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Community Developments

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Revolving Loan Funds Offer Advantages to Banks and Rural Communities

South Dakota Rural Enterprise, Inc. (SDREI), a statewide financial intermediary and U.S. Treasury Department certified CDFI, partners with national banks operating in the state to bring the benefits of affordable housing and small business development to more lower income residents and communities.

SDREI invests in revolving loan funds, which bridge the gap between what traditional lenders can offer a borrower and what is needed to finance the project. Providing capital for the 50 revolving loan funds operated by South Dakota's CDFIs, SDREI also furnishes the CDFIs with training,

technical assistance, and networking support. In cooperation with the South Dakota Department of

Tourism and State Development and various co-sponsors, SDREI produces two training events annually, aimed at stimulating and implementing new

development investment opportunities, and conducts an annual survey of the state's CDFIs.

In addition to channeling its bank investments to the state's revolving loan funds, SDREI can leverage these investments by using them as matching funds to qualify for additional funding from public sources, such as the U.S. Department of Agriculture's Intermediary Re-Lending Program (IRP), which finances business facilities and community development projects in rural areas.

Banks investing in SDREI in 2002 helped bring new jobs and economic growth to the state.

In Aberdeen, for example, SDREI funds helped facilitate construction financing with

long-term financing provided by multiple sources. Aberdeen Development Corporation was thus able to attract Verifications, Inc., a



SDREI makes capital available to organizations like the Areawide Business Council, Inc. (ABC) so that ABC's revolving loan fund can fund local businesses like Printed Impressions in Freeman, SD. Donna Waltner, principal of Printed Impressions, stands in the print shop.

Minneapolis-based employment screening service seeking a site for a new branch office. About 40 new jobs had been created by the time a ribbon-cutting ceremony was held in October 2002, with the company expecting to employ more than 100 by 2004.

Banks investing in SDREI financing have also helped numerous smaller entities whose economic health can be vitally important to the small towns where they are located, particularly with the rural economy in difficulty. Good examples are Ron's Equipment in Milbank, a town of about 5,000; Donna Waltner's Printed Impressions in Freeman, population 1,500; and the Broadland Creek Business Park, part of Huron's effort to stimulate a struggling local economy.

One South Dakota national bank executive, asked to characterize SDREI's role in the state, describes it as the "Federal Reserve," in effect, for all of the state's revolving loan funds: "SDREI has brought local revolving loan funds both a funding source and a source of expertise. SDREI greatly improves the odds that a sound business idea will succeed in South Dakota."

That's good news for banks, of course. And when national banks use their Part 24 investment authority to invest in innovative initiatives, such as SDREI, they also can benefit from eligibility for positive CRA consideration and Bank Enterprise Award funding.

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