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SPRING 2017

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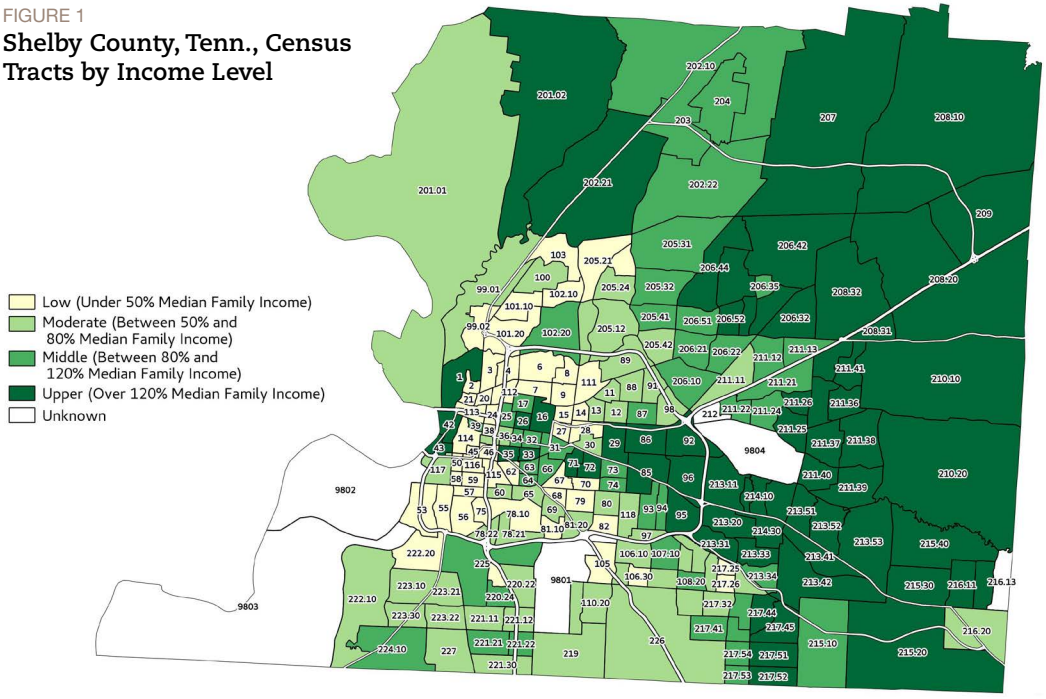
Memphis & Beyond:

Assessing the Market for CRA Investment

By Nidia Logan-Robinson, Ian Nunley and Rachel Knox

FIGURE 1
Shelby County, Tenn., Census Tracts by Income Level



Source: Federal Financial Institutions Examination Council, 2016 FFIEC Census Report - Summary Census Income Information

On the precipice of the 40-year anniversary of the Community Reinvestment Act (CRA), Innovate Memphis and the Community Development Council of Greater Memphis partnered to research the current market for CRA investment and suggest recommendations for capitalizing on new opportunities in Memphis. The goal of this research was to find strategic opportunities for partnerships and investment tools with local financial institutions that are subject to the requirements of the CRA. For lenders, improved application of CRA funds can both fuel community development and trigger further investment.

The research included interviews with both long-standing and up-and-coming local for-profit and nonprofit developers, government agencies and nonprofit stakeholders. Additionally, the Innovate Memphis team conducted a scan of peer cities, seeking to understand the strength of their local urban development portfolio and prevalent CRA investment and lending tools, and to better understand what factors have led to improved local community development infrastructure.

Our recommendations focus on strategies and tactics for cultivating a more progressive and collaborative community development pipeline in Memphis. The city should invest in infrastructure that fosters cooperation among financial institutions, adds capacity and training to bring new tools to the market, develops the skills to use the tools with precision, and increases the lending viability of borrowers.

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Calendar

JUNE 2017

20 — **The Banking and Unbanking of America: What's Behind the Choices & What Are the Options? A Local Conversation with National Author Lisa Servon**
St. Louis, Mo.
Sponsors: Federal Reserve Bank of St. Louis, St. Louis Regional Unbanked Task Force
Visit: www.cvent.com/d/h5q39s

22 — **Delta Communities—New Markets Tax Credits: A Tool for Development in the Delta**
Clarksdale, Miss.
Sponsor: Federal Reserve Bank of St. Louis
Visit: www.cvent.com/d/p5qzvg

22 — **Interagency Affordable Mortgage Credit CRA Forum: Meeting the Needs for Small Dollar Mortgages in LMI Geographies**
St. Louis, Mo.
Sponsors: Federal Reserve Bank of St. Louis, FDIC, OCC
Visit: www.cvent.com/events/Register/Waitlist.aspx?e=d9982ac2-d059-4e59-ac29-f463266ca19e

22-23 — **2017 Policy Summit on Housing, Human Capital, and Inequality**
Cleveland, Ohio
Sponsors: Federal Reserve banks of Cleveland, Philadelphia and Minneapolis
Visit: www.clevelandfed.org/en/newsroom-and-events/events/2017/policy-summit.aspx

JULY 2017

20-21 — **Third Annual Rural Entrepreneurship Forum**
Greenwood, Miss.
Sponsors: Federal Reserve Bank of St. Louis, University of Mississippi McLean Institute for Public Service and Community Engagement
Visit: http://mclean.olemiss.edu/ref

AUGUST 2017

3 — **Delta Communities—Small-Business Development in the Delta**
Clarksdale, Miss.
Sponsor: Federal Reserve Bank of St. Louis
Contact: Lisa Locke at lisa.locke@stls.frb.org

10 — **Brownfield Redevelopment in Small Towns**
Lexington, Ky.
Sponsor: Federal Reserve banks of St. Louis and Cleveland, Kentucky Brownfield Redevelopment Authority
Contact: Faith Weekly at faith.e.weekly@stls.frb.org

SEPTEMBER 2017

18-22 — **Community Development Academy**
St. Louis, Mo.
Sponsor: University of Missouri Extension
Visit: http://muconf.missouri.edu/cmdevelopmentacademy/index.html

21 — **Delta Communities—Investments in Local Food in the Delta**
Clarksdale, Miss.
Sponsor: Federal Reserve Bank of St. Louis
Contact: Lisa Locke at lisa.locke@stls.frb.org

OCTOBER 2017

4-6 — *SAVE THE DATE!*
Investing in America's Workforce: Improving Outcomes for Workers and Employers Capstone Conference
Austin, Texas
Sponsors: Federal Reserve System, Rutgers University, Ray Marshall Center for the Study of Human Resources, W.E. Upjohn Institute for Employment Research
Visit: www.investinwork.org

>> More Calendar content is available online
www.stlouisfed.org/publications/bridges

Memphis & Beyond

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Memphis in Context

CRA legislation is intended to spur lending in communities that are traditionally underserved in terms of financial services. Thus, the CRA examination focuses on evaluating a financial institution's lending, investment and services offered in or impacting low- and moderate-income (LMI) neighborhoods.

Figure 1 displays the median family income levels of census tracts in Memphis and Shelby County, Tenn. Memphis' LMI tracts are concentrated in the urban core of the city, with most middle- and upper-income tracts on the periphery and more suburban portions of the county.

Research Findings

Stakeholders lack understanding of CRA provisions and how best to apply them for community development purposes.

Effective community partnerships must be based on shared goals and mutual understanding. For this reason, we sought to assess the extent to which potential partners understood the CRA.

Two-thirds of interviewees indicated that they had some knowledge or were very knowledgeable about the requirements of the CRA for financial institutions (Figure 2). Those with a limited understanding of the CRA acknowledged that it would be difficult to enter into new partnerships with banks because they were unaware of the possibilities within the CRA. The lack of local subject matter expertise has made it difficult for local financial institutions and community development corporations (CDCs) to build lasting relationships and a more robust toolkit of lending and investment opportunities.

Though we are not proposing that community development leaders become experts in federal banking regulations, more effective and mutually beneficial partnerships can result when both parties understand the possibilities and limitations within the CRA. Some interviewees voiced concern that banks themselves were not fully aware of the range of project types that could qualify for CRA consideration. Therefore, existing partnerships continue to focus primarily on limited affordable housing lending and activities that fall into the services area, such as financial education and loan counseling.

Memphis does not have a strong entity that provides sustained coordination between financial institutions, community organizations and local government.

Currently, there is no central point where community development leaders and financial institutions regularly engage with the goal of developing new partnerships, addressing gaps in financing needs and exploring innovative investment strategies. There are periodic efforts to bring these groups together, but these efforts should be more structured and frequent. Though the bank officers responsible for CRA compliance should be engaged in these regular sessions, loan officers and other bank leadership should also actively participate, as new partnerships have implications for multiple business processes. There may also be benefit in having these engagement opportunities facilitated by a third party.

Community development practitioners are interested in working in new ways with financial institutions to increase both local affordable housing stock and economic development opportunities. Locally, BLDG (Build. Live. Develop. Grow.) Memphis (formerly, Community Development Council of Greater Memphis), the Federal Deposit Insurance Corp. (FDIC) and the Federal Reserve Bank of St. Louis have worked to provide this coordination.

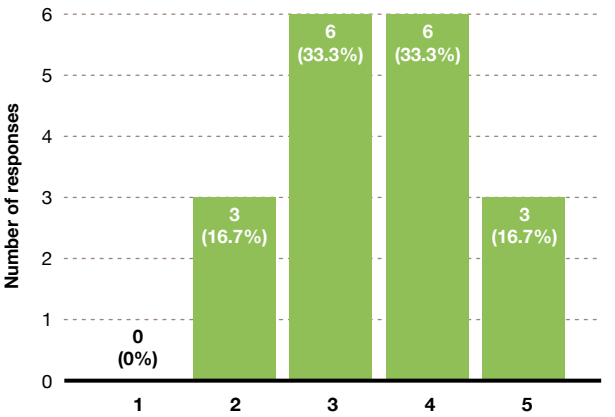
Developing an intentional pipeline of CRA projects and borrowers is not currently a systemwide priority.

There are essentially two pipelines for facilitating new development that require significant investment in Memphis: projects and people.

FIGURE 2

Analysis of Local CRA Subject Matter Expertise

On a scale of 1 to 5, how well do you understand the CRA and its requirements for certain financial institutions, with 1 being "No understanding at all" and 5 being "Extensive understanding"?



Projects

Our interview findings from local developers and CDCs established that many lack the subject matter expertise to effectively leverage community lending and investment tools that facilitate project development. In some cases, interviewees said that their limited knowledge and lack of technical

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assistance in acquiring and using tools (e.g., low-income housing tax credits) impedes their ability to plan larger, more complex development projects. In other cases, the source for acquiring tools can present an administrative barrier for smaller organizations with limited capacity. Most small and mid-sized developers reported that their current projects are using only one or two layers of tools, often in the form of subsidy from government grants or philanthropy and tax credits for debt.

To increase the number and frequency of projects ready for investment, Memphis needs to improve the project planning and implementation capacity for local community-based organizations (CBOs). The city recently launched the first local investment fund aimed squarely at improving the development capacity of local CDCs. Though this resource is greatly needed, local stakeholders need to emphasize a system-wide approach that not only improves capacity, but also collaboration and understanding between all parties.

Many interviewees expressed a high degree of optimism regarding the possibilities for accelerating community development in Memphis.

People

Banks need good customers and borrowers. However, credit is an obstacle to financing opportunities for LMI borrowers. The St. Louis Fed found that 74.4 percent of Memphians living in LMI neighborhoods are credit constrained, meaning they have poor/fair or no credit history.[1] This significantly limits access to mortgages, car loans and even apartment leases. Credit from banks has tightened since the 2008-2009 financial crisis, which has made it increasingly difficult to provide economic stabilization to LMI neighborhoods. Many interviewees indicated that the rate of home loan denials for LMI people is a significant barrier to neighborhood revitalization. CBOs need additional resources to expand programming focused on consumer financial education and creditworthiness.

However, good news is on the horizon. Many interviewees expressed a high degree of optimism regarding the possibilities for accelerating community development in Memphis. New leadership in key positions of city government, current long-term planning efforts and new philanthropic investments were cited as evidence of a changing tide and more progressive landscape for community development.

Recommendations

To build a more robust and diverse portfolio of CRA-eligible investment opportunities, Memphis should invest in developing a more holistic strategy that includes collaboration among both financial institutions and community organizations, exploring new lending and investment tools, and increasing the ability of borrowers to take out loans.

Identify local champion(s) to lead a coordinated, strategic approach.

Memphis needs an intermediary that provides strategic leadership in developing partnerships, finding opportunities and guiding priority investment based on a coordinated neighborhood development strategy. It is crucial to success that those involved in community development collaborate in a new way and come together regularly, in person, to build the system together.

This new intermediary should serve as a galvanizing force to:

- help focus energies into a set of priorities;
- guide an assessment of the tools and investment vehicles needed to address priorities;
- align funding strategies from multiple sectors;
- coordinate investment strategies and resources;
- assess the development environment and assist in identifying and removing barriers; and
- serve as a convener of stakeholders including banks, developers, government, and community development organizations.

Provide professional development and technical assistance opportunities to address stakeholder gaps in capacity.

Local developers and CDCs are in need of education and training that will allow them to engage in larger-scale community development projects. Local entities are working to launch small developer "boot camps" and interviewees expressed interest in real estate clinics to improve their dealmaking abilities. Member-supported stakeholder groups can also facilitate internal professional development opportunities for their constituent groups.

Develop and expand the tools and investment vehicles that are needed to achieve community development goals.

Creating structured funds or the development of a particular institution or collaboration would only represent part of the solution for improving investments to meet strategic goals.

Memphis is working with The Kresge Foundation and Harvard's Initiative for Responsible Investment to achieve a more coherent and effective community investment system, where financial institutions and other private-sector investors can logically deploy capital in LMI areas.

A New Era for Community Development

Memphis is ushering in a new era of opportunity. Growing engagement by local and national philanthropy and a greater willingness of the banking community to engage as strategic partners are creating a more collaborative and impactful climate for improving the quality of life in our neighborhoods. Banks and communities can enter into mutually beneficial partnerships that help improve local economic opportunity for all.

To build a more robust and diverse portfolio of investment opportunities, Memphis should commit to facilitating a stronger pipeline that better connects financiers, developers and CBOs. Growing collaboration among stakeholders through professional development organizations, adding capacity and training to bring new tools to the marketplace and improving the lending viability of local customers will be essential in creating a more dynamic and prosperous environment for local community development.

Summary

The goal of this research is to illuminate options for local community investment partnerships. Though there are several opportunities for investment unfolding in Memphis, intentional cultivation of the pipeline of projects and people should be our next major step. As we have seen in other cities, investment in building capacity and collaboration leads to growth in community development investment in the years that follow.

Nidia Logan-Robinson, Ian Nunley and Rachel Knox are project managers at Innovate Memphis.

ENDNOTES

1 Eggleston, Michael C.: "All Low- and Moderate-Income Areas Are Not Created Equal," *Bridges*, Summer 2016, Federal Reserve Bank of St. Louis.

CRA AN EXAMINER'S PERSPECTIVE

Welcome to the first in a series of articles on CRA (Community Reinvestment Act) best practices from an examiner's perspective. Although this column focuses on CRA best practices for financial institutions, the content may provide insights to community development organizations working with financial institutions to meet credit and community development needs. As a disclaimer, this series is only meant to represent best practices; financial institutions should consider the information presented in context of the requirements or guidance of their primary regulator.

Train for Results!

By Douglas Yarwood

Regardless of which procedures are used to evaluate your institution,[1] training for a CRA-aware culture will decrease the possibility of CRA-related activities not being captured for consideration by your regulator. CRA-aware training is a blend of CRA technical requirements, communication of respective assessment area credit and community development needs, identification of geographies and populations driving credit and community development needs, and communication of the institution's CRA strategy for meeting those needs. Logical candidates for training include branch managers; commercial, consumer and small-business lending officers and staff; and other retail banking management.

The objective of the CRA training is not to make all employees CRA experts; it is simply to provide them with the knowledge to determine if activities that flow through their business line should be flagged for consideration by CRA personnel. Tracking CRA activities on an ongoing basis reduces the headache of trying to retroactively compile activities to display CRA performance for an upcoming evaluation. Additionally, tracking provides the institution with the ability to internally monitor

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Train for Results

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CRA performance, which is key in the identification of conspicuous gaps in lending, investments and services that may not be readily apparent.[2] Information obtained through monitoring may be used to proactively address shortcomings in an institution's CRA performance or, at a minimum, explore the reasons behind the gaps in performance rather than waiting for the outcome of an evaluation.

In discussing the lending test,[3] it is important to emphasize the significance of collecting applicant income and revenue size to ensure the loan is correctly identified under the borrower distribution test. Capturing this information at the time of origination avoids the retroactive process of identifying the data to prepare for an examination. CRA lending training should include identifying names of locations in the assessment area that are considered low- or moderate-income (LMI) census tracts. For small-business and small-farm lending, the institution can document either the location of small businesses or small farms or where the proceeds of the loan are applied.[4] In the latter case, documenting where the funds are applied may make a difference in the percentage of loans made in LMI tracts of the lender's assessment area.

Training related to the five community development purposes (affordable housing, community services, economic development, revitalization or stabilization, and neighborhood stabilization programs) is more impactful when it is associated with names of locations that are LMI, nonmetropolitan middle-income areas that are distressed or underserved, and enterprise and empowerment zones located in the assessment area.[5]

In conclusion, providing CRA-aware training increases the resources in the institution on the lookout for CRA-related activities, which decreases the possibility of those activities being overlooked, reduces the burden of exam preparation and enhances the ability to internally monitor CRA performance.

Douglas Yarwood is a senior examiner at the Federal Reserve Bank of St. Louis.

ENDNOTES

1. Procedures include small, intermediate small, large, wholesale/limited purpose and strategic plan bank evaluation procedures located at www.ffiec.gov/cra/examinations.htm.
2. Community Reinvestment Act: Developing a Strategy for Success, Consumer Compliance Outlook: Third Quarter 2014. https://consumercomplianceoutlook.org/2014.
3. In evaluations of wholesale/limited purpose institutions, only the institution's community development lending is reviewed through the community development test.
4. A Guide to CRA Data Collection and Reporting, www.ffiec.gov/cra/guide.htm.
5. Small institutions may also have certain CRA development activities considered that enhance credit in their assessment area(s) to raise an overall satisfactory rating to that of outstanding.

Resources

Report on the Economic Well-Being of U.S. Households in 2016

This report is based on the Federal Reserve Board's fourth annual Survey of Household Economics and Decisionmaking conducted in October 2016. This new report provides a snapshot of the financial and economic well-being of U.S. households and the issues they face. Access the report at www.federalreserve.gov/consumerscommunities/shed.htm.

Developing Career-Based Training

New approaches to developing more and better career-based training for middle-skilled positions is the topic of this ebook, available at https://frbatlanta.org/community-development/publications/special/ebooks.aspx.

Home Mortgage Explorer

This interactive, data-based web tool developed by the Federal Reserve banks of Cleveland and Philadelphia enables users to view mortgage-lending trends for different geographies. Explore at www.philadelphifed.org/hme.

Access: A Community Development Podcast from the Federal Reserve

These podcasts showcase successful program models across the U.S. that provide access to opportunity for low- and moderate-income individuals and families. To learn more, visit http://accesspodcast.org. Current episodes (available on the Access website, iTunes and Stitcher) include:

- Access to Affordable Consumer Credit
- Access to Community Ownership
- Access to Next-Stage Growth for Small Businesses
- Access to Healthy Neighborhoods

Does College Level the Playing Field?

By William R. Emmons, Lowell R. Ricketts and Ray Boshara

In late 2015, William Emmons, lead economist at the Center for Household Financial Stability (the Center) at the Federal Reserve Bank of St. Louis, and Bryan Noeth, former Center analyst, published an article documenting a troubling result. While having a college degree predicted rising levels of family wealth between 1992 and 2013 for median (or typical; those in the middle of the distribution) college-educated white and Asian families, it predicted declining levels of wealth over that period for median college-educated black and Hispanic families. Moreover, the declines were larger in percentage terms for median college-educated black and Hispanic families than for median black and Hispanic non-college-educated families, respectively.[1]

To be sure, a college education generally leads to more income and wealth for families of all races and ethnicities, albeit to different degrees. But the *change* in wealth over those two decades was a different story. To explore these puzzling findings, we organized a research symposium in May 2016. The research papers, videos of the proceedings and a summary of the symposium are available on our website.[2]

This article summarizes the paper prepared by Emmons and Lowell Ricketts, the Center's lead analyst, which served as an exploration of the links between race and ethnicity, and education and wealth, as well as a framework for the symposium itself.

The key contribution of the Emmons–Ricketts paper was to challenge standard economic models that explain differences in wealth outcomes across race and ethnicity by pointing to differences in financial choices or behavior alone. These variables—such as the types and amounts of particular assets and liabilities a family has, or the number of adults or children in the household—are termed "observables" because we can see and measure them. But we know there also are "unobservable" factors—including an individual's experiences, environment and peer groups—that the researcher cannot see or measure. These unobservable factors may, in fact, be quite important. For example, differences in the quality of education received or peer-group norms relevant for financial decision-making, or subtle forms of discrimination could be decisive in many adult outcomes. The Emmons–Ricketts research design allowed for the possibility that some of these unobservable influences could be related to one's race or ethnicity.

This research shows that a large set of observable factors can indeed "explain" or account for much of the wealth gaps between whites and all major nonwhite groups in a statistical sense; this confirms what many other researchers have found. But they note that models of this type typically *assume* that all racial and ethnic groups 1) generate equal returns to education and 2) face the exact same choices and opportunity structures.

Emmons and Ricketts posit an alternative framework that assigns differences in education, family structure, financial decisions and other advantages or disadvantages (such as receiving an inheritance or experiencing poor health outcomes) not to individual choice alone but also to structural, systemic or other unobservable factors at least partially related to race or ethnicity. For example, the head of a young Hispanic family with little formal education likely makes financial decisions at least in part with reference to the choices made by other families in the community.

While differences in observable financial behaviors and choices—such as high concentrations of wealth in housing, high debt burdens or a low level of education—intuitively appear to drive diverging wealth outcomes, the underlying reasons for these choices are unobservable and often ignored. If one allows for the possibility that every family has a unique set of experiences and opportunities and that, even in 21st-century America, race and ethnicity shape many aspects of our lived experiences, it is not so obvious what the real underlying causes of different outcomes are.

While differences in observable financial behaviors and choices… intuitively appear to drive diverging wealth outcomes, the underlying reasons for these choices are unobservable and often ignored.

The results of this alternative framing of cause and effect are strikingly different than the standard interpretation that "blames the victim" for making bad choices that lead to

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Does College Level the Playing Field?

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low wealth. Emmons and Ricketts conclude:

> "[A] structural-determinants framework suggests the vast majority of black-white and Hispanic-white wealth gaps may lie beyond the scope of individual actions or marginal policy changes directed at educational attainment, family structure, financial decision-making or even wealth redistribution. Instead, the gaps appear to be deeply rooted in unobservable factors [that underlie observable financial choices] that may include discrimination or other long-lasting disadvantages."

While it is clear that the answer to the symposium's title question, "Does college level the playing field?," is "No," or at least that college alone doesn't level the field, the symposium did make progress in explaining why the wealth outcomes of college-educated Hispanics and blacks have diverged so much from whites and Asians since 1992. A plausible explanation is that structural, systemic or other unobservable factors related to race and ethnicity may create very different choices, opportunities and peer-group reference points for families of different races and ethnicities.

Reframing the inquiry into wealth gaps opens up the possibility of new questions and alternative explanations. Rather than sticking to the conventional "post-racial" behavioral view that assumes equal returns on education and access to equal financial opportunities regardless of race or ethnicity, symposium participants were challenged to relax both assumptions.

Research alone, of course, will not reshape the lives of individuals and families who face unequal opportunities and constrained choices. But it is likely necessary to provide a road map for this long and overdue journey.

William Emmons, Lowell Ricketts and Ray Boshara serve as the lead economist, lead analyst and director, respectively, at the St. Louis Fed's Center for Household Financial Stability.

ENDNOTES

1. See www.stlouisfed.org/publications/in-the-balance/issue12-2015/why-didnt-higher-education-protect-hispanic-and-black-wealth.
2. Conference videos are available at www.stlouisfed.org/events/2016/05/cd-hfsconference. The research papers are available at https://research.stlouisfed.org/publications/review/2017/02/15.

Entrepreneurship and Re-entry: Aspire Entrepreneurship Initiative

By Tamra Thetford

When Justine PETERSEN's (JP) credit building counselor first sat down with Louis Erby Jr. as the first step of the Aspire Entrepreneurship Initiative (AEI), she reviewed his credit report, discussed what contributed to his low credit score and strategized ways to raise that score to get him closer to his goal of opening a food truck business.

JP made a small consumer loan—a Life Loan—to Erby so he could pay off an old civil judgment and a predatory loan with an extremely high interest rate.

JP's credit building counselor also helped Erby negotiate and settle all of his other debt and open a secured credit card. Not only did the Life Loan and secured credit card create two active tradelines on his credit report, they also yielded a history of on-time payments, resulting in a higher credit score. The money Erby was paying each month on the predatory loan is now being saved toward his purchase of a food truck. Coupled with the business fundamentals and entrepreneurial mindset he explored during the 14-week entrepreneurship training, Erby is refining his business plan to offer healthy Asian food in the St. Louis city market.

At JP, we know the power and opportunity that small-business ownership and credit-building offer to low-income individuals. And for those like Erby who have been incarcerated and struggle to access good jobs, small-business ownership can be even more important in stabilizing finances and providing opportunities that help keep formerly incarcerated individuals from returning to prison.

Through the AEI, JP has the opportunity to leverage our credit-building and entrepreneurship work with citizens returning from incarceration in St. Louis through a three-year pilot program resulting from a public-private partnership between the U.S. Small Business Administration (SBA)

and the W.K. Kellogg Foundation. The program launched in St. Louis in the fall of 2016 and is rolling out in 2017 in Chicago, Detroit (spring) and Louisville (summer). AEI started from the simple premise that small businesses provide unique opportunities to help returning citizens stabilize their finances, improve their credit and reduce the risk of recidivism.

AEI focuses on getting participants business-ready quickly so they can launch and innovate as they go. Many entrepreneurship programs for returning citizens stop at entrepreneurship education or offer a business plan competition with an award for one or two participants. The AEI program is built on the premise that financial access is crucial to all entrepreneurs' success, especially returning citizens who often lack positive personal networks to draw from as they launch their business.

All participants begin by meeting with a financial coach to review their credit history and score and to identify proactive short-term steps they can take to build their credit. This dual focus on small-business development and the personal credit situation of the entrepreneur is designed to transform the business prospects of the participant, but it also strengthens their overall household situation by improving access to financial products and services, as well as the rates they pay to access those.

Returning citizens need strong positive networks to support them as they re-enter society and stay out of prison. JP knows that organizational networks are key to supporting these individuals. We work with partners in each location to build positive networks for the participants. Partner organizations help publicize and refer clients to the program and recommend business and re-entry resources for inclusion in the program.

The entrepreneurship training program further builds on this network concept. Participants are introduced to relatable entrepreneurs through the "Ice House Entrepreneurship" training curriculum. The video interviews with the "unlikely entrepreneurs" included in the Ice House training are supplemented with local entrepreneurs who come into class, share their stories and are then interviewed by the participants. Finally, two of the class sessions are devoted to "collisions"—speed-dating style resource fairs that bring together social service resources for returning citizens and business resources to further build out participants' positive support networks.

In addition to business fundamentals and positive networks, the Ice House Entrepreneurship training focuses on helping participants identify and develop an entrepreneurial mindset. This starts by debunking myths about what it takes to be an entrepreneur. Rather than needing a brilliant idea that has never been thought of before, loads of money or powerful connections, the Ice House course starts by introducing Uncle Cleve, an African-American in the Mississippi Delta during the 1940s who owned a literal ice house. Uncle Cleve was an entrepreneur before the term was coined. He didn't have a lot of money or a unique idea, but he recognized a problem and provided the best possible solution he could—an approach he shares with hundreds of other successful entrepreneurs who also have this mindset.

Participants don't just learn about an entrepreneurial mindset; they are challenged to develop one of their own. After the first few classes, participants begin testing their ability to recognize opportunities and solve problems using their business idea. They are asked to interview potential customers to refine their idea and get feedback on how well their proposed business solution addresses the problem they've identified.

Louis Erby Jr. (center) at the Aspire Entrepreneurship Initiative graduation with facilitators Franchot Cunningham (left) and Shawna Collier (right).

The final class provides an opportunity for each participant to present their business or business idea. After the training concludes, participants continue to check in with their credit-building and small-business counselor to ensure they are achieving their goals in both areas.

To learn more about the AEI program or to find out about the next entrepreneurship class forming in St. Louis and Louisville, please contact me at tthetford@justinepetersen.org.

Tamra Thetford is chief program officer at Justine PETERSEN in St. Louis, Mo.

CDAC SPOTLIGHT

Back to the Future:
Financial Capability in Social Work Practice

By Margaret S. Sherraden

Social workers serve in communities from the Mississippi Delta and the Ozarks to Memphis, Little Rock, St. Louis and beyond. With their community partners, social workers help residents meet basic human needs and enhance well-being. Increasingly, this means developing strategies for assisting families who are struggling economically and are uncertain about what the future holds. Families seek guidance in making household financial decisions and information about how to obtain workable financial accounts.

Financially unstable and insecure families cannot invest in themselves and their children. We all lose as a result.

They look for ways to build financial security. Financial development with families is essential to addressing the physical and mental health, nutrition, housing, schooling and other challenges facing families today.

The importance of financial security is felt not only in families, but in neighborhoods, towns and cities across the region. In dollar terms, financial insecurity in households causes disruptions, such as unpaid taxes and bills, which are costly to businesses and public budgets. The largest losses, however, are to the families—and to society as a whole—when people are unable to reach their full potential. Financially unstable and insecure families cannot invest in themselves and their children. We all lose as a result.

Growing attention to financial development harkens back to social work's past. One hundred years ago, in the profession's earliest years, financial development was a central focus. Social workers helped families manage their finances, were instrumental in developing savings banks, and were key players in conducting research and developing social policies for the most vulnerable families during the age of industrialization.

For the past five years, researchers at the Center for Social Development at Washington University in St. Louis have been renewing this historical focus, including creation of a curriculum that prepares social workers for financial practice. The curriculum will be published this year as a textbook, Financial Capability and Asset Building in Vulnerable Households: Theory, Research, and Practice. The first part of the book sets the stage by introducing key concepts, historical antecedents and challenges faced by low-income and minority families in obtaining financial services and managing finances. The second part provides knowledge and tools for working with financially vulnerable families to manage income, create a household budget, pay taxes, build a credit record, handle expenses, catch up on bills, cope with problem debt and identity theft, manage housing costs, buy a home, pay for higher education, plan for retirement and more. The third part recommends a lifespan perspective of financial capability and offers practice principles and skills, such as financial counseling and coaching, community building, policy, and advocacy for financial capability and asset building (FCAB).

Among the earliest adopters of the FCAB curriculum were faculty from 19 historically black colleges and universities (HBCUs). They attended workshops in St. Louis to learn and share approaches to teaching social work students. Faculty reported in evaluations that the hands-on approach to teaching, case examples and readily available resources for the classroom and field were most useful.

Instructors reported that students initially wondered, "Why financial issues in social work?" Once underway, however, the instructors observed that students see the connection and are eager to learn more. As they point out, many students come from disadvantaged communities themselves and quickly see the relevance. One faculty member says she tells her students, "Look at your own community. You have streets. You have sidewalks. You need lights? What's the big piece missing? It's money!"

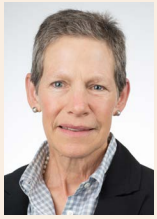
Meanwhile, other developments are bringing financial development into social work. The dividing line that once existed between social services and financial services has grown increasingly blurred, as social service agencies have increasingly integrated financial practice into their programs. Some are now assessing clients' financial capability at intake, along with their more traditional assessments. Growing numbers of agencies now offer savings, homeownership and enterprise opportunities. Some

financial institutions offer financial accounts and transactions on-site in social service agencies. Organizations such as Cities for Financial Empowerment, the Financial Clinic (and Change Machine) and LISC promote the integration of financial counseling and coaching in municipal and other human services.

The profession of social work has embraced the idea of financial development. In 2016, "Financial Capability and Asset Building for All" was declared a Grand Challenge for Social Work by the American Academy of Social Work & Social Welfare, an honorific society of distinguished scholars and practitioners dedicated to achieving excellence in the field. Members of the FCAB Grand Challenge initiative are creating research, policy and program proposals. These will be supported by a recently launched initiative and website by the Council on Social Work Education—"Clearinghouse for Economic Well-Being in Social Work Education."

The development challenges of communities across the region cannot be solved by social workers alone, but these professionals play an important role in reaching the most vulnerable in society. Jane Addams, one of the profession's founders—and the first woman to win the Nobel Peace Prize—said that social workers are "among the people." For this reason, they are in a unique position to reach families directly and to inform policies and programs that build financial capability and assets in all American households.

CDAC MEMBER SPOTLIGHT

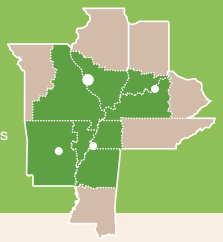


Margaret S. Sherraden is founder's professor at the school of social work, University of Missouri–St. Louis (UMSL), and research professor at Washington University in St. Louis. Sherraden taught for 25 years in the school of social work at UMSL, where she also chaired the master's program in social work. Currently she is faculty director of the Financial Capability and Asset Building (FCAB) Initiative at the Center for Social Development at Washington University in St. Louis. Her scholarship and teaching focus on social policy, household and community development, and international volunteer service. Her five books include a forthcoming volume, Financial Capability and Asset Building in Vulnerable Households: Theory, Research, and Practice, to be published this year by Oxford University Press. She is a leader of the "Financial Capability and Asset Building for All" initiative, one of the 12 Grand Challenges in Social Work, and is a member of the Community Development Advisory Council (CDAC) for the Federal Reserve Bank of St. Louis.

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/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.



Housing Market Conditions Report—2017:Q1

The St. Louis Fed's Housing Market Conditions report provides a snapshot of conditions in the U.S. and in the Eighth District states and MSAs. View the most recent report, as well as archives of previous reports, at www.stlouisfed.org/HMC.

HAVE YOU Heard?

New Resource Maps Financial Opportunity

New America's Mapping Financial Opportunity (MFO) project has launched a new web platform that details the location of every financial service provider nationwide—both mainstream and alternative—down to the census tract and street levels. MFO provides tools that can be used to identify patterns of inequitable access to financial services and allow communities to explore solutions to the challenges of financial access. It explores four key questions about the locations of financial services that are important for financial inclusion efforts in the U.S.:

1. Where are financial services located?
2. What is the ratio of alternative to mainstream financial services?
3. In select cities, where are financial services located in relation to their residents' race and poverty?
4. Are there financial inclusion efforts led by nonprofit and government organizations filling gaps in access to financial services?

Each question is answered with maps and visual tools. For more information, visit www.newamerica.org/in-depth/mapping-financial-opportunity.

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