

Four Directions

Community Development Financial Institution



Native American Lending in Maine

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Four Directions gets its name from Native American spirituality, in which the four directions and the four winds are drawn together in a circle representing the unity and wholeness of creation.

Underserved populations in rural Maine communities are benefiting economically from the vital role played by community development financial institutions. CDFIs typify Maine's "can do" spirit—its focus on self-determination, creativity, enterprise, cooperation, and making the most of local resources. One CDFI that serves Maine's Native Americans, Four Directions Development Corporation, is a good example of how community development financial institutions can adapt themselves to unique circumstances.

Filling a Need

Maine's first and only Native American CDFI was founded in 2001 in accordance with the goal of the Community Development Banking and Institutions Act of 1994 "to increase the capacity of financial institutions to provide capital, credit, and financial services to underserved markets."¹ The CDFI Fund, which is part of the U.S. Department of the Treasury, provided the initial funding.

Like other Maine CDFIs, Four Directions increases and leverages the flow of private-sector capital and socially responsible investments for public purposes; it uses the financial tools and management methods of for-profit businesses to support nonprofits' community mission and improve their effectiveness; and it demonstrates "values in action" through community development initiatives that are inclusive, rooted in social justice principles, and respectful of the rights and dignity of individuals.²

The CDFI's name derives from Native American spirituality, in which the four directions and the four winds are drawn together in a circle representing the unity and wholeness of creation. Four Directions serves members of Maine's four Wabanaki, or "People of the Dawn," communities—the Houlton Band of Maliseet (near Houlton), the Aroostook Band of Micmac (near Presque Isle), the Passamaquoddy tribe (along the Canadian border near Eastport), and the Penobscot Indian Nation (near Bangor). Together, the four tribal commu-

nities have more than 6,000 members, five reservations, and sovereignty over 260,000 acres of Maine trust lands.

From the beginning, Four Directions committed itself to the principles of tribal self-determination and cooperation. Among the board members were each tribe's chief plus representatives of each tribal housing authority. Four Directions was able to leverage the shared cultural, environmental, and community values, while working to overcome the barriers associated with the unique status of Indian reservation and trust land.

Among the barriers are limitations on using property as collateral: land may be held in common by the tribe; leasing or owning home sites may be restricted to tribal members. Hence mortgage lending is often confusing to conventional financial companies, making them reluctant to engage with Native Americans. Their reluctance, in turn, may exacerbate the sense of exclusion permeating isolated rural communities already struggling with poverty and unemployment. Institutions run by tribal members can be critical.³

Four Directions started out with revolving loan fund programs supported by the CDFI Fund and other public-sector resources, which enabled the development of mortgage products and homeownership opportunities on reservations where mortgage financing was not previously available. Then in 2005, the CDFI launched the Giving Winds campaign, an outreach to faith-based and philanthropic organizations.

The campaign helped those organizations understand why Maine's Native American community faces unique challenges in housing and economic development. It also worked on a formal mechanism that could assist potential nonprofit benefactors to make grants and low-interest loans to support the revolving loan fund and financial literacy programs. By aggregating program-related investments of local and national philanthropic organizations, tribal governments, and socially responsible individual investors, Four Directions made its public sector grant funding go farther.

Housing and Beyond

Four Directions' familiarity with tribal sovereignty and its credibility with tribal board members has enabled it to offer financial services for individuals and technical support for tribal governments. By showing the leaders how to adopt local resolutions and develop administrative agreements with federal agencies, the CDFI helped first-time homebuyers living on Maine reservations to access federally guaranteed affordable mortgage products from the U.S. Department of Housing and Urban Development, the Department of Agriculture, and beyond.

Four Directions established a single-purpose subsidiary to assist the Pleasant Point Passamaquoddy Reservation community in building 28 units of new, subsidized rental family housing under the Low-Income Housing Tax Credit program. The first LIHTC project on a Maine reservation, this initiative tapped the resources of the Passamaquoddy tribal government, the Bureau of Indian Affairs, Indian Health Service, HUD, USDA Rural Development, the Federal Home Loan Bank of Boston, and the Maine State Housing Authority.

In a partnership with the Penobscot Indian Nation tribal housing authority, Four Directions helped develop 12 new LEED-certified affordable homeownership units on the Indian Island Reservation.⁴ The CDFI provided construction financing and will also offer affordable mortgage financing for individual home purchasers utilizing its own revolving loan fund programs as well as the HUD and USDA conventional mortgage programs it has made available for the first time.

In addition to addressing the fundamental issues of affordable housing development and financing, Four Directions has provided technical assistance and small business training and lending to those working on economic development—both individual tribal members and tribal governments. It has convened housing and economic development conferences to bring together tribal leaders and officials from several levels of government. Native American economic development professionals from across the country have joined these conferences and have helped to move forward the twin goals of attracting quality employment to Indian country and developing successful Native-owned business.

At the first event, a summit called the Wabanaki Business Development Institute, the conference series set goals. The

goals included identifying building blocks for economic and workforce development, utilizing Indian Country's best practices and cultural values to make decisions and develop businesses, and encouraging partnerships among Maine's tribal leaders. Partnerships were seen as critical to pursuing local, national, or global opportunities in areas like renewable energy, Native American arts, cultural tourism, sustainable forestry, and government contracts.

Looking Ahead

Four Directions plans to continue partnering with other Maine CDFIs, regional community development corporations, and private-sector banks to attract more capital for business investment.

It has entered into "pooled loan funding" facilities with financial institutions—to fund loans to tribal members that are then pledged as collateral to the lender. And it has signed other agreements with regional economic development corporations for small business loan underwriting services and joint grant applications. More recently, Four Directions has entered into a cooperative origination agreement with Coastal Enterprises Inc., a community development financial corporation that is authorized by the CDFI Fund to access below-market capital for business loans utilizing the New Markets Tax Credit program.⁵

With such initiatives, Four Directions hopes to replicate its successes in affordable housing, increase employment opportunities, and build a strong foundation for sustainable economic development. Through it all, the CDFI will work on behalf of tribal communities to create a more prosperous future for Maine's Native Americans.

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Endnotes

¹ The legislation states that "its long-term vision is an America in which all people have access to affordable credit, capital, and financial services. Access to credit, investment capital, and financial services are essential ingredients for creating and retaining jobs, developing affordable housing, revitalizing neighborhoods, unleashing the economic potential of small businesses,



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and empowering people." See <http://www.cdfifund.gov>.

² Four Directions Development Corporation is a Native-governed, independent, nonprofit community development corporation and community development finance corporation. Its mission is to improve the social and economic conditions of the tribal members of four Maine tribes by investing in affordable housing, tribal business ventures, and small and midsize businesses. It helps tribal members by increasing homeownership and the number of Native-owned businesses, raising the level of financial literacy among tribal members, and attracting capital to Indian Country. See <http://www.fourdirectionsmaine.org>.

³ See, for example, http://www.bos.frb.org/commdev/c&b/2008/summer/swan_Native_American_Bank.pdf.

⁴ The LEED green-rating acronym stands for "Leadership in Energy and Environmental Design."

⁵ The NMTC program is available in designated distressed communities, including Native American reservations.

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