DEEP DIVE

INVESTMENT

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FINANCING DELIVERY, RESILIENCE AND WELL-BEING

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FINANCING RECOVERY, RESILIENCE, AND WELL-BEING

INTRODUCTION

This document provides recommendations for pursuing financing strategies that will result in post COVID-19 recovery, greater resilience, and systemic transformation to well-being in low-income communities and so that residents have an equitable opportunity to thrive.

The purpose of the financing recommendations contained herein are to achieve:

- Recovery to a pre-COVID-19 level for low-income communities in the short term of less than 3 years. Recovery is an important first step, but completely insufficient for creating an equitable society. The pre-COVID-19 environment was far from fair and just.
- Resilient communities and families are defined as able to withstand economic shocks and maintain basic needs, economic stability, and the opportunity to thrive in the next 2 to 6 years. Resilience is a noble goal i.e. to enable those who live paycheck to paycheck to avoid being thrown into bankruptcy and economic or emotional disaster during a recession or health crisis, yet having so many live paycheck to paycheck is not our ultimate goal.
- Thriving and well-being for all in the long term of 10 years and beyond. Transformation to an equitable society where everyone thrives is the goal and is the moral imperative to aspire to. It may not be fully attainable in our lifetimes, but what can be achieved is an equal opportunity to thrive—which is a fundamental principle of a free and fair society.

A just and equitable society is not only a moral imperative, but as history has shown, it's also in the best interest of the whole. Creating equitable communities where we all have an equal and strong opportunity to thrive leads to an exponentially healthier more vibrant society. A nation that has a shared fate and shared interests has a strong social contract, resilience in the face of adversity, and creates significantly increased wealth, safety, health, and well-being for the vast majority of Americans.

We must pursue comprehensive, long term attitude and mindset shift initiatives to reframe Americans' mental models toward shared fate and equal opportunity.

As a nation, if we understand our shared fate, we will be much more motivated to create an equitable society, not only for the moral imperative, but because it is also in the self-interest of the population as a whole. This is the central argument for our transformational work.

PRE-COVID-19: FAILURE TO CREATE AN EQUITABLE ECONOMIC SYSTEM

Currently, wealthy and powerful interests benefit from our economic system while the vast majority of the population is vulnerable to economic shocks.

- 60 percent of Americans have $500 or less in the bank and are unable to withstand a crisis.
- Income and wealth disparities are the highest mark in a century.
- Net worth of African American families is $8 according to the Boston Federal Reserve.
- Life expectancy in low-income communities are 15+ years less than affluent ones.
- College enrollment rates for black students is 37 percent.
- 37 million Americans are food insecure.
- Housing crises exist across the country in low income communities.

COVID-19 has exacerbated the existing inequities with People of Color disproportionately bearing the economic and health burden and twice as likely to die from COVID-19.

Interventions to date have largely failed to achieve population impact and a more equitable society in economic and thriving measures (Cantril's). This failure is

a result of:

- Fragmented interventions implemented in silos and not getting to scale.
- A lack of systemic approaches that shift core societal structures and behaviors.
- Programs that try to mitigate symptoms or try to "fix" communities. These programs miss the primary cause of inequities, which are the systems that disadvantage these groups.

Our systems writ large do not work for low-income Americans. In fact, they are oppressive by actively making it more difficult for them to thrive, particularly those of color who experience systemic racism. This is not an issue of individuals making bad decisions and ending up poor while others make good decisions and do well. This is the result of multiple systems that govern how opportunity is afforded in America that work against 50 percent of Americans and primarily benefit the top 10-25 percent.

Unfortunately, there are few comprehensive systemic approaches being pursued to shift underlying systems. Systemic approaches require financing which they currently lack. Without a change in underlying systems that address root causes, our society will continue to primarily benefit only a few at the top. We must change our systems if we are going to succeed in achieving resilience and transformation toward an equitable society with equal opportunity.

EXISTING FINANCING SYSTEMS

Financing systems for those with wealth were working well prior and during COVID-19. The stock market and lending markets backstopped by the Federal Reserve continue to function effectively and to disproportionately benefit those in the top 10 percent of wealth.

Meanwhile, the financing systems that fund well-being for all and support the conditions for everyone to thrive are woefully ineffective. The aggregate assets of the 1,100 or so CDFIs whose mission is to invest and make loans in low income communities is about $200 billion, which is about 1 percent of the $18.3 trillion in assets held by FDIC insured banks and credit unions—a totally inadequate level of investment needed. Half of Americans are not invested in the stock market. The wealthy can self-finance high-quality health care and education, while poor communities cannot do so.

THE INVESTORS

This section identifies major investors in financing well-being and previews required systemic changes in mindsets, roles, and industries of the various players. To date, most "investors" have been either consciously or unconsciously supporting the existing inequitable system through their investments or have ignored investing in equitable well-being. Major shifts in how each player operates in society are needed in order to finance and achieve an equitable society where everyone has an equal opportunity to thrive. These shifts are further elaborated on later in this document.

GOVERNMENT

City, state, and federal governments fund in fragmented ways with fragmented measures and agencies working in silos. These agencies need to significantly increase their coordination and integration based on a shared set of agency goals and outcomes metrics.

The current tax and spending priorities of governments do not reflect the creation of an equal playing field to succeed. Before COVID-19, the safety net had been eroded—except expansion of Medicaid—and stimulus bills have not permanently increased funding for basic needs. The government is not prioritizing investments in the seven vital conditions—e.g. transportation and infrastructure bills have languished, almost zero direct support for housing, food programs are inadequate with 37 million Americans food insecure—and there is almost no support by the government for systemic change.

The overarching government notion that the marketplace, if left to its own devices, will create an equitable society has been proven wrong many times, and certainly over the last decade. That philosophy helps prop up a wider economic system that accrues financial benefits to those with power and wealth that gain from markets that are designed to make them even more powerful and wealthy while preventing equitable opportunity for all. A mindset shift that changes the philosophy that free markets alone will remedy inequities and changes attitudes about the limited role of government is *essential* to enable financing and outcomes of resilience and well-being for low income populations.

A massive prioritization of government funding for the

seven vital conditions that includes direct appropriations as well as incentives for private investment and co-investment with the private sector is required. This type of shift is possible. We have seen trillions in spending due to COVID-19 with more to come. It is ultimately a matter of stimulating public will (through communications campaigns etc.) that translates into political will and elected officials who support financing an equitable vision of society and the integral role of government as part of the financing solution.

The democratization of power so that there is a shift to community and local governance models where government resources are provided to local communities who are responsible for making decisions about how to improve their conditions is a key element in successfully financing well-being. Community decision-making requires collaboration with city and state leaders on state policies and information and measurement systems to make ongoing course corrections.

This shift will invigorate our democracy and help enable financing of well-being goals. It will create a different social contract between citizens and government that engages citizens in improving their communities, versus the primacy of individualized pursuits of wealth and prosperity. Social contracts are rooted in reciprocity and mutually beneficial relationships that over time sew bonds and relationships of trust that transcend self-interest and are critical for achieving well-being and for surviving over the long term as a unified prosperous nation and human experiment in freedom and justice.

BUSINESS AND FINANCE

The business and financial sectors are not investing for sustainable well-being, they are investing for return-on-investment (ROI). They are not prioritizing investments in major, socially beneficial initiatives such as economic development in low income communities that share returns with residents, or profit sharing with employees, or in educating our future workforce through scholarships for students and employees, or in affordable housing in the communities they work and sell in.

The public good initiatives they have pursued are often a reaction to pressures to mitigate the damage they are doing to the environment or obvious exploitation of workers. Worse, entire industries have emerged to prey on low and middle-income consumers through predatory lending and bogus education degrees, as just two examples. These predatory industries have been allowed to operate relatively unfettered.

Even responsible businesses do not come close to equally weighting social value and ROI. This is the key mindset shift that must take hold in the public, business, and financial sectors—that social value is equally important to financial returns. Short-term profits need to take a backseat to sustainable profits and social value creation. This mindset needs to be reinforced by regulations and incentives (tax breaks), consumer behaviors that shun companies that don't live these values, corporate governance and laws (such as eliminating the primacy of maximizing shareholder value). This would create a different social contract between companies and employees and consumers that helps drive well-being. A contract that would also financially benefit companies because more citizens will have more resources to fuel economic growth.

PHILANTHROPY

While it has far less resources than government and business, philanthropy is an important player given its flexible capital and ability to fund organizing efforts. Philanthropy's good intentions have failed to achieve much progress in the major measures of well-being. For institutional philanthropy, this is due to fragmented efforts, a model where collaboration is not the norm, decisions made by elites versus community-led, and very little support for systemic change initiatives. The few attempts to pursue multi-sector efforts are grossly underfunded.

A mindset shift in philanthropy that embraces collaboration as the norm, accountability to population level impact, democratizing of grantmaking, and taking system level approaches are necessary transformations for the field to successfully finance well-being at a population level.

Incentives can be put in place to spur this transformation, including tax incentives, public pressure through impact rankings (e.g. US News & World Report Rankings) and other means. Trustees are insulated with no major internal pressure to change from their current ways of working, so outside pressures will likely be necessary.

A unique contribution philanthropy can make is to fund infrastructure for system change approaches to be implemented and to build the field of systems change

in the social sector.. Recently, five foundations decided to borrow $1.7 billion to expand their giving during COVID-19. And yet, $1.7 billion is a fraction compared to government or private potential spending. However, if the $1.7B were used to fund systems change infrastructure, or systems initiatives, or organizing public pressure on business and government to transform, it could leverage enormous change.

The majority of individual donors do not contribute a significant amount of their net worth to philanthropy. This could be remedied through tax levies, incentives, and public pressure campaigns. However, remedies will need to extend to the use of funds, since most major gifts are loyalty donations to universities, diseases, or hospitals. There is little focus on equity, infrastructure, power sharing, or creating a just society.

Mega donors (mostly white males) pursue their efforts in silos and elitist decision-making, thus perpetuating the ineffectiveness of the philanthropy to bring about equitable change. They have shown almost no appetite in supporting systemic change that would disrupt the status quo that they have benefited so much from. Public pressure and mindset shift campaigns (and peer-to-peer efforts) that promote community involvement in mega donor grantmaking decisions (see Raikes Foundation) is a critical part of the philanthropic transformation process that would enable financing of well-being.

BIG IDEAS FOR SYSTEM CHANGE

This section focuses on big ideas that can start now, but take longer to achieve. The “big ideas” cover systemic shifts to meta-systems, including capitalism and the field of financing, that would need to change in order to finance well-being in any significant way.

SYSTEMIC CHANGE OF META-SYSTEMS: CAPITALISM, DEMOCRACY, AND RACISM

Central to successful financing of well-being in low-income communities is systemic change to the system of capitalism. This is a meta-system that has a high degree of impact on so many other facets of financing and society. However, capitalism is integrally tied to our democratic system and to racism. These other two meta-systems need to be transformed along with capitalism in order to achieve our goal of all people having an equal opportunity to thrive and for recommendations in this paper to succeed.

CAPITALISM

Capitalism is the meta-system within which the field of financing sits, and which essentially governs how the field of financing operates—from human behaviors and attitudes, to investment flows and actual rules and laws. Our current form of capitalism is designed to benefit a few at the top who control the means of capital and political power. The disparities in wealth and the economic fragility of two-thirds of Americans makes it painfully obvious that the system is not working for the majority of Americans. The goal is to restructure capitalism so that it creates equal opportunity for economic success for all Americans and more equitably distributed prosperity.

DEMOCRACY

Our democratic system must enable communities to be deeply involved in making improvements that affect them. We must facilitate grass roots and grass-tops leaders across sectors, as well as along political, economic, and racial divides to work together. Sharing more power with communities of color and low-income citizens is a must so that all feel they can contribute to bettering our society and their own local conditions. Democracies function effectively with all citizens contributing to the whole and a service mentality. This document does not elaborate on recommended changes to our democracy, however, this report is a useful resource on the subject.

RACISM

Racism, prejudice, and unconscious bias are all part of a systemically racist society that has not worked for People of Color. Without addressing these attitudes, we will not shift systems that oppress People of Color, including unjust financing laws and practices such as redlining, inhibiting voting by blacks, and violently racist law enforcement practices. Policies and programs will not be enough to transform our systems. Systemic racism in America needs to be addressed and dismantled to ensure all people have equal opportunity to thrive and have a sense of well-being.

Attitudes can shift, as seen in the aftermath of George Floyd’s killing, but transformation will require long term awareness efforts, training, desegregation, and a

broad movement that encompasses major changes in individuals, organizations and systems.

RESTRUCTURING CAPITALISM AND CAPITAL MARKETS

Specific near-term recommendations can help build momentum for systemic shifts in capitalism and result in recovery and, in some cases, more resilience for low income communities. However, to achieve well-being for all Americans, deeper changes to capitalism will need to occur that focus on how the system works. They encompass shifts in mindset, beliefs, and values and can be seen as falling under the "Inclusive Capitalism" movement. They include the following ideas.

ROOTING OUT SYSTEMIC RACISM IN FINANCING

A comprehensive effort is needed specifically to change attitudes and beliefs related to race in the financial sector. Financial leaders in government, starting at federal level, and in the national banking system, need a full examination and a plan to address racist attitudes that are systemic to the profession. A change in racial attitudes and beliefs enables transformative progress in changing racially inequitable laws, hiring practices, access to capital, etc. This document does not lay out recommendations for such an effort, but without it, systemic and racially inequitable practices, laws, and outcomes will persist in financing and everything that financing touches in society.

MAKING SOCIAL VALUE EQUAL TO SHAREHOLDER VALUE IN BUSINESS AND FINANCE

If maximizing profit and shareholder value continues to be the "a priori" in business and finance, we will never effectively finance resilience and broad-based well-being in low income communities. While this entails a value shift and intentional campaigns to change mindsets (including prioritizing sustainable profits versus quarterly profits), it can also be advanced through incentives and regulations and through the creation of intermediaries that align the interests of the corporate sector and those pursuing social impact.

It will entail shifts in corporate and securities laws that equally weight shareholder value and social impact. Use of tax incentives is viable to change behaviors and cultures, some of which are detailed in subsequent sections. However, tax incentives should be capped to enable sustainable profits but not enrich corporations. Tax penalties can be used as a regulatory tool.

The promotion of B-Corps[1] and for-benefit enterprises through tax incentives, preferential financing terms, marketing support, and other means should be undertaken as a key strategy to advance social value creation. If these types of corporations become the dominant model, the purpose of capitalism will be transformed.

DEMOCRATIZING WHO MAKES THE SYSTEMS LEVEL RULES

Diverse, representative bodies that have full representation by low-income communities should be a part of the decision making. Governance structure needs to be overhauled, including fundamental questions such as "who decides the role of banking institutions and how markets operate and to what end?" Currently, the decisions are made by elites who are biased toward the existing system where powerful interests reap the benefits. Why should banks be allowed to maximize profits, while communities of color remain in grinding poverty for generations? An analysis of the current rule making bodies should occur and then a plan for changing their governance structures implemented. The United States should take the lead on international efforts. Without changing the rules and roles of the system and who gains from it, at a governing meta-level all other interventions will be incremental.

SHIFTING POWER STRUCTURES AT A COMMUNITY LEVEL

Democratizing local investment decisions is necessary so that communities most affected are making investment allocation decisions versus financiers or policymakers. Who makes the rules? Who receives the capital? Who owns the assets and receives the ROI? Local-level democratization coupled with national systems democratization enables the benefits of finance and capitalism to accrue fairly to all citizens.

Cities and states should establish policies that invest rulemaking in community governing bodies that create vetting criteria and resource allocation decisions.

1 Certified B-Corps are a new kind of business that balances purpose and profit. They are legally required to consider the impacts of their decisions on their workers, customers, suppliers, community and the environment. There are now over 3,300 in 71 countries, mostly in the U.S. and Canada. see https://bcorporation.net/about-b-lab

Governing bodies consist of an equal number of cross-sector grass roots and grass-top leaders.

GLOBAL BUDGETING—SOCIETY'S ALLOCATION OF RESOURCES

In order to create well-being, society must invest in it at scale. Only implementing pinpointed incentives for certain industries—such as value-based payments in health—creates fragmentation and winners and losers based on who has the resources to influence the incentive rules. Instead a state-level "global budgeting" framework that allocates public resources based on shared well-being goals is needed. (The city of Santa Monica has recently employed this type of budgeting).

This approach allows sufficient investment in the seven vital conditions of health. State government controls major resources and can see value creation across industries, e.g. investment in early childhood generates savings years later in lower incarceration rates. Budgeting should use direct funding and incentives. A portion of incentive revenues should be returned to a community fund for community members to decide how to re-invest. While it will take time to transform to this type of approach, specific recommendations of how to get started are spelled out in subsequent sections of this document. The following is a description of a global budgeting approach.

> *"A global integrated payment and budgeting system at state level is one that shares payments based on global outcomes and standards. It has shared accountability to well-being goals by government agencies and across society. This includes testing alternative payment models across sectors as well as to individuals.*
>
> *The aim is to incentivize cross-sector collaboration, as well as incentivize services, products, and programs across the spectrum of social interventions that improve well-being; and to enable communities to be recipients of operating support and incentive payments so that they have the ability to re-invest capital in further advancing community well-being. The approach includes coordination and the blending and braiding of government agencies so that services can be delivered in integrated and complementary ways to achieve well-being goals, instead of the current siloed and fragmented government agency response."*

MAJOR PIVOTAL SHIFT: BUILD SYSTEMS CHANGE INFRASTRUCTURE

Pivotal shift recommendations have two categories: infrastructure to enable financing of systemic change for resilience and well-being; and specific 0-3 year financing recommendations for different components of well-being that align with the seven vital conditions. These recommendations have a focus on individual well-being and community well-being, which are integrally tied.

NATIONAL INFRASTRUCTURE

Infrastructure is needed to enable widespread systemic-change approaches—combined with coordinated, cross-sector local approaches—that lead to resilience and transformation. Our society currently lacks the capacity and capabilities to broadly engage in systemic change. Building and sharing our knowledge and practices, deploying effective technical assistance providers, creating collaborative infrastructure to engage multiple stakeholders, financial support for systems initiatives, and more are all needed infrastructure elements.

CREATE A CROSS-SECTOR SYSTEM CHANGE MEMBERSHIP FORUM

This is where public and philanthropic leaders can work together to build the capacity to engage in systems transformation. It would be a central field-building entity that can collaboratively establish standards, communications vehicles, knowledge venues, practice improvements, and financing for the spread of high-quality systems change initiatives at local, state, and federal level. Such a field building entity is currently being designed by industry leaders facilitated by the Social impact exchange.

CREATE OF A FEDERAL SYSTEMS FUND

This will provide annual appropriations for systems change organizations and specific initiatives. The fund can be modeled after the CDFI Fund or the Social Innovation Fund. The current CDFI Fund budget is $390 million which would be a sufficient first year allocation. All government awards can be matched by private grants. Sustainability plans should be an application requirement. Training and technical support would be a prerequisite as part of the contributed funds.

IMMEDIATELY FUND A COVID-19 SYSTEMS ANALYSIS AND MAPPING PROJECT

This is to determine the main points of system intervention to enable recovery, resilience, and transformation. The 4-month project would cost approximately $250,000.

BUILD LOCAL AND REGIONAL INFRASTRUCTURE

Cities need the capacity to organize networks of cross-sector players to develop comprehensive, equitable transformation plans for the well-being of all residents. This includes business, government, nonprofits, academia across issues of health, education, economic development, housing etc. The networks should include grassroots and grass-tops leaders working together to develop shared goals and plans for investing in the 7 vital conditions of health.

Attempts to build this type of collaborative network that pursues systemic changes have been underfunded and have consequently fallen short of their goals. Organizing these collaborative efforts is difficult, however, systemic transformation and resilience cannot occur without them. There are existing nascent efforts (e.g. ACOs in health) and successful precedents in economic revitalization plans, such as in Pittsburgh, that can be built upon. The central focus of these initiatives going forward should be on low-income communities. Without this type of targeted universalism for low-income communities of color, they will be left behind. A description of cross sector initiatives:

> *"Models that create deep and broad cross-sector collaboration through incentives and other means to systematically improve well-being; puts communities in the center of generating well-being with community organizations receiving payments and directing reinvestment to further advance community well-being; focuses on equity and closing well-being gaps; The aim is to enable collaboration across-sectors and across political, economic and racial groups, and enable systems change and broader implementation of policies, products, programs and services across the spectrum of interventions that improve well-being and empowers communities."*

CONDUCT A FEDERAL AWARD CONTEST

Offer a minimum of $500 million to each of ten states that put together the best plans for a comprehensive, cross-sector transformation initiative for resilience and well-being in at least three of the state's cities. This can be modeled based on the successful Race to the Top contest in education which emphasized application backed by an array of cross-sector leaders across the political, business, and nonprofit sectors. Race to the Top was a $4.35 billion appropriation with most states receiving $500 million or more. Even cities that did not win were so committed to their plans that they pursued them anyway. States that meet 3-year milestones should receive additional funding. Private capital should be required as a match. Communities must be the leading voices in determining the plans. Such a contest will spur the type of demonstrations that are comprehensive enough to succeed in transformation.

LOCAL AND REGIONAL ECONOMIC DEVELOPMENT PLANS THAT CENTER EQUITY

Local and regional economies have a major impact on recovery, resilience, and the financing of well-being. If local economies are sputtering, it is extremely difficult to generate well-being. Cities and regions should be supported by the state and federal government to develop and implement equitable local economic revitalization plans with a focus on low-income communities. Banks, financial institutions, business, academia, and community groups should all be involved by government spearheaded efforts. Without the specific focus on vulnerable communities, the plans will bypass the lowest income communities, often communities of color.

MAJOR PIVOTAL SHIFT: BUILD INDIVIDUAL AND COMMUNITY WEALTH

Family economic success is a critical driver of health and well-being. Community wealth is integrally tied to individual wealth and enables investments in many vital conditions that are so important to well-being. That is why this section's recommendations focus on building community and individual wealth and includes recommendations for specific issues that map to the seven vital conditions, such as housing and health.

OWNERSHIP

Alternative ownership models that share profits equitably among workers and residents builds both individual and community wealth. These models go beyond traditional ownership models. There must be a prioritization of

investments by the government and the private sector in spreading shared ownership models. Financing includes start-up capital, low-interest loans, and other favorable tax and regulatory treatment. The following ownership models can be immediately scaled for enormous benefit to low income workers and residents.

COMMUNITY LAND TRUSTS

Community Land Trust (CLTs) are a vehicle in which the underlying land is owned by a mission-driven entity, usually a nonprofit, whereas the buildings on the land are owned or leased by residents. CLTs are used very effectively to protect against displacement, especially where land values are rising quickly. CLTs have the explicit goal of promoting affordable housing and contain legal provisions governing ownership and transfer to keep units affordable in perpetuity.

This dual ownership model, which separates the cost of the land from the cost of the buildings, makes ownership more accessible to low- and moderate-income families. Homeownership through a CLT can also be more stable, because the strict formulas trusts use to calculate the permissible resale value of their houses effectively remove the properties from the speculative gyrations of the real estate market. There are currently about 225 of them in the US.

COOPERATIVE BUSINESSES

Worker and producer cooperatives can be scaled by providing start-up capital, technical assistance, convertible equity investments, and low interest loans through community banks, social purpose investment funds, and government entities.

Worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. In contrast to traditional companies, workers at worker cooperatives participate in the profits, oversight, and often management of the organization using democratic practices. Workers own the majority of the equity in the business and control the voting shares. There are 465 known workers cooperatives in the United States, employing approximately 6,500 people and generating over $505 million in annual revenues (2019 data). The majority are small businesses, (5-50 workers, with a few notable larger enterprises of 150 and 500 workers). Producer cooperatives, primarily farmers, is another successful type of business cooperative.

The model has proven to be an effective tool for creating and maintaining sustainable jobs; generating wealth; improving the quality of life of workers; and promoting community economic development, particularly for people who lack access to ownership and sustainable work options. According to United for a Fair Economy: "*One of the main barriers to business ownership for People of Color is access to start-up capital…[Worker cooperatives make] business ownership more accessible.*" (Source: State of the Dream 2013).[2]

Unlike every other kind of business development in the United States, urban cooperatives have no funding and no home in American domestic policy. Neither the SBA, SBDCs, USDA nor Cooperative Extensions are funded to provide start-up resources for urban cooperatives. However, there is a bi-partisan *Congressional Cooperative Business Council* that helps advance a cooperative friendly legislative agenda at the federal level.

PUBLIC BANKS

Use federal appropriations to finance the proliferation of public banks. A public bank is owned by the government. Its profits go back to the government and can be used to invest in a variety of social services. Profits can also go into Community Funds, where communities determine how they are reinvested. There is currently one in the United States, the Bank of North Dakota (BND-$4B lending portfolio) which has demonstrated numerous social benefits of the public banking model.[3] California is exploring establishing them. In late 2019, California

2 By placing workers' needs before investors' profits, successful worker cooperatives democratize wealth rather than concentrating it. Through sharing risk, cooperatives make business ownership possible for entrepreneurs of all backgrounds. They build skills and participation in the workforce. Shared ownership can even be a means of preserving small businesses and saving good jobs when owners retire. At a worker cooperative, profits do not go to distant investors, but instead go directly to the workers. As a result, the money stays grounded in the local economy, building community wealth. Jobs at worker cooperatives tend to be longer-term, offer extensive skills training, and provide better wages than similar jobs in conventional companies. More than half of worker cooperatives in the U.S. were designed to improve low-wage jobs and build wealth in communities most directly affected by inequality, helping vulnerable workers build skills and earning potential, household income and assets.

3 Bank of North Dakota has generated almost $1 billion in profit. Nearly $400 million has been transferred into the state's general fund, to support education and other services. A public bank lends in partnership with community banks to strengthen them and increase their loans. Thanks in large part to BND, community banks are much more numerous in North Dakota than in other states. ND has nearly six times as many local financial institutions per person as the country overall. By helping to sustain a large number of local banks and credit unions, BND has strengthened

passed AB 857, the Public Banking Act, which allows local governments to start public banks. The East Bay region, San Francisco, the Central Coast, and Los Angeles are working to establish public banks, while the California Recovery Task Force is considering the conversion of the state's Infrastructure Bank from a revolving loan fund into a depository bank.

The Public Banking Institute and the newly formed National Public Banking Alliance are concentrating efforts on Congressional public banking legislation, and on other local efforts in 8 states and 16 cities. This legislation should be supported and passed.

COMMUNITY INVESTMENT TRUSTS (CIT)

Access to ownership in neighborhoods is a missing link in efforts to democratize strategies that foster inclusive wealth building. The Community Investment Trust (CIT) is a new approach to achieve this. The successful demonstration in Portland was designed to remove barriers to financial inclusion and provide a low-dollar investment opportunity in commercial property to local residents. The pilot in Portland's most diverse and high poverty neighborhood, enabled economically marginalized residents to invest and build long-term equity through shared ownership in a commercial retail strip mall for residents in four zip codes. Residents also receive training in goal setting, budgeting and investing.[4] CITs should be spread through grants and loans from foundations, federal state and local government, community banks and special low interest loans from the Federal Reserve.

COMMUNITY WEALTH

Low-income communities possess a wealth of assets that can be built on to create regenerative wealth capacity. To succeed in building wealth, it is critical to work collaboratively with community leaders and allow residents to lead the efforts. Three types of recommendations are offered to build community wealth that go hand-in-hand with infrastructure proposals earlier in the document.

- Increase the flow of affordable capital from the government (grants, loans, equity).
- Provide incentives for the private sector to invest in low income communities.
- Strengthen regulations to direct equitable investments by businesses & financial institutions.

INCREASE THE FLOW OF CAPITAL TO LOW INCOME COMMUNITIES

CDFIs should be considered "first responders" to address the need for capital in underserved communities, given their track record and the trust that these communities have in these institutions. They are highly underfunded compared to the need and require significant increase in funds by the federal government. Currently about 1,200 CDFIs total $200 billion in assets which is about 1 percent of total FDIC insured banks that total $18 trillion in assets. The CDFI Fund budget should triple in 2020 from $390 million in 2019 and CDFI assets should increase to $1 trillion over eight years.

FUND $1 BILLION ANNUALLY FOR EQUITY INVESTMENTS IN THE CDFI FUND

North Dakota's economy, enabled small businesses and farms to grow, and spurred job creation in the state. BND also has direct access to the Federal Reserve, which provides liquidity at a low rate, enabling them to target geographic and service areas overlooked by existing markets. BND functions as a kind of mini Federal Reserve. It clears checks for both banks and credit unions, provides coin and currency, and maintains an Automated Clearing House. It assists local banks with short-term liquidity needs and has a daily volume of over $300 million. One of its explicit goals is to expand local ownership of banks and increase their capitalization. To this end, the bank has a bank stock loan program, which provides loans to finance the purchase of bank stock by North Dakota residents. BND also enables local banks to take deposits and manage funds for municipal and county governments. This gives local banks an additional source of deposits and benefits residents by ensuring that their city and county funds are held locally rather than turned over to Wall Street banks. Student loans are the only direct to consumer lending BND does. BND offers some of the lowest student loan rates in the country.

4 The Portland CIT was created using philanthropic capital as well as patient capital from an impact investor to create a novel financial product for community ownership. Residents invest as little as $10 to $100 per month buying shares in a C-Corporation and paying back the down payment on the property, which had been provided by Mercy Corps and the impact investors. The resident investors, who are mostly renters, women, People of Color, and refugees and immigrants receive dividends annually, and long-term share price appreciation based on the mortgage reduction and change in the property's value. Their investment is protected from loss through a letter of credit from the bank that provided the mortgage, which also allows investors to exit any time without risk of losing the value of their shares. In 30 months since the launch, the CIT has delivered three rounds of dividends averaging 9.3 percent to over 160 families to-date (with 300-500 families anticipated), and a share price gain from $10/share to $15.86/share. For low-income investors that do not get access to traditional investment opportunities, this is significant: Investors renew their investment at a new share price annually at a 98 percent rate, and ownership activates their voice - 68 percent report that they are voting and becoming more active in their neighborhood because they are owners. The retail and non-profit tenants in the building report greater business and visibility from having their neighbors own the building.

Make annual the $1 billion in emergency grant funding by the Department of Treasury's CDFI Fund included in the recently passed HEROES Act. Investments at this scale are needed to enable CDFIs to address the serious economic challenges facing our communities and fill the gaps left by the PPP.

GIVE ACCESS TO FEDERAL RESERVE LENDING FACILITIES

The minimum loan size and terms of the $600 billion Main Street Lending Facility is a poor fit for CDFIs and their portfolios. The Federal Reserve should create a CDFI lending facility to ease liquidity challenges preventing CDFIs from doing more to meet the needs of low-wealth markets. There is a critical need to address the impact of the crisis on the balance sheets of CDFI microenterprise and small business lenders; if we don't do this, we will lose many of those CDFIs, with the greatest impacts on those serving and led by People of Color. Having the Federal Reserve purchase restructured pre-COVID-19 loans is the most direct way to address this issue; it will have to take losses to do this and that's where the Treasury backstop comes in. It also provides debt relief to borrowers and can be positioned as saving businesses rather than taking losses.

In addition, the Federal Reserve can lend deeply subordinated, long-term debt to CDFIs by purchasing the equivalent of "Equity Equivalent Loans" to provide needed liquidity to all CDFIs and asset classes. It will help less-affected lenders weather the crisis and be able to deal with the economic consequences of the pandemic in LMI communities over the long term.

The Fed is taking many extraordinary measures to support the capital markets and corporations, including buying individual corporate bonds for the first time ever. It is unjust for them not to also take extraordinary measures to support lending and investment in low income communities. The Fed's new lending facility should extend to all nonprofits at highly preferential terms, not just CDFIs. Recent news articles suggest the Fed is exploring this option.

- ***Lift the moratorium on new Community Advantage lenders for CDFIs***
  Community Advantage is an SBA loan program designed explicitly to meet the credit, management, and technical assistance needs of small businesses in underserved markets. It offers unprecedented access to scale by enabling mission-based lenders to access to 7(a) loan guarantees as high as 85 percent for loans up to $250,000. Given the economic and financial uncertainties ahead, this guarantee authority will enable CDFIs to direct their services to low-income and communities of color—communities not well served by traditional financial institutions. SBA should lift the moratorium on new Community Advantage lenders to allow additional CDFI participation and expedite the approval process to onboard new lenders. There is an existing pipeline of lenders who can help these funds reach communities that need it most.

- ***Create funds of funds***
  This will enable CDFIs to sell their current loans to a secondary market and make new loans. The Fed can backstop the funds of funds and provide low interest loans, or directly buy loans from CDFIs. In both cases it will reduce risk and lower rates.

- ***Open the Federal Reserve window***
  Give CDFIs permanent access.

- ***Modernize CDFIs***
  Provide federal grants through the Treasury Department to modernize CDFIs through improved use of technology platforms.

ENGAGE LARGE PRIVATE SOURCES OF CAPITAL

It is imperative to involve large capital holders such as pension funds and insurers in investing in low-income communities. These entities' assets dwarf those of CDFIs. Tax incentives and CRA-type regulatory strategies can be used to catalyze their engagement. Additional recommendations include:

- Expand the field of Social Purpose Investment Funds. Support the increase the number of non-CDFI social purpose ("mission-first") investment funds and intermediaries that are able to invest more flexibly than CDFIs in low income communities. These funds can be given preferential loan rates by the Fed, and tax incentives for investors to invest.
- Create Federal Reserve supported funds of funds for social purpose funds, so that pension funds and insurers can make minimum investment of $50 million+.

- Support local governments with TA to market tax enhanced Opportunity Zones to secure investment from pensions funds and insurers and achieve high ROI for their communities.

USE THE TAX CODE TO FURTHER INVOLVE CORPORATIONS IN INVESTING IN LOW-INCOME COMMUNITIES

Higher baseline tax rates can be created for corporations while simultaneously offering tax breaks for community investment. Corporations can increase after tax net profits through investments in creating low income community wealth. Strict rules on community residents receiving a significant portion of the ROI are needed so that the financial industry players or corporations do not reap the lion's share of the returns. Sellable tax credits can be used to create a secondary market such as used in affordable housing. However, there should be a limit on the returns available using tax breaks and tax credits so that companies cannot enrich themselves through community investments and are paying a fair share of taxes.

USE TECHNOLOGY PLATFORMS TO DEMOCRATIZE ACCESS TO PHILANTHROPIC FUNDING AT SCALE

Today's philanthropic marketplace operates in a way that mirrors the racial and wealth inequalities in our nation with few efficient distribution channels for grant capital that are not primarily relationship driven. Now that the use of technology has been proven in countless "crowd sourcing" efforts, it is time to deploy similar platforms dedicated to more sophisticated and long-term sources of capital. The design of a philanthropic platform will focus on reducing barriers to entry and democratize access to capital for impact organizations. It must offer value propositions to both sides—providing necessary due diligence to funders on grantees while also holding funders accountable for providing funds with flexible terms and timely payments.

DESIGN FINANCIAL TOOLS, SUCH AS GUARANTEES, TO ALIGN CORPORATE INVESTMENTS WITH IMPACT ORGANIZATIONS IN THEIR COMMUNITIES

The federal government has long used guarantees to create vibrant and productive financial markets for housing and small business. When well crafted, these guarantees have engaged the private sector and consumers in transactions that would have been impossible without the government's credit enhancement, producing highly positive economic returns.

More recently, foundations and donors are testing new ways to use guarantees to motivate both public and private entities to invest in ventures and initiatives that generate both financial and social returns. For example, the Kresge Foundation launched the Community Investment Guarantee Pool (CIGP) as a new, national financing tool for intermediaries participating in affordable housing, small business and climate lending with $33 million and plans to leverage $150 million in investments. In Dallas, Texas, the Good Returns' Cycle program uses capital to encourage private companies to invest in social impact by offering guarantees that lower risk and encourage repayment. The use of guarantees should be scaled up. For example, the Fed should guarantee a variety of lending vehicles in low income communities, which would reduce risk and interest rates.

EMERGENCY CHARITY STIMULUS PROPOSAL: CHANGE TAX LAW TO INCREASE THE DISTRIBUTION FROM PRIVATE FOUNDATIONS AND MANDATE MINIMUM PAYOUTS FROM DONOR ADVISED FUNDS (DAFS)

The tax system has enabled philanthropy to hoard charitable dollars in tax-advantaged foundations that remain under private control and are required to distribute just 5 percent of their assets annually— or, increasingly, in even more tax-advantaged Donor Advised Funds under no minimum distribution requirement whatsoever. A proposal for an Emergency Charity Stimulus is calling on Congress to require increasing the payout from 5 percent to 10 percent for three years, and to apply that to DAFs as well. This simple change would leverage some $200 billion for working charities, with the funds going directly into communities instead of staying on the sidelines. The proposal appeals to both progressive and conservative political leaders and new polling shows that it would have very strong public support.[5]

REFORM THE COMMUNITY REINVESTMENT ACT (CRA)

It is essential that this country supports an effective, well-enforced Community Reinvestment Act that recognizes and adapts its policies to a rapidly changing financial services industry. The fundamental purpose of CRA is to

5 Scott Wallace, "How to trigger $200 billion in coronavirus aid at no cost to taxpayers: Tap foundations," USA Today, May 4, 2020. https://www.usatoday.com/story/opinion/2020/05/04/coronavirus-double-foundation-giving-requirement-for-3-years-column/3042968001/ Polling: https://inequality.org/great-divide/ipsos-emergency-charity-stimulus-poll/

provide regulatory guidance and incentives to ensure that banks provide appropriate access to capital and credit to low- and moderate-income (LMI) people and places. It is also strongly encouraged that all three bank regulators—the OCC, FDIC and Federal Reserve—proceed together, so that the entire financial system is coordinated and aligned on the system, rather than fragmented, as currently is the case with OCC proceeding on its own. The CRA act needs to be significantly strengthened. Current proposals by the government do the opposite. Given the extraordinary impact of CRA on providing capital to low-income communities—an amount rivaled by no other source of capital—it is essential that all movement on changing CRA be postponed until we are truly in the recovery phase from the pandemic and all three regulators can pursue these changes together.

INDIVIDUAL WEALTH

The definition of financial well-being (CFPB)—created by consumers. A person:

- Has control over day-to-day and month-to-month finances.
- Has the capacity to absorb a financial shock.
- Is on track to meet his or her financial goals.
- Has the financial freedom to make the choices that allow one to enjoy life.

To build individual wealth in low to middle-income populations, it is necessary to progress from basic needs to resilience to thriving. For the vast majority of low-income individuals to progress along this continuum requires establishing the civic infrastructure that provides a spectrum of support based on an individuals or family's needs. The progression may start with basic needs and then attachment to a livable wage job and then career development from which individuals can build income and then acquire assets with their savings. The infrastructure should adopt a human centered design and provide integrated supports because families have concurrent needs that require coordination. This includes state agencies coordinating and integrating their departments and local, cross-sector delivery networks in cities that are designed with strong community input.

INCREASE FUNDING FOR VITA COMMUNITY TAX PREP SITES

Community tax preparation centers, many of which are funded through the Volunteer Income Tax Assistance (VITA) program, deliver the highest quality tax preparation services in the nation to low- and moderate-income clients. VITA has generated a huge amount of Earned Income Tax Credit reimbursement to families. In many communities, these trusted organizations also provide valuable and complementary services ranging from access to bank accounts to voter registration. Provide an additional $12 million for VITA in 2020 and a much larger annual increase in subsequent years. This is a low cost, highly leveraged investment in building individual wealth.

FINANCE BASIC NEEDS

Below are recommendations for how to finance key aspects of the support that individuals need to build wealth along the progression of needs. A number of them require government appropriations. Many are also conducive to Pay-For-Success arrangements as an important financing approach. Success of PFS initiatives can then lead to larger government appropriations that not only result in positive impact outcomes but also financial returns to the government in savings or higher tax revenue. Currently federal support for PFS comes from SIPPRA. A recommendation is to triple SIPPRA funding in 2020 and convene a task force of industry and community leaders to recommend design improvements over the next 6 months.

FINANCING FOOD

Pre-COVID-19, about 35-40 million Americans were food insecure, 11 to 12 percent of the population.[6] 43 million Americans were receiving SNAP benefits, the main source of food aid. This is estimated to have risen by 40 percent during COVID-19 according to the USDA. SNAP and other food and nutrition programs have been unable to keep up with the food needs of low-income citizens, even pre-COVID-19

In 2020, it is recommended that there be a permanent increase in federal food appropriations through SNAP and a half dozen additional food and nutrition programs (such as school breakfast and lunch) by 50 percent from $100 billion to $150 billion to ensure no Americans are food insecure. The appropriations are done through The Farm Bill. For a list of food and nutrition programs that should be supported look here. TANF funding should also be significantly increased during the Pandemic.

6 Food insecure is defined as at times during the year, the food intake of household members is reduced and their normal eating patterns are disrupted because the household lacks money and other resources for food. – USDA).

FINANCING HOUSING

The gap between the supply of affordable housing and demand is 3.6 million units (National Low Income Housing Coalition). A commitment by local and state government and other leaders is necessary to adopt a set of shared goals that seeks to eradicate the shortage of safe, affordable (40 percent or less of income) housing. Specific financing recommendations include:

- The federal government should provide significant direct funding to build safe, affordable, enriched housing. Reliance primarily on tax credits to spur private sector home building has failed to meet the need. Tax credits as currently structured do not cover the cost of building housing. Affordable housing requires cobbling together other financing streams which is in itself costly and complex and requires intermediaries.
- The mechanism for building housing with tax credits creates an industry where financiers and developers are demanding market rate returns e.g. 18 percent. Regulations are needed that cap return rates at 5-6 percent and require a certain number of units from developers and financiers (e.g. through tougher CRA provisions). The Federal Reserve can also provide low interest loans and guarantees to reduce risk and lower required rates of return
- Reduce cost of building affordable housing by having state and local government purchasing and holding land with federal assistance (land is a major cost driver), local zoning that prohibits single family units, and establishing universal housing codes.
- Regulatory recommendations:
  - Require a certain amount of affordable housing for each commercial rate unit.
  - Require mixed income housing so that higher rent units subsidize lower rent units
- Support renovation of aging home stock so it does not disappear. Foundation funded wrap around services can enhance the value enough to make the renovation viable financially.
- Triple government support for rental assistance (section 8 vouchers)
- Use Community Land Trusts and agreements with employers to prevent displacement
- Create renter's insurance through payroll taxes to have funds available for those who fall behind on rent and become at risk of eviction
- State and local governments can create Rent Resilience Funds to cover rent for those who require assistance during economic downturns.
- Mandate large corporations provide subsidized housing for employees below a certain income

FINANCING HEALTH

The financing system for health—including health care and upstream social determinants of health—is broken. Costs are spiraling and are the highest in the world, while population level outcomes are worse than other western countries.

The main systemic recommendation to transform health financing is to create the Global Budgeting model where the government allocates resources based on well-being. This emphasizes upstream social determinants of health and prevention over the life course. Other recommendations include:

- Significantly accelerate the transition to value-based payment for organizations and communities (ACOs). Create much stronger penalties and rewards to ensure comprehensive transition. Ensure community based social care orgs receive a portion of shared savings from VBP payments.
- Include a public option health plan in current ACA to reduce costs.
- Test the single payer model in 1-2 states.
- Spread Medicaid expansion to all 50 states.
- Increase taxes on tobacco and caloric drinks, and use revenues to subsidize healthy food.
- Hire tens of thousands of contact tracers to reduce the spread of COVID-19 and add needed jobs.
- Regulate profit maximizer players in the health industry such as pharmaceuticals.

FINANCING LIVABLE WAGE JOBS

Provide federal support to expand Family Success Center models and Student Success Centers as one stop shops for family services, job training, access to benefits and financial coaching. Focus a set of public and private interventions on improving and protecting credit scores of

low- income individuals. Credit scores have a huge impact on employment and future ability to borrow and acquire assets. Revitalizing the Consumer Financial Protection Bureau (CFPB) is probably the most important strategy to protect credit scores. End "cliff effect" laws that stop government aid all at once when income reaches a certain level

FINANCING EDUCATION

A good education is key to generating sufficient income and economic stability. Black individuals who complete a four-year college education have a median income that is near parity with similarly educated white individuals. And yet, education financing is inherently inequitable in America because public education is primarily funded through property taxes.

The following are equitable education financing recommendations that support a strong opportunity to thrive in life for all Americans.

- Fund early childhood healthy development (0-3)—food, housing health care, including significant expansion of evidence-based intensive nurse visitation programs and ACEs screening.
- Establish universal pre-K and universal 3 year-old school/care nationally, including breakfast & lunch.
- Appropriate additional K-12 funding in each state for low-income students to level the playing field with more affluent districts that provide more funding through property tax.
    - Draw bigger district lines in order to aggregate more students in districts.
    - Give financial incentives to top teachers to teach in most difficult schools.
    - Close the digital divide for low-income youth with public schools/corporate collaboration.
- Offer free college tuition.
    - Government pays for community college or state college based on a means test (e.g. family of 4 income under $125K). Support ancillary costs as well e.g., food transport, etc.
    - Private colleges with large endowments pay for the scholarships
    - Corporate sector contributes significantly to state scholarship funds—perhaps 5 percent of the tax breaks they receive. Required contributions could be enacted in legislation modeled after the Community Reinvestment Act for banks.
- Reimburse tuition in return for a service year Americorps model.
- Reduce student loan debt by creating a limit of 2.5 percent for all student loans; refinance all of them at currently low rates. Package into bonds and have the Federal Reserve purchase the bonds.
- Dismantle predatory lenders and fraudulent online institutions with new laws and enforcement.
- Significantly expand Title 1 funding which was only 15.9 billion in 2019 amounting to about $500-$600 per child. Include in additional Title 1 appropriations funding for programs that address the school to prison pipeline phenomenon, an overt example of systemic racism.

MAJOR PIVOTAL SHIFT: ACQUIRING AND PROTECTING WEALTH

ACQUIRING WEALTH THROUGH INVESTMENTS

Create new products to broaden stock and other forms of equity ownership

The United States already has a market that has driven the greatest increase in wealth in human history along with the most profound levels of wealth inequality this nation has ever seen—the stock market. The basic tool is "share ownership"—which is a vehicle for companies to raise capital and for individuals to build wealth. Will Goetzmann, Professor of Finance and Management Studies at the Yale School of Management, offers two powerful ideas to achieve this:

- Create a government program that offers loans to people willing to make long-term investments into a diversified equity portfolio. This type of capital could be seen as a parallel to how the government provides the credit enhancement necessary to operate the long-term home mortgage marketplace. The government could lend 50 percent of the necessary investment to households willing to hold their investments for 10 years or more. Historical rates of return would make this a winning investment.
- Apply the lessons of behavioral economics to

"nudge" people to invest part of their retirement savings in equity. The use of "opt-out" mechanisms to increase the rate of employees saving for retirement has been one of the great successes of household finance. We have not been as successful in providing the coaching or structures to encourage these savers to invest in ways that will produce the highest returns in the long-term. One powerful idea is to permit companies to replace cash, mileage or other loyalty rewards for purchases with "equity rewards" that automate the ability to purchase shares of stock. Not only would these purchases promote loyalty, but it is a direct way to demystify stock purchases and make this a "default investment."

Expand use of Employee Stock Option Plans and Profit sharing by corporations

HOME OWNERSHIP PROGRAMS TO BUILD WEALTH

Scale matched savings program to fund down payments and closing costs

Matched savings programs, formally known as Individual Development Account (IDA) programs, are special savings accounts that match the savings deposited by the account holder. Programs generally provide a dollar for dollar match, or more, depending on the program's guidelines and funding sources. IDAs are one of the most effective products to help low-income households save-up for one of the biggest barriers to homeownership: the down payment. IDA programs for homeownership combine two core elements—funding to match the savings of the aspiring homeowner ranging from 1:1 to 5:1, and customized financial coaching or training to prepare for and succeed at homeownership.[7]

Standardize "mortgage reserve accounts" to build emergency savings to make mortgage payments in a crisis

For most households in the United States, buying a home is the largest purchase in their lives. Given that most homeowners finance their home purchase with a mortgage, buying a home is also one of their largest sources of debt, presenting significant risk. Prosperity Now conducted a two-year pilot beginning in 2017 to incentivize saving for emergencies by providing $200 in matched savings through mortgage reserve accounts (MRA). They worked with two housing organizations to serve over 300 homeowners finding:

- Nearly 90 percent of the homeowners began or maintained savings.
- 40 percent of homeowners who accessed their savings used them pay their mortgage.

These findings show that low to moderate-income families who recently purchased a home are willing to save, and the importance of that savings to potentially stave off mortgage defaults and home foreclosure. We should work with national mortgage lenders to design and implement a standard mortgage reserve "opt-out" feature for all new homeowners.

INVEST AND LAUNCH UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS

US Senator Cory Booker (D-NJ introduced a bill to create American Opportunity Accounts, or "baby bonds," as a powerful strategy for closing the racial wealth gap. This legislation builds on the twenty-year legacy of children's savings programs, now operating in over 40 states throughout the United States, starting at birth, kindergarten or other key time periods in the lives of children and young adults.

The Baby Bonds proposal is designed with an explicit focus on addressing the racial wealth divide to provide public funding to every newborn, with babies born into low-wealth families receiving significantly more than babies born into wealthier families. This bill would provide every newborn would receive an initial investment of $1,000. Each year following the family's annual income would be the basis for the sliding scale to determine the amount of each annual contribution to the child's endowment. The American Opportunity Accounts would be held by the US Treasury Department until the child becomes a young adult. At that point, the young adult could use the endowment to invest in an asset, such as education or a home. The goal would also be to integrate age-appropriate financial education throughout the child's

7 For example, program operators in Oregon report that homeowners who have purchased a home through their IDA savings programs experience a myriad of long-term benefits. A year after graduating from the IDA program, 71 percent of savers report that they are using a budget and are confident in balancing expenses with income. Homeowners are keeping up with their mortgages—98 percent report they have not missed a monthly payment. 59 percent report using automatic savings to continue the habit of saving to build assets. Given the homeownership is still the primary way that Americans build wealth, scaling a national homeownership IDA initiative would not only address wealth inequality, but help community members create financial resilience and build assets, even after purchasing their homes.

education to build financial capability along with these assets in support of financial security and greater racial wealth equality.

PROTECTING WEALTH

Reinvigorating and updating the CFPB to its purpose

The Consumer Financial Protection Bureau is one of the greatest policy achievements of the Dodd-Frank Financial Reform Act of 2010. Between 2010-2017, the agency brought the regulatory, research, and consumer education activities of the federal government in line with the dramatic changes in the financial services industry over the past two decades. During this same time, the agency returned over $12 billion to consumers who were the victims of predatory and illegal financial practices. It served as the moral center for the rapidly growing "fintech" marketplace where the rules were few and the opportunities to exploit consumers high.

It is crucial to restore the CFPB to its original mission to pursue the crucial work of making the financial markets a fair and safe place for Americans to operate their financial lives. Perhaps the most urgent task is to renew their effort to regulate payday lending, a task to which the CFPB devoted years of research before issuing rules to prevent borrowers from falling into the trap of spiraling debt, as four out of five payday loans are usually rolled over or re-borrowed. The rule brought to this industry the lending standard that has worked so well (when enforced) in the mortgage markets: lenders must document a reasonable ability to repay by the borrower before issuing a loan for it not to be classified as "an unfair and abusive practice." It is leadership like this that is even more urgent in our COVID-19 moment when financial insecurity is at an all-time high among the communities that need access to capital the most.

Regulate fines and fees

San Francisco was the first city and county in the nation to create a Financial Justice Project to assess and reform how fees and fines impact the city's low-income residents and communities of color. Fines, fees, and financial penalties can trap low-income residents in poverty and increase racial and financial inequality and mass incarceration. Recently, they launched "Cities & Counties for Fine and Fee Justice" with PolicyLink and The Fines and Fees Justice Center to expand this work to 10 additional communities who are testing new ways to reduce the use of fines and fees as a means to a more just and inclusive economy. This expansion to 10 cities should be funded by philanthropy and then scaled by the government throughout the country if proven effective.