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## Indian Country—Like No Other Developing Country

by Frank V. Riolo, *President and CEO, Borrego Springs Bank, N.A., Borrego Springs, CA*



*Borrego Springs Bank employees at Native American convention. Left to right: Frank Riolo, President; Cathy Williams, VP Operations; Dennis Burns, Business Development Manager; Scott Yankton, Director-Indian Gaming Services.*

Native Americans tend to be a nearly invisible part of the U.S. population. Economically depressed, with very little political clout except in a few states such as Oklahoma, New Mexico, and Arizona, they are largely overlooked even by organizations concerned with diversity and community development. Most reservations are isolated, far from high-activity commercial corridors and ignored by banks and financial institutions as well as by their neighbors. So-called “urban Indians” — Native Americans not living on their reservation home — often get lost in the overwhelming social and economic problems of inner cities, which characteristically include a lack of support services for Native Americans.

Even though they suffer all the problems of immigrant populations and other people classed by color, race, religion, or sex, Indians have a special status because they are members of tribes that still are legally recognized in many ways as governments. Under the U.S. Constitution and as a result of treaties, tribal governments continue to exist, and maintain political jurisdiction through a complicated relationship with the federal government. Indeed, American Indian law and governance constitutes a body of policy and practice that is unique to the entire world.

### ***The development dilemma***

Governmental status does offer some advantages, theoretically, and sometimes in practice, in developing certain types of businesses. Special programs under the auspices of agencies such as the Bureau of Indian Affairs, the Department of Housing and Urban Development, and the Small Business Administration are designed specifically to channel development funds to Native Americans. But small gains are often offset by failure to survive the paperwork process. On one hand it's often said that tribes do not take full advantage of what is available. On the other hand there is a widespread belief among Native Americans that they continue to be frozen out of traditional credit programs.

At the same time, institutions offering economic or social support have to work very hard to earn serious attention from Indians. The reasons are complex, but the issue boils down to questions of trust. A long history of being let down, denied equal rights, and suffering under failed governmental policies continues to haunt tribal governments, even those actively interested in bringing jobs and businesses to their reservations.

Bankers and others who see the practical benefits as well as the moral urgency of doing business with American Indians must be prepared to go and meet them on their own turf, terms, and timetable. Many reservation Indians have never owned a checkbook or a credit card and have no experience with credit or lending. Although this has changed for a small number of tribes, those who have experienced an explosion of economic growth through gaming and related economic diversification, most Indians continue to be plagued by the most oppressive and obstinate poverty of any population group in the U.S.

### ***Gaming revenues create new opportunities***

Gaming has proven to be the fuel needed to fire up business development in Indian country. This year, casino gaming is projected to bring \$12-\$14 billion in revenues to tribal governments. Those are big numbers, but tribes still have a lot of catching up to do. Indian gaming represents only about 12 percent of projected revenues from betting nationally.

Still, gaming has enabled a number of tribes not only to turn their own reservation economies around but to share some of the wealth with less fortunate tribes. In California, tribes benefiting from casino gaming are sharing revenues with tribes who have no gaming operations or very limited facilities. With a projected revenue stream of \$2-\$4 billion over the next two years, California tribal governments engaged in gaming may contribute up to \$1.1 million annually to each of the less fortunate tribes in the state.

Gaming revenues are not the only indicator of progress. Data from the 2000 Census show that since 1997 the number of Indian-owned businesses has risen by 84 percent — there are now 197,300 — and their receipts have increased by 179 percent. These upbeat numbers need to be seen in context, however. Five out of every six Indian-owned businesses have no paid employees, and 41 percent report receipts of \$10,000 or less.

The belated, uneven, but welcome increase in economic activity in Indian country has brought with it a cautious interest in establishing relationships with those who can assist tribes in accessing federal funds, job and business development training, and larger, long-term economic development financing. Native Americans have bought banks such as ours (majority-owned by the Viejas Band of Kumeyaay Indians), in part to assert more control over policies and programs and in part to educate bankers and themselves in how to establish mutually beneficial relationships. Education is decidedly a two-way street, since few bankers fully understand tribal customs and the laws that set Indians apart as a result of their sovereignty and trust status.

For most Americans, property equals collateral. But few Native Americans own property. Reservations are communal lands held in trust by the federal government and as such cannot be used to secure loans. Lacking the option of leveraging property, few tribal governments have adequate assets to obtain outside financing.

### ***New products to support banking services***

With the support of a board of directors that includes members from other tribes, Borrego Springs Bank has taken a leadership role in breaking down barriers to providing financing in Indian country. By overhauling non-workable practices and policies related to federal lending programs, and developing new products to meet the financing needs of the tribes, the bank has been able to extend access to credit and financing services.

- **Revenue Sharing Collateralized Loans:** This is an innovative way to assist California tribes

with economic development. Through a multi-tribe agreement, revenue from casinos is shared with tribal governments that either are not involved in gaming or have fewer than 300 slot machines. Tribes will thus have a reliable source of income that they can use to secure loans to help them move ahead in areas such as housing development and commercial revenue-generating opportunities. For example, the Los Coyotes Band of Indians, located in rural San Diego County, recently received a \$75,000 loan from our bank, secured by revenue-sharing funds, which will be used to complete a housing project initially funded through a federal housing grant.

- **Small Business Lending:** Intertribal revenue-sharing programs are also opening up opportunities to start or grow small businesses. Borrego Springs sees this as an important area for investment and is rated as one of the most active 7(a) lenders in the United States, with \$50 million in SBA loans last year. Some of these small business loans are made to individuals located on or near Indian reservations. An example is a start-up loan to a small group of Native Americans in northern California to grow a custom saddle-making business. Several craftsmen had been making these saddles in their homes. The loan enabled them to shift from a home-based craft to an established concern.
- **Retail Financial Services:** Borrego Springs brought retail banking facilities onto the Viejas Reservation. Many tribal members had no previous banking relationship, our staff visited them on the reservation, assisting them with completing signature cards and open up accounts. To help them establish or re-establish credit, we have developed a retail lending product that provides loans of \$1,000 to \$5,000, collateralized by a tribe-funded certificate of deposit. We have made loans to 70 tribal members for debt consolidation or to establish a credit history. Bank staff also provides credit counseling to those requesting it.
- **Mortgage Financing:** Housing loans represent a particular challenge for smaller tribes (300-500 members), which are predominant in California. Such tribes typically do not have written constitutions, resolutions, commercial codes, or legal descriptions. Without legal descriptions, there is no way to use the home as collateral for the loan. To get around this problem, some tribes have agreed to allow individual tribal members to pledge their portion of future revenues from gaming distributions as security for home loans.
- **Services to Tribes:** Although our bank's legal lending limits are too low to provide development loans for casinos, we do provide assistance for tribes in structuring those loans or developing other economic or government projects. In addition, we provide ancillary services at tribal gaming facilities such as check-cashing, credit card advance services, operation of ATMs, payroll operations and direct deposit for casino employees, and vault services. The Viejas Band owns a shopping center and the bank handles retail banking services for the majority of the 70 stores located in the center. Other services we provide to tribes include: business deposit services; vault/safe deposit box services; tribal deposit services; funds management; and trust account services for minors and seniors.

The products and services we can offer are limited only by the size of the bank and the demand from Indian country. The greatest service we can offer to our tribal customers is our commitment to work with them in developing genuine, flexible solutions to their needs. And the bank's greatest assets include the knowledge and experience we have gained from our relationship with Viejas.

For more information, contact Michelle D. Whelehan, senior vice president and chief financial officer, at (619)668-5159 or by e-mail at [mwhelan@b-s-b.net](mailto:mwhelan@b-s-b.net).