

Program; Refinance Options Not Available Yet

is losing out on lower rates, lower payments, and maybe more important, cash in hand, that is available to most American homeowners.

Alternatives to the 184 program are all but impossible to use for refinancing, as Tribal member and Grand Meadows homeowner Perri McDaniel discovered. Outside of the program, banks are not excited about refinancing manufactured homes — Tribal or otherwise — at reasonable rates. The only bank around that would even consider refinancing her home wasn't doing any more in the manufac-

tured home department, but if they were, they told her, they would charge 11 percent interest to do it, exorbitant compared with the 7.75 percent rate she got through the 184 program in 1997 (See Predatory Lending sidebar).

When (presumably not 'if') the refinancing regulation goes through, McDaniel and others at Grand Meadows will be able to refinance at a rate that is now 6.2-6.5 percent, according to Harjo. Though manufactured homes are more expensive to refinance in the open marketplace, and though differ-

ent banks may have different positions on this kind of loan, at Wells Fargo, refinancing of the manufactured homes at Grand Meadows will be set at the same rate as "stick-built" houses, said Harjo.

The litany of promises about refinancing continues.

It leaves Indian homeowners here and across the country at the mercy of an agency that, off the record, says from the top office on down, that it wants the refinance provision, but does not make it happen.

One Tribe's Fight Against Lenders Who Prey

By Kim Hayes

Native American Housing News

A thriving casino and perception of growing Tribal wealth may be leading to an increase in predatory lending to members of the Confederated Tribes of Grand Ronde in Oregon.

Seeing a successful casino and assuming Tribal members are becoming wealthy, predatory lenders are seeing more potential victims, according to Terri White, Executive Assistant of Grand Ronde Tribal Housing Authority. Victims are lured by an opportunity for quick cash and do not understand the financial consequences that can come later. Tribal members are particularly vulnerable because they can lack experience dealing with these types of matters.

"I see it among all age groups, and I see it quite a bit among Elders," said White.

The money provided by predatory lenders goes toward many things, including car repairs. Often homes that were owned outright were refinanced up to 125 percent, which meant that if the homeowner sold, they would get no money out of the house. These lenders also tack on high closing rates and high interest rates.

Disturbing Trends— and Reactions to Them

According to analysis by the Washington, D.C.-based National Community Reinvestment Corporation (NCRC), about a quarter of the conventional home mortgage loans made to Native Americans nationwide during 1998-2000 came from subprime and manufactured home lenders. In 2000, Native Americans were 2.5 times more likely than whites to receive such loans; this was an increase from 2.1 times more likely in 1998.

Valerie Harjo, a member of Grand Ronde's Housing Board and a loan officer with a local traditional lender, has seen the problem grow over the last few years. The Grand Ronde Housing Authority asked her to look at some of the good faith estimates given to members by a predatory lender — and she could see the flaws in the proposals. She saw excess points being charged for loans and loans being given out for over 100 percent value of the home. Most often the trouble occurs in refinancing a loan.

Another disturbing trend is that many subprime lenders claim to be Native American-owned or of Native American descent. They use that to get a foothold and gain the customer's trust, said Harjo.

The housing authority is trying to counsel Tribal members at risk of predatory lenders and is encouraging homebuyer education on the consequences of taking these irresistible offers.

"They need to be taught to shop around and find the lender that works best with their financial needs and credit history," said White. "We will take all the time in the world to work with someone to try to get them away from a predatory loan." The Tribe runs a housing grant program for buyers, but "unless they are a part of one of our grant programs we can't necessarily make them take homebuyer education."

White believes that legislative action needs to be taken to control predatory lending. "We could run all the articles in the world in our Tribal newspaper, but how many people are going to read

it? There needs to be some control over predatory lending so that [such lenders] can't call [Tribal members] over the phone and sign them up."

A Tribal Member's Story (1)

One Grand Ronde member found herself having to declare bankruptcy after falling victim to a predatory lender. Jeanne Larsen was first called by a lender several years ago to talk about refinancing her home. She ended up owing a much larger monthly house payment than she previously had. Additionally, the lender did not include mortgage insurance on the loan as he had promised. That insurance would have covered Larsen's payments in case of her becoming unable to work.

When Larsen did quit work as a secretary for the Tribe because of health problems and surgery, she was unable to make her house payments. Since the mortgage insurance was not in place, the payments were not covered. Larsen ended up having to declare bankruptcy and feared losing her home. The Tribe is now helping her get back on her feet by putting a lien on her house. "Thank goodness my Tribe was there to support me," she said.

Larsen believes that further education about predatory lenders is needed for Tribal members. "When people don't know what is going on, predatory lenders seem like they are doing something good for you. Then you go along and you are in worse shape than you were before."

Larsen is still contacted by predatory lenders, but now avoids them. She hopes to be able to keep up her payments on her home and eventually refinance the house through the Tribe's housing board. She now works as a patient relations representative for the Tribe and visits with Tribal Elders.

Not-So-Golden Years

Although Tribal members of all ages are contacted by predatory lenders, Elders are particularly abused. Elders are often introduced to predatory lenders by family members, said White. Elders then take out loans to pass on the money to their family members in need.

Once in trouble, Elders also have a harder time getting out. Victims in other age groups have the advantage of being able to work and earn extra income. But Elders are usually on a fixed income and have higher expenses, because of their age, living accommodations, and medical needs.

"Younger people are getting into fixes, but they have capabilities of finding a way out of it. [Elders] are kind of stuck there," said White. She has seen many cases of Elders having to declare bankruptcy to keep their homes. That stress can lead to health problems, said White. "The golden years should be a reward for working all of your life. Instead [it] becomes a situation where you can lose the home you have had for 35 years."

A Tribal Member's Story (2)

Arthelia Clark lived in a house built by her father and her husband, a half-mile from where she was born. In 1988, son John Clark saw her almost lose her home due to a balloon payment imposed by a predatory lender. Arthelia was 61 at the time and was completely blind. A telephone solicitor called her and offered her a loan that provided up front



Valerie Harjo

Photo by Ron Kanten

cash. The lender then came out to Arthelia's home and had her sign the loan papers, despite the fact that she was blind and unable to read the documents.

When she fell behind and was unable to make the balloon payment, she went to her son for help. John contacted the Bureau of Indian Affairs and was able to refinance her loan and keep her from losing the home.

"Older people on a fixed income are desperate for money when somebody selects them on the telephone and offers them something too good to be true," John comments. "She just needed money and she bit on what they offered and it tied up her house for many years."

After years of failing health, Arthelia passed away in 1999.

"She was a super mom," said John. "I miss her a lot."

Reaching Out to Help

Seeing cases like Clark's and Larsen's has moved the housing authority to act proactively as well as reactively. "The HA's policy traditionally has been not to get too involved in the choice of lenders," said Harjo. "[However], now that some members are getting taken advantage of, the housing authority is getting involved."

The housing authority wants to continue reaching out to more people through homebuyer education and hopes to explore other ways to fight predatory lending in the future, said White.

The National Fight Against Predatory Lenders On behalf of Tribes throughout Indian Country:

■ NAIHC has initiated a partnership with NCRC to provide Tribes with model predatory lending legislation to protect them against predatory practices. For a copy, contact Jane DeMarines at NAIHC, 202-789-1754.

■ The NAIHC/NCRC partnership provides access to a loan fund, The Consumer Rescue Fund, which helps Tribal members refinance bad predatory loans. Contact NCRC at 202-628-8866 for more information on the fund.

■ NAIHC and NCRC mailed the model predatory lending bill for Tribes to pass on their reservations in September, as well as information from the Consumer Rescue Fund. ■