



FEDERAL RESERVE BANK OF PHILADELPHIA

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ANNUAL REPORT 2019

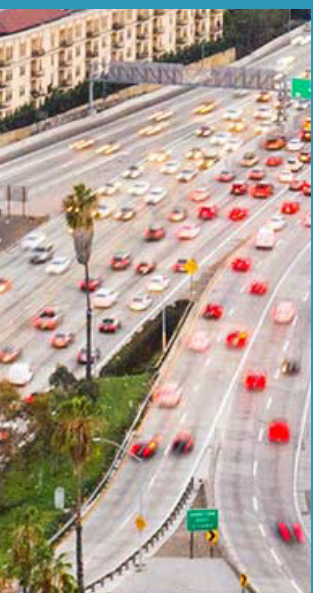
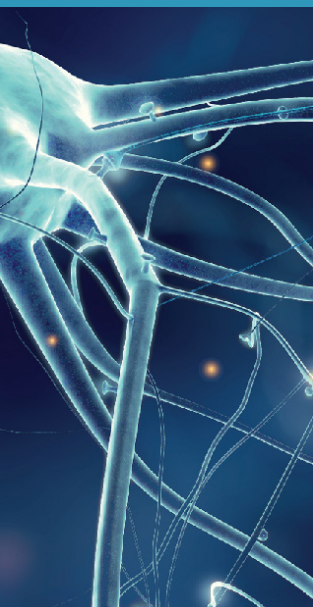
# LEADING & LISTENING

ANNUAL REPORT 2019

# LEADING & LISTENING

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The Federal Reserve Bank of Philadelphia is one of the 12 regional Reserve Banks in the United States that, together with the Board of Governors in Washington, D.C., make up the Federal Reserve System – the nation’s central bank. The System’s primary role is to ensure a sound financial system and a healthy economy. The Philadelphia Fed serves the Third District, which is composed of Delaware, southern New Jersey, and central and eastern Pennsylvania.



2019

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*“The year 2019 was one in which we worked to deepen the Bank’s engagement and impact,” says President Patrick T. Harker.*

## PRESIDENT’S LETTER

As I write this letter in early 2020 and look back on 2019, in some ways, it seems very far away. I recognize the serious challenges a pandemic presents to families, businesses, and communities all over the United States. While the world we live in has changed, the mission of the Federal Reserve Bank of Philadelphia — and the Federal Reserve System — remains the same. We are committed to helping the people and communities of the Third District and the country thrive and to protecting the integrity of the financial system.

The year 2019 was one in which we worked to deepen the Bank’s engagement and impact. We did this by connecting with financial industry leaders, experts in emerging fields of study, local community leaders, and our colleagues within the Federal Reserve System.

**“WE ARE INTENT ON A TWO-WAY EXCHANGE AND PARAMOUNT TO THAT IS THE ACT OF LISTENING.”**

As the president of the Philadelphia Fed, I frequently deliver public speeches, and our economists give presentations. Both communication forms are critical for disseminating our research and data. But engagement is about having conversations. When we have these dialogues with District residents, community and industry leaders, researchers, policymakers, and others, it’s through the equally important lenses of leading and listening.

Leading means helping define the important issues, contributing unbiased data, bringing the right voices to the table, and guiding the conversation toward actionable solutions. Our role in leading conversations focuses on two assets of the Fed: our reputation as a source of compelling knowledge and our convening authority. These two strengths are detailed in our essay on the Bank’s research efforts (page 8) and our story on bringing together uncommon partners (page 14).

At the same time, we are intent on a two-way exchange and paramount to that is the act of listening. That means other Fed leaders and I travel across the District, meeting with residents and hearing what they have to say about their economic situations, local business activity, and community development projects. What we learn from them is equally important to our approach. You can read about our tours, roundtables, and other meetings in the essay on District outreach (page 18).

None of these community events, research papers, and conferences would happen without our committed staff. Every day, our employees work to support the mission of the Philadelphia Fed and the Federal Reserve System to maintain a strong economy and price stability. James D. Narron, the Bank’s first vice president, highlights the dedication and commitment of our employees (page 6). We are immensely proud of their accomplishments.

Our efforts dovetail with an initiative launched by the Board of Governors. Called *Fed Listens*, the project aims to learn how the general public perceives the Fed’s work, mission, and dual mandate. The Philadelphia Fed held our own *Fed Listens* event in May, with a community tour of Camden and a two-panel session made up of advisory council members, academics, and business leaders. The day gave us valuable insights into public perceptions (page 23).

The ultimate goals of this Annual Report, *Fed Listens*, and our engagement efforts are to be more open with the public and to explain what the Fed does and how we are working to help local communities and safeguard the economy. I hope you enjoy reading about the work we did in 2019 to achieve those goals.

As we move forward in 2020, these efforts will not change. The Federal Reserve as an institution was created precisely to help the people of our country weather challenging times. We will continue to lead and listen and move toward solutions that benefit the communities of the Third District and ensure the strength of the overall economy.

Sincerely,

**PATRICK T. HARKER**  
**PRESIDENT AND CEO**

# FIRST VICE PRESIDENT'S LETTER

The achievements we accomplished in 2019, as in the years before, are a testament to the solid foundation we have built over the years.

As I write this message in spring 2020, we find ourselves in uncharted territory. During these turbulent times, I'm deeply gratified and proud of our talented employees at the Philadelphia Fed. They have stepped up and continued to support our mission as our nation and the world collectively confront the challenge of the coronavirus pandemic. Through their efforts, we had a very successful year in 2019, and we find ourselves on sure footing as we navigate this unprecedented situation in 2020.

Additionally, our outreach efforts into the Third District keep expanding. We added bankers' roundtables to our Field Meetings in 2019, which marked the meetings' 74th anniversary. These meetings give us a chance to connect with regional leaders in the financial industry and exchange information on economic and business conditions.

Likewise, William G. Spaniel, senior vice president and lending officer, continued his series of District, Diners & Dialogue events. These meetings with small groups of bankers in an informal setting enabled Bill to answer any questions Third District bankers may have and to learn more about their concerns (see page 21).

We also monitor the economic pulse of the Third District through our two advisory councils: the Community Depository Institutions Advisory Council, composed of members from commercial banks, thrift institutions, and credit unions, and the Economic and Community Advisory Council, with members from the public and private sector who help track emerging trends, issues, and market conditions. We deeply value their insights, which inform our work serving the Third District.



*"During these turbulent times, I'm deeply gratified and proud of our talented employees at the Philadelphia Fed," says First Vice President James D. Narron.*

**"OUR BANK'S INITIATIVES REFLECT THE SENSE OF PUBLIC SERVICE THAT DRIVES THIS INSTITUTION."**

The people who work at the Fed are passionate about our mission and about helping District communities. Our Bank's initiatives reflect the sense of public service that drives this institution. We helped Philabundance restock pantries for those in need, donated hundreds of books to the John Hancock Demonstration School, sponsored toy drives during the holidays, and assisted at Andrew Jackson Elementary School on Martin Luther King Jr. Day of Service.

I thank our employees for their work and their dedication in making 2019 such a successful year. And you will undoubtedly see why in the pages that follow.

A handwritten signature in black ink that reads "James D. Narron". The signature is fluid and cursive.

**JAMES D. NARRON**  
**FIRST VICE PRESIDENT AND**  
**CHIEF OPERATING OFFICER**

# LEADING WITH RESEARCH



*The automation of work is one topic covered in the many research-related Bank documents published in 2019.*

When it comes to topics related to the economy, financial markets and regulation, community development, or consumer finances, getting the context, facts, and figures correct is critical to both defining the issue and devising an appropriate and workable solution.

The in-depth, nonpartisan research done by economists and analysts throughout the Bank relies on unbiased data and analytic methods that are free from agendas, punditry, or what may be trending on the Internet. The work furthers our understanding of the economy, how individuals make financial decisions, and the consequences — intended or not — of policies or programs put in place. In 2019, the Bank published more than 60 research-related documents and hosted dozens of research conferences. Here is just a sampling of what we found out in 2019.

## “THE EFFECTS OF GENTRIFICATION ON THE WELL-BEING AND OPPORTUNITY OF ORIGINAL RESIDENT ADULTS AND CHILDREN” JULY 2019

The influx of high-income individuals into center urban neighborhoods has raised alarm about changing neighborhoods and low-income residents being forced out. But research done by Davin Reed, economic advisor in the Community Development and Regional Outreach Department, shows that the story is more nuanced. His work — coauthored with Quentin Brummet of NORC at the University of Chicago — uses new data that follow the same individuals over time, allowing them to directly measure things like displacement, income, and neighborhood quality.

The authors find that while gentrification does increase displacement, the effect is small relative to baseline mobility rates. Over a 10-year period, 70 percent of less educated renters move away from nongentrifying neighborhoods, but this number only rises to 75 percent in gentrifying neighborhoods. They also find that those who move from gentrifying neighborhoods do not end up in worse (higher poverty or more distant) neighborhoods. At the same time, the 25 to 30 percent of less educated renters who stay in gentrifying neighborhoods experience increased exposure to higher-opportunity neighborhoods (lower poverty, higher education, and higher employment),

### LESS EDUCATED HOMEOWNERS BENEFIT FROM RISING HOUSE VALUES, AN IMPORTANT COMPONENT OF HOUSEHOLD WEALTH.

which other research has shown can benefit children in particular. Less educated homeowners benefit from rising house values, an important component of household wealth. The research also highlights that the alternative to a low-income neighborhood gentrifying is usually not stability, but decline in the form of falling populations and rising poverty. Overall, the authors conclude that while gentrification may present some challenges, it also presents opportunities that policymakers should leverage in order to promote more integrated, accessible communities.

The paper received media attention because it challenged conventional wisdom through the careful, impartial analysis of a new data source. Reed’s work was cited in stories that ran in the *Financial Times*, *The Economist*, *The Philadelphia Inquirer*, the *Detroit Free Press*, and *The Seattle Times*.



*Davin Reed’s research refutes the popular notion that gentrification harms all current residents.*

“UNDER THE NEW LANDSCAPE, BIG NO LONGER BEATS SMALL, BUT FAST BEATS SLOW – THUS, WE HAVE SEEN THE INDUSTRY SHIFT TO THE FAST CLOUD COMPUTING AND TO EXPLORE THE FASTER QUANTUM COMPUTING.”

*Julapa Jagtiani is the organizer of the Bank's fintech conferences.*



#### FINTECH CONFERENCE NOVEMBER 2019

Technological innovations have been disrupting the economy and banking industries for generations. But what's novel and challenging in today's world is the speed of change. The Philadelphia Fed has been a leader in fintech research, exploring issues surrounding the impact on credit access, financial stability, and consumer finance. In November, the Bank hosted the Third Annual Fintech Conference, which brought together scholars, regulators, and industry leaders for two days of robust discussion.

Following a keynote address by Chicago Fed President Charles Evans, the discussion turned to the role of big tech in financial services, with speakers from Google Cloud, Harvard Law, Square Financial Services, Amazon, and the Peterson Institute for International Economics. “Under the new landscape, big no longer beats small, but fast beats slow — thus, we have seen the industry shift to the fast cloud computing and to explore the faster quantum computing,” said Julapa Jagtiani, senior economic advisor and economist in Supervision, Regulation, and Credit. The panelists covered the impacts of this shift on financial stability, cybersecurity, and consumer protection — with examples of the Chinese tech company Alibaba and Capital One data breach under Amazon Web Services.



*Max Levchin, Founder and CEO of Affirm and Cofounder of PayPal, discusses lending challenges at the Third Annual Fintech Conference.*

Another panel debated whether central banks should issue digital currency themselves or take a supporting role in issuing digital currency. Timothy Lane, deputy governor of the Bank of Canada, announced that his central bank had begun developing contingency plans and studying the integration of digital currency into the Canadian banking system.

Other sessions covered digital currencies, the latest in fintech regulations, and fintech's role in small business lending. The information-gathering around financial innovation is central to the Fed's mission to understand and safeguard the nation's financial system.

THE INFORMATION-GATHERING AROUND FINANCIAL INNOVATION IS CENTRAL TO THE FED'S MISSION TO UNDERSTAND AND SAFEGUARD THE NATION'S FINANCIAL SYSTEM.

The highway projects of the 1950s and 1960s met with protests from center-city residents who worried about the potential harm to their neighborhoods.



## “FREEWAY REVOLTS!”

JULY 2019

Constructing the U.S. interstate system was an important infrastructure project started in the 1950s. Opposition to the roads — especially in affected central city neighborhoods — was swift and fierce. Center-city residents organized marches and community events to protest the projects planned to run through their neighborhoods. At issue: While the freeways provided increased access for regions outside of the city, the negative impacts were felt mainly by neighborhoods closest to the city center.

Jeffrey Brinkman, senior economist, and Jeffrey Lin, vice president and economist, examined freeway revolts and how the opposition changed the nation’s freeway system and downtowns.

After the revolts took hold, completed freeways diverged from initial plans, especially in central neighborhoods. What Brinkman and Lin found was that the new paths increasingly favored factors such as coastlines, rivers, and historical rail routes, as well as neighborhoods that initially had a higher proportion of black households and less educated residents.

“UNAMBIGUOUSLY, THE BENEFITS OF NEW FREEWAY CONSTRUCTION COULD BE GREATLY IMPROVED BY CONSIDERING DISAMENITY EFFECTS ON SURROUNDING NEIGHBORHOODS.”

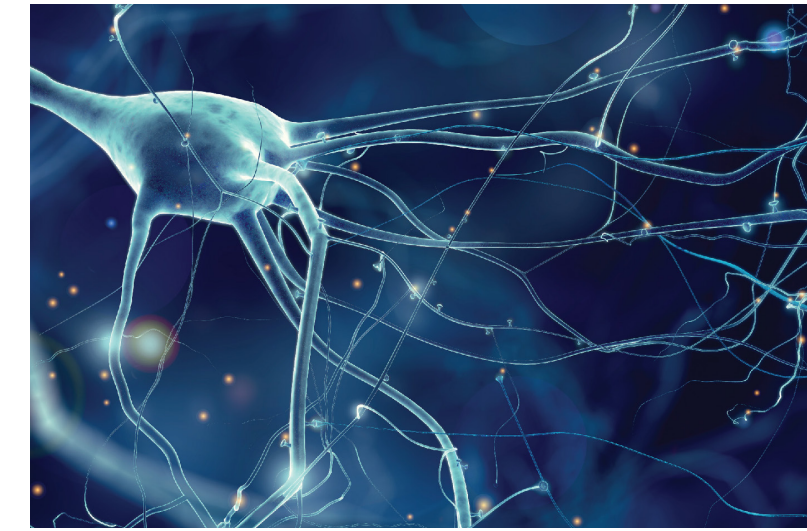
The two then analyzed diminished quality of life from freeway “disamenities,” which include noise, pollution, and delays in moving across neighborhoods with freeways, which caused affected neighborhoods to decline in population, income, and home prices. The paper notes the findings are “important for understanding suburbanization and the decentralization of cities, and for understanding the freeway revolts of the 1950s and 1960s.”

The research highlights the importance of considering local impact when designing any major infrastructure project. Thoughtful planning can mitigate negative effects by burying highways beneath neighborhoods. One example cited in the paper was the Big Dig in Boston, which buried a section of Interstate 93 under the heart of the city. The authors write, “Unambiguously, the benefits of new freeway construction could be greatly improved by considering disamenity effects on surrounding neighborhoods.”



Jeffrey Lin, Vice President in the Research Department, studied how urban highways affect surrounding neighborhoods.

The new field of neuroeconomics examines how the brain functions during financial decision-making.



## NEUROECONOMICS CONFERENCE

AUGUST 2019

Humans may think they are rational when making financial and job decisions. But what is really going on in the brain when spending and investment choices are made? In August, the Consumer Finance Institute (CFI) hosted a symposium to enable Bank researchers and other experts learn the research methods and findings of “neuroeconomics,” a new field that brings together economics, psychology, and neuroscience to better understand consumer decision-making.

“Neuroeconomics may help economists and policymakers better anticipate trends in the all-important consumer sector,” said Larry Santucci, CFI senior research fellow and organizer of the symposium. For instance, the findings can be used to design better programs aimed at getting people to save for retirement or not overextend themselves financially.

The conference is an example of how CFI adds to the body of research on how consumers earn, spend, save, and invest. Defining these issues is critical to the work being done around the Federal Reserve System, including monetary policy decisions and bank oversight.



# P

## OWERING UNCOMMON PARTNERSHIPS

Supporting a strong and inclusive economy is a key objective for the Philadelphia Fed. Governments, nonprofit organizations, and the business community are tackling the issues facing the economy both now and in the future. But often these entities have trouble connecting and finding common ground. The Philadelphia Fed uses its convening power not just to bring together those disparate groups but also to foster uncommon partnerships throughout the Third District. The ability to gather different voices to talk to one another around a table is another way that the Bank is leading and listening in the Third District.

### LINKING NONPROFITS AND BANKS

One reason uncommon partnerships can bring about change is because each participant contributes insights that create tailor-made solutions for a specific locality. That was the strategy for the Bank's Leveraging Lending and Investment for Nonprofits and Communities (LINC) program, which continued in 2019 to build relationships across the region, with cohorts in Lancaster, PA, and southern New Jersey. The program, which coaches nonprofits on building a framework for discussing their work in the context of the Community Reinvestment Act (CRA) and the CRA's application, then gives those nonprofits the chance to pitch potential projects to banks at a matchmaking event. The program found success not simply by taking a model and dropping it into a new location but by forging partnerships and finding local voices.



*Tesia Lemelle works on the LINC program, which tailors each session to a community's unique circumstances.*

[THE LINC] PROGRAM HAS OPENED THE DIALOGUE BETWEEN NONPROFIT ORGANIZATIONS AND BANKS THAT PREVIOUSLY HADN'T FOUND THE CONNECTIONS LINC HAS ENABLED.

"LINC's approach really is unique by community, and you don't know until you start talking with nonprofits in the area," said Tesia Lemelle, program manager in Supervision, Regulation, and Credit (SRC). "Then you really understand what they need and tailor the training."

Although other programs with a similar focus exist, in just two years' worth of outreach, LINC has differentiated itself through its ability to foster new and unique connections.

"The reaction has been overwhelmingly positive," said Sydney Diavua, community engagement advisor in the Community Development and Regional Outreach Department. "We've heard, 'This has met a need for us,' and we've been asked by banks and nonprofits all over the district to come to their regions."

The partnerships formed out of LINC have led to everything from banks and nonprofits working together on CRA training events to one bank — in a matter of just weeks after one LINC matchmaking session — investing \$25,000 in low-income housing tax credits. At a wider level, the program has opened the dialogue between nonprofit organizations and banks that previously hadn't found the connections LINC has enabled.

The partnerships generated by LINC haven't been limited to those between banks and nonprofits. The program's events have opened up collaborations between organizations serving similar populations, allowing them to have a greater impact through both their community reach and their ability to partner on projects.

“While we would love for investments to happen right there at LINC events, we also try to build capacity with the nonprofits and really try to focus on being a resource for them now and in the future,” Lemelle said. “Something we try to emphasize is that what you learn from us here, you can apply in the future.”

LINC has also helped Philadelphia Fed staff build stronger partnerships with both the banks and nonprofits involved, as well as gain critical insights into the real-time concerns banks have in meeting CRA obligations. The CRA was passed in 1977 to fight against discriminatory lending practices, especially in low-income areas and communities of color. The legislation requires banks to lend in all neighborhoods where they have branches.

“It allows us to better understand their challenges around their CRA strategy,” Diavua said, adding that the stronger connections are aiding Fed staff as they help banks be more proactive on that front.

The program will continue building partnerships in 2020, with a planned Delaware cohort and an eye toward potential opportunities in Pennsylvania and New Jersey beyond that.

“When people hear about LINC, they want us to come there,” Lemelle said. “It’s definitely demonstrating that there’s a demand and a need.”

And LINC is finding support and cultivating partnerships across Bank functions, including wider support in SRC, alongside efforts to make the program a permanent fixture at the Philadelphia Fed.

“There’s a lot of desire within the Bank to support the nonprofit community,” Lemelle said.

“IT ALLOWS US TO BETTER UNDERSTAND THEIR CHALLENGES AROUND THEIR CRA STRATEGY.”



*Sydney Diavua says the LINC program is critical to bringing banks and nonprofits together.*



*Ashley Putnam directs the Economic Growth & Mobility Project, which hosted Bank events on economic inequality and workforce development.*

“IT IS REALLY A GREAT EXAMPLE OF TWO ORGANIZATIONS WILLING TO TAKE A RISK AND WORK TOGETHER.”

“What we’ve learned from bringing together diverse organizations has really highlighted the need for an inclusive approach,” said Ashley Putnam, director of EGMP. “This isn’t just a problem with job seekers needing to be better skilled or educational institutions giving better training but also employers who need to be rethinking how they’re part of this equation. We’re not going to get to a solution to these complex, systemic problems if we aren’t able to work together.”

The pay-for-success model demonstrates the return on investment in workers, and Putnam noted that it’s not simply a monetary return — it’s also a community impact return.

“There’s something really incredible that happens in that kind of model, where there’s a collaboration that might never have existed,” she said. “It is really a great example of two organizations willing to take a risk and work together in an innovative way that might not have otherwise happened without our engagement and the engagement of Social Finance.”

It’s the Philadelphia Fed’s reputation as a nonpartisan, nonpolitical organization — one that can both create partnerships directly and bring together people and organizations around events and topics — that helped foster the process that led to the pilot private-public partnership.

“Our convening ability allows us to bring together people in innovative ways,” Putnam said. “One of the strongest roles we can play at the Fed is that of a connector; you can’t have uncommon partnerships when you don’t even know about that partner.”

## PARTNERSHIPS AND BREAKING DOWN SILOS

Another way in which the Bank brought together different stakeholders in 2019 was through the Bank’s Economic Growth & Mobility Project (EGMP), which hosted events focusing on poverty, race and socioeconomic conditions, and economic inequality. EGMP’s focus was to get a wide range of organizations to find connections to groups they might not have worked with before, with the most recent Research in Action Labs having a goal of breaking down silos by advocating for a cross-sectoral effort.

That approach is embodied in the workforce development pilot program EGMP launched in the fall of 2019, partnering Comcast, Philadelphia Works, and Social Finance. Philadelphia Works is training 75 people over three years to work in Comcast’s business-to-business sales department. If those workers stay employed for six months, Comcast will repay the cost of the training to Philadelphia Works.

# D

## RIVING DIALOGUES IN OUR DISTRICT

Reserve Banks provide an essential link between their own Districts and the Board of Governors in Washington, D.C. The information that comes from all 12 Districts creates a clearer and more detailed picture of the national economy. These regional insights help the Board set monetary policy. For the Philadelphia Fed, being an essential link means connecting with people living in Delaware, southern New Jersey, and eastern and central Pennsylvania.

During 2019, these conversations — conducted in large auditoriums and conference rooms and around small diner tables — were central to engaging with District residents. And make no mistake: These meetings were two-way exchanges of information. “Outreach is about dialogues, not monologues,” said William G. Spaniel, senior vice president and lending officer. “As the Philadelphia Fed, we can provide data and information that can help people make business and economic decisions. But we are there to listen, too. What we learn out in the District informs our approach to what we do to safeguard the economy.”

On the next pages are a few highlights of our 2019 outreach in the District. Each event exemplifies our goal of leading the conversation with economic data, regulatory updates, and policy issues, while also listening to what our constituents have to say.



*The Bank's conference on the Community Reinvestment Act examined ways to modernize the decades-old legislation. The event was attended by (from left to right): Atlanta Fed President Raphael Bostic; Amanda Roberts, Senior Community Affairs Analyst, Board of Governors; Theresa Singleton, Senior Vice President of the Bank's Community Development and Regional Outreach Department; and President Patrick Harker.*

## ON THE ROAD AGAIN: TRAVELS IN OUR DISTRICT

The Pennsylvania Turnpike, I-80, I-81. President Patrick T. Harker and other Bank leaders hit most of the major highways in Pennsylvania when they made a four-day, 550-mile trip to meet with community bankers and local leaders across the Keystone State.

The first stop in Altoona, PA, began with a roundtable. Community bankers joined Harker, First Vice President James D. Narron, and Senior Vice President and Lending Officer William G. Spaniel for an exchange of information on local economic conditions, banking trends, and the regulatory environment.

The next day brought a meeting in Altoona's city hall with local civic leaders and business executives. A walking tour of the downtown area allowed Bank leaders to see firsthand how cross-sector collaboration among local leaders is driving the revitalization of the city.

Williamsport, PA, was the second stop. There, Bank senior leaders hosted a dinner where they listened to bankers discuss local business conditions.

In Scranton, PA, Fed Governor Lael Brainard joined the group for another series of events to meet with financial institutions and also learn about the Bank's first Research in Action Lab (which dealt with equitable transit) from community partners. During a banker roundtable dinner, Governor Brainard shared how she travels across the nation to hear firsthand about how people view the economy. As the Fed considers strategies for faster payments and modernizing the Community Reinvestment Act, this engagement in local communities is important to understanding on-the-ground conditions.

"Outreach activities foster critical conversations that deepen our understanding of local economies, provide a forum to share our resources and expertise, and identify opportunities for future collaboration," said Erin Mierzwa, strategic outreach and engagement officer.



*President Patrick Harker (left) tours Altoona, PA, with Mayor Matthew Pacifico (center), and the Altoona-Blair County Development Corporation President Stephen McKnight (right).*



*William G. Spaniel hosts District, Diners & Dialogue as a means to connect informally with local bankers.*

## DISTRICT, DINERS & DIALOGUE

A diner in New Jersey may sound like an odd location for a Fed leader to hold a meeting. But for Spaniel, who oversees the Bank's supervision and regulation efforts, diners are the perfect place to catch up with local bankers.

Launched in 2018, District, Diners & Dialogue events give Spaniel a chance to meet with local financial industry leaders over breakfast and coffee. The informal setting encourages open discussions about trends and challenges these leaders are seeing in their market areas.

Once again, the goal is to have a two-way exchange of information. For the bankers, it's an opportunity to ask questions and learn about economic data or regulatory updates that impact the financial services landscape. For Spaniel and the Philadelphia Fed, the breakfasts supplement the data on our region collected through surveys and other methods.

Spaniel has said that the encounters enhance his perspectives on supervisory matters. "These conversations are important," said Spaniel. "We want to connect with banks in the region outside of the supervisory process to better understand what's going on in the District and how it impacts financial institutions in the region."

The Bank held two events in 2019: one in Cherry Hill, NJ, and one in Lancaster, PA. Because of the overwhelmingly positive response from financial industry leaders, five events are planned for 2020.

## ENSURING ACCESS TO CREDIT IN UNDERSERVED COMMUNITIES

Passed in 1977, the Community Reinvestment Act (CRA) was designed to counteract discriminatory credit practices. In particular, the practice of redlining prevented borrowers, specifically communities of color, from obtaining mortgages. The CRA attempts to remedy this by requiring banks to lend and invest where they have a physical presence.

But with the growth of online banking, nonbank fintech lenders entering the market, and shifts in needs for low- and moderate-income (LMI) consumers, financial institutions and the communities they serve have highlighted a need to modernize the CRA. As a result, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve began a process to consider changes to the legislation, which was last updated in 1995.

In 2019, the Federal Reserve System began to gather public input regarding the CRA. To that end, the Philadelphia Fed engaged stakeholders in a variety of roundtables and one-on-one meetings to hear their insights on the future of the CRA as well as to share research findings on the effectiveness of the regulation. In January, the Bank hosted two roundtables with bankers and community members to solicit their feedback on updating the CRA. These findings were consolidated with those from 27 other similar roundtables held around the country into a Fed report, *Perspectives from Main Street: Stakeholder Feedback on Modernizing the Community Reinvestment Act*.

“SUPPORT FOR CRA IS BROAD AND DEEP. IN REFORM EFFORTS, WE MUST BALANCE THE IMPORTANCE OF PLACE WITH NEW BUSINESS MODELS.”

The following month, in partnership with the Board of Governors, the Philadelphia Fed hosted a research symposium to listen to various community development experts and financial industry leaders. Presenters shared research and guided dialogue on the impact of the CRA and the most critical areas of concern for CRA modernization. Several speakers agreed that there could be value in assessing the metrics used to evaluate CRA lending in LMI communities, especially as it can impact — and potentially accelerate — neighborhood change. Lei Ding, senior economic advisor in our Community Development and Regional Outreach Department, shared his research that found banks under CRA supervision do direct more lending to LMI communities.

Philadelphia Fed President Harker, Fed Governor Lael Brainard, and Atlanta Fed President Raphael Bostic all spoke at this important conference. Governor Brainard said that in attending the listening sessions and receiving comment letters from the public, she learned that “support for CRA is broad and deep. In reform efforts, we must balance the importance of place with new business models.”

In December, the OCC announced a Notice of Proposed Rulemaking on Revisions to the Community Reinvestment Act Regulations. Our Bank continues to connect with financial institutions and key voices on this issue to better understand the impacts of these changes on communities.



*Fed Vice Chair Richard Clarida meets with students during our Fed Listens event, which highlighted educational opportunities through a tour of LEAP Academy in Camden, NJ.*

## THE FED LISTENS IN OUR DISTRICT

At the end of 2018, the Federal Reserve announced a program to review how it conducts and communicates monetary policy to the general public. Dubbed *Fed Listens*, the initiative comprised events at Reserve Banks around the country. Fed Vice Chair Richard H. Clarida, who spearheaded the effort, visited Philadelphia to help us host our own event on May 17.

The day started with a tour highlighting workforce development in the nearby majority-minority city of Camden, NJ. Vice Chair Clarida, President Harker, and other leaders visited LEAP (Leadership, Education, and Partnership) Academy University Charter School. The innovative charter school helps prepare young people for the economy of the future.

The afternoon event gathered local leaders to discuss their perceptions of the economy, Fed policy, and the Fed’s dual mandate of maximum employment and price stability. To cover a wide range of viewpoints, one panel included representatives from business and academia, and another consisted of leaders from the philanthropic and nonprofit sectors.

One consensus takeaway was that the Fed’s main tool, interest rates, is a blunt tool. It can’t be used to target communities or demographic groups that struggle despite 10 years of nationwide economic growth. Most panelists also agreed that the Fed should do more to help people become financially literate.

The Philadelphia Fed is proud that our event, another example of our engagement strategy, contributed to this effort as the Fed strengthens its mission of ensuring economic stability and thriving communities.



Seated, from left:  
 Patricia A. Hasson,  
 Phoebe A. Haddon,  
 Madeline Bell.  
 Standing, from left:  
 Timothy Snyder,  
 William S. Aichele,  
 Julia H. Klein, Jon  
 Evans, Brian McNeill,  
 Anthony Ibarguen

## BOARD OF DIRECTORS

As provided by the Federal Reserve Act, each of the 12 Reserve Banks is supervised by a nine-member board of directors. The directors oversee the Bank's direction and performance, and they participate in the formulation of the Fed's monetary policy through their reports on economic and financial conditions and their decisions on the Bank's discount rate.

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 President and CEO  
 Touchpoint, Inc.  
 Concordville, PA

### DEPUTY CHAIR

**Phoebe A. Haddon (a, b, d)**  
 Chancellor  
 Rutgers University-Camden  
 Camden, NJ

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**Madeline Bell (a, c)**  
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**Jon Evans (a, b, d)**  
 President and CEO  
 Atlantic Community Bankers Bank  
 Camp Hill, PA

**Patricia A. Hasson (a, c, d)**  
 President and Executive Director  
 Clarif  
 Philadelphia

**Anthony Ibarguen (a, c)**  
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 Tampa, FL  
 Quench USA, Inc.  
 King of Prussia, PA

**Julia H. Klein (a, b)**  
 Chairwoman and CEO  
 C.H. Briggs Company, Inc.  
 Reading, PA

**Timothy Snyder (a, b)**  
 President and CEO  
 Fleetwood Bank  
 Fleetwood, PA

(a) Member of the Bank's Executive Committee; (b) Member of the Bank's Audit Committee; (c) Member of the Bank's Management and Budget Committee; (d) Member of the Bank's Nominating and Governance Committee

## COMMUNITY DEPOSITORY INSTITUTIONS ADVISORY COUNCIL

The Community Depository Institutions Advisory Council, created in 2011, includes representatives from commercial banks, thrift institutions, and credit unions. The council provides information, advice, and recommendations to the Federal Reserve Bank of Philadelphia from the perspective of community depository institutions.



**Joseph B. Bower Jr.**  
 President and CEO  
 CNB Bank and CNB Financial  
 Corporation  
 Clearfield, PA



**Thomas R. Quinn Jr.**  
 President and CEO  
 Orrstown Bank  
 Shippensburg, PA



**Eric Hoerner**  
 Chief Executive Officer  
 MidCoast Community  
 Bancorp, Inc.  
 Wilmington, DE



**Patrick L. Ryan**  
 President and CEO  
 First Bank  
 Hamilton, NJ



**Brian W. Jones**  
 President/CEO and Director  
 The First National Bank  
 of Elmer  
 Elmer, NJ



**J. Bradley Scovill**  
 President and CEO  
 C&N Bank  
 Wellsboro, PA



**Christopher D. Maher**  
 President and CEO  
 OceanFirst Bank  
 Toms River, NJ



**Amey R. Sgrignoli**  
 President and CEO  
 Belco Community Credit Union  
 Harrisburg, PA



**Jeff March**  
 President and CEO  
 Citadel Federal Credit Union  
 Exton, PA



**Jeane M. Vidoni**  
 President and CEO  
 Penn Community Bank  
 Perkasie, PA



**Gary S. Olson**  
 President and CEO  
 ESSA Bank & Trust  
 Stroudsburg, PA



**James Wang**  
 President and CEO  
 Asian Bank  
 Philadelphia

## ECONOMIC AND COMMUNITY ADVISORY COUNCIL

The Economic Advisory Council, created in 2008, was expanded and renamed the Economic and Community Advisory Council in 2016. It is now composed of up to 15 leaders who represent businesses of different sizes and industry sectors as well as nonprofit and philanthropic organizations, academic institutions, the public sector, and organized labor. The council advises Federal Reserve officials on emerging trends, market conditions, and economic growth opportunities in the Third District and the nation.



**Rochelle L. Cameron**  
Chief Executive Officer  
Philadelphia International  
Airport  
Philadelphia



**Edward L. Dandridge**  
Global Chief Marketing and  
Communications Officer  
AIG General Insurance  
New York



**Susan Hakkarainen**  
Cochair and Co-CEO  
Lutron Electronics Co., Inc.  
Coopersburg, PA



**Ali A. Houshmand**  
President  
Rowan University  
Glassboro, NJ



**Angelique X. Irvin**  
Chairman and CEO  
Clear Align  
Eagleville, PA



**Sharmain Matlock-Turner**  
President and CEO  
Urban Affairs Coalition  
Philadelphia



**Janice E. Nevin**  
President and CEO  
ChristianaCare Health System  
Wilmington, DE



**Michael A. Nutter**  
Principal Advisor  
Michael A. Nutter Advisors LLC  
Former Mayor of  
the City of Philadelphia  
Philadelphia



**Donald F. Schwarz**  
Senior Vice President, Program  
Robert Wood Johnson  
Foundation  
Princeton, NJ



**Steve Somers**  
President and Owner  
Vigon International  
East Stroudsburg, PA



**Linda Thomson**  
President and CEO  
JARI  
Johnstown, PA

## MANAGEMENT COMMITTEE

The Management Committee is composed of the Bank's president and CEO, the first vice president and COO, the chief of staff, the executive vice president, and select senior vice presidents. Members advise the president and first vice president on matters of Bank policy and strategy.

**Patrick T. Harker**  
President and  
Chief Executive Officer

**James D. Narron**  
First Vice President and  
Chief Operating Officer

**Michael Dotsey**  
Executive Vice President,  
Director of Research,  
and Director of the Consumer  
Finance Institute

**Donna L. Franco**  
Senior Vice President and  
Chief Financial Officer

**Terry E. Harris**  
Senior Vice President and  
Chief Information Officer,  
Information Technology  
Services

**Deborah L. Hayes**  
Senior Vice President,  
Corporate Affairs

**Mary Ann Hood**  
Senior Vice President and EEO  
Officer, Human Resources,  
and Director, Office of Diversity  
and Inclusion, and Law Enforcement

**Arun K. Jain**  
Senior Vice President,  
Financial Services  
and Facilities Management

**Michelle McClarren**  
Liaison to the Committee  
Senior Vice President  
and General Auditor, Audit

**Jeanne R. Rentzelas**  
Senior Vice President  
and General Counsel, Legal

**William G. Spaniel**  
Senior Vice President and  
Lending Officer, Supervision,  
Regulation, and Credit

**Patricia Wilson**  
Senior Vice President, Chief of  
Staff, and Corporate Secretary

# ADDITIONAL BANK OFFICERS

## SENIOR VICE PRESIDENTS

**Larry Cordell**  
Senior Vice President  
Supervision, Regulation, and Credit

**Robert Hunt**  
Senior Vice President and  
Associate Director  
Consumer Finance Institute

**Keith Sill**  
Senior Vice President, Associate Director  
of Research, and Director of the Real-Time  
Data Research Center  
Research

**Theresa Y. Singleton**  
Senior Vice President and Community  
Affairs Officer  
Community Development and  
Regional Outreach

## VICE PRESIDENTS

**Roc Armenter**  
Vice President and Economist  
Research

**Mitchell S. Berlin**  
Vice President and Economist  
Research

**Donna L. Brenner**  
Vice President  
Enterprise Risk Management

**Paul S. Calem**  
Vice President  
Supervision, Regulation, and Credit

**Paul P. Capelli**  
Vice President  
Public Affairs

**Jennifer E. Cardy**  
Vice President  
Financial Management Services

**Satyajit Chatterjee**  
Vice President and Economist  
Research

**Julia Cheney**  
Vice President and Assistant Director  
Consumer Finance Institute

**Kori A. Connelly**  
Vice President and Deputy  
General Counsel  
Legal

**Joseph O. Dietzmann**  
Vice President and Collaboration  
Services Executive  
End User Services

**Gregory Fanelli**  
Vice President  
Information Technology Services

**Stephen G. Hart**  
Vice President  
Human Resources

**Charles Kirkland Jr.**  
Vice President  
Financial Statistics

**Jeffrey Lin**  
Vice President and Economist  
Research

**F. Deming Love**  
Vice President  
Digital Strategy Group

**Robert F. Mucerino**  
Vice President  
Collateral Management and  
Administrative Services

**Robin P. Myers**  
Vice President  
Supervision, Regulation, and Credit

**Gregory A. Ramick**  
Vice President  
Cash Services

**Robert T. Ross Jr.**  
Vice President  
Enterprise Risk Management

**Perry Santacecilia**  
Vice President  
Supervision, Regulation, and Credit

**Stanley J. Sienkiewicz**  
Vice President  
Research

**Kimberly J. Taylor**  
Vice President  
Human Resources

**Patrick F. Turner**  
Vice President  
End User Services

**Linda Van Valkenburg**  
Vice President  
Information Technology Services

**James K. Welch**  
Vice President  
Law Enforcement and Facilities

**William T. Wisser**  
Vice President  
Supervision, Regulation, and Credit

## ASSISTANT VICE PRESIDENTS

**Joanne M. Branigan**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Brian W. Calderwood**  
Assistant Vice President  
End User Services

**Maryann T. Connelly**  
Assistant Vice President and Counsel  
Legal

**Michael T. Costello**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Daniel W. Crouthamel**  
Assistant Vice President  
Research

**Heather C. Derbyshire**  
Assistant Vice President  
Financial Statistics

**Frank J. Doto**  
Assistant Vice President  
Human Resources

**Matthew R. Frame**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Suzanne W. Furr**  
Assistant Vice President and Assistant  
General Auditor  
Audit

**Donna Gallo**  
Assistant Vice President and Assistant  
General Auditor  
Audit

**Amber Germain**  
Assistant Vice President  
Enterprise Risk Management

**Christopher C. Henderson**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Jill Hettinger**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Douglas J. Hovern**  
Assistant Vice President  
Facilities

**Nancy R. Hunter**  
Assistant Vice President and Information  
Security Officer  
Information Technology Services

**Christopher L. Ivanoski**  
Assistant Vice President  
Facilities

**Anjanette Kichline**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Andrew A. Kish**  
Assistant Vice President  
Supervision, Regulation, and Credit

**James K. Lofton**  
Assistant Vice President  
Cash Services

**Lorraine A. Lopez**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Michael P. O'Brien**  
Assistant Vice President  
Law Enforcement

**Chellappan Ramasamy**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Joshua N. Silverstein**  
Assistant Vice President and Contracts  
Counsel  
Legal

**Marion W. Sindoni**  
Assistant Vice President  
Public Affairs

**Stephen J. Smith**  
Assistant Vice President and Counsel  
Legal

**Eric A. Sonnheim**  
Assistant Vice President  
Supervision, Regulation, and Credit

**Gail L. Todd**  
Assistant Vice President and Credit Officer  
Supervision, Regulation, and Credit

## OFFICERS

**Xudong An**  
Officer  
Supervision, Regulation, and Credit

**Jonathan S. Brown**  
Officer  
Supervision, Regulation, and Credit

**Kimberly Caruso**  
Officer  
Supervision, Regulation, and Credit

**Kenneth Chin**  
Officer  
Cash Services

**James W. Corkery Jr.**  
Officer  
Supervision, Regulation, and Credit

**Dusty Downs**  
Officer  
Collateral Management and  
Administrative Services

**Jeffrey Fries**  
Officer  
End User Services

**Andrew Hill**  
Officer  
Corporate Affairs

**Yilin Huang**  
Officer  
Supervision, Regulation, and Credit

**Daniel R. Kutschera**  
Officer  
Supervision, Regulation, and Credit

**Erin K. Mierzwa**  
Officer  
Community Development and  
Regional Outreach

**Rebecca C. Robinson**  
Officer and Assistant Director, Office of  
Minority and Women Inclusion  
Office of Diversity and Inclusion

**Thomas Stark**  
Officer and Assistant Director, Real-Time  
Data Research Center  
Research



## FINANCIAL STATEMENTS

The audited annual financial statements of the Federal Reserve Bank of Philadelphia as of and for the years ended December 31, 2019, and December 31, 2018, are incorporated here by reference. They are available at the Board of Governors of the Federal Reserve System at <https://www.federalreserve.gov/aboutthefed/files/philadelphiafinstmt2019.pdf>. That public disclosure also provides: Notes to Financial Statements, Management's Report on Internal Control over Financial Reporting, and the Independent Auditors' Report.

*The Board of Governors' Statement of Auditor Independence is provided below:*

### STATEMENT OF AUDITOR INDEPENDENCE

The Federal Reserve Board engaged KPMG to audit the 2019 combined and individual financial statements of the Reserve Banks.<sup>1</sup>

In 2019, KPMG also conducted audits of internal controls over financial reporting for each of the Reserve Banks. Fees for KPMG services totaled \$7.2 million. To ensure auditor independence, the Board of Governors requires that KPMG be independent in all matters relating to the audits. Specifically, KPMG may not perform services for the Reserve Banks or affiliates that would place it in a position of auditing its own work, making management decisions on behalf of the Reserve Banks, or in any other way impairing its audit independence. In 2019, the Bank did not engage KPMG for any non-audit services.

<sup>1</sup> In addition, KPMG audited the Office of Employee Benefits of the Federal Reserve System (OEB), the Retirement Plan for Employees of the Federal Reserve System (System Plan), and the Thrift Plan for Employees of the Federal Reserve System (Thrift Plan). The System Plan and the Thrift Plan provide retirement benefits to employees of the Board, the Federal Reserve Banks, the OEB, and the Consumer Financial Protection Bureau.

