially the more rural states that local lending doesn't exist, okay? And we have developed, over the last 20 years, we've really focused on developing a network of those local lenders across the United States, especially in some of those more rural areas and trying to provide coaching and assistance and to provide that safety net from a compliance standpoint for local community banks and credit unions. But what we find oftentimes for every one banker or credit union president that's willing to take on the, what I call the burden of mortgage lending, right? That compliance burden. There's a hundred that say we don't, we can't risk it, we just

can't risk it. This process is too much, it's too burdensome. The bar is set too high for our, we would like to help, right? But we just can't meet the regulatory burden. So, one thing that occurred to me that, that I think is an idea that I would like to float is that the PPP plan when the nation was shutting down and we decided from a national standpoint we needed to save as many jobs as possible. And the funding went out to the banks and the banks were reassured, okay, by all the regulators, you have a safe harbor, get this money in the streets. It's important to get this money into business owners' hands and keep people working for the next three months, six months, and that program progressed. And bankers and credit union presidents, we're conservative by nature, right? And so, we like to do things within a compliant nature. And really that PPP there were, the bar was very low to get the money into the streets. And I think the lending institutions across the United States did a wonderful job, and they got that money in the streets. Was it the right thing to do or not? I don't know that's not for-- but the process worked. And lenders by and large stepped up because they knew they had the safe harbor, right? That you're not gonna come back and there's not gonna be these big hurdles, there's no risk involved with. It was literally a risk free loan, and we were able to deploy that capital where it was needed in a very quick manner. I think the same approach could happen in Indian country for smaller lenders that were maybe under a certain asset level, right? If the regulators would consider providing a safe harbor with all of the alphabet soup of regulations that you have to adhere to with mortgage lending, if they just were provided the safe harbor. There are institutions out there already, like my bank and other banks that, and the Federal Home Loan Bank that provide a secondary market to do with those loans if they don't have the liquidity or the capital to hold 'em on the books like some of the banks here do, but would need to sell 'em off. If they could just be provided that safe harbor, I think you'd have very willing participants. But the biggest barrier that we have to bringing more local lenders into the market is just that fear and the regulatory burden.

Joshua Stallings:

Yeah. And so, thank you. And so I know that Sharon, you had mentioned a little bit of this, in Oklahoma, the land ownership issues are a little bit different. But Gene, with your more national reach, what are you seeing as some issues potentially in the land collateral ownership arena that are kind of unique to you?

Gene Watson:

Sure, you know, Tribal trust lands and leasehold lands. I say it's getting better. It is getting better, but it's not good, right? The TSR prospect. So obviously if you're a banker, you wanna do a mortgage, you wanna make a loan to somebody you can take the collateral, you file your mortgage. And if the mortgage goes south, that's your collateral. On Native lands, that's not an option, right? So there has to be some type of tri-party agreement with the 184 and the Title VI Program, the HUD programs. They've gotten an agreement with the Office of Native American Programs, the BIA, the local Tribes. And as a

lender, I can go in and I can loan. And my guarantor, ONAP, Office of Native American Programs says, we're gonna guarantee this loan, you don't have to fund the mortgage. If the mortgage goes into foreclosure and gets past due, I just file a claim with ONAP, right? And they pay me my claim, I'm paid off and I go about. And then government to government between the BIA, Office of Native American Programs and the Tribes, they reconcile the foreclosure process. Oftentimes the Tribes take 'em back. But these are sovereign nations, right? They all have their own different processes and ways about doing that. But as a lender, that allows me to step in to do that. But that's one unique product, right? That 184 product. And it works well on Tribal lands. I don't think any other product works as well on Tribal lands as the 184. But if there were a way to do that, there's definitely a need.

Joshua Stallings: And everybody remember, if you want to speak, just turn it to the side.

Robert Fightmaster: That's how you do that.

Joshua Stallings: Don't tempt me. You have something to say? All right.

Robert Fightmaster: I do. So Gene's got a lot more experience on the 184 front, but that we are, Holly talking about the same study, it was published in 2017, the data's off of 2015. We hosted an economic summit a couple of weeks ago. And there were some Tribal members in from some of the northern Tribes and they were talking about being able to loan on Tribal land. And so, in this study there were only seven Tribal trust loans done in Oklahoma on the 184 program in 2015, but there was like 200 in Wisconsin. So one of the things that they were talking about when we were at this summit a few weeks back was the appreciation if you have a loan on Tribal land that you got through 184 program, the only option to sell it is to somebody who's doing a 184 program and it's probably gonna keep your property value down. So if we could do these loans on conventional, we would open it up for a lot more homeowners to be able to buy a property that's in a Tribal trust or that's on a reservation or someplace like that, that don't want to do a 184 loan. And I think that would actually grow some wealth in Tribal country. So I think that our Tribe is also looking at doing a development on Tribal trust. And that's one of the things they've asked me to look into is can we find somebody to buy these on the secondary market that's not a 184 program.

Jason Brower: Well, I was thinking when Gene was speaking about some of just the regulatory burdens, especially for smaller community banks, you mentioned it. Some people just wanna stay away from 'em there. It takes a lot of paperwork. And as one mortgage broker told me they didn't like to do loans in our area because if the house, you know, you're making a house loan that's a hundred thousand or let's just go 80,000, it is easier for a banker to make an \$80,000 truck loan than it is an \$80,000 house loan because there's just so much regulatory burden and paperwork that goes along with it, and it makes it so hard, so therefore the fees just keep increasing. I was reading on somebody's notes, administrative fees just

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

to do a loan is just keeps going up and up because it takes so long. So, that's a really good point. Smaller banks could participate in doing Tribal loans or even loans, but for houses, if there wasn't so much burden and stress and risk of doing something wrong. And so, I don't know how long it takes to sell one off in the secondary market now from start to finish. Is it taking you 45 or 60 days?

Robert Fightmaster: You know, going through the whole process? Yes, if you go from application date to closing. But actually getting 'em purchased, most of them have caught up and we're selling those within a week.

Jason Brower: And so I mean, but the point is, you know, you can spend that much time making a real estate loan or you can spend 20 minutes making a car loan for a house. So, taking that and making it a little bit easier helps too 'cause it can help get that stuff figured. Y'all made some really good points. I like those.

Gene Watson: Yeah, we just said what compounds a problem with when you don't have that local lender, right? That that borrower can go in and sit down and get eyeball to eyeball with. We certainly haven't, we lend in 48 states, we have an application online. That person can do a loan with us right here in Oklahoma City and we can literally do a loan and talk with them on the phone a couple times and do everything else. But not everybody is comfortable doing that, right? And not everybody has the wherewithal to walk 'em through that. And there's a certain amount of coaching and a certain amount of handholding with some communities and some borrowers that needs to happen, and that happens best locally. It just works better locally. We've had great success actually with different housing authorities throughout the nation where they've actually decided we are gonna become the lender because we don't have local lenders. We are gonna become the lender. And our bank's been able to go in and help facilitate that, and other banks have done that as well. And that just works. But local's always better. It is just better. So, it's the only thing I had to add.

Sharon Wise: I know in 1997, the Federal Home Loan Bank, they now recognize TDHEs to be nonmember borrowers, so they could access CHP funds, which would help them create their own mortgage pool of loans and put in the NAHASDA funds to leverage or any other funds for the risk factor. Has that taken place? I mean, we're talking a lot of years gone by.

Joshua Stallings: I can neither confirm nor deny. Yeah, I'm not really participating in the discussion today but I like to take questions. But if you wanna talk more about the idea, open to it.

Sharon Wise: A non-member borrower, you could, if your TDHE became a non-member borrower of the Federal Home Loan Bank, which Holly probably knows more about this than I do, they could actually borrow funds at different maturity rates and interest rates and create their own mortgage pool to loan to their Tribal members or whomever they set their policies for. And I know it takes capacity and some of the smaller Tribes do not have the capacity, but I think even a

partnership under maybe this program with even a member bank to draw down CHP funds, community housing program, I believe is what that acronym, that they could create the, because you hear, we need a product, that what we have now doesn't meet our needs basically. So knowing your needs, create that product and it is gonna cost some money for risk because the Federal Home Loan Bank doesn't operate risk-free. I mean, they don't wanna be, the Tribe would have to put that in, but I think it would be a wonderful way to create lending products in your community.

Valerie Powell: Yes, if I wanted to create something, that was one of my bullet points is that's what we would like to at our housing, whether allow housing or housing authority or we do have a CDFI. And if that's available, maybe we needed it marketed to us or to know that, because I think a lot of the Tribes have that, one, the capability to facilitate those type of programs. I think we would really like to, and I made the notes of allowing some of that risk. Again, you need to monitor that and allow that. Allow the regulations and the risk that goes with that. You're dealing with the Tribes. We are capable and we already have grants that, we're capable to lend those funds and monitor those funds, and regulate those funds, so that would be a huge advantage to working with those Tribes.

Joshua Stallings: Shay.

Shay Stanfill: Well, I'm just gonna echo everything they've just said on that side of the room. But I would just say that, yeah, I mean by nature, CDFIs and Native CDFIs are more, they're more risk tolerant. We don't have the aversion to risk that a community bank, that a federal bank, that a national bank has. And so, the Federal Home Loan Bank could provide additional support to CDFIs, specifically Native CDFIs who are more risk tolerant, who do have the ability to, as Gene said, we eyeball to eyeball with most of these individuals. I know some of them operate on national levels, but typically their Native CDFIs are serving people in their community and they are more risk averse. There's a cultural understanding there with those individuals utilizing their programs. And in that case, you're talking about more than just purchasing at home. In most cases, you're talking about other consumer lending products, other affordable vehicle loans, affordable rehabilitation loans, affordable commercial lending, but you're also usually getting some handholding. You're usually getting some coaching, some technical assistance to those entrepreneurs, to those aspiring entrepreneurs. And so, even if the Federal Home Loan Bank specifically can't take on more risk, the CDFIs and the Native CDFIs can.

Eric Howard: Shay, can you follow-up on that? What does that look like? I mean, how, how does a bank, how would the bank take that on? I mean, where does that risk go?

Shay Stanfill: Well, the CDFIs and the Native CDFIs take that risk.

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Eric Howard: Does the bank take more collateral from the CDFI to cover that risk? Or how does that risk tolerance work?

Shay Stanfill: I'm honestly not sure. I don't know the answer to that question. As I said earlier, I'm very loosely affiliated with the Federal Home Loan Bank system through ONAC. And that association is through a down payment assistance program. But I can just tell you that I do have experience in a Native CDFI, I worked with one for close to 20 years, the Cherokee Nation Economic Development Trust Authority. They have a lot of support from the Cherokee Nation government and then obviously the US Department of Treasury, but constantly looking for opportunities to provide affordable lending products and operational support for those institutions.

Joshua Stallings: Gene then Holly.

Gene Watson: I can share with the panel a program that we worked with, with the Cherokee Nation at the Housing Authority in a scenario that did work, I don't know if it ties to how it would work for the Federal Home Loan Bank, but we were awarded, I think a NACA grant if I remember right. But we were able to provide down payment assistance to Cherokee Tribal members that were wanting to build a new house, right? So the housing authority came up with, I believe, do you remember, Shay, five or six different models of houses on that program and - -

Shay Stanfill: Different bedroom sizes.

Gene Watson: Yeah. Right. And based on the need, the borrower, the Tribal citizen donated an acre of land. We as a bank, we provided \$10,000 down payment assistance, the housing authority matched that, so we had \$20,000 down. We then, the nation contracted with, I believe other Cherokee contractors, but they built the houses, right? So, it was quite an economic stimulus. They built the house, we made the loan to the housing authority, okay? On a 30-year fixed rate loan. And the borrower deeded over the acre of land to the nation. And it was a rent-to-own program, right? So at any point during that 30 years, if the borrower wanted to assume that loan, pay that loan off, they could do that. The 184 product's a qualifying assumable loan. Lots of borrowers have done that. If they built up equity and they wanted to take out a second lien or do certain things if they wanted to, within their program, they wanted to pass it down to their heirs, they were able to do that. But the end of 30 years, when the loan was paid off, it was deeded back over to the homeowner. So that was a program to where, because of the down payment assistance, it kept the loan amount low enough that the rent was affordable. And we've literally, that's just one program that we, and I tell you that worked overwhelmingly, we're still wrapping up a few of those I think. But we built over 800 homes in Cherokee country in the, is it 14 counties?

Shay Stanfill: 14 counties.

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Gene Watson: Built over 800 homes. The bank, we provided \$83 million in capital and \$660,000 in down payment assistance, which was matched by the Tribe. But it was a way to leverage those things and really do a really big program. We've done similar type projects across the nations with lots of different Tribes and lots of different TDHEs, and housing authorities. But the single common denominator that makes it work is down payment assistance every time. Every time we put this program together at a TDHE or a Tribe or a housing authority across the nation, there's always a substantial down payment assistance qualifier for it. And I would say that, you know, the banks, we play a role in that, right? How can we, you know, there are times that, you know, as a lender we, you know, we also do a thousand dollar voucher, but when we can participate with the down payment assistance along with the Tribe or the housing authority or the TDHE, it just works, right? So whatever conclusions you can draw from that for the Federal Home Loan Bank, I don't know. But that program worked really well, and it's been copied across the nation to great success.

Shay Stanfill: I would just say, I would completely agree. And we're actually still operating that program. We're not getting the \$10,000 down payment from CCB right now. But that program, it does work. It's a lease-to-own program. It is an affordable housing opportunity. And we're still going strong with it.

Gene Watson: Yeah, that's outstanding.

Joshua Stallings: Holly, then Robert, and then we'll move on.

Holly Johnson: Well, and that's very exciting. I think that's what it's gonna take is that innovation and partnering and layered funding, and different sources to make something work. And that's where I think that the Federal Home Loan Bank could be that missing piece of the puzzle sometimes that makes something viable, that wasn't before. But I just wanted to lend support to what Shay talked about on it, 'cause I do believe that lending to Native CDFIs may represent an untapped opportunity. Like you said, many Native CDFIs have strong balance sheets and a track record of success with clients that banks have difficulty serving. And I think that the FHLBs could learn more about the CDFIs and how they manage risk and account for risk. And I think that the CDFIs also need to learn more about the system and the way our model works and try to support their needs in addition to the traditional products and services that we provide. Perhaps we could offer some kind of specific technical assistance for Native CDFIs. Because I do believe that with an increase in number of the Native CDFIs, that represents increasing financial access for Native community residents in the short and long term. And I'm just wondering how can we make that, how can we make membership and our products and rates more attainable and attractive to them? And I do wanna mention, I have heard the comments about collateral and what's not working for the CDFIs, and I think it is important to point out that the Federal Home Loan Banks will manage risk in direct accordance with agency limitations and standards. If it's ultimately the policy

view of the agency to relax collateral standards or haircuts, in order to permit expanded use of CDFIs, which I know Native and other CDFIs would welcome, then the agency will have to take a leading role and clearly define acceptable risk and standards or direct Congress to do so. So, I hope that is something that can at least be considered. But having acknowledged that reality, the Native CDFIs with sufficient loan capital could help address the on reservation lending market. They have more expertise to work in Native communities, and it may be a reasonable step from there for them to develop expertise in the full range of Indian land and mortgage options. And then before we leave the reservation and trust land topic, I just wanted to say that obviously we all acknowledge there are challenges that come with collateralizing trust land and the sovereign status of Tribes. Tribes are very aware of this and they will have different views on the subject. But what I will say is that Tribal governments understand the uncertainty that restricted lands and sovereign status can present and are more than willing to come to mutual terms for the benefit of the citizens that they serve. Many Tribes have already instituted specific business frameworks to minimize risk to lenders. And I talk about Tribal uniform commercial codes and such or maybe a different entity, a business entity that's not a sovereign entity. But you said bold ideas. And I'm speaking more to our program, but if it required a real estate retention agreement of some kind, if they would even still be required, are there exceptions that can be made for trust land or could some other type of agreement take its place? And also recognizing the value of trust assets. We could help facilitate development of trust land through alternative means of valuation and collateralization. Tribes have financial resources such as third party health care reimbursements, we have NAHASDA monies, we have gaming revenues, we have other Tribal income sources that could be used to secure loans as well, so thank you.

Robert Fightmaster: So, we're talking about the CDFI aspect. I learned last week that CDFIs could become members of the Federal Home Loan Bank, right? I had no idea. I always thought it was just banks and credit unions. And so in talking to some folks, I found that out. But there's also the mortgage expertise that you need to be able to underwrite your own loans and make sure that they're disclosed properly. So it'd be interesting to see in this group if we could come up with a collaboration where we could work together for some of our institutions that actually do mortgage already, that we could maybe offer those kind of servicing to a CDFI who is starting to get into it and maybe isn't ready to commit the resources to hiring all these people, so we would certainly be open to those kind of discussions. You mentioned the risk. Federal Home Loan Bank System is a system of what is your risk tolerance? To make it in simple terms, we guarantee part of every loan we do based upon risk factors with the Federal Home Loan Bank. If I'm doing a 70% loan to value on an 800 credit score, I may not have to guarantee any of that loan. But if I'm doing a 95% on a 620, I may have to guarantee more than the bank would and we would probably want to sell that to another investor who didn't ask us to guarantee any of that loan. So if a CDFI

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

has more risk, the Federal Home Loan Bank actually would be a really, really good option for them if they are okay with a higher risk.

Joshua Stallings: Okay. So, we're going to move forward to a slightly different topic. So I'd like to just, and Holly, I'm gonna come back to you and in your position, I'm not gonna ask you to speak for the system, but in your view, could you give us a view of what you think the role of the Federal Home Bank System currently is in supporting the Native American communities?

Holly Johnson: Certainly. And I hope everyone had a chance to read about the specific programs that I'm referencing 'cause there's acronyms and I'm not even sure I would get 'em right, but our AHP, CIP and CICA programs. CICA is a special advance program. I know CIP is community investment program. And then the AHP is where, we've talked about some of the programs that fall under that. They're all very, and I think equally important and have been successful in addressing increasing affordable housing needs and community investment. Obviously, Tribes and Native Americans are not excluded from those and can participate. And the AHP General Fund does address many of the identified Native American housing needs, such as homeowner repairs. We've talked about down payment assistance, closing cost assistance, rental rehab, rental and other housing developments. However, I would say to address the need more directly, the FHLBs could target it through the adoption of one or more AHP General Fund scoring criterion, or by creating an AHP targeted fund specifically for Native American housing on Tribal and non-Tribal lands, such as through the Homeownership Set-aside Program, the HSP. Another avenue would be one or more voluntary programs, which I believe could be the best place for innovation, which we've talked about needing. And then I also think it's important, as Gene referenced, working with, you know, these are programs that are designed and implemented by the individual banks working with their local lenders because they better understand the needs of their Tribal communities and can support their traditional values. And then I also think with innovation, it will come with trial and error, but we shouldn't be afraid to make some mistakes. And I hope there'll be support for the banks and their ability to retool and make adjustments, if we're not meeting prescribed targets and goals. But back to the question, I think the role of the system is much needed and we could play a bigger role. I referenced that housing study, and it's just, even though gains are made, it's never enough. And I would like to see us prescribe something specifically for Tribes, so they don't have such a hard time competing to get these necessary funds.

Sharon Wise: I have a little bit of CDFI experience from years ago. I helped OFR get their certification and such. One way that I can see that the Federal Home Loan Bank could be of assistance and with a CDFI that's going to the Treasury for funds. A lot of times they ask for matching funds and it can't be federal funds. Well, they don't consider in a lot of the federal programs, your funds as federal funds. I know under the programs I use through HUD, the Federal Home Loan Bank is

not considered matching funds and we can use that for match. So, I think it would be something that plays real well with a CDFI because as I remember, and Shay you might have to correct me on this because I'm old, and it's been a while. A lot of times when you go after funds with the Treasury, whatever your match is reflects how you get the funds. If you borrow your match, then your Treasury is a loan because your matching funds were a loan. But if you had grant funds, then it could be that. But regardless of the Federal Home Loan Bank funds are not considered federal in the match and would greatly increase their ability to go in for funds.

Joshua Stallings: So, Gene, are there any factors that you think are preventing the Federal Home Banks from playing a larger role?

Gene Watson: That would prevent? No, I can't think of anything that would prevent it.

Joshua Stallings: To the point. So, Sharon, are there any administrative bureaucratic challenges you think that could be resolved that could help allow the Federal Home Loan Banks to play a bigger role?

Sharon Wise: Well, absolutely. There's always-- taking away barriers is a good thing. And I guess, that has to be a discussion between those entities that are seeking funds as such. I guess just maybe working on formulating programs or products that could share the risk then let the Tribes do that to have the programs. And then the CDFIs, if they could have the match funds that they need for their federal programs, that would be. And really that isn't taking down a lot of barriers or regulation that you have already.

Gene Watson: I changed my mind. With rising interest rates and rising home costs, I think, evaluating the formula for the income qualifier would merit consideration. So, is that a barrier? Yes. I think it's a barrier for a lot of people that, these gentlemen talked, nearly miss, right? How frustrating is that? It's just a near miss, right?

Joshua Stallings: Yeah. So, Jason, you have any thoughts related to the Federal Home Bank System as it currently stands and the general awareness of what they do?

Jason Brower: So am I supposed to ask that question, like what does the Federal Home Loan Bank do? Can the Federal Home, maybe y'all can answer this question, will they, when we were talking earlier, you'd mentioned like how the PPP loans went out and banks were able to just get the money on the streets, so to speak. So if we change some regulatory burdens up, would the Federal Home Loan Bank insure some of those loans, like, take some of the heat, say 80% of it, 20, something like that? I don't know. I mean, do they do things like that, the Federal Home Loan Bank? So as a bank, if you wanted to carry the loan on the books and not sell it off, would they take on some of the risk? I don't know. Does anybody know?

Robert Fightmaster: I mean, they don't currently, I mean, they sort of do. I mean, you're doing the loan, you're underwriting into Fannie Mae, Freddie standards or you can do

manual underwriting and things of that nature. So, they ask you to share in the risk, but the Federal Home Loan Bank is taking the bigger part of that risk. Our risk when we sell one to the Federal Home Loan Bank is probably limited to 10% on one that's kind of marginal. And most of the time they only ask us to share in that risk of a three to 5%, so you're kind of flipping it. They take the bigger risk when you sell into the program, so that's what they kind of already do. Versus you sell it to Fannie and Freddie, the only risk is, is that there's fraud in the file. This has some risk if foreclosure in the household for less, you might have to write a check, but they've got a program in place that you kind of have reserve funds that you can tap into before you actually have to take it out of your bank's pocket. So, it's set up for that specific purpose.

Joshua Stallings: Holly.

Holly Johnson: Oh, I was just going to also say, with factors that might prevent us from playing a larger role. If we are to develop some kind of a targeted fund specific to Tribes, that would be like a lack of a well-defined objective and trying to streamline the processes to meet it. And in that, we've said let's not create another layer of complexity for Tribes. They're already dealing with different federal agency requirements, different funding sources, and let's aim to eliminate the bureaucratic red tape. And sometimes that causes smaller participants to just say it's not worth the trouble. And those are the ones we need to help probably the most. Then I think about efficiency specifically for my bank, Federal Home Loan Bank of Topeka, we're one of the smallest banks in the system with the highest concentration of Tribes. And so, we can't do it all, so we're gonna have to be very efficient and set targets and goals that are very strategically thought out because we wanna help as many Tribes as we can or Tribal citizens. But you know, it's a, you know, if we don't really think it out, we just won't meet our goals and objectives. And so, I think about that as a smaller bank in the system.

Joshua Stallings: Robert.

Robert Fightmaster: So, we talked about down payment assistance programs. You're talking about some targeted funds. One of the thoughts that occurred to me when we were kind of going through this exercise was, we all kind of remember the old bond programs where a county might have interest rates that are 5% when the standard rate's 6 or something like that. It'd be interesting to see if we could set up some sort of targeted funds where we could kind of attack this affordability where we as a bank may not make as much money on doing a loan that we sell to the Federal Home Loan Bank. And the Federal Home Loan Bank gets us a break also where we could actually say, "Hey, we're gonna, you know, today's rates are six and a half, we're gonna do this allotment of \$20 million at five and a half." That could be a pretty interesting scenario to be able to roll out to member banks and CDFIs, et cetera.

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

- Gene Watson:** The Federal Home Loan Bank could act as basically the custodial lender in that scenario.
- Robert Fightmaster:** Exactly, right. Yeah. I think that would be really a fairly easy thing to do. When they first rolled out the down payment assistance set-aside program to us, I think it had been in maybe rural areas only, and then they kind of opened it up to any place in the four states that the Federal Home Loan Bank serves. And we were all over it. We were one of the first banks that knew about it, so we got to do a lot of those. This would really get you back out into some rural communities, 'cause that's where a lot of the Tribal members are living. And if we're kind of talking about, you know, some of these smaller towns like Wetumka and Shawnee, and Anadarko. And that would be a really neat way to reinvest in maybe some of these communities that haven't seen dollars be targeted toward their communities in a long time.
- Joshua Stallings:** So, Valerie, I wanna come back around to awareness of the Federal Home Bank System and what it does. So, do you have any thoughts related to the general awareness within the housing community and the work that you do of what the Federal Home Loan Bank is and what it does?
- Valerie Powell:** I truly don't think there's enough awareness in our community of what the Federal Home Loan Bank does. That was one of my suggestions, is just being, and this is great, this is, I think gonna be very helpful, but being in our communities, going to our meetings. We have local meetings throughout the country. We have national meetings throughout the country, so I think coming to those on a regular basis and keeping up to date with what Indian countries are doing and letting us know what you are doing would be tremendous help.
- Joshua Stallings:** And, Shay do you have any thoughts on what could potentially be impediments for housing associations or the like to engage with the Federal Home bank system?
- Shay Stanfill:** Well, I would echo what Valerie said, and I would agree that maybe we aren't quite informed enough about exactly what the Federal Home Loan Bank System is doing already. So, we definitely would welcome just information sharing. Even if it's not something that we can take advantage of, being able to refer other organizations or other people to Federal Home Loan Bank systems would be very helpful. Most of the time for the Cherokee Nation, we're serving people only within our reservation, but we often get requests from individuals outside of our area and we are oftentimes Googling, you know, trying to figure out who can we refer these individuals to. So just more awareness about what the Federal Home Loan Banking system is doing, who's out there, what kind of assistance is offered would be great. I don't think this has come up yet today. I think I saw it in some of the written responses that were submitted earlier, but I would also agree that we would love for the Federal Home Loan Bank system to consider the Native American population as a special population. Sorry about that. That would be helpful. And then I think Gene touched on this earlier, but

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

the real estate, what is it, the real estate retention agreement cannot, that the Federal Home Loan Bank system is currently using, cannot be used on trust or restricted land. And maybe Holly mentioned something about can we revise it or can we just do away with it? That would be great. Either one of those things.

Joshua Stallings: Okay. So, Sharon, any thoughts on programs that currently exist within the framework of the Federal Home Loan Bank System that are beneficial in the Native community?

Sharon Wise: Well, I mentioned the CHP for community housing program. Then you had mentioned the CIP, I think it's the Community Investment Program for business development and such. I think it would help to create a model to present to the Tribes, this is how you do it. Because a lot of times you have such massive amounts of information, and you have a whole new set of regulations. They have NAHASDA now, they have ICDBG regulations, and now they're gonna have the Federal Home Loan Bank. If you could put together the model and say, this is what you can do and just and this is what you need to do to get to there, and they have to take these ideas and present 'em to their housing boards, their Tribal leaders. If they could explain it and have that model, I think that would be great to have through that.

Joshua Stallings: And, Valerie, I think that Sharon's kind of picking up on a point of conflicting requirements for different programs, so you have any thoughts on that and anything that the Federal Home Loan Banks would need to be thinking about in developing their programs?

Valerie Powell: So conflicting with like our NAHASDA and our ICDBG, and things like that?

Joshua Stallings: All of those.

Valerie Powell: Well, I like what all has been said all day today, is just kind of looking at those regulations and maybe trying to, I would say tone those down for our Native American communities, knowing that, like Gene had said at one point that, kind of making that, those regulations, he said something about safe harbor, we can manage that risk better in Indian country.

Joshua Stallings: Okay. So, Gene, are there any product types that are currently offered by the Federal Home Loan Bank system that you think are working well or could be improved?

Gene Watson: Yeah, I hear the housing authorities and the Tribal representatives here talk about needing more information about those programs. Bankers need it too, right? So I learned about programs today sitting around talking earlier, right? So we have largely, Chickasaw Community Bank has largely used the Federal Home Loan Bank for liquidity needs, right? We do a big project with a nation, and we need a liquidity for a period of time. And we've been able to access that and it's been a lifesaver, right? A lifeline at times for us. There are some of these projects that we could not do without the Federal Home Loan Bank and that

liquidity that's provided. For us it's transitory liquidity. We need it for a period of time, but we don't want to take on a bunch of sticky deposits. And especially with the cost of deposits going up and cost of funds going up. I think the liquidity that you provide to local banks is going to be much more in demand over the next 10 years than it has been over the last 10 years. But yeah, I think all of the programs that you offer, I know we're gonna go back and we're gonna task our team to investigate all those programs. And I guess maybe we fell victim to, it wasn't necessarily carved out as a Native program, so we just bypassed it. Does that make sense? So when we're looking for all of the different programs and grants and things that we can get any type of funding to, what we are really looking for is something that will allow us to provide down payment assistance, because that's the common denominator to every program that we have put together that works. So if we're going to your site and we're just googling up something, are you offering anything that provides down payment assistance to Native Americans? I suspect you're not gonna show up at the top of our Google search, right? Or we would've been in contact about many of these things. Although maybe some of your programs that you do offer, we could have accomplished those things. So, we've been a little derelict in our duty as well.

Joshua Stallings:

Okay. Well, I believe we are at a good time for a break. So let's take 25 minutes to let everyone rest up and we'll come back and we will turn to a couple more topics. But thank you all for your comments so far and we look forward to the continued dialogue. Thanks.



Joshua Stallings:

Okay. And welcome back and let's get right back at it. So this next section, I'm actually going to turn over to my esteemed co-host of the show today, Eric, to take us into the next piece. All right, Eric, go ahead.

Eric Howard:

Great. Thanks, Joshua. So what we're gonna do is take a few minutes and we're gonna talk about equity. So we want you to think beyond fair lending legal requirements, of course the banks should comply with all fair lending legal requirements, but we want you to think beyond that, we'd like to explore equity considerations that should be factored in when developing and implementing Federal Home Loan Bank programs and products. So, Shay, I'm gonna start with you. Can you talk a little bit about how the Federal Home Loan Banks have been doing on this front?

Shay Stanfill:

Sure. I think I mentioned earlier that we would love to see Native Americans set aside as a special population with the Federal Home Loan bank system. The Oklahoma Native Assets Coalition is a recipient of a Federal Home Loan Bank grant, which we are very appreciative of. We're able to provide some down

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

payment assistance to Native Americans. But the caveat to that is the Oklahoma Native Assets Coalition mission is specifically to serve Native Americans. The Federal Home Loan Bank, however, requires that we utilize that funding to serve all eligible applicants, so it goes against ONAC's ultimate mission. So, if Native Americans were designated as a special population that would alleviate that issue, that kind of going against the grain of our mission, not just for ONAC, but for any other Native nonprofits or Tribes.

Eric Howard: Shay, I think I remember reading in your written responses something, and if I'm wrong I apologize, but maybe a program or a set-aside program just for Native Tribes, Native populations. Is that something that you could expand upon?

Shay Stanfill: Well, we would absolutely love that. I read that comment in someone else's response too, and I don't remember who it was. I'd love to take credit for it because I thought it was a great idea, wasn't mine. But no, it would be ideal for the Tribes to be able, Tribes or Native nonprofits to be able to compete for these funds. When we're competing against these larger banks, we're just not competitive sometimes, specifically smaller Tribes, they're not going to be able to be competitive, so we would love to be able to see a set aside specifically that Tribes are able to compete competitively, actually have a chance at obtaining some of those funds.

Eric Howard: So what should the Federal Home Loan Banks have in place to ensure sufficient focus on equity considerations? So, the Federal Home Loan Banks do an annual needs assessment, this is called the Targeted Community Lending Plans, and these document market dynamics as well as significant affordable housing and economic developments in their districts. And they're developed in consultation with stakeholders. Could these plans be an opportunity to charge, excuse me, to charge the banks to specifically discuss equity considerations for underserved populations in their districts? Holly, can I toss that question to you?

Holly Johnson: Yeah, I think that's a great idea. The AHAC are sort of boots on the ground and we take their input very seriously in developing those plans. And there is representation of the Native community, but I think it sort of gets lost in all the other needs around affordable housing because the needs are so immense, right? So I think we need to be a lot more deliberate in that, especially if we could devise some kind of a targeted funding program or programs that maybe this Targeted Community Development Lending Plan would just be specific to Tribes. But that is the way we try to address equity and it's worked pretty well. It's an annual process and we encourage representatives from all the various stakeholders, but I do know Tribal communities are represented there.

Eric Howard: So, Valerie, with that being said, and I know that you have experience on the AHAC for the bank, so could you offer any suggestions about what more needs to be done with respect to the targeted community lending planning process and Native populations?

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

- Valerie Powell:** Well, I think just learning more about what the specific needs are in those communities and how those products can be targeted specifically for those needs. It's getting the information from the Tribes, preparing those plans. It's really just educating themselves on what those needs are and getting more of the feedback from more Tribes, not just a few. It really needs to be a greater, broader participation from the Tribes for those needs.
- Eric Howard:** Can I follow-up with that? So should the Federal Home Loan Banks be required to explicitly support or address Tribal home ownership gaps?
- Valerie Powell:** Yes. Yes, I think that would be very helpful to specifically address those gaps. And what are those gaps and learn those gaps, yes.
- Eric Howard:** Okay. So, Gene, I'm gonna throw a question to you. So in addition to Federal Home Loan Bank members, who are some key partners for this work and what should collaboration and engagement look like?
- Gene Watson:** Yeah, so I think some of your programs require a bank to sponsor or support different programs within that. I think there does need to be a partnership between the Federal Home Loan Banks, the member banks, and Tribal entities. Whether they're housing authorities, TDHEs, CDFIs, Tribes themselves. I think the Federal Home Loan Bank needs to be deliberate and sensitive to the specific and unique needs that reside in Indian country from what's housing. There are some specific, and I think there are other members of this panel that can speak to that more specifically than I could. And it's unique sometimes within regions, sometimes within Tribal members, but there are also some unique needs or challenges in Indian country in general. So I think if the Federal Home Loan Bank is considering a specialized program and a deliberate program for this sector or this group, I think that's wise. I think that would be beneficial. But I think they also need to be sensitive to what makes it unique, what are the unique needs that might fall outside of the scopes of the programs that you already have.
- Eric Howard:** So Gene, you talk a lot, not a lot, but you talked about Indian country, so when I hear that, I hear the Topeka Bank. So what about the other banks within the system?
- Gene Watson:** Sure. I think all the banks within the system should consider this. I mean, I think there are 578 federally recognized Tribes, something in or around that number. I think those Tribes are active in 36 or 37 states. I think those states, if you look at that, would encompass probably all of the banks. Obviously there are gonna be concentrations in certain areas.
- Eric Howard:** Sure.
- Joshua Stallings:** Yeah. So, I guess, can we take a second now, you're talking about some of the unique needs and like focusing on some of those unique needs. So does anyone have a thought on what that list would entail? Like, if we're looking at this through the lens of equity and we wanna make sure that the unique needs are

being met, like what would that be with for the Tribal and Native population that we need to be considered? Anybody? Sharon.

Sharon Wise:

Well, in different areas it may be seasonal work that they have, you know, through farming or something like that. So there needs to be maybe a loan product that will be set up on a eight payments a year instead of 12, but it can still amortize out in the end. I don't think that's a big risk for a banking institute or for a program. Shay had mentioned, with business and not being sophisticated in maybe their craft that's turned into a support mechanism. But I'm sure that's what the CDFI is there too, to help them document that. But maybe to take alternate documentation for incomes and such as that. Like, we do need to do more with credit on alternate credit. And also I think there should be more, and maybe the Federal Home Loan Bank can help with credit building and credit building loans. I know there's a bank in Arkansas that set up a credit builder program for their Hispanic workers that work in a lot of the chicken houses and all, and they set it up like they have \$2,400 and they pay that \$200 a month. They don't get the money till it's all paid in, but they've established a payment history with that bank. Did the bank have any risk? No, not a dollar went out of their bank till all of it was paid in, and then it created a credit history that was reported by a financial institution. And I think there needs to be more programs like that for people that are in rural areas. I mean, they bank with their pawn shop. I mean, if they need money, they go pawn something and they go get it out. That's still out there, so I think there needs to be programs that help enforce or create that habit with that family.

Joshua Stallings:

Holly then Valerie.

Holly Johnson:

Well, I was just gonna say that some of the uniqueness may stem from the status of the land. But I think it's important to realize that not-- in this discussion about different needs in different regions and parts of the country, is not all Native American housing projects are on trust land. Many have state chartered housing authorities that are on fee simple lands, so you can't assume, you have to kind of take each Tribe where they're at and see what their needs are. Obviously economic development is gonna be done on trust land under the control of the reservation. But back to what Gene was saying, what we're trying to do is impact rural, sometimes very disconnected communities. And so when I think about the system, just like it's properly structured to provide access to credit institutions of all sizes, types, and geographies, It's also the best well suited to best support the unique needs of Tribes and which could be different in different parts of the countries and states in which they reside.

Valerie Powell:

Yeah, I think one of the unique needs is definitely the education financial part of it. We've always had, we've started out our programs and always had offered financial home buyer education, budget, credit counseling just to prepare them and get them ready for home ownership. And that's, I think even requiring that, even if it's those institutions that already have that ability to do that counseling

can do that. But even just having that requirement that we can, it just helps prepare them for home ownership. And the credit repair loans, that is something that we've started doing as well because they needed that help. They were just a little bit overwhelmed with their credit and what they need to clear up, and we can come in as our Tribe, our housing authority, our CDFI help them clear up that credit and prepare them more for home ownership as well, so that is a unique opportunity.

Robert Fightmaster: So we talk again about CDFI and you're talking about credit building and such. A few years back, the CPN and CDFI took on the task of trying to get a lot of their citizens away from payday loan companies, so they attacked that with some signature loans and they got a lot of their folks away from that terrible turntable of always having to go borrow on payday, and you never get out of those, so that was one aspect of it. Another thing that we're doing in conjunction with our CDFIs, we're doing a hundred percent loans for Native Americans. We're gonna do the 80% first and we're gonna do the 20% second through the CDFI. And that's gonna be any Native borrower in Oklahoma, it does not have to be CPN. So, we have a little unique aspect of having a bank and also having a CDFI that can kind of work together. But that's something that other states could certainly do the same thing and work with local banks, et cetera. You can sell that first mortgage into the Federal Home Loan Bank program 'cause that is considered a community second. And so at 80% loan to value, it's a great deal. It's a lot better than a minimum down payment because we don't have any PMI. Another thing that we were talking about on the break, Sharon and I were talking about her program and that all our down payment assistance programs are always talking about that minimum amount of an investment that a client needs to get into the house. But they don't really build equity. They're still having a really high mortgage payment, it doesn't address some of our housing needs. So, Federal Home Loan Bank has their down payment assistance program in there. So, Gene talked about the uniqueness of Native lending. Well, let's make these Native borrowers unique in the way we look at 'em. Give them a higher grant amount. Instead of \$7,500, make it 15. We as a bank can only give five of those grants out a month. The reason for that is they don't want Bank of America coming in and taking out the whole amount in a month with 200 requests, so they limit us to five. So, let's not count Native American down payment assistance in that 5% cap. That's a nice solution. And then you could also consider maybe no CE obligation from the Federal Home Loan Bank if you're doing a loan for a Native American. So, there's a couple things that I kind of jotted down as we were discussing.

Joshua Stallings: Okay, thank you. While we have been already talking quite a bit today about things that could be done or could be done better, let's turn our attention fully to the future of the Federal Home Loan Banks now that we've kind of walked ourselves through some of the concerns. So moving on to the future role of the Federal Home Loan Banks and their support for Native American communities.

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Let's first explore where and how the banks can and should be playing a larger role. So are there any specific unmet needs that Federal Home Loan Banks are not currently supporting, but can or should be? And, Jason, we haven't heard from you in a while, you got anything on this one?

Jason Brower: Well, I don't know if I can speak for some of the programs because I'm still learning everything that the Federal Home Loan Bank offers, but I think just sitting here today makes me realize that there are opportunities out there. And I think educating, I think we touched on that earlier, is educating people to know what is out there. That's very helpful. I've learned from Robert today that there are down payment programs out there that I was unaware of through the Federal Home Loan Bank. So, how can we help? I mean there's some things that Sharon touched on that with the credit needs and building credit. And I'm looking and I'm thinking, "Community banks fit that." They can in rural areas where the populations are smaller, they can do those things. They can help those people with those type of loans to build that credit. So, that would definitely be a niche. I think that the Federal Home Loan Bank could reach out to smaller community banks and say, "Hey, look at these things," and then that could help with the home buying experience. Now all of a sudden they have credit, but then we're, so we can work on the credit part. We can get that credit score up, we can do some of those things. It seems like I'm always coming back to the down payment. I just can't get away from that. How do we get that down payment in there, that equity to help them out? So, learning about new opportunities. So, I'm writing some of this stuff down to figure out how I can help out when I get back. How do we get more money? How do we get that out there to offer? And so of course Shay had mentioned just the special, how did you label that? A special people group?

Shay Stanfill: Special population.

Jason Brower: Special population, I'm sorry. Well, that would mean, and the way I hear that is that means let's give more weight to rural communities or places that have a higher Native population. Let's give them more weight in the grant writing process, so that way they can in turn give out down payment assistance. That's what we're looking for. How can we get these people into homes? The rent is going high. We're seeing that. So in our area, in our county, you can still get into a home and pay less for a house payment on a 15-year mortgage than you can for some rentals. And somebody had mentioned people from outside are coming in, buying up rental properties. Buying up properties and turning them into rental properties, so therefore the rent's going up. And it's getting hard for people to afford those. So, why not help in another way by giving down payments and maybe adjusting the program and the criteria and the weighted part, and how can we do that.

Joshua Stallings: So, Valerie, any thoughts on any specific unmet needs that the Federal Home Loan Banks are not currently supporting but could or should?

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

Valerie Powell: Well, I mean, I feel like it's definitely a, larger grant amounts for down payments is definitely a need. I think rehabilitation is still a great need. Those type of programs to do rehab, to do larger amounts of rehab are needed. I think maybe, you know, adjusting some of those income levels to those different, the nationals versus the medians and things like that would be helpful.

Joshua Stallings: So let me, can I interject? Can you go back to the rehab point? 'Cause that's something we have brought up but hasn't been really talked about a lot. Can you talk a little bit more about that?

Valerie Powell: So, in our area, the homes are, they just, for our low-income families, especially for Native American income, Native American families, they're just not able to upkeep the homes and they're just deteriorating. Whether it be roofs, whether it be just really everything. Even to keep 'em more energy efficient, if there's windows and all of that is a need to keep them more energy efficient. We need that help to help rehab those homes. And like I've said before, I mean \$5,000, \$10,000 is not enough. It needs to be larger amounts to actually rehab these homes to make them more safe, sound, decent, more energy efficient to lower total costs altogether.

Joshua Stallings: So, Gene then Robert.

Gene Watson: Yeah, I think rehab is a huge issue in Indian country for sure. Especially, if you take somebody that's if it's just low housing, low-income housing profile, we get 'em into a house. They're buying that 70 or \$80,000 house. That's typically not a newly constructed home unless there's a big down payment that goes with it, right? So, oftentimes they qualify but they barely qualify, right? I mean, and you get 'em in. Are we really setting people up to succeed at that point, right? So four or five years goes by, the air conditioner goes out, do they have \$5,000 in disposable income? No. Now they're going back to the Tribe looking for special programs through the Tribes. And nearly every Tribe has those types of things. The banking sector has stepped in, the FHA has stepped in. We offer what's called an FHA 125 program loan. It's a second lien, it goes up to \$25,000 and it's for rehab, right? And so, and we can amortize that out at reasonable note rates. We can amortize that out up to 20 years, so that repayment, that payment's fixed rate, it's not adjustable rate. It's not a HELOC or anything, so it's a very secure loan. They qualify for it. The underwriting guidelines are standard FHA guidelines, right? So, that's a solution. So if the Federal Home Loan Bank, but the problem is in today's economy, \$25,000 doesn't go very far. You're not gonna rehab much on a home, right? And FHA has some programs out there to you know, 203K and things like that, but they just miss the mark a lot of the times, right? Well, they require certain things. Like, FHA requires that they have to use a contractor, they can't do any of the work themselves. Well, that could be something that you could be a little flexible on, right? Why can't somebody paint their own home? Why can't somebody do some of the rehab? If they're a roofer, let 'em roof the house, right? Why do they have to go pay a contractor?

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

And so, there are hurdles and problems with these programs that do exist. And so, when I talk about special needs and special opportunities, rehab's a big one. If you looked at the underwriting guidelines, the criteria, some of the special needs that are in Indian country. I think you could come up with a product that would fit the risk profile for the Federal Home Loan Banks and supply a need, right? And fill a need.

Robert Fightmaster: So, Valerie, you mentioned a couple times the different rehab programs. Are you saying there's a need for funding to do the rehab or more like a loan that they can do the rehab, like what Gene's talking about or both? –

Valerie Powell: Definitely both. Because we still have those individuals that cannot afford a loan, they need the grant stability. And we try to step in and help as much as we can, but it's, we still need more.

Sharon Wise: Our organization contracted with the ONAP office. We ran a housing program for a Tribe from 2008 to 2015. And we really couldn't spend the money to gain new assets because they didn't want that on any of the deeds, so we did rehab. So we did probably around 200 rehabs, and our average rehab was just over \$50,000. And that was 2008 to 2015. I can't even imagine what it would be today. And we used NAHASDA funds for that. So we brought them, we had a policy that we rehabbed them to that because it, I know some Tribes try to make their money go further, so they capped it like at 30,000. Well, do you get a new roof and then your windows leak and you don't have air conditioning, so it's tough. The rehab needs to be complete to be effective.

Joshua Stallings: Shay, you have any thoughts on the expense of rehabbing at this point?

Shay Stanfill: It's overwhelming. Rehab needs are great, they're extensive. When you talk about home ownership rates in Oklahoma, home ownership rates are actually not at the bottom of the barrel like you would expect as unfortunately we are in some other categories. But I always say we miss the mark when we just look at the home ownership rates because we're not looking at the structural soundness of those homes. And while the individual may have a roof over their head, they may have shelter from the elements, it doesn't mean they're in safe and affordable or sustainable housing. Rehab's just a beast. I wish I knew what the answer was. Matched savings accounts are, individual development accounts are huge. The issue with matched savings accounts is that, I think I mentioned this earlier, if you're looking at people in the 80% or below, specifically area median income, but even if you're looking at national median income, the people that are in that category are just trying to keep the lights on. They're just trying to keep the heat on. They're just trying to buy groceries. However, there's kind of been an evolution in the asset building field and the individual development account field. And over the last several years what we've seen is that organizations who do offer individual development accounts are not so much looking for regular monthly deposits that are hard to come by, but instead maybe being a little more flexible and hopefully this will start

gaining ground, but being more flexible and utilizing, letting families utilize like tax refunds or any kind of lump sum payments that they get throughout the year. Saving those for a set period of time and then matching those. The other thing is the match rate has to be, it's gotta be up there. It's gotta be, you know, just as we are talking about how expensive rehab can be, a lot of times an IDA program, typical match rates are anywhere from three to one to five to one. Well, if you're asking someone to save a thousand dollars and you're gonna give them \$3,000, don't get me wrong, it's free money, it's great, but \$4,000 probably isn't gonna fix your roof. \$4,000 probably isn't gonna fix your heat and air. It might fix your heat and air. You might get a bandaid, but you're not gonna buy the new unit. So, I think just kind of exploring individual development accounts with higher match rates with more flexible saving opportunities. Again, capitalizing on Earned Income Tax Credits, capitalizing on tax time savings for these individuals is key. And then if I can just plug, if we're talking about giving away free money, I know pie in the sky again, somebody else mentioned it and you said earlier be bold. We just finished piloting a matched emergency savings program at the Housing Authority of the Cherokee Nation in the Cherokee Nation. We've done one of these before several years ago with a different organization, but it makes a huge difference for people. We did a small match rate, we asked them to save \$100, we matched it at five to one, so that they could have \$500 because I can't remember right off the top of my head what the percentages are. But most people can't afford to cover a \$400 emergency without borrowing money or using a credit card. And all of us know you're probably not even getting new tires for your car. You might get two new tires if you've got \$400 in your savings account. So, if we can also look at ways of encouraging savings when we did follow up on, with some of the individuals who participated in this program. Just the security of having \$500 in an emergency savings account was hugely beneficial to those individuals. We also like to see, if you had to use the money, what are you using it for? I know I'm getting way off track here, but I would just say it's helping people build an emergency savings account. It also would be a little bit of a buffer for home emergencies. It's not gonna cover a lot. But it also encourages people, it's kinda like a little jumpstart. It encourages people to continue saving. When they have to dip into that emergency savings, but there's a little bit left there. Sometimes, not all the time, sometimes they will continue depositing. And we will just like to say that these kinds of programs don't always take hold. Not everybody is going to keep saving after you give them a jumpstart, after they use the individual development account. But we like to say we're planting the seed. And so, sometimes the seed grows and sometimes it doesn't. But if we're asking for free money, I would love to look at opportunities to offer matched emergency savings accounts as well.

Joshua Stallings:

So, I know that we're all aware of the supply chain issues that have caused quite a bit of the increase in cost. I know we're talking about rehab, that's clearly

gonna impact a lot of that. But Sharon, can you speak to, are there any concerns related to the availability of people to do the work?

Sharon Wise:

Absolutely. I mean, especially in rural areas, we're fortunate enough that what we're building now is close to Oklahoma City. It's just outside so we do have contractors and subs. But still out in rural areas, I don't know how they do it to get construction on the ground. I mean it's such, I mean, and then you don't want to have the cheapest. Because if you have the cheapest, that's the worst product you can furnish someone. And I want everybody to focus that. We look at sustainable home ownership, we wanna build that house, so they're not gonna have bills or replacement or rehabbing just for living there in the next five to 10 years. We wanna construct a sound house. So, it has been a struggle for us. As a matter of fact, we had homes under construction during the supply chain and where a framing package went from \$16,000 to \$42,000 for our builders. And our builders were in contracts with us. So I actually went back because I never thought it was, and I'm not putting the Feds on, you know, any kind. But I never thought it was a purpose to use federal funds to put a private company outta business that they had to stick to my contract, that they would go belly up. So we did scratch up more money and met 'em halfway on those costs that went up because they were in a firm contract, but it wasn't their fault that the lumber went up that high and everything. So in doing that, we kept our good builders, that they'll build for us again. And we didn't put 'em outta business 'cause I know a lot of 'em did struggle through that. But I think we're on the mend now, from what I hear from our builders. I mean, it's still not as cheap as it was two years ago, but prices are, they shot up but they're floating down a little bit.

Jason Brower:

Well, I was listening to Sharon and I'm thinking when it goes back to something you said with the emergency savings. Gene, I think you helped put together a project maybe for one of the Tribes with building houses. And with this project, and you can correct me if I'm wrong or if I'm off, but I felt like when the Tribe would sell a home to a Tribal member, they could, they would make payments to it. But then after so long it's like they had, I'm just gonna use an example. So say they paid on it for five years and they've got, they would take and set aside a certain portion of money. So say they've got \$5,000 saved up, they could take that and apply it to the loan or they could take it and use it to rehab the house. Is that correct?

Gene Watson:

That's correct.

Jason Brower:

That is a fascinating model to me because, and I don't think the regs would allow us to escrow on a conventional type loan. So right now we can escrow insurance and taxes, but could we also escrow in this other thing? But yet it would also help solve the problem of having these emergency funds that you're just helping somebody set aside. Whereas my experience has been if a person is making payments on a house, they got one payment all set up. But setting aside

an extra hundred dollars a month, they won't always do. But if there's some way we could escrow that in to help, it would solve a couple of problems, putting money back that also, because that is a really neat model, I think that was set up to do that for the Tribes. I don't know how y'all, I guess you worked with the Tribes to get that accomplished, but it's neat. It's really good.

Gene Watson:

Yeah. We made the loan to the Tribe, the Tribe it was at lease-to-own product, right? And so, the Tribe developed their own program, part of the program they developed, which I thought was really meaningful. 'Cause these weren't newly constructed homes. These were already existing homes at various conditions. Now, they made sure that it was a sustainable house, right? But they basically built up an escrow, they collected extra above that they set aside for when they did assume the loans, it was a five-year assumption. But at the end of that five years, each house had its own funds set aside. They would take into consideration things like, well, when you take this over, you're gonna have to start paying homeowner's insurance. We use AMERIND. This is very inexpensive for us, right, which is a great tool for Tribes to use, right? It is a great cost savings on those lease to own programs. The Tribe might pay, I don't know, 25, \$40 through AMERIND for insurance to where an individual might have to pay seven, 800, 1,200 depending on the house. But yeah, they factored in deferred maintenance. They factored in, insurance is going to go up. You're gonna start paying insurance, your taxes. You're gonna have to start paying taxes. As a Tribe they didn't have to pay taxes. And they set up that escrow, they got them built and accustomed to making that payment. So when they took it over, they handed them an amount of money and sometimes it was 3,000, sometimes it was seven or 8,000 depending on what they assess those needs to be, right? Okay, here's your emergency fund, you're gonna start taking over the payments and your payments haven't changed, so there wasn't a payment shock at the end of that five years. But that's just the creativeness and the uniqueness that the different Tribes and TDHEs and organizations can do around the country. I get to sit in the catbird seat and see all these really cool and neat programs that different Tribes come up with.

Jason Brower:

But that model might be something from a Federal Home Loan Bank or even a Federal Reserve standpoint with policies is like how could that, something similar to that, be used in the banks? I mean, would they allow us to do that? That could help in getting houses and so forth. Which would, may take care of some of the emergency savings that would go into repairing houses. And so, it could help. Just a thought.

Sharon Wise:

Well, when you think about it, and this is sort of out there. But when someone buys a home, they're paying everybody else to make sure everybody else is gonna be okay. They're paying mortgage insurance, so the lender will be okay. They're paying their hazard insurance, so the lender will be okay. They're paying title insurance, so the lender will be okay. But there's nothing escrow to take care of the home buyer and what they might encounter in the ups and downs of

lives. If there could be some kind of escrow put, you know, and I've thought about this before, but it's so far out there, that is almost like an insurance against job loss beyond your control or emergency rehab, or something like that. And with the Tribes so hands-on with their programs and their Tribal members, to put something like that in effect, I think would be a good thing. It might be something to consider.

Valerie Powell:

Yeah, just to give you from our perspective, that's what we've done. We've started a lease purchase program and we build the homes and they lease it through first 15 years and at 10 year, we want them to start a hundred dollars, \$150 in at any time, but at 10 years we require it because they're only paying say, \$500. We're setting that so that at the end of that 15 years, now here's that lump sum that they can now refinance, become theirs. And at that 15 year, we know what that payment's gonna be through our lender, and so we kind of prepare 'em for that increase in payment for taxes and insurance. So we're telling them to put in that a hundred, \$150 a month extra, but that's their money at the end of, that 15 years that they can use now for, maybe there's some upgrades they want to do or maybe there's repairs or maybe there's furniture, anything like that. They're gonna be able to do that, and it just kind of teaches them. But yeah, that's what we've done.

Jason Brower:

I like the model, I like the idea, I like the way that those, that the Tribes are doing that. And from a lender standpoint, it's we're just trying to minimize risk. And I know that there's gonna be some, that's why you charge interest. But if there's ways that we can minimize the risk, then I think it would make it easier to get the funds out there. And I think that's where he was going with the PPP money is that, you know, lenders and community banks who can get the money out fast, they knew that they, or they had reassurance that they were gonna get paid back. And so, it was able to flow it. I mean, if we could somehow find a way to minimize the risk even more so that what's out there and make it, not just minimize it, but also help with the paperwork along the way, but to make it easier and less intimidating would be a good thing too.

Joshua Stallings:

So, as we're looking forward, Gene, is there anything in the multi-family space that you think that the Federal Home Loan Banks could be doing more to support the market? –

Gene Watson:

When you ask me, can they do anything more. Like, I have to confess, I don't know what you currently do, right? I think from a Tribal standpoint, we as a lender do a lot of lending with multi-unit housing. It's a good model. It's good affordable housing, it's good safe housing. It doesn't create home ownership, it does create affordable housing certainly. I know you're not here to answer questions, you're here to ask 'em. So, I would say that that need definitely exists. Not everybody's ready to own a home, that's a reality. But everybody needs safe, quality housing, right? And so, yeah, I think having a program that would have some benefits to it or some advantageous aspect to it for Tribes and

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

banks to work together to do multi-unit, I think that would be welcomed with open arms from both sides of that fence, right? From the Tribal entities and from the lenders.

Joshua Stallings: So, let me reposition that. Shay, are there any friction points in the multi-family space that can make it hard to complete projects?

Shay Stanfill: Well, I have to echo what Gene said and admit that I don't really know what the Federal Home Loan Bank is doing right now. But as far as friction points go, kind of what we were talking about earlier in regards to contractors and the availability of supplies. I mean that is a huge issue we're facing right now. We're actually the Housing Authority of the Cherokee Nation is actually getting ready to construct some additional affordable housing units, rental units, multi-family units. Based on what we're seeing in response to bids that we're putting out, personally I'm a little concerned about, oh my gosh, what kind of bids are we gonna get back and how many are we going to get back? But that I know it doesn't address what the Federal Home Loan Bank is doing, but that is a concern for me too, is not only are we not getting many bids. Sometimes when those bids come back, they're way over what we anticipated paying for the projects. And at some point we kinda have to weigh what do we pay for the project? If this is what the market is demanding, do we just have to go back and reevaluate our plans? And that relates to rehab as well. We may anticipate something costing \$25,000 and we get three bids back for 41, 42 and 42.5. And so, then we're kind of in this pickle like, "Oh my gosh, do you just pay it," and take your lumps? Or do you say, "This is absolutely ludicrous and can't do it, we're gonna rebid." So as far as construction of new multifamily units, that's a bit of a concern for me.

Gene Watson: One aspect or one challenge that we have sometimes with programs that are designed for a low-income housing multi-unit is, if every unit is for low-income, right, then there's no opportunity to, okay, once we build it, once we get the loan, once we build, how are we gonna pay for it? Well, to pay for that on a continual basis has to come from someplace, right? So I've seen a project that happened in Alaska that I thought was unique, that might be a consideration that you should consider, in that it required a percentage of units to be low income, I believe that was LMI. But the rest of them could be market rent. One criteria also, a percentage of them had to be handicapped accessible. That was just the uniqueness of this requirement for this program. And it was a grant and we were actually provided the financing for it. But I thought it was really clever in that this TDHE was able to subsidize that low-income housing in 20% of their units with market rent with 80% of the units. And I thought that was a unique approach, but it self-funded, it cash flowed. You could take that to any local bank, right? As long as it's cash flowing and make that loan. So, it reduces the risk, it creates an opportunity to put more programs together. The unintended consequence of that was that nobody knew what percentage or which people live behind which door were low income, right? If it were 10 units, two were low

income, the other eight were market rent. As a child I used to get off the bus and walk into low-income housing. That's where I grew up, provided by the government, right? There's a stigma that's attached to that, that was unpleasant, and this approach alleviated that. I thought it was really unique and clever, and I really appreciated that. So just a consideration, you told us to come up with bold ideas. This is an idea that I think has a lot of positives to it with multi-unit that really worked well, and they did it in mass in Anchorage. So, we did a lot of it like that.

Joshua Stallings: So, one of the roles of the banks currently plays is filling funding gaps that would otherwise be unfulfilled through like the AHP program. So, Sharon, coming back to you on this. So, what have been your experiences? Are there any ways this role could be strengthened in regard to some of the Tribal issues we've discussed?

Sharon Wise: Well, it's a competitive grant for one thing, and the Tribes do not have any kind of advantage. I mean, you have multi-million dollar investors that get a AHP to go with their tax credit project. They know all the rules, they have the capacity, they have the attorneys, they have everything else, so it's very difficult to get awarded. Now, I know the Cherokees got about five AHPs on their tax credit projects. It's been almost 20 years ago. So, they've used the AHP that way. The Wichita Tribe on their two tax credits had AHP in it. They had about 900,000 on two different projects. So the Tribes have utilized, but it's even hard to compete for the tax credits anymore because there's probably roughly 60 some odd applications and they fund just over 20 usually statewide. So if there was a set aside for Tribes, and I know they've done that in New Mexico, I heard. Even on tax credits, I mean you can do that. That it wouldn't be as competitive. Or they would compete amongst their people, their other Tribes, which have that same population they're trying to serve.

Joshua Stallings: So, Robert, do you have any thoughts on how the Federal Home Loan Banks could extend their reach or expand the level of awareness?

Robert Fightmaster: I think it's difficult for them to always be able to explain all the different programs they have. Give you a quick example, kind of popped in my head a few minutes ago when we were talking about the rehab programs. We've been searching for somebody to buy one time close construction loans from our bank for years. And I kept asking the wrong question. I kept asking the Federal Home Loan Bank, "Hey, do you guys buy one time close, you buy one time close?" No, we buy modified mortgages. Oh, so I can modify my construction loan into a permanent? Yes. Most of the people don't know they have that. They said no one uses it. I would've been the first person to even try it. They've got some stuff out there, but they've got so much probably on their plate. How do you find that ability to get that special program out to your bank members, your Tribes, et cetera. So, I think there's some, a real wealth of intelligence in Topeka, in this group, but how do they get all their products out to these different

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

markets, 'cause those markets are so diverse. Oklahoma City's gonna be a lot different than what your needs are in Tahlequah. And that's their challenge and that's the hard part.

Joshua Stallings: So, I think you did a better job of asking my question, so thank you. So, Shay, do you have any thoughts on this? On how the Federal Home Loan Banks could expand their outreach efforts or how they go about communicating what they do?

Shay Stanfill: Well, Gene touched on this earlier, and it is so true that oftentimes as a Tribe we are searching for Native specific opportunities and not even aware that a Tribe could apply for some of the programs that you're offering. So I know I keep saying it, I feel like this is the third time, but if you wanna know, I really hope you do create, you know, I guess establish Native Americans as a special population. But, Gene's, right? And that oftentimes we are just searching for Native specific opportunities. I feel like that'd make a huge difference. I think you would definitely get a lot more applications. A lot more interest from not just Tribes and not just housing authorities, but other nonprofits who are specifically serving Native Americans.

Joshua Stallings: Gene.

Gene Watson: I can't add much to that great response. I would say this, I don't think the way, I can tell you how you don't do it, okay? I've heard some talk of -

Joshua Stallings: Often just as useful.

Gene Watson: Right. Of consolidating the banks, right? Maybe some consolidation might be appropriate, right? If anything, I think that's the wrong approach. I think local's better. You've probably heard me say that once or twice. So a consolidation of the banks, I think would harm that effort, not help it. For what that's worth.

Joshua Stallings: So, Holly, what are some trade offs that we should be considering as we're thinking about the future state? How should we think about extending the reach of the Federal Home Loan Bank System while preserving safety and soundness?

Holly Johnson: Yeah. Well, you hit the nail on the head for me as a director. It is how do we meet the full spectrum of needs, knowing also that some of these programs we're talking about are just only part of what the Federal Home Loan Banks do and the reality that they're broadly managed to examine and examined to zero risk. And so I think, we have to recognize what level of risk the banks and the agency are willing to accept and in pursuit of what specific purposes. Because without careful consideration, we can't disturb the delicate balance of our cooperative participation, which is what makes everything feasible. That gives us the funds for our programs. And so, I think, it's a good question. Well, I am an advocate for Tribes all day long because I know that the needs are immense, and I feel like we can do more. But I think it needs to, you know, this input today

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

has been invaluable to kind of think about like, how do we strategically best use the funds because we can't do it all and what risk are we willing to accept in the pursuit?

Joshua Stallings: So, are you saying that we should go from a no loss posture to a one loss posture? I don't know about that. Somebody said they wanted a joke and that was the best one I got. All right. Robert, any thoughts from you on this, on maintaining that balance?

Robert Fightmaster: I don't know how you, I don't know what the method is, the methodology behind it all. I mean, it's a big animal. It is a monster to try to figure out all the things the Federal Home Loan Bank could do, and how do you get that message out? I don't know how you could. That's not what I'm here for.

Joshua Stallings: Fair enough. So to close out today, I want to give everyone an opportunity to provide us with what they think is the single most important change you would recommend to best position the system as we're moving forward. And if you think no changes are needed, also we are willing to hear that, we want to hear why. So if we could actually start with Holly and go back around the table again if everyone can give us that one most top of the list thing. I know you all got a list. It's probably got a few more items on it than that. But like, just gimme that one top of the list item.

Holly Johnson: So, top of the list for Tribal affordable housing and community development. Correct? Okay. Well, I'll be interested to see where the agency lands after all this input. Does the agency believe that it's more valuable to aim resources at hard housing gains or should we focus more on community development targets and community building, which may be less tangible? But directly to the question. I would say probably affordable owner-occupied housing is a first step to improving the quality of life. And that would include all the uses within the current HSP because I hope what we're also trying to do is not just put Native Americans in acceptable low-income housing. We're trying to put them on a path to personal and family asset building. And so in my eyes, home ownership would be first and then probably community development.

Shay Stanfill: Well, Holly didn't take long enough because I was trying to figure out how I can make all of my points in one long run-on sentence.

Joshua Stallings: Just gotta use commas.

Shay Stanfill: I know I'm sounding like a broken record right now, but I would just say designation of Native Americans as a special population would make a huge difference in the affordable housing field and in the community and economic development arenas.

Joshua Stallings: Jason, what did you got for us?

FHLBank System at 100: Focusing on the Future Roundtable Discussion – Oklahoma City, OK, Dec. 1, 2022

- Jason Brower:** You wanna hand me your points? I'll go ahead. Forget the comma. Yeah, from just listening, I think we're coming back to just how can we help people with more down payment. And so, to get that across, I think what Shay is trying to say is whenever you're applying for a grant through the Federal Home Loan Bank or to, is can you in your process give more weight, more points or whatever to those that are gonna be helping Native American communities? And is there a way to somehow give down payment assistance in a like \$20,000 specifically to Anadarko, Oklahoma people? That's where I work. I'm just kidding. Yeah, that's my attempt at a joke.
- Joshua Stallings:** I was tracking with you.
- Jason Brower:** Thank you. Thank you.
- Valerie Powell:** Mine would be those larger amounts. We need to look at larger amounts that's available to help meet those needs. Whether it be for those down payments or the rehabs or the purchase price. We just need those larger amounts looked at.
- Robert Fightmaster:** So, this is what I'm here for. So, really the programs are in place. It's just tweaking what they have. We don't need to reinvent what the Federal Home Loan Bank is or what they do. Just take the programs they have and maybe enhance them for Native Americans. Again, larger grants, waive or increasing the income limits, making aware that it isn't considered a defined limit for an institution to lend. And then secondly, taking a double look at doing loans on Tribal trust lands that are conforming and not 184.
- Sharon Wise:** Not to offend, okay? But I would hope from your perspective and what you have in your idea of accomplishing or meeting your objective with us today and when you go on to the other Tribal communities is not that you met your objective just talking to a hundred different Tribal representatives and handing out brochures or something. I think that it should be, we actually see Indian families in housing. That's the objective met. It's not going out, getting input, but putting it to work and actually feeling like you've achieved it when it happened, when those programs did come out, and we put real families into real housing.
- Joshua Stallings:** No offense taken. Gene.
- Gene Watson:** Yeah, please hear me when I say that there's a certain injustice that first Americans experience the American dream at the lowest levels of any race. So come up with special programs designed for Native Americans, first Americans, right, to experience home ownership, to experience that American dream. If you wanna be part of something meaningful, be part of erasing that injustice. That's what I would say.
- Joshua Stallings:** Thank you. Eric.
- Eric Howard:** Okay. Well, thank you, everyone. In closing, we would like to thank you for your thoughts today. One of the things I would just be so remiss if I did not do is

thank Christy Finsel, who's the executive director of the Oklahoma Native Assets Coalition. Christy was invaluable in setting this up. She knows nearly all of you, I believe, and she had recommendations for all of you to participate today. So she was going to participate herself, but she had a conflict. And so, I do want to thank her. So, some of the things that I would like to say that I heard you say in just in summary is the need for more focus on the needs of Native American communities, the need for more support for Native American Tribal communities, awareness of Federal Home Loan Bank programs that already exist, tailored programs such that address rehab needs, matched savings accounts, credit building, and just alternative sources of credit. Another thing I heard you say is rethink the no loss posture that is predominant throughout the Federal Home Loan Bank System. So all of you, thank you. The team here is truly exceptional and it's very evident that you care deeply about this initiative. I want to encourage everyone to visit our website regularly as we are posting updates on our initiative on a weekly basis. And we are planning for a few more sessions for the remainder of the year, including, and I believe Joshua mentioned this earlier, a session on Native CDFIs in Washington, DC on December 8th. This will be followed by another session in Baltimore on December 12th on closing the racial home ownership gap and a roundtable in Philadelphia on December 15th that's focused on Federal Home Loan Bank membership, collateral and safety and soundness. And we will have at least several more roundtables early in 2023. So please again, keep your eye on our website for updates. And I just want to thank you all for your time today. And thank you, those of you who were live streaming our event and participating with us that way. So to all of you, safe travels home and thank you very much.

Joshua Stallings:

Yeah. Thank you, all. And the only last thing I'll say, 'cause I think that me and Eric will be remiss if we didn't mention this, is that there are a number of people that put a lot of effort into making these events happen as anyone that has done these things know. You're looking at the two of us, but there's probably about 20 people that actually made it happen, and we would like to extend a wonderful thank you to them for their continued support to get all these done so quickly. But once again, thank you to everyone here. We do appreciate all your comments and we are indeed listening, so thank you very much.