

# Housing on Native American Lands

Housing Assistance Council

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Native Americans living on Native American lands<sup>1</sup> experience some of the highest poverty rates and worst housing conditions in our nation. Many of these problems originate from historical patterns of exploitation and complex land ownership arrangements, combined with a lack of investment in Native American communities. These systemic problems have been further exacerbated by decades of neglect and continued disinvestment, producing a cycle of poverty that is extremely hard to break.

## ECONOMIC CONDITIONS

The Native American population has grown since about 1950 and continues to rise rapidly. In 1900, the decennial Census counted fewer than 250,000 Native Americans. In 2000, approximately 2.5 million people reported their race as Native American alone. As interest in tribal culture and life on the reservation have intensified, factors such as increased self-identification as Native American have contributed to this difference along with natural population growth.<sup>2</sup>

Poverty is a persistent and significant problem for Native Americans, particularly those who live on Native American lands. While the national poverty rate for individuals is 12.4 percent, nearly one-third (32.2 percent) of Native Americans on Native American lands live in poverty.

Buffalo County, S.D., home of the Crow Creek Indian Reservation, has the unenviable distinction of being the poorest county in the nation, with 56.9 percent of its population living below the poverty level. In fact, five of the ten poorest counties in the country are in South Dakota, and all five contain Native American lands.

## HOUSING CONDITIONS

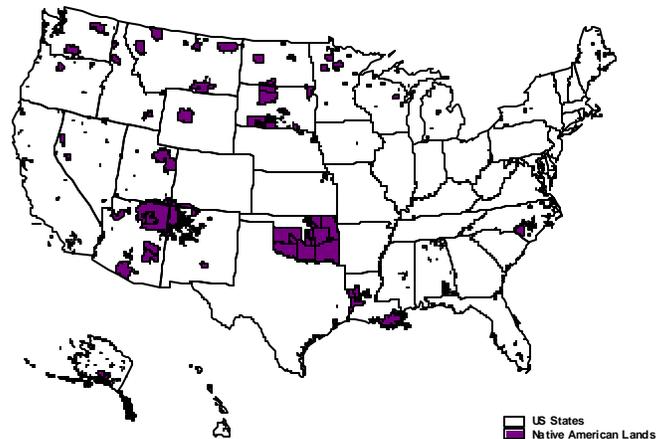
Extremely poor housing conditions are a visible sign of the economic distress in many Native American areas. Substandard quality is the primary housing problem in these areas. The lack of affordable quality housing has also reached crisis proportions in some Native communities.

**Household Crowding.** Crowding is among the most problematic housing conditions throughout Native American lands. The 2000 Census found that 18 percent of Native households in these areas live in crowded units (more than one person per room), compared to only 6 percent of households nationwide.

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Figure 1. Native American Lands



A National American Indian Housing Council (NAIHC) study determined that 33 percent of reservation households are overcrowded.<sup>3</sup>

Crowding has implications far beyond the obvious lack of space and privacy. NAIHC linked crowding and accompanying substandard housing conditions to increases in infectious diseases, lower educational attainment among children, and social problems like alcoholism, domestic violence, and child abuse and neglect.

**Inadequate Plumbing.** Among the more dramatic instances of housing inadequacy in Native American lands is the prevalence of homes without adequate plumbing. In 2000, one of every 10 Native American households residing on Native lands lacked adequate plumbing, 10 times the national level. This problem is particularly common in Alaska and in the southwestern United States.

**Housing Affordability.** Housing cost is a more serious issue in some Native American communities than in others. Overall, 18.4 percent of homeowners in Native American areas are cost burdened. This means they are spending over 30 percent of their income for housing each month. Affordability problems are even more common for those who do not own their homes: 31.6 percent of renters on American Indian lands are cost burdened.

## BARRIERS TO HOUSING DEVELOPMENT

Limited access to financing and housing assistance has exacerbated the low quality of housing on Native American lands. Subprime lending, including manufactured home loans, is extremely prevalent and Native American borrowers experience a high rate of loan denials. Home Mortgage Disclosure Act data for the year 2000 revealed that 42.9 percent of reported

home loan applications in counties with high Native American populations were originated by subprime or manufactured home lenders, compared to 23 percent for all rural areas. Other barriers include poverty and the following:

**Lack of Infrastructure.** Sewers, landfills, electricity, and paved roads are often absent in Indian Country. In some circumstances the development of new housing must wait until these basic elements can be obtained. The remoteness of some Native American settlements and the lack of adequate highways make housing construction more difficult and therefore more expensive.

**Site Approval Challenges.** Even after suitable land has been identified for housing development, site approval can be slowed down by complicated lease proceedings and archeological and environmental reviews.

**Legal Status.** In a traditional development project, if the borrower does not repay a loan, the commercial lender forecloses on the land to recoup its loss. However, since most land in Native American areas is held in trust by the U.S. government for Native Americans, it can never leave tribal ownership. Lenders may foreclose in a tribal court, where one is available and a tribal eviction and foreclosure ordinance is in place, though some lenders prefer not to do so. Also, lending on trust land involves additional players, including the Department of Interior's Bureau of Indian Affairs (BIA).

**Remoteness.** Many tribes are located in isolated rural places where few banks exist. Most of the lending institutions that are on or near Native American areas have limited assets for mortgage lending.

**Lack of Information.** Interactions between Native Americans and potential lending institutions are often inhibited by misunderstandings. Both parties need to be educated on issues like lending opportunities, risk, secondary market options, program requirements, fair housing, credit histories, and cultural issues.

### SOME SOLUTIONS

Direct federal aid remains important in improving Native American housing conditions. The Native American Housing Assistance and Self-Determination Act (NAHASDA), which took effect October 1, 1997, separated most Department of Housing and Urban Development (HUD) housing assistance to tribes from other HUD programs, creating block grants distributed by formula to eligible tribal housing entities. Native Americans living outside Native lands remain eligible for other HUD programs, and U.S. Department of Agriculture (USDA) Rural Development housing programs apply to both Native American and non-Native American lands.

In addition, some public/private partnerships have been successful. Through HUD's Section 184 loan guarantee program and, to a lesser extent, USDA's Section 502 guarantee pro-

gram, the federal government guarantees private sector mortgage loans to Native American homebuyers, thus eliminating much of the lenders' risk. These guarantees and a secondary market provided by Fannie Mae for many loans on tribal lands have led to an increase in private lending. Currently, Section 184 is the most widely used product to encourage private lending on restricted lands. From its creation in 1994 through July 2006, the program guaranteed 3,505 loans.<sup>4</sup>

Some tribes have established their own development programs. These can include contracts with commercial lenders, downpayment assistance and closing cost funds, and creation of certified Community Development Financial Institutions that make direct mortgage loans. For example, the Oneida tribe of Wisconsin uses its gaming revenues to subsidize bank loans. One of its programs provides borrowers with 25 percent downpayments. The tribe is also using gaming proceeds to buy existing homes and resell them to tribal members for the price the tribe paid minus the cost of the land. The tribe leases the land to each family for a dollar per year.<sup>5</sup>

### ENDNOTES

1. The term Native Americans is used here to refer to the Census-designated American Indians/Alaska Natives and Native Hawaiian/Pacific Islander racial groups. Native American lands, as used here, refer to the places collectively called American Indian Areas, Alaska Native Areas, and Hawaiian Homeland Areas by the Census Bureau, which include Alaska Native Regional Corporations, Alaska Native Statistical Areas, American Indian Reservations, American Indian Off-Reservation Trust Lands, American Indian Tribal Subdivisions, Hawaiian Home Lands, Oklahoma Tribal Statistical Areas, State Designated American Indian Statistical Areas, and Tribal Designated Statistical Areas.
2. In addition, these figures are not directly comparable because different procedures have been used from census to census to classify persons as Native Americans.
3. National American Indian Housing Council, *Too Few Rooms: Residential Crowding in Native American Communities and Alaska Native Villages* (Washington, D.C., 2001).
4. "Section 184 Loans in Indian Country, July 2006," accessed September 21, 2006, [http://www.hud.gov/offices/pih/ih/homeownership/184/loan\\_tribe.pdf](http://www.hud.gov/offices/pih/ih/homeownership/184/loan_tribe.pdf).
5. "One Stop Mortgage Center Initiative in Indian Country, Appendix K," accessed June 2005 at the Office of the Comptroller of the Currency website, <http://www.occ.treas.gov/cdd/appendixk.pdf>. Additional information about Native American banking is available at <http://www.occ.treas.gov/cdd/Nativeam.htm>.

*This information sheet is a synthesis of research conducted by the Housing Assistance Council (HAC). Except where otherwise noted, the data for this report appeared first in Taking Stock: Rural People, Poverty and Housing at the Turn of the 21<sup>st</sup> Century, Housing Assistance Council (Washington, D.C., December 2002). A national nonprofit corporation headquartered in Washington, D.C., and founded in 1971, HAC helps local organizations build affordable homes in rural America by providing below-market financing, technical assistance, research, training, and information services. HAC is an equal opportunity lender.*