Minnesota Housing
Entry Title: Tribal Housing Investments 50 Years in the Making
Category: Homeownership
Subcategory: Empowering New Buyers

Overview

For 50 years, Minnesota Housing has partnered with Tribal Nations to fund homeownership and rental activities throughout Minnesota through the Tribal Indian Housing Program. Funded through Legislative appropriations, the program addresses the difficulty of securing loans on Tribal trust lands. In that time, the $70 million investment supported over 3,300 mortgages and rehabilitation loans. By investing in a revolving loan fund and partnering with Minnesota Tribes to administer it, Tribes have shaped the program to meet their needs and expand access to financing that supports safe, high-quality housing on Tribal lands. Minnesota Housing continues to make state funds available to Tribes to replenish revolving loan funds and is working to give Tribes greater autonomy in the management of their programs.

Recognizing the Tribes have full organizational capacity to administer the funds, the Agency is pursuing program changes that will make it possible to hand off the program to Tribes to manage and continue to operate the revolving loan fund. Offering Tribal control of the funds is an important step for the state to honor Tribal sovereignty and allow Tribes appropriate authority to make the best funding decisions for their communities.

Housing financing challenges on Tribal lands

Across American Indian Tribal communities, the complex web of legal and administrative requirements of Tribal trust lands — held in trust by the federal government for the benefit of Tribes — has led to limited access to mortgage products, construction financing and capital investment. This long-standing underinvestment has had profound consequences. Tribal communities routinely face severe housing shortages, overcrowding and aging homes in need of substantial repair. In 1975, before the Tribal Indian Housing Program was enacted, the Minnesota Chippewa Tribe conducted a housing survey and found that 44% of housing units on Tribal lands were found to be in such a deteriorated and inadequate condition that immediate replacement was recommended for health and safety reasons. While the overall homeownership rate in Minnesota is 72%, the rate of homeownership among Native Americans is far lower at 47%. Several housing finance agencies have made efforts to lend on Tribal trust lands, but none have been able to lend at scale. In this challenging environment, the success of Minnesota Housing's Tribal Indian Housing Program stands out as transformative.

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Lending Complexities

The majority of Tribal land on reservations is held in trust status, where the federal government holds the legal title to the land. Securing mortgage financing for a property on Tribal trust land involves a daunting and often lengthy administrative process to obtain the necessary approvals from the federal government, which has resulted in limited access to capital to address housing needs.

The complex ownership and leasehold structure make securing and enforcing loans on Tribal lands complicated and risky, so historically most financing has been with federally guaranteed programs, like the HUD Section 184 Indian Housing Loan Guarantee Program. More recently, Fannie Mae and Freddie Mac have started offering financing for homes on Tribal trust lands.

Mortgage programs established to serve borrowers on trust land, including HUD Section 184, have a reputation for being "niche": difficult to understand and relatively inflexible. While HUD Section 184 loans are by far the most common product for purchasing homes on tribal land, the lack of availability of this product is evidenced by the fact that available data estimate only 12% of the approximately 2,500 HUD 184 loans produced nationwide annually were used to finance homes on Tribal trust land. That amounts to just 300 loans per year in the entire country successfully making it through the HUD 184 process for properties on Tribal trust land. While HUD implemented program changes to improve the program in March 2024, available data suggest no significant increase in usage of the HUD 184 product.

Approach: Tribal Indian Housing Program

Instead of trying to coax private banks and mortgage companies to learn how to navigate the complexities around mortgage finance for Tribal communities, Minnesota Housing created an opportunity for Tribes to develop the expertise to administer financing to their own communities and determine for themselves the best use of the funds to meet their housing needs.

Since 1976, Minnesota Housing partnered with Tribes to develop and implement the Tribal Indian Housing Program to mitigate the issues of lack of mortgage lending products and poor housing conditions faced by American Indians residing on and off reservations in Minnesota. The program establishes Tribal administrator revolving loan funds for affordable housing activities. Tribes have and continue to use the funds homeownership activity throughout

Minnesota. Since that time, the $70 million investment has supported more than 3,300 mortgages and rehab loans.

The program was developed in partnership with and is administered by four Tribes and Communities: Minnesota Chippewa Tribe Finance Corporation, Red Lake Housing Finance Corporation, Upper Sioux Indian Community and Lower Sioux Indian Community.

The Tribal Indian Housing Program provides loans to American Indians and their families residing on and off reservations throughout the state. The program supports Tribes in making make loans that help low-and moderate-income American Indians access housing opportunities throughout Minnesota for home mortgage loans, home improvement loans and more.

The program was originally funded in 1976 through state appropriations, first allocated to Minnesota Housing, and then redistributed to Tribes through a negotiated allocation formula based on the population of each Tribe, Band and Community, under the terms of a loan agreement between the Tribe and Minnesota Housing. The loan agreements authorized each Tribe to establish a revolving loan fund to make eligible loans and to pay for the costs and expenses necessary to the development and operation of the Tribal Indian Housing Program.

Today, Tribal revolving loan funds are capitalized by funds appropriated by the Minnesota Legislature that include an Indian set-aside funds, as well as by loan repayments, program income, other funds leveraged by the Tribe, and any additional funding awarded by Minnesota Housing. Tribes also have the opportunity to apply for downpayment assistance funds through other state-appropriated funds.

Conclusion

Minnesota Housing celebrates 50 years of the Tribal Indian Housing Program. Through the program, Tribes have been able to help 3,300 families buy homes on Tribal land. Tribes have the expertise to operate and grow their programs with limited participation from the state. The current structure prioritizes self-determination by the Tribes and models government-to-government collaboration. Minnesota Housing honors Tribal sovereignty, recognizing that Tribes have unique political authority to govern and direct the use of resources for their communities.