

Integrated Asset Building Strategies for Reservation-Based Communities:

A 27-Year Retrospective of First Nations Development Institute

Chapter 6: Native Community Development
Financial Institutions (CDFIs)

Educating Grassroots Practitioners
Advocating for Systemic Change
Capitalizing Indian Communities



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Chapter 6: Native Community Development Financial Institutions (CDFIs)



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Other Chapters Available Upon Request

CHAPTER 6: NATIVE CDFIs

A Catalyst for Asset Building: Native Community Development Financial Institutions

“If they keep coming in our door, we keep exposing them to more financial education, and, hopefully, we start to keep more wealth in the community.”

–David Fleming, President, Lac Courte Orielles Federal Credit Union

Introduction

Native Community Development Financial Institutions (Native CDFIs) offer a locally controlled, community-responsive resource for credit and other financial services to support asset-based development in Native communities. As First Nations demonstrated with its Reservation Economic Impact Study,¹ and other community and economic development practitioners and scholars continue to point out, a lack of community-owned businesses drains the local economy because tribal members are forced to import the vast majority of the goods and services they need from border towns (and even farther afield), perpetuating cycles of poverty and disenfranchisement. In addition, the lack of financial institutions within Native communities has hindered access to the financial services necessary to drive business development. Native CDFIs play a particularly important role in addressing this problem by providing the capital, training, and technical assistance necessary to support the Native-owned businesses that have begun to redirect ownership and control back into the reservation communities. The importance of Native CDFIs in addressing this challenge cannot be underestimated, because many future Native entrepreneurs are interacting with credit for the first time. Native CDFIs, by providing access to financial services, training and technical assistance, and role models for entrepreneurship development, are a critical part of developing an enabling environment for economic growth on Indian reservations.

The impact of Native CDFIs goes well beyond the Native communities they serve within the United States. In fact, they are a part of a global movement to provide impoverished communities with accessible financial services through transparent, culturally appropriate institutions. Given the multi-generational poverty faced by many Indigenous communities, these institutions are particularly critical to the economic success of Indigenous people around the world.





A Catalyst for Asset Building: Native Community Development Financial Institutions

While the Nobel Committee’s decision to award Muhammad Yunus the 2006 Nobel Peace Prize brought considerable attention to the need for and impact of “the right kind of institutional support” in community efforts to provide their members (Indigenous and non-Indigenous) with the tools to “change their own lives,”² First Nations Development Institute (through its First Nations Oweesta Program that would evolve into a wholly-owned subsidiary corporation, First Nations

Oweesta Corporation) was quietly going about the business of removing the barriers to capital formation on Indian reservations in the United States. The analysis in this chapter demonstrates the critical role played by Native CDFIs – in diverse Native communities across the country – in developing and implementing strategies to establish healthy economic systems and culturally vibrant communities.

**Table 1: Native CDFI Institutions, Products, and Programs—
The National Movement and its Characteristics Today**

Types of Native CDFIs (Certified and Uncertified)	Native CDFI Financial Service Products Offered	Native CDFI Development Service Products Offered	Native CDFI Partners
<ul style="list-style-type: none"> • Loan funds (business, housing, consumer, mix) • Credit unions • Credit associations • Banks • Venture capital funds • Intermediaries 	<ul style="list-style-type: none"> • Microenterprise loans • Small business loans • Commercial loans • Equity investments • Consumer loans (secured and unsecured) • Mortgages • Rehabilitation loans • Down payment loans • Construction loans • Credit repair loans • Emergency loans • Tribal employee loans • New and used auto loans • Credit builder loans • Payday loans 	<ul style="list-style-type: none"> • Homebuyer education and counseling • Entrepreneurship training, technical assistance and consulting • Financial education • Credit counseling • Volunteer tax preparation and counseling • Accounting/book-keeping • Marketing outlets • Business incubators and retail space 	<ul style="list-style-type: none"> • Banks • Credit unions • CDFIs • Tribes • Tribal programs, departments and enterprises • Nonprofit organizations • Local, State and Federal programs and departments • Tribal colleges • Community colleges • Universities and state colleges • Technical schools • Tribal, public, charter and BIA schools • Housing authorities • Chambers of commerce • National and regional intermediaries

Methodology

This chapter draws upon a detailed analysis of a number of Native CDFIs and seeks to draw out lessons learned and promising practices. The case studies specifically addressed include Citizen Potawatomi Community Development Corporation (CPCDC), Four Bands Community Fund (Four Bands), Four Directions Development Corporation, Lac Courte Oreilles Federal Credit Union (LCOCU) and Salt River Financial Services Institution (SRFSI). This chapter also draws from a literature review of research on Native CDFIs, including two reports written by First Nations Development Institute as a result of their evaluation of their grant making to new and emerging Native CDFIs through their Little Eagle Staff Fund. In addition, this chapter draws from First Nations Oweesta Corporation's current Native financial institution/Native CDFI database and the *Native Financial Institutions (NFI) Report* produced by First Nations Oweesta Corporation in December 2005. This report presents an overview of the Native CDFI industry compiled from 34 surveys of Native CDFIs, Native banks, Native credit unions, and Native venture capital funds throughout the country, and is supplemented by interviews with Native financial institution staff. Secondary data research on the field of Native CDFIs was also conducted and incorporated into this chapter.

The Growth of the Native CDFI Field

The 1960s, '70s, and '80s saw some movement in the field of community development lending, with the enactment of several federal policies from the Johnson Administrations' "War on Poverty" through to the Community Reinvestment Act. First Nations Development Institute's 1985 launch of the Lakota Fund – the first reservation-based peer-lending fund – demonstrated that Native

institutions were on the forefront of this movement.³ First Nations Development Institute's (First Nations') investments in and ongoing partnership with the Lakota Fund, and the whole Native CDFI field, demonstrates the key role of Native CDFIs in First Nations' mission to assist Native peoples to control their own assets and build the capacity to direct their economic futures in ways that fit their cultures. It is not an exaggeration to say that the early leaders and investors in First Nations saw a vision for Native communities (and achieved it) that parallels that of Professor Yunus and other visionaries from Indigenous and non-Indigenous communities all over the world.

First Nations played a seminal role in the successful inclusion of American Indian-specific language in the Community Development Financial Institution Fund (CDFI Fund) legislation, that has led to 1) Native American set-asides of \$19 million, 2) the creation of First Nations' wholly-owned subsidiary, First Nations Oweesta Corporation, for the capitalization and training of emerging Native CDFIs, 3) the growth in certified Native CDFIs from two to 42, and 4) 148 awards totaling \$23.1 million since 2002, through the CDFI Fund's various funding programs aimed at benefiting Native communities. While some Native financial institutions were in operation prior to the establishment of the CDFI Fund⁴ in 1994, they were few in number. A combination of the ingenuity of Native people (at the national and local level), the investments of the CDFI Fund (including direct funding, the publication of the 2001 Native American Lending Study, and the *Expanding Native Opportunity* training and technical assistance initiatives), and the establishment of First Nations Oweesta Corporation, as a wholly-owned subsidiary of First Nations Development Institute, in 1999, created the right environment for the rapid growth of Native CDFIs that has occurred since 2000.

“When you start operating a CDFI in the community, it’s about behavioral change – teaching people financial education and how to operate a successful business.”

The CDFI Fund was authorized as a bipartisan initiative by the Riegle Community Development and Regulatory Improvement Act of 1994. It encourages the creation and expansion of diverse CDFIs⁵ by providing funding for their development, as well as incentives to traditional banks and thrifts to promote building these institutions. CDFIs are also required to attract and secure private dollars for their expansion by matching their awards with non-federal funds.⁶ CDFIs are defined by the CDFI Fund as unique entities established to provide credit, financial services, and other services to underserved markets or populations. In order to qualify as a CDFI, an institution must have a primary mission of community development, serve a specific target market, be a financing entity, provide development services, remain accountable to its community, and be a non-government entity. CDFIs often work in markets where mainstream financial institutions are absent and

they can work to develop new markets in underserved areas. CDFIs use both financial and social terms as key indicators in measuring their success. Quality jobs, social services, and affordable homes for economically disadvantaged people and communities are of equal importance to investor capital and the provision of financial returns when determining their impact.

In 2001, the *Native American Lending Study*, published by the CDFI Fund, documented what many working in Indian Country already knew – that a lack of private

sector financial institutions within Native communities had hindered access to credit and capital for business development and other economic activity.⁷ This study informed First Nations’ work and the later work of the subsidiary it created (First Nations Oweesta Corporation). First Nations has worked with First Nations Oweesta Corporation to determine a set of common criteria to identify Native CDFIs and the broader Native financial institution field. First Nations and First Nations Oweesta Corporation define Native CDFIs as organizations dedicated to providing development services (training and technical assistance) and various types of financial services (checking, savings, consumer loans, business loans, housing loans, etc.) to Native communities, encouraging them to become strong and self sufficient. Furthermore, a Native CDFI must be governed by a representative board and work for the betterment of a Native community. They can be located anywhere there is a significant Native population, whether it is on a reservation (federally-recognized or not), in an Alaska Native village, across the Hawaiian Islands, or in a metropolitan area anywhere in the 50 states – so long as the institution is truly serving a Native community.

In 2001 First Nations launched its First Nations’ Little Eagle Staff Fund, a grant program for start up Native CDFIs. This program was designed to provide critical first-year financial support for emerging Native CDFIs that needed to conduct market studies, develop organizational policies and procedures, develop lending and financing policies, and accelerate fundraising activities. Since 2001, First Nations has made 13 grants totaling over \$261,000 through the Little Eagle Staff Fund.

First Nations Development Institute's Little Eagle Staff Fund

A key part of the mission of First Nations Development Institute is to encourage the emergence of, and continuing investment in, social-entrepreneurial economic development organizations in American Indian reservation communities, including the support infrastructure and the creation of innovative models for reservation communities. First Nations accomplishes this, in part, through its First Nations' Little Eagle Staff Fund, which provides these Native CDFIs early stage investment and capitalization so that they in turn may solidify their equity position, increase internal organizational capacity, and enhance their development of new products and services that are necessary for the creation of the environment needed for the development of an entrepreneurial culture. Launched in 2001, First Nations' Little Eagle Staff Fund has made grants to 13 new and emerging Native CDFIs, totaling over \$261,000 invested in these important community institutions.

Investment in these institutions enables them to offer new and innovative individual asset-building strategies for community members, and allows them to act as an information and education clearinghouse for asset- and wealth-creating programs. In addition to equity capital investment, First Nations' support also means fostering a level playing field for small enterprises through improving registration and incorporation procedures; reforming contract, property and tax laws; and reducing other government-created barriers to business creation and growth. It is First Nations' vision that support for the enabling environment — also known as the business climate or investment climate — will mean creating the healthy social entrepreneurial institution that provides support and capital for entrepreneurs who are operating in the formal and informal economies.

The Importance of Native CDFIs for Community Change

Native CDFIs are a critical tool in making “structural changes in how Native communities can advance their own interests.”⁸ The commitment of Native CDFIs in addressing the challenges associated with lack of access to capital, underdeveloped reservation economies, and lack of business development cannot be underestimated, because many future Native entrepreneurs are interacting with credit for the first time. As stated by Elsie Meeks, “When you start operating a CDFI in the community, it’s about behavioral change — teaching people financial education and how to operate a successful business, which is hard under any circumstances.”⁹

In addition to being institutions of community economic development, Native CDFIs are nation-building institutions. While all Native CDFIs must maintain an “arm’s length” from the politics of the nation, many successful Native CDFIs incorporate the goals of their nations and communities into their own institutional framework and mission. The research of the Harvard Project on American Indian Economic Development (Harvard Project) has demonstrated that laying a sound institutional foundation is a key component of the nation-building approach. In *Where’s the Glue: Institutional Bases of American Indian Economic Development*, Cornell and Kalt argue that a society’s economic success:

...depends centrally on the legal, social, and political institutions that are imposed on it or selected by it. That is, the origins and paths of growth are determined primarily by the societal institutions which channel effort into productivity, provide payoffs for capital investment, organize the division of labor, and permit exchange.¹⁰

Many tribes have worked with Native CDFIs and their partners to develop legislation, legal codes, and/or other policies to create a conducive context for the successful provision of lending services (like regulations to facilitate mortgage lending on trust lands).

A prime example of this type of cooperation between Native nations and Native CDFIs involves Four Directions Development Corporation (Four Directions) in Maine and the four reservations it serves. Four Directions has been historically limited in its ability to engage in mortgage lending because of the lack of specific tribal codes and regulations relating to commercial

and mortgage lending on the four Maine reservations. Through discussion with Four Directions, the tribes created four documents that responded to the uniqueness of mortgage lending on trust lands: *Tribal Foreclosure Code*; *A Residential Lease of Tribal Land*; *An Approving Foreclosure Code for Four Directions Development Corporation*; and *Mortgage Deed and Trust Agreement*.¹¹ According to new tribal codes and regulations, trust or reservation land leased by individuals who default on their payments will revert to the tribe. The tribe can then sell or lease this land to other tribal members, and then use their money to pay off the mortgage with Four Directions. The agreements and/or resolutions obtained by Four Directions from the four tribes of Maine have helped them to begin mortgage lending to their communities. Furthermore, these tribal codes and regulations have set in motion a similar process in other governmental agencies at the state and federal level, providing a much stronger context for homeownership in Native communities, in Maine and elsewhere.¹

First Nations Oweesta Corporation: Developing Native Assets

In 1986, First Nations established the First Nations Oweesta Program and Fund, which was dedicated to addressing the critical lack of access to development capital and credit in Native communities. First Nations Oweesta Corporation was incorporated in 1999 as a wholly-owned subsidiary of First Nations Development Institute. In 1999, First Nations Oweesta Corporation became the first and only certified national Native CDFI intermediary dedicated to providing technical assistance, training, research, and lending to local Native CDFIs and their partner organizations, sponsoring entities, and Native affiliate organizations in all 50 states.

First Nations Oweesta Corporation was born of a long-term effort at First Nations Development Institute to take a direct role in supporting the development of Native financial assets at the local level. In the mid 1980s, as the First Nations Oweesta Program of First Nations, it worked to develop alternative financing access for Native entrepreneurs, homebuyers and tribal businesses, as well as create and fund Native financial institutions that would work directly with community members.

Since 1999, its programs and services have focused on three areas:

1. Training, Technical Assistance, and Consulting: Institution Development, Financial Education, and Asset Building.
2. Lending and Capitalization.
3. Research, Policy, and Advocacy.

Offering a multi-dimensional training and technical assistance program that assists in the development and expansion of Native CDFIs, First Nations Oweesta Corporation works to assess whether a Native CDFI is right for a particular community, examines the basic building blocks of successful Native CDFI development, and assists in the market analysis and development of loan products. Primary clients include micro and small business loan funds, land consolidation and acquisition loan funds, housing loan funds, and credit unions and credit associations. With regard to lending and capitalization, First Nations Oweesta Corporation provides loans to qualified Native CDFIs to help build their capacity and further their economic and community development goals, including deposits in regulated Native financial institutions. In terms of its research, policy, and advocacy work, First Nations Oweesta Corporation follows First Nations' Native Assets Research Center's lead on research studies focused on identifying and mitigating barriers to Native control of and access to financial assets. As First Nations Oweesta Corporation states on its website, "Our national voice works to create and retain the integrity of policy favorable to building assets in Native communities."¹³ Through its culturally relevant training and resource materials, customized technical assistance to Native CDFIs, and capitalization strategies, First Nations Oweesta Corporation has been able to achieve its ongoing mission "To enhance the capacity of Native tribes, communities, and peoples to access, control, create, leverage, utilize, and retain financial assets, and to provide access to appropriate financial capital, emphasizing capacity building for Native development efforts."¹⁴

One of the primary factors behind the growth of the Native CDFI industry is the role that First Nations Development Institute and First Nations Oweesta Corporation have played and continue to play in encouraging and supporting the creation of these institutions. As the only certified Native CDFI intermediary in existence, First Nations Oweesta Corporation has been the driving force behind the Native CDFI industry that First Nations envisioned it would be when it created the First Nations' Oweesta Program 20 years ago. In the most recent round of awards from the CDFI Fund benefiting Native communities, the vast majority were current or former clients of First Nations Oweesta Corporation. First Nations Oweesta Corporation's impact on the field of Native CDFI development has been significant, with their work serving as an indispensable complement to the investments of the CDFI Fund and the private sector over the last several years.





In testimony before the U.S. Senate Indian Affairs Committee's *Oversight Hearing on Economic Development* on May 10, 2006, Miriam Jorgenson, research director for the Harvard Project and associate director for research at the Native Nations Institute, cited institutions as the "key ingredient" that must support economic development, and her first policy recommendation to the Committee was to "invest in institutional development and institutional reform."¹⁵ Native CDFIs are a crucial component of the institutional development and reform that the Harvard Project recommends, and of the nation-building approach articulated by the Harvard Project, because they assist Native communities in reclaiming their economic and political sovereignty by supporting the development of culturally-appropriate financial, legal, and community infrastructure. This community infrastructure is critical to establishing healthy Native communities whose economic success is only a component of their broader cultural, social, and spiritual resurgence, a point long argued by First Nations.

Given the fact that Native CDFIs play a critical role in the economic health and social cohesion of the communities that they serve, their growth over the past several years may seem unsurprising. That assumption fails to see the very real challenges of multi-generational poverty in Native communities — it is hard to grow seeds, even the best seeds, in dry soil. Making a proven model work in a new context may be daunting, but the information in this chapter is intended to highlight the opportunities and challenges faced by Native CDFIs and to offer hope to the many communities that are ready to get started. As noted earlier, Native CDFIs are a part of a global movement and offer Native communities a means to participate in the local and global economies on their own terms.¹⁶ Through the development of their own financial institutions, Native communities are creating

the foundation for their own culturally relevant financial education programs, loan products, and training and technical assistance programs that strengthen the ability of their citizens to define and achieve successful development in their communities.

Results of Investments in the Native CDFI Field

Community Development Financial Institutions (CDFIs) have grown rapidly since 1994. According to Opportunity Finance Network, there are currently 800 to 1,000 CDFIs and other comparable institutions currently operating in the United States, of which 774 are certified CDFIs. Prior to 2000, only two Native CDFIs had received certification from the CDFI Fund. As of May 2007, there are 42 certified Native CDFIs and 66 emerging Native CDFIs throughout the country. The majority of these are loan funds providing business lending and technical assistance.

Prior to 2002, Native CDFIs were funded through CDFI Fund awards that targeted all CDFIs, Native and non-Native. The November 2001 release of the *Native American Lending Study* changed the context by providing compelling data that underscored the specific need to foster the growth of Native CDFIs. The study offered compelling confirmation that Native communities were underserved by financial institutions: 86 percent lacked a single financial institution within their borders, 15 percent had to travel at least 100 miles to access an ATM or bank.¹⁷ The analysis of business investments in Native American and Native Hawaiian economies revealed a \$44 billion gap from those in the United States economy as a whole.¹⁸ Since the study was released, the CDFI Fund has embarked on a number of initiatives designed to over-

Our Definition of Native Financial Institutions

As a result of their sustained work with Native CDFIs, First Nations Development Institute and First Nations Oweesta Corporation currently use a more narrow definition for Native financial institutions, and therefore for Native CDFI, than the CDFI Fund. The particular differences relate to the amount of service provided by the Native CDFI to the Native population and the makeup of its management and staff. A CDFI is considered to be a Native CDFI if 75 percent of the recipients of financing (loans, investments, accounts, etc.) and/or technical assistance and training activities (financial education, business development training, homebuyer education, etc.) are Native and if it meets one or more of the following criteria:

- The organization is wholly owned by the tribe (for profit) or controlled by the tribe (not-for-profit).
- The organization is a subsidiary of a tribally owned corporation or Native corporation.
- The organization is owned by enrolled member(s) of a Native group (recognized or non-recognized).
- The founders of the organization or group are Native, tribal administration, government, etc. (showing sure outgrowth from Native community or tribe).
- At least 75 percent of managing board of directors is Native and/or a permanent resident of the reservation, community or region (considers individuals married to tribal members and adopted members accepted by the tribe or community, as well as the sometimes small pool of individuals willing and able to serve on boards/committees).
- At least 60 percent of the staff is Native and/or permanent resident of the reservation, community or region (considers individuals married to tribal members and adopted members accepted by the tribe or community, as well as the sometimes small pool of individuals to fill specialized positions).¹⁹

come barriers preventing access to credit, capital, and financial services in Native American, Alaska Native, and Native Hawaiian communities.²⁰ Since 2002, The CDFI Fund has made 148 awards totaling \$23.1 million through its various funding programs aimed at benefiting Native communities. In 2002, the CDFI Fund's Native American Initiatives program (NAI) was established, along with a Native-specific funding set-aside. The first

awards provided under the NAI program were funded through the Native American CDFI Technical Assistance (NACTA) program, which awarded technical assistance grants in 2002. The NACTA program was replaced by the Native American Technical Assistance program (NATA) and the Native American CDFI Development program (NACD) in 2003. The NATA and NACD programs were combined into the Native American



CDFI Assistance program (NACA) in 2004. NACA is now the only assistance awards program specific to Native communities at the CDFI Fund. However, Native institutions are eligible to apply for the other assistance awards housed at the CDFI Fund as long as they meet the same basic criteria.

Through the NACA Program, the CDFI Fund provides financial assistance awards and technical assistance awards. The NACA program was the first of the NAI programs to offer financial assistance awards as well as technical assistance awards to Native CDFIs. Through the NACA program, certified applicants are generally allowed to request financial assistance awards up to \$500,000 and technical assistance awards up to \$150,000. In order to qualify for financial assistance awards only, or a combination of financial assistance and technical assistance awards through the NACA program, applicants must either be a certified Native CDFI or be able to be certified by the CDFI Fund at the time of the grant award closing.

The impact of the CDFI Fund's investments in the development of Native CDFIs was analyzed by the CDFI Coalition in their October 2006 report, *Native Community Development Financial Institutions: A CDFI Coalition Analysis of Native Program Participation in CDFI Fund Programs*. The report's analysis of awards to Native CDFIs identifies four developments that indicate growth in the strength of the Native CDFI field. The report found growth in the number of repeat awardees; growth in average award size; the increased distribution of awards by CDFI type; and an increasingly broad geographic area served. According to the report, since the CDFI Fund first distributed awards through the NAI, the proportion of first-time awardees among all grants

awarded has declined. This trend could be an indication of the growing strength of developed Native CDFIs to the point where "successful utilization of CDFI Fund is possible." The report indicates that Native CDFIs have matured and now have the organizational capacity to manage the average award of loan funds that has increased fourfold from \$75,000 in 2002, to over \$300,000 in 2006. This expansion of organizational capacity is also illustrated by the fact that Native CDFIs are accepting financial assistance awards, which require them to raise the outside capital necessary to fund the matching component of the award agreement.²¹ Recipients of financial assistance awards are also required to be certified CDFIs that are making loans, meaning these institutions have moved into an industry-recognized, more capable stage of operation. From a community perspective, this is particularly promising, as the increase in financial assistance awards directly indicates an increase in the availability of capital for community lending services in Native communities. The final observation of the report is that Native CDFIs are growing in a manner that reflects the geographic distribution of Native communities (these data are addressed in more detail in the following paragraph). Read together, all of these developments indicate a maturing of the Native CDFI industry as a critical piece of stronger Native economies in diverse communities across the nation.

The most recent award dataset confirms what many practitioners have claimed: that the maturing Native CDFI industry is causing demand for financial assistance and technical assistance awards to significantly outstrip supply. In 2006, the CDFI Fund received 39 applications requesting almost \$14 million. A total of 21 Native CDFIs received awards including nine certified Native CDFIs, four emerging Native CDFIs and eight sponsoring entities. Total awards of \$4,299,683 included 20

technical assistance awards (\$2,049,683) and six financial assistance awards (\$2,250,000). That means that in one year alone local communities lacked approximately \$9 million in funding to meet their financial services needs. The 2006 NACA program awardees are located in the following 12 states: Alaska, Arizona, California, Colorado, Hawaii, Michigan, Minnesota, Oklahoma, South Dakota, Utah, Washington, and Wyoming. These states have been amongst some of the most active in Native CDFI development, with Arizona, Oklahoma, and South Dakota being primary hubs of Native CDFI development. Including the states listed above, a total of 25 states have Native CDFIs. Table 2 lists the number of Native CDFIs in each state.

In addition to direct funding of Native CDFIs, the CDFI Fund has also financed three other programs as part of their *Expanding Native Opportunity* initiatives. These programs focus on building the capacity of Native CDFIs and communities or organizations interested in becoming CDFIs to best serve their communities through a range of financial and asset-building products and services. The three programs are the *Native Communities Financing Initiative (NCFI)*, the *Native IDA Initiative (NIDAI)*, and the *Native Financial Skills & Enterprise Initiative (NFSEI)*.

Table 2: Native CDFIs by State²²

State	# of Native CDFIs	# of Certified Native CDFIs
Alaska	6	3
Arizona	10	1
California	4	1
Colorado	3	2
Hawaii	6	4
Kansas	1	0
Maine	1	1
Maryland	1	0
Michigan	6	0
Minnesota	8	4
Montana	7	4
Nebraska	4	0
Nevada	1	1
New Mexico	2	2
New York	2	0
North Carolina	2	2
North Dakota	2	0
Oklahoma	10	6
Oregon	1	1
South Dakota	10	5
Tennessee	1	0
Utah	2	0
Washington	5	0
Wisconsin	5	3
Wyoming	2	1



The Native Communities Financing Initiative

The Native Communities Financing Initiative (NCFI) is a multi-part training program for developing and expanding Native CDFIs that began in 2003 and is presented by Opportunity Finance Network and First Nations Oweesta Corporation, under a contract with the CDFI Fund. The program consists of a variety of components, each designed for organizations at different stages of development:

- **Start up and Emerging Native CDFI Program** – Includes Curriculum #1, *“Does Your Native Community Need a CDFI?”*, a one-day introduction to starting a Native CDFI, and Curriculum #2, *“Organizing a CDFI to Serve Native Communities: A Building Guide,”* which consists of nine modules that address key issues in starting and operating a Native CDFI: Organization/infrastructure, market analysis, loan products, loan policies, business underwriting, housing underwriting, capitalization, marketing your Native CDFI, and development services.
- **Mature Native CDFI Program** – Provides technical assistance to enable existing and certified Native CDFIs to increase the effectiveness and capacity of their organizations.
- **Native Credit Union Program** – Modeled on the Start up and Emerging Native CDFI Program and includes Curriculum #1, *“Does Your Native Community Need a Credit Union?”* and Curriculum #2, *“Steps to Creating a Native Credit Union.”*
- **Peer Shadowing Program for Native CDFIs** – Provides experienced professionals from Native CDFIs with deeper insight into mentoring practices in order to offer ongoing advice and assistance to growing Native CDFIs.

The Native IDA Initiative

*The Native IDA Initiative (NIDAI) combines a three-day training institute with customized technical assistance to help Native organizations start up, implement, and sustain individual development accounts (IDAs) in their communities. It included a series of eight regional training institutes in 2005, 2006 and 2007, with one training each in Hawaii and Alaska. It is presented by First Nations Development Institute, First Nations Oweesta Corporation, and the Corporation for Enterprise Development (CFED) under a contract with the CDFI Fund.*²³

The Native Financial Skills & Enterprise Initiative

The *Native Financial Skills & Enterprise Initiative (NFSEI)* was launched in early 2007 and has two components – financial education and entrepreneurship – with training and followup technical assistance for Native CDFIs and partner organizations. Separately, these efforts are known as the *Native Financial Skills Initiative (NFSI)* and the *Native Enterprise Initiative (NEI)*. As currently envisioned, NFSI will involve seven three-day financial education instructor certification trainings based on the First Nations'-authored *Building Native Communities: Financial Skills for Families (BNC-FSF)* financial education curriculum and is presented by First Nations Oweesta Corporation. The trainings will be tailored for Native CDFIs and their partners and be accompanied by up to six days of technical assistance per attending group to help them develop and implement financial education programs for their communities. In addition to certifying instructors for the basic BNC-FSF curriculum, NFSI will introduce Earned Income Tax Credit (EITC) and individual development account (IDA) training modules, based on First Nations' extensive work as a leader in both fields, and as part of First Nations' long-standing integrated strategy to help community members become more self-sufficient by building individual assets.

NEI consists of research and development of entrepreneurship-related curriculum, programs, and systems and is a partnership of First Nations Oweesta Corporation, ONABEN (Oregon Native American Business and Entrepreneurship Network), and CFED. Through a subcontract with the Native Nations Institute (NNI), First Nations Oweesta Corporation and its partners examined Native CDFIs and similar Native practitioners/organizations to determine and design a new training program to commence in October 2007, including two training institutes and followup technical assistance for developing and implementing locally appropriate versions of a Native enterprise development system. The growth of Native-owned businesses and the overwhelming Native CDFI emphasis on business lending and support services makes this particular effort important to the Native CDFIs and their partners.²⁴

In 2004 and 2005, First Nations conducted an evaluation of their Little Eagle Staff Fund grantmaking to new and emerging Native CDFIs. The two research reports that resulted identified the significant contributions of Native CDFIs to their local community.²⁵ In 2004, First Nations documented that an initial investment by First Nations of \$101,294 leveraged a total of \$4,364,233 in additional funds raised, and helped support seven Native CDFIs to give 238 loans valued at \$484,635. Twenty-seven of these loans, worth a total of \$83,151, supported Native-owned

businesses located on reservations. In 2005, First Nations' evaluation report revealed that an investment of \$102,700 leveraged \$262,100 and supported over 32 loans totaling \$1,134,827. The impacts documented in these reports went beyond the financial contributions of local CDFIs – many qualitative impacts such as leadership development, increased opportunities and self-esteem, and the success of locally controlled financial institutions were also documented. These reports highlighted the need for future research on the impact of Native CDFIs on local economic development.

Investments by the CDFI Fund, other federal government agencies, tribal governments and enterprises, private foundations, banks, and other partners, have facilitated the work of Native CDFIs, including First Nations Oweesta Corporation, and many others. It has given them the support to develop an integrated range of services including education (e.g. homebuyer education, business training) and financial products (e.g. IDAs, loans, checking and savings accounts). These services create the institutional measures and financial infrastructure necessary to facilitate asset-based development in Native communities on their own terms that best meet the needs of their economically depressed communities. This integrated approach to asset building, a 28-year vision and practice of First Nations Development Institute, has come to be referred to as “integrated asset building” and is represented by the models outlined earlier in this report. The approach is premised on the notion that a proactive, holistic, long-term approach is needed to address the challenges of poverty in Native communities.²⁶ The growth of the Native CDFI field over the past several years offers significant hope for the future of Native communities that have already benefited greatly from the infusion of public and private dollars to build their economies.

Challenges Facing the Native CDFI Field



The investments by the CDFI Fund and others have not left the Native CDFI field without ongoing needs, and to determine the scope of those needs, First Nations Oweesta Corporation conducted an in-depth market and product development study of Native financial institutions throughout the United States in 2005.

Research for this market analysis draws upon both primary and secondary data and involved an extensive survey, interviews, and Internet research. Through this research, First Nations Oweesta Corporation attempted to identify all Native CDFIs, credit unions, banks, revolving loan funds, microenterprise loan funds, and venture capital funds throughout the country. Of the over 78 Native financial institutions initially identified in March 2005, 70 Native financial institutions were confirmed active and were sent the Native Financial Institutions Survey beginning in April 2005 and ending in September 2005. Within a six month period, 55 Native financial institutions (78 percent) responded and 34 (48.6 percent) completed the survey. It has been determined that there are at least 107 certified and emerging Native CDFIs and more than 160 tribes/institutions (throughout the United States) in pursuit of CDFI Fund technical assistance awards and starting a CDFI.

Nearly two-thirds of the 34 Native financial institutions that responded to the surveys identified themselves as Native CDFIs. The surveys indicate that there is a clear demand for capacity building and technical assistance services at the Native financial institutions that address strategic analysis with their board of directors, entrepreneurship training, improving investor relations, and developing organizational capacity. They also indicated that Native financial institutions are focusing most of their financial services on small business, microenterprise, and commercial loans. The majority of Native financial institutions identified the need for some degree of advocacy, policy, and research in the following specific areas:

1. Advocacy and training related to Native CDFI certification and funding.

2. Advocacy and training related to entrepreneurial development.
3. Quantitative research on tribal businesses, the impact of Native financial institution programs, and housing needs on the reservation.
4. Demographic analysis of Native entrepreneurs and Native financial institution clients.²⁷

First Nations, First Nations Oweesta Corporation, and a number of other partners and funders are working to meet the first and second priorities. The need identified in priorities 3 and 4 for reliable and high quality research to determine the best context for building strong Native economies through Native CDFIs and the individual outcomes they seek to support (like entrepreneurship) is ongoing. As the National Aboriginal Capital Corporation Association points out in their policy paper on Aboriginal Financial Institutions (AFIs) in Canada, more reliable economic data and tools are needed in order to develop institutional capacity. These data and tools can provide Indigenous communities with “increased control over their own economic development, by making the economy better understood and, crucially, valued. Once value is identified and recognized, it is easier to build on it, in addition to instilling a sense of pride and self-worth on the part of those building this value.”²⁸ In the United States, national organizations like First Nations’ Native Asset Research Center, as well as the National Congress of American Indians’ Policy Research Center, offer a promising way forward to provide the infrastructure for connecting academic and applied research with tribal and community leaders seeking timely information on how to best serve their communities.²⁹

Funding for the CDFI Fund remains precarious, with the president’s budget proposing in 2006 and 2007 that it be merged with numerous other community development programs as part of the “Strengthening America’s Communities Initiative.” While this proposal was not adopted by Congress or proposed by the president for 2008, the 2008 budget includes a more worrisome recommendation that Congress eliminate the Native American Initiatives of the CDFI Fund completely and reduce overall CDFI Fund funding by almost half. These issues illustrate the difficult funding context faced by CDFIs in general and the CDFI funding gap already identified underscores the difficulties specific to Native CDFIs seeking to serve communities of even more pronounced need than in the nation as a whole. The need for and desirability of private investments in Native CDFIs makes “funder fatigue” a true concern, with Native CDFIs looking increasingly to other capital sources – including socially responsible investing (SRI) and educating tribes about investing in Native CDFIs.³⁰ In addition to SRI and other strategies to sufficiently capitalize Native CDFIs, it is also important to follow the National Aboriginal Capital Corporation Association’s recommendation to concentrate on building a positive investment climate by “creatively assessing the investment needs and the productive capacities of individual areas” so that Indigenous communities can be more in control “of the process leading to its own autonomous development.”³¹ While the National Aboriginal Capital Corporation Association’s recommendations for developing more reliable economic data and tools and building a more positive investment climate relate to the Canadian context, its recommendations are very much applicable to Native CDFIs and the development of capitalization strategies. With the rapid growth of the Native CDFI industry and the recent decline in funding sources, the need for new

capitalization strategies will be of key importance as the Native CDFI industry grows and develops.

Learning from Local Native CDFIs — Highlights from a Growing Field

The following mini-profiles serve to highlight key themes in the development, certification, and ongoing success of Native CDFIs. The steady growth in the number and diversity of Native CDFIs means that the examples here represent only the tip of the iceberg when it comes to this movement. We have chosen newer, stable organizations (established for 4 to 7 years), as well as those demonstrating tribal and geographic diversity. We wish we could profile many more of these important organizations, but these five serve as a testament to all the work being done in Native communities throughout the country.

The first profile deals with Citizen Potawatomi Community Development Corporation, an award-winning Native CDFI that has been on the forefront of the recent growth of the field and has contributed significantly to the success of other Native CDFIs. The second outlines the groundbreaking work of Four Bands Community Fund to develop an acclaimed Native CDFI in one of the nation's most economically depressed areas. The third deals with Four Directions Development Corporation, a Native CDFI that serves multiple tribes and has innovated to deliver many new products and insights to the Native CDFI field. The fourth highlights one of the few Native credit unions certified by the CDFI Fund, Lac Courte Oreilles Federal Credit Union, serving the Lac Courte Oreilles Ojibwa Reservation in Wisconsin. The fifth describes one of the newest Native CDFIs to emerge as a spin-off from a tribe, the Salt River Financial

Services Institution, serving the reservation and tribe of the same name in Arizona.

Profile 1: Citizen Potawatomi Community Development Corporation — The Impact of a Supportive Tribal Government

The Citizen Potawatomi Community Development Corporation (CPCDC) is a tribally-chartered not-for-profit entity, incorporated in May 2003 and certified as a CDFI in September 2004. The tribe used section 7871 of the tax code to create a separate organization that could receive tax deductible donations and would be recognized by the CDFI Fund as an independent not-for-profit entity. CPCDC's services focus on the provision of micro and small business loans to tribal members nationwide and Native Americans throughout Oklahoma, and it also provides personal loans to employees of the Citizen Potawatomi Nation. CPCDC was launched to address the lack of access to capital and financial services faced by Native borrowers in Oklahoma and around the country. The CPCDC was planned and founded as part of a multi-stage economic development strategy designed by the tribal government to provide capital and technical assistance for projects that help to create a healthy tribal economy. The tribe has long recognized that creating access to capital for businesses and aspiring entrepreneurs will help its members achieve self-sufficiency. Kristi Coker, executive director of CPCDC, states, "CPCDC is a direct outshoot of the Citizen Potawatomi's larger economic development goals."³² In addition to its collaborative relationship with the tribe, CPCDC fulfills a unique role as the only Native CDFI serving all Native Americans in Oklahoma and has been very successful in the provision of small business loans and technical assistance to its target market.

Table 3: Select Native CDFIs — Fast Facts

Organization Name	Tribe/ Market Served	Financial Service Products	Development Service Products	U.S. Treasury CDFI Fund Certified?
Citizen Potawatomi Community Development Corporation	<ul style="list-style-type: none"> • Citizen Potawatomi tribal members throughout the U.S., primarily in Oklahoma. • Other Native people throughout Oklahoma. 	<ul style="list-style-type: none"> • Microenterprise loans • Small business loans • Tribal employee loans 	<ul style="list-style-type: none"> • Entrepreneurship training and technical assistance/consulting • Financial education and credit counseling • Individual development account (IDA) program • Volunteer Income Tax Assistance (VITA) site 	Yes
Four Bands Community Fund	<ul style="list-style-type: none"> • Tribal members and permanent residents of the Cheyenne River Lakota Sioux Reservation in rural western South Dakota. 	<ul style="list-style-type: none"> • Microenterprise loans • Small business loans • Credit builder loans 	<ul style="list-style-type: none"> • Entrepreneurship training and technical assistance/consulting • Financial education and credit counseling • Individual development account (IDA) program for adults and youth • Youth financial education and entrepreneurship 	Yes
Four Directions Development Corporation	<ul style="list-style-type: none"> • Tribal members of four Maine tribes: Passamaquoddy, Penobscot, Houlton Band of Maliseet and the Aroostook Band of Micmac. 	<ul style="list-style-type: none"> • Housing loans • Microenterprise loans 	<ul style="list-style-type: none"> • Homebuyer education • Entrepreneurship training and technical assistance • Financial education 	Yes
Lac Courte Oreilles Federal Credit Union	<ul style="list-style-type: none"> • Lac Courte Oreilles Ojibway Reservation. 	<ul style="list-style-type: none"> • Savings accounts • New & used auto loans • Small unsecured consumer loans (alternative payday loans) 	<ul style="list-style-type: none"> • Financial education and credit counseling • Individual development account (IDA) program (pending) 	Yes
Salt River Financial Services Institution	<ul style="list-style-type: none"> • Salt River Pima-Maricopa Indian Community Members in Scottsdale, Arizona. 	<ul style="list-style-type: none"> • Housing loans • Microenterprise loans(pending) 	<ul style="list-style-type: none"> • Homebuyer education • Financial education and credit counseling • Individual development account (IDA) program 	Pending



The tribe has invested almost \$1.4 million in CPCDC and the organization has utilized that support to develop an extensive capitalization strategy, seeking to diversify its funding by looking to banks, foundations, government sources, individuals, religious institutions, and other institutional investors. CDFI Fund awards have contributed significantly to the development of CPCDC's strong organizational infrastructure. As of 2006, CPCDC's business loan programs have made 65 loans totaling \$3.7 million, with 90 percent of the loans to Citizen Potawatomi members and 51 loans made in Oklahoma, five in Kansas, three in Oregon, two in Mississippi, two in California, and one each in Missouri and Montana. In 2005, CPCDC began offering a third lending program to employees of Citizen Potawatomi Nation. The program makes emergency loans and provides financial education, including one-on-one counseling, monthly workshops, and credit counseling. In the first two years, the program made 298 loans totaling \$220,176.

To complement its lending programs and support the success of its lending clients, CPCDC offers a range of development services. These include business development services, general financial education and free tax preparation services. Business development services are offered through group workshops and one-on-one technical training. In 2005, the CPCDC provided more than 600 hours of business training to 267 Native clients. This included 140 hours of direct, one-on-one consultation to Native Americans in the Citizen Potawatomi Nation regional area, with the remainder offered in small-group settings. Potential borrowers go through an initial consultation visit to identify needs and to prepare a customized plan of action. Through one-on-one consultation and workshop instruction, participants then learn how to prepare a business plan, obtain financing,

set up a bookkeeping system, conduct market research, prepare effective advertising, contract with government entities (tribal, federal, and/or state), and understand legal issues. Before applying for a commercial loan and upon loan closing, CPCDC's staff provides intensive technical support to assist the borrower in developing a strong, viable business. Throughout the process, CPCDC staff are engaged and supportive to ensure the client has the highest possible chance of successfully developing or expanding their business.

Profile 2: Four Bands Community Fund — A Place to Grow for the Entire Reservation

The plan for Four Bands Community Fund (Four Bands) was developed late in 1999, and it incorporated in 2000 with a mission of providing lending, training, and technical assistance to the Cheyenne River Reservation in rural western South Dakota. Four Bands is a private, nonprofit, 501(c)(3) revolving loan program that was certified by the CDFI Fund in 2001. The development of Four Bands was part of an original five-pronged effort (as of this date, the loan fund is the only one of the five to move forward) of the tribe's economic development committee and planning department with logistic support from the FDIC and other task force members. This joint development effort allowed the point person on the project (who eventually became the first executive director) to research and develop the market, create the organizational documents, and do the initial fundraising with the blessing and support of the tribal council and task force members, ensuring separation from the tribe but integration into the community as a whole. Four Bands has become a catalyst for change in the community and present executive director, Tanya Fiddler, recently won the SBA's minority business advocate award for the state

of South Dakota, as well as the region. This is especially noteworthy for a Native CDFI serving a reservation roughly the size of Connecticut with unemployment and poverty figures that are some of the worst in the country.

Four Band's programs and services focus on the development of private businesses for the reservation, with a micro and small business loan product linked to business training and consulting, as well as financial education and advocacy work in the community. Over the past three years Four Bands has deepened and broadened its assistance in the community to add youth financial education and entrepreneurship development, youth and adult Individual Development Account programs, a "credit builder" loan product, chamber of commerce development, a joint arts & culture exchange program with the state, and much more. Four Band's program and product development is guided by "Icahya Woecun," a Lakota model that translates as "the place to grow." As stated on its website, the model "applies the Lakota tradition of movement in a circle with a beginning and an end, and yet is never ending. And it is based on the sacred number four: four directions (north, south, east, and west), four elements (earth, fire, air, and water), four seasons (winter, spring, summer, and fall), four races (red, black, white, and yellow). Four Bands combines 'Icahya Woecun' with the wisdom of best practices for expanding businesses and offers strategic business development services in four directions: educate, finance, incubate, and advocate."³³

**Profile 3: Four Directions Development Corporation
— Building Partnerships for the Native People of Maine**

Four Directions Development Corporation (Four Directions) was founded in 2001 with the intention of improv-

ing the housing situation for Native people in Maine. Four Directions now serves members and families of the four Native American Tribes in Maine: the Passamaquoddy Tribe (representing two reservations), the Penobscot Indian Nation, the Houlton Band of Maliseet Indians, and the Aroostook Band of Micmac Indians. Four Directions Development Corporation was conceived to respond to the particular credit and information needs of tribal members in Maine and is governed by a 15-member board of directors, with representation from the four tribal communities, as well as Maine's banking, housing, and economic development sectors. The mission of the Four Directions Development Corporation is to improve the social and economic conditions of the tribal members of the four Maine tribes by investing in affordable housing, tribal business ventures and small- and medium-size businesses. Most tribal members and territories are concentrated in Aroostook, Penobscot, and Washington counties, which are some of the state's poorest and most remote places. Already limited opportunities for homeownership, home improvement, and self-employment in these areas are further constrained by tribal land restrictions and the limited credit histories and low financial literacy of many tribal members. Four Directions Development Corporation was conceived to respond to the particular credit and information needs of tribal members. Their goals are to:

- Increase homeownership among tribal members.
- Improve the quality of housing for Native peoples.
- Increase the number of Native-owned businesses.
- Raise the levels of financial literacy among tribal members.

“The idea is that we do a simple, low-cost loan so our people won’t have to go to a pawn shop or a payday lender or a check cashing store.”

- Build the business skills of Native entrepreneurs.
- Attract and leverage capital to Indian Country.

The leadership at Four Directions, in particular Susan Hammond, the founding executive director, worked to include all the tribes and develop a coordinated effort as the first and only Native-run community development corporation serving the whole state. For these efforts and its ongoing success, Susan Hammond was awarded the first ever Visionary Leader Award for Outstanding Achievement at the third annual Native Financial Institution Convening Award Ceremony in Washington, D.C. in October 2006.

Since 2001 Four Directions has built a portfolio of over \$2 million in housing and small business loans, and a diverse network of Native and non-Native partners ranging from bankers to Quakers. On recommendation from First Nations Oweesta Corporation,

Four Directions joined a new effort in 2005 known as the Triple Bottom Line Collaborative, a learning network designed to bring in the environmental aspect of lending and join it with the financial and social (double bottom line) aspects of the CDFI movement. Four Directions and its staff have committed to this experiment and have already shared it with the Native communities throughout the state. Another unique partnership at Four Directions involves the Giving Winds Campaign to raise private funding for housing and business development in Native communities through Four Directions. The Maine Council of Churches, who opposed casino operations for the tribes, but not pure economic development, became a partner in this campaign after the statewide defeat of the referendum on tribal casinos. Through extraordinary

leadership by Susan Hammond and Four Directions, the Council was enlisted to help target its members and congregations and nearly \$700,000 was raised in this manner. These funds became part of the pool of development dollars invested in the all of the Native communities in Maine and helped connect the Native and non-Native residents in a common task that is helping change the landscape for Native people in Maine.

Profile 4: Lac Courte Oreilles Federal Credit Union — Bringing the Basics to the Reservation

Chartered in 2001, the Lac Courte Oreilles Federal Credit Union (LCOFCU) in Hayward, Wisconsin serves the Lac Courte Oreilles Ojibwa Reservation with basic bank account provision and small consumer loans (secured and unsecured). LCOFCU was certified by the CDFI Fund in 2002 and has been adding services like financial education and financial management outreach to schools, as well as preparing to develop an Individual development account program. LCOFCU was created because tribal members and others living on the reservation did not have access to basic financial services, and its initial market research demonstrated that there was a great need for financial products as well as basic financial education training. As a result, LCOFCU built a credit union that addressed the building blocks of financing in the community.

The average loan at Lac Courte Oreilles Federal Credit Union is just \$600, well below the minimum that other local financial institutions are willing to lend. But these small loans have a big impact. “The idea is that we do a simple, low-cost loan so our people won’t have to go to a pawn shop or a payday lender or a check cashing

store,” says LCOFCU’s president, David Fleming. “If they keep coming in our door, we keep exposing them to more and more financial education, and, hopefully, we start to keep more wealth in our own community.”

In 2006, over 22 percent of LCOFCU’s total loan portfolio was in anti-predatory loans. In addition to the direct efforts at building community knowledge and skills in financial management and providing better alternatives to high interest predatory lenders, LCOFCU has, like most credit unions, provided a sense of belonging and ownership for the credit union membership, especially tribal members. Creating relationships with a financial service provider and giving community members a “piece of the pie” through learning the credit union ownership method has developed long-standing bonds that will only grow in a community that has looked for this connection.

Profile 5: Salt River Financial Services Institution — Continuing the Strategic Efforts of the Tribe

In April 2006, the Salt River Pima-Maricopa Indian Community launched the Salt River Financial Services Institution (SRFSI) to be a one-stop lending and technical assistance entity for the entire Salt River Community. This new institution was designed to provide vehicle, personal, business, and mortgage lending, along with the training and technical assistance necessary to meet the needs of the community and create demand for the full line of products and services at SRFSI. SRFSI grew out of the impressive work of the Salt River Housing Division, which had pioneered several of the financial education programs now being offered at SRFSI. Indeed, this team effort led to staff from the Housing Division joining the new institution to continue the work

that had already been started. This included employees in the Resource Development Department, consisting of the home construction coordinator, mortgage officer, records specialist and housing assistant. SRFSI continues the strong financial education programs previously offered at the Housing Division, including a “Homeownership Academy” program and individual development account program, as well as the homebuyer education, business training, and general consulting and community assistance.

Located on the Salt River Pima-Maricopa Indian Community’s reservation, which is adjacent to the affluent community of Scottsdale, Arizona, SRFSI continues to expand their operational reach. Part of the ability of SRFSI to make these growth jumps stems from the financial support of the tribe itself. SRFSI learned from the in-depth consulting and training it had received that most of these start up Native CDFIs have a long initial period of fundraising and that capitalizing the entity up front would jump start the process. While SRFSI has raised other money, when the tribe created the ordinance that codified this not-for-profit entity under section 7871 of the tax code, they did so knowing they wanted to invest tribal dollars and transfer certain aspects of operation to the new separate entity. Similar to the way Citizen Potawatomi Community Development Corporation was chartered, the Salt River Financial Services Institute saw the advantages of chartering SRFSI as a not-for-profit entity using tribal law, while at the same time clearly separating the institution from the tribe. The Salt River Tribal Council and the staff of the Housing Division understood the benefit of separating the institution for the certification requirements of the



CDFI Fund and the good governance of the not-for-profit organization, but keeping its connection to the tribe and the broader economic and community development efforts of the tribe. SRFSI credits the interaction with Citizen Potawatomi Community Development Corporation in its formation and corporate structure.³⁴

Since October 2006, SRFSI has made eight loans to community members, seven of them to homeowners and one to a business owner.³⁵ SRFSI has taken the next step in Native CDFI development and submitted its certification application to the CDFI Fund where the decision is pending. In March of 2007, Karen LaFrance became the first executive director for SRFSI, leaving the executive director position at Neighborhood Economic Development Corporation (NEDCO), a certified CDFI serving the Phoenix area. SRFSI plans to introduce new loan products and services to the Salt River community, including personal and vehicle loans through a partnership with TruWest Federal Credit in the coming year. SRFSI has already begun to offer tailored business training that complements the Homeownership Academy already in place.³⁶

Successful Strategies for Native CDFI Development



The profiles of Native CDFIs provided above demonstrate a number of key strategies that support the success of Native CDFIs. Those strategies are:

- A shared vision with the community they serve.
- Strong partnerships that support their work.
- Customized training, technical assistance, and lending to ensure client success.

We explore these themes in greater detail below.

Shared Vision with the Community They Serve

Many Native CDFIs, including those outlined in the profiles, attribute their success to the alignment of their goals with the larger goals of their communities and nations. This often involves a close and cooperative relationship with the tribal government (as evidenced at Citizen Potawatomi, Four Directions, and Salt River). Kristi Coker from Citizen Potawatomi Community Development Corporation points out that one of the most exciting elements of the Citizen Potawatomi Community Development Corporation's success has been the manner in which the Citizen Potawatomi tribal government has nurtured and supported it: "The Citizen Potawatomi tribal government's willingness to sponsor and support a Native American CDFI, while at the same time granting its Board of Directors the autonomy and authority to make independent, non-political loan decisions is a huge leap of faith. It is a leap that will yield huge benefits over time. By allowing such institutional independence, the tribe has gone a long way in building their community's capacity to manage increasingly complex institutions that will contribute to its economic growth and sustainability."³⁷

More recently developed CDFIs seem to be learning from the experience of more established Native CDFIs. The recently launched Salt River Financial Services Institution (SRFSI) is an activity firmly supported by the tribal government. Staff of SRFSI note that the tribe has a vested interest in the success of the SRFSI because it "keeps money in the community to work for the community."³⁸ The tribal council views the SRFSI's financial education and lending programs, recently transferred from the Housing Division, as key community and economic

development strategies that are helping to strengthen the well-being of Salt River Pima Maricopa Indian Community and Nation. The strong working relationship that the Tribal Council and SRFSI have with one another helps to guarantee that the SRFSI's program needs are being met so that the SRFSI can best meet the needs of both the citizens and the nation. The fact that SRFSI is offering programs that have a proven track record of success, with existing community support, and an interest within the community in learning and education, provide a strong foundation for the success of the SRFSI.

While most of the Native CDFIs highlighted in the profiles were tribal/community specific, there are Native CDFIs that do not have a specific link to a single Native community. One example in our profiles is Four Directions that brought the four Maine tribes together. Another example of this is the California Native Entrepreneurs Opportunity Fund, an emerging Native CDFI located in Sacramento, California that plans to work with numerous tribal governments around the Sacramento County area and within San Diego County. Its parent organization, California Indian Manpower Consortium (CIMC), has been working with many tribes throughout the state since 1978. The Affiliated Tribes of Northwest Indians (ATNI) have a CDFI Fund certified Revolving Loan Fund Native CDFI through their Economic Development Corporation that continues to serve tribes, tribal corporations, and tribal members in the northwest states with technical assistance, training, and lending.

It helps to have a strong link with a tribal government, but such a relationship is not a deal breaker to Native CDFI success. Some communities, and the tribal governments that lead them, are so beset by the daily challenges of meeting basic needs that it is difficult to go beyond reactive solutions to embrace the proactive

changes that can be stimulated by CDFIs. It often takes the commitment and leadership of Native CDFIs to make the case for the transformation that can occur as a result of their activities. Many Native CDFIs that have been in operation for several years are only just seeing a strong commitment to their activities by their tribal governments. As successful business owners hire fellow citizens and talk with (and vote for) their tribal leaders, the need to support the CDFI's activities becomes increasingly clear.

Whether a Native CDFI serves a single Native community or is a multi-tribal entity, a positive working relationship with Native leaders and a shared vision with the community is a key component of their success. While a strong working relationship with tribal leaders is desirable, many Native CDFI leaders caution against relying too heavily on tribal support or placing too high a price on that support. It is important for Native CDFIs to diversify their partnerships and capitalization strategies in case support from tribal government (or other funders) is not forthcoming. In Hawaii and Alaska these partnerships may become even more important to negotiate non-reservation/non-council government operations and organizations, vast distances, and culturally/geographically/demographically diverse Native populations. As we outlined above, it is also possible (and sometimes necessary) to develop support from the government and other partners through proven success of existing Native and non-Native CDFI activities over several years.

Strong Partnerships that Support Their Work

As the First Nations and First Nations Oweesta Corporation partnership and the local profiles illustrate, a strong partnership network has been a key factor in the development and success of Native CDFIs. First Nations Oweesta Corporation's partnership-based programs

work together to meet the training and technical assistance needs of Native communities. Through the Native Communities Financing Initiative (NCFI), the Native IDA Initiative (NIDAI), the Native Financial Skills and Enterprise Initiative (NFSEI), the Native Financial Education Coalition (NFEC), and various research and advocacy undertakings, First Nations Oweesta Corporation is working closely with tribes, the CDFI Fund, nonprofits, and other stakeholders throughout the country to successfully meet the needs of Native communities and Native CDFIs.

Partnerships can also be critical to the successful launch of Native CDFIs. Through one of its earliest partnerships, SRFSI invited the executive director of the Citizen Potawatomi Community Development Corporation to explain to the Salt River Tribal Council the impact a Native CDFI had on their community and, most importantly, how the transition of resources and programs to the new CDFI entity took place out of the tribe's operation. This perspective on the process and success of Citizen Potawatomi Community Development Corporation led to successful passage of a resolution of support for the creation of the Native CDFI at Salt River. Citizen Potawatomi Community Development Corporation has provided technical assistance advice to over 10 emerging CDFIs, and plans to continue this work in the years to come. As Kristi Coker states, "The leadership of the Citizen Potawatomi Nation has exhibited great foresight and leadership in adopting an innovative and empowering model of economic development. Their daring and courage provides a great example for other Native communities to emulate and follow."³⁹

While many tribes are located far from urban centers and might not necessarily have access to a strong local network of partners (or partnerships with other Native

CDFIs), partnerships can be developed throughout the country with a host of people and organizations willing to share their knowledge and expertise. Training programs like the *Native Community Financing Initiative* offer an introduction to the various uses of Internet technology, conference calls, and other technologies to provide training and technical assistance to remote communities seeking to develop a CDFI. Furthermore, the development of tools and online communities like Our Native Circle (www.ournativecircle.org) and Circle Up, the associated listserv, facilitate networking and partnering among Native CDFIs, community development practitioners, funders/investors, and others engaged in this work. The Wind River Development Fund (WRDF), located in the foothills of the Wind River Range in Ft. Washakie, Wyoming, on the Wind River Reservation is one example of a Native CDFI located in a remote area, which has developed an extensive partnership network including national Native and non-Native nonprofit organizations, tribal programs, regional nonprofits, financial institutions, private funders, and government funders. In our profiles above we saw Native CDFIs partnering with banks, churches, tribes, credit unions, colleges, federal programs, and other CDFIs, to name just a few. A strong partnership network not only helps Native CDFIs lighten their load with regard to service delivery, it also represents a network that serves to strengthen and support Native CDFIs through shared insights and resources.

Customized Training, Technical Assistance, and Lending to Ensure Client Success

The profiles demonstrate a consistent theme across the range of services offered by Native CDFIs. Whether describing the range of loan products, development ser-

vices (like financial and entrepreneurship education), or complementary services (like IDAs and tax preparation), all of the Native CDFIs demonstrate the importance of tailoring their services to meet the unique needs of their community.

As described in the financial management skills chapter of this report, a common feature of the community-based use of First Nations' *Building Native Communities* curriculum is that instructors adapt it, and sometimes supplement it, with other curricula to meet the specific cultural context and educational needs of their community. This practice is also common among Native CDFIs that focus on entrepreneurship development. As mentioned earlier in the chapter, California Native Entrepreneurs Opportunity Fund is an emerging Native CDFI whose parent organization, California Indian Manpower Consortium, has provided Native entrepreneurship training to 100 clients since 2001. California Indian Manpower Consortium's Native entrepreneur training was designed as a 200-hour course held in four multi-day workshops in four regions of California. One hundred hours are spent in class where all aspects of business formation, planning, management, and financing theory and practical exercises are presented by the best trainers in the field, most of them Native people. Faculty includes Native entrepreneurs, bankers, e-commerce and marketing specialists, financing specialists and government guarantors, and Small Business Development Center staff. An additional 100 hours are spent on homework assignments and on preparing a business plan adequate to present to a lending institution for financing a small business start up or expansion. California Native Entrepreneurs Opportunity Fund will work closely with California Indian Manpower Consortium to provide these entrepreneurship trainings in the future and to offer participants in these trainings the

opportunity to apply for loans best suited to meet their needs as entrepreneurs.

The range of services offered by Four Bands (as outlined above) includes comprehensive business training through the Cheyenne River Entrepreneurial Assistance Training and Education (CREATE). CREATE deals with topics related to starting and growing a business in a remote, economically distressed reservation community through the vision of their "Icahya Woecun" model for development on Cheyenne River. The curriculum has also been utilized to develop targeted services, like their youth entrepreneurship program.⁴⁰ Four Bands' attention to meeting the specific needs of tribal members is highly developed. They have tailored their loan products, financial education programs, and resources to meet the needs of entrepreneurs residing on the reservation and to ensure that those entrepreneurs will contribute to the overall growth of the reservation economy.

Another example of the development of community-specific curriculum is Wind River Development Fund's SAGE (Strengthening and Growing Native Entrepreneurs) curriculum, a 10-week, 50-hour business planning course designed specifically for entrepreneurs on the Wind River reservation. Through SAGE, topics such as marketing in a rural community, pricing, cash flow projections, setting business goals, business structure, and tax and licensing issues are taught to participants through the lens of the unique culture, experience, and needs of tribal members. Upon completion of the course, participants will have acquired a range of important skills and successfully developed their business plan. The course is offered three times per year and completion of the course is required for all new businesses wanting to apply for a loan from the Wind River Development Fund's revolving loan program. In addition to the

business-specific classes, Wind River Development Fund requires attendance at financial education classes for all entrepreneurs applying for a loan. This strategy enhances entrepreneurs' knowledge and skill base and increases the likelihood that entrepreneurs will pay back their loans and be able to secure more loans with Wind River Development Fund and other financial institutions in the future.

Conducting a market analysis has become a key piece of the development checklist related to Native CDFIs and it is this step that helps the organizing individuals/entities truly determine the difference between general need in the community (which is often great and involves many aspects as noted above) and the demand for potential loan products. This demand is documented through surveys, interviews, and a wide variety of secondary data that help determine the conditions for the development of the Native CDFI and its products and programs in that particular community, specifically what kind of loans are needed in the community and at what level. These loan products are also linked to one or more types of technical assistance and training the organization and/or its partners may provide. Native CDFIs, including those we have profiled, also adapt their loan products as they mature and receive feedback from their clients and the community. Four Bands started with two types of business loan products based on its original market analysis, but five years later added a credit builder loan because it realized how important credit repair and basic personal financial management were to the success of its clients. Citizen Potawatomi Community Development Corporation was guided in the development of its original loan products by its market analysis, but soon realized the demand for a small consumer or emergency loan, which it made available to all tribal employees. As with the other organizations, programs, and tools highlighted throughout this report,

Native CDFIs are most successful when they plan to be proactive by researching ahead of time and reactive by listening to their customer base and community.

These examples demonstrate the common practice among Native CDFIs of developing and implementing community-specific tools and, as the Native CDFI industry grows, the products and services continue to be innovative and unique. The success of these tools demonstrates both the wisdom of the strategy and the critical role played by Native CDFIs in the economic health of individual Native communities.

Conclusion

The Native CDFI movement parallels, in many ways, the overall asset-building and enterprise-development efforts that have come to Native communities throughout the country, which are addressed in detail in this report. Through an exercise and exertion of individual and group economic sovereignty, Native communities have successfully used the proven and effective CDFI model to act as a catalyst for a wide variety of programs and services that address the needs and demands of the individual community. By offering an institutional structure separate from the tribal government, CDFIs contribute to the development of civil society in Native communities. Native CDFIs, by providing access to financial services, training and technical assistance, and role models for entrepreneurship development, are a critical part of developing an enabling environment for economic growth on Indian reservations. In examining the movement and highlighting the individual Native CDFI profiles, it is clear that Native CDFIs often create a spearhead for the Native community's private asset and wealth creation and are an important part of a larger community economic development strategy. It is also

apparent that the development of the Native Initiatives area of the CDFI Fund after the Native American Lending Study and the ensuing grant and contract programs have contributed to the growth and stabilization of the Native CDFIs tremendously. This “first in” support of the Native CDFI effort also acted as a catalyst for other federal, state, and local government programs that are helping fund and assist the Native CDFIs and has triggered interest from the banking, investing, and foundation world (including First Nations’ Little Eagle Staff Fund) that might not have occurred without the Native CDFI movement. Throughout the country, small and large communities, Native and non-Native alike, are seeing the benefits of developing strong, stable Native CDFIs to delivery financial and development service products uniquely tailored to the local environment.

No two Native CDFIs are alike, nor are their products, services, customers, or communities – and that is why the institutional and program development researched and highlighted in this chapter paint a picture of hope and determination for the Native communities engaged in this work. Native CDFIs and their founding tribes, organizations, and individuals will continue to add to the variety in the coming years and the lists of examples given in Table 1 will only continue to grow with each new Native CDFI. There will always be challenges to the work of the CDFIs in Native communities. Indeed, there will still be challenges to developing Native CDFIs, but there is now more than a beginning and the lessons are not lost for the next generation of Native CDFIs.

Endnotes

- ¹ Egan-McKenna and Gabriel 1991.
- ² Yunus 2006.
- ³ Dewees 2004, p. 5.
- ⁴ The CDFI Fund is a government agency, within the U.S. Treasury Department, that provides funding to individual CDFIs and their partners.
- ⁵ CDFIs include loan funds, banks or thrifts, credit unions/associations, depository institution holding companies, and venture capital institutions.
- ⁶ Dewees 2004.
- ⁷ Dewees, 2004.
- ⁸ Elsie Meeks, quoted in Baue 2005.
- ⁹ Elsie Meeks, quoted in Baue 2005.
- ¹⁰ Cornell and Kalt 199, p. 8.
- ¹¹ Dewees, 2004.
- ¹² Dewees 2004.
- ¹³ Oweesta website 2006.
- ¹⁴ Oweesta website, 2006.
- ¹⁵ Miriam Jorgensen 2006.
- ¹⁶ Anderson 2001.
- ¹⁷ CDFI Fund 2001, p. 14.
- ¹⁸ CDFI Fund 2001, p. 2.
- ¹⁹ First Nations Development Institute 2005, p. 74.
- ²⁰ CDFI Fund, Native American Initiatives Program, 2006.
- ²¹ CDFI Coalition. 2006, pp. 10-12.
- ²² CDFI Fund, Historical Award Database, 2006.
- ²³ Please see IDA chapter in report for further information on IDAs.
- ²⁴ Please see Native entrepreneurship chapter for more information on Native entrepreneurship efforts.
- ²⁵ Dewees 2004; First Nations Development Institute 2005.
- ²⁶ Elsie Meeks 2006.
- ²⁷ Oweesta, NFI Research Project, 2005, pp. 3-4.
- ²⁸ NACCA 2005.
- ²⁹ For more information see <http://ncaiprc.org/>.
- ³⁰ Elsie Meeks 2005.
- ³¹ NACCA 2005.
- ³² Coker, Kristi, E-mail Correspondence, September 27th, 2006.
- ³³ Four Bands website, <http://www.fourbands.org/programs.htm>.
- ³⁴ SRFSI website, <http://www.saltriverfinancialservices.com>.
- ³⁵ SRFSI website, <http://www.saltriverfinancialservices.com>.
- ³⁶ SRFSI website, <http://www.saltriverfinancialservices.com>.
- ³⁷ Coker, Kristi. E-mail correspondence. September 26th, 2006.
- ³⁸ Deer, Lisa. Phone Interview. August 9, 2006.
- ³⁹ Coker, Kristi. E-mail correspondence. September 26th, 2006.
- ⁴⁰ Four Bands website, <http://www.fourbands.org/programs.htm>.

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