

**Statement of Alazne M. Solis
Vice President and Director, Public Policy
Enterprise Community Partners**

**On “Native American Housing Assistance”
For the Subcommittee on Housing and Community Opportunity
House Financial Services Committee
United States House of Representatives
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Introduction and Overview

Enterprise appreciates this opportunity to submit this statement for the record in connection with the above-reference hearing on improving the Native American Housing and Self-Determination Act. Enterprise is a national nonprofit organization whose mission is to see that all low-income people have the opportunity for fit and affordable housing and the opportunity to move up and out of poverty into the mainstream of American life. Enterprise invests \$1 billion a year to create affordable homes and economic development in low-income communities across the United States, working mostly with community-based housing organizations, including tribes and tribally-designated housing entities (TDHEs).

Enterprise is committed to improving housing opportunities for Native Americans. Since 1997, Enterprise has invested \$89 million in grants, loans and low income housing tax credits to help 54 tribes develop or renovate nearly 1,800 affordable homes. These investments have leveraged an additional \$13 million from private lenders for tribal housing and economic development initiatives.

Enterprise has assisted dozens of tribal entities in developing and implementing their Indian Housing Plans (IHPs) and has launched eight national partnerships to help tribal entities access capital and development expertise. We have also partnered with the National American Indian Housing Council to develop Pathways Home, a certification training course for tribal housing staff who work with families to become homeowners. This program is currently being replicated across the country.

Enterprise’s Native American program is headquartered in New Mexico, where we have launched the Native American Lending Group Inc. (NALG), one of the first Community Development Finance Institutions (CDFIs) serving tribal lands in the Southwest. NALG serves the housing and economic development financing needs of tribal communities and businesses by providing on- and off-reservation loans, as well as technical assistance and one-on-one trainings designed to increase clients’ financial skills.

Native American Housing and Economic Conditions

More than three-quarters of a million Native Americans live on reservations or in other tribal areas while another 1.68 million live outside tribal areas. Housing and economic development on tribal lands is challenging, as Native Americans suffer from some of the worst housing conditions in the nation with significant over-crowding and dilapidation, and poor access to utilities and roads. In 2003, the U.S. Commission on Civil Rights found that approximately 90,000 Native families are homeless or under-housed, and estimated that Native Americans are in immediate need of 200,000 housing units.¹

The unemployment rate for Native Americans living on reservations and tribal-designated statistical areas is 22 percent for non-gaming tribes.² The poverty rate for Native Americans is more than twice the average for all non-native Americans. The 2000 Census indicated that in tribal areas, 14.7 percent of homes are overcrowded, compared to 5.7 percent of homes of the general U.S. population. On Native American lands, 11.7 percent of residents lack complete plumbing facilities and 16.9 percent lack telephone service.³

Two-thirds of the land on reservations is held in trust by the federal government, limiting its use for housing and commercial development. Most tribes lack the basic legal infrastructure that makes mortgage lending possible, while lenders lack experience in underwriting development on tribal lands.

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) has helped more than 60,000 families access down payment assistance, rental assistance, home rehabilitation funding and new homes. NAHASDA has represented a unique opportunity to transform the old, often ineffective tribal housing system into a new community-based planning and development process. Federal NAHASDA funds are intended to leverage other resources, increasing the support available to tribes. Since 1997, new programs have been developed to enable tribes to meet the housing needs of families with a wider range of income levels, rather than just very low-income tribal members.

While NAHASDA is a marked improvement over previous policies, its upcoming reauthorization provides an opportunity to streamline the tribal housing development process, resulting in more accessible and affordable rental and homeownership opportunities, as well as improved housing conditions for tribal members.

Recommendations for improving NAHASDA

Expanding NAHASDA Eligible Activities

One of the first steps in creating affordable housing is generating a comprehensive plan for development. HUD's current interpretation of regulations does not permit NAHASDA funds to be used for affordable housing planning purposes to leverage other program funding, such as Low Income Housing Tax Credits (LIHTC), HOME funds and Rural Housing and Economic Development resources. This is a serious impediment to carrying out affordable housing activities and is inconsistent with NAHASDA's intent. Small tribes are particularly challenged to find other resources to learn about how to leverage and plan affordable housing. We strongly urge the committee to include affordable housing planning as an eligible activity under NAHASDA.

Additionally, NAHASDA funds currently cannot be used to provide operations, maintenance or utilities assistance housing services for privately owned affordable housing units or affordable rental housing owned or built using NAHASDA funds. On many reservations, the elderly and the very poor are most in need of assistance with maintenance and utilities. Low-income families should be made eligible beneficiaries for housing services such as operations, maintenance and utilities and all other NAHASDA affordable housing activities, irrespective of whether the units are rental or homeownership.

Access to Credit and Financial Education

Credit and financial literacy education are ongoing issues in Indian Country. Often as a result of limited financial education opportunities, tribal members are more likely to be susceptible to predatory or sub-prime lending. Some banks are eliminating government lending products from the services they provide to tribes, but tribal members continue to need access to more lenders with a greater menu of flexible products.

Tribal members have limited choices for lenders and CDFI resources, making financial education even more imperative. There are continuous problems with outreaching to and qualifying families on trust land for the HUD 184 loan and other programs. As a result, tribal members may not qualify for a mortgage, or may qualify for only very small mortgages. NAHASDA reauthorization should include an emphasis on expanding financial literacy programs in order to facilitate asset building and financial well being among Native Americans.

Leveraging NAHASDA Funds

The NAHASDA statute includes the goal of leveraging NAHASDA with other programs, but some tribes struggle to make it work in practice. For example, in order to achieve the scale necessary for the use of Low Income Housing Tax Credits to be feasible, tribes may be forced to "save" annual allocations of Indian Housing Block Grants over several years just to build 20 to 40 units of housing.

A complication is that different program rules may require different income and rent limits. For example, the HOME and LIHTC programs use area median income limits,

while NAHASDA uses the greater amount between area median and U.S. median income. Meanwhile, the 30 percent housing payment maximum under NAHASDA may limit a family that is interested in a conventional or a HUD 184 loan guarantee mortgage.

State housing finance agencies are positioned to create innovative products and adapt existing programs to help meet the pressing needs on reservations. Congress should design a system to share these valuable program models and disseminate information and lessons on blending state-administered federal programs and state programs with NAHASDA funds.

Harmonizing NAHASDA and the LIHTC Program Rental Subsidies

NAHASDA, along with several other small programs at HUD, the USDA and the Department of Veterans Affairs, provides assistance to enable housing to be affordable to the lowest income tenants. The IRS currently provides limited guidance clarifying that these programs will not be treated as federal grants for the purposes of reducing the amount of housing tax credits in a property. Congress should modify Section 42(d)(5)(A) of the Internal Revenue Code to reflect that NAHASDA funds shall not be treated as a federal grant for the purposes of reducing the amount of low income housing tax credits in a property.

Better Tracking of Impact

Quality information is needed to reform and advance programs. We believe there are several important areas to track that would help gauge the impact of NAHASDA and identify potential ways to improve the programs efficiency and effectiveness. Currently, HUD Office of Native American Programs (ONAP) tracks and provides status reports on the number, location and value of 184 loans made. We believe it would be valuable to also track the number and amount of 184 loans made to families living on reservations with difficult title processes and possibly lower incomes, versus loans made to families living off-reservation. Additionally, HUD ONAP should track the number of 184 loans made to TDHEs, typically for developments where families are expected to purchase the home under a lease-purchase program, and for which there is no existing data.

HUD ONAP should collect specific data on how tribes are banking their NAHASDA funds for future development. As mentioned, tribes with smaller allocations of NAHASDA need to reserve Indian Housing Block Grants for larger-scale developments and to be able to package NAHASDA resources with other sources of financing. Many tribes have been successful with this strategy, but data is anecdotal.

Congress should encourage HUD ONAP to collect data on specific sources of leverage funds being combined with NAHASDA resources. In many cases, tribal governments may contribute resources to build infrastructure and provide other resources for affordable housing development.

Full Block Grant Funding

The implementation of NAHASDA has resulted in great advances for community development in Indian Country. The policy recommendations detailed above will provide

valuable additional information as well as streamline the development process to ensure that more families have expedient access to fit and affordable housing. However, as tribal block grant funding decreases and interest rates rise, tribes lack resources to meet the great housing demand. It is imperative that NAHASDA is fully funded with maximum flexibility for tribes and TDHEs to meet local needs in a timely and effective manner.

We look forward to working with members of this Subcommittee to ensure that NAHASDA is streamlined and improved to most effectively meet the serious housing and economic development needs of Native American communities.

¹ U.S. Commission on Civil Rights, "A Quiet Crisis: Federal Funding and Unmet Needs in Indian Country," 2003

² 2005 Harvard Project on American Indian Economic Development: A Databook of SocioEconomic Change between the 1990 and 2000 Censuses. www.ksg.harvard.edu/hpaied/pubs/pub_151.htm

³ 2000 Census Bureau