

Building Financial Stability for Native Americans: What Members of Congress Can Do

Financial education can help families to avoid predatory practices that trap them in a spiral of debt, and empower them to make decisions that begin to lift them out of poverty. Before low-income families can build financial stability and security, however, they must be careful stewards of their already-scarce resources. They must avoid unnecessary fees and debts, and establish a good credit record or repair a poor one. And they must meet their basic day-to-day needs while beginning to build long-term assets.

These are difficult challenges for all struggling low-income families, who often are one paycheck away from eviction, foreclosure or even homelessness. For Native Americans, the situation is even more dire. According to the U.S. Senate Committee on Indian Affairs,¹ the per-capita income of reservation Indians remains just over one-third of the national average, with Indians having a life expectancy almost four years less than the overall U.S. population. Indians are half as likely as the overall population to have graduated from college. And they often live in reservations in overcrowded, substandard housing that lacks safe and adequate water supply and waste disposal facilities.

A recent Harvard study, "American Indians on Reservations: A Databook of Socioeconomic Change Between the 1990 and 2000 Census,"² reported that the real median household income for a Native American family was \$20,837. In comparison, for the combined races in the U.S., the average median household income in 2000 was \$41,994. And the study confirmed the seriousness of family poverty and child poverty, unemployment rates, overcrowded housing and lack of plumbing and complete kitchen facilities.

If Native Americans are ever going to be able to participate in the "ownership society," as described by President Bush in his January 2005 Inaugural Address, then they must have access to the tools and supports that will enable them to join the economic mainstream. Financial education is one step in that direction.

How You Can Help Build Family Economic Success for Native Americans

Support increased awareness and utilization of the earned income tax credit (EITC). The EITC is one of the most effective anti-poverty strategies ever developed, lifting nearly 5 million people above the poverty line each year. A bi-partisan-supported strategy to reward work and supplement the wages of low-income-families, the EITC can contribute as much as \$4,300 to a struggling family's annual income. Raising awareness of the EITC, and increasing the number of eligible taxpayers who claim it, can make a

¹ Letter addressed to Chair and Ranking Member of Senate Committee on the Budget, from Senator John McCain, Chair, and Senator Byron Dorgan, Ranking Member, U.S. Senate Committee on Indian Affairs, February 18, 2005.

² Jonathan B. Taylor and Joseph P. Kalt, "American Indians on Reservations: A Databook of Socioeconomic Change Between the 1990 and 2000 Censuses," Harvard Project on Indian Economic Development, January 2005.

tremendous difference to qualified Native Americans and other low-income families and bring significant money into stagnant local economies. Research shows that most EITC recipients spend their tax credit on paying bills, securing decent housing, buying clothing for their children, saving for a car, etc.

Support community free tax assistance campaigns or help to start one. Local tax assistance campaigns work to protect the full value of the EITC by helping families avoid spending their EITC or tax refund on unnecessary fees and high-interest "rapid refund loans." By protecting the full value of the credit, the money goes directly into the pockets of families who need it most, and it can be used for meeting basic needs or beginning to build assets for the future. Free tax assistance campaigns may be found in rural and urban areas across the country, or they may be started in conjunction with local nonprofit or faith-based organizations. There also are a number of IRS-sponsored VITA (volunteer income tax assistance) sites³ in Indian Country.

Learn if there are free tax assistance campaigns in your district or state and find out how many of your constituents qualify for and claim the EITC. This information is available from the National Community Tax Coalition (a project of the Center for Economic Progress) at www.tax-coalition.org, or by phone (312) 252-0280. As part of their Congressional Outreach Project, their website provides Brookings Institution data on EITC use which is broken out by Congressional District, state, town, city and zip code.

The National Community Tax Coalition will be happy to provide you with a new CD, "Connecting Constituents to Free Tax Assistance: Opportunities for Members of Congress." The CD features interviews with Rep. Christopher Shays, R-CT, and Rep. Jim Cooper, D-TN, who discuss the importance of the EITC and free tax assistance for their constituents and local economies. The CD also provides numerous examples of effective outreach materials and activities.

Participate in media events in your district around free tax assistance campaigns or financial literacy and education efforts. Lend the prestige and endorsement of your office to these efforts on the local and state level, and prominently post the resulting news releases on your website and in your newsletter.

Record PSAs about the importance of financial education and free tax assistance. Distribute to media outlets in your home district.

Utilize your newsletter, your website, and the communications tools of your office to provide information on basic financial education skills and to warn your constituents about predatory financial practices that prey on vulnerable poor or elderly residents,

³ VITA is a 35-year-old federally funded program that offers free tax preparation services to low- to moderate-income (under \$35,000) people who cannot prepare their own tax returns. Volunteers, sponsored by various organizations, receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located in areas such as community and neighborhood centers, libraries, schools and shopping malls.

charge exorbitant fees and interest, and strip wealth from low-income families and communities. Include contact information for organizations that provide financial education training, credit counseling, free tax assistance, homeownership counseling, etc.

Write letters to business, nonprofit and faith-based leaders in your district, encouraging them to become involved in providing or supporting financial education opportunities for their employees, clients and congregants.

Use your bully pulpit to raise awareness of the EITC, the importance and availability of free tax assistance, the dangers of predatory financial practices and local opportunities for financial education and assistance. Talk about the importance of IDA (individual development account) programs—matched savings accounts for low-income individuals—that help low-income families save and begin to build long-term assets. (Native communities have successfully implemented IDA programs from Alaska to Oklahoma, and Oregon to Arizona. With almost twenty programs that exclusively serve Native communities and many more in development, almost three hundred people have received financial education, developed long-term saving habits, and purchased assets to build the asset base of their family and community.)

Distribute existing financial education fact sheets and informational materials to Native Americans and other low-income families at town hall meetings and other constituent gatherings.

Resources for information:

ACORN (www.acorn.org)

Center for Responsible Lending (www.responsiblelending.org)

CFED (www.cfed.org/focus)

Consumer Federation of America (www.consumerfed.org)

Financial Literacy Repository (www.nefe.nclweb.org/credit/credit.htm)

First Nations Development (www.firstnations.org)

Jump\$tart Coalition for Personal Financial Literacy (www.jumpstart.org)

National American Indian Housing Council (www.naihc.net)

National Consumer Law Center (www.consumerlaw.org)

National Endowment for Financial Education (www.nefe.org)

Native Financial Education Coalition (www.nfec.org)

Office of Financial Education, U.S. Dept of the Treasury (www.treasury.gov)

Oweesta Corporation (www.oweesta.org/eitc)

For more information on what Congressional offices can do to help build financial stability for Native Americans, please contact:

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