

VA Benefits Briefing



Native American Direct Loans May 2013



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U.S. Department
of Veterans Affairs

Overview

History

- In 1992 Congress signed law which gives eligible Native American Veterans the opportunity to use their VA home loan guaranty benefit on Federal trust land.

Purpose

- VA provides direct loans for the purchase, construction, or improvement of a home on Federal Trust Land to eligible Native American Veterans, or, in certain circumstances, to eligible Veterans married to Native American non-Veterans, who reside on Federal Trust land.

The NADL Program

- Prior to VA making a loan the law requires that the tribe and VA sign a Memorandum of Understanding (MOU).
- A Veteran must apply to VA for a loan to purchase, construct, or improve a home or to refinance an existing loan made under this program to lower the interest rate.
- Since 1992, 84 MOUs are in place and 925 loans have been made to Veterans who are enrolled in 34 different tribes.
- The proposed property must be on Federal Trust Land – either tribal trust or allotted land.
- The Veteran must have an “ownership interest” in the property. This may take the form of a lease (either from the tribe or from a member of the tribe), an allotment from the tribe or from BIA, or a life estate.

Loan Limits and Interest Rates

- On June 15, 2006, Public Law 109-233, established that loans made under this program are indexed to the conventional mortgage limits set annually by Freddie Mac.
 - These limits are currently \$417,000 for most of the country, and \$625,500 for certain high-cost areas.
- Interest rates are set by VA and have historically trended lower than market interest rates.
 - The current interest rate is 3.5 percent.

Defaults

- 43 loans are at least 6 or more months delinquent.
- Field personnel work closely with Veterans and tribes to cure defaults.

Foreclosures

- When a default is deemed to be insoluble, under the terms of the MOU, VA has the legal authority to proceed to foreclosure and take over the Veteran's interest in the property.
 - While the tribe is not responsible for resolving defaults, most of the MOUs contain language giving tribes a right of first refusal.
 - However many of these tribes are not financially able to take over the loans or buy out VA.
 - VA works closely with the tribe to try to find a subsequent buyer or tenant who meets VA's underwriting criteria and who is acceptable to the tribe.