



For Immediate Release

Ottawa gives preferential treatment in Loan Loss Reserve Program (LLR) despite promises to support Aboriginal economic growth.

Winnipeg, Man. (Jan. 7, 2010) – A leading Manitoba Aboriginal financial institution is seeking a judicial review of Ottawa’s latest initiative involving lending to Aboriginal entrepreneurs because it represents a significant step backward.

In documents filed in Federal Court today, **Tribal Wi-Chi-Way-Win Capital Corp. (TWCC)** said Indian and Northern Affairs Canada broke its own rules by excluding all Aboriginal financial institutions (AFIs) from the Loan Loss Reserve program, a type of loan guarantee to reduce risk to lenders providing debt financing to small and medium enterprises in Native communities.

Ottawa called on mainstream non-Aboriginal financial institutions exclusively to participate in the LLR program despite public statements by Chuck Strahl, Indian and Northern Affairs Minister, that AFIs have an excellent track record in providing badly-needed seed capital for economic growth in First Nations, Métis and Inuit communities.

“This is a prime example of INAC saying one thing but doing quite another,” said Alan Park, TWCC Chief Executive Officer. “We’re back to a system of funds earmarked for Aboriginal people being given to non-Aboriginal banks to be loaned back to Aboriginal people. It is a huge step backward.”

Mr. Park said mainstream lenders; banks and credit unions had little interest in lending to Aboriginal communities and this is why 57 AFIs were formed two decades ago. Now with the LLR to support them, the non-Aboriginal lenders will have an enormous risk-free competitive advantage over the AFI’s.

AFIs by virtue of their Federal agreements are unable to leverage assets under federal rules. In addition, the AFIs have had to charge higher interest rates to borrowers to cover risk and since they won’t have the federal LLR program backstopping them, the situation will endure, Mr. Park added.

TWCC also filed complaints with the federal Treasury Board and the Auditor General.

AFIs have invested \$1.3 billion in native Canada through more than 30,000 loans to Aboriginal entrepreneurs. Strahl has publicly referred to them as a highly successful venture. “This access to capital has been – and continues to be – critical to long-term Aboriginal economic self-sufficiency,” Strahl said in a speech to the Empire Club in Toronto on May 15, 2008.

Yet, six months later INAC secretly invited 22 non-Aboriginal financial institutions to participate in the LLR program without consulting any AFI.

TWCC has retained the services of Winnipeg law firm of D’Arcy & Deacon LLP in order to reverse the decision of INAC to exclude the Aboriginal lenders from the LLR program and to prevent INAC from undermining a highly successful program and from threatening the sustainability of AFIs like TWCC.

Ironically, the LLR program appears to be almost identical to a forerunner program developed jointly by INAC and the AFIs, the Risk Premium Offset Program, which INAC approved in 2007.

“This is a typical Government double cross,” said Mr. Park. “INAC then takes the idea and gives it to the banks and credit unions under a new name – Loan Loss Reserve program. This gives competitors who would never touch the Aboriginal market a distinct advantage and impairs the ability of TWCC to serve its market base, the most disenfranchised of all Canadians - Aboriginals.”

Mr. Park called on others in the Aboriginal community to demand answers from Ottawa as to why Ottawa did not put that effort into enhancing the existing system and instead focused on undermining a program that has been making a difference.

“All these banks and credit unions now have all their loans to Aboriginal businesses guaranteed by the government,” said Chief Bill Traverse, Assembly of First Nations Regional Chief, Manitoba. “The Aboriginal financial institutions do not. That is a double standard, pure and simple and we have to fix that. We demand accountability and transparency in terms of how money has been invested to date.”

TWCC, with offices at Winnipeg, Dauphin, Man., and Peguis First Nation, has turned over their initial capital base some 5 times between its inception in 1993 and 2008 with more than 325 commercial loans worth nearly \$16 million. It has also provided more than 75 loans worth \$900,000 to Aboriginal youth entrepreneurs and 300 farm loans totaling more than \$15 million.

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