The background of the entire page is a monochromatic orange-tinted image of a city skyline. The skyline is composed of various building silhouettes, some with distinctive architectural features like domes or spires. The bottom portion of the image is overlaid with a white watercolor-style splash that has vertical drips extending downwards, creating a layered, artistic effect.

SLOW RECOVERY

Survey shows LMI group still struggling after the recession



Although many Americans have seen financial gains and many have gone back to work since the recovery began in 2009, low- and moderate-income (LMI) individuals and families continue to struggle.

The LMI population is defined as those with income below 80 percent of an area's median income. In the past, economists lacked sufficient and reliable data to measure and analyze the LMI population's economic conditions. In 2009, the Kansas City Fed launched a new source of LMI information: a quarterly survey of organizations that provide services directly to LMI individuals and families in the Tenth Federal Reserve District.

Other Federal Reserve banks followed with similar surveys, providing more key information on LMI conditions in the United States.

The survey questions focus on five issues related to the financial conditions of the LMI population: availability of jobs, affordable housing, access to credit, the overall status of individuals and families, and the level of demand on services provided by survey respondent organizations.

Economists use the answers to measure change from one quarter to the next instead of static assessments of current conditions.

A hard road traveled

Although percentage of incomes for U.S. families in all sectors have not returned to pre-recession levels, inflation-adjusted income for LMI families in 2011 is 85.5 percent of what it was in 2001—the lowest among all population groups.

In 2011, families in the LMI distribution groups earned \$48,000 or less annually. More than 30 million of the 78.6 million families nationwide in 2011 were classified as LMI and the family income threshold for LMI status varies significantly across the United States.

The recession was at its deepest point when the LMI survey began and most respondents reported decreasing job availability. In the second quarter of 2009, two-thirds of survey respondents reported that jobs were less available than in the previous year.

Marcos Martinez worked in agriculture in Nebraska when the recession began. He's always worked hard to make ends meet, but needed his wife's income to make it all work.

When his wife, Marisol, lost her job in the food industry, things got tough.

“My work was seasonal and the jobs that were once available in the off-season dried up or there were dozens of people trying to get one job,” he said. “And many of the jobs, neither of us qualified for—we don’t have college educations.”

Marisol found a part-time job cleaning houses, earning less than half of what she did as a full-time employee.

“That’s all there was,” Martinez said. “It allowed us to put food on the table, but our dream of owning a home for our children vanished. We’re just surviving.”

The only option for most LMI families is to rent—either due to income or poor credit history—and the increased number of people losing their homes to foreclosure in the recession and recovery caused rental vacancies to decline. Landlords have not only raised rental rates, but have become more selective in choosing tenants. Many survey respondents reported an increase in calls from constituents seeking help with landlord-tenant issues.

In Martinez’s case, his income, not credit history prevented him from buying a home.

“We tried to save money for a down payment, but we spent it making ends meet.”

According to the latest available data from Home Mortgage Disclosure Act reports, 33.9 percent of conventional home-purchase loan applications were denied for low-income borrowers in 2011, whereas only 21 percent of applications were denied for moderate-income borrowers and 10.7 percent for high-income borrowers.

Although the couple has found better jobs in the past year, the new incomes are not enough to qualify for a mortgage loan.

“But we’re doing better than some people we know,” he said.

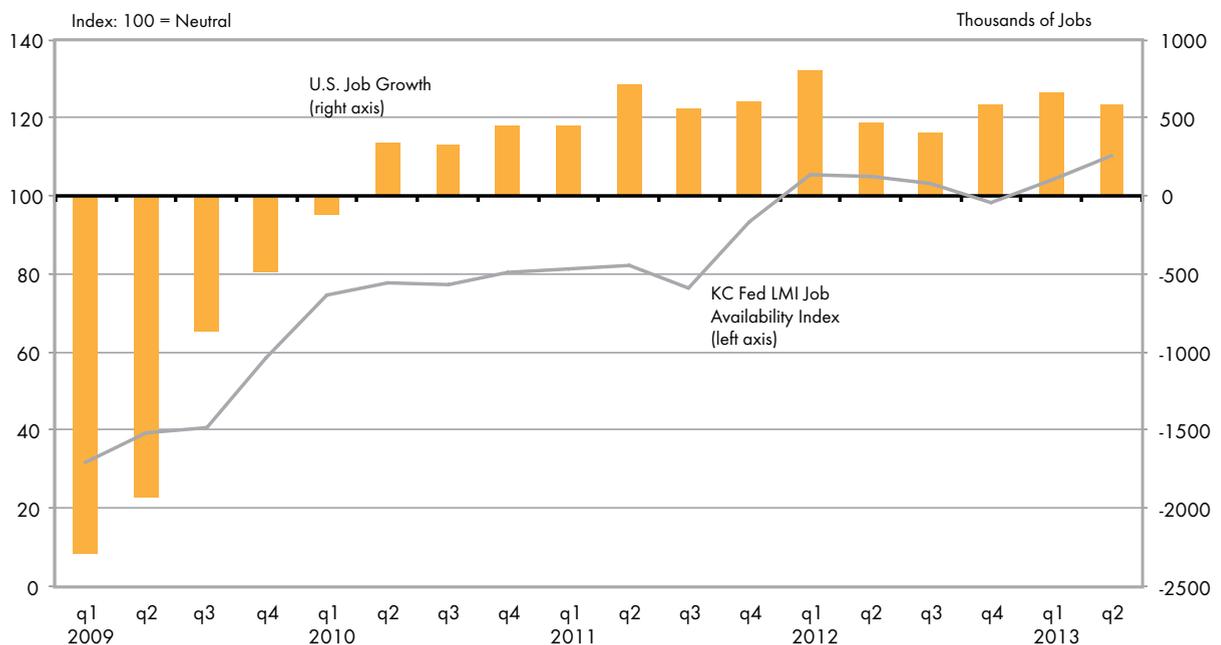
The combination of extended unemployment and low housing vacancies has led to an increase in homelessness among the LMI population, survey respondents said.

Compared with the population at large, LMI individuals and families often face additional hurdles, said Kansas City Fed Senior Economist Kelly Edmiston.

In particular, they were disproportionately affected by the preceding 10-year pattern of low employment growth in the lesser-paid, low-skill occupations. Higher-paid, higher-skill occupations, however, grew substantially, Edmiston said.

As the economic recovery continued in 2012, many new jobs became available in the

U.S. JOB GROWTH AND THE LMI JOB AVAILABILITY



retail and services industries. These were the type of jobs LMI workers qualified for; however, these low-paying jobs lacked opportunities for advancement, survey respondents said.

Also, job retention is tough. Survey contacts suggest a strong need for basic job training among LMI workers and think this training could mitigate some of the labor problems among the LMI population.

Seeking assistance

Laurie Harvey, executive director for the Center for Work, Education and Employment (CWEE) in Denver (see photo, Page 23), said the demands and needs of LMI individuals and families interconnect.

“They need a job to pay for food, housing and basic needs,” she said. “The cost of those needs keep increasing, but finding a job with the income to match cost of living is sometimes difficult.”

CWEE provides assistance mostly for single parents. Part of its job training includes furthering a client’s education, such as earning a GED or job certification.

“And some of them go on to earn an associate degree,” Harvey said. The higher the degree of education, the better potential the client has of obtaining a higher-level job.

Clients are finding work and improving their situations, Harvey said, but their options for affordable housing, transportation, childcare and other needs remain limited.

“After the recession, we’re not seeing as much generational poverty—clients who come from a family that had a history of struggling with poverty,” Harvey said. “Many of our new applicants were once in the workforce and their unemployment has run out, or they were right out of high school, and due to the economy, couldn’t get a job. We didn’t see this type of person in the past.”

Changing landscape

Although the composition of the LMI population changed little along racial, ethnic

or educational lines throughout the recession and recovery—that is, average educational attainment remained low and minorities remained disproportionately represented—the economic crisis did lead to a compositional change of another kind, Edmiston said.

According to LMI survey responses, significant numbers of traditional middle class families have entered the ranks of LMI population. In many cases, a growing number of the clients seeking assistance from respondent organizations is requesting such assistance for the first time, which partially explains the continued increase in demand for basic services.

What’s needed?

Edmiston says extended relief for the LMI population, much like the rest of the nation, depends on significant growth in the economy and employment opportunities. There are, however, many opportunities for policymakers to increase the financial success of LMI individuals and families.

Chief among these options are programs aimed at increasing the development of the LMI workforce through additional education and training. Efforts to raise financial literacy also will be important, along with initiatives aimed at expanding the availability of affordable housing and access to credit at reasonable rates.

FURTHER RESOURCES

“The Low- and Moderate-Income Population in Recession and Recovery: Results from a New Survey” By Kelly Edmiston. www.KansasCityFed.org/publicat/econrev/pdf/13q1Edmiston.pdf.