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LOAN LEVERAGING IN INDIAN COUNTRY

HEARING

BEFORE THE

COMMITTEE ON INDIAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

FEBRUARY 4, 2015

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LOAN LEVERAGING IN INDIAN COUNTRY

WEDNESDAY, FEBRUARY 4, 2015

U.S. SENATE,
COMMITTEE ON INDIAN AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:30 p.m. in room 628, Dirksen Senate Office Building, Hon. John Barrasso, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN BARRASSO, U.S. SENATOR FROM WYOMING

The CHAIRMAN. I call the hearing to order.

We are moving along because there may be votes a little bit later into the procedure so we will now begin the Committee's oversight hearing on loan leveraging in Indian Country.

One of the most significant issues in Indian Country is the need to access capital. Without capital, tackling challenges in Indian Country is difficult. Today we will discuss accessing capital for housing.

Housing is crucial to establish stable homes and to empower Indian people. The National American Indian Housing Council estimates there is a need for about 250,000 new housing units throughout Indian Country.

The Native American Housing Assistance and Self Determination Act has been successful. The success of this program NAHASDA is because it has been carried out at the local level by the tribes themselves. Tribal participants simultaneously expand financial competitiveness while addressing housing needs.

While NAHASDA has been successful, there are still opportunities for improvement. These include the opportunity for greater participation. Attracting greater tribal participation will attract greater investment in Indian Country. Today, we will listen to how loan leveraging can be improved.

I want to take this opportunity to thank the many elected tribal leaders here in attendance for this important hearing. I also want to recognize an old friend, Patrick Goggles, the Executive Director of the Northern Arapaho Housing Authority, who is in attendance today and whom I served with, together in the Wyoming legislature.

First, I want to recognize the Vice Chairman for his statement.

STATEMENT OF HON. JON TESTER,
U.S. SENATOR FROM MONTANA

Senator TESTER. I want to thank the Chairman for holding this hearing today.

This afternoon, the Committee will examine loan leveraging in Indian Country. I look forward to hearing from our witnesses about the numerous challenges we face in addressing Indian housing and specifically issues regarding home ownership.

The housing needs of Indian Country are great. American Indians currently comprise 8 percent of the country's homeless population—8 percent. They make up 1 percent of the general population.

Nearly 46 percent of American Indians live in overcrowded conditions and over 25 percent live in housing units that have severe structural needs. There are ways we can help, by reauthorizing Federal programs that are aimed at improving the immense housing needs across our Indian communities.

First and foremost, we need to move forward on a NAHASDA bill. I look forward to working with Chairman Barrasso on doing just that.

Timely with this hearing, we need to reauthorize Section 184 of the Indian Home Loan Guarantee Program. Home ownership in Indian Country is something that we need to pursue vigorously to help with the housing crisis we are facing on our Indian reservations.

Section 184 loans are a piece of this puzzle. I look forward to hearing how the current structure of the program is working in Indian Country as well as where limitations might exist.

Before we begin, I want to welcome the third witness we are going to will hear from today, a chap by the name of Bob Gauthier from my home State of Montana. Bob comes by way of the Flathead Indian Reservation and has a long and distinguished career in Indian housing, including currently serving on the Montana Board of Housing.

Bob is one of the good guys in Montana and we thank you for being here today, Bob.

Is Leif Holmgren in the audience? Leif is from Northern Cheyenne and is also involved in Indian housing.

Mr. Chairman, I look forward to the testimony from all the panelists today and thank you for holding this hearing.

The CHAIRMAN. Thank you, Senator Tester.

Do any other members have an opening statement? Senator Franken.

STATEMENT OF HON. AL FRANKEN,
U.S. SENATOR FROM MINNESOTA

Senator FRANKEN. May I, because we may have votes?

I want to thank you, Mr. Chairman, for bringing attention to the important issues of housing on tribal lands and thank our witnesses for coming today.

Loan leveraging may not sound exciting but for tribes with limited resources to address their housing needs it is essential. The Native American Housing and Self Determination Act, NAHASDA,

is vital to enabling American Indians and tribes to meet their particular housing needs.

I look forward to working with the Chairman, the Ranking Member and other members of this Committee to reauthorize NAHASDA. I hope we can make improvements to these programs in the process.

At the end of the day, we can design the perfect programs. We can cut out all the waste and tinker with them until they are just right, but that will not make a significant difference unless we also fund them.

This is the case not only in housing but also in education, law enforcement, health care and just about every issue before this Committee. Not only have we failed to fund these programs sufficiently, but witness testimonies before us today show that the purchasing power of these programs is actually shrinking. You cannot sugar coat it, we are failing these communities.

In housing, that failure is particularly stark. When Indian Country lacks quality, affordable housing, it compounds other problems that tribes face. Poor housing leads to worse health outcomes, worse educational outcomes and on and on.

We need a sustained investment in housing if we want to see real progress. I hope today's hearing moves us closer to that sustained investment. I look forward to hearing from our witnesses.

Thank you.

The CHAIRMAN. Thank you, Senator Franken.

Does anyone else want to make an opening statement? If not, we have three witnesses today: Ms. Sami Jo Difuntorum, who is here from the National American Indian Housing Council; President Carol Gore, from the Cook Inlet Housing Authority in Anchorage, Alaska; and Mr. Robert Gauthier from the United Native American Housing Association in Ronan, Montana.

Senator Daines, would you like to say anything by way of introduction?

STATEMENT OF HON. STEVE DAINES, U.S. SENATOR FROM MONTANA

Senator DAINES. I certainly echo Senator Tester's comments. Bob, from Ronan, we are very glad to have you here.

You come from a beautiful part of our State. In fact, my son played in Class B football and we came up and played on your very nice football field a couple years ago. It is nice you brought a cheering section, even the Norwegian from the Northern Cheyenne. We are glad to have you all here.

Thank you for your contribution to our community, to Indian Country as a whole and for providing perspective today. I look forward to your testimony.

The CHAIRMAN. Thank you, Senator Daines.

I will just tell you that Lamar Alexander wrote a book called The Little Plaid Book. He said if you want a standing ovation when you give a speech, you had better have five friends in the front row who are ready to stand up and that leads the rest of the crowd to join as well. Thanks for bringing your friends.

We are going to move along with the testimony. Members may submit written questions to the witnesses as well. Your full written

testimony will be made a part of the official hearing record. Please keep your statements to five minutes so that we may have time for questions. I look forward to hearing the testimony from each of you.

Ms. Difuntorum, please proceed.

STATEMENT OF SAMI JO DIFUNTORUM, CHAIRWOMAN, NATIONAL AMERICAN INDIAN HOUSING COUNCIL

Ms. DIFUNTORUM. Thank you.

My name is Sami Jo Difuntorum, and I am a member of the Kwekaeke Band of Shasta Indians from northern California. My family comes from the Upper Klamath River Canyon.

I am also the Housing Director for the Confederated Tribes of the Siletz Indians in Oregon and Chairwoman of the National American Housing Council. I appear before you today as the Chairwoman of the Housing Council.

On behalf of the NAIHC, I would first like to congratulate you, Senator Barrasso, on becoming chairman of this Committee, to thank you, Senator Tester for your hard work and distinguished service as immediate past chairman of the Committee, and each and every one of your for your commitment to Indian people and Indian Country. Our work doesn't get done without you.

There are 566 federally-recognized Indian tribes in the United States. Tribal communities suffer from the highest unemployment and poverty rates, the worst health, poor education options, and the most substandard housing in the country.

While Indian Country has made real strides in economic growth and development in the last thirty years, the truth is that in 2015, poverty in America continues to have an Indian face.

I would like you to look at the pictures here on the easels. This is an example of a successful leveraging program at Siletz. You could use Title VI to leverage five times your annual allocation.

Our allocation for the Indian Housing Block Grant is $3.8 million. Leveraging that five times we were able to borrow $18 million; we borrowed $1.4 million and were able to build five homes, infrastructure and roads in a community in Oregon. Not all tribes have the ability to leverage their funds.

Title VI for us is a great program. There are a lot of minimally funded tribes that receive $50,000 to $100,000 per year. With limited leveraging of five times their allocation, that can be from $250,000 to $500,000. I think that is a challenge for small tribes trying to access the Title VI Loan Guarantee Program.

We have had great success with it. Without the Title VI Loan Guarantee Program, it would have taken us seven years to build the development that we had. We would have to have saved $200,000 for a seven year period. Leveraging the grant allowed us to build it.

We applied in July 2013 and our families moved in the following year. It was a very fluid process and a very successful one. We would encourage you to continue the Title VI program, increase the lending authority and the loan guarantee authority for HUD.

Thank you for the opportunity to speak today.

[The prepared statement of Ms. Difuntorum follows:]

PREPARED STATEMENT OF SAMI JO DIFUNTORUM, CHAIRWOMAN, NATIONAL AMERICAN INDIAN HOUSING COUNCIL

Good afternoon. On behalf of the National American Indian Housing Council (NAIHC), I would first like to congratulate you Senator Barrasso on becoming Chairman of this Committee, and to thank you Senator Tester for your hard work and distinguished service as immediate past Chairman. The issues that Indian Country care most about continue to rest in good hands with you and the other distinguished men and women on the Committee.

My name is Sami Jo Difuntorum, and I am an enrolled member of the Kwekaeke Band of Shasta Indians which is located in northern California. I am the Executive Director of the Siletz Tribal Housing Department in Oregon, and I appear before you today in my capacity as Chairwoman of the NAIHC. As many of you know, the NAIHC is in its fifth decade assisting American Indian and Alaska Native communities in meeting the housing needs of their members. Thank you for the opportunity to appear before you today to testify about how tribal communities are using federal loan guarantees to leverage scarce federal funds to build housing and related infrastructure for their members.

An Economic Profile of Indian Country

There are 566 federally-recognized Indian tribes in the United States. Tribal communities suffer the highest unemployment and poverty rates, the worst health, poor education options, and the most substandard housing in the country.

While Indian Country has made real strides in economic growth and development in the last thirty years, the sad truth is that in 2015, poverty in America continues to have an Indian face.

Some tribes lucky enough to be located near metropolitan areas with sizeable populations, have developed successful gaming operations. Nationally, these tribes generate some $28 billion in revenues and employ tens of thousands of people, Indian and non-Indian alike.

Other tribes are blessed with energy and natural resources, and have chosen to develop these resources for the benefit of their tribal members.

Far too many tribes, however, have economies and households that are dependent in large measure on federal programs and services provided by the Bureau of Indian Affairs, the Indian Health Service, the Department of Housing and Urban Development (HUD), and others.

Housing and Related Infrastructure and Community Development

In the mid-1990s, a broad consensus emerged in Congress and the executive branch that most programs and services provided by the federal government would be more efficiently administered and more effective in results, if they were consolidated and block-granted to states and Indian tribes.

In 1996, a Republican Congress passed and President Clinton signed, the Native American Housing Assistance and Self-Determination Act ("NAHASDA," 25 U.S.C. 4101) to block-grant housing resources (and delegate related decisionmaking) to Indian tribes for their low-income members.

As an aside, authorization for the NAHASDA has expired and again this year bipartisan legislation has been introduced to reauthorize and improve the statute. The bill, H.R.360, was introduced by Rep. Steve Pearce (R–NM) and has thirteen original co-sponsors, including six Republicans and seven Democrats. The NAIHC fully supports this bill and is hopeful Congress will pass and send this important legislation to the President early this year.

In the years since the NAHASDA was enacted, there is no question that more housing stock is being built and more housing units are being redeveloped and renovated using NAHASDA's Indian Housing Block Grant (IHBG) funds than under the previous regime.

Since fiscal year 1998, appropriated funding under NAHASDA has averaged $650 million. NAIHC members and most outside observers agree that this figure is woefully inadequate to address the housing needs of low-income Indian people. These appropriated funds are complemented by important guaranteed loan programs: (1) the Section 184 Loan Guarantee Program, and (2) the Title VI Tribal Housing Activities Loan Guarantee Program.

The Section 184 Loan Guarantee Program

The Section 184 Loan Guarantee Program ("184 Program") was designed to provide American Indians and Alaska Natives access to mortgage financing to purchase single-family homes as primary residences. Historically, such financing has proved difficult to obtain for several reasons: trust lands may not be used as loan collateral, a lack of employment and, generally, tribal weak economies.

By providing a 100 percent federal guarantee to repay the unpaid principal and accrued interest on mortgage loans to tribal members, the 184 Program encourages bank participation and helps boost homeownership in tribal communities. A down payment of 2.25 percent is required on loans over $50,000, with a 1.2 percent down payment on loans under $50,000.

Loans guaranteed under the 184 Program can be used to:

1. Buy an existing home;
2. Build a new home;
3. Rehabilitate a home;
4. Purchase and rehabilitate a home; or
5. Re-finance a home.

Participation in the 184 Program depends on being demonstrably enrolled in a federallyrecognized tribe, and HUD has developed a network of national and local banks that take part in the Program. According to HUD, as of September 2014, there were 25,748 loans guaranteed by the Program, totaling $4.2 billion.[1] See Attachment A—"Loans Guaranteed with Section 184."

In addition, the 184 Program can be used in forty states, with eligibility in thirteen of those states limited to selected counties: Alabama, Arkansas, Connecticut, Iowa, Illinois, Louisiana, Missouri, Mississippi, Nebraska, New York, Rhode Island, Texas and Wyoming.[2] See Attachment B—"Section 184 Eligible Areas by State."

The Title VI Tribal Housing Activities Loan Guarantee Program

Another tool in the tribal toolbox is the Title VI Tribal Housing Activities Loan Guarantee Program (the "Title VI Program"), which is designed to assist IHBG recipients in financing their affordable housing projects. Individual tribal members are not eligible for Title VI loan guarantees.

Backed by a federal guarantee, the Title VI Program is used by many tribes to leverage their IHBG by pledging future grant funds as security for repayment of the loan.

Much like the 184 Program, the Title VI Program is a tri-partite arrangement involving an Indian tribe, a private bank, and the federal government. Under this Program, the tribe is required to repay the loan, but if it defaults on the repayment agreement, HUD will repay the lender and seek reimbursement from the tribe in the form of future IHBG funds.

To be eligible for the Title VI Program, would-be borrowers must be a federally-recognized Indian tribe that receives IHBG funds, or a tribally-designated housing entity (TDHE) duly authorized by a federally-recognized tribe to commit to financial obligations and to pledge IHBG funds to secure those obligations.

Title VI loans may be used to further a recipient's "affordable housing activities," which is a term defined in NAHASDA at 25 U.S.C. 4132 as:

1. Indian housing assistance;
2. Housing development;
3. Housing services;
4. Housing management services;
5. Crime prevention and safety activities; and
6. Model activities subject to HUD's approval.

HUD receives an annual appropriation to cover the cost of the Title VI Program. In recent years, Congress has appropriated $2 million per year to cover these costs. The appropriators also place a maximum dollar limit on the loans HUD can guarantee. In fiscal year 2013, for example, HUD was authorized to guarantee up to $18 million in Title VI loans.

As of June 2013, HUD had guaranteed seventy-four loans totaling $190 million since the Program was begun. The leveraging made possible with a Title VI loan means IHBG recipients may borrow up to five times the need portion of their block grant allocation. It is especially helpful to small tribes that receive modest IHBG allocations.

In order to demonstrate the real-world value of these two loan guarantee programs, I offer the following examples involving the Confederated Tribes of Siletz In-

[1] U.S. Department of Housing and Urban Development. (2014). Loans Guaranteed With Section 184 [Data Map]. Retrieved from *http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8761.pdf*

[2] U.S. Department of Housing and Urban Development. (2012). Section 184 Eligible Areas By State [Data Map]. Retrieved from *http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8762.pdf*

dians in Oregon, the Lummi Nation in Washington State, and the Susanville Indian Rancheria in California.

The first example involves the *Confederated Tribes of Siletz Indians (CTSI) in Oregon.*

The CTSI is a federally-recognized tribe located in coastal Oregon. The tribal membership is 4,984 members, yet they have only 214 units of affordable housing for low-income tribal members. Their waiting list for low-income housing includes over 200 eligible households.

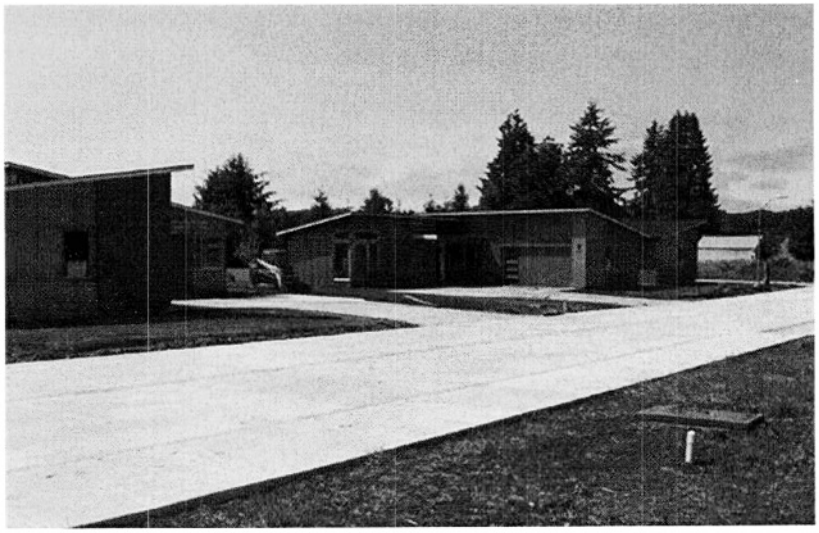
The CTSI receives an annual IHBG allocation of approximately $3.8 million. During the Tribe's annual planning meeting, the CTSI Tribal Council identified the need to develop more homeownership programs and opportunities for low-income members. As a result, the CTSI applied for a Title VI loan guarantee to build Phase 2 of the subdivision known as Tillamook. The amount provided through the IHBG is not sufficient to both provide diverse housing services and construct new homes.

The CTSI borrowed $1.4 million to complete on-site infrastructure that will accommodate twenty-one single family homes, construct five energy efficient units for first-time homebuyers, and build a connecting road within the subdivision. As more families qualify, the only funds that will be needed are for actual home construction because they now have the master plan in place, with roads and infrastructure complete.

The HUD budget allocates $200,000 IHBG funds annually for on-reservation new construction, and ordinarily they would have been obliged to save IHBG funds for seven years to complete this work.

But the Tribe did not have to do this, because the Title VI Program's guarantee enabled the CSTI to borrow and repay the loan with IHBG funds over an eleven year period.

The timeline for this was also short: the CTSI submitted a loan application in July 2013 and Phase 2 homes were built and occupied by September 2014.



Tillamook Subdivision – Confederated Tribes of Siletz Indians (Oregon)

The second example involves the *Lummi Nation of Washington State.*

At Lummi, there are some 4,200 enrolled members, with 2,400 enrolled members living on the reservation. To address the housing need, the Lummi Nation adopted a 10–Year Housing Plan that proposes to build 442 dwelling units (330 single-family homes and 112 apartments). The projected cost for this plan is $79 million—an average of $8 million per year. The Lummi Nation Housing Authority (LNHA) receives an annual IHBG allocation of $2.8 million.

To fill the $5.2 million gap in funding, the LNHA uses IHBG funds to leverage additional funds using the Title VI Program. The following are samples of the resources leveraged with IHBG funds:

- *HUD's Indian Community Development Block Grant (ICDBG) Program*—LNHA has successfully competed for ICDBG grants for six consecutive years for a total of $3 million, used to build housing-related physical infrastructure.
- *Department of Labor's Youthbuild Program*—The Youthbuild Program has been used to assist in providing facilities for LNHA's housing projects and to train tribal youth. LNHA has successfully competed for three Youthbuild grants totaling $2.2 million, which has been used on its development projects.
- *Northwest Indian College*—The Northwest Indian College donated land valued at $1.2 million for the Kwina Village project.
- *HUD's Title VI Loans*—The LNHA is in the final stages of closing a $7.0 million Title VI loan. $5.8 million will be used on the Turkey Shoot project, and the balance of $1.2 million for LNHA's administrative building.
- *Lummi Nation Business Council*—The Lummi Nation is contributing $500,000 to assist the LNHA with the Title VI debt service.

Over the next two years, the LNHA will be constructing basic infrastructure, new apartments, triand four-plexes, single-family homes, and a variety of community and recreational support facilities aimed at addressing critical tribal needs in the areas of rental and transformational housing, and low-income homeownership.

Currently, the LNHA is finishing construction of a 52-unit addition to Kwina Village (124 total units) and a 1,200 square foot centralized laundry facility to serve the entire Kwina Village neighborhood. It is centrally located near the Lummi Nation's administration center, Tribal court, health clinic, police, and Northwest Indian College. Small one- and two-bedroom apartment units fill the need for housing young families attending the college. Over 75 percent of the initial $10 million project was funded with leveraged sources from HUD, Northwest Indian College, Department of Labor, and the American Recovery and Reinvestment Act.

Kwina Village Development – Lummi Nation (Washington State)

The Lummi Nation also recently completed the first sixteen single-family homeownership units constructed on the 150-lot Mackenzie Master Plan for low-income tribal members who qualify for the 184 Program. Thirty lots that are fully-buildable with full street improvements, sidewalks, utilities, lighting, storm systems, and fire protection, were constructed in the past few years with ICDBG and IHBG funds.

LNHA was just recently awarded its sixth competitive ICDBG grant by HUD to construct eighteen additional lots in the Mackenzie Neighborhood in accordance with the Mackenzie Master Plan.

The Turkey Shoot development will be a 55-unit mixed-income development with single and two-story tri-plexes, four-plexes, and single-family homes within an integrated neighborhood supported by community and recreational amenities. Families undergoing transitional changes will be provided with housing units specially de-

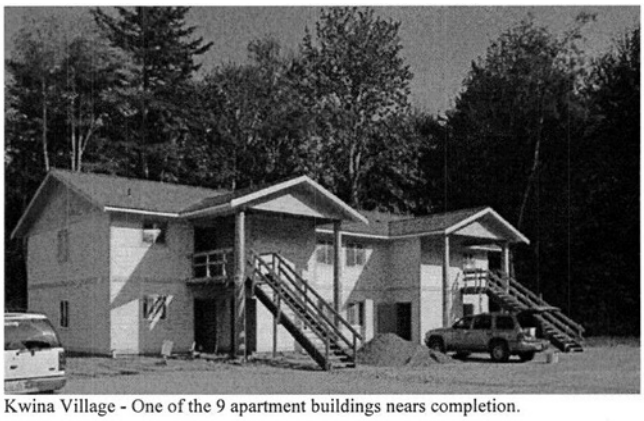
signed to accommodate their unique needs, as well as promote neighbor and neighborhood-building activities.

Lummi is also providing housing units and "wrap-around" services to families in transition. There will be a resident's center that will include office, clinic, and meeting space for tribal service providers that support transitional families with case management and other services. By having the service providers housed in the neighborhood, there will be ease of access to services and consistent support for the families which the tribe believes will ensure that no one falls through the cracks.

The nearly complete infrastructure of roadways and utilities was funded by the 2013 ICDBG grant award, IHBG funding, and LNHA proceeds of sale. Construction of the buildings will be accomplished utilizing (*for the first time*) a Title VI low-interest development loan in the amount of $5.8 million, and single-family homes will be constructed by tribal families who qualify for 184 Program loans.

In addition to the residential structures, resident's center, and recreational amenities at Turkey Shoot, the LNHA will use a Title VI loan to finance a new office building at Kwina Village in the amount of $1.2 million.

Kwina Village – Building foundations – Lummi Nation (Washington State)



Kwina Village - One of the 9 apartment buildings nears completion.

Mackenzie Homes - Infrastructure was provided by ICDBG and 16 new homes were constructed by individual tribal members using the 184 Program.

The third example involves the *Susanville Indian Rancheria (SIR) of California.*

The SIR is a small tribe located in Susanville, Lassen County, California, which is on the north eastern border of California, 80 miles from Reno, Nevada. The SIR is comprised of 1,091 members, 378 of whom live in Lassen County, and the majority of those living on the Rancheria itself.

The SIR consists of four northern California tribes: the Maidu Tribe, the Paiute Tribe, the Washoe Tribe, and the Pit River Tribe.

The SIR has designated the Susanville Indian Rancheria Housing Authority ("SIRHA") as its Tribally Designated Housing Entity, which constructs new units and maintains current assisted stock units using primarily IHBG and ICDBG funds.

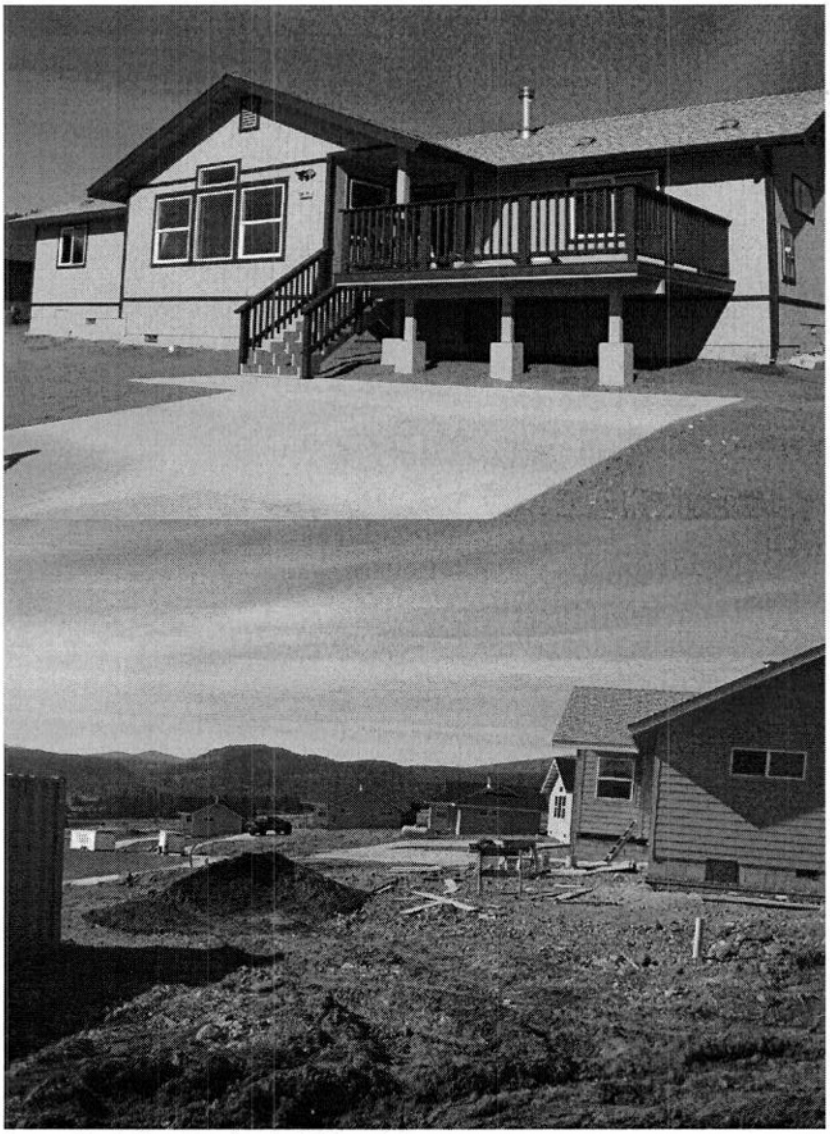
The SIRHA waiting list has 15 to 30 households of low-income status; tribal members who need affordable housing. The list would likely be longer if they had more housing stock available.

The SIRHA is currently implementing a pilot project using the 184 Program to finance unit construction. This will assist a tribal member who wishes to purchase a home on the Rancheria but does not qualify for assistance due to income limitations of the IHBG Program.

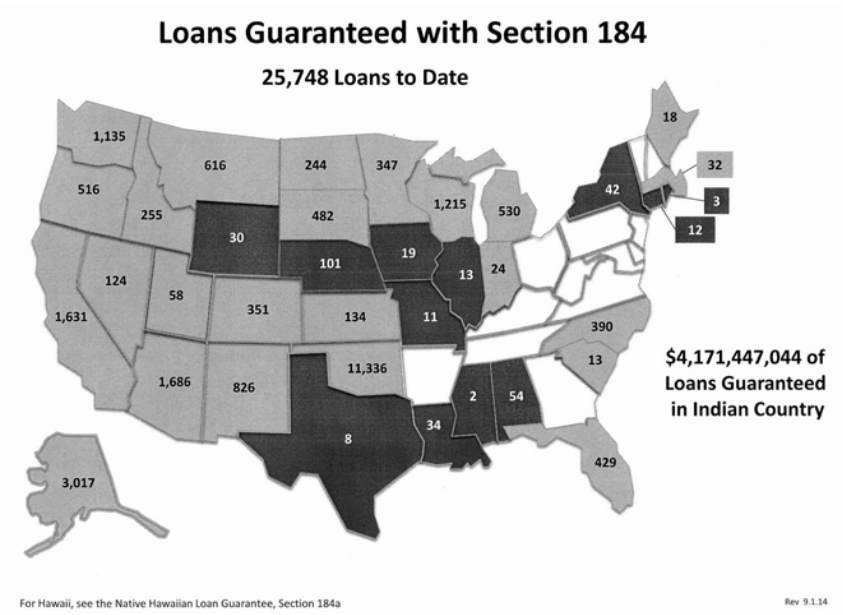
The loan will cover the full construction cost of the unit and the tribal member will assume the loan once construction is complete.

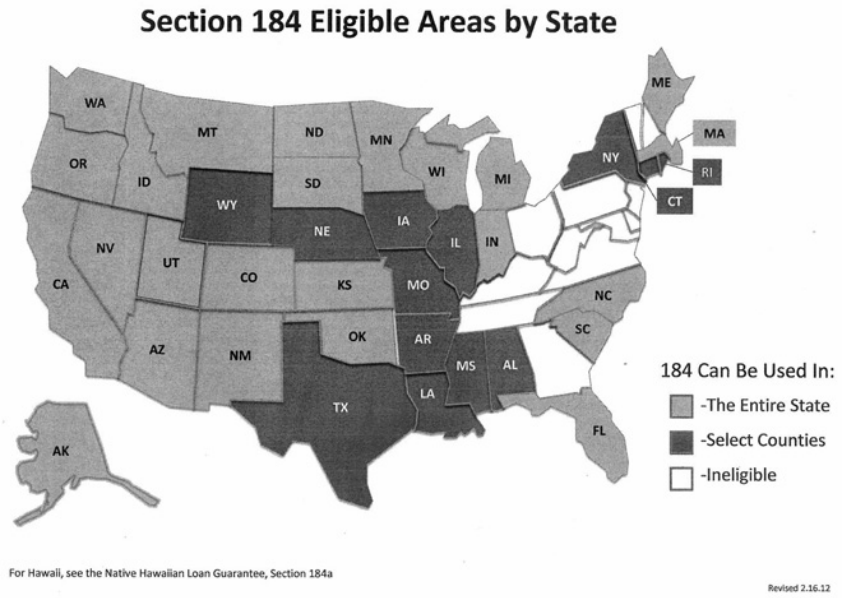
The governing body of the SIR sees this as a benefit due to the difficulties that arise when a tribal member wishes to live on the Rancheria but does not meet the income limitation of NAHASDA. The SIRHA has no product to offer many working families aside from a 184 Program.

As a result, for the SIRHA, leveraging non-program funds is the only way to make this project possible and allow for the tribal member to purchase a home on the Rancheria. The SIRHA sees this as a critical first step in opening the door to other members in similar circumstances.



Susanville Indian Rancheria (California)





The CHAIRMAN. Thank you very much.
Ms. GORE.

STATEMENT OF CAROL GORE, PRESIDENT/CEO, COOK INLET HOUSING AUTHORITY

Good afternoon.

Ms. GORE. Chairman Barrasso, Vice Chairman Tester and distinguished members of the Senate Committee on Indian Affairs, I want to thank you for the opportunity to appear today as the Committee examines loan leveraging in Indian Country.

My written statement includes detailed leveraging examples from my home State of Alaska and I appreciate that they will be included in the record.

My name is Carol Gore. I am the granddaughter of Alexandria Cooper, an Alaskan of Aleut descent, an enrolled member of the Ninilchik Village Tribe, and a shareholder of Cook Inlet Region, Inc., an Alaska Native Claims Settlement Act Regional Corporation.

For fifteen years, I have served as the President and CEO of Cook Inlet Housing Authority, the tribally designated housing entity for Alaska's Cook Inlet Region. We serve an area the size of Switzerland that is home to tens of thousands of Alaska Native and American Indian people.

The enactment of NAHASDA in 1996 profoundly improved the ability of tribes to address the housing needs of our low income families. For the first time ever, tribal housing providers were able to address our specific housing needs using strategies that are effective on our own tribal lands.

Using the Indian Housing Block Grant as the initial funding source, tribal communities also began to attract other investment. In my home State of Alaska, tribes are also working together, pooling funding and resources to leverage capital and improve our capacity to bring outcomes beyond just building housing.

Through collaboration, we achieve economies of scale and bring efficiencies to our collective work. We are building homes that improve sustainability for communities and catalyze measurable social, educational and economic improvements.

Tribes in my home State of Alaska have leveraged IHBG funding in a variety of ways. TNHA Regional Housing Authority, which serves the northernmost reaches of Alaska, developed an innovative model of sustainable northern housing that is designed to last 100 years and uses less than a quarter of the heating fuel needed for typical rural Alaskan homes.

To get there, they leveraged non-Federal funding at a ratio of more than four to one including a commercial loan secured by a Title VI loan guarantee. Thirty such homes are already complete.

At Cook Inlet Housing, we used the HUD 184 Loan Guarantee Program to build seven four-plex family rental buildings in a community called Eagle River. The 184 Loan Guarantee Program is unique because it can be delivered as a single, close product, eliminating the need to procure separate construction financing and reducing the overall cost of funds.

Additionally, the required down payment 2.25 percent is achievable for both families and tribal entities that may have more limited financial capacity. The Native American CDFI Assistance Program, commonly called NACA, has emerged as another critical leveraging tool in Indian Country.

In Alaska, Cook Inlet Housing created a Native CDFI which deploys NACA assistance in a variety of strategic ways to help American Indian and Alaska Native families achieve home ownership. While not a loan product, tribes able to secure low income housing, tax credit awards can sell those credits to private investors to generate equity for the development of affordable housing.

In remote Hooper Bay in western Alaska, AVCP Regional Housing Authority invited Cook Inlet Housing to partner with them to develop 19 new units of affordable housing. Cook Inlet Housing provided tax credit experience while AVCP provided knowledge of local design and construction techniques. Private equity from the sale of tax credits provided almost 60 percent of the project funding.

Equally important were efforts to leverage our mutual capacity to develop housing that neither organization had the expertise to build on its own.

As these examples demonstrate, many tribal housing providers are leveraging scarce NAHASDA resources to secure other critical sources of funding. Tribes and tribal housing providers are proud of the outcomes we are producing for our people and communities.

We know we have more work to do if we are ever to achieve equal economic and housing opportunities for Native people and communities. We embrace that challenge and most respectfully ask for Congress' continued support.

We extend our appreciation to the Chairman, the Vice Chairman and members of this Committee for the opportunity to testify.

[The prepared statement of Ms. Gore follows:]

PREPARED STATEMENT OF CAROL GORE, PRESIDENT/CEO, COOK INLET HOUSING AUTHORITY

Good afternoon Chairman Barrasso, Vice-Chairman Tester, and distinguished members of the Senate Committee on Indian Affairs. Thank you for the opportunity to appear today as the Committee examines loan leveraging in Indian Country.

My name is Carol Gore. I am an Alaskan of Aleut descent, an enrolled member of the Ninilchik Village Tribe, and a shareholder of Cook Inlet Region, Inc., an Alaska Native Claims Settlement Act regional corporation. For fifteen years, I have served as the President and CEO of Cook Inlet Housing Authority, the Tribally Designated Housing Entity for Alaska's Cook Inlet Region.

Cook Inlet Housing is responsible for serving Alaska Native and American Indian individuals living in an area of Southcentral Alaska roughly the size of Switzerland. These lands are home to tens of thousands of Alaska Native and American Indian people, all too many of whom struggle to find safe, sanitary housing they can afford. Unfortunately, the severity of the need for housing among Native families is ubiquitous not just in the communities we serve and the remainder of Alaska, but throughout Indian Country.

Passed in 1996, the Native American Housing Assistance and Self-Determination Act gave tribes access to an innovative resource that revolutionized the delivery of housing assistance to low-income American Indian and Alaska Native families—the Indian Housing Block Grant (IHBG). The IHBG enabled tribes to increase housing production and serve more of our people by providing critical funding and allowing decisionmaking to respond to local needs and cultural differences. However, housing needs in Indian Country are simply too significant for lasting progress to be made without the investment of additional resources. Many tribal housing providers have become skilled at leveraging their IHBG funds to secure those additional resources, including loans from a variety of sources. In tribal communities, IHBG funds are most often the first funds that provide the opportunity for critical leveraging and meaningful investment. It is my privilege today to share with the Committee some of the strategies tribal housing providers employ to provide the highest possible return on investment for the IHBG program.

The Native American Housing Assistance and Self-Determination Act (NAHASDA)

Prior to NAHASDA, housing assistance for American Indians and Alaska Natives was provided by various programs under the Housing Act of 1937 and other legislation. While these programs provided a broad range of assistance, they were administratively cumbersome and inefficient when used in tribal communities. They required separate applications and program administration, and eligibility requirements differed from one program to the next. The programs were an extension of urban-oriented housing programs and failed to recognize the unique social, cultural, and economic needs of American Indian and Alaska Native communities.

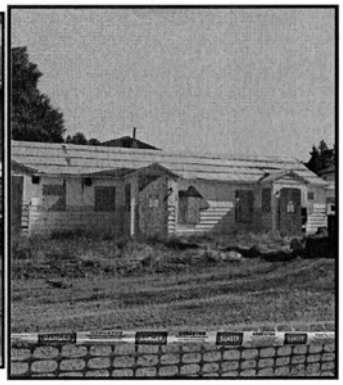
In 1994, HUD articulated its intent to strengthen the unique government-to-government relationship between the United States and federally recognized Native American tribes and Alaska Native villages. This created momentum toward the development of NAHASDA, which was introduced in the U.S. House of Representatives by Rep. Rick Lazio. In his remarks, Rep. Lazio explained:

> Tribal governments and housing authorities should also have the ability and responsibility to strategically plan their own communities' development, focusing on the long-term health of the community and the results of their work, not over burdened by excessive regulation. Providing the maximum amount of flexibility in the use of housing dollars, within strict accountability standards, is not only a further affirmation of the self-determination of tribes, it allows for innovation and local problem-solving capabilities that are crucial to the success of any community-based strategy.

Congress enacted NAHASDA in 1996, establishing an Indian Housing Block Grant program specifically for the benefit of American Indians and Alaska Natives. NAHASDA represents an acknowledgement of the unique relationship between the Federal Government and Indian tribes. Keeping with the Federal Government's trust obligation to promote the wellbeing of Native peoples, it for the first time addressed the distinct affordable housing needs of low-income American Indians and Alaska Natives. NAHASDA authorizes tribes to address their specific housing needs using the strategies that are most effective in their tribal communities, rather than strategies mandated by officials working in offices thousands of miles away.

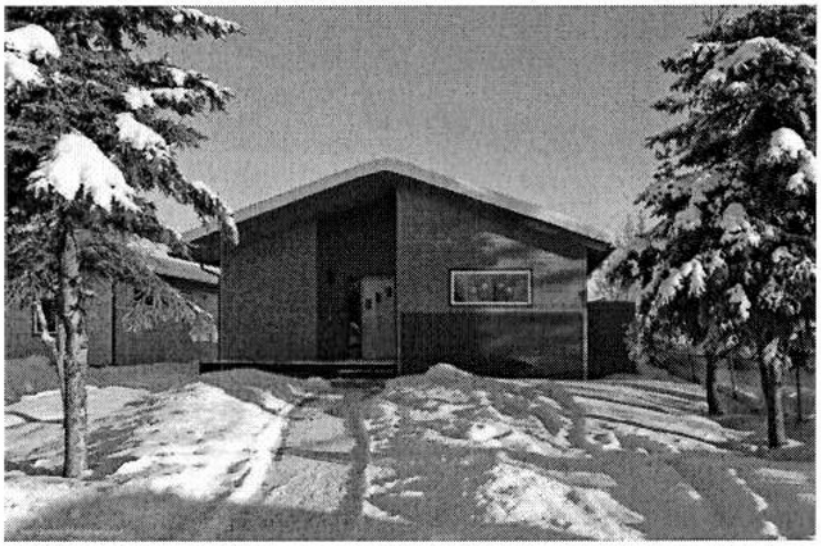
NAHASDA has had a profoundly positive impact in American Indian and Alaska Native communities. Recipients have used NAHASDA to build, acquire, or rehabilitate more than 110,000 homes. We have developed new housing; modernized, weatherized, and rehabilitated old homes; provided rental assistance; created home loan programs; delivered housing and financial literacy counseling; offered down payment assistance; prevented crime; and revitalized blighted communities. Support for NAHASDA is strong throughout Indian Country. According to the Government Accountability Office, 89 percent of tribal housing providers hold positive views toward the effectiveness of NAHASDA.

Like so many tribes and tribally-designated housing entities, Cook Inlet Housing has seized the opportunities NAHASDA presents to serve American Indian and Alaska Native people in innovative and effective ways. Within our service area is the community of Mountain View, which has one of the highest concentrations of Native people in the State of Alaska. In the early 2000s, Mountain View was characterized by blight, crime, and economic stagnation. It was a community of last resort. Dilapidated multiplexes run by absentee landlords dominated the housing stock, and the main road through the community ran through a sleepy commercial center that smacked of disinvestment. Windows were boarded, and discarded liquor bottles gathered on vacant, weed-choked yards.



Working with residents, local government, the non-profit community, and state and federal policy makers, Cook Inlet Housing Authority helped develop a strategy to draw investment back into the community. Leveraging its NAHASDA funding to secure investments from numerous local, state, federal, and private sources, we began to acquire the "ugliest of the ugly" housing stock in Mountain View. We purchased properties that had been abandoned and homes that had burned, collapsed, or been boarded up. We acquired buildings identified by code enforcement and the fire department as threats to community safety. We bought sites that were contaminated and plagued by hazardous materials like asbestos and lead-based paint. And then we tore them down.

Where 143 blighted structures previously stood, discouraging investment in a largely Alaska Native community, now stand 349 new affordable homes. Contaminated properties have been remediated. Vacancy rates have decreased, and property values have risen throughout the community. Today, residents remain in the neighborhood longer—by choice.



Housing is a foundational investment; by improving housing stock and collaborating with a wide array of public, private, and non-profit partners, Cook Inlet Housing has been able to measure other social, educational, and economic improvements in Mountain View. For example, business is booming. Two new dentistry offices have opened in the neighborhood, as have a credit union, a telecommunications store, and a new fast food restaurant. A health clinic has announced plans to open

a community office. Additionally, Cook Inlet Housing developed two mixed-use commercial/residential buildings in Mountain View in an effort to provide incubator office and retail space that would attract businesses to the neighborhood. Every one of the six commercial spaces we built has been leased. Even education in the neighborhood has shown measurable improvements. Eighth grade test scores are up, as is attendance at parent-teacher conferences. Meanwhile, school transfer rates have declined.

For our work in Mountain View, Cook Inlet Housing received the 2014 HUD Secretary's Opportunity and Empowerment Award. Presented jointly by HUD and American Planning Association, the award honors excellence in community planning resulting in measurable benefits in terms of increased economic development, employment, education, or housing choice and mobility for low- and moderate-income residents.

Cook Inlet Housing's work in Anchorage's Mountain View neighborhood is but one example of the way in which tribes are using NAHASDA to address tribal housing needs in innovative and pioneering ways. Other tribes are finding ways to design and build culturally, environmentally, and economically sensitive housing that is improving life for many thousands of American Indian and Alaska Native families.

Fiscal Challenges

Tightening federal budgets have made it more challenging for Indian Housing providers to find the resources necessary to improve housing conditions in tribal communities. In FY 2015, the Indian Housing Block Grant appropriation is just 1.5 percent larger than the amount Congress appropriated fourteen years ago, in 2001. Due to inflation, NAHASDA's purchasing power has been reduced by nearly half since the first Indian Housing Block Grants were awarded in 1998. For example, in the remote village of Seldovia, accessible only by air or sea, Cook Inlet Housing owns and operates 18 units of elder housing. Income among Native people in traditional communities is low, yet expenses in isolated Seldovia are very high. Utilities alone amount to nearly $5,000 per household per year, primarily due to the cost of heating oil. The combination of low household income and high operating expenses makes it very difficult to develop housing delivery models that are financially sustainable for both Indian Housing providers and the families we serve. However, there are tools available, which tribal housing organizations have used with great success.

Title VI Loan Guarantee Program

Title VI of NAHASDA authorizes HUD to guarantee up to 95 percent of a loan made to a NAHASDA recipient for affordable housing activities. Borrowers pledge a portion of current and future IHBG funds to secure the loan. The guarantee encourages lenders to invest in housing in Indian Country, which in turn empowers

Indian Housing providers to engage in long-term development planning for projects that are larger in scale.

According to HUD, Title VI loans had by 2013 facilitated the development of 2,700 housing units and leveraged more than $74 million for affordable housing in Indian Country. In Alaska, Interior Regional Housing Authority (IRHA) is one of a number of tribes leveraging its IHBG funding using Title VI loan guarantees. IRHA is the Tribally Designated Housing Entity for 30 Tribes in the Doyon Region of Alaska. Over the past eight years, it has obtained ten Title VI loan guarantees, leveraging more than $6,000,000 in private financing to help build thirty-three affordable homes and complete fifty-four rehabilitation projects in remote Alaskan villages.

Section 184 Loan Guarantee Program

The Section 184 Loan Guarantee Program was created by the Housing and Community Development Act of 1992 to address the lack of mortgage lending and homeownership in Indian Country. The program offers a loan guarantee to private sector lenders who make mortgage loans to eligible borrowers, which include American Indian and Alaska Native families and individuals, tribes, and Tribally Designated Housing Entities.

Several characteristics of the Section 184 loan guarantee make it a particularly powerful leveraging tool. For example, new construction can be financed with a "single close" loan that provides permanent guaranteed financing before construction begins. This eliminates the need to procure separate construction financing, which typically carries a high interest rate. Additionally, the required down payment (2.25 percent) is achievable for both families and smaller tribal entities that may not have the financial capacity to make a large down payment. Because there are no income limitations for the 184 program, tribes are also able to serve a broader range of families and build healthier, more economically diverse communities.

In 2014, Cook Inlet Housing completed the Coronado Park Workforce Housing project in the community of Eagle River, Alaska (right). The 28-unit development is comprised of seven new 4-plex buildings. In effect, we used $1.3 million in IHBG funding and Section 184 loan guarantees to leverage $6.2 million in additional funding, including nearly $5 million in HUD 184 debt. The single close allowed us to access the HUD 184 debt during construction in lieu of conventional construction financing, thereby reducing our cost of funds. In the end, the HUD 184 Loan Guarantee Program enabled Cook Inlet Housing to create a mixed-income community and increased the number of units we would have otherwise been able to produce.

The Native American CDFI Assistance Program

The Native American CDFI Assistance Program, administered by the Treasury Department's Community Development Financial Institutions (CDFI) Fund, is another critical leveraging tool in Indian Country. The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994, as a bipartisan initiative to increase economic opportunity and promote community development investments for underserved populations and in distressed communities. The CDFI Fund achieves these goals in Native communities largely through its Native American CDFI Assistance (NACA) program, which provides financial assistance, technical assistance, and training to Native CDFIs.

Native CDFIs deploy NACA assistance in a variety of strategic ways to help American Indian and Alaska Native families achieve homeownership. Some Native CDFIs use NACA funding to deploy non-traditional second mortgage products that fill the gap between the cost of a home and the amount of the loan the first mortgage lender is willing to make using its standard underwriting criteria. Others use NACA funding to provide down payment or closing cost assistance, which reduces the amount of cash a borrower must have on hand to close a loan. Providing down payment assistance also helps American Indian and Alaska Native families avoid the burden of private mortgage insurance (PMI) costs. NACA funding allows Native CDFIs to deploy loan products with low, fixed interest rates, long terms, and non-traditional underwriting.

The primary barrier to deploying NACA funds in some tribal communities is the requirement that matching funds be provided by entities applying for Financial Assistance awards through the NACA program. Unfortunately, the amount of first mortgage lending leveraged by products like NACA-funded second mortgages does not satisfy the matching fund requirement. This fails to recognize the amount of first mortgage lending leveraged by the NACA program and for some tribes presents an insurmountable barrier to securing and deploying NACA funds.

The Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (LIHTC) is the nation's largest and most successful affordable rental housing production program. Although the LIHTC is not a loan program, it is a critical housing development resource that many tribes are able to leverage using their Indian Housing Block Grant funds. The LIHTC incentivizes the utilization of private equity in the development of affordable housing. Since its creation in 1986, the Housing Credit has leveraged nearly $100 billion in private investment capital, providing financing for the development of more than 2.6 million rental homes for low-income families. The Housing Credit produces or preserves nearly 100,000 homes per year and supports 95,000 jobs annually.

The Housing Credit is a premier example of public-private partnership. Because private investors can only claim credits after projects are completed, meet all federal requirements and are occupied by income-eligible tenants at affordable rents, the Housing Credit benefits from private-sector discipline. This model has led to effective management of affordable housing developments that have experienced an extremely low level of foreclosure—just 0.62 percent over the Housing Credit's entire history, according to the accounting firm CohnReznick.

The Indian Housing Block Grant provides funding that tribes and TDHEs can use to fill development gaps for potential LIHTC projects that might not be financially feasible otherwise. The utilization of LIHTCs to develop housing in Indian Country has increased unit production and resulted in developments characterized by a degree of efficiency typically seen in the private sector.

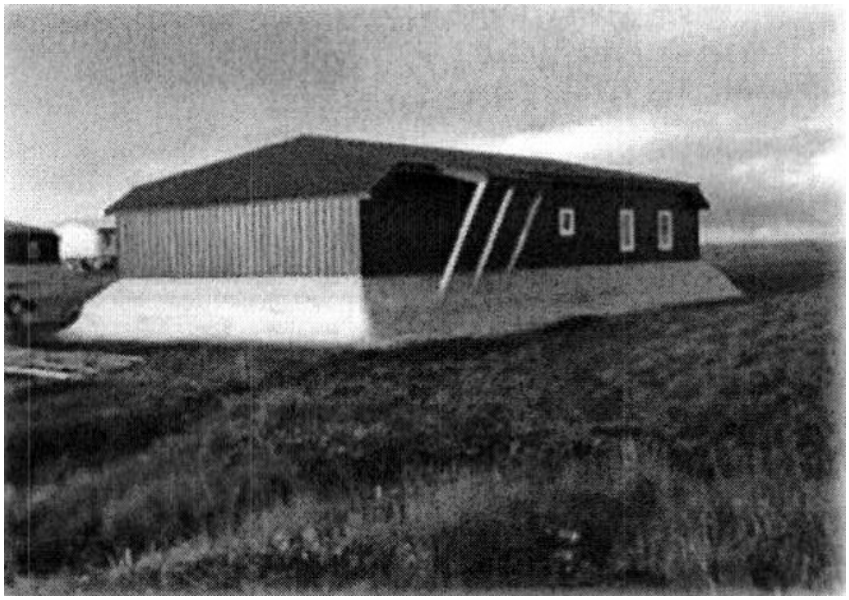
One example of the use of LIHTCs in Indian Housing is Cook Inlet Housing's 59-unit elder rental housing development, Eklutna Estates. The project design incorporated accessibility features that will enable elders to age in place. Other design techniques helped Eklutna Estates achieve a 5-star energy rating, reducing long-term operating costs. As the chart below demonstrates, Indian Housing Block Grant funds, including funds available through American Recovery and Reinvestment Act, comprised just 12 percent of the overall project financing.

Eklutna Estates Elder Housing

Case Study—Tagiugmiullu Nunamiullu Housing Authority (TNHA)

TNHA serves the northernmost region of Alaska. Their Sustainable Northern Shelter Project was specifically developed to address the need for sustainable rural housing for northern climates, using simple construction techniques and resulting in the production of dwellings that use very little water or energy. TNHA built a prototype home in the village of Anaktuvuk Pass, which used less than 200 gallons of heating fuel during its first year, less than a quarter of the average heating fuel consumption for typical rural Alaskan homes (880 gallons per year). When completed, TNHA's Sustainable Northern Shelter Project will consist of 24 homes in six villages throughout Alaska's North Slope region.

TNHA's sustainable northern shelter model incorporates numerous innovative design and construction techniques. The homes, comprised of three bedrooms on one level, are 1,000 to 1,300 square-feet in size. Their construction combines the time-tested method of earth banking with original ideas such as spray-on soy-based urethane foam insulated walls, which will be covered by waterproof steel siding. Materials have been customized to transport cheaply in smaller planes that can land on the short gravel runways common in most remote Alaskan villages. This strategy has enabled one house to be delivered in just two planeloads, allowing on-time delivery with transport costs far less than those required for traditional "stick built" construction. The steel studs and joist system for the projects are packed in cross-sections, nested into each other. Rather than using time-consuming multi-seasonal piling foundations, 18 inches of gravel mat allows for site preparation and foundation placement within a single day. The end result is the production of homes that are designed to last 100 years or more while using a fraction of the energy consumed by most homes. TNHA has managed to do this for approximately $170,000 less than the allowable Total Development Cost (TDC) for isolated Anuktuvuk Pass.



TNHA has achieved these results by leveraging its IHBG allocation to secure loans guaranteed under the Title VI Loan Guarantee program. Additional grant funding was provided by the State of Alaska.

Funding Sources	Amount
NAHASDA IHBG Funds	$1,671,180
Title VI Guaranteed Commercial Bank Loan	$6,672,170
State of Alaska Housing Grant Funds	$1,478,468
Percentage of Leveraged Funds in Project	83 percent
Total Project Funds	$9,821,818

Case Study—Hooper Bay, Alaska Development Partnership

The Village of Hooper Bay is located in the remote reaches of western Alaska. In 2006, the community was ravaged by a fire, which destroyed much of the community's available housing. The TDHE for the region, AVCP Regional Housing Authority, sought to work quickly to rebuild. However, a housing development of the scale needed would require the investment of Low Income Housing Tax Credits, and AVCP Regional Housing Authority did not have experience developing or operating LIHTC properties.

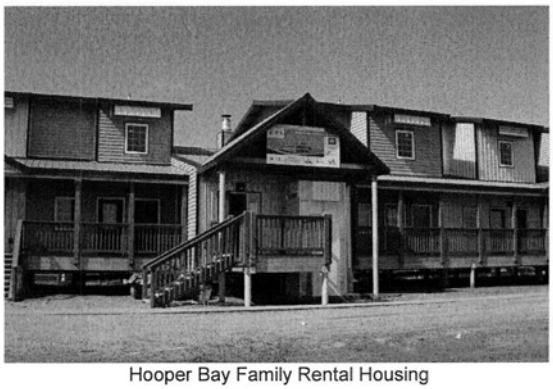
AVCP reached out to another Indian Housing provider that had the requisite experience—Cook Inlet Housing. Together, our two organizations secured an allocation of Low Income Housing Tax Credits, sold the credits to an investor to generate equity for the project, and built 19 new affordable homes for a community in the midst of a housing crisis.

Development funding for the Hooper Bay partnership came from a variety of sources, including NAHASDA, a State of Alaska housing grant, HUD's HOME and Rural Housing and Economic Development (RHEP) programs, and equity from the sale of Low Income Housing Tax Credits.

The Hooper Bay partnership between AVCP Regional Housing Authority and Cook Inlet Housing demonstrates the importance of leveraging both money and capacity. The investment of IHBG funds leveraged other sources, including tax credit equity, while AVCP's willingness to tap the existing capacity of another Indian Housing organization produced timely results and a collaborative relationship that persists to this day.

Hooper Bay Funding Sources:

HUD RHED 2%
State HFA Grant (AVCP RHA) 20%
HOME Funds AVCP RHA/AHFC 7%
LIHTC/1602 EXCHANGE 58%
NAHASDA (AVCP RHA) 13%



Hooper Bay Family Rental Housing

Conclusion

NAHASDA, and particularly the availability of the Indian Housing Block Grant, fundamentally changed how affordable housing is delivered in American Indian and Alaska Native communities. Many tribal housing providers have learned to leverage scarce IHBG resources to secure other sources of funding, including federally guar-

anteed loans, private equity from the sale of housing tax credits, and first mortgages for home buyers receiving additional assistance through the CDFI Fund's Native American CDFI Assistance program.

However, I urge Congress to recognize that loan leveraging has its limitations. In communities like Mountain View, Anuktuvuk Pass, and Hooper Bay, where costs are high and income is extremely low, leveraging debt cannot be viewed as the primary strategy to address housing needs. Effective leveraging must result in housing developments that are financially sustainable in the long term. Private investors must achieve stable returns from Indian Housing projects or their desire to invest in our communities will remain low.

For this reason, adequately funding the Indian Housing Block Grant program is the single most effective way for Congress to ensure that additional housing will be developed in American Indian and Alaska Native communities. Further, tribal housing providers have, through the National American Indian Housing Council, recommend minor changes to NAHASDA that would reduce unnecessary administrative burden, empowering tribes to spend less time navigating bureaucracy and more time building new homes.

Congress made the right decision when it transitioned Indian Housing from a disjointed system that did not fit our communities to a more flexible block grant that has allowed tribes to build our collective capacity to produce housing. We are proud of our good stewardship of federal funding and the outcomes we are producing for our people and communities. We know we have more work to do if we are ever to achieve an equality of economic and housing opportunities for Native people and communities. We embrace that challenge, and we ask for Congress' ongoing support.

Again, we extend our sincere appreciation to the Chairman, Vice-Chair, and Members of the Senate Committee on Indian Affairs for the opportunity to appear today.

The CHAIRMAN. Thank you, Ms. Gore.

Mr. GAUTHIER.

STATEMENT OF ROBERT GAUTHIER, ADMINISTRATOR, UNITED NATIVE AMERICAN HOUSING ASSOCIATION

Mr. GAUTHIER. I will go right to the bottom line, if I can, Mr. Chairman.

I too want to thank you and congratulate you. Senator Daines and Senator Tester have been tremendous to work with as we share our frustrations.

Montana is one of the States that has been left behind. We have remote reservations that have high levels of poverty. I love hearing the success stories taking place but I want to share one thing. This is the fourth time I have appeared before this Committee over the last 30 years years.

The first time I appeared, I was Chairman of the National Commission on American Indian, Alaska Native and Native Hawaiian Housing. The findings of that Commission, when the Honorable Daniel Inouye chaired this Committee, said the problem with leveraging and progress in Indian Country is there is too much dependence on HUD.

We need to get all the resources that America has in rural communities to build housing. Here we are 22 years later and I would like to tell you it has changed. I think following NAHASDA, HUD has been a fabulous partner. They are going to do more 184 loans this year than the NAHASDA block grant. That is a fabulous story for Indians. That is the good news.

The bad news is around 10 percent of them are on reservations and even less on restricted trust lands.

What I am here to say is we need help bringing the other Federal agencies, USDA, the Veterans Administration, into the mix. They have significant resources and there is some attention to that

but they are not bringing their lending programs and we need their technical assistance dollars on reservation.

The other thing I will say is we have been trying to build a mortgage market in Indian Country for all 30 of the years that I have been here. There are significant challenges. We thought once the 184 program was passed, banks would swarm on to reservations. In fact, they have swarmed off reservations by and large because of the imperfections and lack of capacity in a lot of remote tribal areas.

They don't have reporting systems, they don't have good appraisal systems, loan origination, mortgages are not a part of the culture, and the lease rules have been cumbersome. We are making progress on all those things is my message today.

But, if we can, one thing we need—no more money, no more authority from the existing agencies. We need some of their technical assistance funds so that we can go to tribes that are willing and give them the assistance to build capacity to lend and make it comfortable for lenders to come to those remote reservations.

Once we do that, we will open the doors for economic development and all sorts of good things. I think by and large, remote reservations with the highest amount of poverty and the largest land base are the ones struggling the most. That would be my comment.

I know there are tremendous amounts of good things happening, tax credits and others, but we need capacity at the tribal level to help them learn how to be borrowers and good partners in lending.

Thank you.

[The prepared statement of Mr. Gauthier follows:]

PREPARED STATEMENT OF ROBERT GAUTHIER, ADMINISTRATOR, UNITED NATIVE AMERICAN HOUSING ASSOCIATION

Thank you, Chairman Barrasso, and other members of the Committee for the opportunity to address you today concerning what I believe is the number one impediment to growth in Indian Country.

When I hear the term Indian Country, I think of tribal lands under the jurisdiction of duly elected officials from Federally Recognized Tribes. I believe Indians living in other parts of the United States have needs related to available credit too, but for today's comments; I would like to focus on Indian Reservations and Trust land.

In 1993, when the NATIONAL COMMISSION ON AMERICAN INDIAN, ALASKAN NATIVE AND NATIVE HAWAIIAN HOUSING completed 18 months of Hearings and published its Report: *A BLUEPRINT FOR CHANGE,* the primary recommendations for Congressional action outlined changes to making credit more available for American Indians across the Nation with a special emphasis on the impediments of Trust land.

HUD did its job during the Clinton Administration and developed the Native American Housing Assistance and Self Determination Act (NAHASDA), introduced by New York Congressman Rick Lazio, which for the first time, provided capital those Tribes could use to leverage other Housing Resources. Over 40 of the Commission's recommendations were incorporated into NAHASDA. As a bonus, Title VI of NAHASDA provided incentive for Banks to lend to Tribes with a 95 percent guarantee! Congress also responded thanks to Nebraska Congressman Doug Bereuter and his staff, and passed the HUD 184 program. For the first time, Indians on reservations had available to them a market rate loan product! I believe most Indian Housing practitioners and housing experts expected lending to Native Americans to take hold in a dramatic fashion. And it has, unless you happen to live on Trust land.

In my opinion, nearly 22 years later, remote tribes on Trust land are still not making significant progress establishing sustainable lending programs. The result is that they continue to have a significant waiting list with diminishing subsidy. I wish it were different. Many will talk about the success of the HUD 184 program. The program has now grown to over $4 Billion in loans to Indians. That shows the

need. However, an Indian living in Spokane Washington has many market rate loan products. He is however, able to take advantage of a program designed for developing markets and by its design was not as rigorous as other loan programs. If you happen to be an Indian living in Browning Montana on Trust land, the HUD 184 may be your only market rate option. My concern is that as the program grows, more and more it will resemble conforming loans without the flexibility and affordability developing Tribes and its members still require.

USDA has still not come to the table with nationwide lending products adapted to unique tribal governmental requirements. In Montana, the Salish and Kootenai Tribes have an unresolved dispute with USDA regarding a couple of minor provisions in USDA required lease agreements on Trust Land. They have been unwilling to compromise. Indian Country badly needs the several loan and grant programs USDA administers. In most states, active partnerships with USDA do not exist. Tribes need exposure and training on these programs.

In 1993 Treasury told HUD at an Indian Housing Leverage meeting that there was no need for the Administration to develop a new GSE dedicated to Indian Housing. HUD had been working on a draft of a Native American Finance Authority, when Treasury assured participants that the new CDFI legislation would not only provide capital, but also technical assistance to overcome the imperfections in Indian lending on Trust lands. Still, it is not happening.

After nearly 33 years working in Indian Housing, I am convinced that overcoming the challenges of lending on Trust land is the key to solving the housing crisis on Americas Indian reservations. In fact, solving the housing lending puzzle will open up streams of capital for economic development as well. I know because the Confederated Salish and Kootenai Tribes developed a revolving loan program in the 1940s that today provides over 600 members of that Tribe access to mortgages on Trust Land. Their model is largely responsible for the high number of 184 Loans made in Montana as well. The membership is gaining wealth with nearly 70 percent of families owning their own home.

Over the past 20 years I have learned also that capacity at the Tribal level is another critical component of success with developing sustainable lending on Tribal Trust land. The Confederated Salish and Kootenai Tribe operate its own Land Titles and Records Office (LTRO) under a contract with the Bureau of Indian affairs. They have developed reliable closing processes that are similar to closings on fee simple lands. I believe this too is a critical factor. I am surprised that Tribes asked Congress to pass the HEARTH Act in 2012, yet only two tribes across the Nation have developed BIA approved Regulations!

In closing, I would like to recommend that this Committee work with the Tribes that have had success in developing functioning lending systems incorporating Trust lands and dedicate resources to provide a step by step guidance for developing tribes to follow.

The CHAIRMAN. Thank you very much for the comments from you all.

If you notice some of the Committee members have gone. It is because we are in the middle of a roll call vote so we will be coming and going. The questions may be repeated by someone who did not hear them but it is all information that is very interesting and important.

At this time, I would call on Senator Daines.

Senator DAINES. Mr. Gauthier, thank you. I was struck that you did not look at a single note as you gave your testimony which tells me you have been doing this a long time. Thank you for being here today.

Thank you for cutting to the chase. So often here in Washington, we circle around the airport as we decide what needs to be done. I appreciate your clear line of sight to solving this problem.

I met with the Northern Cheyenne Tribe yesterday in my office and heard about how important access to home mortgages is and how difficult it is. As a kid who grew up in the building business, my mom and dad are home builders, they started off as mom and pop builders with a pickup truck, a dog and grew a little business in Boozman.

Home ownership is about shelter and about human dignity. I am reminded of what Milton Friedman said once, that nobody washes a rental car. There is something about the ownership and the pride of ownership and how that builds safer and more secure neighborhoods as well.

I believe many of the important aspects begin in the home. It is not about a house, it is about a home and how we build stronger families. We had the principal of Northern Cheyenne K–12 School in the office speaking about the value of Indian housing to Northern Cheyenne children and families.

If you don't have a home, achieving other life needs is difficult but with the high unemployment rates we are seeing in Indian Country, access to loans is very difficult. The Native American Housing Assistance and Self Determination Act, I believe, is an important law to facilitate access to housing for Native American communities.

Mr. Gauthier, have Indian housing programs been easily accessible to tribal members or is there a need for technical assistance?

Mr. GAUTHIER. There is most definitely a need for technical assistance. There are a lot of resources for homebuyer education, some that are Native American-based. Capacity at the tribal level is going to make this happen. The Northern Cheyenne are a perfect example. Once they got their audits going, a good and stable board and the staff, in eight years, they added $30 million to their block grant from other resources.

That is a significant change and can create a lot of jobs and rehabbed a lot of houses. I am a believer in capacity and lending.

We have courts on reservations in Montana that need to have the right foreclosure process. It needs to be compatible with USDA and the Veterans Administration. We have some issues to resolve with HUD to make it work better but they are trying hard. The other agencies we do not see as much.

USDA said we have 13 housing programs. This morning, Mr. Hernandez came. He was very enlightened speaker and got us pumped. His heart is in the right place but I don't think he really understands. There are a lot of assumptions made about what has to happen on trust land.

I have come to the conclusion that what money we can find, whether through HAC or USDA, we need to get hands-on assistance to the tribal level if they choose it so they can build the right system to report loans and to appraise properly. All those pieces we take for granted outside reservations do not exist on a lot of the most remote reservations. That is my plan.

Senator DAINES. My staff heard from the Northern Cheyenne Tribe similar concerns about this lack of access to technical assistance on the loan programs coming through HUD. Would you agree that there is value to allowing the Native American Indian Housing Council instead of HUD the ability to provide the technical assistance to tribes?

Mr. GAUTHIER. I definitely think it should be a partnership. The name of the Act is the Native American Housing and Self Determination Act. Tribes should be teaching each other self determination. HUD has a lot to offer but I think it needs to be a two way street.

Senator DAINES. Sami, do you have a thought on that as well? I can see you smiling over there.

Ms. DIFUNTORUM. Yes, we believe Native people should teach Native people. We are a fan of the National American Indian Housing Council being able to provide technical assistance directly to tribes. They should be able to call our office, ask for technical assistance and have it dispatched to them.

Senator DAINES. Thank you.

I have to go vote but I will say thank you for helping define the problems today. My training before I got into business was in engineering where you define a problem. Let's go find a solution. I think we have one here. I think we have a committee here that can act on this and let's get this problem fixed.

Let's get you back in Montana longer and not so much time here in Washington, D.C., Bob. Thank you.

Senator TESTER. [Presiding.] Thank you, Senator Daines. The panel gets back to back Montana. I will pick up where you left off.

Senator DAINES. That is a good thing, Senator.

Senator TESTER. Absolutely. Thank you.

Carol, we have seen an increase in the use of low income housing tax credits in Indian communities across the Nation. Still, these tax credits remain under utilized as a mechanism to provide housing to Indian Country. What are some of the barriers that exist in using these tax credits?

Ms. GORE. First of all, I would echo what both Bob and Sami Jo have said, which is capacity matters. You don't jump from building a home to doing a complex tax credit development without capacity building. I think that is incredibly important.

I would go back to the example I gave for Hooper Bay which is the westernmost region of Alaska. They lost all their housing in a huge fire, so they have this critical need. They couldn't build just one house at a time and their funding was fairly low.

The idea that we reached across tribal boundaries and worked together where we had no experience in building in a place that had no dock, no hardware store, no materials available or no local capacity to work with them.

We worked with the investor to convince them that their economics were really worthy of an investment and by partnering with AVCP and Cook Inlet Housing together, we had the right long term sustainability compliance.

I think training and capacity building really matter to the investor.

Senator TESTER. That is especially helpful with dollars that come from HUD being whacked or at least not being applied.

This is a question for all three of you. We will start with you, Sami Jo. NAHASDA was first passed in 1996 combining 14 different programs at HUD that were operating in Indian Country. It was not a normal situation but not without precedent. This action led to one of the most flexible programs in Indian Country.

From your perspective, what is the next step when it comes to Indian housing from this level?

Ms. DIFUNTORUM. I think we are on track with the hearing today and the topics being discussed. I think loan leveraging and learn-

ing how to better utilize the Federal resources that we get is really timely and important.

More training and technical assistance, Bob was correct on that but I think it is not that simple an answer. When you look at the really remote areas and the size of the tribes, not everyone has equal access to technology and not everyone has equal access to training and technical assistance which is why I believe the National American Indian Housing Council should be the training and technical assistance provider.

Next step, if it is different than Sami Jo's.

Ms. GORE. It is different. I do think we need to try to tune up what we have but I also think we gave up a bundle of things that were making a difference in Indian Country and moved to a block grant.

Now we are finding there is a bundle of funding where we are not eligible to apply. Many of us are ready to compete. I would encourage the Committee to look at the funding sources that come here to make sure tribes and their organizational structures, their entities like their housing TDHE's, have the ability to actually compete and apply.

Lastly, I would say I would like Congress to look outside of Indian funding and allow us to compete with everyone else. When HUD is providing housing funding and USDA is providing housing funding, are we eligible to apply? If there are a dozen USDA housing programs, are they clearly open for us to use their funding?

Senator TESTER. Bob?

Mr. GAUTHIER. I will continue with what Carol was saying. We talk about 13 housing programs with USDA. Every single one of them has a place in Indian Country. We have over 20,000 mutual help units which have been conveyed. Most of them are not insured and most of them need repair. Where do you go to get the money?

They are eligible to be served in NAHASDA if they are income eligible but we need 504 grants from USDA and we need 504 loans. USDA says yeah, come on in. So we have an elder that finished paying for a mutual help unit and they go into the USDA office and it is like starting all over. Who lives with you, what are your taxes, what is your income, how many kids, and what car do you drive? They take the application and go home.

We need to have a delivery mechanism that is sensitive to some of the cultures in which we have to provide those services. Currently we are told there isn't the money to do that. We have a whole group of Natives eligible for those programs who are not accessing them.

Senator TESTER. Let's continue on financing and continue with you, Bob. I know you would be an expert on Indian housing issues.

The number one issue, as you have talked about, is finding the money, where is the money. If we look at the private sector, if we look at the community banks and those kind of folks, credit unions, those kind of folks. How do we get those folks to invest in Indian Country or is that just not a possibility?

Mr. GAUTHIER. Senator Tester, do you watch Dancing with the Stars?

Senator TESTER. No, never.

Mr. GAUTHIER. If you did, you would find out they practice a long time before they start dancing. We have a lot of partners that have not yet had a dance lesson.

The banks are ready, willing and able and have the money and want to lend it but it isn't profitable. Almost every loan they currently make is qualified unless it is a guaranteed loan. That is holding them out in droves.

If anything, right now it is getting tougher. I talked to HUD about this. Some of the latest program recommendations and modifications, dealing with the environmentals, I think will even chase more of the banks away.

The second thing I would recommend is a way to empower the national and regional housing organizations, that is nonprofit to originate loans in a sustainable manner where they can get the loan fees and do it. If the banks aren't going to do it, let us do it until we work out the problems. Then banks can come in and compete. That is the way it should happen.

The CDFI was supposed to do it, Senator Tester. There was talk in 1992 of creating a GSE strictly for Indian lending. Treasury said not needed. We have the CDFI and this thing is going to work great. Almost no CDFI's have housing as a primary goal in Montana.

Senator TESTER. You also talk about the success of the revolving loan fund the Confederated Salish and Kootenai Tribes developed several decades ago. Can you talk about the impact this program has had on the housing situation on your reservation?

Mr. GAUTHIER. It kind of hit me alongside the head. One day I was meeting with some of the other regional housing authorities and listening to their story of how hard it is to operate Indian housing authorities. I said, are we talking about the same program. We would find the problems were out in the Dakotas, eastern Montana and all over.

I suddenly realized that I didn't have one tribal councilman or one board member that had ever lived in a house that I managed for 20 years at the housing authority because our tribe created the revolving loan program. They expected the members of our tribe with a job to go get a loan there. If you didn't have elders, low income families would go to the housing authority.

My job was easy because I could work the program the way it was designed to work. We had the luxury or the disadvantage of being in an area that had alternative housing, banks, a lot of different things that allowed us to develop more.

When you go to a remote reservation that only has HUD-built units, it becomes very political and very tough. If the only units being built for 40 years are by HUD, even though there are 37 HAC units with very tight restrictions, they are going to be used by everybody because there is no other housing.

Senator TESTER. Let me flesh this out a little more. For the Revolving Loan Fund, there has to be more availability than just HUD housing. Is that what I just heard you say?

Mr. GAUTHIER. America as a whole depends on HUD support for 4 percent of their housing needs. Twenty years ago, in Indian Country it was 50 percent and it is growing. That isn't sustainable. We need to figure this out. We need to figure out the lending.

Yes, we need USDA, we need VA, but until we figure out lending, like America, over half of Americans pay for their own house. At one time, it was 67 percent.

Senator TESTER. Are there other reservations that use revolving loan funds that you know of? Are there others out there?

Mr. GAUTHIER. Not in Montana.

The CHAIRMAN. Just to be clear, the reason for that is, why haven't they done it? You have had success with it.

Mr. GAUTHIER. We have had success with it but I think the perception is there are better jobs or more jobs or better economic conditions at Flathead and that may be true. We have our share of poverty there but our tribal council understood quickly if it was their money, you had to pay it back.

Yes, it gets political occasionally but that loan fund is now $40 million. Today as we speak 600 members of our tribe out of 4,000 who live there have their loans through tribal credit on trust land. It is an important driver.

We are also one of the highest user reservation tribes of the 184 program. I think we have done over 300 184 loans.

Senator TESTER. Have you asked questions yet, Senator Heitkamp? I will yield.

STATEMENT OF HON. HEIDI HEITKAMP, U.S. SENATOR FROM NORTH DAKOTA

Senator HEITKAMP. Thank you, Mr. Vice Chairman.

I don't think anyone really understands how critical this issue is. Recently, Secretary Castro came to Pine Ridge and then came back and toured Turtle Mountain Band of Chippewa housing. It is HUD Project 1 in the Turtle Mountains.

I think the shock and dismay on his face kind of said it all. This was the first time that he really had experienced the issues. I think it surprised everyone when he really came to the conclusion that the challenges on Turtle Mountain might even be in excess which is not to diminish the huge challenges on Pine Ridge.

We know in the upper Great Plains how critical this issue is. Half of the housing in Turtle Mountain has black mold, the lack of the ability of folks to really afford anything and to repair what is there, and the inability of the tribes to really find the resources to do what needs to be done.

At the very heart of it, you cannot expect children to go to school and learn when they are sleeping in a two or three bedroom home with 14 people. This is a formula for failure. At its base level, we can talk about health care, education and all those critical services, but housing is the beginning as far as I am concerned.

If we simply look at doing what we have always done, we are going to continue to fall further and further behind.

I will tell you a tale. I served on what essentially was the board of directors of something called the Housing Finance Agency in North Dakota. Sarah Vogel was the Ag commissioner at the time and I was Attorney General. We had a path that we were going to try to do just one first time homeowner, just one home, in Indian Country on trust land that would qualify and get first time homeowner status. In eight years, neither one of us got it done.

Home ownership, never mind affordable housing, we take the next step to home ownership which we know builds communities, builds opportunity, builds equity for retirement, we are not there. We have got to look at this differently. We have to not just look at the existing programs.

It is absolutely critically important. I am with you on those critical needs but we have to think beyond what we are doing because if we don't take care of this problem, we will suffer the consequences as we have going forward.

I just want to challenge you to think outside the box on Native American housing. Take a look at those creative programs, public-private partnerships, foundation partnerships that we can engage and foster and build whether it is tax credits dedicated to just Indian Country for affordable housing.

My great dream is single family housing that is affordable, quality and really houses just one family.

If anyone wants to comment on that, I think the real challenge here is not to keep doing what we have always done and expect different results because we are getting further and further behind.

The CHAIRMAN. Thank you, Senator Heitkamp.

Senator Tester.

Senator TESTER. I have one quick comment I want to make. I don't know if it was Carol or Sami Jo who said our work doesn't get done without you. I would say quite the contrary. Our work doesn't get done without you.

The folks on this Committee know the most about Indian Country of anybody in the U.S. Senate. The education process is great to do what Senator Heitkamp said, think outside the box and develop programs that will work and get houses built.

We need to do our best to convey good information and hopefully will be able to teach the rest of our Senators what the challenges are.

Thank you, Mr. Chairman.

The CHAIRMAN. Would you like to respond, Ms. Difuntorum?

Ms. DIFUNTORUM. I would, thank you. I do have a comment or two, particularly with respect to the Title VI program, the Loan Guarantee Program, for a small tribe that receives under $100,000 to be limited in leveraging ability to five times their grant, I don't think really gives them enough capital or enough money to do anything.

I think if they were structured differently so the tribes who receive smaller amounts of money have greater leveraging ability. That would be my suggestion in terms of Title VI.

The CHAIRMAN. Anything else? I appreciate that answer because it was actually one of the things I wanted to ask you about the implications there. Thanks for bringing it up.

I also wanted to ask you about your testimony where you discussed the tribe's success under Section 184, the Indian Loan Guarantee Program and how might tribes with a smaller land base approach Section 184 loan guarantee programs compared to tribes that have a much larger land base in terms of how this all works? Can you share some of those things with us?

Ms. DIFUNTORUM. I can. I will say I am not a 184 expert. If there is someone on the panel who has more experience, I would cer-

tainly defer to them. I am more familiar with Title VI. That is what we have primarily used.

The CHAIRMAN. Mr. Gauthier.

Mr. GAUTHIER. I know that Carol has done some tremendous things with 184 and leveraging and using it in ways that are very creative. I think that is a wonderful thing.

I will tell you for the benefit of the Senators, 184, it is important to remember the concept. I think we have gotten away from it and I am a little bit nervous.

The dialogue took place downstairs in the buffet room with Congressman Bereuter and a staff member named Joe Pigg, who I think is currently with the American Bankers Association. The discussion went like this: Congressman Bereuter would like to help you somehow in your work with the commission. We said right now HUD provide grants for low rent, mutual help under the 37 Act. What if we lent money to Indians and only 50 percent of the loans were successful and the other 50 percent failed, we would double our production. That was the concept of the 184 program.

Now, it is looking more and more and more like an FHA program. Some of the examinations of it require that underwriting is tighter. All those things are missing the target. The original target was Indians on reservations. Banks were comfortable to get that 100 percent guarantee.

It has grown and is $4 billion in assets. It is fabulous. Unfortunately, the growth has primarily been off reservations and we are still struggling with ways to get those Indian folks on reservations a market rate loan that will help them.

The CHAIRMAN. Let me also ask you about financing on trust land or some of the things you wrote in your testimony indicating that greater tribal control and management can address some of the challenges.

I am wondering how tribes develop their capacity to manage sustainable lending operations like what is taking place on the Flathead Reservation?

Mr. GAUTHIER. Capacity. We have a title plan at Flathead. You don't hear horror stories about waiting months for a title status report. You go down to George DuCharme and he produces one for you. He can even certify once he is comfortable. That really speeds up the process.

It takes not much more time to do a 184 loan on trust land as long as it is a leasehold than it does a conventional loan on fee land.

The important thing is capacity. The tribe has developed that capacity because for 50 or 60 years, they have done mortgage lending to their own members on trust land and have refined the process.

The CHAIRMAN. Ms. Gore, you spoke about the regional impact that Cook Inlet Housing Authority is having. Can you share more with the Committee about the social and economic impact your community's housing assistance projects are having on the region?

Ms. GORE. Using an example or two, we have been investing in a community that had a very large population of Alaska Native people. It was also the worst community in terms of crime and education, all of those social outcomes.

We believed if we partnered with the community and specifically the safety officers, the fire department, to identify the really hot spots where the crime was occurring and the homes were unsafe, if we could strategically cut like a surgical knife and take those bad rocks out of the neighborhood and replace them with bright, colorful energy efficiency homes, that could in fact change other things in the neighborhood.

After eight years, we did a social and economic impact study hoping we haven't just put pretty homes in an old neighborhood. In fact, the outcomes were pretty outstanding. We found families in the neighborhood had lived there five years or longer, 50 percent of them. When we first started, it was 8 percent.

Educational outcomes, participation from parents and teachers, were as high as 80 percent and they had been at the 30 percent level. Reading, writing and math scores were up between 8 and 20 percent in that neighborhood.

We cannot claim all the credit for that, but we truly believe at some point the neighborhood started to stand up for themselves. We used some crime prevention design principles, just eyes on the street, windows, simple things, porches, light fences to keep the foot traffic down, put the homes close to schools and community centers.

The police told us after eight years we are getting more calls than ever and we were pretty depressed about that until they shared with us that their view was that the neighbors were now willing to make a phone call and they could actually see the potential crime without leaving their homes where they felt safe. I think there is great opportunity for those kinds of outcomes.

We have had smaller communities consider that same plan. We think it is replicable. We have been through several small phases because we didn't have enough money to do it at one time.

I think working hand in hand with a community, being great listeners, trying to be strategic with the tools and resources we have has been a major win for them. I am really proud of that.

The CHAIRMAN. It sounds great.

Senator Franken.

Senator FRANKEN. Thank you, Mr. Chairman.

Thank you, Ms. Gore, for that and all your work.

Appropriations for Indian housing have not kept pace with inflation and the cuts under sequestration further exacerbated the scarcity of funds for affordable housing. In fact, you noted in your testimony that NAHASDA's purchasing power has decreased by nearly half since 1998.

It is time to move in the other direction. The President's budget on Monday proposed an additional $25 million to support Indian housing and economic development. That is a start.

Ms. Gore, you said "housing needs in Indian Country are simply too significant for lasting progress to be made without the investment of additional resources." What could increase funding for Indian housing block grants not only in terms of direct spending on housing but also in terms of the tribes' ability to leverage those funds for additional resources?

Ms. GORE. We are used to being scrappers but I think we are sort of at the end of the rope in terms of scrapping. The more we develop, the less need money we really have to invest.

To an investor, it means if we have reauthorization of NAHASDA, they know we have an income stream that they can count on. That will matter to investors. They care that our money has not been reauthorized. Though we have confidence in all of you, that does matter.

If we had additional funding, I can tell you we all have pipelines of development that are five to ten years long that we cannot get to for the lack of resources. We can attract more resources but we need that first money in and that is always NAHASDA.

If you look back historically, you would see that without NAHASDA, leveraging was nonexistent in Indian Country. We had to have that first dollar in. Even now, when we think about the communities we serve in Alaska, we are dependent on seasonal economies and subsistence economies, lack of infrastructure, no roads to most of Alaska, so you can imagine literally half of our costs are transportation of materials.

That extra money is going to matter. We can get scale. We will build five homes instead of one. You cannot imagine how much scale that would bring to a small community scrapping together under Title VI.

Using 184, if we could build two 4-plex units instead of one 4-plex unit, that makes a difference. You might be doubling the availability of housing with just one doubling of that one development in one small community. Little things really matter.

Senator FRANKEN. In your last answer, you talked about the effect of putting up good looking houses. In 2013, we heard testimony from Chairwoman Karen Diver of Fond du Lac, Minnesota. She testified that close to 20 percent of her tribe's service population lives in overcrowded homes, that this can cause safety concerns and increase the spread of communicable disease, and cause greater stress.

Overcrowded housing has a particular impact on children. A 2012 report by Wilder Research stated that it can "threaten their educational success, health and mental health and personal development."

This problem is obviously not specific to one tribe. A disproportionate number of homes on tribal lands are inadequate, overcrowded or unaffordable. Ms. Difuntorum, you mentioned a number of other challenges tribes face such as poverty, poor health and poor education.

Can you comment on how lack of quality, affordable education compounds those problems?

Ms. DIFUNTORUM. I believe Senator Heitkamp mentioned when you don't have a home, have multiple people living in the same home, you don't have the opportunity to go to school. A lot of times, we don't have teachers in our schools for the student to teacher ratio that the States require. It is a challenge for rural areas to get teachers to come into the area and stay there.

I know on the Siletz Reservation, people actually bus their children to other schools because the quality of education in the rural community and the lack of, I don't want to say something ugly

about the teachers, the lack of ability to recruit and maintain a good educational system and educators. A lot of it has to do with the lack of available housing for them.

Senator FRANKEN. Law enforcement too, I would imagine.

Is it okay, Mr. Chairman, if I ask the other two to comment?

The CHAIRMAN. Yes, please continue.

Mr. GAUTHIER. The other side of that coin, Senator, if we ask our young people to please do well in school, get an education and then come home, share what you know and build your communities and we can't give them a place to live. They end up off reservation sharing their knowledge, spirit and culture rather than where they would rather be.

We see that happen every single day because of the lack of the ability to get affordable loans in a timely fashion.

Ms. GORE. May I comment on the overcrowding?

The CHAIRMAN. Yes, please.

Ms. GORE. I would put it maybe in the context of domestic violence which is a huge issue in Alaska. That is often the result of not just overcrowding but the lack of safe shelter. How do you get out of a domestic violence situation if there is no place to go?

In our smaller Indian communities, there is rarely any sort of safe house or transitional housing, so we often wonder why it is just a cycle. I think the lack of affordable housing is just the foundation of virtually every social issue.

When you look at the data, you find Alaska Natives and Native American people are over represented in virtually every one of those social conditions. I can't say enough.

I came to this from the housing business generally but I can tell you this has my passion because I see it from people who come into our office every single day. They don't come because they have an answer and just need a house. They come because they have 15 things going on and we are the solution.

We have to make housing first. It is the first solution for all the things you are talking about today. I appreciate the highlight on the issue. Thank you.

The CHAIRMAN. Thank you, Senator Franken.

Senator Lankford.

STATEMENT OF HON. JAMES LANKFORD, U.S. SENATOR FROM OKLAHOMA

Senator LANKFORD. Thank you all for being here and the conversation today.

There are 566 recognized tribes nationwide. Is the issue of affordable housing and access to loans true for all 566?

Mr. GAUTHIER. I think there have been quite a few tribes. I would say not a large number but probably a percentage, maybe 10 or 15 percent that have really blossomed under NAHASDA. They have the capacity to do it right. It has really given them an opportunity.

Senator LANKFORD. Let's talk about that a bit. That is one of the things I like to do. In neighborhoods, communities, schools, wherever it is, because sometimes you look at the school and you say all these kids are having a really tough time. When you slow down and look at it, you go, no, there is 5 or 10 percent thriving in it.

It begs the question of why. What is it we can learn? Those being successful in it are there characteristics we can pick up and pass around?

Mr. GAUTHIER. Fabulous capacity, if they are a self-governance tribe that has had success. One of the failures of NAHASDA, as a person who was there and advocated for it, as we look back, it assumed every tribe had the same level of capacity. As we know now, that is not true.

I think we should have gone to more of an approach of opt in/opt out like some other self governance programs. While this isn't true, the self governance program as defined by the BIA and IHS, it has a lot of the components.

Many small tribes need HUD to help them run a low rent program because they don't have any capacity to do it and their members suffer. Tribes who do have the capacity and are willing to take off, if I had it to do over, I think we would discuss that sort of situation.

Senator LANKFORD. Self-governance, is that the main thing, their capacity for self-governance is the dividing point? Are there other areas you can look at and say I think that is a part of this?

Mr. GAUTHIER. It helps to be near or have a tremendous amount of fee land. The more restricted land there is, the bigger hurdle there is.

Senator LANKFORD. Reservation or non-reservation land in trust, fee-based, that becomes a big issue as well?

Mr. GAUTHIER. Absolutely. Our reservation at Flathead, over half of it is in trust but the half that isn't is in fee and the Flatheads are a minority there. You can get a 184 loan on fee land within the outside boundaries of the reservation very quickly but trust land, not so quick.

Senator LANKFORD. Define for me not so quick.

Mr. GAUTHIER. It sort of depends on the number of factors. If it is a leasehold, it can happen maybe twice as long. There could be other issues. There are sometimes underwriting issues.

Senator LANKFORD. Tell me in times, days, weeks or months. For fee based land, how many months or days or weeks, whatever it may be and then tell me about the other.

Mr. GAUTHIER. From start to finish with appraisal in the works on fee based, you should be able to get a loan closed within 30 days. Tom Wright, who has overseen $4 billion worth, might want to argue that but it has been our experience at Flathead one month for a fee based 184 loan. The underwritings change with little nuances to it but 30 days.

Senator LANKFORD. The underwriting changed based on Dodd-Frank or some recent regulations or is that something else?

Mr. GAUTHIER. I think all those are a piece. Dodd-Frank, environmental rules, a lot of different things changed, underwriting rules, HUD's relationship with banks.

It is one of the things I have been talking to Assistant Secretary Boyd about and Tom Wright that this $4 billion of loans has been a wonderful thing for Indians nationwide but my concern is it has all been done without real consultation with tribes. I wish that 184 was subject to negotiated rulemaking. We could help solve some of

their problems and make sure there continues to be a program focus on helping the most underserved communities.

They have had good success with it and it has been able to meet some of the needs used in other ways. Take Northern Cheyenne, 98 percent trust land, and they have to go to Billings for all their title work. When they identify a lot for a potential building, oftentimes they find out the surveys were done 30 or 40 years ago and are incorrect. The Bureau won't accept them.

They have a very, very slow process. I have heard, as I think Senator Tester or someone mentioned this morning, a two year window of one family that waited two years to have a title status report so they could proceed with a loan. The markets and banks wanting to 184 loans simply cannot tolerate that.

Senator LANKFORD. Obviously they have turned around, they have cost and expenses. If it is a fee based, 30 days or so and that has gotten a little longer with some of the recent regulatory actions. If it is in trust, you are saying two years or two months?

Mr. GAUTHIER. No, not as a rule. I have heard that as a worst case example.

Senator LANKFORD. What do you think it is typically?

Mr. GAUTHIER. Typically, if it is a good lease and everything is in good shape, I would say more like eight weeks.

Senator LANKFORD. Twice as long.

Mr. GAUTHIER. Twice as long. One other point just for discussion, there are things being done. The HEARTH Act was supported by almost everyone. At the conference this morning, they said only two tribes out of 566, probably 400 that would have a use for it, only two tribes two years later have adopted the regulations for residential leasing.

To me that is an illustration of the capacity and awareness of understanding the complexity of building at each reservation a system that is friendly to lending.

Montana and Wyoming, we started the Montana-Wyoming Association which has been working with the Bureau and the University of Montana, Indian Law Clinic. We now have drafts for all ten of our tribes. We are hoping by the spring we have a HEARTH Act implemented with every one of those tribes.

We are also working with the Bureau to develop an alternative to an appraisal that is State licensed. Those kinds of appraisals don't work on Indian reservations. They have been a problem and 184 anticipated it and allows, in most cases, the replacement value of the cost of construction and to move an appraisal but that is nonconforming.

There is a lot of pressure to make these loans conform more and as they do, they are available to less and less qualified Indian borrowers.

Senator LANKFORD. Thank you.

The CHAIRMAN. Any other questions Senator Franken, Senator Heitkamp? If there are no further questions, members may also submit follow-up written questions for the record. The hearing record will be open for two weeks.

I want to thank each of you for being here today to testify. Thank you for your time and your travel.

Alison, we wish you the very best at the White House. Don't forget us while you are down there. Remember we are still up here. All the best to you and thanks for your hard work.

With that, the hearing is adjourned.

[Whereupon, at 3:42 p.m., the Committee was adjourned.]

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