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Bootstraps Banking: A Tribally Owned Bank in Minnesota Helps Diversify Regional Economy

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*Woodlands National Bank's new
headquarters in Onamia, Minnesota.*

The Minneapolis *Star-Tribune* has described Woodlands National Bank as “the hope of a nation.” That may sound like a stretch when you consider that Woodlands is a small bank headquartered in a small town in rural Minnesota. But in fact it’s right on the mark.

The nation in question is the Mille Lacs Band of Ojibwe Indians. The band’s challenge is to overcome economic stagnation and perennially high levels of joblessness among the more than 1,700 band members who live on or near the Mille Lacs reservation, some 100 miles north of Minneapolis. A dozen years ago, the band’s leaders resolved to tackle this difficult challenge. One obvious answer was to help stimulate central Minnesota’s economy, but how to do it effectively and in a sustainable manner was an open question.

The band’s first move, in 1991-92, was to open two casinos, with one of them strategically sited on the interstate highway that links the Twin Cities and Duluth. Both casinos have been successful, chalking up a ten-year record of generating revenues and employment opportunities for band members.

But Mille Lacs leaders, well aware of the risks of becoming unduly reliant on a single industry, sought a way to systematically promote economic diversification. They found what they needed in Onamia, a small town a few miles south of the reservation.

The band purchased First State Bank of Onamia in 1996, becoming only the third Indian tribe in the United States to own a bank. Renamed Woodlands National Bank, the bank became the first Indian-owned bank to be granted a national charter.

When the bank was purchased back in 1996, it \$17 million in assets. Within three years its assets had increased by nearly 50 percent, to \$25 million, prompting Mille Lacs leaders to acquire Rural American Bank in Hinckley — site of the just-off-the-interstate casino — along with a branch office in nearby Sturgeon Lake. Among other things, the acquisition enabled Woodlands to replace obsolete computers and outmoded accounts-handling procedures and to move into a brand-new headquarters building.

Full-service banking

Today Woodlands' three offices have combined assets of \$86 million. And the bank is using its expanded resources to bring the benefits of full-service banking to more customers. In addition to checking accounts, savings accounts, savings certificates, traditional and Roth individual retirement accounts, and safe deposit boxes, the bank offers online banking services and has placed ATMs throughout the communities it serves.

ATMs — along with the many other benefits of full-service banking — were unfamiliar to many Mille Lacs Band members. But a marketing campaign resulted in dozens of new accounts, moving account-holders into mainstream banking. Among other advantages, they can now receive direct electronic deposits from Social Security and other federal benefits programs.

The bank also offers a full range of loans to individuals and businesses, and has provided the working capital for several local business expansions, including a circuit-board manufacturer and a supermarket. The bank also works with the Mille Lacs Band on its Small Business Development Program, which offers start-up and expansion loans to businesses owned by band members.

The Mille Lacs Band is also a founding member of the Native American Bancorporation (NAB), the holding company for the new Native American National Bank (NANB). (I'm privileged to serve on the Bancorporation's board of directors.) NANB recently received its charter approval from the OCC and will soon begin working to ensure a better future for Indian country by loaning funds to build tribal and individual entrepreneurial enterprises, community facilities, reservation infrastructure, housing and more. Owned by stockholding tribes from across North America who have capitalized the bank with \$7.5 million, NANB's efforts will help keep Indian money in Indian country — and will also help end the frustration many Native Americans have faced when trying to get loans.

Woodlands National Bank is also a founding member of the North American Native Bankers Association (NANBA). Recognizing that tribally owned banks are fundamental to tribes' economic self-determination, NANBA works to increase the number of Indian-owned financial institutions in the United States and Canada, and provides a mechanism for members to share expertise.

Serving the banking needs of Indian country is a major challenge. But Woodlands National Bank offers proof that small-scale banking, conducted with commitment tempered by prudence, can make a big impact.

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