

STATEMENT OF WILLIAM O. RUSSELL
Deputy Assistant Secretary
Public and Indian Housing
U.S. Department of Housing and Urban Development



BEFORE THE
UNITED STATES SENATE
COMMITTEE ON INDIAN AFFAIRS

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INTRODUCTION

Chairman Campbell, Vice Chairman Inouye, and Members of the Committee, thank you for inviting me to testify before the Committee on Indian Affairs. I am glad to be with you today and welcome the opportunity to share with you the Department of Housing and Urban Development's perspective on many of the concepts included in S.519, the Native American Capital Formation and Economic Development Act of 2003, which has been introduced by Chairman Campbell.

My name is Bill Russell, and I am the Deputy Assistant Secretary for Public and Indian Housing. PIH is responsible for the management, operation and oversight of HUD's Native American programs. These programs are available to over 550 Federally-recognized and a limited number of state-recognized Indian tribes. We serve these tribes directly, or through tribally designated housing entities (TDHEs), by providing grants and loan guarantees designed to support affordable housing, and community and economic development activities.

In addition to those duties, our jurisdiction encompasses the public housing program, which aids the nation's 3,000-plus public housing agencies in providing housing and housing-related assistance to low-income families.

It is a pleasure to again appear before you, and I would like to express my appreciation for your continuing efforts to improve the housing conditions of those who need it most. As you have heard from previous testimony, much progress is being made and tribes are taking advantage of new opportunities to improve the housing conditions of the Native American families residing on Indian reservations, on trust or restricted Indian land, and in Alaska Native Villages. This momentum needs to be sustained as we continue to work together toward creating a better living environment throughout Indian Country.

OVERVIEW OF PRESENT HUD PROGRAMS

At the outset, let me reaffirm the Department of Housing and Urban Development's support for the principle of government-to-government relations with Indian tribes. HUD is committed to honoring this fundamental precept in our work with American Indians and Alaska Natives.

As you know, the Administration is actively reviewing S.519 and hopes to soon be able to provide you with specific comments. In general, however, it is a little hard to understand exactly what the Native American Capital Development Corporation created by S. 519 is and whether it duplicates capabilities that already exist within HUD and the Department of Treasury.

HUD is committed to exploring new opportunities to surmount barriers to lending on tribal lands and facilitate access to alternative sources of capital, financial services and technical expertise. HUD's Office of Native American Programs (ONAP) is currently working with tribal governments, TDHEs, and lenders to increase private housing investments through the Section 184 Indian Housing Loan Guarantee Fund Program, and the Title VI Tribal Housing Activities Loan Guarantee Fund.

NATIVE AMERICAN CAPITAL DEVELOPMENT CORPORATION

We know that there are numerous barriers to accessing capital. Many of these were recently identified in the "Native American Lending Study," completed by the Department of the Treasury's Community Development Financial Institute Fund, as well as through other recent research.

Capital in Native America tends to come from four primary sources: Tribal financial resources, Federal guaranteed loans, grants and tax credits, debt capital, and equity investors. The latter is woefully inadequate for many reasons. Issues raised by

investors and private lenders include: the legal status of tribal lands, inadequate or non-existent legal and business codes; insufficient understanding of issues related to tribal sovereignty and sovereign immunity; a lack of technical assistance resources; uncertainty related to leadership changes in tribal governments, and a lack of financial institutions and services on or in close proximity to Native American communities.

Many tribes and TDHEs, as well as other tribally affiliated community and economic development organizations, use a project-by-project approach to housing and economic development. There is a great need to create a more comprehensive approach to the creation of sustainable economies. There are clear roles that tribal governments, Federal agencies and lending institutions can play in creating these economies. The Administration would like to give careful consideration to whether the creation of a Corporation could resolve impediments to lending on tribal lands and contribute to the establishment of sound economic and political policies that promote increased levels of economic growth and job creation on tribal lands.

CONCLUSION

Finally, let me state for the record that we concur with many of the findings as outlined in S.519. We agree that much of the poor performance of Native American economies correlates to the absence of private capital and private financial institutions. We will continue to work in partnership with tribal governments, Native American organizations, the private sector, and other government agencies to support private investment and leveraging in Indian Country. And, Mr. Chairman, HUD is prepared to work with you to help overcome these barriers to accessing capital in Indian Country.

This concludes my prepared remarks. Thank you again for this opportunity to testify, and I would be happy to answer any questions you may have.