



Addressing the Native American Housing Crisis



The Issue

It is well known and documented that Native Americans in tribal areas have some of the worst housing needs in the United States. The issue of safe and affordable housing for tribal members has been in a crisis state for decades, if not centuries. According to a study from the Department of Housing and Urban Development (HUD), approximately 16% of Native populations live with overcrowding, compared with the national average of 2%. In Indian Country, it's not uncommon to see 18 or more people living in a single 900 square-foot house—a size typically meant to provide shelter for a family of four. Our indigenous values impel us to care for one another under the same roof, regardless of whether we have ample space. HUD has additionally found Indian Country faces a deficit of 68,000 housing units per year¹.

Data from the Home Mortgage Disclosure Act discloses that “Native Americans are disproportionately underrepresented in mortgage lending by a factor of three”². The article goes on to explain that the small number of Native Americans qualifying for a mortgage are forced to purchase a manufactured home rather than a site-built home. The costs associated with acquiring a mortgage on manufactured homes are higher than their counterparts—leading Native borrowers to purchase much more expensive homes.

In addition, a variety of federal programs meant to address the long-standing capital needs have historically been funded insufficiently to address the current housing crisis many Native American families experience. The Indian Housing Block Grant—one of the key programs under the Native American Housing Assistance and Self Determination Act—has received mostly baseline level funding since its implementation in 1998. Had it kept pace with inflation, the grant program would have received nearly \$1 billion. At current funding levels, purchasing power is less than it was 20 years ago. This diminished budget allows for the development of only around 1,000 new units per year³—far below the 68,000 the HUD study deemed necessary.

Insufficient access to capital is a major underlying cause of the current housing crisis faced by many Native Americans. Native American families are also facing additional obstacles such as the lack of affordable homes, rising interest rates, competing with multiple offers, and increased down payment requirements as housing values continue to rise. Inventory is low and home values are at high values favoring the seller. Many sellers will only entertain offers for conventional mortgage financing making it increasingly challenging for Native Americans trying to utilize HUD 184 and/or USDA 502 mortgage financing. With the combination of high

¹ US Department of Housing and Urban Development, The Native American Housing Needs Study: <https://www.huduser.gov/portal/pdredge/pdr-edge-research-022117.html>

² National Community Reinvestment Coalition article by Jason Richardson, February 21, 2023

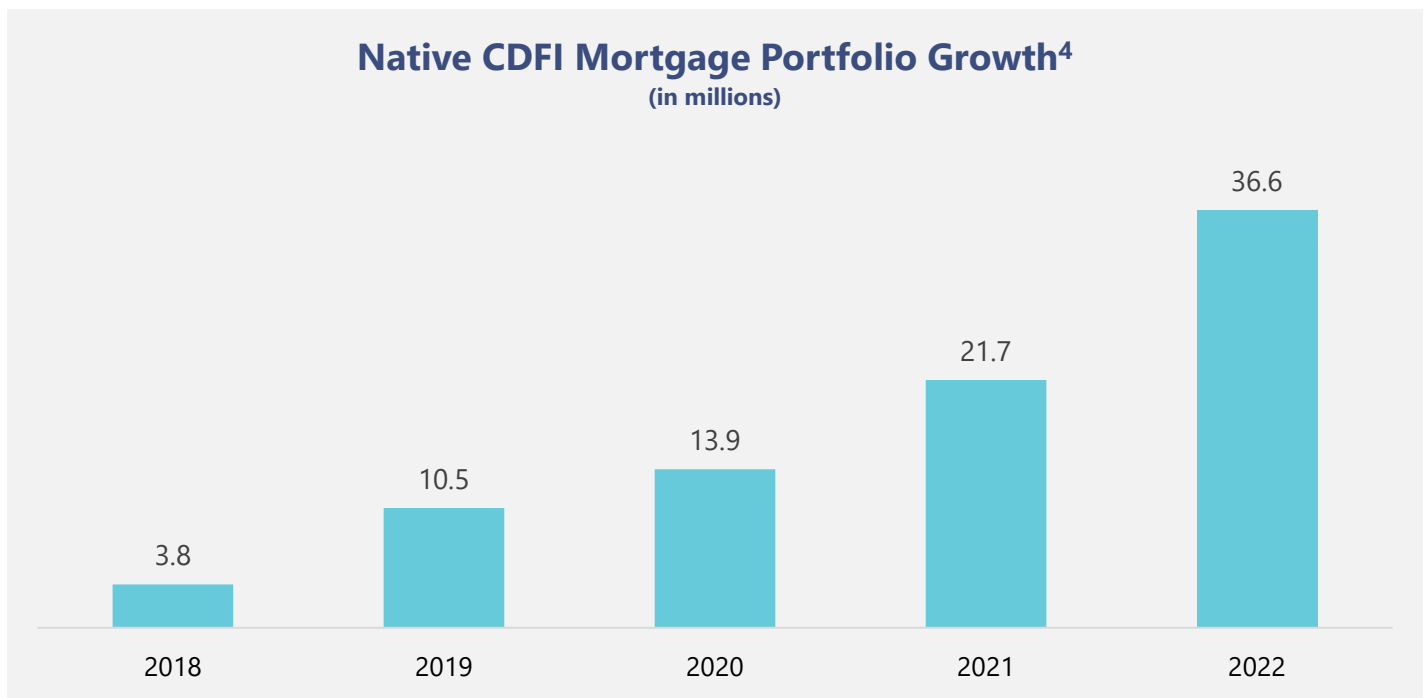
³ JDSupra, American Indian Provisions in the CARES Act: <https://www.jdsupra.com/legalnews/american-indian-provisions-in-the-cares-72741/>

housing values and rising interest rates, it results in higher borrowing costs effectively pricing out many Native American homebuyers.

As shown through a myriad of obstacles, the dream of homeownership often looks much different for Native American families with limited capital access for mortgage products and increasingly challenging housing market conditions. Yet, although faced with high poverty rates, lower incomes, and overcrowding of homes, the demand for increased mortgage products within Native communities is an ever-growing and urgent demand.

Native CDFIs have faced this housing crisis head-on within their communities providing affordable and safe housing lending products, in turn propelling homeownership through the provision of mortgage lending opportunities for hundreds of tribal members across the United States. Within the loan portfolios of Oweesta's current borrowers (excluding the Native owned banks in our portfolio) there exists over \$36.6 million in 432 mortgage loans to Native families as of December 2022. While these numbers are impressive, they are only a drop in the bucket of the demand for housing on indigenous lands.

Unfortunately, there are limited options for Native CDFI's providing mortgage lending to sell mortgage portfolios to the secondary housing market. This has placed a significant strain on the ability to revolve housing lending capital and to meet the urgent housing needs of the target markets Native CDFI's serve.

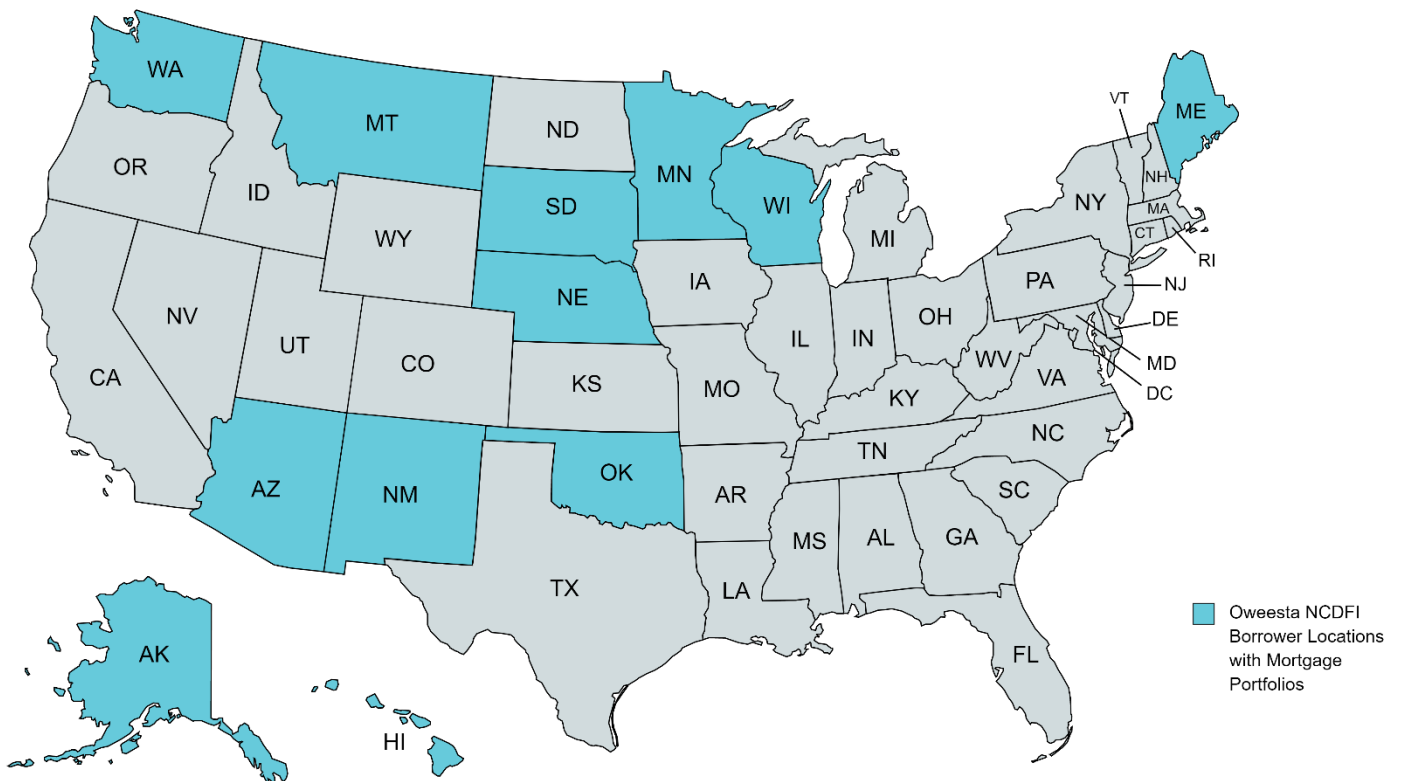


⁴ Number of mortgage loans associated with mortgage portfolio balance for 2018, 2019, 2020, 2021, and 2022 are 67, 168, 208, 280, and 432 respectively.

Strategy and Solution

Constructing sustainable, long-term housing in Indian Country is an investment worth making. It is possible to repair, design, and construct homes Native families can take pride in for generations to come.

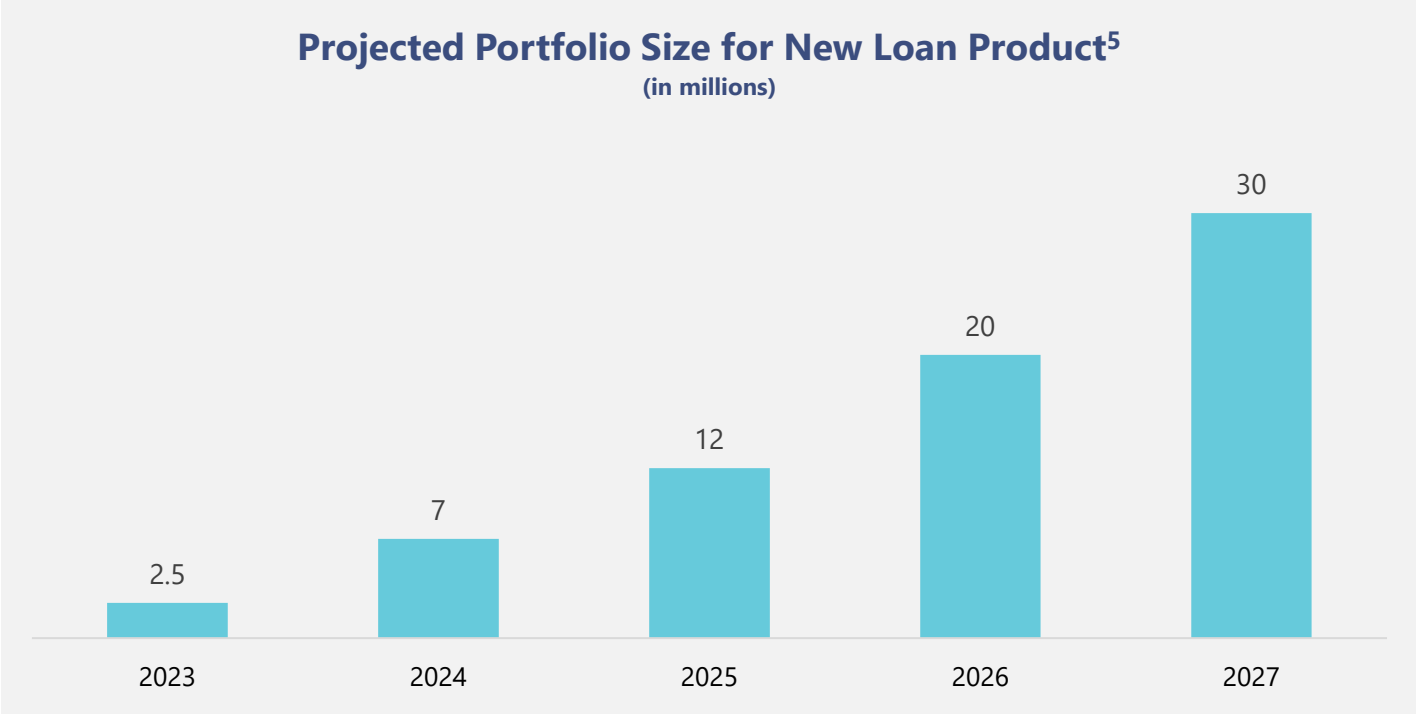
Oweesta has the capacity and ability to play a significant role in breaking down the barriers to home ownership to Native Americans by providing a secondary mortgage lending product for Native CDFIs. In partnership with Native American Bank (NAB), Oweesta proposes a new loan product, the **Native CDFI Mortgage Portfolio Loan**. This loan product is intended for Native CDFIs actively providing mortgage lending to their target markets and have the need to revolve their mortgage lending capital to continue to meet mortgage lending needs of the communities they serve. The intention of this loan is to revolve mortgage capital quicker and to serve as a bridge loan until such a time the packaged mortgage loans can be refinanced. In the event the non-conforming mortgage loans never become eligible to sell on the secondary market, the Native CDFI can either buy back the principal balances at loan maturity or refinance.



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In partnership with NAB, Oweesta and NAB will each purchase 40% of a combined package of mortgages made to Native Americans from Native CDFI's. The remaining 20% and the servicing will be retained by the Native CDFI. The interest rate will be an average of the existing rates of the mortgages in the combined package less .05% retained by the Native CDFI for servicing. The term of the mortgage portfolio loan will be for seven years and amortized over 30 years, with a payment schedule matching the current amortization of the mortgage loans included in the mortgage portfolio loan. The mortgages included in the mortgage portfolio loan must be made to Native American borrowers, in good standing, with a loan-to-value (LTV) ratio of no more than 120%. Buy-back of individual mortgage loans within the mortgage portfolio loan or the entire mortgage portfolio loan is allowed after 3.5 years. Should a mortgage loan within the mortgage portfolio loan become more than 120 days delinquent, the Native CDFI will be required to buy-back the outstanding principal plus any accrued interest.

This mortgage portfolio loan will be managed as a separate fund within Oweesta's portfolio, much like the existing capital pools we have created and managed. It is our belief this pool could grow as high as \$100MM over the next 10 years. Initially our goal is to have this be a \$10MM pool, with responsible and manageable growth projections.



⁵ Projected interest revenue based on average interest rates in current mortgage portfolios for 2023, 2024, 2025, 2026, and 2027 are \$112,500, \$315,000, \$540,000, \$900,000, and \$1,350,000 respectively.

Financing Product

Pilot Mortgage Portfolio Loan Product Matrix

Description:	In partnership with Native American Bank (NAB), Oweesta and NAB would each purchase up to 40% of a NCFDI mortgage loan portfolio. The NCFDI would retain 20%. The purpose of the loan is to provide a secondary market to NCFDI mortgage lenders to obtain lending capital to continue mortgage lending activity to Native communities.
Collateral:	100% secured by the mortgage loan portfolio purchased.
Eligibility:	Mortgage Loans must be to Native American borrowers. Mortgage loans must be in good standing with a loan-to-value (LTV) ratio of not more than 120%.
Intended For:	Loan Funds with mortgage lending capital needs.
Allowable Uses:	To provide flexible mortgage lending capital to support mortgage lending for both conforming and non-conforming mortgage loans to the NCFDI target market.
Loan Servicing:	The Native CDFI retains loan servicing of the total mortgage loan portfolio package(s).
Minimum Mortgage Loan Package:	Up to 40% of the loan portfolio with a minimum of \$500,000
Maximum Mortgage Loan Portfolio Package(s) Amount:	Up to 40% of the loan portfolio, not to exceed \$5,000,000
Terms:	7-year loan amortized 30 years with the payment schedule matching the current amortization of the mortgage loan portfolio purchased.
Pricing:	The interest rate will be an average of the existing rates of the mortgages in the combined package less .05% retained by the Native CDFI for servicing.
Structure:	Monthly principal & interest payments based on the mortgage package servicing: The Native CDFI retains loan servicing of the mortgage loan portfolio packages(s).
Portfolio Delinquencies:	Individual Loan Delinquencies greater than 120 days within the portfolio package, NCFDI must buy back the principal balance of the mortgage and remit any interest due to Oweesta.
Portfolio Buy-Back:	Buy-back of individual mortgage loans within the mortgage portfolio loan or the entire mortgage portfolio loan is allowed after 3.5 years.

Benefit to Native CDFI Participants

The Native Community Development Finance Institution (CDFI) movement is leading response to housing needs and mortgage products in Native communities. There are currently 64 Native CDFIs certified by the US Treasury. These Native CDFIs were established to be the economic development engines of their communities and are generally the only source of capital for advanced asset and wealth creation opportunities. Native CDFIs have amazing local level community impacts as they assist families own their first homes, create jobs and small businesses, support the creation of essential services through the development of community facilities, and empower individuals by building credit histories.

Native CDFIs are rebuilding their Native Nations one dollar, one client, and one class at a time. These organizations have fostered financial sustainability and independence for their communities since their inception. This in turn leads to community and economic development, which creates hope and opportunity and builds the infrastructure for a stronger future and a healthy landscape for generations to come.

The mortgage portfolio loan program will provide numerous benefits to Native CDFI's and the communities they serve. In addition to providing a mechanism to sell mortgages on the secondary market, it also provides additional access to affordable mortgage lending capital. This affordable capital will allow Native CDFIs to fund additional mortgages to Native Americans at below market rates. Native CDFIs will also utilize the capital from this program to leverage additional funds for mortgage lending and to support other lending products in their portfolio. This additional lending capital will also increase loan production and increase earned revenue from interest and loan fees resulting in increased self-sufficiency. The growth in loan production and additional capital will also assist in strengthening the statement of financial position of the Native CDFIs participating in this loan product.

An Indigenous-Led Partnership

Indigenous communities have—for millennia—relied on one another in times of crisis. It is no surprise then that two national Native-led non-profit leaders are partnering to create new resources for the Native communities we serve. Oweesta and Native American Bank have built a partnership based on our shared values of accountability and service to support the well-being of Native families and their opportunity to create wealth through the opportunity for homeownership.

Oweesta Corporation

Oweesta began over 20 years ago and has centered on providing access to capital and education to help build the financial resources of Native people and communities. Today, Oweesta remains soundly committed to the founders' original belief that, when armed with appropriate resources, Native people hold the capacity and integrity to ensure the sustainable, economic, spiritual, and cultural well-being of their communities. Honoring the fact our ancestors and Native Nations acted with wholly self-sustaining economies, Oweesta has built the platform for the creation, development, and capitalization of the Native CDFI industry. Through our history, we have revolved (70M) in direct investments, assisting in the creation of private sector economies, homeownership creation, and individual asset building across Indian Country.

Oweesta's mission is to provide opportunities for Native people to develop financial assets and create wealth by assisting in the establishment of strong, permanent institutions and programs contributing to economic independence and strengthening sovereignty for all Native communities.

Oweesta has been an incredibly successful intermediary lender. Having never defaulted on any of our loans, Oweesta is trusted by the diverse investors in our portfolio. As a trusted partner of the Native CDFIs to which we lend, Oweesta's quality technical assistance, coupled with the dedication and integrity of our Native CDFI clients, has ensured-in our twenty-year history- we have experienced only one default.

Native American Bank, N.A.

In 2001, twenty Tribal nations and Alaska Native Corporations set out with a dream to create a national bank to serve all Native people, communities, governments, and enterprises across the country and established Native American Bank, N.A. (NAB). Chartered as a national community development focused bank, NAB is also a certified Community Development Financial Institution (CDFI) committed to being a self-sustaining CDFI and is the only national American Indian owned community bank in the country. Recognizing that among the many issues facing Native Americans, the absence of access to financial capital and services has been a significant obstacle toward the realization of self-sufficiency and financial freedom across Indian Country.

Native American Banks mission is through collaboration, provide access to financial services for Alaska Native and Native American communities creating economic independence, development, and sustainability. At Native American Bank, the primary mission is to assist Native American and Alaskan Native individuals, enterprises, and governments to reach their goals by providing affordable and flexible banking and financial services. To accomplish this, we concentrate on pooling Indian economic resources to increase Indian economic independence by fostering a climate of self-determination in investment, job creation, and sustainable economic growth.

Summary

Since the creation of Oweestas' HUD Housing Network, it has been our intention to expand our footprint in the housing market to help address the housing crisis in Indian country. The motivation and inspiration of our team goes beyond daily problem solving. We are looking for long-term, sustainable solutions honoring our ancestors, our elders, and making an impact of correcting the wrongs perpetuated in our Indian communities.

This program will generate economic change for the unserved and under-served Native Americans living in the most remote areas of the continent, Hawaii, and Alaska. It will help create homeowners and a sense of pride among Native Americans for stability and a place to call "home". Increased home ownership for Native Americans will create wealth, a stronger ethical, cultural, and environmental focus in our Native communities, and further protect the rights and land of our Indigenous peoples.

Call to Action

One thing is clear: the responsibility for addressing inequities existing in housing for Native Americans should not be ignored. We should all take the tools and talents we have available to champion a solution to the housing crisis facing Native Americans.

If you are interested in learning more, providing long-term, low interest rate lending capital and/or grant funding to support this project please contact Florence Ludka at florence@oweesta.org and/or Joel Smith at jsmith@nabna.com.

Oweesta Corporation

Redefining Equity. Reclaiming Native Sovereignty. Together

Mission Statement

Oweesta Corporation's mission is to provide opportunities for Native people to develop financial assets and create wealth by assisting in the establishment of strong, permanent institutions and programs contributing to economic independence and strengthening sovereignty for all Native communities.

Values

We believe that when armed with the appropriate resources, Native peoples hold the capacity and ingenuity to ensure the sustainable, economic, spiritual, and cultural well-being of their communities.

Contact Us

For more information, please contact Florence Sterling Ludka at florence@oweesta.org.
2432 Main Street, 1st Floor Longmont, Colorado 80501 303.774.8838
www.oweesta.org

