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**Hearing before the United States Senate Committee on Indian Affairs
Wednesday, October 16, 2019**

Introduction

Thank you Chairman Hoeven, Vice Chairman Udall, and Members of the Committee for this opportunity to discuss lending and homeownership in Indian Country and the important programs that we administer at the U.S. Department of Housing and Urban Development (HUD) to further these important goals. I would also like to acknowledge and thank the Committee's staff, not only for coordinating this hearing, but for their ongoing engagement with HUD staff on issues that impact Native American communities across our Nation.

As the Assistant Secretary for Public and Indian Housing, I have had the opportunity to work with and visit tribal communities and learn firsthand about the housing issues and challenges that Tribes face. It has also given me the opportunity to hear directly from tribal leaders on what we need to do to strengthen and improve HUD's programs. Far too many Native American communities struggle with severely overcrowded housing, lack of affordable housing, and infrastructure challenges – all of which result in significant barriers to economic opportunity. HUD staff work tirelessly alongside our tribal partners to find solutions to these difficult problems.

Section 184 Indian Home Loan Guarantee

Like so many others, many Native Americans would like to own their own homes. However, various barriers make lending in Indian Country difficult. In addition to factors common to underserved markets and rural areas, the land may be held in trust by the Federal Government, and cannot be sold or readily mortgaged.

One of the primary tools available to address these barriers is HUD's Section 184 Indian Home Loan Guarantee (Section 184) program. The program was established in 1992 to encourage private lenders to make home loans to Native Americans in eligible Indian areas. HUD provides a 100-percent guarantee to lenders and makes lenders whole in the event of a borrower's default. The guarantee encourages lenders to serve a population that has traditionally been viewed as high risk and areas, such as Indian reservations, that have had difficulty attracting private capital because of their remoteness and the status of the land. Ultimately, the

Section 184 program helps Tribes promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members.

Eligibility

The Section 184 program provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The program does not have minimum requirements for credit scores and allows for alternative forms of credit and non-traditional income to meet the unique needs of tribal communities. The program gives tribal members from across the income spectrum the choice of living in their Native community by providing access to mortgage capital. In addition to individual tribal members, Tribes and tribally designated housing entities (TDHEs) are eligible borrowers. This benefit of the program makes it possible for Tribes and TDHEs to address housing shortages by developing and financing rental housing or by promoting homeownership opportunities for tribal members through lease purchase programs.

According to HUD's 2017 Native American housing needs study, since its inception, the program has served as a major source of mortgage financing for Native American families, both on and off reservations. The program has been proven to be very popular and has grown exponentially from guaranteeing less than 100 loans in 1994 to, at its peak, guaranteeing over 4,000 loans – worth over \$700 million – in 2017.

Regulations and Legislative Proposals

Although the volume of loans guaranteed has increased significantly, the regulatory framework that governs the program has remained largely unchanged. To address this issue, HUD has begun working to update the Section 184 regulations. In February 2018, HUD started engaging in tribal consultation to revise the program's regulations – even before any regulations were drafted. Since then, HUD has held 15 in-person and three teleconference consultation sessions with Indian tribes. A draft proposed rule has been developed and placed into clearance. Once the rulemaking process is complete, the updated regulations will improve and modernize the program, help borrowers stay in their homes, provide clarity to participating lenders, and ensure the program remains sustainable for the future.

In addition to this rulemaking, in recent years, HUD has also proposed various legislative fixes to the Section 184 program authorizing statute – the Housing and Community Development Act of 1992. For instance, we've proposed amending the Act to authorize HUD to require lenders that participate in the direct guarantee process to indemnify HUD for losses in cases involving fraud and misrepresentation. We've also proposed changes that would allow HUD to periodically review the rates of defaults and claims of these direct guarantee lenders to ensure that they do not pose an unacceptable risk to the program. All of these proposals were put forward to ensure that the program remains strong, sustainable, and continues to meet the needs of Native American borrowers well into the future.

Federal Partners

Mortgage lending on tribal trust land can be a time-consuming process that reduces the appeal of lending on tribal trust land, even with the Federal guarantee. This is in part because the process can involve obtaining leases, securing final certified title status reports from the Bureau of Indian Affairs (BIA), completing National Environmental Policy Act (NEPA) reviews, securing appraisals, and other required transactions.

To help address these barriers, HUD has been working with our Federal partners to reduce the administrative barriers. We routinely collaborate with the Department of the Interior to share information, improve communication, and break down silos.

For example, HUD partnered with the BIA to host a training session for lenders and BIA staff on mortgaging tribal trust land. The session was oversubscribed and provided an opportunity for lenders, HUD, and BIA staff to better understand one another's processes. Additionally, in July 2019, the Department of the Interior published their *Indian Affairs Mortgage Handbook*, which outlines the mortgaging lending process when dealing with properties on trust land. The *Handbook* provides important guidance to BIA staff for processing leasehold and trust land mortgages on trust or restricted land; and specifically, how to review and analyze a mortgage loan request from a lender using a minimum, streamlined, and standardized process.

Following our training session and publication of the *Indian Affairs Mortgage Handbook*, BIA processing times improved. For example, BIA offices in several areas of the country improved their performance in the issuance of final certified title status reports. Progress has been made, and HUD and BIA will continue efforts to improve and streamline the loan process on tribal lands.

Title VI

HUD's Title VI Loan Guarantee program is another critical resource for tribal communities. This loan guarantee program allows a Tribe to pledge a share of its annual Indian Housing Block Grant (IHBG) allocation as collateral to attract private capital and other funding resources to carry out affordable housing and community development projects. By leveraging multiple sources of funding, Tribes can significantly increase their purchasing power and develop large-scale housing projects.

Some Tribes have used both of HUD's tribal loan programs to help finance housing developments. For example, a Tribe can take out a Title VI loan to develop affordable housing and on-site infrastructure. Then, the Tribe can use the revenue generated from selling the home to a tribal member – using a Section 184 loan – to repay the Title VI loan. This allows the Tribe to start the process over again and continue to increase its housing stock.

For example, in New Mexico, the San Felipe Pueblo Housing Authority successfully used financing under the Title VI and the Section 184 programs to leverage many other sources of private and public funding to build a 150-unit subdivision for tribal members. Not only did the

housing authority create much needed new housing, but in the process, it also exponentially increased the size of its force account crew and is now one of the largest employers on the reservation. Similarly, in Alaska, the Cook Inlet Housing Authority was able to use this framework to add 79 new housing units to its portfolio over the past six years – including 13 units for low- to moderate-income residents.

Indian Housing Block Grant

Of course, the Indian Housing Block Grant program is also a critical resource for low-income Native American families looking to become homeowners.

IHBG is the single largest source of housing assistance to Native Americans and can help Tribes support homeownership in creative ways. For example, Tribes can use their annual block grants to provide acquisition and down payment assistance to first-time homebuyers. Funds can also be used to fund housing related services like housing counseling, homebuyer education, and financial literacy. Additionally, these funds can be leveraged with other funding sources, like Low-Income Housing Tax Credits, to develop rental housing for low-income Native American families and alleviate overcrowding.

Earlier this month, I had the pleasure of visiting the Pueblo of Isleta to see firsthand all the great work the Isleta Pueblo Housing Authority is doing under our programs. They are using these critical IHBG dollars to construct new homes in culturally appropriate ways that meet the unique needs of their community. For instance, they have built a customized 5-bedroom home that can appropriately house extended family members, are renovating homes for elders in the historic central village using traditional adobe construction, and have even used locally-sourced lava rock bricks to construct modern homes in their efforts to address the shortage of housing.

As you can see, the flexibility of the IHBG program has proven to be a significant tool in addressing the shortage of housing, helped alleviate overcrowding, and furthered homeownership and self-sufficiency in Indian Country.

Best Practices and Technical Assistance

Finally, HUD recognizes the importance of assisting Tribes and TDHEs with increasing their capacity and technical expertise. This past year, HUD hosted national best practice webinars highlighting tribal projects that have leveraged IHBG funds with both Section 184 and Title VI loans. The best practices include case studies that explore housing development projects and financing methods in more detail. These well-attended webinars generated additional interest in creative ways to develop housing in Indian Country and fostered mentoring relationships between Tribes and TDHEs.

HUD is also committed to exploring ways to use our technical assistance funding to help Tribes and TDHEs enhance their development efforts and to better leverage the assistance they receive through the dissemination of successful tribal housing strategies.

Conclusion

In conclusion, HUD programs, such as Section 184, Title VI, and IHBG, are successful examples of Federal programs that work to bring the dream of homeownership to Native American communities. We are excited about all the amazing work that has been done so far by Tribes under these programs and look forward to continuing to find ways to make homeownership and access to capital a reality for Tribes and tribal members across the country.

Thank you again for this opportunity to appear before you today.