

# **Sovereign Individuals, Sovereign Nations: Promising Practices for IDA Programs in Indian Country**

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# **Sovereign Individuals, Sovereign Nations: Promising Practices for IDA Programs in Indian Country**

*“I hope the IDA program is available for all tribal members, not just the lower income tribal members, for if we are to be independent and sovereign as a tribal nation we need to be independent and sovereign individuals, and financial literacy is key to that success. It is also important to keep in mind the cultural appropriateness of the philosophy. The acquisition of credit to gain access and ability to buy more stuff is not the goal. Financial freedom and independence on the individual level will ripple to the tribal nation level.”*

Community member, Confederated Tribes of Grande Ronde,  
Grand Ronde, Oregon.

## **I. Introduction**

Similar to Individual Retirement Accounts, Individual Development Accounts (IDAs) are savings accounts held by low-income individuals for designated purposes such as education, small business development, or homeownership. As part of a structured program, savings in these accounts are “matched” by funding from private or public sources. By rewarding individuals for saving, IDA programs encourage low-income individuals to develop saving habits and build assets, and are the foundation of a promising new asset-based social welfare policy movement. The IDA movement nationwide is rather young, with the first state passing its legislation in 1993, two years after the publication of Michael Sherraden’s influential book *Assets and the Poor*. The IDA movement has caught on rapidly, however, and currently 31 states have passed some form of IDA legislation and over 10,000 Americans are participating in IDA programs. Early research suggests that low-income individuals are able to save and accumulate assets, and that there are many more beneficial aspects of participation in IDA programs, including increased economic stability, increased educational attainment, increased financial skills, and decreased rates of intergenerational poverty.<sup>1</sup>

Recently, IDA programs have begun operating in Native and tribal communities.<sup>2</sup> The first Native IDA program began in 1999, and has been operational only four years. IDA programs

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<sup>1</sup> Page-Adams (2002); Schreiner et al. (2001).

<sup>2</sup> The term “Native IDA program” is used loosely in this paper to describe all IDA programs that are located in a tribal community or serve a primarily Native population, including populations in Alaska and Hawaii. The term “Native” will be used throughout this paper to describe the Native population in the lower 48 states as well as the Native populations in Alaska or Hawaii. The term “Indian Country” is used loosely in this document to refer to Indian reservations in the lower forty-eight states and also to Native communities in Alaska and Hawaii. Although the U.S. Supreme Court ruled in 1998 that lands held by Native entities under the terms of the Alaska Native Claims

typically have three main components, including program administration, training, and matching funds for IDA participants. The data on participation in these Native IDA programs indicates that once programs are up and running, tribal community members are participating and are learning savings habits and meeting savings goals.<sup>3</sup> The Native IDA movement is still in need of information about how to develop successful IDA programs, however, including information about funding streams, organizational structure, program design, and promising practices.

The goals of this paper are to review recent research on Native IDA programs, present a conceptual framework for understanding the opportunities and challenges facing Native IDA programs, and discuss promising practices. In the process, the paper will identify strategies to ensure the success of existing Native IDA programs, including strategies for developing funding streams for IDA programs and identifying the institutional characteristics correlated to program success. In addition, this paper will provide an overview of lessons learned from existing IDA programs. The overview will illustrate the success of existing Native IDA programs, the promise represented by recently started IDA programs, and the need for increased resources in the field of Native IDA programs to continue to ensure the vitality of this asset-building movement in Indian Country.

## II. Methods

The majority of data for this report were gathered through interviews and site visits with Native IDA program administrators and organizers associated with the six Native IDA programs funded by the First Nations Eagle Staff Fund IDA Initiative. This includes the IDA programs in Warm Springs, Oregon; Pendleton, Oregon; Redwood Valley, California; Fort Hall, Idaho; Norman, Oklahoma; and Tahlequah, Oklahoma. Interviews were also conducted with managers of other Native IDA programs, including those in Montana, Minnesota, South Dakota, and Hawaii. Secondary source reviews were also conducted for this report, including a review of work done by the Center for Social Development at Washington University in St. Louis and the Corporation for Enterprise Development in Washington, DC.

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Settlement Act (ANCSA) are not technically “Indian Country,” these populations face many of the same issues. Therefore, we are using this term loosely in this paper to describe lands under Native governance or control.

<sup>3</sup> First Nations Development Institute (2000).

*“Wow, this class is something completely different. You are asking us to save and budget. I like what you are saying so we aren’t taken advantage of and so we become financially independent...”*

IDA program participant, Umatilla Indian Reservation,  
Umatilla, Oregon.

### **III. Overview of Existing Native IDA Programs**

As of the publication of this paper, there are 12 existing IDA programs nationwide that are located in Indian Country or serve primarily Native populations, and one defunct organization. These 13 programs, listed in Table 1, are located in Alaska, Arizona, California, Hawaii, Idaho, Minnesota, Montana, Oklahoma, Oregon, and South Dakota. The most recent Native IDA program was established in October 2003 in Anchorage, Alaska by the Cook Inlet Tribal Council, and the oldest IDA programs were established in Oklahoma and Idaho in 1999. This section of the paper will provide a review of data collected from the 13 Native IDA programs and identify common themes, lessons learned, and promising practices. This section will also provide an overview of the institutional structure of these programs, current funding streams, IDA program designs, partnership patterns, and documented challenges.

#### **Institutional Structure**

The institutional home for Native IDA programs has taken a broad range of forms. As can be seen in Table 1, Native IDA programs are being administered by a broad range of organizations, including tribal government entities, private nonprofit 501(c)(3) organizations, and in the case of the Montana IDA program, a tribal for-profit enterprise. However, the majority of existing Native IDA programs are being administered by some division of the tribal government, including tribal councils, tribal housing authorities, tribal credit enterprises, tribal community colleges, or tribal commerce departments. According to those interviewed for this paper, tribal government entities were chosen to administer Native IDA programs in communities for a variety of reasons.

The primary reason IDA programs are located in tribal communities is that they are meant to serve tribal community members. Therefore locating the program in an existing division of tribal government allows for ease of access for tribal members. Second, the tribal government is already a place for routine transactions, and is a trusted institution in the community. IDA program administrators in many communities observed that there is a great deal of mistrust in Native communities around issues related to money and money management because of a history of limited access to financial services and discriminatory practices, including predatory lending.

Locating IDA programs specifically in the tribal government structure helped increase trust in the program. Third, it allows the opportunity to take advantage of existing services in tribal departments, including financial literacy education, small business start-up education, and homeownership education. Some tribal governments have been offering such programs for many years, and the IDA program complements these existing efforts. Many IDA programs have been integrated into existing tribal programs around these topics and provided “value-added” components to these existing services. Lastly, locating the IDA program in the tribal government offers the opportunity to take advantage of existing staff and resources. In many cases, the staff administering the IDA program are tribal government employees who are also working on other programs such as housing counseling or credit programs.

However, many of the reasons for housing the IDA program in an existing tribal government program or division were initially not for the reasons listed. In some cases, programs were operated by tribal governments by default, because there were simply no other organizations or funding streams to support the effort. In many cases, it was unclear what other funding sources were available for IDA programs, and by default the tribal government agreed to fund the IDA program, at least partially. As a result of receiving tribal funding, it made sense to administer the IDA program through a government agency. As more funding streams develop, it will be important to monitor whether more IDA programs are administered by nonprofit organizations or other nongovernmental institutions.

Our research identified only a few issues that illustrate problems with tribal government operation of IDA programs. In one case, an IDA program participant expressed concern about sharing confidential financial information with the financial literacy class instructor (who was also the IDA program administrator and a tribal government employee), given that the program was operating in a small community where everyone knows each other and there were concerns about privacy. Many of the financial literacy classes cover credit repair and involve a discussion of credit histories, and many participants have poor credit histories. In this case the issue was resolved because the financial literacy instructor was actually new to the community and therefore IDA program participants felt comfortable that she would not share information. While this privacy concern was raised by one IDA program participant, it did not seem to be a problem in any other IDA program. Another potential problem relates to the political nature of any activity sponsored by tribal governments. One IDA program manager suggested that tribal politics was affecting the success of the IDA program. This concern was only expressed in one case however, and our research did not find that this was a pervasive problem.

**Table 1: Native IDA Programs in the United States**

	<b>Tribal/Native Community Served</b>	<b>Location</b>	<b>Sponsoring organization</b>	<b>Start year</b>	<b>Eligible participants</b>	<b>Funded by FNDI</b>
1	Shoshone-Bannock Tribes of Fort Hall Indian Reservation	Fort Hall, ID	Tribal Credit Department	1999	Shoshone-Bannock tribal members, 18 years and older	Yes
2	Confederated Tribes of Warm Springs Indian Reservation	Warm Springs, OR	Tribal Credit Department	2001	Confederated Tribes of Warm Springs tribal members	Yes
3	Confederated Tribes of Umatilla Indian Reservation	Pendleton, OR	Tribal Housing Authority	2001	Confederated Tribes of Umatilla tribal members, 18 years and older	Yes
4	Redwood Valley Little River Band of Pomo Indians Rancheria	Redwood Valley, CA	Tribal Council	2001	Redwood Valley Little River Band of Pomo Indians tribal members, 18-21 years of age, planning to study for an undergraduate college degree	Yes
5	Confederated Tribes of Salish-Kootenai of the Flathead Reservation ( <b>now defunct</b> )	Polson, MT	S & K Enterprise (tribal for-profit enterprise)	2001	Confederated Tribes of Salish-Kootenai of the Flathead Reservation tribal members	No
6	Comanche and Ponca tribal communities	Norman, OK	Tribal nonprofit (Oklahomans for Indian Opportunity)	1999	Initially all Comanche and Ponca tribal members age 18 years and older. Expanded to include all enrolled members of a federally recognized tribe	Yes
7	Cherokee Nation	Tahlequah, OK	Tribal Commerce Department	1999	Enrolled members of any federally recognized tribe, 18 years and older	Yes
8	Leech Lake Band of Ojibwe	Cass Lake, MN	Tribal Community College	2001	Leech Lake Band of Ojibwe tribal members	No
9	White Earth Tribes of the Anishinaabe	Mahnomen, MN	Tribal Community College	2001	White Earth tribal members	No
10	Native Hawaiians	HI – Entire state	State IDA Alliance, including the Hawaiian Alliance for Community Based Economic Development	2000	Hawaii residents and Native Hawaiians	No
11	Oglala Lakota Nation (Pine Ridge Reservation)	Kyle, SD	The Lakota Fund, a 501(c)(3) organization	2002	Enrolled members of any federally recognized tribe, 18 years and older	No
12	The Navajo Nation	Flagstaff, AZ	Indigenous Community Enterprises, a 501(c)(3) organization	2003	Native youth on the Navajo reservation	Yes
13	All Native Americans/Alaska Natives residing in the Municipality of Anchorage	Anchorage, AK	Cook Inlet Tribal Council	2003	All Native Americans/Alaska Natives residing in the Municipality of Anchorage who demonstrate a reasonable prospect of achieving economic self-sufficiency	No

Research on IDA institutional structure suggests that there are several institutional characteristics associated with successful IDA programs. Large, stable sponsoring organizations with histories of effective work in low-wealth communities, local funding for IDA programs, and those organizations that offer program components, including some training, “in-house,” appear to be most successful.<sup>4</sup> In fact, tribal governments fit these characteristics, given that they are large, stable sponsoring organizations that have a “local” funding source. Many of the IDA programs sponsored by the tribal government also offer programs and services “in-house,” taking advantage of the array of existing programs already offered by the tribal government. Other characteristics associated with successful IDA programs are staff size, staff capacity, and the ability to learn from the experiences of other organizations and make modifications to IDA programs.<sup>5</sup> While tribal governments have the capability to provide highly skilled full-time staff to projects, not all tribal governments have done so. There is also a question as to whether existing programs have been able to learn from other programs and implement necessary changes. This will need to be explored further in future research.

## **Funding Streams**

Existing Native IDA programs have received funds from a broad range of sources. Table 2 provides a review of the funding streams for all existing Native IDA programs. Funding streams can be applied to program administration, match dollars, or both. As can be seen in Table 2, a few Native IDA programs are accessing federal and state funds for Native IDA programs, including the funds provided by the Assets for Independence Act (AFIA). In Minnesota and Hawaii, Native IDA programs are making use of state funding streams. However, most Native IDA programs at this point are relying heavily on tribal and private funding.

The dependence of Native IDA programs on tribal government funding has several implications, some very positive. It suggests that tribal governments are supportive of IDA programs in their communities, and by providing funding they are demonstrating commitment to the successful operation of the program and commitment to “tribal ownership” of the program. This tribal ownership has many advantages. Tribal ownership tends to ensure a stable funding stream, ensure tribal government political support, and allows for existing related tribal programs (including financial literacy, homeownership, and small business education programs) to be integrated with the IDA programs. There are possible disadvantages to tribal ownership of the program, however, including that IDA program participation may be limited to tribal members, and that the program may become politicized. In some communities IDA programs are limited only to tribal members and this has generated resentment among low-income, non-tribal members.

Table 2 suggests that many of the Native IDA programs rely on private funding from philanthropic organizations. Many of the programs have received funding from First Nations Development Institute, demonstrating the significant role First Nations has had in developing IDA programs in Indian Country. Other programs have been successful in leveraging funding from other private sources. In Hawaii, the IDA program was able to obtain funds from the Bank of America, the Bank of Hawaii, and the Queen Lilioukalani Trust Fund. In South Dakota, the

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<sup>4</sup> Page-Adams (2002).

<sup>5</sup> Page-Adams (2002).

Lakota Fund was able to raise money from the Hearst Foundation. The leveraging and use of private funding sources is a positive trend, representing successful networking and communication with private philanthropic donors.

Initial findings suggest that Native IDA programs have not accessed state and federal funds at a very high rate, making that an area needing improvement for the IDA programs. In the case of Minnesota, the tribal programs partnered with a statewide organization that accessed state, federal, and private funds. The statewide consortium model appears to hold promise for Native IDA programs, and is currently being considered in other states, including Oregon. This strategy is discussed in greater detail in the section titled “Funding Sources for IDA Programs in Indian Country.”

**Table 2: Funding Streams for Existing Native IDA Programs**

IDA Program	Tribal Funds or in-kind support	State Funds	Federal Funds	Private Funds	Other
Shoshone-Bannock Tribes of Fort Hall Indian Reservation, ID	Tribal Council (program administration and match dollars)			First Nations Development Institute (match dollars)	
Confederated Tribes of Warm Springs, OR	Tribal Credit Department and Economic Development Department			First Nations Development Institute (match dollars)	
Confederated Tribes of Umatilla, OR	Tribal Housing Authority (program administration)		Native American Housing Assistance and Self Determination Act home buyer counselor	First Nations Development Institute (match dollars)	
Redwood Valley Little River Band of Pomo Indians, CA	Tribal government (program administration)			First Nations Development Institute (program administration and match dollars)	
Confederated Tribes of Salish-Kootenai of the Flathead Reservation, MT ( <b>now defunct</b> )			Welfare to Work funds – Department of Labor grant		
Oklahomans for Indian Opportunity, OK (Comanche and Ponca tribal communities, OK)				First Nations Development Institute (program administration and match dollars)	
Cherokee Nation, OK	Tribal Housing Department (program administration)		Native American Housing Assistance and Self Determination Act home buyer counselor	First Nations Development Institute (program administration and match dollars)	
Leech Lake Band of Ojibwe, MN		Statewide collaboration accesses state, federal, and private funds	Statewide collaboration accesses state, federal, and private funds	Statewide collaboration accesses state, federal, and private funds	Statewide collaboration accesses state, federal, and private funds
White Earth Tribes of the Anishinaabe, MN		Statewide collaboration accesses state, federal, and private funds	Statewide collaboration accesses state, federal, and private funds	Statewide collaboration accesses state, federal, and private funds	Statewide collaboration accesses state, federal, and private funds
ALU LIKE (Native Hawaiians), HI		State tax credits	AFIA funds (program administration and match funds)	Bank of America, Bank of Hawaii, Queen Lilioukalani Trust Fund	
The Lakota Fund, SD			AFIA funds (program administration and match funds)	Hearst Foundation	
Indigenous Community Enterprises	Navajo Workforce Development, Office of Dine' Youth			First Nations Development Institute, Wells Fargo Bank, others	
Cook Inlet Tribal Council	The tribe is providing 1.5 FTE and with the Cook Inlet Housing Authority is providing over \$95,000/year in in-kind funds.	Alaska Mental Health Trust	AFIA funds (program administration and match funds)		

## **Program Design**

There is a great deal of research in the general IDA field on IDA program design, with early findings suggesting that different match rates, education components, and other program design elements are highly correlated with low drop-out rates and other indicators of program success.<sup>6</sup> While it is too early to conduct such extensive evaluation research on most Native IDA programs, it is useful to review the program design elements of these programs, including IDA program goals and match rates, to try to identify patterns.

### *Native IDA Program Goals*

As shown in Table 3, existing Native IDA programs have a range of goals, including homeownership and home repair, small business and microenterprise, youth savings accounts, education, and retirement. Some of these programs, including Oklahomans for Indian Opportunity, originally had other savings goals such as the purchase of an automobile. However, this savings goal was changed after it was decided that automobiles were not assets that appreciate over time such as homes or businesses can. A majority of current programs allow for savings for homeownership or housing-related goals, reflecting the need for increased homeownership in most Indian communities. A majority of programs also encourage savings for educational expenses, including college or vocational training, also reflecting a pervasive need on many reservations. Many of the programs focus on small business or microenterprise development, reflecting the interest of the tribal governments in developing a larger entrepreneurial sector in their communities. These program goals are consistent with IDA programs nationwide, which also tend to focus on homeownership, small businesses, and education.<sup>7</sup>

### *Homeownership Programs*

IDA programs that focus mainly on homeownership are the most common IDA programs in Indian Country, in part because of their focus on a great area of need in Native communities: the important asset-building strategy of increasing homeownership. All of the Native IDA programs except the Redwood Valley program provide homeownership as a savings goal. The majority of these programs provide some form of training in credit repair, homeownership skills, and other topics related to purchasing a home. In many cases, the IDA programs partner with local banks for training assistance. Many of the IDA programs, such as the one at Umatilla, Oregon, also have special educational efforts focused on the challenges associated with purchasing a home on trust land, which is a major issue in reservation communities (see the section titled “Conceptual Framework for Understanding Unique Issues in Indian Country” for a more detailed discussion of this issue). Some IDA programs also allow the savings goal of home repair. The IDA programs sponsored at the Cherokee Nation and the Flathead Reservation allow participants to use their savings for home repair.

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<sup>6</sup> Schreiner (2001); Schreiner & Sherraden (2002).

<sup>7</sup> Schreiner et al. (2001).

**Table 3: Native IDA Program Goals**

IDA Program	Homeownership	Home Repair	Small Business	Youth	Education	Retirement
Shoshone-Bannock Tribes of Fort Hall Indian Reservation, ID						
Confederated Tribes of Warm Springs, OR						
Confederated Tribes of Umatilla, OR						
Redwood Valley Little River Band of Pomo Indians, CA						
Confederated Tribes of Salish-Kootenai of the Flathead Reservation, MT (now defunct)						
Oklahomans for Indian Opportunity, OK (Comanche and Ponca tribal communities, OK)						
Cherokee Nation, OK						
Leech Lake Band of Ojibwe, MN						
White Earth Tribes of the Anishinaabe, MN						
ALU LIKE (Native Hawaiians), HI						
The Lakota Fund, SD						
Indigenous Community Enterprises						
Cook Inlet Tribal Council						

*Small Business/Entrepreneurship Programs*

Another common savings goal supported by Native IDA programs is small business or entrepreneurial development. This program goal addresses the lack of a vibrant business sector in many reservation communities. IDA programs often partner with the tribal business or economic development department to access existing training programs. In some cases, such as in Warm Springs, Oregon, the IDA program has also partnered with a private nonprofit group (ONABEN) that provides culturally appropriate small business training. The Lakota Fund, a community development financial institution that provides small business training, just initiated an IDA program that provides culturally appropriate small business technical assistance. The Lakota Fund was started to provide capital and technical assistance to help stimulate the private sector of the Pine Ridge Reservation, an area of roughly 2 million acres with a population of about 22,000. The Lakota Fund has been successful in providing credit to many small businesses on Pine Ridge and is integrating its IDA program into existing business development efforts.

## *Youth Programs*

Only three of the IDA programs located in Indian Country focus on youth. The IDA program at Redwood Valley focuses on youth and has a savings goal of education. Youth IDA programs often have different program administration requirements than other IDA Programs.<sup>8</sup> A recent report by the Corporation for Enterprise Development found that youth IDA programs need program components designed to meet the needs of youth and staff experienced in working with youth.<sup>9</sup> Other findings were that youth who have relationships with program staff and the support of their parents were more likely to be successful in an IDA program.<sup>10</sup> Youth IDA programs aim to improve young peoples' economic well-being and future prospects and encourage the savings habit. Often referred to as early intervention programs, they can provide a way to educate young people early about how to manage their finances and save for the future. Youth IDA programs can have a range of savings goals, including education, small business development, and job training.

The IDA program at Redwood Valley experienced some challenges early on. The Redwood Valley IDA program has a savings goal to pay for higher education of the youth participants, whether it is a four-year college or a technical degree. Youth were enrolled in the program, but some of them were not participating consistently in the training programs and seemed disinterested. The IDA program was run by a community "outsider" and she did not have a strong connection with the youth. After a planning meeting, new program elements were put in place to improve youth participation in the program. This included providing community mentors for the youth who did not have strong family support and adjusting the IDA activities to be more youth oriented. Indigenous Community Enterprises has an innovative approach to a Youth IDA program. Working with local high schools including the Tuba City High School and the Monument Valley High School, they have recruited Navajo youth to participate in a program that teaches them to build traditional Hogan homes for elders in the community. The program teaches vocational skills in addition to providing financial education about budgeting and money management and also home ownership classes. Youth are provided with an opportunity to learn about their cultural traditional and also learn vocational skills.

## *IDA Program Design Elements*

IDA programs can have a range of different monetary savings goals, match rates, program lengths, and training components. Table 4 provides an overview of these different program design elements for existing Native IDA programs. Most notable is the fact that the majority of Native IDA programs require education and training on a range of issues. All IDA participants receive financial training, including credit repair, and most programs provide additional goal-specific training, such as classes on homeownership, small business development, and planning for higher education, including counseling about financial aid. Most IDA programs nationwide require some sort of financial training.<sup>11</sup> What is notable about the training provided by the

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<sup>8</sup> Giuffrida 2001.

<sup>9</sup> Giuffrida 2001.

<sup>10</sup> Giuffrida 2001.

<sup>11</sup> Clancy, Grinstein-Weiss, & Schreiner (2001); Moore et al. (2001); Schreiner et al. (2001).

Native IDA programs is that nearly every program offers some sort of goal-specific training. In a recent evaluation of the American Dream Demonstration, a national IDA demonstration project sponsored by the Corporation for Enterprise Development (CFED) and private philanthropic donors, it was noted that only 33 percent of American Dream Demonstration participants received goal-specific training.<sup>12</sup> Nearly every Native IDA program offers some sort of further goal-specific training beyond just financial literacy, including classes on homeownership, microenterprise, and higher education.

It is also interesting to note that many of the Native IDA programs have rather high match rates, with a majority offering a 3:1 return on deposits. Work by Sherraden (2002) and others suggests that higher match rates are correlated with lower program dropout rates. Whether this proves to be true in primarily Native communities will be a question to be explored in future research.

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<sup>12</sup> Schreiner et al. (2001).

**Table 4: Native IDA Program Design**

IDA Program	Savings Goal (up to)	Match Rate	Program Time	Education
Shoshone-Bannock Tribes of Fort Hall Indian Reservation, ID	\$5,000	3:1	6 months to 2 years	Financial literacy and home buyer's education, 6-8 weeks of classes
Confederated Tribes of Warm Springs, OR	Up to \$5,000	3:1	1-2 years	Financial skills training for 6-8 weeks; small business training for 8-11 weeks if requested
Confederated Tribes of Umatilla, OR	\$6,000	3:1	2 years	Financial literacy and home buyer's education
Redwood Valley Little River Band of Pomo Indians, CA	\$5,000	4:1	1-2 years	Financial literacy; education and financial aide counseling if requested
Confederated Tribes of Salish-Kootenai of the Flathead Reservation, MT ( <b>now defunct</b> )	No limit	1:1	1-2 years	Financial literacy and budgeting classes; job readiness classes
Oklahomans for Indian Opportunity, OK (Comanche and Ponca tribal communities, OK)	\$3,600	2:1	2-3 years	Financial literacy; home buyer's education; business planning; financial advising
Cherokee Nation, OK	Housing: \$2,880 Home Improvement: \$2,520 Small Business: \$2,520 Youth/Education: \$1,440	Housing: 3:1 Home Improvement: 2:1 Small Business: 2.5:1 Youth/Education: 1:1	2 years	Financial literacy; home buyer's education, business planning, and education counseling
Leech Lake Band of Ojibwe, MN	\$5,760	3:1	4 years	Financial literacy; home buyer's education; business planning
White Earth Tribes of the Anishinaabe, MN	\$5,760	3:1	4 years	Financial literacy; home buyer's education; business planning
ALU LIKE (Native Hawaiians), HI	\$2,000	Housing: 3:1 Education: 2:1 Small Business: 2:1	1-2 years	Financial literacy; home buyer's education; business planning; financial advising
The Lakota Fund, SD	\$5,400	2:1	1-2 years	Financial literacy; plans to offer housing and education counseling
Indigenous Community Enterprises	\$1,500	2:1	1 year	Financial literacy, vocational skills related to home construction, and home buyer's education
Cook Inlet Tribal Council	Up to \$5,000	2:1	1-5 years	Financial literacy, home buyer's education; business planning; career planning

## Native IDA Program Size

As can be seen in Table 5, the majority of Native IDA programs are rather small, serving between 10 and 25 participants. While there are some exceptions, most notably the ALU LIKE Native Hawaiian program and the Cherokee Nation, most of the programs serve a small number of people. Research by the Enterprise Foundation, a nonprofit organization focused on housing, indicates that in many cases small IDA programs are just as expensive to operate as large IDA programs.<sup>13</sup> In many cases, there is an economy of scale associated with running a larger program, given that the same program components such as training classes are needed for both small and large-scale programs. “Scaling up,” or increasing program size, may be an area to explore for Native IDA programs. In some cases a statewide consortium or a network of organizations may be a useful tool to scale up the IDA program operation. In the case of Oregon, the existing IDA programs are looking to partner with a regional nonprofit organization, the Affiliated Tribes of Northwest Indians, for both the purposes of fundraising and program administration. In Minnesota, the two tribal programs are part of a statewide consortium that is accessing state and federal funds and sharing information about program administration. This approach is not without its challenges. In Minnesota, the tribal IDA programs have found it challenging to participate in statewide meetings and have found some aspects of program administration challenging. However, given the advantages associated with scaling up, this appears to be a model worth exploring for Native IDA programs.

**Table 5: Size of Native IDA programs<sup>14</sup>**

<b>IDA Program</b>	<b>Current program participant as of October 2003</b>	<b>Program graduates to date (achieved savings goals)</b>
Shoshone-Bannock Tribes of Fort Hall Indian Reservation, ID	43	17
Confederated Tribes of Warm Springs, OR	42	2
Confederated Tribes of Umatilla, OR	10	3
Redwood Valley Little River Band of Pomo Indians, CA	11	5
Confederated Tribes of Salish-Kootenai of the Flathead Reservation, MT ( <b>now defunct</b> )	NA	20
Oklahomans for Indian Opportunity, OK (Comanche and Ponca tribal communities, OK)	16	7
Cherokee Nation, OK	62	40
Leech Lake Band of Ojibwe, MN	11	2
White Earth Tribes of the Anishinaabe, MN	11	0
ALU LIKE (Native Hawaiians), HI	310	70
The Lakota Fund, SD	17	0 (first year of program)
Indigenous Community Enterprises	15	0 (first year of program)
Cook Inlet Tribal Council	0 (just started)	0 (first year of program)

<sup>13</sup> The source for this information is an e-mail from Robert Bole, Program Director at the Enterprise Foundation, on 7/30/01.

<sup>14</sup> This table is current only as of October 2003.

## **Native IDA Program Partnerships**

Our research on Native IDA programs has found that forming partnerships with other organizations is an important way to provide access to services, including financial services and education. In some cases, these services represent an in-kind donation to the IDA program. These partnerships may be formed with financial institutions or with training partners.

### ***Financial Institution Partnerships***

Every IDA program needs to partner with a banking institution to house their IDA accounts. However, this partnership can extend beyond simply providing a banking account for the IDA participant to also providing services and in-kind donations. Each of the Native IDA programs we studied has formed a partnership with a financial institution that allows for IDA participants to have access to a banking institution, and in some cases receive free financial services. As can be seen in Table 6, in all of the 13 programs the financial institution partner has waived account fees, representing an in-kind contribution to the IDA program. Other services may be provided, including free dual statements to both the IDA participant and the IDA program manager, and free money orders. In the case of US Bank, which is functioning as a partner in Warm Springs, Oregon, the bank agreed to open accounts for clients with a bad credit rating and promised to provide a checking account to all participants after the completion of the two-year IDA program. US Bank in Warm Springs, Oregon, and Savings Bank in Redwood Valley, California, also provide training classes, including classes on financial literacy, homeownership, and credit repair. In the case of the Bank of Hawaii, the bank also donated match funds to IDA program participants. These partnerships with financial institutions help “bank the unbanked”<sup>15</sup> and provide the IDA program participant with the opportunity to build a relationship with a local financial institution.

### ***Training Program Partnerships***

Many IDA programs have also formed partnerships with local institutions that can provide training, including financial literacy classes, home buying classes, and education counseling. This partnership is an important way to receive in-kind contributions from local institutions and a way for IDA program participants to build new relationships with institutions in the local community. In seven of the 11 Native IDA programs, tribal governmental divisions are providing educational services, in many cases representing partnerships within tribal government. The tribal government divisions providing training include tribal housing authorities, tribal community development departments, small business development departments, tribal colleges, and tribal higher education departments. In many cases this represents a new partnership between existing tribal governmental departments as they work together in a new way to provide training services.

In some cases, organizations that are not part of the tribal government are providing services. In Oklahoma, the local Cooperative Extension Service is providing programs for the two Native IDA programs through the local university, and in Montana, the local credit union is providing training. In Warm Springs and Redwood Valley, representatives of the local bank are teaching

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<sup>15</sup> See, for example, Sherraden (2000).

**Table 6: Native IDA Partnerships**

IDA Program	Financial Institution Partner	Financial Services Provided	Training Partner	Training Services Provided
Shoshone-Bannock Tribes of Fort Hall Indian Reservation, ID	Bank of Idaho	Waive fees, passbook savings, free money orders	Fort Hall Housing Authority	Financial literacy; home buyer education
Confederated Tribes of Warm Springs, OR	US Bank	Waive fees, dual statements. Bank has agreed to work with clients with poor credit ratings. Bank also has agreed to provide checking accounts to all IDA program participants at the end of 2-year program	Tribal Small Business Development Center; tribal Housing Authority; Oregon State University Extension; US Bank; ONABEN (a nonprofit offering small business training); Central Oregon Community Action Agency Network	Financial literacy; credit repair; homeownership process; small business training
Confederated Tribes of Umatilla, OR	Washington Mutual	Waive fees, dual statements	Tribal home buyer counselor, Consumer Credit Counseling, Credit Professionals International, Umatilla Board of Realtors, Wells Fargo, Tribal Housing Authority, Tribal Community and Economic Development Department, and many others	Financial literacy; home buyer education; consumer credit counseling
Redwood Valley Little River Band of Pomo Indians, CA	Savings Bank	Waive fees, dual statements	Local Community College School District/High School counselors; Savings Bank	Financial literacy; education and financial aide counseling if requested
Confederated Tribes of Salish-Kootenai of the Flathead Reservation, MT ( <b>now defunct</b> )	Whitefish Credit Union	Waive fees, dual statements	Whitefish Credit Union	Financial literacy; budgeting classes
Oklahomans for Indian Opportunity, OK (Comanche and Ponca tribal communities, OK)	First Bank of Apache	Waive fees, dual statements	Oklahoma State University Extension	Financial literacy; home buyer education; business planning; financial advising
Cherokee Nation, OK	Superior Federal Bank	Waive fees, dual statements	Oklahoma State University Extension, Tribal Community Development Department and Small Business Development Department, Tribal Higher Education Department	Financial literacy; goal specific training including education and homeownership counseling
Leech Lake Band of Ojibwe, MN	First National Bank of Cass Lake	Waive fees, dual statements	Tribal Community College	Financial literacy; home buyer education; business planning
White Earth Tribes of the Anishinaabe, MN	First National Bank of Mahnommen	Waive fees, dual statements	Tribal Community College	Financial literacy; home buyer education; business planning
ALU LIKE (Native Hawaiians), HI	Bank of Hawaii	Waive fees, match funds provided	Large statewide collaboration with social service organizations	Financial literacy
Oglala Lakota Nation, SD	Security First Bank	Waive fees, dual statements	Lakota Fund providing training	Financial literacy
Indigenous Community Enterprises	Wells Fargo Bank	Waive fees, dual statements	Navajo Partnership for Housing, Inc.; Small Business Development Center, Navajo Housing Authority; many others	Home buyer education; vocational training on home construction
Cook Inlet Tribal Council	Wells Fargo Bank	Waive fees, dual statements	Cook Inlet Housing Authority, Consumer Credit Counseling of AK, University of AK, Small Business Dev. Center	Financial literacy; home buyer education; business planning

classes on financial literacy, credit repair, and the homeownership process. In Redwood Valley, the IDA program just received funding for a VISTA Volunteer to help with the IDA program. In Umatilla, the IDA program has partnered with a broad range of organizations, including Consumer Credit Counseling, Credit Professionals International, Umatilla Board of Realtors, and others. The Umatilla IDA program has also been working with the local colleges and universities to hire interns. Many IDA programs are using the financial literacy curriculum titled “Building Native Communities: Financial Skills for Families,” developed by First Nations Development Institute and the Fannie Mae Foundation. Several IDA programs have attended trainings on this curriculum sponsored by the First Nations Oweesta Corporation, an affiliate of First Nations Development Institute. These partnerships represent a promising practice and success in building networks to provide resources for the IDA program.

### **Existing Challenges for Native IDA Programs**

The data on Native IDA programs indicate that once programs are up and running, tribal community members are participating and can learn savings habits.<sup>16</sup> While there are positive trends in existing Native IDA programs, however, many programs are also experiencing challenges during their first years of existence. As can be seen in Table 7, Native IDA programs have encountered many challenges as they initiate their activities. An examination of these challenges can reveal patterns that represent areas for improvement.

Nearly every program manager interviewed mentioned lack of funding as a major barrier to expanding or continuing their current program. A majority of programs appear to rely on tribal funding and private funding for their programs. In many states, there are no state funding sources, and therefore this is not a resource that tribes can pursue. However, there are numerous federal funding sources that should be investigated. This issue is discussed in greater detail in the section titled “Funding Sources for IDA Programs in Indian Country.”

Another common challenge identified by Native IDA program managers, as well as by First Nations staff administering our IDA program grants, is program administration. Recent research on IDA program administration concluded that “staffing matters.”<sup>17</sup> Adequate staff is critically important for program success, and staff not only need to contribute enough work hours, but also need to be skilled, creative, enthusiastic, innovative, and willing to learn from others and to implement program changes.<sup>18</sup> Interviews with First Nations staff members charged with overseeing the IDA grant program revealed several problems with program administration. These include a lack of committed staff time to projects and a lack of capacity on the part of IDA program staff members. Many IDA program managers are “wearing many hats” and have multiple responsibilities outside of running the IDA program. It appears that in many cases it was assumed that there would be a low administrative burden to run the IDA programs, and thus not enough staff time was dedicated to such programs by tribal governments or other organizations running the IDA programs. Research has shown that starting an IDA program takes a great deal of administrative staff time, including time to set up program rules and regulations, recruit program participants, provide program education, form relationships with financial institutions,

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<sup>16</sup> First Nations Development Institute (2000).

<sup>17</sup> Page-Adams (2002).

<sup>18</sup> Page-Adams (2002).

**Table 7: Existing Challenges for Native IDA Programs<sup>19</sup>**

<b>IDA Program</b>	<b>Problems</b>
Shoshone-Bannock Tribes of Fort Hall Indian Reservation, ID	Difficulty raising funds. Need more staff time for administration. No state funds for IDA programs.
Confederated Tribes of Warm Springs, OR	Difficulty raising funds. Need more staff time for administration. Tribal governments were initially excluded from administering IDA programs and applying for state funds through the tax credit program. Ongoing challenges remain as tribes work to have their interests reflected in the regulation writing. No tribes have yet accessed state funding.
Confederated Tribes of Umatilla, OR	Difficulty raising funds. Need more staff time for administration. Tribal governments were initially excluded from administering IDA programs and applying for state funds through the tax credit program. Ongoing challenges remain as tribes work to have their interests reflected in the regulation writing. No tribes have yet accessed state funding.
Redwood Valley Little River Band of Pomo Indians, CA	Difficulty raising funds. Need more staff time for administration.
Confederated Tribes of Salish-Kootenai of the Flathead Reservation, MT (now defunct)	Now defunct: no funding available to continue program. While in operation, the following challenges were identified: Difficulty raising funds. Need more staff time for administration. No state funds for IDA programs.
Oklahomans for Indian Opportunity, OK (Comanche and Ponca tribal communities, OK)	Difficulty raising funds. Need more staff time for administration.
Cherokee Nation, OK	Difficulty raising funds. Need more staff time for administration.
Leech Lake Band of Ojibwe, MN	Need more staff time for administration (limited administrative support makes it difficult to manage the program and maintain tribal representation in the statewide network). Need funding for administration.
White Earth Tribes of the Anishinaabe, MN	Need more staff time for administration (limited administrative support makes it difficult to manage the program and maintain tribal representation in the statewide network). Need funding for administration.
ALU LIKE (Native Hawaiians), HI	Need more staff time for administration.
The Lakota Fund, SD	Too early to collect data.
Indigenous Community Enterprises	Too early to collect data.
Cook Inlet Tribal Council	Too early to collect data.

and raise funds.<sup>20</sup> First Nations staff members providing technical assistance to IDA programs suggest that there is a general need for IDA programs to allocate more staff time to program

<sup>19</sup> This information was collected from phone interviews with Native IDA program managers and interviews with First Nations IDA grant program administrators.

<sup>20</sup> Page-Adams (2002).

administration. Many Native IDA program managers we spoke to also mentioned the lack of time, funding, or capacity to focus on program management. For example, in Minnesota, a lack of funding and staff time to travel to regional meetings was identified.

## **Lessons Learned from Existing Native IDA Programs**

A review of existing IDA programs in Indian Country provides us with common themes and lessons learned related to program funding streams, institutional structure, IDA program characteristics, partnerships, and program administration. As discussed above, it appears that a majority of IDA programs in Indian Country are funded at least partially by tribal government sources. While there are advantages to this, including tribal political and symbolic support of the program, the lack of prominence of other funding streams suggests that Native IDA programs also need to explore other funding sources. As revealed in the review of current challenges to IDA programs, lack of funding continues to be a concern. This reveals an area for improvement on the part of Native IDA programs, and is discussed in greater detail below.

Not unrelated, the review of existing Native IDA programs reveals that a majority of these IDA programs are administered by tribal government entities, including tribal councils, tribal housing authorities, tribal credit enterprises, and tribal commerce departments. While there appear to be several advantages to this arrangement, including administrative capacity, value-added, synergy with existing tribal programs, and increased trust on the part of IDA program participants, it could be beneficial to explore other institutional homes for IDA programs (such as nonprofit community organizations), and this may be an area for future research. The expansion of funding streams may contribute to the establishment of new institutional homes for IDA programs. The Lakota Fund, a non-governmental 501(c)(3) organization serving the Pine Ridge Reservation in South Dakota, will provide a useful case study.

A review of IDA program partnerships reveals that nearly every Native IDA program has entered into a partnership with both a financial institution and a training/education partner. While partnerships with financial institutions are a necessary component of every IDA program, the quality of the relationships in Indian Country appear to represent promising practices. The lesson learned from the experience of Native IDA programs so far is that it is worth negotiating for in-kind contributions from financial partners, if not other contributions. Many of the current financial partners of Native IDA programs are offering in-kind services, including waived fees and dual account statements. In the case of Hawaii, the Bank of Hawaii provided matching funds to the IDA program. Banks may benefit from this arrangement by receiving Community Reinvestment Act credits.<sup>21</sup> As new programs start up in Indian Country, it will be important to negotiate mutually beneficial arrangements with financial institutions.

A final lesson learned is a strong cautionary tale for Native IDA programs that are starting up or considering expansion. Nearly every Native IDA program we spoke to mentioned the challenge of proper administration of the program. In most cases, not enough staff time was dedicated to the program start-up or ongoing administration, including setting up program rules and regulations, recruiting program participants, providing program education, forming relationships with financial institutions, and raising funds. Many IDA program managers

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<sup>21</sup> Edwards & Rist (2001).

mentioned that building relationships with the IDA participants and building up trust were time-consuming, and in many cases required one-on-one counseling. Interviewees mentioned that in some cases those administering the program do not understand that at least one full-time staff person is needed for the program, and therefore the program has suffered. In each of these conversations, the issue of funding was also raised, and in many ways the funding and administration issues are intertwined.

This section has provided an overview of the existing IDA programs and the lessons learned so far. The next section will provide a conceptual framework for understanding the unique issues faced by IDA programs operating in Indian Country, and will provide a discussion of the ways in which existing programs have tackled these challenges and taken advantage of new opportunities.

*“We don’t want your type of people in our bank.”*

Bank employee, Pendleton, Oregon.

#### **IV. Conceptual Framework for Understanding Unique Issues in Indian Country**

If one looks at a Navajo sand painting up close, one can see thousands of grains of sand that make up small islands of color. These grains of sand have been grouped together to create a graphic image of geometric shapes and symbols. When one takes a step back, these grains of sand become mere pixels of color, and the larger pattern emerges.

Trying to understand IDA programs in Native communities requires a similar exercise in perspective. Working in communities, one gets to know many people, programs, and institutions. One works with these people, programs, and institutions on an individual level to identify strengths and develop strategies to meet goals. These individuals and communities are as diverse and numerous as the grains of sand. Some reservation communities, such as the Redwood Valley Rancheria, have few people receiving social assistance and enjoy a high rate of homeownership. Other communities have recently experienced economic growth, and are looking for ways to keep the wealth in the community. Others still have high unemployment, high poverty, and low homeownership. However, when one takes a step back from these communities and looks at their experiences operating an IDA program, a larger pattern emerges. This pattern reflects the unique issues that are found in Native communities in general, and plays an important role in shaping the environment in which most Native IDA programs operate.

This section will provide a conceptual framework for understanding the unique challenges faced by Native communities when trying to implement IDA programs. As can be seen in Figure 1, most Native communities face unique issues related to history, the economy, geography, and individual circumstances. This section will provide an overview and discussion of these issues, but will also provide a discussion of the ways that IDA program managers are addressing these unique issues to help promote program success. While the barriers in Indian Country are daunting, the innovative strategies and promising practices being used to overcome these barriers represent a triumph in problem-solving and innovative program design.

**Figure 1: Conceptual Diagram for Understanding Unique Issues Related to IDA Program Operation in Indian Country**

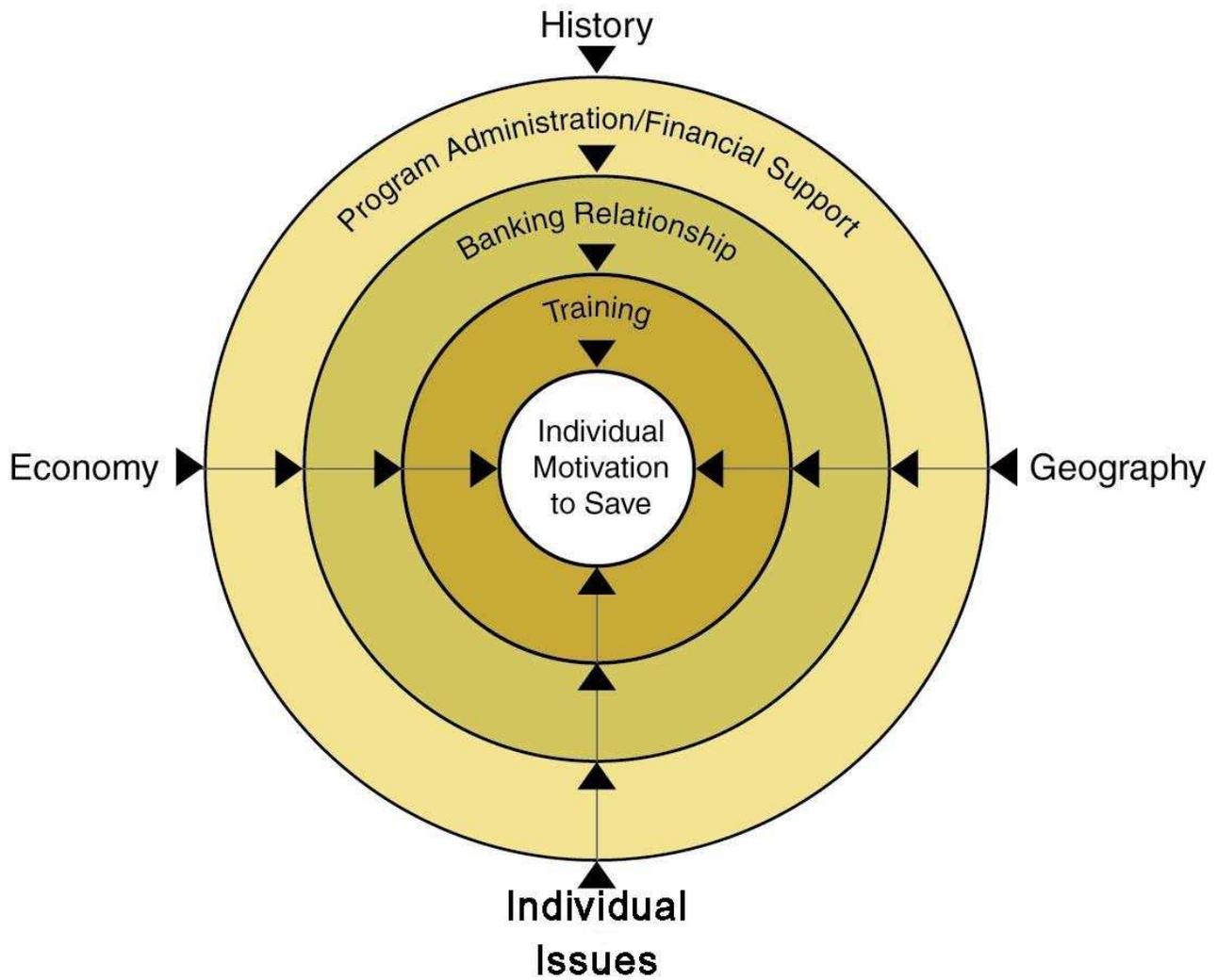


Figure 1 illustrates the unique issues that face Native communities as they work to develop and administer Native IDA programs. The rings in the medicine wheel represent the four main components that every IDA program must have to succeed (including IDA programs outside of Indian Country). This starts with *individual motivation to save*. Without motivated individuals who are committed to learning savings habits, an IDA program cannot be successful. A second component of successful IDA operation is *training programs*. Even if someone is motivated to save and meet a savings goal, they often need training to gain skills to budget, repair their credit, and understand the homeownership, small business, or education process. Therefore, effective training programs are an important component of successful IDA programs.

A third component of a successful IDA program is the *banking relationship*. Part of the educational component of an IDA program is to help low-income people to develop banking relationships, or to “bank the unbanked.” Without this banking relationship, it is not possible for IDA participants to save money in an accredited institution, and IDA program participants are not able to learn the process of starting and maintaining a savings account and banking relationship. Without a banking relationship, the IDA program cannot succeed. A fourth and final component of a successful IDA program is successful *program administration and (financial) support*. A successful IDA program needs to be well managed and well funded for it to operate effectively. This conclusion has been reached over and over again in the research on IDA programs.<sup>22</sup> Those IDA programs that are most successful have more than one full-time dedicated staff member and have a steady, local source of support.<sup>23</sup>

All IDA programs must have these four components to operate successfully and to assist people in learning savings habits. However, in Native communities, there are several unique factors that impinge upon each of these four components of successful IDA programs. As can be seen in Figure 1, on the vertical axis we have the intersection of *history* and *individual issues*. On the horizontal axis we have the intersection of *economy* and *geography*. See Table 8 for a detailed discussion of how these factors affect individual motivation to save, training programs, banking relationships, and program administration.

## History

Native communities have a unique history, unlike any other group in America. This history includes a legacy of exploitation, theft of land and natural resources, and cultural genocide. In the last 100 years, tribes have had to contend with loss of control of their land, termination of federal recognition of tribal governments, and the loss of control of tribal economies. The last 30 years have seen a significant change in the relationship between the federal government and tribal governments, however, starting with the passage of the Indian Self Determination Act of 1975 and helped by other legislative and regulatory changes in the late 1980s that led to greater tribal control of their economies and governments. In the last 20 years, some tribal communities have also experienced significant growth in their local economies, in some cases due to the advent of gaming in their communities. Self-governance has allowed for tribes to control their own local social policy, and manage their own economic and social development programs. In many communities, including the Umatilla and Warm Springs Indian Reservations, the local

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<sup>22</sup> Page Adams (2002).

<sup>23</sup> Page Adams (2002).

economy has improved significantly over the last 20 years, facilitating the effective expansion of the tribal government. However, the legacy of historical exploitation and control of tribal communities is still very much present in many Native communities.

## *Land*

One of the areas that has remained the most problematic for Indian communities is the issue of trust land and the difficulty of private homeownership on reservations. Surprisingly, the issues related to trust land on reservations have had a significant negative impact on the majority of the Native homeownership IDA programs we researched. This is the case for many reasons. First, because much of the land on Indian reservations is held in trust by the federal government, either for the tribe or for private families (often with highly fractured heirship), private homeownership on Indian reservations is difficult. Trust land cannot be sold to private owners and is subject to different legal treatment; therefore it is difficult to use trust land for collateral when working with banks or other lending institutions to get access to credit to purchase a home. Furthermore, because of flawed accounting by the federal government, many private individuals with trust land do not have a clear accounting of what land they own and what share of a total allotment they own, and therefore have difficulty obtaining the appropriate legal documents to begin to build a home. Many people find the process of trying to build assets through homeownership extremely frustrating and discouraging because of these and other barriers.

The barriers to a successful asset-building strategy through homeowner IDA programs include both historical barriers and present-day attitudes. These barriers affect individuals' motivation in the IDA program as well as training programs and banking relationships. Because of the difficulties with trust land, homeownership is rare on Indian reservations and there are few people who have experience with the process. Many people are intimidated by the process or have an attitude that the effort is not worth it. Some of the homeownership IDA programs, especially those located on "checkerboard reservations"<sup>24</sup> with a lot of trust land, are finding innovative ways to address the problems related to private homeownership on Indian reservations. At Umatilla, in Oregon, they are drafting a "Homeownership Guide" that provides an overview of options for both fee and trust land. The Umatilla Housing Authority and Economic Development Department have also initiated a program that allows individuals to lease tribal trust land and build a privately owned home on the land, thus allowing at least a small amount of asset accumulation. The Lakota Fund IDA program and other IDA programs are also experimenting with different ways to educate their population about private homeownership options.

## *Housing*

A closely related historical problem on Indian reservations is the issue of poor housing stock. According to the 2000 Census, Native Americans have the worst housing of any ethnic group. Forty percent of Native Americans live in overcrowded or physically inadequate housing conditions, compared to 6 percent of the general population.<sup>25</sup> One in five homes on reservations

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<sup>24</sup> The term "checkerboard reservation" is used to describe reservations that have a mix of trust and fee land.

<sup>25</sup> Youmans (2002).

lacks complete in-house plumbing, a rate that is 20 times greater than the national average.<sup>26</sup> Many years of misguided federal policies have led to an abundance of poorly constructed, dilapidated homes in need of maintenance or repair. Furthermore, these homes are often part of housing projects designed to serve low-income individuals, and are available for lease but not for purchase. This affects IDA programs in several ways. First, in many reservation communities there is a need for funds for home repair, not just homeownership. In Leech Lake, there is a great deal of demand for using the IDA funds for home repair, but the statewide program limits IDA fund use to homeownership programs. The Assets for Independence Act funds, as well as many state funds, are also limited to homeownership programs and do not allow for home repair. The Cherokee Nation IDA program currently allows participants to use their savings for home repair, and this has been a very popular IDA program savings goal. In general, IDA programs that are designed for urban environments or communities with a high-quality housing stock do not provide a good match for Indian communities that are located on reservations. Second, when income earners on Indian reservations wish to try to purchase a home through a homeownership IDA program, there is often very little housing stock to choose from. Middle-class income earners, often called the “neglected class” in reservation housing programs, frequently have to contract to build new homes if they wish to own homes on the reservation.

### ***Discrimination***

There are other historical issues that affect individuals’ motivations to save and their banking relationships. This includes residual discrimination against Native Americans in many communities. In Umatilla, when the IDA program was looking for a bank to partner with, they were told by an employee at one banking establishment, “We don’t want your kind of people in our bank.” This discrimination in turn affects individuals’ motivation and self-esteem. This, in combination with the historical relationship of dependency fostered by the federal government, has led to an attitude of defeatism and also of dependence on the part of many Native Americans. The IDA programs have provided a new perspective on independence in many communities. A financial literacy student in an IDA program in Umatilla told her instructor, “Wow, this class is something completely different. You are asking us to save and budget. I like what you are saying so we aren’t taken advantage of and so we become financial independent, but I don’t know if I can do that.” As discussed below, the historical trauma experienced in many Native communities has direct bearing on personal issues of community members in these communities. Many tribal governments have been working to change these attitudes for many years, and the IDA programs represent a new way to change attitudes and develop the savings habit. Many IDA programs are using culturally appropriate financial literacy education, such as the financial literacy workbook developed by the Fannie Mae Foundation and First Nations Development Institute. The hope is that the IDA programs, with the extensive training and education components, will continue to help change these attitudes.

### ***Sovereignty***

Another area where the issue of historical discrimination has emerged is the problem of recognizing tribes as sovereign nations. As discussed above, tribes have provided funding for the majority of IDA programs currently in existence. However, there is still a great need for new

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<sup>26</sup> Youmans (2002).

funding resources to support IDA programs. In at least one case, a major source of state IDA funding was not made available to tribal governments because they were excluded from the state legislation. In Oregon, the first IDA funding legislation that was passed did not define tribes among “fiduciary organizations” eligible for funding to administer IDA programs. This situation has since been remedied (see Appendix A for more information), but the lack of knowledge and understanding of tribal governments may continue to hamper work in other states.

## **Individual Issues**

The actions and attitudes of individuals in reservation communities also affect the success of an IDA program. While it may be argued that many individual actions are the result of historical trauma and discrimination, these actions still have implications for the outcomes of IDA programs. Many residents of reservation communities have low financial literacy skills and have been the victims of predatory lending and as a result have poor or bad credit histories. This is largely due to the lack of access to basic financial services and is part of the legacy of discrimination and exploitation. IDA programs are designed to increase financial literacy and encourage savings and asset accumulation, but for IDA programs to work, individuals need to have the motivation to participate and meet their savings goals. Some of the IDA program managers we spoke to suggested that because many community members have received housing, food, and employment from the federal government for many years, some of these community members exist in a state of dependency as a result of this federal policy approach. This has contributed to an attitude of dependence and a passive outlook on the part of some individuals, which can affect individual motivation to save. All of these factors can influence the success of an IDA program in Native communities. Attitudes are certainly changing in many Native American communities, but the historical legacy of many destructive federal policies is still apparent in many areas.

The hope is that the IDA programs, with the extensive training and education components, will continue to help change these attitudes. Already, there are over 500 participants nationwide in Native IDA programs, which suggests that the programs and their associated training components are reaching a significant number of people. Each of these participants has a motivation to save and has developed a banking relationship. Most of the IDA programs help participants repair their credit and gain financial literacy skills. Many IDA programs are using culturally appropriate financial literacy education, such as the financial literacy workbook developed by the Fannie Mae Foundation and First Nations Development Institute mentioned above. In the youth IDA program in Redwood Valley they have initiated a mentor program for the at-risk youth in the program who are at risk of dropping out of the program. They have identified “aunties” and “uncles” who work with the youth to make sure they are making their monthly investments and attending training classes. The goal is to provide good role models for these youth to encourage them to save. Hopefully, the IDA programs will continue to work to change individual behavior, promote asset-building strategies, and reward participants for savings and asset accumulation.

## **Economy**

On the horizontal axis in Figure 1, issues related to the economy affect individual motivation to save, the success of training programs, banking relationships, and program administration. The economy and social structure of a community affects the success of IDA programs in many ways. The economies in many Native American communities are underdeveloped, with high unemployment that fails to generate earned income to participate in IDA programs, which affects individual motivation to save. Those who do participate in the program sometimes have to make emergency early withdrawals, which causes them to lose all their match money and be dropped from the program. The poor economy on many reservations also means that there are not enough revenues for social programs, including IDA programs, which affects both the success of training programs and general program administration and financial support. The poor economic situation on many Indian reservations also affects banking relationships. In some cases, banks do not believe the reservation community is worth investing in, or they consider it a credit risk, and are less inclined to provide services or support.

The economy can also affect the IDA program in positive ways, however, as it has at the Umatilla Indian Reservation. At Umatilla, the new casino and other economic development has generated many new jobs and for the first time there are several dual-earner households on the reservation – couples eager to own a home. Many other Native communities have recently experienced economic growth and there is a desire on the part of members of these communities to learn more about savings, financial management, and homeownership. In many ways this is why IDA programs are so important at this time, when incomes are rising and the opportunity for asset investment exists. Banks are also increasingly interested in establishing relationships among tribal members as incomes and employment opportunities increase in Native communities, and IDA programs can also assist with this issue. While all IDA programs are designed to address issues related to poverty and lack of resources, the IDA program at the Lakota Fund has taken this a step further and has initiated a program to reduce the number of program dropouts due to early withdrawal of funds. The Lakota Fund IDA program has established an “emergency fund” that participants can use for medical bills, a broken-down car, or other emergencies. It is a small-scale revolving loan fund that each of the participants pays into, and it functions as a peer lending tool where IDA program participants decide whether to give loans to the other IDA program participants. The managers of the Lakota Fund IDA program report that this has been successful in reducing emergency withdrawals from IDA program accounts.

## **Geography**

The geographic isolation of many Native communities, which tend to be located in remote rural areas, can also hinder IDA program development. Because of the rural, isolated location of many reservation communities, programs sometimes have difficulty attracting staff to manage the program and run training programs (this is true in many rural communities).<sup>27</sup> When good program staff is in place, they often find it difficult to network with other IDA programs or attend state IDA program meetings. In the case of the Minnesota IDA program, program managers have found it difficult to travel to the state consortium meetings, and, as stated by an

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<sup>27</sup> Honadle (1983).

IDA program employee, “The state consortium has yet to propose to hold a meeting at the Leech Lake Tribal Community College.” The remote location can also affect program administration and financial support in other ways. Geographic isolation means that there is a lack of networks in the philanthropic and donor communities as well, making it more difficult to attract private funding.

Geographic isolation also has an impact on banking relationships. In the majority of reservation communities we have worked in on this project, there is no depository banking institution on the reservation (for more information on banking in Indian Country, see Appendix B). In Umatilla, the only bank that is willing to work with the IDA program is 40 miles away in Walla Walla, Washington; in Warm Springs, the closest bank is in a border town 30 miles off the reservation. This has several implications. First, individuals on the reservation find it difficult to form a relationship with banking institutions because of the distance, and thus are less likely to have familiarity with banking relationships. Second, the actual mechanics of participating in an IDA program (making monthly deposits, for example) become even more difficult. In many cases, an intermediary, such as the IDA program manager or Housing Authority official, collects deposits from IDA program participants and then makes the trip to the remote bank to make the deposit for the IDA program participants.

IDA programs are using many innovative strategies to overcome the challenges associated with geographic isolation. Many IDA program managers are using the Internet and conference calls to increase communication among IDA programs in remote locations across the nation. Other IDA programs have been successful at addressing challenges associated with the lack of banking institutions. On the Pine Ridge reservation in South Dakota, a mobile banking unit is used to provide checking and ATM services to residents of the reservation. In Umatilla, direct deposit into the IDA program is being used for casino employees.

## **Conclusion**

There are many barriers to the successful operation of IDA programs in Indian Country, some of which are unique to Indian Country, some of which are not. These barriers affect individual motivation to save, the successful operation of training classes, establishment of a banking relationship, and successful program administration. While these barriers represent challenges to IDA program success, all of the IDA programs we studied have found innovative, successful strategies to address these barriers. Over 500 Native people have participated in or are currently participating in IDA programs and have received training in financial literacy and asset-accumulation strategies. It is the hope of these programs that these individuals will begin to work to remove many of the barriers to financial independence in Indian Country, and will help their communities move toward greater control of their assets.

**Table 8: Barriers to operation of IDA programs in Indian Country**

	<b>Barriers to Financial Independence in Indian Country</b>					
	<b>History</b>	<b>Personal Issues</b>	<b>Economy</b>	<b>Geography</b>	<b>Positive Effects and Promising Practices of IDA programs</b>	
<b>Elements of a Successful IDA Program</b>	<b>Individual Motivation to Save</b>	<ul style="list-style-type: none"> <li>• It is difficult to own homes on trust land</li> <li>• Poor quality housing stock limits options for home ownership</li> </ul>	<ul style="list-style-type: none"> <li>• Historical trauma and federal policies encourage people to be passive and dependent</li> <li>• Discrimination lowers self-esteem</li> <li>• Lack of good role models</li> </ul>	<ul style="list-style-type: none"> <li>• People lack jobs and funds to participate in IDA programs</li> </ul>		<ul style="list-style-type: none"> <li>• Training programs help change attitudes and create motivation to save</li> <li>• IDA programs help people make the best use of new revenue/income streams associated with recent economic development on reservations</li> <li>• IDA programs help educate participants about homeownership options</li> <li>• Mentor program provides role models</li> </ul>
	<b>Training Programs</b>	<ul style="list-style-type: none"> <li>• People in community lack educational background</li> </ul>	<ul style="list-style-type: none"> <li>• People in community lack commitment to training classes</li> </ul>	<ul style="list-style-type: none"> <li>• Tribes lack funds to fully support IDA programs</li> </ul>	<ul style="list-style-type: none"> <li>• Because of rural, isolated location, there is difficulty attracting good program managers</li> </ul>	<ul style="list-style-type: none"> <li>• Training programs educate people about the importance of financial literacy</li> <li>• Training programs help change attitudes</li> <li>• Tribes make use of existing tribal government programs to provide training in financial literacy, homeownership, and small business development</li> </ul>
	<b>Banking Relationships</b>	<ul style="list-style-type: none"> <li>• Discrimination against Native Americans hinders banking relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Bad credit hinders banking relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Banks don't see reservation communities as a good investment</li> </ul>	<ul style="list-style-type: none"> <li>• Geographic isolation makes it difficult to form banking relationships; oftentimes there is no bank on the reservation</li> </ul>	<ul style="list-style-type: none"> <li>• IDA programs help people build banking relationships</li> <li>• IDA programs use direct deposit and mobile banking to overcome distance barriers</li> <li>• IDA programs encourage banks to develop relationships with tribal members, including those with poor credit histories</li> <li>• IDA programs encourage banks to invest in Indian Country</li> </ul>
	<b>Program Administration/ Financial Support</b>	<ul style="list-style-type: none"> <li>• Tribes and their issues are excluded from state and/or federal legislation</li> </ul>		<ul style="list-style-type: none"> <li>• Tribes lack funds to fully support IDA program.</li> </ul>	<ul style="list-style-type: none"> <li>• Geographic isolation means there is a lack of networks with philanthropic communities</li> <li>• Because of rural, isolated location, there is difficulty attracting good program managers</li> </ul>	<ul style="list-style-type: none"> <li>• IDA programs use information technology to network with other IDA programs and learn new strategies and identify new funding resources</li> <li>• IDA program managers work with states to get tribes recognized in state legislation</li> </ul>

- (2) “Fiduciary organization” for IDA programs means:
- (a) A nonprofit, fundraising organization that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code as amended and in effect on January 1, 1999; or
  - (b) A federally recognized Indian tribe or band.

Text from Oregon IDA legislation, Oregon House Bill 3391, signed on June 6, 2001.

## V. Funding Sources for IDA Programs in Indian Country

### Overview

There is a broad range of funding sources available for IDA programs nationwide, including federal, state, local, and private sources. Tribal governments have also been a major source of funding for many IDA programs in Indian Country. Some funding sources support program development and administration, and other funding sources support only matching funds for IDA deposits. Still other funding sources provide only partial resources, such as funding for financial literacy training or homebuying counseling. Some private organizations, such as partner banks, can provide in-kind contributions by waiving fees. This section will provide an overview of all the potential funding streams for Native IDA programs, and will outline opportunities for organizations that are looking to start new IDA programs as well as those organizations that are considering new funding sources for existing programs. This section will also review unique issues related to funding IDA programs in Indian Country, including issues related to tribal government management of programs.

Federal funding sources are generally available to most Native IDA programs, including funds in the Assets for Independence Act. Federal funds are usually subject to strict regulation and reporting requirements. State funds are more likely to vary on a state-by-state basis, subject to state law and regional, county, and/or city interpretation.<sup>28</sup> Tribal funding sources also vary from tribe to tribe, and can take the form of complete funding of a new IDA program or simply providing a part-time dedicated staff person who is part of another tribal government program. Finally, private funding entities, including foundations, nonprofit organizations, and individuals, can provide funds for Native IDA programs.

The following funding streams are available for IDA programs nationwide, and have been used or approved for use nationwide in different settings for administrative costs, match funds, training costs, and in-kind contributions:<sup>29</sup>

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<sup>28</sup> Edwards, Rist & Gunn (2002).

<sup>29</sup> Edwards, Rist & Gunn (2002); Larson (2002).

## **Federal funds**

- Assets for Independence Act funds (AFIA competitive grants are available in all states).
- Temporary Assistance to Needy Families (TANF) funds. (Many states use TANF dollars to fund IDAs under welfare reform. Tribes administering their own TANF programs may utilize TANF funds for IDA programs).
- Federal Home Loan Bank funds.
- Workforce Investment Act funds.<sup>30</sup>
- Welfare to Work (WtW) funds (the Department of Labor has issued WtW funds for IDA programs in Minnesota).
- Office of Refugee Resettlement funds (in the form of competitive grants for organizations offering IDAs for refugee populations).
- Housing and Urban Development funds (current HOME program funding can be utilized for first time homeownership programs).
- Native American Housing Assistance and Self Determination Act funds (funding for a homebuyer counselor for IDA program administration and funding for match funds).
- Indian Community Development Block Grant funds (ICDBG funds under the public service cap may be used for skill development and education, based on local interpretation).
- Community Service Block Grant funds/Indian Community Service Block Grant funds (currently a Montana nonprofit organization is utilizing regular CSBG funds to operate a non-Native IDA program, based on local interpretation).

## **State and Local Funds**

- State general revenue funds (some states have a direct appropriation for IDA programs).
- County general revenue funds (counties can provide a direct appropriation for IDA programs).
- Special city/county discretionary or program funds.
- State economic development incentive funds.
- State tax credits, including salable, transferable, and refundable credits (state tax credits must be marketed to raise funds).
- State Community Development Block Grant funds.
- State Community Service Block Grant funds.

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<sup>30</sup> These funds have been approved for use but no IDA program has used them yet.

- State Housing Trust funds.
- State Housing Finance Authority funds.

### **Tribal Funds**

- Tribal council allocation (tribal councils can allocate funds for salaries for administration or for match funds).
- Tribal trust funds for education (in Hawaii, a trust fund for education is being used for match dollars in an IDA program).
- Tribal schools (tribal schools can partner with youth IDA programs, incorporating them as part of their School-to-Work and Work Study programs, and school counselors can partner to provide financial literacy training).
- Tribal community colleges (tribal community colleges can partner to provide financial literacy training and small business development training).
- Tribal economic development departments (tribal economic development departments can provide loans for microenterprise development, which can also be used for matching dollars).
- Tribal housing authorities (tribal housing authority funds can be used to provide IDA homebuyer education and can also be used as match dollars).
- Tribal gaming revenue (tribal gaming revenue can be allocated to an IDA program).
- Tribal foundations (tribal foundations can provide grants for administration and match dollars).
- Other tribal departments (tribal funds can flow through other departments, including education departments and credit departments).

### **Private Resources**

- Private nonprofit philanthropic organizations (the United Way has developed a fundraising campaign for IDAs in 29 states; YMCA and YWCA programs are working with youth in many areas; First Nations Development Institute has been funding Native IDA programs; religious organizations are funding IDA programs in some communities).
- Private foundations, community foundations, and public foundations (local and regional community foundations targeting education, homeownership, economic development, opportunities for youth, or other issue areas may be interested in funding IDA programs).
- Financial institutions (banks can receive Community Reinvestment Act credits for contributions to IDA programs. Many IDA programs have been able to negotiate with banks and credit unions to hold IDA accounts with waived fees and interest rates over 5 percent).

- Philanthropic individuals (philanthropic individuals can contribute to IDA programs, either through private donations—individuals may need to be educated about donations to tribal organizations—or use of tax credits in states that have tax credits).

While there is a range of funding sources available for IDA programs, Native IDA programs have only used a small number of funding sources found on the above lists. Fundraising presents a challenge nationwide for a variety of reasons, including in non-Native communities. These challenges are often magnified, however, in Native communities. As can be seen in Table 2 above, Native IDA programs have accessed funds from the local tribal government, federal programs such as AFIA and Welfare to Work, and private sources such as First Nations Development Institute. However, few programs have accessed state funds, and the use of federal funds is limited. Federal and state funding sources represent an area of opportunity for Native IDA programs. A detailed discussion of federal and state funding sources follows.

### **Federal Funding Sources**

There are several sources of federal funding for IDA programs. With passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, IDAs became an eligible activity under the Temporary Assistance for Needy Families guidelines (see Table 9 for an overview of this and other federal funding legislation). Federally recognized tribes have the option to receive direct federal funding to independently design and operate TANF programs, or they may choose to rely upon the states where they reside to provide TANF services. Regardless, tribes can work within existing TANF programs to use TANF funds for IDA programs. In 1998, the Assets for Independence Act (AFIA) expanded the possibilities for funding IDAs by introducing a five-year, \$25 million per year demonstration project under the United States Department of Health and Human Services. Tribal governments submitting applications with one or more nonprofits were considered “qualified entities” to administer these IDA programs. Since 1998, AFIA has been clarified through amendments and rulings, and ongoing clarification of this legislation through the upcoming reauthorization process should continue to increase its usefulness as a funding source for IDA programs nationwide.

Federal policy has had a significant impact on IDA policy at all levels. Besides providing funding sources, other federal legislation, rulings, and amendments have helped set standards and best practices in the field.<sup>31</sup> The United States Department of Health and Human Services (HHS) Administration for Children and Families, and the United States Department of Housing and Urban Development, along with other departments and agencies, have attempted to integrate IDAs into their programs and policies. For example, provisions for IDAs exist under the Office of Refugee Resettlement. Similar “family self-sufficiency accounts” were instituted at some public housing authorities.<sup>32</sup> IDA programs have successfully used Welfare to Work funds and Community Development Block Grant funds. The United States Department of the Treasury has attempted to link IDAs to Electronic Funds Transfer. Further, under a 2001 ruling on the Community Reinvestment Act, bank examiners may now evaluate an institution’s activities in connection with IDAs to consider whether banks qualify for CRA credits. Federal rulings have

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<sup>31</sup> Edwards & Rist (2001), p. 11.

<sup>32</sup> Edwards & Rist (2001), p. 11.

helped in other ways. A recent ruling by the IRS has helped low-income participants in IDA programs avoid a tax burden. On October 14, 1999, the Internal Revenue Service issued IRS Revenue Ruling 99-44 regarding IDAs funded by AFIA in relationship to the Internal Revenue Code of 1986. Interest on individual deposits were ruled taxable, but all matching funds and earnings upon them were ruled tax-exempt.

Since 1996, federal policy has experienced a shift in focus away from appropriations toward tax credits as the source of funding for IDAs. If successful, such a strategy will eventually result in IDAs being incorporated into the federal tax code in the same way as IRAs.<sup>33</sup> Such proposed legislation as the Savings for Working Families Act calls for financial institutions to provide matching funds for IDA program accounts to receive tax credits. Such a law would significantly increase the availability of IDAs to the working poor. In short, many laws have continued to evolve as amendments and rulings have further defined federal funding sources and policy related to IDA programs. Meanwhile, new legislative efforts continue to be introduced, and the field is rapidly changing.

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<sup>33</sup> Edwards & Rist (2001), p. 12.

**Table 9: Federal Funding Opportunities for IDA Programs**

Year Legislation passed	Legislation	Description	Funding opportunities available in legislation	Specific provisions for tribes
1996	Personal Responsibility and Work Opportunities Reconciliation Act	This legislation brought about “welfare reform” by replacing Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF). As part of the welfare reform legislation, this act allowed for states to create community-based Individual Development Accounts (IDAs) using federal block welfare grants. Further, participants would not be denied welfare food stamps, or medical assistance due to assets accumulating in their account.	Funding for program administration and match funds may be available if the IDA program is included as part of the state TANF plan.	Tribes can administer their own TANF programs and make decisions about including IDA programs.
1998 Soon to be reauthorized?	Assets for Independence Act	The United States Department of Health and Human Services was authorized to conduct a five-year, \$25 million per year Individual Development Account demonstration project. The project was specifically designed “to determine the social, economic, and psychological effects of providing IDAs to individuals and families with limited means, as well as the extent to which such a policy promotes saving and economic self-sufficiency and stabilizes and improves families and communities.” Organizations receive funds on a competitive basis.	AFIA authorizes \$125 million over 5 years in account matching and limited administrative funds to eligible “qualified entities.” Funds are disbursed to qualified entities through a program administered by the U.S. Department of Health and Human Services.	At the date of enactment, October 27, 1998, “qualified entities” to administer IDA programs were identified as: “not-for-profit (501)(c)(3) organizations, and state or local government agencies or tribal governments that submit an application jointly with one or more nonprofits.” Section 404(11) of the Act defines “tribal government” as “a tribal organization, as defined in Section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b) or a Native Hawaiian organization, as defined in section 9212 of the Native Hawaiian Education Act (20 U.S.C. 7912).”
Pending	Savings for Working Families Act	This bill is currently making its way through the legislative process. It proposes to create tax credits for financial institutions that provide a 1:1 match for IDA program accounts up to \$500 per qualified individual per year.	Tax credits	Ongoing work is needed to include tribal governments as “qualified entities” to market and benefit from the tax credit.

## **Problems with Funds Provided Through the Assets for Independence Act (AFIA)**

While the Assets for Independence Act (AFIA) represents a promising federal funding resource for IDA programs, IDA program managers across the nation have identified several barriers to using the funds provided by this piece of legislation. The regulations associated with AFIA limit the usefulness of funds for many IDA program operators including Native IDA program operators. The following aspects of AFIA have been identified as problematic:<sup>34</sup>

- 1. AFIA requires that IDA program participants be at 200 percent of the federal poverty level or lower.** Eligible participants have to have an income at or below 200 percent of the federal poverty guidelines, as provided in section 408(a)(1) of the AFIA Act, or qualify for the Earned Income Tax Credit,<sup>35</sup> and meet a net worth test (household net worth cannot exceed \$10,000 excluding the value of the primary dwelling unit and one motor vehicle owned by the household).<sup>36</sup> This has several implications. First, it makes it more difficult to serve the “working poor” or those with higher incomes, which is a population in need in reservation communities. Like other minority groups, Native Americans may be catching up to Anglo-Americans in terms of income, but still are experiencing a significant gap in assets (including homeownership, retirement, and investments). Also, because of the housing-related problems on reservations (discussed above) members of the working and middle class currently experience low rates of homeownership on the reservation. These “forgotten classes” are also not included in subsidized homeownership programs sponsored by the tribal government. As a result, these groups are in great need of homeownership assistance programs, but cannot participate in a program sponsored by AFIA funds. Second, this income regulation requires programs to work with the more needy clients, which means that the training and social service components of the programs are more challenging and the success rate for the program is generally lower. While research shows that very low-income individuals can save for the future, they often take more resources and support on average than other income groups.
- 2. The definition of “household” used in the Assets for Independence Act is problematic.** In many Native communities, as in many low-income communities, there are can be multiple generations of an extended family living under one roof. Therefore, the total assets of a household may be much higher than that of an individual, yet an individual may be restricted from participating in an AFIA sponsored program because their household valuation is too high.
- 3. You can only use 15 percent of AFIA funds for training and program administration.**<sup>37</sup> According to the AFIA regulations, 7.5 percent of funds must be used for program administration, 5 percent for financial literacy training, and 2.5

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<sup>34</sup> The sources for this information are interviews with Native IDA program managers and a phone conversation with Robert Zdenek, Senior Consultant, Office of Community Service, US HHS, on October 30, 2002.

<sup>35</sup> According to the Health and Human Services website ([www.acf.dhhs.gov/programs/ocs/demo/oda/faq.html](http://www.acf.dhhs.gov/programs/ocs/demo/oda/faq.html)), the most recent EITC earned income guidelines that set the limits on annual income eligibility in the IDA program are \$27,413 for a household with one child and \$31,152 for a household with more than one child.

<sup>36</sup> Center for Social Development (2002).

<sup>37</sup> Robert Zdenek, personal conversation, October 30, 2002.

percent for data collection and evaluation. In most cases, this is much too low for program administration, especially when the program participants must be at or below 200 percent of the federal poverty guidelines. In many cases, organizations need to raise additional administrative funds.

4. **The AFIA regulations “federalize” any matching funds.** In order to qualify for AFIA funding, you need matching funds. For every dollar of federal funds requested you need a dollar of local non-federal funds (from public or private sources). To actually get the AFIA funds one needs to put one’s matching funds in an escrow account or something similar before one can pull down the federal funds. The money in this account can then be used to fund the IDA program. However, drawing down the AFIA funds essentially “federalizes” the other non-federal money, because it becomes subject to the same restrictions and regulations as the federal money. This means that all the money raised for matching funds can only be used for those participants with incomes less than 200 percent of the federal poverty guidelines, only 7.5 percent of those funds can be used for administration, 5 percent for financial literacy, and 2.5 percent for evaluation.
5. **Reporting requirements are burdensome.** Participating organizations must submit annual progress reports to the Department of Health and Human Services. Fund recipients must participate in a national evaluation and provide both quantitative and qualitative data on their program sites.
6. **Home repair savings goals are not allowed.** AFIA funds can only be used for homeownership and small business development. Some of the existing Native IDA programs, such as Cherokee Nation, currently use IDA funds for home repair goals. Other Native IDA programs, such as those in Minnesota, would like to use their IDA programs for home repair but are prohibited by the state program guidelines. Home repair is a large area of need in reservation communities. This savings goal would not be allowed by AFIA.
7. **Tribal governments need to partner with a nonprofit to receive funds.** Tribal governments have demonstrated that they can effectively operate IDA programs independently. In many cases, as demonstrated in our research, tribal governments initiate IDA programs and dedicate a significant amount of resources to IDA programs. The requirement that they must partner with a nonprofit is burdensome.

Many tribes that are administering the IDA program have chosen not to pursue AFIA funds for many of the reasons listed above. Because they wish to serve IDA participants with incomes greater than 200 percent of the poverty level and wish to administer the IDA program without a nonprofit partner, many tribes have decided against using AFIA funds. It is hoped that future legislation will better reflect the unique interests and needs of tribes that administer IDA programs, and provide more flexibility for use of program funds.

## State Funding Sources

There are many state funding sources available for IDA programs, including Native IDA programs, but they are currently represented by a labyrinth of state-specific regulations, policies, and programs. As the IDA movement is still fairly young nationally, these state policies also currently represent shifting sands, with state policies changing and new state policies emerging on an ongoing basis. This section will provide an overview of existing state funding programs, including direct appropriation and tax credits. It must be cautioned, however, that state policies have been changing rapidly and this information will need to be updated frequently.

Most state level policy has passed since 1996, and as of 2002 there were 34 states with some form of IDA legislation, and at least 32 states had included IDA programs in their welfare reform plans.<sup>38</sup> There are two main policy strategies that have been employed in most states, including passing legislation to fund or enable the creation of IDA programs (also referred to as legislative policy) and using administrative rulemaking to utilize existing programs or funding streams to support IDA programs.<sup>39</sup> In terms of legislative policy, states have created five main funding tools. The funding tools can be used for program administration, match funds, or technical assistance/training. These funding tools include direct appropriations (use of state general revenue funds), tax credits, use of TANF dollars, and allocation of Community Development Block Grant dollars.<sup>40</sup>

### *State General Revenue Funds/Appropriations*

As can be seen in Table 10, there are eight states that have state general funds for match dollars for IDA programs, and eight states with state general funds for administration or technical assistance. Of the eight states that have state general funds for match dollars for IDA programs, five have federally recognized or state-recognized tribal governments within their borders.<sup>41</sup> Of the eight states with state general funds for administration or technical assistance, four have federally or state-recognized tribal governments within their borders. Only Minnesota currently has an IDA program serving a primarily Native population, and this program is accessing state funds through a statewide collaborative. State general funds for program administration and match rates represent a promising funding source for new or existing Native IDA programs, especially as more states make funding available.

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<sup>38</sup> Center for Social Development (2002).

<sup>39</sup> Edwards & Rist (2001).

<sup>40</sup> Edwards & Rist (2001).

<sup>41</sup> According to the Federal Register, there are federally recognized tribes in the following states: Alabama, Alaska, Arizona, California, Colorado, Connecticut, Florida, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming. According to the National Conference on State Legislatures, there are state-recognized tribes in the following states: Alabama, Connecticut, Delaware, Georgia, Louisiana, Maine, Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, and Virginia.

## *State Tax Credits*

State tax credits for IDA programs are an IDA funding trend that offers a potentially important revenue stream for IDA programs, including Native IDA programs. Tax credits are created by states to encourage donations to different causes, and provide a way to relieve a tax burden for the donating individual or organization. A tax credit is applied against an existing state tax liability to reduce it by a certain amount, and often qualifies as a charitable donation to a 501(c)(3) nonprofit to receive a federal tax deduction. In the case of Oregon, the current IDA tax credit allows for 75¢ of every dollar donated to an IDA program to be applied as a credit to reduce either the state or federal tax liability.

**Table 10: Public Funding Sources in States Implementing or Developing Legislated or Administrative IDA Programs<sup>42</sup>**

State General Funds – Match	State General Funds – Administration	State Tax Credits for IDA Program Contributors	TANF Funds for Match and/or Administration (a) = administrative	TANF Funds for Match and/or Administration (continued)	CDBG Funds for Match and/or Administration (a) = administrative
#+ Connecticut > D. of Columbia #+ Indiana #+ Iowa # Maryland #+ Minnesota #+ Missouri #+ North Carolina #+ Pennsylvania # Puerto Rico #+ South Carolina #+ Vermont	#+ Connecticut > D. of Columbia #+ Indiana #+ Iowa # Maryland #+ Minnesota #+ Missouri #+ Ohio #+ Pennsylvania #+ South Carolina #+ Tennessee #+ Vermont	#+ Arkansas #+ Colorado #+ Connecticut #+ Hawaii #+ Indiana # Kansas #+ Maine #+ Missouri #+ Oregon #+ Pennsylvania	#+ Arkansas > Florida #+ Illinois (a) #+ Indiana #+ Iowa > Louisiana #+ Michigan (a) #+ Montana (a) # New Jersey #+ Ohio #+ Oklahoma #+ South Carolina #+ Tennessee # Texas #+ Vermont (a)	#+ Virginia #+ Washington (a)  <b>Welfare to Work Funds for Match and/or Administration – by Competitive Grant</b>  #+ Hawaii #+ Illinois #+ Montana	#+ North Carolina (a) #+ Ohio #+ Oklahoma #+ Oregon #+ Tennessee # Virginia  <b>Legislation Passed, but No State-Level Funding</b>  #+ Arizona > Idaho
> Committed, but program not yet implemented # Implemented + IDA program implemented for one year or more					

<sup>42</sup> Reprinted from the Center for Social Development webpage, <http://gwbweb.wustl.edu/csd/>. This table may be out of date – check the website for an updated table.

While tax credits offer a good opportunity to raise funds for IDA programs, they have to be marketed and leveraged in the state before funds are raised. Tax credits must be marketed to individuals or organizations, either through financial services groups, media campaigns, or other public information campaigns, to encourage people to take advantage of the tax credit.<sup>43</sup> This raises the question of who can market the tax credit, and whether it is a centralized process or each IDA program markets the tax credit individually. After the marketing of the tax credit, states have different means for distributing the funds, including competitive grant processes or individual allocation based on success in marketing the credit. These and other issues have emerged as Native IDA programs have begun to explore using state tax credits as a funding source. Further research is needed on this topic.

As can be seen in Table 10, nine states have enacted IDA legislation or programs that include tax credits to help fund IDA programs. These states are Arkansas, Colorado, Connecticut, Hawaii, Indiana, Maine, Missouri, Pennsylvania, and Oregon (see Table 11 for more information about the tax credit programs in each of these states).<sup>44</sup> All of these states have either federally or state-recognized tribes in their borders except Indiana and Pennsylvania, and Hawaii is home to an indigenous Native Hawaiian population. Although many states have adopted tax credit legislation to help finance state IDA programs, no tribal organizations have yet been able to benefit from these funds. In some cases, this is because states have not yet raised funds with the new tax credit. In other cases, there are challenges related to tribes accessing IDA funds through state tax credits.

The Native IDA programs in Oregon provide a good case study of the challenges presented to tribes when trying to access funds raised through state tax credits (see Appendix A for a detailed case study of the Oregon Native IDA movement). Oregon passed tax credit legislation in 1999 that provided a 25 percent tax credit for all funds donated to IDA programs. A nonprofit organization in Oregon involved in housing and homeownership programs, the Enterprise Foundation, was chosen in a competitive grant process to be the “fiduciary organization” to market the tax credit in the state. In 2002, new legislation was passed that raised the tax credit to 75 percent. The Enterprise Foundation has worked with a financial services organization, the Celilo Group, to market the tax credit to individuals or corporations looking to relieve their state and federal tax burden. These funds and future funds will be granted to eligible IDA organizations in the state through a competitive grant process. Dreamsavers, an IDA program located in southern Oregon, was the first recipient of funds (although they have yet to receive any money).

While the program in Oregon offers a funding opportunity for Native IDA programs, there are many obstacles to accessing these funds. Most notably, in the 1999 IDA legislation, eligible “fiduciary organizations” (organizations that can administer the IDA program, receive funds from the tax credit, and/or market the IDA tax credit) were limited to “a nonprofit, fundraising organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code as amended and in effect on January 1, 1999.” This definition excluded all tribally run IDA programs from receiving any funds raised with the tax credit, and also excluded them from

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<sup>43</sup> Gunn & Lewis, Forthcoming.

<sup>44</sup> Gunn & Lewis, Forthcoming.

**Table 11: States with IDA Legislation and Tax Credits Appropriated<sup>45</sup>**

<i>State</i>	<i>Amount</i>	<i>Cap: Individual / Total</i>	<i>Total Leveraged</i>	<i>Marketing Plan</i>
<b>Arkansas</b>	50%	\$25,000/\$100,000	None as of April 2001	Good Faith Fund is developing a marketing campaign.
<b>Colorado</b>	25%	\$100,000/\$5 million per year for 5 years (\$25 million total)	Tax credits are based on state revenue funds surplus. IDA tax credits have been rescinded due to state budget deficits.	Combining participants and donor outreach—churches, financial planners, mass media, labor unions, and community-based organizations.
<b>Connecticut</b>	5%	No set cap	None as of April 2001  Outreach and leverage may be limited until the State Department of Labor completes rules and regulations for IDA use.	An existing tax credit – the Human Development Tax Credit (5%) has been approved for IDAs. Credit can't exceed tax liability and has a 5-year carry over.
<b>Hawaii</b>	50%	\$1 million over 5 years	None as of April 2001  An IDA tax credit form was created 11/00	No plan has been finalized yet—collaborative loosely organized—outreach will be centralized.
<b>Indiana</b>	50%	\$50,000/\$500,000 (upper limit may change 2001)	Limited (only a small number of organizations are leveraging the tax credits)	Presentations to corporations, individuals (La Casa, which has a successful track record with other tax credits, is leveraging well).
<b>Maine</b>	50%	\$25,000/\$200,000	Limited (\$18,650 as of April 2001)	New marketing campaign: information included in tax forms, mailings to tax and financial planners, conferences, brochures.
<b>Missouri</b>	50%	\$60,000/\$4 million per year; reviewed on a yearly basis	Approximately \$200,000 over two years	Presentations, newsletters, announcements to wire services.
<b>Pennsylvania</b>	50%	None specified. Granted by application	NAP* tax credits approved for IDAs. No exact figures available of number leveraged.  In 2002 NAP* tax credit appropriation may increase to \$30 million annually from current \$18 million.	NAP* credits have been leveraged with success because outreach is combined with other tax credit programs. Several hundred organizations statewide leverage these credits for community development and community social services.
<b>Oregon</b>	75%	\$25,000/\$500,000	All leveraged	Slow take up but it was then marketed to financial managers who leveraged the entire tax credit.

\* Neighborhood Assistance Program.

<sup>45</sup> This table is reproduced with permission from Gunn & Lewis, forthcoming. This table may be out of date – check the Center for Social Development website (<http://gwbweb.wustl.edu/csd/>) for an updated table.

marketing the tax credit. This oversight in the Oregon state IDA legislation was corrected in the 2001 legislation, but challenges remain.

First, the Native IDA programs in Oregon had already lost the opportunity to become fiduciary organizations to market the tax credit. Therefore, Native IDA programs had already lost the opportunity to develop funding networks and develop a community of private donors for their IDA program. They also lost the opportunity to collect interest on the funds raised through the tax credit, something the current fiduciary organization in charge of marketing the tax credit is benefiting from. This lost opportunity was due to the exclusion from the legislation and from a lack of knowledge of the state tax credit program. A lack of knowledge about state programs, especially in states with “young” Native IDA movements, appears to be a common problem, but it is improving quickly as program managers make an effort to educate themselves about potential funding streams.

Second, the Native IDA programs have continued to have to struggle to educate others about issues related to the unique nature of tribal governments. For example, many people do not understand that donations to a tribal government (in the case of a tax credit donation to an IDA program) are equivalent to donations to a 501(c)(3) organization under Section 7871 of the Internal Revenue Code.<sup>46</sup> Native IDA program managers in Oregon received questions about whether or not donations to the IDA programs in Warm Springs or Umatilla would be deductible for the purposes of federal income tax. It was assumed that these donations were not deductible for the purposes of federal income tax, which would reduce their attractiveness to potential donors. It is apparent that there is still a need for a great deal of education about the unique nature of tribal government entities.

Third, partially because the Native IDA movement is so young in Oregon, many existing Native IDA programs do not currently have the organizational capacity or the organizational initiative to apply to become a fiduciary organization to market tax credits. While there are plans in place to apply for state funds raised from the tax credit for Native IDA programs, the prospect of applying to market the state tax credit is more difficult. There is an ongoing discussion with a regional tribal organization, the Affiliated Tribes of Northwest Indians, about functioning as an “umbrella” organization, not just for distributing information about IDA programs, but also for functioning as the fiduciary organization for Native IDA programs to market and distribute the tax credit.

This use of a regional organization, or an “umbrella” organization, for marketing the tax credit on behalf of Native IDA programs has many advantages. First, it affords “economies of scale” in marketing state tax credits. Smaller IDA programs may not have the capacity to market the tax credit, and a series of smaller efforts to market the credit may lead to a fragmented message and duplication of effort. If a large regional organization could market the tax credit, it would result in a unified message and effort and a focused targeting of the donor community. Second, it provides a unified, centralized mechanism for distributing funds to programs in need. In Minnesota, the two Native IDA programs have benefited from being part of a larger statewide

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<sup>46</sup> Section 7871 of the Internal Revenue Code (Indian Governments Treated As States for Several Purposes) treats tribal governments as states, or other governmental entities, for the purposes of determining the deductibility of charitable contributions (i.e., tribal governments, like states, can receive tax deductible contributions).

umbrella organization that identifies funding sources (although there is no state tax credit in Minnesota) and provides funding to the local Native IDA programs. In Hawaii, individual IDA programs are functioning as part of a statewide network for purposes of fundraising. The use of a centralized “umbrella” organization represents a promising practice for Native IDA programs in the fundraising process.

### *Other State Funding Sources*

There are a few other sources of state funding for IDA program administration or match dollars beyond general revenue funds and tax credit dollars. As can be seen in Table 10, some states have created IDA programs as part of their welfare reform plans, making possible the use of TANF funds to match IDA savings.<sup>47</sup> A few states have used CDBG funds for match dollars. In Montana, a local interpretation of a Welfare to Work grant allowed them to draw on these funds for match dollars. There is a range of innovative funding strategies that exist on the state level, and these strategies are changing rapidly. Native IDA programs should remain informed about funding strategies in their own states to ensure equal access to funding resources.

### **Unique Issues and Promising Practices for Fundraising for IDA Programs in Indian Country**

While there is a range of funding sources available for all IDA programs, Native IDA programs have not yet taken advantage of many of these funding streams. There are many reasons for this. These include a lack of information, unique state legislative issues, and lack of information about giving to tribal governments. However, there are some promising practices emerging that may assist Native IDA programs as they seek funding.

1. **There is a need to activate information networks.** Many Native IDA programs lack information about how to access federal, state, local, or private funding sources. This is partially due to the fact that the Native IDA movement is fairly young, and is still building information networks and capacity around IDA funding sources. There is a need to build up information networks among Native IDA programs, and to share information both regionally and nationally. First Nations’ research on the current Native IDA programs suggests that Native IDA program managers need to attend state and regional IDA meetings and become active in state IDA organizations to cultivate information networks. The situation is improving, as Native IDA program managers are educating themselves about potential funding streams, but there remains much work to be done. In some cases, Native IDA programs are exploring whether they should create a regional, umbrella organization to create an economy of scale for fundraising for their programs. This is being explored in Oregon and seems to be working well in Minnesota and Hawaii currently. This represents a promising practice that could improve information sharing and capacity for fundraising.
2. **There is a need to educate others in the state about tribal IDA programs to make sure tribes are included in state IDA legislation.** In some states, such as Oregon, there are unique state legislative issues that represent barriers to fundraising. Simply put, if

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<sup>47</sup> Edwards & Rist (2001).

state tribes are not included in state legislation, then tribes will not be able to access resources. The importance of being active in the legislative process cannot be overstated. Native IDA organizations need to remain active in the state IDA organizations and protect the interest of tribes in state legislative actions. A review of state IDA legislation reveals that while many states are in the process of adopting state legislation on IDA programs, tribes and tribal governments are not specifically mentioned in all of these states.<sup>48</sup> In order to make sure the interests of tribal members and tribal governments are supported in both state and federal legislation, tribal governments and Native IDA programs need to take an active part in the legislative process. The involvement of Native IDA program managers in the legislative process in Oregon represents a promising practice for making sure the interests of tribal governments are represented.

3. **There is a need to educate others about the tax status of tribes.** A final issue that is unique to tribal governments is the lack of understanding on the part of donors and others of the tax status of tribes. This barrier is especially important when considering the state tax credit legislation. There is a need to educate individuals and organizations about the fact that donations to tribal governments are equivalent to donations to 501(c)(3) organizations under Section 7871 of the Internal Revenue code, and therefore a donation to an IDA program for a state tax credit is also a tax-deductible donation applicable to reduce a federal tax burden. Again, attending state and regional IDA meetings and becoming active in state IDA organizations appears to be a good way to inform others about the unique nature of tribal governments, including issues related to tax status.

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<sup>48</sup> King & Hicks (forthcoming).

*“The IDA program plays a vital role to the social well-being of the reservation. Homeownership, business development, and education promotes a healthier lifestyle, increases opportunities, provides for more choices...stimulates individual growth, decreases dependency, develops skills and assets, stimulates community growth and economic development, and raises the assets base of the community as a whole.”*

Native IDA program manager, Fort Hall, Idaho.

## **VI. Lessons Learned and Conclusion**

One of the most important lessons learned from the American Dream Demonstration is that all programs in this pilot project were helping people save money for long-term economic security within the first year of the demonstration.<sup>49</sup> First Nations’ research on IDA programs in Indian Country suggests the same – that every program is having a positive effect on the lives of many tribal members.<sup>50</sup> However, there is always an opportunity for improvement. The purpose of this paper has been to identify strategies to improve the service delivery of IDA programs, secure the continued success of existing Native IDA programs, and in the process ensure the vitality of this important asset-building movement in Indian Country. Research on existing Native IDA programs coupled with a review of evaluation research on other IDA programs has revealed several lessons learned and promising practices. This final section of the paper will provide an overview of the lessons learned and promising practices identified by this research.

### **Lessons Learned**

1. **Tribal governments have been successful at administering IDA programs.** Research suggests that there are several institutional characteristics associated with successful IDA programs. Large, stable sponsoring organizations with histories of effective work in low-wealth communities, local funding for IDA programs, and those organizations that offer program components “in-house” appear to be most successful.<sup>51</sup> Tribal governments fit these characteristics well, given that they are large, stable sponsoring organizations that have a “local” funding source. IDA programs sponsored by the tribal government can benefit from the existing programs that the tribal governments offer related to homeownership, small business development, and financial literacy. Tribal IDA programs can also benefit from using skilled staff from existing tribal programs. Research on existing Native IDA programs suggests that tribal governments are sponsoring the majority of programs that serve Native people, and are doing so successfully.

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<sup>49</sup> Page-Adams (2002).

<sup>50</sup> First Nations Development Institute (2000).

<sup>51</sup> Page-Adams (2002).

2. **Staffing Matters.** Our research suggests that many IDA programs are understaffed. Adequate staff is critically important for program success, and staff not only need to contribute enough work hours, but also need to be skilled, creative, enthusiastic, innovative, and willing to learn from others and to implement program changes.<sup>52</sup> Research has shown that starting an IDA program takes a great deal of administrative staff time, including time to set up program rules and regulations, recruit program participants, provide program education, form relationships with financial institutions, and raise funds. Interviews with First Nations staff members administering the IDA grant program revealed several problems with program administration, including a lack of full-time staff time committed to projects. It appears that in many cases it was assumed that there would be a low administrative burden to run the IDA programs, and thus not enough staff time was dedicated to such programs by tribal governments or other organizations running the IDA programs. First Nations provision of technical assistance to IDA programs suggests that there is a general need to allocate more staff time to program administration. The important lesson learned is that there is a need to pay attention to the staffing of the IDA program, and to invest significant resources in IDA program administration.
3. **Partnerships can work.** Our research on existing Native IDA programs suggests that forming partnerships with banks, educational institutions, and nonprofits is a good way to enhance programs and in some cases receive in-kind contributions to IDA programs. Every Native IDA program we studied had developed a partnership with a financial institution that provided free financial services and in some cases assistance with training programs. Nearly every Native IDA program we studied had formed a partnership with a local educational institution or nonprofit organization to receive assistance with training classes on homeownership, small business development, and financial literacy. This can be one way to reduce the program administration burden, although it cannot be a substitute for effective program administration. However, collaboration on the part of tribal government divisions, community organizations, banks, and educational institutions can enhance program efforts, especially in providing training. These partnerships are a good way to enhance programs and in some cases receive an in-kind contribution.
4. **There is a need for more funding for Native IDA programs.** Nearly every IDA program we spoke with mentioned the need for increased funding. More funding sources need to be made available to Native IDA programs, especially state, federal, and private funding sources. There is currently a reliance on tribal funding sources in many communities. In many cases this has been supplemented with private funds from such donors as First Nations Development Institute and the Hearst Foundation, but there is still a need to explore other funding options. In fact, part of the cause for the low staffing ratios in existing Native IDA programs is the lack of funding. Tribes and Native IDA program managers need to continue to educate themselves about existing IDA funding streams, including private foundation, state, and federal funding sources. There is also a need to work in the state and federal policy arena to make sure that public sources of IDA funds are accessible and appropriate for Native IDA programs.

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<sup>52</sup> Page-Adams (2002).

5. **There is a need to increase awareness about the unique issues in Indian Country.** There is a need to increase the awareness of others about the IDA programs that operate in Indian Country, especially those operated by tribal governments. Native IDA programs face many unique issues, including challenges related to homeownership on trust land and the lack of understanding of tribal sovereignty. There is still a great deal of confusion about issues related to tribal sovereignty, including issues related to whether tribal governments can be defined as eligible “fiduciary organizations” in state legislation for the purposes of receiving state funding for IDA programs. There is a need to educate others about the fact that many tribal governments are currently operating IDA programs successfully. There is also a need to educate others about issues related to the tax status of tribes and the fact that they can receive tax-deductible donations for IDA programs.
6. **Scaling up is important.** Research seems to indicate that a small IDA program is just as expensive to operate as a large IDA program. Many Native IDA programs operate in small communities and have small operations. This sometimes makes it difficult to spend staff resources on fundraising or more complicated tasks like marketing a tax credit. In Hawaii and Minnesota, Native IDA programs have joined statewide umbrella organizations to create learning communities around IDA issues, raise funds, and work to influence state policy. In Oregon, the Affiliated Tribes of Northwest Indians is considering functioning as a similar regional organization for Native IDA programs. This use of an umbrella organization or an intermediary appears to be a promising practice that increases information flow to IDA programs and enhances fundraising efforts.

## Promising Practices

1. **Partnerships with banks enhance program efforts.** Every IDA program we spoke with was able to forge a productive partnership with the financial institution they were working with. Banks have an interest in working with tribes and tribal communities because they represent new markets and can also help with CRA (Community Reinvestment Act) credits. Tribal governments can also use their existing accounts as a leveraging tool to encourage banks to work with them. These partnerships with banks can provide free or reduced cost financial services, training services, or financial donations to IDA programs.

***Free or reduced cost financial services.*** US Bank, which is a partner in Warm Springs, Oregon, agreed to open accounts for clients with a bad credit rating and promised to provide a checking account to all participants after the completion of the two year IDA program. All the IDA programs we spoke with received free dual statements and most had fees waived by their banking partner.

***Training partnerships.*** US Bank in Warm Springs, Oregon, and Savings Bank in Redwood Valley, California, provide training classes, including classes on financial literacy, homeownership, and credit repair.

**Financial donations to IDA programs.** The Bank of Hawaii donated match funds to IDA program participants. US Bank in Warm Springs, Oregon, is considering providing a grant to the IDA program. In Umatilla, Oregon, Washington Mutual provided funds for training programs.

2. **Partnerships with community organizations enhance program efforts.** Most IDA programs we spoke to have found a way to use local organizations to provide training services on such topics as financial literacy, homebuyer education, small business development, and higher education. In Oklahoma, the Oklahoma State Extension Service provided training for free. In other cases, such as in Warm Springs, some training was provided on a contract basis by a local nonprofit. Using local organizations to provide training can develop relationships in the local community and meet training needs for the IDA program.
3. **Being active in the policy arena pays off.** In Oregon, state legislation initially excluded tribes from receiving funds from the state government for IDA programs. A consortium of individuals from the Umatilla, Warm Springs, and Grande Ronde communities became active in the state policy process (see Appendix A for more information) and ensured that tribes were included in the second version of the state IDA legislation. Tribes are now considered eligible “fiduciary organizations” to operate IDA programs and receive state tax credit funds under state law in Oregon.
4. **Scaling up through a statewide or regional umbrella organization shows promise.** In Minnesota and Hawaii, IDA programs that serve Native populations have been able to take part in a statewide umbrella organization that allows them to access state, federal, and private funds. These statewide organizations also provide an opportunity for information sharing and networking statewide. These statewide organizations may provide economies of scale for Native IDA programs, as long as the unique needs of the IDA programs are met. Native IDA programs need to have local training opportunities, adequate resources for working one-on-one with clients, and program leadership that understands the unique issues in Indian Country.
5. **Native IDA programs have innovative solutions to unique challenges.** IDA programs operating in Indian Country have many unique challenges, but Native IDA programs across the nation have developed innovative promising practices to address these challenges.
  - **Peer Lending Emergency Revolving Loan Fund.** The IDA program sponsored by the Lakota Fund in Kyle, South Dakota, uses a peer lending revolving emergency loan fund to reduce the number of emergency withdrawals from the IDA program.
  - **Direct Deposit.** In Umatilla, Oregon, the casino and the tribal offices are providing direct deposit into the IDA program account for all tribal employees who are participating in the IDA program. Oklahomans for Indian Opportunity have also provided direct deposit payroll deduction for individuals participating in their program.

- **Mobile Banking.** On the Pine Ridge reservation in South Dakota, a mobile banking unit is available to community residents. This could be incorporated into the IDA program to facilitate making deposits for the IDA program in a community with no depository banking institutions.
- **Culturally Appropriate Financial Literacy.** Most IDA programs are providing culturally appropriate financial literacy materials for their financial literacy training. The financial literacy handbook developed by the Fannie Mae Foundation and First Nations Development Institute is available free of charge on the First Nations website, [www.firstnations.org](http://www.firstnations.org).
- **Home Buyer's Guide to Trust Land.** In Umatilla, Oregon, the IDA program in collaboration with the Housing Authority has put together a homebuyer's manual for those individuals who would like to buy or build a home on trust land. This manual helps people understand the process of gaining leases on tribal trust land and resolving issues of fractured heirship.
- **Youth Mentor Programs.** In Redwood Valley, California, the youth IDA program has implemented a youth mentor program to encourage young people to remain active in the program. These mentors, called "aunties" and "uncles," will ensure that youth attend training classes and make monthly deposits.
- **Using a VISTA Volunteer to help with IDA program.** In Redwood Valley, California, the youth IDA program applied for a VISTA Volunteer to help with the program. They received funding, and are in the process of hiring the VISTA volunteer.

## Conclusion

The IDA movement in Indian Country is very young, with the first program beginning in 1999. However, it has already proven successful in helping individuals save and learn asset-based strategies to increase personal wealth and financial stability. Because many IDA programs are so young, now is the best time for them to benefit from lessons learned from other IDA programs operating in Indian Country, as well as lessons learned from the larger IDA movement nationwide. It is hoped that this early research will benefit existing Native IDA programs and contribute to the expansion of this important asset-building movement in Indian Country.

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## Appendix A

### Policy Case Study - The Native IDA Movement in Oregon<sup>53</sup>

#### Introduction

The experience of Oregon's tribal IDA programs provides an excellent case study of the challenges and opportunities for tribes and tribal organizations as they seek to be recognized in state IDA legislation. The tribal IDA movement in Oregon is fairly young, but has already been successful in persuading state agencies, the state legislature, and other state IDA organizations to recognize the rights of Oregon tribes, and has educated other IDA organizations and state agencies on the unique issues facing tribal IDA organizations. The tribal IDA movement in Oregon encountered several challenges early on, including a lack of support by other organizations active in promoting IDA programs in the state and a lack of knowledge on the part of these organizations of the unique issues that tribal IDA programs face. Although the Oregon tribal IDA movement faced a difficult journey, there are several lessons learned from the experience that could help ensure a smoother path in other states. These lessons include the importance of working aggressively with the state and other organizations to make sure that tribes are included in IDA legislation, the need to educate others in the state about tribal sovereignty issues and issues unique to tribes, and the importance of building information networks related to IDA programs to ensure access to the most accurate and up-to-date information. The end result is the active participation of tribal nonprofits and government entities in IDA programs, a contribution to community development and financial well-being that benefits tribal communities and the state as well.

There are nine federally recognized tribes in Oregon: the Burns Paiute Tribe; the Confederated Tribes of Grand Ronde; the Confederated Tribes of the Siletz Indians; the Confederated Tribes of the Coos, Lower Umpqua, and Siuslaw Indians; the Confederated Tribes of Warm Springs Reservation; the Confederated Tribes of the Umatilla Indian Reservation; the Coquille Tribe; the Cow Creek Band of Umpqua Indians; and the Klamath Tribes. The tribal communities most actively involved in the state IDA movement are the Confederated Tribes of Grand Ronde, the Confederated Tribes of Warm Springs Reservation, and the Confederated Tribes of the Umatilla Indian Reservation. The tribal IDA movement in Oregon began in early 2000, when an ad hoc IDA committee convened a meeting in Warm Springs, with members from the Warm Springs Small Business Development Center, Credit Board, Planning Department, Economic Development Department, and an associate at the Grand Ronde Community Resources Center in attendance. Alisa Larson, an associate at the Grand Ronde Community Resources Center, had recently learned about tribal IDA programs on the websites of First Nations Development Institute, the Center for Social Development, and the Corporation for Enterprise Development. With assistance from First Nations staff, Alisa Larson conducted research on IDA programs, assembled a 3-ring binder full of information, and shared resources with several tribal community leaders. She first shared information on IDA programs with the

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<sup>53</sup> This case study also appears in a paper on state IDA policies and Native IDA programs published by Karen Edwards and Sarah Hicks at the Center for Social Development.

Grand Ronde Board of Directors, and then brought the IDA concept to the attention of community leaders in Warm Springs. The concept of an IDA program was well-received by Mike Clements and Gene Keane of the Small Business Development Center in Warm Springs; Evaline Patt, a member of the Warm Springs Credit Board; Jolene Atencio, a planner in Warm Springs; Sal Sahme, director of the Small Business Development Center in Warm Springs; Jack Quinn, member of the Warm Springs Housing Board; and others in tribal government at the Confederated Tribes of Warm Springs Indian Reservation. As a result, an ad hoc IDA committee was initially formed in this community. Trudy Thompson, a California tribal member and employee of the Small Business Development Center at the Confederated Tribes of Warm Springs, who was participating in an IDA program sponsored by the Central Oregon Community Action Agency Network, also expressed support for starting an IDA program in Warm Springs.

There was also interest on the part of the Grand Ronde Community Resources Center Board of Directors in Grand Ronde. Paul Raab of the Umatilla Housing Authority and Lisa Breckenridge of the Umatilla Economic Development Department were also interested. Ad hoc IDA committees were also formed in these communities, and there was a great deal of communication among the IDA committees in the different communities.

Early in the process Alisa Larson had contacted David Foster at the Oregon Housing and Community Services Department for more information about state IDA legislation. It was at that time that she discovered the exclusion of Indian tribes from the only state IDA legislation, House Bill 3600 (HB 3600).

## **Background**

The larger IDA movement in Oregon had begun in the late 1990s, with several state nonprofit organizations working with the state legislature to pass HB 3600 on June 3, 1999. This legislation granted the Oregon Housing and Community Services Department sole authority over, and responsibility for, the administration of individual development accounts. Section 1 of HB 3600 provided key IDA legal definitions, including the definition of “fiduciary organizations,” the organizations that were eligible to either administer an IDA program or market the tax credit created for IDA programs in the legislation. Notably, “fiduciary organization” was defined in HB 3600 as “a nonprofit, fundraising organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code as amended and in effect on January 1, 1999.” While the definition of “fiduciary organization” would have included the Grand Ronde Community Resource Center because it was a 501(c)(3) organization, it would not have included any existing efforts in the Warm Springs or Umatilla communities or any IDA programs sponsored by tribal governments. Any organizations that were part of tribal governments were excluded from the definition of “fiduciary organization” in the legislation. Unfortunately, the only outreach to tribes regarding the Oregon IDA legislation before its passage was one presentation given at the Umatilla Reservation in early 1999. The Enterprise Foundation and state representatives both presented information, but not all of Oregon’s nine tribes were represented at the meeting and no follow-up work was done in the tribal communities. Since Oregon’s tribes had not been “at the table” for the meetings leading up to the passage of HB 3600, their interests were not reflected in this legislation.

There were several consequences to the exclusion of Oregon tribes from the legislation. HB 3600 had created a tax credit to help raise funds for IDA programs that would be distributed through a grant process to “eligible” entities. This function allowed for a 25 percent state tax credit for every dollar donated to the Oregon IDA fundraising “fiduciary organization.” Tribal IDA programs could not apply for any of the funds raised through the marketing of this tax credit and were therefore excluded from a major revenue stream to fund IDA programs. Significantly too, tribal organizations could not market the tax credit themselves. This is important for several reasons. In early 2000, the Enterprise Foundation, a state nonprofit organization focused on housing issues, had been selected as the main fiduciary organization for the marketing of the tax credit and the management and disbursement of funds raised through the tax credit, after responding to a request for proposals put out by the state of Oregon. The Enterprise Foundation had been an active player early on in supporting the passage of HB 3600 and stimulating the IDA movement in Oregon, and was certainly qualified to market the tax credit to raise funds for the IDA program. However, by not having the chance to market the tax credit themselves, tribes and tribal organizations lost the opportunity for both networking and building a base of donors for tribal IDA programs. Instead, The Enterprise Foundation had sole authority to market the tax credit and manage the funds, both building networks and collecting interest on the funds raised.

### **The Beginning of the Tribal IDA Movement in Oregon**

After learning about the opportunities presented by the IDA movement in Oregon and the challenges associated with the current IDA legislation at the time, the IDA committee members began to actively pursue opportunities to establish IDA programs in the Warm Springs, Umatilla, and Grand Ronde communities and to learn more about IDA programs in general. In late 2000 and early 2001, committee members attended several meetings with other IDA organizations in the state and state administrators of the state IDA program. In December 2000, Alisa Larson had a meeting with David Foster of the Oregon Housing and Community Services Department and Rob Bole of the Enterprise Foundation to discuss the state policies in place for IDA program support. She was encouraged to pursue an IDA program at Warm Springs, but not at Grand Ronde because it was assumed that persons utilizing the food programs at the Grand Ronde Community Resource Center were not good candidates for an IDA program, given their assumed low earning power and their presumed inability to qualify for homeownership. At this meeting, Larson also learned that there was no direct state funding for IDA programs, but that there was funding available through the marketing of the tax credit. These funds would be distributed by the Enterprise Foundation on a competitive basis to all eligible fiduciary organizations, which included 501(c)(3) organizations but not tribal organizations. Alisa Larson and the IDA committee members were encouraged to talk to other IDA practitioners in Oregon, especially the Central Oregon Community Action Agency Network (COCAAN) in Redmond, Oregon, which had been running IDA programs in their region. Alisa Larson had COCAAN travel to Warm Springs in February 2001, to give several presentations and share information. COCAAN provided a great deal of information on starting IDA programs and offered free trainings on financial literacy and other topics. Larson also met a second time with the Enterprise Foundation for information about tribal IDA program development.

Alisa Larson and the IDA committees also began building their knowledge about IDA programs, drawing on information from several sources. The committees purchased an IDA program design manual from the Corporation for Enterprise Development and a workbook on Financial Literacy for Native American Families from First Nations Development Institute. They also downloaded several papers from the Center for Social Development website. The committee began doing research on other tribal IDA programs around the nation, as they were interested in lessons learned from these programs. Alisa Larson began having frequent conversations with Rebecca Seib, the associate director of grantmaking at First Nations Development Institute, and learned of an upcoming request for proposals for tribal IDA programs.

At the same time, the ad hoc committees were building community interest, knowledge, and support for IDA programs through a series of meetings and information sessions in the communities of Warm Springs, Umatilla, and Grand Ronde. Throughout early 2001, several meetings were conducted with Warm Springs Housing, Economic Development, Credit, and Education Departments, sharing information about IDA programs. In early 2001, the Grand Ronde Community Resource Center decided against starting an IDA program at that time, but expressed interest in exploring the opportunity in the future. There was an interest in having the Grand Ronde tribal government start a program, however. Several members of the board of directors of the Grand Ronde Community Resource Center agreed to talk to the Grand Ronde Tribal Housing Authority about the possibility of starting an IDA program and financial literacy courses.

An important milestone occurred at the Wisdom of the Giveaway conference in Seattle on April 7-8, 2001. The Wisdom of the Giveaway, a conference focused on Native American philanthropy and sponsored by First Nations, had a half-day workshop on tribal IDA program development. Alisa Larson attended this session and also arranged a meeting and dinner between Warm Springs representatives and Rebecca Seib to discuss the many ongoing projects at Warm Springs and current IDA program opportunities. First Nations solicited a letter of intent from the Warm Springs IDA program, the first opportunity for funding to take the program from a dream to a reality.

After learning of this funding opportunity, the ad hoc IDA committee began drafting the letter of intent and continued developing support for IDA programs in Warm Springs, Umatilla, and Grand Ronde. In Warm Springs, Alisa Larson coordinated a general managers meeting where the IDA program was discussed. All general managers, directors, and tribal chief operating officers were present. Also in attendance were Rob Bole of the Enterprise Foundation and David Foster of the Oregon Housing and Community Services Department. Rob Bole presented information about funding opportunities through the Enterprise Foundation using the tax credit. Apprised that Warm Springs did not have a 501(c)(3) in place to administer the IDA program, Bole suggested the tribe work with the Central Oregon Community Action Agency Network to administer their program. The COCAAN, located over 100 miles off the reservation, did not necessarily have an interest or stake in the Indian community at Warm Springs. The suggestion on the part of the Enterprise Foundation was perceived as a lack of understanding of the unique program design needs and goals of a tribally based nonprofit, including the desire to have a local reservation-based program that would be culturally appropriate and easily accessible to tribal members. Nevertheless, Warm Springs continued to take steps to establish an IDA program. A second

meeting was held with the general managers at Warm Springs and approval was granted through the chief operating officer and the tribal council to explore IDA programs as an asset-building tool on the Warm Springs Reservation.

A meeting was held in Grand Ronde in early May with the Tribal Education Department and the Small Business Department. While there was a great deal of interest in IDA programs on the part of some members, a departmental reorganization delayed the movement of the IDA proposal in the Grand Ronde community. There is still a great deal of interest on the part of the Grand Ronde Housing Authority in developing an IDA program, however, and discussions are ongoing.

## **The Legislative Arena**

While the ad hoc IDA committees had been shepherding IDA programs through the process of building community support in the Warm Springs, Grand Ronde, and Umatilla communities, a legislative movement was building statewide. The Enterprise Foundation and other organizations had been promoting a new piece of IDA legislation, House Bill 3391 (HB 3391), which would raise the state tax credit for IDA donations to 75 percent with a maximum of \$75,000 credit. Alisa Larson and Paul Raab attended a meeting on May 7, 2001, organized by Rob Bole and David Foster that brought together IDA practitioners from across the state to discuss the legislative strategy and other issues related to the IDA movement in Oregon. This meeting provided a review of state IDA program promising practices, an announcement of the upcoming Notice of Funds Availability through the Enterprise Foundation competitive grant program for IDA funds, and an overview of the legislative strategy related to HB 3391. Each organization was asked to write a letter to each member of the Senate Revenue Committee in support of IDA programs and HB 3391, to give an example of IDA use in their community, and to urge the committee to raise the tax credit to 75 percent with a maximum of \$75,000 credit. Organizations were also asked to testify in support of the IDA legislation at the Senate Revenue Committee hearing scheduled for May 24th.

Given the growing tribal IDA movement in the state, Alisa Larson was interested in discussing the inclusion of tribes in the proposed legislation. She raised the subject with Rob Bole and David Foster at the meeting, but was told that it was not the appropriate time to seek inclusion in the legislation and that to do so could jeopardize the tax credit increase. Given Larson's limited experience with the legislative process at that time, she assumed that she had little recourse and considered giving up on pursuing state support for tribal IDA programs.

On May 22nd, Alisa Larson consulted with Rebecca Seib of First Nations Development Institute, who had come to Warm Springs to provide a "Train-the-Trainers" workshop for the First Nations/Fannie Mae financial literacy coursework titled "Building Native Communities: Financial Skills for Families." Larson informed Seib that the Notice of Funds Availability for IDA programs through the Enterprise Foundation did not apply to tribal organizations that were not 501(c)(3) organizations, that there was a Senate Revenue Committee hearing scheduled for May 24, 2001, and that the state and the Enterprise Foundation wanted Larson and Paul Raab to testify in support of the tax credit but implied that they did not want her to bring up the issue of tribal inclusion because it might jeopardize the tax credit. Seib suggested that a tribal representative should testify in support of the tax credit but also ask for tribal inclusion. Larson

hadn't realized that this was an option, after being discouraged by the representatives from the Enterprise Foundation. After speaking with Rebecca Seib, Larson contacted her IDA advisory team at Warm Springs to let them know that they needed to testify at the hearing for tribal inclusion so they would be able to utilize state funds for their IDA program. Warm Springs was still finishing their funding proposal that was due the 31st of May to First Nations and Larson needed more information about the Credit Department organization, budget, and other issues related to the Warm Springs proposed IDA program. She was referred to Bruce Engle, a Klamath tribal member employed by the credit department of the Confederated Tribes of Warm Springs. Larson arranged for Bruce Engle to go with her to testify at the state Capitol on May 24th. The legislative officer for the Confederated Tribes of Warm Springs, the normal candidate for such activity, was out of town and unavailable. Larson alerted the legislative officer about the testimony and he said he would review it.

On May 24th, Alisa Larson and Bruce Engle met at the state House to attend the Senate Revenue Committee hearing for HB 3391. The mood was somewhat tense, because the House had recently lowered the tax credit to 50 percent during the legislative session and the topic was reopened at the Senate Revenue Committee hearing. There was concern on the part of the Enterprise Foundation and the Housing and Community Services Department and others about losing the 75 percent tax credit if there was not enough support. Early that morning, Alisa Larson and Bruce Engle informed Rob Bole and David Foster of their intent to call for tribal inclusion in the legislation. Rob and David again expressed their concern about making this proposal and suggested that it could jeopardize the tax credit. Larson responded that having tribes behind the legislation would only make it stronger. Rob Bole finally suggested that the best way to ask for inclusion was to ask for a "concept amendment" to the definition of a fiduciary organization. This in effect would amend the concept of "fiduciary organization" to include tribal governments. Larson and Engle agreed to take this approach and began to prepare for their testimony.

The hearing started at 8:00 a.m. Rob Bole, with the support of Representative Merkely, submitted an amendment to move the credit back to 75 percent from the current 50 percent. Following this, two other amendments were submitted: the Oregon College Savings Plan amendment to allow for the rollover of IDA funds into the Oregon College Savings Plan, which was put forth by the Oregon Treasury Department, and the concept amendment to define tribes as eligible fiduciary organizations.

Bruce Engle testified to tribal support of the tax credit increase and then requested a "concept amendment" to include tribes as eligible fiduciary organizations. This proved to be an important move during the Senate Revenue Committee hearing that achieved the significant outcome of including tribal organizations as fiduciary organizations in HB 3391. The response of the Senate Revenue Committee was very positive, and illustrated the importance of tribes taking initiative to get recognition and to educate state legislators about their issues.

Bruce Engle began his testimony by stating his experience and background, which included being an auditor for the IRS for 20 years and then working in the housing division at the United States Department of Agriculture. He then explained that the Confederated Tribes of Warm Springs were developing an IDA program and could benefit greatly from being able to access the

funds raised with the tax credit increase. He went on to say that the Confederated Tribes of Warm Springs currently could not access the state funds because the legislation only permits 501(c)(3) organizations to access state funds and Warm Springs was not a 501(c)(3) but rather a tribal government. He then requested the concept amendment that would state that tribal governments were eligible to be fiduciary organizations. In a light moment to help release tension, Engle then added, “and since I don’t know all that much about concept amendments and what I am asking you to do, I’m going to duck and cover now,” and he ducked under the testimony table. This succeeded in breaking the tension, and the senators chuckled and said that concept amendments made them nervous too. The senator running the Revenue Committee meeting, Ted Ferrioli, then called the Enterprise Foundation to the stand and had them confirm that indeed tribes were excluded from the definition of fiduciary organizations and could not currently apply for funds raised with the tax credit. Sen. Ferrioli expressed surprise and concern to the Enterprise Foundation for this oversight. Ferrioli then turned to Engle and said that he had “good cause” for requesting to be included in the definition of fiduciary organizations. In a spontaneous moment, he requested that the group find a lawyer in the room and go out into the hall to design the concept amendment. Bruce Engle, Alisa Larson, Rob Bole, David Foster, and an attorney then went out into the hall to determine the language for the concept amendment.

In order to fully understand the conversation that took place in the hall of the capitol building that day, it is important to understand the context in which the conversation took place. There were several legislative currents that had been flowing through the state house over the previous five years related to tribal-state relations that certainly affected the outcome of the conversation. Alisa Larson had also been having ongoing conversations about the most appropriate wording for tribal inclusion, and this too influenced the outcome of the conversation.

One important current that weighed on the outcome of this conversation was Resolution 96-30, signed on May 22, 1996. The resolution is an important document that mandates that all Oregon state agencies will work with the tribes on a government-to-government basis. Every year on the anniversary of this signing, the Oregon tribes sponsor a celebration at the capitol and bring information about their tribes. On May 24, 2001, the governor happened to be signing this resolution into law and there was a large celebration sponsored by the Commission on Indian Services and the tribes in the main rotunda of the capitol building. It would have been difficult for the senators to refuse the concept amendment on such a historic, celebratory day.

Alisa Larson had also been having conversations with the director of research at First Nations Development Institute about what language should be used to include tribal governments in IDA legislation. It was suggested that tribal governments should be included, not just subdivisions of tribal government such as the Housing Authority. It was also suggested that any language should use the Native American Housing Assistance and Self Determination Act (NAHASDA) definition of tribal entities, which includes both federally and state-recognized tribes. At the time there was only knowledge of the nine federally recognized tribes in Oregon, and this concern did not seem as important in the state.<sup>54</sup> During the discussion, the Enterprise Foundation suggested

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<sup>54</sup> It has since been learned that there are two other tribes in Oregon: the Chetco in Southern Oregon and the Celilo Wyam Village located near the Columbia River. Neither tribe is federally or state-recognized. (Oregon doesn’t recognize tribes that are not federally recognized). Unfortunately, these tribes cannot currently function as fiduciary organizations in Oregon and their governments are not recognized in the Oregon IDA legislation.

that only tribal housing authorities be included in the legislation. Engle and Larson suggested that tribal education departments and other departments might also want to be included and insisted on qualifying all tribal government entities. Again there was resistance on the part of the Enterprise Foundation and the Oregon Housing and Community Services Department, indicating an implied lack of understanding of unique tribal issues. The representative from the Oregon Housing and Community Services Department expressed a concern that the State of Oregon may not want to work with all nine tribes separately. In the end, the language of Larson and Engle prevailed, and the proposed language stated that a federally recognized tribe or band could qualify as a fiduciary organization.

After hammering out the details, this concept amendment was introduced in addition to the other two amendments. At the hearing, the Senate Revenue Committee finally made the following three amendments:

- 1) The tax credit amount available to donors to state IDA programs was raised to 75 percent, with a maximum credit of \$75,000.
- 2) IDA participants were allowed to roll over IDA savings into the Oregon College Savings Plan (OCSP) at the end of an IDA program, so that they can keep saving towards education. (Match funds accumulated at the end of the IDA will roll over too, but the nonprofit will be the holder of the OCSP account with the IDA participant, or a household member, as the designated OCSP beneficiary.)
- 3) Federally recognized tribes or bands were included as eligible fiduciary organizations.

The inclusion of federally recognized tribes or bands as eligible fiduciary organizations was an important victory for the tribal IDA movement. The process did not end at the Senate Revenue Committee hearing, however. After the Senate committee made the amendments, HB 3391 went back to the House Revenue committee chairman for his concurrence in early June 2001. On July 31, 2001, the governor signed HB 3391 into law. Alisa Larson made a point of attending the signing ceremony, in celebration of an important moment in the tribal IDA movement.

## **Spreading the Word**

After all the excitement of House Bill 3391, members of the ad hoc IDA committees went back to work spreading information about IDA programs and helping tribal communities establish new programs. In August of 2001, Warm Springs received notification from First Nations that they had received a partial award for their IDA programs, and Umatilla also received notification of partial funding. At Warm Springs, the tribe decided to put more funds in the program as it was not fully funded by First Nations. The program at Umatilla also found additional funds, including funds from NAHASDA and Washington Mutual (for training). Work is ongoing in these communities to get the programs up and running and keep them operational. IDA committee members, including Alisa Larson, and managers of IDA programs, including Jack Quinn in Warm Springs and Barbara Holman in Umatilla, have continued their networking with other IDA organizations as well. Larson attended a state IDA policy conference sponsored by the Center for Social Development at Washington University in St. Louis in September 2001, and IDA committee members and program managers talk to each other on a regular basis.

Members of the ad hoc IDA committees have also continued their outreach and education efforts. In September 2001, Alisa Larson, Paul Raab, and Jack Quinn presented information on IDA Programs at the annual conference of the Affiliated Tribes of Northwest Indians, a nonprofit organization created to provide a forum for the exchange of information and ideas among member tribes in the northwest United States. As a result of presenting information to the ATNI Housing, Economic Development, and Education Committees, the ATNI Economic Development Committee passed a motion to support a larger presentation to the general assembly at the next ATNI meeting in February 2002. Larson also was encouraged to continue the development of a handbook that would provide an overview of IDA efforts in Indian Country and resources for tribes setting up IDA programs. This handbook would serve as an information resource for ATNI, which was very interested in learning about the experience of other tribes in administering IDA programs. In February 2002, Larson organized a larger presentation at the ATNI conference that included panelists from the Federal Reserve System's Sovereign Lending Task Force, the Center for Social Development at Washington University, the Enterprise Foundation, the Oregon Housing and Community Services Department, and others. Three tribal IDA programs, including those at Umatilla, Warm Springs, and Shoshone Bannock, also presented information. Karen Edwards at the Center for Social Development provided a great deal of assistance in pulling this presentation together, and both the Center for Social Development and the Corporation for Enterprise Development provided written materials to hand out during the conference. The IDA handbook was also distributed at this conference. The outcome of this presentation was that ATNI passed a resolution in support of IDA programs, an important show of political support, and several ATNI members expressed interest in starting IDA programs in their home communities.

The meetings with other IDA groups in the state of Oregon continued, with ongoing communication with the Enterprise Foundation and the Oregon Housing and Community Services Department to help develop administrative rules for the legislation that reflected tribal interests and concerns. Most recently, Larson attended a meeting with Enterprise Foundation, the Oregon Housing and Community Services Department, and all state IDA programs to learn about funds available for state IDA programs. She also had a pre-meeting with tribal IDA groups and an Oregon Housing and Community Services Department representative to discuss issues unique to tribal IDA programs, such as problems related to homeownership on trust land. At the full meeting, it was announced that the first Notice of Funds Availability (NOFA) that the tribes will be eligible to apply for will be released. Later in the year funds will be "allocated" for programs to seek designated donations for their communities or have Enterprise Foundation continue to contract out the work to raise the funds. The IDA program managers and the ad hoc committee members will continue their work with these organizations and will try to apply for funding in the future. Other plans to expand tribal IDA programs include working with ATNI as an umbrella organization to market tax credits and distribute funds to tribal IDA programs. Negotiations are ongoing with ATNI. The IDA committees are also trying to provide input to the regulation and administrative rulemaking for HB 3391, and these negotiations with the Oregon Housing and Community Services Department are ongoing as well.

## Lessons Learned

The tribal IDA movement has traveled a difficult path in Oregon, but there are several lessons that can be learned from the experience that could make the process easier in other states. These lessons include the importance of working aggressively with the state and other organizations to make sure that tribes are included in the policymaking process and any IDA legislation, the need to educate others in the state about tribal sovereignty and other issues unique to Indian communities, and the importance of building information networks related to tribal IDA programs to ensure access to the most accurate and up-to-date information.

One obvious conclusion that can be drawn from the experience in Oregon is that if tribal representatives are not at the table early on in the policy formulation process, tribal interests will not be represented or protected. This clearly illustrates the importance of active involvement in the policy formulation process, even sometimes to the point of asserting tribal rights over objections on the part of others. If Alisa Larson had not found a tribal representative to testify at the Senate Revenue Committee hearing, tribes would still be excluded from acting as fiduciary organizations and managing their own IDA programs, and would not be eligible to receive state funding. This important step of including tribes as fiduciary organizations will lead to many more opportunities for tribal IDA programs in the future.

Another lesson learned is that it is important to educate others about unique tribal issues. In some cases this may be as simple as educating people about the remote rural location of many tribal communities and the need for an on-site IDA program where routine financial transactions can take place. Community trust may also be an important reason to locate a tribal IDA program in a local organization, not to make it part of a larger program that may be located 100 miles off the reservation. It is also important that people understand that tribal governments are unique and have the right to exercise sovereignty, and should be recognized in all legislative efforts as unique entities in distinction from state or nonprofit organizations.

A final lesson learned is that it is important to develop and maintain information networks so that information and resources flow freely to those trying to set up tribal IDA programs. In the case of Oregon, the ad hoc IDA committees in Grand Ronde, Warm Springs, and Umatilla actively developed external networks with First Nations Development Institute, the Center for Social Development at Washington University, the Affiliated Tribes of Northwest Indians, and others working on IDA issues in the state. They also developed internal networks with the tribal Education, Economic Development, and Housing Departments in the Grand Ronde, Umatilla, and Warm Springs communities. As a result, they have been able to access information on a broad range of topics and have been made aware of funding and policy opportunities. Just as important, these networks became a source of moral support as well. As organizations in other states pursue tribal IDA programs, it is hoped that they will not only learn from the experience of the tribal IDA movement in Oregon, but also understand they are not alone in their struggle.

## Appendix B

### Promising Practices for Facilitating Banking Relationships with IDA Programs in Indian Country

There is a broad range of funding sources available for IDA programs nationwide, yet the availability of financial services also affects IDA funding and development. When it comes to banking in Indian Country, innovation is a key to success. Innovation is critical because Indian Country presents barriers – legal, regulatory, cultural, informational, and not least perceptual barriers – to the way bankers are accustomed to doing business.<sup>55</sup> For IDA efforts to mature, further investment is needed. In some communities, gaming has provided a potential mechanism to leverage further funding of economic development programs (including IDAs) and further investment in infrastructure. Still, gaming is not a panacea. True, some large successes (such as Mashantucket Pequots' Foxwood Resorts) exist, yet despite one-third of all tribes being involved in gaming, “most of these operations are small enterprises with tight restrictions on the types of gaming permitted by state and local governments.”<sup>56</sup> Easier access to financial services is required to nurture IDA programming within Indian Country. This access can be more quickly gained by innovation and integration of new and existing financial services into IDA policy.

Unfortunately, an increase in services will not automatically erase the historic mistrust of banking institutions among Native peoples, nor improve their proficiency with banking systems.<sup>57</sup> Due to past discrimination, lack of familiarity with financial services, and cultural barriers and mistrust, Native peoples may benefit from changes within financial institutions themselves and how such institutions conduct business. The Community Reinvestment Act encourages such outreach by setting service tests for financial institutions regarding how they serve traditionally underserved groups or localities. For example, culturally appropriate financial literacy curriculums may be developed in order to benefit Native communities while improving the financial institutions' Community Reinvestment Act evaluation. In 2000, First Nations Development Institute and the Fannie Mae Foundation developed *Building Native Communities: Financial Skills for Families* as a culturally appropriate financial literacy curriculum. Further, institutions could begin to accept and work within the bounds of tribal institutions, including the tribal court system, as a matter of policy.<sup>58</sup> Financial institutions may help increase trust through accepting tribal sovereignty. Recently, the Fannie Mae Corporation announced that tribes would no longer have to waive limited sovereign immunity to obtain housing loans. In the past, tribal waiving of limited sovereign immunity meant legal issues would be handled within the state and federal courts.<sup>59</sup> Although the Fannie Mae announcement was in direct response to home loans, such movements by other financial institutions would decrease the institutional barriers inhibiting the development of IDA initiatives and other banking services in Indian Country.

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<sup>55</sup> First Nations Development Institute (March/April 1998)

<sup>56</sup> Indian Country Today (July 10, 2002).

<sup>57</sup> Federal Reserve Bank of Boston (Winter 1999).

<sup>58</sup> Federal Reserve Bank of Boston (Winter 1999). p. 19.

<sup>59</sup> Indian Country Today (April 23, 2002).

Similarly, tribal governments may facilitate relationships with financial institutions. The Federal Reserve Bank of Boston noted, “Jurisdictional boundaries that impede or prohibit foreclosure, as well as the unique status of most tribal lands, can exasperate even the most diligent bankers.”<sup>60</sup> As sovereign nations, tribal governments should, like states, enact “tribal codes that would afford protection to banks and other financial intermediaries in tribal courts,” such as Uniform Commercial Codes which standardize dispute resolution concerning secured transactions.<sup>61</sup> Affording protection for financial institutions will increase their interest in serving Native communities. Informed legal counsel should help develop the language to balance the interest of outside parties and tribal members.<sup>62</sup> Such protections might result in more banking services being offered, including support of IDAs, while further reasserting tribal sovereignty.

Complementing this, Native peoples may form Native-owned financial institutions. In October of 2001, the Native American Bank opened. Its subsidiary, Native American Community Development Corporation, will teach financial literacy and help meet other community needs. As reported in *American Indian Report*, NACDC merged with Blackfeet National Bank, formerly the Browning (Mont.) Bank. The NACDC “is dedicated to helping Indian people create wealth through a market-driven business model based on the strength of Indian nations.”<sup>63</sup> Such moves help money stay within the Native community, and better provide for tribally controlled development strategies. Participation in Native IDA programs should be encouraged among such entities.

In general, “banking in Indian Country now requires Native-specific alternative service delivery across the continuum of financial activity.”<sup>64</sup> Specifically, innovations in services supplied under the auspices of the Community Reinvestment Act could facilitate and support regular IDA deposits and account management. Measures such as mobile phone or telephone banking systems, Internet banking, or electronic funds transfer could be attempted. Banks, government entities or other community groups could help provide the technology required. Other less technology-dependent services might be instituted to complement IDA policy or to be adapted into IDA programs in Native communities. In 1998, Centura Bank introduced Community Centered Banking in North Carolina. This program was to be operated in community churches. Members were offered checking accounts, affordable loan products, and financial literacy training. In that case, participating churches received contributions for accounts opened by its members, and those contributions were to be used by the churches for community services. The use of mobile unit banking, where special vans or trucks rotate through unserved or underserved communities offering banking services, could prove viable in some Native communities. In Cincinnati, such a service resulted in the bank reportedly becoming more involved in the community overall, while the bank benefited with new customers.<sup>65</sup> Further, lifeline banking, special account programs to assuage the common barriers encountered by the unbanked, could be developed with financial institutions. These programs may ease access by providing services to the poor with fewer fees or no fees, facilitating the introduction and use of

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<sup>60</sup> Federal Reserve Bank of Boston ( Winter 1999).

<sup>61</sup> Federal Reserve Bank of Boston ( Winter 1999).

<sup>62</sup> Federal Reserve Bank of Boston ( Winter 1999).

<sup>63</sup> *American Indian Report* (July 2002).

<sup>64</sup> First Nations Development Institute ( March/April 1998).

<sup>65</sup> Community Reinvestment Forum (January 8, 1996).

bank services such as checking accounts, and providing financial literacy training. Financial institutions may wish to provide financial counseling. There are many possible scenarios to be tested or retried within the many diverse Native communities. Research on First Nations Development Institute's IDA pilot projects indicated that persistent innovation and fuller use and integration of existing services are among the most critical issues for further funding and development of Native IDA programs.<sup>66</sup>

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<sup>66</sup> First Nations Development Institute (September 2000).