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A Shared Vision: How Wells Fargo Works With Native American Communities

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Walter and Nancy Hernandez and their two children in front of their home on the Rosebud Sioux reservation which was financed by Wells Fargo. Nancy's grandfather built the home in the mid-1970's and Walter and Nancy want it to stay in the family for generations. "This program allowed us to keep this home in our family," said Nancy. "When your own ancestors build your home, it becomes part of family legend."

Wells Fargo Bank, N.A., and its mortgage banking subsidiary, Wells Fargo Home Mortgage, Inc., are in the midst of an aggressive program to expand the range of financial services we offer to Native Americans across the 23 states in our banking marketplace. Through our mortgage lending and Native American banking services (NABS) units, Wells Fargo is contributing to the economic development of tribal lands by lending to more than 50 tribes and by committing nearly \$500 million in financing over the past five years.

Native American homeownership initiatives

Let's start with our mortgage lending efforts. The key to our success here has been to meet at length with tribes to understand their needs and then to partner with tribal entities to offer outreach and counseling as well as financing for tribal housing development programs.

Our involvement in mortgage lending in Indian country began in 1997 when we met with tribal leaders in South Dakota and learned first-hand about barriers to homeownership on reservations. Private-sector mortgage programs were scarce, federal funding simply wasn't adequate to meet needs, and the red tape that almost always encumbered the process of building or buying a home on trust lands made homeownership an elusive goal.

Since that meeting, Wells Fargo has worked to build alliances to increase Native American homeownership both nationally and regionally.

Progress at South Dakota

The severe shortage of adequate housing on the Pine Ridge reservation in South Dakota, home of

the Oglala Sioux Tribe (OST), attracted national attention in 1999 when the President and secretary of the Department of Housing and Urban Development (HUD) visited and then sponsored a housing and economic development summit on the reservation. We then forged a relationship with the Oglala Sioux Tribe Partnership for Housing (OSTPH), a non-profit created to provide affordable housing development and credit counseling services.

As the partnership evolved, we initially entered into agreements with Ginnie Mae and the South Dakota Housing Authority (SDHA) to offer \$8 million of low-interest-rate mortgages on reservations in South Dakota, financed through tax-exempt mortgage revenue bonds issued by SDHA and insured under the HUD Section 184 loan program (see “Financing Homeownership in Indian Country: Using HUD’s 184 and Title VI Programs” in this edition). Wells Fargo also uses the HUD 184 program to facilitate the construction and renovation of homes on reservations. By using several Federal Home Loan Bank Affordable Housing Program (AHP) grants, Wells Fargo is providing financing to build 45 new single-family homes on the Pine Ridge reservation. In addition, the Rosebud Sioux will renovate 120 rental units on the Rosebud Reservation through a Wells Fargo-sponsored AHP grant.

As a result of these efforts, Wells Fargo became the leading provider of all HUD 184 loans in 2000. During that year, Wells Fargo provided \$3.3 million in HUD 184 financing. Since 1997, we have provided nearly \$15 million in HUD 184 mortgages.

Wells Fargo has used innovative approaches to lending in other Native American housing efforts. Last year, for example, we worked directly with the Yankton Sioux Housing Authority, enabling them to finance homes through Fannie Mae’s lease-purchase program for seven families on behalf of tribal members — the first arrangement of its kind in South Dakota (see “Fannie Mae Committing \$350 Million to Boost Homeownership in Indian Country” in this edition).

Last year, we also joined with PMI Mortgage Insurance Company to commit \$1.6 million to form the first national alliance by a leading mortgage lender and mortgage insurer to create homeownership opportunities for Native Americans living on and off reservations. Through the alliance, Wells Fargo provides interest-rate subsidies of up to \$1,000 per application on conventional mortgages to low- to moderate-income Native American mortgage borrowers. To help tribal entities promote successful homeownership, selected tribal non-profit organizations can also be awarded up to \$5,000 as a one-time investment. The OST was the initial beneficiary of this program under an agreement we entered into with Freddie Mac, allowing us to offer our entire line of conventional mortgage product line.

We attribute much of our success in helping Native Americans overcome homeownership barriers to strong community outreach, to patiently nurtured bank-tribal partnerships, and to creative thinking on the part of Wells Fargo team members, who are deeply committed to tribal housing and economic development.

Commercial lending leadership

In the commercial lending arena, the key to our success has been to meet with tribes to understand their financial needs, to help them learn how to work with government loan guarantee and subsidy programs, and above all to be flexible in addressing the unique legal issues that arise in connection with doing business with tribal communities and on tribal lands.

A case in point: Arizona’s Salt River Pima-Maricopa Indian Community (Salt River) wanted to develop a commercial venture to provide jobs and income for some of its 5,600 tribal members. It also needed to expand road, water, and telephone systems to support development on the 52,600-acre

reservation, located 15 miles northeast of Phoenix. Salt River's challenge was to find a bank with the know-how to underwrite its project financing despite the tribe's sovereign nation status, the land's federal trust status, and other perceived hurdles to credit.

Fortunately, we had established our Native American Banking Services (NABS) program around this time. This specialty-lending unit of Wells Fargo's Commercial Banking Group works closely with bankers to provide the unique knowledge and expertise that commercial tribal customers require. NABS provided financing to help Salt River develop 600 acres of land into a golf course, pave roads, and build commercial water systems for the facility. Salt River also established a telephone utility that now provides digital service to tribal members, businesses, and nearby communities.

"Our credit structure, together with a low tax-exempt rate, got the tribe the infrastructure it needed without jeopardizing its existing or new enterprises," says Gene Peterson, Manager of Wells Fargo's Greater Arizona Regional Commercial Banking Office. "The infrastructure helps support the growth of those enterprises."

On other reservations NABS has financed farms, libraries, museums, visitor centers, and even a yogurt manufacturing facility. "The status of tribes as sovereign nations creates challenges to credit over a range of issues including jurisdiction, collateral, and arbitration," notes NABS Director Steve Stallings. "We work around these problems using situation-specific but sound and proven methods."

Retail financial services

For tribal leaders, bringing consumer banking services to members can be just as important as obtaining commercial financing. In response, Wells Fargo has built 15 full-service banking facilities on reservations – more than any other bank. Many of these branches are conveniently located within supermarkets on reservations. Wells Fargo hires staff at these branches who know the culture and can develop and maintain trusting relationships with their customers. Stallings reports that these branches are among the best performers in the Wells Fargo system measured by retail product sales per office per day.

NABS customizes bank products to fit this niche market's needs. For example, although we traditionally offer our no-monthly-fee *Wells Fargo Membership*SM banking product as an employee benefit for commercial customers, on reservations we offer it to all tribal members. We also work with tribal communities to meet their specific banking-education needs. NABS recently hired a Native American non-profit organization to develop a basic banking seminar that covers budgeting, homeownership, and savings plans.

Traditionally underserved Native American communities offer important opportunities for banks willing to enter into — and stay committed to — creative public-private alliances. The growth of Wells Fargo's involvement in Indian country over the past five years proves the point.

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