FEDERAL RESERVE BANK *of* ATLANTA

Community Development

Partners*Update*

July/August 2012

Editor's Note: This publication is posted on a rolling bi-monthly schedule.

Updated August 28, 2012

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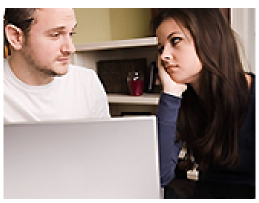
Generating Jobs in Challenging Times: A Texas-Sized Story
8/28/2012 - How can a city create an attractive business climate and leverage its unique assets to gain and retain jobs? The Greater Houston Partnership's Craig Richard discusses an approach that has worked in his city to propel significant job growth despite the weak national recovery.

Taking the Pulse of Regional Low-Wage Workers
8/23/2012 - Low-wage workers make up about one-third of the U.S. workforce. What hurdles do they encounter when looking for a job? The Atlanta Fed community and economic development group conducted a poll to understand the issues low-wage workers in the Southeast face.



Fed Survey Examines Recession's Impact on Family Finances
8/3/2012 - According to the Federal Reserve Board's Survey of Consumer Finances for 2010, American families' net worth and income have fallen sharply since 2007.

Federal Regulators Release the 2012 List of Distressed, Underserved Communities
8/3/2012 - The number of middle-income rural communities in the Southeast designated as distressed or underserved grew 45 percent between 2011 and 2012, according to federal banking regulators. Financial institutions will receive credit under the Community Reinvestment Act for revitalization or stabilization efforts in those areas.

Acting Locally: Interview with Community Development Executive Deborah Scott
7/26/2012 - Scott, executive director of Georgia STAND-UP, discusses critical issues for underserved communities and how her organization works with numerous partners to address key community and economic development issues.

From Textiles to Turnaround: A Tale of Two Cities
7/19/2012 - Many cities have experienced the contraction of a once-dominant industry. The Richmond Fed's Kim Zeuli examines two North Carolina cities—Concord and Eden—that lost their textile employment base and learned to adapt to changing conditions.

Increase in Mobile Banking Services an Opportunity for Unbanked Consumers
7/12/2012 - Kate Marshall Dole, an analyst at the Center for Financial Services Innovation, discusses the potential that mobile banking and payments represent for reaching the unbanked and underserved communities.

REO Management and Disposition Policies and Procedures: Call-in Session
7/9/2012 - Join community development practitioners from across the country at 3:30 p.m. ET on Friday, July 13, for a Federal Reserve call-in session on current policies associated with the management and disposition of real estate owned (REO) property. Register for this interactive session.

Conferences and Events

Student Loan Debt Call-in Session
With overall student loan debt reaching $1 trillion, there is increasing concern about the heavy debt burdens of students and families. Join community development practitioners, policymakers, and academics at 3 p.m. ET Wednesday, August 29, for a Federal Reserve call-in session to learn more about this topic.

Effective Land Banking Strategies Call-in Session
Land banks have proved to be flexible housing-stabilization tools that municipalities can use to manage excess residential property. Join community development practitioners, policymakers, and academics from across the country at 3 p.m. ET on Wednesday, August 1, for a Federal Reserve call-in session on the topic.

Explore Presentations from Cleveland Fed's Recent Policy Summit
The Cleveland Fed's 2012 Policy Summit focused on identifying effective strategies and programs to strengthen and rebuild communities. View the conference presentations on the Cleveland Fed's website.

Announcements and Recommended Reading

Free Webinars for CDFIs on Financing Healthy Foods
Community development financial institution (CDFI) staff are invited to attend technical assistance webinars on financing healthy foods. Topics range from strengthening rural grocery stores to analyzing a farm loan. This CDFI Fund initiative seeks to boost the ability of CDFIs to deliver financial products and services to underserved communities. The first webinar occurs Tuesday, August 28; please register for each webinar separately.

Deadline Extended for Independent Foreclosure Review
Eligible borrowers can request a free independent foreclosure review through December 31, 2012. The Federal Reserve Board of Governors and the Office of the Comptroller of Currency announced the extension, which gives borrowers several more months to request a review. More information about the review process is available on this website. Videos explaining the independent foreclosure review process in English and Spanish are also available on the site.

Call for Session Proposals for 2013 National Brownfields Conference
This conference—scheduled for May 15–17, 2013, in Atlanta—focuses on economic redevelopment and environmental revitalization. Ideas for session proposals must be submitted electronically by August 24, 2012. Topic areas include technical assistance, financing redevelopment opportunities, real estate and development, planning for a better environment, community, and others. The U.S. Environmental Protection Agency and the International City/County Management Association will cohost the conference.

Remaking America for the 21st Century: Reclaiming Vacant Properties
Problem or asset? Blight or benefit? The Center for Community Progress explored these real estate questions at its fourth annual "Reclaiming Vacant Properties" conference. Practitioners, researchers, and other key stakeholders participated in the June 2012 event in New Orleans that focused on strategies and solutions for transforming vacant and abandoned properties. Conference sessions highlighted innovative strategies for rebuilding properties and showcased a variety of renewal efforts in cities and communities. View conference presentations and additional information on the Center for Community Progress's website.

Call for Research Papers to Household Financial Stability Symposium
The St. Louis Fed and Washington University seek research papers for "Restoring Household Financial Stability after the Great Recession: Why Balance Sheets Matter." Focused on the critical role of household balance sheets in achieving sustained economic growth, the symposium is scheduled for February 5–7, 2013, in St. Louis. Abstracts must be submitted by September 24, 2012.

New Report Examines Private Student Loan Debt
Private student loan debt grew from less than $5 billion in 2001 to more than $20 billion in 2008, then declined to less than $6 billion in 2011, according to a report from the Consumer Financial Protection Bureau and U.S. Department of Education. The report suggests that students in many cases borrowed more than they needed, sometimes without understanding important loan terms. The report also suggests that lenders increasingly marketed and disbursed loans directly to students without involving college financial aid offices that could help determine true financial need.

Tax Credit Program Helps Support Low-income Communities
The U.S. Department of Treasury's Community Development Financial Institutions Fund has announced its 2012 round of the New Markets Tax Credit program. Up to $5 billion in tax credits is available for 2012, pending congressional authorization. Learn more about requirements and deadlines by visiting the fund's website. The tax credit program was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities.

What Are People Doing Who Aren't Looking for a Job?
What are people who recently have left the labor force doing, and does their current status shed some light on which of them are most likely to return to the market in the near future? Research economist Julie Hotchkiss explores this issue in a *macroblog* post titled "Labor Force Nonparticipants: So What Are They Doing?" and determines that since the beginning of the recession, those who have left the labor force within the previous year have been citing more frequently the reasons of "School" and "Other." Hotchkiss concludes

that the high number of those leaving for educational pursuits suggests that these individuals should reenter the labor force with better aligned, and in some cases, enhanced skills, but she is unable to draw any conclusions from the rise in the number of "Other."

Will More People Enter the Labor Force?
In the *macroblog* post "Will Labor Force Participation Continue to Rise?" Atlanta Fed research economist Melinda Pitts examines data on transitions into the labor force, primarily for those individuals who indicated "Other" as a reason for their nonparticipation in the labor force and are aged 25 to 54. Delving into this data, Pitts looks at whether the individuals in the group are classified as marginally attached to the labor market, one indicator of whether they plan to reenter the labor force. Pitts concludes that we may see higher rates of return to the labor force going forward.

The Skills Gap: Still Trying to Separate Myth from Fact
Skills mismatch problems are no greater in this period postrecession than they were prior to the recession, posit Dave Altig, research director, and John Robertson, senior economist in the Atlanta Fed research department. Their *macroblog* post presents some of the results of a recent survey of about 100 businesses in the Sixth District represented by the Atlanta Fed. From these survey results and ongoing research on the topic, Altig and Robertson conclude that skill gaps are not the major source of our current labor market weaknesses.

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Generating Jobs in Challenging Times: A Texas-Sized Story

August 2012

This podcast series focuses on topics of national interest within the field of economic development. This particular session highlights efforts related to job growth and workforce development strategies in Houston, which may serve as an example for other cities.

Elizabeth Sobel Blum: *Welcome to the Federal Reserve Bank of Atlanta's* Economic Development *podcast series. I'm Elizabeth Sobel Blum with the Federal Reserve Bank of Dallas.*

According to researchers at the Houston branch of the Dallas Fed, Houston's job growth essentially matched that of the nation's in the beginning of the economic recovery, but by early 2010, Houston surged ahead. From December 2009 to December 2011, Houston's annual rate of job growth was 2.4 percent, much faster than the nation's rate of 1 percent.

Much of the job growth is attributable to the energy and energy-related sectors, but the city has had success in other sectors as well. Houston's success has not gone unnoticed. In late September 2012, economic developers from around the world will meet there for the annual International Economic Development Council Conference, at which Houston's strategies will be highlighted.

Today I am speaking with Craig Richard, chief economic development officer of the Greater Houston Partnership. Craig joined the Partnership in March 2008 and leads the organization's economic development initiatives, which include business recruitment; business retention and expansion; international trade and foreign direct investment; research; and Opportunity Houston—an economic development marketing program aimed at generating business leads throughout the region.

Craig, thank you for speaking with us today.

Craig Richard: Thanks for the opportunity.

Sobel Blum: *To start, can you describe what makes the Houston job market relatively strong?*

Richard: Sure. Houston's job market is unique for several reasons. For one, we were the first of the major metro areas to recoup all of the jobs lost during the recession. We lost about 153,000 jobs during the recession, but we have added more than 210,000 jobs during the recovery. So employment in Houston is higher now than it has ever been in our region's history.

Secondly, private-sector job growth has been pretty phenomenal—growing about 4.3 percent and adding more than 95,000 jobs over the past 12 months. All sectors but two—government and information—are growing. The weakness of the information sector, however, isn't solely resigned just to the Houston area. The government sector has always been the last to recover, and with growing sales tax collections and rising property values, we expect the recovery in the government sector to begin soon.

And then lastly, we have created a climate here in the Houston area that is attractive to business. Low tax rates, minimal permitting hassles, low operating costs, and an abundance of skilled workers, all of which have helped us attract new businesses to the region, and those businesses create jobs.

Sobel Blum: *What specific industries are driving job growth? What are your views on why this might be occurring? And, what percentage of these new jobs do you anticipate will come from local businesses' expansion versus recruitment?*

Richard: Several sectors have experienced pretty incredible job growth over the past 12 months. Energy is, primarily, the number one leading industry sector, along with machinery manufacturing, health care, hotels and restaurants, and personal services. And the increase in activity in the energy sector has supported growth in machinery manufacturing; much of it geared, of course, toward the oil and gas industry.

Health care has benefited from the Texas Medical Center, which is located in Houston and has the world's largest concentration of hospitals, doctors, medical researchers, and laboratories. It continues to draw talent and money to our region.

And our growing population—the metro area in Houston adds about 100,000 residents every year. This has increased the demand for medical services, and has also increased the health care employment.

So our average annual wage in Houston is about $9,100 higher now than in 2009, according to the [Texas] Census of Employment and Wages. More people are dining out, and as a result, food service employment is growing. And as Houston's population grows, so does the demand for all sorts of personal services like dry cleaning, automotive repair, day care. So employment in these consumer-related service sectors is growing as well.

Sobel Blum: *As you may know, the Federal Reserve System is keenly interested in workforce development matters. I'm curious to know about the role of Houston's workforce development initiatives in supporting continued prospects for job growth. For example, how are workforce development entities, including community colleges, partnering with industry to expand the pipeline of qualified job candidates?*

Richard: Well, the Greater Houston Partnership's role is to be a key convener or facilitator between the local business community and the education community. We engage business leaders and education leaders on policy issues such as advocacy for pre-K programs; promoting additional resources for teaching science, technology, engineering, and mathematics in K–12; and ensuring adequate state funding for our universities, our community and vocational colleges, which frankly has been quite a challenge given the recent fiscal climate. So, we have a top-down, bottom-up engagement on all levels, and it makes communication between the business community and the academic and educational institutions quite natural and quite frequent, which basically helps to fulfill that pipeline that is needed for tomorrow's workforce.

Sobel Blum: *Are you aware of any efforts to help increase job attainment among populations that tend to face relatively high unemployment levels, including youth and racial and ethnic minorities?*

Richard: Absolutely. As part of our business attraction and expansion efforts, we promote programs that encourage companies to hire from disadvantaged populations. For example, the Texas Enterprise Zone Program, which allows local communities to partner with the state to promote job creation and capital investment in economically distressed areas, and when they do the state provides a refund of those firm's sales and other taxes. The Texas Back to Work offers employers a wage subsidy of up to $2,000 per qualified out-of-work Texan that they hire. We also have an active EB-5 program, which encourages foreign investment that supports hiring from underserved populations.

Sobel Blum: *While Houston has its unique set of advantages and challenges, are there lessons that Houston leaders have learned that may be relevant for other communities who are interested in dramatically growing their job base outside of recruiting businesses from other localities?*

Richard: Well, we learned in the '80s that we shouldn't try to be something that we are not. While Houston welcomes film crews, for example, whenever they shoot in Houston, we know that we'll never, ever be another Hollywood. While we support vehicle manufacturing that occurs in Houston, we know that we'll never, ever be another Detroit. But we've recognized our strengths, which are engineering, energy, health care, applied research, international trade, and we have built on those things. So in Texas parlance, we learned to dance with the ones that brought us; that's the key to our success.

Sobel Blum: Thank you for joining us today.

Richard: Thank you.

Sobel Blum: *This concludes our podcast. We've been speaking with Craig Richard, chief economic development officer of the Greater Houston Partnership.*

Plan to attend the upcoming national conference on workforce development titled "The Future of Workforce Development: Where Research Meets Practice," on September 19–20 in Kansas City. The Kansas City and Atlanta Reserve Banks are conference cohosts. For more information and to register, visit workforce.kcfed.org.

Also, for more podcasts on this topic and others, please visit the Atlanta Fed's website at frbatlanta.org. If you have comments or questions, please e-mail podcast@frbatlanta.org. Thank you for listening.

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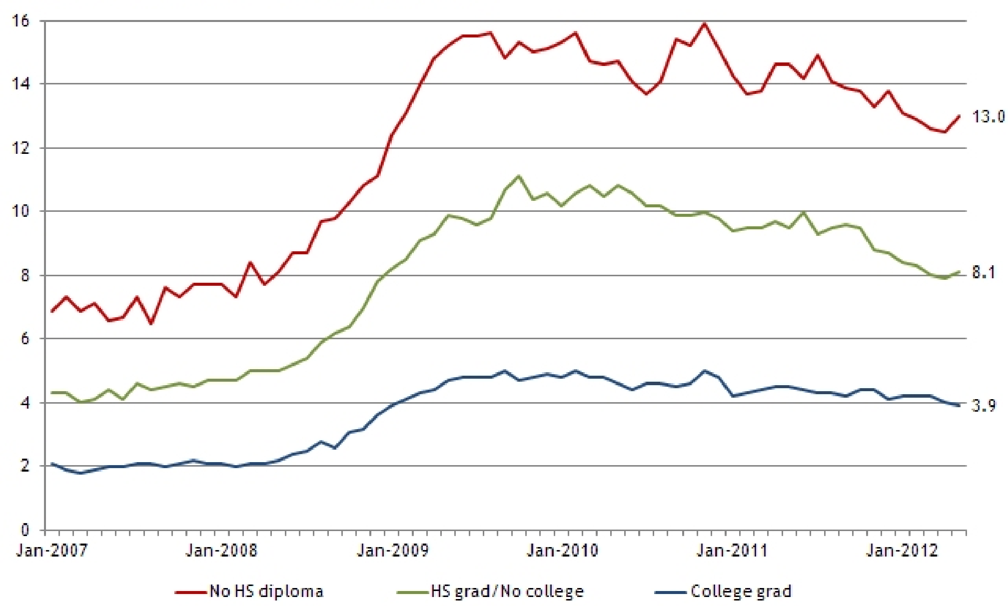
Taking the Pulse of Regional Low-Wage Workers

The relationship between labor force participation and the unemployment rate has received renewed scrutiny as the number of unemployed workers remains elevated even two years after the end of the Great Recession. The *New York Times*, *Wall Street Journal*, *Washington Post,* and *Conversable Economist* are just a few of the media outlets that have written on the subject. Consequently, in May 2012, the Atlanta Fed's community and economic development (CED) group polled representatives of public and private organizations that provide employment, training, and social services to low-wage individuals throughout the Southeast.[1] The objective was to explore the formal and informal labor force participation of low-educational-attainment and low-wage individuals. According to the U.S. Bureau of Labor Statistics, approximately one-third of the U.S. labor force falls into this category, including some individuals in the following occupations: construction and extraction (mining and drilling); installation, maintenance, and repair; food services; production; and transportation and material moving.[2]

Respondents' insights: Barriers to finding jobs
When asked about the barriers low-wage individuals face when seeking employment, skills mismatch and lack of technical skills and experience are the most significant hurdles, according to poll respondents (77 percent). That response is followed by no jobs available where applicants live or can access with existing transportation options (64 percent), and lack of soft skills such as the social skills, attitude, or appearance required by employers (55 percent).

Because earnings are highly positively correlated with education, it is instructive first to consider unemployment rates by educational attainment over time. As chart 1 shows, unemployment rates have historically been higher for individuals with a high school diploma (8.1 percent) or no high school diploma (13 percent). Furthermore, the gap between unemployment rates of college graduates and those with a high school degree or less education widened during the recession and is just starting to show preliminary signs of shrinking.

Chart 1
Joblessness by Education Level
Unemployment rates by educational attainment (SA, %)



Source: U.S. Bureau of Labor Statistics

While skills mismatch, the lack of jobs, and poor social skills were top barriers to finding employment for low-wage individuals (see box below), poll respondents largely described background checks (such as driving record or credit check) and drug tests as minor barriers. Furthermore, the role of unemployment compensation to enable individuals to continue searching for more desirable jobs was not considered a major deterrent to seeking employment.

Ranking of barriers to employment for low-wage workers

1 Available jobs require experience, skills, or certification that individuals do not have.

2 There are no jobs nearby, or they are inaccessible by existing transportation options.

3 Workers have a lack of social skills, professional appearance, or appropriate attitude required by employers.

4 Applicants cannot pass background checks for driving record or credit check.

5 Applicants have a lack of skills or access to technology to submit job applications.

6 Applicants fail drug test.

7 Wages are not as good as unemployment benefits.

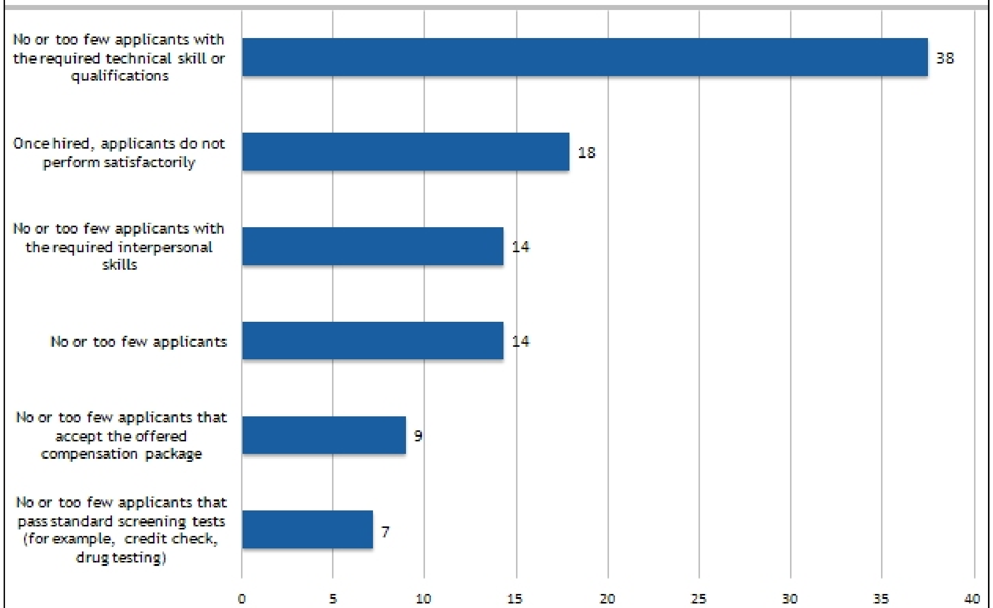
8 Employment opportunities are undesirable (shift work, weekend work, travel, physically strenuous).

9 Unemployment compensation is sufficient to enable individual to search for more desirable job.

Source: Atlanta Fed Poll on Low-Wage Worker Labor Force Participation, May 2012

In a June 7 *macroblog*, Dave Altig, Atlanta Fed research director, and John Robertson, Atlanta Fed senior economist, point out that according to a separate but related poll of businesses, "the lack of technical skills is the only factor that really jumps out as an issue that businesses have with the pool of job applicants." This poll also supported the finding that drug tests were not an issue. "Only 7 percent indicated a problem with applicants passing screening requirements like drug-use or credit checks," according to the authors (see chart 2).

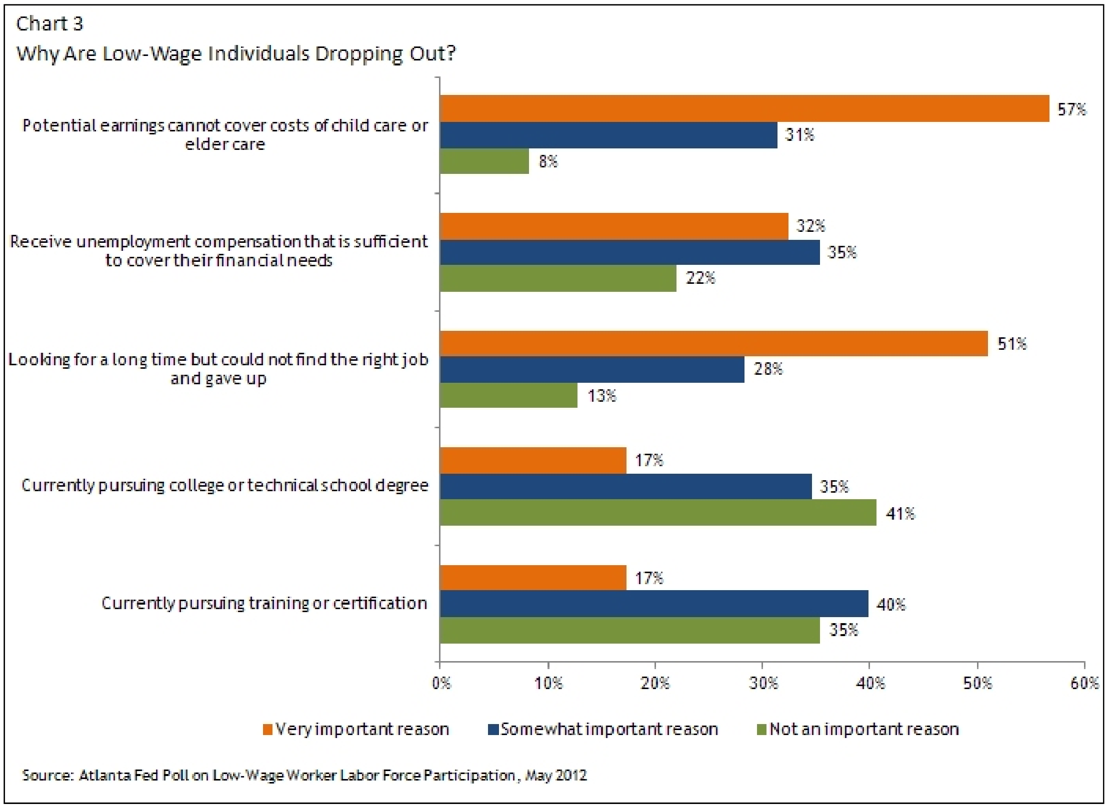
Chart 2
What's the Quality of the Applicant Pool?



Source: Atlanta Fed Poll of Businesses, May 2012

Respondents' insights: Reasons they quit looking for jobs
When asked about the main reasons why individuals stop looking for a job even though they would like to work, 57 percent noted that potential earnings were insufficient to pay for necessary child and elder care, and 51 percent said they became discouraged after a lengthy and unsuccessful job search.

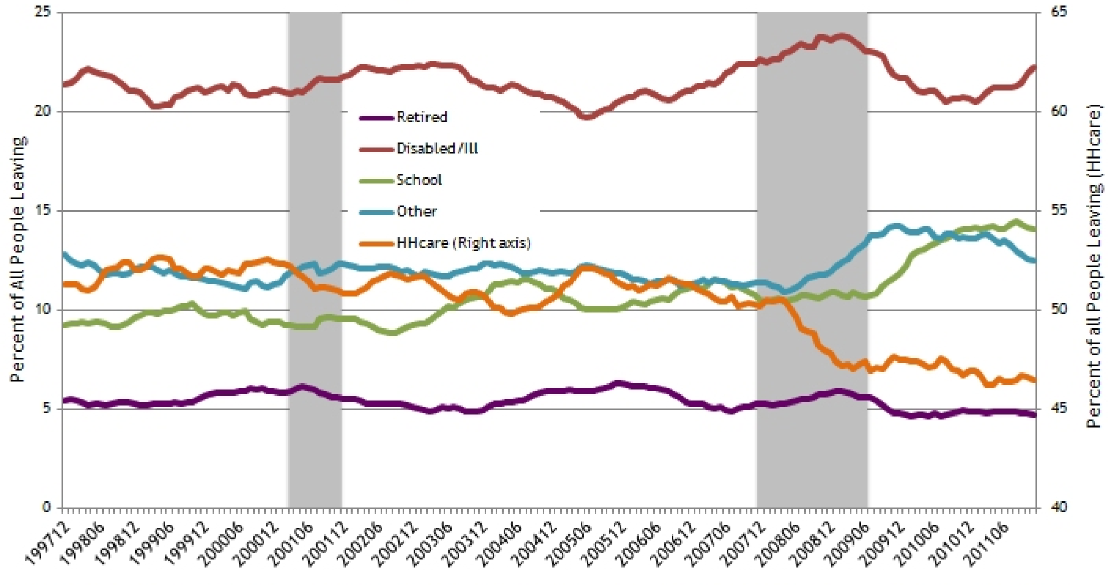
After long stints of unemployment and job searching, there is little surprise that individuals have become increasingly discouraged, as many of the poll respondents noted (see chart 3). However, many respondents also gave reasons other than discouragement for leaving the labor force.



Julie L. Hotchkiss, an Atlanta Fed economist, used the Current Population Survey (CPS) administered by the U.S. Bureau of Labor Statistics to explore in a May 11 *macroblog* reasons given for nonparticipation. She finds a historically unprecedented increase in the share of labor force nonparticipants who marked "Other" as the reason for dropping out. Although she recognizes that it is difficult to interpret the rise in "Other" as a response, she says, "This category may be capturing some of the discouraged workers."

Hotchkiss also finds a significant shift toward "School" for labor force nonparticipants who are 25 to 54 (see chart 4). This finding appears to be in contrast to the poll results, which suggest that pursuing training or higher education are the least likely reasons that low-wage individuals drop out of the labor force. However, in further conversation, Hotchkiss indicates that the rise in schooling identified in *macroblog* is found primarily among those who have some college course work or a college degree. Together, this evidence may suggest that those individuals with less education face unique barriers to participating in training or education to elevate their skills. Additional research is needed, but it is reasonable to suggest that a lack of wealth or assets, as well as resources to provide child care and transportation, may make such pursuits very difficult for low-wage individuals.

Chart 4
Share of People Leaving the Labor Force by Reason Given for Absence
12mma, December 1997-November 2011, ages 25-54

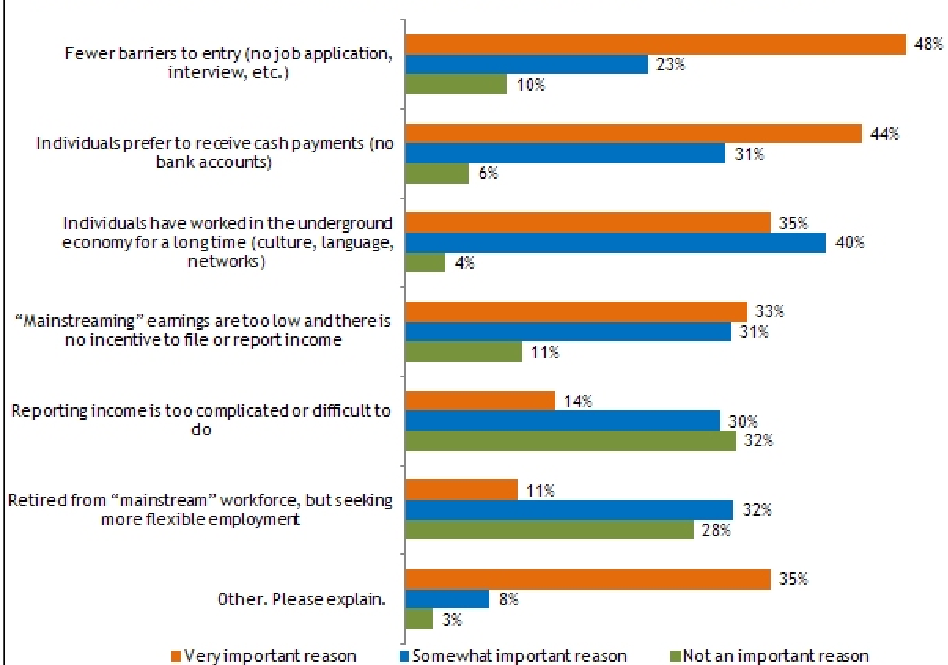


Note: HHcare stands for leaving the workforce to take care of household members. Trends in unweighted calculations look nearly identical. Values between July 2001-July 2002 and September 2004-September 2005 are extrapolated due to poor matching rates during those months. Gray bars indicate recession.
Source: Current Population Survey, U.S. Bureau of Labor Statistics, author's calculations, CPS base weights applied

Respondents' insights: Potential jobs in underground economy

Of respondents who had knowledge of the informal sector, or underground economy, 52 percent report that it has grown in the last five years. The most important reasons that low-wage individuals participate in the informal economy are fewer barriers to entry such as no job application, interview, and so on (48 percent), preference for cash payments (44 percent), and individuals have worked in this sector a long time (35 percent). See chart 5.

Chart 5
Why Are Low-Wage Individuals Choosing to Participate in the Informal Sector?



Source: Atlanta Fed Poll on Low-Wage Worker Labor Force Participation, May 2012

Several poll respondents noted that the potential wages individuals would garner in the formal economy would be insufficient to cover household expenses, leading some low-wage individuals instead to seek opportunities in the underground economy. In doing so, they would continue to receive public assistance while also receiving unreported wage income. For example, one respondent said that any formal sector job paying under $14 per hour would result in a net income loss after accounting for the additional travel and child care costs and the resulting loss of public assistance.

In sum, the poll highlighted some key findings on low-wage individuals' participation in the labor force. Low-wage workers in the Southeast are challenged by a lack of technical education, skills, and certification required for existing job vacancies. They also have difficulty accessing jobs because of jobs-housing mismatch and a lack of soft skills. The poll also indicated that low-wage individuals stop seeking employment mainly because their potential earnings cannot cover the cost of child and elder care, and because they become discouraged after a lengthy job search.

These findings have been corroborated in the more than 25 forums and listening sessions on employment issues that the Atlanta Fed and other Federal Reserve Banks have held with workforce development professionals nationwide. Stakeholders have identified skills gaps, child care, and transportation as universal challenges for which comprehensive and coordinated responses are needed. A national report on the forums will be released later this year.

By Myriam Quispe-Agnoli, research economist, and Karen Leone de Nie, research director, Federal Reserve Bank of Atlanta's community and economic development group

[1] The Southeast refers to the Sixth Federal Reserve District, which includes all of Alabama, Florida, and Georgia, and parts of Louisiana, Mississippi, and Tennessee. The poll was sent directly to 418 individuals and indirectly through referrals from state agencies; 143 people completed the poll (33 percent response rate). Ten interviews were also conducted with workforce development representatives in the Southeast.

[2] Low-educational attainment refers to individuals with a high school diploma or less. The median earnings of workers with a high school diploma are $26,349 (under $13 per hour for a full-time job), and with less than high school diploma, $18,413 (under $9 per hour for a full-time job)—representing 79 percent and 55 percent, respectively, of the overall median earnings of $33,298 (about $16 per hour for a full-time job).

Fed Survey Examines Recession's Impact on Family Finances

American families' net worth and income—measured by the median and mean levels—have fallen sharply since 2007, according to the Federal Reserve Board's Survey of Consumer Finances for 2010. The survey report, released this June, provides several indicators of the impact of the housing crisis and economic recession on U.S. family finances.

Over the 2007–2010 period, the median value of real (inflation-adjusted) family income before taxes fell 7.7 percent, following a slight decrease in the preceding three-year period. The decline in median income was most pronounced among more highly educated families, families with heads of households who are younger than 55, and families living in the South and West (although median incomes fell across all regions of the country). However, median net worth fell 38.8 percent overall, driven primarily by the broad collapse in housing prices, according to the survey analysis. The survey report notes that during the final years of the housing boom, which disproportionately affected the South and West, median incomes were rising in those regions but falling elsewhere. During the subsequent housing bust, which also disproportionately affected the South and West, median incomes were falling there but rising in other parts of the country.

In addition to providing a snapshot of family financial practices and conditions, the survey includes information on how consumers shop for financial services. The 2010 survey shows that more families turn to friends, family members, or associates for financial information than any other source of information on borrowing or investing. But among families headed by a person younger than age 35, 80 percent reported using the Internet for financial information or services.

An aggregate 25.6 percent of survey respondents in 2010 reflected that their spending usually exceeds their income or is usually about the same. Some 39.6 percent of survey participants reported saving money regularly, and 34.8 percent reported typically saving "left over" income at the end of the year, income of one family member, or "unusual" income. While savings estimates show a small decrease in savings from 2007 to 2010, the report concludes that the small change suggests that economic conditions over that period had only modest effects on the longer-run savings plans of families. Savings were primarily reported to be related to liquidity for precautionary reasons, 35.2 percent, and retirement, 30.1 percent. Since 2001, though, savings dedicated to education, retirement, and homeownership have decreased.

Survey responses related to decisions about checking accounts indicate that the percentage of families with some type of transaction account has increased. In 1989, 18.7 percent of families reported that they did not have a checking account. That figure dropped to 9.6 percent in 2010. Reasons cited for not having a checking account in 2010 included do not like dealing with banks (27.8 percent), do not write enough checks to make it worthwhile (20.3 percent), consider service charges too high (10.6 percent), and do not have enough money (10.3 percent). When respondents with a checking account

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were asked why they chose a particular financial institution, 46 percent said the institution's branch locations were of primary importance.

By Ana Cruz-Taura, Atlanta Fed senior regional community development manager, Miami Branch

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Federal Regulators Release the 2012 List of Distressed, Underserved Communities

U.S. banking regulators recently released an updated list of middle-income rural communities designated as distressed or underserved.

CRA credit given for variety of areas
Financial institutions will receive credit under the Community Reinvestment Act (CRA) for revitalization or stabilization efforts in those areas. Additionally, financial institutions can continue to get CRA credit for community development efforts in the areas that are no longer designated as distressed or underserved for up to 12 months, the Federal Reserve said in a June 29 press release.

In the Southeast region, the number of distressed rural middle-income communities grew 45 percent between 2011 and 2012, according to an analysis by the Atlanta Fed's Community and Economic Development group. The distressed areas are classified based on such factors as population loss and rates of poverty and unemployment.

The analysis compared the number of distressed rural middle-income tracts in each category (see the table).

Changes in Rural Southeastern Middle-Income Communities

Category	2011	2012	Percent Growth
Poverty	434	673	55
Unemployment	49	85	73
Population loss	51	19	–63

Source: www.ffiec.gov/cra

The number of underserved rural middle-income communities, typically those with small populations that are far removed from population centers, also increased in the region by 56 percent, according to the analysis.

The Federal Financial Institutions Examination Council (FFIEC), which includes the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, updates the list annually. The current and previous years' lists are available on the FFIEC website.

This posting also appeared in Financial Update*, July 20, 2012.*

Acting Locally: Interview with Community Development Executive Deborah Scott

This article is part of a continuing interview series that spotlights important views from experts in the community and economic development field.

Deborah Scott is the executive director of Georgia STAND-UP, a "think and act tank" that supports community and economic development. The organization advocates for community benefits agreements, workforce investments, job creation, and other policies that increase equity and economic opportunity for underserved community members. STAND-UP is an alliance of local leaders that provides information and resources to help create healthy, livable neighborhoods while respecting the rights of current residents to benefit from the progress and developments taking place within their neighborhoods. Scott recently received a White House "Champions of Change" award for her efforts to promote energy efficiency, revitalize outdoor spaces, encourage transportation options, and improve quality of life in our cities and towns.

Kyan Bishop, director of the Atlanta Fed's Community and Economic Development group's outreach efforts, spoke with Scott to discuss critical issues for underserved communities and how STAND-UP works with numerous partners to address key community and economic development issues in the Atlanta metro area.

Kyan Bishop: *Deborah, thanks for joining me today. I know you are involved in a quite few important initiatives here in the Atlanta area. Perhaps to get us started, can you describe what you see as some of the key priorities for the metropolitan region currently?*

Deborah Scott: While the region is still struggling to emerge from the economic downturn, I believe this is a perfect opportunity for metropolitan Atlanta to increase investment in transit and make that our primary economic development infrastructure. To be competitive in the future, our region will have not only to create jobs in new and emerging industries, we will have to get people to those jobs and to other destinations more efficiently and economically, and so in this way, transit should be a major part of our focus.

I also believe we have to address issues of equity and look to make changes that can bring benefits, prosperity, and the prospect of economic mobility to all residents. At Georgia STAND-UP, we are active in helping neighborhoods take proactive steps to better inform their destinies, such as producing the award-winning Fort McPherson Community Action Plan. This plan calls for transit-oriented development on the 488-acre base and the nine neighborhoods surrounding it. It also strategically addresses important community needs, such as training and employment opportunities for people who live in impacted neighborhoods near the redevelopment site.

Bishop: *As you may be aware, our team here at the Atlanta Fed has been very interested in workforce development and chronic unemployment issues. Since last fall we have been working with other Reserve Bank partners both to share and gather*

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information on the many dimensions of these matters. I am curious to hear about your perspectives on such issues, and specifically on core needs and challenges for lower- and moderate-income individuals.

Scott: I believe the primary challenge right now is job creation. Without bold new investments in initiatives such as transit and large-scale building retrofits for energy conservation, we will not generate employment demand. Employment growth is the demand side of the equation while workforce investments are the supply side. The two go hand in hand. That's why we work both sides of the equation, encouraging and supporting business growth and innovation while also creating a "jobs pipeline" for training and placement.

Three years ago, with assistance from the North Georgia Building Trades Council, I founded TRADE-UP as a response to complaints from developers that they could not find "qualified" workers in low-wealth neighborhoods where large new construction projects were under way. TRADE-UP is a pre-apprenticeship training program aligned with the building trades that targets individuals who typically come from low-wealth and largely minority neighborhoods. Program participants generally have lower levels of educational attainment, are long-term unemployed, old and young, female and veterans. And they often are "second chance" employment seekers—people with a record in the criminal justice system.

With assistance from partners such as the Urban League of Metro Atlanta and Atlanta Tech, TRADE-UP addresses issues that represent persistent barriers to employment for many in the Atlanta labor force. Participants who successfully complete the program pursue training courses that feature 21 trade skill options under the Multi-Craft Core Curriculum. Thus far, we have had three classes and over 100 TRADE-UP graduates, and the program is currently being considered as a national training model by the U.S. Department of Labor. I believe that more focused, hands-on training programs like TRADE-UP are needed since such programs provide workers with the training they need for jobs aligned with employment projections.

Bishop: *What are some promising approaches for continuing to address sustainable economic development issues either here in Atlanta or elsewhere? And what about funding streams and other kinds of financing to support such programs?*

Scott: Atlanta is ahead of the game in some areas. Mayor Kasim Reed has taken a strong position in support of sustainable solutions to our economic challenges. He has brought two important economic development programs to the city: the Emerald Cities Collaborative, which I convened locally, and the Atlanta Better Buildings Challenge (ABBC). Both are focused on creating a new, large-scale energy conserving and building retrofit industry in the region, an industry that I believe could be an important economic stimulus and job creator.

On the workforce side, TRADE-UP just passed its three-year anniversary, which makes it eligible to compete for federal contracts and other resources. Emerald Cities Atlanta is now gearing up to begin promoting building retrofits in the governmental and institutional sector (or MUSH: municipal, university, school, and hospital buildings). That will complement the ABBC's focus on commercial buildings and hopefully broaden job creation through energy initiatives. TRADE-UP is also working in residential housing retrofits and renovations with plans to launch for-profit small businesses based on the experience and skill sets of entrepreneurs who have passed through the program. The goal is to build a multifaceted initiative balanced between nonprofit, mission-oriented objectives such as workforce training and entrepreneurial efforts such as business start-ups that help drive growth, create new wealth, and generate jobs. Going forward, we anticipate a mix of resources: grants, earned income, small business loans, private equity investments, etc.

Most of STAND-UP and TRADE-UP's funding thus far has come from private philanthropy. We have been fortunate to attract the attention and generous support of several national foundations, including the Ford Foundation and others. We have also received critical support from labor organizations in the region. One of our challenges is to convince local philanthropy to take a more active role in helping build momentum in the economic sectors I have been describing. With Mayor Reed's support we are hopeful that the city will enact policies that require local hiring and training on city financed or subsidized development projects. Such a program would provide ongoing funding and make permanent the workforce pipeline we have pioneered for Atlanta residents.

Bishop: *Deborah, the White House "Champions of Change" award is one that focuses on leadership in developing healthy and sustainable communities. What do you consider to be some key reasons for your success in this area?*

Scott: The award is an acknowledgment of the collaborative efforts that have led to my being personally recognized for certain achievements. The success I have realized is based on building partnerships and working with a wide range of individuals, organizations, and agencies representing community, business, and government interests. Changing our approach to economic growth, transportation strategy, housing development, and workforce preparation requires broad consensus.

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From Textiles to Turnaround: A Tale of Two Cities

July 2012

Ela Rausch: *Welcome to the Federal Reserve Bank of Atlanta's* Economic Development *podcast series. I'm Ela Rausch with the Federal Reserve Bank of Minneapolis.*

It has been the experience of many cities that the single industry that once dominated their economy is now shrinking and that local jobs are being lost. Some have responded by encouraging the growth of other existing industries or by diversifying into new sectors. Planning, policy, and strategic investment each play a critical role in this equation to ensure community growth and resilience to future economic shifts. In this session, we will hear about two North Carolina cities—Concord and Eden—that lost their textile employment base and their unique economic recovery paths. We will also consider the question of how policymakers and practitioners can leverage the assets of cities to foster new economic activity.

Today I'm speaking with Kim Zeuli, vice president and community development officer at the Federal Reserve Bank of Richmond. Kim, thank you for speaking with us today.

Kim Zeuli: Thanks for the opportunity.

Rausch: *To start, it would help if you could provide a little bit of history. Can you tell us about the early dynamics and development patterns that led to the strong textile industries in these respective cities?*

Zeuli: Sure. Despite the fact that southern states were historically major cotton producers, the textile industry had a greater presence in the New England area and didn't move to the South until the beginning of the 20th century. But by the 1920s North Carolina had become a major center for the textile industry. At the peak of the textile manufacturing in the U.S., which was in the 1940s, almost 10 percent of textile jobs were located in North Carolina, and they were located mostly in small rural towns. In fact, the textile industry was one of the two largest employers in small rural towns in North Carolina. In North Carolina the textile industry peaked around the 1970s, at which point it contributed to almost 20 percent of the state's total employment.

So we studied two communities in North Carolina. Eden is a community in rural Rockingham County, which borders Virginia and the central part of North Carolina. It has a long history in textile manufacturing and is a typical southern mill town. Two major rivers flow through Eden and provide access to what is essentially an unlimited supply of water. This makes it an attractive location for industries that rely heavily on water such as textiles, other types of manufacturing, and brewing. Textile mills have existed in Rockingham County, which is Eden's county, as early as 1764. In 1912 Marshall Field (*that* Marshall Field from Chicago) purchased six large textile mills. He renamed the facility Fieldcrest Mills and established company headquarters in what is now Eden.

Concord is another historic mill town and is located in Cabarrus County, just 25 miles from downtown Charlotte. It was the home of the textile legend James Cannon. Cannon built his first textile mill in the town in 1887, and in 1928 Cannon's Mills was formed from the consolidation of Cannon Manufacturing with several other manufacturing companies and mills. Despite the fact that Concord did not have unrestricted access to water supplies, the proximity to a railroad just west of town contributed to the growth of the textile industry.

Rausch: *How did the cities of Concord and Eden respond to the decline of the textile industry?*

Zeuli: In the 1970s at the peak of the textile manufacturing industry in the state, Concord and Eden were very similar in the sense that they shared equivalent social and economic positions, and they had a similar level of economic dependence on textile manufacturing. During the decline of the textile industry, especially from 1970 to 1990, both communities experienced a gradual loss of their textile base.

City leadership in Concord and Eden responded differently to the shift in their local economy. The most significant difference seems to be in the timing of their response. Concord's leaders anticipated the decline of the textile industry in the mid-1980s, and the town experienced a significant period of growth during the mid-1980s and 1990s largely due to annexation, which meant that they consolidated other local towns and other economic opportunities with them. Newly elected council members and new city managers realized that they needed to diversify the local economy. As the mayor of Concord reminisced, "They had the courage to go against conventional wisdom at the time and had the common sense to know that you don't put all of your eggs in one basket."

The city leadership of Eden didn't seem to respond with the same sense of urgency as in Concord. Some residents we interviewed shared that they felt the city waited too long to react to the declining textile industry. Their development activity should have started in the early 1990s and actually happened about a decade later. As one person we interviewed stated, "They were waiting for the next 'white horse'—another company or industry to take care of us. They thought that surely someone would come save us." So, as a result, Concord was able to remain on the same growth path even after the decline of the textile industry, whereas Eden has not yet been able to regain its same economic footing that it had when it was so dependent on textiles.

The closing of the Pillowtex plant in July 2003 was a particularly devastating event for Eden and the Concord region. It was the largest permanent layoff in the history of the state, and it resulted in the loss of over 7,600 jobs. During 1990 to 2000 the textile share of total employment had declined in Concord from over 14 percent to 4 percent, and the local residents that we interviewed did not consider the closure of the plant as a significant economic shock. In 2000, textile manufacturing was still over 17 percent of total employment in Eden. The Pillowtex closing resulted in the loss of 450 jobs in that town. Not only was Eden more dependent on textile manufacturing, but it was also the identity of the city, and the plant closure had a devastating economic and psychological impact on the community.

Rausch: *Kim, your research emphasizes the importance of community resiliency. I'm wondering if you can tell listeners a little bit more about your research and how you define resiliency.*

Zeuli: We define community resilience as the ability of a community to return to its prior economic growth path after experiencing a shock. This definition is adopted from resiliency definitions in the natural sciences and disaster studies. A community's resiliency can be classified by a matter of degrees along a continuum. At one extreme the community is perfectly resilient, which means it is unaffected by an adverse economic shock, and at the other the community is absolutely nonresilient, which means it is crushed by an economic shock. One can think of communities that are devastated by a natural disaster. Most cities will lie somewhere between these two extremes.

So we tested the idea of resiliency with the two communities that I mentioned before—Eden and Concord—because they suffered the same economic shocks. They suffered the decline of the textile industry as well as significant unanticipated shock with the Pillowtex plant closure.

Rausch: *Kim, what are the elements that you think are key to resiliency when it comes to economic development?*

Zeuli: Recent studies on resiliency have identified a wide variety of factors contributing to resiliency. They include a mix of economic and socioeconomic variables such as household income, poverty rates, unemployment, industry structure and industrial diversity, the level of education of the population, and the share of the working-age population. But industry diversification is perhaps one of the most important determinants of resiliency. This factor has been cited in numerous studies and it has been found to be a strong contributing factor to resiliency. The more dependent a community is on a single industry, the less resilient it is going to be in withstanding the shocks affecting that particular industry.

In Eden and Concord we also found that local leadership is another important determinant of resiliency. So, as I mentioned before, they responded in much different manners (the local leaders) and as a result they responded to the shock in different ways.

Other determinants of resiliency are endowments and natural resources, the quality of the labor force, population diversity, and community cohesion. For example, a big difference between Concord and Eden is access to water. As I mentioned earlier, two rivers flow through Eden, giving it an unlimited supply to water, which makes it an attractive location for industries that rely on water. However, what appeared to be a comparative advantage for Eden also made it more dependent on these industries, thus making it less resilient. In contrast, the limited access to water in Concord was a constraint that forced the community to diversify away from nonwater-dependent industries such as textiles. For example, Concord has now developed a tourism industry, building on its early investments in a regional airport and the Charlotte Speedway, which hosts major NASCAR races. The major employers in Concord now represent a diverse set of industries ranging from medical to retail organizations.

I think it will take a while before we see similar results in Eden since their approach was initially more reactive than proactive. Eden is now looking to boost tourism and attract and retain businesses. The greatest promise in Eden lies in its new city economic development staff. They have two full-time people devoted to professional economic development, which is rare for small towns.

Rausch: *Kim, what would you say are the implications of this case study for other cities with a large manufacturing base? What about the takeaways for other cities?*

Zeuli: I think our case studies highlight the importance of considering resiliency versus just growth in local planning. Some shocks can be anticipated early on, such as the decline of the textile industry, while others may be really unanticipated, such as a sudden plant closure or a natural disaster. Also, resiliency shifts over time. For example, in Concord now, they fear that they have now become overly dependent on the tourism industry and NASCAR. Eden, on the other hand, has really diversified its main base. While they are still focused on manufacturing, they are looking at advanced manufacturing and other options, such as tourism and potentially a new prison.

So the two different outcomes in what were originally two very similar cities show that community resiliency can be fostered and built over time by strategically leveraging both natural and human capital resources.

Rausch: *Kim, thank you for joining us today.*

Zeuli: It has been my pleasure.

Rausch: *This concludes our podcast. We've been speaking with Kim Zeuli, vice president and community development officer at the Richmond Fed.*

We hope that you will attend our upcoming national conference on workforce development, titled "The Future of Workforce Development: Where Research Meets Practice." It is happening on September 19–20 in Kansas City. The Kansas City and Atlanta Feds are cohosting this conference. For more information and to register, visit workforce.kcfed.org.

For more podcasts on this topic and others, please visit the Atlanta Fed's website at www.frbatlanta.org. If you have comments or questions, please e-mail podcast@frbatlanta.org. Thank you for listening.

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Increase in Mobile Banking Services an Opportunity for Unbanked Consumers

This article is part of a continuing interview series that spotlights important views from experts in the community and economic development field.

With the increase in consumers' use of electronic technology and communications, there's a growing reliance on mobile banking and payments for financial management. A recent consumer survey by the Fed Board finds that the ubiquity of mobile phones among U.S. consumers is changing the way they access financial services and make payments. Despite the increase in the use of mobile channels, however, consumers are still balancing the convenience and timeliness of mobile networks with concerns about costs and security risks inherent to the transactions. As this trend affects the evolution of payments systems and banking options, it raises questions about consumer protection, financial regulation, and the future of the financial services industry.

A recent Pew Research Center survey notes that these trends are prompting a number of financial services and technology firms to set their sights on integrating mobile devices into the broader multitrillion-dollar retail economy. But while the focus has been on how to ensure that mobile transactions are safe and accurate, emphasis is shifting to the payment and money transfer efficiency afforded by mobile devices.

Kate Marshall Dole, an innovation and research analyst for the Center for Financial Services Innovation (CFSI), says that the Fed survey confirms CFSI's theories on the low- and moderate-income (LMI) population's access to mobile phones and their use for managing money. Ana Cruz-Taura, senior regional community development manager at the Miami Branch of the Atlanta Fed, spoke with Dole on the potential that mobile banking and payments represent for reaching the unbanked and underserved communities.

Ana Cruz-Taura: *In general, CFSI promotes access to mainstream banking for underserved communities and focuses on the relevance of bank products and services to LMI communities. How does mobile banking fit into this goal?*

Kate Marshall Dole: Across this population, access to mobile phones is broader than access to traditional banking and Internet banking. For the underserved population, mobile services are not substituting [for] the Internet—since these consumers are less likely to have consistent access to the Internet through a computer at home—but instead providing a new point of access. Many financial institutions have not seriously contemplated the LMI community when developing mobile services, instead targeting more affluent customers. For example, many mobile services provide personal money transfer but not bill pay or any type of stored value option. The Fed's research shows that there is a real opportunity inherent in targeting underserved populations.

Cruz-Taura: *The growth in mobile phone usage undoubtedly has had an impact on consumer behavior. The Federal Reserve study concludes that mobile banking is a*

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growing trend that is shifting into high gear. What are the trends you are seeing across LMI individuals and households? Do you observe changes in the ways they are accessing financial services through mobile technology?

Dole: Based on research of mobile device usage by income group (for example, through the [Pew Internet & American Life Project](#)) and trends among prepaid wireless carriers, we have seen a clear increase in the access to smartphones across the population, including lower-income segments. We are starting to see a small number of innovators focus on developing services targeted to the underserved community, and mobile services in the prepaid space are also increasing. In general, mobile devices allow individuals more timely and convenient access to information about their income and expenses, allowing for more effective money management practices.

Cruz-Taura: *The study suggests that the traditionally underbanked are trending ahead of the rest of the population in terms of mobile banking usage. According to the study, in the past 12 months 29 percent of consumers who use check-cashing services and/or payday lenders used a form of mobile banking. What are your thoughts on this?*

Dole: This finding is interesting, and it is consistent with CFSI's hypotheses on mobile banking and the underserved. Underbanked consumers tend to be younger, and mobile device usage and engagement also is heavier among younger consumers. It's not too much of a reach to suggest that underbanked consumers would be more likely to use mobile banking than the general population. In addition, as we discussed earlier, the fact that these consumers are more likely to access their accounts through mobile channels than through the nonmobile Internet (contrary to more affluent consumers, who may be regular users of online banking) suggests that they might be more likely than the population as a whole to use mobile banking.

That said, you can also infer that, unlike mainstream consumers for whom mobile services are merely a novelty, people with less time, less access to transportation, or fewer easily accessible brick-and-mortar options would genuinely benefit from the convenience of mobile services. For example, using a smartphone to reload cell phone minutes or utilizing prepaid cards to pay utilities through a mobile application offers significant advantages to LMI consumers.

Cruz-Taura: *Are there any other future trends we might look to given the growth in popularity of using mobile devices for banking services and making payments? Any future opportunities for LMI individuals and households, or potential risks or future challenges we should be considering?*

Dole: Continued growth in smartphone penetration is certainly promising, especially as it permits people to do more with a phone and to access more information relative to what can be done with nonsmart-feature phones. Being able to see the transfer of money in and out of an account in real time can be very helpful to those who are living paycheck to paycheck and who don't have a financial cushion. For example, being able to track account information in real time could help a consumer avoid triggering an overdraft charge. Additionally, being able to accept card-based payments through a mobile device is an important development for service sectors where there are likely a large number of underbanked individuals such as taxi drivers, nannies, and handymen. Mobile payment receipt devices can help people keep track of revenue and document their business transactions and allow them to process credit and check payments safely.

In addition to mobile payments and banking, we [CFSI] have been interested in the growth in virtual prepaid cards that also offer potential for meeting the financial needs of underserved market segments. Because virtual cards contain dynamic account numbers, they offer the benefit of higher fraud protection. Today these cards are used only for online payments, but if their use is expanded, they could be more meaningful for these consumers.

Our [CFSI] focus today is on informational services within mobile banking that help increase consumers' awareness about their day-to-day finances. We're interested in seeing the infrastructure to support mobile payments develop further, as well as the trends in usage of mobile platforms by underserved consumers. Mobile banking needs to provide safe and secure access to banking services, not just a new way to spend money.

For more information on the regulation of mobile payments, read the testimony of Stephanie Martin, associate general counsel at the Federal Reserve Board of Governors, before the Subcommittee on Financial Institutions and Consumer Credit, Committee on Financial Services, June 2012.

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Partners Update
July/August 2012

REO Management and Disposition Policies and Procedures: Call-in Session

Join community development practitioners from across the country at 3:30 p.m. ET on Friday, July 13, for a Federal Reserve call-in session on current policies associated with the management and disposition of REO property. These policies address the legal, financial, and reputational risks associated with REO management and disposition strategies.
Presenters will discuss the purpose for these policies and implementation issues to ensure that institutional practices do not adversely impact consumers and communities. Presenters include:

- *Matt Lambert*, senior community development analyst, Division of Consumer and Community Affairs, Federal Reserve System Board of Governors
- *Tim Robertson*, senior supervisory analyst, Division of Consumer and Community Affairs, Federal Reserve System Board of Governors
- *Bill Treacy*, adviser, Division of Banking Supervision & Regulation, Federal Reserve System Board of Governors

Register for this interactive session and Q&A; at the ***Connecting Communities™*** website. Participants are encouraged to submit questions by e-mail in advance of the session.

This event is part of the Federal Reserve's ***Connecting Communities™*** series, which is a national initiative intended to provide community development practitioners, financial institution representatives, policymakers, and others with timely information on emerging and important community and economic development topics.

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