

Record of Meeting
Community Advisory Council and the Board of Governors
October 1, 2020

Overview

The Council would like to recognize the Federal Reserve leadership and staff for proactively engaging our members in critical discussions related to how the COVID-19 pandemic and resulting emergency monetary and fiscal policy initiatives have impacted local communities and vulnerable populations in unprecedented and disproportionate ways. The Council wishes to reiterate that longstanding and well-documented conditions affecting the nation's most vulnerable populations have placed them at higher risk in the current crisis, and the pandemic has brought into sharp focus the immediate and long-term extent of these risks.

In recent years, there has been a movement toward recognizing the social determinants of health (SDOH), and we highlight SDOH as a way to better understand how the pandemic is disproportionately affecting vulnerable communities. The Centers for Disease Control and Prevention (CDC) recognizes these determinants as economic stability, education, social and community context, health and health care, and neighborhood and built environment. The pandemic hit communities with poor SDOH the hardest—those with poor health outcomes, unstable housing, lower income, unsafe neighborhoods, and fewer educational opportunities. Many of these vulnerable groups—most notably communities of color; single mothers; Native Americans; people with disabilities; and low-income, two-wage working families—were already facing significant challenges for years before the pandemic.

In addition, individuals with mental illness, addictions, and cognitive disabilities have been isolated because they fall into high-risk categories, but their health care interventions require medical, social, and familial involvement that is hindered by quarantine, burdensome health care regulations, and lack of health insurance. Those in the labor force who have worked in traditional, essential jobs such as food service have found that their industries have changed fundamentally, with the security of future employment and benefits disappearing overnight.

The Council recognizes how federal, state, and local responses have provided short-term monetary and fiscal safety nets to help these populations. Stimulus payments, the Paycheck Protection Program (PPP), and state and local flexibility to deploy Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding have proven to provide short-term relief. What is also evident is that overwhelming social challenges that are outside of the scope of monetary and fiscal solutions continue to emerge and require better response coordination among federal, state, local, and philanthropic funding sources. As the current crisis continues to unfold, it is apparent that an equitable recovery will depend on proactive and coordinated measures from many public, nonprofit, and private entities, some of which are themselves at risk because they are carrying unexpected burdens to provide more care to more vulnerable communities in the face of unpredictable funding from donors, local governments, and federal agencies.

On top of the tragedy and hardship brought on by the pandemic, the Council would also like to highlight the issues of racial justice and equity that have recently come to the forefront following the deaths of George Floyd, Breonna Taylor, and other victims from interaction with law enforcement. Many of our communities are still grappling with these tragedies, and with the resulting demonstrations and protests, as well as instances of property damage that have occurred in some of our communities.

- 1. Current Market Conditions:** *What is the Council's view of the current condition of, and the outlook for, loan markets and financial markets generally? Has the Council observed any notable developments since its last meeting for loans in such categories as (a) small business, (b) home mortgage, (c) multifamily and affordable housing, and (d) consumers? Do Council members see economic developments in their regions that may not be apparent from the reported data or that may be early indications of trends that may not yet have become apparent in aggregated data?*

Many of the markets Council members serve have seen record rates of mortgage refinancings, home sales, and home improvement lending and related construction. Lending for commercial development, on the other hand, is currently frozen in most markets due to sharply reduced demand for office and commercial space for the foreseeable future. Larger financial institutions are bracing for defaults in sectors including retail and hospitality, while other sectors providing essential goods and services are stronger. As part of a broader effort to support underserved communities, some large companies have placed large deposits with mission-oriented financial institutions, including minority depository institutions and Community Development Financial Institutions (CDFIs), allowing them to deploy credit more readily to those in need.¹

Extended federal assistance helped to provide a strong financial lifeline to the unemployed over the summer, but the expanded unemployment insurance provisions expired in August, with no clear prospects for renewal. Further, an uncoordinated jumble of local, state, and federal moratoria and financial support programs has left some of the least resourced households scrambling for assistance, and the Council is concerned that we are heading toward an unprecedented housing crisis.

According to the National Multifamily Housing Council rent tracker, some households are continuing to pay rent, a trend that reflects the impact of federal fiscal stimulus and other housing assistance programs, but deep concerns remain if there is not an expansion of stimulus or clearly defined eviction moratorium.² Small landlords and smaller rental properties are not part of the survey, but represent the bulk of rental buildings in many markets, and it does not yet reflect the exhaustion of reserves spent during the early months of the pandemic and expiring benefits programs.

Eviction Interventions

Many renter households across the nation are at risk of eviction. The Council urges that the Fed help facilitate steps to prioritize protecting the most vulnerable by working with other agencies to coordinate support programs and policies, including support for renters.

The CDC issued an unprecedented nationwide eviction moratorium, but this action was not coordinated with other federal agencies, local jurisdictions, or the lending community. This stopgap measure does not provide guidance or assistance for lenders, renters, or landlords; does not articulate any special protections for more vulnerable groups, such as seniors; and does not provide any funding for landlords for the costs of missed rental payments, repairs, and maintenance. The lack of certain provisions is of even more concern in certain states, such as Louisiana, where state statute provides that tenants must “stand their ground” against landlords evicting improperly or against landlord-tenant ordinances.

¹ See <https://finance.yahoo.com/news/biogen-moves-10-million-black-132400028.html>.

² See <https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>.

In Michigan, one initiative addressing families vulnerable to eviction during the pandemic is the Eviction Diversion Program (EDP) administered by the Michigan State Housing Development Authority (MSHDA).³ This program was instituted after the expiration of the state eviction moratorium to help renters who have fallen behind on payments due to COVID-19. The program allocates \$50 million to help tenants and landlords resolve eviction filings with conditional dismissals and is available to families earning up to 100 percent of area median income. Landlords dismissing fees and dropping eviction proceedings can receive up to 90 percent of a tenant's unpaid rent in one lump sum. The enabling legislation for EDP utilizes federal dollars from the CARES Act.

Concerns continue in Iowa with regard to housing evictions and foreclosures. Evictions and foreclosures are taking place and appear to be hurting the most vulnerable—the elderly, immigrants, and the very poor. Although housing assistance is available from the State of Iowa, it did not start until April, and those receiving the \$600 unemployment benefits were not eligible to receive rent or mortgage assistance until August. Many people who need assistance are not aware of the assistance available and are being forced out by their landlords. A study by the National Low Income Housing coalition found that Iowans earning minimum wage cannot afford a one-bedroom home anywhere in the state unless they work at least 67 hours per week.⁴ The so-called housing wage for the state is more than double the state's minimum wage, and that is based on the fair market rent established by the U.S. Department of Housing and Urban Development (HUD), not housing that is actually available.

In July, Governor Baker of Massachusetts established a \$20 million fund to expand its existing rental assistance program to households between 50 percent and 80 percent area median income. The Metropolitan Area Planning Council reported in August 2020 that 108,700 Massachusetts households receiving unemployment benefits will have difficulty paying their mortgage or rent. Of these, 55 percent are renters and 45 percent are homeowners. Additionally, the organization reports that \$117 million per month in housing assistance will be needed to assist these households.⁵

- 2. Food Security:** *What are Council members seeing with regard to support for access to food for vulnerable individuals? How do school closures and virtual learning affect access to food security for children?*

Data Points to Greater Food Insecurity

According to Feeding America, one in six Americans could face hunger this year.⁶ Data from the Census Household Pulse Survey shows that many families with children are struggling with food security.⁷ In 38 states and the District of Columbia, more than 1 in 10 adults with children said they did not have enough to eat.

³ See [https://www.michigan.gov/mshda/0,4641,7-141-5555-533463--00.html#:~:text=Eviction%20Diversion%20Program%20\(EDP\)%20Eviction%20Diversion%20Program%20\(EDP\),rental%20assistance%20for%20renters%20who%20have%20been%20impacted.](https://www.michigan.gov/mshda/0,4641,7-141-5555-533463--00.html#:~:text=Eviction%20Diversion%20Program%20(EDP)%20Eviction%20Diversion%20Program%20(EDP),rental%20assistance%20for%20renters%20who%20have%20been%20impacted.)

⁴ National Low Income Housing Coalition, *Out of Reach 2020* (Washington: National Low Income Housing Coalition, 2020), <https://reports.nlihc.org/oor/about>.

⁵ Elise Harmon, "How Much COVID-Related Housing Assistance Will MA Municipalities Need?" *MAPC* (blog), August 25, 2020, <https://www.mapc.org/planning101/covid-housing-gap-update-august/>.

⁶ See <https://www.feedingamerica.org/hunger-blog/first-months-food-bank-response-covid-numbers>.

⁷ See <https://frac.org/news/frac-covid-report>. The analysis looks at a narrower and more severe measure than the concept of general food insecurity that is tracked by the U.S. Department of Agriculture (USDA), and focuses on the period from April through July 2020.

The lack of food security is affecting women and minorities the most. More than one in five Black and Latinx adults with children reported they sometimes or often did not have enough to eat in July 2020. This is double that of White and Asian households. And women have been more likely to experience job loss during the COVID-19 recession compared to their male counterparts, making them—and their children—more susceptible to hunger. Older adults without enough to eat are also more likely to be women.

Households with less education and with lower incomes are also especially affected. Among those with a high school diploma or less, 16 percent did not have enough to eat compared to 3 percent among those with a college degree. Twenty-eight percent of respondents with incomes below \$25,000 per year reported not having enough to eat, up from 11 percent in 2018. Twenty-one percent of those who lost their jobs during the pandemic reported not having enough to eat. Workers also experienced a lack of access to food: 13 percent of employed individuals on the financial brink due to household income losses or expected losses reported not having enough to eat.

Impacts of School Closings

Across the markets of many Council members, the impacts of school closings have been heavy on workers, who face childcare shortages and a patchwork of school district approaches to reopening. In many states, each district was instructed to come up with its own plan, and there is little uniformity, creating a difficult situation for parents whose jobs cannot be done remotely.

Milwaukee Public Schools have instituted a staggered start and hybrid model with a mix of in-person and remote learning. Complicating the process is the need to meet federal funding formulae. Many children depend on schools for meals and, partly because of reduced in-person school attendance, local food banks report shortages and vastly increased need.

In El Paso, the local food bank reported that it distributed more food in the second quarter of 2020 than in 2019 during the entire year. As in other areas, many parents are frustrated with school systems and are struggling to balance childcare and work. Lastly, while no known research indicates a linkage between domestic violence and school closings, many support organizations are reporting a marked increase.

When the last school year was still in session in Iowa (to mid-June), students who qualified for food assistance were for the most part able to access food. Drive-up (or walk-up) access was provided, and in rural areas, buses dropped off food to children. Once school was no longer in session, complications arose, and it appears to be much more difficult to put effective food programs in place this fall. In early July, the state announced that nearly 250,000 Iowa children eligible for free or reduced-price meals at school would receive \$308 each in food benefits via the state's Supplemental Nutrition Assistance Program (SNAP), but benefits were not sent until the first week of August.⁸ For this school year, Iowa's governor has stipulated that students must be in class 50 percent of the time to receive free or reduced meals, unless the district receives a waiver. The hybrid schedule for in-class instruction makes verification difficult.

⁸ See <https://www.desmoinesregister.com/story/news/health/2020/07/07/iowa-send-money-children-buy-groceries-school-lunch-program-during-coronavirus-pandemic/5389872002/>.

The Des Moines Public School District announced on September 3 that any child regardless of family income or enrollment can get two free meals each school day at the Des Moines public school nearest to them. The U.S. Department of Agriculture granted school districts the flexibility to extend free meal programs to all children. USDA funding will last through December 2020. Students and young children do not need to be physically in school or even present when parents and guardians pick up meals.⁹

School reopening has also complicated matters and continues to present impossible choices for parents of school-aged children. Some parents find it impossible to return to work when their children need attention and assistance during remote learning. In other households where in-school options are available, fear of COVID-19 presents difficult choices as well, with some families choosing to keep kids at home and not return to work. Some nonprofit organizations are exploring “learning pods” to provide supervised remote learning spaces for students to allow parents to return to work. However, this solution is fraught with logistical challenges and pandemic risk.

The reopening of colleges and universities are also contributing to the COVID-19 case spread in Massachusetts. Recently, Merrimack College in North Andover announced an outbreak among its population, with a total of 65 cases being reported over the last two weeks.¹⁰ Merrimack College has now moved to a remote learning environment.

Market and Policy Responses

The Reinvestment Fund (TRF) in Philadelphia recently approved a loan for a food systems tenant in a New Markets Tax Credit (NMTC) commercial development, and there is much interest and movement in the region around this type of venture.

In Kentucky, the USDA’s Summer Food Service Program (SFSP) proved effective at enabling rural areas to provide a week’s worth of food per household at a time. This federal program has been expanded and extended until the end of 2020 and continues to be a lifeline for rural families with children home from school. On the state level, with leadership provided by the Foundation for Appalachian Kentucky, the Central Appalachian Family Farm Fund raised over \$500,000 to support small family farms in five Central Appalachian states and is providing grants of \$750 to individual farms to keep critical local food infrastructure in place during the pandemic. In addition, Kentucky launched the Kentucky Black Family Farm Fund to support Black-owned family farms across the state during the pandemic.

Even though food did get distributed under the USDA program Farmers to Families, there were many logistical problems. The time, money, and effort to package and deliver food was expensive and inefficient. Experts also say that providing families more money through programs like SNAP is better for the local economy because families spend their benefits at local grocery stores and spend the money they would otherwise use on food for other necessities.¹¹

In Lawrence, Massachusetts, the city government and nonprofits involved in food distribution are still seeing high demand outpacing food supplies. The City of Lawrence processes 1,700 food packages per week. At a monthly food distribution event sponsored by the local health clinic, at least 1,000 households attended, with two separate, long lines. Another group conducting a one-time food

⁹ See <https://www.usda.gov/media/press-releases/2020/08/31/usda-extends-free-meals-kids-through-december-31-2020>.

¹⁰ See https://www.eagletribune.com/news/merrimack_valley/47-more-merrimack-college-students-test-positive-for-covid-19/article_18da9948-ff58-11ea-8012-df0710b7fbec.html.

¹¹ See <https://www.cbpp.org/research/food-assistance/the-case-for-boosting-snap-benefits-in-next-major-economic-response-package>.

distribution event is preparing for a similar turnout. Much of the food distributed is canned and non-perishable, but a growing trend is that tenants who are subletting are not being permitted to use the kitchens in the apartments they rent as retaliation for not paying rent, threatening their ability to make use of the food they receive.

3. *Small Business and Federal Reserve Lending Facilities:* *To what extent are Council members seeing the effects of COVID-19 on small businesses in their communities? Are permanent closures threatening the entrepreneurial ecosystems of their communities? What tools or policies can help mitigate these effects? What feedback can the Council members share regarding their experience with the Federal Reserve small business and other lending facilities that were created in response to the pandemic?*

Broad Context

Just as the vulnerability of lower-income households and communities going into the crisis has resulted in them suffering more severely due to COVID, so small and micro businesses have been harder hit than large corporations. There was already a decades-long trend of large businesses accounting for a higher and higher share of the gross domestic product (GDP) and COVID will likely exacerbate and accelerate that trend. Extra effort needs to be exerted to ensure that small businesses and small business owners are protected over the coming critical months.

The National Federation of Independent Businesses (NFIB) surveyed its 300,000 members about conditions during the pandemic.¹² Seventy-eight percent were able to access the PPP. The majority that did not access the program were independent contractors who were unaware it was available to them. Some reported they did not feel the program was well advertised. Thirty-five percent of NFIB members applied for loans under the Economic Injury Disaster Loan (EIDL) program: 74 percent were approved and 9 percent denied, with the remainder still in the approval process. A U.S. Chamber of Commerce representative noted that PPP and EIDL have provided “critical fiscal lifelines for small businesses,” but many small minority-owned businesses were not able to access traditional capital. It was not until April that mission-based lenders were able to fill in some of the gaps.

The Council notes that 81 percent the nation’s 30 million small businesses are microbusinesses with eight or fewer employees. These businesses typically have less technical knowledge and limited banking relationships, which prevented many from accessing loans under the PPP or the EIDL programs. For those who received PPP loans, the loan forgiveness aspect is critical to their long-term viability. The EIDL was an important loan product for businesses because of the favorable repayment plan over 30 years, but businesses are concerned about getting customers back, about building confidence that customers and employees are safe, and ensuring that personal protective equipment (PPE) and cleaning supplies will be readily available. Small businesses have seen declines in sales, pricing power, and profits; are burning reserves to stay afloat; and are dealing with disrupted supply chains. Many businesses are postponing capital outlays, which has ripple effects with vendors, or they are avoiding taking on additional loans due to uncertainty about repayment ability. Another round of PPP is critical to helping save these smaller businesses, which would otherwise continue to operate in a normal environment.

¹² See <https://assets.nfib.com/nfibcom/Covid-19-11-Questionnaire-and-Write-up-FINAL.pdf>.

Women and minorities in microbusinesses have been disproportionately affected, according to research that measures the change in the number of business owners from February to April of 2020. Women-owned businesses were especially hard hit, with the number dropping from 5.4 million to 4 million; Black-owned businesses went from 1.1 million to 640,000; Latinx-owned businesses dropped from 2.1 million to 1.4 million; and immigrant-owned businesses dropped from 3.1 million to 2 million.¹³

The National Community Reinvestment Coalition (NCRC) published a report on PPP lending that “found that Black and White matched-pair testers experienced different levels of encouragement to apply for loans, different products offered, and different information provided by bank representatives. The [matched pair] tests were conducted over the telephone between April 27 and May 29 with 17 banks in the Washington, DC, metro area.”¹⁴ Further, the report found that data collected on borrowers is “inexcusably incomplete,” and suggests that as borrowers apply for forgiveness of these loans, demographic data be collected to ensure fairness in that process.

Some businesses have expressed uncertainty about the tax treatment and forgiveness aspects around PPP loans. Most of the Minnesota trade groups express concern that, absent more relief as the pandemic fall out continues in 2021, many small businesses will fail, with minority- and women-owned businesses being affected the most.

Role of Community Development Financial Institutions

There has been an increasing trend toward including CDFIs in government programs, among a broader range of financial institutions. Before the PPP, CDFIs had been tasked with disseminating funds nationwide to support fresh food access, increasing disability housing options, and financing new health clinics and charter schools. Recently, with the PPP, CDFIs are being recognized as a vital link to small enterprises impacted by COVID, a sector not well reached by larger financial institutions today. As awareness grows of the diminished relationships between mainstream financial institutions and small for-profit and nonprofit businesses, the importance of a vibrant community development finance industry has become apparent. The Council recommends that the Federal Reserve strengthen connections to CDFIs in ways that create a permanent and functional connection, as has been done by the U.S. Treasury, the Federal Home Loan Banks, and other government-sponsored enterprises. It can be chaotic and inefficient to form connections at moments of emergency.

The Reinvestment Fund (TRF) anticipated demand from small businesses for capital to relaunch and reopen in Philadelphia, yet it has seen a drop in demand for small business loans. It attributes the trend to small businesses that were closed temporarily now being closed permanently and impacting business corridors as a result. While TRF had contemplated initiating a small business restart fund, it concluded that currently there is too much volatility in the economy to get such a fund started.

Loan applications coming into the Wisconsin Women’s Business Initiative have roughly doubled during the pandemic, according to its CEO. The statewide economic development organization is seeing the varying effects of the pandemic on the businesses in its loan portfolio. About half of businesses needed a little support or had to slightly pivot their business model, a quarter are just fine, and the remainder are struggling to survive.

¹³ Robert W. Fairlie, “The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions,” NBER Working Paper No. 27462, revised August 2020, <https://www.nber.org/papers/w27462>.

¹⁴ See <https://ncrc.org/despite-gaping-holes-in-government-data-tests-show-ppp-borrowers-faced-discrimination/>.

Wefunder, a crowdfunding enterprise specializing in start-up businesses based in San Francisco, reports that early stage businesses are having trouble raising capital, but the situation has improved since the spring.

Pandemic Effects on Industries, Businesses

Construction businesses across the nation are facing a continued worsening outlook and economic challenges. According to the Annual Construction Workforce Survey compiled by the Associated General Contractors of America, over 60 percent of respondents noted project postponement or cancellations.¹⁵ Project costs are up over 30 percent. Particularly unsettling is the job loss predictions in this survey. Respondents foresee furloughing or terminating up to 23 percent of employees nationally, while in Minnesota that number is as high as 47 percent.

Supply chain issues are now affecting construction and manufacturing. Wood for construction is seeing orders take three times longer than pre-pandemic. PVC piping delivery is delayed and prices are up 50 percent due to the resin shortages owing to Gulf hurricanes recently. All electrical materials are facing long delays, but switch gears are of a particular issue. Items not manufactured in the U.S. are even more of an issue.

Businesses on the Pine Ridge Reservation in South Dakota are experiencing an approximate (average) 10 percent revenue decrease over 2019 year to date, which is not causing great concern. Lakota Funds, a CDFI, reports only one delinquent loan. Ranchers on the reservation have seen a positive turnaround in the cattle market, with prices rising, though closing of processing plants and months' long waits for processing at the ones that are open remain concerns. This situation is affecting food security to a degree. One local processor is able to process more rapidly cattle that are for local consumption, and not for subsequent sale. Tribal governments report the Main Street Lending Program was inaccessible to them, as under the program they are underwritten as a business rather than governmental entity.

Across many markets, as a degree of confusion has arisen around provisions of lending facilities, and some facilities have been inaccessible to a subset of businesses, a growing consensus is that grant programs may be more productive for some businesses to prevent avoidable business failures. The Greater Des Moines Partnership awarded 140 grants for small businesses totaling about \$900,000 in mid-July, with funds from a variety of government and philanthropic sources.¹⁶ The Community Foundation of Johnson County Iowa has created the Project Together Business Grant program to provide short-term funding, in the form of small, one-time grants to Black, indigenous, and people of color (BIPOC) and immigrant-owned businesses in Johnson County that were negatively impacted by COVID-19.

The financial services sector in Iowa reports that the number of loan applications has increased just over 30 percent since last year. The majority of loans are mortgage refinancings, followed by commercial loans. Businesses have been able to secure financial assistance throughout the pandemic. Of those who have applied for a PPP loan, 92.5 percent were successful, while those applying for loans in general reported a 56 percent success rate. The success rate for State of Iowa programs was 42 percent and for the SBA Economic Injury Disaster Loan, 39 percent.¹⁷

¹⁵ See https://www.agc.org/sites/default/files/Files/Communications/2020_Workforce_Survey_National.pdf.

¹⁶ See <https://www.desmoinesregister.com/story/money/business/2020/07/16/greater-des-moines-partnership-awards-small-business-grants/5444450002/>.

¹⁷ See https://www.iowaeconomicdevelopment.com/UserDocs/programs/IEDA_Exec_Summary_Survey_2-FINAL.pdf.

Milwaukee was supposed to have enjoyed a blockbuster year for tourism, thanks to the Democratic National Convention, the Milwaukee Bucks' post-season games, and the usual summer festivals and events it hosts. In anticipation of these events, millions of dollars were spent on building hotels and upgrading a wide array of tourist-focused facilities. Instead, most hotels closed for several months, and occupancy at hotels averaged less than 40 percent in Milwaukee for the first six months of the year. The public agency that operates three of downtown Milwaukee's Wisconsin Center convention facilities reported that 113 events have been canceled for 2020, and another 30 events are expected to be cancelled by year's end. While some people are beginning to travel again, business travel and big events have not yet returned, and some have already postponed or canceled their planned 2021 events.

Across Wisconsin, restaurants are doing better in parts of the state that are more open, but are less densely populated than Milwaukee and Madison, according to the Wisconsin Restaurant Association (WRA). The biggest challenge for Wisconsin restaurants, especially once winter arrives and outside dining is no longer an option, is customers' fear of dining inside. The WRA currently projects that 70 percent of the state's restaurants will survive, but notes how long the pandemic persists will affect that ratio.

Massachusetts has been steadily opening up its economy while carefully balancing COVID-19 response measures to keep the spread of cases under control. Masks and social distance measures are still required in public places and businesses. Massachusetts is using a color-coded map to communicate community-level risk of spread; 14 communities across central and eastern Massachusetts are currently classified as "Red" (meaning higher risk with daily case increases greater than 8 cases per 100,000). The state has extended its free testing program through the end of October, the fourth extension of the program. Concerns among the community continue to grow as the winter months approach, with many wondering if shut downs will be implemented again.

Many of the Western states rely on arts and cultural heritage events to boost economies in small rural counties. Rodeos, wine festivals, musical venues, cultural events, and local and state fairs bring in much needed business to rural areas. Almost all events have been cancelled through the end of the year. These events account for about 20 percent of revenue for Western communities. Cedar City, Utah, located in a rural community in south-central Utah, is the home to Southern Utah University and the Utah Shakespeare Festival. Cedar City is also exemplary of other economic strains that have not been on the radar during the immediate responses to the COVID crisis—arts and heritage, tourism, and recreation. The Utah Shakespearean Festival has existed for 50 years and is internationally acclaimed. This is the first year it has cancelled its six-month season. The festival contributes a total of \$35 million to Utah's economy annually, with non-resident spending totaling over \$10 million.

4. *Health-Care Workers and Labor Markets:* *How has the COVID-19 pandemic affected the stress on the health-care system and health-care workers? What has the Council observed in regard to the perspectives of health-care workers? Has the Council observed any health-care system/provider closures in regards to procedures and services being deferred to meet demand for the pandemic?*

In Denver, unions report that burnout among hospital workers is high, and conditions are prompting some to retire early or otherwise leave the workforce. There is also reduced interest in health-care-related fields among college students, and educational institutions are working to maintain interest in the field. Teachers are also retiring at a higher rate, as they are apprehensive about interacting with students in person, even on a limited basis.

Community health centers, which have had an essential role in the community's response to the pandemic, provide care to about one in seven people in the city of Milwaukee. So far, these centers have survived the crisis, in large part because of PPP and other federal assistance programs. Together, those grants provided essential lifelines, keeping staff working, and covering much of the cost of protective equipment and testing supplies as well as the costs of moving to seeing patients remotely through telehealth. Community health centers, unlike other health systems, do not have large reserves they can draw from in an emergency. The fact that federal funds enabled Milwaukee's community health centers to avoid job cuts is also important because all of them are significant employers in the low-income neighborhoods in which they are located. The Milwaukee community health centers are reporting that they expect to come close to breaking even this year.

Within the first few weeks of COVID-19 in Utah, federal and state agencies quickly worked to loosen privacy and reimbursement restrictions on telemedicine. Rural health care is still a concern. Telemedicine could be more helpful, but many rural areas do not have the necessary broadband access. Mental health consistently comes up as a major health concern that is on the increase during COVID-19. There are documented increases in substance abuse, spousal and child abuse, and depression and anxiety. During March, April, and May, half of telemedicine calls in Utah were related to mental health issues.

COVID-19 has taken a huge economic toll on America's hospitals. As part of the CARES Act, Congress expanded the existing Medicare Accelerated and Advanced Payment Program (MAAPP), but the terms of the program are not flexible enough for rural hospitals, which are struggling. According to the American Hospital Association, hospitals have lost an estimated \$200 billion due to the pandemic. Over the past two years, more than 30 rural hospitals have closed and over 1,400 are estimated to be on the brink of closure. There is a huge need to fix the MAAPP loan repayment terms—by extending the loan repayment start date from 120 days to 12 months and extending the repayment period to three years. In addition, the interest rate should either be waived or reduced to a more realistic rate of 1 percent. These steps would prevent at least some closures and protect the jobs of health care workers.¹⁸

The pandemic led to many people deferring non-emergency medical and preventative procedures and services, including dentist visits. Private dentists in El Paso continue to report supply chain failure for protective equipment. Children's (overall) wellness visits—which require in-person contact—have been reduced by half.

Broader Labor Market

Utah has a 5 percent unemployment rate and is considered to have the strongest state economy in the country. Unemployment ranges from 3 percent to 10 percent in sparsely populated rural counties. The unemployment rate is 5.7 percent in Salt Lake County, which has a population of 1.6 million (half of Utah's 3.2 million population) and 48 percent of the state's jobs. The health of the state's economy depends on the fiscal health of Salt Lake County. Several factors have led to more positive outcomes in Utah than in other states: for instance, the state has a relatively young and healthy population, and state and local governments have quickly responded to address needs and distribute funding to businesses and at-risk populations. In addition, Utah received the minimum CARES Act funding of \$1.25 billion, for its relatively small population of 3.2 million people. Tax receipts are declining but more slowly than originally expected, which is also offset by a \$1 billion "rainy day" state fund.

¹⁸ See <https://www.desmoinesregister.com/story/opinion/columnists/iowa-view/2020/08/12/rural-hospitals-need-covid-19-legislation-congress/3335716001/>.

Other Western states such as Montana and Wyoming also have had more CARES Act funding per capita, which has given them more flexibility in directing CARES funding to where the need is the greatest. However, California, Oregon, and Washington—which have some of the largest economies in the country—have been devastated by wildfire, which will disproportionately impact the labor market and overall economies as well as disrupt supply chains that rely on Western ports and transportation of goods both domestically and internationally.

As of mid-September, nearly 11 percent of unemployment claims filed by Wisconsin residents were still waiting to be processed. The Wisconsin Department of Workforce Development provided data showing that more than 693,000 claims were waiting on adjudication. Some people have been waiting since early March for their payments.

Help wanted signs in Iowa are ubiquitous, and many employers report difficulty finding workers. A similar situation is taking place in Minnesota. Iowa has recovered half of the 185,800 jobs lost during the pandemic. Iowa's unemployment rate in July was 6.6 percent (seventh lowest in the country), compared to the national rate of 10.2 percent, but unemployment increased in August. Industries that added the most jobs in Iowa from June to July were local government, accommodation and food services, and health services. Despite relatively good employment news in Iowa, women have been leaving the workforce in larger numbers than men due to lack of childcare. At least 100 childcare centers have closed, and those open are operating at 50 percent capacity. Schools are not reopening or are doing so at 50 percent capacity. As a result, the unemployment rate for women is roughly 1 percentage point higher than for men (typically the reverse is true).

5. *Additional Matters:* *Have any other matters affecting consumers and communities emerged from the work of the Council members that they want to present at this time?*

Community Reinvestment Act (CRA) Modernization

The Council applauds the Federal Reserve Board for moving forward with an Advanced Notice of Proposed Rulemaking on the Community Reinvestment Act. The Federal Reserve's approach to CRA modernization is generally seen as a marked improvement from the Office of the Comptroller of the Currency's approach, and civil rights advocates have responded warmly to the proposal.¹⁹ The Council was particularly pleased with the proposal's focus on addressing lack of investment in minority communities and other underserved census tracts, a central impulse to create the law and a major part of the legislative history. We remain concerned about grade inflation, and the fact that 98 percent of banks receive a passing grade under CRA despite significant levels of disinvestment in many of our communities. We encourage the Board to address this issue more directly in a subsequent Notice of Proposed Rulemaking. We also urge the Board to weigh comments from groups and individuals representing the communities it was intended to impact, rather than industry groups.

Affirmatively Furthering Fair Housing and Disparate Impact

Affirmatively Furthering Fair Housing (AFFH) guidance was withdrawn by HUD this summer, even though the banking community has generally expressed support for its goals. Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo wrote directly to HUD and federal regulators in mid-July to support the rule, which was rescinded. We encourage the Federal Reserve Board to endorse the goals of AFFH.²⁰

¹⁹ See <https://ncrc.org/civil-rights-and-consumer-advocacy-groups-support-federal-reserve-steps-to-update-cra-rules/>.

²⁰ See <https://www.nytimes.com/2020/07/16/business/banks-housing-racial-discrimination.html>.

Additionally, HUD has recently finalized its Disparate Impact rule, which dramatically increases the burden of proof for advocates to bring fair housing and fair lending cases with the agency, overturning decades of judicial precedent. Advocates have condemned both developments.²¹

Disaster Relief

Iowa rural farming communities are hurting due to four factors: (1) a derecho storm, which damaged 14 million acres of crops and essential facilities; (2) a severe drought over the summer; (3) reduced demand for ethanol; and (4) the growing number of cases of COVID-19, which were peaking in Iowa at the beginning of September, especially in rural counties.²² As part of the CARES Act, \$100 million in federal aid has been made available to farmers to help offset the impact of COVID-19 and the summer storm. Individual assistance will provide disaster-affected homeowners, renters, and businesses with programs and services to maximize recovery, including assistance with housing, personal property replacement, and medical expenses.

Immigration

The immigration issue remains a human and moral issue as children are removed from their parents at the border and then returned to Central America. Families are turned away without being allowed to seek asylum hearings. Seriously ill people are denied access to humanitarian care.

Broadband access

The Council perceives a need to better understand the unique needs of low-income urban and rural areas—where they overlap and where their needs diverge. Access to broadband is one of the biggest problems for rural areas, which make up 20 percent of the U.S. population. High-speed broadband is necessary for precision agriculture (technology that improves efficiency); education; telemedicine services; and job access and creation. According to the National Farm Bureau, one of the industry's most pressing needs is high-speed broadband. About \$1 billion is being invested in broadband infrastructure, but this does not meet growing demand for technologies such as precision agriculture (e.g., microchips in cattle) that can improve efficiencies in raising and distributing produce and livestock. Commercial lenders are beginning to reduce their exposure to agriculture, so access to capital could become an issue. In addition, lenders are moving away from communities that have high opioid use and lack of resources such as health care and mental health care. Further, they report 60 percent of family farms rely on a second wage earner in the household for income and benefits. With the high rate of unemployment and lack of resources in rural areas, lost jobs could take a toll on family farms.

The digital divide is more pronounced than ever; the pandemic has exposed and worsened the severity of the problem. As COVID-19 forces more public and private services and programs to move to virtual settings, the access gap for low-income families is widened. Among workforce, education, business, food, and health-care working groups, the digital divide has risen as a top issue of concern. The cost of technology and broadband, as well as the lack of internet utilization knowledge and skills, presents a difficult challenge for practitioners in providing much-needed services in a safe manner due to the pandemic.

²¹ See <https://nrcr.org/leading-civil-rights-housing-groups-condemn-presidents-effort-to-gut-fair-housing-use-of-incendiary-racial-rhetoric-for-political-gain/>.

²² See <https://www.desmoinesregister.com/story/money/agriculture/2020/08/11/storm-flattened-third-iowas-crops-gov-kim-reynolds-says/3343174001/>.

Impact of the Pandemic on Education

The long-term impact of the COVID-19 pandemic on education at all grade levels is difficult to determine. In El Paso, teachers report high levels of absences and inattention during virtual classroom encounters. The effects of the pandemic on students will impact the workforce over the long run. In Utah, COVID cases tripled a few weeks after Labor Day and the beginning of school, and most cases have been seen in the 15- to 25-year-old age groups.

Bloomberg Government recently reported that colleges estimated their COVID-related costs could hit \$120 billion before the academic year began, but that figure already appears inadequate. Colleges and universities are substantially raising their requests to lawmakers for pandemic aid, as the costs of containing the coronavirus and continuing classes grow. Although some colleges began the semester virtually, others brought students back and are now dealing with significant outbreaks. Federal aid seems preferable to lending facilities since the long-term financial well-being of colleges and universities could fundamentally change with the mix of online and in-person learning changes. Students and families are also postponing higher education instead of paying full tuition in uncertain circumstances. Schools lack the ability to assure families and staff of a safe environment, and repeated “hot spots” at postsecondary institutions affect that learning environment as well. Half of young adults are living with parents, with long-term economic consequences. They are not working and paying taxes, gaining skills for long-term employment, or paying rent or mortgages. The effects of the pandemic on students, especially those from low-income communities, will reinforce inter-generational poverty and impact the workforce and the economy over the long run in low-income communities.