

FOR IMMEDIATE RELEASE:

Manitoba credit union voluntarily withdraws from federal program

Winnipeg (Feb. 3, 2011) – Assiniboine Credit Union (ACU) of Winnipeg has chosen to withdraw from a federal loan subsidy program intended to stimulate lending to Aboriginal businesses.

Tribal Wi-Chi-Way-Win Capital Corporation (TWCC) said today it has been informed that the board of directors of ACU voted to give Ottawa notice of its intention to leave the Loan Loss Reserve initiative of Indian and Northern Affairs Canada (INAC).

“We congratulate ACU for the doing the right thing and acting on principle,” said Alan Park, Chief Executive Officer of TWCC, a Winnipeg-based Aboriginal financial institution.

“When there is a level playing field we all win. We are looking forward to working alongside ACU in building a strong Aboriginal economy.”

“We’ve worked closely with numerous tribal councils in the past, which was one of the reasons ACU was selected by INAC to administer this program,” said Al Morin, ACU’s President and CEO.

“But in the end, the very Aboriginal communities we sought to serve were feeling disenfranchised by INAC’s decision to offer the loan-loss reserve only to mainstream financial organizations.

“By stepping away at this time, we believe we can better support TWCC in their efforts to have this type of programming available to all Aboriginal financial institutions.”

The LLR initiative is the subject of a lawsuit filed in the Federal Court of Canada a year ago by TWCC.

INAC set aside \$15.5 million in 2009 to finance loan guarantees for five selected mainstream financial institutions – of which ACU was one -- to backstop loans to Aboriginal businesses. Aboriginal financial institutions were deemed not eligible for the subsidies.

TWCC is seeking judicial review of the LLR initiative because the future viability of Aboriginal financial institutions is threatened. “AFIs simply cannot offer as attractive interest rates to borrowers if their non-Aboriginal competitors have federal subsidies to underwrite risk,” Mr. Park said.

Mr. Park added it is time for Ottawa to recall the LLR initiative and redesign it into something that will not deprive Aboriginal people of their own lenders.

AFIs originated more than 20 years ago when Ottawa provided \$200 million in seed capital to facilitate lending to Aboriginal businesses. There are now 57 AFIs across the country providing loans to businesses in First Nation, Métis and Inuit communities. In total, the AFIs have written 36,000 loans worth more than \$1.4 billion.

In another sign the LLR initiative is not working, the government's own figures show the five non-Aboriginal lenders provided just \$4.24 million to native businesses since April 2009 – an amount virtually equal to the loans TWCC wrote in the same period.

Figures obtained from INAC show the five mainstream lenders approved loans worth \$3.43 million in the fiscal year 2009-2010 ended March 31, and \$818,000 by the end of the second quarter ended Sept. 30 of the current fiscal year for a total of \$4.24 million.

Mr. Park said those poor results show that the \$15.5 million set aside to finance the loan guarantees has served no practical purpose and is basically wasted.

“This was money originally earmarked for Aboriginal economic development just sitting in a bank account helping no one,” Mr. Park added.

“It is time for Ottawa to swallow its pride and redesign this program to include the AFIs. These are the people who know best the communities they serve.”

Established in 1993 with just three employees, TWCC has written more than \$34 million in loans in 45 First Nations communities in Manitoba. It has 150 employees today.

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