

# Montana Making \$ense News

November/December 2008

## Building Financial Stability for American Indians

By Tina Begay, Executive Director, American Indian Business Leaders



As executive director of American Indian Business Leaders (AIBL), financial literacy among American Indians is very important to me and the students we serve. I have had the honor of working with Native communities over the past ten years, and one of the biggest challenges we face is financial stability. Often times the lack of credit history or bad credit stops many would be entrepreneurs from starting their dream business. The skills of spending wisely, making saving a habit, and using money as a tool to fulfill goals are unfamiliar concepts for many Native families. Native communities are not achieving their economic potential because most do not understand the fundamental concepts of managing their finances. This is true not only for Native families, but for most Americans.

I would predict that most Native communities are cash societies. I have no documented research to back this claim up. However, I do know that most of the Native people that I associate with or come into contact with don't have checking or saving accounts and have no desire to have one. I have taught many Financial Education courses and workshops over the years. I have come to realize that Native people prefer to deal with cash. Why is this so? The following are some of the answers I have heard:

"I had a checking account before but I got myself in trouble writing bad checks."

"I don't write enough checks."

"I can't manage or balance an account."

"I can't afford bank fees."

"I don't trust banks."

So how do most Natives manage their money? How do we cash checks and pay our bills? Natives have an informal system of managing their money. A majority of Natives cash their checks via check cashing establishments, purchase money orders to pay their bills, and stash money in their homes. This system is common among Native people. Unfortunately, this system is not only costly and time consuming, but it is impeding our path to financial stability. AIBL offers five tips to get participants started on the path to financial stability:

**1. Stop Using Your Savings Account as a Checking Account.** Do you have a savings account, but not a checking account? Do you use your savings account to cash your checks? Do you pay your monthly bills with money orders? If you answered yes to any of the above questions, you are missing a great opportunity to show lenders that you are a responsible, reliable, and accountable person. I have often wondered why lenders ask if you have a checking or savings account on the credit application. Having a checking and savings account has no bearing on your credit score, so why do lenders ask this question? Lenders want to know if you have a checking and savings account, because this shows them you know the basics of managing and controlling your money. If you have a savings account then it shows you are planning for your future. Therefore,

if you are using your savings account as a checking account why not open a checking account and show the lender you have control of your money?

2. **Know your credit score.** Under the Fair Credit Reporting Act, you are entitled to one credit report a year, at no cost. Don't put off getting your credit report. Go online today at [www.annualcreditreport.com](http://www.annualcreditreport.com) and retrieve your free credit report. Many people avoid getting their credit report because they already know it is "bad." If you are going to make any positive changes towards improving your credit score you must know where you stand. FICO scores are the credit scores most lenders use to determine your credit risk. FICO Scores range from 300-850, higher is better. The medium FICO score in the U.S. is 723. FICO scores are calculated based on your ratings in five general categories: Payment History 35%, Amounts Owed 30%, Length of Credit History 15%, New Credit 10%\*, and Types of Credit used 10%. Payment history has the most impact on your credit score. Therefore, I cannot stress enough how important it is to pay your bills on time.
3. **Do a budget.** Write it down now. Gather your family and write a budget together. It is important to involve your family. Family finances should not be the sole responsibility of one person. Like with any family goals it is important that the entire family is involved in the decision making process so they take ownership to the success of the goals. Developing a family budget is the first step to making a difference in your family's financial future. It is important that your family knows how much money is spent and how much income is coming in monthly. Including your kids in the process will help them take ownership to balancing the budget. I recommend that families develop an excel spreadsheet to list their expenses and income. However, if you don't have access to an excel spreadsheet program, use a good old fashioned spiral notebook. The key to success is writing it down.
4. **Calculate your Debt-to-Income Ratio.** Divide your total monthly debt by your total monthly income to calculate your Debt-to-Income (DTI) Ratio Percentage. If your DTI ratio is less than 10% you are in good financial shape, 10%-20% you a good credit risk, 20-35% credit is questionable, 35% and higher you are considered a high credit risk. To get your percentage lower, make a financial goal to pay off your higher interest rate debt first.
5. **Live within your means.** This rule is simple but hard to follow. You must be disciplined. Simply don't buy items you cannot afford. If you are tempted to charge it, don't buy it. If you really want something then you will take the time to save until you have the entire amount to purchase the item. Most people spend 10% more than they make\*\*. Don't let this happen to you make sure you know how much money you have left at the end of each month to spend. For example if you are paid bi-weekly construct your budget so you know how much expenses are coming out of each check and how much is left that you can spend. Challenge yourself and your family to not spend more than you can afford. Sometimes this means staying home for the weekend and playing cards, board games, or stick (hand) games. There are many things you can do for little or no cost.

In conclusion, don't just think about your financial future, take specific steps to make your financial situation better. Take action now. A basic understanding of household budgeting, checking and savings accounts, and credit scores will allow you to take full advantage of the economic opportunities in Indian Country.

\*About FICO Scores. [www.myfico.com](http://www.myfico.com)

\*\*Most People Spend 10% More Than They Make! <http://www.mvelopes.com/mvelopes/sales/budget-worksheets.php?cpn=AFC-budgetadvice&accessCode=D001002002>

## Featured Site: AIBL

American Indian Business Leaders (AIBL) is a non-profit organization, housed at the University of Montana's Gallagher School of Business, with Chapters across the United States. We are the only American Indian non-profit organization solely dedicated to empowering K-12 and college aged students for future business careers. We intend that those future business leaders will use their education and experience to assist in empowering tribal economic environments.

Because AIBL believes that good business leaders and future entrepreneurs must have good money management skills, we provide a variety of tools to help them. For example, we have two methods in which we approach financial literacy education:

- One is our Business Math Program, which is a 15-week course that provides a proven, culturally appropriate business math program to teach American Indian students about financial literacy, entrepreneurship, and college preparation.
- We also have constructed guidelines and materials for Chapters to host their own AIBL Financial Wisdom workshops, which are all posted on the AIBL website.

As the AmeriCorps member at AIBL, my focus is on financial literacy for pre-college Native American students. I play a key role in AIBL's Financial Wisdom on-line curriculum. My tasks for AIBL are both (1) to support the development of our internet site so we provide financial training material on-line for AIBL chapters and (2) to ensure AIBL chapters host Financial Wisdom workshops, though they are many, many miles away. I also assist other MM\$ members in implementing financial literacy curricula.

We challenged all AIBL Chapters to help us organize AIBL Financial Wisdom Workshops in their communities. To host an AIBL Financial Wisdom Workshop you need to download the guidelines and request a Financial Wisdom Packet from our office. Everything needed to host the workshop is in the packet.— you can visit [www.aibl.org/financialwisdom](http://www.aibl.org/financialwisdom) to see our information. — *Leia Loonsfoot*

**Leia Loonsfoot** is a member of the Blackfeet Tribe. She lives in Missoula with her husband Mike and their three children, Kobe, Jayda, and Laz. She is pursuing a second minor in Native American Studies from the University of Montana . This is her second term with MM\$ and AmeriCorps. She has a Bachelors degree in Business Administration and a minor in History. When not attending classes or working with AIBL, she spends time with her family, watches reality shows on TV, reads, and goes for long walks. Upon completing her term with MM\$ she would like to earn an MBA at the University of Montana. She wrote “I am proud to say that I completed my first service term in October and my baby also turned one in October, so it was a milestone for the both of us.”



## MM\$ Native American Members

There are 8 native Americans currently enrolled in MM\$ AmeriCorps. They represent half the current 2008-2009 members.



**Michaelynn Hawk** — Michaelynn is a member of the Crow tribe. She and her family have lived in Butte for more than 10 years. She has six boys; two are still at home. She splits her time between two sites — Consumer Credit Counseling Service and National Affordable Housing Network.

**Georgianna Horn** — Georgianna is a member of the Blackfeet tribe. She has lived in Browning for most of her life. After attending a financial education class, she became interested in AmeriCorps. Besides serving as a member with Browning Community Development Corporation, she is enrolled at the Blackfeet Community College.



**Mildred Kinsey** — Mildred is a member of the San Carlos Apache Nation, from Arizona. She is married and has four children — the two youngest are still at home. She hopes that her service will assist her community members “to move from a feeling of helplessness in high unemployment and poverty to a feeling of satisfaction from realizing their dreams

**Darrell LaMere** — Darrell is a member of the Winnebago Tribe of Nebraska. He has lived in Billings for about 20 years. He's in his second year as an AmeriCorps member, serving part-time with the Native American Development Council. He also has a full-time position with homeWORD and a bi-weekly public affairs broadcast, *Community Seven Television*



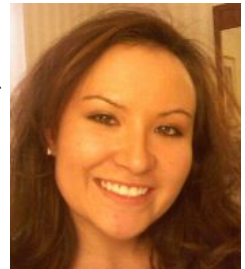
**Leia Loonsfoot** (see page 3 in this issue)

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**Amica Morning** — Amica is a member of the Crow tribe. She and her husband live in Crow Agency with their two little girls. She served with AmeriCorps while at Salish-Kootenai Community College in Polson. Her current AmeriCorps service is with the Crow Agency Housing Authority. She believes, “AmeriCorps offers a good opportunity to work with people who need financial education to bring themselves out and develop better habits.”



**Ali Smith** — Ali is a decedent of the Blackfeet tribe. She will be graduating with an Associate degree of Computer Information Systems and Applied Technology from the Blackfeet Community College. She leads a community wide project to support the local food bank. Her main priority is her son, Kolton, who is four and already knows the importance of college. After completing her term as a volunteer she will be certified as the equivalent of a professional tax preparer.



**Marlene Werk** — Marlene is a member of the Gros Ventre tribe of Fort Belknap. She has lived in Hays for most of her life. Her two boys spent most of their young lives there also. She is blessed with five beautiful grandchildren. For the last five years, she has been engaged with non-profits; currently, she serves her community as the Executive Director of the Hays Community Economic Development Corp.

A favorite set of teaching materials for working with Native Americans is *Building Native Communities: Financial Skills for Families*. According to Leia Loonsfoot, AIBL uses portions of the workbook in its classes. Leia wrote: *We use . . . the Building Native Communities: Financial Skills for Families curriculum. The first week is “Building a Healthy Economy” and involves learning about how Native people have always managed their resources wisely. Students will complete . . . the circle of life exercise, and share their community’s resource management stories. The second week is “Developing a Budget”, in which students will learn about how a budget is a tool to manage their financial resources. The lesson will be in correlation to how Native people have practiced sustainable resources management for generations (e.g. portions of the harvest were regularly stored for future consumption) and how these same budgeting skills are necessary to manage financial resources*

## Program Year Progress

**Each newsletter will include a summary of progress toward MMS program goals for 2008-2009. This report shows early results for our new members.**

	Septem-ber/October	Progress to date	Program Year Measure
<b>Overall objective: Number of Program Recipients</b>	56	56	700
<b>1a. Assessed beneficiaries will demonstrate improvement</b>	100%	100%	80%
<b>1b. Respondents will report positive changes in the behavior.</b>	—	—	60%
<b>2a. AmeriCorps members will successfully recruit volunteers</b>	9	9	70 volunteers to serve 700 hours
<b>2b. Volunteers serving 10 hours or more will report a strengthened commitment to community service</b>	—	—	75%

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***We're on the net!***

***[www.dhc.umt.edu/oce/mms.html](http://www.dhc.umt.edu/oce/mms.html)***