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U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

November 17th, 2022

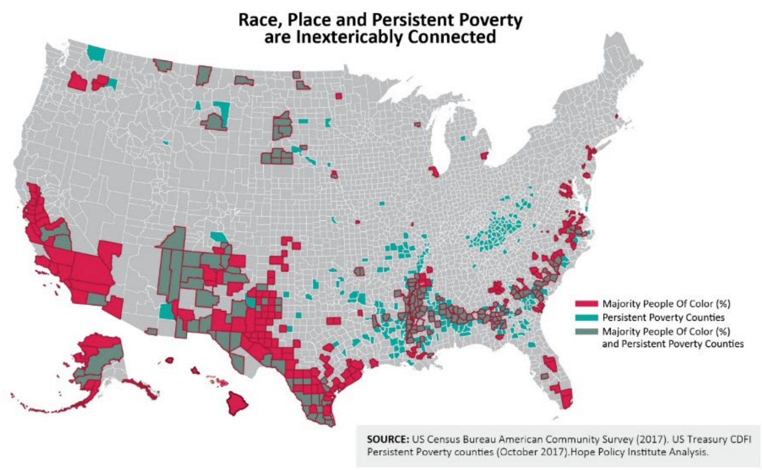
ATTN: Subcommittee on Housing, Community Development, and Insurance
Re: Persistent Poverty in America: Addressing Chronic Disinvestment in Colonias, the Southern Black Belt, and U.S. Territories.

Dear Committee Members:

Driven by a vision of a future where persistent poverty no longer exists in our nation, six CDFIs located in and serving regions with a high prevalence of persistent poverty came together to advance that shared vision by creating Partners for Rural Transformation (PRT), the CDFIs, come dream | come build (cdcb), Communities Unlimited (CU), Fahe, Oweesta Corporation (Oweesta), Hope Enterprise Corporation and Hope Credit Union (HOPE), and Rural Community Assistance Corporation (RCAC), represent three quarters of the nation's persistent poverty counties and have records of accomplishment spanning multiple decades. With a shared ethos of investing in both people and place and informed by the voices of local people, the organizations seek to unify around diverse opportunities in communities of Native people, Latinx individuals, and rural white and black residents in a time of great division in our nation.

PRT thanks you for the opportunity to provide written testimony on the causes of persistent poverty and leverage our decades of experience in this field to speak to how best address chronic disinvestment and the obstacles to wealth building in our region.

First, it is important to understand that persistent poverty is a choice of public policy. It is neither accidental nor incidental. Nowhere else in the United States is the structural exclusion by race and place more self–evident than in persistent poverty America. On its face, persistent poverty is a measure used to describe counties and parishes where the poverty rate has eclipsed 20% for at least three decades in a row. A closer examination of the population of residents living in the counties, however, paints a picture that is steadfastly rural and marred by racial inequity. Of the 395 persistent poverty counties, eight out of ten are nonmetro and the majority (60%) of people living in persistent poverty counties are people of color. Often, in regions of persistent poverty, other forms of distress are also present – high unemployment, a lack of access to banking services, a paucity of quality affordable housing and safe drinking water – all of which contribute to higher rates of premature death and lower health outcomes:



- 86% of persistent poverty counties have unemployment rates in excess of the national average;
- Three-quarters of the 158 counties nationwide that have household unbanked/underbanked rates at 1.5 times the national average are persistent poverty counties;
- Eighty-one percent (81%) of persistent poverty counties are in the bottom quartile of counties in terms of health outcomes;
- Of the 395 persistent poverty counties, a "health related drinking violation" occurred in approximately 42% of the counties – nearly five percentage points higher than the rate nationally.

Persistent poverty exists in places with historical legacies of economic extraction: Appalachia, the Black Belt and Mississippi Delta, Indian Country, the rural west, and South Texas. Failing to acknowledge this history maintains a public policy of disinvestment; this is a choice which takes many forms including a general lack of prioritization, a neglect in creating targeted funding, a disregard for holding state and local stewards of federal funds accountable, and a long-existing deficit in representation for these communities.

We applaud the committee for recognizing these shortcomings and seeking to address them. We support each of their recommendations in full including a reauthorized and streamlined CDBG program with an emphasis on housing production, a targeted set aside within the HUD CDBG program for colonia investment, more federal dollars to assist manufactured housing communities, and a significant infusion of funding for competitive HUD grants.

To further expand on these efforts and see the successful deployment of existing resources, PRT recommends the following:

- The creation of a down payment assistance program for rural persistent poverty counties
- The adoption of the FHFA's recently proposed colonia census tract definition across all federal agencies
- Adoption of the 10-20-30 rule; a targeted set aside of 10% federal spending in persistent poverty counties across all federal agencies and programs
- The creation of a congressional persistent poverty caucus

Rural Persistent Poverty Down Payment Assistance

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Kiyadh Burt from the Hope Policy institute gave a powerful testimony to your committee regarding the power of down payment assistance in persistent poverty communities. PRT seconds this position and, with our Partner's experiences, can corroborate his testimony on the effectiveness of these programs in communities that otherwise lack investment. Between 2017 and 2022, PRT members utilized down payment assistance to help over 1,838.99 families achieve homeownership, of those 206.44 for down payments assistance in Persistent Poverty Areas (PPAs). Not only does home ownership build the wealth of individual families, a larger share of homeowners in each community attracts outside investment and generates much needed economic activity in persistent poverty counties.[1]

Sadly, the amount of available down payment assistance dollars, be it from private or public sources, has dwindled in recent years. For example, one of our partners, cdcb, has seen down payment assistance dollars available to their clients decline by over 50%. This is at a time when the cost of homeownership is rising. The average house price has been rising rapidly nationwide. According to the Federal Reserve Bank of St. Louis, the median home sales price is $428,700. That's an increase of $58,900 from just a year ago. [2]. Such increases in price, coupled with rising interest rates, have locked first-time homeowners out of the markets, as evidenced by the near total evaporation of entry-level home sales.There must be a federal effort to address this full-fledged housing crisis as in the current market conditions, the problem will only continue to grow. No greater investment multiplier exists than home ownership; down payment assistance has the potential to supercharge the prospect of wealth building for persistent poverty communities.

Adoption of the FHFA's Recently Proposed Colonia Census Tract Definition Across All Federal Agencies

The main advantage of using colonia census tracts to identify and verify colonias is that doing so achieves stability in methodology while maintaining flexibility to adapt to evolving geographies. This is no small feat: As fundamentally ad-hoc communities, informally self-built by people pushed to the margins, colonias defy concrete definition. For decades federal policy makers have attempted to define colonias, unsuccessfully chasing evolving contexts. This new approach stands to finally solve this problem and should be expanded across all federal agencies including HUD, USDA, and Treasury.

In addition to the stability and flexibility of the colonia census tract method, it is also accurate. In surveying the colonias of south Texas, we have determined that the census-tract method delivers laser-focused concentration on colonias even when they are surrounded by mixed-income non-colonia communities. Cameron Park, the largest colonia in the United States, is in Cameron County. With a population of a little over 7,000 residents and a median household income of $31k, it is now encircled by residential tracts incorporated by the city of Brownsville with median household incomes of $82k.[3] Despite their proximity, none of the relatively high-income

[1] Our methodology, which conservatively estimates an uptick in consumer spending per household for each new homeowner, projects an increase of nearly $1.3 million dollars in economic activity generated by the down payment assistance provided during this period.

[2] https://www.fool.com/the-ascent/research/average-house-price-state/#:~:text=The%20median%20home%20price%20in,in%20the%20U.S.%20at%20%24354%2C649.

[3] Household Income Data and overall population by census tract pulled from www.policymap.com.

incorporated areas would fall under a colonia census tract in the proposed methodology, proving its efficacy in directing resources to where they are most needed.

Additionally, the new methodology incorporates census tracts that contain colonias into the rural area definition. This enables federal entities to fund and program accurately around the lived experiences of these communities. Regardless of their physical location in relation to metropolitan areas, colonias embody a rural existence. From infrastructure to economic outlook, any list of characteristics comparing colonias to rural regions feature stark similarities.[4] Over the last 20 years, as metropolitan areas expanded and encircled colonias, local governments chose not to incorporate them. Cut off from municipal services, colonias were denied integration into the surrounding economy, thereby stranding these impoverished communities in what are effectively archipelagos of rural poverty. Achieving unity on the federal definition of colonia across agencies taps these communities into a suite of federal programs that would enable true integration of colonias into surrounding economies.

Targeted Set-Asides for Persistent Poverty Counties Across All Federal Programs

We applaud the proposal to create targeted set-asides in HUD's CDBG program and call for expanded efforts across all federal agencies to bring matching intentionality to their programming. Disinvestment in persistent poverty communities cannot be addressed in a one-size-fits-all manor and these areas lack the resources to consistently get what they need from one collective bucket. Federal dollars are a market inducement in regions that do not receive investment from other sources. As your witnesses testified, private lending in persistent poverty communities is minimal and philanthropy does little to fill funding gaps. The Rio Grande Valley receives only $52 per capita in philanthropic support compared to the national average of $452.[5] Similarly, the Appalachian region (Coal and Low Country) receives $43 per capita, while the Mississippi Delta and Alabama Black Belt region gets merely $41 per capita, compared to the national average of $451 per capita in philanthropic grantmaking[6].

The 10-20-30 Rule, where 10% of federal discretionary spending is spent in persistent poverty areas, could help lessen this gap by fueling community development initiatives, building community capacity and equip communities to leverage resources to attract more philanthropic and private investments. Federal investment is the only pathway to generating the kind of change making liquidity in our underserved communities. Adding the specificity of set-asides will produce investment in areas that otherwise do not receive these dollars efficiently.

Persistent Poverty Caucus

To better represent and serve persistent poverty counties, PRT requests the creation of a congressional persistent poverty caucus. The ability to coordinate legislative goals and bring together members from each party to collaborate on solutions to persistent poverty would be a

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[4] Lance George and Keith Wiley, *Colonia Investment Areas: Working Towards a Better Understanding of Colonia Communities for Mortgage Access and Finance*, Housing Assistance Council, November 2020, 21.
[5] National Committee for Responsive Philanthropy and Grantmakers for Southern Progress, *As the South Grows*, 2016-2017. See also: *Partners for Rural Transformation, Transforming Persistent Poverty In America: How Community Development Financial institutions Drive Economic Opportunity*, 2020.
[6] National Committee for Responsive Philanthropy and Grantmakers for Southern Progress, *As the South Grows*, 2016-2017. See also: *Partners for Rural Transformation, Transforming Persistent Poverty In America: How Community Development Financial institutions Drive Economic Opportunity*, 2020.

tremendous boost to all of the aforementioned objectives. Increased exposure to the concerns of the communities comprising the truly forgotten America carries with it immense bipartisan potential. For any congressperson willing to take leadership on this issue we pledge our full support in organizing such a caucus and supplying needed policy background to inform their efforts.

Conclusion

Thank you again to the Financial Services Committee for bringing attention to the phenomenon of persistent poverty in America. Specifically, we appreciate the Subcommittee on Housing, Community Development, and Insurance for holding its hearing on Persistent Poverty and lifting the voices of leading researchers and practitioners on this subject. We look forward to supporting further efforts to address these issues and promoting the solutions suggested by the committee and its participants.

In partnership,

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