Q&A summary from Community Reinvestment Act and Early Care and Education webinar

Q: Many providers are not associated with banks, especially family care providers and those for whom English is not their first language. In what ways can lenders make this information available?

A: Lenders that provide financial services to smaller early care and education (ECE) providers or those that serve low- and moderate-income (LMI) families may receive Community Reinvestment Act (CRA) consideration. To connect with providers for whom English is not their first language and reach a broader market, banks could translate materials into different languages or partner with community-based organizations, child care agencies, community development financial institutions (CDFIs), or small business or women business centers that work in diverse communities.

Q: Fed staff mentioned that bank consortia may get CRA credit for investing in CDFIs and others. How does a bank consortium work?

A: A group of banks can pool financial resources to support a CDFI or a fund designated to provide loans or make investments. Bank consortia could focus on ECE and qualify as a CRA-eligible activity under certain circumstances. For example, banks could receive CRA consideration if a consortium-supported loan fund financed child care programs that primarily served children from LMI families. The CDFI Fund and Opportunity Finance Network are resources for banks to locate CDFIs in their area.

Q: How do child care providers or banks verify the number of LMI children who attend a program?

A: Most ECE providers have information about the children enrolled in their programs. One measure of LMI children at a program is the share of children enrolled who qualify for an income-based public funding stream, such as a child care subsidy or Head Start. In addition, providers located in LMI areas with participants drawn from the area can attest that they serve LMI children.

Q: Do you have data or information about state or city organizations that are participating in the CRA process?

A: Bank CRA examination results and ratings are publicly available. In addition, CRA exam schedules and data on communities are available at the FFIEC website. However, CRA exam results don’t include specific details about the sectors in which CRA-related activities occur. Some nonprofit groups like the National Community Reinvestment Coalition provide resources for community organizations looking to engage in CRA-related work.

Q: Has Square 1 considered expanding to serve more children? If so, what are the barriers to expansion?

A: Our business plan reflects efforts to expand our system of care to additional home-based family child care providers. Massachusetts regulations allow for a broader age of children (infant through school-age) in one group at a family child care provider, thereby serving more diverse families. Regulations for child care centers and expanding slots in those facilities are far more expensive and require on-site directors and administrators, which adds to the financial burden of losing more money.