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NeighborWorks America's DTS talking points
Written Statement
to augment the 7/13/22 FHFA Rural Listening Session on Rural
August 15

Thank you for the opportunity to submit written comments on the FHFA's Duty to Serve regulations for Fannie Mae and Freddie Mac (collectively, "the GSEs"), particularly on the Duty to Serve Native American Housing Plans. As a Senior Relationship Manager in the Western Region of NeighborWorks America® (formally, the Neighborhood Reinvestment Corporation), I have been working to facilitate increased homeownership opportunities for Native Americans for most of my career. My comments are informed by my direct experience with NeighborWorks, of the nonprofit organizations that make up the NeighborWorks network (NWOs), and our partners working on or near Native Lands. My comments have not been submitted to, or approved by, NeighborWorks America's board and do not necessarily represent the views of its board members, either collectively or as individuals.

Our mission at NeighborWorks is to create opportunities for people to live in affordable homes, improve their lives and strengthen their communities. For nearly 45 years, NeighborWorks has worked with our network to create opportunities for people to live in affordable homes, improve their lives, and strengthen their communities by providing access to homeownership and safe, affordable rental housing, increasing financial capability, and promoting community and economic development.

NeighborWorks has been exploring partnerships and new opportunities for achieving long-term impact in advancing housing and economic conditions for Native people and communities. We have focused [our strategy](#) on cultivating cultural competence and a respectful understanding of sovereignty within NeighborWorks; integrating Native perspectives into NeighborWorks' and NWOs' management decisions; and, institutionalizing a permanent Native Initiative within NeighborWorks America. We are excited to partner with others, like the GSEs, to further our success in achieving real impact for Native communities.

I want to acknowledge and thank Fannie Mae and Freddie Mac for their multi-faceted partnerships with NeighborWorks America over many years, including Fannie Mae's recent financial support to develop culturally specific training curriculum for Native communities focused on post-purchase homeownership counseling, engagement with Freddie Mac's

Affordable Housing Advisory Committee, and long-standing participation of both GSEs in the National Industry Standards for Homeownership Education and Counseling advisory committee, as well as the NCHCEC Advisory Council.

NeighborWorks' efforts around improving mortgage lending on Tribal Trust and Restricted Lands began with the presidential One-Stop Mortgage Initiative in the 1990s and continues through the present with our active collaboration with the Center for Indian Country Development at the Minneapolis Federal Reserve Bank on the Lending Systems Focus Group and the OCC's Project REACH Native Homeownership Financing Subcommittee. Some of the recommendations from the ["One-Stop" Initiative's report](#), including the development of model documents like the Interagency MOU, Model Lease, model mortgage codes and Tribal Lending Procedure for Lien Priority, Eviction and Foreclosure, and Leasing, paved the way for mortgage lending and are still in use as a baseline for lending on Trust and Restricted Lands today.

When we began our work on the Navajo Nation in 1995 to assist in the creation of a nonprofit that could help facilitate mortgage lending on Tribal Trust and Restricted lands, there was little or no access to mortgage capital, and we found households resorting to using credit cards or paying cash to buy materials to construct their homes. We have come a long way since then, but there is still a crushing need for additional housing supply and housing finance options on Native lands today.

FHFA has asked what a well-functioning housing market on tribal land would look like. Simply put, there would be an adequate supply of homes and an appropriate range of mortgage products that meet the needs of a variety of income levels, including middle- and higher-income Native households. There would be opportunities both to buy and sell, as well as the potential for home appreciation and wealth building. Sales transactions would be routine rather than "one off," and there would be an infrastructure of Native housing industry professionals dedicated to homeownership. The timing of transactions on trust land would approximate the timing of fee simple transactions.

In answer to the question, "how does the current state live up to the vision and in what ways is it falling short?", although there has been some improvement in standardizing homeownership-related transaction processing at the BIA and other Federal agencies, the mortgage industry is still constrained by many solvable challenges. It could be said that without a conventional loan product, there is less loan product diversification today than there was in 2002. Indian Country does not currently benefit from the automation of the mortgage industry. Federal Programs and policies have focused on low- and moderate-income households at the exclusion of middle- and upper-income Native populations, challenging economic diversification and stability in Tribal Communities as higher-income households are forced to move to border towns and cities to find housing. Karigan Estates on the Navajo Nation, although a fee simple parcel surrounded by Tribal

Trust, demonstrates the demand for middle- and upper-income homeownership in Tribal communities.

Successful, sustainable homeownership on Tribal Trust and Restricted lands requires a stable, conventional loan product. According to our estimates, there were approximately only 225 Trust land mortgage loans originated annually from the Federal Agencies (HUD, USDA, and VA) for the 574 Federally Recognized Tribes between 1995 and 2016. Without a functioning housing market, those living in Indian Country are locked out of the economic opportunities driven by the housing sector in other places, which is [estimated to account for 15-18%](#) of the local economy.

In order to establish a normal real estate market, greater home loan choices must be available. We need more redundancy in access to capital in order to maintain service when Federal Agencies hit loan guarantee caps, as happened in May of 2021 when the HUD Office of Loan Guarantee, which administers the HUD 184 Loan Product, issued a “Dear Lender Letter” communicating that HUD OLG was approaching their \$1 billion guarantee authority cap and may need to prioritize loan guarantee requests. Fannie Mae has worked to make their loan product more competitive with the HUD 184 Loan Guarantee product by allowing for cost-based appraisals and accepting the BIA Certified Title Status Reports in place of the requirement for title insurance. Fannie Mae has also invested in Tribal capacity-building related to the HEARTH Act in New Mexico to help expedite residential leasing and mortgage approvals which historically have been a barrier to homeownership. To further affirm access to credit through a commitment to conventional lending, we would like to see loan purchase targets specifically for loans made on trust and restricted lands included in the current and future Duty to Serve Plans. We also suggest the GSEs consider using Special Purpose Credit Programs to drive these targets where necessary.

We need to continue to build local capacity and housing industry infrastructure in Native communities. Housing industry professionals are in short supply, elevating the costs of surveys, appraisals, and environmental reviews, adding additional challenges to the economics of homebuying. To this point, we need more housing professionals working in Indian Country. We commend the work of both GSEs in supporting Native CDFIs and Native State Homeownership Coalitions. Fannie Mae’s work with supporting HEARTH Act implementation in New Mexico and Freddie Mac’s work with training for appraisers in South Dakota are examples of impactful projects. The emergence of Native CDFIs increasingly moving into residential lending, as well as the pilot USDA RD 502 Relending Program and Oweesta Corporation becoming the first Native HUD Housing Counseling Intermediary, will also help expand local capacity.

The issue of legal infrastructure and Memorandums of Understanding for conventional mortgages between the GSEs and the Tribes looms large. It is our understanding that in the early 2000s, approximately 40 MOUs were in place between Fannie Mae and Tribes. However, Fannie Mae believes all of these have expired and need to be redone or refreshed, necessitating

in most cases Tribal Council resolutions for conventional lending to be possible. Today, there are approximately 4 of these MOUs in place. The GSEs' current staff available to enter into these relationships with Tribes is extremely undersized in comparison to the task of even getting back to where they were in 2002 in any reasonable period of time. We suggest building on the legal infrastructure—including leases, mortgage codes, and MOUs—in place through the Federal Agencies, including updating Interagency legal infrastructure documents to include the GSEs, as a way to provide the same access to mortgage credit available to all other Americans.

Manufactured housing is a promising strategy for increasing housing supply. While there is a general cultural acceptance of manufactured housing as a practical means to addressing the housing supply issue, the central problem is loan credit pricing. In our work with our NWO Native Partnership for Housing, we observed many households with homesite leases who grew discouraged by the lengthy processing times for lease modifications that allowed for mortgages, Title Status reports, and loan processing, and would instead resort to a chattel loan at higher interest rates and with shorter terms to circumvent these delays. For those customers who could qualify for a mortgage, it is imperative that the obstacles to doing so be addressed.

Availability and quality of chattel loans is also an area for improvement, as chattel loans serve a critical function. Allowing Freddie Mac to move forward with their chattel loan secondary market exploration to address affordability and equity for land status where real property is not an option or a preferred choice could greatly assist in these types of scenarios. We also appreciate Fannie Mae's approval of single-wide manufactured housing when it will be employed as real property.

HUD's 184 loan guarantee is a great program but has yet to reach its potential and focus on Tribal Trust and Restricted Lands. The GSEs have purchased 184 loans in past, but a commitment to purchasing 184 loans made specifically on Tribal lands must be prioritized.

In summary, the scale and dominance of the GSEs in the housing industry suggests that they must increase their capacity building and engagement with Tribal entities; play a larger role in encouraging lenders to actively foster relationships with tribal governments, tribal housing authorities, Native CDFIs and developers; develop more tailored loan products in partnership with the primary market; and incentivize affordable housing development on trust land. These strategies could be a powerful force, particularly when combined with proposed changes to the Community Reinvestment Act designed to encourage investment on Native Lands.

Thank you for the opportunity to submit written comments. NeighborWorks is grateful for the opportunity to continue to work with FHFA and the GSEs to increase liquidity and expand access to credit for all Americans in underserved communities across the country and we welcome additional focus and resources for serving the critical housing needs of Native Americans.