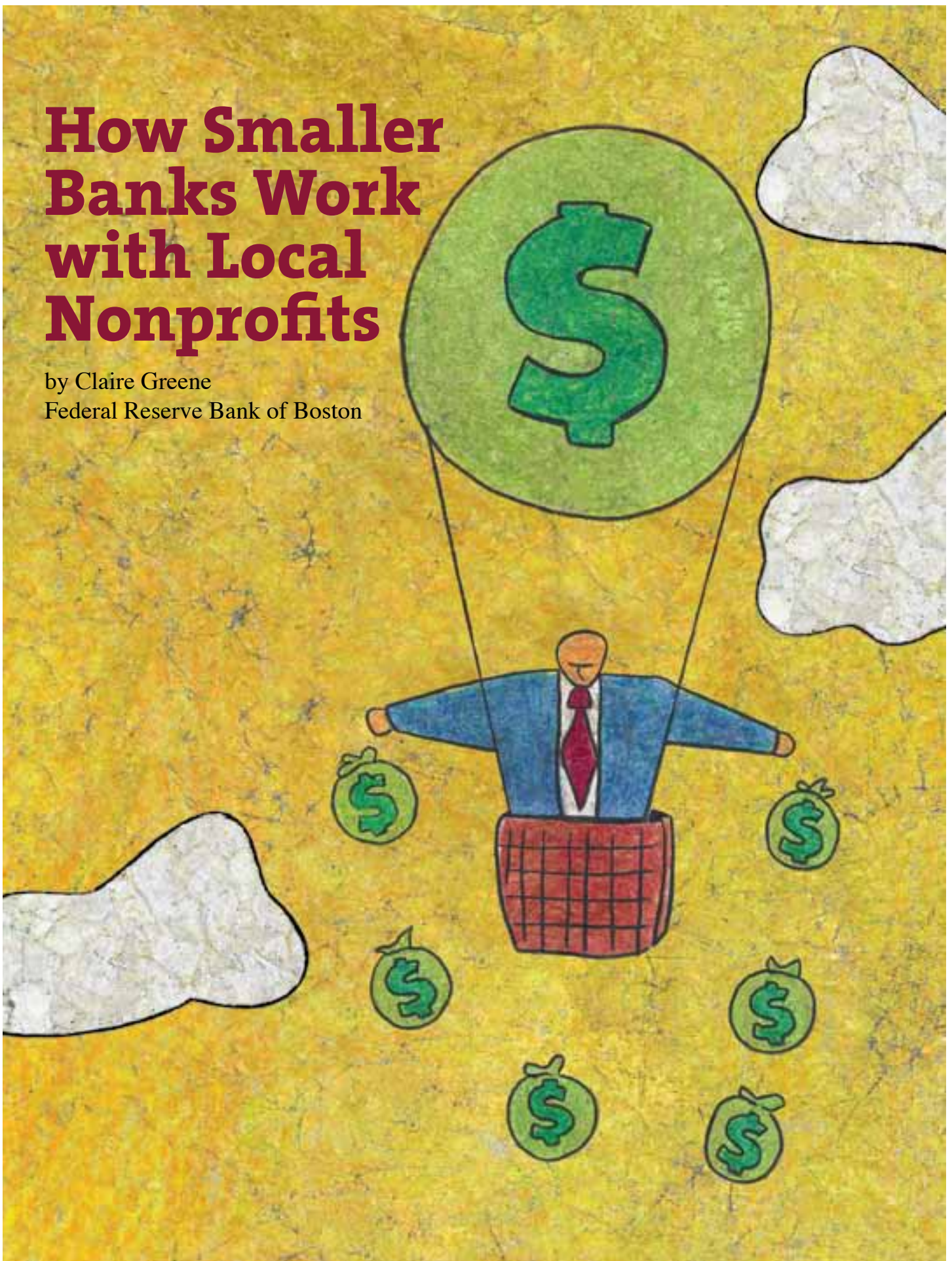


How Smaller Banks Work with Local Nonprofits

by Claire Greene
Federal Reserve Bank of Boston



A 2008 survey by the Committee Encouraging Corporate Philanthropy found that 84 percent of chief executives of global corporations believe the public expects them to play a bigger role in solving social problems. In New England, leaders of small banks also believe they are being called upon to assist communities in difficult times, and they are willing. Just like larger institutions, community banks look at philanthropy through a strategic lens.¹

Thinking Strategically

Particularly at financial institutions serving low- and moderate-income (LMI) communities, leaders mention the importance of choosing charities that will have the greatest impact. These institutions generally focus their giving on education, health care, and social services. They talk less about sponsoring a baseball team or contributing a savings bond to a school raffle, worthy as those activities are. Small banks are thinking big.

Executives of small banks and bank foundations in Massachusetts, New Hampshire, and Maine said in recent interviews that they want to know how many individuals will benefit from a gift, which charitable opportunity will have the best long-term effect, and whether the nonprofit has a tangible goal. They want proposals with specific objectives.

As Monica Curhan of Citizens-Union Savings Bank in Fall River, Massachusetts, says, “We want to give money where it’s most needed and will do the most good.”

Community bankers also emphasize the importance of nonprofits communicating a vision. That’s rarer than you might think. As Bill Hogan of Easthampton Savings Bank in Easthampton, Massachusetts, observes, some nonprofits are so close to the work they do “they assume that you know what they are about.” Moreover, nonprofits sometimes expect a small financial institution to be casual about giving. “In small towns, people walk in and try to walk out with a check,” says Anna Lyon of Franklin Savings Bank in Farmington, Maine.

That’s not the way it works. Many community banks handle their giving through foundations. Others manage it through the marketing department. Whatever the structure, community banks take a professional approach to giving. They have a budget, a strategy, and community goals they want to be identified with. They look for organizations with a track record, fiscal discipline, good recordkeeping, and committed volunteers.

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Digging for Details

Even well-known community organizations must tell their stories, with details, to banks and bank foundations. Particularly those who use a financial institution’s online form need to remind themselves to provide details. Kevin Noyes of Peoples United Bank and the Danversbank Charitable Foundation says he wants to know what

constituencies the nonprofit serves, who is on its board, and how it is funded. “People send me novels, and we read them all. We want to get the meat. It’s an easier sell to the board if someone really tells it like it is.”

Although most nonprofits are able to describe their vision fully, smaller groups sometimes don’t have the time or expertise to spell out budgets and expenses. Curhan says, “The best proposals are the most complete. They do a really good job of describing their mission but also showing their financial position.”

The more detailed the project budget, bankers say, the more likely the chance of full or partial funding. “If you ask for \$20,000 to purchase 20 computers, I can see that 10 [thousand] will get you 10 computers. It’s still worthwhile,” says Noyes.

The giving strategies of many community banks have evolved as bank consolidation has forced local nonprofits to find new

One Bank’s Wild Idea: Offer Money

Bristol County Savings Bank, like most New England community banks, has a myriad of opportunities to give to worthy causes. The bank’s foundation could distribute its philanthropic dollars two times over—merely by responding to requests.

About 18 months ago, the foundation decided that its charitable giving was not working. The foundation was overwhelmed with proposals. Worthy nonprofits were spending too much time crafting applications, only to be denied.

Bristol County’s surprising solution: Make the pool of nonprofits even bigger. The bank would prospect for organizations doing the work it cared most about, just as it would prospect for customers. “We didn’t want to give \$1 million by relying on people to come to us and ask,” says CEO Dennis Kelly.

The foundation reached out to superintendents of schools in Attleboro, Massachusetts, and Pawtucket, Rhode Island. Both superintendents identified increasing the graduation rate as a priority. In Attleboro, the bank’s foundation then gave \$20,000 to help students still attending high school make up lost credits.

It funded a night program for students who had dropped out. In Pawtucket, the superintendent suggested a music program to keep students engaged, and Bristol County Savings Charitable Foundation donated \$22,000 for band instruments.



How to Ask

Executives of financial institutions and their foundations suggest some strategies that could improve nonprofits' success in applying for donations and grants.

- Learn about the bank's focus.
- Make sure your mission matches the bank's focus. Banks in low- and moderate-income areas zero in on education, health care, social services. Funding for arts organizations typically is folded under the economic-development umbrella.
- Time your request to fit the bank's calendar. If you want a large sum, start talking early. Once other gifts have been budgeted, the bank may need to defer large donations.
- Work your connections. It's harder for banks to say no to employees, depositors, and community members.
- Match your board to your mission. If your nonprofit serves a particular geographic area or population, be prepared to show that the groups served are represented on your board.
- Ask for technical assistance, not just money. Banks like their employees to volunteer. A nonprofit might tap bank employees' financial and marketing expertise.
- Say thank you—publicly and often. Board members and executives pay close attention to acknowledgments. This important responsibility is often forgotten.
- Keep in touch. Community banks and their foundations give again and again to charities with which they have a track record.
- Dot the *i*'s and cross the *t*'s. Include the 501(c)(3) statement, proof-read, and get names and titles right.

supporters. A 2007 study of the impact of mergers on philanthropy found that some larger banks have shifted toward funding big national organizations, “with a corresponding drop in local giving.”² Meanwhile, according to interviewed bankers, requests are outstripping available funds by two or three times. They hastened to add that the

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requests are worthwhile. But the plethora of applications makes the community connection vital.

Jim Hogan of Washington Savings Bank in Lowell, Massachusetts, says, “If we get a request that is not in Greater Lowell or does not touch our community, it's very hard to say yes.” Similarly, Anthony A. Paculli, chief executive officer of Meetinghouse Bank in Dorchester, a Boston neighborhood, says, “We are a Dorchester-based institution. Dorchester itself is large. We try to keep in our community.”

Many bankers mention that a nonprofit's connection to a bank employee can help. Jim Delameter of Northeast Bank, Lewiston, Maine, observes, “We have an unwritten rule that if a teammate is involved in a charitable organization, we pay close attention to that endeavor.”

Of course, like all banks, community-based institutions are subject to the Community Reinvestment Act (CRA). Regulators review lending and community development activities in the bank's market area, and the bank is rated on its ability to meet the needs of that community. To maintain consistency across the country and between bank examinations, regulators use standard definitions of what counts for community development.³ Bankers, and particularly community bankers, are very aware what regulators will consider toward that rating. In current economic times, when bank profits are under pressure, many bankers will weight CRA considerations heavily as they choose activities to support.

Seeking Big Impact

For banks large and small, charitable giving makes strategic sense even beyond CRA ratings. The 2007 study found that the largest banks look at philanthropy as a business strategy—a way to increase community goodwill and promote their businesses. Banks give partly to make their employees feel good. They give partly for the recognition that translates into increased business and loyal customers. And they give to improve the economy in their market areas.

Banks look carefully at how important their gift will be to the success of proposed projects. Sometimes they choose to help smaller organizations because they can see how their gift could make a big difference. As Jim Tibbets of First Colebrook Bank in Colebrook, New Hampshire, states, “We want to be either a major sponsor or one of the larger sponsors, so we get recognition and have impact.”

Claire Greene is a senior communications specialist in the Financial Institutions Relations and Outreach unit at the Federal Reserve Bank of Boston.

Endnotes

- ¹ Community banks are defined here as institutions with assets of \$10 billion or less.
- ² Becky Sherblom, “Banking on Philanthropy: Impact of Bank Mergers on Charitable Giving” (National Committee for Responsive Philanthropy, 2007), http://www.ncrp.org/files/NCRP_BankMergers_final.pdf.
- ³ See <http://www2.fdic.gov/crapes/peterms.asp>.

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