

INDIAN COUNTRY TODAY

Applying Traditional Values In Today's Economy



By Tanya Fiddler

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It is important to arm our people with the knowledge to combat predatory lenders. It is common for predatory lenders, those with outrageous fees and extraordinarily high interest rates, to operate in border towns of reservations where they prey on the desperate monetary needs of low-income people. However, a Native-owned online lending organization located on the Cheyenne River Indian Reservation, apparently, was providing loans with interest rates of up to 300 percent not only to our own community members but also to out-of-state residents. Now, [the Colorado Attorney General has filed a lawsuit against this lender](#) for making unlicensed high-interest loans to consumers in his state.

The lender's response: State laws do not apply to tribal members operating within the confines of their own reservation. Come to find out, this lender is not the only one hiding behind the veil of tribal sovereignty. Internet-based payday lenders in several states are fighting legal battles with similar defense tactics—they are immune to state laws and regulation because they are “tribal enterprises.” It seems as though the tribes are being used as fronts for these lenders to skirt consumer protection laws. Now, that puts an interesting twist on the predatory lending debate.

Let's assume for argument's sake that the defense of this lender from Cheyenne River is valid. Even if it is legally protected by our sovereign nation, it is contradicting the very essence of our Lakota culture. I have been persevering alongside many other talented and dedicated Indians in the United States to help develop private enterprise in Native communities for the past 15 years. The major difference between the Indian business model and the mainstream business model is that we carry our cultural beliefs into our business dealings. A Lakota who honors her culture would never charge a 149 percent interest rate or collect \$300 in fees on a \$500 loan because it violates the value of respect, or *waohola*. Mainstream business may not care at what price they turn a profit, and they may take advantage of their clients' desperation and ignorance to put more money in their own

pocket. But my peers have carefully and deliberately incorporated their unique cultural values into their work to bring good to the community, not just an individual.

That said, there is nothing to stop this lender or any Native business owner from abandoning his cultural values in their business practices. Free will and the free market allow people to make their own choices and act as they wish. So, how do we combat predatory lenders?

We are lucky to have several organizations, networks and coalitions in and out of Indian country that advocate for consumer-protection policies and develop alternatives to predatory lending, such as low-interest consumer loans, credit-building loans and financial education. The lender in question happens to be one of the main competitors to my Native Community Development Financial Institution (CDFI), Four Bands Community Fund, where we work to renew our traditional Native value of wise resource management in today's economy. To date, we have helped dozens of our community members break free from the never ending cycle of high-interest payday loans through our credit-builder loan program. This program provides individuals with lower interest loans as a less expensive way to pay off debt and with financial education to help them make better-informed choices in the future.

The individuals who complete our financial education course learn fundamental concepts of personal financial management. They learn the importance of budgeting and saving in addition to the wise uses of credit. Instilling this knowledge in our people is the most effective way to triumph over predatory lenders. We have had clients show us credit offers they have received in the mail and identified them as unwise financial choices. Some of these offers have 79.99 percent interest rates and \$220 in fees on a \$250 line of credit. One of our clients even called the lender to inform them they had a typo in their offer, thinking a 79.99 percent interest rate couldn't actually be correct, only to find it was indeed true. It is inspiring to see that these people are no longer easy prey for predatory lenders.

This situation reinforces the importance of the financial literacy work of Native CDFIs and other organizations. Once our people have the knowledge they need manage their resources, it no longer matters what predatory lenders do. It doesn't matter if they charge 1,200 percent interest rates or disguise their business as a tribal enterprise. It doesn't matter if they hide their fees and interest in the small print, because our people will possess the skills they need to make informed choices. They will know what reasonable interest rates and fees should be. They will never incur long-term debt from a small-dollar loan. Their knowledge will offer them protection and freedom from those who do not operate under the same value system.

Tanya Fiddler, a Cheyenne River Sioux tribal member, is the executive director of Four Bands Community Fund and the founding co-chair of the [Native CDFI Network](#).