

The African American Financial Capability Initiative

Northwest Area Foundation's (NWAF) three-year [African American Financial Capability Initiative](#) (AAFCI) has a focus on advancing the financial capability of communities in cities with the largest African American populations within the Northwest Area Foundation's region: Des Moines, Iowa; Minneapolis and St. Paul, Minnesota; Portland, Oregon; and Seattle and Tacoma, Washington.

Funded from 2015 through 2018 - with annual allocations of \$1.2 million in grants from the NWAF to city-specific communities of practice (CoP) - the initiative brings together a multi-city cohort of six African American-led nonprofit collaboratives to create socioeconomically tailored pilots that strengthen asset-building services, sharpen policy advocacy strategies and grow leadership capacity to benefit local communities.

Bridging the African American Wealth Divide

It is estimated that it will take [242 years](#) for Black Americans to reach the level of wealth White households enjoy today. Individual behavior is often seen as the cause of this racialized wage and wealth divide. However, there is compelling evidence that racial economic inequality is primarily the result of long-term investment in some communities and a lack of investment in others. The African American Financial Capability Initiative aims to reverse this trend, guided by the belief that the people closest to racial economic inequality are also best positioned to address it.

The Northwest Area Foundation

The mission of the [NWAF](#) is to support efforts by the people, organizations and communities of their eight-state region to reduce poverty and achieve sustainable prosperity. NWAF aims to understand the local context and build on existing assets and strengths of marginalized communities through tools such as capacity building, strategic communications and financial resources. They believe access to capital, enterprise development, financial inclusion and work opportunities are all essential factors needed to expand economic opportunity in under-resourced communities and among individuals, as well as create more equitable policies and systems. NWAF supports local ownership and culturally anchored solutions that reflect and directly benefit priority communities, and build more equitable, inclusive and long-lasting prosperity.

Through the AAFCI, the NWAF funds Prosperity Now's Racial Wealth Divide Initiative (RWDI) to provide tailored technical assistance to communities of practice to help build holistic local, regional and national asset-building infrastructure within African American communities. In the early stages of AAFCI implementation, a promising practice is emerging: dedicated, long-term funding - paired with content expertise and the ability to innovate from the perspective of clients - is essential for infrastructure development, collaboration and organizational change.

AAFCI not only has the potential to incubate transformational strategies to tackle the wealth divide for African Americans; it also promises to educate funders and the field about what tools and supports are needed to strengthen individual, family and community economic security.

The Racial Wealth Divide Initiative's Approach

Through the Racial Wealth Divide Initiative (RWDI), Prosperity Now leverages its established connections; growing network of state and local asset development partners; and expertise in technical assistance, policy advocacy and applied research to bridge racial economic inequality. Specifically, RWDI deploys three key strategies:

- Strengthen the ability of all Prosperity Now's programs to proactively address racial wealth inequality and deepen analyses of asset poverty challenges impacting communities of color.
- Launch and implement specific projects that highlight best practices for eradicating racial wealth inequality, including by collaborating with local and regional organizations.
- Bolster our influence and that of our partners to drive policy solutions that reduce racial economic inequality at the national, state and local levels.

Most importantly, communities of color need nonprofits managed by leaders of color with high-impact asset-building services to address the national challenge of a broad and deep racial wealth divide. It is through this lens that RWDI approaches its programmatic work to reach the following goals:

- Assist in developing high-impact nonprofit organizations of color focused on advancing economic opportunity nationally.
- Build an understanding of the intersection of income, assets and the racial wealth divide.
- Establish networks across sectors to have lasting local influence and advance social change.
- Improve relationships between organizations of color, local organizations and asset-building institutions.
- Equip organizations of color to become leading voices in local and national asset-building dialogues and decisions.

Building organizational capacity through a collective impact model - anchored in an intentional community-of-color coaching and leadership development strategy - the RWDI practitioners of Prosperity Now provide technical assistance to strengthen the design, development and implementation of CoP economic development pilot projects.

Prosperity Now

Prosperity Now's work makes it possible for millions of people to achieve financial security and contribute to an opportunity economy. They work to scale innovative practical solutions that empower low- and moderate-income people to build wealth, drive responsive policy change at all levels of government, and support the efforts of community leaders across the country to advance economic opportunity for all. Established in 1979 as the Corporation for Enterprise Development, and recently rebranded to Prosperity Now (June 2017), the organization works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

Of the AAFCI, Andrea Levere, President of Prosperity Now, stated, *"We believe the African American Financial Capability Initiative has the potential to help address the significant financial insecurity facing African American families and communities by strengthening the capacity, access to resources, and pilot implementation of African American led- and serving organizations. In addition, we believe these unique pilot projects will spark innovation for the benefit of the entire financial capability field."*

African American Financial Capability Initiative Pilot Projects

Des Moines

The Problem: In Des Moines, data suggests there is a *Tale of Two Cities*. One set of data shows the prosperous growth in the city while the other shows the wide disparities within the African American community.

Why the Problem Exists: This problem exists due to the lack of financial education and resources in the African American community.

CoP Response: We are creating a CDFI focused on providing resources and education to the African American community.

Minneapolis (MUL)

The Problem: Minneapolis' Community of Practice found significant evidence of wealth disparities ranging from education to homeownership to employment and wealth.

Why the Problem Exists: Lack of safe, affordable banking products and services to give people chances to build credit or relationships with banks; socially/ locally responsible financial institutions; money management conversations early on in the African American family system; culturally-anchored financial institutions in the community; and historical/cultural factors still embedded in policies and systems that drive disparity.

CoP Response: North Plus implements a robust referral network between its participating Community of Practice organizations to increase financial awareness and capability among the African American community in North Minneapolis. The three-phase North Plus Model is a culturally-anchored model of support services with an emphasis on health, education, employment services and advocacy to support an individual's journey to financial well-being: Phase 1 – Employee Referrals, Phase 2 – Client Referrals, Phase 3 – Community Referrals.

Portland

The Problem: African Americans are disproportionately cost-burdened and liquid asset poor compared to other populations in Portland.

Why the Problem Exists: Systemic exclusion from access and opportunity to create wealth and assets.

CoP Response: Exercising our strengths as African American-led organizations—by coming together through service and advocacy to address housing stability as a foundation—will lead to having greater access and opportunity to increased assets and financial security.

Seattle

The Problem: Development is driving out the African American community and reducing opportunities for wealth creation among lower and middle classes.

Why the Problem Exists: As our population grows and greater Seattle continues to urbanize, with a proportional increase in the number of people living within the city, there is an increase in development and redevelopment of existing communities. This development pattern is creating displacement of both land owners and existing tenant residents and businesses.

CoP Response: Land trusts have been proven to work as a mechanism for ownership of land. We are seeking to develop a blueprint for how to create an African American Community Land Trust which can be utilized as a portable document to educate and enable other African American communities across the state and nationally to pursue the same mission.

Tacoma

The Problem: There is a gap that exists between the African American community and the public and private organizations that provide financial resources and services.

Why the Problem Exists: Historical, structural, systemic and institutional racism created the racial wealth divide that is perpetuated by policy and practice rooted in narrative and beliefs on either side of the gap.

CoP Response: We are working to close the gap by using a Community Based Participatory Action Research (CBPAR) approach to increase understanding of community experiences, beliefs and practices by activating social capital, knowledge and expertise that will inform and change systems and products within the social and financial services industry.

Twin Cities (AALF)

The Problem: Substantial wealth disparities exist in the Twin City African American community.

Why the Problem Exists: Homeownership is the primary wealth creation asset, and Minneapolis and St. Paul have the highest homeownership disparity in the country.

CoP Response: CoP members are engaged in financial education, homeownership and business development, and the Pilot Project is designed to create a "One Door" client support system.

Disparity Data Snapshot: African Americans of the AAFCI and the Racial Wealth Divide

Demographics

There are approximately 244,454 African Americans in the current AAFCI cohort cities compared to 1,553,494 White Americans. This translates into 10.1% and 64.5% of the total AAFCI cohort cities' population for African Americans and their White counterparts, respectively. Nationally, African Americans make up 12.3% of the population compared to White Americans, who make up 62.0% of the country's population.

Income and Cost of Living

The typical annual median family income for African American families in the AAFCI cohort cities is \$36,284, which is 2.5 times less than the \$89,417 for White families. The national typical annual median family income is \$44,531 and \$76,714 for African American and White families, respectively. Simultaneously, living in the AAFCI cohort cities costs 21% more, on average, than the nation. The average cost of living index for the AAFCI cohort cities is 121 compared to the national cost of living index of 100.

Homeownership

25.9% of African Americans own a home, which is 2.2 times less than the 57.7% White homeownership rate. Nationally, 41.9% of African Americans own a home compared to 71.4% of their White counterparts.

Employment and Unemployment

On average, African Americans faced an unemployment rate of 11.6% throughout the AAFCI cohort cities in 2016 compared to an unemployment rate of 4.4% for their White counterparts. Nationally, 10.1% of African Americans were unemployed compared to 4.6% of their White counterparts.

Educational Attainment

When it comes to college education, 17.9% of African Americans above the age of 25 have a bachelor's degree compared to 48.2% of their White counterparts. By comparison, 20.0% of African Americans and 33.8% of White Americans, nationally, have a bachelor's degree.

Wealth

58.8% of African American households are asset poor compared to 22.9% of White households. 37.2% of African American households have zero or negative net worth compared to 17.4% of White households. Nationally, 30.1% of African American households have zero or negative net worth compared to 13.1% of White households. Meanwhile, 44.5% of African American households are asset poor compared to 19.0% of White households.

Want to learn more? Visit: www.prosperitynow.org/African-American-Financial-Capability-Initiative