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https://www.stlouisfed.org/publications/bridges/volume-1-2020/why-eighth-district-populations-growing-more-slowly

Why are Eighth District Populations Growing More Slowly than the Rest of the U.S.?

William R. Emmons

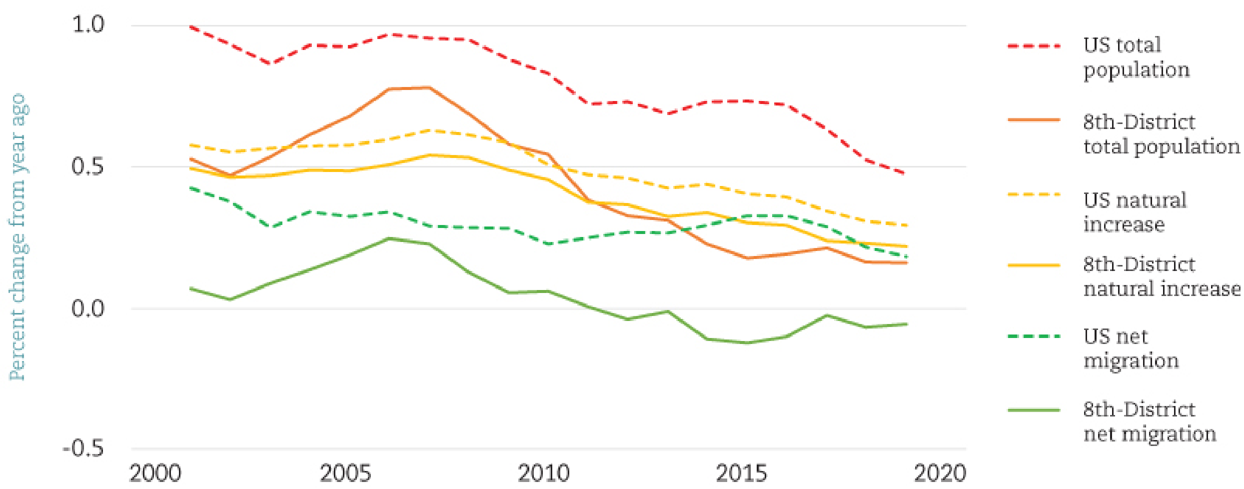
In recent years, U.S. population growth has slowed significantly due to falling birth rates, rising death rates and fewer immigrants coming into the country.[1] Similar to the rest of the nation, population growth rates in all seven states within the Eighth District (Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee) have recently declined (see Figure 1).

Differences in migration rates (domestic and international), rather than divergent trends in birth or death rates, are the largest source of variation in population growth among the district's seven states. More precisely, relatively low rates of inward net migration are the main reason Eighth District states grow more slowly than the U.S. as a whole.

Figure 1 shows that beginning in 2012, more people have moved out of Eighth District states than moved in.

Figure 1

Sources of Population Growth: US and 8th-District States



SOURCE: Census Bureau and author's calculations.
NOTES: The chart shows the total population growth rate in each year of the U.S. and the seven states in the Eighth District as well as the two components of population growth for each—natural increase and net migration. For Eighth District states, net migration is international migration plus domestic migration, which is inbound minus outbound changes of residence within the U.S.

Given the long-term slowing of natural population increase (i.e., births minus deaths), migration trends are becoming increasingly important in determining which counties, metro areas and states gain and lose population. Historically, our district's states have not always been deemed areas of peak migration; however, areas within Tennessee have attracted large numbers of domestic migrants, while Illinois has been a destination for international migration.

With advantages like a low cost of living, Eighth District state populations may be bolstered by migration in the future.

A Primer on Sources of Population Growth

Population in a particular place grows or declines for two reasons:

1. Natural increase (births minus deaths).
2. Net migration (the number of people moving to a place minus the number of people who move away).

For entities smaller than the nation as a whole, net migration is divided between net domestic migration (inward minus outward moves within the U.S.) and net international migration (immigration into the area from outside the U.S. minus emigration from the place to somewhere outside the U.S).

Sources of Population Growth Vary Widely

The sources of recent individual state population slowing differ significantly.

- More death rates have increased in Kentucky and Mississippi than elsewhere in the District and nation.
- Domestic migration into Arkansas and Kentucky, while positive in most years, has declined.
- Domestic migration in Illinois and Mississippi has increased.
- International migration, a slightly larger contributor to population growth in Illinois, recently fell below the national rate.

Additionally, some trends have worked in favor of Eighth District state population growth:

- Indiana's population growth rate has surpassed the national rate due to slightly more favorable trends in the birth rate and both domestic and international migration.
- Arkansas, Kentucky, Missouri and Tennessee all experienced slightly better birth rate trends (i.e., slower declines) than the nation as a whole.
- Tennessee's high domestic migration rate rebounded in recent years after a post-recession slowdown.

When all sources of change are considered, five states within the Eighth District continue to grow more slowly than the nation (Arkansas, Illinois, Kentucky, Mississippi and Missouri), while two states are growing faster than the nation (Indiana and Tennessee).

How Our States Grow

The easiest way to see how various aspects of natural increase and net migration contribute to a state's total population growth is to display them relative to the nation as a whole.

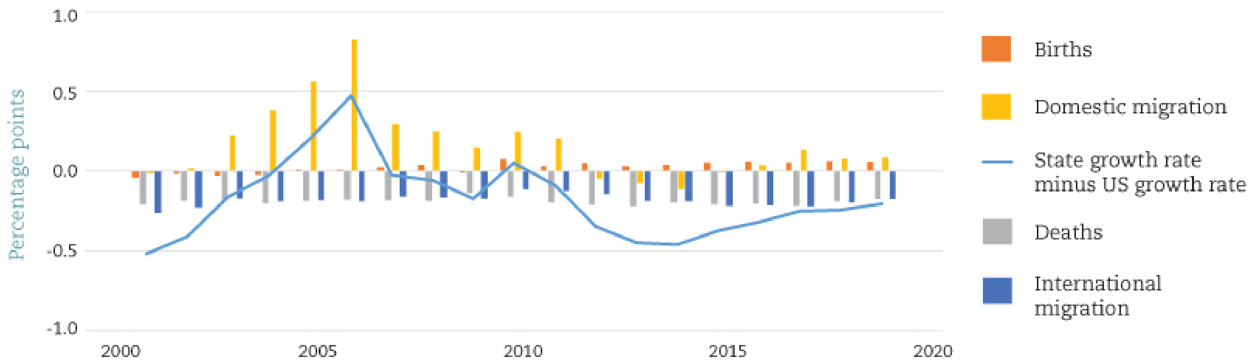
In other words, each factor can be shown contributing more to the state's population growth in a given year than it does at the national level or less. The sum of the contributing factors is the annual difference between the state's and the nation's population growth rates.

Figures 2-8 display features of each Eighth District state's developments from 2001-2019, summarized below.

Arkansas (Figure 2). Domestic migration was a major contributor to above-average population growth in the mid-2000s, especially in the northwest part of the state, but it subsided after 2011. Natural increase has been slowing growth relative to the U.S. throughout the period. International migration also has been weaker than the national average, slowing population growth.

Figure 2

Arkansas Population Growth Relative to US by Source



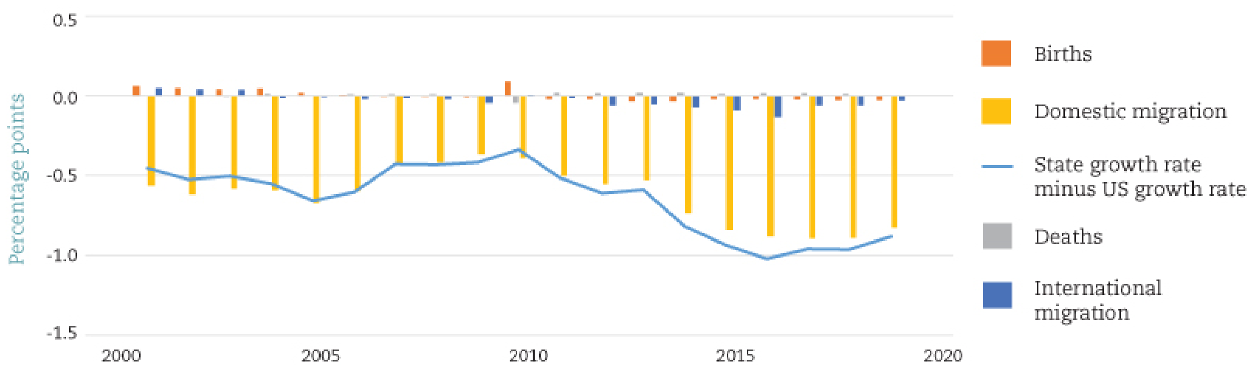
This information applies to charts 2-8.

SOURCE: Census Bureau and author's calculations.
NOTES: The chart shows how much and why a state's population growth rate in each year differed from the national growth rate. The line shows the difference between the state's total population growth rate and the national population growth rate. The columns show the contributions to this growth rate difference of four factors: birth rates, death rates, domestic migration and international migration. In each case, the rate of the factor is expressed relative to its corresponding national rate. A column shown above zero means that factor contributed more to the state's growth rate than the factor did to the national rate and vice versa for columns shown below zero. These four sources of relative population growth sum to the growth-rate difference shown by the solid line.

Illinois (Figure 3). The dominant factor throughout the period is negative domestic migration, which became even more negative after 2010. Natural increase was close to the national average throughout the period. International migration changed from a small positive to a small negative over time, relative to the U.S. as a whole.

Figure 3

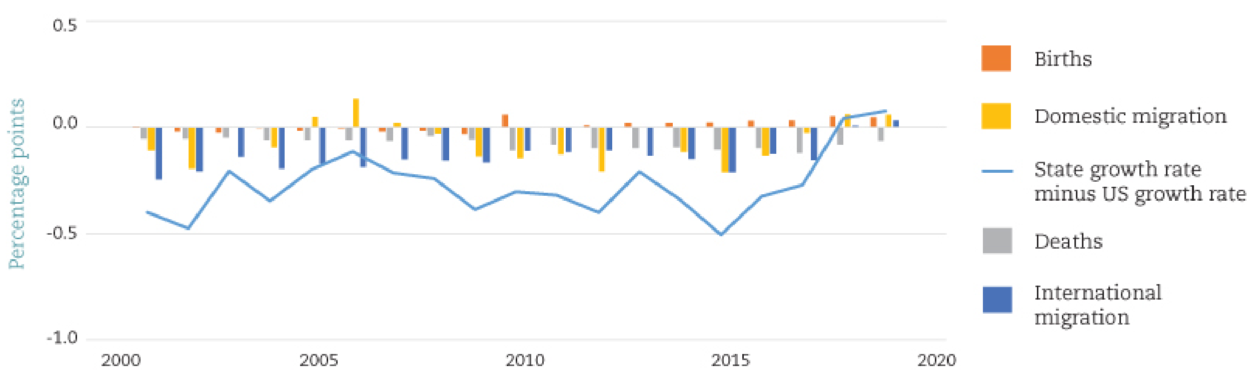
Illinois Population Growth Relative to US by Source



Indiana (Figure 4). Both domestic and international migration changed from being small negative to small positive factors over time. Natural increase moved from being a minor negative factor to approximately neutral by the end of the period. The result is that Indiana's population growth has recently exceeded the national average.

Figure 4

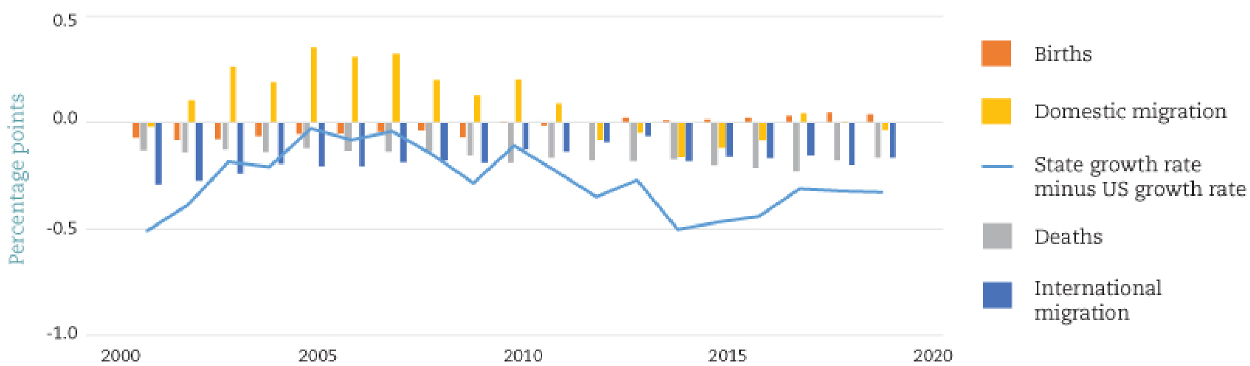
Indiana Population Growth Relative to US by Source



Kentucky (Figure 5). Domestic migration was a significant factor offsetting the negative influence of the natural increase in the 2000s, but became a minor detractor after 2011. Natural increase and international migration remained negative contributors throughout the entire period, pushing the state's population growth below the national average.

Figure 5

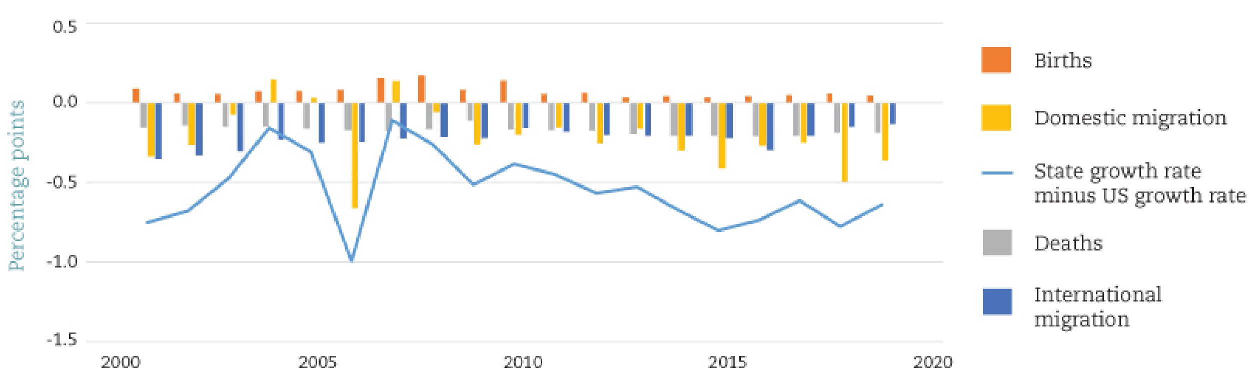
Kentucky Population Growth Relative to US by Source



Mississippi (Figure 6). The only factor that contributed positively in every year was the birth rate; but, in most years, the overall rate of natural increase subtracted from growth due to above-average death rates. Hurricane Katrina caused a large, one-time loss of population through outward domestic migration. Total net migration (domestic and international) was negative in every year, largely causing the state's below-average population growth.

Figure 6

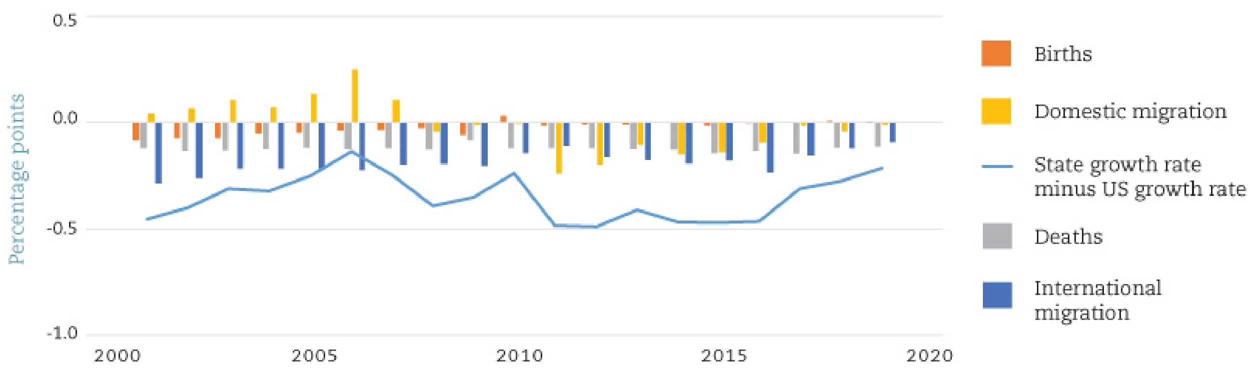
Mississippi Population Growth Relative to US by Source



Missouri (Figure 7). Above-average domestic migration contributed positively in the mid-2000s but reversed after 2007, placing downward pressure on the growth rate. Natural increase and international migration have been negative contributors throughout the period.

Figure 7

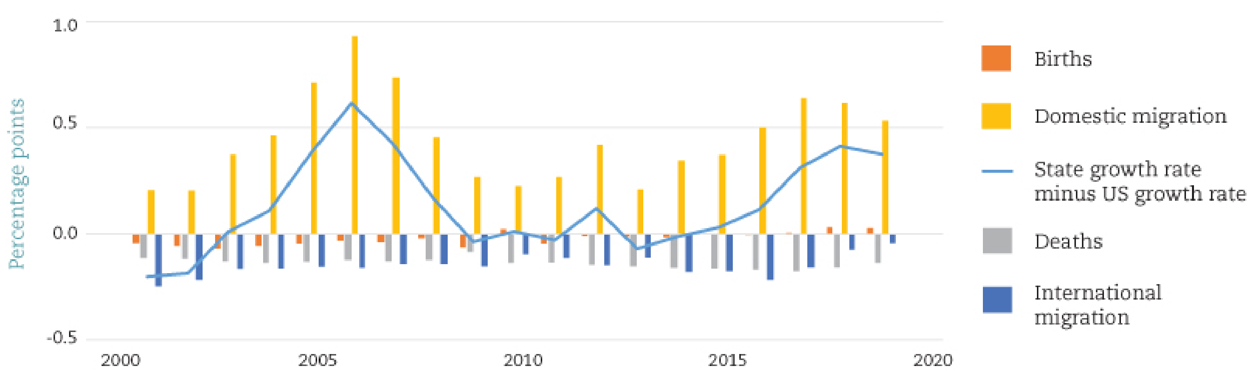
Missouri Population Growth Relative to US by Source



Tennessee (Figure 8). Domestic migration was above the national average in every year, with cyclical peaks in 2006 and 2017. All other factors contributed negatively in virtually every year. Without the contribution of domestic migration, population growth would have been significantly below the national average throughout the period; yet, it was above-average.

Figure 8

Tennessee Population Growth Relative to US by Source



Migration Patterns Will Determine Population Growth and Decline

Due to declining birth rates and increasing death rates, the amount of natural population increase is slowing nationwide and in each of our District states. The most important contributors to population growth or decline in particular locations will be migration patterns, both domestic and international.

While states in the Eighth District generally have not been net attractors of migrants, Tennessee and a few other states have periodically been exceptions to this rule. Desirable features such as our low cost of living may help some localities resist the population growth slowdown that is underway.

William R. Emmons is an assistant vice president and economist at the Federal Reserve Bank of St. Louis and the lead economist for the Bank's Center for Household Financial Stability.

Endnotes

1. See Emmons, Bill, “U.S. Population Growth Slowing to a Crawl,” *On the Economy*, Feb. 2020, https://www.stlouisfed.org/on-the-economy/2020/february/us-population-growth-slowing-crawl.

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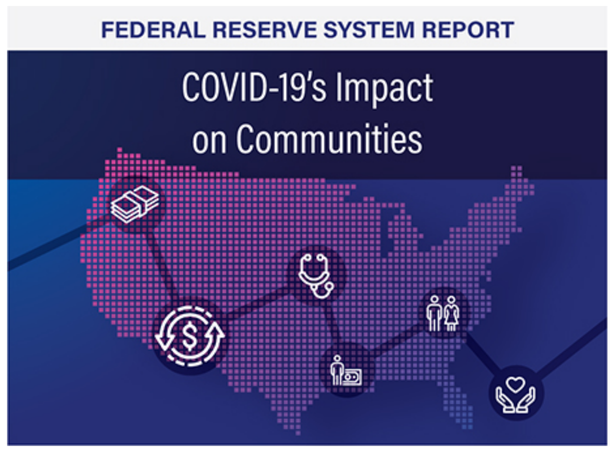
Economic Impact of COVID-19 on Eighth District Communities

Megan Worden



As healthcare providers responded to the COVID-19 outbreak in the United States, community development leaders across the Federal Reserve System mobilized to understand the economic implications of the pandemic for the nation's communities.

All 12 Reserve Banks and the Board of Governors of the Federal Reserve System fielded a national survey to ask nonprofits, financial institutions, government agencies and other community organizations to report the needs of the communities they serve, as well as the entities for which they work.

The national findings were recently published in "Perspectives from Main Street: The Impact of COVID-19 on Communities and the Entities Serving Them (PDF)."

The survey's report offers a snapshot of how communities were experiencing the effects of the pandemic from April 8-10, 2020. An examination of survey data for the Eighth District of the Federal Reserve System revealed a pattern consistent with national findings—communities sustained a significant economic shock that will require substantial recovery time; yet, community development organizations expect short-term financial setbacks that will resolve as the public health crisis subsides.

Nevertheless, data for the Eighth District illustrate the specific ways communities and community development entities in the region experience the economic fallout of COVID-19.

Data Sample Overview

Of the national sample, 313 survey respondents operate within the Eighth District. A majority of the district respondents (75%) indicated that they are direct service providers. Eighth District respondents work relatively equally across four key issue areas:

1. small-business (52%)
2. housing (44%)
3. consumer finance (35%)
4. workforce development/jobs (35%)

Most respondents reported serving the district's rural areas (65%), though organizations working in urban (51%) and suburban (36%) locations were also represented.

Assessing Communities

Eighth District survey data indicate that the region's communities experienced substantial economic disruption from COVID-19, though respondents identified two possible recovery trajectories for the district's residents. The majority of Eighth District respondents reported that COVID-19 significantly disrupted economic conditions. Most respondents (59%) stated that they expect a difficult economic recovery process for communities. However, a subset of respondents (28%) took a more optimistic view in believing economic conditions would bounce back quickly once the health crisis wanes.

The previously mentioned Eighth District response categories track lower than the corresponding responses in the national dataset (69% noted significant disruption and expect the recovery to be difficult, while 22% noted significant disruption, but expect communities will bounce back quickly). These dataset differences suggest Eighth District communities were experiencing slightly less economic distress from COVID-19 than other areas across the country in early April.

Delving further into the topic of recovery time, 35% of survey respondents in the Eighth District believe it will take more than 12 months for communities to recover from the economic impact of COVID-19. The remainder of respondents split equally across the three other recovery windows posed in the survey: three and six months (18%); seven and nine months (15%); and 10 to 12 months (18%).

Assessing Community Development Entities

Consistent with national trends, Eighth District community development entities report facing less economic loss at the time of the survey than the communities they serve. These entities also anticipate a relatively quick recovery. Among Eighth District survey respondents, 34% represent non-profits, 30% represent financial institutions, and the remaining third represent other entities, such as government and private industry. This representation of organizations differentiates the Eighth District data from the national dataset, in which nonprofits had a larger representation (64%).

A portion of Eighth District respondents (39%) reported that although COVID-19 significantly disrupted their organization, they expect their entities will resume normal operations after the virus is contained. One portion of respondents (29%) characterized the disruption from COVID-19 as manageable, while another portion (25%) described the disruption as significant and foresee a difficult recovery process for organizations.

To understand the economic viability of community development entities, respondents were asked to forecast how long their organizations could operate in the current contingency environment before exhibiting financial distress. Eighth District respondents spread evenly across the response categories, which provided suggested timeframes (19% of respondents reported less than three months, 22% of respondents reported between three and six months, 11% of respondents reported between seven and nine months, 9% of respondents reported between 10 and 12 months and 16% of respondents reported more than 12 months).

In the national dataset, a majority of respondents reported that their organizations would experience financial distress in less than three months (25%) or between three and six months (26%).

Next Steps

The COVID-19 pandemic constitutes a substantial economic disruption to communities and community development entities across the Eighth District. It will take time for these neighborhoods and organizations to return to their pre-pandemic economic conditions. The Federal Reserve System remains committed to monitoring the pandemic to track economic changes in communities and the organizations that serve them.

Disclaimer: Responses shared in this article were selected for discussion purposes only. Complete response data for each survey question is not included, so percentages do not add up to 100%.

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Vehicle Financing Inequality: What Can Be Done?

Cait Baker , Theodore Floros , Katie Kristensen

This research was initially funded through a grant from the Mastercard Center for Inclusive Growth and with data preparation and analysis by the Washington University Social Entrepreneurship and Innovation Lab.

In many communities within the United States, poor public transportation makes access to a personal vehicle a critical access point for opportunity.

In St. Louis, nearly 80,000 households do not have access to a car. Research[1] and advocacy[2] have indicated that mobility is one of the strongest factors in a household's odds of escaping poverty. Work by the Brookings Institute (PDF) identified that St. Louis ranks sixty-eighth (of 100 total metropolitan areas within the U.S.) in terms of metropolitan, city and suburban transit assessibility, and access to jobs by transit.

The Equity Indicators Baseline Report (PDF) for the City of St. Louis (2018) shows workers who live in majority-black census tracts make up 60% of those who commute via public transit. While almost 75% of drivers have a commute of 30 minutes or less, only 25% of those accessing public transportation have a commute under 30 minutes, with 35% having commutes over an hour long. The differences in vehicle ownership are stark. According to a report from the East-West Gateway Council of Governments, black households are 4.5 times more likely (PDF) to lack access to a vehicle compared to white households.

Yet, for families seeking access to the opportunity and self-determination that a vehicle can provide, a high-interest car loan can be responsible for another roadblock on the path out of poverty. An analysis of 2019 client data from Justine PETERSEN, a Missouri-based nonprofit with a mission of connecting institutional resources with the needs of low- to moderate-income individuals and families, revealed a 15% average interest rate on client car notes, with over a quarter of the loans having interest rates above 20%.

Buy-Here, Pay-Here Providers

Among Justine PETERSEN's clients engaged in credit building, over 13% have a vehicle-related collection or repossession on their car note. The majority of these loans are marked as being originated by local buy-here, pay-here (BHPH) providers that primarily offer to lend to subprime borrowers. According to a 2010 article from the Center for American Progress, in the case of secondhand auto loans, the borrower's and lender's incentives are usually not in alignment. Whereas consumers are looking for the lowest interest rates, they instead face lenders who profit not from the buyer's success but his or her failure. While the Consumer

Financial Protection Bureau extended mandatory underwriting provisions to require consideration of the ability to pay in November 2017, this rule did not include auto loans.

Independent auto finance companies and BHPH dealers are often able to skirt state usury laws. While these loans are toxic to consumers, they are immensely profitable within the financial system.

St. Louis as an Example of Predatory Reality

St. Louis represents a salient example of this predatory reality that is present across the country. Experian's State of the Automotive Finance Market (PDF) data indicate that consumers with subprime credit scores are paying a significant premium for access to a vehicle.

In referencing the table below, this premium translates to individuals with deep subprime credit scores paying on average the most per month ($409) for the lowest-value vehicle (average loan amount $14,584), compared to prime and super-prime borrowers. These trends flow into auto insurance costs as well, with a poor credit score often costing more over a year than a driving-while-intoxicated conviction.

Loan Type	Average Term	Average Monthly Payment	Loan Amount	Total Paid	Average Interest Rate
Deep Subprime	56.61	$409	$14,584	$23,153	20.95%
Subprime	58.15	$398	$15,254	$23,143	18.97%
Nonprime	61.48	$372	$17,162	$22,870	13.14%
Prime	63.72	$357	$19,372	$22,748	7.25%
Super Prime	61.26	$359	$19,639	$21,992	4.88%

SOURCE: Experian

Since the Great Recession, the auto market has seen the rise of nonbank auto finance entities[3], such as independent auto finance companies and BHPH dealerships. Both of these structures have a deep appetite for subprime lending, with 20.95% of BPPH loans falling into the deep subprime category, compared to 1% of loans from banks and credit unions. Consumers accessing products from these emerging entities are often steered towards predatory financing by the dealership.

Conclusion

In conclusion, the services and access to safe and affordable credit provided by community development financial institutions (CDFIs) are critical in creating a pathway for communities to escape and avoid predatory auto financing. Knowingly, the services provided by CDFIs can only be accessed if they are known and understood. The ease of access and rapidity of predatory vehicle lending is what makes BHPH loans often predatory.

It will take our entire financial and social ecosystem working together to make CDFI vehicle loans the product of choice, instead of the exception. Together, we can make a financially safe choice the easy choice for every member of our community.

Cait Baker, Theodore Floros and Katie Kristensen serve as the housing counselor, evaluation associate and credit building manager, respectively, at Justine PETERSEN.

Endnotes

1. Chetty, Raj, and Hendren, Nathaniel. “The Impacts of Neighborhoods on Intergenerational Mobility Childhood Exposure Effects and County-Level Estimates.” Executive Summary. Harvard University, April 2015. http://www.equality-of-opportunity.org/images/nbhds_exec_summary.pdf.
2. See “Enhancing Access to Transportation” from Forward through Ferguson: https://forwardthroughferguson.org/report/call-to-action/enhancing-access-to-transportation/.
3. See “Fair Lending: Implications for the Indirect Auto Finance Market,” prepared by Arthur P. Baines and Dr. Marsha J. Courchane for the American Financial Services Association: https://www.crai.com/sites/default/files/publications/Fair-Lending-Implications-for-the-Indirect-Auto-Finance-Market.pdf.

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CRA: An Examiner's Perspective
COVID-19 and the Community Reinvestment Act (CRA) – Assessment Area Responsiveness

Douglas Yarwood

This article is part of a series on CRA best practices from an examiner's perspective. Although this column focuses on CRA best practices for financial institutions, the content may provide insights for community development organizations working with financial institutions in meeting credit and community development needs. As a disclaimer, this series is meant only to represent best practices; financial institutions should consider the information presented in the context of the requirements or guidance of their primary regulators and the business needs of their financial institutions.

On March 19, 2020, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency published the *Joint Statement on CRA Consideration for Activities in Response to COVID-19* (PDF).

This statement, effective for six months, encourages financial institutions to work with low- and moderate-income (LMI) individuals and families, small businesses and farms, communities located in LMI census tracts, and distressed and underserved geographies within their assessment area. The joint statement provides guidance on retail and community development activities that banks may consider to provide short-term relief in the interest of long-term financial stability for these communities in this time of national crisis.

The statement provides examples of accommodations to communities concerning lending, retail services and community development. Guidance for working with these LMI individuals includes consideration of easing restrictions to improve access to funds and credit products (e.g., waiving fees, accommodating customers with loan repayments during a time of hardship).

The guidance also provides examples of community development activities (loans, investments and services) that support providing food supplies; digital and health-care access for communities; and economic development activities that help sustain small businesses and farms.

Additionally, the joint statement encourages financial institutions to work with regulators to identify other activities that will assist LMI individuals and communities, small businesses and farms while ensuring these actions are consistent with safe and sound banking practices and applicable consumer protection laws. The statement emphasizes these examples are not an exhaustive list of activities that will be considered for CRA credit.

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CDAC Spotlight: Advancing Black Entrepreneurship and Community Wealth in Mississippi

Founded in 2016, Higher Purpose Co. (HPC) serves as an economic justice-focused nonprofit agency with a mission to build community wealth among black Mississippians by supporting the ownership of financial, cultural and political power utilizing the pillars of asset building, narrative change and advocacy. These three pillars guide the organization's programs, which aim to create change in Mississippi Delta communities.

In July 2019, HPC announced initiatives totaling $500,000 in grant support from several institutions. The initiatives included:

- The Higher Purpose Business Fellowship
- The Higher Purpose Funding Network
- The expansion of the #MoneyPurposeSuccess Women's Entrepreneurship Summit

HPC supports over 80 black entrepreneurs across the state in launching, sustaining and growing their businesses.

Higher Purpose Business Fellowship

The Higher Purpose Business Fellowship is a six-month program anchored by HPC's culturally relevant curriculum, business growth support and funding network for black-owned businesses and cooperatives that specialize in food, health, education, arts and culture. The fellowship selects existing for-profit businesses and cooperatives led by black residents based on their overall social impact. Fellows receive a $1,000 stipend and meet six times per year to learn, connect with industry resources and join a community of entrepreneurs.

Last year's cohort graduated eight black-owned businesses after they completed eight modules, including personal leadership, business model development, leveraging technology, business protection, money management, funding, branding and pitch development.

The graduation and business pitch competition attracted over 125 community residents, leaders, bankers and fellow entrepreneurs.

Higher Purpose Funding Network

The Higher Purpose Funding Network consists of a network of financial institutions that assist in aggregating capital for black entrepreneurs throughout Mississippi. The network provides capital matchmaking, application packaging and customized business growth support to residents.

The purpose of the network is to connect black entrepreneurs and financial institutions to increase funding for black-owned businesses across Mississippi. As a result, several participating entrepreneurs are currently making progress with their businesses and utilizing their stipends to purchase additional inventory, supplies and marketing. Since launching the pre-application for the funding network in December 2019, HPC has received over 200 applicants from black entrepreneurs.

#MoneyPurposeSuccess Women's Entrepreneurship Summit

The annual #MoneyPurposeSuccess Women's Entrepreneurship Summit was created in 2016 to accelerate the success of black female entrepreneurs in Mississippi and across the Mid-South. Last year's summit saw over 150 women from six states learn about the importance of entrepreneurship, funding, branding and marketing—while also providing them with the chance to pitch their businesses to potential sponsors.

Attendees learned from top black business leaders who provided tools and resources to aid in launching or elevating their businesses and communities to the next level.

For more information about the work of HPC, visit www.higherpurposeco.org.

CDAC Member Spotlight

Timothy Lampkin is the co-founder and chief executive officer of Higher Purpose Co. Prior to HPC, he worked for Southern Bancorp Community Partners to implement community initiatives, while also assisting rural entrepreneurs at Delta State University. Lampkin also is a member of the Community Development Advisory Council (CDAC) for the St. Louis Fed.

CDAC members are experts in community and economic development and financial education. They complement the information developed through outreach by the District's Community Development staff and suggest ways the Bank might support local efforts. See current CDAC members.

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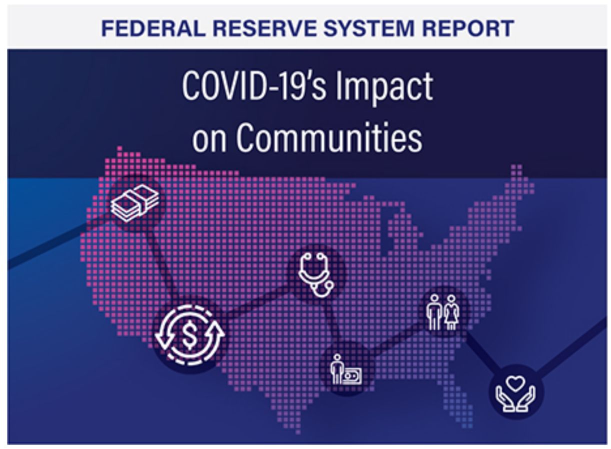
Resources

Perspectives from Main Street: The Impact of COVID-19 on Communities and the Entities Serving Them



A Federal Reserve System report shows the scope and scale of challenges U.S. communities are facing amid the pandemic. It offers findings of a survey designed to collect information on the effects of COVID-19 on communities and the entities serving them; the survey was fielded by all 12 Reserve Banks and the Board of Governors.

Read "Perspectives from Main Street: The Impact of COVID-19 on Communities and the Entities Serving Them" (PDF).

Federal Reserve Bank of Atlanta Releases the Small Business Credit Survey's 2019 Minority-Owned Firms Report

Small businesses are crucial to the nation's economy. They employ almost half of U.S. workers, and are important sources of employment and wealth-building, particularly for minority communities. The number of minority-owned businesses has grown rapidly in recent years, which means that their well-being and ability to access financing is increasingly important to fostering economic opportunity and broader economic growth.

The Federal Reserve Bank of Atlanta has released the Small Business Credit Survey: 2019 Report on Minority-Owned Firms. The report examines the state of minority-owned businesses, offering insights on their performance, access to financing and experiences in the credit market.

You can read the Report on Minority-Owned Firms here.