

Eric Belsky (00:05):

As you heard, I'm Eric Belsky. I'm the Director of Division of Consumer and Community Affairs at the Board of Governors of the Federal Reserve, and just really happy to be here. I want to thank the Cleveland Fed and the other supporting Federal Reserve Banks who worked so diligently to put such a great conference together. I think this morning was just such a powerful way to kick off the next couple of days, and really focusing on obviously, issues of great national importance and importance to the people that you all work with and the communities that you serve. Just want to thank each of you not only for attending, but for the work that you do. It's just so critical, and it does make a difference. But for that work, lots of communities would be struggling even more than they are today, so I just want to thank you.

(01:04):

I have a pretty simple role this afternoon, and that is to introduce our next speaker, Governor Michael Barr. I'd say first about Governor Barr in his role in overseeing consumer protection and community development is that the Fed and the nation have the great good fortune to have him in that role, in overseeing both consumer protection and community development, and at the Board, the Division of Consumer and Community Affairs. Governor Barr has both long and formidable experience in each of these areas, and I would consider that a significant understatement. He has a very keen understanding of law, economics and policy of both community reinvestment and consumer financial products and markets and services. In fact, owing to his central role in the Dodd-Frank Act, he's often referred to as one of the principal architects of the modern consumer financial protection legal framework.

(02:13):

His amount of experience in this area is really unique among Federal Reserve Governors over its history, and just represents an enormous opportunity for the Federal Reserve, but really for all of us, and everyone in the room. I've known Governor Barr myself for more than a quarter of a century. He called it a generation, and I consider it an honor to have known him for that long period of time. What I can tell you, he's not only a really brilliant person, but he's also a really deeply caring one. To me, his intellect is unparalleled and it's matched by the depth of his values and his consideration for those who struggle economically and financially, and those who face special obstacles to economic success and are underserved by traditional financial institutions.

(03:05):

Governor Barr literally wrote the book on what it's like to live with no economic slack in a book that he aptly titled No Slack, and spent a lot of time reflecting on what it's like truly to live paycheck to paycheck or transfer payment to transfer payment. You can look at his bio, so I'll just hit a few of the many highlights that I could, so you have a measure of his background when he comes up to speak.

(03:30):

Early in his career, he served as a law clerk to Supreme Court Justice David Souter. He's told some really remarkable stories about that experience, and as you can imagine, serving with someone like that was a very formative experience for him. He served in the Department of Treasury in the 1990s as the Treasury Secretary's special assistant, as Deputy Assistant Secretary of the Treasury, and as a special advisor for the president. I imagine his business card had quite a bit written on it.

(04:00):

He returned in 2009, and this was around the Dodd-Frank Act period, to serve there as Assistant Secretary for Financial Institutions. He has since served as the Dean of the Gerald R. Ford School of



Public Policy at the University of Michigan. I'll let him say, "Go blue," but I guess I just said it. He says it to me a lot. And founded and directed its Center on Finance Law and Policy.

(04:28):

If that were not enough, he's a Rhodes Scholar, and served as the Vice Chair for Supervision of the Federal Reserve from July 2022 until February of this year. Having said all this, Governor Barr is not a pretentious person, nor is he one who seeks acknowledgement. So, I suspect I've embarrassed him more than enough. I also want to make sure I leave plenty of time for you to hear directly from him and for you to have a chance to ask him questions. So with that, please join me in welcoming my friend and also, a wonderful person.

Governor Michael Barr (05:09):

Thanks so much, Eric. It's just wonderful to be here with all of you and everybody in the Federal Reserve System and your partners around the country, and let me also thank the conference organizers for asking me to speak today. And thank all of you especially, to the practitioners here for the work that you do in building stronger communities. It's great to be here in part because as Eric said, it's an area I've been working in a long time, so it feels like I'm coming back home. So, great to be with all of you.

(05:41):

Your mission has been at the center of my career in many different roles. As an academic, a practitioner, and as 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 bank 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 community development and consumer function throughout the Federal Reserve System.

(06:18):

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, 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 build a strong and healthy economy.

(06:49):

Our primary tool for doing this is, of course, monetary policy. Monetary policy influences interest rates and financial conditions to affect economic activity. We adjust to interest rates in service of seeking price stability and maximum employment for the American people. So let me just spend a moment on the US economy and the outlook. The economy is currently on a sound footing, with low and steady unemployment, and disinflation having continued at a gradual, albeit uneven, pace toward our 2% target. Low income households can ill afford increases in prices, and that's why it's so important that we bring inflation back down to our target.

(07:36):

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's 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.

[\(08:15\)](#):

Turning from monetary policy to community development, let me explain how community development 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. In many communities that credit depends on the CRA, community development financial institutions, and a range of 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.

[\(09:04\)](#):

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. That's 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's why the Federal Reserve is actively seeking input from the public in 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.

[\(10:11\)](#):

In addition to the work that you do, we value your perspective, especially on how low and moderate income communities are in the economy. Federal Reserve policymakers depend a lot on 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.

[\(11:10\)](#):

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 community development 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.



[\(11:54\)](#):

I've outlined the important role that support for community development plays at the Federal Reserve. Now, I'd like to offer 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 in 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.

[\(12:30\)](#):

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 in education, and how that differs across communities as far as collecting data, and also pointed to our Community Perspectives Survey and the Small Business Credit Survey, which the Cleveland Fed has conducted since 2020. Beyond collecting and analyzing data, the Federal Reserve CD function also conducts qualitative research to understand the why behind the data. For example, the Philadelphia Fed recently published insights from their conversation with employers in the manufacturing sector as well as the leisure and hospitality sectors in Pennsylvania, New Jersey, and Delaware on how they're addressing staffing challenges.

[\(13:34\)](#):

Another way that the Fed helps advance knowledge is through convenings like the ones we're 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. These conveniences can also take the form of virtual events, such as the New York Fed's recent webinar explaining local approaches to developing and rehabbing affordable apartments. These are a few of the ways that the Fed's community development work helps expand knowledge across the field.

[\(14:11\)](#):

Communities also need to know how to apply that knowledge and have access to the partners and resources needed to do so. The Federal 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 to build strong, healthy economies and communities. 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. 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 known as MAX.

[\(15:07\)](#):

MAX helps bring together employers with those involved in training, apprenticeships, and certification programs to fill specific demands. I'd also 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. 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 Fed's Rural Investment Collaborative, the Federal Reserve helps communities identify potential financing partners who can move their ideas into action.

(15:56):

These are just some of the ways the Fed supports the work of community development practitioners, who as I've described, in turn support the Federal Reserve work of promoting a healthy economy and a safe and stable financial system. Thank you for the work that 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. Thank you very much.

(16:27):

I'd be happy to take any questions from anybody. I know there are a lot of you out there, so don't feel shy.

Audience (16:36):

Hello, Governor Barr. Thank you for your time this afternoon. My question is as community development practitioners, where should we be focusing our time and attention? If there was one issue or approach that you'd like to see us take, what would it be?

Governor Michael Barr (16:52):

Well, that's a great question. First of all, let me say I don't want to speak for all the different ways that you can make a difference in the world. Lots of people have different paths. Different communities have different needs, and it's really important to make sure that the kinds of services that are being offered and the kinds of partnerships that are being created are reflective of the particular needs of the communities that you serve. I'll just say for my own part, I've set myself some priorities for myself for this year. They may not be the same priorities as everybody else wants to use all across the country.

(17:27):

But for me, the first level thing I want to focus on is making sure that Americans have access to the kinds of financial products and services that meet their needs in a safe way and in an affordable way. So, that project of financial inclusion is really quite critical. There are things that the private sector can do, that the banks can do to help. There are things that we can do within the Federal Reserve to help, such as by making sure that as banks sign up to FedNow, our instant payment rails, they're thinking about the ways that those rails can help serve low and moderate income people who need to get access to their funds in a safe and reliable and quick way, and need to control their spending in a way that they know when those funds are going to hit. So financial inclusion, super important in terms of my own priorities.

(18:20):

The second thing I'd highlight is consistent with the work that's being done here at the Cleveland Fed on small business credit. I'd like us to pay attention to making sure that small businesses in this country, which are the lifeblood of so many communities all over the country, get access to credit that makes sense for them, and that problems with interpretation and understanding of credit don't lead to problems down the road. A third area that I'm going to be focused on is navigating through this moment on the Community Reinvestment Act, where rule changes in litigation, and now coming back to an old rule mean we have to be really careful that CRE continues to serve communities all over the country.



(19:06):

Thank you. Another area that's important to me, there's been a lot of work going on in the System to make sure the voices of low and moderate income people and communities are heard around the decision-making table in monetary policy. So getting input from all of you to make sure we understand, we know that there are differential impacts of the work that we do. We need to make sure the work we're doing is good for a broad and inclusive economy, so that's another important area for me.

(19:36):

The last one I'll mention is about FinTech partnerships with banks. There's some really terrific examples of ways in which FinTech bank partnerships have expanded access to financial services, and there are also some areas that have been really terrible for low and moderate income people. So I want to make sure we're paying attention to getting that practice right, so it actually serves the needs of Americans all across the country. So that was a very long answer to your question, but that's where my head is right now.

Audience (20:08):

Thank you so much.

(20:13):

Excuse me. Thank you, Governor Barr. Actually, your last point was going to be my question, which is how is the Board and how are the different regulatory agencies balancing this really difficult piece between innovation and consumer protection, and then also access as it comes to the different FinTech products and partnerships that are out there?

Governor Michael Barr (20:40):

It's a terrific question. Let me just say, getting the balance right is very, very challenging. We need to make sure that we're open to innovation. Innovation is what can help serve communities better, can serve households better, can serve businesses better. Technology is one aspect of how that service improves, and you want to make sure that you're open to that and make sure that competition is in the service of serving more households with products and services that make sense for them. At the same time, you need guardrails in the system. You don't want people innovating in a way that causes widespread harm to consumers.

(21:19):

You don't want people innovating in a way that could cause systemic risk. So we need guardrails in place to make sure, not that the incumbents are protected, but that households and businesses are protected. That balance is just absolutely critical. I don't have a magic silver bullet for that, except to say going in with the mindset that we need both innovation and guardrails is, I think, the right approach. Thank you.

Audience (21:47):

Governor Barr, we were advised by Dr. Shah this morning to keep the question simple, so I'll try to make it simple as much as I can. We have talked about workforce development and how the Federal Reserve Bank, and I understand, and I was also on the community council for Kansas City Federal Reserve Bank, and the challenge that we could face when we are developing the talent and workforce is who's actually accepting this talent and opening doors for them. Especially with AI and technology and new skills coming in, how is Fed able to follow the money on how the companies are spending these expenses, right? Are they spending it on human capital growing the talent, or are they investing more on the



technologies that would replace the jobs? I'm not against AI, GenAI specifically, but I want to be a good partner for that agency. So, yeah.

Governor Michael Barr ([22:49](#)):

It's a really interesting question and the first level answer is nobody knows yet. So generative AI has some attributes that make it likely to be a significant contributor to change in our economy, attributes like widespread adoption, the ability to improve its own R&D and the R&D of other entities, that there's spillover effects. The kind of rapid innovation we're seeing in that space suggest it might be that kind of technology. Too early to know, but it might be that kind of technology. I try and think about different scenarios that might occur, since we don't know exactly the path for the future, a scenario where it's modestly adding to productivity, a scenario where it's significantly adding to productivity, and a scenario in which it's truly transformative of our economy.

([23:45](#)):

And then to think about what does that mean for productivity, so for economic growth, and then for monetary policy, what does that mean in terms of the labor force? One of the things that we've seen technology do over the many thousands of years of technology that we've seen is technology has different effects in the labor force. In one sense, it can eliminate jobs. In another case, it can change the nature of the task of a job, be augmenting to how the person is doing their work. In a third case, it creates new jobs that we've never heard of before. So, I think that the technology we're seeing now is likely to have all three of those effects going forward.

([24:33](#)):

It's likely to eliminate some jobs. It's likely to change the nature of work for some of the jobs we already have and are seeing, and it's likely to create new jobs that nobody's ever heard of. A couple of years ago, nobody had heard of the field of prompt engineering. So, that became a huge growth area in tech. That job is actually likely to disappear pretty soon, because AI will do the prompt engineering for other AI. That kind of rapid change I think presents some exciting opportunities for people, but also some grave risks.

([25:13](#)):

It could be the case that technology helps improve equality and provide more access for low income workers. So for example, if you're working in a call center and you're not a high-efficiency employee because of the education level you have, it's possible that working with AI as a partner, you'll become a better performing employee and you'll have access to better wages. But it's also possible that those who have the highest levels of education, who are the best off will be best able to use the new tools like generative AI and that might increase income inequality.

([25:53](#)):

So, I guess the main message I want to say is it's unlikely to be all one or all the other. I think it's important as we think about this to think about the different scenarios that might arise, and then the work that all of you do needs to be thinking about how do we help low and moderate income communities get a piece of the action, be part of the change, be available to get access to new jobs, be able to take advantage of the new technology and not be left behind? That's just an extraordinary challenge, I think, for the work that all of you do, and for us as a society.



Audience ([26:30](#)):

I just wanted to add that because of AI, actually, it's helpful for the companies to get this diverse thought process into the systems they're building so that they're not building wrong models in it. So, the help is both ways.

Governor Michael Barr ([26:51](#)):

Thank you so much for that. Yeah, agree. I agree with that very much.

Audience ([26:51](#)):

Thank you, Governor Barr. I just want to say thank you for your support for CRA from a CRA officer.

Governor Michael Barr ([26:58](#)):

You're welcome.

Audience ([26:58](#)):

My question today is, what role do you see for community banks in building economic resilience in regions that are vulnerable to economic extremes of civil unrest due to continued persistent disinvestment in urban communities?

Governor Michael Barr ([27:17](#)):

Thank you for the question. I think community banks have an absolutely essential role to play all over the country in making sure that households and businesses get access to the credit they need and the services they need that are attuned to local circumstances, that understand local circumstances. One of the things that community banks and CDFIs, for example, are able to do is know their small business customer really well and know the community context in which that small business owner is trying to make it, to get ahead.

([27:56](#)):

That kind of personal relationship and local knowledge is an economic advantage for community banks that they deploy very well in improving access to small business credit all over the country. So I think banks of all sizes play important roles in our financial system. The diversity of kinds and types of financial institutions that we have in the United States is a real strength, and I'd like to see us continue to invest in the community banking sector.

Audience ([28:24](#)):

Thank you, Governor Barr. This is a question about accelerating physical climate risk. My name is Susan Crawford. A few months ago, Chair Powell gave a testimony in which he said in about 10 or 15 years, there will be areas of the country that will be effectively uninsurable, because insurance is just too expensive. You won't be able to get a mortgage. He didn't see this as a systemic financial risk to the banks. But I'm genuinely curious, wearing your hat on the consumer side, especially for low income communities, how do you view this future?

Governor Michael Barr ([28:56](#)):

Yeah. I think climate risk is a real risk for us as a society, and is likely to be a risk for the financial system unless we pay attention to it now. It's really important for us to make sure that banks that we supervise



are appropriately measuring and manage climate-related risk the same way we expect them to manage cyber risk or credit risk.

(29:26):

So that when you think about the role of the Federal Reserve, our role is a pretty narrow run. We don't make climate policy. We don't want to make climate policy. But our role is to make sure that institutions we supervise are operating in a safe and sound way, and that means paying attention to how they're measuring and manage climate-related risks. So I think it's an important part of what we do, a narrow role, but an important part of what we do.

Audience (29:57):

Hello. As you speak on workforce development and the youth re-engaging or engaging in education and employment, I've had the pleasure of sitting with some employees from the Federal Reserve, and one mentioned that they were retiring after being there for 30-plus years. So my question was, what are you guys doing to help the youth do career exploration for the Federal Reserve in some of the careers that you guys have available to them, for low-income and medium-income?

Governor Michael Barr (30:31):

Yeah. It's a terrific question. I think one of the things that makes the Federal Reserve System a great institution is that we're able to draw on the diverse talent from all over the country. We bring in, I think, really absolutely top-notch people and they do terrific work as a result. To do that, you have to be paying attention to how to find the talent wherever the talent is, and can't just go to places that are the places that you used to go to, the usual suspects. We need to make sure that our talent acquisition, if you will, is broad-based and we're reaching people all over the country.

(31:13):

President Bostic and I, for example, had an event in Mississippi, in Jackson, where we had historically Black colleges and universities from around the country who came and attended a job fair. Rafael and I were kind of the entertainment, but the important thing that was happening is that staff from the federal banking agencies were present in the room and talking to people about job opportunities at the Federal Reserve System. People may not know the wide range of jobs that are available in the Federal Reserve System. Not everybody is a monetary policy economist. There are lots and lots of different kinds of positions.

(31:56):

We have thousands of engineers in the Federal Reserve System, and people who are studying engineering might not think, "Oh, I could make a difference by going to the Federal Reserve," but you can make a huge difference in providing, for example, a fast and efficient and safe and reliable payment system for the American people. Our engineers help us do that, and people may not have that mindset going in. So, we need to be reaching out all across the country. We need to be paying particular attention to finding paths to make sure that our workforce is the talented, diverse workforce we need to be successful. So I think that's the kind of thing you've seen us do, and we need to continue to do, and to continue to innovate on.

(32:41):

I'm getting the little light down here that's flashing red, which suggests that it might be time for me to let you all go. It's been lovely talking to all of you. Thank you for your questions and attention, and best of luck with the work that you're doing.