



# Leveraging Lending and Investments for Nonprofits and Communities (LINC)

February 4, 2021



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**NOTE:** The Federal Reserve Bank of Philadelphia is not a grantmaking organization. The purpose of the Leveraging Lending and Investments for Nonprofits and Communities (LINC) program is to facilitate education, information sharing, and potential opportunities related to the CRA. The Philadelphia Fed does not endorse or make any representations as to the propriety or suitability of the participating organizations, investments, or programs. Organizations should perform their own due diligence before engaging in any transactions with these entities to ensure that any such transactions meet the organization's objectives.

# 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
- Racial Equity and LINC
- Next steps with LINC
- Questions

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# What Is LINC?

Tesia Lemelle, Program Manager  
Supervision, Regulation, and Credit

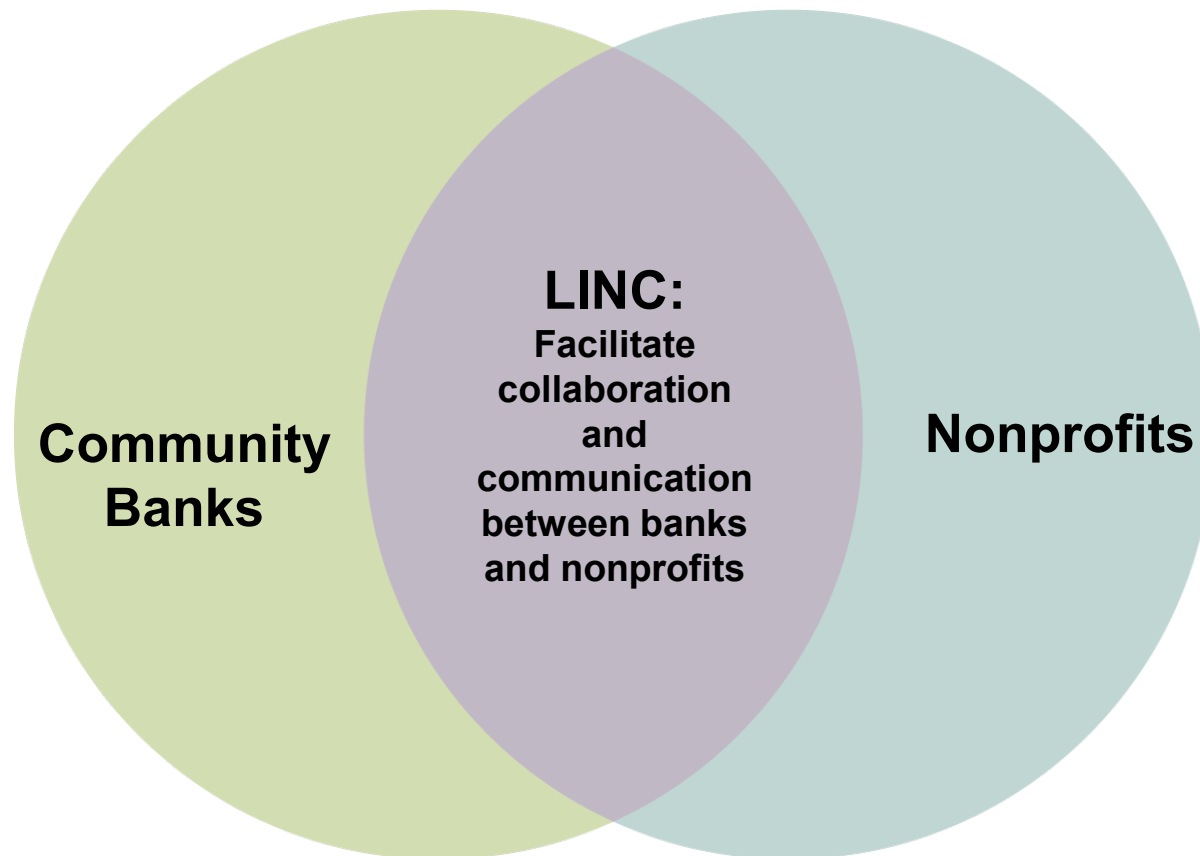
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## What Is LINC?

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

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

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


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**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 a 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 and other funders in the region and give a 10-minute structured presentation, providing an overview of the organization and the potential project for partnership.



# What LINC Participants Can Gain



# LINC's Focus and Geography



LINC will be open to the five-county area and strongly encourages nonprofits or projects with a racial equity focus or with Black, indigenous or person of color (BIPOC) leadership

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# The Community Reinvestment Act

Micah Spector, Manager  
Supervision, Regulation, and Credit

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# 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.

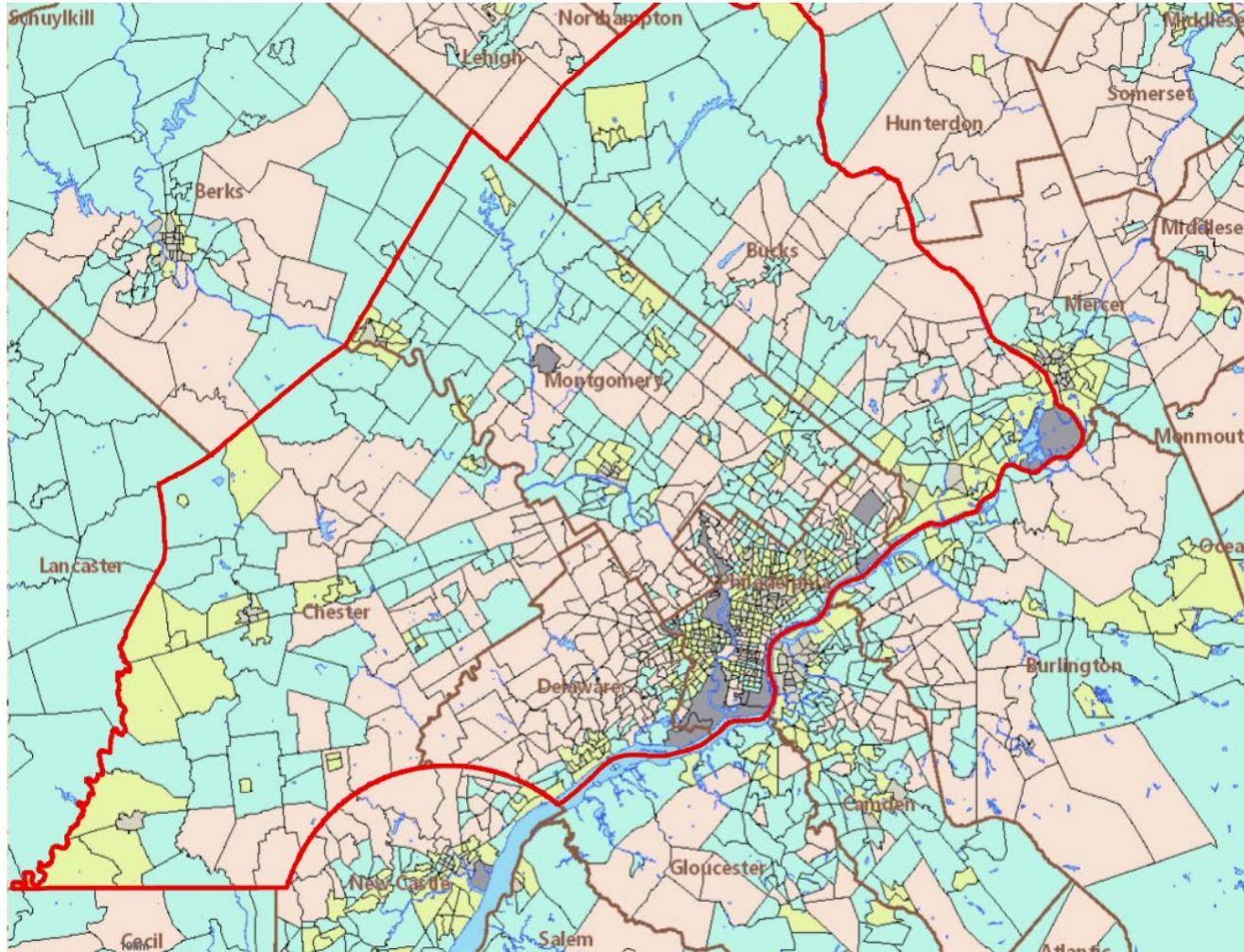
- Written performance evaluations are public, including the bank's rating and lending data.
- Performance evaluations can be found at [www.ffiec.gov/craratings/default.aspx](http://www.ffiec.gov/craratings/default.aspx).

# The Community Reinvestment Act

## Assessment areas

- Each county is broken down into census tracts
- Each census tract is classified as low-, moderate-, middle-, or upper-income, based on the median family income of the corresponding geographic area (such as MSA or non-MSA area)
- Median family incomes:
  - Montgomery, Bucks, and Chester counties: \$99,939
  - Philadelphia and Delaware counties: \$56,411

# Philadelphia MSA



**LEGEND**  
2015 Census Year

**INCOME**

- Low
- Moderate
- Middle
- Upper
- Unknown

**FEATURES**

- AA Boundary
- Water Body



# 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
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- 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  
Supervision, Regulation, and Credit

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# 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 childcare 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

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# Racial Equity and LINC

Samantha Porter, Community Engagement Advisor and Outreach Manager  
Federal Reserve Bank of Philadelphia

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# What Is Racial Equity?

## Equity vs. Equality

- What is the difference between equity and equality?
- Why is this important?



# What Is Racial Equity?

The just and fair inclusion in an economy in which all can participate, prosper, and reach their full potential, so that race can no longer predict life outcomes.<sup>1</sup>

1. Definition adapted from Government Alliance on Race and Equity (GARE) and PolicyLink

## Racial equity means:

“Closing the gaps” so that race does not predict one’s success, while also **improving outcomes for all**

To do so, have to:

- ✓ Target strategies to focus improvements for those worse off
- ✓ Move beyond “services” and focus on changing policies, institutions, and structures

Slides courtesy of partnership training presented by Local and Regional Government Alliance on Race and Equity (GARE) and Race Forward.

# Asking Different Questions

FROM:



TO:

## Blame

Who's a racist?

## Intentions

What did they mean?  
What was their attitude?

## Prejudice

What beliefs made them do it?

## Grievance

How can we fix what just happened?

## Causes

What's causing the racial inequities?

## Effects

What were the actions?  
What are the impacts?

## Systems

What institutions are responsible?

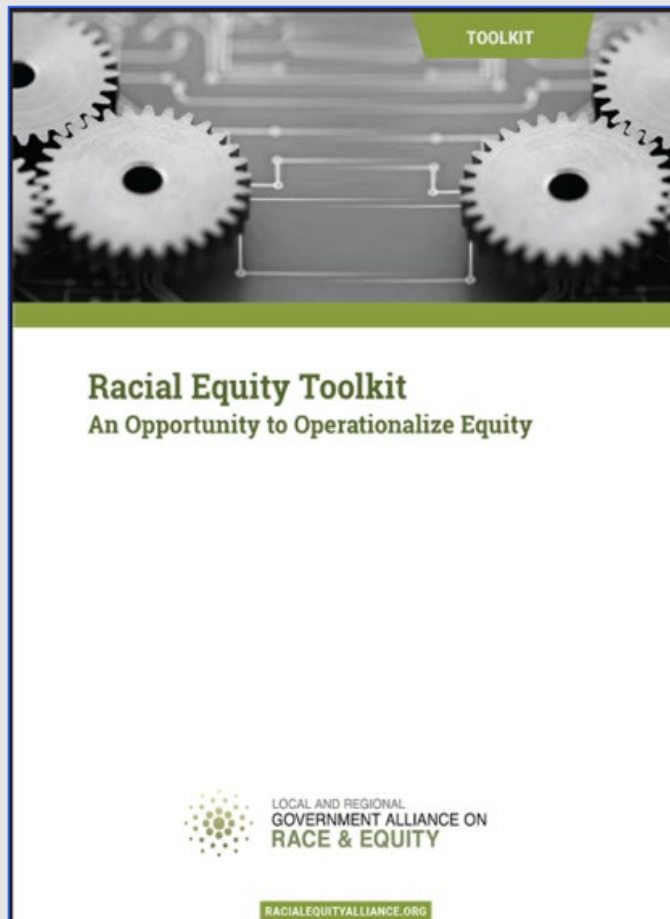
## Solutions

What proactive strategies and solutions?

# Choice Points

As you work on your application:

- Identify the desired outcome for your project.
  - What are five (or more) factors that are impacting your desired results?
    - Existing and needed policies
    - Existing or needed practices
    - Decision-making process
    - Available data/disaggregated data



[www.racialequityalliance.org/resources/racial-equity-toolkit-opportunity-operationalize-equity/](http://www.racialequityalliance.org/resources/racial-equity-toolkit-opportunity-operationalize-equity/)



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# Next Steps for LINC

Samantha Porter, Community Engagement Advisor and Outreach Manager  
Federal Reserve Bank of Philadelphia

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# 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 May event will be held virtually.
- Participating organizations will receive a template presentation deck.
- Each organization will have 10 minutes to pitch its project to the financial institutions and other funders.

# 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:

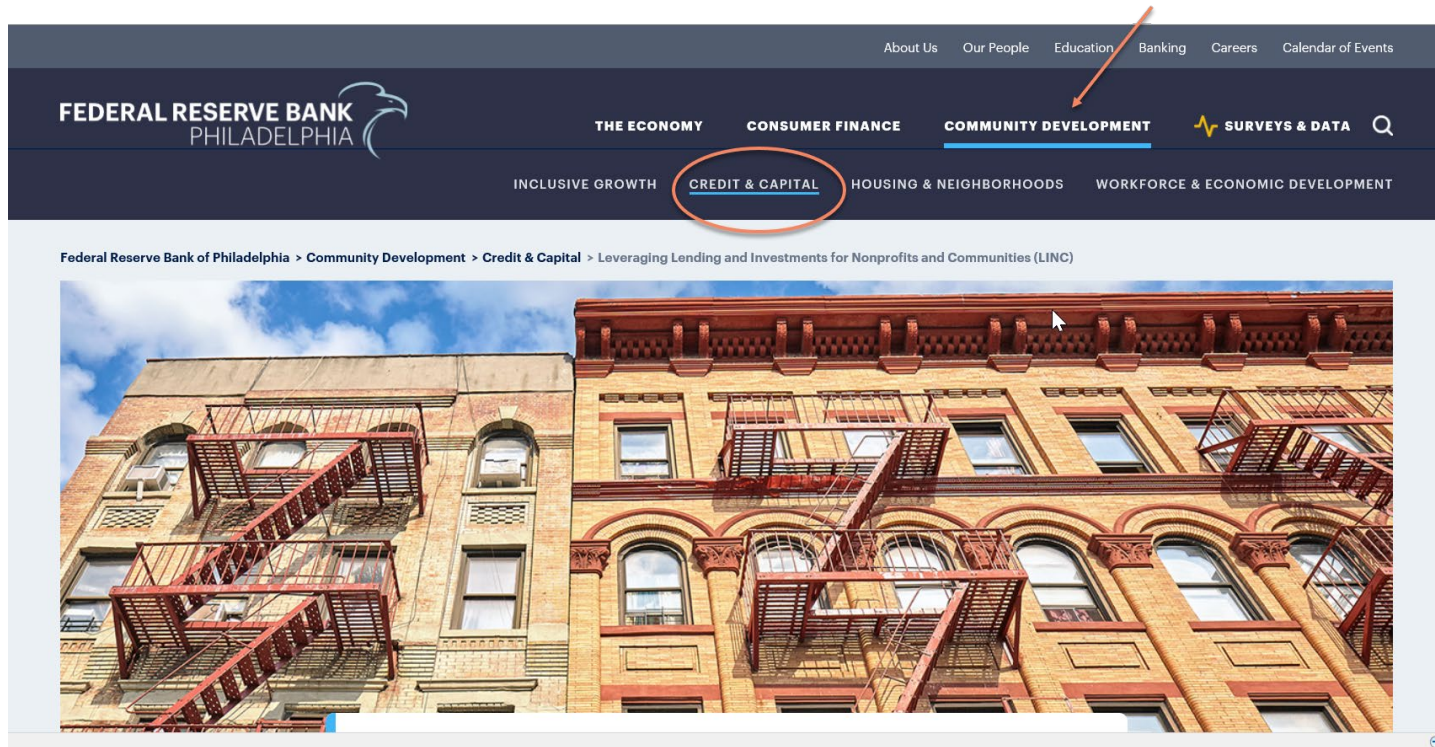
- If seeking monetary support, note a dollar amount
- Identify the type of project: affordable housing, economic development, etc.
- List any current or potential future partners, including banks
- Discuss the project's intended outcomes

# 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



[Federal Reserve Bank of Philadelphia](#)  
[Direct Link to Application](#)

## Next Steps in the LINC Process

Application and organization profiles for LINC are due: **February 26, 2021**

Applicants are notified of selection:  
**Week of March 29, 2021**

One-on-one calls with selected organizations:  
**April 7–23, 2021**

Virtual event:  
**May 4, 2021**



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# Questions

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# Resources

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# Resources

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

# CRA Resources

- **Interagency Questions & Answers:**  
[www.ffiec.gov/cra/qnadoc.htm](http://www.ffiec.gov/cra/qnadoc.htm)
- **CRA Examination Procedures:**  
[www.ffiec.gov/cra/pdf/cra\\_exlarge9.pdf](http://www.ffiec.gov/cra/pdf/cra_exlarge9.pdf)
- **Data Collection and Reporting:**  
[www.ffiec.gov/cra/guide.htm](http://www.ffiec.gov/cra/guide.htm)

# Supervision Resources

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

# News and Events

- **Board of Governors of the Federal Reserve System:**  
[www.federalreserve.gov/newsevents/default.htm](http://www.federalreserve.gov/newsevents/default.htm)
- **Office of the Comptroller of the Currency:**  
[www.occ.gov/news-issuances/index-news-issuances.html](http://www.occ.gov/news-issuances/index-news-issuances.html)
- **Federal Deposit Insurance Corporation:**  
[www.fdic.gov/news/news/financial/](http://www.fdic.gov/news/news/financial/)

# LINC Contact Information

## Samantha Porter

Community Development and Regional Outreach

Cell: 215-498-9484

[Samantha.Porter@phil.frb.org](mailto:Samantha.Porter@phil.frb.org)

## Tesia Lemelle

Supervision, Regulation, and Credit

Cell: 267-559-1820

[Tesia.Lemelle@phil.frb.org](mailto:Tesia.Lemelle@phil.frb.org)

## Micah Spector

Supervision, Regulation, and Credit

Office: 215-606-7062

[Micah.Spector@phil.frb.org](mailto:Micah.Spector@phil.frb.org)

## Ellen Crain

Supervision, Regulation, and Credit

Office: 215-574-3879

[Ellen.Crain@phil.frb.org](mailto:Ellen.Crain@phil.frb.org)

**General LINC mailbox: [Phil.LINC@phil.frb.org](mailto:Phil.LINC@phil.frb.org)**