FEDERAL RESERVE BANK *of* NEW YORK

FED & MAIN

Creating an Economy That Works for All

Our March Focus: Join us on March 27, 2024, for "Investing in Arts and Culture for Healthy Communities." Learn more.

HOUSEHOLD FINANCIAL WELL- BEING: A case study by the Community Development team found that pension funds that invest in affordable housing were more likely to direct their investments to preserving existing housing, rather than building new housing.

"Alternative Investments in Community Development: A Case Study of Pension Fund Investments in Multifamily Affordable Housing," released last month, was based on a survey of a non-representative sample of seven pension funds. Those pension funds reported they had made commitments totaling over $2.7 billion for investments in affordable apartments during a five and a half-year period ending June 2023. Survey respondents said affordable apartments represent about 4.4% of their real estate portfolios, on average. Respondents anticipate that proportion will be roughly the same for the next two years.

Join us: For a related event, "Institutional Investors in Multifamily Affordable Housing," on Wednesday, April 3. It will provide insights into investments in affordable housing by pension funds, corporations, and impact investors. Panels will explore opportunities for market growth, barriers to investments, and the need for equity capital to finance affordable housing development and preservation.

Ideas: The 12 Regional Federal Reserve Banks recently released the annual Small Business Credit Survey. For the first time since the 2020 survey, firms were more likely to report revenues and employment levels increased rather than decreased in the prior 12 months. The share of firms reporting that they were operating profitably also rose substantially year-over-year. Around four in five firms cited financial challenges related to rising costs, and close to half of firms reported difficulties paying operating expenses or navigating uneven cash flows. Nearly all firms reported operational challenges, with struggles to hire or retain qualified staff or issues with supply chains being the most common. The survey of nearly 8,000 small firms was fielded September through November 2022.

CLIMATE: Disaster risk instruments are gaining popularity, according to a recent blog post by the World Economic Forum.

These instruments, which include catastrophe bonds and regional insurance pools, are designed to provide quick liquidity and debt relief after climate disasters. The piece noted that a new disaster risk instrument, called climate resilient debt clauses, allows lenders to agree to a temporary moratorium on loan repayments if pre-agreed climate disasters occur. The World Bank announced in December that it would broaden the scope of climate resilient debt clauses in its loans to include all existing World Bank loans for the most vulnerable countries, allowing borrowers to defer interest payments on new and existing loans.

HEALTH: The Consumer Finance Protection Bureau is going after health care debt, NPR reported.

In the past two years, the bureau has penalized medical debt collectors, issued warnings to health care providers and lenders that target patients, and published reports on how the health care system is undermining the Americans' financial security. NPR reported the agency is now developing rules to bar medical debt from consumer credit reports, a change that could make it easier for people with medical debt to rent apartments, buy cars, and even get jobs. Those rules are expected to be unveiled later this year, NPR reported.

Actions: At least 19 states, including New York, are directing money from Medicaid into housing aid and programs aimed at addressing the nation's growing homelessness epidemic, KFF Health News reported. Homelessness jumped 12% in the U.S. last year, to an estimated 653,104 Americans, the highest level on record, KFF Health News reported. This increase came despite a dramatic increase in the inventory of permanent housing and temporary shelter beds, the piece noted.

The New York Fed's Community Development unit works with community leaders to understand community needs and with capital providers to foster economic opportunities. We are searching for ideas that can tear down barriers to economic mobility for low- and moderate-income people; our focus is on the economic drivers of health, household financial well-being, and climate-related risks. Our goal is to elevate those ideas and connect them with funding. To see our past newsletters, events calendar, and learn more, visit our website.