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Investing in America's Underserved Communities

Remarks by

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at

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Thank you to the New York Fed and the organizers of this conference for the opportunity to speak to you today.[1] For two reasons I can think of, New York is an excellent place to discuss ways to increase investments in communities where incomplete or missing markets have resulted in less investment than needed. First, it makes sense to initiate a conversation about incentivizing private investment in the center of American finance. Second, New York has been successful over the past few decades in attracting investment in lower-income neighborhoods, reversing forces that once made parts of this city synonymous with urban decline. I first saw that for myself 30 years ago, touring the South Bronx with Treasury Secretary Bob Rubin, where public–private partnerships were building housing, creating businesses and jobs, and making streets safer, block by block. That progress has continued, and the strategies and partnerships we will be discussing today have been a major engine for that success.

The backdrop for community investment, of course, is the economy—how fast it is growing, how well it is creating jobs, and how well incomes are keeping up with the cost of living. So I will start with the economic outlook. Overall, the economy is strong, with low unemployment, solid consumer spending, and robust business investment. But inflation is too high, making it hard for American families to make ends meet. Many families are struggling. And that's why it is so important for the Fed to bring inflation back down to our target of 2 percent in a timely way. If the economy evolves as I currently forecast, I expect it will be appropriate to raise rates further to achieve that goal on behalf of the American people. Of course, I'll continue to monitor the incoming data, the evolving forecast, and the balance of risks in making that assessment.

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[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.

Strong and sustainable communities are key to American prosperity. When a community is strong and resilient, people see a future there and invest in that future—they buy homes, shop locally, and start new businesses. When hard times hit resilient communities, people can weather the storm and bounce back in part because they believe that they and their communities will bounce back—that jobs and opportunities will return. That's why we at the Fed are committed to building stronger communities. And while economic activity and employment are continuing to grow for the country as a whole, not all families and communities are thriving. Far from it. Wealthier households are doing well, but middle- and lower-income households are struggling, and the economy is leaving some communities behind. Recent estimates are that 44 percent of Americans live in low-income communities, where a fifth or more of people live below the poverty line.[2] These communities often lack sufficient investment in housing, business, and infrastructure.

The Fed's recent Survey of Consumer Finances confirms that the majority of households has very little wealth.[3] And lower-wealth households are nearly four times as likely to say that they cannot rely on friends and family for financial help or provide that help themselves.[4] Think about how that inability to help, or get help, can reverberate across a community. When jobs and opportunities lag in a community, it eats away at the

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[2] See Tracy Hadden Loh, Lyneir Richardson, and Bethany Krupicka, "The Community Investment Fund: An Efficient, Scalable Vehicle for Tax-Incentivized Place-Based Investment," Brookings, April 16, 2025, https://www.brookings.edu/articles/the-community-investment-fund-an-efficient-scalable-vehicle-for-tax-incentivized-place-based-investment/.

[3] More information on the Survey of Consumer Finances is available on the Board's website at https://www.federalreserve.gov/econres/scfindex.htm.

[4] See Aditya Aladangady, Jesse Bricker, Andrew C. Chang, Sarena Goodman, and Gina Li, "Informal Support Networks in the Survey of Consumer Finances," FEDS Notes (Board of Governors of the Federal Reserve System, October 9, 2026), https://www.federalreserve.gov/econres/notes/feds-notes/informal-support-networks-in-the-survey-of-consumer-finances-20261009.html.

ties that connect families and neighbors. The dignity of work is so key to how many people try to navigate these difficult times, yet in many communities, despite a strong economy, some people are finding it hard to find a good-paying job.

So, what are the kinds of investments that can drive long-term, lasting opportunity? We've seen so many examples of successful public–private partnerships make a difference to households, businesses, and communities. We need the public sector, at all levels of government. We need the private sector. And we need the nonprofit sector. But there are market failures that often prevent the private sector from coming in on its own. For example, information asymmetries can make it hard for commercial banks to see opportunities in low-income areas. When commercial banks can partner with local, state, and national community development groups, including Community Development Financial Institutions (CDFIs), that partnership can help those banks extend credit, investment, and services to those that most need them and, in turn, assist banks in most effectively reaching new customers. These partnerships can help overcome these market failures. Community organizations and national nonprofits can reduce the costs of acquiring and interpreting information about low-income borrowers and communities, they can coordinate lending to overcome collective action problems, and they can also share risks to reduce bank exposures.

By targeting investments to identify root causes of the challenges in a community, public–private partnerships can better help capital find successful strategies at the early stages of the development process. This can help establish the appropriate funding

infrastructure to set community-focused projects on a course for long-term investment.[5] As President John Williams said in inaugurating this conference in 2024, this event is about investing in solutions that lead to long-term partnerships and sustainable success.[6] It means addressing root causes, and also the longer-term outlook for the community. Investments that focus on jobs, housing, schools, infrastructure, and the like are critical.

To illustrate what I mean, I will note a few examples of where communities in the region are building partnerships to attract long-term investments.

Not far from here, in a part of Brooklyn marked by limited housing as well as a lack of employment and healthy food sources, private and public partners came together in a project called City Point, which includes a full-service supermarket, 120 affordable housing units, and retail space for local small businesses. City Point is a great example of how the New Markets Tax Credit (NMTC) can leverage private investment into communities and spur further development.[7] I helped launch the bipartisan NMTC a quarter century ago, and I'm so pleased that it was recently made permanent by Congress.

In Middletown, New York, the city is converting a historic railway station, long vacant, into a community center, complete with a Head Start program in a community where childcare options are sparse. The project is being financed in part by the NMTC.

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[5] See, for example, Michael S. Barr, "Developing Communities through Public-Private Partnerships," speech delivered at the 2026 National Community Investment Conference, Phoenix, Arizona, March 24, 2026, https://www.federalreserve.gov/newsevents/speech/barr20260324a.htm.

[6] See John C. Williams, "X Marks the Spot: Making Missing Markets," speech delivered at Intermediating Impact: Making Missing Markets, Federal Reserve Bank of New York, New York City, November 14, 2024, https://www.newyorkfed.org/newsevents/speeches/2024/wil241114.

[7] See Michael S. Barr, "Supporting Investment in Communities: The First 25 Years of the New Markets Tax Credit," speech delivered at the 2025 Fall New Markets Tax Credit Conference, New Orleans, Louisiana, October 23, 2025, https://www.federalreserve.gov/newsevents/speech/barr20251023a.htm.

Syracuse, New York, announced earlier this year the creation of a revolving loan fund for mixed-income housing. The fund provided $30 million in seed money, and a group of private partners contributed the remaining $120 million.

The Low-Income Housing Tax Credit (LITHC) has been a critical tool so important to the recovery of the Bronx and many communities around the country. The LIHTC has helped to create or preserve nearly 4 million units of housing over the past 40 years.[8] The Bronx lost roughly a fifth of its housing between 1970 and 1980 and, not coincidentally, about a fifth of its population. But with the help of the Community Reinvestment Act (CRA), the LIHTC, CDFIs, and other factors, it recovered that ground and continues to recover and thrive since then.[9]

Underpinning all of these projects is the CRA. The CRA has helped to increase lending, investment, and services in low-income communities all across the country. Critical to the CRA's success are banks of all sizes—the biggest banks that serve national markets, regional banks, banks with specialized business models, and community banks—in all kinds of communities, including urban, suburban, small towns, and rural. Banks large and small often partner with CDFIs, national and local community as well as civil rights groups, local chambers of commerce, and the like to make local lending effective. CDFIs are often "boots on the ground" financial providers and can connect stakeholders across sectors. Grants to these and other groups often make the difference

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[8] See "Low-Income Housing Tax Credit (LIHTC) Program: Property Level Data" on the U.S. Department of Housing and Urban Development's Office of Policy Development and Research HUD User website at https://www.huduser.gov/portal/datasets/lihtc/property.html.

[9] See Benjamin Holtzman, "The Burning of the Bronx: Reconstructing a Decade of Abandonment, Arson, and Reform," *Metropolitics,* May 26, 2026, https://metropolitics.org/The-Burning-of-the-Bronx-Reconstructing-a-Decade-of-Abandonment-Arson-and.html; and Office of the New York State Comptroller, *The South Bronx: An Economic Snapshot,* Report 13-2024 (Albany, N.Y.: OSC, November 2023), https://www.osc.ny.gov/files/reports/osdc/pdf/report-13-2024.pdf.

between success and failure for banks trying to make a difference in communities—as I said, in rural communities, small towns, big cities, and Native American lands alike.

Today, I've spoken mostly about community development in New York, since we're here in the Second District, but I've seen work like this first-hand all around the country as I've visited the Reserve Bank Districts.

I've listened to bankers, CDFIs, and local entrepreneurs come together in Clarksdale, Mississippi. I've seen affordable housing built by partnerships between tribal governments and local banks on the Flathead and Blackfeet Reservations in Montana. I've seen Working Cities in East Harford, Connecticut, and community-based learning in Portland, Oregon. I've witnessed the transformation, innovation, and entrepreneurial spirit of Detroit, Michigan, and the grit and determination of community development professionals in South Dallas, Texas. Entrepreneurs in Charlotte, North Carolina, told me about the importance of CDFIs, as did leaders in Kansas City, Missouri, and Omaha, Nebraska. I've seen what public–private partnerships mean for employment and small business growth in Cleveland, Ohio, and I've seen a business incubator in Atlanta, Georgia, make a real difference to its local community. In Arizona, I visited with entrepreneurs in Mesa and Tempe who told us about the key role of local community development corporations. And Chicago educational leaders taught me the importance of linking up with local employers to chart job pathways for young people from disadvantaged backgrounds. This good work is happening all over the country, in urban, rural, and tribal communities, and in every Reserve Bank District.

This brings us to why we are gathered today at the Federal Reserve Bank of New York. In one part of this building, staff are working every day to help implement

monetary policy, help ensure smooth financial markets, and promote a strong economy. But we can't achieve a strong economy without strong communities. Core to the Fed's mission, the Federal Reserve System's Community Development function can help. I applaud the Federal Reserve Bank of New York for bringing attention to the untapped potential of low- and moderate-income communities all across these beautiful, vast, diverse, and entrepreneurial United States. There's lots more we can do together.