

LENDER TELEPHONE INTERVIEW GUIDE

Introduction/Purpose of the Study

My name is _____ and I'm a researcher from/consulting with the Urban Institute, a non-profit research organization located in Washington, DC. As you may have learned from the advance letter that was sent, the Urban Institute, on behalf of the Department of Housing and Urban Development (HUD), is studying the housing conditions and needs of Native Americans, Alaska Natives, and Native Hawaiians across the United States. One component of the study will identify challenges and opportunities associated with making mortgage loans to Native Americans on Indian land. We define Indian land in the study as land located within reservation boundaries. We understand that land status on reservations can differ, and we will ask about that in the survey.

We have selected your organization based on data regarding Section 184 Program lending volume [*or, if applicable*] your organization's presence in the Native American mortgage lending market as identified by stakeholders. Are you responsible for taking mortgage loan applications?

[If NO]: Could you provide me the phone number of a person who does?

[If YES]:

Your participation is very important to the success of this study. These interviews will provide important information on homeownership and lending in Indian country, on the uses and benefits of the Section 184 program, and on challenges to homeownership and lending in Indian country. We will use what we learn today and from other interviews to contribute to a report on housing conditions and needs among Native Americans. This report will be submitted to HUD to inform the federal government of housing challenges. The interview will take about 45 minutes

Would you like to participate in the survey?

[If YES] Would you like to complete the survey now?

[If YES] Go through the survey with the respondent.

Confidentiality Statement [*Interviewer must read this*]:

Before beginning the interview, I (we) want to thank you for agreeing to participate in this study and remind you that your participation is voluntary. You don't have to participate and you can decide not to answer any specific questions. You also may end the interview at any point. I (we) know that you are busy and will try to be as brief as possible. The interview today should last about 45 minutes. This interview is not part of an audit or a compliance review. We are interested in learning about your ideas, experiences, and opinions. There are no right or wrong answers.

In addition, before we start, I want to let you know that although we will take notes during these interviews, information is never repeated with the name of the respondent in any reports or in any discussions with supervisors, colleagues, or HUD. When we write our reports and discuss our findings, information from all the people we speak with is compiled and presented so that no one person can be identified.

Do you have any questions before we begin?

INTERVIEW QUESTIONS

1. What are the main benefits or opportunities to your company that arise from mortgage lending on Indian land?

We wish to hear your insights regarding various *challenges* to lending on Indian land as well as the *strategies and programs* to overcome these challenges. For the sake of discussion, we will first consider *Native American Land issues* and then the subjects of *Attracting, Qualifying and Retaining mortgage borrowers on Indian land*.

2. On a 1 to 5 scale (1 not at all a problem to 5 a very big problem) how big a problem are the following land and title issues to your company’s ability to lend on Indian land?

- a. *Land and Title Issues* (1 through 5 rating)

| Land and Title Issue | Problem Level (1-5) |
|--|----------------------------|
| 1. Trust land status | |
| 2. Fractional ownership | |
| 3. Uncertainty about recovering mortgaged properties in the event of a foreclosure | |
| 4. Other land/title issues: Specify: | |

- b. Which two issues are the biggest problems? Why?

What strategies and programs does your company use to address each of the following land and title issues (probe for section 184 and others)?

| |
|--|
| 1. Trust land status |
| 2. Fractional ownership |
| 3. Uncertainty about recovering mortgaged properties in the event of a foreclosure |
| 4. Other land/title issues: Specify |

- c. What two strategies and programs are the most effective for addressing land and title issues? Why?

3. On a 1 to 5 scale (1 not at all a problem to 5 a very big problem) how big a problem are the following challenges to attracting mortgage applicants on Indian land?

a. *Attracting Applicants* (1 through 5 rating)

| Attracting applicant challenge | Problem Level (1-5) |
|---|--------------------------------|
| 1. Potential borrowers are wary of formal institutional lenders | |
| 2. Language issues | |
| 3. Paperwork issues | |
| 4. Limited demand—minimal interest in or familiarity with homeownership | |
| 5. Others: Specify | |

b. Which two challenges are the biggest problems? Why?

c. Do you use (yes or no) any of the following strategies to attract mortgage applicants on Indian land and how effective are each of these strategies on a 1 through 5 scale (1 not at all effective to 5 very effective)?

d.

| Strategy for attracting applicants | Use (Yes or No) | Effectiveness (1-5) |
|---|----------------------------|--------------------------------|
| 1. Lender presence in/near Indian land | | |
| 2. Advertising through media that reaches Indian land | | |
| 3. Enhanced language and cultural sensitivity messages included in outreach materials | | |
| 4. Outreach through informal gatherings | | |
| 5. Outreach through employers of Native Americans | | |
| 6. Working with Tribes, TDHEs and other Tribal institutions, such as Tribal CDFIs and credit unions | | |
| 7. Others: Specify | | |

e. Which two from the above list are the most effective for attracting mortgage applicants? Why?

4. On a scale of 1 to 5 (1 not at all a problem and 5 a very big problem) how big a problem are each of the following challenges to qualifying mortgage applicants on Indian land?

a. *Qualifying applicants* (1 through 5 rating)

| Qualifying applicant challenge | Problem Level (1 to 5) |
|--|-------------------------------|
| 1. No credit history | |
| 2. Blemished credit | |
| 3. Insufficient income | |
| 4. Low savings for downpayment | |
| 5. High existing household debt | |
| 6. Mortgaged property condition | |
| 7. Difficulty in appraising mortgage property (e.g., insufficient “comps”) | |
| 8. Issues with employment record | |
| 9. Land title issues | |
| 10. Others: Specify | |

b. Which two challenges are the biggest problems? Why?

c. Do you use (yes or no) the following strategies to qualify mortgage applicants on Indian land and how effective are each of the following strategies on a 1 through 5 scale (1 not at all effective to 5 very effective)?

| Strategy for qualifying applicants | Use (Yes or No) | Effectiveness (1-5) |
|--|------------------------|----------------------------|
| 1. Provide home buyer education and counseling | | |
| 2. Provide affordable and flexible lending products (e.g., low down payments and higher debt ratios) | | |
| 3. Use flexible and culturally- sensitive underwriting related to credit, property standards and appraisals, employment and income, asset verification, and other considerations | | |
| 4. Foster fair access to credit through multiple reviews and other strategies; | | |

| | | |
|---|--|--|
| 5. Working with Tribes, TDHEs and other Tribal institutions, such as Tribal CDFIs and credit unions | | |
| 6. Others: Specify | | |

- d. Which two from the above list are the most effective for qualifying mortgage applicants? Why?

5. On a 1 to 5 scale (1 not at all a problem to 5 a very big problem) how big a problem are the following challenges to servicing and retaining mortgage borrowers on Indian land?
- a. *Servicing/Retaining Mortgage Borrowers* (1 through 5 rating)

| Servicing/retaining mortgage challenge | Problem Level (1-5) |
|--|----------------------------|
| 1. Higher delinquency | |
| 2. Lack of steady income | |
| 3. Taking on subsequent additional mortgage debt (e.g., second mortgage) | |
| 4. Taking on subsequent consumer debt (e.g., new/larger auto loan) | |
| 5. Inexperience with homeownership (e.g., making repairs and securing insurance, etc.) | |
| 6. Others: Specify | |

- b. Which two challenges are the biggest problems? Why?
- c. Do you use (yes or no) the following strategies to servicing and retaining mortgages on Indian land and how effective are each of these strategies on a 1 through 5 scale (1 not at all effective to 5 very effective)?

| Strategy to service mortgages | Use (Yes or No) | Effectiveness (1-5) |
|---|------------------------|----------------------------|
| 1. Enhanced communication and education of borrowers | | |
| 2. Enhanced oversight (e.g., neighborhood “drive-throughs” and visiting borrowers); | | |
| 3. Quick response to delinquency and delinquency workout | | |
| 4. Working with Tribes, TDHEs and other Tribal institutions, such as Tribal CDFIs and credit unions | | |
| 5. Others: Specify | | |

- d. Which two from the list above are the most effective for servicing and retaining mortgage borrowers? Why?
- e. Do you use (yes or no) the following management strategies for fostering mortgage lending on Indian land and how would you evaluate the effectiveness of each of these strategies on a 1 through 5 scale (1 not at all effective to 5 very effective)?

f. *Management* (1 through 5 rating)

| Management strategy | Use (Yes or No) | Effectiveness (1-5) |
|---|----------------------------|--------------------------------|
| 1. Senior management commitment | | |
| 2. Specific lending goals | | |
| 3. Compensation formulas that encourage working on affordable lending | | |
| 4. Recruiting staff who are familiar with issues associated with originating mortgages on Indian land | | |
| 5. Workforce development and education | | |
| 6. Market research | | |
| 7. Targeted outreach activities | | |
| 8. Working with TDHEs and other Tribal institutions, such as Tribal CDFIs and credit unions | | |
| 9. Others: Specify | | |

g. Which two from the above list are the most effective management strategies? Why?

6. Which three programs do you use most frequently to originate mortgages on Indian land (such as Section 184, NAHASDA, or any other initiatives)?
7. Why does your company use these programs? (Probe if programs help lender meet CRA requirements)
8. What are some of the best features of these programs?
9. What are some of the things that you would like to see changed about these programs?
10. What would happen to your company's lending volume on Indian land if these programs did not exist?
11. Are there other lending programs (such as FHA, portfolio CRA products, etc.) that your company uses to serve other traditionally underserved markets? If yes: Why are these types of loans difficult to originate to Native American borrowers?

12. What has been the impact of the recent real estate crisis on mortgage lending in Indian Country?
13. To what extent does the Section 184 Program and other government mortgage lending programs that support lending on Indian land help offset challenges associated with the real estate slowdown?
14. How many mortgage loans did your company originate on Indian land from January 2009 through December 2010? What was the total dollar volume and number of these loans? What share are refinance loans?
15. What share of your mortgage origination volume for properties located on Indian land is retained in portfolio? Is this share different from other mortgages? Why or why not?
16. Does your company retain servicing for these loans? Why or why not?
17. What are the main factors that influenced your company's lending volume on Indian land between January 2009 and December 2010?
18. Did your company's lending volumes on Indian land in the two-year period starting in 2009 change from the two-year period starting in January 2007.
[If Yes] What were the main factors that affected the change in your company's lending volume on Indian land after December 2008?
19. What are the two most important changes that would have to take place for your company to increase its mortgage lending on Indian land in the next two years? Why are these changes so important?