

# Responsible Banking: Support for Low- and Moderate-Income Communities

Presentation to Minneapolis City Council  
Working Session on Responsible Banking  
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# Background

- JCA as ear-to-ground faith-based social/economic justice organization
- Not research organization, not academic institution
- Works in partnership with partners
- Conducts listening sessions, community conversations
- Helps community move forward
- Relies on available volunteer expertise
- My background
  - Organizational psychology / Program evaluation
  - LMI communities
  - Nonprofits, foundations, civic organizations
  - Here and nationally

# Community conversations

- Two big questions
  - What's been your experience with financial institutions, for better and worse?
  - What would you like more of from your financial institution?

# Co-hosts of 10 community conversations

- Lyndale Neighborhood Association
- Jordan Area Community Council
- Prepare & Prosper
- Minneapolis Urban League, Northside Community Reinvestment Coalition, and BuildWealth MN
- Urban Homeworks
- St. Stephen's Human Services
- Project for Pride in Living
- Hope Community
- Neighborhood Development Center
- Community Connections

# Why were these conversations necessary?

- Shortcomings of the CRA
  - Half-hearted regulation
  - Lake Wobegon scoring
  - Accountability requires local attention
- Need to go beyond RBO
  - Disclosures as required, but not analysis
  - Disclosures re discrimination, but not re community reinvestment
  - No consequences, no engagement, no usefulness
- Opportunity for Mpls to set a national example
  - Potential for productive local investment
  - Potential to draw on rich NP expertise
  - Potential for positive bank leadership

# City Council staff directive

(December 2014)

Staff is directed to:

- a) Work with Wells Fargo to develop a mutually beneficial framework of community reinvestment principles and goals, consistent with the Responsible Banking Ordinance, and report on progress by July 1, 2015.
  
- b) Develop a framework and goals for community benefits to be included in the Request for Proposals for the Stored Value Card and Smart Safe services and the credit card processing.

# What we heard: 3 basic wishes

- (LMI) people want
  - A bank they can trust
  - Affordable products and services that promote growth of their own assets
  - Knowledge and skills that allow them to profit

# Trust

- A big one. No secret that trust in LMI communities of big banks has been badly damaged
- People wish to have relationship with their financial institutions based on trust. Without trust, they walk.
  - Welcoming presence in the neighborhood
  - People behind the counter, and behind the people behind the counter, who have their backs and want them to succeed
  - Less punishment, more support

# Products and services

- Investment products with growth, and loan products with safety
- Fee structures that enable long-term success rather than punish short-term failure
- Most of the negative experience is re constant dinging and punishment
- LMI people need success tracks
- Success spells big rewards for the Bank and the City

# Knowledge, skills, and support

- LMI people could learn a whole lot more about money, credit, liability, investments, etc
- LMI people want to learn from organizations they can trust – often that's not an impersonal bank
- Give credit where credit is due
- What about intermediary organizations if not the bank itself?

# Ah-ha! Win-win-win possibilities

- The three areas are mutually reinforcing: trust, growth, learning = success
- Success in these three areas spells big rewards for all three stakeholders:
  - What Bank can gain: customer loyalty, revenue, expanded base of customers, revenue, enhanced reputation, revenue
  - What LMI communities can gain: Home equity, business equity, family futures
  - What City can gain: Enhanced tax base to support livability, smart growth

# Wanted: a bank that invests

- Not just the Community Affairs Department, but the whole bank
- Not just big splashy buildings but smaller ones that create local CED in the nodes, and families with assets to leverage
- Not just revenues from sale of products and from fines, but from investment in peoples' success
- A bank contracting with the City should be allowed and encouraged to make money *if* it creates these win-win conditions
- But a bank that does *not* invest in these ways...?

# Success is within reach, but...

- We want everyone to succeed (win-win-win) and we want to help
- Banks (chosen to do business with the City) have to be helped to achieve success (just as their LMI customers do)
  - By a supportive City Council and staff
  - By LMI community and the nonprofits that support them
    - Lots of nonprofit expertise with missions to serve LMI people and neighborhoods
    - We propose a Community Reinvestment Advisory Group to monitor, to encourage, **and to vet promising opportunities**
- But it does require a change in MO; want to create a “vicious cycle” of mutual growth and mutual profitability
- And it requires banks that want to “go there”

# Where we should go from here

- An opportunity to do something really worthwhile
- Go beyond adversarial to a place of mutual profitability
- Create gains for the three key stakeholders: the Bank, LMI neighborhoods and residents, and the City
- To set an example for St. Paul, right behind us, and metro areas elsewhere served by the very same banks

# Next steps

- Bring together people from LMI communities, from nonprofit development organizations, from City agencies, and from interested banks
- Explore how to make these win-win-win possibilities a reality
- Make commitments to move forward
- Ensure mutual responsibility and accountability for results