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BANK FOR INTERNATIONAL SETTLEMENTS

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**Putting data to work: data-driven approaches to strengthening neighborhoods<sup>1</sup>**

Joseph Firschein, Board of Governors of the Federal Reserve System

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<sup>1</sup> This presentation was prepared for the workshop. The views expressed are those of the author and do not necessarily reflect the views of the BIS or the central banks and other institutions represented at the workshop.

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# Putting Data To Work: Data-Driven Approaches to Strengthening Neighborhoods

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Workshop on Financial Inclusion Indicators

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the views of the Federal Reserve Board of Governors*

# Introduction and Organizational Context

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- Role of the Federal Reserve Board's Division of Consumer and Community Affairs (DCCA)
- Role of the Federal Reserve System Community Development function:
  - Connection to the Fed's broader mission to support economic growth, financial stability, and community reinvestment particularly in low- and moderate-income communities
  - Work with 12 Federal Reserve Banks to convene external stakeholders (bankers, nonprofit intermediaries, academic organizations, foundations), conduct applied research, and identify emerging issues affecting low- and moderate-income communities and consumers

# Defining the Problem and the Opportunity

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- Problem:
  - As city and county governments seek to improve neighborhood real estate markets and respond to the problem of vacant and abandoned properties, they often have data scattered in different locations or a lack of a process to effectively use available data
  - Communities also have a mismatch between the size of their foreclosure and neighborhood stabilization needs and available public resources
- Opportunity:
  - Technology is permitting improvements in the development and integration of local data systems whose costs are decreasing
  - Data-driven decisionmaking can improve resource allocation decisions by the public sector, supporting economic growth and neighborhood reinvestment

## Key Players In This Work

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- In addition to the technology and data aspect of this work, there is an equally important people-based element required to assemble the right coalition of partners who can develop and use this data
- City and county governments are the primary target of these efforts, supported by university- and nonprofit-based data intermediaries
  - For example, intermediary groups in 35 U.S. cities have formed a network, the National Neighborhood Indicators Partnership (NNIP), to expand data use capacities in other localities and advance the state of the art in the field ([www.neighborhoodindicators.org](http://www.neighborhoodindicators.org))

# Federal Reserve Role

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- The Fed has played a convening role: bringing together public sector officials with others (public sector, nonprofit, academic) who have expertise on strategic use of data
  - Public sector participants see the Fed as a trusted source: we have experience working with data, we are not trying to sell a data system, and we aren't looking for funding
- The Fed has also played an information sharing role: identifying case studies on barriers and promising practices on strategic use of data
  - Examples include the “Putting Data to Work” publication
  - Video case studies: Cleveland, Detroit, and Phoenix
  - Sharing information via regional meetings in partnership with Federal Reserve Banks

## Example from Cleveland, Ohio

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- Involved a coalition of nonprofit, academic, and City staff working together to analyze property maintenance patterns for bank-owned foreclosed properties
- Was valuable for targeting limited enforcement resources: resulted in a preliminary injunction against a major bank that owned many foreclosed properties but was not adequately maintaining them
- Provided early warnings on imminent foreclosure problems and enabled a more strategic approach to neighborhood stabilization
- Significant focus on transparency of data and involvement of nonprofit and academic partners
- See the Fed's Cleveland video case study referenced on the "additional resources" slide at the end of this presentation for more info on this approach



**Neighborhood Stabilization Team**  
**Slavic Village**  
 November 23, 2011

Center on Urban Poverty and Community Development  
[povertycenter.case.edu](http://povertycenter.case.edu) ■ [neocando.case.edu](http://neocando.case.edu)





## Example of Market Value Analysis (MVA) Approach

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- Developed by The Reinvestment Fund (TRF), a strong nonprofit policy and lending organization in Philadelphia, Pennsylvania
- Analyzed parcel-level data and developed market types and associated interventions
- Based on assumption that public subsidy is scarce and it alone cannot create a market; subsidy must be used to leverage, or clear the path, for private investment
- This approach was used in Baltimore, Maryland to implement a market-based approach to vacant property redevelopment (“Vacants to Value” initiative)
- See articles by Goldstein (page 49) and Janes and Davis (page 79) in the Fed publication for more info on this approach

# Market Cluster Characteristics

Market Value Analysis 2007/2008			Median sales price 2006-2007	Coefficient of Variance of Sales price 0607	Vacancy factor	Foreclosures as a percent of sales 0607	Percent Owner Occupied 2007; Claritas	Percent Commercial or Stores with Dwellings; (BRT cat 3,4)	Percent of Residential Properties Tax Abated or Built 2000-2008; BRT	Percent of Rental Units that are PHA owned	Housing Units per Acre
<b>Regional Choice/ High Value</b>	Dark Purple	Median	\$ 960,450	0.47	0.4	12.5	90.3	4.4	3.4	0.0	0.8
		Mean	\$ 928,670	0.45	0.5	37.5	74.4	5.4	4.0	0.0	4.3
	Medium Purple	Median	\$ 550,000	0.54	0.3	4.4	29.9	6.1	4.5	0.0	18.9
		Mean	\$ 576,436	0.51	0.6	8.3	34.1	6.9	15.5	0.4	20.7
	Light Purple	Median	\$ 351,250	0.38	0.6	7.7	49.8	4.3	3.7	0.0	13.5
		Mean	\$ 360,387	0.41	1.1	17.2	48.5	7.5	11.5	0.7	17.5
<b>Steady</b>	Dark Blue	Median	\$ 220,000	0.28	0.6	14.6	64.0	3.2	0.7	0.0	8.4
		Mean	\$ 224,727	0.31	1.1	18.9	61.3	6.1	3.9	0.6	10.5
	Light Blue	Median	\$ 171,000	0.28	0.6	29.1	62.5	2.9	0.0	0.0	9.5
		Mean	\$ 179,421	0.32	1.2	39.2	60.4	5.3	1.3	0.5	10.9
<b>Transitional</b>	Light Yellow	Median	\$ 124,000	0.29	1.2	27.4	76.9	2.8	0.0	0.0	12.6
		Mean	\$ 125,974	0.32	1.9	36.0	71.0	4.4	1.0	0.8	12.6
	Dark Yellow	Median	\$ 80,000	0.41	4.3	39.2	68.5	3.4	0.0	0.0	12.7
		Mean	\$ 82,226	0.45	5.0	46.0	63.9	5.3	1.1	2.7	12.5
<b>Distressed</b>	Orange	Median	\$ 49,925	0.55	9.5	45.5	63.6	4.0	0.0	0.9	13.1
		Mean	\$ 50,325	0.56	9.8	52.1	61.0	5.6	0.3	3.2	12.9
	Red	Median	\$ 28,875	0.75	13.8	27.1	55.6	4.0	0.0	3.8	12.1
		Mean	\$ 27,153	0.81	13.7	32.7	52.9	5.6	0.4	10.8	12.5
<b>City Total</b>		Median	\$ 105,900	0.42	2.9	27.5	62.3	3.7	0.0	0.0	11.2
		Mean	\$ 137,701	0.47	5.3	35.5	58.6	6.3	2.3	3.0	12.2

## Using Data at Different Levels of Experience

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- A data-driven approach to neighborhood stabilization doesn't have to be focused on cities that have an elaborate or expensive data infrastructure
- There are steps that can be taken in communities at different levels of experience: beginning, intermediate, and advanced
- The first step is to identify stakeholders (both inside and outside local government) and acquire the relevant data
- See article by Petit and Kingsley starting on page 17 of the Fed publication for examples of steps that can be taken at these different levels of experience

## Considerations for Other Central Banks Interested in This Work

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- Identify and share information on success stories: communities won't do this work unless they see tangible example of others who are getting value from the effort
- Make clear that this does not have to involve significant new technology spending and can apply to public entities at different levels of data sophistication
- The central bank is not providing the data or advising local governments on how to use it
- The central bank is a neutral convener of stakeholders and a source of information on barriers and promising practices related to this work

## Additional Resources

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- Web location of “Putting Data To Work” publication:  
[www.federalreserve.gov/communitydev/files/data-driven-publication-20111212.pdf](http://www.federalreserve.gov/communitydev/files/data-driven-publication-20111212.pdf)
- National Neighborhood Indicators Partners Web site:  
[www.neighborhoodindicators.org](http://www.neighborhoodindicators.org)
- Video case studies on neighborhood stabilization:  
<http://www.federalreserve.gov/communitydev/stablecommunities.htm>
- Federal Reserve Board neighborhood revitalization info:  
<http://www.federalreserve.gov/communitydev/neighborhoodrevitalization/neighborhood-revitalization.htm>

# Questions?

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