

Record of Meeting  
Community Advisory Council and the Board of Governors  
Thursday, May 13, 2021

**Overview**

As the U.S. Department of the Treasury noted recently, “The current public health crisis and resulting economic crisis have devastated the health and economic well-being of millions of Americans. From big cities to small towns, Americans—particularly people of color, immigrants, and low-wage workers—are facing a deep economic crisis. More than 9.5 million workers have lost their jobs in the wake of the pandemic, with 4 million out of work for half a year or longer.”<sup>1</sup>

The Council remains most concerned about the unequal impacts of the pandemic on the nation’s vulnerable populations. Both the public health crisis and the economic downturn have taken the largest toll on communities of color, rural places that were already in decline, women, and many small businesses, in particular those with limited or nonexistent banking relationships. The American Rescue Plan and infrastructure bill both contain important elements that address housing, childcare and eldercare, schools and community colleges, assistance for displaced workers, veterans’ needs, broadband infrastructure, and expanded access to health care, among others. While semantics around the word “infrastructure” and partisan opposition to higher spending and taxes remain roadblocks, we agree wholeheartedly with the more expansive definition of the word, and hope that few if any compromises will impact the bill. We echo Treasury Secretary Janet Yellen’s sentiment that it is time to “go big,” as we see this as the only hope for a more inclusive recovery.

We recognize that the Federal Reserve, the Treasury, and federal agencies responded to the needs of some of the most vulnerable in thoughtful, innovative, and timely ways. We commend the Chair, the governors, and the 12 Federal Reserve Banks for their consistent messaging, innovative lending facilities, quick turnaround on research, and ability to provide community development support. There is growing optimism that we have a once-in-a-lifetime opportunity to address inequality experienced by the most vulnerable. But we also need to be cautious that as funding flows into individual communities, many local governments, social services agencies, and nonprofits are not overwhelmed with the complexities of need among vulnerable populations. We hope to see flexible, creative, innovative, non-partisan, and accountable best practices emerge and shared as we rebuild infrastructure and the economy in a way that the most vulnerable can thrive and care for their families and communities.

- 1. *Current Market Conditions:*** *What is the Council’s view of the current condition of, and the outlook for, loan markets and financial markets generally? Has the Council observed any notable developments since its last meeting for loans in such categories as (a) small business (b) home mortgage, (c) multifamily and affordable housing, and (d) consumers? Do Council members see economic developments in their regions that may not be apparent from the reported data or that may be early indications of trends that may not yet have become apparent in aggregated data?*

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<sup>1</sup> See “Fact Sheet: The American Rescue Plan Will Deliver Immediate Economic Relief to Families,” <https://home.treasury.gov/news/featured-stories/fact-sheet-the-american-rescue-plan-will-deliver-immediate-economic-relief-to-families>.

In Pennsylvania, there is continued need for flexible recovery funds, in particular to shore up the hospitality and retail sectors until they can fully reopen. The state has filled part of this need. Some businesses that were less affected by the pandemic, such as construction and light manufacturing, are seeking financing for expansion or other purposes. With Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding given to the Pennsylvania CDFI Network, Community First Fund (PA) has helped 17 smaller community development financial institutions (CDFIs) get through the past year with \$25 million in grants to shore up balance sheets and loss reserves. It has also provided grants averaging \$17,000 to 11,000 small businesses to cover pandemic-related expenses. Per data from the Beech Companies, an economic development cooperative, about its member network of 594 Black-owned businesses, about 8 percent were lost to the pandemic, far fewer than anticipated a year ago, a result attributed to CARES Act and other policy interventions. In Philadelphia, there is high demand among low- and moderate-income (LMI) populations for mortgage financing. Like many larger markets, Philadelphia is experiencing a surge of housing investor interest as firms and individuals with liquidity look to buy up property in LMI markets and create higher-priced rentals. The city government is concerned about displacement of current residents. A similar trend is taking place in the city's commercial property markets.

In South Dakota, Indian Country faces a deep shortage of commercial space in combination with constrained credit opportunities for small businesses or would-be entrepreneurs. Funding for the State Small Business Credit Initiative through the American Rescue Plan is a good example of tribal inclusion in federal policy interventions, whereas the Paycheck Protection Program (PPP) did not accommodate tribal areas well, according to the Center for Indian Country Development.<sup>2</sup> Oweesta, the nation's only Native CDFI intermediary, was able to address much of the shortfall, enabling over \$70 million in lending through its network of Native CDFIs. This resulted in the creation of 54 new businesses and 413 new jobs as well as preservation of over 4,800 jobs. Oweesta noted that roughly \$41 million in needed credit was not funded, and it estimated needing more than double this amount to meet growing credit demand in 2021.

In Houston, small businesses in general are reporting improved results over the last few quarters, particularly grocers and automotive-focused businesses. Travel and hospitality businesses are reporting more recent improvement, with restaurants struggling to maintain adequate staffing. The most recent stimulus appears to still be having an effect on the population of those actively seeking work. Similarly, in El Paso, though on a smaller scale, modifications to the PPP that allow funds to flow through CDFIs have led to smaller borrowers with no or limited banking relationships obtaining loans of \$10,000 to \$90,000 from the El Paso Collaborative, a CDFI.

In Louisiana, whose economy largely depends on the tourism and hospitality industries, the turnaround for small businesses is moving at a slow pace, as many would-be visitors remain hesitant to travel. A high proportion of smaller businesses were unsuccessful in obtaining PPP loans, in some part due to limited or no banking relationships. In particular, smaller bars and restaurants cannot sustain at reduced capacity, and community development organizations and local policymakers are exploring opportunities for grants or other types of investment to keep more businesses afloat until they can fully reopen. While many residential landlords have vacancies, many are not accepting applications from Section 8 voucher holders. Smaller landlords looking for loans under \$1 million are having difficulty finding financing to rehabilitate their buildings. Burgeoning homeless populations can get some rental and housing relief

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<sup>2</sup> See <https://www.minneapolisfed.org/article/2020/paycheck-protection-program-leaves-some-businesses-in-tribal-areas-behind>.

through the Federal Emergency Management Agency's Individuals and Households program, but many are not aware of this resource.

### **Access to Credit for Women- and Minority-Owned Businesses**

A recent report from the National Community Reinvestment Coalition (NCRC) describes some of the nuances women- and Black-owned businesses in the Washington, D.C., area—even those that have an established banking relationship—face in applying for credit, including a degree of confusion about the process for forgiveness of PPP loans.<sup>3</sup> These businesses were more successful in obtaining Economic Injury Disaster Loans (EIDLs). The degree and competence of local government support was a significant influence in these findings. NCRC recently released a national report exploring small business lending at the county level from 2012 to 2018.<sup>4</sup> Consolidation of the banking industry in this period was a factor; in areas within or near more vibrant local economies, larger banks and certain nonbank entities are filling the supply gap. The same is not true in many rural areas, where community banks and branches simply leave the market. Notably, nonbank entities are not subject to the Community Reinvestment Act (CRA), raising questions about credit terms for minority- and women-owned businesses.

### **Mortgage Forbearance and Credit Access**

Nationally, an estimated 2.7 million homeowners were on forbearance plans as of January 31, 2021, according to the Mortgage Bankers Association. Mortgage forbearance, foreclosure moratoriums, enhanced unemployment benefits, and stimulus payments have helped distressed homeowners remain in their homes. However, concerns remain about what will happen when moratoriums are lifted. At the end of 2020, the delinquency rate for mortgage loans was 6.73 percent overall, but the delinquency rates for Federal Housing Administration (FHA) loans reached a record high of 11.2 percent.<sup>5</sup> In addition, although mortgage credit availability has improved slightly over the last couple of months, mortgage credit markets are tight nationally, and LMI buyers face the highest hurdles.

## **2. *Housing Markets: How have house prices and rental rates changed since the October 2020 meeting? Have there been any new developments in housing activity for LMI communities in Council members' regions?***

The new housing market developments that Council members reported have been manageable for those in higher income levels who can absorb increased housing costs and are purchasing primary and second homes while interest rates are low, especially as telecommuting has taken hold. With escalating materials and construction costs, developers and investors are responding by building high-end products, but at the expense of affordable housing. Reversing this trend will likely require policy fixes that support rent and fee relief, mortgage forbearance, and eviction moratoria that meet the needs of both tenants and landlords as well as provide significant incentives for developers and banks to invest in affordable housing. As the work-from-home paradigm has taken hold, a few patterns common to many markets are emerging. All of these trends are working against increasing the supply of affordable housing.

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<sup>3</sup> See Dedrick Asante-Muhammad, Jared Ball, Jamie Buell, and Joshua Devine, *Black Entrepreneurship's Lethal Pre-Existing Condition: The Racial Wealth Divide During the COVID Crisis* (Washington: National Community Reinvestment Coalition, April 6, 2021).

<sup>4</sup> See Bruce C. Mitchell, Jason Richardson, and Zo Amani, *Relationships Matter: Small Business and Bank Branch Locations* (Washington: National Community Reinvestment Coalition, 2020).

<sup>5</sup> See <https://www.mba.org/2021-press-releases/february/mortgage-delinquencies-decrease-in-the-fourth-quarter-of-2020>.

**Shift in Housing Demand**

One is that the demand for second homes close to metro areas but away from city centers—semirural areas sometimes called “outer ring” markets—has accelerated significantly over the last year.<sup>6</sup> These areas are often more affordable for lower-income households—so-called “drive until you qualify” markets—but demand is forcing prices up, and these areas are seeing an influx of full-time remote workers. Redfin reports a 100 percent year-over-year increase in mortgages for second homes. Another emerging issue relates to rental housing. Eviction moratoria have driven a patchwork of outcomes depending on local city and state laws. This lack of coordination has led to confusion and anxiety, which is playing out in the courts.

**Supporting Affordable Rental Housing**

The federal eviction moratorium, which is currently facing legal challenges, should be supported by other federal agencies with responsibility, funding, and agency over housing issues. While the extension of the moratorium is welcomed, much uncertainty remains around who is eligible and how tenants will be protected and afforded the time to repay without stigma, discrimination, or losing their housing. Increasingly, the status quo is upending the lives of low-income households and contributing to a rise in housing insecurity despite the moratoria; the urgency for policymakers and even public perception may be limited given the widely held notion that evictions are universally on hold, which is not the case. Utah, for instance, has had an 11 percent rise in homelessness in the last year despite a generally strong state economy and a 2.9 percent unemployment rate.

The Council is concerned about underreported issues of access and support for LMI individuals and families to stay in affordable housing. Even though the national eviction moratorium was extended, it only applies to COVID-related issues such as job losses, layoffs, or COVID illness. Landlords can still evict for other reasons and charge late fees. The fees add up quickly, and families do not have the resources or income to respond to court proceedings related to fees and evictions. Penalty fees can be even more devastating because they often must be resolved in the courts. The process for applying for the various benefits is cumbersome and difficult to navigate. Compounding the issue is that LMI neighborhoods and families still lack adequate access to broadband; some face language barriers, and thus cannot negotiate with landlords or complete applications.

A third trend also relates to rental housing and displacement. As noted earlier, the precariousness of landlords—particularly smaller landlords—during extended rent payment suspension (though not forgiveness) has led to a degree of involuntary sales of rental property due to reduced rent receipts. Investors with cash have seized the opportunity, increasing rents and making traditionally affordable neighborhoods much more expensive. For instance, the state of Utah is short 60,000 affordable housing units overall. Salt Lake County, the most populous and diverse county, needs 28,000 extremely affordable units. Of the 119,000 renters in the county (approximately 10 percent of its population), 64 percent are low income. Units affordable to extremely low-income renters account for most of the shortage of affordable and available rental homes. There are only 40 units available for every 100 extremely low-income households.

The National Low-Income Housing Coalition (NLIHC) reports that no state in the country has an adequate supply of affordable housing. The most severe shortages—with fewer than 30 available units per 100 households seeking housing—are concentrated in the West, but include Oregon, California,

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<sup>6</sup> See Beckie Strum, “Second Homes Are Driving the U.S.’s Covid-19 Housing Boom,” *Barron’s*, November 20, 2020, <https://www.barrons.com/articles/second-homes-are-driving-the-u-s-s-covid-19-housing-boom-01605885642>.

Nevada, Arizona, Colorado, Texas, and Florida. Eighteen other states clustered in the northeast quadrant of the country (from Iowa to New Hampshire) have fewer than 40 per 100 households seeking housing.

### **Regional Perspectives**

In Michigan, both rental and for-sale housing markets are booming. Low interest rates have fueled demand for primary residences, but the demand for second homes is at least as high. Banks are reportedly having a difficult time meeting demand, as people performing appraisals and other support services (inspections, closings, etc.) are in limited supply. This trend is common to many markets around the country and began before the pandemic. Low rates fueled a doubling of refinances in 2019 versus 2018, per NCRC. The pandemic briefly interrupted activity, which picked up heavily in the second half of 2020. Similarly, in Houston, housing prices are high, and inventory is low. Mortgage lenders are having difficulty keeping pace with demand.

In South Dakota, the demand for homeownership in tribal areas has increased as COVID-19 has exacerbated the impacts of longstanding housing shortages. Tribal communities already faced large unmet demand for quality housing and relief from overcrowding before the pandemic, but social distancing and little access to personal protective equipment (PPE) in the face of COVID-19 has resulted in disproportionate impacts for many tribal populations. The Oweesta Corporation, a member intermediary of Native CDFIs across the country, noted that its affiliated CDFIs began offering new types of home loan products in response to unprecedented demand, and it recorded a 139 percent increase in housing-related lending among its members.

Salt Lake County has been able to direct much CARES Act money into rental relief, and there has been no alarming increase in evictions. However, there is a trend worth watching: landlords are converting yearly leases to month-to-month leases in light of any extended eviction moratoria. This gives landlords the flexibility not to renew leases or to raise rents, while renters face a lack of protection and stability that year-long leases would provide.

In southern Indiana, the Memorial Community Development Corporation (MCDC) initiated a 50-house development to build the supply of affordable housing and to prevent further gentrification of the center city. Funding was secured from the city of Evansville, corporate foundations, and private donors. The homes will be sold under a lease-purchase agreement or mortgaged by participating local banks. Some of the buyers currently live in MCDC's affordable housing complex and are transitioning to homeownership.

As is true in Council members' markets generally, housing markets in Iowa remain strong but there is a critical shortage of affordable housing. Home sales are up, and strong buyer demand has pushed up housing prices by 7 percent over the past six months, according to the Iowa Association of Realtors. More than 39 percent of renters and 16 percent of homeowners in the state are cost-burdened<sup>7</sup> and a national housing report shows that as many as 106,000 Iowans owe a combined total of \$114 million in back rent and an additional 185,000 owe \$36 million in past-due gas and electric bills. The Iowa Finance Authority reports that demand for rental assistance remains high. A recent Iowa Finance Authority study estimates that the state needs approximately 19,000 new affordable housing units over the next decade. The housing shortage is not limited to metro areas; rural areas are also experiencing housing shortages. While the state legislature is proposing a Housing bill that would increase support to the State Housing Trust Fund, increase funding for Housing Tax Credits, as well as establish a Disaster

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<sup>7</sup> Per HUD guidelines, cost-burdened households use more than 30 percent of gross income for housing.

Recovery Housing Assistance program, there is also a bill that would allow landlords to deny housing to people who use federal Section 8 housing vouchers to help pay their rent. Currently 19,842 LMI families are using Section 8 vouchers to help secure housing in the state.

In El Paso, for-sale homes prices are up 15 percent over a year ago and up 10 percent since October. There is virtually no inventory of for-sale homes in the El Paso region. As is true nationally, lumber and other home-building supply shortages are pushing both the cost of building and new home prices much higher. According to the CEO of Tropicana Homes, one of the largest local builders, sales have already exceeded sales for all of 2020, which was also a banner year for the builder. The firm has temporarily curtailed signing any advance contracts in order to reevaluate their costs and pricing, as both (finished product) demand and material costs are increasing so rapidly. With interest rates very low, we are seeing households with record levels of savings, allowing the typical buyer to absorb the price increases for the near term. As rates increase, there will be an even greater housing affordability gap between what the average El Paso buyer can afford and the price at which suppliers can deliver product.

In Ohio, much work is being done to stem evictions and foreclosures. The CDC eviction moratorium has been a safety net for many families over the past year. Unfortunately, the U.S. District Court for the Northern District of Ohio (with more possibly to follow) has ruled the CDC's eviction moratorium unlawful, stating that the CDC does not have the legal authority to impose a nationwide eviction moratorium. Housing advocates have pointed out that these rulings add even more confusion to a chaotic policy area. Despite the moratorium and even prior to the ruling, evictions have continued due to loopholes and opposing legal interpretations. This will impact those hit hardest by the pandemic disproportionately: LMI renters living in LMI communities. In Cincinnati, the hospital system, through a matching grant with the Robert Wood Johnson Foundation, has committed to providing resources to residents in two neighborhoods that are facing eviction or foreclosure.

**3. *Labor Markets:*** *How have the labor markets in which Council members operate changed since the October 2020 meeting? How have labor markets in the Council member communities responded to the economic recovery thus far?*

Iowa's unemployment rate has been low throughout the pandemic relative to the national average. In February, the state's unemployment rate fell to 3.6 percent (the eighth lowest in the country) compared to a national unemployment rate of 6.2 percent. However, the low rate does not factor in the large number of Iowans who have left the labor force. Since February 2020, Iowa's labor force has decreased by 103,000, per the U.S. Bureau of Labor Statistics. Iowa's labor force participation rate declined from 70 percent to 65.5 percent over the past year. This compares to a national labor force participation rate that declined from 63.3 percent to 61.4 percent. Part of this decline is due to the fact that many women left the labor force to meet childcare responsibilities. Also, many young people have been unable to join the labor force due to the pandemic. While there are some indications that people are re-entering the state's labor force, progress is slow, and it remains unknown how many will actually return to the workforce as recovery continues. There are increasing concerns of a possible labor shortage especially in some sectors of the economy as workers are reassessing the types of work they are willing to do. Many workers who lost their jobs during the pandemic, such as those working in restaurants and the travel industry, have sought jobs in other sectors. Other workers, such as those in health care, are switching to other types of work due to burnout and many in health care and education have decided to retire early. In Iowa, 48.3 percent of all industries are reporting a general lack of applicants for open jobs. Those

industrial sectors reporting the most difficulty in finding applicants include transportation and warehousing, construction, manufacturing, and accommodations and food.

In South Dakota, there has been a huge demand for workers, and it has the lowest unemployment rate in the country at 2.9 percent. The state staying open, combined with individuals practicing social distancing, resulted in many job vacancies, especially in the hospitality industry. Normally—outside of a pandemic—many tribal members seek these jobs, including seasonal jobs driven by the summer and hunting tourism seasons. A CICD analysis of Indian Country employment found that while tribal employment was among the hardest hit at the outset of the pandemic in 2020, there had been a substantial recovery by August 2020.<sup>8</sup>

In Michigan, it appears that for lower-wage workers there is a shift from “front of house” retail sales, food service, and hospitality to “back of house” warehouse, delivery, and logistics. Sentiment is that these may be longer term rather than temporary shifts, which may require a rethinking of job training programs, family support, and wage protections.<sup>9</sup> Organizations like Detroit at Work have pivoted their messaging to be information resources for the newly unemployed to be connected to employers and for employers seeking ways to safely reopen and navigate support programs. While Houston has recovered 35 percent of the jobs lost in total since the onset of the pandemic, and help-wanted postings are rapidly increasing, hospitality jobs are the most difficult to fill there as well.

In El Paso, while jobs in construction are plentiful, the informal economy that encompasses house cleaning, eldercare, and childcare has been hit hard by border restrictions. Lack of childcare, fear of infection, and slow school reopening continue to challenge women’s ability to remain in the workforce. Project Vida has lost employees who resigned voluntarily due to the stress of trying to work and care for a child at home, even when working from home is the norm. Many staff continue to report high stress levels when they have responsibilities to care for others in their home.

Echoing the tight labor supply in individual markets of Council members, the National Federation of Independent Businesses (NFIB), which has roughly 300,000 members, reports that 42 percent of its members were unable to fill all jobs in the most recent reporting period (month of March).<sup>10</sup> This survey result is 20 points higher than the average of 22 percent that NFIB has traditionally reported in its 48-year history. There are unprecedented job openings in all small businesses, but the hardest hit are travel, retail, hospitality, manufacturing, and transportation. The discrepancy in job openings in nearly all of small businesses represented by NFIB is in the lower-wage jobs. NFIB members recognize that these record job openings will take years to correct because of the underlying problems brought forth from the pandemic for low wage earners. The fallout is complex: individuals choose to stay out of the workplace because they have to balance their own health, especially exposure to COVID and lack of access to vaccines, with access to childcare and eldercare, children’s education, language barriers, transportation barriers, and the stress of daily life that falls on the primary wage earners in the home. Though it is a good time to enter the job market and get experience that might lead to upskilling, primary wage earners still must have access to affordable housing, childcare, health care, and education. Small business owners are raising compensation to attract employees, but they are competing with

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<sup>8</sup> See Donna Feir and Charles Golding, “Native Employment during COVID-19: Hit Hard in April but Starting to Rebound?,” Federal Reserve Bank of Minneapolis, August 5, 2020, <https://www.minneapolisfed.org/article/2020/native-employment-during-covid-19-hit-hard-in-april-but-starting-to-rebound>.

<sup>9</sup> See Adrienne Roberts, “Metro Detroit Economy: Report Shows Industries Hit Hardest by COVID-19,” *Detroit Free Press*, February 25, 2021, <https://www.freep.com/story/money/business/2021/02/25/detroit-economy-coronavirus/6807859002/>.

<sup>10</sup> See <https://www.nfib.com/content/press-release/economy/small-business-job-openings-hit-record-level-in-march/>.

larger companies that might offer higher wages and benefits. There is also still general chaos in the small business sector since there are no clear data yet on which businesses have closed permanently and what new businesses are opening.

**4. COVID-19 and a Sustained Recovery:** *In what ways has the Council observed measures to reopen local economies in a way that balances industries and communities? Are there industries which are lacking the components to ensure a sustained, long-term, recovery? What innovative strategies to improve economic outcomes have the Council observed in their communities as local economies reopen or remained closed?*

Efforts to sustain small businesses through grants and regulatory accommodations have been a vital component of setting the stage to re-establish the economy in many regions. Pennsylvania provided critical grants to small business owners that allowed them to retain staff and pay monthly rent, utilities and other key payments. The city and county of El Paso also offered small grants and loans to provide financial assistance to small businesses and to help encourage adaptations to reduce transmission risks by minor remodeling, installation of transparent barriers, and purchase of standing thermometers. Funds like these have been critical to supplement the PPP, which was more difficult to access for many microenterprises and small businesses in underserved communities. In addition, many municipalities have relaxed year-long restrictions for most hospitality businesses, including restaurants, event locations and bars. This year may bring a cautious but steady return to prior activity levels—as long as COVID case management continues and vaccinations increase.

Retail businesses have been reopening on a faster timeline than non-retail businesses in some markets. In Texas, many retailers have already adjusted their signs and requirements to making masks not required, or only suggested rather than required. Some food establishments and retailers continue to check customers' temperatures. Non-retail focused businesses seem to feel it is premature at this point and that waiting a few more months would be ideal. Some employers are telling workers that a return to normal is coming soon, while caution is still practiced to ensure that fewer contacts are the norm.

Local businesses and nonprofits are considering an ongoing hybrid employment model that continues to use the virtual tools developed and deployed during the height of the pandemic. Applicants for positions are asking about that possibility as well.

School districts in Ohio and many communities nationwide, especially those serving LMI or predominantly minority communities, seem to still struggle with multiple failed attempts at hybrid models, even amid a heavy push to get teachers and administrators vaccinated.

#### **Recovery in Indian Country**

Recovery programs for tribes have been cumbersome. Short- and long-term programs for tribal communities need to avoid administrative bottlenecks and excessive burdens on tribes, which are facing a number of processes to connect their populations with federal relief money. For example, while State Small Business Credit Initiatives can have a large long-term impact in Indian Country, tribes should not be set up for failure in administering the program.



Tribes across the U.S. have used check points at reservation borders to control the spread of COVID-19. This has created tension with state governments. Many tribes have enforced more strict social distancing policies than the surrounding state governments.<sup>11</sup>

While Farm Service Agency loan forgiveness is a step in the right direction, Indian Country agriculture needs more support for economic development, including local packing plants. Grocery prices soared during the pandemic, even for goods produced on reservations.

### **Nonprofit Sector**

The Biden Administration announced an infusion of \$5 billion for rental assistance, development of affordable housing, and other services to help people experiencing or on the verge of homelessness. This money will run through states, local governments, and a patchwork of community-based nonprofits. This is an opportune time to re-evaluate an industry that is fundamentally an outgrowth of an IRS tax code that was never meant to be the primary system to deliver social services; support the arts and humanities; fund prevention of domestic abuse and substance abuse; or provide affordable housing, health care, and other services.

The good news is that many of the nonprofit agencies were able to access the lifeline of PPP loan facilities during the first and second rounds, and the PPP funding was critical for them to maintain their level of services, as were increased philanthropic donations. However, there has been a sharp upward trend in need for services; uncertainty about funding; and disruptions in services for individuals who need wraparound, long-term care. Homeless services are probably one of the best examples to share about the complexity and human cost of serving individuals experiencing or on the verge of homelessness. Organizations serving individuals experiencing homelessness are reporting increasing need and a growing homeless population driven by migration, lack of affordable housing, and economic disruption.

Switchpoint Community Resource Center, located in St. George, Utah, is a good example of how a nonprofit needs sophisticated leadership; financial capacity; wraparound, long-term services; and entrepreneurial thinking to exist as a viable business. The agency covers three rural counties in southern Utah and represents the challenges of balancing metropolitan and rural needs by covering a three-county area, where county populations range from 180,000 to 7,700 residents. Switchpoint provides a community soup kitchen; emergency shelter; residential drug treatment; social detox services; and coordinated, wraparound case management to approximately 5,400 people in southern Utah with a \$5.5 million budget, of which 75 percent comes through donations. Since the pandemic, the agency has been able to utilize \$830,000 in PPP funding, which was critical in maintaining operations as they addressed increased demands for services and fundraising while implementing COVID protocols. The agency was able to quickly provide emergency housing for 500 homeless individuals who were COVID positive by purchasing abandoned hotels and converting them into shelters. The agency also had to absorb a migration of individuals from Los Angeles and Las Vegas who followed the Interstate 15 corridor to St. George, a gateway to a number of national parks and a vibrant retirement community. Individuals migrating into this area from large urban areas felt it was safer and better to be homeless in a small community rather than a large city, but local homeless services never anticipated being the intersection of such a migration.

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<sup>11</sup> See <https://www.kuer.org/health-science-environment/2021-03-12/navajo-nation-will-begin-to-reopen-based-on-high-vaccination-rate-and-falling-covid-19-cases>.

**Encouraging Vaccinations**

The resistance to vaccines will become a significant issue in resolving the pandemic. Business owners are encouraging employees to get vaccinated. Public- and private-sector agencies are deploying community health workers and using social media to counter the mistrust and fear surrounding the new technology used to create the vaccines. There are concerns that many minorities and rural residents will not get vaccinated, which will pose challenges for the safe reopening of businesses and ultimately could lead to more infections. It is difficult to project the final impact of either the fear or the methods being used to address it. Remaining uncertainty as to the effect of the viral variants also requires continued planning to reduce viral transmission in workplace and social events.

In the spring of 2021, Michigan has experienced the worst COVID case counts in the country, even with similar vaccination rates to surrounding states. This is prolonging the stay-at-home orders, with a six-month extension by the governor's office to not return to offices. This will have an impact on both office markets and the jobs related to office, hotel, and retail work. In Detroit specifically, vaccination rates are half the rate of the state at large and of the country. The city of Detroit is working with the state to address this disparity through a variety of means, which might be models for the rest of the country as the pool of willing and eager participants for vaccines gives way to those who are hard to reach or reluctant to get vaccinated.<sup>12</sup> This effort includes using new sites and neighborhood churches as vaccination locations and the ability for no-appointment, walk-up centers.

Programs in other regions have also seen success in encouraging vaccinations in underserved communities. The Memorial Community Development Corporation (MCDC) in Evansville, Indiana, partnered with a local hospital to reopen a clinic on the Memorial Church campus, which is adjacent to two apartment complexes and down the street from two others owned by MCDC and is located in a minority community. Through an additional partnership, the clinic was able to become a vaccine center. The number of vaccines in the community has increased by 30 percent because of these collaborations. The clinic is now setting up a trauma protocol because of the number of people who are accessing the health clinic with advanced health issues. MCDC is now working with other churches to assist them with repurposing their church space for health and food services to the community.

Universities are making decisions about whether to require vaccinations for students attending classes in the fall, which could have significant impacts on how local economies recover. This will be a big issue in education and also for large employers, and it might provide indications for the speed of economic recovery. We suggest that the Federal Reserve track outcomes comparing large employers that require vaccination and those that do not.

**Social Determinants of Health**

The pandemic surfaced destabilizing health and economic risks and deep-rooted systemic issues that required monetary, fiscal, public safety, and public health interventions. As we prepared our October 1, 2020, meeting minutes, we could only filter and interpret community impact through the frame of the social determinants of health (SDOH) and civil unrest triggered by the death of George Floyd. The Federal Reserve's "Racism and Economy" series demonstrated a quick response and united message about racism, and major corporations are following suit.

We would also recommend that SDOH continue to be incorporated into policy and best practices as a holistic and measurable way to respond to how the pandemic continues to disproportionately impact

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<sup>12</sup> See <https://www.michiganradio.org/post/detroit-ramps-efforts-boost-lagging-vaccination-rates>.

vulnerable communities. The Centers for Disease Control and Prevention (CDC) recognizes these determinants as economic stability, education, social and community context, health and health care, and neighborhood and built environment. If any one of the social determinants is compromised, families suffer in exponential ways. Before the pandemic, these determinants were often dealt with by a siloed and fragmented array of different federal, state, and local governments and nonprofit agencies with a focus on social services and health care. The CDC is providing guidance on incorporating research, policy, and best practices from the public health arena. Incorporating these interdependent social determinants in monetary and fiscal policy discussions can further provide guidance for local communities as they look for evidence-based, measurable, and replicable local solutions for their most at-risk communities.

**5. *Additional Matters:*** *Have any other matters affecting consumers and communities emerged from the work of the Council members that they want to present at this time?*

### **Challenges in Rural Communities**

While rural areas were less severely impacted by the 2008 financial crisis, recovery in rural America was much slower compared to urban America. Concerns of a similar pattern with respect to recovery after the pandemic are real. Rural areas have proven to be more vulnerable to the virus and its impacts, and thus recovery may be more fragile, slower, and require different policy strategies and programs to achieve a sustained recovery. Below are some issues/policy considerations that will contribute to building more resilient rural communities and a sustained recovery.

In Iowa, the pandemic initially took a toll on the agricultural economy, but the situation has since improved. In 2020, despite government assistance to offset trade and coronavirus losses, more Iowa farmers filed for bankruptcy than at any time in the past 10 years, even as farm bankruptcies fell in other markets.<sup>13</sup> More recently, markets have stabilized, and demand and commodity prices are up, creating a more positive outlook.

The pandemic has also negatively impacted the stability of the rural health safety net.<sup>14</sup> While initially the spread of the COVID-19 virus was more rapid and dominated metropolitan areas with large urban populations, since January (2021) the prevalence of cumulative COVID cases is now greater in rural areas—8,320 cases per 100,000 nonmetro population compared to 7,903 cases per 100,000 metro population.<sup>15</sup> Recent reports have identified how the COVID crisis has affected rural hospitals.

Nationally, 19 rural hospitals closed in 2020, and close to half of U.S. rural hospitals are operating in the red, with at least 450 facilities at risk of closing their doors. These hospitals are important infrastructure, providing critical services to residents in rural communities. While many of these hospitals were able to secure federal stimulus funds, 40 percent to 50 percent of the funds received have not been spent due to the restrictions on how the funds can be spent. Allowing hospitals to keep and spend the funds they received from the federal government would be a positive policy change to aid in stabilizing the financial situation of rural hospitals and the communities they serve.

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<sup>13</sup> Donnelle Eller, "Iowa Farm Bankruptcies Climb to 10-Year High, Even with \$2 Billion in Government Aid," *Des Moines Register*, February 18, 2021, <https://www.desmoinesregister.com/story/money/agriculture/2021/02/18/2020-iowa-farm-bankruptcies-increase-despite-billions-government-aid/4173501001/>.

<sup>14</sup> Michael Topchik et al., *Crises Collide: The COVID-19 Pandemic and the Stability of the Rural Health Safety Net* (Atlanta: The Chartis Group, February 2021), <https://www.chartis.com/resources/files/Crises-Collide-Rural-Health-Safety-Net-Report-Feb-2021.pdf>.

<sup>15</sup> U.S. Department of Agriculture, Economic Research Service, "The COVID-19 Pandemic and Rural America," web page (last updated May 13, 2021), <https://www.ers.usda.gov/covid-19/rural-america/>.

**Broadband Access**

Many parts of rural and urban America lack reliable and affordable broadband access. This pandemic has demonstrated that broadband access is vital for businesses to connect with markets and customers, for access to education, and for telehealth services. Affordable, universal broadband access should be a policy priority to help ensure a sustained recovery throughout rural America, contribute positively to quality of life, and allow rural areas to compete with metro areas.

Broadband access was a challenge for many of the center-city families in Evansville. In response, the MCDC partnered with the local school system to develop a broadband site that allowed families to park in the parking lot or come into the church to assist the young people in getting their virtual school work completed. MCDC also started a tutoring program called SWAG (Students Working To Achieve Greatness) to provide tutoring services. Many of the high school students are now engaged in MCDC's youth employment program.

**Medicine and Telehealth**

The pandemic has created business innovations that have filled some crucial gaps in health care. Limitations on elective surgeries, inpatient visitor restrictions, and ambulatory appointment modifications all affected the industry but promoted the safety of community. Though the industry continues to operate at limited in-person capacities, innovations in telehealth have increased dramatically and appear to be an emerging, long-term industry standard (some systems report a more than 500 percent increase in the use of virtual visits).

This trend is being spurred by the pandemic, which has resulted in the removal of some burdensome regulations, but the financial market opportunities in health care should not be overlooked. In particular, the Centers for Medicare & Medicaid Services has dramatically expanded coverage and reimbursement of telehealth services through the CARES Act.

Health care remains in transition as both federal and state rules regarding telehealth remain under pandemic emergency guidelines. Meanwhile, Texas legislators are considering which rules to keep permanently. Telehealth for psychiatry was already in broad use, while primary care was not. Oral health visits—which enable a dentist to survey a patient via intra-oral camera use without being physically present—have remained unallowable in Texas during the pandemic, but such visits are now under consideration.

**Bank Branch Access**

In 2020, banks closed 3,324 branches and opened only 1,040.<sup>16</sup> Banks have been closing branches for years, and the number of closures hit a record last year as more customers shifted to online banking. Poor communities in urban areas, rural communities and areas with high concentrations of residents of color have been hit the hardest. The closures will contribute to an increasing number of bank deserts in which communities do not have access to financial services, which creates a drag on local businesses and makes it harder for the unbanked to enter the banking system. One way to support communities' recovery from the financial impact of the pandemic and to help small businesses is by providing access

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<sup>16</sup> Mahum Tofiq and Fatima Aitizaz, "U.S. Banks Close 356 Branches, Open 90 in December 2020," S&P Global Market Intelligence (website), January 14, 2021, <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/us-banks-close-356-branches-open-90-in-december-2020-62037833#:~:text=U.S.%20banks%20and%20thrifts%20opened%2090%20branches%20and,83%2C991%20active%20branches%20as%20of%20Dec.%2031%2C%202020>.

to credit by keeping bank branches open and operating. The relationships between bank branches and small businesses are crucial to putting people back to work and to businesses' economic recovery.

### **Racial Wealth Gap**

Numerous reports have outlined the dimensions of the racial wealth gap in the United States. More recent reports put a number to the lost gross domestic product (GDP) of the gaping disparity. The average wealth of a Black family is approximately \$17,000, as compared to \$171,000 for a White family, and these disparities have an overall cost to the economy of \$16 trillion since 2000.<sup>17</sup> This measurement should inform policy and be incorporated into analyses of the wider economy in order to provide a more accurate economic snapshot and to quantify the ways this gap is exacerbated by specific policies. For example, lower interest rates, or the deductibility of mortgage interest, might increase racial wealth gaps because Black families rely more on savings than investments and have lower rates of homeownership. These disparities might also be exacerbated by the ways that pandemic relief is allocated, especially when applications are tied to existing banking or other financial institution relationships.

Racial disparities also manifest in disparate health outcomes and uneven recovery from the pandemic. With a reduced ability to tap savings or family networks, communities of color will be disproportionately affected when eviction moratoria end. We have seen this also manifest in vaccination rates as those with access to broadband, information networks and education, all things tied to greater wealth, are receiving vaccinations at a higher rate.<sup>18</sup>

We would like to applaud the San Francisco Fed for highlighting the impact of racial inequality on GDP and overall economic health. On a positive note, research has revealed that investment by African American millennials has increased substantially during the pandemic, as has homeownership in this cohort.<sup>19</sup>

### **Immigration**

Immigration has re-emerged as a front-line issue. The influx of unaccompanied minors has led to the misperception that the southern border is open, while in fact, it remains highly restricted by both sides. Very small numbers of families seeking asylum are being admitted to pursue their cases, and the system can handle those numbers easily. However, the crisis of dealing with unaccompanied minors is overwhelming a system that is no longer set up to engage the nonprofits and civic systems that were previously available, and the added requirements of dealing with minors brings complexity to any resolution. The anticipation of community impact is high in El Paso, where large numbers of minors are expected to be housed at Ft. Bliss. Both county and city officials have expressed concern and a willingness to collaborate, but they need information and access to planning procedures.

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<sup>17</sup> See Kriston McIntosh, Emily Moss, Ryan Nunn, and Jay Shambaugh, "Examining the Black-White Wealth Gap," *Up Front*, February 27, 2020, <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>; and Dana M. Peterson and Catherine L. Mann, "Closing the Racial Inequality Gaps," *Citi GPS: Global Perspectives & Solutions*, September 2020, <https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/>.

<sup>18</sup> Hannah Recht and Lauren Weber, "Black Americans Are Getting COVID Vaccines at Lower Rates Than White Americans," *Scientific American*, January 20, 2021, <https://www.scientificamerican.com/article/black-americans-are-getting-covid-vaccines-at-lower-rates-than-white-americans/>.

<sup>19</sup> Deena Zaru, "Black Millennial Homeownership Emerges as Silver Lining in Pandemic Economy," *ABCNews.com*, December 7, 2020, <https://abcnews.go.com/US/black-millennial-homeownership-emerges-silver-lining-pandemic-economy/story?id=74583650>.