

Intro: Bank 1 Business Banking – Loan Officer/ UW; PMI Secondary Market Analyst, HHP Program Mgr

What would a fully functioning mortgage market on tribal land look like?

ANSWER: Nothing like it looks like today. And nothing like it looks like OFF the Rez.

Mortgages, as they are conceived of, originated, bought, sold, and serviced off the reservation will never work on tribal land, particularly in more rural areas. Like the base of the Northern Cheyenne Lodge – made of three poles – I will use three points to support my position:

- 1) Consumer Market Challenges
 - 2) Loan Processing and sale of mortgage
 - 3) Long term servicing of the Mortgage
- 1) Consumer Market Challenges. Specifically, the lack of supply on our reservation. Builder availability – most actively doing rehab/ remodel work. Infrastructure: water, electricity. NCTHA has not built a new site built home since the early 2000's. No surveyors or appraisers. Nearest comes from Billings and requires us to pay for windshield time. No tribal members are certified in either trade. Lack of comps to compare for an appraisal. No properties for sale (difficulty). Cost of building materials continues to increase. Nearest "competitive" supplier is 90+ miles – almost two hours – away!!
 - 2) Loan Process. TIME. Creditworthiness. Over reliance on FICO/ DU. Misunderstanding of what tribal land is. Misunderstanding of the tribal land lease. Complications arising from fractionation and allotment of the property that is owned. How is non-traditional credit evaluated? Consideration of cost to operate?
 - 3) Secondary Market. No liquidity on a national scale. But when FNMA and FHLMC stopped purchasing these notes, many community lenders stopped originating them because they had no outlet. How are these loans being serviced? From a servicing perspective, many of these borrowers may behave like a subprime borrower. To that end, what kinds of accommodations are made for people that have a reduction in income because of a layoff. (Example: change of administration – Program Director to Bus Driver.) *Promising Development: The Montana Native American Homeownership Coalition agreed to buy all 184 loans originated on Montana reservations.*

Mortgage "Portability." Not the Canadian model of taking the debt to a new house, but one where the mortgage stays with the house, but should a borrower pass away, then the loan would likewise pass to the next qualified borrower. In this notion, the house belongs to the *family*. Therefore, the family has responsibility for making payments.

How do Banks work with income that could fluctuate frequently (multiple times during the mortgage?)

The mortgage on tribal land needs to be re-imagined – not just repackaging of a conventional mortgage with a workaround of selling the property back to the tribe in event of default. Essentially burdening the *Tribal Nation* financially and administratively to assume the individuals' mortgage.

Key takeaways:

- Intergenerational/ Inter-familial
- More tied to *house* than the individual borrower.
- Credit needs to be uniquely *non-traditional* (in the banking sense).
- Appraisals need to be geared towards construction cost (unless above market appreciation is occurring). Valid dates need to be much longer
- Streamlining of the "buyback" process – where bank assumes marketing responsibility to tribal communities/ members.