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COMMENTARY

Sheltering the Future

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The National Commission on American Indian, Alaska Native, and Native Hawaiian Housing issued its final report in June 1992. After months of investigation and public hearings, the commission presented a "disturbing and urgent message. Simply put, the majority of this country's first residents continue to live . . . in substandard housing."[1] This is a charitable conclusion. The commission was forced to rely on census data a decade out of date as well as Bureau of Indian Affairs housing inventories of questionable inclusiveness. According to Representative Henry Gonzales, chairman of the House committee that oversees much of Indian housing, "the situation in which Native Americans find themselves with respect to housing is beyond that of a destructive cycle; its genocidal, and it's unpardonable."[2] The commission's report is entitled "Building for the Future: A Blueprint for Change." An overview of the report and the current status of Indian housing are the subjects of this commentary.

The commission chairman, George Nolan (Chippewa), provided a comprehensive introduction. He noted that Native Americans are often denied effective access to the housing assistance—"entitlements"—that is readily available to other Americans.

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Military veterans living on reservations receive negligible housing assistance from the Veterans Administration. Reservation ranchers and farmers are virtually unknown to the Farmers Home Administration, the largest federal provider of rural housing assistance. Chairman Nolan also insisted that, "at the outset, it must be recognized, understood, and accepted that the situation of Native Americans is fundamentally different from that of the general population of the United States."[3] He strongly asserted the unique rights of Native Americans as "dependent sovereign peoples," contrasting this status with that of "dependent supplicants." Native Americans possess special rights embedded in treaty obligations, which require a federal solution to this problem. No attention was given to the prospects for Indian communities to draw upon their own resources to meet housing needs, the challenge of independent sovereignty. Thus, despite the aspiration of its title, "A Blueprint for Change" is not that at all. The commission concluded by recommending a larger, but not fundamentally different, federal role in Indian housing.

Housing is a captivating subject, embracing far more than mere shelter. Homes are the centers of family life; ownership is an American dream. The earth-sky connection of the traditional Navajo hogan, hearth to smoke hole, forms an *axis mundi*, a center from which the entire world is encompassed and ordered. "The traditional Indian home . . . evolved out of available materials, was constructed to fit the climate and terrain, and was appropriate for Indian lifestyles and religious beliefs. It was a living thing, part of the daily lives of the people, and it had a spirit."[4] Cultural sensitivity in Indian housing, or its lack, was among the issues the commission addressed. They subtitled their report "By Our Homes You Will Know Us."

A decade ago, David Stea assessed the state of Indian housing in the *American Indian Culture and Research Journal*.[5] It is troubling to reflect that, since then, much has remained unchanged, including the need to assert cultural sovereignty. The trends evident then have become the problems of today. However, a major bureaucratic barrier that troubled Stea, the Department of Housing and Urban Development's own private building code, its Minimum Property Standards, is now history. There are new opportunities to consider. Stea also noted the work of Indian groups who sought the "development of approaches stressing self-reliance and mutual aid toward self-sufficiency." Independent sovereignty is the theme on which this commentary will close.

Housing is a big subject. Shelter in an Alaska Native village near the Arctic Circle must contend with an array of climatic and technical challenges different from those of the desert Southwest or the Minnesota forests. This writer—and builder—is more familiar with the Four Corners area and the Navajo Reservation than other regions and will therefore build upon this foundation. However, my example may have relevance elsewhere, especially in the intermountain West and on the Great Plains. While acknowledging the importance of the status of Native Hawaiians, the present focus is on those peoples served by Bureau of Indian Affairs (BIA) programs, the residents of Indian Country.

INDIAN SHELTER: STATUS AND PERSPECTIVE

The 1990 census enumerated nearly two million people (1,952,200) who claimed Native American ancestry.[6] Individuals are free to report themselves as Native American to the census—a currently fashionable practice that inflates the data. An estimated seven million Americans claim some form of Indian ancestry.[7] However, Native Americans residing on reservations and trust lands, in "tribally designated statistical areas" of Oklahoma, and in Alaska villages—all of Indian Country—numbered only about a half-million (542,600), according to the census.[8] Then again, the Indian Health Service reported a service population of about one million (1,011,000) between 1985 and 1988.[9] The 1990 census also indicated that about one million Native Americans (930,000) were living in rural areas on and near reservations.[10] Therefore, one million is a reasonable rough estimate of the population directly affected by Indian housing programs.

The Bureau of Indian Affairs conducts an annual inventory of Indian housing. This is the official government statistic. The 1970 inventory indicated a shortfall in adequate housing of 63,000 units.[11] "According to the 1989 BIA consolidated Indian housing inventory, 91,388 Indian families living on reservations, in Alaska Native villages, and in other Indian areas needed either new or substantially rehabilitated homes."[12] If these trends continue, the figure will pass 100,000 in 1993. Officially, about 40 percent of the residents of Indian Country live in substandard housing.

Interim Navajo Chairman Leonard Haskie indicated in a 1989 letter to Senator Alan Cranston that 16,888 units (49 percent) in the Navajo Nation were "nearly uninhabitable," that 10,242 (30 percent) were in "urgent need of substantial rehabilitation," and that "behind these alarming statistics are the 12,416 families (36 percent) without homes."[13] The 1990 census counted 34,169 Indian-occupied housing units on the Navajo Reservation. The need for adequate housing in 1989 was 115 percent of the existing housing stock, of which about 20 percent was considered adequate. The terms *adequate* and *standard,* when applied to housing, mean physically intact and not requiring substantial repairs, with electricity, central heat, indoor plumbing, and access by an all-weather road. In 1990, 51 percent of Navajo homes lacked plumbing, 82 percent had no phone, and 25 percent were composed of a single room.[14] A significant share of the standard housing on the Navajo Reservation belongs to the federal government. Privately owned standard dwellings often fall into two categories: house trailers and "small rustic owner-built bungalows." There are also many nonstandard homes built in this latter style, located on "unimproved" sites.

The federal government began to address Indian housing needs significantly in the early 1960s. Since then, 90,000 units have been constructed, one-third of which are rentals. Most—85 percent—of these units were funded by the Department of Housing and Urban Development (HUD), the remainder through the BIA. Despite this effort to construct an average 3,000 units per year over a thirty-year period, the annual shortfall has also grown at about 3,000 units per year. The federal government would need to build 8,000 to 10,000 units annually for the next two decades to meet new demands and remove the existing backlog. Appropriations in 1992 included funds for 2,200 new units to be constructed through HUD and an undisclosed but much smaller number, less than 500 units, through the BIA. The commission recommended a commitment by HUD to build 5,500 units, and the BIA 1,800 units, annually for the foreseeable future, a total of 7,300 per year.

The average unit cost for federal housing has ranged from $80,000 for rental units to $80,000–$100,000 for houses (estimated in 1990 dollars). Allowing for the same mix of rental units to houses, it would require $8.65 billion to remove the backlog and about $500 million each year, all in new construction, to keep up with population growth. The total 1993 federal budget for all Indian programs, the entire Indian Health Service, HUD Indian housing programs, and the BIA, combined, is about $3.5 billion.

Approximately one million Native Americans live in Indian Country. Allowing that the average Indian household comprises about four people, the total need is for 250,000 homes. The federal government has provided 90,000 standard units; an additional 60,000 have come from the private sector, leaving a shortfall of 100,000 homes of adequate standard, about 40 percent of the official total need. The federal government is landlord to an astounding 60 percent of the standard housing available in Indian Country and owner of 36 percent of the total housing stock.[15] This compares to about 6 percent for the country as a whole.[16] There are already nearly six times the number of public housing units in Indian Country on a per capita basis as in the general population.

Officially, the majority of Indian families are adequately housed. However, in all of Indian Country,

> as of 1977, only 26% of the 117,000 Indian housing units . . . were in conformance with uniform codes and standards, and inhabited by the intended number of occupants. 26% were substandard (lacking running water, other utilities, or access by paved road), 28% so dilapidated as to require replacement, and 20% occupied by more than one family.[17]

There has not been enough new construction or rehabilitation since 1977 to increase the proportion of standard housing from 26 percent to the 60 percent level (40 percent substandard) calculated from the official statistics. The real proportion of substandard housing is likely 50–60 percent. According to the commission, 15–20 percent remains overcrowded in 1992, as well.

Commission chairman Nolan strongly rejected placing Indian housing needs in the context of the general American population. "In addition to, not instead of, our due as citizens, we are owed the support promised us as dependent sovereign peoples for our well-being and survival." He disparaged any attempt to contrast Native Americans with other Americans. When this is done, "rather than being regarded as dependent sovereign peoples, we are regarded as dependent supplicants; and as such our rights and entitlements are not distinguished from those of the general population of the United States."[18] He was not alone in this view. The commission noted that "through our hearings, it became clear that many Indian people believe treaty and trust obligations entitle them to free basic housing, without strings attached."[19]

This argument has considerable moral force, but, on a pragmatic and practical basis and with due respect to Chairman Nolan and others, it offers a tenuous foundation on which to "build for the future."

On any given evening in the United States, an estimated 750,000 people are homeless. Congressional hearings in the 1980s reported 200,000 people living in substandard housing, in garages, and in abandoned buildings in the Los Angeles area alone. This was in addition to the homeless. Many other cities report comparable conditions. Two million households are on waiting lists for public housing, housing not now available. By the early 1990s, about one-quarter of the entire United States population was suffering from lack of shelter "affordability." Affordability is an important housing concept. In general, a family should spend no more than 30 percent of its income on housing. Among low income households comparable to those of Indian Country (earning less than 50 percent of the median income for their region), almost 70 percent were paying more than 30 percent of their income for housing, while 40 percent were paying 50 percent or more in 1985. In 1988, 20 percent of all United States families—about fourteen million people—fell into this category. The Ford Foundation estimates it would require $60 billion to bring existing occupied dilapidated housing up to standard. In light of this larger perspective, how likely is Congress to act to fully meet Indian housing needs? Then again, what are the implications for sovereignty should all of Indian Country become a government housing project? Only military bases and federal prisons have a greater share of government-owned housing.

The commission held a number of public hearings. Despite their familiarity with Indian housing conditions, they were humbled by the testimony of witnesses.

> None of us was prepared for the despair and anger that concerned Native people brought to us on virtually every Native soil visited. None of us was surprised at the level of need, but all of us were moved by the urgency and desperation that their voice brought to us. Many pleaded with us to do something . . . . One man, sitting stoically, and without apparent emotion, told us he had given the same testimony over 20 years ago. "I'm afraid my testimony of 20 years ago fell on deaf ears—I wasted my breath. Twenty years from now, will my children have to appear before you and repeat my words of today?"[20]

DEPENDENT SOVEREIGNTY

Most Indian housing is provided by HUD. Their participation began in 1961, when the solicitor of the Department of the Interior determined that Indian governments could establish Public Housing Authorities authorized by the Housing Act of 1937. In mid-1992, there were 183 Indian Housing Authorities (IHAs) representing 267 tribes, including Oklahoma, and 199 Alaska Native villages. The IHAs are chartered by tribal or state governments but operate somewhat autonomously under HUD rules. These authorities build, repair, and manage most public housing on Indian trust lands and in Oklahoma. This includes single-family homes, which are sold to families through long-term subsidized leases. The families have no voice in the style, floor plan, or siting of their homes. Rental units are available to low and very low income families. HUD provides subsidies to the IHAs to allow them to charge "affordable" rents. As the department's name suggests, HUD's principal focus is on urban and suburban housing. Thus, the IHAs are based on an urban public housing model transplanted to rural Indian Country. Although urban public housing units are usually rentals, most Indian and other rural assisted housing is composed of single family homes. This rural-urban disparity should not be undervalued as a source of cultural conflict for Indians and non-Indians alike.

About 75 percent of the United States population, and the public housing stock, is located in urban areas, where HUD is the major landlord. In rural areas, the Farmers Home Administration (FmHA) of the Department of Agriculture manages most of the public housing. FmHA operates its programs through 1,900 Department of Agriculture county offices, 260 district offices, and 50 state offices nationwide. They have no bureaucratic counterpart to the Public or Indian Housing Authorities. Instead they work directly through the private sector with individual owners, even in the development of low cost rental units. The FmHA reported that, in 1989, their total rural housing inventory was 1,150,000 units, with two-thirds, 765,000, composed of home ownership units. The remaining 384,000 units were rentals. Combined, this inventory represented about $27 billion in loans.[21] The absence of private sector financial institutions willing to operate in Indian Country renders FmHA programs, which rely on a public-private partnership with these institutions, inaccessible to most Indian families living on trust land.

Two-thirds of HUD's Indian housing inventory offers single family dwellings eligible for private home ownership through the Mutual Help program. Indian buyers lease homes from HUD and also contribute the equivalent of $1,500 in land, cash, labor, or materials as their down payments. They are required to pay at least 15 percent of their adjusted monthly income to cover the cost of administering the IHA program. Any payment in excess of this administrative cost is credited to their ownership or equity account. When the balance in that account reaches the cost of the home, it becomes theirs. HUD homes are not free. If the BIA or IHA mismanages a construction program, the tenants can end up paying $100,000 for what is elsewhere a $50,000 house. The costs of mismanagement are passed to the Indian tenants, along with the reasonable cost of the home. About 6,000 homes have been paid off through this program, compared to 50,000 still in the HUD inventory.

One-third of the Indian public housing inventory is rental property. Occupants are charged 30 percent of their adjusted monthly income—their total monthly income less an array of adjustments mostly for dependents—for rent. This rate is mandated by the Brooke Amendment to the Housing Act of 1937. HUD provides operating subsidies to the IHAs to make up the difference between the rents collected and the actual cost of constructing and managing the rental property. Since it is assumed that people will leave public housing when they can afford to do so, there are no rent ceilings. The commission has recommended waiving the 30 percent of income rent requirement, arguing that public rental housing is often the only housing available in a locale. A tribal professional employee, for example a computer operator earning $24,000 a year (80 percent of the regional median income, the highest income level eligible to occupy public housing), would be required to pay 30 percent of her income, $600 per month, to rent a two-bedroom apartment in a public housing complex. In a private housing market, a comparable apartment in a rural area might rent for $400. The professional is overcharged at the same time that she is displacing someone with fewer options. The commission recommended establishing a rent ceiling in public housing equal to no more than 50 percent of the average established fair market value for a private rental, irrespective of the occupant's income. The computer operator who is now paying $600 per month would then pay $200 a month for the same apartment but would continue to displace someone with a fraction of her income. The inability to develop and finance private projects is co-opting the one segment of the Indian population that could afford to purchase or rent housing in an open market.[22]

Unfortunately, virtually no private lenders are willing to provide mortgages on Indian trust land, either for single family homes or for private apartment projects. Trust land cannot be alienated from the tribe. As a consequence, it may be troublesome for a lender to foreclose on a borrower in the event of default. Federally supported or subsidized housing on trust lands is almost invariably built on a leased site. The lease alienates the land from control by those families, bands, or clans that have traditional rights or claims to its use. This technically allows a foreclosure to proceed and the occupant to be evicted in default. The house is then resold to another member of the tribe or nation. However, the commission observed that, "because of the selling price of comparable existing properties located on trust lands, the cost of constructing new homes often exceeds the market value of completed homes."[23] There may be no buyer willing or able to pay full price. A portion of the original cost of the home then becomes a permanent loss to the lender. Private lenders have shown no enthusiasm to enter this market. When the home is built on traditional family land rather than on a leased site, a total loss is almost a forgone conclusion in the event of default. No member of the tribe would likely buy a home on another family's land, leased site or no. Solving this trust land foreclosure/collateral problem is a major challenge that must be addressed before shelter needs can be met.

Indian housing programs are fraught with the high costs of bureaucracy. The commission estimated that 25 to 40 percent of every dollar spent for BIA-managed housing construction and rehabilitation programs disappeared as administrative expenses. Chairman Nolan offered his own HUD horror story. A project on the Walker River Reservation near Reno, Nevada, was plagued by mismanagement. After interminable delays and false starts, the project came in over budget with shoddy housing.

> Everyone was dissatisfied with the final results. The units ended up with an average cost of $85,000, which prompted loud complaints from homeowners. Indian families had paid high prices for units that could not be expected to last anything close to 25 years [because of poor construction]. [Conditions were so bad that] one mother of two . . . told us

> she had recently had to vacate her house after occupying it for only two years.[24]

This is not unique to Walker River. The average cost of IHA homes in the early 1980s reached over $100 per square foot, compared to $45 per square foot in the private sector off the reservations (both figures in 1990 dollars). A witness in Alaska pleaded,

> Let *us* have final authority over planning, development, funds distribution, and actual construction, with technical assistance from . . . HUD, and the BIA—not the other way around. No more projects not started because the agency is two years behind in its project schedule. No more projects stalled midway because the BIA lost our reports and didn't request the funds. No more of Indian people living in the worst housing conditions in this nation.[25]

Public housing impresses cultural standards alien to traditional communities, imposing suburban America on rural Indian Country. On the Navajo Reservation and elsewhere, "cluster housing," cramming six to eight houses onto a single acre, is the rule. These houses squat, almost touching, with the magnificent and vast Navajo desert as a backdrop. A people accustomed to a great measure of elbow room are forced into close quarters with others, most of whom are usually not family. If the front door of a single unit faces east, a fact of spiritual significance for the Navajo and many other peoples, it is an accident. The major reason for building clusters is the high cost of site development: providing water, sewer, all-weather access, and electricity. These costs can be shared among the twenty or thirty units in the cluster, thereby reducing the unit cost. The interior space of these houses is compartmentalized to meet the privacy needs of suburbia, not the sociability of extended families. "The 'white' departmentalizes everything and separates everything. They have boxes for everything. They dissect and segregate their whole society and this is what they want the Indian people to buy."[26] Cluster housing is cost effective but culturally estranged. Nevertheless, there is little or no vacant public housing, and long waiting lists exist in most locales.

Navajo families traditionally live in matrilineal and matrilocal extended kin groups, usually comprising several families or households of different generations. Anthropologists have referred to these groupings as "outfits," and they remain common today. Hogans or other homes in an outfit are often spaced thirty to sixty yards apart. About two acres of land are required to comfortably site three related households without crowding. Separation from other nonkin or distant kin outfits can sometimes be measured in miles. This is supposedly an idiosyncracy of Navajo culture. However, elsewhere in the non-Indian West almost the exact same shelter siting pattern can be observed among Anglo and Hispanic ranchers. Ranching is hard work and labor intensive. Family members provide the most reliable source of labor, since they have a long-term stake in the success of the operation. A ranch is a family business that is passed down through generations, as are grazing permits among the Navajo. Thus, it is not surprising that both Anglo and Navajo families, engaged in the same line of work, should have several generations in common residence on family land, living in relatively close proximity, the Anglo or Hispanic settlement pattern mimicking that of the Navajo outfit, or vice versa.

The Anglo and Hispanic pattern differs from the Navajo in that Anglos and Hispanics practice a bilateral form of kinship and therefore accept "ambilocal" residence patterns after marriage. Where there is a shortage of labor, an Anglo or Hispanic man can live with his wife's family, like the Navajo, or he can bring his wife to his own family's property, like the Zuni, who are patrilineal. These are variations on a common theme. HUD housing development strategies are focused on urban and suburban America and the nuclear family. Anyone familiar with western ranching and farming, Anglo or Indian, would not find the extended family outfit unreasonable in Indian Country or anywhere else. HUD cluster housing is a form of forced acculturation. Eighty percent or more of the Navajo population today continues to live on traditional and dispersed rural family land.

ENTITLEMENTS

The Farmers Home Administration is the most powerful force in rural public housing. In fiscal year 1991, FmHA provided direct loans totaling $1.27 billion for 23,000 homes, an average of $55,200 per home. These programs are available to all Americans, both Indian and non-Indian, as long as they meet low income criteria and live in rural areas. This subsidized loan program (section 502) is possibly the most successful of any operated by the federal government. Although the average annual income of the participants is low—$13,500 in 1989—the default rate is under 5 percent. This is "manageable" by conventional financial standards. More than half of Navajo families earn this average income or more.

The FmHA definition of "rural" includes communities of up to 25,000 population, if they are located outside Standard Metropolitan Statistical Areas and if they are of "rural character." This includes all of the Navajo Nation as well as the pueblos. Working through the private sector, the agency readily finances homes constructed on individual sites in rural communities or on farm or ranch land. Over the years, two million very low income families have been assisted through this program. Despite the FmHA's enormous presence in rural America, its general success in fulfilling its mission with a minimum of losses, and its accessibility through local offices, the commission was unable to substantiate any significant volume of FmHA business with Indians living on trust land. The explanation for this was the difficulty of foreclosure as a remedy in the event of default.

FmHA operates both direct loan and loan guarantee programs. Home loans can be amortized over up to thirty-eight years, with the interest rate subsidized to as low as 1 percent, depending on the homeowner's income, which must be below 50 percent of the median income for an area. About 60 percent of Navajo families meet this low income test, although only about 20 percent also have a sufficient income to afford a $55,000 mortgage on even these generous terms. Loan guarantees require the government to pay off a mortgage if the borrower cannot or will not. The guarantees are intended to encourage lenders to make loans to relatively high-risk borrowers. If a borrower fails to make payments, the government compensates the lender, forecloses, and evicts the occupant. Eventually, the property is sold to recover the value of the loan. These programs presuppose the active participation of a financial intermediary, a local lender, which may be a depository institution such as a savings and loan or a bank, or a state housing agency or other lender making direct loans. Indian Housing Authorities are not direct lenders and therefore do not qualify as financial intermediaries. The absence of financial intermediaries located in Indian Country or willing to lend there constitutes a major void in the institutional infrastructure that this and many other entitlement programs require.

The FHA and VA also offer mortgage loan guarantees. The commission reported on the success of the VA mortgage guarantee program, a program nominally available to all military veterans. In a single year, 1988, 1,536 Indian families out of 159,900 eligible Indian veterans entered the VA mortgage guarantee program, a rate of about ten per one thousand. This compares to a rate of seven per thousand among non-Indian veterans. Indians are getting their fair share. However, the commission could identify only 20,204 veterans living on Indian lands, and, among this group, only fifteen VA mortgage guarantees could be documented over a thirty-year period. Again, the difficulty of foreclosure as a remedy for default was perceived as the principal barrier that prevented Indian veterans living on trust lands from gaining access to this entitlement program. The fifteen who did get VA guarantees were disabled veterans who required special housing, were receiving full VA disability benefits, and therefore were viewed as reliable credit risks.

One FHA program (section 248 Mortgage Insurance Program) is specifically designed to address the needs of borrowers living on trust lands. As in all guarantee programs, the participation of a private lender or qualified state agency is required. The 1990 Affordable Housing Act strengthened this program with a special provision (Section 708, Disposition of Interests on Indian Trust Land) requiring government agencies guaranteeing mortgages to sell defaulted property to an "eligible tribal member, the tribe, or the Indian housing authority serving the tribe or tribes."[27] This requires the tribe or IHA to "make a market" in defaulted housing, that is, to buy all defaulted homes at the outstanding value of the principal remaining on the mortgage. The tribe then must attempt to resell the property to another tribal member to recover its cost. If no one is willing or able to pay this price, it is not clear who, the tribe or the federal government, is to bear the loss. Even this is no remedy when the home is sited on a family's traditional land. It is almost unthinkable for a stranger, someone not kin, to take up occupancy in a Navajo outfit. Unless the Navajo agree to abandon their rural lifestyle and family land and move to cluster developments or housing estates in reservation towns like Kayenta or Chinle, the Section 708 provision offers no solution. A remedy to default other than foreclosure must be found. As of April 1992, a total of only five loans to Indian families living on trust lands had been made over the preceding decade under this program.

The National Commission largely focused on the provision of housing in Indian Country through government programs, the government "supply-side" of the housing market. However, the issue of affordability concerns what the market can afford to buy, the "demand-side" of the economic equation, as well. Rather than emphasize only what the government has failed to accomplish, it is useful to consider what the Navajo have the wherewithal to achieve themselves.

AFFORDABILITY: THE NAVAJO NATION

The commission strongly faulted the Census Bureau for not having 1990 information available to aid their task. This situation has since changed. Household income figures for 1990, based on 1989 survey data, are now available. The 1990 census found that 56 percent of Navajo households fell below the poverty level. The figure for 1980 was 53 percent. Apparently, little has changed. About 30 percent of Navajo housing was described as having "one room" or "one bedroom," a likely indication of a traditional structure, the hogan. Many of these are occupied by the elderly.

FmHA eligibility criteria for subsidized direct loans and mortgage guarantees have been superimposed on the Navajo income distribution, along with a variety of government definitions. The direct loan program is available to families earning 50 percent of the median income of the area or less. These families are classified as "very low income." FmHA loan guarantees are available to "moderate" income families, those with incomes of about 100 percent of the regional median or somewhat below. The median 1990 family income was estimated at $30,000 for a rural non-Indian family in the Four Corners region.

Navajo family incomes are reported in seven ranges. The average income in each range is translated into the dollar value of the house that average income could buy with a conventional mortgage, insured or uninsured, and through the FmHA direct loan program offering subsidized 1 percent mortgages. It assumes that 30 percent of monthly income is dedicated to mortgage payments. The Office of Indian and Public Housing of HUD reported that average unit construction costs were $60,000 in the late 1980s, down from $75,000 a few years earlier ($110,000 in 1990 dollars). Site improvement costs for sewer, water, access, and electricity are about $20,000 for cluster developments.

Housing Affordability
Navajo Nation, 1990

				Housing Affordability	
	Navajo Families[1]		Monthly[2]	8% Mortgage[3]	1% Mortgage[4]
%	%	Income Range	Payment	Conventional	FmHA
	32	$ 0-5,000	$ 65	$ 8,500[5]	$21,330
	19	$ 5,000–10,000	$190	$ 25,550[5]	$52,465
63	12	$10,000–15,000	$315	$ 42,600[5]	$87,440
		50% or more of median family income[6]			
	16	$15,000–25,000	$500	$ 68,150[5]	UNAVAILABLE
25	9	$25,000–35,000	$750	$102,200[5]	UNAVAILABLE
		100% or more of median family income[6]			
	8	$35,000–50,000	$1,065	$144,800	UNAVAILABLE
12	4	Over $50,000	$1,250	$170,350	UNAVAILABLE

[1] 1990 census data on Navajo household income distribution from census tract and block numbered areas. Includes households located on and near the Navajo Reservation, e.g., the checkerboard areas in New Mexico.
[2] Monthly payment is 30 percent of average income in the range with 90 percent allocated to principal and interest, 10 percent for insurance.
[3] Purchase price of a home with 10 percent down payment, thirty-year mortgage at 8 percent rate of interest compounded monthly.
[4] Fully subsidized FmHA direct loan for thirty-eight years at 1 percent interest compounded monthly, no down payment. Only families earning 50 percent of the regional median income, or less, are eligible for these loans.
[5] Loan qualifies for FmHA mortgage guarantee (up to $67,500 of the principal for families earning 100 percent of the regional median income or less).
[6] Regional median family income estimated at $30,000.

Much higher costs have been reported. However, a HUD-style house today will likely cost $60,000 to $80,000, if privately built, exclusive of the cost for a site lease, but including site improvements.

About 21 percent of Navajo families have incomes near (9 percent) or well above (12 percent) the median for the region. If financing were available, they could buy their own homes without government assistance. A well-observed phenomenon in the American housing market is the extent to which people trade up as their incomes increase. Their old homes then become available to a lower income group, who leave their old homes to a still lower income group, and so on. Without financing, families would have to save $60,000 or $80,000 in cash to afford a house. If private financing were available, a portion of the existing government housing might be freed as families were able to enter the private housing market, creating vacancies for the less prosperous. The same prospect exists for private rental housing.

The Navajo "middle class," the middle 25 percent, can also afford a HUD-style home. This group qualifies for a FmHA mortgage guarantee as well. Thus, 37 percent of the Navajo population could afford standard housing, even at IHA prices, if conventional financing were available. Only 20 percent of the existing housing on the Navajo Reservation is adequate by contemporary standards. Almost twice as many families can independently afford standard housing as what currently exists on the Navajo Reservation. This underscores just how much of the shelter problem revolves around the issue of finance, which in turn is thwarted by the collateral/foreclosure dilemma. In effect, the Navajo waiting list of eligible and qualified buyers needing no more than minimal assistance from existing entitlement programs is at least as large as, and probably larger than, the entire present stock of standard housing, an inventory that has taken over thirty years to accumulate.

Within the lowest income group—63 percent of Navajo families—about one-quarter with incomes above $8,600 could technically qualify for the interest-subsidized 1 percent FmHA direct loan and thereby could afford to buy their own homes. However, incomes are more likely to be irregular in this group, dependent on craft and livestock sales, welfare payments, and seasonal employment. The 32 percent with incomes below $5,000 present a special problem. By any standard, these people merit consideration for direct grant assistance, programs already available from both the BIA and FmHA, as a means of stabilizing their income variability and level. They also present a challenge to affordability in housing from a technical sense: What can be built for $25,000 or $30,000? Mobile homes fall within this category, although those in this price range have a useful life of only twenty-five to thirty years. FmHA does not assist mobile home financing as part of its direct loan program. Bankers will not provide a thirty-eight-year mortgage for a property that might be seriously deteriorated in half that time. Technically, trailers are not homes at all but are classified under the same rules as apply to motor vehicles. They are often financed like cars and, on default, are repossessed rather than foreclosed.

In summary, there are two broad challenges to making adequate housing affordable and available on the Navajo Reservation. The first is to develop a financing system. This, in turn, hinges on resolution of the foreclosure/collateral issue. The second is to devise a building system that can provide adequate housing in the $30,000 price range. Both have culturally appropriate solutions.

INDEPENDENT SOVEREIGNTY

Incomes in Indian Country are low, but the 37,750 households represented in the Navajo affordability table earned an estimated $600 million in 1990. If they were to save 10 percent of this income, a figure historically reasonable for the American economy although low by world standards, they could finance about 650 HUD-style houses, or 1,800 houses in the $30,000 category, each year. At 1,800 houses per year, entirely financed by the Navajo themselves, the Navajo housing shortage would disappear over the next fifteen years. People with low incomes are not necessarily cash poor. Much of the existing housing is unburdened—no mortgage payments, no rent, no taxes, no utilities. Low income families elsewhere may spend 40 percent of their income on shelter. The Navajo can afford to save. Many low income families have incomes adequate to meet everyday needs but not enough to finance their own home construction through their personal savings, an accumulation process that could take decades. Given the opportunity to save toward and borrow for an affordable home, these families might save, and save prodigiously. There are also institutions such as the Federal Home Loan Bank, or the mortgage-backed securities market, that will match Navajo savings when invested in financing homes.

An institution that has evolved elsewhere to facilitate local savings and investment is the informal rotating credit association. These associations have been used to finance houses and business ventures and even to purchase seeds and fertilizer. This writer observed one such association in operation in Addis Ababa, Ethiopia. It was used to finance the purchase of taxis, a profitable business venture. A group of drivers and investors, all known to each other, agreed to deposit a specific sum of money each month in the association. To assure that this obligation was kept, each member had to provide an acceptable guarantor as a cosigner to his participation. If a member failed to meet his payment obligation, his guarantor would. When enough deposits had accumulated to purchase a taxi, a lottery was held to determine who would get the money. All the members of the association—the lottery winners and those still waiting their turn—would continue to make their contribution until every member got his taxi. The association would then be disbanded.

Similar associations have been observed achieving comparable results in other countries. The Japanese *kou* emerged in the thirteenth century.[28] This informal association was similar to the Ethiopian model. A small group contributed a fixed sum each month, holding a lottery to distribute the funds in rotation. The Japanese usually required two cosigners for each member, cosigners who were also members of the association. Associations in some communities allowed members to bid for each block of cash as it became available, instead of holding a lottery. This was a refinement added to the *kou* in the fourteenth or fifteenth century. Members made the association an offer, the money going to the highest bidder. The bid premium could be retained in the association or paid out to the members, reflecting their financial stake or "interest."

Peer pressure, rather than repossession (of a taxi) or foreclosure (of a house), usually served to enforce continued participation. The Japanese charged defaulters as criminals. Default in Ethiopia could be deadly. Even if the guarantor met a defaulted member's obligation, the member would never again be welcome in a new association anywhere in Addis Ababa. His reputation would precede him. He and his associates would effectively be denied future investment capital. The Japanese *kou* disappeared only in the 1950s, replaced by modern banking and savings institutions. However, the institution remains common throughout much of the developing world today.

On the Navajo Reservation, a group of thirty potential home buyers could form their own association by agreeing to contribute, say, $200 per month, until every member of the association had his or her own $30,000 house. This would take about 12.5 years, a terribly long wait for the last person on the list. However, such an association would not likely invite families with inadequate resources or poor reputation to participate. This is one solution to the foreclosure/collateral problem: Make no bad loans. Peer pressure in such a community group would be formidable.

Americans have long used rotating credit associations to finance houses and have refined and institutionalized these informal arrangements. The first recorded use of this financing tool occurred in Frankford, Pennsylvania, in 1831. One Comly Rich, employed as a lamplighter in that town, bid for and received five hundred dollars from his association, the Oxford Provident Building Association, which was composed of thirty-seven members.[29] His winning bid was fifteen dollars. He built a house with the money, and it is still standing today, a shrine to the industry that began there. This is the informal origin of the savings and loan associations of the United States, the S&Ls. Most of the refinements to this institution—for example, not requiring depositors to become borrowers—also occurred by the 1840s and have endured ever since.

Technically, the charter by which the S&Ls operate today has not changed. The depositors and borrowers, the members of the association, elect a board of directors to conduct day-to-day affairs. In small towns and rural areas, these are usually respected and successful members of the community who may work for minimal compensation. The board in turn appoints a loan committee to pass judgment on all mortgage loan applications. In smaller communities, they examine not only a person's credit rating but family character and reputation as well. There are no legal barriers to a Navajo community's setting up its own S&L and, within regulatory requirements, operating it to meet their own shelter financing needs. The organizational demands are no greater than those the Navajo have met in developing their system of chapters—territorial, political, and rural organizations that comprise the foundation of contemporary Navajo community life.[30]

An important challenge to Navajo economic development is the rapid flight of every dollar that comes onto the reservation. The chief economist for the Navajo, Robert Boyd, estimates that 80 to 95 percent of personal consumption, mostly the spending of income from wages and salaries, occurs off the reservation in the border towns and elsewhere.[31] About $500 million is "lost" annually. Were this money spent locally, it would create local jobs. The same thing occurs with savings. Many people keep relatively large amounts of cash at home, invest in jewelry and livestock, or deposit money in S&Ls off the reservation. When they do so, their deposits finance new houses in Gallup and Farmington, or Phoenix and Denver, and create construction jobs in those communities but not in their own.

A local savings account indicating a history of regular deposits serves as a fine credit reference. Small town S&Ls give priority to these borrowers. If a person or family can consistently save over a period of years, there is every reason to presume they will be reliable in meeting mortgage payments. This practice is equally sound in Indian Country, leading to creation of a waiting list of credit-worthy savers and would-be borrowers. Urban Navajo might be inspired to save with a reservation institution. A credit rating close to home is more than an S&L in Albuquerque, Denver, or Phoenix can offer. Even the several years needed to develop a savings-based credit history is shorter than the current waiting list for public housing.

A second approach to limiting bad loans is to require cosigners or guarantors. This practice is rare, if not nonexistent, in American home financing. But American home financing is adapted to typical American nuclear families, not the extended families more common in Indian Country. There are no legal barriers, only those of Anglo custom and culture. The inheritance of continued land use (usufruct) is already acknowledged as residing in the Navajo extended family, not a single member or nuclear group. It is reasonable for those who share in this interest to share in credit obligations associated with their common land. As new houses are built and occupied, old houses are passed on to other family members, thus justifying this collective interest. A family group who failed to meet the financial obligation of one of their own could forfeit future prospects for home financing for the entire outfit. A single family might be well housed, but the rest of the family group would be out in the cold, literally and indefinitely.

Still another solution to the collateral/foreclosure problem is to have the borrowers underwrite the cost of their own foreclosure. This is what federal loan guarantees and mortgage insurance are supposed to do. However, all of these programs presuppose that the occupant-borrower will be evicted on default and the house resold. Since this is not an option for a home on a rural Navajo family site, the borrowers could establish a special fund to meet this contingency, to "make a market" in defaulted mortgages without foreclosure. The affordability table above was calculated with an allowance of 10 percent of each payment being contributed to a mortgage and casualty (fire, storm, flood, etc.) insurance fund. This is ten times the premium normally required for mortgage insurance and would totally fund the replacement cost of one house, or indefinitely meet the mortgage payment for one house, for a circle of ten borrowers.[32]

A decent home need not cost $80,000. Much of the cost of a house is in its construction. A local building materials supplier in Boulder, Colorado, will provide a complete package for a HUD-style house for $14,999 (fall 1992). This includes everything from bathroom fixtures to carpet, the furnace to the kitchen cabinets. Appliances are extra. All the buyer has to do is assemble this package, on his own lot, on his own foundation, and connect it to sewer, water, and electrical services, which he must provide on the site. The terms are cash, delivered anywhere within twenty-five miles of Boulder. This is what a basic house actually costs when purchased "unassembled." If the owners could do their own assembly, a reasonable strategy where unemployment is high and cash is short, a home need cost no more.

Constructing this type of house presents a formidable challenge to inexperienced builders. The building system, wood frame construction, requires an array of specialized skills to execute reliably. These include framing and finish carpentry, plumbing, wiring, roofing, drywall installation, flooring, and various specialties to finish bathrooms and kitchens. None of these skills is particularly demanding. All of them require continued practice and a depth of experience to do well. As a consequence, lenders almost never finance unskilled owner-builders. No borrower would willingly continue to make mortgage payments on a substandard house, even one he built himself. The building would have marginal value in the housing market as well. Bankers view this as an unacceptable risk. The useful life of a building, normally sixty to eighty years, can be cut to five or ten through poor construction, as was the case at Walker River.

More user-friendly building systems do exist. Historically, however, HUD enforced its own building code, its Minimum Property Standards (MPS), which precluded most of these alternatives. The MPS was based on wood frame construction. For example, it required "R-11" wall insulation in most cooler climates. There was no rational basis to this requirement, which was founded on a careful calculation of heating and cooling needs and costs. R-11 is simply the amount of fiberglass insulation that can be stuffed into the cavity of a wood frame wall built of common 2 x 4 construction lumber. A building system capable of only R-8 wall insulation was unacceptable, even if this system was user friendly to inexperienced owner-builders and was adequate for the climate. Fortunately, the MPS has been abandoned. National "model" codes administered by local authorities now oversee the quality of government-funded construction.[33] One of these, the Uniform Building Code, governs much of the rural West. According to the performance standards contained in this code, an R-8 wall is now generally acceptable on the Navajo Reservation.

One user-friendly building system is "milled timber" construction. This produces a building akin to a log cabin, but the timbers are milled to close standards, squared, and tongued and grooved so they stack tightly on top of one another. With this timber as the exterior weather wall, no sheathing is required. It is the structural framework for the building as well, so no framing is required. The timbers provide heat (and sound) insulation as well as the interior finish wall. The buildings are usually packaged as kits, with each timber numbered for correct assembly. An inexperienced crew of five men can assemble one of these kits in about a week. Space age sealants are used between the timbers to create a weather- and airtight bond. Additional finish work, painting and the like, are also easy for inexperienced builders.

These houses are common in the Four Corners and elsewhere in the West. This is not a new technology; it is well refined and developed. However, a timber wall six inches thick, optimal to this building system, provides only R-8 insulation. As a result, the building system has never been developed as an option in providing federally subsidized low income housing. These houses now meet insulation requirements as far north as Denver, Boise, and Reno. A timber wall eight inches thick is acceptable in locales even further north. Most heat loss in a house is through the doors, the windows, and the ceiling. An R-8 versus an R-11 wall insulation factor adds only about 5 percent to the cost of heating a house.

A cost estimate was developed for an eight-hundred-square-foot "Four Corners Ranch" style timber wall house. This small home has three bedrooms, central heat as well as a wood stove, two half-baths and a shower room, and a detail somewhat distinctive of rural homes in this region, including those of the Navajo: a metal roof. It is assumed that siting, colors, and details, as well as the floor plan, would be chosen by the buyer. The floor plan for the estimate included a conventional-sized bedroom, two code minimum (seventy square feet) bunk rooms, each sleeping two or three persons, large closets, and a large combined living- dining-kitchen area with a central wood stove serving as a room divider. The cost for the package was $16,000 using western cedar, a premium material, for the timber walls. A simple, reinforced stem-wall foundation added an additional $4,000 to the cost. It would require six hundred to eight hundred hours to construct and finish this home, with labor contributed by the owner and friends. This work would be worth $8,000–$10,000 if locally hired and, because of federal law, $15,000–$20,000 if contracted through an IHA.[34] The cost of plumbing installation and fixtures is estimated at $1,500; wiring and electrical fixtures at $1,500; and an experienced supervisor at $2,000. The total cost of the house comes to $25,000.

One of the best reasons for "clustering" rural homes is the high cost of drilling a well. This cost can be shared by all the homes in a cluster. A well for a single home costs about $30 per foot, complete with casing, pump, wiring, and water line. Wells three hundred to five hundred feet deep are common in arid areas. They are also a gamble, especially in arid regions. A solution to this problem, common in the foothills near Boulder, Colorado, and probably elsewhere, is to use a cistern. This is a concrete tank that is periodically filled with water hauled to the site by truck. A two-thousand-gallon tank costs only about $750, installed. This enormously reduces the largest single cost in developing a rural site. Adding a second cistern to collect runoff water from the roof and using water-efficient plumbing fixtures make this a cost-effective strategy, one that creates additional local employment. Water hauling could be a useful government service.

The commission pointed out that the Indian Health Service has an existing mandate to provide clean water to homes in Indian Country. Half of all Navajo homes have no such resource. The commission also recommended "that a federal source of funding be authorized specifically for Native community fire protection."[35] Two thousand gallons of water on site, connected to an appropriate pumping system, is far more effective as a firefighting resource than a volunteer fire station located fifteen miles away, even assuming a family has a phone to call for help (80–90 percent of rural Navajo homes do not). The total cost of a cistern, complete with a household pump and emergency power—a lawnmower engine with a stock pump—would be $2,000, installed.

Septic systems are common for rural homes. The cost for the Four Corners Ranch was estimated at $3,000, installed.

The total cost for this house is estimated conservatively at $30,000. The estimate is based on West Coast construction standards and 1990 costs, with an additional 10 percent for contingency. Completed, this house would likely have a market value of $40,000–$50,000, excluding land, off the reservation. A California company will install a solar power plant adequate for the needs of this house for $6,600. Well-built and reasonably maintained, the house could have a useful life of a century or more. Given effective access to existing entitlement programs, 80 percent of Navajo families could afford this Four Corners Ranch style home. The minimum qualifying annual income using the FmHA direct loan program would be an incredible $3,515, a payment of $90 per month for 38 years.

David Stea made a comparable observation about housing for the Northwest Coast. In his opinion, a similar technology, conventional log construction, was equally appropriate there. At that time, the HUD MPS prohibited assisting the construction of those homes.[36]

"BY OUR HOMES YOU WILL KNOW US"

The National Commission's mandate required, as a starting point, examination of existing federal programs and how they might be improved. The commission asserted dependent sovereignty as its first recommendation, insisting that "the federal government as a whole honor its commitment to the provision of safe, decent, and affordable housing for Native people by adequately funding Native housing programs."[37] There was no mention of developing private sector institutions or local capital and resources. Instead, the commission recommended the creation of a Native American Finance Authority. This super agency would essentially duplicate existing entitlement programs, such as those operated by the Farmers Home Administration, and would act as a National Indian Housing Authority and a general broker to utilize creative financing strategies, package loans, conduct research, and offer technical assistance. The commission offered no public or private sector model that had effectively undertaken this complex mission either here or elsewhere in the world. James Solem, a member of the commission, argued that "a new approach to the design and implementation of housing programs on Indian reservations must be developed. The public housing model simply doesn't work."[38]

Indian Country has had no incentive to develop solutions to the foreclosure/collateral issue or to address the question of affordability. Cost control in HUD programs has been sporadic and often abysmal. In the early 1980s, the average unit cost of

HUD Indian houses was $110,000 in 1990 dollars, excluding the cost of developing utilities on the site. The occupants have to pay this sum, plus the cost of administering the IHAs, before the home becomes theirs. Only one-quarter of all Navajo families could ever expect to own the basic $80,000 HUD cluster home. Nevertheless, as long as the federal government is expected to meet all Indian housing needs, private sector options are less likely to be explored and developed.

The American savings and loan is an informal, rotating credit association that has been institutionalized. These associations have evolved independently around the world, in societies with cultures as diverse as those of Native Americans. They are the backbone of home financing in rural America and provide access to the most effective of existing rural housing programs, those of the Farmers Home Administration. There are several building systems—milled timber, conventional log construction, stackable concrete block, and even adobe, among others—that allow the owner to contribute a significant proportion of the labor. Properly developed and supervised, these systems can deliver attractive and durable houses at an affordable cost and at a fraction of the cost of federal alternatives. Cultural sensitivity is maximized when families can choose their own styles and floor plans, colors and details, and site their houses where they feel most at home. Putting this all together and making it work is called "economic development."

The shelter needs of Indian Country are enormous and urgent. Commission chairman Nolan is justified in asserting that "to the shame of the United States, we have received neither our due as United States Citizens nor the justice and consideration promised us as dependent sovereign peoples."[39] The question is whether increased public housing or a robust private sector, providing local employment and encouraging local savings, constitutes "the justice and consideration promised." While well-intentioned, the commission's recommendations, if realized, would turn all of Indian Country into a federal housing project. There is too much *dependent* and not enough *sovereignty* to this ambition.

NOTES

1. George Nolan, "Chairman's Preface," in *Building for the Future: A Blueprint for Change; "By Our Homes You Will Know Us,"* Final Report of the

National Commission on American Indian, Alaska Native, and Native Hawaiian Housing (Washington, DC: U.S. Government Printing Office [GPO], 1992), vii. The commission included George Nolan, chairman (Chippewa); Ted Key (Chickasaw); Wayne Chico (Tohono O'Odham); Robert Gauthier (Salish-Kootenai); Louis Weller (Caddo-Cherokee); Bill Nibbelink (Flandeau Santee Sioux); Joe De La Cruz (Quinault); Jackie Johnson (Tlingit-Haida); Warren Lindquist (former assistant secretary–Office of Indian and Public Housing, HUD); James Solem (commissioner–Minnesota Housing Finance Agency); Eileen Lota and Hoaliku Drake (Native Hawaiians).

2. Henry Gonzalez in "Reauthorization of Housing and Community Development Programs for Fiscal Year 1993," *House Serial No. 102-108* (Washington, DC: GPO), 1992).

3. Nolan, "Chairman's Preface," vii.

4. Mircea Eliade, *The Sacred and the Profane: The Nature of Religion* (New York: Harper & Row, 1961); Donald Sandner, *Navaho Symbols of Healing* (New York: Harcourt Brace Jovanovich, 1979); *Building for the Future*, 65.

5. David Stea, "Indian Reservation Housing: Progress Since the Stanton Report?" *American Indian Culture and Research Journal* 6:3 (1982): 1–14.

6. Bureau of the Census, U.S. Department of Commerce, *1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics (CPH-5 Series, Various States)*, (Washington, DC: GPO, 1992).

7. Dan Fost, "American Indians in the 1990's," *American Demographics* 13 (December 1991): 26–34.

8. Bureau of the Census, U.S. Department of Commerce, *American Indian and Alaska Native Areas: 1990 (CPH-L-73)* (Washington, DC: Bureau of the Census, 1991).

9. Indian Health Service, *Regional Differences in Indian Health-1990* (Washington, DC: U.S. Department of Health and Human Services, 1990).

10. Bureau of the Census, U.S. Department of Commerce, *1990 Census of Population and Housing, Summary Social, Economic, and Housing Characteristics (CPH-5 Series, Various States)* (Washington, DC: GPO, 1992).

11. Harold O. Wilson in "Indian Housing Act of 1988," *House Serial No. 100-52* (Washington, DC: GPO, 1988).

12. *Building for the Future*, 27.

13. Leonard Haskie in "Rural and Indian Housing Provisions of S. 566 the 'National Affordable Housing Act,'" *Senate Serial No. 101-496* (Washington, DC: GPO, 1990).

14. Bureau of the Census, U.S. Department of Commerce, *1990 Census of Population and Housing, Population and Housing Characteristics for Census Tracts and Block Numbering Areas* (CPH-3-4 Series, various states) (Washington, DC: GPO, 1993).

15. James Baugh in "Indian Housing Act of 1988," *House Serial No. 100-52* (Washington, DC: GPO, 1988).

16. Ford Foundation, *Affordable Housing: The Years Ahead* (New York: Ford Foundation, 1989).

17. Stea, "Indian Reservation Housing," 2.

18. Nolan, "Chairman's Preface," vii.

19. *Building for the Future*, 57.

20. Grassim Oskilkoff (chairman of the Ninilchik Traditional Council, Alaska) in *Building for the Future*, 51.

21. Clayton Yeutter (secretary of agriculture) in "FmHA Rural Housing Programs and Policies," *House Serial No. 101-17* (Washington, DC: GPO, 1988). Additional sources of FmHA data include "Rural Housing," *House Serial No. 101-107* (Washington, DC: GPO, 1990); *Increase Volume & Expand into Untapped Rural Markets with the Guaranteed Rural Housing Loan Program* (Washington, DC: Farmers Home Administration, 1992).

22. Public housing is for low income families. Section 8 (24 CFR) rules require that no more than 25 percent of a housing project be occupied by families making 50–80 percent of the regional median family income; the remainder are to be occupied by "very low income families," those with income 50 percent below the median or less. Given the lack of alternative housing in many areas, the commission is attempting to exempt the low income requirements for occupancy in Indian public housing. Were this to happen, those most able to pay would likely displace low income families.

23. *Building for the Future*, 41.

24. Nolan, "Chairman's Preface," xii.

25. Grassim, *Building for the Future*, 51.

26. Gerry Backanaga in Stea, "Indian Reservation Housing," 8.

27. Section 708, Disposition of Interests on Indian Trust Land. "In the event of default involving a security interest in tribal allotted or trust land, the Secretary shall only pursue liquidation after offering to transfer the account to an eligible tribal member, the tribe, or the Indian housing authority serving the tribe or tribes. If the Secretary subsequently proceeds to liquidate the account, the Secretary shall not sell, transfer, or otherwise dispose of or alienate the property except to one of the entities described in the preceding sentence." *Building for the Future*, 39.

28. Yoichi I. Zumida, "The Kou in Japan: A Precursor of Modern Finance," in *Informal Finance in Low-Income Countries*, ed. Dale W. Adams & Delbert A. Fitchett (Boulder, CO: Westview, 1992), 165–80.

29. American Savings & Loan Institute, *Handbook of Savings & Loan* (Chicago: American Savings & Loan Institute, 1965).

30. The great Indian agent, John Collier, reported in his memoir,

> Navajos make use of commercial credit whenever they can, but some of them can furnish no security at all. To these, the [Navajo Nation] Council had loaned, up to June 30, 1957, $698,104.81 to 845 borrowers [through a "revolving" loan fund]. Individual Navajos, resident in the loan-applicants' home communities, examined the applications, approved them or rejected them, or suggested their modification.
>
> Of the total loaned, only seven-tenths of one per cent had been lost. This record parallels that of the Indian Reorganization Act's revolving credit fund for the Indians in the whole country. Can any white lending agency which relies solely on the character of the borrower exhibit a more nearly perfect record?

John Collier, *From Every Zenith* (Denver, CO: Sage Books, 1963), 254.

31. Robert Boyd in "The Landless Landed," *Economist* (8 June 1991), 31.

32. Banking regulations require relatively swift determination of a loan default. If loan payments are not resumed within ninety days, the loan must be classified as "nonperforming," and the lender must commit reserve assets to cover the possible loss. These are funds that could otherwise be lent to other

borrowers. Thus, lenders are penalized by regulatory authorities for any exercise of compassion or understanding. A local underwriting group, perhaps affiliated with the savings and loan, could best determine how to deal with someone not willing or able to make payments. They could choose to make interest payments or cover the entire payment indefinitely for someone who is out of work or injured. They could also call in the cosigners to meet the obligation. Committing 10 percent of a payment to this fund is a little extreme by financial standards, but it is affordable.

33. The current regulation governing Indian Housing Authorities is included in 24 CFR 905.250[a2] (Indian Housing Programs). "The [building] code used must provide sufficient flexibility to permit the use of different designs and materials; must include cost effective energy conservation performance standards designed to ensure the lowest total construction and operating costs; . . . and must be sufficient to produce a decent, safe, and sanitary home." *Code of Federal Regulation* (revised April 1992).

34. On its federal projects, the Navajo Housing Authority is legally required to pay the labor rates prevailing in places like Flagstaff or Albuquerque. This is a provision in the "Davis-Bacon Act," which requires all federal agencies to pay the "prevailing wage rates" of a particular area. Rates for rural areas are usually based on those of the nearest urban center. This seriously distorts the cost of rural housing when administered by an IHA. The commission recommended waiving this provision of the law for Indian housing. Thus, the Navajo IHA would have to spend $15,000–$20,000 to hire the equivalent of the owner's labor if they built this home.

The Navajo operate their own logging operation and sawmill. Most of the materials they sell enter one of the most competitive commodity markets in the United States, the generic construction lumber market. This assures that the Navajo will sell this resource at a minimum price. If some of this lumber were milled for timbers for local construction it would create additional jobs. The timbers would then have to be packaged into kits, creating still more jobs. Instead of "importing" materials like fiberglass insulation, gypsum wallboard, or plywood, thereby creating jobs elsewhere, the Navajo could add value to local materials, creating jobs at home and conserving their natural resources for their own use. The Navajo have, in their sawmill, already made the major capital investment required by the milled timber building system.

35. *Building for the Future*, 93.

36. Also among the observations made by David Stea was the prohibition of wood stoves in Indian housing. HUD considered these a middle class suburban luxury rather than a cost-effective means of heating a rural home. Navajo families have access to free heating coal at the Black Mesa mine and perhaps elsewhere. Some areas of the Navajo Nation are forested. The 1990 census tabulated heating fuels used by Navajo households: 25 percent used gas; 8 percent electricity; 2 percent fuel oil or kerosene; 65 percent "other." The "other" category includes wood or coal fires. See Stea, "Indian Reservation Housing."

37. *Building for the Future*, 77.

38. Ibid., 26.

39. Nolan, "Chairman's Preface," viii.