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Citizen Potawatomi Community Development Corporation Citizen Potawatomi Nation

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Historically, the Potawatomi enjoyed a strong economy built on trading with Native nations throughout North America and with European settlers. Unfortunately, forced removal from the Great Lakes region to what is now Kansas, and then again to Oklahoma, brought about drastic political, cultural, and economic changes. The Citizen Potawatomi Nation's government and its citizens suffered from political instability and a weakened tribal economy. To address these concerns, the Nation began laying the necessary groundwork to rebuild itself. It reformed government institutions and established a number of successful tribal enterprises, including a gaming and entertainment center, grocery stores, and a bank. But the Nation also wanted to grow the private sector within its economy and encourage citizens, who may lack the credit records necessary for bank loans, to go into business for themselves. The solution was to establish the Citizen Potawatomi Community Development Corporation, a CDFI that offers, among other things, micro loans, commercial loans, an employee loan program, financial literacy education, and credit counseling to the Nation's citizens around the U.S. and to all American Indians in Oklahoma.

In the 1970s, the Citizen Potawatomi Nation (CPN) struggled to rebuild its economy. The Nation held approximately \$550 in assets and two and a half acres of land in Shawnee, Oklahoma. Adding to the problem, the tribal government was plagued by political instability and unable to recreate the stable environment that, for centuries, had supported its active commerce and trade. Similar to many Native nations, the Citizen Potawatomi sought to sustain an active economy once again.

The Nation implemented a comprehensive nation building plan and established the necessary legal and political framework to support sustained economic development. The tribal government underwent constitutional reform to create a multi-layered system of trial and appeals courts, and enacted a uniform commercial code to standardize business transactions and clearly outline dispute resolution mechanisms. This supports a number of tribal enterprises, including gaming, entertainment services, food distribution, and banking. While the Nation's enterprises saw immense growth, the private sector still lagged behind. By 2006, tribal assets grew to approximately \$371 million and the Nation's income reached approximately \$215 million. Not wanting to rely solely on its enterprises and responding to demand from its citizenry, the Nation began developing its private sector.

In 2003, the Citizen Potawatomi Community Development Corporation (CPCDC) was created to stimulate small businesses and entrepreneurs. Its mission is to provide access to capital through loan fund support and business development services to members of the Citizen Potawatomi

Nation and other Native Americans. Through a sound organizational structure and comprehensive services, the CPCDC is helping to grow the Nation's private sector, strengthen tribal sovereignty, and address economic development in long-lasting ways. CPN began by evaluating ways to support its entrepreneurs in small business development. Even though the Nation owned a bank, many citizens were not eligible for loans due to a lack of prior commercial credit experience and/or a lack of equity to borrow against. CPN then considered the viability of a Community Development Financial Institution (CDFI). Since CDFIs are specialized financial institutions that work in market niches underserved by mainstream financial institutions, the Nation saw a fit. Under its own laws of incorporation, CPN chartered the CPCDC in May 2003 with an initial investment of \$1.15 million from the U.S. Department of Housing and Urban Development and \$500,000 from the Citizen Potawatomi Nation. By September 2004, it became certified as a CDFI by the U.S. Department of Treasury.

In establishing CPCDC, the Nation's political leaders took a far-sighted approach. In particular, they authorized an organizational structure that provides two important foundations for institutional stability: separation from tribal politics and transparency in the loan decision-making process. To separate CPCDC from politics, the organization is governed by a seven-member Board of Directors, six are tribal citizens and the seventh is a representative from the First National Bank & Trust. Loan decisions are made by the Loan Committee, a standing committee of the Board of Directors. There are four members of the Loan Committee, none of whom are allowed to hold a tribal leadership position. This protects tribal leadership from unnecessary pressure from constituents, while it also guards the organization from inappropriate involvement from tribal leaders. Loan Committee members include a certified public accountant, a successful business owner, a representative from CPN's bank, and a tribal citizen. New members are appointed by the Committee and all positions are unpaid.

CPCDC offers a wide range of services to CPN citizens throughout the U.S., and to American Indians in the State of Oklahoma. Services include micro business loans, commercial loans, employee loans, business development assistance, and financial education and credit counseling. Micro loans provide up to \$25,000 for small businesses, and the commercial loans provide up to \$200,000. CPCDC offers short-term loans to all tribal employees for up to \$1,500 with a fixed interest rate of 16%. Payday lenders in the area saw a rise in interest rates, some charging interest rates close to 400%.

Through its business development services, CPCDC provides clients with hands-on support before, during, and after loans. Progress is monitored, workshops and one-on-one technical assistance is made available, and quantitative data is collected in order to increase the probability of success. In the process, loans are safeguarded. Technical assistance provided through partnership with a nearby vocational education institute, the Gordon Cooper Technology Center, allows CPCDC to offer the best training available to its clients without having to duplicate services. A collaboration with Oklahoma Indian Legal Services also provides free tax preparation for CPCDC clients. The CPCDC formed a partnership with Consumer Credit Counseling Service of Central Oklahoma, providing a counselor in the CPCDC office three days per week to help assist with one-on-one debt management and credit repair consultations. Through a partnership with the Human Resources Department, the CPCDC provides a monthly financial Lunch & Learn workshop covering topics such as getting out of debt, understanding credit reports, increasing your credit score, and taking control of your money.

By supporting private sector growth and increasing opportunities for citizens to realize self-sufficiency, the CPCDC is also helping the Citizen Potawatomi Nation maintain its sovereignty. It provides resources to its citizens to help them become financially independent, as well as financially literate. In addition, all transactions and contracts with the CPCDC fall under the jurisdiction of the Citizen Potawatomi Nation. If clients, Native or non-Native, are delinquent in their payments, they are taken to the Citizen Potawatomi Tribal Court. This even applies to

employee loan contracts with employees who are not citizens of the nation, as borrowers sign waivers agreeing to adhere to tribal laws. Success and organizational excellence are illustrated in both the number of businesses supported and the types of businesses created. The CPCDC has provided over 74 loans totaling more than \$5.1 million in Native business loans, 90% going to CPN citizens. Loans have been granted to businesses in Oklahoma, Kansas, Oregon, Mississippi, Kentucky, California, Missouri, Montana, and Texas. From 2003 to 2006, it is estimated that CPCDC clients created or retained 288 jobs. It has also provided over 600 hours of business development training and consulting to 267 Native people and 122 hours of financial education and credit counseling to 238 clients. CPN employees received 405 loans totaling more than \$319,000 – only three loans went to the tribal court system, a step that precedes default status. Net assets grew to \$2.78 million in 2006, with support coming in from private and federal grants, loan investment income, and loans and other fees.

In short, CPCDC is building the Nation's economy by investing in the private sector. CPN citizens are generating incomes, providing jobs, supplying services to governments (tribal, federal, and state), and increasing the circulation of dollars in Native-owned businesses. Businesses include a ranch with live entertainment and dining, a bakery with a dessert and coffee shop, an art gallery with special event function space, and a horseshoeing service. Another important small business created with the help of the CPCDC is a privately owned asphalt paving company that has provided necessary services for Native and non-Native businesses in Tecumseh, Oklahoma. Going even further, the CPCDC is bolstering Native businesses in Oklahoma, regardless of tribal affiliations. For example, a tribal citizen of another nation in Oklahoma receives services from CPCDC for his company that cleans and deodorizes air in large function spaces, including casinos and bingo halls.

The Citizen Potawatomi Community Development Corporation is a remarkable entity that provides the tools and resources necessary to support holistic community development through business and employee loans, business development trainings, and financial literacy education. CPN originally hoped that it would be able to meet its citizens' small and commercial business needs with a traditional banking institution.

As citizens were turned away because of lending constraints, the Nation found another solution. By investing in a CDFI, CPN is better positioned to bolster its tribal economy and support its citizenry. The CPCDC started small with little to no CDFI experience. Over a period of three years, it is sustaining growth in net revenues and service delivery. CPCDC is now a premier Native CDFI. Even more important, CPCDC is making positive contributions to the economy with job creation and retention.

Lessons:

- By providing financial education, encouraging savings and investment, and facilitating citizen entrepreneurship, a CDFI can complement any Native nation's economic development strategy.
- Strategic partnerships make it possible for tribal CDFIs to offer quality, comprehensive services and to minimize duplicative efforts.
- CDFIs that are insulated from political influence and have transparent lending processes are more likely to achieve organizational stability and sustainability.