Federal Reserve Bank *of* Atlanta

PartnersUpdate

July/August 2015

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Community Reinvestment Act: Geographies and Strategies in the Southeast

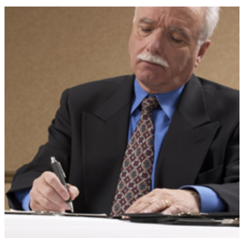
08/24/2015 -

The Community Reinvestment Act helps drive significant investments into low- and middle-income communities, but not all communities benefit equally. This article discusses where banks are motivated to act and provides a mapping tool to illustrate where particular banks engage in community development.

Webinar Explores Equitable Transit

07/31/2015 -

Public transportation should benefit everyone, regardless of socioeconomic status. This article describes a St. Louis Fed webinar, "Equitable Transit-Oriented Development," that will explore this issue on August 20.



A New Way to Save for Retirement

07/24/2015 -

Have you saved enough for a secure future? The U.S. Treasury Department may be able to help with its new savings account for working Americans. Join the Atlanta Fed August 10 to discuss the initiative.

The Birth of a Firm

07/23/2015 -

Self-employment—that is, nonemployer businesses—are an important part of the U.S. economy. This article briefly summarizes a new discussion paper that looks into the financial life cycle of these nonemployer firms.

Digital Badging: Credentialing Soft Skills for Better Workplace Outcomes

07/15/2015 -

New research points to soft skills as an important indicator for success in the workplace. Jonathan Finkelstein, founder and CEO of Credly, and Laura Lippman, senior fellow at Child Trends, discuss digital badging as a way to document these currently amorphous workplace skills.

View from the Field: Does Community and Economic Development Face Technical or Process Challenges?

07/02/2015 -

Perhaps community and economic developers need a new song to sing—or so one conference presenter suggested. This article offers highlights from two recent conferences that addressed the need to create new approaches.

Community Reinvestment Act: Geographies and Strategies in the Southeast

The Community Reinvestment Act (CRA) was enacted by Congress in 1977 to encourage depository institutions to help meet the credit needs of the communities in which they operate, including economically distressed neighborhoods, consistent with safe and sound operations. Quantifying the economic impact of the CRA on low- and moderate-income (LMI) communities in a particular city or neighborhood is challenging due to the lack of consistent reporting on community development lending and investment. A recent report from the Congressional Research Service notes the difficulty of determining the extent to which CRA incentives influence bank lending and investment in LMI markets relative to other financial and contextual factors. A comprehensive collection of essays from the Boston and San Francisco Federal Reserve Banks provides commentary and empirical research on the topic.

This article addresses two common questions from community development practitioners:

Geographies: Where are banks motivated by the CRA to engage in community development?

Tactics and tools: What common tactics and tools do banks use to meet CRA obligations?

Geographies

CRA assessment areas (AAs) connect a bank's community development lending, investment, and services to specific geographic areas. In general, CRA AAs are the places where banks are motivated by the CRA to engage in community development. Each bank's community development priorities, strategies, and tactics result from the interaction of two factors: (1) the physical proximity or presence of its main office, branch, deposit-taking ATM, or concentrations of loans originated or purchased by the bank *and its competitive position in that particular market* and (2) defined characteristics of economic distress or LMI credit conditions.

As such, CRA assessment areas consist of one or more contiguous political subdivisions, such as counties, cities, or towns (or census defined metropolitan statistical areas/divisions). AAs are continually in flux and there is no central source for up-to-date location data on current ones. Each regulated bank is responsible for choosing its AAs and must review and affirm that choice each year. Any given bank's current AAs are public information and are sometimes (but not always) listed on a bank's website.

At the outset of a CRA exam—which depending on the size and circumstances of the institution may occur every two to four years—a bank provides examiners with its AAs. During the exam process, examiners check to ensure that AAs do not arbitrarily exclude LMI areas. Then, within a bank's assessment areas, examiners determine the extent to which the bank's community development lending, investment, and services are geared to the community development needs defined in that particular local context. Regulators adopted a set of Questions and Answers in late 2013 to address community development activities outside a bank's assessment areas in a broader statewide or regional area. However, CRA is fundamentally a place-based tool focused on a bank's AAs.

The mapping tool illustrates, generally, the geographies where a select group of banks are motivated to engage in community development. (These particular banks are those making up the top 20 in terms of deposit market share in the Atlanta Fed's Sixth District.) As previously discussed, AAs are geographic areas corresponding to the places where a bank has a business presence. Therefore, this tool illustrates the relative density of a bank's branch presence at the county level using FDIC branch location data from August 2015. These data approximate the geographies of CRA for a select group of banks.

Strategies and tactics

Next, within a bank's AA, examiners assess performance across three main activities: lending, investment, and services. For banks of all asset sizes, examiners consider the bank's retail lending performance relative to demographic data and the aggregate of all lenders in the market. For larger institutions (those over approximately $350 million in assets) examiners also consider the bank's community development lending, investments, and services using both quantitative and qualitative factors. For the largest institutions, retail services (including the geographic distribution of branches across geographies of all income levels) are also reviewed.

Based on a review of a convenience sample of 10 CRA public evaluations, drawn from 20 banks with the largest market share in the Atlanta Fed's Sixth District, these are the most common CRA-motivated activities:

"Retail" lending for:

Mortgages, small business, and farm loans to LMI borrowers and in LMI areas

Community development service to:

Nonprofit economic or community development entities

Financial counseling agencies

Other nonprofit or public boards or commissions

Community development lending to:

Community development financial institutions (CDFIs) for affordable housing development and small business loans

Not-for-profit community development corporations or economic development corporations, usually for real estate acquisition or development

Local and regional loan funds supporting small businesses or entrepreneurs

Private developers of affordable housing

Private developers of multifamily housing in cases where bank can justify need through performance context

Qualified investments (*with expectation of financial return*) in:

Residential mortgage-backed securities—Government and Federal National Mortgage Associations ("targeted")

Low-income housing tax credits and new market tax credits (direct and through participation in funds)

State-issued Federal Housing Administration and Housing and Urban Development bonds

Private activity bonds, that is, municipal bonds for community development

Small Business Administration 504 securities

Small business investment corporations and small business loan pools

Deposits in credit unions that serve LMI populations

Qualified investments (*grants; without expectation of financial return*) in:

Charitable foundations

Community development corporations

Nonprofits engaged in community development activities

Training/capacity building

Foreclosure prevention programs

Financial literacy programs

The next article in this series will describe the approximate scale of CRA-motivated lending and investment in the Atlanta Fed's region. General resources on the CRA are available from the Federal Financial Institutions Examination Council (FFIEC) or through the regulatory agencies:

By Will Lambe, community and economic development senior adviser, and Jessica Farr, manager of examinations in supervision and regulation with support from community and economic development intern Mindy Kao

July/August 2015

Webinar Explores Equitable Transit

Providing access to transportation can be an important tool for economic mobility and growth, especially for low- and moderate-income households. Transit development in neighborhoods provides its residents with increased access to quality housing, jobs, education, and health care. Equitable transit-oriented development (ETOD) is a method of economic development referring to investments in public transportation that should benefit everyone in nearby neighborhoods, regardless of socioeconomic status.

However, how can we ensure that ETOD projects actually benefit everyone? Equitable Transit-Oriented Development: Increasing Connectivity and Mobility for All, a St. Louis Fed webinar will address this question and others relating to transit-oriented development. During the webinar, national experts will highlight communities and projects that are models in achieving equitable growth around transit and that have improved residents' access to housing, jobs, education, and health care.

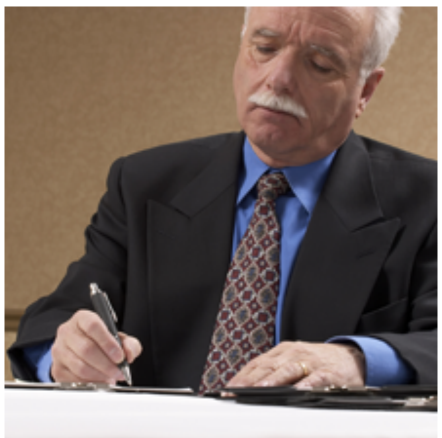
Webinar speakers include Stephanie Pollack, secretary and CEO of the Massachusetts Department of Transportation; Brian Prater, senior vice president of Strategic Development and Corporate Affairs for the Low Income Investment Fund; and Dan Bartholomay, CEO of Rail~Volution.

At the end of the session, Bartholomay and others will share highlights for the October Rail~Volution conference, which will be held in Dallas and is cosponsored by several Federal Reserve Banks.

Register for the August 20 webinar here. Participation is free, but preregistration is required.

These events are part of the Federal Reserve's Connecting Communities® series, a national initiative intended to provide community development practitioners, financial institution representatives, policymakers, and others with timely information on emerging and important community development topics.

A New Way to Save for Retirement



Millions of working Americans have no retirement savings and no plans to save, according to the Federal Reserve Board Survey of Household and Economic Decisionmaking of 2014. Even among individuals who are saving, fewer than half are confident in their ability to make the right retirement investment decisions. Failing to save for retirement or beginning to save too late can have distressing effects on a household's financial health. This can be exacerbated for economically vulnerable groups, which have already been severely affected by the Great Recession.

The *my* Retirement Account, or *my*RA, is a U.S. Treasury Department–sponsored savings account that provides a "simple, safe, and affordable" option for the millions of Americans who have limited options to save for retirement. The account addresses some of the common barriers to obtaining a retirement savings account, which include lacking money to meet the minimum requirement to open an account and pay fees, having no access to an employer-sponsored retirement plan, and needing to choose from complicated investment options, to name a few obstacles.

A *my*RA account requires no start-up cost, no maintenance fees, and no minimum contribution requirement, allowing savers to contribute an amount that best fits their budget. The account is also relatively risk-free, since one's investment is backed by the U.S. Treasury Department. Learn more about *my*RA.

In order to raise awareness of the program, the Treasury Department will hold a series of meetings with organizations and employers in a small set of cities around the country. As part of this initiative, the Atlanta Fed will host a roundtable session to share information about the *my*RA program on August 10. For more information about this meeting, contact Kyan Bishop, CED director.

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The Birth of a Firm

A new discussion paper by researchers at the New York and Atlanta Feds looks at a large category of businesses—those without employees, or nonemployer firms—for which little is known about how these businesses are born and their subsequent financial life cycles. These businesses make up 80 percent of total businesses in the United States. Self-employment is an important source of alternative income for particular economically distressed populations, and it provides a possible path up the economic ladder.

The paper delves into findings from data on nonemployer firms in the 2014 Joint Small Business Credit Survey, a new annual survey by the Federal Reserve Banks of Atlanta, Cleveland, New York, and Philadelphia. The paper, "The Financing Experiences of Nonemployer Firms: Evidence from the 2014 Joint Small Business Credit Survey," by the New York Fed's Stephanie Rosoff and Ellie Terry of the Atlanta Fed, looks first at attributes of these nonemployer firms as compared to those with employees. The paper also discusses how the financing needs of nonemployers differ from employer firms and what types of financing they rely on.

Digital Badging: Credentialing Soft Skills for Better Workplace Outcomes

00:00 09:30

July 2015

Mike Eggleston: *Welcome to the Federal Reserve's Economic Development podcast series. I'm Mike Eggleston with the Federal Reserve Bank of St. Louis. There has been increasing focus in the workforce development sector on the need for soft skills as a key indicator for success in the workplace. However, there are very few ways available to economically distressed populations to obtain credentialing of these key skill sets, even if they do have access to the training needed.*

New research has been able to link specific soft skills to workforce outcomes, and the next step will be building consensus among the industry in defining these skills. Given a new taxonomy of soft skills, could the competency-based nature of digital badging create a viable way to document and demonstrate mastery of these currently amorphous workplace skills?

We're speaking today to Jonathan Finkelstein, founder and chief executive officer of Credly, and Laura Lippman, senior fellow at Child Trends.

Welcome, Jonathan and Laura.

Laura, let's start with a quick review of the concept of soft skills. What new information does your research bring to the conversation?

Laura Lippman: Soft skills refer to a broad set of skills, competencies, behaviors, and even attitudes and personal qualities that enable people to effectively navigate their environment and work well with others and perform well and achieve their goals. What our work has brought to the conversation is that we're introducing a common terminology across fields, as well as common definitions of soft skills, to help move the field toward consensus and drive common measurement and build the evidence. We've also contributed analyses of which specific soft skills lead to which specific workforce outcomes, and to our knowledge, this is the first time this has been done.

After we reviewed this evidence, we're recommending a select set of five skills that are key for youth and entry-level workers, and which programs and funders can focus their investments on. These skills include higher-order thinking skills, social skills, communication, self-control, and positive self-concept.

Eggleston: *Based on your research, on what soft skills should training programs focus to have an impact beyond an individual finding and maintaining employment?*

Lippman: Looking for work and getting hired are the first steps, and we know that social skills and communication skills help with networking and interviewing for a job. But beyond getting hired is performance on the job. Particularly for youth, we found that social skills are important, higher-order thinking skills, self-control, being hardworking and dependable, being self-motivated, team work, and having integrity and having ethics are important. Then, to earn higher income, we found that positive self-concept and a positive attitude, responsibility, integrity, and ethics are key.

Eggleston: *Jonathan, I want to turn to you. Can you first describe the idea of a digital badge, and then explain to us why you think digital badging could be an ideal credentialing tool for soft skills?*

Jonathan Finkelstein: I think the best place to start is with something we all already know, which is a traditional paper certificate or even a college transcript. These are documents which give one party a means to make an official statement about what someone else knows or what they can do or what they have achieved. There are many limitations and missed opportunities when somebody's achievement only lives on a wall or on paper or in a file cabinet and is not immediately known or visible to others.

That's where digital badges are especially unique. I think one of the things to think about is that digital badges are far more visible and far more useful than the paper or the embroidered counterparts. They're more visible in a few ways—in a human-readable and in a machine-readable way. By human-readable, I mean that they can be showcased on profiles, on social networks and online communities and resumes, portfolios or e-portfolios and other places where people are increasingly curating their personal and their professional identity.

When I talk about the machine-readable advantages of digital badges, it's important to think of these as portable collections of data. They tell you what somebody did or what they can do. They tell you how they were assessed or what program they completed. They tell you when and by whom they were assessed for their skills or their competency. They indicate if the person's skill expires after a certain time, if they need to retrain. It does all this in a secure and portable way that the person who earned it actually owns and can control. This machine readability and the data-driven nature of a digital badge also means that the person's credential can make them more discoverable or visible when it comes to recruiting or talent management within a company or in communities they join through profiles that showcase these skills.

Soft skills are crucial to workplace success, and yet, I think there's really few ways today that these are being recorded in a way that's verified and useful. There's movement to turn toward alternate forms of credentials, beyond the traditional four-year degree and even in conjunction with the four-year degree. In fact, over the next five years, it's expected that the availability of alternative credentials like digital badges and professional certificates are expected to double. So the time is right to think about the context of soft skills and credentialing and how we can serve people, both employers but of course individuals, by arming them with a verified achievement that indicates who they are and what they can do.

Eggleston: *Jonathan, can you tell us what populations might benefit most from digital badging and why?*

Finkelstein: We have a workforce that's in constant flux and motion. This mobility from one entity to the other often leaves the learner without a consolidated, verified set of achievements. Digital badges flip that dynamic and put the credentials in the hands of those who've earned them.

Lippman: Certainly, research has shown that those who don't have access to traditional credentialing programs or education programs can benefit a lot. Soft skills actually can rival the more traditional cognitive skills, academic or technical skills, in terms of predicting workforce success. Low-income populations or populations who have less access to more traditional forms of credentialing seem like they would benefit tremendously from having a digital badge system that would offer them a credential that's easier to obtain and more affordable.

Eggleston: *Jonathan, given the compelling case you're making for the importance of digital badging, can you share an example of a workforce program or employer that is successfully using digital badging?*

Finkelstein: Let me give you a couple of quick examples in a few different categories, just to paint a picture of what I think is a very diverse and broad landscape. If we look at employer groups, we can look at companies like Razorfish, one of the largest web design agencies, who use digital badges internally to help people have their achievements and their training recognized within the company so that they can stay, advance, and take on new responsibility. You've got industry associations like Educause, which is recognizing the fast-changing IT skills needed for those who have careers in education.

Eggleston: *What roles do you see economic developers and the business community playing in this effort? Laura, let's start with you.*

Lippman: Economic developers can invest in workforce development programs in the community that focus on these five skills, and if they do so, they're likely to get a higher return on their investment because as the evidence shows, these five skills are predictive across all these workforce outcomes. Secondly, the business community can offer mentoring around these skills, which can be very effective and opportunities for youth to actually develop them in real workplace settings.

Finally, they could voice their needs for youth and entry-level workers who have these five soft skills to policymakers, so that curricula in schools as well as career and technical education can include the development of these skills, along with the academic and technical skills.

Finkelstein: I think one of the things that gives credentials their meaning is when they have wide recognition. That can often mean collaboration between businesses, agreeing on common skill sets that can inform the learning and training programs.

I would also say that business communities should pay it forward. The ability to give employees digital credentials or some form of official recognition for what they do is a way of ensuring that people who come at your door next are going to come with some kind of evidence that makes it useful for you to tap into what their potential is. We have to think about this as a way of building a relationship and loyalty and helping cultivate our own workforce. In that way, we'll not only build a better business but we'll also be building a better ecosystem for everybody.

Eggleston: *I'd like to thank you both for speaking with us today. This concludes our podcast with Jonathan Finkelstein and Laura Lippman.*

For more podcasts on this topic and others, please visit the Atlanta Fed's website at frbatlanta.org. If you have any comments or questions, please e-mail podcast@frbatlanta.org. Thanks for listening.

Related Links on Other Sites

Key "Soft Skills" that Foster Youth Workforce Success: Toward a Consensus across Fields

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- *Key "Soft Skills" that Foster Youth Workforce Success: Toward a Consensus across Fields*

View from the Field: Does Community and Economic Development Face Technical or Process Challenges?

In community development today, we sing the song we know. We implement the projects that we have tried before and that we have seen other communities implement, and we do it with the stakeholders that we always have worked with. At the opening dinner of the Florida Civic Advance Summit this past February, Suzanne Morse Moomaw, associate professor of urban and environmental planning at the University of Virginia, suggested this metaphor—of singing the same song again and again in community development— but she followed it up by saying, "I believe we are at a point in the development of our communities, and certainly in the states that we all represent, that we need, not only a few…different verses, but perhaps a whole new song."

The summit was a gathering that brought together stakeholders from across the state interested in developing efforts to enhance civic life in Florida communities. Attendees included researchers, local leaders, politicians, students, and community members as well as representatives from academic institutions, industries, associations, and philanthropies. The goals of the summit were to better understand the challenges in creating a vibrant civic life in Florida, one where people feel engaged in decisions about the local community, where they are informed about and involved in elections, and where people of diverse backgrounds feel they can contribute to and be involved in community decisions.

Some discussion centered on how vibrant civic life can help promote local economic development—whether a strong civic life helps community members respond to community economic challenges and whether strong civic life can lead to stronger economic and labor market outcomes. Peter Levine, director of the Center for Information and Research on Civic Learning and Engagement, or CIRCLE, gave an overview of research that showed that higher performance on indicators of civic vitality can predict lower levels of unemployment at the state level. Levine suggested that discussions determining what a community can do to encourage civic involvement should be broad, inclusive, and action-oriented. He cited other locally oriented projects in Florida that have shown promise in promoting greater civic exchange and promoting local businesses. For example, Tallahassee's online forum Village Square began as an effort to promote learning and civil debate about civics and contemporary issues by bringing people in the community together to discuss both local and national issues. Organizers of the Village Square believe the site has improved civic life and democratic deliberation in the Tallahassee community. They hope, as the discussion suggested, that it will lead to a stronger economic outcomes in the community.

A similar conversation happened in early March between staff and leadership from community development corporations and community-based organizations at the national People & Places 2015 Community Conference in Washington, D.C. An incredibly diverse group of practitioners and community leaders gathered from across the country to discuss innovative approaches to the challenges that community and economic development groups face in the current policy landscape.

The two conferences had similar threads of discussion related to the process of and approach to community development. Rather than offering technical solutions to community development problems, both suggested that thicker networks of organizations, connections to others and to civic dialogue, and collaboration among organizations are important factors for moving the needle in terms of community quality of life. Although such suggestions have typically arisen from intuitions, research is beginning to support these claims, and speakers cited *Why the Garden Club Couldn't Save Youngstown* by MIT researcher Sean Safford, among other publications. The book demonstrates that thicker connections between civic groups in Allentown, Pennsylvania, led to stronger community and economic revitalization than those in Youngstown, Ohio, which had a more isolated community leadership. (You can find a working paper version of the book on the MIT site.)

The pursuit of new and innovative approaches to community planning, redevelopment, and revitalization is important, but also consider how efforts can be more inclusive and collaborative. A new idea or a new partnership might spring from thinking about who is involved and how to approach community development work.

By senior community and economic adviser Stuart Andreason

Federal Reserve Bank *of* Atlanta

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Staff

Stuart Andreason
Mindy Kao
Will Lambe
Annie McGrew
Emily Mitchell

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