Wyoming Interagency CRA Officer Roundtable

May 25, 2023
10:00 – 11:30 am MT
Virtual session
Welcome and Overview

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Federal Reserve Bank of Kansas City, Denver Branch
The information, analysis and conclusions set forth in this presentation represent the work of the authors and do not indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, FDIC, OCC or their staff or its Board of Directors.
Welcome and Overview

CRA and Leveraging Native CDFI Opportunities in Wyoming

Small Business: Wyoming Smart Capital Network

Small Business: Updates from the Wyoming Business Council

Dialogue with Presenters and Participants

Closing Remarks and Adjourn
Fortifying the Indigenous Finance Industry

Paul F. Huberty, Executive Director
Marie Mellick, Senior Loan Officer
Organizational Profile

• Located on the Wind River Indian Reservation
  ◦ Home to the Eastern Shoshone and North Arapaho Tribes

• Chartered under the Eastern Shoshone Tribe (2001)
• 501c3 Tax-Exempt Organization
• Native-led board and organization
Organizational Profile

• Certified Native Community Development Financial Institution (“Native CDFI”)

• 1,385 CDFIs in the US, but just 64 (4.6%) are Native CDFIs serving Indian Country¹

• WRDF is the only Native-CDFI in all of Wyoming

¹ Source: CDFI Fund's 2022 Financial Report, US Department of the Treasury
Our Purpose & Passion

• Leverage our in-depth understanding of the Reservation, native people, traditions, unique challenges and barriers, and the effects of historical trauma.

• Provide indigenous-based training and technical assistance
  ◦ Financial literacy, credit coaching, business planning, entrepreneurship, and homeownership
  ◦ Collaborative partner with Wind River Startup Challenge

• Attract and deploy lending capital to the Wind River Indian Reservation, spur economic development, and **build inter-generational wealth**.
Loan Portfolio: 20 loans / $1.6 million

Loan Distribution, $

- Native: 28%
- Non-Native: 72%

Loan Distribution, $

- Target Market: 94%
- Out of Target Market: 6%
Competitive Interest Rates

- While serving a “higher risk” client base, WRDF offers capital at competitive market rates.

**Interest Rate Distribution for 20 Loans in Portfolio**
Managing Risk Through Relationships

Percentage of Loan Portfolio at Risk

Total Portfolio Balance of $1.6 million

Defined as more than 60 days delinquent, as of 5/16/23

5.8%
Building Intergenerational Wealth

Wealth provides people with five key functions:

• Resilience
• Investment in mobility
• Intergenerational support
• Mental and physical well-being and quality of life
• Ownership, voice, and control over assets and institutions.

Our Mission: To provide financial opportunities to stimulate economic development on and near the Wind River Indian Reservation, to promote self-sufficiency, self-determination, and an enhanced quality of life for the reservation community.

Source: Foundations of a New Wealth Agenda: A Research Primary On Wealth Building For All, Aspen Institute, December 2021
A Broken System | Native communities have been left behind

By design, mainstream economic systems oppress & exclude Native communities.

Percentage of Communities Living in Poverty

<table>
<thead>
<tr>
<th>National</th>
<th>Native Americans in the Mountain Plains region</th>
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<td>11%</td>
<td>39%</td>
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Racial Wealth Gap: Household Wealth

<table>
<thead>
<tr>
<th>White</th>
<th>Native</th>
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<tbody>
<tr>
<td>$1.00</td>
<td>$0.08</td>
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Median Household Income

<table>
<thead>
<tr>
<th>National</th>
<th>Mountain Plains Region</th>
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<tr>
<td>$62,843</td>
<td>$60,547</td>
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<table>
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<tr>
<th>Native Americans in Mountain Plains Region</th>
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<td>$35,214</td>
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Sources:
Foundations of a New Wealth Agenda: A Research Primary On Wealth Building For All, Aspen Institute, December 2021
Federal Reserve Bank of Minneapolis, Center for Indian Country Development
Access to Capital in Indian Country: A Historical and Systemic Issue

• “Complications” of lending on reservations and Native American lands

• “A major constraint impeding the growth of commercial lending in Indian Country is that many lenders are unfamiliar with this market. As with any niche market, lending in Indian Country requires a specific understanding of how to approach and manage business risks...”¹

• We know how to lend in Indian Country

An Indigenous-Led Solution

Mountain Plains Regional Native CDFI Coalition
Creating A New Economic System

**Values & Culture** | A new economic system fueled by Indigenous values & culture

Native Community Development Financial Institutions (CDFIs) emphasize holistic, relationship-based solutions grounded in Indigenous values and culture.

- **INTEGRITY**: Lead with courage, honesty, and upright character
  - Show up for each other and the People we serve
- **HUMILITY**: Honor humility, an essential part of our cultures
  - Remember the humility of our Elders
- **RESPECT**: Honor each other
  - Respect each other’s perspectives
- **RECIROCITY OF LEADERSHIP**: Share leadership
  - Lead with Reciprocity
- **FORWARD, PROGRESSIVE, SUNRISE THINKING**: Have faith in a new day
  - Center creatorship
Celebrating Our Collective Success

“The creation of a locally led financing infrastructure aims to reverse decades of historical disinvestment and institutionalized inequities for Native communities.”
WSCN Celebrates 10 Years

Achievements 2012 - 2021:

$22 million funds deployed
1,600 jobs created/retained
157 small business loans supported
$105 million capital leveraged for small businesses

78% of businesses have 10 < employees • 67% of projects in small towns and rural areas
23% women or minority owned • 24% start ups
We partner with commercial lenders to provide capital for small businesses that create jobs for Wyoming communities

Our growing network of bank partners in Wyoming:

ANB Bank
Banner Capital Bank
Big Horn Federal
First Bank of Wyoming, Div of Glacier Bank
First State Bank, Div of Glacier Bank
Commerce Bank of Wyoming
First Interstate Bank
First National Bank of Gillette
First National Bank of Omaha
First Northern Bank of Wyoming
Hilltop Bank
Jonah Bank of Wyoming
Nebraska Land National Bank
Pinnacle Bank
Platte Valley Bank
Points West Community Bank
Riverstone Bank
RNB State Bank
Security State Bank
State Bank
Sundance State Bank
Western States Bank

www.wyosmartcapital.org
Product: Growth Capital Loan Participations

- Work through lending institutions who in turn work directly with small business owners
- Purchase loan participation for up to 25% of the total loan amount
- Subordinate our participation. 2nd collateral position
- Up to a 10-year term
- Maximum WSCN participation of $1 million
- Fee to borrower of no more than 1% of the total loan amount
- Eligible commercial uses of funds:
  - Equipment, working capital, real estate acquisition, business purchase
  - Construction only in certain eligible counties
Process – “Speed of Business”

Banker identifies prospective borrower.

Collateral gap identified if borrower wishes to hold on to cash for operations.

Bankers sends WSCN our application, bank’s credit memo, business plans, and financials.

WSCN reviews the project for eligibility.

If eligible, WSCN sends bankers draft: Lender Certification, Certification of Loan Parties, Participation Certificate and Commitment Letter.

Bank identifies closing date and sends draft loan documents, one week prior to closing.

WSCN compliance review and final approval.

WSCN wires funds on day of closing. Whole Process can take as little as 2 weeks.
Access to Capital for Underserved

**Objectives**

**Increase Access**
- Outreach to lenders statewide to increase use of the Program

**Leverage Assets**
- Educate small business support organizations on financing options available to clients

**Build Knowledge**
- Referral network for businesses in need of technical assistance
- Education and networking events with participating lenders focused on building banking relationships and understanding financing products
Contact us

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www.wyosmartcapital.org

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WBC INVESTMENTS TEAM

GORDON FINNEGAN  
Equity Portfolio Manager

JOHN WENDLING  
Loan Portfolio Manager

NOELLE REED  
Grants Portfolio Manager
WYVC FUND

INTRO & STRATEGY
EQUITY PATHWAY

LOCAL ANGELS

Pre-Seed Seed Series A Series B Series C+ Mezzanine IPO

REGIONAL AND COASTAL CAPITAL
1. Dramatically expand the entrepreneurial investor ecosystem supporting Wyoming
2. Provide access to capital in underserved communities to underserved or new businesses
3. Create, Grow, & Sustain interagency and deployment partnerships
4. Transparency and accountability for funds invested
5. Increase the count of VC funds in Wyoming that will lead rounds and perform due diligence
6. Grow the $56M to $90M by the end of the 9yrs
7. Deliver all $56M to Wyoming businesses before the 9yr timeframe
HOW TO APPLY

WYVC APPLICATION
https://wyo.my.site.com/ssbci/s/

Wyoming Business Council

WYVC APPLICATION PROCESS

Welcome to the Wyoming Venture Capital (WYVC) Program

In most circumstances, the application process should take approximately 30-45 minutes. Please plan for time to ensure all documents listed below are complete and accurate before starting. If you have questions, please review the Wyoming Business Council (WBC) website or contact us directly.

- Complete and sign the WBC Offshore Agreement
- Weekly Bank Statement
- Financial Statements (3 years)
- Business Plan
- Financial or Financial Advisor
- Other

Application Process - Step 1: To begin the application process, please visit the WBC website at https://wyo.my.site.com/ssbci/s/.

ABOUT THE STATE BUSINESS CREDIT INITIATIVE (SSBCI) PROGRAM

The $35M in the Direct investment strategy is focused on direct equity co-investment into Wyoming entrepreneurs. Follow-on funding has been a challenge for Wyoming startups and the Direct Strategy enables WYVC to participate in funding rounds for Wyoming companies headquartered across the state.

Who is Eligible

- Wyoming-based company
- Startup or high-growth company
- Committed to future exit
- Planned or future fundraising round

Investment Details

- WYVC is targeting 20% of the round when appropriate
- WYVC max investment of $5,000,000 or $50% of total round whichever is less
- Other investors in the round are pari passu with, or junior to, the WYVC investment in cash flow rights

WYVC DIRECT STRATEGY

WYVC Rare

Direct Finance

GORDON FINNEGAN
WYVC QUESTIONS

Learn More At
wyomingbusiness.org
WBC LOAN PROGRAMS

3 NEW PROGRAMS
50/50 Financing Program

- WBC max participation is the lesser of $2,500,000 or 50% of total project.
- Business must contribute 15% or more of total project costs.
- Minimum interest rate of 4% and loan origination fee of 1%.
- Max term is 10 years and can be amortized up to 25 years.
• WBC max participation is the lesser of $500,000 or 50% of the total loan.

• Minimum interest rate of 4% and loan origination fee of 1%.

• Max term is 10 years and can be amortized up to 25 years.
Maximum loan amount is $200,000.

Business must contribute no less than 10% of total costs.

The WBC must be listed as a co-payee on the contract alongside the borrower.

Minimum interest rate of 4% and loan origination fee of 1%.

Maximum loan term is 2 years unless this provision is specifically waived by the WBC Board of Directors.
LOAN QUESTIONS

Learn More At wyomingbusiness.org
Dialogue with Presenters and Participants

Ariel Cisneros, Senior Advisor
Federal Reserve Bank of Kansas City, Denver Branch

Closing Remarks and Adjourn
Thank you!

- Please complete the evaluation for the session.