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Fostering Financial Inclusion by Ensuring Cultural Fit: The Case of the NCDFI Industry

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Achieving sustained economic development in a community requires that the community has access to capital and credit. Unfortunately, Native communities in the United States have historically been deprived of such access.¹ The underlying reasons for this lack of access to credit and capital are multifaceted, stemming from both geographical factors, such as many Native communities' rural and remote location, and systemic issues, including lack of mainstream financial institutions on or near reservations, complex federal bureaucracy associated with trust land, and persistent jurisdictional confusion and legal uncertainty in Indian Country.²

Over the past three decades, one of the key solutions to the longstanding problem of lack of access to credit in Indian Country has been the emergence of Native Community Development Financial Institutions, or NCDFIs. Most often organized as nonprofit loan funds, NCDFIs are committed to serving Native communities by providing affordable loan products and tailored financial services.³ The first NCDFI, the Lakota Funds, was established in 1986. Since then, there has been significant growth in the number of NCDFIs. The number of NCDFIs certified by the US Department of Treasury's Community Development Financial Institutions (CDFI) has increased from thirteen in 2001 to sixty-four in 2022.⁴

Given the importance of NCDFIs in filling the credit supply gaps and promoting socioeconomic development in Native communities, it is critical to better understand NCDFI operations, activities, and strategies. Past research has found, for example, that to foster financial inclusion and improve loan performance, NCDFIs adopt unique underwriting strategies and offer free financial training to their clients.⁵ Yet many facets of NCDFI practices and operations have not been explored systematically. Obtaining a deeper understanding of NCDFI practices and operations is vital from the

perspective of investors, who supply NCDFIs with lending capital, and policymakers, who increasingly view NCDFIs as important vehicles of socioeconomic progress in Native communities.⁶ In addition, an improved grasp of NCDFI practices and operations could help inform the actions of other lenders in Indian Country and beyond.

Aiming to fill the resulting gap in the literature, we collected primary data on the experiences of NCDFIs through a series of interviews with NCDFI leaders. Whereas much of the literature on CDFIs relies on data from surveys that are not tailored to Native communities, as is the case for the Survey of Consumer Finance, we designed our interviews to elicit information relevant to the operations of NCDFIs. Specifically, we conduct and qualitatively examine in-depth interviews with the leaders of forty-six NCDFI loan funds that, together, comprise about 62 percent of the NCDFI industry.⁷ Thus, in this paper we are able to provide a unique glimpse into the functioning of the NCDFI industry. In our thematic analysis, we focus on the ways in which the NCDFIs set their strategic goals, tailor their products and services to Native communities, and define metrics of success. We hereby offer the most comprehensive insight to date into the NCDFI practices and operations.

METHODOLOGY

Our analysis is based on a series of one-on-one interviews conducted with NCDFI leaders in 2022 with the aim of learning more about institutional operations and practices. While the interviews covered a range of topics relevant to the NCDFI industry, our primary interest in the present paper lies in elucidating those aspects of its operations and practices most directly relevant to the overarching objective of the industry: the fostering of financial inclusion of Native communities while ensuring congruence with the culture of those communities.⁸

The interviews were carried out in collaboration with Oweesta, the longest-standing NCDFI intermediary.⁹ On our behalf, Oweesta reached out to all sixty-four certified NCDFI loan funds, as well as a subset of emerging or noncertified NCDFIs that had previously interacted with Oweesta. A total of forty-six NCDFIs participated in our study, with thirty-six of them holding certification and the remaining ten either emerging or not certified. Table 1 provides the list of NCDFIs that participated in our research study. To maintain the anonymity of the respondents, the numbering of the interview quotes in the rest of the paper does not match the ordering of the participating NCDFIs as listed alphabetically in table 1.

To conduct the interviews, Oweesta initiated the process by sending an email to each organization. In the subsequent stages, Oweesta followed up with reminder emails and made phone calls to address any questions or concerns that participants had regarding the interviews and the research project. To give the participants the opportunity to review and prepare their responses, all participants were provided the questionnaire prior to the actual interview. Appendix A provides the questionnaire used for the interviews.

Each interview lasted approximately one hour and was conducted via Microsoft Teams by one of four members of the participating Oweesta staff. The audio from each interview was recorded and later transcribed. Drawing on the transcriptions, we

TABLE 1. LIST OF PARTICIPATING NCDFIS

ATNI Financial Services	Native Community Capital (NCC)
Black Hills Community Loan Fund	ND NADC
Chehalis Tribe Loan Fund	NDN Collective
Cherokee Tribe	Nijjii Capital Partners (recent title change: Woodland Financial Partners)
Chi Ishobak	Nimiipuu Fund
Citizen Potawatomi Community Development Corporation	Nixyaawii Community Financial Services
CNHA Loan Fund	Native Partnership for Housing
Cook Inlet Lending Center	Plenty Doors CDC
First American Capital Corporation	San Carlos Apache Relending Program
First Nations Community Financial	Sequoyah Fund
Four Bands Community Fund	SNIEDC (Seneca Nation of Indians Economic Development Company)
Four Directions Development Corporation	Spruce Root
Hawaii Community Lending	SRPMIC
Ho Chunk Community Development Corporation	Taala Fund
Hopi Credit Association	Tigua Community Development Corporation
Indian Land Capital	Tlingit Hada Housing Authority
Lakota Fund	Tiwa Lending
Leech Lake Financial Services	Waianae Economic Development Council
MniSota Fund	Westwater Financial
Montana Native Growth Fund	White Earth Investment Initiative
Myskoke Fund	Wind River
NACDC Financial Services	Wisconsin Native Loan Fund
Native 360	Yurok Alliance

then conducted a thematic analysis¹⁰ with the aim of identifying across and within the full set of interviews salient patterns as they pertain to the core institutional practices and operations of our primary interest. Since the interviews covered a significant portion of the universe of NCDFI loan funds, we are able to generate broad insights about the industry. To maintain focus on the NCDFIs themselves, however, we do not compare and contrast the practices of Native and non-Native CDFIs, a relevant facet of analysis that we leave for further research.¹¹

UNDERSTANDING BARRIERS TO ACCESS TO CREDIT AND CAPITAL

The interviews identified multiple significant barriers to accessing credit and capital in Native communities. One of the most prominent barriers, as highlighted directly by 28 percent of interviewees and indirectly by almost all interviewees, is the prevalence of Native community members who are either unbanked or have low credit scores. The interviewees collectively provided several reasons for this barrier.

One key factor is the absence of mainstream financial institutions on or near reservations. As one interviewee pointed out, “because of their fiduciary responsibility to protect depositors, banks can’t take too much risk. They tend to finance individuals

who are already financially stable, leaving those striving to improve in a disadvantaged position" (Interview 38). Another contributing factor is the lack of trust in the banking system among Native people, stemming from stereotypes about Native borrowers and a history of not being treated with respect and dignity by mainstream lenders. This issue is linked to a broader theme of cultural trauma resulting from forced assimilation and encroachment on tribal sovereignty, which has had a lasting impact on Native communities. As one interviewee put it,

"Native communities have had challenges that have existed for decades. Gold rush settlers decimated our people through massacre and introduction of disease. Formation of reservations . . . confined the . . . people to considerably smaller lands than their ancestral territories, while others . . . were relocated to other reservations. [E]ducation [institutions run] by missionaries and the advent of nonvoluntary boarding schools was an attempt at forced assimilation . . . to strip the . . . people of their culture by preventing ceremonial practices and speaking the . . . language. Confining . . . people to lands that were considerably smaller than what once supported traditional village lives created considerable hardships and began the process of dependence on external sources, including the federal government, for survival. Generations of federal policies undermined the recognition and sovereignty of tribal nations, which left communities without federal support, including financial services that were otherwise easily accessed by other communities" (Interview 18).

In addition, interviewees attributed low credit scores and a high incidence of unbanked individuals to factors such as low income, low net worth, substantial debt, unemployment, underemployment, and inadequate access to health care and transportation within Native communities. As one interviewee expressed, many people are simply "tired" and struggling to make ends meet, living "paycheck to paycheck" (Interview 6).

Other significant barriers to accessing credit and capital in Native communities, highlighted by the interviewees, include geographical constraints, such as rural location that results in geographic isolation, considerable distances from markets and essential resources, and a lack of broadband access. Moreover, there has historically been a scarcity of institutional and organizational infrastructure to support residential construction, mortgage lending, and business loans. This has led to substandard housing and low property appraisals in rural areas, particularly on reservations.

In light of the aforementioned challenges, NCDFIs have played a pivotal role in bridging the credit supply gap by offering solutions that are not only comparatively more responsive to people's needs but also explicitly tailored to address cultural specificities, historical legacies, as well as distinct challenges and opportunities in Native communities. The following section details the core features of the NCDFI model as gleaned from the interviews.

IDENTIFYING THE CORE FEATURES OF THE NCDFI MODEL

In this section, we delve into the key aspects of the NCDFI model as derived from the themes that emerged from the interviews. These aspects encompass the utilization

of holistic goals, a strong emphasis on forging partnerships, customization of financial and developmental products and services, and a comprehensive view of organizational and client success.

Setting Holistic Goals. Our thematic analysis of the interview responses reveals that NCDFIs embrace a comprehensive perspective when defining their strategic goals. The overarching goal that emerges from the majority of interviews is to “leave no client behind.” As one of the interviewees phrased it, their vision is one of a “better financial life [attained] by advancing individual self-determination and self-sufficiency for every community member. That includes everybody; that includes our neighbors” (Interview 17).

NCDFIs center their efforts on promoting financial empowerment, bolstering the well-being of Native communities, individuals, and businesses. They place a strong emphasis on equitable practices, the advancement of self-determination and self-sufficiency, the promotion of a more robust workforce, and the development of resilient and sustainable economies. One of the interviewees calls the corresponding approach “braided capital solutions,” a combination of “deploying capital but also providing power-building technical assistance” (Interview 10). They go on to say, “We recognize the interconnectedness of all things and then, of course, the responsibility to our homelands and to each other” (Interview 10).

A further theme that emerges from a number of interviewees’ responses is the desire to create an ecosystem: “We feel that you can’t create jobs without having small businesses, and you can’t create a community without having housing; you have to provide consumer loans because workers can’t get to work without providing reliable transportation” (Interview 45). The interviewees highlighted specific, tangible social and economic strategic goals. These include enhancing financial education within the communities they serve, boosting investment, improving clients’ credit histories to facilitate access to credit and capital through mainstream lenders, expanding the availability of affordable, high-quality housing, promoting cultural tourism, enhancing social and physical infrastructure in the community, supporting Native businesses, empowering Native families and entrepreneurs to contribute to reservation economy growth, and educating Native youth about the importance of savings.

Regarding Native businesses, NCDFIs aim to establish Native entrepreneurship centers and incubators, offer vocational training opportunities, and provide guidance on digital and mobile technologies to entrepreneurs.

“We focused on home ownership in the past; now we are thinking about our neighborhoods, our entrepreneurs, our small businesses who are unable to access capital to start a business or grow a business that they have started. . . . [W]e are trying to look at it more holistically and we continue to think about the root of the foundation of community development in the form of not just helping people build assets through home ownership but help small businesses. We are trying not to mold them but [to] use both those tools to lift up the community” (Interview 7).

Regarding operational and profitability objectives, the interviewees expressed several objectives: to reach more markets, expand portfolios, conduct comprehensive market

analysis to refine products and services, position themselves as the leading nonbank provider of capital supporting Native businesses, attain licensure as a mortgage lender, enhance their internal capacity and training effectiveness, foster talent and leadership within their organization, achieve sustainability, develop new loan packages tailored to community needs, and expand their physical office space. In addition, some newer NCDFIs also mentioned their intention to secure nonprofit 501(c)(3) status or certification.

With respect to their products and services, NCDFIs highlighted several strategic goals: strengthening lending infrastructure, expanding credit-builder loans, offering down payment assistance, enhancing consumer lending, establishing a mortgage lending product, expanding networks and connections for small businesses, providing services related to estate planning, supporting industrial parks, offering more training and coaching, and providing relief from predatory lenders. These responses naturally showcase the current diverse stages of organizational development of the NCDFIs included in our analysis. Some of the NCDFIs in our sample are in the process of applying for certification, others are certified but just starting to develop their products, while some are firmly established and offer a variety of products and services.

Forming Partnerships. Partnerships play a critical role for NCDFIs, as they enable these organizations to overcome staffing and resource limitations, ultimately helping them to fulfill their mission of assisting every individual who seeks their services. Eighty-five percent of respondents indicated that partnerships are a key component of their work. As one interviewee stated,

“[I]t is partly an indigenous model of operating and growing together. We are stronger together. It is so easy to feel siloed; this concept of being siloed and stuck in our own territory is maybe what the government had in mind when they put us on reservations. And so, I feel like reaching out to other tribes, other NCDFIs, and other regions is, in itself, an act of resilience. One of the positive steps to build[ing] bridges in Indian country: I think we are stronger and solutions are more attainable when we are working together” (Interview 32).

NCDFIs form partnerships with a variety of organizations. These include other NCDFIs, coalitions of NCDFIs (e.g., NCDFI Network, NDN Collective, Mountain Plains Coalition), and Oweesta as an NCDFI intermediary; non-Native CDFIs and conventional lenders (e.g., local, regional, or national banks and credit unions); as well as local community and nonprofit organizations (e.g., Habitat for Humanity, arts and crafts cooperatives). NCDFIs also form partnerships with tribal, local, state, and federal government agencies, universities, tribal colleges, and foundations.

The partnerships mentioned in the interviews can be categorized in several ways. The first category is partnerships that arise via referrals, in which NCDFIs refer clients to other lenders if they are unable to meet the loan requirements (typically, the loan amount). Conversely, if conventional lenders encounter individuals with higher credit risk, they refer them to NCDFIs to prepare them for conventional lender products.

The second category of partnerships is rooted in direct cooperation and collaboration. This takes the form of shared training sessions, participation in loans, workshops,

and conversations aimed at building the capacity of NCDFIs. These partnerships also involve assistance in administering and deploying funds from other entities, such as homeowner assistance funds for a tribe. In addition, there is a sharing of resources, knowledge, and services, as well as efforts to disseminate information about each other's programs and to secure diverse funding sources. As one interviewee notes,

"To us, partnering looks like leveraging each other's contact list. So, say we get a program, and we want to reach a certain set of population, like youth[s], for example. You would leverage the other nonprofits working with youth[s] or the tribal youth program. You would leverage the contacts there and try to make connections so they can spread the word about what you're offering. We partner with pretty much any and all tribal programs that fit what we do" (Interview 11).

Tailoring Financial Products. Nearly all (96 percent) of the interviewees indicated that they customize their financial products to the community and individuals as well as ensure that they are more responsive to the unique needs of their clientele. A few NCDFIs mentioned that, while they currently do not tailor their financial products, they plan to do so in the future.

To tailor their products, NCDFIs use various methods such as tribal interviews, surveys (e.g., the workforce development survey), feasibility studies, focus groups, and in-depth conversations with individual borrowers. An illustrative example is the use of community summits, as mentioned by one interviewee: "We ask the community what they want and what issues they have and what would indicate success for them, and we work with that as a guide" (Interview 43).

The NCDFIs' ability to tailor products stems from their flexibility and creativity, which is partly facilitated by the fact that NCDFIs are not regulated as traditional banks. In addition, the customization of NCDFI products results from their deep integration within their respective communities and a profound understanding of community needs. There is a natural alignment of products with the tribal entity.

"The enterprise was offering \$500 zero interest clothing loans," said one interviewee,

"that intended to be your first wardrobe for your first job. But when we surveyed [clients], they were using [the money] for car repairs or tires, sometimes for washers and dryers or utilities; so, we realized that you can't get to work and be happy if your car is not running, or if you don't have clean clothes at home, or if your life isn't ticking right. And so we expanded that to \$1,000 and paired it with . . . a workforce support loan instead of a clothing loan, [pairing] it with an essential business skills class that taught personal skills, business skills, financial skills, how to look at yourself within a community, [to] understand the tribal economy and how you could contribute—aiming to be the best you can be. We felt that was the first way we were responsive and tailored our product. Then we had other folks who . . . said, 'A thousand dollars isn't enough, because I have some junk credit and I want to buy a house someday, but I really don't know how to [deal with this]. I want to do better.' And so we started doing more credit coaching and consolidation loans to get folks a fresh start" (Interview 32).

Many respondents mentioned that they customize their products by adjusting the terms of the loan. As a result, NCDFIs often provide full financing, maintain low interest rates, offer short-term and small loans, make exceptions regarding collateral, and aim to provide the longest possible loan terms. Furthermore, several NCDFIs take into account the seasonal nature of business revenue, restructuring their lending to align with the cash flow of the business. One interviewee, for example, emphasized that they strive to offer more flexibility to their borrowers:

“We don’t tell a tribal member [they] only have one to three chances to do this. We give them several chances. Of course, if it becomes a situation where it is now habitual, we just can’t help them anymore. We don’t send you to a collection agency. By the time we charge you off, we have given you two to three years’ worth of opportunity. We are trying to get you to the point where you could start increasing your financial well-being and acquiring those assets, which is a long-term goal” (Interview 38).

Another method by which NCDFIs tailor their products is through the imagery and language used in their educational and marketing brochures, as well as their efforts to counter stereotypes about Native people. In addition, a significant portion of NCDFI staff members are Native, and the majority of the staff actively interacts with and participates in the community. They gather feedback through their engagement in the community and use it to adapt and refine their programs. For instance, one interviewee mentioned that they considered the limited liquid assets of local community members and, in response, developed a line of credit with a lower fixed interest rate for a year, allowing borrowers to make interest-only payments during those twelve months.

The crucial characteristic of NCDFIs is their ability to approve loans that mainstream banks might deem high-risk. This, in essence, represents an adjustment to local conditions, as NCDFIs operate in regions with a shortage of mainstream lending institutions, the presence of predatory lenders, and a higher occurrence of individuals with limited credit histories and lower credit scores. As one interviewee suggested, “If you don’t fit in that box, [mainstream banks] are just not going to serve you. *Most* Native people will not fit in that box. The box that they fit in is the predatory lenders’ box. So, the NCDFI works with these clients, and if it cannot serve them, then we refer them to one of the Native nonprofits” (Interview 35).

An essential method that NCDFIs use to customize their products involves working with potential borrowers who do not initially meet the underwriting requirements. NCDFIs meet the client at their current financial status, providing not only debt capital but also technical assistance. Many NCDFIs offer credit-builder loans, enabling clients with limited or no credit history to establish and enhance their credit. NCDFIs do not rely heavily on credit scores because, in underserved communities, individuals are more susceptible to falling victim to predatory lenders. Consequently, NCDFIs consider soft information, such as the borrower’s character or engagement with the lender, and prioritize building a relationship with the client.¹² This approach enables NCDFIs to empower clients financially. NCDFIs strive to fulfill their role by asking pertinent questions and gaining a deep understanding of their clients. One

NCDFI interviewee mentioned that their organization assesses a household's expense-to-income ratio rather than relying solely on a debt-to-income ratio. This approach is aimed at ensuring that borrowers are not adversely affected by the loans they receive.

Most NCDFIs offer lending products meticulously crafted to suit the unique needs of the communities they serve. These tailored offerings encompass a wide range of financial solutions, including personal loans intended to support traditional ceremonies and graduations. In response to unforeseen circumstances and verified needs, they provide loans to address urgent requirements. For those facing emergency hardships, specialized products are available. Additional offerings include tribal enterprise loans, loans aimed at loggers and agricultural endeavors, and unique loans that center around artists and cultural endeavors. Notably, these artist loans often omit the conventional business plan requirement and consider artwork as collateral.

For fishermen, there are loans designed to support their livelihoods. One interviewee states, "We have a lot of fishermen and loggers. We get paid when people are making money. We make the amortization schedules such that, if you are fishing May through July, then you are paying us May through July, and if you are not making any income the rest of the months of the year, then there is no sense in just sitting on those piles of cash to dole out in monthly increments" (Interview 37).

In some communities, homeowners can access NCDFI assistance loans and down-payment support to secure their homes. Mortgage reinstatement loans offered by NCDFIs are tailored to Native borrowers, with a focus on preventing foreclosure and supporting antidisplacement efforts. Furthermore, some NCDFIs work with the US Department of Housing and Urban Development (HUD) Section 184 loans, which are exclusively designed for Indian Country. (More discussion of homeownership on reservations and HUD Section 184 loans is included in the next section.) Some NCDFIs do not charge mortgage insurance, or, alternatively, offer it at lower rates. Others engage in construction financing. Some interviewees mentioned the Bureau of Indian Affairs loan guarantee qualifications that extend to business loans, amplifying the economic potential within these communities.

Addressing the distinct financial needs of the community is pivotal to NCDFIs' mission. They strive to provide comprehensive solutions that empower individuals and promote economic growth. In one case, an interviewee pointed out that much of the housing, constructed with HUD funds in the 1960s, '70s, and '80s, has deteriorated and is now substandard. Consequently, this NCDFI adapted its product offerings to focus on home improvement to address this issue. In another scenario, an interviewee noted that their NCDFI mitigates flood risk by encouraging clients to elevate their structures, thereby avoiding the need for costly flood insurance.

"In the case of mortgage lending, you don't qualify the property and you don't qualify the land before you qualify the borrower, or simultaneously. We qualify the borrower and then make the loan product fit the land type and the home type that they want" (Interview 11).

"For example, we are on restricted-fee land. Our clients have no outside source of lending; traditional institutions won't do anything unless they have some

sort of loan guarantee program from an entity outside the Nation. But when we start doing that, there is the waiver of sovereign immunity from our entity. We have things set up so they can collateralize their personal property on territory, and the Nation can take ownership of their property until the loan is paid off" (Interview 39).

Several NCDFIs mentioned that they offer "Land Back" loans to tribes. In 1887, under the General Allotment Act (known as the Dawes Act), the federal government allotted small parcels of tribally held land to each tribal member.¹³ The allotments were to be held in trust by the US government for a specific number of years and then converted to "fee simple" titles to the land.¹⁴ In addition, any remaining land was deemed "surplus" land and opened to settlement by non-Native people.¹⁵ The act was passed under the pretext of freedom and development but was effectively enacted with the aim of assimilating American Indian people into white culture.¹⁶ "Through foreclosure for unpaid state taxes, deception by unscrupulous buyers, and out of sheer desperation in the face of poverty, massive amounts of land swiftly shifted from Indian to non-Indian hands."¹⁷ As a result, a significant portion of allotted Indian lands were either sold or transferred to non-Indian parties but still remained within reservation boundaries.¹⁸ To address this historical issue, some NCDFIs have developed loan products to assist Native nations in reclaiming alienated tribal lands.

Certain NCDFIs permit clients to use per capita payments to secure a loan. Per capita payments refer to net monetary revenues or other forms of value that are paid directly from sources such as tribal gaming activities, land-claim court settlements, and water-rights court settlements, and are distributed to members of some Native nations. According to one interviewee, their NCDFI provides a three-tier consumer loan program. The first tier offers loans up to \$4,000, the second offers loans up to \$8,000, and the third offers loans up to \$12,000. While the second two tiers are "dependent on whether people have gainful employment at different levels," tier one "tends to be [attractive for] people using their gaming dividend for repayment. . . . Having the option to pledge dividend payments for those kinds of loans really accommodates those low-income borrowers" (Interview 42).

Other NCDFIs use personal-leave pay as collateral for loans. This approach enables the NCDFI to extend loans without being heavily reliant on credit scores: if an employee's contract is terminated, the employer will pay off the loan using the employee's personal leave days.

Tailoring Development Products and Services. NCDFIs, in addition to offering financial products, also provide development products and services: financial education courses, individual coaching, tax clinics, feasibility studies for Native businesses, business development courses and support, technical courses aimed at imparting skills for high-paying jobs, small business digital marketing classes, entrepreneurship incubators, and broader community development services. According to 89 percent of interviewees, their NCDFI purposefully tailors its development products and services.

NCDFIs are able to customize their community development and financial education products and services to align with the culture and specific needs of the

community in part because they employ staff members who are from the communities served by the NCDFI and who have a deep understanding of them. As one interviewee clarified, “It is not our job to tell folks what success looks like. It’s our job to help our community, to help understand how our community defines [success] and support that. So, we look at what tribal economy means, what supporting an economy means, what our economies of old have been” (Interview 32).

NCDFI staff are committed to fostering a nonjudgmental atmosphere and building trust. During interviews, one respondent mentioned the use of trauma-informed approaches to provide services. This approach promotes open and shame-free dialogue while uncovering the deeper narratives, which are often overlooked. Another interviewee highlighted their efforts to empower people to break free from cycles of failure, of paying higher-than-market rates due to damaged credit and overcoming generational mindsets that have previously held them back from competing in the market and achieving better outcomes. A recurring theme that emerged from the interviews was the significance of establishing a relationship with the client beyond fostering trust *per se*.

“It is a handshake, a conversation. We like to get to know people before we go and ask them for something” (Interview 37).

“Before I took over, the staff used to write the business plans for them, so everything looked like a Cadillac instead of a rez car—and some of us are rez cars. Admit that you may not want to go as fast because you won’t be able to make it. You need to admit where you are at, and then build from there. We guide people now at writing the business plans, because if they are the author of their plan and they know how to measure it and it is tied to their goal, they will stick to it. If someone else writes it, they are going to blame someone else for their failure. They have to own it. They own the pride. They own the joy. They own the blood, sweat, and tears. That kind of responsibility and hard work ethic—that is not foreign to Native culture, that is universal in Native culture. We are just trying to help get people back to that, so [that] they can get a can-do attitude. The hard thing is to break through—establishing trust because they have a lot of generational mistrust or past bad experiences. So, we try to be as forthcoming [as possible] and do what we say, so [that] we can foster trust in that relationship” (Interview 3).

A fundamental aspect of NCDFIs’ work revolves around delivering comprehensive financial education and literacy classes within the community. This is especially crucial because it serves individuals who may be unbanked, have no credit history (or have thin credit files), or possess low credit scores.

“Some know what their credit score is, some don’t even *know* what a credit score is, and many that don’t even *have* a credit score. So, when we’re doing financial literacy education, that’s one of the first questions we ask: ‘Do you know what your credit score is?’ And, if not, we provide them the information for them to access that, give them additional training on it” (Interview 12).

Some interviewees emphasized that the choice of training locations is tailored to the specific needs of their community. They prioritize easily accessible venues rather than the NCDFI office. Furthermore, they make an effort to meet with clients at times that suit the client, sometimes in the evening or between their work shifts. A significant aspect of their training approach involves incorporating culture and storytelling to make the training sessions more relevant and accessible to the community:

“How did our ancestors approach these problems when we didn’t have money, but we thrived? So, underscoring that vein, that cultural vein” (Interview 2).

“The team blends culture with finance in those workshops and one-on-one meetings” (Interview 40).

Alongside the culturally aligned training, several interviewees emphasized their efforts to seamlessly integrate culture and business without exploiting culture inappropriately for profit. NCDFIs take great care to market their initiatives in respectful ways, such as acknowledging the importance of excluding sacred sites from tourist businesses.

A number of interviewees mentioned that the customization of their homeownership and home loan classes entails both financial readiness and home-buyer components. They also adapt these programs to address the unique aspects of home loans and homeownership on trust land. Today, there are two main types of land in Indian Country: trust land (wherein the federal government holds legal title, but the beneficial interest remains with the individual or tribe) and fee simple land. Trust land “generally may not be sold, taxed, or encumbered,” making it a challenge to get a conventional bank mortgage loan on a property on trust land.¹⁹ To tackle the peculiarity of trust land, the US government set up the Section 184 Indian Home Loan Program within HUD’s Office of Native American Programs, as well as the Veterans Affairs Native American Direct Loan, Freddie Mac’s Heritage One Mortgage program, and the USDA Section 502 Guaranteed Loan Program for rural housing. The HUD Section 184 loan program is the home mortgage product that is mentioned frequently by NCDFIs. It is specifically designed for Native American and Alaskan Native tribal members. Congress established this program in 1992 to facilitate homeownership and increase access to capital in Native American communities: “The Office of Loan Guarantee within HUD’s Office of Native American Programs guarantees the Section 184 home mortgage loans made to Native borrowers. The loan guarantee assures the lender that its investment will be repaid in full in the event of foreclosure.”²⁰ Borrowers must apply with a HUD-approved Section 184 lender.

One interviewee mentioned a program of their organization that pledges to provide clients with down-payment assistance if the family or individual saves a certain sum and takes the NCDFI’s homeownership course.

“We put together something that is a little more casual—informative but keeping in mind the prevalence of the section 184 home loans, talking about building on tribal trust land, multifamily [housing], and having sustainable housing that would work with a number of folks who are generations living together” (Interview 13).

Another interviewee highlighted that they customize their homeownership education courses.

“We wrote our own homeownership education, and we use that as an entry point to set the stage to pathways to homeownership curriculum. So instead of teaching the Cs of credit, just straight-up, we talk about how our lodge of old was a tepee, because as Plains people we were not necessarily nomadic but we did roam to follow our economy. When you set up those [tepee] poles, you begin with a core of three, four, five, depending on your tribal nation. Those poles have meaning, and they lean on each other, and the strength that is created in that core is what holds the rest of the poles up. They often were given a name or a story or some bit of history, [so] that there was meaning to everything that we did. We talk about how we put up our old lodges and make a connection to how we are preparing to buy a home now. We give a value to those poles, and those values ultimately equate to what we teach in the Cs of credit. But by beginning that way, our goal is to show folks that by buying a house you are not doing something that white men are doing just because—you are not just trying to build wealth. You are literally tapping into our ancestral values of old, and honoring who we are as a people by embracing what you need to embrace to become a responsible homeowner. By reframing the conversation that way, I feel like it’s more well received in our students” (Interview 32).

Another aspect of customizing development services involves adopting an inter-generational or multigenerational approach to workshops. This means conducting family workshops in which both parents and children are present, receiving the same information. In addition, some NCDFIs focus on serving the younger demographic, assisting them in building their financial education and skills. Simultaneously, they work with the elderly to educate them about scams and related issues. Another tailored development service includes educational programs designed for individuals living on a fixed income, a prevalent situation in some Native communities.

The most straightforward approach that NCDFIs mentioned for customizing development services is the use of curricula specifically designed for Native communities. The most frequently mentioned programs in the interviews were the First Nations Development Institute’s Building Native Communities program²¹ and the Consumer Financial Protection Bureau’s Your Money Your Goals: Focus on Native American Toolkit.²² In terms of business development training and technical assistance, a number of NCDFIs mentioned the Indianpreneurship program developed by ONABEN (Native American Business Network).²³

Measuring Success. Mainstream for-profit financial institutions normally define the success of their operations by their balance sheets. In contrast, in striving to gauge their success, NCDFIs consider a wide array of factors across various dimensions. These metrics encompass their impact on clients, characteristics of the NCDFI itself, and the performance of the products and services they offer.

Table 2 provides examples of the variety of metrics of success described by the interviewees, including metrics that are client-centered, metrics based on the characteristics of the NCDFIs, and metrics gauging the performance of products and services.

TABLE 2. HOW NCDFIS MEASURE SUCCESS

Client-Centered Metrics	Metrics based on NCDFI Characteristics	Metrics for Gauging the Performance of Products and Services
Number of individuals, families, businesses helped	Number of staff members	Dollars deployed and amount of loans
Job creation and retention	Portfolio size	Number of classes and instances of technical assistance
New homeowners	Funds raised	Loan repayment
Credit scores and income levels	Response times	Debt consolidation loans
Business skills enhancement	Self-sufficiency ratios (e.g., earned income to total operating expenses)	Small business loans
Professional network expansion	Loan loss reserves	Financial position of clients
Reduction in debt-to-income ratio	Compliance with regulatory and legal requirements	One-on-one business services (e.g., number of hours spent providing individualized business services)
Business growth	Delinquency rates	Business plans completed with NCDFI assistance
Referrals from partner banks	Financial statements	Business grants obtained
People who have received financial counseling		Access to safe water
Client resilience in the face of financial challenges		Default rates and charge-off amounts
		Principal repayments
		Free client tax returns completed

NCDFIs employ this comprehensive range of metrics to ensure that their efforts align with their mission and result in the well-being and success of their clients and communities. For NCDFIs, success means empowering individuals and communities in numerous ways. Thus, NCDFIs also consider the following measures of success:

Empowering through homeownership. One notable measure of success is assisting individuals in achieving homeownership on the reservation. This not only provides individuals with a sense of stability and belonging but also represents progress in reclaiming ancestral land.

Cultivating positive habits. Success is achieved when individuals begin to develop good financial habits and improve their overall financial well-being. This shift toward healthier financial practices can have a profound impact on borrowers’ lives.

Community trust. NCDFIs take pride in being regarded as a trusted partner and resource by the community. Earning this trust is a testament to the value they bring to the people they serve.

“Wealth beyond greed (W-E-L-L-T-H)” (Interview 35). Success extends to adopting a “relationship-based economic system” rather than one solely driven by greed. NCDFIs evaluate their impact by assessing the extent to which people embrace and practice responsible debt financing.

Supporting individual sovereignty. A critical measure of success is empowering individuals to take control of their finances, enabling them to make decisions that best suit their needs and aspirations.

Building networks. NCDFIs consider it successful when they establish networks of food and agricultural entrepreneurs to support local sovereignty initiatives. This promotes self-sufficiency and community resilience.

Stewardship and fiscal responsibility. Success includes acting as good stewards of resources and upholding fiscal responsibilities. These actions demonstrate a commitment to long-term community well-being.

Training and education. NCDFIs value success in ensuring that training precedes financial assistance. This approach helps individuals navigate their financial journeys more effectively.

Home improvement loans and community safety. Success is measured by the impact of home improvement loans, particularly when they enhance the health, safety, and security of the community. These improvements contribute to an improved quality of life.

Preservation of land. For NCDFIs, the extent to which they can ensure that land remains in the hands of the Native community is a measure of success. Land is seen as a tool of self-determination, symbolizing NCDFIs' commitment to preserving Native cultural heritage.

In summary, NCDFIs reportedly define success by the positive impact they have on individuals, local communities, and the broader Native community. Their holistic approach goes beyond financial figures and extends to fostering financial well-being, community trust, cultural preservation, and the transition to a more sustainable and relationship-based economic system. A prevailing theme from the interviews is that, for NCDFIs, success is a multifaceted journey that reflects the NCDFIs' deep commitment to the well-being and prosperity of the people and communities they serve.

Interviewees repeatedly emphasized their profound commitment to keeping their clients' success at the forefront of their mission. They indicated that they recognize that success, when viewed from the client's perspective, encompasses a diverse spectrum of criteria that extend far beyond traditional financial measures. To start with, this includes "listening to people and showing them respect, even if what they want to do isn't achievable yet. But showing them respect, showing them courtesy, and showing [them] a way they can build and measure their goals. I think most people value that a lot" (Interview 3). Furthermore:

"[H]aving those conversations . . . without judgment . . . people appreciate that so much. They appreciate the opportunity to share some of the struggles, [to] learn they're not alone in those struggles, and that they don't have to be perfect. To realize [that] they have resources [they can] reach out [for, to] ask questions [about]—that's an impact I've seen right away. People are saying, 'Wow this is so great to have these conversations versus "Here's your loan paper, here's your check."' Also . . . the people that are either starting [up] or supporting their business with loans—offering them *more* than just the loan, saying, 'Are you taking advantage of all of these community resources as a business owner?' and [that] kind of technical assistance, and they're like, 'You provide that?' So that definitely [has] an impact; they realize we're looking at the whole person and the whole business rather than just a piece of it" (Interview 13).

For NCDFIs, client success arises from access to resources and opportunities that empower individuals and communities to thrive. We asked NCDFIs how they think their clients measure success. Table 3 enumerates some of the metrics mentioned by the respondents.

TABLE 3. HOW NCDFI CLIENTS MEASURE SUCCESS

Securing funding to pursue tribal sovereignty initiatives, promote economic independence, and achieve food or water sovereignty
Realizing the dream of homeownership and ensuring housing stability for families
Learning how to effectively handle finances, save money, and manage bills
Ability to own assets and create wealth, reflecting the path toward financial security and realizing long-term financial goals
Better employment opportunities, improved transportation, and access to education
Higher credit scores as a step toward better financial prospects and having extra cash to hire more people
Establishing and nurturing a successful business that leads to financial security and provides valuable services to the community
Relief from debt consolidation
Safety, health, and family welfare
Creditworthiness, individual spiritual balance, and an enhanced quality of life
Leaving behind a legacy that can be passed on to the next generation
Expansion of a client's social network
Preventing evictions or foreclosures

Interviewees indicated that moments of triumph and joy are integral to the broader perspective of success, and they remain deeply committed to nurturing these aspects within the communities they serve. As one interviewee summed up, “This is the deep work of an NCDFI, because often we are not just looking for dollars deployed or jobs created, we are looking for a shift in the mindset of our people. And that’s even harder to measure, but [it’s] crucial to achieve the type of economic development we want to achieve” (Interview 32).

Ultimately, feeling a sense of belonging and fulfillment within the community is a central part of client success. The interviews showed that NCDFIs adopt the view that true success encompasses a rich tapestry of individual and communal achievements, and NCDFIs are dedicated to helping their clients weave this tapestry for a brighter and more secure future. NCDFIs’ commitment to a client-centric approach is a cornerstone of their work, ensuring that success is defined and measured by the fulfillment of the dreams and aspirations of the individuals and communities that they serve.

CONCLUDING REMARKS

Native Community Development Financial Institutions (NCDFIs) have become key players in providing credit to financially underserved Native communities. However, the factors contributing to the success of the NCDFI industry, particularly the intricacies of their engagement in Native communities, have not been fully characterized. Through a series of interviews with NCDFI leaders, we have shed light on the fundamental practices and approaches that these organizations employ to promote financial inclusion while ensuring cultural compatibility.

The key practices and approaches of NCDFIs revolve around setting comprehensive goals, forming strategic partnerships, customizing financial and development products and services to meet the specific needs of Native communities, and employing inclusive measures of success. In essence, the NCDFI industry prioritizes individuals over loans, emphasizing a person-centric approach as a crucial element in the strategy to enhance financial inclusion and bolster the capacity of underserved Native communities.

In this paper, our examination of the NCDFI industry has been entirely qualitative. Future research will seek to broaden and deepen the present analysis through the implementation of a quantitative approach using a follow-up survey administered to participating NCDFIs. For example, it would be important to grasp quantitatively what NCDFIs view as the major obstacles to fulfilling their mission, how NCDFIs perceive their interactions with federal agencies, and how NCDFIs resolve contractual disputes. Considering the pivotal role of NCDFIs in advancing the socioeconomic well-being of Native communities, the exploration of NCDFI lending models is a highly pertinent topic that merits further investigation.

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APPENDIX A

Interview Questionnaire

Interview [approximately one hour; recorded, transcribed by software]

Questions provided to the interviewees ahead of time.

Name of NCDFI: _____

Date of Interview: _____

Name of Interviewer: _____

First, we would like to ask you some basic questions about your organization.

- ♦ When was your NCDFI established?
- ♦ At that point, how much capital were you able to raise?
- ♦ Looking back, did you have a checklist that helped you get started? Would you be willing to share it with us?
- ♦ What is the geographic area of your NCDFI?
- ♦ Which Native communities do you serve?
- ♦ (*Only for uncertified NCDFIs*) We notice that your NCDFI is not certified with the CDFI Fund. Is there a particular reason why you have not applied for certification?
- ♦ Are you an independent NCDFI or owned by a tribal government?
- ♦ Do you frequently partner with other organizations to reach your institution's mission? If so, which ones and how? (These may be other NCDFIs, traditional lenders or other types of organizations.)

Next, we would like to understand more about the mission of your organization.

- ♦ What are the strategic goals of your organization? We are particularly interested to know about any community development objectives.

- How does your organization measure success? (e.g., number of clients, program impact, community statistics, individual/business outcomes, etc.)
- How do your clients measure success? (Financial wealth? Tribal sovereignty? Health? Family and kinship?)

We are also particularly interested in knowing more about how your organization operates to meet the needs of your clients and ensures cultural fit to Native communities.

- Do you tailor your lending products and services to the Native community? If so, how?
- Relatedly, do you tailor your development services (i.e., educational programs) to the Native community? If so, how?
- What are your top sources of lending funds today (e.g., foundations, tribal government, state or local governments, private individuals, deposits, etc.)?
- Where do you believe the capital for financing your operations *should* come from?
- What federal funding programs do you leverage?
- Are there federal programs you wish you could access more than you are now? If so, which ones?

Now, we would like to learn more about the obstacles and challenges faced by your organization.

- What are the key challenges faced by your organization?
- Can you provide any examples of government requirements that make it difficult for NCDFIs to gain access to lending capital and/or operational capital?
- We would like to understand the growth challenges of NCDFIs at various points in their development. What strategies have you used to overcome these challenges?

Finally, we'd like to ask you about the unmet needs of your community.

- Are you able to meet all of the financial needs of your community?
- (*If the answer is no*) Could you give us an estimate of how many clients you have had to turn away due to lack of capital?
- How much more capital would you need to fulfill the current needs of your community?
- What are the biggest barriers to accessing lending and financial services in your community?
- What data do you wish you had to help expand your impact and role in economic development in Indian Country?
- What policy changes at the local, state, or federal level would allow your CDFI to better meet your clients' needs?

Is there anything else you'd like to share with us that we didn't ask about?

NOTES

1. See, for example, Randall K. Q. Akee and Miriam Jorgensen, *Access to Capital and Credit in Native Communities: A Data Review* (Tucson: Native Nations Institute, 2017), reporting that in 2013, for tribes in the lower forty-eight states, the average straight-line distance from the geographic center of a reservation to the nearest bank branch was as much as 12.2 miles. Similarly, in 2012, only 5.6 percent of American Indian and Alaska Native business owners and 3.6 percent of Native Hawaiian business owners reported using formal bank financing for start-up funds, as compared to 7.5 percent of business owners overall.

2. See, for example, David Listokin, Kenneth Temkin, Nancy Pindus, and David Stanek, *Mortgage Lending on Tribal Land: A Report from the Assessment of American Indian, Alaska Native, and Hawaii Housing Needs* (Washington, DC: US Department of Housing and Urban Development: Office of Policy Development and Research, 2017); Kathleen Pickering and David W. Mushinski, "Cultural Aspects of Credit Institutions: Transplanting the Grameen Bank Credit Group Structure to the Pine Ridge Indian Reservation," *Journal of Economic Issues* 35, no. 2 (2001): 459–67; Robert J. Miller, "American Indian Entrepreneurs: Unique Challenges, Unlimited Potential," *Arizona State Law Journal* 40, no. 4 (2008): 1297–1342; Ken B. Cyree, Keith D. Harvey, and Michael R. Melton, "Bank Lending to Native American Applicants: An Investigation of Mortgage Flows and Government Guarantee Programs on Native American Lands," *Journal of Financial Services Research* 26, no. 1 (2004): 29–54.

3. See Michou Kokodoko, *Growth and Performance of the Native CDFI Loan Fund Sector, 2001–2012*. (Minneapolis: Federal Reserve Bank of Minneapolis Community Development Report No. 2015-1, 2015). In addition to loan funds, NCDFIs also encompass credit unions, banks, thrifts, holding companies, and venture capital funds. Some NCDFIs are for-profit.

4. Information about the number of certified NCDFIs over time may be obtained from historical data collected by the CDFI Fund. For the most recent data, see <https://www.cdfifund.gov/programs-training/certification/cdfi>.

5. See Valentina Dimitrova-Grajzl, Peter Grajzl, A. Joseph Guse, Michou Kokodoko, and Laurel Wheeler, "When the Lender Extends a Helping Hand: Native CDFI Client Counseling and Loan Performance in Indian Country," *Journal of Economics, Race, and Policy* 6, no. 4 (2023): 258–67; Valentina Dimitrova-Grajzl, Peter Grajzl, A. Joseph Guse, Michou Kokodoko, and Laurel Wheeler, "Beyond Conventional Models: Lending by Native Community Development Financial Institutions," *Annals of Public and Cooperative Economics* (2023, in press): 1–27.

6. See United States Government Accountability Office, *Tribal Economic Development: Action Is Needed to Better Understand the Extent of Federal Support*. Report to Congressional Committees (Washington, DC: US Government Accountability Office, 2022); Congressional Research Service (CRS), *Community Development Financial Institutions (CDFIs): Overview and Selected Issues* (Washington, DC: Congressional Research Service, 2022).

7. For purposes of this calculation, we define the NCDFI industry as the universe of certified NCDFIs plus the ten non-certified or emerging NCDFIs included in our analysis.

8. See Miriam Jorgensen, *Access to Capital and Credit in Native Communities* (Tucson: Native Nations Institute, University of Arizona, 2016).

9. An NCDFI intermediary is an entity that meets NCDFI program eligibility requirements and whose primary business activity is the provision of financial products or services to other NCDFIs.

10. See Michael Bloor and Fiona Wood, *Keywords in Qualitative Methods: A Vocabulary of Research Concepts* (First Edition) (London: Sage Publications, 2006); Virginia Braun and Victoria Clarke, "Using Thematic Analysis in Psychology," *Qualitative Research in Psychology* 3, no. 2 (2006): 77–101.

11. One potential data source that would facilitate a comparative analysis of Native and non-Native CDFIs is the 2023 CDFI survey administered by the Federal Reserve Bank of Richmond.
12. Dimitrova-Grajzl et al., "Beyond Conventional Models."
13. "Dawes Act (1887)," *Milestone Documents, US National Archives and Records Administration*, <https://www.archives.gov/milestone-documents/dawes-act> (accessed February 7, 2024).
14. Kristen A. Carpenter and Angela R. Riley, "Privatizing the Reservation?" *Stanford Law Review* 71, no. 4 (April 2019): 791–878.
15. Ibid.
16. See "Land Tenure History," *Indian Land Tenure Foundation*, <https://iltf.org/land-issues/history/> (accessed February 7, 2024); "Dawes Act (1887)," *Milestone Documents, US National Archives and Records Administration*, <https://www.archives.gov/milestone-documents/dawes-act> (accessed February 7, 2024).
17. Carpenter and Riley, "Privatizing the Reservation?" 817.
18. See, for example, Leonard A. Carlson, *Indians, Bureaucrats, and Land: The Dawes Act and the Decline of Indian Farming* (Westport: Greenwood Press, 1981).
19. "CD Insights Report: Commercial Lending in Indian Country: Potential Opportunities in a Growing Market," *Office of the Comptroller of the Currency*, [https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-insights/pub-insights-feb-2016.pdf](https://www OCC.gov/publications-and-resources/publications/community-affairs/community-developments-insights/pub-insights-feb-2016.pdf) (accessed February 7, 2024).
20. "Section 184 Indian Home Loan Guarantee Program," *US Department of Housing and Urban Development*, <https://www.hud.gov/section184> (accessed February 7, 2024).
21. See <https://www.firstnations.org/projects/building-native-communities-financial-skills-for-families/>.
22. See https://files.consumerfinance.gov/f/documents/cfpb_ymyg_focus-on-native-communities.pdf.
23. See <https://onaben.org/indianpreneurship/>.