WINTER 2015-2016

INDEX

Thrivers and Strugglers: A Growing Economic Divide

By Ray Boshara

Bravo to MacKenzie. When she was born, she chose married, white, well-educated parents who live in an affluent, mostly white neighborhood with great public schools. She also chose her birth year wisely, making sure that she graduated from college and entered the job market when the economy was rebounding from the Great Recession. Thanks to the wealth and financial savvy of her parents, MacKenzie graduated from a private, four-year selective college debt-free, giving her many career options as well as the ability to start saving for a home and retirement.

Because of her great "choices," MacKenzie is likely to accumulate wealth and achieve financial health over her lifetime. She and her parents belong to the roughly one in four American households we can call "thrivers."

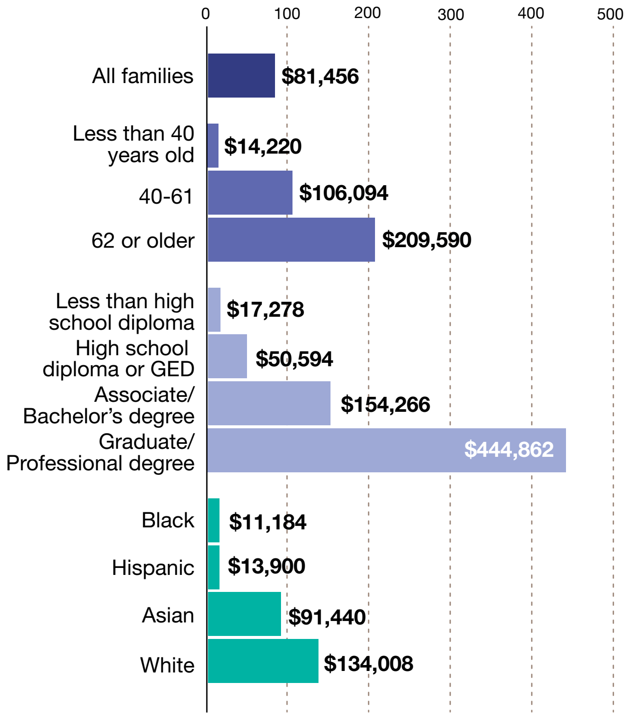
But too bad for Troy. Despite being just as bright as MacKenzie, he chose nonwhite parents who never married and live in a poor, highly segregated neighborhood with lousy public schools and few opportunities to be involved in music, sports and civic activities. Troy's young, hard-working, conscientious mother was never able to start college. In order to manage the frequent ups and downs in her financial life, she has accumulated debts to family members and credit cards. She also lacks the know-how and networks to get Troy on a college-bound track, something his school fails to do as well. And Troy unwisely chose to finish high school just as the Great Recession was getting underway. So, finding any job, let alone a decent-paying one with benefits, eludes him.

Because of his bad "choices," Troy is not likely to accumulate much wealth or feel financially healthy over his lifetime. He and his family belong to the roughly three in four American households we can call "strugglers."

Research from the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis suggests that three demographic drivers—age/birth year, education and race/ethnicity—increasingly matter for building wealth and financial security.

>> *continued on Page 3*

FIGURE 1
Median Real Net Worth in 2013 (in thousands of dollars)



SOURCE: Boshara R: The Future of Building Wealth: Can Financial Capability Overcome Demographic Destiny? In *What It's Worth: Strengthening the Financial Future of Families, Communities and the Nation*, Federal Reserve Bank of San Francisco & CFED, 2015.

bridges

Bridges is a quarterly publication of the Community Development Office of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

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24 **Brownfields for Bankers Workshop**
Louisville, Ky.

Sponsors: Federal Reserve Banks of St. Louis and Cleveland, Kentucky Brownfield Redevelopment Program
Visit: www.cvent.com/d/5fq0lf

25 **Connecting Hard-to-Serve Populations with Jobs: Breaking Down Barriers for Youth Unemployment (Part 2 of 3)**
Exploring Innovation in Community Development Webinar

Sponsor: Federal Reserve Bank of St. Louis
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MARCH

3 **Southwest Arkansas Economic Development Boot Camp**
Magnolia, Ark.

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4 **Community and Economic Development Finance: Working with Financial Institutions**
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8 **Forming a 501(c)(3) Nonprofit Corporation**
Hamilton, Ohio

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Visit: www.communitydevelopmentprofessionals.com

16 **Moving from Talk to Action: Resource and Community Forum**
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Sponsors: Federal Reserve Bank of St. Louis, Delta State University, Center for Asset Development
Visit: www.cvent.com/d/hfqqhj

16 **Community Development Speed Networking**
Louisville, Ky.

Sponsors: Federal Reserve Bank of St. Louis, Office of the Comptroller of the Currency, Federal Deposit Insurance Corp.
Contact: Faith Weekly at faith.e.weekly@stls.frb.org

28-Apr.1 **Community Development Academy**
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Sponsor: University of Missouri Extension
Visit: http://muconf.missouri.edu/commdevelopmentacademy/index.html

30 **Connecting Hard-to-Serve Populations with Jobs: Successful Solutions for Skilled Immigrant Integration (Part 3 of 3)**
Exploring Innovation in Community Development Webinar

Sponsor: Federal Reserve Bank of St. Louis
Visit: http://www.cvent.com/d/xfqwyl

APRIL

3-5 **National Low Income Housing Coalition (NLIHC) 2016 Policy Forum: Overcoming Housing Poverty, Achieving Housing Justice**
Washington, D.C.

Sponsors: Multiple
Visit: www.nlihcforum.org

Thrivers and Strugglers

>> continued from Page 1

MacKenzie and her family's efforts to build wealth are buoyed by these demographic tailwinds, while the lack of them creates headwinds that hamper Troy and his family's efforts to succeed financially.

Let us consider each of these characteristics, or drivers, separately.

Race, Ethnicity and Wealth

Beginning with race or ethnicity, a few facts stand out.[1] First, the wealth gaps are disturbingly large and the rankings have persisted since 1989. White families rank first, followed by Asian families, Hispanic families and then black families. With the exception of Asians, the median net worth of all groups in 2013 was about the same as in 1989; the Great Recession wiped out most of the post-1989 gains. However, prior to the recession, whites and especially Asians had seen dramatic increases in their wealth. Since 2010, they have seen their wealth begin to grow again, while the wealth of blacks and Hispanics has continued to decline. (See Figure 1.)

Also, wealth disparities are starker than income disparities. Median wealth for Hispanics and blacks is about 90 percent lower than that of whites. In contrast, median income of Hispanics and blacks is only 40 percent lower. This suggests these two groups may have had few opportunities to "convert" their diminished incomes into wealth, such as through homeownership and retirement plans. And although one would expect age and education to help explain the persistent differences in wealth accumulation across racial and ethnic groups (whites are generally older and better educated than blacks and Hispanics), our research shows that the wealth gap is largely unchanged even among equally educated, similarly aged whites and nonwhites. Stated more starkly, education does not appear to be an equalizer, at least in terms of wealth. Therefore, other factors must be in play, including early childhood experiences, parental influences and, of course, deep and historical discrimination against blacks and other minorities.

Education and Wealth

Not surprisingly, the association between a family's education and its wealth is very strong and has become stronger with time, leading to large gaps in wealth by level of education.[2] Only families with college degrees or higher have seen their wealth increase since 1989 (even though all groups saw their wealth decline in the Great Recession). Those lacking a high school diploma saw their wealth plummet 44 percent between 1989 and 2013, while families with a high school diploma saw their wealth decline 36 percent. Meanwhile, families with a two- or four-year college degree experienced a 3 percent increase since 1989, while the wealth of those with advanced degrees spiked 45 percent.

Notably, however, the correlation between education and various measures of economic and financial success does not represent causation. That is, the college degree itself may only partially explain differences in wealth. The degree serves as a marker of many other factors also correlated with educational attainment, such as native ability, family background, marriage patterns (i.e., the tendency of college graduates to marry other college graduates), being read to as a child and the likelihood of receiving gifts or inheritances.

Age and Wealth

Finally, let's look at age or, more precisely, year of birth. Of course, older families are expected to have more wealth than younger families. But what we are observing is something deeper, even historical.[3] To our surprise, age is the strongest predictor of balance sheet health, even after accounting for race and education. Americans in their 20s and 30s lost the most wealth in the recession and have been the slowest to recover. The wealth of younger adults is concentrated in homeownership, which suffered greatly during the recession. Younger adults also have significant mortgage and consumer debts, and few liquid assets. In addition, they faced severe labor market challenges during and following the recession. But this is not just a recession story; it's a generational, more troubling story: An American born in 1970 is projected to have 40 percent less wealth over their lifetime than an American born in 1940. Clearly, some larger economic and social forces are underway, reshaping economic opportunity in the U.S.

Policy Implications

In a world where uncontrollable factors—birth year, race/ethnicity, parents—and education—a choice, but influenced by all of the above factors—appear to increasingly matter for building wealth and financial success, three policy responses hold particular promise:

1. Give greater weight to demographic factors in targeting public resources.

Although income has been the primary benchmark for safety net and tax benefits, our research suggests that age

>> continued on Page 4

Thrivers and Strugglers

>> continued from Page 3

or birth year, race or ethnicity, and education must play a greater role in targeting scarce public resources. The U.S. has dedicated massive resources, ruled on issues such as desegregation and voting rights, reduced discrimination in housing and lending practices, built schools and universities, subsidized higher education for disadvantaged students and otherwise striven and often succeeded in helping less-educated and minority families move forward. College attendance rates have been steadily rising, and minorities now hold more elected offices than ever, for example. However, millions of these families remain economically vulnerable; in some ways, they are now even more fragile, given growing economic penalties on less-educated and minority families. Therefore, broad, ambitious efforts to invest in these families must not only continue but be strengthened.

With regard to age, the U.S. has invested less during the earlier years of life, and the country lags in per capita spending on children compared with other advanced nations. In fact, the U.S. social contract has relied on the ability of younger workers to finance the safety net of older Americans. However, because that social contract is now threatened, and given the challenges facing younger Americans, smarter and more robust investments earlier in life are merited. For example, could we consider more of an age-based social contract, where newborns, school-aged youth and young adults starting their careers and/or families receive a public benefit to help them build human capital and net worth? These investments could be modeled on the "pay it forward" idea, where public investments in individual families (through, for example, no- or low-cost tuition plans) are paid back later in life directly through earnings or, indirectly, through greater productivity and economic growth.

2. Create ways for families to save when children are young and integrate savings plans into other early interventions.

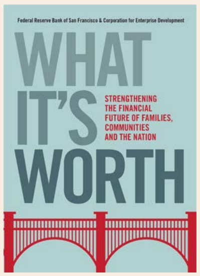
In the assets field, there is a growing body of evidence that savings accounts and assets early in life lead to better outcomes later in life. The Assets and Education Initiative finds that "early liquid assets (ones the household has when the child is between ages 2 to 10)… work with children's academic ability to influence whether they attend college. The effect is stronger for low-income children than it is for high-income children."[4] Two studies using randomized trials in the SEED OK experiment in Oklahoma show that Child Development Accounts (CDAs)[5] have a positive impact on social development for children around age 4. This effect was greatest in children in disadvantaged groups.[6] A second study finds that CDAs increase the psychological well-being of mothers, and again the effect was greatest among disadvantaged groups.[7]

Consideration should be given to strategies that integrate CDAs and similar early asset strategies into the fabric of other interventions aimed at young children. For example, a CDA might be offered to every mother who enrolls in a prenatal health program, or to every child entering Head Start or a preschool program. Reading programs might offer an education-focused CDA. Pell grants might be "front loaded" so that income-eligible children at age 5 receive a small portion of their Pell in a CDA, which would then reduce their Pell grant at age 18 accordingly. The College Board has, in fact, advanced a similar idea. It will be difficult, in my view, for stand-alone CDA interventions to reach all economically vulnerable children. Accordingly, integrating early assets and early childhood interventions holds promise for both impact and scale.

3. Help parents and other adults build liquidity and financial assets.

Of course, we cannot build family financial health and well-being by investing only in kids and ignoring their parents and other adults. Accordingly, we should adopt a "two-generation" approach.[8] Struggling families need a range of sound balance sheet investments, including better banking options, credit repair, more college and retirement savings, fewer debts and paths to sustainable homeownership and small-business opportunities. But one intervention in particular cuts across family balance sheets and promotes both financial stability (a family's first priority)[9] and economic mobility: creating liquidity.

The need for liquidity is well documented. The Federal Reserve Board's Survey of Household Economics and Decisionmaking (SHED) finds that an unexpected expense of just $400



Adapted from Boshara R: The Future of Building Wealth: Can Financial Capability Overcome Demographic Destiny? In *What It's Worth: Strengthening the Financial Future of Families, Communities and the Nation*, Federal Reserve Bank of San Francisco & CFED, 2015. For more information about this resource, please visit www.strongfinancialfuture.org.

would prompt nearly one-half of all households to borrow funds, sell something or simply not pay at all.[10] Fed data also show that the top savings priority for families is emergency or liquid savings, yet only about half of all Americans have such savings. And CFED finds that 44 percent of households are "liquid asset poor."[11]

When families have more liquid savings, they can better manage their cash flows and volatility; rely less on friends, family and payday lenders to meet cash shortfalls; have better banking options; and save for education, training or a small business, as well as a home or apartment in a better neighborhood. In my view, no intervention better cuts across the health of U.S. family balance sheets—and does more to promote family stability and mobility—than building emergency savings and liquidity.

To be most effective, these three policy recommendations must be integrated into other efforts. Although one or two interventions, including the most promising ones, are not likely to erase enormous gaps in education, earnings or wealth, they are likely to significantly reduce the financial health disparities experienced between future thrivers like Mackenzie and strugglers like Troy.

Ray Boshara is senior adviser and director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis.

NOTES

1. Emmons W. and Noeth B.: "How Age, Education and Race Separate Thrivers from Strugglers in Today's Economy: Race, Ethnicity and Wealth," The Demographics of Wealth Series, St. Louis: Federal Reserve Bank of St. Louis, February 2015, www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth/essay-1-race-ethnicity-and-wealth.

2. Emmons W. and Noeth B.: "How Age, Education and Race Separate Thrivers from Strugglers in Today's Economy: The Role of Education," The Demographics of Wealth Series, St. Louis: Federal Reserve Bank of St. Louis, February 2015, www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth/essay-2-the-role-of-education.

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4. Elliot W. and Sherraden M.: "Assets and Educational Achievement: Theory and Evidence," Economics of Education Review 33(3), 2013: 1-7, www.sciencedirect.com/science/article/pii/S0272775713000174.

5. CDAs are also referred to as Child Savings Accounts, or CSAs. Many prefer CDAs because it emphasizes the developmental aspects of savings accounts early in life. CDAs/CSAs refer to savings accounts in a child's name that are usually restricted to higher education and are often supported by community organizations, foundations, and state and local governments. See CFED, New America, or the Center for Social Development for specific examples and policy recommendations of how to expand CDAs.

6. Huang J. et al.: "Effects of Child Development Accounts on Early Social-Emotional Development: An Experimental Test," JAMA Pediatrics 168(3), 2014: 265-271, http://archpedi.jamanetwork.com/article.aspx?articleid=1815478.

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8. See "Helping Parents, Helping Children: Two-Generation Mechanisms," The Future of Children: Princeton-Brookings 24(1), Spring 2014, http://futureofchildren.org/futureofchildren/publications/docs/24_01_FullJournal.pdf.

9. Hannagan A. and Morduch J.: "Income Gains and Month-to-Month Income Volatility: Household Evidence from the US Financial Diaries," Working Paper, March 2015, www.usfinancialdiaries.org/paper-1/; Currier E. et al.: "The Precarious State of Family Balance Sheets," The Pew Charitable Trusts, Washington, D.C., January 2015, www.pewtrusts.org/en/research-and-analysis/reports/2015/01/the-precarious-state-of-family-balance-sheets.

10. Larrimore J. et al.: "Report on the Economic Well-Being of U.S. Households in 2014," Washington, D.C.: Federal Reserve Board, May 2015, www.federalreserve.gov/econresdata/2014-report-economic-well-being-us-households-201505.pdf.

11. CFED: "Assets & Opportunity Scorecard," http://assetsandopportunity.org/scorecard.

HAVE YOU Heard?

Federal Reserve Board Announces Community Advisory Council Members

The Fed's new Community Advisory Council (CAC) is comprised of individuals with consumer- and community development-related expertise. Members will provide information, advice and recommendations to the Board on a wide range of policy matters and emerging issues of interest. The 15 members of the CAC were selected from a pool of candidates who responded to the Board's public invitation to express interest in serving. CAC members will serve one-, two- or three-year staggered terms to provide the council with continuity. The first meeting of the CAC was held at the Board on Nov. 20, 2015; a summary of the meeting is available at www.federalreserve.gov/aboutthefed/cac-20151120.pdf. To learn more about the CAC and its members, visit www.federalreserve.gov/aboutthefed/cac.htm.

2016 *Assets & Opportunity Scorecard* Available

Released annually, CFED's *Scorecard* explores how well residents are faring in the 50 states and the District of Columbia and assesses policies that are helping residents build and protect assets along five issue areas: Financial Assets & Income, Businesses & Jobs, Housing & Homeownership, Health Care and Education. The 2016 *Scorecard* brings together 130 policy and outcome measures to determine the ability of residents to achieve financial security. It offers the most comprehensive look available at Americans' financial security today and their opportunities to create a more prosperous future. For more information, visit http://assetsandopportunity.org/scorecard.

Neighborhood "House Economy" Teaches Youth Life Lessons

By Denise Sears

Charlie had dealt with a lot in his 11 years. His dad left when he was five and his mother worked long hours at a minimum-wage job to keep a roof over their heads. Sometimes the refrigerator was empty or the electricity was shut off when money was tight. When his mom was home, she was often tired from trying to work extra hours and distracted by financial worries. The stress from living in poverty was affecting Charlie's behavior. He was loud and disruptive, didn't do his schoolwork and frequently got into fights.

Life for Charlie and his family began to change when he enrolled in the Youth Development Program at Neighborhood House, a community center serving the low-income Portland neighborhood in Louisville, Ky. This program provided him a safe environment after school; he received academic support, a hot, nutritious meal and enrichment activities that support and promote learning.

In the "House Economy" program at Neighborhood House, positive behavior is rewarded with "house bucks," which help teach children how to budget.

Neighborhood House's Youth Development Program serves almost 350 at-risk youth. For the 2015 summer program, staff sought activities to encourage positive behaviors as part of vital life skills training. This resulted in a pilot program that was developed and introduced during the seven-week summer program.

Called the "House Economy," the program provided incentives for positive behavior and introduced participants to financial budgeting. It also provided opportunities to practice math skills. The pilot initiative delivered experiential learning that taught children and teens valuable "real-life" lessons. The House Economy featured a "House Bank" and "House Store," both of which were managed by older youth. Positive behavior earned "house bucks" and the consequence of negative actions was the loss of already earned bucks. Children tallied up their individual bucks at the end of each day and decided how to manage what they had earned. Options included using their bucks to purchase items at the House Store or depositing them in their account at the House Bank. The store, which was stocked with donations from donors and partners, offered goods in varying price ranges. Children often had their eye on one of the more expensive items, which required them to save some of their earned bucks. They learned how to budget their earnings for the week to cover daily purchases and save for the future purchase of a coveted item at the store.

The House Economy had a positive impact on the children's behavior, as evidenced by the increase in house bucks earned each consecutive week. One of the program participants, 14-year-old Nolan, said, "Some of the kids didn't listen to staff and could be kind of wild before we started the House Economy. Having the chance to earn bucks for being good changed how the kids acted."

Although originally developed as a way to encourage positive behavior, the House Economy had a much broader impact. House bucks were earned for maintaining good behavior, helping peers, volunteering for jobs (e.g., cleaning up after meals) and positive participation in reading activities. Maria Childers, the Neighborhood House education coordinator, said, "Our youth learned to 'work' for things they want. This is an essential life skill that will help them in all areas of their lives, both in the present – for example, schoolwork, sports teams, school clubs – and the future – getting into college, finding a job, buying a house, etc."

Childers added that the program also provided new learning opportunities. Older teens managed the bank and store, which included setting up sales displays in the store as well as managing house bucks deposited in the bank and purchases at the store. Trusting youth to run the store and bank built a sense of responsibility and pride for teenage members. "The program developed our youth's work ethic, which gives our kids a brighter future," Childers said.

In addition to improving behavior and providing learning opportunities, the youth demonstrated improved understanding of budgeting and the importance of savings. Nolan saved his money all summer to buy a tablet. Participants reported that the program also gave them a greater understanding of the monetary decisions their parents face on a daily basis, which is particularly important in families with limited resources. "I understand better now when my dad says we can't buy something because we have to save to pay our electric bill," said DeShawn, 11. "I don't get mad at him like I used to when we couldn't get something I really wanted."

The summer pilot demonstrated that the House Economy reinforces good behaviors and positively impacts staff-youth relationships. The lessons learned by participants extended well beyond financial literacy. The program taught them life lessons about responsibility and built their self-esteem. The success of the pilot has led to the incorporation of the House Economy into the year-round curriculum of the Youth Development Program.

Charlie's behavior has improved not only at Neighborhood House but at home as well, according to his grateful mom. He is more committed to school and feels confident his grades will improve this semester. The House Economy is a prime example of the impressive return an investment in today's youth can yield.

Denise Sears is director of development and communications at Neighborhood House in Louisville, Ky.

Resources

Exploring Innovation in Community Development Webinars

This webinar series from the Community Development department at the St. Louis Fed allows community development professionals from across the Eighth Federal Reserve District to connect with industry experts to hear and discuss current developments and initiatives. Topics vary and are of interest to economic development professionals, financial institution representatives, community advocates and policymakers. Recent sessions include:

- **Part 1 – Connecting Hard-to-Serve Populations with Jobs: Promising Practices for Successful Reentry**
- **Part 2 – Connecting Hard-to-Serve Populations with Jobs: Breaking Down Barriers for Youth Unemployment**

Both the audio and the presentation for all sessions are archived at https://bsr.stlouisfed.org/EI_CDAudioConference.

8 From the Eighth Audio Podcast

8 From the Eighth is a podcast series from the Community Development department at the St. Louis Fed. Through interviews consisting of eight questions with experts, listeners learn about current community development challenges—and successes—in the Eighth District, helping them to understand both the problems and the solutions. Podcasts cover a variety of topics, including innovative strategies and emerging trends related to community development. A recent podcast is:

- **The High Cost to Bank or Not to Bank: Perspectives from a Professor/Check Casher** — Lisa J. Servon (The New School)

Visit www.stlouisfed.org/community-development/multimedia/audio to listen to this and other archived podcasts from the St. Louis Fed.

Transforming U.S. Workforce Development Policies for the 21st Century

This new book, produced in partnership by the Federal Reserve banks of Atlanta and Kansas City along with Rutgers University's John J. Heldrich Center for Workforce Development, explores how new policies and practices can meet the changing needs of workers, businesses and their communities. It includes contributions from more than 65 leading scholars and practitioners engaged in workforce development. Download the book or individual chapters at kansascityfed.org/transformworkforce.

Scaling U.S. Community Investing: The Investor-Product Interface

This in-depth report on the U.S. Community Investing (USCI) field from the Global Impact Investing Network (GIIN) includes both a landscape study of USCI as well as recommendations regarding how to scale it. Learn more and download the report at https://thegiin.org/knowledge/publication/usci.

Identifying Opportunity Occupations in the Nation's Largest Metropolitan Economies

Are there well-paying jobs for workers with less education than a 4-year college degree? What are those jobs? How do employer preferences differ from education requirements for good jobs? This new report, produced jointly by the Philadelphia, Atlanta and Cleveland Federal Reserve banks, addresses these and other questions about employment opportunities in the nation's 100 largest metro areas. For more information, visit http://ow.ly/S07If.

Great Expectations: Mission Preservation and Financial Performance in Impact Investing

This report provides evidence that investment managers can align impact goals with financial expectations without sacrificing performance. To read the report, visit http://socialimpact.wharton.upenn.edu/wp-content/uploads/2015/10/Wharton_Social_Impact_10.13-PagesFINAL.pdf.

2015 Landscape Report: Quantifying Missouri's Nonprofit Sector

This report from Nonprofit Missouri describes the scope and impact of the state's nonprofit industry within a broader economic perspective. Download the report at www.nonprofitmissouri.org/landscape.

Foundation Maps

Designed and created by the Forum for Regional Association of Grantmakers and the Foundation Center, this is an interactive and continually updated map—which goes down to the neighborhood level—with information on how many grants have been allocated, who the recipients are, what type of work is being funded, etc. Search the map at https://maps.foundationcenter.org.

Grassroots Neighborhood Revitalization in Hyde Park

By Michael C. Eggleston

In the spring of 2012, Todd Wiley had been looking for work for nearly four years, ever since he was laid off due to downsizing at Metro, St. Louis' public transit organization. Despite continually searching and completing numerous job applications, he had nothing to show for it. For those living in Hyde Park in North St. Louis, this is not entirely surprising; the unemployment rate for this neighborhood is 29 percent,[1] roughly 1 out of every 3 people over the age of 16. Something that surely contributed to Wiley's inability to find employment was the fact that he is an ex-offender. Needless to say, his job prospects were not promising when he walked out to pick up the newspaper one morning, only to find a publication by an organization he had never heard of before—Sun Ministries. But that's when things began to change for him.

Top: Todd Wiley plans to use the skills and experience learned at Sun Ministries to become an entrepreneur.

Bottom: Sun Cafe hires employees who are homeless, recovered addicts and former convicts.

Not long after calling Terry Goodwin—who founded and leads Sun Ministries—Wiley had a job doing maintenance work on apartment buildings in the neighborhood. He was incredibly grateful for the employment opportunity. Fast forward 3-plus years. Wiley still has his job doing maintenance work, but he has also learned woodworking skills and has spent time working in Sun Cafe, a neighborhood restaurant owned and operated by Sun Ministries. His future plans include starting his own business painting commercial and residential properties.

Just six years after Goodwin moved his family to Hyde Park and started the ministry, it boasts five social enterprises—all with the goal of building foundational work experience, job skills, spiritual growth and education for individuals who have barriers to employment. While there isn't a specific list, common barriers for neighborhood residents include long-term unemployment, low educational attainment, drug addiction recovery, former incarceration, and cognitive and/or physical disabilities. The five components of the ministry's program, called Narrow Gate, include: 1) financial capability; 2) remedial education; 3) spiritual growth; 4) job training; and 5) social skills. The ministry is providing employment opportunities to 23 neighborhood residents, each of whom has at least one employment barrier. And the organization is just scratching the surface in terms of need, as the ministry receives about 30 job applications from neighborhood residents every week.

When Goodwin and his wife moved into the predominantly African-American, lower-income neighborhood of Hyde Park in 2009 from the predominantly white, affluent community of O'Fallon, Mo., they were not sure what their specific role would be. They only knew that they were being called to serve in an action-oriented way. Shortly thereafter, the ministry began its first social enterprise—making and selling messenger and tote bags. From that initial enterprise sprouted:

- a woodshop, where they taught themselves to make tables and chairs from the wood of old shipping pallets—the products are sold to restaurants and individuals;
- Sun Cafe, which serves as a neighborhood meeting place to build community in addition to serving as a restaurant and coffee shop;
- a maintenance business, providing services for the neighborhood's apartment buildings that are owned by Duffe-Nuernberger Realty (affiliated with ND Consulting Group); and

- a landscaping business, providing lawn care for ND Consulting Group's apartment buildings.

While Sun Ministries' accomplishments in such a short amount of time, without any public funding, are impressive, the obvious question is whether this great work will continue. By all accounts, the most likely answer is yes. That is due to 1) strong passion and leadership from Goodwin and his family, who are leading the ministry; 2) strong partnerships with ND Consulting Group and social service providers in the neighborhood; and 3) a healthy balance sheet. While not all of the ministry's social enterprises are profitable, the majority of them are. Annual revenue and profit for 2015 are projected to be $600,000 and $100,000, respectively. In the first quarter of 2016, the ministry will open its sixth social enterprise in the neighborhood—a bazaar where used and repurposed items will be sold. Additionally, future plans include converting an old police station into a community and business hub with a visual and performing arts center; a social enterprise that would acquire, repair and sell cars to residents; and a newly expanded home for the ministry's woodshop.

For more information about Sun Ministries, grab some coffee at Sun Cafe. Otherwise, visit them online at www.sunministries.org.

Michael C. Eggleston is a senior community development specialist at the Federal Reserve Bank of St. Louis.

ENDNOTE

1 Census Bureau, American Community Survey 5-year Estimate (2010-2014)

CDAC SPOTLIGHT

Collaboration: The Key to Champion Community Investments' Success

By Rex Duncan

A friend of mine from Murphysboro, Ill., is fond of the old saying, "If you want to go fast, go alone. If you want to go far, go with others." After my initial dismissiveness of yet another motivational adage, I could see the passion for "going far" in his eyes and knew he meant business. Since I first heard him say it, I've repeated the maxim a hundred times to others and to myself. More importantly, I've taken it to heart.

Champion Community Investments—The Beginning

With the assistance of some great folks in Rural Development at the U.S. Department of Agriculture (USDA), we launched Southern Illinois Coal Belt Champion Community Inc. (doing business as Champion Community Investments, or CCI) in 2002. Originally, we were an applicant for federal Empowerment Zone status, but we lost out in the final round. In the process, though, those of us on the planning committee—who hailed from three rural counties and several small towns—found that we liked and respected each other immensely and that perhaps we shouldn't let this defeat stand in our way.

With that shared commitment, we formed as a nonprofit 501(c)(3) corporation with missions of economic and community development. CCI originally served three counties—Perry, Franklin and Williamson. In 2010, Jackson and Jefferson counties were added. One of our lending programs also includes White, Hamilton, Gallatin, Saline, Pope, Hardin and Randolph counties.

In the beginning, there were times when we met more as a social opportunity while searching for tangible work. By 2005, we had launched Connect SI, an initiative that would become a 20-county project built around collaboration and broadband connectivity. Today, because of the collaboration between the telecommunications industry and units of local, state and federal governments, the region is wired for global success. The city of Carbondale—home of Southern Illinois University Carbondale—is a "gigabit city." Fiber-to-the-home projects extend even into the Shawnee National Forest.

From Business Loans to CDFI Status

In 2006, CCI made its first business loan after USDA fueled our interest with a $94,500 grant to start a revolving loan program. We quickly lent out that fund and landed our first Intermediary

>> continued on Page 10

"They took a chance on me when no one else would look at my business plan for this venture. After five years and more than 20 percent annual growth, I think we're all happy with the results."
– Mark Robinson, Owner, Bus to Chicago

"To see a thought transform into a successful business has been a humbling experience and that could not have been accomplished without the startup money that we received from this incredible organization."
– Mark Novoa, Owner, GroundFX Flooring

"Champion Community Investments embodies the spirit of regional cooperation. Sharing a passion for southern Illinois and a mutual respect for one another is a strong platform for strengthening our economy one business at a time."
– Kathy Lively, CCI Board Member and CEO, Man-Tra-Con Corp.

"Champion Community Investments is truly a regional economic development success story in southern Illinois. CCI brings together economic development organizations from five counties and promotes collaboration among those organizations to assist small businesses throughout the region."
– Jeff Doherty, CCI Board Member and Executive Director, Jackson Growth Alliance

Collaboration: The Key to CCI's Success

>> continued from Page 9

Relending Program (IRP) loan of $300,000. That first IRP has been followed by three more million-dollar IRPs and two rounds of Rural Microentrepreneur Assistance Program (RMAP) loans of $500,000 each.

In 2013, CCI was recognized by the U.S. Treasury Department as a community development financial institution (CDFI), the only nonprofit CDFI south of Springfield. The organization also received a $600,000 Small and Emerging CDFI Assistance grant to further our lending and investment abilities. The grant has offered CCI the ability to leverage additional lending resources as well as to consider business funding alternatives—including equity investing—that couldn't have been offered previously. Furthermore, the CDFI designation has put CCI on the radar of larger regional and national commercial banks.

Since that first loan in 2006, CCI has closed on 85 loans with an aggregate principal value of $4.8 million, $8.4 million in private-sector injection and over $13 million in total project value. We have worked extensively with area banks to provide gap financing to help complete worthy projects. CCI has also worked with other area 501(c)(3)s to further economic regional development.

This cooperative structure works well for our funding resources, who prefer to fund collaborative organizations with regional footprints. Several towns and counties in the organization's service area now defer business lending to CCI. Handing that task off to a regional entity also removes the politics that sometimes play into local lending decisions. As competition increases for government resources, CCI has earned and maintained the respect of federal partners who seek reliable intermediaries.

What Makes CCI Work?

What makes this all click is that the CCI directors work so well together. They aren't bankers or financial types. They are mostly economic and community development professionals who find creative ways to overcome bureaucratic and political friction. They recognize and take smart risks that have kept the organization's losses and bad debt ratio very low. They disagree respectfully and don't push buttons. They delight in the success of the businesses we help, whether they are located in their respective counties or not. In the process, all feel more at home as citizens of southern Illinois.

CCI is pretty short-staffed. I am a part-time executive director. Our treasurer—also a member of the board of directors—serves as our loan officer. Our directors are our best faces in their communities. We have at least two directors from each of our five core counties. In many ways, they are the most effective marketing arm of CCI. The directors have taken an active role in promoting the corporation as well as advocating for loan applicants from their constituent areas. In considering loan applications, they ask tough, challenging questions. Other times they encourage us to take risks that conventional lenders might disdain. They have learned how to be discerning lenders who effectively balance our nonprofit mission with common sense.

During CCI's life, we have seen other collaborative efforts rise and fall. The ones that work seem to feature strong, inclusive, servant leadership. Collaborative leaders must be able to communicate a vision, work with and through others to champion that vision, and be there for both the successes and the inevitable bumps in the road. They have to be willing to roll up their sleeves and be seen as team members who are willing to get their hands dirty on occasion. Collaborative leadership isn't for wallflowers.

When others look at CCI, they are quick to attribute our success to numbers—millions lent and millions more in projects leveraged, or the infinitesimal bad debt ratio, or the incredibly small number of write-offs. I know better. Our success is driven by directors from Franklin County who support projects in Williamson County. CCI is successful because a director from Mount Vernon advocates for a project in Carbondale, 50 miles away. CCI succeeds because its board is composed of smart people who see themselves as citizens of a larger community that needs our help.

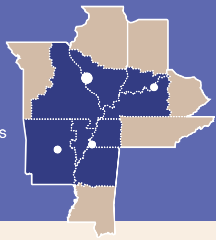
To the CCI Board of Directors, on behalf of grateful businesses throughout the region and well over 150 working southern Illinoisans, I extend my sincere appreciation. Thank you for your vision and willingness to work, think and succeed together. Because of your teamwork, CCI is going far.

CDAC MEMBER SPOTLIGHT

Rex Duncan serves as executive director for Champion Community Investments (CCI), a 501(c)(3) nonprofit community development financial institution (CDFI) that provides economic and community development support in five southern Illinois counties. He served as president of the Board of Directors of CCI starting in 2004 and became the organization's first executive director in November 2015. Duncan retired from Southern Illinois University Carbondale in 2014, having worked as the director of Community Development and Outreach in the Office of Economic and Regional Development. He holds a bachelor's degree in business from Eastern Illinois University and a master's in workforce education from Southern Illinois University Carbondale. He is a member of the Community Development Advisory Council (CDAC) for the Federal Reserve Bank of St. Louis and is a former mayor of his hometown of Du Quoin, Ill.

CDAC members are experts in community and economic development and financial education. They complement the information developed through outreach by the Eighth District's Community Development staff and suggest ways that the St. Louis Fed might support local efforts. A list of current members is available at www.stlouisfed.org/community-development/about-us/community-development-advisory-council.

SPANNING the Region



The region served by the Federal Reserve Bank of St. Louis encompasses all of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

St. Louis Selected for Technical Assistance Scholarship Program

The Center for Community Progress launched the competitive Technical Assistance Scholarship Program (TASP) in 2014 to find and support today's pioneers in the work to reclaim and revitalize problem properties. The program seeks out "changemakers" who are ready to effect positive change on the ground and shape the national field of practice. St. Louis was chosen as a recipient of the third round of TASP aid based on a range of criteria, including the potential for innovation that other cities can learn from, demonstrated leadership to implement reform and the overall scale of vacancy challenges as well as need for outside assistance. Technical assistance will focus on evaluating the property tax foreclosure process for the city of St. Louis. It will analyze the adequacy of existing systems for enforcing delinquent property taxes, as well as how to improve the processes through which the local land bank acquires properties. Read more at www.communityprogress.net.

DRA Partners with Mississippi Mayors to Support Infrastructure Improvements in the Delta

The Delta Regional Authority (DRA) is partnering with the Mississippi Conference of Black Mayors (MCBM) to provide technical assistance to MCBM members to help identify and obtain funding opportunities for local infrastructure needs. The Connecting Our Communities to Opportunities (COCO) program will provide one-on-one technical assistance training to successfully locate and manage funds to repair and update water and sewer systems. For more information, visit http://dra.gov/newsroom/press-release/delta-regional-authority-partners-with-mississippi-mayors-to-support-infras.

Initiative to Expand Access to Capital for Minority- and Women-Owned Businesses

HOPE Enterprise Corp. was one of three community development financial institutions (CDFIs) nationwide selected to launch the Wells Fargo Works for Small Business: Diverse Community Capital program. Through the program, HOPE will receive a $2-million grant to support the organization's commercial lending, outreach and technical assistance programs for minority- and women-owned and -led small businesses. Over the next three years, Wells Fargo will invest $75 million directly into CDFIs that serve businesses led by diverse leaders. Learn more about the program at www.wellsfargo.com/com/financing/real-estate/community-lending-investment/cdfi.

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How Housing and Health Care Nonprofits Can Increase Access to Medical Residential Services

By Tim Bolding, Amy Schaftlein and Anna Gattuso

Learn how expanding quality housing services and saving financial resources is providing Tennesseans with the chance to both receive medical care and stay in the community.

Jacobsville Join In!

By Jennifer Mason Evans

This comprehensive community development initiative has established a resident-led quality-of-life process for the Jacobsville community.

Calendar – Expanded content