

LMI

Survey

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

FEDERAL RESERVE BANK *of* KANSAS CITY

2012

SUMMARY

Indicators of economic and financial conditions in the low- and moderate-income (LMI) community changed little in the third quarter. The stagnation in the indexes is reflective of the feelings of most survey respondents. The indexes continued to reveal economic stress in the LMI community by their below-neutral values, but in virtually all cases, the majority of survey respondents reported conditions to be about the same. A bright spot in this quarter's survey is a very positive outlook on the LMI labor market for the next quarter. The positive outlook on job prospects, should it materialize, would likely boost other indicators going forward. The demand for services from survey respondents, who all work directly with LMI clients, continued to increase. This consistent demand for services reflects a community that continues to struggle to break out of its economic doldrums. Providers of services to the LMI community continued to report funding struggles, with many noting a decline in resources coming from the public sector.

DETAILS

The LMI Financial Condition Index declined modestly in the third quarter to 74.6, reversing its second quarter gain. But the index, which provides the broadest assessment of economic and financial conditions in the LMI community, remained well above the much lower levels experienced prior to the first quarter. While a below-neutral value for the index reflects moderate deterioration in economic conditions, more than 60 percent of respondents felt that economic conditions were relatively unchanged.¹ While the job availability index maintained its third straight quarter at neutral, which should have boosted the index, survey respondents continued to express concerns about affordable housing and credit, and the demand for services from the social organizations responding to the index continued to increase.

The Service Needs Index, another broad measure of the economic status of the LMI population, fell moderately from the second quarter, continuing to reveal increased demands on those providing services to the LMI population.² Much of the need centered on affordable housing, which is discussed in some detail below, and the costs of necessities such as fuel and food in the face of what were seen as stagnant wages and rising prices. Respondents noted that cuts in government services were driving some demand.

The Job Availability Index remained in neutral territory in the third quarter with an index value of 103, and the outlook for the fourth quarter was solidly in

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2012 Third Quarter

positive territory at 113. Still, serious concerns about the job outlook were raised by several survey respondents. A significant job mismatch was noted by a number of contacts. While more “good” jobs are becoming available, few unemployed LMI workers qualify, and some contacts expressed a need for more job training. What jobs were available for lower-skilled LMI workers tended to pay wages too low to support LMI families, according to survey respondents. Most contacts noted little to no growth in the wages of the LMI workers they serve. Transportation and background checks also were seen as serious impediments to employment for some LMI workers.

The LMI Affordable Housing Index fell moderately in the third quarter from 86.6 to 81.9. Although the index remained below neutral, more than 70 percent of respondents felt that the market for affordable housing was unchanged from the previous quarter. Although they may have believed conditions had changed little over the quarter, most continued to believe that the stock of affordable housing was far from adequate when compared to existing needs. A special question in the third quarter survey revealed a host of challenges facing LMI families seeking affordable housing.

Survey respondents nearly uniformly lamented higher rents and lower vacancies for affordable housing, which is not surprising given especially large declines in homeownership among the LMI and national trends of declining vacancy rates at all income levels. A significant number of contacts reported vacancies for affordable housing to be only a few percent, especially for subsidized housing. Some suggested that affordable rental homes were becoming available only when there was turnover of an existing tenant, suggesting vacancies near zero. Vacancies were noted to be higher only in very low-quality establishments. In a significant number of

cases where LMI families have located affordable rental housing, they have been denied tenure due to tighter restrictions on tenants, largely in the form of credit standing and/or criminal history.

Shortages in affordable housing seemed to be largely an urban phenomenon, according to survey comments, although some rural contacts continued to report insufficient workforce housing in some areas. On the other hand, some rural contacts noted a large number of discouraged workers leaving town, actually pushing vacancies to relatively high levels in those areas. Regional contacts continued to report difficulties among the LMI in securing financing for owner-occupied homes.

Credit access for LMI consumers was more restrictive in the third quarter according to survey results, although the index rose modestly to 77.3. Most of the comments from the survey focused on inadequate access to mainstream financial services, in many cases because of poor credit histories, and the subsequent use of alternative financial service providers such as payday lenders.

The Organization Funding Index fell for the fourth straight quarter to 75. In late 2009 and early 2010, the index had near-neutral readings, followed by a sharp drop through the third quarter of 2011. While well above its lowest levels, the index has failed to return to neutral levels. Earlier the argument for this pattern had largely been a drop-off in giving from donors struggling to meet other obligations. Respondents are now indicating that a reduction in funding from the public sector is affecting their ability to provide services. Funding expectations for the next quarter were less pessimistic, with the index approaching a more neutral reading of 89.6. The Organization Capacity Index, measuring the adequacy of nonfinancial resources, remained fairly constant at 88.7. The expectations for the next quarter remained near neutral.

ENDNOTES

¹The index can range from 0 (most deterioration in conditions) to 200 (most improvement in conditions), where a value of 100 is neutral. In this case, a larger number of respondents (32.1 percent) reported that conditions had worsened than reported that they had improved (6.7 percent), leading to the consensus reading below neutral.

²An increase in the demand for services causes a decrease in 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.

DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS*

Perception of current conditions relative to conditions in the previous quarter				
LMI Index	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011
Quarter Surveyed				
LMI Financial Condition Index	74.6	80.6	77.8	57.0
LMI Service Needs Index	53.3	59.8	55.3	48.3
LMI Job Availability Index	103.0	104.9	105.6	93.3
LMI Affordable Housing Index	81.9	86.6	90.3	87.6
LMI Credit Access Index	77.3	73.6	77.6	66.4
LMI Organization Capacity Index	88.7	87.2	102.8	97.2
LMI Organization Funding Index	75.0	78.2	80.5	83.3
Perception of current conditions relative to conditions one year ago				
LMI Index	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011
Quarter Surveyed				
LMI Financial Condition Index	69.2	70.5	71.7	49.5
LMI Service Needs Index	39.9	51.7	43.4	31.6
LMI Job Availability Index	105.5	104.1	109.3	90.0
LMI Affordable Housing Index	87.1	80.5	90.1	89.3
LMI Credit Access Index	72.2	73.0	68.8	49.0
LMI Organization Capacity Index	85.6	84.8	99.3	91.7
LMI Organization Funding Index	72.7	66.1	72.0	65.7
Expectation in the current quarter for conditions in the next quarter				
LMI Index	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011
Quarter Surveyed				
LMI Financial Condition Index	86.9	86.7	88.5	87.1
LMI Service Needs Index	51.5	58.5	63.1	50.4
LMI Job Availability Index	113.0	101.0	119.8	112.1
LMI Affordable Housing Index	95.6	96.1	93.5	97.7
LMI Credit Access Index	84.1	87.1	89.4	78.2
LMI Organization Capacity Index	95.7	100.9	105.2	97.8
LMI Organization Funding Index	89.6	78.4	86.2	90.8
135 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 responded “higher” (or “better”) from the percent of service providers that responded “lower” (or “worse”) and adding 100 to show that higher needs translate into lower numbers for the index.

For questions or comments, or if you provide services to LMI people and would like to participate in the survey, please contact Kelly Edmiston at Kelly.Edmiston@kc.frb.org.