



## Building Wealth in Minority Communities through Small Businesses and Job Creation

Massachusetts residents face a stunning wealth gap along racial lines. According to *The Color of Wealth in Boston* (2015) white households in the Boston area had a median wealth of \$247,500 while U.S.-born-Black households had a median wealth of just \$8. This disparity stems from a wide range of factors, but a major reason is the severe lending gap between whites and non-whites, both for home ownership and small businesses.

This fact sheet outlines these lending gaps and the role a Massachusetts public bank can play in helping to address these disparities through a pro-active program for small business loans, working with advocacy organizations such as BECMA [www.becma.org](http://www.becma.org) and Ujima [www.ujimaboston.com](http://www.ujimaboston.com)

### Home ownership as major driver of wealth creation

In Boston, 79 percent of white households own a home while most non-white households do not. This is tied to high rates of denial for Federal Housing Administration (FHA) and privately-financed mortgages which persist at all income levels except for quite high levels of income. This is also true statewide. This disparity has national historical roots, including the policy of red lining maps under the FDR administration to deny mortgages to African-American households. The disparity continues today with a [2018 report examining the mortgage lending sector](#) finding that Black borrowers in Boston received just 7.3 percent of all loans in 2017 even though they comprised 21 percent of all households.

### COVID-19 and economic downturn impacting minority communities

The COVID-19 shutdown has had a devastating impact on the Massachusetts economy. As of December 2020, [the unemployment rate in Massachusetts was 7.4 percent](#), more than two and a half times the rate from a year ago and worse than the national unemployment rate of 6.7 percent.

Meanwhile the number of small businesses open in Massachusetts has declined by 37 percent and small business revenue has declined by nearly 44 percent since January 2020.

Prior to COVID-19, small businesses employed approximately 46.1 percent of Massachusetts workers, on par with the national level of 47.5 percent. But only 14.8 percent of Massachusetts small businesses were minority-owned, about half the national level of 29.3 percent and well below the population of minorities in Massachusetts, which is about 28.5 percent. Again, many factors contribute to this disparity, with one being longstanding disparities in lending.

The COVID-19 crisis has worsened the racial inequity gap, [taking a greater toll on minority-owned businesses](#) and [neighborhoods](#) where residents suffer high exposure both at work due to the nature of their employment and at home where many face crowded living conditions.

Areas in Massachusetts with minority majorities receive a smaller proportion of loans relative to population than white majority areas. In 2017, minority majority neighborhoods encompassed 15 percent of the state's population but received only 10 percent of small business loan dollars, according to the [MCBC report](#). Federal attempts at economic relief have meanwhile [perpetuated longstanding disparities in lending](#).

### **MA public bank creating wealth for minority communities through small business lending**

The legislation to create a MA public bank introduced by Senator Jamie Eldridge and Rep. Mike Connolly and Rep. Nika Elugardo (SD1712 / HD3247) directly addresses the key role the public bank can play in providing affordable financing to small and very small minority-owned businesses unable to procure loans directly from other Massachusetts banks.

In addition, the Massachusetts public bank will have a robust system for public oversight and input with a broadly representative Advisory Board and an open, accessible system for gathering public input, thus guarding against racial discrimination in its financing decisions.

### **Other underserved sectors and capital gaps from traditional banking sector**

Housing and worker-owned cooperatives, affordable housing projects, sustainable farms, and other non-traditional businesses struggle to obtain affordable financing because they don't fit traditional models. For minority communities, seeking financing in these areas is especially onerous. A Massachusetts public bank will be well positioned to help fill this gap with affordable financing while still engaging in sound banking practices.

### **Climate crisis and agriculture: Solutions creating jobs**

Massachusetts and the rest of the world face a multitude of threats from climate change, including rising temperatures and sea levels that are expected to have a disproportionate impact on already vulnerable minority communities. A Massachusetts public bank can expand affordable financing for mitigating the significant dangers of climate change, reducing greenhouse gas emissions, supporting sustainable agriculture and local farming, and addressing food insecurity across the state. All these measures can help create jobs for the state's minority population.

### **Municipal funding**

Municipalities already faced funding shortfalls prior to COVID-19 due to limits on how they can raise revenue, including [limits on property tax increases](#). COVID-19 [has exacerbated those difficulties](#), impacting local revenue from hotel and meal taxes, new car taxes, new development, and more. In addition to stabilizing the economy, as discussed above, a public bank can specifically address municipal government shortfalls by providing affordable financing .

For more information on the Mass Public Bank and why we need it, visit [masspublicbanking.org](https://masspublicbanking.org)

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