



Broadband and the Community Reinvestment Act (CRA)

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The CRA

- The Community Reinvestment Act (CRA)
- Federal law passed in 1977
- Encourages banks to meet the credit needs of the communities they're licensed to serve
- Including low- and moderate-income neighborhoods
- Consistent with safety and soundness
- **Collaborative, innovative, relational**

2016 Interagency Question and Answer

- Broadband is included as a form of infrastructure investment—an essential community service
- The CRA service test— banks should show evidence that “alternative delivery systems” using online banking and financial technology are being adopted and are effective in providing services to LMI individuals
- Economic development:
 - Workforce development was included in the CRA; added workforce development/job training examples
 - Small business development was included in the CRA; added an example to include supporting technical assistance for businesses in the use of technology

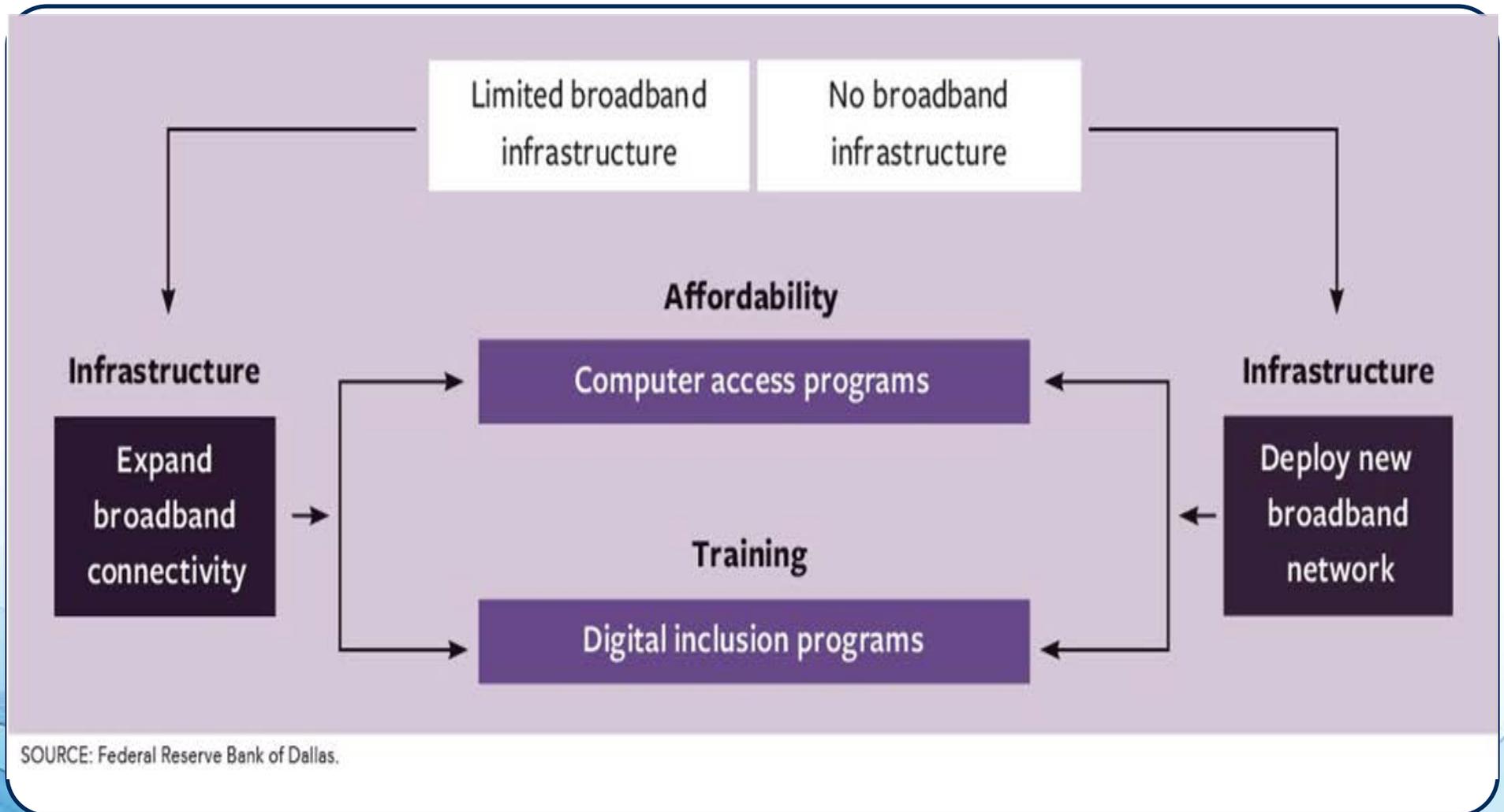
Broadband is essential to ...

- Access digital banking services, particularly in light of shift away from branch-based delivery systems
 - Promote economic development as small businesses become more reliant on related technologies for payment processing systems, remote deposit capture, access to credit facilities and markets, and to deliver products
 - Important to competitiveness, job creation, innovation, and expansion of markets for American businesses

Broadband in Community Economic Development

- Essential Infrastructure
- Education
- Workforce Development
- Access to Financial Services
- Small Business Development
- Affordable Housing
- Health Care

Opportunities for CRA Lending, Service and Investment: All Three Areas of Digital Inclusion

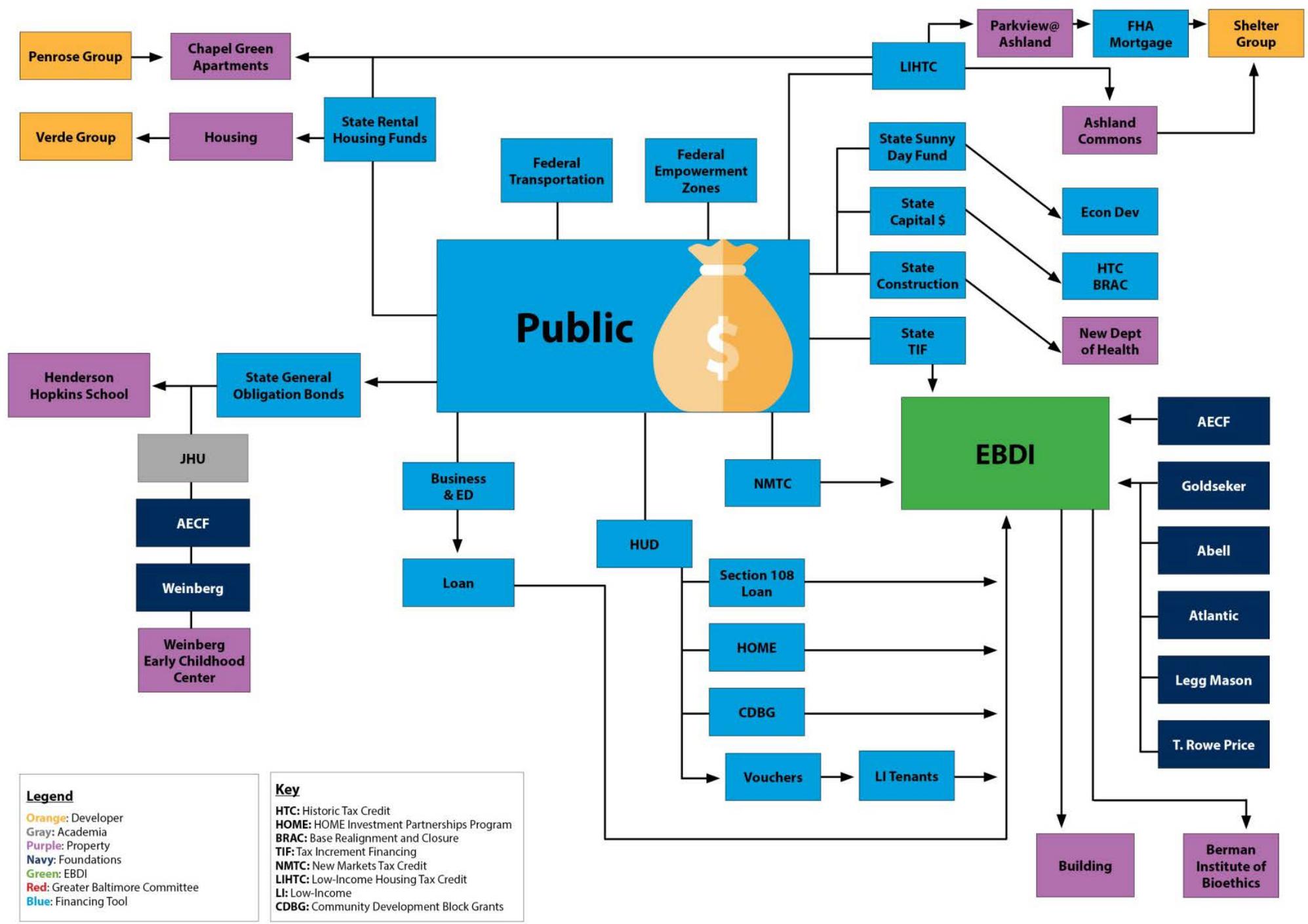


CRA Contributions and Financing in Broadband and Digital Inclusion

- New Markets Tax Credits-NMTC for broadband infrastructure
- Interim Construction Loans for fiber optic infrastructure deployment and expansion
- Equity Investments
- Equity Equivalent Investments (EQ2)
- Grants for digital inclusion programs: Digital skills in workforce development, closing the homework gap, financial literacy/online & mobile banking, small business technical assistance in the access and use of digital platforms, etc.
- Low-income Housing Tax Credits (LIHTC)
- Grants and/or loans for broadband infrastructure, such as last-mile infrastructure: WiFi Mesh Networks, WiFi hotspots, etc.



Diagram 1: Financing Tools, Projects and Actors in Phase 1 Redevelopment of East Baltimore



Opportunity Zones: Layer and Leverage the Capital Stack



Opportunity and Revitalization Council

- Thirteen federal agencies and led by the Housing and Urban Development Secretary
- The council will work to prioritize opportunity zones in a variety of federal efforts, including grant funding, loan guarantees, infrastructure spending and crime prevention.
- 150 potential actions – i.e. USDA water infrastructure and rural broadband spending in certain zones, or SBA focusing certain loan programs in designated tracts.
- Disaster recovery

Example: Investment

- RS Fiber (Minnesota) Cooperative
- 10 cities formed a Joint Powers Agreement Board – issued a generally obligated tax abatement bond \$13.6m in two phases, including construction (the bond payments were covered by member fees instead of property tax increases)
- 6,000 HHs, businesses, farms, schools, public and private institutions, hospitals,
- Fiber to the Home; 700 square miles; development cost \$53m

Example: Investment

- Multilayered financing
- Banks; federal, state and local gov'ts; CDFI; private foundation; private equity investors; member revenues
- Bank's \$50,000 Investment – engineering and predevelopment work; catalyst for construction financing; PWI authority
- Phase 1 Construction – bond, public and private debt, grants, equity investments, member payments (13 towers for wireless + 17 townships, FTTH,)

Example: Investment

- Construction credit - Banks
- Preferred stock in RS Fiber under PWI Authority - Bank
- Loans and Grants – Rural Electric Economic Development
- Debt Financing – CDFI
- Rural Economic Development Grant – USDA
- Rural Economic Development Loan - USDA

Example: Public Welfare Investment Authority (PWI)

- OCC's public welfare investment (PWI) authority
 - National banks may make investments, directly or indirectly, that are primarily designed to promote the public welfare such as by providing housing, services, or jobs, under the investment authority in 12 USC 24 (Eleventh) and the implementing regulation, 12 CFR 24.
 - By “investments,” - both equity investments and debt investments, such as equity equivalent investments or other debt.
 - Support for affordable housing and other real estate development
 - Equity for start-up and expansion of small businesses
 - Investments in CDFIs
 - Activities that help to revitalize or stabilizing a government-designated area

PWI

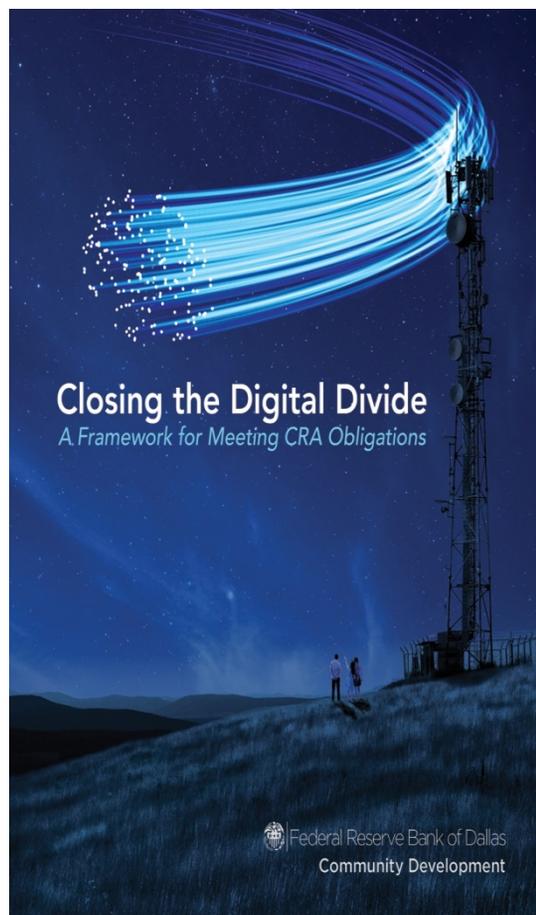
- Other financial institutions follow different PWI rules:
- Federal savings associations are supervised by OCC. However, they follow statutory and regulatory authorities that are different than for national banks.
- Non-member state banks are supervised by the Federal Deposit Insurance Corporation.
- Member state banks and holding companies are supervised by the Federal Reserve System .
- Financial institutions should consult with their respective regulators about whether a PWI would be considered consistent with their respective investment authorities.

Resources

- To accompany the 2016 Q & A, the Fed published “Closing the Digital Divide: A Framework for Meeting CRA Obligations” to provide the rationale and “How to” for banks and their community partners. Visit: www.fedcommunities.org or www.dallasfedcomdev.org
- New York Fed published teaching activities for CRA trainings, “A Case Study on Closing the Digital Divide,” www.newyorkfed.org
- The Fed published, “Preparing Workers for the Expanding Digital Economy” to provide an expanded discussion of why digital inclusion *is* workforce development. Visit: <https://www.dallasfed.org/cd/digital.aspx>
- For an expanded discussion on closing the digital divide and health care access, “Telehealth Initiatives Highlight the Need to Close the Digital Divide,” visit: <https://www.dallasfed.org/cd/pubs/telehealth.aspx>
- OCC’s Rural Broadband Financing and Development resources page at www.occ.gov/rural



Resource: Closing the Digital Divide, Federal Reserve Bank of Dallas



A Template for Financial Institutions to Tell Their CRA Story

PART FIVE

Your Financial Institution's Community Development Story

Section A: Background

I. Your mission and/or purpose

II. Your geographic market(s):

A discussion of demographic data related to income, deposit market share, Home Mortgage Disclosure Act market share, CRA small-business/small-farm share and identified needs. For demographic information, a bank can use the Census Bureau data (some of which is provided in this report), the broadbandmaps and the community's economic development plan.

III. Define the CRA

Below is sample text.

- "Under the Community Reinvestment Act (CRA), it is our responsibility to identify and invest in low- and moderate-income (LMI) communities. These activities must benefit both our financial institution and these communities."
- "The CRA defines community development as that which encompasses affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies, designated disaster areas or distressed or underserved nonmetropolitan middle-income geographies designated by the Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC)."

IV. Examples of how your financial institution has met your CRA obligations

Below is sample text.

- "There is a distinct digital divide in our assessment area (see NTIA broadband map for our assessment area below) and this is how LMI people are affected. ... Our work with (give name of partner, such as nonprofit, economic development center or school) to bring broadband infrastructure to LMI communities is designed to revitalize and stabilize the LMI geography. ... (Provide evidence of impact on workforce development, access to health care through telemedicine, small-business development or improved educational outcomes.)"
- "Specifically, we provided a grant (amount) to offer home Wi-Fi and computers, as well as training for students at the local high school to help close the homework divide. The majority of students at the high school are LMI (>51 percent of the students qualify for free and reduced lunches.)"

Part Five is a template a financial institution can use to tailor its own community development story and recognize ways to demonstrate leadership, responsiveness, and innovation



Resource: A Case Study on Closing the Digital Divide Federal Reserve Bank of New York



Investing in Our Communities: A Case Study on Closing the Digital Divide

The case study follows the events in New Amsterdam, a fictional urban area that has suffered economic hardship.

Source: Federal Reserve Bank of New York Community Development

Resource: The Playbook

North Carolina Broadband Office

North Carolina's Broadband Office Releases a [Community Playbook](#)



“This resource is presented as a guide to help communities create incentives and favorable policies, enabling them to build new partnerships with broadband providers and to increase broadband access throughout their communities.”

Source: NC Broadband Office

What Communities Need to Know about CRA

- Financially safe and sound strategic partnerships
- Reputation soundness
- Plans with measurable milestones, how mission “qualifies” for credit under the CRA, actual programming
- Articulate how funds will be used, the benefit/impact to the financial institution, the organization, as specifically LMI persons or geographies.
- Promote concept as something that can be integrated into the institution’s short- and long-term business plan

What Communities Need to Know about CRA

- Explore needs of the least-served areas, where opportunities may be greatest and the competition is least
- Use government programs as resources to enhance opportunities to manage and mitigate risk
- Compare and contrast products and services offered to the needs of the area
- Become a strategic partner
- Target loans, investments, and services to benefit LMI individuals or geographies
- Fulfill community development goals and objectives