HIGHER PURPOSE CO.

Higher Purpose Co (HPC) is an economic justice nonprofit started in 2016 based in Clarksdale, MS. Our mission is to build community wealth for Black residents in Mississippi by supporting the ownership of financial, cultural, and political power. Our theory of change is anchored by business ownership, narrative change, and advocacy. By utilizing solutions-based organizing, HPC seeks to unapologetically tackle generational poverty, structural inequality, and institutional racism. Structural racism and poverty have always been tied to the environmental and cultural exploitation of Black people in Mississippi. HPC works to support Black-owned businesses in ways that counter extractive capitalism, promoting regenerative business development in all our work. Higher Purpose Co is the only Black-led statewide membership-based nonprofit in Mississippi providing Black entrepreneurs, farmers, and artists with business education, funding, and advising. HPC works with around 150 members from various counties across Mississippi. Most Black residents in Mississippi survive on a low financial income and struggle to make ends meet. Due to the low finances, most of them lack the opportunity to start up business endeavors. Various changes should be implemented to ensure the CRA is facilitated in low-income communities using fair and equitable practices.

I. Open up more branches or banking centers in low-income areas: There is a notable lack of banks or branches miles away. There is a need for safe, accessible, and affordable branches or bank centers to allow more opportunities for them to get credit facilities. Our idea of bank centers is smaller physical locations that provide the essential financial services but are located inside or near other amenities frequently visited in low-income communities such as unemployment offices. This solution will be more effective in complementing online transactions.

II. Banks should be required to work with nonprofit non-lending organizations to review lending policies with potential and existing business owners to ensure an understanding of the factors that influence lending capacity: When small businesses try to obtain loans, they don't know what it takes to qualify. They take classes offered by organizations like Higher Purpose Co to gain information and resources to put them in a better position to be considered a qualifying candidate. However, different banks have different policies. Just because an individual may qualify for a loan at one bank does not mean that they are eligible for a loan at another. Banks could take a look at all of their lending policies within their branch and start having educational sessions with businesses or organizations, such as Higher Purpose Co. After sessions are completed, these organizations would then be used to provide information to the community about resources offered by banks and ways to obtain them. These organizations

could be used as a gateway between banks and small businesses while also educating the general public. Rather than solely focusing on what the individual can do, this holistic approach considers what barriers prevent access to capital even when controlling for credit score and other individual factors that may impede success. Higher Purpose Co or similar organizations could work with banks to review the lending policies and make sure that they are aligned with what the customers need. We could also help with the transparency between lenders and small businesses to understand the different requirements. This will allow banks to review their policy and better explain them to the public to attempt small business owners to understand the needs better to qualify for loans on the front end.

III. Banks should invest in CDFI's: The CRA should offer credit to banks who invest in CDFIs that serve to finance the community, build capacity, allow access to financial assets that they may require, and enable them to start small businesses to support themselves. The community should be well involved and have voting power in the bank CRA activities to ensure agency and transparency.

IV. Banks should examine not only the number of loans to small businesses but also the dollar volume of loans: Using the data that have been reported according to the CRA, we observe that the number of small business loans dramatically increased from 1996 to 2015, while the loan volumes remained essentially unchanged, which translates into a significant decline in the size of the average small business loan. Between 1996 and 2015, the number of small business loans increased dramatically, but small business lending total dollar volume in 2015 was mostly unchanged from 1996. Thus, the size of the average small business loan was smaller in 2015 than in 1996. The data also show that 75 to 80 percent of all small business lending occurred in upper- and middle-income census tracts and this share was consistent throughout the entire period. (Bostic & Lee, Cityscape: A Journal of Policy Development and Research • Volume 19 Number 2 • 2017) Many studies have shown that the Community Reinvestment Act can serve as a tool to equalize lending. Still, in other instances, many banks often do not have enough applicants applying for their products. In these instances, banks can have incomplete information, impacting how they view their overall community's creditworthiness, often to the detriment of low and moderate-income individuals and communities. (Kobeissi, 2009). Lang and Nakamura simply summarize this incomplete information theory as another form of redlining where lenders do not know how to evaluate applications in low-income neighborhoods (Immergluck, 1999). This incomplete information, along with small banks not having to provide data on their census tracts where loans are invested into, and the lack of data collection on the

racial background of applicants, can further lessen the benefits that the CRA can provide to small rural communities, especially in the Mississippi Delta. Because of these reasons and the benefits of economic justice nonprofits like Higher Purpose Co (HPC), providing business support to minority entrepreneurs to build generational wealth in communities of color, HPC recommends the following considerations be made while modernizing the Community Reinvestment Act in 2021.

V. All Banks should report racial data on applicants, including the denial rate and other important information. Banks should report denial rates with racial data to better understand the racial wealth gap. Furthermore, if banks refer clients to other financial institutions or business support organizations such as Higher Purpose Co, this information should also be documented.

VI. Small Banks should report on census tract-level data, and higher preference should be considered for investments that align with local communities' Comprehensive Plans/development plans. Several communities have created their plan to revitalize specific areas, and small banks should receive a significant amount of CRA points for supporting community-led initiatives.

VII. Greater Preference should be given to Economic Justice non-profits working with low and moderate-income, minority entrepreneurs, and first-time homebuyers. Organizations working to inform entrepreneurs by providing business support services should not go overlooked. Higher Purpose Co. (HPC) launched a historic funding network for Black-owned businesses in Mississippi and has disbursed over $750,000 since November 2019 through grants and loans from CDFI's and Kiva. The Kiva platform allows people across the world to crowdfund money that provides 0% micro-loans to entrepreneurs with bold plans for their businesses and the security of organizations supporting their development along the way like HPC. Banks have previously declined several Kiva recipients. CRA qualification should also consider the banks that provide additional funds along with micro-loans provided to entrepreneurs. Anchor community-led organizations like HPC who are building services to support new entrepreneurs, can also eliminate incomplete information that many banks may suffer from by displaying that entrepreneurs within their membership are qualified and knowledgeable about their capital needs. Through our focus with Black entrepreneurs, organizations like Higher Purpose Co also serve as a safe avenue for banks to market new products. The financial impact of COVID 19 makes such considerations important as the pandemic has resulted in the closure of 440,000 Black-Owned Businesses - representing 41 percent of all Black-owned firms. (National Bureau of Economic Research, 2020). HPC aims to

enhance business support targeting Black, Mississippi entrepreneurs (including black farmers, artists, and creatives) by providing a pipeline to capital assets and a community dedicated to ensuring their success. Due to the business support and strategic targeting of nonprofits like Higher Purpose Co, there should be more significant regulatory guidance to encourage further investments in nonprofits providing services and directly towards businesses working alongside nonprofits fulfilling such needs in historically disinvested communities.

VIII. Concerns of Retail Banks choosing which examination test to take: There should be standardization and creation of one test to improve the overall CRA process. This will allow for a streamlined process of reducing any confusion across the industry.

IX. Large Banks Asset size should be lowered to $750 million: Lowering the asset size for large banks can significantly impact the communities they serve and strengthen the opportunity for more significant CRA activity.

X. FED should recommend Postal Banking for Unbanked, Inadequately banked. Underbanked Communities to equalize investment and services in line with CRA's vision beyond a regulatory tool: Many communities in rural areas, including the Mississippi Delta, suffer from underbanked characteristics where they do not have a bank serving their communities, limiting the amount of direct capital reaching the hands of many rural communities and the families they call home. The United States Postal Service can provide banking services, including checking, savings, and other loan services. From 1911-1967 the Post Office offered such services. Because of the lack of financial services in many communities, people result in payday loans, which are less regulated, resulting in many families paying to exonerate interest. At the same time, more and more banks desert rural areas. Postal Banking, run by the United States Postal Service, could provide a competitive model to private banks serving low-income individuals, especially in Rural America. To successfully address the banking desert and achieve the CRA goals beyond a regulatory tool, the Fed should encourage the federal government to meet this urgent need now through postal banking targeting communities that they serve. (Baradaran, 2016)

In conclusion, CRA funding has been a lifesaver for low-income areas by allowing access to credits. Following the Covid-19 pandemic, many businesses and the economy have been negatively impacted, particularly low and middle-income areas, hence the need for improved access to funding. Therefore, some amends need to be made on the CRA to facilitate that and negatively rank banks that fail to deliver the appropriate services.