

# Policy Agenda



Uniting & Strengthening Native CDFIs



# A Decade of Transformation

In 2001, the U.S. Department of Treasury's CDFI Fund released the Native American Lending Study. At the time, only two Native CDFIs were in existence. The findings of this study served as a catalyst for the Native CDFI field, and over the last decade Native communities have undergone an amazing transformation. Today there are 70 Native CDFIs in existence with another estimated 60 in the pipeline.

These unique financial institutions are helping to develop local businesses, create jobs, expand affordable housing, and build the skills of Native people throughout the nation. Native CDFIs are renewing traditional Native values of self-sufficiency, wise resource management, and entrepreneurship. The Native CDFI Network, founded in 2009, works to unify Native CDFIs to form a strong national voice that will ensure the work of Native CDFIs continues to grow.

# Policy Priorities & Recommendations



## **POLICY PRIORITY #1**

### **Establish a supportive financial infrastructure that promotes economic stability in Native communities.**

Native communities are faced with some of the nation's most distressed economies and poorest living conditions. The Native American Lending Study, published in 2001 by the US Department of Treasury revealed a lack of investment by mainstream financial institutions in these communities, resulting in lack of access to capital for Native Americans, Native Hawaiians, and Alaska Natives.

#### *Recommendations:*

1. Continue to provide training and technical assistance to emerging and mature Native CDFIs.
2. Increase access to federal capital sources by allowing Native CDFIs to be designated as preferred lenders for loan guarantees offered by all federal agencies, including USDA and SBA.
3. Update the Native American Lending Study.
4. Implement the CDFI Bond Guarantee Program so that it is accessible to Native CDFIs.
5. Deem Native trust lands as qualified investment areas for New Markets Tax Credits.
6. Support data gathering initiatives to showcase the meaningful impact Native CDFIs have had on local economies.

## **POLICY PRIORITY #2**

### **Provide innovative financial products and services that adapt to the unique needs of Native economies and support self-sufficiency.**

Without exposure and access to the mainstream financial industry for generations, many Native people do not understand the importance of financial management or how to begin building assets. The technical lingo and stringent terms of mainstream financial institutions discourage Native people from doing business with them. Developing fundamental financial management skills is essential to building healthy Native economies.

#### *Recommendations:*

1. Reintroduce the CDFI Fund's Native Individual Development Account (IDA) Initiative.
2. Encourage tribes and federal agencies to develop a standard process for financing mortgages on trust land.
3. Implement mandatory financial education and entrepreneurship for children in grades K-12.
4. Increase access to financial education and entrepreneurial technical assistance for Native Americans, Native Hawaiians, and Alaska Natives.
5. Support financial products with flexible terms that address the circumstances of Native communities.
6. Share innovative strategies for green workforce, housing, and business development.

## **POLICY PRIORITY #3**

### **Encourage fair and sound lending practices in Native communities.**

The lack of banks, credit unions, and alternative lending institutions in and around Native communities, has made Native communities prime targets for predatory lending vehicles like high-cost loans against tax refunds, payday loans, pawn shop transactions, car title loans, high-interest credit cards, and mortgage loans with excessive fees or interest rates. Payday loans average 400% interest rates, and thrust borrowers into a downward spiral that diminishes assets and often creates delinquent credit for Native individuals and families.

#### *Recommendations:*

1. Conduct lender outreach and education to attract financial institutions to Native communities.
2. Ensure a strong and well-enforced Community Reinvestment Act that effectively serves Native communities.
3. Promote the use of the Earned Income Tax Credit (EITC) and Volunteer Income Tax Assistance (VITA) sites.
4. Enforce a small-loan interest rate cap of 36% Annual Percentage Rate (APR) or less.
5. Restrict Refund Anticipation Loan (RAL) marketing and lending at tax time.



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