

LMI

Survey

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

FEDERAL RESERVE BANK *of* KANSAS CITY

2010

SUMMARY

INDICATORS OF ECONOMIC AND FINANCIAL CONDITIONS IN THE LOW- AND-MODERATE INCOME (LMI) COMMUNITY OF THE TENTH DISTRICT IMPROVED IN THE FIRST QUARTER. ALTHOUGH SOME MEASURES OF FINANCIAL STATUS REMAINED WELL INTO NEGATIVE TERRITORY, THE MODERATION OF DECLINE ACROSS INDEXES SIGNALS THAT ECONOMIC AND FINANCIAL CONDITIONS IN THE LMI COMMUNITY MAY SOON BEGIN TO RECOVER. THE MOST GENERAL INDICATORS OF FINANCIAL HEALTH IN THE LMI COMMUNITY, THE LMI FINANCIAL CONDITION INDEX AND THE LMI SERVICE NEEDS INDEX, IMPROVED BUT REMAINED WELL BELOW NEUTRAL. INDEXES REPRESENTING JOB AVAILABILITY AND AFFORDABLE HOUSING, HOWEVER, SHOWED MORE SUBSTANTIAL PROGRESS TOWARD NEUTRAL, HERALDING THE POTENTIAL FOR NEAR-TERM GAINS.

ORGANIZATIONS SERVING THE NEEDS OF THE LMI POPULATION CONVEYED A NEUTRAL EVALUATION OF THEIR ORGANIZATIONAL CAPACITY AND FINANCIAL RESOURCES IN THE SURVEY. THIS RESULT SIGNIFIES THAT ALTHOUGH CAPACITY AND FUNDING MAY BE LOWER THAN THEY FEEL IS REQUIRED TO MEET THE NEEDS OF THEIR CLIENTS, THEIR SITUATION DID NOT WORSEN OVER THE LAST QUARTER, AND FOR SOME IMPROVED.

DETAILS

The LMI Financial Condition Index, which represents the broadest measure of the financial status of the LMI population in the Tenth District, advanced to 58.3, up from 34.2 in the fourth quarter of 2009. While the index increased, it remains below the neutral level of 100; thus it indicates that the financial status of the LMI population continued to worsen during the first quarter. The index can range from 0 (most deterioration in conditions) to 200 (most improvement in conditions), where a value of 100 is neutral. One year ago the index was at 24.2. The advance in the index indicates that more survey respondents reported improved conditions in the first quarter, and fewer respondents reported worsening conditions. Unemployment and underemployment, lack of credit, debt struggles, and persistent foreclosure activity were reported as factors that continue to hinder recovery. Expectations for the second quarter continued to move toward neutral, although some survey respondents expected conditions to weaken. This may reflect reports by some that their communities were relatively late-hit with the recent recession.

A second broad indicator of financial conditions in the LMI community is the LMI Service Needs Index, which reflects changes in the demand for services provided to LMI constituents. Many service providers reported an increase in the demand for their services, but the index changed little overall (greater demand for services

2010

FIRST QUARTER

represents worsening conditions, and therefore results in a lower number for the index). The first quarter saw an exceptionally cold and snowy winter across the District, which worked to increase demand, especially for utilities and emergency housing. An especially large number of respondents reported problems with mortgages and foreclosures as well, subsequently increasing the demand for housing counseling and homeowner advocacy.

Survey results suggest that the job market for LMI workers may begin to improve in coming months. While the LMI labor market continued to tighten in the first quarter, fewer survey respondents reported weakening job prospects. Further, the second quarter employment outlook was neutral, which points to a potential bottom in the LMI labor market, upon which future job gains could build. Temporary jobs, which often precede permanent job gains, were reported to be more plentiful for LMI workers. Temporary employment, while welcomed at this stage in the economic cycle, has generated concerns among survey respondents that the reduced hours, lower wages, and lack of benefits may keep LMI workers in substantial financial stress even as the economy more broadly enjoys a turnaround.

The LMI Affordable Housing Index continued to approach neutral territory in the first quarter, signifying that the availability of affordable housing in the LMI community neither increased, nor decreased substantially. Mammoth foreclosure activity and aging structures have created additional needs for affordable housing, but new federal

programs such as the Neighborhood Stabilization Act and those financed by the American Recovery and Reinvestment Act have helped low-income housing providers to augment the stock of affordable housing, mitigating the increase in demand. Survey respondents noted that efforts to provide housing to the homeless population have been especially successful in recent months.

Survey evidence suggests that access to credit for LMI consumers tightened further in the first quarter. As reflected in the LMI Credit Access Index, restrictions on access to credit have failed to moderate to any significant degree over the past year. LMI credit needs are increasingly being met by alternative financial service providers. Survey respondents continued to note considerable need for options other than payday lenders and pawnbrokers for small, short-term loans.

Indexes representing both financial and nonfinancial resources of organizations serving the LMI community were approximately neutral for the first quarter, suggesting that the ability of responding organizations to meet the needs of the LMI population they serve changed little over the quarter, or indeed, over the past year. Nonfinancial resources, such as staff, increased over the previous year for a significant number of organizations. Financially, increased demand for services reported by some survey respondents were offset by increased funding from the American Recovery and Reinvestment Act, charitable donations, and other sources.

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.

DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS*

Perception of current conditions relative to conditions in the previous quarter				
LMI Index Quarter Surveyed	1 st Qtr. 2010	4 th Qtr. 2009	3 rd Qtr. 2009	2 nd Qtr. 2009
LMI Financial Condition Index	58.3	34.2	26.7	25.4
LMI Service Needs Index	43.8	35.5	30.8	31.2
LMI Job Availability Index	74.7	58.4	40.8	39.3
LMI Affordable Housing Index	88.9	83.3	84.0	71.0
LMI Credit Access Index	54.3	46.1	40.8	39.2
LMI Organization Capacity Index	105.5	91.0	101.0	101.6
LMI Organization Funding Index	90.4	88.6	85.3	85.5
Perception of current conditions relative to conditions one year ago				
LMI Index Quarter Surveyed	1 st Qtr. 2010	4 th Qtr. 2009	3 rd Qtr. 2009	2 nd Qtr. 2009
LMI Financial Condition Index	39.4	17.7	7.8	4.8
LMI Service Needs Index	22.4	19.2	15.7	12.1
LMI Job Availability Index	53.6	33.8	23.2	34.5
LMI Affordable Housing Index	84.7	79.5	76.8	75.0
LMI Credit Access Index	41.3	32.9	20.8	30.0
LMI Organization Capacity Index	109.6	91.1	93.1	111.3
LMI Organization Funding Index	95.9	96.2	96.0	80.6
Expectation in the current quarter for conditions in the next quarter				
LMI Index Quarter Surveyed	1 st Qtr. 2010	4 th Qtr. 2009	3 rd Qtr. 2009	2 nd Qtr. 2009
LMI Financial Condition Index	76.3	59.7	42.5	50.0
LMI Service Needs Index	66.7	48.7	30.8	38.7
LMI Job Availability Index	100.0	78.3	66.3	63.5
LMI Affordable Housing Index	88.1	91.6	96.6	86.0
LMI Credit Access Index	80.3	64.7	59.5	63.6
LMI Organization Capacity Index	105.8	84.6	93.6	101.7
LMI Organization Funding Index	89.1	100.0	86.8	91.1
93 responses				

* 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, which is computed by subtracting the percent of service providers that respond “higher” (or “better”) from the percent of service providers that respond “lower” (or “worse”) and adding 100 to show that higher needs translate into lower numbers for the index.