



# *Stimulating Economic Development in Distressed Communities*

Presented by:

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# *Job Creation = Economic Recovery*

- ❑ Higher and longer unemployment
- ❑ Slow recovery with fewer jobs being replaced
- ❑ Worse in low income communities, rural geographies and regions with substantial industrial decline
- ❑ Self employment and small business seen as promising solutions

# *Small Business Industry is Complex*

- ❑ The small business industry encompasses a complex web of providers and partners
- ❑ Range of partners are necessary to ensure efficient delivery of credit to small businesses (e.g. technical assistance providers, lenders and guarantors)
- ❑ Each plays a critical role in serving businesses of different size, tenure, and financing needs

# *Credit is Tight*

- ❑ Weaker portfolios require increased reserves which limit capital for lending
  - ❑ Net charge-offs totaled \$53.0 billion, a 37.2% increase over the same period in 2008
  - ❑ Overall increase in noncurrent loans with a modest decline in C&I loans
- ❑ C & I lending down 18% in 2009 (overall lending down 7.5%)
  - ❑ Partially explained by a weak demand from business owners impacted by lower sales and revenue

# *Credit is Tight*

- ❑ Flexible and readily available credit via such vehicles as home equity lines and credit cards continue to decline
- ❑ Credit lines and other equity investments for nonprofit lenders are being recalled and reduced at the very time when demand is the greatest
- ❑ The decline in property values of commercial real estate has left building owners without the option of refinancing

# *Partnerships Critical to Small Business Growth/Stability*

- ❑ SBA has been empowered with a number of tools to get credit flowing and stabilize existing businesses
- ❑ Ongoing t/a resources for existing business could improve performance, result in more resilient businesses and help them scale-up
- ❑ Community-based lenders provide valuable high-touch assistance and relationship-based underwriting generally required for harder to serve clients

# *Areas for Improvement*

- ❑ Organized and nationally-scaled referral system for denied and unbankable borrowers
- ❑ Loan-loss funding and guarantees needed for non-regulated lenders such as CDFIs and other loan funds
- ❑ Low-cost capital for community-based lenders
- ❑ More robust secondary market for loans originated by community-based lenders

# *Experience from the Field*

- ❑ Hear from our speakers:
  - ❑ Phyllis Cassidy, GoodWork Network
  - ❑ Clint Gwinn, Southeast Community Capital
  - ❑ Stanley Tom, Valley Small Business Development Corp.
  
- ❑ Hear from you:
  - ❑ Q&A
  - ❑ Insights, illuminating experiences, other promising practices