Making CRA Work in Rural America: Partnerships and Opportunities for Rural Community Reinvestment

HAC

Housing Assistance Council

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HAC, founded in 1971, is a nonprofit corporation that supports affordable housing efforts in rural areas of the United States. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services. HAC is an equal opportunity provider and employer.

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MAKING CRA WORK IN RURAL AMERICA:
Partnerships and Opportunities for Rural Community Reinvestment

INTRODUCTION

The Community Reinvestment Act (CRA) of 1977 requires lenders to meet the credit needs of all areas where they operate and accept deposits. CRA was enacted in response to practices that denied credit to entire areas based on attributes such as neighborhood income and racial characteristics, often referred to as 'redlining.' Federal regulators conduct periodic examinations of depository institutions' CRA compliance, awarding each lender one of four ratings (outstanding, satisfactory, needs to improve, or substantial non-compliance) based on its degree of compliance. Regulators can deny a lender's application for a merger or branch opening if the lender has received poor ratings.

As part of each CRA evaluation, a federal regulatory agency assesses, within the lender's self-selected assessment areas, activities that benefit low- or moderate-income people or low- or moderate-income neighborhoods, especially census tracts designated by the regulators as distressed and underserved. CRA evaluations' content and degree of detail vary according to the lenders' size. For institutions of any size, CRA activities can include loans for low-income housing development, as well as funding for Community Development Financial Institutions (CDFIs) to carry out their missions. Generally, CRA-related community development funding does not frequently occur in rural communities and, when it does occur, it is often not well publicized.[1] Research on rural CRA community investments is almost nonexistent.

Seeking to better understand CRA in rural areas, the Housing Assistance Council (HAC) explored four CRA-eligible community development activities that occurred in rural communities.[2] The cases involve a geographically diverse set of small towns: Damariscotta,

[1] Housing Assistance Council, *CRA in Rural America: The Community Reinvestment Act and Mortgage Lending in Rural Communities* (Washington, DC: Housing Assistance Council, 2015), accessed July 29, 2015, http://www.ruralhome.org/storage/documents/publications/rrreports/rrr-cra-in-rural-america.pdf.
[2] This analysis considers a project to be rural if it is in an area eligible for USDA Rural Development housing programs. USDA program eligibility can be confirmed at eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do.

Maine; Fort Morgan, Colorado; Terry, Mississippi; and Buffalo, Minnesota. Each project has a unique story that highlights CRA-related lender support. The cases are presented as best practices and highlight the opportunities, successes, and challenges of using CRA in rural communities.

While conducting these case studies, HAC often heard that it is difficult to get banks to make CRA-qualified loans in these rural communities because lenders do not get full CRA credit for projects outside of their assessment area and large or intermediate-sized banks tend to select assessment areas with largely urban and suburban populations. [3] Small banks, on the other hand, do not always participate in funding CRA-eligible community development projects because their less strenuous CRA exams do not include a community development test. Although small lenders might get a higher CRA rating if they funded CRA-eligible community development projects, almost all small lenders are rated as satisfactory,[4] leaving little incentive to seek a higher score.

Summary

Still, while CRA-related activity is not as common in rural communities as in cities or suburbs, it does occur. [5] The following report presents four detailed case studies of how CRA has been successfully used or implemented in community-specific rural housing development and community reinvestment.[6] The cases are presented as best practices and highlight the opportunities, successes, and challenges of using CRA in rural communities. These accounts are intended to stimulate thought and innovation on how to increase the use and effectiveness of CRA in rural areas of the United States.

The case studies in this report cover a variety of community development projects. These

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[3] HAC, *CRA in Rural America,* pp. 21-22.
[4] HAC, *CRA in Rural America,* p. 19.
[5] Thomas J. Curry, Comptroller of the Currency, March 12, 2014, Remarks before the National Community Reinvestment Coalition Conference, accessed March 10, 2015, http://www.occ.gov/news-issuances/speeches/2014/pub-speech-2014-38.pdf.
[6] The fifth case involving low-income housing development in Bastrop, Louisiana and Capital One is discussed in brief and serves as an example of a successful project.

involve the development of farmworker housing units, the construction of a new preschool facility, the development of low-income rental housing, and a bank branch transfer. The projects serve low- and moderate-income populations by providing important services such as housing, childcare, and banking in areas where few comparable and affordable options exist. Three of the four lenders involved in the case studies are CRA-categorized large banks (assets in excess of $1 billion), and one is recognized as an intermediate, small lender (assets between $250 and $999 million).

These documented CRA engagements vary in complexity from the relatively straightforward transfer of bank branch facilities to a highly complex farmworker housing effort that involved multiple funding sources in addition to a bank loan and CDFI support. CRA-related lender support, despite making up a relatively small portion of total funding in all but one case, played an important role in each effort's success.

CDFIs played large roles in these cases. The CDFIs, with their existing relationships with local communities, nonprofits, developers, and lenders, were able to bring all necessary parties together to make the projects happen. In the one case without a CDFI, a developer essentially filled that role.

Highlights

Many factors were involved in obtaining CRA-related lender support. While each project is unique, several notable factors were important across most, if not all, cases:

- *Relationships between banks and nonprofits are important.*

Success is often contingent upon existing relationships between CDFIs, nonprofits, developers, banks, and other members of the community. Projects operated by groups that have close relationships with local community members and proven track records will be more attractive investments from banks' perspectives. State housing conferences and other industry get-togethers were noted as excellent venues to establish these important relationships.

- *A bank's CRA staff should be well versed in community lending.*

Rather than have a CRA compliance team that is aware solely of regulatory details, it is important to have personnel that are well versed in lending, particularly commercial lending. Excelling at CRA investment requirements necessitates being able to identify high quality CRA-eligible projects to support, something best done by people who know developers, nonprofits, CDFIs, and others in the field.

- *Knowledge of funding streams is critical.*

Understanding federal programs, like the Low Income Housing Tax Credit (LIHTC), New Market Tax Credits, and other U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) loan products, is important for project success as developments for low-income people usually rely on these funding streams. Invariably, no matter how well planned, something unexpected will occur with regards to a development and knowing how to deal with such problems is important.

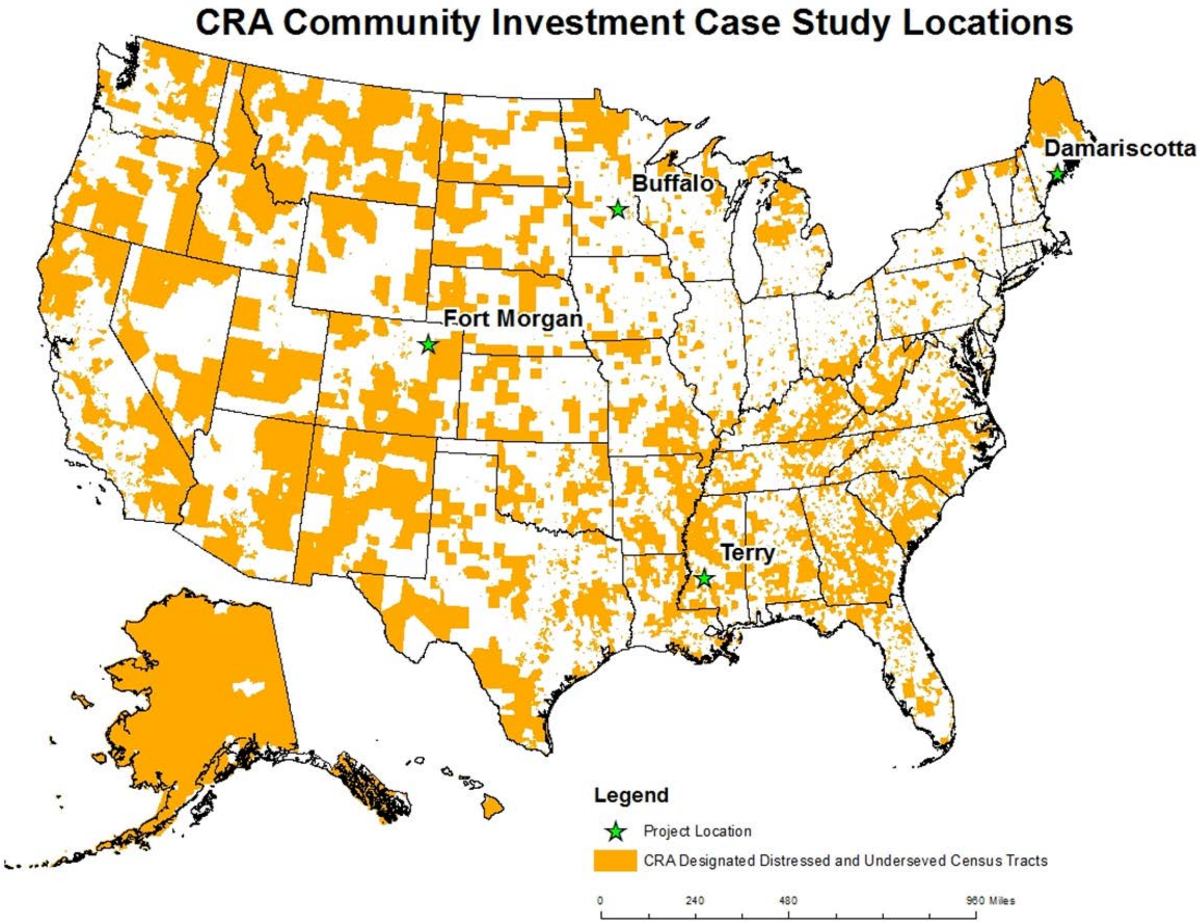
- *Bank philosophies matter.*

A lender can actively seek out community development projects to support or it can do just enough to satisfy general CRA requirements. Having a philosophy that highly values supporting community development investment likely drives the former. Throughout this study, it was often noted that not all banks are the same, and that institutional philosophies among lenders can vary considerably.

- *Projects must be sound investments for lenders.*

  As one of the bank personnel interviewed for this research pointed out, "CRA eligibility will make a good project better, but it will not make a poor project good."[7] All of the projects described in this study are sustainable and sound investments. Lenders do not support proposals that they believe cannot succeed. A key part of a successful CRA qualifying project is having groups, usually CDFIs, assist with turning ideas and needs into sound community projects and high quality proposals.

[7] Quote from Greg Hohlen of Bremer Bank.



CRA Community Investment Case Study Locations
Damariscotta
Buffalo
Fort Morgan
Terry
Legend
Project Location
CRA Designated Distressed and Underseved Census Tracts
0
240
480
960 Miles

COASTAL KIDS PRESCHOOL - DAMARISCOTTA, MAINE

Background

Obtaining financing for community development projects in underserved, remote rural areas is often difficult. Their community development projects are seldom lucrative enough to draw lenders' interest. The Coastal Kids Preschool expansion in Damariscotta, Maine is an example of how a small projects can be successful with the help of a bank's CRA-eligible funding. The $1.1 million preschool expansion project involved collaboration between the preschool, the Genesis Community Loan Fund (a CDFI), and Bath Savings Institution as well as a USDA Rural Development Community Facilities direct loan. Bath Savings earned CRA credit for its financial assistance since the preschool expansion occurred in an underserved and remote portion of the lender's service area, and assisted low- to moderate-income families.

Project and Partnership

Damariscotta is a small town along a portion of the Maine coast often referred to as "the Midcoast," with an estimated population of 2,050.[1] The town's population changed little from 2000 to 2010 and its overall appearance, which includes many historic structures, is that of a classic New England village.[2] Because of its coastline location, tourism is an important industry for the town and its surrounding area. Damariscotta is located in Lincoln County, a primarily rural county located outside of the Portland, Maine metropolitan statistical area.

The Coastal Kids program began in 1995 as a collaborative effort involving the local school district, Maine Child Development Services, Healthy Kids (a child abuse and neglect program), Lincoln County Children's Services, and the University of Maine's Center for Community Inclusion. These groups came together because almost half of the local school district's children lacked access to preschool. The Coastal Kids program helped fill this need by providing assistance to 36 children. Coastal Kids is also the only resource in Lincoln

[1] HAC tabulations of 2009-2013 American Community Survey data.
[2] Friends of Midcoast Maine, Damariscotta Heart & Soul Planning Charrette Report (2010), accessed January 24, 2015, http://digitalcommons.library.umaine.edu/towndocs/128/.

County offering one-on-one therapy for children with special needs.

Groundbreaking at Coastal Kids Preschool

After several years of service, Coastal Kids sought out new office space due to increased rent at its original location as well as a need for more room. It turned to the Genesis Fund for help. After reviewing options with the Genesis Fund, Coastal Kids decided building a new facility would be the best approach. The planned facility, containing over 4,800 square feet and enough space for 52 students, required significant effort to fund.

The Genesis Fund provided technical assistance to the preschool in applying for a USDA Rural Development Community Facilities direct loan. Coastal Kids was awarded a $529,000 loan. The Genesis Fund also filled in a gap in construction expenses by providing a 20-year $281,000 loan. A 20-year $189,000 loan from the Bath Savings Institution, sharing first mortgage position with USDA Rural Development, provided the remaining outside financing. Coastal Kids' fundraising efforts generated $129,645. Work on the project began in spring 2011 and finished in early 2012.

The inter-connectedness and close ties that often characterize small communities are evident in the way the organizations in Lincoln County came together for the Coastal Kids expansion project. Genesis Fund board members and donors who were also involved with the preschool made the CDFI aware of the preschool's efforts. Constructing a new building was feasible with the CDFI's knowledge of and ability to apply for USDA funding.

After Coastal Kids' primary bank declined to lend money for the project, the preschool sought out Bath Savings for a loan to support preschool construction. Bath Savings is a community bank serving a three-county area along the coast of Maine. It has an office in Damariscotta and headquarters in Bath, a town 18 miles away. The bank saw the project as a good investment for both the bank and the community.

Key Elements

The degree to which a lender supports CRA-eligible investments likely reflects its institutional philosophy. In the case of Bath Savings, community development investments are not just an obligation but are seen as good business. This view holds that supporting and investing in CRA-eligible projects makes a community a better place to live, ultimately helping everyone including the bank. Because of this philosophy, Bath Savings Institution has earned outstanding CRA ratings in six of its last eight exams.

An important part of Bath Savings' CRA success in identifying community development projects is having a CRA officer who is also a commercial lender. The CRA officer, using his lending background and experience, seeks out the types of relationships with housing developers, housing authorities, and community groups that help Bath Savings get in on the ground floor of many projects. Establishing such relationships and generating a positive reputation further help the process.

The involvement of a strong CDFI is important because CDFIs provide both technical expertise and experience in developing projects as well as connecting with funders. For example, the Genesis Fund provided technical assistance to Coastal Kids with its USDA Rural Development loan application. The Genesis Fund has also engaged in many projects with Bath Savings and other lenders for which the bank has gained CRA credit. This has helped form their relationship. State housing events and meetings further nurture such relationships in Maine.

The CDFI also had the experience needed to help manage last-minute problems. When the appraisal for the project did not support the financing package that was in place, and the project stalled at the last minute, the Genesis Fund was able to use alternative collateral to fill the gap. As a result, the expansion started early.

SOL NACIENTE - FORT MORGAN, COLORADO

Background

Migrant and seasonal farmworkers have long suffered some of the most challenging economic and housing conditions in America. Living almost exclusively in rural communities, which tend to have limited rental housing options, farmworkers often reside in crowded and substandard rental units. Compounding this problem, farmworkers have extremely low incomes. Over half make less than $20,000 per year and cannot afford market rate rents.[10] Groups such as the Community Resources & Housing Development Corp. (CRHDC) work to address these needs. CRHDC provides housing resources and asset-building opportunities to low- and moderate-income households throughout the state of Colorado. In 2012 CRHDC began the process of developing a farmworker housing project partially supported by CRA-eligible funding from Wells Fargo.[11] The relationship between CRHDC and local banks was a critical factor in securing this funding.

Project and Partnership

Sol Naciente is a 50-unit farmworker housing project being developed in Fort Morgan, Colorado by CRHDC. The project includes a mix of three- and four-bedroom permanent rental townhomes and flats, all of which (except the manager's apartment) are subsidized. Fort Morgan, approximately 80 miles northeast of Denver, has a population of approximately 11,000.

The Sol Naciente development aims to increase the supply of high quality and affordable housing available to agricultural workers and their families in the area. The development will allow CRHDC to expand additional services such as homebuyer education and potential homeownership opportunities. In addition, the availability of new rental units will easy some of the tightness in the overall rental housing market. Tenants must meet income requirements and show proof of employment in the agricultural sector.

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[10] Housing Assistance Council, *Migrant and Seasonal Farmworker Housing* (Washington, DC: Housing Assistance Council, 2011), accessed February 25, 2015, www.ruralhome.org/storage/documents/farmworkers.pdf.
[11] Pre-development began in 2012. Wells Fargo became directly involved in 2014.

Artist's Rendering of Sol Naciente

Sol Naciente is funded primarily by USDA Rural Development, Low Income Housing Tax Credits (LIHTCs), and a CRA-eligible loan from Wells Fargo bank. USDA provided a $1 million loan and $2 million grant. The Colorado Housing Finance Authority provided the program with $9 million in LIHTCs. Wells Fargo's loan for $1.5 million covered early construction expenses. USDA and LIHTC funds will be utilized for permanent financing.

The project is being built on land purchased with HUD's Neighborhood Stabilization Program funding. The county and city local governments were highly supportive of the endeavor, and assisted in the process of annexing land to help with infrastructure costs. The local government also paid for half the cost of developing a necessary access road to the site.

Key Elements

According to Robin Wolff, Director of Marketing and Resource Development at CRHDC, the key factor in obtaining the Wells Fargo loan was the strong relationship between the organization and the Wells Fargo CRA officer in Denver. This relationship was possible for two reasons. First, CRHDC's office is located in Denver, making in-person contact with the Wells Fargo state office easier than if CRHDC were located further away in rural Colorado. Secondly, both Wells Fargo and CRHDC staff frequently attend events held by the Housing

Colorado coalition, and have become well acquainted.

Wells Fargo asked to be included on the next tax credit project request for proposals that CRHDC submitted so that it could provide a CRA-eligible loan. When it came time to find funders for Sol Naciente, CRHDC staff reached out to Wells Fargo staff. Wells Fargo bid on the project, and CRHDC accepted that bid as it was the best offer they received. While the loan to CRHDC had favorable terms, it was not a grant and Wells Fargo gained income from the loan.

The Sol Naciente project, much like other housing developments, is extremely complex with the Wells Fargo loan representing a relatively small portion of the funding. The ability to navigate all the rules and requirements associated with the five different funders required experience and an understanding of the many different programs involved.

HELPING AN ECONOMICALLY DISTRESSED COMMUNITY – BASTROP, LOUISIANA

Bastrop is a small town in northeastern Louisiana with a population of 11,136. The community experienced population decline from 2004 to 2014 as residents left in search of better employment options. While economic conditions improved between 2011 and 2014, the area unemployment rate remained in double digits because of job losses from corporate plant/facility closures, particularly International Paper, formerly the largest employer in the area.

Even with the population loss, there is considerable demand in the area for affordable single-family rental homes because a majority of the area's rental units are in multifamily developments. To help meet this need, Standard Enterprises Inc. – a for-profit housing developer and manager – proposed building the South Point Apartments development consisting of 27 single-family detached units. Capital One provided funding for this project in the form of both a $3.7 million construction loan and $5.5 million LIHTC equity. The project offers five units for households with incomes of 30 percent or less of the area median and 22 units available for households with incomes of 60 percent or less of the area median.

Low-income families obtained safe and affordable homes, and Bastrop received some much needed investment. Capital One earned CRA credit for its efforts. This is a clear example of what CRA can do in a rural community.

HOPE CREDIT UNION - TERRY, MISSISSIPPI

Background

In the face of population loss, the evolution of technology, and increased competition, bank branch consolidation in rural areas remains an issue all over the United States.[1] For communities that lose a branch, particularly if it is the only branch and located in a low-income community, the closure often serves as a catalyst for significant disinvestment.[2] This was almost the case in Terry, Mississippi.

Project and Partnership

Terry, Mississippi is a small town with a population of less than 2,000 people. Approximately 17 percent of all families and 16.2 percent of the total population falls below the poverty line.[3] Located south of Jackson in Hinds County, Terry is a majority minority community, and almost 60 percent of the population is African-American. In December 2013, Regions Bank, a large bank headquartered in Birmingham, Alabama, decided to consolidate its south Hinds County operations. The branch in Terry would close, leaving the closest location in Byram, a community located eight miles north of Terry. As the Regions branch was the only financial institution in Terry, local elected officials raised concerns in the media, particularly about access to banking services for the town's elderly population.

Responding to inquiries from local residents, Hope Enterprise Corporation/Hope Credit Union (HOPE), a Community Development Financial Institution and low-income designated credit union that serves the Mid-South states, contacted Regions about the possibility of acquiring the branch in Terry to maintain a full-service, federally insured depository in the community. The two had a strong history together; Regions Bank and other banks that had

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[1] Epstein, Victor. 2014. Bank branches vanishing in small Towns. *USA Today*, March 2, 2014. Accessed 2/15/15 at the following url: http://www.usatoday.com/story/money/business/2014/03/02/bank-branches-vanishing-in-small-towns/5931551/

[2] Tausche, Kayla. 2013. Small town struggle as bank branches disappear. *NBC News, The Daly Nightly*, October 8, 2013. Accessed 2/18/15 at the following url: http://www.nbcnews.com/news/other/small-towns-struggle-bank-branches-disappear-f8C11354525

[3] HAC Tabulations of 2009-2013 U.S. Census Bureau American Community Survey estimates.

merged into Regions, had previously donated branch facilities to HOPE during earlier consolidations. They had also worked together in other transactions that involved New Markets Tax Credits (NMTC). Officials at both institutions trusted each other throughout the Terry transaction – even when media coverage of the consolidation created a sensitive environment. This trust played a major role in the agreement to work towards a solution in Terry and toward completing the project.

When Regions agreed to work with HOPE on the Terry project, HOPE needed to ensure that expanding into Terry made financial sense and that the community would be interested in utilizing its services. Shortly after Regions announced its consolidation, HOPE engaged churches, college students, small business owners, and local government, asking local leaders to survey their constituents to determine whether they would join HOPE and whether they would make HOPE their primary financial institution by opening checking accounts. Local small businesses allowed HOPE officials and organizers to survey residents at their business locations during high traffic times. Church leaders held meetings and invited representatives from HOPE to introduce the credit union to their congregations. Finally, local officials created space for community members to drop off surveys at the local library. The library also allowed HOPE to set up a temporary location for member sign-ups during the assessment period.

Over 500 residents responded positively to the community interest survey, with 300 indicating that they would make HOPE their primary financial institution. Based on the community's response, HOPE decided to move forward. Regions agreed to donate the branch to HOPE, and in July 2014, HOPE celebrated the grand re-opening of the facility.

The Regions/HOPE branch donation in Terry stands in stark contrast to approaches taken by other banks. In one instance, a bank located in a community facing similar circumstances to Terry limited HOPE's entry into the community through the use of restrictive covenants attached to the sale of its branch to a nonprofit health center. Four years later, the community remains without a bank.

Once the Terry transaction closed, HOPE wrote a letter to the Federal Reserve Bank of Atlanta to document the community impact of the branch donation by maintaining services in the town. Regions also submitted to regulators details of this donation– for consideration of whether it would be reportable as a CRA qualified, in-kind contribution as part of Regions' next CRA exam. While the project was not a conventional CRA-eligible development, it appears to meet the goals of the CRA by ensuring access to responsible credit and financial services for an underserved community. The decision on the CRA submission was not yet made by the time this report was published.

Key Elements

Three factors contributed to the success of the project. First, leadership within both HOPE and Regions prioritized working together to find a solution that met the needs of the community, helping ensure banking products and services would continue to be available close to home for Terry area consumers. Having elevated the project institutionally, the two organizations dedicated significant human and financial resources to assess the project and to position it for long term success.

Second, Regions and HOPE had built a relationship over many years, and they trusted each other. Their strong working relationship proved critical to the project.

Third, HOPE's engagement process with the community prior to opening the branch paved the way for a smooth transition in Terry. Before the credit union opened its doors, it understood the community's needs and interests, so it was able to hit the ground running.

While the branch transfer was not a conventional CRA project, the situation in Terry was not unique. Rural regions are feeling the effects of bank branch consolidation all over the country. What was special was the manner in which Regions and HOPE came together to identify a community development based solution to maintain financial products and services in a small town. To the extent that CRA credit provided an incentive for the institutions to work together, the case provides a useful example of how similar goals can be achieved in other rural areas in distress. In Terry, the presence of a high capacity CDFI credit union, added to the bank's willingness to donate the branch to the CDFI, made the difference between keeping a depository institution in Terry and losing access completely.

GRAND VIEW LEDGE TOWNHOMES - BUFFALO, MINNESOTA

Introduction

The lack of affordable housing is a problem for many communities. Given the lack of high quality, affordable rental housing options, the problem can be particularly acute for rural communities. The Grand View Ledge Townhome development in Buffalo, Minnesota, is an example of a project that addressed such needs using Low Income Housing Tax Credits (LIHTCs) and CRA-eligible lender funds to provide 24 high quality housing units at greatly reduced rents. While tax credits generated a majority of the development's $4.3 million in total funding, Bremer Bank's $1.2 million loan, for which the lender earned CRA credit, was instrumental in covering early project construction costs as well as providing a long-term mortgage for the project.

Project and Partnership

Buffalo is a mid-sized town, population 15,592, located where rural Minnesota and exurban Minneapolis meet 40 miles northwest of Minneapolis. It is the county seat of Wright County, which has experienced considerable growth over the last decade. Buffalo's population increased by 50 percent from 2000 to 2010 (10,097 to 15,453).[1] Along with such growth come issues of housing affordability, particularly for low-wage workers and families.

Podawiltz Development Corporation, a for-profit corporation, developed and manages the Grand View Ledge Townhomes. The project, completed in 2011, contains 24 two- and three-bedroom rental town home units. The project raised $3.1 million in funding from the sale of tax credits. As part of the LIHTC agreement, all units are rent restricted and occupied by households with incomes below 60 percent of the area median. Rents are set at roughly 30 percent of the area median income for the corresponding family size, allowing families to occupy the units without too much stress on their limited budgets.

[1] HAC tabulations of the U.S. Census Bureau's 2000 and 2010 Census of Population and Housing.

Grandview Apartments in Buffalo, Minnesota

Tax credits are typically not meant to fund a project fully, but instead to reduce the amount of money a developer needs to borrow. Bremer Bank provided the additional funding through a $1.2 million construction loan, and became the primary mortgage holder. These funds were particularly important in the early stages of the project before other monies became available. Because the project would provide affordable housing and was eligible for CRA credit, the bank charged an interest rate 25 basis points below the prevailing rate.

The city of Buffalo provided the final piece to the project, establishing a tax increment financing zone to provide funds for infrastructure related expenses such as roads and water lines. These combined resources ultimately amounted to a little more than the $4.3 million needed for the project.

Podawiltz Development organized the project. The developer designed the project, applied for the LIHTC, and approached both the city and lenders seeking financing. The work involved in these early stages is considerable. The application process for LIHTC alone is complicated and is highly competitive. Similarly, selling the tax credits requires identifying a limited partner. In this case, the National Development Council, a nonprofit affordable housing investor, filled that role.

Bremer Bank had worked with Podawiltz Development on similar projects in the past, and the companies have a good working relationship. Because of this relationship, the developer makes Bremer aware of opportunities such as the Grand View Ledge development.

Key Elements

An important reason for Bremer Bank's success with this and other CRA-eligible projects is its knowledge of the process. These deals are often complex, involving multiple funding sources and requirements, so having a team that understands the process is critical to success. Bremer personnel, especially those with experience working from both a bank and a nonprofit perspective, help address problems that invariably arise.

Understanding programs such as the LIHTC and the New Market Tax Credit is also important. Developments in low-income areas, the neighborhoods where CRA-eligible lending occurs, usually involve such government programs. In many cases, lenders need to be familiar with these programs to support CRA projects successfully. For small lenders with limited resources, this can be a particularly difficult issue.

Establishing relationships with developers is critical since it is the developers who are often at the helm of these projects. A good relationship with a local developer helps a lender become aware of projects early on so that they can invest. Having the right connections and an understanding of how the program works is critical.

The overall philosophy of the lender is important. The Bremer Bank is an unusual case. The Otto Bremer Foundation owns 92 percent of the bank, and makes a sizable portion of its dividends available for charity through grants and investment: $38 million in 2013. The Foundation works to "assist people in achieving full economic, civic, and social participation in and for the betterment of their communities." [2]This philosophy is prevalent at Bremer Bank, and therefore making investments in CRA-eligible communities is highly valued.

It is notable that this CRA-eligible project is profitable. This is not a "bad" loan that is funded solely because it satisfied the CRA requirements. As Greg Hohlen of Bremer Bank stated, "Being CRA-eligible makes a good project a bit better, but it will not make a poor project good."

[2] Otto Bremer Foundation. 2015. Mission & Meaning. Otto Bremer Foundation Website. Accessed 2/20/15 at the following url: http://www.ottobremer.org/about/mission-meaning