Children play on the front lawn of their new home supported by CDC of Brownsville.

Transforming Persistent Poverty in America:
How Community Development Financial Institutions Drive Economic Opportunity

DRAFT

Partners for Rural Transformation

Eliminating Persistent Poverty, Advancing Prosperity, and Economic Justice

Background

In 2014, a group of Community Development Financial Institutions (CDFIs) located in regions beset by persistent poverty (places where the poverty rate has eclipsed 20% for three decades in a row) banded together to address the longstanding problem of underinvestment. An opportunity to organize emerged when leadership within the U.S. Department of Agriculture (USDA) Rural Development identified $1 billion in unspent federal resources for community development and recognized CDFIs as an untapped conduit to deploy the funds. CDFI leaders drew on the collective strength of their networks and geographic diversity to advocate for the policy changes and capital needed to increase investment in rural communities facing the challenges associated with persistent poverty. Ultimately, in partnership with foundations, banks and CDFIs, USDA Rural Development created a new program to make $500 million available through the USDA Community Facilities Re-Lending Program. Additionally, numerous philanthropic partners and the Bank of America played catalytic roles in the assembly of flexible and necessary capital to position CDFIs to access the public funds for deployment.

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, and have authored this paper. Called the Partners for Rural Transformation, the CDFIs, Community Development Corporation of Brownsville (CDCB), Communities Unlimited (CU), Fahe, First Nations Oweesta Corporation (Oweesta), (HOPE) Hope Enterprise Corporation and Hope Credit Union, and Rural Community Assistance Corporation (RCAC), represent 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.

Acknowledgements

The group would like to thank the Robert Wood Johnson Foundation and NeighborWorks America for supporting the development of this paper to advance economic mobility and health equity in persistent poverty America. We would also like to thank Marjory Givens with the University of Wisconsin Population Health Institute for providing analysis and insight on the use of the County Health Rankings and Roadmaps data. Joanna Ain with Prosperity Now provided county level unbanked and underbanked data cited in this paper which significantly enhanced the final product. Ryan Schlegel with the National Committee for Responsive Philanthropy also shared valuable background analysis and perspective on national giving trends in persistent poverty communities. Finally, the Housing Assistance Council drew on its long track record of high quality research of persistent poverty communities to review the analysis and inform the findings herein. Without the many contributions of these organizations and individuals, this work would not be possible.

Executive Summary

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, eight out of ten 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, a lack of access to banking services, a paucity of quality affordable housing and safe drinking water – all of which contribute to higher rates of premature death and lower health outcomes:

- 86% 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 (81%) 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 rate nationally.

Importantly, solutions exist. For decades, CDFIs in some of the most economically distressed regions of the country have been addressing the employment and housing, banking and infrastructure needs of local 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 2010-2014, 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 $4,096 in San Francisco;
- 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;
- Federal investment for community development in rural areas remains well behind dollars available for community development in cities.

To this end, we propose the following recommendations to create conditions that advance social and economic opportunity in our nation's most distressed communities:

Balance Philanthropy's Impact in Persistent Poverty Areas with other Parts of the Nation

- Create a $1 billion Persistent Opportunity Fund - To address the inequity in funding and move towards scale, philanthropic organizations should collectively commit to and create a $1 billion Persistent Opportunity Fund to provide a mix of equity, debt and operating support to CDFIs located in, working in and with long track records of success serving people, businesses and communities in regions of concentrated persistent poverty.
- Increased Investment from National Community Development Intermediaries – National community development intermediaries should explicitly expand their commitment and deepen financial and human capital investments to deepen the capacity and impact of CDFIs and community development organizations located in regions of persistent poverty.

Expand Persistent Poverty Bank Lending and Community Development Investment

- Modernize CRA to require and incentivize persistent poverty investments – CRA investment requirements should be increased and the definition of CRA assessment areas should be expanded to include rural persistent poverty places where banks lend and take deposits from consumers.
- Create incentives for bank investment into CDFIs – To expand economic opportunity in persistent poverty areas, CRA incentives should be created to make equity and debt available for CDFIs located in and with long track records of serving rural persistent poverty regions.

Increase and Prioritize Federal Investment in Persistent Poverty Places

- Establish floors for federal discretionary spending of at least 10% in persistent poverty areas – One option to establish a floor on discretionary spending includes the designation of 10% of all designated federal discretionary dollars for specified community development programs to be directed towards counties and census tracts where at least 20% of the population has been living in poverty for 30 years in a row.
- Rectify inequitable income eligibility criterion so that rural communities can better participate in community development programs – Many federal programs base eligibility on Area Median Incomes (AMI). While this program works well in cities with a range of incomes, in communities where economies and housing markets are inefficient and where more than 20% of the residents live in poverty, the “average income” is often depressed. The gap could be closed by using the Area Median Income for all nonmetropolitan areas in the country as an option to determine income limits in addition to the Area Median Income for the state in which a nonmetro county is located.

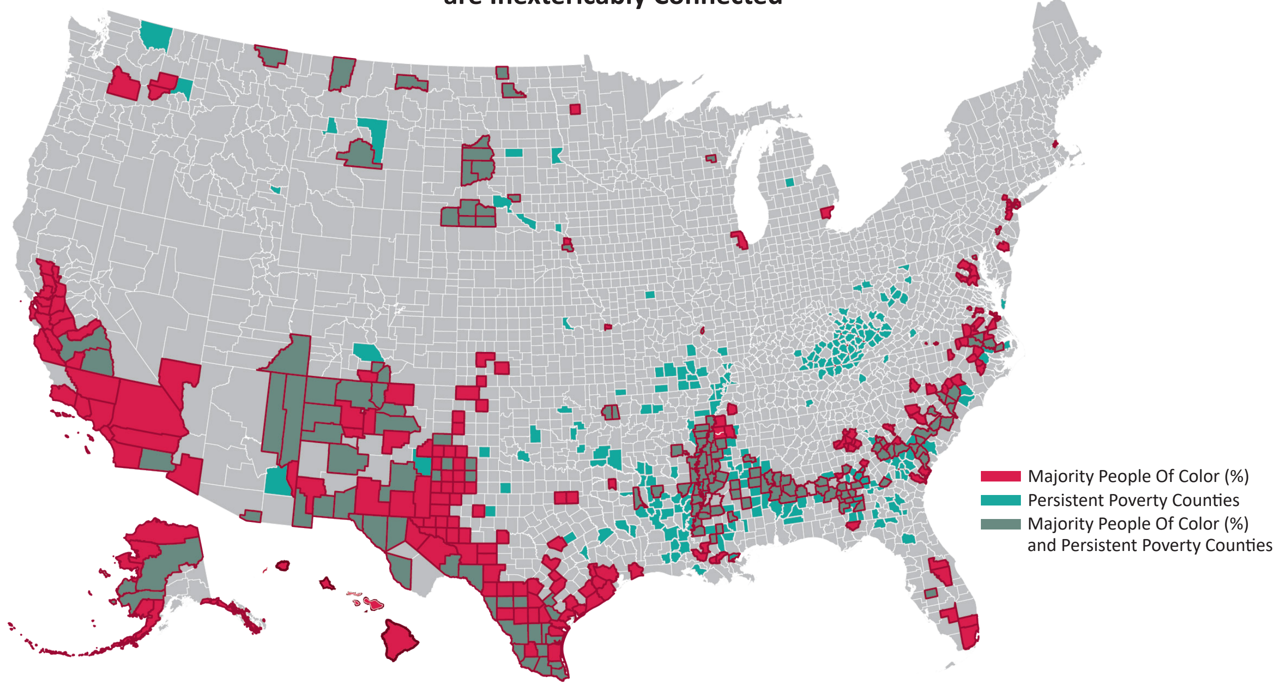
Advance a Persistent Poverty Research Agenda

- CRA assessment area mapping of the United State – Several years ago, the Federal Reserve Bank of Atlanta created a mapping tool to illustrate the network of branches for the twenty largest banks in the Southeast region. The tool provides a compelling visual of where CRA gaps may exist. A similar analysis covering the various regions of the country would provide a comprehensive overview of potential CRA gaps in persistent poverty areas nationwide.
- Measurement of the capital gap – One of the primary tools that CDFIs have to address the racial wealth gap and inequitable access to financing at the community level includes increased access to capital to support small business starts and expansions. Unfortunately, when it comes to quantifying the supply and demand for capital, particularly at smaller units of geography, the data do not exist. This part of the research plan would flesh out the size of the gaps and lift up solutions for closing gaps.
- Development of housing quality indicators – Building on the measure of utility cost burdens outlined in this paper, the indicator could be further developed to control for competing explanations and tested in other regions of the country to gauge the housing quality issues in persistent poverty rural America.
- Development of a shared impact measurement framework – CDFIs working in persistent poverty areas would work together to identify the most appropriate set of quantitative and qualitative data to most effectively measure and communicate the impacts of leadership development, technical assistance and community development finance work on community conditions in regions of persistent poverty, and on social, economic and health impacts.

Structural Exclusion by Race and Place – Persistent Poverty America

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,[1] eight out of ten are nonmetro (rural). The majority (60%) of people living in persistent poverty counties are people of color. In fact, 4 out of 10 (42%) persistent poverty counties are majority people of color (Map 1).

Map 1. **Race, Place and Persistent Poverty are Inexterically Connected**



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

Regions of deep and persistent poverty were not an accident – formed by policy choices that facilitated the acquisition of wealth and power among a select group through the enslavement of Africans and African Americans in the Mississippi Delta and Black Belt, the taking of land and life from tribal nations and Latinx people throughout the country and along the U.S./ Mexico border, and the extraction of natural resources from Appalachia. Today, the consequence of history manifest in other forms of distress and structural exclusion, several of which are addressed in this paper – high unemployment, a lack of access to banking services, a paucity of quality affordable housing and safe drinking water – yet all of which contribute to higher rates of premature death and lower health outcomes.

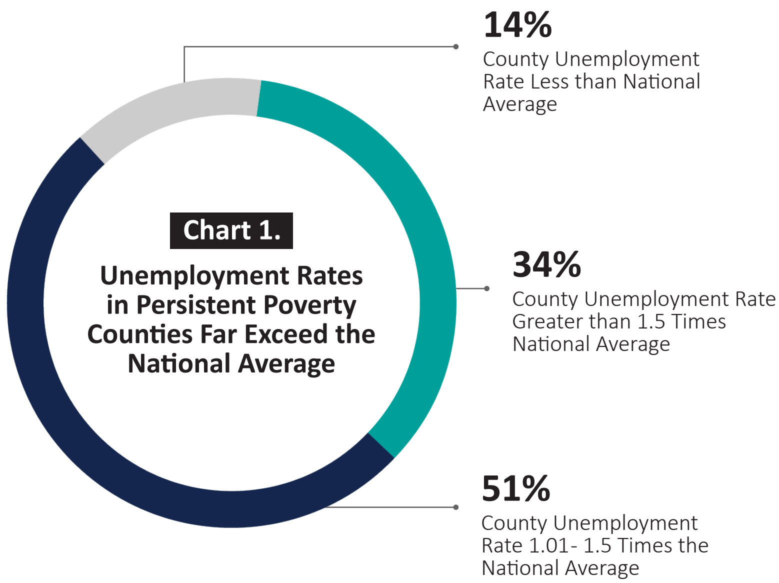
Eighty-one percent (81%) of persistent poverty counties are in the bottom quartile of counties in terms of health outcomes according to the *County Health Rankings.* Additionally, persistent poverty counties are over represented (with over 70 in the top 100) among counties experiencing high rates of low birthweight babies and premature death, an indication of how the social and economic drivers limit quality of life and life expectancy.

Importantly, solutions exist. For decades, CDFIs in some of the most economically distressed regions of the country have been addressing the employment and housing, banking and infrastructure needs of local people and places. From the development of entrepreneurs who create jobs to the expansion of safe affordable housing; from increased access to financial services to more readily accessible drinking water and public infrastructure; CDFIs leverage the power of finance to import capital into communities and regions that otherwise suffer from disinvestment. Through these actions, CDFIs strengthen local economies, generate wealth that sticks, and foster agency and power among local people to determine their own destiny. Yet, despite evidence of success, philanthropic and bank 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.

Consequences of Persistent Poverty and the Responses of CDFIs

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.[2] At least 1/3 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 (Chart 1).



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

Small business development presents an opportunity to create and sustain local jobs leading 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 that are 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, provide a means for strengthening local economies.

Rural counties where Native American or Black residents are the majority are plagued by persistent poverty. This reality is rooted in a deeper legacy of efforts to exclude groups from opportunity—by race and place.

The Role of CDFIs in Strengthening Equitable Economic Ecosystems and Entrepreneurship

Ms. Burns opened an urgent care clinic in her underserved rural community of Clarksdale, MS. She did it with her own resources and determination, and with small loans and technical assistances from Communities Unlimited.

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

With Medicare, Medicaid, and other insurance providers, there is generally a 60 to 90-day wait for payments, so she needed a working capital loan. She had a business plan and the medical skills to be successful. She applied to banks and state organizations, but did not qualify for a small business loan at the requested amount. When her loan was finally approved, the conditions included a 2nd mortgage on her home and an appraisal showing a minimum value of the home. She knew the house would appraise for more than was required, because she had invested more than that amount in it. However, home appraisals are largely based on area comparisons, and in her community of Clarksdale, the comps were low. Her house didn't meet the minimum appraisal value and she didn't get the loan – a clear example of the asset poverty so prevalent in the Delta and other regions of persistent poverty. Although people work to build their assets, in persistent poverty regions those assets often have little value as collateral for wealth building because of the context of local community conditions.

Ms. Burns was not deterred, and started the urgent care facility with just her own capital. Then she encountered Communities Unlimited (CU), which provided her with a small loan and technical assistance. The process was not easy, but now she provides nine full-time jobs paying above minimum wage in an area with higher than average unemployment and a low Median Family Income, and her business provides critical services to an area with few healthcare options.

Ms. Burns' success demonstrates the critical role the combination of public, private and philanthropic investments play. With technical assistance and loan funds provided by the Small Business Administration, CU was able to provide her with a microloan and one-on-one assistance. A Program Related Investment from the Mary Reynolds Babcock Foundation leveraged these funds, and the personal investment of Ms. Burns' money and hard work, led to success. What makes this story remarkable is not just that it happened, but where it happened. Clarksdale, MS 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, has a 36% poverty rate and a median household income of $30,000.

CU doesn't work with small businesses in isolation but rather partners with local community leaders, community colleges and non-profits to advance a cohesive strategy to build sustainable local entrepreneurial ecosystems. Through these ecosystems, individuals and entrepreneurs have access to resources and support that develop and strengthen small local businesses leading to new jobs, an increased tax base and wealth building opportunities, and a self-sustaining local value chain. Importantly, these ecosystems spark excitement resulting in local engagement, pride and hope in persistently poor, rural areas that have long been forgotten. This work doesn't just change the life of individual entrepreneurs, but also strengthens the local economic fabric of the community in a way that increases future opportunities for others.

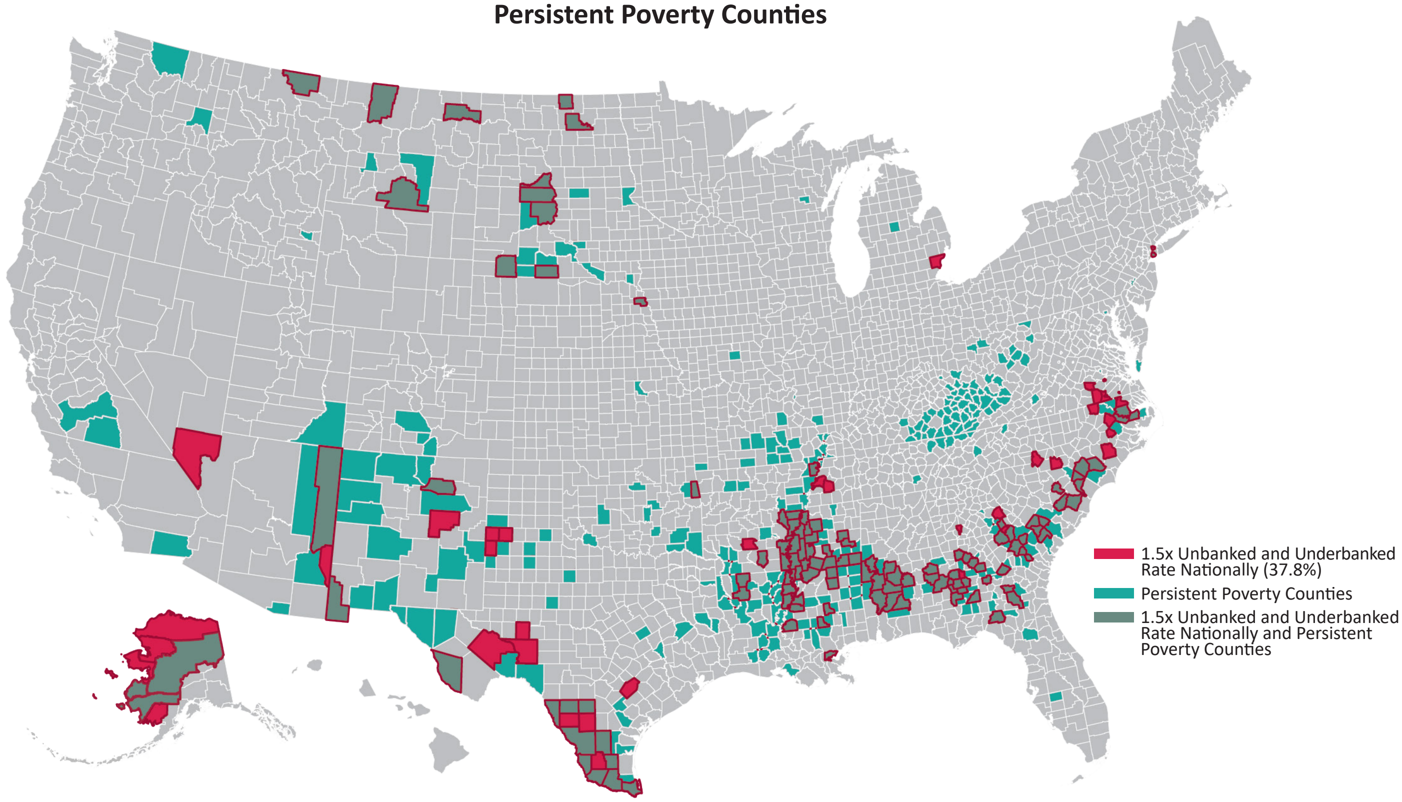
* Name changed to protect privacy

Access to Financial Services

After a safe, reliable and living wage job, the most important relationship that someone has with the American economy is his or her relationship with a financial institution. People with a bank account find themselves in a position to save, build or improve credit and accumulate assets. Asset accumulation may occur through the purchase of a vehicle with a consumer loan or by building equity through a home mortgage. Analysis by the Federal Reserve found that low-income families that are banked are more likely to own assets than similarly situated families that are not.[3] Finally, low-income children with a college savings account (regardless of the amount of savings) are more likely to attend and graduate from a post-secondary educational institution than children of similar means who did not have an account.[4] Yet, limited access to financial services occurs with a high degree of frequency in regions of persistent poverty. Three-quarters of the 158 counties nationwide that have household unbanked/underbanked rates at 1.5 times the national average are persistent poverty counties (Map 2).

Map 2.

Most Unbanked/Underbanked Counties are Persistent Poverty Counties



SOURCE: US Census Bureau American Community Survey (2017). Prosperity Now Estimates of FDIC National Survey of Unbanked and Underbanked households (2017).US Treasury CDFI Fund Persistent Poverty Counties (October 2017). Hope Policy Institute Analysis.

One obvious, yet often overlooked, driver of access to financial services includes the presence (or absence) of a bank branch. As the number of bank branches increases in a place, poverty decreases.[5] Where branches are present, small business loan originations occur at higher rates than in communities where branches are not located.[6] Likewise, the presence of a branch is associated with lower mortgage origination costs than in communities without a branch.[7] In persistent poverty places, CDFI's often provide the only access to affordable financial services. Either through branches operated by CDFI depositories or through the provision of consumer credit, CDFIs expand the continuum of responsible financial services available to local people in places where limited access to branches exist. The continuum starts with access to basic account services and moves progressively to include responsible loans to purchase automobiles, then homes and to start or expand a small business if so desired, ultimately leading to wealth creation to be passed on to the next generation.

Expanding Access to Financial Services in Moorhead, Mississippi

The story of HOPE in Moorhead illustrates the importance of access to financial services at both the individual and community levels.

In 2015, Hope Credit Union (HOPE) received a call from Regions Bank to inquire about the possibility of a donation of several bank branches located in small towns throughout Mississippi to HOPE. The bank's business model did not allow it to offer a full range of financial products and services in the areas where its branches were located. One of their branches was in the Mississippi Delta town of Moorhead. With a population of about 2,000, Moorhead is 88% African-American, has a 49% poverty rate, and Regions Bank was its only financial institution. The branch was also located in Sunflower County, where more than 40% of households were unbanked or underbanked – well above the national average.

Of the twenty largest banks in the Southeast, only Regions Bank operated a bank branch there and by extension, had a requirement to reinvest in the community as called for by the Community Reinvestment Act. By leveraging the CRA and the Bank Enterprise Award Program through the CDFI Fund, a program to incentivize bank investment into CDFIs, HOPE and Regions Bank crafted a partnership. Regions Bank donated its branch facility to the credit union, provided access to customers prior to the branch closure, and provided startup capital for branch operations. Community members' financial service experience was uninterrupted. Shortly after HOPE took control of the building, one resident shared that he walked miles to the branch to apply for a loan to fix his truck.

Eastmoor resident selects tile in her new HOPE financed home.

The bank branch provided an anchor in the community for HOPE to engage more deeply in broader community transformation work through HOPE's Small Town Partnership. Through the Small Town Partnership, HOPE's supports planning and leadership development with local people. Moorhead's planning effort identified a series of priorities including the development of high quality affordable housing, recreational activities for children, blight elimination, and saving a school.

Momentum continued through an investment from a large investment bank to rebuild the Eastmoor neighborhood, located on the outskirts of Moorhead, and built in the 1970's to move enough black residents out of town to maintain a white voting bloc and elect a white mayor. A number of the homes in the development have since burned down due to faulty construction, and of the homes that remained standing, many were in complete disrepair with collapsed ceilings and cracked foundations. Through the effort to rebuild the homes, support from national intermediaries and numerous foundations led to the creation of a program to train local residents in the construction trades. Back in town, new ball fields have been constructed and a local school previously slated for closure has received new life as an early education hub for the county. Additional funds matched a Department of Transportation grant to light the road from the highway into town.

The presence (or absence) of a financial institution that meets people where they are in life sends a signal of how wide or narrow one's mobility path may be, and also provides avenues (or lack thereof) for investment and movement in local economies. The exponential power of policy to catalyze investment in persistent poverty places is clear through CRA regulations motivating Regions Bank to find a solution to exiting a rural community, federal investments incentivizing the transfer of the branch, and federal support of planning leading to the attraction and leveraging of private capital to enable projects identified and prioritized by local people. HOPE's role as a regional CDFI was important not just in connecting to and knitting together various forms of investment in a way that fit local contexts and continuously advanced local progress, but also in deeply understanding local historical and cultural contexts, and bridging the institution's long-term relationships and trust in the local community with national stakeholders and resources. This has played out not just in Moorhead, but in towns across the region.

Building Credit, Building Wealth in Native Communities – Lodge Pole, Montana and Gallup, New Mexico

Bridgette's life was transformed when her local CDFI helped her secure stable income and transportation, a safe home, and freedom from debt. Now she's sharing her financial skills and knowledge with others in her community.

First Nations Oweesta (Oweesta), a Native CDFI intermediary, works with Native CDFIs that serve Native American, Alaska Native and Native Hawaiian populations. The population served by Oweesta and its cadre of Native CDFIs is typically younger than the national average, low-income and experiences very high unemployment (37% are unemployed). These economic conditions are fueled by historical injustice, as most reservations were forcibly placed in remote and isolated areas lacking natural resources or other means for establishing a functional economic base. Over half of Native individuals live in isolated rural locations and have lived in cash economies for generations as no conventional financial outlets were present or accessible on reservation lands.

Oweesta tackles unemployment and financial education by expanding access to capital for Native CDFIs and by building the financial capability of individuals and organizations throughout Indian Country. One of the tools used for establishing a strong foundation of financial education includes the Building Native Communities: Financial Skills for Families (BNC) train-the-trainer program, which includes an intensive three-day train-the-trainer workshop. Participants in the workshop must pass a knowledge-based certification exam before receiving accreditation. Once an instructor has been certified, he or she receives access to a range of teaching tools for use in his or her tribal community. Since 2001, over 35,000 individuals have received certification and tens of thousands of tribal members have learned the tools and skills needed to build their individual assets through the provision of the BNC curriculum. The curriculum is the most widely used in Indian Country since its inception and is now in its 5th edition. The success of the BNC program is centered on its cultural relevancy translating traditional values and practices in managing resources into mainstream financial systems.

Native CDFIs have become institutional financial pillars in their communities, changing the economic landscape with the provision of capital opportunities provided in conjunction with capacity building trainings and courses promoting individual, small business and homeownership asset building opportunities. The following stories reflect the incredible changes Native families and communities can experience when presented with opportunities to further their financial aspirations and goals.

The Fort Belknap Indian Reservation is located in Blaine County, Montana and is home to the Assiniboine and Gros Ventre Tribes. With 54.4% of the population living below the poverty line, Blaine County is an isolated and rural county located near the US and Canadian border with half of the population comprised of Native Americans. One tribal member, Bridgette, (Assiniboine) struggled working odd jobs while supporting her son Liam with no vehicle. Living with her brother and father, resources were scarce for the family. Determined to find gainful employment, she made the most of an opportunity when the local Native CDFI offered her a temporary job. She quickly demonstrated a strong work ethic and garnered the trust of the team resulting in full time employment. With a stable source of income, she was able to pay off all of her overdue bills, transitioned from public assistance and purchased a vehicle. She then succeeded in securing a home for her and her son, gaining economic independence. In July 2018, Bridgette then attended the Building Native Communities: Financial Skills for Families train-the-trainer in Anchorage, Alaska. She came back to Montana with a brand-new perspective on life and gained an incredible skillset in managing her personal finances. Bridgette knew the only path for a better life included setting financial goals and becoming more aware of how she was spending her money and what she was saving. Leading by example, Bridgette is now one of the lead instructors for the Fort Belknap Education Department - Credit Financial Literacy Team on the Fort Belknap Indian Reservation spreading the knowledge of financial empowerment to her fellow tribal members.

Another example of success occurred in Gallup, New Mexico. Gallup is a rural community of 22,000 people located in McKinley County in the Northwest corner of New Mexico. Located in close proximity to the Navajo, Hopi and Zuni Reservations, almost half of the population is Native American. It is among the counties with the highest poverty rates in the country, even among persistent poverty counties. Alliayah attended Gallup Central High School during her senior year and was required to take the Building Native Communities: Financial Skills for Families financial literacy class. The courses taught her best practices in personal financial management, and also covered information on how to successfully build and manage credit to be better prepared when it's time to apply for a credit card or a loan.

Alliayah then contacted her local Native CDFI, knowing she had no credit, to see if there were any opportunities to build her personal assets and begin establishing a credit history. The Native CDFI worked with her and provided a credit builder loan to help with the establishment of credit. After successfully working with the CDFI and slowly using and managing credit issued to her by the institution, she now has a credit score of 719, an important milestone given how she saw how much her parents struggled without good credit growing up.

These examples are among thousands of stories that occur when safe and affordable capital and culturally appropriate training to marginalized communities is provided. Oweesta's work as an intermediary lender and national capacity building trainer supports local tribal efforts to provide personal and community asset building opportunities for tribal nations and populations across the nation.

Oweesta sponsored Financial Coaching Training in Boulder, Colorado

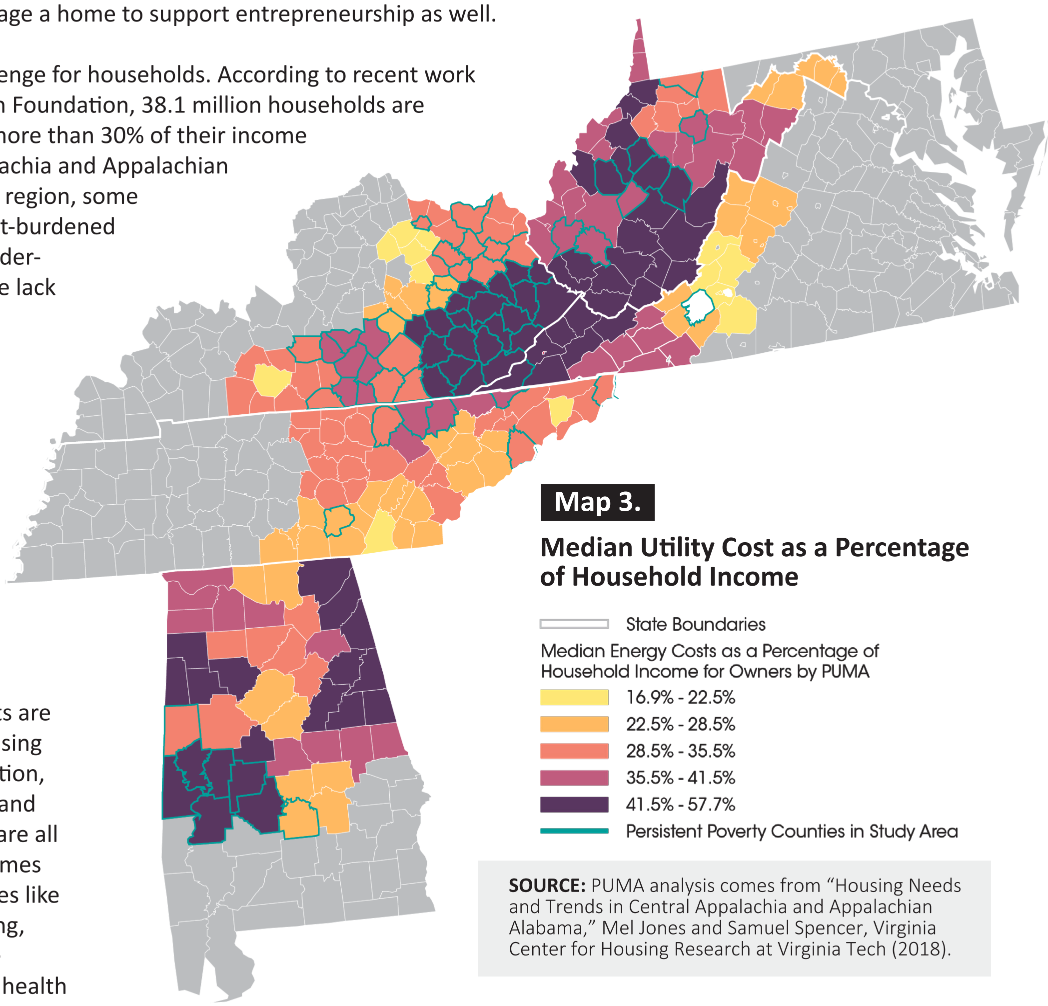
Quality and Affordable Housing and Homeownership

The benefits of homeownership are well documented. The children of homeowners are more likely to graduate and enroll in college than the children of renters, and homeowners across the income spectrum exhibit higher rates of civic engagement through voting than individuals who do not own their own home.[8] Additionally, homeownership is a critical strategy for asset development. On average, each additional year of homeownership increases the net worth of a household by $13,700.[9]

Within persistent poverty areas, while homeownership rates are largely in line with national averages, access to quality housing remains a challenge. Access to high quality housing is of particular importance because its absence has been shown to negatively affect health outcomes. People living in poor quality housing have been found to experience higher rates of chronic disease, injuries associated with living in an environment that is not safe and challenges associated with mental health.[10] And concentrations of poor quality housing act as an anchor to housing values, which is a headwind against the ability of homeowners to build equity in their most significant asset. Lack of appropriate comparable sales hinders one's ability to leverage a home to support entrepreneurship as well.

Cost burden is another challenge for households. According to recent work by the Robert Wood Johnson Foundation, 38.1 million households are "cost-burdened," spending more than 30% of their income on housing. In Central Appalachia and Appalachian Alabama large swaths of the region, some 248,715 households, are cost-burdened by utilities alone. Though under-documented, anecdotally the lack of quality housing in regions with high concentrations of persistent poverty is well known. One effort to quantify the issue more systemically includes an analysis in Appalachia of the relationship between persistent poverty places and places with high prevalence of high utility cost burden (Map 3).

In this case, high energy costs are used as a proxy for poor housing quality such as lack of insulation, presence of leaky windows, and poor weatherization, which are all indicative of substandard homes which may have further issues like mold, lack of proper plumbing, or deteriorating roofs. These inadequacies directly create health and safety issues for occupants.



Map 3.

Median Utility Cost as a Percentage of Household Income

SOURCE: PUMA analysis comes from "Housing Needs and Trends in Central Appalachia and Appalachian Alabama," Mel Jones and Samuel Spencer, Virginia Center for Housing Research at Virginia Tech (2018).

Recognizing that additional analysis is needed to control for the fact that places with higher concentrations of low-income people will experience higher overall utility cost burdens, the analysis builds on the shared experience among CDFIs working in regions with a high prevalence of detrimentally high utility costs burdens, and practitioner experience suggesting this measure is a reliable indicator of substandard housing.

CDFIs across the country engage in numerous initiatives to improve the housing stock. Through innovative construction and financing strategies, which overcome the difficulty of low community-wide appraisals, CDFIs make quality housing accessible to residents of persistent poverty in an affordable manner. Critical repairs that reduce specific housing related illnesses, like asthma, and ensure a safe, warm and dry place to live also help improve community conditions by upgrading the overall supply of quality housing.

Expanding Homeownership through MiCasita in the Rio Grande Valley, Texas

To create a stable pathway to homeownership, CDCB's MiCasita Program allows families to expand their mortgage loan as their income increases.

Countless surveys and studies refer to the Rio Grande Valley as one the poorest areas with the lowest credit scores in the nation. For over 40 years the [Community Development Corporation of Brownsville] (CDCB) has actively engaged in providing sound and affordable housing in this region, consisting of small cities, rural areas and *colonias* where generational poverty is deeply entrenched. The counties of Cameron, Starr and Willacy provide a good example, with 27% to 35% of their populations living below the poverty line (twice the proportion as that of Texas overall), and median household incomes ranging from $27,133 to $36,095 across these three counties. CDCB firmly believes that a home represents the principle wealth accumulation tool for the majority of households. The acquisition of a home translates into concrete financial wealth and confers immense social and economic benefits to individuals, families and the surrounding communities. Furthermore, positive effects of a home purchase are intergenerational and change the legacy of families for generations upon generations.

CDCB's MiCasita program was designed to meet the demographic profile of the families served and was informed by an in-depth analysis of community member household financial balance sheets. Over time, the analysis found that a significant proportion of individuals were trapped in a cycle of chronic financial instability, irrespective of their property ownership status. For example, the financial profile of potential homeowners in May of 2019 who resided in either a *colonia* or a USDA-designated rural area, revealed that although half of the people living in the area owned their own property, the average household held four accounts currently past due, and held on average $11,525 in past due medical debt. Six out of ten potential rural and *colonia* homeowners held less than $400 of savings, with an average credit score of 590, and an average net worth of -$22,213. One third subsisted on a fixed incomes either from Social Security or disability payments and received an average disbursement of $983. A large share of the CDCB's participants resided in multigenerational households and their financial lives were further complicated by mixed immigration status and lack of access to affordable legal resources necessary to clear title or determine legal claim to a property passed down from a previous generation.

CDCB staff developed MiCasita in response to the method by which families in rural areas and *colonias* develop their homes. Typically, families begin with a modest and dilapidated structure containing a bedroom, kitchen, living room and possibly an indoor bathroom. As the family saves throughout the year, or receives a large federal income tax refund, typically buttressed by the Earned Income Tax Credit, they use these funds to add a bedroom or a bathroom. The home is expanded in a piecemeal fashion reflecting flows of income, though typically neither structurally sound nor economically efficient.

MiCasita responds by using a phased construction approach to meet immediate housing needs and has the flexibility to "grow" or expand as a family's financial situation improves and/or as their housing size needs increase. The program allows families to expand their mortgage loan as their income increases allowing for the option to increase the square footage of their home. The financing product offers an initial loan and/or grant to support the purchase of the core structure and subsequent loans and grants (two to three) to complete the home over time. The financing product is structured to allow for lower monthly payments by utilizing lower rates, longer terms and deferred loan amounts.

The Saucedo family exemplifies the process by which clients are empowered to build the home of their dreams. At age 75 Mrs. Saucedo had tired of scrambling to place pots and pans to collect the rain water as it seeped through their dilapidated mobile home's roof into the kitchen. They cautiously approached CDCB looking for a gleam of hope that they might be able to build a new home on their property. The couple began as many do with subprime credit scores hoovering at 541, mostly on account of the six finance company loans they were carrying with monthly payments that required the allocation of a quarter of their monthly income to debt payments. As in many cases the loans were constricting their capacity and belonged to their daughter. Like many parents they secured high-cost short-term credit products to assist an immediate family member and as a result applied stress on their limited income. Undeterred by the financial reality of her situation Mrs. Saucedo worked tirelessly cleaning beauty salons and, under the guidance of her CDCB housing advisor, used her earned income to pay off her debt, improve her credit score and increase her capacity for a mortgage loan. She and her husband were eventually able to reach their goals, saving $3,309 and utilizing the MiCasita mortgage loan to leverage the equity in their property for closing costs on their newly constructed home.

CDCB has layered public and private investments to create a pool from which to fund the MiCasita mortgage loan. Financial institutions such as the Federal Home Loan of Dallas, Texas State Affordable Housing Corporation and Cameron County Housing Finance Agency, along with Freedie Mac have invested in MiCasita and provided the capital necessary for education and to generate mortgage loans locally in the communities CDCB serves. The goal is to produce a home and mortgage product that demonstrates that choice empowers individuals to utilize their abilities to build a home on their property and accumulate equity to support the accumulation of wealth in their family.

Health and Community Infrastructure

Employment resulting in stable income, access to financial services, high quality affordable housing and clean drinking water are all critical drivers of health and wellbeing. Given the challenges facing people living in persistent poverty regions, however, it comes as no surprise that the overall health of people living in persistent poverty areas remains significantly behind people living in other parts of the country. According to the County Health Rankings and Roadmaps, of the 100 counties in America with the highest percentage of people reporting poor or fair health, 91 are persistent poverty counties.

One of the contributors to poor health includes unsafe drinking water systems. As of 2017, there were over 3,100 counties with violations associated with the distribution of safe drinking water. 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 rate nationally.[11]

These conditions in persistent poverty counties take a toll on the mental health of local people. Sixty of the 100 counties with the highest number of mentally unhealthy days reported over the last month were persistent poverty counties and half of the counties with the highest rates of drug overdose deaths were in persistent poverty counties. While it's critical to take the long view and address the long-term social and economic drivers of health and wellbeing, communities in persistent poverty are also left wrestling with the challenge of addressing acute needs through healthcare and social services. In the process of building out the community infrastructure to provide healthcare and safe drinking water, the delivery mechanisms – rural hospitals and clinics also serve as anchors in the local economy often serving as the largest employers.

CDFIs directly address community infrastructure needs through the creative financing of hospitals, health care centers and mental health clinics. CDFIs also leverage public programs to improve access to basic needs such as safe drinking water. In the process, the projects address immediate needs in a community while also supporting projects that provide a vital source of stable employment in persistent poverty communities.

Eighty-one percent (81%) of persistent poverty counties are in the bottom quartile of counties in terms of health outcomes.

Communities Unlimited supports intrastructure projects like this line extention in the field.

Building the Addiction Recovery Infrastructure in Central Appalachia

Fahe fights back against the Opioid epidemic by utilizing their deep roots in the region and their ability to connect outside investment to boots-on-ground leaders across Appalachia.

Decades of systemic poverty have taken a toll on Appalachia, leading to decreased access to education, healthcare, and quality housing stock. In Central Appalachia, household income is just 62.5% of the national average. With increased poverty comes an increase in negative coping mechanisms such as drug and alcohol abuse and social isolation. Now, Appalachia is facing a drug crisis of massive proportion. Appalachian men ages 25 to 44 experience a 72% higher overdose mortality rate compared to men in other parts of the country. For Appalachian women ages 25 to 34, the rate is 92% higher. West Virginia and Kentucky were rated 1st and 3rd respectively in the nation for overdose deaths. Beyond the health effects, the high overdose rates, also strain local economies as individuals drop out of the workforce.

Fahe, a membership organization of a network of 50+ nonprofits across six states in Central Appalachia, works to build resilient communities through multi-tiered commitments to housing, education, health and well-being, economic opportunity, and well-resourced leadership. Fahe provides access to affordable short- and long-term loans for community development projects.

Given the opioid crisis facing Appalachia, the network is fighting back by utilizing its deep collaborative roots in the region and its ability to connect outside investment to boots-on-the ground leaders. Since the inception of Kentucky Recovery, Fahe has helped secure funding for four new recovery centers, resulting in 500 beds and generating $43 million in savings for the state. Fahe also leads the Recovery Taskforce, which works to identify and develop value chains to support revenue generation to make recovery models sustainable and coordinate recovery efforts in Kentucky. The Taskforce has been successful in facilitating non-partisan collaboration with a range of stakeholders including political leaders and experts in health, housing, transportation, and criminal justice.

Fahe has also partnered to advance groundbreaking workforce development, facility construction and support service programs in the region around the recovery needs associated with drug use. In partnership with the Appalachia Regional Commission, Fahe launched the Transformational Employment Program to reintegrate people recovering from addiction into the workforce. Through the $1 million program, Fahe is providing paid internships for people in addiction recovery and placing the individuals in employment opportunities in six coal-impacted counties. The program is designed to lift the stigma many employers have about people going through recovery. Fahe is also serving as the program administrator for the Kentucky Access to Recovery Program, which provides access to transportation, housing and other services for people in recovery or post-recovery. The program is supported by a $3.7 million grant from the Substance Abuse and Mental Health Services Administration.

Recognizing the need for additional facilities to meet the needs of people in addiction recovery, Fahe is also working with the Fletcher Group to implement the Recovery, Hope, Opportunity, and Resiliency Program, which will expand access to recovery through the construction of new facilities. In the short term, over 3,000 people benefit from partnerships Fahe has established to support the delivery of recovery services. In the long term, Fahe's involvement in project delivery ensures that at least four of the recovery centers will provide services for hundreds of vulnerable people each year for at least the next 15 years.

Clean Drinking Water Program Expands to Schools and Tribes across California - Central Valley, CA

In parts of rural California where the basic right to safe drinking water is out of reach, particulary for mamy Latinx and tribal communities, RCAC's Agua4All installed 362 water bottle filling stations.

More than a million Californians lack access to safe drinking water, a startling statistic in a state with the fifth largest economy in the world. For these Californians—of which one in three is Hispanic—the only alternatives to unsafe water are expensive bottled water or sugary drinks. Research has shown that some low-income families spend more than 10 percent of their earnings on such beverages.

This is a serious public health concern, particularly in California's rural communities where infrastructure and financial resources are limited. Moreover, contaminants such as arsenic can cause cancer, thyroid disorders and other serious health problems. Children are at particular risk for health problems that stem from not drinking enough water.

To address the challege, RCAC launched Agua4All, a pilot project in partnership with The California Endowment in 2014. The idea was simple: install water bottle filling stations where they are most needed, such as in schools and community centers, and include water treatment where necessary. Today, there are 362 units throughout rural California. A crucial aspect to the program, too, was building public-private partnerships to expand access and encourage water consumption. Public/Private partnerships are collaborations between public entities and private companies to provide additional services. In this case, RCAC is partnering with foundations, public utilities, public schools, and private partners including fountain manufacturers Acorn and Elkay, bottle companies like Nalgene, and filter manufacturers to provide the products to the school locations at a steep discount.

Since the program's pilot, success has been noticeable. In 2016, two years after the program was initiated in the Eastern Coachella Valley and Kern County, more children were drinking water (for example, at the Saul Martinez Elementary school in Mecca, the number of ounces of water consumed per student per day more than doubled and, in some cases, more than tripled once the filling stations were installed).

This year, the program expanded to other rural and tribal communities in California. Much of this is due to the work RCAC did with other drinking water advocates to secure state budget funds dedicated to improving access to clean drinking water in California schools via the Drinking Water for Schools Program. RCAC is the technical assistance provider for the grant program, which includes identifying solutions to improve access to clean drinking water; assessing water contamination levels; preparing funding applications; evaluating access at schools; coordinating communication between school and water boards; and organizing school outreach programs. RCAC staff are now working with more than a dozen Tribes across 74 schools in 32 school districts in 17 counties, increasing access to clean drinking water.

Access to clean drinking water is not only critical to public health and a basic human right, it is also a fundamental building block for the development of regional economies. Places without clean drinking water will be marked by outmigration and remain low priorities for regional development stunting growth and potential. By engaging in the efforts to direct state funds towards solutions in communities in need of clean drinking water and leveraging its CDFI capacity, RCAC supported the development of necessary infrastructure to foster economic opportunity and overall well-being.

Through RCAC intrastructure development, rural communities in the West now have access to safe drinking water.

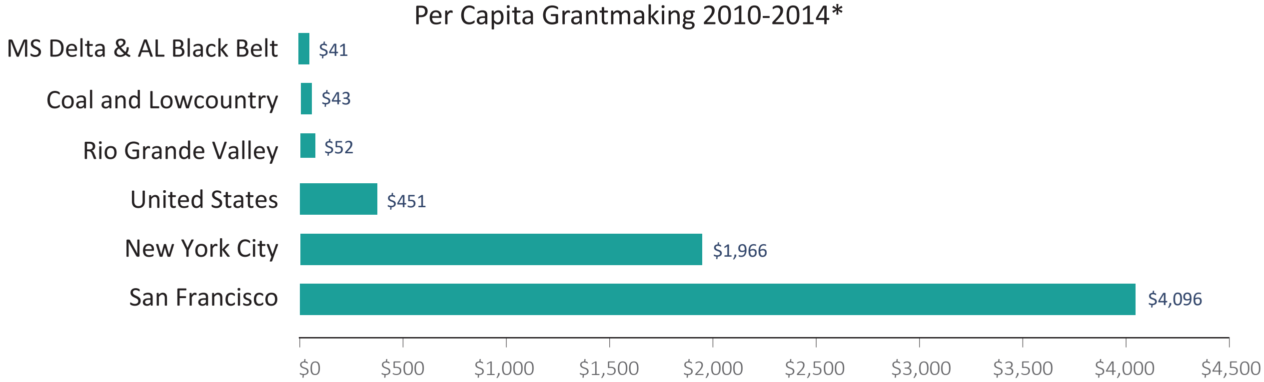
Structural Inequities in Investment: A Powerful Driver of Persistent Poverty

In places of great need, financial capital serves as a critical intervention. Small business loan programs create jobs to address unemployment and poverty. Affordable housing programs offer opportunities for individuals and families to build assets through home purchase. When available, capital increases access to financial services that establish credit pathways and savings. Infrastructure development provides clean drinking water. Collectively, these strategies create wealth that stays in communities and address critical drivers of social, economic and health opportunity in persistent poverty places. Despite high levels of ongoing need, however, and organizations with demonstrated track records to address it, regions with large concentrations of persistent poverty routinely experience underinvestment in strategies to promote community and economic development. This section looks at philanthropic, bank and federal investment gaps in rural and persistent poverty regions.

Philanthropic Investment Scarce in Persistent Poverty Areas Compared to Cities and the Nation Overall
An analysis by the National Committee on Responsive Philanthropy and Grant makers for Southern Progress found per capita grant making in the Mississippi Delta/Alabama Black Belt, Appalachia Coal and South Carolina Low Country, and the Rio Grande Valley to be among the lowest in the country.[12] From 2010-2014, grant making in those regions was around $50 per person, while it ranged between about $2,000 to over $4,000 per person in New York City and San Francisco (Chart 2).[13] In Indian Country, giving gaps are even worse. In the fourteen years leading up to 2016, only 0.4 percent of total annual grant making went to places where Native Americans live or Native initiatives.[14]

Chart 2.

Per Capita Grantmaking 2010-2014*



SOURCE: National Committee for Responsive Philanthropy and Grantmakers for Southern Progress. As the South Grows. 2016 – 2017.
*Analysis for Native Communities was not available in this format.

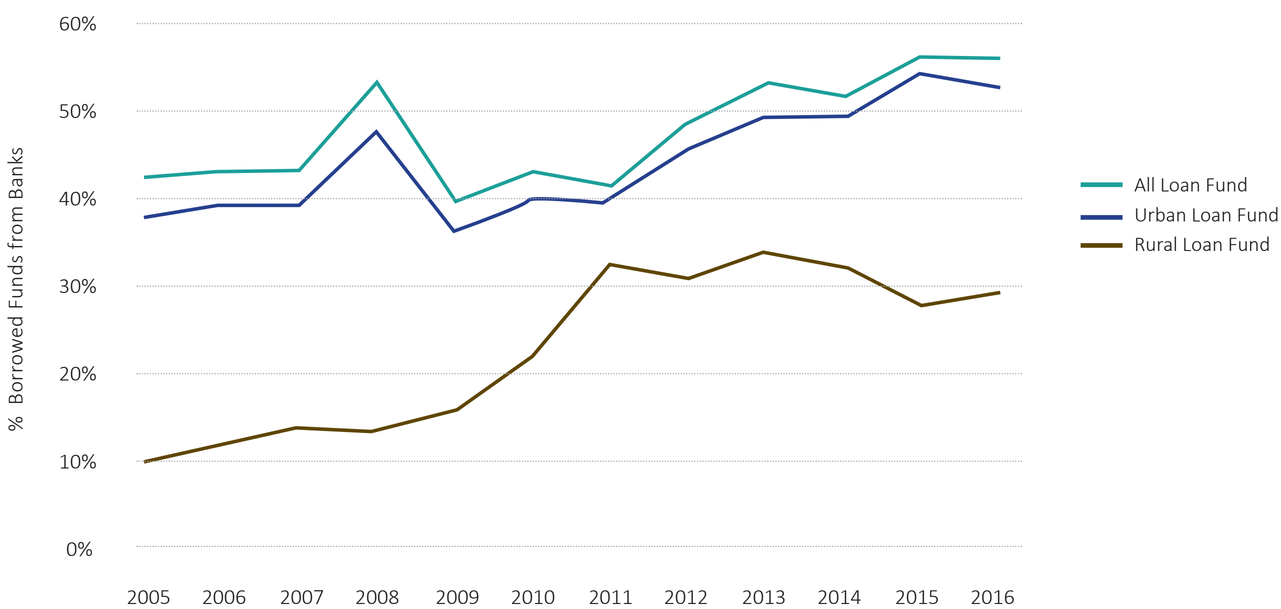
Bank Investment Limited in Persistent Poverty Areas
The banking sector is a critical community development investor. Banks invest in communities directly through the physical placement of branches and the associated deployment of financial services. The National Community Reinvestment Coalition and others have documented the benefits of having a bank branch in a rural community, including increased rates of small business lending and decreased poverty. Simply put, the presence of bank branches catalyze investment, and in their absence there is less lending.[15]

The presence of a bank branch, particularly of a large bank, provides an opportunity for community development investment through the Community Reinvestment Act (CRA), which requires banks to lend, invest and provide services in assessment areas defined by the physical locations of bank branches. CRA is a critical motivator for bank / CDFI partnerships and serves as an impetus for funding CDFIs to expand access to capital to people and places beyond the boundaries of a bank's business model. In the absence of bank investment, particularly into CDFIs, the ability to position people to start a small business, purchase a home or to begin building one's credit is limited. As limits are placed on access to mobility enhancing opportunities for individuals, the ability of CDFIs to work with other institutions to improve regional economies is also constricted.

Unfortunately, rural persistent poverty communities are not targets for bank branch location and, in fact, are frequently casualties of optimization strategies resulting in branch closures. The Housing Assistance Council reports that three out of four counties that lost at least 10% of a county's branches are in rural areas.[16] In the Central Valley of California, bank branches have closed at twice the rate of the state overall.[17] Where branches do exist, the they are often associated with small banks. Three out of four small banks are located in rural areas or small towns.[18] Small banks have neither the resources nor the regulatory requirements to engage in sizeable community reinvestment activities. CRA requirements are, thus, limited and the banks' community development focus frequently occurs where business is vibrant in the more populous urban / suburban communities.[19]

Evidence of the underinvestment gap is present in analysis of investment into rural vs. urban loan funds conducted by the Opportunity Finance Network (Chart 3).

Chart 3. Percentage of Borrowed Funds From Banks: Opportunity Finance Network Member Loan Funds, 2005-2017



SOURCE: Bank Investment Falls Short in Rural Areas. Opportunity Finance Network. February 2019.

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.[20] To the extent that persistent poverty counties are predominantly rural, Chart 3 serves as a useful proxy to measure underinvestment by banks in persistent poverty areas.

Federal Community Development Investment Lags Urban Areas

Several years ago, the W.K. Kellogg Foundation commissioned a study to examine trends in funding for community development, and found that from 1994-2001 the federal government invested twice as much, per capita, on community development in metropolitan areas than in rural areas. The report pointed to a lack of prioritization from Congress – regardless of which party controlled the branch of government – as a key reason for the gap.[21] In 2010, analysis of data published by the Economic Research Service showed, total federal spending in urban counties exceeded spending in rural counties by $683 per person.[22] Of note, the calculation included income security payments, which are typically higher in rural areas due to an aging population that receives social security, disability and medical benefits. Spending on community resources that fund small business and community facility development in rural areas significantly lagged urban communities.

Philanthropic giving, bank investment and federal spending each play a unique and critical role in supporting community and economic development and regional innovation. When all three are present, sustained investment made in partnership with CDFIs located in, and serving, persistent poverty areas has not only grown social and economic opportunity across regions, but has contributed to the health and well-being of individuals and communities. More investment is needed to reach more people in places that need it most.

Call to Action

For decades, CDFIs in some of the most economically distressed regions of the country have been meeting the needs of local communities to address the challenges associated with persistent poverty. We've figured out what works, and it's time to take it to the next level. From the development of entrepreneurs to the expansion of quality affordable housing; from increased access to financial services to more readily accessible, drinking water, CDFIs leverage the power of finance to import capital into communities and regions that otherwise suffer from disinvestment, build human capacity to strengthen local economies and facilitate the assumption of agency and power of local people to determine their own desired destiny.

To this end, we propose the following recommendations to create conditions that advance social and economic opportunity in our nation's most distressed communities.

Balance Philanthropy's Impact In Persistent Poverty Areas with other Parts of the Nation

Create a $1 billion Persistent Opportunity Fund

Philanthropic investment in persistent poverty communities and regions with high concentrations of persistent poverty remains woefully shy of the levels of investment nationally and in our country's city centers. To address the inequity in funding and move towards scale, philanthropic organizations should collectively commit to and create a $1 billion Persistent Opportunity Fund to provide a mix of equity, debt and operating support to CDFIs located in, working in and with long track records of success serving people, businesses and communities in regions of concentrated persistent poverty. Funds should be used to support CDFIs in the deployment of capital to finance small business development, quality, affordable housing, increased access to financial services and community infrastructure. Importantly, the fund should prioritize providing the last mile of financing needed for projects otherwise stalled or not started due to existing capital gaps.

Increased Investment from National Community Development Intermediaries

National community development intermediaries should explicitly expand their commitment and deepen financial and human capital investments to deepen the capacity and impact of CDFIs and community development organizations located in regions of persistent poverty. Those with a long history of investment in local organizations and persistent poverty places such as NeighborWorks, LISC, Housing Assistance Council, Opportunity Finance Network and Enterprise should lead the way.

Expand Persistent Poverty Bank Lending and Community Development Investment

Rural, persistent poverty areas do not rise to the top of the priority list for bank investment – particularly among the nation's largest banks. One of the tools to facilitate increased bank investment in persistent poverty areas is the Community Reinvestment Act (CRA). Unfortunately, many rural places exist beyond the reach of CRA. The following recommendations would expand bank investment.

Modernize CRA to require and incentivize persistent poverty investments

Large banks over $1 billion are required to service branches, and lend and invest in low- and moderate-income communities where their branches exist. These communities comprise the banks' CRA assessment areas for regulatory purposes. However, many large banks with the most resources to reinvest do not have branches in rural persistent poverty areas and therefore do not have a requirement to advance community reinvestment in those areas. At the same time, large bank lending and deposit capture activity still occurs in those communities. To address the mismatch, CRA investment requirements should be increased and the definition of CRA assessment areas should be expanded to include rural persistent poverty places where banks lend and take deposits from consumers.

Given the challenges facing persistent poverty areas and the structural inequity of stark funding gaps fostered by banks, philanthropy and the federal government, deep, meaningful investments made with a sense of urgency are needed to create opportunity for both people and place.

Create incentives for bank investment into CDFIs
The Opportunity Finance Network, the trade association for CDFIs, reports over $65 billion in financing since the organization was founded.[23] Bank investment has been a critical driver of CDFI success, though less so in rural areas. To expand economic opportunity in persistent poverty areas, CRA incentives should be created to make equity and debt available for CDFIs located in and with long track records of serving rural persistent poverty regions. Such incentives could take the form of favorable treatment of such investments by banks when undergoing the CRA examination by the bank regulator.

Increase and Prioritize Federal Investment in Persistent Poverty Places
Federal investment in rural community development has long lagged similar investments in urban areas. To address the gaps, efforts should be undertaken to raise the priority of rural community development in persistent poverty places in the federal appropriations process and by updating income eligibility formulas that direct funding to economically distressed communities. In response, federal appropriations of discretionary community development dollars should prioritize persistent poverty areas.

Establish floors for federal discretionary spending of at least 10% in persistent poverty areas
One option to establish a floor on discretionary spending could include the designation of 10% of all designated federal discretionary dollars for specified community development programs to be directed towards counties and census tracts where at least 20% of the population has been living in poverty for 30 years in a row. Groundwork for support of such a plan has been laid by adoption of such standards in US Treasury CDFI Fund and Agriculture appropriations over the last few years because both agencies have programs already in place to facilitate rural community development investment in persistent poverty areas. By setting a floor for discretionary spending, the plan ensures that communities most in need will be not be left out of the appropriations process.

Rectify inequitable income eligibility criterion so that rural communities can better participate in community development programs
Many federal programs base eligibility on Area Median Incomes (AMI). The AMI system takes the incomes of families in a county, averages them, and then bases eligibility for federal programs on fractions of that average income: 80% for low-income programs, 50% for very low-income programs, and 30% for extremely low-income programs. While this program works well in cities with a range of incomes, in communities where economies and housing markets are inefficient and where more than 20% of the residents live in poverty, the "average income" is often depressed. As a result, rural people in need of development solutions often find themselves not eligible to participate in these programs, even though the programs are intended for them. The HOME program which supports homeownership, is one example of such a case.

In a major metropolitan area like Washington, D.C. with a high AMI, the fractional calculations set income limits with a wide range (Table 1). In places like Perry County, Kentucky, however, the income limit range is very narrow. Notably, the difference between incomes in an average family and a low income family in Perry County is only $4,450 per year in contrast to Washington DC where the difference is nearly ten times as large at $43,700.

Table 1. **Example of Income Eligibility Gaps between Rural and Urban Communities**

	Perry County, KY	Washington, DC
AMI for community	$45,400	$121,300
Low Income	$40,950	$77,600
Very Low Income	$25,600	$60,650
Extremely Low Income	$25,600	$36,400
Difference between "average family" income and "low income" limit	$4,450	$43,700

The gap could be closed by using the Area Median Income for all nonmetropolitan areas in the country as an option to determine income limits in addition to the Area Median Income for the state in which a nonmetro county is located.

Advance a Persistent Poverty Research Agenda

Robust and accessible research and data lays the foundation for informed policy solutions. The following research would deepen shared analysis and understanding of the challenges facing persistent poverty communities and amplify priority policy and financing solutions.

CRA assessment area mapping of the United States

Several years ago, the Federal Reserve Bank of Atlanta created a mapping tool to illustrate the network of branches for the twenty largest banks in the Southeast region. The tool provides a compelling visual that where CRA gaps may exist and makes the case for policy changes that would increase bank investment in the region. A similar analysis covering the various regions of the country would provide a comprehensive overview of the CRA assessment area gaps in persistent poverty areas nationwide – bolstering the case for the expansion of assessment areas and incentives to invest.

Measurement of the capital gap

One of the primary tools that CDFIs have to address the racial wealth gap and inequitable access to financing at the community level includes increased access to capital to support small business starts and expansions. Unfortunately, when it comes to quantifying the supply and demand for capital, particularly at smaller units of geography, the data do not exist. This part of the research plan would flesh out the size of the gaps and lift up solutions for closing gaps.

Development of housing quality indicators

Anecdotally, the housing stock for owners and renters in rural communities is poor. Yet, beyond Census data that measure access to plumbing and the presence or absence of a complete kitchen, data to measure housing quality are limited. Building on the measure of utility cost burdens outlined in this paper, the indicator could be further developed to control for competing explanations and tested in other regions of the country to gauge the housing quality issues in persistent poverty rural America.

Development of a shared impact measurement framework

CDFIs working in persistent poverty areas would work together to identify the most appropriate set of quantitative and qualitative data to most effectively measure and communicate the impacts of our leadership development, technical assistance and community development finance work on community conditions in our regions, and on social, economic and health impacts. Once in place, the framework would be used to align our work, and document and communicate the impact of our work changing systems and conditions in our regions putting into context the broader strategy and impact.

Fahe Member Knox County Habitat for Humanity hosted a Blitz Build where homeowners and the community came together to build 6 homes in 7 days.

Fahe Member Kentucky River Foothills Development Council, Inc. (KRFDC) celebrates the groundbreaking of their 100th home with homeowner Shay Powell.

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