

# Addressing racial wealth inequalities

March 31, 2021

# Wealth inequalities along racial lines persist

Black Americans have \$8.3 trillion less wealth than they would have if wealth were equally distributed along racial lines\*. This includes:

- \$1.5 trillion less of retirement assets
- \$2 trillion less of business equity
- \$4.8 trillion less of primary home equity

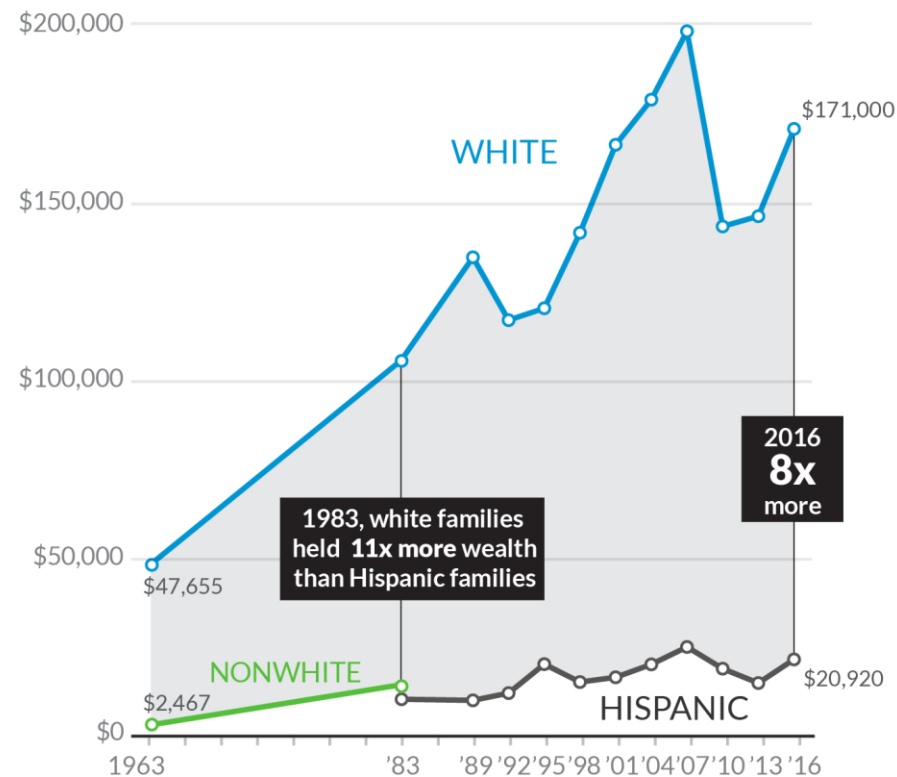
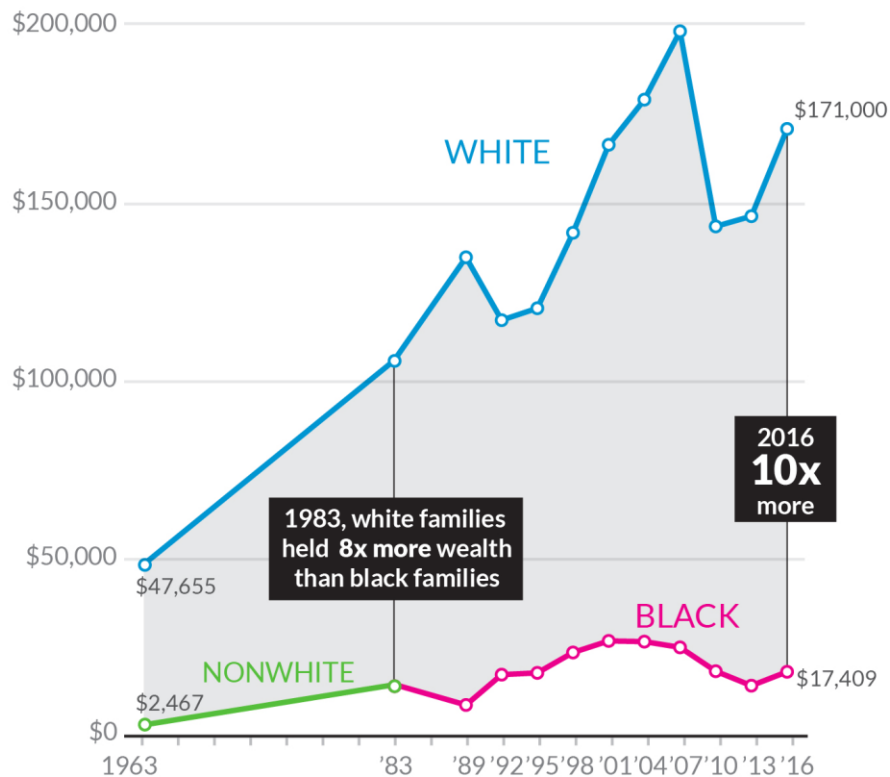
The children of White baby boomers are expected to inherit more than \$30 trillion over the next several years; more than 20 times the net worth of all Black Americans.

Median White family wealth is 10 times greater than Black family wealth

\*Source: "The Black Tax: The Cost of Being Black in America", 2017

# Gaps in wealth

## Median Family Wealth by Race/Ethnicity, 1963–2016



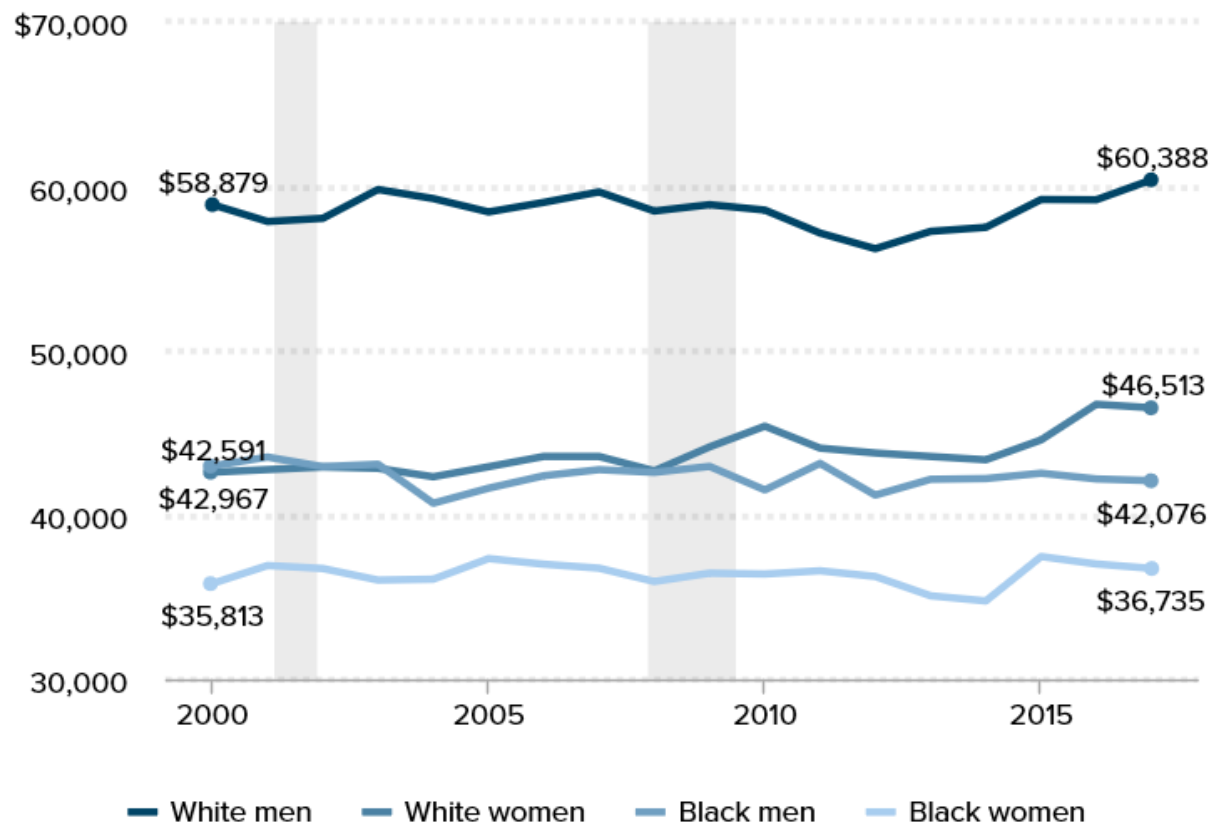
URBAN INSTITUTE

Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983-2016.

Notes: 2016 dollars. No comparable data are available between 1963 and 1983. Black/Hispanic distinction within nonwhite population available only in 1983 and later.

# Gaps in earnings

**Real median earnings of full-time, full-year Black workers and White workers, by gender, 2000-2017**



Notes: Earnings are wage and salary income. White refers to non-Hispanic Whites; Black refers to Black Americans alone. Because a redesign of the CPS ASEC in 2013 did not directly affect earnings, the data for 2013 are an average of the new and old series. Shaded areas denote recessions.

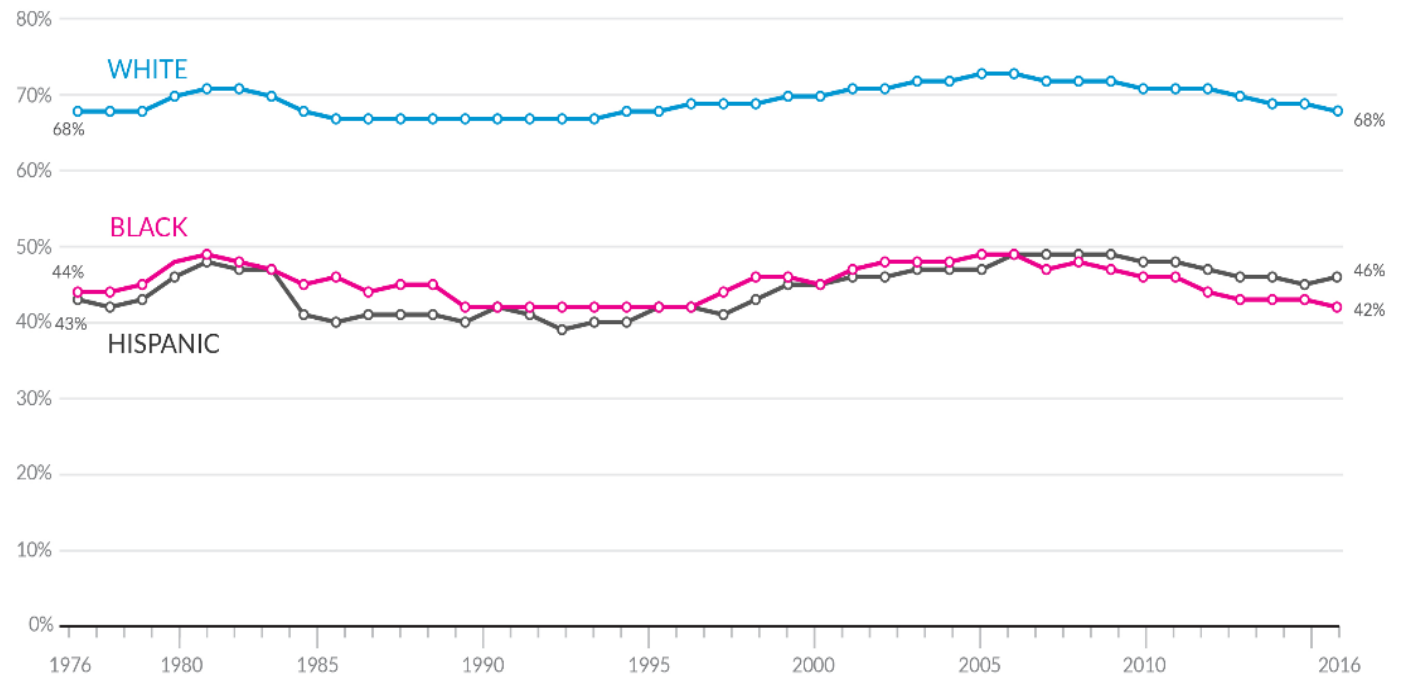
Source: EPI analysis of Current Population Survey Annual social and Economic Supplement (CPS ASEC) Historical Income Tables (Table P-38)

# Gaps in homeownership rates

Homeownership is the most critical component of building wealth

Access to affordable mortgage lending for Black families is still a problem

Homeownership Rate by Race/Ethnicity, 1976–2016



URBAN INSTITUTE

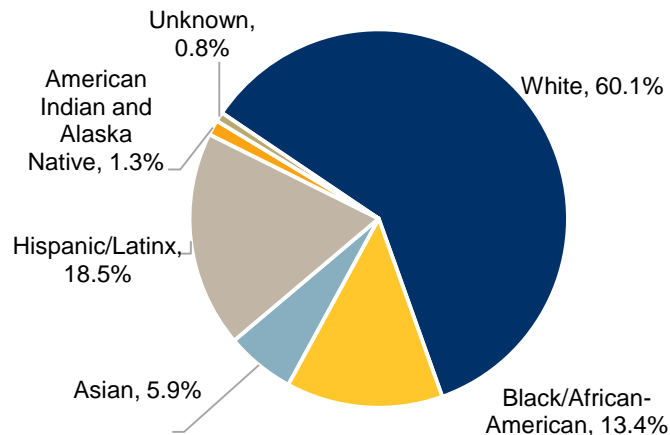
Source <https://apps.urban.org/features/wealth-inequality-charts/> Urban Institute calculations from Current Population Survey 1976–2017. 1976–2014 values from Census Historical Household Surveys, Table HH-5. 2015–16 values from Census Annual Statistics 2016, Table 22.

Note: White homeownership rate includes Hispanic whites. The 2016 homeownership rate for non-Hispanic whites is 72 percent.

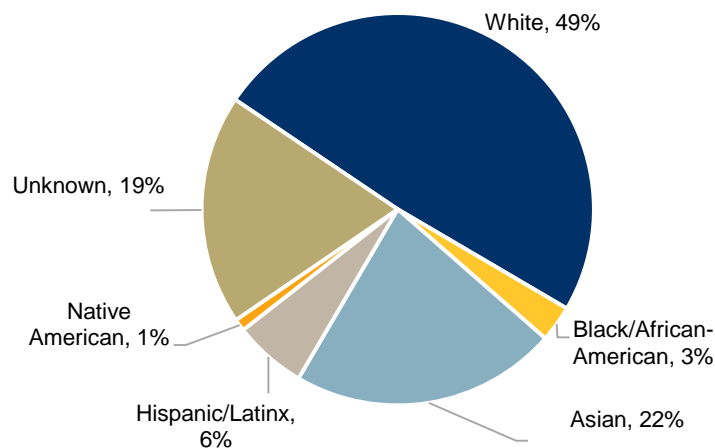
# Gaps in business lending

## Small Business loan approval rates

**Demographics of US Population<sup>1</sup>**



**SBA Approval Rates by Ethnicity<sup>2</sup>**



- Small business loans require collateral – often in the form of home equity, which Black Americans are less likely to have
- BIPOC\*-owned firms are less likely to receive loans than White-owned firms
- Conventional business loan denials in 2014 were at 39% for underrepresented groups, compared to 24% for White Americans<sup>3</sup>
- BIPOC-owned firms receive lower loan amounts than White-owned firms
- BIPOC-owned firms pay higher interest rates on business loans

<sup>1</sup>Census.gov, 2019 estimates <sup>2</sup>SBA Business Loan Approval Activity Comparisons Report, August 2019. Data reflects approval rates for the SBA 7(A) program

<sup>3</sup> <https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm>

\*BIPOC is an acronym that stands for Black, Indigenous, and People of Color.

# Investing to help reduce inequalities

The RBC Access Capital Investment Strategy can help reduce these inequalities by:

- Creating pools of capital dedicated to financing homeownership, affordable rental housing, small businesses, and access to healthcare and education in BIPOC communities.
- Targeting investments to facilitate the upward mobility of BIPOC families
- Investing in enterprises that provide the services needed to build stronger communities



An investor's ability to geographically target their investments is dependent upon the amount of their investment and the vehicle through which they invest.

# Why this is important



- Increased homeownership and business ownership along with greater investments from lenders will help to create more stability and a greater sense of community
- Stable communities lead to better property appreciation (especially if accompanied by civic engagement and supportive amenities), which leads to increased opportunities for BIPOC homeowners and business owners to create wealth
- Creates a virtuous cycle of positive impact for BIPOC families and communities



# Direct your investment

Invest in predominantly BIPOC communities in the following ways:

- Support homeownership, small business ownership, healthcare and community development in BIPOC communities
- Source as many loans as possible from community-based lenders
- Collaborate with CDFIs and Minority Depository Institutions regarding effective ways we can co-invest
- National footprint
  - Over 23,000 census tracts in the US are >50% BIPOC

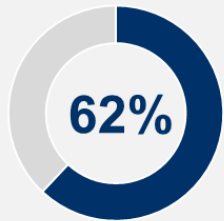
As of 12.31.20

<https://www.ffiec.gov/censusapp.htm>

# Investing in underserved communities and people

## Strategy affordable housing profile

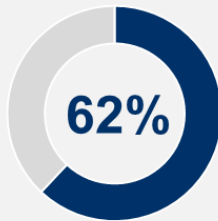
- 72% residents are BIPOC
- 100% low-to-moderate income
- 74% women head-of-household
- \$17k annual income
- \$397/month rent



of the affordable housing financed by the strategy is in BIPOC communities

## Strategy homeownership profile

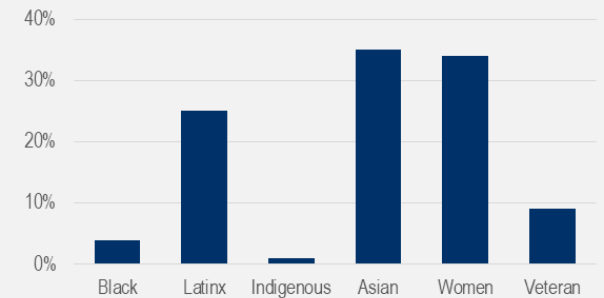
- 100% low-to-moderate income borrowers
- 100% fair lending standards applied



of the home ownership financed by the strategy is in BIPOC communities

## Strategy small business profile

- 100% small business loans are made in low-to-moderate income communities
- 78% small business loans are made in BIPOC communities



As of 3.31.21

Source: RBC Global Asset Management

BIPOC is an acronym that stands for Black, Indigenous, and People of Color.

Profile of the impact of investing in the RBC Access Capital Community Investing strategy across multiple themes. <sup>1</sup>Figures represent the weighted average of all neighborhood residents across census tracts in which the Impact strategy's affordable housing investments are located. Note: Subsidized housing resident data is only available for assisted housing subsidies under the following HUD programs: public housing, tenant-based, and privately owned, project-based; <sup>2</sup>profile of all small business holdings in the Impact Bond strategy where data is reported.

## Appendix: investment examples

The following are examples of investments sourced across our impact investing strategies that have positively impacted BIPOC communities.

# Affordable housing

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## ARLINGTON & 27<sup>th</sup> – Los Angeles, CA

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- Newly renovated, affordable multi-family rental housing providing 44 units of housing, 28 of which are reserved for low-income renters, and nine of which are reserved for those considered “very low-income”
- Located in Jefferson Park, close to USC, Culver City and DTLA
- Close to public transportation, freeways and metro
- Sourced through FreddieMac’s Multi-Family Securitization Small Balance Loan Program (FRESB) which focuses on loans between \$1 million and \$5 million with at least five units with the goal of helping to bolster the nation’s affordable rental housing stock and serve an underserved part of the market



# Access to healthy foods

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## GROCERY STORE – Camden, NJ

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- This small grocery store is located in a low-income, predominantly Hispanic/Latinx neighborhood of Camden, NJ
- Low-income neighborhoods often lack access to full-service grocery stores or farmers' markets where residents can buy fresh, nutritious fruits and vegetables
- Residents with better access to supermarkets tend to have healthier diets and reduced risk for obesity\*
- Without this small grocery store, this neighborhood would qualify as a “food desert“



\*Source: Food Research & Action Center, <http://frac.org/obesity-health/low-income-food-insecure-people-vulnerable-poor-nutrition-obesity>

# Family dentistry

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## DENTISTRY – Costa Mesa, CA

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- BIPOC\*-owned dental office in southern California
- Provides a variety of dental treatments including routine dental checkups and cleaning, fillings and amalgams, tooth extractions, crowns and bridgework, and cosmetic dentistry
- The entire team is Invisalign certified and one of the leading Invisalign providers in the nation
- They offer interest free financing and reasonable payment plans for patients
- Supports job creation and increases access to a valuable healthcare service in a moderate-income community



# Access to early childhood education

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## EARLY CHILDHOOD EDUCATION – Atlanta, GA

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- This African-American, woman-owned school is located in a predominantly Black neighborhood of Atlanta, GA
- The school serves children ages 3 through 12, and has a mission to provide a developmentally appropriate learning environment that encourages each individual child's optimum growth and development
- Programs run year round and after-school enrichment is available
- This loan was originated by the Community Reinvestment Fund, a Community Development Financial Institution (CDFI) that works to address social and economic inequity through new financial solutions that help to empower people, build sustainable communities and inspire systemic change





# Neighborhood revitalization

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## AFFORDABLE HOUSING & NEIGHBORHOOD REVITALIZATION – Rialto, CA

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- This predominantly Hispanic community undertook a substantial revitalization project of a low-income neighborhood
- The project included the financing of housing-related projects as well as a proposed senior citizen housing complex in the downtown area





# Pediatric dentistry

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## **PEDIATRIC DENTISTRY** – Lithia Springs, GA

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- African American-owned pediatric dentist clinic
- Located in a low-income area outside of Atlanta
- Provides a variety of dental treatments using the latest dental technology, and are dedicated to helping children they serve maintain healthy, beautiful smiles.
- Job creation and increased access to healthcare service in a low-to-moderate income (LMI) community



# Access to essential services & jobs

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## FUNERAL HOME – Sacramento, CA

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- African-American woman-owned funeral home that first opened its doors in 1957
- The owner takes pride in putting families first and providing clients with a beautiful, lasting tribute to their loved ones
- Job creation and valuable service provider in an LMI area



# Definitions

AMI:	Area Median Income
BIPOC:	Black, Indigenous, and People of Color
CDFI:	Community Development Financial Institution (CDFI)
FRESB:	Freddie Mac's Multi-Family Securitization Small Balance Loan Program- focuses on loans between \$1million and \$5 million with atleast five units with the goal of helping to bolster the nation's affordable rental housing stock and serve an under-served part of the market with access to long-term debt capital.
HDF:	Housing Finance and Development Authority
HUD:	U.S. Department of Housing and Urban Development
LIHGC:	The Low-Income Housing Tax Credit. Provides a tax incentive to construct or rehabilitate affordable rental housing for low-income households.
LIHPRHA:	Low-Income Housing Preservation and Resident Homeownership Act
LMI:	Low-to-moderate income: Defined as families whose incomes do not exceed 80 percent of the median family income for the area.
VLMI:	Very low-income. VLM is defined as families whose incomes do not exceed 50 percent of the median family income for the area.

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