The Community Reinvestment Act and Broadband

January 11, 2018

Organized by the Federal Reserve Bank of Richmond

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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.
The Community Development (CD) function within the Federal Reserve System – consisting of individual departments at each of the twelve Federal Reserve Banks as well as at the Board of Governors – promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:

- **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors,

- **Conducting and sharing research** to examine economic challenges facing low- and moderate-income communities and attendant policy implications; and,

- **Identifying emerging issues**.
Today’s Presenters and Agenda

• Jeanne Milliken Bonds, Senior Manager, Regional Community Development, Federal Reserve Bank of Richmond
• Jordana Barton, Senior Advisor, Community Development, Federal Reserve Bank of Dallas
• Yolanda Davila, Community Relations Executive, BBVA Compass
• Chelsea Cruz, Senior Program Manager, Federal Reserve Bank of New York
• Adrian Franco, Director of Community Development Finance, Federal Reserve Bank of New York

The following will be discussed:

– The Community Reinvestment Act (CRA) and broadband as an infrastructure investment
– Access to broadband is critically essential in community development
– Broadband access lags in many population segments, including low-income and rural communities
– Opportunities for financial institutions to meet the requirements of CRA and take advantage of new opportunities to help close the digital divide across communities and improve economic stability
The Digital Divide

Jeanne Milliken Bonds  
Senior Manager, Regional Community Development  
Federal Reserve Bank of Richmond  
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What is the Digital Divide?

The gap between people who have access to broadband services and know how to use the Internet and those who do not have such access or knowledge.
The Community Reinvestment Act (CRA)

• The Community Reinvestment Act (CRA)
• Federal law passed in 1977
• Encourages banks to meet the credit needs of the communities they’re licensed to serve
• Including low- and moderate-income neighborhoods.
• Consistent with safety and soundness
• Collaborative, innovative, relational
2016 Interagency Question and Answer

• Broadband is included as a form of infrastructure investment—an essential community service

• Under the CRA service test, banks should show evidence that their “alternative delivery systems” using online banking and financial technology are being adopted and are effective in providing services to LMI individuals

• Economic development:
  – Workforce development was already included in the CRA; added workforce development/job training examples
  – Small business development was already included in the CRA; added an example to include supporting technical assistance for businesses in the use of technology
## Relationship: Income and Access

### Table 1

U.S. Cities with 100,000+ Households Ranked by ‘Worst Connection’: Median Household Incomes vs. Percent of Households With No Internet Access

<table>
<thead>
<tr>
<th>City</th>
<th>Median household income</th>
<th>Percent of households with no internet access</th>
<th>City</th>
<th>Median household income</th>
<th>Percent of households with no internet access</th>
<th>City</th>
<th>Median household income</th>
<th>Percent of households with no internet access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detroit</td>
<td>$24,820</td>
<td>39.9</td>
<td>Omaha</td>
<td>$47,512</td>
<td>22.9</td>
<td>Boston</td>
<td>$33,583</td>
<td>19.9</td>
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<tr>
<td>Miami</td>
<td>$31,070</td>
<td>36.8</td>
<td>Albuquerque</td>
<td>$48,357</td>
<td>22.9</td>
<td>Denver</td>
<td>$51,089</td>
<td>19.2</td>
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<tr>
<td>Cleveland</td>
<td>$26,096</td>
<td>36.1</td>
<td>Pittsburgh</td>
<td>$42,004</td>
<td>22.7</td>
<td>Arlington</td>
<td>$51,400</td>
<td>18.9</td>
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<tr>
<td>New Orleans</td>
<td>$36,631</td>
<td>33.8</td>
<td>Tampa</td>
<td>$42,649</td>
<td>22.4</td>
<td>St. Paul</td>
<td>$49,469</td>
<td>18.6</td>
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<tr>
<td>Buffalo</td>
<td>$32,392</td>
<td>32.6</td>
<td>Fort Wayne</td>
<td>$39,878</td>
<td>22.2</td>
<td>Long Beach</td>
<td>$52,116</td>
<td>18.6</td>
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<tr>
<td>Memphis</td>
<td>$36,772</td>
<td>32.3</td>
<td>St. Petersburg</td>
<td>$43,894</td>
<td>22.2</td>
<td>Orlando</td>
<td>$41,345</td>
<td>18.1</td>
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<tr>
<td>St. Louis</td>
<td>$34,488</td>
<td>31.9</td>
<td>Corpus Christi</td>
<td>$49,666</td>
<td>22.1</td>
<td>Charlotte</td>
<td>$51,034</td>
<td>18.0</td>
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<tr>
<td>Milwaukee</td>
<td>$35,186</td>
<td>31.2</td>
<td>Tucson</td>
<td>$35,720</td>
<td>22.0</td>
<td>Minnesota</td>
<td>$30,563</td>
<td>18.0</td>
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<tr>
<td>Baltimore</td>
<td>$42,266</td>
<td>30.4</td>
<td>New York</td>
<td>$52,223</td>
<td>21.9</td>
<td>Lexington-Fayette</td>
<td>$47,535</td>
<td>17.6</td>
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<td>Cincinnati</td>
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<td>30.3</td>
<td>Mesa</td>
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<td>Lincoln</td>
<td>$49,119</td>
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<td>Toledo</td>
<td>$31,907</td>
<td>29.8</td>
<td>Greensboro</td>
<td>$41,150</td>
<td>21.8</td>
<td>Aurora</td>
<td>$49,142</td>
<td>15.6</td>
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<td>Philadelphia</td>
<td>$36,836</td>
<td>29.8</td>
<td>Fort Worth</td>
<td>$52,430</td>
<td>21.8</td>
<td>San Francisco</td>
<td>$77,485</td>
<td>14.9</td>
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<tr>
<td>El Paso</td>
<td>$41,129</td>
<td>28.7</td>
<td>Los Angeles</td>
<td>$48,466</td>
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<td>Austin</td>
<td>$56,351</td>
<td>14.9</td>
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<tr>
<td>Dallas</td>
<td>$41,978</td>
<td>28.5</td>
<td>Nashville-Davidson</td>
<td>$46,803</td>
<td>21.5</td>
<td>Portland</td>
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<td>Fresno</td>
<td>$40,179</td>
<td>27.0</td>
<td>Oklahoma City</td>
<td>$46,232</td>
<td>21.4</td>
<td>Raleigh</td>
<td>$55,170</td>
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<tr>
<td>Wichita</td>
<td>$43,538</td>
<td>26.6</td>
<td>Jacksonville</td>
<td>$47,424</td>
<td>21.1</td>
<td>Henderson</td>
<td>$60,819</td>
<td>13.5</td>
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<tr>
<td>Tulsa</td>
<td>$41,495</td>
<td>26.2</td>
<td>Sacramento</td>
<td>$48,024</td>
<td>21.1</td>
<td>Colorado Springs</td>
<td>$33,550</td>
<td>13.2</td>
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<tr>
<td>Indianapolis</td>
<td>$41,361</td>
<td>26.0</td>
<td>Las Vegas</td>
<td>$49,289</td>
<td>20.9</td>
<td>Madison</td>
<td>$49,546</td>
<td>12.9</td>
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<tr>
<td>San Antonio</td>
<td>$45,399</td>
<td>25.3</td>
<td>Atlanta</td>
<td>$46,485</td>
<td>20.8</td>
<td>Anchorage</td>
<td>$79,045</td>
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<tr>
<td>Chicago</td>
<td>$47,099</td>
<td>24.9</td>
<td>Urban Honolulu CDP</td>
<td>$61,559</td>
<td>20.8</td>
<td>Seattle</td>
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<td>Houston</td>
<td>$45,353</td>
<td>24.9</td>
<td>Bakersfield</td>
<td>$54,763</td>
<td>20.8</td>
<td>San Diego</td>
<td>$63,456</td>
<td>12.0</td>
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<tr>
<td>Kansas City</td>
<td>$45,551</td>
<td>24.4</td>
<td>Oakland</td>
<td>$54,394</td>
<td>20.2</td>
<td>San Jose</td>
<td>$80,977</td>
<td>11.6</td>
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<tr>
<td>Phoenix</td>
<td>$46,601</td>
<td>24.1</td>
<td>Columbus</td>
<td>$44,426</td>
<td>20.0</td>
<td>Virginia Beach</td>
<td>$62,855</td>
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<tr>
<td>Louisville/Jefferson County</td>
<td>$44,893</td>
<td>24.0</td>
<td>Washington, D.C.</td>
<td>$67,572</td>
<td>20.0</td>
<td>Plano</td>
<td>$80,448</td>
<td>7.7</td>
</tr>
</tbody>
</table>

SOURCE: Census Bureau, 2013 American Consumer Survey.

Today’s Session

• Federal Reserve Bank of Dallas: Framework for Closing the Digital Divide
• Partnership: BBVA Compass
• Federal Reserve Bank of New York: Case Study
• CRA Videos, Resources: FedCommunities.org, National Interagency Community Reinvestment Conference
A Framework for Closing the Digital Divide

Jordana Barton
Senior Advisor, Community Development
Federal Reserve Bank of Dallas
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Closing the Digital Divide: A Framework for Meeting CRA Obligations
Broadband: A Platform for All Areas of the CRA and Community Development

• Essential infrastructure
• Workforce development and education
• Access to financial services
• Small business development
• Affordable housing
• Healthcare
The likelihood that a household has a broadband connection varies greatly depending on its location.

Generally, metropolitan households are more likely to have broadband access than households in rural areas.
Who Does Not Have Access in San Antonio, Texas?
The Future of Work

• Technological advancements are transforming work
• Growth of automation & technological complexity are changing required job skills (i.e., manufacturing)
• E-commerce and the disruptions in brick and mortar retail
• Artificial intelligence advancements (augment labor → replace labor)
• Remote models for provision of services (i.e., Telemedicine, Banking)
• Growth in contingent workforce (i.e., gig economy)
• 3D printing
• Self-driving vehicles
The Internet Economy and Workforce Development

1. Broadband access → Ability to participate in internet economy
2. Digital literacy → Participation in internet economy as consumers
3. Financial literacy → Participation in internet economy through online personal finance
4. Computer technical skills training → Participation in internet economy as a skilled worker
5. Computer programming → Participation in internet economy as an entrepreneur

SOURCE: Federal Reserve Bank of Dallas.
Workforce Development

• Digital skills and access to broadband are required for accessing jobs and training
• 70 percent of jobs are posted online
• Job training programs are increasingly offered online.
• 8 in 10 middle-skills jobs require digital skills (32 percent of labor market demand)
• Digitally intensive middle-skills jobs have grown twice as fast as other middle-skills jobs in the past decade (higher wages)
• There is a skills mismatch in the digital economy
One third of households with incomes below $50,000 with school-age children do not have high speed Internet access at home (40 percent of all families with school-age children).

Only 8 percent of households with incomes of $50,000 or more lack broadband at home.
Benefits of Broadband for Rural Communities

• Education: Distance learning for students and adults in rural areas and preventing the “brain drain”
• Attracting business: Basic infrastructure for doing business
• Healthcare: Telemedicine/telehealth for treating patients at rural clinics and accessing health records
• Employment: Connections to global markets and the ability to work remotely or seek job opportunities
• E-commerce: Provide a bigger market for small, local businesses to buy and sell goods or provide secondary income
Access to Financial Services

• More and more banking services are now available without making a trip to a branch (online banking, mobile banking, remote deposit)

• 61 percent of total Internet users bank online (Pew, 2013)

• 43 percent of adults with mobile phones and bank accounts reported using mobile banking, an increase of 4 percentage points from the previous year (Federal Reserve System, 2016)

• The total number and density of banking offices declined during the post-2008 Great Recession (Federal Deposit Insurance Corporation (FDIC), 2015)
Access to Financial Services

• Impact of technology strongest among younger consumers

• Branch transactions have declined—1993-2012 teller transactions per office declined by 45 percent

• Paper checks fell from 43 percent of non-cash payments to 15 percent (2003-2012) (FDIC, 2015)

• Mobile financial services are found to help banks address many of the core financial services needs of underserved consumers (FDIC, 2016)
To achieve success, it is critical to invest in community programs that include all “three legs of the stool” of broadband adoption.
Broadband is Essential Infrastructure and the Prerequisite for Closing the Digital Divide

SOURCE: Federal Reserve Bank of Dallas.
Best Practices

• When there is an opportunity, banks can blend or layer the types of investments they make in broadband to include the “three legs of the stool”
• It is important to measure outcomes to identify what works
• Digital inclusion programs need to consider the barriers to adoption people experience
• Training programs for youth and adults should cover the subject of Internet safety and security
• Communities should consider the Internet speed that will meet their economic development goals
• Local governments should create their digital inclusion plans as part of their economic development plans
Tips for Preparing Your Case

- **Part Four of Closing the Digital Divide:**
  - Helpful tips on preparing your case
  - An overview of critical sections of the CRA questions and answers
  - A list of CRA reference guides
Telling Your CRA Story

Part Five is a template your financial institution can use to tailor its own community development story and recognize ways to demonstrate leadership, responsiveness, and innovation.
Partnership to Close the Divide

Yolanda Davila
Community Relations Executive
BBVA Compass
Yolanda.Davila@bbva.com
Digital Opportunity for the Rio Grande Valley: The Role of Local Governments

• A community-led initiative to design and implement an effective model for closing the digital divide in the Rio Grande Valley on the South Texas Border

• A middle mile (government to government) demonstration project with the Pharr-San Juan-Alamo School District (PSJA) and the City of Pharr to provide an adaptable and replicable model for the border

• A digital inclusion program at PSJA for parents and students
Project Goals

• Improve educational opportunity and results for Pre-K through 12 grade students and their families across the Rio Grande Valley region (close the "homework divide")

• Improve access to workforce opportunities, including training and job opportunities

• Improve access to healthcare and telehealth/telemedicine
Project Goals (continued)

• Improve access to the Internet and online marketing for entrepreneurs in the region and increase the ability to attract business

• Improve access to financial services and online banking

• Improve financial literacy through access to the BBVA Compass Financial Literacy Program including mobile and online banking
• Studied impact of internet access on unbanked and underbanked low-income consumers
• Internet access has the potential to increase the number individuals with a bank account by 10 percent
• 2013 FDIC National Survey: 50 percent of unbanked households do not have internet access
Financial Inclusion Pilot

• Test ways BBVA Compass can make an impact on financial health of the unbanked and underserved communities

• Using internet access and mobile technology

• Maintain affordability without compromise in quality or convenience

• Pilot Projects
Center for Financial Education in Partnership with EverFi

- Bilingual curriculum
- Homebuyer
- Personal Finance
- Small Business
- Three platforms for workshop delivery
Corporate Responsibility and Reputation

Curriculum Overview

**Homebuyers**
- Homeownership Readiness
- Budgeting and Credit
- Loan Options and Qualification
- The Mortgage Process

**Personal Finance**
- Building Savings
- Account Types and Features
- Using Credit Wisely
- Credit Scores and Reports

**Small Business**
- Staring a business
- Financial and Risk Management
- Growing Your Business
- 21st Century Entrepreneurship
Investing in Our Communities: A Case Study on Closing the Digital Divide

Adrian Franco and Chelsea Cruz
Federal Reserve Bank of New York
Community Development Finance Initiative (CoDeFi)
Adrian.franco@ny.frb.org
Chelsea.cruz@ny.frb.org
A Case Study on Closing the Digital Divide

Investing in Our Communities: A Case Study on Closing the Digital Divide
A Case Study on Closing the Digital Divide

• The case study follows the events in New Amsterdam, a fictional urban area that has suffered economic hardship.

• The story highlights the role of local stakeholders, such as grassroots organizations, banks, and regional carriers, in broadband investments.

• The case study includes anecdotal evidence, statistics, assessment areas, and other data to present a realistic scenario.
A Case Study on Closing the Digital Divide (continued)

Sections
- Background
- Identify the Community’s Needs
- Identify your Role
- Identify your Partners
- Is it CRA Eligible?

Example

<table>
<thead>
<tr>
<th>Activity</th>
<th>Which Leg of the Stool Are We Meeting? (broadband access, computer access, training and technical assistance)</th>
<th>Community Development Activity Type (loan, investment, or service)</th>
<th>Can the Activity be Considered for CRA Credit? (Provide a brief explanation of your reasoning.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide classes on online banking for senior citizens at the Sunshine Retirement Center</td>
<td>Training and technical assistance</td>
<td>Service</td>
<td>Yes. Sunshine Community Center is in a census tract designated as low-income.</td>
</tr>
</tbody>
</table>

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Conclusion

- Income and wealth inequality are at their highest levels since the Great Depression
- The digital divide creates a structural barrier to closing the income and wealth gaps, and a barrier to LMI individuals’ ability to move up the economic ladder
- Investing in broadband infrastructure and digital inclusion can help us prevent downward mobility
- By working with nonprofits and other local partners to bring broadband access and adoption to LMI communities, banks can have a powerful impact on the “infrastructure of opportunity” in this country
Questions?
You have two options to ask questions today:
1. Email us at: communities@stls.frb.org.
2. Click the “Ask Question” button in the webinar.
Thank you to today’s presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our website, and in the next few days, we will post an audio file of today’s session.
- 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: https://bsr.stlouisfed.org/connectingCommunities
In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org.

It provides an array of practical resources to help you in your role as a community development professional, whether your work involves supporting people, places, the policy and practice of community development, or small business development.