

---

## **Welcoming Remarks**

---

**Charles L. Evans**  
**President and Chief Executive Officer**  
**Federal Reserve Bank of Chicago**

OFN Conference  
CDFIs: Agents of Change  
Chicago, IL  
October 9, 2018

---

**FEDERAL RESERVE BANK OF CHICAGO**

The views expressed today are my own and not necessarily those of the  
Federal Reserve System or the FOMC.

# Welcoming Remarks

Charles L. Evans  
President and Chief Executive Officer  
Federal Reserve Bank of Chicago

Good morning, and thank you for inviting me to this important annual gathering of the community development financial institution (CDFI) industry. Thank you to Lisa Mensah and the Opportunity Finance Network (OFN) for organizing what promises to be an enlightening and timely event over the next few days.

Although I don't intend to spend a great deal of time on the national economy, I do need to preface my remarks, as I always do, with the caveat that my comments and opinions are my own and do not necessarily reflect the views of my colleagues on the Federal Open Market Committee or the Federal Reserve System.

As you are likely aware, by most measures, the economy has been solid in 2017 and 2018, and I believe that we will see continued growth in the near term. I could spend a good deal of time talking about the many ways that the overall economy is performing well. However, we at the Fed are aware the benefits of growth in the national economy have been slow to reach many of the communities that your organizations serve. Low- and moderate-income communities and communities of color are lagging the national economy in measures of employment, labor force participation, wage growth, and household net worth. Moreover, housing affordability in these communities remains one of the many growing challenges.

As the leading national network of community development financial institutions, OFN and its members address a wide range of financial needs from small rural communities to neighborhoods in the country's major cities. As your conference theme highlights, you are agents of change in a rapidly changing environment. We find ourselves at the crossroads of several policy areas relevant to CDFIs—including potential revisions to the Community Reinvestment Act (CRA); the emergence of Opportunity Zones as a means to transform economically distressed communities with targeted capital;<sup>1</sup> and continued consolidation in the banking industry.

Many of you are probably familiar with the Federal Reserve's roles in fostering "the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems in order to promote optimal macroeconomic performance."<sup>2</sup> But you may be less familiar with our work to address the economic challenges faced by workers, families, and businesses in economically struggling places.

---

<sup>1</sup> Further details on Opportunity Zones are available online, <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>.

<sup>2</sup> This excerpt is from the mission statement of the Chicago Fed, which is available online, <https://www.chicagofed.org/utilities/about-us/our-vision-and-mission>.

For example, recent research conducted here at the Chicago Fed looked at the long-term impacts of the way that the Home Owners' Loan Corporation (HOLC) created residential security maps in the wake of the Great Depression to delineate where the federal government would commit financial resources in cities across the country—and where it would not. These maps were the precursor to redlining, a practice that has had lasting effects on household wealth disparities. Our researchers found “evidence of a long-run decline in homeownership, house values, rents, and credit scores along the lower graded side of borders that persists today,” and “strongly suggestive evidence that the HOLC maps had a causal and lasting effect on the development of urban neighborhoods through credit access.”<sup>3</sup>

Our Community Development and Policy Studies team has done extensive analysis of the changing landscape of bank branches, minority-owned depository institutions, and community banks. It has also studied the impact of those changes in low- and moderate-income communities throughout the Chicago Fed's five-state region. Some team members have also taken deeper dives into these issues in Detroit, exploring how small and minority-owned businesses are doing at gaining access to capital and credit. Others have focused their research on the Chatham neighborhood in Chicago, bringing data analysis together with insights from practitioners in support of the emerging revitalization effort known as the Greater Chatham Initiative. And in April 2019, we will lead the Federal Reserve System Community Development Research Conference, held in Washington, DC, and titled *Renewing the Promise of the Middle Class*, where researchers, policymakers, and practitioners will discuss ways to strengthen and widen paths to the middle class.<sup>4</sup>

I recently had the opportunity to tour some neighborhoods on Chicago's South Side with several of your members. For this tour, I'd like to thank representatives from Accion, the Chicago Community Loan Fund, Community Investment Corporation, IFF, the Local Initiatives Support Corporation, and Neighborhood Housing Services. For the better part of a day, they took me throughout the South Side to explore not just the challenges facing the neighborhoods there, but also the range of assets and opportunities that CDFIs offer to improve the lives of the people residing in those places. I understand that many of you will get the benefit of a similar tour as a part of your time here. I think you'll find that tour both enlightening and uplifting. I know I did.

The tour left me with a deeper appreciation for the important work that your organizations do individually—as well as the accomplishments that were made possible by the extraordinary level of cooperation and collaboration among a committed and effective group of CDFIs. The efforts on the South Side are great examples of both the independent and collaborative work of CDFIs.

---

<sup>3</sup> See Daniel Aaronson, Daniel Hartley, and Bhash Mazumder, 2018, "The effects of the 1930s HOLC 'redlining' maps," Federal Reserve Bank of Chicago, working paper, No. 2017-12, revised August 2018, available online, <https://www.chicagofed.org/publications/working-papers/2017/wp2017-12>.

<sup>4</sup> Details about the conference are available online, <https://www.chicagofed.org/region/community-development/2019-federal-reserve-system-community-development-research-conference>.

For decades, CDFIs have served as a bridge between what traditional banks can do in the way of financing and what needs to get done. Today, mainstream banks are moving into some lending markets that—at least in economically fragile areas—were once served only by CDFIs or other nontraditional lenders. These include lending markets for charter schools, low-income housing, fresh food stores, primary care clinics, and other facilities. So, credit access is improving for some areas because CDFIs have led the way. Just as important, through their work, CDFIs have become important and indispensable advocates for people and communities in the policymaking process at the local, regional, and national levels.

The Federal Reserve Bank of Chicago remains committed to engaging with CDFIs throughout the Seventh Federal Reserve District and across the nation. We hope that you continue to benefit from our research and conferences on topics relevant to your work, just as we benefit from learning from you on mitigating risk and expanding access to credit, capital, and opportunities in markets around the country.

Thank you again for the opportunity to be with you today. I hope you enjoy your time here in Chicago, and I look forward to hearing more about the ideas and information that emerge from this gathering.