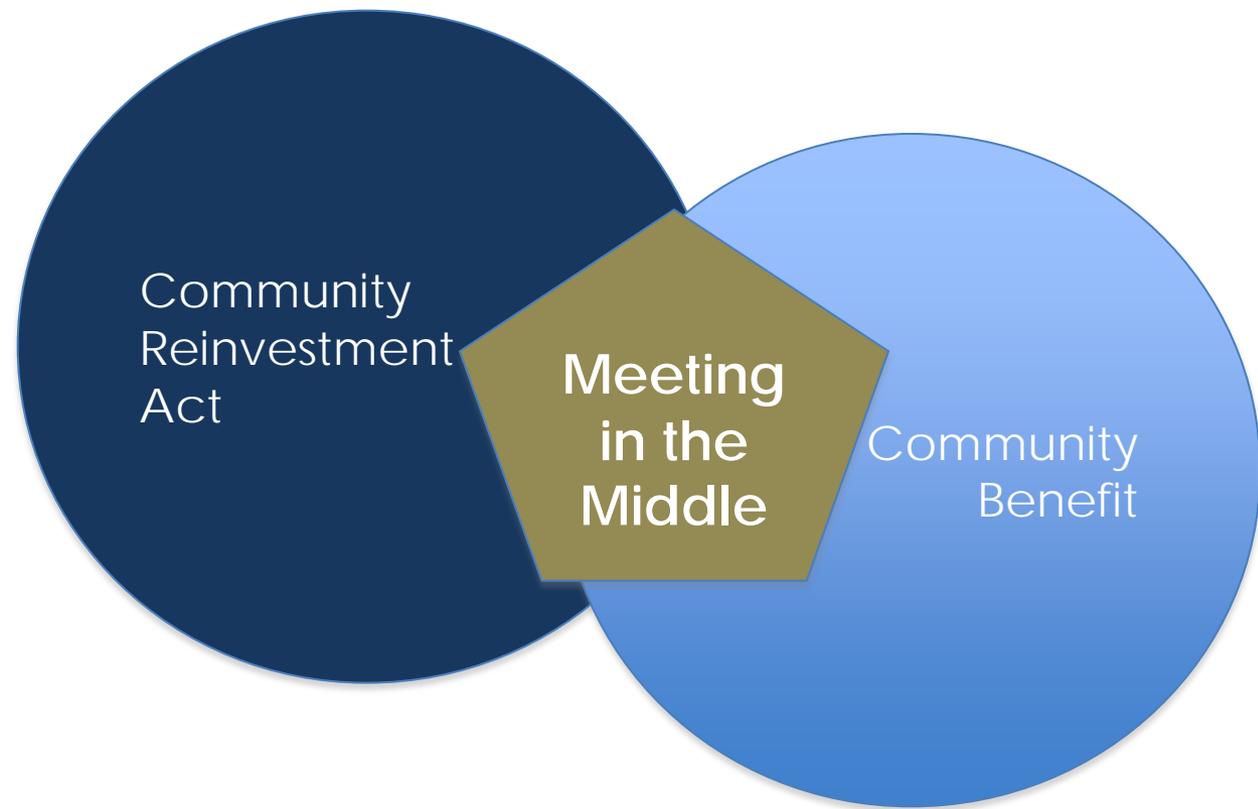


A Primer on Community Reinvestment & Community Benefit

Federal Reserve Bank
of San Francisco
Los Angeles Branch
February 5, 2013



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Overview

- Meeting in the Middle – Charting Common Ground
 - Why
 - What:
 - Community Reinvestment, Community Benefit, Related Partnerships
 - How
 - Who
 - When
- Frontline Perspectives
- Discussion & Way Forward

Why

Community
Reinvestment
Act

Healthy
Community
?

Community
Benefit

“Health is more than merely the absence of disease; it is physical, mental, and social well-being.”

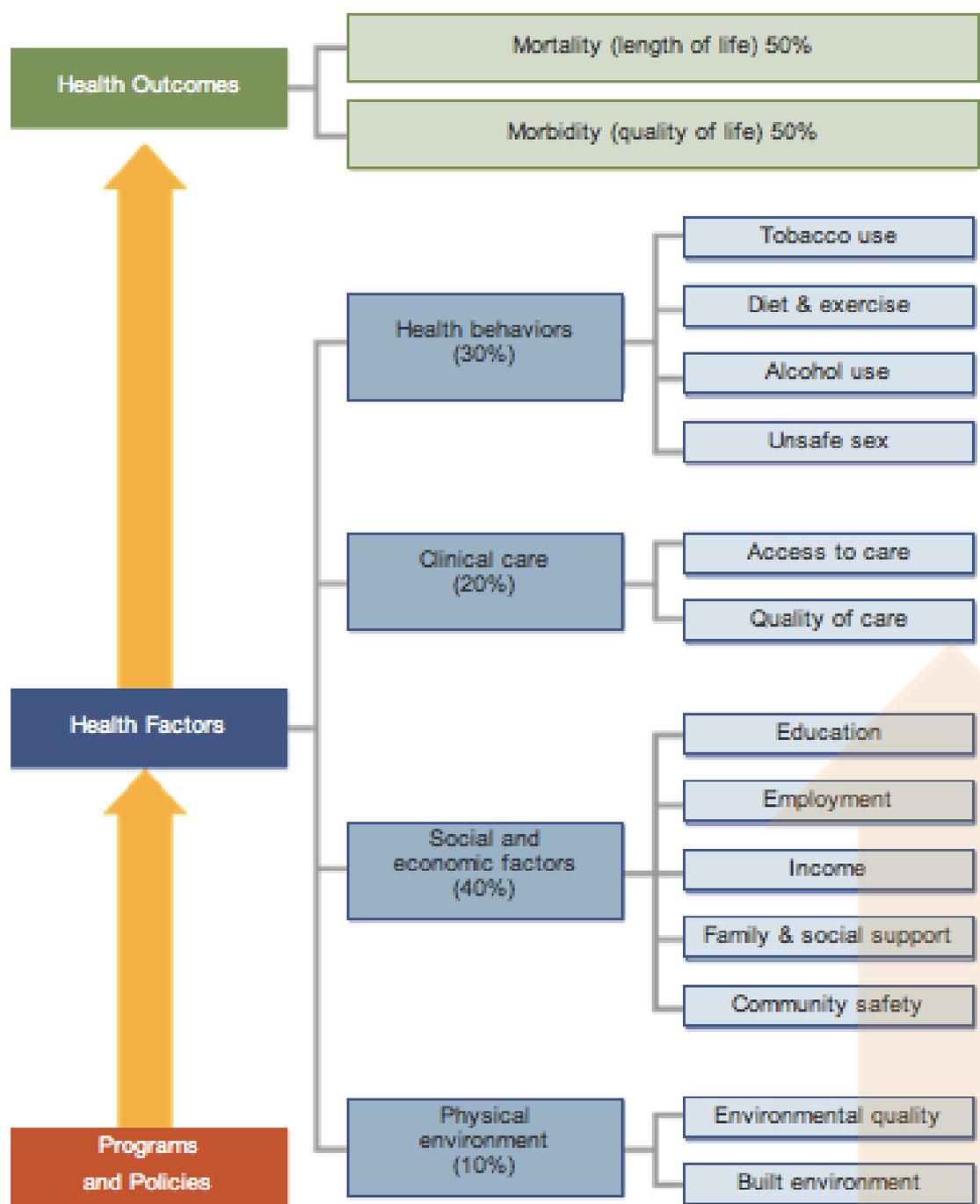
The World Health Organization

- The U.S. Department of Health and Human Services (HHS) Healthy People 2020 goals call for the nation to:
 - Attain **high quality, longer lives** free of preventable disease, disability, injury, and premature death.
 - Achieve health equity, eliminate disparities, and improve the health of all groups.
 - Create **social and physical environments that promote good health for all.**
 - Promote **quality of life, healthy development and healthy behaviors across all life stages.**

Affordable housing developments in Los Angeles, rural New Hampshire, the Pine Ridge Reservation and Marin County.

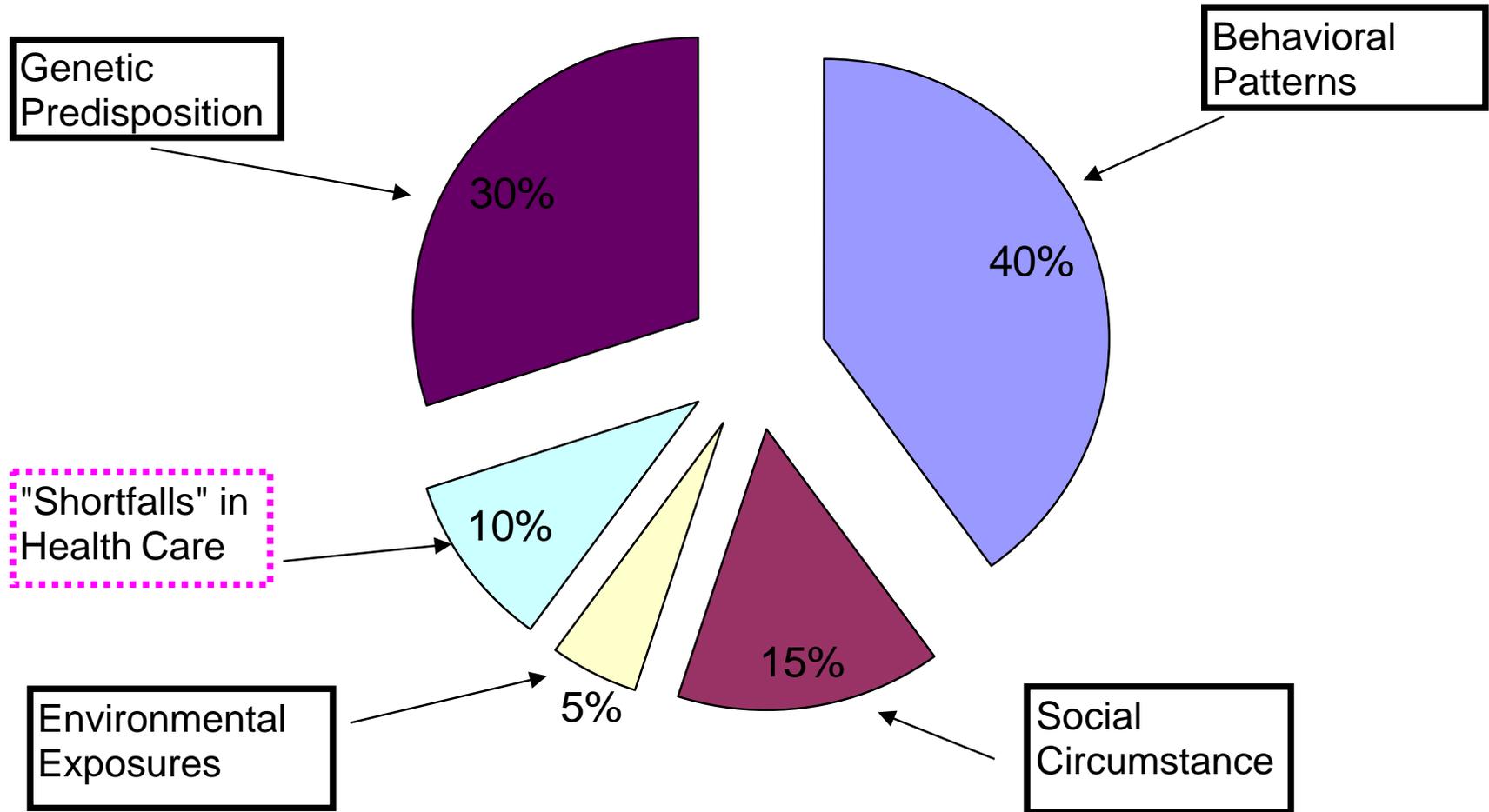


The County Health Rankings Model suggests **investment opportunities** that “create social and physical environments that promote good health for all.”



Community Factors ~ 50%

Leading Causes of Premature Deaths

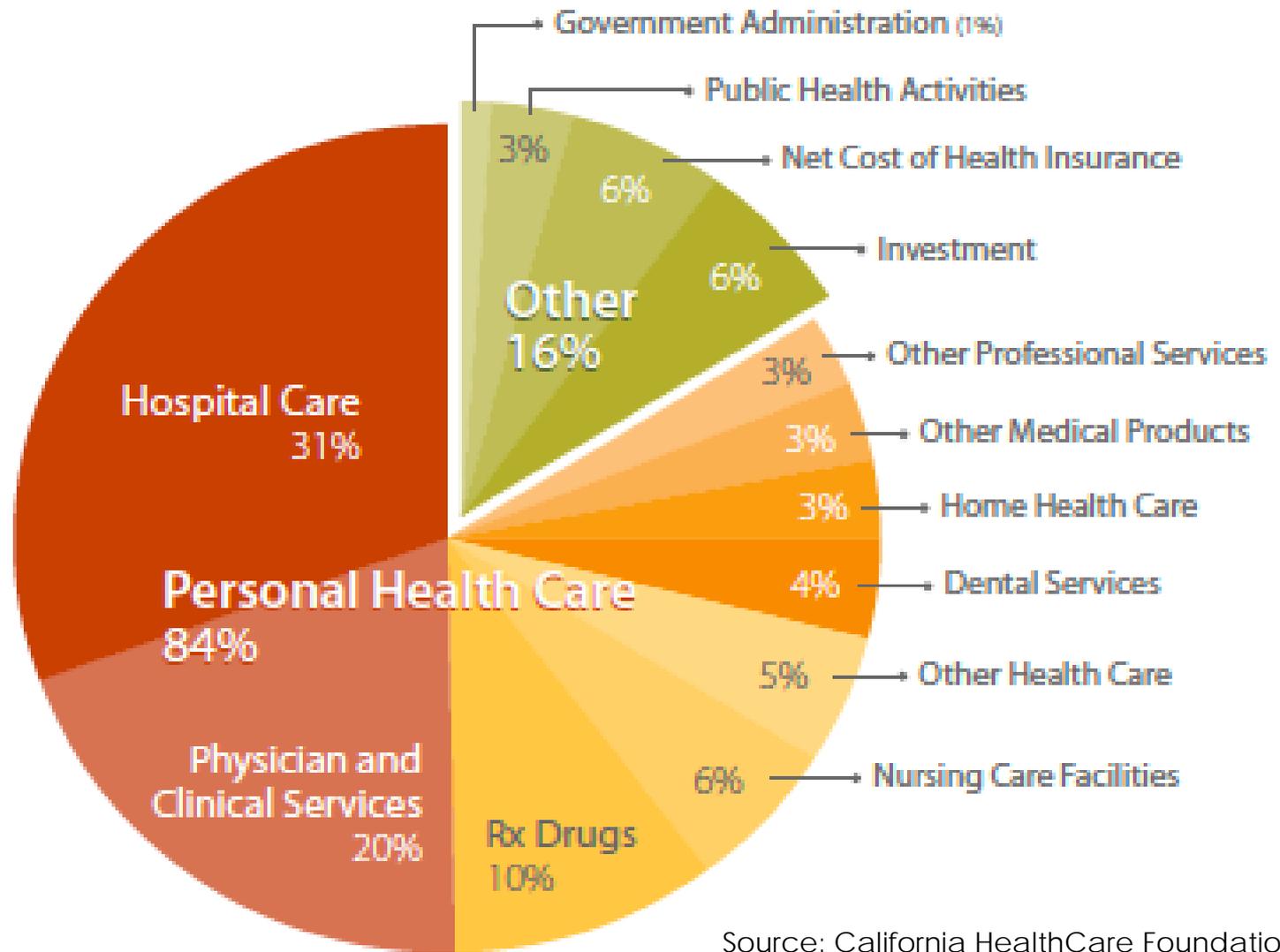


McGinnis JM et al. The case for more active policy attention to health promotion. *Health Affairs* 2002;21(2):78-93. Project Hope

YET: U.S. Healthcare Spend Flows to "Sick Care"

\$2.6 Trillion - 17.9% of GDP and increasing

SPENDING CATEGORIES, 2010



Source: California HealthCare Foundation



Challenges & Opportunities

- Challenges:

- Unsustainable U.S healthcare expense crippling government, business and households
- Poor and declining value versus peer nations
- **Stark, persistent disparity in U.S. health outcomes**

- Opportunities:

- Large economic and job creation opportunities in health and building healthy communities.
- Private sector financings including banks and health systems **are** modeling needed shifts in public and private resource allocation to prevention versus intervention.

Community Reinvestment Act

- Federal Law, 1977:
 - **Regulated financial institutions** have a continuing and affirmative obligation to help meet the credit needs of the communities in which they operate.
 - In connection with its examination of a financial institution, the appropriate Federal financial supervisory agency shall assess the institution's record of meeting the credit needs of its entire community, including low-to-moderate (**LMI**) income neighborhoods, consistent with the safe and sound operation of such institution.
 - Does not cover many other financial institution types!

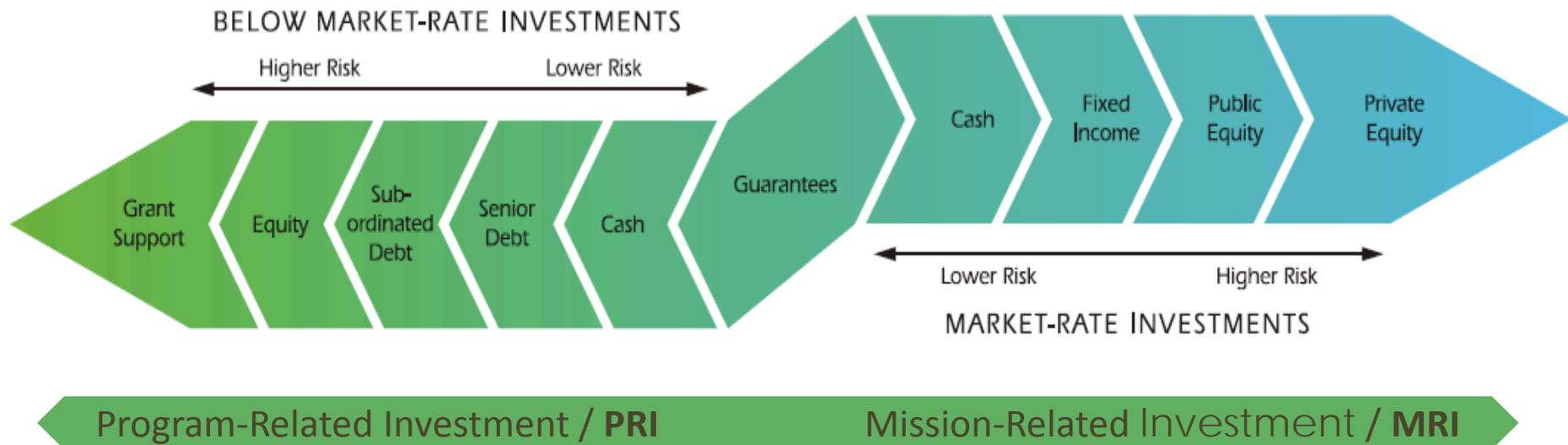
Community Benefit

- **Federal requirements for non-profit hospitals** to provide benefits to their communities to maintain tax exemption.
- Under the Affordable Care Act, requires a community health needs assessment and improvement plan.
- Offers opportunity to work with community partners on strategies for improving health, quality of life, and community vitality.
- Benefits can go beyond improving health, to include enhanced accountability for hospitals, more effective use of resources, and building community capacity and engagement in addressing health issues.

Impact Investing

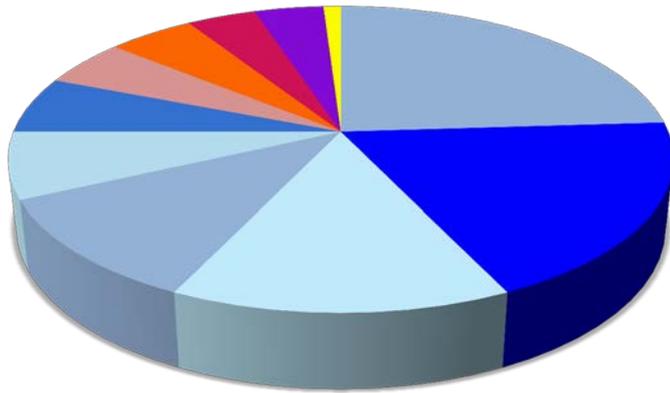
Proactive financial investments made to generate social and/or environmental benefit and earn a financial return

- **Strategic vehicles for foundations and others since 1968**
- Any asset class or structure
- Any expected financial return (interest rate, dividend, capital gain)



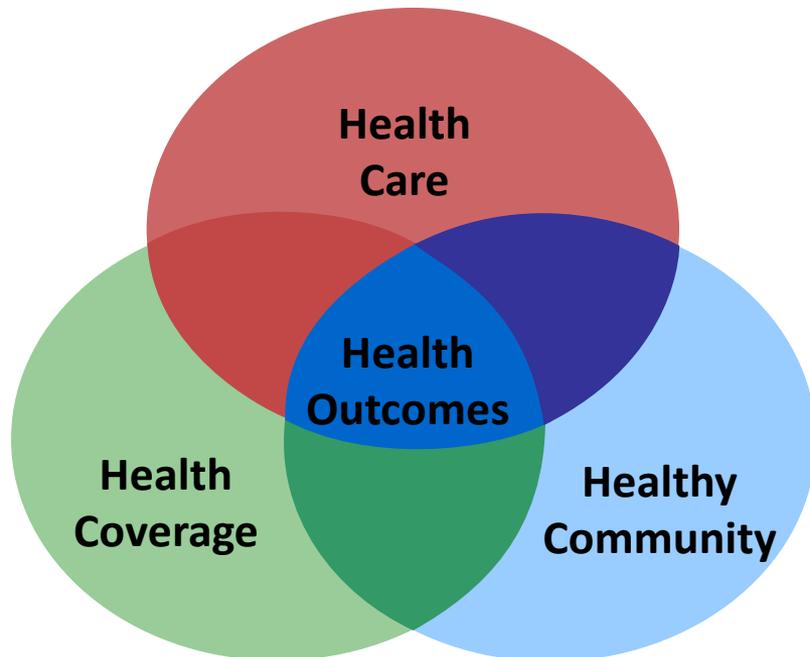
Impact Investing by Sector

Foundation PRI by Program Area 2006 – 07
Total = \$738 Million



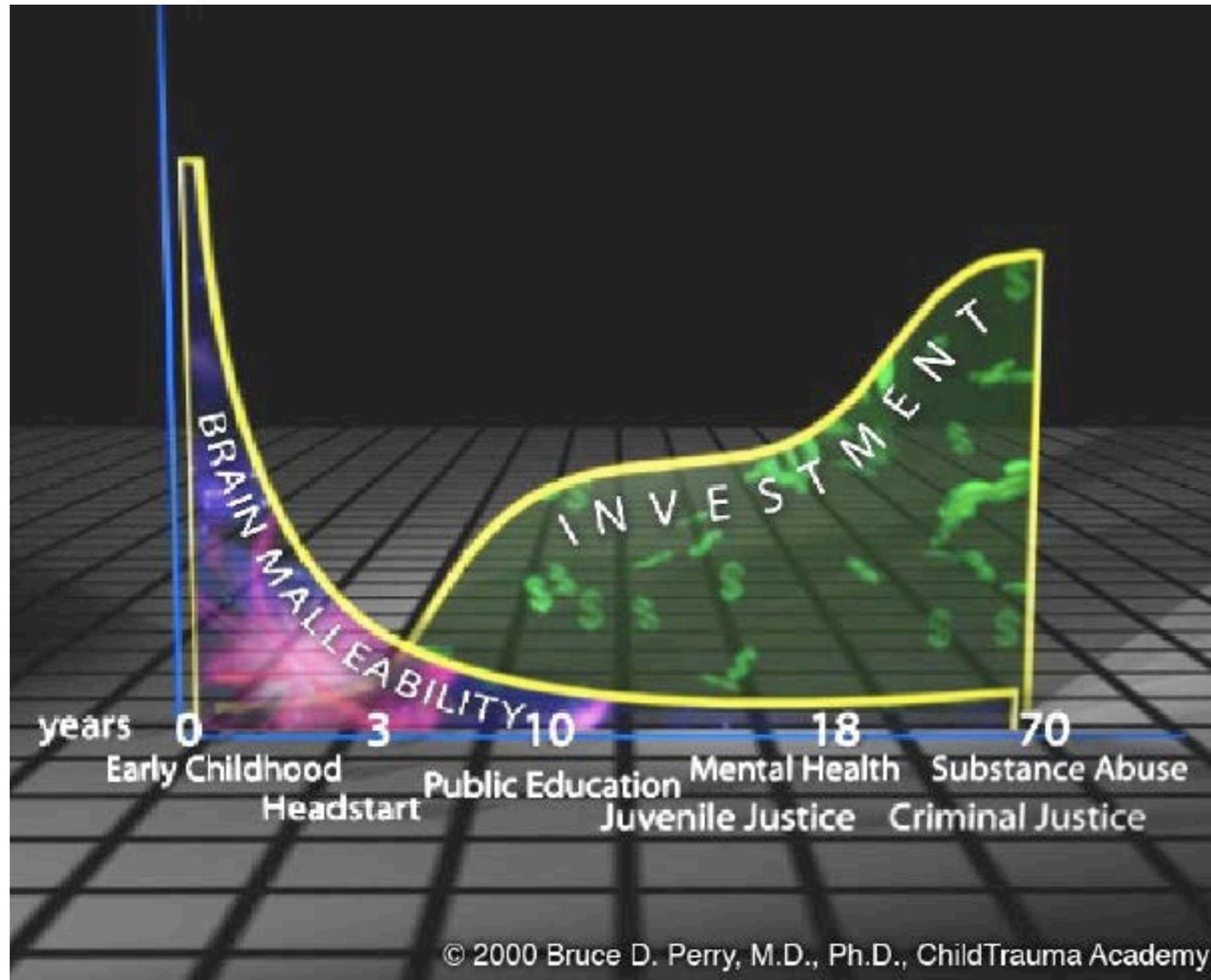
- Education \$177MM, 24%
- Econ & Comm Dev \$140MM, 19%
- Housing & Shelter \$103MM, 14%
- Environment & Animals \$81MM, 11%
- Public Affairs \$52MM, 7%
- Human Services \$44MM, 6%
- Health \$37MM, 5%
- Arts & Culture \$37MM, 5%
- Religion \$30MM, 4%
- Interational Affairs \$30MM, 4%

Source: Foundation Center 2009



At some 5% of impact investing, strategies to back healthcare, health coverage and healthy community are on the rise. They leverage 40+ years of successful community investing, often via Community Development Financial Institutions (**CDFIs**), federally-certified niche financing entities that parallel the purpose of Federally-Qualified Health Centers (**FQHCs**).

Prevention v. Intervention



Prevention v. Intervention

Personalized, Predictive Prevention



Prevention

Early Intervention

Disease Management

End of Life Care

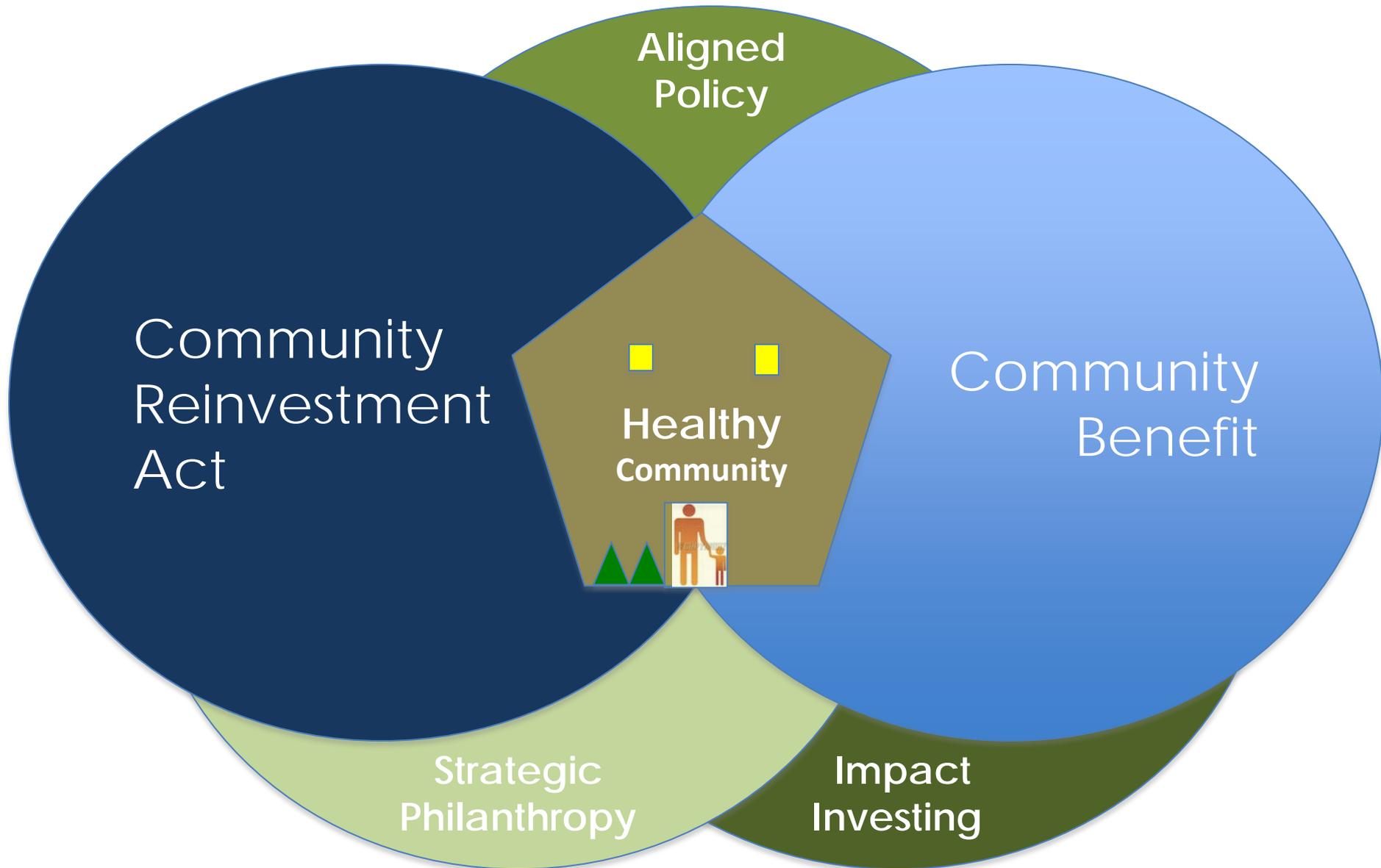
Stable Genomics

Dynamic Testing

Therapeutic Decision Support



Way Forward



Way Forward

- Language – new acronym/alphabet soups
- Finding partners
- Culture / Trust: Role of “business” in health and health care, ensuring “first do no harm”?
- Metrics, leading to effective “Pay for Performance”
- Joint policy advocacy, design principles, other TBD.

Appendix



Community Reinvestment Act

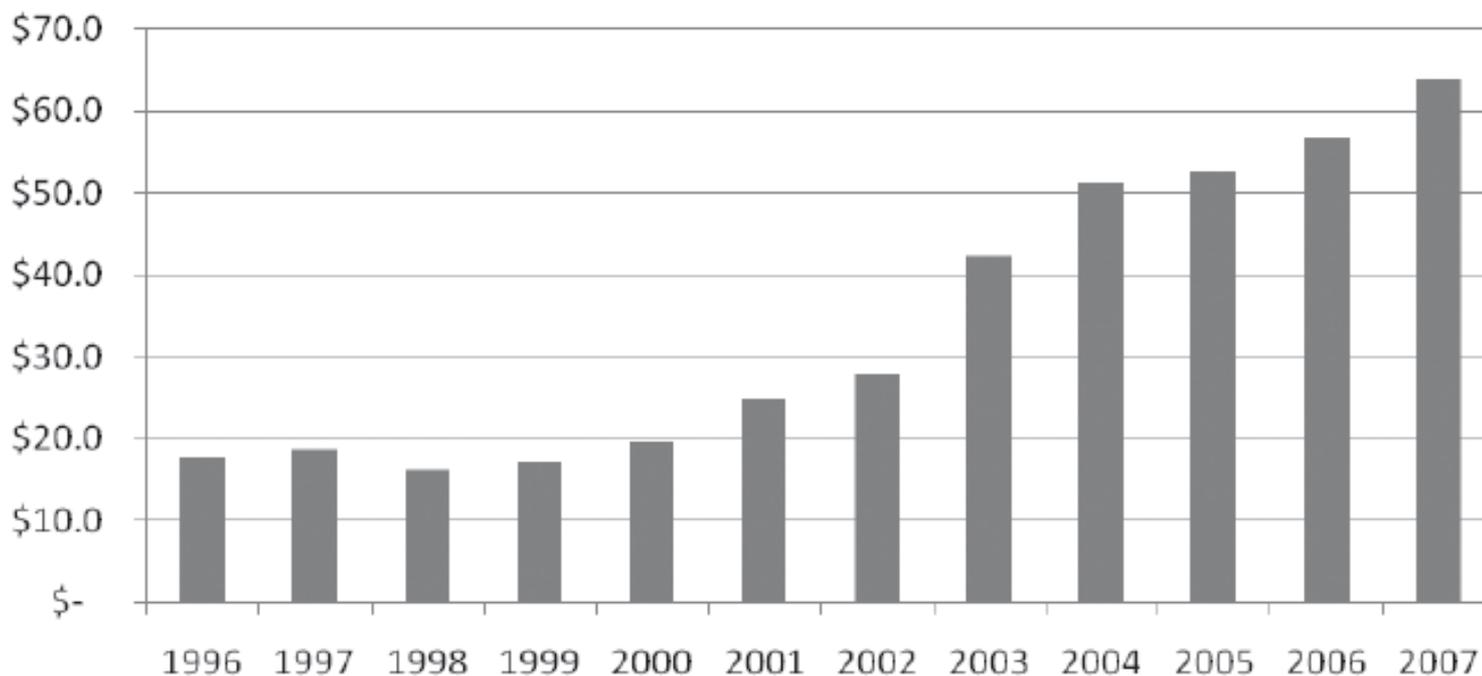
- Three bank sizes
 - Large
 - Intermediate
 - Small
- Three main tests:
 - Lending
 - Investment
 - Services
- “Performance Context” Considered
- Public Evaluation

Community Reinvestment Act

- Enormous benefits in LMI communities:
 - Between 1996-2007: 373,404 CRA loans totaling more than \$407 billion; annual amount tripled--\$17.7 to \$63.8 billion.

Chart: Total CRA Community Development Lending 1996 - 2007

In Billions



Source: FFIEC CRA National Aggregate Report Table 3 (<http://www.ffiec.gov/craadweb/national.aspx>)



Community Reinvestment Act

- Post financial crisis, still very important:
 - Estimated to top \$500 billion by 2010, including significant support for nearly 2.5 million affordable homes built with the Low Income Housing Tax Credit since its 1987 inception--more homes than through government-subsidized apartments still in use from every era of federal housing policy since 1937.
 - In 2010:
 - Almost 18,000 community development loans; over \$40 billion.
 - Some 18% of the number and 22% of the dollar amount of the nation's 4.3 million small business loans for \$180 billion originated in LMI communities.



Community Reinvestment Act

- Challenges:
 - Could not prevent (though it did not cause) the sub-prime crisis
 - Greater emphasis needed on people as well as place:
 - CRA has not yet significantly reduced concentrated poverty or moved large numbers of people out of poverty
 - Regulatory flexibility is needed to accommodate health promotion into CRA tests, given the “performance context” that health status and health determinants (including but not limited to access to quality, affordable preventative and other healthcare) are major market factors in the communities where banks operate.

Community Reinvestment Act

- Each bank is evaluated on how well it serves its "Assessment Area:"
 - Geographies in which bank has its main office, branches, and deposit taking ATMs
 - Surrounding areas where bank has originated or purchased a substantial portion of its loans
 - Must consist of "whole geographies"

Community Reinvestment Act

- Community Development under CRA:
 - Affordable housing for LMI individuals
 - Community services targeted to LMI individuals
 - Activities that promote economic development by financing business/farms meeting size requirements of certain Small Business Administration (SBA) program, or gross revenues < \$1 million

Community Reinvestment Act

- Community Development under CRA, cont'd:
 - Activities that revitalize/stabilize:
 - LMI geographies
 - Designated disaster areas
 - Distressed/underserved non-metro, middle-income geographies

CRA Lending Test

- Number and total dollar amount of loans
- Geographic distribution of loans
- Characteristics of borrowers
- Activity in community development—how many and what dollar amount of loans benefit LMI people or distressed areas? Small businesses and farms?
- Whether the bank uses flexible lending practices to address the credit needs of LMI individuals or neighborhoods.

CRA Investment Test

- Lawful investment, deposit, membership share, or grant that has community development as its primary purpose:
 - Financial intermediaries that lend in LMI areas or to LMI people, including Community Development Financial Institutions (CDFIs)
 - Tax credit and targeted state and municipal obligations that support affordable housing or other community development needs
 - Contributions or investments in non-profit organizations serving LMI housing or CD needs
 - Contributions or investments in organizations supporting activities essential to sustain economic development

CRA Services Test

- Focuses on how well services help meet community credit needs, such as:
 - Branch distribution throughout the community
 - Bank history of opening and closing branches
 - Alternative systems for LMI residents (ATM, telephone, computer, or by-mail banking services)
- Also considers how responsive and creative a bank is in helping other organizations such as **CDFIs** provide financial services that address community credit needs, such as for affordable housing or safe consumer credit and financial services.

CRA Services Test

- Examples include:
 - Providing technical assistance (TA) on financial matters to nonprofit, tribal, or government organizations serving LMI residents
 - Lending employees to provide financial services for organizations facilitating affordable housing
 - Providing TA on financial matters to small businesses or community development organizations, such as:
 - Furnishing financial services training for staff
 - Contributing accounting/bookkeeping services
 - Assisting in fundraising, including soliciting or arranging investments.



Healthy Communities Lens for CRA

Regulators Consider Performance Context

- What is the makeup of the community?
- What are the local and regional economic conditions?
- What kinds of opportunities exist for serving the community through lending, investments, and services?

- What is the bank's business strategy and what products does the bank offer?
- How is the bank doing financially?
- What CRA rating has the bank received in the past and how have other local institutions have been doing on their CRA performance?

- What does the bank see as the credit needs of the community?
- What do individuals, community and civic organizations, and businesses—as well as state, local, and tribal governments - think the community's credit needs are?

Healthy Communities Lens for CRA

Financing Opportunities ¹	Approach
<ul style="list-style-type: none"> • Affordable housing for LMI individuals • Community services targeted to LMI individuals • Activities that promote economic development 	<ul style="list-style-type: none"> • “Breathe Easy,” Complete Streets, Green Space, Transit-Oriented, Mixed-Income • Community Clinics / Medical Home, healthy food, quality education • “Employment and working conditions have powerful effects on health equity.” <i>World Health Organization</i>
<ul style="list-style-type: none"> • Activities that revitalize/stabilize: <ul style="list-style-type: none"> ○ LMI geographies ○ Designated disaster areas ○ Distressed/underserved non-metro, middle-income geographies 	<ul style="list-style-type: none"> • Foreclosure remediation • Growth boundaries and environmentally sustainable development
<ul style="list-style-type: none"> • Small business loans - generally ≤ \$1 million • Small farm loans - generally ≤ \$500,000 	<ul style="list-style-type: none"> • Emerging community health sector opportunities, including home health care • Sustainable agriculture and food systems

¹ An Overview of the Community Reinvestment Act, Barry Wides Deputy Comptroller, Community Affairs, Office of the Comptroller of the Currency



Potential Intermediary Partners

Community Development Financial Institutions (CDFIs)

- The CDFI Fund, an agency under the US Department of Treasury, certifies CDFIs on seven criteria:
 1. Legal entity at the time of certification application
 2. Financing entity
 3. Non-government entity and not under control of any government entity (tribal governments excluded).
 4. Primary mission of promoting community development
 5. Primarily serves one or more target markets
 6. Provides development services (TA) with its financing
 7. Maintains accountability to its defined target market
- Partner with USDA & HHS in the Healthy Food Financing Initiative; frequent sponsors of New Markets Tax Credit financing
- In targeting underserved and LMI communities and populations, CDFIs serve a similar purpose as do Federally Qualified Health Centers in the health field.

Resources

Organizations with Mission / Impact Investing Focus

www.missioninvestors.org/; www.globalimpactinvestingnetwork.org; www.socialinvest.org,
www.communityinvest.org ; <http://www.iccr.org>; www.cdfifund.gov

Foundations / Health Systems with Health-Focused Impact Investing Programs

<http://www.calendow.org/Article.aspx?id=4005> (background and presentations from Mission Investing Forum: Building Healthy Communities); www.calfund.org/receive/program_investments.php
www.chcf.org; [http://www.dignityhealth.org/Who We Are/Community Health/STGSS044512](http://www.dignityhealth.org/Who_We_Are/Community_Health/STGSS044512)
www.packard.org; www.wkkf.org; www.aecf.org; www.kresge.org; www.rwjf.org

Community Reinvestment Act

[http://www.richmondfed.org/conferences and events/community_development/2012/pdf/basic CRA%20charlotte.pdf](http://www.richmondfed.org/conferences_and_events/community_development/2012/pdf/basic_CRA%20charlotte.pdf), <http://www.frbatlanta.org/pubs/cra/>
<http://www.occ.gov/topics/community-affairs/publications/fact-sheets/fact-sheet-cra-reinvestment-act.pdf>
<http://www.frbsf.org/publications/community/cra/index.html>
[community_reinvestment_does_your_bank_measure_up_printable.cfm](http://www.frbsf.org/publications/community/cra/index.html)

Community Benefit

www.chna.org, http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2012/rwjf402124
http://flexmonitoring.org/documents/Gale_NRHA2011_CommunityHealthNeedsAssessment.pdf
<http://www.phi.org/search/?q=community%20benefit>

Health - Community Development Collaboration

http://www.gih.org/usr_doc/GIH_Guide_to_Impact_Investing_FINAL_May_2011.pdf
(Grantmakers In Health Guide to Impact Investing)
<http://www.frbsf.org/cdinvestments/conferences/healthy-communities/conferences.html>
<http://www.rwjf.org/publichealth/product.jsp?id=72236>
Investing in What Works for America's Communities (Federal Reserve Bank of San Francisco and Low Income Investment Fund Collaboration)
<http://www.frbsf.org/publications/community/investing-in-what-works/index.html>
<http://www.nnwa.us/documents/Citation7-PartnershipsAmongCommunityDevelopmentPublicHealthandHealthCareCouldImprovethWellB.pdf>

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