

NR 98-82  
August 6, 1998

Remarks by  
Julie L. Williams  
Acting Comptroller of the Currency

before the

Interagency Conference  
"Building Economic Self-Determination in Indian Communities"  
Washington, D.C.

August 6, 1998

It's an honor to share this podium with such a distinguished group of statesmen and women from the public and private sectors, united in our commitment to the economic progress of Indian people.

As head of the bureau of the Treasury Department responsible for chartering, supervising and regulating national banks, I would like to discuss the role that banks fill in the Native American economy today, and what we can do to enhance the contributions that banks can make to the economic self-determination of Indian people in the future.

This is a matter of considerable importance. For no business is more fundamental to economic growth and prosperity than banking. Even so, I am sometimes surprised to discover that official visitors to our country, especially those representing emerging economies, are more interested in -- and more impressed by -- our dynamic banking system and our system of bank regulation than almost anything else about us. They recognize that effective mechanisms for mobilizing, distributing, and leveraging wealth -- under the proper supervisory controls -- are indispensable prerequisites to their own countries' economic success, as they have been to ours.

Bank supervision is something that we at the OCC should be good at, for we have been at for over 135 years. Today the basic job of the bank supervisor is much the same as it was back then. The OCC's primary responsibility is to safeguard the safety and soundness and vitality of the national banking system so that our national economy can function efficiently and productively. In recent years, however, we have come to view fair access to banking services as a positive right to which all Americans have a claim. We recognize that for many individual Americans the lack of access to banking services has been a formidable barrier to economic opportunity. Conversely, we understand better than ever that the availability of banking services can be of enormous assistance in overcoming the effects of years of economic

discrimination and neglect. And, we have come to understand how important it is, if only as a matter of their long-term self-interest, that banks explore and serve the financial needs that exist among all underserved populations.

Banking in Indian country is a telling case in point. Native Americans have traditionally been among the most underserved banking populations in America. Just five years ago, the whole Navajo reservation -- comprising some 200,000 people on 26,000 square miles -- was served by a total of just three banking offices and two automated teller machines. And the Navajo were probably no worse off in that respect than the majority of Native Americans living on reservations throughout the country. Certainly, the absence of banking services in Indian country has been a contributing factor to the economic difficulties that have long beset many of the Indian nations.

That's why improving access to banking services in Indian country has been a special concern of the OCC's in recent years. I am proud to say that the OCC has been a leader among Federal banking agencies in devising practical methods to advance the economic self-determination of the Native American nations. During his term of office, which ended in April, Comptroller Gene Ludwig and senior OCC officials visited Indian reservations and met with bankers and tribal leaders and others with an interest in bringing Native Americans and banks together. We've met with board members of the North American Native Bankers Association, a new organization that represents Native-controlled financial institutions. The OCC sponsored revisions in the Community Reinvestment Act's regulations to encourage banks to place new loans, new investments, and new banking facilities in Indian country. Just last year, the OCC and the Department of Justice co-sponsored a conference, entitled Banking in IndianCountry, which drew over 500 tribal officials, bankers, attorneys and economic development consultants. To coincide with the conference, the OCC released a guidebook to banks seeking to provide financial services to Native Americans living in Indian country and a companion piece providing advice on making home purchase loans on Indian reservations. In each case, we have strived to develop practical solutions that couple respect for Indian sovereignty with practical assistance drawn from our experiences.

We ourselves are learning from these experiences. We have discovered that the range of needs for banking services in Indian country is almost as diverse as the Indian nations themselves. Some tribes are primarily seeking basic deposit and check-cashing services for low-income tribal members. Other tribal officials would like to increase the number of conventional home mortgages available to moderate- and higher-income residents of Indian reservations. Still others seek to promote small business financing for small firms owned by or operated for the benefit of tribal members. And tribal governments may be looking for financing for their governmental or commercial enterprises, such

as hospitals, schools, or industrial developments.

Just as the financial needs of the Native American people are diverse, so are the options and creative solutions available to meet those needs. Among these options are targeted programs like HUD's 184 Indian Home Loan Guarantee Program, under which lenders, tribal authorities, and the federal government work in partnership to resolve the unique challenges of making mortgage loans in Indian country. A number of tribes -- in Alaska, Arizona, California, and New Mexico -- have obtained assistance from the Treasury Department's Community Development Financial Institutions fund, and are leveraging that assistance to build and support small businesses and microenterprises, farms and factories, and affordable housing. Other tribes are exploring the creation of Community Development Corporations authorized by the financial regulatory agencies for bank investors and Small Business Investment Companies, which are venture capital firms licensed by the SBA to support small business expansion through a combination of debt financing, equity investments, and management counseling.

Important as they are, these programs are perhaps best viewed as a means by which to jump-start the private economy. It has long been the OCC's belief that good, profitable, self-sustaining business relationships exist in currently underserved markets. While these markets may require greater tenacity or creativity to cultivate, they hold the potential to reward such efforts many times over. We are convinced that many sound opportunities exist to provide financial services critical to Native American people that will spur economic development and lead to greater self-determination.

The experiences of commercial banks in Indian country increasingly bear this out. For bankers too, doing business there has been a learning experience. Bankers have learned the importance of understanding tribal sovereignty and the culture and laws of the tribes they serve. They have found that real success in the Native American environment takes time -- time to build the enduring relationships with customers and tribal leaders that ultimately breed trust. And they now appreciate the need for flexibility in how they deliver products and services that take this cultural diversity into account. For example, on Indian reservations that sprawl across tens of thousands of acres, some banks have sensibly chosen to replace or supplement fixed brick-and-mortar branches with mobile "offices on wheels" that deliver financial products and services directly to the customer in a customer-friendly manner. We strongly support this type of initiative, which can have a dramatic impact on the availability of banking products and services in Indian country.

Bankers who once wondered whether there was money to be made in the Native American market are having many of their doubts dispelled. They have found that success in providing financial products and services in Indian country does not necessarily require radical changes in how banks do business or in the products and services they provide. Rather, their experience shows that success comes to those who are diligent in adapting

and applying the fundamentals of sound banking to doing business in Indian country. Their loans to tribal members are proving to be just as safe and just as profitable as loans to borrowers in better-served communities. In fact, some of the most profitable branches of large nationwide banking companies today are located on Indian reservations. And the message is getting out to the banking industry at large.

Among the most auspicious developments in this whole picture is the emergence of banks owned by Native Americans. At present, there are six national banks in which tribes hold a majority or controlling shareholder's interest. They include the Blackfeet, the Citizen Band Potowatomi Tribe, the Mille Lacs Band of the Ojibwe Indian Tribe, the Viejas Band of Kumeyaay Indians, the Agua Caliente Band of Cahuilla Indians, and the Eastern Shawnee Tribe of Oklahoma. Additionally, we know of at least two tribally owned state-chartered banks.

Again, diversity is the most striking feature of these tribally owned banks. They are located in relatively prosperous cities and towns and in isolated, relatively poorer ones. One has its main office on its reservation. Others seek to serve tribal members while marketing their products and services off the reservation. These tribally owned banks are, variously, specialists in small business or agricultural lending or consumer banking. Some are active participants in the government-sponsored programs I mentioned earlier; others are more inclined to go their own way. They are both wholly tribal-owned and in partnership with non-Indian interests. But these institutions all share many of the same market challenges and opportunities, the same legislative, regulatory, and legal concerns, and the same operational dilemmas common to banks of their size. And there's one other thing they have in common: for the tribes that own these banks, empowerment and self-determination are not merely slogans or ideals, but a reality taking shape every working day.

In light of the growing interest in Native American banking, I directed my staff to develop a guide to assist Native American tribes as they explore entry into the national banking system. The result is a new publication, entitled A Guide to Tribal Ownership of a National Bank. You are the first to receive a copy of this guide, which is in your conference package and on the OCC web site.

Most of the steps involved in organizing a new national bank or acquiring an existing national bank are no different for a tribal government than for any other group. Groups contemplating formation or acquisition of a national bank in Indian country can review the information conveniently contained within this handbook and reach a better decision as to whether a national bank charter is the right tool for them to use to achieve their economic objectives. For those who decide that it is, we will work with you and provide technical assistance even before you begin the licensing process. We will continue to provide technical assistance until the bank is ready to open. We will make certain that your questions are answered in a timely and accurate manner, that you receive full and fair reviews at every

step along the way, and that you get off the ground with a good chance of success.

In addition, if tribally-owned banks are to fulfill the expectations of their owners and communities and truly advance the cause of economic self-determination over the long term, it is essential that they receive effective ongoing supervision by their chartering authority. OCC examiners can often provide useful advice and specialized expertise during their on-site examinations -- expertise that smaller banks especially sometimes lack on their own. But our examiners must also monitor the banks' safety and soundness and bring their expertise to bear to ensure that potential problems are addressed by bank management before they compromise the solvency of an institution. The Guide explains how the OCC and the other federal banking regulators seek to accomplish these regulatory objectives without unduly imposing on tribal sovereign rights.

Our new Guide also provides examples of innovative ways to resolve the logjams that sometimes arise in connection with tribal ownership of a national bank. Under federal law, banks are required to give notice of certain changes in control. This requirement would be triggered in the event that the tribal officials in whom control of a bank is vested were replaced in tribal elections. In our Guide, we suggest two possible approaches by tribal bank organizers to reduce that potential regulatory burden: by creating a voting trust or a voting agreement, in which the tribe agrees to vote the bank's stock according to the direction of someone who is not subject to regular replacement. Under either arrangement, tribal officials could shift without necessitating bank regulatory change of control notifications. Again, our goal is to help make the process of organizing and operating a national bank simpler and more productive -- without compromising bank safety and soundness and without disrupting tribal sovereignty.

Obviously, the formation of a national bank is not the answer for every Native American tribe. It takes a major investment of capital, energy, and expertise. But, as some tribes have already discovered, the national bank charter can be a potent instrument for economic progress. It has benefitted millions of Americans for over a century. Under the right circumstances, with the right commitment and the right discipline, a bank charter can be of great value in advancing the cause of economic self-determination for Native Americans, today and into the future. We at the OCC look forward to working with Indian tribes to help enhance their business relationships with existing national banks and, where appropriate, in exploring the possibility of their own national bank charter.

Thank you.

# # #

The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States,

accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.