

# REBUILD LOCAL NEWS

To: The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC)

The Rebuild Local News Coalition is pleased to submit this comment with regard to the proposed NPR for the Community Reinvestment Act (CRA). We are a coalition of 17 trade organizations, professional associations and journalism advocates that promote policies that would create a stronger and more inclusive local news system. Our coalition especially focuses on smaller and independent media but is otherwise quite diverse – publishers and labor unions, for profits and nonprofits, digital-only and rural weeklies. A key element of the coalition is the associations that represent Black newspapers, Hispanic publications, and nonprofit organizations committed to public service journalism.

While we want to restore many of the local reporting jobs that have been lost. We also want policies that will help do this in a way that would create a better system than in previous decades, when mainstream media often neglected low- and moderate-income (LMI) communities. We advocate for public policies on the national, state and local level that can help local news develop sustainable business models, attract more philanthropic support for community journalism, and encourage types of government support that preserve editorial independence.

We are submitting this comment letter because we believe the CRA can assist struggling for profit and nonprofit local small business media companies to survive. These are, in fact, thousands of community news and information providers, many of whom service LMI areas. In fact, we checked the census tract information of more than 1,500 newspapers in all 50 states. More than a third were located in low- or moderate-income census tracts. And that does not include

the many nonprofit newsrooms and digital-only news sites that also serve these communities.

The following groups endorse this letter:

- **National Newspaper Publishers Association** - Represents more than 200 publications serving Black communities in 40 states & D.C.
- **Center for Community Media** - Advocacy group for hundreds of Black and Hispanic publications, radio stations & websites
- **The Lenfest Institute for Journalism** - Nonprofit owner of *The Philadelphia Inquirer*; funds local journalism initiatives in Philadelphia and beyond.
- **Institute for Nonprofit News** – Represents more than 400 nonprofit newsrooms in the U.S.
- **American Journalism Project** - A venture philanthropy dedicated to nonprofit local news
- **Local Online Independent News (LION) Publishers** - Represents 390 independent local news websites in the U.S.
- **PEN America** - Freedom of expression advocacy group.
- **Report for America / The GroundTruth Project** - A national service program that places 300 reporters into 200 local newsrooms
- **National Association of Hispanic Publications** - Represents 438 print & digital publications informing the Latino community in the U.S.
- **The NewsGuild-CWA** - Largest union of journalists in N. America; more than 15,000 media workers at 240 U.S. news outlets
- **Association of Alternative Newsmedia** - Represents nearly 100 alternative news media organizations in North America.
- **Institute for Rural Journalism & Community Issues** - Based at University of Kentucky; supports rural journalists
- **West Virginia Press Association**
- **New York News Publishers Association**

- **Kansas Press Association**
- **Wisconsin Newspaper Association**
- **Minnesota Newspaper Association**
- **Florida Press Association**
- **Minnesota Press Association**
- **Arkansas Press Association**
- **Michigan Press Association**
- **Nevada Press Association**
- **Colorado Press Association**
- **South Dakota Newspaper Association**
- **Nebraska Press Association**
- **Missouri Press Association**
- **Arizona Newspapers Association**
- **Washington Newspaper Publishers Association**
- **Pennsylvania NewsMedia Association**
- **Iowa Newspaper Association**
- **Louisiana Press Association**
- **Solutions Journalism Network-**  
A global network of newsrooms &

journalists making news more equitable & sustainable through rigorous reporting of solutions.

- **The AFRO-American Newspapers** - Among the oldest newspapers in the U.S., serving the Black communities in D.C., Maryland and Virginia area.
- **Chalkbeat** - A nonprofit newsroom covering education, esp. those that historically lacked access to quality education.
- **Votebeat** - A nonprofit newsroom focused on democracy and voting.
- **The Atlanta Voice** - A community newspaper serving the African American Community in Atlanta.
- **The Washington Informer** - Local newspaper that serves the Black community in D.C..
- **Free Press** - Nonprofit that seeks to make more equitable media & technology systems, including reimagining local journalism.
- **Common Cause** - Fighting for an accountable government, equal rights & empowering voices to be heard with chapters in 35 states.

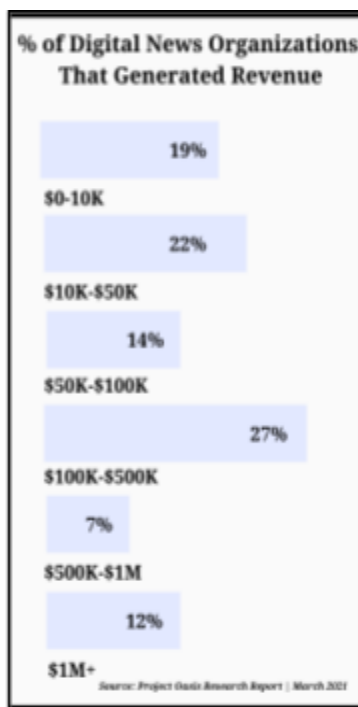
- **Common Cause California** - Working to create an open, honest, and accountable government that serves the public interest.
- **Amsterdam News** - among the oldest newspapers serving the Black community; it is a weekly Black-owned newspaper in NYC.
- **Paulette Brown Hinds** - publisher of Black Voice News, which covers the Black community in Riverside, California.
- **Deborah and James Fallows** - Co-authors of *Our Towns: A 100,000-Mile Journey into the Heart of America*.
- **Dylan Smith & Maria Coxon-Smith, Publishers, Tucson Sentinel** - a nonprofit online newspaper in Tucson, AZ
- **Dana Amihere** - Owner of Code Black Media, Founder of AfroLA, a startup newsroom covering the Black community in Los Angeles.
- **Colorado Media Project** - a philanthropic initiative that funds, catalyzes and advocates for a healthier local news and information ecosystem for all Coloradans.
- **Public Knowledge** - A nonprofit based in Washington, D.C. that advocates for freedom of expression.

## Overview of the Issue

Local news services are collapsing – and their disintegration is harming the communities that the Community Reinvestment Act intends to help. With some modest additions, CRA could powerfully help the local news organizations that provide so many services to the community. Specifically, Banking Regulators should consider calling out “community news and information services” as a “community supportive service,” acknowledge that such services provide an “educational” function, and acknowledge that local news would be a powerful way to improve the marketing of appropriate banking services to low- and moderate-income areas.

Our newsrooms help educate the public and provide critical information for residents and businesses in their communities – about housing, schools, city services, small business development, elections, environmental dangers, health resources, the deaths of neighbors and the inspiration of strangers.

Local news providers come in many shapes and sizes – but thousands of them are small businesses squarely fitting the requirements of the Community Reinvestment Act. Although many are owned by big chains, thousands are actually small businesses including one-third of weekly newspapers — those more likely to serve small and rural communities — are still independent. Overall, there are 6,377 newspapers, 1,230 of which are daily papers and 5,147 are weeklies that tend to serve smaller communities within metro areas or rural towns.<sup>1</sup> Of those



weeklies, just over 1,800 are independent, meaning not owned by major chains, according to Penelope Muse Abernathy, leading academic scholar of news deserts, and her research team. When one adds independent daily papers and titles owned by entities that own two or fewer newspapers, the number rises to 2,200 newspapers.<sup>2</sup>

Additionally, there are also 700 independent hyperlocal digital-first local news sites.<sup>3</sup> They often play a crucial role in informing their neighborhoods and communities. But they are quite small. As the Local Independent Online News Publishers association reported:

Kizer, Chloe. Rep. *Project Oasis Research Report*. University of North Carolina Hussman School of Journalism and Media, March 2021. <https://www.projectnewssoasis.com/sites/default/files/2021-03/project-oasis-report-2021.pdf>

<sup>1</sup> Penelope Muse Abernathy, “State of Local News 2022” (Northwestern University Medill Local News Initiative, June 29, 2022), <https://localnewsinitiative.northwestern.edu/research/state-of-local-news/report/>.

<sup>2</sup> Brugmann, Anna R. Follow up questions for Penny Abernathy. Personal, July 20, 2022.

<sup>3</sup> Chloe Kizer, “Project Oasis,” (University of North Carolina, Chapel Hill: Hussman School of Journalism and Media, March 2021), <https://www.projectnewssoasis.com/sites/default/files/2021-03/project-oasis-report-2021.pdf>

“Median annual revenue among publishers surveyed was \$79,000. Four in 10 outlets reported operating on \$50,000 or less annually while about one in 10 report revenue of more than \$1 million a year. As might be expected, organizations with \$500,000 or more in annual revenue tend to operate in medium to large markets. No organization claiming a small market (under 100,000 population) generated more than \$1 million.”<sup>4</sup>

### **Local media serving Black and Hispanic communities**

There are more than 400 news outlets — print, television and radio — that serve Black communities.<sup>5</sup> About 100 of those outlets are legacy Black newspapers, but publications covering communities of color, including Black communities, also make up a significant proportion of nonprofit newsrooms — about one fifth.<sup>6</sup>

There are just over 600 outlets covering the Hispanic community, according to the Center for Community Media at City University of New York.<sup>7</sup>

### **The Nonprofit Local Media Sector**

There is also a rapidly growing nonprofit local news sector in the United States. There are roughly 400 nonprofit local newsrooms in the field.<sup>8</sup> In the past six years alone, the number of nonprofit local news organizations has doubled.<sup>9</sup>

These new startups tend to be hyperlocal and small: just over 80% of nonprofit newsrooms have revenues of below \$2 million with the largest revenue category — 36% of respondents — being below \$250k. These news organizations are often

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<sup>4</sup> Chloe Kizer, “Project Oasis.”

<sup>5</sup> The Center for Community Media, *CCM Black Media Directory*, Nov. 30, 2020, distributed by the City University of New York Craig Newmark School of Journalism, <https://airtable.com/shrKbdiGOaRdsSIIW/tblPDC9g46NM1n7Np>.

<sup>6</sup> Emily Roseman, Michele McLellan, and Jesse Holcomb, “INN Index: The State of Nonprofit News,” (Institute for Nonprofit News, June 2022), 10. <https://inn.org/wp-content/uploads/2021/06/INN-Index-2021-Report.pdf>

<sup>7</sup> Graciela Mochkofsky and Cristina Maldonado, “The State of the Latino News Media,” June 2019, <https://thelatinomediareport.journalism.cuny.edu>.

<sup>8</sup> Naomi Forman-Katz, Elisa Shearer, and Katerina Eva Matsa, “Nonprofit news outlets are playing a growing role in statehouse coverage,” Pew Research Center, April 29, 2022. <https://www.pewresearch.org/fact-tank/2022/04/29/nonprofit-news-outlets-are-playing-a-growing-role-in-statehouse-coverage/>

<sup>9</sup> INN 2021 Index in Focus: <https://inn.org/wp-content/uploads/2021/09/Index-in-Focus-Final.pdf>

built to meet the information needs of audiences underserved by existing media, often in low and moderate income areas. For example, Outlier Media in Detroit, a nonprofit newsroom founded in 2016, offers an information SMS service that texts critical information to residents, including “information about their most pressing concerns, including eviction, unemployment, COVID vaccinations, and where mobile food pantry distributions are happening”.<sup>10</sup>

There are also 393 public radio stations that provide local news, which include stations owned and operated by Tribal governments.<sup>11</sup>

Organizations across the local news industry are exploring new business models and working to reduce reliance on advertising dollars. They are instead looking to reader-based revenue streams or philanthropic support to sustain their operations. But both existing organizations and new startups, whether nonprofit or for-profit, often struggle to access the necessary capital to successfully implement these new strategies. In particular, they often lack the upfront capital to invest early in critical revenue-generating roles, including those focused on philanthropic and earned revenue or those focused on audience engagement and product development.

In a survey of almost two dozen local news organizations, more than a third of which are located in low and moderate income areas, 74% percent said they had not obtained loans or grants from local banks. “I’ve been denied and denied – so I don’t try any more,” said Denise Rolark-Barnes, publisher of *The Washington Informer*, a publication that serves the Black community in the District of Columbia.

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<sup>10</sup> Rebuild Local News Coalition. Survey: Credit needs of community news outlets. Rebuild Local News Coalition: 2022.

<sup>11</sup> Email correspondence - “Public Radio Stations Providing Local News,” *Public Radio Stations Providing Local News*, December 14, 2021.

Venture capital has viewed local news as an industry that cannot generate sufficient returns to justify high ROI investment. There has been an increase in philanthropic support for nonprofit news, but much of it has been concentrated in places that already have many reporters. While some truly extraordinary nonprofit news organizations have sprung up to fill the gaps, these have been disproportionately in cities, and often are underwritten by more affluent users or donors. In her book *News for the Rich, White and Blue*, scholar Nikki Usher concluded that news philanthropy was concentrating in areas that already have more reporters, instead of the areas that lack a critical mass of local journalists.<sup>12</sup>

## The Local News Crisis & the Effect on Communities

The collapse of local news, both rural and urban, has been well documented. From 2000 to 2020, newspapers lost some 81% of their advertising revenue.<sup>13</sup> As a result, there has been a 59% drop in the number of newspaper newsroom staff.<sup>14</sup> Some 2,000 counties, many of which at one point had a local paper, now have no newspaper.<sup>15</sup> Thousands more have “ghost newspapers,” that provide little local news.<sup>16</sup> More than a fifth of the United States’ population live in news deserts or in communities at risk of becoming news deserts.<sup>17</sup>

The alarms foreseeing the cascading effects of these losses began over a decade ago. The 2009 Knight Foundation Commission Report “Informing Communities”

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<sup>12</sup> Nikki Usher, *News for the Rich, White, and Blue How Place and Power Distort American Journalism* (New York: Columbia University Press, 2021), 205.

<sup>13</sup> Pew Research Center, “Trends and Facts on Newspapers | State of the News Media,”. Statistic calculated based on table “Estimated advertising and circulation revenue of the newspaper industry.”

<sup>14</sup> Waldman, Steve. “Our local-news situation is even worse than we think”, *Columbia Journalism Review*, February 25, 2022. [https://www.cjr.org/local\\_news/local\\_reporters\\_decline\\_coverage\\_density.php](https://www.cjr.org/local_news/local_reporters_decline_coverage_density.php). (August 2, 2022).

<sup>15</sup> Penelope Muse Abernathy, “State of Local News 2022.”

<sup>16</sup> Penelope Muse Abernathy, “The Expanding News Desert,” *Www.cislm.org* (University of North Carolina, Chapel Hill: Hussman School of Media and Journalism, October 2018), [https://www.cislm.org/wp-content/uploads/2018/10/The-Expanding-News-Desert-10\\_14-Web.pdf](https://www.cislm.org/wp-content/uploads/2018/10/The-Expanding-News-Desert-10_14-Web.pdf).

<sup>17</sup> Penelope Muse Abernathy, “State of Local News 2022.”



illuminated the widespread effects of deteriorating news and information.<sup>18</sup> In 2011, the Federal Communications Commission “Information Needs of Communities” underscored the implications for civic life, education, and community health.<sup>19</sup>

As research tracing the effects of loss of news outlets matured, it became increasingly clear that the most vulnerable communities were at greatest risk. The recent “State of Local News 2022” report by Prof. Abernathy, found that newspapers are closing at an average of two per week – with impact being felt disproportionately in low and moderate income areas. “Economically struggling and traditionally underserved communities—where residents need journalists providing transparency and oversight of local government and business decisions—are the ones most likely to lose a news organization and be overlooked

<b>Demographic Measure</b>	<b>News Deserts</b>	<b>U.S.</b>
<b>Average Poverty Rate:</b>	<b>16%</b>	<b>11%</b>
<b>Average Median Annual Income</b>	<b>\$51,942</b>	<b>\$67,521</b>
<b>Average Median Age (Years)</b>	<b>43</b>	<b>38</b>
<b>Average % of Residents with Bachelor’s Degree or Higher</b>	<b>20%</b>	<b>38%</b>

*Source: Local News Initiative Database and US Census Bureau*

Muse Abernathy, Penelope. Rep. *State of Local News 2022*. Northwestern University Medill School of Journalism, June 29, 2022. <https://localnewsinitiative.northwestern.edu/research/state-of-local-news/report/>.

by funders looking to invest in both for-profit and nonprofit news operations. That loss of local journalism exacerbates political, cultural and economic divisions between and within communities.”<sup>20</sup>

Academic studies have shown that communities without strong local news sources have:

<sup>18</sup> Knight Commission on the Information Needs of Communities in a Democracy, *Informing Communities: Sustaining Democracy in the Digital Age*, Washington, D.C.: The Aspen Institute, October 2009. 11. : “America needs ‘informed communities,’ places where the information ecology meets people’s personal and civic information needs. This means people have the news and information they need to take advantage of life’s opportunities for themselves and their families. They need information to participate fully in our system of self-government, to stand up and be heard. Driving this vision are the critical democratic values of openness, inclusion, participation, empowerment, and the common pursuit of truth and the public interest.”

<sup>19</sup> Steven Waldman, “The Information Needs of Communities,” (Federal Communications Commission, July 2011), [https://transition.fcc.gov/osp/inc-report/The\\_Information\\_Needs\\_of\\_Communities.pdf](https://transition.fcc.gov/osp/inc-report/The_Information_Needs_of_Communities.pdf)

<sup>20</sup> Penelope Muse Abernathy, “State of Local News 2022.”

**Reduced voter turnout, choice in candidates, voter knowledge:** Communities with less local news end up with a more dysfunctional political system, which makes it harder to solve local problems. Communities with less local news have lower voting rates<sup>21</sup>, fewer contested races.<sup>22</sup> In Cincinnati, after the closure of a city's second newspaper, the *Cincinnati Post*, fewer candidates ran for office, "incumbents became more likely to win reelection, and voter turnout and campaign spending fell."<sup>23</sup> Residents in areas with less local news are less informed about elections. A decline in local coverage (based on a study of 10,000 articles from 2010 to 2014), led to voters being less likely to have an opinion about their member of Congress.<sup>24</sup> They are less likely to be able to name things they like or dislike about their representative, less likely to be able to place their representative on an ideological spectrum<sup>25</sup>, have less knowledge about public officials<sup>26</sup>, and were less likely to Google the mayor.<sup>27</sup> Conversely, those who regularly vote are more likely to follow local news (52% of regular local voters, compared to 31% of those who do not always vote).<sup>28</sup>

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<sup>21</sup> Jessica Bruder, "Is the Death of Newspapers the End of Good Citizenship?," *Christian Science Monitor*, November 11, 2012,

<https://www.csmonitor.com/USA/Society/2012/1111/Is-the-death-of-newspapers-the-end-of-good-citizenship> ip.; Michael Ewens, Arpit Gupta, and Sabrina Howell, "Local Journalism under Private Equity Ownership," *Papers.ssrn.com*, October 11, 2021.

<sup>22</sup> Bruder, "Is the Death of Newspapers the End of Good Citizenship?"

<https://www.csmonitor.com/USA/Society/2012/1111/Is-the-death-of-newspapers-the-end-of-good-citizenship> ip.

<sup>23</sup> Sam Schulhofer-Wohl and Miguel Garrido, "Do Newspapers Matter? Short-Run and Long-Run Evidence from the Closure of the Cincinnati Post," *Minneapolisfed.org* (Federal Reserve Bank of Minneapolis, April 7, 2011),

<https://www.minneapolisfed.org/research/working-papers/do-newspapers-matter-shorrun-and-longrun-evidence-from-the-closure-of-the-cincinnati-post>.

<sup>24</sup> Danny Hayes and Jennifer L. Lawless, "The Decline of Local News and Its Effects: New Evidence from Longitudinal Data," *The Journal of Politics* 80, no. 1 (October 18, 2017): 332–36, <https://doi.org/10.1086/694105>.

<sup>25</sup> James Snyder Jr. and David Strömberg, "Press Coverage and Political Accountability," *Journal of Political Economy* 118, no. 2 (April 2010): 355–408, <https://doi.org/10.1086/652903>.

<sup>26</sup> Danny Hayes and Jennifer L. Lawless, "As Local News Goes, so Goes Citizen Engagement: Media, Knowledge, and Participation in US House Elections," *The Journal of Politics* 77, no. 2 (April 2015): 447–62, <https://doi.org/10.1086/679749>.

<sup>27</sup> Danny Hayes and Jennifer L. Lawless, *News Hole: The Demise of Local Journalism and Political Engagement* (Cambridge, UK; New York: Cambridge University Press, 2021), 77.

<sup>28</sup> Michael Barthel et al., "Civic Engagement Strongly Tied to Local News Habits," *Pewresearch.org* (Pew Research Center, November 1, 2016), [https://www.pewresearch.org/journalism/wp-content/uploads/sites/8/2016/11/PJ\\_2016.11.02\\_Civic-Engagement\\_FINAL.pdf](https://www.pewresearch.org/journalism/wp-content/uploads/sites/8/2016/11/PJ_2016.11.02_Civic-Engagement_FINAL.pdf).

**Less civic engagement:** In such communities, residents are less engaged in civic life, which means it's harder to solve problems, and people feel more alienated. Conversely, in communities with healthier and more inclusive local news systems, people feel better about their neighborhood and neighbors. For instance, after the closure of newspapers in Seattle and Denver, there was a significant drop in the likelihood that people would volunteer in civic organizations such as the PTA, the American Legion or a neighborhood watch.<sup>29</sup> Conversely, those who follow local news closely are more likely to engage in activities with civic organizations such as sports leagues, church groups or charity organizations' civic activities.<sup>30</sup> In addition, Americans who have a close attachment to their community are twice as likely to be regular local news consumers as those with minimal attachment.<sup>31</sup>

**Less well-functioning local government:** There is even academic evidence that proves what one would intuitively think: Less local news leads to less effective government and worse municipal services. Communities with less local news had lower bond ratings, higher financing costs, and higher taxes.<sup>32</sup> They have more government corruption,<sup>33</sup> and more government waste.<sup>34</sup> Those districts get less government spending on public benefits.

**Impaired public health and more corporate crime:** These information gaps literally lead to challenges with the physical health of residents. For instance, communities with less local news are more likely to have more toxic emissions.<sup>35</sup> Public health officials say the decline of local news has made it more difficult to

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<sup>29</sup> Lee Shaker, "Dead Newspapers and Citizens' Civic Engagement," *Political Communication* 31, no. 1 (January 2, 2014): 131–48, <https://doi.org/10.1080/10584609.2012.762817>.

<sup>30</sup> Michael Barthel et al., "Civic Engagement Strongly Tied to Local News Habits."

<sup>31</sup> Michael Barthel et al., "Civic Engagement Strongly Tied to Local News Habits."

<sup>32</sup> Pengjie Gao, Chang Lee, and Dermot Murphy, "Financing Dies in Darkness? The Impact of Newspaper Closures on Public Finance," *Brookings.edu* (Hutchins Center on Fiscal & Monetary Policy: Brookings Institution, September 2018), <https://www.brookings.edu/research/financing-dies-in-darkness-the-impact-of-newspaper-closures-on-public-finance>.

<sup>33</sup> Filipe R. Campante and Quoc-Anh Do, "Isolated Capital Cities, Accountability, and Corruption: Evidence from US States," *American Economic Review* 104, no. 8 (August 2014): 2456–81, <https://doi.org/10.1257/aer.104.8.2456>.

<sup>34</sup> Pengjie Gao, Chang Lee, and Dermot Murphy, "Financing Dies in Darkness?"

<sup>35</sup> Pamela Campa, "Press and Leaks: Do Newspapers Reduce Toxic Emissions?" *Journal of Environmental Economics and Management* 91 (September 2018): 184–202, <https://doi.org/10.1016/j.jeem.2018.07.007>.

track disease outbreaks.<sup>36</sup> Companies are more likely to have serious regulatory violations<sup>37</sup> — including environmental and workplace infractions — in communities that have lost local news coverage.

In sum, after reviewing the academic literature on the decline of civic participation, Professors Jennifer Lawless, John Harris and Danny Davis in *News Hole: The Demise of Local Journalism and Political Engagement*, conclude that most analyses of the decline in civic participation “don’t account for the most dramatic change in the civic life us communities have experienced in the last 20 years: the decimation of the local news media.”<sup>38</sup>

Professor Abernathy concludes: “Strong local news organizations nurture both grassroots democracy and societal cohesion by providing critical information that helps residents in communities—large and small, urban and rural—craft solutions to their most pressing issues and make wise decisions that will affect the quality of their lives and that of future generations. Local journalists cover the mundane, but often consequential, school board and county commissioner meetings, as well as celebratory community events that nurture a sense of belonging.”<sup>39</sup>

## **How can CRA Impact the Availability of Credit & Banking Services for Local Small Media Businesses & Nonprofits**

Local media companies are stakeholders in how CRA is targeted because of their need for bank services, credit, and investment. Based on a survey we conducted of a sample of almost two dozen small media companies across the U.S., we know that many local media companies both historically and at present are finding it

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<sup>36</sup> Helen Branswell, “When Towns Lose Their Newspapers, Disease Detectives Are Left Flying Blind,” STAT, March 20, 2018, <https://www.statnews.com/2018/03/20/news-deserts-infectious-disease/>.

<sup>37</sup> Jonas Heese, Gerardo Perez Cavazos, and Caspar David Peter, “When the Local Newspaper Leaves Town: The Effects of Local Newspaper Closures on Corporate Misconduct,” *Journal of Financial Economics*, August 9, 2021, <https://doi.org/10.2139/ssrn.3889039>.

<sup>38</sup> Hayes and Lawless, *News Hole*, 3.

<sup>39</sup> Penelope Muse Abernathy, “State of Local News 2022.”

difficult to get both the credit and equity financing they need to keep their businesses viable and to grow.

Specifically, our survey showed 74% percent do not currently have lines of credit or even business credit cards. In some cases, publishers have stopped trying. Significantly, 91% said a lack of financing prevents their “organization from growing, making a profit or becoming sustainable.” Some 65% said they would use extra capital to hire an advertising sales or fundraising staff person – directly drawing in revenue and helping to make the businesses sustainable. One publisher stated, “We spend most of our time and resources on sustaining the business, leaving little capital to invest in revenue-growing projects.”<sup>40</sup> Another said, “if we had more capital we could earn more money, employ more folks and become more sustainable in our own right.”

In addition, although it is not the central element of CRA, it is also worth noting that most of these publishers say they do not get advertising from local or regional banks – even though such advertising would help those banks get the word out about services helping low and moderate incomes residents or businesses. Less than 10% said they had any bank advertisers at all.

We are aware that banks are required to help meet the credit and banking needs of their local communities under CRA and we believe creative new solutions may be required to truly assist these small businesses in the local media arena. For example, as banks invest in CDFIs or SBICs or other similar intermediary vehicles, if local media were a priority or essential community service, they could direct some of the investments through these critical intermediaries to these local media concerns. In addition, as banks consider new small business products, including credit products, they would be more likely to keep the specialized needs of local media businesses in mind, if CRA made it clear that these businesses serve a special and essential community need.

## **Recommendations**

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<sup>40</sup> Rebuild Local News Coalition. Survey: Credit needs of community news outlets. Rebuild Local News Coalition: 2022.

We are aware that loans and investments in many of these local media companies with revenues of less than \$5 million will likely qualify as CRA if the businesses are located in LMI areas. In addition, loans, and investments in some very small companies with revenues of less than \$1 million could also count under CRA, regardless of geography. But a more explicit approach could have a positive impact on low and moderate income communities.

### **1) Call out local media as a community supportive service**

As we noted earlier, we believe that if the CRA NPR included local media and community information services as "education services" and as community supportive services, this could make a significant impact on the availability of credit and investment dollars for these businesses. Today, community supportive services are defined (but not exclusively) as childcare, education, workforce development and job training programs, health services, and housing services in the CRA NPR. We urge you to consider adding local, community-based media and information services and businesses to this list, perhaps under a new category of "community news and information providers." As the voluminous academic research shows, a healthy local news provider is vital to nurturing a healthy community. Such coverage helps communities to address their own problems, and helps residents make good choices for their families or find resources related to housing, health care, economic development or other needs. The publishers can explain better than we can:

"Strong, sustainable independent news is good for the local economy and local businesses because, in part, it deeply increases community vitality and engagement."

"Our newspaper reaches the audience that banks need to serve under the CRA. We feature businesses, churches and community organizations that the banks need to reach."

"There is no more important community service than ensuring that residents understand how their government and public education systems

work/don't work and how residents can become involved in ways to improve government and public education.”

“MLK50 fills essential civic information gaps for those most pushed to the margins in Memphis/Shelby County.”

“Our core business is informing our readers about issues of importance to their daily lives. Ideally, our news informs them to make decisions based on facts and not rumors.”

The philanthropic world already views local news as a community service. When foundations give to local news, they generally categorize the recipients as providing important community services. Indeed, during COVID, local journalists were classified as “essential businesses.”<sup>41</sup> Local news and information providers address critical education needs, provide jobs for local residents and through advertising and relevant articles, can connect community residents to banks and other financial service providers in an intimate way that the mainstream press or media do not. In addition, classifying community news and information providers as a Community Supportive Service would make it more likely that banks would provide not only loans but grants, which are especially important at this moment.

## **2) Consider local news as a form of education**

As noted above, we also encourage you to consider local media and communications as a form of education, which is already considered a Community Supportive Service. There is strong precedent for considering local news organizations to be providing an essential form of education to the community. Almost all of the nonprofit news organizations gained tax exempt status from the Internal Revenue Service on the basis of their educational function. For instance, in its successful application for 501c3 status, [the Salt Lake Tribune declared](#), “The Charity’s planned content and its method of preparing that content is educational. The Tribune ‘instructs[s] the public on subjects useful to the individual and

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<sup>41</sup> Staff, “Www.newsmediaalliance.org,” *Www.newsmediaalliance.org* (blog) (News Media Alliance, April 7, 2020), <https://www.newsmediaalliance.org/important-news-publishers-essential-during-pandemic/#:~:text=The%20order%20follows%20CISA%20guidance,therefore%20exempt%20from%20the%20order>.

beneficial to the community' through its in-depth investigative reports, articles, and editorial content. These articles contribute to the public's 'sum total knowledge on...substantive issues' thereby creating a 'more interested and informed public.'"<sup>42</sup>

Listing local media or local communications services as community supportive services under CRA could encourage philanthropic support from banks for these nonprofit local media companies, especially those serving rural and urban LMI areas. In addition, it is possible that banks would review their allocation of advertising dollars to include more of these small, local media companies that reach LMI customers and areas.

### **3) Make Better Use of Local Media to Market Banking Products to LMI Areas**

There is another way of looking at the role of local news in the context of the Community Reinvestment Act. One persistent criticism of the Community Reinvestment Act is that even when banks do offer services to LMI, the residents and small businesses in the areas may not know about these opportunities.

Indeed, the NPR already proposes to give qualitative credit for targeted marketing partnerships that can better reach LMI areas and residents with regard to banking services. We believe that advertising in local news would be an extremely effective way of marketing banking services in low and moderate income areas. Indeed, many national advertising buyers do not understand the important role that some of these publications have historically played in their communities, and the trust that they have engendered as a result. Such advertising could therefore be especially effective in advancing the bank's goals of better informing residents about their services.

Currently, few banks do this. In our survey of sample newsrooms, less than 10% reported receiving advertisements from banks. Increasing the frequency banks advertising in these publications can have a triple benefit: It will help the residents who might benefit from the availability of those services, it will help the banks

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<sup>42</sup> Flammer, n.d, <https://www.documentcloud.org/documents/6549394-SaltLakeTribuneIRS.html>.



reach elusive potential customers, and it will strengthen the community by strengthening the local news sources.

The focus on marketing to LMI areas and the suggested designation of local media and community information services as supportive community services could encourage banks to review their allocation of advertising dollars and sponsorships to include more of these small local media companies that reach LMI and minority areas and potential customers as well as providing an incentive for banks to create new lending and investment products that focus on the financing needs of these small businesses and nonprofits.

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In summary, we encourage the Bank Regulators to consider adding community news and information services to the proposed list of community supportive services in the NPR and to consider these as education services for LMI communities. We also suggest that local news organizations become an integral part of banks efforts to better market their appropriate products and services in these areas. These small media businesses and nonprofits provide an essential community service, are job creators in rural, and urban LMI areas and play an important role in educating the public and promoting civic engagement and community involvement.

Thank you for your consideration,

Steven Waldman

Chair, Rebuild Local News Coalition