



Prepared Statement of Sami Jo Difuntorum
Chairwoman, National American Indian Housing Council
To the United States Senate Committee on Indian Affairs
Oversight Hearing
“Loan Leveraging in Indian Country”

February 4, 2015

Good afternoon. On behalf of the National American Indian Housing Council (“NAIHC”), I would first like to congratulate you Senator Barrasso on becoming Chairman of this Committee, and to thank you Senator Tester for your hard work and distinguished service as immediate past Chairman. The issues that Indian Country care most about continue to rest in good hands with you and the other distinguished men and women on the Committee.

My name is Sami Jo Difuntorum, and I am an enrolled member of the Kwekake Band of Shasta Indians which is located in northern California. I am the Executive Director of the Siletz Tribal Housing Department in Oregon, and I appear before you today in my capacity as Chairwoman of the NAIHC. As many of you know, the NAIHC is in its fifth decade assisting American Indian and Alaska Native communities in meeting the housing needs of their members.

Thank you for the opportunity to appear before you today to testify about how tribal communities are using federal loan guarantees to leverage scarce federal funds to build housing and related infrastructure for their members.

An Economic Profile of Indian Country

There are 566 federally-recognized Indian tribes in the United States. Tribal communities suffer the highest unemployment and poverty rates, the worst health, poor education options, and the most substandard housing in the country.

While Indian Country has made real strides in economic growth and development in the last thirty years, the sad truth is that in 2015, poverty in America continues to have an Indian face.

Some tribes lucky enough to be located near metropolitan areas with sizeable populations, have developed successful gaming operations. Nationally, these tribes generate some \$28 billion in revenues and employ tens of thousands of people, Indian and non-Indian alike.

Other tribes are blessed with energy and natural resources, and have chosen to develop these resources for the benefit of their tribal members.

Far too many tribes, however, have economies and households that are dependent in large measure on federal programs and services provided by the Bureau of Indian Affairs, the Indian Health Service, the Department of Housing and Urban Development (“HUD”), and others.

Housing and Related Infrastructure and Community Development

In the mid-1990s, a broad consensus emerged in Congress and the executive branch that most programs and services provided by the federal government would be more efficiently administered and more effective in results, if they were consolidated and block-granted to states and Indian tribes.

In 1996, a Republican Congress passed and President Clinton signed, the Native American Housing Assistance and Self-Determination Act (“NAHASDA,” 25 U.S.C. 4101) to block-grant housing resources (and delegate related decision-making) to Indian tribes for their low-income members.

As an aside, authorization for the NAHASDA has expired and again this year bi-partisan legislation has been introduced to reauthorize and improve the statute. The bill, H.R.360, was introduced by Rep. Steve Pearce (R-NM) and has thirteen original co-sponsors, including six Republicans and seven Democrats. The NAIHC fully supports this bill and is hopeful Congress will pass and send this important legislation to the President early this year.

In the years since the NAHASDA was enacted, there is no question that more housing stock is being built and more housing units are being redeveloped and renovated using NAHASDA’s Indian Housing Block Grant (“IHBG”) funds than under the previous regime.

Since fiscal year 1998, appropriated funding under NAHASDA has averaged \$650 million. NAIHC members and most outside observers agree that this figure is woefully inadequate to address the housing needs of low-income Indian people. These appropriated funds are complemented by important guaranteed loan programs: 1) the Section 184 Loan Guarantee Program, and 2) the Title VI Tribal Housing Activities Loan Guarantee Program.

The Section 184 Loan Guarantee Program

The Section 184 Loan Guarantee Program (“184 Program”) was designed to provide American Indians and Alaska Natives access to mortgage financing to purchase single-family homes as primary residences. Historically, such financing has proved difficult to obtain for several reasons: trust lands may not be used as loan collateral, a lack of employment and, generally, tribal weak economies.

By providing a 100% federal guarantee to repay the unpaid principal and accrued interest on mortgage loans to tribal members, the 184 Program encourages bank participation and helps

boost homeownership in tribal communities. A down payment of 2.25% is required on loans over \$50,000, with a 1.2% down payment on loans under \$50,000.

Loans guaranteed under the 184 Program can be used to:

1. Buy an existing home;
2. Build a new home;
3. Rehabilitate a home;
4. Purchase and rehabilitate a home; or
5. Re-finance a home.

Participation in the 184 Program depends on being demonstrably enrolled in a federally-recognized tribe, and HUD has developed a network of national and local banks that take part in the Program. According to HUD, as of September 2014, there were 25,748 loans guaranteed by the Program, totaling \$4.2 billion.¹ See Attachment A – “Loans Guaranteed with Section 184.”

In addition, the 184 Program can be used in forty states, with eligibility in thirteen of those states limited to selected counties: Alabama, Arkansas, Connecticut, Iowa, Illinois, Louisiana, Missouri, Mississippi, Nebraska, New York, Rhode Island, Texas and Wyoming.² See Attachment B – “Section 184 Eligible Areas by State.”

The Title VI Tribal Housing Activities Loan Guarantee Program

Another tool in the tribal toolbox is the Title VI Tribal Housing Activities Loan Guarantee Program (the “Title VI Program”), which is designed to assist IHBG recipients in financing their affordable housing projects. Individual tribal members are not eligible for Title VI loan guarantees.

Backed by a federal guarantee, the Title VI Program is used by many tribes to leverage their IHBG by pledging future grant funds as security for repayment of the loan.

Much like the 184 Program, the Title VI Program is a tri-partite arrangement involving an Indian tribe, a private bank, and the federal government. Under this Program, the tribe is required to repay the loan, but if it defaults on the repayment agreement, HUD will repay the lender and seek reimbursement from the tribe in the form of future IHBG funds.

To be eligible for the Title VI Program, would-be borrowers must be a federally-recognized Indian tribe that receives IHBG funds, or a tribally-designated housing entity (TDHE) duly authorized by a federally-recognized tribe to commit to financial obligations and to pledge IHBG funds to secure those obligations.

¹ U.S. Department of Housing and Urban Development. (2014). *Loans Guaranteed With Section 184* [Data Map]. Retrieved from http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8761.pdf

² U.S. Department of Housing and Urban Development. (2012). *Section 184 Eligible Areas By State* [Data Map]. Retrieved from http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8762.pdf

Title VI loans may be used to further a recipient's "affordable housing activities," which is a term defined in NAHASDA at 25 U.S.C. 4132 as:

1. Indian housing assistance;
2. Housing development;
3. Housing services;
4. Housing management services;
5. Crime prevention and safety activities; and
6. Model activities subject to HUD's approval.

HUD receives an annual appropriation to cover the cost of the Title VI Program. In recent years, Congress has appropriated \$2 million per year to cover these costs. The appropriators also place a maximum dollar limit on the loans HUD can guarantee. In fiscal year 2013, for example, HUD was authorized to guarantee up to \$18 million in Title VI loans.

As of June 2013, HUD had guaranteed seventy-four loans totaling \$190 million since the Program was begun. The leveraging made possible with a Title VI loan means IHBG recipients may borrow up to five times the need portion of their block grant allocation. It is especially helpful to small tribes that receive modest IHBG allocations.

In order to demonstrate the real-world value of these two loan guarantee programs, I offer the following examples involving the Confederated Tribes of Siletz Indians in Oregon, the Lummi Nation in Washington State, and the Susanville Indian Rancheria in California.

The first example involves the **Confederated Tribes of Siletz Indians ("CTSI") in Oregon**.

The CTSI is a federally-recognized tribe located in coastal Oregon. The tribal membership is 4,984 members, yet they have only 214 units of affordable housing for low-income tribal members. Their waiting list for low-income housing includes over 200 eligible households.

The CTSI receives an annual IHBG allocation of approximately \$3.8 million. During the Tribe's annual planning meeting, the CTSI Tribal Council identified the need to develop more homeownership programs and opportunities for low-income members. As a result, the CTSI applied for a Title VI loan guarantee to build Phase 2 of the subdivision known as Tillamook. The amount provided through the IHBG is not sufficient to both provide diverse housing services and construct new homes.

The CTSI borrowed \$1.4 million to complete on-site infrastructure that will accommodate twenty-one single family homes, construct five energy efficient units for first-time homebuyers, and build a connecting road within the subdivision. As more families qualify, the only funds that will be needed are for actual home construction because they now have the master plan in place, with roads and infrastructure complete.

The HUD budget allocates \$200,000 IHBG funds annually for on-reservation new construction, and ordinarily they would have been obliged to save IHBG funds for seven years to complete this work.

But the Tribe did not have to do this, because the Title VI Program's guarantee enabled the CSTI to borrow and repay the loan with IHBG funds over an eleven year period.

The timeline for this was also short: the CTSI submitted a loan application in July 2013 and Phase 2 homes were built and occupied by September 2014.



Tillamook Subdivision – Confederated Tribes of Siletz Indians (Oregon)

The second example involves the **Lummi Nation of Washington State**.

At Lummi, there are some 4,200 enrolled members, with 2,400 enrolled members living on the reservation. To address the housing need, the Lummi Nation adopted a 10-Year Housing Plan that proposes to build 442 dwelling units (330 single-family homes and 112 apartments). The projected cost for this plan is \$79 million --- an average of \$8 million per year. The Lummi Nation Housing Authority (“LNHA”) receives an annual IHBG allocation of \$2.8 million.

To fill the \$5.2 million gap in funding, the LNHA uses IHBG funds to leverage additional funds using the Title VI Program. The following are samples of the resources leveraged with IHBG funds:

- **HUD’s Indian Community Development Block Grant (“ICDBG”) Program** – LNHA has successfully competed for ICDBG grants for six consecutive years for a total of \$3 million, used to build housing-related physical infrastructure.
- **Department of Labor’s Youthbuild Program** – The Youthbuild Program has been used to assist in providing facilities for LNHA’s housing projects and to train tribal youth. LNHA has successfully competed for three Youthbuild grants totaling \$2.2 million, which has been used on its development projects.

- **Northwest Indian College** – The Northwest Indian College donated land valued at \$1.2 million for the Kwina Village project.
- **HUD’s Title VI Loans** – The LNHA is in the final stages of closing a \$7.0 million Title VI loan. \$5.8 million will be used on the Turkey Shoot project, and the balance of \$1.2 million for LNHA’s administrative building.
- **Lummi Nation Business Council** – The Lummi Nation is contributing \$500,000 to assist the LNHA with the Title VI debt service.

Over the next two years, the LNHA will be constructing basic infrastructure, new apartments, tri- and four-plexes, single-family homes, and a variety of community and recreational support facilities aimed at addressing critical tribal needs in the areas of rental and transformational housing, and low-income homeownership.

Currently, the LNHA is finishing construction of a 52-unit addition to Kwina Village (124 total units) and a 1,200 square foot centralized laundry facility to serve the entire Kwina Village neighborhood. It is centrally located near the Lummi Nation’s administration center, Tribal court, health clinic, police, and Northwest Indian College. Small one- and two-bedroom apartment units fill the need for housing young families attending the college. Over 75% of the initial \$10 million project was funded with leveraged sources from HUD, Northwest Indian College, Department of Labor, and the American Recovery and Reinvestment Act.



Kwina Village Development – Lummi Nation (Washington State)

The Lummi Nation also recently completed the first sixteen single-family homeownership units constructed on the 150-lot Mackenzie Master Plan for low-income tribal members who qualify for the 184 Program. Thirty lots that are fully-buildable with full street improvements, sidewalks, utilities, lighting, storm systems, and fire protection, were constructed in the past few years with ICDBG and IHBG funds.

LNHA was just recently awarded its sixth competitive ICDBG grant by HUD to construct eighteen additional lots in the Mackenzie Neighborhood in accordance with the Mackenzie Master Plan.

The Turkey Shoot development will be a 55-unit mixed-income development with single and two-story tri-plexes, four-plexes, and single-family homes within an integrated neighborhood

supported by community and recreational amenities. Families undergoing transitional changes will be provided with housing units specially designed to accommodate their unique needs, as well as promote neighbor and neighborhood-building activities.

Lummi is also providing housing units and “wrap-around” services to families in transition. There will be a resident’s center that will include office, clinic, and meeting space for tribal service providers that support transitional families with case management and other services. By having the service providers housed in the neighborhood, there will be ease of access to services and consistent support for the families which the tribe believes will ensure that no one falls through the cracks.

The nearly complete infrastructure of roadways and utilities was funded by the 2013 ICDBG grant award, IHBG funding, and LNHA proceeds of sale. Construction of the buildings will be accomplished utilizing *(for the first time)* a Title VI low-interest development loan in the amount of \$5.8 million, and single-family homes will be constructed by tribal families who qualify for 184 Program loans.

In addition to the residential structures, resident’s center, and recreational amenities at Turkey Shoot, the LNHA will use a Title VI loan to finance a new office building at Kwina Village in the amount of \$1.2 million.



Kwina Village – Building foundations – Lummi Nation (Washington State)



Kwina Village - One of the 9 apartment buildings nears completion.



Mackenzie Homes - Infrastructure was provided by ICDBG and 16 new homes were constructed by individual tribal members using the 184 Program.

The third example involves the **Susanville Indian Rancheria (“SIR”) of California.**

The SIR is a small tribe located in Susanville, Lassen County, California, which is on the north eastern border of California, 80 miles from Reno, Nevada. The SIR is comprised of 1,091 members, 378 of whom live in Lassen County, and the majority of those living on the Rancheria itself.

The SIR consists of four northern California tribes: the Maidu Tribe, the Paiute Tribe, the Washoe Tribe, and the Pit River Tribe.

The SIR has designated the Susanville Indian Rancheria Housing Authority (“SIRHA”) as its Tribally Designated Housing Entity, which constructs new units and maintains current assisted stock units using primarily IHBG and ICDBG funds.

The SIRHA waiting list has 15 to 30 households of low-income status; tribal members who need affordable housing. The list would likely be longer if they had more housing stock available.

The SIRHA is currently implementing a pilot project using the 184 Program to finance unit construction. This will assist a tribal member who wishes to purchase a home on the Rancheria but does not qualify for assistance due to income limitations of the IHBG Program.

The loan will cover the full construction cost of the unit and the tribal member will assume the loan once construction is complete.

The governing body of the SIR sees this as a benefit due to the difficulties that arise when a tribal member wishes to live on the Rancheria but does not meet the income limitation of NAHASDA. The SIRHA has no product to offer many working families aside from a 184 Program.

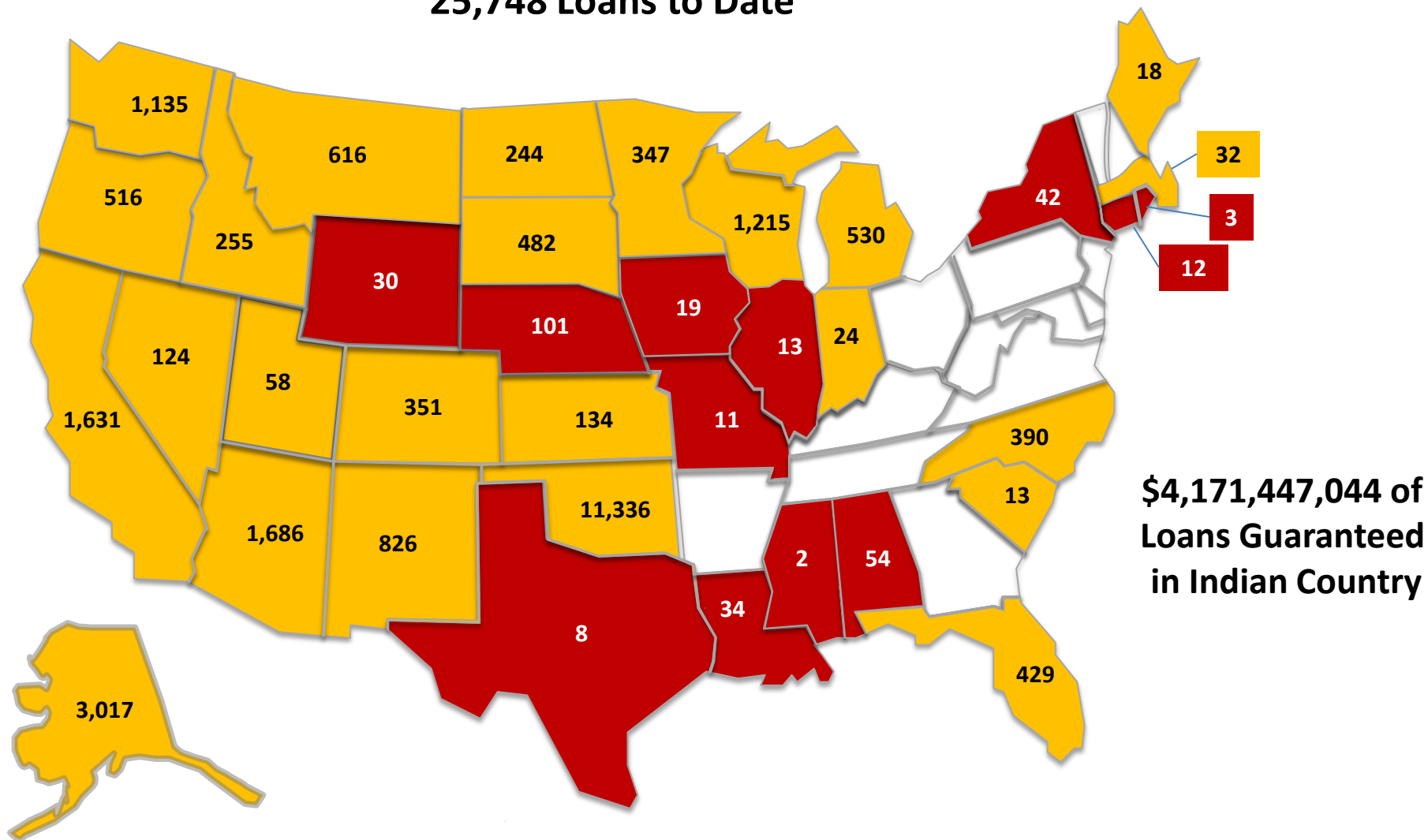
As a result, for the SIRHA, leveraging non-program funds is the only way to make this project possible and allow for the tribal member to purchase a home on the Rancheria. The SIRHA sees this as a critical first step in opening the door to other members in similar circumstances.



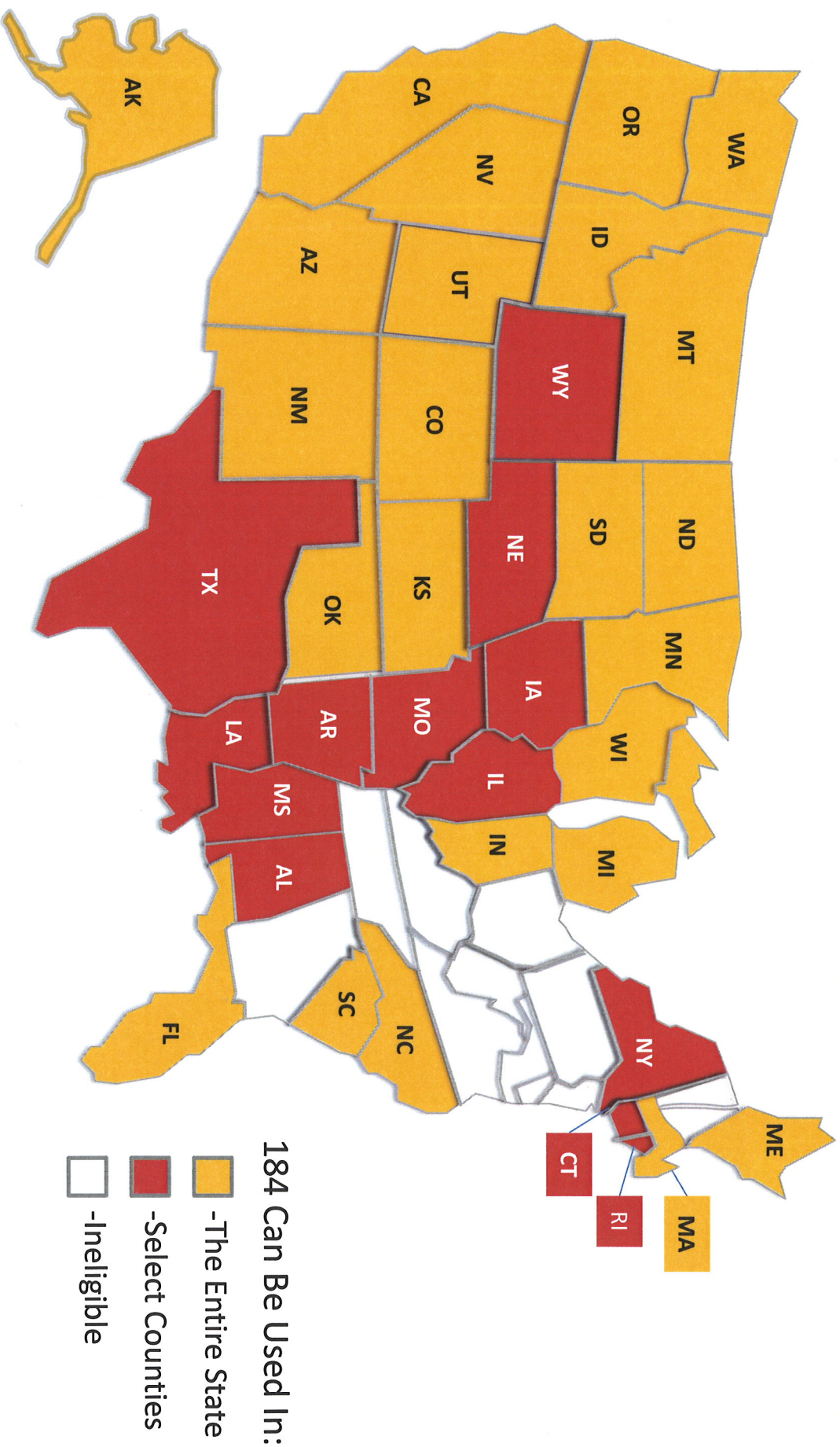
Susanville Indian Rancheria (California)

Loans Guaranteed with Section 184

25,748 Loans to Date



Section 184 Eligible Areas by State



For Hawaii, see the Native Hawaiian Loan Guarantee, Section 184a