David: So uh if I could just get a little bit of background on what you do and the banking community as well as uh any specific background you have helping out the Native American community in your area and nationally.

Richard Todd, Vice President at the Federal Reserve Bank of Minneapolis: Ok. Well first of all both Mike and I work at the federal reserve bank in Minneapolis. I don’t know how familiar you are with the Federal Reserve system so

David: I’m not completely familiar with it. It would help a little bit to get a basic idea of what you do.

Todd: Ok. Well the Federal Reserve is the central bank of the United States. It’s a complicated structure that Congress created back in 1914 to be the central bank for the government of the United States. It involves a Board of Governors in Washington, which is probably our highest profile component uh Janet Yellen is the chair of that board. You may have heard of her in her role in monetary policy.

David: Ok.

Todd: That Board of Governors has seven slots but currently only five are filled. That seven member board oversees the regional system of 12 separate federal reserve banks. They were set up that way back in 1913 because the United States has always had on the one hand some need for a central bank but on the other hand, a great distrust of central power.

David: Sure.

Todd: So the central bank in the United States is unusual in that it operates through 12 independent regional components or federal reserve banks which have their own board of directors their own management that are overseen by this Board of Governors in Washington. The reserve banks and the board collaborate on setting monetary policy for the nation you know adjusting the federal funds rate and other monetary instruments which you may hear about from time to time when the federal open market committee which does monetary policy meets. We also have responsibility for supervising and regulating banks as part of the regulatory structure although we’re not the only bank regulator. We’re among them at the federal level.

David: Ok

Todd: The reserve banks participate in that. As part of the bank's’ regulation side of things our bank examiners and that’s a different department than I’m in, but our bank examiners enforce something called the Community Reinvestment Act or cra. They also have a role in enforcing the Home Mortgage Disclosure Act which is the act that is producing the data you’re using.

David: Yes.

Todd: And they enforce some other things like the Fair Lending Act and things like that that have a role in consumer credit, too. We have a huge branch of bank examiners that examine banks for safety and also enforce these consumer (something) on some of the banks in the United States, the ones that are assigned to us.

David: Ok.

Todd: It’s kind of an offshoot of that of that role of regulation under the Community Reinvestment Act especially, all back about 35 some years ago or so set up community development departments in each of the federal reserve banks to and asked for them to be created by each of the federal reserve banks too and that’s where I work partly with the community development part here in Minneapolis and so does Michael. I also work with an offshoot of our community development program called the Center of Indian Country Development. I’ll get to that in a minute. Community development departments work outside wthe bank, work with community groups, banks, government polls other you know grassroots and nonprofit type organizations to try to get the flow of credit and the financial income in moderate income communities and rural communities. So We’re kind of a compliment to the examiners. The examiners go in and check if the banks have violated some of the consumer regulations, we kind of go out ahead of time and promote good things happening ahead of time. And the different 12 reserve banks all do that as well as do some of the other federal entities. At Minneapolis our territory runs from the upper peninsula to Montana where we have a lot of reservations and they are a figure prominently in low and moderate income and poverty communities. So here in Minneapolis we’ve long had a specialization in Indian Country issues. As part of that last year we set up a center for Indian Country Development and it does represent a continuation of a body of work we had in place even before the center was established. We are, traditionally we had not focused a lot on housing and homeownership in Indian Country as part of that work but we’re shifting into now very heavily. We are ramping up in our knowledge of HMDA so I do know something about it. But that’s background, I’ll leave that background there and see what you want to ask about it.

David: Yeah absolutely that actually is really good to hear because what we have find of found, we’ve been looking at the different racial categories and I don’t know if you’ve seen the graphs that I’ve sent you and what we’ve found that usually it tends to correlate, there is a correlation to race between the income rates and the denial rate of the home loans. And what we’ve found was that American Indians in our community at least and in a few other communities that we’ve looked at has been on the lower end of the median family income and that would place it on the higher end of the denial rate for HMDA loans. Is that sort of correlation, that sort of phenomenon correlate with what you’ve done in your region or anything that you’ve seen nationally?

Todd: I would say I haven’t, those basic qualitative facts that American Indians are on the lower side of income and the higher side of denial rates are kind of well known, independent of any research I’ve done. They are commonly observed nationally and in most communities where you find American Indians. They do tend to have low incomes and high denial rates compared to the overall average or compared to a large group let’s say non-hispanic whites. So qualitatively I think that pattern is pervasive. Quantitatively, I think the denial rates you’re finding, and this is for the Fayetteville area?

David: Yes, Fayetteville, Springdale and Rogers.

Todd: For that particular area, the denial rates you’re finding are somewhat elevated above national I think. But for a relatively small community, not necessarily out of line. There are some issues technically with what you include especially in the denominator and which class of loans you’re looking at, as I indicated in my email. It’d be helpful to look at all mortgage applications, or whether you’re focusing on certain types like refinanced versus home purchase versus home improvement. It also, in some of the work we do we’ve been focusing on home purchase and we’ve also within that been limiting ourselves to using information within HMDA we’ve been focusing on loans that are more closely associated with single family, owner occupied and also with first (muted). Sometimes a person may have two mortgages with one property with one of them being the first lean or the second being a junior or piggyback mortgage and the second can be the first (something). And we tend to focus on the first (something). You don’t have to do that, it depends on your question and what you’re trying to get at. We kind of tend to focus mostly on the owner occupied, first mortgage, first loan, rather, and, uh, single family properties. So we’re excluding people mortgaging in an apartment building, we’re excluding people in vacation homes homes who are not occupying the property things like that. So it depends on the question you’re trying to get at. For our purposes we’re often most interested in those owner occupied single family properties.

David: Sure, I understand. So we’ve kind of been, we’ve been reaching out to various representatives of racial groups in our area. We have a very large Marshallese community as well, so we’ve kind of been talking to banks in the area about the kind of outreach programs that they send out to these low income and not traditionally super represented in the home loan space racial groups. Could you tell us, you say you work in the center for Indian Country Development, what kind of work does that department do to reach out to Native American communities and help them get the help they need?

Rick Todd: In addition to defining exactly which types of loans and the numerator and denominator, you may also want to indicate the account, the number of applications. It’s possible the American Indian (something), being close to Oklahoma you have a large number, so I don’t know. It would be useful you know to see 30%, which is somewhat useful to know based on a handful of cases in which case you could tell if it’s based on a far large number, which would indicate it is not. So I think it would be good to indicate the number of cases.

David: Yes absolutely and we do indicate that on other graphics that we produced. Uhh these are two of the ones from earlier on in the semester and I think they were more pertinent to the questions I was trying to ask, but yeah you are right, it is a much smaller sample size, then say a white graphic or african american in this region. So that doesn’t effect the data in certain ways so we have included those labels on other graphics.

Dick Todd: So now in terms of what the center does, it has actually fluctuated over time. So earlier before we had set up the center, our work had been in the indian country. It had actually fluctuated over time. We had done some work years ago but in recent years we have been doing more work on the business sector but we had done some research on it using some consumer history data we had confirmed low rates of mortgages in indian country in general. This research is on indian reservations and since the center was formed, we’ve started to get very deep in housing issues but then focusing somewhat on the reservation territory whether it special issues with the land. In reservations often, the land is held in trusts for individual indians. The The land being held in trusts by the federal government creates some unusual issues for lenders that you don’t experience often on reservations. You also don’t find that issue as much in the Oklahoma territories as you do in the Arkansas and other places. Oklahoma settlements set for Osage have very little of this trust land issue also I think. Oklahoma is actually a mystery to me I have to say, I am still learning things about Oklahoma. The straight-forward federally recognized traditional indian reservations that prevail in much of the lower 48. There are special issues connected with trust land and a lot of our work is focused to national native, ownership coalition to work with partners around the world in other countries. A lot of the issues about mortgage lending on reservations. We had a conference in last September 15th/16th down at the Salt River Reservation near Phoenix, go to our center of indian country website, some information about that conference from last September and you can see there some of the topics that you’re addressing that time on reservation home ownership. Where there national native homeownership coalition is set up. There are a number of working groups that are just now forming over the winter due to follow up work on the land issues on the issues of banks getting more engaged and getting more financial education and homebuyer readiness programs out to residents over follow-up steps we are doing out this national native homeownership coalition. By the way when I say national there, I should point out that Minneapolis federal reserve bank being one of twelve across the country focuses on the development work within its own territory through upper Michigan up to Montana. Its trying to take a national leadership role in the federal reserve system. The center by contrast is trying to take a national leadership role within the federal reserve system. We are not restricting ourselves to that territory, we are trying to operate nationally and be in partnership with some of our other federal reserve..

David: So you were saying there that the national native homeownership coalition that is limited more , no limited to more national to where the entire country is represented there or is the center for?

Dick Todd: And yeah that is an example of how the center is acting nationally, also come to the distinction that the Federal Reserve Bank of Minneapolis, the department per say which would act regional. The center acts nationally.

David: Ok yes that makes sense. Alright so that dealt a lot with native americans living on the conservations and on the land that has the different restrictions of government and things.

Dick Todd: For the off reservation, whether it’s rural or urban, off reservation. We are doing a little bit of analysis and some of what we do will involve programs that will spill over to both reservation and non-reservation , for example there is a program for housing urban development program called the “ (something) 184 mortgage program,” which we are taking a hard look at on reservations but that program also operates for indians off of reservations. Some of what we are doing still pours over to the urban and off reservation population as well. But I will say our work is focused on the reservations.

David: So it is titled towards the reservation issues, is the reason for that , is there a lot of problems people tend to have with or is the reason you tend to lean more towards the reservation that the government regulations and restrictions kind of make your job more necessary to help out or.

Dick Todd: Yes I would say off reservation American Indians tend to have a problems with other minority groups, in a low income , less experience with credit, less wealth accumulated over time in your family. Any of these kinds of familiarity with financials, use of borrowing, fewer parents to pass down the tradition and knowledge, which is typical in lower income minority populations. In the United States it is also true in the off reservation native american population much in the same way. It is then additionally the case on the reservation that you have all of that and to a greater degree. But on top of that you are adding these land restrictions which are special to the reservations and yes we are in many ways focused on that because of its special nature.