CRA in Rural Communities

Maria Valandra
Vice-President
Community Development
2010 National Interagency Community Reinvestment Conference
March 14-18, 2010
AGENDA

- Overview of FIB
- Tribal Overview
- CRA Activities in Indian Country
  - Service
  - Investments
  - Lending (Real Estate, Small Business, Tribal Gov’t)
- Challenges and how we overcome
Founders
Homer and Mildred Scott
FIB Values

“Commitment to the Communities We Serve”

Community Reinvestment Act

“Meet community credit needs (consistent w/safe & sound practices) including low- and moderate-income people and areas”
CRA Rating

- **Current Rating** – “Outstanding”
  - Lending Test – Outstanding
  - Service Test – Outstanding
  - Investment Test – Outstanding

- 1998 – 12 years - 5 out of 7 Exams - Outstanding
CRA Large Bank

- Service
- Investments
- Lending
Mini-bank Service Challenges

- Finding teachers willing to commit the extra time
- Starting at High School levels –
  - Students not interested or involved in other activities such as sports
  - May have checking accounts
- School employee turnover
- Student attendance
Affordable Housing Program
FHLB AHP Service Challenges

- AHP requests are few
- Educate lenders what their role and responsibilities are as a “Sponsor”
- Follow-up compliance
The Montana Indian Business Alliance promotes private Indian business development by maximizing and developing resources that encourage and support Montana Indian entrepreneurs.
1st Montana Indian Equity Fund Recipients
MIBA Service Challenges

- Small Business Development
  - Risk-taking
  - History of not having small business role models
  - Impoverished communities have little to no equity
  - Follow-through

- Tribal leadership buy-in – busy with other issues
  - Convince political leaders that REAL systemic change has to come with policy changes – the way we have been doing it is not working!

- $$$$ for equity fund that accepts risk
First People Youth Entrepreneurship Camp

2009
Native Credit Counseling Pilot Project

Yvonnda Thompson – Chief Dull Knife College – Northern Cheyenne Reservation

Steven Powell and Butch Conway - Native American Community Dev. Corp. – Blackfeet Reservation
Overall Service Challenges

- Needs are great
- Takes a collaboration from many organizations
- Volunteer work takes commitment and nurturing
- Usually no dedicated staff
- Burn out! Call upon many of the same people
STORY OF A GRANTEE

The Heritage Living Center, Ashland, Montana

To Montana’s Northern Cheyenne people, the elderly are considered their most important resource. Heritage is lost when elders are sent to nursing homes hundreds of miles away. In fact, when Cheyenne chiefs gathered in 1972 they recorded their wish to build a home for the elderly on the reservation. Years later, Clarence Spotted Wolf translated that meeting for Father Emmett Hoffman, who became the Heritage Living Center’s subsequent founder.

First Interstate Bank along with the Foundation provided funds to purchase a 12-passenger bus for residents to travel safely to physician appointments and recreational trips. Heritage Living Center director Jamie Olson pointed out, “Without the bus, some residents would be forced to forego care or move off the reservation to seek continued treatment.”

And thanks to the dedication and spirit of Clarence Spotted Wolf, the preservation of Northern Cheyenne heritage is in good hands for years to come.
Investment Challenges

- Rural branches are small
  - Limited donation dollars
  - Need is great
- No opportunity for true investments
CRA Lending Tools

- **HUD 184 Guarantee Loan Program**
  - Created in 1992 to address the lack of mortgage lending in Indian Country.
  - Offers a 100% loan guarantee to private sector lenders who make mortgage loans to eligible borrowers for homes located in Indian Country.
  - No monthly mortgage insurance

- **Challenges**
  - Title Status Report timeliness (causes many issues)
  - Trained employees at the Agency BIA and FIB understanding the process.
  - Length of time between loans (employees have to re-learn the process).
  - One-time construction closing
CRA Lending Tools

- **BIA Loan Guarantee Program**
  - 90% Loan Guaranty
  - Loans to finance Indian-owned businesses
  - $500,000 max to individuals, partnerships and corporations
  - $5.5 million max guaranteed to Tribes

**Challenges:**
- Lenders feel there is a disconnect between the BIA and other government agencies i.e. SBA and BIA fees
- Length of time between loans
  - Employees have to re-learn process
  - Hard to keep current on proper connections
Community Development Loans

- 2009 - 12 loans for $16,106,023
  - Refinance debt to provide operating capital
  - Short term LOC to bridge funds
  - Construction of a Youth Center
  - Expansion of Casino
Challenges

- Tribal Government Lending
  - Governmental vs GAAP Accounting
  - Obtaining current financial information
  - Leadership turnover
  - Management succession
  - Acceptable Note and Security documentation
Thank You

Maria Valandra
Vice-President Community Development
First Interstate BancSystem
406-454-6255
maria.valandra@fib.com