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Partnering with Banks in Workforce Development

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Four decades ago, the federal government enacted the Community Reinvestment Act (CRA), which requires banks to meet the credit needs of all segments of the communities that they serve, including low- and moderate-income (LMI) neighborhoods.[1] Under this regulation, banks can get CRA credit by engaging in economic development, community services that target LMI individuals, affordable housing for LMI individuals, and "activities that revitalize or stabilize LMI geographies, designated disaster areas, and distressed or underserved nonmetropolitan middle-income geographies" (Federal Reserve Bank of Dallas 2005, p. 1).

In July 2016, federal banking regulators clarified that banks can get CRA credit for "creating or improving access by low- and moderate-income persons to jobs or to job training or workforce development programs" and access to day care operations and other supportive services (Department of the Treasury 2016).[2] This official clarification is important because it encourages banks to engage in workforce development and specifies to bank examiners that workforce development can count as a CRA-creditworthy activity.

HOW PARTNERING WITH WORKFORCE DEVELOPMENT ENTITIES CAN BENEFIT BANKS

By participating in workforce development, banks can partner with entities that help improve the talent pipeline for their bank and the financial sector more generally; identify new opportunities for their community development work; provide expertise, knowledge, and leadership to the workforce system, which could also strengthen a bank's social capital and reputation in its markets; and improve the financial stability of low- and moderate-income individuals by increasing their access to full-time job opportunities.

Banks also can expand their marketing and outreach by offering financial services, education, and training as a tenant or through planned events at a local comprehensive workforce center. Banks can provide value to existing and potential business customers by demonstrating their understanding of the importance of workforce needs. In addition, banks can align their educational outreach with the regional workforce system's strategies and programs to improve their effectiveness in providing financial education and services to students.

Banks have a CRA public file that includes their current plans and programs and is available at their branches upon request. Their understanding of local low- and moderate-income communities' needs is built through relationships with community organizations. If they are not already working with workforce boards, community and technical colleges, economic developers, and others involved in workforce development, then they could benefit from such a relationship. For example, each state's strategic and operational workforce development plan can inform banks about relevant labor market data, regional economic development areas, key industries, potential partner organizations, and the use of funding sources.

ABOUT THE COMMUNITY REINVESTMENT ACT

In 1977, the CRA was enacted to ensure that banks help meet the credit needs of all segments of the communities that they were chartered to serve, including low- and moderate-income neighborhoods.

The CRA requires the three bank regulators, the Federal Reserve, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, to evaluate the performance of the banks they supervise in helping meet those credit needs, assign one of four statutory ratings to that performance, and make the rating and underlying evaluation public. These four ratings are Outstanding, Satisfactory, Needs to Improve, and Substantial Noncompliance.

The implementing regulation provides for banks of different sizes (small, intermediate small, and large) to have different requirements under the CRA. CRA asset-size threshold adjustments are annual. The most recent adjustments are as follows: "large" banks had assets equal to or greater than $1.252 billion as of December 31 in 2017 or 2016; "intermediate small" banks had assets of at least $313 million as of December 31 in 2017 and 2016 and less than $1.252 billion as of December 31 in 2017 or 2016; and "small" banks had assets less than $313 million as of December 31 in 2017 or 2016.[3] The CRA requirements of banks differ based on their size. The Federal Reserve Bank of Dallas's (2005) publication, "A Banker's Quick Reference Guide to CRA," outlines these requirements.[4]

When banks get a Needs to Improve or Substantial Noncompliance rating, they increase their reputational risk. In addition, their primary federal regulators may reject their requests for a merger or acquisition.[5]

DETERMINING IF A WORKFORCE DEVELOPMENT ACTIVITY QUALIFIES FOR CRA PURPOSES

When a bank would like to earn CRA consideration for a workforce development activity, it must determine if the program qualifies as a community development loan, investment, or service.

If a bank offers a loan, it must be reportable under the Home Mortgage Disclosure Act (HMDA) guidelines[6] or reported as a commercial real estate, farmland, agricultural, or commercial/industrial loan.[7] For an intermediate small bank, it has to report to its bank examiner that it wants the loan to be considered as a community development activity and then explain how the loan meets at least one of the CRA's four community development purposes: affordable housing, community services targeting low- and moderate-income individuals, economic development (which includes workforce development), or revitalization or stabilization of low- or moderate-income communities in its assessment area or regional area that includes the assessment area.

Under the CRA, a bank's assessment area(s) "must, in general, consist of one or more metropolitan statistical areas (MSAs) or metropolitan divisions or one or more contiguous political subdivisions, such as counties, cities or towns. It must include geographies in which the bank has its main office, branches and deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans" (Federal Reserve Bank of Dallas 2005, p. 1).

If the bank offers an investment or service, it must explain how it meets at least one of the CRA's four community development purposes.

INFORMATION BANKS NEED TO TELL THEIR "WORKFORCE DEVELOPMENT AND THE CRA" STORY

To help banks identify workforce programs that may fit within their CRA strategies and programs, they need to know not only how workforce programming could assist the bank in meeting its CRA objectives, but also how it could help them meet their business development goals and organizational development needs. For example, they need to know how their loan, service, or investment in workforce development could help them expand their customer base and local talent pool.

A bank's CRA/compliance officer needs to be able to explain—to its internal management, customers, community partners, target communities, and bank examiners—why the bank is involved in workforce development. The amount of this information to be shared depends on the audience. Nonetheless, when an entity involved in workforce development is interested in exploring potential partnerships with banks, it is important to come equipped with the following information:

- The program/initiative/partnership's target clientele
- The goal/objective of this program/initiative/partnership, such as increasing the availability of apprenticeships, job shadowing opportunities, and other learn-and-earn opportunities; increasing the availability of transportation, child care, or other support services; or increasing/verifying the skills, knowledge, competencies, or work functions employers require for certain occupations for use in an educational or job training program

- The industries/occupations targeted by the program/initiative/partnership
- The biggest successes and challenges of the program/initiative/partnership
- What the program/initiative/partnership needs to significantly increase its impact, scalability, and sustainability
- How the bank could be most helpful to the program initiative (e.g., giving grants, sitting on the board, mentoring, conducting mock interviews, or providing financial education)

All this information is important for banks to assess what type of loan, service, or investment would be most helpful to the workforce development entity.

BANKS ENGAGING IN WORKFORCE DEVELOPMENT

There are a variety of ways for banks to engage in workforce development. For example, they can serve on the board of directors and provide a loan or grant to a community-based organization that supports workforce development. They can conduct mock interviews and help with résumé writing. They also can provide financial education and learn-and-earn opportunities for individuals who meet the CRA's low- and moderate-income criteria at the beginning of the workforce development activity. Such opportunities include internships, apprenticeships, summer employment opportunities for youth or young adults, college work-study positions outside the college, job-shadowing opportunities, and transitional jobs programs.

As banks engage in workforce development, they must be able to clearly and concisely tell their workforce development story to internal and external stakeholders. Therefore, when organizations invite banks to the table, they must be prepared to outline the costs and benefits, return on investment, and financial and social impact to the bank, community partners, and target community. It would also be helpful to include the impact of workforce development on the health of the target community.

EXAMPLES OF HOW BANKS ARE PARTNERING WITH WORKFORCE DEVELOPMENT ENTITIES[8]

CAP Tulsa

CAP Tulsa is a community action agency that employs two-generation strategies to break the cycle of poverty for low-income families with young children. One of its programs is CareerAdvance, a parent-centered work-readiness program that offers training and job placement in high-demand health care occupations to parents of young children. Certifications offered include certified nursing assistant, pharmacy technician, and dental assistant, all of which have an average starting wage of $10–$15 per hour. CareerAdvance provides support such as tuition assistance, financial coaching, and peer networking opportunities. Its business-development team works with local health care employers to understand their needs and connect participants with job opportunities.

CAP Tulsa partners with many local and national organizations, including banks. Their support comes in the form of grants and volunteerism. Bank employees serve on the CAP Tulsa board in the roles of president, vice president, and general board vice president members. The organization's bank partners include global and local financial institutions, the Federal Home Loan Bank (FHLB) of Topeka, and a bank foundation. Specifically, a local bank submitted a proposal to the FHLB of Topeka's JOBS program for support of CareerAdvance in March 2015, from which CAP Tulsa received $25,000 to support staff salaries. CAP Tulsa also received awards from a bank foundation for $10,000 and a global financial institution for $20,000 to support participant incentives, child care, and other expenses.

Mi Casa

Denver-based nonprofit Mi Casa serves 18-to-55-year-olds in low-income households whose goal is to obtain middle-skill jobs that offer a career pathway with upward mobility. Mi Casa offers job training programs, one-to-one coaching on resume writing, cover letter preparation, negotiation skills, career assessment, and bilingual business development services. It also has middle- and high school–based neighborhood centers that offer youth development programs. For its clients seeking extensive training, Mi Casa provides four to six weeks of technical- and soft-skills classroom training (including certifications and industry-recognized credentials), customized job search support and job placement services in growth sectors (financial services, retail, hospitality, and health care), and support services that promote job retention and stability.

Mi Casa partners with community, regional, national, and global financial institutions, credit unions, and nonbank financial services providers. Over 130 employer partners support Mi Casa by providing guest speakers, leading tours, networking, holding interview days, and serving on its Employer Advisory Councils. These councils are composed of representatives from diverse employers and are organized by industry, such as financial services, or role, such as customer service representative. According to Mi Casa, members of its advisory councils play a vital role in shaping its Career Development Training programs by advising staff on talent needs, hiring practices, training needs, and industry trends.

Per Scholas

Nonprofit Per Scholas provides full-time, tuition-free information technology training to individuals who are unemployed or in low-wage jobs. It operates in Atlanta, Cincinnati, Columbus (Ohio), Dallas, New York, and the national capital region (Washington, DC, Maryland, and Virginia). Per Scholas works directly with employer partners to assess their talent needs and hiring challenges for entry- to mid-level information technology jobs and then designs its training in response to these needs. At the same time, its coaches and volunteers guide students on job search strategies, resume writing, interview preparation, and career development and soft skills: communication, conflict resolution, agility, adaptability, and emotional intelligence.

To help ensure its students' success, Per Scholas and its community partners provide them with support services such as financial management, behavioral health support, and child care. Graduates can continue to obtain career coaching and tuition-free education for up to two years after completion.

Several banks partner with Per Scholas. For example, a global financial institution invested over $800,000 to expand Per Scholas's reach to Brooklyn, New York. This expansion will enable Per Scholas to serve an additional 140 New Yorkers annually and train them on cybersecurity, a high-demand role in information technology. Per Scholas also partners with a national bank in the National Capital Region that is helping Per Scholas design cybersecurity training curricula (e.g., agile data analytics, virtualization, and cloud computing) so that students will be qualified to work in a securities operations center. The financial contributions of Per Scholas's bank partners since 2014 range widely: from $5,000 to $1.4 million.

Skill QUEST

The nonprofit Skill QUEST is an outgrowth of the community organizing efforts of Dallas Area Interfaith, a network of more than 30 faith-based institutions and community organizations. Skill QUEST's clients enter its program making an income of less than $10,000 per year. It monitors clients' academic attendance and performance and supports their career readiness by connecting them to support services, including child care, counseling, fitness training, financial education, tutoring and exam preparation, and career counseling. Once they graduate, it monitors their job satisfaction and performance.

Skill QUEST is part of a Texas network of organizations that have the same mission—to lift working adults out of poverty and into living-wage careers through education. The organizations use the same business model and help each other improve by sharing data and best practices. Skill QUEST was founded in 2010, and its network colleagues were established earlier: Project QUEST in San Antonio was launched in 1992, Capital IDEA in Austin started in 1998, and Capital IDEA in Houston was founded in 2009.

Skill QUEST has two banking partners. Both provide financial contributions, but one also provides volunteers and financial education. The bank uses the Federal Deposit Insurance Corporation curriculum Money Smart as a starting point and customizes training to meet participants' needs.

Year Up

National nonprofit Year Up provides low-income adults aged 18–24 and without a college degree opportunities to build technical skills (through courses where they earn college credits and corporate internships) and receive professional training (including public speaking, professional attire, and business communication). According to New York–based program and policy evaluator Economic Mobility Corporation, Year Up reports that it boosted a young adult's annual earnings by an average of 30 percent compared to a randomized control group.

Over a dozen banks partner with Year Up and contribute $24,700 for each Year Up intern they host. Partners include regional, national, and global financial institutions. In addition to this core support of Year Up's internship program, banks have partnered in the following ways:

- A national bank has provided more than $1.2 million to Year Up over the life of its partnership. Support has included regional resources for the organization's core programming in key markets, and national support for the organization to track, engage, and measure its alumni as they professionally progress.
- A global bank awarded Year Up $5 million through its foundation over five years to support program expansion in up to six cities where the bank has a strong footprint. Funding also supports program quality initiatives that strengthen the curriculum, outcome metrics, and alumni support.
- A global bank sponsors and hosts an annual leadership forum, which convenes top financial services employers to share best practices in establishing pathways to corporate employment for Opportunity Youth.

ENGAGING WITH BANKERS TO IDENTIFY PARTNERSHIP OPPORTUNITIES

Partnerships with banks are best considered as long-term relationships based on mutual interests and benefits. While banks do have obligations to serve community interests under the CRA, specific activities and goals are not prescribed. Organizations that can help identify, shape, and realize opportunities for banks to meet community needs in innovative ways will lay the groundwork for lasting partnerships.

Following are four initial steps to help organizations identify and approach banks in ways that focus on building productive relationships:

1) Identify bankers that your organization has a relationship with now. They may be board members, provide support for other programs, or provide banking services for your organization. Discuss with them how their CRA obligations factor into their current activities.
2) Consider opportunities for expanding collaboration with existing bank partners to help them better meet their CRA goals. Discuss potential opportunities in terms of services, investments (including grants), and loans.
3) Identify other banks with assessment areas that overlap your service area(s) and their contacts. The person in charge of community outreach and CRA compliance may work in different areas within a bank, depending on its size and structure. Try to get a referral from a community partner.
    - Learn as much about the bank as possible through reviewing its activities in the community and its online CRA Performance Evaluation. Each bank also has a CRA Public File available for review at each of its branches.
4) Approach the bank as a community partner. A transactional relationship is inadequate; seek to develop relationships that can provide benefits to both the bank and the organization.

CONCLUSION

Examples across the country like those described above show potential connections between workforce development organizations and financial institutions. Currently there are many ways that financial institutions may be interested in partnering with these organizations in order to meet CRA obligations. More information on these numerous potential opportunities for financial institutions and workforce development efforts to partner are noted in Blum and Shepelwich (2017). This guide has tools and resources to help banks and workforce development entities start the conversation about potential partnership opportunities.

Notes

1. In this publication, *bank* refers to financial institutions that are subject to the CRA.
2. For the complete definition of community development, see Department of the Treasury (2016, p. 48506). https://www.ffiec.gov/cra/qnadoc.htm (accessed May 16, 2018).
3. Technically, "intermediate small" banks are a subset of "small" banks, so, by definition, "small" banks had assets less than $1.252 billion as of December 31 in 2017 or 2016. Asset thresholds determine the procedures under which the banks are examined. For more information, see "Explanation of the Community Reinvestment Act Asset-Size Threshold Change Applying the January 1, 2018, CRA Definitions," https://www.ffiec.gov/cra/pdf/AssetThreshold2018.pdf (accessed May 16, 2018).
4. For specific exam procedures, see https://www.ffiec.gov/cra/examinations.htm#EX_PROCEDURES (accessed March 8, 2018).
5. For more information, see https://www.ffiec.gov/cra/qnadoc.htm, p. 44 (accessed March 8, 2018).
6. See "Home Mortgage Disclosure Act," https://www.ffiec.gov/hmda/ (accessed March 8, 2018).
7. See "Chart 1: Community Development Decision Flow Chart," Federal Reserve Bank of Dallas. https://www.dallasfed.org/~/media/microsites/cd/epersp/2007/4_3.aspx (accessed March 8, 2018).
8. The case studies in this section were written based on interviews conducted in 2016 for the development of Blum and Shepelwich (2017).

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