FEDERAL RESERVE BANK OF MINNEAPOLIS COMMUNITY DEVELOPMENT REPORT

Report No. 2015-1

Growth and Performance of the Native CDFI Loan Fund Sector, 2001–2012

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January 2015

A report series from the Community Development Department of the Federal Reserve Bank of Minneapolis.

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Growth and Performance of the Native CDFI Loan Fund Sector, 2001–2012

By Michou Kokodoko[1]

Abstract: The Community Development Financial Institutions Fund's Native initiatives seek to increase access to credit, capital, and financial services in Native communities through the creation and expansion of community development financial institutions (CDFIs) primarily serving Native communities. This report analyzes the growth and performance of Native CDFI loan funds. The data analyzed, which are from IRS Form 990, suggest that loan funds serving Native communities grew significantly in number and asset size from 2001 through 2012 and have generally posted fairly positive financial ratios.

Introduction

Community development financial institutions (CDFIs) are organizations that provide financial products and related services tailored to the needs of consumers and small businesses located in low- and moderate-income communities and other distressed markets that are not fully served by traditional financial institutions. Organizations can be formally certified as CDFIs by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund), making them eligible for federal CDFI assistance.[2] As of September 30, 2014, there were 917 certified CDFIs in the U.S.

CDFIs serving American Indian, Alaska Native, or Native Hawaiian communities were slow to develop initially but have expanded significantly over the past decade. According to an October 2001 CDFI Fund report titled *The Report of the Native American Lending Study*, the number of Native CDFIs (NCDFIs), at that time 16, was insufficient to meet the financial service needs in Native communities.[3] The study recommended expanding the number of NCDFIs or broadening the services other CDFIs offer to Native populations. Since then, dozens of new organizations have been recognized as certified NCDFIs.[4]

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[1] The author thanks Federal Reserve Bank of Minneapolis Vice President Richard M. Todd, CDFI Fund Financial Strategies and Research Program Manager Greg Bischak, Seven Sisters Community Development Group Partner Joanna Donohoe, Native CDFI Network Interim CEO Gerald Sherman, and Ben Rush for their contributions to this report.

[2] Criteria for certification are available on the CDFI Fund's web site at www.cdfifund.gov/what_we_do/programs.

[3] *The Report of the Native American Lending Study* found that financial services in Native communities were often completely absent. To view the report, visit www.cdfifund.gov/what_we_do/nacd/lending_study.asp.

[4] "Certified NCDFIs" refers to those that are officially recognized by the CDFI Fund as certified and also serving primarily Native communities.

Report Overview

The aim of this report is twofold: first, to contribute to the CDFI Fund's efforts to build the capacity of NCDFIs; and second, to help increase recognition of the scale, scope, and impact of the NCDFI industry. This report documents and analyzes the growth of an important subsector of NCDFIs—namely, private nonprofit and non-depository institution loan funds—through an examination of their financial reports.[5] Data about organizations in this sector (referred to as *NCDFI loan funds* in the remainder of the report) come from the Internal Revenue Service's Form 990, which is a public document that contains basic financial information reported annually by certain nonprofit organizations. This report uses Form 990 data to calculate a number of standard industry ratios and indicators to assess the financial strength of NCDFI loan funds.

The analysis shows that NCDFI loan funds have grown significantly in number and in asset size between the release of *The Report of the Native American Lending Study* in 2001, which is the baseline year for the analysis, and the close of 2012, which was the most recent year that Form 990 data for the majority of NCDFI loan funds were available. The growth was due, in part, to increased federal support of NCDFIs through the CDFI Fund. Notwithstanding their rapid overall growth (a trend that generally must be managed and sustained well, to avoid adverse effects) and the fact that some individual NCDFIs failed during the study period, this sector of the industry has generally maintained fairly positive financial ratios. However, the impact of these organizations remains limited and much of the sector's growth in total assets is concentrated in a few large NCDFIs.

This report is organized into four sections:

1. Background. Discusses the small size and focus of the NCDFI industry as of 2001.
2. Growth after 2001. Discusses the subsequent expansion of the industry and loan fund sector, with help from the CDFI Fund's NCDFI Initiative.
3. Analysis of NCDFI Loan Fund Performance and Growth. Discusses (1) the generally stable or improving financial ratios reported by NCDFI loan funds throughout this expansion; and (2) the emergence after 2004 of material size differences among the NCDFI loan funds, so that a small number of large NCDFI loan funds now dominate the subsector's total assets and overall performance ratios.

[5] Certified NCDFIs have three primary organizational forms: depository institutions (mainly banks or credit unions), tribally owned entities, and private non-depository nonprofits. In addition, the majority of NCDFIs are loan funds, but a small number act as venture capital providers. This study examines data on most of the private, non-depository nonprofit NCDFI loan funds. By number, these organizations account for almost 80 percent of the NCDFI industry today.

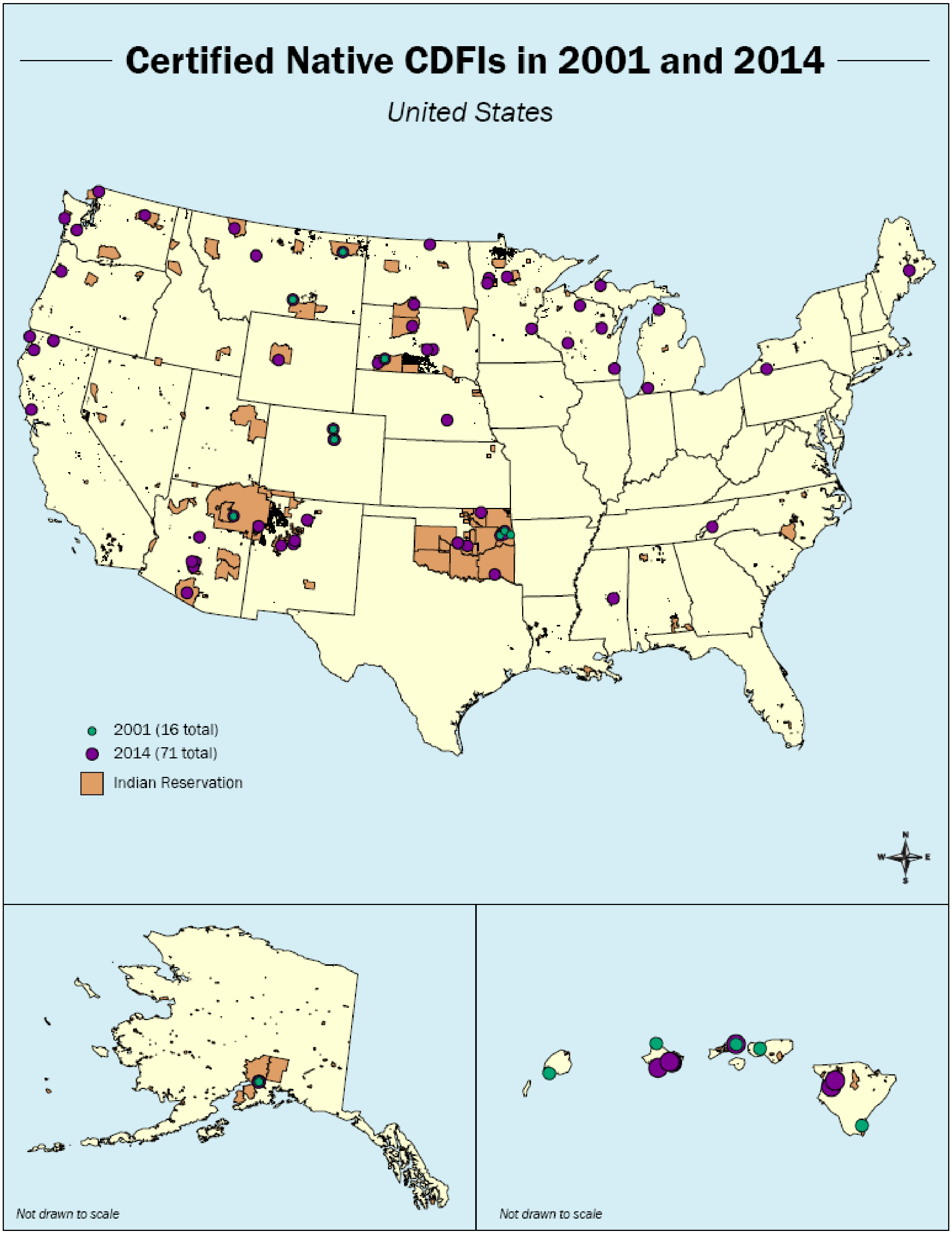
4. Conclusion. Lists several considerations on how to enhance the overall sustainability, scale, and impact of the NCDFI industry.

Part 1: Background

NCDFIs were few and small in 2001. A CDFI Fund analysis of the performance of a sample of CDFI loan funds in 2001 found that 208 CDFIs managed, on average, $15.5 million in assets and reported an average of more than $8.7 million in loans and investments outstanding. [6] By comparison, the seven NCDFI loan funds for which 2001 Form 990 data are available managed an average of $1.1 million in assets and recorded an average of only $351,000 in loans and investments outstanding. Based on this comparison, the average size of a CDFI loan fund was roughly 14 times the size of an NCDFI loan fund in 2001.

It is important to remember that the small number of NCDFI loan funds operated in very high-need communities, some with high levels of poverty and unemployment and no access to financial services. Some NCDFI loan funds (38 percent) were located and operated on individual federally recognized American Indian reservations in 2001. To illustrate the potential unmet need based on geography, the map on the next page displays the locations of all federally recognized reservations and all NCDFI loan funds in 2001. (Locations of additional NCFDI loan funds that existed in 2014 are also indicated, to demonstrate the growth of the sector.) This locational analysis reveals that at the start of our analysis period in 2001, the loan funds only provided financial services on roughly 1 percent of all reservations.

[6] For more information, see the CDFI Fund's *Fiscal Year 2001 Annual Survey Results*, available at www.cdfifund.gov/news/2005/2001surveyResults.pdf.



Sources: CDFI Fund; U.S. Census Bureau. Map created by the Community Development Department of the Federal Reserve Bank of Minneapolis.

Part 2: Growth after 2001

The NCDFI industry has enjoyed a rapid period of growth since 2001. The number of certified NCDFIs increased more than fourfold from 2001 to 2014, from 16 to 71. This rate of increase was higher than the overall increase of 92 percent for the certified CDFI industry as a whole over the same period. The current breakdown of the 71 NCDFIs reveals that 56 are loan funds, 9 are credit unions, 3 are banks, 2 are bank holding companies, and 1 is a venture capital fund.

Total and average assets for NCDFI loan funds have also risen significantly since 2001.[7] NCDFI loan funds reported combined total assets of $460 million in 2012. Average assets reached $15 million, compared to $1.3 million in 2001 (adjusted for inflation). In addition, the average loan portfolio size for NCDFI loan funds increased by a factor of 9. Even during the 2007–2009 timeframe, when the economic crisis made it harder for most Americans to access traditional credit markets, the average NCDFI loan fund's net loan receivable grew from $1.9 million to $3.4 million.

Recent CDFI Fund data also indicate that NCDFIs have expanded their geographic coverage for loans and investment products. In 2001, NCDFIs were located on and provided lending products and services on 6 American Indian reservations. In 2012, the 31 loan funds in our sample were active in a total of at least 21 states and 17 American Indian reservations. (According to their web sites, most reservation-based NCDFI loan funds also provide services to Native communities outside of their reservations.)

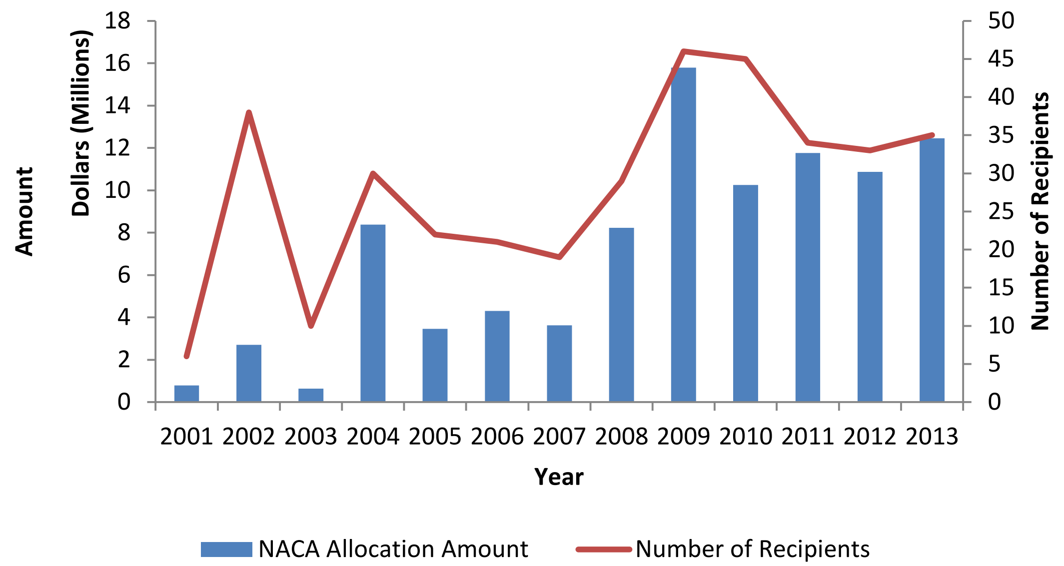
CDFI Fund efforts

The CDFI Fund used recommendations of *The Report of the Native American Lending Study* as a blueprint to develop and launch several Native initiatives, which provided additional financial resources and technical assistance training to NCDFIs. One initiative, the Native American CDFI Assistance (NACA) Program, is a competitive funding program that provides financial and technical assistance awards to expand and build the capacity of NCDFIs. Financial assistance awards are available only to certified NCDFIs and are used mainly for financial capital, whereas technical assistance grants can be awarded to certified or emerging NCDFIs and to tribes sponsoring an organization moving toward CDFI certification. These grants can be used to acquire products or services, including computer technology, staff training, and professional services. Since it was launched in 2001, the NACA Program has provided

[7] See the Appendix on page 23 for a breakdown of our study group and a list of organizations included in our analysis.

awards totaling more than $93 million to help NCDFIs deliver financial services in Native American communities. Figure 1 illustrates the number of organizations and the allocation amount per year.

Figure 1: CDFI Fund Native Initiatives
Total Allocation Size and Number of Recipients, 2001–2013



Source: CDFI Fund award database (www.cdfifund.gov/awardees/db/index.asp) and author calculations.

Note: In 2001, six Native organizations received grants under the CDFI Fund Small and Emerging CDFI Assistance (SECA) Awards. Beginning in 2002, the awards were provided under the Native American CDFI Technical Assistance (NACTA) Program. The NACTA Program was replaced in 2003 by the Native American Technical Assistance (NATA) Program and the Native American CDFI Development (NACD) Program. Finally, The NATA and NACD programs were combined in 2004 into the current Native American CDFI Assistance (NACA) Program. Data for all these programs are combined here into one program referred to as "NACA."

Another initiative through which the CDFI Fund finances and administers a series of training programs to foster the development of NCDFIs is the Expanding Native Opportunities (ENO) Program. ENO training initiatives include: the Native Communities Financing Initiative (2003), through which more than 200 Native communities and organizations interested in developing NCDFIs participated in an intensive series of workshops; the Native Financial Skills Initiatives (2007–2008) that assisted about 100 Native communities and organizations in learning how to develop their own financial education programs; the Native Individual Development Account Initiative (2005–2007), through which representatives of about 70 Native organizations received training to develop Individual Development Account programs; and the Native Entrepreneur and Enterprise Development Program (2007–2008) that enabled 70 representatives from Native organizations to receive assistance to create entrepreneurship development systems.

In late 2009, the CDFI Fund announced an initiative called The Leadership Journey that would focus on training NCDFI leaders and staff. During the two-year training series, which was launched in 2012, participants from 16 experienced NCDFIs received training and technical assistance in order to build capacity, foster growth, ensure sustainability, and enhance their ability to deliver financial services and financial products to underserved Native communities. In 2014, an enhanced program consisting of in-person training events, along with peer mentoring and executive coaching, was established to help 13 existing NCDFIs move toward long-term sustainability.

Overall, the CDFI Fund reported that for the period 2004 to 2012, NCDFIs that received NACA Program awards made over 15,000 loans totaling $365 million in Native communities and other CDFIs that received awards from the CDFI Fund made almost 7,000 loans and investments totaling $184 million in Native communities. The CDFI Fund estimated that these loans and investments created or retained more than 2,000 jobs.[8]

The Native CDFI Network is launched

In addition to having the CDFI Fund provide assistance, NCDFIs have a national membership organization, the Native CDFI Network (NCN). According to its web site at nativecdfi.net, the mission of the NCN is "to be a national voice and advocate that strengthens and promotes NCDFIs, creating access to capital and resources for Native peoples." Since its formation in 2009, NCN has been involved in a number of actions toward informing policy that supports the work of NCDFI loan funds. NCN has also organized a number of webinars to build the capacity of NCDFI loan funds and increase their lending activities.

Part 3: An Analysis of NCDFI Loan Fund Performance and Growth

A number of income and balance sheet ratios are often used as indicators to assess the financial health of the CDFI industry. By most of these measures, NCDFI loan funds showed stable or improving financial health, despite growing rapidly through a difficult decade that included a major recession.[9]

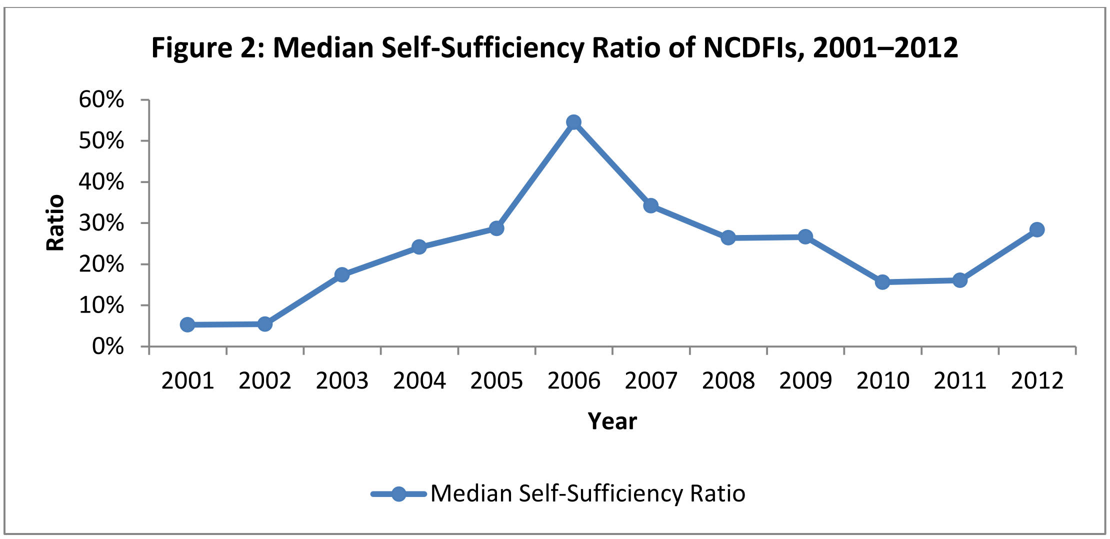
[8] From the testimony of CDFI Acting Director Dennis Nolan before the U.S. Senate Committee on Indian Affairs on June 25, 2014. To read the testimony, visit cdfifund.gov/news_events/speeches.asp.

[9] Institutions planning to invest in CDFIs consider many financial ratios. The choice of ratios can vary depending on the institution's strategy, the CDFI's strategy, and the type of CDFI under consideration. In this report, our choice of ratios to analyze was largely dictated by the data we were able to collect.

NCDFIs have struggled to gain financial strength

A key indicator of a nonprofit's financial strength is its *self-sufficiency ratio*. As an indicator of sustainability, this ratio measures how much of an organization's expenses can be covered by its earned revenue. The CDFI Fund's Minimum Prudent Standards, which are used when evaluating NACA Program applications, state that the self-sufficiency ratio for nonprofit loan funds should be greater than or equal to 40 percent; higher ratios suggest that an organization is doing a good job of covering its expenses through earnings, while lower ratios suggest that organizations are likely not adequately covering expenses.

As shown in Figure 2, the median NCDFI loan fund self-sufficiency ratio fell far short of that standard in every year except 2006. After 2001, the median self-sufficiency ratio improved significantly, to almost 30 percent by 2005, and remained near that level during the loan fund sector's ensuing period of rapid growth. However, between 2006 and 2010, the median self-sufficiency ratio declined to a low point of 16 percent.



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

The decline in self-sufficiency ratios could be explained by a lag in earned income as borrowers faced difficult times during the economic recession and were unable to pay back loans. From our data sample, median earned income decreased from $120,472 to $78,657 between 2007 and 2009. Since 2010, the median self-sufficiency ratio rebounded to 28 percent, on par with 2005.

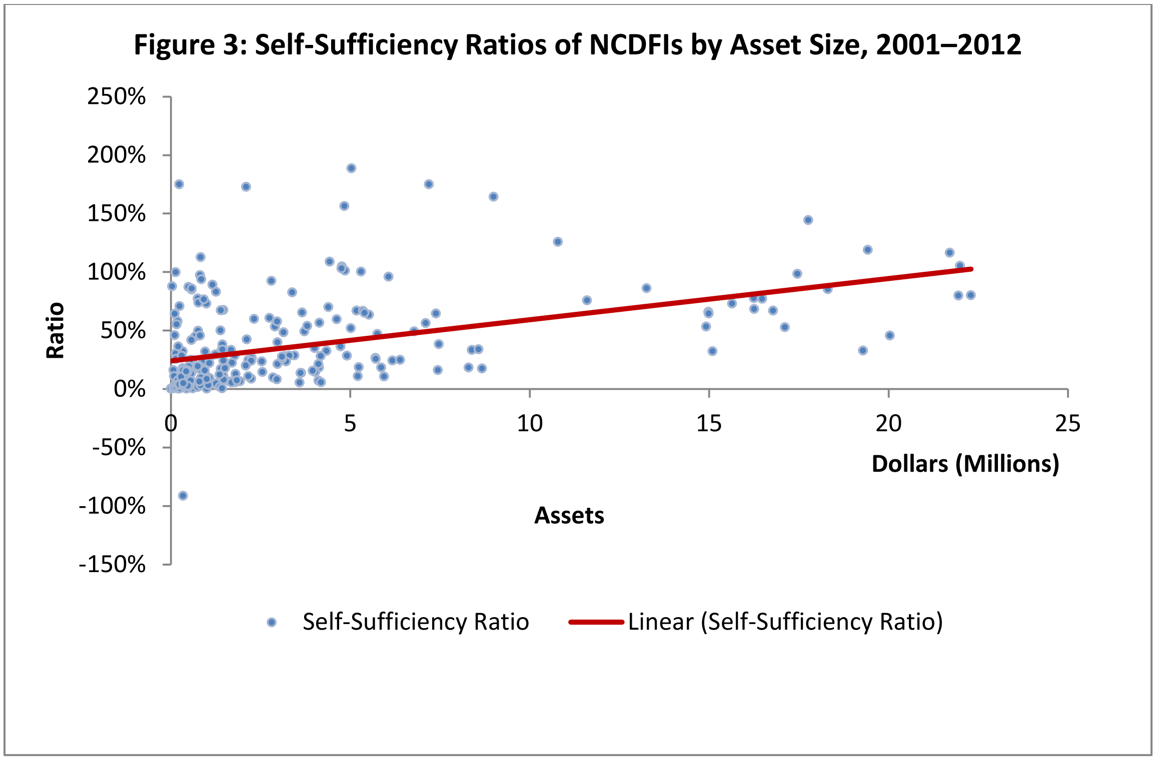
It is important to remember that NCDFI loan funds are in the business of providing loans that traditional banks are unlikely to provide to borrowers. They are able to make these loans because of the more intensive financial counseling and training they offer. The downside of this hands-on approach is that operating costs are often higher. Higher operating costs could be another reason why self-sufficiency ratios declined between 2007 and 2009, since NCDFI staff worked with more delinquent borrowers over that period to modify or restructure loans to help them remain current and avoid defaults.

In addition to problems they faced during the recession and the higher costs of doing business, NCDFI loan funds are young, still-emerging organizations. The median age of NCDFI loan funds in our sample, measured in years of providing financing and development services as of 2012, is 8. By comparison, the average age of all CDFIs, including those that are not certified CDFIs, is 13 years.[10] NCDFI loan funds are and remain very young financial institutions and mostly rely on contributed funds.

Our data source provides limited insights on the components of NCDFI loan funds' organizational expenses, particularly information on interest expense or overall cost of lending capital. But when we use total expense as a proxy and analyze the relationships among self-sufficiency ratios, total expenses, and total assets, we might identify the key determinants of organizational sustainability.

Literature suggests that CDFI loan funds with larger assets are much more likely to achieve high self-sufficiency ratios than institutions with smaller assets. Figure 3 shows self-sufficiency ratios of organizations in our data sample by asset size. This pattern holds on average, but with many exceptions, including numerous smaller NCDFI loan funds that post high self-sufficiency ratios. The reason for this diverse pattern might just be that the industry is young and still emerging.

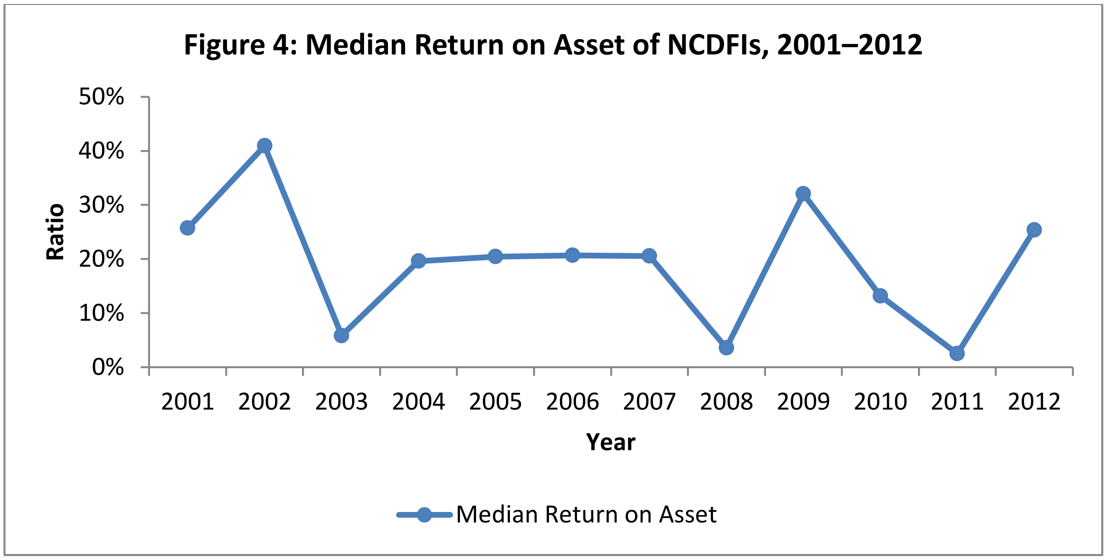
[10] "Side by Side," *Fiscal Year 2012 Opportunity Finance Network Member Data Analysis*, 15th edition, Table 6.



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

Median return on assets remains positive but is trending downward

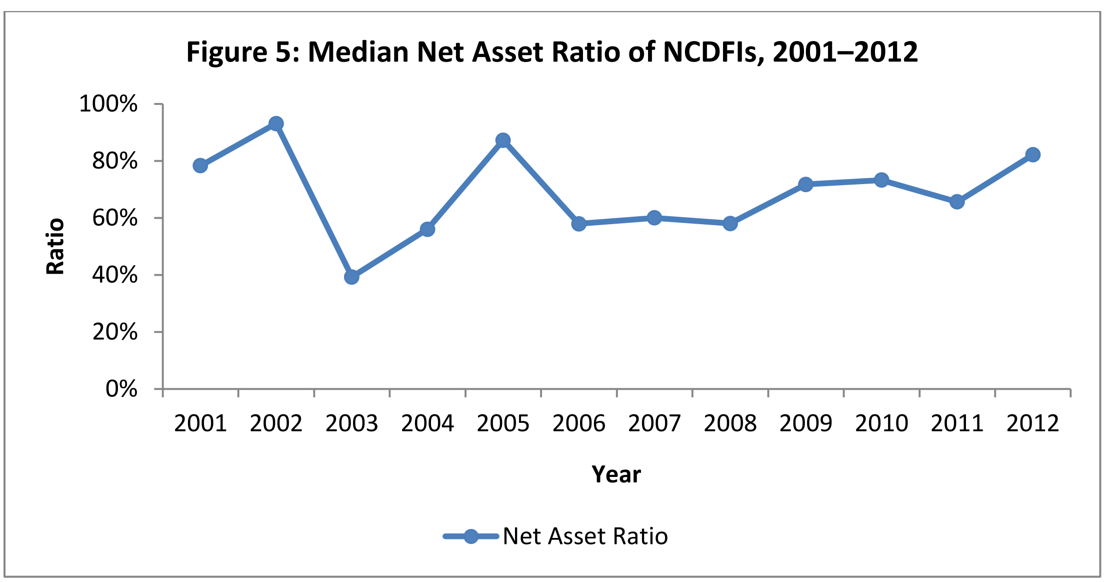
It is important to remember that NCDFIs, as nonprofit organizations, were created to address specific needs in Native communities. Even though these organizations have a social mission instead of a profit-driven one, an analysis suggests that their return on assets has remained positive for much of the period under review. The highest median return on assets in the sector was 41 percent, achieved in 2002. NCDFI loan funds did experience difficult years where the median return on assets was at or below 5 percent, with year-to-year variations occurring during the economic recession. (See Figure 4.)



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

NCDFI loan funds report strong net asset ratios

The analysis shows that NCDFI loan fund median net asset ratios have remained strong, at or above 60 percent for much of the 12-year period from 2001 through 2012. (See Figure 5.) This ratio measures the CDFI's underlying financial strength and whether it has sufficient assets to cover unexpected losses and invest in future growth. The CDFI Fund's Minimum Prudent Standards state that minimum net asset ratio for nonprofit loan funds should be greater than or equal to 20 percent.



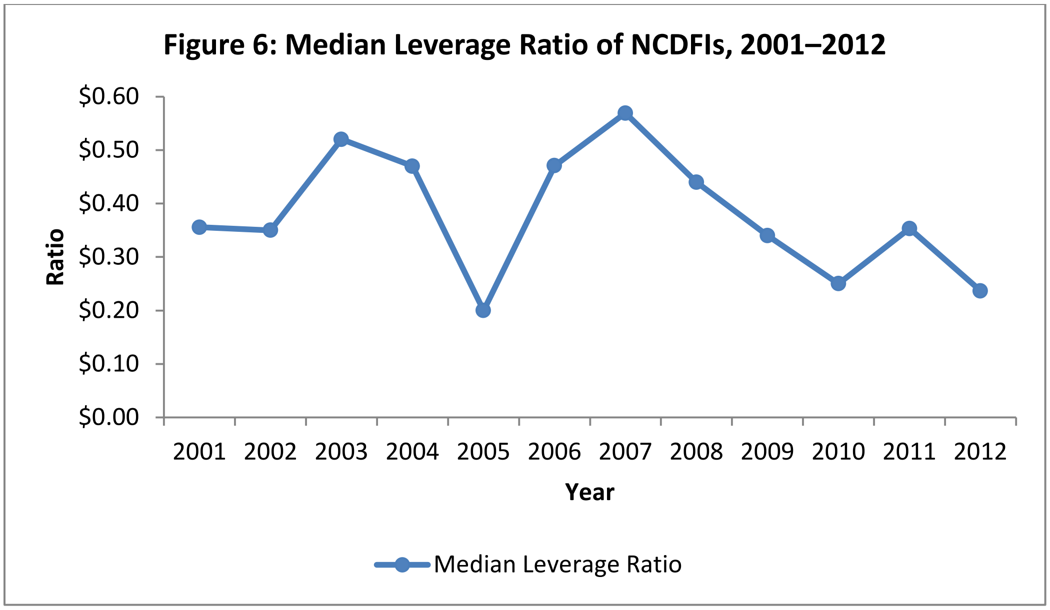
Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

In the data gathered, NCDFIs used a variety of approaches to present net assets on their balance sheets. Some went beyond the required separation of unrestricted, temporarily restricted, and permanently restricted net assets, to include designations of unrestricted net assets and the purpose of temporarily restricted and permanently restricted net assets. Others did not include any such details but just mentioned one unique category, “Net assets.” Because of the variation, it can be difficult to draw conclusions from the net asset ratios we computed and compare net asset levels among peer NCDFIs. A better way to gauge the financial strength would be to compare the sum of unrestricted net assets and temporarily restricted assets for operations to total assets. Even with these caveats, our analysis is consistent with the CDFI Fund minimum standards and shows that NCDFI loan funds in our sample performed relatively well.

NCDFI loan funds have low leverage ratios

The leverage ratio, which in this context indicates how well an organization is able to use available funds to obtain more debt sources to cover programming expenses, usually is calculated by dividing total notes payable by net assets. Not having enough details on notes payable in our data, we use total liabilities as a proxy. Even with that assumption, the majority of funds managed by NCDFI loan funds are not borrowed. According to an analysis of 2009 CDFI loan fund data by the CDFI Fund and the Carsey Institute,[11] the highest median leverage ratio NCDFI loan funds achieved was just $.57 in total liabilities for every $1 in net assets, compared to a leverage ratio of $1.10 to $1 for most loan funds in the CDFI industry nationwide. (See Figure 6.) Some NCDFI loan funds posted zero liability during the study period. (See Table 1.)

[11] *CDFI Industry Analysis Summary Report*, Spring 2012. Available at cdfifund.gov/news_events/publications.asp.



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

Table 1: Capital Under Management by NCDFI Loan Funds, 2001–2012

N = number of loan funds in the sample
N0 = number of individual loan funds that recorded zero liability for the year

Fiscal Year	Total Liabilities (%)	Net Assets (%)	N	N0
2001	46	54	7	0
2002	41	59	11	2
2003	49	51	14	2
2004	15	85	18	4
2005	17	83	19	4
2006	25	75	20	3
2007	21	79	24	4
2008	31	69	29	6
2009	42	58	32	4
2010	20	80	32	1
2011	19	81	33	1
2012	21	79	31	5

Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

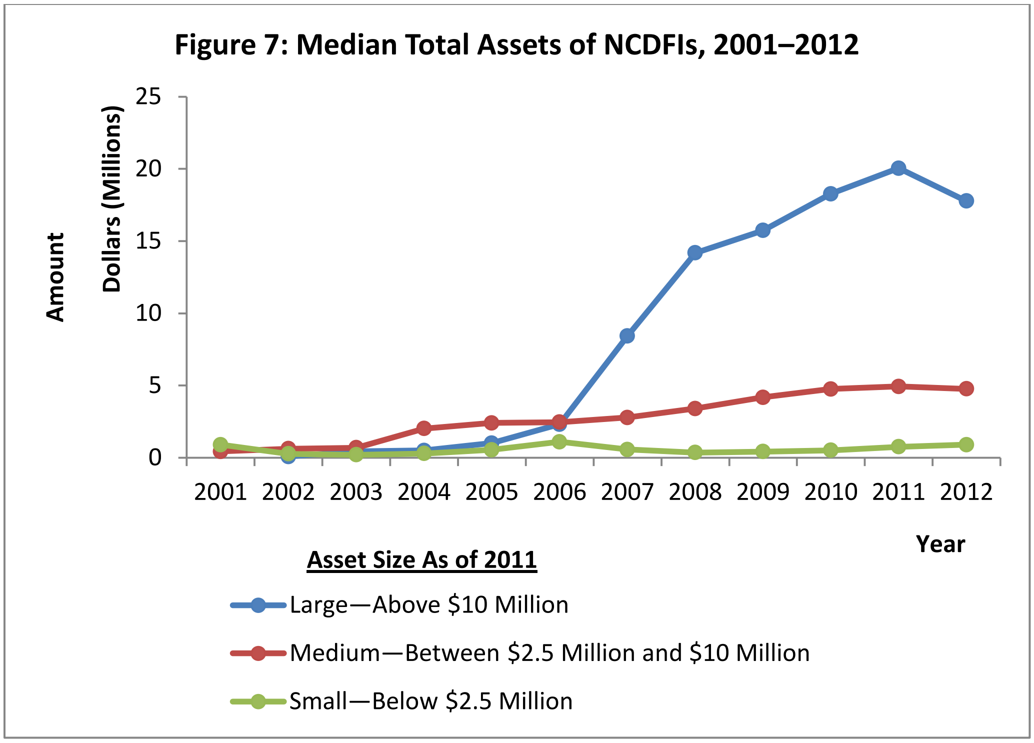
A combination of factors might explain the low levels of leverage ratios among NCDFI loan funds. In particular, young and emerging NCDFIs are largely dependent on some combination of federal, state, and/or tribal government support. Government grants and awards to NCDFIs represent a substantial share of total contributed funds, never falling below 50 percent of total contributions and grants received. However, it is interesting to note that low leverage ratios are not unique to NCDFIs. In the CDFI Fund-Carsey Institute report mentioned above, the authors found that CDFI loan funds are generally not well leveraged because their equity (net assets) is free and their cost of debt is high. The authors also mention that loan fund managers of these organizations view getting more equity as the central capitalization challenge of their work. As a result, CDFI loan products are largely oriented toward shorter-term products, such as business loans and consumer loans. NCDFI loan fund products exhibit similar characteristics.

Because of their limited use of debt capital, NCDFI loan funds struggle to meet the growing demand of loans and investments. According to a 2012 survey of NCDFIs conducted by Oweesta, a national NCDFI intermediary organization, nearly 48 percent of the respondents were unable to satisfy a considerable volume of financing demand in their target markets since 2009. [12] Numbers reported in the survey for lending capital needs rose from $4.9 million in 2009 to nearly $7.7 million in 2011. The respondents projected a lending capital need of $14.6 million for 2012. Even though these figures do not include over-the-limit loan requests, they do highlight the challenges NCDFIs face and explain why their impact in Native American communities remains limited.

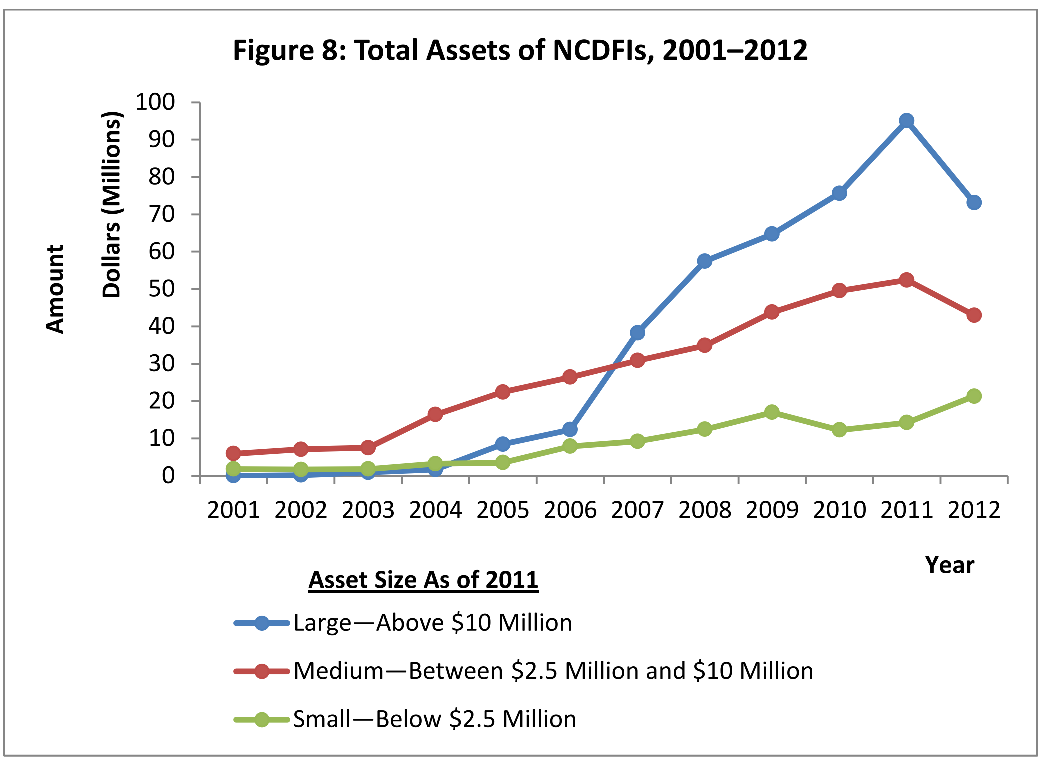
Large NCDFI loan funds lead asset growth

Averages calculated from NCDFI loan fund data obscure significant differences within the sector, because a small segment of organizations appears to lead the overall industry growth, especially in terms of asset growth. It is worth noting that the total asset size of one particularly large and sophisticated fund, Coastal Villages Region Fund (CVRF), is as large as the asset size of all the other NCDFI loan funds combined. To prevent CVRF's data from overwhelming our statistics, we excluded it from the asset growth analysis and classify the remaining NCDFI loan funds into three groups by the amount of their total assets in 2011: below $2.5 million = small, between $2.5 million and $10 million = medium, and above $10 million = large. Even without CVRF, the five largest NCDFIs dominate the sector's growth, especially in terms of median and total assets after 2005. See Figures 7 and 8.

[12] See www.oweesta.org/sites/default/files/MarketStudyAccesstoDebtCapital.pdf.

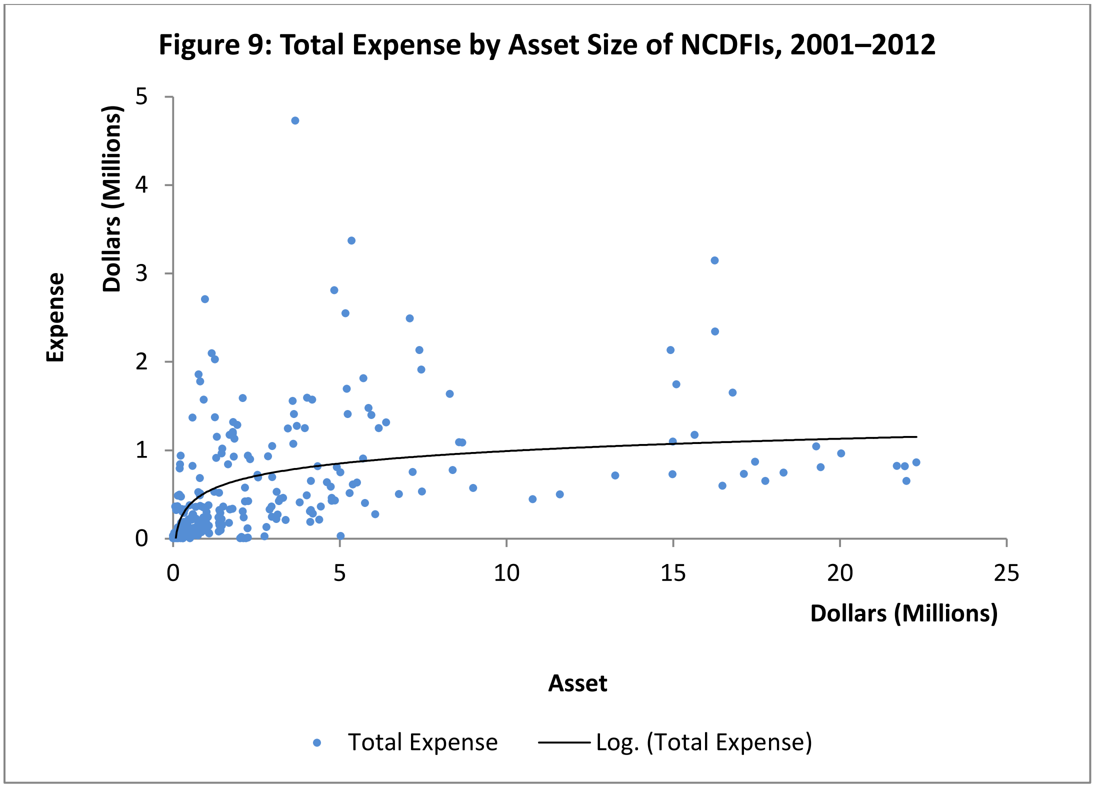


Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

This minority group of NCDFI loan funds benefits from its size in a couple of ways. Figure 9 seems to indicate that there is also a potential scale effect among larger NCDFI loan funds in the long run. While most NCDFI loan funds start out small with very few assets, several have been able to grow and reach some sort of scale after their fourth or fifth years in existence.[13] In doing so, they are likely to achieve lower levels of total expense per dollar of assets managed, especially since fixed assets will be spread over a much larger asset base. They may also be able to reduce their expenses by reducing the amount of intensive technical assistance they need to offer. In addition, they will likely benefit from greater use of technology and strategic alliances. As a result, they may be able to deliver loans and technical assistance more efficiently.



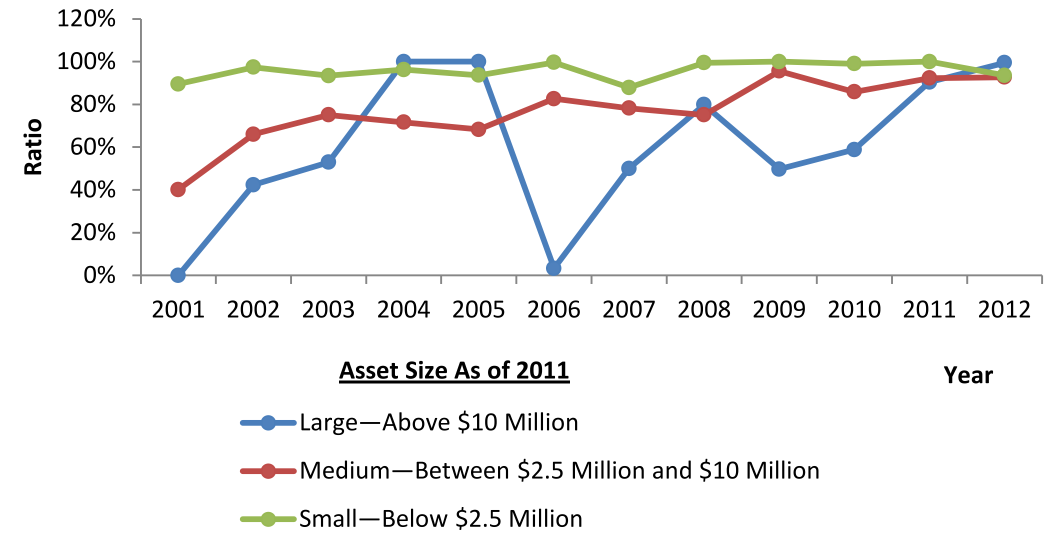
Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

Larger NCDFI loan funds may also enjoy a certain measure of autonomy. Figure 10 shows the median ratio of government contributions out of the total grants and contributions received by NCDFI loan funds. Larger NCDFI loan funds appear to depend less on government sources for financial support. On the other hand, small NCDFI loan funds appear to be much more likely to rely on government financial

[13] "Scale" (or "economies of scale") refers to the advantages that arise for an organization because of its larger size.

contributions. Staff or board members at smaller NCDFI loan funds may have limited experience in attracting capital from non-federal sources to meet their operating needs and address a variety of future needs. In addition, young NCDFI loan funds need equity (not debt) at an early stage of development in order to create a strong balance sheet. Without government support from sources like the CDFI Fund's NACA Program, many emerging and newly certified NCDFIs find it difficult to attract other capital.[14]

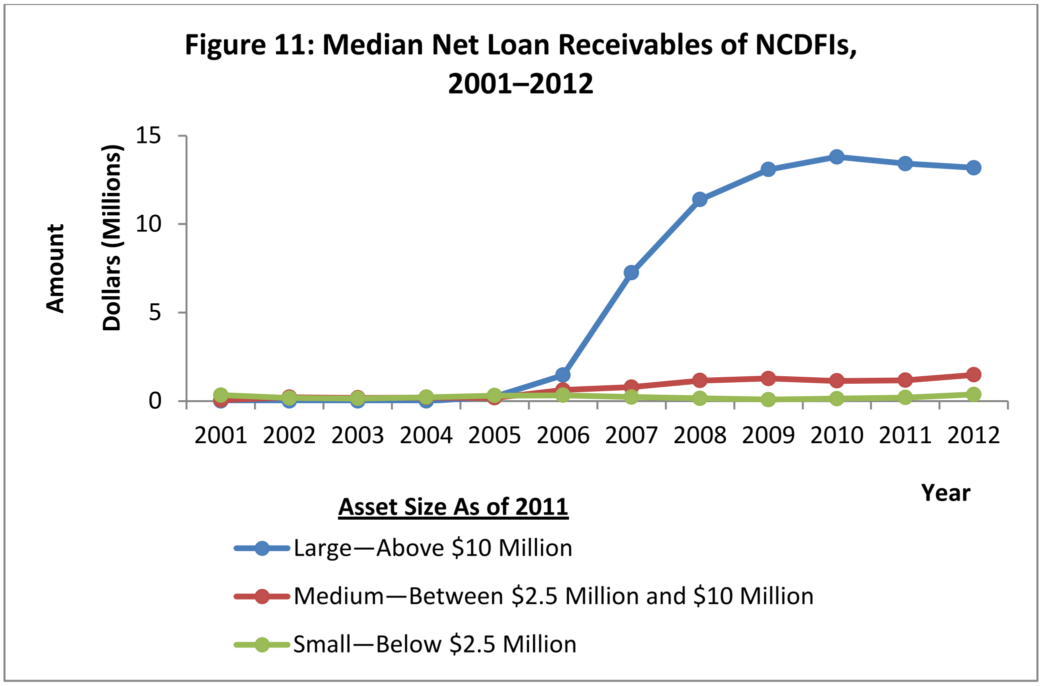
Figure 10: Median Government Contributions Ratio of NCDFIs, 2001–2012



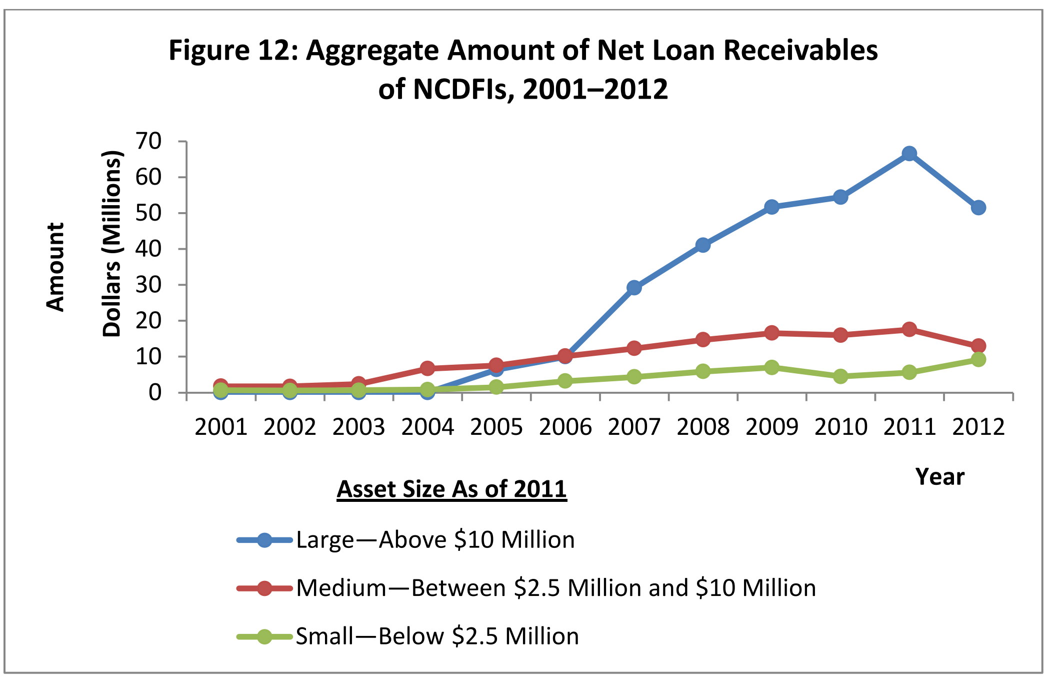
Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

Finally, our data indicate that larger NCDFIs are able to increase lending activity because of the economies of scale. Figures 11 and 12 show they are doing most of the lending in the industry.

[14] From the testimony of Gerald Sherman, Vice Chairman of the Native CDFI Network and CEO of the Indian Land Tenure Company, before the U.S. Senate Committee on Indian Affairs on June 25, 2014. To read the testimony, visit cdfifund.gov/news_events/speeches.asp.



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.



Source: Federal Reserve Bank of Minneapolis analysis of available IRS 990 Forms for NCDFIs, 2001–2012.

Part 4: Conclusion

NCDFI loan funds are providing financial products and technical assistance to Native communities despite the many barriers to economic development these communities face. The data analysis suggests that NCDFI loan funds in our sample have generally maintained fairly positive financial ratios, albeit with strong government support. Over the 2001–2012 study period, NCDFI loan funds grew in numbers and their asset size rose significantly. They have stepped up to address financial needs in their target markets. The analysis also suggests that a small group of NCDFI loan funds is leading the growth in the industry.

NCDFIs overall have benefited from efforts to create broad partnerships across and beyond their organizations. They understood the importance of operating more efficiently as a group. A Native CDFI network with increased capacity can build recognition of the expected scale, scope, and impact of the industry among regulated financial institutions, tribal officials, and the general public.

Additional steps that could further support the growth and the development of the NCDFI field and lift up the financial capability of Native communities include:

- Equipping NCDFIs or the NCN (Native CDFI Network) to conduct a market investigation in order to understand thoroughly the needs of their clientele. This would help the industry develop scalable products and services that respond efficiently to the needs in Native communities.
- Having more NCDFIs expand the availability of their products and services to new geographies—i.e., beyond reservation boundaries or predefined target markets.
- Partnering with other NCDFI industry participants that have specific expertise needed to achieve desired goals or objectives.
- Instituting data analysis and collection processes to establish standardized performance data unique to the NCDFI field. The growing field is attracting the attention of financial institutions and foundations, and standardized performance data could boost their confidence that NCDFIs are worthy of support.

Carrying out the steps described above requires significant investments in technology and other infrastructures. But in the long run, sustainable NCDFIs will achieve increased cost efficiency and cost savings and will be positioned to more effectively help Native communities prosper.

SIDEBAR

A Native small business development and financing boom

Comments from selected NCDFI representatives confirm that these organizations are willing to take greater risks and serve people with financial products that regulated financial institutions are unlikely to provide. For example, in testimony at a Senate Committee on Banking, Housing, and Urban Affairs hearing on “Opportunities and Challenges for Economic Development in Indian Country,” Tanya Fiddler, executive director of Four Bands Community Fund and chair of the Native CDFI Network, stated that 80 percent of the loans in her organization’s portfolio are used to finance start-ups. And to address the creditworthiness of its client base, Four Bands Community Fund created a credit builder loan program to help community residents create or repair credit histories.

In addition, the growth in the NCDFI industry coincides with a boom in Native American small business ownership. The 2007 U.S. Census Bureau Survey of Business Owners found 274,378 firms in the U.S. owned by people who identified themselves as American Indians, Alaska Natives, or Native Hawaiians or other Pacific Islanders, compared to 216,670 in 1997. (Data on Native business ownership in 2012 will be released next fall.)

Appendix

Table A: Breakdown of Groups Used in This Analysis

Year	Certified Native CDFIs in the Industry	Certified Native CDFI Loan Funds	Certified Nonprofit Native CDFI Loan Funds Examined in This Study
2001	16	9	7
2002	23	12	11
2003	32	18	14
2004	40	26	18
2005	41	27	19
2006	43	29	20
2007	48	34	24
2008	53	39	29
2009	58	41	32
2010	63	43	32
2011	74	51	33
2012	78	55	31

Table B: List of Organizations in Our Study Group

Organization	■ = Years for which Form 990 Report Data Were Accessible											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Affiliated Tribes of Northwest Indians Financial Services			■	■	■	■	■	■	■	■	■	■
Aleutian Financial, Inc.										■	■	
Arizona Tribal CDFI					■	■	■	■	■	■	■	
Cha Piyeh, Inc.									■	■	■	■
Chi Ishobak										■	■	■
Choctaw Home Finance Corporation								■	■	■	■	
Coastal Villages Community Development Fund, LLC				■	■	■	■	■	■	■	■	■
Community Development Financial Institution of the Tohono O'odham Nation				■	■	■	■	■	■	■	■	■
Cook Inlet Lending Center, Inc.		■	■	■	■	■	■	■	■	■	■	■
Council for Native Hawaiian Advancement	■	■	■	■	■	■	■	■	■	■	■	■
Citizen Potawatomi Community Development Corporation											■	■
First American Capital Corporation			■	■	■	■	■	■	■	■	■	■
First Nations Oweesta Corporation	■	■	■	■	■	■	■	■	■	■	■	■
First Ponca Financial Inc.												■
Four Bands Community Fund, Inc.	■	■	■	■	■	■	■	■	■	■	■	■
Four Directions Development Corporation	■	■	■	■	■	■	■	■	■	■	■	
Hopi Credit Association				■	■	■	■	■	■	■	■	■
Hunkpati Investments, Inc.								■	■	■	■	
Karuk Community Loan Fund, Inc.							■	■	■	■	■	■
Keweenaw Bay Ojibwa Housing and Community Development Corporation							■	■	■	■	■	■
The Lakota Fund	■	■	■	■	■	■	■	■	■	■	■	■
Lummi CDFI												■
Mazaska Owecaso Otipi Financial, Inc.						■	■	■	■	■	■	■
Montana Homeownership Network		■	■	■	■	■	■	■	■	■	■	■
Native American Development Corporation	■	■	■	■	■	■	■	■	■	■	■	■
Native Community Finance												■
Navajo Partnership for Housing, Inc.	■	■	■	■	■	■	■	■	■	■	■	
NiiJii Capital Partners, Inc.							■	■	■	■	■	■
Northern Shores Loan Fund, Inc.								■	■	■	■	■
Northwest Native Development Fund									■	■	■	■
Osage Financial Resources				■	■	■	■	■	■	■	■	■
Taala Fund									■	■	■	■
The Alliance CDFI								■	■			
The Sequoyah Fund, Inc.		■	■	■	■	■	■	■	■			
Tiwa Lending Services												■
Turtle Mountain CDFI								■	■	■	■	■
White Earth Investment Initiative			■	■	■	■	■	■	■	■	■	■
Wigamig Owners Loan Fund								■	■	■	■	■
Wind River Development Fund		■	■	■	■	■	■	■	■	■	■	■

Table C: Native CDFI Certification History

Status: ■ = Active, ■ = Expired, □ = Organization Not Yet Certified

Organization	Year													
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Adair County Indian Credit Association	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Affiliated Tribes of Northwest Indians Financial Services				Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Alaska Growth Capital BIDCO, Inc.	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Aleutian Financial, Inc.											Active	Active	Active	Active
Aloha Federal Credit Union											Active	Active	Active	Active
American Indian Economic Development Fund		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Arizona Tribal CDFI							Active	Active	Active	Active	Active	Active	Active	Active
Bank 2										Active	Active	Active	Active	Active
Bank of Cherokee County, Inc.	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Cha Piyeh, Inc.											Active	Active	Active	Active
Chehalis Tribal Loan Fund												Active	Active	Active
Cherokee Nation Economic Development Trust Authority, Inc.	Expired	Expired	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Chi Ishobak													Active	Active
Chickasaw Banc Holding Company										Active	Active	Active	Active	Active
Chickasaw Nation Community Development Financial Institution								Active	Active	Active	Active	Active	Expired	Expired
Choctaw Federal Credit Union									Active	Active	Active	Active	Active	Active
Choctaw Home Finance Corporation							Active	Active	Active	Active	Active	Active	Active	Active
Citizen Potawatomi Community Development Corporation				Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Coastal Villages Community Development Fund, LLC										Active	Active	Active	Active	Active
Community Development Bank, FSB		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Community Development Financial Institution of the Tohono O'odham Nation								Active	Active	Active	Active	Active	Active	Active
Cook Inlet Lending Center, Inc.				Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Council for Native Hawaiian Advancement										Active	Active	Active	Active	Active
First American Capital Corporation				Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
First American Credit Union	Expired	Expired	Expired	Expired	Expired	Expired	Expired	Expired	Active	Active	Active	Active	Expired	Expired
First Hawaiian Homes FCU			Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
First National Bank			Active	Active	Active	Active	Active	Active	Active	Expired	Expired	Expired	Expired	Expired
First Nations Community Financial													Active	Active
First Nations Oweesta Corporation	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
First Ponca Financial Inc.													Active	Active
Fort Gibson State Bank	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Four Bands Community Fund, Inc.		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Four Directions Development Corporation			Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Haa Yakaawu Financial Institution	Active	Active	Expired	Expired	Expired	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Hawaii First FCU										Active	Active	Active	Active	Active
HawaiiUSA Federal Credit Union											Active	Active	Active	Active
Heritage Capital Fund			Active	Active	Active	Active	Active	Active	Expired	Expired	Expired	Expired	Expired	Expired
Hoopa Development Fund		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Hopi Credit Association	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Hunkpati Investments, Inc.												Active	Active	Active
Indian Land Capital Company											Active	Active	Active	Active
Kahuku Federal Credit Union	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Karuk Community Loan Fund, Inc.									Active	Active	Active	Active	Active	Active
Ka'u Federal Credit Union	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Keweenaw Bay Ojibwa Housing and Community Development Corporation									Active	Active	Active	Active	Active	Active
Kulia Ohana Federal Credit Union		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Lac Courte Oreilles Federal Credit Union		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
The Lakota Fund	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Lei Ho'ohala													Active	Active
Lokahi Pacific	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Lower Brule Community Development Enterprise, LLC									Active	Active	Active	Active	Active	Active
Lumbee Revitalization & Community Development Corporation						Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Lummi Community Development Financial Institution								Active	Active	Active	Active	Active	Active	Active
Mazaska Owecaso Otipi Financial, Inc				Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Minnesota Chippewa Tribe Finance Corporation			Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Molokai Community Federal Credit Union	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Montana Homeownership Network								Active	Active	Active	Active	Active	Active	Active
NACDC Financial Services Inc.												Active	Active	Active
Native American Bancorporation, Co.			Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Native American Bank, N.A.	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Native American Development Corporation	Active	Active	Expired	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Native American Lending Group, Inc.			Active	Active	Active	Active	Active	Active	Expired	Expired	Expired	Expired	Expired	Expired
Native Community Finance									Active	Active	Active	Active	Active	Active
Navajo Partnership for Housing, Inc.			Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
New Mexico Community Capital											Active	Active	Active	Active
NiiJii Capital Partners, Inc.							Active	Active	Active	Active	Active	Active	Active	Active
Northern Shores Loan Fund, Inc.									Active	Active	Active	Active	Active	Active
Northwest Native Development Fund											Active	Active	Active	Active
Osage Financial Resources				Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active
Oyate Community Development Corporation													Active	Active
Pima Leasing and Financing Corporation											Active	Active	Active	Active
Prince Kuhio Federal Credit Union										Active	Active	Active	Active	Active
Rural Alaska Investment and Finance Corporation	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Salt River Financial Services Institution							Active	Active	Active	Active	Active	Active	Active	Active
Seneca Nation of Indians Economic Development Company													Active	Active
Sisseton Co-op FCU		Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired
Sovereign Leasing & Financing, Inc.			Active	Active	Active	Active	Active	Active	Active	Active	Active	Active	Expired	Expired

Organization	Year													
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taala Fund														
The Alliance CDFI														
The Queens Federal Credit Union														
The Sequoyah Fund, Inc.														
Tiwa Lending Services														
Turtle Mountain CDFI														
Valley Credit Association														
Wailuku Federal Credit Union														
Westwater Financial, Inc														
White Earth Investment Initiative														
White Earth Reservation FCU														
Wigamig Owners Loan Fund														
Wind River Development Fund														
Wolf Point Federal Credit Union														
Yavapai Apache Nation Community Development & Lending Corporation														

Source: Federal Reserve Bank of Minneapolis analysis of CDFI Fund certification data.