

LMI

Survey

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

FEDERAL RESERVE BANK *of* KANSAS CITY

2010

SUMMARY

The trend in indicators of economic and financial conditions in the Tenth District's low- and moderate-income (LMI) communities, while relatively stable in the third quarter, remained well below neutral. Most indexes pointed to continued but moderate decline, suggesting that LMI communities may be emerging from the recession later than the wider community. 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. The Affordable Housing Index dropped significantly. For the fourth straight quarter, the Job Availability Index held steady, an indication that job losses may be slowing.

Survey respondents reported a slightly higher than neutral assessment of their organizational capacity, indicating that their ability to meet client demands has not followed recent declines in their financial resources.

DETAILS

The LMI Financial Conditions Index, the broadest measure of the financial status of the LMI population in the Tenth District, increased over the previous quarter to 60.4 from 56.4 but remained well below neutral, which reflects continued deterioration in the general financial condition of the LMI population. 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 stood at 34.2. Survey respondents indicated that the persistence of underemployment, lower wages and diminishing creditworthiness were significant impediments to recovery in the LMI community.

The Service Needs Index, another broad measure of the financial health of LMI people in the Tenth District, declined slightly in the third quarter from 45.5 to 43.8, also well below the neutral level of 100 (greater demand for services represents worsening conditions, and therefore results in a lower number for the index). This indicator has remained persistently low while other indexes have made more significant advances toward neutral. Agencies reported an increased demand for utility assistance in summer months and a continued struggle by LMI clients to meet basic needs. Several respondents reported increased demand for services from long-term unemployed families no longer eligible for unemployment benefits. Most agencies surveyed expected the demand for services to remain relatively unchanged next quarter. However, some were concerned that winter utility bills will further burden their poorest clients, who often have

the hardest time securing financial resources.

The Job Availability Index remained steady from the previous quarter but well above levels from the previous year. However, agencies continued to express concern about the growing share of underemployed workers, who are employed in positions that underutilize their skills and experience or who are working part-time but seeking full-time employment. Several respondents saw an increase in employment openings for which LMI people they serve were under qualified, and employers were therefore unable to fill.

The LMI Affordable Housing Index decreased significantly from 94.3 to 79.3 in the third quarter. Few respondents expected improved conditions next quarter, reversing a trend in expectations over the last year. At the same time, foreclosures and homelessness increased, which survey respondents attributed to unemployment and income loss. Rising rental rates, tighter credit and rental history requirements were reported as barriers to affordable rental housing. In an emerging trend, survey respondents reported increased calls by individuals seeking help with landlord/tenant issues and information on programs for building personal assets.

The LMI Credit Access Index decreased modestly from the previous quarter from 59.3 to 51.9. Organizations reported that access to credit was hampered by the diminished creditworthiness of LMI borrowers, due primarily to foreclosures, mortgage delinquencies and unemployment, coupled with a perception of tightened borrowing requirements. District respondents cited an increase in LMI clients whose credit scores were too low to qualify for market-rate loans. Still, more organizations reported that they expect credit conditions to improve in the next quarter.

The index for organization funding was relatively stable in the third quarter, moving from 72.2 to 74.1, while the perception of current conditions relative to conditions one year ago decreased slightly from 72.2 to 71.7. Respondents reported that they lack sufficient financial resources to meet the needs for financial education, workforce development and health care services. Respondents' assessments of their nonfinancial capacity relative to infrastructure, such as personnel and supply needs, remained largely stable. There were virtually no changes in respondents' perceptions relative to a year ago. More respondents, however, expected organizational capacity to weaken in the fourth quarter.

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	3 rd Qtr 2010	2 nd Qtr 2010	1 st Qtr 2010	4 th Qtr 2009
LMI Financial Condition Index	60.4	56.4	58.3	34.2
LMI Service Needs Index	43.8	45.5	43.8	35.5
LMI Job Availability Index	77.4	77.8	74.7	58.4
LMI Affordable Housing Index	79.3	94.3	88.9	83.3
LMI Credit Access Index	51.9	59.3	54.3	46.1
LMI Organization Capacity Index	103.9	91.1	105.5	91.0
LMI Organization Funding Index	74.1	72.2	90.4	88.6
	Perception of current conditions relative to conditions one year ago			
LMI Index Quarter Surveyed	3 rd Qtr 2010	2 nd Qtr 2010	1 st Qtr 2010	4 th Qtr 2009
LMI Financial Condition Index	26.9	34.6	39.4	17.7
LMI Service Needs Index	30.4	32.7	22.4	19.2
LMI Job Availability Index	69.2	56.0	53.6	33.8
LMI Affordable Housing Index	81.13	92.5	84.7	79.5
LMI Credit Access Index	37.0	33.3	41.3	32.9
LMI Organization Capacity Index	98.0	98.2	109.6	91.1
LMI Organization Funding Index	71.7	72.2	95.9	96.2
	Expectation in the current quarter for conditions in the next quarter			
LMI Index Quarter Surveyed	3 rd Qtr 2010	2 nd Qtr 2010	1 st Qtr 2010	4 th Qtr 2009
LMI Financial Condition Index	76.8	62.5	76.3	59.7
LMI Service Needs Index	53.6	58.2	66.7	48.7
LMI Job Availability Index	106.9	93.3	100.0	78.3
LMI Affordable Housing Index	80.4	97.9	88.1	91.6
LMI Credit Access Index	71.4	64.6	80.3	64.7
LMI Organization Capacity Index	82.2	94.2	105.8	84.6
LMI Organization Funding Index	83.7	64.6	89.1	100.0
55 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.