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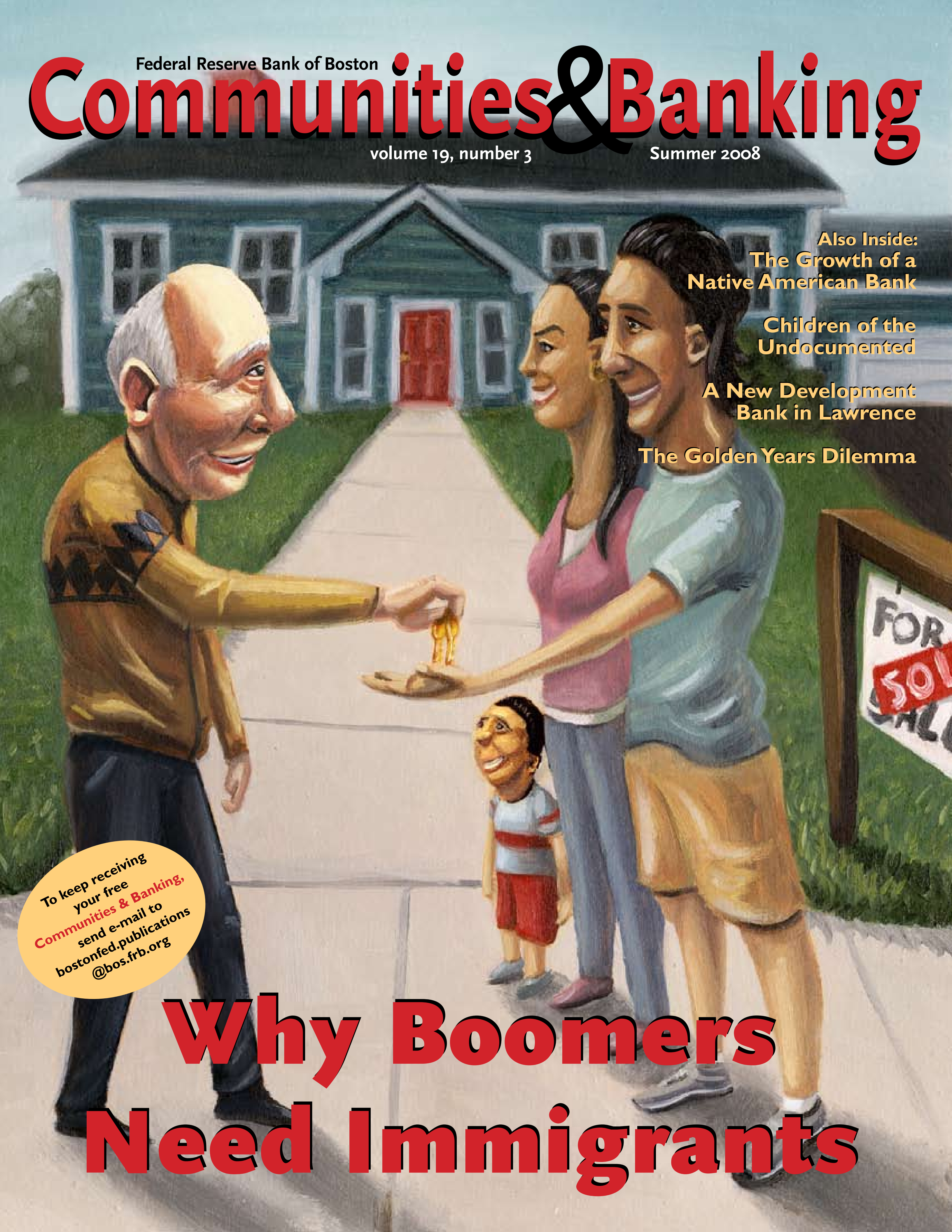


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# Why Boomers Need Immigrants

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Cover illustration: Joe Guidry

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FEDERAL RESERVE
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by Dowell Myers
University of Southern California

# Immigrants' Contributions in an Aging America


Debates about immigration in America have been backward looking, emphasizing trends of the last 10 years, not the future.[1] In the decade ahead, much will change—immigrants and the rest of us included. The preoccupation with matters of legal status, important as they are, have distracted us from the larger question of whether we need immigrants in the first place. For that answer we must look more closely at American society itself.

My research has projected two major sets of changes in the decade ahead. One entails the growing length of settlement by immigrants who arrived after 1970—and their burgeoning upward mobility, which is well under way. The other vector of change centers on the aging of the baby boom generation and the many changes it portends for the economy. How do immigrants fit into the overall picture of change in America?

## U.S. Needs Are Changing Dramatically

We cannot begin to gauge the value of immigrants until we better understand ourselves. In recent debates, it seems that most Americans have judged immigrants relative to the needs of today, or even 1980 or 1990. Immigration reform, however, is always about the decades ahead, and we need to make that the primary reference point.

Demography holds certain advantages over other forms of forecasting, especially in contentious political debates. Few can argue with the central premise of demographics—people get older one year at a time. The baby boom generation, born in 1946 to 1964 and now 78 million strong has just begun to turn 62 this year and file for Social Security benefits.

The broader magnitude of impacts from the aging of the baby boomers is not well appreciated. In simple terms, one key ratio will dominate our nation's economic affairs over the next two decades. The number of seniors age 65 and older relative to prime-working-age adults, 25 to 64, is currently at about 240 per 1,000, a ratio that has held relatively constant since 1980. In the next two decades, however, that ratio is poised to climb by about 67 percent, reaching 411 seniors per 1,000 working-age adults. In fact, no state in the nation will experience less than a 50 percent increase in the senior ratio. Connecticut and Rhode Island will experience an increase similar to the nation's—65 percent and 67 percent, respectively—but the senior ratio in Massachusetts will grow by 70 percent, and in northern New England it will soar by 88 percent (New Hampshire), 93 percent (Maine), and 95 percent (Vermont).

The rising ratio will throw out of balance every senior activity and demand that is different from the activities and demands of working-age adults. That includes retirement supports and health-care expenses, the entitlement issues that drive the federal fiscal scenario described as unsustainable by the Government Accountability Office.[2] Not to be neglected are the effects on workforce growth, which the Bureau of Labor Statistics has projected to sink below 1 percent per year.[3] Serious consequences for GDP growth are emphasized in the 2007 Economic Report of the President.[4] Even with an expected delayed retirement, the retirements of the baby boom generation are so massive that businesses will be hard pressed to find replacements and economic growth will suffer.

Consequences for the housing market also are to be expected from the growing ratio of seniors to working-age adults. As troubled as we are today by the credit-induced downturn, the general expectation is that there will be ample buyers in future years to float a recovery. Instead, my research documents the substantial risk of a generational housing bubble, when a larger number of seniors begins to sell off high-priced homes. In many states there are not likely to be sufficient numbers of young adults to absorb all the homes released by older sellers.[5] (This sell-off scenario differs from an earlier prophecy that misjudged when it would start—at age 45, more than 20 years too soon.[6])

## Can Immigrants Help?

With baby boomers aging and a 67 percent surge in the ratio of seniors to working-age adults, many challenges lie ahead. Immigrants can help. Typically arriving as young adults, they and their children provide needed demographic reinforcements. But it takes time for them to settle in and begin to make their greatest contributions.

The drawback of increased immigration is said to be that immigrants are not sufficiently skilled to be of much assistance. In fact, polls show that more than half of Americans, both Democrats and Republicans, assume that immigrants are more of a burden than a benefit.[7] That is not the word from New York City, however, where immigrants are recognized for helping to revitalize the city, and it may not be the perspective in south Florida

**In the next two decades, no state in the nation will experience less than a 50 percent increase in the ratio of seniors to prime-working-age adults.**

or California, other traditional areas of longtime immigrant settlement.[8] The benefits of immigration often accrue after immigrants have time to settle in. In Los Angeles, 65 percent of immigrants have been residents more than 10 years, and many have been there 20 or 30 years. In contrast, in Atlanta or in Charlotte, North Carolina, barely 36 percent of immigrants have lived in the United States 10 years or longer.

The upward mobility of immigrants is not visible until they have been here a while. My analysis of Latino immigrants, generally among the least advantaged immigrants, shows tremendous rates of upward mobility. When they are newcomers, most speak English poorly and have few economic assets. In new destinations of immigrant settlement, that is what the locals see. They often assume that immigrants will remain like newcomers their whole lives. Not so, according to data from California, where immigrants have been settling since the 1970s. Ability to speak English well advances from 33.4 percent among those who are recently arrived to 73.5 percent among immigrants residing in the United States for more than 30 years. In the same time period, poverty rates decline from 28.7 percent to 11.8 percent.[9]

Most important may be Latino immigrants' progress into homeownership. Few start out as homeowners, but in California, 64.6 percent of immigrants who have stayed more than 30 years are homeowners. Immigrants' upward mobility is likely to make a vital economic contribution when the multitudes of baby boomers start selling off homes.

Immigrant children, like other minority youth, will have a major role to play in the coming decades. Their attendance in school today gives us an opportunity to help grow them into the new middle class of skilled workers, taxpayers, and home buyers. In previous decades it may not have seemed as urgent to develop this human capital, and some taxpayers have considered their schooling an unwanted fiscal burden. But now, with the aging of baby boomers, these children are looking like a resource to be cultivated. It is they who will be relied upon to step up and help fill many empty shoes.

## The Resource Under Our Noses

The future of America will be formed at the intersection of two great demographic forces. With the inexorable aging into senior status of the giant baby boom generation, immigration may be the best way to get needed workers, taxpayers, and home buyers. Just how much reinforcement from immigration we will achieve is uncertain. The annual flow of newcomers is subject to federal policy restrictions, while the quality of educational investment in immigrant children is subject to taxpayer decisions in each state and locality. The best thing to be done for America's future is to think ahead and optimize the intersection between aging America and immigration.

---

**Dowell Myers** *is a professor in the School of Policy, Planning, and Development at the University of Southern California.*

### Endnotes

[1] This article is drawn from Dowell Myers, Immigrants and Boomers: Forging a New Social Contract for America (New York: Russell Sage Foundation, 2007).

[2] See U.S. Government Accountability Office, "Fiscal Wake-up Tour," http://www.gao.gov/special.pubs/longterm/wakeuptour.html; also "The Nation's Long-Term Fiscal Outlook August 2007 Update," GAO-07-1261R, http://www.gao.gov/special.pubs/longterm.

[3] Mitra Toossi, "A new look at long-term labor force projections to 2050," Monthly Labor Review (November 2006), http://www.bls.gov/opub/mlr/2006/11/art3full.pdf.

[4] Economic Report of the President (Washington, DC: United States Government Printing Office, 2007), http://www.gpoaccess.gov/eop/2007/2007_erp.pdf.

[5] First introduced in Myers, Immigrants and Boomers, chap. 11, state-by-state projections of the shortfall in young buyers relative to older sellers also appear in Dowell Myers and SungHo Ryu, "Aging Baby Boomers and the Generational Housing Bubble," Journal of the American Planning Association 74, no.1 (winter 2008).

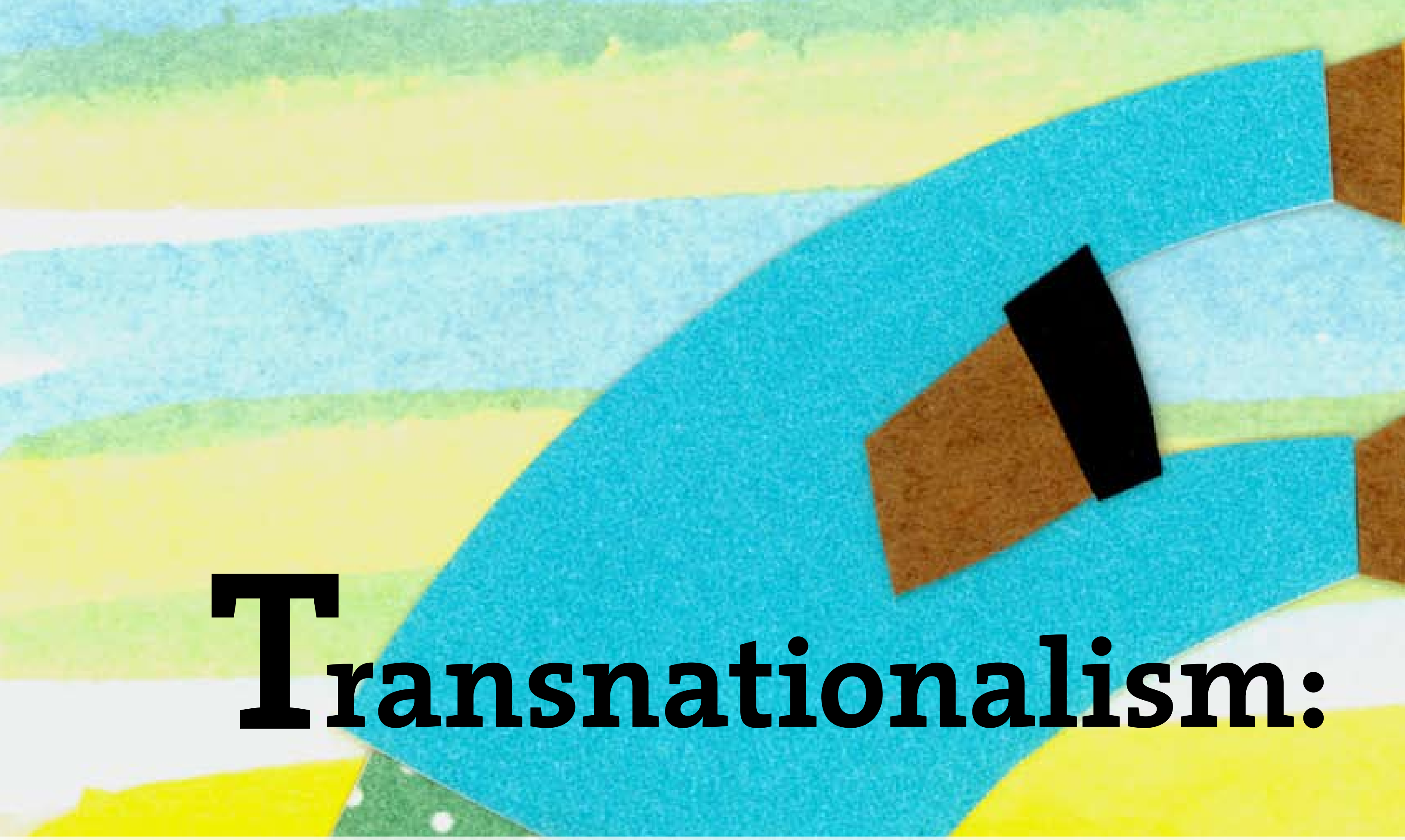
[6] N. Gregory Mankiw and David Weil, "The baby boom, the baby bust, and the housing market," Regional Science and Urban Economics 19, no. 2 (1989): 235-258.

[7] A 2007 poll by the Pew Research Center found that 51 percent of Democrats and 56 percent of Republicans agreed with the following statement: "Immigrants today are a burden on our country because they take our jobs, housing, and health care."

[8] Thomas Muller, Immigrants and the American City (New York: New York University Press, 1993).

[9] These data are from analyses reported in Immigrants and Boomers, chap. 6, and are based on data from the Current Population Survey and decennial census. The cited figures pertain to a cross-sectional comparison from 2000 or 2005. However, those findings are supported also by studies of poverty and homeownership that trace the growing achievements of specific arrival cohorts as they reside longer from 1970 or 1980 to 2000.





# Transnationalism:

Most Americans expect new immigrants to trade in their home-country membership card for an American one. But you have only to walk down the street in Boston's Jamaica Plain, South Central Los Angeles, or Siler City in North Carolina, observing the ethnic grocery stores, the travel agencies, money-sending businesses, and the political party headquarters to realize they don't. Many continue to vote, invest, and support families back home at the same time that they start businesses, establish churches, and join parent-teacher associations in the United States.

A visit to immigrant hometowns in India, the Dominican Republic, or Brazil reveals the flip side of this picture. It's the migrants' homes that have the new roofs, the running water, and the satellite dishes. It's the towns with many emigrants that have paved roads, new schools, and health clinics.

According to a 2006 report by InterAmerican Dialogue (a policy center focusing on the Western Hemisphere), immigrant remittances to Mexico, the Dominican Republic, El Salvador, and Guatemala alone total $8 billion annually.[1] Immigrants also send back social remittances—new ideas, behaviors, and values that subtly and not so subtly transform social and political life.

Clearly, what is meant by "community" has changed. Immigrants may live far from family and friends, but they occupy the same social and economic space. They're part of transnational

by Peggy Levitt
Wellesley College

# Living in Two Worlds

communities. Organizations engaged in immigrant outreach can heighten their effectiveness by bringing an understanding of this larger context to their work. Immigrant poverty and its solutions are inextricably linked to homeland poverty and lack of development. They are two sides of the same coin.

Some community organizations have already caught on. For example, the Bhagat Samaj, a Hindu group from Gujarat state in India, not only supports cultural and educational activities in Lowell, Massachusetts, but also has helped to build a school in the town many of its followers come from. And the most popular class there is English, which is intended to prepare future migrants to succeed in the United States.

Similarly, the Miraflores Development Committee, which has chapters in both Boston and Miraflores in the Dominican Republic, funded infrastructure and social service projects in the sending community. The committee asked its nonmigrant members, who were supervising project implementation, to solicit community input, request bids, and submit budget reports. They were tasked with applying standards that they learned while working in Boston and improving the accountability and transparency of the final product. Both groups recognized that by strengthening the community back home, they were also helping people in the United States.

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## Challenging the Assumptions

The inextricable links between immigrants and their home communities call for revisiting past assumptions. We now know that assimilation is not a linear, irreversible journey. Instead, many immigrants craft dual loyalties that reinforce each other. Consider the recent study showing that immigrant business owners who were most integrated into life in the United States were also the most likely to conduct business across borders.[2] Another study found that the organizations promoting political participation in immigrants' homelands also promoted civic engagement in the United States.[3] Thanks to a growing understanding of transnationalism, more regional organizations are supporting immigrants' efforts to help the folks back home—improving the health, education, and political and economic skills of people in the sending communities so that more of them can build a good life there and fewer feel a need to emigrate.

## Synchronizing Policy and Practice

With transnationalism gaining recognition, nonprofits that work with immigrant communities in the United States are beginning to push for policies that mesh with the current realities. Several changes in attitudes and ways of working are needed.

**Many immigrants continue to vote, invest, and support families back home at the same time that they start businesses, establish churches, and join parent-teacher associations in the United States.**

### Rethinking Space

Public policy should reflect the actual social and physical spaces where people live. Since migrants' and nonmigrants' lives don't fit neatly within nation-state boxes, countries need to cooperate on policy.

### Redefining Categories and Outcomes

People whose lives cross borders often deal with conflicting sets of ideas about race, gender, and class. Throughout South America and the Caribbean, for instance, race is conceptualized along a continuum of skin-color categories, whereas most U.S. demographic data just use the categories "White," "Black," and "Hispanic."[4] In another example, success for an Indian or Pakistani family is often defined collectively. In the United States success is generally measured in terms of how much money one individual makes, but immigrants may opt to earn less rather than turn their back on their family and community.

### Adjusting Institutional Arrangements

Although most public institutions are not set up to operate across borders, a few new strategies are promising.

- **Extending Sovereignty.** Some nation-states formally or informally allow other governments to act within their territory. For example, Mexico issues a *matricula consular,* an identity card to help Mexican migrants lacking U.S. Social Security cards to get driving licenses or open bank accounts. By 2004, about 100 cities, 900 police departments, 100 financial institutions, and 13 states had accepted the cards as proof of identity.
- **Fostering Partnerships.** Cooperative arrangements have emerged between education and health-care providers in both sending and receiving countries to encourage record sharing, reciprocal credentialing, and joint training programs. In one case, the Mali-France Framework Partnership Document spelled out strategies for co-development between Mali and France. The document established a program allowing people who migrated to France from Mali to set up bank accounts in France that their relatives back home could draw upon to pay for health care.
- **Education Programs.** Cooperative arrangements between countries' educational institutions are emerging. Some are simple and informal like a Dominican Ministry of Education program that sends teaching materials to New York City's public school curriculum specialists, or the cultural orientation and exchange programs for high school teachers that take place each summer. Some are more complex, like an initiative at Cambridge College in Massachusetts that grants degrees valid in both the United States and Brazil.
- **Hometown Associations.** Home- town associations (located in the United States but focused on the sending community) have been at the forefront of transnational community development. Often they help migrants learn to represent their interests on both sides of the border. The Brazilian Consulate in Boston, for example, established monthly citizens councils where immigrants could air their concerns about the social and economic challenges they face. The councils ultimately helped community members become more organized and better able to negotiate with officials in both Brazil and the United States.

### Tapping Religious Organizations

Religion is a powerful force for many migrants. Church groups often have considerable resources, including money, experienced leaders, organized membership, and well-greased communication channels. Such attributes make them powerful potential partners for U.S. community organizers, especially as religious communities are often linked into national and transnational networks. For New England community organizations, church groups are a bridge to new immigrant communities and offer

**One option is to help build healthier, better educated, and economically viable sending communities, thereby alleviating the problems that cause people to migrate in the first place.**

partnership potential for building low-cost housing, lowering crime rates, and redeveloping neighborhoods.

## Going Forward

Transnational problems need transnational solutions. One option for organizations in New England is to help build healthier, better educated, and economically viable sending communities, thereby alleviating the problems that cause people to migrate to begin with. Another is to encourage reciprocal credentialing so that the higher education and professional degrees that migrants bring to the United States are accepted here—allowing such workers to alleviate nursing, elder care, and teacher shortages and to sidestep downward mobility. A third is to create cheap, convenient, and reliable money-transferring institutions that don't siphon off migrants' hard-earned dollars with high fees. Ideally, such institutions would also bring immigrants and community organizations into the formal mortgage and banking systems of both the United States and home countries.

In short, people who live transnationally are the face of the future. In living their lives across borders, they teach us that homeland and host-country poverty are never far apart.

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Getty Images

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[1]Peggy Levitt, *God Needs No Passport: Immigrants and the Changing American Religious Landscape* (New York: The New Press, 2007).

[2]Alejandro Portes, Luis Eduardo Guarinizo, and William J. Haller, "Transnational Entrepreneurs: An Alternative Form of Immigrant Economic Adaptation," *American Sociological Review* 67 (2002): 278-298.

[3]Cristina Escobar, "Dual Citizenship and Political Participation: Migrants in the Interplay of United States and Colombian Politics," *Latino Studies* 2 (2004): 45-69.

[4]The U.S. Census added a mixed-race category in 2000.

# The Impact of Immigration Raids

by Randy Capps and Rosa Maria Castañeda
The Urban Institute

On March 6, 2007, several hundred federal immigration agents raided Michael Bianco Inc., a military contractor in New Bedford, Massachusetts. Michael Bianco, which made U.S. military backpacks, had been under investigation for employing unauthorized immigrants and operating a sweatshop. U.S. Immigration and Customs Enforcement (ICE) officers questioned every employee about citizenship and immigration status, and arrested 361 workers for being in the country illegally and lacking work authorization. Within weeks, the plant's owner had reopened in Puerto Rico. Most of the arrested workers, however, remained in federal detention for months.

Later that spring, researchers from the Urban Institute, a nonprofit, nonpartisan research organization, visited New Bedford and two other large raid sites—Greeley, Colorado, and Grand Island, Nebraska—to talk to arrested immigrants, family members, and others in the community.[1] The research focused on the raids' short-term impacts on families with children.

Altogether, more than 900 adults were arrested, including parents of over 500 children, two-thirds of whom were U.S. citizens. In New Bedford, most of those arrested were Central Americans. Comprising the largest group were Guatemala's Maya Kiche people, many of whom had fled poverty and civil unrest. In some cases, those arrested were single parents, and almost three-quarters of the children were age five or under.


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## Impacts on Children

The children experienced a variety of challenges, including separation from parents, economic hardship, isolation, and social stigma.

### Family Separation

Most of those arrested came from two-parent homes, which are a particular strength of the Latino immigrant community. Many were detained a long time, so their children went from living with two parents to living with one. With many immigrants in detention six months after the raids, the remaining parents often had difficulty coping. For example, some spouses lacked access to or familiarity with bank accounts or other financial resources.

About 60 of the New Bedford immigrants were released the same day because they were single parents or had very young or sick children. Others were held for days or weeks. The Massachusetts Department of Social Services sent three dozen social workers to Texas—where many detainees were moved after their arrest. They obtained the release of 21 parents, many of whom had not divulged that they had children for fear that the children could be taken away or deported. Many children felt abandoned and could not understand why a parent had simply "disappeared."

### Economic Hardship

Many families lost the adult with the better job, and household incomes plunged. In New Bedford, the Michael Bianco jobs only paid between $7 and $9 per hour, and some were part-time. But the other two sites' meat-packing jobs paid more than $10 per hour, were full- or overtime unionized jobs, and offered full benefits.

For a while, extended families and informal networks helped provide child care and economic support, keeping the majority of children from living alone without supervision or becoming homeless. Other than three adolescents who were themselves arrested at the New Bedford work site, no children wound up in foster care.

Most families also received some form of community assistance lasting three or four months. Some families lost their homes or crowded in with other families. Utilities were temporarily cut off for some, and often there wasn't enough money for food.

### Fear and Isolation

The raids created a climate of fear, especially in Grand Island, where follow-up raids continued for over a week. Researchers spoke to families who hid in their homes for days or weeks. Many were fearful of seeking help—even at trusted locations such as churches. Some would not open the doors for people who brought food baskets and other assistance.

### Social Stigma

The remaining parents and caregivers struggled to explain to children what had happened. It was especially difficult for younger children to understand. One child said that his parent was "arrested for working." Some older children, mostly high school students, went to the work sites and saw their parents taken away in handcuffs. Children also had to deal with signs of increased community hostility, especially in Greeley.

The separation, economic hardship, fear, isolation, and stigma led to children

**Many immigrant parents may eventually face the choice of leaving their citizen children in the United States or taking them to an uncertain future in another country.**

showing more aggressive behavior, changes in sleep patterns and appetites, mood swings, and prolonged bouts of crying. Mental health professionals that the researchers interviewed spoke of elevated stress in children, signs of depression, and even suicidal thoughts. (The researchers were unable to interview a random sample of parents and could not document the prevalence of mental health effects.)

## Community Responses

All three communities initiated intensive and broad response efforts to assist immigrant families after the raids. The relief was especially well organized in New Bedford, where the Massachusetts Immigration and Refugee Advocacy (MIRA) coalition led an effort to bring together state and local government officials, representatives from the Honduran and Maya Kiche communities, faith leaders, foundations, and others to plan the effort. Local foundations and individual philanthropists raised significant funds, and aid was distributed to families for rent, housing, food assistance, clothing, and other necessities.

Public health and social service agencies also helped, but their roles varied substantially across the three sites. The New Bedford city government was particularly supportive of families in need, and social workers from the Massachusetts Department of Social Services worked to link parents with children and distribute relief. Public assistance through welfare programs and food stamps, however, was limited to U.S. citizens and legal residents. Most adults did not qualify, and many families were afraid to apply even if they did qualify.

Churches emerged as central distribution points for relief because immigrant families trusted them. In all three sites, public agencies and nonprofit service providers stationed their staff at churches. Religious and community leaders also went door-to-door to provide assistance, although some families were afraid to open their doors even to them.

## How Can We Improve?

The study offers a preliminary view of the immigration raids' impacts on children. It covers three of the largest raids ever conducted by ICE, but there have been more than 10,000 work-site arrests—and other arrests in homes and on streets—over the past several years.[2] With about 12 million unauthorized immigrants in the country and more than 5 million children with at least one unauthorized parent, more families with children are at risk of raids and their consequences.[3]

The research report offered recommendations for the way in which raids are conducted, and ICE issued guidelines in November 2007 addressing many of the recommendations. One recommendation was to grant arrestees access to lawyers, consular officials, social workers, and other intermediaries to inquire about children. Another was to allow easier communication between arrested parents and children by improving telephone access and not moving parents out of the states in which they were arrested. Single parents and parents with very young children (nursing mothers, for instance) should be released on the same day of the arrest, as early in the day as possible.

There were also recommendations for state and local governments and the private sector. In all three cases, schools did an excellent job of ensuring that children did not return to empty homes, and the Grand Island School District developed a particularly successful model. State and local governments would be wise to develop similar plans, and a centralized planning and coordinating body—such as the group set up by MIRA in New Bedford—could help ensure efficient service delivery. Further, the report suggested that trusted religious institutions should be used as assistance and outreach centers and that a national clearinghouse should be established to share information.

Many immigrant parents may eventually face the choice of leaving their children in the United States or taking them to an uncertain future in another country. Families themselves need to prepare. Both parents should have access to bank accounts and other financial assets. They need to gather their documents and their children's, and make sure that children who are U.S. citizens have passports in case they have to leave the country after a parent's arrest.

Even if all the recommendations are followed, however, children could still face harm from the arrest, detention, and deportation of their parents. So far there is no hard evidence on the longer-term impacts. Researchers from the Urban Institute plan to return to New Bedford and other communities to investigate the longer-term impacts of work-site raids and other types of enforcement actions on immigrants' children.

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**Randy Capps** *is a senior research associate and* **Rosa Maria Castañeda** *is a research associate at the Urban Institute in Washington DC. Their ongoing research to investigate the raids' longer-term effects on children is supported by the Foundation for Child Development and the Peppercorn Foundation.*

### Endnotes

[1]See *Paying the Price: The Impact of Immigration Raids on America's Children*, published in October 2007 with support from the Annie E. Casey Foundation and posted on the Internet sites of the National Council of La Raza (www.nclr.org) and the Urban Institute (www.urban.org). NCLR supported the research with funding from the Atlantic Foundation.

[2]U.S. Immigration and Customs Enforcement, "Work Site Enforcement Overview" (Washington DC: U.S. Department of Homeland Security, August 2007), http://www.ice.gov/pi/news/factsheets/work site.htm.

[3]Jeffrey S. Passel, *The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey* (Washington DC: Pew Hispanic Center, 2006).

# Linking Institutional Investors to Communities

by Anna Steiger
Federal Reserve Bank of Boston

Institutional investors such as public pension funds, insurance companies, foundations, and universities are increasingly allocating capital to *community investments.*[1] These investments have the dual purpose of earning high financial returns while spurring economic growth in underserved areas.[2] To date, public pension funds around the country have committed $11 billion to economic development investments.[3] Since 2000, market-rate, mission-related investments from foundations funded by program funds and endowment funds grew at a 19.5 percent compound annual rate.[4]

A growing body of research studies how institutional capital gets funneled into community investments. The primary challenge to growth of these investments has been that institutional investors try to place large amounts of capital into easily replicable financial instruments, whereas investments in underserved communities are generally small and specialized. Today, however, intermediaries are helping to overcome such barriers, and certain models have shown especially strong potential for ensuring community benefits—job creation, affordable housing, community facilities, and an improved environment.

## Two Points of Connection

According to the research, two intermediaries are necessary to connect the institutional investor to the economic development area: the investment intermediary (or "investment vehicle") and the community intermediary (or "community partner").[5] Institutional investors do not have the time or expertise to actively manage investments in underserved areas. Investment vehicles intervene by using their financial expertise to pool assets into an investment fund and to lower transaction costs. The investment vehicle creates scale, which enables larger investments in the kinds of assets (fixed income, equity real estate, or private equity) required by institutional investors.

The community partner links the investment vehicle to the neighborhood and uses its local knowledge to identify investment opportunities, enlist the participation of partners such as developers, and assemble the support of civic leaders, government officials, and residents. Most important, it helps ensure that the investment yields benefits for the neighborhood and doesn't displace lower-income residents.

## Investment Vehicle Business Models

Investment vehicles use a variety of operating models to link institutional investors to areas needing revitalization. One study identifies four approaches to the oversight of an investment fund: the Ownership Model, the Contractual Model, the Legislative Model, and the Fund Manager Model.[6]

The first two models hold the greatest promise because they have built-in connections to community partners. In the Ownership Model, a not-for-profit community partner organization, or "sponsor," owns the for-profit fund-manager subsidiary. In the Contractual Model, a not-for-profit community partner contracts with a well-established for-profit investment fund manager. The Legislative Model has been effective in Massachusetts but is not easily replicable because it requires a supportive legislature. The Fund Manager Model is effective in aggregating investment for institutional investors but may lack grounding in the community unless it affiliates with a community partner.

## Community Partners' Toolkits

The five main categories of community partners are: (1) not-for-profit fund sponsors, (2) not-for-profit affiliates, (3) mission-driven lending intermediaries, (4) municipal governments and public officials, and (5) underserved businesses, including minority- and women-owned businesses. Not-for-profit fund sponsors and affiliates—in particular, community development corporations and community development financial institutions—are the strongest partners. Their mission is most closely aligned with the underserved areas, and they have a useful "toolkit" at their fingertips.

The toolkit holds the resources that help community partners structure community investments. First are *financial tools* that affect an investment's financial value, such as zoning and land encumbrances, tax credits, philanthropic grants, and other public and private incentives. *Social* and *political tools* are the community partner's ties with community stakeholders who can leverage resources and help get a development project approved. *Material tools* include land or facilities that are used to underpin an investment.

## Illustrations from New England

Consider the two following cases: Urban Strategy America Fund (and its community partners in Boston) and Coastal Enterprises Inc.

The USA Fund is a for-profit real estate Fund Manager Model that takes a triple-bottom-line approach while bringing development expertise by way of the New Boston Developers group.

Coastal Enterprises Inc., a private, not-for-profit CDC and CDFI based in Wiscasset, Maine, works with community partners across New England and upstate New York. CEI provides financing and support to develop small businesses, natural resource industries, community facilities, and affordable housing. Like the USA Fund, it focuses on a triple bottom line. CEI acts as a community partner via the parent organization and as an investment vehicle via its three for-profit subsidiaries. They include two community development venture capital funds in addition to CEI Capital Management, LLC (CCML), which manages CEI's $129 million New Markets Tax Credit allocation.

Urban Strategy America Fund partnered with Lena Park Community Development Corporation to create Olmsted Green, now under construction. Photograph: USA Fund

## The Role of the Investment Vehicle

Investment vehicles play three key roles. First, they work closely with community partners to source deals. CCML, for example, requires community partners to take the lead in sourcing deals but helps them by providing presentation materials and participating on investment road shows.

Second, investment vehicles structure an investment fund using complex financial engineering. The USA Fund, for example, provides preconstruction dollars and risk-adjusted equity to its community investment partnerships and helps secure approvals and public financing. In a typical deal, the USA Fund is responsible for obtaining third-party debt financing of up to 75 percent of project cost. Joint venture partners (developers and/or community partners) may provide up to 20 percent of equity through cash, third-party predevelopment expenses, or land contributions. In return, local partners receive a development fee commensurate with their development expertise; they may also receive a profit after equity investors get their preferred 12 percent return.

Finally, investment vehicles educate. Recognizing that they are in an emerging, niche industry, they inform potential investors, community partners, and other stakeholders about how the investments work and about typical returns. They also work to overcome market prejudices. For example, the New Boston Real Estate Fund developed proof of concept in a traditional investment fund. After that did well, New Boston was able to establish the USA Fund.

## The Role of the Community Partner

Community partners play two key roles: sourcing deals and ensuring community benefits. Their deep local knowledge helps them find deals, resources, and partners to address local needs. They also may recruit local investors or invest in the projects themselves.

Their second critical role is related to the fact that they are more likely than the investment vehicle to be held accountable by the community. They know they have to deliver.

**Community investments have the dual purpose of earning high financial returns while spurring economic growth in underserved areas.**

Olmsted Green, the USA fund's $144 million residential housing joint venture with Lena Park CDC in Boston's Mattapan neighborhood, illustrates the point. The CDC made sure that the community received benefits, including 287 workforce housing condominiums, 153 affordable rental units, 400 jobs in construction, 400 permanent positions, an energy-efficient design that included green public spaces, 83 units of senior housing, a 123-bed skilled nursing care facility, an urban farm, a Heritage House mental health center, and a job training center.

Additionally, community partners receive organizational benefits—for example, strengthened capacity and a new ability to seek out innovative and collaborative projects. Lena Park's participation in Olmsted Green gave it valuable experience in doing real estate development and helped cement its role in the community. Moreover, Olmsted Green is expected to provide a revenue stream that will subsidize Lena Park's health and human service activities.

## Lessons Learned

Lessons learned from early adopters among institutional investors demonstrate that community investments yield both high financial and high social returns.

Nonetheless, deal flow remains a challenge, and the relative complexity of the investments makes it difficult for some potential investors to classify them. More research on the costs and benefits of the programs could encourage the use of public incentives to attract institutional capital. The return for government is outside help with economic development and poverty alleviation. Observers believe that as details of the financial and social returns of community investments are made available, the investments' appeal will broaden, and the industry will have an increasing impact on underserved communities.

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### Endnotes

[1]This article is based on Anna Steiger, Tessa Hebb, and Lisa Hagerman, "The Case for the Community Partner in Economic Development" (discussion paper, Department of Public & Community Affairs, Federal Reserve Bank of Boston, November 2007). Another version appeared in the Federal Reserve Bank of St. Louis's *Bridges*, summer 2007.

[2]Related terms are *economically targeted investments*, *double-bottom-line investments*, *triple-bottom-line investments* (which seek financial, economic, *and* environmental benefits), *emerging domestic market investments*, and *urban revitalization*.

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[4]Sarah Cooch and Mark Kramer, *Compounding Interest: Mission Investing by U.S. Foundations* (Boston: Social Impact Advisors, 2007).

[5]Lisa Hagerman, Gordon Clark, and Tessa Hebb, *Investment Intermediaries in Economic Development: Linking Pension Funds to Urban Revitalization* (Cambridge, Massachusetts: Harvard Law School Labor and Worklife Program, 2007).

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# The Golden Years *Dilemma*


iStockphoto

The year 2008 is a milestone for Kathleen Casey-Kirschling. Born January 1, 1946, and considered the first U.S. baby boomer, she retired this year and is now living mostly on a fixed income stream. Another 3.2 million boomers are eligible to retire this year, with about half choosing early retirement instead of waiting until age 65.[1]

The New England region could be strongly affected by the growing wave of retirements, as its population is older than the rest of the country's. The 2000 census indicates that only four of the region's 67 counties had a median age lower than the national level. Moreover, the median age has been growing twice as fast as the nation's since 2000, reaching 39 years of age in 2006. The population cohort aged 65 years and over should become increasingly prominent in New England. It is expected to grow from 13 percent of the population in 2006 to nearly 20 percent in 2025. (See "Percentage of Population Aged 65 Years and Above.")

## Rich in Equity, Poor in Income

Casey-Kirschling is fortunate compared with many of her boomer peers. She and her family bought a new villa and moved to Florida with their yacht upon retirement. Many New England seniors do not

# Balancing Homeownership and Financial Needs

by Kai-yan Lee
Federal Reserve Bank of Boston

have such financial freedom. Although more than 70 percent of New England senior households own their own homes—the highest homeownership rate among all age groups—one in 10 also live in poverty. That's a higher poverty rate than for other householder age groups.

Senior homeowners often epitomize the unique dichotomy of being rich in home equity but poor in income. (See "Home Equity and Median Household Income by Age Group.") With the constraint of relatively limited income streams, senior homeowners often struggle to balance preserving home equity and meeting their financial needs.

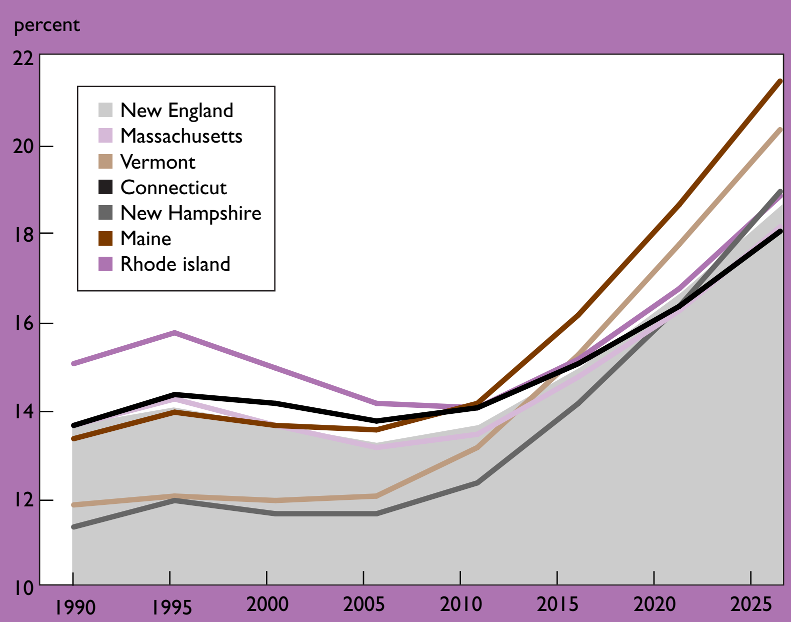
According to Len Raymond, executive director of Homeowner Options for Massachusetts Elders (HOME), seniors' financial burdens have grown over the years, driving their desire to convert home equity into income streams. Continuous increases in health-care costs, energy expenses, and property taxes often disproportionately affect seniors and erode any financial cushion that might have guarded against limited income. For instance, the share of health-care expenses for an elder's budget is usually almost three times that of the general public's, and this gap continues to widen. (See "Percentage of After-Tax Income Spent on Health Care.") So even though medical costs rise for all, seniors' financial cushions are the most vulnerable. That is especially true in New England, where medical costs are increasing faster. Bureau of Labor Statistics data suggest that the real medical-care cost in New England's urban areas increased by 63 percent between 1996 and 2006, outpacing the national level (about a 46 percent increase) as well as the New England region's cost of basic consumer goods (about a 37 percent increase).

Furthermore, seniors' life expectancy is increasing, so they may not have saved enough for retirement. Many elders are not financially prepared for the loss of a spouse, which often results in a 40 percent to 60 percent decline in household income and further reduces their ability to absorb increases in routine costs.

The Gerontology Institute of the University of Massachusetts, Boston, estimates that a one-person senior household with a paid-off mortgage typically would need to spend $17,683 annually to maintain a basic living standard in Middlesex County, Massachusetts. A two-person household would need $27,245. However, 2006 Social Security payments—a major income source for low- and moderate-income senior homeowners—averaged only $12,024 and $19,776 for these households, respectively.[2]

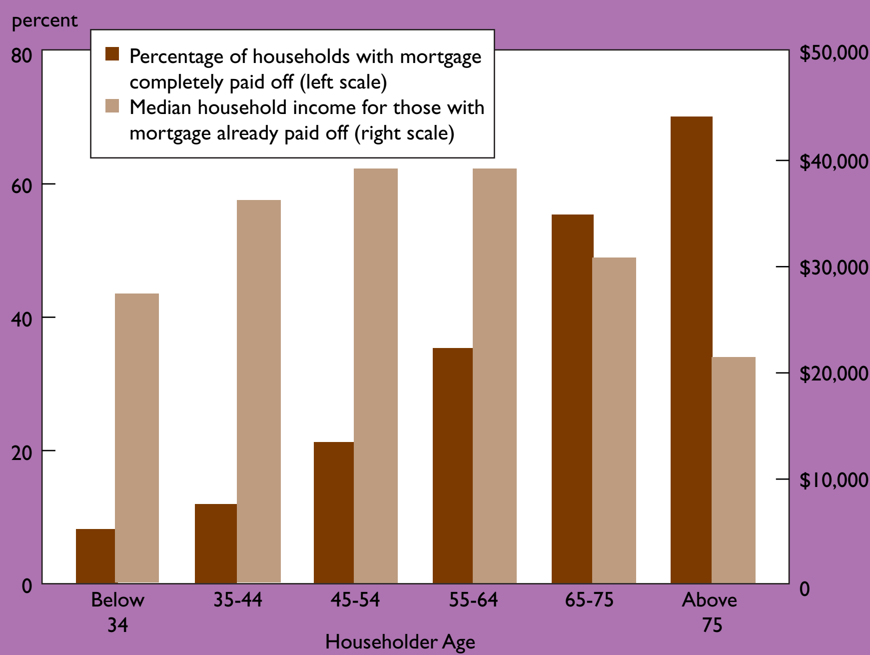
The challenge of preserving homeownership and meeting financial needs becomes clearer when seniors' financial characteristics are considered in the context of their high home-equity level. Raymond explains that the dichotomy often makes seniors more receptive to aggressive lenders who

**Percentage of Population Aged 65 Years and Above, 1990-2025**




**Source:** State Population Projection, U.S. Census Bureau

**Home Equity and Median Household Income by Age Group, New England Region, 2006**




**Source:** PUMS 2006 American Community Survey

encourage them to tap into home equity to make up for financial shortfalls. Reverse mortgages are increasingly the financial product seniors choose when seeking to convert equity into income.

## Reverse Mortgages

The Federal Trade Commission lists three primary types of reverse mortgages: reverse mortgages that are federally insured and commonly known as Home Equity Conversion Mortgages (HECM); the ones offered by some state and local government agencies and nonprofit organizations; and proprietary reverse mortgages backed by private companies.[3] The National Reverse Mortgage Lenders Association estimates that HECMs have about 90 percent of the U.S. reverse mortgage market.[4] The volume of HECMs has grown exponentially, from merely 5,208 a decade ago to 107,558 in fiscal year 2007. (See "Originations of Home Equity Conversion Mortgages.")

Senior homeowners 62 and older can use an HECM to convert their primary residence's equity into monthly income and/or a line of credit to be repaid when they no longer occupy the home. The actual amount of a reverse mortgage depends on factors such as the age of the youngest borrower, the current interest rate, and the property's appraised value. Generally speaking, a homeowner can get more from a reverse mortgage if her home is more valuable, she is older, and the interest rate is low. To ensure that homeowners understand HECM complexities, applicants must attend a consumer information session before their application can be approved. Some states have additional regulations: Massachusetts, for example, has extra licensing requirements for HECM lenders.

Before reverse mortgages became common, senior homeowners had two primary ways to convert home equity into income. One was to sell their properties and relocate. The other was to borrow against the home. Borrowing required monthly loan repayments, which many seniors either did not want or could not afford.

Reverse mortgages provided an alternative that allowed senior homeowners to convert their equities into income while remaining in their homes without making regular repayments. An earlier study suggested that reverse mortgages could lift as many as 29 percent of poor, elderly homeowners out of poverty.[5] Despite their advantages, reverse mortgages are not necessarily the right option for every senior homeowner. Raymond notes the high upfront costs, monthly service fees, adjustable rates, and other costs, and advises senior homeowners to examine all options carefully and choose a strategy that balances both homeownership and financial needs.

## Striking the Right Balance

Given recent financial innovations and the housing market's complexity, it is often challenging for seniors to strike the right balance between preserving equity and meeting financial needs. Laura Henze Russell, founding director of the Elder Economic Security Standard Project at the Gerontology Institute and current director of the institute's Elders on the Edge program, recommends that senior homeowners first examine whether they have exhausted all available assistance and tax exemptions before seeking out equity conversion.

Current assistance programs include property tax relief and deferral, home repair assistance, fuel assistance, and utility discounts. Massachusetts seniors who claimed local property tax exemptions in 2004 typically received $500, the equivalent of about one-fifth of the median Massachusetts property tax bill.[6] By minimizing housing-associated costs, the programs help elder homeowners stretch their discretionary spending to other critical areas. However, as Russell stresses, low participation rates for programs like property tax deferral show that many senior homeowners are not taking full advantage of the options.

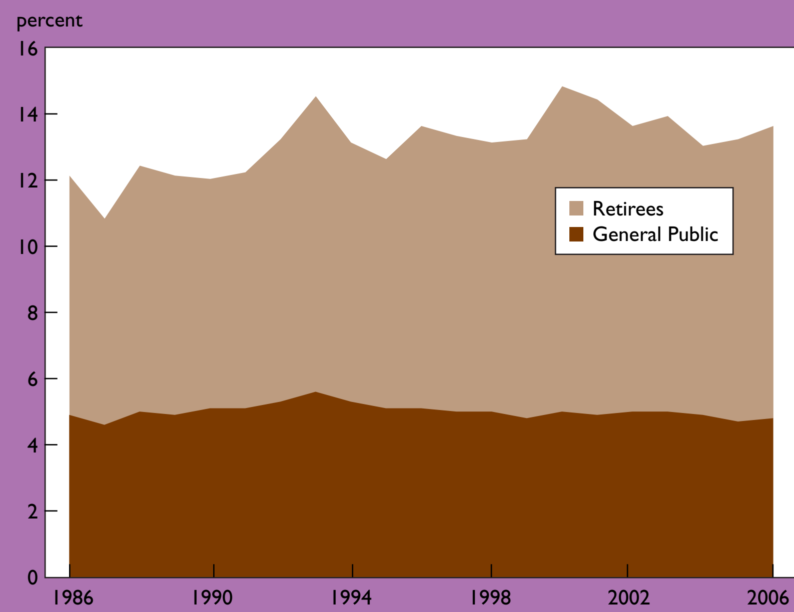
Susan Jacobs, director of the Council on Aging in Dalton, Massachusetts, emphasizes that local agencies need to cooperate with one another while remaining closely engaged with seniors who struggle with property taxes and other housing difficulties.

She adds that seniors should seek help early. Local agencies often have knowledge and access to resources that can alleviate elder homeowners' financial burdens without depleting their equity.

Numerous nonprofit organizations also help senior homeowners strike the right balance. For instance, Homeowner Options for Massachusetts Elders has provided on-site counseling at seniors' homes to more than 23,000 Massachusetts elders since 1984. Most were single women from low- and moderate-income families. Although the group focuses on homeownership preservation counseling, it has partnered with about 70 lending institutions for low-cost reverse-mortgage loans and equity lines of credit for seniors who need to tap into equity.

Proper planning and adequate knowledge about the many kinds of assistance available can help boomers navigate the ever changing terrain of personal finance and homeownership. In doing so, they can strike the right balance between preserving equity and meeting financial needs for their Golden Years.

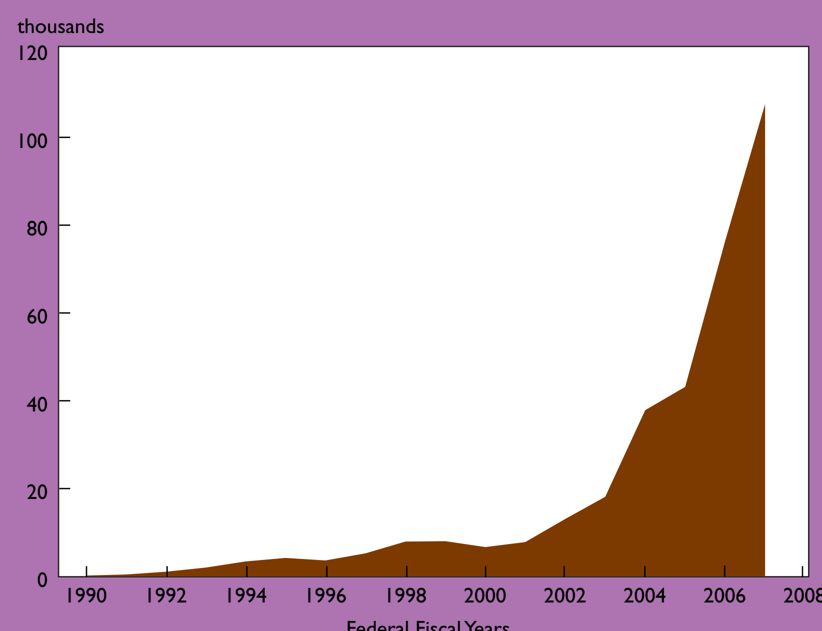
**Percentage of After-Tax Income Spent on Health Care, 1987-2006**




**Source:** Consumer Expenditure Survey, U.S. Bureau of Labor Statistics

**Kai-yan Lee** *is a senior research associate at the Federal Reserve Bank of Boston. He is grateful for the input from Len Raymond, Laura Henze Russell, and Susan Jacobs.*

**Originations of Home Equity Conversion Mortgages, 1990-2007**




**Source:** Department of Housing and Urban Development (HUD)

## Endnotes

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# Native American Bank
## *Banking the Unbanked*

Photograph: Dana Echohawk

The Fallon Paiute Tribe in Fernly, Nevada, had heard many reasons why banks could not provide a loan to buy back ancestral land. Tired of constant turndowns and delays, the tribe applied to the Native American Bank, NA. NAB not only understood the historical importance of the buyback, but also saw the economic opportunity that other banks had missed. After underwriting and credit approval, the Fallon Paiute closed on an NAB loan in July 2007. It was a win-win: The tribe obtained access to much-needed capital, and NAB added an earning asset to its balance sheet.

Being turned down by banks is a familiar story for many American Indian communities. Although the advent of gaming has brought wealth to a small subset of tribes, American

by Jon Swan

Indians remain at the bottom of most social statistics. The 2000 U.S. census showed the per capita income for on-reservation citizens to be $7,942, much lower than the $21,587 U.S. average.[1] Poverty rates by ethnicity showed American Indians and Alaska's on-reservation natives at 39 percent, compared with poverty rates of 9 percent for whites.

Although the overall reality is discouraging, positive trends are emerging. For example, reservations' $7,942 per capita income in 2000 was 33 percent greater than the $5,929 figure from 1990, whereas income growth for the U.S. population as a whole was only 4 percent.[2] (Interestingly, the American Indian per capita growth was the same on non-gaming and gaming reservations.[3])


## Urgent Need for Capital

In the past, many U.S. Indian programs that were aimed at alleviating poverty were short-term and did little for communities' economic growth. Some programs, such as drug abuse prevention, were notorious for federal cuts that left participants in the middle of project milestones. It wasn't until the mid-1970s, when a new law gave the tribes oversight of most federal Indian programs, that there was a shift toward *sustainable* economic development.[4]

For tribes trying to access financial services, there have been other challenges, often the result of institutions' inadequate understanding of Indian Country. During the planning phase of Native American Bank, tribal representatives frequently mentioned that tribal deposits in financial institutions did not seem to be coming back to their reservations through lending or other financial services. Certainly, poverty played a role in the dearth of lending. Nevertheless, leaders maintained that banks' insistence on cash-secured loans made no sense, given that lack of cash was generally the reason tribes were trying to access debt markets in the first place.

Financial institutions cited their own reasons for the lack of lending. The trust status of land bars a lending institution from seizing property in the event of a default, so one secondary source of repayment is not the option that it is off-reservation. Lending institutions also feared that tribes would claim sovereign immunity if a repayment dispute landed in court. As a result, many bankable transactions were never consummated. Tribes refused to waive their immunity; banks refused to advance money until such agreement was reached.

NAB's founders realized that many problems flowed from misunderstandings. For example, a waiver of immunity was indeed necessary if federally recognized tribes were the direct borrowers or guarantors, but some banks incorrectly assumed that it also applied to nontribal entities operating on Indian land. The founders saw those misunderstandings as an opportunity. They knew that plain-vanilla banking could work in Indian Country, and they wanted to prove it to tribes and to the world. They believed the ingredients just needed to be adjusted slightly to a flavor palatable to Indians.

## Creating a National Bank

There are nine American Indian banks today. The Native American Bank is the only one that is owned by multiple tribes and nationally focused.

In 2001, 21 tribal investors put together more than $11 million to capitalize Native American Bancorporation, NAB's parent company. The investors varied from relatively poor tribes in the rural Rocky Mountains (Blackfeet and Chippewa Cree tribes) to the largest tribe in America, the Navajos in the Southwest. Connecticut's Mashantucket Pequot Tribal Nation was also a founding investor, and the New England-based Mohegan tribe was a minor founding shareholder. Backed by the $11 million, NAB purchased what had been the first tribal bank, founded in 1987. That was Blackfeet National Bank of Browning, Montana.

From top: battered women's shelter on a reservation in South Dakota, financed by NAB; Native American entrepreneurs in Colorado opening a franchise of the Rocky Mountain Chocolate Factory; house built with NAB funding on the Blackfoot Reservation in Browning, Montana; Eastern Shoshone Tribe signs off on financing for a new water treatment plant in Wyoming. Photographs: Native American Bank

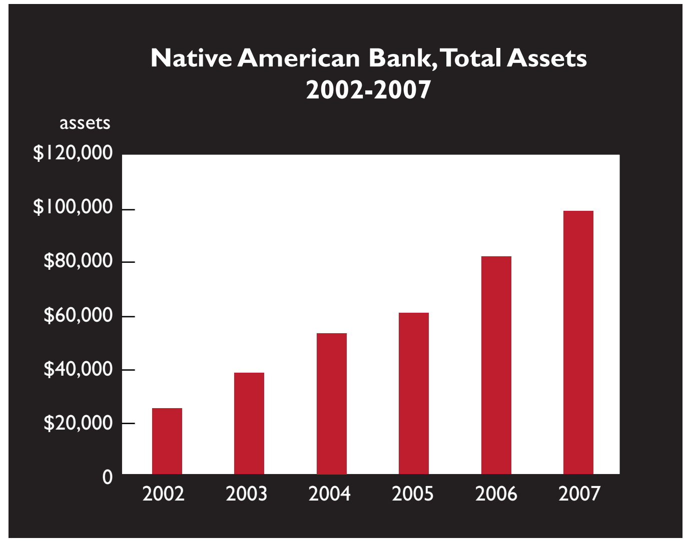
To tackle the lending issues, Native American Bank first had to secure government guarantees from the Bureau of Indian Affairs, the U.S. Department of Housing and Urban Development, the Small Business Administration, and the U.S. Department of Transportation. But the founders knew that the growth of the balance sheet would have more to do with understanding the who, what, where, and how of tribal economic development. So NAB hired people who either had grown up in Indian Country or had significant ties to it—people with a knack for tribal policy and history. The idea was that a staff with deep understanding of trust land, tribal court systems, and the like would offer a distinct competitive advantage.

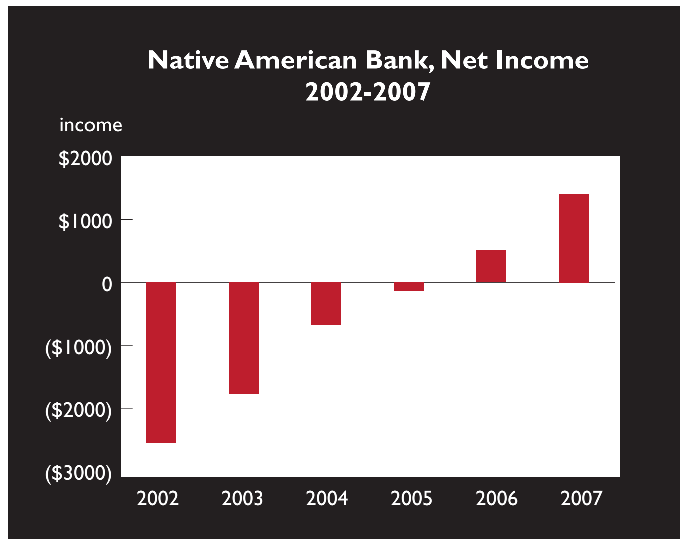
The next challenge was to fund loan growth. Given that NAB was serving historically cash-strapped and cash-dependent communities, deposits lagged behind loan demand. Like other small and midsize banks, NAB at first found it difficult to cover asset growth with core deposits.[5] American depositors in general had become interest-rate sensitive and were putting only 13 percent of household financial assets into banks' core deposits in 2000 (as opposed to 31 percent in 1985).[6]

Lack of deposits drove up the cost of capital for NAB, so employees began reaching out to large foundations and corporations, explaining that Native American Bank deposits were insured by the Federal Deposit Insurance Corporation, had competitive interest rates, and could yield both financial and social returns—a double bottom line.[7] The social reward was knowing that deposits were being lent to communities that needed access to capital the most. The outreach effort garnered significant results, including a $1 million deposit from the Microsoft Corporation in 2004. (See "Native American Bank, Total Assets.")

Although, like most de novo banks, NAB was unprofitable at first, it cleared $516,000 in 2006. In 2007 it more than doubled that performance with over $1.4 million in net income. Return on average assets, a common metric for measuring bank performance, was a respectable 1.40 percent that year.[8] (See "Native American Bank, Net Income.")

Located near Denver International Airport for accessibility, NAB is currently providing capital to Indian communities in the northernmost parts of Alaska, the plains of North Dakota, communities in New England, and more. As it continues be profitable and to attract investors, it expects to increase its physical footprint in Indian Country. The success of the Native American Bank is one more proof that Indians themselves are the people best suited to refortifying Indian communities.




**Jon Swan,** *a summer 2007 intern in the Federal Reserve Bank of Boston's credit, supervision, and regulation department, is currently a graduate student at Harvard Business School and Kennedy School of Government. A Chippewa Cree, he joined the Native American Bank in 2003 as a banking trainee and left as an assistant vice president of commercial lending in 2006 to pursue graduate studies.*

## Endnotes

[1]Jonathan B. Taylor and Joseph P. Kalt, *American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses* (Cambridge, Massachusetts: Harvard Project on American Indian Economic Development, January 2005).

[2]Real numbers, adjusted for inflation.

[3]See http://www.ksg.harvard.edu/hpaied/pubs/documents/AmericanIndiansonReservationsADatabookofSocioeconomicChange.pdf.

[4]See PL 93-638 of the Indian Self-Determination and Educational Assistance Act.

[5]Deposits (including small-denomination time deposits, savings, and checking accounts) that are acquired in a bank's natural market area count as a stable source of funds for lending because they have a predictable cost, imply a degree of customer loyalty, and are less interest-rate sensitive than short-term certificates of deposit and money market deposit accounts.

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[7]With the advent of the Certificate of Deposit Account Registry Services (CDARS) program, NAB can offer FDIC Insurance on CDs up to $50 million under unique tax IDs.

[8]From NAB's Uniform Bank Performance Report, published for the year ending December 31, 2007.

# Demographic Trends in New England at Mid-Decade

by Kenneth M. Johnson
Carsey Institute, University of New Hampshire

With 14.3 million residents, New England is home to just 5 percent of the U.S. population, yet it reflects many of the strands that comprise the country's demographic fabric: densely settled urban cores, expanding suburbs, struggling industrial towns, fast-growing recreational and retirement amenity areas, and isolated rural villages. In recent years New England's population grew thanks to immigration and more births than deaths, but there is a net outflow of existing residents. Therein lies the challenge for policymakers who want to keep the region vibrant and diverse. A closer look at the demographics may help.

## Population Redistribution

New England's population stood at 14,270,000 in July 2006, a gain of 347,000 residents since 2000. This 2.5 percent gain was less than half of the nation's gain and lagged far behind the fast-growing South and West. The Boston metropolitan area included 4,455,000—nearly one-third—of the region's residents, but its growth rate of 1.5 percent between 2000 and 2006 was less than half that of the 1990s. New England's other metropolitan areas grew by 214,000 (2.7 percent) to 8,015,000, a slightly slower pace than seen in the 1990s. In contrast, nonmetropolitan New England grew faster than during the 1990s. With a gain of 70,000 (4 percent), its population reached 1,800,000 in 2006.

Growth spread outward from the metropolitan core of Boston to the urban periphery and beyond. (See the map, "Population Change in New England 2000 to 2005.") Gains were greatest on the outer edge of the metropolitan area, in adjoining nonmetropolitan areas, and in the amenity areas of northern New England. Slow growth or population losses were evident in Boston and its inner suburbs and in the far north. That was consistent with national trends, which showed a pervasive outward sprawl of the nation's metropolitan population, fast growth in amenity areas, and losses in traditional forest and agricultural areas.

In another difference from the nation as a whole, New England is less racially diverse. Non-Hispanic whites make up 82.1 percent of the region's population compared with 66.3 percent nationwide. Since 2000, minority populations in New England have grown, and the white population has declined. As a result, New England is slightly more diverse, with its minority population increasing from 15.4 percent in 2000 to 17.9 percent in 2006.

In metropolitan areas, a non-Hispanic white population decline was offset by substantial gains in the Hispanic and Asian populations, and modest gains among African-Americans and others. In nonmetropolitan New England, however, population gains occurred in all groups. Numeric gains were greatest for the 95 percent of the population that was non-Hispanic white, whereas percentage gains were greater for the smaller minorities.

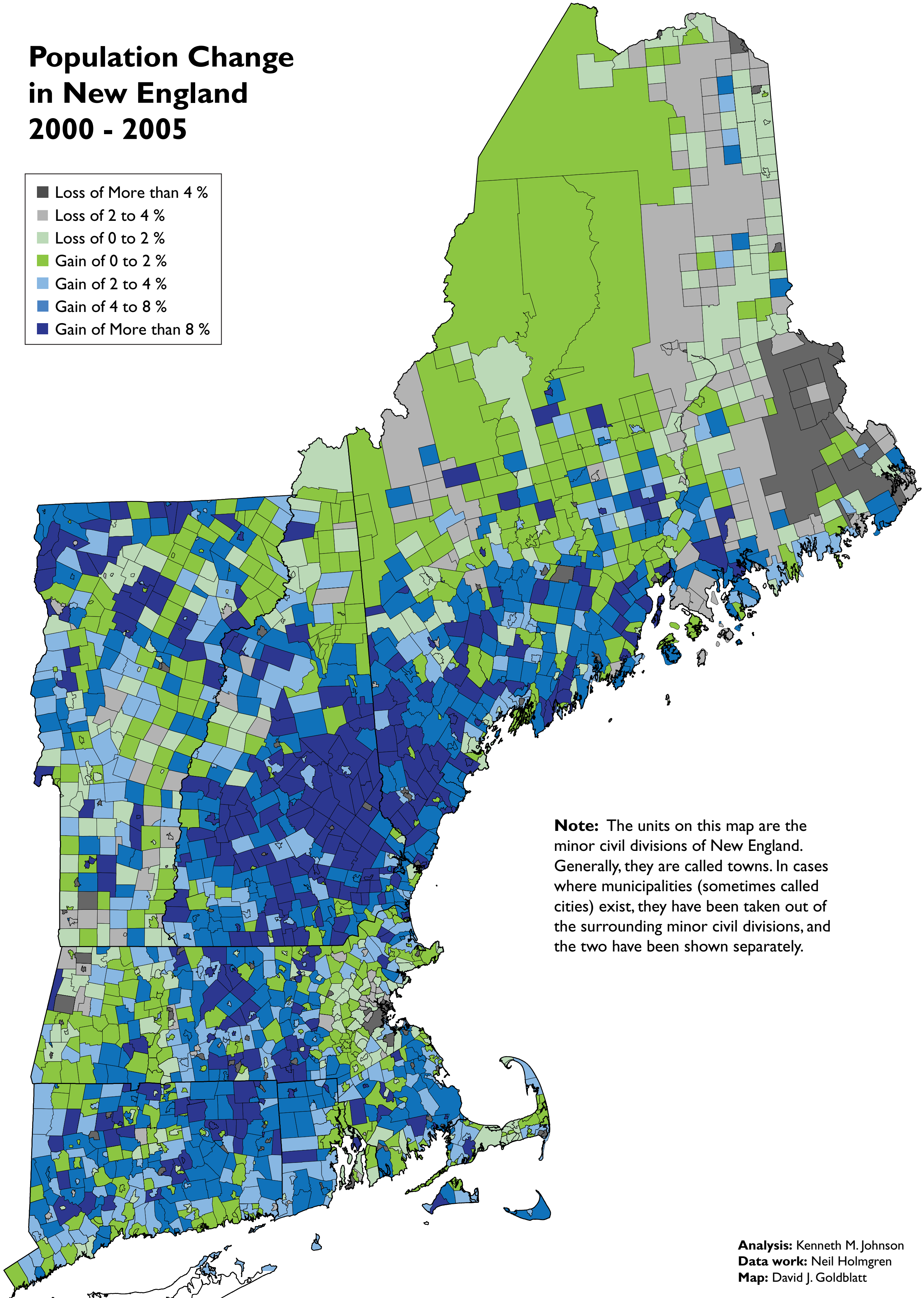
## Unpacking the Changes

New England's population grew because gains from immigration and from natural increase (births) were sufficient to offset a significant net domestic outmigration. Population gains were greatest in nonmetropolitan New England, where U.S. internal migration fueled most of the growth—supplemented by modest immigration and enough births to offset deaths. In all, some 53,000 domestic migrants (3.1 percent) and 9,000 immigrants (0.5 percent) moved to rural New England. There were 7,000 more births than deaths (0.4 percent). Migrants were attracted by recreational and scenic amenities or were city dwellers seeking less expensive communities.

Metropolitan areas did less well. In Boston, for example, immigration and natural increase barely covered the loss of domestic migrants. Between 2000 and 2006, natural increase contributed 130,000 (3.0 percent) new residents to the Boston metropolitan area. (See "New England Components of Demographic Change.") This natural increase offset net outmigration of 66,000 (-1.5 percent), which occurred because the influx of 164,000 (3.7 percent) immigrants was not sufficient to offset a net domestic migration loss of 229,000 (-5.2 percent).

In metropolitan areas outside of Boston, gains from natural increase and immigrants made up for losses from domestic outmigration. Natural increase in non-Boston metro areas was 147,000 (1.9 percent), and

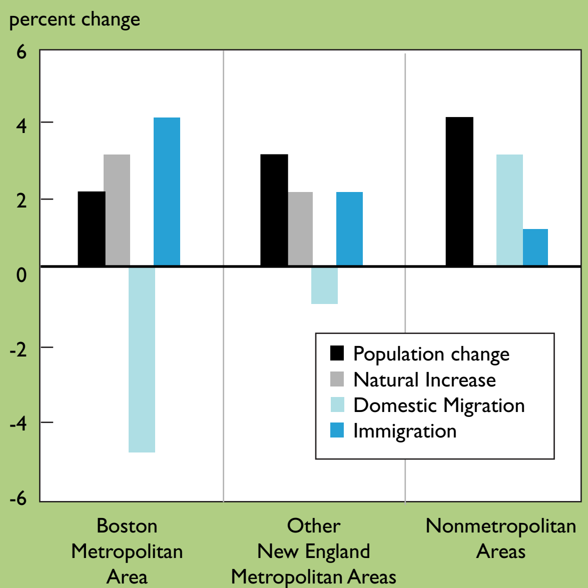
# Population Change in New England 2000 - 2005




**Note:** The units on this map are the minor civil divisions of New England. Generally, they are called towns. In cases where municipalities (sometimes called cities) exist, they have been taken out of the surrounding minor civil divisions, and the two have been shown separately.

**Analysis:** Kenneth M. Johnson
**Data work:** Neil Holmgren
**Map:** David J. Goldbladtt

**New England Components of Demographic Change, 2000-2006**




**Source:** U.S. Census Bureau Population Estimates, March 2007

the influx of 168,000 immigrants (2.1 percent) exceeded the loss of 101,000 domestic migrants (-1.3 percent).

There were interesting regional differences in the contribution of migration and natural increase. A net influx of migrants from elsewhere in the U.S. (including southern New England)—together with modest natural increases and immigration—was the primary cause of growth in northern New England. The southern tier (Massachusetts, Connecticut, and Rhode Island) grew more slowly and only because immigration and births offset domestic losses. The domestic migration loss from Massachusetts was so large that it negated a net gain elsewhere in New England, producing a substantial regionwide domestic migration loss.

## Age-Specific Migration Patterns

Migration trends also vary by age.[1] Between 1990 and 2000, New England had a net migration gain of 181,000 people under the age of 30 but a loss of 164,000 among people over 30. The Boston metropolitan region had a substantial influx of 20-to-29-year-olds, which resulted in a young adult population 22 percent larger than it would otherwise have been. Boston lost migrants at almost every other age, however, except for a modest gain among those aged 10 to 19. (See "Net Migration by Age, 1990 - 2000.") Other New England metropolitan areas saw net age-specific outmigration, too. But except in the case of 20-to-29-year-olds, age-specific outmigration was at a lower rate than Boston's.

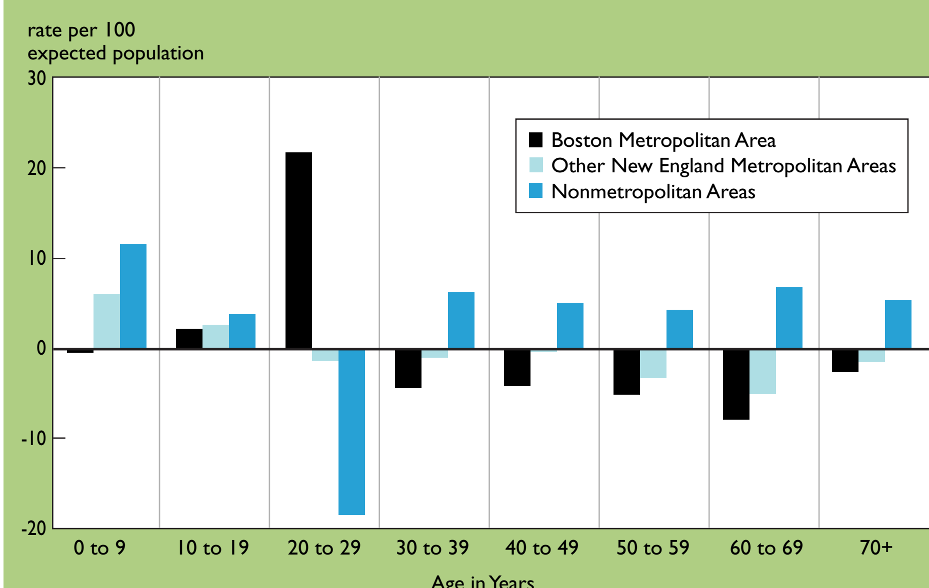
Nonmetropolitan New England saw a net inflow of migrants at almost every age except young adults, a persistent concern for the region. The nonmetropolitan migrants were mostly in their 50s and 60s, though there were also significant inflows of 30-to-49-year-olds with children. In contrast, metro areas lost retirement-age migrants and families.

## What the Future Holds

With only modest natural increase and an aging population, future growth in New England depends on net migration inflow. Consider this Internal Revenue Service data. From the beginning of 2001 to the end of 2005, 251,000 more people left New England for other areas of the United States than came to it. The sheer volume of migration that produced this net change is stunning: More than 2,275,000 people moved in and out of the region in that period.

Only the Mid-Atlantic states gave a significant number of migrants to New England. Although 293,000 New Englanders moved to the Mid-Atlantic region, nearly 348,000 people migrated here, resulting in a net gain of 55,000. (See "Regional Migration Flows To and From New England, 2000 - 2005.") However, in migration exchanges with the Midwest, New England barely held its own. It lost 243,000 people to the South and a more modest number to the West (38,000).[2]

**Net Migration in New England, by Age 1990-2000**

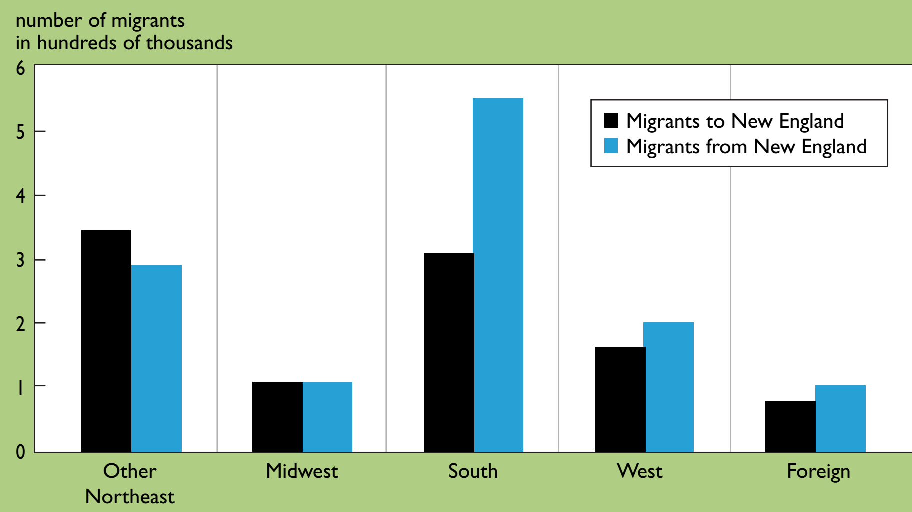



**Source:** Johnson, et al., 2005

Demographic trends have implications that reach beyond population redistribution. Households leaving New England had an aggregate income of roughly $39.6 billion in the year they migrated, whereas those moving in earned $33.7 billion. (See "Regional Migrant Income Flows To and From New England, 2000 - 2005.") Despite significant income gains ($3.5 billion) from migration exchanges with the rest of the Northeast, New England lost in exchanges with the South ($8.2 billion) and with the West ($1.5 billion). So, in addition to losing 251,000 people, New England lost nearly $6 billion of income in migration exchanges with other regions. Because migrants moving to New England generally earn more than those leaving, that income loss was entirely due to the net outflow of people.

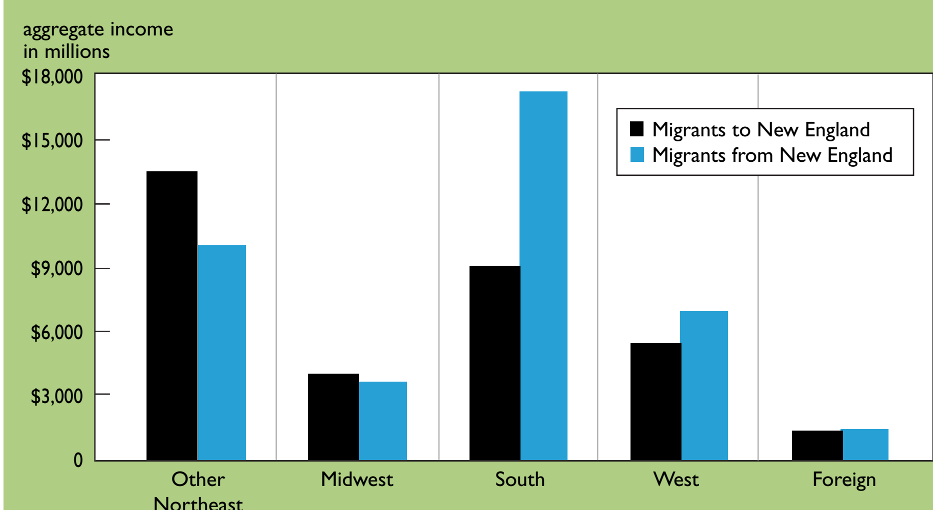
In sum, the demographic changes underway have important implications for the future size, composition, and distribution of the region's population. For New England to continue to be a vibrant and diverse region, planners and policymakers need to consider how these demographic trends are likely to impact the future needs of its 14.3 million people and the numerous institutions, organizations, and companies that serve them. First on their policy agenda should be a plan to stem the outflow of domestic migrants. The loss of so many New Englanders diminishes the region's economic and social capital at a time when they are critically important to the region's future.

**Regional Migration Flows to and from New England, 2001-2005**




**Source:** Internal Revenue Service (2001-2006 data)

**Regional Migrant Income Flows to and from New England, 2001-2005**




**Source:** Internal Revenue Service (2001-2006 data)

**Kenneth M. Johnson** *is the senior demographer at the University of New Hampshire's Carsey Institute in Durham and professor of sociology.* *The research was funded by the Carsey Institute and by the Northern Research Station of the U.S. Forest Service, Economic Research Service and Cooperative States Research Service of the U.S. Department of Agriculture.*

### Endnotes

[1]Because the data and computational demands required to produce such estimates are substantial, they can be produced only with data from the decennial census. For a detailed discussion of the methods used, see K.M. Johnson, P.R. Voss, R.B. Hammer, G.V. Fuguitt, and S. McNiven, "Temporal and Spatial Variation in Age-Specific Net Migration in the United States," *Demography* 42, no. 4 (2005): 791-812.

[2]Migrants from foreign areas include U.S. residents returning from overseas assignments. However, very few immigrants are included in this group because only people who filed income tax returns in two successive years are included in IRS records.

# Pedro Arce

*CEO of Veritas Bank*

# We Just Knock on Doors

*Pedro Arce is chief executive officer of Veritas, a new bank in Lawrence, Massachusetts. He immigrated to Lawrence in 1970, joining the city's supportive Ecuadorian community. After graduating from Greater Lawrence High School, he attended UMass, Amherst, earning two undergraduate degrees. He received graduate business degrees from Boston University and Cambridge College.*

*Arce was director of economic development for Boston-based nonprofit Nuestra Comunidad, a community development corporation, in between longer stints at Bank of Boston and TD Banknorth. He is positioning Veritas to serve the Lawrence community and its 70 percent Latino population and to participate from the ground up in development opportunities.*

Textile mills, Lawrence, Massachusetts, 1941. A goal of Veritas is to be a development bank and help the former mill town flourish once more. Photograph: Jack Delano, courtesy of the Library of Congress

### You have experience in both banking and community work?

Yes. I worked for Bank of Boston from 1990 to 2000, at Nuestra Comunidad community development corporation for a year and a half. Then I went to TD Banknorth for 4-1/2 years. At Nuestra Comunidad I supervised projects such as the kitchen incubator, some technical-assistance and financial-literacy programs, and our pushcart program. I packaged small business loans and submitted them to banks or nonprofit agencies for funding. I managed a neighborhood business-development center so organizations doing similar work could collaborate—Jewish Vocational Services, Urban Edge, This Neighborhood Means Business, Acción, and so on. I'd noticed competitiveness among some Boston-area nonprofits and wanted to enable more cooperation. For the kitchen incubator, we rented space from the Jamaica Plain Neighborhood Development Corporation, which owned the ideal location, Sam Adams Brewery.

### Did nonprofit experience enrich your work as a banker?

I think so. I always wondered how CDCs could accomplish all they did with so few resources. I value my time at Nuestra Comunidad, but I was ready to return to the private sector and a bigger market. At TD Banknorth I was community development manager for the whole state, working with nonprofits to create development projects and then to offer the bank a financing plan. I really love development. That's why I'm positioning Veritas as a development bank for Lawrence. I realized that a large regional bank couldn't do everything a small bank could. TD is a very well-run bank, but its headquarters was in Toronto, its regional headquarters in Maine. I saw a gap in urban areas like Lawrence, which is dominated by large banks. Large organizations understandably have non-Lawrence, non-urban, priorities. For Veritas, Lawrence and urban gateway cities are the priority.

### How is Veritas Bank different?

Veritas is a for-profit, state-chartered savings bank with a double bottom line: profitability and social impact. It's Latino because that's what 70 percent of Lawrence is today. Most of our board members are successful Latino professionals. But immigration patterns change, and we aim to serve all immigrants. We're also a development bank. Individuals, nonprofits, or municipalities can bring us ideas on community improvements. We want to work on both the financing and the early planning.

### Are you interested in other Latino locales?

We're looking at East Boston and Chelsea, but we won't just focus on Spanish-speaking communities. Framingham is high on our list, even though Framingham's immigrants are predominately Portuguese-speaking. We're also exploring Asian communities. When we see distressed areas and no big banks, we see opportunity.

### Isn't it difficult to attract unbanked immigrants?

Not really. Sometimes banks cite regulations as a barrier, but that's an excuse. If you want to do it, you can. You need to bring in products that match the community. Large banks are looking at a smaller segment of customers, maybe 2 percent. For them, a targeted product may not make sense. A small bank with the same product may help 40 percent of clients. Veritas will offer specialized products: one is a payroll debit card that lets customers who work two jobs withdraw paychecks from ATMs at any hour; another is a more efficient, safer, and less expensive way to wire funds overseas. Eventually, we'll move people into the financial mainstream.

### How do you attract the unbanked?

Easy: knock on doors. When I was at Bank of Boston in 1998, we were concerned about being last in market share in Lawrence. Although we did great projects in Boston, we had no promotion budget for Lawrence. One door I knocked on was Lawrence Community Works, which was not the premier CDC it is today. I arrived at 2 p.m. on a weekday, and the doors were closed. I thought, "The only CDC in town? It should be abuzz with activity."

I became a board member, and we brought in new leadership. Since then Lawrence Community Works has had an impact on hundreds of lives through housing projects, youth development, financial literacy training, and more. I liked working with LCW, and I hope that people who know me from there may one day come to Veritas.

### When you knocked on doors, did you speak Spanish?

Absolutely. We went on the radio, joined nonprofits, got involved. We put a sign in front of the bank, "Hablamos Su Idioma"—"We speak your language."

But reaching the community is a two-step process. It's not enough to hire Spanish-speaking tellers. You must give some of those hires decision-making authority. Among the 11 people on our board, for example, are seven Spanish-speaking members, and seven Lawrence residents. We have more women than other banks—three prominent Massachusetts businesswomen originally from Latin America.

### What could banks have done about irresponsible mortgage brokers?

Banks are famous for being reactive. Active planning from a community development perspective is rare. Instead of living quarter to quarter, bankers need to think long term. If Veritas had been open, we would have gone directly to the neighborhoods and counteracted brokers with seminars, ads, radio. We won't be reactive. Our plans are built around three-year intervals.

### How has immigrating as a child helped you understand clients?

I know how hard immigrants work. My mother worked in a factory. My father had three jobs simultaneously. Immigrants work long hours, so Veritas will be open at times they can get there and will have a drive-through, unlike other banks in downtown Lawrence.

### Some Americans don't seem to appreciate how hard immigrants work.

But, you know, with three jobs, my father was as happy as can be. Once immigrants get that check, they forget how tired they are. They want to work. Interestingly, the Ecuadorians I grew up with *despised* social programs. My family had one bad year, and we technically qualified for welfare. I heard grownups around the kitchen table saying they would never ever accept a welfare check. I was a little kid, and it sounded like free money to me, but for them it was a matter of pride.

When I hear about long-time citizens getting laid off and demanding good jobs, I sympathize on one level. But I can't help thinking of my parents and my wife's parents, who couldn't speak English and took whatever jobs they could find and made sure that the kids had Christmas gifts and went to college. My father passed away when I was 14, but he instilled in me the idea that I had to go to college.

### What does the future hold for Lawrence?

It used to be a transitional city—people came, worked, and moved on. Now with the decrease in crime and improvements in the school system, it's becoming a permanent home. The mills in Lawrence are being developed for workforce housing and for businesses squeezed out of Boston. We have four highways and an intermodal transportation center—commuter rail, vans, buses, and taxis going to the airports.

And Lawrence is growing through collaboration. When I saw that Lawrence had the lowest percentage of college graduates in Massachusetts, I thought that if we had a college, some graduates would stay and contribute to our growth. So when I was at TD Banknorth we convinced Cambridge College to create a satellite campus, and we helped finance it.

And Veritas is partnering on a new hotel. Experts said no one would build hotels in Lawrence, but I met a man who has built good hotels in challenging communities. Now he's coming to Lawrence.

Another partnership arose from discussions about revitalizing downtown. We had the idea that a cooking school might eventually translate into start-up restaurants. I called Cambridge School of Culinary Arts out of the blue, and they invited me over. Later they called back and said, "We did some research, and a large percentage of our students come from the Merrimack Valley," where Lawrence is. Mayor Sullivan is very good at convincing businesses to set up shop, and now we have a culinary arts campus.

Veritas will continue to think creatively. We'll do straightforward, sound banking, but we'll have a development approach with a heavy emphasis on partnerships. We don't need to reinvent the wheel.

# Letters to the editor

*Communities & Banking welcomes your reactions to articles and your suggestions. All letters are subject to editing.*

## Investing in Higher Education

In the spring 2008 issue, Philip A. Trostel made the case for public spending on higher education. Findings from the Crittenton Women's Union on the education needs of low-income Massachusetts women support his arguments.

The Massachusetts Family Economic Self-Sufficiency Standard (FESS) was developed by the Women's Union in 1998 and updated most recently in 2006 by Crittenton Women's Union. Unlike federal poverty-level guidelines, FESS is sensitive to family configuration and is adjusted for local cost of living. For example, it shows that an adult with two children needs $48,513 to be self-sufficient in Worcester and $58,133 in Boston.

Many working poor families do not earn that much, partly because of a lack of postsecondary education. Nationwide in 2004, high school graduates over age 25 earned $30,610 per year on average, while those with an associate's degree earned $37,480 on average. For women, who make up the majority of heads of households for working poor families, the role of education is even greater. Women with an associate's degree earn 47 percent more on average than those with only a high school diploma; for men the gain is only 30 percent.

Unfortunately, higher education is not designed for parenting students, as many of these women are. To his credit, Massachusetts Governor Deval Patrick has articulated a goal of providing two years of free community college to Massachusetts residents. Given the state's budget constraints, it should consider helping those most in need and doing, at a minimum, the following: giving funding priority to low-income, parenting students; interpreting the two years of free community college as credits earned, rather chronological time; and offering career counseling and increased child-care support.

Additionally, the state should be aware that many parenting students work one or more jobs while attending school part-time, limiting their access to the scholarships and loans available to full-time students. Massachusetts has begun to address some of the financial barriers through the Educational Rewards Grant and Loan Program, which provides low-income individuals with grants of up to $3,000 and loans of up to $10,000 to support part-time postsecondary education in high-demand occupations. The program is a tremendous step forward, but the state could conduct more outreach to ensure that workers know about the program and should increase and make permanent the funding for the program.

If policymakers make a relatively small investment in educational supports for working poor families and help them become economically independent, the economy will be strengthened, the government will save many thousands of dollars otherwise spent funding a lifetime of subsidies, and Massachusetts adults and their children will enjoy a better quality of life.

*Deborah Connolly Youngblood, PhD.*
Crittenton Women's Union
Boston

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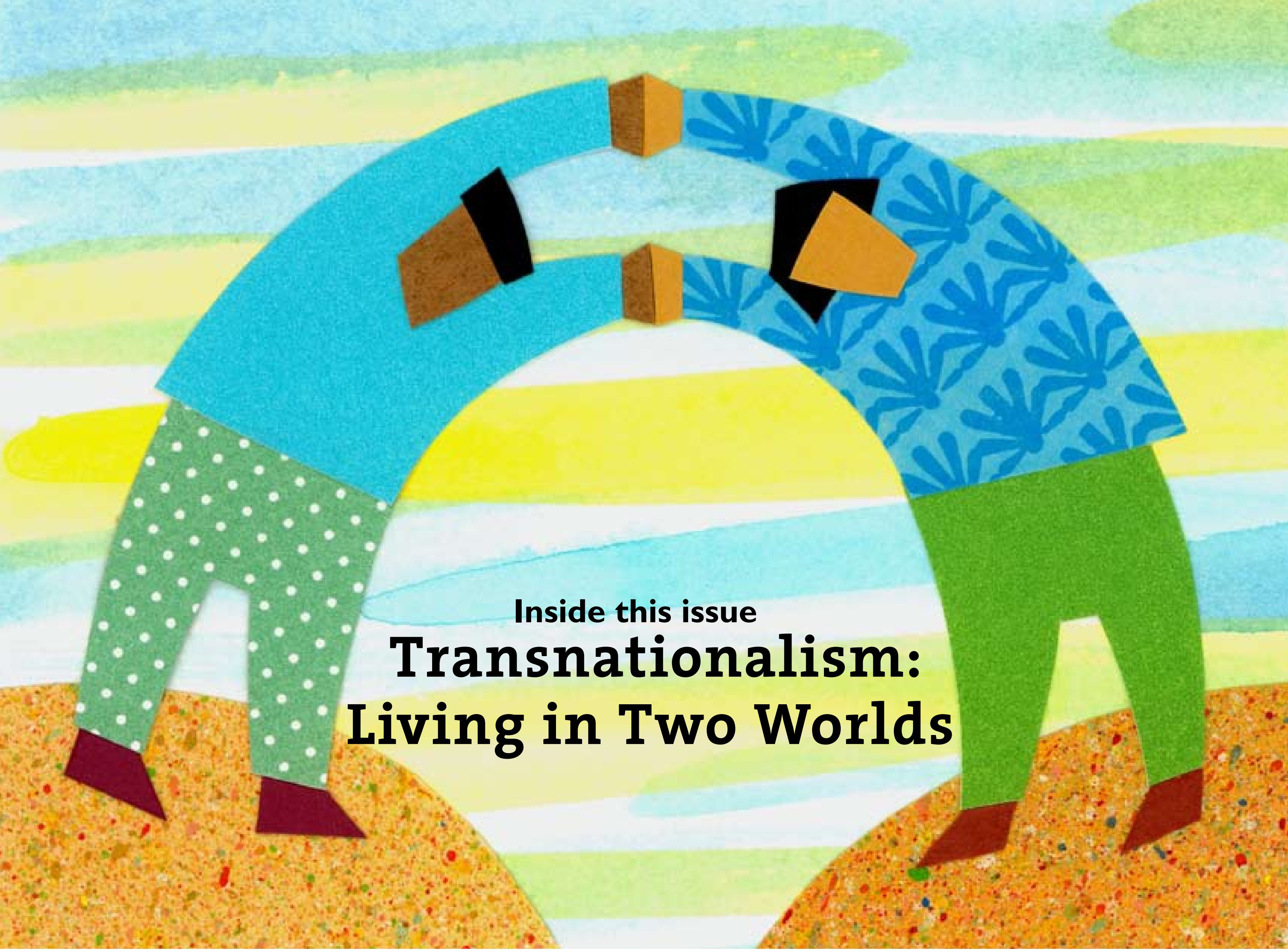

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# Transnationalism: Living in Two Worlds

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