

**Hearing on “Economic Development: Encouraging Investment in Indian Country”
Dennis Nolan, Acting Director, CDFI Fund
Testimony before the U.S Senate Committee on Indian Affairs**

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Good afternoon, Chairman Tester, Vice Chairman Barrasso, and distinguished members of the Senate Committee on Indian Affairs. My name is Dennis Nolan, and I am the Acting Director of the Community Development Financial Institutions Fund (CDFI Fund). I am very pleased to have this opportunity to join you today and to speak about the CDFI Fund’s efforts to promote economic development in Indian Country.

The CDFI Fund’s work in Indian Country is born of an awareness that Native communities all across the nation continue to face extraordinary economic challenges that limit access to capital. However, while the CDFI Fund is well aware that Native people continue to face daunting challenges, we also recognize that there is another story to be told about the economic life of Native communities—a story that is far more positive and far less widely reported.

This story is one of progress. More and more Native communities are promoting sustainable economic development that is fostering greater opportunities and transforming the lives of their people.

I am proud to report that this story is one that the CDFI Fund is helping to write.

The CDFI Fund’s Commitment to Native Communities

The CDFI Fund’s commitment to serving Native communities has its origins in the creation of the CDFI Fund itself and is deeply rooted in the CDFI Fund’s mission and vision.

The CDFI Fund was established by Congress with the passage of the Riegle Community Development and Regulatory Improvement Act of 1994, a bipartisan initiative. Our mission is to promote economic development in disadvantaged communities throughout the United States. We accomplish that goal not by providing direct funding to individuals or projects, but by certifying and providing financing and capacity-building services to non-governmental entities called Community Development Financial Institutions or CDFIs.

CDFIs are specialized financial institutions dedicated to serving low-income communities. There are several different types of CDFIs, including loan funds, community development banks, credit unions, and venture capital funds. All of them have the primary mission of serving communities and individuals that lack access to credit and other financial services from mainstream financial institutions.

Soon after the CDFI Fund’s creation, we began a comprehensive multi-year study of lending and investment practices on Indian reservations and other land held in trust by the United States. In

2001, the CDFI Fund published the landmark *Native American Lending Study*¹. The *Study* concluded that one of the key reasons for the lack of economic opportunity in Native communities was the lack of access to capital and financial services. The *Study* identified 17 major barriers that limit access to capital in Native communities and offered a variety of recommendations to address them. Those recommendations became the blueprint for the CDFI Fund's Native Initiatives.

The Native Initiatives have two main components. The first is the Native American CDFI Assistance Program (NACA Program), a funding program that provides financial assistance and technical assistance awards to build and expand the capacity of Native CDFIs. Financial assistance awards, used primarily for financial capital, are available only to entities that have been certified as Native CDFIs. In contrast, technical assistance grants are available to certified Native CDFIs, emerging Native CDFIs, and sponsoring entities. Sponsoring entities are unique to the NACA Program. Usually tribes or tribal entities, sponsoring entities create and support fledgling Native organizations as they move toward CDFI certification. Technical assistance grants are often used to acquire products or services including computer technology, staff training, and professional services such as market analysis, and support for other general capacity-building activities.

Since it was launched in 2001, the NACA Program has provided awards totaling more than \$93 million to help Native CDFIs deliver financial services and financial products to their communities. What started as just a few Native CDFIs ten years ago has now grown to 68 Native CDFIs headquartered in 21 states. This growth was provided with extra support following the financial crisis when Congress waived the matching funds requirement for financial assistance awards from fiscal year 2009-2013.

The second component of the Native Initiatives is a series of training initiatives that further support the development of Native CDFIs. For example, we have recently launched Part II of a training series called *The Leadership Journey: Native CDFI Growth & Excellence*. The highly successful first part of the program provided training to 16 experienced Native CDFIs. Part II builds upon that success and offers a new cohort of 13 Native CDFIs in-person training events, along with continuous customized technical assistance, executive coaching, and peer mentoring over two years. Between *The Leadership Journey* I and II, we have provided over 2,000 hours of direct one-on-one capacity building efforts.

In addition, we have created a resource bank on our website that makes training curricula and reference materials used in a number of our training programs available to all Native CDFIs at no cost. Materials from Part II of *The Leadership Journey* series will be added to the resource bank as well, so even more Native CDFI leaders will have access to this outstanding training program.

In addition to providing financial assistance and training for Native CDFIs through the NACA Program, the CDFI Fund is committed to conducting comprehensive research to evaluate economic issues in Native communities. I mentioned the CDFI Fund's *Native American Lending Study*, published in 2001. In 2013, we began working on a new lending study called *Access to*

¹ Study: http://www.cdfifund.gov/docs/2001_nacta_lending_study.pdf

Capital and Credit in Native Communities, which will provide detailed analysis to support new, actionable recommendations for improving access to capital and credit in Native communities. The CDFI Fund has solicited comments from Indian Country to help shape this new study, and has conducted seven tribal consultations and numerous interviews with individuals and local, regional, and national Native organizations. The study will examine such topics as financial education, Native entrepreneurship, housing, tribes and tribal enterprises, and legal institutions, among others. We expect the study to be completed by the end of 2014.

I will briefly mention two other CDFI Fund programs that are helping Native communities.

In 2013, we launched our new CDFI Bond Guarantee Program, an innovative initiative designed to inject substantial, long-term capital into our nation's most distressed communities, including Native communities. We are working closely with Native organizations to identify financial structures that will enable the CDFI Bond Guarantee Program to serve Native communities most effectively. We have already developed a case study to demonstrate some of the ways that Native CDFIs can participate in the program. This case study was presented at all outreach and training sessions during the FY 2014 round to highlight successful ways the CDFI Bond Guarantee Program can serve Native communities.

In addition, our New Markets Tax Credit Program (NMTC Program) continues to attract new investment capital to Native communities. The purpose of the program is to promote investment in low-income communities by permitting individual and corporate investors to receive a federal tax credit in exchange for making equity investments in specialized financial institutions called Community Development Entities. The NMTC Program is the most competitive program the CDFI Fund administers, and it includes a statutory requirement that non-metropolitan counties receive a proportional allocation of tax credits, helping to ensure that Native communities receive NMTC investment. From 2004 to 2012, NMTC Program investments in Native Communities totaled almost \$600 million.

The CDFI Fund's Impact in Native Communities

There is clear evidence that the CDFI Fund's programs promote economic development in Native communities². From 2004 to 2012:

- Native CDFIs that received NACA Program awards made over 15 thousand loans totaling \$365 million in Native communities;
- Certified CDFIs that received awards from the CDFI Fund made almost 7,000 loans and investments totaling \$184 million in Native communities; and
- Native CDFIs reported that their loans and investments created or retained more than 2,000 jobs.

²Data includes Native American areas that are federally-designated Native American reservations, Hawaiian homelands, Alaska Native Villages, and U.S. Census Bureau designated Tribal Statistical Areas.

While these are impressive statistics, we at the CDFI Fund believe that the true impact of our programs cannot be measured by numbers alone, because our work is not just about creating programs and offering services. Our work, and the work of every Native CDFI, is about changing lives and building stronger, more resilient communities.

Here is an example of what I mean.

Four Bands Community Fund, in Eagle Butte, South Dakota, is a Native CDFI that was founded in 2000 to serve the Cheyenne River Sioux Indian Reservation—a territory in rural western South Dakota that is the size of Connecticut and has some of the highest poverty rates in the nation. Four Band Community Fund’s programs are based on *Icahya Woecun*, a traditional Lakota model that translates as “the place to grow,” and focus on providing loans and training to develop private businesses for the reservation.

Since 2001, Four Bands has received 11 financial assistance and technical assistance awards totaling \$4.6 million from the CDFI Fund. From 2000 to 2013, these awards enabled Four Bands to provide 278 credit builder loans and 433 business loans to their community that created or retained 440 jobs. In addition, Four Bands has provided business and financial literacy training to students, prospective entrepreneurs, and other individuals throughout the community.

Among the nearly 5,000 clients that Four Bands has served is Aaron Runs, who used his Credit Builder Loan as a stepping stone to homeownership. As a father of five, Aaron wished to make a permanent home that his children would enjoy, but he knew his credit score was a barrier in reaching that goal. He decided to use the Four Bands Credit Builder Loan to consolidate and pay off multiple debts and was able to increase his credit score by an astounding 90 points in the first year. He now owns a four bedroom home that his children can enjoy.

This is just one of the countless success stories that the CDFI Fund and Native CDFIs are helping to write each year. Together, we are expanding economic opportunity and building stronger and more self-sufficient Native communities.

Conclusion

While we are mindful that these communities still face many challenges, we know that they are resourceful, resilient and capable, because we have seen what can be accomplished. And so we are more committed than ever to serving Native communities and expanding access to capital to those places where access to opportunity is needed most.

On behalf of everyone at Treasury and the CDFI Fund, I would like to express our gratitude to the important work of this Committee, and I look forward to continuing to work with you in the future.

Mr. Chairman, this concludes my formal statement, and I will be happy to answer any of your questions.