



Establishing a Successful Native CDFI

[First Nations Oweesta Corporation](#)

National Summit on Emerging Tribal Economies



Who is First Nations Oweesta Corp. (FNOOC)

- First Nations Oweesta Corporation was launched by First Nations Development Institute to:
 - enhance the capacity of Native tribes, communities and peoples to access, control, create, leverage, utilize and retain financial assets;
 - To provide access to appropriate financial capital for Native development efforts.



- Native communities need Native community development financial institutions (NCDFIs) at the local and regional level to form capital and provide technical assistance for a variety of purposes including:
 - » Business financing
 - » Home ownership & housing development
 - » Land acquisition
 - » Community Development projects



To assist tribes and Native communities FNOOC can:

- Assist in the development and/or expansion of reservation or Native community community development financial institutions;
- Provide to qualified community development financial institutions loan/investment capital.
- Through training and materials development enhance the capacity of Tribes, organizations and people to better manage their financial assets. (Financial Literacy)



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What is an CDFI?

- Community
- Development
- Financial
- Institution





Community Development

- **Mission** must be Community Development
 - Low and Moderate Income People
 - Low and Moderate Income Communities
- **Lending sectors include:**
 - Housing
 - Business
 - Community Services
 - Individual

Financial

- Primary Activity of a CDFI is lending or investing
- CDFIs develop financial products to meet the needs of their markets
- Make loans that are riskier, often to unconventional borrowers
- CDFIs also provide Development Services (aka Technical Assistance)





Institution

- CDFIs strive to become a permanent capital resource in their communities
 - Not a “program” that comes and goes at the whims of the funders and others
- Capital Access is part of long term solution to poverty alleviation
- In order to be permanent we can't lose our capital
 - this means CDFIs expect to be repaid!
 - CDFIs can't avoid risk, but must learn to manage it



CDFI Role in Creating a Healthy Economy

- CDFIs provide **Capital & Technical Assistance** to projects that help create a healthy economy
- CDFIs leverage grants, bank loans and other sources of capital into the community
- CDFIs build capacity of businesses, community members, and non-profits



CDFI Role in Creating a Healthy Economy

- Can be independent of (tribal) government.
- Can help community address issues such as land acquisition and consolidation, savings, homeownership, business development.
- Can provide home-ownership opportunities.



Borrowers benefit the community

- Create businesses that provide needed products and services
- Provide jobs
- Keeps dollars at home instead of flowing out to border towns.
- Create needed childcare, healthcare, assisted living, and other social services



What can a CDFI do?

Can Do

- Make Loans
- Make loan decisions based on ability to repay
- Get repaid so CDFI can make more loans

Can't Do

- Make Grants
- Make loans based on political motives or family connections
- Lose the CDFI's capital through loan losses



Number and types of CDFIs

- Estimate of 800 CDFI-like organizations in U.S.A.
- 553 CDFIs certified by the CDFI Fund as of Feb. 02
- Sectors
 - Loan Funds
 - Credit Unions
 - Micro enterprise
 - Banks
 - Venture Capital



Examples of Native CDFIs

Examples include local and regional revolving loan funds, credit associations, credit unions such as:

- **The Lakota Fund (Pine Ridge)**
- **Four Bands Community Fund (Cheyenne River)**
- **Sisseton-Wahpeton Credit Union**
- **Lac Courte Orielles Credit Union**
- **Hopi Credit Association**
- **Valley Credit Association (Duck Valley)**
- **ATNI Revolving Loan Fund (Northwestern Tribes)**
- **Four Directions Development Corporation (Penobscot)**
- **Oglala Sioux Tribe Partnership for Housing (Pine Ridge)**
- **Navajo Partnership for Housing**



Profiles of CDFI's

- The Lakota Fund – Pine Ridge
 - Began as a project of FNDI in 1985.
 - Started as a micro-lender, now small business.
 - Has lent out nearly \$2.6m to nearly 500 tribal members.
 - Has a loan capital fund of \$3.5m from foundations, private investors, governmental sources.
 - Staff of twelve (nine lending staff).



Lakota Fund – con't

- Provides small business training (10 week)
- Provides individual technical assistance & operates a TBIC
- Constructed a 30-unit low-income tax credit housing project
- Developed an IDA program.
- Researching the development of a land acquisition loan fund
- CDFI certified.
- Profile of TLF's borrowers
 - 85% never had a checking or savings account
 - 75% never had a loan
 - 95% never been in business

Examples of business funded by TLF

- **Trucking**
- **Construction**
- **Video Store's**
- **Buffalo Ranches**
- **Electrical Services**
- **Art & Crafts**
- **Hair Salon**
- **Tire Repair Shops**
- **Cattle Ranch**
- **Horse Ranching**
- **Convenience Store**
- **Reservation Tours Service**
- **Trading Post**
- **Bed & Breakfast**
- **Grocery Stores**
- **Tipi Retail**
- **Farming**
- **Bookkeeping/H&R Block**
- **Computer Retail**
- **Desktop Publishing**
- **Fast Food Café**
- **Food Concession Vendor**
- **Honey Bee Services**
- **Bakery**
- **Automotive Shop**
- **Clothing Consignment**
- **Misc. Fix & Repair shop**
- **Towing Services**
- **Trailer House Park**



Profiles – con't

- Four Bands Community Fund – Cheyenne River
 - Started as a project of Tribes Economic Development Agency.
 - Has an independent board consisting of tribal members and bankers.
 - Will be a micro-lender in the beginning.
 - Provides business training.
 - Has made 7 loans (\$1,000)
 - Has obtained CDFI Certification and funding.
 - Funding from governmental and private foundations.



More Profiles

- Hopi Credit Association - Arizona
 - Has been in operation since 1952
 - Makes consumer, housing, and business loans.
 - Has made over \$5m in loans.
 - Capital fund funded through Tribe, banks, private investors, governmental sources.
 - Is a certified CDFI.

Building a CDFI

Breaking
Ground

WHAT HAPPENS?

Community decides

Local capital access is needed

HOW?

Training

Technical Assistance

Setting the
Cornerstone

Organizing Committee

Charters an eligible entity.

Building the
Foundation

Identify staff & funding ,

Applies for 501 © 3,

Create lending polices,

Organizational procedures

Building
The Structure

Board/Staff raise operating

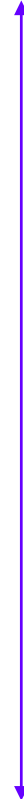
Funds & lending capital,

Develop/Train

Loan committee/staff

Turning on
The Lights

Begin lending





How much capital does it take?

- Depends on type of financial institution
 - Microenterprise funds - \$50,000 - \$300,000
 - Small business – \$500,000 to \$10mm
 - Land acquisition - ??? (at least \$1mm)
- Where?
 - Rural Development (USDA) (loans and grants)
 - Private investors (loans)
 - Foundations (loans and grants)
 - Banks (loans and grants)
 - SBA Microenterprise Program (loan)
 - CDFI FUND (Dept. of Treasury) (loans and grants)
 - NACTA



What about operating funds?

- CDFI Fund
- Foundations
- Rural Development
- Banks??
- Tribal funding**

**In a perfect world, a tribe would fund these organizations without strings attached.



Lessons Learned

- Keep politics out of lending decisions.
- Require training for borrowers
- Good loan tracking system absolutely important.
- Commitment to collections
- Require investment from the borrower.
- Be a model organization.
 - Responsible, disciplined, ethical staff/board
 - Develop good policies/adhere to policies
 - Develop good operating systems
 - Annual audits