



INSIGHT
CENTER FOR COMMUNITY
ECONOMIC DEVELOPMENT

Strategies to Reduce the Racial and Gender Wealth Gaps in North Carolina

A REPORT FOR THE Z. SMITH REYNOLDS FOUNDATION

NOVEMBER 2010

HELPING PEOPLE AND COMMUNITIES BECOME, AND REMAIN, ECONOMICALLY SECURE

The Insight Center for Community Economic Development is a national research, consulting and legal organization that develops and promotes innovative solutions that help people and communities become, and remain, economically secure.

We work in collaboration with foundations, nonprofits, educational institutions and businesses to develop, strengthen and promote programs and public policy that:

- Lead to good jobs—jobs that pay enough to support a family, offer benefits and the opportunity to advance
- Strengthen early care and education systems so that children can thrive and parents can work or go to school
- Enable people and communities to build assets

The Insight Center was formerly known as the National Economic Development and Law Center.

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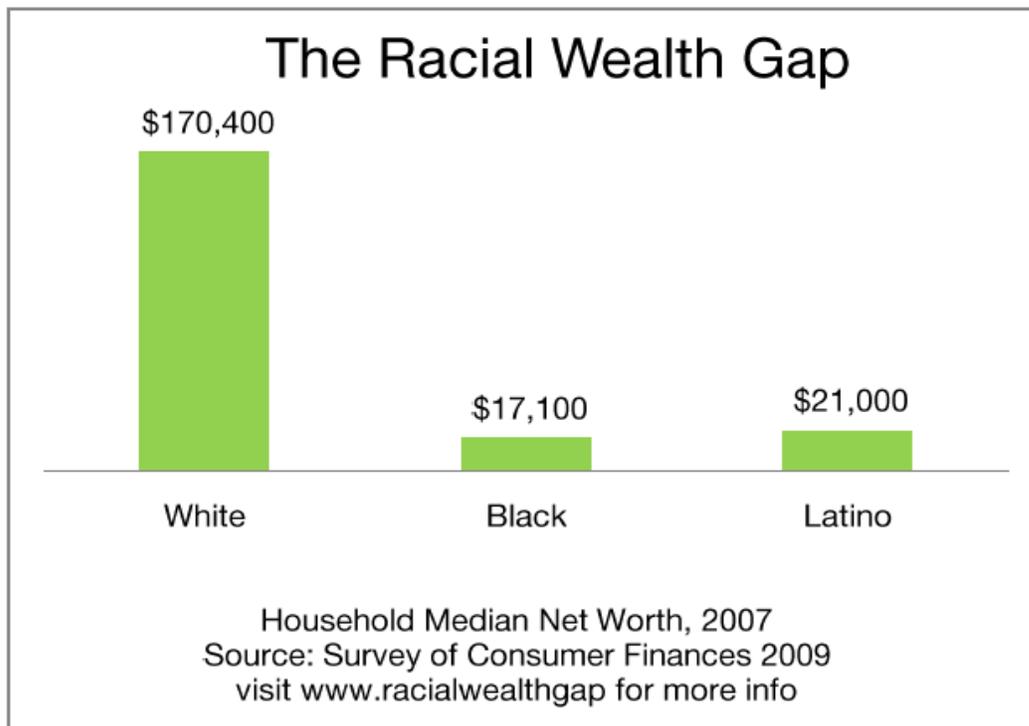
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I. INTRODUCTION

The economic and foreclosure crisis has highlighted the alarming gap in wealth and assets between people of color and whites in the United States. Research has shown that the racial wealth gap, which exists independently of the income gap, was 16 cents to the dollar between people of color and whites in 2007, and has since widened significantly due to the recent and ongoing foreclosure crisis. Policy makers have begun to realize that closing the wealth gap is even more important than addressing the income gap as a way to end poverty and create an equitable society.

The median family of color owns 16 cents for every white family's dollar



There is less awareness about the gender wealth gap. A recent study by Mariko Chang, author and Professor of Sociology at Harvard from 1998 to 2007, for **the Insight Center's Closing the Racial Wealth Gap Initiative**, found that the wealth gap between all single women and single men was just under 50 cents to the dollar. The wealth gap for African American and Latina single women is much greater, as both own about one penny for every dollar of wealth of African American and Latino single men, and just a fraction of a penny of every dollar owned by single white women.

The *causes* of the wealth gaps are both historical and structural. While there are also behavioral reasons for the wealth gaps, they are often secondary and in some cases caused by the historical and structural forces. The recent foreclosure crisis is a good example of the interaction between behavior and institutions. A lack of financial knowledge in many communities of color made them vulnerable to dangerous financial products. Then, when in the unregulated mortgage marketplace lenders began targeting communities of color and selling them sub-prime

home loans disguised as a door to the American dream, many took these loans only to lose their homes when the loans turned toxic and financial markets collapsed.

The structural causes include limited access to the banking system by people of color, due in part to few banks locating within communities of color and to the lack of services in various languages; a school finance structure where most of the funds for schools are generated by local property taxes, initiating a self-perpetuating cycle where lower property values in many communities of color cause a drop in the quality of schools which in turn further lowers property values of homes and businesses owned by people of color; a tax code that favors homeowners, when African Americans and Latinos are less likely to be homeowners; and finally, a series of barriers caused by discrimination in contracting and a discriminatory labor market which favors whites and males in jobs that offer important benefits that facilitate asset-building.

There are many historical causes of the gap but they have one thing in common: the US government created public policies and subsidies that gave whites economic advantages and disadvantaged all non-whites, including Native peoples, African Americans, Latinos, and Asian Pacific Islanders. These populations paid taxes, but were not eligible for free land or were even barren from buying land in some cases; they were excluded from quality public education, denied FHA mortgage subsidies, farm and business loans, and contracts with public agencies. The Southern states were particularly adamant about maintaining separate and unequal status for blacks – it was compromises with Southern legislators that led to exclusionary policies affecting people of color in all parts of the country. For example, Social Security initially left out domestic and agricultural workers, jobs held mostly by blacks, at the insistence of Southern politicians. Addressing racial disparities in a Southern state may still require different strategies than in other parts of the country.

Overcoming the Wealth Gaps in North Carolina

The Insight Center for Community Economic Development was asked by the Z. Smith Reynolds Foundation (ZSR) to study strategies to overcome the wealth gap that could be used by ZSR locally in North Carolina. We found few, if any, examples of initiatives or organizations that were deliberately attempting to overcome or reduce the racial or gender wealth gaps at the local level. Nor did we find research or outcome data on how effective various asset building strategies may at reducing the wealth gaps. Instead we start with a framework of principles to overcome the wealth gap and move on to strategies and practices.

In the following sections, we will describe an innovative framework and a set of strategies that we developed which we feel can be effective in closing racial and gender wealth gaps. We will also outline five asset areas that describe the areas that ZSR focuses their efforts on and present a series of promising practices in these five asset areas from around the country, including North Carolina.

Principles and Strategies to Overcome the Wealth Gaps

Strategies to close wealth gaps should address their causes at the historical, structural, and behavioral levels. In 2009 the Insight Center developed seven *principles* that should be used as a framework in the creation of strategies to close the racial and gender wealth gap. Many of these principles incorporate what John A. Powell, Executive Director of the Kirwan Institute for the Study of Race and Ethnicity, calls a **“targeted and universal” approach**, with a focus on race

and gender, as well as the inclusion of experts of color in the development of asset-building policies and programs.

1. Craft public policies to support wealth creation and provide opportunities to move up the economic ladder for all those stuck on the lower rungs.
2. Ensure full participation in programs intended to be universal through program design and implementation measures, targeting those often overlooked.
3. Draw upon the perspectives of experts of color to develop public policy.
4. Expand and enforce policies that eliminate discriminatory practices in the private and public sectors.
5. Promote the collection of racial and ethnic data essential to evaluating policy effectiveness.
6. Support community-wide prosperity through community-based economic development.
7. Recognize that a comprehensive human-capital agenda is needed.¹

In addition to these principles we recognize that there are three types of activities related to asset programs: asset education, asset creation, and asset protection. Utilizing the principles and the three activity types, we have formulated three primary *strategies* for developing asset building policies and programs at the state, regional, or local level:

- A. Advocate for inclusive, universal policies and programs that target those at the bottom of the wealth ladder and help them build assets.
- B. Develop and support policies and programs that address discrimination based on race and gender in the areas of home-ownership, access to financial services, and business ownership.
- C. Develop a comprehensive, long-term approach to community economic development, especially in communities with a concentration of people of color and/or single women. **This approach should build assets throughout a person's life and have a focus on savings, homeownership, financial services and education, business development, and increasing community assets.**

In addition, strategies to reduce wealth gaps should take into account the wealth gap at all income levels. A recent study found that high income black families have less wealth than middle income whites. (Thomas Shapiro, Institute on Assets and Social Policy, Brandeis University, May 2010) To only focus on asset building among low *income* families is therefore not sufficient.

¹ Insight Center for Community Economic Development. "Laying the Foundation for National Prosperity, the Imperative of Closing the Racial **Wealth Gap**". Executive Summary, March 2009.

II. ASSET AREAS

The next step of this process moves to a discussion of the Asset Areas or Approaches and specifically those that have been supported or might be supported by the Z. Smith Reynolds Foundation (ZSR). Specific practices within each Asset Area have been identified in Appendix A, where the three strategies mentioned on the previous page are used as a framework to categorize the practices. These strategies are:

- universal programs that target those at the bottom of the wealth ladder and help them build assets;
- policies and programs that address discrimination based on race and gender in the areas of home-ownership, access to financial services, and business ownership; and
- a comprehensive, long-term approach to community economic development, especially in communities with a concentration of people of color.

There are five asset areas that this report will consider, all of which are being supported by ZSR: savings strategies, homeownership, business ownership, community assets, and financial services including financial education. While the last one is not an asset area per se, it's an integral component of the other asset areas and is essential to include it as part of the overall approach.

One major asset area – ownership of stocks and bonds – is not included since it is rarely part of a community-based asset building strategy. In addition, there are at least three other approaches that are often included with asset building that are not included on this list: Social Insurance, Education, and Workforce Development. Social insurance includes Social Security, Medicare, disability insurance, etc. Social security is especially important in an analysis of the racial wealth gap. We included Social Security within the Savings area, and recognize that while it is not likely to be a major strategy for most organizations, it is the type of activity that many different organizations could engage in. A related social insurance issue is health insurance, since health care costs have been identified as one of the primary asset strippers.

Educational attainment is correlated with asset accumulation and many savings programs link with education. Clearly education is a social asset of much value, helps build human capital and relates closely to community assets. However, for this report we are attempting to limit ourselves to economic assets. Education should be treated in its own right as an essential component of human and community development.

In many cases employment or workforce development is considered part of an asset building strategy. It is true that without a source of income, which is most commonly obtained through a job, a person or family cannot accumulate assets. However, while higher incomes lead to higher wealth accumulation, an increase in income does not narrow the racial wealth gap. Therefore, like education, we think workforce development should be treated for its own value as a component of community development. The one piece of workforce development that relates directly to asset building is employer-supported retirement plans, which is considered as part of the Savings approach for this report. Other workplace wealth escalators include paid sick leave and stock options.

A short discussion of each of the five asset areas considered for this report follows:

Savings are the entry point for most individuals and families into asset accumulation. The wealth gap data shows that savings is a large contributor to the wealth gap but not the largest. However, this is somewhat misleading since families will typically transfer wealth from savings to other assets such as a home, land, a business, etc. Thus the wealth gap from savings is leveraged to acquire other assets. In addition, if one adds the wealth gap in retirement and pensions to that of savings, it becomes, by far, the largest contributor to the wealth gap. Included in the Savings approach is debt reduction or debt restructuring.

Homeownership is the primary path for most families, especially families of color, to wealth building and at the same time, it is one of the largest contributors to the wealth gap. Therefore, the foreclosure crisis will have a devastating impact on wealth and will likely widen the wealth gap. There are three components to the wealth gap in home equity: a difference in the rate of homeownership, a gap in the value of homes purchased, and a gap in rate of increase (or decrease) in the value of the home.

Business Ownership is one of the smaller contributors to the racial and gender wealth gaps, primarily because only a small portion of people – between five and eight percent, depending on the race and gender – own a business. In the last ten years minority and women owned businesses have been growing faster than businesses owned by white males. However, another gap is growing, that between all small businesses, including those owned by women and people of color, and corporations, which control over 65% of all business receipts and growing at one percentile per year. The owners of shares of corporations are predominantly white men. Some of the causes of the wealth gap in business ownership include unequal family assets to use as business equity, unequal access to financing, less business experience on average, fewer social networks, and unequal access to business and public agency contracts.

Community Assets include community infrastructure like parks and recreation facilities, schools, libraries, and commercial streetscapes. It includes nonprofit organizations and infrastructure, such as organizations that support nonprofit organizations. Social enterprises, worker cooperatives, land trusts, etc. are assets with collective ownership. Intuitively, it is easy to understand the link between community assets and family/individual assets – community assets help maintain property values and are a resource for community members seeking to build their assets. On the other hand, when there is disinvestment in community assets, family assets in the community usually fall too. This is another area where more research is needed. The main writing on this has been done by the Kirwan Institute in its discussion of communities of opportunity. For the purposes of this report we are also including family farm retention and land retention strategies as part of the Community Assets approach.

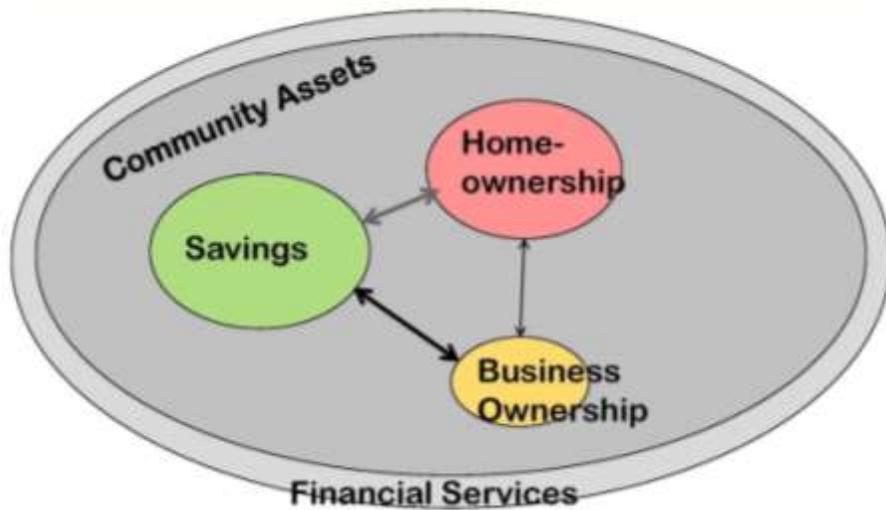
Financial Services including Financial Education is a key component to all the asset building areas. This approach includes advocacy for culturally appropriate, accessible, and non-discriminatory financial services, the creation or support of community banks, credit unions, and community development financial institutions, and the provision of financial education and counseling to members of the community by community-based organizations.

Interaction of the Asset Areas

The asset areas inter-relate with each other. Three of the assets are accumulated by households: savings, homeownership, and business ownership. They form the central area of the asset building strategy. Savings has the largest area in the graphic because it is the most common asset owned by households. On the other hand, business ownership is the least

common. Savings has a strong relationship with both homeownership and business ownership, while homeownership and business ownership have a weaker relationship.

These three asset areas take place in a community and are greatly impacted by the strength of the community assets. When the community assets are strong, the assets of families accumulate faster and are better protected from asset stripping. All of the asset areas, including community assets, take place within the circle of financial services, which provide the capital, debt financing, and financial tools to facilitate the accumulation and utilization of assets. At times, the community assets are a buffer between the financial services and the family-level assets. When the financial services are owned by the community, as a credit union or community bank, then it too becomes a community asset.



III. DISCUSSIONS: WEALTH GAP DATA, ORGANIZATIONS, GEOGRAPHY, AND PLACE-BASED STRATEGIES

Conclusions of the Wealth Gap Data

A comprehensive report, “Racial Wealth Disparity in North Carolina” (dated, Sept. 1, 2010), presents a detailed view at the wealth gap between whites and African Americans in North Carolina. The report, written by the Center on Poverty, Work and Opportunity, UNC-Chapel Hill, also discusses the wealth gap among single women vs. single men for both races.

The main limitation of the small sample size of the data is that it only allowed for looking at two racial or ethnic groups and left out information concerning Hispanics/Latinos, Asians, and Native Americans. The report was based on the triennial Survey of Income and Program Participation (SIPP). While the SIPP was designed for national-level analysis, not state-level, the state-level data presented is believable, logical, and consistent, which may mean that the SIPP could be used for other states with a sufficiently large population.

The Center on Poverty found that the typical African American family in North Carolina had only four cents for every dollar owned by the typical white family. This compares to the national ratio of 13 cents to the dollar, when using SIPP as the data source. Even if there is a certain error range due to small sample size, it appears likely that the wealth gap is more pronounced in North Carolina than nationally.

The SIPP data indicate that there is no one factor for the greater gap in North Carolina. For nearly all types of assets, the gap is bigger in North Carolina than for the US as a whole. The gap in North Carolina is biggest in stocks and pensions/retirement and lowest in life insurance. This would indicate that there has been a successful effort to promote life insurance within the African American community, but not of stock and retirement investments, which appears to have mostly happened through private sector efforts.

Savings is the most common asset type: 78% of white households reported savings compared to 59% of African American households.

Two of the bigger factors for the white-African American wealth gap in North Carolina are the gaps in homeownership equity and pensions and retirement. Focusing wealth gap reduction activities on these areas makes sense, along with savings which is the most commonly held asset.

The gender wealth gap is even larger in North Carolina than it is nationally. The net worth ratio for African Americans between unmarried women compared to unmarried men is less than 0.00 to 1. The median value of net worth for unmarried African American women is \$6, compared to \$400 nationally.

Capacity Analysis in North Carolina

We provide a high-level observation of the overall capacity of asset building organizations in North Carolina. This analysis starts with general observations and will continue with each asset area.

General Observations

- While many organizations do work related to asset building, many do not frame their work as “asset building,” nor see themselves as part of a movement to promote assets, even less explicitly strive to close race or gender gaps.
- In general, urban areas of the state have moderately strong organizations in the various asset building areas. Some of the smaller urban areas are in need of asset building organizations with more capacity. Appendix C details a process for how a particular urban area could be selected for a wealth gap initiative.
- In general in rural areas there is insufficient nonprofit infrastructure to carry out a comprehensive asset building strategy. This is especially true in high need areas such as northeast and south central North Carolina.
- There are a few organizations who focus includes asset building that have a population-specific focus, including women, Native Americans, and Hispanics. In addition there are several community development corporations located in areas with a high concentration of African Americans. Generally there is a need for more organizations with capacity to work with women and Hispanics.
- At the state level there are several strong organizations that are committed to working on racial and gender justice issues and will lend support to efforts to reducing the wealth gaps.

Financial Services

- The state appears to be the strongest in the area of financial services, with two strong networks of community based credit unions and a strong advocacy community related to providing appropriate financial services for all. In fact, several organizations are considered national leaders in this field.

Home ownership and housing development

- There are many state-wide and local housing development groups, including intermediary groups offering tools and resources to local housing development groups.
- North Carolina was able to pass the strongest anti-predatory lending state legislation in the country, before the foreclosure crisis, thus avoiding some of the worst practices. For example, payday lending is no longer allowed in the state, eliminating much bad debt.

Savings

- There are strong state-wide organizations working on savings programs, with some involved in advocacy and with the potential to play a role in a larger asset building agenda.
- Financial education is provided by many IDA and homeownership programs.

Small Business

- There is some strength in the microenterprise and entrepreneurial development field in the rural parts of the state. However, there seems to be some weakness in this area in the urban areas, especially outside of Durham and Asheville.
- North Carolina has some of the strongest state and local minority and women business enterprise procurement programs in the country.

Community Assets

- There are two legal organizations which are connected to national efforts on land retention for families of color. North Carolina was the first state to introduce legislation to protect heirs' rights in forced land sales; while only some provisions passed last year, there is a possibility the full package could pass in the next few years.
- There are no comprehensive city-wide efforts to transform disinvested communities of color into communities of opportunity.

Population Concentrations and Asset Poverty in North Carolina's Cities and Counties

One of the three strategies to address the racial wealth gap, as proposed by this report, is place-based comprehensive asset building practices. One component of the assessment of where to focus these efforts is to utilize demographic data at the local level. All of the criteria are discussed in Appendix C. There are three measures that can be utilized when examining demographic data:

- Concentration of non-white population
- Estimated wealth gap by city or county
- Estimated asset poverty by city or county

This report used the first and third approaches. The first one is self-explanatory and easily calculated using census data. The estimated wealth gap by county has never been calculated and was beyond the scope of this report. The report did find a proxy for estimated asset poverty by county, the percentage of households reporting income from interest, dividends, or rental properties. This is available only from the decennial census (2000), so it is somewhat dated. For the full explanation and description of the results of this analysis, see Appendix B.

To identify urban areas, only the concentration of population was used. Nearly every city in the state has neighborhoods with a concentration of at least 50% African Americans. Therefore all of those cities are included as suggested areas of focus. At least five cities, including the smaller city of Burlington, have moderate concentrations of 25% to 40% Hispanic/Latino population.

As described in detail in Appendix B, there are three rural regions that were identified as having high potential asset poverty, the first two among African Americans and the third on among Hispanics/Latinos. The first region is *northeast North Carolina*, centered on the counties of Martin, Bertie, Greene, Beaufort, Wilson, and Halifax. The second region is south central North Carolina, centered on the counties of Anson, Bladen, Harnett, Lee, Montgomery, Richmond, Robeson, and Stanly. A sub-set within this region is composed of four counties of high potential asset poverty among Native Americans: Cumberland, Hoke, Robeson, and Scotland counties. A

third smaller region of high potential Hispanic/Latino asset poverty is in central North Carolina: Chatham, Harnett, Lee, and Randolph counties.

Place-Based Initiative to Reduce the Racial and Gender Wealth Gaps

While there are few place-based initiatives with a primary goal of reducing the racial and gender wealth gaps, it is likely that some place-based initiatives have had an impact of reducing the wealth gaps. This section will discuss some of the characteristics of a place-based initiative for asset equity, including how it fits within the context of broader community development. The role of a statewide or regional intermediary in this effort will also be discussed.

A place-based initiative to reduce the racial and gender wealth gaps is a long-term approach to increase the personal assets of people of color, especially women, and building community assets, while addressing any discriminatory issues. Such an approach simultaneously builds family assets and organizational capacity of local organizations and, possibly, local government. Within the selected place, the initiative is people-based – focused on a certain segment of population, i.e. people of color or women of color.

There are many factors that have made place-based initiatives succeed or fail. Some of the ones most pertinent to a wealth gap place-based initiative are the degree to which the local community has control over and buy-in with the initiative, the leadership capacity present within the community and leadership building activities that are part of the initiative, and the extent to which the initiative is seen as something that belongs to the community as opposed to belonging to a funder or group of funders.

How does a wealth gap place-based initiative relate to community development? Community development activities are not necessary for a wealth gap initiative but would be helpful and complimentary, especially these activities:

- Access to financial institutions, financial education and counseling, and credit repair
- Job readiness, job creation and job quality program
- Education initiative, especially to link local youth to affordable post-secondary higher education
- Community organization, including faith-based
- Anti-poverty, including food, shelter, utility assistance, and other financial assistance
- Youth development
- Affordable, high quality child care
- Community health
- Group activities for mutual support

In order to carry out a wealth gap place-based strategy a regional or statewide intermediary should be engaged to assist the local organizations. The intermediary should not be seen as a **'lead'** but **rather an assistant**. The intermediary should provide or arrange for others to provide advocacy, training, research and technical assistance, including the following:

- Assistance in conducting campaigns to increase opportunity and improve the community, identified by the local population/organization
- Assistance in conducting local advocacy campaigns around affordable housing, fair housing, anti-predatory lending, inclusive business programs and the allocation and distribution of public goods such as schools, parks, airports, and improved roads, as well as negatives such as waste dumps and toxic sites, in relation to location of communities of color

- Training on the wealth gap, specific training on specific asset building strategies
- Research on causes of the local wealth gap; research on potential discrimination in lending, housing, business including public procurement, and local wealth indicators, by race: self-employment income; income from interest, dividends or rentals; retirement income; and homeownership rates.
- Technical assistance on carrying out specific asset building strategies

One of the most important factors in the success of the implementation of the place-based initiative is the identification of a capable regional or statewide intermediary or intermediaries to assist the local organizations. The role of the Intermediary is to:

- Assess the capacity of local organizations and governments
- Helps locate and orient partners, including government, nonprofit, business, or education
- Assist local organizations and leaders, but not lead itself
- Use their knowledge of local history and local needs to better provide assistance to the initiative
- Locate appropriate resources for local organizations, including funding opportunities and advocacy, training, and research of other regional or statewide intermediaries
- Raise funds for wealth gap projects
- Works with local government, leveraging to access public funds
- Conduct trainings and provide technical assistance to local organizations
- Identify research needs and identify other organization to conduct such research or conduct research themselves.

IV. RECOMMENDATIONS

Based on our study of strategies to reduce the racial and gender wealth gaps, as well as analysis of research and data on the wealth gaps in North Carolina, we think that the Z. Smith Reynolds Foundation has a strategic opportunity to take action to reduce **North Carolina's** wealth gaps. We think this action should be through a specific initiative related to Closing the Racial and Gender Wealth Gaps in North Carolina, with a centerpiece of place-based strategies and a secondary component of support for statewide work related to policies that impact the wealth gaps. Specifically we recommend that the Foundation:

1. Support place-based, population-focused asset-building initiative(s) in one or two places. If two places, then one should be rural and one urban. The initiatives would have a primary focus on women of color, since the wealth gap is greatest among women of color. A secondary focus would be people of color in general.

The place-based initiatives would consist of a comprehensive, long-term approach to community and family asset building in communities with a concentration of people of color. This approach builds **assets throughout a person's life and has** a focus on savings, homeownership, financial services and education, microenterprise/business development, and increasing community assets.

Appendix C provides criteria for choosing a location of a place-based wealth gap reduction initiative. We have applied those criteria to make suggestions for the rural and urban initiatives.

- A. The recommendation for the initial rural initiative is Robeson County, possibly also including neighboring Scotland and Hoke counties. Robeson has a multi-ethnic population including African-Americans, Latinos, and Native Americans. Given that North Carolina has a relatively large Native American population – the largest of any state east of Oklahoma – and Robeson has the largest Native American population in the state, a focus on Native Americans may make sense.
- B. Any of the larger cities, especially Charlotte, Durham, Raleigh, or Winston-Salem, would make sense for an urban initiative. Given that this is a pilot, it may make sense to begin in either Durham or Raleigh, with the large number of statewide groups based in the Triangle region.

The urban initiative would use neighborhood-based approaches that combine various wealth gap approaches in one place. It would work through community development corporations.

In each of the initiatives the Foundation should support:

- Financial education and counseling and savings strategies such IDAs and EITC
- Capacity building of local community development corporations and other local organizations, for the purpose of carrying out asset building and wealth gap reduction activities
- Participatory research to identify any opportunities to remove barriers to lending, housing, or business ownership through fair lending, inclusionary zoning, local

fair housing enforcement, or equal opportunity in public procurement by the city, county, school district, transit agency, etc.

Depending on the direction of the local initiative, as well as capacity of local partners, the Foundation might also support:

- Development of affordable housing and opportunities for first-time homeownership that reduce the risk, such as through lease-to-purchase or land trusts. This effort should be accompanied by counseling and foreclosure prevention efforts.
 - Promotion of fair housing, including research, testing, advocacy, and community relations, as well as ensuring that local cities and counties are meeting their obligations under the federal Fair Housing Act.
 - Microfinance related to microenterprise development and social enterprise
 - Microenterprise, worker cooperative, or small business development, including advocacy for the development and high-quality implementation of minority business enterprise programs on the part of local governments.
2. Support (an) organization(s) to track and analyze public policies at the federal, state, or local level that impact the racial and gender wealth gaps and to mobilize other organizations to act on the identified policies. These racially inclusive partners would lead and guide long-term efforts at wealth gap reduction.

ZSR should look for a partner to track and analyze public policy and a partner to convene and mobilize various asset building organizations. The partner(s) could help provide ongoing information about research and data on the wealth gap as well as broader, policy-oriented solutions and build the capacity of member organizations on this issue. This effort would benefit from an advisory committee of experts of color.

3. Support participatory research by place-based partners in order to better understand the impact of foundation investments on the closing of the racial or gender wealth gap, such as the use of surveys conducted before and after a project with the same cohort of people.
4. Invite others to join it in supporting wealth gap reduction strategies, including local and national foundations and state and local governments. Z. Smith Reynolds Foundation is setting an example and the impact of this initiative could be sensed beyond the specific place-based initiatives supported through this effort.

APPENDIX A – PROMISING PRACTICES

This list may not be exhaustive nor is it ordered. It is meant to provide a list of common asset building strategies to later be evaluated for their potential to reduce the racial and gender wealth gaps. A strategy that may be a very good asset building strategy in general may not be the best strategy in helping reduce the wealth gaps. On the other hand, other strategies may come to forefront when considered in the light of the wealth gap.

During a meeting on August 24 in Durham, many constituencies came together at the behest of the Z. Smith Reynolds Foundation, in part to voice their opinion about the ability of each promising practice to potentially close the wealth gaps. Strategies that received strong support are indicated with two hearts ♥♥, those that received some support are indicated with one heart ♥, and those that received no support are indicated without a heart.

Savings Practices

STRATEGY A – UNIVERSAL APPROACH

1. ♥ Bank accounts that offer features designed to increase savings opportunities – Some banks have begun to offer features that make it easier for account holders to save for specific, sometime multiple, goals². Examples include banks not requiring separate applications to open a new savings accounts and the ability to “nickname” accounts. These strategies rely on the behavioral economics principle of mental accounts. Some initial research indicates that the creating and labeling of accounts for specific goals can have a positive impact on savings behaviors.³
2. Pre-paid debit cards with a savings purse – Prepaid debit cards (also called Stored Value Cards) provide a possible entry point into the financial transaction system for consumers who cannot obtain or do not want a traditional checking account. Most pre-paid cards function primarily as a way to make basic transactions, but some offer the ability to link the card to an electronic savings account and/or have a “purse” feature that allows the card holder to divide the money on the card into different categories. The marketing of affordable cards is critical because some pre-paid cards carry high fees for transactions and maintenance.
3. ♥♥ Promotion of savings opportunities at tax time – There are several ways to encourage savings at the time when many low and moderate income individuals receive a financial windfall via their tax refund (which often includes the Earned Income Tax Credit). Some examples include the promotion of US Savings Bonds which can be purchased at the time of tax filing and the promotion of split refund option which allows filers to direct their

² Jennifer Saranow Schultz. 2010. “Multiple Savings Accounts, Multiple Goals.” NYTimes Bucks Blog. <http://bucks.blogs.nytimes.com/2010/07/01/multiple-savings-accounts-multiple-goals/>

³ Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir. 2006. *Behavioral Economics and Marketing in Aid of Decision Making Among the Poor*. American Marketing Association. Vol. 25, Issue 1. <http://weblamp.princeton.edu/~psych/psychology/research/shafir/pubs/Behavioral%20decision%20making%20among%20the%20poor.pdf>

refund to multiple accounts. Related to this is the continued promotion of Volunteer Income Tax Assistance Sites (VITA) which provide free tax preparation services to low and moderate income individuals. Additionally, continue to push for an increase in the North Carolina EITC, which is currently 5% of the federal EITC amount.

4. Replication of successful savings pilots – The City of New York recently piloted a program called \$aveNYC, a matched savings account that allows tax filers to deposit a portion of their refund into an account that is matched (50% up to \$500) if the funds remain in the account for one year.
5. ♥ 529 education accounts – These accounts have become a popular vehicles for college savings, however, those saving in 529 plans tend to have higher incomes and assets than those not using the plans. Some states have started to reach out to lower income families to encourage participation. Strategies include partnering with non-profits to provide information about the accounts, workplace enrollment initiatives, and match contributions.⁴
6. ♥ Ensure employer-supported retirement plans – Encourage people of color and women to seek employment in industries that have a higher rate of providing retirement plans. In addition, ensure basic employee benefits. These benefits, including paid sick days and health care coverage, in addition to the mentioned retirement savings, are essential for financial security.
7. Create accessible mutual fund programs – Mutual Funds can be created with low minimal investments and low- or no risk and promoted among lower-income populations. An example is GoalMine, established by Gratio Capital in New York, with a minimum initial investment level of \$25, low- and no-risk investment options, and accessible stored-value cards which make it easy to invest.
8. ♥♥ Keep Social Security – Join national advocacy campaigns to maintain social security, restore student benefit for youth survivors, and provide family care credits, as well as to ensure social security offices in North Carolina have bilingual staff.
9. ♥ Removal of asset limits in all public benefit programs – Asset limits in programs such as SNAP/Food Stamps, Medicaid/SCHIP, TANF, etc deny eligibility to individuals with too many resources. This is counterproductive because it creates a disincentive to save and creates unnecessary administrative burdens for program administrators.

STRATEGY C – COMMUNITY ECONOMIC DEVELOPMENT APPROACH

10. ♥ Comprehensive Saving Strategy – A comprehensive saving strategy attempts to break the barrier for new savers. It may include motivational seminars to encourage people to set savings goals, have saving mentors or coaches, and partner with financial institutions to ensure the availability of no-fee and no-minimum balance savings accounts.
11. Specialized Savings Accounts for low-income persons, youth, children, or persons with disabilities – Matched savings accounts provide opportunities for people to quickly build savings. In addition to matched savings in general, some youth programs now combine

⁴ David Newville and Ray Boshara. 2009. The Basics of Progressive 529s. The New America Foundation. http://www.newamerica.net/publications/policy/basics_progressive_529s

youth employment and internships with Individual Development Accounts (IDAs). There are also specific IDA programs for persons with disabilities that allow for more flexible savings goals. A broad family can contribute to some child savings accounts which are designed to benefit children socially and economically.

12. Promotion of Peer Savings Circles – Many women and people of color have a deep distrust of mainstream financial institutions. One way around that distrust is to create a savings circle where participants encourage each other to save and guide each other in savings goals. Some savings circles also include a small savings match.

Homeownership Practices

STRATEGY A – UNIVERSAL APPROACH

13. Continue to increase foreclosure prevention efforts – The NC Commissioner of Banks State Home Foreclosure Prevention Project helps reduce subprime mortgage foreclosures and keeps people in their homes. The project offers direct assistance to homeowners through resources and referrals, financial counseling and assistance with loan modifications or other workout programs.
14. ♥ Inclusionary Zoning – Municipalities may require that a certain portion of new construction, for example, 10 to 30 percent, be affordable to low or moderate income households. This could include either houses or apartments. This helps ensure that low to moderate income households, which may disproportionately include people of color, receive adequate city and other services and that their property accrues value at a higher rate than if located in an area of housing concentrated among low to moderate income households.

STRATEGY B – PREVENTING AND REDRESSING DISCRIMINATION

15. Fair Housing – Use of Fair Housing laws, including HMDA analysis, to promote fairness and prevent discrimination in home-ownership opportunities.

STRATEGY C – COMMUNITY ECONOMIC DEVELOPMENT APPROACH

16. ♥♥ Affordable housing development – First time home-ownership programs, land trusts, and housing cooperatives all provide opportunities for low-to-mid income families to purchase housing. In some areas, low-cost financing has been provided to community development corporations in order to purchase foreclosed homes to turn into affordable housing in order to reduce the number of vacant homes and maintain a sense of community.
17. Resident-owned communities – Manufactured housing and other types of resident-owned communities provide an opportunity for lower income individuals to purchase housing and to have some control and equity in the land where the housing is situated.
18. Homeownership counseling – Homeownership counseling often includes individual sessions, classes or workshops on topics such as budgeting, credit, mortgage products, and the mechanics of the home buying process. Research indicates that the effectiveness of homeownership counseling is difficult to gauge due to the variety of providers and methods,

however, there is evidence that it can have positive impacts on delinquency as well as pre-purchase decisions.⁵

Business Ownership Practices

STRATEGY A – UNIVERSAL APPROACH

19. ♥ Small Business Support – Helping microenterprises and other small businesses, especially in communities of color, to access services at local Small Business Development Centers and access federal loans such as the 7(a) loan program. The New Market Tax Credit is another source of funding for community development finance institutions and small businesses.

STRATEGY B – PREVENTING AND REDRESSING DISCRIMINATION

20. ♥♥ Support of minority and women business enterprise (MWBE) programs – These programs support businesses owned by people of color or women through purchasing policies, finance programs, business development services, equity investment, or legal services. This also includes support of nonprofits promoting supplier diversity and providing research services to MWBE programs. The North Carolina MBE Coordinators Network provides networking and professional development to the directors and staff of state and local minority business programs ensuring that the programs are well run and providing opportunities for minority and women-owned businesses.

STRATEGY C – COMMUNITY ECONOMIC DEVELOPMENT APPROACH

21. Support of microenterprise development – Microenterprises are generally those business with less than five employees. The vast majority of businesses owned by people of color and women are microenterprises. Microenterprises are supported by micro-finance programs and programs that provide technical assistance, mentoring, coaching, or legal services.
22. ♥ Support worker cooperatives – Worker cooperatives allow worker-owners to have an ownership stake and for recent immigrant populations offer a model where all worker-owners can legally own and work in a business. WAGES, based in Oakland, is a very successful example of immigrant worker cooperatives. A model for support of green worker cooperatives is the Evergreen Cooperative Initiative in Cleveland.
23. Group/individual shares in commercial development – Families or groups can purchase shares of a large commercial development, usually managed by a professional property **manager. Shareholders earn dividends over time. An example is San Diego's Market Creek Plaza** owned by dozens of residents through shares, supported by the Jacobs Family Foundation. This strategy works best in a market with low commercial vacancy rates.

⁵ Roberto Quercia and Jonathan Spader. 2008. *Does Homeownership Counseling Affect the Prepayment and Default Behavior of Affordable Mortgage Borrowers?* Journal of Policy Analysis and Management. Vol. 27, Issue 2; Abdighani Hirad and Peter M. Zorn. 2001. *A Little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling.* Joint Center for Housing Studies of Harvard University.

Community Assets

STRATEGY C – COMMUNITY ECONOMIC DEVELOPMENT APPROACH

24. ♥♥ **Ensure equitable distribution of a city’s or county’s resources and infrastructure** – Ensure that communities of color have access to libraries, parks, and recreational facilities, **as well as jobs and commercial areas, thereby creating “communities of opportunity”**. In addition, extend essential services to unincorporated areas to help preserve home values and prevent land/home loss in underbanded communities which consist predominantly of people of color. A city or county can bank land by holding public land or purchasing tax delinquent property to later use for public infrastructure near communities of color or to provide for community development projects.
25. ♥ Support of nonprofits in community economic development – Ensure good governance, fiscal soundness, and leadership development among key nonprofit organizations so that they can focus on the integral development of communities, including overcoming the wealth gaps. Second tier nonprofit organizations – specialized nonprofits that provide training, research, evaluation, and facilitation to the community economic development nonprofits – should also be supported.
26. ♥♥ Comprehensive neighborhood or community asset building – Coordination of housing, business development, social enterprises, and nonprofit development by several organizations throughout a community to maintain local ownership of property while encouraging a consistent community-centric development pattern. One of the most successful examples of this approach is in the Puerto Rican neighborhood of Humboldt Park in Chicago, highlighted by 45-foot tall Puerto Rican wrought-iron flags across the Paseo Boricua (Division Street).
27. ♥ Leadership development – Strong leaders are a community asset for their entire lives and help create strong asset building and wealth gap reducing programs.
28. ♥ Support for family farmers – All family farmers, but especially African American farmers, are in need of support in the form of financing, marketing, technical assistance, and succession planning.
29. Creation and support of public markets – **Public markets, including farmers’ markets, are** an example of a community asset that directly supports family asset building. A public market with vendors predominantly from communities of color is an example of combining community asset and business development (microenterprise) approaches.
30. ♥ Support of Historically Black Colleges & Universities – The 11 HBCUs in North Carolina are a source of education, research, jobs, and community engagement within the African American community.

Financial Services including Financial Education

STRATEGY A – UNIVERSAL APPROACH

31. ♥ Initiatives to increase access to affordable mainstream banking products and services – A bank account is a key first step to savings and building assets. Data from a recent survey by the FDIC (using data from the Current Population Survey) indicated that

just over 8 percent of North Carolina households do not have a basic bank account at a federally insured institution.⁶ This increases the likelihood of relying on more costly financial service providers (eg. check cashers) to conduct basic transactions which strips low and moderate income households of critical dollars. Of the 8 percent unbanked in North Carolina, over 60 percent are minorities.

32. ♥ Employer-sponsored financial education – Some recent research has pointed to the workplace as a potential avenue for promoting financial education opportunities.⁷ This can include fairly simple, low-cost efforts – such as brochures on finance related topics – to more comprehensive efforts that include financial education workshops, Employee Assistance Programs that offer financial coaching, as well as access to financial products and services.

STRATEGY B – PREVENTING AND REDRESSING DISCRIMINATION

33. Expand CRA requirements – Banks should be mandated to provide low-cost, culturally appropriate banking services to people in the neighborhoods in which they are required to make loans for home ownership. In addition, utilize the CRA to ensure that banks are not being discriminatory against women or people of color.
34. ♥ End Predatory Lending – Support education and organization to end discriminatory predatory lending in communities of color and among women, including credit card issuance and home lending. North Carolina can build on the fact that it is one of the few states to have ended payday lending.

STRATEGY C – COMMUNITY ECONOMIC DEVELOPMENT APPROACH

35. ♥♥ Creation and support of community based financial institutions – Credit unions and community development financial institutions (CDFIs) can improve access to capital of underserved communities, as well as provide financial literacy. Community based financial institutions can provide low-interest car loans to low-income persons or partner with car ownership programs, such as Wheels4Hope.
36. ♥ Promotion of financial literacy – Financial literacy that is culturally appropriate and available through the public education system, financial institutions, and community organizations can increase links to all types of assets and help people avoid or eliminate bad debt. A multi-generational approach to financial education creates a family support network for the purpose of multi-generational wealth planning and wealth transfer, especially in communities of color.

⁶ 2009 FDIC National Survey of Unbanked and Underbanked Households.

<http://economicinclusion.gov/pdfs/North%20Carolina.pdf>

⁷ B. Douglas Bernheim and Daniel M. Garrett. 2003. *The effects of financial education in the workplace: evidence from a survey of households*. *Journal of Public Economics*, 87: 1487–1519; Lewis Mandell.

2008. *Financial Education in the Workplace: Motivations, Methods and Barriers*. New America Foundation. http://www.newamerica.net/files/nafmigration/Financial_Education_in_the_Workplace.pdf;

Sarah Berke. 2009. *Employer-Based Collaboration: Lessons from Financially Fit Minnesota*. Center for Financial Services Innovation

http://cfsinnovation.com/system/files/imported/managed_documents/employer_based_collaboration.pdf

August 24 Voting Results

The August 24 Durham meeting voting results also included several items that were not on this list of promising practices. In two cases, Inclusionary Zoning and Leadership Development, they were added to the list. In other cases they were not added since they were seen as related but not directly an asset strategy or because the strategy was outside the realm of what the Z. Smith Reynolds Foundation funds. Among those not listed that received strong support include: Create quality jobs with living wage; Access to good schools and affordable higher education; Big picture federal policies; and Addressing the gender wage gap. One received very little support and therefore was not added to the list: Intergenerational wealth strategies.

The results of the voting in the August 24 Durham meeting are an indicator of which strategies may be effective at reducing the wealth gaps. However, the Insight Center believes that there are several others that received no votes that would be effective at reducing the wealth gap.

APPENDIX B – SUGGESTED AREAS FOR ASSET DEVELOPMENT WITHIN COMMUNITIES OF COLOR

The Insight Center recommends that the Z. Smith Reynolds Foundation focus its place-based wealth gap strategies on 10 urban centers along with three rural clusters of counties.

1. Urban centers with high concentration of African American and/or Latino population, including within the cities of:
 - Charlotte, for both African American and Latino population
 - Durham, for both African American and Latino population
 - Winston-Salem, for both African American and Latino population
 - Raleigh, for both African American and Latino population
 - Burlington, for both African American and Latino population
 - Fayetteville
 - Greensboro
 - Greenville
 - Rocky Mount
 - Wilmington
2. Northeast North Carolina, with a primary focus on the mostly rural counties of Martin, Bertie, Greene, Beaufort, Wilson, and Halifax counties. Secondary focus should be on neighboring counties with lower levels of potential asset poverty among African Americans: Pitt, Northampton, Washington, Wayne, and Nash.
3. South Central North Carolina, including Anson, Bladen, Harnett, Lee, Montgomery, Richmond, Robeson, and Stanly counties, with an indicator for potentially high levels of asset poverty among African Americans. Also of primary importance with a potentially high level of asset poverty among Native Americans are Cumberland, Hoke, Robeson, and Scotland counties. Robeson also has a potentially high level of asset poverty among Latinos.
4. Central North Carolina, in relation to potentially high asset poverty among Latinos, in Chatham, Harnett, Lee, and Randolph counties, with special emphasis on Chatham County.

Indicators of Asset Well-being among North Carolina's Communities

There are few available, good data sources of asset well-being among racial or ethnic communities or at the local city or county level. There are four measures from the decennial census that can be used as indicators of potential asset well-being or asset poverty: the number of households receiving income from self-employment; the number of households receiving income from interest, dividends or rentals; the number of households receiving income from retirement; and the number of homeowner households. For the first three the amount of income per household receiving the income provides an indicator of the asset size. On the other hand,

the average value of the homeowner's house is not a good indicator for asset size since the amount of mortgage debt is not reported.

Among the asset indicators, the typical household is least likely to receive self-employment income – most people are not business owners. African American and Hispanic/Latino households are the least likely to be self-employed, in other words to own a business asset. Of those households with self-employment income, African American households have the least of this income, \$18,000, with American Indian households also having a low average amount, \$22,000.

There is more variance in interest, dividend, and rental income – non-Hispanic whites are more than three times as likely as African American and Hispanic/Latino households to have income from interest, dividends, or rentals. And whites are more than twice as likely as Native American households to have this income. The amount of income from interest (savings), dividends (stocks), or rental properties varied from \$11,400 for Hispanic households to \$5,900 for African American households.

Households with Interest, Dividend, or Rental Income, by Race, North Carolina, 2000

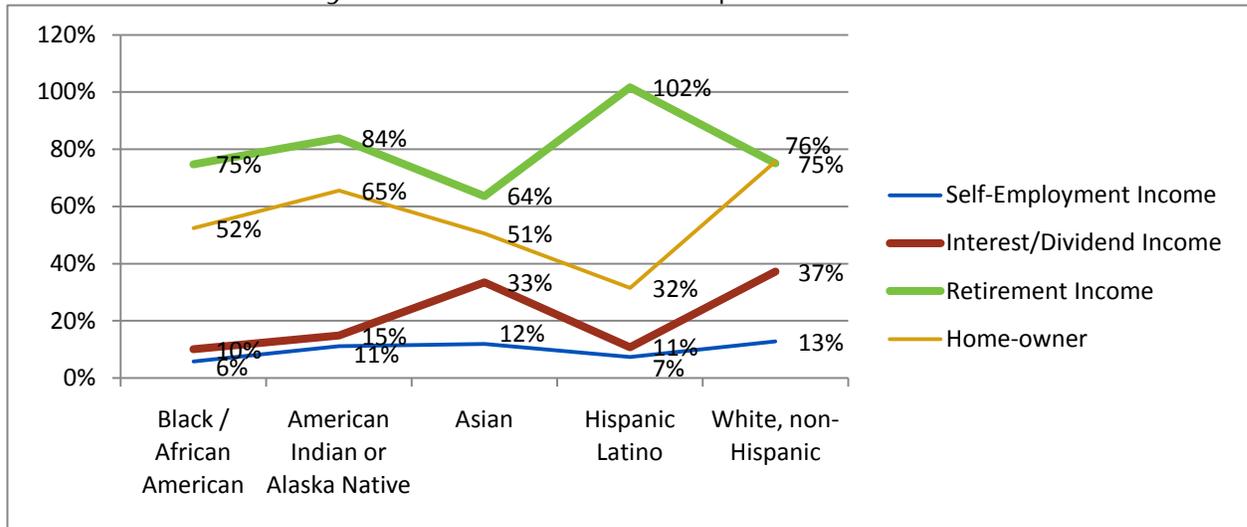
	Percent of households with interest, dividend, or rental income	Of those households, average amount of income received
Black/African American	10.1%	\$ 5,865
American Indian	14.8%	\$ 6,874
Asian	33.4%	\$ 7,129
Hispanic/ Latino	10.8%	\$ 11,419
Non-Hispanic white	37.2%	\$ 10,539

Source: 2000 Decennial Census, US Census Bureau.

The retirement income indicator is based on those households with at least one person 65 years or older, since one would not begin to receive income from this asset until one retired (at whatever age but often at 65). Since it includes social security, the percentages for all groups are above 60%. The lowest rate among the race-ethnic groups is that of Asians, where only 64% of households with a retirement-age member received retirement income.

Finally, homeownership rates varied significantly among various racial or ethnic groups, with a high of 76% among non-Hispanic white households to a low of 32% among Hispanic / Latino households. Homeownership was also relatively low among Asians at 51% and among African Americans at 52%.

Asset Indicators by Race or Ethnic Group, North Carolina, 2000

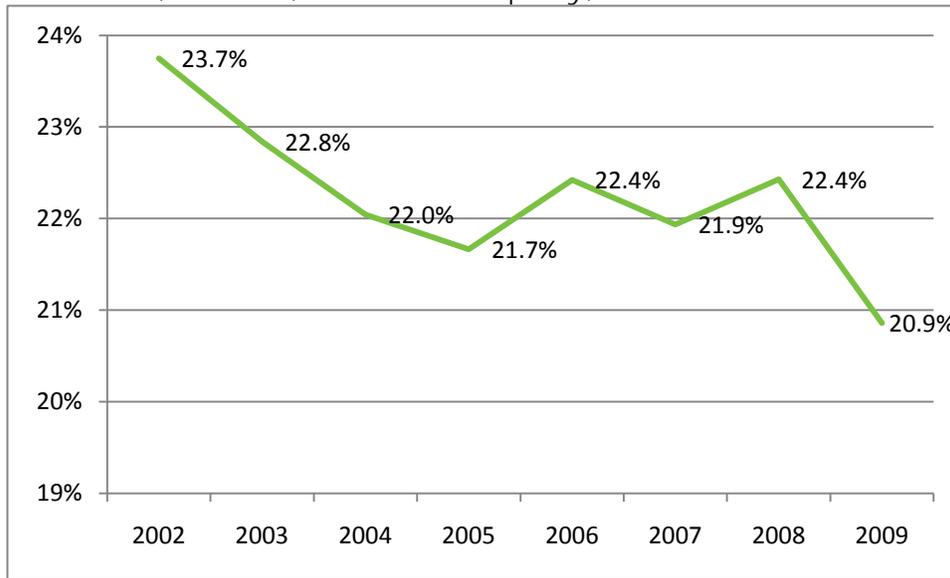


Source: 2000 Decennial Census, US Census Bureau. Note, for retirement income, it is the percentage of households with a person of 65 years or older that report retirement income.

Of the four indicators, perhaps the best indicator of potential asset well-being is interest/dividend/rental income, since it includes many major asset areas, including savings, investments, and other property. This indicator also seems to track the closest to income poverty, although this will need to be studied more.

The annual American Community Survey (ACS) provides a clue of the direction of asset well-being of all North Carolina households in the last eight years. The ACS does not have a large enough sample size to look at different races but does provide an overall clue of **what's** happening. According to the ACS, a high of 24% of households had income from interest, dividends, or rentals in 2002, falling to 22% by 2004. The percentage held steady at 22% through 2008 then fell one point to 21% in 2009, the beginning of the current economic recession. This would indicate that even before the recession, asset levels in North Carolina were at best holding steady.

Percentage of North Carolina Households Reporting Income from Dividends, Interest, or Rental Property, 2002 to 2009



Source: American Community Survey, 2002 to 2009

Extreme Asset Poverty among People of Color

There are many areas of potential asset poverty among the African American, Hispanic/Latino, and Native American populations of North Carolina. Therefore, in order to distinguish, it was necessary to look at potentially extreme asset poverty. Potentially extreme asset poverty might include areas where:

- Seven percent or fewer households had income from dividends, interest, or rentals;
- Four percent or fewer households had self-employment income; or
- Fifty-four percent or fewer of households with a person 65 years or older had retirement income.

This small study uses the county as the geographic level of study. Therefore it is not great at assessing potential asset poverty in urban areas. Another geography, such as census tracts, would need to be used to gauge potential asset poverty in urban areas, but is beyond the scope of this study. On the other hand, counties are a good way to assess asset poverty in rural areas.

Suggested Urban Areas

To identify urban centers to be part of a focused place-based wealth gap approach, this study simply used population concentrations within census tracts of at least 40% African American or at least 30% Hispanic/Latino. This concentration indicates an area where an asset building strategy could be used in a universal manner but where, due to the population concentration, the majority of people participating in the program or initiative would be persons of color.

African-American Asset Poverty

The indicators show that there may be two major clusters of African American asset poverty in North Carolina: the northeast and the south-central region.

Northeast NC

Northeast counties have some of the highest concentrations of African Americans in North Carolina and may have some of the highest levels of income poverty and asset poverty. Based on 2000 census indicators, the most pronounced asset poverty may exist in: Beaufort, Bertie, Greene, Halifax, Martin, and Wilson counties, according to 2000 census figures.

Counties with very low rates of interest, dividend and rental income include: Beaufort, Greene, Halifax, Martin, Pitt, Washington, and Wilson. Counties with very low rates of self-employment income include: Bertie, Halifax, Martin, Nash, Northampton, Wayne, and Wilson. Counties with very low rates of retirement income include: Beaufort, Chowan, Greene, and Martin.

South Central NC

South Central counties also may have high rates of asset poverty, especially in Anson, Bladen, Lee, Montgomery, Richmond, Robeson, and Stanly counties, according to 2000 census indicators. Many of these also have a high concentration of African Americans, especially, Anson, Bladen, Richmond, and Robeson, lending themselves to place-based asset building strategies.

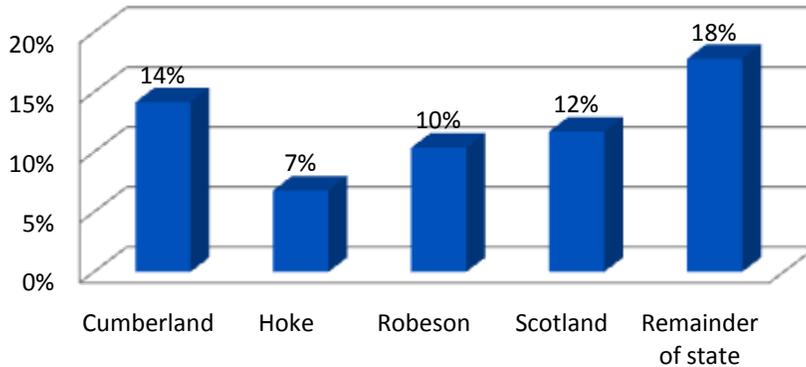
Counties with very low rates of interest, dividend and rental income include: Anson, Bladen, Harnett, Lee, Montgomery, Richmond, Robeson, and Stanly. Counties with very low rates of self-employment income include: Anson, Davidson, Hoke, Randolph, Richmond, Robeson, Rowan, and Stanly. Counties with very low rates of retirement income include: Anson, Bladen, Chatham, Lee, Montgomery, and Moore.

There is one mini-cluster of potential asset poverty among African Americans in western North Carolina, in Burke, Caldwell, Cleveland, Lincoln, Rutherford, Surry, and Wilkes counties, with the most intensive asset poverty likely in Wilkes County, based on the 2000 census indicators.

Asset Poverty among Native Americans

The asset poverty levels seem most pronounced among Native Americans in southern North Carolina. Based on the percentage of Native American households with income from interest, dividends, or rentals, a good indicator for overall wealth levels, Native American households in Cumberland, Hoke, Robeson, and Scotland counties appear to have the lowest asset levels. While this is based on 2000 census data, the situation has not likely completely changed. Robeson has by far the largest Native American population in the state and could be the center of asset building efforts in the Native American community.

Native American Households with Interest, Dividend or Rental Income



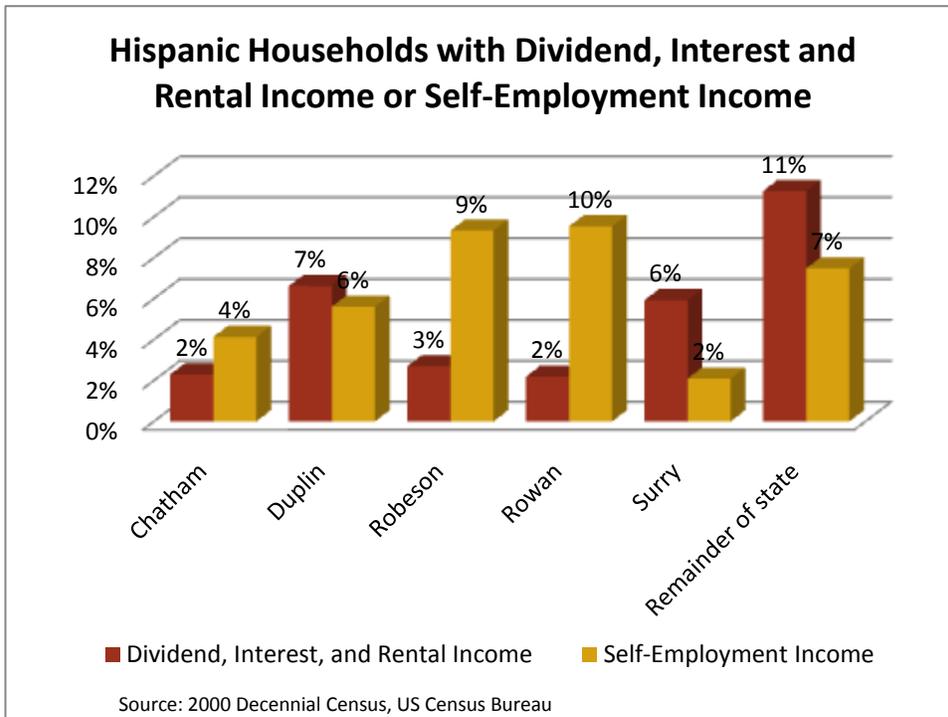
Source: 2000 Decennial Census, US Census Bureau

Asset Poverty among Hispanics / Latinos

Asset poverty among rural Hispanics and Latinos might be spread throughout the state more than for other races or ethnicities. That said, there appear to be three groupings of counties where there are more concentrated levels of asset poverty:

- Southeast – Duplin, Onslow, Sampson, and Wayne counties
- Central – Alamance, Chatham, Harnett, Lee, and Randolph counties
- West-central – Cabarrus, Catawba, Iredell, and Rowan

Of those three groups, indicators show that the most pronounced asset poverty might be in the Central group, pointing to a location for initial place-based asset building strategies among Hispanics and Latinos. Based on 2000 census indicators, the five counties with potentially the most extreme asset poverty among Hispanics/Latinos are: Chatham, Duplin, Robeson, Rowan, and Surry, with Chatham really standing out.



Conclusion

While not able to tell us what the wealth gap is in each county, census measures are able to provide an indicator of asset well-being or asset poverty in particular asset areas or overall. When looking at each race or ethnic group, potential areas of asset poverty can be identified for each group, although somewhat dated.

In addition, areas of overlap between race/ethnic groups tell us where a multi-group place-based strategy would be effective. In Robeson County there appears to be extreme asset poverty among African Americans, Hispanics/Latinos, and American Indians. A multi-ethnic asset building approach might work here. In Surry County there appears to be asset poverty among African Americans and Hispanics/Latinos, especially in relation to self-employment. A multi-ethnic microenterprise or small business strategy might be effective here.

APPENDIX C — DETERMINATION OF THE LOCATION OF PLACE-BASED STRATEGIES AND ASSESSING LOCAL CAPACITY

Criteria to Use to Determine Location of Place-Based Strategies:

- History of ZSR philanthropy, especially in Community Economic Development
- Strong local organizations
- High level of population of persons of color:
 - African American: > 50%
 - Hispanic: > 25%
 - Native American: >15%
 - Asian American: >10%
 - All (total): > 70%
 - Note: Not all percentages need to met, only one. The percentages are meant as a guideline only.
- High level of asset poverty (no good direct measure at the local level so proxy measures are used)
Proxies:
 - Percent of households with self-employment income: <= 4%
 - Percent of households with income from interest, dividends or rentals: <= 7% (**best proxy measure)
 - Percent of households with a member(s) 65 years or older that have retirement income: <= 55%.
- Potential for impact
- **Compliments ZSR's niche**
- Potential for ZSR to increase its leverage

Assessing Local Capacity:

- Local Government (city and/or county)
(Low to mid level capacity may be sufficient for some initiatives. A complex initiative may require a mid-to-high capacity level on the part of local government.)

LOW to MID

- The local government has occasionally entered into partnerships with nonprofit organizations and has been collaborative in its approach
- The local government has been somewhat innovative in its support of community services, financial education, affordable housing, or microenterprise

MID to HIGH (not all need to be true)

- The local government has somewhat frequently entered into partnerships with nonprofit organizations and has been collaborative in its approach
- Actively creates innovations in the asset field, such as new credit or savings products
- Use of CDBG or other funds to support EITC, asset building, microenterprise, affordable housing, or first-time homeownership, especially through funding local organizations
- Active support of the city/county Fair Housing Plan

- City proactively meets its moral obligation to attain its fair share of affordable housing units
- Active support for the minority business enterprise (or HUB) programs of the city, county, school district, etc.
- Local Nonprofits
 - Number of staff and staff diversity
 - Staff with experience in the content area
 - Familiarity with racial and gender wealth gap research and comfortableness in using the wealth gap frame
 - Board support for race and gender equity
 - Has somewhat diversified funding
 - Has connections to other non-profits or other organizations that can help them and/or inform their work
- Number of local nonprofits that appear to have at least moderate capacity in the content area
- Number of regional or state-wide nonprofits within content area active in the area