

MARKET STUDY

JANUARY 2020





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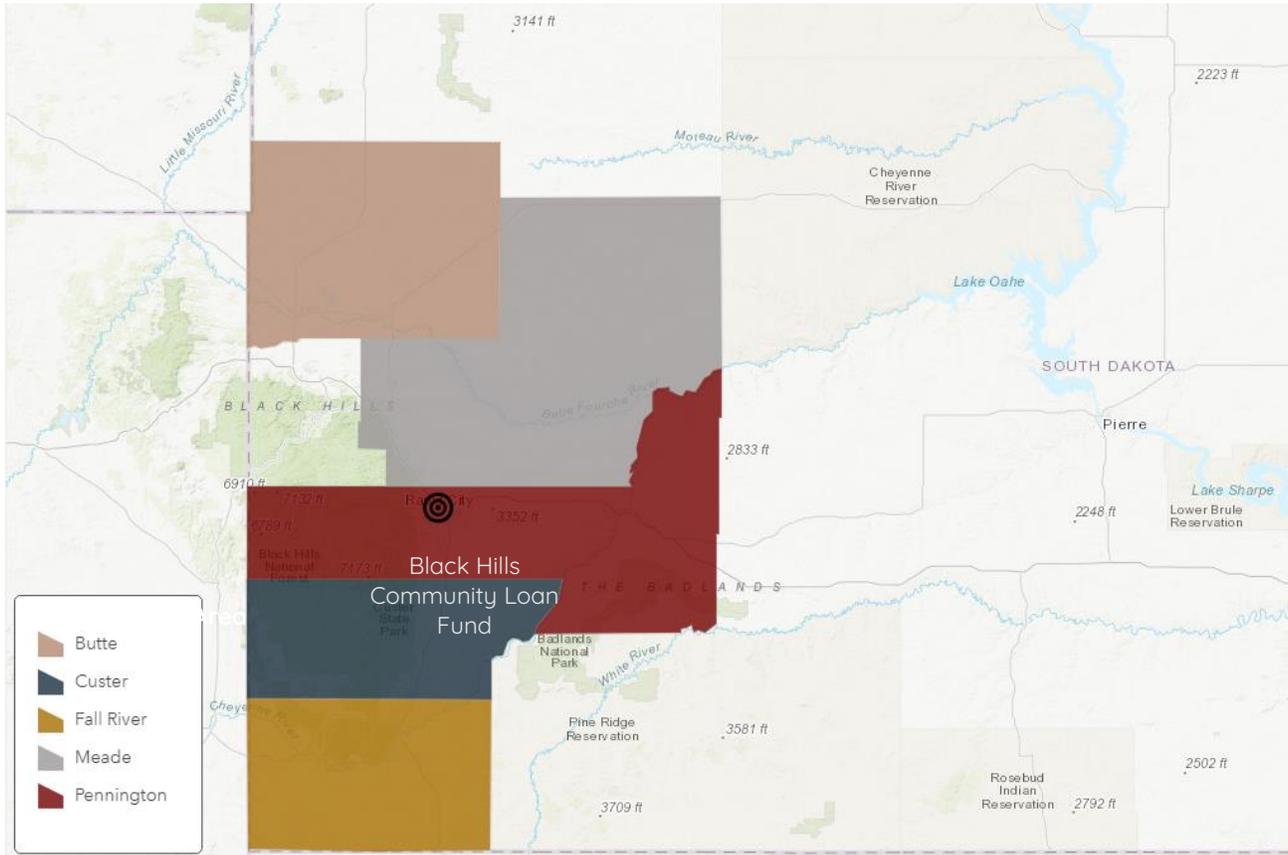
SWEET GRASS
CONSULTING, LLC

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OVERVIEW

In early 2018, Sweet Grass Consulting, LLC (Sweet Grass), in conjunction with Black Hills Community Loan Fund (Loan Fund), began a comprehensive assessment of the existing services and gaps within the Loan Fund's organization and target area. The goal of the study was to understand the availability and accessibility of small business development, financial/banking, and housing services within the five-county service area, which includes Fall River County, Custer County, Butte County, Meade County, and Pennington County. The map below illustrates the Loan Fund's service area.



The results of the market assessment will be used to enhance the Loan Fund's understanding of the available services in the area and what gaps exist, in turn allowing them to better tailor their products and services to best meet client needs. Additionally, an organizational assessment was conducted to evaluate the Loan Fund's capacity to take on new products, services, and clients. The following report details the results of these assessments, as well as recommendations and next steps.

BACKGROUND AND DEMOGRAPHICS

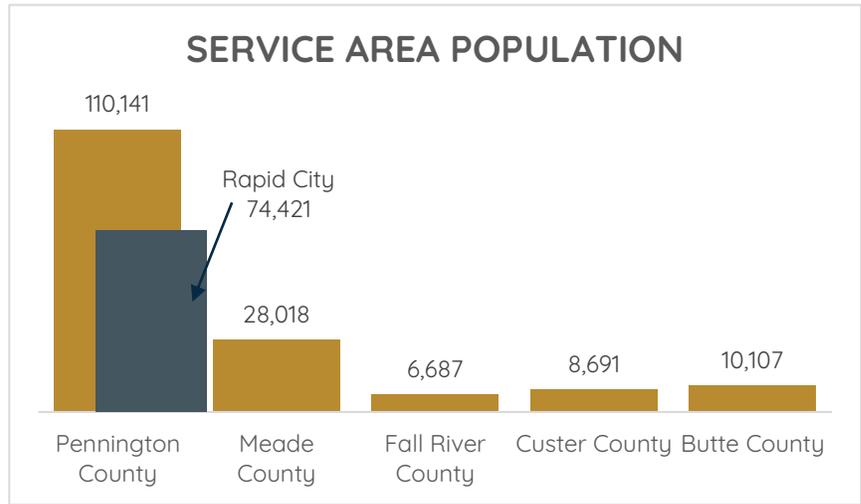
As mentioned above, the Loan Fund's service area includes the counties of Butte, Custer, Fall River, Meade, and Pennington, along with Rapid City. The land base encompasses over 11,700 square miles,¹ covering much of the southwest part of the state. These counties differ greatly in geography, local economies, land use, and population. As such, community members face unique challenges and have a

¹ United States Census Bureau, Quick facts. Accessed 8/1/2018 from: <https://www.census.gov/quickfacts/fact/table/penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttecountysouthdakota,rapidcitysouthdakota/PST045217>.

wide variety of needs. Opportunities and potential new services will also differ depending on location, as current market services may be concentrated in one location and sparse in another.

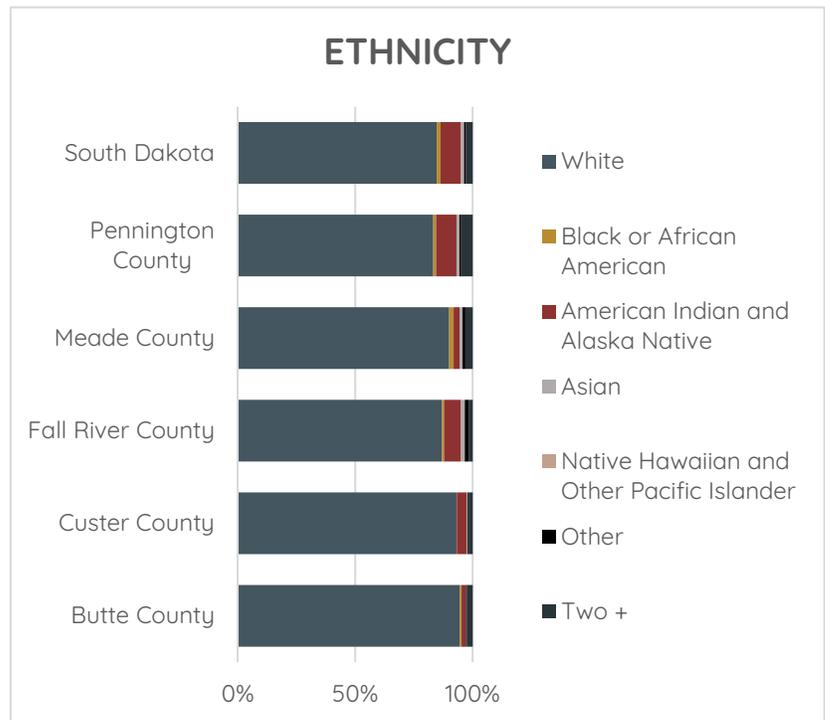
POPULATION

Pennington county includes Rapid City,² the second most populous city in South Dakota after Sioux Falls.³ Rapid City’s population makes up 68% of Pennington County and, as it is the main urban center in the area, may not be representative of all Pennington County. As detailed throughout the report, Rapid City often has the highest density of services and thus, skews the availability of services in the 5-county service area. Where possible, we have highlighted these results. Pennington County is followed in population by Meade, Butte, Custer, and Fall River Counties.⁴ This 5-county area is home to 163,644 people, 18.5% of South Dakota’s total population.⁵



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The ethnic distribution of the 5-county service area is predominantly White, with 86% of the total service area population identifying as White or Caucasian. Within the service area, those who identify as American Indian or Alaskan Native make up 1% (9,292) of the total population.⁶ Pennington County has the highest population of American Indian or Alaskan Native with 1,385 (9%) of residents identifying as such. Within Rapid City, there is an increased number of American Indian and Alaska Native living within city limits at 11% of the total population⁷, suggesting that many of the Loan Fund’s target clients live within Rapid City. It should be recognized that census numbers have historically been inaccurate for Native Americans and other people of color. Thus 11% is



² Estimated population of 74,421.

³ United States Census Bureau, Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2017.

⁴ United States Census Bureau, Quick facts. Accessed 8/1/2018 from: <https://www.census.gov/quickfacts/fact/table/penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttecountysouthdakota,rapidcitycitysouthdakota/PST045217>.

⁵ 2019 estimate of 884,659

⁶ United States Census Bureau, Quick facts. Accessed 8/1/2018 from: <https://www.census.gov/quickfacts/fact/table/penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttecountysouthdakota,rapidcitycitysouthdakota/PST045217>.

⁷ United States Census Bureau, Quick facts. Accessed 8/2/2018 from: <https://www.census.gov/quickfacts/fact/table/rapidcitycityouthdakota/PST045217>

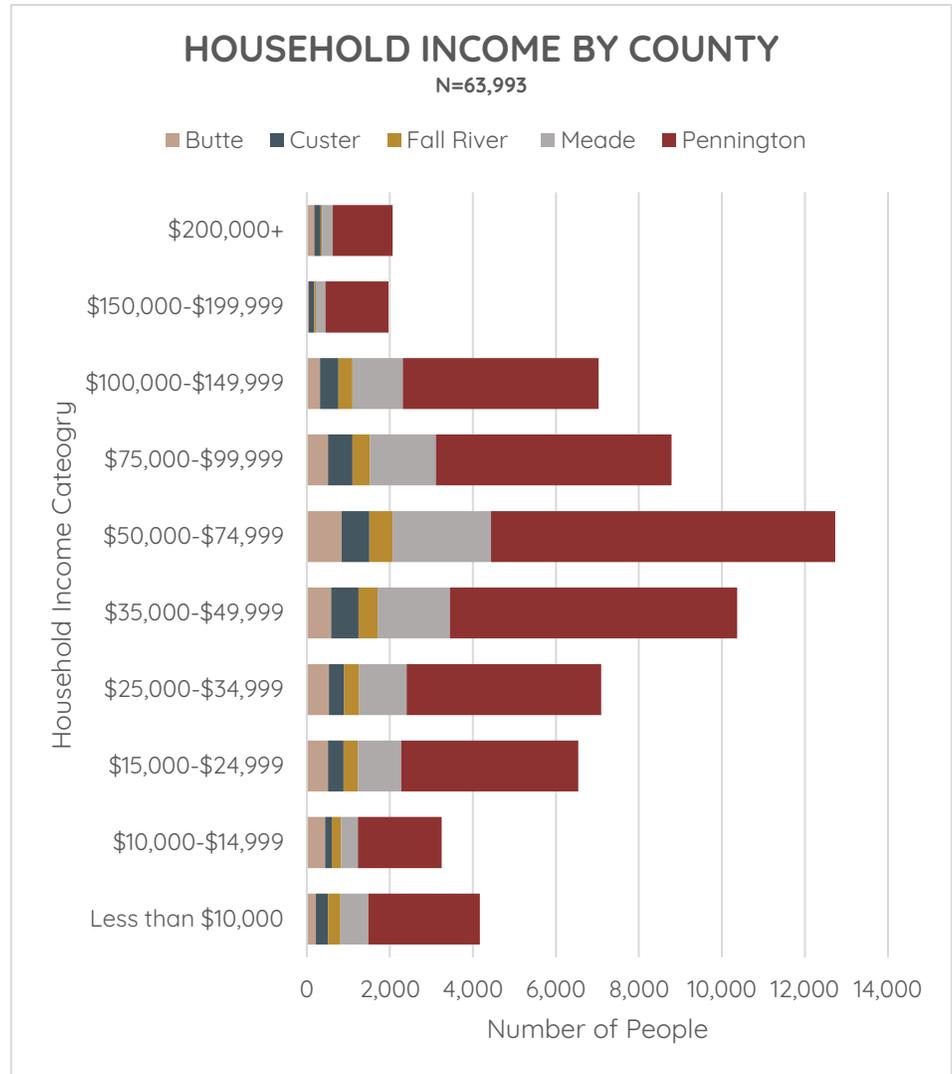
likely a lower percentage than the actual situation and their may be higher numbers of Native American residents in Rapid City and the surrounding counties.

INCOME & POVERTY

The median household income for the 5-county service area ranges from \$43,000-\$53,000, with an average income of \$49,309, \$10,984 lower than the national median household income.⁸ The median household income of Rapid City is \$47,300, possibly skewing the household income of Pennington County. Butte County has the lowest median household income at \$43,750, \$8,328 lower than the South Dakota median household income (\$52,078) and \$5,559 less than the 5-county average.

Of particular note is the percentage of persons in poverty in Rapid City—16.4%—which is 3.1% higher than the state average.⁹ This is also the area with the highest rate of Native Americans and Alaska Natives, suggesting that poverty rates for Native Americans are higher in Rapid City than in surrounding counties.

Along with poverty level and median income rates, cash public assistance income such as Temporary Assistance for Needy Families (TANF) or Supplemental Nutrition Assistance Program (SNAP) are also indicators of a households’ ability to financially support themselves and be resilient during economic downturns. According to the U.S.

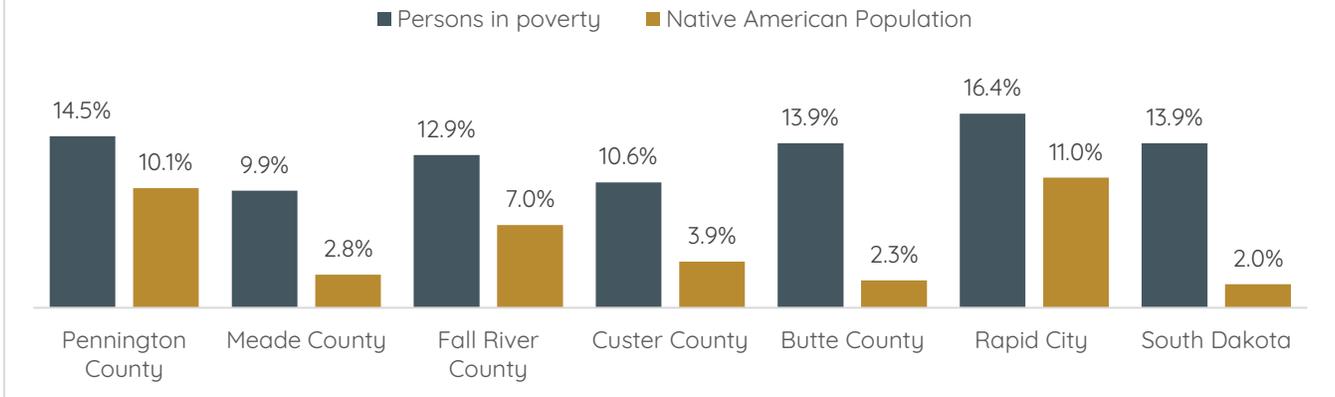


County	Median Income
Pennington County	\$51,084
Meade County	\$53,069
Butte County	\$43,750
Custer County	\$52,891
Fall River County	\$45,750
Average	\$49,309

⁸ \$60,293 (in 2018 dollars)

⁹ United States Census Bureau, Quick facts. Accessed 8/2/2018 from: <https://www.census.gov/quickfacts/fact/table/penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttecountysouthdakota,rapidcitysouthdakota/AGE295217#viewtop>

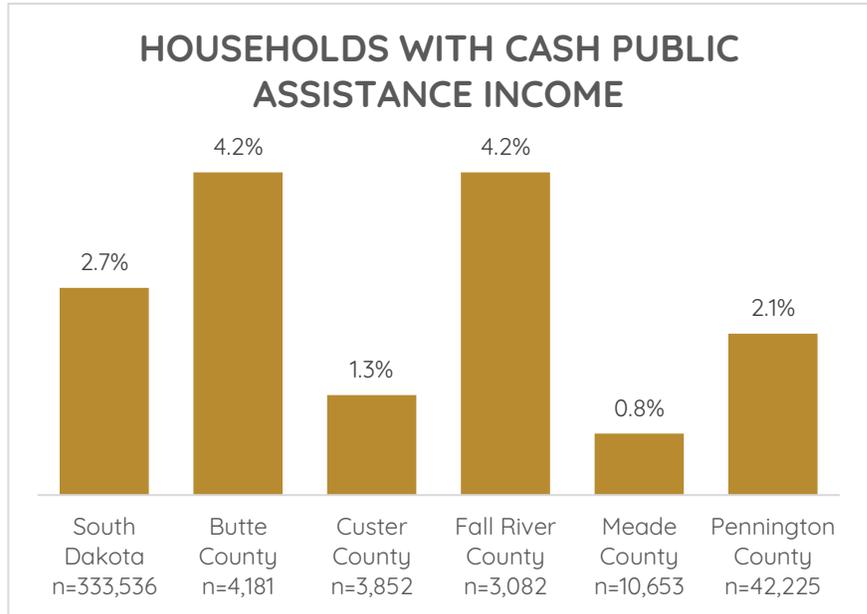
PERSONS IN POVERTY AND NATIVE AMERICAN POPULATION



Census Bureau, 7,612 households within the 5-county service area receive SNAP benefits. This accounts for 21% of the total South Dakota SNAP Recipients¹⁰ although the service area is only 18.5% of the population, suggesting higher rates of government assistance.

EMPLOYMENT & JOBS

As of 2017, 55%-67% of the population above age 16 are in the civilian labor force. However, actual labor force rates vary somewhat amongst county, with Custer (57.1%), Meade (70.1%), Butte (65.8%) Pennington (68.1%) and Fall River (55.5%) compared to the South Dakota labor force participation rate of 68.7%.¹¹



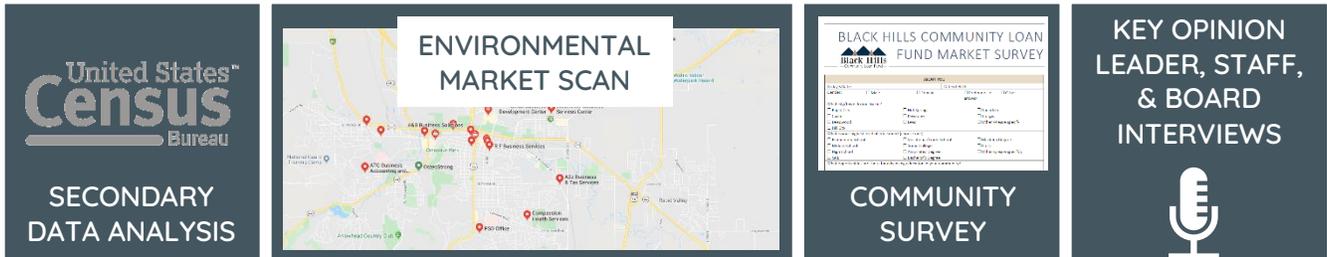
Employment Ratios	South Dakota	Butte County	Custer County	Fall River County	Meade County	Pennington County
Unemployment Rate	4.1%	1.8%	4.6%	2.8%	1.5%	4.8%
Labor Force Participation Rate	68.7%	65.8%	57.1%	55.5%	70.1%	68.1%

¹⁰ United States Census Bureau, 2012-2016 American Community Survey 5-Year Estimates: Food Stamps/Supplemental Nutrition Assistance Program (SNAP). Accessed 8/2/2018 from: https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_5YR_S2201&prodType=table

¹¹ United States Census Bureau, Quick facts. Accessed 12/4/2019 from: <https://www.census.gov/quickfacts/fact/table/SD,penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttcountysouthdakota/PST045218#qf-note-7022>

While the unemployment rate for Butte, Fall River, and Meade counties are lower than the South Dakota average, Custer and Pennington Counties are .5-.7% higher than the average.¹² This is especially interesting as Custer county has the second lowest population of the 5-county area, suggesting that more people are directly affected by unemployment than in other areas.

METHODS



In order to understand gaps in product and service availability, as well as identifying existing opportunities for loans and education, Sweet Grass utilized a variety of primary and secondary data sets. Sweet Grass reviewed secondary data sources surrounding the Loan Funds 5-county service area, focusing on the analysis of census data including area demographics, income metrics, housing availability and cost, and employment and industry data.

In addition, Sweet Grass performed a market scan of the environment utilizing Google Maps, Yelp, digital business records, and ArcGIS to pinpoint existing businesses and organizations offering small business, housing, or financial services and education. Geographic data on the type of organization and the services provided were mapped via ArcGIS, a Geographic Information System (GIS) software. The table below indicates the types and rates of businesses scanned.

SERVICE/ORG	COUNT
ATM	111
Business Contracting	10
Business Services	13
CDFI	1
Chamber of Commerce	9
Commercial Bank	45
Consumer Predatory Lending	23
Credit Counseling	2
Credit Union	35
Economic Development	9
Education Services	7
Employment Services	14
Financial Services	68
Housing Services	10
Mortgage Lenders	18
Social Services	17
Trust	2

The secondary and environmental scan data were collected to isolate and highlight the geographic, infrastructure, and population differences between the various counties within the service area. In addition, the data collected provided the context necessary to accurately embed the lived experiences and opinions of information collected from community respondents.

Primary data collection was conducted on three levels to accurately assess differences in experiences and perspectives. These population samples included community members, key opinion leaders, and the Loan Fund’s staff and board. The first level consisted of a community survey to gather community insights among people residing in the service area. The community survey focused on gathering data on basic demographics including income, employment, financial products and services, household information, financial information, community needs, and business information, as well as lending needs.

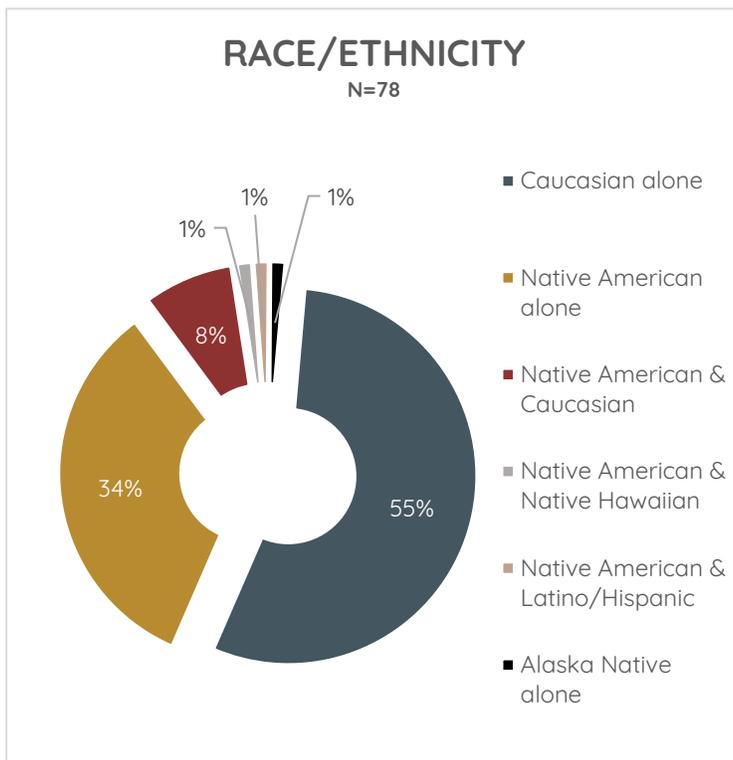
¹² United States Census Bureau, 2012-2016 American Community Survey 5-Year Estimates: Employment Status. Accessed 8/2/2018 from: https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_5YR_S2301&prodType=table

The survey was distributed digitally in March 2018. While the survey was originally expected to be distributed for 1.5 months, due to low respondent feedback the survey was extended until September 2019 to allow for more survey responses and a more complete data set. The online survey was distributed via the Loan Fund’s mailing list and newsletter, posted on their Facebook and website, and distributed via the Rapid City Chamber of Commerce mailing list. Informational blurbs with descriptions and a weblink were posted at various locations around Rapid City and the Black Hills area to access community members who may not be on the various mailing lists or social media. To encourage community member responses, survey respondents could sign-up to win \$100. At the completion of the survey distribution phase, Sweet Grass collated, cleaned, coded, and analyzed data from 81 surveys using Excel.

The second component of primary data collection consisted of key opinion leader (KOL) interviews. These interviews were conducted with community leaders who had specialized, unique, or personal experience and information about the market study topics. The interviews were conducted between February and June 2018 by Sweet Grass staff and discussed the availability and sufficiency of services in the Black Hills area, the challenges faced by community members when trying to access these services, and their recommendations as to what services the Loan Fund could offer to fill gaps and better serve their target area. There were 12 KOL interviews total. KOL interview data was also analyzed using Excel.

The final primary data collection component consisted of interviews with Loan Fund staff and board members to better understand their current programs, services, assets, and connections, as well as to assess their capacity to provide additional programing, services and training to the Black Hills service area. Sweet Grass interviewed 3 board members and 3 Loan Fund employees, one who has since left the organization.

SURVEY DEMOGRAPHICS



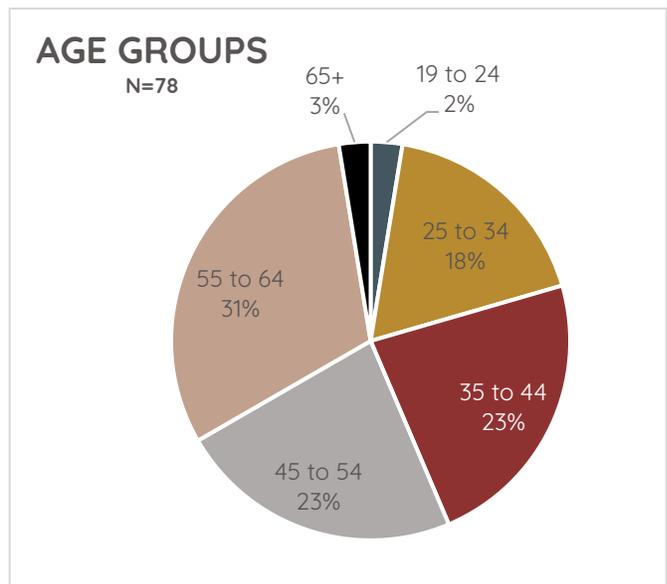
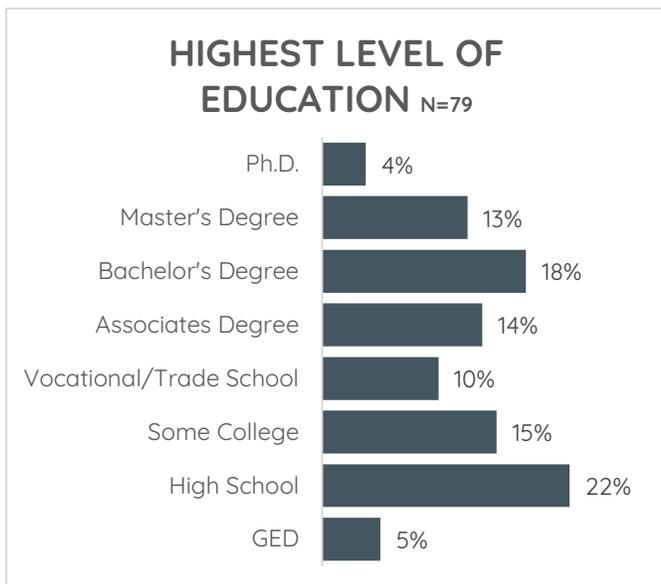
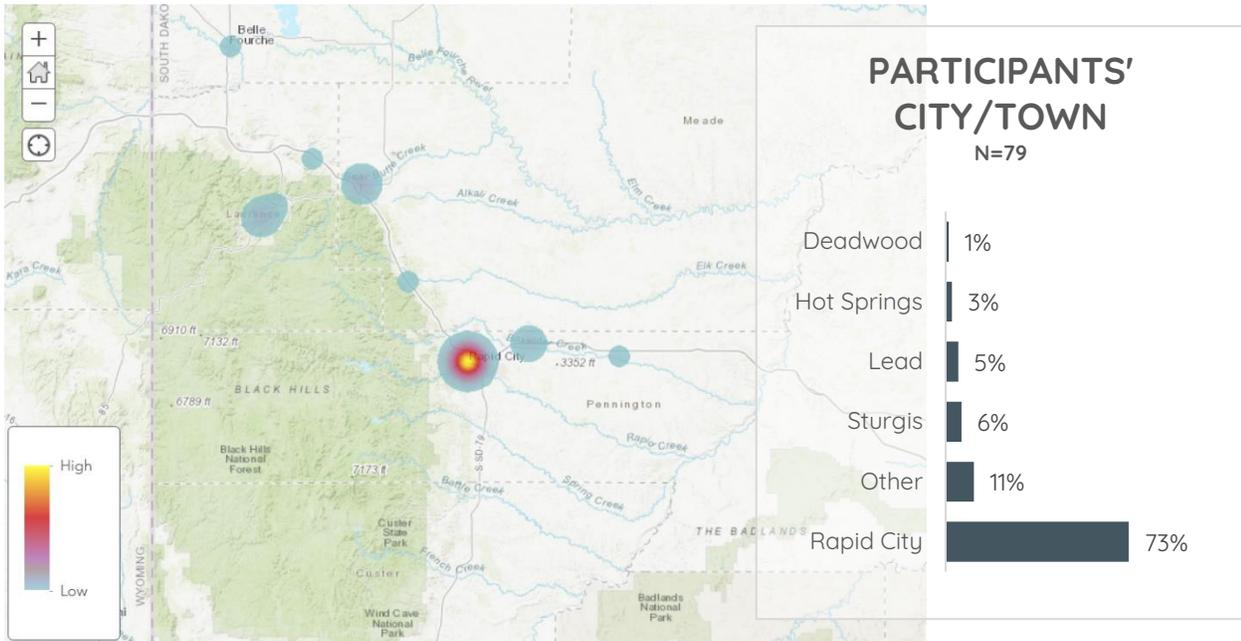
During the survey phase, efforts were made to collect information from residents throughout the service area. Sweet Grass

collected survey data from 81 total respondents. Of these, 77 indicated which county they lived in. 81% of survey respondents lived in Pennington County. Of those in Pennington County, 94% lived in Rapid City. Surveys were also collected from residents of Lawrence and Mead Counties (8% each), Fall River (3%), and Butte (1%). While Rapid City was the most often interviewed and surveyed, it has the highest

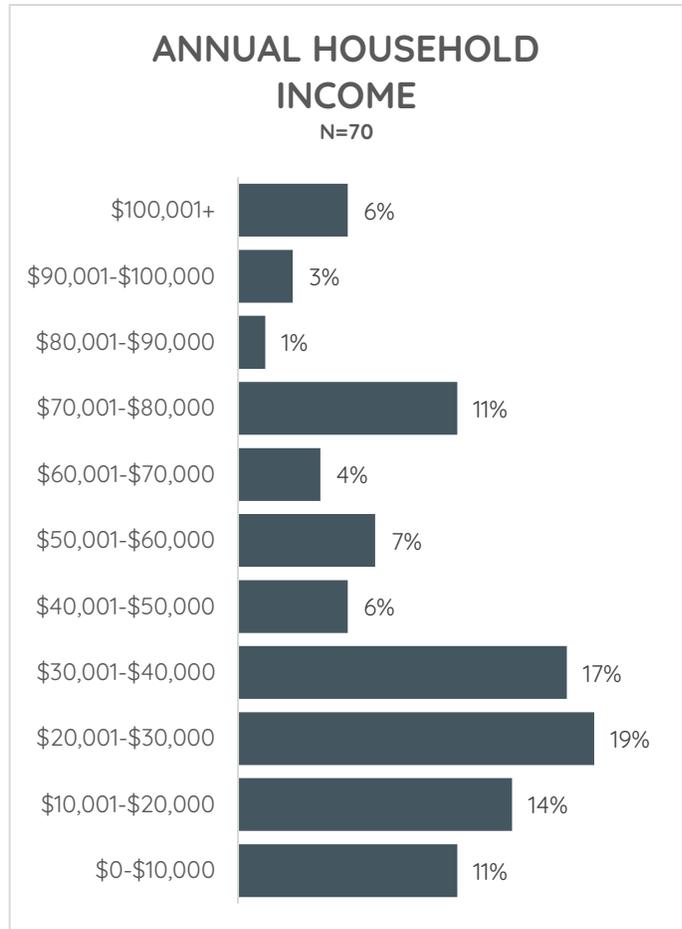
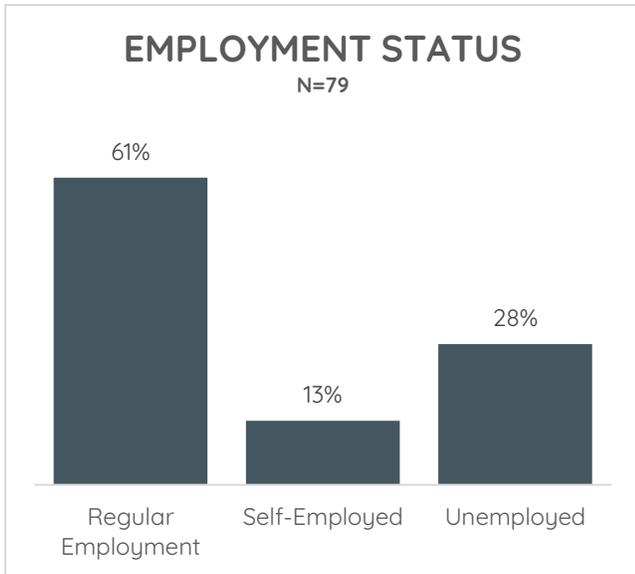


population ratio as well, suggesting that the data collected from surveys are representative of the service area.

Of the respondents, 78 (96%) indicated their ethnicity. Of those, 45% identified as having at least some Native American or Alaskan Native heritage. The Loan Fund’s mission is to serve Native American customers and the survey was focused to reflect that. Thus, the survey over represents Native American voices compared to other ethnicities, aside from Caucasian, which to be expected when 89.6% of the population comprising the survey area identifies as Caucasian.



2.9 HOUSEHOLD MEMBERS ON AVERAGE
31% OF HOUSEHOLD MEMBERS
ARE CHILDREN UNDER 18



MEDIAN ANNUAL HOUSEHOLD INCOME

\$34,250

FINANCES

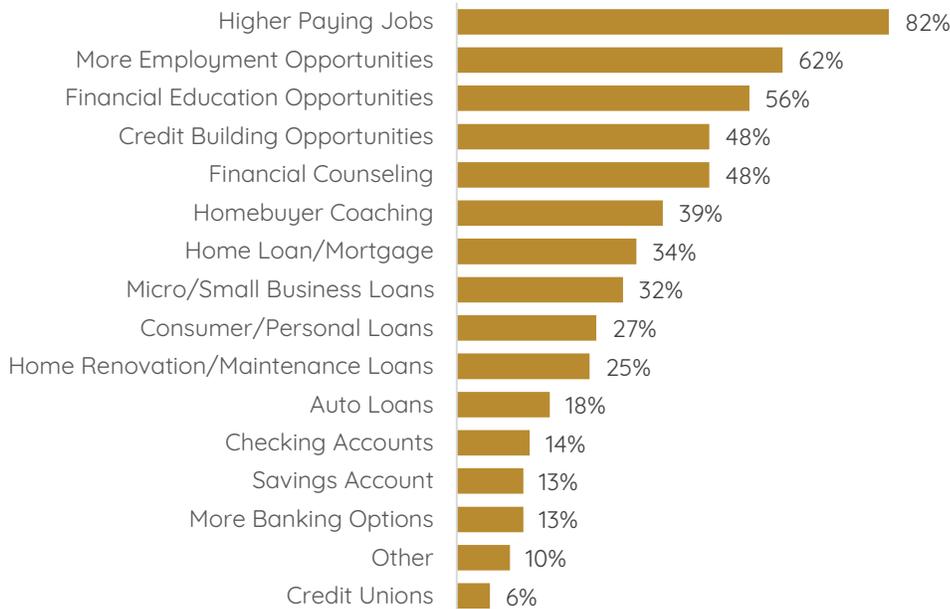
Financial security, credit worthiness, budget management, and banking knowledge is key for economic security, becoming a homebuyer, or starting a small business. Survey respondents, key opinion leaders, and Loan Fund employees all mentioned the importance of financial security when attempting to access personal, home, or small business loans. Financial education and counseling opportunities, credit building, homebuyer education, and loan products were all mentioned as core necessities for financial security.

While the majority of survey respondents reported holding a checking account (97%) and savings account (71%), there continued to be issues in accessing financial products and achieving economic security. **According to the US Census, the median annual income of the 5-county service area is \$49,309. This is \$15,000 over the reported median annual household income of \$34,250 for survey respondents, suggesting that survey respondents and the communities they represent may have a higher need for financial products and services.**



NEEDED FOR COMMUNITY MEMBERS TO FEEL FINANCIALLY SECURE

N=79



60% of respondents were aware of their credit score. Of those, 40% had credit scores below 670, with a full quarter of respondents holding a credit score below 580. Those who did not know their exact score (20), 50% rated the credit score as either “fair” or “poor” while 10% had no credit. A “good credit” score is generally considered to be above 670.¹³ Thus, this finding situates many respondents (and by extension, service area community

members) as credit poor. **As the ability to access loan services is highly dependent on credit score, many respondents are already at a disadvantage when accessing services.**

There are only 2 entities within the 5-county services that provide credit counseling. **Someone from the uppermost corner of Meade County would need to travel 120 miles—nearly 2 hours—if they were to utilize credit counseling services in the 5-county region.** Otherwise they would need to use the services of a Native CDFI in Eagle Butte, Cheyenne River Reservation. This posits the possibility

RECOMMENDATION - SERVICES
Increase Credit Building Services

PARTICIPANT REPORTED CREDIT SCORE RANK ACCORDING TO FICO

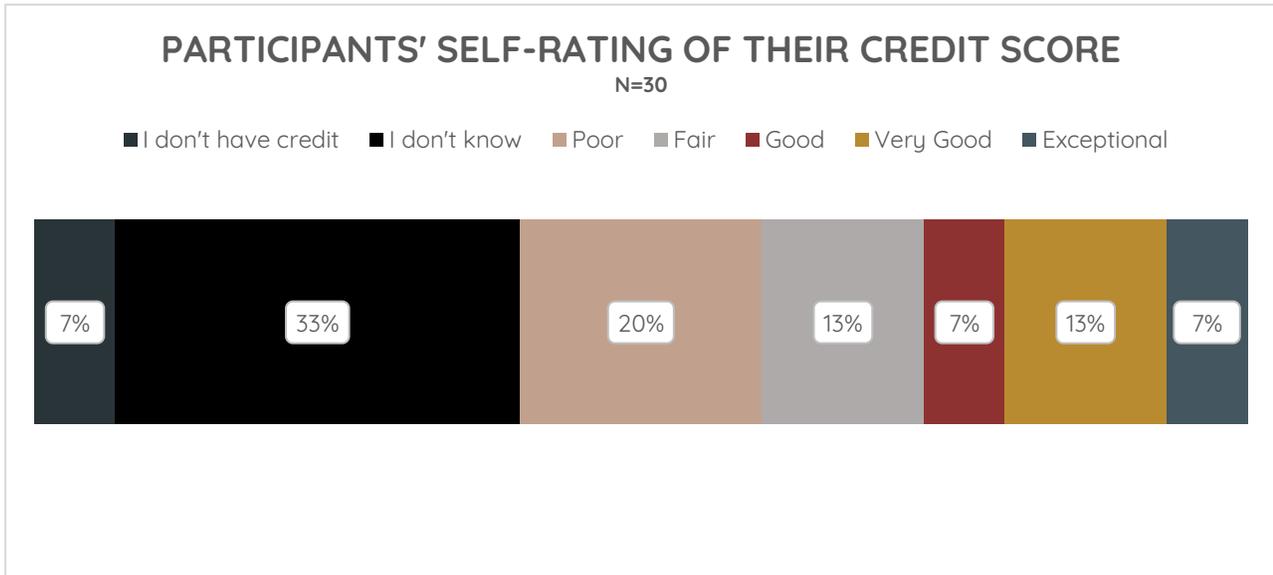
- Very Poor (300-579)
- Fair (580-669)
- Good (670-739)
- Very Good (740-799)
- Exceptional (800-850)



¹³ What Are the Different Credit Scoring Ranges? Experian. Accessed 12/2/2019 from: <https://www.experian.com/blogs/ask-experian/infographic-what-are-the-different-scoring-ranges/>

of online, interactive courses and trainings for entrepreneurs and or people working to build or rebuild their credit.

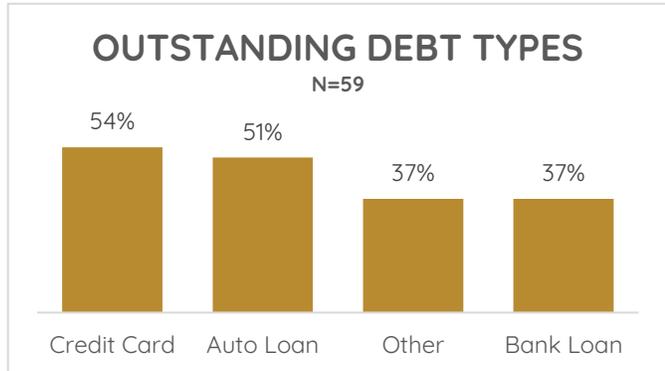
As credit score and financial insecurity affect a person’s ability to qualify for loans, a simultaneous lack of options result in increased utilization of high interest or predatory alternatives. 54% of respondents held some type of credit card debt, followed by auto loans, bank payments, students’ loans, and medical bills, among others).



In addition to high credit card usage, predatory loan services and non-credit related tender (money orders, pre-paid debit cards, etc.) were used by 34% of survey respondents. Predatory loan services are often loans or other financial products that carry high interest, short pay-back periods, or otherwise decrease a client’s ability to pay back the loan without financial repercussions.

Payday loans were utilized by 6% of respondents while pawn shops were utilized by 10% of respondents.

Respondents most often used services such as payday loans, tax refund anticipation loans, and pawnshops because they needed funds quickly. Respondents cited the lack of a bank account and poor credit as reasons they didn’t utilize a bank for their financial needs.



1 PREDATORY LENDER FOR 7,114 PEOPLE

1 CREDIT COUNSELOR FOR 81,114 PEOPLE

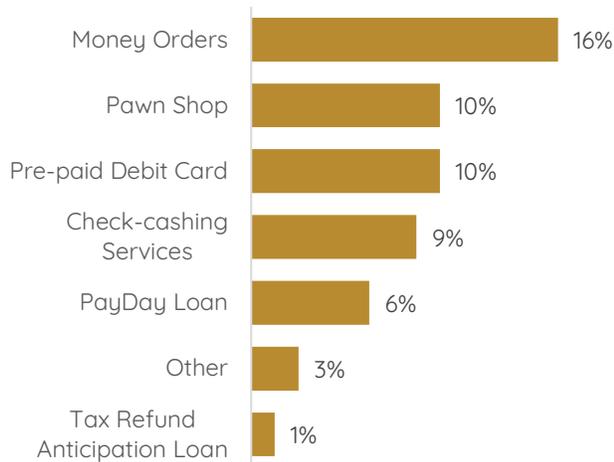
1 CDFI FOR 163,644 PEOPLE

“[Why didn’t you go to a bank?] Because they have told us before they wouldn’t lend us five dollars with our debt to income ratio and credit scores”

Due to new legislation increasing restrictions on consumer predatory lending, 7 payday loan services have closed since the initial environmental scan in 2018. As of 2019, there were 23 businesses categorized as consumer predatory lenders within the 5-county service

UTILIZED IN THE LAST 12 MONTHS

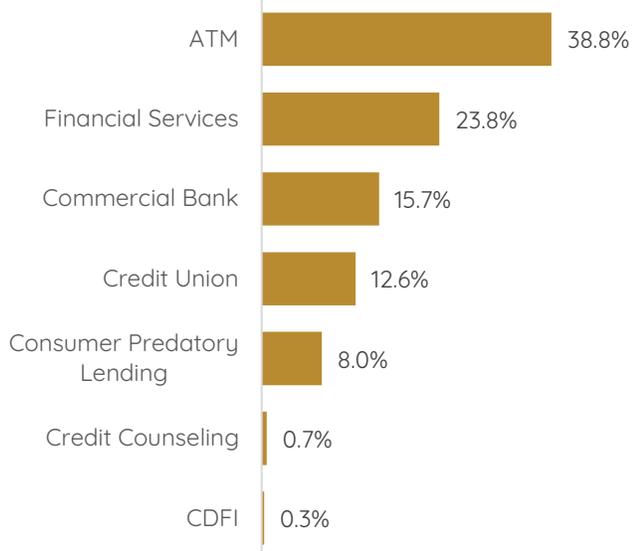
N=27



area. This results in a ratio of 1 predatory lender for every 7,114 people in the area. This is significantly higher than the availability of CDFIs¹⁴ (1 CDFI for 163,644 people) or credit counseling (1 credit counselor for 81,822 people). There are the same number of consumer predatory lenders (23 or 5.54% of the environmental scan) as there are business services (business development and entrepreneurial trainings and education), general education services, and credit counseling (23 or 5.74% of the environmental scan) combined. The latter group of which are service providers that build capacity and educate in a way that would make people less dependent on and less susceptible to consumer predatory lending. There is only 1 education service provider per 23,378 people compared to 1 consumer predatory lender (pay-day lender, car title lender, pawn shop) per 7,114 people.

FINANCIAL SERVICES

N=286



CONSUMER/PERSONAL LENDING DEMAND

19% ARE INTERESTED

49% HAVE APPLIED

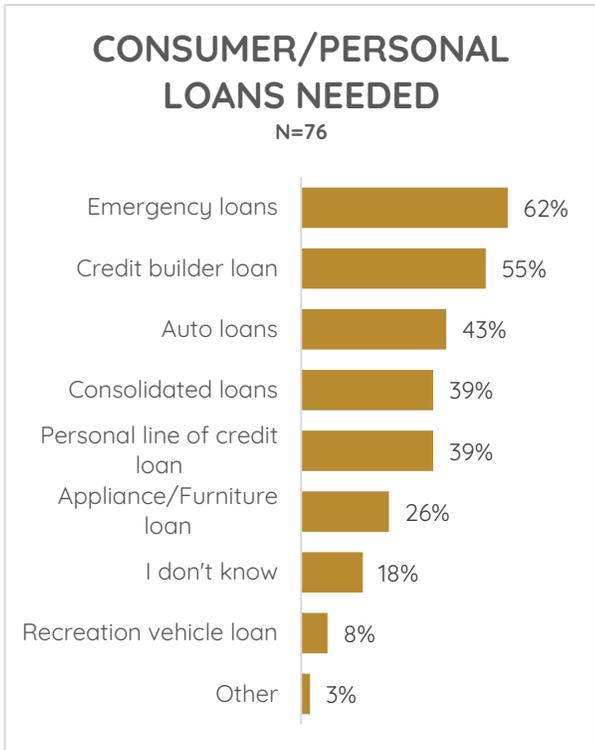
While only 19% of respondents were interested in a personal/consumer loan at the time of the survey, **49% have applied for a personal/consumer loan in the past, suggesting that there is a need for personal/consumer loans.** Of these, 81% (n=31) were approved for the loan. 38% of all

respondents faced issues when trying to obtain a personal/consumer loan, most often related to credit, as mentioned above. Other issues faced by those applying for a loan included insufficient work history, debt to income ratio, or low wages.

RECOMMENDATION - SERVICES

Personal/Consumer Loan

¹⁴ Black Hills Community Loan Fund is the only CDFI in the 5-county service area at the time of writing.



Respondents cited emergency loans as the most needed consumer loan. These loans are often lower amounts that can be quickly dispersed for emergencies or when fast cash is needed. **Emergency consumer loans may provide a financially healthier alternative to high interest payday loans, pawn shops, and other predatory lenders.** Respondents also cited credit builder loans, auto loans, consolidated loans, and lines of credit as necessary loan options.

Based on the survey, there is a clear need for a suite of loan products aimed at providing accessible loans at a lower interest rates, to help cover emergencies, help build credit, purchase vehicles, and consolidate debt. Offering personal loan products can help the loan fund build clients credit, provide added financial security, and reduce the reliance on higher interest loan products.

HOMEOWNERSHIP AND HOUSING

Currently 44% of respondents own their own home while 47% rent, 5% live with relatives, and 4% are homeless. Although homeownership is not a goal for

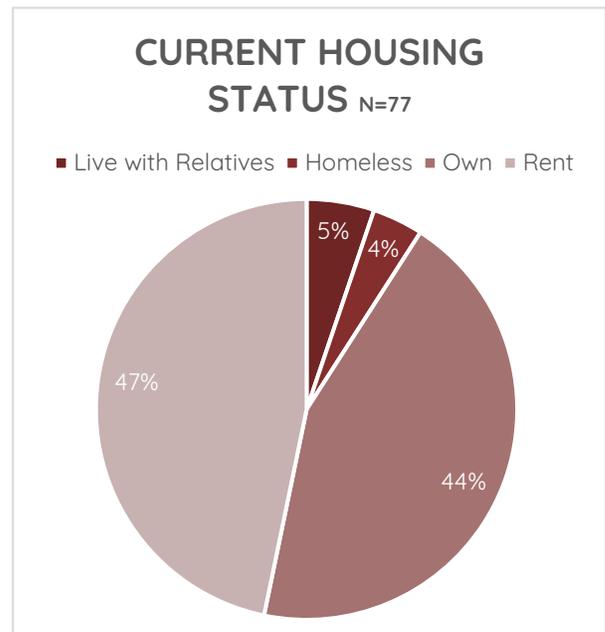
everyone there is a significant pool of people who would be eligible for homeownership. Additionally, the 44% of respondents who own their home 14% are interested in rehabilitation loans. **Even more interesting, 57% of all respondents are interested in rehabilitation/repair loans.** In 6% of homes there were multiple families living and 16% of homes were sheltering individuals or families temporarily. Many times, these households were supporting others who were homeless, disabled, or to support those with financial struggles.

HOUSING CHALLENGES

42% of non-homeowners indicated they were interested in purchasing a home. However, for many respondents, homeownership was financially out of reach. Respondents felt that they were most often unable to purchase a home due to credit issues. As credit is often the deciding factor when financing a mortgage, this puts many households at a disadvantage.

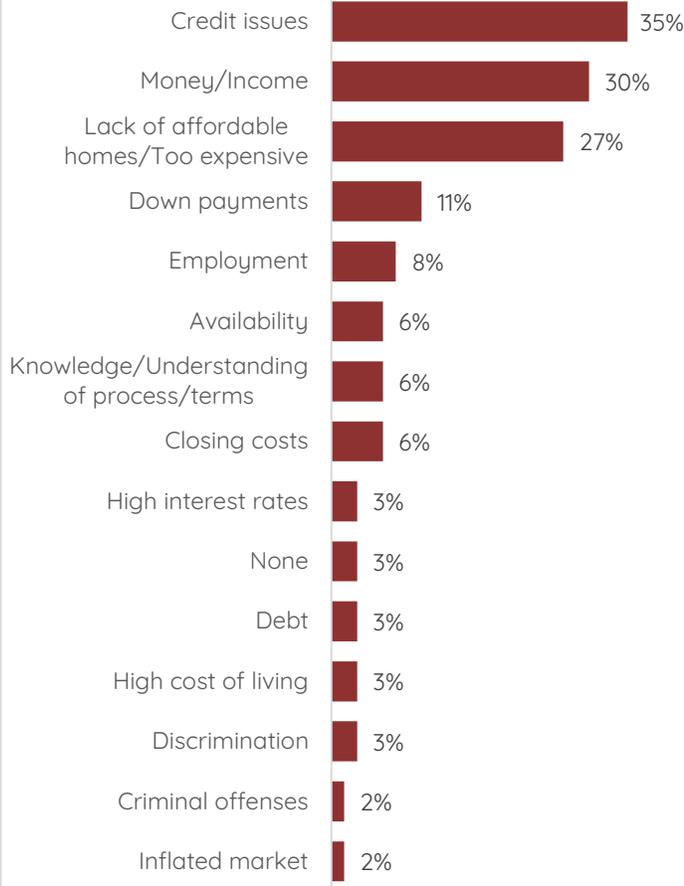
“Typical banks look at you as a credit score and treat you less than human if your score isn't 800 and then won't work with you. It's degrading.”

Respondents also cited a disconnect between housing costs and income, stating that homes were overpriced, especially when compared to the availability of jobs and average income of the area. Key opinion leaders agreed that the lack of affordable housing, combined with low wages, was the main challenge when attempting to purchase a home.



CHALLENGES TO PURCHASING A HOME

N=66



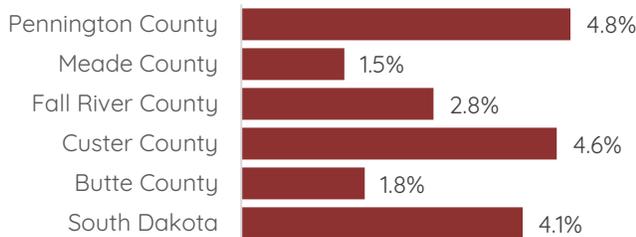
“I am a single mom so the degree to which I have to prove my ability to manage payments is much higher than I feel for the average family. There aren’t many homes available within a range that I can afford.”

Homes in the 5-county service area range from \$202,000 in Custer County to \$111,900 in Fall River County. The median housing cost for owner-occupied homes within the 5-county area is \$166,200, an 8% increase over the South Dakota median home value of \$152,700.¹⁵ The average income of the 5-county area is \$49,309. While homes may be affordable for some, it may be out of reach of persons in poverty or at-risk communities.

Few employment options and low wages were also cited as challenges to homeownership. Among those within the service area, between 55%-67% of the population above the age of 16 is within the civilian labor forces although all counties surveyed were lower than the state average of 68.3%.¹⁶ The unemployment rate for Butte, Fall River, and Meade counties is lower than the South Dakota average, however, Custer and Pennington Counties are .5-.7% higher than the South Dakota average.¹⁷

Within the 5-county service area, the majority of available housing stock is aging rapidly and there are few options for people to purchase recently built homes. As of 2018, over 75% of homes in the area were older than 18 years, although Custer County did experience an uptick in home building between 2000 and 2009. Older homes often need more routine upkeep and maintenance, increasing the overall cost of the home. For new homebuyers, they may be unfamiliar with home maintenance needs and are forced to contract maintenance

UNEMPLOYMENT RATE



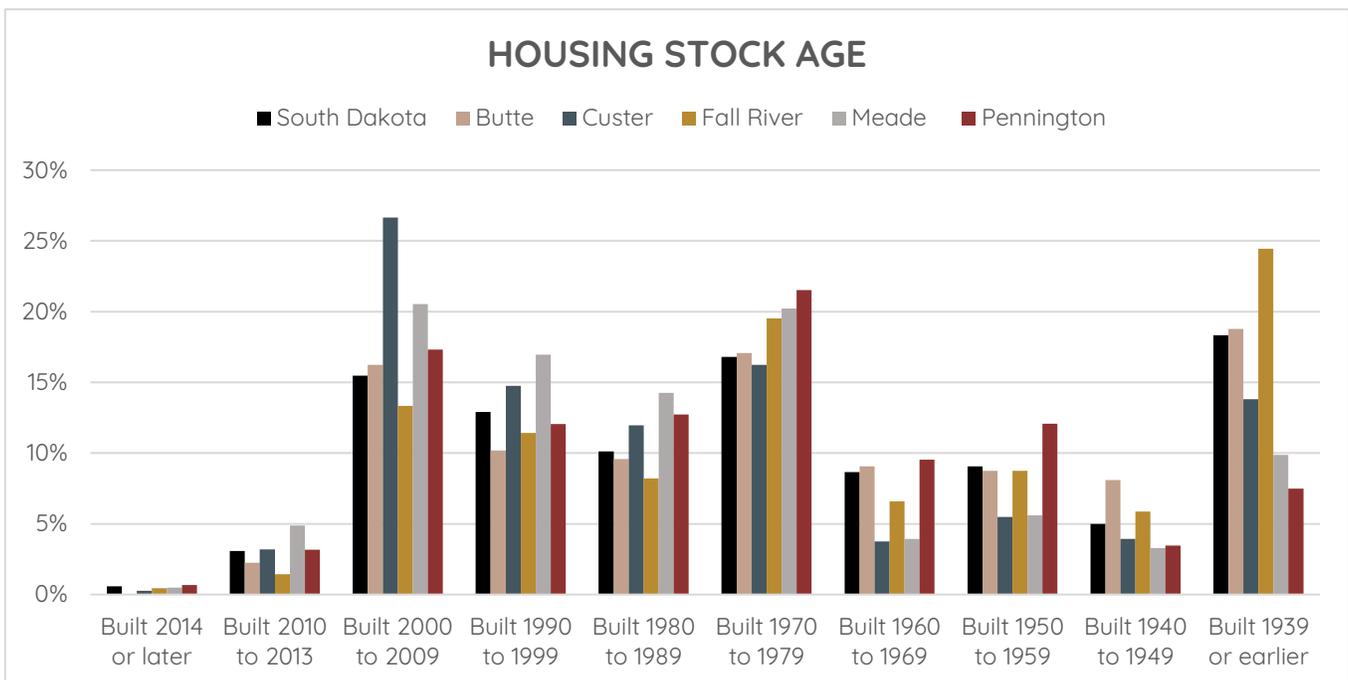
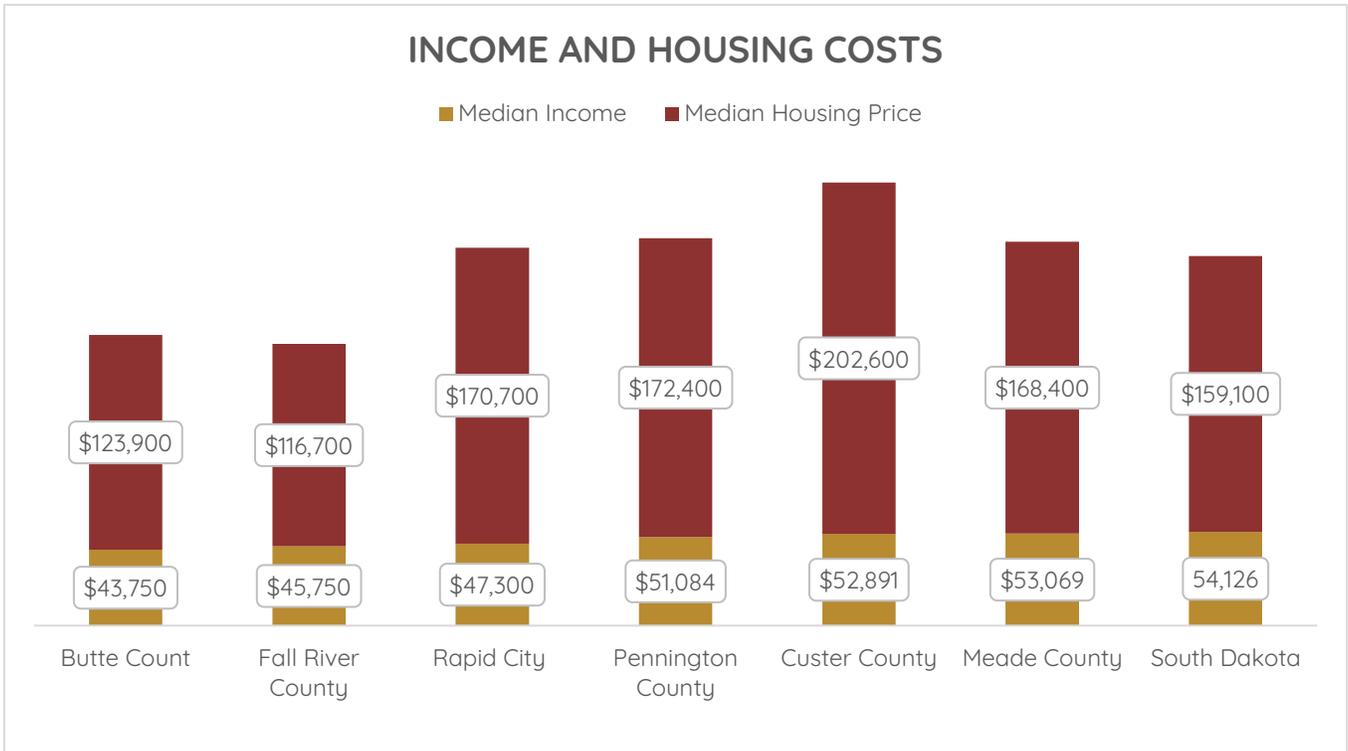
¹⁵ United States Census Bureau, Quick facts. Accessed 12/2/2019 from: <https://www.census.gov/quickfacts/fact/table/rapidcitycitysouthdakota,penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttecountysouthdakota/HSG495217>; United States Census Bureau, Quick facts. Accessed 8/87/2018 from: <https://www.census.gov/quickfacts/fact/table/SD/BZA210216>

¹⁶ United States Census Bureau, Quick facts. Accessed 8/2/2018 from: <https://www.census.gov/quickfacts/fact/table/sd,penningtoncountysouthdakota,meadecountysouthdakota,fallrivercountysouthdakota,custercountysouthdakota,buttecountysouthdakota/PST045217>

¹⁷ United States Census Bureau, 2012-2016 American Community Survey 5-Year Estimates: Employment Status. Accessed 8/2/2018 from: https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_5YR_S2301&prodType=table

and upkeep work, or if unable to afford contractors for upkeep the home depreciates in value, further increasing costs.

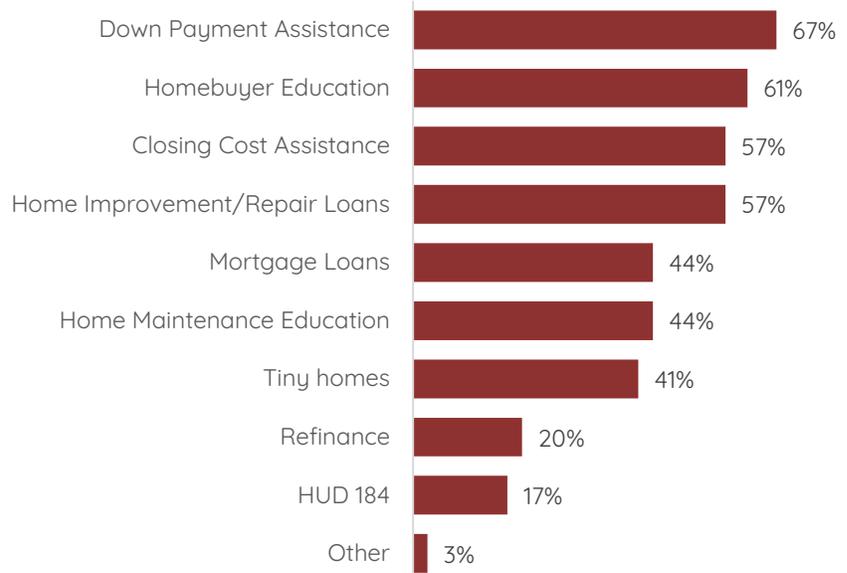
When asked if they were satisfied with the current availability of mortgage/home lending in their area, 37% were satisfied, although the majority were ambivalent either way.



HOUSING SERVICES

Housing services (e.g. homebuyer education and housing related loan products including down payment and closing costs) were also cited as needs in the area. Issues such as high interest rates and down payment/closing cost requirements were cited by 23% of survey respondents as challenges to homeownership. Respondents stated they were especially unhappy with the availability of housing and homeownership services available to low income residents attempting to obtain financing. Respondents felt they were discriminated against and lenders had few products and services to help build credit or decrease their

HOUSING-RELATED SERVICES NEEDED N=75



HOME LOAN/SERVICES NEEDED BY CURRENT HOUSING SITUATION



debt-to-income ratio. Key opinion leaders agreed that **the scarcity of housing development services and the lack of available funding, especially for “at-risk” or low-income households were common in the area. For existing housing services, leaders felt they were often over capacity and were limited in the available options to provide to clients.**

Respondents felt that multiple housing-related services are needed. The majority of respondents felt that non-mortgage related financing was lacking in the area, citing down payment assistance (67%), closing cost assistance (57%), and home improvement/repair loans (57%) as necessary services, reinforcing the need for home maintenance resources due to an aging housing stock. Additionally, **61% of respondents felt that homebuyer education would be a valuable service for their community**, reinforcing respondents’ statements that they felt the home buying process was complicated and confusing.

“[Buying a home] was complex. I had to do LOTS of research on my own prior to purchasing because there were things I didn’t understand.”

As of 2019, there were 18 mortgage lenders in the 5-county service area, 89% of which are located in Rapid City and 100% within Pennington County. The centralization of mortgage lenders in Rapid City may make obtaining home financing difficult for those living outside of the urban area or those without reliable, or multiple modes of, transportation. Other home services, such as realty, elderly housing, housing authorities, and housing redevelopment, were more spread out, with 10 such organizations throughout Pennington, Meade, Fall River, and Custer Counties. However, once again the majority of housing services (60%) are located in Pennington County. Of the banks, credit unions, and CDFI’s reviewed, 45% offered some type of home-related loan service, including mortgages, HELOC, USDA, etc. The majority (62%) of all banks or credit unions offering these services were located in Pennington County, suggesting that there is a need for similar services in surrounding counties.

TINY HOMES

Increased availability of mortgage loans (44%), home maintenance education (44%), and tiny homes (41%) were also cited as necessary services and/or products. The feasibility of tiny homes as a housing alternative was a topic of interest for the Loan Fund, as they could provide a low-footprint housing option for low-income populations. When asked if respondents felt families could benefit from affordable tiny homes, 85% of respondents said yes.

“For the low income, it would help with the payment schedule and also give them a sense of pride in home ownership.”

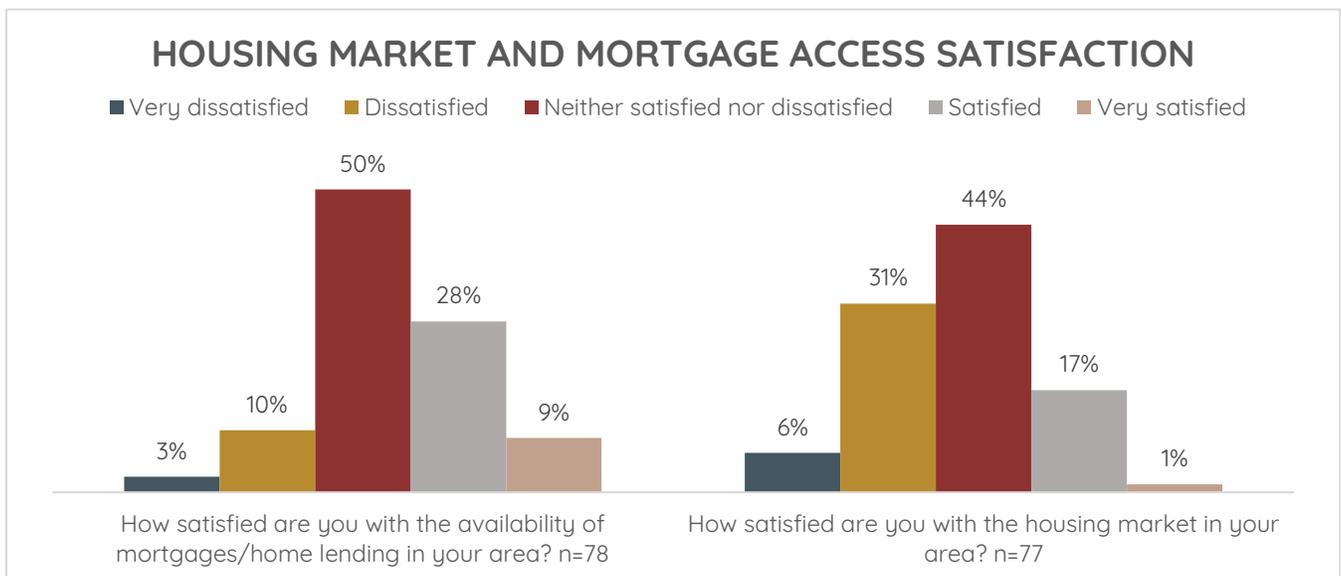
While 49% of responses concerning the challenges/benefits of tiny homes felt that they were affordable options that could benefit the homeless, small families, single residents, or the elderly, 19% of responses felt that tiny homes were not long-term options and were not suitable for larger families which are common in the area.

“I think this is a short-term solution to a long-term housing issue. The community is in desperate need of sustainable affordable housing. From my research, those that are in the most need are growing families. To me, a tiny house does not support that demographic. Though we are so desperate for housing I am sure it would benefit the community in the short-term.”

While KOLs felt that tiny homes would offer alternative housing stock, especially to low-income households, as well as offer an opportunity to clean up abandoned lots, most comments were not encouraging. Interviewees felt that it would not be appropriate for families, as there was not enough space for large or extended families. In addition, interviewees felt that infrastructure such as lot access,

zoning, etc. would need to be established first and the liability involved and the possibility of driving down property values would make it unattractive to developers.

For respondents, owner-occupied homes averaged 2.8 residents while renter-occupied homes averaged 2.7. This is 14% more than the 5-county average for owners and a 26% difference for renters, suggesting that homes may be more crowded than the census data infers. In addition, 16% of survey respondents had people temporarily living in their home, most often due to homelessness, unemployment, or financial struggles (83%), as well as hosting foster children and students' home from college (16%). Homes with people temporarily living in them had an average of 2.33 additional people staying, with two households sheltering 5 or more people. Another 2 households had multiple families living in their home due to homelessness or disabilities necessitating additional assistance. **The numbers above suggest that overcrowding is a commonly faced issue that could be addressed to some degree by offering tiny homes. In addition, when asked “Would you, or someone you know, be interested in purchasing a tiny home?” 54% of respondents indicated that they or someone they knew would be interested in purchasing a tiny home.**



While there are multiple issues surrounding homeownership, those who have attempted to purchase a home overall had a good experience. When asked about the experience they had with mortgage lending, only 20% of those who had experience cited a bad experience while 75% had a good experience. **Similarly, 61% of respondents felt they could access home lending if they needed too, suggesting that while home lending may be restrictive for at-risk populations or those in poverty, there are services available. There may be a need for mortgage lending, rehabilitation/repair lending, and educational options for those living in the areas surrounding Rapid City.**

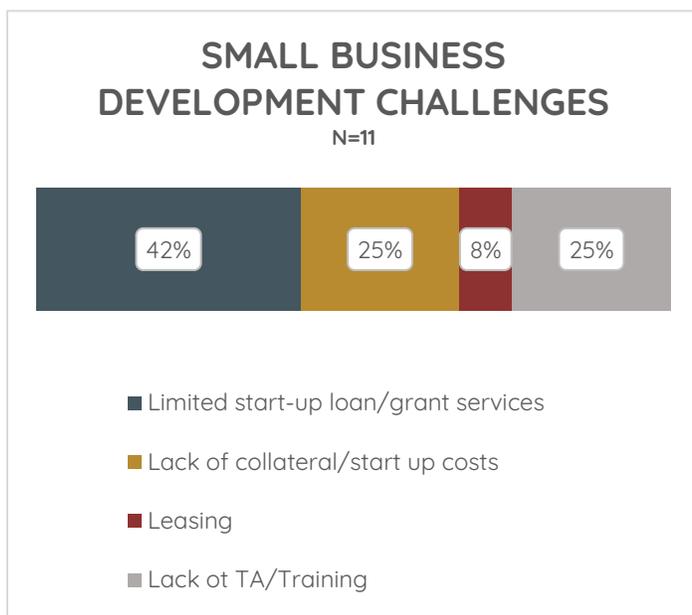
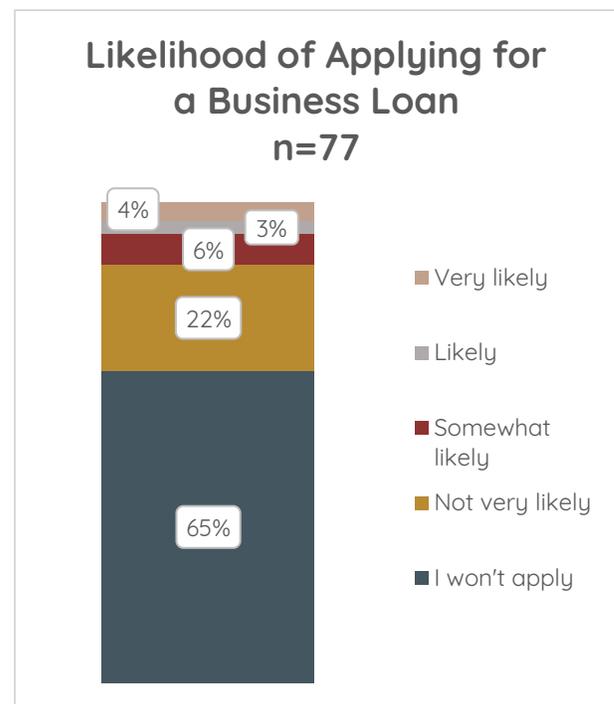
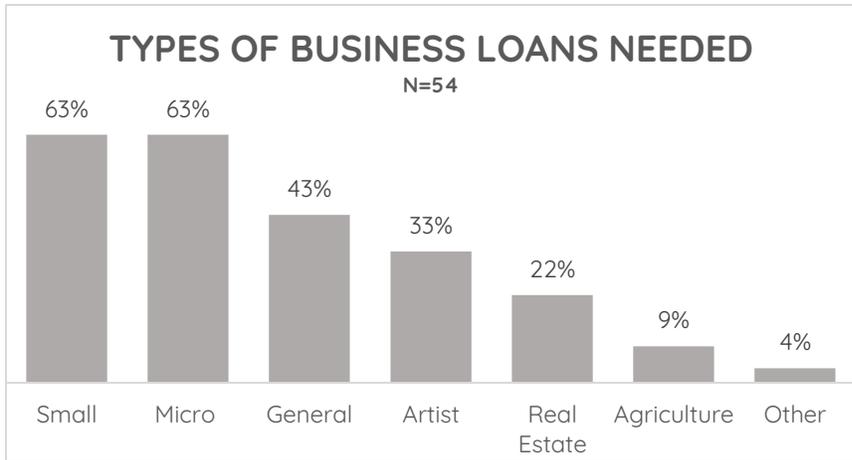
RECOMMENDATION - SERVICES
Continue and Enhance Homeownership Products and Services

SMALL BUSINESS

Of the respondents who answered the question “Are you a business owner”, 20% (15) owned businesses, significantly higher than the national percentage of 9.2% of the national population. These businesses represented a wide variety of fields including:

- Agriculture and forestry
- Arts/entertainment
- Construction
- Educational services
- Food services
- Health care and social assistance
- Real estate
- Retail

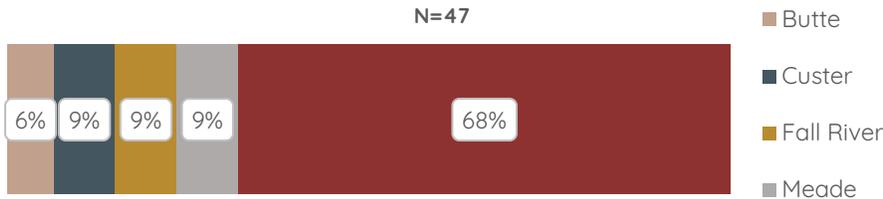
Small business development is often contingent on accessing small business funding, as initial start-up costs can be high. **The limited availability of start-up loans and grants, difficulties raising capital, or the lack of collateral were the main challenges facing small businesses in the area.** Survey respondents felt that micro (less than \$50,000) or small (more than \$50,000) business loans were most needed, followed by general business loans that could be used for inventory, equipment, or working capital. **Working capital was the most often requested loan service suggesting that beyond start-up costs, offering loans for working capital could be a useful area for expansion.**



When asked about the challenges faced when starting or expanding their business, topics surrounding financing, including credit issues, accessing capital, or down payments, made up 43% of all responses, suggesting that community members may have difficulty finding lenders willing to approve them for a small business loan.

DSITRIBUTION OF BUSINESS LOAN SERVICES BY COUNTY

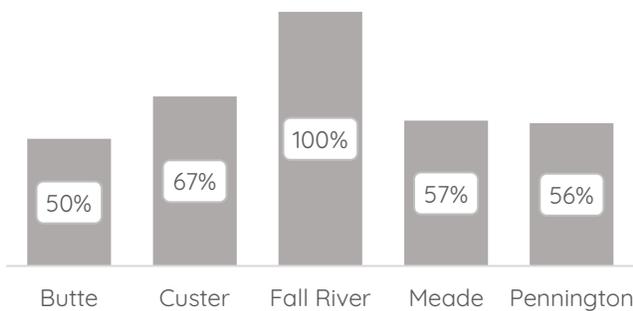
N=47



Of the 80 banks, CDFIs, and credit unions reviewed, 59% offered some type of business loan service (ag, SBA, commercial loan, etc.). However, like housing the majority of the business loan services available are located within Pennington County, suggesting there is a gap in services in the surrounding counties. Even for those able

% OF FINANCIAL INSTITUTIONS OFFERING SMALL BUSINESS LOANS

N=47



to access business loan services, their inability to be approved for those services, either due to credit, income, or other issues, put entrepreneurship out of reach for many. **A CDFI like the Loan Fund could provide small business services and loan products to fill the gap in access by reaching out to communities outside of Rapid City/Pennington County.** In addition, CDFIs like the Loan Fund have more discretion for disbursing loans to those considered “risky” by mainstream banks, offering a lifeline for those who would not be approved for conventional business loans.

BUSINESS EDUCATION SERVICES NEEDED

N=48



A lack of available training or technical assistance opportunities were also commonly cited challenges, as many respondents felt intimidated about the process of starting a business, obtaining a loan, etc. Starting a business involves a multitude of regulations, applications, and documents that can be confusing for first time entrepreneurs.

“There isn't a good place to find good info. You spend so much time on the internet and going places and you don't get answers. It would be great if there was someone you could talk to in one place who could give you a basic checkoff list of steps you need to take and the numbers to call to accomplish that.”

Bookkeeping and taxes, small business development, business

management, and start-up training were cited as the most often needed small business services. Respondents felt the initial start-up and management

RECOMMENDATION - SERVICES

Entrepreneur and Workforce Trainings

of businesses—knowing where to start, how to access programs and services, and following federal and local regulations—were the most difficult aspects of entrepreneurship. Offering classes on basic business management and the start-up processes could provide a comfortable environment for first time entrepreneurs and increase their likelihood of planning for a business, applying for a business loan, or starting a small business.

Though only 8% of survey respondents (n=74) are interested in applying for a business loan, 16% (n=55) are interested in starting a business. With the added service and proper marketing, a gap could be filled, especially as workforce development and job readiness workshops persist (and are continually supported by government agencies) in surrounding counties and reservation communities. Small business development has proven successful in other rural areas, Native communities, and blue-collar regions, as indicated by recent successes from Rural Community Assistance Corporation’s *Building Rural Economies* trainings throughout Montana and in Pueblos throughout New Mexico and services provided by NCDFIs throughout the nation as well as by long-term successes with the Indianpreneurship curriculum. **Small business courses could be used for those folks who need an extra last bit of assistance to push the button on their small business dreams, or to take workforce development graduates from surrounding communities to the next level of small business ownership.**

At the time of writing, there were a total of 13 business services—business development and management, training services, marketing and financial management—in the 5-county area. These include organizations like the Black Hills Business Development Center, Southern Hills Development, Procurement Technical Assistance Center, and the Black Hills Health and Education Center. While these organizations and companies offer valuable business development services, there continues to be a lack of services aimed at entrepreneurs. When population is considered, there is 1 business service for every 16,364 people. **This suggests there is an increasing need for business-related training, management, and other services within the 5-county area, especially in outlying communities, as 77% of business services are located in Pennington County.** However, there are at least 1 Chamber of Commerce in each county, with 5 in Pennington County. Chambers of Commerce offer a variety of business services and can serve as a valuable networking and relationship-building tool for small or developing businesses. Partnering with area Chambers of Commerce can provide a valuable relationship to build entrepreneurial knowledge, provide networking and technical assistance services, and develop small business loan referrals.



ORGANIZATIONAL CAPACITY ASSESSMENT

METHODS

During the evaluation period, the Loan Fund provided Sweet Grass with forms, reports, by-laws and other documents used by the Loan Fund in their daily processes. Sweet Grass examined these documents, in conjunction with an evaluation of their current processes, services, and results of the market study, to make recommendations for ways the loan fund could become more efficient and better serve their clients.

MISSION AND STRATEGY

“The Loan Fund is dedicated to creating financial opportunities for economically disadvantaged families who aim to strengthen their financial future in the Black Hills Region.”

The Loan Fund’s policies align with their mission as they continue to focus on households who are low-to moderate income or enrolled members of a federally recognized tribe. The Loan Fund will not lend to those outside of their focus and does not provide funding for second or multifamily homes, investment properties, and some manufactured/mobile homes. In addition, as part of the Loan Fund’s loan policies, they must allocate 51% of their loan balance to enrolled members of a federally recognized tribe.

To ensure their clients are properly prepared for homeownership, home renovation, and financial management, all loan clients must participate in homebuyer education, personal finance education, or Credit When Credit is Due, depending on the loan product. In addition, all borrowers must agree to annual credit checks and to meet with a homeownership or credit counselor regularly.



RECOMMENDATION - SERVICES
Continue Education Services

MARKET AND PROGRAMS

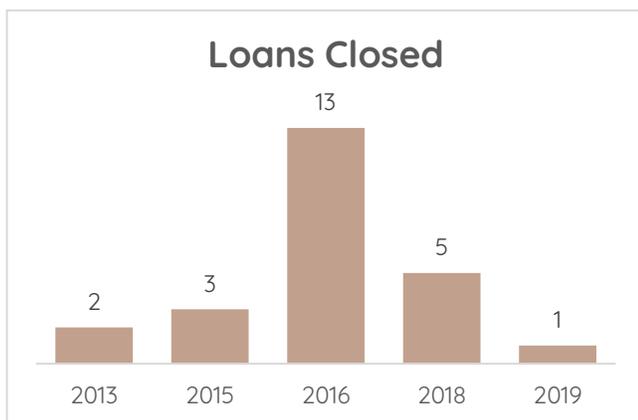
PRODUCTS AND SERVICES

Currently, the Loan Fund offers a variety of loan products aimed at serving the needs of their 5-county area. The most popular loan products include credit builder loans, which include:

- Small Builder Loan: \$200-\$500
- Christmas Loan: \$500
- Debt Consolidation Loan: \$2,500

Credit builder and Christmas loans make up the highest number of the Loan Fund’s current lending processes, with 3 credit builder loans and two Christmas Loans (only available during the holidays) closed in 2018.

In addition to Credit Builder Loans, the Loan Fund offers multiple housing-related loans, including down payment and closing cost assistance from \$2,000-\$30,000 and home rehabilitation/repair loans from \$50-\$20,000. The Loan Fund has plans to offer mortgage loans in the future although they have yet to secure capital for these loans. The Loan Fund also has plans to offer microloans for entrepreneurship up to \$50,000 for small business owners, although this loan product has yet to be announced at the time of publication (January 2020).



Since 2013, the Loan Fund has steadily diversified their loan products, expanding their credit builder loans to include debt consolidation loans in 2016 and adding a home appliance loan to their home renovation loan products. As they continue to diversify the number and types of loan products available they should strive (and continue) to address the current gaps identified in the market study. Credit issues and the need for credit builder loans were routinely



RECOMMENDATION - SERVICES
Emergency Loans

mentioned by both survey respondents and key opinion leaders; maintaining credit builder and debt consolidation loans will continue to be an important part of their services as they are often the first step in financial security. Emergency loans were cited as commonly needed loan types. The Loan Fund could

consider offering quick-turnaround loans to cover unintended financial needs and discourage clients from resorting to payday or other high-interest loan types.

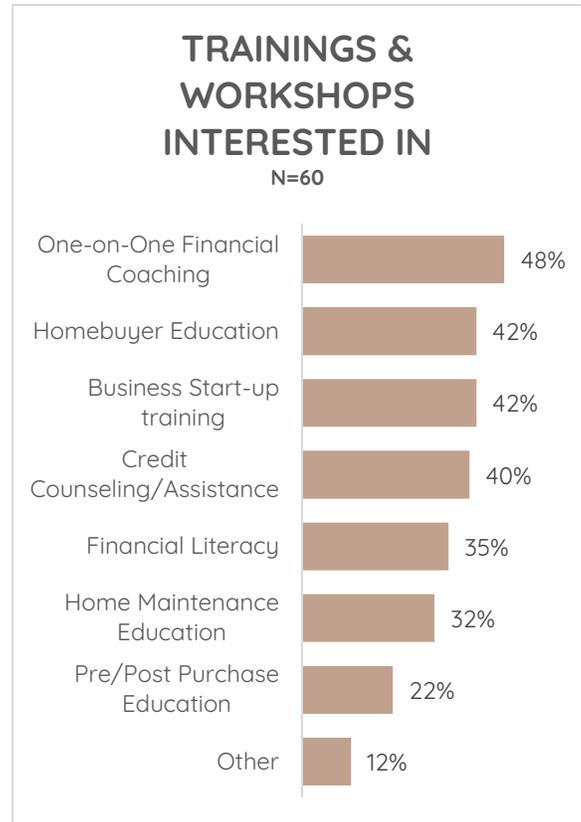
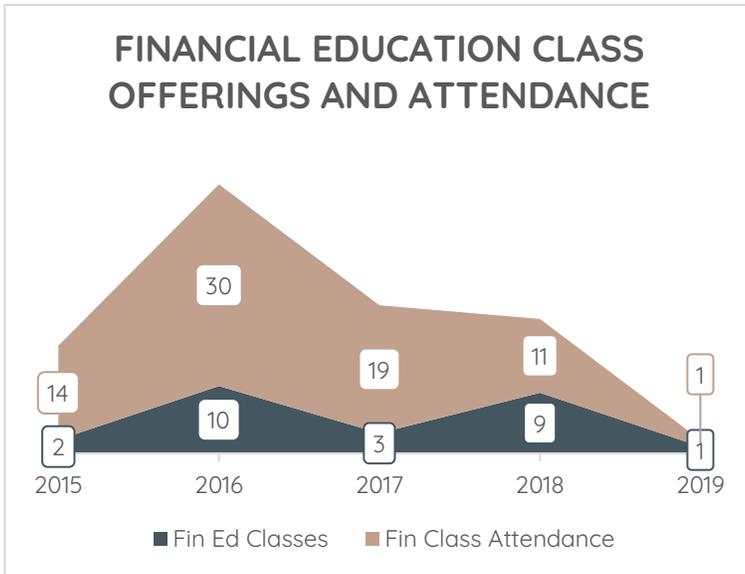
The Loan Fund’s housing related services should also be maintained and scaled over time. Survey respondents stated that high fees, closing costs, and down payments were common issues when attempting to purchase a home. **The Loan Fund closed their first down payment assistance loan in fall of 2019 which helped a family purchase a home. Closing cost/down payment assistance loans through the Loan Fund can provide a valuable resource for those unable to take that last step needed for homeownership.** Also discussed in the market report is the growing age of homes in the 5-county service area. As homes grow older, they will need maintenance and repair, ensuring that the Loan Fund’s home maintenance/repair loan will always be in demand. Additionally, survey respondents found that many of the existing home loan services within the 5-county service area are not geared towards Native communities or low-income households. As a result, households are often ineligible for affordable mortgage. An accessible and affordable mortgage loan offered by the Loan Fund would be a valuable resource to help bridge the gap and build Native homeownership capacity. In the same vein, small business owners and entrepreneurs reported having difficulties qualifying for small business loans. Entrepreneurship is a valuable tool for economic development as well as offering community members a chance to build their wealth and opportunities and thus presents a valuable area for the Loan Funds involvement. Micro and small business loans were the most requested business loan product, which dovetails well with the Loan Fund’s plan to introduce microloans for entrepreneurs.



As of 2019, the Loan Fund delivers three regular trainings to their clients: Building Native Communities, Pathways Home, and Indianpreneurship, while offering one-off trainings in financial education and small business education. At the time of this writing, they had 2, three-day courses in Small Business Planning/Management scheduled and planned on conducting 4 Indianpreneurship trainings throughout 2019. In addition to Small business trainings, the Loan Fund plans to conduct 2 trainings using the Pathways Home curriculum and 2 Financial Management classes, as well as Building Native Communities trainings twice a month. In total, the Loan Fund has conducted at least 32 trainings in 2019. As early financial education is often key to economic stability and security, the Loan Fund also began offering youth financial education training programs aimed at introducing financial management and budgeting for youth and young adults. The Loan Fund should continue to offer small business, homeownership, and financial education to residents to help build communities. Survey respondents specifically mentioned knowing which steps to take and when, for both homebuying and business start-up were the hardest steps of the processes. If the Loan Fund can make those processes easier, they will increase their ability to reach their goals. In addition, the Loan Fund should start offering regular credit education classes, as poor or no credit was common throughout the survey respondents.



Survey respondents stressed the need for one-on-one financial coaching so that they could get personalized counseling on building their credit, creating a budget, and other financial needs. In addition, respondents overwhelmingly requested homebuyer education, small business education, and credit counseling/financial education. As the Loan Fund already offers most, if not all, of these trainings on a regular basis, they may want to focus on increasing their outreach and marketing efforts to ensure that community members are aware of the resources they provide.



OUTREACH AND COMMUNITY ENGAGEMENT

According to the Loan Funds Facebook Page, the Fund is active in community outreach, advocacy efforts for Native CDFI's, and engaged in the Native CDFI Industry. Events that the Loan Funds have participated in during 2018 include:

- South Dakota Gives State-wide Fundraiser
- Opportunity Finance Networks Annual Conference
- Advocating for Native CDFI's with South Dakota Senator John Thune

During the market study, respondents were mostly unfamiliar with the Loan Fund and if they were familiar, they were not up-to-date on the current products and services. This could be an area for improvement, especially for outlying communities as community members may not be aware of the opportunities presented by the Loan Fund. Increasing marketing and community outreach, both digital and on-site, could expose the Loan Fund to more clients in need.



LEADERSHIP AND STAFF CAPACITY

The Loan Fund currently has three employees. Onna LeBeau, the Loan Funds current Executive Director, has been with the Black Hills Community Loan Fund since 2015. Onna has worked for years in the non-profit sector and currently manages much of the day-to-day activities of the Fund including:

- Meeting goals and objectives
- Community outreach and events
- Accounting and bookkeeping
- Loan underwriting
- Grant and report writing
- Training and coaching

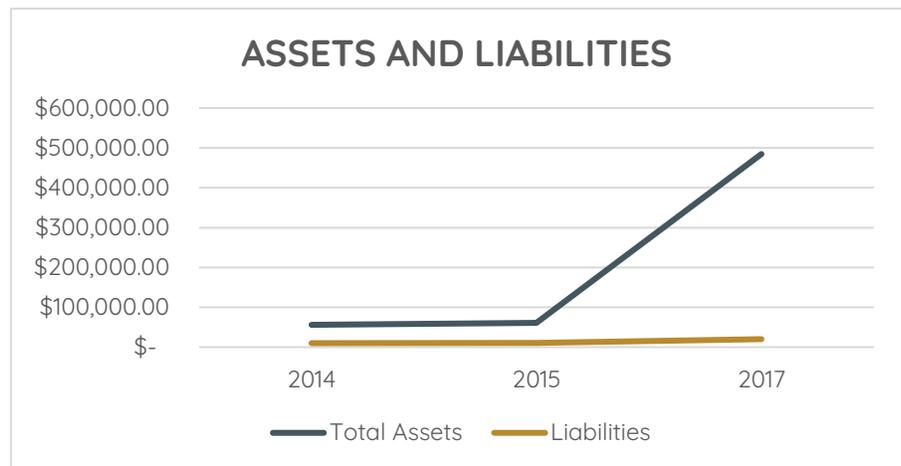
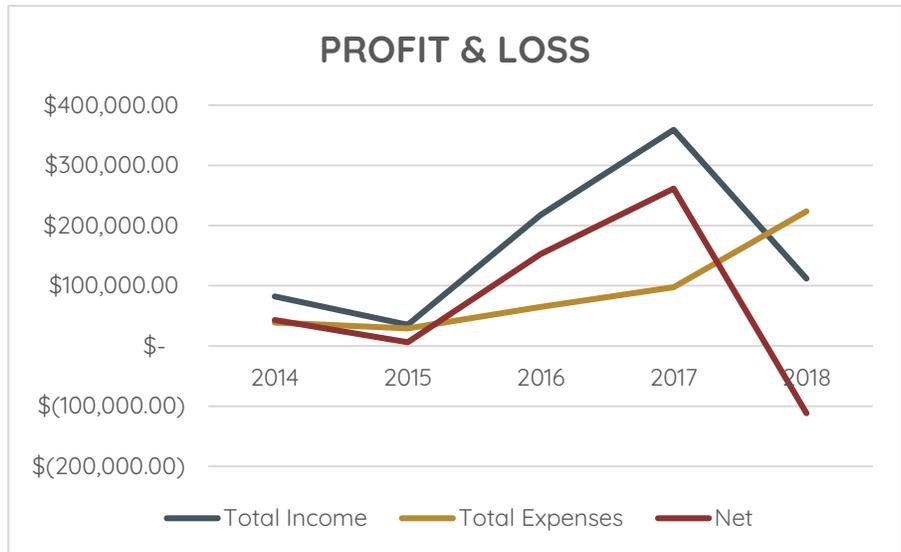
In April of 2019, the Loan Fund hired Stephanie as their Housing Program Support Specialist and she provides homeownership related trainings. She is a certified Pathways to Homeownership trainer. Stephanie has also assisted with home-related loans. In August of 2019, the Loan Fund brought on Shannon as their Business Development Specialist to teach classes on Building Native Communities (BNC), youth financial education, and Indianpreneurship classes as well as working with clients on business plans and applying for business microloans. As of Fall of 2019, the Loan Fund is looking to hire a Media & Communications specialist. The Loan Fund had an operations manager, but this position was vacated in 2019.

While the Loan Fund had a slow start from 2010 to 2015, ever since Onna came on board they have continued to grow, offering more loan products and obtaining certifications for trainings. The Loan Fund currently relies heavily on their board for a variety of responsibilities including granting loan approval, underwriting, HR and bookkeeping. **The Loan Fund should continue to grow their capacity to continue to be able to offer clients necessary education and trainings.**

CAPITALIZATION

From 2014-2017, the Loan Fund’s income stream has grown steadily from \$82,072 to \$359,140. Increases in employee salaries and benefits, as well as increased office costs and travel needs resulted in significant expense increases in 2018. At the time of writing, the total income for 2018 was \$247,129.44 lower than 2017, resulting in a negative income balance of \$111,675.63. Based of the available information, the Loan Fund should focus on diversifying their income streams to offset their growth and related expenses.

In contrast, the Loan Fund has shown significant growth in available assets from 2014-2017 (missing data for 2016 and 2018), demonstrating a growth



Date	Total Income	Total Expenses	Net
2014	\$ 82,075.22	\$ 38,975.30	\$ 43,099.92
2015	\$ 35,172.39	\$ 29,177.08	\$ 5,995.31
2016	\$ 217,687.39	\$ 65,015.19	\$ 152,672.20
2017	\$ 359,140.69	\$ 97,674.09	\$ 261,466.60
2018	\$ 112,011.25	\$ 223,686.88	\$(111,675.63)

of assets (predominantly general operating funds) in 2014 of \$56,025 to \$484,642 in 2017. During this same period, there was little change in the amount of liabilities (\$10,000-\$20,035 from 2014-2017), suggesting that the Loan Fund continues to grow within reasonable bounds and has room for continued expansion. As 2016 and 2018 were unavailable for analysis, we cannot make assumptions that this growth has changed in 2018 or 2019.

POLICY ANALYSIS

The Loan Fund has policies and procedures for:

- Maintenance of records
- Cash/Check/Deposits
- Information Technology
- Travel
- Loan Underwriting
- Risk Management

At the time of writing the Loan Fund did not have standard operating procedures on data collection, conducting trainings (other than external curriculum SOPs), and technical assistance. This could be an area for improvement to ensure new or transitioning staff are familiar with the standard operating procedures. Sweet Grass would also recommend instituting a standard set of employee onboarding so new employees are familiar with the mission, goals, products, and procedures of the Loan Fund.



ORGANIZATIONAL FORM AND DATA COLLECTION

Currently the Loan Fund utilizes two main forms for their loan application and processing. These forms include an intake, which gathers basic demographic, financial, and employment information, as well as information on the topics and products clients are interested in, and a loan application, which gathers more in-depth financial information through a financial statement. While both forms are comprehensive in their data collection, there are many redundant questions asked on both forms (e.g. contact, employment, financial status), leading to clients completing the same questions multiple times. In order to rectify this, Sweet Grass recommends breaking out these forms into the following system:



1. Inquiry Form
 - This form would have basic contact information with questions on their needs and where they heard of the Loan Fund. Used by anyone interested in products or services.
2. Loan Application
 - One loan application for all loan products that collects more in-depth demographic, employment, and financial data. Used only with loan clients

In addition to the above forms, Sweet Grass recommends instituting a system of follow-ups for all loan clients in order to collect data on impact after their interaction with the loan Fund has ended.

REPORTING

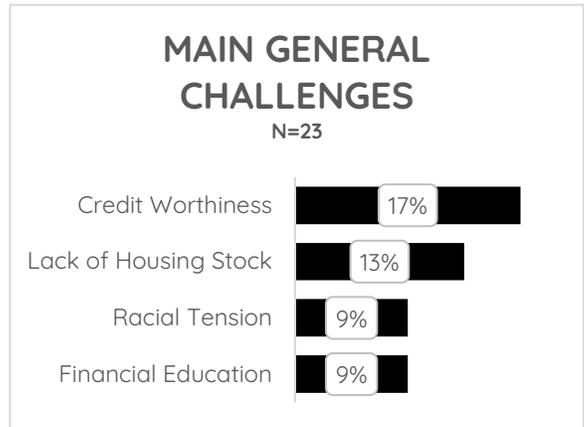
Staff have regular reviews to check-in on employee goals and next steps. Onna has quarterly meetings with the board to go over financials, progress, goals, and next steps. The board is kept up-to-date on loan capitalization including investment contributions, outstanding loans, and deployment ratios. During

loan committee meetings, the portfolio status is discussed to review outstanding loans, unused capital diversification, and loan loss reserve.

RECOMMENDATIONS

MARKET AND PROGRAM RECOMMENDATIONS

- Continue to offer loan products that, based off the needs of the community, continue to be valuable resources such as:
 - Credit Builder Loans
 - Debt Consolidation Loans
 - Home Repair/Maintenance Loans
 - Down payment/Closing Cost Assistance Loans
 - Microloans for Entrepreneurs
- Continue to offer one-one-one coaching and group trainings in
 - Homebuyer education
 - Financial Education
 - Small Business management/start-up
- Expand products and services to address community needs
 - Offer quick-turnaround emergency loans
 - Expand on home-related loans to offer conventional mortgage loans and construction loans to increase homeownership opportunities for low income and Native populations
 - Expand on credit education
- The Loan Fund should continue to aim their products and services at low-to-moderate income residents and Tribal members, as they make up a significant portion of the population of rapid city (and surrounding areas).
 - Expand the reach of loan products by working with loan clients in outlying counties whose residents may not be able to travel to Rapid City
 - Consider USDA Homeownership Direct Loan 502 Program certification
 - Consider Section 184 Indian Home Loan Guarantee Program certification
- Continue to pursue further training and certification, including credit counseling and loan underwriting.
- Key opinion leaders mentioned the lack of a clear pathway to the vision. Conduct comprehensive strategic planning and/or visioning sessions to identify the main goals of the Loan Fund and the best path to address those goals.
- Key opinion leaders felt that credit worthiness and the lack of affordable housing stock (discussed previously) were the main challenges facing community members. They also cited the lack of financial education and racial tensions as challenges. The Loan Fund fills a niche by being uniquely qualified to provide financial education, among other topics, in a respectful way that understands the financial, cultural, and racial barriers facing many Native American communities. Continue with this vision.
- Other areas of opportunity mentioned by Loan Fund staff and board included:
 - Credit Coaching
 - Small Business Lines of Credit



OUTREACH AND COMMUNITY ENGAGEMENT RECOMMENDATIONS

- The Loan Fund has a relatively low social media presence, which may extend to other market efforts. Sweet Grass recommends increasing marketing and outreach via social media, attendance at conferences and increased community engagement, especially within the 5-county service area outside of Rapid City. Key opinion leaders and survey respondents were not largely unfamiliar with Black Hills Community Loan Fund. Hiring a dedicated Communications & Outreach coordinator would go a long way in spreading the mission and services of the Loan Fund. This person could also assist with trainings.
- The Loan Fund could benefit by continuing to grow and cultivate networks and partnerships, especially as they relate to referrals and educational opportunities to make their products and services more accessible.
- Meet clients where they are. There is a clear concentration of financial, homebuyer, and small business products/services in Pennington County, especially in Rapid City. People in the outlying counties, especially in rural communities have fewer options in accessing trainings and loan products. Consider traveling to outlying communities to hold trainings and work with clients on the loan process to reach those that may be unable to travel to Rapid City.
- The Loan Fund could involve local community members and clients more by increasing outreach and highlighting successful Native community members, trainings, and success stories in their newsletters, social media, and community reports.

LEADERSHIP AND STAFF CAPACITY RECOMMENDATIONS

- Although we recognize issues relating to hiring new staff, diversifying staff responsibilities could be improved. Currently Onna is taking on most of the administration, financial, outreach, and leadership roles. Sweet Grass recommends the following:
 - Continual delegation and work planning by Executive Director
 - Hire a new operation manager to take on more administrative responsibility.
 - Increase the roles and responsibility of the Housing Program Support Specialist and the Business Development Specialist to free up time and focus for Onna.
 - Increase marketing/outreach efforts via a dedicated Communication & Outreach coordinator.
 - The hiring and training of the following. These roles could also be taken on by board members.
 - Dedicated financial education coach
 - Bookkeeper
 - HR Manager (in the future)

POLICY RECOMMENDATIONS

- The Loan Fund currently has policies and procedures in place for all of their loan activities. Continue to build off these policies as new products and services are offered.
- Build out policies and procedures for:
 - Employee onboarding
 - Data collection and reporting
 - Technical assistance and trainings
- Continue efforts with NCN to advocate for increased NCDFI allocations

LOAN PORTFOLIO RECOMMENDATIONS

- There was a decrease in loan payoff from 2016-2017. However, this may be due to the lack of loan portfolio data for 2018-2019. Sweet Grass recommends examining the most current loan portfolio data to ensure there is an up-to-date understanding of the loan portfolio.

CAPITALIZATION RECOMMENDATIONS

- Strengthen NACA applications through continued partnership with Oweesta.
- Consider USDA and HUD sources of grants and loans. Experts in the industry assist with these processes.
- After greater homeownership capacity is built in the 5-county area, create a pipeline of loan recipients and deploy more home lending capital.

REPORTING RECOMMENDATIONS

- While the Loan Fund has a designated set of meetings and scheduled reports, there does not appear to be a systemized way to track these reports. Tracking changes in capitalization and loan portfolio in a way that allows deeper analysis could allow the Loan fund to better understand trends, gaps, and next steps, as well as making regular reporting to the board and committee easier. This system could also be used to track employee performance plans and goal setting, ensuring that Loan Fund employees are meeting their goals, setting expectations, and reporting on employee growth.

FORM RECOMMENDATIONS

- Create an Inquiry form to track basic demographics, why the potential client approached the Loan Fund, how did they hear about the Loan Fund, etc.
- Combine all loan applications and intakes into one, streamlined form. Currently, clients must fill out the same question's multiple times.
- Increase Job Experience section, as they must have 12+ months of job experience to obtain a loan
- Create a question verifying if they have completed the Financial Education Course, a prerequisite to obtaining a loan
- Synthesize all financial documents into one Financial Profit/Loss Statement.
- There is currently no formal loan follow-up to track the impact of funding to clients after the initial application. Create a biannual or annual follow-up to assess client change.
- Regarding training and class data collection, the Loan Fund collects a great deal of information via their post evaluations for their financial education and Building Native Communities (BNC) trainings. The BNC pre- and post-course evaluation are especially valuable as tools to track knowledge growth due to their involvement with the Loan Fund and their Instructor. The Class Evaluation is a valuable tool to track the success of the program and areas for improvement. Building out the existing financial education evaluation system to allow for the same type of data collection and measurement would be valuable. This would include:
 1. A pre-course evaluation to collect baseline client knowledge.
 2. An instructor and course evaluation to gather data on client's perceptions of the class and instructor.
 3. More questions focused on financial knowledge, capacity, etc. on both the pre and post course evaluation.
- The Loan Fund currently does an excellent job tracking their training evaluation but does not currently have a formal method of tracking TA/Coaching/Counseling (by session, type, hours, topic). A tool to track each counseling or TA session in order to capture data on total time spent with clients and the type and topic of TA, would be valuable.