

After the Crisis: The Roles and Responsibilities of Banking Institutions in Financing Community Development

**ROBIN NEWBERGER
MICHAEL V. BERRY**

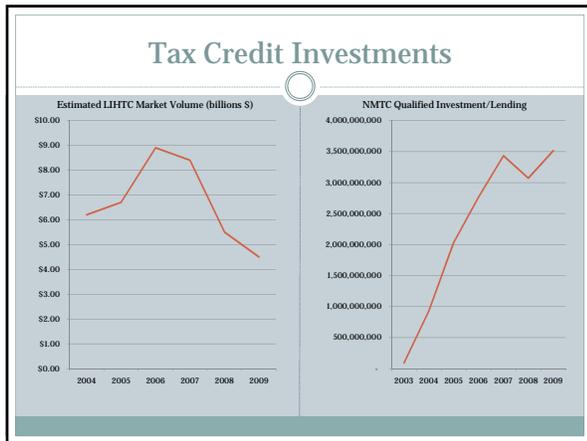
**FEDERAL RESERVE COMMUNITY AFFAIRS
RESEARCH CONFERENCE
APRIL 29, 2011**

Study Question

How has the financial crisis affected bank support of community development?

Part 1: Data

DATA SOURCES	
The Senior Loan Officer Opinion Survey (January 2011)	National Community Investment Fund (NCIF) (2009)
Home Mortgage Disclosure Act (2009)	Opportunity Finance Network (OFN) (September 2010)
CRA National Aggregate Data (2009)	Low Income Housing Tax Credit Investment Survey, Ernst and Young, (2009)
FDIC Quarterly Banking Profile Time Series Spreadsheets (September 2010)	CDFI Fund (2009)



- ### Summary of Data
- Less home mortgage and small business lending flowed to low- and moderate-income neighborhoods
 - but not disproportionate to the decline in lending overall
 - Banks do not expect lending standards to return to their long-run norms until after 2012
 - or standards will remain tighter than longer-run average
 - Community development loan funds have slowed their pace of originations.
 - A diverse group including insurance companies and other large corporations has recently shown interest in tax credits.

- ### Part 2: Perspectives from the Community Development Finance Field
- Finding #1:**
- Community development activities have remained largely the same at large banks.
 - Some lines of business phased out. Some functions re-organized or cut.

Finding #2

- Lending by smaller and mission-driven depositories has decreased (per-institution) because of bank failures and capital constraints.

Finding #3

- Community development intermediaries or low- and moderate-income borrowers are not seen as riskier prospects after the financial crisis.

Finding #4

- There are new community development opportunities for (well-capitalized) lenders and investors.

Finding #5

- Bankers perceive renewed diligence in fair lending and CRA examinations stemming from environmental changes.

Policy Implications

- Large banks have “mainstreamed” community development.
- Consolidations at large banks create a greater distance from local needs.
- The stage is set for community development banks to rethink some of their lending strategies.
