



SOUTH DAKOTA
**Native Homeownership
Coalition**

www.sdnativehomeownershipcoalition.org

2020 Federal Policy Recommendations

Created in 2013, the **South Dakota Native Homeownership Coalition's** mission is to increase homeownership opportunities for South Dakota's Native people to build strong and healthy communities. Our stakeholders include representatives from South Dakota's nine tribes, federal and state agencies, tribally designated housing entities (TDHEs), nonprofits, housing developers, lenders, and community development financial institutions (CDFIs).

Our Priorities: To promote homeownership opportunities in Native communities, we urge Congress to:

1. Reform the VA Department's Native American Direct Loan Program to make it more accessible to Native veterans living on trust land.
2. Allocate \$50 million in existing appropriations to make the USDA Section 502 home loan relending pilot permanent for Native communities nationwide.
3. Direct the Department of Interior to streamline and dedicate resources to the residential leasing, mortgage approval and Title Status Report (TSR) processes to enhance access to mortgage capital on trust land.
4. Support S. 2725 – *the Native American Housing Affordability Act of 2019* which gives HUD the authority to issue guarantee certificates before receiving final certified TSRs.
5. Expand the Tribal HUD VASH voucher pilot program to make it available to all tribes.
6. Increase appropriation levels for federal programs that support Native homeownership.

For more information, please contact:

Policy Committee Co-Chairs

James "JC" Crawford, Principal
CBI Producers, Inc.
jccrawford.28@gmail.com | (605) 949-9259

Sharon Vogel, Executive Director
Cheyenne River Housing Authority
svogel@crhanetwork.org | (605) 964-4265

Coalition Co-Facilitator Joanna Donohoe | joanna@7sistersconsulting.com | (561) 762-8237



2020 FEDERAL POLICY RECOMMENDATION DISCUSSION

1. Reform the VA Department's Native American Direct Loan Program to make it more accessible to Native veterans living on trust land.

The Native American Direct Loan (NADL) program is a veteran home loan program authorized by 38 USC §3761 to provide direct loans to Native American veterans living on trust lands. The loans are available to purchase, construct, or improve homes to be occupied as veteran residences, or to refinance a loan previously made under this program to lower the interest rate.

Despite the availability of these funds earmarked for Native veterans, loans are not being made to qualified borrowers. The US Department of Veterans Affairs (VA Department) lacks adequate staff resources to conduct outreach and provide the required level of technical assistance to effectively deploy the NADL program to qualified Native American veterans on trust land.

- In 2018, there were only two NADL loans on all nine reservations in South Dakota.
- In a recent housing needs assessment of veterans from three tribes in South Dakota, 75% of the respondents interested in purchasing a home said they had little or no understanding of the NADL program and *62% of them didn't even know the program existed.*¹

Congress should direct the Secretary of Veterans Affairs to:

- **Contract with third parties to provide outreach, homebuyer preparation and risk mitigation services.** The Secretary should expand its existing outreach program to include collaborating with and compensating local service providers such as tribes, tribally designated housing entities, Native community development financial institutions and nonprofits to conduct outreach, homebuyer education, housing counseling, risk mitigation and other technical assistance as needed to Native American veterans seeking to qualify for mortgage financing.

¹ *Veterans Housing Needs and Homeownership Study*, South Dakota Native Homeownership Coalition, June 2019.



SOUTH DAKOTA
**Native Homeownership
Coalition**

www.sdnativehomeownershipcoalition.org

- **Design an NADL loan packaging program** which would allow local service providers who have met certification requirements to provide loan packaging services for the Native American Direct Loan. The packaging fee could be covered by a portion of the VA loan fee charged to the borrower. For loan transaction without loan fees, such as loans to veterans receiving compensation for a service-connected disability, VA could fund packaging fees from its direct loan financing account.
- **Refinance non-VA mortgages.** Native veterans should have the same opportunity as non-Native veterans to use their VA loan to refinance any existing mortgage loan. Amending 38 USC §3762(h)(1) by deleting the phrase “made under this section” would allow Native veterans to use NADL to refinance any existing mortgage on the same property in order to reduce interest rates and take advantage of NADL’s more favorable loan terms for veterans.
- **Pilot an NADL relending demonstration** by designating \$5 million of existing program allocation from the VA’s Native American Direct Loan Program. This relending program would allow Native community development financial institutions, who are more familiar with Native communities and the mortgage lending process on trust land, to obtain a loan through the Native American Direct Loan program at a 1% interest rate and relend those funds to qualified Native American veterans. The CDFI would repay the loan to VA Department.
- **Expand NADL’s eligible borrowers** to include tribes, TDHEs and nonprofit housing developers. This would provide an affordable source of financing for the tribe, TDHE or nonprofit to construct or renovate housing units to sell or lease to eligible veterans. The tribe, TDHE or nonprofit borrower would service the debt to VA with rental income or proceeds from the sale of the units.

The chart below summarizes the benefits of these proposed reforms to both the Native veterans and the VA Department.



Native Homeownership Coalition

www.sdnativehomeownershipcoalition.org

Benefits of Proposed NADL Reforms

Proposed Activity	Benefit to Native Veteran	Benefit to VA	Funding Source	Statutory v. Administrative
Outreach, homebuyer preparation and risk mitigation services	<ul style="list-style-type: none"> • Improved awareness • Local technical assistance 	<ul style="list-style-type: none"> • More creditworthy borrowers • Risk mitigation 	VA direct loan financing account	Administrative action
Loan packaging	<ul style="list-style-type: none"> • Better understanding of loan application • Expedited process 	<ul style="list-style-type: none"> • Complete loan packages • Fewer delays due to missing documents 	A portion of existing VA loan fee	Administrative action
Refinance non-VA loans	<ul style="list-style-type: none"> • Ability to lower interest rate • Full access to VA benefits 	<ul style="list-style-type: none"> • Parity for Native veterans • Improved deployment rate 	Existing NADL appropriations	Requires statutory amendment
NADL relending pilot	<ul style="list-style-type: none"> • Makes NADL more accessible 	<ul style="list-style-type: none"> • Improved deployment rate • Increased impact • Lower risk 	Existing NADL appropriations	May requires statutory amendment
Direct loans to tribes, TDHES and nonprofits	<ul style="list-style-type: none"> • Addresses shortage of housing stock • Provides new units for Tribal HUD VASH vouchers 	<ul style="list-style-type: none"> • Improved deployment rate • Increased impact • Lower risk 	Existing NADL appropriations	May require statutory amendment



SOUTH DAKOTA
**Native Homeownership
Coalition**

www.sdnativehomeownershipcoalition.org

2. Allocate \$50 million in existing appropriations to make the USDA Section 502 home loan relending pilot permanent for Native communities nationwide.

US Department of Agriculture (USDA) Rural Development has limited staff resources to provide Section 502 Single Family Housing direct loans on tribal land. In FY 2019, of the 6,194 direct loans made nationally by Rural Development, 127 were to Native American borrowers *but only six of them were for homes on tribal land*. Native CDFIs have experience operating on tribal land. In addition, they provide extensive financial and homebuyer education to help their clients become self-sufficient, private homeowners. The proposed relending program would increase the flow of mortgage capital to Indian Country by allowing Native CDFIs to be eligible borrowers under the 502 Direct Loan Program and enabling them to relend to eligible families for the construction, acquisition, and rehabilitation of affordable housing.

Last year, Rural Development launched a \$2 million 502 relending demonstration program with two Native CDFIs in South Dakota. In partnership with Rural Development, the Native CDFIs were able to deploy more loans in two months than Rural Development did on the same two reservations in the previous nine years. By expanding and making this pilot permanent, Rural Development will be able to partner with other Native CDFIs nationwide to deploy much-needed mortgage capital throughout Indian Country.

3. Direct the Department of Interior to streamline and dedicate resources to the residential leasing, mortgage approval and Title Status Report (TSR) processes to enhance access to mortgage capital on trust land.

The Bureau of Indian Affairs (BIA) lacks adequate resources and personnel to support its fiduciary responsibilities related to mortgage lending on tribal land. The Secretary should streamline and dedicate more staff resources to prioritize these processes, especially the Land Title Records Offices, which are not designed to accommodate the pace of the residential real estate market.

In addition, the BIA should build on its success with issuing *52 IAM 4-H Indian Affairs Mortgage Handbook* and conduct training for staff and lenders to ensure consistent implementation of the handbook across Indian Country.



SOUTH DAKOTA
**Native Homeownership
Coalition**

www.sdnativehomeownershipcoalition.org

4. Support S. 2725 – the Native American Housing Affordability Act of 2019.

This bill, introduced by Senator Rounds (R-SD), would give HUD the authority to issue guarantee certificates before receiving final certified TSRs, expediting the ability of Native American borrowers to close loans on trust land.

5. Expand the Tribal HUD VASH voucher pilot program to make it available to all tribes.

This critical program should be available to all tribes with the capacity to manage and implement housing units for eligible veterans. In addition, HUD should explore the ability to issue Tribal HUD VASH vouchers to veterans seeking homeownership, similar to HUD Section 8 vouchers.

6. Increase appropriation levels for federal programs that support Native homeownership, including:

AGENCY	PROGRAM	FY 21 FUNDING	PROPOSED FY 21 FUNDING
HUD	Indian Housing Block Grant	\$655 million	\$700 million
	Competitive Indian Housing Block Grant	\$100 million	\$100 million
	Section 184 Indian Home Loan Guarantee	\$1.44 million	\$9 million
	Indian Community Development Block Grant	\$70 million	\$100 million
	Tribal HUD-VASH	\$3 million	\$7 million
USDA	Section 525 Technical and Supervisory Assistance Grant Program	\$0	\$5 million
Interior - BIA	Housing Improvement Program	\$9.7 million	\$23 million
Treasury – CDFI Fund	Native American CDFI Assistance Program	\$16 million	\$30 million