



# Community Banks: Getting the Job Done

Interagency CRA & Community Development  
Lending Conference

Sioux Falls, South Dakota

June 2010

Presented by: Diana Pfister, Vice President  
Compliance

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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

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# Our CRA Philosophy

- “Engrained”
- Strong tone from the top culture
- Strongly involved in our communities
- No set CRA budget or quota

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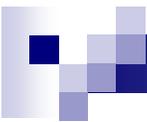


# CRA Challenges

- As Dacotah Bank grew, so did our compliance challenges with CRA
- Community Sizes and Opportunities
- CRA Definition Change for Distressed and Underserved Tracts

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# 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

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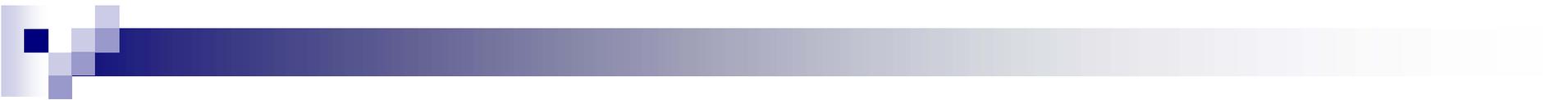


# Existing Partnerships

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

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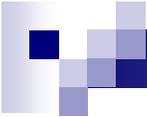


# Existing Partnerships

- 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

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# 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;

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# 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

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# 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

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# 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

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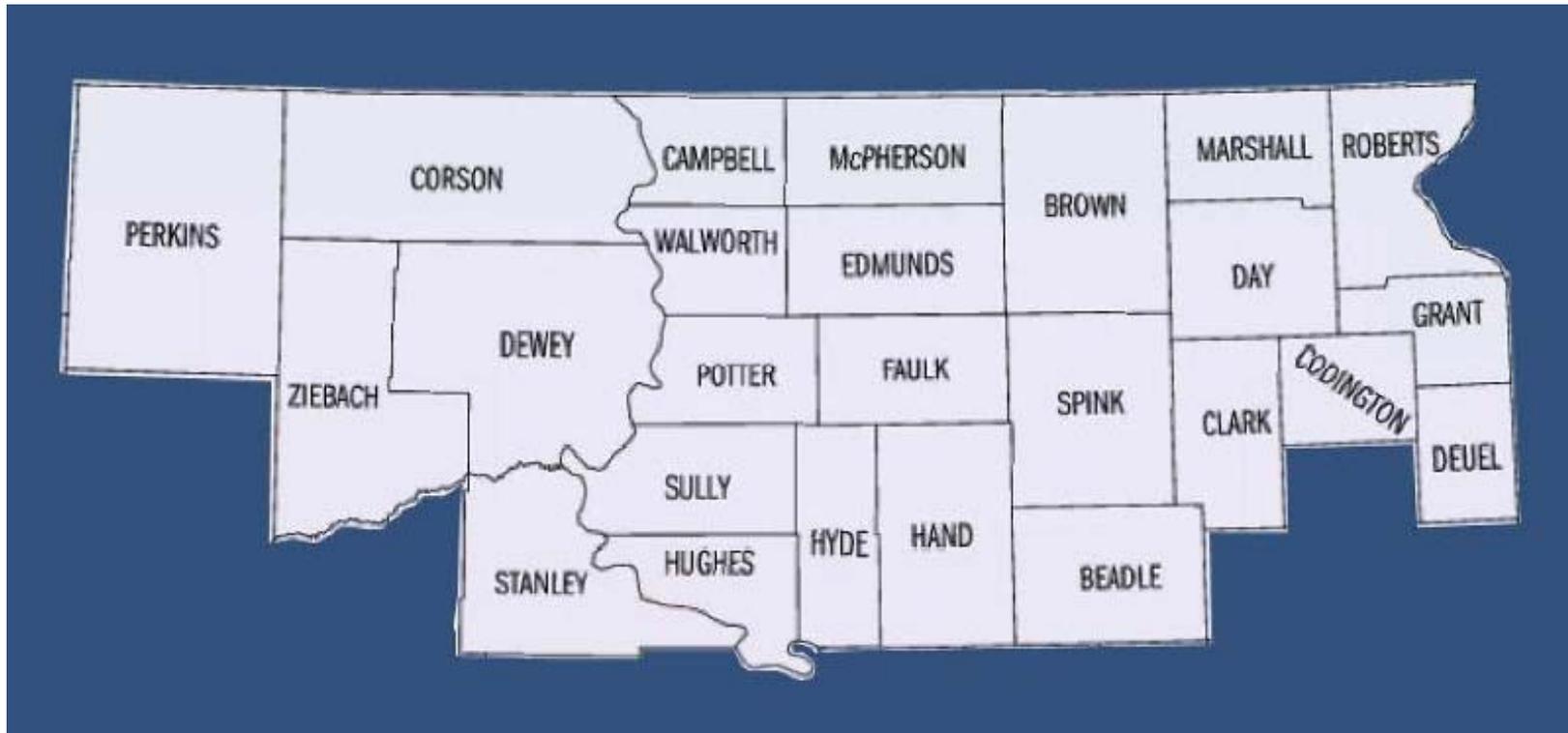
# Case Study

- 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

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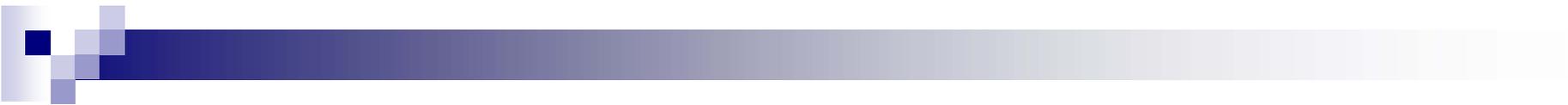
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# Communities served



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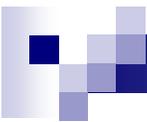


# HAPI-Homes Are Possible, Inc.

- 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.

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# 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

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# 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.

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# 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

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# 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

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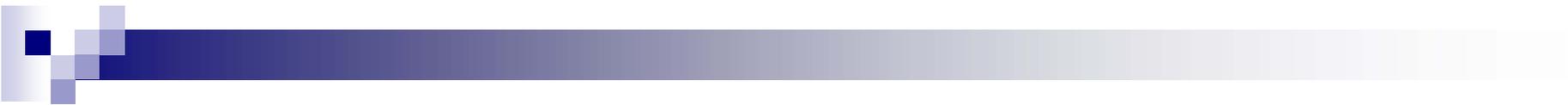


# HAPI-Homes Are Possible Inc.

- 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

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# 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

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# 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

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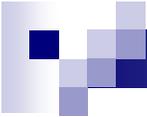


# HAPI-Homes Are Possible Inc.

- 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



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# Recent HAPI Events



- June 2010
- HAPI Event held in Aberdeen, SD

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# Recent HAPI Events

- **Congresswoman Herseth Sandlin Celebrates Homeownership in South Dakota**

- Representative Stephanie Herseth Sandlin (D-SD) joined South Dakota homeowners to celebrate the \$3.0 million that has been distributed to rebuild communities and assist buyers in achieving homeownership. By the end of this year, 700 families will have received grants to purchase or rehabilitate their home through partners Dacotah Banks, Inc. and Homes Are Possible, Inc. (HAPI), a non-profit organization committed to empowering families and revitalizing neighborhoods. Casey Loeschke, a recipient of the grant over three years ago, spoke of her experiences with the program and why she enjoys owning her home.
- Full press release:  
[http://www.fhlbdm.com/Docs/About\\_Us/Public%20Policy%20Events/HAPI%20Release.pdf](http://www.fhlbdm.com/Docs/About_Us/Public%20Policy%20Events/HAPI%20Release.pdf)



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# 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

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# Tips on CRA

- Loans/Investments

- Work with the credit department or lending people
- Recordkeeping process
  - Provide lenders examples of what may count

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# Questions?



- One of the homes in the HAPI Development

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