



Mr. Jim Gray
Program Manager
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW, Room 8-145
Washington, DC 20024

July 10, 2017

Dear Mr. Gray:

I am responding to the Federal Housing Finance Agency's request for public input on the proposed Underserved Market Plans from Fannie Mae and Freddie Mac as required by *Duty to Serve* (Plans). The comments expressed below are my personal opinions and perspectives, and not necessarily those of the Federal Reserve Bank of Minneapolis.

In 2015, the Federal Reserve Bank of Minneapolis established the [Center for Indian Country Development](#) (CICD) a mission of helping American Indian communities throughout the United States attain their economic development goals. Our vision is to be a nationally recognized thought leader and a respected contributor to the research critical to emerging economic issues that are of vital interest to Indian Country constituents and the Bank's mission.

One of these issues is affordable housing and homeownership. To be sure, homeownership in Indian Country is a complicated maze of land tenure, jurisdiction, and access to capital. The good news is that U.S. Census data show a strong base of owned housing units on many reservations. However, mortgage lending in Native communities skews heavily toward fee land, according to data from the U.S. Departments of Agriculture and of Housing and Urban Development (for example, recent data show that 88% of HUD 184 mortgages are on fee lands).

Bringing housing and homeownership opportunities to all Native communities and all Native land requires capacity, commitment, creativity, and collaboration. This is why the CICD formed the [National Native Homeownership Coalition](#) (NNHC) to examine a wide array of factors that impact homeownership on tribal trust land, with the goal of amplifying the needs to restructure lending policies to better serve the American Indian population and to unlock the potential of these lands. Launched in January 2017, the NNHC now has over 200 members representing tribes and Indian Country-serving organizations across the country.

Coalition members were happy to see that both proposed plans recognized the intricacies of providing mortgage capital and other services to Native homebuyers on trust land. Against this backdrop, we would like to offer the following observations and recommendations on the proposed Plans.

1. Education

As the proposed Plans indicate, homebuyer readiness is one of the most challenging barriers to homeownership. To many Native communities, the historical lack of access to credit and financial

education have resulted in fewer opportunities for families to learn about the benefits and opportunities of managing mortgage credit. To support this need, we believe the Plans should emphasize the delivery of financial education broadly, including homebuyer education, financial coaching, credit counseling, and post-purchase trainings.

In addition, this support should be delivered as close to the community as possible. We thus encourage Fannie Mae and Freddie Mac to contract with local education providers familiar with the home buying process, community practices, and Native culture to provide these services. In addition, there are many ways to build the capacity of local providers through regional and national instructor training such as the National American Indian Housing Council's (NAIHC) *Pathways Home: A Native Homeownership Guide* curriculum and First Nations Oweesta Corporation's *Building Native Communities* financial education curriculum.

Examples of local third-party providers include Tribally Designated Housing Entities (TDHEs) such as the [Salish and Kootenai Housing Authority](#) in Montana, and the Native community development financial institution (CDFI) [Four Directions Development Corporation](#) in Maine. Both of these organizations are the subjects of case studies published by the CICD for our 2016 [Mortgage Lending in Indian Country](#) convening at the Salt River Pima Maricopa Indian Community in Arizona.

2. Capacity Building

Another critical barrier to homeownership on trust land is the capacity of Tribes, TDHEs, and other nonprofit housing developers. For example, these entities struggle to manage large-scale housing developments on trust land. Given regulatory requirements and the lack of existing physical infrastructure, housing developments are complicated undertakings even for experienced housing professionals. While the *Native American Housing Assistance and Self-Determination Act of 1996* provided Tribes and TDHEs greater control of their housing and community development decisions, to more fully realize the intended benefits of leveraging private sector financing, they need more focused training and support.

Capacity building also is needed for title and lease processing, the fundamental legal documents for housing and business development on trust lands. The housing market in particular requires the efficient processing of title searches and lease approvals. However, relatively few Tribes currently are able to reliably achieve prompt processing times, which requires a good understanding of land records and an effective relationship with the Bureau of Indian Affairs.

Fannie Mae and Freddie Mac could make significant contributions to promoting affordable housing in hard-to-serve Native communities by supporting training and technical assistance opportunities for Tribes, TDHEs, and other nonprofit housing developers to expand their capacity to assemble housing financing packages, manage development of affordable housing stock, and effectively process leases and title searches on trust lands.

3. Staff Familiar with Indian Country

To ensure that the Plans are institutionalized and responsive, Fannie Mae and Freddie Mac should create dedicated regional staff positions to oversee their work in Native communities and hire personnel with a strong understanding of tribal sovereignty, trust land status, and the affordable housing needs of Native communities.

4. Loan Products

Access to capital includes not only having funds to loan, but also the ability to maintain liquidity. This need is even more critical for community lenders who ensure service to high-need markets, including Native communities. Loan products such as Fannie Mae's Native American Conventional Lending Initiative single-family loan program (NACLI) provide a mechanism for community banks, credit unions, and Native CDFIs to deploy conforming conventional loans that can be readily sold on the secondary market, pursuant to a tri-party agreement between Fannie Mae, the tribe, and the lender.

Importantly, the tri-party Memorandum of Agreement (MOA) (banks-tribes-Fannie Mae) for the NACLI program provides an excellent structure that ensures efficiency of funding, suitable loan servicing, and proper remedies, all of which support better systems for tribes and Indian Country. The MOA works well for several reasons. First, it supports local and community banks in serving the lending needs of their communities, and in this case Indian Country. Second, it provides tribes lending options beyond government programs (HUD/RD/VA). Third, the MOU requires tribes to establish and maintain a durable legal infrastructure to support servicing and possible recourse. Finally, it promotes tribal sovereignty and self-determination and very positive outcomes for tribal members. Tribes and banks have made this a mainstay of their homeownership programs, and we support its continuation.

5. Investment Pool

To build on the potential on loan products that can be sold on the secondary market, we encourage Fannie Mae and Freddie Mac to explore the creation of investment pools that provide an opportunity to pool leasehold mortgages and offer investment quality mortgage-backed securities to attract a wide range of investors.

6. Coalitions

One of the most promising developments in the Native homeownership movement is the emergence of statewide Native homeownership coalitions that bring together federal, state, and tribal governments, lenders, nonprofits, housing counselors, construction professionals, and other stakeholders engaged in the homeownership process. These coordinated and concerted efforts are advancing strategies to promote Native homeownership opportunities. They also provide excellent conduits for Fannie Mae and Freddie Mac to channel their support for this market through collaborations, investments, and capacity building efforts.

The [South Dakota Native Homeownership Coalition](#), for example, has made significant strides in advancing homeownership opportunities on the nine reservations in South Dakota. Recognizing the value of the coalition approach, the Center for Indian Country Development has convened the [National Native Homeownership Coalition](#) to bring together practitioners nationally.

7. Trust Land Focus

Our research has shown that most of the public resources for Native mortgage finance are being utilized on fee simple lands. We unreservedly support homeownership for Native people wherever they chose to live. We see significant potential, however, to develop housing market opportunities on trust lands, which comprise the vast landscape of Indian Country. We thus encourage Fannie Mae

and Freddie Mac to recognize the high need for homeownership opportunities on trust land on Indian reservations and Native Hawaiian Home Lands.

In order to ensure this focus is maintained, we think it is critical to identify and map out the high needs rural areas and persistent poverty counties, overlaid with high Native populations on trust land, similar to the focus on Colonias, Appalachian, and Lower Mississippi Delta regions.

8. Capital Pools

Fannie Mae and Freddie Mac should explore investment opportunities in a wide range of capital pools that support Native homeownership. For example, the national Native CDFI intermediary First Nations Oweesta Corporation is creating a capital pool that will serve as a source of consumer and commercial lending capital for Native CDFIs. Fannie and Freddie could invest in a similar vehicle that would serve as a source for long-term, low-cost mortgage capital for leasehold mortgages on Native trust land.

Another example of a possible capital pool in which to invest is the risk mitigation pool that some tribes, such as the Sisseton Wahpeton Tribe in South Dakota, have created to reduce the liquidation risk of lenders operating on trust land.

We appreciate the opportunity to provide input to the Federal Housing Finance Agency on the critical needs and promising opportunities in Native communities across the country. We look forward to continued collaborations with Fannie Mae and Freddie Mac who have the potential to be significant contributors in the Native homeownership ecosystem.

Sincerely yours,

Patrice H. Kunesh
Director
Center for Indian Country Development
Federal Reserve Bank of Minneapolis
P: 612.204.5815 | M: 612.219.9926
www.minneapolisfed.org/indiancountry