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How's Your County Doing? A New Fed Tool Compares Socioeconomic Trends

Michael C. Eggleston

Second to generational poverty, the issue having the greatest negative impact on people with low income is housing affordability, according to the Federal Reserve Bank of St. Louis Community Development Outlook Survey. Utilizing the Economic Resilience and Inclusion Navigator (ERIN), a new data tool developed by the St. Louis Fed, we are able to dive deeper into socioeconomic issues, such as housing affordability, to determine whether the data confirm or contradict what we are hearing from community and economic development practitioners.

The St. Louis Fed's Community Development team, in collaboration with the Center for Learning Innovation and the Federal Reserve Economic Data (FRED) departments at the St. Louis Fed, developed ERIN to provide insight into trends taking place at the county level for every county in the U.S. We believe this trend analysis and the ability to compare across geographies will allow counties to more effectively gauge how they are doing over time and how their performance compares to that of their peers. ERIN includes 17 socioeconomic indicators, compiled by the St. Louis Fed's team in consultation with both internal and external stakeholders. The indicators were chosen based on the following guiding principles:

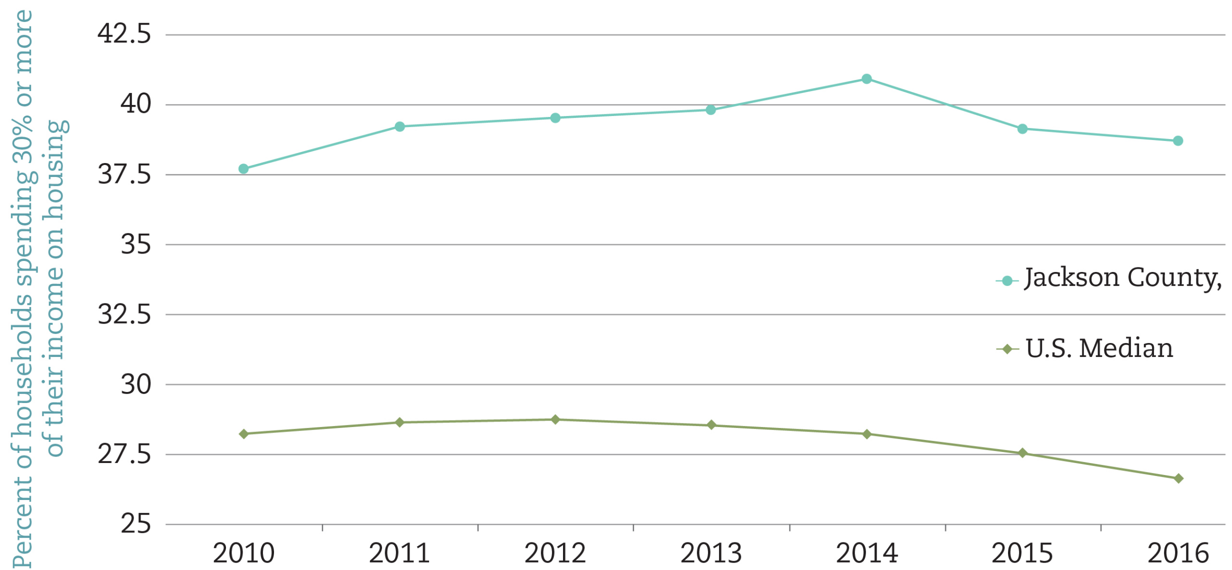
- data availability;
- outcome-oriented indicators (e.g., travel time to work), as opposed to input-oriented indicators (e.g., access to public transportation);
- relevance to community development practitioners; and
- actionability—a practical tool to inform policies and programs.

The indicators have been organized into three broad domains—economy, household and community. The economy domain refers to indicators related to the health and resilience of an economy. The household domain refers to indicators related to opportunity at the individual or household level. Finally, the community domain refers to indicators related to community health and civic life.

Part of the St. Louis Fed's district is southern Illinois. There are portions of the region where housing affordability varies substantially from one county to another. For instance, in Jackson County (which includes Carbondale), nearly four out of 10 households in 2016 were housing cost-burdened, defined as spending 30 percent or more of their income on housing. Utilizing ERIN, it is clear to see that the housing affordability trend in the county has been relatively flat for the last seven years. (See Figure 1.)

Figure 1

Housing Affordability in Jackson County, Ill., versus U.S.



SOURCE: Census Bureau

Now that we know how Jackson County is doing with respect to housing affordability, we want to see how it compares to a peer county. By population size and geographic proximity, one county that can be considered a peer is Williamson County, Ill. Williamson borders Jackson to the east; its population is 67,640, whereas Jackson's population is 59,032. While nearly four in 10 households in Jackson are housing cost-burdened, just over two in 10 households in Williamson are housing cost-burdened. Recognizing the difference in housing cost-burdened households between the two counties, see Figure 2 to see a side-by-side comparison of how each county performs on a number of indicators.

Figure 2

Jackson County versus Williamson County, Ill.

	Jackson County, Ill. Pop: 59,032 Median HH Age: 30.8	Williamson County, Ill. Pop: 67,640 Median HH Age: 40.9
Data Indicator Name	**Value**	**Value**
Educational Attainment—2-yr. degree or higher	44.7%	32.8%
Homeownership Rate	56.8%	74.2%
Disconnected Youth	2.8%	9.1%
Subprime Consumer Credit Population	31.4%	28.3%
Single-Parent Household Rate	36.4%	33.9%
Income Inequality	30.6	13
Housing Affordability	38.7%	23.7%
Combined Violent and Property Crime (per capita)	445.5	452.4
Average Commuting Time to Work	18.9 min	21.4 min
Poverty Rate	28.3%	14.9%
Racial Segregation	38.5%	28.7%
Building Permits (per capita)	2.9	13
Unemployment Rate	6.2%	7.4%
Net New-Business Formations	-3.6%	-3.7%
New Patents (per capita)	N/A	N/A

SOURCES: Census Bureau, FBI, Federal Reserve Bank of New York/Equifax, Bureau of Labor Statistics

Some indicators, such as poverty rate or homeownership rate, might be what one would generally expect. For instance, the higher the poverty rate and lower the homeownership rate, the more likely it would be for families to be housing cost-burdened. Other indicators, such as educational attainment or unemployment rate, might seem counterintuitive. In this case, the county with the higher percentage of housing cost-burdened residents also has higher levels of educational attainment and a lower unemployment rate. For those looking to dive further into the data and look at how strongly these data correlate with each other or with other data sets, we allow all the raw data in ERIN to be downloaded for further analysis.

Another feature offered through ERIN is the ability to pull reports by state and by indicator—based on a given year or based on the change from a defined period of time. For instance, when analyzing the percentage of people in 2016 in Arkansas with a credit score below 660, or those considered subprime, one finds that the county with the lowest percentage of subprime residents is Baxter County, in north central Arkansas, with just under 21 percent. Conversely, the county with the highest percentage of subprime residents is Crittenden County, in northeastern Arkansas in the Memphis metropolitan statistical area (MSA), where nearly 45 percent of the residents have a credit score below 660. (See Figure 3.)

Figure 3

Subprime Consumer Credit Population, Arkansas Counties, 2016

Value	County
20.8%	Baxter County, AR
23.4%	Newton County, AR
23.4%	Polk County, AR
23.7%	Marion County, AR
24.5%	Fulton County, AR
24.6%	Carroll County, AR
25.1%	Benton County, AR
25.2%	Cleburne County, AR
25.9%	Izard County, AR
25.9%	Searcy County, AR
37.4%	Desha County, AR
37.9%	Miller County, AR
38.2%	Monroe County, AR
39%	Mississippi County, AR
39.3%	Chicot County, AR
40.9%	Jefferson County, AR
41%	Lee County, AR
43%	St. Francis County, AR
43.3%	Phillips County, AR
44.6%	Crittenden County, AR

SOURCE: Federal Reserve Bank of New York/Equifax

Regarding analysis based on the change during a defined period of time, for example, we look at the change in homeownership rates in Missouri between 2012 and 2016. With a 6.3 percent increase, Caldwell County,

in northwest Missouri, had the highest positive change in homeownership rate during this time period. Conversely, in the central Missouri county of Morgan, homeownership rates decreased the most in the state—10.5 percent—during the same period of time. (See Figure 4.)

Figure 4

Homeownership Rate, Missouri Counties, 2012-2016

County	Change%
Caldwell County, MO	20.8%
Sullivan County, MO	6.3%
Washington County, MO	5.7%
Randolph County, MO	5.0%
Texas County, MO	4.6%
Reynolds County, MO	4.0%
Douglas County, MO	3.9%
McDonald County, MO	3.6%
Ripley County, MO	3.4%
Wayne County, MO	3.4%
Phelps County, MO	-8.0%
Crawford County, MO	-8.2%
Dallas County, MO	-8.5%
Mississippi County, MO	-8.7%
Barton County, MO	-8.7%
Pulaski County, MO	-9.4%
Maries County, MO	-9.6%
DeKalb County, MO	-9.7%
Taney County, MO	-9.9%
Morgan County, MO	-10.5%

SOURCE: Census Bureau

In addition to offering insights into housing affordability, ERIN can be useful in other ways:

- If you are a financial institution or a nonprofit organization working in financial security, you might be interested in learning about the population in your county that has a subprime credit score.
- If you work for an economic development agency, you may be interested in the trends in net new-business formations.

- If you work for an organization focused on youth, you may want to learn the percentage of disconnected youth in your county and how it compares to that of peer counties.
- If you are a researcher and would like to learn more about the correlation between indicators in ERIN, you can download the raw data to conduct further analysis.

Whether you represent a financial institution, a foundation, a university, a nonprofit service provider or a government agency, or you are an engaged citizen, ERIN can help you analyze trends taking place in your county and compare them to those of other counties.

Access ERIN at https://bsr.stlouisfed.org/ERIN. Have feedback on how you are using the tool and what actions you are taking in your community as a result of the data? Send an email to communitydevelopment@stls.frb.org; we'd appreciate hearing from you.

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CDAC Spotlight
Designing for Change: Communities and Capital

Bryce Butler

In many communities today, it is increasingly difficult for individuals to start a successful business. Since the late 1970s, the rate of new-business formation has fallen in half in the U.S.[1] Most entrepreneurs (81 percent, according to the latest data from the Ewing Marion Kauffman Foundation) require some degree of alternative financing—they rely on their own savings and credit, turn to family and friends, and work to create early sales through their various relationships. Complicating the issue further is the fact that bank lending to small businesses has not reached its pre-recession levels[2] and there is a lack of family wealth to support traditionally underserved entrepreneurs (for every $100 that a white family has in wealth, a black family has only $5.04[3]). It's clear that creative solutions are needed to advance the efforts of these entrepreneurs and to build communities that thrive. But where do these creative solutions come from?

Understandably, when we hear statistics like these, we tend to respond in frenetic ways—we close ranks and hunker down. As investors, community advocates, entrepreneur support organizations and development groups, we work every day to figure out ways to better support businesses. In our work at Access Ventures, we have found that traditional "problem solving" tends to generate a mindset focused on problems, which can lead to a mental position of scarcity—the proverbial "glass is half empty." Although well-intentioned, this mindset can stifle creativity and limit our responses. We might be better served to design for change.

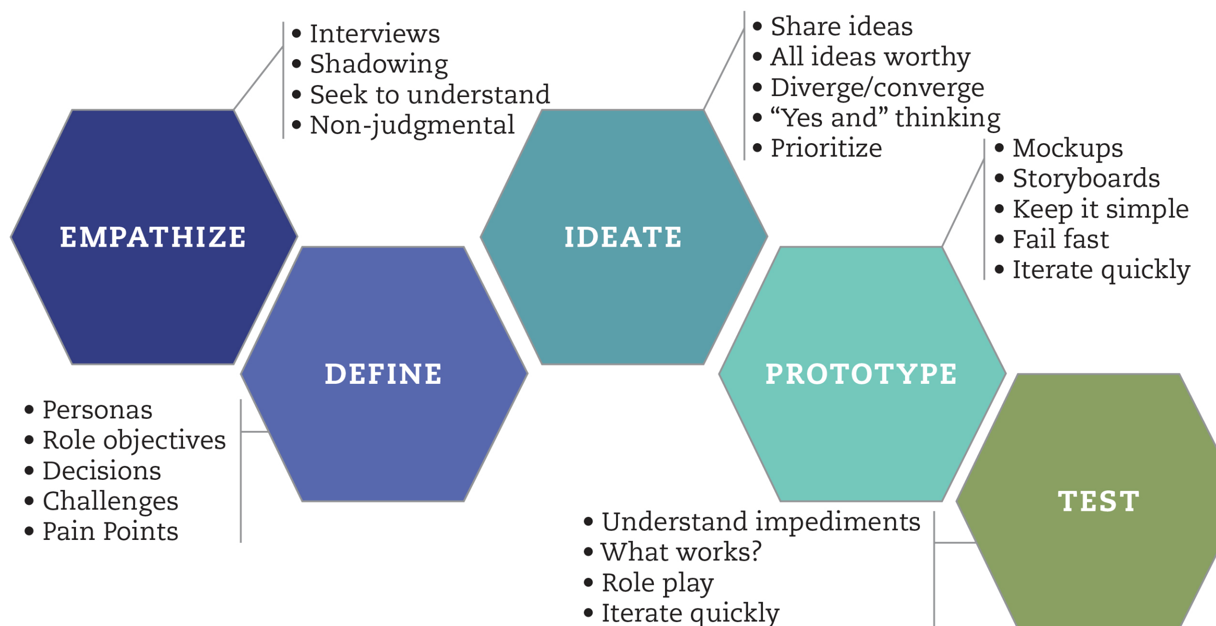
To design for change, it's helpful to employ appreciative inquiry, an approach that shifts focus from "what's wrong" to "what's strong."[4] It supports an abundance mentality that is the only way to truly design for change. Scarcity creates anxiety and inevitably restricts the ways we might creatively imagine a different solution. A scarcity mentality looks at problems, whereas an abundance mentality assumes opportunity. Appreciative inquiry and designing for change get beyond identification and analysis and leverage the best of one's team to imagine and deploy innovative approaches. Over the past four years, Access Ventures has refined this approach into three steps borrowed from many great pioneers, such as the d.school at Stanford and the teams at IDEO. Below are the three steps that our team uses to guide our work:

1. **Designing for change is human-centered.** We do not treat the concept of "human-centered design" as merely an aspiration; we place humans at the very center of all of our work. It is what motivates us to understand context and cultures. Just like the process developed by the d.school at Stanford, ours empathizes and then develops solutions. Our starting point is to assume that nothing is universal and that every community is a complex, living organism. It is important to remind one another that we design solutions and services for humans, not humans for solutions. By focusing on the human experience, we can truly build—or rebuild—that appropriate solution.
2. **Designing for change is always discovery and problem-making first before getting to solutions.** We surface questions, understand the players and identify gaps. We work to apply a wider view to ensure that we don't miss anything—but not simply for the purpose of observation. Our objective is

always to come to a solution. We first redefine problems, then we imagine, design and create solutions at all levels. By challenging the status quo, we better understand the problems that most need to be solved—and solve them creatively.

3. **Designing for change is about breaking the boundaries of established disciplines.** To understand the complex nature of our community's challenges, we need to combine existing, traditional disciplines and invent new ones. Access Ventures works to leverage our team and process to identify gaps and develop new approaches that require first-mover risk capital. The role this requires is one of "beta-tester"—willing to prove examples that have potential but no certainty of success. In many communities, funders want proven, seemingly off-the-shelf solutions. Yet, many of the challenges communities face demand new, untested and unverified solutions.

Stanford d.school Design Thinking Process



SOURCE: https://dschool.stanford.edu

If your organization wants to design for change and deploy new, exciting and creative strategies, you will need to embrace the first-mover risk capital position many of these challenges will require. As an example, we identified a major gap in the capital stack for small businesses in our community. During development, we discovered that very seldom did a prospective borrower get to meet with the loan committee that would approve or deny his or her loan. We also discovered that many borrowers could not secure nontraditional finance without collateral. At every turn, these business owners heard "No" or nothing at all. Over the past two years, we built and deployed a new loan product we call the Growth Loan and have lent over $600,000 to 22 businesses with a 97 percent repayment rate. None of this would have occurred without first-mover risk capital, in this case $350,000, to prove that this approach could work.

In discovery, and with every change since, we work to consider the process and loan from the vantage point of the borrower. We built a loan committee of volunteer community members to which the business owner can present. The business owner has the opportunity to answer questions, explain potential gaps in his or her financials and even provide samples of the company's product for review. We also established a partnership with the local Small Business Development Center (SBDC) to provide critical technical assistance to these borrowers. By better understanding the needs, desires and fears of the prospective borrower, we were able to design a solution that works and to establish a model for assessing credit needs and the ability to repay that is better than a generic credit score.

Unfortunately, without the ability to design this product and the capital position to bring it to life, this shift would have never been a possibility. It's important for more community partners and funders to step up and commit to playing this vital role for more creative and collaborative strategies to be designed and deployed. Many things must change (such as the manner in which investors source and fund solutions) for these processes to be more commonplace. No one solution works in every context and at all times. Variables in every community require adjustments in our approaches. If we want to be responsive and create lasting impact, we must design tailored solutions to respond to these changes.

CDAC Member Spotlight

Bryce Butler is managing partner at Access Ventures. Before starting Access Ventures, he was the executive director of the BlueSky Network, a venture philanthropy family office in Southern Indiana with activities around the world. He was also the executive producer of "BBoy for Life," a documentary set in Guatemala City that premiered at the United Nations in April 2014. Previously, Butler worked in Organizational Design & Development at Samtec and served as an executive pastor at one of the 50 fastest-growing churches in the U.S. He served on active duty for four years as captain with the U.S. Army Armor Branch. He has a master's degree in theology and a bachelor's degree in economics. Butler teaches social enterprise as an adjunct instructor at the University of Kentucky. He serves on multiple boards, including those of Village Capital (a firm that has conducted more than 60 early stage programs around the world and has made over 90 investments to date), Greater Louisville Inc. and Marketplace One. In 2018, he was announced as a Rubinger Fellow with Local Initiatives Support Corporation (LISC). Butler is a member of the Community Development Advisory Council (CDAC) for the Federal Reserve Bank of St. Louis.

CDAC members are experts in community and economic development and financial education. They complement the information developed through outreach by the District's Community Development staff and suggest ways that the Bank might support local efforts. A list of current members is available at https://www.stlouisfed.org/community-development.

Endnotes

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Debt-financed Homeownership: Five Observations and 10 Key Questions

Ray Boshara

Ever wondered whether taking out a mortgage to buy a home has been worth it, both for you and for the economy? Perhaps it was worth it historically but less so during the Great Recession? What about now? And what does the future look like?

These are some of the questions the St. Louis Fed's Center for Household Financial Stability was eager to answer. So, on Oct. 12, 2018, the Center and the Private Debt Project convened, in partnership with the Financial Security Program of The Aspen Institute, a one-day, invitation-only research symposium among leading experts in Washington, D.C., titled Debt-Financed Homeownership: Its Evolution, Impact, and Future.

This symposium was the third in the Tipping Points series, which has explored when household debt "tips" from being productive and wealth-building for families and the economy to harmful to both. Summaries, papers and presentations from all three symposia may be found here.

Building on a well-received framing paper by the Center research team—William R. Emmons and Lowell R. Ricketts—five key observations emerged, along with 10 critical questions for moving forward.

Five Observations

At the conclusion of the symposium, five key observations and themes emerged:

1. **An unwavering belief in homeownership and rising prices.** Despite the housing crisis of the past decade, there remains a strong and enduring faith in the power of homeownership—as a bedrock principle of our middle-class society, as a source of social stability and as the principal means of building wealth. Part of this is an assumption, though not a correct one, that home prices are always rising.
2. **Homeownership's prominent role on family balance sheets.** Homeownership is, by far, the largest component of wealth for the majority of U.S. families but also the principal source of debt. And one of the disadvantages of relying on homeownership for wealth-building is that the only way of accessing that wealth is to take on debt.
3. **Outsized risks to families and the economy.** Precisely because of its prominence, debt-financed homeownership poses large risks to both household and macro-level financial stability—and thus to economic growth. Today, policymakers face this dilemma: Even as the importance of homeownership to wealth-building has increased, the risk of debt-financed homeownership has grown.
4. **Homeownership's uneven costs, risks and benefits.** Homeownership also results in an uneven distribution of benefits, costs and risks—with benefits largely accruing to wealthier families who can better manage the risks of debt-financed homeownership, while costs and risks disproportionately fall on less-educated, younger and nonwhite families who cannot. That said, the Great Recession was not

solely concentrated among low-income homeowners or in subprime mortgages but also hit higher-income groups who bought larger homes than they should have, and who extracted too much wealth via home equity loans.

5. **The role that sheer luck, in the form of timing, has played in determining who has built, maintained or lost wealth from homeownership.** In their paper, Emmons and Ricketts found that (1) older Americans have reaped the most benefits from homeownership because they bought well before the housing bubble; (2) Americans middle-aged and approaching middle age, especially Gen Xers, have barely gained, if at all, from homeownership because they tended to buy homes during the housing bubble—which meant that many of them suffered severe housing wealth losses, some even to this day; and (3) younger Americans—many of whom started their careers in or following the Great Recession, and many of whom are saddled with student loans—have weak homeownership rates and have generally found homeownership elusive because of tighter credit standards and other factors.

10 Key Questions

Finally, considering all the papers and discussion, the symposium raised 10 larger questions and challenges for future consideration:

1. **Balancing the risks and rewards of homeownership?** Could we develop products and public policies to better share the risks and rewards of homeownership and family wealth? Could social insurance schemes be enhanced along these lines? Could risk-pooling products be created, scaled and profitable?
2. **Transitioning to sustainable homeownership?** What would it take to make homeownership more sustainable, especially for lower-income and minority households? How do we resolve the dilemma of expanding homeownership among low-income and minority households without exposing them to an unacceptable level of risk?
3. **Government's best role in promoting and protecting homeownership?** With one in eight American families experiencing eviction, should the government be more involved in affordable housing and less involved in homeownership? Is the government, overall, too involved, or not involved enough?
4. **Reducing family and macroeconomic risk within the "American" mortgage?** Is it possible to update and strengthen the standard mortgage that symposium contributor Thomas Herndon of Loyola Marymount University calls the unique (by international standards) "American" mortgage—the long-term, fixed-rate, fully amortizing mortgage that includes a universal ability to repay—with the aim of reducing the risk of debt-financed homeownership?
5. **Optimal housing stock?** To what extent does debt-financed homeownership produce an optimal housing stock? To what extent is the problem not the risk of debt-financed homeownership but the lack of affordable housing?
6. **Alternatives to homeownership?** Do we rely too much on homeownership to build wealth in the United States? Should and can we develop alternatives to homeownership to build wealth and promote asset ownership? How can we diversify the household balance sheet?
7. **U.S. economy still too dependent on housing as a source of growth?** Similarly, do we emphasize housing investment at the expense of other investments? What's the optimal level of investment in homeownership?
8. **Relationship between housing and credit cycles?** As a robust academic debate is exploring, did a larger credit bubble derived from financial deregulation and global macroeconomic conditions lead to a rise in housing prices that led to the crisis? Or did overly optimistic expectations of the economic returns to housing (rising prices and accumulated wealth) lead to the credit bubble?

9. **Role of banking and financial reform?** Relatedly, should our reform efforts focus on large macro-prudential regulation, or should they focus more specifically on mortgage market reform? What reforms would make banks more effective and efficient lending institutions for homeownership?
10. **Housing, financial fragility and growth?** What is the relationship between debt-financed housing and financial fragility? Have banks become too dependent on real estate and housing lending? Does the preponderance of debt for mortgages affect our vulnerability to interest rate changes and tie the hands of central banks in making monetary policy?

The Center aims to continue this inquiry, as well as pursue other key questions, regarding homeownership in fall 2019—stay tuned!

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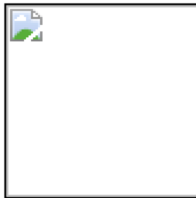

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Gaps in Broadband Access and Usage: A Rural and Urban CRA Opportunity

Caleb Bobo

In an increasingly gadget-friendly world, access to high-speed internet is important. Innovation within and the integration of mobile and wired technology now allow individuals to tackle a host of activities. Students can take advantage of Advanced Placement (AP) courses to better prepare for college, the sick can get medical care, and entrepreneurs can sell products across the globe—all via the worldwide web.

Over the last decade, governmental entities and the private sector have worked to expand broadband access throughout the United States. According to a recent report by the U.S. Congress Joint Economic Committee, broadband services are now available to about 90 percent of the American population—a figure that has increased substantially over the last two decades.

Unfortunately, access to this critical resource is not evenly distributed. Due to a lack of population density, rural areas often struggle to attract the investment necessary to build and maintain digital infrastructure. Because of that, almost 40 percent of residents in rural parts of the country do not have access to broadband, making it harder to attract employers and talent.

However, and surprising to some, this problem affects more than just rural communities. While most metropolitan statistical areas (MSAs) offer “near-complete broadband coverage,” that does not mean residents are taking advantage of its availability. For example, less than half of households making less than $20,000 annually have a broadband subscription. Of those who did not complete high school, about 40 percent lack broadband in their homes. About 33 percent of those over the age of 65, 30 percent of African Americans and 25 percent of Hispanics also report not having in-home, wired internet service. Simply put, access to broadband is affected by more than just one’s geography.

In congruence with national figures, rural and urban communities within the Federal Reserve’s Eighth District face challenges with digital services. Missouri and Mississippi rank among the worst in the nation in terms of providing rural broadband, with 61 percent and 60 percent of rural residents, respectively, lacking access. Additionally, Illinois at 56 percent and Indiana at 51 percent are not too far behind, and well above the national average of 40 percent.

In a more urban context, two of the District’s largest metropolitan areas, St. Louis and Memphis, are listed in a similar report for challenges regarding online connectivity. In the St. Louis MSA, almost 20 percent of residents, totaling over 500,000 people, live in “low subscription neighborhoods,” where 40 percent or fewer have an in-home, wireline broadband. This places the region among only 10 MSAs in the country to have over half a million people living in such neighborhoods. The Memphis MSA is listed 11th among the 100 most populous MSAs for having the largest share of residents lacking 10 Mbps (low-speed) internet services.

So, if rural areas and urban areas in the District need help meeting the connectivity challenges of their communities, who might spearhead the solution? Undoubtedly, the private sector will lead because its infrastructure will be providing the service. Governmental entities will also be involved, alongside housing developers, nonprofit organizations and community groups. Moreover, banks subject to Community Reinvestment Act (CRA) examinations also would make good partners. According to the CRA Q&As, investments in, loans to or services for projects aimed at increasing internet access in low- and moderate-income (LMI) urban areas or distressed and underserved nonmetropolitan areas can be credited within the revitalization and stabilization category. In fact, a bank's civic legitimacy, financial resources and long-term perspective should make it a strong member of any coalition pursing a substantive broadband project.

As innovation continues and more pieces of Americans' lives move online, digital infrastructure will play a key role in the vitality of communities. As local, state and federal leaders across industries seek to tackle accessibility and utilization gaps, banks likely will be engaged participants.

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BRIDGES | WINTER 2018-2019
https://www.stlouisfed.org/publications/bridges/winter-2018-2019/cra-eye-on-investments

CRA: An Examiner's Perspective
Eye on Investments

Douglas Yarwood

This article is part of a series on Community Reinvestment Act (CRA) best practices from an examiner's perspective. Although this column focuses on CRA best practices for financial institutions, the content may provide insights for community development organizations working with financial institutions into meeting credit and community development needs. As a disclaimer, this series is meant only to represent best practices; financial institutions should consider the information presented in context of the requirements or guidance of their primary regulators and the business needs of their financial institutions.

Regulators evaluate a financial institution's investments for CRA eligibility if the bank is an intermediate small or large bank, or designated as a wholesale, or limited purpose, institution using the appropriate CRA evaluation procedures. These investments are also reviewed as part of a CRA strategic plan at the option of the institution. Under the CRA, qualified investments are defined as lawful investments, deposits, membership shares or grants that have as their primary purpose one or more of the following community development purposes:

- affordable housing (including multifamily rental housing) for low- or moderate-income individuals;
- community services targeted to low- or moderate-income individuals;
- activities that promote economic development by financing businesses or farms that meet the size eligibility standards as outlined under the CRA; and
- activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, and distressed or underserved nonmetropolitan middle-income geographies.

Consistent with the CRA, community development investments (other than grants) fall into one of two categories.[1] The first category—current-period investments—includes investments originated since the bank's last CRA evaluation. The second category includes prior-period investments still outstanding at the time of the institution's current CRA evaluation. In qualifying both categories, examiners ensure each investment benefits the assessment area (or broader area that includes the assessment area[2]) consistent with one of the four primary purposes above. Additionally, for both categories, the examiner will determine the dollar amount of credit the institution will receive based on guidance from the CRA Interagency Questions and Answers and will identify the level of responsiveness the investment has to the area's credit and community development needs. Generally, assigned credit for each category is dependent on the level of benefit received by low- and moderate-income individuals, small businesses or small farms from the investment.

Unlike current-period investments, which receive credit for the bank's level of investment at inception, the aggregate amount of prior-period qualified investments is ongoing and by design is prone to deterioration. The three major reasons for deterioration include maturity of the investment, declining investment balances and changing economic conditions of assessment areas. Banks are required to report a prior-period

investment according to its value on the start date of the current CRA evaluation; therefore, balances of prior-period investments may change.[3] Additionally, changes in assessment area economic conditions may result in less or no credit being given for a prior-year investment. Upward shifts in area population income, as tracked through the census, may result in the reclassification of low- or moderate-income tracts to middle- or upper-income tracts, or may result in a reduction to the percentage of students eligible for free or reduced lunches—both of which might negatively impact qualification of associated investments. Similarly, prior-year investments that had previously benefited nonmetropolitan distressed and/or middle-income areas may no longer be considered as qualified if the economic conditions of the designated area have improved.

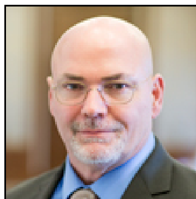
Reviewing the prior-period investment portfolio enables banks to detect possible deterioration and proactively make new investments to maintain or improve their CRA investment positions. Best practices include reviewing the prior-year investments at least annually. Commonly, CRA officers will consult with investment staff regarding all investments in an assessment area, not just those that qualified during its last evaluation, to ensure they identify possible qualified investments that may have been overlooked at the last evaluation. When reviewing, changes in census tract income levels may be monitored using the Federal Financial Institutions Examination Council (FFIEC) Online Census Data System. Similarly, changes in distressed and underserved tracts may be followed through the FFIEC list of Distressed and Underserved Tracts. By adopting periodic monitoring practices of prior-period investments, banks may alleviate unexpected changes to their CRA ratings.

Douglas Yarwood is a senior examiner at the Federal Reserve Bank of St. Louis.

Endnotes

1. 2016 CRA Q&A §__.12(t)-8
2. 2016 CRA Q&A §__.23(a)-1
3. 2016 CRA Q&A §__.23(e)-2

ABOUT THE AUTHOR



Douglas Yarwood

Douglas Yarwood is a senior consumer affairs examiner at the Federal Reserve Bank of St. Louis.

Calendar

March 2019

12 **Banking on Arkansas Black Women**

Little Rock, Ark.

Sponsor: Federal Reserve Bank of St. Louis, Philander Smith College and Women's Foundation of Arkansas

Contact: Lisa Locke at **lisa.locke@stls.frb.org**

April 2019

10-12 **Fundamentals of Opportunity Finance Industry Course**

Durham, N.C.

Sponsor: Center for Impact Finance at the University of New Hampshire's Carsey School of Public Policy and Operation Finance Network

Visit: **https://carsey.unh.edu/academics/certificate-community-development-finance**

15-17 **People and Places 2019**

Arlington, Va.

Sponsor: National Association of Community and Economic Development Associations

Visit: **https://www.naceda.org/people-places-2019**

May 2019

9-10 **Renewing the Promise of the Middle Class Federal Reserve System Community Development Research Conference**

Washington, D.C.

Sponsor: Federal Reserve System

Visit: **https://www.chicagofed.org/region/community-development/2019-federal-reserve-system-community-development-research-conference**

21 **Investment Connection**

Memphis, Tenn.

Sponsor: Federal Reserve Bank of St. Louis

Contact: Teresa Cheeks Wilson at **teresa.cheeks.wilson@stls.frb.org**

23 **The Once and Future Worker: Oren Cass Book Event**

St. Louis, Mo.

Sponsor: Federal Reserve Bank of St. Louis

Contact: Ray Boshara at **ray.j.boshara@stls.frb.org**

June 2019

19-21 **Policy Summit 2019: Connecting People and Places to Opportunity**

Cincinnati, Ohio

Sponsors: Federal Reserve Banks of Cleveland, Chicago, Minneapolis, Philadelphia and St. Louis

Visit: **https://www.clevelandfed.org/newsroom-and-events/events/2019/policy-summit.aspx**

BRIDGES | WINTER 2018-2019
https://www.stlouisfed.org/publications/bridges/winter-2018-2019/resources

Resources

Federal Reserve Board Launches Article Series for Consumers and Communities

The Federal Reserve Board has launched *Consumer & Community Context*, a new article series that features original analysis about the financial conditions and experiences of consumers and communities, including traditionally underserved and economically vulnerable households and neighborhoods. The inaugural issue covers the theme of student loans. It includes articles covering the impact that rising student loan debt levels may have on homeownership rates among young adults, as well as the relationship between the amount of student loan debt individuals acquire and their decisions to live in rural or urban areas.

The article series intends to increase public understanding of consumer and community financial well-being and risk concerns. It will be published periodically throughout the year, and each issue will have a theme. Authors contributing to the series are employees of the Federal Reserve Board or Federal Reserve System.

To subscribe to this series, please send an email to: CCA-Context@frb.gov.

St. Louis Fed *Policy Insight* Series Shine Light on the Duty to Serve Program

Two recent St. Louis Fed reports provide information on Duty to Serve (DTS), a program that requires Fannie Mae and Freddie Mac to take measures in the secondary mortgage market that will lead to additional housing options for individuals and families with very low, low and moderate income. The first *Policy Insight* provided an overview of the program–how it came to be, who the key players are, how the government-sponsored enterprises (GSEs) will be rated and more. The second *Policy Insight* focuses on the specific actions Fannie Mae and Freddie Mac intend to take before December 2020 to fulfill their commitment to meet the needs of three markets: manufactured housing, rural housing and affordable housing preservation. The actions by the GSEs include loan product development and/or loan purchase, investment, outreach and research. DTS has the potential to substantially impact affordable housing in the U.S. through the secondary mortgage market. The objective of the latest *Policy Insight* is to highlight the program in a manner that is useful to affordable housing practitioners in an effort to maximize opportunities as they arise.