

Community Investments Vol 15, Issue 3 Expediting Mortgage Processing in Indian Country

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You've seen the advertisements: "fast loan approvals," "speedy processing," and "lock your rate today." But seldom do these offers show up in Indian Country. While mortgage lending in the U.S. has reached record levels during the past few years, with quicker and easier approval processing, records are not yet being set in Indian Country.

A typical mortgage applicant in Indian Country needs to be very patient. The lack of written procedures, checklists, or someone to provide guidance leaves the applicant susceptible to excruciating delays and opens the door to predatory lending. The applicant stumbles through redundant requests and reviews of credit, employment and income information only to have the loan documentation go stale before the application is approved. There is seldom a realtor to provide help, and the commission-driven loan officer grows less interested by the day. The mortgage approval partners know what each is supposed to do, but they lack a coordinator.

It's not supposed to be this way. Tribal members should not have to endure a more arduous mortgage processing than those purchasing homes off the reservation. The processing procedures are always going to be more complicated due to the varying types of land on Indian reservations and the required involvement of the tribe and its federal partners; however, the

"First Nations" should not have to be at the back of the line when buying a home on their own land. In the spirit of the Native American Housing and Self-Determination Act, tribes are supposed to be able to make more of their own decisions, manage more of their resources, and create their own destiny. The ability to easily obtain a mortgage loan on their reservation should also be possible.

To help speed processing times, the northwestern and western regional offices of the Bureau of Indian Affairs and the Federal Reserve Bank of San Francisco recently held eight workshops entitled *The Bureau of Indian Affairs: Streamlining the Mortgage Approval Process*. The primary purposes of the workshops were to uncover common reasons for loan processing delays and develop ways participants can help avoid them. The workshop also allowed participants the opportunity to share their experiences, obtain responses to their concerns, and offer ideas on how lending matters could be handled. The approximately 250 participants included representation from over 40 Indian tribes, 15 financial institutions and several government agencies.

Questions and concerns from participants were welcomed during presentations from the Bureau of Indian Affairs and HUD's Office of Native American Programs. Every step of the mortgage process was examined, including the roles of the organizations involved and the actions they could take to help speed the process. It was an interesting observation that some participants reported long processing times, confusing procedures and lack of communication from everyone concerned with the transaction, while a few reported very positive experiences. The reasons for the disparity were obvious; successful participants involved in mortgage transactions had learned over time how to speed the process, while the less-experienced were still struggling to find their way.

This article will focus on findings from the workshops and provide recommendation for things the key players in any mortgage transaction in Indian Country can do to streamline the application and approval process. These key players include applicants, tribal housing authorities, lenders, and the Bureau of Indian Affairs.

Applicants

Applicants need clear direction on how to obtain loans. Homebuyer workshops can help them learn how to be ready to borrow and the responsibility of homeownership, and can give them extra time to prepare for both. Workshops can also provide instructions on how to accelerate the mortgage approval process. Borrowers should also have access to other resources that can help them obtain mortgage loans, such as those included in [Housing Washington's Native Communities guide](#).¹ This guide serves as a directory of asset-building resources, mortgage assistance programs, mortgage approval contacts, and other helpful information for Washington state. It can serve as a template to create a similar guide for contacts and resources in your area.

Tribes

The tribal government can assist the process in a variety of ways. One of the most common reasons for the lack of access to mortgages in Indian Country is the lack of effective housing ordinances and lease agreements. The U.S. Department of Housing and Urban Development's Office of Native American Programs has developed a [model housing ordinance](#) for their Section 184 Indian Housing Loan Guaranty Program.² The ordinance has been adopted by over 100 tribes to date and has proven to be effective at creating a legal infrastructure that helps protect the trust status of the land and make lenders comfortable. Several other interagency and model documents, such as a lease that is acceptable to several government agencies, are available through HUD's [One Stop Mortgage Center](#).³

Tribes should also consider appointing staff to provide guidance to mortgage applicants to help ensure a smooth application processes. Individuals who could be familiar with the approval process, including time frames, necessary documentation and the needs of others involved in the process and who could maintain written procedures and an applicant checklist and periodically meet with key partners to learn about any procedural changes that may impact the process. These same individuals could provide homebuyer education to applicants and promote communication with other departments within the tribe, such as economic development, water/sewer, administration and the tribal council.

The Bureau of Indian Affairs (BIA)

The BIA has an enormous role in Indian Country. It is responsible for the administration and management of 55.7 million acres of land held in trust by the United States for American Indians, Indian tribes, and Alaska Natives. Developing forestlands, leasing assets on these lands, directing agricultural programs, protecting water and land rights, developing and maintaining infrastructure, providing for health and human services and economic development are all part of this agency's responsibility. For mortgage lending, its staff ensures that title transfers are conducted appropriately and reviews individual transactions to ensure the trust status of land is not violated.

The BIA does not currently have an active web site, but certain documents could be placed on other related agency or federal websites so that they would be accessible by their constituents. The Federal Reserve Bank of San Francisco has taken the first step towards this by posting several BIA documents on its website in the community development section.

Lenders

Lenders need to become familiar with the mortgage processing procedures of each tribe in their areas so that they can help expedite applications

without missing critical steps. If determined necessary, lenders should consider providing additional incentive to commissioned loan officers so they are motivated to work with applicants that are more complex than traditional borrowers. Periodic meetings with tribal officials, especially tribal mortgage coordinators, can foster communication and help avoid unexpected delays.

Conclusion

The next time you see a mortgage loan advertisement, consider whether it would apply to Indian Country. With increased cooperation, mortgage processing can be swifter and homeownership possibilities can become a reality for more tribal members.

To discuss hosting or coordinating a BIA workshop in your area, contact Craig Nolte at 206/343-3632 or via [email](#).

¹ Craig Nolte, *Housing Washington's Native Communities*, Federal Reserve Bank of San Francisco: 2003

(<http://www.frbsf.org/community/native/index.html>)

² http://www.codetalk.fed.us/HUD_ONAP.html

³ http://www.codetalk.fed.us/One_Stop_Mortgage_Center.htm