

LMI

Survey

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

FEDERAL RESERVE BANK *of* KANSAS CITY

2010

SUMMARY

Most indicators of economic and financial conditions in the Tenth District's low- and moderate-income (LMI) community were flat or modestly improved in the fourth quarter, suggesting that the pace of decline continues to moderate. The broadest measures of the financial status of the District's LMI population, the LMI Financial Condition Index and the LMI Service Needs Index, remained below neutral, suggesting that economic recovery remains elusive in the LMI community. Expectations, while more positive than assessments of current conditions, offered little promise of a near-term turnaround. Nevertheless, many survey respondents have seen the job market stabilize, and expectations were neutral going forward with regard to jobs and affordable housing.

LMI organizations responding to the survey have consistently reported declines in financial resources since the second quarter of 2010, following several quarters of more neutral assessments. Reductions in government funding and tighter donor budgets are the primary culprits. But organizations serving the District's LMI community have been able to maintain levels of staff and other non-financial resources despite the change in finances.

DETAILS

The LMI Financial Condition Index, which represents the broadest measure of the financial status of the LMI population, fell in the fourth quarter, from 60.4 to 45.2.¹ The pattern in the LMI Financial Condition Index had been flat for the last few quarters following a substantial uptick during the course of 2009 and early 2010. The index has remained well below its neutral value of 100 since the survey began in early 2009, indicating consistent weakening in the overall financial condition of the Tenth District LMI community over time. Entrenched unemployment, rising fuel prices, unabated foreclosure activity, and continued tight credit were among the contributors to poor financial conditions in the LMI community, according to survey participants. A majority of survey respondents expected financial conditions to continue to worsen in the next quarter, but about 40 percent expected the deterioration to ease going forward.

A second relatively broad measure of financial conditions in the LMI community is the LMI Service Needs Index, which reflects the demand for services provided by the organizations responding to the survey. The index was flat in the fourth quarter at 43.8, but remained well below the neutral level of 100.² Increases in demand were largely attributed to continued economic doldrums, but survey respondents also reported a typical pickup in the demand for services around the holidays and requests for assistance due to cold, snowy weather. Shelter for the homeless, assistance with utility bills, and recovery

from house fires in the urban core all were noted as needs that increase with cold weather. Many survey respondents expected the demand for their services to continue to increase in the coming quarter.

The LMI Job Availability Index continued its moderate advance toward neutral in the fourth quarter. Fewer than a quarter of survey respondents reported a tighter job market in the fourth quarter than in the third quarter, although almost half believed fewer jobs were available than one year ago. Although many survey respondents have seen the job market stabilizing, some continue to report layoffs. Moreover, many LMI workers who have retained jobs or recently acquired jobs have faced reduced hours. Some survey participants feared that as unemployment has become more entrenched, job prospects for the long-term unemployed have dimmed. Survey respondents also reported that a significant number of their constituents are “resorting” to temporary jobs with low pay to help them cover basic living expenses. An increase in households with Social Security supplemental or disability income as their only source of income also was noted.

The LMI Affordable Housing Index was flat in the fourth quarter at 80.6, remaining well off of the near-neutral level it achieved in the second quarter. About one-third of survey respondents felt that affordable housing was less available than it was one year ago. Much of the deterioration in the affordable housing situation was demand-driven and can be attributed to the prolonged recession and anemic employment recovery. A significant number of survey respondents reported an increase in homelessness, with exhaustion of resources due to long-term unemployment the primary culprit. Among these resources are willing friends and family with whom to lodge. Funding through the Neighborhood Stabilization Program and other stimulus programs has helped community organizations to assist the homeless

in recent quarters, but survey respondents reported that those resources are quickly diminishing. Strict tenant qualifications have excluded many LMI people from finding affordable housing, especially for those with little income, credit problems or past criminal convictions.

Credit access for the LMI population continued to tighten in the fourth quarter, as reflected in a reading of 55.9 for the LMI Credit Access Index. Many in the LMI community have relatively poor credit histories, and the rates and conditions associated with the credit that is available for these consumers are considered by many District contacts to be excessive. Survey respondents continued to note a considerable need for options other than payday loans and pawnbrokers for small, short-term loans.

About 40 percent of survey respondents reported decreases in funding in the fourth quarter, compared to just more than 10 percent who reported an increase, generating a value of 71.2 for the LMI Organization Funding Index. Some of the decrease in financial resources was attributed to reductions in stimulus funds and state and local government financing. While several District contacts reported increased donations around the holidays, donations were down for most over the course of the entire year. Some of those with additional financial resources noted that coincident increases in the demand for their services tempered those gains. Despite reduced financial resources, the nonfinancial capacity of organizations serving the LMI population remained near neutral. Thus, their capacity to meet the needs of an increased client base, at least with regard to personnel and infrastructure, did not change appreciably over the last quarter, or indeed, over the past year. While expectations were for further reductions in funding for about 30 percent of survey respondents, a majority expected funding would level off in 2011. Expectations for organizational capacity were neutral going forward.

ENDNOTES

¹The index can range from 0 (most deterioration in conditions) to 200 (most improvement in conditions), where a value of 100 is 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	4th Qtr 2010	3rd Qtr 2010	2nd Qtr 2010	1st Qtr 2010
Quarter Surveyed				
LMI Financial Condition Index	45.2	60.4	56.4	58.3
LMI Service Needs Index	43.8	43.8	45.5	43.8
LMI Job Availability Index	80.6	77.4	77.8	74.7
LMI Affordable Housing Index	80.6	79.3	94.3	88.9
LMI Credit Access Index	55.9	51.9	59.3	54.3
LMI Organization Capacity Index	90.3	103.9	91.1	105.5
LMI Organization Funding Index	71.2	74.1	72.2	90.4
Perception of current conditions relative to conditions one year ago				
LMI Index	4th Qtr 2010	3rd Qtr 2010	2nd Qtr 2010	1st Qtr 2010
Quarter Surveyed				
LMI Financial Condition Index	27.4	26.9	34.6	39.4
LMI Service Needs Index	29.6	30.4	32.7	22.4
LMI Job Availability Index	69.0	69.2	56.0	53.6
LMI Affordable Housing Index	76.4	81.1	92.5	84.7
LMI Credit Access Index	47.1	37.0	33.3	41.3
LMI Organization Capacity Index	93.2	98.0	98.2	109.6
LMI Organization Funding Index	71.2	71.7	72.2	95.9
Expectation in the current quarter for conditions in the next quarter				
LMI Index	4th Qtr 2010	3rd Qtr 2010	2nd Qtr 2010	1st Qtr 2010
Quarter Surveyed				
LMI Financial Condition Index	71.0	76.8	62.5	76.3
LMI Service Needs Index	57.8	53.6	58.2	66.7
LMI Job Availability Index	95.4	106.9	93.3	100.0
LMI Affordable Housing Index	91.3	80.4	97.9	88.1
LMI Credit Access Index	67.2	71.4	64.6	80.3
LMI Organization Capacity Index	95.7	82.2	94.2	105.8
LMI Organization Funding Index	81.5	83.7	64.6	89.1
77 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 low- and moderate-income people and would like to participate in the survey, please contact Kelly Edmiston at Kelly.Edmiston@kc.frb.org.