

Workforce Development and the Community Reinvestment Act (CRA): Strengthening Awareness and Use Towards Common Goals

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Organized by the Federal Reserve Bank of Kansas City

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you to everyone for joining this session.

For today:

- This call is being recorded.
- An archived recording of this session will be available on the **Connecting Communities**[®] web site shortly after the session has taken place:
www.stlouisfed.org/connectingcommunities/
- We will be taking questions via email during this session. Please direct your questions to communities@stls.frb.org. These questions may be part of the recorded archive for this session.
- In connection with this session, several of our Reserve Bank offices have posted links to a variety of additional resources on this topic. We encourage you to browse through this list and to contact your regional office if you would like additional information on any of these items.

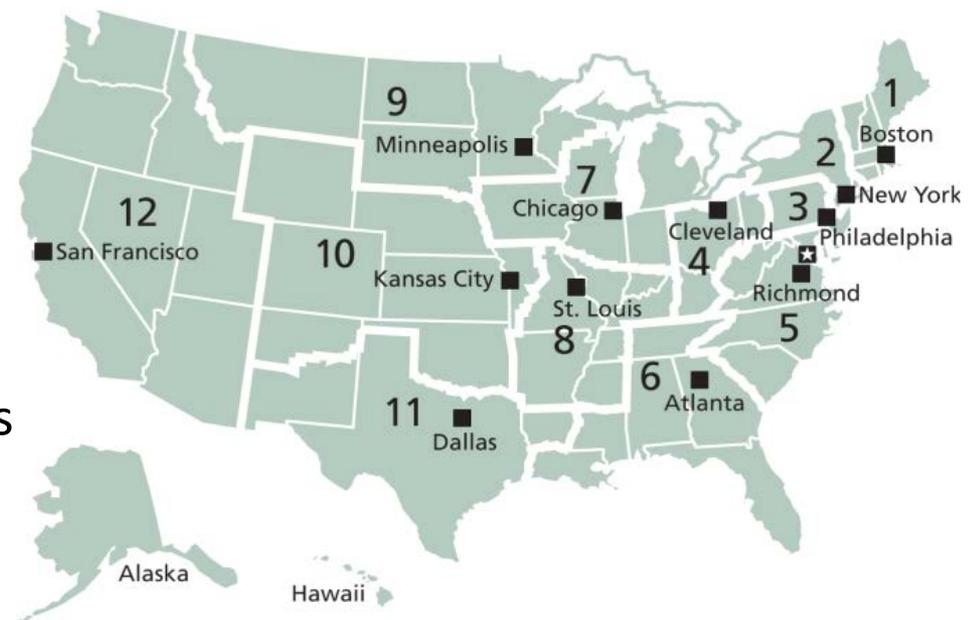
Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Affairs

Community affairs programs at the Federal Reserve Board and the 12 Federal Reserve Banks support economic growth by promoting community development and fair access to credit.

Community affairs offices at the Board and Reserve Banks engage in a wide variety of activities to help financial institutions, community-based organizations, government entities, and the public understand and address financial services issues that affect LMI people and geographic regions.



Community Affairs (cont.)

- Each office responds to local needs in its district and establishes its own programs to:
 - Foster depository institutions' active engagement in providing credit and other banking services to their entire communities, particularly traditionally underserved markets
 - Encourage mutually beneficial cooperation among community organizations, government agencies, financial institutions, and other community development practitioners;
 - Develop greater public awareness of the benefits and risks of financial products and of the rights and responsibilities that derive from community investment and fair lending regulations
 - Promote among policy makers, community leaders, and private-sector decision makers a better understanding of the practices, processes, and resources that result in successful community development programs

Today's Presenters

- **Steven Shepelwich**, *Senior Community Development Advisor*, Federal Reserve Bank of Kansas City
- **Ariel Cisneros**, *Senior Community Development Advisor*, Federal Reserve Bank of Kansas City
- **Clyde McQueen**, *President and CEO*, Full Employment Council
- **Jim Enright**, *Senior Examiner*, Federal Reserve Bank of Kansas City

The views expressed are those of the author and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Agenda

- The following will be discussed:
 - Goals, policies, and implementation of the CRA
 - Ways the CRA can be used to support workforce programs
 - Strategies for workforce professionals to engage the support of financial institutions

Workforce Development and the CRA

- The CRA encourages Federal Deposit Insurance Corporation (FDIC) insured banks to provide services to all individuals and communities within its assessment area, especially those that are low- and moderate-income (LMI).
 - Banks carry out this obligation by providing financial services, loans, and investments that support development related activities.

Workforce Development and the CRA (continued)

- Direct support of workforce development programs is not a traditional CRA-related activity for banks.
- While some bankers are on workforce investment boards (WIBs), they are most often involved by being a local employer and good corporate citizen.
- Banks have a limited awareness of WIBs and workforce programs.
- WIBs have a limited understanding of the CRA and how it can be used.

Related Bank Involvement

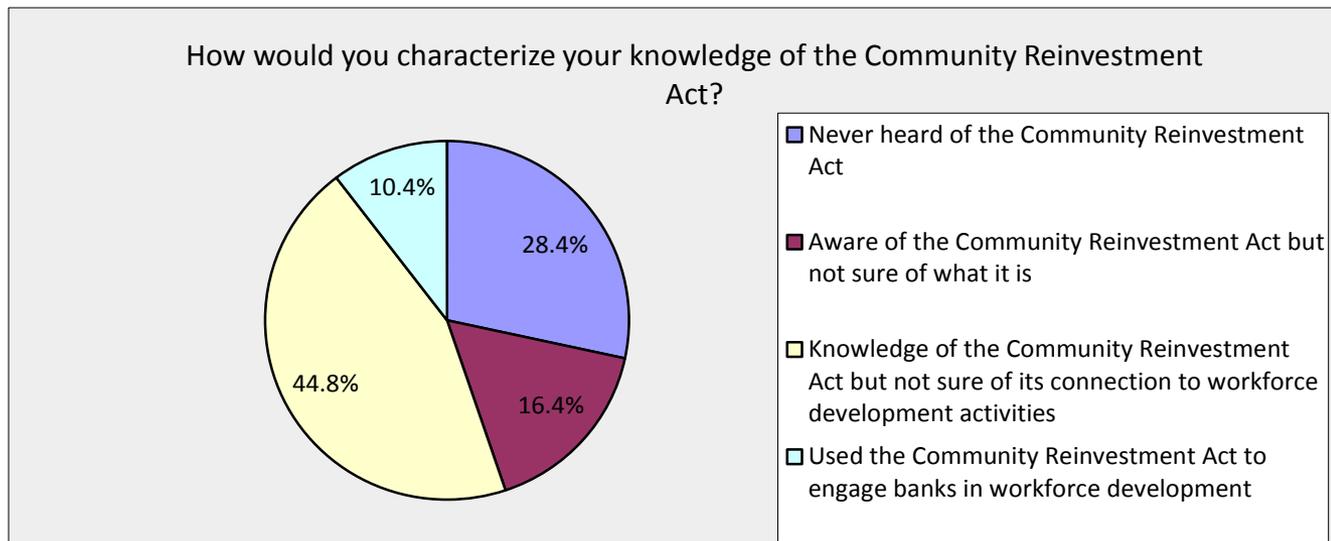
- Banks do support activities that are complementary to workforce programs and goals:
 - Small business development
 - Financial education
 - Partnerships with community organizations such as Junior Achievement, Boys and Girls Clubs and YouthBuild
 - Funding of community development initiatives that may impact job creation or employability
- Opportunity for expanding engagement to the benefit of both banks and WIBs.

Awareness and Use of CRA by WIBs

- Survey distributed by National Association of Workforce Boards and chairs of state workforce investment boards
- Survey of local WIBs to understand:
 - Involvement of banks
 - Knowledge and use of the CRA by WIB directors
- 67 completed surveys received

Survey Headlines

- 2/3 of WIBs have bankers on their boards. Of these WIBs:
 - 60 percent of WIBs have bankers as general members.
 - 21 percent of directors have had conversations about CRA.
- Awareness of the CRA is low.



Survey Headlines (continued)

- Only 18 percent of WIBs had outreach plans that included banks.
- WIBs with knowledge of CRA or with bankers on the board were much more likely to focus on banks.
- Types of support received from banks:
 - Most reported: Grants for program activities, in-kind support
 - Least reported: Loans and investments

Purpose of CRA

- Encourage banks and thrifts to help meet the credit needs of their entire communities
 - Including LMI neighborhoods and tracts (80 percent or below of area median income)
 - Including businesses and farms of different sizes and borrowers of different income levels
 - Consistent with safe and sound operations
- Enforced by the Federal Reserve, Office of the Comptroller and the FDIC

CRA Implementation

- Different obligations depending on institution size
 - Small: assets under \$296 million
 - Intermediate Small: assets between \$296 million and \$1.186 billion
 - Large: assets greater than or equal to \$1.186 billion
- Exam Criteria
 - Lending
 - Investments
 - Services
- Ratings
 - Outstanding
 - Satisfactory
 - Needs to Improve
 - Substantial noncompliance

Community Development

- Affordable housing and community services to LMI individuals
- Activities that promote economic development by financing small business and farms
- Activities that revitalize or stabilize:
 - LMI geographies
 - Designated disaster areas
 - Distressed non-metropolitan middle-income geographies
 - Underserved non-metropolitan middle-income geographies

Community Development (continued)

The community development activity must benefit:

- The assessment area
- A broader or statewide regional area that includes the assessment area
- In special cases, activities outside the assessment area

Community Development (continued)

Community development qualifications:

- A loan, investment and/or service may qualify for CRA credit if it has community development as its primary purpose.
- Documentation is key

Connections with Workforce Development

- Microenterprise/self-employment training and lending
- Adult/youth training and employment programs
- Financial education and bank access programs
- Individual development accounts
- Banker service opportunity

Strengths of WIBs in Relation to the CRA

- Focus on LMI clients and specific geographies
 - Can match with specific bank interests
- Strong existing documentation of programs and clients
 - Addresses reporting needs for CRA activities
- Potential range of CRA opportunities within existing programs

Strategies

- Initial awareness is key – there is limited understanding by both CRA contacts and WIBs about each other
- Identify bank CRA contacts in your area.
- Meet with CRA officers to understand their bank's goals and strategies.
- Identify programs that you offer that match with a bank's strategy and assessment area.
- Focus on relationships first – projects second.

Resources

- Federal Reserve staff at each Bank can provide assistance in understanding your local market
 - <http://www.federalreserve.gov/communityaffairs/national/reservebanks.htm>
- Overview of CRA regulations, examinations and bank ratings at www.ffiec.gov
- Public Files: Full file at the main office and at one office in each state, limited file at branch locations



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Do you have questions?
E-mail us at:
communities@stls.frb.org

Wrap Up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session
- Additional Federal Reserve System resources related to this topic can be found on our web site along with links to your local Federal Reserve Community Development office
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org
- Information about future sessions will be posted on our website along with archived materials from past sessions: www.stlouisfed.org/connectingcommunities/