

VI.

CASE EXAMPLES OF PARTNERSHIP OPTIONS

Community banks have many opportunities to partner with CDFIs to support community credit needs and community development. As discussed earlier, under the CRA regulations, community development and other lending-related activities undertaken with these partners can be considered under the performance tests applicable to the full range of depository institutions, from small to intermediate-small to large or limited purpose. Moreover, community benefits can be delivered through a CDFI partner that serves a broader statewide or regional area that includes a financial institution's assessment area.

This section provides case examples of bank/CDFI partnerships gathered from a review of CRA evaluations prepared by the FDIC. The featured banks are different sizes, and some are wholesale banks for CRA purposes. The bank/CDFI partnerships have been long-term, with support and collaboration at multiple levels. The full CRA performance evaluations that include these bank activities can be found at <http://www.ffiec.gov>.

Bank/CDFI partnership options described in this section include:

- Providing equity capital using traditional equity instruments
- Providing equity equivalent investments to enhance CDFIs' lending flexibility
- Providing funds for lending using traditional debt instruments
- Providing funds for lending using deposits
- Providing capital for loans or investments using New Markets Tax Credits
- Providing technical assistance
- Collaborating with banks to invest in loan pools and consortiums
- Collaborating with CDFIs in loan participations
- Providing loan servicing
- Providing bank services

The bank/CDFI partnership options illustrated in this section are not exhaustive of the types of partnership opportunities that are eligible for CRA consideration. Banks can consult with their regulators to further evaluate how a CDFI partnership is likely to be considered under the applicable performance standards.

A. Providing Equity Capital Using Traditional Equity Instruments

Community banks can make various types of investments to build the equity capital of CDFIs. Depending on the CDFI type, these investments can take many forms, including stock purchases, grants, and ownership interests in CDFI venture capital funds.

CASE EXAMPLE:

BATH SAVINGS INSTITUTION, BATH, MAINE, AND MULTIPLE CDFIs

Bath Savings Institution is a mutual savings bank located in Bath, Maine. The bank offers a variety of traditional financial services. Its assessment area is composed of all or part of Cumberland, Sagadahoc, and Lincoln Counties, which are situated along the southeast coast of Maine. The assessment area also includes the cities of Bath and Portland. In March 2012, the bank had \$647 million in total assets and its CRA performance was evaluated under intermediate-small bank standards.

To support affordable housing in the state of Maine, including the bank's assessment area, Bath Savings Institution made qualified community development investments in the Genesis Community Loan Fund, Inc., a statewide CDFI that provides resources to affordable housing entities in Maine. The Genesis Community Loan Fund supports community development corporations, community land trusts, housing authorities, and social agencies in developing housing for low-income families and individuals.⁶⁴ Bath Savings Institution renewed four \$100,000 investments in the Genesis Community Loan Fund in 2012, renewed four \$100,000 investments in 2011, and renewed three \$100,000 investments and made one new \$100,000 investment in 2010. From 2010 to 2012, the total equity investment in the Genesis Community Loan Fund was \$1.1 million. The investments have one-year terms, with an interest rate of 2.25 percent, and renew annually.⁶⁵

To promote small business development in the state of Maine and the bank's assessment area, Bath Savings Institution made qualified community development investments in Coastal Enterprise Ventures, Inc. Coastal Enterprise Ventures, Inc. is a venture capital fund in Portland, Maine, and a for-profit subsidiary of Coastal Enterprises, Inc., a CDFI loan fund. The investments in the CDFI venture capital fund were used to make equity investments in small businesses and start-ups in the state of Maine and northern New England. The funded businesses showed the potential to generate high financial returns and meet social goals.⁶⁶ In 2012, the Bath Savings Institution advanced a \$10,000 investment in Coastal Ventures, III, LLC, and advanced a \$15,000 investment in 2011. Most recently, in October 2012, the bank made a commitment to an additional \$120,000 investment in Coastal Ventures III, LLC. In 2001, the bank had two investments in Coastal Ventures II, LLC totaling \$117,772, which had carried over from prior years. These investments reduce annually and currently have a combined balance of \$52,669. There is no maturity date on these investments.⁶⁷

Bath Savings Institution made the qualified community development investments in the Genesis Community Loan Fund, Inc. and Coastal Enterprise Ventures, Inc. to promote affordable housing and small business development in Maine and their assessment area and have an opportunity for consideration under its CRA standards. These investments also earn a rate of return for the bank.

64 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Bath Savings Institution, Bath, Main, June 25, 2012. Available at <http://www2.fdic.gov/crapes>.

65 John C. Marsh Jr. (Bath Savings Institution), email message, November 14, 2012.

66 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Bath Savings Institution, Bath, Main, June 25, 2012.

67 John C. Marsh Jr. (Bath Savings Institution), email message.

In regard to risk mitigation, the bank took the necessary steps to collect financial information and documentation to make sure the investments were safe and that they met the definition of community development for CRA purposes. The investments met critical community development needs in the state and the bank's assessment area. The level of qualified community development investments by Bath Savings Institution was considered excellent given the needs and opportunities of the area and the total dollar investment.

Exhibit I

BATH SAVINGS INSTITUTION AND GENESIS COMMUNITY LOAN FUND

COASTAL KIDS PRESCHOOL EXPANSION

Bath Savings Institution and Genesis Community Loan Fund, in partnership with U.S. Department of Agriculture Rural Development, provided financing for the expansion of the Coastal Kids Preschool in Damariscotta, Maine. Coastal Kids Preschool is operated by Lincoln County Children's Services, a private, nonprofit organization that provides education and child care services for Lincoln County's preschool-aged children.

Before its expansion, the school operated from a converted house. The new state-of-the-art facility provides increased teaching and office space, and increased access and facilities for special education students and students with disabilities. Coastal Kids Preschool is now able to offer 49 placement slots per day, compared to the 28-slot capacity in the old facility. Sixteen of the placement slots (one-third of the total enrollment) are reserved for/held by children with special needs.

The project was funded through a U.S. Department of Agriculture Rural Development Community Facility Direct Loan of \$529,200 and a U.S. Department of Agriculture Rural Development Guaranteed Loan in partnership with Bath Savings Institution of \$189,800. Additional financing of \$281,000 came from the Genesis Community Loan Fund. The school's board of directors conducted a capital campaign that raised over \$150,000 from local businesses, foundations, and individuals.

The project was completed in January 2012.



Photo Credit: Courtesy of Bath Savings Institution, Genesis Community Loan Fund, and Coastal Kids Preschool

FirstBank is a state-chartered commercial bank headquartered in Lexington, Tennessee. FirstBank offers a full line of loan products, deposit accounts, and other financial services. The bank's assessment area is composed of 20 counties in Tennessee. As of December 31, 2013, FirstBank had \$2.2 billion in total assets.⁶⁸ The bank's CRA performance is evaluated using large bank standards.

From 2006 to 2008, FirstBank kept a prior period investment of \$100,000, with a current book value of \$86,649, in a limited partnership interest in the Southern Appalachian Fund, LP, a CDFI venture capital fund. The Southern Appalachian Fund, LP provides equity capital and operational assistance to qualifying businesses in southern Appalachia. The CDFI venture capital fund invests in small businesses in Tennessee, Kentucky, and the Appalachian counties in Georgia, Alabama, and Mississippi. The Southern Appalachian Fund is one of the nation's six New Market Venture Capital Companies, which were formed by the U.S. Small Business Administration as for-profit venture capital funds. The Southern Appalachian Fund, LP is also a community development entity (CDE) that received an allocation of New Markets Tax Credits. FirstBank received New Markets Tax Credits to enhance its investment in the partnership, which facilitates its investment in areas that benefit the regional area and the bank's assessment area.⁶⁹

The Southern Appalachian Fund, LP used the funds generated from private investors, including FirstBank, and U.S. Small Business Administration debt to make loans and purchase equity in eight small businesses. As of December 31, 2011, a total of 265 people were employed by the Southern Appalachian Fund's portfolio companies, representing 189 jobs created and 76 jobs retained. Forty-seven percent of the total number of employees hired by the portfolio companies resided in low-income areas. In 2011, the wages paid to these employees totaled more than \$13.1 million. Eighty-eight percent of all full-time employees were offered health insurance, and 74 percent were offered retirement plan benefits. On December 31, 2011, the average wage for the 254 full-time portfolio company employees was \$23.44 per hour, or approximately \$49,000 annually. In addition to the direct benefits to those employed, the jobs provided by the Southern Appalachian Fund portfolio companies indirectly benefit other businesses in these low-income communities.

FirstBank limited its investment in the Southern Appalachian Fund to \$100,000, which was the minimum investment allowed. The investment was long-term (over 10 years) and complex. Although investors receive tax credits equal to 39 percent of their investment, there is no guarantee that the bank will earn any return on their investment or the principal repaid. U.S. Small Business Administration debentures have to be repaid before any profit is distributed to FirstBank and other private investors.

FirstBank's primary deposit and loan market is rural west Tennessee, and the bank has a presence in practically every major city in the state along with other offices in rural middle and east Tennessee. The bank's management reported that it believed the investment in the Southern Appalachian Fund, LP was an opportunity to potentially benefit all of these areas by helping to provide good jobs in low-income areas, as well as a way to help meet their CRA goals.

For CRA purposes, FirstBank's investment in the Southern Appalachian Fund, LP was considered innovative and not routine. FirstBank showed a willingness to try an alternative investment to meet community development needs.

68 Federal Financial Institutions Examination Council, Consolidated Reports of Condition and Income for a Bank With Domestic Offices Only – FFIEC 041
. Available at <https://cdr.ffiec.gov/Public/ViewFacsimileDirect.aspx?ds=call&idType=fdiccert&id=8663&date=12312013>.

69 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – First Bank, Lexington, Tennessee, July 17, 2008. Available at <http://www2.fdic.gov/crapes>.

B. Providing Equity-Equivalent Investments to Enhance CDFIs Lending Flexibility

Community banks can make equity-equivalent loans and investments (EQ2s) in CDFIs. EQ2s are long-term, fully subordinated debt instruments that function like equity in key respects. These low-interest loans have rolling terms, with intermediate maturities, as long as CDFIs carry out their community development purposes. EQ2 capital makes it easier for CDFIs to offer more responsive financing products, with longer loan terms.

CASE EXAMPLE:

WEST BANK, WEST DES MOINES, IOWA, AND NEIGHBORHOOD FINANCE CORPORATION

West Bank, a subsidiary of West Bancorporation Incorporated, is a commercial bank headquartered in West Des Moines, Iowa. The bank offers a full line of deposit and loan products. Its customer base consists of consumers and small and medium-sized businesses. As of December 2012, the bank had total assets of \$1.434 billion.⁷⁰ West Bank's CRA performance is evaluated using large bank standards.

From 2006 to 2009, the bank's community development investments included a \$300,000 EQ2 to the Neighborhood Finance Corporation, a CDFI loan fund. The Neighborhood Finance Corporation was established by the City of Des Moines and Polk County to provide lending programs and related services to neighborhoods designated by the city and county as revitalization areas. The Neighborhood Finance Corporation is the only CDFI in the Des Moines and Polk County area. The CDFI used the EQ2 to provide nonconforming purchase-rehabilitation loans for multi-family properties and commercial real estate mortgages for distressed properties. The EQ2 had an interest rate of 3 percent, with interest paid to June 2009, and a maturity date of June 2019.⁷¹

West Bank made the equity investment primarily to support the Neighborhood Finance Corporation, which it considers a valuable resource in the community, and to show its commitment to help local businesses. For CRA purposes, the investment was considered innovative and flexible given the scarcity of these types of qualified investments in Iowa.

Exhibit II



Stephany Avery, West Bank's Vice President of Residential Mortgages and member of the Board of Directors for Neighborhood Finance Corporation (seated), and Holly Olson, CPA, Neighborhood Finance Corporation's Executive Director, review plans for a home in Des Moines, Iowa, to be improved using Neighborhood Finance Corporation funding.

Photo Credit: West Bank

⁷⁰ Carol Stone (West Bank), email message, August 15, 2013.

⁷¹ Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – West Bank, West Des Moines, Iowa, April 20, 2011. Available at <http://www2.fdic.gov/crapes>.

Since 2006, a West Bank official has served as a member of the Neighborhood Finance Corporation's board of directors, which helps the bank stay informed of bank/CDFI partnership activities. West Bank lending officers also serve as members of the Neighborhood Finance Corporation's residential and commercial loan committees. The bank received CRA consideration under the service test for the service of its officers to the Neighborhood Finance Corporation's board of directors and loan committees.

West Bank also invests in the Neighborhood Finance Corporation by purchasing loan participations in loan pools funded by banks, foundations, and government entities. The loan pools are used by the Neighborhood Finance Corporation to fund forgivable loans, which are used for home improvement, closing cost assistance, loan guarantees, and construction loans in areas in Des Moines identified as needing revitalization.⁷² In December 2012, the bank had a total of \$1.6 million in Neighborhood Finance Corporation loan participations on its books.⁷³

C. Providing Funds for Lending Using Traditional Debt Instruments

Community banks can extend loans through various debt instruments to CDFIs for relending to low-income borrowers.

CASE EXAMPLE:

COMMUNITY SAVINGS BANK, CHICAGO, ILLINOIS, AND MULTIPLE CDFIS

Community Savings Bank is a mutual savings bank located in Chicago, Illinois, that offers a variety of financial products and services. The bank's assessment area is Cook County, Illinois, and its CRA performance is evaluated according to intermediate-small bank criteria. Community Savings Bank had total assets of \$414 million as of June 2013.

In 2007, Community Savings Bank renewed and restructured a \$100,000 loan to Accion Chicago, a CDFI loan fund. Accion Chicago provides micro-loans and financing to small businesses that do not have access to traditional sources of financing. The CDFI makes loans for as low as \$500 to a maximum of \$20,000 for start-up businesses and \$50,000 for established businesses. Accion Chicago also provides credit builder loans between \$500 and \$2,500 to help small business owners build or repair their credit while growing their business. The loan from Community Savings Bank to Accion Chicago was restructured from a 2 percent annual percentage rate to 0 percent annual percentage rate and extended to a 50-year term. The loan has been used by Accion Chicago for making microfinance small business loans to small business owners.⁷⁴

Community Savings Bank has invested \$1 million in certificates of deposit, which automatically renew, in six CDFI banks located in the bank's assessment area. The CDFIs and investment breakdowns include Urban Partnership Bank - \$150,000 (2013) and \$100,000 (2013); Pan American Bank - \$100,000 (2013); Seaway Bank and Trust Company - \$100,000 (2013); Illinois Service Federal Savings and Loan - \$100,000 (2013) and \$150,000 (2013); Austin Bank of Chicago - \$200,000 (2013); and International Bank of Chicago - \$100,000 (2013). The certificates of deposit made

72 Carol Stone (West Bank), email message, June 14, 2012.

73 Carol Stone (West Bank), email message, August 15, 2013.

74 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Community Savings Bank, Chicago, Illinois, September 13, 2010. Available at <http://www2.fdic.gov/crapes>.

up approximately 25 percent of the bank's overall qualified community development investments.⁷⁵

To support affordable housing in its assessment area, Community Savings Bank partners with the Neighborhood Lending Services, Inc., a CDFI loan fund and affiliate of the Neighborhood Housing Services of Chicago, a community development organization. The Neighborhood Lending Services, Inc. is the largest nonprofit lender for affordable home loans in Illinois. In 2009, Community Savings Bank increased its commitment in the CDFI's Mortgage Loan Participation Program from \$1 million to \$1.5 million. In the program, loans originated by the CDFI are funded by Community Savings Bank and other investors through periodic capital calls.⁷⁶ In 2013, Community Savings Bank funded three draws on the Mortgage Loan Participation Program for a total of \$334,153 and funded three draws for a total of \$285,025 in 2012.⁷⁷ The president/ chairperson of Community Savings Bank serves as a trustee committee member for the Neighborhood Housing Services, and the bank's vice president/chief lending officer serves as the president of the board of the CDFI Neighborhood Lending Services.

The bank received CRA community development test consideration for its loan to Accion Chicago and investments in the various CDFI banks and loan fund. The investments were considered responsive to community credit needs.

Exhibit III



Girmai Lemma, owner of Demera Ethiopian Restaurant, used a loan from Accion Chicago, a CDFI loan fund, to renovate space for his restaurant and order supplies. Accion Chicago's loan fund is funded through funds borrowed from Community Savings Bank and other traditional lenders.

Photo Credit: Courtesy of Betsy Sikma



Two entrepreneurs who benefitted from Accion Chicago's microloan fund are Lucero Martinez, owner of Lucero Chicago, a catering business that specializes in Caribbean food; and Anthony Waller, owner of Catering Out the Box, a lunch box catering service. The entrepreneurs share a space at a local commercial kitchen.

Photo Credit: Courtesy of Betsy Sikma

75 Dane Cleven (Community Savings Bank), email message, September 3, 2013.

76 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Community Savings Bank, Chicago, Illinois, September 13, 2010.

77 Dane Cleven (Community Savings Bank), email message.

D. Providing Funds for Lending Using Deposits

Banks can make deposits in CDFI depositories to provide funds for relending to low-income borrowers. As explained earlier, deposits in federally insured banks or credit unions are insured up to the maximum allowed by law.

CASE EXAMPLE:

BANK LEUMI USA AND CDFIs IN MULTIPLE STATES

Bank Leumi USA is a New York state-chartered commercial bank and the largest subsidiary of the Leumi Group, a global banking institution with major financial centers in 21 countries. In the United States, the bank maintains branches in California, New York, Florida, and Illinois. As of June 2013, the bank had \$5.1 billion in total assets.⁷⁸ Bank Leumi USA is a wholesale bank that provides financial services to middle and upper-middle market companies and international businesses. The bank's wholesale lending and business strategy limits the type of loan products offered. The bank supports community development through community development lending in its assessment areas and investments in qualified community development investments, including CDFIs.

Bank Leumi USA's New York assessment area consists of the five counties in the New York City Metropolitan Statistical Area: Bronx, Kings, New York, Queens, and Richmond. For CRA compliance purposes, the bank maintains deposit relationships with two local CDFI credit unions. A \$100,000 certificate of deposit is maintained at the Bethex Federal Credit Union, which provides its members throughout New York City with financial products (e.g., home, business, car, and consumer loans) and financial services (e.g., share accounts, check cashing, ATM access, and credit and budgeting counseling). The bank also maintains a \$100,000 certificate of deposit at the Union Settlement Federal Credit Union, which provides its members in the East Harlem community in New York City with financial products and services.

In its California Region, Bank Leumi USA operates three branches in Los Angeles County, one in Encino, one in downtown Los Angeles, and one in Beverly Hills, which is considered the bank's main office in California. The Los Angeles assessment area is entirely within the Los Angeles-Long Beach-Glendale, California metropolitan division. The bank maintains a \$100,000 certificate of deposit with the Pacoima Development Federal Credit Union. The Pacoima Development Federal Credit Union provides its members in the Northeast San Fernando Valley, which includes the City of Los Angeles, with financial services such as free check cashing, share accounts, and auto and consumer loans.⁷⁹ Bank Leumi also maintains a \$100,000 certificate of deposit with Promerica Bank, a local Latino-formed business bank providing small business and bicultural services to the Los Angeles community.⁸⁰

In Illinois, Bank Leumi USA operates one branch in Chicago—the Cook County metropolitan statistical area. The bank maintains a \$100,000 certificate of deposit with the Urban Partnership Bank, which is both a CDFI and a Minority Depository Institution.

The certificates of deposits that Bank Leumi USA maintains with the CDFIs in New York, California, and Illinois are automatically renewable annually. The rate of interest return for these investments ranges from 0.25 percent to 0.75 percent.

Bank Leumi USA's investments in CDFIs were made with institutions within the bank's assessment areas, which directly benefited from the investments. Besides promoting community development

78 Jerry Murnane (Bank Leumi USA), email message, September 6, 2013.

79 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Bank Leumi USA, New York, New York, March 31, 2010. Available at <http://www2.fdic.gov/crapes>.

80 Jerry Murnane (Bank Leumi USA), email message.

in its assessment areas, the bank received CRA consideration and recognition for these certificates of deposit under the investment test. The amounts of these investments are maintained under the limit for fully FDIC-insured deposits.

E. Providing Capital for Loans or Investments Using New Markets Tax Credits

Community banks can provide cash to community development entities (CDEs)—intermediary groups that are certified by the CDFI Fund to take part in the New Markets Tax Credit Program—to make loans or investments to businesses in low-income communities. In return for the equity investment, the CDE provides the investor bank with new markets tax credits. The tax credit is worth 39 percent of the investment made in the CDE. The credit is a dollar-for-dollar reduction in federal tax liability, and the value of the credit is spread over seven years.

CASE EXAMPLE:

EASTERN BANK, BOSTON, MASSACHUSETTS, AND MASSACHUSETTS HOUSING INVESTMENT CORPORATION

Eastern Bank, a mutual bank headquartered in Boston, Massachusetts, has \$8.6 billion in total assets. Eastern Bank offers a wide range of services in both the commercial and consumer sectors.⁸¹

In 2008, Eastern Bank made an equity investment of \$2 million, which, along with other investors, provided \$50 million in equity for the Massachusetts Housing Investment Corporation's New Markets Tax Credits Fund III Series III, a CDE. The CDE is the for-profit subsidiary of the Massachusetts Housing Corporation, a certified CDFI loan fund. The Massachusetts Housing Investment Corporation was founded by a consortium of banks and corporate investors to provide loans for the construction and permanent financing of affordable rental housing.⁸²

Wainwright Bank and Trust (later acquired by Eastern Bank) was the senior lender for all projects in the Massachusetts Housing Investment Corporation's New Markets Tax Credits Fund III Series III, including \$5.7 million for development of a new facility for Girls Incorporated of Lynn. The CDE used the capital to make loans to qualified low-income community businesses such as Girls Incorporated. The loans extended by the CDE supported affordable housing, small business development, and community facility rehabilitation and renovation projects. The projects/borrowers were financially sound, with a significant level of equity behind the senior debt. All projects/borrowers had strong management teams.

To help ensure credit quality and control risks, the fund and project level financial covenants established by Wainwright Bank provided base-line underwriting parameters. Cash reserves were also substantial for each project.⁸³

Eastern Bank has continued the legacy of Wainwright Bank through its community development lending, by remaining active in the nonprofit lending sector, and through its use of tax credits. Eastern Bank has been rated "outstanding" in CRA from 1995 to 2012. Its partnership activities

81 Karen Turmenne (Eastern Bank), email message, September 13, 2013.

82 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Wainwright Bank and Trust Company, Boston, Massachusetts, May 5, 2008. Available at <http://www2.fdic.gov/crapes>.

83 Karen Turmenne (Eastern Bank), email message.

were considered innovative and complex, and very responsive to the community’s credit needs. This activity is typically expected from larger banks and requires larger investment amounts than other types of investments.

Exhibit IV

EASTERN BANK AND MASSACHUSETTS HOUSING INVESTMENT CORPORATION

OLD LYNN SCHOOL REHABILITATION

Wainwright Bank and Trust, later acquired by Eastern Bank, was the equity investor and senior lender for all projects in the Massachusetts Housing Investment Corporation’s New Markets Tax Credits Fund III Series III, including the rehabilitation of the historic Old Lynn School in Lynn, Massachusetts. The building is located at the edge of downtown, in one of the city’s oldest neighborhoods. The Old Lynn School was rehabilitated into a 14,650 square foot office and services facility, with a new gymnasium, conference room, and program space. Once vacant, the rehabilitated property provides a home to Girls Incorporated of Lynn, which was founded over 70 years ago to provide programs for low-income girls and their families and is an affiliate of Girls Incorporated. The Girls Incorporated of Lynn Project sparked new activity to a distressed community, created a valuable community amenity, and preserved an important historic property.



Photo Credit: Eastern Bank

F. Providing Technical Assistance

Through a partnership agreement, community banks can provide technical assistance to CDFIs. Technical assistance can include product development, strategic and financial planning, and professional development of CDFI staff. Technical assistance can also include the volunteer service of a bank officer as a CDFI board director or member of an advisory board or credit review committee.

CASE EXAMPLE:

FIRSTBANK OF NORTHERN COLORADO, FORT COLLINS, COLORADO, AND FUNDING PARTNERS FOR HOUSING SOLUTIONS

FirstBank of Northern Colorado, a subsidiary of FirstBank Holding Company of Colorado, is located in Fort Collins, Colorado. The bank's assessment area is composed of most of Larimer and Weld Counties in Colorado. In September 2009, FirstBank of Northern Colorado reported total assets of \$389 million, and its CRA performance was evaluated using intermediate-small bank criteria.

The president of FirstBank of Northern Colorado, in partnership with other banks and local government, founded the Funding Partners for Housing Solutions, a CDFI dedicated to affordable housing. Through the partnership, FirstBank and other financial institutions provide the mortgage products, and local housing agencies provide financial education and client support.

During the CRA assessment period, an official of FirstBank of Northern Colorado served as the board president and member of a loan committee of Funding Partners for Housing Solutions. The bank official was involved in drafting the CDFI's first loan policy, launching new loan products, and maintaining the loan portfolio. The First Bank official also recruited other bank partners to invest in the CDFI's programs. FirstBank of Northern Colorado received CRA consideration under the community development test for the service of its officials to the Funding Partners for Housing Solutions.

From 2006 to 2009, FirstBank maintained an equity equivalent investment totaling \$1.5 million in the Funding Partners for Housing Solutions. The bank has been an equity investor in Funding Partners for Housing Solutions since 1999. Since 2003, FirstBank Holding Company of Colorado has donated \$25,000 annually to the Funding Partners for Housing Solution's operating budget. These investments were considered responsive to area credit and community development needs, and the bank received CRA credit under the community development test for these activities.⁸⁴

Exhibit V

FIRSTBANK OF NORTHERN COLORADO AND FUNDING PARTNERS FOR HOUSING SOLUTIONS

VILLAGE OF STANFORD

The Village of Stanford project is a \$10.1 million acquisition/rehabilitation project that was constructed by the Fort Collins Housing Authority in Fort Collins, Colorado, and financed through a collaboration composed of the FirstBank/Funding Partners bank/CDFI partnership and community housing nonprofits. The project included the acquisition of a blighted apartment complex and rehabilitation of 90 units utilizing FirstBank debt and low-income tax credits. FirstBank was the

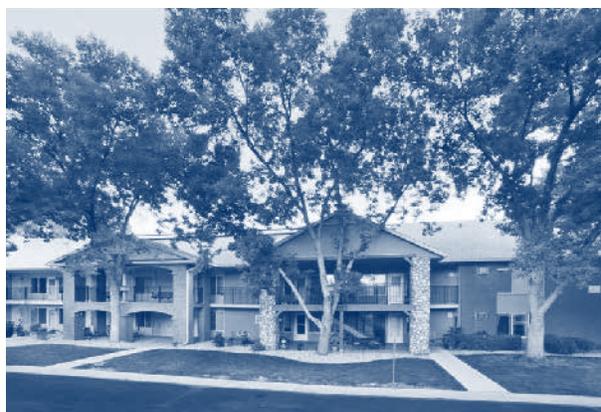


Photo Credit: Courtesy of FirstBank, Funding Partners, and Fort Collins Housing Authority

84 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – FirstBank of Northern Colorado, Fort Collins, Colorado, December 16, 2009. Available at <http://www2.fdic.gov/crapes>.

tax credit investor. The Fort Collins Housing Authority used funding from the Funding Partners, which was supported by the FirstBank EQ2 investment, to cover temporary funding gaps on this project. The financing for the project guaranteed permanent affordability for residents earning 30 to 60 percent of the area median income.

The Village of Stanford is a model for affordable and sustainable multi-family housing. The complex was rehabilitated to conserve energy and contain utility costs for its residents. Building features include thermal-panel water heating, natural lighting with interior sky tubes, and Energy Star-rated appliances. The community building has geothermal exchange heating and cooling, with electricity provided by photovoltaic panels.

The project created 17 full-time jobs and was completed in 2010.



Photo Credit: Courtesy of FirstBank, Funding Partners, and Fort Collins Housing Authority

G. Collaborating with Banks to Invest in Loan Pools and Consortiums

Two or more financial institutions can invest funds in a pool and make a loan to a CDFI for a larger amount than either bank may have been willing or able to make independently. The risk associated with partnering with the CDFI is minimized because the banks are liable only up to the amount of their investment.

The lending pool can be organized as a lending consortium in which the participating banks pool their funds as investments in a consortium. In a consortium, the bank investors establish the maximum amount of draw from each bank. Each investor allows a pro rata draw on their individual subscription on a shared basis as funding is needed.

In a lending pool or consortium, the traditional banks and the CDFI agree on the types of investment products and services that will be offered to borrowers and the underwriting criteria. The CDFI works directly with the borrowers, and a loan committee composed of participating banks approves the loans.

Banks can provide grants, donations, EQ2s, certificates of deposit, direct loans, subordinated loans, guarantees, or a combination of these products to the loan pool or consortium. The pool or consortium can include credit enhancements from the participating banks, government entities, foundations, or tax credits.

A bank consortium can also apply for certification as a CDFI. Benefits of certification to bank consortiums include increased access to all levels of government funding, including the CDFI Fund.⁸⁵

CASE EXAMPLE:

THE BANK OF TAMPA, TAMPA, FLORIDA, AND NEIGHBORHOOD LENDING PARTNERS OF WEST FLORIDA

The Bank of Tampa is a full-service commercial bank in Tampa, Florida. The bank is a wholly owned subsidiary of the Tampa Bay Banking Company, a one-bank holding company in Tampa, Florida. The bank's assessment area is Hillsborough County, which is part of the Tampa-St. Petersburg-Clearwater, Florida, metropolitan statistical area. The Bank of Tampa had \$1.166 billion in total assets as of January 2013. The bank's CRA lending, investment, and service activities were evaluated using intermediate-small standards in 2013.

During the recent recession, the housing market in the bank's assessment area was fragile, owing to the high number of distressed mortgages, foreclosed properties, and low property values. In addition, the supply of rental housing had not kept pace with the population increase, and many existing multifamily rental units had been converted to condominiums. Although Tampa's housing market has improved, there is a shortage of affordable housing, including affordable rental housing, in the area. To promote affordable housing, including affordable multifamily rental housing, the bank became a member of the Neighborhood Lending Partners of West Florida, Inc., a nonprofit lending consortium and certified CDFI. The CDFI provides financing to developers of affordable housing and permanent financing for the acquisition and rehabilitation of multifamily housing. The CDFI serves 20 counties in west Florida, including the bank's assessment area.

The Neighborhood Lending Partners' loan pool is funded by 14 banks, including The Bank of Tampa, which participate in each loan made by the consortium based on their respective commitment amount. The Bank of Tampa's commitment is \$2 million. From July 22, 2009, through January 7,

85 "Multi-bank Partnerships for Community Development Financing," Community Developments (September 2011). Available at <http://www.occ.gov/topics/community-affairs/publications/fact-sheets/fact-sheet-multi-bank-partnerships.pdf>.

2013, the bank participated with the Neighborhood Lending Partners in 13 loans totaling \$976,750. The bank's investment in the Neighborhood Lending Partners has resulted in the creation of more housing options in its assessment area and the CDFI's target market.⁸⁶

The Bank of Tampa provides additional support to the Neighborhood Lending Partners through a low-cost commercial checking account. The bank also provides representation on the CDFI's board of directors. Bank management has served on the Neighborhood Lending Partners' executive and loan committees, providing assistance to the CDFI with banking questions and specific lending and underwriting issues.⁸⁷

Exhibit VI

THE BANK OF TAMPA, TAMPA, FLORIDA, AND NEIGHBORHOOD LENDING PARTNERS OF WEST FLORIDA

The Bank of Tampa participated with the Neighborhood Lending Partners of West Florida, a CDFI nonprofit lending consortium made up of traditional lenders, to provide construction financing for this 31-unit townhouse development in Clearwater, Florida. The development was partially funded through the U.S. Housing and Urban Development's Neighborhood Stabilization Program. The developer's restrictions called for 16 townhouses to be purchased by residents earning no more than 80 percent of the area median income, and 15 units by residents earning no more than 120 percent of the area median income.

THE BANK OF TAMPA, TAMPA, FLORIDA, AND NEIGHBORHOOD LENDING PARTNERS OF WEST FLORIDA



Photo Credit: Courtesy of The Bank of Tampa

⁸⁶ Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Bank of Tampa, Tampa, Florida, January 7, 2013. Available at <http://www2.fdic.gov/crapes>.

⁸⁷ Jacqueline Moore (Bank of Tampa), email message, June 18, 2012.

WESTON OAKS APARTMENTS

The Bank of Tampa participated with the Neighborhood Lending Partnerships of West Florida, a CDFI and consortium of lenders, to provide construction and permanent financing for the Weston Oaks Apartments, a 200-unit apartment complex located in Holiday, Florida. The development was partially funded by a State Housing Initiatives Partnership grant from the Florida Housing Finance Corporation. The developer's restrictions called for 15 percent of the units to be leased to tenants earning no more than 30 percent of the area median income, and 85 percent of the units to tenants earning no more than 60 percent of the area median income.



Photo Credit: Courtesy of The Bank of Tampa

H. Collaborating with CDFIs in Loan Participations

Loan participations are loans made by a traditional bank and CDFI partner to a specific borrower and serviced by either the traditional bank or CDFI. Typically, one of the lenders takes the role of the lead lender. The lead lender originates the loan, organizes and manages the participation, and deals directly with the borrower.

Loan participations can help traditional banks diversify their lending portfolios. They also allow a bank to reduce its credit risk to a customer or community that entails greater than average risk.

Loan participations can help CDFIs originate larger loans but stay within their legal lending limits. They also can help CDFIs keep customers that otherwise may have outgrown them.

Loan participations can be made with equal risk sharing for the lead lender and participating lenders. Alternatively, loan participations can be made on a senior/subordinated basis, where the lead lender is paid first and the subordinate loan participation is paid only if enough funds are left over.

CASE EXAMPLE:

DEUTSCHE BANK TRUST COMPANY DELAWARE, WILMINGTON, DELAWARE, AND MULTIPLE CDFIS

Deutsche Bank Trust Company Delaware is headquartered in Wilmington, Delaware. The bank is chartered as a wholesale commercial bank and trust company, with total assets of \$452.6 million as of September 2011. Deutsche Bank Trust Company Delaware is a small wholesale commercial bank relative to the large limited purpose institutions operating in Delaware. The bank's business strategy focuses on cash management services for institutional clients, corporate and personal trust services, corporate administrative services, and affiliate loan participation purchases. The bank's assessment area is composed of New Castle County, which is located within the Philadelphia-Camden-Wilmington metropolitan statistical area.

Deutsche Bank Trust Company Delaware directs most of its community development loans and investments to affordable housing initiatives. Since the bank does not conduct any direct commercial or retail lending and thus has no infrastructure to support those activities, it partners with other financial institutions, including CDFIs, and non-profit partners to carry out its community development lending and investing. All CDFI loan participations are on a senior basis, with various risk sharing structures, and serviced by the CDFI.

In 2010 and 2011, Deutsche Bank Trust Company Delaware participated in two tranches totaling \$1.2 million in a \$3.5 million acquisition/pre-development construction loan through the National Council on Agricultural Life and Labor Research, Inc., a CDFI loan fund. The loan participation with the National Council on Agricultural Life and Labor Research, Inc. financed a federally qualified health care center serving the uninsured and underinsured low- to moderate-income population. The National Council on Agricultural Life and Labor Research, Inc. provides financial and technical assistance for affordable housing in low-income, rural communities in Delaware.

In 2010, Deutsche Bank Trust Company Delaware made a \$500,000 commitment to a \$10.45 million loan fund consortium to finance permanent mortgages for affordable multi-family housing developments. The commitment was made to the Delaware Community Investment Corporation, a CDFI loan fund that provides permanent mortgages for multi-family affordable housing. The Delaware Community Investment Corporation was founded by a group of financial institutions to provide financing for affordable housing and commercial real estate projects located in targeted

areas throughout Delaware. Since inception, the bank has participated in 14 of the 19 funds created by the consortium, including housing and community loan funds, and tax credit equity funds. Total current exposure was approximately \$6.8 million in September 2011.

Also in 2010, the bank provided a three-year \$250,000 term loan for working capital to the First State Community Loan Fund, a CDFI loan fund. The First State Community Loan Fund provides financing for affordable housing, business creation/expansion, and community services for the benefit of low- and moderate-income individuals in Delaware.⁸⁸

I. Providing Loan Servicing

Community banks can service the loans of CDFIs that have limited capacity to process and service loans. Alternately, CDFI depositories and loan funds can service the community development loans of traditional banks, thereby helping lower operating costs for banks and providing additional resources for CDFIs.

CASE EXAMPLE:

CORNHUSKER BANK, LINCOLN, NEBRASKA, AND COMMUNITY DEVELOPMENT RESOURCES

Cornhusker Bank is located in Lincoln, Nebraska. The bank is owned by Cornhusker Growth Corporation, a one-bank holding company. The bank's assessment area consists of Lancaster County in the Lincoln, Nebraska, metropolitan statistical area. The bank's total assets were \$329 million in March 2010, and its CRA performance was evaluated using the intermediate-small bank performance criteria.

Cornhusker Bank has established a partnership with Community Development Resources, a CDFI loan fund that provides capital and technical assistance to small businesses in underserved areas in Nebraska. Cornhusker Bank services the small business loans originated by Community Development Resources. From 2005 to 2010, the bank serviced 33 loans totaling \$782,000.⁸⁹

Through its partnership with the CDFI, the Cornhusker Bank helped Community Development Resources develop their underwriting guidelines. The bank also donated a computer system to Community Development Resources.

For their partnership activities with Community Development Resources, Cornhusker Bank received CRA consideration under the community development test. The bank's activities were considered innovative and very responsive to the community development capital and credit needs of its assessment area.

⁸⁸ Catherine C. Franceschini (Deutsche Bank Trust Company Delaware), email message, November 19, 2012.

⁸⁹ Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Cornhusker Bank, Lincoln, Nebraska, July 6, 2010. Available at <http://www2.fdic.gov/crapes>.

J. Providing Bank Services

Community banks can provide a variety of banking services, such as deposit accounts, to CDFIs.

CASE EXAMPLE:

BANK OF NEW HAMPSHIRE, LACONIA, NEW HAMPSHIRE, AND NEW HAMPSHIRE COMMUNITY LOAN FUND

Bank of New Hampshire (formerly known as Laconia Savings Bank) is a full-service financial institution with its main office located in Laconia, New Hampshire. Bank of New Hampshire's assessment area encompasses eight full or partial counties, including all of Belknap, Carroll, and Strafford Counties and parts of Coos, Grafton, Hillsborough, Merrimack, and Sullivan Counties. As of December 31, 2012, the bank reported total assets of \$1.1 billion.⁹⁰ For CRA purposes, Bank of New Hampshire was examined under large bank procedures.

In partnership with the New Hampshire Community Loan Fund, a state-wide CDFI dedicated to using financial and educational tools to benefit people and communities with low-incomes, Bank of New Hampshire supports the New Hampshire Statewide Individual Development Account Collaborative. The collaborative is composed of a network of community organizations that sponsor a matched savings program for low-income people in the state. Through the matched savings program, qualified individuals receive \$3 for every \$1 they save, up to a total \$8,000, for homeownership, business ownership, or post-secondary education. The New Hampshire Community Loan Fund raises the matching funds, and Bank of New Hampshire opens accounts for participants throughout the state.⁹¹ As of December 31, 2012, Bank of New Hampshire had 22 IDA accounts totaling \$19,062. During the evaluation period, the bank opened 17 new IDA accounts. Bank of New Hampshire received CRA credit under the service test for this activity.⁹²

During prior evaluation periods, Bank of New Hampshire became an equity investor in the New Hampshire Community Loan Fund. Since

Exhibit VII



Nicole Johnson had to pass up a promotion at work for lack of a reliable car. Her Individual Development Account helped her save for a new car, and she got the promotion—and a raise.

Photo Credit: Geoff Forester Photography, courtesy New Hampshire Community Loan Fund



Jay Jean used his Individual Development Account to get his career back on track with a college degree.

Photo Credit: Geoff Forester Photography, courtesy New Hampshire Community Loan Fund

90 Karen Wilson (Bank of New Hampshire), email message, September 4, 2013.

91 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Laconia Savings Bank, Laconia, New Hampshire, February 22, 2010. Available at <http://www2.fdic.gov/crapes>.

92 Karen Wilson (Bank of New Hampshire), email message.

2009, the bank has made EQ2 investments totaling \$900,000. The bank made the following EQ2 investments: \$100,000 in 2001, \$400,000 in 2002, and \$400,000 in 2005. Each EQ2 matures in 2023. These investments served to strengthen the CDFI's capital structure and allowed it to leverage additional debt capital. As a result, the CDFI increased its lending and investments in low-income communities, including the bank's assessment area. Bank of New Hampshire received CRA credit under the investment test for these investments.⁹³

93 Federal Deposit Insurance Corporation, Public Disclosure Community Reinvestment Act Performance Evaluation – Laconia Savings Bank, Laconia, New Hampshire, February 22, 2010.