Assessing Risk: A Native CDFI Perspective

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• Krystal Langholz, Oweesta Corporation Chief Operating Officer
• Kristen Stambach, Four Bands Community Fund Director of Lending
• Andrea Mader, Sweet Grass Consulting Principal Director
Background

• How and why do Native CDFIs underwrite?
• Access to capital with a justice lens.

• Why this study?
• Four Band’s original study
The Study

• Methods
• Participating CDFIs
• Leading Up

• BUSINESS LENDERS
  • Citizen Potawatomi Community Development Corporation
  • First American Capital Corporation
  • Four Bands Community Fund
  • The Lakota Funds
  • Sequoyah Fund

• HOME LENDERS
  • Mazaska Owecaso Otipi Financial
  • Four Directions Development Corporation
  • Cook Inlet Learning Center
  • Tiwa Lending

• CONSUMER LENDERS
  • Chehalis Tribal Loan Fund
  • Chi Ishobak
  • Citizen Potawatomi Community Development Corporation
  • Four Bands Community Fund
The Significant Metrics

• **CONSUMER**
  - Client Engagement
  - Interest Rate
  - Loan Payment
  - Training Hours

• **BUSINESS**
  - Cash Flow
  - Character Score
  - Client Engagement
  - Coaching Hours
  - Credit Score
  - Household Debt
  - Lending Hours
  - Loan Payment
  - Months in Business
  - Payment from Per Capita

• **HOME**
  - Character Score
  - Client Engagement
  - Coaching Hours
  - Credit Score
  - Debt to Income Ratio (back only)
  - Lending Hours
  - Loan Term
The Not Significant Metrics

- **CONSUMER**
  - # of Derogatory Marks
  - Lending Hours
  - Disposable Income
  - Credit Score
  - Months of Job Stability
  - Annual Household Income
  - Annual Household Debt
  - Annual Household Expenses
  - Household Size
  - Coaching Hours
  - Loan Amount
  - Repeat Client
  - Loan Type
  - Race/Tribe
  - Education
  - Gender
  - Loan Term
  - Age
  - Auto Payment
  - Payroll Deduction

- **BUSINESS**
  - # of Derogatory Marks
  - Equity Invested by Owner
  - Debt Service Coverage Ratio
  - Annual Household Income
  - Repeat Client
  - Business Plan
  - Loan Amount
  - Level of Commitment to Business
  - State
  - Tribe/Race
  - Gender
  - Veteran Status
  - Sector
  - Loan Type
  - Interest Rate
  - Term
  - Collateral Coverage Ratio

- **HOME**
  - # of Derogatory Marks
  - Loan to Value Ratio
  - Payment Shock
  - Loan Amount
  - $ in Savings
  - Annual Household Debt
  - Annual Household Income
  - Front Debt to Income Ratio
  - Training Hours
  - Owner’s Equity
  - Collateral Value
  - Months of Job Stability
  - Loan Type
  - State
  - Education
  - Veteran Status
  - Gender
  - Tribe/Race
  - Loan Payment
  - Interest Rate
  - Age
The Differences

### Consumer Lending
- **Client Engagement**: Delinquent 2.4, Not Delinquent 3.5
- **Interest Rate**: 13.9%, 12.1%
- **Loan Payment**: $84.44, $148.35
- **Training Hours**: 2, 2.9

### Business Lending
- **Cash Flow**: Delinquent $10,286, Not Delinquent $24,310
- **Character Score**: Delinquent 3, Not Delinquent 4
- **Client Engagement**: Delinquent 2.8, Not Delinquent 4.7
- **Coaching Hours**: Delinquent 0.8, Not Delinquent 13.8
- **Credit Score**: Delinquent 601, Not Delinquent 662
- **Household Debt**: Delinquent $572, Not Delinquent $1,944
- **Lending Hours**: Delinquent 7.3, Not Delinquent 3.5
- **Loan Payment**: Delinquent $1,619.80, Not Delinquent $4,065.62
- **Months in Business**: Delinquent 28, Not Delinquent 60

### Home Lending
- **Character Score**: Delinquent 2.6, Not Delinquent 3.9
- **Client Engagement**: Delinquent 4, Not Delinquent 4.2
- **Coaching Hours**: Delinquent 1.9, Not Delinquent 5.7
- **Credit Score**: Delinquent 658, Not Delinquent 702
- **Debt to Income (Back)**: Delinquent 37.1%, Not Delinquent 43.7%
- **Lending Hours**: Delinquent 7.8, Not Delinquent 12.4
- **Loan Term**: Delinquent 30, Not Delinquent 27

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Amplifying Our Collective Voice
7th Annual Native CDFI Capital Access Convening  June 28-30, 2022  •  Virtual
What Does it Mean?

Relationship Building

Limited Financial Metrics
What is your interpretation?

What does this mean for your understanding of assessing and mitigating risk and default at your CDFI?
Next Steps

• Strengthening Existing Data Collection

• Improving Future Data Collection

• Engage with Partners and Funders

• Educate Loan Officers and Board

• Compare to Other CDFIs
What do you suggest as next steps?

For the Researchers, for Native CDFIs, and for Partners/Funders?
Questions?