Transcript of Federal Reserve Board *Fed Listens* Event:
How Is COVID-19 Affecting Your Community?

May 21, 2020

CHAIR POWELL. Good afternoon. It's great to see everyone. Good to see your faces. And I just want to say a few words of welcome and thank everyone for being here, albeit in somewhat unusual circumstances—although I guess we're all getting used to this.

We've held many *Fed Listens* events over the past 16 months, and it's important to note that these conversations are not just a nice way to talk to people from around the country, although they are that. What they provide, what you provide, is insight that we just can't get anywhere else. You add depth and definition to the flood of data that flows through the Fed every day. You give us perspective on the economic realities that don't show up on a spreadsheet. You help us see those complex sets of data that analyze the American economy through the eyes of the people, businesses, and communities that make up the American economy, and that information is very helpful to us as we make our policy decisions. So this is a valuable exercise for us and an enjoyable one as well, so we truly do appreciate it on a number of levels.

The Reserve Banks are also continuing to hold conversations in communities across the country to help capture economic realities on the ground. We are in the midst of an economic downturn without modern precedent. It was sudden, and it is severe. It has already erased the job gains of the past decade and has inflicted acute pain across the country. And while the burden is widespread, it's not evenly spread. Those taking the brunt of this fallout are those least able to bear it. The pain of this downturn is compounded by the upending of normal life, along with great uncertainty about the future.

In the best of times, predicting the path of the economy with any certainty is difficult. In fact, John Kenneth Galbraith famously said that economic forecasting exists—exists to make astrology look respectable. We are now experiencing a whole new level of uncertainty, as questions only the virus can answer complicate the outlook.

Policies that address the resumption of economic activity are the province of elected officials at all levels of government, in close consultation with public health and medical professionals. But all of us have our own decisions to make as well, and those decisions will depend on public confidence that it's again safe to undertake various activities. From an economic perspective, we hope to learn a lot from your experiences and from what you're hearing from your colleagues, customers, and communities: how they're coping with that uncertainty now, how they're thinking about a future that's harder to plan for, and what matters most as they navigate the path. The feedback we get from our community and business contacts—contacts has always been crucial in how we conduct monetary policy. In extraordinary times such as these, it takes on even greater importance.

So I want to thank you again for providing that insight, and I very much look forward to our conversation. And with that, I will turn it to over Governor Brainard. Lael, over to you.

GOVERNOR BRAINARD. Well, thank you. So this is the 15th *Fed Listens* event over 16 months. We have listened to diverse voices from every type of community, every sector, and every district of our country. This rich set of perspectives is helping bring alive for us the importance of the review of our monetary policy strategy, tools, and communication practices led by Vice Chair Rich Clarida.

We've heard that maximum employment brings vital benefits, takes a very long time to arrive in many neighborhoods, and is not captured in a single national statistic. We've heard that inflation matters: Households at different life stages and in different places are balancing the cost of living against their earnings, while businesses are balancing wages and other costs against their pricing power. We have heard that access to credit matters, and that it's important to use the full range of tools to support the economy.

When we embarked on this listening journey, little did we know that our nation would experience the heartache associated with the COVID-19 pandemic, an emergency unprecedented in modern times. Last year, we heard from small businesses that were expanding their workforces and investing in their communities. Today, many of those same businesses are running low on cash reserves and struggling to make rent and payroll, especially those in consumer services such as restaurants and retail. Last year, national unemployment had fallen to its lowest point in over five decades. Today, it's surged to levels not seen since the Great Depression. Last year, historically challenged groups were gaining a foothold in the workforce, and employers were investing in training and loosening job eligibility requirements. Today, the fallout from COVID has cruelly hit groups with the—the thinnest financial cushions hardest: workers in the lowest quarter of earnings, people of color, low- and moderate-income communities, and women disproportionately employed in services jobs.

So as we think about how the Federal Reserve's tools and presence in communities around the country could best provide stability at this trying time and strong support for the recovery to come, we wanted to turn again to many of the same voices we heard from earlier to learn how the COVID pandemic has affected your communities and what lies ahead.

So, with that, I want to turn to the panelists. I'm going to ask each of you a question that references what we've heard from you in our interactions before the COVID pandemic to explore what has changed. I would invite my colleagues to jump in with their questions as we go. So we're going to start with Amanda Cage.

Amanda Cage is president and CEO of the National Fund for Workforce Solutions, a role she assumed in March 2020 after eight years at the Chicago Cook Workforce Partnership. The National Fund invests in a national network of 33 communities, taking a demand-driven, evidence-based approach to workforce development. Leveraging its local partners, the National Fund shares learning across the network.

Amanda, here's a quote from you last October: "What we're seeing is huge disparities in what unemployment looks like for neighborhoods … 17.2 percent in Englewood, 15.7 percent in Fuller Park, 15.1 percent in West Englewood. … That's the best that they have ever been, and these are the same rates that we considered catastrophic for the national picture at the height of the recession."[1] That was at a time when average unemployment across the country was below 4 percent. Today, it's 20 percent overall. How the things changed for residents of neighborhoods in Chicago, such as Englewood and Fuller Park, over the past few months? Amanda, over to you.

MS. CAGE. Thank you for inviting me to be part of this conversation today. So how have things changed for these residents? First of all, they've been hit hardest by the coronavirus. In Chicago, coronavirus cases are concentrated in black and Latinx communities. Black residents represent 32 percent of the infection and half of the deaths. Latinx residents—45 percent of the infections, and those numbers are rising.

The jobs that sustained these neighborhoods disappeared overnight. If you worked for a hotel or a restaurant, you were a childcare or home care worker, a security guard, an

[1] Amanda Cage was a panelist at the Federal Reserve Bank of Chicago's *Fed Listens* event in October 2019. A video of the event is available on the Bank's website at https://www.chicagofed.org/fed-listens/panel-1.

administrative assistant, your services were no longer needed during shelter-in-place. And if you were an entrepreneur and had your own small business, it's shut down.

And if your jobs didn't disappear, they blew up. If you were a truck driver or a warehouse worker or worked at a grocery store, you were working more now than ever and being asked to do more, to work more hours under riskier conditions. So these workers are really facing a difficult equation: risking their physical health or making ends meet. And this isn't a hypothetical question for these folks. If you live in a black neighborhood in Chicago, you know of somebody who has died from coronavirus. You know scores of people who have been infected. And this question is weighing very heavily on the families in these neighborhoods.

When I spoke last October, we were experiencing a lot of economic expansion and the lowest unemployment rate in 50 years, and the problem that we were focused on was shared prosperity. How could we use this tight labor market to chip away at persistent racial inequities? How could we bring people back into the labor market who had been excluded? We were working with employers who were desperate to recruit and train and retain workers, and we were helping them figure out how to improve the quality of their jobs so they could be more attractive.

On March 1, I walked into a new position as the CEO of the National Fund for Workforce Solutions to work on these issues on a national scale. Two weeks into my tenure, the world turned upside down. Now I work with communities across the country who are just trying to respond to the crisis. The National Fund has collaborated through the United Way with community foundations, workforce boards, and chambers of commerce, and we're trying to address the immediate need. We're helping millions of people as they stand in a virtual line for unemployment. We're trying to figure out how to provide education and training services to people who don't have access to computers or internet connections. And we're trying to rapidly deploy laid-off workers because there are companies who are still hiring.

I just want to close by talking about this 20 percent unemployment figure. I keep hearing the same refrain: "not since the Depression Era," "not since the 1930s." But we have a modern-day image of what 20 percent unemployment looks like. It looks like Englewood on the South Side of Chicago. It looks like our most—our—our communities that are experiencing the most distress in our urban neighborhoods and our rural towns. And I think that, as a country, we don't have a sense of what 20 percent unemployment looks like for the rest of us, even if it is short lived.

GOVERNOR BRAINARD. Thank you, Amanda. I'm going to pause for just a second and see if any of my colleagues want to jump in and ask a question. Otherwise, I'll go to the next panelist and give them another opportunity afterwards.

All right. Why don't we go to the next panelist and invite you to come in whenever—whenever you choose. So, next, I want to turn to Pat Dujakovich, who we commonly refer to as "Duke," who is a former firefighter and the president of the greater Kansas City AFL-CIO, which advocates for workers at all levels of the economic spectrum, from the players for the Super Bowl champions, the Kansas City Chiefs, to the men and women who maintain and clean the stadium.

So, Duke, last June, you reported that one of the really great things about the good jobs market is that it was providing the most vulnerable people in Kansas City with a foothold in the workforce. But you also talked about preparing for a downturn. Here's your quote: "If the last people you hire are the people you've determined are not your first choice, they're going to be the first ones gone, so let's make sure we've got something in place where we will offer them some ability to move to part time or some opportunity to train for something else to stay in the workforce. But once you lose them, it's extremely difficult to get them back."[2] Since that time, because of COVID, we've seen layoffs in some sectors skyrocket and rising concerns about health and safety in other industries. What worries you most about how workers and, particularly, vulnerable workers are doing?

MR. DUJAKOVICH. Well, thank you, Governor Brainard. I really appreciate that. So the biggest worry for me is that some of the most vulnerable will lose hope. Hope is another very important intangible that has an impact on the economy. I mean, I kind of look at it as kind of like consumer confidence, but probably a lot harder to measure, because the people without the education or skills to be considered for a job or the people who made a mistake and possibly had a criminal record—they were knocked out of contention for employment. Those people were getting jobs. They had the ability to make the future brighter. Now, we've saw movement in the right direction for women and people of color. And now, far too many of them are, once again, out of the workforce. And we all hope it's just for a little bit longer until everybody's back, and everybody makes it out and survives and is on the other side of this, but that just might not be the case, and it's really scary.

You know, the stimulus checks and the increases in unemployment have worked very well to keep families solvent, but it's going to end soon. And so, here's the big question we're struggling with: What's going to last longer, the money or the virus? Will we be back at work with paychecks when the unemployment payments end? And, if not, how big is that gap going to be? Because a lot of people don't have the resources to be able to cover that gap for very

[2] Patrick Dujakovich was a panelist at a research conference hosted by the Federal Reserve System and held at the Federal Reserve Bank of Chicago in June 2019. A video of the event is available on the Bank's website at https://www.chicagofed.org/conference-sessions/panel-1.

long. So many people are living paycheck to paycheck. There's a real fear we'll see more homelessness when this is all over.

Now, on *60 Minutes,* Chairman Powell said that when people are out of a job for long periods of time, their skills atrophy, and they lose contact with the workforce, and that the longer and deeper recessions do damage people's careers. That's very true. And it's also true that employees with more experience tend to have more sustainable skills and a stronger connection to the workforce that won't fade as fast as newly employed people. Most of us don't even exactly know when it happened or some don't even realize it happened, but at some point in almost everyone's life, your job becomes a part of your identity. We use it when we describe or introduce ourselves to others, and the career damage is going to be more severe and longer lasting to those that haven't formed that bond yet.

We all have safety nets in life. We have families, friends, there's government programs, there's even charities to fall back on. But a lot of the people that we're talking about here have used up all of those resources previous to being employed.

I'm also really concerned with what it's going to take to get back to the point where labor was in such high demand that wages were headed in the right direction. I mean, prior to the crisis, employers across the country and pretty much in every sector were saying the same thing: "I can't find qualified workers." And then this hit, and again, it is across the country and in pretty much every sector where people are losing their jobs. And so, how far do we have to get back to the point where we're seeing people, who weren't the first choice, getting employment?

And what's it going to look like for workers when they're on the other side of this? You know, we all understand that companies want to restart and produce things. And please, trust me, workers want to go back to work. Everyone does. We—we all know that there are going to be risks that are going to have to be taken. But when we get America back open for business and fully open, there's just not going to be a good way for people to work safely for so many people. Manufacturing and assembly lines, a lot of times, takes two people in a very close proximity to be able to complete a task. There's just not really going to be a good way to try to—to separate them. And the meat processing plants are basically assembly lines in reverse. People are working very closely, and they have got no choice but to be there. Thank you.

GOVERNOR BRAINARD. Thank you, Duke. All right, I'm going to, again, pause and just see whether my colleagues have a question for Duke or Amanda.

CHAIR POWELL. Duke, I'll—or Amanda, I'll—this is Jay. I'll go ahead and—and just say, first of all, thanks to both of you so far for—for your comments. We all know, it really was—it's been a time, over the past year or so, we—where we've had the tightest labor markets in 50 years—discussed this with many if not all of you and—and how things felt different. And a tight labor market really has a lot of benefits, and so it's—it's very—it's tragic, it's heartbreaking to see that go away. And, you know, our commitment, of course, is to get us back on the road to recovery and try to get back to that. And we will not—we will not rest until we are back on that road, and we'll push as hard as possible.

I was interested to hear you say, Duke, that the—that the—the relief from unemployment insurance and the checks is—is getting through. That's good to hear. I'd love to hear if—if others feel the same way.

And the—the other thing is, are you—are people beginning to see—go back to—is there any—any sense of going back to work yet in—in your community or—or others? Is it—do you start to feel people going back into the workplace now, or is it still too early for that? And how are people thinking about that?

MR. DUJAKOVICH. Well, I—I can take a stab at that, if you don't mind. So, under the Defense Production Act, the meat processing plants we just talked about were classified as essential infrastructure that have to remain open. And so, the people there faced a decision that they needed to return to work or stay at home with probably very little or no income. It's a very tough decision. And it became even more difficult for people who lived with somebody who was a high-risk family member. So, many of the people—so many of the people that I know, they view their parents and grandparents as fragile family treasures, and they've been very, very protective of them and keeping them sheltered in place. And it makes it tough if you're going there and you're working a shift. And I can tell you personally, I provided care and transportation for my brother when he was battling cancer. And there is no way I would have taken him to chemo after doing a shift right beside somebody who we now know, in fact, did test positive for it at one of these facilities.

MS. CAGE. I would—I would just add, I think, originally, many of us thought businesses would just close down and reopen. And, in particular, in certain industries, we are just saying—seeing that those industries are shifting in a way that we didn't anticipate.

I think hospitality and health care, in particular, who hire a lot of folks who we are—who—who we care about, who we're talking about, they've just changed in fundamental ways. And I think we're not—health care and hospitality were these industries that we thought were sort of sacred and protected from a lot of the other forces in the economy that we've worried about in the past, and we're just seeing that that's not—that's not true.

If you worked in hospitality, it has very little barriers. You can walk into that job. If you have a—if you have a union hotel job in Chicago, you're making $20 an hour off the bat, there's not a—a parallel job to that for these folks, and those jobs aren't coming back—not coming back anytime soon. Health care, which we thought was—again, was sacred, we're seeing layoffs. We're seeing people who are disconnected to these two industries that were experiencing growth before. So I don't think we're seeing the people being reemployed like we thought we would see even three weeks ago.

GOVERNOR BRAINARD. Thank you, Amanda.

CHAIR POWELL. Thank you.

GOVERNOR BRAINARD. So let me continue on. And then, again, I invite my colleagues to come back in after we've heard some more of the panelists. So now I want to turn to Juan Salgado, who is chancellor of the City Colleges of Chicago. And Juan has focused his career on improving education and economic opportunities for residents in low-income communities.

As chancellor, he oversees Chicago's community college system, working to put more than 70,000 students across seven colleges on the path to upward mobility. Juan, at our conference last June, you said that your students at the City Colleges of Chicago, who are largely African American and Latinx, were benefiting from apprenticeship programs with local businesses and from having pathways to entry-level jobs that might historically have gone only to students with four-year degrees.[3] These apprenticeship programs had been created in response to difficulties locating employees in what was then a very tight labor market.

What's the state of these apprenticeship programs today? Do your students see the pandemic as a surmountable setback, or are they worried about lasting effects on their ability to get ahead?

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[3] Juan Salgado was a panelist at a research conference hosted by the Federal Reserve System and held at the Federal Reserve Bank of Chicago in June 2019. A video of the event is available on the Bank's website at https://www.chicagofed.org/conference-sessions/panel-1.

MR. SALGADO. Well, again, thank you for the invitation. Can you hear me well?

GOVERNOR BRAINARD. Yes.

MR. SALGADO. Very good. I think I want to start by speaking about our students overall. You know, when you think about our students overall, they are students that are in the low-wage labor market. They are working to upskill to get better opportunities, and this has been devastating to the wide, large number of students that we have in our system. They are feeling the impacts in very formidable ways.

But when it comes to the apprenticeship initiative, you know, I do want to give a little bit of hope here, right? Because the reality is—is that we have not seen our employers pull back, okay? We, in fact, had an employer just the other day—took four of five apprentices as full-time employees and re-upped or doubled the number of apprenticeships they were doing before now. The apprentice program is still very small, but I do want to say that, for those students that became apprentices, they have a different and privileged place in society in relationship maybe to all the people around them, and that is that they're working from home. They still have jobs. They have an employer that's supportive of them, like you and I and all of us on this phone call have. When you think about what's happening to Latinx and African American communities, keep in mind that only one in five African Americans can work from home. Only one in six Latinos can work from home.

And so, you know, what we have done in the past through apprenticeship, you know, is creating a circumstance where—that—that is going to be life changing for these students—right?—if they can keep that employer attachment. And so far they have been—right?—because of the value they're providing to the company and the value that the companies provide and the workplace flexibility that exists in these particular industries. And, of course, these were higher-growth industries that, you know, are still fairly stable.

And so what I want to say is that we should be looking to the things that were working before the pandemic as strategies that we need to be going to—doubling, tripling down on to get out of the pandemic, to make sure that equity is taken into account. And more than taken into account is at the forefront of how we respond to the pandemic. This is an opportunity for us to dream of, and then realize, never again to have double-digit employ—unemployment in one community in the same city where you have single-digit employment just a few miles away—unemployment just a few miles away, to have a nation with that kind of disparity.

And so how do we design our solutions to ensure that that, in fact, is what occurs? And I've got to think that apprenticeship—you know, earning and learning is a key component. And I think that, you know, the attachment and the sustainability so far of that strategy is bearing out that we ought to—we ought to continue on that road.

GOVERNOR BRAINARD. Thank you very much, Juan. So let me pause for a second. Let's see if we have any questions.

CHAIR POWELL. Can you—you know, with—with classes and enrollment, are you struggling with remote—you know, remote learning and tuition and all those sorts of things? And how are you thinking about the fall?

MR. SALGADO. Chair Powell, I appreciate you asking us that. We actually had a very successful transition to remote learning. But we were prepared for it, in many respects: learning management systems, employees that were trained already on Zoom that were utilizing this kind of technology, and, to some degree, students that were as well. I think that our pain points relate more to our students' pain points.

As—as it relates to the fall itself, you know, one of the things that, for any business, and—you know, and certainly for an education institution, you know, you've got to have some level of certainty that you can drive to the people you're going to serve. And that's probably the hardest part right now is that all we can give them is scenarios of what the learning environment might be. And the good news is, they've had some exposure and some experience with the remote capability and the remote platform, albeit forced upon them.

I don't know how many are going to choose that platform—right?—voluntarily because of health and safety reasons. How many will choose to come to campus, should we be able to come to campus? And we are certainly preparing for that. And so I think that we should keep our eye on, you know, the choices that people are making during this time and the impact that that's going to have. And, certainly, we're guided by trying to provide as many choices as possible, because every student is a world upon themselves.

The family networks, as was talked before, you know—you know, they—they may make different choices based upon their living conditions, housing conditions, family support structures, all of those things, and we have to be flexible for them in that regard.

The last thing I'll say, Chair Powell, is that community colleges, I think, will play a big role in the recovery because of our accessibility and our affordability and, increasingly, because of the quality that we provide.

CHAIR POWELL. Yes. Well, the thing you're providing them, do you—do you expect that most of them at least will be able to continue with this in—in the—in the current environment, with—with—with the education they're getting from you?

MR. SALGADO. We—we are doing everything we can to support them. We do need—we do know that greater financial supports are going to be necessary, because they are these workers that have lost their jobs, and certainly, they've gotten—some of them have gotten checks, and some of them have gotten emergency student relief from us as well through the CARES Act. But we're going to have to find ways to support those students, and we're raising philanthropic resources. For instance, we've raised nearly $3 million in the last three weeks to actually help pay for tuition and looking at other mechanisms to have retention high.

CHAIR POWELL. Thank you.

MR. SALGADO. Thank you.

GOVERNOR BRAINARD. All right. So let me now turn to Darrin Williams. Darrin is the CEO of Southern Bancorp, a family of three community development financial institutions consist—consisting of a bank holding company, a community bank, and a nonprofit loan fund serving low- to moderate-income communities in Arkansas and Mississippi.

Offering financial products and financial development services focused on helping families build wealth and increase economic mobility, Southern Bancorp is a certified B Corp and member of the Global Alliance for Banking on Values. It has $1.5 billion in assets and 400 employees, serving 65,000 customers.

Darrin, a few years ago, you introduced me to Vernetha Jackson, one of your customers in Helena, Arkansas, who had gotten her first mortgage at the age of 63. We visited towns in the Mississippi Delta that have had a hard time retaining bank branches. Mission-oriented banks and CDFIs are truly financial first responders. Can you give us a sense of how low- and moderate-income communities in the Mississippi Delta are getting access to PPP loans and the recovery rebates that were included in the CARES Act, and how those communities are weathering the COVID crisis?

MR. WILLIAMS. Thank you, Governor Brainard. And to you and Chairman Powell and distinguished members of the Federal Reserve Board, we appreciate your including Southern Bancorp as a part of this important discussion.

Governor Brainard, in anticipation of your question, I reached out to Vernetha Jackson yesterday, and she still remembers the meeting, and she told me to tell you hello. She wanted you to know that she's still enjoying her home, that she's worked diligently on their yard—she said, "I wish I could send you a picture." But she wants you to know that she's doing well and building her wealth through homeownership, and I'm very, very proud of her. And, fortunately for her, she's not impacted directly by COVID. Her job is still safe in the school district, and she has people home to—come home to every day.

Now, with regard to the Paycheck Protection Program, recognizing the importance of the loan proceeds from the Paycheck Protection Program, Southern Bancorp aggressively reached out to our—our customers when the Paycheck Protection Program first rolled out. We recognized that those proceeds would be the lifeline of the communities that we serve in the Arkansas Mississippi Delta.

And so on the very first day the program opened, April 3, we actually processed and funded our very first loan when many larger banks were—kind of stumbled out of the gate and did not really know how to access the program. I'm proud to say that, as of yesterday, we've done over 1,225 PPP loans for over $110 million. And I can assure you that the loans that we've done have really reached the smallest of small businesses. In fact, in the first round, where we saw more—some of the larger small businesses, our average loan size was only $147,000. But in the second round, that average loan size has gone down to about $44,000. I will say, over the last 300 or so PPP loans that we've done, the average loan size is about $15,000.

And, in fact, in the first round we did 553 PPP loans—75 percent of those loans in round one went to businesses with 25 or fewer employees. We're seeing many, many more sole proprietors and independent contractors, and so the average loan size continues to come down. And over the last week, we've been averaging about 10 loans per day coming through our—coming through our channels, through our 48 locations throughout our communities. And so we think that we are—we and other CDFIs across the country are really helping to reach some of the smallest of small businesses.

And we really applaud the Congress and the Administration for having the foresight to carve out, in round two, a small amount of resources that went directly to the small businesses through CDFIs and through small community banks. And I might note that the $30 billion that was carved out for CDFIs and small community banks actually was exhausted in one and a half days, so you can see there's a rich demand for the Paycheck Protection Program.

Other—and I guess I might also point out that in Phillips County, Governor Brainard, where you visited Ms. Jackson, we actually did 125 PPP loans for about $7.6 million, and that's a county of less than 12,000 people. And so, again, the PPP loan proceeds have been a lifeline for the employees that have been able to access that program.

Now, with regard to the—to some of the other CARES Act programs, particularly the federal stimulus checks, we have been inundated with people wanting to cash those checks. In fact, between April 15 and May 17, $32 million in stimulus proceeds have come through our bank, either through direct ACHs to our customers who had their accounts on file with the IRS or through people who came through our drive-throughs to actually cash those checks.

And because it was so important for us that customers and noncustomers have access to cash those checks, we cashed noncustomers' checks without any fees at all to make sure that they were able to—able to secure the vast majority of those proceeds. In the markets we serve, typically in Mississippi—and, Governor Brainard, you saw this—they're just inundated with—with payday loan service centers and pay—check cashers, which take a large percentage of even government checks to cash. And so we cashed those at no fee to folks that came through our—our drive-throughs, since we—of course, now our lobbies are closed. So that was about 20,000 transactions we've seen so far, and they still continue to—to trickle in. Unfortunately, Arkansas and Mississippi have some of the highest un- and underbanked rates in America, with about 26 percent and 38 percent, respectively, in Arkansas and Mississippi that are un- or underbanked, and so it's important that we provide that support.

For other customers, we really tried to make sure that we're helping them bear the impacts of COVID-19. So, for our consumer loan customers, we provided a three-month payment holiday of principal and interest on any loan for our consumer customers. And on a case-by-case basis, we talked with our commercial loan customers and provided them with also various forms of payment relief, from interest-only payments to complete deferrals of payments. And then, of course, the SBA provided payment relief for our SBA borrowers. I will say that since we've done that, about 15 percent of our entire portfolio has taken advantage of some form of payment relief. So we've got about $150 million in some type of payment deferral out of our billion-dollar loan portfolio.

Now, I'm not sure that everyone needed that—that relief, but people are frightened, they're scared, and they're nervous. People wanted to hold onto as much cash as possible, and so they took advantage of those—that relief. Additionally, we are really promoting right now online and our mobile products, really trying to move people to those platforms. We've also waived various fees as we experience these COVID-19 issues for mobile—mobile deposit fees to late payment fees. We've waived many of those. And as a—as a CDFI that focuses heavily on providing financial literacy, financial counseling, what we call financial development services, we are really pushing our financial counseling. And we're doing that more and more through Zoom. And so our credit counselors are actually talking to people via Zoom from their home to peoples' homes, really trying to help them weather the—the impacts of COVID-19.

So, all in all, I would say that in the Delta community that we serve, we have faced economic—tough economic conditions for a very long time. The markets that we serve look very, very much like what Amanda talked about earlier, with double-digit unemployment even pre-COVID, when employment rates throughout the country were much less. So these markets have faced higher unemployment, higher job loss, higher poverty as a result of structural inequalities and inefficiencies in our economic system, and this hasn't gone away. My fear is that long-term impacts of COVID-19 will only broaden these inequalities in income and in wealth in the communities that we serve.

You can look at the research by Surgo Foundation, which really talked about those communities that are—have a Community Vulnerability Index. And it's not necessarily communities that are having the most health impact from COVID-19, it's those that had a number of structural challenges, like the Arkansas and Mississippi Delta, that would have the longest-term, long-term impact of COVID-19. In fact, the FEMA Disaster Studies show that 40 percent of the businesses that are hit by a disaster never return. And of the 60 percent that do return, about one-third don't last two years after the disaster. So we're concerned about the impact. We're resilient, we're going to try to make it through, but the structural inequalities in our system really make it difficult for the markets that we serve.

And we really appreciate you all inviting us to be a part of this conversation. Thank you very much.

GOVERNOR BRAINARD. Thank you very much, Darrin. It's a good reminder that financial services are often emergency services when we have national emergencies such as this. I think we're all proud also of the role we've been playing, helping to make sure those ACH transfers get there and helping banks and CDFIs get access to their PPP funds. I'm wondering whether Miki wanted to come in on that front.

GOVERNOR BOWMAN. Yes. Thank you, Lael. And, Darrin, it's wonderful to hear those stories of—of you meeting the needs of your customers and waiving fees and—and meeting the needs of the unbanked and underbanked to cash their stimulus checks. That's the role that I see community banks playing across the country, and it's refreshing to hear you reaffirm those activities.

I wondered if you might be able to cast a little light on the differences that you're seeing between rural areas and the economic impacts you're seeing there or any developments versus your more urban areas. And is there anything more that the Fed can do to manage the current environment there?

MR, WILLIAMS. Governor Bowman, thank you for that question. And I really appreciate your always bringing the—the angle of community banking as you think about the work that—having been a community banker.

You know, so Southern—the markets we serve, and by most accounts, would all be considered rural. The largest town that we serve is probably a city of 45,000 people, and we call that "urban" or "large." But we also serve towns, you know, of less than 1,000 people. We—we do see some differences in—in those communities. So, those more populated communities where people have access to more business technical assistance, have access to CPAs and other—other business technical providers, they're having the opportunity to really access those PPP programs.

So I was talking just recently to a gentlemen in Forrest City, Arkansas, one of the most economically challenged communities in our State of Arkansas. And he had about 15 of his customers he was working with that had not been able to access the PPP program. And I really started digging in, trying to figure out, could we help him? And these were businesses that, unfortunately, have relied on informal accounting systems—cash-based businesses or even some who have just a complete mistrust of banks and don't have any banking relationship.

And you see that in more of your rural, underserved communities, so there is somewhat of a difference. And we're—we're trying to figure out ways to help them through our nonprofit loan fund. We've created a philanthropic grant program where we're trying to provide forgivable loans—or, really, grants to those who have not been able to access the PPP program. Those dollars are very limited, but they're important because we know so many people have not had access to the PPP program.

GOVERNOR BRAINARD. Thank you very much. So what I'm going to do now is turn to some of our small business or business owners. I'm going to start with Bob Ukrop, who is chairman and CEO of Ukrop's Homestyle Foods. Located in Richmond, the company employs 400 associates and produces high-quality, chilled, prepared foods and baked goods for supermarket chains that we all have heard of: Food Lion, Harris Teeter, Kroger, Publix, Wegman's. The family-owned business was formed in 2010 after the family sold its previous 73-year-old retail business, which were supermarket stores.

So, Bobby, one year ago, I heard you talk about how your food preparation firm couldn't raise wages because you couldn't easily pass on those price increases to your customers, given the thin margins in grocery and fierce competition from other sellers.[4] You also described challenges you were facing in finding and retaining good employees who could maintain high-quality food standards while also working in challenging conditions. I'm wondering what kinds of changes you've been seeing with the COVID crisis, in terms of working conditions and employee availability, and how the demand for your products and your pricing and margins changed in this period.

MR. UKROP. Thanks for the opportunity to participate today. And it was great to hear what Darrin said most recently about the support his organization is doing to help folks. It's wonderful to hear that.

Our sales are down 25 percent since the COVID-19 crisis began. And, of course, some people are in a lot worse shape than that, but there are reasons why. Although supermarkets report that sales are up significantly, there has been a shift in what consumers are buying, resulting in lower margins for retailers. Reluctant to go to the grocery store frequently, consumers are spending much more per trip as they buy more shelf-stable products and more proteins from the meat department.

For our company, sales of fresh products to support food service areas, like salad bars and hot food bars, went to zero as stores stopped offering these options. Sales of packaged, chilled prepared foods, including entrees, sides, and deli salads, have remained strong. However, sales of sandwiches and green salads, most often purchased by office workers for lunch, are

[4] Bobby Ukrop was a panelist at the Federal Reserve Bank of Richmond's *Fed Listens* event in May 2019. The event is summarized in *Fed Listens: Perspectives from the Public,* a report available on the Federal Reserve Board's website at https://www.federalreserve.gov/publications/files/fedlistens-report-20200612.pdf.

down significantly. Sales of baked goods, especially iced and decorated cakes, are much lower because of fewer gatherings and celebrations. Consumers are using the extra time at home themselves to bake pies and cakes.

There are even more unintended consequences—for example, the huge disruption of the food industry supply chain. Many food retailers' distribution centers were overwhelmed by demand for cleaning supplies, paper goods, and frozen foods like pizza. So, in some cases, our products were not deemed to be priority items, and they stopped ordering. Also, to avoid hoarding by individual stores and the store personnel who might try to stock up on extremely fast-selling items, some retailers prevented employees from making adjustments to computer-generated orders.

As for pricing and margins, not much has changed since last year when we instituted the 2 percent price increase and raised wages 3 percent. Now, in our business, under normal circumstances, it has taken more than six months for our retailers and retail customers and our partners to accept and then execute price increases. Before the COVID-19 crisis arrived, we had planned to implement a wage increase this fall. That initiative is up in the air at this point. The only price increase we anticipate would relate to recent spikes in proteins, especially beef, as the supply chain has been very disrupted.

As for our workforce and our working conditions, our associates are accustomed to stringent health and sanitation protocols, and the temperature in our kitchen is 35 degrees. All of us have heightened awareness about health and safety. Our associates want to work. And we did receive support from a PPP loan. That loan was very timely, and it enabled us to keep everyone on the payroll when sales were significantly down and much uncertainty was present. We applied for the PPP loan through Atlantic Union Bank, the largest community bank in

Virginia, on the first day. I'm pleased to report that within a week we had the money, and that gave us confidence in our decision to keep all of our associates on the payroll.

Frankly, I was amazed how quickly the delivery system worked. Numerous business friends and area organizations had similar experiences because of their relationships with locally controlled banks. For Ukrop's Homestyle Foods, that PPP loan is a bridge to the summer when we anticipate somewhat of a sales rebound. Unfortunately, many smaller businesses did not have a personal relationship with a bank, or even a bank. Some may have known only a teller, and others had no connectivity. These businesses really, really need help.

Now, back to our wonderful associates. Our absenteeism rate has not changed. One reason our associates come to work is, they need a stable paycheck, because many also work part-time jobs, and a good number of those jobs no longer exist, as has been mentioned earlier. In addition, other members of their family may have lost jobs, so a secure job at Ukrop's is appreciated. Now, a number of our associates do get irritated—some of their out-of-work friends and family members are making more money by drawing unemployment benefits, which include the temporary federal subsidy. We strongly believe the vast majority—and this was said by other people—the vast majority of people want to work.

GOVERNOR BRAINARD. Thank you very much, Bobby, for that update. I'm going to pause and see whether I have any questions from my colleagues. [No response] And if not, what I'm going to do is go on to hear from Joanne Chang and then pause again, because both Joanne and Bobby are running businesses, and so similar questions might arise.

So Joanne Chang is the co-owner of Flour Bakery and Myers + Chang, along with her husband and business partner, Christopher Myers. She's also a cookbook author, and her most recent cookbook, *Pastry Love,* has just been nominated for best pastry book by the James Beard Foundation for 2020. So congratulations, Joanne.

Joanne, last May, you spoke of the squeeze your Flour Bakery restaurants faced: stuck between raising the wages you pay in order to attract workers in the Boston area and intense competition in the restaurant business that made it difficult for you to increase prices.[5] With social distancing, the landscape for restaurants has changed dramatically. How have you adapted your restaurant business model to COVID requirements? And what does this mean for the people that you employ?

MS. CHANG. Thank you so much. It's an honor to be here. Thank you, Governor and Chair. So Christopher and I own and operate eight sit-down cafés. We were in the middle of opening up a ninth and a sit-down restaurant. Pre-COVID, we saw between 10,000 and 12,000 people a day. And we made the decision to shut down all of the locations for about five weeks, middle of March, because Massachusetts, especially some areas in Boston, were considered a hotspot. So we ended up furloughing 490 out of 500 team members immediately. We went from over $100,000 in sales daily to zero just overnight. And we needed that time to figure out how to operate safely for our teams and our guests, you know, amid this crisis. Luckily for us, we are a popular takeout spot, both the bakeries and the restaurants.

So to answer your question of adapting the COVID requirements, honestly, there haven't really been COVID requirements that have been established for cafés and restaurants. So, you know, we are kind of playing it by ear and doing our very best to anticipate and act on what we can parse together just from reading, you know, everything we can and watching everything we

[5] Joanne Chang was a panelist at the Federal Reserve Bank of Boston's *Fed Listens* event in May 2019. A video of the event is available on the Bank's website at https://www.bostonfed.org/news-and-events/events/2019/fed-listens.aspx.

can. We're starting to open our locations slowly, and at this point, about half of our locations are back open. And our sales are down about—I wish they were at Bobby's percentage at 25 percent, but we're actually down about 75 to 80 percent. And so, because of that and because of social distancing, we've actually reduced our staffing by 80 percent. Again, we just furloughed everybody, and now we're slowly starting to bring people back, and we're at about 80 percent of what we were.

We have reduced our operating hours at the bakeries and the restaurants that are open because we're trying to limit the number of shifts. I'm trying to minimize, you know, overlap and all of that stuff. We're also limiting staffing to people who can get to work by either car or by walking or biking or scooter. We're not allowing people to take public transportation or Uber just yet because we don't feel comfortable—they don't feel comfortable, to be honest. And so that has put a little bit of a damper on who we can bring back. But we have actually changed a little bit and started a driving department. And so we've rented a couple of vans, and we are physically picking people up. Going to subway stops where they used to, you know, take the T into work, and now we're acting as the T.

We are also reworking people's responsibilities—you know, what Duke was saying earlier about how the stronger skill-set people will end up probably having a little bit more success overall in all of this. We're definitely seeing that, in that the first people to come back have been managers, and they will probably end up being redeployed and doing many more things than what they were before managing, because there's not as much—not as many people to manage, honestly. We just need more boots on the ground. And so their job responsibilities are going to shift a little bit.

We're selling—similar to what Bobby said, we're selling so much more stuff online than we ever were. We're also pushing to sell groceries. I mean, we're a bakery café, we're a restaurant, and we're selling quarts of flour, quarts of uncooked rice, make-your-own chocolate cream pie kits, anything and everything to just try to get some sales in the door.

To address the many comments about raising wages and raising prices, we did raise wages in the short term, because—as, I think, Bobby was just saying—so many of our team members could make more on unemployment. And we recognize that by coming back and helping us reopen, they were going to take a pay cut. So we have temporarily raised wages, but we don't anticipate we will be able to continue that. We're probably going to have to stop that middle of June, which coincides with when our PPP loan ends. With the cost of rent and benefits and food and just everything that's going on, really, the only model that does work is for us to increase our prices. But, you know, is that sustainable? We're not really sure. You know, time will tell. We're starting discussions with our landlords on rent and what that will look like in the future. Rent used to be between 5 and 10 percent of our sales, and now it's 20 to 25 percent, so that's certainly not sustainable.

In terms of what this means for the people that we employed, for the ones who are currently working, they are all honestly wondering if they should be, because they think maybe they should go back on unemployment where they will continue to get some assistance. But they are—I think, again, sort of like Bobby's team—they are recognizing that they are part of trying to help the economy to get back on track and to help our company get back on track. Many of our staff members are students working part time, counter-help baristas, and many of them just went home. Boston is a huge college town, and as soon as all of the universities shut down, they all went home.

And then, honestly, for—the people who are now currently working tend to be the people who were not able to apply for benefits. They were the first ones to raise their hands in saying, "We want to come back in any way possible." They don't have any safety net. They rely 100 percent on their jobs to pay for food and rent. So these are the people who want to come back now, so we're doing our best to employ as many of them as we can. And we're pushing to increase our sales volume so that we can, you know, continue to bring back as—as many as possible. So we certainly hope to be able to grow to the point where we need everybody back, but, realistically, with social distancing, we don't think that's going to be the case.

GOVERNOR BRAINARD. Thank you, Joanne. So, questions for Joanne or Bobby?

CHAIR POWELL. For Joanne. If you went over this, I—I may have missed it, but—so are there—have you been able to reopen or keep open any of the restaurants? And how are you thinking about that? I mean, that's obviously the part—that's where an awful lot of the layoffs have been happening at the national level—a very, very difficult part of the economy right now.

MS. CHANG. So we've reopened four of the cafés and the restaurant, and we are only doing pickup, pre-order pickup, and takeout. And so you can't physically come into the restaurant. We're not allowed to in Boston right now. But even when the governor allows us to, we don't know if we're going to let people come in. We're going to see if we can continue with this takeout model. But we've had to reduce the number of staff in the restaurant because of social distancing. So we used to have between 13 and 15 people physically working at the restaurant at any one time, and now we're at about 8. And we have—half of the kitchen is now in the dining room, because we need to separate all of the kitchen prep.

CHAIR POWELL. The thing that the cafés—in the near term, then, you're working on the business model you have. You don't—it's—you don't feel like you're weeks or months away from being able to reopen to the public in a way where they come in and eat yet? Or—what's your thinking on that business model?

MS. CHANG. In terms of—in terms of allowing people to physically come into the cafés and the restaurants, that's probably, I'm guessing, at least a month away. I mean, eventually we will open to the public and let them come in. But our business model really was—I mean, like most restaurants, it's pack as many people as you can in one space: you know, big waiting area for people to stand at the bar or near the sandwich area where they're waiting for sandwiches. So we know we're going to have to limit that when we do physically allow people to come into the cafés and restaurant.

CHAIR POWELL. Thank you.

GOVERNOR BRAINARD. Okay. So now I'm going to turn to Janie Barrera, who knows small business finances from the other side. She is founding president and CEO of Lift Fund. And since 1994, Lift Fund has provided loans and management training to enterprises from start-ups to long-established businesses and operates in 13 states in the Southeast region of the U.S. Lift Fund has dispersed more than 21,000 loans totaling more than $300 million to unbanked and underbanked small businesses, with a 94 percent repayment rate.

So, Janie, at our conference last June, you talked about the small business borrowers your CDFI is serving in the Colonias, in the Delta, in other areas in the Southeast.[6] And you emphasized that, with FICO scores of around 580—and here I'm quoting from you—"The interest rate is not the most important thing to our borrower, it is access to capital." With COVID having especially devastating impacts on the finances of small businesses, what are you

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[6] Janie Barrera was a panelist at a research conference hosted by the Federal Reserve System and held at the Federal Reserve Bank of Chicago in June 2019. A video of the event is available on the Bank's website at https://www.chicagofed.org/conference-sessions/panel-2.

seeing with your borrowers? How much can they fall back on cash reserves or family and friends to stay current on their payments? How is that affecting their own incomes and their ability to retain their employees? And how accessible is the PPP program for them and for you?

MS. BARRERA. Thank you, Governor Brainard, and thank you for the opportunity to share this information. Access to capital is still the most important need for our small business owners. In the 26 years that I've been president and CEO of Lift Fund, I've never seen a greater need in our communities.

Lift Fund's headquarters is located in—in San Antonio. You may have seen an image that was put out on national television recently about the lineup of cars at the food bank because of the—the city of San Antonio has a poverty rate of about 25 percent, and so there are many people without jobs. And so, if you think about the portfolio in not only San Antonio, but across our footprint, it's mostly, you know, service businesses and restaurants and gyms, and so these businesses have been—you know, have been devastated.

So, what Lift Fund did, first of all, was that we gave four months of deferred payments to the business owners in our portfolio. And then we began working with municipalities in offering grants and small loans to businesses with less than 10 employees and annual revenues of less than $1 million. The loans are up to $25,000 at 0 percent interest, and there are no payments for—for four months. We started making these loans in late March.

You know, Lift Fund is mostly a microlender. Annually, we make about 1,000 loans, dispersing between $25 and $30 million. In the last two months, we have made over 800 loans totaling more than $25 million. This includes the PPP and COVID-related loans only. In the PPP portfolio, we have 539 loans. The average loan size is about $30,000, but we've experienced the—PPP loans as—as little as $1,000. So our challenge right now is reaching those businesses that are scared of taking on debt. They don't, you know—with this insecurity, they don't under—they don't know that it can become working capital as well. So it's a whole education that we're doing right now with our small business owners across our footprint. On the COVID loan—loans, our average is about $20,000.

Lift Fund also received donations to make grants for small business owners. We received about $1.7 million in grants that we distributed—distributed back as grants to over 300 businesses. We also received a special grant for veterans; the grants—this grant paid for four months of principal and interest payments for the veterans in the portfolio. The majority of these loans that I'm describing and grants have gone to minorities: 76 percent minorities and 40 percent women. The work is not over, because now the municipalities are receiving federal dollars, and we are here to help those—help them get these dollars into the hands of the small business owners.

We took the survey just past—this week, actually, of 300 of our borrowers in our portfolio: 56 percent stated that they had temporarily or partially closed their business, 56 percent have experienced a reduction in their nonbusiness household income, and 18 percent are not sure if they will be open in January. So we are working hard to see how we can help them keep alive. So the funds that the municipalities are receiving right now are grants that they are receiving, and that the municipalities have to put out to the small business communities in grant so that they can rehire or—or hire, just hire new employees, buy merchandise, prepare the business for, you know, the—the social distancing that—that we have to have in place, as you've heard already. So we see our job is not only providing the access to capital, but also to helping them come up with plans to survive this next year. Thank you.

GOVERNOR BRAINARD. Thank you, Janie. Any questions?

CHAIR POWELL. I'm—I'm curious. Are you also, like Darrin, pretty much able to meet the demand for PPP loans? It sounds like that's been something you've been able to do for—a bit of, as well.

MS. BARRERA. Yes, Chair Powell. The—the demand has slowed, and so, again, it's the—the more sophisticated businesses, the ones that actually have payroll or a third party or they use QuickBooks—you know, that was a piece of cake for them to be able to access the PPP funds. Now it's really getting into the grassroots of small, small businesses that we're trying to reach. Every day, you know, we're out there, you know, being on webinars and on television, saying, "It's okay to apply. You need to apply." And a lot of sole proprietorships as well—you know, the guy who cuts the grass, or the—you know, the—the woman who had maybe a small hair shop of her own, they said, "Well, I don't have any employees." "Well, no, you're the employee. You qualify for a PPP loan." "Oh, okay. And how do you do that?" We go to Schedule C, look at, you know, line 31, and divide that by 12, and so on. So we had to do so much education for us to be able to reach that—that group of folks that traditionally are not being located.

CHAIR POWELL. Yes. Thank you.

GOVERNOR BRAINARD. Thank you. So let me turn now—I think we'll go to households. And I'm going to turn to Aaron Gornstein, who's the president and CEO of Preservation of Affordable Housing. POAH is a national nonprofit that owns and manages nearly 12,000 affordable apartments in 11 states and D.C. Aaron also serves as the chair of the board of Stewards of Affordable Housing for the Future and New Lease for Homeless Families in Massachusetts.

Aaron, last May you spoke about how important securing and retaining a job is for the economic mobility of the 18,000 residents in the affordable apartments your organization provides in New England and around the country.[7] You stated that "Affordable housing organizations need to think much more about workforce and jobs and how to move people up the economic ladder. We have to focus a lot more on job retention and promotion. So people can succeed in maintaining the job, we need to focus on transitioning people from rental housing to homeownership as much as possible." So how are your residents facing today? How are COVID-related financial stresses affecting the residents of these affordable apartments? And what are you seeing, in terms of job losses and the ability they have to make their rent payments?

MR. GORNSTEIN. Well, thank you for giving me this opportunity to share my thoughts on the housing challenges facing the country in light of the pandemic. POAH provides affordable apartments to nearly 20,000 low-income families, seniors, people with disabilities, with average incomes of approximately $16,000 annual.

The health and safety of our residents is, you know, our paramount concern, and we've implemented many new protocols at our properties to minimize their health risks. We're also helping our residents to meet urgent needs by conducting wellness calls, coordinating food assistance, helping them to apply for unemployment benefits, and also addressing mental health and social isolation, particularly for the seniors.

And, like most other low-income families, our—our residents are managing through the crisis, but they're facing significant challenges at the same time. Chief among them is the lack of access to childcare now and having to homeschool their children, often without the necessary

[7] Aaron Gornstein was a panelist at the Federal Reserve Bank of Boston's *Fed Listens* event in May 2019. A video of the event is available on the Bank's website at https://www.bostonfed.org/news-and-events/events/2019/fed-listens.aspx.

tools that they need, all the while struggling to meet monthly expenses with very limited or no savings.

And recent studies have found that low-income renters are particularly vulnerable to the economic impacts of this pandemic. An Urban Institute analysis, for example, found that these households are more likely to work in the five industries experiencing the greatest number of layoffs. You asked about rent collections, and national data indicates that the rent collections are down by approximately 5 to 10 percent in April compared to previous months. This is less of a decline than some had predicted, but it's still significant. And this drop is true for POAH as well, but it varies across properties and locations. Many properties are facing much sharper declines in rent revenue—as much as 20 to 30 percent—due to tenants experiencing higher levels of unemployment or lacking rental assistance.

In addition, in the coming months, we expect the situation to get much worse. While many renters have been helped by the CARES Act—and the Chairman had asked about that, but certainly that's been true, and various other supports—we're very concerned about what happens once this assistance ends and the eviction moratoria at the federal, state, and local levels also end. The confluence of these events is likely to happen around September 1, at which point millions of renters will be at risk of displacement and homelessness. Therefore, we think immediate action is needed at the federal level to provide rental assistance to help tenants remain stably housed over the next year while also ensuring that owners can pay their mortgages, keep up with the local property taxes, and maintain their properties.

I want to finish up by highlighting the need for new multifamily construction to meet the immediate needs and to help jumpstart the economic recovery. Harvard's Joint Center for Housing found—found that 5.3 million rental households were at risk and were cost-burdened prior to the COVID-19 pandemic. It projects that this number will rise to 9.3 million as a result of the crisis. These are families with at-risk wages. Clearly, more affordable housing is needed to meet this growing demand.

The good news is, there's a healthy pipeline of projects that are shovel-ready, the financing markets remain relatively stable, and a strong existing CRA provides appropriate—by this market—incentives. Of course, we hope that continues. However, there are funding gaps in construction budgets because of—at least two factors: an increased cost to comply with COVID-19 construction standards and, I think more importantly, a drop in the 4 percent housing tax credit rate to 3.07 percent, the lowest on record. Compounding the problem is a reduction in housing resources from state and local governments, which are facing enormous budget deficits, as you know. Fortunately, there's a simple, quick solution: Congress could pass a minimum 4 percent housing credit rate. This was done, as you probably know, for the 9 percent tax credit rate several years ago. Doing so, along with increasing capital grant programs, would greatly expand affordable housing opportunities for the millions of low-income families and seniors who will desperately need it in the coming months. Thank you for the opportunity to comment.

GOVERNOR BRAINARD. Well, thank you, Aaron. And I'm glad you reminded us of what a vital role CRA plays in all of these activities. I am going to pause just for a second to see if any of my colleagues have a question, and then we'll go on to our final panelist.

CHAIR POWELL. I have a question on—you mentioned, at the end, the support from state and local governments. Is that a—is that a big factor in—in these markets for affordable housing?

MR. GORNSTEIN. Very much so, and—very much so. And any developer trying to do affordable housing, whether you're preserving community units or building new construction, you're tapping into state and local government funding—what we call soft funds, or gap funding. And you're putting that together with the low-income housing tax credit resources at the federal level. So it takes a real partnership between all three levels of government and the private sector to get housing built. And when you pull the rug out from any of those, it's going to affect the ability of affordable housing developers to move forward and create more homes.

CHAIR POWELL. Thank you.

GOVERNOR BRAINARD. All right. And we're going to wrap up, focusing on one of the segments that has been disproportionately affected by this crisis as we turn to Nancy LeaMond, who is AARP's executive vice president and chief advocacy and engagement officer. At AARP, she oversees government relations, advocacy campaigns, and public education programs. In the financial security area, Nancy leads efforts to strengthen Social Security and promote retirement savings initiatives as well as programs that deliver unbiased tools and information to help people make effective financial decisions.

So, Nancy, last October, you spoke of the "tremendous economic anxiety of older Americans," who you said were already beginning to get more worried about the economy.[8] How are older Americans feeling today? And how are they coping with the combination of the COVID crisis and the sharp economic downturn we're facing?

MS. LEAMOND. Well, Governor Brainard, Chair Powell, and other members of the Federal Reserve, thank you for having me. And thank you, I've—I've learned a lot listening to other panelists. Well, you're right. In October, in a very good economy, I commented how older

[8] Nancy LeaMond was a panelist at the Federal Reserve Board's *Fed Listens* event in October 2019. A video of the event is available on the Board's website at https://www.federalreserve.gov/conferences/fed-listens-perspectives-on-maximum-employment-and-price-stability.htm.

Americans were beginning to get nervous about the economy. And I think, probably without saying too much more, I can say they're even more nervous now.

And AARP, as many of you know, is an organization for people over the age of 50. We have 38 million members. And during this period, we've done a lot of outreach to them: We do polling all the time, we do telethon halls every week—typically, 80 to 100,000 people are phoning in, sending us questions—and also our call center. So we feel as if we have a pretty good sense of what's going on. But, of course, we can always do more both to understand and also try to respond to some of the fears.

I would say, overall, the key thing is, older Americans are very, very focused on the health aspects of the pandemic. I'm sure that doesn't surprise you. They are the most worried about themselves, but their anxiety isn't just for themselves—it's for their kids and their grandkids. They are—I should say, this is consistent in terms of some of the economic data I'll mention later—older women are much more worried than older men. And on almost every poll we do, every scale, women are about 10 or 12 points more anxious about both health care and the—the economy.

They are taking precautions. If you look at any kind of indicators of self distancing, listening to information, older Americans are glued to their TV sets, they are online, they are reading more local information, and they're very focused on what public health officials have to say, very interested in kind of health care information. I joke all the time that if you ask an older person who their favorite individual in the world is, it's their grandchild, but the second most favorite person is their doctor. And it may even be a little more even right now.

So, as we go ahead, there's one important kind of poll figure—survey that we're looking at, and that's kind of level of worry about lifting restrictions too early. And as recently as a couple of weeks ago, three-quarters of people over the age of 65 and two-thirds of people 50 to 64 say they were very, very worried about opening up too quickly—the virus spreading and then people having to go back in. And we all look at a lot of indicators of consumer confidence, but I'm watching this one very carefully, because I think people's comfort level about going back out—remember, older Americans. Half of them are financially very challenged. The other half do have disposable income: They travel, they're movie goers, they're restaurant goers. And so I think we're all going to want to watch how comfortable they feel about opening up—opening up in light of what they're hearing about health concerns.

Now, moving on to financial matters, which obviously are front and center for them as well, we're hearing from older Americans who have lost their jobs and are depleting their savings, struggling to pay bills, and managing with limited or reduced income. We have a lot of calls to our cost center—more than you'd want to know—about people not getting their stimulus checks and having trouble filing for and getting unemployment. And so we're very active in that area.

I would also say that, you know, we've run a fraud watch network for many years and we have 10 times the number of calls every day that we did three months ago. And I can say there is one part in the economy that is growing, and that's the scammer part of the economy. And I think a number of organizations like ours are redoubling our efforts to try to help people during this time. Remember, this is a period where people are at home and they're answering their phones much more than they used to, and so they're much more susceptible to scammers.

We're watching the unemployment rate for people over the age of 50, and 55 is growing. It's higher for women right now than men, according to the data we've seen. And we think some of the longer-term implications of this are that we're hearing a lot more concern about, how long is it going to take me if I can get back in the labor force? It usually takes older Americans a little bit longer to get jobs when they've been laid off. And we're, of course, hearing about, are we going to be active on issues related to age discrimination down the line? So people are clearly thinking about what is going to happen when the economy starts back up and there is rehiring.

And it wouldn't surprise you that, in our polling, people are showing dramatically more concern about their financial condition. If you're over the age of 65 and you're retired, you're, of course, very focused on your 401(k) plan, you're very focused on the stock market, very focused on Social—Social Security. Remember also, retired Americans have benefited from the gig economy. We all thought the gig economy was built for millennials. Well, it turned out that older Americans were supplementing their retirement as Uber drivers, Lyft drivers. The largest growing cohort in the Airbnb world were women over the age of 55 wanting to have people come to their house, help them pay off their both mortgage and property taxes. So the retired community has suffered a little bit, in ways you wouldn't have thought, from the kind of cutback of part-time—part-time jobs.

And then, of course, there's the pessimism we're beginning to see about, will I be able to retire? Will I really be able to count on what I had in my 401(k) being enough? And how am I going to move ahead? So I would say that older Americans are quite nervous in the current environment and anxious to see the virus under control so they can—they can move back to at least somewhere close to where they were before.

GOVERNOR BRAINARD. Thank you, Nancy. So I'm looking at the time, and since the sound does not sound great, let me see if—given the few minutes we have left, if we can do a lightning round, maybe we'll get through half of our panelists. I just want you to—you know, sort of recognizing we're still in what could be described as "the fog of war," I'd like to ask you, nonetheless, to try to look ahead and just to ask whether you think COVID will alter the landscape for the work that you do in the communities you serve, and whether you think there will be lasting changes as a result of this pandemic. And I'm going to start again with Amanda. Sorry for not giving you a—a chance to—to give some thought to it, but just a 45-second answer.

MS. CAGE. Sure. I think our collaborators around the country will be busy learning from each other throughout this recovery. Without a lack of sort of a national response, this experience has been very localized, and we're going to have—it seems to me that we'll need to rely on each other to come up with creative solutions. So, you know, what can Baltimore teach Chicago? What can Cleveland learn from Pittsburgh? We're going to lead into industry partnerships. Industries are going to have to figure out the new normal, and businesses within an industry are going to have to work on some of those big looming questions.

We will probably continue to support businesses to help us support their frontline workers through financial wellness programs so that they can better survive the next financial hit or making sure worker voices are included and how to create a healthy and safe workplace. And then, for us, you know, the big, big sort of gigantic policy question: There's no way to get out of this without relying on our public institutions to protect us from some of the economic harm that's been done.

And we know last time that that happened—you know, we had an unemployment crisis of this magnitude, we created the New Deal. And it intentionally left out black and brown workers, and we're seeing the effects of that today. There's a reason why black and brown workers are overrepresented in the service industry. There's a reason labor law doesn't cover a lot of their jobs. And as we create policies and think about the future, we just need to make sure we're not setting people up to be victims in the next crisis, and that we're rebuilding an economy that really works for everybody.

GOVERNOR BRAINARD. Thank you, Amanda. Duke?

MR. DUJAKOVICH. Yes, thank you. So, on March 12, the NCAA Big 12 basketball tournament was canceled. On March 13, the stagehands tore down everything they'd set up for that. All events were canceled from that point forward. None of them have worked at all in 10 weeks now. And I just saw in the news today that major concerts aren't going to start until sometime late 2021. So these are entire industries that most people haven't even thought about that are going to be impacted and workers who are going to have a long, long time before they come back.

GOVERNOR BRAINARD. Thank you. Juan.

MR. SALGADO. Yes. Education is going to be transformed. In the short run, it's very painful. It—the adjustment is very hard on many people, mostly on our students, in inequitable ways. But I think there might be some opportunity points. We're learning the importance of households and families and parents in a way that, you know, we should have known from the very beginning, and—and appreciated and tapped into in greater ways. And so there's a depth to the relationships with families, there's a connection between teachers and parents that is greater and deeper than ever before.

So I think if education takes advantage of the opportunity from a—from the perspective of—of what the positive things that we've—come from this, although, you know, the pain is very great, and so my concern is that we won't be able to, you know, sift through the pain in order to see the opportunity. But it's going to be transformed. That's my prediction.

GOVERNOR BRAINARD. Thank you. Darrin.

MR. WILLIAMS. Governor Brainard, I couldn't agree more with some of the things that Amanda said. We're really concerned about the structural inequalities that exist in the current system, and they may be exacerbated through this. If this continues to—to—to last and kind of eventually open, clearly, we're going to be concerned about our asset quality, and—and that's something we're going to be taking a very, very close look at.

If consumers are not spending, then folks that have to pay mortgage and pay rents and things will have difficulty. The one thing I—I would say is that's directly related to the work of the Federal Reserve, the Main Street Lending Program that you guys have—have worked on, while I applaud you for removing—for lowering the size from $1 million to $½ million, I would say that the four-year term is still problematic for some of our—some of our borrowers. That's—that's probably too quick of an amortization period for them to still make for expected cashflow.

And then I would say, as we continue, I do think we're going to—going to sort of reimagine what banking looks like. We're moving—before COVID, even more rapidly now, we're moving more and more toward a digital platform. So, that has a very, very rich innovative history. One of our founding board members founded the company that was a precursor to what is Fiserv today. So we own a part of our own core processor today, and we're moving very, very forward and aggressively in a digital platform, being able to provide financial products and services that are responsive and responsible in a digital platform to really focus on our mission at scale—so, well beyond our Arkansas–Mississippi borders.

GOVERNOR BRAINARD. Thank you. Bobby.

MR. UKROP. Thirty-one years ago, people were starting to have kind of what we would call a time-starved world, where people didn't have time to get the kids to practices, to go to evening meetings because parents are working outside the home, no time to cook, and people were asking, "What's for dinner tonight?"

And so, with what's happened is, a lot of people spend a lot more time at home. One of the questions is, with the social-distancing issues before us, how quickly people are going to move back to this time-starved world? And what impact will that continue to have—have on their—their buying habits, especially for food? Thinking about how—what kind of consumer confidence will there be to go back to salad bars, to hot bars, to other situations where they're not sure of? And so, somehow, hopefully we can all work together and these things will not take as long as we might think it might, but it's going to be a challenge.

GOVERNOR BRAINARD. All right. I am actually going to hand it back to Chair Powell at this juncture, because we are in the last three minutes.

CHAIR POWELL. Thank you so much to all of you. It's—it's wonderful to hear from you and in these very challenging circumstances. You know, we did have a tantalizingly good situation just a few months ago with a tight labor market, and we were hearing, as—what some of you said today, which is that opportunities were coming to low- and moderate-income communities that—that hadn't been seen in a long, long time. And so this is a hard, hard blow. It—it—there's no question about it.

But I would say, as a group, you guys are all about hope. You know, you're—you're about lighting a candle, although I—I'd say we're also cursing the darkness a little bit, and appropriately so here. So—you know, looking forward, I do think it's important to—to—to—and we say this to ourselves too, we've got to keep it in context. You know, the economy will recover, it will take time, but the main thing is, we've got to get on. Fairly soon, we're going to be on the road to recovery and making progress and moving back toward where we were. We're going to get there. I—it may actually not take as long as it feels like it will take now.

And I think—you know, all of us need to work together, as—as—as, I guess, Bobby said. You know, we—we've got to help each other through this. Somebody said that. We've got to help each other through this, and that's what we're going to do. So you'll always have our support.

We really appreciate the engagement with you, and thank you so much for being here today.