



# INTEREST RATES ON HOME LOANS IN INDIAN COUNTRY

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*Sr. Economist, CICD*  
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# ABOUT THE CENTER FOR INDIAN COUNTRY DEVELOPMENT

The Center for Indian Country Development supports tribes in reaching their full economic potential through actionable research and community collaboration to advance solutions in Indian Country.

*The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.*



# AGENDA

- OVERVIEW OF FED SYSTEM & CICD MISSION
- MORTGAGE RATES IN INDIAN COUNTRY



# INTRODUCTION TO CICD @ FEDERAL RESERVE BANK OF MINNEAPOLIS

# FEDERAL RESERVE SYSTEM



# FEDERAL RESERVE BANKS



# CICD TEAM



**CASEY LOZAR**  
VP, Director, CICD



**JACQUI-BALDWIN LECLAIR**  
Policy Analyst



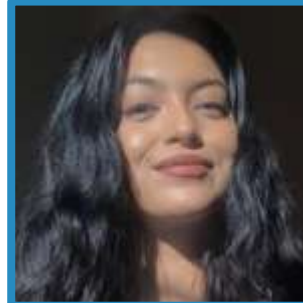
**ELLIOT CHARETTE**  
Senior Research Assistant



**MATTHEW GREGG**  
Senior Economist



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Senior Legal Advisor



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Engagement Manager



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Administrative Specialist



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**ELIJAH MORENO**  
Senior Research Assistant



**VANESSA PALMER**  
CICD Data Director



**HEATHER SOBREPENNA**  
Engagement Director



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Senior Policy Analyst

# CICD Strategic Priorities



## Data initiative



## Business capital and diversification



## Economic infrastructure

### Examples of prior work

- [Summit-Data gaps](#)
- [Funding and finance atlas](#)
- [NAFI map](#)
- NEED database development
- [Research and data use principles](#)

- [SBDC-proximity to services](#)
- [NCDFIs: character scores, determinants of loan delinquency](#)
- [Federal contracting: revenue growth](#)

- [Leveraging water rights](#)
- [Digital divide-extent and explanations](#)
- [CRA reform and rulemaking](#)

### Examples of future work

- Year-end data summit
- Reservation profiles/Databook
- Pilot tribal government survey-econ contributions
- NEED database-harmonize and begin analysis
- Native geographies
- Native entity identifiers

- **NCDFI**: qual and quan analysis of opps/constraints, counseling hours
- **SBDC** penetration
- **Federal contracting**: success characteristics, policy barriers

- **Broadband** funding, mapping, and data quality
- **CRA** education and implementation
- **Housing** mortgage constraints

# CICD Strategic Priorities



## Federal financing and tax incentives



## Optimizing tribal tax authority



## Economic contributions

### Examples of prior work

- [Uptake of NMTC in IC](#)
- Bond financing primer

### Examples of future work

- **[NMTC](#)** field interviews-policy barriers
- **[Bond financing](#)** parity

- [Tribal-state tax compacts assessment](#)
- [TTAC double taxation interview](#)
- [To tax or not to tax](#)
- [When do nations tax?](#)

- **[Tax compacts](#)**-equity and clearinghouse
- FN tax regimes
- **[Dual taxation](#)** case studies
- Tax reform primer

- [Wealth gaps in Indian Country](#)

- Tribal economic spillover effects
- Inflows/Outflows of consumers into reservation areas.

# CICD engagement priorities

## **Deepen relationships with key Indian Country partners:**

- Build relationships with key Indian Country organizations and tribal leaders
- Support the relationships necessary for the Census of Tribal Governments pilot and other data tools (Rez Profiles)

## **Continue growing our social media presence:**

- Expand engagement on Twitter and Facebook

## **Transform the annual Research Summit into a yearlong webinar series:**

- Host four events, each focused on a specific policy area, that explicitly connect data and research to policy and practice
- Host additional webinars to address “What is Indian Country?” and the new CRA rule (when available)

## **Leverage President Kashkari’s travel for Indian Country engagement:**

- Plan a fall trip to Indian Country

## **Support Fed Governors in visiting / engaging with Indian Country:**

- Hold a Fed Listens event (with potentially Governor Bowman) to channel the voices of Indian Country
- Plan a visit for Governor Barr to Indian Country in Montana

# Strategic focus areas

Our community collaboration, research, and policy activities focus on supporting the capacity of tribal governments to accelerate economic prosperity and private sector growth. Strategic focus areas include:

## Optimizing tribal tax authority



ARTICLE

### Tribal-state tax compacts rise as a tool for tax clarity in Indian Country

Jacqui Baldwin-LeClair | Policy Analyst, Community Development and Engagement  
Andy Huff | Senior Policy and Legal Advisor, Community Development and Engagement  
Casey Lozar | Vice President, Director of Center for Indian Country Development  
Caryn Mohr | Writer/Analyst, Community Development and Engagement

## Tribal enterprise diversification



ARTICLE

### Examining tribal enterprises to understand Native economic development

Matthew Gregg | Senior Economist, Community Development and Engagement  
Elijah Moreno | Senior Research Assistant, Community Development and Engagement

## Economic infrastructure



ARTICLE

### Center for Indian Country Development research reveals depth of tribal digital divide

Anahid Bauer | University of Illinois at Urbana-Champaign  
D.L. Feir | CICD Research Fellow  
Matthew Gregg | Senior Economist, Community Development and Engagement

## Business capital and credit



ARTICLE

### Native CDFIs bring holistic approach to assessing credit risk

Valentina Dimitrova-Grajzl | Virginia Military Institute  
Peter Grajzl | Washington and Lee University  
Joseph Guse | Washington and Lee University  
[Michou Kokodoko | Project Director, Community Development and Engagement](#)  
Caryn Mohr | Writer/Analyst, Community Development and Engagement  
Laurel Wheeler | CICD Research Fellow

## Financing and tax credits



ARTICLE

### Take-up of New Markets Tax Credit increases in Indian Country, with potential for far more

Matthew Gregg | Senior Economist, Community Development and Engagement  
Michou Kokodoko | Project Director, Community Development and Engagement  
Elijah Moreno | Senior Research Assistant, Community Development and Engagement

# 2023 research and policy priorities

## **Economic development and diversification:**

- Provide information to increase understanding of and reduce barriers to participation in key Indian Country industries including federal contracting and gaming
- Provide research and insights to support the vitality of Native CDFIs
- Explore Indian Country small business needs and resources
- Shed light on the interactions between tribal and nearby economies

## **Bond financing:**

- Work toward equal playing field for tribes and eliminate barriers to bonding

## **New Markets Tax Credits:**

- Address barriers to tribes taking full advantage of NMTCs

## **Taxation equity in Indian Country:**

- Analyze taxation compacts and constraints between tribal and state and local governments

## **Broadband:**

- Address broadband and other infrastructure issues (water, transportation, energy) to increase economic development in Indian Country

## **Data resources to address data gaps:**

- Provide Indian Country leaders, federal policymakers, and researchers with a variety of data products intentionally focused on Indian Country

# CICD engagement priorities

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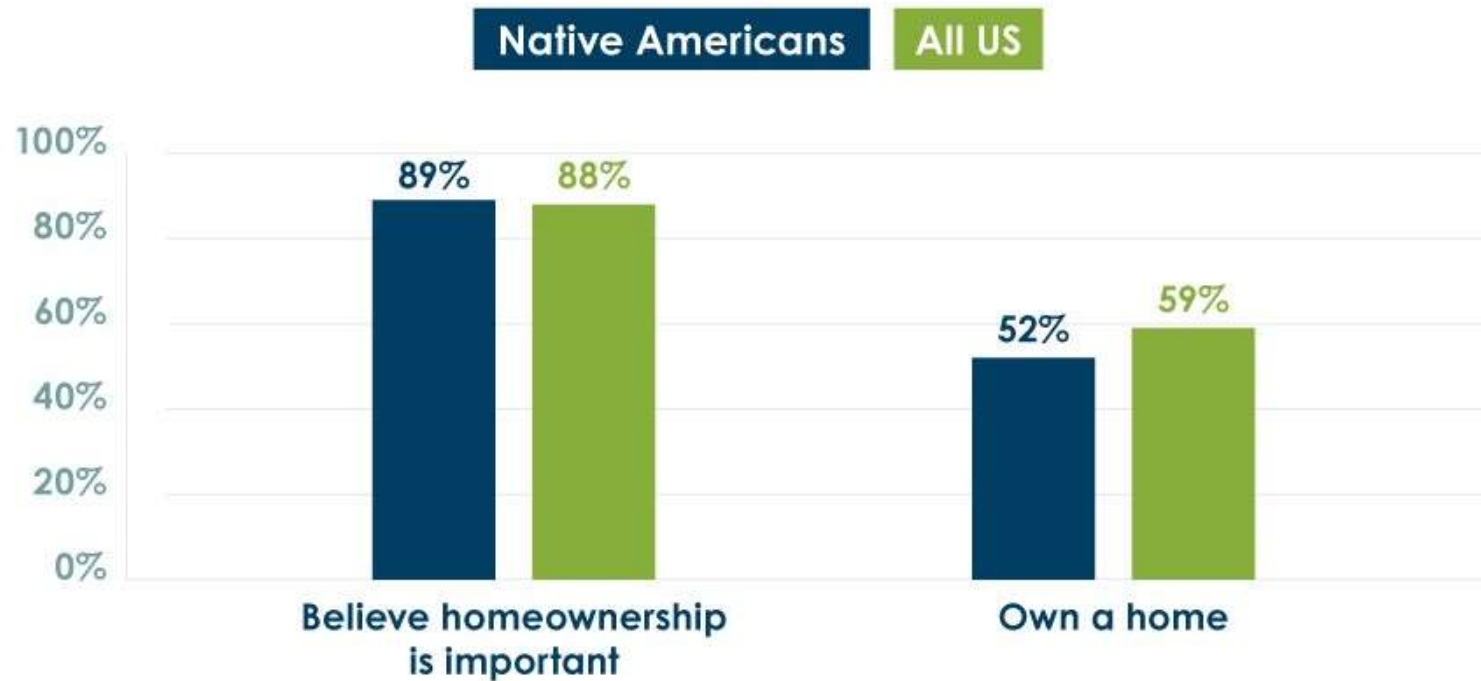
# Where to find CICD's resources



<https://www.minneapolisfed.org/indiancountry>  
<https://www.minneapolisfed.org/indiancountry/resources>

# MORTGAGE RATES IN INDIAN COUNTRY

Native Americans broadly believe homeownership is important, just like most other Americans. However, the homeownership rate for Native Americans trails the average.



# LOAN PRODUCTION ON TRUST STATUS LANDS, FY 2022

## Access to Mortgage Capital on Tribal Trust and Restricted Lands

Federal Fiscal Year 2022 (Oct. 1, 2021-Sept. 30, 2022)

	HUD 184	USDA RD 502 Direct	USDA RD 502 Guaranteed	USDA 504 Loans/Grants	VA Native American Direct Loan (NADL)*	VA-Guaranteed Home Loans**	Fannie Mae Conventional	Native CDFI's
Total Number of Native Loans (LG Issued)	3,680	193 (502 Direct Relending Pilot 16)	766	64 loan/grant	40	VA-Guaranteed Loans by race nationwide: - 8,487 American Indian/Alaskan Native - 2,369 Native Hawaiian/Pacific Islander		
# of Refinance	1155	0		0	3 – Interest Rate Reduction (IRRRL)	Data not Available		
# of Loans on Tribal Trust and Restricted	441 (72 allotted, 3 Restricted Fee, 366 Tribal Trust)	28 (502 Direct Relending Pilot 16)	3 leasehold loans on DHHL trust lands & 7 loans coded "fee simple on Reservation"	18	40	Data not Available	Fannie may did purchase a small number of loans on Trust Land during 2022.	

\*The NADL program is only available on trust land as defined by 38 USC 3765(1).

\*\* VA-guaranteed loans are made by private lenders on fee simple or approved leasehold land.

# HUD SECTION 184 OVERVIEW

Originally designed to provide home loans on trust status lands.

Not income-based, not credit-score driven program (i.e., you don't need a credit score > threshold).

Low mortgage insurance (if needed), flexible low down payments, fixed market rates

15-, 20-, 30-year terms, no pre-payment penalties, 1.5% loan guarantee fee, no commercial structures (>4 units)

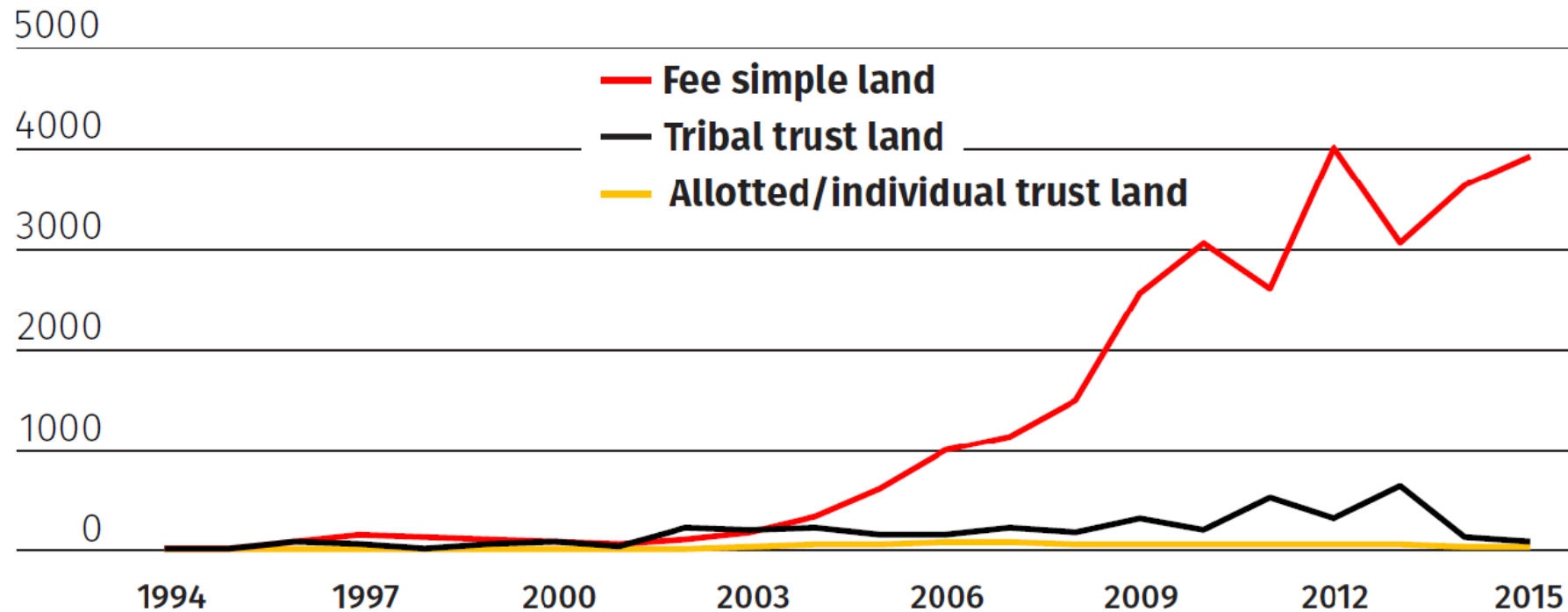
Long, cumbersome process (relationship matters a lot), foreclosures

# MOST HUD 184 LOANS ARE USED ON FEE SIMPLE LAND

## Number of HUD 184 Loans by Type of Land (1995-2015)

1

**Fee Land Loans Dominate Since 2005**



Source: CICD staff calculations based on data provided by the U.S. Department of Housing and Urban Development

# HOME MORTGAGE DISCLOSURE ACT DATA (2018-2021)

- HMDA (Reg C in 1975) requires many financial institutions to publicly disclose loan-level information about mortgages.
- Information in the confidential Home Mortgage Disclosure (HMDA) from 2018-2021 includes:
  - Borrower credit scores at time of application (only in confidential)
  - Combined loan to value (down payment)
  - Debt-to-Income Ratio
  - Other loan and lender information (whether lender is non-bank, age/gender of borrower, race and approximate location of home)
  - For manufactured homes, leasehold mortgage vs. direct ownership, personal property loan (chattel) vs. manufactured home mortgage

# LIMITATIONS OF HMDA DATA

- Does not contain the universe of mortgages (85%-90% of all mortgages (CFPB)
  - Loan officers report only if institution meets loan volume thresholds (25 secured loans in two preceding years from 2018-2019, 100 secured loans from 2020-on)
  - Many NCDFIs do not report (e.g., Section 502 pilot program in SD cannot be identified)
  - Currently, HUD 184 loans cannot be identified in HMDA.

# IMPORTANCE OF INTEREST RATE

- We ask: all else constant, do Native loan borrowers pay higher interest rates on their home loan and, if so, why?
  - Why do we care about interest rates (and not monthly payments)?
    - If a borrower uses a personal property loan (where home is not secured to land in the loan):
      - 8% interest rate on a 20 year loan for a \$100,000 Manufactured home → total interest payments > original loan
      - 8% interest rate on a 20 year loan for a \$200,000 MH home → total interest payments > original loan
      - Higher interest rates, especially for personal property loans, means borrower will pay more in interest than the original loan.

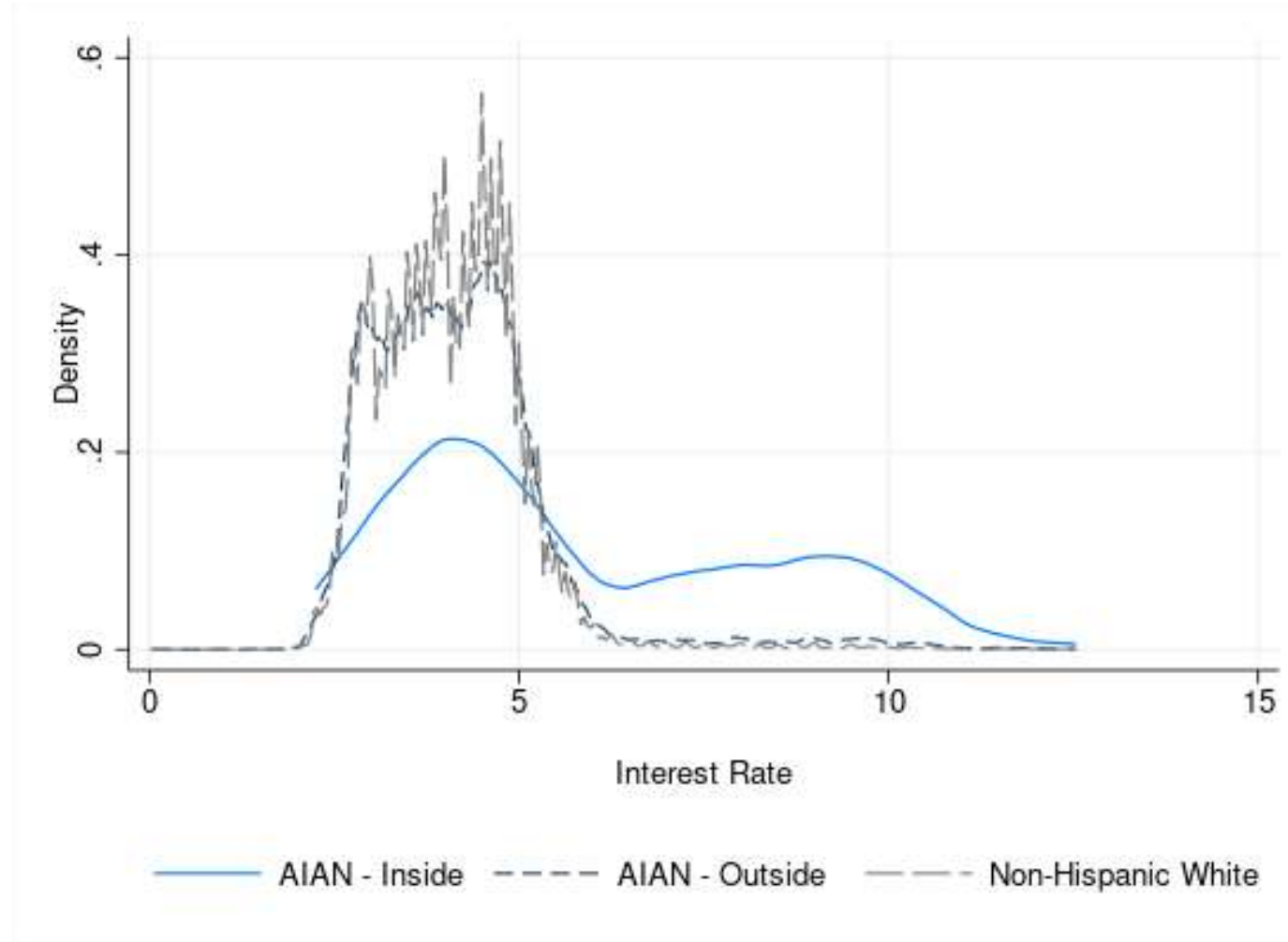
# NATIVE BORROWERS ARE UNDERREPRESENTED IN HMDA



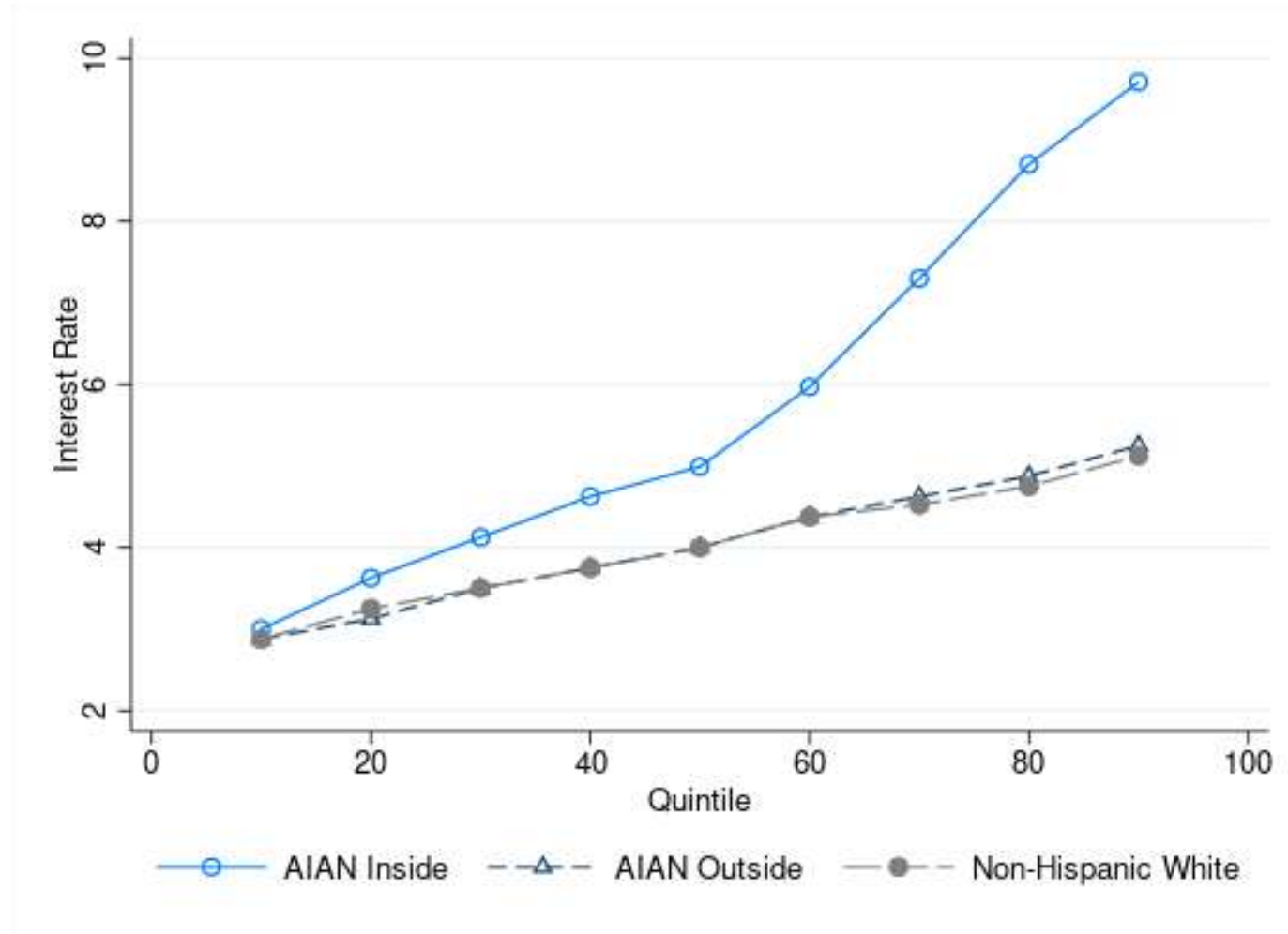
Using data from 2018-2021,

- 0.35% of all mortgage applications (32 million) are from Native borrowers living on reservations.
- 0.25% of all *approved* mortgage applications are from Native borrowers living on reservations.
- 0.48% of all mortgage applications are from Native borrowers living outside of reservations.
- 0.42% of all *approved* mortgage applications are from Native borrowers living outside of reservations.
- Together, **0.9%** of all mortgage applications are from Native borrowers (identified as AIAN in mortgage application).

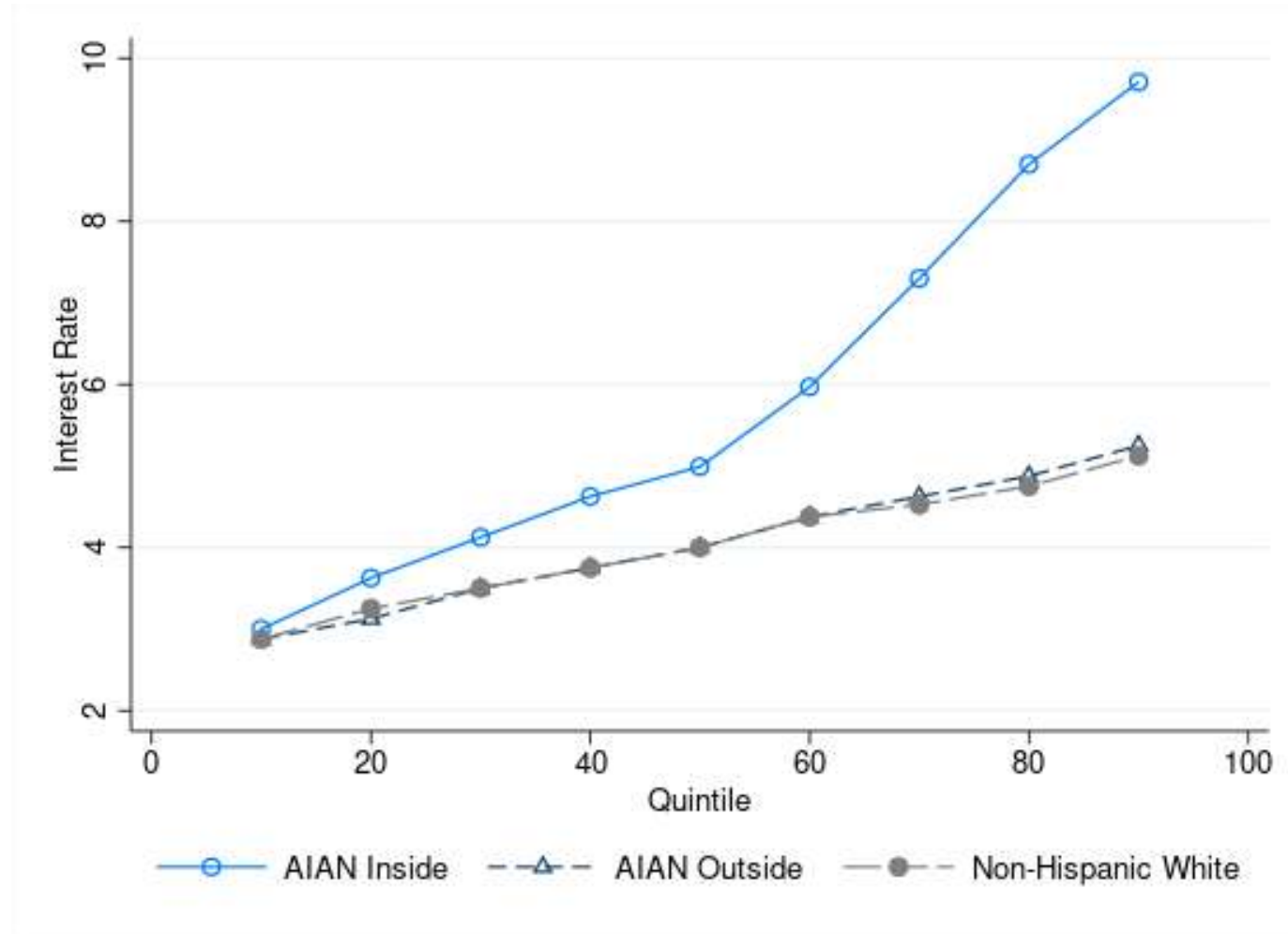
# DISTRIBUTION OF HOME LOAN INTEREST RATES



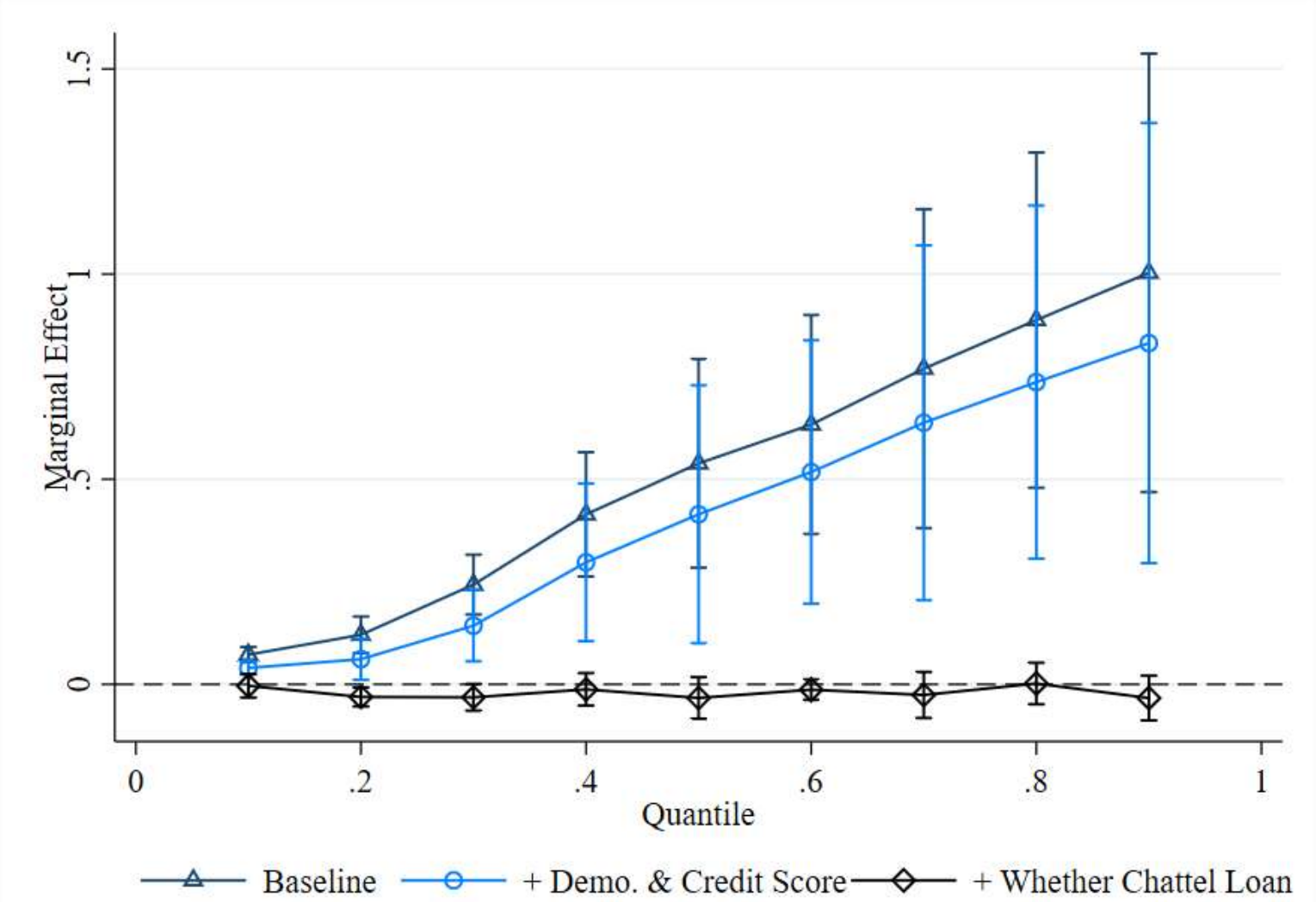
# LARGE RACIAL GAP ESPECIALLY AMONG HIGH-INTEREST LOANS



# LARGE RACIAL GAP ESPECIALLY AMONG HIGH-INTEREST LOANS



# DISPROPORTIONATE USE OF CHATTEL LOANS EXPLAINS ENTIRE GAP



Data on Manufactured H

# WHAT ARE THE POLICY IMPLICATIONS?

- Each year, GSEs consider buying chattel loans:
  - Might have outsized impact in Indian Country.
- Continued investments in financial and institutional capacity of Native community development financial institutions (Native CDFIs)
- Increasing the capacity of traditional lenders to work in Indian Country
- Improvements to the title process on trust land
- A normalized and complementary interagency lending process in Indian Country



**Thank you!**