

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

Job Availability Continues to Improve, Other Household Conditions Lag

About the Community Outlook Survey

The Federal Reserve Bank of Philadelphia's Community Outlook Survey monitors the economic factors affecting low- and moderate-income (LMI) households in the Third Federal Reserve District, which encompasses Delaware, southern New Jersey, and the eastern two-thirds of Pennsylvania. To see previous reports or to register as a survey respondent, please visit <http://www.philadelphiafed.org/community-development/community-outlook-survey/>.

Overview

The 3Q2014 Community Outlook Survey was sent to participants in October 2014. A total of 54 organizations responded, providing insight into the conditions and challenges facing LMI communities across the Third District. Additionally, organizations were asked to assess changes in demand for their services, their capacity to serve their clients' needs, and their funding levels. Together, these indicators provide a picture of the overall balance between LMI communities' service needs and the capacity of local service providers.

Household and organizational capacity indicators in 3Q continued to present a mixed picture. On the positive end, the job availability index continued to suggest improvements in the availability of employment opportunities for LMI households, albeit at a slightly lesser degree than in 2Q. However, while the other three household indicators — access to credit, availability of affordable housing, and financial well-being — appeared to be stabilizing in 2Q, relative improvements appear to have leveled off. All three indicators of organizational capacity improved relative to 2Q, though none suggest that these conditions are improving overall.

The respondents' comments reflect a number of the same themes that have been expressed in prior surveys, as well as some newly emerging areas of concern. Among the recurring themes was the quality of employment that has become available to individuals with limited skills, which respondents suggest is lacking from both a wage and job security perspective. A new theme that was touched on in a handful of responses was the growing need for services targeting particularly vulnerable segments of the LMI population, including seniors, people with disabilities, and people experiencing homelessness.

Figure 1 provides a breakdown of the services provided by organizations that participated in the 3Q survey. Figure 2 summarizes the self-reported changes in a variety of indicators pertaining to their organizations and the LMI communities they serve. Table 1 displays the third quarter diffusion indexes, which measure the direction and degree to which conditions changed relative to 2Q2014, and compares the indexes with those from the previous quarter (2Q2014) and from four quarters ago (3Q2013). Figures 3 and 4 display changes in the indicators over time and compare their value with respondents' expectations from the previous survey. Table 2 displays respondents' rankings of the top challenges facing the communities they serve today. The final section contains selected comments made by respondents.

Respondent Breakdown and Observations

Community Outlook Survey participants are senior staff members of organizations that provide direct services to LMI individuals and households in the Third District. In 3Q, 71 percent of respondents were headquartered in eastern and central Pennsylvania, 22 percent in southern New Jersey, and 7 percent in Delaware. There was a substantial variation in the size and assets of respondent organizations, with operating budgets ranging from near zero to \$32 million. The median operating budget was \$2.2 million, with the middle 50 percent falling between \$835,750 and \$5.8 million.

The largest proportion of respondents indicated that they provide services related to housing (65 percent), followed by those providing counseling services (45 percent). A breakdown of the types of services offered by these organizations is displayed in Figure 1. In addition to the listed categories, other respondents included community development organizations, small business services, and services for people with disabilities.

The Community Outlook Survey aggregates respondents' perceptions of how conditions affecting the LMI community and their organizations have changed relative to the previous quarter. The survey also asks respondents to predict how those same indicators will change in the upcoming quarter. A summary of these responses is displayed in Figure 2.

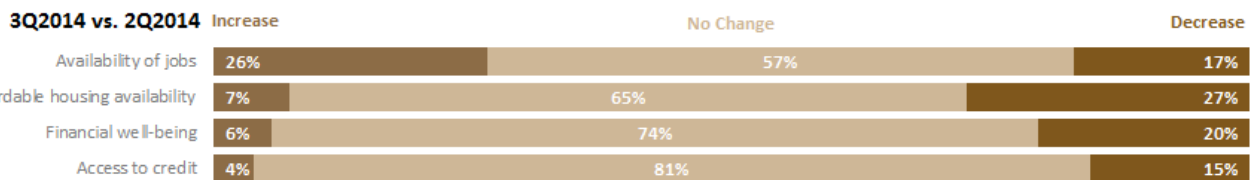
Figure 1: Types of Services Provided (Percentage of Respondents)



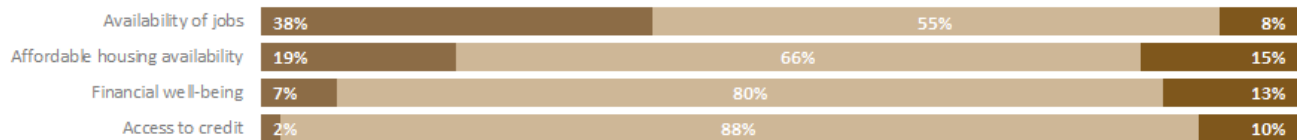
Note: Each person represents 2 percentage points.
 Respondents were permitted to select more than one category.
 Source: Federal Reserve Bank of Philadelphia

Figure 2: Survey Responses

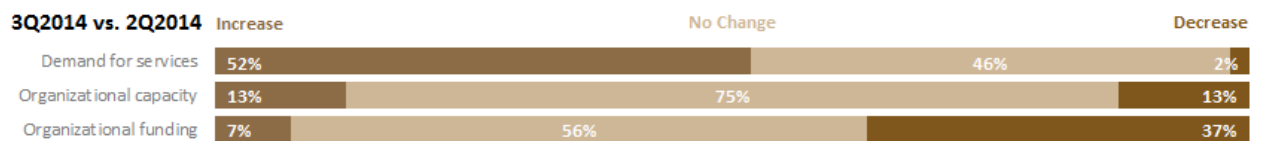
Household Indicators



Expectations for 4Q2014



Organizational Indicators



Expectations for 4Q2014



Note: Percentages may not sum to 100 due to rounding.
 Source: Federal Reserve Bank of Philadelphia

As in past surveys, the majority of respondents reported no change in any of the four household conditions tracked in this survey. Notably, there was an increase in the percentages of respondents who reported increases and decreases in the availability of jobs, perhaps indicating that the larger trend of increasing job availability is continuing, while more localized employment challenges have emerged (such as those caused by the casino closings in Atlantic City). A larger percentage of respondents indicated that there was no change in LMI households' access to credit or financial well-being, while assessments of the availability of affordable housing were largely in line with those of the 2Q survey.

For the first time this year, a larger percentage of respondents believe the availability of affordable housing will increase in the next quarter rather than decrease. The share of respondents who remain optimistic that job availability will continue to improve also grew, from 33 percent in 2Q to 38 percent in 3Q.

Across all three organizational indicators, the proportion of respondents reporting no change from 2Q increased. Though demand for services and funding constraints appears to have worsened, organizations' assessments of their ability to meet the needs of their clients have stabilized after declining in 2Q. The percent reporting increasing demand for services fell from 65 percent in 2Q to 52 percent in 3Q. While most expect this demand will continue to increase, more of them are optimistic about their funding and capacity conditions for 4Q.

Diffusion Indexes

The diffusion indexes* from the third quarter survey are displayed in Table 1 column A. Indexes above 50 signal an overall improvement, while those below 50 signal an overall decline. An index of 50 indicates that conditions did not change relative to the previous quarter.

*Diffusion indexes are computed by aggregating the percentage of respondents who indicate an increase in a specific indicator with half the percentage of respondents who indicate no change, and then multiplying by 100. The exception is the demand for services index, which is computed by aggregating the percentage who indicated a decrease with half the percentage who indicated no change. The demand for services index deviates from the other indexes because a decrease in demand is deemed to be a sign of improvement among LMI households. See Figure 2 for percentages.

Table 1: Diffusion Indexes for Low- and Moderate-Income Indicators

	A	B	C ^a	D	E ^b
	3Q2014	2Q2014	1-Qtr Change	3Q2013	1-Yr Change
<i>Current conditions relative to previous quarter</i>					
Job availability	54.7	57.1	-2.4	46.4	8.3
Affordable housing availability	40.0	39.1	0.9	36.8	3.2
Financial well-being	42.6	43.6	-1.0	29.7	12.9
Access to credit	44.2	44.8	-0.6	33.6	10.6
Demand for services	25.0	17.9	7.1	14.0	11.0
Organizational capacity	50.0	44.9	5.1	47.1	2.9
Organizational funding	35.2	34.0	1.2	27.7	7.5
	3Q2014	2Q2014	1-Qtr Change	3Q2013	1-Yr Change
<i>Expectations for conditions over the next quarter</i>					
Job availability	63.2	60.4	2.8	59.6	3.6
Affordable housing availability	46.7	46.2	0.5	51.3	-4.6
Financial well-being	52.6	50.0	2.6	47.3	5.3
Access to credit	48.7	50.0	-1.3	46.7	2.0
Demand for services	19.7	18.3	1.4	21.4	-1.7
Organizational capacity	54.6	61.3	-6.7	52.6	2.0
Organizational funding	51.3	54.7	-3.4	44.2	7.1

Note: Numbers in bold italics indicate that the index is worse relative to one quarter or one year ago.

^aColumn C is calculated by subtracting column B from column A.

^bColumn E is calculated by subtracting column D from column A.

Source: Federal Reserve Bank of Philadelphia

Current Conditions

The snapshot of household indicators in 3Q is similar to that of 2Q. Of the four indexes, only job availability exceeded 50, suggesting improvement in that condition. While the value of this index was somewhat lower than in 2Q, at 54.7, it remains at its third highest value since the survey began in 2010. Falling below 50, the values of the other three indexes suggest that LMI households' financial well-being, access to credit, and access to affordable housing are declining. This suggests that improvements in job access have not translated to across-the-board improvements in the financial stability of these households. For the third consecutive quarter, the availability of affordable housing index continues to lag others in this category.

The organizational indexes present a stabilizing, but still precarious, picture. After declining substantially to 44.9 in 2Q, the organizational capacity index has rebounded to 50. While this does not suggest that capacity is improving, it indicates that the deterioration observed in 2Q did not continue in 3Q. The demand for services index, though still trailing the others at 25, reached its highest point since the survey outset. However, this low value continues to indicate that the needs of LMI households continue to grow.

Expectations

Given that job availability has improved for two consecutive quarters, respondents were understandably optimistic about continued gains, predicting an exceptionally high index value of 65.1 for the upcoming quarter. Part of this optimism might stem from anticipation of the boost in retail employment that typically occurs during the holiday season. With a predicted index value of 51.9, it appears that respondents expect both relative and absolute improvements in access to affordable housing for the first time this year. Lastly, the access to credit and financial well-being indicators are expected to significantly outperform their historical norm but still not improve in absolute terms (with predicted values of 46.2 and 47.2, respectively).

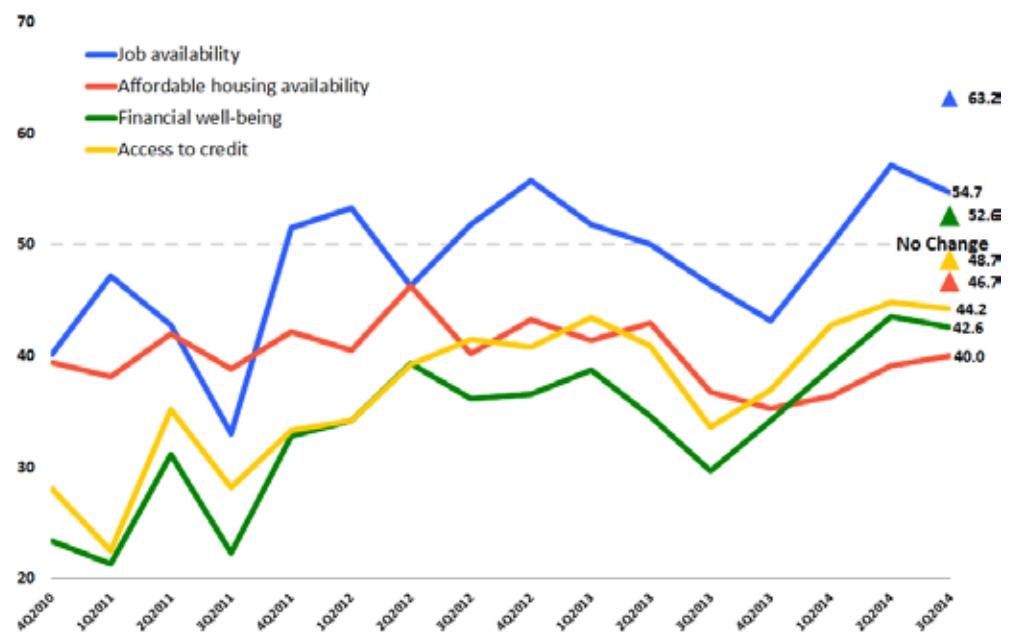
From an organizational perspective, respondents predict increases in both funding and capacity, two indicators that are likely to be closely tied. Given that the funding index has historically increased during the holiday season, this prediction is well aligned with past trends. Lastly, the demand for services is expected to increase (as represented in an anticipated decrease in the index to 21.3), perhaps also due to seasonal changes that amplify the need for shelter and food services.

Trends

Figures 3 and 4 display the diffusion indexes over time. Each triangle represents respondents' expectations for 3Q2014 as was forecasted in the 2Q2014 survey. For example, in the 2Q2014 survey, respondents predicted that the third quarter 2014 job availability index would be 63.2, whereas the index was actually 54.7.

While three of the four household indexes — availability of jobs, access to credit, and financial well-being — declined slightly in 3Q, they remain close to their historical high points. Conversely, though the availability of affordable housing index improved modestly, it remains the only one of

Figure 3: LMI Household Indicators (4Q2010 to 3Q2014)

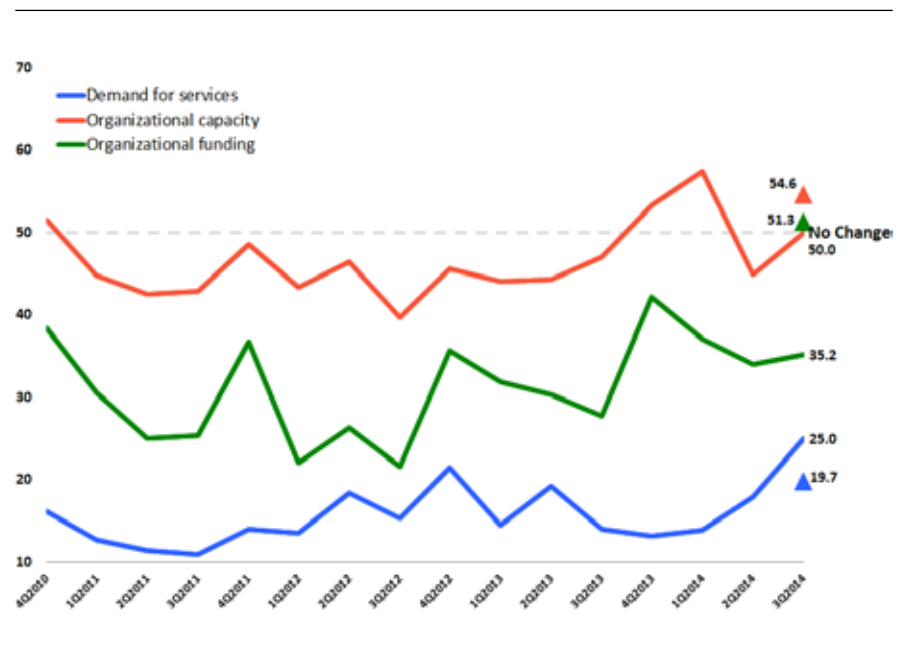


Triangles display respondents' expectations for 3Q2014 based on responses from the 2Q2014 survey.
Source: Federal Reserve Bank of Philadelphia

the four household indicators that has not had an overall upward trajectory since the first survey in 4Q2010. This continues to suggest that housing affordability issues will persist beyond other postrecession challenges.

Of the organizational indicators, the demand for services was the only index that outperformed expectations. While an index value of 25 still suggests worsening conditions, this represents the third consecutive quarter of improvement and a historical high for this index. Increases in the organizational capacity and funding indexes remain close to their long-term averages.

Figure 4: LMI Organizational Indicators (4Q2010 to 3Q2014)



Triangles display respondents' expectations for 3Q2014 based on responses from the 2Q2014 survey. Source: Federal Reserve Bank of Philadelphia

Table 2: Challenges Across Time^a

	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11
Challenges affecting LMI households' access to credit														
Lack of cash flow	75	76	75	80	74	77	73	70	77	77	71	62	72	66
Lack of financial knowledge	73	71	65	73	69	79	74	77	71	60	78	68	65	66
Underwriting standards/credit ratings	69	65	60	77	81	83	71	74	71	75	75	62	72	66
Interest rates and other lending costs	24	19	35	29	24	29	20	17	13	9	20	17	14	26
Lack of trust in banks	27	28	24	32	34	31	24	24	18	23	37	24	22	16
Regulatory issues	11	15	16	16	16	18	18	23	9	14	14	14	11	12
Challenges affecting the availability of affordable housing in community														
Development costs ^b	58	56	64	66	66	65	57	67	55	59	66	49	62	56
Lack of capital	64	60	62	61	61	72	73	63	68	69	74	69	75	74
Competition for grant/subsidy funding	65	54	58	61	64	62	58	64	70	69	64	63	72	56
Organizational capacity	35	26	34	31	40	33	33	29	27	22	31	19	31	27
Community opposition	31	27	28	30	24	22	20	35	28	26	31	22	20	27
Regulatory issues	20	19	17	24	27	21	24	17	20	26	21	10	18	18
Lack of demand	5	3	2	1	3	1	2	3	5	3	2	4	5	0
Challenges affecting organizations' financial sustainability														
Lack of government funding	67	78	76	74	79	76	77	75	81	79	77	81	78	77
Lack of grant funding	75	78	63	71	61	68	72	68	76	74	72	67	72	69
Market conditions/lack of earned income	29	33	19	28	21	33	41	36	20	34	28	39	34	31
Lack of bank financing	7	21	17	10	20	18	15	14	15	10	10	13	5	14

^aRespondents were permitted to select more than one category.
^bBeginning in 3Q2011, the category "costs" was changed to "development costs."
 Source: Federal Reserve Bank of Philadelphia

Challenges

Each quarter, we ask participants about challenges they believe are most detrimental to LMI households' access to credit, the availability of affordable housing, and their organizations' financial sustainability. Table 2 displays the percentage who selected each category over time.

The 3Q results were consistent with past surveys. The majority of respondents identified lack of cash flow (75 percent),

lack of financial knowledge (73 percent), and underwriting standards/credit ratings (69 percent) as primary barriers to LMI households' ability to access credit. Competition for grant/subsidy funding was the primary challenge to the availability of affordable housing (65 percent), followed by lack of capital (64 percent). Finally, diminishing funding opportunities remained the biggest challenges to organizations' financial sustainability.

Selected Comments

In each survey, we ask respondents to share challenges that have inhibited their ability to provide services to LMI households in addition to general observations about their organizations or service areas. Selected comments from their responses are included here. The comments have been edited for publication.

Barriers to Affordable Housing

"As part of the requirements for purchasing a house, a family our organization assisted had to go through HUD-certified housing counseling. It took several months to find someone who was certified to do the training. The person was employed, which made it difficult to find time for the training."

"Our current challenge is finding affordable properties on which to build or renovate within our region. Current costs for potential projects are diminishing our future ability to continue providing affordable homeownership."

"A recent challenge has been the ability to acquire property in order to convert it to affordable housing. We resolved it by purchasing a property for below market value, but we were still paying more than we would like considering the amount of work that needed to be done to rehab it."

"We continue to have more and more homeless individuals and families. We are looking for additional funding to develop more affordable housing."

"Tight credit standards are creating a challenge in helping individuals to purchase homes."

"LMI households are still fearful of homeownership due to the media's coverage of foreclosures, lack of credit access through traditional lending, and uncertainty of jobs."

"With the federal government no longer funding the HUD-202 senior housing program for very low-income senior households, we started utilizing the Low Income Housing Tax Credit (LIHTC). However, LIHTC only serves the less poor senior households."

Housing Quality & Maintenance

"Homeowners applying for zero interest loans for housing rehabilitation are often unable to qualify because they have used up the equity in their homes through commercial home equity lines of credit."

"We had four household applicants living in substandard housing that was creating health issues for women and children. We accelerated construction of four homes and created new partnerships with the building industry to expedite the building process and donate services and materials in kind, which allowed costs to remain affordable while maintaining the quality of homes."

"Since Superstorm Sandy hit, we have been challenged to rebuild low-income families' homes devastated by the storm, but we still have low-income families living in substandard housing who have not been affected by Sandy."

"LMI households make decisions every day as to which bills to pay. They don't take care of repairs to their homes, so their homes fall into disrepair and they often live in substandard housing."

Quality and Availability of Employment

"Wages for nonskilled jobs are inadequate to provide financial stability for LMI households."

"The radical restructuring of the employment landscape — with more people relying on low-paying temporary jobs — has undermined the ability of most of our LMI households to move beyond survival mode. With most of our "success stories" working two and three part-time jobs without any job security, we have dramatically expanded our aftercare support programs that offer ongoing money management services, life crisis management, and short-term emergency housing for graduates of its various transitional housing programs."

"Without reasonably secure employment that provides an adequate income for LMI households' most basic needs, most households are going to continue to experience episodes of

displacement that destroy whatever economic and social capital they have been able to accrue.”

“In our rural area, transportation is a major issue. People with nothing are trying to get back on their feet, trying to get a job. But once they get a job, how are they going to get there? With little to no public transportation, it’s almost impossible to start over in rural areas.”

Access to Services

“There are no specialized employment or training programs for homeless populations provided by the government. Most training programs for this population are funded privately. The public employment systems have shifted to serving a higher functioning population.”

“We sought and received support from a foundation to help families with the items that limited incomes prevent them from accessing, including adequate food throughout the month. We have linked adults and teens with job training programs and education support that are available in their communities. Adequate, quality, affordable housing is a major challenge for the families we serve.”

“Disabled clients with no income have trouble getting SSI or SSDI [Social Security Insurance or Social Security Disability Insurance] on their own. We found an SSI lawyer who will help them obtain this much-needed income, but the process of obtaining these benefits still takes too long.”

“Pennsylvania funded a youth transition program for young people with disabilities who wanted to live independently in the community. This funding was only for two years, however, which put us in a precarious situation. If we closed the program, the youth and parents to whom we provided this service would lose these resources; however, if we continued the program, we would have to fund it ourselves in a very unstable economic environment. After many months of searching for grants and trying to broker deals with school districts, we were finally able to secure a contract providing these services as afterschool programming.”

“One major challenge our deaf clients face is acquiring the skills necessary to join prevocational programs. American Sign Language is structured differently from English, and those who grew up speaking it need first to learn English in order to apply for and benefit from vocational training. We have not found any programs in Philadelphia that focus on teaching English to American Sign Language speakers, so we began offering this service to our clients. This program could benefit immensely from funding for staff training, more instructional materials, or additional staff with education experience.”

“I see an older population increasingly in need of assistance as a result of financial crimes committed upon them by their caregivers or relatives.”

“It is not enough to provide LMI families with affordable places to live. We must concentrate on the quality of life for all in the neighborhoods they call home through holistic approaches to community development. We must work with other community organizations and residents collaboratively to identify community needs so that LMI households feel safe; have access to enough food; have simple, decent housing; and have the services they need to improve their situations.”

Credit and Financial Literacy

“I feel financial education at the most basic level is very important, and this is not provided to many low-income residents. I think a better financial education system should be a part of high school curricula in area schools.”

“Lack of financial knowledge is hurting households. There’s a failure to understand how falling behind on payment obligations for home equity lines of credit will affect their housing choices later on.”

“The environment is still tight, and default and delinquency counseling is still challenging and overwhelming. Many state programs have gone away or lessened their support, so options are limited for borrowers.”

“Our clients’ credit issues are enormous — we are partnering with Clarifi and hired someone to assist the clients with accounting and financial management.”

“We have recently launched a community credit union and are struggling to originate loans to our credit-challenged LMI borrowers. We are awaiting approval from our regulator NCUA [National Credit Union Administration] to allow us to offer Payday Alternative Loans.”

Organizational Capacity

“A major challenge we face is the loss of grants. We need to find additional funding to support current programs rather than create new programs just to secure the types of grants available. We need more funding and grants simply for operational costs in order to best serve the community with things already in place that work.”

“The challenge is always a lack of funding to provide needed services.”

Survey Methodology

January 2011 marked the launch of the Federal Reserve Bank of Philadelphia's Community Outlook Survey, a quarterly online poll. Respondents represent a variety of organizations providing services to LMI populations throughout the Third District, and the survey is sent to one representative per organization. The survey contains questions about the financial well-being of LMI populations, as well as service providers' capacity to meet their clients' needs. Respondents are asked how selected conditions compare with those in the previous quarter, as well as expectations for the next quarter. The data collected help the Philadelphia Fed further assess the general status of LMI households and assist the Bank in its efforts to encourage community and economic development and promote fair and impartial access to credit. There is some variation in respondents from quarter to quarter, and the data collected represent the opinions of those organizations that responded, not the opinions of all service providers to LMI populations in the Third Federal Reserve District.



To view this survey online, scan your smartphone here.

Any questions, concerns, or comments about the Community Outlook Survey should be addressed to Eileen Divringi at phil.cosurvey@phil.frb.org.