



Community *Reinvestment*

COMMUNITY AFFAIRS DEPARTMENT

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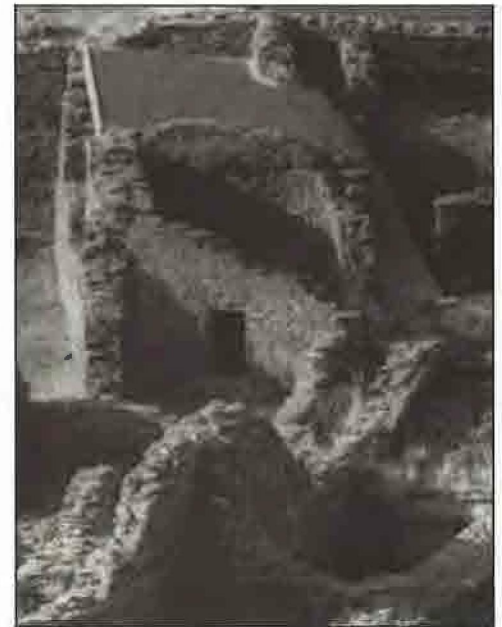
Mission Possible

Credit on American Indian reservations is a business issue, related to money and jobs and economic development. But Indians believe that money and work and development are inextricably interwoven with spirituality. In other American cultures credit and religion are not so closely tied, and we wondered just how to approach a publication focused on credit on Indian reservations when the topic is so all-encompassing.

Where could we start, and where should we stop? We wondered if bankers and Native Americans often felt the same way, somewhat daunted by the differences and not sure where to start in building the bridges of understanding that enable people to do business with one another.

There aren't many generalizations that can be made about "Indian country." Close to two million American Indians live in the United States according to 1990 census figures—but that number is different from the number of registered members of federally-recognized tribes that have formal agreements with the U.S. There are approximately 300 reservations, but there are also areas of land owned by tribes that are not reservations.

Non-indigenous Americans aren't even sure what to call the people who lived in this land thousands



of years before our own ancestors from other continents showed up. (Consensus among Indians seems to be a preference for using tribal names when possible, and otherwise "American Indian," "Native American" and "Indian" are interchangeable. One Indian bank manager said, "We call ourselves Indians on the reservation. It's mostly people from off the reservation who call us Native Americans.")

American Indians are all United States citizens, and can also be citizens of the approximately 500 sovereign Indian nations that exist within the boundaries of the United States. There may be almost as many differences among tribes as there would be among any other group of sovereign nations. Given all this, and considering the cultural differences

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among Indian nations themselves and between tribes and other U.S. citizens, is figuring out how to address Native American credit and finance issues actually "mission impossible"?

We did some research. "American Indian" was the preferred term at our local library, and we found more than 6,000 references to articles in current periodical publications. The **Reference Encyclopedia of the American Indian** lists more than 4,000 books by or about American Indians, and it lists hundreds of Indian associations dealing with everything from education to art to law.

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Countless bills that affect Indians and reservations are wending their way through the legislative process in Washington D.C. These bills address an array of concerns related to land ownership, water control, the environment, gaming, education, health services, religious freedom, military and defense contracts, taxation, crime, legal jurisdiction, national sovereignty, trademarks, fishing rights, and much more.

We wondered even more just where to start. We thought about what tribal members and bankers might want to know first if they were just beginning to explore potential credit relationships, or if they wanted to expand and improve financing of economic development projects on reservations. The best summary we found of financing economic and business development on Indian reservations was a paper prepared by Timothy J. Smith for the Northwest Area Foundation, and we decided to include excerpts of that report in the supplement to this issue of **Community Reinvestment**.

We talked with interesting and knowledgeable people, learned about successful projects, and learned about the process people have gone through to do those projects. As we asked questions and sorted through possibilities, we realized that what we were doing was not really different from what we do when starting any new venture. We were thinking about what we wanted to accomplish, about key issues, and about the questions that needed to be asked.

We were reminded that in our everyday lives we all sometimes abruptly re-learn that even people we are familiar with often have different ways of seeing things—men and women, people from the East Coast or the Midwest, people from different generations. We all have different experiences, we see the world differently, and we do things differently.

So perhaps doing business with different cultures and different nations simply involves asking those same questions: What are we trying to do? What is it I want? What does the person I'm doing business with want? What are the goals we have in common and where do we differ? What are our resources for getting this done, and what are the problems? What are the options for action?

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And sometimes, maybe we ask those questions that are more on the edges of our awareness but that are nonetheless central to what we do and how we do it: How does the success of this transaction relate to my personal values? What is it I **really** want? Money? Respect? Love? Power? Security? When we ask these questions, maybe it becomes easy to understand the Native American belief that business and religion cannot be separated.

Workshops

"Partnerships in Housing: Doing the Undoable Deal" is the name of the new development finance workshop for affordable housing that the Community Affairs Department of the Federal Reserve Bank of Kansas City will be presenting in several locations in Kansas and Colorado early in 1995.

For more information about these workshops, Development Finance Workshops for economic development, Fair Lending Workshops, or upcoming workshops on the revised Community Reinvestment Act, call 1-800-881-1010, extension 2890.

We decided that we—and you—can tackle big challenges by taking one step at a time. We can talk to one person, then another. We can read some articles and books, we can find the associations that have resources that fit our interests.

We may never completely understand someone else's culture, but we can learn what we need to know to do business with one another. We'll undoubtedly make mistakes, and our lack of knowledge and understanding of another culture may even offend some. But that risk has to be taken, and with good faith efforts in both

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directions, we can learn from one another and expand our understanding and our opportunities.

In this short issue of **Community Reinvestment** we look at how a nonprofit group works with the state, a bank, and low-income people to successfully form partnerships to build affordable housing. The focus in our supplement is on doing business with Indian nations, who once saw the rest of us as immigrants.

We think the supplement will be helpful for tribal members and bankers who are doing business, or thinking about doing business, with one another. We also think other readers will find it both interesting and useful for thinking about how to approach doing business with anyone different from ourselves.

SOMEONE SAID . . .

"So, let us not be blind to our differences — but let us also direct attention to our common interests and the means by which those differences can be resolved. And if we cannot end our differences, at least we can help make the world safe for diversity."

—John F. Kennedy, 1963

PARTNERS

Creativity and Sweat Build Affordable Housing

Portions of this article are excerpted from an article in "Banking & Community Perspectives," the newsletter of the Federal Reserve Bank of Dallas. Our appreciation to the Dallas Fed for permission to use this material.

No one can move into the new house they have helped build until all the other families in their mutual self-help group have also finished building their houses. Members of a family must work on their house a minimum of 30 hours per week in addition to holding down regular jobs. They must buy their own tools for working on their house.

"... in this program, we have a single mother with a monthly income of \$850 who is building a home."

The reward is a home that is a safe, affordable alternative to *colonias*, the low- and very-low-income settlements near the Texas-Mexico border that lack basic infrastructure such as roads, sewers and fresh water. Another reward is the opportunity for homeowners to build equity and establish a good credit record.

This innovative home-building project is in Fabens, Texas, a rural community 30 miles southeast of El Paso that is one of the fastest-growing and poorest areas in the United States. Along with the families, the partners in the project are government, banks, and a nonprofit community development corporation. The Texas Department of Housing and Community Affairs (TDHCA) had funds in 1992 from bond repayment

proceeds that could be used to provide interest-free money for a mutual self-help housing program. They looked for a nonprofit organization to use the money, and selected the Lower Valley Housing Corporation because of its track record and the experience of its executive director, Nancy Hanson. Bank of the West of El Paso was recruited by Hanson when she saw that Lower Valley would need 30 percent more than what TDHCA could loan on each home.

"Many of the self-help families couldn't accumulate enough money for the down payment on a home, and if they could, they wouldn't be able to afford the mortgage payments,"

"It's an exhausting and rewarding experience for the families."

according to Larry Patton, executive vice president of Bank of the West. "But in this program, we have a single mother with a monthly income of \$850 who is building a home." Using the mutual self-help program, a three-bedroom, one-bathroom home can be built for \$37,500 that will appraise for \$57,000. Closing costs are \$500, and monthly payments including taxes and insurance are \$281 for a 1,100-square-foot house.

Lower Valley purchases parcels of land and develops them into lots ready for residential construction, complete with paved streets and utilities. Funds to do this are provided by First National Bank of Fabens or Bank of the West. Lower Valley then sells lots to the seven to nine families who will make up a mutual self-help group. Permanent loans are funded to each family at closing, either with a 100 percent loan through the Farmers Home Administration or a combination loan with co-first liens of 75 percent through TDHCA and 25 percent through Bank of the West. On these

deals, the bank loans \$12,500 per home at 8.5 percent fixed interest for 20 years, and TDHCA loans \$25,000 per home interest-free for 26 years. Lower Valley prescreens applicants, does the paperwork, and manages construction. They keep one-half of one percent of the interest on each loan to help cover their costs.

The families are required to contribute 65 percent of the construction. "It's an exhausting and rewarding experience for the families," Hanson said. "They help build their homes every evening after work and on Saturdays. They dig trenches, pour concrete slabs, do the framing." She described most of participants as "the working poor." "Typically, our homeowners are two-income families with stable employment but who would never be able to have a home for themselves because of their very low income."

For more information contact Nancy Hanson at (915)764-3413.

Keep Us Posted

If you have a project or program you're proud of, please let us know about it. If there is a topic you would like to see more about in the *Community Reinvestment* newsletter, please let us know about that, too. Our space is limited, and we want to use that space to fit your interests and needs as much as we can. Call editor Sharon Blevins with suggestions at 1-800-333-1010, extension 2867.

SOMEONE SAID . . .

"We may misunderstand, but we do not misexperience."

— Vine Deloria, Jr.
Standing Rock Sioux,
1991

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