Speaker 1:

Welcome to the Keys to Financial Inclusion podcast, brought to you by National Disability Institute Center for Disability Inclusive Community Development. Hear from thought leaders in the disability and financial communities who will share insights, analysis, and emerging strategies to improve and increase investing, lending, and service activities for people with disabilities. And now here's your host, Michael Morris.

Michael Morris:

Welcome. Let me introduce our guests. Jeanne Bonds is a professor of the practice for impact investment and sustainable finance at the University of North Carolina's Kenan-Flagler Business School. She previously led community development at the Federal Reserve Bank of Richmond. Jeanne Milliken Bonds is a former mayor and serves on numerous boards and committees in North and South Carolina, including chairing the South Carolina Community Capital Alliance, a community development financial institution. So Jeanne, welcome to our podcast series today. I'm so glad you're with us, and let me start with our first question. National Disability Institute, established in June, 2019, a new Center for Disability and Inclusive Community Development to bring added and new attention to financial institutions on the unmet needs of low, moderate income people with disabilities and encourage greater investment and lending activities to support this group. Jeanne, for you, what does inclusive community development mean?

Jeanne Bonds:

Well, first let me thank you for having me on the program. I'm happy to be here to talk about these really important issues that affect so many citizens in our country, and I'm really happy to see that you all have the Center for Disability and Inclusive Community Development. So for me, when I think about the broad universe of community development, inclusive means that we have to have systems and processes and structures within community development that allow everyone to participate. So regardless of race, gender, disability, everything, access to certain tools, not having access to certain tools. When coming up with new financial products or new structures and processes, I think it's really important to think about everyone, because the whole concept in community development is that you want to have access to credit for everyone. So that inclusivity includes those with disabilities, as well as other challenges that individuals might have in our society.

Michael Morri:

Okay. As a follow up question, National Disability Institute has worked with the FDIC team of researchers, and they do a survey every two years of the unbanked and underbanked households across the country. What that data has been showing us now for over six years is that almost one in two working age adults with disabilities are unbanked and/or underbanked. How can financial institutions do more in terms of products and services to change this picture?

Jeanne Bonds:

Yeah, I think that's a great question, because the FDIC data on the banked and underbanked is really critical information to look at. I mean first of all, I think that a lot of individuals, both in financial institutions and alternative financial institutions, aren't even really aware to the extent that data exists or what it says. It's a little bit of a nugget out there that people aren't really using as the tool that it could be or for the purpose for which it was created. So there's cultural issues associated with being unbanked and underbanked, there's some regulatory issues associated with people being unbanked or underbanked, and then there's certainly the access issues, which touch upon those with disabilities. Number one, it's really important to make sure that our financial institutions know about the data, know what the data says, and are able to drill down into that data so that they can think through if they have product managers and others coming up with new tools, new processes in their digital activity, they can figure out ways that they can reach people.

Jeanne Bonds:

It might have to do with their branch location, it might have to do with their branch access, it might be their phone systems, the way that they speak to customers and interact with customers, it might be their online and digital tools. So much in banking is moving to digital and online, and there's so much testing that goes into that, that I think it's just really imperative that we keep disabilities at the top of that list. So that's something that the banks are honing in on as they develop those new tools. Being unbanked or underbanked ... sometimes I have folks who say, "Well that's not really that important," but it is important because it's the access to credit, it's the safety and security of their funding, having it in an institution that's FDIC insured, and it's basically the individual's ability to participate in the greater economic system. So I think it's really important that we continue to share the data, make sure that banks know about it. For your organization, sharing that with banks to make sure that they know what the data says, and then really challenging our financial institutions as they create these new products to use that data, to create products that work in the marketplace for everybody.

Michael Morri:

Let's go to the area of community economic development. It's an area that you are certainly a recognized expert. What are innovative ways the public and private sector are making impact investments together to provide new opportunities for low and moderate income populations, including people with disabilities?

Jeanne Bonds:

Yeah, this is a great question because there's so much going on in the space of impact investment. So under the Community Reinvestment Act, we always had large financial institutions working on three different categories under the CRA: lending, investment, and services. So we've always had banks making investments as part of their CRA portfolio to help LMI and underserved communities, which certainly includes those with disabilities, but now we've entered this space where we have billions of dollars from companies, from individuals, from philanthropic sources, from our financial institutions and others, where people are looking for a way to connect the investment to social impact. So if I'm a company and I've traditionally just done some philanthropic, really charity grant making, I might be now thinking more towards, "Huh, how could I really make an investment in a bigger system change that has a lot more social impact?"

Jeanne Bonds:

So it's really a restructuring of how we think about making investments and how we balance off that investment we make with a longer term social impact, and we see this in traditional social impact funds that are being set up that invest in activities and programs. We see it in terms of public/private partnership, how that investment's working, and we certainly see it in some alternative strategies, like pay for performance, where you have investors step in to team up with government to think about a longer term, more challenging issue and how they can make an investment in that to save tax dollars, but also solve the problem, which in the long run saves government money. So this is really the trend as to how we're going. There's a great resource called The Gen, which tracks how much is being made in investment that is more of this social impact nature, and so people are really tracking it. We have new generations coming behind us who are even more interested in making the social impact with these dollars.

Jeanne Bonds:

So I think we're really on the cusp of seeing a transformation structurally as to the way we look at investment in underserved communities. It's going to be really valuable, I think, for the disabled community, because if you just think about pay for success and some challenges that those who are disabled may face, this is going to be a great tool for investments to be made to really tackle some of these longer term challenges. So we're early in the process, we're kind of just climbing the curve, and I think we're going to see a lot of really interesting things to come from this, a lot of interesting funds that are being set up and really just a new way of structuring and leveraging our dollars to solve some important issues.

Michael Morri:

Let me go back to this issue of credit and access to credit and banks, lending practices and strategies. People with disabilities, we've studied in our research, particularly are challenged by access to credit. As a result, they often wind up in alternative financial places that are not regulated, pawn shops and payday lenders and things like that, but are there examples you can cite of ways banks have developed or are now developing innovative lending strategies to meet the credit needs of individual borrowers of low or moderate income?

Jeanne Bonds:

Yeah, I think this is an area where there's just a continuing evolution of innovation, because financial institutions, just like you and I are talking, it's in their best interest to direct individuals to the safe places to handle their financial services. If they go to online lenders or they go to payday lenders, the processes that happen in terms of the interest rate and being stuck in a cycle are not at all positive. So I think in terms of innovation, I mean, certainly one innovation that's been around for a while now is the evolution of community development financial institutions. So a bank is able to capitalize a community based financial institution that's focus is really on that particular community. They can make smaller dollar loans that are still protected, but make those riskier types of loans for people in the community. Some CDFIs specialize in small business, some focus on housing, some offer a broader range, but those organizations are located in the community, they're usually run by people in the community, and have a much closer relationship.

Jeanne Bonds:

So that's certainly an innovation, and I think as CDFIs have grown up, their range of products that they're able to offer has become much more mainstream. So that's certainly a good place for those with disabilities to be able to access credit. Beyond that, I think to go back to the online and digital banking, I think you're going to see that banks are able to offer a lot of other tools and opportunities, but what we need to make sure is that either their branches are located and assessable or that those in underserved communities, those with disabilities have access to broadband, because we've now entered an era where broadband is critically important. It's important to your health, access to information about your health, it's important for business activities, it's important for education, and we really need to make sure as banks invest in broadband to deliver their digital and online tools, that the disabled community is able to use the broadband, and that actually can help in terms of physical access to location.

Jeanne Bonds:

So I think that's an area of innovation still evolving, and yet to come that we should pay close attention to. Banks traditionally are always looking at their customer base. They're always thinking about different types of customers that they may have and how they can reach them with different types of products. So we've seen that with employer cards where employees are paid, they have a card, and that's how they access their banking services, which also helps with the banked and underbanked. We see different types of debit cards in the market. So I think banks are going to constantly look at and listen to those market segments and try to adjust the products that they offer. On the flip side of that, banks are highly regulated. So I would also want your listeners to understand that because they're so highly regulated, sometimes their margins that they're operating within are complex, and what might seem like an easy fix to us really has two or three layers of regulations that might prevent them from being able to do that quickly, but broadband can be a solution in terms of access. We just need to sure that individuals adopt and adapt and have properly priced access to that particular tool.

Michael Morri:

A big issue in the disability community is as we move from just the physical locations of banks, obviously, as you've said, more and more activity is online, but it's critically important that people with disabilities, as you say, have access to broadband and that those services now being delivered via the internet are also accessible for people with varying types of disabilities. Let me go to an area that I know you spent a lot of time on, and that is a focus on rural policy issues. You're a former mayor of a town in North Carolina, I believe, and with your work at the Federal Reserve Bank of Richmond, you have focused not only on broadband, but issues that also impact people with disabilities, lack of access to transportation, as well as limited economic opportunities. Are there some encouraging examples of the way banks are engaged in strategic collaborations to give people more hope and opportunity in rural America?

Jeanne Bonds:

This is definitely an area I'm really passionate about. So I would say it's really important for your listeners to be aware of the fact that the FCC, the Federal Communications Commission, has now made available about a $20 billion fund. So 20B, billion, for rural broadband. Now we already have significant investments through the US Department of Agriculture and the National Telecommunications Information Administration and US Commerce. Many states offer some funding for broadband, yet we still have people in rural areas that don't have access to something that's so important in a global economy. Farmers need it, individuals need it for access to credit, if we want to start new businesses in rural areas, if we want to make the connection between rural and urban stronger. Really, really passionate about health information.

Jeanne Bonds:

Rural libraries tend to average less than two employees in a very small space, and what people don't think about is they don't have access to the databases that you might have in an urban library that has fiber connections, and that those databases offer great insight into health conditions and offer educational opportunities for improving health. So that is something seriously lacking in many rural areas. So this fund that the FCC is doing is huge, because this is really intended to make sure that rural areas have that infrastructure. Now, the flip side of that is broadband was included in the question and answers on the Community Reinvestment Act in 2016, making broadband considered an essential infrastructure. So our financial institution can participate in giving that physical access of broadband in rural areas, and they can think about the digital equity. So what I mean by that is making sure everybody not only has it, but they know how to use it, they can adopt it, and they can adapt to how it works.

Jeanne Bonds:

There's a lot of fear in areas of the unknown, and broadband and accessing financial tools in this way, that tends to create fear in certain communities. So banks can invest in that to help bring those communities along in that aspect. So with this new money, I think that we're going to see some really exciting activities take place in terms of expanding broadband in rural areas. You mentioned transportation, and there have been some really interesting innovations where financial institutions have invested in wifi networks so that bus stops and buses were connected through wifi connections so that people had access to broadband, but I think that issue of transportation and the linkage between the urban and rural areas, not just for jobs, but for health, for education and all those activities, transportation is going to be one of those that's really important. It's sometimes challenging for a bank to figure out how they might get CRA credit for engaging in a transportation activity, but there's certainly been some models in the past as to how some of those activities might look. So we're probably a ways away from major improvements in our transportation system, unfortunately, but at least with broadband, we have this new fund we can look to, which I think is really going to springboard a lot activity in rural areas.

Michael Morri:

Thank you. Let me go to a different area, and that is something we have looked a lot at, and that's the intersectionality of race, gender, and disability in the low and moderate income population. This intersectionality creates even additional challenges to equity and financial inclusion. What can community groups and financial institutions do to be more responsive to these types of challenges?

Jeanne Bonds:

I think one of the first ways that community groups can engage with financial institutions on this issue of inclusivity is through the supply chain. So through some work that I'm engaged in now, we actually have a city in North Carolina that the city is looking at its supply chain to see if it's inclusive. So what do I mean? It's not just their supply chain, it's their supply chain's supply chain. So if I'm a city and I'm purchasing certain types of products, am I really looking at a broad base of business or have I fallen into a routine where I'm using the same businesses? If we want people to be included in the economy, then we've got to make sure our supply chains are inclusive, and if a city does that, then their supply chain, they can look at it and see if it's doing that and then go on down the line.

Jeanne Bonds:

So in terms of economic inclusiveness, that's one key way that we can start to expand those opportunities and bring other types of businesses into the market, whether it's people of color, women owned business, disabled business, and make sure that they're really connected into that opportunity. We certainly have laws on the books, but sometimes we don't go far enough down into the local ordinances to be able to find those connections. So I think that is a great place for the community to interact with local government, as well as financial institutions. They can certainly do it in their supply chain as well, and to push that even forward in the city that we're working on this in in North Carolina, we're going to be creating an equitable investment fund that would actually be used to seed those types of businesses and activities to further ensure that equitable and inclusive development.

Michael Morri:

Excellent. Excellent. Let me go to really maybe back to basics. People with disabilities and the many types of disability community groups, they're not used to regularly engaging in some type of impactful relationship with mainstream financial institutions. Can you give some suggestions of how to start that conversation?

Jeanne Bonds:

With your financial institution, you want to start with anyone you've got a relationship with. The Community Reinvestment Act is relational, and your experiences with a financial institution are relational. So whatever connection you have to a financial institution, start there. If it's your neighbor, if it's somebody you know at church, if it's someone you work with, if it's the bank where you bank. Whatever connection it may be, start with that person. Banks genuinely, with her without the CRA, I truly believe that they have the best interest of the community at heart. It's their customers, it's their future employment base, and they generally want to be good corporate citizens. So start with that relationship and let the person know what challenges are for the community. Find out what the bank is doing within its strategic plan to address different markets and look at different products, and by raising that awareness with whoever your relationship is, you will be able to provide some valuable input to that bank, and banks really look for that.

Jeanne Bonds:

If you have an issue with a financial institution not being receptive to that, you can reach out to their regulator. The FDIC, the ops at the [inaudible 00:24:16] of the currency of the Federal Reserve. You can easily find out who their regulator is and you can let them know they're not being receptive, but I really think if you reach out in that relationship way, you're going to find that they're receptive to it. You can also go into any bank or call a bank and ask to see a copy of their latest CRA exam. People don't realize that. It's transparent. If they don't have a copy right there, they'll get one. You can see what types of activities they've been engaging in, and that'll also give you a starting point to say, "Hey, I took a look at your CRA exam and I see you're doing this and this. It would really be great if you focused on the disability community with this," and you're basically giving them an idea and a starting point to consider that in their community activity.

Michael Morri:

Because you've raised this connection and possibilities and potential of activity as banks try to meet CRA obligations, we know now CRA regulations changes are being considered, and I think the interesting thing, as I talk with bankers and I talk with community groups, I often hear from banks, they feel they're over-regulated and from consumer groups that the bank examination of performance is not rigorous enough. How can low moderate income people with disabilities be a greater focus of inclusive community development?

Jeanne Bonds:

I think when you hear the banks say they're over-regulated, they're not really specifically just talking about the Community Reinvestment Act. I think they're talking about a whole series of other regulations, safety and soundness, stress testing, all these other activities on which they're examined beyond CRA I think is where they usually are referring to being over-regulated, and as I mentioned before, I think most banks really like the Community Reinvestment Act. If it disappeared tomorrow, I'd be willing to bet most banks would still engaged in these activities. So for your audience and your community, as we look at modernizing the CRA, the comment period is open until March 9th, so your listeners can continue to get comments in. There's numerous ways they can do it, and I can make sure you have the information. They can call. They can email. They can go to some meetings and make sure that their thoughts are heard.

Jeanne Bonds:

This whole modernization piece is really thinking about the changes that have occurred in banking since this act was first passed, which was the late seventies, and we know those changes have been really significant, but again, I would encourage your community to think about how they could go ahead and interact with their banks, regardless of what happens with CRA, to make sure that disabilities remain on their list in terms of how they're looking at improving their inclusiveness for their products. It's hard sometimes, I think, for a bank. They're kind of looking at a lot of different populations, so it's a little bit the squeaky wheel, and you want to keep that issue at the forefront, and I think if you're really pushing on broadband investment, workforce investment, and this more expansive notion of how a bank can invest in community, that you can keep the disabled community in the forefront of their thoughts as they move forward.

Michael Morri:

Wonderful. Thank you for those insights. We're in the year 2020, which is ... just by the statement 2020, it's like, let's look for clear vision ahead. I wonder, you've mentioned numerous things, partnerships, impact investing, improving access to broadband and transportation in rural areas. I know we don't have a crystal ball, but as you look ahead over the next three to five years, what do you see are maybe some of the real areas of innovation that will improve opportunity for inclusive community development?

Jeanne Bonds:

I think that more and more we are looking at making system changes instead of ... I think for so many years in the past, it was, "Oh, let's hurry up and address this problem. Let's address this problem, let's address this," and we weren't necessarily looking at how all of those issues interconnected. So I mentioned earlier the social determinants of health, that's really about interconnections. Your financial health affects your physical health, it affects your mental health. All of these aspects of our life are really interconnected, and so fortunately I think philanthropy, financial institutions, organizations like yours, we're starting to think more about how does the system work? How do these pieces and parts that together so that it helps lift individuals to be the best that they can be? It helps institutions help those individuals. It might be ... it's our tax code. What are the basics of our tax code? How is that structured? Who does it benefit? How does it affect the overall system? So it's my hope that in 2020 and moving forward, we continue to focus on the systems approach and that we really start to drill down within systems to figure out what biases are there, what incentives are there, and how we can improve that, and I think when we start to look at it that way, we really can be inclusive and start to improve the lives of all Americans.

Michael Morri:

Jeanne, thank you so much for joining us today. The Keys to Financial Inclusion podcast series is about bringing insights, new ideas forward from thought leaders like yourself in the disability and financial community. You've given us those insights today and much to think about for the future. Any last comment you'd like to share with our listeners?

Jeanne Bonds:

Our disabled community is a critical workforce, and what I hope to see in the future is that they are able to participate at the fullest extent, and I think that we just have to continue to push forward and make people aware, not only of limitations, but all of the advantages that they offer to us as a society, and there's a lot there, and I think we have to just make sure people are aware of it and that the way we operate is open for everyone to work at their maximum potential. So I'm really passionate about the disabled community and I'm always a resource for you to call on to help you think through these issues.

Michael Morri:

Jeanne, thank you so much. Wonderful insights, wonderful advice. I hope our listeners were taking notes and you've really given them a real call to action. Thank you so much.

Jeanne Bonds:

Thank you.

Speaker 1:

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