

Federal Reserve Helps Communities and Consumers Respond to Challenging Times

By Paul Wenske, Senior Community Affairs Advisor

The Federal Reserve System's economic growth objectives are not focused solely on big business and large financial institutions. A truly strong economy is one that has growth, and opportunity, for individuals at all levels.

To help meet this need, [Community Affairs](#) Departments at each of the 12 Federal Reserve Banks are focused on promoting community development and fair and impartial access to financial products. In a challenging economy, the need for innovative research, relationship building and a broad capacity to share information with diverse stakeholders is even more critical.

The Federal Reserve and its Community Affairs programs are well-positioned to meet that challenge, taking policymakers to the front lines of the important community issues through a range of initiatives, including roundtables, directed research and [advisory councils](#). With its access to financial institutions, economists and community development experts, the Federal Reserve Bank of Kansas City also has the ability to link nonprofits and small businesses to potential funding sources and assist cities and grassroots groups to help residents in underserved areas.

The Kansas City Fed serves the [Federal Reserve's Tenth District](#), which includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. The Community Affairs staff draws on the Fed's credibility and broad geographic reach to serve all seven states through branch offices in Denver, Oklahoma City and Omaha. While the Kansas City Fed tailors programs to the needs of its region, it shares goals with the 11 other Federal

Reserve Banks and the Board of Governors, giving it the ability to collaborate on successful programs that can be replicated regionally and nationally.

Within the Tenth District, Community Affairs focuses on five strategic areas: neighborhood stabilization; consumer financial stability; economic development that spurs entrepreneurship; capacity-building for nonprofits; and programs that assist lenders in identifying community development investment opportunities.

At the heart of its mission are the integration of research, relationship-building and the capacity to be a reliable resource of information on low- and moderate-income populations, allowing Community Affairs to assist its diverse stakeholders to respond more effectively to emerging challenges.

Research and Analysis

Research is a key component in developing programs to address community needs. The most visible evidence recently has been in the dissemination of foreclosure data and trends to cities and community organizations dealing with the effects on troubled borrowers and distressed neighborhoods.

For example, in 2007, as Kansas City was feeling the brunt of the foreclosure crisis, the department's senior economist published research showing the roles played by subprime and other non-traditional mortgages and falling home values. The research helped bring together concerned business and civic and nonprofit leaders, who met at the Bank to discuss ways to respond to the spread of foreclosures.

The meeting resulted in the Greater Kansas City Foreclosure Task Force, which remains active two years later. Task force recommendations have led to city and state initiatives ranging

from better upkeep of vacant homes to protecting tenants innocently caught up in foreclosures. More recently, the task force began studying promising post-foreclosure projects in other cities to see if they might work in Kansas City.

Another research project has found signs that District businesses can benefit from well-designed [financial education programs in the workplace](#). Workers in Kansas City and Omaha made better personal financial decisions, and employers found themselves with less-stressed employees. The project was in collaboration with United Way of the Midlands in Omaha and the University of Nebraska at Omaha.

The department has also implemented an innovative survey of nonprofit organizations that assist low- and moderate-income (LMI) individuals. The quarterly [LMI survey](#) is designed to measure the financial conditions of that population as well as the capacity of the nonprofit organizations to continue to serve their clientele. Research not only serves local partners but is broadly disseminated throughout the Federal Reserve System, providing insight to Fed policymakers.

Relationship Building

The role of Community Affairs has grown significantly since it was created in the 1980s to support the implementation of the [Community Reinvestment Act](#).

At its founding, Community Affairs mainly helped banks understand their responsibilities and incentives under the act to reinvest in their communities. But as it became more active in development issues, Community Affairs forged new relationships with nonprofit community groups. Over the years, the staff has sought out new opportunities for collaboration to assist low- and moderate-income populations.

For example, the Oklahoma City Branch collaborates with the Oklahoma Asset Building Coalition to conduct listening sessions around the state to assess the economic pressures and barriers facing Oklahomans. Information gathered is used to advise financial institutions, community organizations and policymakers on promising practices that promote economic security in underserved communities.

The Denver Branch has a long relationship with the Bureau of Indian Affairs and the New Mexico Tribal Homeownership Coalition, which this year led to collaboration on a [*Borrowing Guide for Tribal Members*](#). The purpose of the guide is to identify ways to reduce the processing time for tribal members to obtain loans.

Across its seven-state region, the Kansas City Fed has joined with hundreds of community partners, including lenders and consumer credit counselors, to sponsor [*Money Smart Week*](#) and similar events in Nebraska, Kansas City, Oklahoma City and Denver. This national program, aimed at helping individuals make wise financial decisions, annually draws thousands of consumers to events that range from budgeting to investment strategies. Reaction has been overwhelmingly positive.

On a national level, the Kansas City Fed and the Center for Social Development at Washington University in St. Louis in June co-hosted the second annual meeting of state-assets coalitions, bringing together development leaders from more than 30 states to discuss the needs of underserved communities.

These are but a few of the hundreds of relationships that have resulted in initiatives dedicated to serving the low- to moderate-income community. A list of the hundreds of programs in this area can be found online by [following this link](#).

Resource Development

As needs have grown, so has the role of Community Affairs, which has expanded its menu of educational programs, workshops and seminars to support not only community organizations, but also consumers directly.

Aligned with its strategy to be a resource for affordable housing, Community Affairs departments are working with the HOPE Now Alliance and NeighborWorks America to sponsor foreclosure-prevention workshops. The events bring consumers face-to-face with loan servicers and housing counselors.

More than 730 homeowners were served at the Kansas City workshop – twice the number expected. Many had never met with a counselor before. The large turnout was credited in part to working with local stakeholders on grassroots marketing campaigns that featured direct mailings and media coverage aimed at consumers.

The Denver workshop attracted more than 525 homeowners, who could meet with staff from seven counseling agencies brought in by the Colorado Foreclosure Task Force. The workshops in both cities also featured roundtables where loan servicers and housing counselors discussed the obstacles, challenges and opportunities that exist in serving homeowners struggling with their mortgages.

The Internet is also a major tool for community development. An online [Foreclosure Resource Center](#) provides a four-step approach for communities to address neighborhood foreclosures. Interactive maps show up-to-date foreclosure and credit data. This is in addition to information on conferences, presentations and research on everything from money management to business development.

The Future

As the nation's central bank, the Federal Reserve has the reputation and national influence necessary to engage lenders, community organizations, city and state leaders, and the small business community around significant issues, especially those involving the financial well-being of the nation's most vulnerable citizens.

With more than 25 years of experience addressing the distinctive needs of their local markets, Community Affairs departments have become integral parts of their communities, keeping the Federal Reserve leadership focused on what is happening in the nation's diverse geographic regions, stretching far beyond Washington, D.C., and Wall Street.

Federal Reserve Bank of Kansas City President Tom Hoenig discussed the crucial and unique role that the Fed plays in community affairs during a recent speech.

“What other institution with 12 banks and all the branches that are out there in different locations across this country can work with communities like the Federal Reserve?” Hoenig asked. “There is none.”