SECTION II

Inclusion and Equity by Design

A central finding of the asset-building field, beginning with its experiments with Individual Development Accounts in the 1990s, was that institutions—governments, employers, nonprofits, financial institutions, etc.—matter significantly in determining who builds assets and who does not. In a word, institutional behavior, not just individual behavior, matters in fostering asset inclusion (such as automatic enrollment in 529s at birth or 401(k)s at the workplace). The essays in this section, then, aim to move us beyond personal attributes and constructs to some of the major institutional design factors that historically and currently drive widely disparate wealth outcomes along racial, generational, educational, gender and other lines.

Among other topics, the 11 essays in this section describe the ways in which non-white families have, especially, been deliberately or effectively excluded from building wealth or have had their wealth forcibly removed or destroyed (such as in the Tulsa, Rosewood and Wilmington race massacres, to mention a few). Less overt but equally pernicious are the ways in which asset limits in public assistance programs, as well as the tax code, effectively exclude or severely penalize lower-income families from building savings and wealth.

The net effect (whether fully anticipated or not) is that large swaths of the population, largely through no fault of their own, have had or continue to have diminished opportunities to build wealth. And if they have been excluded by factors beyond their control, or by purposeful or nondeliberate design, then they must be included in those policies by choice and by design. The authors in this section, then, make a compelling case for what could be called "centering on the margins" as a way to ensure that, going forward, we include all Americans in policies and programs aimed at promoting broader-based savings and asset ownership.

The authors here also a larger vision for inclusion and equity and explore several dimensions of inclusion—why it matters, why those most impacted must have a voice, how to promote financial and investor inclusion and specific efforts aimed at persistently excluded peoples and communities—immigrants, Native Americans, people with disabilities, Black people and other people of color, and those of all races and ethnicities living in persistently poor communities throughout the U.S.

Without Financial Inclusion, We'll Never Achieve Racial Equity

BY ANGELA GLOVER BLACKWELL

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

Racial equity is the new mantra in corporate America. After the police killing of George Floyd unleashed historic protests, leading CEOs bent over backward to publicly condemn systemic racism and pledge to hire and promote more people of color. Companies of all sizes have appointed DEI—diversity, equity and inclusion—officers to address racial bias and barriers in the workplace, and corporate donations have poured into Black-led organizations.

It's a step forward but is far from the leap our nation needs. Addressing centuries of brutal, continuous racialized oppression, discrimination and marginalization requires radical imagination and transformative action in every sector. And nothing is more important than sweeping policies that repair the egregious harms of financial exclusion, center the economic liberation of people of color and create pathways to belonging and prosperity for all.

The history and realities of racism not only have erected and cemented multilayered barriers to opportunity for Black, Indigenous and Brown people but also created a toxic, polarized economy that pushes almost all wealth to the very top. More than 100 million people in the United States, a third of the population, are barely hanging on, with incomes below 200% of the poverty level, or $53,000 a year for a family of four. While they're disproportionately people of color, they include nearly 50 million white people. Since 2000, this population has grown nearly twice as fast as the nation's population overall. The massive loss of jobs and small businesses during the COVID-19 pandemic is accelerating these trends and intensifying suffering.

Financial exclusion by business and government, often in concert, is the underpinning of structural racism. Its weight falls heaviest on the inability of Black, Indigenous and Latinx people to obtain resources for climbing out of poverty, building wealth and passing it on to the next generation.

The history of redlining and racial discrimination in home and business lending created concentrated and generational poverty in the Black community. Federal laws finally banned overt discrimination in lending decades ago, and yet inequitable access to loans and credit endures, with devastating consequences. We saw it during the subprime mortgage fiasco of 2008, which wiped out half of Black wealth—in no small part because so many families were shut out of the conventional home loan market and accepted risky home loans.

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We saw the consequences of financial exclusion again early in the COVID-19 pandemic, when only a small portion of Black and Latinx business owners received the loans they requested through the federal Paycheck Protection Program, even though Black-owned businesses were shutting down at 2.5 times the rate of white-owned ones, and Latinx-owned businesses were closing at nearly double the rate.

The nation is long overdue for a reset. The racial economic divide not only hurts those on the losing side but also suppresses growth. Closing Black-white gaps in wages, education, housing and investment can add $5 trillion to GDP over the next five years.

As business and government leaders chart the course toward economic recovery from the pandemic, many understand that this cannot be a return to skyrocketing inequality and racial injustice. Bold policy change is urgently needed. It's also more feasible than ever.

Ideas that seemed impossible before the pandemic—direct government payments to low- and moderate-income Americans, foreclosure prevention and debt relief for Black farmers, to name a few—are part of American Rescue Plan enacted in March 2021. This is the moment to think big, reject misguided notions of austerity and commit to transformative policies and investments that ensure all people can participate fully in the economy, share in prosperity and thrive.

Fortunately, there is no shortage of ideas and proven strategies to achieve racial equity and increase economic security while tapping the skills and talents of the millions of people our economy has left behind. A powerful solution gaining ground is a Federal Job Guarantee—a public option for a job with living wages and full benefits on projects that meet neglected local needs. It would address racialized unemployment, not to mention the Depression-scale job losses of the pandemic. The initiative also would deliver broad economic gains by raising standards for wages, hours and benefits and by hiring a workforce for infrastructure improvements, disaster preparedness, child and elder care and other projects that support family and community resilience and economic growth.

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The majority of the nation's rising generation is youth of color. The government must take the lead in preparing them to step into the roles of innovators, owners, workers and leaders of the economy of tomorrow with major, forward-looking investments in postsecondary education, on the order of the GI Bill. Most Black and Brown students do not have family wealth to pay for college; the heavy burden of student debt is crushing the aspirations of too many young people. Three critical steps could mark the starting point for action: cancel college debt for low- and middle-income students, make community college education free and generously subsidize four-year college and university education and skills training programs.

Another way to help young people enter adulthood in a stronger financial position than their parents is with so-called baby bonds—an endowment in the U.S. Treasury for babies born in the U.S., targeted to lower-wealth households—to be used after they turn 18 to go to college, build skills, buy a home or start a business.

The financial services sector also must lead in advancing financial inclusion and economic opportunity. No other industry has done more to oppress and exploit Black people from the beginning of the nation's history. Banks financed the purchase of slave ships, people and the expansion of Southern plantations. Insurance companies reduced the financial risks by covering the losses when enslaved people were injured or killed. Discrimination in lending not only denied Black people and other consumers of color the best mechanisms for building wealth but also stripped wealth from communities that could least afford to lose it, through excessive fees, fines and other means.

Banks should cancel Black consumer debt and eliminate fees for low-wage consumers of color. Black consumers, for example, owe more than their possessions are worth and are hit with stiffer penalties, including wage garnishment, for late payments and defaults. Lifting the burdens of consumer debt would help families save for college, buy a home, achieve financial security and build wealth.

Banks should also offer interest-free loans to home buyers of color. At 43%, the rate of Black homeownership is barely higher now than it was a half-century ago, when the Fair Housing Act was supposed to end mortgage discrimination, and far lower than the white homeownership rate of over 70%. The Latinx rate is 47.5%. Interest-free loans, capped at the regional median loan value, should be available until Black and Brown homeownership is on par with white homeownership.

Fortunately, there is no shortage of ideas and proven strategies to achieve racial equity and increase economic security while tapping the skills and talents of the millions of people our economy has left behind.

Big ideas like this are not new. Toward the end of his life, Martin Luther King Jr. advocated for guaranteed jobs and a comprehensive agenda for economic justice. He recognized that financial inclusion remained the great unfinished business of America.

The racial equity mantra now echoing through corporate and government offices will do little to lift people out of poverty or increase the wealth families of color need to securely enter the middle class—unless corporate and government leaders use their considerable power to end systemic racism, drive major policy change that centers the needs of people of color and lead the nation in building an economy that works for all.

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Why Stakeholder and Community Voice Matter

BY AISHA NYANDORO, PH.D.

People often ask me about the "radically resident-driven" tagline for the nonprofit Springboard To Opportunities, which I helped to start and have led since 2013. I think what is often behind that question is another one—why put so much energy behind engaging community members? In fact, when we were starting the organization, I remember a well-intentioned colleague informing me that "residents do not know what they need, and in fact, it was our responsibility to give them what was best for them."

Being a granddaughter and student of the civil rights movement, I found this idea of design without inclusion wrong and insulting. In contrast, being grounded in community has allowed me to operate from a perspective of possibility. It is possible to take care of our community. It is possible to eliminate poverty. It is possible to listen to the community for the solutions needed to effect change.

Springboard To Opportunities was intentionally formed by resident input. I sat on couches and porches; I asked residents about their dreams and the things that would help them come true. During this journey, I learned that something as simple as listening is not afforded to families in poverty. I realized it was imperative for Springboard to provide what was lacking, ensuring that the voice of the community is at the heart of everything we do, from our programs to our motto: radically resident-driven.

Several years and hundreds of hours of conversations later, I am still listening. This is why I was surprised one day during a parking lot exchange. "I don't even have $5 to buy Little Caesars pizza," was the response from Valeria, a quick-witted mother with an easy smile who I had worked with for years, when I inquired about her weekend plans. Our exchange took less than five minutes, but it sent me reeling. I thought I knew her well and that I had been listening. With all the wraparound programs and services that Springboard was offering, how could this reality be possible? How could I have missed that she could not afford something as small and inconsequential as a pizza?

After this exchange, I started asking more pointed questions of those we served and quickly realized that Valeria's situation was the rule, not the exception. The problems were all different—a few dollars for a pizza, the price of school supplies, an unexpected car repair—but the solution was the same: cash. I began researching programs to distribute cash to those living in poverty and met a lot of skepticism and raised eyebrows. I persisted, eventually finding terminology and partners for guaranteed income implementation. A year later, in a room filled with Springboard moms, I handed out the first of a year's worth of $1,000 monthly checks.

We called the program the Magnolia Mother's Trust, a nod to the state flower of Mississippi (and my grandmother's favorite) and the movement we were building—one based on dignity and trust. We started in 2018 with a group of 20 women, and the results were nothing short of life-changing. Paying off debt, feeding kids healthier food, going back to school to get a better job, visiting a beach for the first time—these are just some of the highlights. Magnolia Mother's Trust is the only guaranteed income demonstration in the nation that takes a specific gender and racial equity lens by targeting Black women.

We're now (in mid-2020) closing out our second year in which we expanded to 110 mothers, and the money couldn't have come at a more crucial time. The first payments went out just as the country was entering lockdown.The Magnolia Mother's Trust, now the largest guaranteed income demonstration in the nation, was not my idea or grand solution. It was the solution that came from the community. These women told me they needed cash. And we chose to listen.

Centering the voices of those marginalized by our current systems is integral to any conversation about equity. But first we need to understand why the system is inequitable. While many people like to say the system is broken, the truth is the system was never meant to work well for anyone other than wealthy white men. The system is working exactly as it was designed to work, and it's up to us to design a new one.

But if we are designing a new system that works for all people, then all people, especially those whose voices and stories have been historically ignored, need to be a part of building that system. This listening that is so essential to building new systems cannot be accomplished without compassion and trust. Compassion in vulnerable communities is a rarity. Most individuals who live in poverty have limited access to individuals "in power" and most revolve around rules and regulations. This plays out in demeaning ways, like waiting in a government office for hours to prove, again, that you're poor enough to deserve a housing subsidy or being asked invasive questions about your personal life by a stranger just to get help to feed your kids. Exhibiting compassion begins to build trust, and when trust is earned, relationships are formed. When relationships are formed, people become willing to share their stories with you and not just the ones they think you want to hear but the real stories of not being able to afford pizza on Friday night. Only when relationships are established can honest conversation happen and community change can take place.

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This feedback loop is only possible because we have invested in the relationships on the front end. This model shifts the design of policies to those who actually have lived experience with the policies, and it gives a voice to those who have been ignored by our society and policies for too long, empowering a new narrator. It is simpler to believe that poverty is a personal, moral failing instead of a stubborn, problematic system, suggesting an individual's poverty could be solved if they worked harder or were more frugal. The problem with that story is that it simply is not true. As Tressie McMillan Cottom says, "Indeed, any system of oppression must allow exceptions to validate itself as meritorious. How else will those who are oppressed by the system internalize their own oppression?"

Poverty is a symptom of a bigger system that many of us participate in and benefit from each day, which is an uncomfortable reality we must all start to recognize. It is a system built on racist actions and policies that have prevented families of color from building wealth in the same fashion as white families, a system that requires millions of people to work for less than a living wage. It is a system willing to uphold myths about poverty to push forward harmful political agendas and to help ourselves feel better about our privilege because "those people" deserve to be poor anyway. When we do tell these stories, they are glossy portrayals of poverty where the heroes and heroines transcend their dire circumstances through grit and luck. But these fantastical tales are not the real stories we hear in communities each day, and if we continue to base policies and practices on fantasies, we will never create real or lasting change. If we want to change these narratives, we must wrestle with our complacency and failure to challenge them.

This model shifts the design of policies to those who actually have lived experience with the policies, and it gives a voice to those who have been ignored by our society and policies for too long, empowering a new narrator.

We must work to change the narrator, giving a voice to those whose voice matters most; any effort to alleviate poverty and build wealth cannot succeed without it.

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We Have Clean Water and Clean Air: Why Not Clean Finance, Too? A Vision for Inclusion and Equity

BY JIN HUANG, MICHAEL SHERRADEN
AND MARGARET S. SHERRADEN

Finance in daily life did not change very much for centuries. Then it changed in a trickle across the 20th century. Today, the rate of change is a flood, and this presents both challenges and opportunities.

Families can no longer conduct most financial affairs with cash. Increasingly, they must use noncash methods to make payments, borrow, pay rent or a mortgage, fund education, pay taxes, buy insurance, purchase tickets to anything and even buy socks. Cash is often not an option. This newly financialized world requires a fundamental reconceptualization of financial inclusion and equity.

This newly financialized world requires a fundamental reconceptualization of financial inclusion and equity.

Effective finance means that individuals and families have access to beneficial financial services and social policies, and have knowledge and skills to manage these services and policies to promote their overall financial well-being. Effective finance is fundamental for financial stability, security and development. It enables people to complete routine financial transactions, consume efficiently, smooth consumption, manage risks, accumulate assets, take advantage of opportunities and achieve financial well-being.[1]

[1] See also Collins and colleagues (2009) and the Global Partnership for Financial Inclusion (2020).

But many Americans lack access to mainstream financial instruments. The Federal Deposit Insurance Corporation counts seven million households as "unbanked" because they lack a bank or credit union account, the most basic financial service. This includes nearly one-quarter of all low-income families. Many more are "underbanked": They have an account but also rely on alternative financial providers, such as check cashers and auto title lenders, to perform basic financial tasks. Although more accessible, these alternatives are expensive and pose significant risks.

Moreover, families who lack access to mainstream financial services miss out on efficiencies, such as shopping via the internet.[2] They may also miss out on promised benefits. For instance, the federal response to the COVID-19 pandemic relied on financial institutions to deliver relief. As many as 12 million Americans waited several months for the emergency payments authorized under the CARES Act.[3] Most of these were unbanked or underbanked, including Black and Hispanic families with low incomes and other minoritized groups. In addition, overloaded filing systems for unemployment insurance crashed in multiple states, delaying payments to laid-off workers. In short, without appropriate information systems for transferring resources, social policies can fail to achieve their goals.[4]

A related massive shift over the past 40 years has added to these challenges. Social policies have come to rely on financial services to deliver public benefits. For example, benefits from Social Security, Temporary Assistance for Needy Families, and the Supplemental Nutrition Assistance Program go directly to millions through Electronic Benefits Transfer cards and Direct Express cards. Many incur ATM and other fees to access their income support benefits. The Direct Express card allows beneficiaries of federal programs only one free withdrawal from a network ATM per month. For families with low incomes, these are costly financial services.

At the same time, families with larger income and wealth are showered with public support. Social policies use financial services to deliver benefits and tax subsidies associated with retirement savings, life insurance, higher

2 Before the information age arrived, Caplovitz wrote the now-classic book *The Poor Pay More* (1967), and this is even more true today.

3 See Cheung (2020) and the Federal Deposit Insurance Corporation (2018).

4 On health insurance, see Pollitz and Claxton (2020); on unemployment, see Solon and Glaser (2020).

education, homeownership and health care. These supports are more accessible and more beneficial for wealthier families. For example, tax benefits for homeowning depend on owning a home, the mortgage size and the marginal tax rate. Regarding public social support, the wealthy too are "on welfare."[5]

Low-income families receive only a small portion of annual tax benefits: little of the $76 billion in direct tax benefits for homeowning, the $125 billion exclusion of imputed home rental income, the $215 billion exclusion of employer contributions to medical insurance premiums, the $166 billion exclusion of employer contributions to defined benefit and defined contribution plans, and so on.[6] As a result, high-income households get big benefits, and low-income households, disproportionately families of color and those headed by women, get little or none at all.

Like clean water and clean air, "clean finance" can become more like a public good that assures basic finance for everyone, does not charge exorbitant fees, distributes public resources fairly, reduces wealth gaps and in all this reduces inequality.

In all of these ways, this "financialization" of social policy has reduced access to effective finance for inclusion and equity. These social policies poorly distribute public resources that should be fairly available to all. Current policies exacerbate inequality and make it harder for lower income families to secure housing, cover health care expenses, invest in higher education, achieve stability and enjoy some ease of mind in old age.

What should we do about these problems? Like clean water and clean air,[7] "clean finance" can become more like a public good that assures basic finance for everyone, does not charge exorbitant fees, distributes public resources fairly, reduces wealth gaps and in all this reduces inequality. A key is recognizing that social policy and financial services are not two separate spheres but instead are highly interrelated systems.

5 See Sherraden (1991) and Abramovitz (1983).

6 A full account of more than $1.3 trillion in annual tax expenditures, mostly at the individual level, is in the "Tax Expenditures" report by the U.S. Department of the Treasury (2020).

7 Of course, even clean water is not universal; we note the dreadful, ongoing case of Flint, Michigan. Even when something is considered available to all, structural racism can affect outcomes. Nonetheless, we should aim to make sure that these are exceptions rather than the rule, and something similar can occur with finance.

Potential for innovation is great. For example, universal and automatic Child Development Accounts have been tested and implemented in multiple states and have been proposed at the federal level. The Biden administration has proposed an "automatic" unemployment benefit adjustment to avoid the delay in transferring money to recipients. And lawmakers proposed a digital currency in the COVID-19 stimulus bill, envisioning a FedAccount system for all, free consumer bank accounts for digital dollar balances at the Federal Reserve. Social workers have also proposed universal, automatic and streamlined policy approaches to achieve effective finance. These are all important ideas and efforts, and others are emerging. Such policies must be universal and progressive, with a keen eye toward racial and gender equity.

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Financial technology, or "fintech," offers a path to inclusion and equity. It can facilitate delivery of efficient, effective finance to every household, in much the same way that pipelines deliver clean water. It has the potential to lower costs and broaden access. But there is a risk that it will instead augment existing racial, gender and economic inequalities. Ten percent of adults in America lack reliable and secure access to the internet,[8] and digital finance for low-income households depends on such access. In a modern information society, access to financial services and access to digital technologies must work together.

The United States can achieve effective finance for inclusion and equity. Just as we decided in the industrial age to deliver clean water to every house, we can decide in the information age to deliver clean finance to every individual and family.

Indeed, this seems likely. In the future, we may take effective finance completely for granted.

Why not start now?

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[8] See Perrin and Atske (2021), Silver et al. (2019) and the United Nations Conference on Trade and Development (2019).

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Toward a More Inclusive and Equitable Financial System

BY SALAH GOSS AND JENNIFER TESCHER

Financial systems are the glue that keep global, national and household economies functioning and connected. One of the critical lessons of the COVID-19 pandemic is that when people are excluded from those systems, their lives are more likely to come apart at the seams.

Case in point: Those who didn't own a bank account—disproportionately lower-income, less-educated Black and Latinx people—had to wait longer to receive their first stimulus payment from the federal government and incurred higher costs to access the funds. Over three million paper checks from the CARES Act were cashed through check cashers, and recipients paid as much as $66 million in check cashing fees.[1]

As society begins to contemplate how to "build back better" in the wake of the pandemic, designing a more inclusive financial system should be prioritized on the list of critical national infrastructure.

While U.S. financial systems are more accessible today, they remain inefficient and inequitable. For instance, in 2020 low- and moderate-income (LMI) households in the U.S. spent $127 billion in fees and interest on everyday financial products, representing 7% of LMI household annual income versus 3% of income spent by non-LMI households. Black and Latinx households spent $101 billion, representing 6% and 5% of their annual incomes, respectively, versus 3% of income spent by white households.[2]

As society begins to contemplate how to "build back better" in the wake of the pandemic, designing a more inclusive financial system should be prioritized on the list of critical national infrastructure.

1 https://www.brookings.edu/research/economic-impact-payments-uses-payment-methods-and-costs-to-recipients

2 https://finhealthnetwork.org/research/finhealth-spend-report-2021/

Principles of Inclusive Financial Systems

Inclusive financial systems enable all individuals, households and small businesses to be resilient and thrive, and they provide universal access to beneficial financial services and products that are safe, reasonably priced and efficient.

We believe they adhere to four key design principles.

Design for financial health outcomes. Historically, financial inclusion efforts have focused on ensuring that marginalized individuals, households and small businesses have access to basic financial products and services. In the United States, according to the FDIC, the percentage of unbanked individuals has fallen from a high of 8.2% in 2011 to 5.4% in 2019.[3] Yet it is clear that access to financial products does not automatically produce positive outcomes if the financial system is not designed for inclusion. Consider the traditional checking account: Without a real-time payments system, it is challenging for customers to track their balance with certainty, which all too often leads to expensive overdraft charges. The design of inclusive financial systems starts from the outcome—financial health and well-being—and works backwards.

Yet it is clear that access to financial products does not automatically produce positive outcomes if the financial system is not designed for inclusion.

Design for digital-first, integrated systems. COVID-19 has demonstrated the costs of digital exclusion and a benefits system that relies on outdated technology, particularly for the most vulnerable communities. As already noted, Black and Hispanic households took longer to receive Economic Impact Payment disbursements and paid higher fees to access their benefits. As Aaron Klein of Brookings recently highlighted, responsible digital solutions offer the opportunity to lower the cost of account access and use, increase the speed of payments and allow the government to work with financial services providers (FSPs) to link accounts (respecting individuals' privacy and ability to opt out). Technology can also improve Americans' access to critical benefits, which currently exist in siloed, closed loop systems that require huge amounts of time and knowledge to navigate. Aspen Institute's Benefits21 project has drafted a set of principles that articulates

[3] https://www.fdic.gov/analysis/household-survey/2019report.pdf

how a digital-first, portable, interoperable benefits system would radically improve Americans' ability to access the resources they need to weather financial shocks and invest in their families.

Design to uproot bias. Past efforts to bring historically underrepresented people into the financial system have assumed that the existing system can work for everyone as long as people are financially literate and demonstrate the "right" behaviors. Without an explicit focus on historically excluded groups, financial systems are at risk of reinforcing and scaling existing biases and power structures. Mission Asset Fund, with the leadership of CEO Jose Quiñonez, has built a digital lending circle platform that offers credit to Hispanic borrowers, broadening participation in the financial system as these loans are reported to the traditional credit bureaus. Esusu Financial, led by Abbey Wemimo and Samir Goel, uses rental data and engagement with housing authorities to improve credit scores. These solutions and the leaders who bring them forward reflect a rich and nuanced understanding of the lives of Black and Latinx consumers. By seeing beyond the bias, these leaders bridge the gap to a more inclusive future in a system that works for all.

Without an explicit focus on historically excluded groups, financial systems are at risk of reinforcing and scaling existing biases and power structures.

Design aligned incentives. The financial ecosystem is a complex web of private and public sector actors, all with different goals, motivations and incentives. Successful navigation is a demanding task given the information asymmetry in financial markets. Left unaddressed, this asymmetry creates a trust deficit, especially for those who have had negative financial services experiences in the past or lack financial experience altogether. This dynamic is one of the reasons why policymakers and regulators play a critical role in creating rules and incentive structures that ensure the interests of financial providers and the people they serve are aligned. Beyond regulation, the shift to stakeholder capitalism can reorient FSPs in ways that prioritize consumers' long-term financial health.

Policymakers and regulators play a critical role in creating rules and incentive structures that ensure the interests of financial providers and the people they serve are aligned.

Call to Action

Informed by these design principles, we see two opportunities for near-term action.

First, the federal government should establish an interagency commission to develop a national inclusion strategy designed to improve financial health and well-being for all, as has been proposed by the Aspen Institute's Financial Security Program. In addition to building a more inclusive and equitable system in the United States, such an approach would put us on equal footing with global trends, as more than 35 countries have implemented national financial inclusion strategies to date. The commission would bring together stakeholders from across the private sector, federal and state agencies and regulators, and the social sector to define the strategy's goals and develop success metrics. The work of developing the strategy would center the needs of the underserved and bring their voices, experiences and input to the process.

Second, financial regulators should ensure that the products and practices of market actors have a positive impact on their customers' financial health. To start, they should gather data from the firms they supervise and conduct research to understand how different product features and practices affect financial outcomes over time. One recent proposal suggests expanding regulatory mandates to make improving consumer financial health a statutory goal and creating a rating system akin to the Community Reinvestment Act to create incentives for providers to ensure they do well only when their customers do. In addition, regulators should consider ways to make it easier for financial providers to understand existing financial health inequities through data without the collection of such data in and of itself triggering fair lending laws and while maintaining consumers' protections and privacy.

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Including Black Investors: Let's Start with Youth

BY STEPHANIE J. CREARY AND JOHN W. ROGERS, JR.

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

The sizable wealth gap between Black and white families in the United States continues to grow. To date, policymakers have proposed a number of interventions intended to reduce this gap, including promoting greater educational attainment and increasing rates of homeownership among Black families. Yet at every level of educational attainment, the median wealth among Black families is lower than white families, and uneven home appreciation has limited the degree to which Black families can build wealth via homeownership. Further, the stock market, also known as the equity market, historically performs much better than real estate. For instance, while the median percentage change in the home price index from 2013 to 2017 was 6% and 3% for Black and white home mortgage borrowers, respectively, the median percentage change in the stock market was 13.42% during this same period. Yet Black families are much less likely than white families to invest in equities. As evidence, results from the 2020 Ariel-Schwab Black Investor Survey revealed that 55% of Black Americans and 71% of white Americans reported stock market investments.

To include more Black families as investors in equities, financial literacy in the Black community must be prioritized.

To include more Black families as investors in equities, financial literacy in the Black community must be prioritized. One approach for doing so is to teach Black youth the importance of investing and financial independence from an early age. Since 1998, the Ariel Education Initiative has focused on this goal through the Ariel Community Academy (ACA), a public school located on the south side of Chicago. Central to ACA is the idea that financially literate students can help motivate their families to save and invest in equities. ACA was founded by John W. Rogers Jr. and former U.S. Secretary of Education Arne Duncan, who previously ran the Ariel Education Initiative from 1992 to 1998. Ninety-eight percent of the student body at ACA is African American, and over 85% of the students receive subsidized lunches. At ACA, financial education is emphasized as a fifth core subject area. As students progress through the school, they receive instruction on personal finance, economics, entrepreneurship and investing at least three to four times per week.

A second approach to encouraging Black families to invest in the stock market entails promoting participation in college savings programs.

Another feature of ACA is the Ariel Investment Program (AIP), which grants each first grade class a $20,000 investment portfolio that follows them until graduation in the eighth grade. Over the first six years, students watch their class portfolio grow and meet with industry professionals to discuss the portfolio and their careers. Between the sixth and eighth grade, students use portions of the portfolio to buy stocks. Upon graduation, profits are divided in half, with one-half given to the school as a class gift and the other half distributed among the graduates as cash or matched contributions toward a 529 college savings plan based on individual student preference. The original $20,000 is returned to the incoming first grade class to sustain AIP in perpetuity.

To date, several ACA alumni have started careers in financial services and other high-paying industries. Several have interned and worked at Ariel Investments, while others have graduated from medical school or law school or have become entrepreneurs. ACA alumni have also given back to their communities through wealth-building initiatives. As an example, Myles Gage co-founded Rapunzl Investments, a mobile application that allows individuals to simulate stock portfolios using real time market data. In partnership with Nasdaq, Rapunzl hosts free high school and college investment competitions where students compete for scholarships and cash prizes. Myles not only develops Rapunzl's long-term growth strategies but also manages nonprofit partnerships, education development and school outreach.

A second approach to encouraging Black families to invest in the stock market entails promoting participation in college savings programs. Currently, seven states have mechanisms in place for automatically creating 529 accounts as early as birth with opening deposits. One exemplar solution for families in New York City is offered through NYC Kids RISE. Launched in 2017 with a $10 million donation from the Gray Foundation and in collaboration with the city of New York and the NYC Department of Education, the NYC Kids RISE's Save for College Program is a public-private-community partnership that provides families, schools and communities access to a universal scholarship and savings platform, regardless of a family's income or immigration status. The program is currently helping more than 13,000 students across 39 public schools in School District No. 30 in western Queens build assets for their educational futures. The majority of students in the school are students of color: 53.7% are Latinx, 21.9% are Asian and 6.8% are Black. Eighty-two percent of the students qualify for free or reduced-price lunch or for receiving cash assistance, Medicaid and Supplemental Nutrition Assistance Program benefits (SNAP) through the NYC Human Resources Administration.

By combining seed scholarships, family savings, community investments and funding streams from every level, NYC's Save for College Program has the potential to build significant assets for public school students, especially low-income students and students of color.

Through the Save for College Program, every student enrolled in a participating NYC public (district or charter) elementary school, starting in kindergarten, automatically receives an NYC Scholarship Account invested in the NY 529 Direct Plan with a $100 seed deposit and up to $200 in early rewards. Their families can open and connect their own college savings account (separate from the scholarship account) to help build financial capability and stability. At the same time, communities can contribute to a NYC

Scholarship Account as part of community-driven asset-building initiatives in their neighborhoods.

For instance, the Astoria Houses Resident Association—the elected leadership body of the NYC Housing Authority Astoria Houses public housing development—successfully spearheaded a campaign to raise an additional $1,000 for every student in Astoria Houses with an NYC Scholarship Account, which amounted to $184,000 in total. Families who live in Astoria Houses are predominantly Black, and the average income is around $21,000 per year. Children in Astoria Houses are receiving financial education and college and career readiness lessons at their schools, and parents/guardians have participated in financial empowerment workshops. The on-site workforce development center is connecting parents/guardians with information about their NYC Scholarship Account and supporting them to open their own college savings account.

Therefore, by combining seed scholarships, family savings, community investments and funding streams from every level, the Save for College Program has the potential to build significant assets for public school students, especially low-income students and students of color. Preliminary internal projections, which are based on early outcomes, suggest that the average student enrolled in the Save for College Program could have approximately $3,000 in total assets in their accounts by the time they graduate high school, mostly invested in capital markets.

To build greater wealth for their families and communities, Black youth need to have the knowledge, skills, confidence and role models to not only make smart decisions about their personal finances but also pursue financial opportunities in the form of equity investment.

To build greater wealth for their families and communities, Black youth need to have the knowledge, skills, confidence and role models to not only make smart decisions about their personal finances but also pursue financial opportunities in the form of equity investment. These opportunities will remain elusive to Black families unless key decision-makers—policymakers, foundations and nonprofit organizations, corporate leaders, financial institutions, journalists and communities—become more invested in youth-focused wealth-building initiatives for Black families. Financially supporting school-based financial education like ACA and college savings programs like the

NYC Kids RISE initiative is just one step in that direction to achieve greater inclusion of Black investors.

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John W. Rogers, Jr. is chairman, co-CEO and chief investment officer at Ariel Investments. In 1983, he founded Ariel to focus on patient, value investing. Following the election of Barack Obama, he served as co-chair for the Presidential Inaugural Committee 2009 and, more recently, joined the Barack Obama Foundation's Board of Directors.

Overcoming Systemic Financial Exclusion of People with Disabilities in CRA and CRA Modernization

BY MICHAEL MORRIS AND NANETTE GOODMAN

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

Over 40 years ago, Congress enacted the Community Reinvestment Act (CRA) to reverse a long history of discriminatory credit practices by banks that adversely impacted low- and moderate-income (LMI) communities. Since then, the CRA has defined the responsibilities for regulated banks to invest, lend and provide services to support the recovery of LMI neighborhoods and populations, infusing over $2 trillion toward this goal.

Regulators, bankers and LMI populations uniformly agree that CRA modernization is overdue. The banking system has changed dramatically, rendering the concept of a "physical footprint" around a traditional neighborhood-specific retail operation outdated as banks provide services to customers across the country through online and mobile services.

Missing from the conversation is consideration of how the CRA could remedy barriers to participation in the financial mainstream and access to affordable financial services for adults with disabilities who have been systematically excluded. For this to occur, banks need to invest in inclusive community development activities.

The term "disability," often widely misunderstood, describes a diverse group of individuals. A person's disability may be related to vision, hearing, movement, communication, cognition or psychosocial issues; range from mild to severe; or be constant or episodic. A disability may occur at birth, old age or anytime in between. Despite their diversity, people with disabilities are frequently excluded from fully participating in society because of physical, programmatic, informational, economic or attitudinal barriers. Disability impacts between 12% and 20% of the U.S. population (i.e., 40-57 million people), and one in four U.S. families has a member with a disability.

Many people with disabilities face significant barriers to financial stability. Compared to those without disabilities, working-age people with disabilities tend to have lower levels of educational attainment, are less likely to be employed and are more likely to live in poverty.

	Employment to Population Ratio	Percentage with College Degree or Higher	Poverty Rate	Percent Unbanked
Disability	**38.8%**	**7.0%**	**25.9%**	**16.1%**
No Disability	78.6%	14.1%	11.4%	4.5%

Sources: American Community Survey, 2019 as reported in the "Annual Disability Statistics Compendium" and "How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey."

Data from the FDIC survey of unbanked and underbanked households found that 16% of households with a disability were unbanked compared with 4.5% of those without a disability. They were less likely to apply for bank credit, more likely to get turned down and, consequently, twice as likely to use nonbank credit.

The nexus of race, poverty and disability adds barriers to financial stability for large segments of the disability community. Economic and social marginalization create challenges to financial capability and stability. The poverty rate among adults with disabilities is more than twice that of adults with no disabilities (26% compared to 11%), and nearly 40% of African Americans and 29% of Latinos with disabilities live in poverty. Across all racial and ethnic groups, households with a working-age adult with a disability have an average net worth of $14,180 compared to $83,985 for households without a disability. Black households with a working-age adult with disability have a net worth of only $1,282.

Data from the FDIC found 16% of households with a disability were unbanked compared with 4.5% of those without a disability.

LMI populations face significant economic challenges. For people with disabilities, these challenges are magnified by the extra costs associated with disability, such as unreimbursed health care expenditures, extra costs of housing, transportation, technology and limited access to the labor market.

The COVID-19 pandemic highlights these disparities. People with disabilities have been marginalized in health care, are more likely to report unmet health care needs and have worse health outcomes. Despite federal law and Supreme Court rulings, many people with disabilities are denied the right

The nexus of race, poverty and disability adds barriers to financial stability for large segments of the disability community—poverty rates are more than twice that of adults with no disabilities, and even higher for people of color with disabilities.

to live independently and are compelled to live in congregate settings. COVID-19 has been deadly in these settings, and outside congregate settings, many have lost access to services. At the same time, they do not have the financial cushion to weather the economic impact.

Disability is both a cause and consequence of poverty. Most troubling is that while people without disabilities tend to move in and out of poverty, people with disabilities are more likely to get stuck in poverty. Because they make up over 20% of the poverty population, we can't move the needle on poverty unless we address disability. If used effectively along with policy changes recommended in our other essay in this volume, the CRA can and should be an essential vehicle to break this link between poverty and disability.

To understand the lack of CRA attention to individuals with disabilities, it is important to understand the context at the time CRA was signed into law:

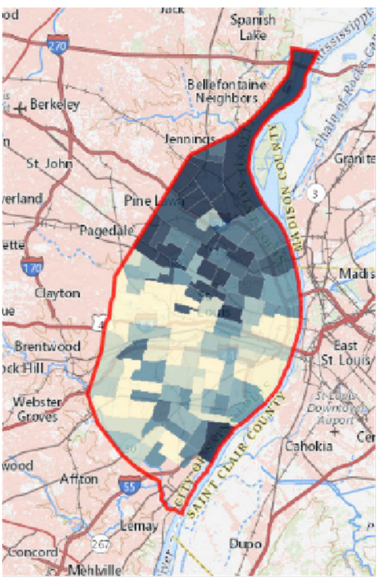
- In the early 1970s, children with disabilities were denied access to neighborhood schools.
- Individuals with disabilities who had committed no crime were incarcerated in state and regional institutions (totaling more than 400,000 individuals nationwide).
- Adults with disabilities were neither expected nor encouraged to participate in the labor force.

However, 30 years ago (July 26, 1990), Congress passed the Americans with Disabilities Act (ADA) to ensure equal opportunity and eliminate barriers to full community participation. On signing the ADA, President George H.W. Bush stated that "Together we must remove the physical barriers we have created and the barriers we have accepted. For ours will never truly be a prosperous nation until all within it prosper."

Surprisingly, despite the vision and imperative established by the ADA and the documented long-term, systematic exclusion of people with disabilities from the financial mainstream, federal bank examiners have made no effort to align the CRA regulations with the ADA mandate. They have provided no encouragement for financial institutions to focus community development activities on this population.

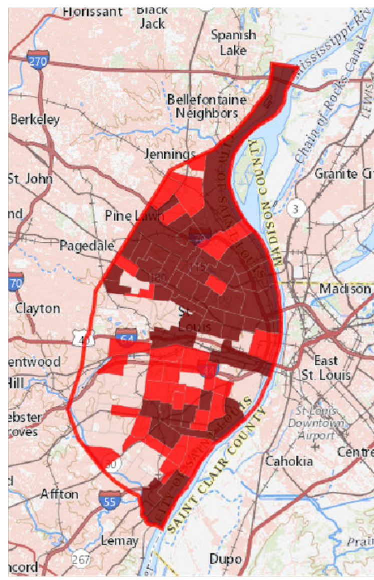
As the maps below illustrate, people with disabilities disproportionately live in LMI neighborhoods. It may seem reasonable to argue that because they live in LMI neighborhoods, they are already the beneficiaries of CRA activity.

Disability Prevalence



The shading in this map indicates the percentage of people in each census tract code who have a disability. In the darkest shaded areas, over 18 percent of the population has a disability. In the lightest shaded areas, fewer than 4 percent of the population has a disability.

LMI Neighborhoods



The dark red shading indicates low income neighborhoods. The light red shading represents moderate income neighborhoods.

Sources: Maps developed by authors using ArcGIS. Disability prevalence from 2018 American Community Survey as reported in by the US Census; see data.census.gov, Table S1810. LMI designations from Federal Financial Institutions Examination Council (FFIEC) Online Census Data System 2018.

However, true equity for this population is not just providing them with what you are providing everyone else but rather purposefully working to develop the services and supports they need.

People with disabilities disproportionately live in LMI neighborhoods. However, true equity is not just what you are providing everyone else in those neighborhoods but purposefully working to develop the services and supports they need.

Banks could invest and provide service to the disability community under the current CRA, but they have neither an incentive nor penalties for ignoring this underserved community. CRA modernization should improve performance measurement. Retail banking products and community development investment should be measured for response to the economic needs of LMI people with disabilities. Modernization should require bank regulators to judge a bank's CRA performance regarding these disability-related measures or else the economic disparities will continue.

Bank investment in LMI neighborhoods could focus on LMI individuals with disabilities by doing the following:

- **Expanding workforce development.** Banks could provide the dollars to meet federal match requirements to draw down a state's full share of federal appropriated funds for vocational rehabilitation services for job seekers with disabilities. Almost half the states lack state funding to release federal dollars.
- **Providing inclusive financial education.** Banks could require outreach to ensure participation of individuals with disabilities in programs.
- **Seeding ABLE accounts.** Banks could work in cooperation with a state treasurer's office to seed and/or match contributions to tax-advantaged ABLE savings accounts to help LMI individuals with disabilities cover the extra costs of living with a disability.
- **Increasing access to credit and capital at affordable rates.** Banks could offer loans at lower rates with reasonable terms to purchase a home or start and grow a business, which would begin to reverse long-standing patterns of neglect and offer new options to financial security.

The banking regulators should modernize CRA to channel banking investment, lending and services to economically vulnerable populations including those with disabilities and especially people of color with disabilities. It is the only way to repair the harm of 30 years of economic neglect and missed obligations. The time is long overdue to deliver resources more equitably to this underserved community.

Michael Morris is the founder of the National Disability Institute and a senior strategic advisor. He has more than 30 years of experience inside and outside of government pioneering new strategies to improve the financial health of people with disabilities.

Nanette Goodman is director of research at the Burton Blatt Institute at Syracuse University where she conducts policy research focused on the economic status of people with disabilities.

Rethink Public Policies to Support Income Production, Savings and Asset Accumulation for People with Disabilities

BY MICHAEL MORRIS AND NANETTE GOODMAN

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

President Biden's executive order on Advancing Racial Equity and Support for Underserved Communities (E.O. 13985) makes it clear that the federal government should pursue a comprehensive approach to advancing equity for all, including people of color and others who "have been historically underserved, marginalized and adversely affected by persistent poverty and inequality."

People with disabilities fit clearly in this category. Congress cited historical marginalization in the findings of the Americans with Disabilities Act (ADA): "discrimination against individuals with disabilities persists in such critical areas as employment, housing, public accommodations, education, transportation, communication, recreation, institutionalization, health services, voting, and access to public services." The law called this "unfair and unnecessary discrimination."

Thirty years later, the legacy of marginalization remains evident. Compared to people without disabilities, people with disabilities are twice as likely to live in poverty (26% versus 11%), more likely to live in long-term poverty, twice as likely to be unable to come up with $2,000 if an unexpected need arose in the next month (37% versus 18%) and three times more likely to have extreme difficulty paying bills (23% versus 9%).

People with disabilities participate in over 70 government programs. Health care and income replacement made up 95% of total expenditures, whereas programs designed to increase equity such as education and workforce development that support the ADA's goals of assuring "equality of opportunity, full participation, independent living, and economic self-sufficiency" accounted for only 1% of spending.

Almost two-thirds of working-age adults with disabilities participate in least one type of safety net program compared with 17% of those without a disability. These programs provide critical support for a population that is disproportionately living on the financial edge. However, they also trap people with disabilities in poverty by tying eligibility to asset limits and, as a result, making it impossible for them to save for large purchases, emergency security and long-term financial independence.

Almost two-thirds of working-age adults with disabilities participate in least one type of safety net program compared with 17% of those without a disability—yet these programs also trap them in poverty by making saving for large purchases, emergencies, and financial independence impossible.

Social Security Disability and Supplemental Security Income

Social Security Income (SSI) and Social Security Disability (SSDI), our largest disability programs serving 12.3 million people, are based on the outdated idea that disability means an inability to work. The systemic disincentives to work built into SSI and SSDI have been long acknowledged. To access needed benefits, people must make a total break from the labor market and document an inability to work. Once on the program, they are conversely encouraged to seek employment, but SSI recipients are severely limited in the assets they can build up to purchase the devices and supports needed for work.

To achieve equity and to reverse policy disincentives and promote wealth creation, we need a long-term radical approach to divorce SSI and SSDI eligibility from the ability to work and instead provide benefits that cover the extra costs associated with disability that can be combined with work. We call on the Social Security Administration (SSA) and the Domestic Policy Office to develop viable options to achieve this goal.

Four reforms could be implemented immediately:

Expand use of work incentives. The SSA has introduced a host of work incentives and other supports to promote employment among disability beneficiaries. However, fewer than 3% of SSI recipients use the work incentives in part because they are complicated and not well known or understood. At a minimum, we need to allocate additional funding to expand the SSA-funded Work Incentives Planning and Assistance (WIPA) counselors to dispel myths and educate beneficiaries and service providers about the social security incentives that do exist to encourage and help people enter the labor market.

Increase the benefit level and SSI asset limit. The maximum SSI benefit of $794/month or 9,408/year is well below the poverty line of $12,880 for an individual. The poverty line was established as the income needed to buy a minimal basket of goods for an average person. But people with disabilities face additional out-of-pocket costs. We estimate that people with disabilities would need 28% more income to have the same standard of living as those without a disability. However, because of the asset limit, people cannot save for these costs without risking losing both their SSI cash benefits and their Medicaid health and long-term care support unless they use specialized savings vehicles. We need to raise the asset limit for SSI beneficiaries to $12,091 to account for inflation since 1973, when the asset limit of $2,000 was established, and continue to index for inflation moving forward.

Expand use of Achieving a Better Life Experience Act (ABLE) accounts. ABLE offers some people with disabilities the opportunity to save for disability-related expenses in a tax-advantaged savings account that is not considered an asset when determining eligibility for means-tested public programs like SSI and Medicaid. Even if the SSI asset limit were raised or eliminated, these accounts would continue to be important because they are a mechanism for the tax code to adjust for the extra costs of living with disability by allowing assets in the accounts to grow tax free.

We estimate that people with disabilities would need 28% more income to have the same standard of living as those without a disability—yet, due to asset limits, they cannot save for these costs without risking the loss of critical safety net benefits.

However, fewer than 2% of the roughly eight million eligible Americans have opened accounts. This is due in large part to a lack of awareness of the program. We need a coordinated outreach and education effort across the many government agencies at the federal, state and local levels that provide services to the eligible population. Federal agencies should be required to report annually to the National Council on Disability (NCD) on their ABLE education and outreach activities with evidence of outcomes and with particular attention to individuals at the intersection of race, ethnicity and disability.

We should also make the passage of the pending ABLE Age Adjustment Act a priority to allow eligibility for ABLE accounts for individuals with disabilities with an age of onset of disability up to age 46, instead of the current 26 years (resulting from a political compromise), which has no justification and leaves out many wounded warriors who become disabled serving our country and others with disabilities occurring during prime working-age years. New efforts to seed child savings accounts should allow the option of seeding ABLE accounts for children with disabilities or to be converted to ABLE accounts once the child's eligibility is determined.

Reduce disparity between households with and without children in the Earned Income Tax Credit (EITC). The EITC is championed as the single most effective means-tested federal antipoverty program for working-age households—providing additional income and boosting employment for low-income workers. However, the size of EITC benefit is closely tied to the number of eligible children in the household. Because people with disabilities tend to be older and are less likely to have qualifying children in their households, they do not benefit from what has become our primary antipoverty program providing 25 million eligible families with $62 billion. Congress temporarily addressed the glaring disparity between the value of EITC for "childless adults" and families with children in the American Rescue Plan Act. It is critical for people with disabilities that this expansion be made permanent.

The dual lenses must be, first, to encourage savings and wealth creation and, second, be sensitive to the extra costs of living with a disability.

The dual lenses to review all public programs and benefits that impact people with disabilities must be to a) encourage savings and wealth creation and b) be sensitive to the extra costs of living with a disability. To advance equity for this large and growing population of people with disabilities, the push and pull of current and future public policy must be consistently encouraging income production, saving and asset accumulation.

Michael Morris is the founder of the National Disability Institute and a senior strategic advisor. He has more than 30 years of experience inside and outside of government pioneering new strategies to improve the financial health of people with disabilities.

Nanette Goodman is director of research at the Burton Blatt Institute at Syracuse University where she conducts policy research focused on the economic status of people with disabilities.

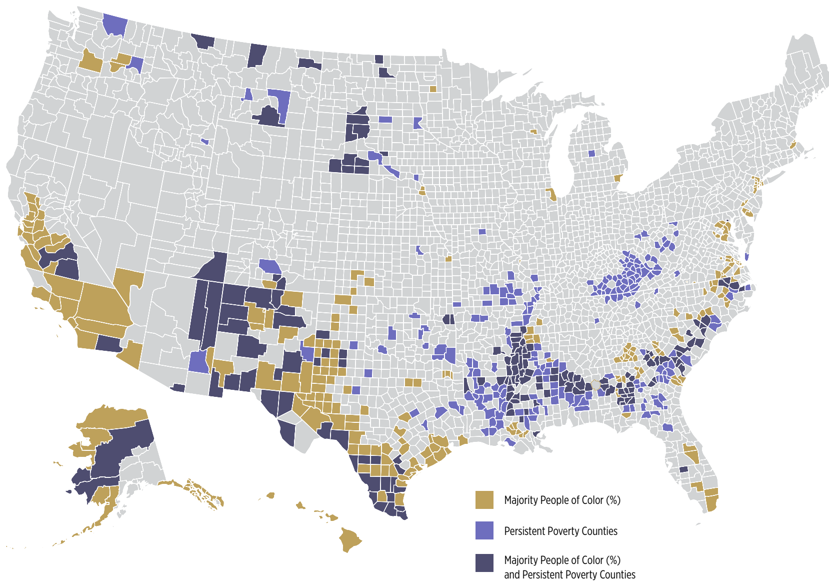
Partners for Rural Transformation—Driving Ownership and Economic Opportunity In Persistently Poor Places

BY JOSÉ QUIÑONEZ

Perhaps nowhere else in the United States is the structural exclusion by race and place more self-evident than in persistent poverty America. On its face, persistent poverty is a measure used to describe counties and parishes where the poverty rate has eclipsed 20% for three decades in a row. A closer examination of the population of residents living in the counties, however, paints a picture that is steadfastly rural and marred by racial inequity. Of the 395 persistent poverty counties, 8 out of 10 are nonmetro and the majority (60%) of people living in persistent poverty counties are people of color. Often, in regions of persistent poverty, other forms of distress are also present—high unemployment, lack of access to banking services, paucity of quality affordable housing and safe drinking water—all of which contribute to higher rates of premature death and lower health outcomes:

- Eighty-six percent of persistent poverty counties have unemployment rates in excess of the national average.
- Three-quarters of the 158 counties nationwide that have household unbanked/underbanked rates at 1.5 times the national average are persistent poverty counties.
- Eighty-one percent of persistent poverty counties are in the bottom quartile of counties in terms of health outcomes.
- Of the 395 persistent poverty counties, a "health-related drinking violation" occurred in approximately 42% of the counties—nearly five percentage points higher than the national rate.

Race, Place and Persistent Poverty are Inextericably Connected



Source: US Census Bureau American Community Survey (2017). US Treasury CDFI Persistent Poverty counties (October 2017). Hope Policy Institute Analysis.

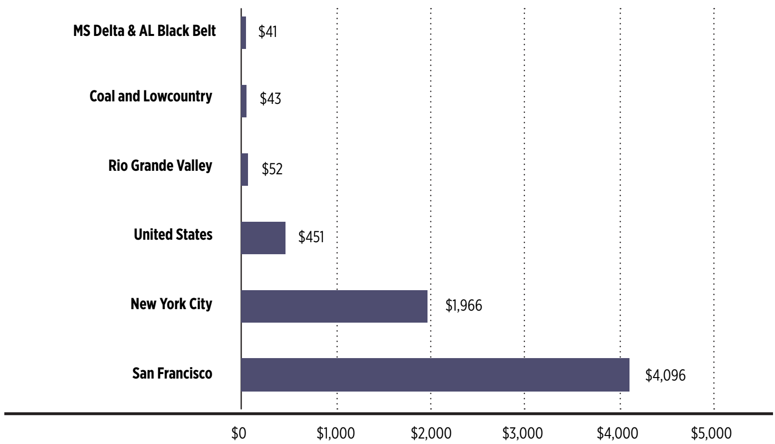
Despite success, investment in community and economic development in persistent poverty regions dramatically lag investment in places with significantly more resources, perpetuating and exacerbating the inequity.

Solutions exist. For decades, community development financial institutions (CDFIs) in some of the most economically distressed regions of the country have been addressing the employment and housing, banking and infrastructure needs of rural people and places. Yet, despite evidence of success, philanthropic, bank and federal investment in community and economic development in regions of persistent poverty dramatically lag investment in places with significantly more resources, perpetuating and exacerbating the inequity:

- From 2010 to 2014, grant making in Appalachia, the Mississippi Delta and the Rio Grande Valley was around $50 per person—well behind the national average of $451 and San Francisco's $4,096 per person.

- Bank investment trails in poor rural areas as well. In 2017, only 27 cents of every dollar borrowed by rural CDFIs was from a bank. In contrast, over half the borrowed funds from urban CDFIs were supplied by banks.[1]
- Federal investment for community development in rural areas remains well behind dollars available for community development in cities.[2]

Per capita Grantmaking 2010-2014*



Source: National Committee for Responsive Philanthropy and Grantmakers for Southern Progress. 2016-2017.

*Analysis for Native Communities was not available in this format (see appendix 2)

Driven by a vision of a future where persistent poverty no longer exists in our nation, six CDFIs located in and serving regions with a high prevalence of persistent poverty came together to advance that shared vision by creating Partners for Rural Transformation (PRT). The six CDFIs are come

[1] Bank Investment Falls Short in Rural Areas, 2019. "Opportunity Finance Network," https://ofn.org/sites/default/files/resources/PDFs/Policy%20Docs/2019/OPP_054%20-%20One%20Pager%20Handout%20CRA_FINAL%20Feb%202019.pdf, accessed August 25, 2019.

[2] Partners for Rural Transformation. "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity," https://www.ruraltransformation.org/wp-content/uploads/2020/03/Transforming_Persistent_Poverty_in_America_-_Policy-Paper-PRT-_FINAL.pdf.

dream | come build (cdcb), Communities Unlimited (CU), Fahe, Oweesta Corporation (Oweesta), (HOPE) Hope Enterprise Corporation and Hope Credit Union and Rural Community Assistance Corporation (RCAC). These CDFIs serve three-quarters of the nation's persistent poverty counties and have records of accomplishment spanning multiple decades. With a shared ethos of investing in both people and place and informed by the voices of local people, the organizations seek to unify around diverse opportunities in communities of Native people, Latinx individuals, and rural white and Black residents in a time of great division in our nation.

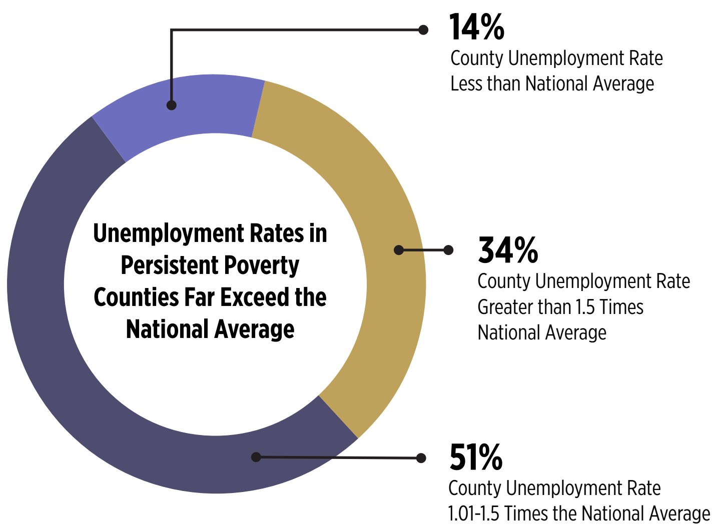
With a shared ethos informed by local voices, we seek to unify communities of Native people, Latinx individuals, and rural white and Black residents in a time of great division in our nation.

Consequences of Persistent Poverty and the Responses of PRT Members—Income and Employment

While the presence of stable employment with wages that cover basic costs of living is essential for overcoming persistent poverty, high-quality jobs are not always available, and incomes remain consistently lower than the national averages.[3] At least one-third of persistent poverty counties have unemployment rates over 1.5 times the national average, a measure of distress used to determine eligibility for federal community development programs through the CDFI Fund.

Small business development presents an opportunity to create and sustain local jobs that lead to wealth and asset building in rural persistent poverty communities. CDFIs play a critical role in fostering entrepreneurship by providing access to capital that bridges gaps through the use of creative loan products linked to one-on-one technical assistance designed to help entrepreneurs succeed. With strong capacity building and capital resources, these small business development strategies, particularly among underserved populations and places, and provide a means for strengthening local economies.

[3] https://www.lee.senate.gov/public/_cache/files/b54a2abb-978d-4bbb-a868-531cdfaeae7a/the-numbers-behind-the-opioid-crisis-final.pdf



Source: Bureau of Labor Statistics 2018. US Treasury CDFI Fund (October 2017). Hope Policy Institute calculations. N=395

Ms. Jane Burns opened an urgent care clinic in her underserved rural community of Clarksdale, Mississippi, in the Mississippi Delta. She did it with her own resources and determination and with a small loan and technical assistance from CU, a PRT founding member.*

In 2018, Jane Burns, a nurse practitioner with over 10 years of experience and first-hand knowledge of the health care needs in her rural community, opened an urgent care facility. When she decided to take the leap, she was ready to invest her own savings to open it but had no idea it would be so difficult to obtain the rest of the necessary financing.

Although people work to build their assets, those assets often have little collateral value because of the local community's economic context. This is where a CDFI stepped in.

She needed a working capital loan—waiting for reimbursements from Medicare, Medicaid or other insurers could take up to three months. She applied to banks and state organizations but did not qualify for a small business loan—despite having a business plan and the medical skills to be successful. When her loan was finally approved, the conditions included

*The name has been changed to protect the individual's identity.

a second mortgage on her home and an appraisal of the home's value. As home appraisals are largely based on area comparisons, and home values in her town were low, her house didn't meet the minimum appraisal value, and she didn't get the loan.

Ms. Burns' experience is a clear example of the challenges with building wealth so prevalent in the Delta and other regions of persistent poverty. Although people work to build their assets, those assets often have little value as collateral because of the local community's economic context.

This is where the CDFI, CU, stepped in. As Ms. Burns was not deterred—and started the urgent care facility with just her own capital—CU provided her with a working capital loan and technical assistance. Now, she provides nine full-time jobs paying above minimum wage in an area challenged with lower incomes and higher unemployment. Throughout COVID-19, her business has provided critical services to an area with few health care options.

What makes this story remarkable is not just that it happened but where it happened. Clarksdale, Mississippi, with a population of 16,579 (down from 20,000 in 2000), is the third poorest place in Mississippi and the county seat of Coahoma County. Clarksdale is 81% African American and has a 36% poverty rate and a median household income of $30,000.

What makes this story remarkable is not just that it happened but where it happened.

CU doesn't work with small businesses in isolation but rather partners with local community leaders, community colleges and nonprofits to bring together investments from public, private and philanthropic sources that advance a cohesive strategy to build sustainable entrepreneurial ecosystems. Individuals and entrepreneurs have access to resources and one-on-one support that develops and strengthens small businesses leading to new jobs, an increased tax base, wealth-building opportunities and a self-sustaining local economy. This work doesn't just change the life of individual entrepreneurs but also strengthens the social and economic fabric of the community in ways that increase future opportunities—and, critically, pride of place and hope for the future—for others.

José Quiñonez is director of Partners for Rural Transformation. He's also a civil rights activist with a strong passion for persistent poverty eradication, community impact, racial equity, social inclusion and Latinx issues.

Wealth Building for Native Families and Communities

BY CHRISTY FINSEL AND KAREN EDWARDS

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

The Oklahoma Native Assets Coalition, Inc. (ONAC) marks 20 years of service to Native communities in 2021. ONAC was launched to establish broader networking support and resources to tribes and Native-led nonprofits who were designing and implementing various asset-building programs in Oklahoma. Over the years, ONAC has grown, and while keeping its name and its efforts to build the capacity of Native asset-building practitioners, it now operates as a nationally based, Native-led asset-building coalition and nonprofit that also directly provides cash transfers and other wraparound asset-building programs to Native communities across the country. Most of ONAC's original founders continue to serve in leadership positions for the coalition while being joined by new partners who are also dedicated to increasing wealth building opportunities for underserved Native communities.

From its inception, Native views of assets have informed ONAC's culturally relevant, integrated and multigenerational asset-building program design and implementation. ONAC, and its colleagues in the Native asset-building field, have achieved many successes during the past 20 years. Yet there is much more to be done—including scaling asset-building programs in Native communities while also addressing the digital divide that limits Native families' access to online banking services and applications for social service assistance as well as their ability to monitor their invested accounts or grow their businesses via internet sales.

ONAC's bold proposal for wealth building in Native families and communities centers on significantly scaling currently successful and culturally relevant integrated and multigenerational asset-building approaches through increased dedicated funding that would simultaneously strengthen tribal sovereignty and the efficacy of Native-led nonprofits. This may best be achieved by directing financial support to the Native-led nonprofits and tribal governments that directly provide asset-building services and coordinate Native asset-building coalitions so as to better distribute asset-building resources throughout diverse Native communities in the United States.

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Building from Sherry Salway Black's (Oglala Lakota) seminal work about broader understandings of Native assets, and recognizing the diversity found among 574 federally recognized tribes, and the state-recognized tribes and Native Hawaiian communities in this country, ONAC works from a Native asset-building framework that acknowledges that assets are understood in Native communities to involve much more than money or financial success. Tribal sovereignty, Native languages and arts, natural resources such as water, kinship, housing, education, food security and family as well as commonly held assets such as land are considered to be significant assets in Native communities, assets that must be protected and strengthened. ONAC offers an ever-increasing number of asset-building tools to help Native families develop stronger balance sheets while simultaneously building and caring for other valued Native assets.

With this broader understanding of Native assets in mind, and given our available funding, ONAC designed our Native-centric asset-building programs to integrate with each other. We see this as a successful strategy. The information included below illustrates some of the ways we link financial coaching and access to a credit builder loan with other ONAC programs that wrap around and serve multigenerational Native families:

- If a parent, or a grandparent raising grandchildren, is participating in the ONAC financial coaching program but has not yet started saving for the children's postsecondary education expenses, ONAC provides the following: $100 in seed funding for a Children's Savings Account (CSA) for each child; a youth Native-specific financial education workbook and a parent investor education booklet, as the funds are held in 529 savings plans; gardening seeds to promote food security; and an opportunity for Native youth to draw pictures of assets that matter to them, after visiting with a Native artist from their local community who also acknowledges Native arts as assets.
- Native Americans have the lowest rates among all population groups in the U.S. of saving for college for their children, for retirement and for an emergency. To address these emergency savings rates, ONAC and its partners provide Native-specific financial education to participants, and then ONAC provides seed funding ($300 per family) to start a family emergency savings account to buffer them in times of emergency, income fluctuation or irregular expenses. ONAC also provides the participant with a registration link for ONAC financial coaching in case they wish to access those services. Operating within a Native framework for assets, this coaching affirms that Native families may reside in multigenerational households, which can positively lower expenses such as food and housing costs.
- Concerned that 44.5% of American Indian and Alaska Native households are un- or underbanked[1], for financial coaching clients with no bank account, or those who currently have a bank account with expensive fees, ONAC offers to connect them to a nationally certified safe and affordable Bank On account that does not have overdraft or other high fees attached to it.
- ONAC is the only national Native-led nonprofit to distribute emergency cash assistance ($500 per referred applicant) directly to American Indian and Alaska Native families during the COVID-19 pandemic. This assistance is directed to Native families in need through crucial referrals from ONAC partner tribes and Native-led nonprofits. To address the realities that applicants may not have internet access, a bank account, an email

[1] 2017 is the latest year for which the FDIC collects data on both un- and underbanked people in Native communities.

address, a stable mailing address, devices on which to complete an application or access to a nearby financial institution branch, ONAC offers the following: a staffed phone line for applicants so we may manually help them complete the application, low-cost banking suggestions for the unbanked, options to send the check c/o of the referring partner for socially distanced pick up and payment by ACH transfer or check. ONAC also offers financial coaching to cash assistance recipients as well as Native-specific financial education resources.

- ONAC's mini-grant program currently provides grant support to five Native-administered Voluntary Income Tax Assistance (VITA) program sites in Alaska, Minnesota, South Dakota, Maine and Montana. ONAC is working with these grantees on outreach for emergency cash assistance to their Native VITA clients and free financial coaching services to the Native families they serve.
- ONAC co-hosts periodic culturally relevant financial education train-the-trainers for Native financial educators. During the training, ONAC provides the trainees with the ONAC financial coaching registration link in case the coaching resource may be of interest to those they teach.
- ONAC provided the financial coaching registration link to all Native women entrepreneurs who participated in recent ONAC women's wealth gap research.
- Soon, ONAC will be providing housing down payment assistance and related financial coaching.

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Native communities have the desire and expertise to build assets for their citizens but are too often underresourced in their efforts. Such communities experience asset stripping, the highest rates of poverty in the U.S., historically lower levels of philanthropic giving, significant need for access to capital and broken treaties and related inadequate funding from the federal government. Given these realities, and for true financial equity to occur, Native communities will require greater infusions of financial support to equitably catch up and scale the offering of interrelated asset-building tools.

While the influx of recent federal support of Native community development financial institutions (CDFIs) is welcome news, and Native communities have celebrated that several larger Native intermediaries have received support for racial equity media campaigns, there are concerns about inadequate funding of the smaller and midsized Native-led nonprofits that are directly offering crucial financial capability and asset-building services to Native families.[2]

The above mentioned changes in access to grant support leaves many Native nonprofits with few funding options for the upcoming fiscal year. This leads us to ask if funders will take into consideration what Native communities define as racial equity and if tribal communities will receive the support they seek to help close the racial and gender wealth gaps through the asset-building programs they are interested in providing to the tribal citizens they serve. The demand from tribal citizens for such asset-building assistance consistently outstrips available resources. In the Native asset-building world, there is still need for support for the Native-led nonprofits coordinating national Native asset-building networks, conducting asset-building research and offering crucial developmental asset-building services that prepare harder-to-reach tribal citizens to equitably access mainstream asset-building resources and possibly later seek capital through Native CDFIs. With greater financial support, Native asset-building services could be scaled from the ground up, as much program infrastructure is already in place.

There is still need for support for the Native-led nonprofits coordinating national Native asset-building networks, conducting asset-building research, and offering crucial developmental asset-building services.

[2] For those nonprofits that are not seeking funding to become a certified Native CDFI, their access to what was already limited available federal grant support has diminished this year with the passage of the Indian Community Economic Enhancement Act of 2020 (i.e., the 2021 Administration for Native American Social Economic Development awards will prioritize funding for applicants seeking support for Native CDFI development). At the same time, such nonprofits are frequently hearing from foundations that their Native asset-building programming does not fit into what foundations consider as racial equity work (the newer direction many foundations are taking with their portfolios).

The time is ripe for increasing the essential support needed to scale integrated Native asset-building approaches in Native communities throughout the United States. This support will help Native communities thrive as they increase the health of household balance sheets along with safeguarding and building all the assets their communities value.

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Building Financial Security for Essential — But Invisible— Immigrant Workers

BY JOSÉ A. QUIÑONEZ

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In the fall of 2020, amid the worldwide COVID-19 pandemic, wildfires raged all throughout the West Coast. Thick clouds of smoke turned the sky into an eerie, ashy orange, creating a scene that could have come from one of NASA's Mars rovers. As people looked up to capture the landscape with a picture, the striking and telling images shared on social media were not of the orange sky alone but those with farmworkers in the fields, harvesting crops while using their cell phones as flashlights.

> ***Immigrants' labor is essential and their taxes are substantial, but their well-being is expendable.***

Despite the poor air quality and high risk of COVID-19 exposure, farmworkers still showed up to work to ensure our nation's food supply chain persisted. They had no choice. They either worked or went hungry themselves. Even before the pandemic, farmworkers were seven times more likely than other Americans to encounter food insecurity. In the early days of the pandemic, the Department of Homeland Security issued guidance for which workers were essential to our public health, economic and national security functions. While most Americans were advised to stay at home for their safety, essential workers were asked to report to work to keep our country running.

The categories of essential workers underscored what we have always known: Immigrants are the backbone of the economy. Their labor is essential and their taxes are substantial, but their well-being is expendable. Nearly three in four working undocumented immigrants are essential workers, working in agriculture, manufacturing and health care industries. Despite showing up day after day for these essential roles and increasing their risk of exposure to COVID-19, they remain largely excluded from federal assistance programs. In 2015, immigrant workers with individual taxpayer identification numbers (ITINs) paid $23.6 billion in federal taxes that fund an array of social safety net programs, yet they are barred from accessing any of them in their time of need. The three federal COVID-19 stimulus packages explicitly excluded millions of undocumented immigrants and their families from receiving cash assistance. Being excluded triggered a financial downward spiral for many.

The three federal COVID-19 stimulus packages explicitly excluded millions of undocumented immigrants and their families, which triggered a financial downward spiral for many.

In October 2020, the Mission Asset Fund (MAF) conducted a national survey of 11,677 immigrants left out of the CARES Act relief to capture the extent of their financial devastation. The survey revealed that seven in 10 respondents had lost income due to COVID-19. One in two respondents said they paid bills late or not in full, one in three were unable to cover their rent, and one in five were skipping meals to make ends meet. If these families had been included in the CARES Act, more than one in four would have been able to use the $1,200 stimulus check to pay off their bills in full for the month. The cash assistance could have helped put food on the table to feed their families, pay rent to prevent eviction or cover other critical expenses to avoid the downward and painful spiral further into poverty.

How can anyone build financial security under such a devastating financial reality? How can immigrant families rebuild their financial lives when their work is essential but their financial needs are treated as invisible? The COVID-19 pandemic laid bare the systemic inequalities and exclusionary policies that push millions of immigrant families to the margins of society, left to fend for themselves even at times when we need to come together to support one another. The pandemic made clear the urgent need to support equitable programs that uplift the financial lives of essential workers in meaningful and relevant ways. Now more than ever, policymakers, private sector leaders and civil society need to show up and do better for those left behind.

At MAF, we show up with our community-centered approach that embraces the complexity of immigrant families' financial lives to develop elegant, timely and culturally relevant solutions that meet their financial needs. That's what we have always done, and in a world turned upside down crisis after crisis, our mission and values keep us moving forward. In 2008, when the global financial crisis brought our financial system to the edge of collapse, MAF started Lending Circles to offer working people a path into the financial marketplace. At that time, the recession shrunk more than 50% of available consumer credit, pushing low-income workers toward high-cost debt. Yet, despite the unnerving crisis, we found that people were saving and lending with one another through a time-honored tradition of mutual support and trust. Lending Circles is rooted in this tradition .

People were saving and lending with one another through a time-honored tradition of mutual support and trust, despite the crisis. Lending Circles is rooted in this tradition.

Through Lending Circles, MAF formalizes social lending by reporting payments to credit bureaus so that participants can start or build credit history. On average, Lending Circles participants have increased their credit scores by nearly 120 points. In one study, participants reduced their debt by an average of $2,400, in comparison to an average increase of $2,700 in debt among similar individuals who didn't participate in the program. Since starting Lending Circles, MAF has serviced over 13,000 loans with a loan volume of more than $12 million. Most impressive of all, social loans have a 99% repayment rate.

Providing timely and relevant resources means adapting. In 2020, facing the worst health and economic crisis in modern history, MAF launched the COVID-19 Rapid Response Fund to provide unrestricted cash assistance to immigrant families left out of federal relief. We knew that if we wanted to help families build financial security, we had to meet the moment with solutions that were relevant to them in their time of greatest need. With more than 11 million immigrants and their families left out of federal relief, the need was more than any one organization could address. To date, we have received over 256,000 applications for relief. We created a financial equity framework to prioritize applications from families with the fewest income sources and the most financial strains. With generous support from philanthropy, we raised

$75 million to support one in three applicants, offering a critical lifeline to families facing this unprecedented crisis.

Showing up means understanding the full context of people's financial lives.

Showing up means understanding the full context of people's financial lives. Immigrants have long been the scapegoats of choice in American politics, enduring anti-immigrant rhetoric and policies that keep millions of working people in a state of constant crisis. The threat of deportation and tearing families and communities apart marks a persistent fear that permeates all aspects of life. The fear is as real as the structural barriers keeping immigrants in the financial shadows, without status or recourse.

MAF's Immigration Loans remove the financial barriers keeping people from applying for U.S. citizenship, green cards, Deferred Action for Childhood Arrivals (DACA), Temporary Protected Status (TPS), or U-visas as well as from petitioning for a relative. These zero-interest loans have provided nearly $1.1 million in funding to over 2,100 immigrants applying for affirmative relief, opening the doors into a world of financial opportunity. But no amount of loans can overcome the immense barriers keeping immigrants from fully realizing their economic potential. Rebuilding longer-lasting financial security starts by granting legal status and a sure path to U.S. citizenship to all undocumented immigrants.

Essential workers showed up through wildfires, a pandemic and a recession, using cell phones to light the way. Now we must show up for them.

Essential workers showed up through wildfires, a pandemic and a recession to keep our nation moving forward, using their cell phones as flashlights to light the way. Now we must show up for them, with the same level of dignity and respect as those who lifted us up in our time of greatest need. We need to change how we think about poverty, remove structural barriers, listen to people's needs and understand the complexity of their lives. Only then will we be able to design better products, services and policies that help immigrant workers realize their full potential—ensuring their prosperity and ours.

José A. Quiñonez is the founder and chief executive officer at the Mission Asset Fund and visiting professor at the University of California at Berkeley. He received the MacArthur Fellowship in 2016.

Advancing Racial Equity Through *Inclusive* Community Growth

BY ELLIS CARR

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, the Federal Reserve System or the U.S. Department of Agriculture.

The last 12 months have laid to bare what many people have known for some time: all lives in America are not treated as equal, opportunity benefits a few and the impacts of the pandemic and institutionalized racism in our country have left Black, Latinx and Native American communities with diminished wealth and opportunity.

Even before the pandemic, the racial wealth gap reflected a society that has not, and does not, afford equality of opportunity to all. Specifically for Black Americans, land seizures and sharecropping policies implemented in the 1860s and predatory lending practices that have existed since the 1970s are two examples of American history that has limited specific segments of the population from building wealth. According to McKinsey & Company, "the persistent racial wealth gap in the United States is a burden on Black Americans as well as the overall economy."[1]

Never has there been a more critical time to rethink the policies and practices that are at work in our communities. We must adopt inclusive community growth practices rooted in equity that dismantle the unjust systems aimed to oppress and empower communities to reimagine a nation that is more

[1] Nick Noel, Duwain Pinder, Shelley Stewart and Jason Wright, 2019, "The Economic Impact of Closing the Racial Wealth Gap," https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap.

inclusive and prosperous for all. To rethink the policies and practices at work in our communities and to identify ways to drive more inclusive growth, we must first define inclusive growth and understand the parties that influence it.

Growth is inclusive when more people share in the rewards of a growing economy and community. Inclusive growth leverages the individuals, associations and institutions in communities to generate sustained growth to create productive jobs and economic opportunity,[2] social inclusion to ensure equal access to economic opportunity and social safety nets to protect the most vulnerable.

Growth is inclusive when more people share in the rewards of a growing economy and community.

Inclusive growth communities invest in[3]

- workforce training and talent development,
- entrepreneurship and small business success,
- personal financial security and access to financial resources,
- neighborhood development and growth,
- transportation and access and
- reducing gaps in health, education, safety and housing.

While these are commonly known definitions and activities, we have yet to reach an economy that is truly inclusive for all because we are only beginning to acknowledge the role race plays in our society. Our country has used race, racial bias and/or racial ideology as methods to distribute resources and opportunities. Despite this fact, people of color will soon represent the majority of the country's population, workforce and consumers. By lessening and ultimately eliminating disparities and opportunity differentials that limit the human potential and economic contributions of people of color,[4] our

2 Asian Development Bank, 2011, "Framework of Inclusive Growth Indicators," https://sustainabledevelopment.un.org/content/documents/739indicators.pdf.

3 Juan Olivarez, 2019, "Inclusive Growth Communities: New Strategies for Prosperity," 2019, https://johnsoncenter.org/blog/inclusive-growth-communities-new-strategies-for-prosperity.

4 W.K. Kellogg Foundation, 2018, "The Business Case for Racial Equity," https://www.wkkf.org/resource-directory/resources/2018/07/business-case-for-racial-equity.

country stands to realize an $8 trillion gain in GDP by 2050. To achieve this milestone, we must incorporate a racial equity lens at the core of all-inclusive growth strategies.

An Inclusive Community Growth Model That Places Racial Equity at Its Center

An inclusive community growth model that places equity at its core leverages the tenets of the asset-based community development model[5] and equity-based values, practices and engagement.

The inclusive growth model redefines the roles of associations and institutions: they must first establish an authentic relationship with communities.

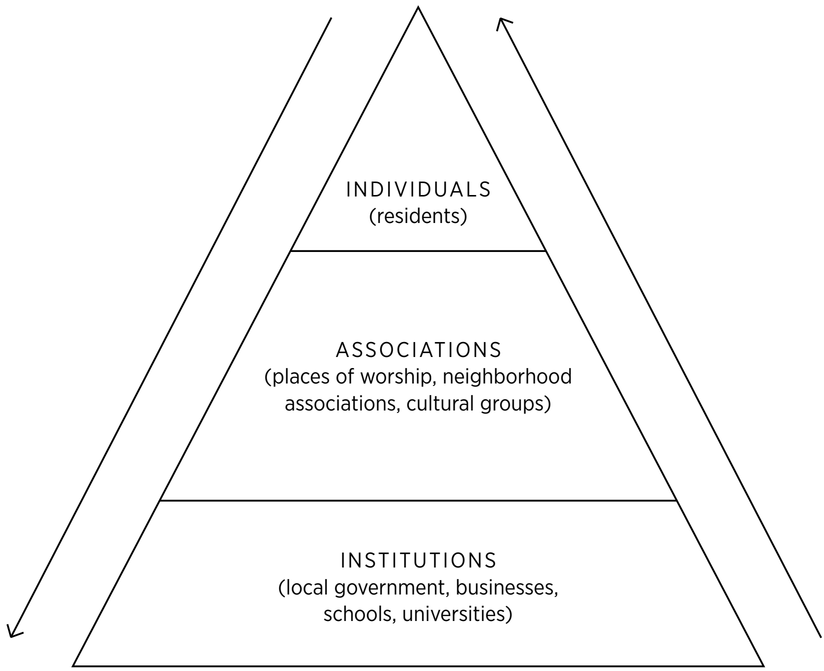
The inclusive community growth model that places equity at its center inverts the traditional practice of growth that relies on institutions and associations to determine the opportunities and conditions for individuals to participate in (both socially and economically) and uses existing structures to drive growth. Instead, the inclusive growth model redefines the roles of associations and institutions. In the new model, associations and institutions must first establish an authentic relationship with communities. To accomplish this, associations and institutions must

- recognize and acknowledge the existing assets within the community,
- acknowledge how systems of oppression have impacted individuals and communities,
- work with residents to identify solutions that build on their assets and
- leverage their social and financial capital to support targeted efforts that advance racial equity initiatives.

These critical steps will ensure that inclusive growth strategies begin with individuals driving the conditions by which resources flow into their communities. Doing so will ensure buy-in, participation, ownership and long-term sustainability.

[5] Asset-Based Community Development Institute, "Asset-Based Community Development Toolkit," https://resources.depaul.edu/abcd-institute/resources/Pages/tool-kit.aspx.

Inclusive Growth Model Centered in Racial Equity



INDIVIDUALS:

- Name solutions that draw upon their assets
- Drive conditions by which resources come into communities

ASSOCIATIONS AND INSTITUTIONS:

- Recognize community assets (not deficits)
- Acknowledge how systems of oppression have impacted individuals in community
- Work with individuals to identify solutions that draw upon their assets
- Leverage social and financial capital to invest targeted efforts to advance equity and inclusive growth

Here are two examples of associations and institutions that have instituted policies and practices centered in racial equity to drive inclusive growth in their communities:

- **Local government.** In Washington D.C., the D.C. Council approved the Racial Equity Achieves Results (REACH) Act of 2020 to drive inclusive growth in a city where Black residents make up approximately 44% of total residents and have the lowest median income and the highest unemployment.[6] The REACH Act was developed to eliminate socio-economic inequities experienced by Black residents and other people of color in the District and is composed of efforts to drive greater accountability and understanding of how local policies impact people across all demographics.
- **Community development financial institutions (CDFIs).** As financial intermediaries embedded in communities, CDFIs have incorporated racial equity practices to create pathways for residents who were left out of the financial mainstream. IFF, a CDFI based in the Midwest, identified that appraisal-based lending was an instrument of systemic racism that had a profound impact on communities.[7] As a result, IFF adopted nonappraisal-based lending to deconstruct the challenge of lending to nonprofits that serve lower-income communities.

As the country begins to operate with a new sense of awakening, we must actively use our power and privilege to disrupt the existing systems that perpetuate uneven growth.

The year 2020 was unlike any other. The pandemic, the murder of George Floyd and the ensuing civil unrest forced the country to acknowledge the realities of the past and present. The events throughout that year led to billions of dollars of resources pledged to provide immediate relief and recovery of communities that were devastated by the pandemic.

As the country begins to operate with a new sense of awakening, we must actively use our power and privilege to disrupt the existing systems that

[6] Annabella Hoge, December 6, 2020, "D.C. Council Passes REACH Act to Address Racial Inequities,"The Georgetown Voice, https://georgetownvoice.com/2020/12/06/d-c-city-council-passes-reach-act-to-address-racial-inequities/.

[7] Joe Neri, 2019, "The Appraisal Bias: How More Equity Underwriting Can Increase Capital in Communities of Color," IFF, https://iff.org/the-appraisal-bias/.

perpetuate uneven growth. This is a seminal moment for our country; the question is, are you willing to play an active role in bringing down the institutional structures that have existed for hundreds of years to create a more equitable, inclusive and just society for all?

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