



Native Financial Education Coalition White Paper:
Supporting the Unique Role of Tribal Government and
Community Leaders to Improve Financial Capability
February 26, 2015

Executive Summary

Native communities have historically lacked access to financial institutions and other traditional sources of credit, capital, and financial education opportunities. As a result, the Native population experiences some of the lowest rates of financial capability in the U.S. However, this trend is beginning to change. Increasing economic prosperity, recent legal settlements, and technology have opened new doors to Native people. Tribal government and community leaders¹ are uniquely positioned to provide opportunities for their citizens to build their financial management skills. They have placed a particular emphasis on preparing Native young people to better understand and navigate financial decisions, both as individual citizens and as future leaders of Native nations.

The purpose of this white paper is to inform the President's Advisory Council on Financial Capability for Young Americans (PACFCYA).² It highlights examples of what tribal government and community leaders are doing to improve financial capability in their communities. It also presents federal policy recommendations that will support the work of tribal governments and their partners in their efforts to improve the financial capability of tribal citizens.

¹ "Tribal government and community leaders" includes elected or appointed tribal officials, Native Hawaiian community leaders, tribal departments, K-12 schools, tribal colleges and universities, Native non-profits, Native community development financial institutions, and other institutions focused on the health of Native economies and the financial well-being of Native people.

² On June 25, 2013, President Obama signed [Executive Order 13646](#) creating a new President's Advisory Council on Financial Capability for Young Americans. In the purpose statement, the President makes specific reference to **tribal governments** in that "The Council will seek to identify ways to build strong public-private partnerships between and among members of the Financial Literacy and Education Commission; other agencies; State, **tribal**, and local governments; and private entities to coordinate the use of high quality financial capability resources and practices in schools, families, communities, and elsewhere in order to build the financial capability of young Americans."

Introduction

The Native Financial Education Coalition (NFEC) spearheads a movement to recognize, expand, and enhance financial capability in Native communities.³ Partner organizations include tribal governments; tribal organizations; national, regional, and local Native and non-Native organizations; financial institutions; federal agencies; and others interested in Native financial education. NFEC is guided by an advisory committee of 15 community and industry representatives. This white paper is based on feedback from the NFEC advisory committee along with the input of discussion groups convened at a financial education summit held in conjunction with the National Congress of American Indians' Annual Conference in Atlanta, GA, in October 2014.

I. Historic Overview of Financial Capability in Indian Country

There are 566 tribal nations located across 34 states within the geographic borders of the United States. Each of these tribal nations exercises its own sovereignty and is legally defined as a federally recognized tribal nation.⁴ According to the CDFI Fund's *Native American Lending Study*, "Economic and social conditions on many Indian Lands and Hawaiian Home Lands place them significantly behind the mainstream U.S. economy."⁵ High unemployment and poverty rates along with low homeownership rates contribute to these disparities. In addition, Native people have historically lacked access to financial products and services. In 2000, 86 percent of tribal communities did not have a financial institution in their community, and 15 percent of tribal community members had to travel more than 100 miles to reach a bank or automatic teller machine.⁶ In 2012, 16.9 percent of American Indian/Alaska Native households were unbanked⁷ and 25.5 percent were underbanked,⁸ compared to only 7.7 percent and 20 percent in the general U.S. population.⁹

As a result of these economic conditions, Native people possess lower financial capability rates, according to a number of studies. A 2007 study examined the test scores of high school seniors

³ For the purposes of this paper, the term "Native" refers to American Indians, Alaska Natives, and Native Hawaiians.

⁴ *Tribal Nations and the United States – An Introduction*, National Congress of American Indians, 2015. There also are a number of state-recognized tribes that are recognized by their respective state governments.

⁵ *The Report of the Native American Lending Study*, Community Development Financial Institution Fund, November 2001.

⁶ *Ibid.*

⁷ "Unbanked" households do not have an account at an insured institution.

⁸ "Underbanked" households have an account, but have also obtained financial services and products from non-bank, alternative financial services providers in the prior 12 months.

⁹ *2013 Federal Deposit Insurance Corporation National Survey of Unbanked and Underbanked Households*, Federal Deposit Insurance Corporation, October 2014.

conducted by the Jump\$tart Coalition for Personal Financial Literacy. Nearly 87 percent of Native students failed the financial literacy test, compared to 62 percent of all students.¹⁰ Another analysis of data from the Jump\$tart survey in 2008 focused on students in three states with relatively high Native populations: Montana, New Mexico, and South Dakota. It observed that “limited banking, asset development, and formal employment opportunities for Native youth on reservations may be placing important constraints on their opportunities to improve financial knowledge and skills.”¹¹

According to the FINRA Foundation’s *2012 National Financial Capability Study*, Native respondents trail white respondents in financial knowledge. In addition, Native respondents were less likely to have investment accounts and mortgages than white respondents, and they were more likely to use non-bank products such as auto title loans, payday loans, refund anticipation checks, pawnshops, and rent-to-own stores.¹² These products frequently carry higher interest rates, excessive fees, and other terms unfavorable to borrowers.

Even though the FINRA survey results revealed that Native respondents were more financially vulnerable and less satisfied with their financial condition, there was one positive finding: nearly 40 percent of Native millennials (born between 1978 and 1994) were offered financial education—higher than white, black and Hispanic respondents.¹³ This increased opportunity to improve financial literacy may stem from the changing economic landscape in Indian Country and the steps tribal government and community leaders are taking to improve the financial capability of Native community members, especially Native youth.

II. Changing Landscape

Increasing economic prosperity, recent legal settlements, and technology have opened new financial doors to Native youth, making it even more critical for them to improve their financial capabilities. With 42 percent of the American Indian and Alaska Native population younger than age 25,¹⁴ tribal leaders have placed a priority on empowering Native young people to better understand and navigate financial decisions, both as individual citizens and as future leaders of Native nations.

¹⁰ *The Financial Literacy of Native American Youth*, Miriam Jorgensen and Lewis Mandell, April 2007.

¹¹ *Deepening our Understanding of the Financial Education of Native Youth: An In-Depth Look at Native Students in Montana, New Mexico, and South Dakota*, William Anderson, Miriam Jorgensen, Noorie Brantmeier, and Lewis Mandell, October 2008.

¹² Unpublished data from FINRA Foundation’s *2012 National Financial Capability Study*.

¹³ *Ibid.*

¹⁴ U.S. Census Bureau.

Today, tribal governments are beginning to see the impact of their efforts over the past two decades to enhance their capacity to exercise their rights of self-governance. By investing in legal and physical infrastructures and other efforts to create environments conducive to business development, the emergence of both tribal enterprises and tribal citizen-owned businesses has boosted tribal economies. These new institutions have supported job creation and asset building in Native communities and fostered newfound economic prosperity.¹⁵

In addition to federal policies that have supported tribal self-determination and self-governance, a series of tribal trust settlements have created new financial opportunities in many Native communities. Starting in 2012, the federal government has been settling trust claims with tribes, some dating back more than 100 years. Not only have these settlements resulted in improved relations between the United States and tribes, but proceeds from the settlements have been used by tribes for economic development investments, including “the purchase of land, construction of tribal buildings, financial investments, and per capita payments to tribal citizens.”¹⁶ Most recently, the federal government launched the Land Buy-Back Program for Tribal Nations to provide a mechanism for tribal governments to consolidate their land by buying fractionated interests in the land from individual Indian owners. All interests sold are restored to tribes, which helps to keep Indian lands in trust for tribal communities.¹⁷ In many situations, this program has meant new financial assets for tribal citizens.

Technology also has propelled Indian Country’s economic growth. The American Recovery and Reinvestment Act of 2009 provided new funding for broadband networks in Indian Country.¹⁸ Tribal government and community leaders are continuing to advocate for improved broadband deployment and access through the Federal Communications Commission-Native Nations Broadband Task Force. As a result, Native young people, regardless of their locations, are becoming increasingly less isolated thanks to improved access to new resources such as online banking and web-based education opportunities like financial literacy curricula, apps, and calculators.

However, with this new access to financial resources and services come new challenges and risks. Sudden wealth for families and individuals who have long been mired in extreme poverty and may have little experience managing financial assets can lead to ill-informed, hasty, or unwise spending decisions. First-time access to an endless array of financial products and

¹⁵ *Securing our Futures*, National Congress of American Indians, 2013.

¹⁶ Ibid.

¹⁷ <http://www.doi.gov//buybackprogram>

¹⁸ *Securing our Futures*, National Congress of American Indians, 2013.

services may be overwhelming to consumers who do not have the know-how to differentiate between safe and sound financial services and predatory products or scams.

But how can tribal government and community leaders help tribal citizens transform these fleeting opportunities from one-time capital infusions from settlement funds and other sources into long-term, sustainable pathways for developing assets and building wealth that will make a lasting difference in their lives? There are a growing number of examples of tribal government actions designed to provide their citizens with a solid foundation for financial capability.

III. Tribal Government Actions to Promote Financial Capability

Tribal government and community leaders are uniquely positioned to provide opportunities for their citizens to build their financial management skills. They have seen firsthand the negative impacts of poor financial decision-making. Because many tribal governments have not had financial control over their assets until recently, they understand the importance of building the capacity to manage assets well. They know their people, their needs, and their pre-existing lack of financial experience. Most importantly, they possess a deeply held commitment to protect their own people and their financial well-being.

The following examples highlight some of the many ways that tribal governments are exercising their sovereignty to improve the financial capability of their citizens:

- **Creating and investing in institutions like banks, community development financial institutions (CDFIs), and credit unions.** The Bois Forte Reservation Tribal Council in Minnesota created the Northern Eagle Federal Credit Union to serve the financial services needs of their community. Many other tribes have created and continue to support Native CDFIs to serve their citizens, including the Salt River Pima-Maricopa Indian Community, Pokagon Band of Potawatomi, Pueblo of Isleta, and Citizen Potawatomi Nation.
- **Offering financial education and free tax preparation services through tribal departments.** The Shoshone-Bannock Tribes in Idaho recently adopted a tribal resolution acknowledging the importance of financial education and their desire to provide this service to their tribal citizens. The resolution encouraged tribal programs and departments to work with a local nonprofit provider called Partners for Prosperity. To date, they have offered financial education through a summer youth program, an after-school program at the high school, an addiction and recovery program, Temporary Assistance for Needy Families, and the tribal education department.

- **Implementing wealth distribution strategies that promote financial capability through incentive-based policies like educational requirements or completion of financial education courses.** The Yavapai-Apache Nation in Arizona issues per capita payments from its revenues to its citizens. Prior to 2014, it placed no conditions on the issuance of those payments. However, its tribal council recently amended the Nation’s Revenue Allocation Plan to require that tribal members – specifically tribal youth – have a high school diploma or GED, complete a financial education course, and also undergo a cultural assessment that includes history, stories, and language.
- **Requiring financial education in tribal K-12 schools, tribal colleges, and youth programs.** The Lummi Nation in Washington and its partners – the Northwest Indian College, Lummi CDFI, and other local and federal entities – recently completed a tribal school pilot project that offered weekly classes focused on goal setting and preparing financially for college. In the post-pilot survey, 88% of the high school and middle school students who completed the program said that going to college would enable them to reach their goals. Many of the students shared very specific career and educational goals as a result of their participation in the financial education program. Future plans include a media campaign in the tribal high school to encourage a “college going” culture in the community.
- **Investing in asset-building efforts to support entrepreneurs, homeowners, and matched savings accounts through Child Savings Accounts and Individual Development Accounts (IDA).** As part of the Quinault Comprehensive Economic Development Strategy, the Quinault Indian Nation in Washington created a small business CDFI called the Taala Fund. They soon discovered that young families in their community were deep in debt and living paycheck to paycheck. The Taala Fund decided that they must begin teaching good financial stewardship and asset-building concepts at a young age. They designed their youth program to focus on leadership and governance, financial empowerment, and building assets through savings. They have a successful IDA program and plan to expand to add a Child Savings Account in the future.
- **Enacting consumer protection codes.** Financial education can arm tribal citizens with the knowledge and tools they need to keep from becoming victims of predatory lending practices. However, tribes can also enact consumer protection codes to provide legal protections within their jurisdictions. The Blackfeet Tribe, Grand Traverse Band of Ottawa and Chippewa Indians, Cheyenne River Sioux, and Navajo Nation are examples

of tribes who have adopted some type of consumer protection laws. First Nations Development Institute has developed a model consumer protection code which tribes can use as a starting point in their community.¹⁹

- **Partnering with state and local jurisdictions.** The State of South Dakota enacted a law that allows tribal identification cards to be used for opening bank accounts and cashing checks. This helps to expand access to financial services for tribal citizens who may not have a state driver's license or identification card.

For a broader discussion of tribes' financial capability efforts, see the report published in January 2015 by the First Nations Development Institute and the Northwest Area Foundation,²⁰ which provides an environmental scan of financial capability programs serving Native communities in the Northwest Area Foundation region. The report summarizes ways to support financial capability and asset building in those communities.

IV. Federal Policy Recommendations

Based on its systematic survey of the current financial education landscape in Indian Country, the Native Financial Education Coalition recommends the following:

1. All **federal government agencies** that promote financial capability through resources and programming should:
 - Explicitly **include tribal governments** and other Native non-profits as **eligible applicants/participants**;
 - **Expand current outreach strategies** to specifically market resources to local programs serving young Americans in Indian Country;
 - Allocate **adequate resources** to support tribal governments' efforts to provide financial education to citizens participating in the **Department of Interior's Land Buy-Back Program for Tribal Nations**, which implements the land consolidation provisions of the Cobell Settlement Agreement; and
 - Should be required to take an **"Indian Country 101" and/or cultural sensitivity training** to provide an understanding of the long history of federal Indian policies and the financial management issues unique to Native American communities, such as Native perspectives on individual wealth and assets.

¹⁹ <http://firstnations.org/knowledge-center/predatory-lending/model-code>.

²⁰ *Building Assets and Building Lives: Financial Capability Programs in Native Communities*, First Nations Development Institute and Northwest Area Foundation, 2015.

2. The White House **Generation Indigenous** initiative – focused on removing the barriers that stand between Native youth and their opportunity to succeed – should promote opportunities for Native youth to expand their financial capability.
3. The **Department of the Treasury** should:
 - Expedite the release of the updated **CDFI Fund Native American Lending Study – Access to Capital and Credit in Native Communities**. In its enabling legislation in 1994, Congress directed the CDFI Fund to conduct a study on lending and investment practices on Indian reservations and other land held in trust by the United States. This study was finally published in 2001, nearly five years after the Congressional deadline. In 2013, the CDFI Fund announced plans to update the study, but it has been in production for over two years;
 - Use their convening powers to bring together financial institution regulators with tribal governments and other players to clarify the use of **tribal identification cards (IDs)** for customer identification under the Bank Secrecy Act. Other government entities such as New York City and other municipalities are issuing IDs and have been working with regulators. Tribes would be able to learn from this experience;
 - Provide resources to help support the efforts of **national and regional Native asset-building and financial education coalitions**. This would enable these coalitions to identify and support local programs serving young Americans in Native communities and serve as liaisons with federal agencies in developing and implementing their outreach strategies to market federal resources; and
 - Conduct outreach to Indian Country on new initiatives, such as the **My Retirement Account (myRA)**, which help to expand the availability of affordable financial products.
4. The **Financial Literacy and Education Commission** should expand its membership to include federal agencies working directly in Indian Country, including the Department of Interior’s Bureau of Indian Education and Office of Special Trustee, Department of Health and Human Services’ Administration for Native Americans, and Department of Housing and Urban Development’s Office of Native American Programs.
5. All future **financial capability research** (e.g., FINRA Investor Education Foundation’s National Financial Capability Study and the Organisation for Economic Co-operation and Development Programme for International Student Assessment) should feature:
 - Sufficient numbers of American Indian, Alaska Native, and Native Hawaiian respondents to achieve an adequate, representative sample size; and

- Indigenous research and evaluation methods, including a cultural liaison and American Indian /Alaska Native field staff to assist non-Native researchers to effectively identify and reach respondents in a culturally appropriate way.

V. Conclusion

Tribal government and community leaders have taken important steps to improve the financial capability of their citizens, especially Native young people. Their efforts serve as models to their peers across Indian Country. Federal and state governments along with other private sector and research partners can play an important role in supporting this work.