

Testimony of Pattye Green
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Thank you, Chairman Ney, Congressman Renzi, and Members of the Committee.

I am Pattye Green, the Senior Business Manager for Rural/Native American Initiatives with Fannie Mae. I work across Fannie Mae's business lines to develop market strategies that enable us to make investments having a positive impact on the affordable housing market throughout Indian Country. I have over 28 years of mortgage lending experience. Prior to joining Fannie Mae, I was the director of the Home Finance Department for the Housing Authority of the Choctaw Nation of Oklahoma, and I am a Choctaw Tribal Member.

Thank you for inviting me to testify again on the state of affordable housing on tribal lands. I would like to commend you, the Members of the Committee, for your leadership on this issue. Your concern and attention has been and will continue to be critical to the success of efforts to expand homeownership opportunities in the Native American community.

Fannie Mae's Congressionally-granted mission is to expand homeownership, with a special focus on helping underserved Americans. Finding ways to create affordable housing opportunities for Native American families living on tribal lands is one of the toughest challenges we face.

Barriers to Homeownership

We all know too well the statistics regarding Native American housing. The homeownership rate on reservations is 41 percent, well below the national average of 68 percent. Native Americans have chronic housing problems -- overcrowding, substandard conditions, inadequate infrastructure and a lack of affordable financing. According to the National American Indian Housing Council, nearly 33 percent of homes on tribal lands—more than six times the national average—are overcrowded, less than half of the homes in Indian Country are connected to public sewer systems, and 16 percent of these homes lack complete indoor plumbing. Almost half of Indian households pay more than 30 percent of their income for housing expenses, compared to 23 percent of all households in the U.S.

As you well know, the absence of many conventional mortgage lending options is a major factor behind these problems. Many American Indians live on restricted land that is owned by the federal government and held in trust for their tribe. Historically, tribes did not have adequate foreclosure laws in place. Consequently, primary lenders did not offer conventional mortgages on trust land because they could not sell the loans in the secondary market.

As a result, American Indians interested in purchasing homes on tribal land had few alternatives. They could borrow through federal mortgage programs that made only a limited number of loans per year, or they could turn to high-cost or predatory lenders.

And the greatest barrier to capital access in Indian Country is the lack of economic opportunity. Poverty rates are 26 percent for Native Americans, over double the national average of 12 percent. Here in Navajo country, 43 percent of the people live below the poverty level; the per capita income is \$7,300 and the unemployment rate reaches almost 25 percent.¹

However, thanks to the work of several dedicated housing partners, American Indians on trust lands are now entering a new era in which they can obtain traditional mortgages to build or purchase their own homes.

Overcoming Barriers

I would like to share with you some of the barriers Fannie Mae has experienced while working on tribal housing issues, as well as what we are doing to try and meet these challenges.

In light of these severe socio-economic conditions, Fannie Mae is taking a three pronged approach to expanding affordable housing on Tribal Lands:

First, we are developing the right mortgage products that make it easier for our lender partners to do business on tribal lands;

Second, we are working with developers and tribal housing authorities to address the critical shortage of affordable housing units that currently exists; and

Finally, we are developing broad partnerships throughout the housing finance and tribal communities to focus on the long-term systemic barriers to housing and community development that exist in Indian Country today.

1. New Mortgage Products

Fannie Mae is working with lenders to tailor lending products to meet the needs of tribal members. In 1999 we launched our Native American Conventional Lending Initiative (NACLI), designed to make conventional lending possible for Native Americans on tribal trust or otherwise restricted lands. Through this initiative, the full range of our low down payment mortgage product options, as well as specific accommodations responsive to the unique circumstances of Native American borrowers are available to lenders working on tribal lands.

¹ According to 2000 Census of Population and Housing.

Fannie Mae has also customized its suite of Community Lending mortgage products to respond to the unique needs of Native American communities. Our Community Lending products help borrowers overcome the two primary barriers to homeownership — lack of down payment funds and qualifying income -- through lower cash requirements for down payment and closing, reduced qualifying income requirements, and higher acceptable debt-to-income and loan-to-value ratios than required for traditional conventional mortgages. We have worked with tribes to add unique features to this product line, including tribally-provided homebuyer education, down payment assistance programs and intervention programs for borrowers who get into difficulty.

We currently have relationships with 112 lenders to make loans to Native Americans on tribal lands. Some of our major partners include Countrywide Home Loans, First Mortgage Company, and Washington Mutual.

Additionally, Fannie Mae uses automated underwriting to bring our most flexible underwriting options to Indian Country. The Chickasaw Nation and Choctaw Nation of Oklahoma and the Aleutian Housing Authority in Alaska have developed the capacity, using our Desktop Originator technology, to act as a loan origination source, expanding availability of low down payment loans to tribal members. Since 2001, Fannie Mae has helped our lender partners serve over 8,535 Native American families by providing more than \$839 million in affordable mortgage financing on Tribal Lands.

2. Expanding the Supply of Affordable Housing:

The Navajo Housing Authority (NHA) estimates that it needs 21,000 new housing units to satisfy the unmet needs of all Navajo families – including 12,000 new homes for purchase. As is the case with many of our larger Native American Reservations, many of the Navajo families live with extended families in overcrowded conditions, and a majority of families are unable to qualify for mortgage loans due to lack of credit, credit problems, or lack of savings to make down payments. Consequently, our focus needs to not only be on providing opportunities for affordable homeownership, but also on creating more opportunities for affordable rental housing.

Fannie Mae has worked closely with tribes and other housing partners to support both the construction of new units and rehabilitation of existing units through investments in low-income housing tax credit investments (LIHTC), collateralized revenue bonds, and HUD guaranteed Native American Housing Assistance and Self Determination Act (NAHASDA) Title VI loans. We have also begun to provide Tribal Housing Authorities with additional financing via our Community Lending business channel to help bridge funding gaps during the construction phase of their developments.

Today I would like to tell you about what Fannie Mae has done to put even more Indian Families into their own homes since I last testified before your Subcommittee in Tuba City. Because of the Mashantucket Pequot Land Assignment Law, we can now more effectively address the legal issues surrounding tribal sovereignty and tribal court

jurisdictions. Under the law the BIA can now approve an entire Assignment Area on Indian Reservations for home development. Working with developers and our lender partners, we can now produce affordable housing without the need for BIA approval of every mortgage.

Our work with the Mashantucket Pequot Tribe in Connecticut has produced a model for other tribes. An Assignment of tribal land give the tribal member the right to use, occupy, develop and exercise control over a parcel of land in perpetuity - unlike a land lease, which carries a 50-year maximum term. This Assignment can be mortgaged, and, again does not require BIA approval once an entire Assignment Area has been approved. This has resulted in 100 new homes in a subdivision the Tribe has recently completed.

Another excellent example of how the private sector can work with tribal governments to increase the supply of affordable housing can be found on the Standing Rock Reservation in North and South Dakota. Working together with Fannie Mae and Raymond James, the Standing Rock Housing Authority has effectively used tribal housing funds and the Low Income Housing Tax Credit program to build and rehabilitate 248 units of affordable rental housing in the past 5 years.

Nationwide, Fannie Mae has invested over \$160 million in Low Income Housing Tax Credits, over \$51 million in HUD Title VI loans, and \$1.5 million in additional financing to support the construction and rehabilitation of units on Tribal Lands since 2001.

3. Legal and Regulatory Barriers

One of the single greatest obstacles to creating more affordable housing opportunities in Indian Country is the lack of a well developed formal property law and recordation system.

Legal issues such as tribal sovereignty and tribal court jurisdiction must be addressed before we will see increases in the flow of capital to tribal lands. This is not easy, since each tribe is sovereign and acts independently. Many lenders have concerns about the enforceability of contractual obligations and of the legal remedies available, and so find it difficult to provide capital in the face of such legal uncertainty.

Even for the willing lenders, the legal environment creates many additional hurdles. For example, there is a very limited market from which lenders can assess property values, and the restrictions against alienation further diminish market values. In addition, as you know, the making of a home loan on tribal land generally requires the tribe to be a party to the transaction and contracts related to the property that require the tribe to be a party are not enforceable unless the Federal Bureau of Indian Affairs (BIA) approves the contract. The BIA, as administrator of trust lands, also has to provide title status reports on land covered under any mortgage.

Fannie Mae has worked with HUD, USDA and Treasury to support tribes in creating standardized documents and model legal documents. Fannie Mae no longer requires tribes to make limited waivers of their sovereign immunity for mortgage lending transactions, and we also consent to tribal court jurisdiction. Additionally, we have approved the use of cost-based valuations for homes on tribal trust lands to help our lenders better determine market values.

Today in Albuquerque, New Mexico, we are meeting with tribal leaders, representatives from HUD, the Bureau of Indian Affairs, the National Congress of American Indians, the National American Indian Housing Council and other leaders from the non-profit, insurance and lender communities to begin developing a strategy to help more Native American Tribes address the regulatory barriers that frustrate title search and land recordation process for Tribal Lands.

Some tribes are already working to address this situation – with progress being made by the Saginaw Chippewa and Salish Kootenai Tribes in Michigan and Montana. Helping other tribes learn from these efforts will be a Fannie Mae priority in the years ahead.

Fannie Mae's Long Term Commitment to Native American Borrowers and Communities

Lastly, Mr. Chairman, I would like to mention our own efforts to institutionalize our commitment to Native American housing issues. In January of this year, Fannie Mae created a new business unit that focuses on addressing the toughest housing challenges in our distressed urban areas, rural communities, AND Tribal Lands. We are developing targeted, place-based strategies to create long-term solutions and to play a meaningful role in transforming these distressed areas into healthy and vibrant markets, where access to private capital is indistinguishable from other more established areas of the United States.

One of the best examples of this type of place-based strategy has been on the Blackfeet Reservation in Montana, where Fannie Mae's partnership with Tribal Housing leaders seeks not only to make additional housing investments in the short term, but also to develop long term, institutionalized affordable housing solutions.

One of the goals of our partnership with the Blackfeet has been to help their Tribal Housing Authority maximize the leveraging capacity of their existing allocation of federal housing funds. In 2001, for instance, the Blackfeet spent over \$25,000 per unit of their tribal housing funds to construct their first Low Income Housing Tax Credit project. Last year, by leveraging additional financing from USDA, the Federal Home Loan Bank and Fannie Mae, they spent less than \$5,000 per unit of their tribal housing funds on LIHTC projects. With the funding saved from leveraging outside resources, the tribe was able to use their remaining tribal housing funds to construct a Seniors Center for Tribal Elders and address other unmet housing and community development needs.

We believe we can learn from our experiences with tribes such as the Blackfeet to help create similar affordable housing solutions with other tribes throughout the country.

I want to thank Chairman Ney and Congressman Renzi, and the Members of the Committee for their leadership and their commitment to expanding homeownership opportunities for Native Americans. You have been champions of developing housing in Indian country and supporting tribal members' efforts to revitalize their communities. We look forward to working with the Committee to continue making progress.

Thank you and I would be happy to answer any questions.