



FINANCIAL INCLUSION

Ignored by banks, Indigenous communities build their own financial system

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Bankshot 00:46: Uncharted territory: How Indigenous communities are banking th

EAGLE BUTTE, S.D. — The Cheyenne River Sioux Reservation is big, but it isn't as big as it used to be.

As seen from the air, the land is an expansive, grayish-brown terrain cracked open by the winding Missouri River with scattered clusters of black dots. On the ground, the dots become cows — so many cows — and the land becomes a roiling sea of prairie grass heaving under currents of wind you can see coming and going from miles in every direction.

The reservation covers some 4,200 square miles in north-central South Dakota; it is the fourth-largest Indigenous reservation in the continental United States. Officially, it is home to some 8,000 people, though census figures [systemically undercount](#) Indigenous communities.

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The town of Eagle Butte, South Dakota, located on the Cheyenne River Reservation. *Dawnee Lebeau*

But there was a time not long ago when the Lakota, Nakota and Dakota people whose descendants now populate Cheyenne River knew no boundaries — they [went wherever](#) the buffalo led them across the plains.

The concept of territorial boundaries arrived with the first white settlers to the region and was first formalized in the Fort Laramie treaties of 1851 and 1868, which created the Great Sioux Reservation, comprising roughly the western half of what's now South Dakota and a slice of northern Nebraska. The discovery of gold in the Black Hills in 1874 sparked a gold rush, and ultimately a military incursion into the territory that culminated with the Battle of Little Bighorn in 1876. The Black Hills was appropriated to the federal government with the passage of the [Act of 1877](#), whittling the Great Sioux Reservation down by a third. Another third of the territory was taken back by Congress with the passage of [the Sioux Act of 1889](#), creating the Cheyenne River Reservation.

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and still does today. But the project flooded more than 100,000 acres of prime farming and hunting land on the Cheyenne River Reservation, eventually forcing the tribe's headquarters to relocate here, to Eagle Butte. All in all, 30% of the tribe's population would be displaced by the project.

There are countless enduring legacies — both individual and collective — that were born out of this troubled history and similar histories on other Indigenous reservations all over the country. And one of them is that the [dislocation](#) of Indigenous reservations from their traditional economic way of life, and the explicit exclusion of Indigenous peoples from the wider American economy, has left many Indigenous peoples [without access](#) to basic financial services.

Different demographic groups in the United States use banks in different ways. White Americans are far more likely to have a bank account and use banking services. Black, Indigenous and people of color, by contrast, are more likely to be unbanked or underbanked. A century ago, that was [by design](#), but with the passage of anti-discrimination and anti-redlining laws in the 1960s and 1970s, nonwhite Americans have gradually been increasing their access to the financial mainstream. But there's one group that has been harder to reach than any other: Indigenous communities, and particularly Indigenous communities living on tribal reservations.

According to the Federal Deposit Insurance Corp., more than 16% of people who identified as American Indian/Alaska Native were unbanked in 2019 — no checking or savings accounts, no bank loans. That percentage might not sound like a lot, but, for comparison, less than 2.5% of white people were unbanked in the same period. That makes Indigenous Americans the most unbanked demographic group the FDIC tracks, including Black Americans, who are less than 14% unbanked, and Hispanic Americans, who are about 12% unbanked. Indigenous people in the U.S. also saw the smallest percentage-point improvement in their unbanked rate between 2017 and 2019, according to the FDIC.

But this is not a poverty story, or a recounting of policy failures of the past — though we will get to that. I came to Eagle Butte because this majority-Indigenous community has found ways to generate capital and invest in itself without a lot of help from the rest of the financial system. Indigenous

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myself.

‘A growing middle class’

There are many reasons people without bank accounts don't have them. Some avoid having bank accounts because they don't want them or don't trust banks; others want to hide or disguise their true wealth. But unbanked and underbanked status tends to be an indicator of below-average earnings — when you have less money, you have less money to deposit in an account and thus less need for one, much less for more advanced financial services.

But that's not quite the case with Indigenous communities. Miriam Jorgensen, research director at Native Nations Institute, an Indigenous development resource affiliated with the University of Arizona, said that despite the significant intergenerational economic disenfranchisement that many tribes have endured through the 19th and 20th centuries, Indigenous people's economic conditions have been improving considerably in recent decades.

“Indian Country isn't as bad off as it used to be,” Jorgensen said. “We can certainly still find nations that are really bad off in terms of the average per capita income of a citizen living on those tribal lands. But on average, tribal nations are doing better.”

According to an analysis of census data from the advocacy group Equitable Growth, per capita income in 2020 dollars for Native American families jumped from about \$9,600 in 1990 to nearly \$18,000 in 2015. That's a big increase, even if the per capita income rate for the U.S. was closer to \$32,000 in the same year. The family poverty rate has also declined sharply — from nearly 48% in 1990 to just under 29% in 2015.

There's no single academic consensus on why that kind of growth has occurred. Some research points to increased tribal ownership of casinos as a source of public financing, while other researchers say the gradual, hard-fought improvements to federal policy and better legal recognition of tribal

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The FDIC's unbanked rate for indigenous people requires some unpacking. The Native Nations Institute published a study in 2017 analyzing the average straight-line distance from a reservation's geographic center to the nearest bank branch and found it to be about 12 miles. That may not seem like a long way, but according to a separate analysis from the Federal Reserve Bank of St. Louis published in April, the average distance that rural bank customers travel to reach their nearest bank branch is 0.64 miles. That means that on the average reservation, a tribal member living near the center is traveling nearly 20 times the distance of your typical rural resident to get to a bank.



Eagle Butte, South Dakota is a largest town on the Cheyenne River Reservation and home to many tribal offices and organizations. *Dawnee Lebeau*

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Proximity to a bank can be the difference between having a bank account and not. Not having a bank account correlates with lower earnings, and it also means you pay more for basic financial services and have less opportunity to move up the financial ladder.

And when lots of people in a community are unbanked, that can have a compounding effect on that community, discouraging investment and keeping banks away. If you have a town with a community bank, and folks in that town give that bank a million or so dollars in insured deposits — some of the safest, most stable funding in the world today — bankers can leverage that money into loans and investments that ultimately help the community grow, like building housing.

So if financial well-being on Indigenous reservations is improving, and the need for banking services is clearly there, why haven't banks stepped into this space?

“To the extent that people can tell, it seems that mainstream banks shy away a lot from lending in Indian countries and establishing relationships with Native customers,” Jorgensen said. “They say, ‘Well, there's not enough volume there. So we need to have volume to drive profitable programs.’”

Any rural bank will encounter this problem to some degree — areas with small and decentralized populations have additional costs and barriers to generating sufficient capital through deposits alone, particularly if that population is also poorer than average. But that isn't quite the problem on Cheyenne River.

“The impact of that rising tide of economic outcomes and success in Native nations is that there's a — small in some of the areas, large in others — but growing middle class that is going to become purchasers, consumers, part of that economic infrastructure,” Jorgensen said. “Their goals ultimately may be different than the white person who lives around the corner from you, or from the African American man who lives down the street. But they're still going to be part of the economic sector, they're still going to need to be banked, and you're going to miss the market if you're not engaged with them.”

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There's an economic case to be made that a lot of Indigenous communities, including on tribal lands, are as bankable as they've ever been. But researchers and advocates say the absence of financial access for tribal communities goes much deeper than economics.

"There's this perception that it's too complicated, or tribes being something different or 'other,'" said Patrice Kunesh, founding director of Peñiñ Haha Consulting and development officer at the Native American Rights Fund in Boulder, Colorado.

"The banking system [is] out there for profit, and doesn't like anything that's nonstandard," Kunesh said. "Well, tribes are sovereigns, they're a political entity, they're different — they come under that 'other' category. And it takes us some considerable time to get to know the tribal community."

The federal government recognizes 573 distinct, sovereign tribal nations. That is 573 different bodies of tribal law, each with their own regulations and court system. And the quality and efficiency of those governments and court systems can vary.

"You can have the best-laid plan — the greatest idea for a housing project, economic development, language, culture, revitalization," said Wayne Ducheneaux, a former tribal council member and executive director of the Native Governance Center, a nonprofit organization aimed at improving tribal governance. "If the tribal government sucks, more often than not, those things fail."

When we talk about good governance among the tribes, there's always a risk that non-Indigenous researchers and analysts will contribute to the toxic, historic trope that Native peoples aren't fit to govern themselves. That's wrong. In fact, some advocates told me the most successful and effective tribal governments are not necessarily the ones that are most similar to Westernized governmental structures. The most successful tribal governments, rather, are the ones that most efficiently articulate the manner, customs and traditions of the tribe.

"Tribes that are the most successful have really strong governance structures," Ducheneaux said. "I think that's another thing that folks have to understand is that work happens in Indian Country in a

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But that variability can create legal uncertainty, and uncertainty is something that banks — and particularly banking attorneys — actively seek to avoid, especially if you're considering investing in a new branch or a new charter. Some tribal courts may have limited case law on matters like usury or property disputes, and that makes it harder to know whether a prospective bank's plans will be within the bounds of the law.

And if you're a national bank looking to do more business with tribes or on tribal land, navigating 573 separate and distinct court systems and legal codes can be daunting. But national banks already navigate 50 distinct court systems and legal codes all the time when they do business in different states.

"Anybody who's familiar with the state government should be familiar with the kinds of authorities and responsibilities and jurisdictional scope of a tribal government, because they're highly similar," Jorgensen said. "They're a sovereign that's recognized within the U.S. Constitution the same way that state governments are, and they have recognized by the Supreme Court a number of the same kinds of authorities that state governments have."

Some banks have managed to navigate these systems already. Native American Bank in Denver began in Montana in 1987 as Blackfeet National Bank, the first bank ever chartered by Indigenous peoples on a reservation. Today the \$201 million-asset bank is partially owned by several tribal nations all over the country and has financed projects across 25 states. Tom Ogaard, president and CEO of Native American Bank, said success begins with familiarity.

"It takes a level of intensity to really understand how to implement just loan products, because you may end up in tribal court and not city, county, state court," Ogaard said. "Consequently, you have to know what you're dealing with there. Every time we go in to do a project on a particular reservation, we have to look at tribal law and not just state law, then that means also finding attorneys who understand that in that particular area. So there's an awful lot of background effort."

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held in trust by the federal government while the productivity and value of that land would go to tribes or members. The reasoning behind that law in part was that it would prevent companies, individuals and the government itself from finding novel ways to take tribal land from tribes, as had been done for hundreds of years.

But a consequence of holding tribal land in trust is that it generally cannot be used as collateral for a loan, and that has left Indigenous communities behind.

“Native Americans got almost no mortgages until the 1990s, when the federal government said, ‘We are going to 100% guarantee loans to native people on native lands in Indian Country,’” said Bethany Berger, a professor of Indian law and property at the University of Connecticut School of Law. “So it took this tremendous incentive to get banks even willing to consider it, and still the lending rates are low.”

For banks, all of these idiosyncrasies on their own are not insurmountable. But together, they create a significant barrier to investment that few banks care enough to overcome.

“There are real difficulties because of this longer administrative process in getting the loan approved on trust land,” Berger said. “It can get done if the banks are willing to — there's some level of real risk, but there's also a big level of just not wanting to deal with these communities.”

‘Give us a fair chance’

Four Bands Community Fund was started by a group of local leaders on Cheyenne River in 2002 because people needed credit — not a lot, but some.

“A lot of the artists in the community weren't able to access capital at the banks,” said Lakota Vogel, executive director of Four Bands. “And from there, it started in small art loans to about \$5,000, and slowly grew. And that was kind of what CDFIs were meant to do and serve. And then it grew from there to credit building.”

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years. In the late 1990s, there were around a dozen or so Native CDFIs serving tribal lands, but today, there are more than 70 of them.

One notable feature of Eagle Butte is that it actually has banks. More than one, actually, and a credit union. It has a Main Street with storefronts, another thing that isn't present on all reservations. But despite the presence of banks and lending institutions, tribal members aren't entirely free from the kinds of financial hurdles that we've been talking about.

"We were noticing people didn't have great credit scores or had no credit score," Vogel said. "We had to create a product that could basically treat credit like an asset. And our local banks don't report to the credit bureau. So even if you do bank here locally, they don't report."

One of those banks is the \$85 million-asset State Bank of Eagle Butte, which was created in 1960 when it became apparent that much of the Cheyenne River Reservation's population would have to relocate with the completion of the Lake Oahe Dam. Steve Payne, whose father, Jerome Payne, founded the bank, took over and ran the bank after his father passed away in 1987. And he's also one of the community leaders who helped form Four Bands.

"I'd seen a need for Four Bands in doing their microloans and stuff, you know, because I just know that there's a need for some \$100 loans, \$500 loans," Payne said. "Especially now, it costs so much to book a \$100 loan that isn't really feasible [or] make good sense on bank management to do something of that nature."

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Steve Payne, former president of the State Bank of Eagle Butte, is among the local leaders who sought to create Four Bands CDFI to help meet the community's banking needs. *Dawnee Lebeau*

CDFIs are almost always smaller than community banks, but they're also less heavily regulated, which gives them a certain amount of flexibility when it comes to underwriting small loans, even those with little collateral. That maneuverability is helpful when a CDFI finances something like a small-business loan, and that's one of the big impacts Four Bands has had on Eagle Butte. Lakota says those small-business loans have expanded the share of Indigenous business owners on the town's Main Street.

"It was 1% Native-owned on Main Street of Eagle Butte ... even though the population is, you know, 80%, 87% Native," Vogel said. "I think we're seeing around 26% to 27% [Native] owned. I'm seeing a lot of Native entrepreneurs step into that next phase, and that's exciting."

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swishing around. But homeownership is the other primary driver of intergenerational wealth, and Four Bands and other organizations are helping drive growth there as well.

'A list a mile long'

Badger Park is a housing subdivision in Eagle Butte spanning some 160 acres that the Cheyenne River Housing Authority and its partners have been building homes on since 2016. The homes here, located on the north side of town, flanked both by open prairie and fenced cattle-grazing land, look like homes you might find in any suburb — two- and three-bedroom prefabricated detached ranchers, complete with driveways and clipped lawns. This construction was a vast and costly undertaking — it cost the Cheyenne River Housing Authority some \$10 million just to develop the land and install utilities like electricity and water. But local leaders say that kind of development is critical to the future of the community.

"We had a moratorium on new water hookups, because our rural water distribution system was at capacity, and it needed to be upgraded," said Sharon Vogel, executive director of the Cheyenne River Housing Authority — and, incidentally, Lakota Vogel's mother-in-law. "We couldn't build any houses for a period of about — almost 10 years."

Policymakers have known for years that Indigenous communities need a lot more housing, particularly in reservation communities. A 2017 report from the Department of Housing and Urban Development found that between 2006 and 2010, about 10% of indigenous households were "overcrowded," defined by the Census Bureau as having an occupancy rate of one person per room in a given unit. That's compared to just over 4% of the general population.

Ducheneaux said housing has been a persistent problem on the reservation.

"The Housing Authority had a list a mile long for people looking for housing," Ducheneaux said, recalling his time on the council. "And then the tribe had a separate [list] that wasn't duplicative,

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Making these houses a reality required some creative financing. Four Bands, a community development financial institution based in Eagle Butte, offered some mortgage loans, some of the mortgages were offered through the U.S. Department of Agriculture, and some were built with private capital. And there's still room to grow.

"We've got \$17 million out here, and we have approximately 77 lots yet to fill," Sharon Vogel said. "We estimate that we need another \$20 million. So, we're just steady as she goes. We have one or two projects a year.

"Our homeownership rate has room to grow. Within the last four years, you have seen some significant increase. And a lot of that has contributed to people understanding that that's the only way into homeownership right now — you're going to have to do a mortgage loan."

When we met, Sharon told me that for a long time — and in many reservation communities — there's simply no expectation of being able to acquire a mortgage. But that's been changing in Eagle Butte over the last few years.

"The majority of the new homes that are happening are our tribal members with mortgage loans. That is shifting," Sharon Vogel said. "Homeownership went from just the only way that you got your house was if your parents died and they owned it and they handed it down to you, or you just bought a used mobile home and that was it, what you could afford. Now, we are on a path of new construction as a very viable option for homeowners."

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Sharon Vogel, director of the Cheyenne River Housing Authority, outside the group's headquarters in Eagle Butte. *Dawnee Lebeau*

Generating the capital necessary to meet that growing demand is a challenge, and the Cheyenne River Housing Authority gets it in a couple of different ways. The South Dakota Housing Development Authority provides a majority of the group's funding, as well as rental income for housing and community projects that have already been built. The group also gets funding through community lending groups like Four Bands and an allocation from the Indian Housing Block Grant Program, a program operated by the Department of Housing and Urban Development. Today, the Cheyenne River Housing Authority counts 712 rental units in its portfolio.

The federal government is also making more capital available in various ways. The USDA Section 502 direct loan program has been around [since 1949](#) to help finance rural single family housing, but according to government data, only 23 of more than 7,000 loans made through the program in 2017 had gone to Native American families living on tribal lands. In response, Sharon Vogel and others in

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Four Bands.

“Before that first year was up, the money was spent, and they had people into loans, and they were doing new construction, and you'll see some of the homes out at Badger Park,” Vogel said. “But they did more in that first nine months of the project than USDA had done for the last ... I would say seven years.”

Advocates say these kinds of breakthroughs are all part of a larger message that banks and other lenders need to hear: In places like Cheyenne River, tribal finance is getting results. But with more funding, they could get even more results, and the same is likely true on many other Indigenous reservations that face the same difficulties in accessing capital.

“It's not that we're saying, ‘Gimme gimme gimme,’ ” Sharon Vogel said. “We're just saying, ‘Give us a fair chance.’ We've got some solutions — we've learned how to do this.”

That kind of success and progress — particularly when it comes organically from the community and in the face of considerable obstacles — is something that the Eagle Butte community is proud of, and it should be. It also does not eliminate the need for a more fundamental change in the governmental and financial policy approach to supporting tribal finance.

“If I showed you a fish belly-up in the river, and I asked you, ‘What's wrong with the fish?’ your answer would be something like, ‘Oh, he must have ate something wrong, or something's wrong with the fish,’ right?” Lakota Vogel said. “And that's how we've been looking at Indian Country. Now, we're asking people to pan back and look at *alake* full of belly-up fish. What's your question now? It should be, ‘What's wrong with the lake?’ How come, for 35 to 40 years, there has been no mortgage lending in this area? Something's wrong with the lake here.”

‘This is a missed opportunity’

For banks to succeed, they have to protect their capital and minimize losses. There are many ways to do this — by examining credit scores and credit histories and assigning an interest rate that can

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date, the only entity that has been willing to take that risk besides the tribes themselves is the federal government — but those loans have largely performed.

“The Department of Commerce, the Department of the Interior, USDA, HUD, all of these federal agencies have billions of dollars available to support infrastructure and programs in Indian Country,” Kunesh of the Native American Rights Fund said. “They have dozens of different ways of doing these programs and thousands of regulations. I think we need a very simplified lending process in Indian Country, so bankers, lenders have certainty about their recourse and remedies. It's a big undertaking, but it's not as complicated as it seems.”

There's also the need to modernize and strengthen federal banking laws like the Community Reinvestment Act, which directs banks to devote a certain amount of their resources toward low- to moderate-income communities. Because the law is organized around where banks have branches, tribal communities have largely been left out of those benefits. But the solution to this lack of financial access is not strictly the government's to solve — banks simply need to do more, starting with actually getting to know the tribes and their people.

“Relationship-building, as in many BIPOC communities, is a critical piece of doing business,” Jorgensen said. “If you don't start building that relationship, your bank is going to miss out. And we find time and time again that bankers don't think that that's important — don't think that they're going to find any profit there and aren't aware of those trends. I think that's a recipe for disaster.”

Lakota Vogel and the Four Bands CDFI will continue to make loans. Sharon Vogel will continue to build housing and find pools of capital to build more. Businesses on Main Street will continue to open and close their doors. Life here, and in other places like it, will carry on. And banks can join them if they want.

“I'm sort of tired of solving [banks'] problems for them,” Lakota Vogel said. “This is a missed opportunity. What are they going to do about it? I need to hear that solution. Get into the mortgage market — that is an unmet need here that I cannot fulfill.”