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