

Case Study: **The Mountain | Plains Regional Native CDFI Coalition – Two Years After the Build Back Better Regional Challenge Winner Award**

In September of 2022, the Economic Development Administration (EDA) awarded under the Build Back Better Regional Challenge (BBBRC) a total of roughly \$1 billion to 21 regional coalitions across the country. Created through the American Rescue Plan Act of 2021, the BBBRC proposals from communities across the country aimed at transforming local economies through collections of complementary and integrated projects. Among these 21 awardees is the Mountain | Plains Regional Native Community Development Financial Institution (CDFI) Coalition (Mountain | Plains Coalition), which is taking concrete action to accelerate the growth of the Indigenous Finance Industry and expand economic opportunity across Montana, North Dakota, South Dakota, and Wyoming.

1. Background

Traditional ways of life for Native Americans in the northern part of the Great Plains were severely disrupted upon the invasion of European settlers, more commonly known as the “westward expansion of the United States,” in the latter half of the 19th and early part of the 20th centuries. The population within the Great Plains region originally consisted of thriving nomadic Tribes, but genocide, military force, coercion, disease, and a series of often-broken treaties led to a cataclysmic decline in the amount of land available to Plains Tribes, in turn causing entire widespread loss of livelihood, access to food, sacred sites, and traditional ways of being for Indigenous Peoples. Many of those with federal recognition were forced onto reservations, which often had little value and lacked the familiar resources needed to thrive, while those without were forced to survive without land—an untenable prospect for any tribe.¹

Federal policy continued to actively harm Tribal survival by creating legal precedent that removed sovereignty from Tribal Nations and continued the ongoing extraction of resources that were largely connected to land. The General Allotment Act of 1887, also known as the Dawes Act, worked to divide existing reservations into individual family allotments and hold land within a federal trust for the purpose of farming or grazing despite a general lack of suitability for these activities on the reservations.² Land became subject to state and local taxation after 25 years had passed since the initial allotment, which resulted in thousands of acres being acquired by non-Natives after they had left the federal trust.³ The Act also allowed for the general sale of “surplus” land to non-Tribal entities, which ultimately resulted in a cumulative nationwide loss of 90 million acres of Tribal land—an area approximately the size of Maryland, Virginia, and the Carolinas combined.⁴

The allotment era, and with it the federally-driven ever-shrinking footprint of Native-owned land, came to a conclusion with the Indian Reorganization Act of 1934, which formally ended allotment as a policy and allowed for remaining “surplus” land on reservations to be restored to Tribal ownership.⁵ Yet the federal government for another 40 years still maintained control of essential services such as education, housing, and healthcare through the Bureau of Indian Affairs and the Indian Health Service on reservations—acts

¹ Linda Darus Clark. “Sioux Treaty of 1868.” National Archives. 23 September 2016. Available at www.archives.gov/education/lessons/sioux-treaty.

² “Dawes Act (1887).” National Archives. 8 February 2022. Available at www.archives.gov/milestone-documents/dawes-act.

³ “Native American Ownership and Governance of Natural Resources.” Office of Natural Resources Revenue. U.S. Department of the Interior. Available at revenue.doi.gov/how-revenue-works/native-american-ownership-governance/.

⁴ “The Dawes Act.” National Park Service. 9 July 2021. Available at www.nps.gov/articles/000/dawes-act.htm.

⁵ “Native American Ownership and Governance of Natural Resources.” Office of Natural Resources Revenue.

which continued to undermine tribal sovereignty and the right for Native Peoples to govern themselves. It was not until the Indian Self-Determination and Education Assistance Act of 1975, a bill for which Native communities actively fought and campaigned, that the federal government began contracting with Tribes and granting them the authority to manage programs and services for themselves.⁶

Native Americans effectively fought for their civil and treaty rights, resulting in improved self-determination over the last 50 years. However, the remnants of genocide, as well as the subsequent federal policies that were designed to address "the Indian Problem," continue to create systemic barriers that by design perpetuate economic disparity.

Tribes still face severe constraints to economic advancement. Native children are more likely to end up in the bottom quintile of the income distribution in adulthood than their non-Native counterparts and are least likely to end up in the top quintile.⁷ In the Great Plains in particular, Native Americans are among the lowest-income populations despite an overall high regional income level—a pattern that is essentially reversed in other parts of the country with significant Native populations.⁸ Several key aspects of federal and private-sector relationships with Native communities contribute significantly to these trends.

For starters, the most common type of Native American territory is trust land, which is formally owned by the federal government but is available for use by either a specific Tribe or individual.⁹ Due to the complex nature of Tribal ownership that differs significantly from that of the vast majority of non-Native land ownership, mainstream lending institutions are weary of issuing loans on trust land, hindering Native attempts at economic development in the process. Moreover, permitting, natural resource extraction, and sales typically all require approval by the federal government, which thereby completely denies or severely hinders access to certain channels of economic advancement that can be taken for granted by non-Natives.¹⁰

As a result of these ongoing barriers in capital systems, Native Americans face significant barriers to accessing credit. A study by the National Community Reinvestment Coalition that evaluates Home Mortgage Disclosure Act data from 2018 to 2021 found that Native Americans comprised just 0.9% of all mortgages in the United States despite making up 3% of the population—a three-to-one underrepresentation.¹¹ Even when able to secure a mortgage, Native Americans tend to receive higher interest rates and pay more in closing fees than their white counterparts.¹² Compounding these disparate

⁶ "Self-Determination." Bureau of Indian Affairs. U.S. Department of the Interior. Available at www.bia.gov/regional-offices/great-plains/self-determination.

⁷ Donn Feir. "The Landscape of Opportunity in Indian Country: A Discussion of Data from the Opportunity Atlas Research Brief." Federal Reserve Bank of Minneapolis. 19 April 2019. Available at www.minneapolisfed.org/article/2019/the-landscape-of-opportunity-in-indian-country-a-discussion-of-data-from-the-opportunity-atlas-research-brief.

⁸ Ibid.

⁹ Adam Crepelle. "Federal Policies Trap Tribes in Poverty." American Bar Association. 6 January 2023. Available at www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/wealth-disparities-in-civil-rights/federal-policies-trap-tribes-in-poverty/.

¹⁰ Ibid.

¹¹ Jason Richardson. "Native Americans Struggle to Obtain Credit: A Close Analysis of Native American Mortgage Lending From 201-2021." National Community Reinvestment Coalition. 21 February 2023. Available at ncrc.org/native-americans-struggle-to-obtain-credit-a-close-analysis-of-native-american-mortgage-lending-from-2018-2021/.

¹² Ibid.

outcomes is the overt discrimination that would-be Native borrowers face in securing mortgages, with lenders holding them to double standards both on and off reservations.¹³

1. The Mountain | Plains Regional Native CDFI Coalition

Despite the disparate access to both basic amenities like automated teller machines (ATMs) as well as more complex wealth-building financial instruments, the Mountain | Plains Regional Native CDFI Coalition outlined in its application to the Build Back Better Regional Challenge its robust vision for a Native-led financial industry. To address these longstanding systemic barriers to economic opportunity and to accelerate the growth of the region's Indigenous Finance Industry, the Coalition was awarded approximately \$45 million to expand the existing capacity among regional lenders, build out both the physical and nonphysical infrastructure needed for lending to succeed, and establish a first-of-its-kind regional revolving loan fund across the Coalition's partnering CDFIs.

First, the Coalition is addressing the regional need for a coordinated economic growth plan by establishing an executive leadership development program, compiling data among the other component projects, and developing a longer-term growth plan. Working within the theme of increasing capacity among Native financial experts in Indian Country, it is also creating a skills development program and a regional recruitment strategy for regional Native CDFIs. The Coalition has recognized the need to increase expertise within the existing Indigenous Finance Industry as well as grow the total number of qualified workers, and these investments are creating a virtuous circle of talent development across the four-state service area.

The investments in infrastructure are working to fill critical gaps in necessary assets that financial institutions in other parts of the country often take for granted, including secure facilities for deposits, central office spaces, and the availability of up-to-date software and ancillary services. An innovation center in Crow Agency—the capital of the Crow Nation—is being constructed to foster business creation by setting up some of these basic physical assets as well as providing the facilities and wraparound services needed by entrepreneurs. Critically, the Innovation Center is emphasizing a relationship-led approach, as Indigenous clients who utilize any of these services will be served by other Native Americans who have expertise and experience working with the challenges that Indigenous Peoples uniquely face when trying to start businesses. In identifying a similar and complementary need for non-physical infrastructure, the Coalition is also providing shared services and digital platforms for Native CDFIs across the Coalition.

The largest and arguably most critical portion of the Coalition's work, which constitutes roughly half of the \$45 million award, is leveraging both public and private investments to establish a regional revolving loan fund to address a lack of access to capital among Indigenous communities. This fund an innovative model that unites multiple CDFIs, crosses state boundaries, and can be utilized in nontraditional ways to increase lending to Native Americans, such as through the collateralization of trust land. The projects funded by these loans, many of which are for vital business expansions, are a testament to the significant need for this Coalition's work in the Great Plains. Ultimately, these investments will lead to an increase in both the breadth and depth of the Indigenous Finance Industry in the four-state area and serve as a model for other communities seeking to increase capacity among their lending institutions.

¹³ Ken B. Cyree, Keith D. Harvey, 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*, Vol. 26, pp. 29-54. August 2004. Available at link.springer.com/article/10.1023/B:FINA.0000029656.94739.75.

In its application, the Coalition shared a tangible vision of success:

“By building the capacity of Native CDFIs, building the capacity of ancillary industries, building the capacity of the Native workforce, deploying capital into the private sector, and scaling services and systems within and beyond the region, the proposed projects will result in the start-up and development of small businesses, job creation, reduced unemployment, increased income, and most importantly, reorganized systems that ensure equitable economic outcomes for all community members.”

2. Year-Two Marker

At the two-year mark, signs are emerging that significant progress has been made by the Coalition in achieving its goal of a more robust, regional Indigenous Finance Industry. Critical to the vision of success is a continued effort to dispel many of the myths around perceived risk in lending in Indian Country. This narrative change, which spans each of the entire portfolio of component projects, is continuing to show up in places that were not initially anticipated upon the EDA award. The Coalition has developed a shared tool for members and partners to forward a regional ecosystem-wide narrative change strategy.

For example, the Mountain | Plains Coalition was invited to collaborate with the U.S. Census Bureau and EDA on an initiative through the Opportunity Project, which ultimately led to a plan to increase capital and investment to Native communities as well as improve Native representation in federal datasets.¹⁴ The White House Office of Management and Budget in 1977 issued Directive No. 15, titled “Race and Ethnic Standards for Federal Statistics and Administrative Reporting,” to better measure disparate outcomes among different racial and ethnic groups, yet Native Americans continue to be misrepresented in, or even completely absent from, federal datasets.¹⁵ Without knowing the extent to which economic outcomes differ between Native Americans and their non-Native counterparts, it is impossible to know when they change.

The Mountain | Plains Coalition has been collecting data to show the impacts of the Coalition and to give future generations data to use for continued impacts. As of 2023, the collective portfolio has closed nearly 900 loans worth \$53 million with an average default rate of just 2%, while clients of the Coalition have created nearly 400 new jobs. Similarly, both the physical and nonphysical infrastructure projects are showing signs of significant progress. The former has successfully finalized the architectural and engineering designs and broken ground on the new Innovation Center in Crow Agency. Critically, this process is being led by Natives and strengthening the institutional knowledge in place for future construction projects.

Through the newly developed 501(c)(3) Mountain Plains Community Development Corporation, this project has provided direct legal and accounting services to member CDFIs, such as contract negotiation and review; collections methodology; audit preparation; and part-time leadership support. Additional activities have included loan process mapping, identifying and procuring external financial professionals, connecting with additional funding entities, and curriculum development.

¹⁴ Victoria Elizabeth Fine, Thera Naiman. “The Opportunity Project Finds Ways to Funnel Investment to American Indian and Alaska Native Communities.” The United States Census Bureau. 12 January 2024. Available at www.census.gov/library/stories/2024/01/top-indigenous-communities.html.

¹⁵ Robert Maxim, Gabriel R. Sanchez, Kimberly R. Huyser. “Why the federal government needs to change how it collects data on Native Americans.” The Brookings Institution. 30 March 2023. Available at www.brookings.edu/articles/why-the-federal-government-needs-to-change-how-it-collects-data-on-native-americans/.

Expanding Indigenous financial expertise in the region is also well underway, with the successful identification of professional needs among finance leaders and the subsequent development of relevant degree programs at Tribal Colleges and Universities in the four-state region. Shared needs that emerged during these consultations include business counseling, grant writing, underwriting, and succession plans among Native CDFIs, which face a more difficult time in filling vacant positions than non-Native entities. Notably, the Coalition members are working collaboratively, not competitively, in an effort to most effectively serve their communities to provide technical assistance through peer-to-peer learning when knowledge gaps are identified.

Finally, the regional revolving loan fund, the keystone of the Mountain | Plains Regional Native CDFI Coalition's proposal, began issuing loans to Native entrepreneurs and businesses in October 2023 and has to date dispersed around \$3.5 million to 13 businesses within the region. Coalition members have expressed how significant this sum is given historical lending amounts in Indian Country in the Great Plains region. Critically, the Coalition was also able to secure funding from the Wells Fargo Invest Native Initiative to provide gap funding for CDFIs as they seek to invest in local businesses. Such following investments are a testament to the long-term viability of this coalition's work.

3. Conclusion

As the Build Back Better Regional Challenge passes this important milestone, it is important to note that positive change in economic clusters can take many forms. The Build Back Better Regional Challenge was intentionally open-ended in its approach to soliciting proposals. The Economic Development Administration sought visions of economic transformation consistent with regional assets while recognizing where improvements were needed. In the case of the Mountain | Plains Regional Native CDFI Coalition, increased lending activity among and external interest in Native entrepreneurs and small businesses is a key indicator of success. That demand for capital among Tribal members is so strong is a clear sign that increased economic activity and wealth creation is on the horizon for this Coalition.