

LMI

Survey

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

FEDERAL RESERVE BANK *of* KANSAS CITY

2010

SUMMARY

Economic and financial conditions in the Tenth District's low- and moderate-income (LMI) community deteriorated moderately in the second quarter, but survey indexes mostly held steady or improved, indicating that the pace of decline is slowing. Over the last year-and-a-half, recovery in the LMI community has generally lagged that of the economy as a whole. The most general measures of the financial status of the Tenth District's LMI population, the LMI Financial Condition Index and the LMI Service Needs Index, reflected sustained financial stress, but the LMI Affordable Housing Index held steady at about neutral, and the LMI Job Availability Index maintained its slow march toward neutral.

Survey respondents reported a roughly neutral assessment of their organizational capacity, but more reported financial resources were declining in the face of reduced government funds and tightening personal budgets among donors

DETAILS

The recent upward trend in the LMI Financial Conditions Index, which represents the broadest measure of the financial status of the LMI population in the Tenth District, seemed to stall in the last quarter, following a substantial improvement in the index in the previous quarter. The index dropped slightly from 58.3 to 56.4, remaining below the neutral level, and therefore reflecting a continued deterioration in the general financial condition of the LMI population.¹ One year ago, the index stood at 25.4. Long-term unemployment and income loss, continued credit restrictions, and a lack of quality housing opportunities were reported as significant impediments to recovery in the LMI community.

The LMI Service Needs Index, which is also a broad measure of the financial health of LMI people in the Tenth District, improved moderately in the second quarter from 22.4 to 32.7, but the index remained well below the neutral level of 100. Agencies continued to report that the LMI population is struggling to meet its basic needs and that rent and utility payments are increasing, necessitating additional assistance. Several respondents reported increased demand for services with flooding along the Missouri River.² Survey respondents commented that the number of people requesting services for the first time is increasing due to additional foreclosures and sustained unemployment. Most agencies surveyed expect the demand for services to remain high or even increase in the next quarter.

The LMI Job Availability Index increased moderately from the previous quarter and from the previous year; however, agencies expressed concern about unemployment insurance benefits, as extended unemployment may leave many of their clients without benefits soon. Those surveyed reported that with the tight job market, employers are able to be more selective, making it more difficult for LMI workers to get jobs, especially good jobs. Finding jobs with comparable wages is especially difficult for workers who have been laid off. Survey respondents reported that construction and manufacturing industries continue to struggle, leaving many LMI people in the Tenth District without work.

The LMI Affordable Housing Index improved from the first quarter of this year and from this time one year ago, with fewer respondents reporting that the availability of affordable housing had decreased.³ Some organizations reported an increase in homelessness and the demand for shelter, with continued job loss and foreclosure cited as the primary causes. Several agencies also commented that rents have increased significantly due to increased demand for rental housing, and that landlords had “raised the bar” for potential tenants, adding more stringent income and rental history requirements.

The LMI Credit Access Index advanced modestly from the previous quarter, with fewer organizations reporting tighter credit and many reporting little change.

Credit access was reported to be much more restrictive when compared to last year, however. The annual index fell from 41.3 to 33.3. Most of those surveyed did not expect to see much improvement in credit access for LMI borrowers in the next quarter. District contacts noted that the creditworthiness of their clients continues to worsen in the face of evictions, foreclosures, and bad debts, and they continued to lament a lack of alternatives to payday lending and pawn brokers for LMI borrowers with poor credit histories.

The index for organization financial capacity decreased last quarter compared to the previous quarter. One-third of the community organizations surveyed reported decreased funding, with only a few reporting an increase in funding. Many expect funding to continue to deteriorate in the third quarter, citing a reduction in funds available from the American Recovery and Reinvestment Act. Survey respondents also commented that many regular donors are having difficulty continuing to contribute as they struggle to meet other financial obligations. Respondents’ assessments of their nonfinancial resources remained near neutral, suggesting that, at least with regard to personnel, infrastructure, and supplies, their capacity to meet the needs of their constituents did not deteriorate appreciably in the last quarter. Most expected no change in the third quarter.

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 demand for services causes a decrease in the index.

³Readers should keep in mind that a neutral index level does not indicate that the stock of affordable housing is adequate, only that affordable housing is not generally becoming less available.

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	2nd Qtr. 2010	1st Qtr. 2010	4th Qtr. 2009	3rd Qtr. 2009
LMI Financial Condition Index		56.4	58.3	34.2	26.7
LMI Service Needs Index		45.5	43.8	35.5	30.8
LMI Job Availability Index		77.8	74.7	58.4	40.8
LMI Affordable Housing Index		94.3	88.9	83.3	84.0
LMI Credit Access Index		59.3	54.3	46.1	40.8
LMI Organization Capacity Index		91.1	105.5	91.0	101.0
LMI Organization Funding Index		72.2	90.4	88.6	85.3
Perception of current conditions relative to conditions one year ago					
LMI Index	Quarter Surveyed	2nd Qtr. 2010	1st Qtr. 2009	4th Qtr. 2009	3rd Qtr. 2009
LMI Financial Condition Index		34.6	39.4	17.7	7.8
LMI Service Needs Index		32.7	22.4	19.2	15.7
LMI Job Availability Index		56.6	53.6	33.8	23.2
LMI Affordable Housing Index		92.5	84.7	79.5	76.8
LMI Credit Access Index		33.3	41.3	32.9	20.8
LMI Organization Capacity Index		98.2	109.6	91.1	93.1
LMI Organization Funding Index		72.2	95.9	96.2	96.0
Expectation in the current quarter for conditions in the next quarter					
LMI Index	Quarter Surveyed	2nd Qtr. 2010	1st Qtr. 2009	4th Qtr. 2009	3rd Qtr. 2009
LMI Financial Condition Index		62.5	76.3	59.7	42.5
LMI Service Needs Index		58.2	66.7	48.7	30.8
LMI Job Availability Index		93.3	100.0	78.3	66.3
LMI Affordable Housing Index		97.9	88.1	91.6	96.6
LMI Credit Access Index		64.6	80.3	64.7	59.5
LMI Organization Capacity Index		94.2	105.8	84.6	93.6
LMI Organization Funding Index		64.6	89.1	100.0	86.8
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 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.