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National American Indian Housing Council**

**Testimony
Before the Committee on Resources
United States House of Representatives**

**Hearing on the Testimony on H.R. 3350
To Amend the Native American Business Development, Trade
Promotion and Tourism Act of 2000 to establish the Tribal
Development Corporation Feasibility Study Group.**

Good afternoon Chairman Pombo, and Ranking Member Rahall, and members of the Committee. My name is Cheryl Parish and I am pleased to appear before you today as the Secretary of the National American Indian Housing Council (NAIHC). On behalf of the NAIHC, its membership, and its Board of Directors, I want to thank you for this opportunity to address you today on creating a group to guide the development of a study relative to promoting business development, trade promotion and tourism in Indian Country. We wholeheartedly support the formation of the group and the study leading to establishment of an economic development entity. **In this regard, we will comment on areas that we hope the study will examine and want to emphasize.**

First though, I want to express our gratitude to you and your capable staff for this Committee's long-standing support for our efforts to provide safe, decent, and affordable housing for Native people.

Mr. Chairman, this Committee does not need to be reminded of the dire economic and social conditions on Indian reservations and in Native communities in Alaska and Hawaii. But it seems that others in Congress and elsewhere do not have a firm grasp of the situation and accordingly I will reiterate that Native Americans are three times more likely to live in overcrowded housing than other Americans. Native Americans are more likely to lack basic sewage and water systems, and more likely to lack telephone lines and electricity than other Americans. I challenge our friends in the press who have a never-ending appetite to write about Indian gaming and "rich tribes" to visit the poor, rural tribes of the Great Plains, the vast Navajo Nation, and the remote Native villages in bush Alaska to see that in 2006, poverty still has an Indian face.

A Business Model for Investment in Tribal Self-Sufficiency

A business model for Indian Country should also be considered as integral to the development of this new entity. NAIHC has embarked with other tribal organizations to develop this model, which encompasses housing, infrastructure, health care, education, transportation, with tribal government as the center.

The systemic parts and whole are all related—"Mitakuye Oyasin" in Lakota—such that they all affect each other. For instance, housing conditions impact health care, as overcrowding creates an environment conducive to the spread of sicknesses from the common cold to the more harmful contagious diseases. School-age children living in these conditions cannot easily concentrate when there is no room to study. Funding decision makers must realize that they cannot selectively fund parts and expect change to the whole.

The model would infuse tribal economies by correlating the costs of constructing and implementing these systems for today and the next five years. Indian Health Service has stated that for every \$1 spent on sanitation, \$4 to \$8 are saved in health care costs.

Once an amount is calculated that would meet the current need—including, for example, an estimated \$30 billion for roughly 200,000 homes—Indian Country would look to Congress for the "start-up" capital to enable tribes ultimately to achieve self-sustaining economies. NAIHC seeks a partnership with Congress in drafting this model, through collection of the data that is currently available through the agencies, and funding the research, education, and modeling necessary to determine the true "need" for each

federally recognized tribe. NAIHC believes this legislation is an important component to the successful development of the business model.

Job Creation, Current Employment in Indian Country

With Indian Country still experiencing an unemployment rate that is nearly 10 times that of the rest of the country, a tribal development corporation is absolutely essential. Even with the recent advent of gaming contributing to economic development in Indian Country, we know from a survey conducted last year of our members (450 housing entities for federally recognized tribes) that unemployment stands at 43 percent, as compared to the U.S. unemployment rate, which was 4.8 percent last month. Our survey showed surprisingly that unemployment among gaming member tribes was 42 percent—practically the same as the 43 percent among non-gaming members. (As might be expected, the few extremely successful gaming tribes are not among our members.)

But these figures set the stage for what is needed in Indian Country, and that is a series of measures to help stimulate economic development, and gaming is not the panacea for Indian economic woes. A majority of tribes are located in very rural areas where there is not sufficient population or tourism to create a success for this type of endeavor. Nevertheless, we think gaming has contributed to job creation and has helped tribes move down a path of economic development and self-sufficiency.

Need for Technical Assistance/Training

One area the study should focus on is the continuing need for technical assistance to help tribes in their capacity building. Since Indian Country suffers the poorest rates of high school and college completion of any ethnic group, TA and Training are essential elements of any effort designed for this population. The National American Indian Housing Council now offers 45 separate training courses and what a marvel it is to behold the attention and commitment that attendees pay to this training. One recent training course on “Planning for Homeownership Projects” had 65 attendees. The training was 3 days in length, ending on a Friday afternoon. At the end of the last panel on Friday afternoon, there were still 65 attendees in the room. Not a single attendee left prior to the end of the training.

Tribal audiences absolutely are the most attentive and thirsty for knowledge, as in many cases it is the first time they have had an opportunity for advanced education. **TA/Training Needs must figure prominently in this study.**

Housing Production as Economic Development

NAIHC applauds those tribes who have combined economic development with housing production. For example, Navajo Nation has several businesses that contribute to housing while creating jobs. These include a cabinet manufacturing plant that provides kitchen and bathroom cabinets for new and remodeled housing. In addition, Navajo began manufacturing building blocks for housing construction from fly ash, a refuse product they obtain at no cost.

My own Bay Mills Tribe of Chippewa in Michigan has a plastics company, Bay Mills Composites, which employs people from the community to produce innovative building

materials that will hold up well against our severe winters. For example, fused wood-plastic 2x4s that will never warp.

Other tribes, such as the Choctaws in Oklahoma, have a modular housing plant that, again, not only create jobs but also produce badly needed housing at a more affordable price for their members. **We urge that the study focus on some of these “Best Practices” and “models” to provide ideas that other tribes can replicate.**

Capital for Indian Country

Some tribes have created financial institutions that support economic development and housing. Currently, there are 19 Indian-owned banks helping to provide banking services and capital to tribes. In addition, there are credit unions and CDFIs—Community Development Financial Institutions—that have been launched in Indian Country. These are vital services, as the banking industry as a whole has not located on Indian land. The Navajo have only 1 bank branch and 4 ATMs for a population of 180,000 on their reservation, which covers an area the size of the state of West Virginia. One city block in Washington, DC has four times as many branches.

While there are numerous national initiatives and programs already in place, **tribal communities still have a need for lenders and other financial institutions to step up their mortgage loan activity. One way to attract lenders is to make financial services more readily available. How can a mortgage market or business market prosper when there is one bank branch in an area of several hundred square miles? or no banking services whatsoever, which is the case in some tribal areas?**

Our first goal must be to discontinue the policies that hinder economic growth on reservations and other Indian communities. A good example of this concerns the use of leases on trust-held land. Prior to the passage of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), most individual tribal members could get a lease for land for only 25 years. Yet some policy makers scratched their heads and wondered why tribal members weren't getting 30-year mortgages. It's simple: No banker in his or her right mind is going to lend you money for 30 years if you get the land for 25. That has nothing to do with race or reservation; it's just basic business practice. Another example is a tribal member going to a lender to get a mortgage loan approved pending title clearance on the land. Had the loan been for a home on fee land, the tribal member could expect to receive a Title Status Report (TSR) in a matter of days. With trust or allotted land, it can take many months to many years to obtain a TSR. How many lenders do you know who will hold a loan approval for a matter of years?

Should a study of the sort proposed in H.R. 3350 show that a major impediment to development of a mortgage market in Indian Country is the inability to borrow money because of land issues, the recommendation could be for the corporation to fund a title plant. As it would create a housing market that can attract lenders by providing timely legal documentation, the investment in a title plant would pay for itself many times over. To further enhance the return margin, tribes could join together to create a larger title plant as a consortium, spreading the cost out among the members.

Many of my colleagues working on behalf of Indian tribes—both as members of tribes and as advocates for them—have proposed the creation of any number of separate institutions for economic growth, including the proposed capital formation corporation that would be the subject of this study. But there are some challenges inherent in such a move that must be considered.

It is in diversification that our economy thrives. I can understand the value of having an Indian-owned bank. It can create and maintain relationships in communities that can facilitate interaction between potential consumers and the institution itself. Likewise, creating an Indian Government-Sponsored Enterprise within this corporation to purchase loans from such banks could help step up mortgage activity, but should not be to the exclusion of others. Institutions such as Fannie Mae connect Wall Street with lenders and, in doing so, create a mechanism whereby investment capital actually makes loans more plentiful and affordable. We should find more ways to connect the tremendous capital resources of this country and of the global economy with Indian Country, and be cautious of looking to create new institutions if they will merely serve to perpetuate the economic isolation of too many tribal communities.

For many tribes, the tribal government is the center of the universe—the biggest employer and the conduit of all federal assistance. However, examples of decentralization in Eastern Europe have shown that investment in business associations and business training associations outside the central government are crucial to building economies. The business incubator used successfully off the reservation—and on the Winnebago reservation in Nebraska—needs to be a model for Indian Country. The fragility of any new business deserves the nurturing help an incubator can provide. We hope this model will be promoted in the study.

Programs with a singular purpose following a narrow policy could be seen as a contributing factor in the failure of many programs designed to assist tribes. Successful models, like Public Law 93-638, provide assistance, but allow flexibility in implementation. **Neither the developing countries of Eastern Europe nor the vastly different tribes in the United States should be subjected to a one-size-fits-all prescription for development. A Native-owned corporation must be open to innovative ideas and be as flexible as possible. We ask that this study address this aspect.**

So how does housing fit in? We see this as an opportunity. Tribes are able to use the Title VI loan guarantee program to fund housing related community development activities and may in the future be able to leverage their NAHASDA funds for community development that is not strictly sticks and bricks but rather activities to grow wealth in the community. Tribes are in a position to begin to disengage from a singular path, prescribed for all, and attend to the needs and opportunities of their own situation.

Housing as Economic Development

Community development through private investment is key. For certain, a Native-owned corporation would allow tribes to purchase assets or businesses to support housing. **Investment in housing is a tremendous stimulus for American communities, but only when the opportunities and legal infrastructure exist. Simple housing alone just provides a roof. Housing development with a**

manufactured housing plant, with a roofing business like at Quinault, with a tile plant (Saginaw Chippewa, Colville and Seminole), with even businesses like hardware stores or building supply stores stimulate the local economy. Additionally, home equity is one of the greatest builders of personal wealth. We must move from subsidized housing to homeownership to allow tribal members to grow personal wealth. **The corporation would allow tribes to take the next step. We urge that the Study address home construction and homeownership as an important component of economic development and technical assistance and training be applied consistently with this effort.**

Many tribally-owned businesses are already in place that are leading to a more vibrant economy on reservations. **For example, Navajo has developed a self-insurance program that currently has \$13 million in reserve and the risk is only \$200,000 a year. They also have a cabinet company that not only provides cabinets for new housing through the housing authority, but also provides income to the tribe from sales outside the reservation. Their Flexcrete plant, which manufactures innovative building materials that will cut down on the cost of building and heating homes, is expected to generate \$28 million in 8 years.** Additionally, a modular construction plant utilizes volunteer labor to manufacture homes at reduced cost. These are all ventures that have required capital from the tribe and now are not only alleviating some of the severe need for housing on the reservation, but are also generating income and creating jobs. **This corporation could allow other tribes the opportunity to set up similar businesses that support housing and homeownership, since the housing need is so severe in Indian Country. We hope the study will address this need.**

Infrastructure

Large scale infrastructure is also an area desperately needing investment. For most Americans, the cost of basic infrastructure—like water, sewer and roads, is an expense shared by a local community, or paid for by county and state taxes. In Indian Country things are vastly different. Although tribes receive federal money for housing through the form of Native American Housing Block Grant funds and other programs, tribes are not able to build a home without putting infrastructure in place first. For most public housing programs, it is taken for granted that a water and sewer system already exists for the house to be hooked up to. For much of tribal development, that system must be built, and that is not cheap. Water treatment plants, sanitation facilities, roads, hospitals, fire departments – all of these are so easily taken for granted, but in Indian Country are usually absent.

Business Education

The number one challenge to economic progress for tribes is a lack of resources – not only monetary resources, but human resources. There is a severe shortage of people in Indian Country who have business sense or business training. Through no fault of their own, most of our people have what some call a “welfare mentality,” often perpetuated by federal policies. If the federal government provided more tools and education, taking the focus off subsidy, I believe you would see more economic growth in tribal communities. **I therefore urge this Committee to maintain technical assistance and business training as a critical component for this legislation.** In particular, I would like to see an **internship program** with the corporation to teach young Native Americans

about business. I would also like to see a **mentoring program** set up for tribes to learn from private corporations. In addition, I urge the study recommend a **business scholarship** program that can stimulate a new generation of Native American entrepreneurs. Money invested in education by the government will be money saved by the government in the future as tribal self determination is more than a motto; it is what tribes desire the most.

Leveraging made possible under NAHASDA is a great opportunity that many tribes are taking advantage of, but it is still developing in Indian Country. Those who are positioned well to be successful are successful. But those with poor economies, a lack of jobs, or a poor location are not well positioned and will continue to struggle without needed stimulants, particularly TA and Training. **It is disappointing that this corporation, such a noteworthy and needed idea, has been languishing without funding. We'd like to propose that Fannie Mae, Freddie Mac and the Federal Home Loan Bank system help provide the seed money to this corporation as an alternative to paying taxes, or as a credit to their tax bill.** This study is crucial, but it's the corporation itself that is sorely needed and needed now. A source of additional capital from such an entity would give many tribes the boost they need.

In closing, each individual tribe must decide for itself how to preserve its culture and strike a balance, as the Pueblo of Acoma has done, that allows development and economic integration, but maintains the tribe's unique identity.

If we do not work with the tribes to provide opportunity, the drain of resources away from Indian communities will continue. I am not referring to an economic drain, but an intellectual one. Young people need opportunity. If they do not have economic opportunity in Indian Country, more of them will continue to leave and seek their fortunes elsewhere. This is a danger to cultural identity as great as any other. It is, however, one that we in this room and throughout government and the private sector can work to help tribes overcome.

Again, we hope that the Committee will look to NAIHC as the organization working with other tribal groups, in collecting the data and forming study groups, as defined in this legislation, to develop an overall business model for economic self-sufficiency in Indian country.

I would again like to thank you Mr. Chairman and Ranking Member Rahall for your long-standing support for Indian housing programs and we look forward to working with you in this congressional session.

I would be happy to answer any questions you may have.

The National American Indian Housing Council is a 501(c)(3) organization representing tribes and tribal housing organization nationwide. It operates a national technical assistance and training program as well as the Native American Housing Resource Center in Washington, DC through an appropriation from the Congress administered by HUD. NAIHC's offices are at 50 F Street, NE, Suite 3300, Washington, DC 20001; phone: (202) 789-1754, fax: (202) 789-1758; <http://www.naihc.net>.