CRA in Rural Communities

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Background

- Dacotah Bank is considered a large bank for CRA Purposes
- 32 bank locations
- Asset size is just over $1.6 billion as of December 31
- 499 bank employees
- Is a full service bank offering consumer and commercial services as well as insurance and trust services
Background

- As Dacotah Bank grew, so did our compliance challenges with CRA
- Community Sizes and Opportunities
- CRA Definition Change for Distressed and Underserved Tracts
Community Development (CD) Loan Example

- 2004-6 CD Loans
- 2005-14 CD Loans for $3,680,642
- 2006-26 CD Loans
- 2007-28 CD Loans
- 2008-29 CD Loans
- 2009-32 CD Loans for $12,819,348
Existing Partnerships

- SDREI-South Dakota Rural Enterprise Institute
- HAPI-Homes are Possible Inc.
- Habitat for Humanity
- Absolutely! Aberdeen
- Development Corporations
Existing Partnerships

- Dakotas America
- NESDEC-Northeast South Dakota Economic Corporation
- ICAP-Interlakes Community Action Partnership
- Small Business Administration
- USDA Rural Development
- Provide FHA and Housing Authority Programs
What has this meant for Dacotah Bank?

- Dacotah Bank has received CRA credit in working with these partnerships by:
  - Serving on boards;
  - Providing donations to the organizations;
  - Purchasing bonds;
  - Working on community development loans;
What has this meant for Dacotah Bank?

- Equity Equivalent Investments (EQ2);
  - SDREI-
    - Our first EQ2 was completed in 2003
    - Completed another one with them in 2005
  - Bank Enterprise Award
    - Was completed and awarded for each of these
    - Dacotah Bank donated the proceeds to the organization
New Market Tax Credits

- New Market Tax Credits-Dakotas America
  - SDREI (SD) and Rural Development Finance Corporation (ND) are the controlling entities
  - They received an allocation of money to:
    - Finance CD Projects
    - Stimulate economic growth, and
    - Create jobs
New Market Tax Credits

- Dacotah Bank viewed this as an opportunity
- Placed with a co-op that serves six county area in North Central SD

Challenges Encountered
- Finding the right candidate
- Located in the right area

Opportunities Gained
- Partnerships
- Bank would do it again
Case Study

- Homes Are Possible, Inc.-HAPI
- HAPI is a non-profit group of concerned citizens who are committed to empowering individuals, stabilizing families, and revitalizing neighborhoods through a variety of economic and social initiatives. The purpose is to facilitate very low, low and moderate income persons and families in securing and/or refurbishing good quality affordable housing.
- HAPI operates in 25 counties in South Dakota
Communities served
HAPI-Homes Are Possible, Inc.

- HAPI operates based on four principals:
  - Everyone should have an equal opportunity for a quality home.
  - If people have a chance for ownership they will perform and succeed.
  - As individuals are helped, neighborhoods will be revitalized.
  - Education about home ownership is the key to success and quality of neighborhoods is the job of the community.
HAPI-Homes Are Possible, Inc.- How it Started

- An idea began in the late 90’s
- Concerns about the lack of suitable, affordable housing in Aberdeen
- Mission was one of home ownership for people with low to moderate incomes in a multi-county area
- Partnered with NESDCAP and FHLB
HAPI-Homes Are Possible Inc.

- Soon began strategic emphasis on down payment assistance grants.
  - Applied for their first grant application from FHLB in late 1999
  - In 2000, with donations made by the Presentation Sisters and Dacotah Bank the first down payment assistance grants were made.
HAPI-Homes Are Possible Inc.

- HAPI also formed important relationships
  - Presentation Sisters
  - Lenders-Including Dacotah Bank and US Bank
  - Rural Development
  - NESDCAP
  - SD Community Foundation
  - SD Housing Authority
  - Realtors, abstract title companies, building suppliers
HAPI-Homes Are Possible Inc.

- Received first grants from FHLB in 2001 and 2002.
  - Sponsored by Dacotah Bank and administered by HAPI
  - Working with local banks, HAPI has now awarded 475 grants in 44 communities
  - Grants average about $3500
HAPI-Homes Are Possible Inc.

- HAPI then began to focus on affordable housing
- In early 2003, HAPI, with loans from Dacotah Bank, US Bank and NESDCAP, purchased nine acres in Aberdeen, SD
- In 2005, ground was broken on the second subdivision
HAPI-Homes Are Possible Inc.

Today, HAPI has emerged as a successful organization that has a full time director and has expanded their programs to include:

- Housing Development, including spec homes
- In-fill housing using governor’s houses
- Down payment assistance programs
HAPI-Homes Are Possible Inc.

- HAPI has grown into an organization that has been awarded grants up to $500,000.
  - Rural Housing
  - Downpayment assistance
  - Native American Housing
  - Rehab grants
HAPI-Homes Are Possible Inc.

- HAPI has proven to be successful and has been contacted by several communities interested in learning how to replicate the program.
- Over 155 homes have been built in the subdivision which has 205 lots
- 10 houses have been completed with the in-fill program

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Dacotah Bank’s Partnership with HAPI

- Dacotah Bank has participated with HAPI from the beginning
  - Some monetary involvement, initially and annually
  - Lending involvement
  - But the biggest investment has been our time
    - Lenders and staff are involved in the organization
      - 2 current board members
    - Sponsor the grant applications
    - Provide a significant number of the loans related to HAPI
Tips on CRA

- Donations/Services
  - Have a recordkeeping process in place
  - Complete throughout the year rather than annually or at exam time
  - Have the documentation and reasoning ready for the examiners
  - Take credit for what you may already be doing
  - Provide feedback to staff
Tips on CRA

- Loans/Investments
  - Work with the credit department or lending people
  - Recordkeeping process
    - Provide lenders examples of what may count
Questions?

- One of the homes in the HAPI Development