COVID-19’s Threat to Financial Inclusion in the Deep South
May 28, 2020
Race, Ethnicity and Persistent Poverty are Inextricably Connected

SOURCE: US Census Bureau American Community Survey, US Treasury CDFI Fund Hope Policy Institute Analysis
Half of Deep South counties have no ICU beds, or no hospital at all

The Color of Coronavirus

Factors

• Healthcare Disparities
• Essential Work
• Housing
• Food Deserts

Economic Impact

• Liquid Asset Poverty
• Debt Collection
• Housing Stability
• Small Business
• Unemployment
COVID-19 unemployment claims far eclipsed Great Recession job losses in just one month

<table>
<thead>
<tr>
<th></th>
<th>Jobs lost due to Great Recession (December 2007-June 2009*)</th>
<th>Unemployment Claims (March 15 - April 11, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>152,800</td>
<td>289,694</td>
</tr>
<tr>
<td>Arkansas</td>
<td>59,400</td>
<td>133,752</td>
</tr>
<tr>
<td>Louisiana</td>
<td>70,100</td>
<td>350,504</td>
</tr>
<tr>
<td>Mississippi</td>
<td>77,400</td>
<td>129,546</td>
</tr>
<tr>
<td>Tennessee</td>
<td>217,400</td>
<td>317,535</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>577,100</strong></td>
<td><strong>1,221,031</strong></td>
</tr>
</tbody>
</table>

**Note:** The official date of the Great Recession is December 2007 to June 2009. However, the data listed for each state is the number of jobs lost from peak to trough, the dates of which varied by state between December 2007 and February 2010.
Recovery from Great Recession slow for Deep South states

Nonfarm Employment by State 2007-2016

## State Unemployment Benefits

<table>
<thead>
<tr>
<th>State</th>
<th>Maximum Weeks of Benefits</th>
<th>Minimum Weekly Benefit</th>
<th>Maximum Weekly Benefit</th>
<th>Average Weekly Benefit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>14-20 weeks</td>
<td>$45</td>
<td>$275</td>
<td>$228.09</td>
</tr>
<tr>
<td>Arkansas</td>
<td>20 weeks</td>
<td>$81</td>
<td>$451</td>
<td>$283.68</td>
</tr>
<tr>
<td>Louisiana</td>
<td>26 weeks</td>
<td>$10</td>
<td>$247</td>
<td>$216.68</td>
</tr>
<tr>
<td>Mississippi</td>
<td>26 weeks</td>
<td>$30</td>
<td>$235</td>
<td>$213.23</td>
</tr>
<tr>
<td>Tennessee</td>
<td>26 weeks</td>
<td>$30</td>
<td>$275</td>
<td>$245.76</td>
</tr>
</tbody>
</table>

Housing Stability

Federal Protections

• Mortgages
  • Protections for federally insured mortgages
  • Leaves out 1/3 of mortgage holders
  • Forbearance for 6 months, can extend another 6 months

• Renters
  • Current protections only for federally backed properties
  • Does not include rental assistance

State and local protections vary, and are ending

What happens next?
Percent of People with a Debt in Collection by State and Community, as of December 2019

More than $600 billion dollars in federal relief for small businesses

**Economic Injury Disaster Loan**
- Loan advance up to $10k ~ grant
- Max amount up to $2m
- Interest rates: 3.75% for small businesses
- 2.75% for non-profits
- 30 year terms

**Payment Protection Program**
- Encourages return of workforce
- Forivegable loan
- 75% used for payroll
- Covers eight week expenses
- Max amount up to $10m

*Hope Policy Institute*
Small businesses of color locked out of federal relief

The majority of Paycheck Protection Program funds for Round 1 and, to date, for Round 2 have gone to borrowers with loan requests over $1 million.

Why?
• Limited access to mainstream financial institutions
• Broad lender eligibility requirements
• Slow to incorporate sole-proprietors

Recent poll by Color of Change/UnidosUS shows only about 12% Black and Latino businesses received the full assistance they requested. Almost two-thirds report they have either received no assistance or are still waiting to hear whether they will receive any federal help.
States can provide relief to small businesses

Example: Mississippi’s $300 million for small business relief using CARES Act funds

- $60 million for $2k direct payments
- $240 million for grants

Key Characteristics:
- Grants no loans
- $40 million set aside for Minority and Women-Owned Businesses
- Prioritizes businesses that have not yet received help
- Businesses with fewer than 50 employees
- Sole proprietors are eligible for the program
- Protection from creditors
Impact

• Black-owned businesses create nearly 4 million jobs and generate $150 billion in revenue

• The number of Black business owners has fallen 40% as a result of the pandemic

Sources: Association for Enterprise Opportunity, Tapestry of Black Business Ownership in America: Untapped Opportunities for Success. February 2017; and Hannah Knowles, “Number of working Black business owners falls 40%, far more than other groups amid coronavirus,” Washington Post, May 25, 2020
A Call to Action

Equitable policy suggestions and fostering resilient communities is necessary for economic security on the individual, state, and national levels.
# Deep South states’ response to families’ financial need is lagging

<table>
<thead>
<tr>
<th></th>
<th>Expand Unemployment Benefits</th>
<th>Social Safety Net</th>
<th>Debt Relief</th>
<th>Paid Sick Leave for Private Sector Workers</th>
<th>Housing Stability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alabama</strong></td>
<td>-</td>
<td>Expanded SNAP benefits</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Arkansas</strong></td>
<td>-</td>
<td>Work requirements for SNAP suspended</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Louisiana</strong></td>
<td>-</td>
<td>Additional food assistance for some families in response to the COVID-19 pandemic but no Disaster SNAP</td>
<td>-</td>
<td>-</td>
<td>Suspended evictions and foreclosures</td>
</tr>
<tr>
<td><strong>Mississippi</strong></td>
<td>-</td>
<td>Increased SNAP benefits</td>
<td>-</td>
<td>-</td>
<td>Suspended evictions</td>
</tr>
<tr>
<td><strong>Tennessee</strong></td>
<td>Unemployment benefits given to those quarantined by a doctor</td>
<td>Expanded access to TANF benefits for low-income families with COVID-related job loss.</td>
<td>-</td>
<td>-</td>
<td>Supreme Court halted evictions until April 30</td>
</tr>
</tbody>
</table>

*Brighter Futures Begin with HOPE.*
Federal action is still needed

**Fully fund critical financial relief efforts:**
- $1 billion emergency appropriation for to the US Treasury CDFI Fund.
- Increased funding for financial counseling, legal services and other assistance that helps people navigate financial solutions.

**Provide debt relief:**
- Streamline forgiveness of federal PPP loans, particularly for small businesses.
- Broad universal debt forgiveness for all federal student loan borrowers with a guaranteed minimum of $20,000; and cease collections on federal student loans.
- Cease all referrals to debt collectors, garnishments, repossessions and other ways to seize consumers of the use of their income.
- Aid to state and local governments should suspend the collection of debts owed or assigned to them, including medical debt and court fines and fees.

**Housing stability:**
- Moratorium on evictions and foreclosures for renters and homeowners for at least 6 months or the duration of the crisis, if longer, along with adequate rental assistance.
- Increased funding for fair housing enforcement.

**Predatory lending:**
- Enact a rate cap of 36%, not pre-emptive of state laws with lower caps, for high-cost payday, car title, and installment loans.

**Increased cash support:**
- Additional direct cash support to people, including to people regardless of immigration status.
What are you hearing?

• Are you hearing from small businesses who tried to get relief but didn’t?

• Have you heard from people whose stimulus checks have been intercepted by debt collectors?

• Are you hearing from people having trouble mortgage loan servicer or student loan servicer?

• What else?
Thank You!

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