

ONE-STOP MORTGAGE CENTER INITIATIVE IN INDIAN COUNTRY-Appendix K

Bond Financing

A 250-unit single-family housing project is being developed by the White Mountain Apache Tribe as sponsor, and the White Mountain Apache Housing Authority as owner. For the first time, funding for a project in Indian Country will be a blend of tribally issued tax-exempt bonds, Section 184 guarantees, and grant funds from NAHASDA. When completed, the project will provide long-term rentals with the housing authority as lessor. The homes will be constructed on scattered sites and in clusters. Each family's financial ability to pay will be assessed and the amortized debt service will be attributable to their home. The tenants will have the opportunity to purchase the unit (after January 1, 2010). Phase One of the project, called "Apache Dawn" includes the construction of 52 units which are scheduled to be completed in the Fall of 2000. Bank One Mortgage Corporation is issuing mortgage-backed certificates of the Government National Mortgage Association (GNMA) in the amount of the Section 184 guarantee. Bank One has agreed to lend the authority money for each house – the loans are repaid by the rental payments but are guaranteed by ONAP. Countrywide will purchase the loans from Bank One and pool them into Ginnie Mae mortgagebacked securities. The Ginnie Mae certificates will be purchased by the Bond Trustee acting on behalf of the bondholders. Because the GNMA securities back the bonds, they will be rated triple-A by Moody's Investor Service. Prior to or up to the time of the maturation of the bonds, NAHASDA funds may be used to assist the individual homebuyers in transferring the debt of their respective homes to their own 184 loans, by either paying down the interest rate on the mortgage, or assisting in the buying down of the purchase price of the home. The trustee for the bonds is National Bank of Arizona. They were underwritten by US Bancorp Piper Jaffray in Minneapolis.

Low Income Housing Tax Credits (LIHTC)

The LIHTC was originally authorized as a rental program in the 1986 tax act and has been used by several tribes to provide rent-to-own opportunities to their members. Investors in tax credit projects receive a credit against Federal tax owed in return for providing funds to developers to help builder renovate housing for low income households. One of the pioneers in this effort has been the Salish and Kootenai Housing Authority in Pablo, Montana. It used the LIHTC to finance a 24-unit lease purchase development. Residents may purchase the units after 15 years. Other tribes utilizing the LIHTC for similar purposes include the White Mountain Apache Community Development Corporation in Arizona; the Red Lake Reservation Housing Authority in Minnesota; Southern Ute Tribe in Colorado; Oti Kjaga on the Cheyenne River Reservation in South

Dakota; the Pueblo of Santo Domingo Housing Authority in New Mexico; the Tsel Hahaa Resident Management Corporation on the Navajo Nation in Jedito, AZ; the Lakota Fund on the Pine Ridge Reservation in South Dakota; the Menominee Tribe in Wisconsin; and the White Earth Housing Authority in Minnesota. The Raymond James Tax Credit Funds, Inc. based in St. Petersburg, Florida has formed a \$25 million equity fund to invest in tax credit projects sponsored by Indian housing authorities and tribes. As of early February 2000, \$10 million had been committed for 11 projects. The Enterprise Social Investment Corporation (ESIC), a subsidiary of The Enterprise Foundation, also develops equity funds with financing from corporations that want to invest in affordable housing through tax credit projects in Indian Country.

Lending Leveraged with NAHASDA Funds

The passage of NAHASDA legislation in 1996 has spurred several tribes into creative partnerships with lenders.

Bay Mills Housing Authority

This tribe in Michigan has a tri-party agreement with Central Savings Bank through which the bank can offer HUD 184, Rural Development or conventional loans to members to the tribe. The tribe has hired a tribal member who is also a former banker to provide credit and homeownership counseling to prospective borrowers. NAHASDA funds are used to provide downpayment assistance of ten percent of the loan (but not to exceed \$8,000) to families with incomes at or below 80 percent of the area median. The tribe provides similar downpayment assistance to families with higher incomes. To date, 15 loans have been processed. A Bay Mills tribal member also recently obtained the first home loan/guarantee under the Rural Housing Native American Pilot program a joint effort of the Rural Housing Service of USDA and Fannie Mae.

Cook Inlet Housing Authority

Cook Inlet located in Alaska has successfully leveraged its HUD HOME and now NAHASDA funds to provide homes to 324 first-time homebuyers since 1993. With \$8.1 million dollars in government funds, the housing authority leveraged \$30.3 million. The housing authority provides a 20 percent buy-down and also makes a gift of two percent of the five-percent downpayment required by the Alaska Housing Finance Corporation for families with incomes at or below 80 percent of median income. Its rural home program targets borrowers at 50 percent of median or less. In this program, multiple subsidies, including Affordable Housing Program grants from the FHLBank of Seattle, are being creatively used to serve very low-income families. Cook Inlet reports that virtually all of the banks and mortgage companies in Alaska are participating in these programs.

Coeur d'Alene Tribe

Wells Fargo Mortgage also financed homes for this tribe located in western Idaho. Thirty homes are being developed in a subdivision on trust land. The tribe received the loan and will in turn lease the homes to the potential homeowners until the borrowers can afford to purchase them. The tribe expects to add additional units to this subdivision and to develop others. The Section 184 program will provide the guarantee on the homes.

Cortina Band of Wintun Indians

This band in California is using some of its NAHASDA funds to provide principal and interest on mortgages provided by California Federal Bank FSB. NAHASDA funds are also being used to cover down payments and closing costs.

Coquille Tribe

The first member of this tribe on the coast of Oregon just received a Section 184 loan through Wells Fargo Home Mortgage. In this case, the housing authority is the contractor.

Crow Creek Housing Authority

This housing authority utilized a BIA guarantee with an assignment of Tribal Infrastructure Trust Fund Income and a commitment of HUD block grant funds and homebuyer payments to successfully close a \$600,000 loan with Wells Fargo Bank, Chamberlain, SD for the development of eight homes on the Crow Creek Reservation in South Dakota. This is the first phase of a joint effort between the SD Housing Authority, Wells Fargo Bank, Indian Health Service, the Crow Creek Sioux Tribe, a BIA Loan Guarantee Program, the housing authority and the homebuyers. The IHS is supplying \$100,000 for infrastructure needs (water and sewer). Housing authority homebuyer classes are being provided to potential homeowners.

Grand Ronde Tribe

This tribe in Oregon utilized the Section 184 program to fund one of the first manufactured home subdivisions on trust land with the assistance of Wells Fargo Mortgage. The tribe provided the infrastructure for the subdivision. It also supports tribal members with downpayment assistance grants for first-generation homebuyers. Each loan was a construction loan.

Karuk Tribe

Wells Fargo Bank is also now offering Section 184 loans to members of this tribe on fee simple and trust land in Northern California. The Karuk Tribe will offer downpayment assistance to its members.

Menominee Tribe

This tribe, located in Wisconsin is using \$500,000 of its NAHASDA funds to guarantee home loans. In the event of a default, the Housing Department will step in and pay off the loan, acquire title to the home/property, rehabilitate it and then resell it to another tribal member. The participating local bank is Associated Bank of Green Bay. The housing department will prescreen the borrowers and provide homeownership counseling through a tribal loan coordinator. The Federal Home Loan Bank of Chicago is offering a grant of up to \$5,000 in downpayment assistance for enrolled Native Americans with incomes at or below 80 percent of the area median income. In conjunction with a Low-Income Housing Tax Credit development, the housing department established the Wolf River Development Company. This tribally-chartered business has been used to help facilitate the development of three housing projects by circumventing some sovereign immunity issues. Under the auspices of this development company, a WICK homes dealership (a component building system) was established on the reservation, which allows for a three percent discount for tribal members. The tribe has provided Wolf River Development Company with 16 lots to develop. The lease would be transferred following the sale of a WICK home to a tribal member.

Quinault Indian Housing Authority

This housing authority, located in the State of Washington, has been working to foster homeownership in a partnership with the BIA, Hoquim Agency and Anchor Savings and Loan since 1993. The bank loaned the tribe the money for construction, the housing authority constructed the homes and sold them to pre-qualified purchasers who received lender and BIA approval for a mortgage. These loans were early Section 184/248 loans. Other lenders participating with this housing authority are First Federal Savings and Loan of Port Angeles, Seafirst Bank (Bank of America) and Washington Mutual Savings Bank.

Lending Leveraged with Tribal Funds or Gaming Proceeds

Some tribes that have gained income from profitable gaming operations have partnered with lenders to provide homeownership opportunities.

Oneida Tribe

This tribe in Wisconsin uses its gaming revenues to subsidize bank loans. One of their programs, the TLC, provides borrowers with a 25 percent downpayment and the lenders finance the remaining portion. Lenders participating are Associated Bank of Green Bay, Bay Bank, Bank One and three local credit unions. Since 1995, 139 families have received TLC loans. The tribe is also utilizing proceeds from its gaming operation to buy fee simple land parcels on which existing houses sit and reselling them to tribal members for the price the tribe

paid minus the cost of the land (the Dream Program). The tribe in turn leases the land to the family for a dollar per year.

Saginaw Chippewa Tribe

The Saginaw Chippewa Tribal Council, of Michigan, recently approved a breakthrough resolution authorizing Tribal Member Per Capita gaming profit payments to secure mortgage loan payments. With this resolution, leasehold mortgage payments are secured by the Tribe through an Assignment of Per Capita Payments Agreement with a direct deposit of member per capita payments to a restricted savings account. Isabella Bank and Trust (the local bank helping pioneer this program) deducts the mortgage and escrowed homeowners' insurance payments from the account each month. Another unique element of this program is the priority and security position granted the lender for each mortgage utilizing the Assignment of Per Capita Payments Agreement. Each borrower applies for their mortgage through the Tribes Housing Office. Housing processes each applicant through a unique underwriting program stressing education, counseling, commitment, and other assistance as needed to make it all work. The process offers and requires leasehold verification, credit report cleanup, budget and credit counseling (as needed), a minimum five percent downpayment and one percent loan origination fee and makes available post-purchase homeownership education. With a fully staffed Loan and Credit Department, Licensed Realtors, all leasehold and title work, and full credit and budget counseling services, the Tribe's Housing Office offers its members complete homebuyer and home improvement financial services.

Seminole Tribe

This tribe located in Florida has begun a conventional loan program whereby the tribe guarantees the loan. In addition, the mortgages are structured so that if a tribal member is unable to keep up with his/her mortgage payment the mortgage can be assumed by another tribal member thereby keeping the house out of the courts altogether. The tribes' TDHE will provide homeownership counseling to the borrowers. Indiantown Bank is the participating local lender.

Title VI – Federal Guarantees for Financing of Tribal Housing Activities

Under Title VI of the Native American Housing Assistance and Self-Determination Act (NAHASDA), HUD is authorized to guarantee notes or other obligations issued by Indian tribes or tribally designated housing entities (TDHEs) for the purpose of financing affordable housing activities described in section 202 of NAHASDA. The guarantee is provided where financing cannot be completed in a timely manner without the use of the guarantee. Tribes and TDHEs pledge Indian Housing Block Grant (IHBG) funds as security for

repayment of the obligation. IHBG funds may be leveraged up to five times the current grant award with consideration of funds needed to maintain and other existing housing stock. The objectives of the Title VI guarantee program are to enhance the development of affordable housing activities, increase access to private capital to further economic growth, and encourage the investment and participation of traditional financial institutions which do not customarily serve Indian reservations and other Native American areas.

Capacity Building Grant

HUD has provided a grant that will fund technical assistance for Indian tribes and their TDHEs through a Capacity-Building Grant. Grant funds are used to enhance a tribe's administrative skills where a tribe or TDHE has an acceptable Title VI project. The Capacity-Building grantee is IHA Management Systems, Inc. (IHAMS). IHAMS is available to assist tribes and TDHEs with the preparation of Title VI documents; financial negotiations with investors or lenders; capacity-building and development of administrative personnel skills relative to a Title VI project; and other activities to develop a viable Title VI project. This service is provided at no cost to the Tribe or TDHE, however funds are limited and are provided on a first come, first serve basis. Thus far, 14 Indian tribes or TDHEs have requested and received technical assistance from the IHAMS.