

**Testimony of Pattye Green**  
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**House Financial Services Committee**  
**Housing and Community Opportunity**  
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Thank you, Chairman Ney, Ranking Member Waters, Congressman Renzi, and Congressman Matheson.

My name is Pattye Green and I am the Senior Business Manager for Native American Initiatives with Fannie Mae. In that role I assist the regional offices and partnership offices in structuring mortgage transactions on and off trust land. I have over 27 years of mortgage lending experience and most recently the director of the Home Finance Department for the Housing Authority of the Choctaw Nation of Oklahoma. And, I am a Choctaw Tribal Member myself.

I want to thank you for inviting me to testify on the state of homeownership on tribal lands and to commend you and Congressman Renzi for your leadership right here in and around Tuba City Arizona on this issue. Your concern and attention are critical to the success of public and private sector efforts to expand homeownership opportunities in the Native American community.

I am pleased to be here today to discuss Fannie Mae's commitment to expanding homeownership in tribal communities and to share with you the steps we are taking to overcome the barriers to capital access on tribal lands.

As this Committee is keenly aware, Fannie Mae's mission is to expand homeownership, with a special focus on helping underserved Americans overcome the unique barriers they face. Our role among financial institutions – and what sets us apart – is that we provide private mortgage capital to all communities, at all times, under all economic conditions, at the lowest rates in the market.

Finding ways to create affordable housing opportunities for Native American families living on tribal lands is one of the toughest challenges to our mission. Native American families are one of the most underserved, impoverished minority populations in the country. The Native American Indian Housing Council (NAIHC) estimates that the homeownership rate in Indian country is about 33 percent,<sup>1</sup> substantially below the national average, and Native Americans are four times more likely than the average American family to live in substandard housing. Stubbornly high levels of poverty and unemployment are significant barriers to conventional credit, as is the legal complexity of mortgage lending on Native American lands.

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<sup>1</sup> The U.S. Census Bureau has estimated total Native homeownership; both on and off reservation, at more than 50 percent. Still substantially below the national average.

Fannie Mae has embraced this challenge, and we work daily with Congress, Native American tribes, the Bureau of Indian Affairs, the Department of Housing and Urban Development, the Department of Agriculture, mortgage lenders, and other housing leaders to increase mortgage financing opportunities for Native Americans. We believe firmly that our housing finance system can and must do more to ensure that Native Americans have an equal opportunity to obtain affordable mortgage financing.

Let's look at your experience right here in Arizona. As of 1994, there had never been a conventional mortgage loan originated on the Navajo Nation, the largest Indian reservation in the United States. With a landmass of nearly 27,000 square miles and a population of approximately 160,000 at that time, this reservation, like much of Indian Country, had been largely ignored by the mortgage market that flourished throughout the rest of the country.

In 1996 the Neighborhood Reinvestment Corporation, at the behest of the Navajo Nation's divisions of economic development and community development, founded the Navajo Partnership for Housing (NPH). Its mission is to help Navajos build or buy homes. We work continually with NPH, which is now in its eighth year, and a representative from our New Mexico partnership office serves on its Board.

Fannie Mae has also worked with Dallas Massey, Chairman of the White Mountain Apache Tribe in the White Mountain Apache Housing Authority (WMAHA) as they have developed their Apache Dawn Development Community, which includes the first ever use of tax-exempt bonds by an Indian Housing Authority and Apache Ridge Apartments.

And we have been actively involved with many other tribes in Arizona. Over the years, Fannie Mae has participated with the Hopi, Gila River and the Salt River Pima Tribes by providing mortgage financing and by supporting their efforts to provide information on how to prepare for the home purchase process.

### **Fannie Mae's Commitment to Native American Borrowers and Communities**

I would like to briefly mention our internal Native American Business Council, which convenes representatives from our community development and our regional and partnership offices to work together to expand our capacity to make tangible investments that increase affordable housing opportunities on tribal lands throughout the country. Some of the goals of this Council include the following:

- Building a stronger lender base by educating lenders about the unique characteristics of lending to tribal communities;
- Teaching tribes how to leverage federal resources to support the production of additional affordable housing units; and

- Developing additional products appropriately tailored to the specific needs of each tribe.

Fannie Mae's first formal effort with tribal communities began as part of our Trillion Dollar Commitment – a commitment we made in 1994 to invest \$1 trillion to serve 10 million underserved families — low- and moderate-income families, minorities, new Americans as well as residents of central cities and urban areas. Through our Native American Housing Initiative (NAHI) we committed, for the first time, to purchase HUD and USDA guaranteed mortgages on tribal lands.

We increased our efforts to expand housing opportunities for Native Americans in 2000 with Fannie Mae's American Dream Commitment-- a ten-year, \$2 trillion pledge to increase homeownership rates and serve 18 million targeted families by 2010. This effort included a formal strategy to address the unique housing needs of Native Americans, one element of which was a commitment to invest at least \$350 million to serve 4,600 families on reservations and trust land and to expand our network of partnerships to include 100 tribes on trust and tribally-restricted land.

We have achieved and surpassed these goals. Here are some of the highlights:

- Over the past five years, Fannie Mae has helped over 100,000 Native American families purchase homes by providing more than \$14.8 billion in affordable financing;
- On reservations and tribal jurisdictional lands, we have invested over \$640 million to serve over 7,100 families;
- We are pleased that we have been able to reach 191 tribes with our financing;
- In 2003 alone, Fannie Mae invested \$272 million and purchased loans made to tribal members of 114 tribes on reservation and trust land, serving over 2,749 families;
- In 2003, we also invested more than \$18 million with the Raymond James Indian Country Tax Credit Fund to develop low-income housing tax credit business, which includes new construction for rental housing as well as rehabilitation of existing housing units in Native American communities; and
- Fannie Mae has teamed up with PMI Mortgage Insurance Co. under their Gateway Cities Initiative to provide \$125,000 in revolving funds for nonprofit community development corporations building or renovating housing on the Pine Ridge reservation, in North Dakota, and on the Acoma Pueblo Reservation, in New Mexico.

Earlier this year we announced our Expanded American Dream Commitment, which will increase our efforts in Indian Country even further.

Together with tribal leaders, and through our partnership with the National American Indian Housing Council (NAIHC), we are working to create a new Native

American Strategic Partnership to bring capital to Indian Country, with a goal of launching at least 10 comprehensive initiatives in tribal areas. As part of this strategic partnership, Fannie Mae will:

- Work with tribal governments, the U.S. government, and lenders to simplify current processes that impede the development of homeownership opportunities in Indian Country; and
- Increase our investments to support tribal housing initiatives during this decade to at least \$1.25 billion serving 11,000 families. We will serve these communities with an array of tools including single-family and multifamily acquisition, development, and construction lending, other American Communities Fund investments, other multifamily products, rehabilitation lending, low-income housing tax credit equity, and related community development infrastructure investments.

## **Overcoming Barriers**

While delivering these quantifiable results is necessary and important, it is not sufficient to achieving our overall goal of increasing housing opportunities for Native Americans. Some of the most important work we and others have done, and will continue to do, centers on building trust and developing relationships that will allow us to be successful in these communities for the long run. That is why a fundamental piece of our approach to serving this community has been working to build a lender base that understands the challenges of tribal communities. The gains to date are made possible by working collaboratively with tribes and lenders to understand the needs of these communities and to overcome some of the barriers to capital access – and there are many – that block economic development in Native American communities.

I would like to share with you some of the issues Fannie Mae has faced in our efforts to bring the American Dream of homeownership to first Americans, and what we are doing to meet these challenges.

### Economic and Infrastructure Barriers

The most stubborn 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. 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.<sup>2</sup>

And in many tribal communities the economic base is negligible, leading to substandard infrastructure. Many Native American reservations and tribally designated

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<sup>2</sup> According to 2000 Census of Population and Housing..

lands suffer from a limited housing stock and a lack of road and utility infrastructure to support new housing.

Against this backdrop, it is not surprising that the Native American homeownership rate lags far behind the national rate of 68 percent, and that Native Americans are pessimistic about the lending process. A 2000 survey by the Treasury Department found that 65 percent of tribal members viewed conventional home mortgages as “difficult” or “very difficult” to obtain. The Navajo Housing Authority (NHA) estimates it needs 21,000 new housing units to satisfy the unmet needs of all Navajo families – including 12,000 new homes for purchase. Many of the Navajo families live with extended families in overcrowded conditions. A majority of families are unable to qualify for mortgage loans due to lack of credit, credit problems, or lack of finances to make down payments.

Obviously Fannie Mae cannot single-handedly overcome these difficulties. As Chairman Ney and Members of this Committee recognize, the federal government must play a role in working with tribes to create self-sustaining economies by bringing private companies and tribal governments together. Fannie Mae can help by doing what we do best: developing the tools that expand access to homeownership. Homeownership is a key driver of economic growth and revitalization. It promotes commercial investments and infrastructure improvements, which in turn reinforce homeownership. By expanding homeownership for Native Americans, we can not only provide families with better housing, but also with the power to raise capital, accumulate wealth, and build a more secure financial future.

Fannie Mae is taking a two-pronged approach to promoting homeownership in tribal communities: first, by developing the right products to optimize Native American access to homeownership, and second, by expanding housing capacity on tribal lands.

*Product Development.* Fannie Mae is working with our lender partners to tailor lending products to meet the needs of tribal members who lack the resources to qualify for traditional financing. 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.

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 are designed to 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.

*Housing Capacity.* Second, Fannie Mae is partnering with public and private entities to address some of the infrastructure challenges that make it difficult to expanding housing capacity. Fannie Mae has worked with tribes to support new construction 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. Fannie Mae LIHTC investments helped create 199 units of housing on Indian land in 2003, and we have an additional possible investment to create 505 units in the 2004 pipeline.

We have also developed a secondary market option for development loans guaranteed by HUD under Title VI of NAHASDA. As a result, in 2002, Fannie Mae purchased a \$50 million Title VI Loan to finance the creation of 538 units for low- and moderate-income families in the Cherokee Nation of Oklahoma. This is the largest loan originated under Title VI of NAHASDA.

Right here in Arizona last September, we worked with Navajo Nation President Joe Shirley, Congressman Renzi and others as we put together a \$3 million Navajo Community Guaranty Initiative which will allow us to finance homes for borrowers we never could serve before. Specifically, the initiative will help approximately 60 families on the reservation to purchase newly built homes with contributions from their own funds of just \$500 or even less. And the agreement allows for more flexible underwriting parameters, including acceptance of past credit blemishes and the use of non-traditional credit for those borrowers who do not have an established credit history.

"The signing of this agreement between the Navajo Nation and Fannie Mae marks another step forward in our joint efforts to promote the dream of homeownership on the reservation," said Shirley. "Over the past several years, we have worked hard to transform the mortgage finance system in the Navajo Nation. I am proud that we are making it easier and more affordable for families on the reservation to purchase a home."

When we announced the Guaranty Initiative, Chester Carl, Chief Executive Officer for the NHA observed, "Step-by-step, we are identifying and filling gaps in the

mortgage finance system for the Navajo Nation, enabling more families to become homeowners which is an important first step in the creation of wealth."

I would also like to thank Congressman Renzi for his work on this project. This is the kind of public/private partnership that brings real results and innovative solutions to housing challenges.

### Legal & Regulatory Barriers

Perhaps the greatest single obstacle to increasing homeownership in Indian Country is the legal framework governing tribal lands. Trust land is inalienable, being subject to transfer restrictions imposed by Indian treaties, Acts of Congress and proclamations of the Secretary of the Interior, and is generally subject to the jurisdiction and laws of the tribe, which is protected by sovereign immunity. Tribal sovereignty generally entails the right to govern, adjudicate disputes, and be immune from lawsuits. While some tribes have fully developed commercial codes, others maintain a tribal council or executive body as a legal enforcement mechanism, and some have no court system at all. As a result many lenders have concerns about the enforceability of contractual obligations and of the legal remedies available. Some lenders have been unwilling to provide capital in the face of such legal uncertainty.

Even for those willing to lend, the legal environment creates many additional hurdles. For example, there is a very limited market from which lenders can obtain data for the purposes of determining property values, and the restrictions against alienation further diminish market values. In addition, 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.

Addressing the legal issues such as tribal sovereignty and tribal court jurisdiction is a prerequisite for increasing the flow of capital to tribal lands. But it is not an easy task, since each tribe is sovereign and acts independently.

Tribal governments have recognized this and have taken steps to clarify tribal sovereignty and sovereign immunity, particularly regarding business and housing development, but resolving this issue requires partnership from the private and public sectors. Fannie Mae has worked with HUD, the USDA and Treasury to support tribes in creating standardized documents and model legal ordinances to support government guaranteed and conventional mortgage activity.

In fact, in 2002 we made a major announcement designed to minimize a significant barrier to single family lending on tribal lands: Fannie Mae no longer requires tribes to make limited waivers of their sovereign immunity and we also now provide for the mutual consent to tribal court jurisdiction over conventional lending initiatives on tribal trust land. In 2003, Stewart Title agreed also not to require tribes to make limited

waivers of their sovereign immunity in order to write title insurance on single-family loans that Fannie Mae purchases. In 2003, AMERIND Risk Management Corporation was approved as a recognized provider of hazard protection for mortgage-backed homes in Indian Country. They are a non-profit risk pool, which was incorporated under the Tribal Laws of the Red Lake Band of Chippewa Indians in 1986.

We believe that these modifications to our legal policies that simplify and streamline the implementation of appropriate structures for tribal governments have encouraged our lender partners to expand their efforts to serve the Native American community. Addressing this issue should go a long way towards building a better relationship between the lending community and tribal governments and improving housing opportunities for Native Americans on tribal lands.

### Communication Barriers

Another major barrier to homeownership in Indian Country has been simply communication. For years, Native American communities have been told how to solve their problems but given few opportunities to participate in developing the solutions. Fannie Mae recognizes each tribe as its own sovereign nation, with unique housing challenges and that a one-size-fits-all approach to expanding homeownership will not work with tribal communities.

As a result, we are working to create an open dialogue between individual tribes in an attempt to gain greater understanding of each tribe and the challenges it faces. In 2003, Fannie Mae partnered with the United Native American Housing Association (UNAHA), which consists of 32 tribes located in seven states, in their collaborative effort to build 500 new housing units. This is a great example of bringing in all the partners, as each tribe will work with lenders, local partners, local nonprofits, and Fannie Mae to build 16 new housing units.

### Information Barriers

Finally, education poses a barrier to capital access for Native Americans. Many Native Americans do not have banking relationships, and in many Native American economies, financial transactions have long been conducted in cash. As a result, many Native Americans lack an understanding or familiarity with banking, credit reporting, and the loan qualification process and standards. And unsurprisingly, they have difficulty obtaining credit through traditional means. In 2002, the conventional loan denial rate for Native Americans borrowers was 23 percent, the second highest among ethnic groups after African-Americans (26 percent). This despite the fact that HUD's Section 184 Native American homeownership program, which has existed since 1992, has shown a foreclosure rate of .01 percent.<sup>3</sup>

This lack of familiarity with bank practices and products also leaves many Native communities vulnerable to unscrupulous financial practices that undermine communities'

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<sup>3</sup> Data from the Native American Indian Housing Council.

efforts to build financial assets. In a 2003 survey by the National American Indian Housing Council, 53 percent of respondents believed that lenders discriminated based on race and identified predatory lending in their tribal areas as a serious concern.

Borrowers also need to know how to deal with blemished credit when they enter the mortgage process. One of the products that Fannie Mae has tailored to help those with impaired credit is our Timely Payment Rewards mortgage. This product helps borrowers obtain affordable housing finance, while simultaneously helping to repair their credit. With this mortgage, a borrower who makes 24 on-time mortgage payments is eligible for up to a 1 percent rate reduction, effectively saving them up to \$60,000 over the life of a \$100,000 mortgage.

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I hope that with these commitments, Fannie Mae has begun to make progress in expanding homeownership for Native Americans. We recognize we have a long way to go and we will continue to listen closely to Indian Country leaders. We believe that we can create long term partnerships with tribal leaders to address the tough housing and economic challenges facing Native American communities today.

I want to thank Chairman Ney and members of the committee for their leadership and their commitment to expanding homeownership opportunities for Native Americans. And I also want to thank Congressman Renzi for hosting this hearing, to bring attention to the Native American homeownership gap, and the efforts underway to close that gap. You have been champions of developing housing in Indian country and supporting tribal members' efforts to revitalize their communities. I look forward to working with you and other Members of the Committee to continue making progress.

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