

LMI

Survey

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

FEDERAL RESERVE BANK *of* KANSAS CITY

SUMMARY

ECONOMIC AND FINANCIAL CONDITIONS IN THE LOW- AND MODERATE-INCOME (LMI) COMMUNITY OF THE TENTH DISTRICT CONTINUED TO DETERIORATE IN THE FOURTH QUARTER, BUT THE RATE OF DECLINE MODERATED FOR MOST INDICATORS. THE MOST GENERAL MEASURES OF THE FINANCIAL STATUS OF LMI POPULATIONS IN THE DISTRICT, THE LMI FINANCIAL CONDITION INDEX AND LMI SERVICE NEEDS INDEX, REFLECTED SUSTAINED FINANCIAL STRESS, BUT THE AFFORDABLE HOUSING INDEX REMAINED FAIRLY CLOSE TO NEUTRAL, SUGGESTING THAT COMMUNITY ORGANIZATIONS AND LOCAL GOVERNMENTS HAVE NOT BEEN OVERWHELMED BY INCREASED DEMANDS FOR HOUSING. EXPECTATIONS, WHILE MORE POSITIVE THAN ASSESSMENTS OF CURRENT CONDITIONS, OFFERED LITTLE HOPE FOR A RAPID RECOVERY IN THE NEAR TERM.

SURVEY RESPONDENTS GAVE A ROUGHLY NEUTRAL APPRAISAL OF THEIR ORGANIZATIONAL CAPACITY AND FINANCIAL RESOURCES, SUGGESTING THEY HAVE BEEN ABLE TO PROVIDE A CONSISTENT LEVEL OF SERVICES DESPITE INCREASING DEMANDS AND CONTINUED DETERIORATION IN THE FINANCIAL STATUS OF MANY LMI CONSTITUENTS.

DETAILS

The LMI Financial Condition Index, which represents the broadest measure of the financial status of the LMI population in the Tenth District, ticked upward in the fourth quarter to 34.2, but continued to reflect significant deterioration in the financial conditions facing LMI people. Compared to a year ago, virtually all respondents reported a decline in financial status, putting that index at 17.7. The index values can range from 0 (most deterioration in conditions) to 200 (most improvement in conditions), where a value of 100 is neutral. Unemployment, lower incomes, lack of insurance and poor housing choices were commonly cited as factors impairing recovery in the LMI community. A majority of survey respondents expected financial conditions to remain the same in the first quarter, but a significant number expected continued weakening in conditions as well.

Another relatively broad measure of financial conditions in the LMI community is the demand for services. Most respondents experienced an increased demand for their services in the fourth quarter. They noted that extremely cold weather and heavy snows intensified the demand for services, especially for housing, utility assistance, transportation and child care. More generally, survey respondents reported an influx of clients who had

not previously utilized their services, which they attributed to a poor economy and continued joblessness. Demand for basic services such as food and temporary housing, also continued to rise. Most survey respondents expected demand to increase further in the first quarter.

Survey results suggest that job prospects for the LMI population continued to decline in the fourth quarter, as most respondents reported that fewer jobs were available for LMI workers than in the previous quarter. Survey comments offered that one factor curtailing a job recovery in the LMI community is the employment of relatively high-skilled workers in the low-skilled jobs that often were taken by LMI workers prior to the recession. Respondents also reported that many of those finding jobs were earning less pay than before, putting continued strains on household budgets. Respondents observed that the unemployed in the LMI community were remaining jobless for longer periods of time.

Although the LMI Affordable Housing Index was only moderately below neutral in the fourth quarter, suggesting that the availability of housing in LMI communities remained roughly unchanged, the level of the affordable housing stock was regarded as insufficient to meet the needs of the LMI community. Survey respondents noted that while widespread foreclosures have resulted in an abundance of relatively low-priced homes on the market, few of these homes have met quality standards. They also noted that a lack of credit continued to hamper potential LMI homeowners. Multiple families

in single homes were observed more frequently by survey respondents, especially as a temporary housing solution for the recently unemployed. Survey comments suggested that federal funds for homeless prevention have mitigated some housing problems, but demand for affordable housing remained high.

Credit access for LMI borrowers continued to tighten in the fourth quarter, as reflected in a reading of 46.1 for the LMI Credit Access Index. Survey respondents observed an increased use of alternative financial products and services, such as payday loans and pawn shops. They also reported that a lack of available credit for entrepreneurs and small business owners was limiting job availability in the LMI community. Survey respondents expected further tightening in the first quarter, but the index rose compared to previous quarters.

The LMI Organization Capacity Index declined in the fourth quarter, while the LMI Organization Funding Index saw little change. Comments by survey respondents suggest that moderate weakening in the Capacity Index may reflect the closure of some state and local government offices, which often provide support to community organizations and their constituents. Survey respondents reported decreased funding from some sources, such as annual campaigns and state funds, but these declines often were offset by additional funds from alternative sources. Contributions were said to be more localized.

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*

Previous Quarter				
LMI Index	4 th Qtr. 2009	3 rd Qtr. 2009	2 nd Qtr. 2009	1 st Qtr. 2009
LMI Financial Condition Index	34.2	26.7	25.4	24.2
LMI Service Needs Index	35.5	30.8	31.2	24.2
LMI Job Availability Index	58.4	40.8	39.3	31.7
LMI Affordable Housing Index	83.3	84.0	71.0	72.6
LMI Credit Access Index	46.1	40.8	39.2	40.0
LMI Organization Capacity Index	91.0	101.0	101.6	109.7
LMI Organization Funding Index	88.6	85.3	85.5	91.9
Same Period One Year Ago				
LMI Index	4 th Qtr. 2009	3 rd Qtr. 2009	2 nd Qtr. 2009	1 st Qtr. 2009
LMI Financial Condition Index	17.7	7.8	4.8	6.6
LMI Service Needs Index	19.2	15.7	12.1	18.8
LMI Job Availability Index	33.8	23.2	34.5	32.2
LMI Affordable Housing Index	79.5	76.8	75.0	66.9
LMI Credit Access Index	32.9	20.8	30.0	18.2
LMI Organization Capacity Index	91.1	93.1	111.3	91.9
LMI Organization Funding Index	96.2	96.0	80.6	91.8
Expectation for Following Quarter				
LMI Index	4 th Qtr. 2009	3 rd Qtr. 2009	2 nd Qtr. 2009	1 st Qtr. 2009
LMI Financial Condition Index	59.7	42.5	50.0	50.4
LMI Service Needs Index	48.7	30.8	38.7	35.2
LMI Job Availability Index	78.3	66.3	63.5	83.5
LMI Affordable Housing Index	91.6	96.6	86.0	82.0
LMI Credit Access Index	64.7	59.5	63.6	61.9
LMI Organization Capacity Index	84.6	93.6	101.7	101.7
LMI Organization Funding Index	100.0	86.8	91.1	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.