

NATIONAL TRIBAL BROADBAND SUMMIT



Expanding Internet Access

Bank Financing for Rural Broadband Initiatives



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PRESENTATION AGENDA

- + What is broadband and digital divide
- + How broadband impacts financial and other services
- + Regulatory considerations
- + Bank opportunities to offer financing
- + Resources for more information
- + Suggestions for taking action

DEFINING BROADBAND AND INTERNET ACCESS

+ Broadband:

- + In telecommunications, a wide bandwidth for data transmission which transports multiple signals and traffic types
- + In the context of Internet access *broadband* is used to mean any high-speed Internet access that is always on (24/7) through electronic media devices – such as phones, computers, tablets;
- + Capacity for the devices to connect to each other, is frequently referred to as “connectivity”.
- + FCC minimum standard for fixed broadband is 25 Mega Bits Per Second (Mbps) download speed and 3 Mbps upstream.

ACCESS TO BROADBAND MATTERS

- + Communication,
- + Delivery of public services
- + Education/training,
- + Health care,
- + Business activities and growth,
- + Job searching and job skill
- + Public safety
- + Reaching bank customers
- + Conducting today's banking business

SCOPE OF DIGITAL DIVIDE

- + FCC standard: 25 Mega Bits Per Second (Mbps) download speed and 3 Mbps upstream
- + 10% of all Americans don't have access to this level of service at home (34 million people)
- + 39% of rural Americans (23 million people) don't have access meeting FCC standard
- + Less than half of households with annual incomes under \$25,000 have not adopted broadband
- + 34% of non-metropolitan health care facilities lack sufficient broadband connectivity

REASONS FOR POOR DIGITAL ACCESS IN RURAL COMMUNITIES

- + Lack of population density
- + Longer distances between customers
- + Fewer broadband providers that operate in rural areas; thus consumers tend to have limited options when subscribing to high-speed services. (Pew Research Center, 2018)
- + Adults in rural areas are less likely to own mobile devices or to use the internet (Pew Research Center, 2018)
- + Most common reason: too expensive

IMPROVING DIGITAL ACCESS HELPS BANKS AND THEIR CUSTOMERS

- + Maintain and expand how customers can access and use their products and services via the internet.
- + Send and receive documents over the internet in short (fast) timeframes.
- + Promote economic development and small businesses that are reliant on technologies for payment processing, remote deposit capture, access to credit facilities and markets, and to deliver products
- + Important to global competitiveness, job creation, innovation, and expansion of markets for American businesses
- + Alternative delivery systems, particularly in light of shift away from branches

OCC VIDEO

The OCC video highlights the important role that banks can play in helping rural communities develop high speed broadband systems and reviews how banks may receive CRA consideration for these activities.



Visit the CA video at: <https://www.occ.gov/topics/community-affairs/resource-directories/rural-economic-development/bank-financing-for-rural-broadband-initiatives.html>

OCC REGULATIONS THAT SUPPORT BANK FINANCING OF RURAL BROADBAND

+ Community Reinvestment Act (12 CFR part 25)

+ Public Welfare Investments (12 CFR part 24)

COMMUNITY REINVESTMENT ACT (CRA)

- + CRA promotes lending, investment, and other activity that helps to maintain the vitality of low- and moderate-income communities across the nation.
- + Community development example [Q&A section ____ .1 2(g)(4)(iii)] involving communication infrastructure as an activity that would be considered to “revitalize or stabilize” an underserved nonmetropolitan middle-income geography.
- + New example of a project would qualify as meeting essential community needs:
 - + A new or rehabilitated communications infrastructure, such as broadband internet service, that serves the community, including low- and moderate-income residents

PUBLIC WELFARE INVESTMENTS (PWI)

National banks may make direct or indirect investments designed primarily to promote the public welfare, including housing, services, or jobs under 12 USC 24 (Eleventh) and the implementing regulation, 12 CFR 24.

- + Investment must primarily benefit:
 - + low- and moderate-income individuals,
 - + low- and moderate-income areas, or
 - + other areas targeted by a government entity for redevelopment, or
 - + if the investment would receive consideration under 12 CFR 25.23 (CRA) as a "qualified investment."

PUBLIC WELFARE INVESTMENTS (CONT.)

- + PWI must not expose the bank to unlimited liability.
- + Bank's aggregate PWIs must not exceed 5 percent of its capital and surplus. With OCC permission, aggregate investments may go up to 15 percent of its capital and surplus.
- + PWI Web Resource Directory on OCC.gov
- + Other financial institutions follow different PWI rules.

BANK OPPORTUNITIES TO OFFER FINANCING

- + NTIA assessed 100 local broadband programs in development and 65% were struggling to finance or fund a project
- + Bank financing opportunities:
 - + Permanent financing through the U.S. Small Business Administration 7(a) and 504, USDA RD Community Facilities, & Office of Indian Energy and Economic Development programs
 - + Construction financing, working capital, and short-term loans
 - + New Market Tax Credits
 - + PWI-qualified equity purchase of stock or cooperative shares.
 - + Subordinated debt from CDFIs
 - + Municipal bond investments

EXAMPLE: SBA 7(A) LOAN WITH FEDERAL GUARANTEE

- + **Borrower:** Palmer Wireless
- + **Location:** Falcon, Minnesota
- + **Bank:** Falcon Bank
- + **Project:** Buildout of high-speed, fiber-optic cable that linked homes, schools, and businesses from existing cell towers, along a 60 mile stretch of Highway 10
- + **Partnership:** Matching grants from Minnesota Border-to-Border Program and City of Falcon
- + **Role of Bank:** Seven loans (construction and permanent) using SBA 7(a) guarantees



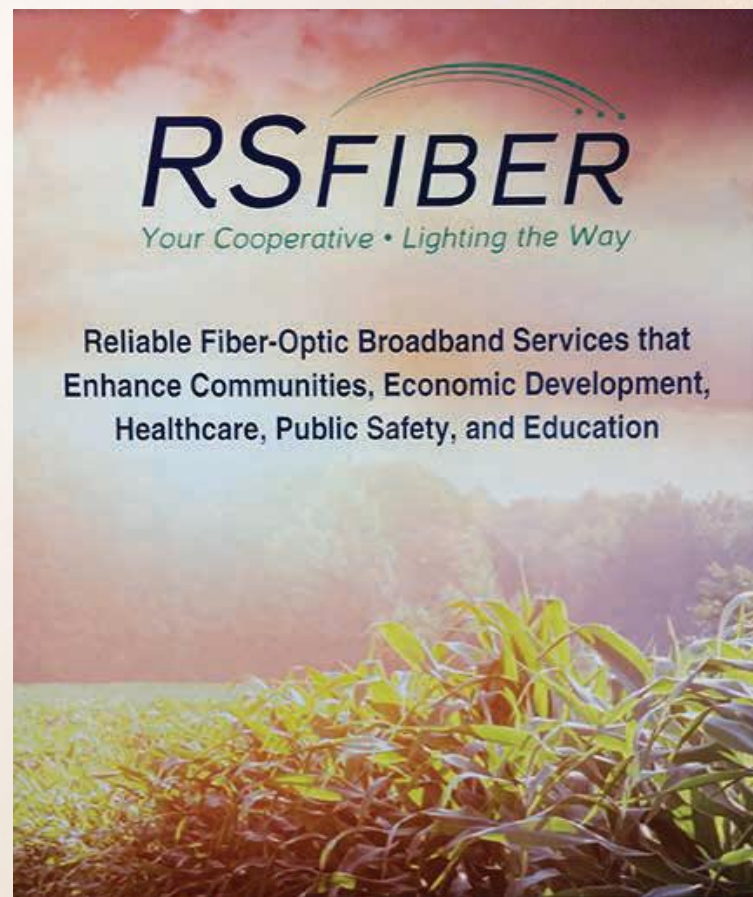
EXAMPLE: IEED LOAN WITH FEDERAL GUARANTEE

- + **Borrower:** Kodiak-Kenai Cable
- + **Location:** Kodiak Island, Alaska
- + **Bank:** First National Bank, Alaska
- + **Project:** Subsea fiber cable line that replaced the outdated satellite system. Construction of microwave towers for wireless broadcast to remote Native villages.
- + **Partnership:** Two Native Tribes and owners of a private missile launching complex provided investments
- + **Role of Bank:** Bank loan with guarantee from U.S. Office of Indian Energy and Economic Development (IEED), part of the U.S. Department of the Interior.



EXAMPLE: (PWI) PURCHASE OF COOP SHARES

- + **Borrower:** RS Fiber Cooperative
- + **Location:** West-central Minnesota
- + **Bank:** First National Bank of Fairfax
- + **Project:** high-speed fiber optic connectivity, Fiber to the Home (FTTH), at up to 100 megabits of bandwidth to homes, businesses, health care facilities, schools, and local government offices
- + **Partnership:** 10 communities and 17 townships, 9 lenders/grants
- + **Role of bank:** purchased investment of RS Fiber Cooperative shares (using PWI authority)



EXAMPLE: (PWI) NEW MARKETS TAX CREDITS

- + **Borrower:** General Communication Inc. (GCI)
- + **Location:** Alaska, within the Arctic Circle
- + **Bank:** U.S. Bank
- + **Project:** Deliver internet access to remote Inupiat villages to meet technology needs of schools and health clinics [TERRA - Terrestrial for Every Region of Rural Alaska)
- + **Partnership:** CDFI (Clearinghouse Community Development Financial Institution) and GCI
- + **Role of bank:** NMTC Investor (using PWI authority)



EXAMPLE: (PWI) NEW MARKETS TAX CREDITS

- + **Borrower:** Great Wave Communications
- + **Location:** Ashtabula County, Ohio
- + **Bank:** U.S. Bank
- + **Project:** Expand and modernize a broadband network in rural Appalachia for residents and businesses and improve delivery of essential services
- + **Partnership:** Two CDFIs – Ohio Community Development Finance Fund and Development Fund of the Western Reserve
- + **Role of bank:** NMTC investment (using PWI authority)



EXAMPLE: BUILDING CUSTOMER DEMAND

- + **Location:** Atmore, Alabama in southwest Alabama
- + **Bank:** United Bank, Alabama
- + **Project:** Build quality ISP connection in business community by quantifying demand and service contracts
- + **Partnership:** Standard Furniture, Franklin Primary Health, and Smith Tractor
- + **Role of bank:** Leadership in business collaboration



EXAMPLE: ELECTRIC POWER BONDS

- + **Borrower:** Chattanooga Gigabyte Network
- + **Location:** Chattanooga, TN
- + **Project:** Construction of Smart Grid System to homes and businesses, including purchase of electric equipment and transformers associated with Grid
- + **Partnership:** Electric Power Board of Chattanooga, U.S. Department of Energy
- + **Role of banks:** Purchase of electric power bonds



FEDERAL EFFORTS ON BROADBAND OPPORTUNITIES

- + National Telecommunications and Information Administration's (NTIA) BroadbandUSA Program
- + Broadband Interagency Working Group
- + OCC:
 - + Expanding Internet Access: Bank Financing for Rural Broadband Initiatives (November 2018)
 - + Bank Financing for Rural Broadband Initiatives Video
 - + Rural Broadband Financing and Development Resources Web Resource Directory

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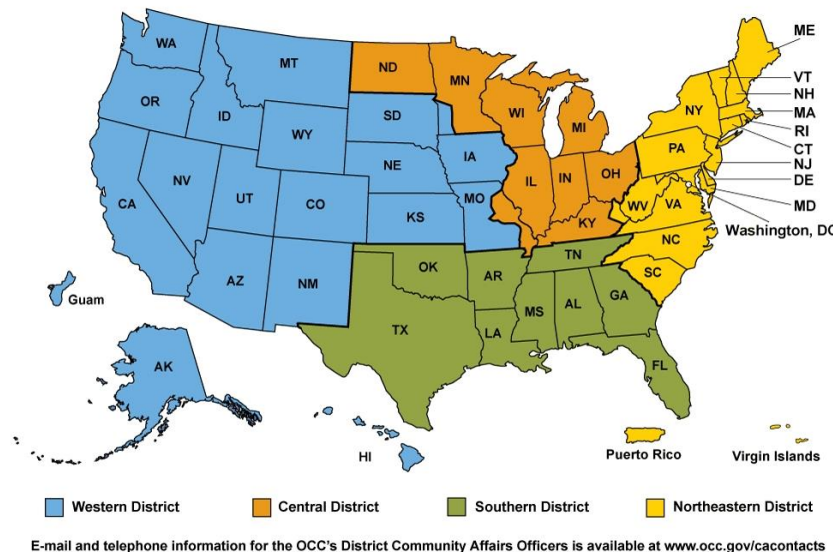
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TAKING ACTION

1. **Research** available data about a community's level of connectivity to assess the need for expanded access, new providers, or additional services.
2. Reach out and make contact with local government or other groups that may be involved in local and regional broadband **planning**.
3. Work with local or regional broadband planning team to **leverage** your bank's support to attract additional funding from public and private investment (such as a grant).
4. **Consider bank options** for financing broadband initiatives ([National Telecommunications and Information Administration's \(NTIA\) BroadbandUSA Program](#)) and available project help.
5. **Explore resources** at OCC (www.occ.gov/rural) for more information.

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