

# Function

## Promoting Consumer Protection and Community Development

*The Federal Reserve advances supervision, community reinvestment, and research to increase understanding of the impacts of financial services policies and practices on consumers and communities.*

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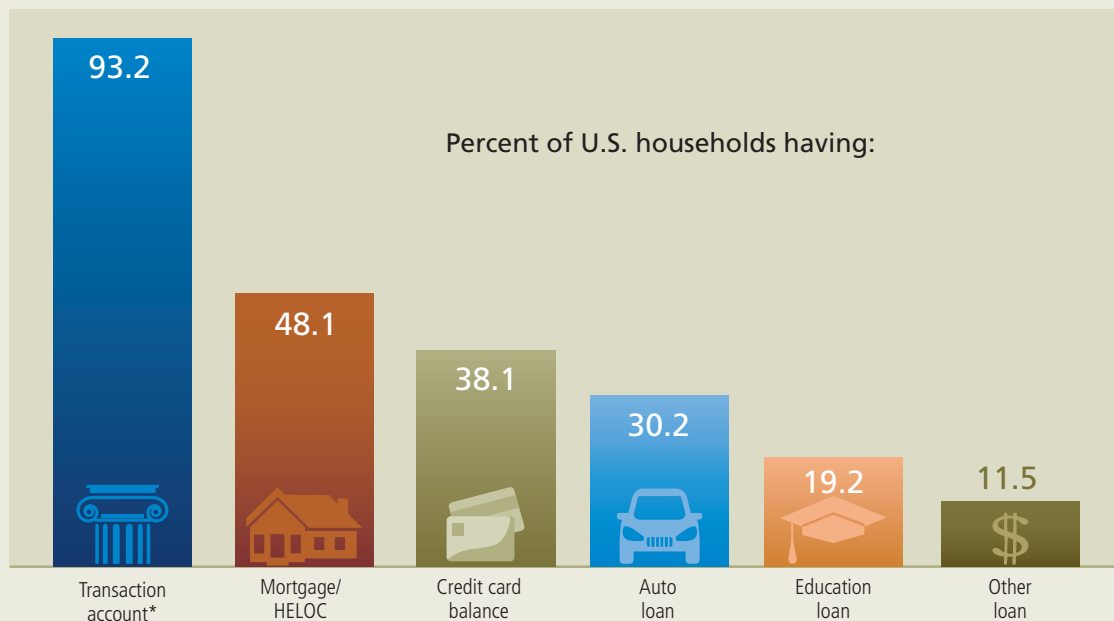
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The Federal Reserve is committed to ensuring that consumer and community perspectives inform Federal Reserve policy, research, and actions, with the mission of promoting a fair and transparent consumer financial services marketplace and effective community development, including for traditionally underserved and economically vulnerable households and neighborhoods.

To fulfill this responsibility, the Federal Reserve performs a number of functions to implement various consumer protection, fair lending, fair housing, and community reinvestment laws and to improve understanding of the dynamics of the consumer financial marketplace, including

### Figure 7.1. The Federal Reserve works to ensure that the financial institutions it supervises comply with laws that protect consumers

Federal Reserve survey data show that nearly all American families are involved in the financial services marketplace, whether as bank account holders, credit card users, or borrowers. The Federal Reserve's consumer-focused supervision and regulation, research and analysis, and community engagement programs help ensure that consumer and community perspectives inform supervisory and policy work.



\* Transaction account includes checking, savings, and money market deposit accounts; money market mutual funds; and call or cash accounts at brokerages.

HELOC Home equity line of credit.

Source: 2013 Survey of Consumer Finances (available in the Economic Research & Data section of the Federal Reserve Board's website, [www.federalreserve.gov](http://www.federalreserve.gov)).

- formulating and carrying out consumer-focused supervision and examination policy to ensure that financial institutions under its jurisdiction comply with applicable consumer protection laws and regulations and meet the requirements of community reinvestment laws and regulations;
- conducting rigorous research, analysis, and data collection to identify emerging consumer financial issues and assess their implications for economic and supervisory policy;
- engaging, convening, and informing key stakeholders to identify emerging issues and policies and practices to advance effective community reinvestment and consumer protection; and
- writing and reviewing regulations that implement consumer protection and community reinvestment laws.

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## Consumer-Focused Supervision and Examination

Various consumer protection, fair lending, fair housing, and community reinvestment laws apply to how financial institutions interact with their customers and their communities. A primary Federal Reserve responsibility to consumers is to ensure that the financial institutions under its jurisdiction comply with applicable laws and regulations established by Congress and the federal regulatory agencies.

### Who the Federal Reserve Supervises for Consumer Protection Laws and Regulations

The Federal Reserve supervises state member banks for compliance with consumer- and community-oriented laws (for a full discussion of state member banks, see [section 5](#), “Supervising and Regulating Financial Institutions and Activities,” on page 72). The Federal Reserve evaluates

- performance under the Community Reinvestment Act (CRA) for all state member banks, regardless of size;
- compliance by all state member banks, regardless of size, and their affiliates with the Fair Housing Act, the Servicemembers Civil Relief Act, the National Flood Insurance Act, prohibitions on unfair or deceptive acts or practices (UDAP) under the Federal Trade Commission Act, and certain other federal consumer financial protection laws not specifically under the Consumer Financial Protection Bureau's authority; and
- compliance by state member banks with total assets of \$10 billion or less with all federal consumer financial protection laws and regulations. (See [figure 7.2.](#))

In addition, the Federal Reserve serves as the consolidated supervisor for all bank holding companies and ensures that consumer compliance risk is appropriately incorporated into a holding company's consolidated supervision rating. The Federal Reserve has additional supervisory responsibility as the federal supervisor for savings and loan holding companies and the consolidated supervisor for foreign banking organizations and nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Federal Reserve under the Dodd-Frank Wall Street Reform and Consumer Protection Act. (For more details on entities the Federal Reserve supervises, see [section 5](#), "Supervising and Regulating Financial Institutions and Activities," on page 72.)

## How the Federal Reserve Supervises for Consumer Protection Laws and Regulations

The Federal Reserve Board of Governors, and the 12 Reserve Banks under delegated authority, have responsibilities for consumer compliance supervision of organizations under the Federal Reserve's jurisdiction.

The Board develops consumer compliance supervisory policies and identifies emerging issues; provides rigorous examiner training; and assists with the enforcement of fair lending, UDAP, and flood insurance

violations. Further, the Board evaluates applications involving bank or thrift holding companies or state member banks that present CRA or consumer compliance issues, or that receive adverse comments from external parties. The Board also works with other agencies to promote consistency in examination principles, standards, and processes. The Board's Division of Consumer and Community Affairs (DCCA) provides support to the Board in its consumer-focused supervisory activities.

### ***A Regional Approach to Supervision***

The Federal Reserve employs a regionalized approach to supervision. The Board has delegated its examination authority to the 12 Reserve Banks, which maintain consumer compliance supervisory programs that evaluate institutions for their level of compliance with applicable consumer protection laws, using policies set by the Board. Each Reserve Bank has a staff of examiners who conduct periodic compliance examinations at financial institutions under the Federal Reserve's supervisory authority, including state member banks and bank holding companies. Consumer compliance examiners review the policies and practices that pertain to consumer products and services offered at each of these institutions. The Board oversees these Reserve Bank programs and routinely evaluates their effectiveness.

The network of Reserve Banks across the United States is integral to the implementation of the Federal Reserve's supervisory policy and helps inform the Board's understanding of consumer financial services trends and issues that may be specific to some regions of the country.

Insights and examination findings from the Reserve Banks support the Federal Reserve's efforts to ensure that banking institutions effectively serve consumers and communities and treat consumers fairly in their credit and financial transactions.

### ***Risk-Focused Consumer Compliance Supervision***

The Federal Reserve applies a risk-focused approach to consumer compliance supervision, focusing most intensely on those areas involving the greatest compliance risk. This approach is designed to promote

strong compliance risk management practices at financial institutions and to enhance the efficacy of the Federal Reserve's supervision program while managing regulatory burden on many community banking organizations.

Under the Federal Reserve's risk-focused consumer compliance program for community banks, consumer compliance examiners follow procedures for assessing an individual financial institution's risk profile, including its consumer compliance culture and how effectively it identifies and manages consumer compliance risk, to determine the scope and resources needed when conducting an examination. The risk-focused examination program also incorporates ongoing supervision to help identify and, if necessary, address significant changes in the institution's compliance risk management program or in the level of consumer compliance risk present, as well as to ensure that supervisory information is up to date.

#### **Consumer Affairs (CA) letters**

To see the wide range of consumer issues addressed by the Federal Reserve through CA letters, visit the Banking Information & Regulation section, subsection Supervision, of the Board's website at [www.federalreserve.gov/bankinfo/reg/caletters/caletters.htm](http://www.federalreserve.gov/bankinfo/reg/caletters/caletters.htm).

The Federal Reserve also maintains a risk-focused program for assessing consumer compliance risk at bank holding companies in the System, to ensure that consumer compliance risk is effectively integrated into the holding company rating.

### ***Supervisory Policies and Guidance***

The Federal Reserve communicates significant consumer-related policy and procedural matters through Consumer Affairs (CA) supervisory letters. The Federal Reserve often works closely with other supervisors in crafting policy statements and guidance. CA letters can address a wide range of topics, such as foreclosures, privacy of consumer financial information, special legal protections for service members' credit transactions, and examination procedures for various consumer protection laws and regulations and the CRA.

### ***Interagency Initiatives***

Through its participation on the Federal Financial Institutions Examination Council (FFIEC), the Federal Reserve collaborates with other federal and state banking agencies on consumer financial supervisory guid-

## Figure 7.2. Federal consumer financial protection laws and regulations applicable to banks

Financial institutions must comply with a variety of laws and regulations that protect consumers. The Federal Reserve Banks, using policies set by the Board of Governors, maintain consumer compliance supervisory programs that evaluate institutions for their level of compliance with applicable consumer protection laws.

General banking	
Federal Trade Commission Act	Prohibits unfair or deceptive acts or practices in any aspect of banking transactions.
Gramm-Leach-Bliley Act (title V, subpart A), Disclosure of Nonpublic Personal Information*	Describes the conditions under which a financial institution may disclose nonpublic personal information about consumers to nonaffiliated third parties, provides a method for consumers to opt out of information sharing with nonaffiliated third parties, and requires a financial institution to notify consumers about its privacy policies and practices.
Depository accounts	
Electronic Fund Transfer Act/Regulation E*	Requires disclosure of the terms and conditions of electronic fund transfers. Protects consumers against unauthorized transfers and establishes procedures for resolving errors and disputes.
Expedited Funds Availability Act/Regulation CC	Limits hold periods on deposits made to depository institutions and requires appropriate consumer disclosures.
Truth in Savings Act /Regulation DD*	Requires uniform disclosure of terms and conditions regarding interest rates and fees associated with deposit accounts. Prohibits misleading and inaccurate advertisements.
Credit/general lending	
Truth in Lending Act/Regulation Z*	Requires lenders to clearly disclose lending terms and costs to borrowers, and incorporates the provisions of the Credit Card Accountability Responsibility and Disclosure Act, Fair Credit Billing Act, Fair Credit and Charge Card Disclosure Act, Home Equity Loan Consumer Protection Act, and Home Ownership and Equity Protection Act.
Fair Credit Reporting Act*	Protects consumers from unfair credit reporting practices and requires credit-reporting agencies to allow credit applicants to correct inaccurate credit reports.
Equal Credit Opportunity Act/Regulation B*	Prohibits creditors from discriminating on the basis of race, color, national origin, religion, sex, marital status, age, receipt of public assistance, and exercise of rights under the Consumer Credit Protection Act.
Community Reinvestment Act/Regulation BB	Encourages financial institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods.

Disclosure and Reporting of CRA-Related Agreements/Regulation G	Requires banks and their affiliates and other parties to make public certain agreements that are in fulfillment of the Community Reinvestment Act, and to file annual reports concerning the agreements with the appropriate agency.
Fair and Accurate Credit Transaction Act*	Amends the Fair Credit Reporting Act. Enhances consumers' ability to combat identity theft, increases the accuracy of consumer reports, allows consumers to exercise greater control over the type and amount of marketing solicitations they receive, restricts the use and disclosure of sensitive medical information, and establishes uniform national standards in the regulation of consumer reporting.
Servicemembers Civil Relief Act and Military Lending Act	Provides members of the military certain financial protections while on active duty.
<b>Mortgage lending</b>	
Fair Housing Act	Prohibits discrimination in the sale, rental, and financing of dwellings and housing-related transactions on the basis of race, color, national origin, religion, sex, handicap, or familial status.
Real Estate Settlement Procedures Act/Regulation X*	Requires that the nature and costs of real estate settlements be disclosed to borrowers. Also protects borrowers against abusive practices, such as kickbacks, and regulates the use of escrow accounts.
Home Mortgage Disclosure Act/Regulation C*	Requires mortgage lenders to annually disclose to the public data on the geographic distribution of applications and loans for originations, purchases, home-improvement, and refinancings. Requires lenders to report data on the ethnicity, race, sex, income of applicants and borrowers, and other data. Also directs the Federal Financial Institutions Examination Council, of which the Federal Reserve is a member, to make summaries of the data available to the public.
<b>Other financial topics</b>	
Flood Disaster Protection Act/Regulation H	Requires flood insurance in connection with loans secured by property located in a flood hazard area designated under the National Flood Insurance Program.
Consumer Leasing Act/Regulation M*	Requires disclosure of information about the costs and terms of consumer leases for vehicles and other personal property.

\* The Federal Reserve System does not examine for these laws and regulations for depository institutions with total assets in excess of \$10 billion.



ance. The FFIEC works to develop uniform principles, standards, and report forms for the federal examinations of financial institutions. These efforts promote the goal of supervisory consistency and uniformity across the banking industry.

The Board's FFIEC representative is advised by DCCA staff regarding policy, procedures, and guidance related to consumer compliance supervision. For more information on interagency supervisory initiatives, see "[Oversight Councils](#)" on page 81.

## How the Federal Reserve Enforces Consumer Protection Laws and Rules

After a consumer compliance examination, examiners issue a confidential report of examination, which includes a consumer compliance program rating that reflects the institution's performance with regard to consumer compliance. When an examination reveals that an institution's policies or practices do not comply with consumer protection rules and regulations, examiners cite violations in the report of examination and require management to correct the violations and address any program deficiencies. The Federal Reserve also has additional supervisory tools to ensure that bank management addresses consumer compliance program weaknesses, including informal and formal enforcement actions.

Formal enforcement actions include

- executing a written agreement between the Federal Reserve and the financial institution's board of directors or its management that requires the institution to take specified corrective action;
- issuing cease-and-desist orders to halt practices in violation;
- assessing civil money penalties, when appropriate, depending on the nature, severity, and degree of harm to consumers as a result of deficient practices; and
- ordering remedies or restitution to consumers affected by an institution's violations.

## Box 7.1. Making Compliance with Consumer Laws a Priority

The Federal Reserve's consumer compliance supervision program is founded on the expectation that consumer compliance risk management is an integral part of an institution's corporate-wide risk management.

A key goal is ensuring that each institution is in full compliance with federal consumer protection laws and regulations and has processes and programs in place to keep up with new or revised compliance requirements that may arise as laws, regulations, and bank products and services change. Examiners look for a number of indicators of an institution's management of consumer compliance risk:

- **Board of directors and senior management oversight.** Directors have ultimate responsibility for the risk taken by their institutions. Examiners seek to ensure that senior management is implementing strategies that effectively identify and control for consumer compliance risk.
- **Policies and procedures.** Examiners seek to ensure that an effective compliance program is in place with documented policies, procedures, and processes for monitoring and controlling compliance risks.
- **Risk monitoring.** Examiners seek to ensure that information management systems provide timely reports

to management on an institution's financial condition, operating performance, and risk exposure.

- **Internal controls.** Examiners seek to ensure that an institution's internal control structure allows it to effectively manage its consumer compliance risk, and creates effective lines of authority and responsibility.
- **Training.** Examiners seek to ensure that an institution provides its personnel with training regarding rules, regulations, policies, and procedures that impact the institution's business lines.

## Evaluating Performance under the Community Reinvestment Act

The Community Reinvestment Act encouraged depository institutions—commercial banks and savings institutions—to help meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with safe and sound operations. The CRA requires the Federal Reserve to evaluate each state member bank's CRA performance and assign one of four CRA ratings—Outstanding, Satisfactory, Needs to Improve, or Substantial Noncompliance. The CRA rating and conclusions, as well as the facts, data, and analysis that support the bank's rating, are summarized in a publicly available performance evaluation.

CRA examiners assess a bank's performance using examination procedures tailored to the bank's size and the type of business it does. Performance is evaluated in the context of the institution and the communities within which it operates. That means examiners consider information about the bank's business strategy, product offerings, capacity, and con-

straints, as well as the economic conditions, lending, investment, and service needs and opportunities in the bank's communities.

The public can also play a role in the CRA examination process by offering comments on an institution's CRA performance, which the financial institution must make accessible to the public. Examiners review these comments and consider them when evaluating a bank's overall CRA performance.

An institution's CRA rating and comments from the public are also considered when the institution applies to open additional branches or to engage in a merger or acquisition. The public has the opportunity to submit written comments on an application. These comments are considered by the Board when it evaluates the application.

## Responding to Consumer Feedback

In addition to on-site examiner reviews of financial institutions, Federal Reserve staff identify and investigate possible violations of consumer protection laws through the Federal Reserve System's consumer complaint and consumer inquiry programs. Through these programs, staff answer consumers' questions, explain consumer rights under federal law, investigate complaints against entities supervised by the Federal Reserve, and refer complaints about other entities to the appropriate agency. Consumer complaints are a critical component of the risk-focused supervisory program. The Federal Reserve uses data on consumer complaint activity in its supervisory processes when monitoring financial institutions, scoping and conducting examinations, and analyzing applications. Information about consumer complaints is also reported in the Federal Reserve Board's Annual Report to Congress (available at [www.federalreserve.gov](http://www.federalreserve.gov)).

### *Handling Complaints*

The Federal Reserve has uniform policies and procedures for investigating and responding to consumer complaints, which are implemented by staff at the 12 Federal Reserve Banks and the Federal Reserve Con-

#### Public comments on CRA performance

Public feedback about a depository institution's record in meeting the credit needs of its community helps inform the Federal Reserve's overall evaluation of that institution's compliance with the Community Reinvestment Act (CRA) and its decisions about a bank's application to open more branches or complete a merger or acquisition. For information on submitting comments about a bank's CRA performance, see [www.federalreserve.gov/communitydev/cra\\_about.htm](http://www.federalreserve.gov/communitydev/cra_about.htm). For information on submitting comments on banking applications, visit [www.federalreserve.gov/bankinforeg/afi/cra.htm](http://www.federalreserve.gov/bankinforeg/afi/cra.htm).

sumer Help (FRCH) Center. The FRCH is a centralized consumer complaint and inquiry processing center, which allows consumers to contact the Federal Reserve online or by telephone, fax, mail, or e-mail.

When a consumer files a complaint with the FRCH, the first step is to determine which Reserve Bank or other banking agency has responsibility for investigating that complaint. If the complaint involves an entity that is not supervised by the Federal Reserve, the FRCH forwards the complaint to the appropriate agency and then tells the consumer how to contact that agency. If a complaint involves an institution supervised by the Federal Reserve System, the FRCH forwards it to the Reserve Bank that examines the institution in question to conduct an investigation. The FRCH typically responds to consumers within 15 business days of the complaint submission.

After receiving the complaint from the FRCH, the Reserve Bank forwards the consumer complaint to the institution to obtain a written response. During the complaint investigation, the Reserve Bank analyzes the documentation provided by the consumer and the institution to determine if the institution violated a law, handled the situation correctly, or corrected an error. The Reserve Bank communicates the outcome of the investigation to the consumer in writing.

### ***Addressing Inquiries and Potential Financial Scams***

The FRCH receives thousands of consumer inquiries on a wide range of topics each year. FRCH staff strive to provide consumers with information about their rights to enable an understanding of financial products and services, which may be useful in future financial decisionmaking. The FRCH website offers information about many of these topics—credit cards, checking accounts, electronic banking, mortgages, and foreclosures. Consumers are directed to resources offered by federal agencies and trusted organizations to get accurate and straightforward information to answer their questions.

The FRCH also empowers consumers to recognize and report potential scams. The FRCH website contains information alerting consumers to

## Box 7.2. Federal Reserve Consumer Help: Responding to Consumer Complaints and Inquiries

Federal Reserve Consumer Help (FRCH), a centralized consumer complaint and inquiry processing center, allows consumers to contact the Federal Reserve online or by telephone, fax, mail, or e-mail.

The FRCH website ([www.federalreserveconsumerhelp.gov](http://www.federalreserveconsumerhelp.gov)) is a resource for consumers to learn about financial products and services and provides instructions on how to file a consumer complaint with the Federal Reserve.

The screenshot shows the Federal Reserve Consumer Help website. At the top left is the logo 'FEDERAL RESERVE CONSUMER HELP'. Below it is a navigation menu with categories: 'Checking Accounts', 'Consumer Credit', 'Consumer Protection Laws', 'Credit Reports', 'Small Business', 'Foreclosures', 'Home Mortgages', 'Deposit Insurance', 'Electronic Banking', and 'Frauds and Scams'. The main content area has a heading 'If you have a problem with a bank or other financial institution, contact the Federal Reserve for help.' followed by a 'CONSUMER ALERT' section with a warning icon and text: 'Beware of communications, including telephone calls, alleging to be affiliated with the Federal Reserve.' Below this is a 'FILE A COMPLAINT' section with a sub-header 'Not sure where to start? Learn about how to file a complaint about a bank.' and a list of links: 'What do I need to know before I can file a complaint?', 'What do I do once I'm ready to file a complaint?', and 'What happens after I submit a complaint?'. The right sidebar contains 'Quick Links' such as 'File a Complaint', 'Find an Answer', and 'Contact Us', along with 'Other Resources' like 'Attorneys General' and 'Federal Reserve Education Info'. A search bar and a 'Need Help?' call-to-action are at the top right.

characteristics of a scam and provides a link for reporting the information on a product or service they suspect is a scam.

## Administering Consumer Laws, Drafting Regulations

The Federal Reserve Board has rulemaking responsibility under specific statutory provisions of the consumer financial services and fair lending laws. The Board issues regulations to implement those laws and also issues (directly or through staff) official interpretations and compliance guidance for the financial industry and for the Reserve Banks' examination staff.

The Board also regularly works with other federal financial regulatory agencies in proposing rules and procedures to implement new laws and amendments to existing laws. For example, the Board collaborates

with the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Federal Housing Finance Agency to establish appraisal requirements for home mortgage transactions. Joint efforts such as these aim to ensure that consumer protections mandated by the Congress are enforced effectively across all institutions.

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## Research and Analysis of Emerging Consumer Issues

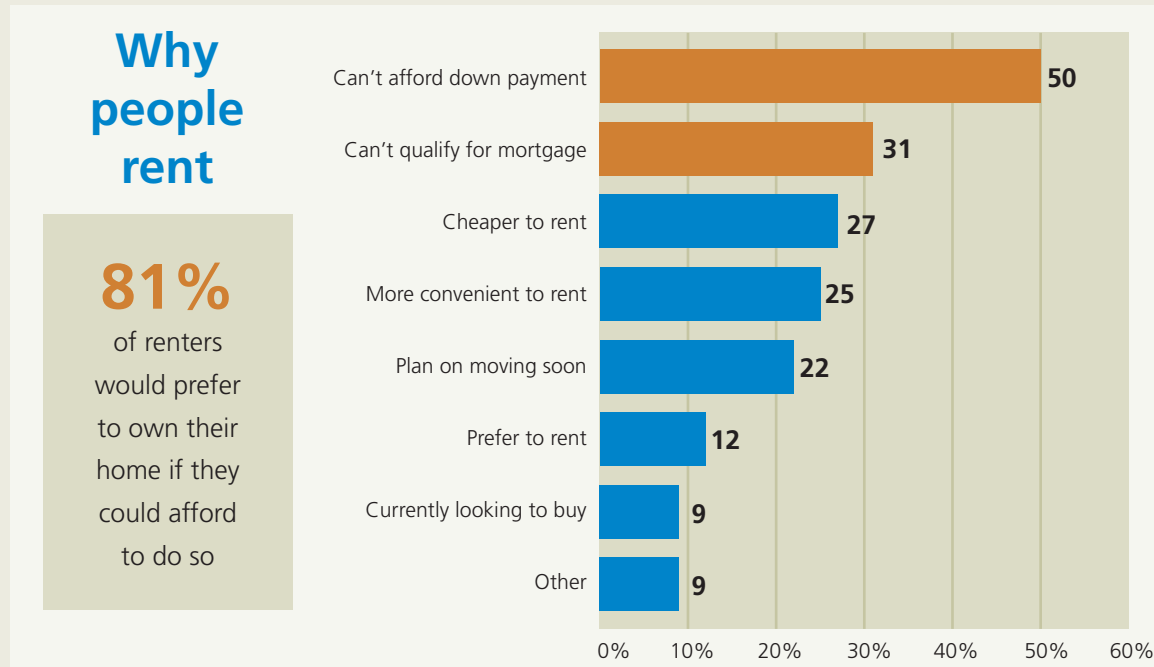
Thorough research and analysis about consumers, their financial experiences, and the communities in which they live inform Federal Reserve policymaking.

Thus, the Board and the Reserve Banks collaborate to identify trends and emerging issues that impact the financial livelihood and well-being of consumers and communities. This effort relies on a variety of resources, including a wealth of data collected through surveys and independent research. Findings from compliance examinations and trends in consumer complaints also help to shed light on emerging issues. Sources of data and information continually evolve as information resources and technology provide better insights into the financial services and community development issues of consumers and neighborhoods.

To inform its research efforts, the Federal Reserve conducts consumer focus groups, outreach to consumer and community groups, outreach to academic and policy organizations, and consumer surveys to gain insight into trends in consumer financial services, community economic development, and policy matters. This information and data contributes to the Federal Reserve's work and provides the consumer perspective for other Federal Reserve System functions.

### Figure 7.3. Federal Reserve research examines trends and issues in consumer financial services

The Federal Reserve Board conducts the annual Survey of Household Economics and Decisionmaking (SHED), a nationally representative survey that evaluates the economic well-being of U.S. households and identifies potential risks to their financial stability. The survey includes modules on a range of topics of current relevance to financial well-being, including housing, credit access and behaviors, savings, retirement, economic fragility, and education and student loans.



Source: *Report on the Economic Well-Being of U.S. Households in 2014*, May 2015 (available in the Community Development section of the Federal Reserve Board's website, [www.federalreserve.gov](http://www.federalreserve.gov)).

The results of the Federal Reserve's research and policy analysis inform Federal Reserve policymaking in various ways. Tracking and studying emerging issues allows the Federal Reserve to evaluate the impact that financial services and market trends may have on consumers and communities. Results are often published and disseminated to inform and foster discussion among regulators, industry groups, consumer and community advocates, and academic and policy organizations.

The Federal Reserve has produced consumer- and community-focused research and analysis that looks at consumer and household issues

broadly, as well as a number of specialized topics, including

- unemployment and workforce development,
- community investment and stabilization,
- household economics and decisionmaking,
- consumers' use of mobile devices to connect with financial services,
- financial decisionmaking by the older adult population, and
- economic and credit conditions in low- and moderate-income populations and neighborhoods.

For examples of the Federal Reserve's research on consumer topics, visit the Community Development section of the Federal Reserve Board's website at [www.federalreserve.gov](http://www.federalreserve.gov).

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## Community Economic Development Activities

Because a strong economy and strong communities go hand-in-hand, community development staff at the Federal Reserve Board and at each of the Federal Reserve Banks work at the national, regional, and local levels to help promote economic growth and financial stability in communities across the country, particularly neighborhoods that are low- and moderate-income and traditionally underserved.

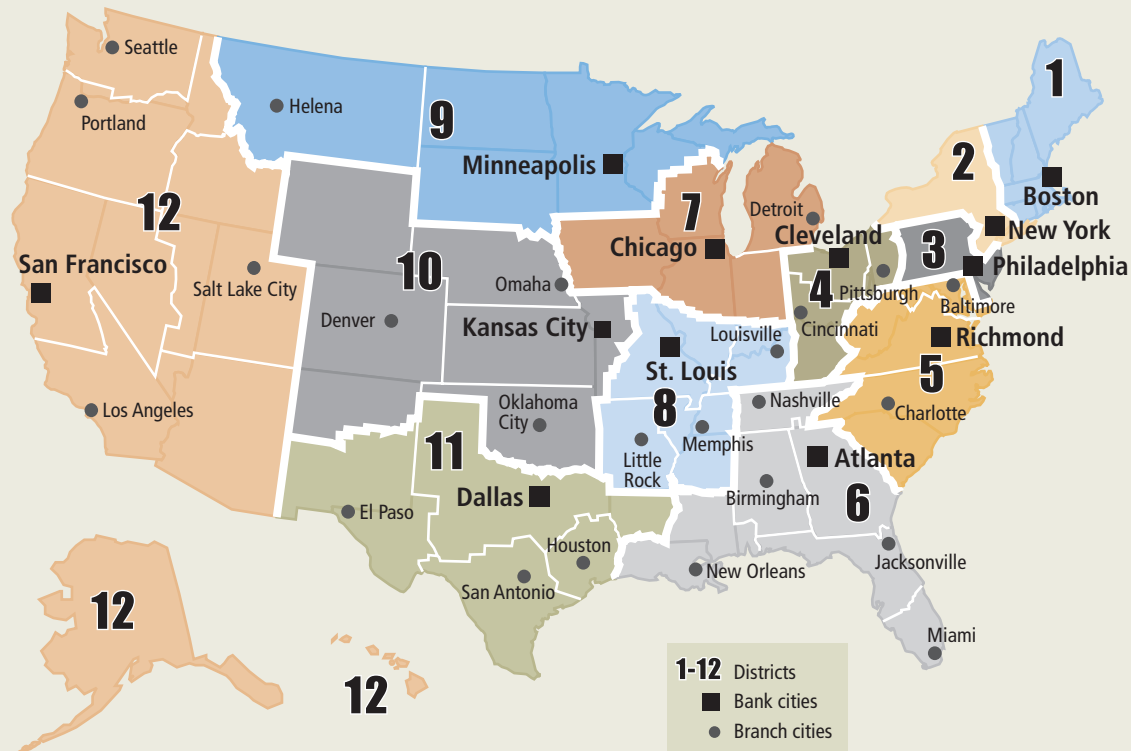
Federal Reserve community development (CD) staff engage in a wide variety of activities, focused on four topical areas:

- **Policy and practice:** Promoting the well-being of economically vulnerable communities by enhancing the scale, sustainability, and impact of the broader community development field.
- **People:** Helping to sustain and promote policies that improve the financial stability and economic mobility of lower-income communities and individuals.



**Figure 7.4. Federal Reserve community development efforts engage at the national and local levels**

The Federal Reserve has dedicated staff in each of its offices throughout the country who work collaboratively to engage stakeholders; to understand issues and challenges in low- and moderate-income communities; and to provide research, policy insights, and technical assistance to support community and economic development programs. Community development staff are located in each of the Reserve Banks and Branches.



- **Place:** Engaging in “place-based” efforts to revitalize lower-income communities by advancing comprehensive community development efforts targeted to geographically defined areas.
- **Small business:** Working with intermediaries to support small businesses and microenterprises in order to help increase the capacity of funding and technical assistance providers; enhancing the availability of credit and capital for small businesses; and building a deeper understanding of small business trends and conditions.

The CD function of the Federal Reserve System is made up of dedicated community development departments at each of the 12 Federal Re-

serve Banks, as well as at the Board, that collaborate to advance effective community development policies and practices through a range of activities, including

- **Convening stakeholders:** The function brings together practitioners from financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors to collaborate on community and economic development initiatives and to identify both key challenges and promising practices to address them.
- **Conducting and sharing research:** The function provides policymakers and practitioners with objective analysis on the economic challenges facing lower-income communities and attendant policy and program implications. CD research is often posted online in blogs, articles, and working papers and is shared both in small group settings and at larger scale conferences.
- **Identifying emerging issues:** The function gathers and analyzes current information on economic and financial conditions to identify emerging issues affecting lower-income communities and individuals. For example, staff regularly conduct web-based polls or surveys of individuals and organizations to help track perceptions and provide market intelligence and sentiments around a wide range of CD issues.

The CD function supports the implementation of the Community Reinvestment Act through a wide range of activities, including assessing community economic development and credit needs, fostering conditions supportive of investment, lending and banking services in low- and moderate-income communities, and sharing information on lending and investment opportunities. CD also seeks to mobilize ideas, networks, and approaches that address a wide range of community and economic development challenges. The function leverages its capacity by working with intermediaries that offer financial, real estate development, advisory, and human services, rather than working directly with consumers or providing direct funding.

## Working at the National Level

The community development program at the Board of Governors serves as the Federal Reserve's primary liaison to national community organizations and financial intermediaries on interagency projects and task forces. This effort convenes local and national stakeholders to discuss potential solutions to issues faced by communities throughout the country.

In 2015, the Board established its Community Advisory Council (CAC) to provide insights on the economic circumstances and financial services needs of consumers and communities, with a particular focus on the concerns of low- and moderate-income consumers and communities. The members of the CAC represent a diverse group of experts and representatives of consumer and community development organizations and interests, including from such fields as affordable housing, community and economic development, small business, and asset and wealth building. This council complements the Board's other advisory councils—the Community Depository Institutions Advisory Council and the Federal Advisory Council (see page 18 in [section 2](#), “The Three Key System Entities,” for more information on Board advisory councils).

In addition to the CAC, the Board seeks perspectives directly from community organizations, with community development staff collaborating with a wide range of private and public entities, such as NeighborWorks America®, the Department of Housing and Urban Development, the Small Business Administration, the Department of the Treasury, the Department of Agriculture, and the Bureau of Indian Affairs.

The Board's community development staff also promote and coordinate systemwide, high-priority efforts. Initiatives have included close coordination with community development staff at the Federal Reserve Banks to study the impact of foreclosed properties on communities and consumers as well as the credit needs of small businesses. Such initiatives result in collaborations with a broad range of government agencies at the federal, state, and local levels, and conferences and other events

### Box 7.3. Community Development: Targeting the Challenges and Concerns on Main Street

The Federal Reserve leverages a network of regional Reserve Bank staff to support community development by targeting the specific, unique challenges faced by different communities throughout the country.

**Community development website:**

The Federal Reserve's work in community development is captured in a central portal at <https://fedcommunities.org>. The site links the System's community development resources and research by topic and region.

**Support for employment and workforce development:**

The Federal Reserve recognizes the challenges facing populations with historically higher unemployment rates, such as youth, the less-educated, and minorities, and works to help identify effective policies and practices that address obstacles to employment.

**Support for small businesses and entrepreneurship:**

Viable small businesses and small-business owners are key to vibrant local economies. The Federal Reserve works to help identify opportunities to improve access to capital and credit for small-business development.

**Support for neighborhood revitalization:** The Federal Reserve supports efforts to align communities' development needs with available resources and advocates the strategic use of data and other tools to achieve this goal.



Federal Reserve staff and officials routinely convene conferences and events focused on community development issues. In April 2015, Chair Yellen gave opening remarks at the System's flagship biennial community development research conference, "Economic Mobility: Research and Ideas on Strengthening Families, Communities, and the Economy." (Conference materials are available at <https://stlouisfed.org/community-development/economic-mobility-conference-2015>.)

that brought together community organizations, lenders, academics, and government officials. These efforts also have resulted in publications and reports that share promising practices and policy solutions, as well as research and ongoing projects to address the challenges confronting lower-income communities and individuals.

## Engaging at the Local Level

The community development issues faced by different regions of the country are often unique to each region because of differing market influences and trends. In recognition of this dynamic, the Reserve Banks develop their own programs to target the most pressing community and economic development needs and issues in their Districts.

Much of this work involves promoting mutually beneficial relationships between local governments, financial institutions, nonprofit organizations, and the communities those entities serve. The Federal Reserve Banks sponsor forums and conferences to provide research and policy insights on community development issues and offer the opportunity for stakeholders to engage face-to-face. In addition to bringing these stakeholders together, community development staff provide them with the information and technical assistance needed to develop and implement effective community and economic development programs.