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House Committee on Financial Services**

Statement of

**Gilbert G. Gonzalez, Acting Under Secretary
USDA Rural Development**

Before the

**House Committee on Financial Services
Subcommittee on Housing and Community Opportunity**

**Hearing on
Improving Housing Opportunities for Native Americans**

**Tuba City, Arizona
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Mr. Chairman, Members of the Committee, thank you for this opportunity to discuss the ways in which USDA Rural Development helps improve housing opportunities for Native Americans.

For those who may not be familiar with USDA Rural Development, our mission is to increase economic opportunity and improve the quality of life in rural communities. Rural Development is the only Federal organization that can essentially build a town from the ground up through investments in infrastructure, homeownership and job creation through business development programs. We help rural Americans achieve their part of the American Dream.

One of the cornerstones of this Administration's commitment to rural America is homeownership. A safe, secure home is the foundation for the family unit and owning a home is the oldest and best form of building equity. I am proud of the fact that Rural Development has invested over \$10.2 billion in the last three years in single family housing, which supports the President's Minority Homeownership Initiative.

As a result of President Bush's Minority Homeownership Initiative to increase homeownership, including minority homeownership, USDA Rural Development initiated a "Five Star Commitment" in October of 2002 to expand rural minority homeownership through programs aimed at removing barriers to homeownership that many rural families face. This Commitment has the following 5 major components:

- Doubling the Number of Self-Help Participants by 2010
- Increasing Participation by Minority Lenders through Outreach
- Lowering Fees to Reduce Barriers to Minority Homeownership
- Promoting Credit Counseling and Homeownership Education
- Monitoring Lending Activities to Ensure 10 Percent Increase in Minority Homeownership

Since announcing the Five Star Commitment, USDA has:

- Awarded a total of \$40 million in Self-Help Housing grants in FY 2003 which was the best year ever for the program. Demand for funding continues to grow. There were 46 “pre-development” grants awarded in FY 2002-2003, including many first-time sponsors and groups in states with no Self-Help programs.
- Entered into a Memorandum of Agreement with the Federal Deposit Insurance Corporation (FDIC) to promote and utilize their “Money Smart” training program. FDIC assisted us by providing training to all of our State Offices on delivery of this valuable financial literacy program.
- Last year, we lowered the fee for the guaranteed loan program. This change, coupled with record low interest rates, has increased demand for the program. The fee is less than 2 percent. The Administration’s FY 2005 budget proposes to maintain this level and couple it with legislation that will allow us to include the entire fee in the loan. The fee will help reduce government outlays and the accompanying legislative proposal ensures that families will not be adversely impacted.
- Worked with individual State goals to work toward the goal of increasing rural homeownership, including minority homeownership through our direct and guaranteed programs. All States have developed an individual plan to increase minority homeownership and to expand the availability of the Self-Help program. Rural Development met its overall goal for FY 2003. We are on target for FY 2004.

The success of this Five-Star Commitment has been felt throughout the country.

Let me discuss the various housing options we provide to Native Americans.

Single Family Housing Programs

Single Family Housing (SFH) direct loans are for families seeking financial assistance to purchase (existing or new construction), repair, or improve a home. This program is for families of very low or low-income and contains an interest subsidy to those who qualify. Funds can be used as down payment assistance to enable purchase with a loan through a private lending source or as a sole source of assistance.

Since FY 2000, we have made 224 direct loans per year to Native Americans. Approximately 40 per year are made on tribal trust or allotted lands. As a result of our Five Star Commitment, 268 direct loans totaling over \$19.5 million were financed in fiscal year 2003, representing a 20 percent increase.

Single Family Housing guarantees encourage private lenders to provide the financing for low and moderate-income families to own their own homes. Again, as a result of our Five Star Commitment, the number of guaranteed loans to Native Americans has risen from an average of 200 per year for fiscal years 2000-2002 to 282 loans, totaling over \$24.5 million in FY 2003.

Indian Reservations often lack the availability of the traditional industry housing providers such as real estate agents, appraisers, contractors, developers and suppliers. For this reason, the role of the tribal housing authorities and tribal non-profits, such as the Navajo Partnership for Housing in Arizona or the Oglala Sioux Tribal Partnership for Housing in South Dakota, are very important in working with the prospective homeowners and lenders. Together, we provide homeownership education, application completion assistance, and assistance during construction development phase of the process. Without their assistance, it is very difficult for our agency or any other

mortgage lender to deliver an effective housing program to tribal members living on the more remote Indian Reservations. The increase in our SFH direct and guaranteed loans, as well as our Home Repair loans and grants could not have happened without the constructive relationships that we have developed with these types of organizations.

Home Repair loans and grants are designed for very low-income individuals for making repairs, installing essential features, or to remove health and safety hazards. The maximum loan is \$20,000 at 1 percent and the lifetime grant maximum is \$7,500. The grant is available to persons at least 62 years old and unable to repay a loan.

This program has been very heavily used in tribal communities. In FY 2000, we provided about \$700,000 and repaired 140 homes, of which 52 were on tribal trust or allotted lands. Over the past three fiscal years, we provided an average of \$1.7 million per year and repaired 305 homes, of which 105 have been on tribal trust or allotted lands. The reason for this significant increase after FY 2000, especially the number of loans on tribal trust and allotted lands, was due in part to an increase of the note only feature from a maximum loan amount of \$2,500 to \$7,500. This increase eliminated the obstacle of an often-lengthy process to obtain mortgages on leasehold interests of tribal trust and allotted lands for loans now less than \$7,500.

Here is an example of the importance of our Home Repair program. A Navajo Nation elderly couple applied for assistance to repair their home. It was in extremely poor shape with poor electrical wiring, plumbing in a non-operating condition and general condition of the structure in a severely deteriorating stage. The home needed immediate attention and presented hazardous living conditions.

Rural Development provided both a loan and a grant, and worked with the Navajo Partnership for Housing to fund the balance of funds necessary to repair the home. This was the first time the Navajo Partnership for Housing had provided funding of this type and has resulted in a loan program by them to facilitate other rehab projects across the Navajo Nation. The elderly couple is now able to live in a safe and sanitary home.

Housing Preservation grants are available to tribes, non-profit organizations, state agencies, and units of local government for single-family housing and apartment rehabilitation. These grants are made to rural recipients who will serve very low and low-income individuals. The average amount of grants per year provided to Native American entities since FY 2001 has been \$458,000. Awards have been made to 8 different grantees, enabling them to help preserve an average of 112 units per year.

Self-Help Technical Assistance grants are made to organizations to pay for the cost of developing and administering a program of technical and supervisory assistance to aid the very low and low-income families to build their own homes. The dual purpose of this program is to work with families who otherwise would not qualify as homeowners and help those families learn skills of maintaining a home by participating in its construction. This program is also one of the initiatives of the Five Star Commitment to increase minority homeownership.

Rural Development has five Self-Help grantees operating on tribal lands to build homes this coming summer. They will work with 43 Native American families who will build their own homes on tribal lands. We have another 4 tribal organizations that we have provided pre-development grants to begin developing their projects to the final grant application.

Technical and Supervisory Assistance (TSA) grants are provided to organizations that intend to work with very low and low-income families, assisting them with loan qualifications, application packaging and housing development. Typical grants have been in the area of \$75,000 over a two-year period.

We have made 2 TSA grants to tribal non-profit organizations that serve tribal communities, as well as 1 other grant to a national non-profit that serves another 4 tribes. The services provided by these grants also contribute to the Five Star Commitment by providing homeownership education as well as assisting in the packaging of mortgage applications.

Multi-Family Rental Programs (MFH)

The Multi-Family Housing (MFH) direct loan program is used to fund projects that will provide rental units to individuals, families, and elderly with very low, low, and moderate incomes. In order to make the rent payments affordable, the loan has interest credit available, and in many cases Rental Assistance. This makes the rental units affordable to even those families and elderly of very low incomes.

We give a priority to project applications from Indian tribes and on tribal reservations by providing 20 additional points for applications from federally recognized tribes. We also give another 20 points if the tribe plans to use Native American Housing Assistance and Self-Determination Act (NAHASDA) funds for at least 5 percent of the project cost.

Over the past three fiscal years, Rural Development has provided funding to tribes or entities servicing tribal individuals in the amount of \$32.3 million. This funding has

helped provide 32 different properties and created a total of 540 rental units. On three Reservations in Arizona, we have funded 10 MFH properties to provide 274 individual living units. All of these units have Rental Assistance available. Of these 10 properties, 6 are on the Navajo Reservation with 184 units, 3 properties are on the White Mountain Apache Reservation and have 66 units, and 1 property is on the Cocopah Reservation with has 24 units.

The MFH program also has a loan guarantee program to serve the rental housing needs of low and moderate-income households. Funds may be used for new construction or rehabilitation of existing properties. Guarantees may also be used in conjunction with other subsidy programs, such as the Low-income Tax Credit, (HOME), NAHASDA, and State Rental Assistance programs. We have guaranteed 6 loans in the amount of \$11.7 million dollars on the Navajo Lands that are providing affordable housing to 373 Native American families.

Other Rural Development Assistance

Rural Development works at the national, state, and local levels to provide financial and technical assistance directly to tribal governments, organizations, non-profits, and individuals. We have dramatically increased investments over the past three years in tribal housing, infrastructure, community facilities, and economic development.

Since FY 2000, the Bush Administration has doubled its investments to American Indian and Alaskan Native communities and individuals. In FY 2000, we provided approximately \$115 million to tribal communities and individuals. In fiscal years 2001,

2002, and 2003 we provided approximately \$177 million, \$191 million and \$234 million respectively.

While Rural Development does not have any programs exclusively for American Indians and Alaskan Natives, we have had an increase of appropriations specifically dedicated to tribal communities from \$12 million in FY 2000 to \$24 million in FY's 2002, 2003, and 2004. We have received appropriations dedicated exclusively to tribal communities of \$16 million for Water and Waste programs, \$4 million to Tribal Colleges, and \$4 million for business development programs.

In our water and wastewater loan and grant programs, program activity has significantly increased over the last three years. From 1995-2000, obligations to tribes totaled approximately \$124 million, which funded 120 different tribal projects. During the last three fiscal years alone, funding has increased to \$166 million for 181 different projects. We had a record investment in FY 2002 of \$62.8 million for 70 American Indian and Alaskan Native tribal projects. To date, we have funded water and wastewater programs to almost 200 tribal communities.

Our telecommunications program provides funds to non-tribal exchange carriers that generally serve tribal and non-tribal communities in their service area. Rural Development has provided funding to 6 tribally owned telecommunications companies in the nation.

In FY 2003, of the 300 applications for broadband grants, 13 of the 40 applications selected for funding were tribal entities or organizations that will be serving exclusively a tribal community. In FY 2003, 15 distance learning and telemedicine projects to tribal organizations were also funded, totaling \$9.3 million.

Through the business and cooperative programs of Rural Development, we provide financial and technical resources to tribes and tribal entities to fund the development of small and emerging private businesses. We also provide business and industry guaranteed loans to tribes and tribal individuals to improve, develop, or finance business, industry, and employment, and improve the overall economic environment in rural and tribal communities.

In FY 2003, we provided over \$31 million in economic development projects to tribal entities and individuals. 52 of these were grants and low-interest revolving loan funds to tribal organizations for projects designed to foster small and emerging business growth on reservations. 16 were for guaranteed loans to Native American individuals for larger business enterprises.

The amount of activity by tribes accessing community facility loans and grants has also increased dramatically in the past three years. In FY 2000, 28 projects totaling \$7.3 million were funded. In FY 2001, Rural Development had a substantial increase in activity with 88 tribal projects for over \$32 million. In FY 2002, we provided funding for 50 projects for almost \$19 million. In FY 2003, we provided funding for 52 projects totaling over \$48 million. In part, the large increase in funding to tribes in FY 2001 was attributed to a new Economic Impact Initiative, which had a program allocation that year of \$50 million. Another source of the increase was the new Tribal College set-aside of \$4 million.

As more Native American families wish to return to their tribal communities, and the tribal housing authorities, housing nonprofits, and others organizations begin to develop projects to support the demand for housing, it is paramount that the necessary

supportive community facilities, services and emergency response systems are put in place in concert with the overall development. Working with tribes to develop this balance for supportive community services, Rural Development has provided financing for a very broad range of projects from as small as a single police car for \$30,000 to a variety of projects including our largest guaranteed community facility loan to date for a new K-12 school.

With the kind of community development that Rural Development is able to provide in Indian communities, along with the other financial and educational resources, the stage is being set for tribal communities to support more housing and the supportive services that families need for a better quality of life.

Rural Development Partnerships

We recognize that the Federal Government has an obligation, based upon a long history of Trust responsibility, to provide assistance to tribes and tribal communities. Our goal is to help them develop and have the same economic opportunities and quality of life as other segments of our society. At the same time, we fully recognize the limitations of the Federal Government's capital resources, and the value of private sector forces in fostering lasting development. Our role must include serving as a catalyst to leveraging private and other public sector funding.

The amount of money needed to address these issues will require a joint venture by many parties, including the Federal Government, State and local governments, tribal resources, nonprofits, foundations, and most private sector capital. The needs of tribal communities in the areas of housing and the supportive infrastructure, community

facilities and services, and economic development, are more than what any one financial resource is able to deliver. We must all work together in a cooperative and collaborative effort to find methods of more efficiently and effectively helping support tribal communities.

We continue to foster additional partnerships to leverage our financial and human resources. Rural Development has been an active partner in several interagency, intertribal, and public sector working groups that have a common objective of working with tribes.

National Level

- Rural Development is a member of an Interagency Taskforce on Infrastructure, along with the Indian Health Services, Environmental Protection Agency, Housing and Urban Development's Office of Native American Programs, Bureau of Indian Affairs, the National American Indian Housing Council, and several tribes and tribal organizations. We conduct monthly meetings to review programs, success stories, set up tribal training programs, and research ways in which we can more effectively work together in Indian communities. As a result of this Taskforce, we are presently developing an Interagency Memorandum of Understanding (MOU) to facilitate the coordination of program delivery between the respective agencies. We also have tribes involved in the process to ensure that the end product is something that will fit their needs.
- Rural Development entered into an MOU with the Indian Health Service to better coordinate the delivery of our jointly funded water and wastewater projects with tribes. We believe this MOU is a successful model of interagency cooperation that gives one agency the lead role for project development, environmental clearances and project funds management. It is a national MOU, but allows for local interagency modifications to fit the specific needs of the project being funded.

- We are a member of the National American Indian Housing Council's (NAIHC) Mortgage Lending Partnership. This partnership is comprised of federal agencies, major private lenders, such as Fannie Mae of the secondary mortgage market, and nonprofit entities that provide mortgage financing on Indian lands. The purpose of this Partnership is to coordinate the mortgage products and educate tribal members on mortgage financing. As an example, the Partnership is currently reviewing the new Bureau of Indian Affairs leasing and mortgaging regulations, which will have a significant impact on the perfecting of mortgage loans on tribal trust and allotted lands. The Partnership members also play an active role in the development of mortgage lending tracks and the presentations of workshops at the annual NAIHC membership conventions. NAIHC is the largest nonprofit tribal advocacy organization representing tribally designated housing entities, tribal housing authorities and local tribal nonprofits.
- In July of 2003, USDA Rural Development entered into a new partnership with the Federal Communications Commission (FCC) to collectively initiate outreach efforts into rural and tribal areas to improve education and access of telecommunications. This Initiative also included the development of a jointly sponsored web site.

Local Level

- We have several Rural Development State Offices that have staff members who are a part of regional working groups to work on similar joint initiatives. We recognize the importance of carrying out Rural Development programs at the local level with interested parties who provide program services directly to the end users. An example of such local working group is the New Mexico Tribal Homeownership Coalition. The mission of the Coalition is to promote homeownership opportunities on Indian Reservations in New Mexico. The Coalition works collectively to provide resources and technical assistance to pueblos and tribes interested in developing mortgage programs. Formed in 1999, the Coalition provides training and education for tribal governments and the private sector, serves as a venue for collaborating to streamline the "new"

- mortgage process, and addresses other barriers to homeownership. Membership in the Coalition is open to all entities with a similar mission or program. In addition to the tribes and Tribal Designated Housing Entities of New Mexico, the Coalition includes several federal agencies, a U.S. Senator's office, Fannie Mae, and the New Mexico Mortgage Finance Authority. Nonprofit and community development organization members include those working on the national, regional, and state levels. A number of mortgage lenders and private sector entities such as law firms participate as well. We have found that these examples of informal housing workgroups developed around the country are often the catalyst in getting the necessary industry players together for a more coordinated approach to assisting tribes and tribal individuals in achieving homeownership.
- Rural Development participated in the development of the “One Stop Mortgage Initiative in Indian Country.” As a result of this Initiative, Rural Development, along with HUD, and the Department of Veterans Affairs, created a uniform set of lease and mortgage documents as well as tribal court foreclosure and eviction ordinances to facilitate the delivery of single family mortgage products on tribal trust and allotted lands. These documents were developed in conjunction with the Bureau of Indian Affairs, who has final approval on all leases and encumbrances of tribal trust and allotted lands. Since the inception of this Initiative, Fannie Mae has also accepted these documents for use with their conventional programs. Prior to this Initiative, each of the primary government and private sector lenders had their own requirements and documentation, which made it very difficult for the tribal governments and tribal members to obtain individual approvals from the respective single family mortgage government and private providers.

We have also created some of our own internal initiatives that will better equip our employees with the tools to work with tribal governments and improve the tribal customer's accessibility to our programs and services. Some were implemented in the past few years and others are presently under development. USDA Rural Development is

committed to improving the delivery of our programs to Native Americans both individually and cooperatively with leveraging partners:

- Rural Development has put in place several part-time offices on Indian Reservations for the purpose of making our staff and single family mortgage programs more accessible to Native Americans in the most remote parts of the country. This service is available to any tribe who makes the request and is willing to provide the space and other technical support. The amount of time devoted to these offices varies considerably from tribe to tribe depending on their needs.
- We have entered into a contract with the Housing Assistance Council to update our “Guide to Lending on Native American Lands.” This guide is a tool for Rural Development staff to assist them through the unique processes that are required to do single family mortgage lending on tribal trust and allotted lands.
- To assist tribes and other rural communities with meeting the complexities of the National Environmental Protection Act as it relates to program environmental requirements. Rural Development has authorized funding for a contract to develop an automated software program for use by applicants and staff to simplify and streamline the documentation requirements of the environmental regulations. This will be especially useful when funding is being provided by multiple agencies.

Conclusion

We are very aware of the lack of affordable, decent and safe housing in tribal communities. There have been several recent studies from such organizations as the National American Indian Housing Council, the National Congress of American Indians, and the Housing Assistance Council that have done an excellent job of identifying and quantifying the severity of the housing problems on tribal lands. These studies, along with the voices of the tribes themselves, have been instrumental in bringing the issues to

the forefront of the non-tribal communities, legislators, government agencies, and others who have the resources and an interest in trying to assist with addressing the problem.

We have made significant gains in the past several years and will continue to more effectively deliver our programs to Native American communities and individuals by analyzing internal and external procedures that may be impediments to tribal governments from fully accessing our programs.

Comprehensive economic development strategies are paramount in the building of tribal communities in order to assure sustainability and that adequate community facilities and services will be in place to support this increase in families and housing. Without some framework for economic development, families have minimal opportunity to achieve what others refer to as the “American Dream.”

USDA Rural Development is committed to the future of tribal communities and proud of our progress in the delivery of programs and services to American Indian and Alaskan Native communities.

Mr. Chairman and Members of the Committee, this concludes my formal statement. We would be glad to answer any questions you may have. Thank you for the opportunity to appear before you to discuss the Rural Development budget request.