Financial Education and Capability in Native Communities

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Financial Capability in Native Communities: Why Does it Matter?

If the incomes in the US and in these Indian areas grow steadily at the rates they each experienced from 1990 through 2010, in about 2054, the per capita incomes would converge.

Source: Akee and Taylor, Databook, 2014.
ACCESS TO CAPITAL AND CREDIT IN NATIVE COMMUNITIES: A DATA REVIEW

Note: The number of Native CDFIs reporting on development service activities ranges from 24 to 32.

Sources: CDFI Fund Institution Level Reports 2006-2011.

Of the six years evaluated at least 70 percent of reporting Native CDFIs provided programing in these areas. Homeownership counseling and business TA are not far behind—half or more of the reporting Native CDFIs offered these services over the years 2006 to 2011. Approximately 40 percent of the reporting Native CDFIs offered housing TA in each year evaluated, but not more than 25 percent (and usually fewer) offered real estate TA.

Of course, Native CDFIs' core activity is lending. For the period 2004 to 2012, Native CDFIs that received NACA awards made over 15,000 loans totaling $365 million (Nolan 2014), indicating an average loan size of $24,300. More detailed loan origination information for the period 2003 to 2011 shows average annual loan values ranging from $30,200 in 2007 to $13,700 in 2011. In other words, loans made by Native CDFIs are relatively small.

While these values likely reflect Native CDFIs' limited loan capital (more below), they also reflect Native CDFIs' customer bases. Market studies—and the development services summary above—attest that most Native CDFIs serve customers with significant but lower-value capital and credit needs. In response, Native CDFIs may offer smaller loans, such as credit-builder and “get-out-of-debt” loans, which are intentionally designed as steppingstones in the process of building client financial capability and assets.

These products help borrowers consolidate debt obligations, escape recurrent borrowing from predatory lenders, access lower interest rates, and establish or repair credit, combining lending with education so that clients are better able to manage their finances and future credit needs.

Source: CDFI Fund Institution Level Reports.
Expansion & Specialization

• In 2000, most tribes and tribal organizations surveyed for the Native American Lending Study said there was NO financial education available in their community
  - To the extent that anything was available, it was homebuyer education
  - Credit counseling was identified as a particular need
• By 2014, 62% of 226 surveyed tribes and Native organizations offered financial education
  - Products like *Building Native Communities* have been critical
  - “Relevant” products have been critical
Three highlights

- Business start-up and expansion education & coaching
- Credit counseling and homeownership
- Managing large payouts from settlements or distributions
Need: More Native Entrepreneurs

NUMBER OF BUSINESSES

<table>
<thead>
<tr>
<th>ACTUAL VALUE</th>
<th>258,000</th>
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<tbody>
<tr>
<td>ESTIMATED VALUE</td>
<td>438,600</td>
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GROSS RECEIPTS

<table>
<thead>
<tr>
<th>ACTUAL VALUE</th>
<th>$38.5 Billion</th>
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<tbody>
<tr>
<td>ESTIMATED VALUE</td>
<td>$261.8 Billion</td>
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SELF-EMPLOYMENT

<table>
<thead>
<tr>
<th>ACTUAL VALUE</th>
<th>138,472</th>
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<tr>
<td>ESTIMATED VALUE</td>
<td>247,792</td>
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Note: Proportionality is with respect to Native Americans’ representation in the U.S. population. Source: U.S. Census 2007 Survey of Business Owners.
Four Bands Community Fund demonstrates the power in coaching to enhance business-oriented financial capability
Need: Progress on Homeownership

Photo credit: Native Nations Institute

Photo credit: Native Nations Institute & Honoring Nations
average trend over all 30 individuals

Source: Four Directions Development Corporation course of business files.
Need: Financial education concerning one-time payouts

*Keepseagle claimants to receive additional $21,275*  
*(Native Sun News, May 25, 2016)*

*“Cobell Settlement Checks to be Distributed Next Week”*  
*(Native News Online, Sept. 12, 2014)*

*Cashing In: Tribe Teaches Teens to Get Smart with Casino Windfall*  
*(Smoky Mountain News, February 2, 2011)*
Challenges and Opportunities concerning large payouts

• “What works” information is limited
• Innovation and experimentation are welcome: doing something is better than doing nothing
• Learning efforts may generate important learning for other settings