Turning the Tide on Persistent Rural Poverty:

Blueprint for a Path Forward

Nick Mitchell-Bennett, Community Development Corp. of Brownsville
Jim King, Fahe • Bill Bynum and Ed Sivak, HOPE • Chrystel Cornelius, Oweesta

Working Together for Strong Communities®

NeighborWorks® AMERICA

Introduction

It is the goal of NeighborWorks America to make every place a community of opportunity. Unfortunately, some areas are being left behind more than others as our global and national economies continue to shift. Rural communities are among them. The people who have toiled in the coal mines of Kentucky and West Virginia, as well as in the paper and textile mills in Maine and western North Carolina, have not fared well in the changing economy. Likewise, the historically disenfranchised Native Americans on tribal lands, Latinos in the colonias along the border in the Southwest and the residents of the disaster-plagued Delta are struggling to survive. Our country needs to bring opportunity back to these regions and their people.

Although rural America accounts for less than 20 percent of the country's overall population, 85 percent of persistent-poverty counties are outside of metro areas. Yet at the same time, there are so many examples of people and organizations doing good work; they just need support and the resources to go to scale. Special attention clearly is required, and that's why we formed the Rural Initiative.

Through the initiative, we provide capital, technical assistance, training, organizational assessment and opportunities for peer-to-peer exchange. In turn, Rural Initiative members bring access to education, job training and placement, options for healthier living and affordable homes to the smallest of towns and communities across the country. In fiscal year 2016, members invested $3 billion into their service regions, made $137.7 million in commercial loans, assisted 90,650 individuals in finding or maintaining affordable housing and created or sustained more than 12,000 jobs.

The key to NeighborWorks' success in this space is that we do not dictate; we listen. Our strength is our network. Our members inform our priorities and the services we offer. That's why we asked the four authors of this paper – leaders of organizations that serve the hardest-hit rural areas in the country – to share their expertise and perspectives. Here, they outline both the challenges and possible solutions, thus setting the stage for NeighborWorks' April 20 Memphis forum, "Hope in the Delta–Turning the Tide on Persistent Rural Poverty," and the dialogue we hope will continue in the months to follow.

Regards,

Paul Weech

Paul Weech, CEO
NeighborWorks America

Turning the Tide on Persistent Rural Poverty:
Blueprint for a Path Forward

Executive Summary

Poverty continues to be a persistent challenge in many areas of country – particularly rural areas. The U.S. Department of Agriculture's Economic Research Service defines counties as persistently poor if 20 percent or more of the population has lived in poverty for the previous 30 years. Using this definition, there are currently 353 persistently poor counties in the United States – 11.2 percent of the total. Eighty-five percent are nonmetropolitan.[1]

However, while no one contests that large pockets of persistent poverty continue to exist in the United States, there now is a supportive community infrastructure that was not present in 1964. NeighborWorks America and its network, other local and regional nonprofits, CDFIs, community development credit unions, housing and economic development corporations, community action agencies, etc., are serving as effective service-delivery systems for a broad range of programs and initiatives. The challenge now is building on those assets to eliminate those pockets of poverty that have been resistant to time and effort.

> **"This administration today, here and now, declares unconditional war on poverty in America . . . . It will not be a short or easy struggle, no single weapon or strategy will suffice, but we shall not rest until that war is won. The richest nation on earth can afford to win it. We cannot afford to lose it."**
>
> **– President Lyndon B. Johnson, Jan. 8, 1964**

In late 2014, a working group formed to focus on partnerships to tackle persistent rural poverty, including the four authors of this paper. Together, the members of the working group represent the hardest-hit rural areas of the country.

The goal of the Persistent Poverty Working Group and its partners is to improve conditions in areas with persistent poverty across America by:

- Increasing and leveraging federal investment.
- Channeling those funds to high-capacity, regional development organizations.
- Fostering job creation, affordable housing development, access to financial services and other activities that create ladders of opportunity.

This white paper is intended to stimulate thinking in advance of a national forum sponsored by NeighborWorks America on April 20, 2017, in Memphis, titled "Hope in the Delta–Turning the Tide on Persistent Rural Poverty." To provide context, we first take a look at previous efforts, such as the Johnson administration's War on Poverty, and acknowledge current policy frameworks under consideration. However, unlike most previous initiatives aimed at rural poverty, this paper invites a bottom-up approach in which those living in and working with the affected communities directly identify the remaining challenges and the most effective solutions.

Although our recommendations are based on the perspectives of just four of these local and regional thought leaders, we see ourselves as proxies for all of the rural areas challenged by persistent poverty.

Recommendations from the Practitioners

- **Change the conversation** in persistent-poverty counties by achieving immediate, tangible results. Consider clustering investments for highest impact.
- Develop **community leaders** and link these authentic voices to supportive resources and networks.
- **Improve the efficiency and effectiveness of government programs** so the intended beneficiaries are able to participate.
- **Promote investment** using new models that leverage public resources with philanthropy and private equity.
- **Build and sustain consumer wealth,** supported by educational initiatives, incentives, and social and community networks.
- **Create jobs** by removing barriers, encouraging entrepreneurial business start-ups and anticipating emerging economic engines while reversing out-migration.
- **Partner locally and regionally** to achieve economies of scale sufficient to compete with more densely populated urban markets.
- **Do all of these strategies, coordinated together** in communities where clustered activities are most likely to have a measurable impact.

Glossary

Poverty

The 2015 federal poverty line was $12,331 for an individual under 65 years of age and $11,367 for those 65 or older. The poverty line for a three-person family with one child and two adults was $19,078; for a family with two adults and three children, it was $28,286. Any family/individual with a total income less than this amount – determined to be the minimum needed to purchase food, shelter, clothing, and other essential goods and services – is thus classified as poor. The amount of income necessary to purchase these basic needs is set by the federal Office of Management and Budget (OMB). *USDA Economic Research Service*

Persistent poverty

Counties are considered persistently poor if 20 percent or more of their populations lived in poverty for the previous 30 years. *USDA Economic Research Service*

Rural

An area is considered rural when, simply put, it is not urban. The U.S. Census Bureau identifies three types of areas: urban areas of 50,000 or more people, urban clusters with a population of 2,500-50,000 and rural (everything else).

In contrast, OMB divides counties into three types: metropolitan (populations of 50,000 or greater, along with surrounding counties linked by commuting flows), micropolitan (urban clusters of 10,000-49,999 people and adjacent commuter areas) and "noncore" (everything else). Both micropolitan and noncore counties are referred to as "nonmetropolitan."

And finally, NeighborWorks America has adopted the definition used by the Housing Assistance Council. On the non-urban end of the scale are "small towns" and "rural areas," with the latter having fewer than 64 housing units per square mile and a RUCA (rural-urban commuting area) code of 4 or higher. (The higher the code, the less outflow to more urban areas.)

The Broader Context

Soon after President Lyndon Johnson declared his commitment to end poverty, Congress passed the Economic Opportunity Act of 1964, along with civil rights legislation that created the legislative framework for what was to come. Throughout the Johnson and Richard Nixon administrations, the War on Poverty and its follow-on programs laid the foundation for the safety net of today, including the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps; Medicare; Medicaid; Head Start; and an expanded Social Security.

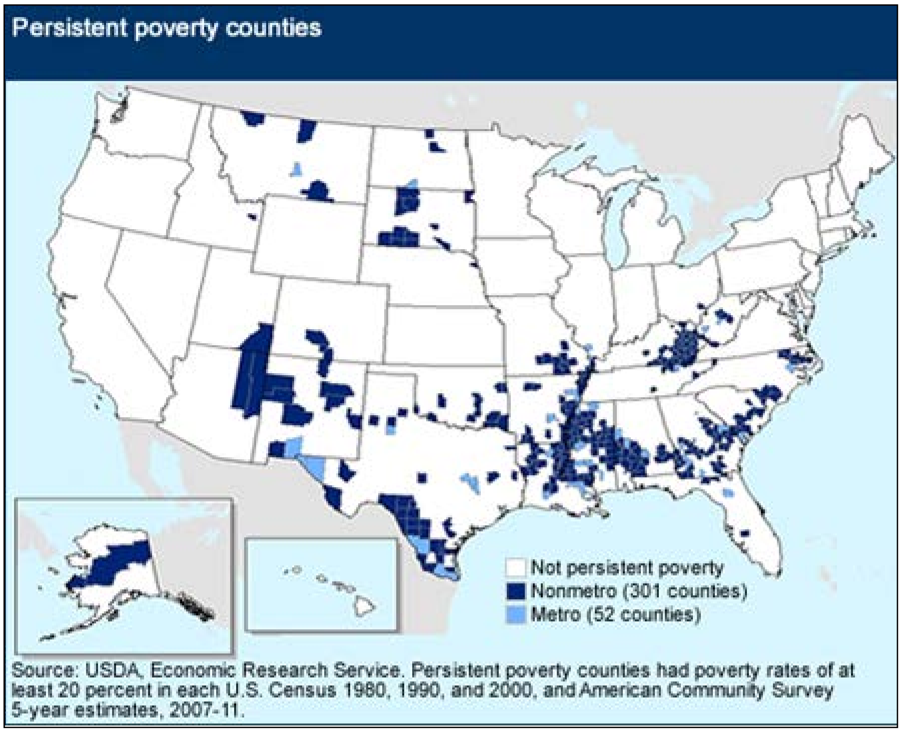
There was a significant impact in response; the national poverty rate fell 42 percent from 1964 to 1973,[2] in large part due to the far-reaching programs instituted. However, starting in the late 1970s, gains from economic growth tended to concentrate at the top of the income spectrum as wages flattened and costs rose for the majority of Americans, no matter where they lived. Real income decreased by 7.4 percent for the bottom 20 percent of earners between 1979 and 2009, while for those in the top 5 percent, it rose 72.7 percent.[3]

> **"Rural' doesn't have a singular identity. The dynamics around persistent poverty are different based on place; place matters. But, of course, there are undeniable similarities."**
>
> **– Jim King, Fahe**

More than one in five (23 percent) U.S. counties recorded poverty rates of 20 percent or more in 2009. Half (49.6 percent) of these counties struggle with persistent poverty – meaning they have reported this number of poor residents in each of the decennial censuses since 1970. (It should be noted that the Great Recession caused many counties that had escaped that status to return, and a larger number of others qualified for the first time in 50 years.[4])

Much of today's lingering poverty is rural in nature. Poverty has been more common in nonmetro areas at least since the 1960s, when rates were first officially tracked. In 2015, the overall nonmetropolitan poverty rate as measured by the American Community Survey was 17.2 percent – nearly 3 percentage points higher than in metro areas.[5]

Persistent-poverty counties are concentrated in highly rural (noncore) areas, primarily in Appalachia, the Mississippi Delta, the Rio Grande Valley near the border with Mexico (often called the "colonias") and Native American lands.[6]



Persistent poverty counties

Source: USDA, Economic Research Service. Persistent poverty counties had poverty rates of at least 20 percent in each U.S. Census 1980, 1990, and 2000, and American Community Survey 5-year estimates, 2007-11.

Age and family type

An important indicator of the nation's long-term well-being is poverty among children, since it often has an impact throughout their lifetimes. Child poverty is particularly sensitive to labor market conditions, since children depend on the earnings of their parents. Likewise, families with children need higher incomes to stay above the poverty line than singles or married couples without children. Nonmetro child poverty peaked at record-high levels in 2011 (26.3 percent) and remained roughly the same (varying by only one or twp percentage points) through 2015 – more than four percentage points higher than the metro rate.[7]

In a related vein, family type has a significant influence on poverty. Families headed by two adults are likely to have more sources of income than those with children headed by single adults. In 2015, nearly 4 out of every 10 nonmetro families headed by a female with no spouse present were poor (36.2 percent) and nearly 5 out of every 10 of those with children were poor (47.3 percent). Note that the impact of family type is magnified by living in rural locales. In 2015, the poverty rate was more than 9 percentage points higher for nonmetro families with children headed by females than those in more urban areas.[8]

Skin color and ethnicity

Another population segment hit hard in nonmetro areas are people of color. Blacks experienced the highest incidence of poverty in 2015 (33.8 percent), while Native Americans and Alaskan Natives suffered the second-highest rate (32.4 percent). Latinos recorded the third-highest level of poverty, 25.9 percent – important to note since their share of the nonmetro population increased faster than other racial/ethnic groups during the last several decades. In comparison, the poverty rate for whites was less than half as much (15 percent).[9]

"There is a language of poverty. It goes something like this: 'That won't work here.' Nothing will ever change. There is nothing I can do.' There is a lot of waiting when you're in persistent poverty — waiting for something to happen, for someone to show up, for some program to start, for someone to do something… even though it probably won't work anyway. We must change that narrative, show that positive change can happen, in order for anything else to 'take.' "

— Jim King, Fahe

Challenges

So, why is persistent poverty more prevalent in rural areas? There is no single answer. Below are some primary dynamics and characteristics that make rural communities particularly vulnerable.

Population loss, lack of density and challenges of scale

Over the past century in the United States and around the world, one of the most pervasive responses to rural poverty has been out-migration. Voting with their feet, workers leave behind low-paid rural, agricultural, resource-based or service jobs in search of higher-paid urban work. Young people in particular are going elsewhere in a quest to find better education and jobs. That has all sorts of consequences, including the ability to attract business, generate tax revenue and "scale up."

In Native communities, out-migration is being fought with some success, but also is of greater concern since a culture is at stake. In Minnesota, for example, the Sioux County population grew by more than 2 percent, while next-door Grant County (non-Native) saw its total residents drop by almost 16 percent. Other nearby counties with mostly white rural residents also experienced large population declines. Although there are exceptions, similar patterns prevail in and around many rural reservations in the American West.[10]

"The [National Rural Funders Collaborative] now understands that reducing rural poverty requires, on the one hand, developing, increasing and sustaining asset-based rural economies that support wealth creation, family self-sufficiency and civic participation and, on the other, demanding that those strategies have a social justice focus to eliminate or at least close the gap on disparities of race, class and power."

– James Richardson and Jonathan London[20]

Lack of accessible transportation and other vital infrastructure

In urban areas, people can hop on a transit system and get to employment. The remoteness of rural areas contributes greatly to their challenges, with an absence of larger employers and no way for residents to travel to them within a reasonable amount of time and without straining their budgets. In fact, accessing essential services can require traveling long distances. For example, some colonia communities can access bus service only three times per week.

"The region has not made the transition from plantation economics to the current economy."

– Bill Bynum, HOPE

Mark Partridge and Dan Rickman argue in their paper, "Persistent Rural Poverty: Is it Simply Remoteness and Scale?", that job growth has an almost three times greater poverty-reducing impact in persistent-poverty counties compared to other areas – and thus is a greater contributor to poor economic status than urban proximity. "It could be that persistent poverty is only reduced when the nearest metropolitan area experiences sufficient job growth to 'force' employers there to hire disadvantaged workers from more distant counties," they write. "Even in this case [however], the positive effects of job growth diminish with distance due to commuting costs."[11]

Thus, it is clear that the remoteness of rural areas can play a profound role in persistent poverty, both directly and indirectly. Although some pundits have argued that residents should simply then move to where the jobs are, this is frequently not a viable option due to support networks and housing costs; even if they can move, they often do not have the skills to compete for better-paying jobs no matter where they live.

Another type of infrastructure that often is lacking in remote, rural areas is access to a broadband internet connection. There is a distinct digital divide between higher-income households and those who are low-income, older, disabled, black, Hispanic, Native American or living in rural communities. This is important because employment, banking and educational opportunities, among other enablers, often require computer and broadband access. Limited access to the internet can result in further economic, social and political exclusion for historically underserved populations.

For example, today, 60-70 percent of jobs are posted online – and that increases to more than 80 percent for positions requiring bachelor degrees or better. In addition, many job-training programs are offered online only.[12] For individuals who lack transportation or live in areas without workforce development centers or community colleges, internet access could help them participate in training and certification programs.

"We have to take residents from 'I don't think anything will change' to 'I saw something change.' Once we do that, residents will want to learn more, volunteer, become board members of local nonprofits."

– Jim King, Fahe

Likewise, nearly 8 in 10 middle-skill jobs in today's workforce require digital skills. Digitally intensive middle-skills jobs have grown more than twice as fast as other such positions in the past decade, and pay wages that are, on average, 18 percent higher than those without a digital component."[13]

Snapshot of Success: Change the conversation

In the 1990s, Beattyville, Kentucky, Mayor Charlie Beach recognized the need to revitalize his small town, the county seat of Lee County. At that time, Lee County had the dubious honor of being one of the poorest counties in the nation. The unemployment rate was double the state average. In an effort to create employment opportunities, Beach started with the traditional model of attempting to bring in "industry," but quickly learned it wouldn't come. There were virtually no affordable, quality housing units available for purchase or rent in Beattyville, and the tax base was not sufficient to support basic services like fire protection and trash removal. Residents also didn't believe the necessary transformation was possible.

So, Mayor Beach approached Fahe and they developed a plan for a 45-unit mixed-income subdivision, with financial counseling provided to broaden access for potential buyers or renters. A fire station soon followed, which helped attract two companies that employ 150 people; the project increased the city's tax base by approximately $4.5 million.

Indeed, middle-skill jobs that are not digital-intensive have had the slowest growth of any category, behind even low-skilled positions – 1.9 versus 2.9 percent. These positions – which are primarily in transportation, construction and installation/repair – lag in pay, growth and opportunity.[14]

> **"The standard refrain was, 'son, that won't work here.' So, we decided to show residents what we could do. Brick and mortar works. It's tangible. There is something powerful about a street, a water tower."**
>
> – Jim King, Fahe

Absence of services

The Community Reinvestment Act was passed in 1977 in response to redlining – the denial of credit to individuals based on where they live. However, more broadly, it is intended to encourage banks and similar institutions to help meet the credit needs of residents in the communities in which they operate, including low- and moderate-income neighborhoods. Every year, the CRA helps channel more than $100 billion in capital to low- and middle-income communities across the country. However, rural neighborhoods frequently are underserved, and bank branches, particularly those that make loans, are non-existent in many.

Even community development resources are scarce. In urban areas, a number of nonprofits and other organizations work on issues such as affordable housing, family financial capability and support for entrepreneurship. However, they often are not present to a significant degree, or are not easily accessible, in rural areas. The situation forces many residents to go without.

A related concern is a lack of quality, holistic education – not just reading, writing and math, but practical skills such as understanding one's credit score and how to balance a checking account. It's critical that youth learn about the financial institutions and system in this country. Young people don't learn home economics in school anymore and financial education specifically isn't commonly available – especially in persistent-poverty neighborhoods where institutions are just trying to keep the lights on. To break the cycle of poverty and elevate people out, residents have to understand the "system" so they can change it.

Resource extraction

Particularly in the Appalachia area, the extraction industry, primarily coal and – to a lesser extent – forestry and minerals, has extracted valuable capital and community assets. However, once mines are "wrung dry" and closed, there are no other economic engines to replace them. In many cases, mined areas are scarred and environmentally damaged, and former employees suffer from chronic threats to their health.

For Native communities, the dilemmas posed by resource extraction are more complex. American Indian lands contain vast amounts of natural resources and are among the least-explored and least-developed in the United States. Nearly 30 percent of the nation's coal reserves west of the Mississippi exist on Indian lands, as well as 50 percent of the potential uranium reserves, up to 20 percent of known natural gas and oil reserves, and a combination of other rare minerals that are increasingly used in manufacturing. Approximately 2.1 million acres of Native American lands already have been subjected to resource extraction and the U.S. Department of the Interior estimates there are an additional 15 million acres of potential mineral resources.[15]

For the Indian nations with these substantial energy resource endowments, development can have transformative economic potential. On the other hand, it also can cause disruptive social changes and harm the environment that is particularly sacred to Natives.

> **"The CDFI model has been incredibly viable for Native and rural communities. For tribes, this has been particularly important. Casinos generally just breakeven and outside of this, there is no outlet into the private sector. There aren't a lot of banks or satellite offices on tribal lands. In 1999, there were two CDFIs serving Natives. Today, there are 72."**
>
> **– Chrystel Cornelius, Oweesta**

Scarce or constrained federal and philanthropic funding

Federal funding is no longer at the level that followed President Johnson's announcement of the War on Poverty, and too often, requirements such as mandated matching funds prohibit the participation of less-well-resourced, usually smaller organizations. For example, the statute creating the CDFI Fund in the U.S. Department of the Treasury requires a one-to-one match for all grants to Native institutions, making it hard for many to qualify for the Native American CDFI Assistance Program. While Congress waived the requirement from 2009-2013 and in 2015, it is not automatic – as in fiscal year 2014.[16]

Likewise, the footprint of philanthropy is faint in rural areas. Recent analysis of grant making by the top 1,000 U.S. foundations shows that although rural America accounts for 50 million people, or 17 percent of the nation's population and 28 percent of those who live in poverty, grants to organizations in these areas accounted for only 6.8 percent of overall annual giving by foundations.[17]

One effective, if time-limited, strategy for leveraging philanthropic investments for rural communities was the National Rural Funders Collaborative (NRFC) that operated for about 10 years, ending in 2008. Although the single-portal approach for aggregating philanthropic investments did not survive, the lessons learned from the NRFC and elements of its strategies can contribute significantly to future initiatives, as we will discuss.

Noncompetitive economies

Many rural areas, in large part due to their isolation, lack a diversity of businesses and employers. For example, while manufacturing is prevalent in the Delta, the jobs generated are mostly low-paying shiftwork. Much of rural policy both

Success Snapshot: Community Leaders

Low-income residents, like those in the colonias along the Mexican border, know what it's like to be left out of decision-making, to be bypassed and excluded when county and municipal programs and services are planned and delivered. So the Community Development Corp. of Brownsville (CDCB), Texas, organized a civic-engagement "university" of sorts to train and prepare them to advocate for their community.

Called LUCHA (both the Spanish word for "struggle" and an acronym for Land Use Colonia Housing Action), the program focuses on four areas that affect residents' lives in a very practical way: governance, housing, drainage, public services and planning. CDCB partners with two other community groups – a Catholic Church spin-off and a farmworkers' union. Through education, training and technical assistance, they work through LUCHA to equip participants with the power to get the things they need from various structures of authority.

For example, one of the issues of focus for LUCHA participants was the area's serious flooding problems; one regular rain could flood an entire colonia. So, they set out to learn about the drainage system in the Rio Grande Valley, their colonia and their specific properties. Through LUCHA, engineers, architects and planners were lined up to teach classes for the residents. "Graduates" were able to sit down with the county engineer and say, "Here's our problem. Here's where it's flooding. Here are the six things we think you can do to fix it. And here are the things we're doing on our own property for which we're taking responsibility, but if you don't do your part it's not going to help."

That process literally changed the way the county and the state planned to address the drainage problems. They scrapped their entire plan and went back to the drawing board.

In another case, LUCHA leaders lobbied for and won a change in the local law that allowed the county to install street lights in colonia areas.

> **"A national perspective is important, but they have a lot of constituencies. We need to invest in local or regional backbone institutions."**
>
> **— Jim King, Fahe**

federally and at the state level incentivizes industries that often are not fundamentally invested in the regions in which they are located. Most local chambers of commerce and economic development agencies spend a significant amount of their resources attempting to recruit existing businesses and industries to relocate or place a hub or plant within their region. For persistently poor rural areas, this is often a losing proposition. Likewise, regulations tend to privilege large-scale producers over small and medium businesses (such as USDA meat-processing regulations that are prohibitively burdensome for smaller facilities).

Structural bias

As the statistics for the demographics of persistent poverty suggest, structural discrimination and bias continue to haunt the productivity of American society.

> **"You have to go beyond just a high school education; it's got to be broader than that. You have to be able to teach people to be inquisitive. . .to go after what needs to be done and understand it."**
>
> **— Nick Mitchell-Bennett, Community Development Corp. of Brownsville**

As James Richardson and Jonathan London of the National Rural Funders Collaborative wrote: "Simply put, if policymakers and the public fail to address the historical factors that systematically disadvantaged certain populations, and the structural and spatial factors that continue to do so, poverty will remain persistent despite all well-intentioned efforts to the contrary…. Because 'lift-all-boat' strategies typically focus only on the symptoms of poverty on an individual scale; they ignore the structural barriers that make some boats less buoyant and more leak-prone, and miss entirely those without boats… NRFC is convinced that to achieve lasting regional and national impact in addressing persistent poverty, race, class and power must be at the center of any meaningful and effective poverty-reduction strategy. At the same time, there is recognition that the prospect of eliminating such disparities through direct action on their root causes (structural racism and classism) is a long-term endeavor that, if achievable at all, will take a generation or perhaps several."

> **"Right now, there's this cycle — poor schools, people who go to the schools stay in town, they go on to administer those schools, and thus it gets worse and worse. In rural areas of persistent poverty, you've got both brain drain and a lack of new blood. No one new is coming to the area to share new ideas."**
>
> **— Nick Mitchell-Bennett, Community Development Corp. of Brownsville**

Hopelessness and lack of identity

A 2012 Salvation Army report captured in stark detail the challenges of a country in which one in six people are poor, yet 55 percent of respondents believe it's not possible to eliminate poverty in the United States.[18] This sense of hopelessness (and complacency) about the ability to address poverty in this country continues to grow.

In a recent article in The Washington Post, NBC News political director Chuck Todd was quoted as tweeting, "We didn't go out there [rural areas] and hear the stories of the opioid crisis. We may have reported on it statistically, but we didn't do that person-to-person stuff. . . . Then you would get an idea, oh, these little towns, this opioid crisis, it's connected to this lack of employment, which is connected to the lack of educational opportunities, which is connected to — then all of a sudden you realize, no wonder these people are so pissed off, and no wonder they think everyone has abandoned them. Their town looks abandoned."[19]

Special challenges faced by Native communities

To re-establish tribal sovereignty and stem further erosion, the Indian Reorganization Act of 1934 made it more difficult to remove tribal lands from the trust system administered by the Bureau of Indian Affairs. These changes were largely successful in preventing further loss of tribal land. However, as discussed earlier, they also make it hard to conduct basic business transactions, such as collateralizing business loans or home mortgages using trust land.

Snapshot of Success: Investment

In 2015, Regions Bank announced plans to consolidate its operations in the Mississippi Delta and close its branches in four communities located in persistent-poverty counties with populations of a little more than 2,000 residents – 9 out of 10 of whom are African-American. In the absence of an alternative bank, residents were faced with the prospect of driving miles for basic banking services.

Building on their long-standing relationship, Hope Enterprise Corp./Hope Credit Union (HOPE) and Regions Bank worked together to develop a solution. Regions donated its facilities to HOPE, provided information about the credit union to its customers, and allowed it to set up an in-branch presence to market its products and services to residents prior to the closing. Finally, the bank also provided grant funding to support start-up costs.

In November of that year, the offices re-opened as HOPE branches. Almost immediately, HOPE's local team members, a number of whom formerly worked for the bank, saw a positive change. Previously, the Regions branches were open on a part-time basis only and offered limited services, such as deposits and check cashing. Loan applications were not accepted and neither were customers able to open a checking account. In addition, none of the facilities included ATMs, thus further restricting affordable access to cash – particularly important in areas with high rates of unbanked/underbanked residents.

HOPE immediately offered a full menu of banking products and services, including checking accounts, mortgages and small-business loans. HOPE also responded to the long-standing wishes of residents by installing an ATM at each Delta branch. Residents reciprocated by joining the credit union in numbers that far exceeded projections, and much larger than those experienced by Regions.

Excerpted and updated from "NeighborWorks Works: Practical Solutions from America's Community Development Network[22]

The Way Forward

Recent and current federal policy initiatives include:

- StrikeForce for Rural Growth and Opportunity (2010), with a goal of increasing federal funding for census tracts with more than 20 percent poverty by 10 percent from the 2009 baseline, as well as leveraging outside resources. Also included is technical assistance and intense community outreach to build awareness of and participation in USDA programs.
- Promise Zones (2013), in which the federal government partners with local leaders in high-poverty communities to increase economic activity, improve educational opportunities, reduce violent crime and enhance public health. Promise Zones currently include eight rural and tribal communities.

Given the current budget discussions, the status of these programs remains uncertain and unknown. There also are two new proposals now in play, although again, there is a new president in office and thus their fates are uncertain:

- The Republican Party's "A Better Way to Fight Poverty," which emphasizes individual initiative through work, supported by benefits such as improved education and savings programs.
- Rep. James Clyburn's "10-20-30" initiative, which requires targeted federal programs to direct at least 10 percent of total investments to counties where at least 20 percent of the population has lived under the poverty line for 30 years or more.

> **"We need to be intentional about investing in communities to help them go from opportunity deserts to thriving places."**
>
> **— Bill Bynum, HOPE**

We hope this report contributes to the discussion and focuses greater attention on persistent rural poverty. The path to permanently changing the dynamics in these regions can be found in the "lessons learned" embedded in the list of woes we have just outlined. In every challenge, there are insights to guide us and opportunities to be exploited.

Here are our recommendations, based on those insights and lessons:

Change the conversation by achieving immediate, tangible results; consider clustering investment strategies in concentrated communities.

Success Snapshot: Build Wealth

There are more than 20 predatory-lending businesses within a two-block radius of the Community Development Corp. of Brownsville, Texas, and more than 115 in the city. Weak industry oversight in Texas, combined with a large working-poor population, has made the state a profit center for many of the highest-cost loan providers. Some payday lenders charge the mostly lower-income borrowers the equivalent of a 650 percent annual interest rate. The majority of these borrowers are not able to repay the loans on time and incur high refinance fees. On average, auto-title borrowers had to refinance their loans twice in 2014, incurring roughly $600 in fees on loans averaging $960. In 2015, more than 15 cars a week were repossessed in the Brownsville metro area.

CDCB felt it was imperative to find an alternative for its many clients who were burdened by predatory auto title and payday loans. The result: It partnered with the Rio Grande Valley MultiBank to create a Community Loan Center (CLC), an employer-based, short-term, small-dollar loan program. Employees of participating companies can receive fairly priced, small-dollar loans and free financial counseling through the center.

Employees may borrow up to $1,000 with an 18 percent interest rate and a $20 administrative fee; they have up to 12 months to repay with no prepayment penalty.

Since the first program was offered in 2011, the bank has franchised the CLC model to other organizations committed to combating predatory lending. Currently, there are eight CLC lenders in Texas, two in Indiana and one in Maryland. The franchises have a combined potential borrower pool of more than 65,000 employees and have originated more than 12,600 loans totaling in excess of $17 million.

Excerpted and updated from "NeighborWorks Works: Practical Solutions from America's Community Development Network[23]

Research shows that when you can see a ladder for upward mobility, people do better. Role models who make this climb successfully, in their own communities, are particularly important for children. However, that ladder isn't very evident in rural persistent-poverty areas.

The "self-help" model of homeownership can be particularly effective for this purpose. When individuals and families are given the dignity of assistance that enables and empowers them at the same time, allowing them to be true owners and not just beneficiaries, they move from waiting for something to happen to making it happen – to being part of the solution.

However, with persistent poverty, the focus must be multi-generational. It's a long-term process.

Develop community leaders and link these authentic voices to supportive resources and networks.

Once residents start caring again because they believe change is possible and they have a place in it, the next step is to identify those individuals who have the potential to be leaders and help them "blossom."

> **"One advantage rural has over urban and suburban areas is that I think we have a better feel for the value of relationships and trust. When we use those elements as assets, we can create our own scale. It's just a different kind of scale."**
>
> **– Jim King, Fahe**

For example, research suggests that the real drivers of recent economic change in Native communities is not the incorporation of gaming as an income-generator but self-determination and self-governance of resources, programs, infrastructure and plans for the future. According to the Native Nations Institute: "While economic factors such as high educational attainment, access to markets and natural-resource endowments also can contribute to development, they tend to pay off after a Native nation has been able to bring decisions with local impact under local control and to structure capable, culturally legitimate institutions of self-government that can make and manage those decisions. The same can be said of federal grants, preferential treatment in the government procurement process and tax or regulatory advantages (of which tribal gaming enterprises are one example). They are helpful inputs and policies, but they are not root causes of Native community development; such opportunities yield lasting benefits only when self-determined and self-governing Native nations are able to use them strategically."[21]

A successful example of institutionalized resident-leadership development can be found at NeighborWorks; its charter calls for at least a third of its network members' board seats to be filled by residents of low-income communities, low-income residents, or individuals elected or appointed to represent them. This commitment is further put into practice through NeighborWorks' annual training institute for resident leaders, which it also supports with funding for each attending resident team.

> **"I think dealing with poverty is a whole lot less a science and a whole lot more like agriculture. You can prepare the soil and plant the right seed at the right time, but you have no control over rain or sunshine or frost or hail or bugs. There are a lot of factors out of your control."**
>
> **– Jim King, Fahe**

Improve efficiency and effectiveness of government programs so the intended beneficiaries are able to participate.

In this environment, it is a given that government funding will continue to tighten. Thus, it is critical to channel available funds to the organizations that both are closest to the communities served and have proven track records in producing positive, tangible change via housing, economic revitalization and community development.

However, such funding should not be War on Poverty style, in which much of the plans and effort were generated from the "outside." Nothing changes in communities without local leaders. And leaders do not work well without access to capital and expertise. That's where partnerships come in.

> **"Half a billion dollars in investment into low-income, persistent-poverty communities across the country doesn't happen every day, and it wouldn't have happened without the partnerships we've been able to establish."**
>
> **– Bill Bynum, HOPE**

One example of this approach is the collaborative work of the authors, who partnered with USDA Rural Development, Bank of America and philanthropic organizations from across the country, to create and implement the Community Facilities Re-Lending Program.

The opportunity to create the program emerged when nearly $1 billion in money appropriated for the USDA Community Facilities Direct Loan Program went unspent. The authors participated in advancing a proposal to make $500 million in loans available to CDFIs to re-lend to eligible community facilities projects at a very low interest rate for up to 40 years. The redesigned program provides long-term, low-cost capital for community infrastructure projects in rural communities such as health clinics, schools, libraries, food banks, municipal buildings and child care centers.

During development, two other sets of resources were leveraged to bring the program to fruition. First, Bank of America provided a $100 million letter of credit commitment to reduce the exposure of the federal government during the early phase of the loans. The letter of credit was necessary to meet federal compliance requirements. Second, the Uplift America Fund was created to aggregate philanthropic grants, thus strengthening the balance sheets of CDFIs and allowing them to take on this new form of debt and providing operating support for the re-lending of community facility dollars. The Uplift America Fund is managed by the Mary Reynolds Babcock Foundation and capitalized with $24 million from regional and national foundations. To date, 26 organizations have received awards totaling $401 million through the USDA Community Facilities Re-Lending Program.

A flexible, tailored approach is needed in the design of programs intended to benefit the most economically challenged communities. One way to level the playing field is to ease the threshold requirements for applicants (such as waiving match requirements for grants) and to set aside a portion of any allocation for exclusive use in persistent-poverty areas.

> **"Giving people the information, skills and confidence they need to have a voice can change persistent poverty. It's helping them come up with solutions, then using their personal power to force the company or public entity to do the right thing."**
>
> **– Nick Mitchell-Bennett, Community Development Corp. of Brownsville**

Success Snapshot: Job Creation

The Four Bands Community Fund, a Native CDFI located on the Cheyenne River Sioux Reservation, trains, coaches and empowers aspiring and established entrepreneurs. Its financial education program, Credit When Credit is Due, helps clients repair their credit and set a foundation for future asset building. Its tailored business education curriculum, Cheyenne River Entrepreneurial Assistance, Training and Education (CREATE), takes aspiring entrepreneurs through the steps necessary to start a business. Its coaching services identify clients' particular business-development needs—from customer service and marketing to financial systems and accounting – and helps remove the barriers to business success, one by one.

The program also brings entrepreneurs together through periodic talking circles for peer counseling and networking. To further encourage entrepreneurial business development and growth, the fund makes selective "business bundle" investments, which cover the costs of a marketing campaign, technology upgrade, financial management training or other one-off operating expenses. All services are offered as a complement to Four Bands' business lending program, helping create the circumstances in which each venture can succeed and each loan can be repaid. In 2014 alone, Four Bands graduated102 clients from its credit-builder program, gave completion certificates to 28 clients from CREATE and made 43 business loans.[25]

Other federal programs work very well in persistent-poverty areas without requiring matching funds. For example, NeighborWorks' grant funding, which is largely financed through a federal appropriation, is unrestricted with no matching requirement. Funding is distributed based on production and becomes of a catalyst for leveraging other funds. The Native American CDFI assistance program also waives matching funds.

Promote investment using new models that leverage public resources with philanthropy and private equity.

One place to start is by focusing on expanding the footprint of the Community Reinvestment Act. The CRA was designed to encourage investment in the places where banks have branches, but the challenge is the lack of local offices in persistent-poverty rural areas such as the Mississippi Delta.

> **"Success breeds success. When people see their neighbor successfully running a business, they feel they can do it too. But intangible factors also are important, like being able to help themselves and others in their communities."**
>
> — Chrystel Cornelius, Oweesta

Further leveraging of the CRA could, for instance, provide a significant opportunity to help close the digital divide across communities while simultaneously benefiting financial institutions and improving economic stability.

Acknowledging that broadband internet connectivity now is considered a basic public utility such as telephone and electricity, federal agencies such as the U.S. Department of Housing and Urban Development have made access in the home a priority. When addressing the nature of a community's digital divide, the "three legs of the stool" of broadband adoption should always be considered:

1. Broadband access.
2. Computer access.
3. Training and technical assistance.

Providing computers without broadband access, or providing internet and laptops without training in the skills to use them is not very useful. What is needed is a comprehensive, holistic approach, often at the regional level.

Likewise, it is important to think in the long term. The Federal Communications Commission (FCC) defines broadband as having a minimum download speed of 25 mbps (mega¬bits per second) and an upload speed of 3 mbps. However, organizations should be aware that some applications of broadband require connection speeds that exceed the FCC definition. Indeed, many experts in the broadband field seek to help communities develop next-generation (gigabit) fiber-optic capacity to support both current and future needs.

Build and sustain wealth as a broad-based consumer education initiative, supported by educational systems, public incentives, along with social and community networks.

Snapshot of Success: Partnerships

Most small towns lack the staff and expertise needed to develop projects and pursue new resources. HOPE has evolved into a mentor of sorts for these municipalities through what it calls its Small Towns Partnership. It started when HOPE began laying the groundwork to open a credit union in Drew, Mississippi, and was invited to join a collaboration of local organizations to draft a plan for a model community. As part of the group, HOPE was asked specifically to help bring a grocery store to Drew and increase the number of quality, affordable housing units.

Later, when HOPE informed the mayor of another town of plans to convert the local bank into a credit union, he asked for help in redeveloping a 64-unit housing project outside the town limits. Substandard construction and infrastructure had resulted in seepage of raw sewage and 20 homes had burned down or were razed. A successful lawsuit abated the sewage problem and transferred ownership to the residents. As HOPE engaged with the residents, they asked for a playground for the children and sidewalks without cracks. In fall 2016, HOPE secured $3 million from Goldman Sachs to fund the rehabilitation of all the homes as well as obtained additional public and philanthropic resources to resurface the roads and sidewalks and build a playground designed by the children.

HOPE clearly has carved a niche for itself as a small-town partner.

Financial capability is a growing focus for all organizations looking to build wealth that can be transferred between generations. One approach to starting early is the YouthBuild program, which provides high school students with education, construction training, leadership development and a record of community service. All YouthBuild students are part-time AmeriCorps members, which qualifies them for a college scholarship upon completion of the program. The Community Development Corp. of Brownsville, which has been a YouthBuild sponsor since the 1990s, also provides a training stipend, classroom uniforms, work gear and a range of other support services.

Another effective approach is a small-loan program as an alternative to payday advances – a large and lucrative business in most persistent-poverty counties.

Create jobs by removing technology barriers, encouraging entrepreneurial business start-ups, and anticipating emerging economic engines while reversing out-migration.

> **"When we see people with power and with a plan to use that power, that's when we know we're being successful on top of how many houses we build, how many affordable loans we make. How do we measure that? We are still trying to figure that out."**
>
> — Nick Mitchell-Bennett, Community Development Corp. of Brownsville

Almost no other progress is possible without employment opportunities that can build wealth and thus intergenerational transfers. But they must be real jobs that fit the community. You can't, for example, suddenly create a Silicon Valley clone in an area that traditionally was dependent on coal mining.

However, too often, counties and cities "chase smokestacks" – large manufacturers or big-box retailers. Such a narrow approach ignores the potential role of small and micro businesses that leverage local assets. Small businesses are a major source of jobs in the United States. In 2010, for example, small businesses and self-employment accounted for 44 percent of rural jobs in Montana, 40 percent in Wyoming, 36 percent in South Dakota and Vermont, 35 percent in Maine and Oregon, 33 percent in North Dakota and 32 percent in New Mexico.[24] Citizen entrepreneurship also creates a more diversified and, therefore, more resilient economy.

Partner locally and regionally to achieve economies of scale sufficient to compete with more densely populated urban markets.

The Fahe network, with its 55 member organizations and a motto of "strength in numbers," is one example. By joining together, they better serve a region – the Appalachian area of six states – that has common challenges and needs.

Oweesta operates on a somewhat similar model. It is the only Native CDFI intermediary to offer financial products and development services exclusively to Native CDFIs and communities – currently, 72. Specifically, Oweesta provides training, technical assistance, investments, research and policy advocacy.

All organizations and businesses in a community or region should look around and ask, what can we work on together? Do it intentionally, with an expectation of both shared risk and shared value. However, as the National Rural Funders Collaborative concludes, "Collaboration is much more of an art than a science: it requires willing and able partners who can come together to share a common vision, utilize their respective strengths and agree to well-defined, complementary roles… Something funders often forget and do not budget for is the preparation time required. Planning grants may be a necessary evil and a saving grace."[26]

"Success is people's ability to support their families and contribute to the economy. We need to measure those kind of indicators to ensure people are climbing the ladder."

– Bill Bynum, HOPE

How will we know if we are 'winning'?

There are all sorts of ways to measure the impact of individual factors that contribute to persistent rural poverty – number of new homeowners, number of new or thriving small businesses, growth in jobs, etc. However, success is really a combination of them all, for which we don't have one measure.

We know what to do. We can figure out the measurement piece. We need the will, the endurance and the support of the greater community to keep progressing. This report, we hope, will serve as both a blueprint and a rallying cry.

Authors

Nick Mitchell-Bennett, executive director
Community Development Corp. of Brownsville

Founded in 1974, CDCB provides affordable housing to the citizens of the lower Rio Grande Valley, Texas, and is now one of the largest nonprofit producers of single-family housing in the state. It serves the southernmost area of the United States – Cameron and Willacy counties, Texas – that shares its border with Mexico on the south and the Gulf of Mexico on its east. Community Development Corp. of Brownsville is a member of the NeighborWorks network.

This region is called the "colonias." In Spanish, "colonia" means community or neighborhood. However, the Cranston-Gonzalez National Affordable Housing Act defines a colonia as an "identifiable community" established before Nov. 28, 1989, in Arizona, California, New Mexico or Texas within 150 miles of the U.S.-Mexico border that lacks potable water, adequate sewage systems and decent housing. Forty-two percent of the Texas colonia population lives below the poverty line and another 19 percent are close to it. While the national average for median income is $52,762, colonia households struggle to survive on a median income of $28,928. Roughly 40 percent of households rely on public assistance or food stamps.[27]

It also is important to note that the border region is home to a large population of foreign-born residents. In the border region, 14.7 percent of those living in rural areas were born outside the United States, compared to 5 percent of rural residents (and 13.7 percent of all residents) across the nation.[28]

Jim King, CEO
Fahe

Fahe is on a mission to eliminate persistent poverty in Appalachia. Its collaborative model connects a network of local, regional and national leaders, all working together to uplift the nation's rural places. Working with its network of 50+ nonprofits across the Appalachian portion of Kentucky, Tennessee, West Virginia, Virginia, Alabama and Maryland, Fahe uses its expertise in finance, collaboration, innovation, advocacy and communication to nurture prosperity. Since its founding in 1980, Fahe and its members have served more than 300,000 Appalachians with housing, made over $536 million in direct investments and achieved a cumulative financial impact of more than $1 billion in the region. Fahe is a member of the NeighborWorks network.

The War on Poverty began in Appalachia, which covers 205,000 square miles and includes all of West Virginia and portions of 12 other states from New York to Mississippi. President Lyndon Johnson traveled to Martin County, Kentucky, to launch his campaign in April 1964. At the time, roughly one in three Appalachians lived in poverty, many suffering from malnutrition and lacking basic necessities such as indoor plumbing. The latest data show there are 93 Appalachian counties in which 40 percent or more residents are living at or below the poverty level. While poverty is highest in Central Appalachia (primarily Kentucky), other areas are escalating faster. In Central Appalachia, per-capita personal income was 68 percent of the national average in 2009, and per-capita market income (personal income less payments received in which no goods or services are involved, such as subsidies of some sort) was just $15,964, nearly half the national average. Likewise, the average proprietor's income was 51 percent of the national average that year.[29]

Bill Bynum, CEO, and **Ed Sivak,** executive vice president
HOPE

HOPE is a family of organizations dedicated to strengthening communities, building assets and improving lives in the Delta and other economically distressed parts of Arkansas, Louisiana, Mississippi and Tennessee. Comprised of a regional credit union (Hope Credit Union), loan fund (Hope Enterprise Corp.) and policy center (Hope Policy Institute), HOPE has provided financial services, leveraged private and public resources, and shaped policies to benefit more than 650,000 residents in one of the nation's most persistently poor regions. HOPE is a member of the NeighborWorks network.

The Mississippi Delta is both romanticized and reviled in great American literature. Writers including William Faulkner and Eudora Welty have shared the complexities of life in the Mississippi Delta. As defined by the Lower Mississippi Delta Commission, the region encompasses 219 counties and parishes in portions of Arkansas, Louisiana, Mississippi, Missouri, Illinois, Tennessee and Kentucky. Technically, the region is not a delta but a 200-mile plain that covers more than 90,000 miles of rivers and streams and more than 3 million acres of some of the most fertile land in the nation. However, it also has been hard hit by a number of natural and manmade disasters, including hurricanes Katrina, Rita and Gustav in the mid-2000s and the 2010 Gulf oil spill.

According to the 2009 American Community Survey, more than 21.9 percent of the rural Lower Mississippi Delta population is living in poverty, compared to the national rate of 13.5 percent. The region's rural per-capita income is among the lowest at $18,315 (compared to $27,041 for the nation).[30]

Chrystel Cornelius, executive director
Oweesta

Oweesta is the only Native intermediary for Native community development financial institutions (CDFIs) that offers financial products and development services exclusively to this audience. Specifically, Oweesta provides training, technical assistance, investments, research and policy advocacy to help Native communities develop an integrated set of asset-building products and services.

The federal government recognizes more than 560 Native-American tribes and Alaska Native villages across the United States, predominately in the Plains and the Southwest. Approximately 326 areas of Native American land are home to about a third of the roughly 2.4 million people in the United States who reported their sole race as American Indian or Alaska Native in the 2010 census, although another 26 percent live in close proximity. For years, statistics have shown that Native communities have lower incomes and experience higher rates of unemployment and poverty than non-Native communities. In the period 2006-2010, for example, 32 percent of the single-race American Indian and Alaska Native tribal area population lived in poverty, compared to 14 percent of non-Natives. At recent rates of economic growth, it is estimated that it will take at least four decades for the per-capita income of Native community members to converge with that for the rest of the United States.[31]

Appendix

[1] *"Geography of Poverty,"* USDA Economic Research Service, last updated March 1, 2017

[2] Christine Ross, Sheldon Danzinger and Eugene Smolensky, *"The Level and Trend of Poverty in the United States, 1939-1979,"* Demography 24 (4) (1987): 587–600.

[3] *"Income Inequality,"* Inequality.org

[4] Kathleen Miller and Bruce Weber, *"Persistent Poverty Dynamics: Understanding Poverty Trends over 50 Years,"* Rural Policy Research Institute, July 2014

[5] *"Poverty Overview,"* Economic Research Service, USDA, March 1, 2017

[6] Ibid

[7] *"Poverty Overview,"* USDA Economic Research Service, last updated March 1, 2017

[8] *"Poverty Demographics,"* USDA Economic Research Service, last updated March 1, 2017

[9] Ibid

[10] Narayana Kocherlakota, *"What's Different about Economic Development in Indian Country?"*, speech, Federal Reserve Bank of Minneapolis, May 1, 2012

[11] Mark Partridge and Dan Rickman, *"Persistent Rural Poverty: Is it Simply Remoteness and Scale?"* Review of Agricultural Economics, Vol. 29, No. 3 (Autumn 2007), pgs. 430-436

[12] *"Closing the Digital Divide: A Framework for Meeting CRA Obligations,"* Federal Reserve Bank of Dallas, December 2016

[13] *"Future Edge. Get Ready for Tomorrow. Today,"* Capital One, March 5, 2015,

[14] *"Crunched by the Numbers: The Digital Skills Gap in the Workforce,"* Burning Glass Technologies, March 2015

[15] Maxwell James Piotrzkowski, *"Exploiting the Sacred: Natural Resource Extraction on Native American Land,"* thesis for Texas State University, December 2016

[16] *"Access to Capital and Credit in Native Communities,"* University of Arizona Native Nations Institute, 2016

[17] James Richardson Jr. and Jonathan London, *"Strategies and Lessons for Reducing Persistent Rural Poverty: a Social Justice Approach to Funding Rural Community Transformation,"* Journal of the Community Development Society, Vol. 38, No. 1, Spring 2007

[18] *"Perceptions of Poverty,"* Salvation Army, 2012

[19] Erik Wemple, *"Chuck Todd: Media must improve reporting on rural America,"* The Washington Post, March 14, 2017

[20] James Richardson Jr. and Jonathan London, *"Strategies and Lessons for Reducing Persistent Rural Poverty: a Social Justice Approach to Funding Rural Community Transformation,"* Journal of the Community Development Society, Vol. 38, No. 1, Spring 2007

[21] *"Access to Capital and Credit in Native Communities,"* University of Arizona Native Nations Institute, 2016

[22] Bill Bynum and Ed Sivak, *"Bridging the Banking Gaps,"* NeighborWorks Works: Practical Solutions from America's Community Development Network," NeighborWorks America, 2016, pg. 461.

[23] Nick Mitchell-Bennett and Jeremy Stremler, *"Community Loan Center: Small-Dollar Loan Program,"*Ibid., pg. 405.

[24] *"Access to Capital and Credit in Native Communities,"* University of Arizona Native Nations Institute, 2016

[25] *"Access to Capital and Credit in Native Communities,"* University of Arizona Native Nations Institute, 2016

[26] James Richardson, Allison Van and John Haffner, *"Race, Poverty and Transforming Rural Economics,"* National Rural Funders Collaborative, November 2012

[27] *"Las Colonias in the 20th Century: Economic Opportunity,"* Federal Reserve Bank of Dallas

[28] *"Housing in the Border Colonias,"* Housing Assistance Council, August 2013

[29] *"Appalachian Region Income Report,"* Appalachian Region Commission, 2011

[30] *"Housing in the Lower Mississippi Delta,"* Housing Assistance Council, September 2013

[31] *"Access to Capital and Credit in Native Communities,"* University of Arizona Native Nations Institute, 2016

NeighborWorks America
999 North Capitol Street NE
Suite 900
Washington, DC 20002
202-760-4000

NeighborWorks.org