

10

YEARS AFTER

**THE FINANCIAL
CRISIS AND THE
NEW YORK FEDERAL
RESERVE DISTRICT**



ACKNOWLEDGMENTS

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The Center for Popular Democracy (CPD) works to create equity, opportunity and a dynamic democracy in partnership with high-impact base-building organizations, organizing alliances, and progressive unions. CPD strengthens our collective capacity to envision and win an innovative pro-worker, pro-immigrant, racial and economic justice agenda.

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Fed Up is a coalition of community organizations and labor unions across the country, calling on the Federal Reserve to reform its governance and adopt policies that build a strong economy for the American public. The Fed can keep interest rates low, give the economy a fair chance to recover, and prioritize genuine full employment and rising wages.

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10 Years After: the Financial Crisis and the New York Federal Reserve District

EXECUTIVE SUMMARY

This report marks the 10-year anniversary of the global financial crisis that threatened the stability of the financial system and resulted in severe and protracted economic hardship for communities across the United States. In the ten years since the crash, many of the financial institutions at the center of the crisis have grown bigger and more profitable than ever. This stands in stark contrast to the reality of millions of working people who have still not recovered.

The 2008 financial crisis highlighted the failure of U.S. regulatory bodies, in particular the New York Federal Reserve Bank, to identify systemic risks to the financial system and to properly supervise Wall Street banks. The Federal Reserve’s unprecedented use of emergency lending to bail out failing Wall Street banks raised serious concerns about transparency and pervasive conflicts of interest among the Federal Reserve Regional Banks. Indeed, eighteen former and current members of the Boards of Federal Reserve Banks are affiliated with banks and companies that received a combined \$4 trillion in emergency low-interest loans from the Federal Reserve during the financial crisis.

New York Federal Reserve Bank leadership, made up of executives from regulated banks and companies, pursued interventions in 2008 that dramatically benefited the very institutions they were charged with regulating. At the time, regular Americans were left behind and, ten years later, continue to face economic hardship. While unemployment levels have shown solid progress as a result of the Federal Reserve’s low-interest rate monetary policies—prompting Federal Reserve leadership to argue the economy has reached or is approaching full employment—this report reveals that by critical indicators American families are still



struggling. Drawing on Federal Reserve, Census, and Bureau of Labor Statistics data from 2007-2017, the report offers quantitative analysis on skyrocketing inequality, stagnant wages, a widening racial wealth gap, higher rates of poverty, a decrease in homeownership, elevated rates of foreclosures and mortgage delinquencies, and record-high levels of consumer debt. The data underscores that Black and Latino families were disproportionately impacted by all of these challenges before, during, and after the Great Recession and continue to face enormous barriers. The reality beyond the headline unemployment numbers supports the need for continued low interest rates and tighter labor markets. This will provide working people a chance to reclaim what they have lost and build to where they should be 10 years after the last crash.

In 2018 the New York Federal Reserve is appointing a new President. Given the New York Reserve Bank's location in the financial capital of the U.S., it oversees the largest and most profitable Wall Street banks. As such, the New York Federal Reserve Bank's regulatory approach has an outside influence on the stability of our financial system. In light of the its critical role regulating Wall Street, the prolonged negative impacts of the Great Recession, and the pervasive conflicts of interest during the last crash, the New York Federal Reserve Bank must choose a President who is 1) fully independent from the financial sector and will take proactive steps to prevent a future financial crisis from happening, and 2) committed to helping the millions still struggling from the aftermath of the last crash.

With this critical appointment, the Federal Reserve has the choice to repeat history by selecting another financial industry insider, or chart a new path by selecting a new President who will put the interests of the public before Wall Street. In the last 104 years, 100 percent of New York Fed Presidents were white men who worked in the financial sector before or after their tenure at the Federal Reserve. In 2018, the New York Fed can make history by appointing a diverse candidate without ties to the financial sector who will aggressively pursue full employment, regulate financial firms in its district, and fully enforce key provisions of the Dodd-Frank Financial Reform Act intended to identify systemic risks to our financial system and hold banks accountable.

The next New York Fed President will be well-positioned to respond to the continued impacts of the Great Recession in communities throughout the New York Fed district and around the country. The next President must advocate for stimulating the economy until the full range of economic indicators reach their pre-recession levels for all, in particular Black and Latino communities. Finally, as the New York Federal Reserve Bank selects its next President, it must ensure the process is conducted in a transparent manner with ample opportunities for public input.

KEY FINDINGS

The New York Federal Reserve Bank failed to regulate Wall Street before the financial crisis and was compromised by widespread conflicts of interest during its emergency bank bailouts.

- March 2018 marks ten years since the Federal Reserve Board's controversial 2008 approval of J.P. Morgan Chase's acquisition of Bear Stearns. At the time, the New York Federal Reserve approved an overnight \$28.82 billion loan to J.P. Morgan Chase, via the Maiden Lane special purpose vehicle.
- The Federal Reserve's unprecedented use of these types of emergency lending powers to bail out failing Wall Street banks raised serious concerns about transparency within the Federal Reserve, as well as the pervasive conflicts of interest among the Fed's leadership.
- Eighteen former and current members of the Boards of Federal Reserve Banks are affiliated with banks and financial firms that received a combined \$4 trillion in emergency low-interest loans from the Federal Reserve during the financial crisis.
- While the financial crisis highlighted the revolving door between the Federal Reserve System and Wall Street banks, the dominance of the financial sector is a longstanding problem within the New York Federal Reserve.
 - In the last 104 years there have been ten New York Federal Reserve Presidents. All were white men and 100 percent worked at banks or financial firms, including Goldman Sachs, Morgan Stanley, and Wells Fargo, before or after their tenure at the New York Fed.
- Recent disclosures to the Government Accountability Office raise serious questions about the independence of the New York Fed's bank examiners from the financial sector:
 - Among the over 500 New York Fed bank examiners hired between 2011 and 2016, one in four came from financial industry firms. Of those, fifty bank examiners came from the largest Wall Street banks including J.P. Morgan Chase, Goldman Sachs, Citigroup, and Wells Fargo. Of the 143 bank examiners who left the New York Fed between 2011 and 2016, nearly half went back to work in the financial industry. One in four left the New York Fed to work for the largest Wall Street banks.
- Our financial system will be open to systemic risk as long as Federal Reserve Bank Presidents, Board Members, and bank examiners are affiliated with banks regulated by the Federal Reserve.

The New York Federal Reserve's regulatory failures before the crash, conflicts of interest during the response, and revolving door with Wall Street resulted in 2008 interventions that maximized financial sector profits over working people. Ten years since the crash, communities in the New York Fed district, and around the country, still face widespread and persistent economic hardship as a result.

Analysis of Census Bureau, Bureau of Labor Statistics, and Federal Reserve data from 2007-2017 highlights the persistent and widespread effects of the Great Recession. While unemployment levels have shown solid progress as a result of the Federal Reserve's low-interest rate monetary policy, American families are still struggling.

- **Inequality has skyrocketed** in the last ten years. The top 1 percent of income earners received 23.8 percent of all income—an even greater proportion than before the Great Recession. Today, the bottom 90 percent of families on the income distribution only earn 49.7 percent of total income.
- **Economic hardship is still widespread** for working people. Seventy-three million adults, or 30 percent of all Americans, report they are either finding it difficult to get by or are just getting by financially. Forty-four percent of adults could not cover an emergency expense of \$400.
- **Wage growth has been sluggish since the recovery.** The average annual wage was \$46,530 before the Great Recession. A decade later, that wage is \$49,092, which amounts to a \$2,500 increase over ten years. Because incomes have not kept up with inflation, many families have less buying power than they did ten years ago.
 - **Income varies dramatically by race.** In 2016, the white household median income was \$61,200. For Black households it was \$35,400 and for Hispanic/Latino households it was \$38,500. Wage stagnation disproportionately impacts workers of color who had lower wages to start with.
- **Black unemployment is still nearly twice the rate of white unemployment.** Although Black and Hispanic/Latino employment has improved in recent years, workers of color are still facing unemployment levels that are comparable to those of white workers during the Great Recession.
- **The Great Recession further exacerbated an already significant racial wealth gap.** Average white wealth has gone up by over \$116,000 since the recession, while average Black wealth went down by \$16,762 and average Hispanic/Latino wealth went down by \$23,807.
 - Although median wealth for all races is lower than before the recession, for Black families it is \$17,409 (down from a pre-recession high of \$24,318) compared to the median family wealth for white families of \$171,000 (down from a pre-recession high of \$198,623).



- **The number of people living in poverty is higher than pre-recession levels.** There are 6.2 million more people in poverty today than before the financial crash. In the New York Fed district, there are 520,000 more people living in poverty today than 2007. Poverty rates are 1-2 percent higher in New York, New Jersey, and Connecticut with many of those living in poverty under the age of 18.
- **The housing crisis had a disproportionate impact on Black and Hispanic/Latino homeowners** who were twice as likely to have subprime mortgages. In 2006, nearly half of all Black and Hispanic/Latino homebuyers received subprime loans. Nationally, Black homeownership rates are at the lowest levels since 1995.
- **The national mortgage delinquency rate is higher than pre-recession levels.** The states represented by the New York Federal Reserve Bank, New York, New Jersey, and Connecticut are three of the top five states with the highest rate of mortgages that are 90+ days delinquent in the United States. Despite improvements in the U.S. housing market in the last ten years, there is still 1 foreclosure for every 1,252 housing units.
- **National household debt in 2017 was at its highest recorded total of \$13.15 trillion.** In the last quarter of 2017 alone, Americans' auto loan debt grew by \$8 billion, credit card balances increased by \$26 billion, and student loans increased by \$21 billion. Unfortunately, this increase in debt was due to consumer debt, not asset-building debt for mortgage loans that enable families to build equity.
- **Delinquency rates for student loan debt are higher than pre-recession levels.** The percent of delinquent student loan payments went from 7.5 percent before the recession to 11 percent today. Among people with student loan debt, the average monthly payment is \$533 and 19 percent of people with student loan debt from their education are behind in payments.
- **In stark contrast, Wall Street is booming** and the stock market is reaching new heights. J.P. Morgan Chase recently had the most profitable year in the history of banking. CEOs of America's largest companies earn an average of \$15.6 million each year. That's 271 times the salary of an average worker.

Recommendations

The New York Federal Reserve Bank will appoint its next President in 2018. As one of the country's most important regulators of the financial industry and one of the most influential monetary policymakers, this New York Fed President will play a critical role in preventing another financial crisis from happening and shaping the continuing response to the last crisis. The next New York Fed President must be committed to both learning from the mistakes that allowed the last crash to happen and to addressing the ongoing crisis American families face ten years after crash.

In light of these considerations and the report's findings, the Fed Up campaign calls on the New York Federal Reserve Bank to:

- Ensure the search for the next New York Federal Reserve Bank President is conducted in a transparent manner and provides opportunities for public input.¹ At a minimum, the search committee should participate in a moderated public forum with community groups from across the district. Additionally, the New York Fed should meet the demands articulated by the Fed Up Campaign on Federal Reserve Bank Presidential appointments. These demands include:

- Publication of a timeline for the selection process;
 - Public forums at which members of the public can meet with the search committee;
 - Publication of the names of all candidates under consideration; and
 - Opportunities for members of the public to submit questions to the candidates, either electronically or at a public forum.
- Appoint a Fed President who reflects the district’s gender and racial diversity, and who has demonstrated independence from the financial sector. In particular, a President who will:
 - Aggressively pursue full employment;
 - Regulate and supervise the financial firms in its district; and
 - Fully enforce key provisions of the Dodd-Frank Financial Reform Act that are intended to identify systemic risks to our financial system and hold Wall Street banks accountable.
- Conduct an annual review, in partnership with the Federal Reserve’s Office of Inspector General and the Government Accountability Office, to ensure conflict of interest policies are rigorously enforced.
- Publicly disclose all waivers exempting Federal Reserve Directors from conflict of interest rules. Currently Reserve Bank Presidents must annually disclose all financial interests but directors are not subject to these disclosure requirements. Moving forward, every leader at the New York Fed should disclose any waivers.
- Do everything in its power to help the American families still struggling with the aftermath of 2008 and to prevent a future financial crash from happening. The Federal Reserve must continue set monetary policy that stimulates the economy until the full range of economic indicators reach their pre-recession levels and everyone—including Black and Latino communities—see sustained growth.



Introduction

The 2008 global financial crisis was unprecedented in its scale and scope. The crisis highlighted the failure of U.S. regulatory bodies, including the New York Federal Reserve Bank, to identify systemic risks to the financial market and to properly supervise Wall Street banks. Each of the twelve Fed Regional Reserve Banks is responsible for supervising banking institutions in its region. Given the New York Reserve Bank's location in the financial capital of the U.S., it oversees the largest and most profitable Wall Street banks. The New York Fed's bank supervision responsibilities are especially critical given the global financial firms that fall under its jurisdiction. Events leading up to the financial crisis underscored serious failures of the New York Federal Reserve Bank to both properly enforce existing regulations and to adequately supervise the banks whose risky lending activities and toxic investments precipitated the financial crisis.

This report marks ten years since the Federal Reserve's (the Fed's) controversial March 2008 approval of J.P. Morgan Chase's acquisition of Bear Stearns. At the time, the New York Federal Reserve Bank approved an overnight \$28.82 billion loan to J.P. Morgan Chase, via the Maiden Lane special purpose vehicle.² In the midst of the financial crisis, the Fed's unprecedented use of this type of emergency lending to bail out failing Wall Street banks raised serious concerns about transparency and pervasive conflicts of interest among the New York Fed's leadership. Eighteen former and current members of the Boards of Federal Reserve Banks are affiliated with banks and companies that received a combined \$4 trillion in emergency low-interest loans from the Federal Reserve during the financial crisis.³



A decade later, most Wall Street banks are even more profitable than before the global financial crisis. J.P. Morgan Chase recently had the most profitable year in the history of banking.⁴ Some of the “too big to fail” banks that struggled during the financial crisis, including Goldman Sachs, Wells Fargo, Morgan Stanley, and Bank of America, have seen record or near-record breaking profits.⁵ This stands in stark contrast to most American families who are still profoundly impacted by the negative effects of the crash. While the Federal Reserve's low-interest rate monetary policies have led to solid progress on unemployment—prompting the new Fed Chair Jerome Powell to argue the economy has reached or is approaching full employment—a deeper look reveals the persistent and severe impact of the Great Recession on most Americans.⁶

A decade later, most Wall Street banks are even more profitable than before the global financial crisis. This report finds that by critical indicators, American families are still struggling.

This report finds that by critical indicators American families are still struggling a decade later. Drawing on Federal Reserve, Census, Bureau of Labor Statistics data from 2007-2017, the report offers quantitative analysis on skyrocketing inequality, stagnant wages that have not kept up with inflation, a widening racial wealth gap, higher rates of poverty, a decrease in homeownership, elevated rates of foreclosures and mortgage delinquencies, sustained rates of involuntary part-time work, and record-high levels of consumer debt. The data underscores that Black and Latino families and workers were disproportionately impacted by all of these challenges before, during, and after the Great Recession and continue to face enormous barriers today.

The analysis has a particular focus on the New York Federal Reserve district, which includes New York State, twelve counties in northern New Jersey, Fairfield County, Connecticut, Puerto Rico, and the Virgin Islands. Within the New York Fed district, the economic hardships that have characterized the recovery nationwide are felt keenly, whether through the enormous racial disparities of Newark, New Jersey; the significant inequality of Fairfield County, Connecticut; the rural blight of upstate New York; or the staggering debt and imposed austerity of Puerto Rico.

2018 is a critical juncture in Fed decision-making as the New York Federal Reserve selects a new President. In light of the prolonged negative impacts of the Great Recession and pervasive conflicts of interest during the last crash, the New York Federal Reserve Bank must choose a President who is 1) fully independent from the financial sector and will take proactive steps to prevent a future financial crisis from happening, and 2) committed to helping the millions still struggling from the aftermath of the last crash. With this critical appointment, the Federal Reserve has the choice to repeat history by selecting another financial industry insider, or chart a new path by selecting a new President who will put the interests of the public before Wall Street.

The appointment also takes on new urgency as the Trump administration signals its intention to roll back critical financial protections, including many overseen by the Fed following the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. The New York Fed President is one of the most powerful positions in the U.S. not controlled by the Executive Branch. The New York Fed President is the only regional Reserve Bank President with a permanent voting seat on the Federal Open Market Committee (FOMC), the Fed's monetary policymaking body. As a permanent voter, the New York Fed President enjoys "first among equals" status, serving as the vice chair of the FOMC, and occupying a key seat immediately next to the Federal Reserve Chair during FOMC deliberations.

In the last 104 years, 100 percent of New York Fed Presidents were white men who worked in the financial sector before or after their tenure at the Fed. In 2018, the New York Fed can make history by appointing a diverse candidate without ties to the financial sector who will aggressively pursue full employment, regulate financial firms in its district, and fully enforce key provisions of the Dodd-Frank Financial Reform Act. The next New York Fed President will be well-positioned to respond to the continued impacts of the Great Recession in communities throughout the New York Fed district and around the country. They must advocate for stimulating the economy until the full range of economic indicators reach their pre-recession levels for all, in particular Black and Latino communities.

Given all this, it is critical that the next New York Fed President holds Wall Street accountable and represents the experiences of working Americans.

The Continuing Impacts of the Great Recession: Increased Inequality, Racial Disparities, and Rising Poverty Rates

2018 marks the ten-year anniversary of the financial crash. Policymakers often cite low unemployment rates and a booming stock market as key indicators the U.S. has achieved a full recovery. In reality, the last ten years have brought widening inequality, elevated rates of involuntary part-time work, stagnant wages, a widening racial wealth gap, increased poverty, a decrease in homeownership, and rising consumer debt. In particular, Black and Latino workers and families face enormous barriers and are disproportionately impacted by all of these challenges.

The next New York Fed President will play an important role in choosing whether to pursue monetary policy that will either improve or exacerbate these racial disparities. A President who is in favor of tighter labor markets will enable Black and Latino families in the New York Fed district a better chance to earn enough to close these gaps. The Fed has a key role to play in combating these types of racial disparities. Though racial disparities are heightened during economic downturns, Black workers are also drawn back into the labor force at a faster rate during periods when the labor market is gaining strength.⁷ A tighter labor market makes it harder for employers to discriminate. When the Fed prioritizes its full employment mandate, racial economic disparities have been shown to improve.⁸

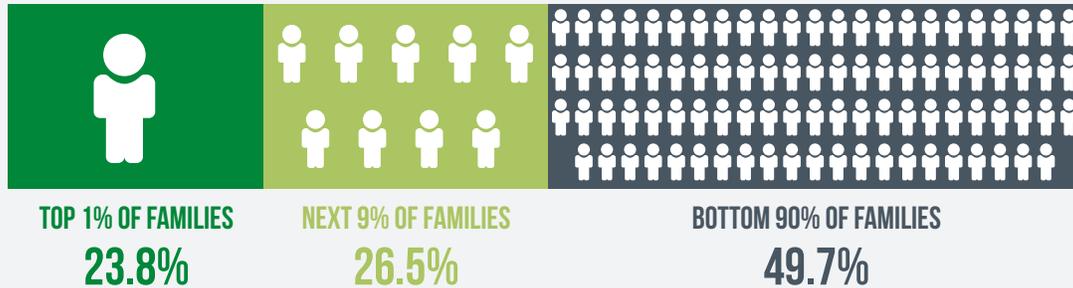
The last ten years have brought widening inequality, elevated rates of involuntary part-time work, stagnant wages, a widening racial wealth gap, increased poverty, a decrease in homeownership, and rising consumer debt.

Analysis of Census Bureau, Bureau of Labor Statistics, and Federal Reserve data from 2007-2017 highlights the persistent and widespread effects of the Great Recession. Within the New York Fed district, low-income communities in urban city centers, rural communities, and municipios throughout Puerto Rico continue to experience severe economic hardships.



INCOME INEQUALITY AT HIGHEST LEVELS SINCE THE 1920's

Income Distribution in 2016



Source: Board of Governors of the Federal Reserve System

INEQUALITY

Inequality has skyrocketed in the last ten years, with the distribution of income and wealth skewing even further towards the top 1 percent and 10 percent of earners. The rate of inequality is at an all-time high, with the top 1 percent of income earners receiving 23.8 percent of all income—an even greater proportion than before the Great Recession. Today, the bottom 90 percent of families on the income distribution scale only earn 49.7 percent of total income. The wealth share of the top 1 percent, which includes both income and assets, is 38.6 percent. This is also higher than pre-recession levels.⁹

Economic hardship is still widespread for working people. Based on a Federal Reserve study on financial wellbeing in May 2017, 73 million adults, or 30 percent of all Americans, report they are either finding it difficult to get by or are just getting by financially.¹⁰ Just under one in four American adults is unable to pay for all their monthly bills in full. Forty-four percent of adults could not cover an emergency expense of \$400, or would only be able to cover it by selling something or borrowing money.¹¹

At the same time, Wall Street is booming and the stock market is reaching new heights. J.P. Morgan Chase recently had the most profitable year in the history of banking.¹² CEO's of America's largest companies earn an average of \$15.6 million each year. That's 271 times the salary of an average worker.¹³

As the center of the nation's financial industry, the New York Federal Reserve Bank region includes many of the country's most unequal places. The disconnect between the success of Wall Street and the state of economic recovery for low-income families and workers is felt acutely within the New York Fed district itself. For instance, Fairfield County, CT has been called the "epicenter of American inequality."¹⁴ According to Connecticut state reports, the richest 0.02 percent of Connecticut households earn more than the total earnings of all the people in the bottom 48 percent.¹⁵ Most of these wealthy households are concentrated along Connecticut's "Gold Coast" and have a connection to the financial sector.

INCOME & WAGES

Wages are a vital indicator of economic stability. Wage growth has been sluggish since the recovery. In fact, inflation-adjusted wages are flat or falling since before 2007.¹⁶ The average annual wage was \$46,530 before the Great Recession. A decade later, and the average annual wage is \$49,092, which amounts to a \$2,500 increase over in ten years.¹⁷ If 2007 wages had risen with inflation, the average annual wage would have been \$54,460, nearly \$8,000 higher over a 10 year period.¹⁸ It's not surprising that in a recent 2018 Pew survey, half of all Americans say their income is falling behind the cost of living.¹⁹ This wage stagnation poses serious challenges to families who face rising housing, childcare, and living costs around the country. While many companies report sizeable and growing profits, the share of income going to workers in the form of wages, salaries, and other kinds of compensation, has declined.²⁰ The richest 1 percent have fared much better. The pre-tax income of the richest 1 percent of U.S. households has risen since the late 1970's. In the last 10 years, it has risen to levels the United States has not seen since the 1920s.²¹ These trends in widening inequality are reflected geographically, with poorer counties remaining stagnant and richer counties making most of the gains.

Widespread Racial Disparities in Median Income

There are dramatic differences in income and wages among white and Black families. While the white household median income was \$61,200 in 2016, for Black households it was \$35,400 and for Hispanic/Latino households it was \$38,500.²² On average, Black men make 78 cents to the dollar and Black women make 66 cents to the dollar for the same work as white men.²³ This is among workers with the same levels of education and experience, and among those living in comparable geographies. Black women make 34.2 percent less than white men which is a bigger gap than before 2007. In fact, the wage gap between white and Black workers is higher today than it was 35 years ago.²⁴



Income Disparities Within the New York Fed District

Within the New York Federal Reserve district, median household income has gone up in some counties but stagnated or made minimal increases over the last decade in others. The data indicates the recovery has been uneven between counties, and remains elusive for many communities in the New York Fed district.

New York

In New York State, the median income has risen by \$9,200 since 2007.²⁵ However, those gains are not evenly distributed. While incomes rose over \$15,000 in the past decade in some places, in others incomes stagnated or didn't rise enough to compensate for inflation.

Counties with high median incomes *before* the recession have largely seen dramatic income gains. Communities that started with lower median incomes before the recession have either seen modest gains or wage stagnation. These geographic differences illustrate that the gains of the recovery disproportionately went to the regions with the richest households.

- Bronx County, NY median rose by \$3,324.
 - \$34,031 in 2007
 - \$37,355 in 2016
- Montgomery County, NY median incomes only rose by \$324 in the last decade
 - \$41,869 in 2007
 - \$42,193 in 2016
- Nassau County, NY, median income rose by \$16,126
 - \$89,360 in 2007
 - \$105,486 in 2016
- Westchester County, NY median income rose by \$12,283
 - \$77,097 in 2007
 - \$89,380 in 2016

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates, 2007-2016

New Jersey

In New Jersey, the median income rose by \$9,070 in the last ten years.²⁶ Like New York, there was wide variation in which counties saw gains:

- Essex County, NJ incomes rose by \$1,560
 - \$53,319 in 2007
 - \$54,879 in 2016
- Hunterdon County, NJ incomes rose by \$13,247
 - \$100,089 in 2007
 - \$113,336 in 2016

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates, 2007-2016

Connecticut

Connecticut's median income in 2016 was \$73,380, making it the richest state in the country. The New York Federal Reserve district includes one county in Connecticut, Fairfield County. The median income was even higher in Fairfield at \$89,954 in 2016.²⁷

Incomes Have Not Risen With Inflation Leading to Less Buying Power Today Than Before the Recession

In many cases, even in counties where income went up by \$3,000 or \$5,000, those incomes didn't keep up with inflation. Based on the Consumer Price Index Calculator, many New York Federal Reserve district families have less buying power today than 10 years ago.²⁸

MANY NEW YORK FEDERAL RESERVE DISTRICT FAMILIES HAVE LESS BUYING POWER TODAY THAN 10 YEARS AGO				
County	Median income 2007	Median income 2016	Income in 2016 necessary to match 2007 buying power	Decrease in buying power from 2007–2016
Chautauqua County (NY)	\$38,926	\$42,664	\$46,429	-\$3,765 ↓
Delaware County (NY)	\$41,862	\$45,381	\$49,931	-\$4,550 ↓
Greene County (NY)	\$44,966	\$49,860	\$53,633	-\$3,773 ↓
Jefferson County (NY)	\$42,316	\$46,206	\$50,472	-\$4,266 ↓
Madison County (NY)	\$50,924	\$57,703	\$60,740	-\$3,037 ↓
Schenectady County (NY)	\$53,182	\$57,923	\$63,433	-\$5,510 ↓
Essex (NJ)	\$53,319	\$54,879	\$63,596	-\$8,717 ↓
Passaic County (NJ)	\$54,207	\$61,517	\$64,655	-\$3,138 ↓

Source: Median Incomes are from U.S. Census Bureau, Small Area Income and Poverty Estimates, 2007-2016; Buying Power calculated using the Bureau of Labor Statistics Consumer Price Index Inflation Calculator.

UNEMPLOYMENT

The Federal Reserve uses the unemployment level as a key indicator of economic recovery. Unemployment was at 4.6 percent before the recession. Today, the national unemployment rate has reached an even lower 4.1 percent, signaling to many policymakers that the U.S. economy has reached maximum employment and fully recovered.²⁹ However, this topline unemployment number does not provide a complete picture of the economy and the significant slack that remains.

While the unemployment rate is an important indicator, it has limitations and many people are not counted. For instance, someone must be available to work and actively looking for work to be counted in the unemployment rate. The unemployment rate can rise or fall when people join or leave the labor force. A person who becomes discouraged and stops looking for work is not counted. A worker who can only secure 10 hours a week and wants more hours is counted as employed. The Bureau of Labor Statistics tracks an unemployment rate that includes marginally attached and discouraged workers as well as workers who want full-time work but can only find part-time work. In January 2018, that full unemployment rate was 8.2 percent which is twice as high as the unemployment rate.³⁰

Labor Force Participation Rates

The labor force participation rate tracks the percent of adults working or actively looking for work. Far from recovering to the pre-recession rate of 66 percent, the labor force participation rate has steadily declined and is currently at 62.7 percent. The last time the labor force participation rate was this low was in 1978.³¹ A growing number of Baby Boomers retiring likely accounts for some of this decline, but economists agree this does not fully account for the sustained and significant declines since 2007.³²

Racial Disparities

Black unemployment rates tend to be twice or nearly twice the rate of white unemployment. Before the recession, Black unemployment was at 8.9 percent and Hispanic/Latino unemployment at 5.2 percent.³³ During the financial crisis, the total unemployment more than doubled to a high of 10 percent.³⁴ White unemployment rose to 9.6 percent for white men and 7.7 percent for white women. During that same time, Black men and women unemployment rates were 18.4 and 13.8 percent, respectively.³⁵

Although Black and Hispanic/Latino employment has improved in recent years, workers of color still face unemployment levels that are comparable to the unemployment rates of white workers in the depth of the recession. In 2017, Black unemployment is 7.7 percent, which is close to unemployment rates for white workers at the peak of the recession. Fed policymakers recognized a crisis of unemployment that required swift action in 2008-2010 at a time when white unemployment was over 7 percent. Unfortunately, that same urgency is no longer extended to workers of color facing the same rates of unemployment now. Tighter labor markets disproportionately benefit people who are already ill-served by the economy. As the unemployment rate has dipped to 4.1 percent, unemployment rates of workers of color have also fallen to lower levels than before the recession. Despite progress, unemployment is still persistently high among people of color and the full range of economic indicators show an uneven recovery. Wages for Black people are even lower today than they were in 2000.³⁶ The next New York Federal Reserve President must take proactive steps to ensure a Black unemployment rate that is nearly twice the white unemployment rate is not an acceptable status quo in his or her district.

New York

In New York, while white workers have reached pre-recession unemployment levels, the recovery among men and women of color is varied. Black male unemployment levels went down by 1.4 percent to 7.9 percent in 2017 compared to 9.3 percent before the crash.³⁷ This improvement was especially dramatic in light of the 16.9 percent Black male unemployment rate in 2009. Tighter labor markets are often attributed to higher gains for Black workers and may be a factor in the gains for Black male workers in New York.³⁸ Unfortunately, Black women in New York have a higher unemployment rate than before the recession—7.4 percent in 2017 compared to 6.1 percent in 2007. Hispanic/Latino men in New York have lower levels of unemployment than before the recession while women have comparable rates.³⁹

New Jersey

Among all workers in New Jersey, the unemployment rate is slightly higher (0.4 percent) than 2007, but close to pre-recession levels at 4.6 percent. Black men saw a modest decrease (0.5 percent) in unemployment levels but still have a 9 percent unemployment rate—more than double the unemployment of white workers in New Jersey. Both Black women and Hispanic/Latino women have slightly higher unemployment rates than before the recession.⁴⁰

Connecticut

While overall unemployment is slightly higher (0.4 percent) than in 2007, the current 4.9 percent unemployment rate is close to pre-recession levels. Black workers in Connecticut saw significant improvements in the unemployment rate. Black male unemployment fell from 9 percent in 2007 to 5.8 percent in 2017. Black women also saw some gains with the unemployment rate going from 8.1 percent in 2007 to 6.2 percent in 2017. Among Hispanic/Latino men, the unemployment rate rose by 0.8 percent since 2007. Hispanic/Latino women's unemployment largely remained the same.

Unemployment Varies Significantly Across Geographies

There are also significant geographic variations in unemployment rates. Many economically distressed communities continue to suffer high rates of unemployment. For instance, many counties in the New York Fed district have significantly higher unemployment rates than the national number, as of December 2017:

11.3%	Hamilton County, NY	← 25th highest among all counties, in the U.S.
7.3%	Schuyler County, NY	
7.2%	Jefferson County, NY	
6.8%	Lewis County, NY, Oswego County, NY	
6.7%	St. Lawrence County, NY	
6.6%	Cattaraugus County, NY	
6.5%	Allegany County, NY; Niagara County and Warren County	
6.4%	Courtland County NY; Franklin County NY ⁴¹	

BEYOND UNEMPLOYMENT: A FULL RANGE OF ECONOMIC INDICATORS

As described earlier, the unemployment rate is an important but incomplete measurement. The following sections offer data on a range of additional economic measures the Fed must consider when evaluating the strength of the post-recession economy. The next New York Federal Reserve President must look deeper than overall unemployment numbers and understand the existing slack in the labor market.

Involuntary Part-time work

The number of workers who wanted full-time work but could only find part-time work, also called involuntary part-time workers, spiked during 2009-2010.⁴² At its peak, there were over 9 million Americans who were involuntary part-time workers. As of 2018, there are still 5 million involuntary part-time workers nationwide.⁴³ While the number of involuntary workers has decreased in the last ten years, throughout the New York Fed district, the percent and total number of involuntary part-time workers is still higher than before the recession. In New York, Connecticut, and New Jersey there are 143,700 more involuntary part-time workers than in 2007. Over a half a million workers in these three states would like full-time work but are unable to secure it.⁴⁴

INVOLUNTARY PART TIME WORK HIGHER THAN PRE-CRASH LEVELS IN THE NEW YORK DISTRICT							
	2007		2010		2017		% Change (2007-2017)
	Involuntary part time	Involuntary part time %	Involuntary part time	Involuntary part time %	Involuntary part time	Involuntary part time %	
NY	229,700	2.6%	457,100	5.3%	279,000	2.9%	0.3%
CT	47,500	2.8%	99,700	6.2%	79,400	4.71%	1.9%
NJ	102,300	2.5%	219,200	5.7%	164,800	4.0%	1.5%
Total	379,500		776,000		523,200		

Source: U.S. Bureau of Labor Statistics, Employed Involuntary Part-Time "Part-Time for Economic Reasons" & All Non-Farm Employees by State

The persistently high rates of involuntary part-time work indicates the unemployment rate may be exaggerating the strength of the economy.⁴⁵ During the Great Recession many employers adopted staffing models that made full-time work harder to secure and created dramatically different conditions for part time workers. Rather than a temporary response to an economic downturn, this increased reliance on part-time work appears to be an enduring component of the post-recession economy. Part-time work, especially in the service sector, is now characterized by wide fluctuations in schedules and erratic hours and income. These elevated and long-term rates of involuntary part-time work most heavily impact Black and Latino workers.⁴⁶ An economy at maximum employment would have much lower levels of involuntary part-time employment because all workers seeking full-time employment would be able to secure it.

Racial Wealth Gap

Wealth is a key measure of economic health and security for American families. Wealth enables families to buy homes, pay for college, ensure retirement security, and transfer assets to their children. Wealth and savings are also critical in unexpected times of unemployment or emergency spending needs.⁴⁷ Unfortunately, the benefits of wealth are not evenly distributed within the United States. There are dramatic wealth disparities between white, Black, and Hispanic/Latino families that have persisted since the 1960's and worsened since the Great Recession. Based on the Fed's analysis of the Survey of Consumer Finances, it concluded "the long-standing and substantial wealth disparities between families of different racial and ethnic groups, however, have changed little in the past few years. Wealth losses during the Great Recession, and the magnitude and timing of the recovery, also varied substantially across families grouped by race and ethnicity."⁴⁸

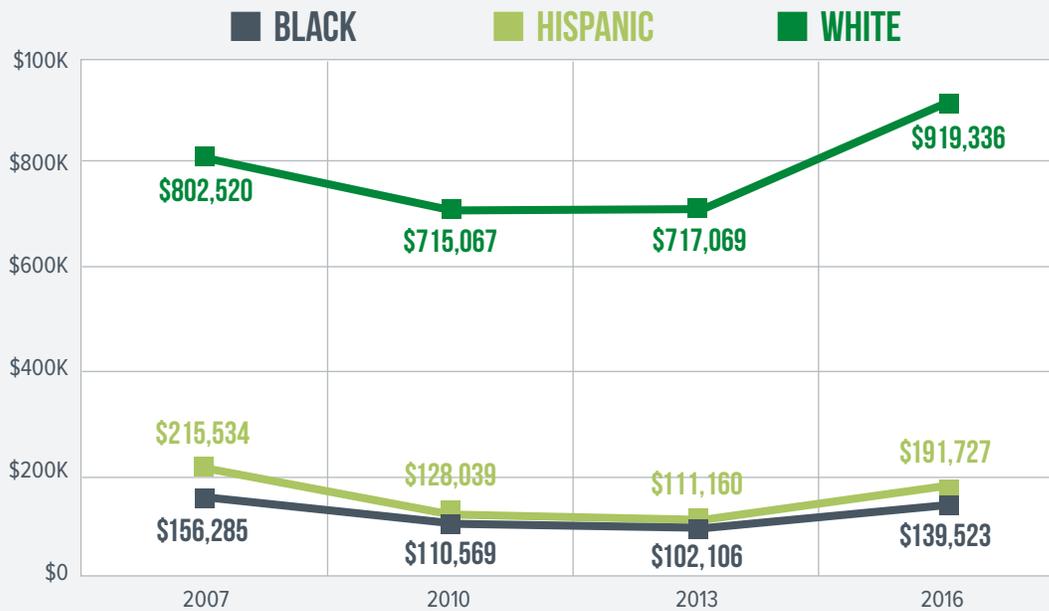
The racial wealth gap is evident when comparing both average wealth and median wealth. Given the United States' unequal wealth distribution, average wealth skews higher because it includes the top 1 percent of income earners who tend to have sizeable assets. Median wealth can be a more accurate measure of most households because it captures the wealth of the family in the exact middle of the distribution. In other words, half of all families are wealthier and half of all families have less wealth.

By both measures, the racial wealth gap is significant. Average white wealth went up by over \$116,000 since the Recession, while average Black wealth went down by \$16,762 and average Hispanic/Latino wealth went down by \$23,807.⁴⁹

When you take out the top 1 percent in the income distribution and look at median wealth for the majority of American households, among all races, households have less wealth than before the Great Recession.

AVERAGE WEALTH OF PEOPLE OF COLOR IS LOWER THAN 10 YEARS AGO

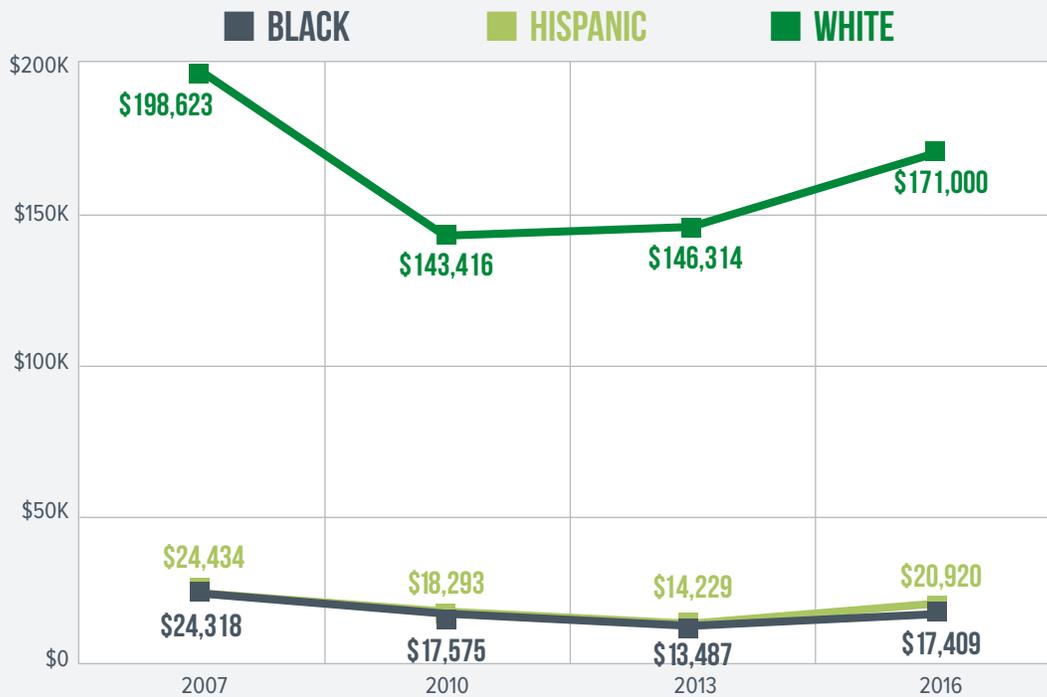
Average Family Wealth by Race/Ethnicity, 2007–2016



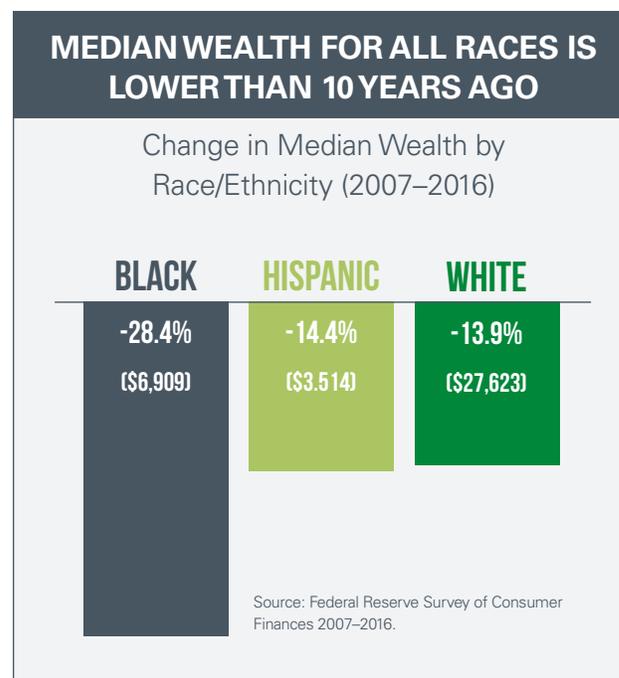
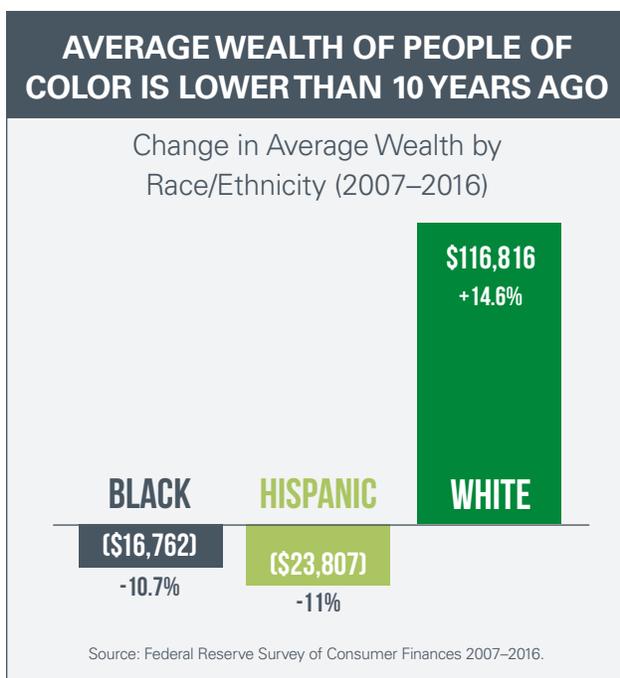
Source: Federal Reserve Survey of Consumer Finances 2007–2016.

MEDIAN WEALTH FOR ALL RACES IS LOWER THAN 10 YEARS AGO

Median Family Wealth by Race/Ethnicity, 2007–2016



Source: Federal Reserve Survey of Consumer Finances 2007–2016.



The same is true when you take out the top 10 percent and look at median wealth for the bottom 90 percent, among all races.

That means most people have been unable to build wealth or even regain all the wealth they lost between 2008-2010. Although median wealth for all races is lower than before the recession, the percent decrease is significantly more for Black and Hispanic/Latino families. While white wealth went down by 14 percent, Black wealth went down by twice that much (28 percent). The median family wealth for Black families is \$17,409 (down from a pre-recession high of \$24,318) compared to median family wealth for white families of \$171,000 (down from a pre-recession high of \$198,623).⁵⁰ The rate at which Black wealth is increasing indicates the prolonged effects of the Great Recession which further exacerbate existing racial disparities. At current growth rates, it will take another 5 years for Black median wealth to reach the pre-recession average of \$24,318.

Furthermore, by some estimates, if Black wealth continues to grow at the current rate, it would take Black Americans 228 years to have as much wealth as white Americans have today.⁵¹ Nearly one in five Black families have zero or negative net worth, compared with only 9 percent of white households.⁵² Even white families, whose head of household is unemployed, have nearly twice the wealth of a Black family whose head is employed full time (\$23,000 compared to \$12,000).⁵³ This has serious implications for financial and retirement security. Only 34 percent of Black families and 30 percent of Hispanic/Latino families have retirement savings accounts while white families are twice as likely to have retirement savings.⁵⁴ Since the Great Recession, white families have \$43,620 more in retirement savings (a total of \$157,884) while Black families have \$4,153 less (\$25,212 in 2017).⁵⁵

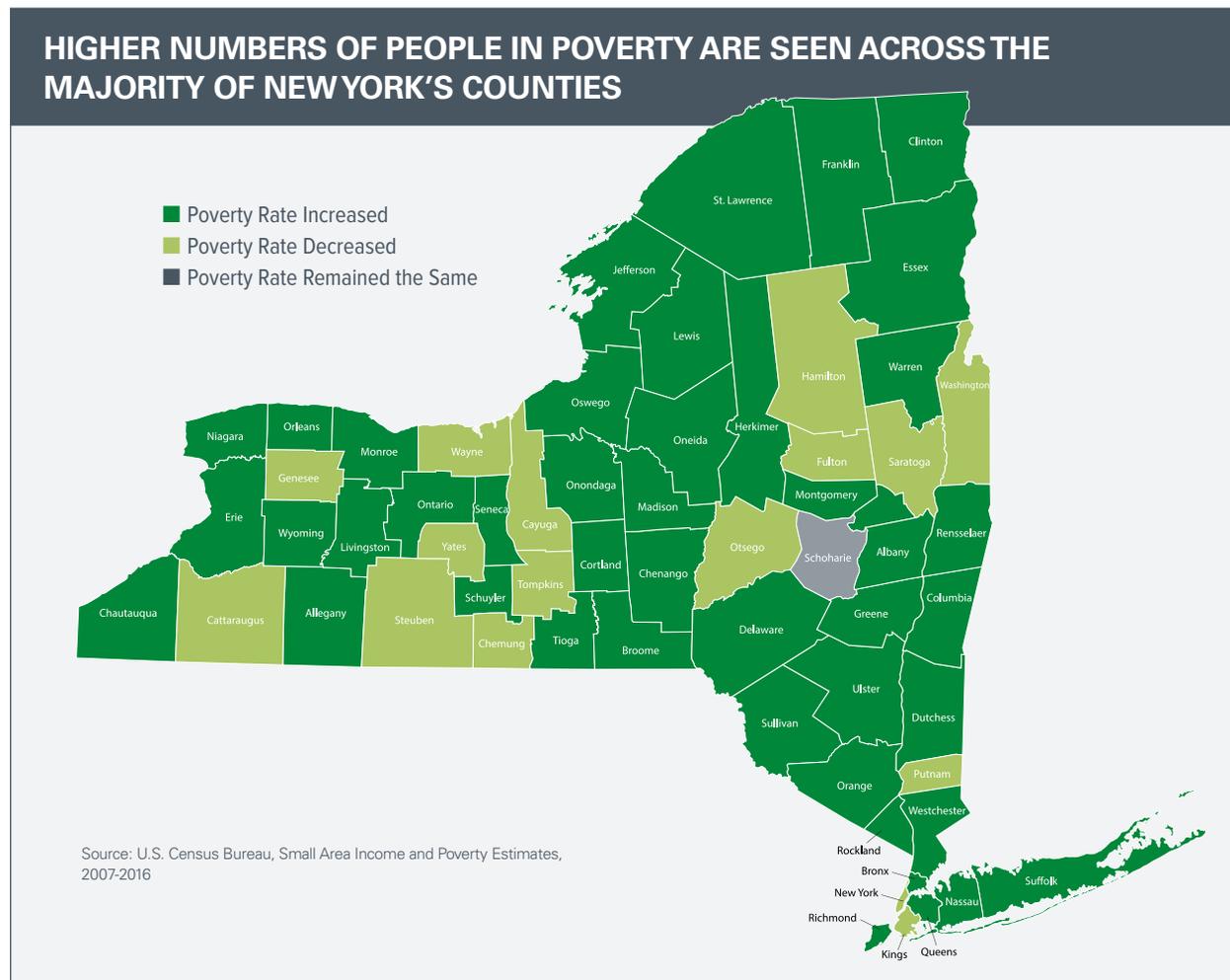
Given the wealth Black families lost during the Great Recession and the significant racial wealth gaps that exist, the Federal Reserve must pursue monetary policy that will keep unemployment rates low and create economic conditions for higher wages. America's families need more time to regain the significant losses from the Great Recession. If the New York Fed chooses a new President who supports the Fed's roll back on accommodative monetary policies, it will be a particular disadvantage to people of color.

Poverty Rates

The number of people living in poverty rose significantly during and immediately after the Great Recession. Unfortunately, the poverty rate remains higher than pre-recession levels. In the New York Fed district, there are 520,000 more people living in poverty than before 2007. Poverty rates are 1-2 percent higher in each state with many of those living in poverty under the age of 18.⁵⁶

CHANGE IN POVERTY RATE, ALL AGES, 2007-2016					
Geography	2007	2008	2010	2016	Total additional people in poverty since 2007
National	13%	13.2%	15.3%	14%	6,216,749
New York	13.8%	13.7%	15%	14.8%	259,198
New Jersey	8.5%	8.7%	10.2%	10.4%	189,667
Connecticut	7.9%	9.1%	10.1%	9.9%	73,126

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates, 2007-2016.⁵⁷



Strikingly, in Montgomery County, New York the poverty rate in 2016 was nearly double what it was in 2007. Poverty rates are also higher in all twelve New Jersey counties and one Connecticut county that fall under the New York Federal Reserve district.⁵⁷

Housing

The subprime mortgage crisis that led up to and precipitated the financial crisis of 2008 caused significant financial hardship for most Americans. The housing crisis had a disproportionate impact on Black and Hispanic/Latino homeowners who were twice as likely to have subprime mortgages. In 2006, nearly half of all Black and Hispanic/Latino homebuyers received subprime loans.⁵⁸ Black families who were sold high-interest and predatory housing loans later faced huge spikes in unemployment. This resulted in higher rates of delinquencies and foreclosures and a significant loss of wealth, as outlined above. Now ten years later, only four in ten Black Americans own a home.⁵⁹ Nationally, Black homeownership rates are at the lowest levels since 1995. As the Fed continues to raise interest rates, and stricter lending standards disproportionately impact Black homebuyers, homeownership will recede further out of reach for many Black families.⁶⁰

Homeownership in the New York Fed District

Within the New York Federal Reserve district, homeownership rates have decreased since 2007. On average, homeownership has fallen 8.5 percent in the last ten years.⁶¹

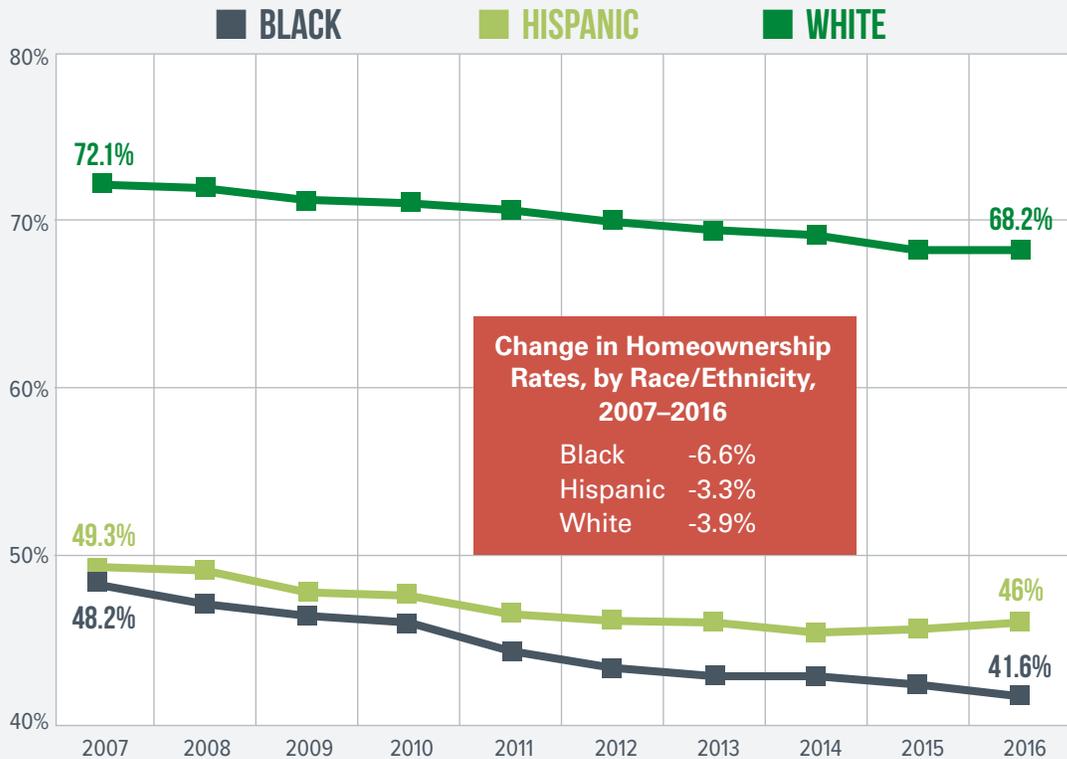
RATES OF HOMEOWNERSHIP HAVE GONE DOWN ACROSS THE NEW YORK DISTRICT											
	Homeownership rate by state (percent)										% Change 2007-2016
State	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
CT	70.3	70.7	70.5	70.8	70.6	68.8	68.5	67.4	66.5	64.2	8.7%
NJ	68.3	67.3	65.9	66.5	66.4	66.6	64.9	65.2	64.0	62.2	8.9%
NY	55.9	55.0	54.4	54.5	53.6	53.6	53.0	52.9	51.5	51.5	7.9%

Source: U.S. Bureau of the Census, Homeownership Rate for the United States, by State, 2007-2016.



RATES OF HOMEOWNERSHIP HAVE GONE DOWN ACROSS THE US

Homeownership Rate by Race/Ethnicity, 2007–2016



Source: Federal Reserve Survey of Consumer Finances 2007–2016.

Nationally, the decline in homeownership since the financial crisis has been most pronounced for Black families. Black homeownership rates are down by 6.6 percent since before the recession. White homeownership rates are down by 3.9 percent and Hispanic/Latino rates are down by 3.3 percent.

Wealth and Home Equity

Housing equity makes up two-thirds of all wealth for most American families. As such, the racial wealth gap is often considered a housing wealth gap.⁶² White homeowners have significantly higher levels of equity in their homes. Average housing wealth is \$215,800 for white families but only \$94,400 among Black families and \$129,800 among Hispanic families.⁶³ Black homeowners tend to receive less return on their real estate investments, and, on average, buy 9 years later in their lives. This also impacts how much wealth they can acquire from homeownership.⁶⁴

Foreclosures

In the United States today there is 1 foreclosure for every 1,252 housing units. As of 2017, New Jersey has the highest foreclosure rate in the country.⁶⁵ Connecticut and New York are closer to national averages:

- NJ: 1 foreclosure for every 563 housing units
- CT: 1 foreclosure for every 1,161 housing units
- NY: 1 foreclosure for every 1,471 housing units⁶⁶

RATES OF MORTGAGE FORECLOSURE ARE HIGHER THAN 10 YEARS AGO						
Percent of Outstanding Mortgages in Foreclosure						
Geography	2007	2008	2009	2012	2014*	% Change in foreclosures 2007-2014
National	0.9%	2.4%	3.6%	3.5%	2.1%	+1.2%
New York	1.1%	2.2%	3.8%	6.3%	5.4%	+4.3%
New Jersey	0.9%	2.9%	4.9%	8%	6.5%	+5.6%
Connecticut	0.9%	1.9%	3.2%	5.1%	3.6%	+2.7%

Source: Federal Reserve of New York, "Community Credit Profiles: Mortgage Markets" analysis of CoreLogic and Lender Processing Services data.⁶⁷
 *The most recent data the New York Fed has published for its region.

The foreclosure crisis continued well-beyond the recovery for many communities in the New York Fed district. By the end of 2012, two full years after many policymakers considered the economy largely recovered, much of New York and New Jersey had persistently high foreclosure rates:⁶⁷

- Essex, NJ, 13%
- Sullivan, NY, 11.5%
- Passaic, NJ, 11.1%
- Union, NJ, 10.3%
- Hudson, NJ, 10.2%
- Suffolk, NY, 9%
- Sussex, NJ, 9.5%
- Orange, NY, 8.9%
- Ulster, NY, 8.7%
- Kings County, NY, 8.3%

Mortgage Delinquency Rates

By other indicators, including delinquency rates, the U.S. housing market is far from recovered. When homeowners struggle to pay one or more mortgage payments, their mortgages are delinquent. Before the recession the delinquency rate was 2.08 percent. The national delinquency rate on single-family residential mortgages peaked at 11.53 percent in 2010. A decade later, and the national delinquency rate is still higher than pre-recession levels at 3.62 percent.⁶⁸

MORTGAGE DELINQUENCY RATES ARE HIGHER 10 YEARS LATER		
Delinquency rate on single-family residential mortgages 2007-2017		
2007	2010	2017
2.08%	11.53%	3.62%

Source: Board of Governors of the Federal Reserve System

The New York Federal Reserve Bank states, New York, New Jersey, and Connecticut are three of the top five states with the highest rate of mortgages that are 90+ days delinquent in the United States. The number of delinquencies spiked in 2010 but remains elevated in 2017.⁶⁹

THE NEW YORK FED DISTRICT HAS SOME OF THE HIGHEST RATES OF MORTGAGES 90+ DAYS DELINQUENT						
Percent of Mortgage Debt Balance 90+ Days Delinquent						
US Ranking	State	2007	2008	2009	2010	2017
1)	NY	3.26	5.68	9.75	10.21	2.76
2)	NJ	2.45	5.05	8.85	9.5	2.67
3)	DE	2.08	3.67	5.75	6.75	2.12
4)	CT	1.88	3.42	6.29	6.68	1.95
5)	ME	2.35	3.26	4.84	5.13	1.95

Source: Federal Reserve Bank of New York, State Level Household Debt Statistics 2003-2017

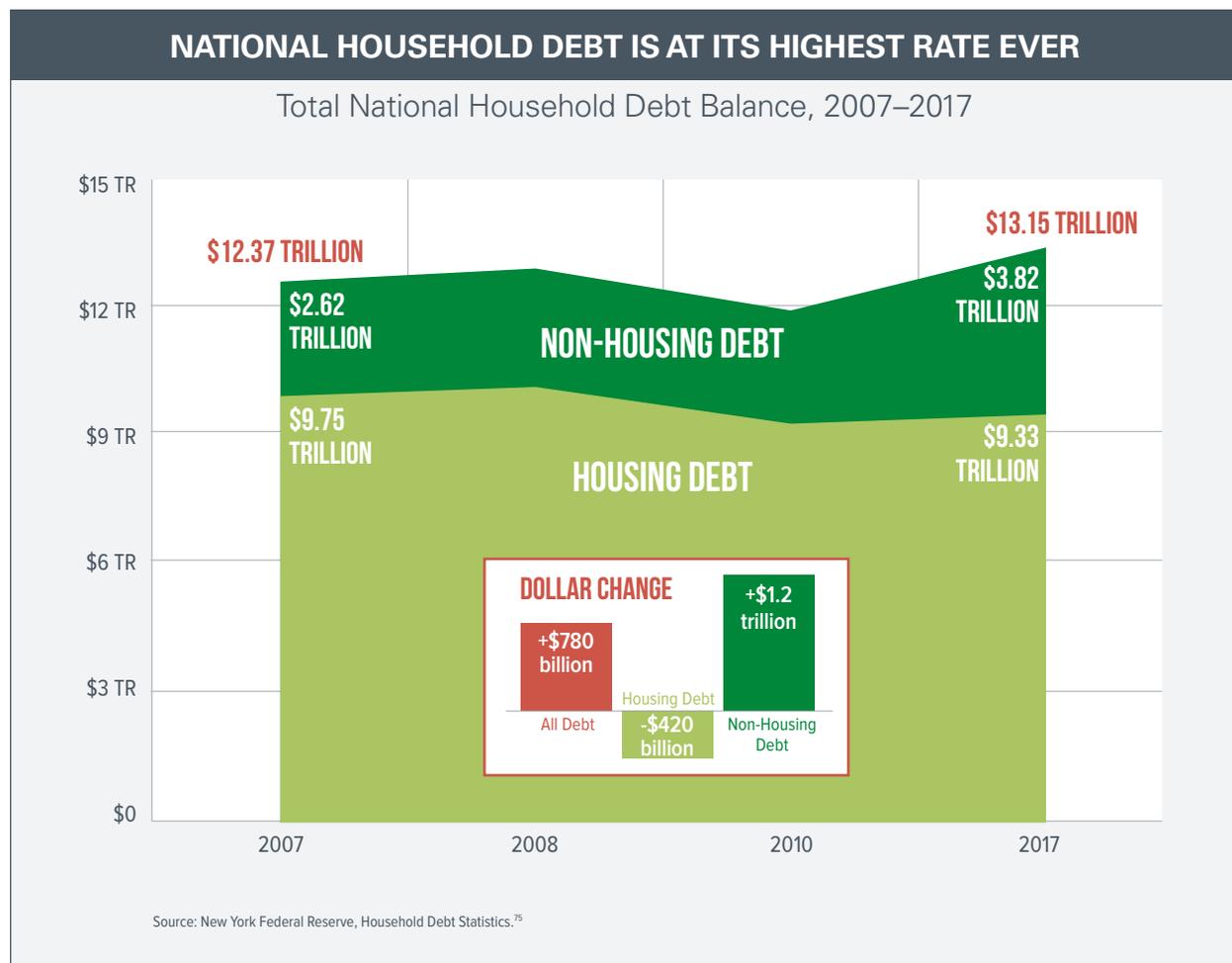
Slow Recovery of the Housing Market

The housing crisis had deep and lasting impacts on the U.S. housing market. Today, despite many home values rebounding, there is still a steep decline in homeownership rates, home equity, home sales, and approval of home loans.⁷⁰ Based on the New York Fed's analysis of its region "with the exception of Manhattan and Brooklyn, the counties that have seen some growth since 2008:Q3 are the ones that did not experience large housing booms before the Great Recession."⁷¹ In other words, the communities hardest hit by the housing crisis continue to feel the effects ten years later. This is characterized by lower rates of homeownership, higher rates of foreclosures and delinquencies, and more volatile local housing markets with fluctuating prices and difficulty selling homes.

National Household Debt

The New York Federal Reserve tracks the American household debt balance which includes both housing and non-housing debt. Non-housing debt can range from credit cards and auto loans to student loan payments. National household debt in 2017 was at its highest recorded rate, totaling \$13.15 trillion. In the last quarter of 2017 alone, Americans' auto loan debt grew by \$8 billion, credit card balances increased by \$26 billion, and student loans increased by \$21 billion.⁷²

National household debt in 2017 was at its highest recorded rate, totaling \$13.15 trillion.



Unfortunately, this increase in debt was all due to consumer debt, not asset-building debt for mortgages which enable families to build equity. Given wage stagnation, rising costs of living, and costs of education in the last ten years, it's not surprising a record number of Americans hold debt burdens. When the Fed raises interest rates, this impacts borrowers and consumers who hold certain types of housing or non-housing debt with variable-interest rates.

Rates of debt in the New York region have gone down slightly since 2007, however, Connecticut has the 10th highest debt balance per capita in the country (\$58,860), New Jersey 12th (57,830) and New York 20th (\$49,030)⁷³

HOUSEHOLD DEBT HAS INCREASED NATIONALLY, AND IN CT AND NJ						
Household Debt Load, in dollars—New York Federal Reserve District States						
State	2007	2008	2009	2010	2017	Change 2007-2017
CT	\$60,200	\$63,090	\$61,760	\$60,570	\$58,860	(\$1,340)
NJ	\$60,550	\$63,620	\$62,190	\$60,790	\$57,830	(\$2,720)
NY	\$48,030	\$49,530	\$48,710	\$47,720	\$49,030	\$1,000
All US	\$ 50,170	\$52,010	\$49,820	\$47,410	\$48,800	(\$1,370)

Source: State Level Household Debt Statistics 2003-2017, Federal Reserve Bank of New York

Student Loan Debt

College graduates during and immediately after the Great Recession navigated a volatile and slow to improve labor market. Many students who took out loans to secure advanced degrees found themselves unable to find work and unable to repay high student loan balances. Graduating during a recession has sizable and long-lasting impacts on a person's lifetime earning potential and economic stability.⁷⁴ Many workers with student loan debt continue to be impacted by high payments. Among the borrowers who are making monthly student loan payments, the average monthly payment is \$533.⁷⁵

Delinquent student loan payments went from 7.5 percent before the recession to 11 percent today.

There are over 4 million student loan borrowers in New York, New Jersey, and Connecticut alone.⁷⁶ Compared to all U.S. states, the states have some of the highest student loan balances per capita.

- Connecticut, \$36,865 (national rank #1)
- New York \$31,139 (national rank #8)
- New Jersey \$30,536 (national rank #10)⁷⁷

According to the Federal Reserve's Survey of Household Economics and Decision-Making, 19 percent of people with student loan debt are behind in payments.⁷⁸ Those numbers have steadily risen in recent years. The percent of delinquent student loan payments went from 7.5 percent before the recession to 11 percent today. New York, New Jersey, and Connecticut each have delinquency rates of around 9 percent which have gone up by one-third or one-half since before the recession.⁷⁹

Puerto Rico: The Hardest Hit Region of the New York Fed District

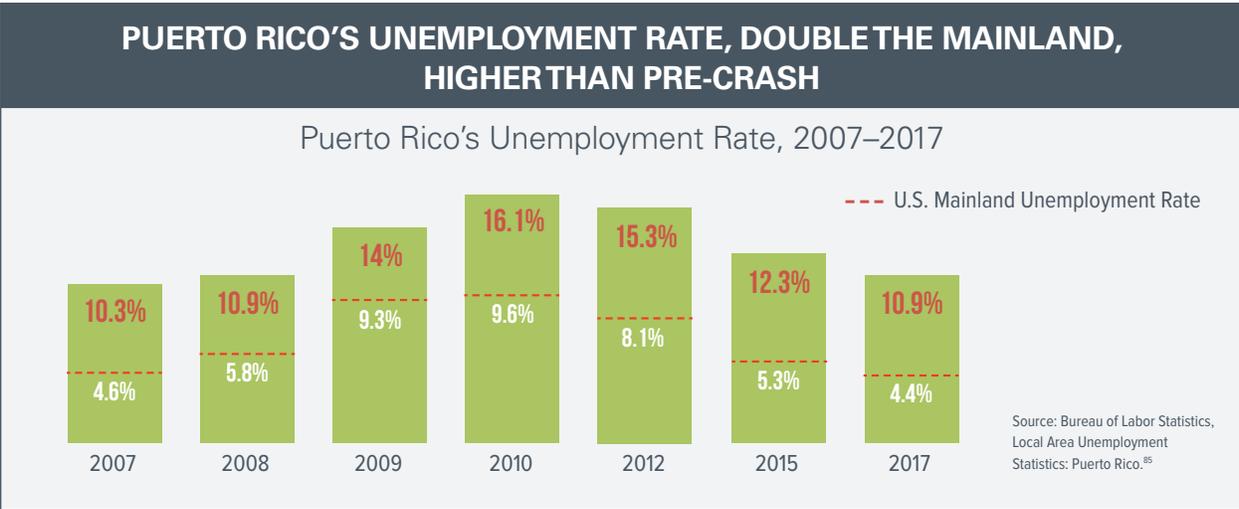
The New York Federal Reserve Bank represents Puerto Rico, which has been the hardest hit region in the Bank’s district. The New York Reserve Bank is responsible for regulating and supervising Puerto Rican banks and financial firms, as well as supporting community development and reinvestment.

The recent humanitarian crisis posed by Hurricane Maria amplified the economic hardships the island has faced for over a decade. 43.5 percent of Puerto Rico’s people were living in poverty before Hurricane Maria and that number is very likely to increase this year.⁸⁰ For more than a decade, Puerto Rico has faced chronically high unemployment, wage stagnation, dwindling labor force participation rates, loss of population with out-migration to the United States, very high rates of poverty, and heavy use of the social safety net. While these challenges pre-dated the financial crisis, each of these challenges was compounded by it.

As Puerto Rico also now faces a \$70 billion debt crisis, some policymakers, including Senator Elizabeth Warren and Senator Bernie Sanders, have encouraged the Federal Reserve to consider lending money to Puerto Rico to buy back some of the government’s debt and sell to creditors at a discount.⁸¹

Unfortunately, the New York Fed has proposed some questionable policies to address Puerto Rico’s crisis. In response to the high unemployment rates, the New York Fed published a set of recommendations that included lowering the Puerto Rican minimum wage to attract businesses, essentially arguing that business investment would only come at the expense and personal sacrifice of workers. Although Puerto Ricans are currently paid the U.S. federal minimum wage of \$7.25, the New York Fed proposed a sub-minimum wage for any worker under 25.⁸² Rather than encouraging business investments and fair wages, this policy would further exacerbate low wages and high poverty rates on the island.

As the people of Puerto Rico struggle to recover from Hurricane Maria, the next President of the New York Federal Reserve will play an influential role in shaping its future. The people of Puerto Rico require someone with a proven record of advocating for the rights of low-income people of color.



Wide Geographic Variation Among Municipios: While San Juan's unemployment rate is currently 8.2 percent some provinces of Puerto Rico have significantly higher unemployment rates: Guayama (16.2 percent), Aguadilla-Isabela (13.8 percent), and San German (13.1 percent).⁸³

Dwindling Numbers of Puerto Ricans in the Labor Force: While the unemployment rate may appear close to pre-recession levels, it's important to note that the overall labor force participation rate steadily declined over the last ten years. Overall, only about 40 percent of the island is formally part of the labor force.⁸⁴ In 2007, there were 1.4 million people in the labor force. Now, there are only 1.1 million.⁸⁵ That means over 325,000 Puerto Ricans dropped out of the labor force and are not working or actively seeking employment since the Great Recession. The employment to population ratio (EPOP) is the proportion of Puerto Rico's population that is employed. In 2007 Puerto Rico's EPOP was 42.3 percent and today it's 37.3 percent.⁸⁶

Loss of population through migration to the United States: since 2004, the population of Puerto Rico has steadily declined.⁸⁷ This trend was compounded by the Great Recession which prompted many young people to emigrate to the U.S. in search of better economic opportunities. That means that the unemployment rate would likely be even higher and the labor force participation rate even lower, if it factored in the young workers who were unable to find work and emigrated to the U.S.

Stagnant Annual Wages

- In 2007, the annual average wage in Puerto Rico was \$23,910
- In 2016, the annual average wage in Puerto Rico was \$28,740
- That means wages went up less than \$5,000 on average, and still are under \$30,000, ten years later.⁸⁸

All 77 of Puerto Rico's municipios have wages below the U.S. average of \$1,027 a week. On average, the annual weekly wages are about half the U.S. average. Juncos, on the eastern part of the island, has the highest average weekly wage, \$891. In total, 32 municipios had average weekly wages below \$400 including Lajas (\$325) and Las Marias (\$313).⁸⁹

Housing and Household Debt in Puerto Rico

Based on an analysis by the Federal Reserve, Puerto Rican families with mortgages were heavily impacted during and after the Great Recession because of a significantly higher share of subprime loans compared to the United States mainland. Homeownership continues to fall below pre-recession levels throughout Puerto Rico and the mortgage delinquency rate is 7 percent which is still very close to its 2010 peak of 8 percent.⁹⁰



How Did We Get Here?

The significant and enduring effects of the Great Recession prompt the question: how did we get here? The next section outlines the New York Federal Reserve Bank's mandate before the Great Recession, its controversial use of emergency lending powers to bailout Wall Street banks during the financial crisis, the widespread conflicts of interest among current and former Fed Board Members and Presidents, reforms under the Dodd-Frank Act that adjusted the New York Fed's authority, and recommendations on how to prevent conflicts of interest moving forward.

The Mandate of the New York Federal Reserve Bank

The New York Federal Reserve Bank is charged with:

- Developing and executing monetary policy;
- Supervising and regulating banks and financial firms in its region; and
- Acting as the banker for the U.S. government.

The New York Fed is also responsible for ensuring consumer protection in banking and supporting community development and reinvestment. The New York Fed is unique in that it serves as the operational arm of the Federal Reserve's implementation of monetary policy.⁹¹

Each of the twelve Fed Regional Reserve Banks is responsible for supervising banking institutions in its region. Given the New York Reserve Bank's location in the financial capital of the US, it oversees the largest and most profitable Wall Street banks. The New York Fed's bank supervision responsibilities are especially critical given the global financial firms that fall under its jurisdiction.

The New York Reserve Bank oversees the largest and most profitable Wall Street banks. New York's bank supervision responsibilities are especially critical given the global financial firms that fall under its jurisdiction.

The Federal Reserve District Banks oversee banks through both regulation and supervision activities. Former Fed Chair Janet Yellen describes these as complementary but distinct activities: "regulation refers primarily to the rules that firms must follow. Regulation starts with laws passed by Congress which are the basis for specific and detailed rules written by the Fed and other agencies. Supervision, on the other hand, involves monitoring and examining the day-to-day operations of these firms, including their financial condition, how they manage risks, and their corporate governance, to make sure they are complying with laws and regulations and operating in a safe and sound manner."⁹² The 2008 global financial crisis underscored serious failures of the New York Federal Reserve to both properly enforce existing regulations and adequately supervise the firms who caused the crisis.

To the Very Edge of its Lawful and Implied Powers: The Federal Reserve's Response During the Great Recession

Many interrelated factors contributed to the 2008 global financial crisis, which was unprecedented in both scale and scope. At its core, the speculative trading of complex, high-risk financial products among financial firms, combined with the rollback of many critical regulations and lax enforcement by government agencies,

enabled excessive risk taking on the part of Wall Street banks. The 2007 housing crisis that precipitated the 2008 crash, was fueled by subprime or high risk mortgages. Risky subprime loans, which often required the borrower to have no income and no assets, were bundled into mortgage-backed securities and collateralized debt obligations. The Glass-Steagall Act, which previously separated investment banking and depository banking, was repealed in 1999 paving the way for the development and trading of these types of risky derivatives.⁹³ As a large and rapidly growing number of subprime mortgages went into default, mortgage-backed securities rapidly lost value. Lehman Brothers, American International Group (AIG), and Citigroup, which were heavily invested in the risky derivatives market, saw their assets plummet. In addition to threatening those banks' survival, this caused ripples throughout the financial system.

A week after Freddie Mac and Fannie Mae were taken over by the government in September 2008, Lehman Brothers collapsed. Policymakers feared this would have cascading effects that would lead to the collapse of the global financial system. Even financial products intended to diffuse risk ended up concentrating risk—for instance, credit default swaps where the seller commits to paying the buyer if a third-party defaults on a loan. AIG was failing within days of the Lehman Brother's bankruptcy because of its credit default swap sales.⁹⁴ Merrill Lynch and AIG were expected to file for bankruptcy when the U.S. government announced a series of taxpayer funded bailouts for firms deemed "too big to fail." In other words, firms whose bankruptcy would pose systemic risk to the U.S. economy. Despite Wall Street bank's high rates of borrowing, risky investments, poor risk management, and inadequate capital reserves leading up to the crash, the Federal Reserve and the U.S. Treasury Department ended up providing trillions in bailouts.

From 2007 to 2009, the Federal Reserve created dozens of new emergency lending programs designed to stabilize the financial markets and prevent America's largest banks from going bankrupt. The Federal Reserve responded to the financial crisis in two main ways. First, by extending billions of dollars in credit to firms they considered systemically important to the financial system. This included Bear Stearns and AIG, which the Fed did not supervise before the crash, as well as firms like Citigroup which it did supervise. Second, by creating liquidity facilities to provide money to domestic banks, commercial paper issuers, money market mutual funds, securities dealers, and foreign banks to bolster their lending and investment. The Fed justified these emergency lending activities as necessary for saving "too big to fail" firms whose demise would threaten the stability of the market, and to ensure lending and investment firms could supply credit to both businesses and households.⁹⁵



Photo: Flickr, Michael Daddino

At the time, serious questions were raised about the integrity of these transactions, in light of the pervasive influence of the financial industry within the Fed. The Fed cited Section 13(3) of the Federal Reserve Act which authorized it to extend credit in "unusual and exigent" circumstances to individuals, partnerships and corporations.⁹⁶ Since that time, the legality and appropriateness of the Federal Reserve's emergency measures have been an open source of debate. Former Federal Reserve Chairman Paul Volcker questioned some of the Fed's emergency measures and argued they brought the agency "to the very edge of its lawful and implied powers."⁹⁷ While current New York Fed President William Dudley argued "the extraordinary interventions that were undertaken using our emergency powers under Section 13(3) of the Federal Reserve Act were warranted and within our authority," he also conceded "I suspect that the scale and scope of these interventions went considerably further than envisioned by the public and Congress prior to the crisis."⁹⁸

Widespread and Persistent Conflicts of Interest at the Federal Reserve

Many critiques of the Federal Reserve's actions during the global financial crisis centered on the conflicts of interest between Fed leadership and the Wall Street banks they were bailing out. Under Dodd-Frank, the Government Accountability Office (GAO) was required to conduct a thorough audit of the Fed's conflict of interest policies and practices. The GAO outlined associations between regional Banks and financial firms that posed "reputational risks" to the Federal Reserve System. The audit uncovered striking examples of conflicts of interest among the regional Federal Reserve Banks' Boards and a lack of robust policies and safeguards in place.⁹⁹

Eighteen former and current members of the Boards of Federal Reserve Banks were affiliated with banks and companies that received a combined \$4 trillion in emergency low-interest loans from the Federal Reserve during the financial crisis.¹⁰⁰ In some instances, the Fed's leadership approved and defined the terms of these emergency lending programs in a matter of days or weeks. Many of the Federal Reserve's directors owned stock or worked directly for banks that were supervised and regulated by the Federal Reserve. Although many of the firms including Bear Stearns, Fannie Mae, Freddie Mac, AIG and Lehman Brothers weren't directly supervised by the New York Fed leading up to the crash, there were still many questionable conflicts of interest among Fed leadership during the emergency lending.

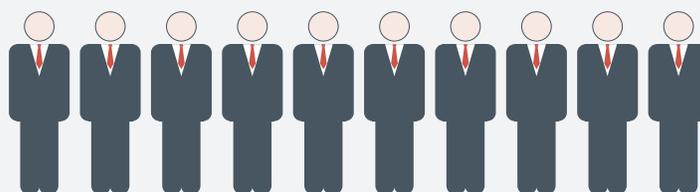
The experience of the 2008 financial crisis illustrated that in a time of crisis, the New York Fed can decide on a path of action behind closed doors, in a matter of days. The New York Federal Reserve President plays a critical role in those decisions and must be willing to stand up to the biggest banks in the world to put the interests of working people first. Ten years after the crash, while most Americans continue to suffer, many banks that contributed to the financial crisis—J.P. Morgan Chase, Goldman Sachs, Wells Fargo, Morgan Stanley, Bank of America—are more profitable than ever.¹⁰¹ At the current critical juncture in Fed decision making, the New York Federal Reserve must choose a President who will advocate for working people rather than exacerbate the inequalities of the last decade by serving the interests of Wall Street.

IN THE PAST 100 YEARS, ALL 10 NEW YORK FEDERAL RESERVE PRESIDENTS:

100% MEN

100% WHITE

100% WORKED AT BANKS OR FINANCIAL FIRMS BEFORE OR AFTER HEADING THE NEW YORK FED



- 60% came from the banking or business sectors before joining the New York Fed
- The remaining 40% went on to work for large Wall Street banks, like Goldman Sachs and Wells Fargo, after leaving the Fed¹²⁶

EVERY NEW YORK FED PRESIDENT WORKED AT BANKS OR FINANCIAL FIRMS BEFORE OR AFTER THEIR TENURE

New York Fed president	Prior to joining the Fed	Term	Job after the Fed
William Dudley	Goldman Sachs	2009–Present	To be determined
Timothy Geithner	International Monetary Fund	2003–2009	Warburg Pincus, Private Equity Firm
William J. McDonough	First National Bank of Chicago	1993–2003	Merrill Lynch
E. Gerald Corrigan	Minneapolis Federal Reserve Bank	1985–1993	Goldman Sachs
Anthony M. Solomon	U.S. Treasury Department	1980–1984	S. G. Warburg, Investment Banking Firm
Paul Volcker	U.S. Treasury Department, and Chase Manhattan Bank	1975–1979	Wolfensohn & Co, New York Investment Banking Firm
Alfred Hayes	New York Trust Company	1956–1975	Morgan Stanley
Allan Sproul	San Francisco Federal Reserve Bank	1941–1956	Wells Fargo
George L. Harrison	Federal Reserve Board	1928–1940	New York Life Insurance Company
Benjamin Strong, Jr.	Bankers Trust	1914–1928	Passed away



William Dudley, Current New York Fed President, Former Goldman Sachs Chief Economist 2009–Present (Slated to step down June 2018)

- William Dudley spent his career as the Chief Economist at Goldman Sachs, where he worked for over 20 years.¹⁰²
- Dudley was selected as Fed President by the former head of the New York Fed Board of Directors, Stephen Friedman. At the time, Friedman was also the President of Goldman Sachs.¹⁰³
- Dudley owned AIG stock before the Fed bailed out the insurance firm. Senator Bernie Sanders identified Dudley as the unnamed official described in the GAO report that highlighted this conflict of interest.¹⁰⁴
- In 2017, Dudley recommended Gary Cohn, a former Goldman Sachs executive and current Trump advisor, as the next Fed Chair.¹⁰⁵



Tim Geithner, Former New York Fed President 2003–2009

- Geithner failed to see signs of financial distress during the subprime mortgage crisis and leading up to the global financial crisis. Under Geithner’s leadership from 2006 through mid-2007, the New York Fed did not bring enforcement actions against banks for risky practices. In fact, in early 2007 the New York Fed published an optimistic report on bank risk assessment titled “Large Financial Institutions’ Perspectives on Risk.” Relying on self-reporting from Wall Street executives, the Fed concluded there are “no substantial issues of supervisory concern.”¹⁰⁶

- In August 2007, on the eve of the 2008 crisis, Geithner said “we have no indication that the major, more diversified institutions are facing any funding pressure. In fact, some of them report what we classically see in a context like this, which is that money is flowing to them.”¹⁰⁷
- Geithner resigned amid critiques of the New York Fed’s failure to recognize systemic risks to the financial system and its handling of the emergency lending. Geithner left the New York Fed in 2009 to become Treasury Secretary under President Obama. He is currently President and managing director of the private equity firm Warburg Pincus.¹⁰⁸

Citigroup: A Case Study in the New York Fed’s Regulatory Failure

“I do not think we did enough as [regulators] with the authority we had to help contain the risks that ultimately emerged in [Citigroup].”

— Timothy Geithner, President of the New York Federal Reserve Bank, 2003-2009

In 2008, Citigroup received the largest federal bailout of any Wall Street firm: \$45 billion to keep the company solvent and a guarantee that the Department of Treasury would cover \$500 billion in losses on the company’s toxic assets. Leading up to and during the financial crisis, the New York Federal Reserve failed to use the supervisory tools at its disposal with Citigroup—the largest firm the New York Fed supervised.

In 2005, the New York Fed banned Citigroup from buying First American Bank or from making any new acquisitions. At the time, the New York Fed said Citigroup needed tighter internal controls and better regulatory compliance. The Fed later lifted the ban in 2006, based on Citigroup assurances it had improved compliance practices.¹⁰⁹ The Fed also ended a public-enforcement agreement that required Citigroup to improve its risk management and file regular reports with the Fed. The Fed previously issued a cease and desist order against CitiFinancial in 2004 for predatory lending abuses which was later lifted in 2006.

Immediately after, Citigroup, which was already a leading lender of subprime mortgages, nearly doubled its risky subprime investments and collateralized debt obligations. This increased the firm’s financial volatility and significantly increased the size of bailouts eventually paid by the federal government to insure Citigroup’s financial solvency.¹¹⁰ In addition to the Treasury bailouts, Citigroup sold \$32.7 billion of commercial paper (also known as short-term debt) to the Fed’s Commercial Paper Funding Facility (CPFF).¹¹¹

The failures of the New York Federal Reserve to use the full extent of its regulatory and supervisory power, such as in the case of Citigroup, contributed to a failure to prevent the financial crisis. As the data underscores, this failure had a devastating impact on workers that continues to this day. The people most affected by the financial crash cannot afford for the New York Federal Reserve to make the same mistakes that it has in the past. It is more important than ever to appoint a diverse Federal Reserve President who is independent from the financial system and accountable to the American people.

Conflicts of Interest Pervasive in the New York Federal Reserve Board of Directors

In addition to New York Fed Presidents, many former Board Members played pivotal roles during the financial crash and had serious conflicts of interest that later came to light:



Stephen Friedman, former member of Goldman Sachs Board of Directors and the former chairman of the New York Fed Board

In 2008, the New York Fed approved an application from Goldman Sachs to become a bank holding company. This enabled the investment bank to access cheap Federal Reserve loans. Goldman Sachs became a bank-holding company while Stephen Friedman was 1) the Chairman of the New York Fed, 2) on Goldman Sachs' Board of Directors, and 3) owned shares in Goldman's stock. As an investment bank, Goldman Sachs had been outside the supervisory authority of the Federal Reserve; however, in becoming a bank holding company, Goldman now fell under the Federal Reserve's regulatory oversight and Friedman's affiliation with Goldman Sachs was now prohibited by the Federal Reserve's conflict of interest regulations. As a result, Friedman requested a waiver from the Fed's conflict of interest rules in late 2008 that was approved in early 2009. While the waiver was not publicly disclosed, the Federal Reserve cited the difficulty of finding a new Fed chairman during a financial crisis and the "unexpected and unforeseen" events as the rationale.

After receiving a waiver, Friedman continued to purchase Goldman stock (37,300 additional shares) from October 2008 through January of 2009. The Federal Reserve was unaware that Friedman continued to purchase Goldman's stock after his waiver was granted. He ultimately resigned in May 2009 amid concerns of wrongdoing, which Friedman described as "mischaracterizations" in his resignation letter. At the time of his resignation, the additional Goldman shares Friedman purchased had risen by \$1.7 million in value.¹¹²



Jamie Dimon, the CEO of J.P. Morgan Chase and former Board Director at the New York Fed

Dimon served on the Board of the New York Federal Reserve Bank at the same time that his bank received emergency loans from the Federal Reserve (\$391 billion in total). J.P. Morgan Chase was used by the Fed as a clearinghouse for the Fed's emergency lending programs at this time. In 2008, the Federal Reserve provided J.P. Morgan Chase the \$29 billion in necessary financing to acquire Bear Stearns. Dimon convinced the Federal Reserve to take risky mortgage-related assets off of Bear Stearns' balance sheet before the J.P. Morgan Chase acquisition. During this time period, Jamie Dimon was also successful in pushing the Fed to provide J.P. Morgan Chase with an 18-month exemption from risk-based leverage and capital requirements.¹¹³



Jeffrey Immelt, the CEO of General Electric, and former Board Director at the New York Fed

The New York Federal Reserve Bank consulted with General Electric on the creation of the Commercial Paper Funding Facility. The CPFF was established during the financial crisis to stabilize the commercial paper market, which was under significant strain at the time. New York Fed officials indicated they consulted with companies regardless of board affiliation. The Fed ultimately provided \$16 billion in financing to General Electric under this emergency lending program. This occurred while Immelt was CEO of General Electric and served as a director on the Board of the New York Federal Reserve Bank.

Dodd-Frank Financial Reform & Changing Roles and Authority at the New York Federal Reserve

The financial crisis underscored many weaknesses in the existing regulatory agencies and approaches. The Federal Reserve's unprecedented use of emergency lending powers raised questions on the appropriate role for the Fed and, as a result, the Dodd-Frank Financial Reform Act made significant changes to the role and structure of the Federal Reserve System. Dodd-Frank developed a 15-member Financial Stability Oversight Council (FSOC) that was tasked with monitoring systemically important institutions which, if financial unstable, had the potential to start another financial crisis. For instance, bank holding companies with more than \$50 billion in assets.¹¹⁴ The FSOC is designed to identify and mitigate potential threats to the stability of financial markets, across institutions and at large firms and banks that would pose serious threats if they failed.

In addition, Dodd-Frank narrowed the types of emergency powers the Federal Reserve Board of Governors and New York Federal Reserve could exercise under Section 13(3) of the Federal Reserve Act. The bill establishes disclosure requirements and limits the Fed's ability to extend certain types of credits, in particular to a single company, as was done in the case of AIG bailouts.¹¹⁵ Finally, bankers on each of the 12 Federal Reserve Bank Boards of Directors were no longer tasked with selecting Reserve Bank Presidents, in an attempt to promote greater public accountability over President selection processes.



With the passage of Dodd-Frank, the Federal Reserve System was explicitly tasked with safeguarding the financial stability of the U.S. economy.

With the passage of Dodd-Frank, the Federal Reserve System was explicitly tasked with safeguarding the financial stability of the U.S. economy. The financial crisis highlighted how a fragmented regulatory system failed to see trends and warning signs across many “too big to fail” institutions.¹¹⁶ Dodd-Frank established the Large Institution Supervision Coordinating Committee (LISCC) to centralize bank supervision under the Fed Board of Governors in Washington, D.C. This had the biggest implications for the New York Fed's mandate and role. The LISCC shifted some authority away from the regional Banks to D.C., where the Board of Governors could develop a broader view of potential risks. Under LISCC, the New York Federal Reserve now jointly supervises many large global firms including: the Bank of New York Mellon Corporation, Barclays, Citigroup, Credit Suisse Group, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, and UBS.¹¹⁷ Of the 16 members of the LISCC, three members are New York Fed representatives.

While the LISCC is responsible for bank supervision, it delegates important bank supervision to regional Fed Banks which still have a powerful role to play in enforcing banking regulations in their districts, and in particular for the New York Fed, regulating Wall Street.¹¹⁸ The financial firms that contributed to the financial crisis continue to flout regulations. Since 2009, the Federal Reserve Board of Governors and New York Federal Reserve Bank have taken 36 public enforcement actions against firms in the New York district. This

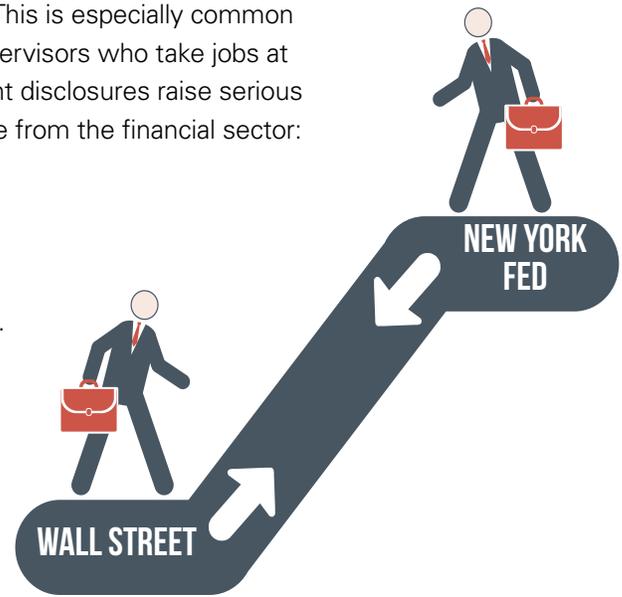
has included 1.2 billion in fines, 1.3 billion in a settlement fund for mortgage borrowers, and \$2 billion for a fund to support foreclosure prevention.¹¹⁹ Many firms continue to take similar risks to those that led to the financial crisis which makes regulation and supervision more vital than ever.

The New York Fed's Revolving Doors and Regulatory Capture

Regulatory capture happens when a regulator serves the interests of the firms or industry they are regulating, rather than the public interest. This is especially common in banking where there can be a revolving door of bank supervisors who take jobs at firms they had previously supervised.¹²⁰ Recent government disclosures raise serious questions on the New York Federal Reserve's independence from the financial sector:

- Among the 514 New York Fed bank examiners hired between 2011 and 2016, one in four (25 percent) came from financial industry firms. 10 percent came from the large Wall Street banks now jointly supervised by LISCC.
- Of the 143 bank examiners who left the Fed between 2011 and 2016, 48 percent went to work in the financial industry again. Specifically, 24 percent went to work for the large Wall Street banks supervised by LISCC.¹²¹

Source: U.S. Government Accountability Office



How to Prevent Conflicts of Interest Moving Forward

In 2016, Representative Maxine Waters of the House Financial Services Committee and Representative Al Green of the Subcommittee on Oversight and Investigations requested the U.S. Government Accountability Office investigate regulatory capture and the Fed's actions between January 2008 and January 2015.¹²²

The Government Accountability Office report which was published in November 2017, highlighted the Federal Reserve System's current shortcomings and recommendations for improvement.

More consistent implementation of existing Federal Reserve ethics and conflict of interest policies.

- According to the report "Federal Reserve employees at all Reserve Banks and the Board of Governors are subject to ethics policies that implement federal conflict-of interest laws and regulations, as well as other policies that the Board and Reserve Banks have developed to apply to employees with specific roles and responsibilities."¹²³ While policies are on the books, the Fed needs to take proactive steps to enforce them.

Ensure Ethics officials review all conflict of interest disclosures prior to a bank examiner being placed at a financial institution.

- The New York Fed does not have a procedure in place for Ethics officials to review an individual staffer's conflict of interest disclosure before they are assigned to new examinations. This process is an important safeguard to ensure bank examiners are only placed firms where they have no potential conflict of interest.

Ensure sufficient training of New York Federal Reserve staff on conflict of interest policies and each staff person's responsibilities

- The report found the New York Fed “lacked sufficient training of supervision managers or staff about conflict-of-interest requirements and staff compliance responsibilities.”¹²⁴

Improve electronic tracking of bank examiners past and future employment to document the revolving door with Wall Street

- The New York Fed have their own electronic database to track the past or future employers of any Fed employee who enters or leaves the bank, however, 38 percent of New York Fed bank supervisors who left between 2011-2016 did not disclosure their future employer.¹²⁵

Conclusion

Our financial system will be open to systemic risk as long as people affiliated with institutions regulated by the Federal Reserve continue to occupy Fed leadership positions. The 2008 financial crisis highlighted the failure of regulators at the New York Federal Reserve Bank to secure our financial markets and to properly supervise Wall Street banks. The Fed's unprecedented use of emergency lending to bail out failing Wall Street banks raised serious concerns about transparency within the Fed, heightened by the pervasive conflicts of interest among the New York Fed's leadership. The New York Federal Reserve must select a new President who will put the interests of the public before Wall Street. This would be one of the most immediate and direct steps to mitigate conflict of interest risks and promote a culture of transparency and accountability at the New York Fed.

Given the prolonged negative impacts of the Great Recession, the New York Federal Reserve Bank must choose a President who is committed to helping the millions still struggling with the aftermath of the last crash and prevent a future financial crash from happening. As the report underscored, critical economic indicators show the reality that American families are struggling. The last decade has seen skyrocketing inequality, stagnant wages that have not kept up with inflation, a rise in involuntary part-time work, a widening racial wealth gap, higher rates of poverty, a decrease in homeownership, elevated rates of foreclosures and mortgage delinquencies, and record-high levels of consumer debt. In particular, Black and Latino workers and families face enormous barriers and are disproportionately impacted by all these challenges. The Fed must continue stimulating the economy until the full range of economic indicators reach their pre-recession levels and all people—including Black and Latino communities—benefit from sustained economic growth over the next ten years and beyond.



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