

LMI

Survey

LOW- AND MODERATE-INCOME POPULATIONS AND
SERVICE ORGANIZATIONS IN THE TENTH DISTRICT

FEDERAL RESERVE BANK *of* KANSAS CITY

2009

SUMMARY

ECONOMIC AND FINANCIAL INDICATORS CONTINUE TO REVEAL CONSIDERABLE FINANCIAL STRESS IN THE LOW- AND MODERATE-INCOME (LMI) COMMUNITY OF THE TENTH DISTRICT. THE MOST GENERAL ASSESSMENTS OF CONDITIONS IN LMI COMMUNITIES, THE LMI FINANCIAL CONDITION INDEX AND THE LMI SERVICE NEEDS INDEX, REMAINED AT NEAR-MINIMUM VALUES IN THE THIRD QUARTER. OVERALL, EXPECTATIONS FOR THE FOURTH QUARTER WERE FOR CONTINUED DETERIORATION IN THE FINANCIAL CONDITION OF THE LMI POPULATION, BUT SOME SURVEY RESPONDENTS BEGAN TO EXPECT MODERATION, OR IN LIMITED CASES, IMPROVEMENT.

SURVEY RESULTS CONVEYED A NEUTRAL EVALUATION OF THE ORGANIZATIONAL CAPACITY AND FINANCIAL RESOURCES OF ORGANIZATIONS SERVING THE NEEDS OF THE LMI POPULATION, DESPITE THE REDUCTION IN CHARITABLE CONTRIBUTIONS COMMON DURING A RECESSION.

DETAILS

Most survey respondents reported that the overall financial condition of their constituents had worsened during the third quarter, generating a value of 26.7 for the LMI Financial Condition Index. This index represents the broadest measure of financial health in the LMI community. Index values can range from 0 (most deterioration in conditions) to 200 (most improvement in conditions). A value of 100 is neutral. Virtually all respondents reported a deterioration in the overall financial condition of the LMI population over the course of the last year as well, putting that value at 7.8, near bottom. Little change in trend was evident in comparing third quarter results with results from the first quarter. Expectations for the fourth quarter were for continued weakening, suggesting that the general financial condition of the LMI community will continue to worsen in the near term.

Another relatively comprehensive indicator of the economic and financial condition of the LMI population is the demand for services provided by the organizations responding to the survey. Most organizations reported an increase in demand for the services they provide, yielding a value of 30.8 for the LMI Service Needs Index. Lower values of the index represent worsening conditions; thus, an increase in the needs of the LMI community results

in a decrease in the index. Examples of additional needs expressed by survey respondents included health care related to the flu for the uninsured and basic needs like food and utilities. Compared to the previous year, virtually all respondents reported an increased need for services in the LMI community, putting the index near its minimum value. Expectations for the fourth quarter suggest that the need for expanded services will continue in the near term, but at a moderated pace.

Survey results suggest that job availability for LMI constituents continued to become more limited in the third quarter. Some survey respondents reported low-skill jobs being filled with relatively high-skilled workers. The weak performance of the LMI job market is consistent with persistent job losses in the national economy overall. While continued job losses are expected in the fourth quarter, expectations suggest the losses may be more contained.

The third quarter appraisal of affordable housing availability was near neutral, despite increased demand for space arising from job losses, reduced incomes and unrelenting foreclosure activity. A potential factor easing affordable housing problems reported by survey respondents is federal stimulus funds for the homeless, which are just becoming available to service providers. Relative to the

previous year, affordable housing was modestly more limited. Survey respondents expect continued stability in the affordable housing market in the fourth quarter.

Access to credit continued to tighten unabated in the third quarter, and limited credit availability compared to one year ago was reported by a substantial majority of survey respondents. Many noted that only those with very high credit scores could access credit. Survey respondents reported that in some cases, these restrictions have lead potential LMI borrowers to feel intimidated by lenders, indirectly limiting access to credit. Credit scores below 620 are common in the LMI community, suggesting that the LMI population may be especially affected by credit restrictions. On a more positive note, fewer survey respondents expected prolonged tightening in the future.

Indexes representing both financial and nonfinancial resources of organizations serving the LMI population were close to neutral. The capacity to serve LMI constituents did not improve for many in the third quarter, but it did not decline for many either. Organizational capacity and the availability of funding were relatively stable across types of organizations, including those providing basic needs and those providing more sophisticated services, such as technical assistance for LMI entrepreneurs and small business owners.

DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS*

LMI INDEX	Third Quarter 2009			Second Quarter 2009	First Quarter 2009
	Previous quarter	Same period one year ago	Expectation for next quarter	Previous quarter	Previous quarter
LMI Financial Condition Index	26.7	7.8	42.5	25.4	24.2
LMI Service Needs Index	30.8	15.7	30.8	31.2	24.2
LMI Job Availability Index	40.8	23.2	66.3	39.3	31.7
LMI Affordable Housing Index	84.0	76.8	96.6	71.0	72.6
LMI Credit Access Index	40.8	20.8	59.5	39.2	40.0
LMI Organization Capacity Index	101.0	93.1	93.6	101.6	109.7
LMI Organization Funding Index	85.3	96.0	86.8	85.5	91.9

* Providers of services for the low- and moderate-income population responded to each item by indicating whether conditions during the current quarter were “higher” (or “better”) than, “lower” (or “worse”) than, or the same as in the previous quarter or year. The index numbers are computed by subtracting the percent of service providers that responded “lower” (or “worse”) from the percent of service providers that responded “higher” (or “better”) and adding 100. The exception is the LMI Service Needs Index, where higher needs translate into lower numbers for the index.

ABOUT THE SURVEY

The quarterly LMI Survey measures the economic conditions of low- and moderate-income populations in the Tenth Federal Reserve District and the organizations that serve them. LMI individuals have incomes below 80 percent of the area median income, which is defined as the metropolitan median income for urban residents and state median income for rural residents. Survey results are used to construct five indicators of economic conditions in LMI communities and two indicators of the condition of organizations that serve them. The goal is to provide service providers, policymakers and others a gauge to assess changes in the economic conditions of the District’s LMI population over time.