



NEWS FROM OWEESTA

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Client News: Full Article

At the Tip of the Mitt: Northern Shores Loan Fund

Insight to One Native CDFI's Journey to Success

Northern Shores Loan Fund (NSLF) just closed its first two loans and there is cause for celebration. NSLF is the new Native CDFI spin-off of the Little Traverse Bay Bands of Odawa Indians (Odawa) also known as the Waganakising Odawak, in Northern Michigan. This is a huge milestone for the NSLF and the Odawa to reach, but it has not been easy getting here. Their journey up to this point has been one of incremental success, full of desire, perseverance, challenges overcome, and aspirations realized.

The economic conditions within the Odawa Reservation and adjacent service areas are much like that of other Native communities throughout the United States – high unemployment rates, poverty rates over the state and national averages, and low levels of financial literacy. For most lenders in the financial industry this would be perceived as a risky area and not one with which they would like to develop a relationship, but surprisingly it is the perfect environment in which a Native CDFI could thrive and make a significant impact.

The idea for developing a financial institution sparked within community meetings of the Odawa back in 2001 while they were working on their strategic plan. The Economic Development Commission (EDC) of the tribe began investigating the possibility of developing a financial institution, and came to the conclusion that a Native Community Development Financial Institution (CDFI) would best serve their community. The group knew that the training and technical assistance that is part of the CDFI business model would ensure the success of the institution, its clients, and ultimately the community. In early 2002, the group submitted an application to the CDFI Fund of the U.S. Department of Treasury for a grant. Although news came that the application was denied later on that year, this group was not deterred. They accepted the fact that they weren't at the required level in their advancement to receive funding and kept their spark of an idea alive.

In 2002 and 2003, a chain of events transpired that would lead the tribe to this point in time for NSLF. A group from the EDC attended a CDFI workshop facilitated by Oweesta in Traverse City, MI as part of a gathering of Michigan tribes. Shortly thereafter, a larger group from the EDC attended a CDFI training by Oweesta at the National Congress of American Indians Annual Convention. This workshop was inspirational for the group and enhanced their desire to develop a CDFI in their community. It also gave them insight to the progress of similar groups and allowed them to gauge their pace and learning process,

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which was actually ahead of the curve in some ways. John Bott, a member of the EDC who attended the workshop acknowledges, "By submitting attending the seminars and attempting the applications, we grew in leaps and bounds. We realized all of our hard work paid off and the bar was set." The group had made up their minds and they were going to persevere until they reached their goal.

At this workshop it was decided to invite Oweesta, to come to the reservation to provide rationale to the tribal council for re-applying for the CDFI grant. The EDC knew they needed the support of their tribal government to be successful in establishing their CDFI. According to Bott, "Oweesta came to the rescue and helped bolster the argument to continue on." Fortunately, the Council was receptive to Oweesta's suggestions and realized there was no reason to walk away from the table. It was necessary for the tribe to re-apply.

Again, the group began the process of submitting their grant application to the CDFI Fund. Bott admits it is a long and tedious process but also realizes, "You need to show them that you have the accountability to move this forward. You need to have the proper systems in place. We have come to appreciate the process." This time there were accounting principles and a grant writer on hand to assist with the application and the group was extra attentive to detail. In June 2004, the Tribal Council approved the application for the grant and the group submitted it to the CDFI Fund. Failure was not a possibility in their minds, and they proceeded truly believing their goal would come to fruition.

In early 2005 the group enrolled in OFN and Oweesta's CDFI Fund-sponsored Native Communities Financing Initiative (NCFI), which included on-site training, virtual learning, and place-based technical assistance. Although costs for basic training and technical assistance site visits were covered under NCFI, the tribe also allocated a portion of money for additional services from Oweesta to ensure their success. The group received an introduction to the CDFI industry and the process of establishing a Native CDFI at the specialized version of the NCFI introductory training session, "Curriculum #1: Does Your Native Community Need a CDFI?". That summer, Stewart Sarkozy-Banoczy of Oweesta returned to the Odawa to assist the EDC in developing a long-range work plan and a timeline for establishing their CDFI. This plan has helped keep the group on course and let them prepare for the steps ahead as they move through the development process.

In October 2005, the door opened a little further for the tribe to progress towards a brighter financial future. Their application for the CDFI grant was approved and they were awarded \$109,000! This allowed them to develop strategic and capitalization plans, conduct a market analysis, acquire office equipment, obtain training for board members and staff members regarding the development and operation of a Native CDFI, and to support operations. Their disbursement did not come for almost a year after

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the award, but Bott explains, "That is not a bad thing because there is a lot of work to be done in the meantime."

Although they had worked hard to get to this point, their undertaking of developing a Native CDFI had just begun. The group continued along their path and attended "Curriculum #2: Organizing a CDFI to Serve Native Communities" in December that year. Through this training session and the technical assistance that followed they learned specifically how they would start and operate their emerging Native CDFI. Topics covered included loan products, business underwriting, capitalization, and marketing. Bott comments on Oweesta's CDFI development program, "Very, very informative. You learned the process of how the CDFI works inside and out and also how the CDFI Fund works inside and out."

Throughout this start up period the EDC began to rely on Chuck Schofield, the tribe's Odawa Enterprise Manager, and his assistant, Susan Swadling. As the work intensified Schofield and Swadling, both tribal members at Odawa, began to take on more of the step by step tasks with the EDC and the staff and consultants at Oweesta. This was another sign that the tribe supported the efforts of the EDC and the staff to get this new organization up and running. This larger team was able to take the development to the next level. "Without Chuck and Susan, it might have taken longer," explains Stewart Sarkozy-Banoczy, VP & COO of Oweesta. "We always tell groups that they have to have at least one person to run the ball, even if the whole team is there learning, cheerleading and making decisions and Chuck and Susan were those ball runners."

With some success under their belt, the group continued executing their work plan and building their organizational structure, all the while gaining momentum. In 2007, the Little Traverse Bay Bands of Odawa Indians applied for another grant from the CDFI Fund and was awarded \$149,991! This award was used to hire personnel, train staff in CDFI development and portfolio management, and purchase supplies. In 2007, the group's spark of an idea fueled with hard work and determination formed into an actual financial institution and Northern Shores Loan Fund was established. In 2008, the group received their third grant from the CDFI Fund in the amount of \$147,885 to be used for designing policies and procedures, staff salaries and training, and purchasing equipment.

In addition to the grants from the CDFI Fund, the tribe matched some of the funding to contribute towards the development and operations of Northern Shores Loan Fund. They wanted to see the success of the institution, plus their existing lending program wasn't working for tribal members. This would be a better solution to help members develop businesses. In fact, the support from the tribal government greatly contributed to the success of Northern Shores Loan Fund. Some groups can encounter adverse reactions when presenting the idea of establishing a CDFI in their community to their tribal councils. However Bott

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confirms, “We had the full support of the tribal government from the get-go. Your government needs to support a totally autonomous entity and it needs to be supported by tribal law. We were very fortunate in that aspect. Some governments want to have control, but that can stagnate the process.” The EDC and staff were able to present the results of the market analysis and milestones to the tribal council, sometimes with Oweesta staff, and that kept them informed, engaged and comfortable with this long term effort to create opportunity business people on and off the reservation.

The group worked closely with Oweesta as they continued to create their capitalization plan, develop loan products and technical assistance services, and establish lending policies and procedures. “Oweesta was a plethora of information,” expresses Bott. From early on, the group recognized the importance of partnering with Oweesta and other national, regional and local organizations. Oweesta attributes the success of Northern Shores Loan Fund to the strong foundation set on the tribal side and their determined EDC and staff that acted as a task force in developing the CDFI. The tribe was also working on legal and governmental aspects of the business and economic development arena for the tribe and that helped set the stage for NSLF. “The tribe took the time to work on their Uniform Commercial Code, corporation codes, courts, a department of commerce and many other infrastructural issues that led up to the development of the CDFI,” states Sarkozy-Banoczy. “I remember Chairman Ettawageshik saying to the EDC that the new CDFI would be able to incorporate under sovereign tribal law and it did.”

In July of 2008, Lisa McComb was brought on board as the first Executive Director of Northern Shores Loan Fund, bringing with her experience and insight in the banking and non-profit industry. It was also at this time that the institution settled into their new office and was able to have their own physical location to operate in. McComb has spent the majority of her time so far networking, building partnerships, and even speaking at events. “A lot of this is getting the word out about who we are and what we do. Trying to get in front of the people who truly need our services,” reflects McComb. After six months, it is starting to pay off as Northern Shores Loan Fund is now getting referrals.

McComb looks forward to having a positive impact not only in their Native community but also in Northern Michigan (NSLF will lend to Odawa tribal members and other Native people within their service area). She states, “Having worked in the banking industry I see that CDFIs have the opportunity to serve a struggling market, small businesses that may not make it. I am optimistic and it is exciting to provide something that so many people need.” She sees the key to their future success as pin-pointing the needs of the community and having the products and services in place that will meet those needs, not only in technical assistance but in loan products as well. NSLF will change the economic environment of the Little Traverse Bay Bands of Odawa Indians Reservation and many of the surrounding counties and communities by contributing to the creation of jobs and increasing financial literacy.

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Seven years after its conception, the Northern Shores Loan Fund has emerged and is on the brink of closing two more lending deals, for a total of four. In order to get to that point, the EDC group persevered with education, training and technical assistance. Bott, now Chairman of the Board of Directors for Northern Shores Loan Fund, reflects upon their journey, "We kept the course. There were a lot of times where we could have gotten discouraged but we wanted to see the fruits of our labor. We weren't going to quit until we did it. It is quite a process but really worth it in the end."