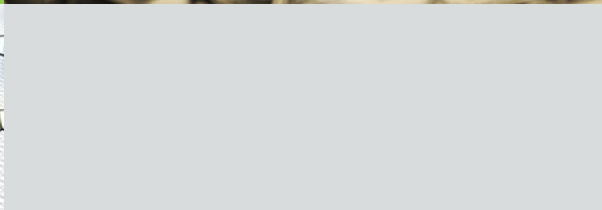




Federal Reserve Bank of Richmond Community Development



The views and opinions expressed herein are those of the author.

They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

Why Community Development at the Fed?

The Federal Reserve System

The Federal Reserve System [performs five functions](#) to promote the effective operation of the U.S. economy and, more generally, to serve the public interest:

- 1) **conducts the nation's monetary policy** to promote maximum employment, stable prices, and moderate long-term interest rates in the U.S. economy;
- 2) **promotes the stability of the financial system** and seeks to minimize and contain systemic risks through active monitoring and engagement in the U.S. and abroad;
- 3) **promotes the safety and soundness of individual financial institutions** and monitors their impact on the financial system as a whole;
- 4) **fosters payment and settlement system safety and efficiency** through services to the banking industry and the U.S. government that facilitate U.S.-dollar transactions and payments; and
- 5) **promotes consumer protection and community development** through consumer-focused supervision and examination, research and analysis of emerging consumer issues and trends, community economic development activities, and the administration of consumer laws and regulations

Board of Governors of the Federal Reserve System

Community Development Function

•The Federal Reserve's community development function promotes economic growth and financial *mobility* for low- and moderate-income (LMI) communities and individuals by partnering with intermediaries, conducting research, and convening stakeholders.

- **Example of Federal Reserve's Work:**
- <https://www.federalreserve.gov/economic-disparities-community-development.htm>
- [Federal Reserve Board - Community Development Finance](#)
- [How Much Could U.S. States Gain by Closing Racial and Gender Gaps in the Labor Market?](#)

Community Reinvestment Act (CRA)

- Requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income (LMI) neighborhoods. (Note S-Letter; 2017)

Why CRA? Addressing Disparities in Financial Access

Congress enacted the Community Reinvestment Act (CRA) in 1977 in the wake of the civil rights movement to address systemic discrimination in people's access to credit and other financial services, particularly widespread redlining.

Redlining is when banks explicitly refused to make loans or extend other financial services in Black neighborhoods and other communities of color, even when applicants were otherwise qualified. Redlining got its name because banks would literally draw red lines on a map around neighborhoods they perceived as too risky to receive financial services and loans.

Examples of redlining maps are shown in the image here and the effects of redlining persist today and show up in racial wealth gaps.



What are the system strategic goals for community development?

How does our Richmond Fed
community development team
approach system and bank goals?

Community Development at the Richmond Fed

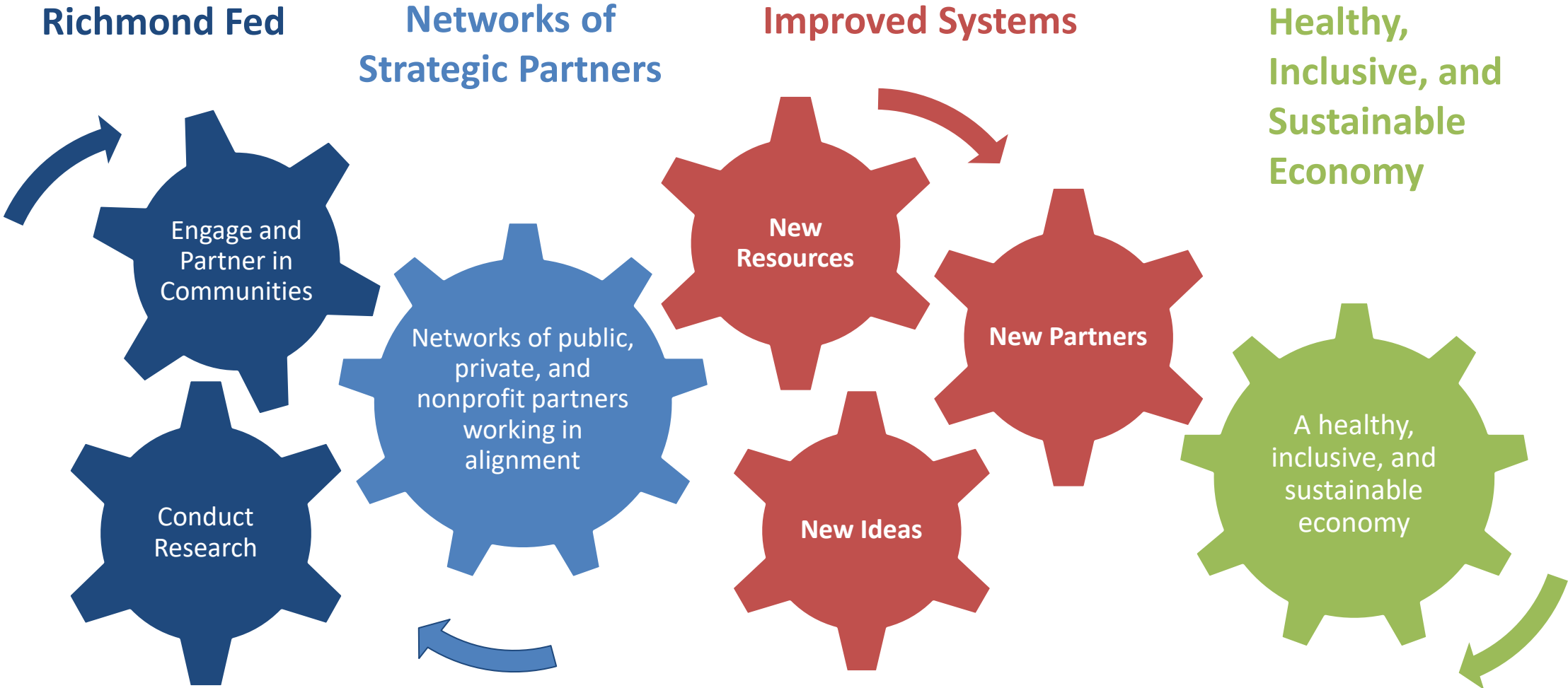
We support the bank's mission by advancing the economic resilience and mobility of LMI communities.

**Conduct and share research:
On barriers to economic
opportunity and promising
practices**

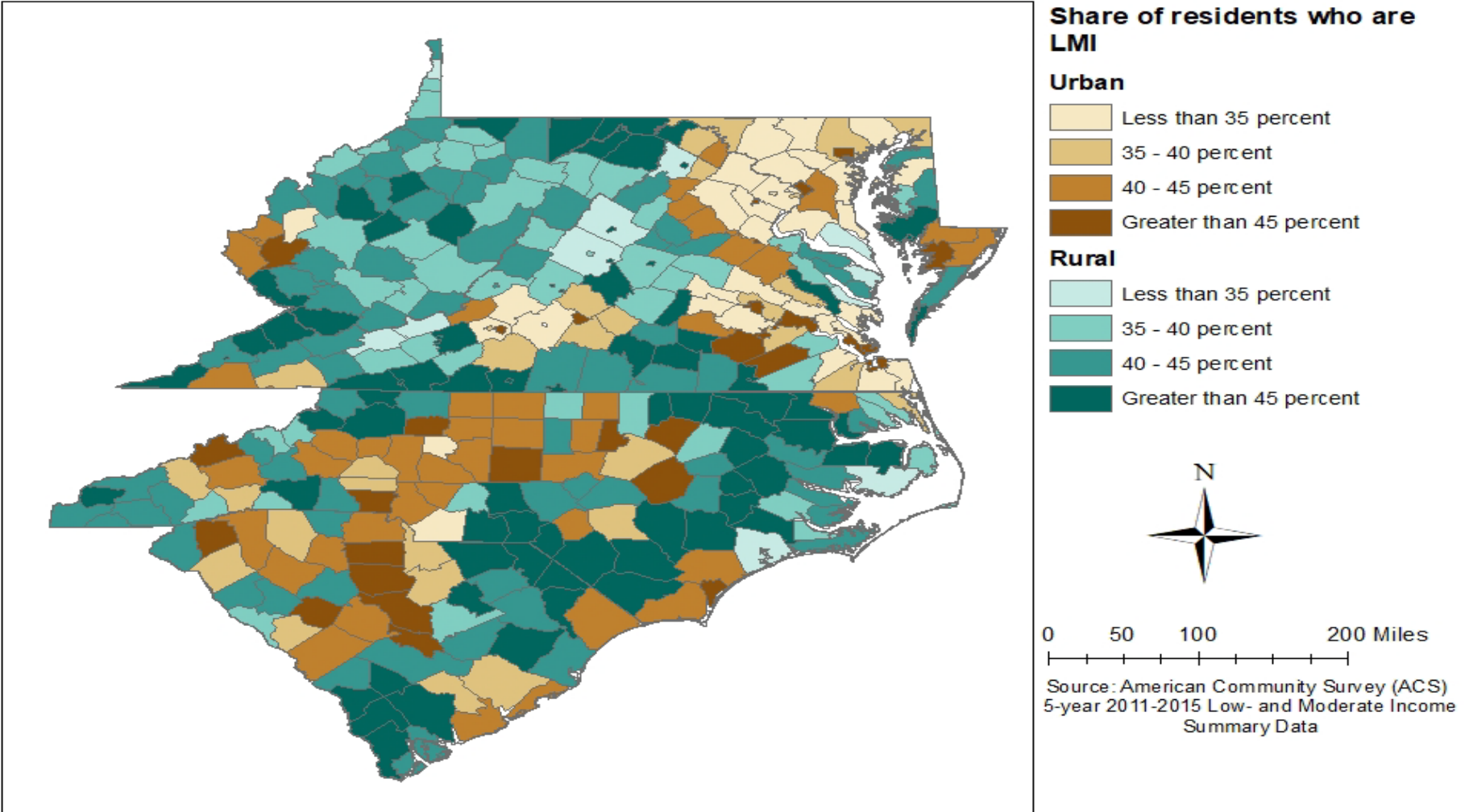
**Partner for Action:
Forge multi-sector partnerships
to propel results-based
initiatives that solve for
economic barriers**

**Support Capital Access:
Engage our communities to
better understand capital
access and absorption
opportunities in the District**

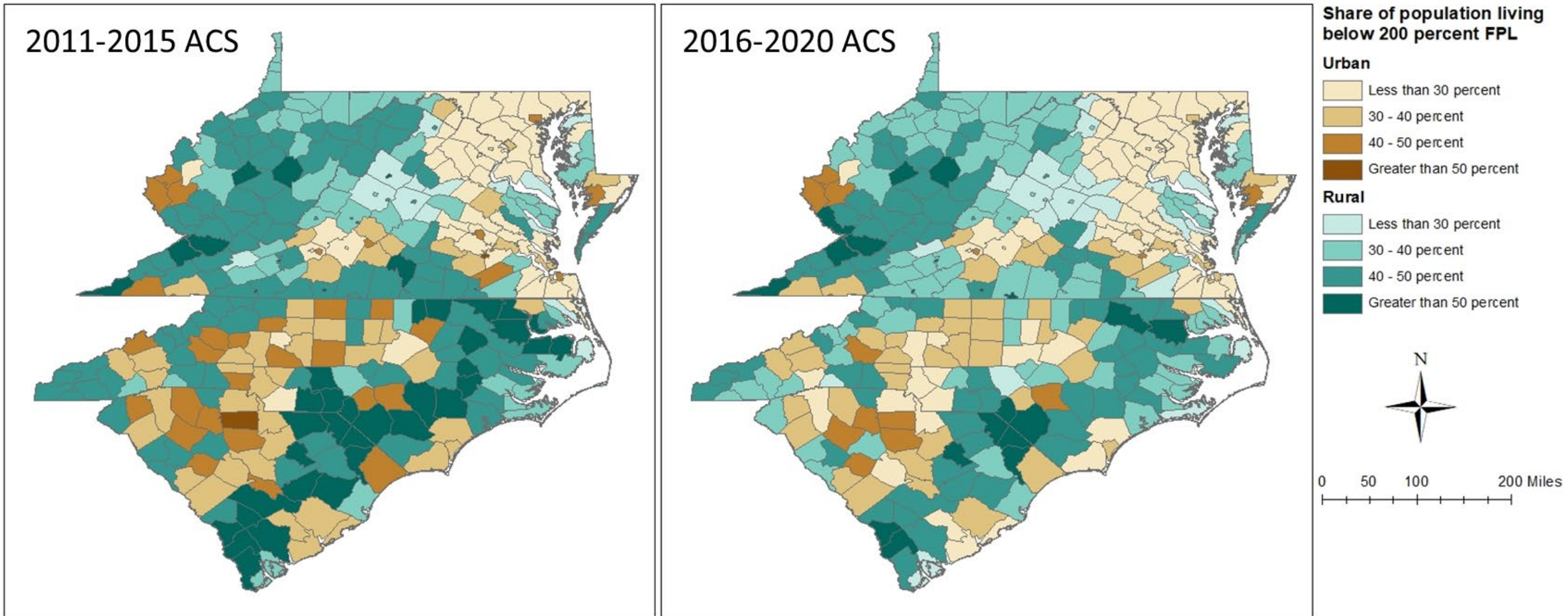
We catalyze change in communities through research, actionable insights and partnership



Focus on People and Places: Fifth District LMI Population



Share of Population Living below 200 percent FPL



Focus on People and Places: Fifth District Outcomes

Table 1: Outcomes by Urban/Rural Status

State	Area	Percent 65+	Percent with a Bachelor's Degree or Higher 25+	Employment to Population Ratio, age 16-64	Labor force participation rate, age 16-64	Percent Below Poverty Line	Percent of Population
US	Urban	13.8	32.5	70	74.4	15.6	81.2
	Rural	17.5	21.5	66.9	70.9	13	18.8
5E	Urban	14.0	38.5	69.8	75.8	14.0	72.3
	Rural	18.9	21.3	64.2	69.8	14.8	27.7
DC	Urban	11.6	56.8	69.7	76.7	17.9	100.0
MD	Urban	14.1	40.5	72.4	78	10.4	86.8
	Rural	17.9	31.9	72.6	77.1	6.9	13.2
NC	Urban	14	35.9	67.7	74.4	17	65.9
	Rural	18.4	20	64.2	70.5	16.6	34.1
SC	Urban	15.7	31.7	67.2	73.5	16.9	67.7
	Rural	18.8	18.4	61.8	68.3	17.8	32.3
VA	Urban	12.9	42.7	72.2	77.4	11.3	76.4
	Rural	20.1	24.4	66.5	70.9	11.8	23.6
WV	Urban	18.4	25.6	63.1	68.2	19.2	42.9
	Rural	19.1	16.2	57.1	62.2	16.3	57.1

Source: Census Bureau, 2016 ACS 5-year

What are our Richmond Fed community development priorities?



Community Development and Research Priorities

- Capital/Credit in LMI communities
- Economic Mobility via Labor Market Participation Opportunities/Barriers
- Small Town and Rural Areas



I. Capital and Credit

- Community Reinvestment Act modernization
- Investment Connection program
- CDFI Survey, Listening Sessions and Convening
- Contribute to Community Reinvestment Coalitions/Collaboratives and Bankers Associations
- Small Business Credit Survey support
- CRA Compliance Training for Bankers

Economic Mobility – Labor Market Participation

- Benefits Cliff Awareness & Tool
- Early Care and Education
- Worker Voice Project
- Economic Education
- K-12 and Postsecondary Research



Small Town and Rural

- Digital Inclusion
- Healthcare Access
- Racial and Spatial Disparities
- Capital investment and absorption



Community Development: System Projects Spotlight

CD Spotlight: Investment Connection

INVESTMENT CONNECTION

Community Development Investment & Lending Partnership

FEDERAL RESERVE BANK OF RICHMOND

Richmond | Baltimore | Charlotte

Investment Connection is a program that introduces public and private funders in the **regions** served by the Federal Reserve Bank of Richmond to proposals from community-based organizations and small businesses that benefit low- and moderate-income, distressed and underserved communities.

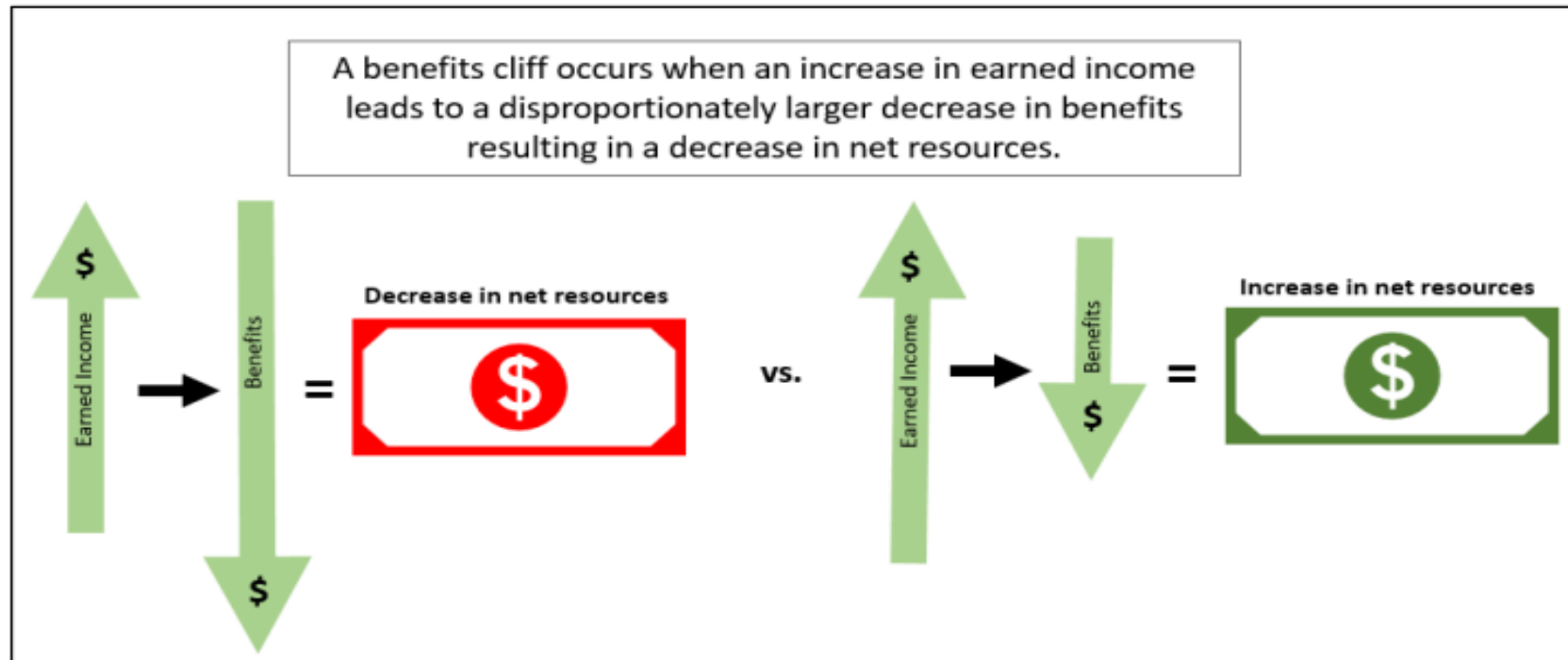
Fed Website:

https://www.richmondfed.org/region_communities/community_development/investment_connection

CD Spotlight: Benefits Cliffs

“Benefits cliffs”—or “the cliff effect”—are a hurdle for businesses and workers alike. The cliff effect refers to the sudden and often unexpected decrease in public benefits that can occur with a small increase in earnings. When income increases, families sometimes lose some or all economic supports.

Figure 1: Benefits Cliffs Result from Earned Income Increase Less Than Loss of Benefits



CD Spotlight: Worker Voice Project

- *Worker Voice is missing in policy.*
- *Worker Voice is inferred in intermediary outreach.*
- *Worker Voice is needed to understand economic conditions and labor market dynamics.*

Discussion Questions

Do you see economic and community development trends in the region that may not be apparent from reported data yet? How have costs impacted your workforce?

Are you or your business experiencing capital/credit tightening?

How are households and communities responding to higher prices of many essential items, like food, housing, and transportation? Do you see spending adjustments?

What are the most prominent economic concerns of your community at present?

THANK YOU FOR YOUR TIME!





Stay up to date on the Richmond Fed's programs and resources by subscribing to our newsletters and email alerts.



Any Questions?

Stay Connected:

https://www.richmondfed.org/region_communities/community_development



Richmond ▪ Baltimore ▪ Charlotte

Carrie Cook, Vice President & Community Affairs Officer
June 2023

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