

# Community Development Discussion

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# Agenda

**Community Affairs**

**Economic Inclusion**

**Community Development**

**FDIC Resources and Initiatives**

# COMMUNITY AFFAIRS



- Fosters initiatives to move unbanked and underserved consumers into positive banking relationships
- Promotes collaborations among financial institutions, national, regional and local organizations to advance economic inclusion and support community development projects in underserved markets
- Serves as subject matter experts at industry and community conferences
- Provides technical assistance to financial institutions and FDIC compliance staff

# Economic Inclusion Strategic Plan

- **Goal:** Promote economic inclusion for all U.S. households
- **Vision:** The FDIC supports economic inclusion by promoting a state in which all U.S. households can establish, sustain, and benefit from banking relationships to create a strong financial foundation, manage their day-to-day finances, build wealth, and live in communities strengthened by bank lending, services, and investments.
- **Economic Inclusion Opportunity Areas:**
  - **1. Create and Sustain Foundational Banking Relationships:** Establish an on-ramp to the U.S. financial system, setting the stage for future financial success.
  - **2. Build Household Financial Stability:** Help households save and increase access to consumer credit to better manage ongoing and emergency expenses.
  - **3. Achieve a Secure Financial Future:** Build household wealth through investments that can foster savings and accumulate value over time.
  - **4. Live in Strong and Healthy Communities:** Encourage bank lending, investments, and services that support strong and healthy communities, including low- and moderate-income (LMI) neighborhoods and other underserved communities.



# Economic Inclusion Pathway



# CRA Questions & Answers

QUESTION	ANSWER EXCERPT
<i>§ ll.12(g)(3)–1: “Community development” includes activities that promote economic development by financing businesses or farms that meet certain size eligibility standards. Are all activities that finance businesses and farms that meet the size eligibility standards considered to be community development?</i>	<p>These activities are considered to promote economic development if they support permanent job creation, retention, and/or improvement</p> <ul style="list-style-type: none"><li>○ by financing intermediaries that lend to, invest in, or provide technical assistance to <b>start-ups or recently formed small businesses</b> or small farms; or (Page 48526)</li></ul>
<i>§ ll.12(i)–3: What are examples of community development services?</i>	<ul style="list-style-type: none"><li>• Providing technical assistance on financial matters to <b>small businesses</b> or community development organizations, including organizations and individuals who apply for loans or grants under the Federal Home Loan Banks’ (FHLB) Affordable Housing Program</li><li>• Providing <b>credit counseling, homebuyer counseling</b>, financial planning or other financial services education to promote community development <b>and affordable housing</b> (Page 48530)</li></ul>

Source: [Interagency CRA Questions & Answers](#)

# The Need

## **Awareness**

- 26 million Americans have no credit score & 1 in 8 do not know what it is
- 75% of Millennial homebuyers say they did not know down payment assistance was available

## **Access**

- 14.1 million American adults are unbanked
- 75% of today's homebuyers think homeownership is out of their reach

## **Accountability**

- 42% of 18-34 years looking to buy a home say they do not know what lenders expect of them
- Gen Z & Millennials require “human” digital solutions and want a guide to help them to be the hero of their own story

- \*Sources- FDIC 2021 National Survey of Unbanked and Underbanked Households, CFPB and Fannie Mae reports



# How Can Banks Get Involved

## Become a Corporate Member

- Offer banking services (new bank accounts) (*CRA Service*)
- Offer FHLB grants (HOP, NIP, AMP, Elevate) &/or IDAs (*CRA Service*)
- Offer affordable loan products for: (*Lending Test*)
  - Home purchase
  - Home renovation
  - Auto purchase
  - Career development/job training
  - Business start up & expansion
- Volunteer as an accountability coach (*CRA Service*)
- We provide TA to local government, investors, and private/public partnerships to create opportunities for affordable housing finance (*CRA Investment and Service*)

# Community Development Organizations

Work to identify community development organizations that leverage innovation in and for the most vulnerable populations to accelerate economic productivity.

Inform financial institutions of the need to partner with these organizations to help support entrepreneurship, affordable housing, and activities that promote economic development by financing small business and small farms.

Encourage banks to support activities that revitalize or stabilize low- and moderate-income geographies, distressed or underserved geographies, and designated disaster areas.

Education is one of the best routes out of poverty and to build generational wealth.

# **What economic development issues can we address?**

**These are the types of questions we need to be asking ourselves and discussing with banks and the organizations that are working in the community.**

# PROBLEM

Opportunity is not shared equally in cities or nationally. There are often particular needs of rural communities, such as lack of broadband access, that should be addressed. There are other concerns or needs that affect urban communities, such as affordable housing.

Those trapped in poverty live with little investment, low financial services, and almost no ownership. In other words, we don't have poor neighborhoods as much as broken economies.

# SOLUTION

Communities prosper when they import more wealth than they export. Communities stay prosperous when they have successful businesses and organizations that keep importing more wealth into the communities than is exported.

If communities want to help its Black or minority population grow and prosper, it needs to help develop successful Black or minority-owned businesses that import more wealth to local communities.

The best option for Black and minority communities is to help Black and minority entrepreneurs build businesses and develop growth ventures that export from the area and import wealth.

**How are you working with small businesses, particularly minority owned and minority entrepreneurs?**

**These are the types of questions we need to be discussing with banks and the organizations that are working in the community.**



# Supporting neighborhood entrepreneurship

## Encourage More Residents to Turn to Entrepreneurship

- A central focus of the partnership is stimulating and encouraging entrepreneurship and increasing the overall pool of Black and minority residents who pursue business ownership. Currently, too few minority residents take advantage of publicly or privately run centers that counsel existing businesses and prospective entrepreneurs

## Help Individuals Turn Side Hustles into Formal Businesses

- More and more low-income citizens are turning to "side hustles" to generate income. The plan is to work with low-income communities and help some of these un-registered businesses grow into formal businesses. This might include teaching them how to write a business plan and providing access to capital.

## Create Biz Hubs

- Emerging entrepreneurs cannot succeed in a vacuum — they require a network of support, including connections to other companies, access to appropriate financial services, and a broader community and culture that champions entrepreneurship, rewards innovation.

## Create forums or exhibitions for Low-Income Entrepreneurs

- These competitions will showcase local entrepreneurs and, in many cases, give them a chance to promote their company or business idea and get advice from investors and business experts. Business owners and entrepreneurs can participate in these quarterly Pitch Competitions to earn cash prizes and capacity building opportunities.

# Specific Ways Banks Can Support Community Development

- Provide experts to present at training sessions (*CRA service*)
- Provide loans to small business and affordable housing (*Lending test*)
- Support pitch competitions (*CRA investment and service*)
- Provide donations and grants to small business (*CRA donations*)
- Provide qualified services to support CD events (*CRA service*)
- Sponsor and participate in Minority Business Initiatives (*CRA investment*)
- Provide loans to promote economic development (*Lending test*)
- Support activities that revitalize or stabilize LMI geographies (*CRA credit*)

# GetBanked! Campaign

➤ **Dedicated webpage to encourage consumers to open a bank account**  
[fdic.gov/GetBanked](https://fdic.gov/GetBanked) and [fdic.gov/GetBanked-esp](https://fdic.gov/GetBanked-esp)

- Banners, TV/radio ads in English & Spanish
- Consumer Resources



➤ **Help promote the importance of having a banking relationship**

- Link to the [GetBanked webpage](https://fdic.gov/GetBanked) on your organization's website
- Follow us on social media
  - @FDICgov
  - GetBanked



Consider placing a link to the GetBanked webpage in English and Spanish on your institution's website.

# How Money Smart Are You?



[PlayMoneySmart.fdic.gov](https://PlayMoneySmart.fdic.gov)

[playmoneysmart.fdic.gov/organization-apply](https://playmoneysmart.fdic.gov/organization-apply)

Spanish game released in 2022

- Online **games** and **resources** about everyday financial topics
- Organization accounts available
  - ✓ Players can “link” their accounts to yours
  - ✓ Track players’ progress playing Games
  - ✓ View/print Certificates of Completion
  - ✓ No information about players’ use of Resources

# Resources

[Banker Resource Center](#)

[Interagency CRA Q&As](#)

[Fair Lending Technical Assistance Videos](#)

[Subscribe to FDIC Updates](#)

# FDIC Community Affairs Contact

- If you would like assistance in partnering with others on community development, please contact Community Affairs.
- [FDIC Community Affairs](#)
- [rhlittle@fdic.gov](mailto:rhlittle@fdic.gov)
- Follow us on social media **@FDIC.gov**.



# Community Development Discussion

Thank you.

