



Financial Products and Services for Native Communities:

Landscape and Policy Recommendations

I. Overview

Earlier this year, the U.S. Department of the Treasury's (Treasury) Office of Financial Institutions Policy and Office of Tribal and Native Affairs (OTNA) hosted a roundtable with a wide variety of stakeholders representing Native communities, advocates, and the financial sector, seeking feedback and information on the relationship between financial institutions and Native communities.¹ As a result of that roundtable and subsequent conversations with Tribal leaders and other stakeholders, Treasury has developed this policy overview to discuss challenges that Native communities are facing in accessing financial services and make recommendations to address those challenges.

Native Americans have long experienced barriers to accessing financial services. Over 12% of American Indian or Alaska Native households are unbanked, substantially higher than the 4% national average.² Native Americans live further from banks and ATMs than the average American, are more likely to have lower credit scores, and are more likely to pay higher interest rates on personal credit and mortgages.³ Additionally, Native Americans face much higher rates of uninsured homeownership, with an estimated 22% of Native Americans having no homeowners insurance compared to the national average of 7.4%.⁴ Though there has been progress in mitigating these dynamics through the development of Native-owned and operated financial institutions, additional action is needed from the public and private sectors to strengthen access to financial services and capital.

Native communities are underserved for many reasons, including legal and geographic challenges. As a threshold matter, many financial institutions may be unfamiliar with Tribal legal

¹ The roundtable and drafting of this note were led by Deputy Assistant Secretary Jeanette Quick, Fellow Jack Ginsberg, and Detailee Casey Laxton as well as staff from the Office of Tribal and Native Affairs, Federal Insurance Office, Office of Consumer Policy, Office of General Counsel, Office of Community and Economic Development, Office of Capital Access, Equity Hub, and the Community Development Financial Institutions Fund.

² Federal Deposit Insurance Corporation, *2023 FDIC Survey of Underbanked and Unbanked Households* (updated Nov. 14, 2024), available at <https://www.fdic.gov/household-survey>.

³ National Community Reinvestment Coalition, *Redlining the Reservation: The Brutal Cost of Financial Services Inaccessibility in Native Communities* (Dec. 2023), available at <https://ncrc.org/redlining-the-reservation-the-brutal-cost-of-financial-services-inaccessibility-in-native-communities/>.

⁴ Consumer Federation of America, *Exposed: A Report on 1.6 Trillion Dollars of Uninsured American Homes* (March 11, 2024), available at <https://consumerfed.org/reports/exposed-a-report-on-1-6-trillion-dollars-of-uninsured-american-homes/>.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

systems or property rights, or may be reticent to offer services due to those legal and geographic barriers. Specifically, the types of Native collateral that may be used to underwrite mortgages, small business loans, or consumer loans may not be aligned with traditional financial institution underwriting practices. For example, some roundtable participants noted that the trust status of Tribal land generally limits its use as collateral. Additionally, many reservation-based communities have secured transaction laws that are not consistent with non-reservation based communities' secured transaction laws, leading to lender uncertainty about personal property collateral.⁵ Difficulties related to staffing, employee retention, and high construction costs can also discourage traditional financial institutions from establishing branches on Tribal land.⁶ Further, uncertainty about forms of proper identification may result in barriers to financial services for Tribal residents. Tribal lands may also lack digital infrastructure, making it harder for Tribal citizens to access critical financial services through high-speed internet or mobile phones.

Through the publication of this note, Treasury encourages financial institutions, including banks, credit unions, fintechs, insurance companies, and others, to evaluate how they are serving Native communities and to strengthen their commitments to provide financial products and services to Tribal citizens and Native communities. This publication offers recommendations for further work and research. The specific recommendations supplement the broader National Financial Inclusion Strategy released by Treasury earlier this year, which similarly urges financial institutions to evaluate opportunities to improve services for communities with limited financial access across a range of categories.

Treasury also administers programs, such as the Community Development Financial Institutions Fund Native Initiatives, the Emergency Capital Investment Program, and the State Small Business Credit Initiative (SSBCI), which work to address some of the issues that Native communities face. Treasury is also aware of various significant initiatives and dedicated programs outside of Treasury,⁷ which this publication generally does not detail or evaluate. Instead, this publication focuses on the barriers and opportunities for financial institutions to address these challenges.

⁵ CDFI Fund, *New Markets Tax Credit Investments in Native Areas: Selected Case Studies and Best Practices* (Sept. 2023), available at https://www.cdfifund.gov/sites/cdfi/files/2023-10/CDFI_NMTC_NI_Case_Study_Report_Final.pdf; see also Office of the Comptroller of the Currency, *Commercial Lending in Indian Country: Potential Opportunities in a Growing Market* (Feb. 2016), available at <https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-insights/pub-insights-feb-2016.pdf>.

⁶ CDFI Fund, *New Markets Tax Credit Investments in Native Areas*.

⁷ Examples include loan guarantee programs through the Department of Housing and Urban Development (HUD), the Department of Agriculture (USDA), and the Department of the Interior's Bureau of Indian Affairs (BIA); Tribal-focused initiatives at the Small Business Administration's (SBA) Office of Native American Affairs, the Office of the Comptroller of the Currency's (OCC) Project REACH, the Federal Reserve Bank of St. Louis's Native Economic and Financial Education Empowerment (NEFEE) program, the Federal Reserve Bank of Minneapolis's Center for Indian Country Development (CICD), and other work across the Federal Reserve Banks; and state-led forums such as the National Association of Insurance Commissioners' (NAIC) American Indian and Alaska Native Liaison Committee.



II. Key Issues

Participants in the roundtable highlighted several challenges in accessing financial services, including the ability to establish bank accounts, obtain credit as individuals or small businesses, acquire homeowners insurance, and open investment accounts.

Several participants noted that banks operate limited bank branches in their Native communities, which has impacted many Tribal citizens' ability to access credit or other banking services. A recent report noted that 60% of loans made to small businesses are made by banks within 10 miles of the borrower; 75% of loans are made by banks within 25 miles of the borrower.⁸ Physical proximity to banks is crucial to capital and credit access.

Participants also suggested that the few bank branches that do operate in Tribal areas are ill-equipped to deal with the needs of Native borrowers. Some participants noted that a common form of identification – a Tribal identification – was not accepted by banks as a valid form of government identification. Roundtable participants further noted that certain banks routinely do not extend credit to Native borrowers – both individuals and small businesses – because of apprehension surrounding complex legal standards as applied to collateral and employment in Tribal areas. This can result in Native borrowers being unable to develop a credit history and create a substantial impediment in one's ability to open a small business, make home renovations, finance a home, or purchase automobiles.

Additionally, several attendees discussed an absence of trust in the financial system among Native Americans due to historic experience with high-interest financial products and negative experience with financial institutions or the federal government. The historic relationship and treatment of Tribes and Tribal citizens in the United States has contributed to these communities being underserved by the financial system.

Participants noted that certain federal government measures have led to positive movement in expanding access to financial services. For example, attendees pointed out that the existence of a Native-owned and operated loan fund on one reservation led to the expansion of capital and credit access for small businesses and revitalized the community. However, several participants also noted that there is a need to improve the offering of technical assistance to Native-owned small businesses.

Roundtable participants discussed the lack of affordable mortgage options due to a lack of access to banking services and an inability to use trust land as collateral. Relatedly, some participants expressed concerns related to mortgages being able to be sold into the secondary market, which can be a barrier for financial institution offerings on Tribal lands. Participants noted challenges in being able to access homeowners insurance due to the unique characteristics of trust land, as well as climate impacts on Native communities. Participants also noted that some insurance brokers do not operate on Tribal lands, which can make obtaining insurance more challenging. Participant feedback related to homeownership aligns with recent research published by the

⁸ Bipartisan Policy Center, *Small Businesses Matter: Increasing Small Business Access to Capital in the Digital Age* (April 29, 2024), available at <https://bipartisanpolicy.org/report/small-businesses-matter-capital-access/>.



Consumer Financial Protection Bureau (CFPB), which found “significant disparities in home loan prices between Native Americans...and whites.”⁹ According to the CFPB, much of this is driven by using home-only loans – loans not secured by land. But the CFPB found that the offering of home-only loans on Tribal lands due to differences in property rights does not fully explain the greater reliance on home-only loans by Native American borrowers. According to the report, the average rate spread paid by a Tribal lands borrower is approximately 204 basis points higher than that of an off reservation white borrower.¹⁰

Further, many participants noted the lack of financial education in Native communities and highlighted ways in which they are trying to address financial literacy and education within their communities.

III. Recommendations

A) Sustain and Increase Investments in Federal Programs that Support Native Access to Capital

The federal government provides capital support access to Native communities through one-time and annual programs that span several agencies, including the Treasury. For example, Treasury directly supports the growth of community financial institutions that serve Native communities through the certification and funding of Native American Community Development Financial Institutions (Native CDFIs). Treasury’s Native American CDFI Assistance Program (NACA Program) annually provides Financial Assistance and Technical Assistance awards to Native CDFIs through a competitive process. Financial assistance awards can be used for lending capital, loan loss reserves, capital reserves, financial services, and certain development services that collectively increase access to consumer and small business capital for Native communities. Since the NACA Program was launched in 2001, the CDFI Fund has provided nearly \$270 million in FA and TA Awards and the number of Certified Native CDFIs has increased from 14 to 64.

In addition to this annual program, Treasury provides one-time direct funding to Tribal governments to operate small business financing programs through the State Small Business Credit Initiative. Reauthorized in the American Rescue Plan Act, SSBCI is the largest one-time federal investment in Tribal small business financing. To date, Treasury has approved applications for over \$500 million to over 200 Tribes, which is expected to result in up to five billion in additional financing to support Native entrepreneurs and small businesses. Treasury also provides Tribes with SSBCI funding to provide technical assistance to Tribal entrepreneurs.

Tribal economies are uniquely affected by the federal government due to the federal trust and treaty relationship. Because of private sector reticence, federal programs that provide direct funding to Tribes and Native entities to combine multiple sources of capital are critical to the

⁹ Helen Banga, Donn Feir, and Matthew T. Gregg, *Understanding the Unequal Costs of Native American Homeownership*, CFPB Office of Research Working Paper Series 2024-03 (March 2024), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4758733.

¹⁰ *Id.*



development of accessible and sustainable debt financing and equity capital on Tribal lands and within Native communities.

B) Pursue Recommendations Highlighted by the National Financial Inclusion Strategy

As part of the developing the inaugural National Strategy for Financial Inclusion in the United States, Treasury's Office of Consumer Policy and OTNA met with Tribal and Native Leaders, including through a public meeting of the interagency Financial Education and Literacy Commission. This conversation highlighted the need to improve financial access for Native communities, improve the financial resilience and well-being of Native communities, and increase wealth-building opportunities for Native communities. The Strategy offers several solutions to expand financial inclusion, and several are particularly worthy of consideration to assist Native communities.

Examples from the Strategy include recommendations that financial institutions should:

- promote access to transaction accounts and expand the availability of free and low-cost accounts that are affordable and tailored to meet the needs of underserved communities
- expand the responsible use of consumer-permissioned alternative data to expand credit access to consumers with limited or no credit history
- Expand the use of special-purpose credit programs, authorized in federal fair lending laws to provide targeted support to underserved communities

The Strategy also included recommendations that the federal government should:

- strengthen ability of financial institutions to offer Special Purpose Credit Programs targeted at specific communities to provide low dollar loans at lower rates
- ensure that federal benefits are provided with equity in mind and in a manner with minimal fees and easy opportunities for application and use of benefits
- rigorously enforce consumer protection and fair lending laws to ensure that financial products and services are developed and offered in a safe, transparent, and fair manner

C) Expand Responsible Financial Services on Native Lands

Treasury suggests that financial institutions consider expanding their footprint to open branches, place ATMs, or offer additional financial services on Tribal land. Examples of additional services include unstaffed automated facilities that allow for the processing of deposits, withdrawals, and loan proceeds, or loan and/or deposit production offices.¹¹ As highlighted by academic research and the feedback of roundtable attendees, physical proximity to bank branches often has a positive impact on both access to financial products and services and stronger financial literacy and awareness as to how to engage with the financial system.

¹¹ Office of the Comptroller of the Currency, *A Guide to Tribal Ownership of a National Bank* (Sept. 2002), available at <https://www.occ.gov/publications-and-resources/publications/comptrollers-licensing-manual/files/pub-guide-to-tribal-ownership-national-bank.pdf>.



Regulatory clarity and education may assist financial institutions in expanding offerings in Native communities. Treasury encourages the financial regulators to continue providing education on complex issues related to Tribal finance that are within their remit.¹² While a variety of lenders support a range of industries like hospitality, agriculture, and housing in Tribal areas, many lenders without Tribal experience remain wary of transactions in Native communities and additional education may help address this hesitancy. Additionally, Treasury recommends additional study on the financial services aspects of federal-Tribal relations, which may leverage work that can be done by federal government agencies, state and local governments, nonprofits, advocacy groups, law schools, and policy institutes. While certain areas might fall outside of the remit of financial regulators, Treasury encourages other federal and state government agencies to investigate how they can better serve Tribal communities.

Banks are evaluated by their federal supervisors on their record of meeting the credit needs of their communities.¹³ This evaluation is intended to incentivize bank lending in low- and moderate-income areas, including Tribal lands. Banking regulators have identified a number of opportunities for banks to provide support to the underserved segments of their communities. For example, some investments or activities in partnership with Tribal-owned financial institutions or low-income credit unions may qualify.¹⁴ Treasury encourages banks to work with their supervisors where there are questions about whether a particular investment or activity will be included in the evaluation of the bank. Additionally, for banks interested in increasing their involvement within Tribal areas, a variety of matchmaking opportunities may exist through the Office of the Comptroller of the Currency (OCC)'s Project REACH.¹⁵

D) Increase Technical Assistance to Native-owned Small Businesses

Treasury also suggests enhanced technical assistance to Native-owned small businesses to support access to capital. One of the most repeated comments at the roundtable was that many Native small business owners have trouble navigating the financial system. Increasing the availability of small business technical assistance by encouraging further development of already existent financial institution-led educational programs would significantly expand the ability of Native-small business owners to increase their operations, provide well-paying jobs, and further develop the rich cultural landscape of Tribal lands.

¹² See, e.g., Office of the Comptroller of the Currency, *Commercial Lending in Indian Country: Potential Opportunities in a Growing Market* (Feb. 2016), available at <https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-insights/pub-insights-feb-2016.pdf>.

¹³ Community Reinvestment Act of 1977, Pub. L. No. 95-128 (1977).

¹⁴ See, e.g., 12 C.F.R. § 25.21(f) (March 29, 2024); OCC *supra* note 16.

¹⁵ The OCC's Project REACH connects banks with a variety of stakeholders, including Tribes, to promote financial inclusion through a number of Working Groups. Those interested in joining a Working Group should contact Project REACH at REACH@occ.treas.gov.