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Hearing on “Impacts of Government Shutdowns and Agency Reductions in Force on Native Communities”

U.S. Senate Committee on Indian Affairs
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628 Dirksen Senate Office Building

Written testimony submitted by Pete Upton (Ponca Tribe of Nebraska), CEO of the Native CDFI Network and Executive Director of Native360 Loan Fund

On behalf of the Native CDFI Network (NCN) and the 65 Treasury-certified Native community development financial institutions (CDFIs) and nearly three dozen emerging Native CDFIs we serve across nearly 30 states, I welcome this opportunity to share with this Committee our grave concern regarding the Reduction in Force (RIF) action of October 10, 2025 to terminate *all* CDFI Fund staff in keeping with the Administration’s plan to abolish the Fund altogether.

These Actions Will Economically Devastate Tribal Communities

According to a recent Federal Reserve Bank of Philadelphia study, 46 percent of Tribal communities are located in banking deserts, “over 12 times the national average of 3.8 percent.”¹ Established in large part to address these deserts, Native CDFIs are typically the *only* financial institutions serving these communities, providing access to capital, credit, and financial education where no alternatives exist.

If left to stand, the RIF action of October 10th and the ensuing abolishment of the CDFI Fund will cause severe immediate and long-term harm to Native CDFIs’ ability to serve the growing small business, homeownership, agricultural, and consumer lending needs of Tribal communities, needs that have long been ignored by mainstream banking institutions.

Native CDFIs and the Tribal communities we serve are *already* experiencing the impacts. Possessing an average asset size is just \$5.7 million dollars², Native CDFIs rely heavily on Native American CDFI Assistance (NACA) Program Financial Assistance (FA) and Technical Assistance (TA) awards from the CDFI Fund to serve Tribal communities and scale their operations to meet their growing needs. Yet, FY 2025 Congressionally appropriated funding for the NACA Program remains frozen, with no Treasury staff at work to finalize agreements or release awards, choking off this critical “seed capital” for Native CDFIs. Meanwhile, dozens of Native CDFIs awaiting Treasury recertification remain stuck in limbo, with no one to process their applications.

The RIF and looming abolishment of the Fund also spell the demise of the New Markets Tax Credits Program, a key financing tool that cultivates private investment in vital economic and community development projects on tribal lands. Without Fund staff to administer it, the latest double round of New Markets Tax Credits won't be allocated in part to Native Community Development Entities and other CDEs serving Indian Country.

Also in danger is Congress's bipartisan push to expand and make permanent the highly successful USDA Section 502 Native Relending Program (see below – page 4), which will enhance Native CDFIs' proven ability to foster homeownership among Native people by issuing them mortgage loans on tribal lands.

Last and perhaps most troubling, abolishing the Fund will end the federal process for *certifying* CDFIs – an official stamp of approval Native CDFIs use to secure significant investments from non-federal sources. This will create a cascading effect that dramatically reduces the flow of capital for farm, ranch, and other business development; housing and homeownership; and community infrastructure projects when Indian Country's need for such capital increases substantially with each passing year.

Indian Country's Acute Capital Access Gaps: A Longstanding Challenge

To understand the need to not only protect but strengthen the CDFI Fund and specifically the NACA Program, one must recognize the severe, longstanding lack of access to capital that Tribal communities – particularly those in rural areas – confront today. Consider:

- **Significant barriers to investment:** As the CDFI Fund explains, Native CDFIs' origins can be traced to the 1994 Congressional legislation authorizing the Fund's creation, which contained among its provisions the mandating of a study examining lending and investment practices in Tribal communities.³ Titled the [Native American Lending Study](#), it identified 17 major barriers to investment in Indian Country, and "affirmed the importance of developing Native CDFIs to play a key role in the broader effort to lead Native Communities into the nation's economic mainstream."⁴
- **Few to no banking options:** According to the Board of Governors of the Federal Reserve, in 2020 the majority of American Indian/Alaska Native counties had an average of three bank branches, compared to an average of nine in other rural counties and an average of 26 nationally.⁵
- **Significantly more likely to live in banking deserts:** In 2024, the Federal Reserve Bank of Philadelphia released a [new report](#) titled "U.S. Bank Branch Closures and Banking Deserts," which finds that banking deserts – defined as neighborhoods with no bank branches nearby – across U.S. communities are on the rise, evident in a decline in the total number of bank branches of 5.6 percent, an increase in the number of banking deserts of 217, and an increase in the number of Americans living in banking deserts of 760,000. Critically, the report found that "Majority-American Indian and Alaska Native tract populations are disproportionately represented in [banking] deserts" (see statistic shared on page 1).⁶

- **The Community Reinvestment Act - a failed approach:** Unfortunately, a growing body of research reveals that the Community Reinvestment Act (CRA) has failed to compel or effectively incentivize banking institutions' investment in Native nations and communities. As the CDFI Fund's landmark 2016 [Access to Capital and Credit in Native Communities](#) report points out, while the CRA "was not intended to exclude Native Communities living on tribal lands...in practice it often does," and banks under the Act's current regulations can easily satisfy CRA requirements without having to do business in or with Native nations and communities if they so choose (as most do), and they are not required to affirmatively disclose that they have failed to make CRA-qualified investments in and with Tribal Nations and communities.⁷
- **Homeownership costs Native people more:** In 2019, the Federal Reserve found that Native people living on reservations who want to buy homes are significantly more likely to have high-priced mortgages, and those mortgage rates average nearly two percentage points higher than for non-Native people outside reservations.⁸ According to the Federal Reserve, this means a Native family purchasing a \$140,000 home on a reservation could pay \$100,000 more over the course of a 30-year loan than a non-Native purchasing a home outside a reservation would pay.
- **Access to capital Indian Country remains elusive:** More recently, a [2023 National Community Reinvestment Coalition study](#) found, for example, that: (1) "none of the three largest home lenders in the US issue federally guaranteed mortgages for the construction of new permanent homes within tribal lands"; (2) half of all home purchase loans on tribal lands are used to purchase manufactured mobile homes (which decrease in value rather than foster generational wealth-building), which is four times the rate elsewhere; and (3) just 0.004% of small business dollars loaned in Arizona and 0.012% in New Mexico went to borrowers on tribal lands.⁹

Native CDFIs' Unique and Proven Ability to Close Indian Country's Access to Capital Gap

Across Indian Country, Tribal communities establish CDFIs to target and close these capital access gaps so sustainable economic growth can take root and grow in those communities. Consider:

- **Native CDFIs epitomize the CDFI Fund's mission:** In the CDFI Fund's own words, Native CDFIs are "an important part of the CDFI Fund's mission to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States," and they are making a "considerable impact" by "helping to transform their communities. They are creating businesses and jobs in places that desperately need them. They are providing personal financial education and business training to persons who have been excluded from our nation's economic mainstream. They are helping to change the lives of the people they serve."¹⁰ In short, Native CDFIs epitomize what the CDFI Fund sees as the hallmark for CDFI certification: "those working at the margins and beyond to consciously and deliberately make impact."¹¹

- The NACA Program – an engine for Indian Country community and economic development:** The nearly 100 Treasury-certified and emerging Native CDFIs across the country deploy NACA FA and TA awards to support and expand their capacity to meet the acute and rapidly growing capital access needs of Tribal communities. Since FY 2010, for example, NACA FA recipients have used their awards to originate nearly \$2.6 billion in total loans and investments in distressed and underserved communities, provide more than \$659 million in financing to nearly 4,340 businesses, and support the development of nearly 500 units of affordable housing.¹²
- Native CDFIs – providing a range of critical supports:** According to the Center for Indian Country Development (CICD) at the Federal Reserve Bank of Minneapolis, to directly address the specific capital access gaps detailed above, as of 2025, 65 percent of Native CDFIs provide business loans and 73 percent provide micro loans for businesses, and many (69 percent) also provide consumer loans to foster financial inclusion and economic activity in local communities. In addition, 29 percent of Native CDFIs provide mortgage loans – including U.S. Department of Housing and Urban Development Section 184 loans, which are designed to facilitate homeownership in Native American communities – and 39 percent provide home improvement loans.¹³ Meanwhile, a 2021 CICD study revealed that Native CDFIs help to substantially increase the credit scores of Native people “in credit distress.”¹⁴
- Uniquely positioned and equipped to cultivate Native homeownership:** In a compelling testament to the unique ability of Native CDFIs to help Native people become homeowners on tribal lands, in 2018 the USDA Section 502 Direct Home Loan Program’s demonstration project made two Native CDFIs eligible borrowers under the 502 Program and enabled them to relend to qualified families for the construction, acquisition, and rehabilitation of affordable housing on tribal trust land. The project resulted in those CDFIs doubling *in one year* the number of home loans that USDA had provided on two Indian reservations in South Dakota *during the previous decade* – which is why Congress is currently working in bipartisan fashion to make this program permanent and expand it nationally to enable all Native CDFIs to issue 502 loans.¹⁵
- An extraordinary and reliable return on investment:** According to the Treasury Department, investments made in CDFIs produce an eight-fold return, with each \$1 creating \$8 in private sector investments.¹⁶ CDFIs also are safe investments, with a loan default rate of 0.36% in 2023, roughly half the rate of traditional banks.¹⁷
- The resources don’t meet the growing demand:** Yet Native CDFIs remain significantly undercapitalized. For example, a 2024 NCN survey of 51 Native CDFIs found their projected three-year unmet loan capital needs collectively totaled \$8 billion.¹⁸ Meanwhile, in FY 2024, only 70% (\$43.2 million) of the total NACA Base-Financial Assistance (FA) funding requested by applicant Native CDFIs (\$61.6 million) was awarded by the CDFI Fund. Similarly, just 67% (\$3.7 million) of the total NACA Technical Assistance (TA) funding requested by applicant Native CDFIs (\$5.5 million) was awarded.¹⁹

Broad, Bipartisan Support for the CDFI Fund and Native CDFIs

The CDFI Fund and Native CDFIs specifically have long enjoyed the bipartisan support of Congress, which has long recognized the irreplaceable benefits that CDFIs generate for Americans who are looking to gain a toehold in our shared American economy. This is perhaps most strikingly evident in the Senate Community Development Finance Caucus, a growing bipartisan body of the upper chamber of Congress that now boasts 30 members – 15 Republicans and 15 Democrats. In a recent and resounding testament to the fact that CDFIs are *not* a partisan issue, last week 105 GOP members of Congress sent a letter to the Administration last week in support of CDFIs and the CDFI Fund, which declared that CDFIs “play an important role in supporting economic development in rural and underserved communities in our states. They enhance the viability of community development projects, especially in rural areas, by offering flexible financing tools such as longer loan terms and interest-only repayment periods” (see letter attached).

Reinforcing this message, also last week the Federal Reserve Board of Governors publicly stated that “through flexible underwriting, tailored lending, and deep community development relationships, CDFIs meet credit needs through good times and bad,” and “help fuel the revitalization of neighborhoods, small businesses, and local economies.” These institutions also have a “strong track record” for performance and results, and the “demand for their services continues to grow.”²⁰

Action Needed to Sustain Federal Support for Native CDFIs

Native CDFIs in particular embody the founding intent of the CDFI Fund: to provide *seed capital* that grows local economies. They serve rural and underserved communities that often lack access to mainstream financial institutions and traditional sources of credit. With a proven record of performance and community impact, Native CDFIs represent the ideal investment for this kind of catalytic seed capital – turning limited federal resources into lasting economic opportunity across Indian Country and beyond.

NCN and the nearly 100 Native CDFIs serving Indian Country call on Congress, the White House, the Office of Management and Budget, and the Treasury Department to continue its longstanding bipartisan support of Native CDFIs and the proven benefits they bring to Tribal Nations and communities by:

- considering convening an oversight hearing with OMB and Treasury officials to examine the implications of the CDFI Fund staffing reductions and assess their potential impact on low-income Native and rural communities that rely on Native CDFIs;
- maintaining the \$35 million funding level for the NACA Program in the final FY 2026 Appropriations package and ensuring the final FY 2026 Appropriations package includes sufficient funding for the CDFI Fund to support adequate staff to effectively administer the CDFI certification process and distribute NACA Program awards in a timely fashion; and

- supporting inclusion of Amendment #3732 – which features four provisions designed to grow the work of CDFIs including the expansion of the USDA 502 Native CDFI relending program – in the final National Defense Authorization Act package.

Conclusion: Native CDFIs Represent a Practical Fulfillment of the Federal Government’s Trust and Treaty Obligations to Tribal Nations

In closing, the United States fulfills its trust and treaty obligations to Tribal Nations in part through the provision of federal funding to Tribal Nations and Native organizations such as Native CDFIs that directly serve Tribal Nations and their citizens. The CDFI Fund and the NACA Program are *not* handouts – they are a practical fulfillment of those trust and treaty obligations, ensuring Native people have the same access to financial and economic opportunities as all other Americans. Native CDFIs are among the most efficient and impactful financial institutions in the nation, stretching limited resources to drive economic growth in some of the country’s most economically distressed communities, especially across rural America (the vast majority of Native CDFIs are based in and serve rural communities). They deserve the continued support of the federal government so they can continue their vital work, which can only happen if the action of October 10, 2025 and its overall plan to abolish the CDFI Fund are reversed.

NCN and Native CDFIs remain committed to working collaboratively with all branches of the federal government to achieve this goal and ensure that Native CDFIs can continue to catalyze economic and community development and growth across Indian Country. Thank you.

Sincerely,



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¹ Federal Reserve Bank of Philadelphia, *U.S. Bank Branch Closures and Banking Deserts*, February 2024, p. 9 (<https://www.philadelphiafed.org/-/media/FRBP/Assets/Community-Development/Reports/Banking-Deserts-Report-Feb-2024.pdf>).

² Center for Indian Country Development, *Understanding the Native CDFI landscape: A Center for Indian Country Development survey quantifies the shared practices and distinctive characteristics of Native Community Development Financial Institutions*, Federal Reserve Bank of Minneapolis, September 4, 2025 ([https://www.minneapolisfed.org/article/2025/understanding-the-native-cdfi-landscape#:~:text=Experience,average%20size%20of%20\\$5.7%20million](https://www.minneapolisfed.org/article/2025/understanding-the-native-cdfi-landscape#:~:text=Experience,average%20size%20of%20$5.7%20million)).

³ CDFI Fund, “Native Initiatives” webpage (<https://www.cdfifund.gov/programs-training/programs/native-initiatives>).

⁴ CDFI Fund, *CDFI Fund’s Native Initiatives Fact Sheet: Fostering Economic Self-Determination for Your Native Community (Updated)*, February 2020 (https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi7205_fs_ni_updatedfeb20.pdf).

⁵ Board of Governors of the Federal Reserve, Lael Brainerd. Modernizing and Strengthening CRA Regulations: A Conversation with the National Congress of American Indians, November 10, 2020. <https://www.bis.org/review/r201111b.pdf> (via webcast).

⁶ Federal Reserve Bank of Philadelphia, *U.S. Bank Branch Closures and Banking Deserts*, February 2024, p. 9 (<https://www.philadelphiafed.org/-/media/FRBP/Assets/Community-Development/Reports/Banking-Deserts-Report-Feb-2024.pdf>).

⁷ Native Nations Institute. *Access to Capital and Credit in Native Communities*. Tucson, AZ: Native Nations Institute, 2016, p. 94 (http://nni.arizona.edu/application/files/8214/6378/9056/Access_to_Capital_and_Credit_in_Native_Communities.pdf, accessed August 1, 2022); citing Native CDFI Network, “Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestment,” May 17, 2013.

⁸ Laura Cattaneo and Donna Feir, *The Higher Price of Mortgage Financing for Native Americans*, Working Paper Series No. 1906, Federal Reserve Bank of Minneapolis, September 17, 2019, p. 1 (<https://www.minneapolisfed.org/~media/assets/papers/cicdwp/2019/cicd-wp-201906.pdf>).

⁹ National Community Reinvestment Coalition, *Redlining the Reservation: The Brutal Cost of Financial Services Inaccessibility in Native Communities*, December 2023, p. 5 (<https://ncrc.org/redlining-the-reservation-the-brutal-cost-of-financial-services-inaccessibility-in-native-communities/>).

¹⁰ CDFI Fund, *Financing Native Leaders for Tomorrow: Native Initiatives Strategic Plan FY 2009-2014*, 2008, p. 3 (<https://www.cdfifund.gov/sites/cdfi/files/documents/native-american-strategic-plan.pdf>).

¹¹ Ibid.

¹² CDFI Fund, *Native American CDFI Assistance Program Award Book FY 2024*, p. 1 (https://www.cdfifund.gov/system/files/2024-11/NACA_Program_FY_2024_Award_Book_Final.pdf).

¹³ Center for Indian Country Development, “Understanding the Native CDFI landscape,” Federal Reserve Bank of Minneapolis, September 2025 (<https://www.minneapolisfed.org/article/2025/understanding-the-native-cdfi-landscape>).

¹⁴ Center for Indian Country Development, “Native CDFIs improve credit outcomes for Indian Country residents,” Federal Reserve Bank of Minneapolis, April 28, 2021 (<https://www.minneapolisfed.org/article/2021/native-cdfis-improve-credit-outcomes-for-indian-country-residents>).

¹⁵ Native CDFI Network, *NCN Joint Letter to Congress Supporting Tribal Rural Housing Access Act*, May 13, 2024, p. 2 (<https://www.nativecdfi.net/wp-content/uploads/2024/05/NCN-Joint-Letter-to-Congress-Supporting-Tribal-Rural-Housing-Access-Act-FINAL-5-13-24.pdf>).

¹⁶ Treasury Secretary Janet Yellen (Native CDFI Network (NCN), *Native CDFIs: Stepping Up to Serve Indian Country Through the Pandemic and Beyond*, Native CDFI Network, July 2021, p. 1 (<https://nativecdfi.net/wp-content/uploads/2021/09/NCN-Pandemic-Report.pdf>).

¹⁷ America’s Credit Unions, “STATEMENT from America’s Credit Unions on Secretary Bessent’s Clarification on the CDFI Fund,” March 18, 2025 (<https://www.americascreditunions.org/news-media/press-release/statement-americas-credit-unions-secretary-bessents-clarification-cdfi#:~:text=The%20CDFI%20Fund%20has%20demonstrated,practices%20and%20effective%20risk%20management>).

¹⁸ NCN, *NCN Market Demand Study*, April 2024.

¹⁹ CDFI Fund, *Native American CDFI Assistance Program Award Book FY 2024*, 2024 (<https://www.cdfifund.gov/media/8016696/download?inline>, accessed January 24, 2025).

²⁰ Federal Reserve Governor Michael S. Barr, October 22, 2025 (Nora Macaluso, “Fed’s Barr, in speeches, notes benefits of CDFIs, ‘Bank On’ program,” Vitallaw, October 23, 2025 (<https://www.vitallaw.com/news/community-development-fed-s-barr-in-speeches-notes-benefits-of-cdfis-bank-on-program/blw01bc940240c8d74e08b83ba5d1fcb7b76f?refURL=https%3A%2F%2Fwww.google.com%2F#>)).