

Bay Bank Testimony to the Subcommittee on Consumer Protection and Financial Institutions Hearing

Appearing before the committee to deliver this testimony is Jeff Bowman, President and CEO of Bay Bank.

Bay Bank Overview

Bay Bank is a Wisconsin state chartered, FDIC-insured financial institution. The Bank is a wholly-owned subsidiary of a holding company named Bay Bancorporation Inc. The holding company is owned 100% by the Oneida Nation. Bay Bank is a full service community bank that offers a full range of deposit and loan accounts, online banking, bill pay, mobile banking and remote deposit capture. Bay Bank's asset size is \$100 million with \$65 million in loans, \$79 million in deposits and capital of \$14 million. We operate 2 full-service banking offices and have a team of 27 employees. The bank is growing, profitable and well capitalized.

Bay Bank was co-founded in 1995 by the Oneida Nation and a group of local business people for the purpose of establishing a community bank that would cater to small businesses, the Oneida Nation, Oneida tribal members, and others in the surrounding community. The banking industry was going through a period of consolidation with numerous bank mergers in the 1990s and this left the Green Bay area without a strong community bank presence. The founding of Bay Bank was intended to fill that void and provide a small-bank feel to banking customers and ensure there was local decision making in the operation of a community bank. In the year 2000 the Oneida Nation bought out its partners and became the sole shareholder of Bay Bancorporation Inc.

Because Bay Bank is owned by a federally-recognized Indian Tribe, the Oneida Nation, it meets the definition of an "MDI" – a Minority Deposit Institution. This is unique because Bay Bank is one of only 18 Native American owned financial institutions in the entire country.

Bay Bank and its holding company are governed by a Board of Directors. Unique to the Bay Bank organization is that a majority of the board members are enrolled members of federally-recognized Indian tribes, of which three are Oneida tribal members. This creates accountability back to the shareholder and the Oneida community. In addition, both the CEO and the Vice President of the Bank are enrolled tribal members.

Mission Driven Bank

Bay Bank is a mission driven bank that aims to have a financial and social impact in the communities we serve, particularly Native American communities in Wisconsin which are largely underserved. We have deep experience in these areas and we have learned how to accommodate the unique banking needs of the Native American communities.

CDFI Designation

Both Bay Bank and its holding company have been certified as a Community Development Financial Institution by the US Treasury CDFI Fund. This is a validation of our mission and our track record of providing financing to our targeted market.

We are sharing with you the Mission Statement, Vision and Values of Bay Bank. These are the guiding principles of the bank and are written within our strategic plan.

Mission Statement

We create positive impact by building a bridge to personal and financial success for ALL

Vision

By 2025, Bay Bank will be widely known as the Native American Owned Bank which provides fair and empowering services with a welcoming attitude towards all customers.

We will succeed in reaching Tribal Communities in the Midwest and appealing to the diverse segments of the larger Green Bay Community by staying true to our roots while building new skills and capabilities.

Values

- We are driven by purpose first
- We view everyone to be deserving of our time and talents
- We respect and appreciate individual initiative and personal growth
- We understand the risk of our actions but we are not afraid to act
- We work together to achieve the best results possible
- We believe that honest and integrity are the basis for lasting success

Markets We Serve

Bay Bank's current target market is divided into four categories: the Oneida Nation tribal community, small and medium size businesses including minority owned businesses within a 60 mile radius of our main location, retail customers immediately surrounding the Bank, and other Indian tribes and tribal organizations in the Great Lakes region.

The Oneida Indian Reservation is approximately 65,400 acres and located in Brown and Outagamie Counties in northeastern Wisconsin. According to the US Census, there are 24,213 people living on the reservation with a median age of 37.9. In addition, there are 9,232 total housing units with an average household size of 2.7. There are approximately 4,473 Oneida citizens living within the reservation boundaries and 3,167 Oneida citizen living off the reservation in the two adjacent counties. According to the Oneida Nation's Quality of Life survey, the unemployment rate of Oneida members living on the reservation is 8.9% and the poverty rate is 22%. The nearest major principal metropolitan area is the City of Green Bay with a population of approximately 104,057 people, according to the US Census.

The Green Bay area and Brown County is a competitive banking market. According to data from the FDIC Deposit Market Share Report, Bay Bank had a 1.02% market share position of all bank deposits in Brown County. The FDIC also reports that there are 72 banking offices in Brown County with total deposits of \$7.08 billion. 11 of the 19 financial institutions within the Brown County market have over \$1 billion in total deposits.

Unique Services We Offer

Small Dollar Consumer Loans

Access to affordable small dollar personal loans is an ongoing need in the communities we serve. Each year Bay Bank originates 500 to 600 consumer loans and over 90% of these loans are to Native American borrowers. About one half of these loans are unsecured signature loans that have an average loan size of approximately \$2,200. These loans allow the consumer to borrow funds for a variety of household reasons and we structure the repayment term over 1 to 3 years which makes the payment affordable. The other half of these loans are for the purchase of a used vehicle with an average loan size of \$9,800. In almost all cases we finance 100% of the cost of the vehicle and we structure the repayment over a term of up to 5 years. Many of our borrowers travel long distances to get to work and to take care of themselves and their families. Having reliable transportation helps them succeed in today's world. An interesting aspect of our consumer loan customers is that about one half of our borrowers have credit scores of less than 600. This is generally the cutoff of having "bad" or "good" credit. We do not base credit decisions on credit scores. Instead, we use expanded underwriting guidelines that allow higher debt-to-income ratios and we consider numerous other factors to help make the loan decision. We have developed these guidelines through years of practice. This not only helps the borrowers in the communities we serve, but the revenue off the loans makes this a sustainable service for the Bank.

Residential Mortgage Loans

Home ownership is a goal for many Native Americans. Obtaining a mortgage to purchase a home can be a challenge because in most Indian reservations the ownership of the land is held in trust. This can create a barrier in obtaining financing. The tribal member will secure a lease from the tribe on a property, however, conventional mortgage products do not "fit" Indian Country and trust land in particular. Fortunately, Bay Bank offers a long term mortgage product to overcome these challenges. Specifically, we offer a mortgage loan product specifically for Native American borrowers named the HUD Section 184 loan. This is a government backed loan product that not only allows a leasehold mortgage on trust land, but it also has a low down payment requirement, a 30 year fixed rate at a market rate and no private mortgage insurance. Bay Bank is the leading provider of this mortgage loan product in the Great Lakes area. We have originated over 900 of these loans to Native American borrowers with a total value of over \$90,000,000. We dedicate 6 of the Bank's 27 employees to our mortgage lending business. This has increased home ownership in tribal communities with an affordable loan product. We have loans in approximately 20 tribal communities in Wisconsin, Minnesota and Michigan.

Small Business Loans

Bay Bank also provides loans to Native American-owned small businesses. We have successfully launched new businesses by providing financing for working capital and equipment purchases. We use the Bank's funds to make these loans, but we also administer a separate set-aside loan portfolio for the Oneida Nation called the OSB loan ("Oneida Small Business"). Using the Oneida Nation's funds, Bay Bank originates loans to Oneida tribal members that are starting or growing their small business. These funds provide the borrower with flexible loan terms at an affordable interest rate. We are not aware of any other bank that has this type of relationship with an Indian tribe.

Large Commercial Loans to Tribes

We have found that Indian tribes are at various levels of entrepreneurship and new business development. There are a small number of tribes that have large, profitable gaming operations along with ownership in other diversified businesses. However, many do not and they struggle with access to capital to support economic development. Bay Bank has had success in supporting the tribes with financing to grow or start new businesses. For example, we recently provided a loan of \$2.7 million to a business entity owned by the Lac du Flambeau tribe in northern Wisconsin. Our loan is funding the construction of a new grocery store for their community. We utilized a government loan program called the Indian Loan Guaranty offered by the Department of the Interior's Office of Economic Development. This placed a government loan guaranty on the loan. This helped mitigate the bank's credit risk, but more importantly it provided access to financing for a new project in a low income tribal community. The new store will increase the tribe's revenues and create a profitable business for them. It will also provide the community with access to a full-service grocery store with healthy foods. This project would not have happened without the assistance of Bay Bank. Our mission is to provide access to responsible financing to tribal communities. We take the time to understand the needs of a tribal community and we provide financial solutions to help them realize their goals.

Larger Housing Projects

Bay Bank has also helped several tribes in Wisconsin develop new and rehab existing housing units on their reservations. Nearly every tribe in Wisconsin has a shortage of housing units. Some tribes do not have the resources to fund the housing needs of their communities. One financing tool that is effective is called the Low Income Housing Tax Credit program (LIHTC). To assist the tribes, Bay Bank has provided construction loans for several LIHTC projects. Several of these projects were turned down by their local bank. To assist these tribes Bay Bank took the time to learn how the LIHTC program works. And to support these projects financially, we sponsored Affordable Home Program grants from our Federal Home Loan Bank which added another layer of grant funding to the capital stack and we provided the bank financing to make these projects happen.

Providing access to capital in minority communities is an ongoing needed. While Bay Bank is just a small community bank, we have a desire to serve the underserved. Bay Bank is a prime example of how a mission-focused MDI can serve their targeted communities and make a difference.

Expansion Plans for Bay Bank

While there has been a decline in the number of MDIs, Bay Bank is bucking that trend. We have grown our asset size by focusing on the Native American community. We are in the process of developing even more access to the bank by expanding product channels, optimizing product features and considering geographic expansion into other tribal communities. Bay Bank is on a mission to affect change in Native American communities.

Comments on the Proposed Bill

Bay Bank supports this bill. There are several features in the bill that will help our bank continue its mission.

Formation of an MDI Advisory Committee

The bill includes a recommendation to create an MDI Advisory Committee in which its committee members can provide advice on the support for MDIs. Bay Bank supports this measure.

Enhancements to the Minority Deposit Program

The bill includes a provision to effectively expand MDI participation in the US Treasury's Minority Deposit Program. Bay Bank needs access to affordable deposits to grow. We need new deposits to make new loans. We are the smallest bank in our marketplace. It is difficult to compete for new deposits because we cannot afford to pay the high interest rates offered by our larger competitors. Because most of our personal customers maintain small balances in their deposit accounts, they are not providing the bank with a significant amount of deposits to lend out. Therefore, easier access to government deposits could create a source of cost-effective deposits for Bay Bank. By allowing the use of a reciprocal deposit service, this would bring new deposits to Bay Bank, provide insurance on the deposits and provide new funds that we can use to make new loans.

Loan Loss Reserve for Small Dollar Loans

The Bill encourages the creation of a grant program to assist MDIs in expanding their Small Dollar Loan programs. Bay Bank supports this effort. As we explained earlier, we have a long history of providing affordable consumer loans. This has the potential to encourage even more lending.

In summary, Bay Bank supports this draft discussion bill. It will be good for MDIs that are providing banking services in underserved communities.