Banks Financing Broadband Networks: Two Case Studies

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Outline

• Introductions
• A Note on financing rural broadband networks
• Computer Technologies Inc., Taylorsville, IL
  – Bank Financing: Montgomery County, IL Expansion
• Reservation Telephone Corporative, Parshall, ND
  – Bank Financing: McKenzie County, ND Expansion
• Resources and Contact Information
Financing Rural Broadband Networks

• Private, Municipal, and Cooperative Networks
• Local, Regional, and Nation-wide Banks
• Bank Financing Models
  – Participation Lending
  – Public Private Partnerships
  – Layered Financing (Community Development Financing)
• Role of the CRA
Computer Technologies Inc. (CTI) Project
Taylorville, Illinois

Population: Taylorville, 10,650; Christian County, 33,102.
Montgomery County, Illinois

CTI

CTI is a technology company that was started in 1998 in Taylorville, IL. Since that time, CTI has provided...

- Digital 56K dial-up modem service
- DSL service
- Fixed wireless Internet service
- Gigabit fiber to the home/business service
CTI Service Area
“Springfield, IL doesn’t have fiber. In some ways it is easier to wire up smaller towns where the scale of construction is much smaller.”

- Billy Williams, President, CTI.

Springfield, IL MSA: population, 208,000.
CTI Service Area: app. population, 20,000.
CTI Financing

2013: Denied financing from area banks
2014: Took a different approach
• Constructed partial fiber network in Taylorville (developed customer base and documented cash flow)
• Existing bank extended construction LOC for $500 thousand to build out additional fiber in Taylorville
• Bank participated out a LOC for $7 million.
• Expansion to Nokomis and Hillsboro, $5 million from local bank.
• Other local banks and 14 additional towns have expressed interest.
2019: Nearly 7,000 fiber customers
Bank Characteristics

- Bank A: $50 million assets
  - 82% Real Estate lending
  - 2 branches in Christian County
  - Taylorville build out

- Bank B: $193 million assets
  - 34% Commercial lending
  - 2 branches in Christian County
  - Taylorville build out
Bank Characteristics (cont.)

• Bank C: $148 million:
  • 51% Ag lending
  • 2 branches in Montgomery and Christian counties
  • Hillsboro/Nokomis build out

• Bank D: $70 million assets
  • 60% Real Estate lending
  • 2 branches in Hillsboro
  • Hillsboro build out
Montgomery County Expansion

- Earning Asset and Community Benefit
- Assist bank intercommunications
- 50% Take Rate
- CTI below ground. Incumbents on poles.
- Montgomery County Economic Development active supporter. Did much of the research.
- Hillsboro Area Hospital sent volunteers door to door.
- Emphasis on schools
Reservation Telephone Cooperative (RTC) Project
Fort Berthold Reservation

Three Affiliated Tribes: Mandan, Hidatsa, Arikara
Population: 15,000 enrolled/6,300 resident
988,000 acres of which 457,837 acres native owned
Watford City, ND

- Population: 2010, 1,744; 2018 Est. 7,000.
McKenzie County, ND

McKenzie County
- Population: 2010: 6,360; 2018 Est 13,632
- CT Income: 2010, 1 Middle, 1 Moderate, 3 Middle D/U; 2018, 3 Upper, 1 Middle D/U, 1 Low
Reservation Telephone Cooperative Inc. (RTC) offers local phone services to residential and business clients; high-speed Internet services; TV services; and bundled services to residential customers. The company was founded in 1951 and is headquartered in Parshall, ND.

Though it is not native-owned, members of the Three Affiliated Tribes sit on the RTC Board of Directors.

It is the primary provider of local phone services, internet, and TV services on the Reservation.
RTC Service Area
First International Bank & Trust
First International Bank & Trust

First International Bank & Trust
• Headquartered in Watford City, ND
• Founded 1910 by the Stenehjem Family.
• Current President, Steve Stenehjem
• Assets
  – 2009, $926 million
  – 2017, $2.3 billion assets
  – 2019, nearly at $3 billion.
• 25% of deposits in McKenzie County
• Financed RTC’s McKenzie County expansion
McKenzie County Expansion

2013
• $10 million Operating LOC for construction of Middle Mile across McKenzie County service area: Watford City, Alexander, Arnegard, Keene, and Ross.

2014
• Extended $10 million Operating LOC: construction of Watford City Service Building
• $9.6 million Bridge Loan (prior to fulfillment of a USDA RUS Infrastructure Program loan): FTTH/FTTB Construction
• Renewed Operating LOC for $8 million
McKenzie County Expansion (cont.)

2015
• Consolidated $17.7 million to Permanent Financing.
  – 10 year maturity; unsecured loan; interest only year 1/after that P&I. Ordinarily unsecured loan has 3 year term. Why? Securing the economic future of the community.

• Held $8.85 million and participated out $8.85 million to Bank of North Dakota

2017
• Consideration given for $25.7 million in community development loans on CRA Exam. Exam Period 2014 to 2016.
First International Bank & Trust

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Bank Financing for Rural Broadband Initiatives
OCC Video
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