



April 2022

NATIVE AMERICAN VETERANS

Improvements to VA Management Could Help Increase Mortgage Loan Program Participation

GAO Highlights

Highlights of [GAO-22-104627](#), a report to congressional requesters

Why GAO Did This Study

In 1992, Congress required VA to establish a direct loan program to help Native American veterans finance homes on certain types of land that can be difficult to use as collateral for conventional mortgage loans. This could include, for example, land held in trust for Native Americans by the federal government. Members of Congress, advocacy organizations, and other stakeholders have raised questions about the effectiveness of VA's administration of NADL and outreach efforts.

GAO was asked to review the NADL program. This report examines the extent of lending to eligible veterans and program management and operations. GAO reviewed relevant laws and regulations; VA documents and data on NADL organization and activities; and estimates of potentially eligible veterans. GAO also interviewed VA officials and representatives of seven associations and 28 local organizations. GAO selected them for geographic diversity and applicable mortgage lending experience. They include tribal housing authorities, financial institutions, and tribal veterans service organizations.

What GAO Recommends

GAO is making 10 recommendations to VA, including on data collection, performance measurement, planning, and leveraging expertise to mitigate barriers to NADL use. VA concurred with all of GAO's recommendations. For four, VA described actions it considered fully implemented them. GAO maintains that VA needs to take additional actions to fully implement those recommendations, as discussed in the report.

View [GAO-22-104627](#). For more information, contact William B. Shear at (202) 512-8678 or ShearW@gao.gov.

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What GAO Found

The Department of Veterans Affairs (VA) has made relatively few loans under its Native American Direct Loan (NADL) program. This program provides loans to eligible Native American veterans to purchase, construct, or improve homes on certain types of land. Specifically:

- In fiscal years 2012–2021, NADL originated 89 loans to veterans in the contiguous United States, 91 loans in Hawaii, and none in Alaska. This represents loans to less than 1 percent of the estimated potentially eligible population of 64,000–70,000 veterans in these areas.
- During this period, VA also originated 76 loans in American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam—serving approximately 1.5 percent of the potentially eligible population of 5,200 veterans in these U.S. Pacific territories.
- Veterans living in the contiguous United States make up the majority of the potentially eligible population. However, less than one-third of federally recognized Indian tribes there have agreements with VA to allow their members to apply for NADL loans.

In October 2021, VA reorganized NADL operations and formed a NADL-dedicated team to strengthen the program. However, GAO identified weaknesses with the NADL program and opportunities for VA to improve management and operations, including in the following areas:

- **Data collection and performance measurement.** VA does not collect certain useful data related to NADL outreach, loan processing, and negotiation of program participation agreements with federally recognized Indian tribes. It also does not have performance measures for all of its key activities, including loan processing, or for their outcomes. More comprehensive data collection and performance measurement would provide management information for more informed decision-making.
- **Planning.** VA does not have an overall outreach plan for NADL and has not integrated leading outreach practices, such as tailoring activities to populations, to inform its approach. VA also has not developed an operating plan for making NADL loans on the vast majority of NADL-eligible land in Alaska. Such plans would help ensure VA's activities are informed by best practices and appropriate to the local environment.
- **Leveraging expertise.** VA faces barriers to NADL implementation, such as lack of borrower readiness for loans and title issues related to mortgage lending on NADL-eligible lands. NADL has addressed these barriers to a limited degree. However, it has not leveraged the knowledge of or routinely collaborated with other VA offices, federal agencies, or local organizations with applicable experience. Collaborating with these entities would increase the program's ability to serve veterans.

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Abbreviations

BIA	Bureau of Indian Affairs
HUD	Department of Housing and Urban Development
MOU	memorandum of understanding
NADL	Native American Direct Loan
OMB	Office of Management and Budget
USDA	Department of Agriculture
VA	Department of Veterans Affairs

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April 19, 2022

Congressional Requesters

Seventy-five percent of Indian tribes and other tribal entities reported that demand for homeownership is high on reservations and other tribal areas in the contiguous United States and Alaska.¹ However, access to mortgage loans may be limited, particularly for Native Americans residing on land held by an Indian tribe or held in trust by the federal government.² These lands are subject to legal restrictions that can make it difficult to use them as collateral for conventional mortgage loans.

Congress recognized that these types of restrictions may prevent some Native American veterans from using the home loan benefit earned through their service.³ In 1992, Congress required the Department of Veterans Affairs (VA) to establish the Native American Direct Loan (NADL) program. Under this program, VA makes direct loans to eligible

¹Department of Housing and Urban Development, *Housing Needs of American Indians and Alaska Natives in Tribal Areas: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs* (Washington, D.C.: January 2017). Researchers conducted a telephone survey of a nationally representative sample of tribes and tribal entities that administer the Department of Housing and Urban Development's Indian Housing Block Grant program. Respondents included federally recognized Indian tribes, at least one state recognized tribe, and tribally designated housing entities. Survey results were designed to produce reliable national estimates, meaning they can be used to create estimates across Indian country, but they cannot be applied to any particular reservation, native village, or tribal service area. A reservation is land set aside by treaty, federal law, or executive order for the residence or use of a federally recognized Indian tribe.

²The governing statute for the Native American Direct Loan program—which is the subject of this report—uses the term “Native American” and defines it to mean an Indian, Alaska Native, Native Hawaiian, or Pacific Islander, as each such term is further defined in specified laws. See 38 U.S.C. §§ 3761-3765, 3765(3).

³Through their service, veterans earn health, home loan, education, employment, and other services and benefits that are designed to help support full, independent, and productive lives.

Native American veterans to purchase, construct, or improve homes on certain types of land (NADL-eligible lands).⁴

During VA's 2016 tribal consultations, some tribal leaders and other participants in the contiguous United States and Alaska identified housing (which VA described as NADL helping native veterans to get low-cost home loans) as their second-highest priority (after access to medical care) for serving veterans in Indian country.⁵ But members of Congress, advocacy organizations, and other stakeholders have raised questions about the effectiveness of NADL administration and outreach efforts. They highlighted the apparently low levels of program participation. They also questioned whether VA has taken steps to assist borrowers to overcome known barriers to mortgage lending on NADL-eligible lands.

You asked us to review the NADL program. This report examines the extent to which (1) the NADL program provided mortgage loans to the eligible population in fiscal years 2012–2021; (2) VA has practices to plan, conduct, and review NADL activities; and (3) VA mitigates barriers to NADL participation and any additional steps VA could take to address those barriers.

⁴By statute, NADL loans are available for homes on the following types of land: (1) land held in trust by the United States for Native Americans; (2) land subject to restrictions on alienation imposed by the United States on Indian lands (including native Hawaiian homelands); (3) land owned by a regional or village corporation as defined in the Alaska Native Claims Settlement Act; and (4) land on any island in the Pacific Ocean, if the land is, by cultural tradition, communally owned as determined by the Secretary of Veterans Affairs. See 38 U.S.C. § 3765(1). VA identified three U.S. territories in the Pacific—American Samoa, Commonwealth of the Northern Mariana Islands, and Guam—with land eligible for NADL.

⁵Department of Veterans Affairs, *Honoring Our Heroes: Building Partnerships to Connect Native Veterans to Care and Benefits, Tribal Consultation Report* (Washington, D.C.: 2016). VA asked tribal leaders to identify their top three to five priorities for serving and engaging veterans from a list of 13 issues, including housing. VA identified NADL as the housing program that helps Native American veterans obtain home loans. Responses were solicited in a May 2016 letter VA sent to 567 federally recognized tribal governments and through a June 2016 consultation event VA held with tribal leaders and other participants. In total, VA received 71 responses (through written input and testimony at the event) from tribes, individuals (Native American veterans and advocates), Native organizations, and urban Indian health organizations.

For the first objective, we used Census Bureau data to estimate the potentially eligible population.⁶ Specifically, we used 2015–2019 data from the American Community Survey to estimate the number of American Indian, Alaska Native, and Native Hawaiian veterans who lived on or near the types of land and tribal entities potentially eligible for NADL. Separately, we used 2010 decennial census data (the most recent available at the time of our analysis) to estimate the number of Samoan, Chamorro, and Guamanian veterans in the Pacific territories. Since our estimates are from different time periods, we were unable to report one estimate for all geographic areas where NADL is eligible. We compared our estimates with VA data on the number of active NADL loans as of September 30, 2021, and NADL loan originations from October 1, 2011, through September 30, 2021.

To describe the prevalence of federally recognized Indian tribes with memorandums of understanding (MOU) to participate in NADL, we used Bureau of Indian Affairs (BIA) and VA data to compile a list of tribes and calculated the amount of NADL-eligible land held by or on behalf of each tribe and its members as of August 2021. We assessed the reliability of these data by reviewing relevant documentation and interviewing knowledgeable BIA and VA officials. We determined they were sufficiently reliable for describing VA's NADL lending and the amount of NADL-eligible land held by or on behalf of the tribes and their members.

For the second objective, we reviewed statutes, regulations, policies, procedures, and program documents relevant to the NADL program.⁷ We compared VA practices against VA's 2018–2024 strategic plan, executive orders, Office of Management and Budget (OMB) guidance, and prior GAO reports on leading practices for program redesign, effective performance measurement, sound planning, and outreach. We supplemented our analysis with interviews with VA officials responsible for NADL, including officials from VA's Phoenix and St. Paul regional loan centers (selected because of the relatively large volume of potential

⁶These estimates do not include some potentially eligible borrowers, such as active-duty servicemembers and non-Native American veterans whose spouses are Native American. Census data on race are self-reported and do not take into account objective criteria, such as tribal membership or blood quantum, used to define Native American in NADL's governing statute.

⁷Our analysis focused on three key NADL activities: program outreach, establishment of MOUs, and loan processing. VA's practices to service loans after loan closing were outside the scope of this review.

NADL activity) and VA officials responsible for conducting outreach and delivering services to Native American veterans.

For the third objective, we compiled a list of known barriers and mitigation strategies that we identified through a literature review and interviews with a nongeneralizable selection of representatives of seven national, regional, and local organizations (selected for familiarity with mortgage lending on NADL-eligible land). We also spoke with officials from BIA, the Department of Agriculture (USDA), Department of Housing and Urban Development (HUD), Federal Reserve Bank of Minneapolis's Center for Indian Country Development, Federal Reserve Bank of San Francisco, and Department of the Treasury's Community Development Financial Institutions Fund. We selected these agencies because they delivered mortgage assistance programs to Native American borrowers on NADL-eligible land, had knowledge about such programs, or administered certain types of NADL-eligible lands.

We then conducted additional interviews of representatives of a nongeneralizable selection of 22 local organizations (tribal housing authorities; financial institutions; and veterans' representatives in the contiguous United States, Hawaii, and the Pacific territories).⁸ We selected organizations in the contiguous United States that had a relatively large proportion of veterans and NADL-eligible land (tribal housing authorities and veterans' representatives) or a relatively large number of mortgage loans on NADL-eligible land (financial institutions). We asked about the extent of those barriers and local organizations' efforts to mitigate them from 2018 to summer 2021. We also interviewed representatives of six local organizations in Alaska (selected because of their knowledge of mortgage lending and residential housing in Alaska) about barriers and mitigation strategies in Alaska and use of Alaska Native regional and village corporation lands and Alaska Native allotments and townsites for housing. Finally, we reviewed VA's NADL documentation and interviewed VA officials about these barriers and VA's mitigation strategies. We compared VA's actions against the authority set forth in NADL's governing statute and the goals and objectives in its 2018–2024 strategic plan. Appendix I provides additional details on our objectives, scope, and methodology.

⁸For purposes of our review, the contiguous United States includes the District of Columbia. When referring to U.S. territories, this report discusses only American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam.

We conducted this performance audit from November 2020 to April 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Native American Direct Loan Program

Under the NADL program, VA makes loans directly to eligible Native American veterans to purchase, construct, or improve homes on NADL-eligible lands. NADL's governing statute defines Native American as an Indian, Alaska Native, Native Hawaiian, or Pacific Islander, as each such term is further defined in specified laws.⁹

The veteran must be able to convey a meaningful interest in NADL-eligible land to VA as security for the loan.¹⁰ As shown in table 1, we identified five types of land in four geographic areas—Alaska; the contiguous United States; Hawaii; and the U.S. Pacific territories of American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam—that are eligible for NADL. Many of these lands are subject to legal restrictions designed to retain the land for the use and benefit of Native Americans, but which can make it difficult to use them as

⁹See 38 U.S.C. § 3765(3). An Indian is defined as a person who is a member of an Indian tribe. 25 U.S.C. § 5304(d). An Alaska Native is defined as a citizen of the United States who is a person of one-fourth degree or more Alaska Indian (including Tsimshian Indians not enrolled in the Metlakatla Indian Community), Eskimo, or Aleut blood, or combination thereof, including (i) any such person either or both of whose adoptive parents are not Alaska Natives, and (ii) in the absence of proof of a minimum blood quantum, any citizen of the United States who is regarded as an Alaska Native by the Native village or Native group of which he claims to be a member and whose father or mother is (or, if deceased, was) regarded as an Alaska Native by any village or group. 43 U.S.C. § 1602(b). A Native Hawaiian is defined as any descendant of not less than one-half part of the blood of the races inhabiting the Hawaiian Islands prior to 1778. Hawaiian Homes Commission Act, 1920, § 201(a)(7), Pub. L. No. 67-34, 42 Stat. 108 (1921). A Pacific Islander is defined as an individual who is indigenous to a United States territory or possession located in the Pacific Ocean, and includes such individuals while residing in the United States. 42 U.S.C. § 2992c(7). A non-Native American veteran whose spouse is a Native American may also be eligible. See 38 U.S.C. § 3764.

¹⁰See 8 U.S.C. § 3762(b). If the laws of a tribal organization do not allow the veteran to convey a meaningful interest to VA, the MOU may authorize the tribe to serve as trustee for VA for purposes of protecting the interest of VA as lender. 38 C.F.R. § 36.4527(b)(1)(ii).

collateral. In many cases, the borrower must first lease the land and then pledge their interest under the lease (a leasehold interest) as collateral, a process which can require approvals from the government or other third parties. Lenders also may require additional security or other steps to protect their interests. As discussed later in the report, we also identified additional land in Alaska—Alaska Native allotments and townsites—that potentially are eligible for NADL.¹¹

¹¹These lands are owned by one or more Alaska Natives as a result of federal laws that allotted homesteads of up to 160 acres or townsites. These allotments and townsites were inalienable until otherwise provided by Congress or without the approval of the Secretary of the Interior, respectively. See Alaska Native Allotment Act, Act of May 17, 1906, 34 Stat. 197; Alaska Native Townsite Act, Act of May 25, 1926, 44 Stat. 1926, as amended by Act of Feb. 26, 1948, 62 Stat. 35; Pub. L. No. 105-276, § 432, 112 Stat. 2461, 2516 (1998) (*codified at* 43 U.S.C. § 1629g); Pub. L. No. 116-9, § 1119, 133 Stat. 580, 630 (2019) (*codified at* 43 U.S.C. § 1629g-1).

Table 1: Types of Land Eligible for the Native American Direct Loan Program

Land type	Geographic area	Description
Trust land	Alaska, contiguous United States	The federal government holds legal title to the land for the benefit of an individual Indian or federally recognized Indian tribe. Trust land cannot be conveyed or encumbered without the approval of the Secretary of the Interior. In addition, tribes cannot convey tribal trust land in the absence of specific statutory authority.
Restricted fee land	Contiguous United States	An individual Indian or federally recognized Indian tribe holds legal title to the land, subject to restrictions on alienation. Restricted fee land cannot be conveyed or encumbered without the approval of the Secretary of the Interior. In addition, tribes cannot convey tribal restricted fee land in the absence of specific statutory authority.
Alaska Native corporation land	Alaska	Regional and village corporations established pursuant to the Alaska Native Claims Settlement Act hold legal title to the land. The land is generally held by the corporation in fee simple status, for use as determined by the corporation. ^a
Hawaiian home lands	Hawaii	The State of Hawaii through the Department of Hawaiian Home Lands holds legal title for the benefit of Native Hawaiians. Fee simple ownership cannot be conveyed and leasehold interests can be mortgaged only with the approval of the Department of Hawaiian Home Lands, among other restrictions.
Land that is communally owned in the U.S. Pacific territories	American Samoa, Commonwealth of the Northern Mariana Islands, Guam	Traditional leaders or territorial government agencies hold legal title subject to restrictions on alienation (for example, conveyance may be restricted to descendants of the native population).

Source: GAO analysis of laws and regulations and Department of Veterans Affairs' documents. | GAO-22-104627

Note: There may be additional lands eligible for the Native American Direct Loan program, as determined by the Department of Veterans Affairs. For example, Alaska Native allotments and townsites may potentially be eligible. These lands are owned by one or more Alaska Natives as a result of federal laws that allotted homesteads of up to 160 acres or townsites. These allotments and townsites were inalienable until otherwise provided by Congress or without the approval of the Secretary of the Interior, respectively. See Alaska Native Allotment Act, Act of May 17, 1906, 34 Stat. 197; Alaska Native Townsite Act, Act of May 25, 1926, 44 Stat. 1926, as amended by Act of Feb. 26, 1948, 62 Stat. 35; Pub. L. No. 105-276, § 432, 112 Stat. 2461, 2516 (1998) (*codified at* 43 U.S.C. § 1629g); Pub. L. No. 116-9, § 1119, 133 Stat. 580, 630 (2019) (*codified at* 43 U.S.C. § 1629g-1).

^aFee simple land is owned without restriction and can be sold, encumbered, or otherwise alienated on the owner's initiative unless it is owned by an Indian tribe. It is the most common type of private land ownership in the United States.

Veterans also must be enrolled in a federally recognized Indian tribe or subject to the jurisdiction of another designated organization (NADL-

eligible entity) that has an MOU with VA or another federal agency.¹² These MOUs must address mortgaging of property and establish that the NADL-eligible entity has the standards and procedures necessary to protect the federal government's financial interests, including with respect to foreclosure and resale of collateral.

To be able to obtain a NADL loan, veterans also must meet certain requirements that generally apply to VA's home loan programs. This includes demonstrating creditworthiness (that is, a satisfactory credit risk with stable and sufficient income to meet mortgage payments as well as other monthly obligations and living expenses) and meeting minimum active-duty requirements for the length and character of their military service.¹³

NADL is a mandatory spending program, meaning its authorizing legislation obligates the government to fund NADL loans without additional appropriation. As a result, VA does not have a limit on the number of NADL loan originations. For loans approved in fiscal years 2021 and 2022, VA estimated that the initial NADL subsidy rate was negative 20.25 percent and negative 17.62 percent, respectively. An estimated negative subsidy rate for NADL loans means that, on a net present value basis, VA expects to collect more from principal repayments, interest payments, fees, and other payments from borrowers than it expects to lose from defaulted NADL loans and interest paid to the Department of the Treasury to finance its lending.¹⁴

VA's NADL program is administered by the Loan Guaranty Service within VA's Veterans Benefits Administration. The Loan Guaranty Service also administers VA's other home loan programs, including its guaranteed

¹²By statute, VA may make a loan under NADL if (i) VA has entered into an MOU with a NADL-eligible entity having jurisdiction over the veteran, or (ii) such NADL-eligible entity has an MOU with another federal agency and the MOU substantially complies with related requirements in NADL's governing statute. See 38 U.S.C. § 3762(a). NADL's governing statute does not define "jurisdiction," but Black's Law Dictionary (11th ed. 2019) defines it as a government's general power to exercise authority over all persons and things within its territory.

¹³See 38 U.S.C. §§ 3701-3702, 3765(d)(1). See also 38 C.F.R. § 36.4527(e)(1).

¹⁴The present value of a stream of future returns or costs is its worth in terms of money paid immediately. In calculations of present value under the Federal Credit Reform Act of 1990, prevailing interest rates on U. S. Treasury securities provide the basis for converting future amounts into their "money now" equivalents.

home loan program. VA's guaranteed home loan and NADL programs both allow for a 30-year, fixed-rate mortgage loan and generally do not require borrowers to make a down payment. However, with the guaranteed loan program, veterans apply to qualified lenders for the mortgage loan, whereas VA makes NADL loans directly to veterans.

NADL is much smaller than VA's other home loan programs. For example, in fiscal year 2020, approximately \$1.2 million of VA's \$202 million appropriation for administration of its home loan programs was specifically appropriated for administration of NADL. In August 2020, VA's Loan Guaranty Service had 820 full-time equivalent positions, of which seven were for NADL.¹⁵

Other VA Offices That Support Native American Veterans

VA has several other offices that specialize in or facilitate outreach or service delivery to Native American veterans, including the following:

- **Office of Tribal Government Relations.** The office supports VA's government-to-government relationship with federally recognized Indian tribes in the contiguous United States and Alaska.¹⁶ In addition, the office's four regional specialists are responsible for collaborating with tribes and building relationships with tribal veterans. The office also advises VA leadership on administration of VA programs that engage American Indian and Alaska Native veterans, including NADL.
- **Center for Minority Veterans.** The center is responsible for promoting increased access to and use of VA services by minority veterans, including Native American veterans. It has staff members dedicated to building relationships with and strategizing and conducting outreach to federally recognized Indian tribes and Native American veterans, including Native Hawaiians and Pacific Islanders.

¹⁵A full-time equivalent is a standard measure of labor that reflects the total number of regular hours (not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year.

¹⁶The federal government recognizes Indian tribes as distinct, independent political communities that possess certain powers of self-government. Among other things, "recognize" means the federal government acknowledges that a particular Native American group is a tribe by conferring specific legal status on that group and establishing a government-to-government relationship between the United States and the tribe. As of March 2022, there were 574 federally recognized Indian tribes in the United States.

The center also coordinates outreach activities for minority veterans in VA's regional offices.¹⁷

- **Outreach, Transition, and Economic Development Office.** Located within VA's Veterans Benefits Administration, the office is responsible for ensuring veterans are knowledgeable about and can access VA benefits and services. The office leads the Veterans Benefit Administration's outreach activities, including training staff and developing, overseeing, and evaluating VA's outreach activities. The office provides targeted support and outreach to federally recognized Indian tribes and their veteran members.
- **Office of Rural Health.** Located within VA's Veterans Health Administration, the office is responsible for developing programs to address issues affecting rural veterans, including American Indian and Alaska Native veterans. The office is charged with working with VA's offices to increase rural veterans' access to health services. As of 2021, the office was piloting a program to increase rural American Indian and Alaska Native veterans' use of VA's benefits.

VA has two advisory boards that consider Native American veteran needs—the Advisory Committee on Minority Veterans and the Advisory Committee on Tribal and Indian Affairs. In addition, VA recognizes some tribal organizations as offices that can assist veterans with VA benefit claims.¹⁸ Staff in these organizations who assist veterans are not VA employees and are often called tribal veterans service officers or tribal veterans representatives.

Other Federal Mortgage Programs Available on NADL-Eligible Land

HUD and USDA both offer mortgage loan programs that facilitate lending to Native Americans on NADL-eligible lands. HUD's Section 184 program assists Indians and Alaska Natives by guaranteeing mortgage loans both on and off NADL-eligible lands, including for homes on trust land, restricted fee land, and land owned by an Alaska Native regional or village corporation. Under the Section 184 program, borrowers apply for loans through a participating private lender and HUD commits to pay all of a loan's outstanding principal and interest if the borrower defaults. HUD

¹⁷Coordinators in regional offices promote the use of VA benefit programs by minority groups, including by establishing relationships with local minority organizations, supporting and conducting outreach activities to minority groups, and serving as consultants on issues pertaining to minority veterans.

¹⁸In this context, a tribal organization is a legally established organization primarily funded and controlled, sanctioned, or chartered by one or more tribal governments and that has a primary purpose of serving the needs of Native American veterans. 38 C.F.R. § 14.628(b)(2).

offers a similar guarantee program, the Section 184a program, for Native Hawaiians to receive mortgage loans from private lenders for homes on Hawaiian home lands.

In USDA's Section 502 direct loan program, USDA provides mortgage loans directly to low-income borrowers in rural areas. The program is available in Alaska, the contiguous United States, Hawaii, and the Pacific territories, including for homes on NADL-eligible lands.

Similar to VA, both HUD and USDA are required to conduct a review and approval process before a federally recognized Indian tribe or its members are eligible to participate in these programs. As part of this process, these agencies review the foreclosure and other procedures established by tribes whenever the loans will be subject to the tribe's jurisdiction to help ensure a framework is in place to protect the interests of the borrower and the federal government. Unlike NADL, approval under the HUD and USDA processes has not been documented in an MOU with the tribe in question.

VA Has Made Relatively Few NADL Loans, Primarily to Borrowers in Certain Regions

VA Made 256 NADL Loans in Fiscal Years 2012–2021

Although data on the eligible population are limited, our analysis suggests that VA made loans to relatively few of the potentially eligible Native American veteran population in fiscal years 2012–2021.

- NADL originated loans to less than 1 percent of the estimated potentially eligible population of 64,000–70,000 veterans.¹⁹
- VA originated 256 NADL loans, averaging 26 loans each year. Approximately 96 percent (245 loans) were originated for purchase,

¹⁹Interval estimated at the 95 percent confidence level. This estimate excludes veterans living in the Pacific territories.

including construction, and 4 percent (11 loans) were to refinance existing NADL loans.²⁰

- As of September 30, 2021, VA had 527 active NADL loans (including loans originated prior to fiscal year 2012).²¹

We estimated about 64,000–70,000 American Indian, Alaska Native, and Native Hawaiian veterans in the United States (not including the Pacific territories) were potentially eligible for NADL.²² To arrive at this estimate, we first estimated that, according to the 2015–2019 American Community Survey, approximately 327,000–344,000 American Indian, Alaska Native, Native Hawaiian, and Native Pacific Islander veterans resided in Alaska, the contiguous United States, and Hawaii (see fig. 1).²³ Of those, approximately 64,000–70,000 lived on or near the types of land and entities potentially eligible for NADL.²⁴ Our analysis of 2010 census data (the most recent available at the time of our review) found that an additional estimated 5,200 Native Pacific Islander veterans in the Pacific territories potentially were eligible for the program.

²⁰Borrowers are only able to refinance existing NADL loans and refinancing must lower the existing interest rate by at least 1 percentage point.

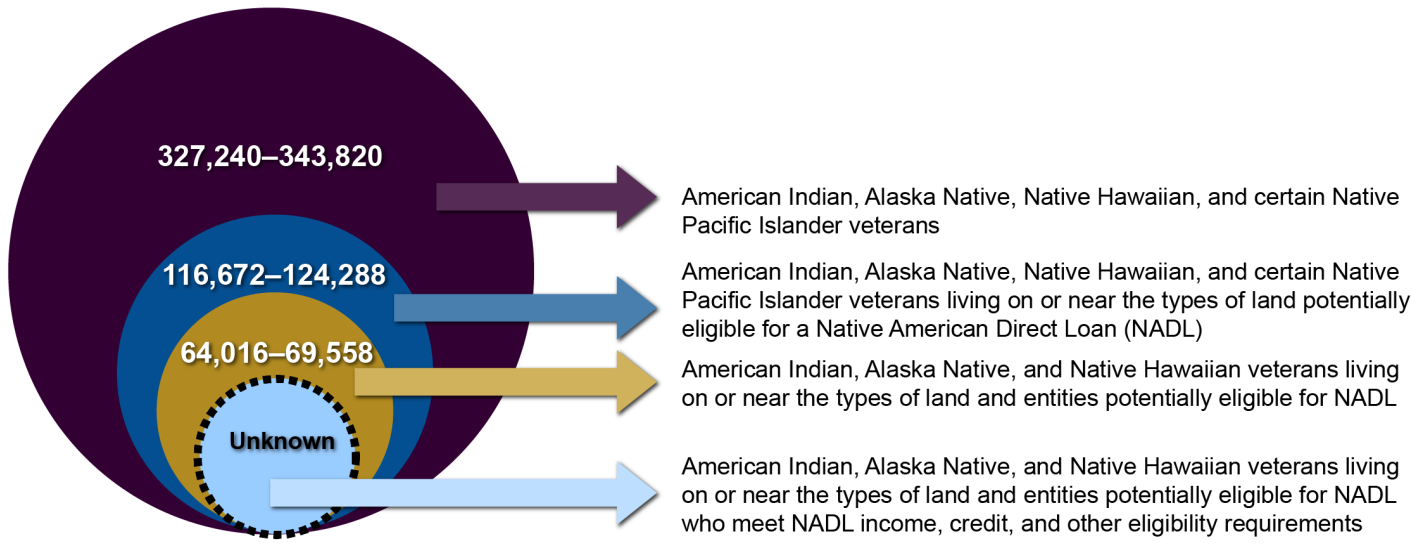
²¹This excludes NADL loans in bankruptcy and foreclosure.

²²Interval estimated at the 95 percent confidence level. See appendix II for a discussion of VA's methodology for estimating the eligible population and the results of their analysis.

²³Interval estimated at the 95 percent confidence level. These estimates do not include some potentially-eligible borrowers, such as active-duty servicemembers and non-Native American veterans whose spouses are Native American.

²⁴Interval estimated at the 95 percent confidence level. For our analysis of the contiguous United States and Alaska, we used 2015–2019 American Community Survey data to identify American Indian and Alaska Native veterans who lived in non-overlapping census areas of at least 100,000 people that included a federally or state-recognized American Indian reservation or off-reservation trust land. Although the NADL program is not available on state-recognized American Indian reservations, the data did not permit us to separate those areas for analysis. We considered all veterans identifying as Native Hawaiians living in Hawaii to be on or near NADL-eligible land (because of the islands' relatively small size). For additional information on our methodology, see app. I.

Figure 1: Estimated Number of Potentially Eligible Veterans in Alaska, the Contiguous United States, and Hawaii Based on Various Scenarios, 2015–2019



Source: GAO analysis of American Community Survey data. | GAO-22-104627

Notes: Intervals estimated at the 95 percent confidence level. These estimates are based on self-reported census data from the 2015–2019 American Community Survey reflecting the race with which an individual identifies, rather than the objective criteria used to define Native American in NADL’s governing statute. See 38 U.S.C. § 3765(3). Because of data limitations, our estimates do not take into account whether an individual veteran meets all program requirements, including whether the veteran is affiliated with a NADL-eligible entity that has a memorandum of understanding with VA, whether the veteran can convey a meaningful interest in NADL-eligible land as security for the loan, whether that land is suitable for residential purposes, or the veteran’s ability to qualify financially for a NADL loan. These estimates also do not take into account the veteran’s interest in home ownership on such land. In addition, these estimates do not include some potentially eligible borrowers, such as active-duty servicemembers and non-Native American veterans whose spouses are Native American.

Based on analysis of the 2010 decennial census data (the most recent available at the time of our analysis), an estimated 5,200 additional veterans who identified as Guamanian, Chamorro, or Samoan lived in the Pacific territories of American Samoa, Commonwealth of the Northern Mariana Islands, and Guam potentially were eligible for the NADL program. Since our estimates are from different time periods, we were unable to report one estimate for all geographic areas where NADL is available.

However, estimating the size of the potentially eligible NADL population is difficult because of limitations with the available data. This estimate is based on self-reported census data reflecting the race with which an individual identified, rather than the objective criteria used to define Native

American in NADL's governing statute (for example, tribal membership or blood quantum).²⁵

In addition, the data do not allow us to take into account whether an individual veteran meets other program requirements, including whether the veteran is affiliated with a NADL-eligible entity that has an MOU with VA, can convey a meaningful interest in NADL-eligible land, or qualifies financially. Therefore, we do not have an estimate of the number of Native American veterans who would meet all NADL eligibility requirements.

A 2017 HUD study on housing needs of American Indians and Alaska Natives and our interviews with representatives of organizations familiar with housing on NADL-eligible lands in the contiguous United States suggests there is growing interest in homeownership on those lands.²⁶ We discuss later in this report the possible reasons for the relatively low volume in NADL lending (including, in part, weaknesses in VA's outreach and data collection).

Most Loans Were Made in Hawaii and Pacific Territories

We estimated that the majority of potentially eligible veterans in the United States (excluding the Pacific territories) lived in the contiguous United States (approximately 78–81 percent), but just over half of NADL loans were made to veterans in Hawaii (51 percent), as shown in figure 2.²⁷ From October 2011 through September 2021, VA originated 91 loans in Hawaii, 89 loans in the contiguous United States, and none in Alaska. In the same period, VA originated 76 loans to veterans in the Pacific

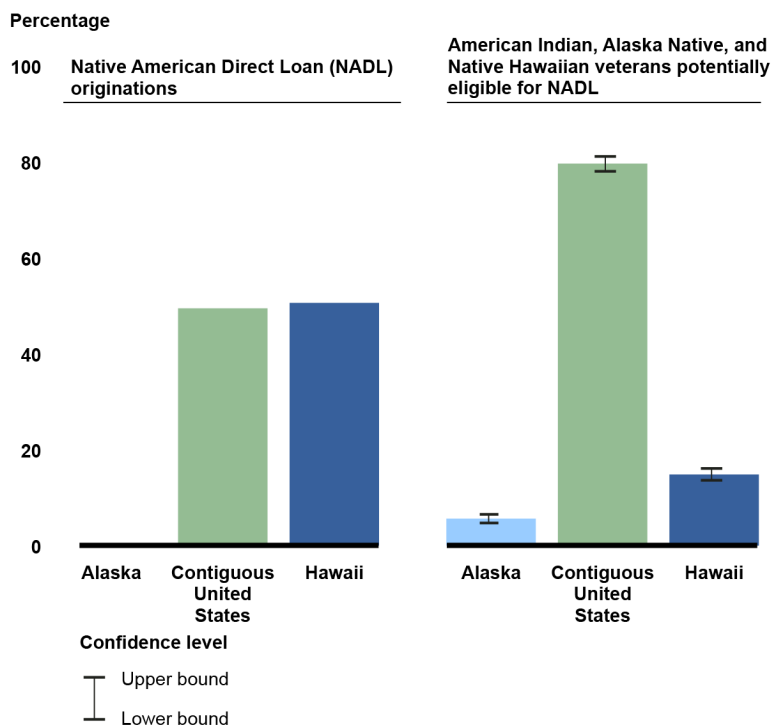
²⁵See 38 U.S.C. § 3765(3). Using 2015–2019 American Community Survey data, we analyzed all unique combinations of responses to the survey's race question to identify American Indians, Alaska Natives, Native Hawaiians, and certain Native Pacific Islanders. Specifically, the survey asks what a person's race is and provides a list of options, including American Indian or Alaska Native, Native Hawaiian, Guamanian or Chamorro, and Samoan. We excluded all combinations of three or more races from our analysis.

²⁶According to a 2017 HUD report, 75 percent of Indian tribes and other tribal entities reported that demand for homeownership was high on reservations and in other tribal areas in the contiguous United States and Alaska. In addition, 76 percent reported that demand for homeownership increased during the past 3 years. (See *Housing Needs of American Indians and Alaska Natives in Tribal Areas*.)

²⁷Interval estimated at the 95 percent confidence level.

territories (approximately 1.5 percent of the estimated potentially eligible population of about 5,200 veterans).²⁸

Figure 2: Proportion of NADL Loan Originations (fiscal years 2012–2021) and Potentially Eligible NADL Population (2015–2019), by Region



Source: GAO analysis of Department of Veterans Affairs and American Community Survey data. | GAO-22-104627

Notes: Intervals estimated at the 95 percent confidence level. These estimates are based on self-reported census data from the 2015–2019 American Community Survey reflecting the race with which an individual identified, rather than the objective criteria used to define Native American in NADL’s governing statute. See 38 U.S.C. § 3765(3). Because of data limitations, our estimates do not take into account whether an individual veteran meets all program requirements, including whether the veteran is affiliated with a NADL-eligible entity that has a memorandum of understanding with VA, whether the veteran can convey a meaningful interest in NADL-eligible land as security for the loan, whether that land is suitable for residential purposes, or the veteran’s ability to qualify financially for a NADL loan. These estimates do not take into account the veteran’s interest in home ownership on such land. In addition, these estimates do not include some potentially-eligible borrowers, such as active-duty servicemembers and non-Native American veterans whose spouses are Native American.

This figure excludes NADL loans in the Pacific territories. VA also originated 76 loans in fiscal years 2012–2021 in American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam. Based on analysis of the 2010 decennial census data (the most recent available at the time of our analysis), an estimated 5,200 additional veterans who identified as Guamanian, Chamorro, or Samoan lived in the Pacific territories and potentially were eligible for the NADL program. Since our

²⁸The estimate of the potentially eligible veteran population in the Pacific territories is derived from 2010 census data, the most recent data available at the time of our review.

estimates are from different time periods, we were unable to report one estimate for all geographic areas where NADL is available.

The relatively higher volume of NADL loans in Hawaii and the Pacific territories (compared to the contiguous United States and Alaska) may reflect broader differences in the utilization rate of VA services. A 2020 study of veterans' use of VA benefits and services found that in fiscal years 2008–2017, Native Hawaiian and Native Pacific Islander veterans had the highest rate of benefit utilization among racial groups (59 percent).²⁹ American Indian and Alaska Native veterans had the lowest rate (42 percent). VA officials said that the NADL-eligible land in Hawaii tends to be in locations closer to employment centers, which also may contribute to the demand for NADL loans in Hawaii.

In addition, veterans in the Pacific territories may have fewer options for obtaining mortgage financing from other federal programs than veterans in other NADL-eligible areas. For example, both HUD's Section 184 and USDA's Section 502 programs provide mortgage loans on certain types of NADL-eligible land. However, HUD's Section 184 program does not offer loans in any of the Pacific territories.

Majority of NADL-Eligible Entities Do Not Have MOUs

Potentially eligible veterans in some geographic areas may not be able to access a NADL loan because they are not affiliated with a NADL-eligible entity that has a participation MOU with VA. As of September 30, 2021, VA had MOUs with 109 NADL-eligible entities, of which four are with the state and territorial governments in Hawaii and the Pacific territories, respectively.³⁰ In contrast, 70 percent of federally recognized Indian tribes in the contiguous United States (250 of 353) did not have MOUs.³¹ One Indian tribe in Alaska had an MOU.

²⁹Department of Veterans Affairs, *VA Utilization Profile: FY 2017* (Washington, D.C.: May 2020). The report was prepared by VA's National Center for Veterans and Statistics. VA considered a veteran a user of VA services if they used at least one of 22 benefits or services the agency provided in fiscal years 2008–2017.

³⁰In total, the 109 NADL-eligible entities with MOUs were the State of Hawaii; the three territorial governments of American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam; 100 federally recognized Indian tribes (including one tribe in Alaska); and five bands of the Minnesota Chippewa Tribe.

³¹The 353 tribes consist of 347 federally recognized Indian tribes in the contiguous United States and six bands of the Minnesota Chippewa Tribe. We refer to these as the 353 NADL-eligible entities in the contiguous United States.

For some entities without MOUs, the NADL program may not be relevant or of interest. For example:

- **Entities with no or limited NADL-eligible land.** Our analysis of BIA data found that 34 of the 353 NADL-eligible entities we identified in the contiguous United States had 5 or fewer acres of NADL-eligible land. Similarly, 223 of the 227 federally recognized Indian tribes in Alaska did not have NADL-eligible land.³²
- **Entities without land suitable for residential housing.** Some entities may not have NADL-eligible land suitable for residential housing. For example, we spoke with one entity whose NADL-eligible land included swampland that was unsuitable for construction.
- **Entities uninterested in federal mortgage lending programs.** Some entities may not be interested in federal housing assistance. For example, a tribal housing authority representative told us that the tribe generally forgoes working with other lenders, including federal mortgage lending programs, in favor of tribe-managed lending programs.

Relatively few NADL-eligible entities with MOUs also have veterans in their communities with NADL loans. For example, 60 of the 108 entities with MOUs (from program inception through September 2019) did not have any veterans with active NADL loans, as of September 30, 2021.³³ Similarly, 17 of the 23 entities with which VA signed an MOU from October 2011 through September 2019 had no veterans in their communities who had received a NADL loan. This suggests that signing an MOU is not sufficient to generate NADL loan applications from qualified veterans.

³²As of August 2021, about 132,000 acres were held in trust for four tribes in Alaska. In addition to land held in trust, Alaska Native regional and village corporations own 38 million acres that are eligible for NADL. According to BIA, there are also approximately 1.2 million acres of Alaska Native allotments or townsites in Alaska that potentially are eligible for the program. VA officials told us that they had not yet determined whether a federally recognized Indian tribe would need to be a party to an MOU with respect to land owned by Alaska Native regional and village corporations or Alaska Native allotments and townsites.

³³According to VA officials, in August 2021, VA signed an additional MOU (its 109th) with a federally recognized Indian tribe in the contiguous United States. For purposes of our analysis, we did not include this tribe because the signing date was close to the end of the period we reviewed and provided little time for VA to originate a NADL loan.

VA Has Opportunities to Improve Processes for Managing Key NADL Activities

Our analysis found that VA has multiple weaknesses in the planning, conduct, and review of its NADL program. VA made changes to its NADL staffing structure in fiscal year 2022 that may align with efforts to improve the program. Nevertheless, opportunities to improve its processes related to program outreach, MOU negotiation, loan processing, stakeholder feedback, and internal documentation remain. Opportunities also exist to establish comprehensive performance goals and measures and procedures for regularly collaborating with other VA offices.

NADL Staff Conduct Three Key Activities, but VA Does Not Have an Implementation Plan for Its New Staffing Structure

VA staff conduct three key activities related to the NADL program: they perform program outreach; establish MOUs with eligible entities; and process loans.³⁴ VA restructured how it staffs NADL and the new team began work in October 2021.

Program Outreach

VA is required by statute to implement an outreach program, in consultation with tribal organizations, to inform Native American veterans about NADL.³⁵ Outreach activities must include attending events held by the National Congress of American Indians, the National American Indian Housing Council, and the Department of Hawaiian Home Lands to provide information and training to NADL-eligible entities and Native American veterans. Outreach activities also must include developing and disseminating information to NADL-eligible entities and tribal veterans service organizations.

To meet these requirements, VA staff contact each federally recognized Indian tribe and the state/territorial governments in Hawaii and each of the Pacific territories at least once annually (usually by sending a letter). VA officials told us these contacts serve as annual reminders of the program and VA's commitment to working with the tribe or organization. As discussed later in this report, contacts do not include Alaska Native regional and village corporations, which collectively hold most of the NADL-eligible land in Alaska.

VA staff also attend at least 18 outreach events with Indian tribes and the state/territorial governments of Hawaii and the Pacific territories

³⁴The process of servicing NADL loans once they are originated is outside of the scope of this review.

³⁵38 U.S.C. § 3762(i).

annually.³⁶ According to VA's policy and VA officials, the events are intended to maximize program awareness and use by educating tribal representatives, veterans, and other stakeholders about NADL. VA officials told us they typically attend events organized by tribes and other Native organizations in their region, including housing conferences, training, or small group meetings. They also attend events organized by other VA offices that work with federally recognized Indian tribes or Native American veterans, such as tribal claims clinics, training for tribal veterans service officers, and VA-wide outreach events in the Pacific territories.³⁷ VA officials told us that as those events they might give a presentation, distribute information from a booth, or meet one-on-one with veterans interested in the NADL program. From fiscal years 2018 through 2020, VA staff participated in over 100 outreach events, according to a VA log of outreach events.

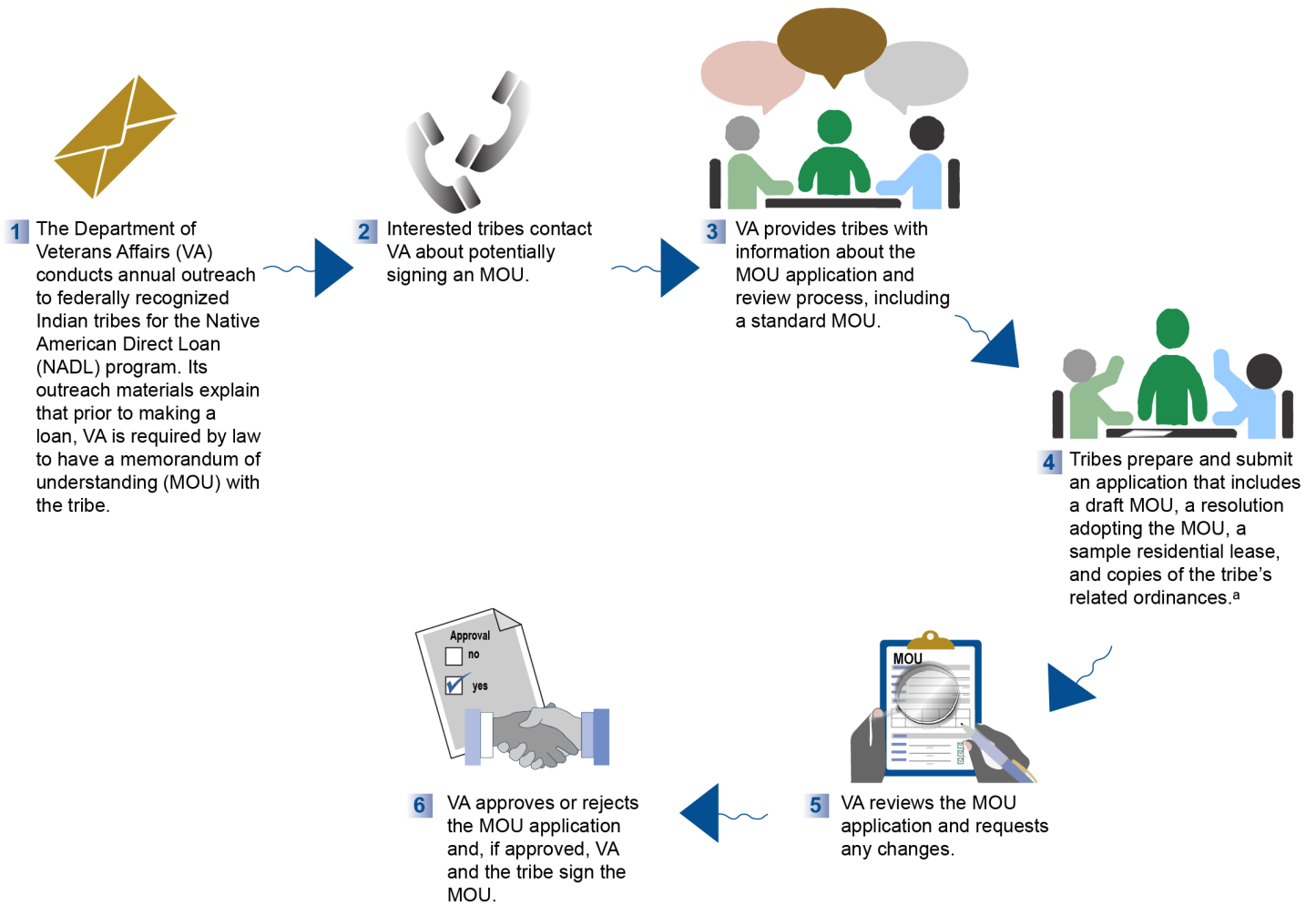
Establishment of MOUs

VA officials told us the process to establish MOUs between VA and federally recognized Indian tribes can be complicated and lengthy. According to VA officials, tribes typically initiate the multistep process in response to VA's outreach (see fig. 3). The process also requires tribes to ensure that ordinances are in place for foreclosure and certain other legal matters. VA's Loan Guaranty Service management generally lead the negotiation process and obtain concurrence from VA's Office of General Counsel before signing the MOU.

³⁶According to its fiscal year 2020 NADL outreach policy, VA staff must attend at least three events annually in each of the regions having more than five federally recognized Indian tribes (or state/territorial governments for Hawaii and the Pacific territories) in their service area. VA has eight regions in total (corresponding to its regional loan centers), but two of its loan centers (Atlanta and St. Petersburg) service regions with fewer than six tribes.

³⁷VA's Office of Tribal Government Relations and the Veterans Benefits Administration held claims clinics in partnership with 25 federally recognized Indian tribes in the contiguous United States in fiscal year 2018. During these clinics, VA officials visited tribal communities to work one-on-one with veterans on their pension and service-related medical claims.

Figure 3: Process to Establish an MOU between VA and an Indian Tribe for the NADL Program



Source: GAO analysis of VA documents. | GAO-22-104627

^aEntities are required to provide copies of their ordinances to (1) convey the interest in NADL-eligible land as security for the loan; (2) foreclose on the property in the event of default; and (3) resell the lot or home in the event of a foreclosure.

NADL Loan Processing

According to VA officials, NADL loan processing is a complex process that involves extensive back-and-forth with the potential borrower. The loan process typically involves four stages—(1) determination of the veteran's eligibility to apply for a NADL loan, (2) assessment of the veteran's credit risk and ability to repay the loan, (3) confirmation of the veteran's right to use the land for residential housing and the condition of the home, and (4) loan closing.

According to VA officials, a VA loan specialist or coordinator typically leads loan processing for individual loans in the contiguous United States and Hawaii. These staff conduct the initial loan intake process, work with the veteran to prepare the application documents, process the application and underwrite the loan, and serve as the veteran's main point of contact during the process. VA officials told us that construction loans require additional documentation from the veteran and review by specialized VA staff.³⁸

In the Pacific territories, VA works with its local partners to process NADL loan applications. In each of the three territories, a local institution is the main point of contact for veterans throughout the NADL application process. These institutions work with veterans to explain the program requirements and prepare initial applications. VA staff review the application, perform underwriting, and, for those veterans who qualify, pre-approve them for the loan. The local partners work with pre-approved veterans and VA to provide any additional documents, facilitate any construction, and close loans.

NADL Staffing Reorganization

New staffing structure and intended outcomes. In October 2021, VA created a dedicated NADL team to lead and implement the program. Prior to this change, staff in VA's regional loan centers worked on NADL as needed, based on the volume of activity. Under that structure, NADL was a secondary responsibility (staff's primary responsibilities were for other home lending programs). In making this change, VA officials said that the agency recognized that the complexities of the NADL program demanded more in-depth and intensive staff engagement than its prior structure allowed.

VA's new dedicated NADL team was fully staffed as of September 2021 and had seven members: six NADL coordinators and a supervisor who are responsible for conducting outreach activities, including informing NADL-eligible entities about MOUs, and processing loan applications.³⁹ In addition to the permanent NADL team, staff with VA's Construction and Valuation team are available to help review appraisals and monitor construction activities for NADL loans. VA officials told us they may

³⁸Specifically, according to VA officials, staff responsible for overseeing appraisals typically work with loan specialists and borrowers to review proposed construction plans, oversee the development of accurate appraisals, and facilitate construction-related inspections and disbursements.

³⁹These staff are also responsible for servicing NADL loans. We did not review VA's NADL loan servicing for this report.

assign a permanent Construction and Valuation staff member to the NADL team in the future.

VA officials told us that they intend the new NADL staffing structure to increase the consistency of NADL activities and staff efficiency and that they anticipate the new team will make changes to outreach, MOU negotiation, and loan processing. According to VA officials, as of January 2022, the new team already had taken steps to improve VA's communications, including updating VA's outreach letters and establishing a centralized NADL email address for NADL-related correspondence. The new team also took steps to improve VA's NADL data collection, including by centrally collecting data on borrower characteristics (such as a borrower's income) and indicating whether a loan was for purchase, construction, or refinance.

No plan for implementation. VA did not develop a plan for implementing the new staffing structure. Its April 2021 memorandum proposing the new structure said that a full transition plan would need to be developed once the proposal was approved. In September 2021, following approval, VA officials told us that the new NADL team would play a central role in developing VA's future NADL approach.

More recently, in January 2022, VA officials said they developed individual performance standards for the NADL team that would provide guidance about priorities and responsibilities. These standards outline the major duties of the new dedicated NADL staff, including conducting outreach activities and processing NADL loan applications. But they do not include information on the priorities, resource needs, or time frames for the implementation of the new NADL approach and do not describe plans for collecting data to assess how well the new structure achieved intended outcomes.

Our prior work identified sound practices for successfully realizing changes to agency structures and processes.⁴⁰ Such practices include creating detailed implementation plans that identify priorities, resource needs, and time frames and provide for evaluations of the effects of implemented changes.

⁴⁰GAO, *Business Process Reengineering Assessment Guide*, [GAO/AIMD-10.1.15](#) (Washington, D.C.: May 1997). GAO discussed application of these practices in *VA Disability Benefits: Additional Planning Would Enhance Efforts to Improve the Timeliness of Appeals Decisions*, [GAO-17-234](#) (Washington, D.C.: Mar. 23, 2017).

By establishing a detailed implementation plan for NADL activities under the new staffing structure, VA could better communicate its priorities for the new NADL team, balance potentially competing resource needs, establish time frames to monitor the new team's progress, and help ensure it collects information to assess the changes and potentially identify additional refinements or needed changes.

VA Does Not
Comprehensively Collect
Program Data and
Feedback or Review
NADL Materials

We identified several key areas in which management could improve its processes to collect and share complete and accurate information.

Data Collection

In fiscal year 2022, VA took steps to expand its collection of data related to NADL loan processing, but staff do not collect certain information that could be useful to managing NADL. According to officials, VA made changes to how it collects and shares data for NADL loan processing after it changed the NADL staffing structure. For example, VA created a centralized staff database to record conversation highlights with Native American veterans and other stakeholders about individual loan applications. VA also expanded the types of information collected centrally about loan originations and the status of each borrower's application at key stages in the lending process.

However, VA is missing certain information that could be useful to managing NADL. For example,

- **Outreach.** VA's outreach monitoring system does not track information on the outcome of outreach activities, such as whether annual contacts with federally recognized Indian tribes or outreach events resulted in inquiries about NADL. Systematically collecting this type of information could help inform decisions about which events to attend in the future or whether certain types of outreach activities are more effective than others at reaching veterans. In addition, VA officials from one regional loan center told us that the existing system does not contain tribe-specific information helpful for outreach, such

as information on the size of the veteran population or local housing needs.⁴¹

- **MOU negotiation.** VA does not have procedures to collect information on the status of MOU negotiations and application review. As noted earlier, this process typically involves multiple VA offices and can be complicated and lengthy—for example, a representative of one NADL-eligible entity told us its MOU negotiation remained ongoing after 2 years. Centrally collecting information on the process, including data on the content and frequency of interactions, could help management more easily track the status of ongoing negotiations, identify if a negotiation may have stalled, or identify the need for additional follow-up.
- **Loan processing.** VA’s loan processing data do not include certain information officials told us they needed to monitor the status of veterans’ loan applications or to assist veterans with their loan closings. For example, the data VA centrally collects do not track the receipt of specific loan application documents or their expiration dates.⁴² Systematically collecting this information could help staff identify areas in which veterans might need additional assistance obtaining documentation (such as from BIA or a tribe) and could provide management information on potential challenges that could inform additional outreach or education.

According to VA’s strategic plan, one of its management objectives is to institutionalize data-supported decision-making that improves the quality of outcomes.⁴³ The plan sets a performance goal for managers and staff to have access to information and data needed for effective decision-making. It states VA will consistently analyze ways to improve its efforts

⁴¹We interviewed officials in two of VA’s eight regional loan centers. We selected the two centers (Phoenix and St. Paul) because they had a relatively large number of entities with MOUs, NADL loan originations, and federally recognized Indian tribes compared to the other centers. Officials with the Phoenix regional loan center also were responsible for conducting NADL activities in certain states (including Hawaii) and the Pacific territories.

⁴²As part of the NADL loan application, veterans submit information that allows VA to assess their individual eligibility for the program (including proof of affiliation with a NADL-eligible entity); credit risk (proof of income, assets, and payment history); access to eligible land (including, for those borrowers in the contiguous United States, approval to use the land); and, for those borrowers using a NADL loan for construction, their construction plans. The information in some documents expires after a certain number of weeks and must be resubmitted for VA to process the loan application.

⁴³Department of Veterans Affairs, *Department of Veterans Affairs FY 2018–2024 Strategic Plan* (Washington, D.C.: May 31, 2019).

and continuously assess the improvements achieved. The plan also specifies that reliable, accessible, comprehensive, and up-to-date data are critical. Similarly, federal internal control standards call for management to use quality information to achieve the entity's objectives. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis.⁴⁴

However, VA does not have a comprehensive approach for collecting information to manage NADL and measure its performance. As previously discussed, NADL was an ancillary responsibility for staff prior to its reorganization in fiscal year 2022. Staff working part-time on NADL may not have focused on assessing the extent of the program's needs for data on outreach and MOU negotiations, given their other responsibilities. While staff have taken steps toward more data collection on loan processing, the process of determining data needs on the other key activities is not complete.

By comprehensively assessing its needs for data on NADL outreach, MOU negotiation, and loan processing, management could improve its ability to monitor and assess the NADL program and make data-driven decisions.

Borrower and Stakeholder Feedback

VA does not have a process to systematically collect feedback about NADL from veterans and other stakeholders, including tribal housing authorities and tribal veterans service organizations. Specifically, VA has not used surveys or focus groups to assess the effectiveness and outcomes of its key NADL activities—outreach, MOU negotiation, and loan processing. For example, it does not systematically collect feedback from NADL-eligible entities or Native American veterans at specific stages of the lending process, such as eligibility determination, loan application submission, land and dwelling determination, and loan closing. In addition, while some NADL staff collect informal feedback, VA does not have a process to share it among NADL staff or management, or use it to inform program decisions.

In contrast, VA's Veterans Experience Office (which leads agency feedback efforts for several other services and benefits) collects and uses feedback through surveys, focus groups, and other metrics. According to its officials, VA regularly surveys veterans who receive education,

⁴⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

pension, and health care benefits and services to inform service delivery and performance improvement efforts.

For example, the Veterans Experience Office has been working on a study on the experiences of veterans and contractors participating in the Specially Adapted Housing program (which provides loans and grants to veterans with service-connected disabilities to adapt their homes). Officials told us they plan to publicly share that study's results and use them to develop a feedback survey. VA is scheduled to launch a similar survey in fiscal year 2023 for another VA home loan program, but officials are uncertain if it will include the NADL program.

VA's strategic plan lists customer service as one of four agency priorities, and states that an understanding of veterans' positive and negative experiences when interacting with VA is critical to providing excellent customer service. The plan also discusses increasing access for veterans living in underserved or rural areas—which can include Native Americans. In addition, an executive order requires federal agencies that provide significant services directly to the public to collect customer feedback to determine their level of satisfaction with existing services, and the kind and quality of services they want.⁴⁵ According to federal policy, agency efforts also should include systematically identifying and resolving the root causes of customer experience challenges.⁴⁶ According to OMB, feedback can be used to improve customers' experiences, which in turn can increase customer satisfaction with, and trust in, the federal government.

According to VA officials, limited time and resources have prevented them from doing everything they would like to do for the NADL program. This may explain why VA has not systematically collected feedback from veterans and other groups about NADL. However, OMB has instituted flexibilities that allow agencies to streamline processes to collect

⁴⁵Exec. Order No. 12,862, *Setting Customer Service Standards*, 58 Fed. Reg. 48,257 (Sept. 14, 1993).

⁴⁶Exec. Order No. 14,057, *Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government*, 86 Fed. Reg. 71,357–58 (Dec. 13, 2021). OMB also provides periodic updates to agencies on evaluating and improving the customer experience, which includes collecting feedback. Office of Management and Budget, *The Federal Performance Framework for Improving Program and Service Delivery*, Circular A-11, pt. 6 (Washington, D.C.: August 2021).

feedback to improve service delivery, products, or communication.⁴⁷ According to officials with the Veterans Experience Office, VA has clearance to apply for a streamlined process for collecting qualitative feedback, which could circumvent time-consuming requirements associated with information collection proposals (including submitting a Federal Register notice and allowing for a 60-day public comment period).

In addition, VA staff responsible for NADL could leverage the experiences of other VA offices, including the Veterans Experience Office, to help develop such a mechanism. For example, VA currently uses tested survey questions to ask veterans about the quality of VA outpatient health services, a potentially sensitive topic. According to VA's 2019–2021 Annual Performance Plan and Report, collecting information about customer's perceptions of VA services provide decision makers opportunities for improvement based on near-real-time feedback.

Collecting feedback from Native American veterans and other stakeholders on the NADL program would allow VA to better assess the effectiveness of NADL activities and identify opportunities for improvement. By leveraging tested approaches to collect and use feedback, such as those developed by other VA offices, VA staff and management would be better positioned to obtain useful information to improve NADL.

Program Documentation

VA has limited processes to help ensure that NADL program documents are current, complete, and accurate (including in regard to the program's legal requirements). We found inaccuracies and omissions in NADL documents, including those used to communicate information to staff and the public. For example,

- **Program manual.** VA last revised the NADL program manual in 2014 and it contains outdated information. For instance, the manual directs regional program staff to obtain legal guidance from regional counsel when conducting outreach to tribal authorities, but VA's Office of General Counsel no longer maintains such legal staff in regional

⁴⁷OMB's fast-track process allows agencies to collect feedback through focus groups, panel discussion groups, testing surveys, and customer surveys to improve service delivery, products or communication where participation is voluntary and the data collection does not impose a significant burden on respondents. For example, VA received OMB approval to collect feedback using tested survey questions in OMB's The Federal Performance Framework for Improving Program and Service Delivery.

offices. The manual also contains inaccuracies about laws governing NADL-eligible land and lacks specific instructions related to certain land types.⁴⁸

- **Outreach materials.** We found cases in which NADL outreach materials and other program documents were inaccurate or incomplete. For example, an annual outreach letter sent to a federally recognized Indian tribe in April 2021 incorrectly stated that BIA must be a party to NADL MOUs. In other cases, outreach materials used in Alaska failed to identify the largest type of NADL-eligible land in the state.⁴⁹
- **MOU documentation.** VA could not provide us with documentation establishing that the MOUs previously entered into for Hawaii and the Commonwealth of the Northern Mariana Islands—areas that accounted for approximately 43 percent of NADL loans—are currently in effect. By statute, an MOU must be in effect at the time a NADL loan is made.⁵⁰

Distributing quality information is crucial to effective communication, meeting a program's goals, and successful program management. Federal internal control standards require management to communicate, both internally and externally, the necessary quality information to achieve the entity's objectives.⁵¹ Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. These standards also require that management document its internal control system, which can include documenting the assignment of

⁴⁸The manual reminds staff that tribal laws rather than state laws control real estate transactions on NADL-eligible land. While this may be the case for some types of NADL-eligible land, it is not the case for all types of NADL-eligible land. For example, federally recognized Indian tribes do not have jurisdiction to enact and enforce laws governing the mortgaging and foreclosure of land owned by Alaska Native regional and village corporations. See, e.g., *Alaska v. Native Village of Venetie Tribal Government*, 522 U.S. 520, 523 (1998) (holding that land conveyed to Alaska Native Claims Settlement Act corporations is not Indian country). The manual also did not specify which organization or organizations must be party to an MOU for this type of land.

⁴⁹Materials we reviewed for NADL outreach in Alaska do not mention the possibility of using interests in Alaska Native regional or village corporation land as collateral for a NADL loan. As discussed later in the report, this is the largest type of NADL-eligible land in the state.

⁵⁰See 38 U.S.C. § 3762(a)(2).

⁵¹[GAO-14-704G](#).

responsibilities to units and individuals for complying with applicable laws and regulations.

Several factors may explain the inaccuracies and omissions we identified in NADL documents. In particular, before fiscal year 2022, staff working on NADL had no primary responsibility to conduct NADL-related activities and potentially limited time to update and review documents and materials. Also, as of January 2022, officials in VA's Office of General Counsel stated they had neither reviewed the NADL program manual or outreach materials, nor received a request to review the documents. General Counsel officials told us they are available to review these materials if asked and Loan Guaranty Service officials told us they plan to ask them to review future policies that are considered guidance. Federal internal control standards recognize that smaller programs might face challenges segregating duties among staff and the standards note that small entities can respond to this increased risk through measures such as adding additional levels of review for key documents and materials.⁵²

Misstatements and omissions in program documents can have adverse effects, such as discouraging applications to participate in the program, and lead to improper denials by VA staff. Processes for periodic review of outreach materials and other program documents would help VA ensure that it communicates timely, accurate, and complete information about NADL to internal and external stakeholders.

VA Generally Lacks Program Performance Goals and Measures for NADL

In general, VA has not developed performance goals and measures for NADL. Specifically, VA does not have program goals or measures for NADL loan processing and MOU negotiation and its goals and measures for NADL outreach are limited.

- For example, VA does not have goals or measures to track whether prospective borrowers receive assistance to increase their readiness for lending—such as financial education on credit and mortgage lending—or the time it takes to review NADL loan applications and MOU applications. VA also does not have program performance measures related to quality, customer satisfaction, or outcomes of key NADL activities.
- VA has two annual outreach activity goals and associated performance measures—to contact each federally recognized Indian tribe in the country and the state/territorial governments in Hawaii and

⁵²[GAO-14-704G](#).

the Pacific territories and attend 18 events annually. However, it does not have goals for or measures tracking the outcomes of its outreach activities.

Performance Management Terminology

- Performance goals set specific targets to define the level of performance or results an agency expects its program to achieve.
- Performance measures allow management to assess progress toward its goals by measuring the program's performance in objective, quantifiable, and observable ways.
- Evaluation is the systematic collection and analysis of program outcomes for making judgments about how well a program is working and informing decisions.
- Monitoring is continual tracking of program data to determine whether desired results are as expected during implementation.
- Outcomes are the results of products and services that an agency, program, or organization provided.

Sources: GAO, Office of Management and Budget. | GAO-22-104627

VA officials told us that they monitor NADL performance through team meetings and by reviewing a monthly report on loan applications and the status of active loans.

We identified leading practices for effective performance management, which include developing performance measures that clearly link to pre-established goals.⁵³ Key attributes of successful performance measures include addressing core program activities; considering outcomes; having clear and measurable targets; and considering government-wide priorities such as timeliness, quality, and customer service.⁵⁴ Effective program performance measures help managers and staff link day-to-day activities and performance standards to attainment of program and agency goals.⁵⁵ In addition, VA's strategic plan directs agency staff to apply data-supported and performance-focused decision-making that improves the quality of outcomes for veterans.⁵⁶

When asked about the general absence of goals and performance measures for NADL, officials said a large number of factors outside VA's control make it difficult to measure NADL activities through goals or quantifiable performance measures. For example, VA officials told us that reaching a concrete goal, such as the number of NADL loans closed, would be difficult because closing loans depends on factors like the financial readiness of individual veterans to apply for loans. VA officials

⁵³For examples of reports that define key terms or identified leading practices for effective performance management, see GAO, *Program Evaluation: Key Terms and Concepts*, [GAO-21-404SP](#) (Washington, D.C.: Mar. 22, 2021); *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, D.C.: May 2, 2011); and *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, [GAO-05-927](#) (Washington, D.C.: Sept. 9, 2005).

⁵⁴GAO, *Telecommunications: FCC Should Enhance Performance Goals and Measures for Its Program to Support Broadband Service in High-Cost Areas*, [GAO-21-24](#) (Washington, D.C.: Oct. 1, 2020); *Military and Veteran Support: Performance Goals Could Strengthen Programs that Help Servicemembers Obtain Civilian Employment*, [GAO-20-416](#) (Washington, D.C.: July 9, 2020); and *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington, D.C.: Oct. 24, 2014).

⁵⁵GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

⁵⁶*Department of Veterans Affairs FY 2018–2024 Strategic Plan*.

also stated that the time it takes to obtain land-related legal documents from BIA is outside of their control and can affect program performance and timelines. In addition, VA officials stated that relationship building is central to NADL program activities, but can be difficult to measure.

However, VA has opportunities to develop goals and measures for aspects of the program within its control by tracking the timeliness and outcomes of its key activities. For example, VA could develop a performance measure to assess the outcomes of its outreach letters to NADL-eligible entities—such as the number of responses received and their subject matter (request for more information, interest in establishing an MOU, or inquiry about potential loan application). For the timeliness of loan processing, VA staff could develop program-wide measures to track how long it takes them to reply to inquiries or process loan documents. These types of information would enable VA to assess the effectiveness of its approach and make changes as warranted.

A more comprehensive set of program performance goals and measures would help VA assess whether NADL effectively has been serving eligible Native American veterans. By establishing performance goals and measures for all of its key activities—outreach, MOU negotiation, and processing NADL loan applications—VA would be able to provide clear standards against which to inform management about overall program performance.

VA Does Not Have a Plan for Implementing NADL Outreach or for Operating in Alaska

Planning for NADL Outreach

VA has opportunities to better plan overall NADL outreach and improve implementation of the program in Alaska.

VA has not developed a strategic or operational plan to inform its approach to NADL outreach and has not fully integrated leading practices for outreach. Practices we previously reported for effectively reaching targeted audiences include analysis of the audience, such as by dividing the audience into smaller groups of people who have relevant needs, preferences, and characteristics.⁵⁷ According to VA officials, VA's target audiences for NADL outreach vary widely—they can include individual

⁵⁷GAO, *Digital Television Transition: Increased Federal Planning and Risk Management Could Further Facilitate the DTV Transition*, [GAO-08-43](#) (Washington, D.C.: Nov. 19, 2007). The application of these practices is discussed in GAO, *Foreclosure Review: Opportunities Exist to Further Enhance Borrower Outreach Efforts*, [GAO-12-776](#) (Washington, D.C.: June 29, 2012).

veterans, entity leadership, staff with tribal housing authorities, or tribal veterans service officers and these individuals vary in their knowledge and interest in NADL or mortgage lending.

But VA generally uses a standard outreach letter for its annual tribal contacts—it does not differentiate tribes based on characteristics such as the amount or type of NADL-eligible land in the community or prior experience with NADL. For example, in fiscal year 2020, a tribe with a history of members receiving NADL loans received the same letter as a tribe with no active NADL loans. Similarly, and as we discuss later in the report, VA does not differentiate its outreach approach in relation to a tribe’s prior experience with federal mortgage lending programs, including whether other federal agencies previously approved a tribe to participate in mortgage programs on NADL-eligible land.

In addition, VA has not systematically leveraged the knowledge of groups experienced with outreach to NADL-eligible entities or Native American veterans. For example, VA officials have not routinely consulted with national groups, such as the National American Indian Housing Council, regional groups that support tribes and other NADL-eligible entities, or local groups such as VA’s tribal veterans service organizations or local tribal housing authorities about effectively conducting NADL outreach. These groups might have valuable insights about planning and developing outreach approaches to best reach VA’s targeted audiences. They also may serve as credible partners for communicating program information. For example, representatives of other financial institutions that provide mortgage services in Native communities told us they established relationships with local entities to share information about their programs and services. As previously discussed, VA does not systematically collect information or feedback on the outcomes or effectiveness of its outreach activities.

Sound planning results in strategies or operational plans to help implementing parties and decision makers effectively shape policies, programs, priorities, and resource allocations to achieve desired results and help ensure accountability.⁵⁸ Although there is no established set of

⁵⁸GAO, *Foreign Assistance: State Department Should Better Assess Results of Efforts to Improve Financial and Some Program Data*, [GAO-21-373](#) (Washington, D.C.: May, 10, 2021); [GAO-17-234](#); and *Social Security Disability: Additional Performance Measures and Better Cost Estimates Could Help Improve SSA’s Efforts to Eliminate Its Hearing Backlog*, [GAO-09-398](#) (Washington, D.C.: Sept. 9, 2009).

requirements for all plans, our prior work identified the components of sound planning to include definition of problems, causes, and the operating environment; setting of goals, objectives, activities, and performance measures; and identification of resources, roles, and responsibilities.⁵⁹

According to VA officials, as of September 30, 2021, no staff had NADL as their primary responsibility and they had limited time to conduct NADL-related planning activities, including planning for outreach activities. However, with implementation of the new NADL staffing structure, VA has an opportunity to develop an outreach plan that would leverage internal and external resources and incorporate sound planning practices, such as performance measurement. Such a plan could help VA better develop and refine its NADL outreach, potentially improving its effectiveness in increasing program participation.

Planning for NADL Implementation in Alaska

VA staff have not developed a plan for operating NADL in Alaska, including identifying needed steps to conduct outreach, establish MOUs, and process loans on NADL-eligible land not held in trust by the federal government for the benefit of a federally recognized Indian tribe. VA applies the same approach to NADL activities in Alaska as it uses in the contiguous United States—it focuses on reaching NADL-eligible entities and Native American veterans through federally recognized Indian tribes. As of September 30, 2021, VA had not made any NADL loans in Alaska and had an MOU with one of the federally recognized Indian tribes in Alaska.⁶⁰

More specifically, VA's Alaska NADL activities have not taken into account Alaska-specific conditions, including that Alaska Native regional and village corporations hold the majority of NADL-eligible lands in the

⁵⁹[GAO-21-373](#) and [GAO-09-398](#).

⁶⁰VA signed an MOU with the Metlakatla Indian community in 2014. The community is located on the Annette Island Reserve, the only Indian reservation in the state. The reservation, which is held in trust, covers less than 1 percent of the state's NADL-eligible land.

state (see table 2).⁶¹ For example, according to VA officials, VA has not sent annual contact letters, a key component of their outreach approach, to these corporations. VA officials told us they previously attended an annual conference organized by the Alaska Federation of Natives (a state-wide Native organization whose members include Alaska Native regional and village corporations) and, in 2014, traveled to Alaska to meet with some federally recognized Indian tribes and Alaska Native corporations. However, VA's outreach materials do not inform borrowers that interests in Alaska Native village and regional corporation land are potential collateral for NADL loans, or specify which organizations must be party to MOUs for such lands. Moreover, VA officials could not confirm whether Alaska Native allotments and townsites administered by BIA are a type of land eligible for NADL—if eligible, these lands would comprise the second largest type of NADL-eligible land in the state.⁶²

⁶¹These corporations were formed pursuant to the Alaska Native Claims Settlement Act, which was enacted in 1971 to resolve long-standing aboriginal land claims and to foster economic development for Alaska Natives. Pub. L. No. 92-203, 85 Stat. 688 (1971), *codified as amended* at 43 U.S.C. §§ 1601-1629h. The corporations were to be the vehicles for distributing the settlement's land and monetary benefits to Alaska Natives. The act entitled certain Alaska Natives to be shareholders in the corporations and authorized, but did not require, corporations to provide benefits to their shareholders and other Alaska Natives to promote their health, education, or welfare. See GAO, *Regional Alaska Native Corporations: Status 40 Years after Establishment, and Future Considerations*, [GAO-13-121](#) (Washington, D.C.: Dec. 13, 2012).

⁶²Neither the governing statute nor regulations for NADL explicitly state whether Alaska Native allotments and townsites are an eligible type of land. See 38 U.S.C. §§ 3761-3765 and 38 C.F.R. § 36.4527. In a 1995 MOU, BIA and VA memorialized their understanding that NADL loans are designed to, among other things, enable Alaska Native veterans to finance homes on trust or restricted fee lands administered by BIA. The MOU defines restricted fee land to include individually owned allotments of land to which an individual Alaska Native holds legal title, subject to a restriction that prohibits selling, encumbering, or otherwise alienating the land without the consent and approval of the Secretary of the Interior, the President of the United States, or a court of competent jurisdiction. When asked if the MOU reflected an eligibility determination regarding Alaska Native allotments and townsites administered by BIA, VA's Office of the General Counsel said it had not located a precedent opinion on the matter and, without a specific set of facts, could not confirm whether all statutory requirements would be met.

Table 2: Types of Alaskan Lands Eligible or Potentially Eligible for Native American Direct Loan Program, 2021

Land type	Estimated acreage	Parties with interest in the land
Alaska Native regional and village corporation land	38 million	Twelve regional corporations and over 170 village corporations
Alaska Native allotments and townsites^a	1.2 million	Approximately 17,000 individual allottees
Land held in trust for Indian tribes by the federal government	132,000	Four federally recognized Indian tribes

Source: GAO analysis of Bureau of Indian Affairs data, federal statutes, and other publicly available information. | GAO-22-140627

Notes: Our estimate of the land held by Alaska Native regional and village corporations is limited to surface lands. The Alaska Native Claims Settlement Act included a total of 44 million acres of surface and subsurface land. This included 22 million acres of surface lands village corporations were entitled to select and 16 million acres of surface lands allotted to regional corporations. Not all 38 million surface acres have been conveyed.

^aThe Alaska Native Vietnam-era Veterans Land Allotment Program of 2019 allows an additional 2,200 eligible Alaska Native Vietnam-era veterans (or their heirs) to apply for allotments of between 2.5 and 160 acres. Lots are available for selection through December 2025. According to VA officials, they could not confirm whether Alaska Native allotments and townsites administered by the Bureau of Indian Affairs would be eligible for NADL.

According to officials in VA’s Office of General Counsel, it may be more challenging to use interests in Alaska Native regional and village corporation land and Alaska Native allotments and townsites as collateral for a NADL loan, due to NADL’s specific statutory requirements and the unique legal framework in Alaska. However, these officials were not aware of anything that would prevent the use of such lands for NADL. VA’s general counsel officials told us they have no record of requests for an opinion regarding either of these types of lands.

Certain components of a sound planning process (discussed earlier) might be particularly useful for VA in Alaska, such as consideration of the operating environment and identification of the key actors and their activities. Such planning could help VA determine how to make NADL loans to veterans with interests in Alaska Native regional and village corporation lands and, if eligible, Alaska Native allotments and townsites. It also could help assess the extent to which suitable land is available for residential housing. Although there is no established set of requirements for all sound plans, employing these components (including defining problems, causes, and the operating environment; setting goals, objectives, activities, and performance measures; and identifying resources, roles, and responsibilities) could help VA develop a strategic approach in Alaska and tailor its outreach goals.

VA officials told us that they have not had sufficient resources to consider program activities in Alaska in detail. VA officials also said they believed the lack of NADL MOU applications and interest in NADL loans from parties in Alaska suggested the program was not suitable there. They explained that remote locations and high construction costs were primary factors limiting use of the NADL program in Alaska. Other stakeholders (federal agency officials based in Alaska and representatives of six Alaska Native entities) also noted these challenges.⁶³ Representatives from three of the six Alaska Native entities told us that Alaska Native regional and village corporations often use their lands for other purposes (such as generating income for their shareholders and hunting, fishing, and gathering).

But while acknowledging challenges, five of the six Alaska Native entities told us they were familiar with village corporations currently making land available for housing or considering doing so. BIA officials and representatives of one entity noted that individually held Alaska Native townsites are typically in areas appropriate for residential housing, although land fractionation and other land title issues may make using the land for mortgage lending difficult.⁶⁴ (BIA estimates about 1,300 acres in 3,850 parcels are Alaska Native townsites.)

Additionally, we found that other lenders have provided mortgage loans secured by NADL-eligible land in Alaska, suggesting that some veterans also could qualify for NADL loans. According to HUD officials, in 2019 and 2020 HUD guaranteed a few loans under its Section 184 program secured by Alaska Native corporation land leased to the borrower and

⁶³We spoke with BIA's and HUD's Alaska-based officials as well as representatives of six Alaska Native entities—two regional corporations, a regional non-profit corporation, two regional housing authorities, and one Native financial institution. We selected these entities because of their knowledge and familiarity with corporation and allotted land, mortgage lending, and residential housing in Alaska. To provide a geographically diverse perspective, we selected the six Alaska Native entities from three of the 12 Alaska Native Claims Settlement Act regions (Ahtna, Cook Inlet, and Doyon).

⁶⁴Fractionated land occurs when an allottee dies and land ownership is divided among all the heirs, but the land is not physically divided. Thus, multiple owners (in some cases thousands) can have an ownership interest in the land and may have different ideas about how the land should be used.

allotted land in Alaska.⁶⁵ Also, in the one Alaska community with a NADL MOU, BIA data show that lenders for 10 individuals submitted requests to BIA for non-NADL leasehold mortgages on NADL-eligible land from February 1, 2020 to May 25, 2021. Although the extent to which these individuals would qualify for NADL is unknown, this suggests that there may be some ability for veterans in the community to qualify for NADL.

By developing a plan to address the particular challenges in NADL outreach and operations in Alaska, VA could better ensure that eligible veterans in that state have opportunities to access NADL loans.

NADL Does Not Routinely Collaborate with or Leverage Knowledge of Other VA Offices and Federal Agencies

Internal VA Resources

VA staff responsible for conducting NADL activities do not have a process for regularly collaborating with and leveraging the knowledge, experience and resources of other VA offices that serve Native American veterans and NADL-eligible entities. In addition to VA's Loan Guaranty Service (which manages NADL), other VA offices and VA's regional offices have explicit responsibility for liaising with or conducting outreach to NADL-eligible entities and Native American veterans and three are identified in the NADL program manual.⁶⁶ However, coordination among these offices has been limited to isolated events and instances. For example, NADL

⁶⁵To facilitate lending on Alaska Native corporation land, HUD developed a lease agreement that ensured the corporation would not lose the land in the event of a default. According to VA officials, from October 23, 2014, through June 12, 2021, VA guaranteed 77 loans to Native American veterans in Alaska. Officials noted that they do not know if any of these loans were made on land owned by Alaska Native corporations, but that this is possible under the land ownership requirements for VA's guaranteed loan program.

⁶⁶These offices include the Office of Tribal Government Relations; the Center for Minority Veterans; the Outreach, Transition, and Economic Development Office; and the Veterans Health Administration's Office of Rural Health. In addition, VA's regional offices work with veterans to receive benefits, including compensation, pension, and home loans.

staff were invited to attend tribal claims events in fiscal years 2018 and 2021.⁶⁷

VA's fiscal year 2018–2024 strategic plan states that VA will ensure its structure allows staff to work effectively across the organization, as well as provide excellent customer service (for example, by talking with each other across office barriers).⁶⁸ According to the plan, VA seeks to improve functional collaboration throughout the organization.

VA officials told us that understanding the NADL program requires a specialized knowledge of mortgage lending and that other offices had a limited ability to assist with home loan programs. However, while these offices may have limited familiarity with loan origination or underwriting criteria, other offices' staff may be well suited to share practices, resources, contacts, outreach materials, and lessons learned from their existing relationships with Native American veterans and NADL-eligible entities.

For example, opportunities for increased collaboration could include the following:

- **Sharing information about tribal leadership.** To better track changes in tribal leadership, Loan Guaranty Service officials could leverage tribal leadership contact information prepared by VA's Office of Tribal Government Relations. Loan Guaranty Service officials told us that independently tracking changes in tribal leadership was time-consuming and difficult and in some cases they were unable to identify a correct contact.
- **Leveraging toolkits, workbooks, and existing outreach materials.** Pooling or using resources from other VA offices could help NADL staff more effectively conduct outreach to Native American veterans. For example, VA's Office of Rural Health has developed guidance to build and sustain relationships, and promote learning between VA and rural communities, including with American Indian and Alaska Native veterans. The guidance (a toolkit and workbook) describes specific

⁶⁷VA's Office of Tribal Government Relations and the Outreach, Transition, and Economic Development Office held claims clinics in partnership with 25 tribes in the contiguous United States in fiscal year 2018. During these clinics, VA staff visited tribal communities to work one-on-one with veterans on their pension and service-related medical claims. Tribal claims clinics in fiscal year 2021 were held virtually.

⁶⁸Department of Veterans Affairs, *FY 2018–2024 Strategic Plan*.

steps and activities that VA staff and others can use to build and strengthen community partnerships.⁶⁹

- **Building on existing relationships with NADL-eligible entities and veterans.** VA staff responsible for implementing NADL outreach have opportunities to collaborate more consistently with minority veteran coordinators in VA's regional offices. These coordinators have long-standing relationships with NADL-eligible entities and veterans and some hold regular meetings with tribal veterans service officers to discuss the kinds of programs and services available from VA.

By developing formal mechanisms to collaborate with other VA offices serving Native American veterans, the NADL program would be better positioned to leverage their knowledge and experience to improve NADL outreach and operations.

Mortgage Approvals by Other Federal Agencies

Prior to making or guaranteeing loans subject to the jurisdiction of a federally recognized Indian tribe, HUD, USDA, and VA must first review the legal and administrative framework governing the loan to help ensure borrower and federal interests are protected. In 2001, these agencies established model documents, including an MOU, so that tribes could simultaneously receive approval from all three agencies.⁷⁰

Congress also amended NADL's governing statute in 2001 to allow VA to accept comparable MOUs signed with other federal agencies.⁷¹ Because HUD and USDA do not sign MOUs (they only go through an approval process), VA has not accepted those approvals automatically. But, in a 2003 rule, VA stated that the standards applicable to NADL mirror requirements by other federal agencies.⁷²

⁶⁹Department of Veteran's Affairs, *Rural Veteran Outreach: Toolkit and Workbook*, version 3.0 (Salt Lake City, Utah: 2018).

⁷⁰This was known as the "one-stop mortgage process." As part of this process, the agencies developed standardized lending procedures for lien priority, foreclosures, evictions, and leasing to be adopted by tribes. According to a 2018 report by the Housing Assistance Council, this approach was difficult to implement because each tribe had its own approach and was not able to fit those approaches into a standardized process. See Housing Assistance Council, *Exploring the Challenges and Opportunities for Mortgage Finance in Indian Country* (Washington D.C.: April 2018).

⁷¹See 38 U.S.C. § 3762(a)(1)(B).

⁷²68 Fed. Reg. 6,625 (Feb. 10, 2003).

HUD and USDA approved more federally recognized Indian tribes in the contiguous United States for participation in their mortgage lending programs than did VA. Specifically, as of July 2021, HUD or USDA had approved at least 100 more NADL-eligible entities (with NADL-eligible land) than had signed MOUs with VA.⁷³ This difference in approval numbers may reflect the additional step NADL’s governing statute requires—that entities sign an MOU—and HUD and USDA programs do not require.

However, VA does not target NADL-eligible entities with existing HUD or USDA approval for additional outreach. In light of the similarities in the requirements cited by VA in the past, entities already approved by HUD or USDA may find meeting VA’s MOU requirements relatively straightforward. Targeted outreach to these entities could discuss opportunities to leverage the ordinances and policies established for HUD or USDA to potentially expedite MOU negotiations with VA.

VA officials told us they had not considered systematically using information on existing federal approvals to inform their outreach activities, but they noted that doing so could make their outreach more efficient. By targeting NADL outreach to eligible entities with existing approvals from other federal agencies, VA might increase the number of MOUs signed.

VA Has Opportunities to Address Barriers to NADL Participation

Several Barriers Impede Mortgage Lending on NADL-Eligible Lands

Native American veterans experience several barriers to mortgage lending on NADL-eligible land, according to VA officials. We identified six known barriers to mortgage lending on NADL-eligible land, based on a literature review and interviews with national, regional, and local

⁷³In comparing the list of HUD-approved entities with the list of federally recognized Indian tribes in the contiguous United States without MOUs, we excluded those NADL-eligible entities with 5 or fewer acres of NADL-eligible land. We assume entities with no or very little NADL-eligible land would be less likely to pursue an MOU with VA for mortgage lending on that land.

organizations (see table 3).⁷⁴ These barriers have been relatively well-recognized since at least 2001.⁷⁵

Table 3: Known Barriers to Mortgage Lending on Land Eligible for the Native American Direct Loan Program

Known barrier	Examples
Loan readiness	Borrowers may have difficulty meeting credit and income requirements to qualify for a mortgage loan if they are low-income or have blemished or no credit, lack a down payment, or lack familiarity with credit or the home-buying process.
Legal challenges	Lenders may be concerned about recovery of collateral and the eviction process because of the unique legal status of tribes and reservations, and the manner in which land is titled.
Land title issues	Borrowers may have difficulties obtaining title documents (such as a title status report) or leasehold documents from the Bureau of Indian Affairs, tribal departments, landowners, or others, especially in cases of fractionated ownership. ^a
Land use clearances	Borrowers may need to comply with the National Environmental Policy Act or the Endangered Species Act.
Rural location	Borrowers may encounter a lack of infrastructure, construction expertise, construction materials, or appraisal services in the eligible area. Obtaining these goods and services in remote areas may be costly.
Views on homeownership	Borrowers may believe that homeownership is unobtainable for them, mistrust federal programs, or be waiting for the federal government to provide housing in these communities.

Source: GAO. | GAO-22-104627

^aFractionated land occurs when an allottee dies and ownership is divided among the heirs, but the land is not physically divided. Thus, multiple owners can have an ownership interest in the land and may have different ideas about how the land should be used.

Lack of loan readiness and rural location were the two most frequent barriers that Native Americans, including veterans, encountered when applying for or considering a mortgage loan on NADL-eligible land, according to our interviews with VA officials and representatives of 22 of

⁷⁴We identified and confirmed the list of barriers (table 3) and the mitigation strategies (table 4) by reviewing government, academic, trade, and association reports and by interviewing representatives of five federal agencies and seven national, regional, and local organizations that had experience with mortgage lending on land held in trust by the federal government and other NADL-eligible land.

⁷⁵For example, the Department of the Treasury described these barriers in its 2001 study on Native American lending. See Community Development Financial Institutions Fund, Department of the Treasury, *The Report of the Native American Lending Study* (Washington, D.C.: November 2001). More recent studies include the following: *Exploring the Challenges and Opportunities for Mortgage Finance in Indian Country* (2018) and Department of Housing and Urban Development, *Mortgage Lending on Tribal Land: A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs* (Washington, D.C.: January 2017).

the 26 local organizations.⁷⁶ VA officials told us that Native American veterans may have poor credit or lack access to traditional sources of credit. As a result, some veterans may not pre-qualify to apply for a loan or, according to officials, VA often will ask for additional explanation or documents as part of NADL underwriting.

According to VA officials, many veterans use NADL loans to construct homes because much NADL-eligible land is rural.⁷⁷ VA officials told us that finding qualified contractors who meet VA's requirements for preparing and submitting construction bids and who are familiar with VA's required construction standards can be a barrier to veteran homeownership. Officials in one regional loan center also told us that getting power and septic infrastructure to new home sites is one of the most challenging aspects of the construction process.

Additionally, representatives from 10 of 16 local organizations in the contiguous United States identified land title issues as a frequently or sometimes-experienced barrier to applying for a mortgage loan on NADL-eligible land. Six of these organizations noted challenges with BIA's processing times, in particular. In contrast, representatives from four of the 16 local organizations said BIA processing times were already timely or had improved more recently. According to VA officials at one regional loan center, getting BIA approval for mortgages causes delays.

According to our analysis, nationally (for all lenders), BIA averaged 34 days to issue certificates of approval, from February 1, 2020, to May 25,

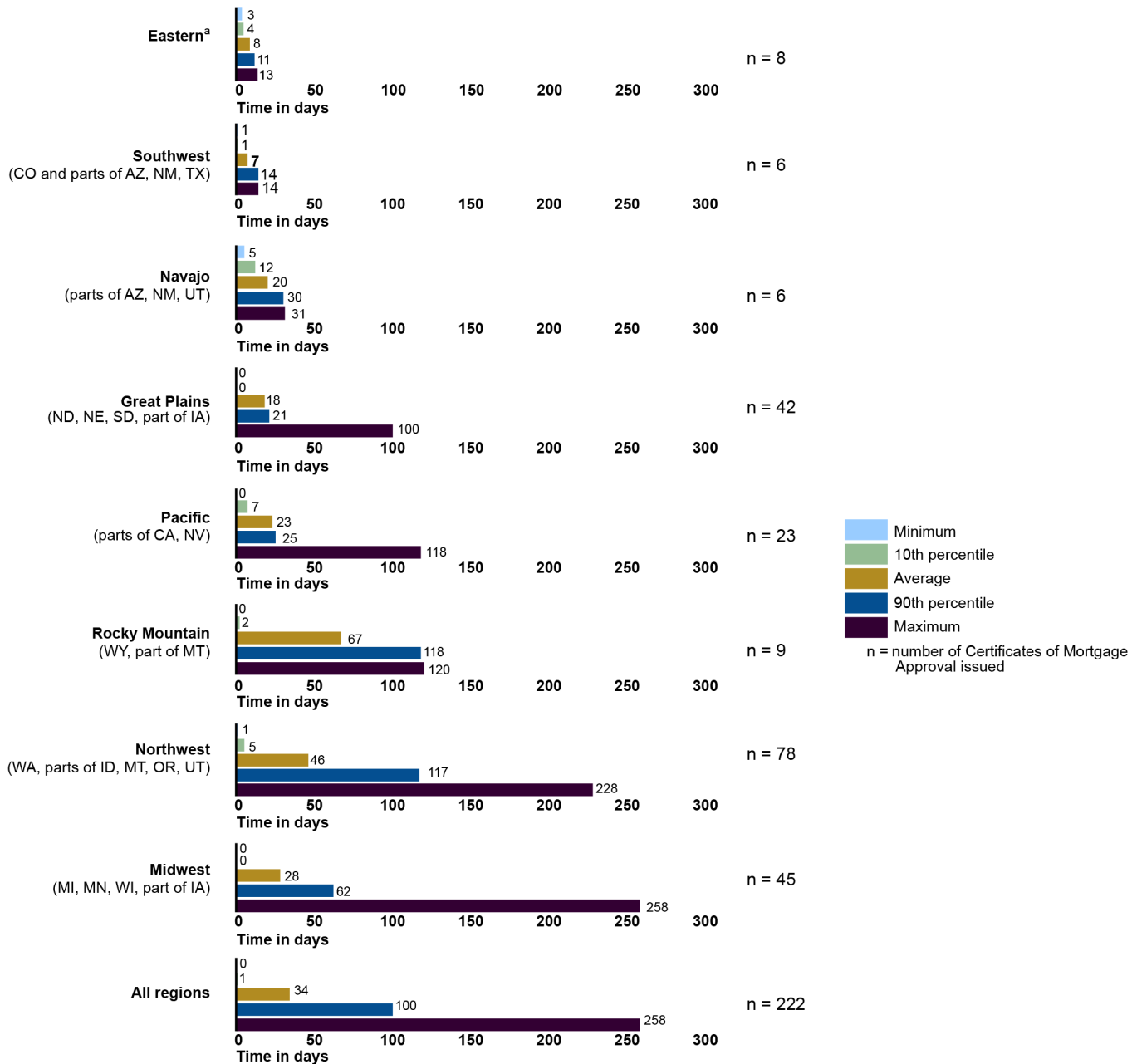
⁷⁶We interviewed representatives at 22 local organizations in the contiguous United States, Hawaii, and the Pacific territories. We asked them to characterize how often members of their community encountered each barrier by having them pick from four options: frequently, sometimes, rarely, or never. We also interviewed representatives of four organizations in Alaska about barriers to mortgage lending in their communities.

⁷⁷Our analysis of BIA data found that 69 percent of counties with NADL-eligible land in the contiguous United States are considered rural. To determine this, we used 2015 county typology data from USDA's Economic Research Service. We defined rural based on USDA's county typology definition: rural counties are those that have no cities with 50,000 residents or more and are not part of outlying counties that are economically tied to central urban counties (50,000 residents or more), as measured by the share of workers commuting on a daily basis to central urban counties. USDA's county typology is one of several methods developed by USDA for measuring the rurality of specific areas.

2021.⁷⁸ However, processing times varied widely by region, as shown in figure 4.

⁷⁸We analyzed the time from BIA's receipt of an application for approval of a mortgage-based legal claim through issuance of a certificate of approval (for both leasehold and land mortgages, which include individual allotted land). The process to issue certificate of approvals for mortgages for homes on fractionated land can be lengthy because multiple (in some cases thousands) of owners are involved.

Figure 4: Number of Days the Bureau of Indian Affairs Took to Issue a Certificate of Mortgage Approval, February 1, 2020–May 25, 2021, by Region



Source: GAO analysis of BIA data. | GAO-22-104627

Note: Number of days is measured from receipt of an application for a mortgage on land held in trust by the Bureau of Indian Affairs (BIA) to issuance of the certificate of approval. Data include 10 of BIA's 12 regional offices; the Eastern Oklahoma and Southern Plains offices did not complete

processing of any application in this period. We did not report region-level results for the two regions—Alaska and Western (parts of AZ, CA, ID, NV, OR, UT)—with three or fewer mortgage cases. The Northwest region also includes one tribe in Alaska that has land held in trust.

^aThe Eastern region encompasses AL, AR, CT, DC, DE, FL, GA, IL, IN, KY, LA, MA, MD, ME, MO, MS, NC, NJ, NY, OH, PA, RI, SC, TN, VA, VT, and WV.

Similar to the contiguous United States, representatives of one local Alaskan organization told us that land title issues (in particular, fractionated titles) may be a barrier to mortgage lending on Alaska Native allotments and townsites. In contrast, in the Pacific territories stakeholders typically did not identify land title issues as a barrier.

VA Staff Took Some Steps to Mitigate Mortgage Lending Barriers

Individual VA staff take some steps to help mitigate the effects of known barriers on potential NADL borrowers, but VA has not systematically considered the steps it can take to help mitigate those barriers. VA officials told us that they largely rely on informal activities to help mitigate the effects of known barriers on potential NADL borrowers. We identified five strategies that could serve to mitigate the barriers to mortgage lending on NADL-eligible land (see table 4).⁷⁹ VA’s activities incorporate some aspects of these strategies.

Table 4: Mitigation Strategies That Could Address Barriers to Mortgage Lending on NADL-Eligible Land

Mitigation strategy	Examples
Provide credit support	Programs and services to help borrowers with credit issues, including down-payment assistance, credit builder programs, use of alternative data (not traditionally found in credit reports) to assess creditworthiness, and use of individual development accounts to improve credit and cover closing costs or down payments.
Conduct borrower financial education	Financial education for borrowers about credit, the home-buying process, and federal programs to support home ownership, including federal programs from the Department of Housing and Urban Development, Department of Agriculture, and Department of Veterans Affairs.
Streamline title paperwork	Efforts to reduce the time needed to obtain title documents, including the land lease or other legal description of the land.
Partner with local organizations	Efforts to encourage local organizations such as Native financial institutions and other tribal housing groups to act as mortgage brokers, make mortgage loans on behalf of federal mortgage programs, or help borrowers prepare mortgage applications.
Provide support for construction	Efforts to improve the construction process on NADL-eligible land, including support for building the capacity of local contractors and short-term construction loans to borrowers as a precursor to a mortgage application.

Source: GAO. | GAO-22-104627

⁷⁹We identified these strategies based on a literature review and interviews with national, regional, and local organizations. See app. I for more details.

Representatives of 20 of the 22 local organizations we interviewed from the contiguous United States, Hawaii, and the Pacific territories routinely used these strategies to facilitate mortgage lending on NADL-eligible land. For example, they offered credit support (such as credit builder programs or down-payment assistance) or financial education classes. Others supported local construction by vetting contractors to ensure they were licensed or provided loans to contractors for construction activities. The majority of these organizations used several of these strategies simultaneously.

Although not all aspects of these strategies are applicable to NADL (for instance, NADL loans do not require a down payment), VA officials told us they apply some of these mitigation strategies as opportunities arise. For example, VA officials in the regional centers told us they may discuss NADL credit requirements during one-on-one meetings with veterans or suggest to veterans that they use credit support programs that tribes or local organizations in their communities offer.⁸⁰ They also describe steps veterans can take to improve their credit during their NADL outreach presentation.

Additionally, VA allows for use of alternative data sources (such as evidence of on-time utility payments) to help determine if veterans without credit scores meet credit requirements for home loan programs.⁸¹ VA officials in two regional loan centers told us they use alternative data in this way. According to our review of VA's NADL loan origination data, from April 2020 through May 2021, VA originated three NADL loans to veterans without credit scores. But the extent to which the NADL program

⁸⁰We interviewed officials in two of VA's eight regional loan centers (Phoenix and St. Paul). We selected the two centers because they had a relatively large number of entities with MOUs, NADL loan originations, and federally recognized Indian tribes compared to the other centers. For additional discussion of our methodology, see app. I.

⁸¹Alternative data are information not used in traditional credit reporting and can include bank account transactions; on-time rental, utility, or telecommunications payments data; and educational institution and degree earned. Lenders can use alternative data in mortgage underwriting when borrowers do not have a credit score or have insufficient data on their credit reports to determine their likelihood of repaying the loan. The use of alternative data to evaluate an applicant's creditworthiness is included in VA's NADL program manual. Department of Veterans Affairs, *Native American Direct Loans Manual*, M26-13 (Washington, D.C.: December 2014). In addition, staff follow the underwriting standards in VA's lender's handbook, which includes information for lenders making loans guaranteed by VA and allows for alternative data to evaluate borrower creditworthiness. Department of Veterans Affairs, *Lender's Handbook*, Pamphlet 26-7 (Washington, D.C.).

as a whole uses these data is unclear, because VA does not track use of alternative data for loan underwriting.⁸²

Finally, VA officials said they frequently assist building contractors unfamiliar with VA's construction requirements. For example, staff may meet one-on-one with a contractor to explain the documentation required for the construction bid.

Officials in two regional loan centers told us that the advice they can provide to help address barriers to lending is limited, for several reasons. Officials noted that they may not have much time to work directly with individual veterans and may not be familiar with tribes or local organizations in the community. In addition, officials said they do not want to create the impression that VA supports certain organizations or programs (financial education groups, contractors, or builders) over others. As we discuss elsewhere in the report, VA has opportunities to address these limitations by partnering with local organizations and collaborating with other VA offices that serve Native American veterans.

In Most Regions, VA Has Not Partnered with Local Organizations to Help Mitigate Lending Barriers

VA has not systematically partnered (such as by having entities work directly on VA's behalf) with organizations involved in mortgage lending on NADL-eligible land in Alaska and the contiguous United States. For example, according to VA officials, VA has not partnered with Native financial institutions, tribal housing authorities, or tribal veterans service organizations to educate and counsel veterans about NADL, prescreen applicants, help prepare loan applications, or liaise between the applicant and VA during application reviews.

In contrast, VA has formal partnerships (established through NADL MOUs) with local organizations in the Pacific territories which can help mitigate barriers to NADL lending. VA's local partners prescreen prospective veterans and help prepare the loan application (including collecting the required documents). According to VA staff and representatives with VA's partners in the Pacific territories, these partners also provide credit counseling and submit the loan application to VA. Where applications receive initial approval from VA, the partners continue

⁸²In November 2021, we reported that few mortgage loans used alternative data to underwrite mortgages in 2016–2020. See GAO, *Mortgage Lending: Use of Alternative Data Is Limited but Has Potential Benefits*, [GAO-22-104380](#) (Washington, D.C.: Nov. 16, 2021). For that report, VA officials told us they identified seven direct loans made to borrowers without credit scores in fiscal years 2016–2020.

to work with the borrower and VA to respond to questions, collect construction-related or other documents, and close the loan. Although not a formal partnership, VA officials told us they also previously worked with a local organization in Hawaii that assisted two veterans to prepare and submit NADL loan applications. Borrowers pay a fee of up to \$300 directly to organizations that process loan packages on VA's behalf.⁸³

Other organizations establish partnerships as a way of mitigating barriers to mortgage lending on NADL-eligible land. Fifteen of the 22 local organizations we interviewed in the contiguous United States, Hawaii, and the Pacific territories partner with other local organizations to help make mortgage loans to Native American borrowers on NADL-eligible land. For example, these organizations may provide borrowers with homebuyer education or assist with the loan application process.

In addition, USDA's Section 502 direct loan program, which provides direct loans to Native Americans on NADL-eligible land, has local partners that help promote the program in underserved areas, prescreen and counsel potential applicants about improving their qualifications for a loan, ensure applications are complete, and liaise between the applicant and the agency. USDA-certified loan application packagers can charge borrowers up to \$2,000 for their services if USDA approves the loan application and closes the loan.⁸⁴ In recognition that the 502 direct loan program was underutilized on NADL-eligible lands in the contiguous United States, in 2019 USDA piloted enhanced partnerships with two Native financial institutions (serving nine federally recognized Indian tribes). Under this enhanced approach, these partner institutions also underwrite and originate USDA's 502 loans.⁸⁵

⁸³Other costs payable by NADL borrowers may include credit reports, appraisals, and compliance inspections. See 38 C.F.R. § 36.4527(d)(3)-(4). The loan processing fee and these other costs are to be paid at the time of loan closing and cannot be paid out of the proceeds of the loan.

⁸⁴To qualify as a certified loan application packager, an individual must have 1 year of affordable housing counseling or loan origination experience, complete and pass an agency-approved certification course, and work for a qualified employer (such as a tribal housing authority or state housing finance agency). 7 C.F.R. § 3550.75(b)(1). The fee may not exceed 2 percent of the national average area loan limit and may be limited further at the agency's discretion. 7 C.F.R. § 3550.52(d)(6).

⁸⁵In total, the two institutions are responsible for originating up to \$2 million in new USDA 502 direct loans—\$1.6 million provided by USDA and an additional \$400,000 in matching funds provided by the institutions.

Congress authorized VA to employ, utilize, and compensate any persons, organizations, or departments or agencies designated by VA to carry out the agency’s functions in connection with the NADL program, and to station loan guarantee specialists in tribal facilities, if requested by the tribal government.⁸⁶ Additionally, one of the objectives in VA’s strategic plan is to have effective partnerships that enhance veteran well-being and independence. As part of this objective, VA is expected to leverage such partnerships, including with tribal governments, to ensure veterans get the best care and services available, even if that is from groups outside of VA.

We identified several models for partnering with other organizations that may be instructive for the NADL program, based on our review of the partnership models of other VA offices serving veterans and of another federal agency providing mortgage assistance to Native Americans.⁸⁷ Table 5 briefly describes these partnership models.

Table 5: Partnership Models for Working with External Groups

Model	Description
Knowledgeable partners	The partners distribute program information and help interested individuals learn about the program. They typically do not receive payment for their services.
Representatives	The representatives conduct certain activities, such as outreach events, or assist applicants to prepare and submit an application. The agency may accredit representatives. Representatives typically do not receive payment for their services.
Loan packagers	Packagers assist applicants to prepare an application and submit the application on their behalf. They also may conduct initial credit and income eligibility assessments. Packagers receive training and are accredited and may charge a fee.
Subcontractors	Subcontractors work on behalf of the agency to implement designated program activities. They receive training, are accredited, and are paid by the agency through a contract.
Loan originators	Originators receive lending capital from the agency to make loans on the agency’s behalf. Originators may be trained by the agency.

Source: GAO. | GAO-22-104627

These partnerships typically include written descriptions of the purpose of the partnership and the roles and responsibilities of each party. Partnerships involve regular collaboration or engagement to achieve agreed-upon goals or outcomes—they are typically more robust than an organization hosting VA at an event, for example.

⁸⁶38 U.S.C. §§ 3762(g)(4), 3762(i)(2)(F).

⁸⁷For additional discussion of our methodology to identify these models, see app. I.

VA officials expressed concern that using local organizations to support delivery of NADL activities could raise costs for NADL loans. VA officials said they were concerned that the \$300 fee third parties can charge veterans to help prepare NADL loan packages would increase a borrower's costs to close the loan and was insufficient to attract qualified support in those areas. USDA partly addresses concerns about the qualifications and cost of its loan application packagers for its 502 program by certifying those partners and making their use optional. Officials also stated that any amount VA might pay third parties directly would increase the administrative costs of NADL and that monitoring and training those parties could take time away from staff members' other NADL duties.

However, partnering with other organizations to help conduct activities and assist veterans with loan applications has the potential to be cost-effective by freeing up VA time and resources needed for these core NADL administrative duties. For example, in the Pacific territories, local partners assist veterans with their NADL applications. As a result, VA officials told us these applications are typically complete and from qualified veterans.

In contrast, in the contiguous United States, where no such partnerships exist, applications are often submitted one document at a time and a complete loan application can take more than a year to assemble, according to VA officials. VA staff working with veterans in the contiguous United States often need to repeatedly follow up with veterans on the status of their applications or work on requesting documents from various offices—a time-consuming process.⁸⁸

VA currently may not be in a position to fully resolve, on its own, long-standing challenges to supporting mortgage lending on NADL-eligible lands. As discussed earlier, while VA staff provide veterans with advice and support, staff may not be familiar with local resources or may have limited time available to work directly with individual veterans. But local organizations, such as Native financial institutions and housing authorities, may be well-equipped to help borrowers address barriers to mortgage lending on NADL-eligible land. By implementing partnerships with local organizations in Alaska and the contiguous United States, VA could be better positioned to address barriers eligible veterans may face

⁸⁸Veterans often need to include lease, environmental, archeological, and water and septic approvals from tribes, BIA, and the Indian Health Service in their NADL loan application.

in accessing the program. VA also could assess which partnership models are most appropriate for addressing barriers and whether such partnerships can serve to cost-effectively facilitate NADL operations.

Conclusions

Although the NADL program was intended to ensure Native American veterans can use the home loan benefit earned through their service, VA does not have the information or processes to fully meet that responsibility. Additionally, until recently, the NADL program did not have staff working full time on it, and the program has made relatively few loans to Native American veterans. But with the deployment of dedicated staff, opportunities have emerged for fundamental process improvements. By addressing weaknesses with NADL information collection and performance measurement, communications, outreach, planning, and collaboration, VA will be better positioned to realize the intended benefits of its new NADL staffing structure and recognize—and act on—opportunities to meet the housing needs of Native American veterans. This could lead to increased program participation. Specifically:

- VA lacks a detailed plan for implementing NADL activities under its new staffing structure. Such a plan would help management communicate NADL priorities, balance resource needs, and establish time frames and help ensure management has information to monitor and assess the progress of the new NADL staffing team.
- VA lacks key information about certain NADL activities and the program experiences of veterans and perspectives of other stakeholders, and it lacks comprehensive program performance goals and measures to assess the conduct of NADL activities. Management decision-making would benefit from the systematic collection of such information and implementation of comprehensive performance goals and measures. Additionally, management and staff would be better positioned to identify opportunities for improvements and assess the effectiveness of their NADL activities.
- Because VA has limited processes for reviewing NADL program documentation, VA has communicated inaccurate, incomplete, and outdated information about NADL. Routinely reviewing NADL program documents for timeliness, accuracy, and completeness would help ensure that staff can effectively communicate about and implement program activities and that veterans and other interested organizations clearly understand the program and how to access NADL resources.
- VA lacks plans for overall NADL outreach and for the conduct of NADL activities in Alaska, where the agency has not entered into

MOUs with entities holding the vast majority of NADL-eligible land or made a loan. Such plans would help ensure that VA's activities are informed by recognized best practices and knowledgeable groups, appropriate to local operating environments, and appropriately resourced.

- Because the NADL program lacks processes to systematically collaborate or partner with or leverage the knowledge of other VA offices, federal agencies, or local organizations experienced with serving Native Americans, VA's ability to help address known barriers to Native American veterans' homeownership is limited. Establishing such processes could increase the program's ability to serve veterans.

Recommendations for Executive Action

We are making the following 10 recommendations to VA:

The Director of the Loan Guaranty Service should develop a plan for implementation of NADL activities under the new staffing structure, to include staff priorities, resource needs, time frames, and assessment of the changes made. (Recommendation 1)

The Director of the Loan Guaranty Service should comprehensively assess its needs for collecting and using data to monitor and oversee NADL outreach and MOU negotiation. (Recommendation 2)

The Director of the Loan Guaranty Service should develop and implement mechanisms, such as surveys or focus groups, to collect feedback from Native American veterans, NADL-eligible entities, and other knowledgeable groups on NADL activities and identify any opportunities for improvement. (Recommendation 3)

The Director of the Loan Guaranty Service should develop and implement program performance goals and measures for NADL outreach, MOU negotiation, and lending activities. (Recommendation 4)

The Director of the Loan Guaranty Service should develop and implement processes to routinely and consistently review NADL program documents (including MOUs and policies and procedures) to help ensure they are current, complete, and accurate, and also identify parties to help conduct the reviews, such as VA's Office of General Counsel. (Recommendation 5)

The Director of the Loan Guaranty Service should develop a NADL outreach plan based on sound planning practices. (Recommendation 6)

The Director of the Loan Guaranty Service should develop a plan for conducting NADL outreach, MOU negotiation, and lending activities in Alaska, including how to assist eligible veterans with interests in land owned by Alaska Native regional and village corporations or, if eligible, Alaska Native allotments and townsites. (Recommendation 7)

The Director of the Loan Guaranty Service should develop and implement a mechanism for NADL staff to routinely consult on outreach, MOU negotiation, and lending activities with staff from other VA offices serving Native American veterans. (Recommendation 8)

The Director of the Loan Guaranty Service should develop policies and procedures for staff to determine whether eligible entities without a NADL MOU previously received approvals from other federal agencies to participate in their mortgage programs and use such information to inform its approach to outreach. (Recommendation 9)

The Director of the Loan Guaranty Service should partner with organizations in Alaska and the contiguous United States to conduct NADL outreach or assist with program activities and assess which partnership models are most effective. (Recommendation 10)

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of the Interior, Department of the Treasury, HUD, Board of Governors of the Federal Reserve, USDA, and VA for review and comment. We received technical comments from the Department of the Interior, HUD, USDA, and VA, which we incorporated into the final report as appropriate. In emails from the Department of the Treasury and the Board of Governors of the Federal Reserve, both agencies said they had no comments.

We also received written comments from VA that are summarized below and reprinted in appendix III. In their written comments, VA concurred with all 10 recommendations, and said it considered four recommendations already implemented. Specifically, in its response, VA highlighted that individual performance standards for staff (implemented in fiscal year 2022) include information responsive to these recommendations. While the individual performance standards outline the major duties of the newly dedicated NADL staff, we maintain that VA needs to take additional actions to respond to these recommendations. Specifically:

- Regarding the second recommendation on assessing data collection needs, VA noted that the formation of the new NADL team, creation of

individual performance standards, and capture of data on MOU outreach efforts fully implements this recommendation. As we described in our report, VA's current data systems are missing certain information (such as the status of MOU negotiations). A comprehensive assessment of NADL data needs would help ensure that VA collects reliable, comprehensive, current data on a timely basis to help manage the program.

- Regarding the fourth recommendation on performance goals and measures for key activities, VA concurred that lending activities can be measured and noted that it considered this recommendation fully implemented based on the individual performance standards it has in place for NADL staff and the Executive Director of VA's Loan Guaranty Service. As part of our audit, we reviewed the individual performance standards and determined they do not constitute a comprehensive set of program performance goals and measures that considers all key NADL activities. As described in our report, performance goals are specific targets an agency expects to achieve and performance measures allow management to assess progress towards those goals. Establishing a comprehensive set of goals and measures that take into account all NADL key activities, would help management have the information it needs to assess overall program performance.
- Regarding the sixth recommendation to develop an outreach plan, VA noted that staff's individual performance standards specify outreach requirements and that it therefore considers this recommendation to be fully implemented. However, the performance standards do not constitute a strategic or operational plan to inform VA's approach to NADL outreach. As described in our report, such a plan might include discussion of the operating environment, how to conduct key activities, intended outcomes of outreach activities (and how they could be measured), and the internal and external resources that could be used to develop and conduct the activities. Plan development might include analysis of VA's targeted audiences and consultation with groups experienced with developing outreach approaches to VA's targeted audiences. Such an outreach plan, would better position VA to fully consider internal and external resources and sound planning practices to help develop and refine its approach to NADL outreach.
- Regarding the eighth recommendation on a mechanism for NADL staff to routinely consult with other VA offices serving Native American veterans, VA described various activities that it considered as already implementing this recommendation. These included encouraging

NADL staff to meet periodically with staff from VA's Office of Tribal Government Relations and identifying Loan Guaranty Service points of contact to outreach coordinators in VA's regional offices. However, these actions do not constitute a process for regularly collaborating with and leveraging the knowledge and resources of the several different VA offices that serve Native American veterans. A formal mechanism to facilitate two-way collaboration with these other VA offices would better position the NADL program to leverage their knowledge and experience to improve NADL outreach and operations.

In addition, in its general comments, VA noted that our report states that Native Americans face well-known barriers to mortgage lending on tribal land, but does not provide examples of other lending programs with participation results dramatically more successful than VA's. Our initial work determined that other federal agencies and private lenders we interviewed did not consistently collect data on whether a borrower was a veteran. Further, within the scope of our review, we found that differences in program and other requirements limited the benefits of such comparisons.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Agriculture, Chair of the Board of Governors of the Federal Reserve System, Secretary of Housing and Urban Development, Secretary of the Interior, Secretary of the Treasury, Secretary of Veterans Affairs, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-8678 or ShearW@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who make key contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "William B. Shear". The signature is written in a cursive style with a large initial 'W' and a long, sweeping tail on the 'r'.

William B. Shear
Director, Financial Markets and Community Investment

List of Requesters

The Honorable Jon Tester
Chairman
The Honorable Jerry Moran
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Richard Blumenthal
United States Senate

The Honorable Kevin Cramer
United States Senate

The Honorable M. Michael Rounds
United States Senate

The Honorable Kyrsten Sinema
United States Senate

Appendix I: Objectives, Scope, and Methodology

This report examines the extent to which (1) the Native American Direct Loan (NADL) program provided mortgage loans to the eligible population in fiscal years 2012–2021; (2) the Department of Veterans Affairs (VA) has practices to plan, conduct, and review NADL activities; and (3) VA mitigates barriers to NADL participation and any additional steps VA could take to address those barriers.

Veterans Served by NADL

To describe the extent to which NADL has served the eligible population in fiscal years 2012–2021, we took the following steps:

Estimated the eligible population. We used data from the Census Bureau's 2015–2019 American Community Survey to estimate the number of veterans potentially eligible for NADL in Alaska, the contiguous United States, and Hawaii.¹ First, we identified veterans who were “on active duty in the past, but not now.”² For each of those veterans, we assigned the following characteristics:

- **Racial identity.** To identify those veterans who were potentially Native American and potentially affiliated with a federally recognized Indian tribe or other NADL-eligible entity, we analyzed all unique combinations of responses to the American Community Survey race question for one or two races and derived the following categories: American Indian; Alaska Native; Native Hawaiian; Native Pacific Islander (corresponding to American Samoa, Commonwealth of the Northern Mariana Islands, and Guam); tribe undetermined; and not native.³ We identified each veteran accordingly. Census data on race

¹We accessed American Community Survey data through IPUMS of the University of Minnesota. For purposes of our review, the contiguous United States includes the District of Columbia.

²These estimates do not include some potentially eligible borrowers, such as active-duty servicemembers and non-Native American veterans whose spouses are Native American. According to a 2020 Urban Institute study, active-duty servicemembers often receive housing as part of their service and those personnel had lower homeownership rates than servicemembers no longer on active duty (according to analysis of 2017 census data). Urban Institute, *The Impacts of U.S. Military Service on Homeownership and Income* (Washington, D.C.: January 2020).

³The American Community Survey asks about a person's race and provides a list of race options, including American Indian or Alaska Native, Native Hawaiian, Guamanian or Chamorro, and Samoan. For the check box “American Indian or Alaska Native,” the respondent has the option to write in the name of the enrolled or principal tribe (which is distinct from the respondent's racial identity). For purposes of our analysis, we classified all combinations of three or more races as “not native” and excluded them from our analysis.

are self-reported and do not take into account objective criteria, such as tribal membership or blood quantum, used to define Native American in NADL's governing statute.⁴

- **Geographic area.** Based on state of residence, we determined whether the veteran lived in Alaska, the contiguous United States, or Hawaii.
- **Proximity to NADL-eligible land.** For veterans in Alaska and the contiguous United States, we determined whether they lived in an area on or near NADL-eligible land. We defined such an area to be a census-designated public use microdata area (non-overlapping census statistical geographic areas of at least 100,000 people) that included a federally or state-recognized American Indian reservation or off-reservation trust land or an Alaska Native regional corporation or Alaska Native village statistical area.⁵ We considered all veterans identifying as Native Hawaiian living in Hawaii to be living on or near NADL-eligible land because of the islands' relatively small size.

We used these data to develop three estimates:

1. **American Indian, Alaska Native, Native Hawaiian, and certain Native Pacific Islander veterans residing in Alaska, the contiguous United States, and Hawaii.** For this estimate, we considered a veteran to be potentially eligible if in the following race categories—American Indian, Alaska Native, Native Hawaiian, Native Pacific Islander, and tribe undetermined—and resident in the three geographic areas.
2. **American Indian, Alaska Native, Native Hawaiian, and certain Native Pacific Islander veterans living on or near the types of land potentially eligible for NADL in Alaska, the contiguous United States, and Hawaii.** For this estimate, we used the race categories as in the first estimate, but limited it to those veterans who lived on or near the types of land potentially eligible for NADL.
3. **American Indian, Alaska Native, and Native Hawaiian veterans living on or near the types of land and entities potentially eligible for NADL in Alaska, the contiguous United States, and Hawaii.** For this estimate, we limited the potentially eligible population to three of our race categories: American Indian, Alaska Native, and Native Hawaiian and limited the estimate to those veterans who lived on or

⁴See 38 U.S.C. § 3765(3).

⁵Although the NADL program is not available on state-recognized American Indian reservations, the data did not permit us to separate those areas for analysis.

near the types of land potentially eligible for NADL. We further limited our estimate to those veterans who potentially were affiliated with an entity that might be eligible to participate in NADL. For example, we limited potentially eligible veterans in Alaska to Alaska Natives (therefore, Native Hawaiians or American Indians living in Alaska would not be included in this estimate).

Because the American Community Survey is based on sampling of a relatively small-sized population (such as American Indian, Alaska Native, or Native Hawaiian veterans) and each sample could have provided different estimates, we reported our results as the minimum and maximum of the confidence interval at a 95 percent confidence level. This is the interval that would contain the actual population value for 95 percent of the samples that could have been drawn.

In addition, we used 2010 decennial census data (the most recent available at the time of our analysis) to estimate the potentially eligible population of Native Pacific Islander veterans living in the three NADL-eligible Pacific territories. As with our other estimates, we considered a veteran to be someone whose veteran status was “on active duty in the past, but not now.” We included those veterans whose ethnic origin or race was as follows: Samoan (living in American Samoa) and Chamorro or Guamanian (living in the Commonwealth of the Northern Mariana Islands or Guam). We excluded all other origins or races, including Other Pacific Islander, Asian, and two or more races. Because the decennial census data are not based on a sample, we report one estimate for this population.

Furthermore, because our estimates are from different time periods (2015–2019 for Alaska, Hawaii, and the contiguous United States, and 2010 for the Pacific territories), we were unable to report one estimate for all geographic areas where NADL is available.

VA provided us with its own estimates of the population eligible for NADL and its methodology for developing such estimates. The results of this analysis are discussed in appendix II.

Analyzed NADL lending. To describe NADL lending activities, we obtained and analyzed (1) loan-level data from VA on active loans as of September 30, 2021, including the loan’s origination date and property address; and (2) data on loans originated and loans closed from October 1, 2011, through September 30, 2021. We assessed the reliability of these data by reviewing relevant documentation; interviewing

knowledgeable VA officials; and electronically testing the data for duplicates, missing values, and invalid values. We determined these data were sufficiently reliable for describing the number of active NADL loans as of September 30, 2021, and the number of originated loans annually in fiscal years 2012–2021 for four geographic areas: Alaska, the contiguous United States, Hawaii, and the Pacific territories. We compared the results to our estimates of the eligible population overall and in four geographic areas.

Analyzed NADL memorandums of understanding (MOU). We also compared the number of NADL-eligible entities that had NADL participation MOUs with the number of NADL-eligible entities we identified (to the extent data were available). Specifically, we obtained a list from VA of each NADL-eligible entity with an MOU, including information on the state or territory associated with each entity. We then counted the number of NADL-eligible entities, by geographic area, as follows:

- **Alaska.** We counted the number of Native entities in Alaska recognized by the Bureau of Indian Affairs (BIA) as Indian tribes as of January 2021.⁶ We also obtained from BIA a list of entities with tribal trust land and the number of acres of such land, as of August 2021. We assessed the reliability of these data by reviewing related documentation and interviewing knowledgeable BIA officials. We determined these data were sufficiently reliable for counting the number of entities with such land and the amount of land held by each. Because officials with VA’s Office of General Counsel told us they could not confirm whether Alaska Native allotments or townsites would be eligible for NADL loans or which organizations would be designated as a NADL-eligible entity for purposes of signing an MOU, we could not determine the total number of potentially eligible entities in Alaska.
- **Contiguous United States.** We considered the number of Indian entities recognized by BIA as Indian tribes as of January 2021. In addition to considering the number of federally recognized Indian tribes, we included each of the six bands of the Minnesota Chippewa Tribe as a separate tribe for purposes of this analysis because VA has separate MOUs with some of the bands. We also obtained tribe-level data from BIA on the number of acres of trust and restricted fee land held by or for tribes and individuals as of August 2021 and calculated the number of tribes with 5 or more acres of NADL-eligible land. We

⁶86 Fed. Reg. 7,554 (Jan. 29, 2021).

assessed the reliability of these data by reviewing relevant documentation and interviewing knowledgeable BIA officials. We determined these data were sufficiently reliable for identifying the number of federally recognized Indian tribes in the contiguous United States with 5 or more acres of NADL-eligible land.

- **Hawaii.** We obtained a copy of the MOU from VA and confirmed that this MOU covered all NADL-eligible land in the state.
- **Pacific territories.** We obtained copies of the MOUs from VA and confirmed that these MOUs covered all NADL-eligible land in these locations.

We then described, to the extent data were available, the number and percentage of NADL-eligible entities with and without MOUs.

Finally, we compared the number of entities with MOUs with the number of active loans (as of September 30, 2021) and of originated loans (from October 1, 2011, through September 30, 2021); and the number whose MOUs were signed between October 2011 and September 2019 with the number of originated loans from October 1, 2011 through September 30, 2019, by entity, to calculate the number of entities with MOUs that have NADL loans and the number of such loans.⁷ We supplemented our analyses with interviews with VA officials; officials from other federal agencies; and representatives of other national, regional, and local organizations about differences in lending volume among the four geographic areas and the overall demand for lending on NADL-eligible lands.

VA Practices to Plan, Conduct, and Review NADL Activities

To assess the extent to which VA has practices to plan, conduct, and review NADL outreach, MOU negotiation, and loan processing activities, we reviewed statutes, regulations, policies, procedures, and program documents (including manuals, organizational charts, job descriptions, and training materials) relevant to the NADL program.⁸ We also examined NADL outreach materials (including contact letters, brochures, and presentations), examples of VA's NADL loan reports and loan document

⁷According to VA officials, in August 2021, VA signed an additional MOU with a federally recognized Indian tribe in the contiguous United States. For purposes of our analysis, we did not include this tribe because the signing date was close to the end of the period we reviewed and provided little time for VA to originate a NADL loan.

⁸Department of Veterans Affairs, *Native American Direct Loans Manual*, M26-13 (Washington, D.C.: Dec. 2, 2014); *Lender's Handbook*, Pamphlet 26-7 (Washington, D.C.); and *Functional Organization Manual*, version 6 (Washington, D.C.: 2020).

checklists, and a nongeneralizable sample of MOUs (selected to provide geographic diversity).

To supplement our document review, we interviewed VA officials about their planning, conduct, and review of NADL outreach, MOU negotiation, loan processing, and their overall approach to conducting outreach, delivering services, and coordinating internally with other VA offices when providing services to Native American veterans. Specifically, we interviewed officials from three of VA's eight regional loan centers. We selected two centers (Phoenix and St. Paul) for interviews because they had a relatively large number of entities with MOUs, NADL loan originations, and federally recognized Indian tribes compared to the other centers. In addition, officials with the Phoenix regional loan center were responsible for conducting NADL activities in certain states in the contiguous United States as well as in Hawaii and the Pacific territories. We spoke with officials responsible for NADL outreach, MOU negotiation, loan processing, appraisal and construction review, and program oversight and management.

The third regional loan center whose officials we interviewed (Denver) was selected because it is responsible for implementing NADL activities in Alaska. We also interviewed officials from the following VA offices that specialize in or facilitate outreach and service delivery to Native American veterans: Loan Guaranty Service (central office); Office of General Counsel; Center for Minority Veterans; Office of Rural Health; Office of Tribal Government Relations; Office of Outreach, Transition, and Economic Development; and Veterans Experience Office.

We compared these practices against VA's 2018–2024 strategic plan, the Office of Management and Budget's (OMB) memorandums on program management standards, and federal internal control standards.⁹ We also compared VA's practices against leading practices and guidance, including OMB guidance on program monitoring, evaluation, and information collection; OMB guidance and executive orders on collection of feedback; and our prior work on leading practices for program

⁹Department of Veterans Affairs, *Department of Veterans Affairs FY 2018–2024 Strategic Plan* (Washington, D.C.: May 31, 2019); Office of Management and Budget, *Improving the Management of Federal Programs and Projects through Implementing the Program Management Improvement Accountability Act*, M-18-19 (Washington, D.C.: June 25, 2018); and GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

redesign, effective performance measurement, sound planning, and outreach activities.¹⁰

To estimate the amount of land potentially eligible for NADL in Alaska, we analyzed BIA data (described previously) on the number of acres of tribal trust land. In addition, we obtained data from BIA on the number of Alaska Native allotments (and total acreage conveyed) as of June 2021 and the number of Alaska Native townsites (and total acreage conveyed) as of October 2021. We assessed the reliability of these data by interviewing knowledgeable BIA officials. We determined the data were sufficiently reliable for describing the amount of tribal trust land and Alaska Native allotments and townsites in Alaska.

To estimate the amount of land held by Alaska Native regional and village corporations and the number of such corporations, we reviewed the Alaska Native Claims Settlement Act and the websites of the regional corporations. We supplemented our data analysis with interviews with organizations in Alaska and officials of BIA, the Federal Reserve Bank of San Francisco, the Department of Housing and Urban Development

¹⁰GAO, *Foreign Assistance: State Department Should Better Assess Results of Efforts to Improve Financial and Some Program Data*, [GAO-21-373](#) (Washington, D.C.: May 10, 2021); *Program Evaluation: Key Terms and Concepts*, [GAO-21-404SP](#) (Washington, D.C.: March 2021); *Telecommunications: FCC Should Enhance Performance Goals and Measures for Its Program to Support Broadband Service in High-Cost Areas*, [GAO-21-24](#) (Washington, D.C.: Oct. 1, 2020); *Military and Veteran Support: Performance Goals Could Strengthen Programs that Help Servicemembers Obtain Civilian Employment*, [GAO-20-416](#) (Washington, D.C.: July 9, 2020); *VA Disability Benefits: Additional Planning Would Enhance Efforts to Improve the Timeliness of Appeals Decisions*, [GAO-17-234](#) (Washington, D.C.: Mar. 23, 2017); *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington, D.C.: Oct. 24, 2014); *Foreclosure Review: Opportunities Exist to Further Enhance Borrower Outreach Efforts*, [GAO-12-776](#) (Washington, D.C.: June 29, 2012); *Social Security Disability: Additional Performance Measures and Better Cost Estimates Could Help Improve SSA's Efforts to Eliminate Its Hearing Backlog*, [GAO-09-398](#) (Washington, D.C.: Sept. 9, 2009); *Digital Television Transition: Increased Federal Planning and Risk Management Could Further Facilitate the DTV Transition*, [GAO-08-43](#) (Washington, D.C.: Nov. 19, 2007); *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO 03-143](#) (Washington, D.C.: Nov. 22, 2002); and *Business Process Reengineering Assessment Guide*, [GAO/AIMD-10.1.15](#) (Washington, D.C.: May 1997). Also see Office of Management and Budget, *The Federal Performance Framework for Improving Service Delivery*, Circular A-11, Pt. 6 (Washington, D.C.: Aug. 6, 2021); and *Phase 1 Implementation of the Foundations for Evidence-Based Policymaking Act of 2018: Learning Agendas, Personnel, and Planning Guidance*, M-19-23 (Washington, D.C.: July 10, 2019). In addition, see Exec. Order No. 14,057 *Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government*, 86 Fed. Reg. 71,357-58 (Dec. 13, 2021); and Exec. Order No. 12,862, *Setting Customer Service Standards*, 58 Fed. Reg. 48,257 (Sept. 14, 1993).

(HUD), and the Department of Agriculture (USDA)—federal agencies familiar with mortgage lending in Alaska—about the availability of and use of mortgages on tribal trust land, Alaska Native corporation land, and Alaska Native allotments and town sites.

To estimate the number of federally recognized Indian tribes approved by HUD or USDA to participate in their mortgage lending programs but which did not have MOUs with VA for NADL, we compared lists of tribes with HUD or USDA approval to those tribes with VA approval. Because HUD's and USDA's programs also provide mortgage loans on lands not eligible for NADL (such as fee-simple land owned by an individual), we used BIA's data on the number of acres of land per tribe to exclude HUD- or USDA-approved tribes with fewer than 5 acres of land. We then counted the number of such tribes that had approval from HUD or USDA and did not have MOUs with VA.

VA Identification and Mitigation of Barriers to Lending

To examine the extent to which VA mitigates barriers to NADL participation and any additional steps VA could take to address those barriers, we conducted a literature review of any barriers and mitigation steps. We searched databases, such as EBSCO, ProQuest, and Scopus, to identify sources published from 2011 to 2021 (including peer-reviewed academic studies, law review articles, articles by trade and industry groups, and reports from think tanks related to Native American homeownership, barriers to accessing mortgage credit on NADL-eligible lands, and potential mitigation strategies). We identified additional materials through citations in literature we reviewed and internet key-word searches.

To supplement our literature review, we interviewed representatives with a nongeneralizable selection of organizations (two national, four regional, and one local) familiar with mortgage lending on land held in trust by the federal government and other NADL-eligible lands. In addition, we interviewed officials with the following six federal entities—BIA, the Department of the Treasury's Community Development Financial Institutions Fund, Federal Reserve Bank of Minneapolis's Center for Indian Country Development, Federal Reserve Bank of San Francisco, HUD, and USDA. We selected these agencies because they either delivered mortgage assistance programs to Native American borrowers on NADL-eligible land (HUD and USDA), had knowledge about such programs (Federal Reserve Banks and Treasury), or had responsibility for administering certain types of NADL-eligible lands (BIA). For BIA and HUD, we spoke with officials responsible for activities in Alaska and in the contiguous United States.

Based on our literature review and interviews, we identified (1) a list of known barriers Native American borrowers may experience when applying for a mortgage loan on NADL-eligible land, and (2) a list of strategies to help mitigate the effects of those barriers.

To describe the extent to which Native American borrowers on NADL-eligible land experienced the identified barriers from 2018 through summer 2021, we interviewed representatives of a nongeneralizable selection of 22 local organizations (tribal housing authorities, financial institutions, and veterans' representatives) from the contiguous United States (16), Hawaii (two), and the Pacific territories (four). To identify these organizations, we conducted a review of literature on mortgage lending on NADL-eligible land and solicited suggestions from each group we interviewed.

In addition, to identify organizations to interview in the contiguous United States, we selected groups in the service area of three of VA's eight regional loan center regions (Cleveland, Phoenix, and St. Paul). For each region, we interviewed representatives of two tribal housing authorities (one with an MOU and one without) and one tribal veterans service organization, selected because the respective tribe had a relatively large proportion of veterans (based on 2015–2019 census data) and NADL-eligible land (based on BIA data). In each region, we also interviewed representatives from either two or three financial institutions (banks, credit unions, or Native Community Development Financial Institutions). We selected institutions with a relatively large number of loans on NADL-eligible land according to mortgage processing data (February 1, 2020–May 25, 2021) from BIA.

We asked interviewees to categorize the frequency (frequently, sometimes, rarely, or never) with which Native Americans in their communities experienced each of the six barriers on our list when considering applying for a mortgage loan on NADL-eligible land or during the application process. We then tabulated the results to identify barriers most frequently encountered (determined by a response of "frequently" or "sometimes").

To describe the extent to which organizations used the five strategies on our list, we asked the representatives of each of the 22 organizations if their organization had adopted or considered adopting each of the strategies. We counted the number of "yes" (had adopted or considered adopting) and "no" (had not adopted or considered adopting) answers to identify which strategies were most frequently adopted and the extent to

which organizations adopted multiple strategies. Where an organization responded “yes” to a strategy, we asked about their specific activities (or planned activities).

To describe barriers and mitigation strategies to mortgage lending in Alaska and use of Alaska Native regional and village corporation lands and Alaska Native allotments and townsites for housing, we interviewed representatives from six entities: two Alaska Native regional corporations, two housing authorities, one Native association, and one Native financial institution. We selected these entities because of their knowledge and familiarity with Alaska Native regional and village corporation land, Alaska Native allotments and townsites, mortgage lending, and residential housing in Alaska. To provide a geographically diverse perspective, we selected these entities from three of the 12 Alaska Native Claims Settlement Act regions (Ahtna, Cook Inlet, and Doyon).

To describe the extent to which Native American veterans experienced these barriers as part of NADL, we interviewed VA officials. To describe any mitigation steps taken by VA to address these barriers, we reviewed VA’s NADL program manual, lenders handbook (which includes VA’s NADL underwriting processes), and quality control procedures.¹¹ We supplemented these materials with interviews with VA officials about their efforts to mitigate the effects of these barriers. We compared these results against the authority set forth in NADL’s governing statute and goals and objectives in VA’s 2018–2024 strategic plan.

To measure the time it took BIA to process documents for leasehold and land mortgage approvals, we analyzed BIA data (February 1, 2020–May 25, 2021) on issuance of certificates of approval.¹² We assessed the reliability of the data by interviewing knowledgeable officials, reviewing supporting documentation, and reviewing the data for obvious errors. We determined these data were sufficiently reliable for reporting how long it

¹¹Department of Veterans Affairs, *Quality Control Procedures*, 26-9 (Washington, D.C.); *Native American Direct Loans Manual*, M26-13; and *Lender’s Handbook*, Pamphlet 26-7.

¹²We analyzed the time from BIA’s receipt of an application for approval of a mortgage-based legal claim through issuance of a certificate of approval for both leasehold (trust or restricted fee land) and for land mortgages, which include individual allotted land. The process to issue certificates of approvals for homes on fractionated land (which occurs when an allottee dies and ownership, but not the land, is divided among the heirs), can be lengthy because it involves multiple owners.

took BIA to approve requests for leasehold and land mortgages on trust or restricted fee land, overall and for eight of BIA's regional offices.¹³

Finally, to understand how comparable programs partner with third parties, we identified practices used by other VA offices and another federal agency to employ partners to support Native American and other program participants applying for or receiving benefits. Specifically, we reviewed methods used by other VA programs and those used by USDA for their mortgage lending programs serving Native Americans. We considered these practices to be potentially applicable to VA's administration of NADL because they targeted a similar population or were designed to provide benefits or services (including housing benefits).

We conducted this performance audit from November 2020 to April 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹³Data include 10 of BIA's 12 regional offices; the Eastern Oklahoma and Southern Plains offices did not complete processing of any applications during the period. We did not report region-level results for the two regions (Alaska and Western) with three or fewer mortgage cases. The Northwest region also includes one tribe in Alaska that has trust land administered by BIA.

Appendix II: Department of Veterans Affairs' Methodology for Calculating the Population Potentially Eligible for Native American Direct Loans

Department of Veterans Affairs (VA) staff estimated that, as of 2020, approximately 74,000 Native American veterans potentially were eligible for the Native American Direct Loan (NADL) program—approximately 26,000 in Alaska and the contiguous United States, 38,000 in Hawaii, and 9,700 in the Pacific territories of American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam.¹ VA officials told us they make estimates such as this in response to external requests, including from congressional staff.

VA officials told us they took the following steps to develop the 2020 estimate:

Alaska and the contiguous United States. VA used data from the Census Bureau's 2017 American Community Survey to estimate the total number of Native American veterans living in Alaska and the contiguous United States. VA first excluded Native American veterans who lived in states that (1) did not have land held in trust by the federal government or other restricted land or (2) did not have any federally recognized Indian tribes with a memorandum of understanding with VA for the NADL program. Of the remaining veterans, VA assumed that 23 percent would live in rural areas and therefore would be likely to live on federal trust or other restricted land.²

Hawaii. VA estimated the size of the population potentially eligible for NADL in Hawaii based on VA's 2020 estimate of the state's total veteran population.³ VA multiplied the state's veteran population by the census estimate of the percentage of the population in Hawaii that is Native Hawaiian or Pacific Islander.

¹Separately, we estimated about 64,000–70,000 American Indian, Alaska Native, and Native Hawaiian veterans in the United States (not including the Pacific territories) potentially were eligible for NADL based on analysis of 2015–2019 census data. Based on our analysis of 2010 census data (the most recent available at the time of our analysis), an estimated 5,200 additional veterans who identified as Guamanian, Chamorro, or Samoan lived in the Pacific territories of American Samoa, Commonwealth of the Northern Mariana Islands, and Guam and also might be eligible for a NADL loan. Our estimates differed from VA's in part due to differences in the number of estimated veterans in various geographic regions. However, we did not examine the basis of VA's estimates. For additional discussion of our methodology, see app. I.

²According to VA officials, the 23 percent is based on a prior census estimate of the percentage of the population living in rural areas.

³VA publishes state profiles in its annual benefits report. For example, Veterans Benefits Administration, *Annual Benefits Report: Fiscal Year 2020* (Washington, D.C.: June 2021).

**Appendix II: Department of Veterans Affairs'
Methodology for Calculating the Population
Potentially Eligible for Native American Direct
Loans**

Pacific territories. Using the 2010 decennial census, VA identified the number of veterans in the territories.

Appendix III: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON

March 23, 2022

Mr. William B. Shear
Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Shear:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: ***NATIVE AMERICAN VETERANS: Improvements to VA Management Could Help Increase Mortgage Loan Program Participation*** (GAO-22-104627).

The enclosure contains general and technical comments and the actions to be taken to address the draft report recommendations. VA appreciates the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Tanya J. Bradsher".

Tanya J. Bradsher
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***NATIVE AMERICAN VETERANS: Improvements to VA Management Could Help
Increase Mortgage Loan Program Participation***
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Recommendation 1: The Director of Loan Guaranty Service should develop a plan for implementation of NADL activities under the new staffing structure, to include staff priorities, resource needs, and time frames, and assessment of the changes made.

VA Response: Concur. The VA official delegated the authority to implement Native American Direct Loan (NADL) activities is the Executive Director, Loan Guaranty Service (LGY). In fiscal year (FY) 2021, the Executive Director created a centralized NADL team within LGY. The realignment created the necessary framework needed to improve the ability to make data-driven decisions earlier in the process to advocate for Veterans, improve program integrity and create transparency through the lifecycle of the home loan benefit. LGY management plans on assessing the performance of the new NADL team by using expanded metrics for tracking borrower contacts, outcomes of these contacts and following up with borrowers that fall out or disengage from the process. LGY will generate an annual systematic analysis of NADL program operations to assess progress, notate material weaknesses and gauge future program direction.

Target Completion Date: December 31, 2022

Recommendation 2: The Director of Loan Guaranty Service should comprehensively assess its needs for collecting and using data to monitor and oversee NADL outreach and MOU negotiation.

VA Response: Concur. VA has proactively addressed this recommendation with the formation of the new NADL team and creation of performance standards issued for each member of this team in FY 2022 (see attachment). The employee performance standards implemented in FY 2022 further define outreach requirements for staff and identify opportunities to collaborate with the Office of Tribal Government Relations (OTGR) and participate in outreach for non-tribal entities such as the Native American Housing Council, National Congress of American Indians, Native Nations, Tribal Veterans Service Organizations, or other non-profit groups. The standards require staff to follow up with entities that express an interest in signing a memorandum of understanding (MOU) so that these actions are treated with urgency and help cultivate a relationship between VA and the tribal organization. These follow-up actions are now captured in VA's NADL Microsoft SharePoint of communications, which will provide timely insight into the status of outreach and the number of tribes interested in an MOU. Veterans Benefits Administration (VBA) considers this recommendation fully implemented.

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Recommendation 3: The Director of Loan Guaranty Service should develop and implement mechanisms, such as surveys or focus groups, to collect feedback from Native American veterans, NADL-eligible entities, and other knowledgeable groups on NADL activities and identify any opportunities for improvement.

VA Response: Concur. Since November 2021, LGY has been working with VA service lines that develop Veteran survey materials. For example, LGY is exploring utilization of surveys through the VSignals platform, which gathers feedback from Veterans, eligible dependents, caregivers and survivors. In addition, LGY has collaborated with internal stakeholders in a Human Centered Design project to develop a qualitative understanding of Native American Veterans' experience accessing and receiving VBA benefits. Additionally, the NADL team has begun collaborating with internal stakeholders that are developing a comprehensive journey map, which will allow the NADL team to better understand what Native Hawaiians and Pacific Islanders experience when engaging with VA benefits.

Target Completion Date: December 31, 2022

Recommendation 4: The Director of Loan Guaranty Service should develop and implement program performance goals and measures for NADL outreach, MOU negotiation, and lending activities.

VA Response: Concur. LGY concurs that lending activities are a measurable field and plans on measuring these criteria by including tribal contact and response to outreach as a measurable field for lending. These have been included in the Loan Processing and Servicing element and the Outreach/Partnership element of the NADL Coordinator performance standard (see attachment). LGY has included NADL outreach targets in its Executive Director's standards and has implemented performance goals in relation to outreach to include (i) three outreach attempts for each field office with tribes located within its area of administration; (ii) three signed MOUs annually; (iii) annual contact for each federally recognized tribe; and (iv) year-over-year increase in the number of NADL program loans in the origination pipeline and/or originated. VBA considers this recommendation fully implemented.

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Recommendation 5: The Director of Loan Guaranty Service should develop and implement processes to routinely and consistently review NADL program documents, including MOUs and program policies and procedures, to help ensure they are current, complete, and accurate, including by identifying parties to help conduct the reviews, such as VA's Office of General Counsel.

VA Response: Concur. LGY is working to systematically review existing MOUs and NADL related documentation. The goal is to complete a review of all program materials in FY 2022 and identify any documentation that needs to be updated or clarified. After the program review is completed in FY 2022, LGY intends to conduct semi-annual reviews of NADL documentation to ensure continued accuracy and incorporate updates, if needed.

LGY will also create review criteria for new or revised NADL program documentation, which will include procedures for requesting review by VA's Office of General Counsel.

Target Completion Date: December 31, 2022

Recommendation 6: The Director of Loan Guaranty Service should develop an NADL outreach plan based on sound planning practices.

VA Response: Concur. Since March 2020, due to the COVID-19 pandemic, VA's outreach and training to NADL stakeholders had been primarily limited to virtual events. This has impacted the traditional outreach plan of attending large gathering, in-person events. Since many Native American Veterans reside in rural locations, VBA responded by attending as many webinars and on-line events as possible and by collaborating in events hosted by OTGR.

The performance standards for the NADL Coordinators specify that outreach must be completed annually to at least three different tribes (see attachment). In order to meet the exceptional performance level, the employee must conduct six outreach attempts annually, as well as attend quarterly meetings with their co-assigned OTGR territory representative and attend one outreach event for a non-tribal entity. This outreach measure is intended to broaden the outreach scope to perspective parties and spread NADL awareness to other Native American entities that serve the same group of Veterans. VBA considers this recommendation fully implemented.

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Recommendation 7: The Director of Loan Guaranty Service should develop a plan for conducting NADL outreach, MOU negotiation, and lending activities in Alaska, including how to assist eligible veterans with interests in land owned by Alaska Native regional and village corporations or, if eligible, Alaska Native allotments and townsites.

VA Response: Concur. LGY recognizes that it must partner with other Federal and external organizations knowledgeable of land ownership arrangements in Alaska. LGY will reach out to contacts managing the Department of Housing and Urban Development's (HUD) 184 program and contacts at the Bureau of Indian Affairs. LGY will develop a plan for conducting NADL outreach, MOU negotiation and lending activities in Alaska, with specific regard for navigating jurisdictional issues associated with Alaska Native regional and village corporations, as well as Alaska Native allotments and townsites.

Target Completion Date: December 31, 2022

Recommendation 8: The Director of Loan Guaranty Service should develop and implement a mechanism for NADL staff to routinely consult on outreach, MOU negotiation, and lending activities with staff from other VA offices serving Native American veterans.

VA Response: Concur. The NADL Coordinator performance standards include an element for staff to engage quarterly with OTGR as well as attend one annual outreach event a year with a non-tribal entity (see attachment). Additionally, LGY has implemented a best practice to include OTGR representatives for outreach activities that are located within the OTGR representatives' assigned area.

LGY has previously attended benefit claims clinic events hosted in rural locations to assist Native American Veterans. LGY will proactively communicate with OTGR to ensure the inclusion of LGY in future events of this nature.

Training was offered to all VBA staff during National Native American Heritage month to provide an overview of the NADL program and highlight the operational changes within LGY intended to promote Native American Veteran homeownership. The training also provided LGY points of contact to VBA outreach coordinators who may interact with Native American Veterans throughout the 56 VA regional offices. VBA considers this recommendation fully implemented.

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Recommendation 9: The Director of Loan Guaranty Service should develop policies and procedures for staff to determine whether eligible entities without a NADL MOU previously received approvals from other federal agencies to participate in their mortgage programs and use such information to inform its approach to outreach.

VA Response: Concur. VA agrees that targeted outreach to tribes with existing approvals from other Federal agencies may drive new MOUs with VA. Utilizing the dedicated NADL team members, VA will add this as a priority for FY 2023. This will allow LGY time to assess whether the revised tribal communications created in FY 2022 generated additional interest in the NADL program. Additionally, LGY will conduct targeted outreach based on information obtained from the Department of Agriculture and HUD that identifies their largest concentrations of program utilization. Creating an outreach plan that focuses on in-person outreach to tribes or organizations that do not currently have an MOU may also assist with implementing this recommendation.

Target Completion Date: December 31, 2022

Recommendation 10: The Director of Loan Guaranty Service should partner with organizations in Alaska and the contiguous United States to conduct NADL outreach or assist with program activities and assess which partnership models are most effective.

VA Response: Concur. LGY recognizes that further partnership with organizations in Alaska and the contiguous United States must be explored in an attempt to spread NADL program awareness. LGY is currently partnering with the South Dakota Housing Coalition and the Cheyenne River Housing Authority (CRHA) to provide support for CRHA's 12-week Homebuyer Readiness Education training, which began in February 2022. LGY will evaluate this experience to determine additional partnership opportunities. Criteria for this evaluation will include whether Veteran participants decided to pursue a NADL program loan and whether this led to additional tribal contacts. LGY will continue to engage with the Center for Indian Country Development hosted by the Federal Reserve Bank of Minneapolis and will also engage with the National Congress of American Indians and the National American Indian Housing Council semi-annually to ensure these groups have awareness of the NADL program.

Target Completion Date: December 31, 2022

Enclosure

Department of Veterans Affairs (VA) Comments to
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General Comments:

The general theme of this report identifies that Native Americans face well-known barriers to mortgage lending on tribal land as reported by numerous government agencies and other entities since the early 2000s. Although these barriers to home ownership have been well documented, this report does not provide examples of other lending programs, whether Federal or private, that have had participation results dramatically more successful than VA's.

The Government Accountability Office (GAO) notification letter to VA, dated December 16, 2020, stated a key question: "*What alternative methods (federal programs, private loans), if any, have Native American Veterans used to obtain mortgage loan support and how do these methods compare to the NADL program.*" The GAO report focuses on the NADL program but provides minimal detail on alternative, comparable home-loan financing options available to Native American Veterans.

VA has redoubled its commitment to serving Veterans who want to participate in the NADL program, as is evidenced by LGY's complete reengineering of its NADL process. VA continues to be committed to assisting Native American Veterans obtain home ownership in any location that they desire, whether by utilizing the VA-guaranteed loan program or the NADL program.

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Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

William B. Shear at (202) 512-8678 or ShearW@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Andrew Pauline (Assistant Director), Patricia MacWilliams (Analyst in Charge), Chelsea Carter, William Chatlos, Courtney LaFountain, Kirsten Noethen, Shaundra Patterson, Matthew Rabe, Kimberly Reardon, William Reed, Barbara Roesmann, Jena Sinkfield, Jeanette Soares, and Aaron Tiedemann made key contributions to this report.

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