

Addressing racial wealth inequalities

September 30, 2022

Wealth inequalities along racial lines persist

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

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

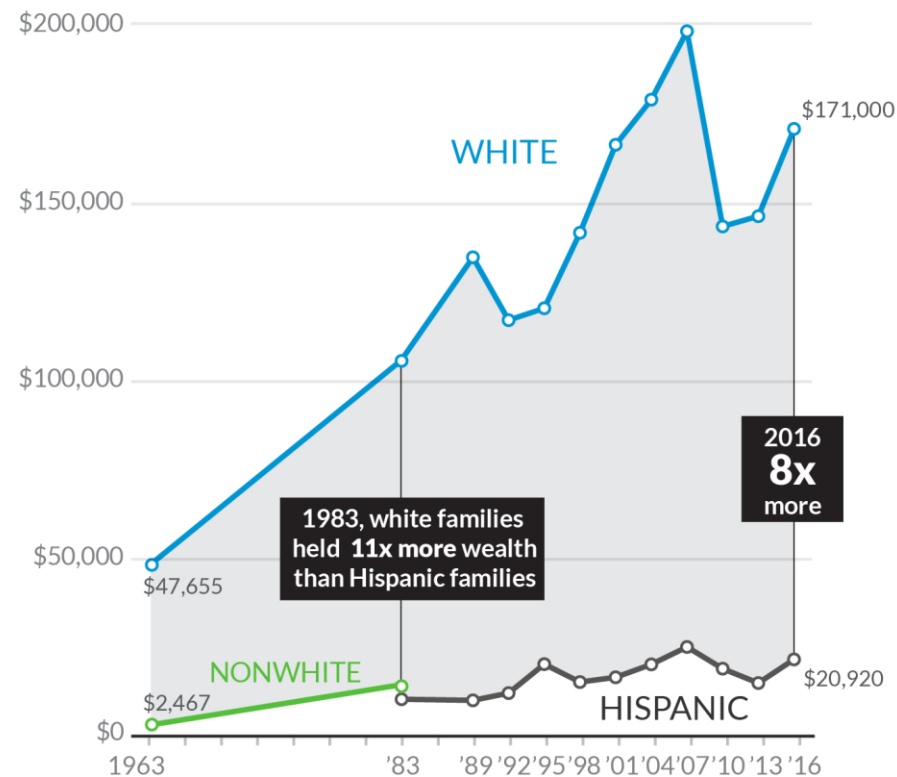
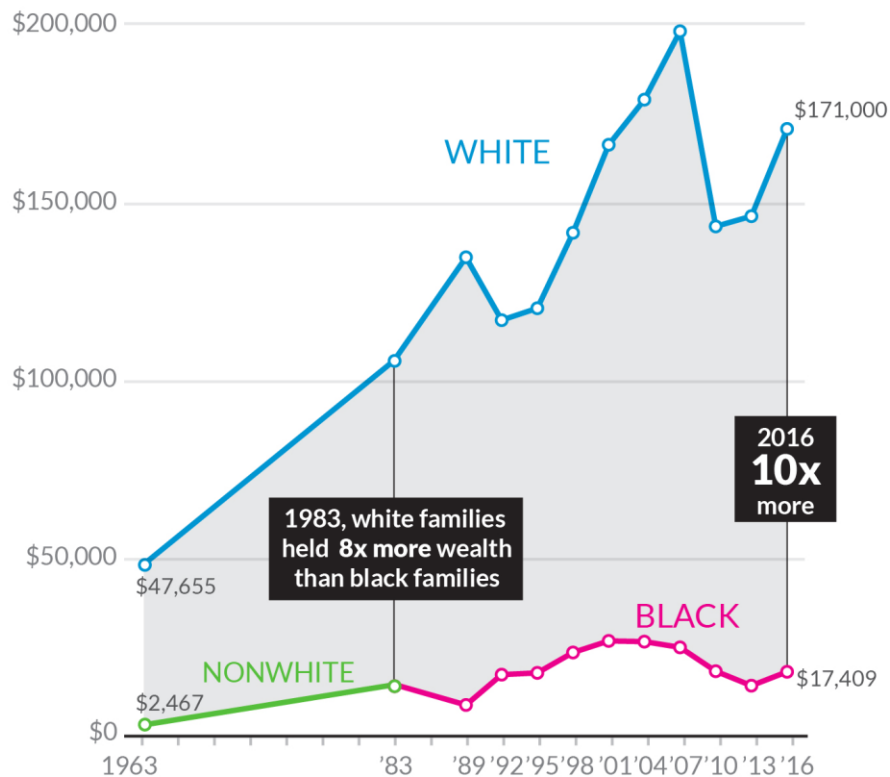
The children of White baby boomers are expected to inherit more than \$30 trillion over the next several years; more than 20 times the net worth of all Black Americans.

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

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

Gaps in wealth

Median Family Wealth by Race/Ethnicity, 1963–2016



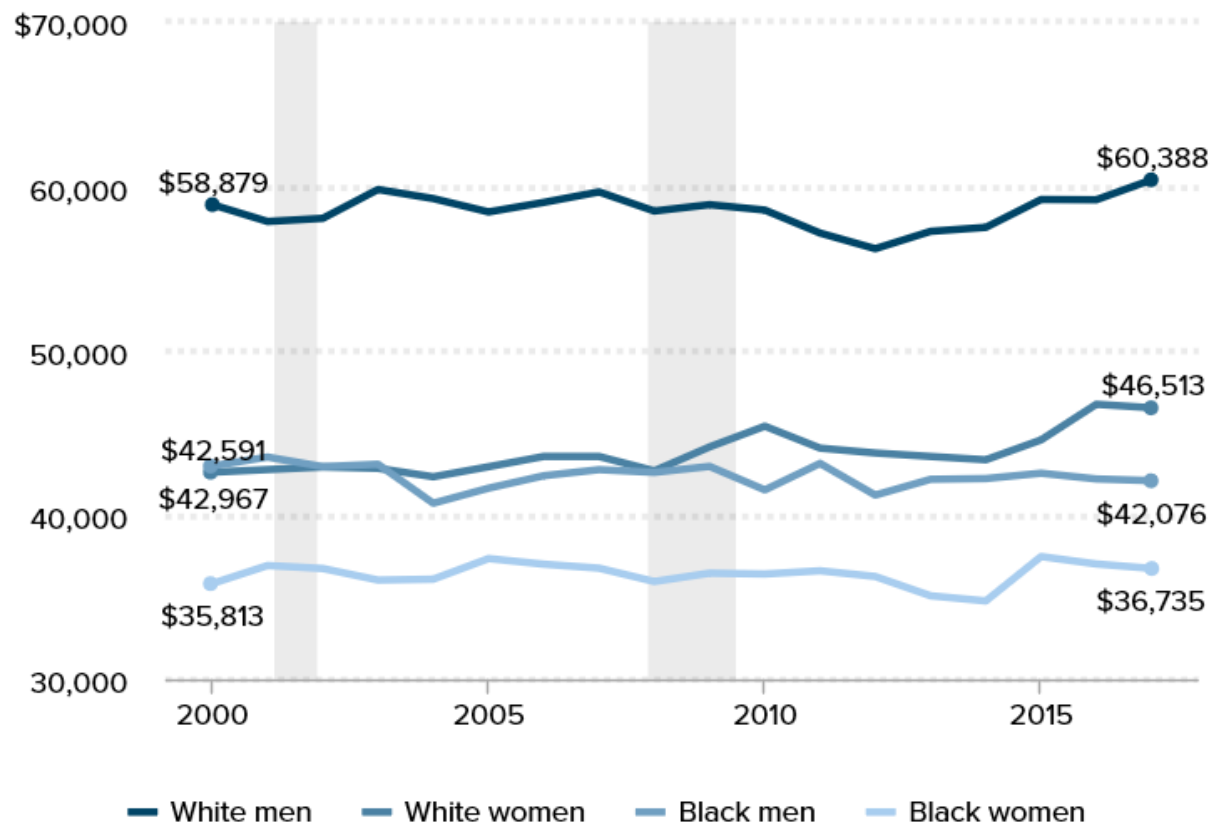
URBAN INSTITUTE

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

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

Gaps in earnings

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



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

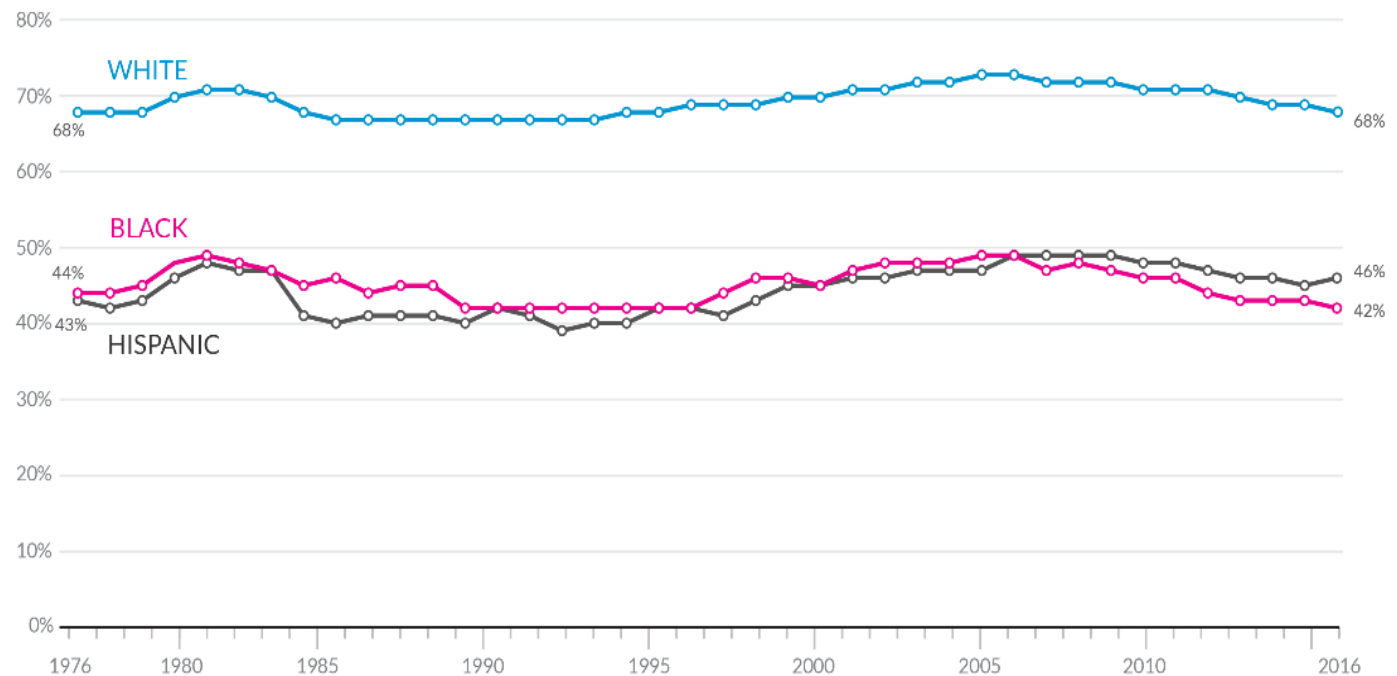
Source: EPI analysis of Current Population Survey Annual social and Economic Supplement (CPS ASEC) Historical Income Tables (Table P-38)

Gaps in homeownership rates

Homeownership is the most critical component of building wealth

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

Homeownership Rate by Race/Ethnicity, 1976–2016



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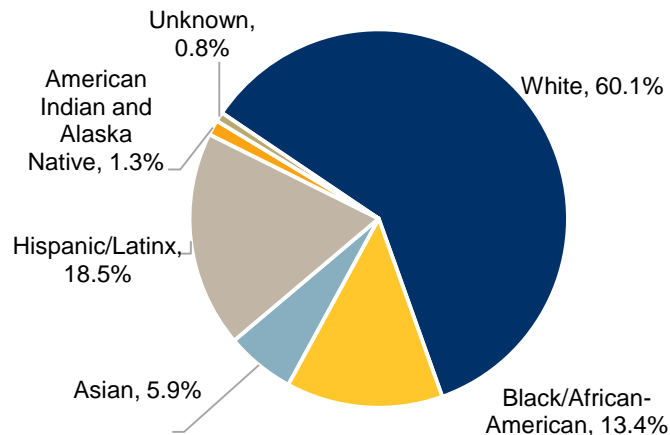
Source <https://apps.urban.org/features/wealth-inequality-charts/> Urban Institute calculations from Current Population Survey 1976–2017. 1976–2014 values from Census Historical Household Surveys, Table HH-5. 2015–16 values from Census Annual Statistics 2016, Table 22.

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

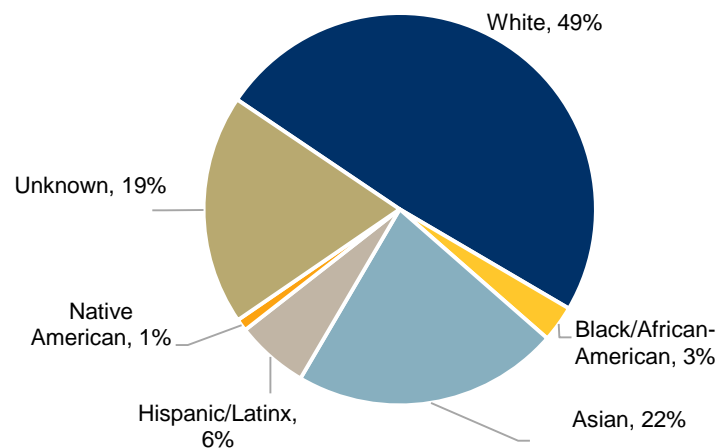
Gaps in business lending

Small Business loan approval rates

Demographics of US Population¹



SBA Approval Rates by Ethnicity²



- Small business loans require collateral – often in the form of home equity, which Black Americans are less likely to have
- BIPOC*-owned firms are less likely to receive loans than White-owned firms
- Conventional business loan denials in 2014 were at 39% for underrepresented groups, compared to 24% for White Americans³
- BIPOC-owned firms receive lower loan amounts than White-owned firms
- BIPOC-owned firms pay higher interest rates on business loans

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

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

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

Investing to help reduce inequalities



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

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

Why this is important



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

Direct your investment

Invest in predominantly BIPOC communities in the following ways:

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

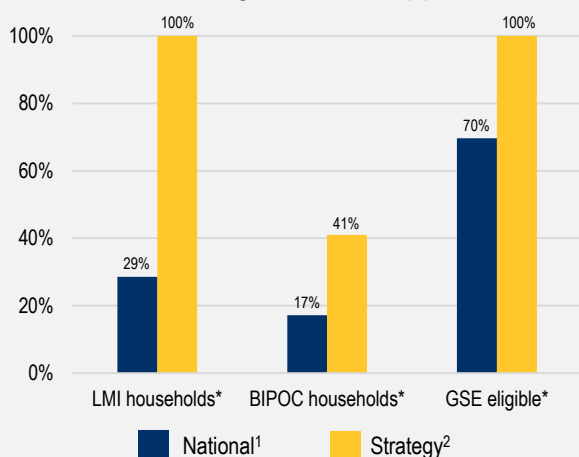
As of 12.31.20

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

Investing in underserved communities and people

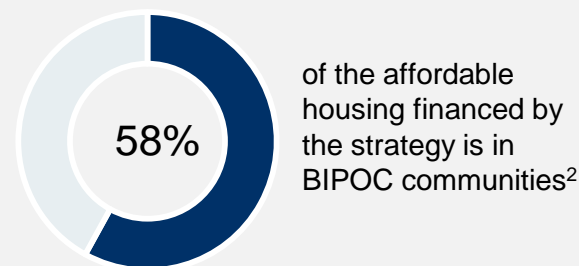
Strategy home ownership profile

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



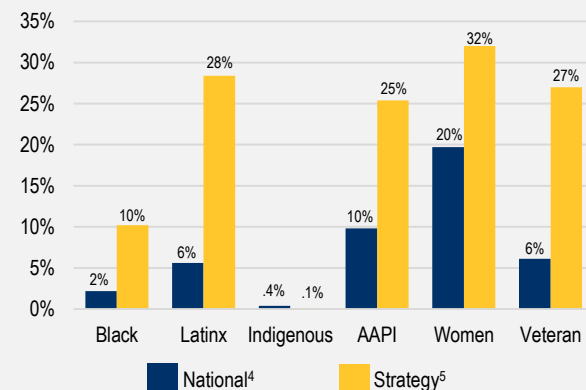
Strategy affordable housing profile³

- 100% are low-to-moderate income
- 75% women head-of-household
- \$18.5k annual income
- \$430/month rent



Strategy small business profile

- 100% small business loans are made in low-to-moderate income communities⁵
- 86% small business loans are made in BIPOC communities²



As of 9.30.22

Source: RBC Global Asset Management

LMI - Low -to-Moderate Income; BIPOC - Black, Indigenous, and People of Color; AAPI- Asian Americans and Pacific Islanders.

Profile of the impact of investing in the RBC Access Capital Community Investing strategy across multiple themes. ¹Source: U.S. Small Business Administration Office of Advocacy - Frequently Asked Questions, October 2020. ²RBC GAM, U.S. Census Bureau. ³Low-to-moderate income data: Federal Financial Institutions Examinations Council (FFIEC); 2019 Community Reinvestment Act Data Fact Sheet; RBC GAM & U.S. Census Bureau. Figures represent the weighted average of all neighborhood residents across census tracts in which the Impact strategy's affordable housing investments are located. Note: Subsidized housing resident data is only available for assisted housing subsidies under the following HUD programs: public housing, tenant-based, and privately owned, project-based.

Appendix: investment examples

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

Healthcare services



Care for people with disabilities – San Clemente, CA

- Provides long term care, habilitation services, and other care treatments to adults and children diagnosed with developmental disabilities and are not able to live independently
- Woman owned and operated
- Located in a low income and Latinx tract
- Originated by CDC Small Business Lending which “provides access to transformative products, services, and advocacy to ensure ALL small businesses have the opportunity to succeed and grow”*

*Source: <https://cdcloans.com/about-us/meet-cdc/>

Affordable rental housing



Austell Village – Austell, GA

- Affordable housing consisting of 107 units offering 2 and 3 bedroom floor plans
- Apartments feature spacious floor plans, private patios, and energy-efficient appliances
- Community amenities include swimming pool, fitness center, playground and walking paths
- Located near multiple shopping, restaurants, a movie theater and public and private elementary schools
- Located in a predominantly Black census tract

Affordable rental housing



Ivy Park Homes – Chicago, IL

- Townhome complex consists of 908 rental homes
- Townhomes have either 2 or 3 bedrooms, basements, patios and backyards, and private front and rear entrances
- Located in a family-friendly community that features a playground, gym and parking near public and private elementary schools
- 99% of the residents are Black; 93% are considered “very low-income”; and 91% are part of a woman-headed household
- Conveniently located near public transportation and within a mile of supermarket, mall, and movie theater

Affordable multi-family housing



Washington Courts – Chicago, IL

- Operated by the non-profit, Mercy Housing, which works to reduce poverty and create stable, vibrant and healthy communities by developing affordable, program-enriched housing for families and individuals
- Historic four story building with 101 units of affordable housing for low income families
- Features Resident Services for families including after-school programs, employment training and parental education
- Located in a very walkable neighborhood, near public transportation and many neighborhood amenities
- Provides affordable housing in Chicago's predominantly Black Westside Austin neighborhood

Source: <https://www.mercyhousing.org/lakefront/washington-courts/>

Small business



Construction – Baltimore, MD

- Black veteran owned construction firm - licensed, certified minority contractor
- Located in a low income tract where 92% of the population is Black
- Employs 50 full-time employees
- Professional team has experience in completing projects in challenging work environments; meeting budget and scheduling terms and conditions; and providing state of the art technology and equipment to accomplish its client's goals
- Specializes in demolition, crushing, screening and hauling

Affordable multi-family housing



TDC III: The Dawson-Longley Apartments – Boston, MA

- Tenants' Development Corporation (TDC) has been developing affordable housing in Boston's South End neighborhood for nearly 50 years
- TDC was conceived and organized by low-income renters, primarily African American tenants, who wished to improve housing conditions in the neighborhood
- This project was a combination of new construction and rehabilitation of 59 units on Massachusetts Avenue
- Located near public transportation, medical centers, shopping and schools in an extremely walkable neighborhood
- Units vary in size from one- to four-bedrooms at market and subsidized rental rates

Access to healthcare



Pharmacy – St. Louis, MO

- Black, woman owned pharmacy in moderate income area of St. Louis, providing increased access to healthcare services
- Serving a neighborhood that is 78% BIPOC/72% Black
- This Community Advantage loan helped bring a valuable healthcare service to an underserved community which had been a 'pharmacy desert' in the vulnerable Dellwood community
- Originated by the non-profit organization Justine Peterson Housing and Reinvestment Corporation, which has a mission to help low-to moderate-income individuals and families build assets and create enduring change*
- Justine Peterson provides existing and start-up businesses safe and affordable capital with the goal of graduating businesses or individuals back to mainstream finance

<https://justinepetersen.org/what-we-do/small-business/>

Affordable housing



South Shiprock Apartments – Shiprock, NM

- 212 Section 8 housing rental units located on the Navajo Reservation in San Juan County
- To qualify for the housing, a family must verify that their combined income is less than 50% of the Area Median Income (AMI)
- The town consists of roughly 8,200 people, 97% of whom are of Native American descent
- About 39% of the population of Shiprock falls below the poverty line, making the availability of affordable housing essential
- Shiprock and the surrounding land have religious and historical significance to the Navajo people

Access to healthy foods



Grocery store – Camden, NJ

- Low-income neighborhoods often lack access to full-service grocery stores or farmers' markets
- The store, located in a predominantly BIPOC and low-income neighborhood, provides access to healthy, fresh foods
- Without this small grocery store, this neighborhood would qualify as a "Food Desert". Residents with better access to supermarkets tend to have healthier diets and reduced risk for obesity.*

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

Pediatric dentistry



Pediatric dentistry – Lithia Springs, GA

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

Definitions

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

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