

A Closer Look

Each of these choices offers advantages and disadvantages.

Let's take a closer look at each choice, considering:

- ❖ The types of products that can be offered.
 - ☐ Deposit products—including checking or checking-like accounts, savings accounts and certificates of deposit—insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA).
 - ☐ Loans such as auto, home mortgage or other real estate, unsecured, agricultural and business.
- ❖ Requirements of the regulatory agencies that supervise and insure the financial institution.
- ❖ The minimum amount of capital, or investment, that is necessary for start up and required by the regulatory agencies. Please note that to increase the probability of success, it may be prudent for the financial institution to have more capital.
- ❖ The management skills and experience that are required by the regulatory agencies and are prudent for increasing the probability of success.
- ❖ Other advantages and disadvantages.

Financial Services Delivery Methods

Delivery Method	Products	Regulatory Requirements	Investment	Management	Other
Mail/phone & direct-deposit transactions	Loan and insured deposit transactions	NA	None	NA	Requires working with existing bank(s) or credit union(s)
Revolving loan fund (RLF)	Only loan products, often small business loans	Not regulated	<ul style="list-style-type: none"> ■ Loan fund capital ■ Office space ■ Management salaries ■ May require continuing infusions of operating funds 	Needs lending and loan-servicing experience	<ul style="list-style-type: none"> ■ Can start small and grow ■ Technical assistance available from CDFI Fund and other entities (see "Additional Information")
Automated teller machine (ATM)	<ul style="list-style-type: none"> ■ Cash withdrawal transactions ■ Deposit and limited loan transactions if ATM owned by bank or credit union 	Application not required	<ul style="list-style-type: none"> ■ Depends if tribe or financial institution owns ATM ■ Cost of machine estimated at \$15,000–\$50,000 	Needs arrangement to service ATM (add cash, repair, etc.), which may be difficult in remote areas	<ul style="list-style-type: none"> ■ Must have volume to support installation and servicing ■ Annual costs estimated at \$20,000–\$30,000
Loan production office (LPO) of nontribal bank	Applications for loans (may not close loan or disperse funds at LPO)	Federal application not required; state regulations may vary	None, unless tribe provides office space	<ul style="list-style-type: none"> ■ Provided by bank ■ Need to relate to community 	May need to demonstrate profit potential to bank
Full service branch of nontribal bank or credit union	Same as bank or credit union	<ul style="list-style-type: none"> ■ Must apply to regulator ■ Must follow all regulatory requirements 	None, unless tribe provides office space	<ul style="list-style-type: none"> ■ Provided by bank or credit union ■ Need to relate to community 	May need to demonstrate profit potential to bank or credit union
A credit union (a nonprofit, cooperative financial institution) owned and run by tribal members	<ul style="list-style-type: none"> ■ Full range of deposit and loan products ■ Deposits insured up to \$100,000 by the NCUA 	<ul style="list-style-type: none"> ■ Must be "economically advisable" ■ Organizing subscribers must be of good character ■ Members must have associational bond (such as tribal membership) 	<ul style="list-style-type: none"> ■ 3,000 initial members; if fewer, need additional support—from a sponsoring organization, for example ■ Funds to pay opening and initial expenses 	<ul style="list-style-type: none"> ■ Must be of good character and fitness and have demonstrated ability to handle financial matters ■ Must have business plan with written policies 	Technical assistance available from CDFI Fund, NCUA and HUD
A bank owned by a tribe or group of tribal investors (new bank or purchase of an existing bank)	<ul style="list-style-type: none"> ■ Full range of deposit and loan products ■ Deposits insured up to \$100,000 by the FDIC 	<ul style="list-style-type: none"> ■ Must meet all safety and soundness tests ■ Must make "financial sense," i.e., have reasonable growth and profitability prospects 	Normally, initial capital of at least \$2 million plus preopening expenses such as legal fees, manager salary and premises costs	<ul style="list-style-type: none"> ■ Must be able to implement business plan and abide by complex bank regulations ■ Must have track record and reputation of honesty, integrity and financial responsibility 	<ul style="list-style-type: none"> ■ May take years to show a profit ■ Regulatory restrictions on bank loans to insiders, including council members and tribally owned businesses

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Additional Information

Where do you go from here?

Talk to the tribal and other community leaders to gauge their support. Get people together in small groups to discuss the issues.

Consider a market study that will:

- ❖ Define the services desired by community members.
- ❖ Define the potential size and profitability of the local market.

Look for sources of capital and develop a preliminary business plan.

Talk to local and not-so-local financial institutions about delivering services to your community.

Stay open to possibilities.

Contact these sources for more information:

First Nations Oweesta Corporation at www.firstnations.org for information about support for Native community-based financial institutions.

CDFI (Community Development Financial Institutions) Fund at www.cdfifund.gov for information about CDFIs and technical assistance.

National Credit Union Administration (NCUA) at (703) 518-6300 or www.ncua.gov for information on and assistance in creating a credit union.

The Comptroller of the Currency at www.occ.treas.gov/corpbook/tribal/tribalp.pdf for "A Guide to Tribal Ownership of a National Bank," which includes an appendix listing contact information for all the federal financial institution regulators.

Alternatives for Delivery of Financial Services

Depending on what type of financial services your Indian Country community needs, you might consider:

- ❖ Bank-by-mail or bank-by-phone and direct deposit
- ❖ A revolving loan fund (RLF)
- ❖ An automated teller machine (ATM)
- ❖ A loan production office (LPO) run by an existing bank
- ❖ A branch of local bank or credit union
- ❖ A credit union owned and operated by tribal members
- ❖ A bank owned by the tribe or by a group of tribal investors

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Delivering Financial Services to Indian Country

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Do You Need Financial Services in Your Indian Country Community?

Do You Need:

- Savings Accounts*
- Checking Accounts*
- Car Loans*
- Home Mortgage Loans*
- Business Loans*
- Agricultural Loans?*

How Can You Get These Services Delivered to Your Community?