

# AT WORK

## IN YOUR COMMUNITY



To build economic  
opportunity for people  
and communities

FEDERAL RESERVE BANK *of* CLEVELAND

# State of Black Health Conference

## Economic Empowerment for All – A Journey Through Federal Reserve’s Community Development

Federal Reserve Bank of Cleveland  
Community Development Department

Tracey N. Mason – Assistant Vice President  
September 8, 2023

# OVERVIEW

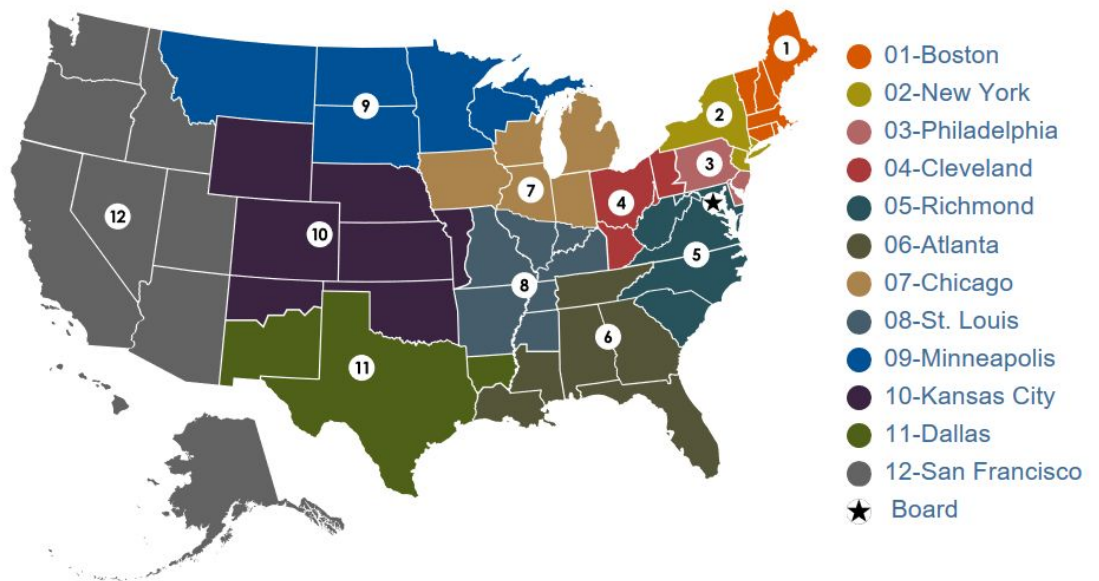
- Federal Reserve Bank System
- Community Reinvestment Act (Act)
- Community Development in the Federal Reserve System
- Alignment to the Bank's Mandate and Strategic Priorities
- Community Development at the Cleveland Fed
- Ways to Engage
- Questions/Comments

# DISCLAIMER

The views expressed here are those of the presenter and do not necessarily represent the views of the Federal Reserve Banks of Cleveland or the Federal Reserve System.

## A 'decentralized central bank'

- The Federal Reserve was created by Congress in 1913 as a decentralized central bank to work on behalf of all Americans.
- 12 Reserve Banks
- Board of Governors
- Accountable to Congress

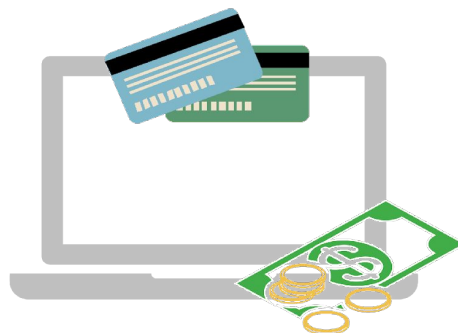


# Federal Reserve System Functions

Its three main functions:



1. Supervise and regulate the banking system

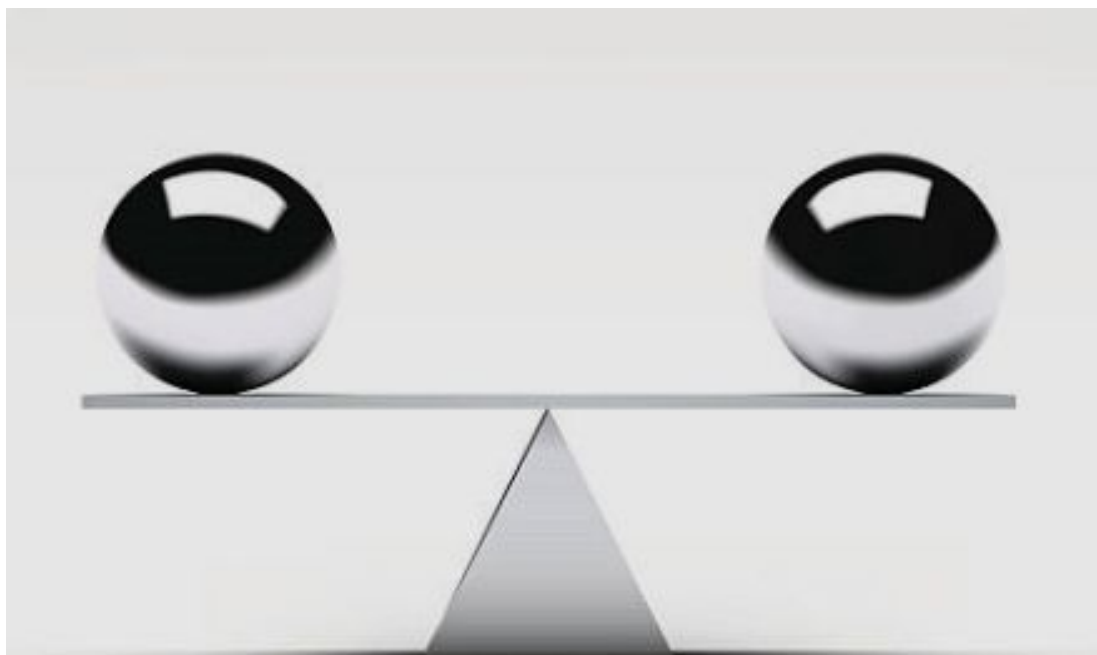


2. Operate the nation's payment system



3. Set monetary policy

# Monetary Policy



Price stability

Maximum employment

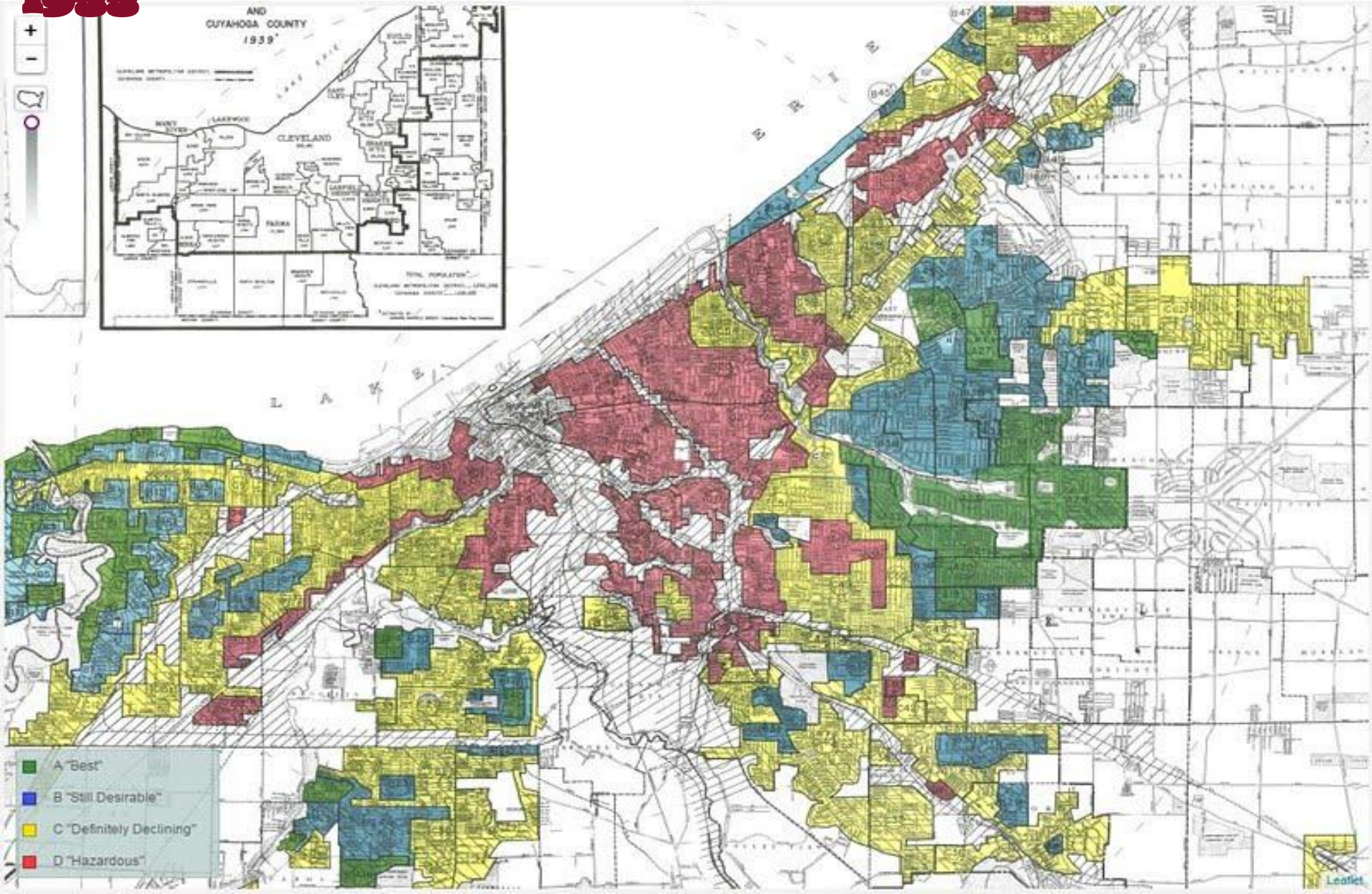
# Summary video of how the Federal Reserve System conducts Monetary Policy

<https://youtu.be/xHQJBNO0yQc>



# Why are Federal Reserve Banks invested in Community Development?

# Home Owners' Loan Corporation, Home Loan Security Map ("redlining" map) of Cleveland, 1938



# Community Reinvestment Act (CRA)

- CRA was enacted by Congress in 1977 primarily to address systemic inequities in access to credit, particularly in majority-minority neighborhoods (*redlining*).
- CRA statute encouraged federally regulated banks to safely and soundly meet the credit needs of the communities that they serve, including low- and moderate-income (LMI) neighborhoods.
- CRA implementation and other complementary laws, the harmful legacy of redlining and other discriminatory practices continues to be felt. Therefore, it is critical to take a careful approach to CRA reform.
- CRA must remain an effective tool in ensuring that LMI individuals and communities have access and in encouraging community development activities that are responsive to and benefit LMI individuals and communities.
- CRA is measured and evaluated based on a banking institutions' community investments, loans and service activities throughout LMI census tracts in a banking institution's footprint.

# What is the role of Community Development across the Federal Reserve System?

# Community Development in the Federal Reserve System (FRS)

- In 1981 the Board of Governors required every Reserve Bank to appoint a community affairs officer (CAO). The Community Development (CD) function has evolved considerably since that time, and departments vary across Reserve Banks.
- Since 2018, CD's mission has been to **promote the economic mobility and resilience of low- to moderate-income (LMI) communities and underserved individuals.**
  - Advance economic resilience and mobility by conducting research and analysis, collaborating with stakeholders, and building capacity
  - Enhance the public's understanding of community development issues and opportunities
  - Inform and influence other core functions of the Federal Reserve System
- **We are committed to racial equity**, which we define as just and fair inclusion in an economy in which all can participate, prosper, and reach their full potential so that race no longer predicts life outcomes.

# Federal Reserve System (FRS): Community Development Priority Areas ~2023

| Federal Reserve Banks | Small Business | Workforce Development | Affordable Housing | Asset Building & Financial Inclusion | Digital Inclusion | CD Investment | Climate | Health equity | Education | Centers of Expertise, Special Initiatives, Place-Based Initiatives                         |
|-----------------------|----------------|-----------------------|--------------------|--------------------------------------|-------------------|---------------|---------|---------------|-----------|--|
| Atlanta               |                | X                     | X                  | X                                    | X                 | X             |         |               |           | Center for Workforce & Economic Opportunity; Southern Cities Economic Inclusion Initiative |
| Boston                |                | X                     |                    | X                                    |                   |               |         |               |           | Working Places   |
| Chicago               | X              | X                     |                    | X                                    |                   | X             |         | X             | X         | Lead Line Replacement Initiative   |
| Cleveland             | X              | X                     | X                  |                                      |                   |               |         |               |           | Small Business Credit Survey   |
| Dallas                | X              | X                     | X                  | X                                    | X                 |               |         |               |           | Advance Together   |
| Kansas City           | X              | X                     |                    |                                      | X                 | X             |         |               |           | Investment Connection  |
| Minneapolis           |                | X                     | X                  |                                      |                   | X             |         |               |           | Center for Indian Country Development  |
| New York              |                |                       |                    |                                      | X                 | X             | X       | X             |           | Capital Connector  |
| Philadelphia          |                | X                     | X                  |                                      |                   | X             |         |               | X         | Reinventing Our Communities Cohort; Economic Growth & Mobility Project; Anchor Economy     |
| Richmond              |                | X                     |                    |                                      |                   | X             |         |               |           | Community Development Financial Institutions (CDFI) Survey                                 |
| San Francisco         |                | X                     |                    |                                      |                   |               | X       | X             | X         | Diverse Voices in Monetary Policy  |
| St. Louis             | X              | X                     | X                  | X                                    |                   | X             |         |               |           | Institute for Economic Equity  |

# **What is the role of Community Development at the Federal Reserve Bank of Cleveland?**

# The Federal of Cleveland's District (4<sup>th</sup>)



|                                      | US    | 4D    |
|--------------------------------------|-------|-------|
| POVERTY (100%)                       | 12.9% | 13.5% |
| RENTER BURDEN                        | 45.8% | 40.3% |
| LABOR FORCE PARTICIPATION RATE       | 74.6% | 74.5% |
| HOUSEHOLDS WITH BROADBAND CONNECTION | 87.1% | 85.9% |
| POVERTY (200%)                       | 29.6% | 30.2% |



# Community Development aligned to the Cleveland Fed's Strategy Plan

## Payments

High Level Goal: Be a thought leader in developing leading payments solutions to consumers and businesses, thereby advancing Federal Reserve policy goal of promoting a safe, efficient, inclusive, and innovative payment system

## Economic Inclusion

**High Level Goal:** Further leverage core capabilities to better understand the most significant economic disparities in the Fourth District as they relate to employment, wages, wealth, and access to financial services through applied research initiatives and community outreach and engagement activities

## Center for Inflation Research

High Level Goal: Position the Center for Inflation Research as the leading authority on inflation for policymakers, researchers, and the informed public

## Evolving Workforce

High Level Goal: Become a strategic partner that influences and provides expertise on Talent throughout the system

# Putting the Pieces Together

<https://youtu.be/4uU5v2foj0M>

# OUR WORK



## OUR VISION

To be recognized as a valuable resource, partner, and trusted leader that improves economic well-being in our communities, our region, and our country



## OUR MISSION

To promote the economic resilience and mobility of low- to moderate-income (LMI) and underserved individuals and communities.



## OUR PRIORITIES

### SUPPORT A THRIVING ECONOMY

Lead in the study and practice of economic inclusion in three areas: workforce, small business, and housing and neighborhoods

### ELEVATE VOICES

Broaden the voices that inform policymaking and program development

### BUILD AWARENESS

Enhance communications with key audiences to increase the awareness and utilization of our work

### STRENGTHEN CULTURE

Ensure every employee can thrive and do their best every day



## OUR APPROACHES

Apply the Bank and System's **core values** and **racial equity principles** in all that we do

Operate in **nimble teams** that foster collaboration and ensure a feedback loop between research and outreach

Leverage the expertise and resources of **internal and external partners**

Lead with **research and data** to guide decision making and deliver measurable impact

# What Are We Examining About Workforce?

# SUPPORT A THRIVING ECONOMY

## Thriving Workforce: Economic and Workforce Development

- Support and deepen engagement with economic and workforce development organizations focused on worker mobility (e.g. **Workforce Boards, United Ways, Community Colleges, Local Agencies**).
- Produce high-quality quantitative and qualitative research that influence policy and practices (e.g. **Occupational Mobility Report and Occupational Mobility Explorer Tool**).
- Incorporate the voices of marginalized groups and stakeholders through System efforts like the **Worker's Voice Project**.

# Occupational Mobility Explorer

In *Exploring a Skills-Based Approach to Occupational Mobility*, researchers from the Philadelphia and Cleveland Feds analyze the skills that employers request in the 33 largest metro areas and look for opportunities for workers to transfer their skills from one occupation to a similar — but higher-paying — occupation in the same labor market. This application is designed to make the findings interactive and wholly accessible to those interested in economic mobility.

OCCUPATIONAL MOBILITY EXPLORER

BUILD YOUR PATH

COMPARE SKILLS

VIEW TOP TRANSITIONS

<https://www.philadelphiafed.org/surveys-and-data/community-development-data/occupational-mobility-explorer>



The Federal Reserve System is engaging in the Worker Voice Project to listen and hear from workers— particularly low-wage workers and workers of color— about their experience with employment both now and during the pandemic

#### Key Findings:

- Tight labor market has not benefited all workers equally
- Workers express enhanced expectations of job quality
- Many workers are reinventing themselves through skill development and self-investment to change their economic opportunities.

“

These past two years, I've been laid off from work many times due to the COVID pandemic. I was interested in the title, 'The worker's voice,' because it makes me think we have a voice, the voice of those who are not heard. And I felt the urge to share my experience with other people.

– Worker Voices participant

# What Are We Examining About Affordable Housing?



# SUPPORT A THRIVING ECONOMY

## Thriving Places: Affordable and Quality Housing and Neighborhood

- Support, and deepen engagement with organizations focused on economic inclusion, housing, and neighborhoods. (e.g., Cleveland Housing Network, Community Development Corporations, Community Action Agencies).
- Help ensure access to equitable housing products and programs by providing research and tools to local and national stakeholders.
  - **Home Lending by Race and Income (Home Mortgage Explorer tool)**
  - **Small Dollar Mortgages**
  - **Contracts for Deed**
- Examine affordable housing limitations and challenges to better understand factors contributing to the loss of safe, affordable and, quality units in neighborhoods.
- Other timely research- Lead Safe, Opioid Crisis, Food Security, Broadband

# What Are We Learning about Businesses?

Small Business Credit Survey

# SUPPORT A THRIVING ECONOMY

## Thriving Small Businesses

- Continue to execute and strengthen the Small Business Credit Survey:
  - **Report on Employer Firm**
  - **Report on Non-Employer Firms**
  - **Report on Firms Owned by People of Color**
- Develop our expertise as a go-to for small business research and analysis, which strengthens collective understanding of issues facing a range of small businesses.
- Support and deepen engagement with small business organizations focused on economic inclusion.

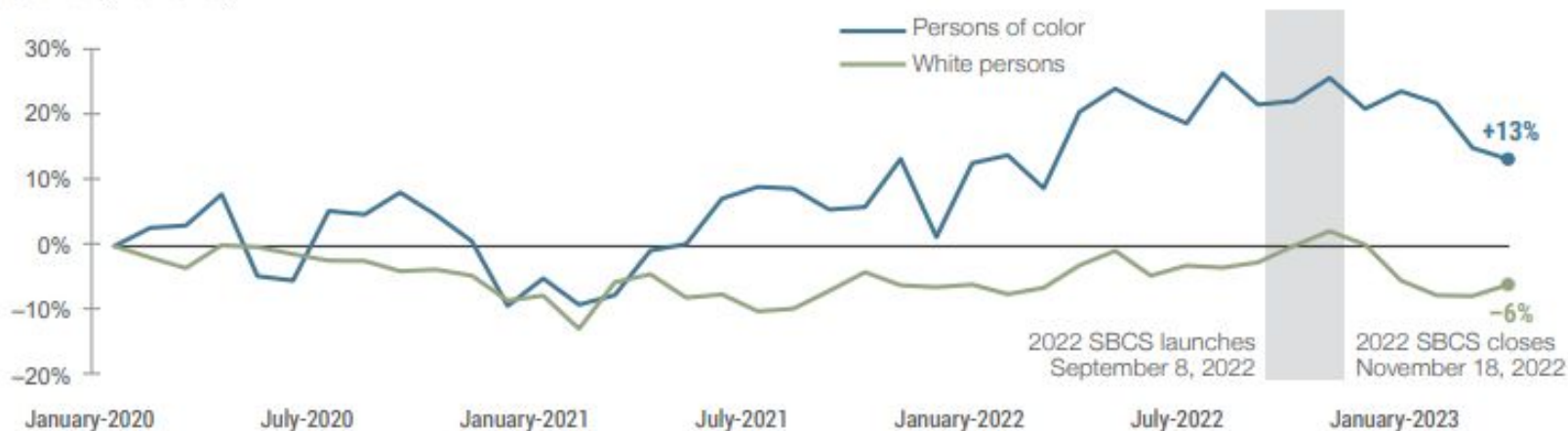




**2023 Report  
on Startup Firms  
Owned by  
People of Color:**  
Findings from the  
2022 Small Business  
Credit Survey  
June 2023

# Since the pandemic, business starts and self-employment for people of color is on the rise

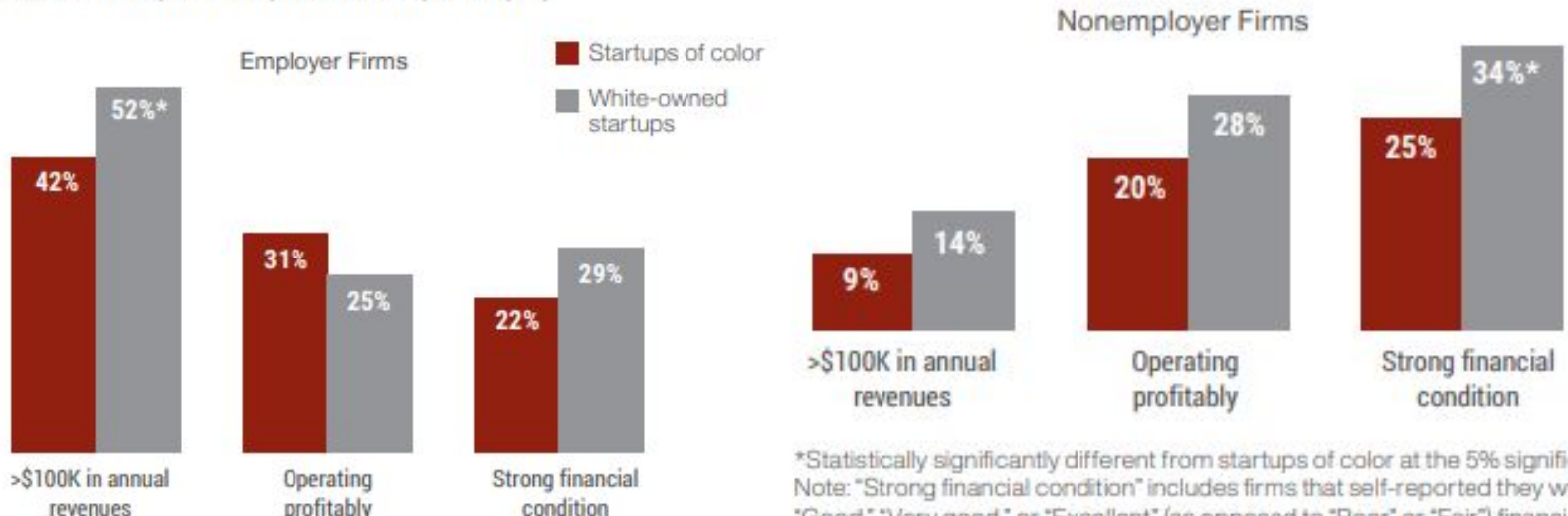
**FIGURE 1. PERCENT CHANGE IN NUMBER OF INCORPORATED, SELF-EMPLOYED PERSONS SINCE JANUARY 2020**  
*(January 2020 = 0)*



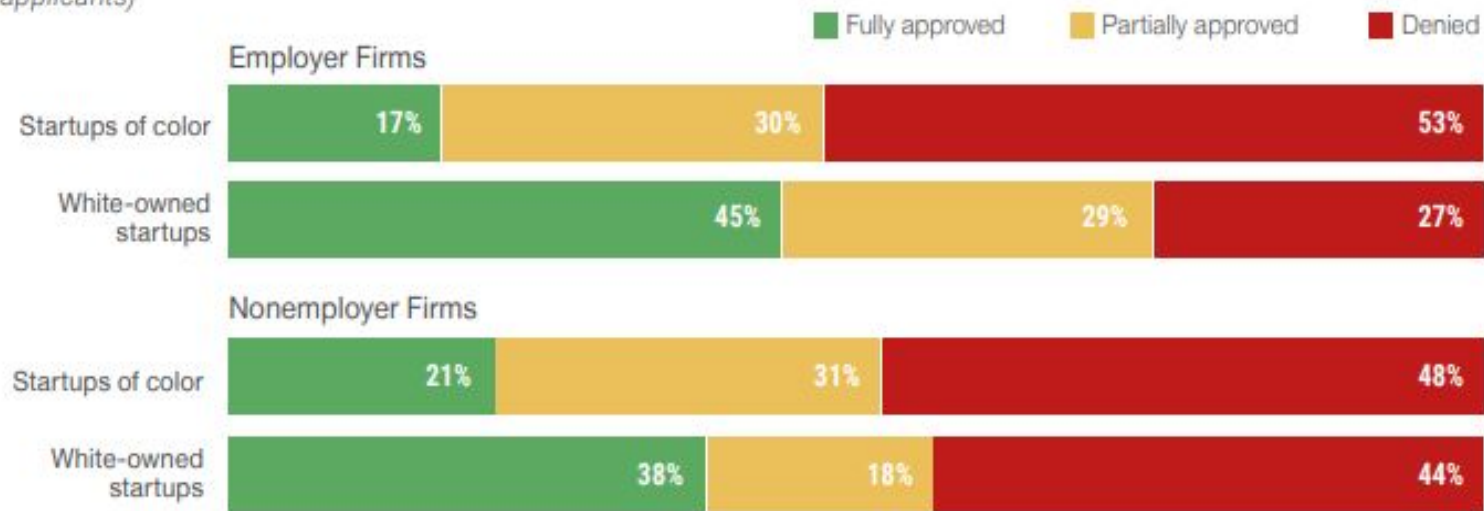
Notes: In Figure 1, a person of color is a nonwhite, non-Hispanic respondent. A mixed-race respondent is classified as a person of color. Includes workers with more than one job.  
 Sources: Authors' calculations, US Census Bureau, 2020-2023 Current Population Survey.

# SBCS data show that, on average, startups of color are smaller and in somewhat worse financial condition than white-owned startups

FIGURE 4. FINANCIAL CHARACTERISTICS OF EMPLOYER-FIRM AND NONEMPLOYER-FIRM STARTUPS



\*Statistically significantly different from startups of color at the 5% significance level  
 Note: "Strong financial condition" includes firms that self-reported they were in "Good," "Very good," or "Excellent" (as opposed to "Poor" or "Fair") financial condition at the time of the survey.  
 Source: 2022 Small Business Credit Survey.

**FIGURE 7. OUTCOMES ON LOAN, LINE OF CREDIT, AND MERCHANT CASH ADVANCE APPLICATIONS***(% of applicants)*

Source: 2022 Small Business Credit Survey.

**Employer-firm startups of color were less likely to be fully approved on applications and around twice as likely to be denied.**

# **What Are We Hearing in the Community?**



# ELEVATE VOICES

For use at 2:00 PM EDT  
Wednesday  
July 12, 2023

## The Beige Book

Summary of Commentary on Current Economic Conditions  
By Federal Reserve District

June 2023

**POLICY SUMMIT 2023**

**COMMUNITIES THRIVING**  
in a Changing Economy

FEDERAL RESERVE BANK *of* CLEVELAND

June 21–23, 2023 ■ Attend In Person or Virtually

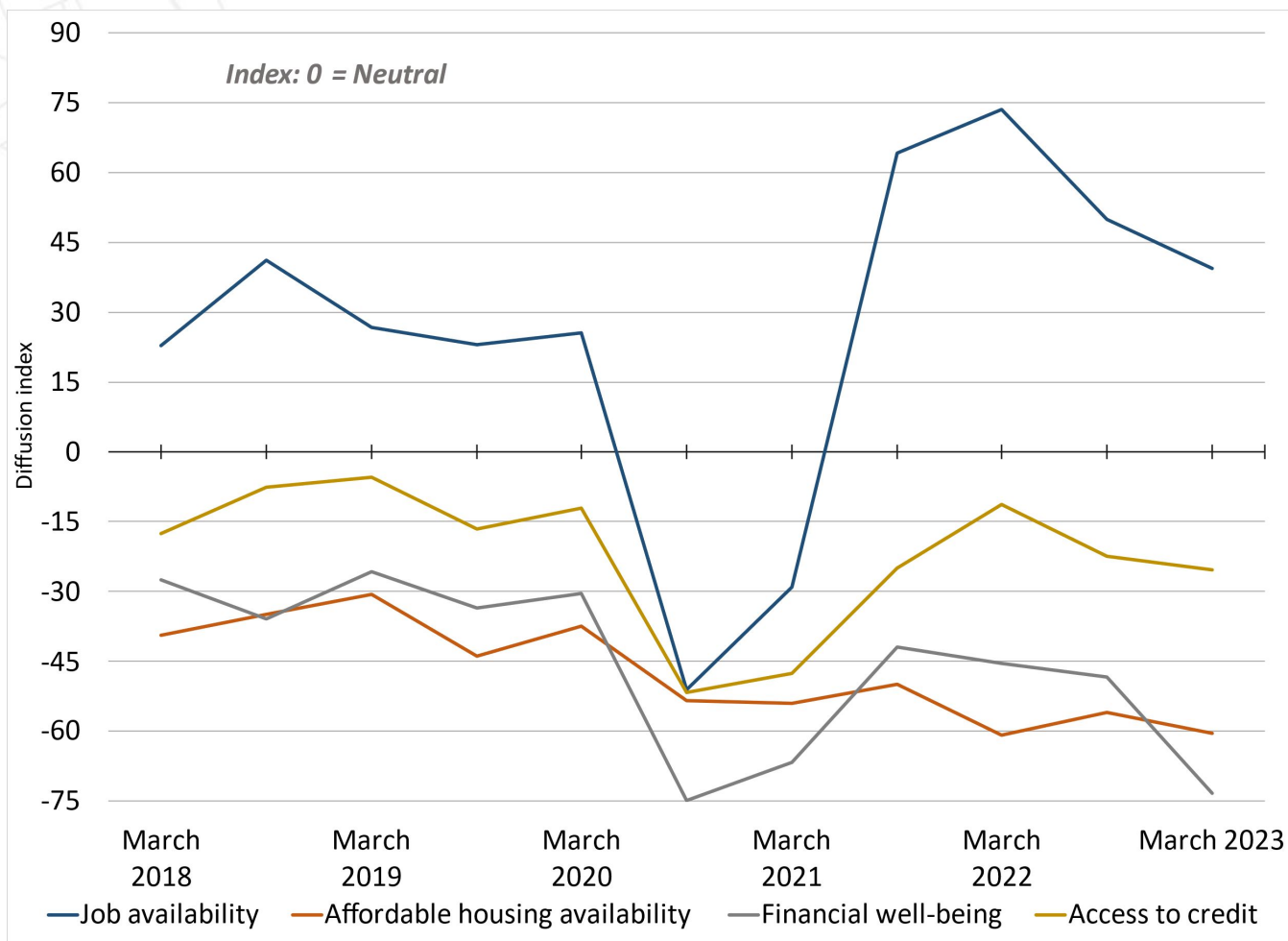
Applications are **NOW OPEN** for the Cleveland Fed Community Advisory Council

# ELEVATE VOICES

## Community Issues & INSIGHTS

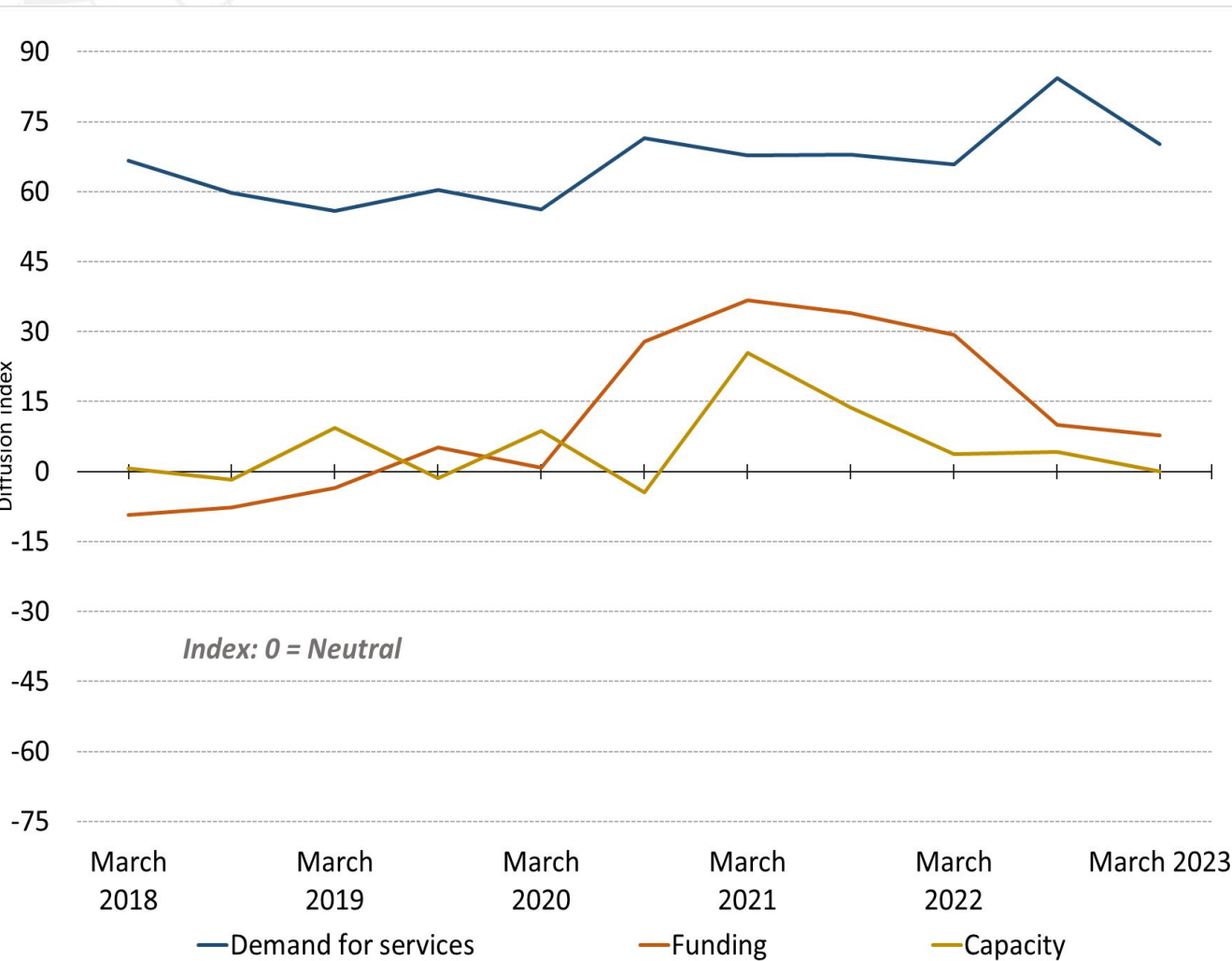
**Community Issues and Insights 2023: Inflation Remains a Burden and Consumer Debt is on the Rise**

# LMI household indices



- Blue line
  - Job availability for LMI households remains strong as 44% said it increased and 51% selected no change over the past 6 months
- Orange line
  - Affordable housing availability is near a record low (65% said it decreased)
- Gray line
  - Financial well-being is near a record low (77% said it decreased)
- Gold line
  - Access to credit: More respondents selected decreasing (37%) than increasing (11%)

# March 2023 Results: Non-profit organizations



- Blue line
  - Demand for services continues to increase (76% increased vs 5% decreased)
- Orange line
  - Funding remains relatively unchanged (53% no change)
- Gold line
  - Capacity remains relatively unchanged (56% no change)

# Top issues impacting LMI households

- 1. A tight labor market has increased wages and increased opportunities but made hiring difficult in certain sectors**
  - “Employers are knocking down our door for help with their hiring needs, particularly for entry and lower-level jobs...Wages and benefits have increased significantly...employers are more willing to provide additional supports such as transportation assistance and more flexible scheduling.”
- 2. Rising inflation disproportionately impacts LMI households’ finances**
  - “Increasing gas prices will really impact those who are employed...Putting gas in the tank has become very expensive.”
- 3. Rising home prices, the increase of investor purchasers, and rising rents are concerning**
  - “More investors are buying up single family housing in the LMI [price] range.”

## WAYS TO ENGAGE

- ✓ Are you a small business or work with small businesses? Take our annual Small Business Credit Survey
- ✓ Learn more about the Board of Governors' and Bank's [advisory councils and board opportunities](#)
- ✓ Learn more about Community Development departments across the Country: [About Us - Fed Communities](#)
- ✓ [Sign up](#) for Community Development E-Newsletter released 2-3 times per year

# Questions/Comments



[Tracey.Mason@clev.frg.org](mailto:Tracey.Mason@clev.frg.org) | [Communitydevelopment@clev.frb.org](mailto:Communitydevelopment@clev.frb.org)



@CleveFed\_ComDev | @ClevelandFed

[www.Clevelandfed.org/communitydevelopment](http://www.Clevelandfed.org/communitydevelopment)



Subscribe to the CD Newsletter for occasional CD updates and to the monthly Cleveland Fed Digest at: [www.clevelandfed.org/subscribe](http://www.clevelandfed.org/subscribe)