

## CHAPTER 9. HOMEBUYER COUNSELING IN TRIBAL COMMUNITIES

### OVERVIEW

Homebuyer counseling is a critical component of a tribal homeownership initiative. Because most Native families are first-time or first-generation homebuyers, they often need education about the process and awareness of the steps required to make a successful loan application in order to qualify for a mortgage. Tribal families often seek assistance to learn about homeownership, its benefits, and requirements. In some cases, they may have poor or no credit histories, or they may not be familiar with the mortgage lending process or required home-maintenance activities. Some need only attend an introductory class while others may need one-on-one counseling to repair credit or reduce existing debt before they are ready to submit an application. Education and counseling can be crucial in helping an individual or family become and remain a homeowner.

Members of the One-Stop Mortgage Center Initiative Homebuyer Counseling Team found that homebuyer education is essential to ensuring access to lending in Indian Country. This team included the American Homeowner Education and Counseling Institute, Fannie Mae, First National Bank of Santa Fe, the Fort Berthold Housing Authority, the Morongo Housing Authority, the National American Indian Housing Council, the Navajo Partnership for Housing, Inc., the Neighborhood Reinvestment Corporation, the Nez Perce Housing Authority, the Northern Cheyenne Tribe, Wells Fargo Home Mortgage, the Standing Rock Sioux tribe, the U.S. Department of Agriculture (Rural Development), the U.S. Department of Housing and Urban Development, Office of Native American Programs (ONAP), and Washington Mutual Bank.

### DESIGNING A GUIDE TO CREATING A HOMEBUYER COUNSELING PROGRAM

#### **Barrier**

Homebuyer counseling programs and trained personnel are not readily available in tribal communities. Other non-Native programs may be helpful, but they do not address traditional means of providing housing, and they are not sufficient to educate residents of Indian reservations about the intricacies of mortgage lending on Indian land.

## **Solution**

In order to help tribal governments meet this need, the Homebuyer Counseling Team will initiate the development of a guide and training curriculum on how to establish a homebuyer education program. This guide will include a model homebuyer counseling curriculum based on existing programs available in Native and non-Native communities.

In order to implement this solution, the Neighborhood Reinvestment Corporation, the National American Indian Housing Council, and HUD's Office of Native American Programs are exploring how to design national and regional sessions using the guide and curriculum to train local trainers and one-stop mortgage center staff on developing homebuyer counseling programs. An important component of this effort will be follow-up training and on-site technical assistance.

The Homebuyer Counseling Team compiled the following preliminary information to assist tribal organizations and one-stop mortgage centers in designing a homebuyer counseling program.

### **WHO SHOULD ADMINISTER THE HOMEBUYER EDUCATION CURRICULUM?**

A tribal government should carefully consider the entity it chooses to administer this program. Ideally, establishing and running a homebuyer counseling program would be a core function of a one-stop mortgage center. However, if none exists, the housing authority or Tribally Designated Housing Entity (TDHE) could take on this role. The function could be contracted out to a non-Native intermediary or a consultant, but since educating tribal families about homeownership is a long-term process, most tribes prefer to have permanent staff in the community provide this assistance.

### **WHAT DOES A COMPREHENSIVE HOMEBUYER EDUCATION PROGRAM INCLUDE?**

Key components of a comprehensive homebuyer education program include:

- **Client intake.** Staff must be able to assess the homebuyer's readiness. Clients could be ready to apply for a mortgage loan or they may need long-term counseling. Readiness is determined by the family's financial situation as well as by whether legal documents such as the homesite lease are in place.

- **Client tracking system.** The formality of this system will depend on the size of the reservation community. An Excel spreadsheet could very well serve the need to track the potential buyers and their progress.
- **Money management counseling.** Tribal families may need assistance learning about budgeting for mortgage payments or money management in general.
- **Credit counseling.** This service may include one-on-one counseling and assistance in improving credit-worthiness, credit repair, and/or debt consolidation. It may also include classes on money management and the importance of a good credit history.
- **Trained homebuyer counselors.** A one-stop mortgage center should have staff or local experts trained to counsel clients on every aspect of homeownership. Staff should be able to teach a homebuyer training course as well as to administer one-on-one counseling.
- **Lender assistance.** The staff may also provide valuable liaison services to the servicing lender. In addition to default counseling, lenders may wish to consider local, trained staff for inspection and face-to-face interview activities.
- **Homebuyer course.** The one-stop mortgage center should design a course that addresses the unique circumstances of its tribal community. This course should be offered periodically during the year so that clients can prepare themselves for homeownership. This course may include topics such as: reading a credit report, the mortgage loan process, real estate and mortgage lending terms, appraisals and housing care, and maintenance.
- **Marketing strategy.** In order for potential homebuyers to participate in the homebuyer education program, the mortgage center should have a comprehensive marketing strategy to attract and retain participants. This may involve establishing partnerships with lenders and others to develop a referral system to the mortgage center.
- **Established relationships with Federal, tribal, and private partners.** Successful homebuyer education programs integrate all the players in the mortgage process into the training—including lenders, contractors, the BIA, tribal land departments, appraisers, title insurance companies (if applicable), and hazard insurance companies.
- **Methods to Avoid Predatory Lending.** To assist homebuyers in avoiding predatory lending, consultation should occur among HUD, the Department of Justice and other Federal partners, and a brochure or training course module should be developed for distribution to homebuyers and counseling agencies.

- **Portfolio of loan products for tribal members.** Staff should be knowledgeable about the range of mortgage loan products available to their tribal members.
- **Financial assistance or subsidies.** Tribal families may need help to develop a plan to accumulate the funds for the downpayment or closing costs.
- **Post-purchase and home maintenance counseling.** This type of counseling will help tribal families understand the importance of maintaining their homes—to protect the value of the home as well as the quality of life in the neighborhood.
- **Default and foreclosure counseling.** Foreclosure on the reservation will be subject to the ordinances and procedures for that reservation, making counseling of this type very important. The counseling may include activities such as determining whether the homebuyer might bring the account current with a payment plan acceptable to the lender; creating repayment plans with the homebuyer's other creditors; counseling if the loan is brought current or the lender proceeds with foreclosure; and exploring alternatives to foreclosure.

#### HOW CAN TRIBAL COMMUNITIES TRAIN PERSONNEL TO RUN THIS TYPE OF PROGRAM?

Some organizations offer train-the-trainer sessions for homebuyer counselors in Indian Country.

The **American Homeowner Education & Counseling Institute (AHECI)** is a national, nonprofit organization that was established in 1997 by Fannie Mae, mortgage industry partners, and leaders in the housing industry (for-profit and nonprofit), to standardize the homeowner education and counseling industry. For more information, contact AHECI at 1156 15th Street, NW, Suite 1220, Washington, DC 20005, Phone: 1-888-AHECI-99, Fax: 1-888-AHECI-77, Web site: <http://www.aheci.org>.

**Credit Counseling Centers, Inc.**, is a national nonprofit agency that provides free counseling and low-cost debt management programs to people experiencing financial difficulties. Its staff in locations near Indian Country has helped tribal communities develop credit counseling programs. For more information, contact Credit Counseling Center, Inc., 38505 Country Club Drive, Suite 210, Farmington Hills, MI 48331-3429, Phone: 1-800-547-5005, Web site: <http://www.DebtHelpNow.org>.

The **Falmouth Institute, Inc.**, is a for-profit training and publishing firm that specializes in Indian Country issues. It offers a homebuyer counseling course for trainers. For more information, contact The Falmouth Institute, Inc., 3702 Pender Drive, Suite 300, Fairfax, VA 22030, Phone: 1-800-992-4489, Web site: <http://www.falmouthinst.com>.

The **National American Indian Housing Council (NAIHC)** offers a 4-day course as part of its Leadership Institute. For more information, contact NAIHC, 900 Second Street, NE, Suite 305, Washington, DC 20002-3557, Phone: 1-800-284-9165, Web site: <http://www.naihc.indian.com>.

The **Navajo Partnership for Housing, Inc. (NPH)** is a nonprofit corporation chartered under Navajo law to promote homeownership opportunities for Navajo families. It also offers training for homebuyer education counselors at other Indian tribes. For more information, contact NPH, P.O. Box 1384, St. Michaels, AZ 86511, Phone: 520-810-3112.

The **Neighborhood Reinvestment Corporation (NRC)** offers homebuyer counseling training for staff as part of its Training Institute. For more information, contact NRC, 1325 G Street, NW, Suite 800, Washington, DC 20005-3100, Phone: 1-800-438-5547, Web site: <http://www.nw.org>.

Private lenders may partner with tribal organizations' staff to provide homebuyer education to their members. For more information, contact your local lender to discuss what may be available.

#### WHO CAN TRIBES CONTACT FOR TECHNICAL ASSISTANCE TO START A HOMEBUYER EDUCATION PROGRAM?

Technical assistance to establish this type of program is becoming increasingly more available. Tribes may contact the following agencies:

The **Housing Assistance Counsel (HAC)**—a nonprofit corporation that offers training and technical assistance to organizations that serve rural America. For more information, contact HAC, 1025 Vermont Avenue, NW, Suite 606, Washington, DC 20005, Phone: 202-842-8600, Web site: <http://www.ruralhome.org>.

**HUD-funded housing counseling agencies.** To find a non-Native counseling agency near the reservation, contact the Housing Counseling Clearinghouse, P.O. Box 10423, McLean, VA 22102-8423, Phone: 1-800-217-6970, Web site: <http://www.hudhcc.org>.

**National American Indian Housing Council (NAIHC).** At the request of tribal housing agencies, NAIHC will provide on-site technical assistance to Indian housing professionals at no cost. NAIHC's technical assistance specialists work on-site, via telephone and fax or e-mail. For more information, contact NAIHC, 900 Second Street, NE, Suite 305, Washington, DC 20002-3557, Phone: 1-800-284-9165, Web site: <http://www.naihc.indian.com>.

**State housing finance agencies.** To find the agency in your State, contact the National Council of State Housing Agencies, 444 N. Capitol Street, NW, Suite 438, Washington, DC 20001, Phone: 202-624-7710, Web site: <http://www.ncsha.org>.

#### HOW CAN TRIBAL COMMUNITIES FINANCE THE CREATION OF A HOMEBUYER EDUCATION PROGRAM?

One of the most challenging aspects of developing a homeownership program is determining how to finance it. Some possible sources of funding include the following:

- Indian Housing Block Grant (IHBG) funds under the Native American Housing Assistance and Self-Determination Act (NAHASDA)
- Lender contributions
- Foundation grants
- HUD Rural Housing and Economic Development Grant
- USDA—Rural Housing Services Section 523 Self-Help Technical Assistance Grant.

Additional information about funding sources is included in Appendix B in *Shared Visions: Guide to Creating a Nonprofit Homeownership Entity*.

## CHAPTER 10. FINANCIAL SKILLS CURRICULUM

### OVERVIEW

Many potential homeowners in Indian Country need personal finance counseling. As in most of rural America, the lack of daily contact with credit providers contributes to an incomplete understanding of the borrowing processes. Financial skills education is often the first step to preparing borrowers and making homeownership achievable in Indian communities. Although the need for this type of education is not unique to Indian Country, it may be more prevalent there due to remote locations and lack of marketing efforts from mainstream financial providers.

### BUILDING NATIVE COMMUNITIES: FINANCIAL SKILLS FOR FAMILIES

#### **Barrier**

Financial skills education programs are available in Indian communities on a limited basis. Few courses targeted to Native American consumers currently exist.

#### **Solution**

The groundwork for success is consumer education. First Nations Oweesta Corporation has partnered with the Fannie Mae Foundation to develop a culturally appropriate consumer financial skills curriculum—*Building Native Communities: Financial Skills for Families*.

This unique curriculum provides adult financial skills education through a Native values framework that embraces community, traditional resource management, the interconnection between generations, folklore wisdom, and historical experience. The 20 hours of interactive training includes the following sessions: Building a Healthy Economy, Developing a Spending Plan, Working with Checking and Savings Accounts, and Understanding Credit and Your Credit Report.

The objective of the program is to enable tribal members to build healthy communities and realize their tribe's own values by learning financial skills that will help each person make informed financial decisions for themselves, their family, and their tribe.

This effort is supported by a review committee with representatives from the Fannie Mae Foundation, the Federal Reserve Bank of Minneapolis, Fond du Lac Tribal College in Minnesota, HUD's Office of Native American Programs, the Lakota Fund, the New Mexico Community Development Loan Fund, and the North American Native Bankers Association.

The curriculum is being piloted in both the Fond du Lac and Navajo communities through summer 2000. The Navajo pilots will be taught in both English and Navajo.

*Building Native Communities: Financial Skills for Families* will be available free of charge in winter 2000. Currently, distribution systems are being explored and potential partners are welcome to contact Natasha Shulman at 206-325-6823.

### **Other Resources**

The Federal Reserve Bank of Minneapolis published an article titled "Personal Finance—The Bedrock of a Community's Financial Health," in *Community Dividends* in 1999. The article describes an initiative at the Fond du Lac Tribal and Community College in Cloquet, Minnesota. To obtain a copy of this article, visit <http://minneapolisfed.org/pubs/cd/9902/perfin.html> or call 612-204-5000.



## **SECTION D: STREAMLINING THE MORTGAGE LENDING PROCESS**

Section D addresses efforts to improve the mortgage lending process by standardizing, streamlining, and clarifying in areas such as legal documents, BIA review, environmental review, land status, and loan products.

Section D discusses each of these initiatives:

Chapter 11. Mortgage Process and Standard Documents for Loan Programs

Chapter 12. BIA Review Process

Chapter 13. Environmental Issues

Chapter 14. Land Issues

Chapter 15. HUD Loan Products