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Expanding Access to Homeownership on Tribal Lands

By: Alexander Payne, CFA | August 2, 2023

Boston - Even with the deep and liquid mortgage market in the United States, many potential borrowers who fall outside traditional underwriting guidelines are unable to secure a home loan easily. These aspiring homeowners can have stable incomes and good credit, but for one reason or another they fail to qualify for conventional government loan programs, which are largely automated.

One such group that requires months (and sometimes years) of manual processing are Native American borrowers living on tribal lands. Let's look at how Calvert's mortgage team is helping to reach this underserved population.

Homeownership among Native Americans

The homeownership rate for Native Americans is 56.7%, compared to 71.7% among white households.¹ Contributing to this gap is the cumbersome process of navigating multiple government bureaucracies for each new loan. Here's how the Department of Housing and Urban Development (HUD) describes the problem:

"Much of the land in Indian Country is held in trust by the United States government for the benefit of a particular tribe or individual Native American. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive approval from the Bureau of Indian Affairs (BIA), before a lien is placed on the property."²

In 1992, Congress created the Section 184 Loan Guarantee Program to address these difficulties and help expand access to homeownership on tribal lands. Section 184 provides a 100% government guarantee on loans secured by 50-year leasehold interests, rather than typical fee simple ownership.³ Each loan still needs special approval at the tribal level from HUD and at the parcel level from the BIA, but at least there is a defined path to homeownership.

Calvert's mortgage team aims to help

We are committed to growing the Section 184 market, so we have collaborated with 1st Tribal Lending, the largest lender in the space. According to RiskSpan, this organization services nearly half of all Section 184 loans and is working to improve the origination process, making it faster and more borrower-friendly.

In July, we spoke with the founder about our shared mission to expand access to homeownership. Calvert has already partnered with the company to fund 125 mortgages totaling nearly \$34 million. Going forward, 1st Tribal Lending has asked for Calvert's help in providing capital for their new Rosebud down payment assistance program, which was named to honor the Rosebud Sioux Tribe.

Bottom line: We are excited to continue our partnership with 1st Tribal Lending, and we look forward to future engagements with other lenders targeting many more underserved populations in the U.S.

1. Alexander Hermann, "In Nearly Every State, People of Color are Less Likely to Own Homes Compared to White Households," Harvard Joint Center for Housing Studies, February 8, 2023.

2. United States Department of Housing and Urban Development, Section 184 and 184A Frequently Asked Questions.

3. Fee simple gives the property holder complete and total ownership of the land and buildings on it.

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"Calvert's mortgage team is committed to our partnerships with organizations that target underserved populations of aspiring homeowners."



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