



**Testimony of Elsie M. Meeks
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**To the Senate Committee on Indian Affairs
Oversight Hearing on Economic Development**

May 10, 2006

Chairman McCain, Vice-Chairman Dorgan, and distinguished members of the Committee, thank you for the opportunity to appear before you on behalf of First Nations Oweesta Corporation (Oweesta) and the Native Financial Education Coalition (NFEC). I appreciate your attention to the important issue of economic development in Native communities and the opportunity to share our perspectives on successful economic development models that build the private sector economy.

Organizational Context

My name is Elsie Meeks and, in addition to my role as Executive Director of Oweesta and Chair of the Native Financial Education Coalition, I am appearing before you as someone who has dedicated my life to the importance of private enterprise development in reservation communities. My journey began more than twenty years ago when we launched the Lakota Fund on the Pine Ridge Reservation with the mission of creating a private-sector economy through financing and capacity-building for entrepreneurship development. My commitment continues to this day through a range of experiences from being an entrepreneur myself, to my roles with Oweesta and NFEC.

First Nations Oweesta Corporation was launched in 1986 as the Oweesta Program and Fund of First Nations Development Institute (First Nations), a Native non-profit established in 1980 and engaged in a long-term effort to build healthy reservation economies. Oweesta incorporated in 1999 as an affiliate of First Nations with the goal of continuing and expanding its direct role in developing the assets of Native people and communities at the local level. Oweesta provides training, technical assistance, investments, research and advocacy for the development of Native Community Development Financial Institutions (NCDIFIs) and other support organizations in Native communities. As the only certified NCDFI intermediary in existence, our mission is to enhance the capacity of Native tribes, communities and peoples to access, control, create, leverage, utilize, and retain financial assets and; to provide access to appropriate financial capital

for Native development efforts. By focusing our efforts on reservations, traditional Indian lands, Hawaiian homelands, and Alaska Native villages, Oweesta has become the leading expert in meeting the needs of new, emerging and established NCFIs in Native communities across the country.

My testimony is also informed by my role as the Chair of the Native Financial Education Coalition. Oweesta's work to spearhead the coalition and my role as the Chair of NFEC, is a testament to our conviction that financial education is at the very foundation of effective economic development in all communities, and especially Native communities. The Coalition consists of local, regional, and national organizations, both Native and non-Native, working together to achieve the common goal of promoting financial education in Native communities. Started initially through the U.S. Department of the Treasury in 2000, the now-independent Native Financial Education Coalition has the mission to:

1. Increase awareness of the need for adequate personal finance skills in Native communities;
2. Build the capacity of Native governments and organizations to provide financial education; and
3. Support each other's efforts to promote financial management skills through information sharing and collaboration.

The Need for Credible Institutions

It is a truism of economic development theory that credible institutions are essential to successful development, yet most Native communities lack the nonprofit institutions that are taken for granted in urban and rural communities around the country and many lack a developed private sector economy. The situation is even more serious when it comes to mainstream financial institutions. According to the *Native American Lending Study (NALS)*, conducted by the CDFI Fund in 2001, 15 percent of Native communities are more than 100 miles from the nearest ATM or bank, and 86 percent of Native communities lack a single financial institution within their borders. The *National Strategy for Financial Literacy (NSFL)*, released last month, demonstrates that this problem persists to the present. The report explicitly identifies Native communities as underserved by financial institutions and in need of specific strategies to increase the availability of "financial services resources."

The lack of financial institutions poses a fundamental problem in accessing basic financial services but, perhaps more seriously, it makes business financing almost impossible to obtain. The *NALS* found that over 60 percent of respondents reported business loans were difficult (37 percent) to impossible (24 percent) to obtain. That rate rose to almost 70 percent with loans of \$100,000 or more. Analysis by *NALS* of investments in Native American and Native Hawaiian economies revealed a \$44 billion gap from those in the United States economy as a whole.

To address this need for strong financial institutions, Oweesta's main goal is to help Native communities to create NCFIs. These organizations are community based financing entities governed by representative boards that meet this need for accessible, affordable loans and other financial products that are often tied to intensive training and technical assistance. CDFIs have

been around for many years, but when Congress created the CDFI Fund under the Department of the Treasury back in 1994 there were very few established NCDFIs. In fact, before 2000 only five NCDFIs had received certification from the CDFI Fund. Today, as a direct result of Oweesta's work in partnership with the CDFI Fund, there are over 80 Native financial institutions in various stages of the development and certification process, including 36 certified NCDFIs. These institutions form the foundation to develop the private sector and lead the emergence of a nonprofit sector in reservation economies.

Strategies for Building the Private Sector Economy

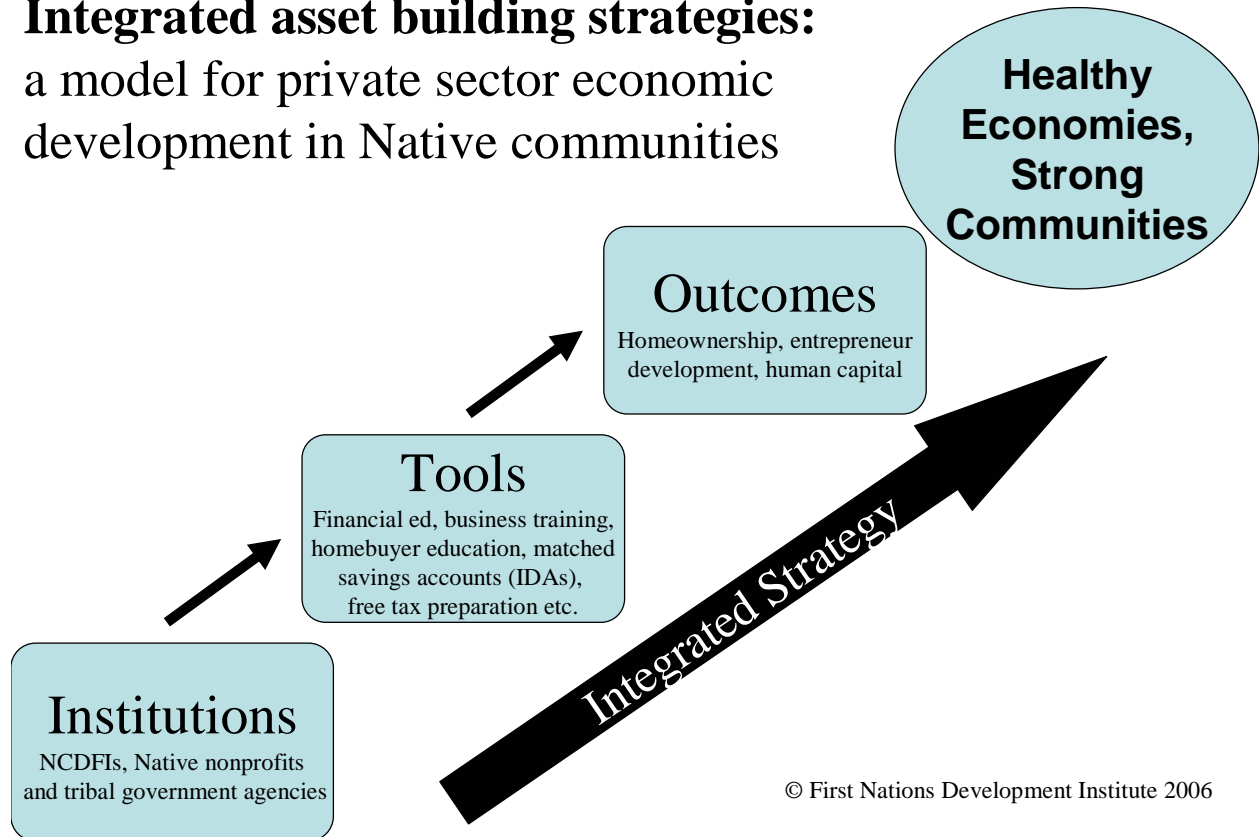
The graphic below explains “integrated asset building strategies” as a model for building stronger reservation economies and therefore stronger Native communities. The graphic itself was developed by our colleagues at First Nations Development Institute but it describes the work that Oweesta does, together with our national, regional, and local partners, every single day. It describes a proactive, holistic and long-term approach to the challenges of poverty in Native communities. One reason for this hearing is that many Americans seem to assume that Indian gaming has ‘solved’ the problems created by poverty in Native communities. However, as the members of this Committee know all too well, gaming has been a boon to only a small number of tribes and many Native people, regardless of income, still lack the basic resources to protect their financial future (even if their governments own profitable enterprises).

“Integrated asset building” is a term that was developed to describe what community-based organizations are *doing* in Native communities to address the challenges of poverty. The structure of the graphic is not unintentional. Strong institutions, particularly NCDFIs, are at the very foundation of successful, culturally appropriate economic development in Native communities. Many of these institutions are developing an integrated range of services including education (e.g. homebuyer education, business training) and financial products (e.g. Individual Development Accounts (IDAs), loans, checking and savings accounts), among others. These services are tools used by the institutions to engage tribal citizens and achieve desirable outcomes for Native individuals and families such as: homeownership, small business development, and increased human capital through access to post-secondary education. The circle in the upper right, ‘Healthy Economies, Stronger Communities,’ represents the fact that many of these institutions see their role as not just assisting individuals and families but building a healthier economy and stronger community.

An underlying foundation of all effective economic development, that is implied but not explicit in the graphic, is the role of financial education in preparing effective leaders and citizens in every sector of Native society. We cannot have effective tribal leaders if they do not have the information they need to make good financial decisions for themselves and their communities. We cannot have effective business leaders if they lack good financial management skills. We cannot have a vibrant nonprofit sector without leaders who are able to fundraise and manage money in a transparent and capable fashion. The NFEC recently signed a Memorandum of Understanding with the National Indian Education Association (NIEA) to emphasize our agreement with former Federal Reserve Chairman Greenspan's statement that “financial education is a process that should begin at an early age and continue throughout life” (quoted in

NSFL). Investments in youth financial education have been proven to positively impact parents and other community members and constitute a long-term investment in the future health of reservation economies and strength of Native communities. I regularly work with tribal and state leaders to emphasize the importance of financial education but I encourage the members of this Committee to take the initiative in preparing schools and community organizations, through funding for teacher training and program implementation, to integrate financial education concepts at all levels of K-12 education.

Integrated asset building strategies:
 a model for private sector economic
 development in Native communities



The Impact of Successful NCDFIs

South Dakota

The story of the Lakota Fund and the growth of NCDFIs in South Dakota illustrate the critical role of strong, independent institutions in improving the economic situation of Native communities. When the Lakota Fund began lending in 1986 we conducted a survey that revealed that 85 percent of our borrowers had never had a checking or savings account and 75 percent had never had a loan. Other challenges included: a lack of business experience as less than five percent of our borrowers had ever owned a business before; the fact that business ownership had

never been a part of Lakota culture; and the more contemporary perception that businesses should be owned by the tribal government, instead of by individual entrepreneurs.

In spite of these enormous barriers to success and in a context where we lacked a local support network, more than 20 years of operations at the Lakota Fund has led to over 600 loans, most ranging from \$1,000 – \$75,000, for a total of over \$3 million invested in reservation entrepreneurs. In addition, training, technical assistance, and marketing services have been offered to hundreds of Native business owners, including 1,600 arts and crafts micro-entrepreneurs. The loans and related services have leveraged significant private sector growth with businesses such as the Crazy Horse Construction company that has grown from one part-time subcontractor to a multi-million dollar company. The Big Bats Convenience Store is another example of tremendous success, and currently has over \$1 million in revenue. These businesses, together with many others that the Lakota Fund provides assistance to, have significantly impacted income growth and contributed to a decline in unemployment on Pine Ridge. Analysis by *South Dakota Business Review* in June 2003 began to quantify the impact of this work to develop a private sector economy on Pine Ridge. According to its analysis, since 1985 real per capita personal income in Shannon County (encompassing the Pine Ridge Reservation) grew by 80 percent compared to statewide growth of 44 percent. Furthermore, Shannon County's employment growth of 80 percent during the 1990s was the second fastest of all South Dakota counties.

Beyond direct services, the Lakota Fund played a central role in establishing the Pine Ridge Area Chamber of Commerce (PRACC). Over the past several years, the Lakota Fund has worked with PRACC and the Oglala Lakota tribal government to create and amend laws to provide a more conducive environment for the development of private enterprise on the reservation. Recent efforts to establish the Wawokiye Business Institute (WBI), in partnership with Oglala Lakota College and PRACC, have begun to build a permanent foundation for an improved culturally sensitive business environment on Pine Ridge.

The many years of hard work at the Lakota Fund have not gone unnoticed, as other Native communities in South Dakota, facing similar problems, have begun to see the critical role NCDFIs play in developing a private sector economy. On the Cheyenne River Reservation for example, Four Bands Community Fund (Four Bands), a certified Native CDFI, looked to the Lakota Fund for lessons learned in the development of their NCDFI. The organization was established in 2000 to meet the significant economic challenges facing the community. In just six years of operation, Four Bands has made 71 loans totaling \$322,974, helped create or retain 107 jobs on the reservation and graduated 103 people from their business training course. As part of their integrated strategy Four Bands offers basic financial education in local schools and has developed a youth entrepreneurship program to impart financial and business management skills to the next generation of Native leaders. In addition to Four Bands, there are at least seven other Native financial institutions in various stages of development in the state of South Dakota alone.

Arizona

Chairman McCain's state of Arizona is one of the leading states in the development and implementation of integrated asset building strategies in Native communities. Arizona is home to

11 Native financial institutions in various stages of development including Hopi Credit Association which has been in operation since 1952 and was among the first NCDFIs to receive certification from the CDFI Fund. Over the past five years, Hopi Credit has made loans totaling an average of \$1 million a year, leveraging off-reservation funding sources from private foundations, banks, the tribe, and the federal government. Navajo Partnership for Housing (NPH), a NCDFI established in 1996, with the goal of building a real estate market on and around the Navajo Nation, has generated over \$19 million in mortgage loans since they began. Almost \$17 million of that impact has come since they received certification in 2002. As a part of its work to prepare the Navajo people for homeownership, NPH has initiated a Navajo Nation-wide financial literacy campaign, offered homebuyer education classes to over 2000 community members, free-tax preparation services through the Volunteer Income Tax Assistance program of the IRS, and an Individual Development Account (IDA) program that provides match dollars and financial education to aspiring homebuyers.

As I described in reference to my own state of South Dakota, successful models lead to even more successful models when other communities realize how NCDFIs act as catalysts for economic growth in their community. For example, the Salt River Pima Maricopa Indian Community has recently launched a CDFI. They combined the success and lessons learned of lending through its Housing Division and the desire and needs of Community members to create and start new businesses. Through joining business and mortgage lending and combining it with financial education, community members will have the support and coaching necessary to expand entrepreneurship and address housing needs. The ‘ripple effect’ of NCDFIs reverberated at Salt River when the executive director of the Citizen Potawatomi Community Development Corporation (CPCDC), a certified NCDFI in Oklahoma, was invited to explain to the Salt River Tribal Council the impact an NCDFI had on their community. This partnership led to successful passage of a resolution of support for the creation of the NCDFI at Salt River.

A broader example of efforts to build Native communities’ interest and awareness in integrated asset building strategies is the newly launched Arizona Native Assets Coalition. NPH, Hopi Credit and Salt River Housing Division, in addition to numerous other Native nonprofits, tribal agencies, and non-Native organizations, are involved in this Coalition composed of organizations seeking to provide peer-mentoring and networking opportunities to build interest in asset building strategies like NCDFIs throughout the state. This infrastructure is present because Arizona is home to 20 percent of the nation’s Native Individual Development Account (IDA) programs, one of the highest numbers of Native financial institutions and an innovative Volunteer Income Tax Assistance program run by the Inter Tribal Council of Arizona in several reservation and urban communities.

The states and programs I have discussed just scratch the surface of the impact NCDFIs and integrated asset building strategies are having in Native communities around the nation. Indeed, few (if any) states represented by Senators on this Committee are without a certified NCDFI and/or other Native financial institution currently in development. None are without at least one credible Native institution seeking to develop integrated asset building strategies for the benefit of individuals, families and tribes that positively impact the economic health of the entire state that each Senator on the Committee represents.

Individual Development Accounts (IDAs) – A Tool for Engaging Future Entrepreneurs

IDAs are matched savings accounts utilized by NCDFIs and other Native organizations as a tool to engage future entrepreneurs, provide start-up capital and prepare them for successful business ventures. IDA programs are generally funded by public and private sources to offer low- and middle-income people assistance in reaching their goals of homeownership, entrepreneurship, post-secondary education, and other appreciable assets. Participants in IDAs attend financial education classes and receive match dollars to encourage positive savings and provide capital to meet financial goals that are otherwise unattainable. The match is generally at least one dollar for every dollar saved, but is often more than that. The only dedicated federal funding source for IDAs, the Assets For Independence (AFI) program, explicitly excludes tribes from receiving direct funding.

NCDFIs, Native nonprofits, and tribal government agencies have successfully modeled this asset building strategy to the benefit of over 1000 savers since the first Native IDA program in 1998. In spite of their inability to access AFI program dollars, Native IDA programs have been able to access some federal funding, primarily from the Department of Housing and Urban Development. Successful programs have also leveraged federal investments to access a range of funding from private foundations, tribal and state governments. Partially because of this funding reality, more than half of Native IDA graduates use their savings to purchase or repair their home. While these housing programs meet a critical need in Native communities, the lack of direct access to federal IDA funding that can support aspiring Native entrepreneurs unnecessarily restricts the Congress's investment in healthy reservation economies.

Necessary Congressional Action to Partner with Native Communities

This testimony follows closely on a successful Capitol Hill policy briefing held by the Native Financial Education Coalition on April 27, 2006. I am submitting a copy of the policy brief, presented at the briefing, that I would like to enter into the record along with my formal testimony. The brief identifies five policy priorities, some of which I have covered during my testimony. Those priorities are:

1. Institutions
2. Youth financial education
3. Individual Development Accounts (IDAs)
4. Predatory Lending
5. Earned Income Tax Credit (EITC) and Free Tax Preparation

Specifically, in light of the ongoing impact of NCDFIs and their capacity to leverage private and other non-federal dollars to develop reservation economies, I thank many members of the Committee who have already endorsed the 'Dear Colleague' letter, circulated by Senator Santorum and Senator Menendez, that supports the restoration of the CDFI Fund's appropriation to \$80 million in FY07. I urge all the members of this Committee to endorse this important investment and to support the restoration of Native American Initiative funding, within the \$80 million, to \$6 million. More broadly than that, I also invite the Committee to partner with tribal

governments, Native nonprofits, and Native-owned businesses to support the growth of healthy reservation economies through important government programs like the CDFI Fund.

The NFEC policy brief also recommends that the Congress amend the law to allow tribes to apply directly for IDA funding through the AFI program. It further recommends the creation of a Native set-aside to fund IDA programs that serve Native communities. This strategy has been very successful at the state level and in other federal funding programs. I urge the members of the Committee to work with NFEC, First Nations Development Institute, and other partner organizations to see Native communities more effectively served by federal IDA funding sources.

My testimony has highlighted the long-term nature of the challenges facing Native communities. Long-term problems require long-term solutions, and I believe there are few better investments in the future vitality of Native economies and communities than funding youth financial education. There is much to be said about opportunities for members of the committee to support youth financial education. In the limited time I have available I simply point you to the two recommendations of the NFEC policy brief that Congress:

1. Support vehicles, like Children's Savings Accounts, that encourage young people to develop financial skills and save for durable assets.
2. Provide adequate funding for schools and other programs to develop and implement youth financial education that is culturally appropriate and effective in imparting pertinent financial management lessons.

In concluding my remarks, I want to emphasize that the institutions and strategies I have described are not ends in and of themselves. The CDFI Fund is not just another 'program' that wants more funding. It is a critical federal initiative that supports the development of credible institutions that build the private enterprise sector of reservation economies and provide leadership to the emerging nonprofit sector. CDFIs are a proven model and a worthwhile investment in the future of reservation economies. The Congress has an opportunity to restore that investment and to further invest in successful tools like IDAs that provide much needed capital and prepare Native people to become owners of assets like homes and businesses. Youth financial education is perhaps the most obviously productive investment that will resonate for generations to come. I urge you to support increased funding to prepare all Americans, and Native people particularly, for successful economic futures.

I would like to commend the Committee for its commitment to Native communities and particularly the issue of economic development and strategies for building healthy reservation economies and stronger Native communities. Thank you for the invitation to testify, and I welcome any questions you might have.

(Attachment: NFEC 2006 Policy Brief)