

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 IN THE LOW- AND MODERATE-INCOME (LMI) COMMUNITY POINT TO SIGNIFICANT FINANCIAL STRESS. THE INDICATORS SUGGEST THAT MOST ORGANIZATIONS SERVING LMI CLIENTS SEE THEIR FINANCIAL CONDITIONS WORSENING AND EXPECT CONDITIONS TO CONTINUE TO DETERIORATE IN THE NEXT QUARTER. EXPECTATIONS REGARDING GENERAL FINANCIAL CONDITIONS, ACCESS TO CREDIT AND SERVICE NEEDS WERE ESPECIALLY WEAK, WITH ACCESS TO AFFORDABLE HOUSING AND JOB AVAILABILITY MODERATELY WEAKER. IN ALL CASES, HOWEVER, EXPECTATIONS FOR THE THIRD QUARTER WERE MORE OPTIMISTIC THAN REPORTS OF CURRENT CONDITIONS. A FALL IN THE RATE OF DECREASE IN ECONOMIC INDICATORS IS OFTEN THE FIRST SIGN THAT A BOTTOM MAY SOON BE REACHED.

REPORTS ON THE CAPACITY AND FINANCING OF ORGANIZATIONS SUPPORTING LMI POPULATIONS WERE ROUGHLY NEUTRAL, SUGGESTING THAT, FOR NOW, THESE ORGANIZATIONS ARE FINDING THE RESOURCES NECESSARY TO PROVIDE SERVICES IN A RELATIVELY SEVERE ENVIRONMENT. COMPLETE SURVEY RESULTS ARE PRESENTED IN TABLE 1.

DETAILS

The most general question in the survey asks about the overall financial condition of the LMI population. A large majority of survey respondents reported that the general financial condition of their constituents had worsened in the second quarter relative to the first quarter, yielding an index value of 25.4 on a scale from 0 (most deterioration in conditions) to 200 (most improvement in conditions). The very low value in the index reflects significant weakness. Almost all survey respondents reported worse overall financial condition in the second quarter relative to the previous year, with an index value of 6.6. This value is near the minimum of the index and thus suggests relatively extreme deterioration over the previous year. Of all of the indicators of economic and financial conditions in LMI communities reported from the survey, overall financial condition saw the lowest numbers. The overall financial condition of the LMI population does not appear to be improving in the face of the ongoing recession. Expectations for the third quarter suggest continued weakening in the indicator.

In the second quarter, most organizations responding to the survey reported an increase in the demand for the services they provide, yielding a relatively low value for the LMI Service Needs Index of 31.2. Lower values of the index represent worsening conditions; thus, an increase in the need for services is associated with a decrease in the index. Compared to the previous year, virtually all survey respondents reported more demand for their services,

resulting in an index value of 18.8. Similar to the values for overall financial condition, the near minimum value of the LMI Service Needs Index reflects considerable weakness in the economic and financial condition of the LMI community. In the first quarter, the index was moderately lower; thus, service needs continue to increase, but at a slower rate. Survey respondents largely expected service needs to continue to climb in the third quarter.

Jobs for LMI people were more scarce in the second quarter. Compared to a year ago, a net two-thirds of respondents reported a decrease in job availability. First quarter numbers were similar. The availability of jobs is expected to decrease further in the third quarter overall, but fewer survey respondents reported an expected decrease. The majority of second quarter respondents expected job availability to stay the same in the third quarter.

The performance of the LMI Affordable Housing Index was comparatively better than other indicators, reflecting the economic and financial condition of the LMI population. Compared to one year ago, a net 33 percent of survey respondents reported less availability of affordable housing, yielding a value of 66.9 for the Affordable

Housing Index. While the index values were below a neutral reading, they were much closer to neutral than were similar indicators.

Credit continues to tighten in the LMI community. Credit availability relative to the previous year indicates that virtually all survey respondents reported tighter credit. This number, at 18.2, is near the index minimum, reflecting exceptionally tight credit conditions. Most survey respondents expected continued credit tightening in the next quarter.

Indicators of the condition of organizations serving LMI populations fared better than indicators of the condition of LMI people themselves. Capacity, which measures the nonfinancial resources available to serve LMI populations, such as the number of volunteers, was neutral in the second quarter relative to the previous quarter and moderately better in the first quarter relative to the fourth quarter of 2008. Compared to last year, the capacity index dipped modestly. Funding for organizations serving LMI communities decreased moderately over the past year. Expectations with regard to capacity were neutral, but expectations were for a dip in funding in the third quarter.

DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS*

SURVEY QUESTION	First Quarter 2009			Second Quarter 2009		
	Previous quarter	Same period one year ago	Expectation for next quarter	Previous quarter	Same period one year ago	Expectation for next quarter
LMI Financial Condition Index	24.2	4.8	50.0	25.4	6.6	50.4
LMI Service Needs Index	24.2	12.1	38.7	31.2	18.8	35.2
LMI Job Availability Index	31.7	34.5	63.5	39.3	32.2	83.5
LMI Affordable Housing Index	72.6	75.0	86.0	71.0	66.9	82.0
LMI Credit Access Index	40.0	30.0	63.6	39.2	18.2	61.9
LMI Organization Capacity Index	109.7	111.3	101.7	101.6	91.9	101.7
LMI Organization Funding Index	91.9	80.6	91.1	85.5	91.8	89.7

* 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.