



# Guide to CRA Grantmaking for Digital Equity and Economic Inclusion



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Under the federal Community Reinvestment Act (CRA), enacted in 1977, all banking institutions that receive Federal Deposit Insurance Corporation Insurance (FDIC) must, generally speaking<sup>1</sup>, provide equitable access for those living in [“low and moderate income” \(LMI\) communities](#) in their service region to both banking and credit services.

Banks that are under \$331 million in assets are exempt from CRA requirements pertaining to community development lending and investments, while [small, medium and large banks](#), based on their asset size, have increasing obligations under CRA to provide banking services as well as investments for community development (i.e., enhancing economic opportunity) in LMI communities. [Three federal agencies](#) have responsibility for administering assessments of banks’ CRA compliance: FDIC, the Federal Reserve, and the Treasury Department’s Office of the Comptroller of the Currency.

Banks can meet their CRA obligations through a mix of [volunteerism, grantmaking and investments](#). Banks annually expend [more than \\$100 billion](#) for economic opportunity in LMI communities. Until recently, insufficient attention has been given to the vital role that digital access and training play in economic opportunity.

The National Collaborative for Digital Equity undertook pilot planning and policy advocacy efforts during 2013-15 that led the bank regulatory agencies to issue [guidance](#) in August 2016 that identified as an example of a CRA eligible activity community development activity that would revitalize or stabilize” an underserved nonmetropolitan middle-income geography any new or rehabilitated communications infrastructure, such as broadband internet service, that serves the community, including low- and moderate-income residents. NCDE’s rationale was simple: in our digital society and economy, it is becoming increasingly difficult to find out about, prepare, qualify and apply for living wage jobs without digital access and skill. The time is now

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<sup>1</sup> See <https://www.law.cornell.edu/uscode/text/12/chapter-30>

The Congress finds that—

(1) regulated financial institutions are required by law to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business;

(2) the convenience and needs of communities include the need for credit services as well as deposit services; and

(3) regulated financial institutions have continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered.

(b) It is the purpose of this chapter to require each appropriate Federal financial supervisory agency to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions.

for the nation's banks and other funders to focus on digital investments as a critical way to foster educational and economic attainment.

NCDE and a growing number of its partners have researched digital equity purposes for which banking institutions have since become known to get or be eligible to obtain Community Reinvestment Act (CRA) consideration. The examples below are not intended to be exhaustive, but rather indicative of the steadily growing scope of digital equity-related purposes for which CRA funds can be invested.

NCDE will continue to compile further examples as we and our partners identify them, and will share them on our website at [www.digitalequity.us](http://www.digitalequity.us), immediately following the national digital equity summit on March 5-6, 2018 in Washington, DC.

Before exploring this list of known digital equity-related purposes for which CRA credit can be provided for certain bank **grants**, we want to underscore these important caveats:

1. As noted, grants are not the only means by which banking institutions meet their CRA obligations. They may also do so through volunteerism (employees donating their time and expertise in support of economic opportunity), providing loans, making equity investments, and ensuring equitable access to banking services to low- and moderate-income populations.
2. Each bank is encouraged to develop and explain to their CRA examiners its own rationale and strategies for meeting their CRA requirement. There is considerable variability from bank to bank in how they choose to meet their CRA requirement.
3. NCDE emphasizes that investments that enhance equitable access only to broadband, computers and tech support are insufficient to lead to meaningful impacts for educational and economic opportunity. There is [substantial research](#) showing that simplistic investments for technology in schools that don't address training, technical support, use of engaging instructional strategies, and assistance with literacy and cybersafety skills, are likely to yield limited impact.
4. Thus, banks, foundations and other digital equity investors should make digital equity investments that are "systemic" – supporting an integrated, evidence-based approach to equipping low-income learners with the tools they need to prepare and qualify for living wage careers in STEM and other fields.
5. In recent months, increasingly many US banks are considering or have just begun including digital equity-related efforts in their CRA funding portfolios. However, school system and community leaders will need to approach banks with thoughtfully modest proposals for CRA grant support because:

- a. For forty years and counting, FDIC-insured banks have made now longstanding commitments – mostly for affordable housing, community development investment, and, in the past decade, also for financial literacy education – that they have found fruitful and effective in meeting their CRA requirements. Those who request that banks provide CRA funding for a new purpose like digital equity should understand that this request comes in the context of banks’ prior commitments.
  - b. There are multiple factors considered in a bank’s nonprofit funding decision – reputation, CRA, community impact, community need and responsiveness, business relationship, bank staff involvement, etc. There are multiple drivers for banks’ investment and CRA is but one, albeit important, consideration.
  - c. Banks must work with regulators to ensure compliance with CRA and there are often conversations and research that must happen to ensure both the bank and its examiners are on the same page.
  - d. Increasingly many banks have become very interested in addressing the digital divide, because it is an increasingly important barrier both to local economic opportunity and vitality, as well as to access to [banking services](#) which increasingly are being offered online. There is an opportunity to work with bank and federal compliance teams to ensure they have the most up-to-date research and evaluation data so that digital equity investments have the desired outcomes.
  - e. Another key factor limiting banks’ ability to provide CRA funding for worthwhile and appealing digital equity purposes is if the **location** involved is either not in the bank’s service area or is not in an LMI community. Banks cannot receive CRA consideration for grants made: (1) outside of LMI communities, non-metropolitan distressed middle-income areas, or designated disaster areas, or (2) outside their own service area (often called the bank’s “assessment area”) or the broader statewide or regional area that includes the bank’s assessment area.
  - f. NCDE has therefore launched our “**One Percent for Digital Equity**” campaign, advocating that banks and their community partners nationwide strive eventually to reach a target of one percent of CRA funding to close the digital divide, as this would unleash fully \$1 billion annually.
6. School system leaders (school board members and superintendents) should have a digital equity conversation with the school system’s banking partner to understand whether there are mutually beneficial needs related to the digital divide and, if so, how best to address them together.

7. As it becomes more widely known that banks *can* support digital equity in LMI communities through CRA funding, there is concern among banking leaders that community leaders have expectations that are realistic, modest, incremental and collaborative. ***To realize the One Percent for Digital Equity goal, initial CRA funding proposals need to be especially thoughtful*** – therefore, they should be:
- a. **Evidence-based** and sufficiently **multifaceted** – i.e., encompassing not only improved access for LMI learners to broadband, computers and tech support, but also to support for developing literacy, information literacy, numeracy and cybersafety skills, as well as for learners’ educators and mentors in effective instructional strategies.
  - b. **Incremental**, starting small, so that community leaders and their banking partner grow their shared understanding of effective digital equity strategies and how best to craft efforts that are a win-win-win for LMI learners, their families and community, and the digital equity funder. For CRA funding for digital equity to sustain and scale, early investments must be rewarding for all the stakeholders.
  - c. **Aligned** with otherwise siloed [local efforts](#) to support health promotion, civic engagement, workforce development, business retention and expansion, and/or other locally determined community improvement priorities. Digital equity for its own sake has limited utility.
  - d. Grounded in the experiences and insights of the disenfranchised themselves. Often community development efforts are done *to* rather than *with* their intended beneficiaries. We recommend a [collective impact](#) approach that goes to considerable lengths to ensure that LMI learners and families have voice and agency in local digital equity planning and action.
  - e. Supportive of the funder’s investment strategy and the community’s needs.

With these caveats in mind, the following are digital equity purposes for which examiners are likely or certain to award CRA credit, provided they serve a documented LMI population – i.e., of whom at least 51% are confirmed low-income beneficiaries. Clearly, the higher the percentage of eligible beneficiaries the better the prospects for receiving CRA recognition. Please regard the following as illustrative. Please also share with NCDE additional strategies which should be included, as we will be updating this guide regularly.

### **Broadband**

- Purchase of mobile hotspot devices, for lending to low income families/learners.

- Investment in local broadband infrastructure development in an LMI community (note: this is not yet a purpose for which CRA credit is well-established but is likely to grow in importance rapidly and soon).

### Hardware

- Purchase and provision of computers (often laptops, due to their desirable portability) for low-income learners.
- Donation to LMI learners of **recent** model, fully refurbished computers, bundled with financial literacy courseware and other resources for essential skill development.
- Grants to nonprofits to refurbish computers that then are donated to LMI learners and families.
- Donation by banks both of their own **recent** used computers along with grant funding to refurbish them and provide them for free to LMI learners, bundled with financial literacy content.

### Tech Support

- Training for low-income learners of all ages, often accompanied by provision of a free new or recent well-refurbished computer, and sometimes often by free or deeply discounted broadband.
- Training for youths in how themselves to provide tech support in LMI communities. Some of these programs focus on youths learning to provide tech support in schools for non-tech-savvy educators for peers or to senior citizens in public housing, and while others offer tech support more broadly to adults at school, home and in the community.
- NCDE is especially interested in and actively exploring developing a national network with programs that not only train youths to provide tech support, but do so *especially* for **linguistically diverse** youths so that they can then provide tech support across linguistic and cultural barriers.

### Librarian assistance:

- Training in cybersafety and information literacy in LMI communities.
- Lending out mobile hotspot devices, coupled with training in how to use them for library patrons in LMI communities.

### Numeracy (or “math literacy”)

- CRA examination officials have confirmed they would welcome awarding credit for grant funded efforts that focus on math literacy, because it is such an essential building block to financial literacy and, more broadly, to educational and economic opportunity.

**Financial Literacy Education** (which, like affordable housing, is a well-established purpose for which banks have received CRA credit)

- Sometimes CRA grant-funded financial literacy programs are school-based, sometimes community-based.
- Intriguingly, successfully completing a financial literacy program has been made a precondition for making the learner eligible for a micro-loan for micro-enterprise (i.e., very small business) development, such as to qualify for a small loan to buy a food cart enabling the budding entrepreneur to start as food cart business to support her/his family. CRA credit has been given for this purpose, providing CRA credit both for grant support for the financial literacy program as well as seed capital for the revolving loan fund. NCDE’s conversations with CRA examiners suggest that this strategy might be successfully applied to attain CRA credit to create a revolving loan fund (a “loan loss reserve”) enabling a low-income family with weak or no credit to lease-purchase a new computer once they have successfully completed a financial literacy program. NCDE is actively exploring the feasibility of a soon initiating a proof-of-concept pilot.

**“Digital age skills”** development

- Training children, youths and adults in coding, including often extended exposure to coding careers and workplaces.
- As noted above, training for youths in how themselves to provide tech support for peers and adults at school, home and in the community.
- Leadership development for disadvantaged youths.
- Digital literacy skills development for “middle skill” jobs – jobs that don’t require a college degree but pay above the national living wage.

**Educational content**

- Intrinsic to many of the purposes above is the award of CRA credit for a wide range of educational content – e.g., related to digital literacy, math literacy, financial literacy, youth leadership development, tech support skills, cybersafety, and information literacy. The larger point then is that the provision of educational content in support of educational and economic opportunity is CRA credit-worthy. So, provided the bank and

its content and LMI community partners make their case well, they may be able to receive CRA credit for delivery of content on a wider range of topics.

- NCDE has been exploring with recognized content leaders in both open educational resources as well as proprietary “Deep Web” instructional content how best to bundle links to their resources on the drive images of free new and recent refurbished computers. The capacity of computer manufacturers and refurbishers to customize drive images for statewide, regional and national networks of LMI learners presents many compelling opportunities to dramatically improve low-income learners’ awareness and use of exemplary educational resources that are free either because (a) they are open source, (b) the learner resides in a community or state whose public, educational and state library system maintain a consortium that finances unlimited free access for all learners to Deep Web academic databases, or (c) a grant-supported or association membership dues financed partnership has been developed to drive down the cost of exemplary Deep Web academic content that can then be bundled with the free computers provided to the low-income learners served by the grant-funded project or professional association’s members.

### **Digital Equity Related Convening**

- Banks are often asked both to host gatherings that support local digital equity efforts as well as to provide office space for ongoing initiatives. Banks don’t typically request CRA credit for these valuable in-kind contributions, but they often describe them in their qualitative descriptions to CRA examiners about the depth and scope of their commitment to local community development efforts.

It bears repeating that these strategies above are not intended to limit our imaginations as to what CRA examiners, community and educational leaders, digital equity resource providers, and their banking partners can do to narrow the digital divide while earning banks much deserved CRA credit. NCDE is most interested in adding your ideas, proven or not, into this mix.

Come join this growing national conversation. Visit us at [www.digitalequity.us](http://www.digitalequity.us).

For more information or to share insights concerning these or additional CRA credit-worthy digital equity strategies, please contact Dr. Robert McLaughlin, executive director, NCDE, 1.802.249.1159, [rmclaughlin@digitalequity.us](mailto:rmclaughlin@digitalequity.us).