FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY®

BRIDGES | VOLUME 1 2021
https://www.stlouisfed.org/publications/bridges/volume-1-2021/eighth-district-lmi-communities-respond-covid19

Eighth District LMI Communities Respond to COVID-19's Toll

Nishesh Chalise , Violeta Gutkowski

Within a May 2020 article, the St. Louis Fed's community development team analyzed Eighth District data from the first iteration of the survey, Perspectives from Main Street: The Impact of COVID-19 on Low- to Moderate-Income Communities and the Entities Serving Them.

That article's findings concluded, "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." Like the author, individuals who both live in and serve low- to moderate-income (LMI) communities likely assumed the same: Recovery was going to take *time*.

The fourth, and most recent, administration of the survey (administered from Oct. 7-16, 2020) confirmed that likelihood to be true.

In the October 2020 survey, 59% of the respondents said that the pandemic has resulted in a significant disruption to the LMI communities they serve, with income loss being a primary impact. The entities serving the communities are not faring better, with 48% indicating significant disruption with increased demand for services and a reduced ability to serve their communities.

Of the 1,127 respondents in the latest survey, 139 were organizations that serve LMI communities in the Fed's Eighth District (comprising the state of Arkansas and portions of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee). Analysis of these responses reveal both consistencies and contrasts with the national results.

Attributes of Eighth District respondents:

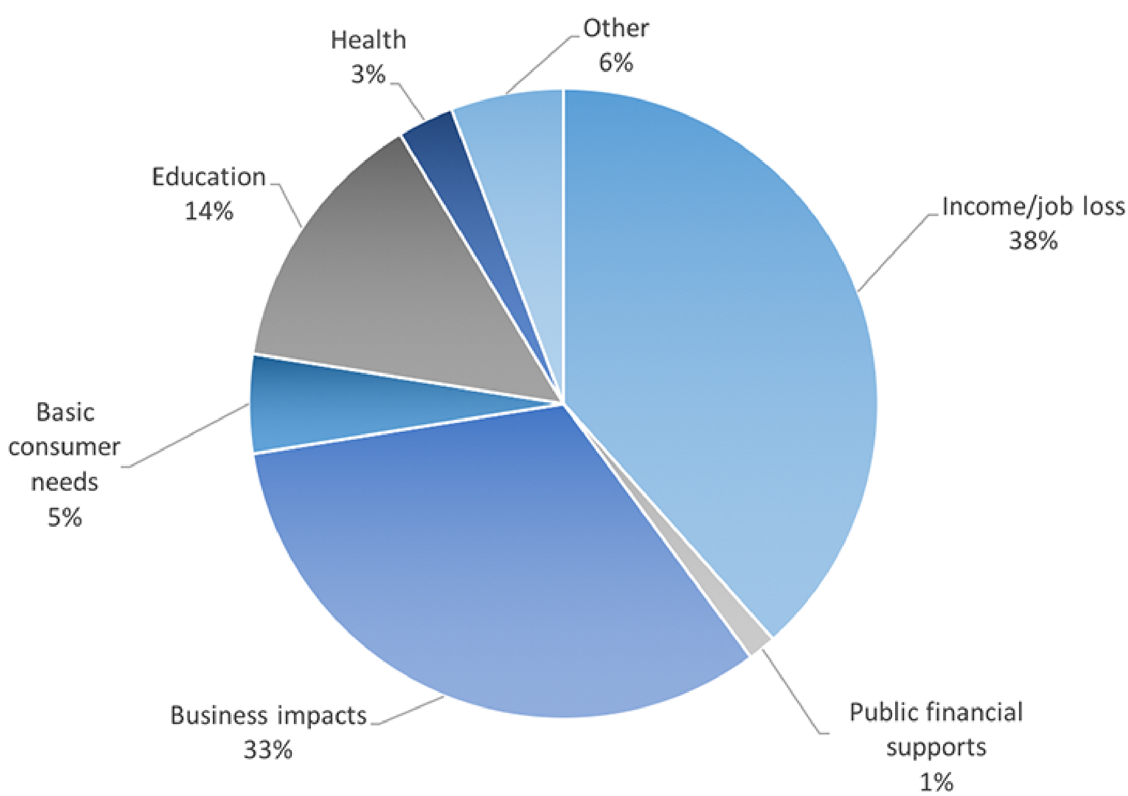
- The two entities with the most respondents were nonprofit organizations (40%) and financial institutions (31%).
- The organizations served both rural (43%) and urban (33%) areas, and primarily focused on supporting small businesses, food access and housing security.
- 77% of respondents were direct service providers (they offer services directly to individuals, families and/or small-business owners).

Impact on LMI communities:

- Two-thirds of the respondents said that the communities they served were facing significant disruption, with almost half of them expecting a difficult recovery.

- While noting the disruption caused by the pandemic, 31% of the respondents acknowledged the disruption was manageable—a more positive outlook compared to national survey results.
- Consistent with previous surveys, income loss, job loss or unemployment were among the top impacts. (See the graph below.) More than 40% of the respondents said that this had gotten modestly worse.
- While only 14% of respondents chose education as a top impact, 36% noted that education had gotten modestly worse.
- Results showed both private (17%) and public (27%) financial supports[1] got modestly better.
- Half of respondents said it will take more than a year for their communities to return to pre-pandemic conditions.

Top Impacts on LMI Communities



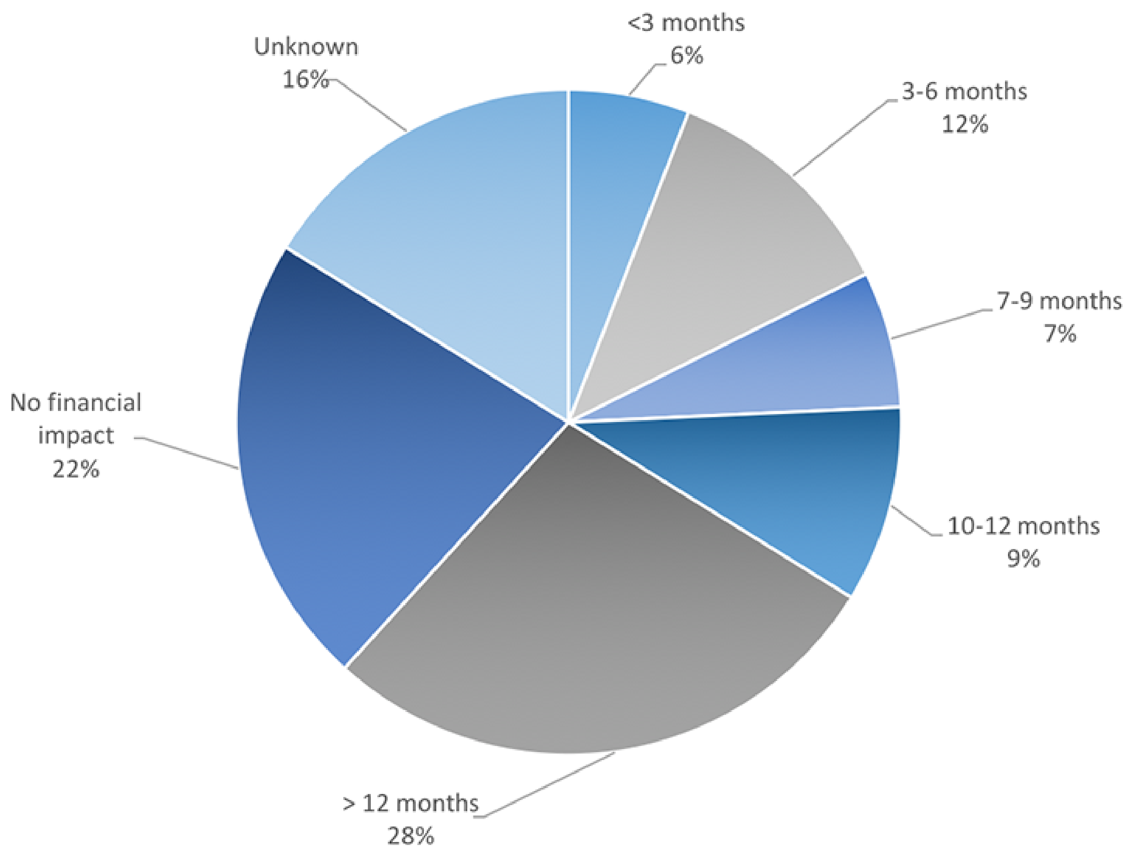
NOTE: This graph shows the top impact[2] on LMI communities, according to the entities that serve them.

Impact on organizations serving LMI communities:

- For 63% of the organizations, the demand for services increased. In contrast, only 37% saw their ability to provide services increase in the same time period.
- More than half (54%) of entities noted that their expenses increased in the past eight weeks.
- Of the organizations surveyed, 28% said they could operate for less than a year before exhibiting financial stress.

- Almost half (47%) of entities responded that the disruption was manageable, with 28% saying their entity could operate for more than 12 months before exhibiting financial distress. (See the figure below.)

Months of Operation before Financial Distress



NOTE: This graph shows the number of months entities believed it would take before they experienced financial distress. [3]

Entities Face Barriers and Opportunities

The survey also included an open-ended question[4] that asked organizations if there were any barriers or opportunities for serving LMI communities. Two primary responses that emerged were the availability of funding at the local level (e.g., United Way and One Louisville Fund) and the efforts to reduce housing distress through rent, mortgage, utility assistance or other eviction prevention measures. This is notable in light of recent analysis that shows an average of 14.9% of renters living in Eighth District states are not current on their rent.[5]

Although the Paycheck Protection Program (PPP), CARES Act and unemployment benefits were reported as a relief during this period, respondents did note experiencing difficulty accessing these funds due to various barriers (e.g. issues with the application process and not having a relationship with financial institutions that were providing funds).

One respondent noted, “On one hand, PPP and Community Advantage programs have been made available. On the other hand, there was not equal access to these programs by people of color or women. Additionally, immigrant residents of our region were left out of the stimulus check program, which is a huge barrier. We are increasingly concerned about a wave of evictions."

Another respondent remarked about disparate access for minority-owned businesses: "The PPP loan was hard for a lot of minority-owned and smaller businesses to access because of the rollout. Larger banks were not very customer friendly to smaller businesses and many minority-owned businesses did not have the financial infrastructure to access the program.” said the respondent.

In combination with the results, a September 2020 blog written by our St. Louis Fed community development colleagues highlighted similar issues and provides a deeper understanding of the pandemic’s impact on LMI communities. Although organizations and communities are being resilient in the face of unprecedented disruption, it is worth noting that survey responses are only from entities that are currently surviving. Therefore, it is imperative that community development organizations have access to the support they need to remain resilient and serve the LMI communities that are reliant upon them.

Endnotes

1. Public financial supports include access to federal and state resources for individuals. Private financial supports include access to private lending and philanthropic resources for individuals.
2. The top impact responses are to the question: “At this point in time, what is the top impact of COVID-19 on the people and communities you serve?” The response options included income loss/job loss/unemployment, business impacts (e.g. short/long-term closure, supply chain disruption and reduced demand), basic consumer needs (e.g. housing, food and other personal needs), education (e.g. childcare, K-12 and higher education), health (e.g. adequate healthcare, access to health insurance, mental health and COVID-19 transmission), public financial supports (e.g. ability to access federal and state resources for individuals) and other.
3. Responses are to the question: “Given your existing resources, how many months can the entity you represent operate in the current environment before exhibiting financial distress (including reducing services, laying off staff, closing locations)?”
4. The question was: “At this point in time, are there any programs or initiatives that have presented notable opportunities and/or barriers for the low- and moderate-income communities you serve?”
5. Eighth District Housing Distress: Challenges, Demographics and Resources | St. Louis Fed

---

ABOUT THE AUTHORS

Nishesh Chalise

Nishesh Chalise is the director of Community-Based Policy and Analysis within the Institute for Economic Equity at the St. Louis Fed.

Violeta Gutkowski

Violeta Gutkowski is a lead analyst within the Institute for Economic Equity at the St. Louis Fed.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY®

BRIDGES | VOLUME 1 2021
https://www.stlouisfed.org/publications/bridges/volume-1-2021/food-insecurity-eighth-district

Food Insecurity in the Eighth District

Lowell R. Ricketts

If you or someone you know needs help finding food, here are available resources from Feeding America.

During the COVID-19 pandemic, food insecurity (defined here as not having enough to eat "sometimes" or "often") has become a more prevalent issue across the United States, as well as the Eighth District of the Federal Reserve System.[1] Research has shown that a lack of quality food is associated with detrimental health outcomes among children and adults.[2]

According to the U.S. Census Bureau's Household Pulse Survey results from Dec. 9-21, 2020, 13.7% of Americans were struggling with food insecurity.

Food Insecurity across Eighth District States

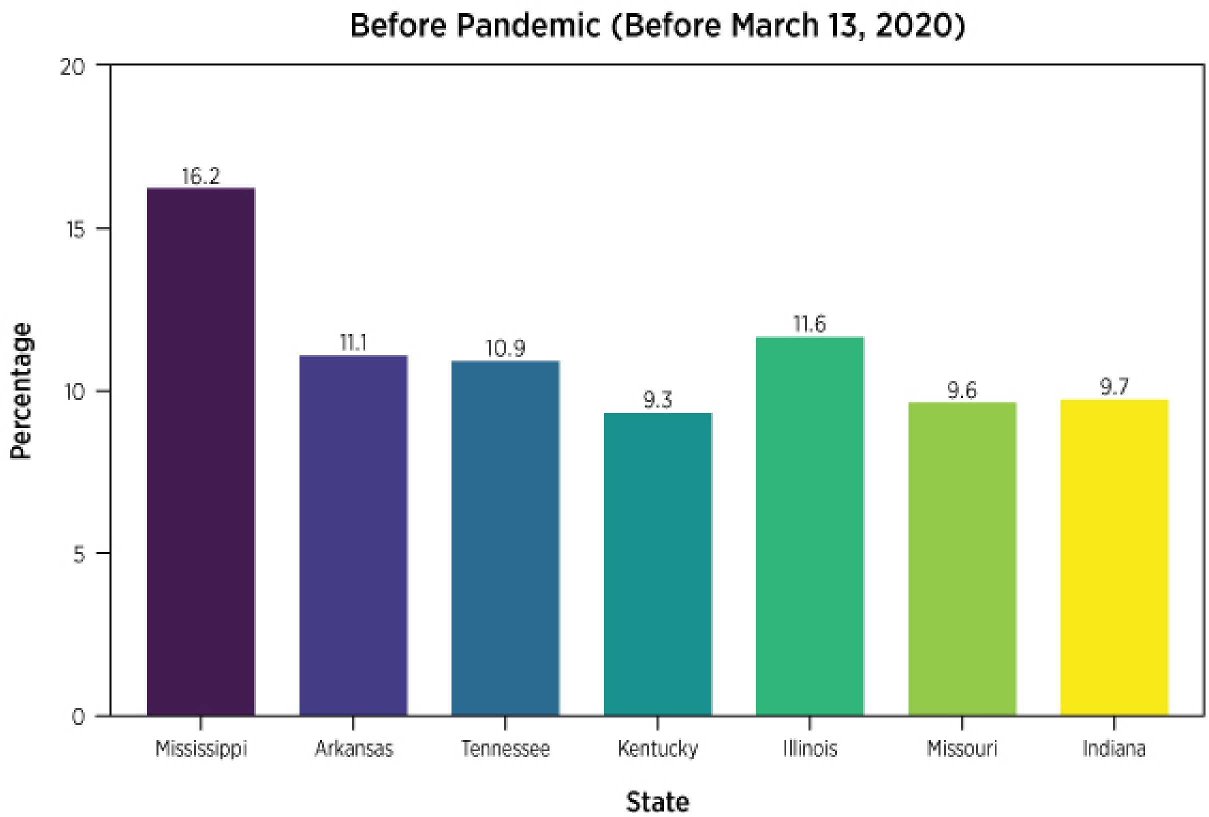
The figure below provides an estimate of food insecurity prevalence in each state (as of late December) and an estimate of what it was prior to the pandemic (before March 13, 2020).

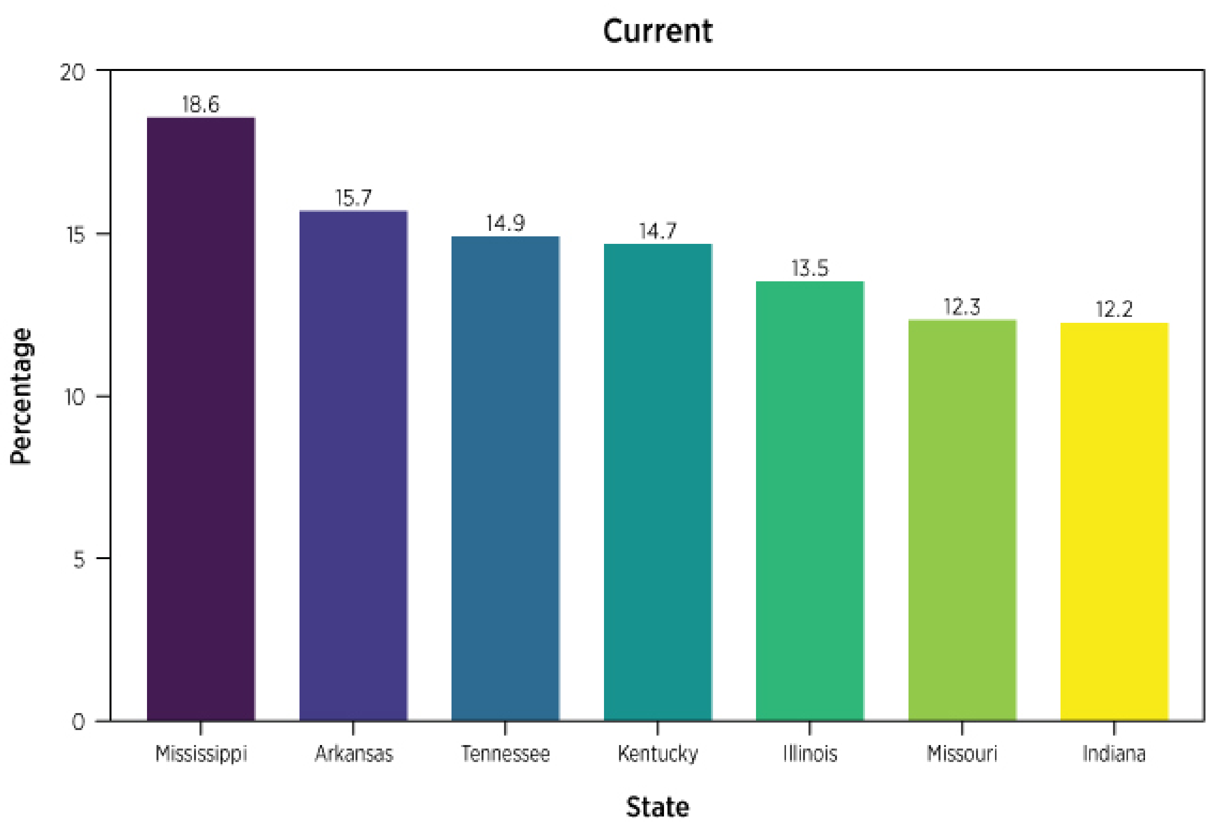
Current food insecurity was roughly similar across the states, with the exception of Mississippi. While rates of food insecurity ranged between 12% and 16% across six of the seven states within the Eighth District, approximately 19% of Mississippians were not getting enough to eat.

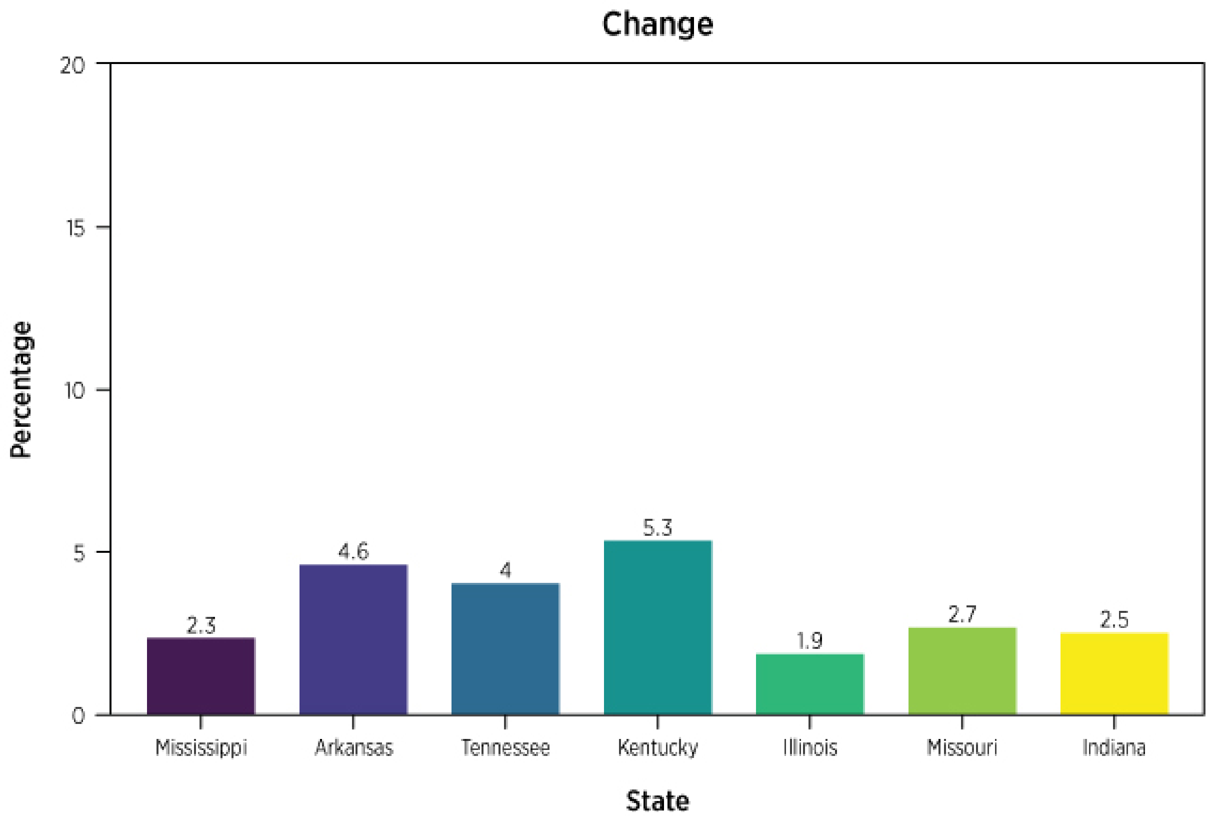
For most of the states, these rates are comparable to recent months. In contrast, Illinois saw a significant and sustained increase in food insecurity in mid-November 2020 (the rate was about 7% from Oct. 28, 2020 – Nov. 9, 2020).

Food insecurity was a challenge for many communities prior to the pandemic—rates ranged between 9% and 16% before March 2020.[3] A comparison between the two periods shows that Kentucky, Arkansas and Tennessee experienced the greatest increase associated with the pandemic. The increase is a reflection, in part, of a historic shock to the labor market due to the spread of the novel coronavirus. Consequently, many families lost their jobs, were furloughed or had their work hours or pay reduced.

Food Insecurity across Eighth District States, Dec. 9-21, 2020







NOTES: These charts show the share of individuals experiencing food insecurity across the seven states of the Eighth District. From top to bottom: the share experiencing food insecurity before the pandemic (before March 13, 2020), the share experiencing food insecurity from Dec. 9-21, 2020, and the difference between the two rates.
SOURCE: U.S. Census Bureau, Household Pulse Survey.

Driving Factors for Current Food Insecurity

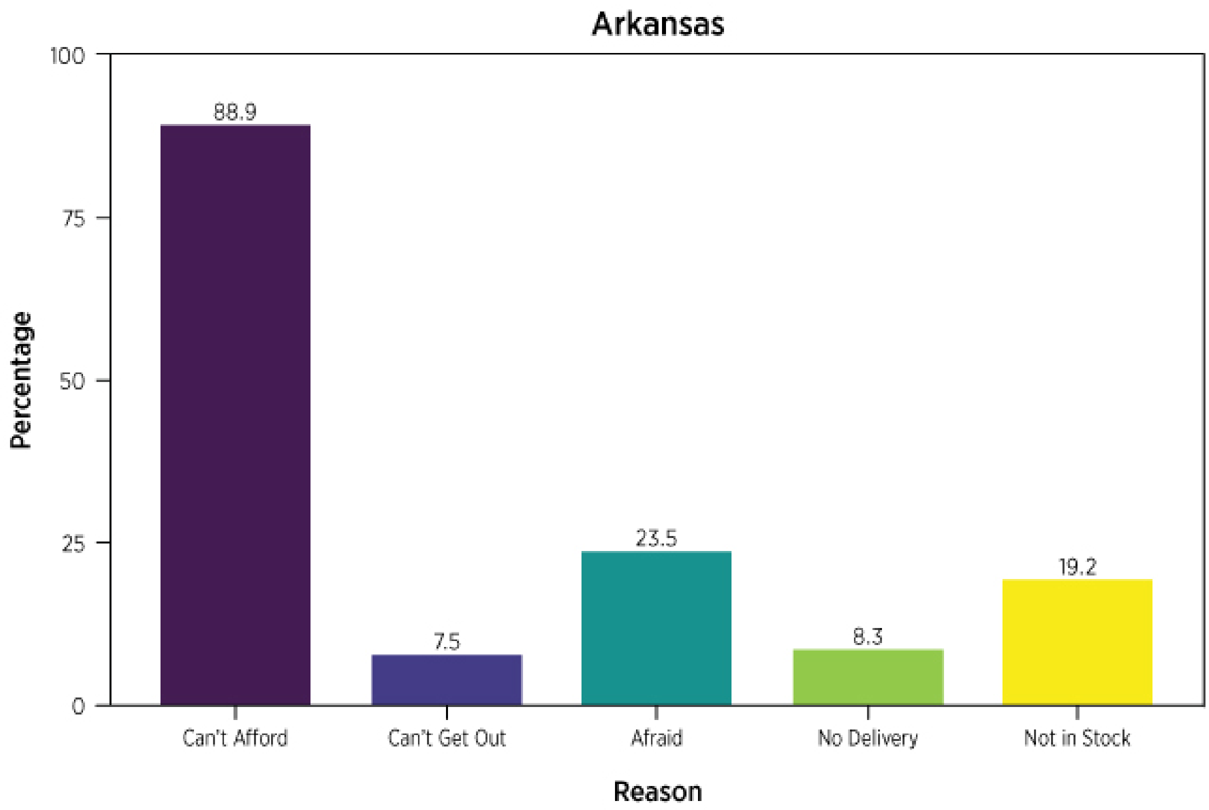
Among the individuals that reported not having enough food to eat, the survey asks a follow-up question to identify why. Individuals could select as many responses as were relevant from the following:

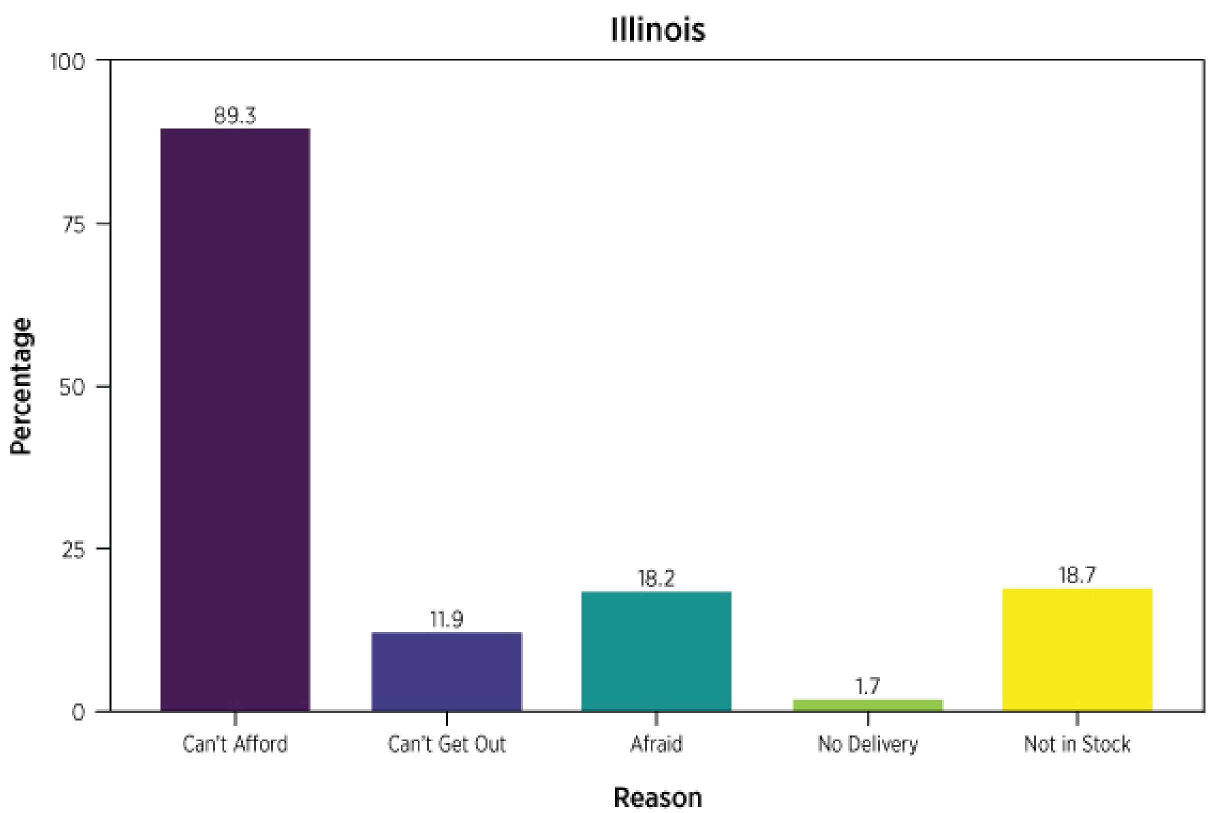
- “couldn’t afford to buy more food”
- “couldn’t get out to buy food” (e.g., no transportation, mobility problems, or health problems)
- “afraid to go or didn’t want to go out to buy food”
- “couldn’t get groceries or meals delivered to me”
- “the stores didn’t have the food I wanted”

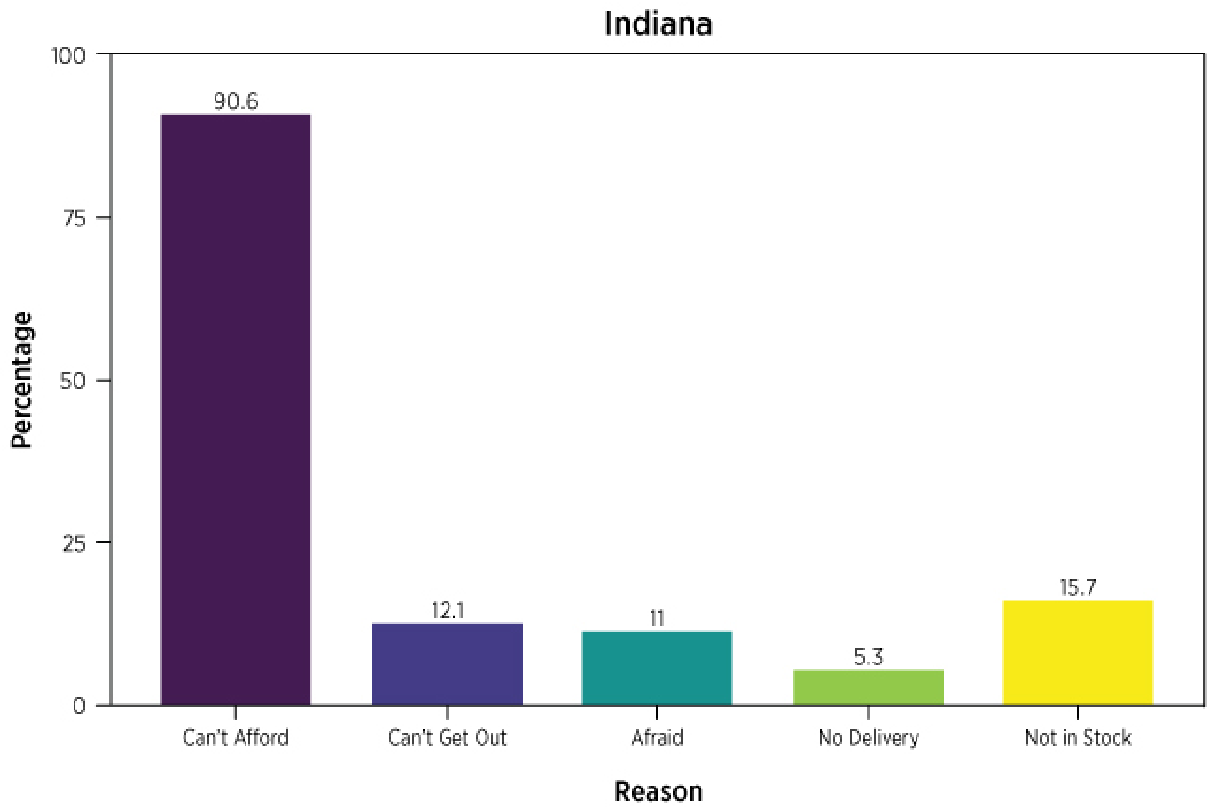
The lion’s share (rates ranged between 83% and 91%) of those experiencing food insecurity said they couldn’t afford food, which is associated with both insufficient income and a lack of emergency savings. Across the states, between 11% and 27% of those struggling with food insecurity cited being afraid or having an aversion to leaving their homes to get food. Unlike other recessions, the potentially deadly coronavirus has limited the ability of families to put food on the table for fear of infection. Inadequate supplies in stores were cited by between 9% and 19% of individuals across Eighth District states.

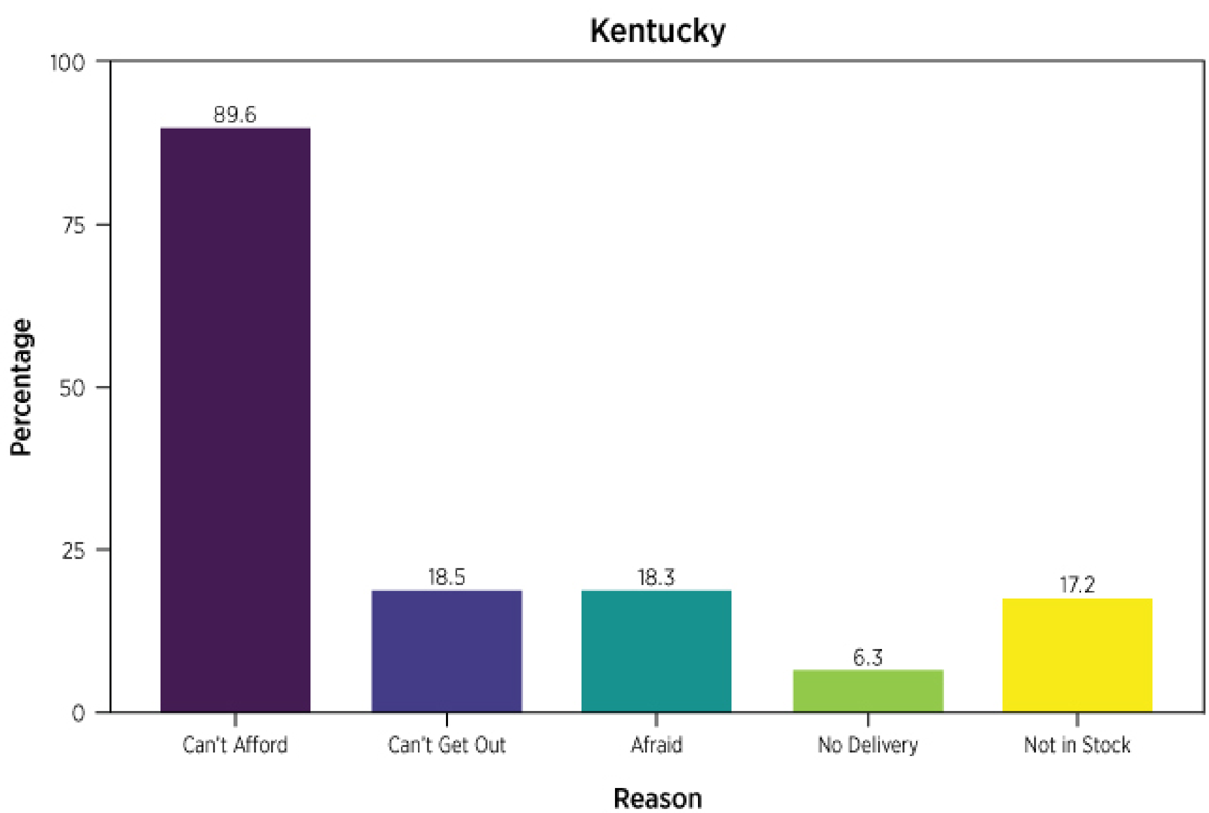
This is suggestive evidence that these individuals were struggling with food deserts (areas that have limited access to affordable and nutritious food). These deserts are a structural challenge for communities—especially communities of color—even during better times.[4]

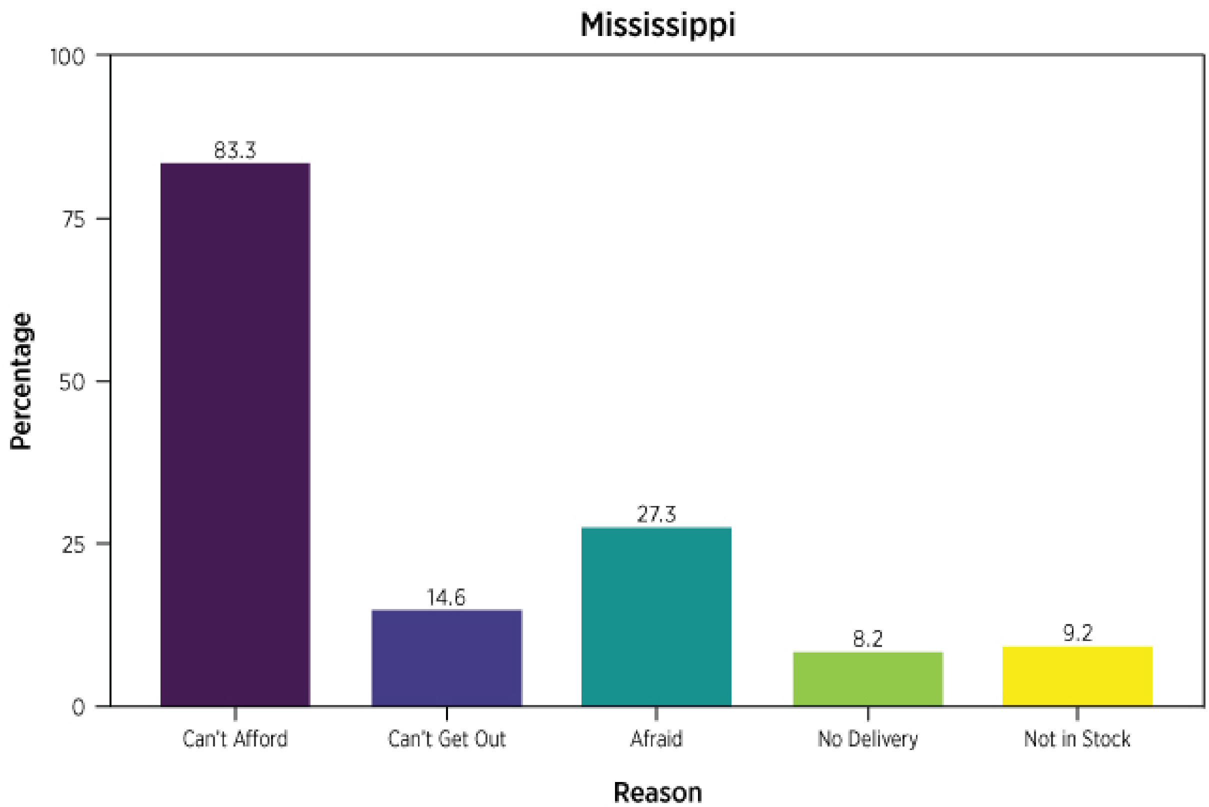
Reasons for Food Insecurity, by State (Dec. 9-21, 2020)

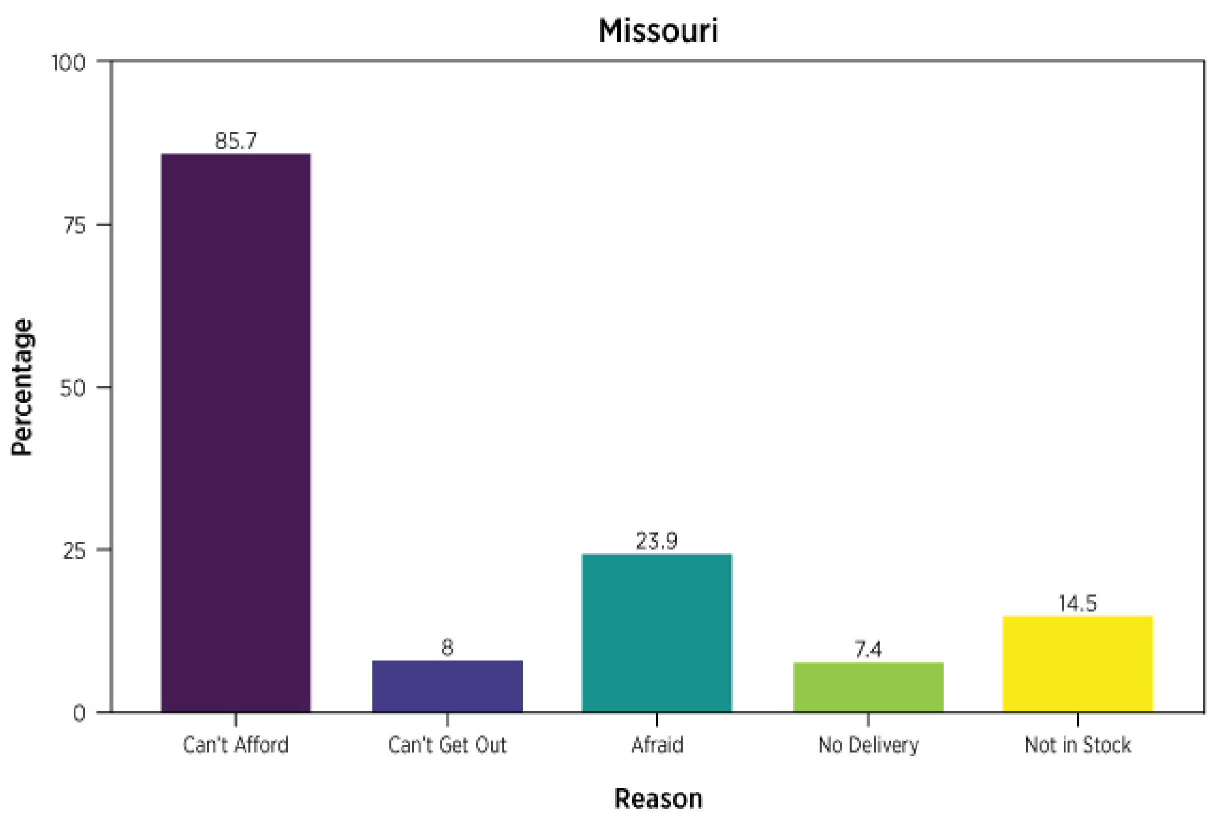


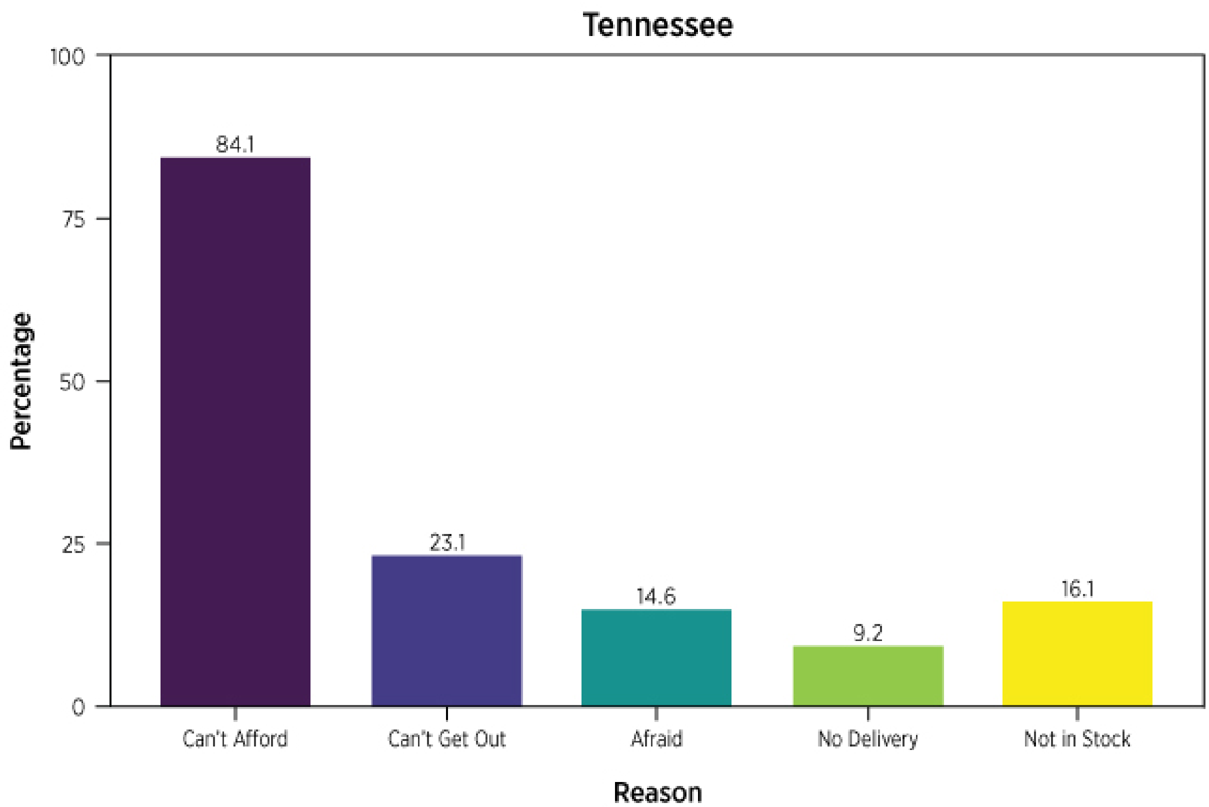



Indiana
100
75
50
25
0
Percentage
90.6
12.1
11
5.3
15.7
Can't Afford
Can't Get Out
Afraid
No Delivery
Not in Stock
Reason


Kentucky
100
75
50
25
0
Percentage
89.6
18.5
18.3
6.3
17.2
Can't Afford
Can't Get Out
Afraid
No Delivery
Not in Stock
Reason


Mississippi
100
75
50
25
0
Percentage
83.3
14.6
27.3
8.2
9.2
Can't Afford
Can't Get Out
Afraid
No Delivery
Not in Stock
Reason


Missouri
100
75
50
25
0
Percentage
85.7
8
23.9
7.4
14.5
Can't Afford
Can't Get Out
Afraid
No Delivery
Not in Stock
Reason



NOTE: These charts show the reasons food insecure individuals reported they did not have enough to eat (or not what they wanted to eat) as a share of all the food insecure individuals broken out by each of the seven states within the Eighth District.

Sources of Food Assistance

Current rates of food insecurity indicate that much remains to be done to alleviate this hardship across Eighth District states. However, these rates would undoubtedly be higher if it were not for various resources provided to individuals in need, such as SNAP benefits and free food programs. During late December 2020, the share of residents receiving SNAP benefits ranged from 7% in Missouri to 22% in Mississippi.

Separately, the survey explores assistance channels among those that received free food. Across Eighth District states, between 8% and 12% of individuals received free groceries or a free meal. A follow-up question asking where they received those resources included the following choices:

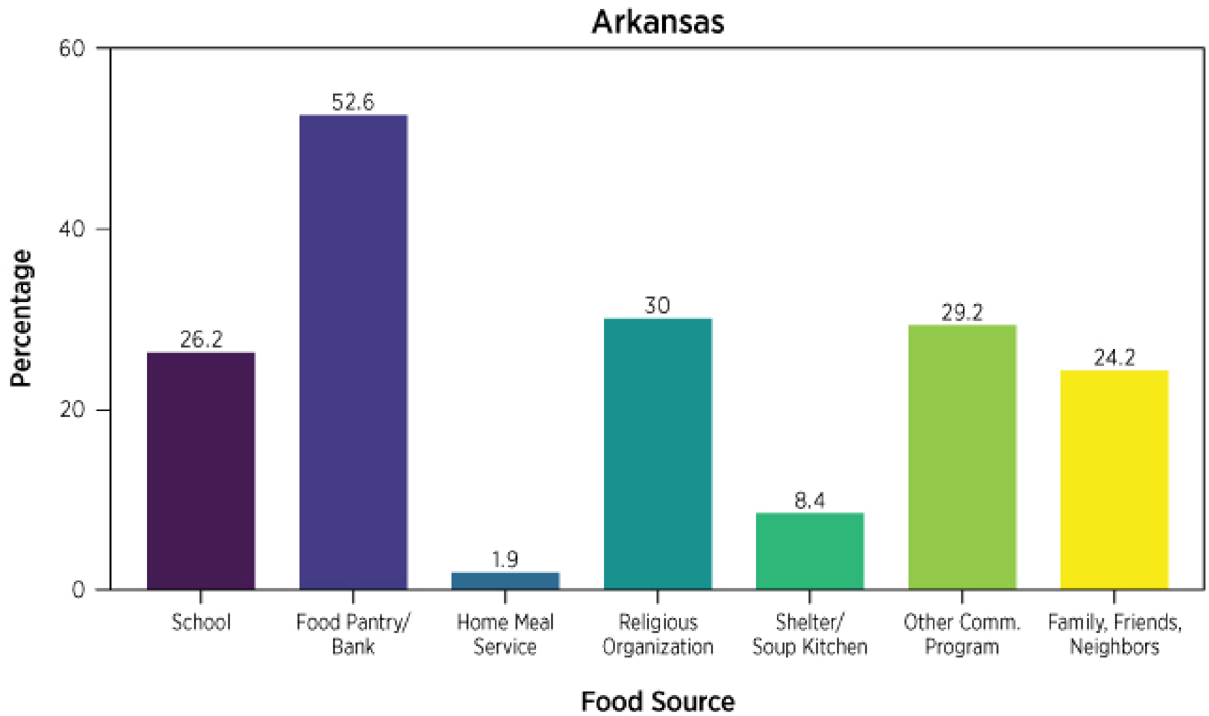
- “free meals through the school or other programs aimed at children”
- a “food pantry or food bank”
- a “home-delivered meal service like Meals on Wheels”
- a “religious organization"
- a “shelter or soup kitchen”
- a “community program”
- “family, friends or neighbors”

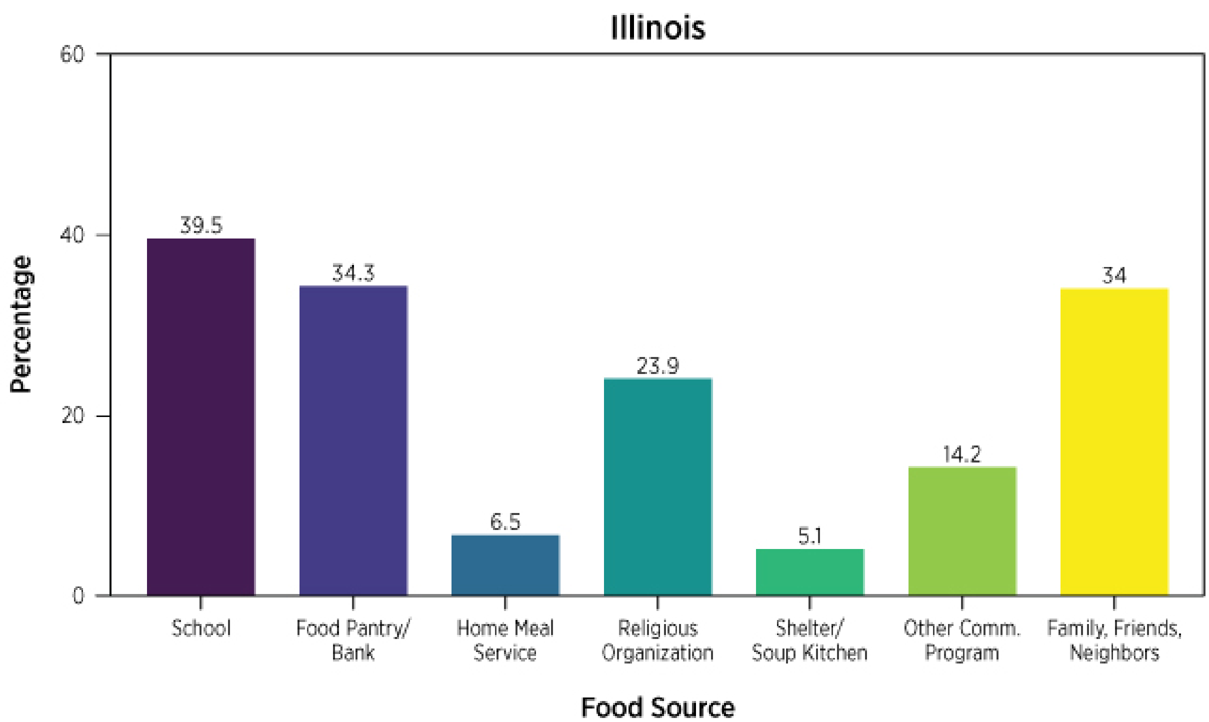
As shown below, the resources varied across states among those that did receive assistance. For example, 23% of individuals in Indiana received assistance through child-based food programs. In contrast, this resource was about twice as prevalent in Kentucky and Tennessee.

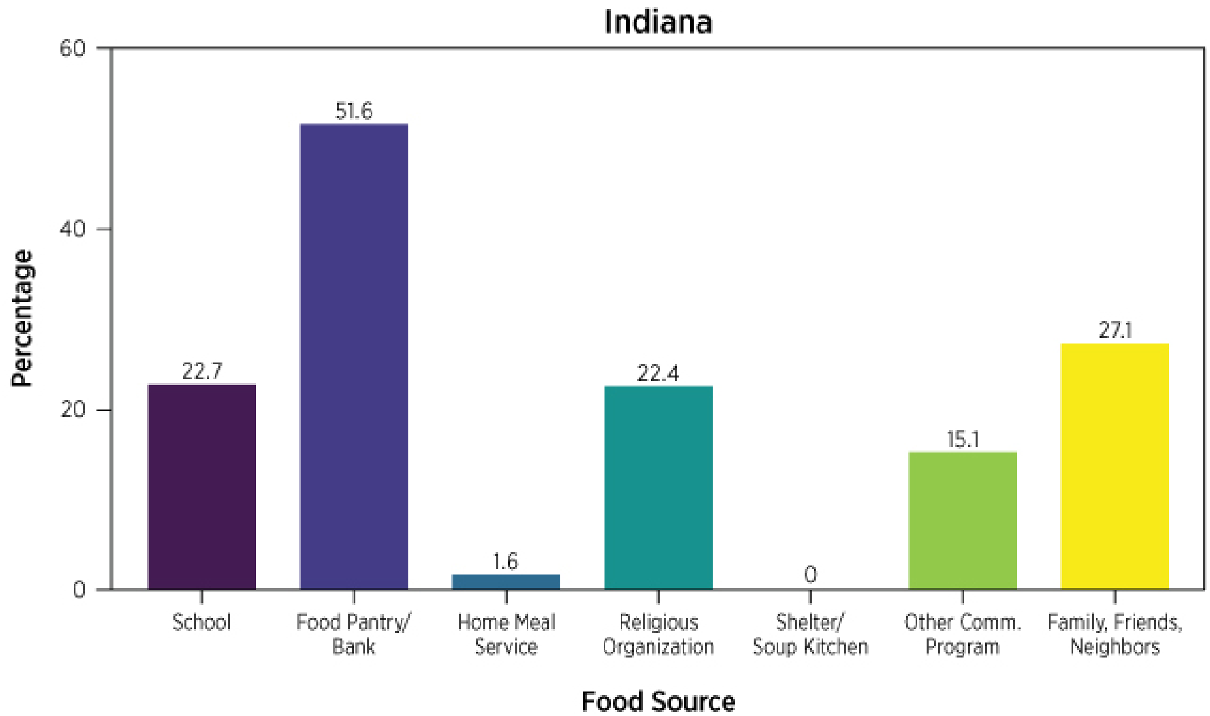
Food pantries and food banks were particularly important in Arkansas and Indiana, as a majority of recipients received assistance from these nonprofit organizations. Religious organizations also played a notable role in providing assistance for residents in need, especially in Mississippi.

The support of family, friends and neighbors was also a key resource for at least a quarter of individuals in need across Eighth District states—highlighting the power of social networks to address these insecurities.

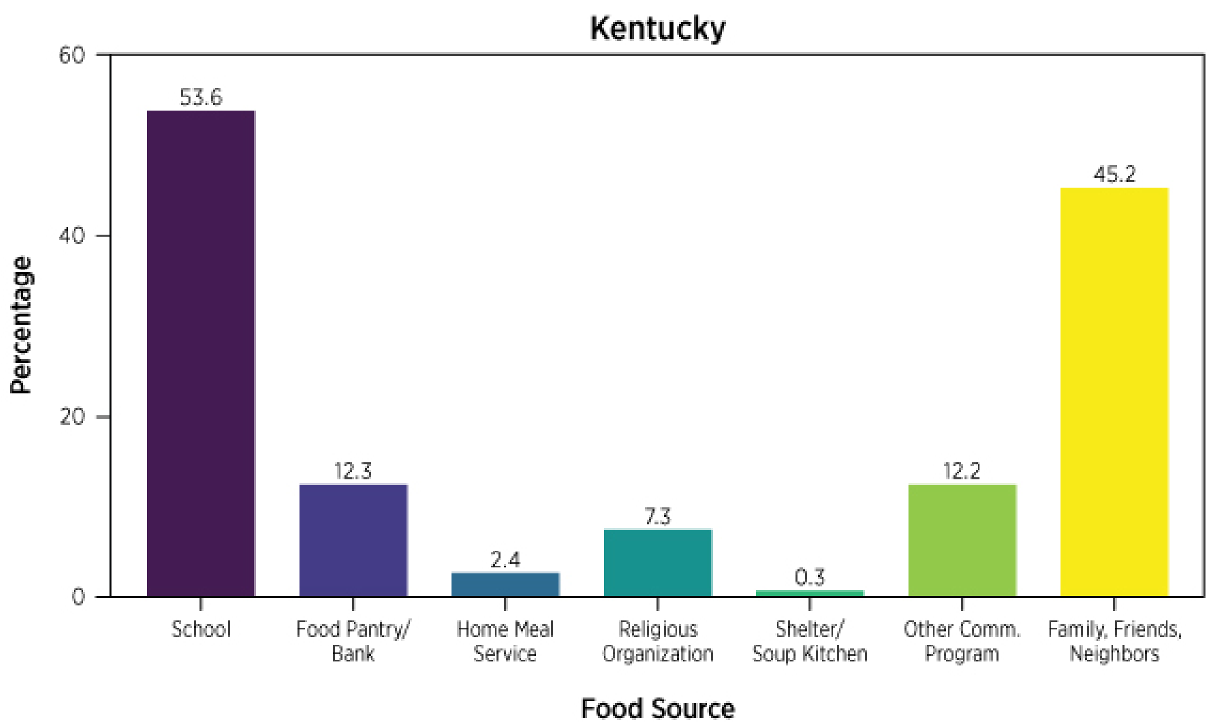
Received Free Food, by Source and State (Dec. 9-21, 2020)



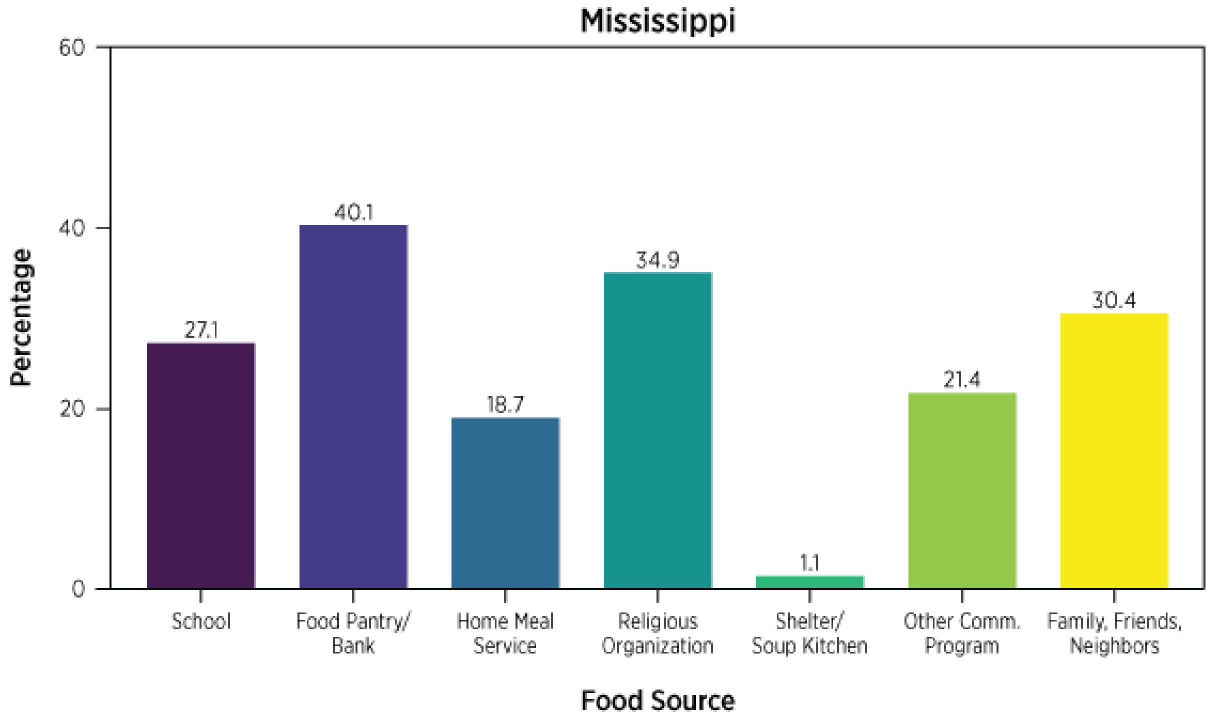




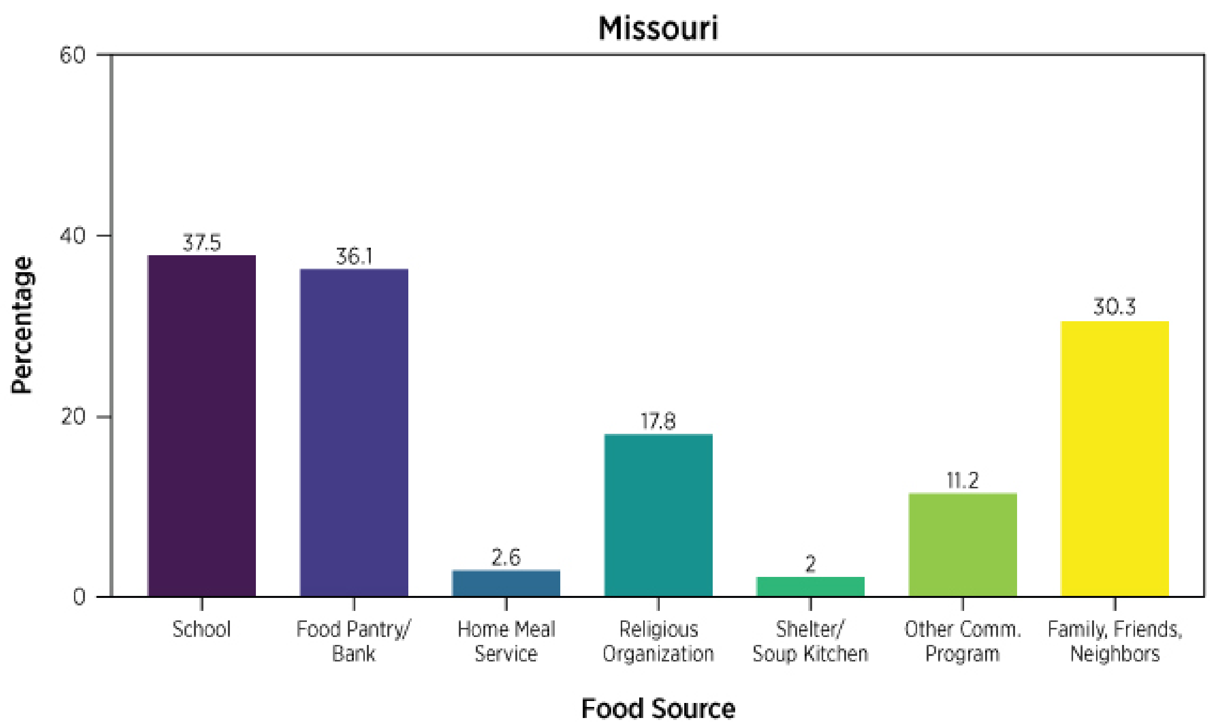
Indiana
Percentage
60
40
20
0
51.6
22.7
1.6
22.4
0
15.1
27.1
School
Food Pantry/ Bank
Home Meal Service
Religious Organization
Shelter/ Soup Kitchen
Other Comm. Program
Family, Friends, Neighbors
Food Source



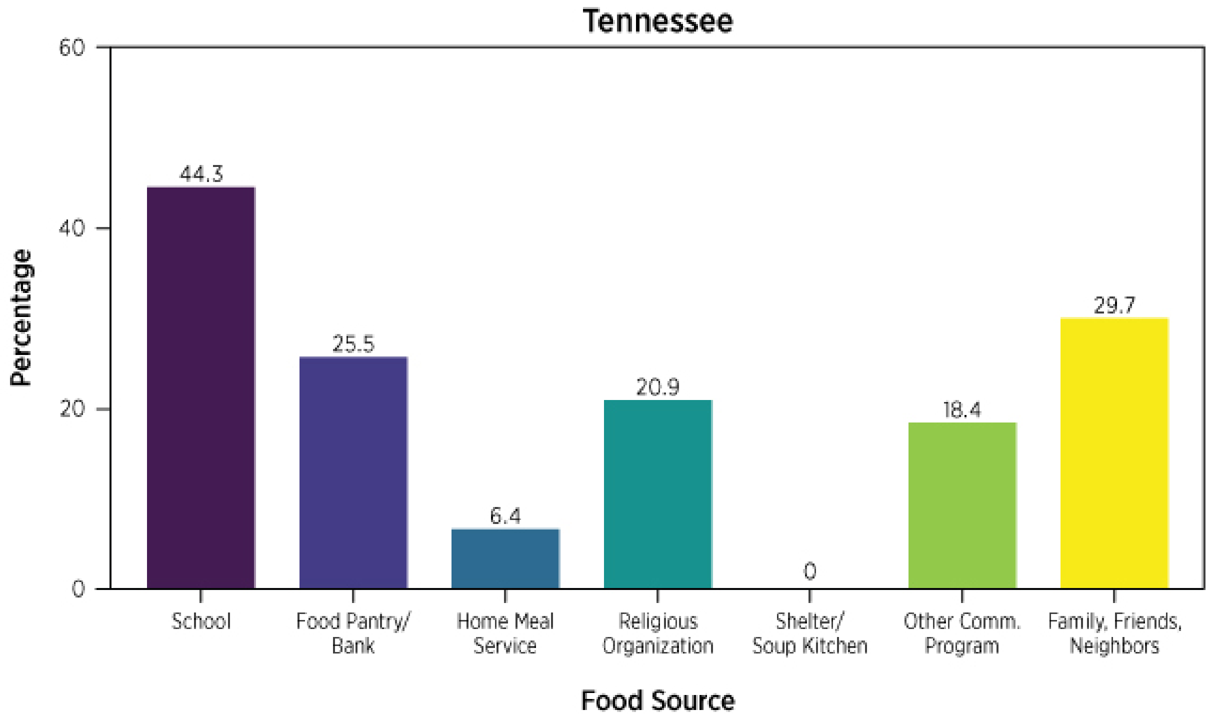
Kentucky
Percentage
60
40
20
0
53.6
12.3
2.4
7.3
0.3
12.2
45.2
School
Food Pantry/ Bank
Home Meal Service
Religious Organization
Shelter/ Soup Kitchen
Other Comm. Program
Family, Friends, Neighbors
Food Source



Mississippi
Percentage
60
40
20
0
27.1
40.1
18.7
34.9
1.1
21.4
30.4
School
Food Pantry/ Bank
Home Meal Service
Religious Organization
Shelter/ Soup Kitchen
Other Comm. Program
Family, Friends, Neighbors
Food Source



Missouri
Percentage
60
40
20
0
37.5
36.1
2.6
17.8
2
11.2
30.3
School
Food Pantry/ Bank
Home Meal Service
Religious Organization
Shelter/ Soup Kitchen
Other Comm. Program
Family, Friends, Neighbors
Food Source



NOTE: These charts show the sources of free groceries or meals received as a share of all the recipients broken out by each of the seven states within the Eighth District.

Food Insecurity Is an Important Challenge, Now and Likely After the Pandemic

Despite many of the resources devoted to meeting the food needs of families, food insecurity has remained a challenge before and during the pandemic. The vast majority of these struggling families said they couldn't afford to put enough food on the table.

The recent benefits authorized by the U.S. Congress could alleviate some of the cost constraints, and future work will assess the impact of those benefits. Getting COVID-19 under control and helping individuals return to work from the pandemic-induced job losses will help many, but it likely won't eradicate this hardship. Beyond these pandemic-specific responses, additional and innovative solutions are needed if communities are to ensure that all families have the nutrition they need to thrive.

Endnotes

1. The Eighth District of the Federal Reserve System covers all of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.
2. Seligman, Hilary K.; Laraia, Barbara A.; and Kushel, Margot B. "Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants." *The Journal of Nutrition, 140*(2), February 2010, pp. 304-10. Jyoti, Diana F.; Frongillo, Edward A.; and Jones, Sonya J. "Food Insecurity Affects School Children's Academic Performance, Weight Gain, and Social Skills." *The Journal of Nutrition, 135*(12), December 2005, pp. 2831-39.
3. The Household Pulse Survey was first fielded April 23, 2020-May 5, 2020. Therefore, the share of individuals experiencing food insecurity prior to March 13, 2020, is based on the recollection of survey respondents in each survey wave. Effectively, the survey asks whether you have enough food now and whether you had enough back in March 2020.

4. Karpyn, Allison E.; Riser, Danielle; Tracy, Tara; Wang, Rui; and Shen Ye. “The changing landscape of food deserts.” *UNSCN Nutrition, 44*, pp. 46-53.

ABOUT THE AUTHOR

Lowell R. Ricketts

Lowell R. Ricketts is the data scientist for the Institute for Economic Equity at the Federal Reserve Bank of St. Louis. His research has covered topics including the racial wealth divide, growth in consumer debt, and the uneven financial returns on college educations. Read more about Lowell’s research.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY®

BRIDGES | VOLUME 1 2021
https://www.stlouisfed.org/publications/bridges/volume-1-2021/fed-ppplf-cdfi-balance-sheet-relief

Fed's PPP Liquidity Facility Provides CDFIs Balance Sheet Relief

Michael C. Eggleston

In April 2020, the Federal Reserve created the Paycheck Protection Program Liquidity Facility (PPPLF), one of several emergency facilities created in response to COVID-19, to provide balance sheet relief to lenders making Paycheck Protection Program (PPP) loans to small businesses.

In return for extending credit to PPP lenders, the Fed charges a fee of 35 basis points[1] and takes the PPP loans as collateral. While the PPPLF is well known, the facility represents the first time that non-depository institutions have obtained access to the Fed's discount window.

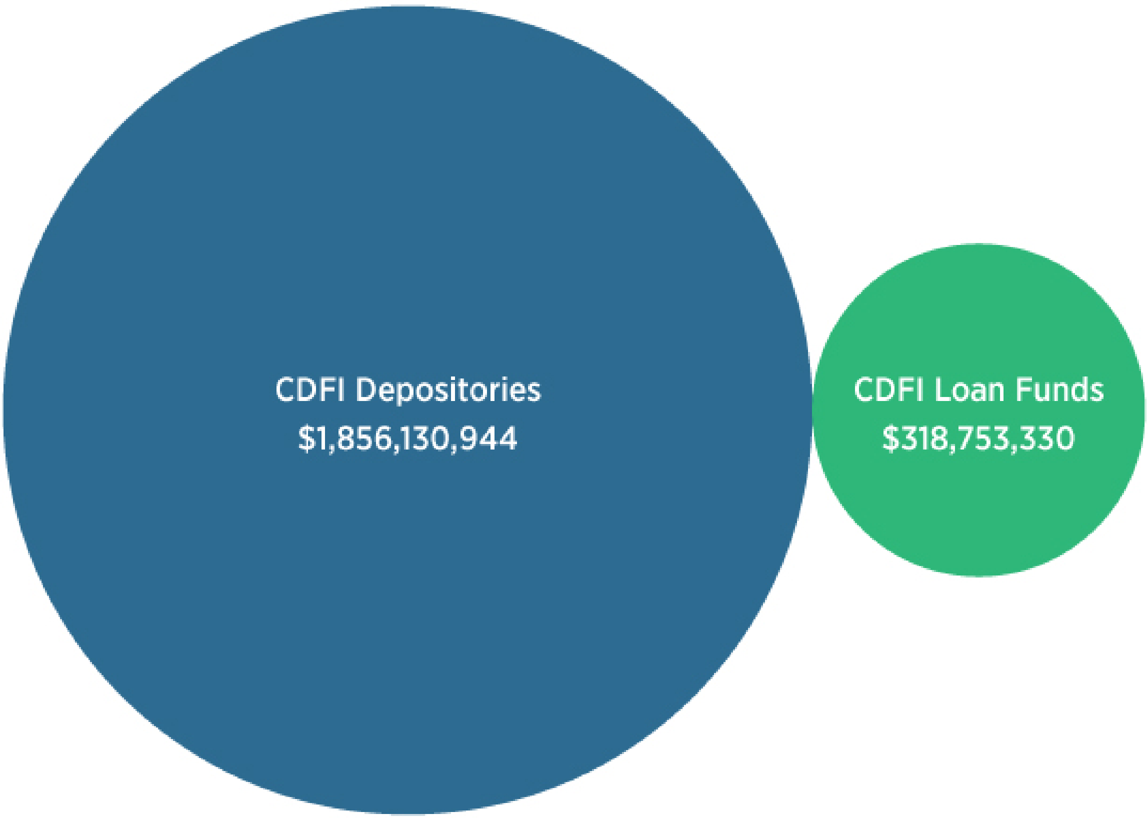
Community development financial institutions (CDFIs), which are certified by the U.S. Department of the Treasury's CDFI Fund, are mission-driven lenders focused on increasing economic opportunity in low-wealth areas. There are currently around 1,100 CDFIs that provide financing to individuals, nonprofit organizations and small businesses that have typically been unable to access credit through mainstream financial institutions. CDFIs are composed of depository institutions (50%) and non-depository institutions (50%), with the vast majority being loan funds.[2]

PPPLF Utilization by CDFIs

Both CDFI depositories and loan funds utilized the PPPLF in a substantial proportion compared to the size of their industries. By Sept. 30, 2020, the total asset size of the CDFI industry was estimated to be $222 billion[3] and CDFIs received over $2.1 billion in liquidity from the PPPLF.[4] The majority of CDFI utilization of the facility—over $1.8 billion—came from financial institutions and credit unions. (See the figure below.)

The three CDFI depositories that utilized the facility the most by loan volume were Quontic Bank of New York, Sunrise Banks of Minnesota and Savoy Bank of New York. The institutions collectively received over $1.2 billion in liquidity.

CDFI Utilization of Paycheck Protection Program Liquidity Facility



SOURCE: Board of Governors of the Federal Reserve System.

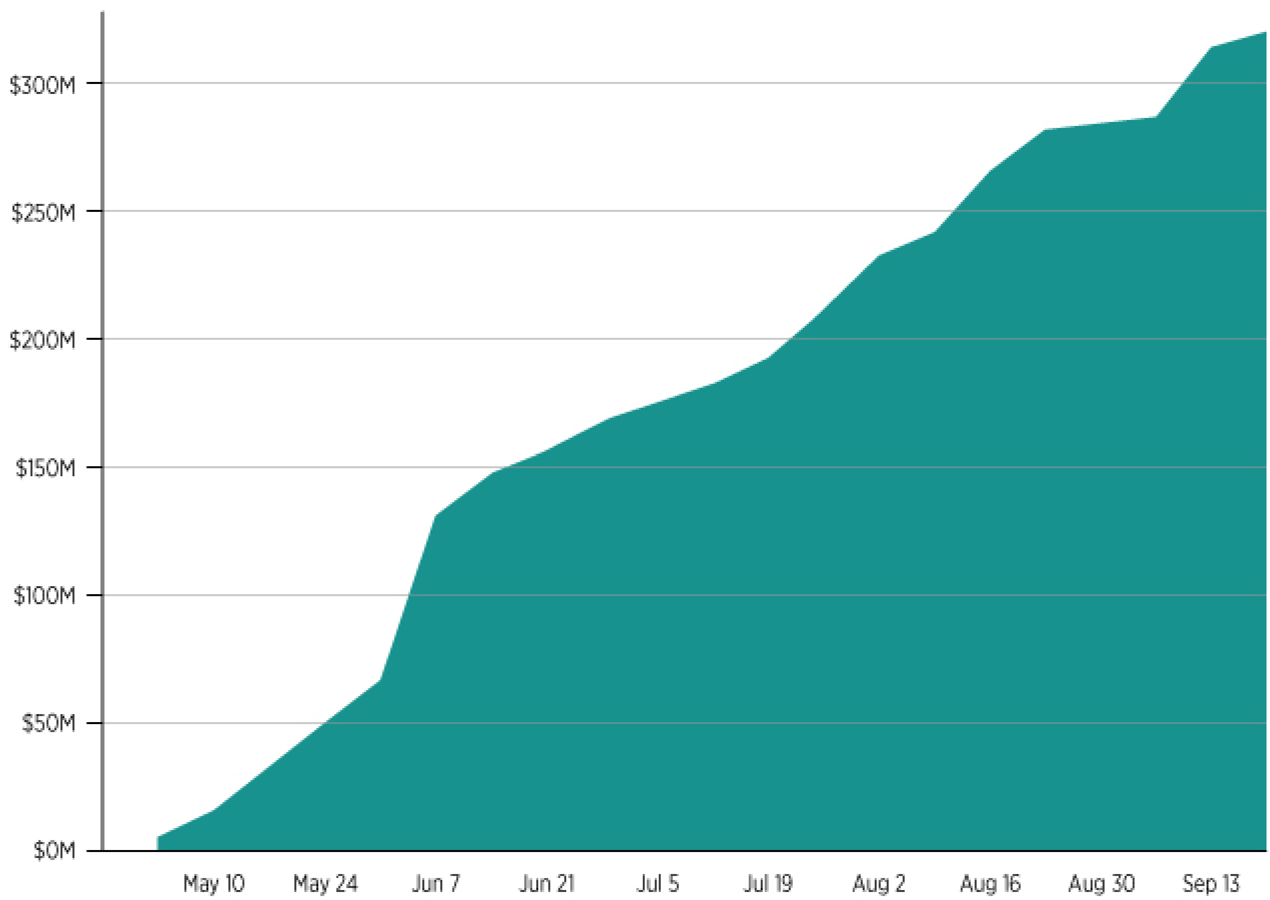
While CDFI depositories have had access to the Fed's discount window, the PPPLF marks the first time that CDFI loan funds have been granted the same access. Around half (26) of all CDFI loan funds that made PPP loans utilized the PPPLF and collectively received over $300 million in liquidity.

Unexpected Access to Capital Provides Momentum for CDFI Pandemic Relief

In Part 1 of this interview recorded on Jan. 26, 2021, Sam Walls III, president of Arkansas Capital Corporation, speaks about the CFDI's initial struggle to find necessary funding during the early stages of the pandemic.

In June 2020, there was a sharp rise in liquidity provided to CDFI loan funds. (See the figure below.) The rise in loan funds was attributed to existing demand by CDFIs that previously experienced challenges with accessing the facility. CDFI loan funds struggled to obtain a correspondent banking relationship, which is necessary for a non-depository institution to access the discount window. Depository institutions with master accounts with the Fed expressed concerns with providing correspondent services due to perceived risk, operational complexities, capacity and internal approval processes. Ultimately, a few large banks, in addition to CDFIs, agreed to be correspondent lenders to CDFI loan funds.

2020 CDFI Loan Fund PPPLF Utilization over Time



SOURCE: Board of Governors of the Federal Reserve System.

Since obtaining access to the PPPLF, Arkansas Capital Corporation (ACC) of Little Rock, Ark., has received over $54 million in liquidity—the second most of any CDFI loan fund in the country. Although ACC is an experienced Small Business Association lender with several banking relationships, they initially struggled to secure corresponding banking services.

Challenge Accepted: Navigating the Unchartered Territory of Banking Relationships

In Part 2 of this interview recorded on Jan. 26, 2021, Sam Walls III, president of Arkansas Capital Corporation, speaks about his experiences navigating relationship building with other financial institutions.

Among their peers, Grow America Fund of New York, Montana Community Development Corporation and Trenton Business Assistance Corporation utilized the facility the most by loan volume. The organizations collectively received over $165 million in liquidity.

At a time when CDFIs played an active role in supporting small businesses by making PPP loans, the Federal Reserve provided over $2 billion in balance sheet relief to these mission-driven financial institutions.

Endnotes

1. A basis point is 1/100th of a percent, or .01%.
2. CDFI Fund.
3. Opportunity Finance Network. “About CDFIs.”
4. https://www.federalreserve.gov/monetarypolicy/ppplf.htm

ABOUT THE AUTHOR

Michael C. Eggleston

Michael C. Eggleston is a senior community development advisor, specializing in finance, at the St. Louis Fed.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY®

BRIDGES | VOLUME 1 2021
https://www.stlouisfed.org/publications/bridges/volume-1-2021/news-from-community-development-team

News from the Community Development Team

Launch of the Institute for Economic Equity

Institute for Economic Equity staff (clockwise from top left): Daniel Paul Davis, Ray Boshara, Nishesh Chalise, Sam Evans, Faith Weekly, Lowell Ricketts, Ana Hernández Kent and Violeta Gutkowski

On February 11, the St. Louis Fed launched the Institute for Economic Equity (IEE, or the Institute) to support an economy that works for all, regardless of race, ethnicity, gender or place of residence.

The Institute works to:

- Examine how low- to moderate-income (LMI), low wealth or systemically disenfranchised individuals and communities interact with the economy
- Identify structural and institutional disparities that suppress the ability of historically marginalized communities to participate in and derive benefit from the economy
- Advance evidence-based ideas and policy analysis to foster a more equitable economy

Learn more about the goals of the Institute here.