AT WORK
IN YOUR COMMUNITY

To build economic opportunity for people and communities

FEDERAL RESERVE BANK OF CLEVELAND
The Federal Reserve System (the Fed) is our nation’s central bank. Created by Congress in 1913, the Fed is made up of 12 Reserve Banks that, together with the Board of Governors in Washington DC, provide the United States with a safer, more flexible, and more stable monetary and financial system.

The Fed’s community development function works to foster inclusive economic growth and financial stability in low- and moderate-income communities across the country. We conduct research and provide insights on the trends affecting access to credit, quality jobs, education, and housing with the goal of increasing economic opportunity and helping people and communities thrive. Each of the 12 Federal Reserve Banks has a Community Development team that focuses its outreach and research efforts on that Bank’s region in order to assess and address specific challenges facing low- and moderate-income communities. Reserve Banks also partner with each other in these efforts, and with outside agencies, to tackle challenges facing communities.

In fact, our relationships with community-based and philanthropic organizations, fostered through our outreach, are valuable sources of information about the economic health of people across various segments of the population.

The Fed’s work in community development began with the Community Reinvestment Act (CRA) in 1977, which encourages financial institutions to meet the credit needs of the communities where they do business. Since that time, the Fed’s role in community development has grown from focusing primarily on housing and equitable access to credit to promoting the economic resilience and mobility of low- and moderate-income communities in many different ways.
Here in the Fourth Federal Reserve District—an area comprising Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia—the Cleveland Fed is committed to serving the needs of the varied communities we represent, from rural areas and urban centers to the Appalachian region that makes up a significant portion of our District.

Our Community Development team is a small group of professionals working from three cities—Cleveland, Pittsburgh, and Cincinnati. Specifically, our work focuses on three key areas:

1. **access to good jobs**
2. **access to quality and affordable housing**
3. **access to credit and capital**

We do this in a number of ways. Like our colleagues at other Feds, we conduct applied research, analyze data and trends, and provide assistance to community-based organizations and agencies. We share findings and policy implications through publications and webinars, in discussions with community leaders and policymakers, and at conferences. We also convene meetings, bringing together key players linked to issues affecting community and economic development.

Everything we do is aimed at deepening our understanding of issues that affect the economic resilience and mobility of lower-income communities in our District—through both quantitative and qualitative research—so that we can provide credible, evidence-based support and solutions that may help improve economic opportunity for the people who live within this region.
Our approach is to analyze the data and investigate the stories that give that data context. These analyses lead to published reports, presentations by Fed researchers, additional studies, and citations of our work that ultimately can help to inform policy responses. The following are examples of work the Cleveland Fed’s Community Development team has undertaken:

### Opportunity Occupations
In this series of reports, produced in partnership with the Philadelphia and Atlanta Feds, we identify careers that offer paths to economic mobility and self-sufficiency for workers without college degrees. We explore ongoing workforce trends that help explain the level of opportunity available in a metro area and identify common skill sets employers are seeking; together, these pieces of information help connect people with paths to careers. Northeast Ohio’s workforce investment board (WIB) used the reports’ findings to inform its collaborative regional workforce development plan and design its workforce training strategy to connect workers to better paying jobs. This use of research can be a model for WIBs nationally.

### Investing in America’s Workforce
This national initiative illustrates workforce development efforts as investments—rather than as social services—that businesses, government agencies, nonprofits, and philanthropic organizations can make to better align workers’ skills with employers’ needs. As part of that effort, our outreach team engaged with stakeholders across our District to better understand how localities are improving the alignment between workforce and economic development systems to ensure people are prepared for jobs both now and in the future.

### A Long Ride to Work
These reports use data to highlight the often lengthy transit commutes that many low-wage workers face and the challenges that limited job access poses for both employers and workers. In Northeast Ohio and the Pittsburgh metro area, we examined job access by education and wage levels to identify areas of highest need for employers and workers. Through this work, we provide data-informed insights to local policy discussions on this topic, and we continue to learn more about the challenges and potential solutions in this area.

Challenges for workers, particularly those without a college degree, abound: training programs have a hard time keeping pace with what employers need, pathways to advance careers and increase income are few and far between, and the disconnect between where jobs are and where people live continues to grow.
2. **Housing: Access to quality and affordable housing**

Our team of researchers and outreach specialists examine challenges that may prevent people from securing quality, affordable housing. The following represents our quantitative and qualitative work on three housing-related topics:

**Home lending**

In a series of analyses of Home Mortgage Disclosure Act data, we document the differences in home lending, by race and income, across seven counties in our District. In every county we examined, black borrowers experienced larger declines in home purchase rates than white borrowers did from 2005 to 2010. Although home purchase rates increased from 2010 to 2016 for both races, the gains were lower among black borrowers compared to their white counterparts. This race disparity persists regardless of borrower income.

**Land contracts**

Previous research has shown that contracts for deeds (CFDs)—an alternative to traditional mortgages wherein the homebuyer makes payments to the seller instead of to a bank—are most prevalent in black neighborhoods, low-income neighborhoods, and in neighborhoods hardest hit by the foreclosure crisis. The concern with CFDs is that they do not offer buyers the same consumer protections and wealth-building mechanisms as traditional mortgages. Partnering with the Atlanta and Chicago Feds, we examined CFD activity in several Midwestern states. Through this report, we can share data to inform policy discussions on this topic, and engage with stakeholders to continue to learn about the issues related to CFD activity.

**Neighborhood change**

Using a new approach to identify and understand development and population patterns in neighborhoods in Fourth District cities, our multivariate analysis draws attention to the nuances and complexities of gentrification in Cleveland, Columbus, Pittsburgh, and Cincinnati. The report offers evidence-based findings on neighborhood change and offers guidance to policymakers concerned about gentrification. This research was used to inform the City of Cleveland’s $65 million Neighborhood Transformation Initiative that aims to provide healthy, equitable, and sustainable opportunities to build wealth and stabilize neighborhoods.
To better understand credit conditions and trends in the small business lending industry, we have conducted surveys, analyzed data, and conferred with small business owners through focus groups. These efforts have led to a body of work on small business lending conditions, including the following:

Small Business Credit Survey (SBCS)
A national collaboration of the 12 Reserve Banks of the Federal Reserve System that gathers information on small business financial needs. The annual survey elicits responses from thousands of small business owners across the United States. The findings shed light on financing conditions, including insight on how market shifts are affecting small firms. The survey results inform lenders and practitioners who serve small businesses and are widely cited by researchers, policymakers, regulatory agencies, and media as an important source of data and reporting on these firms that play such an important role in our economy.

Online lending
A recent SBCS report revealed that, while online lenders approve financing applications more often than other lenders, small business owners are less satisfied with their experiences seeking credit with online lenders. They also report challenges with high interest rates and unfavorable repayment terms. As small businesses increasingly turn to online lenders for credit, our work explores business owners’ perspectives and how they approach borrowing decisions. Our research was cited at a California Senate Committee on Banking and Financial Institutions hearing on the need for small business owner protections—legislation that ultimately passed—and in a report by the US Government Accountability Office on fintech lending. As more states consider similar legislation, and as regulators begin to broaden their understanding of the fintech industry, our work is well positioned to inform these important legislative and regulatory efforts.

3. Small business: Access to credit and capital

Small businesses are critical to the strength of local economies, and collectively they make important contributions to national economic growth and employment. Yet small businesses face big challenges when it comes to securing credit: The availability of small-dollar working capital loans from traditional lenders is limited, and the terms that online lenders offer are often demanding.
CRITICAL ISSUES

The Community Development team also tackles critical issues that emerge, suddenly or over time, that have a significant impact on the economic well-being and resilience of communities in our District. In such instances we apply our approach of research and outreach to better understand the scope, impact, and possible solutions to these challenges.

Opioids and its effects on the labor market

Our research finds that higher levels of opioid prescriptions are associated with lower employment and labor force participation rates and that prescription opioids account for 44 percent of the realized decline in prime-age men’s labor force participation rate from 2001 to 2016. This research has been cited by major news networks and presented widely to audiences such as our advisory councils and community forums as the urgency of the opioids crisis—which has precipitated spikes in death rates among those who use and abuse the drugs—has forced policymakers to seek insights into this challenge while simultaneously pursuing immediate solutions at the state and local levels.

Lead paint and its effects on children

Cuyahoga County, like many counties in our District, has a large share of housing built before lead paint was banned in the United States in 1978 (80 percent). Our work on the issue includes a publication that details lead’s effects on the children of Cuyahoga County, home to Cleveland. We also hosted an event drawing experts from around the District to raise awareness. Our staff remains actively engaged with Lead Safe Cleveland, a coalition of community stakeholders working to reduce instances of lead poisoning in the home.

COMMUNITY DEVELOPMENT IN ACTION

The Community Development team regularly convenes events, meets with key stakeholders across the District, and surveys organizations that serve low- and moderate-income communities—all with the goal of learning more directly about the issues affecting the communities we serve and tracking emerging issues.

Policy Summit: Since the early 2000s, the Cleveland Fed’s Policy Summit has served as a critical regional policy forum for exploring key issues in low- and moderate-income communities. The now-biennial Policy Summit, a multiday event that attracts hundreds of professionals engaged in community development from across the Midwest and beyond, offers attendees the latest research on and best practices for addressing challenges facing low- and moderate-income communities. Attendees explore examples of best practices and have outside-the-Beltway conversations about policy solutions with fellow researchers, funders, and practitioners.

Community Issues Survey: Administered twice per year to organizations that provide direct support to low- and moderate-income communities and individuals, the survey allows us to monitor economic conditions and detect emerging issues across our District.

Community Advisory Council: In 2018, we formed our Community Advisory Council as an ongoing, systematic way to engage with and learn from key stakeholders who represent low- and moderate-income populations and communities in our District. The council comprises 15 community leaders from a range of organizations with whom we convene twice yearly. It informs and advises the Cleveland Fed about current and emerging economic and social issues and trends impacting low- and moderate-income individuals and communities.

Investment Connection: Investment Connection is a tool that employs an online proposal portal and in-person events to allow community-based organizations to present projects that are likely Community Reinvestment Act (CRA)-eligible to financial institutions and other funders (foundations, CDFIs, and government entities). The projects and programs focus on low- and moderate-income, distressed, and underserved communities.
Get to know us

Check us out. You’ll find analyses, research findings, tools, and more to help you do your job, whether you’re a practitioner, academic, banker, elected official, or policymaker.

Meet the team

Our blog provides informal observations on what we see and hear across the District

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