



Banks & Broadband
NREDA Conference
Friday, November 9, 2018

Purpose of the CRA

- Encourages federally insured banks and thrifts to help meet the credit needs of their entire communities, in particular, historically underserved people and places (this may include working together with community organizations to promote the availability of credit and other banking services)
 - Low- and moderate-income people & geographies
 - Underserved or distressed non-metropolitan middle-income geographies, or certain designated disaster areas
 - Must be consistent with prudent, safe, and sound business operations
 - An affirmative obligation

Proposed Q&A §___.12(g)(4)(iii) New Example - Activity in Underserved Nonmetro Middle-Income Geo

- Provides guidance on how examiners consider activities related to the expansion of broadband infrastructure in CRA defined underserved non-metropolitan middle-income geographies
 - Important to global competitiveness, job creation, innovation, and expansion of markets for American businesses
- Availability of broadband is essential to:
 - Access digital banking services, particularly in light of shift away from branch-based delivery systems
 - Promote economic development as small businesses become more reliant on related technologies for payment processing systems, remote deposit capture, access to credit facilities and markets, and to deliver products

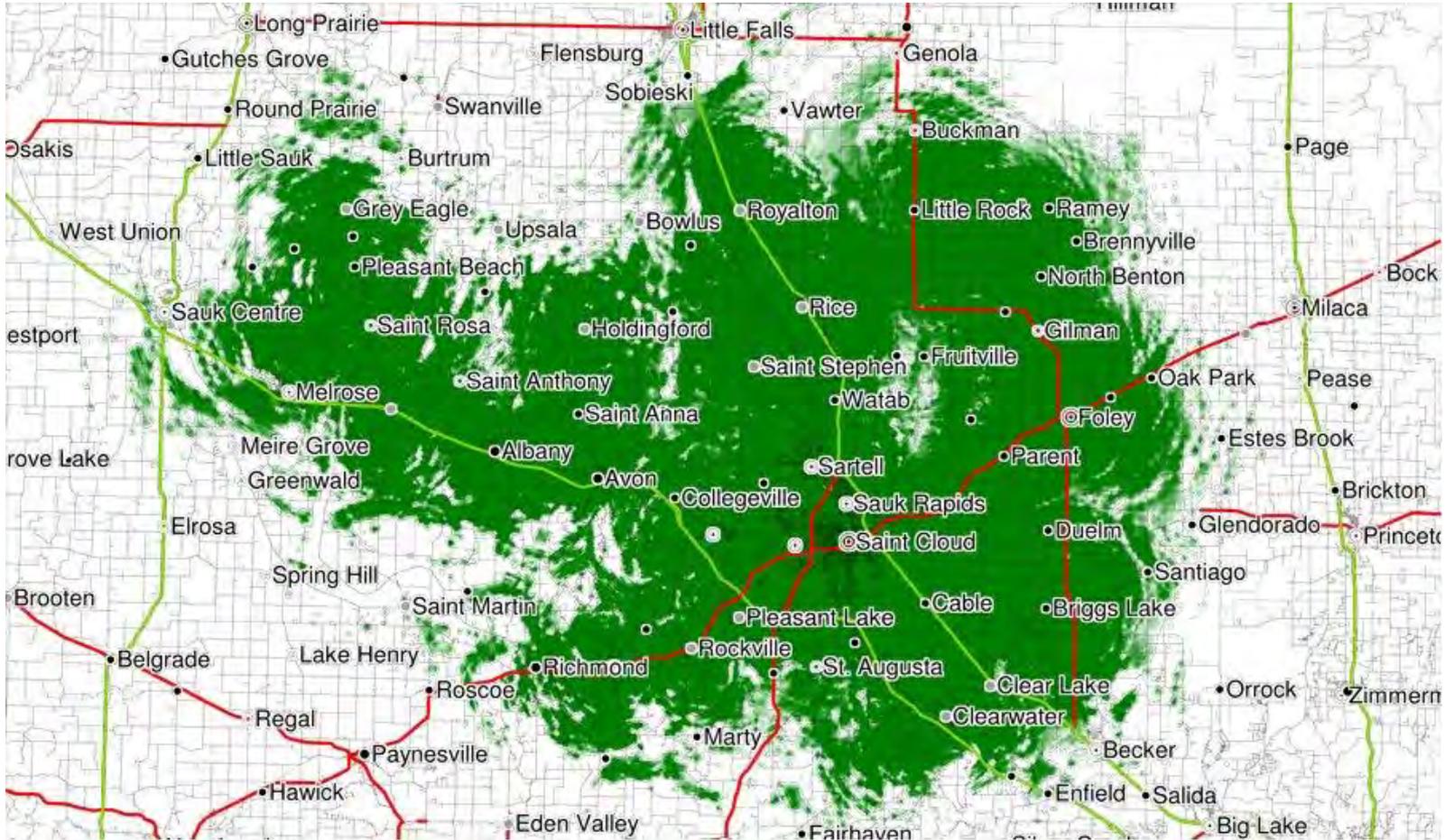
CRA & Rural Broadband

- Projects begun before change to the CRA.
- Banks used Community Development financing tools.
- Small Banks may not be motivated by the CRA.
- Large Banks may be motivated by the CRA.

CRA: Community Development Products

- New Markets Tax Credits
- USDA RD and SBA Credit Enhancement and Direct Loan Products & Programs
- CDFI Subordinated Debt
- Equity Investments: banks, CDFIs, Foundations, Socially Responsible Investors

Palmer Wireless



Palmer Wireless

- Palmer Wireless is a local wireless company bringing affordable cell phone and high speed internet service to Central Minnesota.
- Palmer Wireless has 25 towers surrounding the communities of Palmer, Duelm, Clear Lake, Becker, Foley, Sauk Rapids, Cold Spring, Clearwater, St. Joseph, Sartell, Waite Park, Rockville, Pleasant Lake, Big Lake, and Elk River communities.
- They are a locally owned and operated business and proud to be part of the local communities we serve.

Falcon National Bank

- To us, “service” is about more than being kind and accessible. It’s about helping you take the next step in your financial life, whether that’s helping you buy a new home or taking your business to the next level. That’s Falcon National Bank.
- We're proud to be an SBA Preferred Lender who offers real opportunities to fuel growth and small business expansion. We understand the needs of local businesses. We have a reputation for providing personal service, a knowledgeable staff with SBA lending experience, local decision making with prompt loan funding, and customized financing options.

SBA 7a

- The 7(a) program is the Small Business Administration's (SBA) flagship loan guaranty program.
- The program helps creditworthy small businesses acquire financing when they cannot otherwise obtain credit at reasonable terms. The program covers business borrowing requests in which the business has sufficient cash flow to repay the loan but may not have the necessary collateral or history required by a bank's lending policy.
- The proceeds of a 7(a) guaranteed loan may be used to purchase machinery, fixtures, and supplies; make improvements to land and buildings; finance receivables and augment working capital; acquire and start businesses; and refinance existing debt under certain conditions.

Palmer Wireless/FNB Falcon/SBA 7a

- Between 2009 and 2015 SBA provided combined 7a loan guarantees of \$806 thousand (71%) on seven Falcon loans totaling \$1 million. The loans financed the buildout of fiber optic cable directly to homes, schools, and businesses, as well as to towers for wireless broadcast to communities within Palmer's rural service area.
- In 2016 and 2017, the State of Minnesota contributed grants totaling \$545 thousand through the Border to Boarder Broadband program that played a role in enabling the bank to lend to the project. The project began in 2009 and is ongoing.

GreatWave Communications



GreatWave Communications



- Founded in 1897, GreatWave Communications grew from an operator-assisted telephone exchange serving 120 customers to become Ashtabula County's primary telecommunications provider serving 2,000 telephone customers, 1,650 cable television subscribers and 3,200 broadband internet users.

GreatWave Communications

- GreatWave operates in a low-income, rural area designated as an SBA Hub Zone and as severely distressed by the Appalachian Regional Commission. Without NMTC investment, GreatWave could not expand services to meet growing demand within a reasonable timeframe.
- The company's expansion plans include improving infrastructure, buying equipment and deploying phone, cable and internet services to an additional 50 business and 600 residential subscribers per year in a region that has been overlooked by broadband internet industry giants.

US Bank Community Development Corporation

- For more than 25 years, U.S. Bancorp Community Development Corporation (USBCDC) has worked with partners to strengthen communities by supporting the development of affordable homes and commercial properties and the promotion of community-enhancing businesses and clean-energy technologies.
- As of March 31, 2017, USBCDC and its affiliates have successfully leveraged federal and state tax credit programs to provide more than \$23 billion of investments and nearly \$3.6 billion in loans to operating business, commercial property and affordable housing developments and renewable energy facilities throughout the United States.

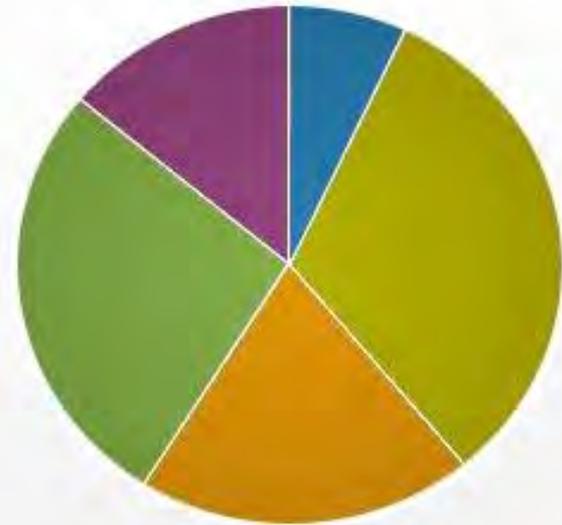
US Bank Community Development Corporation

Current financial commitment by business line

\$26.8 billion in tax credit equity and \$3.7 billion in loans

Q1 - 2017

	Historic	7%
	Renewable Energy	27%
	Low-Income Housing	32%
	Debt Products	14%
	New Markets	20%



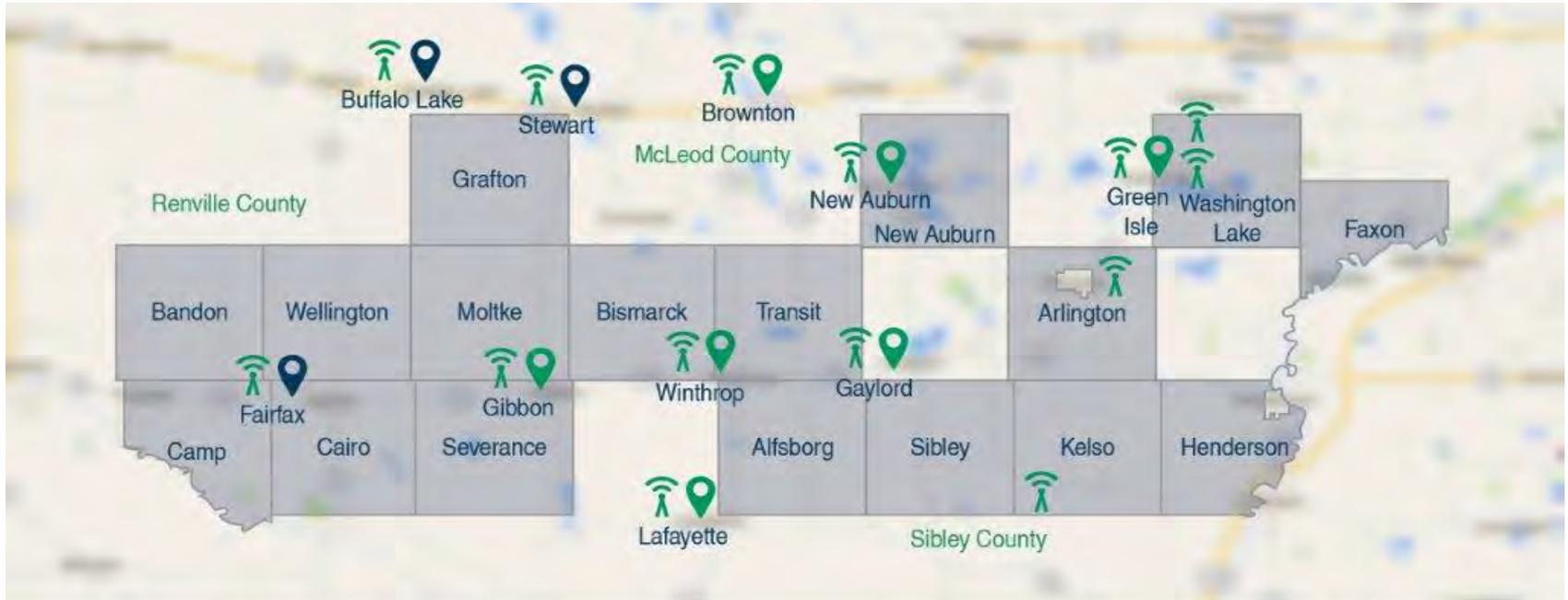
New Markets Tax Credits

New Markets Tax Credit (NMTC) financing enabled a GreatWave to accelerate deployment of high-speed broadband telecommunications services in rural Ashtabula County. The growth will help drive local economic development and create or retain 54 jobs. It will also help attract and retain business, improve education and enhance the quality of life for area residents.

GreatWave/US Bank/NMTC

A \$5 million NMTC allocation from **Finance Fund** and \$4.5 million allocation from the **Development Fund of the Western Reserve** attracted private investment needed to capitalize GreatWave Communications' growth. Among those investors was **US Bank**. In September of 2016, the bank provided \$3.2 million in equity through the purchase of tax credits.

RS Fiber Cooperative



- = Township Included in RS Fiber Service Area - Active
- = Township Included in RS Fiber Service Area - Coming Soon
- 📍 = Communities Included in RS Fiber Service Area - Active
- 📍 = Communities Included in RS Fiber Service Area - Coming Soon
- 📶 = RS Air Tower - Active
- 📶 = RS Air Tower - Coming Soon

RS Fiber Cooperative

RS Fiber is a community driven effort to bring high-speed fiber optic connectivity to the people and businesses of 10 communities and 17 townships in west central Minnesota.

- In 2017 RS Fiber Cooperative completed direct fiber optic connectivity, Fiber to the Home (FTTH), at up to 100 megabits of bandwidth to homes, businesses, health care facilities, schools, and local government offices in the 10 communities;
- In 2017, RS Fiber completed construction of 14 RS Air Towers providing wireless service to rural farm and business in the 17 townships. Build out of FTTH expected in 2021.

RS Fiber Cooperative

- A cooperative is a legal entity owned and democratically controlled by its members. Members often have a close association with the enterprise as producers or consumers of its products or services.
- Cooperatives are typically based on the cooperative values of “self-help, self-responsibility, democracy and equality, equity and solidarity” and the seven cooperative principles: Voluntary and open membership; Democratic member control; Economic participation by members ;Autonomy and independence; Education, training and information; Cooperation among cooperatives; Concern for community

RS Fiber Cooperative/Multiple Sources

Phase One Funding Sources

- Blandin Foundation \$100 thousand
- General Obligation Bond \$8.7 million
- State of Minnesota Broadband Grant \$1 million
- Bank Consortium \$6.5 million
(ProGrowth, Cornerstone, FNB Fairfax)
- REED (CDFI) \$1.5 million
 - USDA REDL \$1 million

RS Fiber Cooperative/Multiple Sources

Phase One Continued

- EBITDA \$1.6 million
- Patron & Non-Patron Member Equity \$375 thousand
(FNB Fairfax, PWI)

TOTAL \$21 million

Phase Two Funding Sources (secured and projected)

- General Obligation Bond \$4.9 million
- EBITDA \$22.6 million
- Non-Patron Member Equity \$4.6 million

TOTAL \$32.1 million

Contact Information

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