Closing the Digital Divide:
A Framework for Meeting CRA Obligations

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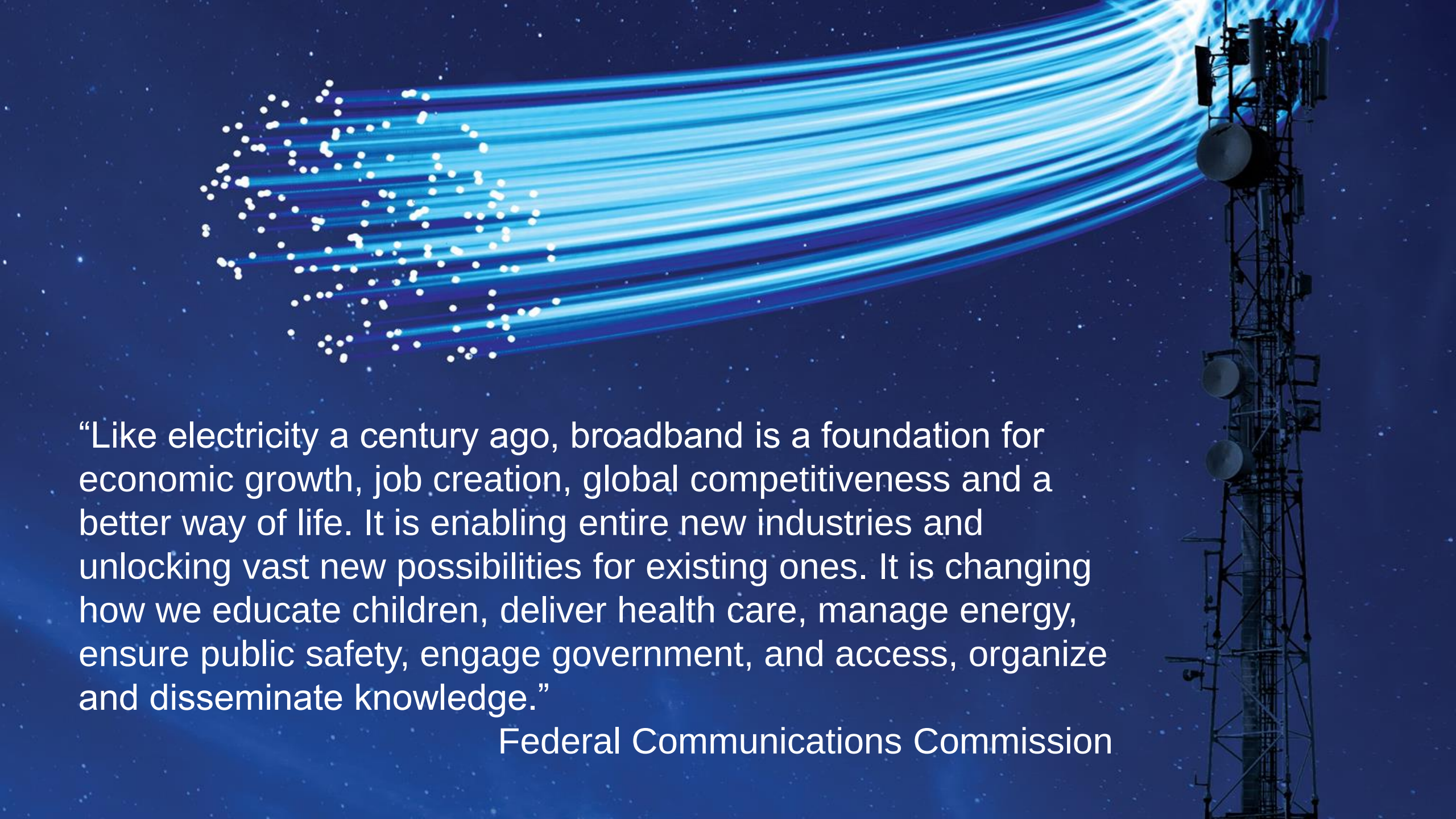


“Like electricity a century ago, broadband is a foundation for economic growth, job creation, global competitiveness and a better way of life. It is enabling entire new industries and unlocking vast new possibilities for existing ones. It is changing how we educate children, deliver health care, manage energy, ensure public safety, engage government, and access, organize and disseminate knowledge.”

Federal Communications Commission

The Community Reinvestment Act (CRA)

- Federal law passed in 1977 to address redlining—the denial of credit to individuals based on where they live.
- Encourages banks to make loans and investments and provide services in low- and moderate-income (LMI) communities.
- Intended to be broad, flexible and responsive to changes within communities.

2016 Interagency Question & Answer Q&A Guidance

- Broadband is included as a form of infrastructure investment—an essential community service.
- Under the CRA service test, banks should show evidence that their “alternative delivery systems” using online banking and financial technology are being adopted and are effective in providing services to LMI individuals.
- Digital Inclusion:

➢ Workforce Development was already included in CRA. Digital skills, preparing workers for the digital economy

➢ Small Business Development was already included in CRA; added an example to include supporting technical assistance for businesses in the use of technology

2016 Interagency Q&A Guidance

- To accompany the new Q & A, the Fed published “Closing the Digital Divide: A Framework for Meeting CRA Obligations” to provide the “Why” and “How” for banks and their community partners. Visit: www.fedcommunities.org or www.dallasfedcomdev.org

Broadband: A Platform for all Areas of CRA & Community Development

- Essential Infrastructure
- Workforce Development and Education
- Access to Financial Services
- Small Business Development
- Affordable Housing
- Health Care

What is the Digital Divide?

The gap between people who have access to broadband services and know how to use the internet and those who do not have such access or knowledge.

TABLE 1

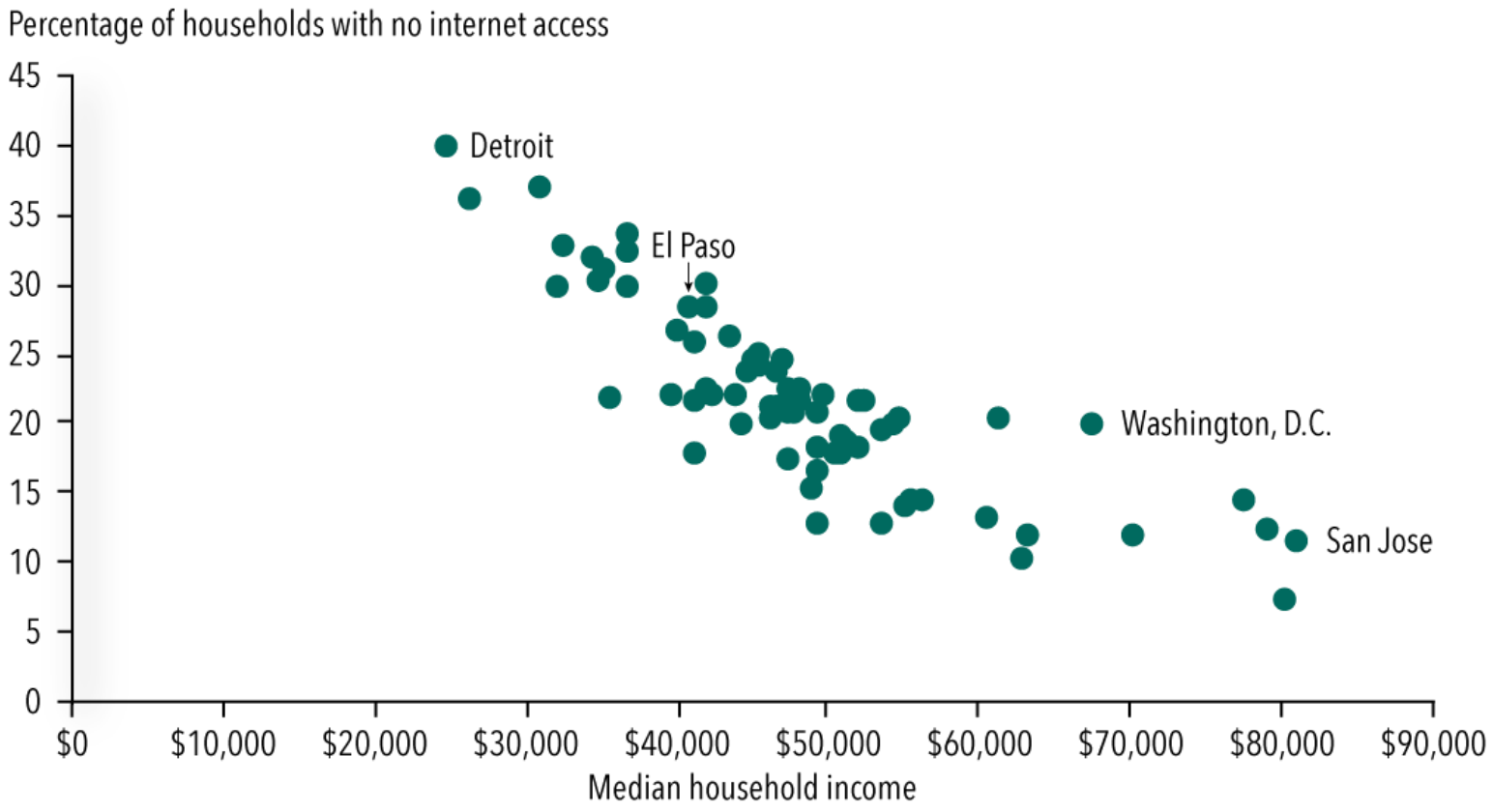
U.S. Cities with 100,000+ Households Ranked by 'Worst Connection': Median Household Incomes vs. Percent of Households With No Internet Access

	City	Median household income	Percent of households with no internet access		City	Median household income	Percent of households with no internet access		City	Median household income	Percent of households with no internet access
1	Detroit	$24,820	39.9	25	Omaha	$47,512	22.9	49	Boston	$53,583	19.9
2	Miami	$31,070	36.8	26	Albuquerque	$48,357	22.9	50	Denver	$51,089	19.2
3	Cleveland	$26,096	36.1	27	Pittsburgh	$42,004	22.7	51	Arlington	$51,400	18.9
4	New Orleans	$36,631	33.8	28	Tampa	$42,649	22.4	52	St. Paul	$49,469	18.6
5	Buffalo	$32,392	32.6	29	Fort Wayne	$39,878	22.2	53	Long Beach	$52,116	18.6
6	Memphis	$36,722	32.3	30	St. Petersburg	$43,894	22.2	54	Orlando	$41,345	18.1
7	St. Louis	$34,488	31.9	31	Corpus Christi	$49,686	22.1	55	Charlotte	$51,034	18.0
8	Milwaukee	$35,186	31.2	32	Tucson	$35,720	22.0	56	Minneapolis	$50,563	18.0
9	Baltimore	$42,266	30.4	33	New York	$52,223	21.9	57	Lexington-Fayette	$47,535	17.6
10	Cincinnati	$34,605	30.3	34	Mesa	$47,561	21.8	58	Lincoln	$49,419	16.7
11	Toledo	$31,907	29.8	35	Greensboro	$41,150	21.8	59	Aurora	$49,142	15.6
12	Philadelphia	$36,836	29.8	36	Fort Worth	$52,430	21.8	60	San Francisco	$77,485	14.9
13	El Paso	$41,129	28.7	37	Los Angeles	$48,466	21.7	61	Austin	$56,351	14.9
14	Dallas	$41,978	28.5	38	Nashville-Davidson	$46,803	21.5	62	Portland	$55,571	14.8
15	Fresno	$40,179	27.0	39	Oklahoma City	$46,232	21.4	63	Raleigh	$55,170	14.4
16	Wichita	$43,538	26.6	40	Jacksonville	$47,424	21.1	64	Henderson	$60,819	13.5
17	Tulsa	$41,495	26.2	41	Sacramento	$48,034	21.1	65	Colorado Springs	$53,550	13.2
18	Indianapolis	$41,361	26.0	42	Las Vegas	$49,289	20.9	66	Madison	$49,546	12.9
19	San Antonio	$45,399	25.3	43	Atlanta	$46,485	20.8	67	Anchorage	$79,045	12.8
20	Chicago	$47,099	24.9	44	Urban Honolulu CDP	$61,559	20.8	68	Seattle	$70,172	12.2
21	Houston	$45,353	24.9	45	Bakersfield	$54,763	20.8	69	San Diego	$63,456	12.0
22	Kansas City	$45,551	24.4	46	Oakland	$54,394	20.2	70	San Jose	$80,977	11.6
23	Phoenix	$46,601	24.1	47	Columbus	$44,426	20.0	71	Virginia Beach	$62,855	10.5
24	Louisville/Jefferson County	$44,893	24.0	48	Washington, D.C.	$67,572	20.0	72	Plano	$80,448	7.7

SOURCE: Census Bureau, 2013 American Consumer Survey.

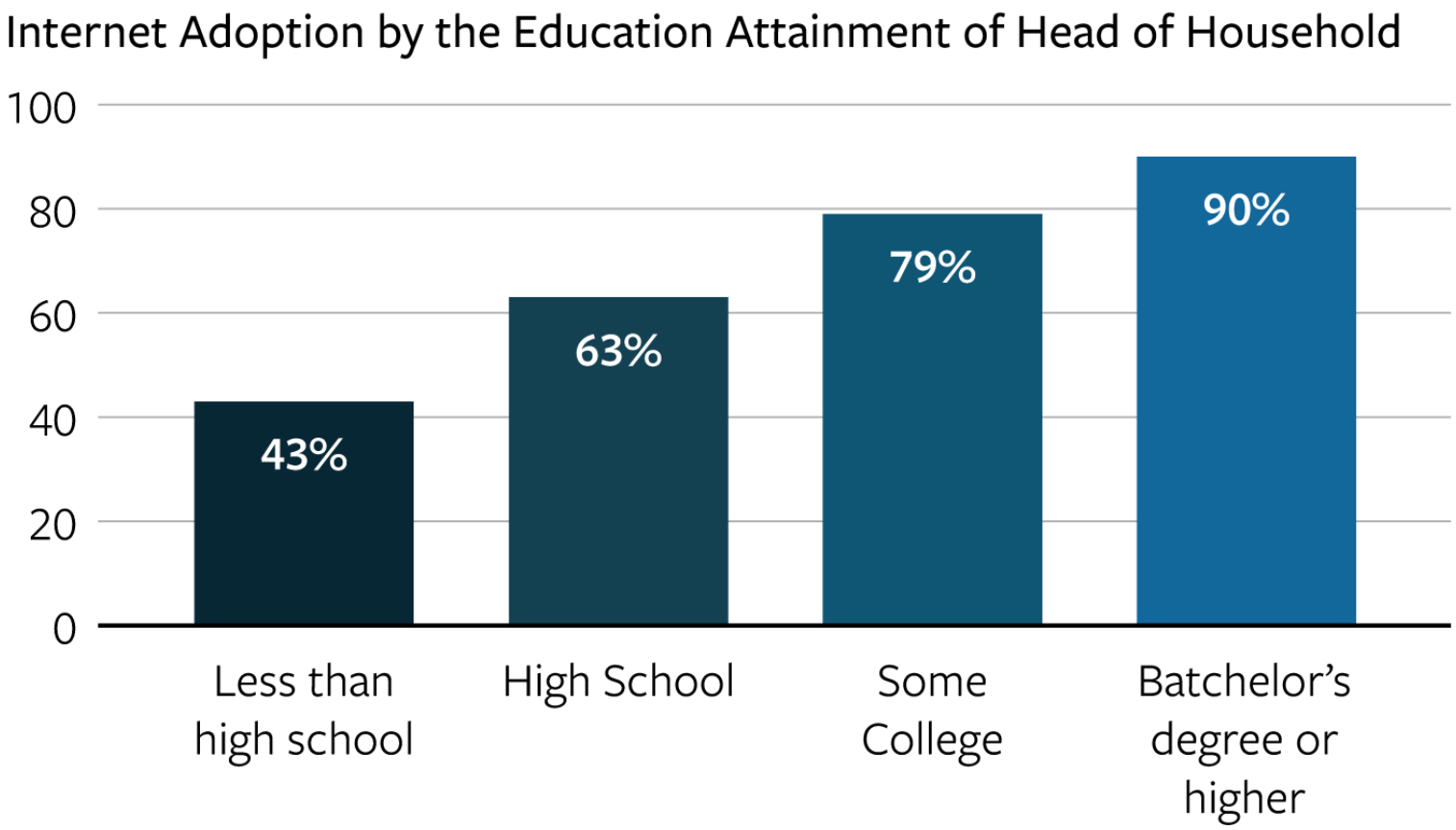
Who does not have access?

Low-income households are less likely to have broadband access than high-income households.

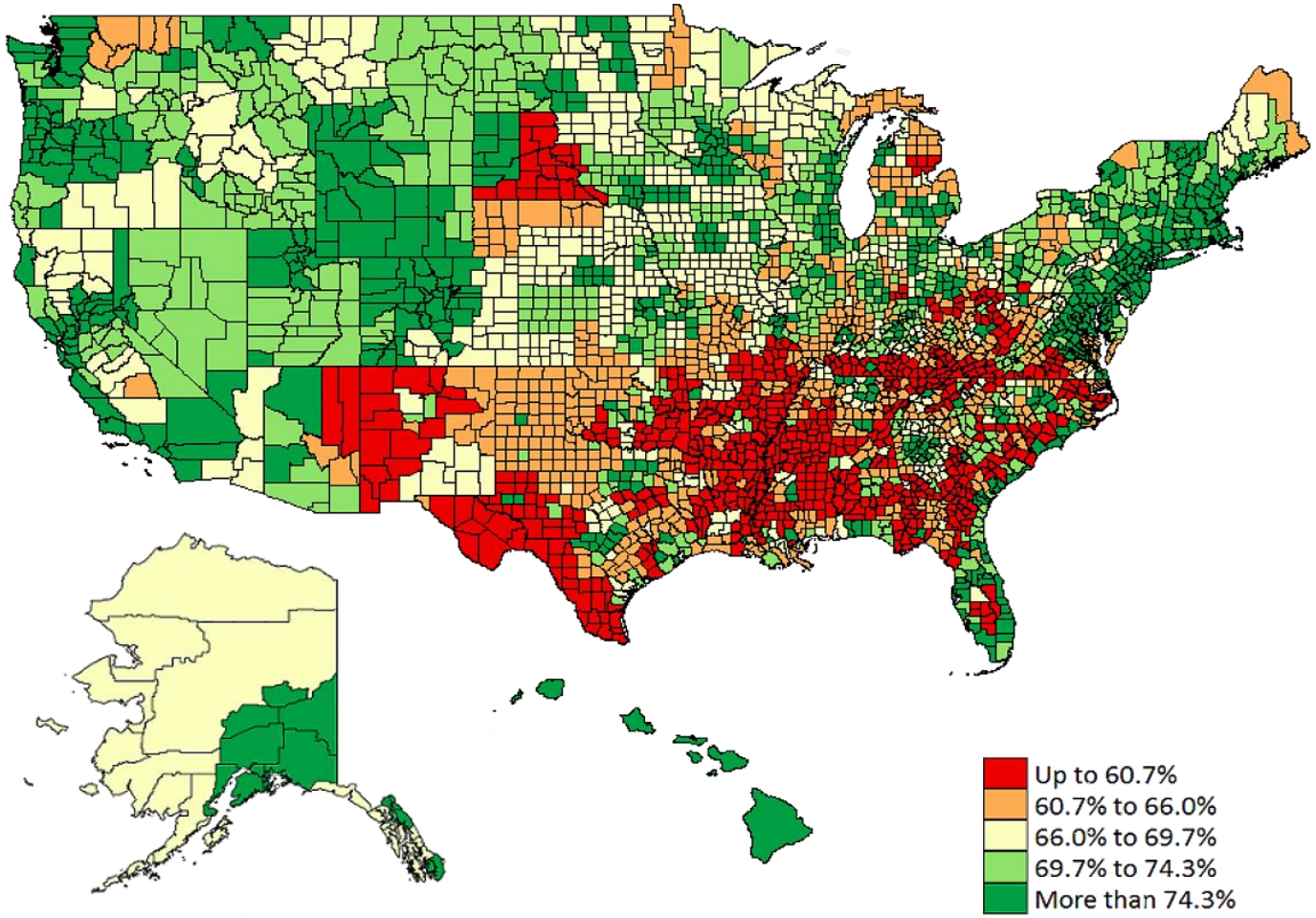


Who does not have access?

Households with less education have lower rates of broadband adoption.



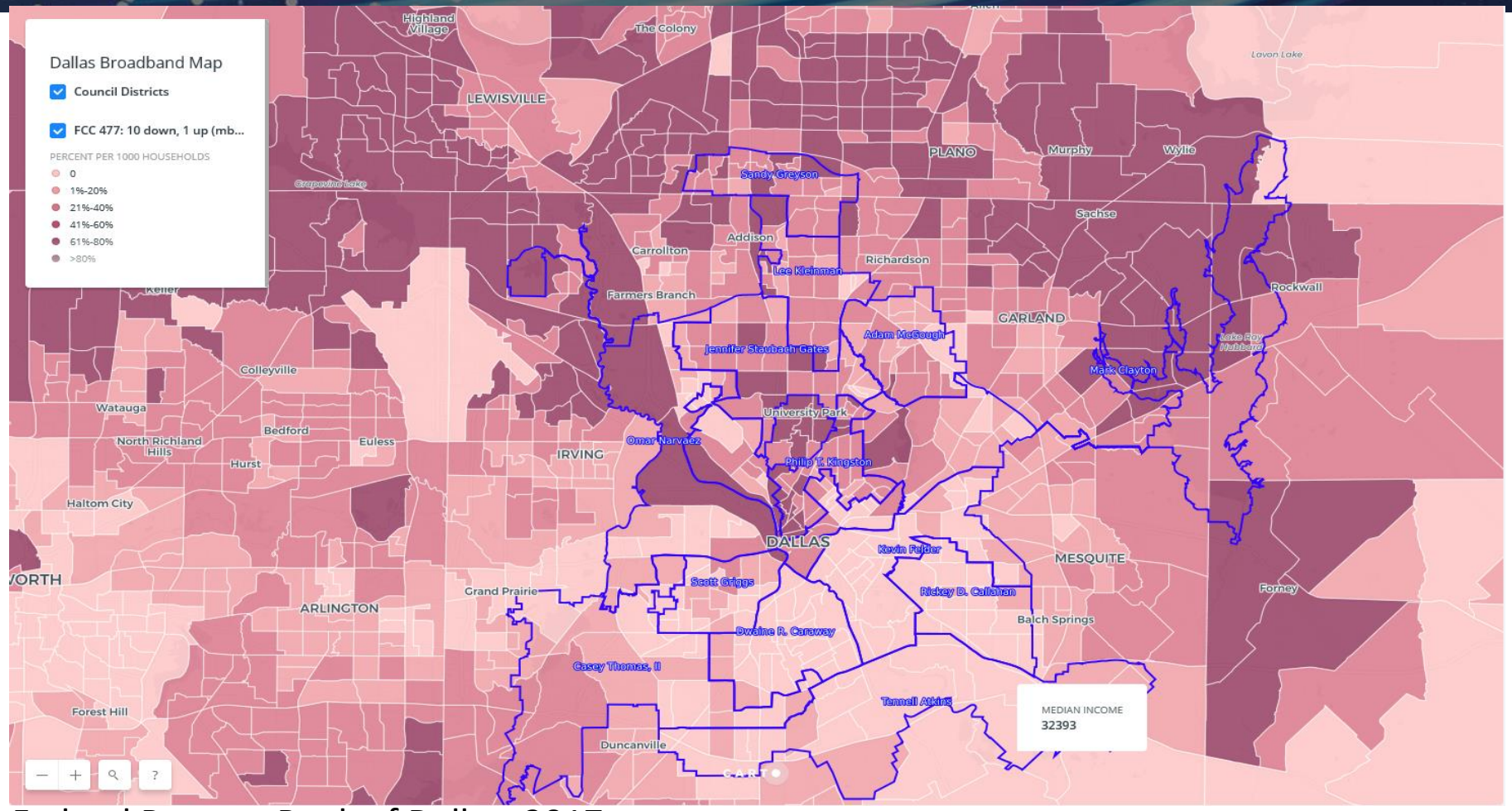
Who does not have access?



The likelihood that a household has a broadband connection varies greatly depending upon its location.

Generally, metropolitan households are more likely to have broadband access than households in rural areas.

Mapping Cities and Counties: Who does not have access in Dallas

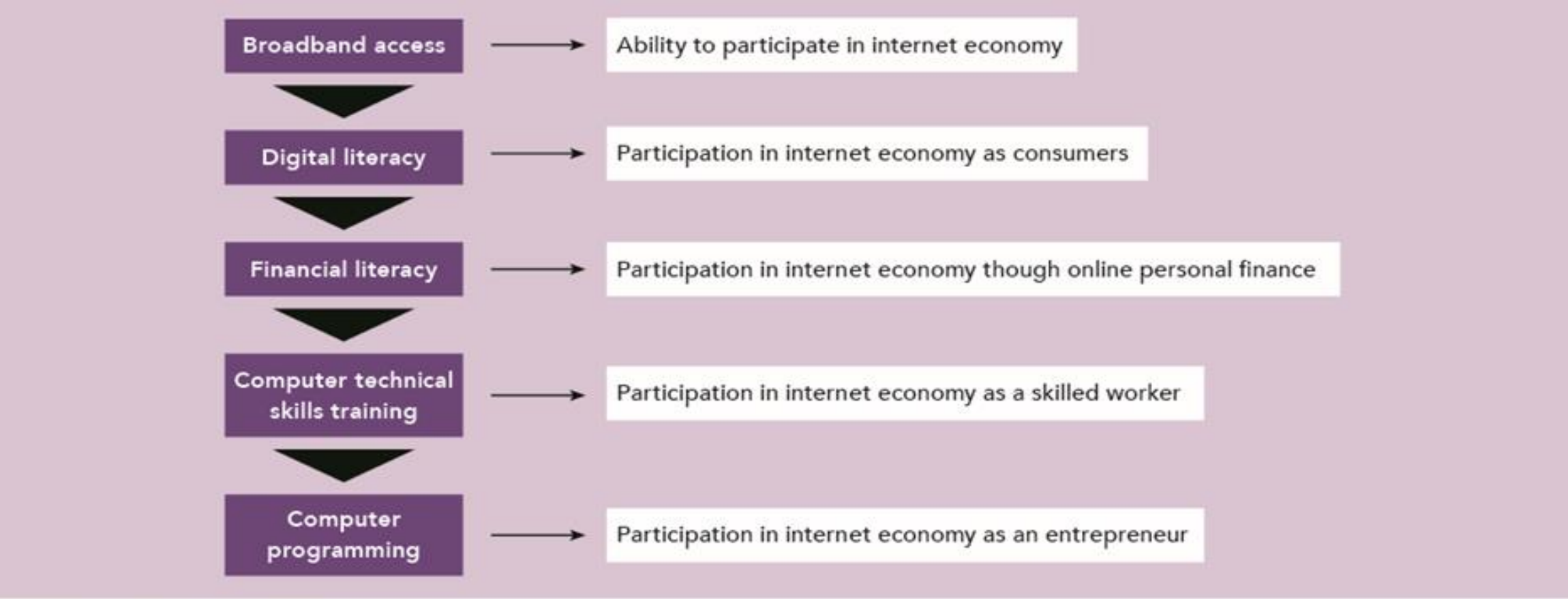


Federal Reserve Bank of Dallas, 2017

The Future of Work is Here

- Technological advancements are transforming work
- Growth of automation & technological complexity are changing required job skills (i.e., manufacturing)
- E-commerce and the disruptions in brick and mortar retail
- Artificial intelligence advancements (augment labor → replace labor)
- Remote models for provision of services (i.e., Telemedicine, Banking)
- Growth in contingent workforce (i.e., gig economy)
- 3D printing
- Self-driving vehicles
- Algorithms

The Internet Economy and Workforce Development



SOURCE: Federal Reserve Bank of Dallas.

Workforce Development

- Digital skills & access to broadband required for accessing jobs & training
- 70% of jobs are posted online
- Job training programs increasingly offered online
- 8 in10 middle skills jobs require digital skills (32% of labor market demand)
- Digitally intensive middle skills jobs have grown twice as fast as other middle skills jobs in the past decade (higher wages)
- The skills mismatch in the digital economy

The Homework Gap

- 1/3 of households with incomes below $50,000, with school age children, do not have high speed internet access at home (40% of all families with school-age children)
- Only 8% of households with incomes of $50,000 or more lack broadband at home

Access to Financial Services

- More and more banking services are now available without making a trip to a branch—online banking, mobile banking, remote deposit
- 61 percent of total internet users bank online (Pew, 2013)
- 43 percent of adults with mobile phones and bank accounts reported using mobile banking, an increase of 4 percentage points from the previous year (Federal Reserve System, 2016)
- Total number and density of banking offices declined during the post-2008 Great Recession (FDIC, 2015)

Access to Financial Services

- Impact of technology strongest among younger consumers
- Branch transactions have declined—1993-2012 teller transactions per office declined by 45 percent
- Paper checks fell from 43 percent of non-cash payments to 15 percent (2003-2012) (FDIC, 2015)
- Mobile financial services are found to help banks address many of the core financial services needs of underserved consumers (FDIC, 2016). Opportunity for Innovation.

Identifying Best Practices

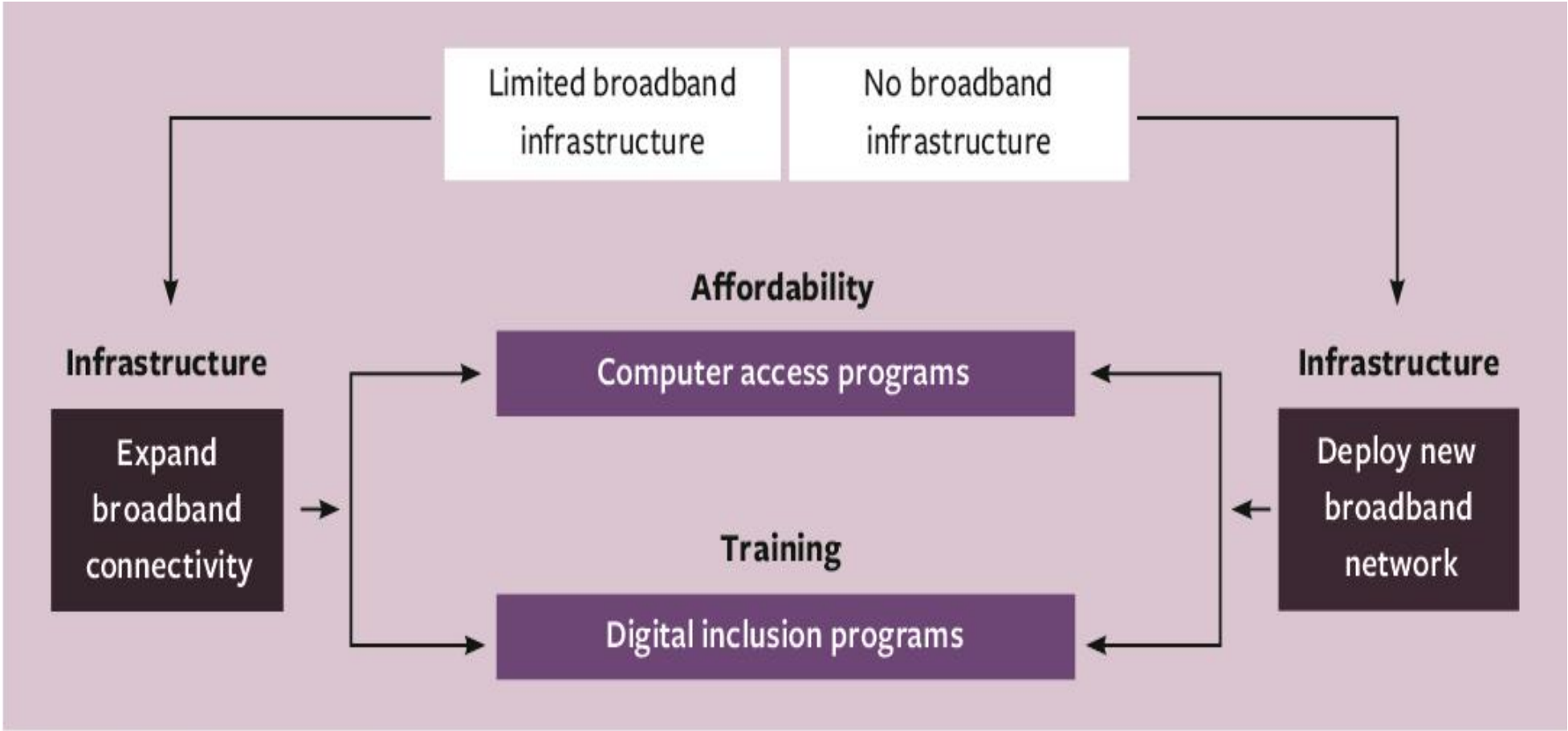
To achieve success, it is critical to invest in community programs that include all of the “three legs of the stool” of broadband adoption.

Broadband access

Computer access

Training & technical assistance

Broadband is Essential Infrastructure and the Prerequisite for Closing the Digital Divide



SOURCE: Federal Reserve Bank of Dallas.

Best Practices

- When there is an opportunity, banks can blend or layer the types of investments they make in broadband to include the “three legs of the stool”.
- Measure outcomes to identify what works.
- Digital inclusion programs need to consider the barriers to adoption people experience.
- Training programs for youth and adults should cover the subject of internet safety and security.
- Communities should consider the internet speed that will meet their economic development goals.
- Local governments should create their digital inclusion plans as part of their economic development plans.

Conclusion

- Income and wealth inequality are at the highest levels since the Great Depression. The top 3% account for 30.5% of all income and hold 54.4% of all the net worth.
- The Digital Divide creates a structural barrier to closing the income and wealth gaps—and a barrier to LMI individuals' ability to move up the economic ladder. The Gatsby Curve: The finding that greater income inequality is associated with diminished intergenerational mobility.
- Local governments, nonprofits, anchor institutions, and banks can work together to bring broadband access and adoption to rural and LMI communities.

Q & A

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