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Committee on Financial Services - U.S. House of Representatives

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INTRODUCTION

Good morning Chairman Ney, Congressman Renzi and distinguished members of the Subcommittee. My name is Marty Shuravloff, and I am happy to be with you today as the recently-elected Chairman of the National American Indian Housing Council ("NAIHC"), the oldest and largest Indian housing organization in the nation representing the housing interests of more than 460 tribes. By way of background, I am an enrolled member of the Leisnoi Village in Alaska and serve as Executive Director of the Kodiak Island Housing Authority.

On behalf of the NAIHC, I want to first thank you Chairman Ney for the opportunity to be here and to discuss the obstacles to greater levels of homeownership in Native communities and, more importantly, ways we can work together to help Native families overcome those obstacles. I also want to thank you and Congressman Renzi for your many years of active support for Native people and their well-being.

Since 1974 the NAIHC has been the preeminent Indian housing and tribal capacity-building organization in the nation. The NAIHC provides technical guidance and assistance, training and other services to tribes and their tribally designated housing entities (TDHEs). Every year the NAIHC trains thousands of tribal housing staff, and most of this training is provided without charging a fee. We provide these services with a modest budget and a lot of dedicated staff who share your goals of providing safe, decent, and affordable housing for Indian people.

CHALLENGES TO HOMEOWNERSHIP IN INDIAN AMERICA

The NAIHC is appreciative of the Subcommittee's interest convening this hearing and focusing on homeownership in Native communities, a major priority for the NAIHC and our membership. There is good reason that the NAIHC dedicates many resources to promoting homeownership. As the Subcommittee knows, the rate of homeownership on Indian lands is just 33%, compared to 71% in the U.S. population in general.

A study conducted in 2000 by the First Nations Development Institute estimated that there were 38,000 qualified potential homebuyers on the reservation. While the study is now 6 years old, I am confident that the bulk of the 38,000 tribal members and the additional qualified potential homebuyers since that estimate was made have not succeeded in realizing the American Dream.

There are many contributors to weak tribal economies such as low rates of saving capital accumulation and investment, poor physical infrastructure, a lack of

entrepreneurship, issues of governance and transparency, and others. Frankly, some of these challenges can only be addressed by the Indian people themselves. However, one area where Congress can help is the area of homeownership. Increasing the rate of homeownership addresses several problems simultaneously: building a home employs people, uses raw materials, and requires water, sewage, and electricity and in this sense is a form of economic development. It also generates equity that the homeowner can use over the course of his or her lifetime. In this way it assists in capital accumulation, and makes business start-ups possible.

Tax Incentives for Reservation Development. Investment on Indian lands is not generating the kind of economic activity that will improve conditions there. Similarly, job creation is weak and unemployment levels are high for most tribal members. In 1993 Congress approved the *Omnibus Budget Reconciliation Act* which included both an Indian wage and health care credit (Internal Revenue Code section 45A) and an accelerated depreciation provision for property and physical infrastructure placed in service on Indian lands (Internal Revenue Code section 168(j)). These twin tax provisions seek to raise investment on Indian lands and encourage federal taxpayers to hire and retain Indian employees. The incentives expired on December 31, 2005, and there is every reason to seek their reauthorization on a multi-year basis.

Tribal Trust Lands. One of the biggest obstacles to homeownership on Indian lands is that tribal lands are held by the U.S. in trust for the tribes and are not available for use as collateral or to securitize a home loan. Some tribes are developing creative solutions to this problem such as the use of leases with terms of 99-years or longer. Another option is the use of "assignment law" which authorizes tribes to assign the land to a potential homebuyer. Under this model, trust land is divided into parcels by the tribe and assigned to tribal members, thus putting the tribe in control of the land title process.

Section 184 is Expanding - On Fee Lands. HUD's section 184 program is a success in Indian communities but unfortunately more of its loans are being made for homes on fee simple land outside the traditional reservation boundaries. This expansion is a good thing but is being encouraged, at least in part, by the difficulties and roadblocks experienced by private lenders and HUD in getting the timely delivery of necessary Title Status Reports ("TSRs") from the BIA. While a Memorandum of Understanding (MOU) was signed by the Bureau of Indian Affairs (BIA) jointly with HUD and USDA approximately 18 months ago, there has not been a measurable improvement in the BIA's performance.

Title Status Reports. The ongoing difficulty tribal member applicants, private lenders and tribes face in obtaining Title Status Reports ("TSRs") from the BIA for purposes of home financing is something the Subcommittee has been focused on for some time. Underscoring this point, the NAIHC recently conducted a survey of private lending institutions and determined that some lenders are forced to wait a year or more for a TSR to be processed by the BIA. Fundamentally, then, part of the homeownership challenge is in finding ways to expedite the processing of TSRs. It is clear that the BIA cannot - on a consistent basis and across the 13 BIA regions --- provide the kind of timely and effective responses to requests for TSRs that are vitally important to home financing and therefore to Native homeownership. This problem is structural and stymies the delivery of mortgage loan products to Indian lands, preventing homeownership from taking place where it is needed most.

Lenders Have Other Opportunities. I do not have to tell the Subcommittee that this kind of non-feasance by the BIA will not be tolerated by private lenders

who, frankly, can and do walk away from lending opportunities on Indian lands. In fact, we have just heard that a major national lender and another bank have both discontinued their 184 lending programs. Indian people should not have to tolerate it either and the NAIHC applauds the Subcommittee for its multi-year focus on the TSR problem. We are also heartened to know that Congressman Renzi and others are developing proposals to remedy the TSR problem in ways that tribes and their housing entities will undoubtedly support. For instance, if Congress were to authorize and encourage Indian tribes to contract to take over the TSR function from the BIA, I believe many tribes would take advantage of the opportunity.

As the Subcommittee knows, since the *Indian Self Determination and Education Assistance Act* was enacted in 1975, Indian tribes have contracted or compacted roughly one-half of programs and services of both the BIA and the Indian Health Service ("I.H.S"). To-date the Confederated Tribes of the Salish & Kootenai Tribes (Montana), the Confederated Tribes of the Colville Reservation (Washington State) and Saginaw Chippewa Tribe (Wisconsin) have taken over these TSR functions from the BIA. See 25 U.S.C. 450 *et seq.*

Another option was put forth by one of the private banks serving Indian communities: it suggested the BIA return to its previous practice of offering "informational TSRs" which, while not certified, would allow lenders to move ahead with processing the mortgage without undue delay. This procedure has been adopted and is now accepted for loans made under section 184

Housing Insurance. Another challenge facing many rural tribal members living in Indian areas is the lack of adequate insurance that must be purchased in order to qualify for a home mortgage. For years, housing insurance in Native communities has been provided largely by AMERIND, a Federally-chartered, not-for-profit entity that provides residential and other forms of insurance only to tribal members and only in Indian country, as defined by 18 U.S.C. §1151. AMERIND is currently authorized to provide such insurance to tribal members on trust lands in Indian areas pursuant to the *Native American Housing Assistance and Self Determination Act*, 25 U.S.C. §4101, *et seq.* Increasingly, NAHASDA block grant funds and home loan guarantees made under Section 184 of the *Housing and Community Development Act of 1992* are being used to finance homes in Indian service areas but outside of Indian country. With few if any private insurance providers willing to insure Indian homes, and AMERIND blocked from doing so, hundreds of Indian families are being prevented from acquiring mortgage loans. This challenge is easily fixed and NAIHC pledges to work with this Subcommittee on creative ways to overcome the insurance problem.

Perhaps the greatest structural problem dampening the Native homeownership rate is the weak performance of most tribal economies. We all know --- and unfortunately have to struggle against --- the caricature of "rich gaming tribes" and the sad fact is that in 2006, poverty is still all too common in Indian country. Of the estimated 4 million American Indians, Alaska Natives, and Native Hawaiians in the U.S., the clear majority live in conditions that would repel most of their fellow Americans: dilapidated and crowded housing, poor sanitation, few educational opportunities, and health statistics that look more like sub-Saharan Africa than the most affluent nation on earth.

NAIHC PROMOTES NATIVE HOMEOWNERSHIP

We share the vision of you Mr. Chairman and Congressman Renzi of increasing levels of homeownership in Native America for a number of reasons. Owning one's own home is not only an end in itself, but a means to achieving so many other

dreams in our great nation. Home equity often provides the means for creative and hard-working entrepreneurs to start their own business. Home equity also enables countless millions of Americans to send their kids to college, get an education and good-paying jobs.

A major focus of NAIHC training and technical assistance is in helping tribes promote homeownership among their members --- especially those living on-reservation. The NAIHC's nationally-recognized homebuyer education program, called "Pathways Home," trains hundreds of tribal staff each year who, in turn, are equipped to counsel first-time homebuyers on the home-buying process in tribal communities. Since 1998, the NAIHC has also provided counseling and guidance on the often-complicated and sometimes intimidating home mortgage process.

More recently, the NAIHC has expanded its Homeownership training offerings to include a new course: "Planning for Homeownership Projects," which has been offered twice and there are plans to incorporate it as a part of our ongoing training curriculum.

Homeownership rates in Native communities are also hampered by generally poor economies and low savings rates among tribal members. The NAIHC has expanded its homebuyer training to assist tribal members form Individual Development Accounts ("IDAs") as one way to save their scarce dollars for the down-payment on a home or closing costs associated with home financing. This October, the NAIHC will hold its first full conference in Denver, CO on the mechanics of IDAs.

Also since 1998, the NAIHC has worked with private lending institutions to break down structural barriers to homeownership through our "Mortgage Partnership Committee." This committee has worked with the BIA to break down the barriers to effective and timely mortgage lending. The committee has also focused on anti-predatory lending, and training as well.

On this score and finally, Mr. Chairman, I am very happy to tell you that within the next month the NAIHC will launch an exciting new initiative --- a website designed for Native people seeking more information and technical guidance on the home-buying and homeownership process. The name of the website will be www.nativeamericanhomebuyer.com and I encourage you and the Subcommittee staff to visit the website and give us your feedback and guidance.

CONCLUSION

There are many ways the NAIHC, Congress, and the tribes can work together to dramatically increase Native homeownership in the years to come. I have mentioned but a few initiatives - some structural, some related to funding --- that can be undertaken to achieve this goal.

I want to assure the Subcommittee and you Mr. Chairman that the NAIHC remains dedicated to making homeownership the rule and not the exception in Native communities and pledge our commitment to work with you to help Native people realize the American Dream.

I thank you for the opportunity to be with you today and would be happy to answer any questions you might have.