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Remarks of
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before
Banking in Indian Country--Expanding the Horizons
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and the Office of the Comptroller of the Currency

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It is a pleasure to be here with so many honorable tribal leaders and distinguished members of the banking industry.

On the publicity materials, programs, and banners prepared for our conference today is a simple circular ornament clearly of Indian origin. I am wearing one in miniature on my lapel. Every native American will recognize this icon as the Medicine Wheel--a sacred representation of the forces of life, a symbol of the different ways in which all things are interconnected. The circle itself stands for balance, keeping us in harmony with nature. Within it are two axes that intersect at the center. The four points they create around the wheel -- east and west, north and south -- are occupied symbolically by the four elements of the physical universe: fire and air, earth and water. Or they can be considered as representative of the four aspects of the human character: mental and emotional, physical and spiritual. At the center, where these human elements intersect, is volition -- the power of the will -- the force that enables us to reach decisions and persevere to carry them out.

We have adopted the Medicine Wheel as the graphic theme of our conference. The Medicine Wheel underscores our determination -- our will -- to help provide banking services to what has historically been one of the most underserved populations in America.

When I became Comptroller in 1993, I read the studies and the statistics documenting the disconnect between banks and the Native American people. But numbers sit on the page flat and mute. Telling though they were, their impact could not compete with the impressions I took home from my first visit to the Navajo Nation in March 1994. I will never forget those two days. We held a historic meeting, bringing together representatives of our banks, the tribal government, and the federal government. When I asked the three dozen or so bankers in attendance how many of them had made a mortgage loan on the Navajo reservation, not a single hand went up. On that vast reservation -- over 200,000 people living on a 26,000 square mile expanse -- a total of three banking offices and two automatic teller machines were then open for business. Some Navajos had to make a 140-mile round trip to visit a branch. The lack of lending and scarcity of other bank services were just one part of a barren economic landscape, which

featured a median family income below the poverty level, widespread substandard housing, and an unemployment rate as high as 50 percent. With more than a little justice, the Navajo people felt abandoned--by the national government, by the banks, and by the bank regulators. The only consolation, then-Navajo President Peterson Zah told me tongue-in-cheek, was that with no banks, the Navajo had no bank robbery problem to worry about!

We have come some distance since then. Shortly after returning from my Navajo visit, the OCC launched an aggressive three-part strategy designed to improve the provision of financial services to Native Americans. This strategy embraced the following:

- First, vigorous enforcement of the fair lending and community reinvestment statutes to eradicate discrimination and promote opportunity for Native Americans;
- Second, creation of partnerships between banks, tribal governments, and community organizations to promote information-sharing and the development of innovative solutions to the financial services problems of Native Americans; and
- Third, educational efforts to help bankers and Native Americans understand and address the unique set of legal and cultural complexities that make lending in Indian country more challenging than lending in other low and moderate income communities.

We have taken a series of steps to advance this strategy, and have achieved some good results. Our revised Community Reinvestment Act regulations specifically informed banks for the first time that lending, investing, and providing bank services to residents of Indian country would receive favorable CRA consideration. Thanks in part to our renewed emphasis on performance under CRA, banks have stepped up to the plate and found profitable opportunities to provide financial services critical to the economic development of Native Americans. The Navajo reservation is beginning to look different than it looked in 1994 -- where there were three bank branches then, today there are 12. Where there were 2 ATMs, today there are 14. And, it is worth highlighting that some of these banking facilities are among the most active and most profitable in the entire network of the banks that own them.

Also encouraging is the continued increase in the number of banks owned by Native Americans themselves. The OCC has been working in partnership with several Indian tribes for more than a decade to enable Native Americans to have the same opportunity as other Americans to own a financial institution. Since the OCC chartered the Blackfeet National Bank in 1987, we have resolved critical questions about the relationship between our oversight authority and Indian sovereignty, and gained important insight into the novel issues involved with tribally-owned banking and commercial enterprises. Today, four national banks are owned entirely or primarily by Native Americans, and we are in active discussions with nearly a dozen tribal organizing groups

interested in following suit. The OCC stands ready to advise and support tribes and tribal business leaders in their efforts to launch financial institutions.

From the increase of Native American and non-Native American-owned financial institutions in Indian country has come an increase in lending activity, particularly in the area of home ownership. Alone and in partnership with the public sector, financial institutions are discovering that the legal and bureaucratic barriers to profitable relationships with Native American borrowers can be surmounted with the proper application of determination, education, and innovation. And, again, we are beginning to see results. Under HUD's Section 184 Loan Guarantee program, banks have accepted more than 2,000 mortgage loan applications from Native Americans nationwide since 1994. Mortgage loans to Native Americans are finding a new welcome in the secondary market: the value of Native American mortgage loans purchased by Fannie Mae in 1996 was more than six times that of just a year earlier. The ability to sell these loans in the secondary market enables banks to originate more loans. Between 1993 and 1995, home purchase loans to Native Americans increased 16 percent.

This most recent data show something else as well -- something that reminds us why we are gathered here today. For even as mortgage lending to Native Americans has grown, so has the denial rate for mortgage applications.

Our economists point out that denial rates have risen for all minority groups, and hypothesize that this trend may reflect an increase in the number of marginally qualified applicants, who are drawn by the perception that creditors are willing to consider applications from individuals who would never have even gotten to the application stage just a few years ago.

This may be part of the explanation. But the numbers also tell me that while we have come far, we have a long way to go. Providing financial services in Indian country continues to pose serious challenges -- challenges which cannot be overcome without serious, persistent effort on all sides.

This week, the OCC is releasing two publications to assist in that effort. The first of these is a Guide to Mortgage Lending in Indian Country, which we are releasing today. It offers a comprehensive overview of the complicated issue of Indian mortgages--an issue vexed for years by legal and cultural complexities. Our studies show that these obstacles are real. For example, federal law generally prohibits a lender from obtaining a mortgage on real property held in trust by the federal government for an Indian tribe. But loans secured by leasehold interests in tribal trust lands are permissible. In other words, the obstacles to mortgage lending in Indian country can be overcome -- by understanding the steps in the mortgage lending process unique to Indian country, the various categories of Indian land and the restrictions that govern them, and the concepts and mechanisms of tribal sovereignty. Our Guide alerts

bankers to the special Federal programs that make mortgage money available to Native Americans -- and to the bankers' responsibilities under the fair lending and community reinvestment laws. The OCC's Guide, in short, is a primer for bankers ready to respond to some of the exciting investment opportunities in the long undervalued Native American mortgage market.

The other publication released earlier this week provides case studies of those who already have begun to tap these and other opportunities -- examples of bankers and their experiences in Indian country. Many of these case studies are inspirational; all are instructive. We learn, for example, about the partnership between one bank and a nonprofit community development corporation which refers potential mortgage borrowers to the bank after they have completed an eight-hour buyer education course conducted by the nonprofit agency and supported by the bank. Another bank found a way to serve Native Americans in remote rural areas by hiring community agents who help customers open checking and savings accounts and complete credit application forms. A third bank provides a tribal government with trust investment services to improve its cash management. Still another bank developed an emergency loan program, guaranteed by tribal deposits, that sustained tribal members dependent on federal payments during the recent federal government shutdowns.

What can we learn from these success stories -- and other not so successful stories -- about providing bank products and services in Indian country? Among other things, we can learn that bankers need to be flexible in dealing with Indian tribes with widely varying levels of financial sophistication and capacity. These examples demonstrate the importance of investing in long term relationships with tribal leaders and with Indian customers. They suggest the value of including tribal members and leaders in the bank, as directors, employees, and advisers. And they stress the need for education -- on both sides. Native Americans and bankers both must learn to speak the other's language if truly fruitful relationships are to develop. On the Indian side, that means coming to understand the responsibilities of credit and the obligation it imposes on the debtor. On the bankers' side, that means acquiring a familiarity with Indian culture, Indian law, and Indian values. Even as we meet here today, banks are embarking on education programs to further mutual understanding. This is little different from the learning process that all service providers, including bankers, must undergo whenever they expand into a new market.

Facilitating this learning process through dialogue is the objective of our conference today. The topics we will discuss are as diverse as the group of experts who are here to discuss them. They encompass the whole range of issues -- legal and cultural, financial and regulatory -- that must be confronted for us to succeed in reaching our common goal. By bringing together so many distinguished representatives of the banking, regulatory, and Native American communities, we advance the exchange of ideas and the achievement of solutions.

Let me conclude by invoking the power of the Medicine Wheel. As the Native Americans tell us, "There is no ending to the journey of the four directions. The human capacity to develop is infinite. The Medicine Wheel turns forever." By applying the spirit of the will -- the determination to succeed -- we ensure a brighter future for Native Americans and for all Americans.

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The OCC charters, regulates and supervises approximately 2,800 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than half 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.