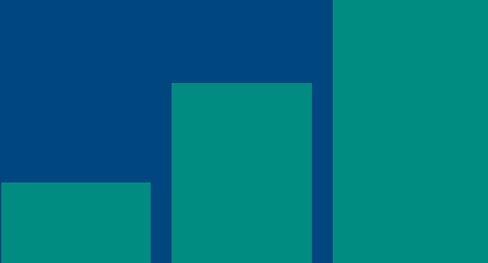




PERSISTENT POVERTY AND THE PREVALENCE OF CDFIs

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Foreword

by Partners for Rural Transformation

The following paper raises important questions about how community development financial institutions (CDFIs) and other stakeholders choose to define the geography of persistent poverty (namely, census tracts versus counties) in the United States and how geography is used to measure impact.

As practitioners who live and work in communities whose definition is examined in the paper, the Partners for Rural Transformation (PRT) appreciates the opportunity afforded by Opportunity Finance Network to offer this foreword. PRT is a group of CDFIs united by our shared experience of living and working in some of the poorest and most excluded places in this nation — both rural and metropolitan. PRT was formed to leverage the CDFIs' rural expertise and shared recognition that multiple approaches to practice are necessary for success.

PRT works to focus attention on the unique context in the eight out of ten current persistent poverty counties that are rural and the fact that nearly every rural majority-Black or Native American county is persistently poor. The decades of poverty in these rural communities of color are the direct result of policies that facilitated wealth acquisition through slavery in the Mississippi Delta and Black Belt, the taking of land and life from Native and Latino people, and the extraction of natural resources from Appalachia. The consequences of this history are apparent: high unemployment; a lack of access to banking services and venture capital; and a paucity of quality, affordable housing, safe drinking water, broadband access, and healthcare. People in persistently poor rural America face higher rates of premature death and negative health outcomes that significantly contribute to inadequate educational outcomes and diminished job opportunities. Changing course in these communities where resources are severely limited is complex and uniquely impacted by history. PRT partners leverage our strengths as practitioners to change these outcomes in the communities where we live and work.

CDFIs direct resources to historically excluded places, where remedying generations of inadequate investment is difficult and expensive. Funder-driven incentives to demonstrate impact tend to favor densely populated urban centers, where CDFIs can reach more people with fewer inputs. Achieving comparable impact in persistently poor rural counties with fewer resources and less infrastructure strains the resources of CDFIs working in these rural environments. We hope that CDFIs tasked with designing and evaluating programs at the census-tract level do not face undue time and resource concerns. We at PRT continue to envision a country where persistent poverty no longer exists. We all have a part to play in this fight. We strongly believe that as we define poverty and measure change we must keep in mind the historical discrimination and denial of equitable access to opportunity in rural persistently poor communities.

Data is vital; yet data alone does not yield change. We encourage continued discussion of how CDFIs can leverage data in concert with this multifaceted understanding to remedy long-standing inequities and disinvestment in oppressed communities across our nation. Regardless of how we measure persistent poverty, the findings in this paper charge CDFIs across the country to double down on our efforts to close the gaps our financial system has created. PRT is committed to being a partner in this continuing work and in the development of metrics that evaluate sustainable and long-term impact on persistent poverty until such poverty no longer exists.

In partnership,

Jose A. Quinonez, Director
Partners for Rural Transformation



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Executive Summary

Defined as 20 percent or more of an area's population living in poverty for the past 30 or more years, persistent poverty affects 37 million people — more than ten percent of the U.S. population.

Persistent poverty communities are characterized by generational poverty, insufficient access to quality education and healthcare, scarce opportunities for good-paying jobs or economic mobility, and limited investment and access to capital. The absence of mainstream financial institutions is as noticeable in these communities as the plethora of predatory payday lenders and check cashers.

Community development financial institutions (CDFIs) are mission-driven lenders delivering affordable financial products and services to low-income and low-wealth people and places, including persistent poverty communities.

Among a sample of 186 CDFIs that report data to the Opportunity Finance Network (OFN) CDFI Coverage Map, **nearly 40 percent of CDFI lending is in persistent poverty areas, a testament to the industry's targeting of the most economically vulnerable and underserved communities.**

Traditionally, persistent poverty has been measured at the county level. OFN measured persistent poverty at the census tract level, finding:

- **A census tract measurement includes 17 million Americans in rural and urban areas** who are not counted in a county-focused measure.
- When measured at the census tract level, **persistent poverty in the U.S. nearly doubles**, increasing from 20 million people in 35 states to 37 million people across all 50 states and the District of Columbia.
- The **number of rural counties with persistent poverty increases from 310 to 751** and the **number of urban counties increases from 45 to 643.**
- A census tract measurement also increases persistent poverty populations across geographies: **rural persistent poverty population increases from 6.3 million to 7 million. Urban persistent poverty population more than doubles**, increasing from 14 million to 30.1 million.

CDFIs are important partners in the work to alleviate poverty in rural and urban communities. Our findings have profound implications for these lenders that are driven by a mission to serve people and places underserved by mainstream finance.



Nearly 40 percent of all CDFI lending goes to persistent poverty areas, a testament to the industry's targeting of the most economically vulnerable communities.



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This paper highlights that persistent poverty exists across the U.S., in our most remote rural areas and our largest cities, in small towns and in suburbs. For the CDFI industry to reach its full potential in addressing entrenched poverty, OFN makes three calls to action:

- OFN asks CDFIs — working in both urban and rural geographies — to incorporate tract measurements when calculating persistent poverty lending and telling their persistent poverty lending stories, allowing them to better represent the full impact of their work and attract new resources to grow investments in persistent poverty communities.
- OFN calls on CDFI funders and investors to incorporate persistent poverty census tracts into their programmatic guidelines and funding opportunities. OFN urges the public sector, which already considers counties in various persistent poverty programs, to incorporate tract measurements as well. OFN asks philanthropic and private investors to identify persistent poverty census tracts in their markets and support CDFIs that are investing in these tracts.
- OFN urges all public, philanthropic, and private sector investors to invest equitably in persistent poverty communities and to support the unique strategies that work best for each community’s geography, needs, and residents. In rural areas these strategies tend to focus on counties, reflecting the regional nature of rural community development. In urban areas, these strategies tend to focus on neighborhoods, reflecting the highly localized nature of urban community development.

Section I: CDFIs’ Persistent Poverty Lending

Defined by the U.S. Department of Agriculture’s Economic Research Service as 20 percent or more of an area’s population living in poverty for the past 30 or more years, persistent poverty exists in many parts of the U.S.

CDFIs, mission-driven lenders that serve low-income, low-wealth, and other communities underserved by mainstream finance, are prevalent in these communities. Among a sample of 186 CDFIs that report data to OFN’s CDFI Coverage Map, nearly 40 percent of CDFI lending is in persistent poverty areas.¹

Persistent poverty has traditionally been measured at the county level. OFN measured it at the census tract level and found profound differences.²

Of the \$15.8 billion in loans closed between 2010 and 2016 by our sample of CDFIs, 38 percent went to persistent poverty census tracts (PPTs). When measuring persistent poverty by counties (PPCs), less than half that (14 percent) went to persistent poverty areas and nearly half of the CDFIs had no persistent poverty lending at all, a counterintuitive conclusion given CDFIs’ mission. (See Table 1.)

Table 1: CDFI Lending in Persistent Poverty Census Tracts Versus Counties

	# CDFIs	\$ Billions	% of Total Lending
Total Lending	186	\$15.8	
Lending in Persistent Poverty Census Tracts	183	\$5.9	38%
Lending in Persistent Poverty Counties	100	\$2.3	14%

¹ Analysis based on 2010 – 2016 lending reported by CDFIs to OFN’s CDFI Coverage Map database.

² This paper used persistent poverty tract data created by Brown University and [PolicyMap: https://s4.ad.brown.edu/Projects/Diversity/Researcher/Bridging.htm](https://s4.ad.brown.edu/Projects/Diversity/Researcher/Bridging.htm)



The increase in CDFIs' persistent poverty lending when measured at the census tract level is seen across all types of loans, ranging from a 67 percent increase for consumer loans to 219 percent for community services loans. (See Table 2.)

Table 2: Share of CDFI Lending (\$) in Persistent Poverty Counties (PPC) Versus Census Tracts (PPT) by Lending Sector

Sector	% Lending \$ in PPC	% Lending \$ in PPT	% Increase
Community Services	16%	51%	219%
Housing to Organizations	14%	40%	186%
Housing to Individuals	6%	13%	117%
Commercial Real Estate	22%	51%	132%
Small Business	14%	29%	107%
Microenterprise	11%	21%	91%
Consumer	9%	15%	67%
All Sectors	14%	38%	171%

Sources for Tables 1 and 2: OFN CDFI Coverage Map; CDFI Fund Persistent Poverty Counties; U.S. Census American Community Survey (ACS); Brown University Longitudinal Tract Database; PolicyMap Persistent Poverty Tracts.



Persistent Poverty Borrower Stories & Maps

The CDFI borrower stories and accompanying maps illustrate the impact of measuring persistent poverty at the census tract level.

CDFI Borrower: Hoopa Valley Grocery Store, Hoopa, CA CDFI: AEDC

In California, 1.6 million people live in persistent poverty counties. But more than three times as many — 5.5 million — live in persistent poverty tracts. The 3.9 million people that make up the difference live in urban and rural tracts, and include the Hoopa Valley Reservation and nearby community of Hoopa. The Hoopa Valley Grocery Store is in a persistent poverty census tract with 37 percent poverty.

The closing of the Hoopa Valley Tribe's only grocery store resulted in a critical need to address the food desert left in its wake. AEDC, which supports regional economic development in California's Humboldt, Del Norte, Mendocino, Lake, Trinity, and Siskiyou Counties, stepped in to help. The CDFI used its experience bringing together funding partners — including fellow CDFIs, Community Vision and Rural Community Assistance Corporation, and a Bureau of Indian Affairs Guarantee — to raise \$4.2 million for a loan to Hoopa Valley Grocery Store, creating 20 jobs and an important asset for community health in a high-poverty rural area.

Hoopa Valley Grocery Store Within a Persistent Poverty Tract



Sources: CDFI Fund Persistent Poverty Counties; Brown University Longitudinal Tract Database and PolicyMap Persistent Poverty Tract

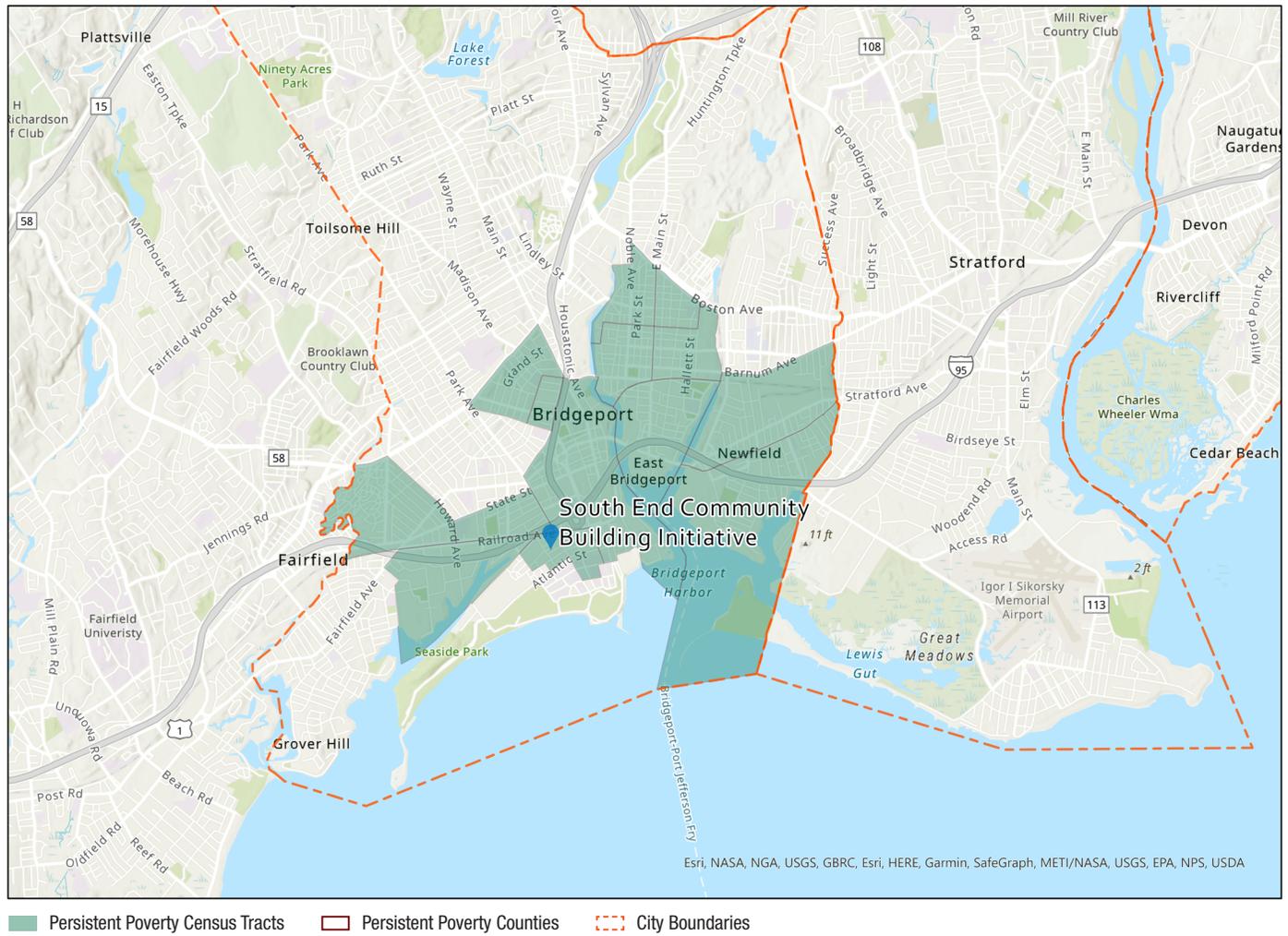


CDFI Borrower: Building Neighborhoods Together CDFI: Capital for Change

The state of Connecticut has no persistent poverty counties, yet 230,910 of the state’s residents live in persistent poverty census tracts. In Bridgeport, more than one-quarter (28 percent) of the city’s population lives in persistent poverty tracts.

In March 2020, Capital for Change provided nonprofit developer Building Neighborhoods Together with a \$270,000 loan to renovate three blighted properties and create seven affordable rental housing units. The properties are located in a Bridgeport persistent poverty census tract that has a 39 percent poverty rate. The loan supports the Building Neighborhoods Together comprehensive neighborhood stabilization strategy — the South End Community Building Initiative — which aims to reclaim a ten-block area plagued by persistent disinvestment and high rates of foreclosure and crime. To date, the nonprofit developer has completed 11 property renovations in the South End, resulting in 41 revitalized affordable housing units. In total, Capital for Change has a \$4.2 million portfolio of 18 loans to Building Neighborhoods Together, 90 percent of which support properties located in persistent poverty census tracts in Bridgeport.

South End Community Building Initiative Within a Persistent Poverty Tract



Sources: CDFI Fund Persistent Poverty Counties; Brown University Longitudinal Tract Database and PolicyMap Persistent Poverty Tract

Section II: Persistent Poverty Measures: Counties Versus Census Tracts

Persistent poverty has historically been measured at the county level, even though census tracts offer more precision due to their smaller geographic boundaries and more consistent population counts. Why is this the case? Counties are easier to work with: county boundaries rarely change over time, while census tract boundaries can change every decennial census; county data is easier to manage (3,143 counties compared to more than 73,000 census tracts); and counties are easier to identify (everyone knows what county they live in, but very few can name their home census tract).

Three ways census tracts are better:

- 1. Precision.** Census tracts are a more precise unit of measure for persistent poverty because tracts are smaller and more equal in population than counties. Precision has the added benefit of excluding a persistent poverty county's more affluent communities, where access to conventional financing and investment opportunities is likely adequate.
- 2. Inclusion.** Using a tract measurement is more geographically inclusive of rural and urban areas across all U.S. regions, and especially in urban areas. Urban counties are less likely to have persistent poverty than rural counties, in part because they have larger and more dense populations, more heterogeneous economies and incomes, and higher costs of living than rural counties.
- 3. Proportional Representation.** Urban counties are underrepresented in count compared with their share of the U.S. population: 37 percent of all counties are urban, yet 86 percent of the U.S. population resides in urban counties. Urban census tracts (83 percent of all tracts) are closely aligned to the U.S. population distribution. (See Table 3.)



There appears to be momentum toward using tracts instead of counties to measure persistent poverty. In 2016, the Harvard University Joint Center for Housing Studies concluded that measuring persistent poverty at the county level would “exclude the vast majority of poor people who live in urban and suburban census tracts that are in persistent poverty.”³ And in 2020, Economic Innovation Group released a tract-level analysis of persistent poverty throughout all U.S. metropolitan areas.⁴

³ Harvard University Joint Center for Housing Studies: <https://www.jchs.harvard.edu/blog/when-boundaries-matter-counties-census-tracts-and-anti-poverty-programs>

⁴ <https://eig.org/wp-content/uploads/2020/04/Persistence-of-Neighborhood-Poverty.pdf>



Table 3: Rural and Urban Distribution: Population, Counties, and Census Tracts

	Population (Millions)	# Counties	# Census Tracts
Rural	46 (14%)	1,976 (63%)	12,166 (17%)
Urban	275 (86%)	1,167 (37%)	60,891 (83%)
Total	321	3,143	73,057

Source: U.S. Census 2014 – 2018 American Community Survey (ACS).

The use of counties results in a dramatic undercounting of the persistent poverty population, leaving out 17 million people living in persistent poverty census tracts that lie outside these county boundaries.

By using census tracts rather than counties, this otherwise overlooked persistent poverty is found across a wide range of geographies, including rural, urban, states, counties, and congressional districts. (See Table 4.)

- **Total Population:** Nationwide persistent poverty population nearly doubles, increasing from 20.3 million to 37.1 million.
- **Rural and Urban Population:** Rural persistent poverty population increases from 6.3 million to 7 million. Urban persistent poverty population more than doubles, increasing from 14 million to 30.1 million.
- **Counties:** The number of counties with persistent poverty population increases nearly four-fold, from 355 to 1,394. The number of rural counties with persistent poverty populations more than doubles, from 310 to 751, while the number of urban counties increases from 45 to 643, resulting in a more inclusive and geographically diverse measure. Only two of the 310 persistent poverty counties, both of which are rural, would no longer have persistent poverty populations using the tract measure.
 - Rural PPCs have a much larger share of population living in PPTs (60 percent) than urban PPCs (36 percent). In other words, nearly two-thirds of the population in rural PPCs lives in PPTs, while only one-third of the population in urban PPCs lives in PPTs.
- **U.S. Congressional Districts:** Like counties, the number of congressional districts with persistent poverty population nearly quadruples, from 110 to 406.
- **States:** The number of states with persistent poverty population increases from 35 to 50, plus the District of Columbia. States vary in terms of persistent poverty population gains and losses, as shown in Appendix 1.



Table 4. Persistent Poverty Distribution: Counties Versus Tracts

	U.S. Totals	Persistent Poverty Counties	Persistent Poverty Census Tracts
U.S. Population (millions)	321	20.3	37.1
Rural (millions)	46	6.3	7
Urban (millions)	27	14	30.1
% U.S. Population	100%	6%	12%
% Rural	14%	14%	15%
% Urban	86%	4%	11%
# States	50	35	50
# Counties	3,143	355	1,394
# Rural Counties	1,976	310	751
# Urban Counties	1,167	45	643
# Congressional Districts	435	110	406

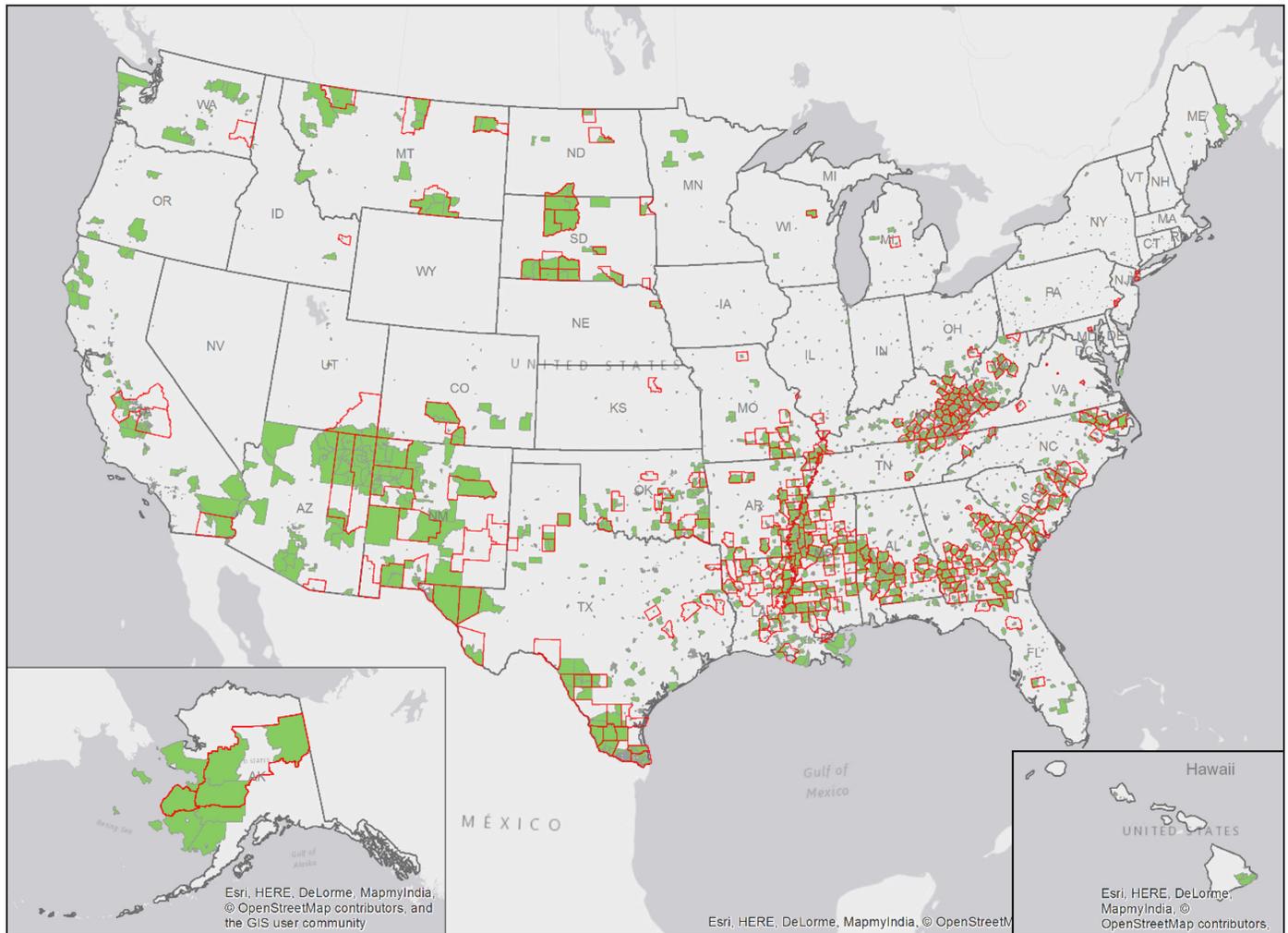
Sources: CDFI Fund Persistent Poverty Counties; U.S. Census American Community Survey (ACS); Brown University Longitudinal Tract Database; PolicyMap Persistent Poverty Tracts.



The national map below illustrates these outcomes and highlights areas where persistent poverty populations increase when using tracts instead of counties (see next page for instructions on how to use the interactive map).⁵ Areas outlined in red and filled with green qualify as persistent poverty under both methods, while areas outlined in red but not filled with green are portions of persistent poverty counties that are not persistent poverty census tracts, and vice versa.

Note that the small gray dots throughout much of the country represent geographically small persistent poverty tracts. Given that the average tract's population is roughly 4,400, these small persistent poverty tracts have nearly the same number of residents as the large tracts clearly visible in green.

Persistent Poverty Counties and Census Tracts



■ Persistent Poverty Tracts □ Persistent Poverty Counties

Sources: CDFI Fund (Counties); Brown University, PolicyMap (Census Tracts).

⁵ Zoom in on specific geographies using Tract Advisors' interactive map:
<https://tractadvisors.maps.arcgis.com/apps/View/index.html?appid=7a505d507c1347bf8d6c5aaf271de323>.



The Persistent Poverty Census Tracts and Counties Interactive Map linked [here](#) enables users to hone in on persistent poverty tract and county boundaries throughout the country.

Additionally, this map's geocoding function can be used to determine whether an address is located within a persistent poverty tract or county. Enter the address in the search box and select the auto-filled address or press Enter to display all search results.

CDFIs who have received CDFI Fund Financial Assistance Awards are familiar with reporting tract-level data on all loans closed. Other CDFIs are encouraged to capture tract information using free geocoding services offered by the CDFI Fund,⁶ PolicyMap,⁷ and the Federal Financial Institutions Examination Council.⁸

Conclusion

This report shows that a persistent poverty county measure severely undercounts the number of Americans living in entrenched poverty and is less geographically inclusive of rural and urban communities alike.

Measuring persistent poverty at the census tract level offers a more equitable and accurate methodology and has profound implications for many CDFIs. The traditional county measure suggests that nearly half of CDFIs have no lending activity in these areas.⁹ The census tract measure shows that the vast majority of CDFIs lend in persistent poverty areas and that nearly 40 percent of all CDFI lending is in these areas, a testament to the CDFI industry's targeting of highly vulnerable rural and urban communities.

For the CDFI industry to reach its full potential in addressing persistent poverty, OFN makes three calls to action. We urge:

1. CDFIs working in urban and rural geographies to incorporate tract measurements when calculating persistent poverty lending and telling their persistent poverty lending stories.
2. CDFI funders and investors — public, private, and philanthropic sectors — to identify and incorporate persistent poverty tracts into programmatic guidelines and funding opportunities.
3. Public, private, and philanthropic sector funders and investors to invest equitably in persistent poverty communities and to support the unique strategies that work best for each community's geography, needs, and residents.

Persistent poverty is far too prevalent across the U.S. Only by identifying the breadth and scope of the problem can we hope to solve it.

⁶ <https://www.cdfifund.gov/mapping-system>

⁷ <https://www.policymap.com/maps>

⁸ <https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>

⁹ Analysis based on 2010-2016 lending reported by CDFIs to OFN's CDFI Coverage Map database.



Appendix 1. Changes in State Persistent Poverty Population Using Census Tracts Versus Counties

State	PP Population Using Census Tracts	PP Population Using Counties	Net Change Using Census Tracts	Ratio PPT : PPC
AK	42,337	13,582	28,755	21.9
AL	749,744	354,331	395,413	4.1
AR	440,653	354,351	86,302	1.5
AZ	954,752	225,862	728,890	8.0
CA	5,487,019	1,604,363	3,882,656	4.9
CO	370,269	26,311	343,958	78.8
CT	230,910	-	230,910	Added
DC	163,728	-	163,728	Added
DE	35,576	-	35,576	Added
FL	1,776,309	319,947	1,456,362	8.9
GA	1,317,414	881,281	436,133	2.3
HI	86,425	-	86,425	Added
IA	149,685	-	149,685	Added
ID	66,367	38,241	28,126	2.3
IL	1,151,524	71,582	1,079,942	29.7
IN	424,558	-	424,558	Added
KS	188,167	75,696	112,471	3.3
KY	1,012,216	779,050	233,166	2.2
LA	1,249,705	1,602,771	(353,066)	0.6
MA	596,640	-	596,640	Added
MD	258,568	615,549	(356,981)	0.2
ME	56,853	-	56,853	Added
MI	968,799	70,572	898,227	22.4
MN	300,336	-	300,336	Added
MO	597,136	528,705	68,431	1.3
MS	915,971	1,085,836	(169,865)	0.6



State	PP Population Using Census Tracts	PP Population Using Counties	Net Change Using Census Tracts	Ratio PPT : PPC
MT	142,862	44,831	98,031	8.7
NC	855,731	533,677	322,054	2.0
ND	43,887	25,952	17,935	4.2
NE	111,521	7,055	104,466	Added
NH	18,014	-	18,014	Added
NJ	607,076	-	607,076	Added
NM	542,711	600,801	(58,090)	0.8
NV	74,390	-	74,390	Added
NY	3,379,314	4,076,601	(697,287)	0.7
OH	1,167,978	65,563	1,102,415	44.3
OK	624,989	290,411	334,578	3.2
OR	261,083	-	261,083	Added
PA	1,177,254	1,567,121	(389,867)	0.6
RI	126,606	-	126,606	Added
SC	601,290	392,069	209,221	2.2
SD	89,706	81,331	8,375	1.4
TN	758,122	160,373	597,749	10.6
TX	4,911,991	3,052,942	1,859,049	2.6
UT	190,756	15,193	175,563	21.5
VA	460,562	478,158	(17,596)	0.9
VT	17,580	-	17,580	Added
WA	551,760	47,794	503,966	18.3
WI	395,394	4,506	390,888	Added
WV	361,117	224,349	136,768	2.3
WY	8,297	-	8,297	Added
All	37,071,652	20,316,757	16,754,895	2.6

Sources: CDFI Fund Persistent Poverty Counties; U.S. Census American Community Survey (ACS); Brown University Longitudinal Tract Database; PolicyMap Persistent Poverty Tracts.



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