

# Seven Tips For Community Development Contribution or Sponsorship Request From a Bank

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The Community Reinvestment Act (CRA) is a law intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods (LMI), consistent with safe and sound banking operations.

CRA contributions are a significant part of a financial institutions' CRA performance evaluation.

## Key insights to consider before you submit your contribution or sponsorship request

These are my personal suggestions based on 20 years of experience in community development and are not the policy or procedure of any bank.

**#1. Speak with the Community Development Manager before you submit your funding request.**

**#2. Are you in the bank's assessment area?**

**#3. Does your mission align with the bank's CRA priorities?**

**#4. Do you serve low-to moderate-income individuals, or small businesses?**

**#5. Sponsorship Requests - IT IS ALL ABOUT THE MISSION.**

**#6. How much should I ask for?**

**#7. Key websites with community development data**

## Tip #1. Speak with the Community Development Manager before you submit your funding request.

1. Tell them your community needs and challenges.
2. Tell them what programs you have that meet those needs.
3. Tell them the impact of your programs.
4. Tell them which programs need financial support.
5. Tell them specifically which county/counties you serve.
6. Tell them the percentage of low-to moderate-income individuals or small businesses you serve.
7. Include volunteer opportunities that meet CRA criteria.

After funding, tell them the impact their contribution had in the community.

## Tip #2. Are you in the bank's CRA assessment area?

Financial Institutions are evaluated on serving their assessment areas (AA).

Assessment areas typically have county boundaries.

If you are not serving individuals in the assessment area, the bank does not have a CRA responsibility for that area. Your request is not a priority.

Your headquarters may be outside the AA, but you have an activity in the AA. Possible to receive funding.

Your headquarters may be in the AA, but the activity is outside the AA. Most likely no funding.

## Tip #3. Does your activity align with banks' CRA priorities?

Typically, CRA priorities are

- Affordable housing - including single-family, multi-family, owner-occupied and rental housing for LMI individuals and in LMI areas
- Economic Development/Small Business Development - activities that support permanent job creation/retention, and activities that create and/or strengthen small businesses in LMI geographies and areas targeted for redevelopment
- Neighborhood Revitalization/Stabilization - activities that improve the economic stability and quality of life conditions of distressed LMI communities
- Community Services - efforts that promote and/or improve the economic stability of LMI persons or areas , education, workforce development, financial literacy

## Tip #4. Do you serve a majority of low-to moderate-income (LMI) individuals, or small businesses?

**Not ALL of the individuals or businesses served by your program have to meet CRA guidelines but more than 50% MUST.**

You may use government program income guidelines, free or reduced lunch percentage or college Pell Grant percentages to determine the percentage of individuals you serve who meet LMI guidelines.

For small business owners it is revenues of \$1 million or less.

## Tip #5. Sponsorship Request

### IT IS STILL ALL ABOUT THE MISSION.

Banks prefer to fund programs but understand fundraisers help you fulfill your mission.

As an example: You are having a golf fundraiser

One sentence: We are requesting sponsorship for our golf fundraiser. The rest of the request should talk about your mission, the need, your impact and the percentage of low-to moderate-income individuals served.

It is not important that the golf course has been ranked No. 1 in Tennessee since it opened in 1983 and has been a mainstay in the top third of our national rankings.

It is not important that golfers can network with other CEOs.

**Tell me how proceeds from the fundraiser will be used to meet community needs.**



## Tip #6. How much should I ask for?

This is an extremely complex question and varies greatly among banks.

- What is your need?
- What has the bank given in the past?
- What events have they sponsored? This information is often in the news.

**Bank A gave \$25,000 Bank B gave \$5,000, why?**

**Banks A gave ABC In Nashville \$5,000 and ABC in Cookeville \$1,500, why?**

Using FDIC data can help answer this question. There are many considerations that determine giving amounts. A few considerations are as follows.



- Bank budgets vary by deposits size.
- Bank budgets vary by deposit market share.
- Bank budgets vary by strategic priorities.
- Bank budgets vary by community needs.

## Bank A is much larger than Bank B in deposits and market share.

### Easy, Simple Example 1.

Bank A has \$236 billion dollars on deposit in Chattanooga. Bank B has \$20 billion on deposit. If banks use the same percentage of deposits for their contribution budget, Bank A has 10 times the contribution budget of Bank B.

### Easy, Simple Example 2.

Bank A has 40% of deposit market share in Chattanooga. Bank B has 14% of deposit market share in Chattanooga. Bank A will allocate a larger percentage of their contribution budget to Chattanooga than Bank B.

### Easy, Simple Example 3.

Bank A has 40% market share in Chattanooga and 12% market share in Knoxville, The bank will allocate more of the giving budget for Chattanooga than Knoxville.

The budget allocation is more complex than this, but you get the picture.

## Tip #7. Websites with community development data

The FFIEC.gov website has

<https://www.ffiec.gov/>

- Geocoding/Mapping System for Specific Addresses
- FFIEC Census Demographic Data by County or MSA
- Bank Public Evaluations
- Bank CRA Exam Schedules

FDIC Bank Deposit Market Share

<https://www7.fdic.gov/sod/sodMarketBank.asp?barItem=2>

NECS.gov Public School Free and Reduced Lunch Data

<https://nces.ed.gov/ccd/schoolsearch/>

Eplan State of Tennessee Free and Reduced Lunch Data

<https://eplan.tn.gov/default.aspx?ccipSessionKey=638127267968613806>

IPED College Pell Grant Data

<https://nces.ed.gov/ipeds/institution-profile/219602>



# Questions