



UNDERWRITING
FOR RACIAL JUSTICE

Lender Pilot Application Launch | Feb 22, 2023





Hello!

In chat, please share your name, organization, location, and someone or something that inspires you!

Agenda

- A New Phase
- Purpose and Goals
- The Basics
- Program Elements + Benefits
- Lender Roles and Responsibilities
- Application Process and Dates

A New Phase!

- Lender Pilot Program – monthly
- Broader Working Group – quarterly
 - Continue group topics
 - Hear stories and stats from pilot
 - New schedule and calendar marker coming soon



Purpose and Goals

URJ Purpose

To dismantle and replace racially inequitable underwriting practices across our financial industry to increase capital access and wealth for people of color in the U.S.

Pilot Goals

1. Facilitate sharing among lenders
2. Identify and document needs and barriers lenders have over time
3. Support lenders with their needs
4. Identify and document successes and promising practices
5. Build valuable relationships among lenders

Basics

- **Applications:** Today – April 15
- **Program:** May 2023 – June 2025
- **Number of lenders:** Up to 20, at least 50% banks
- **Cost to lenders:** \$0 (covered by Beneficial State Foundation)



Program Team



Susan R. Brown

Consultant specializing in small business finance and capacity building for the CDFI and business development industries.



Shannan Herbert

EVP Inclusive Credit at Stratyfy and formerly Chief Credit Officer at City First Bank.



Elsie Howard

Underwriting for Racial Justice Associate at Beneficial State Foundation



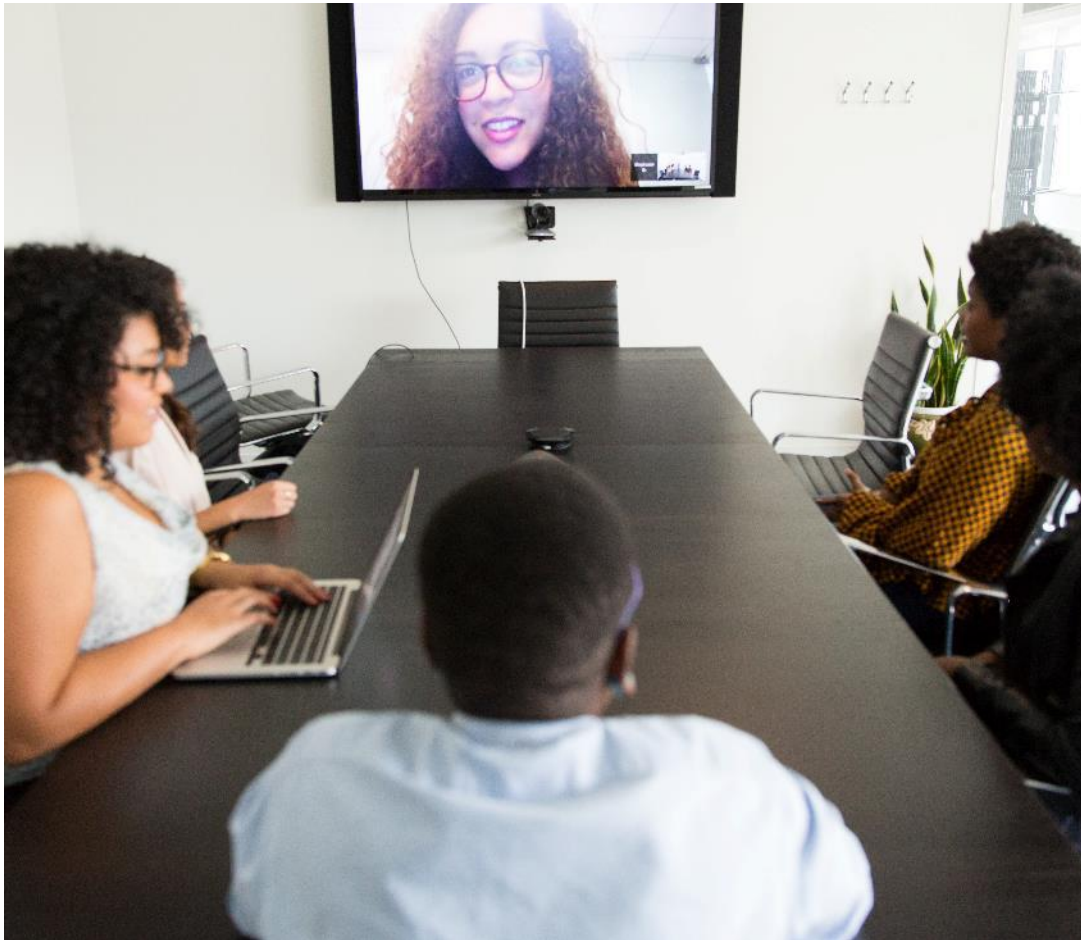
Erin Kilmer Neel

Executive Director and Chief Impact Officer at Beneficial State Foundation

Primary program elements and benefits

1. Implementation Community of Practice
2. Templates, tools and examples
3. Enhanced risk and decisioning tools that help lenders:
4. Reporting and insights
5. Regulatory insights
6. Logo and branded materials
7. Promotion

Primary program elements and benefits



Community of Practice

Learn from and with peer lenders undertaking innovative racial-equity lending. Share ideas and problem solve together.

Primary program elements and benefits

Templates, tools, and examples

- A template for a Special Purpose Credit Program plan
- Links to helpful data sources
- Examples of underwriting approaches from other lenders
- Sourcing capital
- ... and more

The screenshot shows a document titled 'Program Guide' for 'UNDERWRITING FOR RACIAL JUSTICE'. The document includes a 'Table of Contents' with sections like 'Introduction', 'PROCESS', 'Assembling Your Team', 'Determining Loan Program Elements', 'Capital & Reserve Sources', 'Tracking Outcomes & Data Collection', 'PR & Communications Planning', 'Conclusion', and 'Appendices'. The 'PROCESS' section is highlighted with a yellow bar. Below the table of contents, there are two tables of prompts and guidance. The first table is for 'Part V: Program Duration' and the second is for 'Part VI: Evaluation'. Both tables have columns for 'Prompts' and 'Consumer Financial Protection Bureau Advisory Opinion Guidance'. The 'BENEFICIAL STATE FOUNDATION' logo is visible at the bottom left of the document page.

UNDERWRITING FOR RACIAL JUSTICE

Describe how these standards and procedures will increase credit availability and successful repayment for the identified class of persons.

Part V: Program Duration

Prompts	Consumer Financial Protection Bureau Advisory Opinion Guidance
<ul style="list-style-type: none">• How long will the program last?<ul style="list-style-type: none">◦ When a certain volume is reached?◦ On a set date?• What is the criteria for extending or ending the program?	<p>The special purpose credit program could end on a set date, or when a pre-established origination volume has been reached, whichever occurs earlier. If an organization extends the program beyond what is set forth in its written plan, it must document the terms of that extension in order to ensure the program continues to be administered pursuant to a written plan.</p>

Part VI: Evaluation

Prompts	Consumer Financial Protection Bureau Advisory Opinion Guidance
<ul style="list-style-type: none">• Ongoing Data Collection: What data points will be collected to assess the success of the program?• Will data be compared to benchmarks?• How often will the program be evaluated?• How will your institution decide on the continuation of the SPCP?	<p>The SPCP regulations do not state any specific evaluation requirements. The FDIC Consumer Compliance Examination Manual states that SPCP portfolios are to be considered separately.</p>

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Primary program elements and benefits



Enhanced risk and decisioning tools that help lenders:

- Determine underwriting criteria that can increase lending to applicants of color while managing for risk
- Analyze baseline data
- Analyze program results

Primary program elements and benefits

Reporting

Quarterly reports on your loan portfolio performance, aggregate performance for all participating lenders, and insights from group data.



Primary program elements and benefits



Regulatory insights

Program staff will continue to connect with regulatory agencies to ask questions and get insights


Primary program elements and benefits

The Washington Post
Democracy Dies in Darkness

Lack of credit has been a huge obstacle to Black home buyers. Now some lenders are trying to fix that.

Efforts include recalibrating process and criteria used to determine who gets a loan

By Amanda Abrams
February 17, 2022 at 8:00 a.m. EST



Lenders, regulators, advocates and researchers have been sounding an alarm that the underwriting standards that determine who gets a loan are at best inconsistent and might be downright discriminatory. (Ana Latosa/Illustration for The Washington Post)

Listen 11 min Comment 4 CR Article Share

When people in the finance world talk about “credit invisibles,” Ron Molina-Brantley says he knows exactly who they mean. A vice president at Berkshire Bank in Massachusetts, Molina-Brantley leads courses in financial literacy for people who are interested in borrowing money, perhaps even buying a home, but don’t have a credit history.

Promotion

Opportunity to have your institution and program featured in program publications and earned media when available

Primary program elements and benefits

Branding

Underwriting for Racial Justice logo and branded materials for communication with community members, partners, and investors.



Other key benefits of participating

1. Creating social impact; providing capital to people of color in your community
2. Deepening relationships in your community
3. Supporting Federal regulatory and program requirements for CRA, CDFI, and ECIP
4. Growing your loan portfolio and interest income
5. Promotion and recognition to build relationships with funders, investors, racial-justice groups, regulators, and others
6. Helping advance the movement for racial justice in the financial industry



Additional program elements based on need

These additional benefits may be offered, based on pilot participant needs:


- Loan guarantee funds
- Training sessions:
 - Introduction to race and the financial industry
 - Implementation overview — getting started with a pilot at your institution
 - Stakeholder engagement
- Individualized consulting support
- Intern or fellows to provide market research, marketing or other support

Lender roles and responsibilities

Lenders participating in the pilot will:

- ✓ **Implement a loan program with a new underwriting approach** to meet the needs of, and increase capital to, borrowers of color.
- ✓ **Provide pricing and terms that are equal to, or better than, their other loan programs**
- ✓ **Commit to deep stakeholder engagement**, working closely with members of the intended beneficiary group in the design, delivery and decision-making of the program;
- ✓ **Commit to develop technical assistance offerings**, creating a strong internal program or referral program for training and coaching to help maximize success for applicants and borrowers;
- ✓ **Collect and share program data and stories;**
- ✓ **Participate in a Community of Practice with peers.**

Lender Application


**UNDERWRITING
FOR RACIAL JUSTICE**

Lender Application for 2023-2025 Pilot Community of Practice

Thank you for your interest in being part of the Underwriting for Racial Justice pilot program. This program will engage up to 20 lenders that are changing elements of their underwriting to explicitly increase lending to people of color in their communities.

Your priority/intended customer for the loan pilot (Please list race and/or ethnicity, as well as any additional characteristics) *

(For example, Black homebuyers in the Atlanta metro area)

Type of Loans you will provide (Choose all that apply) *

Small business
 Residential mortgage
 Auto
 Unsecured consumer
 Other

Please describe your best estimations for your HIR 1 Pilot program loans (your rough estimates are fine):

Key Questions

- Intended audience
- Size, type, location of loans
- Whether new or continuing program
- Any known underwriting or product plans
- Data and participation commitments
- Your institution's experience with race issues
- Your expected needs from the program

Application Process and Dates

- **Today** - Application Opens
 - Online Form (can save and come back later)
 - Look for an email with application, guide, and presentation
- **April 15** – Applications Due
- **May 1** - Decisions Announced
- **May** – Onboarding, data collection
- **June** – Community of Practice sessions begin



Questions or
Comments?



Thank you!

- We look forward to seeing all of you again soon – new calendar markers coming
- We look forward to seeing applications from all of you lenders!
- Questions along the way?
 - Contact Elsie Howard, ehoward@beneficialstate.org
 - Applicant Q&A Sessions on March 7, March 15, April 6

