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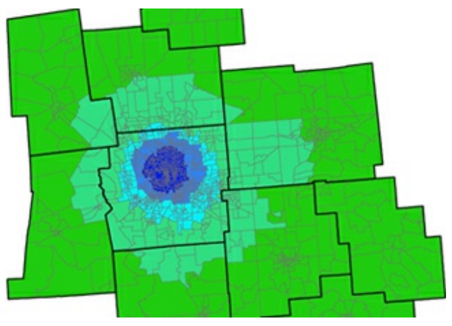
Cleveland Fed Digest

Get to know us

Recently, from the Cleveland Fed

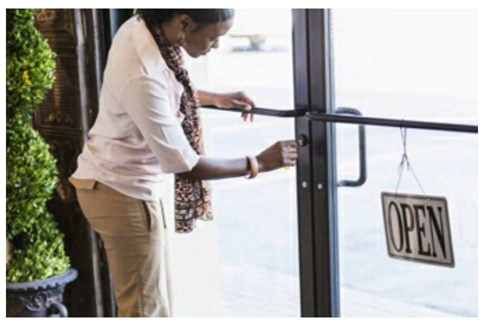
A path toward a more inclusive economy

"It's distressing to see the disparate impact of the pandemic, but the differences in economic outcomes did not start with COVID 19." Addressing members of the African American Chamber of Commerce of Western Pennsylvania, Cleveland Fed president and chief executive officer Loretta J. Mester examined the differences in economic opportunity many Americans experience. She shared her thoughts on how we can address these gaps and promote a more inclusive economy.



When jobs are close to home, economic mobility is around the corner

For workers, the proximity of their homes to jobs enhances economic mobility and opportunity. This relationship is even stronger among lower-income workers who have lost their jobs and especially for those who are African American, female, and older. We analyze trends in job access from 2007 to 2017 and investigate developments that can inform policy choices to address the COVID-19-induced recession.



The pandemic's toll on minority-owned firms

As the pandemic unfolded, the number of self-employed Black business owners actively working decreased by 41% as opposed to a drop of 17% for White business owners. Studies show that industries with the highest minority-owned businesses faced the biggest disruptions. Explore why the challenges of accessing Paycheck Protection Program loans for minority-owned firms contributed to this situation and why the success of their firms is crucial to economic recovery.

Our education and museum programs have gone virtual!

This month, we're bringing back educator favorites Danny Dollar Academy, the Student Board, and Girls Make IT Better. To learn more and register for upcoming events and programs, visit our new student programming page.

Members of the Cavaliers and the Fed discuss the new Cleveland Sports Alliance

Watch the Cleveland Fed's head of diversity and inclusion Diana Starks and head of law enforcement Carolyn Williams co-host a conversation with the Cleveland Cavaliers head coach J.B. Bickerstaff and Cavs vice president of diversity and inclusion Kevin Clayton. They discuss the Cleveland Sports Alliance and their goals of addressing social injustice in our communities and improving the relationship of law enforcement and citizens.

By the Numbers

On the Calendar

October 31

Last day to respond! Small Business Credit Survey

Be heard

November 10

Investment Connection for Lexington–Eastern Kentucky (virtual event)
Selected community organizations will pitch CRA-eligible projects for funding.

Register

November 19-20

2020 Financial Stability Conference: Stress, Contagion, and Transmission (virtual event)

Register

June 23–25, 2021

Policy Summit 2021: Pathways to Economic Resilience in Our Communities (virtual event)

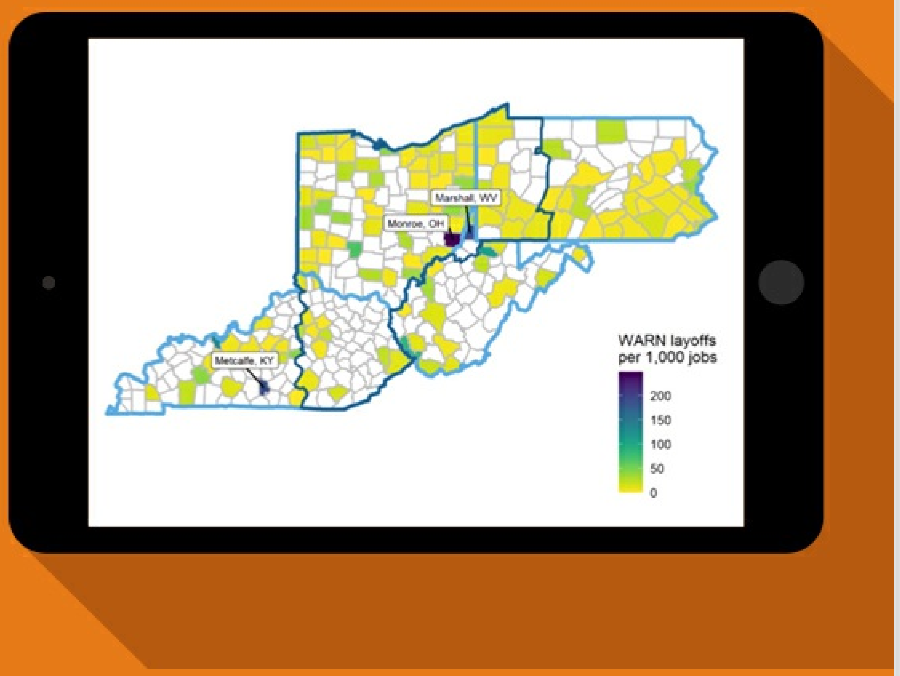
Save the date

Graphic of the Month

WARN data reveal layoffs hit some counties particularly hard

This year, layoffs have hit some counties in the region served by the Cleveland Fed hard, with Metcalfe County in Kentucky, Monroe County in Ohio, and Marshall County in West Virginia particularly affected relative to the size of their workforces. While the Worker Adjustment and Retraining Notification (WARN) Act requires employers with 100 or more full-time workers to give employees written notice at least 60 days in advance of closures or mass layoffs, the US Department of Labor allows for briefer notice periods during unusual business conditions, a category into which the COVID-19 pandemic falls.

Read what else researchers uncovered



Question: **How are those tasked with monitoring the safety and soundness of community banks supporting those banks as they respond to the multitude of people and businesses that have been impacted by the COVID-19 pandemic?**

Bryan: Community banks are the lifeblood of local communities. In a lot of small towns, their job is to finance business activity, make sure individuals have access to capital —everything necessary for a small town to survive and thrive. It's very important that customers have faith in these institutions. When any type of economic crisis comes, people worry about their money. Is the bank safe? Do I need to take my money and put it under a mattress?

During the COVID-19 economic shutdown, a lot of people and small businesses who bank with community banks have been hit hard. This includes the restaurant, travel, and fuel industries. We as bank examiners understand that there are those customers whose income streams have been disrupted. So we have had to work with banks to make sure that during this time of uncertainty and crisis, the banks meet the needs of their customers. We have allowed banks the time to work through the problems that are natural to this situation: How do they keep their employees safe? When should their branches be open? What impact will closed branches have on their bottom lines, and how will they meet the needs of customers who want to access their money?

We've been encouraging bankers to work with their customers. For example, when deferring principal and interest payments on loans for negatively impacted customers, bankers were able to do so without concern that we regulators would automatically classify these credits or categorize them as Trouble Debt Restructures . These actions would normally require the institutions to set aside additional capital and negatively impact their bottom line.

In March, the Federal Reserve paused for three months all new bank examination activities for the smallest banks we monitor. Usually, exams involve our sending up to six examiners to a bank and staying on site for two to three weeks. We didn't go on site with any of our banks during this time. Instead, we stayed in contact with bankers via phone calls to monitor their cash positions and operational activities . To this day, all of our examination activity is being conducted off site. This approach has helped enable banks to continue to work with their customers and their local communities.

We continue to monitor the areas critical to the health of institutions, particularly their Capital & Liquidity positions and the strength of their Loan Portfolios. We focus on heavily impacted industries and the resiliency of those industries' borrowers. To date, most of the banks we monitor—which are those headquartered in Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky—are recovering fine. However, we will continue to monitor banks that may have concentrations in highly impacted industries, such as restaurants, that might be doing fine now but will encounter additional challenges when the weather changes and they lose access to their outdoor dining business. Another concentration a bank might have that would cause concern is commercial real estate lending, particularly office space, as more and more businesses realize their employees can work effectively from home. That could lead to a reckoning within real estate once this pandemic is over.

Bryan S. Huddleston

is an assistant vice president with the Cleveland Fed. He oversees a staff that monitors the safety and soundness of both community banks, or those with $10 billion in assets and less, and regional banks, or those with $50 billion in assets and less. The team assesses the quality of banks' assets, including loans; evaluates institutions' requests to expand, including new branches; and takes action against institutions if they violate laws and engage in unsafe or unsound practices, among other things.

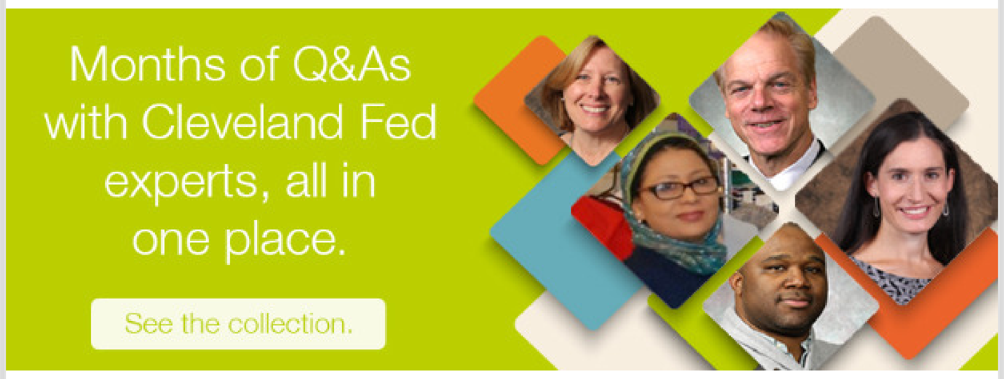
Learn more about the Fed's work with community banks

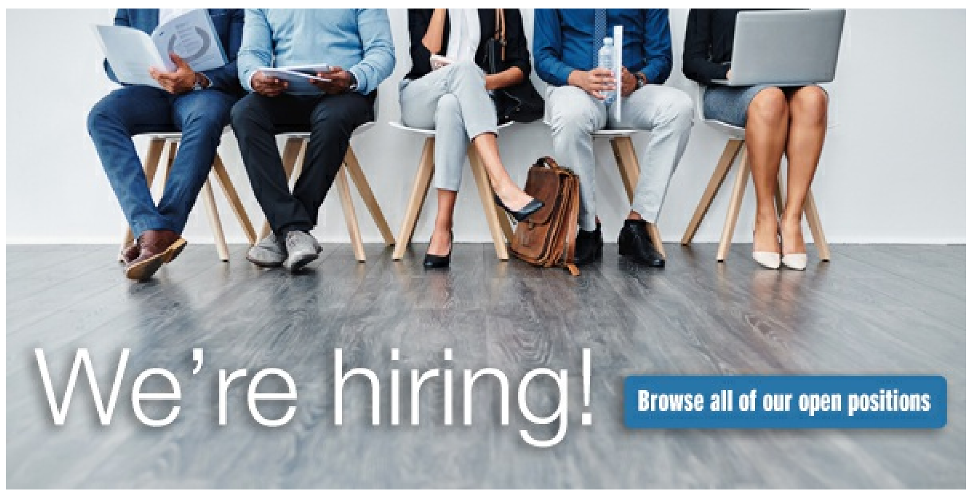
Have a question of your own for Bryan?Email him.

From around the Federal Reserve System

Addressing structural inequality in the financial system: The Fed's CRA modernization proposals

The Fed is looking for public comment on how the Community Reinvestment Act (CRA) can more effectively meet the needs of low- and moderate-income communities and help make the financial services industry more inclusive. In September, the Federal Reserve Board issued advance notice of proposed rulemaking to update and strengthen the CRA, which Congress enacted in 1977 to help address inequities in financial services and credit access for low- and moderate-income and minority individuals and communities. Read about the Fed's vision for a modernized CRA in Fed Governor Lael Brainard's recent remarks.





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