

# The First 100 Days and Beyond

## Data-Driven Policies to Support Inclusive Economic Recovery and Equitable Long-Term Growth

February 2021

### Executive Summary

The COVID-19 pandemic has caused unprecedented health and economic consequences. Existing structural barriers in the U.S., made worse by the current crisis, have created profound racial inequalities—straining families' economic mobility and restricting the U.S. economy. As decision-makers continue to develop policies and programs that support households and small businesses facing economic hardship and work toward an equitable recovery, we highlight research from the [JPMorgan Chase Institute](#) and the work of the [JPMorgan Chase PolicyCenter](#) to describe data-driven recovery policies to provide immediate support to those most impacted, as well as longer-term policies to increase the financial health and stability of households and small businesses.

#### **Support continued economic relief to address the immediate impacts of COVID-19 on households, small businesses, and communities.**

As policymakers are currently considering the ongoing impact of the pandemic and additional relief measures, including the appropriate level and calibration, they should incorporate the following solutions in the relief package:

- **Policymakers should continue to extend and supplement unemployment benefits in order to support financial stability among jobless workers.** [JPMorgan Chase Institute \(Institute\) research](#) found unemployment benefits played an important role in maintaining household spending and wider macroeconomic stability and [found little evidence](#) that elevated levels of unemployment benefits discouraged jobless workers from returning to work.
- **Policymakers should consider flexible small business programs to address diminished expenditures on non-payroll expenses.** The [Institute found](#) that Paycheck Protection Program proceeds were typically enough to cover 3.8 weeks of typical expenses. While these efforts provided much-needed support to small businesses, [expenses across the sector remained materially lower in September 2020 than they were a year prior](#), suggesting that small businesses may be deferring payments to maintain cash liquidity and may be less well positioned for a recovery than financial health measures may indicate. Additional small business aid may be necessary to support businesses disproportionately impacted by COVID-19 that have deferred expenses but face looming challenges as payments come due.
- **Depending on the pace of recovery, policymakers should consider additional rental assistance funding to stabilize families facing continued economic hardship.** Institute research has found that even after accounting for government income supports in the form of expanded unemployment insurance (UI) and stimulus checks, almost one in four renters experienced a greater than 10 percent drop in total income, larger than the fraction experiencing a drop of this magnitude pre-COVID. Mortgage holders had similar likelihood to experience such a drop but had mortgage forbearance as an additional safety net.

## Support longer-term household and small business financial health and resilience and ensure an equitable economic recovery.

- **Policies and programs that support increasing cash buffers to withstand financial volatility can improve families' overall financial health and resilience.** Families need [roughly six weeks of take-home income](#) in liquid assets to weather a simultaneous income dip and expenditure spike. Sixty-five percent of families across age and income groups didn't have enough in their checking or savings accounts pre-pandemic to weather such an event.
- **Policies and programs that reform unemployment insurance programs, expand benefits for workers, and strengthen wages are necessary to support changing economic conditions and an evolving labor market.** [Institute research](#) finds that in normal times, UI mitigates the drop in spending families exhibit when they experience job loss, especially those with limited liquid assets prior to job loss. However, growth in the [Online Platform Economy](#) and contingent work more broadly underscores the importance of expanded unemployment insurance during the pandemic and on a go-forward basis.
- **Policies and programs that boost income and liquid assets and address the underlying challenges Black and Latinx families face within the labor market can help close racial gaps in financial outcomes.** For every dollar the median White family earns, [the median Black family earns just 71 cents](#), and the median Latinx family earns 74 cents, and racial gaps in liquid assets are twice as large. The [Institute estimates](#) that a liquid asset buffer of roughly \$5,000 to \$6,000, considerably more than the \$1,000 to \$1,500 than the median Black and Latinx family has, might enable Black and Latinx families to sustain their typical consumption levels through a job loss or major cash-flow event.
- **Policies and programs that promote equitable labor and financial outcomes can help close the gender wealth gap.** Compared to White men, [Black and Latinx women earn just 58 and 59 cents on the dollar](#), respectively. For every dollar held by White men in liquid assets, Black women have just 26 cents and Latinx women have 37 cents. Additionally, women-owned businesses [represent only 18 percent](#) of small businesses that rely substantially on external financing.
- **Policies and programs that expand access to affordable housing and homeownership for underserved communities and provide necessary support to weather economic uncertainty provide important supports for cost-burdened households of color.** Institute research has found that renters were more likely than homeowners to have experienced job loss during the COVID-19 pandemic. Also, homeowners in forbearance not only had lower labor income and much lower levels of liquid assets than those not in forbearance but also experienced larger drops in their income and were more likely to have received jobless benefits.
- **Policies and programs that target relief efforts at those most burdened by student loan debt remain a critical component of continued student loan policy solutions.** [One in four families is obligated to pay 7 percent or more](#) of their take-home income on student loans, more than what families typically spend on key categories of necessities, like out-of-pocket healthcare expenses and fuel. Compared to White and Latinx student loan borrowers, Black borrowers are less likely to be making progress on their loans and more likely to face a student debt “trap,” exhibiting larger payment shortfalls and an increase in their loan balances over time.
- **Policies and programs that boost cash liquidity and support small businesses in developing and maintaining a cash buffer will allow businesses to better weather financial shocks.** Prior to the pandemic, [half of small businesses](#) had enough cash liquidity to cover roughly two or fewer weeks of expenses in the case of a disruption to inflows and many had irregular cash flows.

# Introduction

Last year the world turned its attention to the COVID-19 global pandemic, a dual public health and economic crisis that had profound impact on households and small businesses and continues to constrain economic activity in unprecedented ways. In recognition that a successful, equitable economic recovery needs to go beyond a return to pre-pandemic baselines, JPMorgan Chase harnessed its expertise in business, research, policy, and philanthropy to identify and develop key policy considerations to support the economic recovery of households, small businesses, and communities. We draw on learnings from [JPMorgan Chase Institute](#) research and the work of the [JPMorgan Chase PolicyCenter](#). Below, we describe data-driven policies to provide immediate support to those most impacted, as well as longer-term policies to increase the financial health and stability of households and small businesses.

## Policies to support continued economic relief to address the immediate impacts of COVID-19 on households, small businesses, and communities

The pandemic shut down large sectors of the economy deemed “non-essential,” and social distancing restrictions all but prohibited the consumption of certain goods and services, leaving millions of workers jobless and impacting small businesses’ ability to operate. The U.S. government responded to the crisis with massive aid programs which issued stimulus payments to over a hundred million Americans, increased unemployment benefits, offered mortgage forbearance to homeowners, and extended cash liquidity to small business owners.

In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, providing \$2.2 trillion in economic stimulus and relief. In December 2020, Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 aimed at extending provisions of the CARES Act and providing additional stimulus and relief. The Biden Administration has proposed an additional \$1.9 trillion rescue package to combat the economic downturn and the COVID-19 crisis through additional funding for vaccine development,

state and local aid, additional direct funding to individuals, more generous unemployment benefits, and federally mandated paid leave, and Congress is currently considering additional legislative relief measures.

Below, we describe how households and small businesses were impacted by the pandemic, assess the impacts of the initial CARES Act funds, and note key considerations as Congress considers immediate relief measures in the near-term and policymakers continue to support an equitable long-term recovery.

---

### As policymakers monitor the ongoing impact of the pandemic and more recent relief measures, continuing to extend and supplement unemployment benefits can support financial stability among jobless workers.

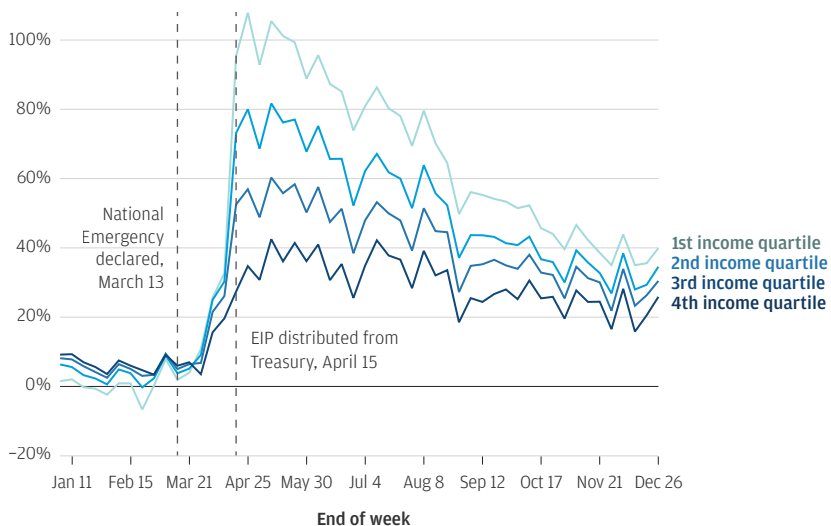
[JPMorgan Chase Institute](#) research finds that while the CARES Act resulted in elevated cash balances for families for much of 2020, median balances fell in the latter part of the year, suggesting that the “typical” family is spending down the cash buffer they accumulated at the onset of COVID-19. The median family’s checking account balance increased

by 65 percent after the arrival of the Economic Impact Payments in April 2020 and fell continuously between May and the end of the year, precipitously so for lower-income families. Peak year-over-year balance increases in the spring were largest for low-income households—roughly 100 percent—but fell the most, to roughly 40 percent by the end of

December. In contrast, balances for high-income households increased in May by roughly 40 percent relative to 2019 and experienced a more modest decline to roughly 25 percent by the end of the year. Put differently, by the end of 2020, the highest earners had lost 38 percent of their gains relative to the prior year, while the lowest earners had lost 60 percent of their gains.

Roughly [18 million](#) Americans are collecting some form of unemployment insurance, including two-thirds through programs created by the CARES Act, and jobless claims remain above pre-pandemic records. [Unemployment benefits played an important role](#) in maintaining household spending and wider macroeconomic stability. Expanded unemployment benefits boosted the spending of jobless workers higher than the employed, but when the \$600 benefit supplement provided by the CARES Act expired in August 2020, spending by the unemployed declined by roughly 20 percent. While spending among the unemployed rose again in September when they received Lost Wages Assistance, it returned to pre-pandemic levels by the end of October. The high levels of income and expense volatility

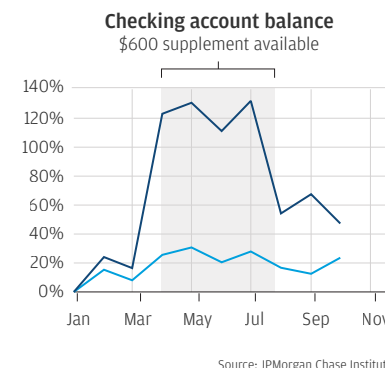
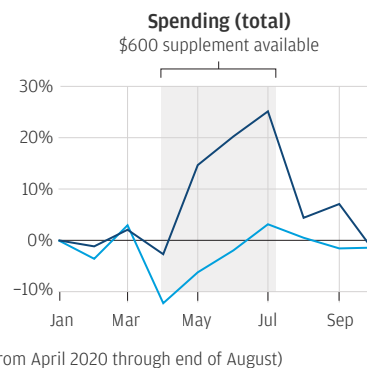
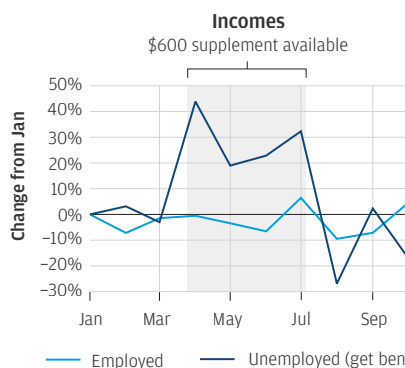
**Year-over-year percent change of median household checking account balances by income quartile**



Source: JPMorgan Chase Institute

observed in [Institute research](#) and the difficulties many families report experiencing in covering emergency expenses underscores the importance

of a sufficient cash buffer. For every dollar of unemployment insurance received, [jobless workers spent between 29 and 43 cents](#).



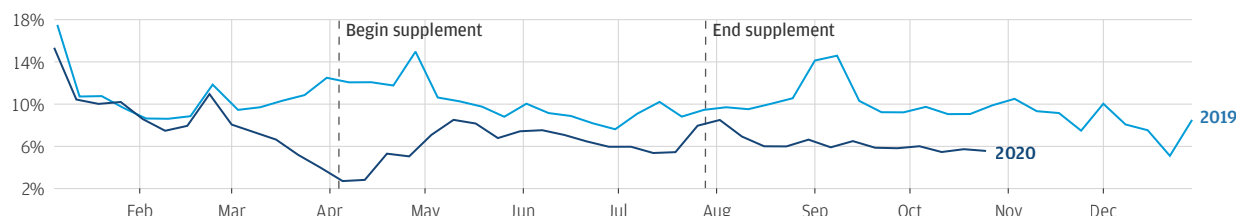
Source: JPMorgan Chase Institute

[Institute research](#) also found little evidence that elevated levels of unemployment benefits discouraged jobless workers from returning to work. Many jobless workers returned to their former employer even when the

\$600 supplement was still in effect. Importantly, almost half of jobless workers are facing long-term unemployment, and many others are facing repeat unemployment. This is particularly noteworthy since [roughly thirty](#)

[percent](#) of unemployment benefit recipients have at least one dependent child and therefore it is not just the welfare of the jobless worker but also the welfare of other family members that are impacted when benefits lapse.

**Weekly exit rate from unemployment benefits**



Source: JPMorgan Chase Institute

Unemployment benefits do not reach all pockets of need, especially those who remain employed but face income losses or are otherwise ineligible for or not receiving jobless benefits. In this case, targeted stimulus payments can boost spending, especially among lower income families. It is worth noting, as we show above, that the typical family still had elevated balances heading into the end of 2020, before the arrival of the second round of \$600 checks. Moreover, we are at the start of tax season, and [in a typical year prior to the pandemic](#), on average families' tax refunds are

equivalent to six weeks income and last far beyond tax season, fueling spending and saving for more than half the year. However, millions of households who received unemployment insurance in 2020 may receive smaller tax refunds than expected—or owe taxes—because unemployment income is subject to federal (and in most cases state) income tax, and taxes may not have been withheld from benefits. On the other hand, some families may receive a larger refund than usual if their tax withholdings were calibrated to a higher income level than they ended up earning in 2020.<sup>1</sup>

While COVID-19 remains out of control and unemployment rates high, policymakers should extend additional weeks of support for people who exhaust their benefits; continue Pandemic Unemployment Assistance (PUA) for people who do not qualify for the regular UI system; maintain a federal supplement to the regular weekly benefit levels in these programs. Policymakers should also provide continued resources to state and local agencies implementing benefit programs to help modernize UI systems, as further noted below.

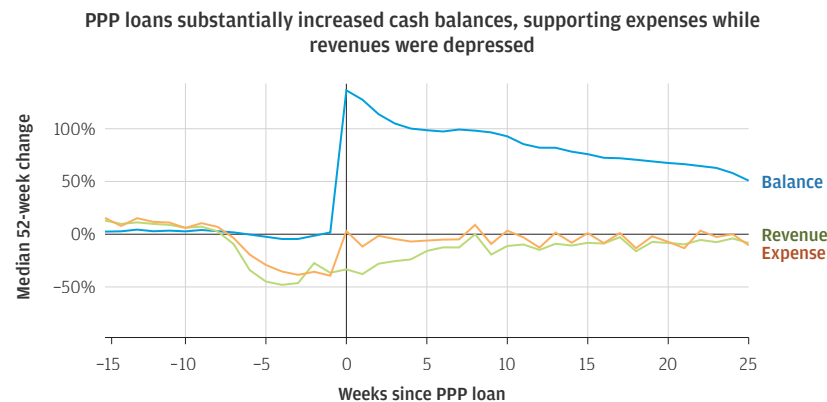
### Additional small business aid may be necessary to support businesses disproportionately impacted by COVID-19 that have deferred expenses but face looming challenges as payments come due.

The Paycheck Protection Program (PPP) has been an unprecedented effort to provide liquidity to and support the payroll of small businesses. Along with other COVID-19 relief efforts, these programs helped bolster small businesses' cash balances. Using data to assess outcomes of businesses that received PPP loans in May and July 2020 through Chase and other lenders, the [Institute found](#) that the proceeds were typically enough to cover 3.8 weeks of typical expenses. Notably, among those businesses that received PPP, funding, balances

increased by 136 percent, supporting an immediate increase in expenses.

While these efforts provided much-needed support to small businesses, [expenses across the sector remained materially lower in September 2020 than they were a year prior](#), suggesting that small businesses may be deferring payments to maintain cash liquidity. A sector with depleted assets or growing accounts payable may be less well positioned for a recovery than basic financial health measures may indicate.

The CARES Act PPP funding, designed to support payroll, provided an important financial support to small businesses, and it was critical to have an additional round of relief through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 signed in December. While the most recent PPP funding expanded the types of small businesses that can apply as well as covered expenses, policymakers should consider the full scope of expenses small businesses face, since the majority of small businesses are nonemployers. Additional relief measures should be targeted to those businesses hardest hit by COVID-19, with a focus on the needs of underserved markets and ensuring that the appropriate level of resources is made available until the end of the pandemic.



Note: Sample includes firms receiving PPP loans in May 2020.

Source: JPMorgan Chase Institute

<sup>1</sup> As part of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 passed by Congress in December 2020, tax filers can use their 2019 or 2020 earned income to maximize their refund/tax credits.

## Additional rental assistance may be necessary to stabilize families facing continued economic hardship.

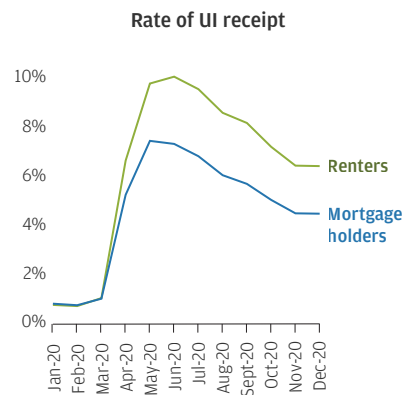
Unemployment-induced economic instability [has disproportionately impacted renters](#) who are more likely to be employed in industries and jobs where there have been significant COVID-related layoffs and are less likely to have a savings cushion that would help them to safely weather the economic shock of long-term unemployment, and unemployment benefits play an [important role in renter housing stability](#).

The CARES Act included a limited ban on evictions which protected at-risk families until July 24, 2020; subsequent

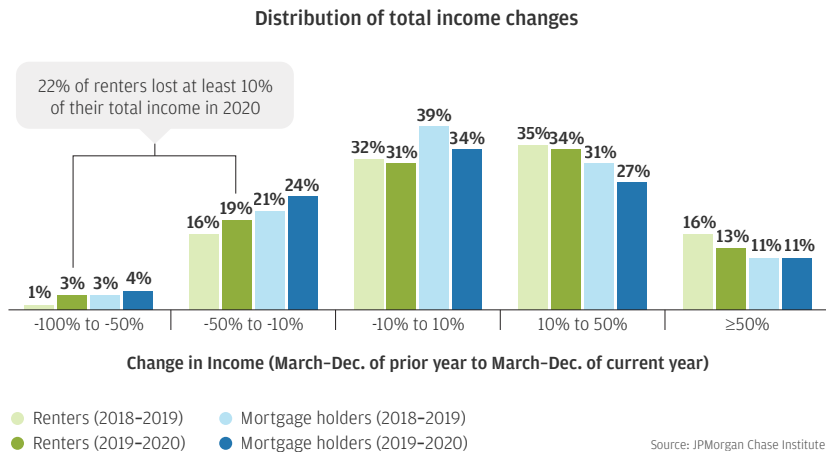
CDC guidance has extended national moratoria through March 31, 2021. In December 2020, Congress passed legislation to fund \$25 billion in rental assistance through the Emergency Rental Assistance Program to cover current or past due balances.

Institute research compared the financial outcomes of renters versus homeowners during the COVID crisis and through the expiration of supplemental UI benefit payments and found that renters were more likely than homeowners to have experienced job loss. Also, even after accounting for

generous government income supports in the form of expanded UI and stimulus checks, almost one in four renters experienced a greater than 10 percent drop in total income, which is greater than the fraction experiencing a drop of this magnitude pre-COVID. Mortgage holders had similar likelihood of experiencing such a drop in income but had mortgage forbearance as an additional safety net. Indeed, a larger fraction of mortgage holders with total income drops opted into mortgage forbearance than mortgage holders with stable or increasing income in 2020.



Source: JPMorgan Chase Institute



Source: JPMorgan Chase Institute

Data from the December 2020 [Census Bureau Household Pulse Survey](#) show that 17.6 million adults in rental housing—nearly 1 in 3 renters—report little or no confidence in their ability to pay next month's rent, with households of color reporting far higher rates of uncertainty compared to the national average. Current estimates for unpaid rent range from \$34 billion to \$70 billion, and the amounts continue to rise. The Urban Institute [estimates](#) that between \$12 to \$13 billion per month is needed to ensure housing stability for renters.

### POLICY

In December Congress passed the Consolidated Appropriations Act of 2021, provided \$25 billion in needed relief to renters for back payment of delinquent rent. Depending on the pace of the recovery, additional rental assistance funding may be needed and should consider geography-specific cost of living when disbursing assistance. Expanding both long-term and emergency assistance in conjunction with reasonable renter protections will provide the greatest level of stability for tenants and landlords. In the immediate-term this approach should combine funding for rent relief programs that help to eliminate the threat of economically induced eviction with housing counseling and eviction diversion programs.

- *Housing Choice Vouchers* - Longer-term, policymakers can help to stabilize renter households by expanding rental assistance including Housing Choice Vouchers, potentially through expansion of qualification criteria. Such programs are designed so local housing agencies can administer assistance based on local market conditions, making them more efficient and impactful in the current environment to support families that continue to experience economic hardships.

# Policies to support longer-term household and small business financial health & resilience and ensure an equitable economic recovery

The COVID-19 crisis has worsened structural barriers in the U.S. and exacerbated profound racial and socioeconomic inequalities—straining families’ economic mobility and restricting the U.S. economy. Additionally, early outcomes show that the financial and

labor market impacts of the pandemic have [affected women more acutely](#). A successful, equitable economic recovery needs to go beyond a return to pre-pandemic baselines. Longer-term policies that improve financial health and resilience and address the

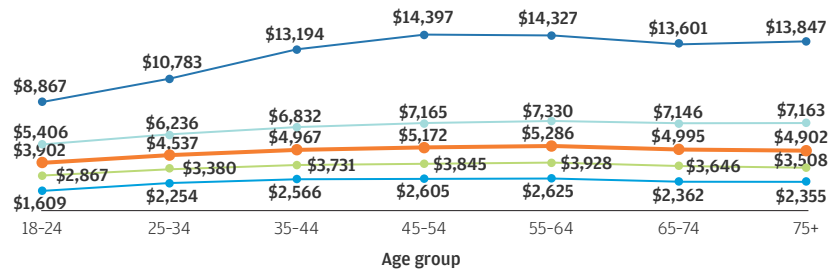
underlying challenges faced by disadvantaged groups, including Black and Latinx households and business owners, can help close gaps in financial outcomes that have widened due to the pandemic.

## 1. INCREASING CASH BUFFERS TO WITHSTAND FINANCIAL VOLATILITY CAN IMPROVE FAMILIES’ OVERALL FINANCIAL HEALTH AND RESILIENCE.

[Institute research](#) shows that most families see large income fluctuations during the year, making it hard to manage expenses or prepare for emergencies, and low-income families experience income dips more frequently and in larger magnitude. Families need roughly six weeks of take-home income in liquid assets to weather a simultaneous income dip and expenditure spike. Sixty-five percent of families across age and income groups didn’t have enough in their checking or savings accounts pre-pandemic to weather such an event. To see how much of a cash buffer a person at a specific income level and age needs, reference the JPMorgan Chase Institute’s [data visualization](#).

Families can experience a mismatch between income and spending fluctuations on a month-to-month basis. Therefore, the conventional wisdom of saving a flat percentage of income each month may leave a family with an inadequate cash buffer, exacerbating financial distress in months with an income dip and resulting in under-saving during months with an income spike.

Size of typical simultaneous income dip and expenditure spike (median dollar amount deviation from baseline income)



Income quintile: — 1st Quintile — 2nd Quintile — 3rd Quintile — 4th Quintile — 5th Quintile

Note: We calculate income quintiles by year. For simplicity, we note the cutoff points by quintile across all years here: Income quintile ranges: Quintile 1: < \$29K, Quintile 2: \$29K-\$43K, Quintile 3: \$43K-\$61K, Quintile 4: \$61K-\$95K, Quintile 5: >\$95K.

Source: JPMorgan Chase Institute

### POLICY

Promote [policies that incentivize savings](#) to help families weather a financial shock, such as side car savings accounts and preferable tax treatment without penalizing federal benefit access for low-income savers, as well as asset-building tools, such as seeding baby bonds to build wealth. Other efforts to reduce income volatility may include expanding unemployment insurance benefits and ensuring access to workplace benefits and protections such as paid sick and family leave and a predictable work schedule. They could also include distributing tax credits and withholding throughout the tax year.

- *Asset limits* - Many income and work supports have eligibility requirements that come with restrictive asset limits, penalizing savings and home ownership and making it difficult for families to achieve economic security and get the help they need during an economic downturn or an unexpected expense or income disruption. [Research](#) finds that reforming asset tests lowers barriers to long-term self-sufficiency and creates greater administrative efficiencies and savings.

## 2. SUPPORTING WORKERS BY ENHANCING BENEFITS AND TRAINING, STRENGTHENING WAGES, AND REFORMING UNEMPLOYMENT INSURANCE PROGRAMS IS NECESSARY TO SUPPORT A CHANGING LABOR MARKET AND ECONOMIC CONDITIONS.

A rapidly changing economy requires foundational, digital and industry-specific technical skills in order to access good jobs. According to some [estimates](#), by 2030, more than 30 percent of the U.S. labor market and 375 million workers globally will need to change jobs or upgrade their skills significantly to continue to advance within the workforce.

Roughly 18 million Americans are currently claiming UI benefits, including two-thirds through programs created by the CARES Act. For example, the CARES Act created the Pandemic Unemployment Assistance program which expanded eligibility to UI to contingent workers. Even before the pandemic, unemployment insurance benefits played a critical role in mitigating the financial impacts of job loss. [Institute research](#) finds that in normal times, UI mitigates the drop in spending that families exhibit when they experience job loss, especially among families with limited liquid assets prior to job loss. However, growth in the [Online Platform Economy](#) and contingent work more broadly underscores the importance of the newly created Pandemic Unemployment Assistance (PUA) not just during the pandemic but on a go-forward basis. As noted earlier, Institute research has also shown the importance of supplemental UI benefits for renters, who were more likely than homeowners to have experienced job loss and large drops in income.

Additionally, the COVID crisis exposed the fragmented nature of our state-run unemployment insurance systems, with levels, durations, and eligibility requirements of jobless benefits varying by state. States faced technical

and operational difficulties in meeting the high volume of claims and the policy goal of tailoring benefit levels to achieve desired income replacement rates. As a result, the CARES Act, under the Federal Pandemic

Unemployment Compensation program, enacted a standard \$600 weekly supplement, [resulting](#) in replacement rates exceeding 150 percent for many low-income workers when a more tailored approach was desired.

### POLICY

- Reforming UI eligibility requirements to reflect today's labor market would expand the positive impacts of UI considerably, particularly among those with limited liquid asset buffers. Unemployment insurance reforms to modernize the system would include the technical capability to tailor benefit levels to the applicants, pre-job loss earnings, expanded eligibility criteria to reflect labor market trends, and automatic on and off triggers based on economic conditions, including individual state unemployment rates.
- *Short-time compensation programs* - The federal government should support labor force attachment by providing funding for states' short-time compensation programs, including additional weeks of benefits, and support the expansion to all 50 states.
- Ensure access to workplace benefits and protections, such as [paid family and medical leave](#), are available to as many working Americans as possible. As policymakers weigh approaches to improve the pay, benefits, and protections of workers, it is important to consider separately the needs of workers who intend to use platforms or other gigs as a primary source of income over the long-term versus those who intend to use them as a temporary income-smoothing tool. JPMorgan Chase supports [piloting portable benefits](#) tied to and that move with the worker regardless of employer, as well as employee financial wellness programs.
- JPMorgan Chase is making philanthropic [investments in local education and job training programs](#) that are proven to help more people, such as women, people of color, veterans, and returning citizens, secure in-demand, good jobs. Through its [New Skills at Work](#) program, JPMorgan Chase is making investments and advocating for policy solutions that expand access to economic opportunity and educational pathways. These investments will scale programs where educators and business leaders work together to better align education with the skills, credentials, and competencies demanded by the careers of today and tomorrow. Specifically, the firm will make new investments in community colleges, which serve more than one-third of undergraduate students today and are the largest job training providers in most U.S. communities.



### 3. POLICIES AND PROGRAMS THAT BOOST INCOME AND LIQUID ASSETS AND ADDRESS THE UNDERLYING CHALLENGES BLACK AND LATINX FAMILIES FACE WITHIN THE LABOR MARKET CAN HELP CLOSE RACIAL GAPS IN FINANCIAL OUTCOMES.

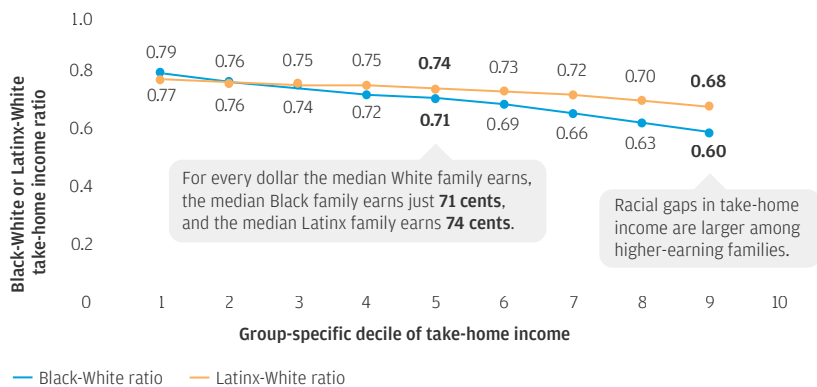
There are [large racial gaps](#) in take-home income and liquid assets that persist across age, income, gender, and geography. For every dollar the median White family earns, the median Black family earns just 71 cents, and the median Latinx family earns 74 cents. Racial gaps in liquid assets are twice as large. For every dollar of liquid assets held by White families, the median Black family has just 32 cents, and the median Latinx family just 47 cents.

After involuntary job loss, an event that is especially prevalent now due to business closures and layoffs, Black and Latinx families cut their everyday spending (e.g. groceries, household products) more than White families. When families experience a \$500 decline in monthly income as a result of job loss, Black and Latinx families reduce their monthly spending by roughly \$230 and \$215, respectively—a \$75 to \$90 larger cut in spending than White families make (\$140), resulting in perhaps one less trip to the grocery store per month.

However, racial gaps in consumption smoothing disappear when we account for the racial gaps in liquid and financial asset buffers. Black and Latinx families don't start in the same financial position as White families and thus, when faced with a negative income shock, they cut their consumption more. If all families started with the same financial footing, they would respond similarly in the face of volatility.

The [Institute estimates](#) that a liquid asset buffer of roughly \$5,000 to \$6,000—as a form of “private insurance”—might enable Black and Latinx families to sustain their typical consumption levels through a job loss or major cash-flow event. This is considerably more than the \$1,000 to \$1,500 that the median Black and Latinx family has.

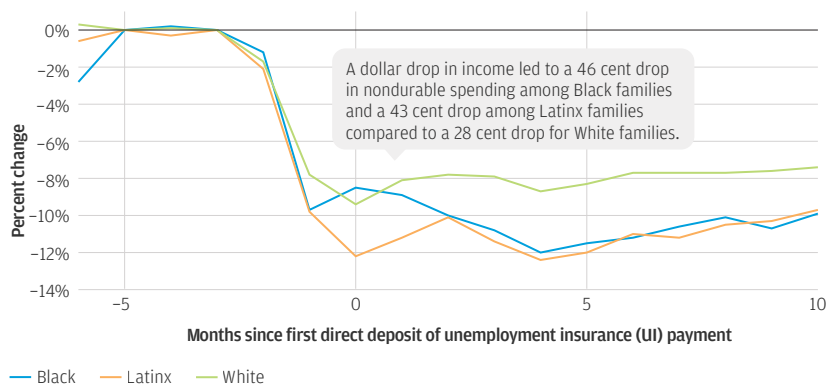
**Black-White and Latinx-White ratios of annual take-home income (2018), by group-specific decile of take-home income**



Note: Take-home income reflects the income after taxes and other payroll deductions that is deposited into one's checking account, which includes labor income, government benefits, tax refunds, capital and retirement income, ATM deposits, check deposits, and other electronic deposits.

Source: JPMorgan Chase Institute

**Ratio of non-durable spending to five months prior to first unemployment insurance (UI) receipt**



Note: Unemployment insurance (UI) refers to UI payments direct deposited into the checking account, labor income only includes inflows to the checking account identifiable as labor income, and non-durable spending refers to expenditures on non-durable goods from the checking account and using Chase credit cards. The ratio is relative to month -5 (5 months before first UI payment).

Source: JPMorgan Chase Institute

#### POLICY

To address racial disparities in income and wealth, support policies that boost earnings, improve job-quality, and increase access to good jobs, as well as reduce expenses that disproportionately burden Black and Latinx families. Policies and programs that boost income and address the underlying challenges Black and Latinx families face within the labor market could help to close racial gaps in income in the short run, in addition to efforts to make housing, high-quality childcare, and higher education more affordable as well as employer and government-sponsored supports for asset building, such as baby bonds.

- *Minimum wage* - The federal minimum wage stands at \$7.25 per hour and has not been raised since 2009, creating a substantial decline in purchasing power due to inflation over that period and no longer providing an adequate income to many working Americans who depend on it. Increasing the federal minimum wage will result in a significant raise for [millions of hourly workers](#).
- *Earned Income Tax Credit (EITC)* - Sensible reforms to support low-wage workers include raising the maximum credit and income limit, extending the credit to

childless adults, expanding the age range including by eliminating the age cap, and providing refundable payments more frequently than annually. An expanded EITC and higher minimum wage work together to improve the lives of low-income families, as both the private and public sectors provide additional supports.

- *Second Chance* - Through its [Second Chance initiative](#), JPMorgan Chase supports reducing barriers to employment for individuals with criminal backgrounds—one in three working-age adults—to expand economic opportunity to millions of Americans.

#### 4. POLICIES AND PROGRAMS THAT PROMOTE EQUITABLE LABOR AND FINANCIAL OUTCOMES AND SMALL BUSINESS SUPPORT CAN HELP CLOSE THE GENDER WEALTH GAP.

Women have lower levels of take-home income, spending, and liquid assets than men, with Black and Latinx women facing the greatest inequality. Compared to White men, [Black and Latinx women earn just 58 and 59 cents on the dollar](#), respectively. For every dollar held by White men in liquid assets, Black women have just 26 cents and Latinx women have 37 cents.

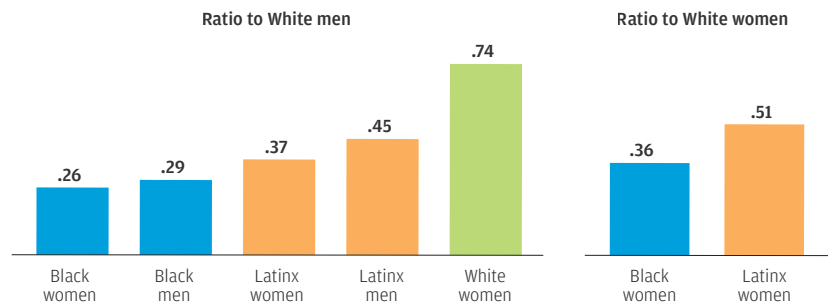
Additionally, the COVID recession has hit women harder than men. Women have experienced increased childcare responsibilities and greater representation in sectors impacted by the pandemic (e.g., service professions). The [unemployment rate for women spiked during the initial shutdowns and remained higher than the unemployment rate for men through September](#), and women have exited the labor force at significantly higher rates.

In terms of small businesses, growth trajectories and financial outcomes vary substantially depending on owner gender. [Women-owned businesses have 34 percent lower first-year revenues](#) than male-owned businesses,

generating \$50,000 in the first year, while male-owned businesses saw \$75,000. Women-owned small businesses are also underrepresented

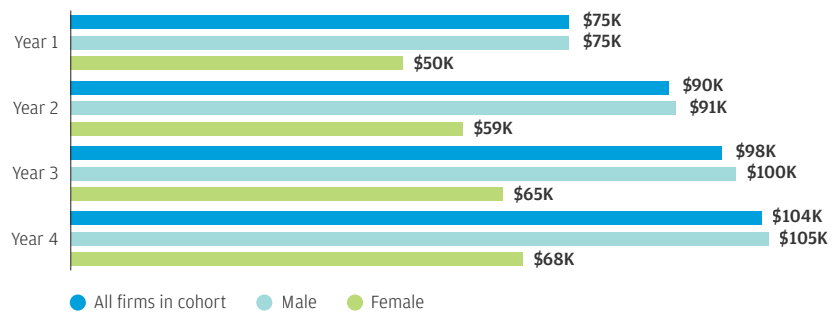
among firms that leverage external financing to drive growth, representing only 18 percent of small businesses that rely substantially on external financing.

Black-White and Latinx-White ratios of median liquid assets (2018), by gender



Source: JPMorgan Chase Institute

Median revenues for small businesses in the 2013 cohort, by gender and year



Note: "All firms in cohort" includes businesses with multiple owners.

Source: JPMorgan Chase Institute

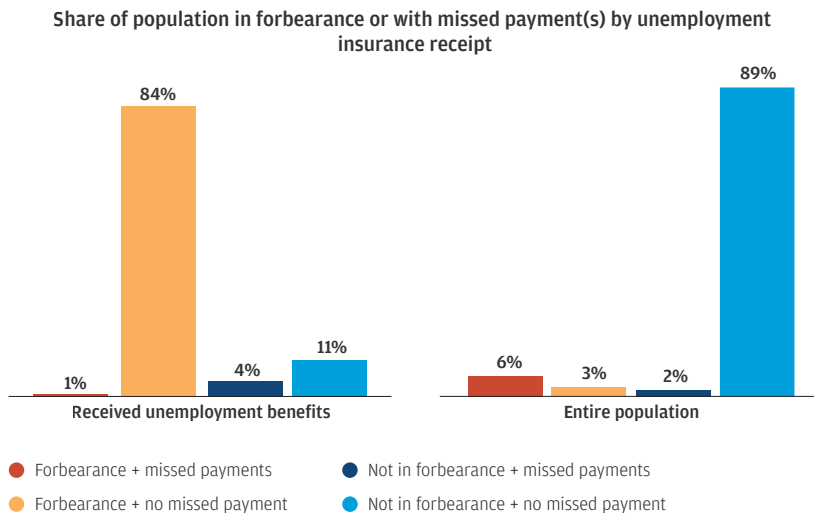
- Provide additional support for working parents, particularly women of color who were disproportionately impacted by the pandemic, including through workplace benefits and wages. Unjustified disparities in compensation are one driver of gender- and race-based wealth and income inequality. [Companies should conduct](#) periodic pay equity reviews and regular pay equity analyses and implement processes to review and close these gaps.
- Programs that help women start larger businesses and grow their businesses could have a material

impact on the U.S. economy. Women-owned businesses are just as likely to survive as male-owned businesses, but they start smaller and stay smaller due to lower revenue growth, resulting in lower relative impact on the economy. If women-owned businesses started with the same revenue levels as their male-owned counterparts and experienced the same levels of revenue growth, they would substantially increase the overall economic contributions of the small business sector to the U.S. economy.

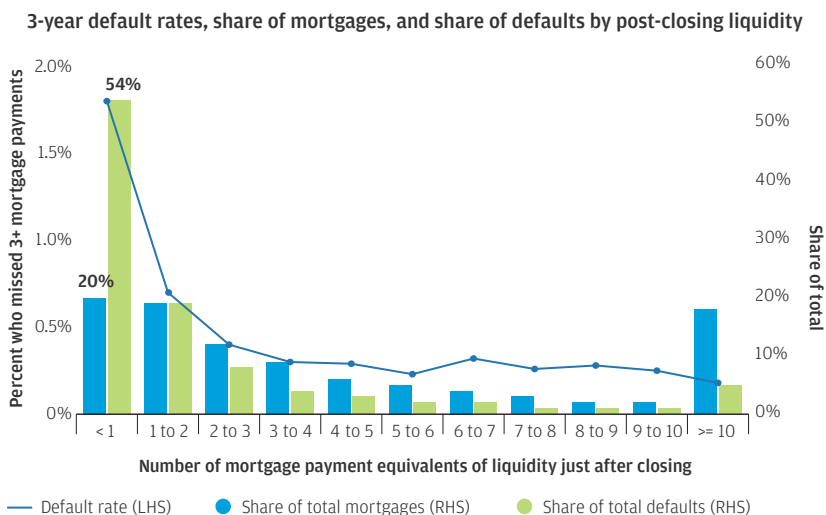
### 5. EXPAND AFFORDABLE HOUSING AND HOMEOWNERSHIP FOR UNDERSERVED COMMUNITIES AND PROVIDE NECESSARY SUPPORT TO WEATHER ECONOMIC UNCERTAINTY.

Black and Latinx households face a housing affordability crisis. [Homeownership rates are lowest for Black families](#)—30 points lower than the rate for white families. As rents continue to rise and COVID-19 creates more financial instability, Black and Latinx households are more likely to be cost-burdened than White households and are at the highest risk for eviction. As noted earlier, Institute research has shown almost one in four renters experienced a greater than 10 percent drop in total income, even after accounting for government supports, but did not have a forbearance safety net like mortgage holders.

For homeowners experiencing financial hardship, the CARES Act mortgage forbearance policies have played an important role, particularly those with less of a financial cushion at the outset of COVID-19. [Institute research](#) shows that homeowners in forbearance not only had lower labor income and much lower levels of liquid assets than those not in forbearance but had also experienced larger drops in their income and were more likely to have received jobless benefits. Also, over 80 percent of those in the Institute research sample who received unemployment insurance



Source: JPMorgan Chase Institute



Source: JPMorgan Chase Institute

were in forbearance but continued making mortgage payments, underscoring the pivotal role unemployment benefits played in helping homeowners stay current on their mortgages. Additionally, families who were in forbearance and missed payments experienced larger income drops compared to those not in forbearance and making payments, indicating that there is little evidence of moral hazard.

As homeowners exit forbearance, mortgage modifications may reduce default rates, particularly if they provide material payment reductions. Institute [research](#) on homeownership in the wake of the Great Recession showed that mortgage modification programs that were designed to target substantial payment reduction were most effective at reducing mortgage default rates, whereas programs designed to reach a debt-to-income affordability target or reduce principal for underwater borrowers were less effective.

[Borrowers with little liquidity defaulted at considerably higher rates](#) pre-pandemic than those with greater liquidity regardless of their home equity, income level, or monthly mortgage payment burden. The longer the severe economic disruptions continue, the more likely we are to see the number of defaults rise. In the long run, mortgage savings programs like mortgage reserve accounts may be a successful way to align interests across the system: helping families to bridge considerable short-term fluctuations and reducing disruptions to the mortgage system.

## POLICY

- Ensure all homeowners have access to mortgage forbearance and understand their options. A small fraction of homeowners facing hardship may not have benefitted from forbearance as defined under the CARES Act, and [survey evidence](#) shows that an impediment to homeowners signing up for forbearance was confusion around whether a lump sum of missed payments would be required when forbearance ends. While many servicers, including Chase, offered forbearance to all customers, regardless of whether their loans are federally-backed, and worked closely with customers to ensure they are aware of their options, some homeowners with non-federally backed loans may have assumed they were not covered. Policymakers might consider specifying that balloon payments would not be required when forbearance ends, expanding forbearance to non-federally backed loans, and encouraging additional efforts to increase awareness of the availability of forbearance.
- Support comprehensive housing reforms to increase access to sustainable homeownership. JPMorgan Chase [supports](#) the U.S. Department of Housing and Urban Development (HUD) efforts to lower the cost and increase the availability of mortgages to consumers by modernizing Federal Housing Administration (FHA) servicing and origination, improving loss mitigation options, and simplifying policies and procedures. JPMorgan Chase also encourages the Government-Sponsored Enterprises (GSEs) to meet Duty to Serve commitments and is working with regulators to open private securitization markets for safe loans. These actions could increase homeownership, increase economic growth by up to 0.2 percent per year, reduce mortgage cost by 20-30bp, and add \$500 billion of additional mortgages to the market. Approximately 70 percent of this increase will be in GSE production and 30 percent in FHA production.
- Increase federal funding for affordable housing programs. JPMorgan Chase [supports](#) a doubling of federal funding from \$14 billion to \$28 billion in FY 2021-2026 to support production and preservation of affordable rental units, including in mixed-income neighborhoods accessible to Black and Latinx households. These programs include the Low-Income Housing Tax Credit, Housing Trust Fund, Emergency Solutions Grants, Community Development Block Grants, and HOME. JPMorgan Chase also supports the inclusion of additional incentives in transportation and infrastructure funding for land use and local zoning reform.
- Encourage federal housing policies that advance fair housing and address discrimination. JPMorgan Chase [supports](#) prioritizing policy that reinforces the importance of disparate impact under the Fair Housing Act, reinstating Affirmatively Furthering Fair Housing, and banning source of income discrimination affecting renters to ensure equal opportunity and access to affordable housing.
- Through its Foundation, JPMorgan Chase supports effective eviction diversion, foreclosure prevention, and housing counseling programs to ensure housing stability for cost-burdened households.

## 6. TARGETING RELIEF EFFORTS AT THOSE MOST BURDENED BY STUDENT LOAN DEBT REMAINS A CRITICAL COMPONENT OF CONTINUED STUDENT LOAN POLICY SOLUTIONS.

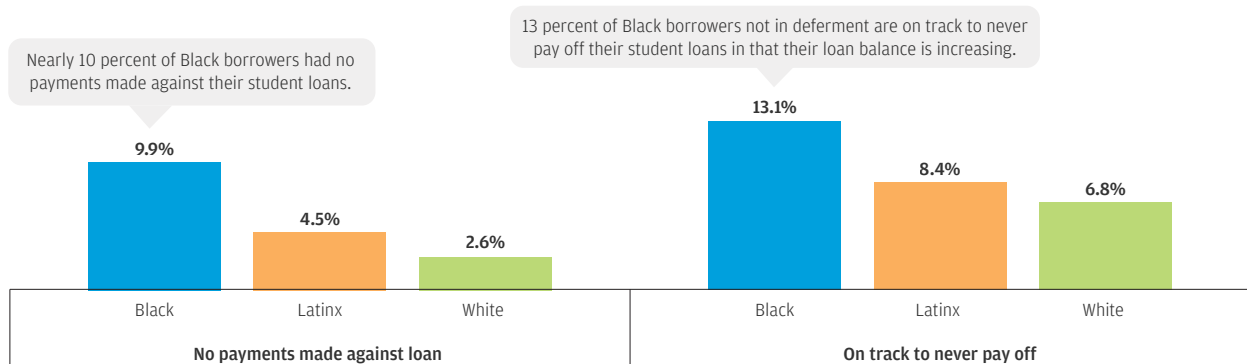
The economic impacts of COVID-19 are likely to exacerbate the burden of student loan debt, particularly for those already most financially vulnerable. [One in four families](#) is obligated to pay 7 percent or more of their take-home income on student loans, more than what families typically spend on key categories of necessities, like out-of-pocket healthcare expenses and fuel. While most borrowers are not unreasonably burdened by student loan payments, many borrowers, especially lower-income and younger borrowers,

face payment burdens well over 10 percent. The median payment burden for the lowest income borrowers (around \$16,000 annual take-home income) is 11.5 percent, while the burden for the highest income group (\$250,000 annual take-home income) is 1.5 percent. Additionally, 10 percent of borrowers with income less than \$30,000 in take-home income are 4 to 6 months or more behind on their payments.

Compared to White and Latinx student loan borrowers, Black borrowers are less

likely to be making progress on their loans and more likely to face a student debt “trap,” exhibiting larger payment shortfalls and an increase in their loan balances over time. [Institute research](#) found that in one year of observation, one in ten Black student loan borrowers had no payments made on their loan compared to one in thirty-nine White borrowers. And approximately 13 percent of Black borrowers are projected to never pay off their debt, which is twice as likely as White borrowers.

### Progress on student debt repayment by race



Note: The sample is restricted to borrowers who do not have a student loan in deferral or forbearance during the twelve-month window December 2015 through November 2016. Borrowers projected to never pay off debt have increasing balances over the twelve-month sample period; that is, interest charges over the course of the year are larger than total payments made. Income refers to take-home income.

Source: JPMorgan Chase Institute

Additionally, almost 40 percent of individuals involved in student loan repayment are helping someone else pay off their student loan debt, with most helpers holding no student loan debt themselves. This underscores the extent to which student loan repayment is a shared family burden beyond the direct borrower.

### POLICY

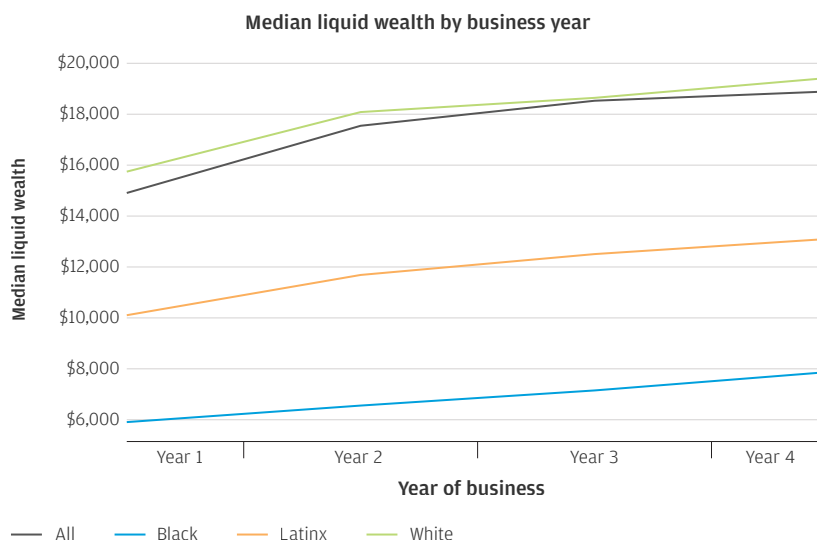
Extend federal student loan forbearance as the COVID-19 crisis continues. In its first few days, the Biden Administration has suspended payments on federal student loans until September 30, 2021. Policymakers have taken measures to alleviate some of the short-term challenges through student loan forbearance efforts, but to prevent a payment cliff forbearance should be extended through the pandemic. More broadly, efforts to address the problem of higher student loan debt burden of low-income and Black and Latinx families are warranted. These could include strengthening existing payment relief programs, such as income-driven repayment, providing targeted student loan forgiveness, or curbing the rise in tuition costs.

## 7. POLICIES AND PROGRAMS THAT BOOST CASH LIQUIDITY AND SUPPORT SMALL BUSINESSES IN DEVELOPING AND MAINTAINING A CASH BUFFER WILL ALLOW BUSINESSES TO BETTER WEATHER FINANCIAL SHOCKS.

The financial health of the small business sector is important for both the broader economy and the 30 million households whose income and wealth are tied to the success or failure of the businesses they own. Institute research shows Black, Latinx, and White small business owners start with very different levels of liquid wealth, and these differences persist through the first four years of business ownership, even among successful small business owners.

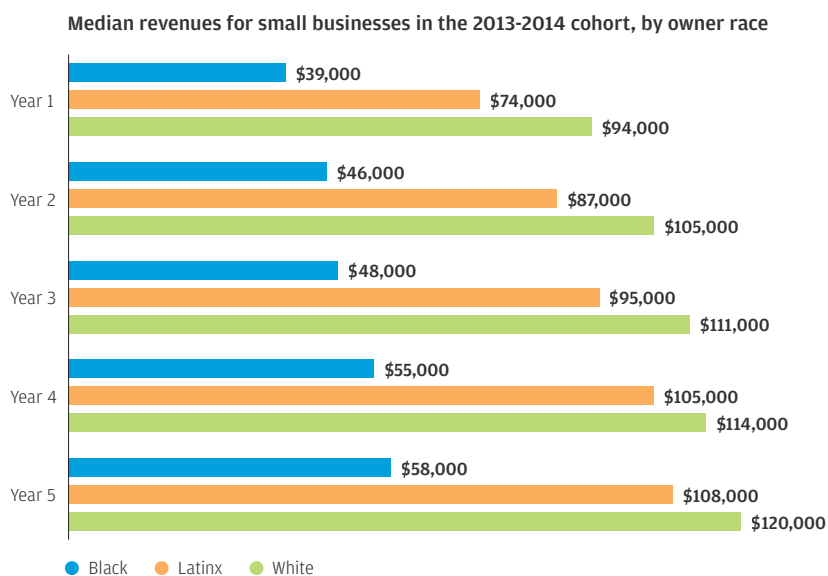
This indicates that encouraging new small business starts alone may not close the liquid wealth gap, and policies that support small businesses should consider existing racial gaps in household wealth that persist through a small business owner's operations as well as more equitable access to financing opportunities. Prior to the pandemic, [half of small businesses](#) had enough cash liquidity to cover roughly two or fewer weeks of expenses in the case of a disruption to inflows and many had irregular cash flows. This combination of relatively thin cash buffers and [irregular cash-flow patterns](#) poses a threat to the survival of small businesses, and policies that boost cash liquidity and support small businesses in developing and maintaining a cash buffer may allow them to better weather financial shocks.

[Large racial gaps](#) in small business revenues, profit margins, cash liquidity, and survival also existed pre-pandemic and persisted across industry, geography, and owner gender and age. Black-owned businesses earned 59 percent less and Latinx-owned businesses earned 21 percent less in first-year revenues than White-owned businesses.



Note: "All" includes all small businesses owners; other lines show only Florida, Georgia, and Louisiana sample.

Source: JPMorgan Chase Institute



Note: Sample includes firms founded in 2013 and 2014.

Source: JPMorgan Chase Institute

- In neighborhoods where residents did not have to travel as far to access retail amenities, small businesses benefited, seeing higher revenues and profit margins. As local decision makers develop COVID-19 economic recovery strategies, particularly in more urban areas, they should consider incentivizing development plans that mix residential development with small businesses, as local small businesses in neighborhoods could improve consumer welfare while also providing livelihoods for their owners.
- JPMorgan Chase [supports](#) realigning Small Business Administration (SBA) products to better meet the needs of Black and Latinx businesses and communities, including improving the 7(a) Loan program to meet unmet credit needs, expanding the Microloan program, making the Community Advantage Program permanent, removing barriers from federal contracting programs, and ensuring more diverse asset managers are certified under the Small Business Investment Company (SBIC) program. Additional targeted aid and technical assistance for small businesses impacted by COVID-19 should be provided, such as extending the SBA Community Advantage Recovery Loan program.
- JPMorgan also supports strengthening Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) and will invest up to \$50 million in the form of capital and deposits in Black and Latinx-led MDIs and CDFIs, and will continue to mentor and advise select MDIs and CDFIs to help them achieve future success. JPMorgan Chase and Business Roundtable have [endorsed](#) increasing the federal CDFI fund from \$250 million to \$1 billion, including a carve-out for Black-led CDFIs.

### About the JPMorgan Chase Institute

The JPMorgan Chase Institute is harnessing the scale and scope of one of the world's leading firms to explain the global economy as it truly exists. Drawing on JPMorgan Chase's unique proprietary data, expertise, and market access, the Institute develops analyses and insights on the inner workings of the economy, frames critical problems, and convenes stakeholders and leading thinkers.

The mission of the JPMorgan Chase Institute is to help decision makers—policymakers, businesses, and nonprofit leaders—appreciate the scale, granularity, diversity, and interconnectedness of the global economic system and use timely data and thoughtful analysis to make more informed decisions that advance prosperity for all.

### About the JPMorgan Chase *PolicyCenter*

The JPMorgan Chase *PolicyCenter* develops and advances sustainable, evidence-based policy solutions to drive inclusive economic growth in the U.S. and around the world. It is powered by the firm's global business resources and expertise, including data, research, talent and philanthropic investments. The *PolicyCenter* works with policy, business and community leaders to drive effective solutions at all levels of government.