

# Native American CDFIs want bankers to see them as partners, not rivals

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Native community development financial institutions want banks to provide them with access to capital to help them meet the high bars set by regulators.

As of 2021, 86% of Native American communities lacked a single financial institution within their borders, according to a report by the Native CDFI Network. Native CDFIs — private, financial intermediaries with the primary goal of community development — serve the underbanked in American Indian, Alaska Native and Hawaiian Native communities by providing them with affordable financial services and products.

But it's not easy to become CDFI-certified. One of the main benefits of becoming certified is access to the grants provided by the CDFI Fund, which can be used as lending capital to grow and build a portfolio. However, those seeking certification, or "emerging CDFIs," often do not have access to the capital required to qualify.

"How do you have a portfolio when you don't have the capital to begin with?" asked Fern Orié, chief programs officer and executive vice president of advocacy and strategic partnerships at Oweesta. Orié is also a founder and former CEO of the Wisconsin Native Loan Fund.

Oweesta, which is based in Longmont, Colorado, and is considered the "mothership" of Native CDFIs, provides funding, training, technical assistance and strategic planning to other CDFIs and to tribal communities that are interested in starting one. Oweesta aids new and struggling CDFIs in obtaining their first access to capital with "First In" loans up to \$100,000 with a 2.5% to 3.5% interest rate.

"Because of these little standards, we get locked out, and that happens all the time," said Dave Tovey, executive director at Nixyáawii Community Financial Services in Pendleton, Oregon.



From left: Fern Orié from Oweesta, Russ Seagle of the Sequoyah Fund, Nainoa Logan from the Wai'anae Economic Development Council and Dave Tovey from Nixyáawii Community Financial Services. "We don't want to compete with the bank. We want to collaborate with the bank," Seagle said.

NCFS, which is owned and operated by the Confederated Tribes of the Umatilla Indian Reservation, received CDFI certification in December 2021. The group provides loans, homeownership assistance, business development services and financial education to members of the Cayuse, Umatilla and Walla Walla tribes, reservation residents and tribal employees.

NCFS merged three services of the CTUIR to meet basic CDFI certification standards.

"They're asking for two years of audited financials," said Tovey. "Well, we're just happy and proud we got our first-year audit."

Programs like the CDFI certification aren't always a "good, clean fit" for Native communities, Tovey said. "They certainly weren't designed around our challenges and consequently, a lot of those programs aren't accessible to us."

Across the Pacific on the island of Oahu, the Wai'anae Economic Development Council is still working toward becoming CDFI-certified.

WEDC was established in 2014 to serve the Wai'anae Coast community in Hawaii and plans to submit its application by the end of this year, according to Nainoa Logan, program director at WEDC.

The organization offers a business coaching workshop, a small-business loan fund and a financial literacy program called Financial Lo'i, which uses ancient legends to connect Native Hawaiians to the Western concept of finance. The program hopes to address the resistance among Native Hawaiians to Western colonial financial systems since the annexation of Hawaii, according to Logan.

WEDC has had some assistance in the certification process, but it has still been a bumpy road, Logan explained.

"We've been lucky enough to have some mentors that helped us with our loan policies and our procedures," he said. Before, "we were just kind of doing a lot of Google templating. You know, a lot of YouTube research."

Banks can help Native organizations in the CDFI certification process by providing access to capital.

"If I was a bank — and I've actually told several banks this — I would put my dollars into the CDFI because I know that that's going to lend out into the underserved population," Orié said. "It's basically a win all the way around. The loan gets done so the client gets served, the client's getting educated, the bank is getting credit for investing in that financial institution, the CDFI gains access to capital lending."

Banks have been slow to accept this pitch, according to Orié. One cause for hesitation is tribal trust land, or allotted land, on which many Natives reside.

Trust land is a territory held by one party for the benefit of another party, as opposed to fee land, which is completely owned by an individual or entity. Many banks and traditional lenders aren't willing to lend to tribal members because trust land cannot easily be collateralized, according to Lisa Wagner, president of Bluestem Consulting.

Banks need to meet Native communities where they are, she said. "Banks are driven by profit. ... I get that, but that's not going to work in many of the Native communities because the challenges are just [too] great."

There's also a concern that banks may view Native CDFIs as competitors.

"We don't want to compete with the bank. We want to collaborate with the bank," said Russ Seagle, executive director at the Sequoyah Fund. "We tell our clients, 'Our job is to get you bankable.'"

The Sequoyah Fund is an established CDFI that serves the eastern band of Cherokee Indians in Western North Carolina. It offers a variety of loans to both Natives and non-Natives. Some local banks refer clients who do not meet their credit requirements to Sequoyah, and Sequoyah refers clients with good credit to those banks so that the client can access more financial services.

But Native people are still largely invisible, said Jeff Bowman, president and CEO of Bay Bank in Green Bay, Wisconsin. "We're an image from an old movie or other history lessons they've learned. They don't know that we are bankers, that we are small-business people."

Bay Bank, which has \$201 million of assets, is CDFI-certified and wholly owned by the Oneida Nation. It is one of 19 Native American-owned banks in the U.S., according to the FDIC.

Established Native CDFIs often serve rural markets, which can make it difficult to build and sustain the capital necessary to become self-sufficient. The CDFI Fund offers grants, but they are often oversubscribed and underfunded, according to Bowman.

That's why Bay Bank invests in two Native CDFIs. Bowman said that investing in these groups is an easy way to channel money into communities where a bank may not be able to have a branch. CDFIs also have different underwriting guidelines, enabling them to reach a broader underserved market, he said.

Bowman is a chairman at Oweesta and a board member at three CDFIs. Others at the bank volunteer as well. Bowman urged other banks to do the same — to not just lend their money but their expertise — because it's "the right thing to do." Many Native CDFIs are staffed by only a few people who may not have loan-officer experience. Banks can offer training to them, he suggested.

"I feel like tribally owned banks are definitely setting the marker for things that the banking industry, in general, should really look at," said Orie.

Laurie Stewart, president and CEO of Sound Community Bank in Seattle, echoed the need for banks to invest both time and money in CDFIs. The \$959 million-asset bank has committed to giving back to the communities where it does business. Stewart is on the board of the Jamestown S'Klallam CDFI, where she helped establish a credit policy.

"Just the silly things that bankers know can be a real source to a startup CDFI," said Stewart.

Trust and accessibility and education are the foundations for CDFI lending, but many banks have failed to provide this for Native Americans, according to Orie.

"Banks should look at doing more than just lending. That's the bottom line, the way I see it," Orie said. "And if they can't, then the next best thing [is to] invest in CDFIs ... Indian country isn't going anywhere."