Investing in Native Community Change: Understanding the Role of Community Development Financial Institutions

Sarah Dewees
First Nations Development Institute

Stewart Sarkozy-Banoczy
Oweesta

October 2008

This research was funded by a grant from the CDFI Fund, under Prime Contract GS-10F-0086K, Task Order TPD-ARC-07-K-00057. The views expressed here are those of the authors and do not necessarily represent the views of The CDFI Fund.

Table of Contents

Abstract

The CDFI Fund of the U.S. Department of the Treasury has invested millions of dollars to increase the number of community development financial institutions (CDFIs) in Native communities. Yet, over four years later, little information is available about basic characteristics of the Native CDFI field and the contribution of CDFIs to the Native communities they serve. Furthermore, there is no consistent framework for understanding CDFI development in Native communities.

This paper presents a theoretical framework for understanding the unique challenges that face Native CDFIs in their work. This paper also provides quantitative and qualitative information about the characteristics of active and emerging CDFIs serving Native communities. In addition, we conduct five case studies to provide information about how well Native CDFIs are meeting the needs of their markets, and to explore the relationship of CDFIs to job creation and entrepreneurship development in Native communities. We also explore the role of Native CDFIs in providing financial education, repairing credit, and reducing predatory lending.

An analysis of our Native financial institutions data set suggests that the universe of Native CDFIs consists of mostly unregulated loan funds, and it appears that Native CDFIs have pursued a range of legal structures for their financial institutions. Our limited dataset suggests that Native CDFIs may be younger, on average, than non-Native CDFIs. The case study research suggests that Native CDFIs are effectively meeting the needs of their market and are offering innovative financing and development services, although more research is needed in this area.

Introduction

The CDFI Fund of the U.S. Department of the Treasury has invested millions of dollars to increase the number of community development financial institutions (CDFIs) in Native communities. Yet, over four years later, there is little information about basic characteristics of the Native CDFI field and the contribution of CDFIs to the Native communities they serve. Furthermore, a consistent framework for understanding CDFI development in Native communities is lacking.

In order to clearly understand the growth of the Native CDFI field, it is important to understand the environment in which the Native CDFIs operate. This environment is unique among high-poverty populations in the United States. This paper presents a theoretical framework for understanding the challenges that face Native CDFIs in their work.

This paper also provides quantitative and qualitative information about the characteristics of active and emerging CDFIs serving Native communities. We use a database compiled by First Nations Oweesta Corporation (Oweesta) to identify the characteristics of the statistical universe of Native financial institutions including Native CDFIs. In addition, we conduct five case studies to provide information about how well Native CDFIs are meeting the needs of their markets and to explore the relationship of CDFIs to job creation and entrepreneurship development in Native communities. We also explore the role of Native CDFIs in providing financial education, repairing credit, reducing predatory lending.

CDFIs may be uniquely positioned to address the numerous barriers to economic development found in many Native communities (Carr 2006, 3). This paper will begin to shed some light on the previously unexplored field of Native CDFIs, and will examine their role in investing in Native community change.

CDFIs in Native Communities

CDFIs are specialized financial institutions that serve as private sector financial intermediaries with community development as their primary mission. CDFIs work in markets that have not been adequately served by traditional financial institutions and also develop new markets in underdeveloped areas. CDFIs provide a wide range of financial products including microenterprise loans, small business loans, consumer loans, and mortgage financing. These institutions also provide services that help ensure that credit is used effectively, such as financial literacy training, technical assistance to small businesses, and credit counseling to consumers. Through CDFIs, economically disadvantaged communities receive access to financial resources as well as needed services.

Community development finance organizations have existed in the United States for many years. The first credit unions were an effort to develop locally owned and managed financial institutions, created specifically to support economic development in local communities. Over time community development loan funds added to the mix of credit unions and banks that had a community development mission in their work. During the 1990s, leading up to the creation of the CDFI Fund, many of these locally-based loan funds, credit unions, and banks helped develop the definitions and concepts that led to what is referred to as the "CDFI model."

In our paper, we define an "active CDFI" as an organization that meets the criteria required for certification by the CDFI Fund.[1] These are:

1. Is a ***legal entity.***
2. Has a ***primary mission*** of promoting community development.
3. Is a ***financing entity.***
4. Primarily serves one or more ***target markets.***
5. Provides ***development services*** in conjunction with its financing entities.
6. Maintains ***accountability*** to its defined target market.
7. Is a ***non-government entity*** not under the control of any government entity (tribal governments excluded).

We define an "emerging CDFI" is an organization that is striving to meet these criteria and whose leadership has demonstrated the intention of becoming a CDFI. We define a "Native CDFI" as a CDFI that meets the criteria outlined in Appendix A—most notably it must serve a predominately Native American market and demonstrate a majority Native American ownership structure.

As we will demonstrate in this paper, Native community leaders have increasingly been using the CDFI model to develop financial institutions to serve their populations, which are often based on reservations or in remote rural areas. As has been documented in the Native American Lending Study (CDFI Fund 2001), Native communities suffer from a chronic lack of access to capital due to geographic isolation, historical discrimination, redlining by mainstream financial

[1] The "active CDFI" organizations we study may or may not have applied for certification from the CDFI Fund, but still meet the above-stated criteria.

institutions, and a lack of locally owned and operated financial institutions (CDFI Fund 2001).[2] The establishment of CDFIs within Native communities can help to develop Native-managed, Native-developed financial institutions and build the community's capacity to manage and direct its financial assets in a way that supports local asset-based development. Locally controlled economic development models and tools are increasingly important as the failures of externally imposed economic development strategies have become apparent over the last two decades (Harvard Project on American Indian Economic Development [HPAIED] 2008). In the last 30 years, tribes and other U.S. Indigenous groups have moved toward greater self-determination and self-governance after a century of outside domination and control by the federal government. Economies created or enacted by the U.S. government that were once primarily controlled by the public sector are now moving toward a more mixed economy, with the development of the private for-profit and nonprofit sectors. Nonprofit economic development organizations and community development financial institutions are an important part of this growth of the private sector in Native communities across North America (HPAIED 2008).

Understanding the Context for Native CDFI Growth

In order to understand the development of the Native CDFI field over the past 10 years, it is important to understand the circumstances in which this development is occurring. This context is unlike any other, and requires an understanding of the distinct histories of different Indigenous groups within North America, the particular legal environment on Indian reservations, and the sovereign status of tribes and other Native nations. The challenges found in Native communities are distinct from those of most other high- poverty groups in the United States. The three interwoven challenges that distinguish the economic environment in many Native communities from other high poverty areas are the unique legal status of tribes, the presence of land held in trust by the federal government, and intergenerational poverty.

Diversity Among Native Nations and Native Communities

There are over 562 federally recognized Indian tribes in the United States, with populations ranging from a few hundred people to nearly 200,000. Some tribes own a large land base, the most notable being the Navajo Nation with a 17 million acre reservation, and others own only a

[2] Native communities are defined broadly in this paper to include land-based populations on formal or informal reservations, traditional Indian Lands, Indian allotments, Alaskan Native Villages, or Hawaiian homelands. Our definition includes tribes that are federally recognized, state-recognized, and non-recognized.

few acres of ancestral homeland. The geography of federally recognized Indian tribes also differs—some tribes, such as the Salt River Pima Maricopa Indian Community, have a reservation near a large metropolitan area, and other tribes, such as the Turtle Mountain Band of Chippewa Indians, are located in remote rural areas isolated from markets and services. Still other reservations, such as the Flathead Reservation of the Salish and Kootenai bands, are challenged by a large non-Native population residing on the reservation who dominate the local private economy. Furthermore, the presence, amount, and ownership of tribal and individual trust land on a reservation has a direct bearing on individuals' ability to use land for collateral or even find a building to house their business. In addition to the federally recognized tribes, there is great diversity in the indigenous populations of Alaska and Hawaii as well as the non-federally recognized tribal communities—all of whom possess unique cultural, geographic, economic, and social characteristics.

Understanding Sovereignty and the Unique Legal Environment in Native Communities

The history of Indigenous peoples' sovereignty and U.S. government relations varies greatly from one tribe to another and one Native community to another. Every Native population has a distinct history of colonization, treaty negotiations, relocation, and conquest. Most federally recognized Indian tribes share a common history of treaty making with the United States government, in which the tribe usually relinquished their land in exchange for the promise of a federally protected reservation, respect of the tribe's sovereignty, and provisions from the U.S. government for the well-being of tribal members (Pevar 2002). Alaska Natives and Native Hawaiians had related but slightly different experiences.

Sovereignty Rights of Federally Recognized American Indian Tribes

In the 1832 case *Worcester v. Georgia,* the United States Supreme Court recognized Indian nations as "distinct, independent political communities, retaining their original rights, as the undisputed possessors of the soil from time immemorial." Tribal governments possess nine important capacities of sovereignty: (1) the right to form a government; (2) the right to determine tribal membership; (3) the right to regulate tribal land; (4) the right to regulate individually owned land; (5) the right to tax; (6) the right to maintain law and order; (7) the right to regulate the conduct of non-members; (8) the right to regulate domestic relations; and (9) the right to engage in commerce and trade (Pevar 2002). However, tribal nations have the status of dependents on the United States government. As Chief Justice Marshall ruled in *Cherokee Nation v. Georgia* (1831) "[tribes] may be…denominated domestic dependent nations . . . their relation to the United States that of a ward to his guardian." This status allows Congress to limit tribes' authority and deny their right to certain attributes of sovereignty. Limitations on sovereignty include the right to sell land and interests on land, the right to regulate activities of non-Indians, the extent to which a tribal government may tax non-Indians, eminent domain of the federal government on tribal lands, and the right to regulate commerce and trade among non-Indians on the reservation in some circumstances (Pevar 2002). Although Congress continues to execute plenary (or near absolute) power to limit tribal sovereignty, and the Supreme Court continues to make rulings to limit sovereignty, federally recognized tribes retain two important rights: power over internal affairs and the preclusion of state intervention in self-governance and tribal political affairs (Canby 1998). Tribes exercise their self-governance through elected tribal leaders who serve on a tribal council, business committee, or other governing board.

A Diversity of Legal Options for Starting a Native CDFI

The sovereign nature of Indian tribal governments provides a unique context for the development of CDFIs on tribal land. As sovereign nations, tribes can pass their own corporation codes. This allows an organization to incorporate under tribal law as a nonprofit or for-profit corporation. Many tribal governments consider this an important exercise of their tribal sovereignty.

In 1982, Congress passed the Indian Tribal Governmental Tax Status Act, codified as Internal Revenue Code (IRC) §7871, treating tribal governments like state governments for certain tax purposes. This allowed tribal governments, their political subdivisions, or a department or division that is an integral part of the tribal government to receive tax-deductible donations.

Because of Indian governments' unique legal status they have a range of legal organizational structures available to them for creating a CDFI. Based on our research, we have identified nine different models that we have seen in the field. As can be seen in Table 1, tribal governments can incorporate a nonprofit corporation under tribal or state law (and apply for 501(c)(3) status), or they can operate the CDFI as a separate tribal affiliate corporation and receive tax-deductible donations under IRC 7871. Some tribal leaders decide to incorporate their CDFI under tribal law or operate a separate tribal affiliation corporation (sometimes called a "7871 corporation") in order to exercise their rights as sovereign governments. CDFIs serving Native communities may take the form of a loan fund, credit union, venture capital fund, or bank.

It is important to understand the diversity of legal options for starting a Native CDFI because it illustrates that the first, most basic step for other CDFIs is much more challenging for CDFIs that want to serve Native communities. Not only do they have several legal models to choose from, but the leadership of the CDFI must also decide how closely affiliated with the tribal government they wish to be.

The question of tribal government support for the development of Native CDFIs is important because the creation of CDFIs in Native communities has implications beyond simply the provision of financing and development services to Native community members. As illustrated in the case study analysis, the development of a CDFI by a tribal government can be an exercise of sovereignty, self determination, and nation building.

Given the unique legal rights that tribes possess, adoption of a new program such as a CDFI is largely a process of political will. Tribal leadership has the ability, through its sovereign powers, to use the tribe's staff and other resources to develop and fund a CDFI. As we will see in the case study research, at least one tribe has done this with great success. In addition, a tribe may use its governmental status to pass local legislation or regulation to support the business environment on reservations. But the inverse is also true: a tribe's leadership can effectively block the adoption of a CDFI model or can make it difficult to establish a loan fund on the reservation. A further consideration is that the adoption of any tribal program will always be seen through the lens of sovereignty for tribal governments or other Indigenous leadership groups. Considerations of state and federal intervention or infringement on the tribe's ability to exercise governmental power will be made before choosing an economic development model such as a CDFI.

Table 1: Legal and Organizational Status of CDFIs Serving Native Communities

	501(c)(3) Nonprofit Corporation?	
Tribal Government Support for CDFI	**No**	**Yes**
High	• CDFI is a separate tribal affiliate corporation (considered a "section 7871" program). • CDFI is a credit union (501 (c)(1) or 501(c)(14)) that may have been sponsored by the tribe or Native community leadership. • CDFI is a bank that has whole or partial ownership by one or more tribes or individual Native people.	• CDFI is a nonprofit corporation incorporated under tribal law and has received 501(c)(3) or other nonprofit status from the IRS. The tribe may grant money to or invest in the institution. • CDFI is a nonprofit corporation incorporated under state law and has received 501(c)(3) or other nonprofit status from the IRS. Tribal government indicates support by passing a resolution or issuing some other form of support (may function as a fiscal sponsor for a time), and may grant or invest in the institution. These entities could include revolving loan fund and venture capital fund structures.
Low	• CDFI is a credit union, not affiliated with the tribe, but with a mission to serve a Native community as target market. • CDFI is a bank, not affiliated directly with the tribe, but serving a particular Native community as target market. • CDFI is a venture capital fund, not affiliated directly with a tribe, but serving the Native population on a local, regional, or national level.	• CDFI is a nonprofit corporation incorporated under state or tribal law and has received 501(c)(3) or other nonprofit status from the IRS. CDFI may not be affiliated with a tribe, but rather have a mission to serve many tribes or to target Native populations with its target market or service area. These entities could include revolving loan fund and venture capital fund structures.

Sovereignty Rights of Indigenous Peoples in Alaska

Indigenous Alaska Native peoples are faced with a different range of issues related to sovereignty compared to the Indian tribes in the lower 48 states. The *Alaska Native Claims Settlement Act* of 1971 was a response to a hundred years of uncertainty surrounding the legal status of Native lands in Alaska. Due to the ambiguity of wording in the 1867 Treaty of Cession between Russia and the United States, Alaskan Natives did not enjoy equal legal status equal to other Native groups in the contiguous United States. After Alaska was granted statehood in 1959, the discovery of significant oil fields prompted the Alaska state government to begin the process of resolving the issue of legal title to facilitate natural resource extraction on the aboriginal land (Case and Voluck 2002). In 1997, Congress passed the *Alaska Native Claims Settlement Act* (ANCSA), which established 13 for-profit Alaska Native corporations. Congress gave these corporations $962.5 million and ownership rights to over 40 million acres of land (an area larger than the state of Washington) in compensation for extinguishing all of their aboriginal land claims (Pevar 2002). The ANCSA established Alaska Natives as shareholders in the corporations, and required the corporations to administer the land in ways beneficial to the shareholders. These corporations have since formed nonprofit corporations and corporate foundations to address the social welfare and educational needs of their shareholders and the Native populations in their regions.

The ANCSA, while resolving land title disputes, created other disputes concerning Native Alaskan sovereignty and tribal government functions. Over 200 Alaska Native Villages are recognized as sovereign tribal governments and have sovereign jurisdiction over the affairs of their members. However, case law has been inconsistent in determining whether Alaska Native governments have the same rights as tribes in the lower 48 states. In the *Alaska v. Native Village of Venetie Tribal Government* (a taxation case in 1998), the Supreme Court ruled that Native lands at issue under ANCSA were not "Indian Country" under the relevant federal statute (Pevar 2002). As a result, the tribes of Alaska have a limited geographic area over which to exercise their powers of tribal self-government. Native leaders continue to press for greater sovereignty through legislation, litigation, and negotiation.

Alaska Native Villages and the regional corporations often enact social and economic development programs to serve their communities. Native CDFIs are an increasingly common tool for providing economic development services to the Alaska Native communities in the state. Based on our research, we have found that most CDFIs that have been formed to serve Alaska Native populations are nonprofit corporations that have incorporated under state law and received 501(c)(3) status from the IRS, or credit unions, banks, or for-profit venture capital funds with a mission to serve Alaska Native communities.

The Sovereignty Movement for Native Hawaiians

Since the United States annexed Hawai'i in 1898, the Native Hawaiian sovereignty movement has pushed for a return to self-governance, including Native control of Hawaiian lands and revenue. The question of just how to put political and economic control back into Native hands, as well as what political form this control should take, presents a formidable barrier that—when paired with the influence of anti-sovereignty interests— has substantially stalled the movement's progress. As early as 1921 the United States recognized the struggle of Native Hawaiians in a post-annexation Hawai'i. The U.S. created the Hawaiian Homes Commission Act, which set aside 200,000 acres as homesteads for Native Hawaiians (HPAIED 2008). However, despite the creation of various agencies to oversee the homestead program, in addition to numerous other programs designed to benefit Native Hawaiians, "…the United States had not substantially enforced the trust protections against the state of Hawai'i under the Admission Act (of 1959)" (HPAIED 2008, 345). Following the 1993 Apology Act—the United States' official recognition of, and apology for, its role in overthrowing the royal government and annexing Hawai'i—the United

States passed the Hawaiian Homelands Recovery Act. The act calls for identification and return of lands that were set aside for homesteading in 1921 but have since been lost from the program (HPAIED 2008). The United States further engaged in a policy of reconciliation by sending U.S. officials to meet with Native Hawaiians in 1999. The resulting report, "From Mauka to Makai: The River of Justice Must Flow Freely," concludes that "many people argue that self-determination, whatever the form, is the necessary outcome of the reconciliation process" (HPAIED 2008, 345).

Unfortunately, identifying the best form of self-determination proves to be no small feat. Currently recognized as citizens of a state in the Union without special arrangements, in contrast to the sovereign trust relationship that members of federally recognized tribes can seek, Native Hawaiians face legal obstacles to the administration of programs designed to benefit only Native Hawaiians. Federal recognition of Native Hawaiian sovereignty, therefore, would open the door for programs to benefit Native Hawaiians based on a distinct political status, rather than illegally favoring a single race (HPAIED 2008). Extending this argument, Hawaiian Senator Daniel Akaka first introduced the Native Hawaiian Reorganization Bill in 2000. The bill demands federal recognition of a Native Hawaiian government, an office in the Department of Interior focused on Native Hawaiian issues, and an interagency group to oversee and administer programs affecting Native Hawaiians (HPAIED 2008). Native Hawaiians seeking sovereignty find themselves split, however, between viewing a trust relationship similar to the one between Native Americans and the United States as the most realistic option for sovereignty, and deeming such an arrangement as continuing to undermine the independence of the Native Hawaiian people. The debate over Native Hawaiian sovereignty continues today. While sovereignty for Native Hawaiian seems far off, many Native Hawaiian groups have begun adopting the CDFI model as a way to practice economic sovereignty and self-empowerment.

Several credit unions and loan funds currently operate with a mission to serve Native Hawaiian communities. Given that Native Hawaiian groups currently have no sovereignty rights, the CDFIs serving Native Hawaiian groups tend to be 501(c)(3) nonprofit loan funds or nonprofit credit unions.

Understanding Trust Land

The presence of trust land on Indian reservations represents a unique barrier to economic development for many Indian people. Much of the land on Indian reservations is held in trust, or owned by the federal government and set aside for exclusive use of an Indian or tribe (Pevar 2002). The federal government is the designated trustee and because of this legal arrangement, Native people do not directly control Indian land but must negotiate with the Bureau of Indian

Affairs and the federal government to use this land for economic or other purposes. The problems with trust land include the bureaucratic hurtles associated with negotiating with the BIA, a "checkerboarded" pattern of ownership (see below), and fractionated heirship (see also below). All of these factors have limited the use of land on Indian reservations for economic and other purposes.

To appease colonists' demand for land for westward expansion, the U.S. government signed treaties with many Native nations between 1600 and 1800 to relocate them to reservations. Reservation land was often land that was considered too remote, arid, or inhospitable to be of use to settlers, and this accounts for the remote rural locations of many reservations (when oil or natural resources were found on Indian land, tribes were often relocated again). In 1887, Congress passed the *Dawes Act*, designed to encourage tribal members to assimilate into white society and adapt to individual land ownership. The *Dawes Act* parceled reservation land into 80- to 160-acre allotments for tribal members, and sold the remaining land to non-tribal members. Between 1887 and 1934, tribal lands decreased from 138 million acres to 48 million, which was a total loss of 80 percent of tribal land wealth. In 1934, the *Indian Reorganization Act* prohibited further allotment of reservation land, extended trust periods for allotments remaining in trust, and returned "surplus" land to the tribes. By 1940, tribes had reacquired 4 million acres. Despite the *Indian Reorganization Act,* several negative consequences of the *Dawes Act* remain. The foremost is a "checkerboard" pattern of land ownership on reservations where Indian allotments are interspersed with non-Indian plots. This leads to jurisdictional issues associated with economic development policies, state and local regulation, and even crime control (Pevar 2002). A tribe may have sovereign jurisdiction on only a small amount of non-contiguous land on their reservation, limiting their ability to use the land for economic development.

Of the land that remains in trust for individual Indian beneficiaries, much of it is plagued by backlogged probate cases and fractionated heirship. After the Dawes Act, the federal government moved to ensure that the title to each individual allotment (although not the physical land) was divided equally among every eligible heir unless a will had been written directing the distribution of assets. Over generations the number of undivided interests in each allotment has grown, leading to problems in land use and management. In some cases over a hundred individuals share beneficiary rights to plots originally made up of 160 acres (Indian Land Tenure Foundation 2008). This fractionated heirship has created serious problems, because probate backlogs and difficulty contacting multiple co-owners have rendered Indian owners unable to execute real estate transactions or lease agreements (Indian Land Tenure Foundation 2008).

High Poverty Persists

A third challenge facing many Native communities is high rates of intergenerational poverty: Native community members continue to suffer from higher rates of poverty and unemployment than most other groups in America. For American Indians, especially those living on reservations, the poverty and mortality rates rival those of many Third World countries. Gaming has not solved the problem of high poverty levels in the majority of Indian communities. Only 198 tribes out of the over 562 federally recognized tribes have gaming operations, and the top 20 gaming operations account for 56 percent of the total Indian gaming revenue. As revealed by Taylor and Kalt's 2005 research report, *American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses*, the poverty rate for Native people living on reservations remains three times that of all other Americans. Taylor and Kalt also found that real per capita income on these reservations ranges from 35 percent of the U.S. average on reservations with no gaming, to 45 percent on reservation that have some form of gaming operations (Taylor and Kalt 2005).

Native Hawaiian and Alaska Native populations face similar challenges. In 2006 the poverty rate for all citizens of Alaska was 10.9 percent, but 22.7 percent of those self-identifying as Native Alaskan (alone or in any combination with another race) lived in poverty (U.S. Census Bureau, 2006 American Community Survey). Furthermore, Alaska's overall per capita income of $26,919 exceeded that of $14,929 for Alaska Natives in the state. Similarly, in Hawaii 9.3 percent of the total population lives in poverty, while 12.2 percent of those self-identifying as Native Hawaiian (alone or in any combination with another race) lived in poverty. And although Hawaiian citizens in general had a per capita income of $27,251, the Native Hawaiian population's per capita income measured $18,265 (U.S. Census Bureau, 2006 American Community Survey).

Conceptual Framework for Understanding Economic Development in Native Communities

Every Native community is different, and there is no "one size fits all" model to describe the conditions in Native economies, whether they are on a large reservation in rural South Dakota, a small village in Alaska, or a Native Hawaiian Homelands community. Despite the tremendous diversity of Native nations and their environments for economic development, some themes emerge when analyzing the key challenges these communities face as they pursue economic development strategies (CDFI Fund 2001, Dewees and Sarkozy-Banoczy 2007, HPAIED 2008).

While some communities may encounter very few of these opportunities and/or challenges, other communities may encounter many of them. A conceptual framework for these themes is provided here. The challenges can be organized into four main categories: **Financial Infrastructure, Political/Legal Infrastructure, Physical Infrastructure,** and **Social/Cultural Infrastructure** (see Table 2). **Financial Infrastructure** covers a range of issues related to access to capital and financial services, and **Political/Legal Infrastructure** includes the political and legal environment and its support of economic development. **Physical Infrastructure** pertains to the state of roads, buildings, and telecommunications infrastructure. **Social/Cultural Infrastructure** includes a range of issues related to social norms, community expectations, the presence of business role models, and how these affect the climate for economic development in the community.

Challenges Related to the Financial Infrastructure of Reservation-Based Communities

Native communities face many barriers related to the financial infrastructure in their areas (CDFI Fund 2001, Hillabrant et al. 2004, HPAIED 2008, Malkin 2003, Malkin 2004). The most significant of these is lack of access to credit for individual business owners. The trust status of land on reservations and its fractionated heirship makes it difficult to use land for collateral or other economic activity, effectively rendering it what Hernando de Soto calls “dead capital” (de Soto 2001). There are few banks on reservations, and only recently have banks begun lending to tribal members on many reservations. Problems persist related to an inability to foreclose on loans and lack of Uniform Commercial Codes (UCC) or other legal codes that can be used to enforce contracts. While many tribes have implemented UCC and other codes and have begun to provide a legal environment that helps enforce foreclosure and banking laws, many banks still believe that that the risk factor is still too high and the profit is too low to provide personal, business, or mortgage loans to reservations residents. Even banks willing to do such loans will not do so for high-risk, technical assistance-intensive enterprises or individuals, because the banks are closely regulated and often do not have the expertise to work at that local level.

In non-reservation based Native communities, remote rural locations or high poverty rates often mean that there is no local financial institution and accessing credit is difficult. In addition, many Native communities are plagued by predatory lenders in border towns, which leads to asset stripping (First Nations Development Institute 2008). Finally, the border towns that have sprung up alongside many reservations provide continuing competition for nascent Native owned businesses who are working with limited funds and a limited consumer market.

Table 2: Challenges to Economic Development in Native Communities

Financial Infrastructure	Political/Legal Infrastructure
♦ Lack of individual access to credit o No banks or financial institutions on the reservation, in the village or community area, island, etc. o No access to affordable credit o No access to credit that comes with the appropriate technical assistance o Inability to use trust land for collateral on loans, and misunderstandings on how to make the deals work in these situations o Lack of credit histories or poor credit o Bank's unwillingness to lend money to residents of a Native community/reservation due to legal challenges related to foreclosure, jurisdiction, courts, sovereignty/treaty issues. ♦ Lack of community development financial institutions (CDFIs), business incubators, or other nonprofits dedicated to entrepreneurship education and development. ♦ Dominance of nearby urban/suburban/border town economies. ♦ Presence of predatory lenders.	♦ Tribal government not supportive of or empowering private enterprise culture o Cumbersome legal process related to business start-up (for-profit and nonprofit). o Extensive bureaucracy related to permitting, land leasing, titling, etc. o Lack of zoning. o Lack of vision for using larger tribal enterprises to promote small individual private business start-ups. o Individuals on tribal council have no experience with private business ownership. ♦ No legal system on the reservation to protect private enterprise o No UCC code, commerce code, debt or foreclosure code. o Lack of independent tribal courts. o Lack of commerce departments or similar functions. ♦ Unsupportive BIA office o Extensive bureaucracy related to permitting, land leasing, titling. o Unsupportive BIA realty office. ♦ Large amount of land in community in some kind of tribal trust, homeland settlement, village incorporation, etc. and/or lack of privately owned land. ♦ Lack of tribal colleges, business centers, or other institutions to provide business education.
Physical Infrastructure	**Social/Cultural Infrastructure**
♦ Lack of buildings to house private enterprises, or inadequate space and poor quality of structure, if existing. ♦ Existing infrastructure dominated by non-Native communities, population, businesses, or incorporated areas within or nearby Native areas. ♦ Difficulty of permitting process related to constructing or acquiring buildings or leasing or buying land. ♦ Lack of or poor telecommunications, sewer, water, electric, and/or transportation infrastructure to support enterprise development. ♦ Remote, low-population-density communities. ♦ Deficit of new and improved housing stock for burgeoning local business sector and Native individuals who would consider moving their existing business back to tribal area(s). ♦ Problems with trust land. o Fractionation of individual tribal trust land. o Checkerboarded land ownership structure on reservation. o Lack of ownership opportunities for trust land means business owners have no incentive to repair or maintain property.	♦ Lack of individual experience with money management and business management. ♦ Cultural beliefs that prioritize the sharing of resources with family and community over individual benefit or profit. ♦ Lack of experienced workforce, difficulty finding good employees. ♦ Perception that businesses should be owned by the tribal government for benefit of all. ♦ Large non-Native presence on reservation that coincides with dominance of non-Native owned businesses. ♦ No culture of formal entrepreneurship o Few Indian owned businesses in community. o Lack of role models. o No chamber or commerce or other supportive organizations. o Lack of community support for Indian private business owners (perception that business owners are greedy and do not share their wealth). ♦ Active informal economy.

Challenges Related to the Physical Infrastructure in Native Communities

Another challenge facing many reservation-based communities is the low quality of the physical infrastructure (CDFI Fund 2001). One of the biggest challenges for many Native businesses is simply finding a building to house their business. Many areas have very few retail, commercial, or industrial buildings, and the permitting process for leasing existing buildings or constructing a new building is often so challenging as to be prohibitive. Because a great deal of land is held in trust, most entrepreneurs can only lease a building, and there is little incentive for a business owner to invest in repairs, new construction, and other improvements. In some cases, the Gordian knot of checkerboarded and fractionated land makes it impossible to identify a plot of land upon which to build a building or start a business. Available buildings or land may also be owned by non-Native community members or part of a city incorporation that puts the best locations in the hands of individuals unwilling and unable to work with start-up and struggling business owners. Desperate business owners may agree to inappropriate conditions in leases and the buildings themselves, which slows or damage the ability for the business to grow and prosper.

In addition to a lack of buildings to house businesses, in many tribal communities roads may be so poor as to be impassible many days out of the year. Furthermore, the telecommunications infrastructure in many reservation areas is often severely restricted, with access to telephone land line service problematic, let alone access to the internet, cell phone reception, or other telecommunications infrastructure (Edelman 1999). Heavily rural, checkerboard, or mixed ownership lands may also mean that the improvement or development of sewer and water infrastructure meets roadblocks on ownership, funding, maintenance, and accessibility for such projects—sometimes leaving what would normally be a government function up to Native business owners, increasing their costs of start-up or expansion. Finally, the remote location of the reservation means that population is often spread out in a very large geographic area, and because of low population density, the cost of many services is higher than in urban areas.

Challenges Related to the Political/Legal Infrastructure in Native Communities

As Jorgensen and Taylor of the Harvard Project on American Indian Economic Development state in their 2004 paper, "…poverty in Indian country is a political problem – not an economic one" (Jorgensen and Taylor 2000). Jorgensen and Taylor observe that:

> There has been a substantial supply of labor in Indian Country for decades, yet scores of economic development plans have been unable to tap that supply on a sustained basis and thereby improve the futures of Indian households. Likewise, tribes possessing natural or capital resources have not led the vanguard of development. While a lack of resources can hamper tribes, and certain systemic features of Indian Country confound investment (for example, the difficulty collateralizing trust lands), the Harvard Project finds that the real deficiency in Indian Country is a shortage of safe havens for capital. The ability to create these safe havens is largely a matter of tribal politics and institutional effectiveness. (Jorgensen and Taylor 2000, 4-5)

Many other researchers, community development practitioners, and scholars have identified the challenges related to the lack of an effective legal infrastructure in support of economic development in reservation-based communities (CDFI Fund 2001, Cornell and Kalt 1997, Hillabrant et al. 2004, HPAIED 2008, Smith 2003). Many businesses, including banks, Native CDFIs, and nonprofits, fear that enforcement of all manner of contracts may be difficult without an independent judiciary,. The lack of zoning regulations, commercial codes, and tax policies present administrative barriers that often scare away potential investors and/or block the efforts of both local community economic development practitioners and the entrepreneurs they strive to assist.

At the same time, ironically, there is a large federal and sometimes tribal government bureaucracy related to leasing trust land and getting permits for a business. The land leasing and permitting process, mostly controlled by the Bureau of Indian Affairs, is full of arcane legal procedures and complicated requirements. This bureaucracy is a significant challenge to business owners. Many scholars of international development have identified similar challenges associated with bureaucratic and legal barriers to business development, and their negative impact on the development of a formal private sector economy (de Soto 2000). In many reservation communities, businesses are faced with the worst of both worlds: inadequate tribal legal structures to support business development, and burdensome federal legal structures that hinder land use.

Parallel to and affecting business development, the barriers and challenges concerning land use also negatively affect housing development in Native communities. Without the proper mix of new and existing housing (and streamlined mechanisms for their development and improvement), broader Native community economic development efforts (including entrepreneurship development) suffer. Market studies (conducted by Oweesta for Native communities considering the development of financing and technical assistance programs and products) consistently highlight the "chicken and egg" tension of having job creation balanced with housing development for growing economies. Often survey and interview respondents will state their wish for new and improved housing "before I start my business up" or "before I move my business back to the reservation." The difficulties with bureaucratized land development only exacerbate these parallel conditions in Native communities.

While many of these legal barriers have their roots in the archaic federal management of Native communities through the Bureau of Indian Affairs and other federal or state programs, other challenges could be addressed directly by local Native leaders, Native nonprofits, and tribal councils.

Challenges Related to the Social/Cultural Environment in Native Communities

The social and cultural environment in many Native communities has also been identified as a factor affecting the type and pace of economic development (Cornell 1996, Hillabrant et al. 2004, HPAIED 2008, Jorgensen and Taylor 2000, Malkin 2003, Malkin 2004, Meeks 2006, Pickering 2000, Pickering 2004). The social infrastructure of a community refers to the collection of social norms, networks, and institutions that contribute to the mobilization of community resources for economic development (see for example Flora and Flora 1993 and Flora et al. 1997).While each Native community is unique, and the challenges faced by each community differ, some themes emerge (CDFI Fund 2001, Dewees and Sarkozy-Banoczy 2007). Most practitioners identify the lack of Native owned businesses, the dominance of a postcolonial public sector economy, a history of poverty, a culture of dependence, low levels of financial literacy, and an active informal economy as significant challenges to formal entrepreneurship and economic development (CDFI Fund 2001, Cornell 1996, Hillabrant et al. 2004, HPAIED 2008, Jorgensen and Taylor 2000, Malkin 2003, Malkin 2004, Meeks 2006, Pickering 2000; Pickering 2004).

Practitioners have observed the difficulty in challenging the cultural norms in Native communities that prioritize the sharing of resources with family and community over individual benefit and profit (Meeks 2006, Pickering 2004). Attempts to test communal investment models, such as a peer lending revolving loan fund piloted on Pine Ridge in the 1990s, have had limited success. Another important issue is the problem of low levels of financial literacy and lack of experience with money management among many reservation residents. Many factors contribute to low financial literacy, including a lack of access to banking services, a history of poverty, a history of low levels of financial education, and geographic isolation (Dewees 2003a, Dewees 2003b, Dewees 2004c, Malkin 2003, Malkin 2004, Meeks 2006). The National Credit Union

Foundation (NCUF) recently held a summit to identify best practices to serve Native Americans. In a report from that summit, authored by the Native American Credit Union Initiative, the NCUF stated that the majority of the credit unions that they surveyed identified low financial education as a challenge for the Native American population they work with (Juare 2006). A recent report by the Jump$tart Coalition and the Native Financial Education Coalition indicate that Native youth score poorly on national standardized tests of financial literacy—overall scores, based on a national survey, showed that nearly 87 percent of Native American high school seniors received a “failing” score in financial literacy (Jorgensen and Mandell 2007).

CDFI Development in Native Communities

Native CDFIs represent a unique economic development model that can address the economic, legal, physical, and social infrastructural issues that challenge Native communities. We will demonstrate in this paper that they provide access to credit to stimulate private sector development in Native communities. They also pair access to credit with training and technical assistance to ensure that the credit is used effectively. Through their training and technical assistance, they promote the development of small businesses. As we will demonstrate in this paper, many CDFI leaders have worked with tribal leaders and tribal councils in their communities to remedy the broken or inadequate legal systems, and to create economic development plans that address the housing, transportation, and telecommunication needs for their areas. Finally, Native CDFIs are also slowly working to change attitudes and culture in Native communities to create a more positive social environment for formal business development. These contributions of Native CDFIs represent a critical strategy for meeting the local demand for capital that has not been met by mainstream financial markets, while also addressing the broader social, cultural, and political issues related to economic development in Native communities (Dewees and Sarkozy-Banoczy 2007, Schneider et al. 2007). As such, Native CDFIs are a critical tool in making structural changes in how Native communities can advance their own interests (Meeks, quoted in Baue 2005).

The Continuum of Native CDFI Development

Our research has demonstrated that CDFI development in Native communities is not a discrete action, but rather a process that involves a continuum of activities over time. As discussed above, because of the unique context in which many Native CDFIs are operating, the process of starting a CDFI on a reservation may be more complicated than elsewhere. For example, a group may need to receive approval from the tribal council before beginning the process of starting a CDFI. The group then must make a decision about legal structure the CDFI will use—whether it will function as a separate tribal affiliate corporation (a 7871 program) or will incorporate as a 501(c)(3) nonprofit under state or tribal law. As we have discussed above, there is great diversity in Native nations and Native communities, and each group may face a different set of decisions and obstacles as they start the process of becoming a CDFI.

Based on research and field work, Oweesta has identified five phases a Native CDFI must complete before it has achieved organizational self-sufficiency. This continuum for understanding Native CDFI development will be useful for defining indicators of success among the Native CDFIs we profile in our case study section. In addition, this continuum is used to evaluate the progress of Native CDFIs after they have received training funded by the CDFI Fund, such as the Native Communities Financing Initiative (this is discussed in more detail below). Table 3 provides an illustration of this conceptual model of the steps a new and emerging CDFI must go through to become fully functional and self-sufficient.

As can be seen in Table 3, in Phase I, the CDFI is in the "Start-Up" phase. Community members come together to get approval from the community. In some cases, the group starting the CDFI will approach the tribal council to have them pass a resolution indicating support of the CDFI. The group should conduct market research, and if they decide to move ahead, develop the articles of incorporation and bylaws. A mission statement should also be developed, start-up funding should be secured, and key staff should be hired.

In Phase II, the organization is "Emerging" and works to gain 501(c)(3) status or establish itself as a tribal government affiliate corporation. The group begins to formulate its operating policies, including its personnel policies and its loan policies. At this phase training may be required for staff to help them develop the capacity to make loans effectively. The organization should also design and successfully implement a fundraising strategy, and begin to bring in additional revenue to support staff salaries and capitalize the loan fund. In addition, the organization should begin to plan technical assistance activities, and may begin to develop an investment strategy for any revenue they may generate. Outreach into the community should be conducted to develop a market for the organization's financial products.

Phase III is a significant jump forward for the emerging CDFI. In the "Growth" phase, the organization's staff has reached the point where they can make their first loan, and they begin to implement their technical assistance and training programs. At the same time, the organization needs to have funding secured, but also must continue to successfully implement the fundraising strategy to attract more funds to the organization. This phase is both a giant leap forward for the organization and a learning phase. Staff may require additional training as they consider lending options. Usually an organization spends a long time at Phase III, and generates many lessons learned about fundraising, capitalization of the loan fund, and developing loan policies, among other things, at this point in its development.

Phase IV is achieved when the organization has reached a level of professionalism that can come only from years of experience and learning. An organization that has reached the “Established” phase usually has a few years of experience providing loans, and has reviewed its loan policy and technical assistance policies and made any necessary adjustments. An organization in Phase IV generally has a good revenue stream and has funds to capitalize its loan pool, but it is also looking into other revenue generation activities as well, including new loan products and other financial products. Typically, an organization in Phase IV is ready to apply for certification from the CDFI Fund. As mentioned above, while certification is not necessary to function as a CDFI, certification is an advantage because it allows these CDFIs to receive directed technical assistance and more funding from the CDFI Fund. While reaching Phase IV is an accomplishment for any organization, many organizations still need a great deal of support and technical assistance at this phase, and still benefit from both education and training.

Finally, Phase V is accomplished when the organization has reached “Maturity” and has developed additional revenue streams, has a sizeable and stable loan portfolio, and is generating enough revenue to be partially or wholly self-sufficient. An organization reaches this point only when it has been in operation for some time, has successfully analyzed its market and developed products to effectively serve that market, and is guided by an effective business strategy that supports adequate revenue generation. There may still be dependence upon grants and loans, but it is important for the CDFI to make the best use of these grants and loans to support its operation. The goal is for all Native CDFIs to reach this point. It is challenging for many Native CDFIs to reach this point, however, partly because of their location in low population density rural areas, and partly because they serve a niche market with a low profit margin. While this is the ultimate goal of the Native CDFI movement, it will require many years of capacity building to achieve (and may require the exploration of new, “scaled-up” models such as regional CDFIs, as long as they can also continue to adequately serve the very specialized, local market.)

It is important to note that each step of the way, the “sponsoring” or formative entity that is initiating the CDFI start-up may face challenges unique to operating in whatever Native community or communities they may serve. These include finding a building to house the business, getting tribal/local government support (either informally or formally through a tribal resolution), and creating local UCC codes or other legal infrastructure to support lending on the reservation. These and other examples are discussed in the case study analysis.

Table 3: Native CDFI Development Continuum

Phase	**Activities**
Phase I Start-up	• Conduct a community needs assessment/market research. • Form an advisory committee with community members and key institutions represented. • Get approval from tribal or village council, if relevant. • Create a board of directors. • Develop articles of incorporation/charter. • Develop bylaws. • Develop mission statement. • Identify initial funding. • Hire staff. • Apply for 501(c)(3) status or letter recognizing 7871 status.
Phase II Emerging	• Receive 501(c)(3) status. • Develop lending/financing policies. • Identify loan committee. • Provide training for board of directors, loan committee (training on underwriting, how to process loans, investment, and financial literacy) and other committees. • Develop personnel policies and procedures. • Design initial technical assistance and training program. • Write a CDFI Fund TA grant (or something comparable). • Design and successfully implement fundraising strategy and receive initial funding. • Conduct outreach in community.
Phase III Growth	• Complete nonprofit business plan. • Begin making loans. • Begin implementing technical assistance and training program. • Continue to successfully implement fundraising strategy and secure additional funding for operations and loan capitalization. • Put a loan/portfolio tracking system of some sophistication in place. • Provide additional training to staff as need arises (training on liens, for example).
Phase IV Established	• Get certified from CDFI Fund. • Review loan policy and make necessary adjustments (possibly offer new loan products). • Explore other financial products and services. • Review technical assistance and training plan and make necessary adjustments. • Review investment strategy and make any necessary adjustments. • Explore other revenue generation activities.
Phase V Maturity	• Fully developed additional revenue streams. • Lending pool has reached critical momentum. • Loan portfolio is stabilized and consistently monitored. • Generate enough financial resources to become financially self-sufficient.

Characteristics of Native CDFIs: Data from the Statistical Universe of Native Financial Institutions

While there is a great deal of interest in the field of Native CDFIs, there is remarkably little data on the organizations that make up this field. In order to begin to shed some light on the size, scope, and characteristics of the Native CDFI field, we have compiled a database of Native financial institutions (NFIs) that defines the statistical universe of all NFIs operating within the boundaries of the United States of America. (The definition of what qualifies as a Native financial institution can be found in Appendix A.) This list is valuable because it provides basic descriptive data on the field and helps identify the population size, characteristics, geographic distribution, and growth trends for these institutions. In addition, it will provide information about what percentage of NFIs are participating in the CDFI Fund's programs. Native CDFIs are a subset of this Native Financial Institution database. Some Native banks in our database may not meet the definition of a Native CDFI because they do not have a community development mission. However, some Native-owned banks have a strong community development mission, and in fact five Native-owned banks have been certified as CDFIs by the CDFI Fund.

It is worth noting that the financial institutions in our database include only those that demonstrate a majority of Native American leadership. Many community development financial institutions may serve a large Native American market but have no affiliation with a tribe or Native American leadership group. Our database is specifically intended to help us understand the growth of Native-controlled organizations, because we believe this will illustrate the role of CDFIs in promoting self-determination for Indigenous groups in the United States. However, this also means that we have not captured the statistical universe of financial institutions that serve Native American populations.

Methodology

Our goal in building this dataset was to generate a comprehensive list of financial institutions that claim to be Native controlled and to serve a Native American target market. NFIs were included in our database if they met one of the following criteria: 1) the public records of the CDFI Fund indicated they had been funded by at least one of the Native programs sponsored by the U.S. Department of the Treasury (the Native American CDFI Technical Assistance (NACTA) program in 2002; the Native American Technical Assistance (NATA) program or the Native American CDFI Development (NACD) program in 2003; the Native American CDFI Assistance (NACA) program, NATA, or NACD in 2004; or NACA from 2005-2006); 2) they were certified by the CDFI Fund as a Native Community Development Financial Institution of March 2008; 3) they were included on Native American Bank's list of Native owned banks; 4) they had attended a CDFI-Fund -sponsored training/TA program titled "The Native Communities Financing Initiative," managed by Opportunity Finance Network and Oweesta; or 5) they had been identified through independent research as a financial institution serving a Native community; *and* if they met our criteria for a Native financial institution (see Appendix A). This list is up to date as of March 24, 2008.

Compiling the database was challenging. First, many of the organizations have gone through name changes as the fiscal sponsor spins off a separate institution or new program. The records of the CDFI fund may reflect these different names, and we checked for name changes to avoid double counting. Second, a small number of financial institutions serve Native communities and meet the definition of a Native Financial Institution, but have not interacted with the CDFI Fund, and therefore data on them is scarce. We are aware of these organizations because of our work in the field, and have included data on them in our database. Third, because of the unstable nature of funding for the type of organizations our database contains, there are a small number that function only intermittently. We tried to code each financial institution to indicate its status and to reflect the attrition rate we have observed over time. Finally, there are still a small number of tribally administered loan funds (loan funds to serve tribal members, usually for small business start-up, and consumer/emergency loans) that are not included in our database because they technically have not adopted the CDFI model. These tribally administered loan funds suffer from the same issues of periodic funding and turnover in administration that other NFIs suffer from, and therefore are also hard to collect data on.

To collect our data and verify our records, we drew upon the following primary and secondary data sources: the records of the CDFI Fund regarding technical assistance (TA) and financial assistance (FA) awards, the training and technical assistance records of Oweesta Corporation, direct telephone calls to organizations, and review of organization web pages. We used GuideStar, a national online database of 501(c)(3) organizations, to check the legal status of the NFIs.

Research Findings

Size and Financial Institution Type

Our data collection efforts identified 150 organizations that currently qualify as NFIs. This list includes 81 active NFIs that are currently making loans, 48 emerging NFIs, and 21 "failed" NFIs. A NFI is considered "active" if it has made at least one loan and meets the criteria for a certified CDFI as defined by the CDFI Fund. NFIs are considered "emerging" if they have attended at least one CDFI Fund-sponsored Native CDFI training (see discussion below of the Native Communities Financing Initiative below) or received a CDFI Fund Native Initiatives program grant, and demonstrate an intention to adopt the CDFI model but have not started lending yet. A NFI is considered "failed" if it participated in a training or funding program but never became a NFI or somehow went out of business. We coded the 150 organizations with the following codes: 1 = emerging (have not started lending yet); 2 = lending; 3 = received a grant from the CDFI Fund or attended a CDFI Fund funded training but never became a CDFI; 4 = may have lent, but now defunct. We grouped categories 3 and 4 together for much of our analysis, and created a category simply called "failed."

Out of the 81 actively lending NFIs, 22 are banks or thrifts that have a majority ownership structure that is Native American (19 are members of a Native American banking association sponsored by the Native American Bank). Of these 22 banks, 5 are certified as CDFIs. The remaining 17 banks do not have a community development mission and therefore would not likely be defined as CDFIs.

Twelve of the actively lending NFIs are credit unions. There is also one holding company that is actively lending, and four venture capital funds. All the remaining financial institutions (42) that are actively lending are loan funds. According to our research, in March 2008 there were 47 financial institutions certified as Native CDFIs by the CDFI Fund. These were five banks, six credit unions, one holding company, 35 loan funds, and no venture capital firms certified as CDFIs. See Table 4 for more information.

Table 4: Type of Financial Institution and Status

			Failed			
	Emerging	Lending	Never Became a CDFI	May Have Lent, but Now Defunct	Total	Certified by the CDFI Fund as of 4/15/08
Bank or Thrift	0	22	0	0	22	5
Credit Union	3	12	0	0	15	6
Holding Company, Depository Institution	0	1	0	0	1	1
Loan Fund	44	42	15	6	107	35
Venture Capital	1	4	0	0	5	0
Total	**48**	**81**	**15**	**6**	**150**	**47**

Legal Organizational Structure of Native CDFIs

As discussed above, there are a range of organizational structures to choose from when starting a Native CDFI. The NFIs in our dataset are mostly not-for-profit corporations, including credit unions, nonprofit loan funds, nonprofit venture capital funds, and not-for-profit tribal affiliate loan funds. Seventy-nine percent of the organizations in our dataset are not-for-profit organizations. The remaining 21 percent are for-profit banks, thrifts, loan funds, or venture capital funds (see Table 5).

Table 5: Legal Organizational Structure of NFIs

		Emerging	Lending	Never Became a CDFI	Defunct	Total	% of Total
Not-for-profit							
	501(c)(3) nonprofit loan funds or venture capital funds	17	39	7	1	**64**	
	501(c)(3) status pending for tribal loan funds or venture capital funds	27	0	7	3	**37**	
	Tribal affiliate corporation (7871 corporation loan fund)	0	3	0	0	**3**	
	Credit Union	3	12	0	0	**15**	
	Subtotal	**47**	**54**	**14**	**4**	**119**	**79%**
For-profit							
	Bank or thrift or holding company	0	23	0	0	**23**	
	For profit loan fund or venture capital fund	1	4	1	2	**8**	
	Subtotal	**1**	**27**	**1**	**2**	**31**	**21%**
NA							
	Total	**48**	**81**	**15**	**6**	**150**	

It is likely that most financial institutions in our dataset use the unregulated nonprofit community development loan fund model because it is perceived as easier to set up and less likely to infringe on sovereignty. This may partially explain the prevalence of not-for-profit NFIs in our dataset.

A total of three groups have chosen to exercise their sovereign status and use tribal affiliate corporations (also known as “7871 corporations”) to start loan funds. Several CDFIs that were initiated by a tribal government have gone on to get nonprofit 501(c)(3)status. For example, the Ho-Chunk Community Development Corporation, a 501(c)(3) corporation, was initially a program of Ho-Chunk Inc., a tribally owned corporation. The parent organization spun off a separate entity that eventually incorporated and received 501(c)(3) status from the IRS. Many groups prefer to get 501(c)(3) status to facilitate certification by the CDFI Fund (although certification is possible without 501(c)(3) status), and to increase the possibility of raising funds from philanthropic donors who are more comfortable with 501(c)(3) nonprofit status. It appears that 27 emerging NFIs in our dataset have spun off from tribal sponsoring entities and are applying for 501(c)(3) status.

Tribal Government Involvement

As stated earlier, locally initiated development projects, rather than those imposed externally, are more likely to reflect the values and needs of local Native communities (see also HPAIED 2008). In addition to looking at the legal organizational structure of the NFIs in our database, it is useful to examine the role of the tribal government in starting NFIs because it indicates whether tribal governments feel that the financial institution model is a viable model for economic development in their community. With the NFI dataset we can examine what percentage of NFIs emerged out of a tribal government, rather than a group that may wish to serve the community but may not have any ties to the tribal government. The NFIs were coded as being initiated by a tribal government if they emerged out of a tribal government program or initiative, or are wholly owned by a tribal government.

Table 6: Tribal Government Initiation of NFI, by Type of NFI

	No	%	Yes	%	Total
Bank or Thrift	13	59%	9	41%	**22**
Credit Union	10	67%	5	33%	**15**
Holding Company	1	100%	0	0%	**1**
Loan Fund	35	33%	72	67%	**107**
Venture Capital Fund	4	80%	1	20%	**5**
Total	**63**	42%	**87**	58%	**150**

According to our dataset, tribal governments have been active in starting 41 percent of the banks in our database, 33 percent of the credit unions, 67 percent of the loan funds, and 20 percent of the venture capital funds (see Table 6). Fifty-eight percent of all NFIs were initiated by tribal governments or tribal government programs. While we do not have detailed data on what type of clients these loan funds are serving, and what type of community development goals they are accomplishing, this data seems to indicate that tribal governments are actively developing formal NFIs or CDFIs and feel the model is an effective one for meeting the capital and economic development needs of their communities. As stated above, all the credit unions, loan funds, and venture capital funds in our dataset are adopting or have adopted the CDFI model.

Reservation Status of NFIs Serving Native Communities

As discussed above, Native CDFIs have many different legal organizational structures. A Native CDFI may be supported by an independent 501(c)(3) organization, but yet be established with the mission to serve the tribe. Others may emerge from a tribal government program, resolution, or mandate, and may or may not go on to achieve 501(c)(3) status. It is difficult to determine how effective organizations are in serving reservation-based populations just by assessing their legal organizational structure.

One way to explore whether loan funds are serving specifically reservation-based communities is to determine whether they are based on a reservation. Table 7 reveals that of the majority of loan funds (72 percent) are located on reservations. This is an important finding because national studies repeatedly identify reservations as high-need areas with high poverty levels and high unemployment figures (Gonzales 2003). While more research is needed to determine what type of clients these loan funds serve and what type of community development goals they are accomplishing, this preliminary finding suggests that a number of reservation residents have access to financial services through a CDFI. Of course, there are many CDFIs serving high-poverty Native communities in Oklahoma Tribal Jurisdictional Areas, Alaska Native communities, and Native Hawaiian communities (communities without reservation land) as well, and further research is needed to understand the outcomes of CDFI services for these populations. A minority of banks are located on reservations, and this may be due to issues related to poor economic and legal infrastructure in those areas..

Table 7: CDFI is Reservation Based?

	No	%	Yes	%	Total
Bank or Thrift	20	91%	2	9%	22
Credit Union	9	56%	6	44%	15
Holding Company	1	100%	0	0%	1
Loan Fund	30	28%	77	72%	107
Venture Capital Fund	5	100%	0	0%	5
Total	65	43%	85	57%	150

Failed Native CDFIs

Our Native financial institution dataset has 21 organizations that failed (see Table 8). Fifteen of the 150 NFIs in our database never became a CDFI after attending a training, or, in some cases, receiving a grant. An additional six went defunct after starting lending. There were four main reasons that these NFIs did not successfully adopt the CDFI model (i.e., did not meet the criteria for certification by the CDFI Fund). First, in many cases, NFIs determined that the model was not a good fit for them, and simply decided against developing it. Attending the NCFI training helped them think through the steps of starting a CDFI and helped them make an informed decision not to do so. A second reason that emerged is that many of the groups that attending the NCFI training learned of duplicate efforts in their community and decided not to pursue the CDFI model. A third and more concerning reason that a Native CDFI failed was because of staff turnover or low staff capacity. Staff turnover or low staff capacity was the main reason for the failure of those NFIs that may have lent, but then failed. Finally, a small number of groups decided not to pursue a CDFI, or failed to successfully adopt the model because of a lack of local political buy-in to the project. In some cases this occurred when a tribal council turned over and the new elected leadership did not approve of the project. In other cases, tribal leadership interfered with the adoption of a CDFI model, which in turn led to staff turnover when the lead staff person no longer felt able to continue under the new circumstances. According to our dataset, over 50 percent of those organizations that failed did so because of leadership or staff capacity issues. This includes eight groups that received a grant from the CDFI fund and nine who attended an NCFI training. According to survey data collected from 22 Native CDFIs at the Opportunity Finance Network conference last fall, 10 percent cited political support and buy-in of the local community or tribal council as one of the greatest challenges faced in developing a Native CDFI.

Table 8: Reasons for Failing (Never Becoming a Native CDFI or Going Defunct)

	Never Became a CDFI	%	May Have Lent, but Now Defunct	%	Total	%
Decided CDFI Model Not Right At This Time	5	33%	1	17%	6	29%
Joined or Stepped Aside for Other Duplicate Effort	3	20%	0	0%	3	14%
Staff Turnover or Low Staff Capacity	2	13%	5	83%	7	33%
Lack of Local Political Buy-in	5	33%	0	0%	5	24%
Total	15	100%	6	100%	21	100%

Types of Loan Products Offered by Native Financial Institutions

We were able to gather data on types of loan products from 43 actively lending Native financial institutions. Information about these loan products can be found in Table 9. The most common loan product in our subset of Native financial institutions is a business loan product.

Table 9: Types of Loan Products

	# Business Loans	% Have Business Loans	# Home Loans	% Have Home Loans	# Micro Loans	% Have Micro Loans	# Consumer Loans	% Consumer Loans
Bank or Thrift	4	100%	4	100%	0	0%	4	100%
Credit Union	1	17%	3	50%	1	17%	6	100%
Holding Company, Depository Institution	1	100%	0	0%	0	0%	1	100%
Loan Fund	23	72%	14	44%	12	38%	8	25%
Total	29	67%	21	49%	13	30%	19	44%
N = 43								

Types of Development Services Offered by Native Financial Institutions

We were able to gather data on types of development services offered by 43 actively lending Native financial institutions. Information about these loan products can be found in Table 10. The most common type of development service in our subset of Native financial institutions is financial education.

Table 10: Types of Development Services

	# IDA	% IDA	# Financial Education	% Financial Education	# Credit Counseling	% Credit Counseling	# Homeownership	% Homeownership Counseling	# Business Training	% Business Training
Bank or Thrift	0	0%	0	0%	1	25%	0	0%	0	0%
Credit Union	0	0%	2	33%	1	17%	0	0%	0	0%
Holding Company, Depository Institution	0	0%	0	0%	0	0%	0	0%	0	0%
Loan Fund	8	25 %	20	63%	13	41%	10	31%	20	63%
Total	8	19 %	22	51%	15	35%	10	23%	20	47%
N = 43										

Age

We were very interested in gathering information about the relative age of Native financial institutions in order to gain an understanding of the maturity and growth of the Native CDFI field. Data are limited regarding the age of actively lending Native financial institutions (as measured by year of first loan granted). We were able to collect data on 49 of the 81 actively lending financial institutions. An analysis of this subset of the data suggests that most loan funds are young, with a median age of five years. Banks and credit unions have a higher median age—seven years and 18 years respectively (see Table 11). Using the CIIS dataset, we were able to generate comparative data on age (measured by year of first financial account) for a fairly large number of mostly non-Native CDFIs. The loan funds in the CIIS dataset in 2005 have a median age of 14 years, and the banks and credit unions have a median age of 49 and 29 years, respectively. Although the CIIS dataset is not a random sample of all financial institutions, this comparative data suggests that loan funds, banks, and credit unions serving Native communities may be younger than those serving other communities, and therefore may need more start-up support and technical assistance. More research is needed to verify this.

Table 11: Age of Financial Institution

	Mean	Median	N	CIIS Dataset Median Age 2005	N
Bank or Thrift	13	7	6	49	8
Credit Union	20	18	6	29	22
Holding Company	7	7	1	NA	0
Loan Fund	6	5	36	14	139
Total	9	6	49	NA	169

By examining the trends in the start-up of Native financial institutions, we can gain an understanding of the growth of the field over time. Figure 1 below provides an illustration of the founding dates (measured by first year of providing financing) for 36 active loan funds in our dataset. The data indicates that the number of CDFIs making their first loan has increased in the past five years. This indicates that the field is growing, which is to be expected given the increase in training programs that have been offered Native CDFIs over the past 5 years, although more data are needed in order to determine causality.

FIGURE 1: YEAR FOUNDED FOR NATIVE CDFIS (MEASURED BY YEAR OF FIRST FINANCING)

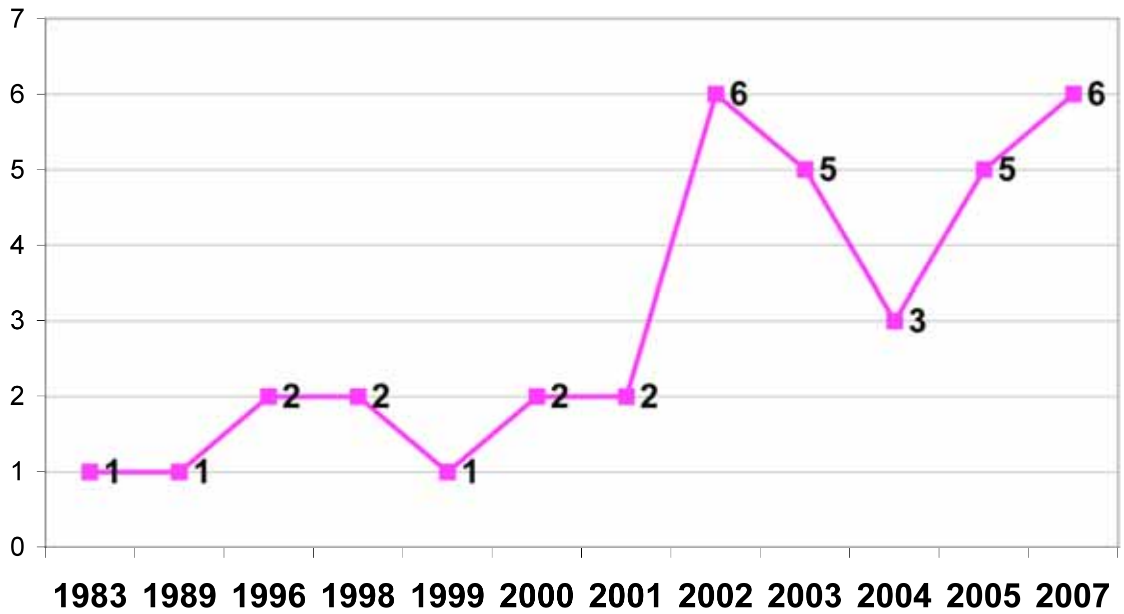
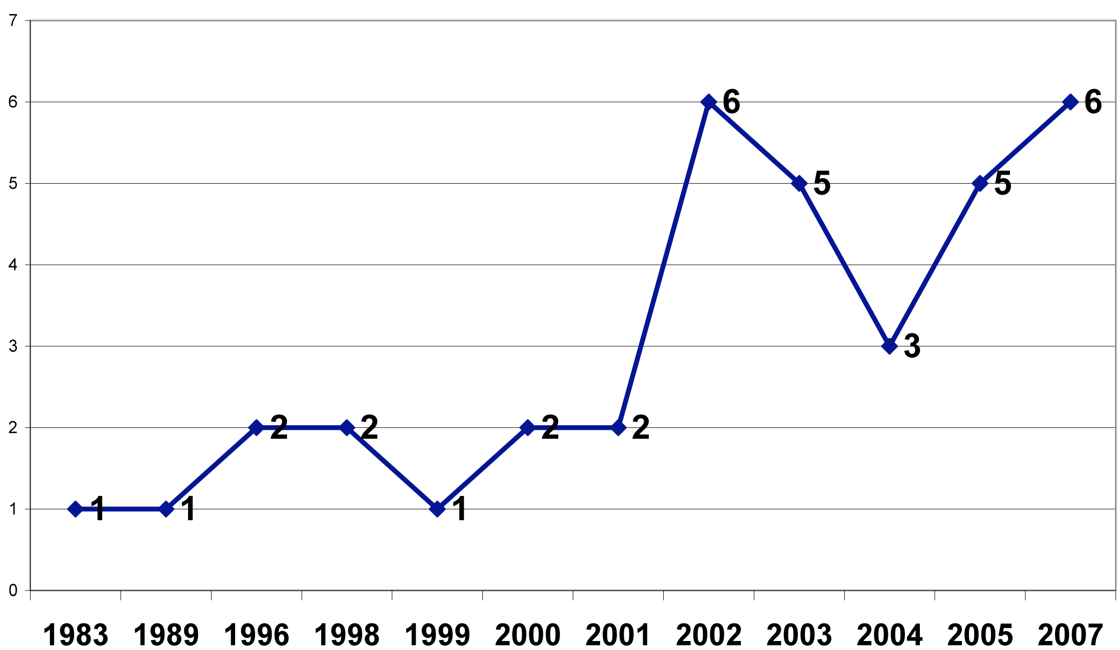


FIGURE 2: Year of first financing for loan funds



Native CDFI participation in CDFI Fund FA and TA programs

Oweesta's Native Financial Institution database provides an opportunity to assess Native groups' participation in CDFI Fund-sponsored training programs over the past eight years. Since the groundbreaking Native American Lending Study was released in November 2001, the CDFI Fund has created a number of initiatives designed to stimulate the growth of CDFIs in Native communities. In 2002, the CDFI Fund's Native Initiatives program was established, along with a Native-specific funding set-aside. The first awards provided under the Native Initiatives 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 (see Appendix B for a diagram explaining the different Native Initiatives programs funded by the CDFI Fund). 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 offered by the CDFI Fund as long as they meet the basic criteria.

In addition to direct funding of Native CDFIs, the CDFI Fund has also financed three other programs as part of their Expanding Native Opportunities initiative. Starting in 2003, these programs focus on building the capacity of Native CDFIs and other organizations to best serve their communities through a range of financial and asset-building programs and services. The first program funded by the Expanding Native Opportunity initiative was the Native Communities Financing Initiative (NCFI), which provided training and technical assistance to new and emerging Native CDFIs. In 2007, this initiative was expanded to include the Native Credit Union Initiative (NCUI), the Mature Native CDFI Technical Assistance Program, and the Peer Shadowing Program. Another training and technical assistance initiative started in 2005 was the Native IDA Initiative (NIDAI), which helps Native CDFIs and their partners start Individual Development Account (IDA) matched savings programs. In 2006 the Native Financial Skills & Enterprise Initiative (NFSEI) was launched. The NFSEI includes two separate program initiatives, the Native Financial Skills Initiative (NFSI), which provides training and technical assistance for Native CDFIs, partners, and like entities to start a financial education program, and the Native Enterprise & Entrepreneurship Development Initiative (NEEDI), which provides a systemic approach to enterprise development through training and technical assistance to Native CDFIs and their partners.

Participation by Native CDFIs in Funding Programs

Since 2002, according to our Native Financial Institutions data set, 148 grants totaling $22,985,138 have been granted to 89 distinct Native CDFIs under the Native Initiative programs (NACTA, NADA, NATA, and NACA – see Table 12). Since 1996, over 183 grants totaling $75,779,247 have been granted to a total of 98 distinct NFIs. This figure includes several Bank Enterprise Award (BEA), Core component (CORE), Small and Emerging CDFI Assistance (SECA) , New Market Tax Credit (NMTC), TA and FA grants given to mature financial institutions that are also certified Native CDFIs (see Table 12). These funds do not include technical assistance and training contracts that have additionally been awarded to groups, and do not include the most recent round of 2007 NACA awards announced in July of 2008.

Table 12: Participation of Native CDFIs in Programs, by Type of Program

Program	Number of Grants	% of Total Grants	Amount
BEA	9	4.90%	$2,306,009
CORE	9	4.90%	$8,130,000
FA	2	1.10%	$1,177,800
NACA	76	41.50%	$17,885,238
NACD	19	10.40%	$1,490,570
NACTA	38	20.80%	$2,711,859
NATA	15	8.20%	$ 897,471
Subtotal NCDFI Programs	***148***	***80.90%***	***$22,985,138***
NMTC	2	1.10%	$40,000,000
SECA	12	6.60%	$1,125,300
TA	1	0.50%	$55,000
Total	**183**	**100.00%**	**$75,779,247**

The number of grants seemed to peak in 2002 and 2004 (see Table 13). These peaks and valleys may have been affected by the advent of new training and technical assistance contracts sponsored by the CDFI Fund that began in 2003 (discussed below). In some years grant requests may have dropped because of the direct services provided to Native groups and funded through CDFI Fund contracts. In other years, they may have spiked because of the increased technical assistance and training that led to faster growth of the Native CDFI field (and demand on TA/FA products) as well as greater awareness of the grant products provided by the CDFI Fund due to the marketing via the contract work. More research is needed to explore these relationships.

Table 13: Participation of NCDFIs in Programs, by Year

Year	Number of Grants	%
1996	2	1.1%
1997	1	0.5%
1998	1	0.5%
1999	4	2.2%
2000	9	4.9%
2001	7	3.8%
2002	44	24.0%
2003	11	6.0%
2004	39	21.3%
2005	25	13.7%
2006	21	11.5%
2007	19	10.4%
Total	**183**	**100.0%**

Many NFIs have participated in more than one CDFI Fund-sponsored Native Initiatives TA or FA program. Table 14 demonstrates that the majority of all loan funds have participated in at least two CDFI Fund-sponsored TA/FA grant program or NCFI training programs (see discussion below). This is also true specifically for actively lending loan funds. The most repeatedly used program was the NACA program, not surprisingly, because it has been in existence for a longer time than other Native Initiatives programs. This data table does not include data on participation in the other Native Initiatives programs such as the IDA training, Native Financial Skills Initiative, NEED training, or the Credit Union training, because a large percentage of those attending those programs were not CDFIs.

Table 14: *Native Initiatives* Program Participation (repeat participation)

Number of Either NCFI Trainings or FA/TA Grants Received	Number of NFIs	%	Loan Funds	%	Loan Funds Actively Lending	%	Loan Funds Emerging	%
0	25	17%	3	3%	2	4%	1	2%
1	59	39%	47	44%	12	27%	23	50%
2	45	30%	40	37%	18	40%	18	39%
3	19	13%	15	14%	10	22%	4	9%
4	2	1%	2	2%	2	4%	0	0%
5	1	1%	1	1%	1	2%	0	0%
Total	**151**	**1**	**108**	**100%**	**45**	**100%**	**46**	**100%**

Native Communities Financing Initiative (NCFI) Training Program

The CDFI Fund has financed a Native CDFI training and technical assistance program over the past five years. This program, a combination introductory course ("Does Your Native Community Need a CDFI?") and a nine-module in-depth program ("The Native Communities Financing Initiative: The Native CDFI Building Guide") was offered in 2003, 2004, 2005, 2006, and 2007 (for a total of 5 rounds), with a sixth round beginning in May 2008. A total of 75 groups attended the first five rounds of the long-term portion of this training program, referred to as "NCFI" in our dataset (see Table 15). Since 2003, 30 groups have incorporated or formalized the process of becoming a CDFI after attending the program. Twelve have become certified by the CDFI Fund as Native CDFIs after attending a NCFI training. Each group that attended this training was starting from a different point with 2 already certified and 16 already a formal organization. It is necessary to conduct more research to determine whether the NCFI training program has actually increased the number and quality of Native CDFIs, but it is noteworthy that nearly 50 percent of all the NFIs in our dataset have attended a NCFI training.

Table 15: NFIs Attending the NCFI Training

	Number	%
Total Number	75	50% of total NFIs
Number Certified After Attending Program	12	
Number Certified Before Attending Program	2	
Total Certified Who Attended NCFI	14	30% of total certified
Number Incorporated After Attending Program	30	
Number Incorporated Before Attending Program	16	

The most common form of financial institution that participated in the NCFI training is a loan fund, with 93 percent or 70 of the participants representing loan funds (see Table 16). Of those 70, 13 are now defunct, 22 are actively lending, and 35 are emerging.

Table 16: Participation in NCFI by Type of Financial Institution

	Frequency	Percent	Number Now Defunct
Credit Union	3	4%	0
Loan Fund	70	93%	13
Venture Capital	2	3%	0
Total	**75**	**100%**	**13**

When adding in the NCFI trainings, according to our dataset, 126 of the 150 Native Financial Institutions have either been funded by the U.S. Department of the Treasury under the various Native programs (NACTA 2002; NATA and NADA 2003; NACA, NATA, and NADA 2004; or NACA 2005-2006) or have attended a CDFI Fund-sponsored training ("Native Communities Financing Initiative" (NCFI)). This means that 84 percent of all NFIs in our dataset have received some form of funding or development service supported by the CDFI Fund. As can be seen in Table 17, five banks, 11 credit unions, one holding company, 105 loan funds and four venture capital funds have participated in these CDFI Fund-sponsored programs (this includes all emerging, active, and defunct organizations).

Table 17: NFIs That Have Participated in CDFI Fund Native Initiative Programs, by Type of NFI

	Frequency	Percent
Bank or Thrift	5	4%
Credit Union	11	9%
Holding Company	1	1%
Loan Fund	105	83%
Venture Capital	4	3%
Total	**126**	**100%**

While it is noteworthy that the majority of existing Native financial institutions have either received a grant from the CDFI Fund through the *Native Initiatives* program or attended a Native CDFI training program, we do not have enough data to determine the background or skills of the groups before they entered the training or received funding, or a control group to help assess the unique impact of this funding or training on the formation of Native CDFIs. In order to accurately assess the outcome of the funding and trainings on these programs, it will be useful to conduct a larger scale evaluation of the training programs that controls for size, maturity, and skill level of the organization and its staff, and provides a control group in order to determine independent effects of the CDFI Fund's programs.

The CDFI Fund has commissioned several long term evaluations of the training programs they have funded,[3] and data collection for these evaluation projects is currently in process. Each initiative has a detailed evaluation plan that includes pre- and post-testing of all participants, follow-up data collection to assess progress against milestones, and training feedback collected through class evaluations. The Native CDFI field will benefit from learning about the outcomes of these training programs once the evaluation reports are finalized.

[3] As stated above, the CDFI Fund has financed several other programs as part of their Expanding Native Opportunities initiative. These programs include the Native Communities Financing Initiative (NCFI), the Native Credit Union Initiative (NCUI), the Mature Native CDFI Technical Assistance Program, and the Peer Shadowing Program. In addition, the Native IDA Initiative (NIDAI), the Native Financial Skills Initiative (NFSI), and the Native Enterprise & Entrepreneurship Development (NEED) Initiative are training programs that provided assistance to Native CDFIs and other organization to help them create developmental services that increase financial literacy and promote entrepreneurship and asset building. Evaluation of these programs is ongoing. Because most of these were funded only two years ago, the evaluation reports are not finalized yet.

Summary

Data on the field of Native CDFIs remains elusive, and existing datasets are challenged by missing data. However, our dataset of Native financial institutions compiled for this paper reveals some interesting descriptive information about the Native CDFI field. All of the Native financial institutions in our data set meet the criteria of a CDFI as defined by the CDFI fund except for the banks, most of which have a for-profit mission. However, even five of the banks are certified as Native CDFIs by the CDFI fund, and therefore we included Native-owned banks in our analysis.

Our exploration of this dataset reveals that the majority of active Native CDFIs are loan funds, which is true of the larger non-Native CDFI field as well (CDFI Fund 2007). In addition, the majority of the active and emerging Native CDFIs are not-for-profit entities, which is also true of the larger Non-Native CDFI field (CDFI Fund 2007). One notable distinction is that because of the unique legal status of tribes, some Native CDFIs take the form of a tribal affiliate corporation, or a so-called 7871 corporation. In fact, the majority of Native CDFIs in our dataset were initiated by tribal government programs or projects, which also distinguishes them from mainstream CDFIs that do not target a Native American market. This suggests that CDFIs serving Native communities may face unique challenges related to working with or through tribal governments, and our data on the reasons that Native CDFIs fail suggests that local politics may sometimes create a barrier to the successful development of CDFIs in Native communities, although further research is needed.

Unfortunately, we were not able to collect detailed data on the characteristics of the clients served by the Native financial institutions in our dataset, and information about the loan portfolios was not available. However, analysis of our dataset suggests that a majority of Native CDFIs are located on reservations, and the most common loan product is a business loan, and the most common development service provided is financial education. More research is needed to determine whether Native CDFIs are effectively serving high-poverty Native populations with their services and to assess the outcomes of the development programs Native CDFIs offer.

One of the more interesting findings in this analysis is that Native CDFIs appear to be younger that CDFIs serving the broader non-Native audience. Furthermore, there appears to be an increase in the number of Native CDFIs coming “on-line” over the past five years. Although further research is needed, this suggests that Native CDFIs may be less mature than their non-Native counterparts and may require more technical assistance and training to be successful.

The final research finding from our analysis of the Native financial institutions dataset concerns participation in CDFI Fund sponsored training and grant programs. An analysis of our dataset suggests that the majority of existing Native financial institutions have received funding or training sponsored by the CDFI Fund. In fact, the majority of all loan funds have received funding or training more than once. While further research is needed to determine the impact of these funding and training programs on stimulating the Native CDFI field, it does appear that the CDFI Fund has been successful in administering training and providing financial resources to the majority of active and emerging Native CDFIs.

While it is useful to have descriptive data on the Native CDFI field, these data provides little

Case Study Analysis

information about the outcomes of Native CDFIs' programs and how well these CDFIs are meeting the needs of their markets. In order to better understand the activities, outcomes, lessons learned, and promising practices of the work of Native CDFIs and their effectiveness in serving their populations, it is useful to conduct qualitative case study analysis. This case study research will also help document the ways in which this limited sample of Native CDFIs are contributing to building the economic, legal, social, and physical infrastructure in their communities.

We conducted research on a diverse cross section of five Native CDFIs with the goal of providing information about each of the following research questions:

1. How well are Native CDFIs meeting the needs of their markets?
    - What is the demand for financial services and loans in the local community, and how well are the CDFIs able to meet this demand?
2. What is the relationship of Native CDFIs to job creation and entrepreneurship development in Native communities?
3. What is the contribution of Native CDFIs to credit repair, reducing predatory lending, providing financial education, and other economic development issues in the local community?
4. What is the contribution, if any, of CDFI Fund TA and FA funding to these programs and services offered by Native CDFIs?

Case Study Research Methodology

Qualitative case study research methods allow us to explore the detailed activities, outcomes, lessons learned, and promising practices of Native CDFIs. Case study research may produce data that is more valid than quantitative research, but is less generalizable to the larger population (Yin 2002).

Using a purposeful sampling approach appropriate for this type of qualitative research, we selected five Native CDFIs for our research. The criteria for case study selection were the following: the CDFI must be a Native-controlled financial institution (see the definition of Native-controlled financial institutions in Appendix A); it must have received funding from the CDFI Fund; and it must be certified by the CDFI Fund, or have begun the certification process.

Because of the extreme variability in the conditions for starting a Native CDFI, we used a maximum variation sampling approach (Patton 1987). Maximum variation sampling is design to capture or describe cases that cut across a great deal of program variation. The goal is to select information-rich cases for in-depth study. The advantage of maximum variation sampling is that the data analysis should yield detailed descriptions of each case that provide insights into the unique parameters each case represents. But it also has the advantage of potentially revealing themes or “shared patterns” across the case study sites that are more significant given the diversity of sites reviewed. One limitation of this approach is that the findings are even less generalizable to the larger field of Native CDFIs because of the diversity among the sites. Another potential limitation to case study analysis in general is the possibility of selection bias, or the selection of cases in a way that is not independent of the variables of study. The researchers chose the five sites based on our familiarity with their programs and their relevance to the research questions stated above; this selection bias may mean that other activities, outcomes, lessons learned, and promising practices by other Native CDFIs are not represented in this small number of Native CDFIs we have chosen for this research, further limiting its generalizability.

The unit of analysis was the Native CDFI and its surrounding community. We collected case study data through review of secondary source material (websites, public relations material, annual reports, etc.) and interviews. Interview schedules were used to conduct interviews with staff at four of the five organizations. Staff at Oweesta and First Nations have conducted past site visits to several of these Native CDFIs and therefore we did not see the need to conduct site visits.

We collected information from the case study sites in order to explore six specific areas of inquiry: 1) the history of the CDFI, or how they came to adopt the CDFI model, 2) a detailed overview of their financial products and development services, 3) information on the impact and outcomes of their programs, 4) information about the CDFI’s history of contact with the CDFI Fund, including participation in training and funding programs, 5) a discussion of lessons learned by the CDFI, and 6) progress along the continuum of Native CDFI development, to assess the relative success of the CDFI over time.

Overview of the Five Case Study Sites

Our work in the field of Native CDFI development suggests that the statistical universe of Native CDFIs runs the gamut from small, struggling nonprofit loan funds serving high- poverty rural areas to large for-profit national banks located in urban areas that happened to be owned by a majority of Native American individuals. Native CDFIs have a range of organizational structures, including 501(c)(3) nonprofit corporations, 501(c)(4) credit unions, and so called "7871" nonprofit tribal affiliate corporations. We selected our five case study sites to reflect some of this variability in the population of Native CDFIs and provide some data on their history, outcomes, and lessons learned. The five organizations we chose for our study are Four Bands Community Fund, Citizen Potawatomi Community Development Corporation, Lac Courte Oreilles Federal Credit Union, Northern Shores Loan Fund, and Native American Bank. Table 18 provides an overview of these five sites.

Table 18: Overview of Case Study Sites

Name	Certified?	Type of Financial Institution	Year Founded (age)	Target Market	Location	For-profit Corporation?	Nonprofit Corporation?	501(c)(3) Status?	Other Certification?
Citizen Potawatomi Community Development Corporation	Yes	Loan Fund	2003 (5)	Citizen Potawatomi Tribal Jurisdiction Area (Oklahoma), other Native people in OK, and tribal members nationwide.	Located in the Citizen Potawatomi Tribal Jurisdiction Area in Oklahoma.	No	Yes, a separate tribal affiliate corporation (“7871 corporation”).	No	7871
Four Bands Community Fund	Yes	Loan Fund	2000 (8)	Residents of the Cheyenne River Reservation—both tribal members and permanent residents	Located on the Cheyenne River Reservation in South Dakota.	No	Yes, initially incorporated under tribal law via resolution, later incorporated under state law.	Yes	No
Lac Courte Oreilles Federal Credit Union	Yes	Credit Union	2000 (8)	Members of the Lac Courte Oreilles Band on the reservation.	Located on the Lac Courte Oreilles reservation in Wisconsin.	No	Yes, federal credit union charter.	No	Yes, credit union 501(c)(4) status
Native American Bank	Yes	Bank	2001 (7)	National reach, serving people on and off reservation. Targeting tribes, tribal corporations, individual Native people, and Alaska Native corporations for their business.	Main office is in Denver. Branch offices on Blackfeet reservation and in Anchorage, Alaska.	Yes	No.	No	Federal Bank charter
Northern Shores Loans Fund	No, certification is pending	Loan Fund	2003 (5)	Members of the Little Traverse Bay Bands of Odawa Indians, other Native people, tribes, and tribal corporations in three-county historical homeland/reservation area.	Located on the Little Traverse Bay Bands of Odawa Indians Reservation in Michigan.	No	Yes, incorporated under tribal nonprofit incorporation ordinance/code.	In process	No

Four Bands Community Fund

Four Bands Community Fund is a 501(c)(3) nonprofit corporation serving the residents of the Cheyenne River Reservation in rural western South Dakota. The Cheyenne River Reservation has a land area approximately the size of Connecticut with some of the highest poverty figures in the nation. The two counties that make up the Cheyenne River Reservation, Dewey and Ziebach counties, had poverty rates of 28.0 percent and 51.0 percent respectively in 2005 (Northwest Area Foundation Indicators Website 2008). Within the tribal reservation boundaries, 42.3 percent of families with children under the age of 18 lived below the poverty level in 1999 (US Census 2000). The Cheyenne River Sioux tribe has a population of 8,470 people according to the 2000 Census but had a tribal enrollment of 14,666 nationally in 2005 (Tiller’s Guide 2005). The closest city to the reservation boundary is Pierre, which is 91 miles away.

Founded in 2000, Four Bands Community Fund was certified by the CDFI Fund in 2001 and currently offers a variety of loan products and development services. Four Band Community Fund’s mission is to assist entrepreneurs of the Cheyenne River Indian Reservation with training, business incubation, and access to capital, encouraging economic development and enhancing the quality of life for all communities and residents of the reservation. According to its website, Four Bands Community Fund “uses an asset-based approach and provides training and loan funds to enable people to create their own futures” (Four Bands Community Fund 2008).

History

The plan for Four Bands Community Fund was developed late in 1999. The Cheyenne River Sioux Tribe first passed a resolution incorporating the organization (there are no tribal corporation codes, so incorporation by resolution was the only option). The passage of the resolution by the tribal council was an important act of support and reflected a long planning and consensus-building process. The development of Four Bands Community Fund was part of an original five-pronged effort of the tribe’s economic development committee and planning department (as of this date, the loan fund is the only one of the five to move forward). A community task force was created in 1999 that included members from the tribe’s economic development committee and planning departments, as well as representatives from the FDIC, USDA Rural Development, and the Federal Reserve. This joint development effort provided the support of the tribal government and involvement of community members, but eventually allowed the group to spin off and start its own nonprofit 501(c)(3) corporation, ensuring separation from tribal government politics. Four Bands Community Fund incorporated under state law in 2000 with a mission of providing lending, training, and technical assistance to a community in great need of economic development. The leader of the task force (who eventually became the first executive director) took time to research and develop the market, create the organizational documents, and do the initial fundraising, all with the blessing and support of the tribal council and task force members.

Financial Products and Development Services

Financial Products

Four Band’s programs and services focus on developing private businesses for the reservation, with loan products linked to business training and consulting. Four Bands Community Fund offers loan programs for people who live on the Cheyenne River Reservation and operate the business they are requesting loan funds for within the reservation boundaries. Loan recipients must be either members of Cheyenne River Sioux Tribe or permanent residents on the reservation. Four Bands offers micro-loans and small business loans, and in addition has recently started a “credit builder” loan of up to $2,500 to help a person repair his or her credit history. Before being allowed to apply for a business loan, applicants must complete Four Bands' business training class. A great deal of technical assistance and training is provided before anyone may take out a loan.

The staff at Four Bands Community Fund take a “case management” approach to business loan clients. Client who wish to apply for a loan are asked to fill out a self-assessment form. Then a loan officer works with the client to identify areas of strength and weakness and develop a personalized technical assistance plan. Clients are provided with a range of technical assistance resources, including financial education and credit repair as well as training on how to write a business plan. The technical assistance is provided in workshop and one-on-one format. Four Bands Community Fund offers quarterly “talking circle” meetings to talk about topics such as marketing, bookkeeping, and expanding profitability. Once a loan has been granted, follow-up technical assistance is provided. Four Bands Community Fund requires quarterly financial statements to be submitted to the loan officer, a policy implemented after learning from their work in the field that there was a lack of bookkeeping and finance skills among a lot of small business owners. Staff use this loan requirement as an opportunity to provide ongoing technical assistance to help their clients develop an internal accounting system, look at budget to actual, and determine their cash flow. Clients are required to meet quarterly with the loan officer, and at that time are provided with one-on-one counseling and made aware of other training programs in the community that may be of interest. Four Bands Community Fund also provides intensive professional coaching for any client who requests it. Even the credit builder loans have action plans associated with them. Clients create action plans for what they are going to do to manage their finances and maintain and build good credit.

Development Services

In addition to their loan products, Four Bands Community Fund offer a range of development services. They offer a comprehensive business development class called “CREATE” that helps people start businesses in a remote, rural reservation-based community. (“CREATE” is an acronym for “Cheyenne River Entrepreneurial Assistance Training and Education.”) In addition, Four Bands offer several financial education courses every year, and an individual development account (IDA) program designed to help people learn the savings habit and build assets. Recently they have started a youth entrepreneurship program to help introduce youth to entrepreneurship and develop financial literacy skills. In addition to their classes and programs, they also offer one-on-one technical assistance to help people successfully manage and grow their businesses. As mentioned above, the technical assistance includes coaching on marketing, financial and staff management, and action planning. Recently, Four Bands began working with other community leaders to start a Chamber of Commerce for community members. In addition, they worked with the tribe to develop new ordinances, and developed a joint filing agreement with the state of South Dakota.

Impact

Four Bands is a small organization with an annual budget of approximately $600,000 per year. But its impact is significant. In the first eight years of operation, Four Bands provided development services to over 1,531 people. It has graduated 169 people from its business classes, and provided a range of technical assistance and training services to over 575 adults and 325 youth. In addition, Four Bands has contributed over $76,358 in savings match for their IDA program participants. Since 2000, it has approved over 121 loans totaling approximately $669,000. Its default rate is 12 percent of the total funds deployed, and includes several micro loans and two larger loans amounting to about $60,000 made to businesses that failed. One of the larger business loans that failed was due to a problem related to a lack of legal infrastructure on the reservation. The tribal court ruled against a business owner who had a legal partnership agreement. When his partner pulled out and took a large share of the assets, he was not able to litigate successfully in the local tribal court system. Another business had a problem with employee theft that made it difficult for the businesses to turn a profit. The other loans failed because of the low capacity (lack of business acumen) of the borrowers.

Four Bands Community Fund is working to reduce this default rate, and they always try to work out any problems with a borrower and negotiate new conditions if necessary. Successful businesses assisted by Four Bands increased their annual incomes by anywhere from $6,000 to $26,000 and created an average of 1.5 jobs per loan, and include a successful plumbing and heating business on the reservation and several smaller home-based businesses. Another successful business they supported is a company that makes collapsible storage units for the Department of Defense and employees 26 people on the reservation. In the past seven years, Four Bands Community Fund has supported or assisted over 70 businesses on the reservation. The economic impact of these investments is much larger after the local multiplier effect is taken into account.

Impact of CDFI Fund Funding and Lessons Learned

Four Bands Community Fund has received a significant amount of funding from the CDFI Fund—approximately $1,286,500. In 2001 they received a SECA grant, and in 2004 they received both a NACA and NATA grant. They also received a NACA grant in 2006, and participated in a NIDAI training and NCFI mature TA program in 2007. See Table 19.

Table 19: CDFI Fund Funding Received by Four Bands Community Fund

Program	Year	Amount
SECA	2001	$150,500
NACA	2004	$440,000
NATA	2004	$78,000
NACA	2006	$618,000
NIDAI	2007	N/A
NCFI	2007	N/A

Tanya Fiddler, the executive director of Four Bands, states that the funding from the CDFI Fund has been critical to their success and ongoing operations:

> If there hadn't been Treasury funds, I don't think we would have been able to get up and going, or even maintain operations. In the beginning I think their funds are critical—part of a funding mix— and they come in really strong in the funding mix.

Tanya also pointed out that the TA funds were very helpful with building critical skill sets for their staff. She stated:

> With their technical assistance monies—that is the time you get to get specialized training for your staff. This high-end skilled staff that is required to run a rural-reservation based nonprofit —you don't hire it, you create it. You get to support some of the most critical parts of operations—the skills building.

Tanya cites several key lessons learned about running a loan fund on a reservation. One key challenge can be developing the market for loan products. She stated:

> You create the capacity in that customer over time which takes a lot longer for you to grow the capacity of the loan fund for any potential earned income opportunity…Lakota Fund [another Native CDFI] is finding the same thing. They increased their staff to 16 people in the last year, and their loan volume did not increase. It is a capacity issue out in the community. You really have to have a strong strategy for growing that capacity. With financial education—you start making people aware—this is the real deal.

Tanya identified the challenging economic environment as a key barrier to economic development:

> We are creating economies here. Everyone knows that people leave the rez, the money leaves the rez….you have to market twice as hard to get people to buy locally. The largest employers are the tribe, the school system, the IHS, all institutional employers. We are working hard to build the private sector.

Four Bands has found it difficult to meet the self-sufficiency ratio stated by the CDFI Fund because of their remote, rural location and the fact that they have fewer revenue streams. Tanya suggested that:

> The self sufficiency measure should have a Native adjustment. We work as hard as we can to meet that, but we are only at 6 percent. But the depth of what the community needs on the development service side, it is capacity building—and those development services end up consuming the operations just to get the capacity to get people through the doors to access a decent amount of money.

One other lesson learned is that there is a great need to develop the accounting and finance skills to meet the CDFI Fund's requirements, and to manage day-to-day operations. Tanya stated:

> Their reporting requirements is a strength as well because it helps an organization line up in their business model and leads to entrepreneurial thinking in addition to program thinking because of performance measures. But I think it pushes on rural remote nonprofit capacity to have such rigorous reporting. At the same time though, it keeps integrity and accountability in an organization.

Four Bands Community Fund continues to be an important resource for the communities on the Cheyenne River Reservation. The organization continues to receive national recognition for its hard work. In 2007, the executive director was granted the Visionary Leader Award for Outstanding Achievement at the Native CDFI Awards Ceremony conducted by Oweesta and Opportunity Finance Network as part of the Native CDFI Convening at the OFN national conference. She also won the SBA Minority Business Advocate Award several years earlier. Four Bands Community Fund contributes to asset building in its reservation community by providing access to different credit products as well as business assistance and financial education. The work of Four Bands has provided loans to help people start small businesses, and has provided financial education to a broad range of adults and youth, with the expectation of creating the next generation of borrowers in the local community. Four Bands' 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:

> …[A]pplies 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.

Measures of Success

In nine years, Four Bands Community Fund have moved through the first four phases of Native CDFI development. They are currently at Stage VI, and are exploring other revenue generation streams and making adjustments to their loan products and technical assistance and training programs. They have received certification from the CDFI Fund. However, they still struggle with their self-sufficiency ratio and reaching critical momentum with their lending pool. They will continue to work on growing their customer base and generating enough financial resources to become self-sufficient.

Citizen Potawatomi Community Development Corporation

Citizen Potawatomi Community Development Corporation (CPCDC) is a not-for-profit loan fund program of the Citizen Potawatomi Nation, a federally recognized tribe in Oklahoma. Founded in 2003, their mission is to "to promote, educate, and inspire the entrepreneurial growth and financial well being of the Citizen Potawatomi Nation Tribal community through financial education, access to capital, business development services and innovative capacity building practices" (Citizen Potawatomi Nation 2008). CPCDC's services focus on the provision of micro and small business loans to tribal members nationwide and Native Americans throughout Oklahoma, and also on providing personal loans to employees of the Citizen Potawatomi Nation. They are a small organization with a $500,000 annual budget, and were certified by the CDFI Fund in 2004. The Citizen Potawatomi Nation is headquartered in the town of Shawnee, which is approximately 36 miles from Norman Oklahoma and 48 miles from Oklahoma City. The population of Shawnee, Oklahoma is 29,989, and 17.8 percent of individuals live in poverty. In Pottawatomie County, Oklahoma, where Shawnee is located, over 11 percent of the population is Native American, 15 percent of individuals live below the poverty level, and 17 percent of all Native American families with children under the age of 18 live in poverty. Fifteen percent of all Citizen Potawatomi Nation members in Oklahoma live in poverty.

The Citizen Potawatomi Nation is the largest of the eight federally recognized Potawatomi tribes, and the ninth largest tribe in the United States. The CPN has 26,000 tribal members living across the United States, with approximately 40 percent of tribal members (10,400) in Oklahoma, where its primary office is located.

History

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.” 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 as well as Citizen Potawatomi tribal members throughout the United States, and has been very successful in the provision of small business loans and technical assistance to its target market.

When the tribe created the CPCDC, they created a separate tribal affiliate corporation to run the loan fund. That corporation then applied to the IRS for a letter verifying their 7871 status, making it possible to receive tax-deductible donations. The tribal government has been very supportive of its tribal affiliate corporation, and has invested almost $1.4 million in CPCDC. The organization has leveraged that support and has developed an extensive capitalization strategy, seeking to diversify its funding by looking to banks, foundations, government sources, individuals, religious institutions, and other institutional investors.

Financial Products and Development Services

Financial Products

Citizen Potawatomi Community Development Corporation offers a range of loan products and development services. Since its inception, the organization has offered two main lending programs: the **Micro Business Loan Program** (loans up to $25,000) and the **Commercial Loan Program** (loans up to $200,000). The commercial loan product can be used for purchase of equipment, inventory, supplies, or working capital. It is also applicable to commercial real estate acquisition and refurbishment. These loan products are different from others offered in the community, because CPCDC conducts a more lenient credit analysis than most banks, and at times requires less collateral.

CPCDC provides ongoing technical assistance to loan clients, which they believe increases the probability of success for the businesses they invest in. Staff provide loan applicants and interested individuals with an initial consultation to identify needs and specific areas of interest, and then prepare a customized action plan, recommending workshops and counseling as appropriate. 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, handle contract with government entities (tribal, federal, and/or state), and understand legal issues. A business plan is required before a loan is granted. After the loan is closed, staff continue to provide ongoing support to borrowers through one-on-one counseling and also through a range of classes and workshops (see below). Recently, staff have also begun to provide customized management through the use of QuickBooks, as they have found through site visits and in monitoring loan clients that financial management is a great weakness.

In 2005, CPCDC began offering a new loan program to employees of the Citizen Potawatomi Nation. The **CPN Employee Loan Program** makes small loans (ranging from $500 to $1,500) to tribal employees, and provides financial education including one-on-one counseling, monthly workshops, and credit counseling. Tribal employees make payments on their loans through payroll deduction, and they are given up to two years to pay off the loan. This loan program has helped reduce wage garnishments and provided funds for people to deal with emergencies. The tribal government was very supportive of this program and provided $250,000 to capitalize the loan pool. Both the tribal government and the employees view this program as an employee benefit, and it provides an alternative to payday lending operations. There has been tremendous demand for this program: in the first two years, the program made 834 loans totaling over $664,000 (all funded by the original $250,000 invested by the tribe). This loan product has generated more than $100,000 in program income.

Development Services

To complement its lending programs and to support the success of its lending clients, CPCDC offers a range of development services. These include business development services, general financial education, an individual development account (IDA) program, and free tax preparation services.

Business Training

The business development services of the CPCNC support its primary mission by strengthening the skills and knowledge of existing and potential borrowers, and by supporting IDA savers who have identified entrepreneurship as a goal. CPCDC staff and leadership believe consistent support safeguards the viability of projects, contributes significantly to the success of the business, and keeps loan losses low. Development services play a special role in helping low and moderate-income Native American borrowers improve their financial and business management skills and understand credit instruments. The goals of the business training program are to safeguard loan fund investment through the provision of training and technical assistance, and to strengthen Native American businesses through ongoing, pre and post loan technical assistance. Business development services are offered through group workshops and one-on-one technical training.

CPCDC partners with the Gordon Cooper Technology Center to provide a workshop series. During FY 2007, Gordon Cooper Technology Center held 12 workshops including modules titled “The Essentials for Small Business,” “Cash Management,” “Marketing,” and “Advertising.” The classes are customized to take into account the Native American experience. In 2007, 354 Native American entrepreneurs and existing business owners participating in those workshops received one-on-one technical assistance, including 23 IDA participants, and 28 Native American entrepreneurs and existing business owners.

In late 2007, CPCDC began to offer a small business training program titled “FastTrac,” which consists of 12 three-hour sessions geared towards very new or aspiring Native American small business owners. This program was added in response to direct requests from the community for basic business management training. The program will be available for IDA program participants who identify entrepreneurship as a goal. Based on IDA participant information and inquiries from the community, CPCDC staff anticipate that the program will serve 50 participants annually.

In 2007, CPCDC also partnered with the Shawnee and Tecumseh Chambers of Commerce to present the Small Business University program, a four-session mini-course geared towards current business owners. The program is offered twice a year to a minimum of 30 participants per course at a cost of $40 (which is used to cover food for the duration of the course). The main goal of the program is to share knowledge and "smart practices" about marketing, sales, and financial management principals that can be immediately put to use in a participant's business. A secondary goal is to build social networks among Native business owners and develop a "culture of entrepreneurship" in the local community.

In 2007, the CPCDC provided more than 1,144 hours of business development and training or consulting to Native Americans in Oklahoma and Kansas. 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.

Financial Education and Related Development Services

CPCDC offers financial education in a range of formats. CPCDC staff provide workshops and on-on-one counseling. Workshops are scheduled monthly and one-on-one credit counseling is scheduled weekly, according to referrals and on an as needed basis in conjunction with other program participation (such as the IDA program). CPCDC staff use the culturally relevant curricula "Building Native Communities-Financial Skills for Families" (developed by First Nations Development Institute and the Fannie Mae Foundation), "Money in Motion" (developed by the American Center for Credit Education), and "Credit When Credit is Due."

A series of "Lunch and Learn" programs are provided for tribal employees, where people can receive information about budgeting, using credit wisely, credit repair, identify theft, retirement savings, and other topics. CPCDC also has a booth at the annual powwow and other events to share information about financial topics. The CDFI works in partnership with other tribal government departments—the Indian Child Welfare Department helps battered women learn financial skills, and the Housing Department incorporates financial education into its homeownership training. The tribal government is very supportive of these efforts, and the Tribal Human Resources Department provides funding to pay for free food at the "Lunch and Learn" workshops.

In a parallel effort, the CPCDC has supported a Volunteer Income Tax Assistance (VITA) site every year to help people access the Earned Income Tax Credit (EITC), which can equal over $4,000 for a family of four. Many people had been accessing the EITC through predatory tax preparers, and had been losing up to 40 percent of their tax return to hidden fees. The CPCDC VITA site offers free tax preparation, keeping more money in the local economy, and the number of participants in this program has grown each year. More recently, staff at CPCDC have been encouraging people to leverage their EITC windfall by opening an IDA account.

CPCDC started an IDA program in 2006 after attending a CDFI Fund-sponsored training on IDAs (the Native IDA Initiative [NIDAI]). The IDA program, which they call an "Asset Builders Matched

Savings Program," offers small business development and credit repair as savings goals. Applicants must be over the age of 18 and an enrolled member of a federally recognized Indian Tribe (preference is given to members of the Citizen Potawatomi Nation). They also must live in Pottawatomie County or its five contiguous counties. Participants are required to attend credit counseling and financial education classes and save a minimum amount of money each month to receive the match. As of October 2007, 23 people had graduated from the program, and had received over 672 credit repair training hours and 434 business development training hours. The 15 credit repair participants saved over $11,510, and received a match of $21,000. An additional $30,736 of debt was paid off by credit repair participants during the program time frame. The eight business participants saved $6,815 and received a match of $14,530.

Impact

The CPCDC are unique in that they have just implemented a detailed tracking program to better measure program services and program outcomes. They have collected data in the past on jobs created and businesses assisted, but are now trying to collect more-detailed outcomes data on the percent of applicants that are low-income borrowers, the average wages of jobs created, and even the increase in individual clients' income as a result of their programs. This will assist them in better measuring their economic development outcomes in the community.

The basic data CPCDC has collected over the past seven years tells an impressive story. As of 2007, CPCDC's business loan programs had made over 107 loans totaling over $6.9 million. One hundred percent of these loans have been made to Native Americans, 90 percent of whom are members of the Citizen Potawatomi Nation. Their default rate on their loans is 1 percent, a low rate that they attribute to the effectiveness of their technical assistance to borrowers. The reach of their loan program is truly national: 87 loans were made in Oklahoma, but eight were made in Kansas, four in Oregon, two each in Mississippi, California, and Missouri, and one each in Kentucky, Montana, and Texas. CPCDC provided over 1,144 hours of business development training, and 886 hours of financial education, in addition to the hours provided in their IDA program. The loans have contributed to the creation or retention of over 111 jobs. They have also matched over $35,000 for their 23 IDA program participants in the first year of their IDA program, amounting to a total impact of $85,011 when the participant's savings and additional debt payments are figured in. The IDA program helped participants create or expand eight new businesses and create 10 new jobs. As stated above, their employee loan program has made 834 loans totaling over $664,000, most likely diverting much of this money from the portfolios of predatory lenders.

Impact of CDFI Fund Funding and Lessons Learned

Citizen Potawatomi Community Development Corporation has received $1,936,218 from the CDFI Fund. In 2002 they received a NACTA grant, and in 2005 they received a NACA grant. They also received a NACA grant in 2006 and 2007. They participated in the first round of NCFI training in 2003 and participated in NIDAI and the Native Enterprise and Entrepreneurship Development Initiative (NEEDI) training/technical assistance programs in 2007 and 2008. See Table 20.

Table 20: CDFI Fund Funding Received by Citizen Potawatomi Community Development Corporation

Program	Year	Amount
NACTA	2002	$45,000
NACA	2005	$650,000
NACA	2006	$635,000
NACA	2007	$606,218
NCFI	2003	N/A
NIDAI	2007	N/A
NEEDI	2008	N/A

The funds provided by the CDFI Fund have had a positive impact on CPCDC. The funds were used to capitalize their loan pool, purchase equipment, enhance training programs, and to implement data collection systems. Importantly, they were also used for staff training on management issues and accounting issues. Additional direct assistance was received through the CDFI Fund-sponsored technical assistance contracts, which also facilitated the establishment of the organization and its various programs. Kristi Coker emphasized in her interview that these funds and other support from the CDFI Fund have been critical to the ongoing success of CPCDC:

> Without their funds, for both our loan pool and for capacity building for our staff, we would not be as successful as we are today. We really benefitted from the technical assistance and training, the consulting, and the funding to provide loan software and other material. Without the help from the CDFI Fund, we would not have the outstanding record we do – one outstanding loan in a portfolio of over $6 million. Operating capital is the hardest to come by, and we really benefitted from the support of the CDFI Fund.

Some early lessons learned include the fact that “back-end TA,” or continual technical assistance to loan recipients after the deal has closed is as important as “front-end TA,” or technical assistance before closing the loan. Cindy Logsdon, the loan officer we interviewed, spoke of the importance of staying in touch with loan clients to offer assistance and coaching. She stated, “We need to stay in contact, and the more assistance we can offer, the more successful they can be. It can be hard to provide that after the loan is closed, but it is very, very important.” Another lesson learned is that IDA programs can really make a difference in people’s lives. Cynthia stated, “It is one thing to pay down debt or start a business. But seeing people’s self confidence improve, seeing them succeed, and their lives change, means so much more.”

CPCDC address issues related to the financial infrastructure of their Native community by providing access to different credit products as well as business assistance and financial education. They are also addressing the challenges associated with the social and cultural infrastructure or their community by creating a new generation of Native American business owners and role models. Overall, CPCDC's work has contributed to asset building in their local community by providing loans to help people start small businesses and create jobs, and has helped limit asset stripping from predatory lenders by providing financial education and offering alternative financial products. Kristi Coker is proud of the success of CPCDC, and is optimistic about a growing field of Native CDFIs. She stated,

> The CDFI Fund should be applauded for their efforts to support Native CDFIs. But we know the demand for more capital is out there, especially when you look at the sheer numbers of people who have gone through the Native Initiative trainings. The field is only going to grow, and it already has in the last 3-5 years.

Measures of Success

Over the past five years, CPCDC have achieved a meteoric climb to Stage V of Native CDFI development. In large part due to the financial and other support of the tribal government, they were able to establish an effective loan fund that has reached a critical momentum and generates enough revenue to stabilize their organization. They have a low default rate on their loans and are reaching a large number of community members with their outreach programs. They are eager to implement their new data collection systems so that they can better measure the community development outcomes of their programs. Even at stage V, and as a leader of the Native CDFI movement, the staff at Citizen Potawatomi still benefit from peer networking and technical assistance and training, and they have continued to work closely with national membership organizations to share information and develop new strategies. They are continually researching and adopting new programs, such as IDA programs, to accomplish their community development mission.

Lac Courte Oreilles Federal Credit Union

Lac Courte Oreilles Federal Credit Union (LCOFCU) is a nationally chartered credit union located in Hayward, Wisconsin. Its mission is to provide basic financial services, consumer loans, and financial education to tribal members on the Lac Courte Oreilles Band of Lake Superior Chippewa Indian Reservation (LCO Reservation). Hayward, Wisconsin, is located adjacent to the LCO Reservation. Over 23 percent of the population of Hayward is Native American, and the poverty rate in the community is approximately 13 percent for individuals. Sawyer County, which includes part of the reservation, has a poverty rate of approximately 12 percent. Little Round Lake, the most populous community on the reservation, has a Native

American population of 900 (90 percent of the total population) and 42 percent of individuals live in poverty (American Fact Finder 2008). Tribal population given by the US Census was 2,886 in 2000. According to the Bureau of Indian Affairs, the unemployment rate in 2001 was 65 percent. The LCO reservation is very rural, and is isolated from many markets and services. The closest city is St. Paul, Minnesota, which is 139 miles away. Green Bay and Madison, both in Wisconsin, are over 275 miles away.

History

LCOFCU was created because many tribal members living on the reservation did not have access to basic financial services like savings accounts. The housing authority did the initial market research, using a one-page survey instrument that was distributed to clients. The research, funded by the tribal housing authority through a federal housing grant, demonstrated that there was a great need for financial products such as low interest consumer loans as well as development services such as basic financial education training.

A community group presented the idea of a credit union to the tribal council in 1999. The tribe recognized the need for a local financial institution that was designed specifically to serve tribal members, and expressed their support by signing off on the federal charter application. One of the main supporters of the credit union was the comptroller for the tribe in 1999, and now is the Chief Finance Officer for the tribe. LCOFCU was legally created in 2001, when its national charter was approved, and is now a Native American managed 501(c)(4) federal credit union. It is also a CDFI that was certified by the CDFI Fund in 2002. “We always knew we needed to be a CDFI,” stated David Fleming, the former president. “We knew that the financial education was key—not just the loan products.” LCOFCU currently has over 1,700 members, and the tribe is a major source of deposits for the credit union.

Financial Products and Development Services

Financial Products

LCOFCU offers a range of financial products and development services to the residents of the LCO reservation and members and employees of the Lac Courte Oreilles Band of Lake Superior Chippewa Indian Tribe. In contrast to the other CDFIs we have profiled, LCOFCU is a depository institution, and provides savings accounts and certificates of deposit.

LCOFCU also offers several credit products, many of them designed to provide an alterative to predatory lending. LCOFCU offers several basic consumer loans for new and used autos and other consumer purchases. Clients must undergo a credit check and are required to provide some collateral, although the credit union requires less collateral that most other lenders in the area. LCOFCU works with borrowers to help them understand the terms of the loan and receive credit counseling and financial education when necessary. People receive a lower rate on their loan if they completed a financial education course. The staff at LCOFCU employs a more lenient credit analysis than many lenders. David Fleming, the former executive director of the LCOFCU, stated:

> Our used car loans were a lifeline for some people. We required less collateral than most people, and in some cases allowed 100 percent financing. We took chances on people, and usually they paid off. People told us that being able to buy a car helped them keep their job. We allowed them to get into a car when everyone else was saying no.

Another credit product is called “Easy Money” and is for tribal employees who have been on the job for at least one year and work at least 32 hours a week. This allows clients to borrow up to $500 without a credit check, and the money is paid back through payroll deduction. Designed to be an alternative to predatory lending, this loan program is very popular. The credit union has worked with the tribe to secure loans with payroll deduction so that individuals can get access to credit at reasonable rates. Two other smaller loan programs are part of the “Easy Money” program and are called the “Santa Loan” program (officially, the “Save our Santa” program) and the “Summer Loan” program (officially, the “Save our Summer” program). These programs allow people to take out seasonal, short-term consumer loans, and they have the same guidelines as the Easy Money loan products. The default rate on these short-term loans is lower than on the consumer loans, which staff attribute to the use of payroll deduction.

A third credit product is called a “GOOD” loan, which stands for “Getting Out Of Debt.” This loan is designed to help people clean up their credit so they can qualify for a larger consumer loan. To qualify for a GOOD loan, which is given in increments of $500, clients must complete a financial education course and then use the loan to pay off the debts that appear on their credit report. LCOFCU reports the repayment progress to the credit bureau, helping people repair their credit and build their credit score.

The average loan at LCOFCU 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," stated 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.” LCOFCU staff report that the major competition for such credit is a business on the reservation called “Payday Loans,” which charges very high annual interest. One of the missions of LCOFCU is to provide an alternative to predatory lending to reservation residents, and to stop that form of asset stripping in the local community. In 2006, over 22 percent of LCOFCU's total loan portfolio was in anti-predatory loans.

Development Services

LCOFCU also offers several development services, including financial education classes, credit counseling, and credit repair. LCOFCU works closely with the Lac Courte Oreilles Ojibwa Community College to offer a standalone financial education courses at least four times a year, and to provide free tax preparation services through a VITA site that is open during tax season. LCOFCU is currently preparing to develop an IDA program, and has also considered offering classes in investor education. LCOFCU also offers financial education and credit counseling to all its borrowers. “People would come in and not realize that a loan was not what they needed,” stated David Fleming. “What they really needed was to check their spending habits. We would work with them and try to get them on track.”

Impact

The LCOFCU is a small organization with an annual organizational budget of approximately $400,000. As mentioned above, they have over 1,700 members, and the tribe is a major source of deposits for the credit union. They have over $1,270,940 in active loans, and $410,185 in deposits. Their delinquency rate on loans is 6 percent.

Impact of CDFI Fund Funding and Lessons Learned

LCOFCU has received only a small amount of funds from the CDFI Fund. In 2002, they received a NACTA grant for $25,800. See Table 21.

Table 21: CDFI Fund Funding Received by Lac Courte Oreilles Federal Credit Union

Program	Year	Amount
NACTA	2002	$25,800
NIDAI	2006	N/A

Although the amount received from the CDFI Fund is small, the grant had a large impact. The NACTA grant was received early on in the history of the organization, and was used to enhance organizational capacity. LCOFCU used the funding to upgrade services, such as adding an additional telephone line and buying an LCD projector for the financial education workshops. They also used the technical assistance funds to hire a consultant to help develop loan policies and collection policies, and in-house policies for working with low-income clients. “The grant is what helped the tribe start the credit union and I don’t think the credit union would be there without this grant,” said David Fleming.

Staff at the credit union have identified several lessons learned. One of the most significant lessons learned was the need to work with the community to provide financial education, and to “build customers.” Echoing the lesson learned by Four Bands Community Fund, staff at LCOFCU identified the fact that few community members had the skills needed to take out a loan. “We didn’t have a lot of borrowers in the beginning. We needed to make our borrowers.

We needed to cover some basic information with applicants—explain to them their income to debt ratio, things like that," said Fleming. The financial education and credit counseling was an important part of the CDFIs work. Some of the barriers were psychological: many of the borrowers had never used a bank before. David Fleming:

> Our goal is not to make a lot of money, but to establish a healthy relationship with that borrower. Instead of going to [a] pawn shop or payday lender, they come to us. We want to build relationships with borrowers. The goal of the credit union is to provide an alternative, getting people to come in the door. We hope they are learning to trust banks. Many have never been in a bank before.

Staff at LCOFCU worked closely with borrowers when necessary. David Fleming said:

> When someone lost their job at the tribe, or couldn't pay their loan, we wanted them to be comfortable coming to talk with us. We would work with them to refinance, or lower the payments on the loan until they got back on their feet. This made a difference and helped people learn to trust us.

Another lesson learned is that the "low stakes" loans were important stepping-stones to becoming creditworthy. The smaller credit loans, including the Easy Money loans, allowed people to learn to use credit responsibly. The payroll deduction ensured that people had a low default rate. David Fleming said:

> Many people told us that the "Easy Money" loan made them creditworthy – gave them a credit history, or helped improve their credit score. We reported payment on those loans to the credit agency and it helped people establish or repair credit. People told us that it made them eligible for a home loan later on.

LCOFCU is also addressing social and cultural issues by helping to change attitudes about money and credit in the community. 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 for tribal members. LCOFCU President David Fleming states that the biggest impact he has seen from the credit union is, "Changing financial habits. People are actually seeing the benefits of savings in creation of their own individual wealth, and by becoming more money conscious and understanding how money and credit work."

Measures of Success

Over the past six years, LCOFCU have barely graduated from Stage II of the Native CDFI development continuum. While they successfully conducted a market study, incorporated as a credit union, and applied to the CDFI Fund for certification status, the credit union are still in the process of reviewing their loan policies and programs and making adjustments. They continue to examine different technical assistance and training programs, and have plans to adopt new programs over the next few years. Unfortunately, in 2007 the executive director left, and some of their forward momentum has been lost while the new executive director has worked to learn her new roles and responsibilities. The foundation of the organization remains solid, however, and the tribe and the community's support mean that the organization is likely to continue to grow and progress along the continuum of Native CDFI development.

Little Traverse Bay Bands of Odawa Indians

The Northern Shores Loan Fund is an emerging Native CDFI located in Harbor Springs, Michigan. An initiative of the Little Traverse Bay Bands of Odawa Indians, the Northern Shores Loan Fund is included in our case study analysis because it provides an excellent example of how the creation of a CDFI not only provides financial resources to a community, but also can assist the tribe in nation building and provide an opportunity for it to exercise its sovereignty.

The Northern Shores Loan Fund serves tribal members of the Little Traverse Bay Bands of Odawa Indians and also provides loans in the three-county area surrounding the tribal headquarters. Emmet County, Michigan, where Harbor Springs is located, has a total population of 31,000 people, 3 percent of whom are Native American. Harbor Springs is a very rural community, and the closest urban area is Grand Rapids, 195 miles away. The poverty rate for individuals in the county is 7.4 percent. The tribe had an enrollment of 3,900 in 2004, with a large number living within Charlevoix and Emmet Counties (Tiller's Guide 2005). The tribe is governed by a nine-member Tribal Council who serve staggered terms. The Little Traverse Bay Bands of Odawa Indians currently employ over 100 full and part-time employees. The historically delineated reservation area, located in the north-western part of Michigan's Lower Peninsula, encompasses approximately 336 square miles of land within the two counties. The largest communities within the reservation boundaries are Petoskey, Harbor Springs, and Charlevoix. In 2001 the Bureau of Indian Affairs recorded a total labor force of 785 individuals with an unemployment rate of 72 percent for the tribe

History

The Little Traverse Bay Bands of Odawa Indians have had a difficult history. After ceding much of their ancestral homeland in Michigan through treaties in the early 1800s, they were deliberately left out of the Indian Reorganization Act of 1930 and legally lost their status as a federally recognized Indian tribe. They worked for 60 years to regain their status, and in September 1994 received affirmation of their federal tribal status through P.L. 103-324. Since 1994 the tribe has worked to reestablish the cultural, social, legal, and economic vitality of its ancestors. The Band purchased several acres of ancestral homeland in northern Michigan, seven miles north of Harbor Springs. They have a large tribal membership service area, which includes 27 Michigan counties, including 6 in the Eastern Upper Peninsula and 21 in the Northern Lower Peninsula, which was their original territory. The tribe is slowly purchasing land and placing it into trust, and rebuilding its tribal governance structure and growing tribal enterprises. A casino and resort built on tribal lands opened in 2007, contributing to economic development in the local community.

The Northern Shores Loan Fund has a long history, and had an important story to tell even before they made their first loan. The early stages of building the loan fund were an exercise in sovereignty. In late 2002, the tribal council agreed that there was a need to start a loan fund to provide start-up capital for local entrepreneurs. However, they also recognized that as a tribe they did not have the legal infrastructure in place to regulate that level of economic activity on their trust lands. They established a task force that included members from the tribal economic development commission and the Odawa Enterprise Management Department, and were advised by consultants they hired to help them with their CDFI development. The task force wrote the tribal codes for establishing for-profit and nonprofit corporations, and also wrote codes for regulating lending and other commerce activities. They suggested that the tribe create a Department of Commerce to regulate economic activity on the reservation and monitor the incorporation of tribal corporations. The tribal council adopted these codes and other recommendations, and in 2007 the Northern Shores Loan Fund incorporated under tribal law. The loan fund has applied for 501(c)(3) status from the IRS and is waiting for a response. The tribe has recently capitalized the loan fund with a $125,000 investment, and has begun advertising to hire an executive director. With help from some technical assistance funded by the CDFI Fund, they have their loan policies and procedures in place, and plan to begin soliciting loan applications in the next few months. They intend to apply to the CDFI Fund for certification in the next six months.

Financial Products and Development Services

Financial Products

Northern Shores Loan Fund offers a range of loan products and development services. They provide three types of business loans: micro loans, small business loans, and tribal corporation loans. Their target audience is tribal members within their traditional service area, but they are also interested in lending money to other tribes and other Native American individuals nationwide.

Development Services

Northern Shores Loan Fund plans to work with the tribe’s housing and education departments to offer financial education and to develop a partnership with the local community college. They also have a relationship with a local non-Native CDFI and plan to partner with them to offer some services. Their initial market study revealed a strong need for some sort of financial education in the local community.

Impact

The Northern Shores Loan Fund will be a small organization and has a projected annual budget of approximately $125,000 for staff and operating costs. They hope to have a fully deployed loan pool of close to $1,000,000 over the next five years. Given that they have just begun the process of hiring an executive director, the impact on the local economy is hard to measure. However, there has been an impact in terms of empowering the tribal government to address the legal infrastructure necessary to promote economic development on the reservation. This has been a long process, but the impact is significant.

Impact of CDFI Fund Funding and Lessons Learned

Northern Shores Loan Fund have received $258,991 from the CDFI Fund, through the Little Traverse Bay Bands of Odawa Indians, their fiscal sponsor. They were awarded a NACA grant in 2005, and another in 2007. They also participated in Round 3 of the NCFI training/TA program in 2005. See Table 22.

Table 22: CDFI Fund Funding Received by Little Traverse Bay Bands of Odawa Indians/Northern Shores Loan Fund

Program	Year	Amount
NACA	2005	$109,000
NACA	2007	$149,991
NCFI	2005	N/A

John Bott, a member of the task force that established the loan fund, stated that the financial resources and training from the CDFI Fund were very important for the success of the project so far:

> Northern Shores Loan Fund was 100 percent created out of the resources from the grants that Little Traverse Bay Bands of Odawa Indians received from the Dept. of the Treasury. While the knowledge of all of the founding directors and initial executive staff played a big part, it would not have been possible without the grants. They have laid the foundation for the beginning of Little Traverse Bay Band's first nonprofit economic development corporation.

When asked about the most important lesson so far, John spoke of the ways in which starting a CDFI has contributed to the environment for economic development in the local community:

> The entire process for me has been an education on economic development, and the importance of entrepreneurship in that economic development.

Work with the Northern Shores Loan Fund will be ongoing.

Measures of Success

Over the past six years, Northern Shores Loan Fund and their fiscal sponsor, the Little Traverse Bay Band of Odawa Indians, have dedicated many hours to enhancing the legal environment in their community in support of economic development, but have yet to graduate to Phase III of the Native CDFI development continuum. Northern Shores Loan Fund faced more challenges than many: the underdeveloped legal environment for economic development created challenges for incorporation under tribal law and establishment of tribal commerce codes. The tribe chose to exercise their sovereignty and at the same time develop their local infrastructure. Now that that has been accomplished, the loan fund have successfully incorporated and developed policies and procedures. They are moving towards receiving 501(c)(3) status and building staff capacity, and are optimistic that their loan pool growth and development service programs will proceed at the same thoughtful and methodical pace that brought them success in enhancing their tribal legal infrastructure. However, they also plan to dedicate the next few years to staff development, adjustment of loan policies and procedures, and exploration of new development services in order to effectively meet their mission.

Native American Bank

The final Native CDFI we have chosen to provide data on is different from the four previous cases. The Native American Bank is a national for-profit financial institution. Its history and its mission set it aside from other national banks and underscores their community development goals.

The Native American Bank was founded in 2001 by 20 tribal nations across the country. Their mission is

> ...to assist Native American and Alaskan Native individuals, enterprises and governments to reach their goals by providing affordable and flexible banking and financial services. To accomplish this we concentrate on pooling Indian economic resources to increase Indian economic independence by fostering a climate of self-determination in investment, job creation and sustainable economic growth.

The goal set forth by this union of tribes was to establish a bank that could make financial services accessible to Native Americans, Native communities, and Native governments throughout the country. Currently, the Native American Bank has branch locations in Colorado, Alaska, Montana, and Idaho, but service is open to Native peoples nationally.

History

Financial institutions concerned with the economic growth of Native American communities and enterprises were few and hard to come by before the Native American Bank. The founders of this company recognized that this was one of the most significant barriers to sustainable economic growth for Native communities. Since their inception, the Native American Bank have succeeded in shattering many barriers. In 2002, the bank issued its first large commercial loan to Ho-Chunk, Inc., which quickly became one the most successful Indian-owned corporations. In 2003, they provided a $1,000,000 line of credit to the Intertribal Information Technology Company, which eventually created 500 Department of Defense-related jobs in 10 reservation and Alaska Native communities across the nation. The following year, the bank received various awards including a $703,000 CDFI award for its work in low-income Native American communities, and a $1 million grant from the Microsoft Corporation. The bank has continued to grow steadily and recorded an improvement from $551,000 net income in 2006 to $1.4 million at the end of 2007. Similarly, it improved its total assets from $82 million in 2006 to $99 million in 2007.

Financial Products and Development Services

Financial Products

A number of loan and financial products are available to Indian Country through the Native American Bank. They provide a variety of checking and savings account options to both businesses and individuals. This includes special account programs for youth and the elderly. They also offer certificates of deposit. The Native American Bank also has a host of loan products including term loans, lines of credit, housing development loans, home mortgage loans, and commercial real estate loans. Additionally, the bank offers all the cash management services a customer requires. Some of these services are internet banking, business and personal debit cards, lockbox services, sweep accounts, and business remote deposit processing.

Development Services

The Native American Community Development Corporation (NACDC) is an active affiliate with the bank, offering several training and development service programs for Indian Country. These programs include training in financial education (they provide homeownership and credit counseling, preparing entrepreneurs to manage money), small business development (accounting and banking courses, creating opportunities for start-ups),and housing programs (working closely with the Native American Bank to fund training for mortgage applicants). NACDC also works on Indian land settlement issues and provides mentoring for Native American farmers and ranchers.

Impact

Native American Bank is currently owned by a collection of 26 tribal nations, tribal enterprises, and Alaskan Native corporations. Over 85 percent of their loans are to Native people and their loan portfolio increased by $19 million for a total of $61 million in 2007. Deposits grew from $71.2 million at the end of 2006 to $87 million at the end of last year. Net loans grew from $68.1 million at the end of 2006 to $87.4 million at the end of 2007. Real estate owned increased to

$359,000 from $24,000 but remained a small percentage of the bank's assets. Provision for loan losses decreased, from $160,000 to $108,000.

Native American Bank's 2006 annual report (the 2007 report is forthcoming) shows that 56 percent of its loans at the end of that year were commercial. Commercial real estate or construction loans were the next largest, at 19 percent, followed by mortgages at 16 percent. Consumer loans (5 percent) and agricultural loans (4 percent) made up the rest.

Many of the bank's loans are to tribes for community development projects. In 2007, the bank closed a loan of $2.8 million, with two other banks, to the Chippewa Cree Tribe for contract health care shortfalls. The bank also provided a loan for a $4.5 million power generator in Prudhoe Bay, Alaska. The financing went to Tanadgusix Power, a unit of Tanadgusix Corp., for a generator for its 10MW diesel and natural gas plant on the North Slope of Alaska. The company supplies power to north Alaska and the Prudhoe Bay oil fields. Tanadgusix Corp. has been in energy supply since 1997 when it started a wind/diesel power plant on St. Paul Island.

Native American Bank reaches more and more people across Indian Country everyday. In 2006 alone, its growth rate was approximately 40 percent, making Native American Bank one of the fastest growing banks in the nation (Native American Bank 2008).

Impact of CDFI Fund Funding and Lessons Learned

The Native American Bank and its affiliates have received $1,401,027 from the CDFI Fund since 1999. They have been the recipients of BEA funds from 1999-2001 and again in 2004. They also received a NACTA grant in 2002, and a TA grant in 2005. Their affiliates, including the Native American Community Development Corporation, received grants in 2002, 2005, and 2006. See Table 23.

Table 23: CDFI Fund Funding Received by Native American Bank and its Affiliates

Fiscal Entity	Program	Year	Amount
Native American Community Development Corporation	NACTA	2002	$75,000
Native American Community Development Corporation	NACA	2005	$50,400
Native American Bancorporation, Co.	NACA	2006	$150,000
Native American Bank, N.A.	BEA	1999	$66,000
Native American Bank, N.A.	BEA	2000	$99,212
Native American Bank, N.A.	BEA	2001	$132,000
Native American Bank, N.A.	NACTA	2002	$70,000
Native American Bank, N.A.	BEA	2004	$703,415

Measures of Success

Over the past seven years, Native American Bank has progressed along the Native CDFI development continuum at a rapid pace. Although they differ from most CDFIs in our database (which are more likely to be small loan funds), they have a community development mission and have successfully developed training and technical assistance programs, unlike most mainstream banks. The bank now sits solidly in Phase V of the Native CDFI development continuum, with fully developed revenue streams, a lending pool that has reached critical momentum, and a loan portfolio that is stabilized and consistently monitored (in many ways assisted by the fact that they are a for-profit corporation). Native American Bank had a few years of negative financial growth over the past five years and replaced their executive director twice in the same time period. However, their most recent annual report indicates that their client base and revenues are growing, and they appear to be successful in pursuing their mission.

Table 24: Case Study Sites – Financial Products, Development Services, and Outcome Data

Name	Lending & Financing Services	Outstanding Loan Portfolio	Number of Loans Approved Since Start-up	Annual Budget (annual)	Total Amount Received by CDFI Fund (grants)	Development Services	Number of People Served Since Start-up	Other Programs/ Products
Citizen Potawatomi Community Development Corporation	Business loans; micro-enterprise loans; consumer loans; anti-predatory lending loans.	• $664,356 (employee loan program) • $6,900,000 (all other loans)	• 744 (employee loan program) • 107 (all other loans)	$500,000	$1,936,218	Financial education, homeownership, credit counseling, entrepreneurship	709 people	An IDA program where savings can be used for business start-up, credit repair, house down payment, or education expenses. In addition, they have a Volunteer Income Tax Assistance site where people can claim the Earned Income Tax Credit.
Four Bands Community Fund	Business loans; micro-enterprise loans; debt consolidation/credit repair loans.	$669,000	121	$600,000	$1,286,500	Financial education, entrepreneurship, homeownership, credit counseling	1,531 people and 70 businesses	An IDA program where savings can be used for business start-up, house down payment, or education expenses.
Lac Courte Oreilles Federal Credit Union	Consumer loans; debt consolidation/credit repair loans; business loans; also savings accounts and CDs, anti- predatory lending loans.	$1,270,940	NA	$400,000	$25,800	Financial education	NA	They work with a partner to offer a Volunteer Income Tax Assistance site where people can claim the Earned Income Tax Credit.
Native American Bank	Commercial loans; business loans; loans to tribal governments and tribal enterprises; also checking and savings accounts, CDs, and business accounts.	$61,000,000	NA	$4,051,000	$1,401,027	Financial education & entrepreneurship training – through Native American Community Development Corporation	NA	They also work on Indian land settlement issues and mentoring for Native American farmers and ranchers.
Northern Shores Loans Fund	Business loans; micro-enterprise loans; loans to tribal governments and tribal enterprises.	$0	0	Approx $125,000	$258,991	Financial education and planned entrepreneurship program	0	Planning for an IDA

Review of Key Themes and Promising Practices from Case Study Research

Our case study research allowed us to explore the detailed activities, outcomes, lessons learned, and promising practices among a select non-random sample of Native CDFIs (see overview of case study sites in Table 24). We chose to use a maximum variability sampling approach, studying five diverse CDFIs, in order to yield detailed descriptions of each case that provide insights into the unique parameter each case represents. Despite the differences among sites, some themes emerged. First, we will explore how each of these unique groups contributed to the economic, political, social, and physical infrastructure of their communities, despite the differences among sites (see Table 25). Second, we will explore other themes that have emerged in the case study research. We conclude with a review of promising practices presented by the five case study sites.

Contributions to Economic, Political, Social, and Physical Infrastructure

Contributions to Financial Infrastructure

The most common theme among the Native CDFIs profiled in the case study research is their contribution to the financial infrastructure in Native communities. Each of these financial institutions is providing or plans to provide credit to Native people or Native governments. Two of the Native CDFIs, Four Bands Community Fund and Lac Courte Oreilles Federal Credit Union, are located in high-poverty areas that have little or no access to mainstream financial services. The loans provided by Four Bands Community Fund, Citizen Potawatomi Community Development Loan Fund, and Lac Courte Oreilles Federal Credit Union, also seem to fill a niche of providing credit to high-risk customers with little or no experience with loans. These groups provide credit to people with little or no credit history—or even bad credit. Citizen Potawatomi Community Development Corporation, Four Bands Community Fund, and Lac Corte Oreilles Federal Credit Union offer credit repair loans that help people build their credit. Both Citizen Potawatomi Community Development Corporation and Lac Courte Oreilles Federal Credit Union offer specific products to help divert customers away from predatory lenders and help them access short-term loans at reasonable interest rates.

In addition to simply providing access to appropriate or “right sized’ credit products, Four Bands Community Fund, Citizen Potawatomi Community Development Loan Fund, and Lac Courte Oreilles Federal Credit Union all work with their clients by providing ongoing technical assistance before and sometimes after a loan is closed. These CDFIs believe that this technical assistance and counseling reduces defaults and increases the creditworthiness of borrowers. As David Fleming from Lac Courte Oreilles Federal Credit Union stated, loans to people with no credit or bad credit—if they are paid back appropriately—can sometimes increase the creditworthiness of an individual so that they can qualify for an asset-building purchase such as a home.

In addition to providing access to credit and the counseling needed to make a loan work, several of the Native CDFIs in our case study analysis specifically provide business and entrepreneurship training. Four Bands Community Loan Fund has helped over 70 businesses on or near the reservation in an area where public sector employment or transfer payments has dominated the local economy for decades. This support of entrepreneurship is a critical part of the development of the private sector in many Native communities, and will eventually increase the number of business owner role models in the local community, contributing to the social and cultural infrastructure as well (see below).

Contributions to Political/Legal Infrastructure

Only two of our case study groups contribute directly to the improvement of the political and legal infrastructure in Native communities. As stated above, there are many deficiencies in the legal environment in many Native communities, including a lack of UCC and other business codes. The Northern Shores Band of Odawa Indians has worked over the past five years to develop corporation codes and a Department of Commerce to try to improve the legal infrastructure on their reservation. The staff at Four Bands Community Fund, through their Chamber of Commerce they recently started, have been raising awareness among the tribal leadership for the need for a better legal infrastructure on the reservation. They worked also with the tribe to develop new ordinances and developed a joint filing agreement with the state of South Dakota, among other projects.

Contributions to Physical Infrastructure

As stated above, many businesses eager to locate in a Native community face limitations related to the physical infrastructure. None of the cases we studied contribute directly to improving the physical infrastructure in Native communities. Increasingly, Native CDFIs and tribal governments are sponsoring business incubators to provide buildings for people to locate their business, but none of our case study sites are currently doing so. The Native American Bank's loan portfolio does include several loans to tribal governments to assist them with building tribal facilities, however.

Contributions to Social/Cultural Infrastructure

Contributions to the social or cultural infrastructure can be very hard to measure, and the outcomes or impact of these contributions are even harder to quantify. Yet in our interviews with practitioners in the field, the social and cultural aspects of economic development remain important considerations in the work of Native CDFIs. Each of the case study organizations featured in this paper provide some sort of contribution to the social infrastructure of their communities (or in the community of their affiliate nonprofit partner, in the case of the Native American Community Development Corporation located in Browning, Montana). Most importantly, each group is currently providing or plans to provide financial education to clients. Financial education is provided in a variety of formats, including classes, lunch seminars, through an IDA program, or in one-on-one counseling. Several people we interviewed believe that the intensive technical assistance that accompanies each loan seems to "build customers" and develop capacity in the borrower. This includes simply building trust among clients, and helping them become comfortable with financial institutions, as is the case for Lac Courte Oreilles Federal Credit Union. By sponsoring local chambers of commerce or business associations, these CDFIs are providing role models in the local community for business development. Through youth financial education and entrepreneurship training, Four Bands Community Fund is growing the next generation of entrepreneurs, and, if they are lucky, the next generation of clients. Interviewees repeatedly expressed the opinion that there was a need to change attitudes about private business ownership in the local community, and promote an entrepreneurial culture in support of private business ownership. While the impact of each of these programs and any related outcome is hard to measure, our interviewees clearly believe that providing financial education and building social networks for small business owners are important strategies for promoting economic development in the local community.

Table 25: Contributions to the Infrastructure in Native Communities

Name	Contributions to Financial Infrastructure	Contributions to Political/Legal Infrastructure	Contributions to Physical Infrastructure	Contributions to Social/Cultural Infrastructure	Current Stage in Native CDFI Continuum
Citizen Potawatomi Community Development Corporation	• Provision of loans • Works with clients to get them creditworthy • TA to help business start-up • Provides an alternative to predatory lending			• Provides financial education in a variety of formats: "lunch and learn" programs; through tribal services departments; for clients • Provides role models in community • IDA program	Stage V
Four Bands Community Fund	• Provision of loans • Works with clients to get them creditworthy • TA to help business start-up • Provides an alternative to predatory lending	• Works with tribal government to consider passage of UCC and other codes.		• Provides financial education in a variety of formats • Provides role models in community • Formation of Chamber of Commerce • Youth entrepreneurship and financial education	Stage IV
Lac Courte Oreilles Federal Credit Union	• Provision of loans • Works with clients to get them creditworthy • Provides an alternative to predatory lending			• Provides financial education in a variety of formats • Provides role models in community • Help people become comfortable with banking institutions	Stage II
Native American Bank	• Provision of loans • TA to help business start-up		• Loans to tribes for commercial real estate projects	• Provides financial education through nonprofit affiliate organization	Stage V
Northern Shores Loans Fund	• Provision of loans	• Created infrastructure for business development on reservation: business codes, Tribal Department of Commerce, and tribal corporation codes.		• Plans to provide financial education	Stage I

Key Themes

The five case studies in this paper provide an opportunity to learn more about the work of five diverse Native CDFIs: one bank, three loan funds, and a credit union. These Native CDFIs all represent different stages of development on the Native CDFI continuum, and differ greatly in size. Despite these differences, some themes emerge. Although these themes are not generalizable to the larger population of all Native CDFIs, they provide some testable research hypotheses for future work in the field.

Relationship of CDFI to the Tribal Government

The case studies provide some insight as to the different roles a tribal government may play in starting up a CDFI—they may either provide their blessing and spin off a separate 501(c)(3) as in the case of Four Bands Community Fund, or they may stay integrally involved and provide significant ongoing funding, as is the case with Citizen Potawatomi Community Development Corporation. The process of forming a CDFI may be an exercise in nation building, as in the case with Northern Shores Loan Fund, or may be a way to make financing available to other tribal nations, as is the case with Native American Bank.

Our group of case study sites provided the opportunity to learn more about the relationship of Native CDFIs the tribal governments in their area. In our selective sample, each of the CDFIs worked closely with the tribal government, and in four cases were direct offshoots of tribal government programs. This relationship-building with the tribal government highlights one unique issue faced by CDFIs serving Native communities. It is apparent that in several of our case study sties the creation of the Native CDFI was a political process, or a process of political will. This indicates that CDFIs that wish to serve Native communities may have to allow for time to consult with or partner with tribal government leadership.

It is also noteworthy that so many of the Native CDFIs we studied emerged out of government programs. This echoes what we found in the quantitative data analysis, where a majority of CDFIs emerged out of tribal government programs. This again highlights the importance of understanding the political, legal, and cultural context for the development of Native CDFIs, which is different from most other high-poverty populations in America. It would be useful for future research projects to examine the role of tribal government in relationship to the successful start-up and ongoing sustainability of Native CDFIs. Future research should also explore the role of other rural community-based CDFIs with little or no contact with the tribal government, and their effectiveness in serving Native American clients.

Age

A second theme that emerges from the case study research relates to the age of the organizations studied. It is noteworthy that the five groups making up our case studies are all relatively young organizations. The case study sites represent a non-random sample of Native CDFIs, and therefore it is difficult to compare findings in this sample to the larger population. However, the detailed exploration of the history of each organization may provide some insight into why the Native CDFI field is relatively immature compared to the larger CDFI field serving non-Native communities. As stated above, and in the literature review, private sector economic development models are a relatively recent phenomenon for many Native nations. The case study sites highlight the somewhat complicated path many Native CDFIs must follow to identify the appropriate organizational structure for their CDFIs, gain tribal government support and involvement, and create the right environment for private enterprise development in their communities. These combined factors may explain the relative immaturity of the Native CDFI field. A hypothesis that could be explored with future research is that Native CDFIs take longer to go from the idea stage to incorporation, in part because they need to work with tribal governments to gain support.

Growing a Market for Credit Products in Native Communities

A third theme that emerged was the recognition of the need to build demand for credit products in high-poverty Native communities. Interviewees emphasized the need to “grow customers” and “grow your market” for loan products. Key informants at four of the five case study sites believed they needed to provide financial education and credit repair to a majority of clients to help them become creditworthy, something that they learned through their market studies and ongoing work with customers. Three of the sites provide unique credit products (often called “starter loans”) to help people learn to use credit responsibly (or in some cases repair credit) before they go on to taking out a larger loan. Two of the CDFI managers we interviewed emphasized the need to build capacity in borrowers so that they can go on to take out larger loans. Our interviewees discussed the increased costs associated with providing technical assistance and smaller loans (that do not provide much revenue), and one key informant suggested that the self-sufficiency ratio used by the CDFI Fund should have a rural and Native community adjustment. This need to develop or cultivate a market for credit products may be true of other high-poverty communities in the United States, and this question should be explored in future research on the CDFI field.

Culture Matters

A final theme that emerged from our research was the fact that culture matters. The data we collected suggests that each of these five institutions explicitly recognizes the unique challenges

Native communities face related to financial, political/legal, physical, and/or social/cultural infrastructure, and is working to overcome them in some way. Each of the key informants we interviewed for our research spoke of the need to understand the conditions in Native communities and develop programs that were an appropriate cultural fit for the local environment. Three of the CDFIs we profiled use a culturally relevant curriculum designed to address the unique cultural, economic, and legal environments in Native communities. Research on the effectiveness of peer lending and culturally specific development services should continue in the CDFI field.

Promising Practices

Our data collection from the five case study sites has identified three promising practices that may help inform the work of other Native CDFIs and other CDFIs working to serve high-poverty populations.

A "Case Management" Approach to Clients

The first promising practice is the provision of intensive, ongoing technical assistance to loan clients. Termed the "case management" model by one of our interviewees, this approach to supporting clients seems to be particularly important in some Native communities where there are few experienced borrowers or business owners. Leaders at Four Bands Community Fund, Lac Courte Oreilles Federal Credit Union, and Citizen Potawatomi Community Development Corporation discussed the need to work with clients before, during, and after the loan closing to identify areas of need, and to offer clients technical assistance, training, and consulting. Four Bands Community Fund develops personalized technical assistance plans for each borrower, and requires quarterly meetings with its loan clients as a condition of closing the loan. It has found that this provides an opportunity to offer continual counseling, help with troubleshooting, and direct clients to training opportunities. Citizen Potawatomi Community Development Corporation works with clients to develop a personalized action plan before offering a loan.

Starter Loans

A second promising practice is the use of small loans to help people build or repair credit, avoid using predatory lenders, learn the process of paying back a loan, and become comfortable with working with banks. Four Bands Community Fund, Citizen Potawatomi Community Development Corporation, and Lac Courte Oreilles Federal Credit Union all offer loan products that are designed to help people learn to use credit responsibly and, in some cases, build or repair credit. Citizen Potawatomi Community Development Corporation and Lac Courte Oreilles Federal Credit Union both offer small consumer loans at a reasonable interest rate to provide an alternative to payday lenders, thus meeting the demand for small short term consumer loans with an affordable product, and redirecting some of the market demand from more usurious predatory loans. Each of the key informants we interviewed acknowledged that the revenue from these loans was minimal, but they emphasized the community development impact of helping people build or repair credit, avoid predatory lenders, and build their capacity as borrowers.

Using the CDFI Development Process as an Exercise in Nation Building

A third promising practice is using the CDFI model development process as an opportunity for Native nation building. In at least one case, the process of adopting the CDFI model provided an opportunity for strengthening the legal environment in a Native community in support of economic development. The Little Traverse Bay Band of Odawa Indians, a newly (re-) recognized tribe, used their grant funds and CDFI consultants to strengthen their political and legal infrastructure by developing a tribal Department of Commerce and writing tribal codes for establishing for-profit and nonprofit corporations, and for regulating lending and other commerce activities. Given the underdeveloped political/legal infrastructure in many Native communities, the work of The Little Traverse Bay Band of Odawa Indians represents a model that other Native communities may follow.

Summary of Case Study Research

Our case study research allowed for a detailed exploration of the activities, outcomes, lessons learned, and promising practices for five Native CDFIs. The research also provided information on how well this group of Native CDFIs is meeting the needs of its markets. The individual profiles, and the analysis of these Native CDFIs' contribution to the economic, legal, physical, and social infrastructure in their communities, suggests that these Native CDFIs are working to develop innovative products to both meet the need for financial services in the local community, and also cultivate a market for more loans. The majority of Native CDFIs in our case study sites have effectively contributed to job creation and entrepreneurship in their local communities, and helped provide financial education, credit repair, and other services. Support from the CDFI Fund, in the form of grants, training programs, and technical assistance, seems to have been integral to these organizations' success. The sum total of the work of these five Native CDFIs, supported by the resources of the CDFI Fund, seems to be a contribution to the slow but steady increase in private enterprise development, ultimately supporting economic growth and change for several Native communities. Together, these Native CDFIs are working to invest in Native community change and create a supportive environment for economic development in several high-poverty areas.

Summary: The Role of Native CDFIs In Investing In Native Community Change

The research in this paper begins to shed some light on the previously underexplored field of Native CDFIs. Our work has produced some initial findings that should be tested with future research. An analysis of our Native financial institutions data set suggests that the universe of Native CDFIs consists of mostly unregulated loan funds, similar to the larger CDFI field. Unlike the population of mainstream CDFIs, it appears that Native CDFIs have pursued a range of legal structures for their financial institutions, and our case study research suggests that many Native CDFIs work closely with tribal governments to formulate their mission, goals, and strategic plan. Our limited dataset suggests that Native CDFIs may be younger, on average, than non-Native CDFIs, and this should be explored with future research, as it may have implications for the unique needs of the field.

Our case study research suggests that Native CDFIs can effectively develop the economic, legal, and social/cultural infrastructure in their communities in support of private enterprise development and positive economic change. Our limited sample of Native CDFIs offers examples of ways in which Native CDFIs can effectively meet the needs of their markets and use innovative programs to offer financing and development services to a high-poverty population. While more research is needed, it appears that Native CDFIs are effectively contributing to economic development in impoverished Native communities.

Any effective research project uncovers additional avenues of study, and this project is no exception. It is clear that the field would benefit from better quality data on the characteristics of loan clients of Native CDFIs, the detailed characteristics of loan portfolios, and the effectiveness of development services. It is possible the future rounds of data in the Community Investment Impact System (CIIS) sponsored by the CDFI Fund, which contain a larger number of Native CDFIs than previous rounds, may provide some of this information. Access to this data may allow researchers to better assess the correlates to success for Native CDFIs, and also to more effectively measure the outcomes of training and financing programs.

The field of Native CDFIs appears to be young, and there is still a great deal of work to do to understand the unique needs, characteristics, and outcomes of these financial institutions serving Native communities. Preliminary research suggests that many of these institutions are successful in overcoming significant barriers to success and effectively contributing to private enterprise development and economic growth. Ongoing work is needed to fully understand the role of these institutions in investing in Native community change.

Author Biographies

Sarah Dewees is the Director of Research at First Nations Development Institute. Sarah joined the staff in 2002 from a position as a research project manager at the Center for Civil Society Studies at Johns Hopkins University. She worked previously at the Rural Policy Research Institute on issues related to rural development and welfare reform. She has worked in both applied and academic research settings and has conducted research on a range of issues including Native CDFIs, the Native American Native nonprofit sector, rural community economic development, rural education, and welfare reform. Her publications have appeared in the Journal of the Community Development Society and Sociological Practice, and she has taught at the University of Kentucky and Towson University. Sarah received her Ph.D. in Rural Sociology from the University of Kentucky in 1998, an M.A. in Sociology from Ohio University in 1992, and a B.A. in Government from Oberlin College in 1990.

Stewart Sarkozy-Banoczy is the Vice President & Chief Operating Officer for First Nations Oweesta Corporation. Prior to joining OWEESTA, Stewart was the first Executive Director and co-founder of Four Bands Community Fund, Inc. (www.fourbands.org), a Native CDFI on the Cheyenne River Reservation. Initial planning included the now active Made on the Rez Mercantile (www.madeontherez.com) and *Wakpa Waste* Reservation Railroad Museum (www.cheyenneriverrailroad.org). Stewart was the first director of the Little Traverse Bay Bands of Odawa Indians' economic development department. He has also worked on business development projects in Russia, Germany, England and Mexico. Stewart was a delegate for South Dakota on a Rotary International Business Fellowship to the Philippines. In June of 2004 Stewart was awarded the Appel Prize for Entrepreneurial Vitality from the Price-Babson College Fellows Program as part of the Symposium for Entrepreneurship Educators. He sits on the board of directors for the Cheyenne River Youth Project (Running Strong for American Indian Youth) in Eagle Butte, SD. Stewart has also been a board member and officer for such organizations as *Oti Kaga*, Inc., a Native housing CDC on the Cheyenne River reservation in South Dakota. Stewart and his family live in the rural Pringle/Custer area of the Black Hills of South Dakota.

References

Baue, William. “Community development financial institutions spread like wild grass in Indian Country.” Social Funds, (October 25, 2005). http://www.socialfunds.com/news/article.cgi/1843.html (accessed September 5, 2006).

Baue, William. “Community development financial institutions spread like wild grass in Indian Country.” Social Funds Website - Sustainable Investment Newsletter. http://www.socialfunds.com/news/article.cgi/1843.html (accessed August 15, 2008).

Canby, JR., William C. American Indian law in a nut shell, third addition. St. Paul, MN: West Publishing Co. 1998.

Carr, Patrick. Native Community Development Financial Institutions: A CDFI coalition analysis of Native program participation in CDFI fund programs. Arlington, VA: CDFI Coalition, 2006.

Case, David S. and David A. Voluck. Alaska Natives and American laws (2nd Edition). University of Alaska Press, Fairbanks, AK, 2002.

Citizen Potawatomi Nation. “Citizen Potawatomi Community Development Corporation” Shawnee, OK. http://www.potawatomi.org/Services/Small+Business+Loan+Program/Main/default.aspx (accessed March 20, 2008).

Community Development Financial Institutions Fund. The report of the Native American lending study. 2001.

------. Three year trend analysis of community investment impact system institutional level report data. Washington DC: U.S. Department of the Treasury, Community Development Financial Institutions Fund, 2007.

Cornell, Stephen. “What Makes First Nations Enterprises Successful?” Joint Occasional Papers on Native American Affairs, JOPONAA No. 2006-01. Tucson AZ and Cambridge, MA: Native Nations Institute for Leadership, Management, and Policy and The Harvard Project on American Indian Economic Development, 1996.

Cornell, Stephen and Joseph Kalt. What can tribes do? Strategies and institutions in American Indian economic development. Los Angeles, CA: University of California, American Indian Studies Center, 1997.

de Soto, Hernando. The mystery of capital: Why capitalism triumphs in the west and fails everywhere else. London: Bantam Books, 2000.

Dewees, Sarah. Family economic success in Native communities: Adapting the Annie E. Casey Family economic success framework to rural and reservation-based Native communities. Fredericksburg, VA: First Nations Development Institute, 2004a.

------. Investing in community: Community Development Financial Institutions in Native communities. Kyle, SD: First Nations Oweesta Corporation, 2004b.

------. Research report: An evaluation of the impact of The Theodore R. and Vivian M. Johnson Scholarship Foundations' investment in entrepreneurship education in ten Native communities. Fredericksburg, VA: First Nations Development Institute, 2004c.

Dewees, Sarah and Stewart Sarkozy-Banoczy. "Transforming economies: entrepreneurship development in Native communities." Integrated Asset-Building Strategies for Reservation-Based Communities: A 27-Year Retrospective of First Nations Development Institute, 155-191. Longmont, CO: First Nations Development Institute, 2007.

Edelman, M.E. Native networking: Telecommunications and information technology in Indian Country. Washington, D.C.: Benton Foundation, 1999.

First Nations Development Institute. Borrowing trouble: Predatory lending in Native American communities. Longmont, CO: First Nations Development Institute, 2008.

Flora, Cornelia and Jan Flora. "Entrepreneurial social infrastructure: A necessary ingredient." The ANNALS of the American Academy of Political and Social Science Vol. 529(1) (1993): 48-58.

Flora, Jan, Jeff Sharp, Cornelia Flora, and Bonnie Newlon. "Entrepreneurial social infrastructure and locally initiated economic development in the nonmetropolitan United States." The Sociological Quarterly 38(4) (1997): 623–645.

Four Bands Community Fund. "About Us." Four Bands Community Fund Website. Eagle Butte, SD: Four Bands Community Fund http://www.fourbands.org/about.html (accessed August 15, 2007).

Four Bands Community Fund. Four Bands Community Fund 2005 Annual Report. Eagle Butte, SD: Four Bands Community Fund http://www.fourbands.org/annual.htm (accessed March 14, 2008).

Gonzales, Angela. "American Indians: Their contemporary reality and future trajectory." Pp. 43 – 56 in Challenges for Rural America in the Twenty First Century, ed D. Brown and L. E. Swanson. University Park, PA: The Pennsylvania State University Press, 2003.

Harvard Project on American Indian Economic Development (HPAIED). The State of the Native Nations: Conditions Under U.S. Policies of Self-Determination. Oxford University Press, 2008.

Hillabrant, Walter, Judy Earp, Mack Rhoades, and Nancy Pindus. Overcoming challenges to business and economic development in Indian Country (MPR Reference No. 8550-931). Princeton, NJ: Mathematic Policy Research, Inc, 2004.

Indian Land Tenure Foundation. "Frequently Asked Questions." ILTF Official Website. Little Canada, MN: Indian Land Tenure Foundation. http://www.indianlandtenure.org/faqs/faqs.html#4 (Accessed June 12, 2008)

Juare, Ruth. Proceedings – Oklahoma City convening summit on serving Native American populations, July 10-11, 2006. Washington DC: National Credit Union Foundation, 2006.

Jorgenson, Miriam and Louis Mandell. The financial literacy of Native American youth. Rapid City, SD: Native Financial Education Coalition, 2007.

Jorgensen, M., and J. Taylor. What determines Indian economic success? Evidence from tribal and individual Indian enterprises. Cambridge, MA: Harvard University, John F. Kennedy School of Government, 2000.

Malkin, Jennifer. Financial education in Native communities: A briefing paper. Washington, DC: First Nations Development Institute, Corporation for Enterprise Development, and the National Congress of American Indians, 2003.

Malkin, Jennifer. Native entrepreneurship: Challenges and opportunities for rural communities. Washington, DC: Corporation for Enterprise Development and the Northwest Area Foundation, 2004.

Meeks, Elsie. Elsie Meeks' testimony to the Senate Committee on Indian Affairs: Oversight hearing on economic development. Oversight Hearing on Economic Development. http://www.nfec.info/pdfs/Policy/testimonyemeeks (accessed July 16, 2006.)

Northwest Area Foundation Indicators Website. "Highlights for Dewey County" and Highlights for Ziebach County." St. Paul, MN: Northwest Area Foundation. http://www.indicators.nwaf.org/DrawRegion.aspx?RegionID=46137 and http://www.indicators.nwaf.org/DrawRegion.aspx?RegionID=46041, (Accessed August 1, 2008)

Patton, M.Q. How to use qualitative methods in evaluation. Beverly Hills, CA: Sage, 1987.

Pevar, S.L. The rights of Indians and tribes. Carbondale, IL: Southern Illinois University Press, 2002.

Pickering, K. “Alternative economic strategies in low income rural communities: TANF, urban relocation and the case of the Pine Ridge Indian Reservation.” Rural Sociology, 65(1), 148-167, 2000.

Pickering, K. “Culture and reservation economies.” In T. Biolsi (Ed.), A Companion to Anthropology of American Indians, Blackwell Companions to Anthropology, 112-129. Blackwell Publishing. 2004.

Schneider, Bettina, Stewart Sarkozy-Banoczy, Michael Roberts, and Sarah Dewees. “A catalyst for asset building: Native community development financial institutions.” Integrated Asset-Building Strategies for Reservation-Based Communities: A 27-Year Retrospective of First Nations Development Institute, 127-154. Longmont, CO: First Nations Development Institute, 2007.

Smith, Kyle. Predatory lending in Native American communities. Fredericksburg, VA: First Nations Development Institute, 2003.

Taylor, Jonathan B., Joseph P. Kalt. American Indians on reservations: A databook of socioeconomic change between the 1990 and 2000 censuses. Cambridge, MA: Harvard University, John F. Kennedy School of Government, 2005

Tiller, Veronica E. Velarde. Tiller’s Guide to Indian Country: Economic Profiles of American Indian Reservations. Albuquerque NM: BowArrow Publishing Company, 2005.

Yin, Robert. Case study research: Design and method. 3d ed. New York: Sage Publications, 2002.

Appendix A: Definition of Native Financial Institutions and Native CDFIs

Financial institutions will be considered “Native controlled” if they meet the one or more of the following criteria:[4]

- Organization is wholly owned by the tribe (for profit) or controlled by the tribe (not-for-profit)

and/or

- Organization is subsidiary of tribally owned corporation or Native corporation

and/or

- Organization is owned by enrolled member(s) of Native group (recognized and non-recognized)

and/or

- Founding organization or group is Native, tribal administration, government, etc. (showing sure outgrowth from Native community or tribe)

and/or

- 75 percent of managing board of directors are 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)

and/or

- 60 percent of the staff are 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)

and

- 75 percent of recipients of financing activities (loans, investments, accounts, etc.) or TA activities (financial education, business development training, homebuyer education, etc.) must be Native.

The term “Native” refers to Native American (American Indians from North and South America), Alaska Native, Native Hawaiian, and Native Pacific Islander. This includes individuals, groups, tribes, communities, organizations, and corporations, and includes federally recognized, state-recognized, and unrecognized tribes and bands.

4 This definition was designed by staff of Oweesta Corporation and approved by their Board of Directors in 2007.

Appendix B: Native Initiative Programs Funded By The CDFI Fund

<table>
<tr><th>2002</th><th>2003</th><th>2004</th><th>2005-2006</th></tr>
<tr>
<td rowspan="3"><u>NACTA</u>

Maximum Award:
$100,000
Eligible Applicants:
Entities that propose to build the capacity of or establish a new CDFI that will serve a Native American or Alaska Native population(s).
Eligible Use of TA:
Technology acquisition, staff training, consulting services for needed capacity, and staff salary for capacity building activities.
Ineligible Use of TA:
Operating expenses</td>
<td><u>NATA</u>

Maximum Award:
$100,000
Eligible Applicants:
Certified and Certifiable Native CDFIs; Emerging Native CDFIs
Ineligible Applicants:
Sponsoring entities and entities the Fund has previously selected to receive over $250,000 in TA or FA.
Eligible Use of TA:
Technology acquisition, training, consulting services, staff salary for certain purposes.
Ineligible Use of TA:
Operating expenses.</td>
<td><u>NACA</u>

Maximum Award:
$500,000 (of which $150,000 can consist of TA)
Eligible Applicants (FA & TA):
Certified Native CDFIs or Certifiable Native CDFIs
Eligible Applicants (TA Only):
Emerging Native CDFIs and Sponsoring entities
Ineligible Applicants:
Organizations providing training or TA to CDFIs.</td>
<td rowspan="3"><u>NACA</u></td>
</tr>
<tr>
<td rowspan="2"><u>NACD</u>
Maximum Award:
$100,000
Eligible Applicants:
Sponsoring entities that will not become Native CDFIs but plan to create separate Native CDFIs.
Ineligible Applicants:
Certified, certifiable, and emerging Native CDFIs.
Eligible Use of TA:
Technology acquisition, training, consulting services, staff salary for certain purposes.
Ineligible Use of TA:
Operating expenses.</td>
<td><u>NATA</u></td>
</tr>
<tr>
<td><u>NADA</u></td>
</tr>
</table>

Appendix C: List of Abbreviations

CDFI	Community Development Financial Institution
FA	Financial Assistance
IDA	Individual Development Account
NACA	Native American CDFI Assistance
NACD	Native American CDFI Development
NACTA	Native American CDFI Technical Assistance
NATA	Native American Technical Assistance
NCFI	Native Communities Financing Initiative
NCUI	Native Credit Union Initiative
NEEDI	Native Enterprise and Entrepreneurship Development Initiative
NFI	Native Financial Institution
NFSEI	Native Financial Skills and Enterprise Initiative
NFSI	Native Financial Skills Initiative
NI	Native Initiative
NIDAI	Native Individual Development Account Initiative
TA	Technical Assistance

Appendix D: An Analysis of Data on Native CDFIs In The Community Investment Impact System (CIIS) Dataset, 2003-2005

Introduction

The CDFI Fund's Community Investment Impact System (CIIS) collects data from CDFIs that have received grants from the CDFI Fund. The CIIS dataset collects detailed data on the characteristics of CDFIs' loan portfolios, their revenue streams, and in some cases their clients' demographics. Our original goal was to use this dataset to learn more about the Native CDFI field. However, the CIIS only provides data on only a very small, non-random sample of Native CDFIs between 2003 and 2005, and data are missing data for many of the Native organizations in the CIIS for that time period.

Although the CIIS is not useful for understanding the larger Native CDFI field, an exploration of the dataset is worthwhile. An analysis of this subset consisting of Native CDFIs in the CIIS will provide descriptive information about the small group of Native CDFIs funded by the CDFI Fund between 2003 and 2005. In addition, this analysis will provide a point of comparison for future research on Native CDFIs using the CIIS.

Methods

We used the SPSS statistical software package to examine Institutional Level Report (ILR) and Transaction Level Report (TLR) data in the CIIS for a small number of Native CDFIs funded in 2003, 2004, and 2005. For comparison purposes, we have used the CDFI Fund-authored report titled "Three Year Trend Analysis of Community Investment Impact System Institutional Level Report Data FY 2003-2005" to provide a framework for our analysis (CDFI Fund 2007). Based on the structure of the report, we created tables to compare the subset of Native CDFIs to the full CIIS dataset whenever possible. We noted any similarities with or differences from the full CIIS dataset. Because only a very small sample of(only 6 Native CDFIs—six in all—)received funding from the CDFI Fund for each year, we were not able to produce a trend analysis or comparison tables for the three-year subset in the larger report.

For our analysis of the CIIS data, we selected all cases in 2005, 2004, and 2003 for whom had more than 50% percent of their customers or end users who were American Indian, Alaska

Native, or Native Hawaiian, or were located in Native American Areas (variable name: Native AmericanSel). We went with this less restrictive definition of a Native CDFI (rather than also requiring the organization to be "minority- controlled") because some organizations may have a non-Native executive director but still serve a Native community effectively (for example, with a majority- Native board).

Data Analysis

Table D-1 provides information about the number of Native-serving CDFIs in the CIIS dataset for 2003, 2004, and 2005. When we selecting only those organizations that have 50 percent or more of their customers or end users who are American Indian, Alaska Native, or Native Hawaiian, or were located in Native American Areas, it appears that only 13 organizations can be considered "Native CDFIs" in 2005, and 16 in 2004, and 10 in 2003. It is important to note that one of these organizations is a nonprofit subsidiary of a national bank, and does not make loans, and therefore is not considered a financial institution.

Using a more restrictive definition of Native CDFIs (selecting those organizations that also have minority ownership), the numbers drop slightly to 11, 14, and 9 organizations in 2005, 2004, and 2003 respectively. If we simply examine the number of CDFIs in the CIIS dataset who claim to serve Native American, Alaska Native, or Hawaiian populations, the numbers are slightly larger each year (see Table D- 1). We did not use this larger subset of CDFIs in the CIIS dataset, because there are many CDFIs that may serve a small number of Native clients without necessarily seeing this as their primary mission. We were interested in CDFIs that have a mission of serving Native American, Alaska Native, or Hawaiian populations, and we feel that the variable measuring whether organizations that have 50 percent or more of their customers or end users who are American Indian, Alaska Native, or Native Hawaiian, or were located in Native American Areas, is a good proxy measure for this.

Table D-1: Native Community-Serving CDFIs in the CIIS Dataset

	2005	2004	2003
Number of organizations for whom 50% of their customers or end users who were American Indian, Alaska Native, or Native Hawaiian, or were located in Native American Areas. Note: one organization is not a financial institution but provides development services.	13	16	10
Number of organizations that have at least 50% of clients who are Native American clients AND are minority- owned or controlled.	11	14	9
Number or organizations who claim to serve Native American, Hawaiian, or Alaska Native populations.	48	70	44

A. Financial Institution Type

Not surprisingly, the most common type of Native financial institution in our Native subset of the CIIS data set is a loan fund (see Table D-2) for each year. There are also one Native- owned - bank, several credit unions, and a venture capital fund. One of the Native CDFIs (which was funded for each year) is a nonprofit affiliate of a Native- owned bank and does not provide loans (and therefore is not defined as a financial institution). The proportion of loan funds in our data subset (62% percent, 63% percent, and 60% percent in 2005, 2004, and 2003) is slightly less than the proportion in the larger CIIS dataset, which averages at 81% percent for the three- year period.

Table D-2: Financial Institution Type

Organizations with 50% or more Native clients	2005	2005 %	2004	2005 %	2003	2003 %
Banks	1	8%	1	6%	1	10%
Credit unions	2	15%	4	25%	1	10%
Loan funds	8	62%	10	63%	6	60%
Venture capital	1	8%	0	0%	1	10%
NA – Not a financial institution	1	8%	1	6%	1	10%
Total	**13**	**100%**	**16**	**100%**	**10**	**100%**

B. Nonprofit Status of Native CDFIs

The majority of the Native CDFIs in the CIIS data subset are nonprofit organizations (see Table D-3). This corroborates what we found in our NFI dataset for actively lending Native financial institutions. Unlike the NFI dataset, the CIIS dataset does not collect data on whether the Native CDFIs are functioning as nonprofit tribal affiliate corporations (also known as “7871” organizations).

Table D-3: Nonprofit Status of Native CDFIs

Organizations with 50% or more Native clients	2005	2005 %	2004	2004 %	2003	2003 %

For-Profit Corporation	2	15%	2	13%	2	20%
For-Profit Limited Partnership	1	8%	0	0	1	10%
Nonprofit	10	77%	14	87%	7	70%
Total	13	100.00	16	100	10	100.00

C. Age of Native CDFIs

We used the definitions provided by the CDFI Fund in their report "Three Year Trend Analysis of Community Investment Impact System Institutional Level Report Data FY 2003-2005" to identify the age and maturation of the organizations in our Native subset. Emerging CDFIs are those that have been operating for less than 10 years, mature CDFIs have been operating for 10 to 18 years, and fully matured CDFIs have been operating for more than 18 years. The majority of the Native CDFIs in our subset of the data are less than 10 years old (see Table D- 4). In addition, the number (although not the proportion) of Native CDFIs under 10 years old grows slightly from 2003 to 2005.

Table D-4: Age of Organization

	2005		2004		2003	
Organizations with 50% or more Native clients	**N**	**%**	**N**	**%**	**N**	**%**
Emerging (operating less than 10 years)	8	62%	7	47%	6	75%
Mature – (age 10-18 years)	2	15%	2	13%	1	13%
Fully Matured (age more than 18 years)	3	23%	6	40%	1	13%
Missing Data	0	0%	1	0%	2	0%
Total	**13**	**100%**	**16**	**100%**	**10**	**1**

When looking at the age of institution (measured by years of providing financing) by type of financial institution, some patterns emerge, as shown in Table D-5. In this subset of Native CDFIs, the credit unions are much older than the bank, in contrast to the findings in the larger CIIS dataset, where banks were more likely to be more mature. In addition, the average age of the loan funds is actually greater than that of the banks and the venture capital firms, although the standard deviation is large, indicating a great deal of variability in age. Given the very small N for this subset of data, it is difficult to draw any conclusions from this table. It is likely that several very mature organizations are skewing the mean age.

Table D-5: Average Age of Financing for Type of CDFI									
	2005			2004			2003		
	Mean Age	N	Std. Deviation	Mean Age	N	Std. Deviation	Mean Age	N	Std. Deviation
Banks	7.00	1	-	7.00	1	-	7.00	1	-
Credit unions	71.00	1	-	49.00	2	31.11	0	0	-
Loan funds	14.71	7	19.50	21.63	8	26.93	17.80	5	22.98
NA (not a financial institution)	6.00	1	-	6.00	1	-	6.00	1	-
Venture capital	5.00	1	-	0	0	-	5.00	1	-
Missing		2			1			2	
Total	**17.45**	**13**	**23.66**	**23.67**	**13**	**26.89**	**13.38**	**10**	**18.42**

D. Staffing of Native CDFIs

Because of small numbers, we are not providing a data table that breaks out staff size by type of financial institution. The average Native CDFI in this data subset has between 6 and 9 employees. However, there are a few larger organizations that are skewing the mean, however, including one that had 34 employees in 2005 (see Table D- 6). The mean staff size for the Native CDFIs in our subset is smaller than that found in the analysis of the larger CIIS dataset, which was 14. It is also noteworthy that in the Native CDFI subset contains, there are some very small organizations, including a one- person organization in 2005 and 2003, and a two- person organization in 2004. This is even more significant given that this dataset may contain more high- capacity groups than the larger Native CDFI field. (Groups in the CIIS dataset have successfully applied for and received a grant from the CDFI Fund, indicating the capacity to fundraise.).

Table D- 6: Staff Size			
	2005	2004	2003
Valid	13	16	10
Mean	9	6	6
Std. Deviation	11	7	8
Minimum	1	2	1
Maximum	34	30	27

E. Total Assets

We used the definitions provided by the CDFI Fund in their report "Three Year Trend Analysis of Community Investment Impact System Institutional Level Report Data FY 2003-2005" to identify the size of the organizations in our data subset. Small CDFIs are considered those with less than \$5.0 million in assets, medium CDFIs have \$5.0 or \$14.9 million in assets, and large CDFIs have more than \$19.9 million in total assets (variable: Totalassets). As can be seen in Table D- 7, the majority of the CDFIs in our subset are small, with assets of less than \$5 million. The Native subset of the CIIS data seems to include many small organizations. Given the recent growth of the Native CDFI field, it is not surprising that the majority of organizations are small, with assets of less than \$5 million.

Table D- 7: Total Assets

	2005	%	2004	%	2003	%
Small (less than \$5 million)	11	85%	11	69%	8	80%
Medium (\$5-\$14.9 million)	1	8%	3	19%	1	10%
Large (over \$15 million)	1	8%	2	13%	1	10%
Total	**13**	**100%**	**16**	**100%**	**10**	**100%**

Because of the small number of banks, credit unions, and loan funds in our data subset, we will not provide mean assets for these organizations due to concerns about confidentiality. However, looking at loan funds for each year, it is clear that the range in total assets and the standard deviation is quite big (see Table D- 8). In 2004, there appears to be an outlier (total assets of \$44,895,130) that is increasing the mean asset size. One thing we can determine from this table is that in 2005 and 2003, some very small loan funds with assets less than \$100,000 received funding from the CDFI Fund. For each year the mean total assets for the Native CDFI loan funds is lower than that for all loan funds in the larger CIIS dataset (\$22,094,963 in 2003, \$22,181,361 in 2004, and \$18,118,944 in 2005 respectively in the larger CIIS dataset).

Table D- 8: Mean Assets and Range of Assets for Loan Funds

	Mean	Min	Max	N	Standard Deviation
2005	\$ 1,986,324.75	\$ 85,089.00	\$ 4,860,845.00	8	1,624,258.89
2004	\$19,792,251.48	\$ 472,403.00	\$ 44,895,130.00	10	13,706,215.48
2003	\$ 3,629,762.70	\$ 15,815.00	\$ 4,322,294.00	6	1,666,548.44

F. Geographic Area and Clients Served

Table D- 9 demonstrates that Native CDFIs serve rural areas and also serve American Indian, Native Hawaiian, and Alaska Native clients at a higher rate than the CDFIs in the larger CIIS dataset. The majority (80% percent, 88% percent, and 707% percent respectively for 2005, 2004, and 2003) of Native CDFIs serve clients in rural areas, compared to an average of approximately 61% percent of all the CDFIs in the larger CIIS dataset. Given that reservation, Alaska Native villages, and Native Hawaiian communities are more likely to be located in rural areas, this finding is to be expected. Compared to 27.3% percent, 29.9% percent, and 19.8% percent of all CDFIs in the CIIS dataset who served Native American populations in 2005, 2004, and 2005 respectively, 80% percent, 81% percent, and 69% percent of Native CDFIs served Native American populations in 2005, 2004, and 2003.

Table D- 9: Geography and clients served

	Rural Area?	%	American Indian Areas	%	Serve American Indians	%	Serve Native Hawaiians	%	Serve Alaska Natives		Total
2003	10	77%	NA	NA	9	69%	2	15%	1	8%	13
2004	14	88%	NA	NA	13	81%	3	19%	3	19%	16
2005	8	80%	7	70%	8	80%	1	10%	1	10%	10

G. Portfolio Outstanding

Although we are working with a small sample size that is not necessarily representative of the larger Native CDFI field, it is worthwhile to use the CIIS data to examine the outstanding portfolio of the Native CDFIs funded in 2003, 2004, and 2005. Using the TLR dataset, we were able to assess the size of the total loan portfolio and the number of loans granted in each year by the Native CDFIs (TLR tables Portfolio2005, Portfolio2004, Portfolio2003). These data are valuable because there are few other aggregate datasets that provide such detailed data on loan portfolio size and other characteristics. Therefore, although this data is not generalizable to the larger Native CDFI field, it provides a point of comparison for future analysis. In some of the cells in the tables, data are suppressed due to low numbers.

Table D- 10 indicates that the Native CDFIs funded by the CDFI Fund made at least $67,904,698 available to the populations they serve in 2005, and $98,121,569 and $39,300,197 available in 2004 and 2003 respectively. More data is needed to determine whether these loans predominantly went to Native clients or companies.

Table D- 10: Portfolio Outstanding (Loans Closed per Year) by Institution Type			
	2005	2004	2003
	n = 12	n = 15	n = 9
Bank or Thrift	*	*	*
Credit Union	$8,834,410.00	$13,246,904.00	$6,960,188.00
Loan Fund	$9,482,788.38	$43,201,665.00	$5,634,009.00
Venture Capital	*	*	*
Total	**$67,904,698.38**	**$98,121,569.00**	**$39,300,197.00**
* = suppressed data			

Table D- 11 provides data on the portfolio of active loans by purpose. These data demonstrate that when compared to the larger CIIS dataset, Native CDFIs are not very active in real estate construction or rehabilitation (see the report "Three Year Trend Analysis of Community Investment Impact System Institutional Level Report Data FY 2003-2005" for comparison tables). Similar to the larger CIIS dataset, home purchases are an important part of the portfolio for these Native CDFIs. In contrast to the larger CIIS dataset, business working capital is a large part of the portfolio in 2005 and 2004, suggesting that Native CDFIs in the CIIS subset are more active in business lending. Consumer loans are also consistently a bigger portion of the portfolio each year than in the larger CIIS dataset. Because of the small numbers in our subset, we will not break this table down by depository and nondepository institutions.

Table D- 11: Portfolio Outstanding (Loans Closed per Year) by Purpose								
	2005			2004			2003	
Loan Purpose	**Amount (sum)**	**%**	**Loan Purpose**	**Amount (sum)**	**%**	**Loan Purpose**	**Amount (sum)**	**%**
BUSFIXED	$1,469,288.00	2%	BUSFIXED	$2,385,175.00	2%	BUSFIXED	$102,308.00	0%
BUSINESS	$50,000.00	0%	BUSINESS	$ -	0%	BUSINESS	$ -	0%
BUSWORKCAP	$30,432,158.23	45%	BUSWORKCAP	$25,438,438.00	26%	BUSWORKCAP	$2,646,164.00	7%
CONSUMER	$12,061,822.83	18%	CONSUMER	$9,119,411.00	9%	CONSUMER	$4,094,756.00	10%
HOMEIMP	$478,609.93	1%	HOMEIMP	$1,114,616.00	1%	HOMEIMP	$994,393.00	3%
HOMEPURCH	$11,383,425.39	17%	HOMEPURCH	$43,192,566.00	44%	HOMEPURCH	$1,997,919.00	5%
MICRO	$30,000.00	.04%		$ -	0%		$ -	0%
OTHER	$2,525,394.00	4%	OTHER	$8,477,363.00	9%	OTHER	$26,779,560.00	68%
RECOCOM	$9,474,000.00	14%	RECOCOM	$8,394,000.00	9%	RERHSINGLE	$2,685,097.00	7%
Total	**$67,904,698.38**	**100%**	**Total**	**$98,121,569.00**	**100%**	**Total**	**$39,300,197.00**	**100%**

Table D- 12 provides an analysis of the percent of total dollars in the portfolio outstanding by age of organization. This is a useful way to test the hypothesis that older CDFIs account for the largest share of the outstanding portfolio. Table D- 12 suggests that in 2005 and 2004, similar to the larger CIIS dataset, fully matured CDFIs in the Native CDFI subset have the larger share of the portfolios outstanding. This finding is most valid for these years because there is less missing data and a reasonable number of cases for each age category. In 2003, the Native CDFI subset demonstrates a large share of the loan portfolio held by young or emerging CDFIs. The Due to the small numbers in this data subset, it is difficult to draw any conclusions from this.

Table D- 12: Percent of Total Dollars in Portfolio Outstanding by Age of CDFI

	2005	2004	2003
	n = 13	n = 15	n = 8
Emerging (operating less than 10 years)	20%	46%	85%
Mature (age 10-18 years)	3%	3%	10%
Fully matured (age more than 18 years)	77%	51%	5%

H. Benefits to the Community

Although we are working with a small sample size that is not necessarily representative of the larger Native CDFI field, it is worthwhile to review data on the development services these organizations provided by these organizations. This will give us information on what types of development services are being provided by the Native CDFIs funded by the CDFI Fund in 2003, 2004, and 2005.

Development Services Provided

The CIIS data gives information on the different types of development services provided by the CDFIs that received funding from the CDFI Fund. In our subset of Native CDFIs, a large percentage of them provide some sort of development services. Financial counseling is by far the most common form of services provided, with over 90% percent providing such counseling in 2005 and 2004. In 2003, 70% percent of participants provided this form of training. Most of the Native CDFIs also provide business technical assistance is also provided at most of the Native CDFIs. In 2005 two of the Native CDFIs offered an IDA program and in 2004 three Native CDFIs offered an IDA program (see Table D- 13).

Table D- 13: Are development services provided by group?

	Business TA (Number providing)	%	Financial Counseling	%	Home Counseling	%	Other Training	%	IDA Programs	%	Total
2005	10	77%	12	92%	6	46%	6	46%	2	15%	13
2004	11	69%	15	94%	9	56%	8	50%	3	19%	16
2003	6	60%	7	70%	6	60%	9	90%	0	0%	10

Summary

It is difficult to draw any conclusions from this limited dataset. It simply represents a snapshot in time (the time period between 2003, 2004, and 2005), and only provides data on only a small non-random sample of Native CDFIs. If there is one conclusion that can be drawn, however, it is that there is great diversity in the size, age, and services provided by the Native CDFIs in the CIIS dataset.

There is some important information that can be gleaned from this analysis to help understand the impact that organizations funded by the CDFI Fund -funded organizations can have in the communities they serve. First, it appears that of the Native CDFIs funded by the CDFI Fund in 2003, 2004, and 2005, the majority are nonprofit loan funds. The Native CDFIs in this data subset are for the most part smaller than the average non-Native CDFI (in terms of asset size and staff size). It is noteworthy that the CDFI Fund has funded several very small organizations with fewer than three employees and with as little at $100,000 in assets. Native CDFIs funded by the CDFI Fund made at least $67,904,698 available to the populations they serve in 2005, and $98,121,569 and $39,300,197 available in 2004 and 2003 respectively, and many of these loans were for purchasing a home or providing working capital for businesses. A large percentage of the Native CDFIs in our subset provide some sort of development services, with financial counseling being the most common form of services provided. Most of the Native CDFIs also provide business technical assistance is also provided at most of the Native CDFIs. In 2005 two of the Native CDFIs offered an IDA program and in 2004 three Native CDFIs offered such a program. This small group of Native CDFIs represented in the CIIS dataset may be biased toward larger, more high-capacity Native CDFIs that have successfully applied for and received funding from the CDFI Fund.

The research field will benefit from gaining access to future rounds of CIIS data. The Native CDFI field appears to be young, with 10 new CDFIs receiving certification in 2007 and a large number of emerging Native financial institutions who have attended a training on how to form a Native CDFI in the past three years. The number of Native CDFIs who have received Financial Assistance or Technical Assistance awards from the CDFI fund has remained steady, providing the Fund with a potentially robust research dataset in the future. Some additional training for Native CDFIs on how participate in the CIIS system may be necessary. In our survey of 22 Native CDFIs at the Opportunity Finance Network conference last fall, several mentioned the need for more training on the CIIS data system in order to ensure that they are providing the best quality data on their work and their contributions to the local communities.

A larger, more robust data set over a longer period of time may yield useful information for a number of research questions. Native CDFIs seem to be smaller and younger than mainstream CDFIs (with the exception of credit unions), but more research is needed to verify this. A larger data set will allow researchers to generate better data on the characteristics of each subcategory of CDFIs (e.g. banks, loan funds, and credit unions, etc.). Some comparative analysis in the dataset may also be possible -—different types of financial institutions may have different portfolio characteristics, capitalization strategies, client characteristics, financing or training outcomes, and self- sufficiency ratios. Multivariate analysis would be useful to examine the correlates to success for the Native CDFIs— whether that is their capitalization strategy, their institutional structure, their staff size, or their age. Organizational success could be measured by self- sufficiency ratios, size and characteristics of loan pool, characteristics of clients served, and community development outcomes. Finally, a trend analysis may be possible if a larger number of financial institutions continue to receive funding over a longer period of time.