Snapshot 2014:

Financial Education and Asset-Building Programs Serving Native Communities

Oweesta
FIRST NATIONS OWEESTA CORPORATION
A SUBSIDIARY OF FIRST NATIONS DEVELOPMENT INSTITUTE

ACKNOWLEDGEMENTS

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We believe in widely sharing best practices, key findings and successful or promising models with practitioners in Indian Country, government entities (federal, state, local and tribal), mainstream philanthropy, and the public at large. For more information, or to order additional copies of this report, please email info@oweesta.org.

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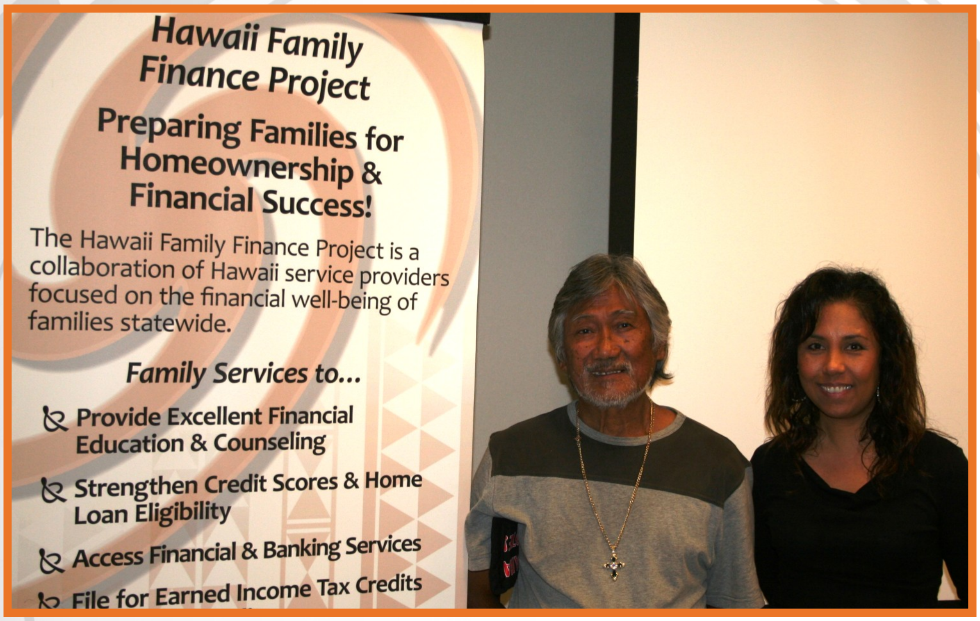
Executive Summary

In January 2014, First Nations Oweesta Corporation (Oweesta) conducted a survey of tribal government programs and Native nonprofits in order to better understand best practices and the impact of financial education and asset-building programs in Indian Country. The survey produced 226 usable responses. Key findings from this research include the following:



Financial Education

- Sixty-one percent of the respondents to the survey, or 139 programs, provide financial education services.
- A large number of tribal governments provide financial education programs – over 55 tribal departments indicated they provide financial education.
- More than 51 percent of financial education programs, or 71 respondents to this survey, use the ***Building Native Communities: Financial Skills for Families*** curriculum.
- Assuming that the programs responding to this survey serve the mean number of clients reported, there are at least 8,700 individuals being educated throughout Indian Country every year.

Volunteer Income Tax Assistance (VITA) Sites

- Fifty respondents to this survey offer VITA programs.
- Seventy-two percent of Native VITA programs have not been able to access the IRS VITA grant program.

Credit Builder and Credit Counseling Services

- Forty-seven respondents to the survey offer credit builder or credit counseling services.
- Fifty-seven percent of credit programs have access to a certified credit counselor.
- Credit builder loan programs often have lower loan delinquency rates than other loan programs offered by the same organization.

Matched Savings Programs

- Thirty-five respondents to the survey offer matched savings programs.
- Keeping clients enrolled and making deposits is the largest struggle matched savings programs face.

Best Practices

- There is a positive financial education and asset-building movement underway throughout Indian Country.
- Financial education and asset-building programs are successfully integrated into a wide range of programs and services.
- Many tribal governments are funding and supporting financial education and asset-building programs.

Challenges

- There is a need for technical assistance on outcome tracking.
- There is a need for technical assistance on marketing and documenting success stories.
- Financial education programs are in need of funding to continue to be successful.

Introduction

First Nations Oweesta Corporation (Oweesta) is a national nonprofit dedicated to supporting economic growth in Native American communities through the creation, development and capitalization of Community Development Financial Institutions (CDFIs). As part of the mission, Oweesta provides financial education training and technical assistance to Native CDFIs and tribal organizations. In early 2014, Oweesta recognized the need to collect new information on the state of financial education and asset-building practices in Native communities.

Methodology

In January 2014, Oweesta conducted a survey of tribal entities and organizations including tribal departments, tribal housing authorities, Native CDFIs and nonprofit organizations serving Native communities. The survey was done in order to better understand best practices in the provision of financial education and asset-building programs. In addition, Oweesta hoped to glean information about the impact of financial education and asset-building programs in Indian Country. Another goal of the survey was to ensure a deep understanding of the struggles of these programs in order to communicate these needs with a broader audience.

Survey Distribution and Analysis

Oweesta drew upon its institutional records and mailing lists to disseminate its survey to emerging and certified Native CDFIs, tribal entities and nonprofits. The survey invitation was an email explaining the reasons why Oweesta was undergoing the study and provided a link to Survey Monkey[1]. Oweesta also asked its partner First Nations Development Institute (FNDI) to distribute the survey invitation through its networks as well. The link to the survey was posted on both organizations' social media pages and websites. The survey was open for one month. The survey was anonymous except for those individuals who chose to provide emails in order to be entered into a drawing for a Samsung Galaxy tablet. Data collected by Survey Monkey was analyzed by an independent consultant and staff at Oweesta.

1. Survey Monkey is a provider of web-based survey solutions.

Information About the Survey Respondents

There was a total of 245 survey respondents. Of these respondents, 226 provided answers that were complete and relevant. The 19 participants who were not able to answer enough relevant questions most likely saw the survey on social media, started the survey and then chose not to complete it. Therefore only 226 responses were analyzed and included in the data.

Types of Participating Entities

Due to the diverse distribution methods for the survey, as well as to the wide range of financial education and asset-building program providers within Indian Country, there were a variety of participating entities. Oweesta provided a list of options for entities that participated in the survey and allowed organizations to self-categorize their organizational type. The largest subsection did not select what kind of entity they represented or identified themselves with the "other" category but did not provide additional information. Those organizations that provided additional information about their organization under the "other" category, when possible, were categorized with similar written-in organizations or were able to be re-categorized with preexisting options. For example, there were groups that selected "other" and wrote in "Native CDFI," which was a category in the provided list. These groups were therefore categorized as Native CDFIs. However, some groups wrote in "school" under "other" (which was not a pre-existing category selection) and this allowed for the creation of a "school" category. Figure 1 demonstrates the types of organizations that responded to the survey.

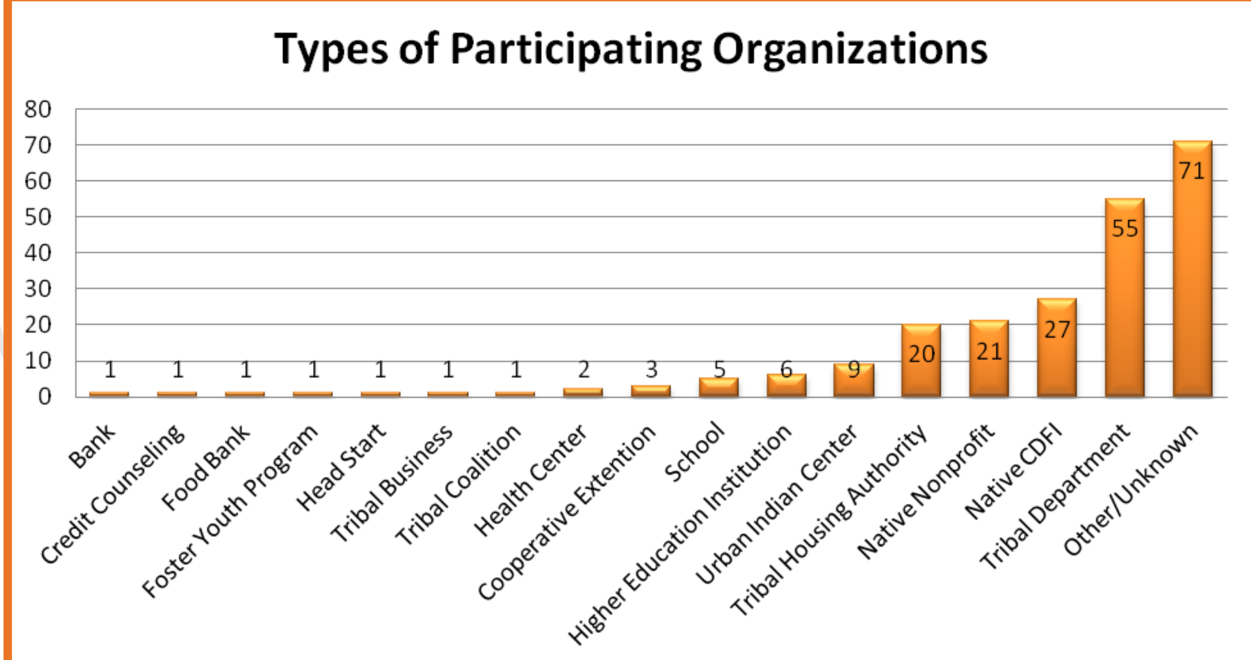


Figure 1: Participating Organizations

The largest type of known participating entities were tribal departments. Fifty-five organizations represented a variety of tribal departments, including at least six community development/resource departments, four infrastructure/planning departments, two small business/entrepreneur departments, one education department, one Temporary Assistance for Needy Families (TANF) department and one Tribal History Preservation Office. Additionally, 27 respondents represented either emerging or start-up Native CDFIs, 21 organizations were Native

American nonprofit organizations and 20 were tribal housing authorities. Beyond the reservation-based tribes and Native nonprofits, there were nine Urban Indian Centers that participated and six institutions of higher education (only three of which were distinctly tribal colleges). While there may be some overlap in internal categorizations (for example, many Native CDFIs are nonprofit organizations, while many tribal housing authorities consider themselves tribal departments), these results provide a good assessment of the types of entities providing financial education and/or asset-building programs in Native communities.

Native CDFI Participants

The survey asked a series of questions specifically designed to provide insight into the capacity and size of Native CDFI respondents. As mentioned, 27 respondents either self-categorized their organization as a Native CDFI or wrote in under "other" that they were a Native CDFI. Of the Native CDFIs which self-selected, 37 percent (10) categorized the organization as emerging, while 63 percent (17) stated they were certified Native CDFIs. According to the CDFI Fund's December 2013 Certified CDFIs list, there are 65 certified Native CDFIs. Approximately a quarter of all certified Native CDFIs participated in this survey. This is a fairly high response rate, much higher than the national average with surveys.

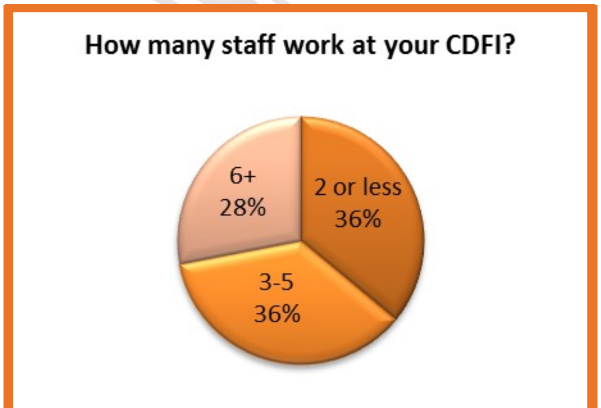


Figure 2: Staff Size

These Native CDFIs varied considerably in size of operations as well as size of staff (see Figure 2). Interestingly, they almost equally represented CDFIs with either very large asset size (over $1,250,000) or very small (less than $500,000) (see Figure 3). For the sake of ease, we have used the size of the staff and loan portfolio of these Native CDFIs as quick indicators of size and capacity.

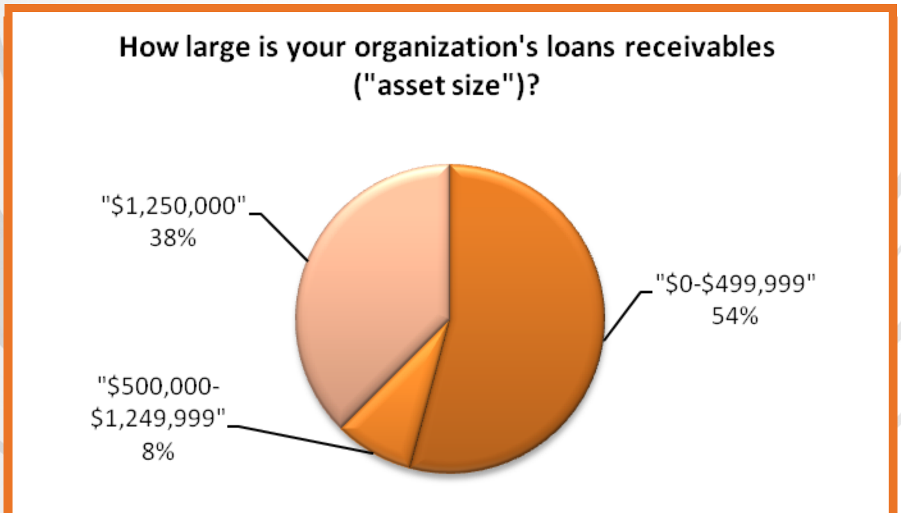


Figure 3: Asset Size

Of the Native CDFIs, 74 percent (20) provide financial education, 56 percent (15) provide credit builder loans or credit counseling services, 41 percent (11) have Volunteer Income Tax Assistance (VITA) programs and 44 percent (12) have matched savings programs. Native CDFIs that provide one of these services were much more likely than other types of programs to have all or several of these programs, suggesting a strong integration of financial education and asset-building services within Native CDFIs.

Key Observations and Findings

Financial Education

According to Jorgenson & Mandell (2007) there is a well-documented low level of financial education among Native American youth. This can be attributed, at least partially, to the long-term low income and unemployment in Native American communities that inhibits the development of financial management experience across generations (Anderson et al. 2010). Native American households are also much more likely to be unbanked or underbanked than the general population (FDIC 2009).

For this reason, we are excited that 62 percent of all survey respondents, or 139 programs, are responding to this need and providing financial education within their community. These financial education programs are hard at work—40 percent (56) of these programs are continuously teaching cycles of financial education, while 39 percent (54) are teaching through their curriculum two to four times a year. These financial education programs are serving large numbers of clients; 46 percent (58) serve 1-40 individuals a year, 23 percent (29) serve 41-80 individuals, 11 percent (14) serve 81-150 individuals and 20 percent (26) serve over 150 individuals a year.

Fifty-five percent of all financial education programs use the *Building Native Communities: Financial Skills for Families*[2] (BNC) financial education curriculum. The responses to the survey may be skewed due to the increased potential of organizations with whom Oweesta has a relationship responding to the survey request. However, we feel confident that these results are representative given that "First Nations Development Institute and its wholly owned subsidiary First Nations Oweesta Corporation (a community development financial institution) are recognized leaders in Indigenous financial education in the United States" (see Brascoupé 2013; p. 52).

Assuming these programs serve the mean number of clients provided within the survey ranges, there are at least

2. The *Building Native Communities: Financial Skills for Families* curriculum is copyrighted by First Nations Oweesta Corporation and First Nations Development Institute.

8,700 individuals being provided with financial education throughout Indian Country every year. Even though many of the programs using the *Building Native Communities: Financial Skills for Families* are smaller scale, there are over 2,300 individuals graduating from a BNC program every year. The programs that are using the *Building Native Communities: Financial Skills for Families* are largely using the most recent edition of this curriculum, the 4th edition, as seen in Figure 4.

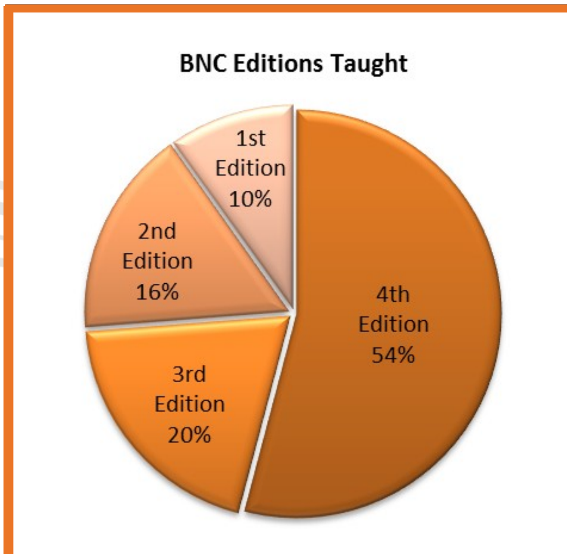


Figure 4: BNC Editions

Fifty-three percent, or 74 of the financial education programs that responded do not use the *Building Native Communities: Financial Skills for Families* curriculum. The majority (55 percent) of the financial education programs that are not using the *Building Native Communities: Financial Skills for Families* curriculum have developed their own financial education curriculum specific for the community (see Figure 5), a practice which Oweesta has strongly encouraged in financial education training courses since inception.

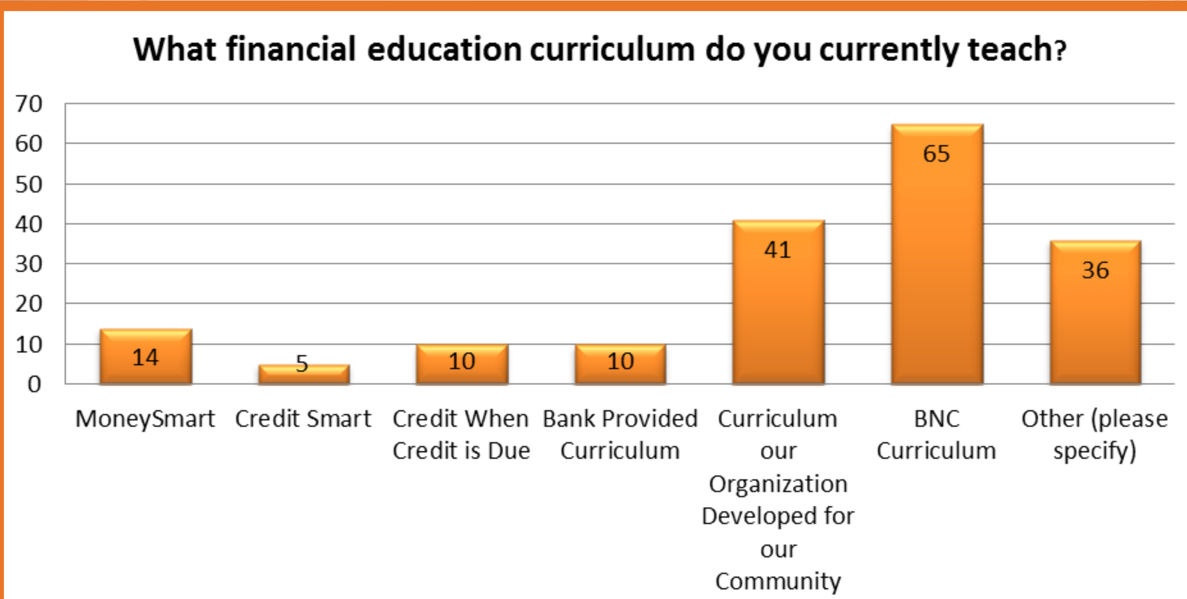


Figure 5: Financial Education Curriculums[3]

These financial education programs face many struggles and successes. When asked what kinds of outcomes are tracked, it is discouraging to discover that ***37 percent of these programs track no outcomes***. By far the largest outcome measurements tracked of the 139 programs are the number of graduates (41 percent), with far fewer tracking other longer-term success measures, such as debt-reduction or credit improvement. These results are reiterated when asking what major problems are faced, as 40 programs disclosed they struggle to collect impact data (see Figure 6).

3. Categories presented in Figure 5 are overlapping and therefore do not add to 58.

Two other major difficulties programs report (see Figure 7) are "Insufficient funding to effectively run programs," and "Low attendance in classes," both at 35 percent. Many programs state that without mandatory attendance required by partners such as TANF, tribal government or governmental assistance departments, getting families to take advantage of these services can be difficult. While incentives also work to get families to participate in these programs, money is still needed to provide these incentives, which is lacking for many programs.

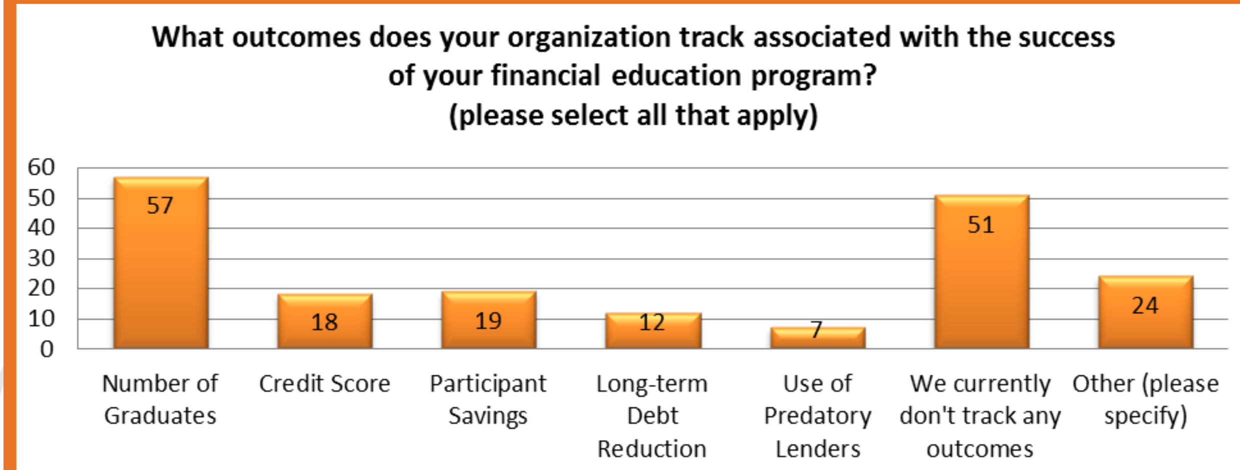


Figure 6: Outcome Tracking

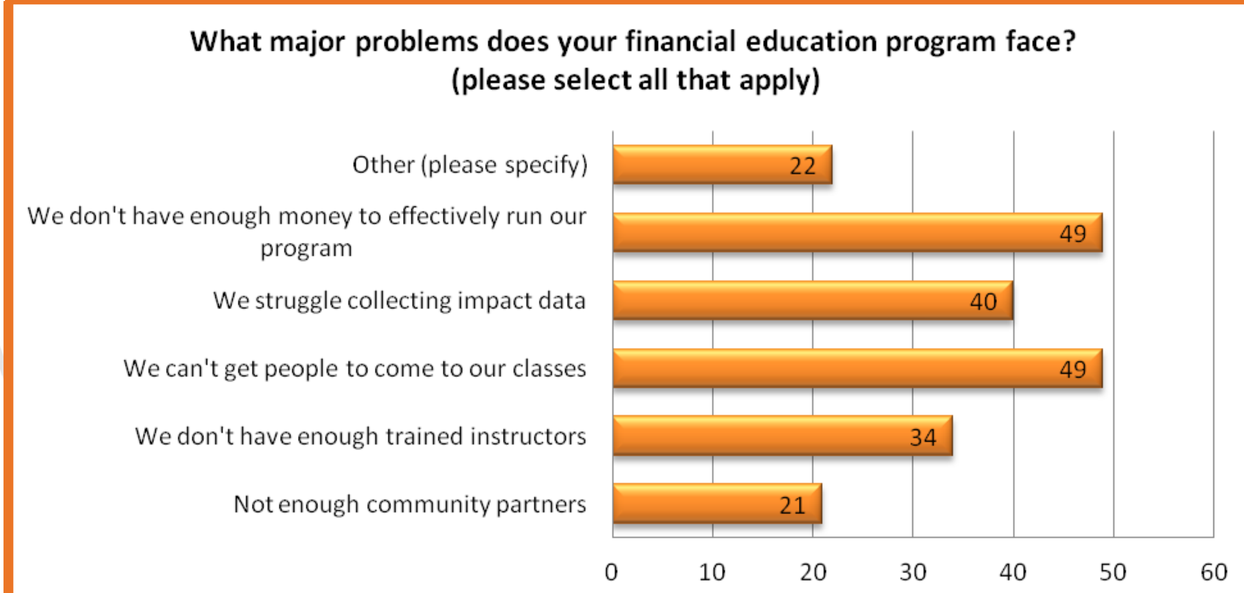


Figure 7: Major Struggles for Financial Education Programs

Volunteer Income Tax Assistance Sites

Of those who participated in the survey, 25 percent of respondents (53 programs) have a VITA site. In 2013, the IRS identified 167 unique VITA sites serving Indian Country which filed close to 50,000 returns, facilitated more than $70,000,000 in refunds and helped people claim approximately $26,000,000 in Earned Income Tax Credit (EITC) (Marks & Dewees 2013). According to the 45 sites that participated in this survey, many of these programs have good participation from local community volunteers. However, 29 percent of these VITA sites, many of which are rural, struggle to find volunteers from within the community and must rely completely on staff to run the program (see Figure 8). This represents a large financial burden for the organization.

Seventy-three percent of these programs had not been able to secure financial support from the IRS VITA grant program (the biggest government supporter of many IRS VITA sites) to ease the financial burden on the organization (see Figure 9). As these grants are competitive, underfunded and often designed to support large coalitions and easier to maintain urban locations, the results are not surprising.

Figure 8: Site Volunteers

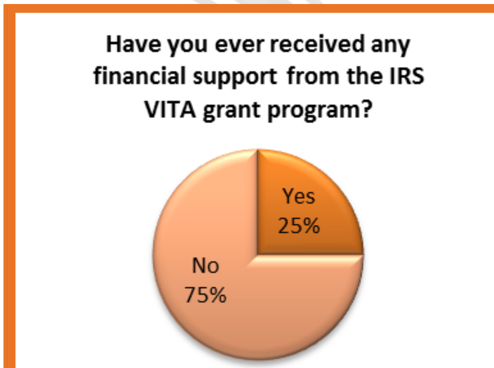


Figure 9: IRS VITA Grant

Credit Builder and Credit Counseling Programs

The survey had 45 respondents (24 percent) whose organization provides credit counseling or credit building services. The majority of these programs (65 percent) provide credit services to 1-40 individuals a year. However, there are also some large programs as well, 13 percent of respondents are seeing over 150 clients a year. Only 27 percent (13 programs) of programs do not have access to a certified credit counselor either on staff or through a partner agency (see Figure 10). While over half of these credit programs either do not track credit score improvement or have a program too young for measurable results, the credit repair and counseling programs that do track credit score improvement report clients' credit scores improve an average of 49 points per client which could be the difference of being a first-time homeowner, purchasing a reliable car to commute to school or a better paying job.

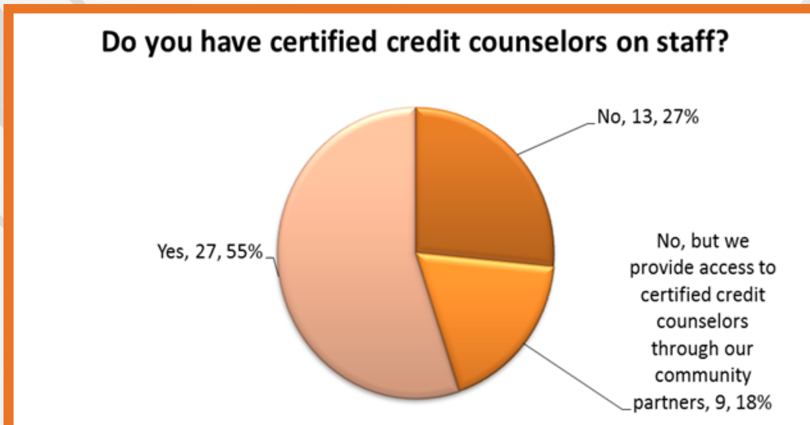


Figure 10: Certified Credit Counselors

Credit building programs are generally associated with Native CDFIs. These programs are designed to provide a small consumer loan specifically for the purpose of helping an individual improve or build credit history. The maximum size of credit builder loans are often small; 50 percent of these loans have a maximum loan size of less than $2,500. However, some of these programs (11 percent) stretch credit limits on these loans to well over $10,000. Many credit builder programs have developed varying models, based on market demand, for structuring the loan requirements. Fifty-eight percent of surveyed credit builder programs require the clients use loan proceeds specifically for paying off bad debt. A smaller number of programs (16 percent) allow loan proceeds to be used for small consumer purchases, while an equal percentage require loan proceeds to stay in a savings account, as collateral, until the loan is paid off. This specific type of program works like a savings account during the loan period, however individuals are building a credit history while simultaneously contributing to savings.

Despite the high risk of the borrowers, due to damaged or non-existent credit history, respondents report that credit builder loans are generally blessed with lower delinquency rates than other loan products offered by Native CDFIs. In fact, 45 percent of programs record lower delinquency rates with their credit builder loan products than other products (see Figure 11). These programs often attribute the lower delinquency rates to risk mitigation techniques they use with clients, such as auto-pay, payroll deduction and extensive credit counseling. For many Native CDFIs, credit builder products are in high demand within the community and an easy way to build a portfolio.

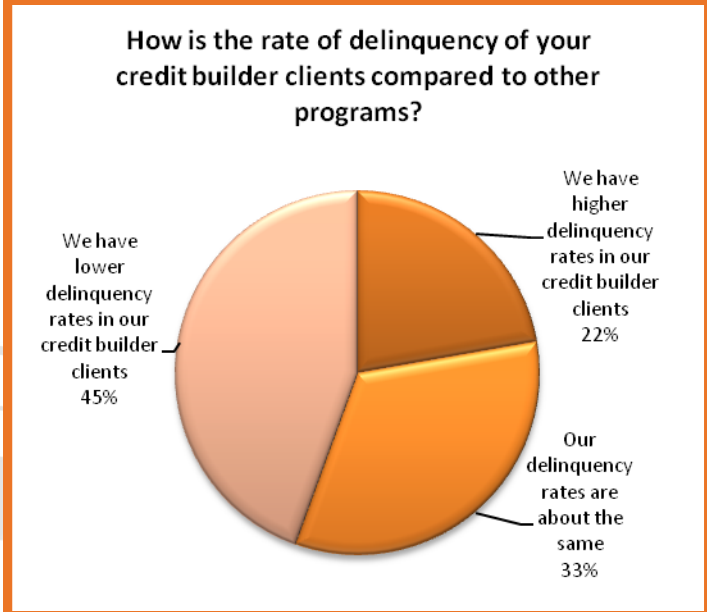


Figure 11: Delinquency Rates

Matched Savings Programs

Matched savings programs, often known as Individual Development Accounts (IDAs), are programs designed to encourage savings in disadvantaged communities through matching the participants' savings. Thirty-one of the programs (16 percent) surveyed provide a matched savings program. These programs vary widely in size and scope. Some of these programs provide children or teen IDAs (17 programs), while an equal number of programs provide matched savings for major asset purchases, such as for a house, college or small business. Some programs have several IDAs, providing matches for many kinds of assets to individuals of different ages. Other program savings options are for emergency savings, rent, 401(k)s and other types of financial assets.

IDA programs match at several different savings rates, but the most common rate is 3:1, followed in popularity by a 4:1 match rate. Seventy-three percent of these programs graduate 1-40 clients a year in their IDA program, generating savings anywhere from $150 to $6,000 per client each year. Lower average savings generation is most often associated with a children's savings program, while higher savings rates are most often associated with an adult program.

These matched savings programs face many struggles—the largest is keeping clients enrolled and making deposits (see Figure 12). Other issues programs deal with, besides those detailed in Figure 12, are instructor burn out, staff turnover and client income eligibility.

These programs are funded a variety of different ways, with the largest funder being the Health and Human Services Assets for Independence (AFI) program. This program provides matching funds for major asset purchases for low-income families. The Administration for Native Americans (ANA) Native Asset-Building Initiative (NABI) grant program, a shared grant co-funded by both ANA and AFI, is also a frequent funding source. Many Native American matched savings programs are funded from these types of "traditional" sources (i.e. governments, tribes, banks), listed in Figure 13. Notably, programs selecting "none" of the traditional funders appear to have partners outside the "traditional" sources to provide funding, as well as local level support from foundations. This potential funding source could be an area for further exploration both on a local and national level.

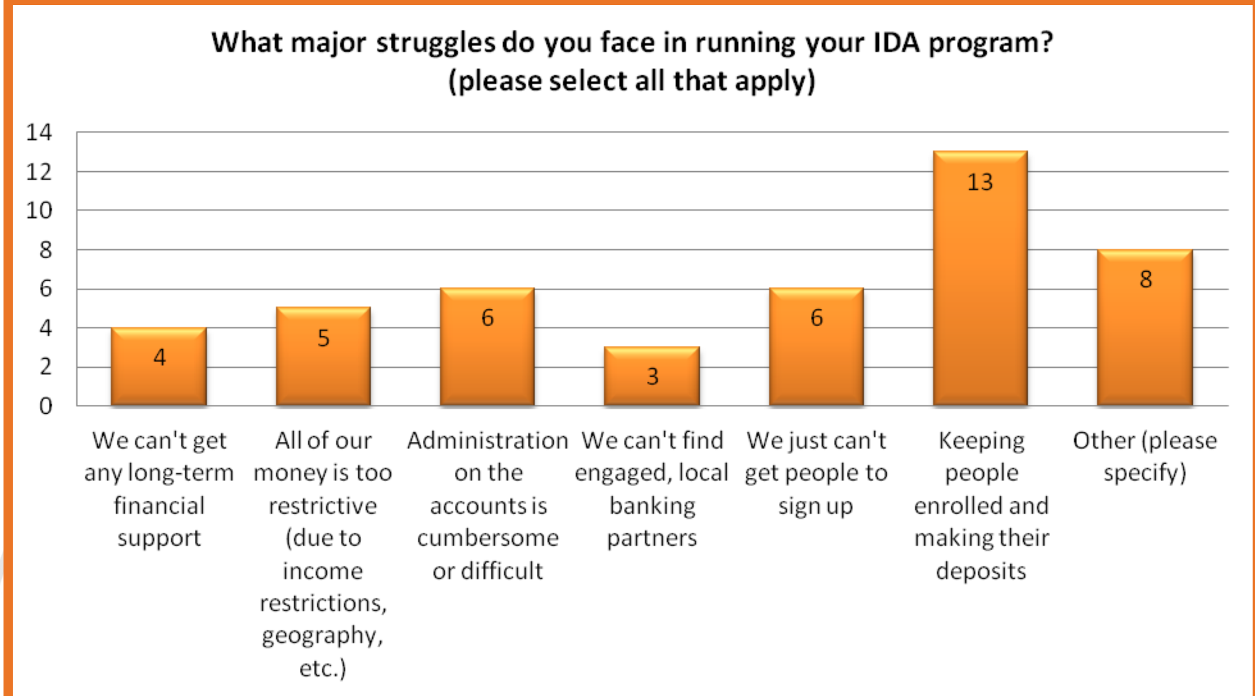


Figure 12: Major Struggles for IDA Programs

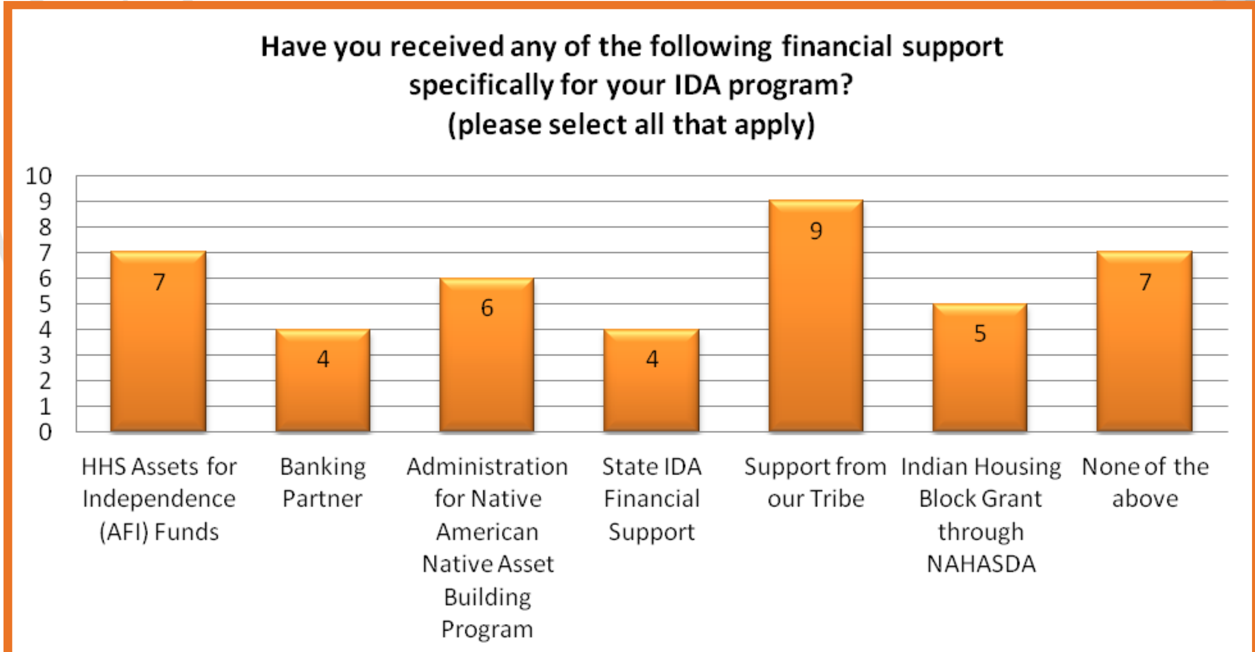


Figure 13: Financial Support for IDA Programs

Recommendations for Supporting Financial Education and Asset-Building Efforts in Native Communities

Best Practices and Technical Assistance

In addition to the information detailed in specific programmatic areas, there are some larger, positive patterns that are emerging as best practices through several types of financial education and asset-building programs. The diversity of different kinds of organizations that offer financial education and asset-building speaks to the ability of these programs to successfully integrate financial empowerment into a wide breadth of different services—from historical preservation to entrepreneurship to foster parenting. There is also positive progress toward integrating financial education and asset-building programs with other education programs. In fact, there are 11 organizations that offer all the aforementioned programs. These programs tend to have higher impact measures, such as higher credit score improvement and IDA savings rates.

The need for continued technical assistance in several areas also emerged. The current lack of outcome tracking among many Native American organizations has the potential to slow this positive movement, as it not only internally cripples groups from improving their programming, but also stands to keep Indian Country from documenting their successes and drawing further financial resources for this crucial work. Greater efforts could be made to help organizations better market their programs and work, telling their story not only externally but internally to the community as well. Lastly, as discussed next, the need for continued financial assistance for these programs remains the most critical issue for success.

Need for Continued Financial Support

The lack of financial resources is a major source of concern for nearly all the financial education and asset-building programs that responded to our survey. Most responding entities felt they did not have the financial resources necessary to run their programs effectively and/or that money was too restrictive to successfully serve their communities. According to a recent Consumer Financial Protection Bureau (CFPB) report, "Approximately $670 million is spent annually on providing financial education by federal, state and local governments, financial institutions, nonprofit organizations, charitable foundations, and others." (CFPB 2013; p. 3). The report goes on to state (see page 16), "Of this total, approximately three-quarters of the total spending comes from private sources and the remaining one-quarter comes from all public sources combined." Only 35 respondents out of the total 226 in our survey, or 15 percent, appear to have received financial support from private sources. This finding from our survey, the research from the CFPB, and other research reports (Chenven 2013; Marks & Dewees 2013) suggest that there is a strong need for increased private investments in financial education and asset -building programs in Indian Country.

Additionally, our survey findings suggest that there is a need for increased investment of all types in capacity building for many of these organizations. Many respondents to our survey also suggested that some federal funding sources are too restrictive to be used successfully in their communities. On the federal level, this suggests there should continue to be Native American-specific set-asides in grant programs and more programmatic flexibility for the unique concerns of Indian Country. It is noteworthy that tribal sources constitute the single most important source of funding for many programs whereas private sources appear to provide limited opportunities for financing any type of asset-building programs (see Figure 14). This is a positive finding, and tells us that tribal communities are responding to the demand for financial education within their community and are supportive of local efforts to address these concerns across North America. In fact, many tribes have started exercising their tribal sovereignty to make financial education mandatory in their school systems and within tribal government itself. However, these findings also suggest that existing private funders could be more responsive to financial education needs in Indian Country, and there is still room for growth regarding private investments in these programs.

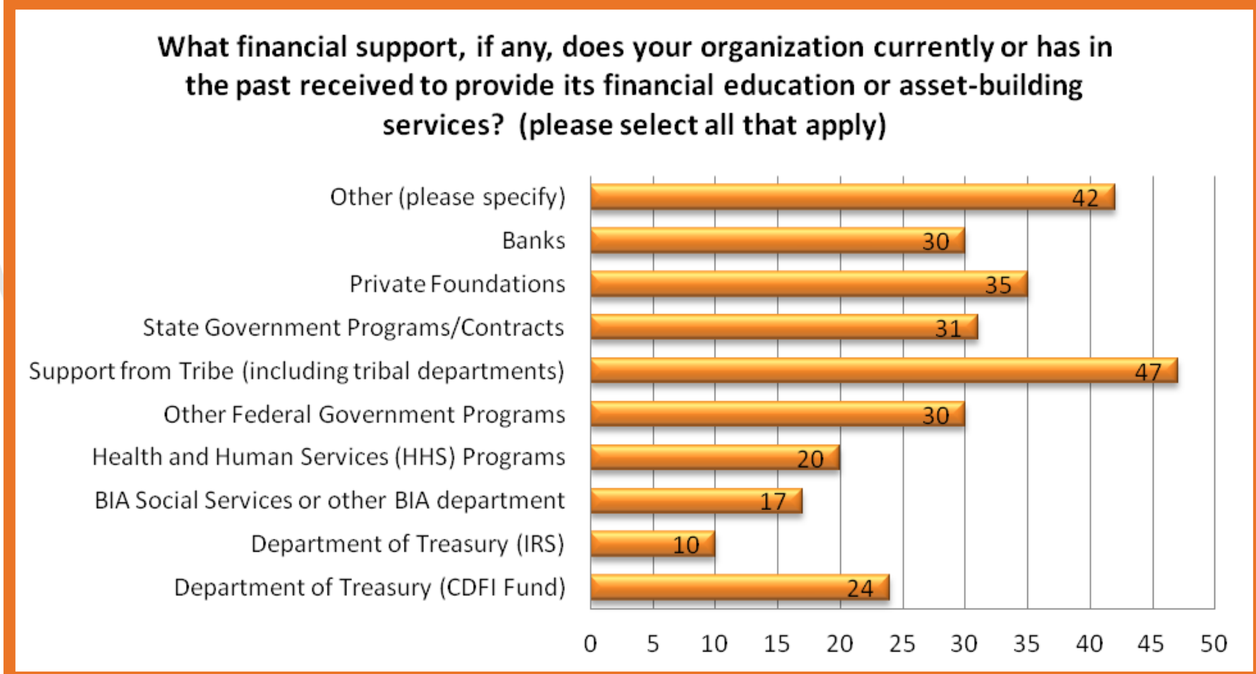


Figure 14: Financial Support for Organizations

Conclusion

There is a positive financial education and asset-building movement underway all throughout Indian Country. This is no surprise to practitioners, who have been actively and passionately engaged in this movement over the last decade. While the results of this study can in no way teach us all that we would like to know about this progress, it brings us one step closer to understanding these diverse efforts and demonstrates the need for further investigation and discussion.

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