

Cooperative loan organization is one of a kind

By **Melissa Campbell**

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Troy Roberts owns a bed and breakfast establishment in Anchorage that has steadily showed increased occupancy rates since he opened it in 1999.

Still, when he asked banks for a loan so he could expand the operation, all but one turned him down. And that one wanted so much in fees that it wasn't worth it, he said.

Somewhere in the process, Roberts heard about the Alaska Commercial Fishing and Agriculture Bank.

"Someone asked me if I'd tried CFAB, that they were doing tourism now," Roberts said. "They were very personal, the president is right across the hall from my loan officer. It's not like a big bank where somebody on the East Coast is looking at my loan and saying, 'Who is this?' It turned out to be a pretty simple deal. It was cheaper and easier."

While it has "bank" in its name, CFAB is strictly a loaner. It doesn't do deposits or savings accounts.

The organization was established through state legislation in the late 1970s, and opened for business in 1980. It was authorized to loan money only to Alaska residents working in commercial fishing and agriculture. Tourism and resource-based businesses were added to the statute in 2000.

This year marks the organization's 25th anniversary.

In authorizing the organization, the Legislature was responding primarily to the commercial fishing industry, which felt there were too few institutions willing to give them credit, CFAB president Lela Klingert said.

The commercial fishing industry was struggling in the late 1970s, a time when the rest of the state was rolling in oil wealth, she said.

The state loaned the cooperative \$32 million in seed money, which was paid back in 1998. CFAB was set up as a private, member-owned cooperative to help fishermen and farmers grow.

The most unsettling requirement, however, was that anyone wanting to take out a loan must purchase co-op stock - 2 percent, to a maximum of \$2,500, of their loan.



Klingert

Photo Supplied by CFAB

"It was probably not the best way to set it up, but we've made it work," Klingert said. "It's hard to educate people about it, explain how it works. It's a hard concept for them to buy into. Everyone wants to assess it as fees. The truth is that the stock is actually ownership, an investment in the cooperative. Who better to capitalize it than those who benefit from it?"



With the help of the Alaska Commercial Fishing and Agriculture Bank, Troy Roberts was able to finance the expansion of his Anchorage bed and breakfast. Despite its name, CFAB provides loans to more than just the fishing and agriculture industries, having added tourism and resource-based businesses in 2000. *PHOTO Courtesy of Jewel Lake Bed & Breakfast*

The co-op in the past has retired, or cashed out, the stock of customers who have paid their loans off. Since the early 1990s, the organization has consistently paid dividends to its members, paying a total of \$7.5 million, Klingert said.

The cooperative operates under its own statute and is not subject to state banking or cooperative codes. It is the only private entity in the state that can place a lien on a limited-entry permit.

Because of its unique operations and higher-risk client base, CFAB does tend to have slightly higher interest rates. The co-op doesn't tie its rate to the current prime rate, but ties it to its operating costs, Klingert said.

The organization's current base rate is 6 percent, compared to the prime of 5.75 percent.

"When we make a loan, we know that it's not always going to be perfect," she said. "Because of our structure, we have the ability to weather the storms a little better than most. We're not at the mercy of our stockholders, we don't report to a head office in San Francisco. We're here, we make all our decisions locally."