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Community Development at the Federal Reserve

Remarks by

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Thank you, Eric, thank you to the conference organizers for asking me to speak today, and thank you, especially, to the practitioners here for the work you do in building stronger communities.¹ Your mission has also been at the center of my career in many different roles as an academic, a practitioner, and a public official, starting as the Treasury Department's point person on community development way back in the 1990s.

Community development has been an important part of my work ever since, as a professor, a university leader, and, most recently, a banking regulator. I think this might help you understand how thrilled I am to have recently taken on the role of consumer and community development point person among the members of the Board of Governors, in support of Eric and his team and of the CD function throughout the Fed System.

Strong and sustainable communities are crucial to the Federal Reserve's mission of promoting a healthy economy and a stable financial system. Under the Community Reinvestment Act (CRA), the Fed has a statutory obligation to supervise how banks meet the credit needs of the communities they serve, consistent with safe and sound lending practices. Our community development work reinforces the benefits of this effort. More broadly, community development work helps the Fed support a strong and healthy economy. Our primary tool for doing this is monetary policy. Monetary policy influences interest rates and financial conditions to affect economic activity. We adjust interest rates in service of seeking price stability and maximum employment for the American people.

Let me spend just a moment on the U.S. economy and the outlook. The economy is currently on a sound footing, with low and steady unemployment, and disinflation

¹ The views expressed here are my own and are not necessarily those of my colleagues on the Federal Reserve Board or the Federal Open Market Committee.

having continued at a gradual, albeit uneven, pace toward our 2 percent target. Low-income households can ill afford increases in prices, and that's why it is so important that we bring inflation back down to our target. Looking forward, however, I expect tariffs will put upward pressure on inflation. Higher short-term inflation expectations, supply chain adjustments, and second-round effects may cause some inflation persistence. At the same time, tariffs may cause the economy to slow and unemployment to rise. Low-income workers are often hit the hardest when the job market weakens. There is still considerable uncertainty about tariff policies and their effects. Monetary policy is well positioned to allow us to wait and see how economic conditions unfold.

Turning from monetary policy to community development, let me explain how community development also serves the goals of supporting a healthy economy that works for all Americans. While monetary policy matters a lot, other factors have to come together for people to have good job opportunities. Businesses need access to credit to expand and hire, and in many communities that credit depends on the CRA, community development financial institutions, and a range of other public policies. Businesses need qualified workers, and in many places that depends on workforce development that is supported by community development organizations. Businesses that invest to create jobs need to believe in the future and believe in the future of the communities they serve. Thriving businesses and productive workers need safe, healthy, strong, and sustainable communities. These conditions are fundamental to achieving the Federal Reserve's goals that Congress has established.

In Every Community

That is a big reason why the Fed's community development function is such an important part of the Federal Reserve System. Getting monetary policy decisions right requires a deep understanding of the conditions of local economies across the nation. This need is one of the reasons that the Fed was designed as an institution with a presence in every region of the country, ensuring that the experiences and perspectives of people from everywhere are considered in the decisions we make. It is why the Federal Reserve is actively seeking input from the public in formulating our long-term goals and strategy for monetary policy, with listening sessions around the country, including one right here at the Cleveland Fed. We want to hear from as many communities as we can, and an important way to do that is through our long-standing connections to organizations that are supporting strong and sustainable communities. In addition to the work you do, we value your perspectives, especially on how low- and moderate-income communities are faring in the economy. Federal Reserve policymakers depend on a lot of data, such as the unemployment rate, in making our decisions, but numbers can only go so far, and we also rely on actual experiences, on the ground, of people like you and those you serve.

Beyond providing insights on economic conditions, the Fed's community development function supports the economy by promoting access to credit and other financial services among small businesses and low- and moderate-income households and communities. This access is a cornerstone of economic opportunity and resiliency. By analyzing and disseminating information on local financial needs and highlighting successful approaches for attracting and deploying capital, the Fed's community development work advances economic vitality in communities across America.

The Fed staff who work on community development also work closely with the supervisors overseeing bank compliance with the Community Reinvestment Act. By ensuring that these two functions are working together, we can support financial institutions' awareness of promising opportunities to meet their obligations under the CRA. Beyond supporting these statutory obligations, the insights gathered by the Fed's CD function serve as an early warning system of risks in the financial system. CD programs help spot emerging trends that may, for example, reveal patterns of unfair treatment of borrowers or signal risks to the safety and soundness of lending practices in particular communities.

What Makes Community Development Work

I've outlined the important role that support for community development plays at the Federal Reserve. Now I'd like to offer a few words on effective community development—what works, and some ideas for how it might work even better. While we have learned a great deal over the years about promoting healthy and vibrant people and places, there are substantial opportunities to expand and adapt successful approaches to new areas. As an institution committed to conducting and disseminating high-quality, independent, and actionable research, the Federal Reserve will continue to conduct and support research on community development, and policymakers, including me, will highlight that research and engage with the public on new ideas for creating economic opportunity, particularly in low- and moderate-income communities.

This includes conducting original quantitative research to shed new light on evolving challenges, such as the Federal Reserve Bank of St. Louis' recent research looking into the incidence of youth disconnection from the labor force and education, and

how that differs across communities. As far as collecting data, I would also point to our Community Perspectives Survey and the Small Business Credit Survey, which the Cleveland Fed has conducted since 2020.²

Beyond collecting and analyzing data, the Federal Reserve's CD function also conducts qualitative research to understand the "why" behind the data. For example, the Philadelphia Fed recently published insights from their conversations with employers in the manufacturing as well as the leisure and hospitality sectors in Pennsylvania, New Jersey, and Delaware on how they are addressing staffing challenges.³

Another way that the Fed helps advance knowledge is through convenings like the one we're a part of today. For example, the San Francisco Fed recently hosted the California Rural Success Summit, which aimed to connect rural stakeholders across the state and to showcase innovative efforts to enhance access to jobs and credit across rural California.⁴ These convenings can also take the form of virtual events, such as the New York Fed's recent webinar exploring local approaches to developing and rehabbing affordable apartments.⁵

These are a few of the ways that the Fed's community development work helps expand knowledge across the field. Communities also need to know how to apply that knowledge and have access to the partners and resources needed to do so. The Federal

² Additional information on the Community Perspectives Survey is available at <https://fedcommunities.org/topics/community-perspectives-survey>; additional information on the Small Business Credit Survey is available at <https://www.fedsmbcredit.org/reports/survey>.

³ See Ryotaro Tashiro and Keith Wardrip (2023), *Hiring and Retaining Lower-Wage and Noncollege Workers during the Pandemic: Conversations with Employers* (Philadelphia: Federal Reserve of Philadelphia, March), <https://www.philadelphiafed.org/-/media/FRBP/Assets/Community-Development/Reports/23-03-report-hiring-and-retaining-workers.pdf>.

⁴ Additional information on the California Rural Success Summit is available on the San Francisco Fed's website at <https://www.frbsf.org/news-and-media/events/2025/05/california-rural-success-summit-2025>.

⁵ Additional information on the webinar is available on the New York Fed's website at https://www.newyorkfed.org/newsevents/events/regional_outreach/2025/0408-2025.

Reserve's CD function convenes local stakeholders who have a common interest in looking for ways to create opportunities and partnerships to better serve community development needs.

For example, the Federal Reserve Bank of Boston has been supporting community leaders for more than a decade through its Working Places Initiative, which helps local leaders work together to build strong, healthy economies and communities.⁶ Similarly, through the Advance Together initiative, the Dallas Fed supports local communities across the 11th District that are addressing education and employment challenges to connect more Texans with quality jobs.⁷ The Atlanta Fed helped to establish and continues to actively participate in the Metro Atlanta eXchange for Workforce Solutions, a connector for workforce developers in the area. MAX, as it is known, helps bring together employers with those involved in training, apprenticeships, and certification programs to fill specific demands.⁸ And, lastly, I would include the Occupational Mobility Explorer, an interactive tool developed by the Federal Reserve Banks of Cleveland and Philadelphia that allows workers to explore career paths and visualize how job skills can transfer to higher-paying occupations.⁹

Fed CD staff also help investors and community development organizations connect with each other to explore mutually beneficial opportunities to work together. Through initiatives like the Kansas City Fed's Investment Connection and the Richmond

⁶ Additional information on the Working Places Initiative is available on the Boston Fed's website at <https://www.bostonfed.org/workingplaces.aspx>.

⁷ Additional information is available on the Dallas Fed's website at <https://www.dallasfed.org/cd/at>.

⁸ Additional information about the Metro Atlanta eXchange for Workforce Solutions is available at <https://metroatlantaexchange.org>.

⁹ Additional information about the Occupational Mobility Explorer is available on the Philadelphia Fed's website at <https://www.philadelphiafed.org/surveys-and-data/community-development-data/occupational-mobility-explorer>.

Fed's Rural Investment Collaborative, the Federal Reserve helps communities identify potential financing partners who can move their ideas to action.¹⁰

These are just some of the ways the Federal Reserve supports the work of community development practitioners, who, as I have described, in turn support the Federal Reserve's work of promoting a healthy economy and a safe and stable financial system. Thank you for the work you do and for sharing some time with me today as we work together now and into the future to achieve our community development goals.

¹⁰ Additional information about Investment Connection is available on the Kansas City Fed's website at <https://www.kansascityfed.org/community/investmentconnection>; additional information about the Rural Investment Collaborative is available on the Richmond Fed's website at https://www.richmondfed.org/region_communities/rural/rural_investment_collaborative.