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On Focus and In Depth

Banks Give More Man-Hours, Less Money, to Philanthropy

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By [Sara Lepro](#)

Many big banks have been stepping up their philanthropic efforts, zeroing in on economic development and health and human services to combat the devastating effects of the recession — but not necessarily with dollars.

Strapped for cash as their profits plummeted during the financial crisis, many financial institutions were forced to cut back on their charitable giving. Citigroup Inc. cut its philanthropic funds by 32% in 2009, a year in which its net losses totaled \$1.6 billion.

Charitable giving budgets were back on the upswing in 2010, but they were still below precrisis levels and they are expected to be flat this year. As a result, many banks have been trying to give more with less, putting more emphasis on employee volunteerism, for example, by offering perks such as paid time off to devote to organizations that the company supports.

At the same time, banks have retooled their giving. They are providing more hands-on assistance to organizations that foster economic development and support the community, and they are buying fewer tickets to lavish fundraising events.

"Since the downturn in the economy, our focus has been more on fulfilling more immediate needs, less about tickets and tables," said Ann Forney, director of corporate contributions at Regions Financial Corp.

Though banks' charitable giving often becomes more visible after disasters like the recent events in Japan, it is an unwavering priority, bankers say.

Philanthropy "is seen as part of our overall business strategy, because if communities aren't healthy and the economy is not healthy, our business can't grow, either," said Kerry Sullivan, president of the Bank of America Charitable Foundation.

The increase in employee volunteerism and nonmonetary donations is a trend that extends beyond the financial industry.

"Very broadly we've seen corporations give more in-kind donations than actual cash since the recession," said Sandra Miniutti, a vice president at Charity Navigator, a nonprofit organization that evaluates charities. "They will loan out their employees, if an employee has specific expertise in an area, or do some kind of pro bono work."

Among 78 companies across all sectors surveyed by the Committee Encouraging Corporate Philanthropy, about 46% offered paid release time to their employees to volunteer in 2007. That number jumped to 62% in 2008 and 64% in 2009.

Figures from the CECP also show that about 20% of philanthropic funds from financial institutions were allocated to community and economic development groups in 2009, up from 17% in 2008. Funding of culture and arts organizations declined 3 percentage points over the same period, to 9%.

Regions is one bank that has made a more concerted effort to encourage employee volunteerism over the past two years. That commitment includes offering all employees one paid day off a year to volunteer. Regions recently completed its second annual "Share the Good" program — a three-week period dedicated to volunteering and customer appreciation events.

Regions also has a program where it will match up to \$1,000 of what an associate gives to charities each year.

Regions, of Birmingham, Ala., does not divulge its charitable giving totals, but Forney said she expects the 2011 amount to be roughly the same as last year's.

It makes sense to increase volunteer commitments and adjust giving strategies when funds are tight, experts say.

"Many of these programs are so ingrained in who the company is at this point," said Alison Rose, manager of standards and measurement at the CECP. "These companies were really trying to maintain their commitments as much as they were able to. So if they had to decrease their giving, they increased volunteer opportunities."

Rose pointed out that more than half of the companies the committee surveys decreased their management and program costs in 2009, "which to me shows an effort to reduce their own costs before they cut grant funding," she said.

Citi's charitable foundation scaled back its budget sharply during the downturn, but it also trimmed its costs.

"We undertook a broad review of everything we did and decided to be very crisp in our mission and our focus areas and had completed that review by the time the financial crisis hit," said Pam Flaherty, the director of corporate citizenship at Citigroup and the president and chief executive of the Citi Foundation. "We also went through a process of streamlining how we run our operations to improve our quality and our timeliness."

Citi decided to focus its resources on areas such as economic empowerment and financial inclusion of lower-income individuals and families; microfinance; enterprise development; and asset building. One where it reduced the number of commitments was education.

"We did a lot of different things in education, but we didn't have a single-minded focus," Flaherty said. The foundation decided to concentrate on improving individuals' access to college.

Of course, giving up commitments is not easy.

"You do it with sensitivity," Flaherty said. "You don't do it all at once and you ... figure out how you implement that change over a period of time."

Overall the picture is improving. Citi increased its charitable giving last year by 23%, to \$116.3 million.

For Bank of America the focus has turned to housing and employment issues.

B of A set a goal at the start of 2009 of distributing \$2 billion over 10 years through its foundation to signal "to the community that we were going to be there for the long haul," Sullivan said.

Today, more than 75% of the organizations that B of A works with concentrate on what Sullivan calls "critical needs" — housing, employment, food and health care.

The bank allows its employees up to two hours a week of paid time off to volunteer. In 2010, B of A challenged its associates to devote one million hours of volunteering. Employees surpassed that goal, Sullivan said. This year, the bar has been raised to 1.5 million hours.

"We look broadly not at just philanthropy, but at all the assets that we bring to a community," Sullivan said. "I think our brand is certainly enhanced by the work we do in the communities. ... There has been much more fine-tuning on the benefit of being responsible to community needs."

Despite the pressure on their charitable giving budgets, banks make sure they can deploy emergency funds when natural disasters and other unforeseen events occur.

"Our disaster relief, particularly with issues around the globe, has been front of mind," Sullivan said. "We do budget for disaster relief for international and domestic disasters. We build our foundation budget to be able to respond to these things."

B of A, for one, has responded to the disaster in Japan in many different ways. In addition to making a \$1.2 million pledge to relief efforts, it is accepting customer donations through its banking centers that will be filtered to the Japanese Red Cross Society. B of A has also temporarily waived foreign transaction fees. Citi's Asia-Pacific business, meanwhile, has established a disaster-relief fund benefiting the Japanese Red Cross with an initial donation of \$1.2 million, and the Citi Foundation has pledged an additional \$1.2 million. JPMorgan Chase & Co. committed \$5 million in aid to Japan.

Not every bank's charitable giving budget has been slashed. Many of the largest banks grew larger in the past three years as a result of acquisitions.

PNC Financial Services Group Inc., which bought National City Corp. of Cleveland in 2008, has been adamant about increasing its monetary commitment in the new communities it enters.

"PNC recognizes that we're only as strong as the communities that we operate in, so when we move into a community through an acquisition ... the combined total will not only be a sum of the parts but exceed what was there before," said Michael Labriola, deputy executive director of the PNC Foundation.

Shortly after announcing its deal to acquire National City, PNC declared it would raise Nat City's \$23 million in giving by \$5 million, when many others were cutting back. PNC's total giving in 2009 was \$58.3 million.

"We do what we need to do to make sure that the community understands that we're there to be a long-term partner," Labriola said. "The National City integration has been very successful in that regard."

But having more money to give has its difficulties, too.

Wells Fargo & Co.'s charitable giving budget more than doubled overnight after it bought Wachovia Corp. in 2008. Because there was some overlap in the two companies' relationships with nonprofits, Wells trimmed the combined budget. As a result, Wells' overall giving dipped 10% from 2008 to 2009 but rose 8% in 2010.

Before it went about consolidating the budget, Wells had to determine how best to incorporate Wachovia's charitable strategies, as to not leave a void in any of the communities in which it operated.

Wells has used its acquisition of Wachovia as a way to reinforce its charitable mission. It has created mini-celebrations around the formal name-changing of Wachovia branches, inviting local nonprofits, elected officials and community leaders to the events. Each nonprofit in attendance receives a \$1,000 grant on the spot.

When a bank is new to a market, "that could really rattle the psyche of the community," said Tim Hanlon, president of the Wells Fargo Foundation. By hosting the name-change events, Wells can send "a real clear message that Wachovia was a good corporate citizen and Wells Fargo is going to be a good corporate citizen," he said. "It's one shot to get that right."

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