FEDERAL RESERVE BANK OF PHILADELPHIA

Leveraging Lending and Investments for Nonprofits & Communities (LINC)

March 18, 2019
Webinar Training

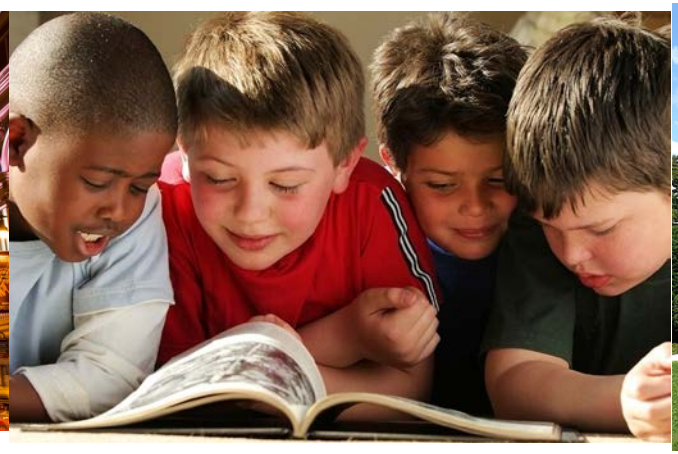
Agenda

- Welcome and Introductions
- What is LINC?
- The Community Reinvestment Act
- From Concept to Action – Creating a Community Development Project that Aligns with the CRA
- Next steps with LINC
- Questions

The views expressed here are those of the presenters and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

What is LINC?

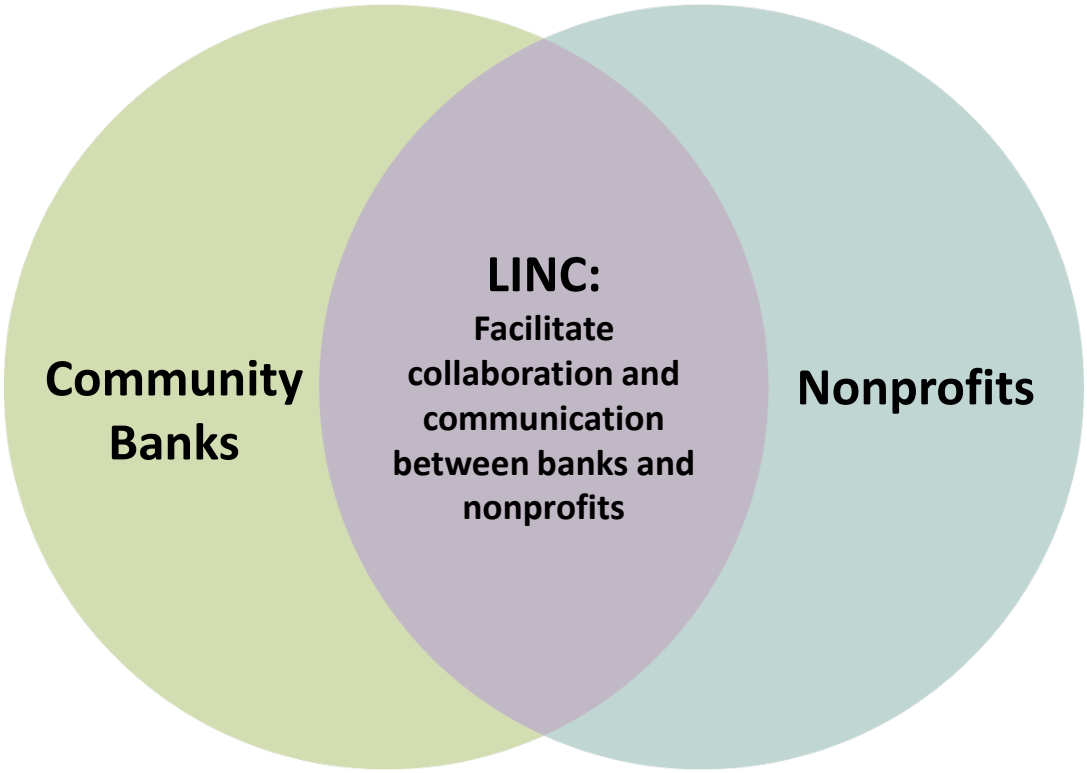
Sydney Diavua
Community Engagement Associate
Community Development and Regional Outreach



What is LINC?

LINC is a program developed by the Federal Reserve Bank of Philadelphia, designed to strengthen nonprofit knowledge of the Community Reinvestment Act (CRA) and to facilitate relationship-building between Third Federal Reserve District community development organizations and community banks.

Why Did We Develop LINC?



LINC Objectives

Connection: Facilitate relationship-building and opportunities for community banks in the Third District.

Capacity Building: Provide organizational development and learning opportunities for small to midsized nonprofits with a community development mission.

Community of Practice: Create a network of stakeholders to share resources, experiences, and knowledge on the CRA and community revitalization.

Nonprofits Are Engaged Through a Series of Steps

Training

Interested nonprofit participants are asked to participate in an in-person or webinar training that covers CRA 101 and Community Development Projects Under the CRA.

Application Process

Nonprofits that complete a training are invited to submit an application and organizational profile.

LINC Exchange

Up to 10 nonprofits will be invited to meet with community banks in the region and give a 10-minute structured presentation, providing an overview of the organization and the potential project for bank partnership.

What LINC Participants Can Gain

The Community Reinvestment Act

Micah Spector
Manager, Supervision, Regulation and Credit
Federal Reserve Bank of Philadelphia

Agenda

- The Community Reinvestment Act
- Performance Evaluations
- Bank Assessment Areas
- Community Development Activities
- Lending
- Questions

The Community Reinvestment Act

- The Community Reinvestment Act (CRA) encourages depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods.

AND

- The CRA requires that each depository institution's record in helping meet the credit needs of its communities be evaluated by bank regulators.

The Community Reinvestment Act

Regulators assess CRA performance by conducting CRA evaluations.

- Written performance evaluations are public, including the bank's rating and lending data.

Definition of Community Development

Community development activities

- Affordable housing for low- or moderate-income individuals
- Community services targeted to low- or moderate-income individuals
- Activities that promote economic development by financing small businesses or small farms
- Activities that revitalize or stabilize low- or moderate-income census tracts, distressed or underserved nonmetropolitan middle-income census tracts, or designated disaster areas

CRA Performance Evaluations

Scope of evaluations

- Community development activities
  - Loans
  - Investments
  - Services
- Lending
  - Home mortgage loans
  - Small business loans
  - Small farm loans
  - Community development loans

CRA Performance Evaluations

Scope of evaluations

- Assessment area(s)
  - Where the bank operates
    - Branch and ATM locations
    - Metropolitan area, county, political subdivision

CRA Performance Evaluations

Performance context

- Local demographic and economic conditions
- Community interviews conducted
- Major business products and strategies
- Financial condition and capacity

CRA Performance Evaluations

Community development activities

- Affordable housing for low- or moderate-income individuals
- Community services targeted to low- or moderate-income individuals
- Activities that promote economic development by financing small businesses or small farms
- Activities that revitalize or stabilize low- or moderate-income census tracts, distressed or underserved nonmetropolitan middle-income census tracts, or designated disaster areas

CRA Performance Evaluations

Community development activities

- The number and amount of community development loans and qualified investments
- The extent to which the bank provides community development services
- The bank's responsiveness to the community development needs of its assessment area through community development loans, investments, and services

CRA Performance Evaluations

Retail and community development services

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services in meeting assessment area needs
- Community development services

CRA Opportunities

Where banks go to find CRA community development opportunities

- Nonprofit organizations with a community development mission
  - Affordable housing developers
  - Social service agencies
  - Housing finance agencies
  - Community development financial institutions (CDFIs)
  - Minority-owned banks

CRA Opportunities

Document community development activities

- Banks are required to document their activities
  - Identify how to best document your qualified community development activities:
    - Document how your services meet the definition of community development under the CRA
    - Document the geographic area you serve and show that the activity is inside a bank's assessment area(s)

CRA Opportunities

Document community development activities

- Document the impact of services
  - The number of low- or moderate-income clients served
  - The number of affordable housing units built
  - The number and dollar amount of loans originated

CRA Opportunities

Find banks operating in your market

- Determine the bank's assessment area
  - CRA performance evaluation or public file
  - Bank website for branch locations
  - Visit any bank branch
  - Deposit Market Reports – FDIC.gov (Bank Data & Statistics; Summary of Deposits; Find Office)

CRA Opportunities

When choosing community development partners, banks look at nonprofits that have:

- engaged senior management;
- consistent customer service levels; and
- existing partnerships with other financial institutions.

CRA Performance Evaluations

Lending

- Assessment area penetration
  - Is the bank making loans in the same areas it has branches?
- Geographic distribution
  - Is the bank making loans in all neighborhoods in its assessment area, including low- and moderate-income areas?
    - Consider owner-occupied housing levels
    - Consider where area businesses are located
    - Consider the performance of other banks operating in the assessment area

CRA Performance Evaluations

Lending

- Borrower profile
  - Is the bank making loans to borrowers of different income levels and businesses of different sizes, including low- and moderate-income residents and small businesses?
    - Consider HUD median family income levels
    - Consider the concentration of area businesses
    - Consider the performance of other banks operating in the assessment area

CRA Performance Evaluations

Loans to businesses of different sizes

- Does a bank make loans to small businesses within its assessment area?
  - Business revenues of $1 million or less
- Does a bank make small business loans within its assessment area?
  - Loans extended in an amount of $1 million or less

CRA Performance Evaluations

Lending

- Community development lending activities
  - Consider qualified bank loans, loan pools, loan participations, etc.

From Concept to Action – Creating a Community Development Project that Aligns with the CRA

Ellen Crain
Specialist, Consumer Regulations
Supervision, Regulation and Credit

Topics

- Community development for CRA consideration
- Building relationships between banks and nonprofits
- Documentation requirements
- Aligning expectations
- Questions

Community Development for CRA Consideration

- Community development investments
- Community development lending
  - Finance construction or rehabilitation of affordable housing, including multifamily development or retail units
  - Support nonprofit organizations serving low- and moderate-income people or areas
  - Support community development needs or community facilities in low- and moderate-income geographies
  - Funding for local, state, or tribal government community development activities
  - Finance environmental cleanup or redevelopment of industrial sites as part of revitalization efforts
  - Finance economic development projects

Community Development Lending – Examples

- Construction of a 50-unit apartment building that will provide affordable housing to low- and moderate-income seniors
- Line of credit to a nonprofit that provides child care services to low- and moderate-income children
- Finance a community recreation facility in a low-income community that also houses an early education center, a job training program, and a senior health-care facility

Community Development Lending – Examples Continued

- Funding commitment to a county economic development revolving loan fund to leverage other funds to promote economic development by financing small business borrowers within the assessment area
- Loan for the construction of a manufacturing plant for economic development, which creates new jobs in a moderate income census tract

Building Relationships

- Understanding a bank's CRA strategy:
  - Who is the bank's CRA officer?
  - What types of projects are currently being funded?
  - What is the typical level of funding provided?
  - When and how does the bank consider requests?
  - Where can I connect with bankers?

Documentation Requirements – General

- CRA-eligible projects — what you need to have when approaching a bank:
  - Mission of the organization or entity
  - Type of project
  - Community development purpose
  - Key populations/geographies that will be served
  - Innovative or complex components
  - Timeline of project
  - Type of request — loan, investment/grant
  - Key impacts the project will have on populations/geographies

Documentation Requirements – Loan

- Funding request
  - Applicant
  - Type of request
  - Collateral
  - Projected cash flow/budget
  - Financial information (2–3 year history)
  - Sources and uses of funds
  - Property information
  - Nonprofit designation

Aligning Expectations

- Timeline for the project versus bank timelines
  - Funding cycles
- Amount of funding expected
  - Historical funding approvals
- Follow-up
  - Maintaining communication
- Measurement criteria
  - What constitutes success

Next Steps for LINC

Tesia Lemelle
Senior Specialist, Community Banking
Supervision, Regulation and Credit

The Program

Training
Interested nonprofit participants are asked to participate a training on the CRA and the program.

Application Process
Nonprofits that complete a training are invited to submit an application and organizational profile.

LINC Exchange
Up to 10 nonprofits will be invited to meet with community banks in the region and give a 10-minute structured presentation, providing an overview of the organization and the potential project for bank partnership.

LINC Exchange

- The June event will be from 8:30 a.m. to 12:00 noon.
- Participating organizations will receive a template presentation deck.
- Each organization will have 10 minutes to pitch its project to the financial institutions.
- Afterward, there will be two 15-minute matched sessions.
  - Financial institutions will pre-identify organizations to connect with about projects in more depth.
  - An additional 15-minute round will be allotted for matches made onsite.

Applying to LINC

- Steps to applying:
  - Present your community development project
  - Determine what type of support your organization is seeking
    - Is a grant or loan better suited for this project? Is it a combination?
    - Would your organization benefit from an additional service contribution from a bank?

Applying to LINC

- Steps to applying:
  - If seeking monetary support, note a dollar amount
  - Identify the type of project: affordable housing, economic development, etc.
  - List any current or potential future partners, including banks
  - Discuss the project's intended outcomes

Applying to LINC

- Tips
  - Be clear and concise about the project and the bank proposal
  - List intended outcomes for LMI communities, individuals, or small businesses
  - Manage your expectations

Where to Find the Application

https://www.philadelphiafed.org/community-development/linc-program

Leveraging Lending and Inv...

View Favorites Tools Help

gested Sites

Federal Reserve Bank of Philadelphia

Search

About the Fed | Research and Data | Education | Consumer Finance Institute | Bank Resources | Community Development | Newsroom

- Overview
- Community Outlook Survey
- Cascade
- Community Profiles
- Map Your Community
- Data Dashboard
- Events
- Meet Our Team
- Publications & Videos
- Leveraging Lending and Investments for Nonprofits & Communities (LINC)
- Regional Visiting Scholars Program
- Related Links

Home > Community Development > Leveraging Lending and Investments for Nonprofits & Communities (LINC)

Leveraging Lending and Investments for Nonprofits & Communities (LINC)

LINC is a program from the Federal Reserve Bank of Philadelphia designed to strengthen nonprofit knowledge and capacity on the Community Reinvestment Act (CRA) and to facilitate relationship-building between Third Federal Reserve District community development organizations and community banks. LINC builds on the Philadelphia Fed's expertise and training on the CRA by creating an interactive online platform for groups to access information and training on this topic.

The Federal Reserve Bank of Philadelphia developed this program recognizing that there are a number of community-based organizations with project needs that support low- and moderate-income communities that could be met with CRA support. By pairing interested banks with eligible community development activities, LINC will facilitate communication and collaboration between banks and the community development sector, and it will create a community of learning about new opportunities and innovations in bridging capital and communities under CRA.

The Program

Interested participants from community-based organizations are asked to participate in two training webinars designed to enhance knowledge on the CRA's application and to build a framework for discussing their work in the context of the CRA. Participants will be invited to submit an application with an organizational profile to be considered for an in-person LINC event, where they will be have the opportunity to present their project and connect with community banks in the region.

- **Webinar 1: CRA 101**
  This webinar will provide a high-level overview of the CRA.
- **Webinar 2: Community Development Projects Under the CRA**
  This webinar will focus on building capacity and the steps needed to create an effective partnership. This webinar will specifically address the documentation, planning, and best practices to frame a community development project under the CRA.

Application Process

Interested nonprofits that complete at least one of the two webinar trainings will be invited to submit an application and organizational profile to LINC.

Click here to apply for the program.

More information on the program can be found here. Please contact Sydney Diavua (215-574-3854) or Tesia Lemelle (215-574-3931) with any questions.

Contact Us

Federal Reserve Bank of Philadelphia
Ten Independence Mall
Philadelphia, PA 19106-1574
Phone: (215) 574-6037
Fax: (215) 574-2512

Next Steps in the LINC Process

Application and organization profiles for LINC are due: **April 5, 2019**

Applicants are notified of selection:
April 29, 2019

One-on-one calls with selected organizations:
May 6–24, 2019

In-person event:
June 11, 2019

Questions

Resources

Resources

- CRA OneSource: https://www.kansascityfed.org/community/cdi/craonesource
- FFIEC.gov.
- "Banks' Community Reinvestment Act (CRA) Opportunities for Promoting Job Creation, Workforce Development, and Place-Based Investments," Federal Reserve Bank of Philadelphia. https://philadelphiafed.org/egmp/publications/banks-community-reinvestment-act-opportunities.
- "Healthy Communities: A Framework for Meeting CRA Obligations," Federal Reserve Bank of Dallas. https://www.dallasfed.org/cd/housing/healthy.
- "Engaging Workforce Development: A Framework for Meeting CRA Obligations," Federal Reserve Banks of Kansas City and Dallas. https://www.kansascityfed.org/~/media/files/publicat/community/workforce/2017-engaging-workforce-cra-framework.pdf?la=en.
- "Closing the Digital Divide: A Framework for Meeting CRA Obligations," Federal Reserve Bank of Dallas. https://www.dallasfed.org/cd/pubs/digitaldivide.aspx.

CRA Resources

- **Interagency Questions & Answers:**
  www.ffiec.gov/cra/qnadoc.htm

- **CRA Examination Procedures:**
  www.ffiec.gov/cra/pdf/cra_exlarge9.pdf

- **Data Collection and Reporting:**
  www.ffiec.gov/cra/guide.htm

Supervision Resources

- ***Community Banking Connections*** (publication)**:** https://www.communitybankingconnections.org/
- **Ask the Fed:** https://bsr.stlouisfed.org/askthefed/public-users/login.aspx?ReturnUrl=%2faskthefed
- ***Consumer Compliance Outlook*** (publication)**:** http://www.consumercomplianceoutlook.org
- **Outlook Live:** http://consumercomplianceoutlook.org/outlook-live/
- ***Consumer Compliance Supervision Bulletin*****:** https://www.federalreserve.gov/newsevents/pressreleases/bcreg20180726a.htm

News and Events

- **Board of Governors of the Federal Reserve System:**
  www.federalreserve.gov/newsevents/default.htm

- **Office of the Comptroller of the Currency:**
  www.occ.gov/news-issuances/index-news-issuances.html

- **Federal Deposit Insurance Corporation:**
  www.fdic.gov/news/news/financial/

LINC Contact Information

Sydney Diavua

Community Development and Regional Outreach

Office: 215-574-3854

Sydney.Diavua@phil.frb.org

Tesia Lemelle

Supervision, Regulation, and Credit

Office: 215-574-3931

Tesia.Lemelle@phil.frb.org

Micah Spector

Supervision, Regulation, and Credit

Office: 215-606-7062

Micah.Spector@phil.frb.org

Ellen Crain

Supervision, Regulation, and Credit

Office: 215-574-3879

Ellen.Crain@phil.frb.org