



Friends and Colleagues,

COVID-19 has upset communities across the United States in different ways, but it is the low-wage and minority workers, smallest businesses, and lowest-income neighborhoods that are affected most, according to our conversations, surveys, and analyses.

- **Survey results show lower-income communities in our District may be harder hit than similar communities across the country.** Of the 140 District non-profits that answered our survey, 78% cite that COVID-19 is significantly disrupting communities they serve and they expect recovery to be difficult, versus 69% of approximately 4,000 non-profits nationally. Forty-five percent of District respondents expect recovery to take "more than 12 months from today" compared to 35% across the United States.
- **Small, minority, and rural firms are disproportionately affected.** Interviews with the smallest of businesses—especially minority and rural firms—cite difficulty in navigating and accessing federal loan assistance, resulting in higher risk of closures.
- **Low-wage and minority workers are in the most precarious and at-risk jobs.** Initial state estimates signal that many low-wage and minority workers are stuck between a rock and a hard place—disproportionately represented both in "essential" work that often involves greater exposure to the coronavirus and also in industries most affected by closures, such as accommodation and food service industries, as well as retail.

The virus has brought new meaning to our Community Development function's charge to promote resilience and tested the extent to which the most vulnerable people in our communities are prepared for, can adapt to, and can succeed in a changing economic environment.

As Cleveland Fed's President Loretta J. Mester [stated](#) earlier this month at the City Club of Cleveland, we must build a bridge from the strong economy we had in the beginning of the year to recovery. In the face of COVID-19, one of Community Development's roles is making that bridge as wide as possible so we don't leave anyone behind.

Below we share what we are learning about individuals' and businesses' experiences before and during the crisis, as well as what it might take to get us—all of us—over that bridge.

Stay in touch. We rely on you, your experiences, and your ideas to help identify solutions in policy and in practice during this trying time.

Be well,

Emily Garr Pacetti and the Cleveland Fed [Community Development team](#)



### COVID-19 Response

The coronavirus outbreak is an evolving situation that we continue to monitor closely, particularly its effects on low-income people and communities. To help answer some questions, the Cleveland Fed created a web page that features a number of useful [resources](#).

#### Reports from the Cleveland Fed and across the Federal Reserve System

- [Perspectives from Main Street: The Impact of COVID-19 on Communities and the Entities Serving Them](#)
- [Fourth District Business Response to COVID-19: Early Findings](#)
- [COVID-19 and Households' Financial Distress, Part 2](#)
- [Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu](#)
- [COVID-19: Which Workers Face the Highest Unemployment Risk?](#)
- [COVID-19 and Households' Financial Distress, Part 1](#)
- [What Will be the Economic Impact of COVID-19 in the US? Rough Estimates of Disease Scenarios](#)
- [COVID-19, Workers, and Policy](#)

### Small Business Credit Survey 2020 Report on Employer Firms and COVID-19 Brief

As policymakers, financial institutions, and service providers enact programs to help small businesses weather the COVID-19 outbreak, the 12 Federal Reserve Banks issued the [Small Business Credit Survey 2020 Report on Employer Firms](#), which provides baseline estimates about small firms' performance, financing and credit positions, and relationships with lending institutions prior to the onset of the crisis.

Why are pre-outbreak data on firms' financial cushions and funding networks relevant in these uncertain times? They offer critical baseline info on the financial and operational challenges shared by small businesses across the country. In fact, small firms reported a strong end to 2019, although many continued to deal with perennial financial challenges. Yet even the healthiest of firms could face tough decisions amid a sustained loss in revenue.

"Small businesses nationwide now face unprecedented challenges as the country grapples with the significant economic and social effects of the COVID-19 pandemic," said Claire Kramer Mills, assistant vice president at the New York Fed.

By shedding light on the channels through which firms may seek financial recourse and the types of vulnerabilities small businesses experience, the data can inform the design of new loan and grant programs and offer insights into how these programs can help businesses in need.

Catch up on the full report and COVID-19-related supplemental briefing [here](#).



**Investment Connection 2020: Supporting a Resilient Workforce is taking its events on the virtual road.** The program, which brings community organizations together with bankers and other funders to address current and future needs of low- and moderate-income, distressed, and underserved communities, is converting its 2020 in-person events (trainings and proposal pitchings) into webinars in response to the COVID-19 situation. Proposals and events will focus on four locations: Erie, PA and Cleveland/Akron, OH in the summer, Toledo, OH and Lexington, KY areas in the fall.

Investment Connection 2020: Supporting a Resilient Workforce is as relevant as ever. For this particular round, we encourage proposals related to one or both of the following:

- Supporting workers' ability to prepare for, adapt to, and thrive in changing

environments

- Addressing barriers that prevent the current and future workforce from reaching their full potential

Activities that respond to the needs of low- and moderate-income individuals, small businesses, and small farms affected by COVID-19 will receive CRA consideration. For Cleveland and Toledo, proposals involving lead-safe efforts will receive special consideration for pitching sessions. All proposals likely CRA-eligible will be posted to the [Investment Connection funder portal](#).

- **Erie, Pennsylvania**
  - **DEADLINE EXTENDED! May 18:** Deadline to submit your proposal to the [Investment Connection portal](#).
  - **June 11:** Selected proposals will be presented virtually before an audience of funders.
- **Cleveland and Akron, Ohio**
  - **May 8:** Informational drop-in call to answer questions about the RFP process. | [Register](#)
  - **May 22:** Deadline to submit your proposal to the [Investment Connection portal](#).
  - **June 26:** Selected proposals will be presented virtually before an audience of funders.

Stay tuned for info on 2020 events in Toledo, Ohio, and Lexington, Kentucky

Funders, [view funding opportunities via the Investment Connection Funders Portal](#). Search projects by geographic area or issue addressed.

### Below the Fold



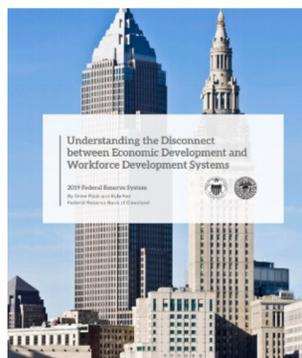
The boom days of the past, the challenges of the present. The actions workers, companies, and communities are taking—and can take—to be resilient. Explore manufacturing in the heartland and why it matters in this new [three-part series](#).

The series weaves together the observations and family stories of roughly 20 people, including Cleveland Fed researchers and two of our directors, David Evans and David Meagher. It features 16 data visualizations, photography and videography, and a piece about how workers, companies, and communities can build resilience to better weather the changes sure to come to manufacturing.

### Strong Recovery for Whom? Trends in Dayton, Ohio, and Pittsburgh, Pennsylvania, Exemplify Growing Earnings Gaps between Minority and White Workers Present in Many US Regions



The gap in earnings between the typical white worker and the typical minority worker grew in these two metro areas more than in any other metro area during a 10-year period encompassing both the Great Recession and subsequent recovery. The reasons for the growing gap differ, reflecting divergent trends existent across the country. Read the full report [here](#).



### Understanding the Disconnect between Economic Development and Workforce Development Systems

The economic development field encourages business and job growth, while workforce development ensures individuals have the education, skills, and training needed to obtain jobs. This [report](#) identifies challenges and opportunities for greater alignment between the two systems, using input from community leaders in Cleveland, Lexington, Pittsburgh and Youngstown.

### Click, Submit 2.0: An Update on Online Lender Applicants from the Small Business Credit Survey

Nonbank online lenders provide small-dollar credit for small businesses. These lenders, also referred to as "fintech" lenders, utilize data-driven processes and technology for underwriting, pricing, servicing, and delivering funds to borrowers. They offer various small-dollar credit products to their small-business customers such as short- and fixed-term loans, lines of credit, and merchant cash advances. While they represent a small share of total small-business lending, these fintech lenders are a growing source of financing for small firms. [Read the full report](#) to learn more about the types of small firms using online lenders, their application experiences, and credit outcomes.

### Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites

[This report](#) discusses findings of a study conducted by the Federal Reserve Board and the Federal Reserve Bank of Cleveland to assess the information presented to prospective borrowers on small business online lender websites. The study includes a systematic analysis of the content on online lender websites, such as, where and how credit products' costs and other details are disclosed, how much product information is made available before website visitors are asked to supply the owner's personal or business information, and the extent to which visitors are tracked.

### Become a Small Business Credit Survey Partner

Join a diverse network of more than 400 local, regional, and national small business organizations that collaborate with the Federal Reserve Banks and help them collect information on small business conditions. Learn more about partner benefits and [join now](#).



Check out our latest blog entries:

- [Help for Those Facing Eviction Increases to Meet the Challenge of COVID-19](#), Bonnie Blankenship
- [An Unfamiliar Champion in the Fight: Black Homeownership Has an Enduring Advocate](#), Layisha Bailey
- [Collaboration in Cuyahoga County Leads to Housing Funding](#), Ken Surratt
- [For Too Many Minority Workers, Earnings Still Don't Add Up](#), Emily Garr Pacetti
- [Making Change: Addressing Skills-training and Employment Needs for Returning Citizens](#), Treye Johnson
- [Profit with a Purpose: Manufacturing Success for Cincinnati's Second-Chance Citizens](#), Bonnie Blankenship

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### How would you improve the Cleveland Fed's website?

We have begun the process of redesigning [clevelandfed.org](http://clevelandfed.org), and we would like to invite you to help! Would you be willing to tell us about how you use [clevelandfed.org](http://clevelandfed.org)? It will take only a few minutes to [complete this survey](#).

The survey will also help us identify a small sample of users to interview, based on criteria such as how frequently they use the site, which areas of the site they visit, how they use the information they find, and other similar factors. Those selected to be interviewed will receive an honorarium as a thank you for talking with us in a 45-minute phone call. Since interview slots are limited, once we've reached our quota the study will close. **Interviews will take place through May 15.**

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Meet the Federal Reserve Bank of Cleveland's [Community Development team](#). Learn more about our work in the region [here](#).

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