



Examining U.S. Economic Racial Inequality by State

Ana Hernández Kent

Recent events have brought racial inequities to the forefront of many conversations. At the Center for Household Financial Stability, we have documented underlying racial economic disparities that may be contributing to heightened tensions.

As the dialogue continues, you may be wondering about the magnitude of economic racial gaps in your state.

In comparing state-level racial socioeconomic well-being trends—focusing on median household income, poverty status and health insurance—to national benchmarks, three key findings emerged:

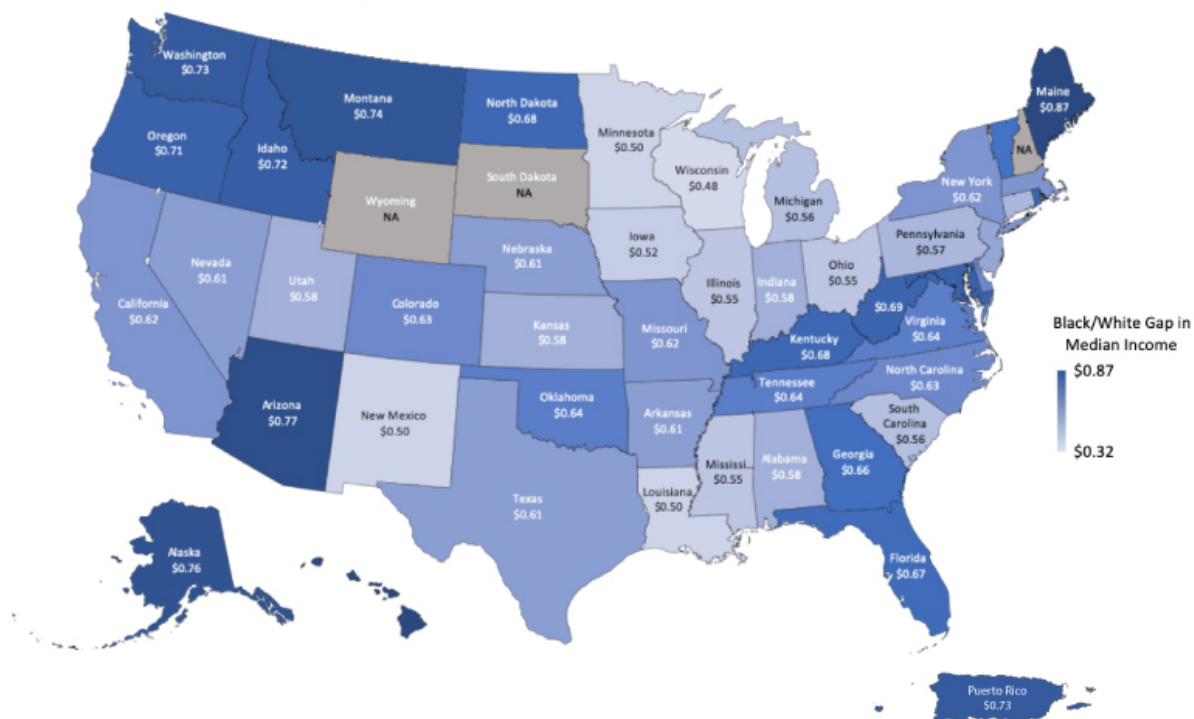
1. **Median Black/white income gaps vary considerably**, but in all states white median household income is greater than Black median household income.
2. **Racial poverty gaps and poverty rates fluctuated widely** (e.g., Puerto Rico had a Black-white gap of 6 percentage points but high poverty, while Maryland had a gap of 7 percentage points but fairly low poverty).
3. **Across states, racial health insurance gaps** were comparatively smaller; yet, Black people had lower health insurance rates than whites in all states.

Large Racial Income Gaps around the Country

Nationally, Black households earned 61 cents per \$1 of white household median income in 2018.¹ Black/white median household income gaps ranged from 32 cents per \$1 (District of Columbia) to 87 cents per \$1 (Hawaii and Maine).

The national median of the racial wealth (what families own less than what they owe or their net worth) gap was even larger, with a national ratio of 10 cents per \$1—a gap largely unchanged in the past three decades.²

Black Household Median Income Per \$1 of White Household Income



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NOTE: Heavier shading indicates a smaller gap, or less inequality. States/areas too geographically small to show an estimate are as follows: Hawaii, \$0.87; Vermont, \$0.65; Massachusetts, \$0.62; Connecticut, \$0.57; Rhode Island, \$0.69; New Jersey, \$0.59; Delaware, \$0.63; Maryland, \$0.71; and District of Columbia, \$0.32. State estimates with a margin of error larger than 30% are not provided: New Hampshire, South Dakota and Wyoming.

Racial Poverty Gaps and Actual Poverty Rates Vary Widely

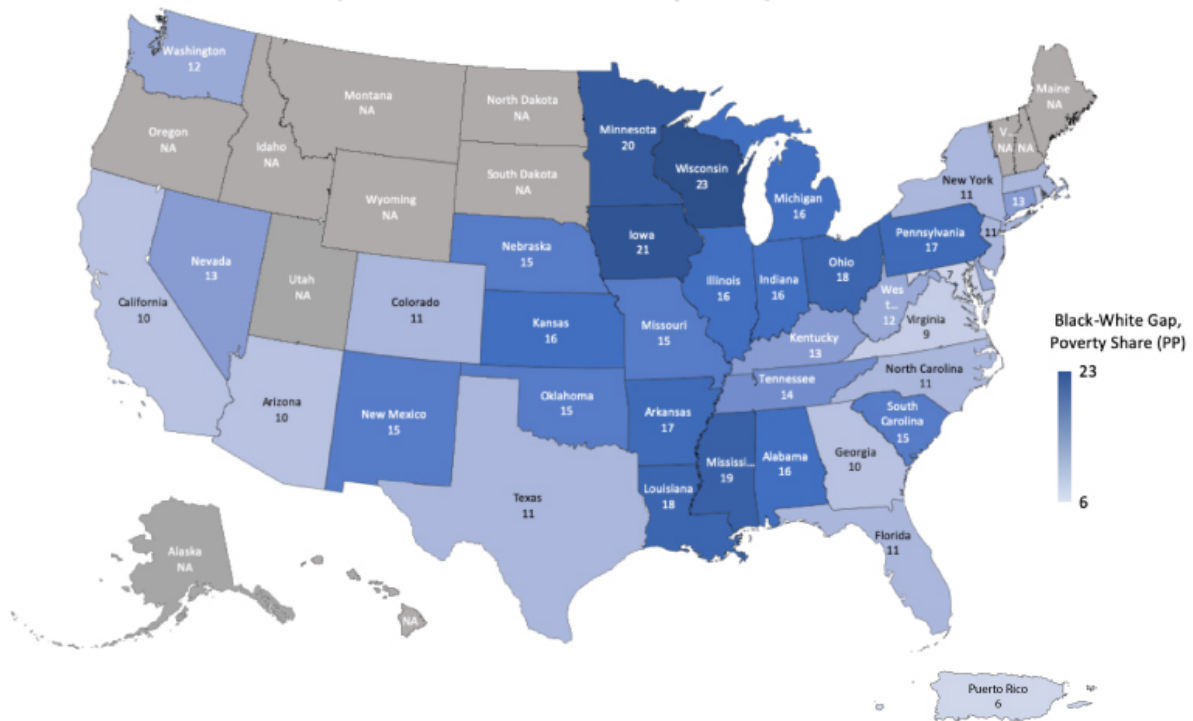
The U.S. Census Bureau's poverty threshold for a family with two adults and one child was \$20,212 in 2018. This is the official measurement of poverty used by the federal government. Poverty rates and racial poverty gaps also fluctuated enormously depending on the area of the country.

For example, Maryland's racial poverty gap was the smallest of all states, at 7 percentage points. Both white and Black people in Maryland had low levels of poverty (6% and 13%, respectively) compared to the national rates.

A small gap is not necessarily indicative of lower poverty overall, however. For example, Puerto Rico, had a smaller racial poverty gap at 6 percentage points, but higher poverty rates for both white and Black people (39% and 45%, respectively). While not a state, Puerto Rico is the most populated U.S. territory, with over 3 million American residents.

Wisconsin's racial poverty gap was the largest, at 23 percentage points. National data from 2018 indicates 9% of white people were in poverty, compared to 22% of Black people—a gap of 13 percentage points.

Racial Poverty Gap in Percentage Points (Black Minus White Poverty Share)



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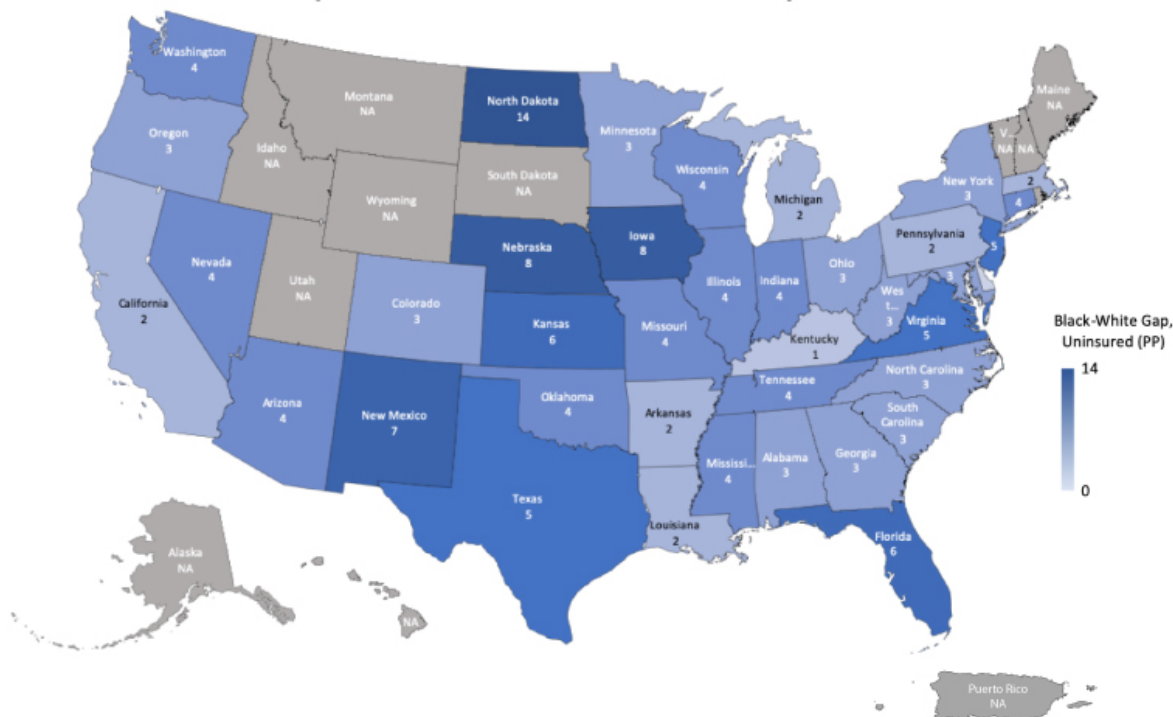
NOTE: Heavier shading indicates greater inequality. States/areas too geographically small to show an estimate are as follows: Massachusetts, 11 percentage points; Rhode Island, 10; Delaware, 12; and District of Columbia, 19. State estimates with a margin of error larger than 30% are not provided: Alaska, Hawaii, Idaho, Maine, Montana, New Hampshire, North Dakota, Oregon, South Dakota, Utah, Vermont and Wyoming.

Racial Health Insurance Gaps Present in All States

Gaps were present in all states that had data available; 11 states and Puerto Rico did not have sufficient data on this topic. In general, racial health insurance gaps were smaller than poverty gaps, ranging from 0.4 percentage points (Delaware) to 14 percentage points (North Dakota). The gap in the majority of states was less than 4 percentage points. Notwithstanding, a larger share of Black people were uninsured than whites in every state.³

Nationally, 6% of whites did not have health insurance in 2018 compared to 10.2% of Black people.

Racial Gap in Health Insurance (Black Minus White Uninsured Shares)



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NOTE: Heavier shading indicates greater inequality. States/areas too geographically small to show an estimate are as follows: Delaware, 0.4 percentage points; and District of Columbia, 3. State/area estimates with a margin of error larger than 30% are not provided: Alaska, Hawaii, Idaho, Maine, Montana, New Hampshire, Puerto Rico, Rhode Island, South Dakota, Utah, Vermont and Wyoming.

Disparities in health insurance can contribute to both racial health and wealth gaps. Untreated or undiagnosed health issues can lead to more expensive, larger problems later in life.⁴ In 2019, individuals without health insurance were more than twice as likely to forgo medical care as those with health insurance (48% versus 22%, respectively)⁵, and Black people are less likely to have health insurance than white people.

In terms of the current pandemic, nearly equivalent shares of Black and white people (82% versus 83%, respectively) say they would contact a doctor if they had COVID-19 symptoms.⁶ Thus, the heavy and disproportionate loss of human life due to COVID-19 in Black communities appears unrelated to the intent to seek medical care, and likely reflects other racial inequities, including: access to care, quality of care and underlying conditions such as cardiovascular disease, diabetes and respiratory illness.⁷

In noting the socioeconomic indicators of median income, poverty rates and health insurance rates, I found that white people had more favorable outcomes than Black people in every state.⁸ These economic indicators can shed light on individuals' access to social and economic resources. This research supports the work of the Community Development team at the Federal Reserve Bank of St. Louis, which continues to promote racial equity and a deeper understanding of economic racial disparities.

Endnotes

1. Using IPUMS USA and the 2018 American Community Survey. White median household income was about \$67,900 and Black median household income was approximately \$41,500.
2. Using the 2016 Survey of Consumer Finances. This survey does not allow for geographic disaggregation.
3. Using IPUMS USA and the 2018 American Community Survey.
4. Dunwoody, C. J., Krenzischek, D. A., Pasero, C., Rathmell, J. P., & Polomano, R. C. (2008). Assessment, physiological monitoring, and consequences of inadequately treated acute pain. *Pain Management Nursing*, 9(1), 11-21.
5. Using the 2019 Survey of Household Economics and Decisionmaking.
6. Using the April 2020 supplement of the Survey of Household Economics and Decisionmaking.
7. See Laurencin, C. T., & McClinton, A. (2020). The COVID-19 pandemic: a Call to Action to Identify and Address Racial and Ethnic Disparities. *Journal of Racial and Ethnic Health Disparities*, 1-5.
8. Using IPUMS USA and the 2018 American Community Survey.

ABOUT THE AUTHOR



Ana Hernández Kent

Ana Hernández Kent is the senior researcher for the Institute for Economic Equity at the Federal Reserve Bank of St. Louis. Her research interests include economic disparities and opportunity, class and racial biases, and the relationship between psychological factors and the household balance sheet. [Read more about Ana's research.](#)



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<https://www.stlouisfed.org/publications/bridges/volume-3-2020/philanthropic-culture-lasting-partnership-columbia-missouri>

Philanthropic Culture Leads to Lasting Partnership in Columbia, Mo.

Neelu Panth

Many of us are finding that COVID-19 has further exposed the social and economic vulnerabilities in low- to moderate-income (LMI) communities. Income, food, health and housing insecurities are at the forefront. The pandemic has challenged the sustainability of small businesses and nonprofits that are considered key support systems for LMI communities throughout the nation.

Encouraging stories of community leadership and the establishment of emergency funds for small businesses and nonprofits have emerged during this crisis — yet, there is an urgent need for a paradigm shift for the long-term sustainability of nonprofits and community development organizations serving LMI communities. Communities can learn how to engage with different investment partners to instill sustainable funding practices.



In September 2019, the St. Louis Fed's Community Development team collaborated with the city of Columbia, Mo., and its community development partners to host an Investment Connection event. The St. Louis Fed's Investment Connection program establishes investment and partnership opportunities between community development organizations/nonprofits and potential funders.

As with previous Investment Connection locations, Columbia stood out for its strong culture of philanthropy in advancing community and economic development in the region. The event resulted in several community development organizations pitching their programs to funders for potential investment.

Columbia Community Land Trust Development and Impact



Image courtesy of Columbia Community Land Trust

Community members participate in a ribbon-cutting ceremony for the completion of the CCLT's Lynn Street Cottages project, which saw seven affordable homes become owner-occupied.

One organization, the Columbia Community Land Trust (CCLT), pitched the Cullimore Cottages project to create additional affordable housing in the region; however, the organization ended up receiving funding before the event took place.

Long before they would create and receive funding for Cullimore Cottages, Eric Morrison, senior vice president and mid-Missouri region president for Providence Bank, and Randall "Randy" Cole, housing programs manager for the City of Columbia, met for an afternoon lunch that birthed the idea to create a working partnership.

The connection happened when Morrison was in charge of getting a loan subordination from the City of Columbia and Cole was the project's main contact. They eventually discussed the city's goals for advancing affordable housing and the prospect of partnering with a community bank like Providence. These discussions lead the duo to set the foundation for what would become the CCLT.

"The bigger impact of engaging in the planning process together was the financing knowledge and support we gained that allowed us to develop more housing than originally planned through our funds. It brought to light what it costs to create affordable housing. Additionally, this process helped us think critically as a community on what it means to address affordable housing," said Cole.

The creation of the CCLT created opportunities for other financial institutions, funders and service providers to fill the city's affordable housing gaps, while also strengthening workforce development and small-business activities. The CCLT grew to receive over \$1 million in investment from a financial institution, corporate and individual donors.

Morrison and Cole now offer the CCLT as an example of Columbia-based organizations that provide critical community and economic development work with the support of both the banking community and philanthropic and government funders. The CCLT and similar organizations are reciprocating funder

generosity by placing their focus on accountability and transparent outcomes, thus strengthening the idea of supporting community-based initiatives within Columbia.

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Neelu Panth is a senior community development advisor, specializing in the Community Reinvestment Act (CRA), at the St. Louis Fed.



Virtual CDFI Symposium Places Focus on Policy and Innovation

Michael C. Eggleston

Amid the global pandemic, a previously scheduled research symposium was transitioned into an online webinar series held in May and June. The four-part series aimed to better understand community development financial institution (CDFI) activities and their implications on policy issues affecting the field.

The series was hosted by the Federal Reserve Bank of St. Louis, in partnership with the Federal Reserve banks of Atlanta, Minneapolis, Richmond and San Francisco, along with the Board of Governors of the Federal Reserve System and the CDFI Fund at the U.S. Department of the Treasury.

After inviting researchers to submit CDFI research papers in late 2019, seven papers of varying categories—including CDFI impact and evaluation, CDFIs and minority-owned firms, CDFI capitalization and CDFIs serving Native American communities—were selected to be presented at the symposium.

In this article, we highlight each webinar and the featured presentations.

CDFI Impact and Evaluation



Diverse journeys in entrepreneurship



Harder and Company, Accion and the Opportunity Fund
The first of four CDFI symposium webinars included "Helping Entrepreneurs Write Their Own Success Stories."



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The first webinar of the series highlighted CDFI impact and evaluation. It featured papers by Meredith Medlin of Accion and Caroline Loyas of Impact Seven.

Helping Entrepreneurs Write Their Own Success Stories: A Longitudinal Study of the Impact of Accion and Opportunity Fund's Services on Small Business Borrowers Across the U.S.

Presented by Medlin.

The research details the post-loan stories of 350 Accion and Opportunity Fund borrowers and the impact of small-business lending services on their businesses, personal financial security and their overall quality of life. This mixed-methods applied research project measured the personal experiences of entrepreneurs as business owners. The findings led to CDFIs diversifying their product offerings and a partnership between LendingClub and Opportunity Fund to reach more small businesses.

Qualitative Model for the Evaluation of CDFIs

Presented by Loyas.

This research focuses on how CDFI lending affects small-business borrowers and the communities in which they work. This qualitative and applied research project developed a process for CDFIs to enhance their understanding of their outcomes and impacts.

To prove the impact and evaluation model, the author surveyed Impact Seven's small-business customers. The survey measured the involvement of their borrowers in informal, local social networks and the extent to which their goods and services were offered by other businesses in their communities. Among small business borrowers, findings concluded that 40% were involved informal, local social networks and 53% reported that their goods and services were not offered elsewhere in their communities.

CDFIs and Minority-Owned Firms



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The symposium's second webinar focused on CDFIs and minority-owned firms in featuring papers by Victor da Motta of Fundação Getulio Vargas and Greg Fairchild of the University of Virginia.

Minority-Owned Enterprises and Access to Capital from Community Development Financial Institutions

Presented by da Motta.

The research examines the CDFI loan application process and acceptance probability for minority-owned firms. Using logistic regression analysis, the research aimed to answer two questions:

1. Are Black-owned firms more likely to apply for loans from CDFIs than non-CDFIs?
2. Are Black-owned firms more likely to have their loan application accepted by CDFIs than non-CDFIs?

Findings suggest that Black-owned enterprises are more likely to apply for CDFI loans and less likely to be approved.

Just How Risky? Comparative Institutional Risks of Minority Depository Institutions (MDIs) and CDFIs

Presented by Fairchild.

The research concentrates on the relative institutional failure risks for MDIs, community development banking institutions and non-mission depository institutions. The authors used logistic regression analysis and found that CDFIs and MDIs are less likely to fail than comparable institutions. This suggests that expanding MDIs and CDFIs is consistent with safety and soundness practices while increased investments could result in enhanced participation in financial services among people with low income.

CDFI Capitalization



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The third webinar focused on CDFI capitalization and featured research papers by Joyce Klein of the Aspen Institute and Maude Toussaint-Comeau of the Federal Reserve Bank of Chicago.

Addressing the Capitalization and Financial Constraints of CDFI Microlenders

Presented by Klein.

This submission focused on the Aspen Institute's initiative to explore capitalization and liquidity strategies among CDFI microlenders that can address financial challenges associated with growth. The qualitative research project studied six of the largest CDFI microlenders in the U.S. to identify strategies for solving capitalization challenges. The research identified constraints including: the need for CDFIs to raise 25 cents for every dollar of debt they take on, the increasing cost of capital and the need for CDFI microlenders to fund-raise. The research also identified two promising approaches involving securitization and institutional loan sales.

Raising Capital When the Going Gets Tough: Determinants of Capitalization Among Minority Depository CDFIs

Presented by Toussaint-Comeau

The research examines factors that determine equity capital for minority depository CDFIs, compared to non-minority CDFIs and other community banks in similar markets. Findings show that depository CDFIs have grown equity capital in recent years, which has allowed for an expansion of lending activity.

CDFIs and Native American Communities



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The symposium's fourth and final webinar focused on CDFIs and Native American communities. Peter Grajzl of Washington and Lee University presented his findings.

CDFIs and Individuals' Credit Risk in Indian Country

Presented by Grajzl.

This study assessed the effect of CDFI presence on the credit scores of people living in Indian Country. The paper specifically sought to predict the likelihood that a borrower would become 90+ days delinquent within 24 months. It also examined whether there was a difference between the presence of Native American CDFIs and non-Native CDFIs. Results concluded that people with the lowest credit scores are positively associated

with the presence of CDFIs. It also found that increasing CDFI staff by one person increased credit scores by about one standard deviation.

CDFI Resources

The papers will be published in the San Francisco Fed's Community Development Innovation Review this fall. Additionally, the Opportunity Finance Network created CDFI Connect as a research hub to allow researchers, practitioners and policymakers the opportunity to share resources and explore research collaborations.

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CRA: An Examiner's Perspective **— FAQs on COVID-19 and the Community Reinvestment Act**

Douglas Yarwood

This article is part of a series on 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 context of the requirements or guidance of their primary regulators and the business needs of their financial institutions.



In late May, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation jointly issued CRA Consideration for Activities in Response to the Coronavirus Frequently Asked Questions (FAQs).

A highlight and summary from the FAQ responses are below.

The time period in which activities related to COVID-19 will be considered.

The agencies believe that a time period of six months after any particular disaster declaration is lifted is an appropriate time period for consideration of such activities.

The basis for the agencies' decision to consider Public Assistance Category B activities related to COVID-19.

The COVID-19 national emergency raises unique needs that differ from those typically undertaken in response to natural disasters or other emergencies. The Federal Emergency Management Agency (FEMA) has issued major disaster declarations that include assistance for emergency protective measures falling into category B assistance. This category is not normally considered designated disaster areas under CRA because of the temporary nature of the activities covered under this category. However, due to the circumstances of this national pandemic, there is special consideration for activities that revitalize or stabilize these areas by protecting public health and safety.

Revitalization and stabilization activities that protect public health and safety in response to COVID-19, particularly for low- or moderate-income individuals, low- or moderate-income geographies, or distressed or underserved middle-income geographies.

Examples of qualified activities include loans, investments or community development services that support:

- Emergency medical care;
- Purchase and distribution of personal protective equipment;
- Provision of emergency food supplies; or,
- Assistance to state, tribal, territorial, or local governments for emergency management and to support communications of general health and safety information to the public.

COVID-19 activities benefiting a bank’s designated assessment areas and beyond.

Banks that are responsive to community development needs and opportunities in their assessment areas will receive favorable consideration for community development activities located in a broader statewide or regional area that includes the banks’ CRA assessment area. If these banks also assist in broader statewide and regional areas, they may also receive credit for those extended areas.

Consideration of Paycheck Protection Program (PPP) and Main Street Lending Program loans under the lending and community development tests.

In regard to PPP loans and the Main Street Lending Program loans, amounts greater than \$1 million may be considered as community development loans if they also have a primary purpose of community development as defined under the CRA.

Affordable housing activities, including single-family and multifamily rental housing, for low- or moderate-income individuals—especially activities promoting housing stability for low- or moderate income renters experiencing financial hardship due to COVID-19.

Community development under CRA includes activities for all of the above. These activities include loan forbearance, reduced payments, loan modifications, or relief to and suspend evictions for low- or moderate-income renters, restructuring debt for residential rental property owners who in turn agree to offer rent.

Retail and community services (particularly those responsive to the needs of low- or moderate-income individuals due to COVID-19).

The agencies encourage banks to work with affected individuals and communities; some of the services include cashing federal government stimulus checks at no cost to non-customers or waiving late fees and customer overdraft charges.

In a much broader sense, through 13 questions and responses, the FAQs address the above topics that expand upon information in the Joint Statement issued this March.

While COVID-19 is a national pandemic, it has affected communities to varying degrees based on their unique infrastructure and economies. This guidance is an important reference for banks and community development organizations working together to assist communities throughout the crisis.

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Resources: Occupational Mobility, COVID-19 Infographics

Rethinking Occupational Mobility in a Post-Crisis Economy

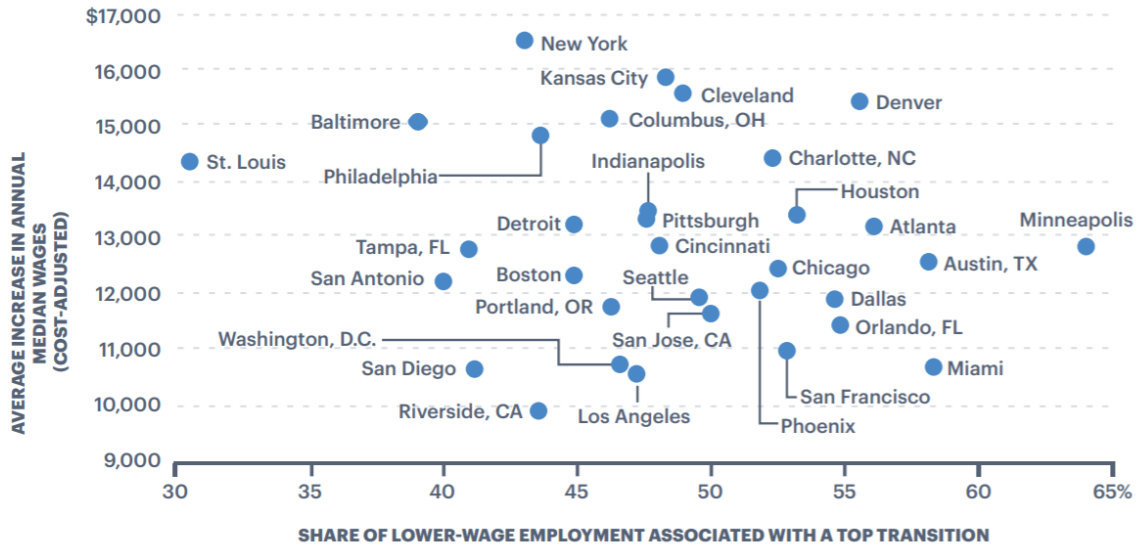
With the demand for labor expected to shift in the post-pandemic economy, new research from the Federal Reserve Banks of Philadelphia and Cleveland examines how transferable skills could both pave the way for lower-wage workers to move up to higher-paying positions and help meet the talent needs of employers.

Based on an analysis of job advertisements in the 33 largest metro areas in the country, the report, *Exploring a Skills-Based Approach to Occupational Mobility* (PDF), finds a high degree of similarity between the skills employers seek when filling lower-wage jobs and the skills demanded for opportunity occupations, or occupations that do not typically require a bachelor's degree and that pay above the national annual median wage (adjusted for local cost-of-living differences).

The report estimates that transitioning to similar higher-paying occupations could represent an average annual increase in wages of nearly \$15,000, or 49%. Further, nearly half (49%) of lower-wage jobs in the metro areas analyzed can be paired with at least one higher-paying occupation requiring similar skills but no bachelor's degree. In conjunction with targeted training, hiring processes that recognize the portability of skills across occupations could not only promote economic mobility for lower-wage workers but also help meet the talent needs of employers.

The report includes detailed findings for the 33 metro areas analyzed.

Lower-Wage Employment with a Top Transition and Average Increase in Annual Median Wages from Top Transitions by Metro Area



This figure shows lower-wage employment with a top transition and average increase in annual median wages from top transitions by metro area. It's part of a new report by the Cleveland and Philadelphia Feds.

The Fed's Actions to Support Communities amid COVID-19

The Federal Reserve System is building a bridge to get us over the challenges created by the COVID-19 pandemic. While some may deem the various Fed's actions as complex, a new infographic series is not.

During the shutdown caused by COVID-19, the Fed, with authorization from Congress, created and revived a number of rare lending programs—each providing targeted assistance to the needs of those impacted.

In plain English, these pieces from the Cleveland Fed explain the central bank's:

- Primary Market Corporate Credit Facility
- Secondary Market Corporate Credit Facility
- Municipal Liquidity Facility
- Main Street Lending Program
- Paycheck Protection Program Liquidity Facility
- Term Asset-Backed Securities Loan Facility

