

# COMMUNITY OUTLOOK SURVEY

Community Development Studies and Education Department

## Financial Well-Being of LMI Households Continues to Decline

### About the Community Outlook Survey

January 2011 marked the launch of the Federal Reserve Bank of Philadelphia's Community Outlook Survey. This quarterly survey will monitor the economic factors affecting low- and moderate-income (LMI) households in the Third Federal Reserve District, which includes Delaware, southern New Jersey, and eastern Pennsylvania.

Those responding to the survey include a variety of servicers to LMI populations throughout the Third Federal Reserve District. The survey is sent to one representative per organization. Since the responding organizations may vary from quarter to quarter, survey results represent the opinions of those organizations that responded. 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 will 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.

### Fourth Quarter 2010 Survey Results

In January 2011 we asked service providers to evaluate how factors affecting LMI populations had changed from the third quarter of 2010 to the fourth quarter of 2010. Specifically, we asked about the availability of jobs and affordable housing, as well as the general financial well-being of LMI populations and their access to credit. To better understand how well the needs of LMI households are being met, we also asked servicers about the demand for

their services, their organizations' capacity to serve their clients, and the adequacy of their funding.

In addition, we also asked the respondents for their expectations about these factors three months from when they took the survey in mid-January 2011. Table 1 summarizes their feedback.

**Table 1**

	Current 2010: Q4 vs. 2010: Q3			Expectations three months from now		
	% Increase	% No change	% Decrease	% Increase	% No change	% Decrease
Availability of jobs	13%	54%	33%	33%	53%	13%
Availability of affordable housing	17%	46%	38%	19%	58%	22%
Financial well-being	1%	45%	54%	11%	63%	26%
Access to credit	0%	56%	44%	7%	73%	20%
Demand for your services to LMI households	71%	26%	3%	76%	24%	0%
Capacity to serve clients' needs	22%	59%	19%	26%	58%	16%
Funding for your organization	12%	54%	35%	13%	51%	37%

*Note: Percentages may not add up to 100 due to rounding*

## General Findings

Slightly more than half (54 percent) of the service providers indicated that the availability of jobs for LMI households stayed the same from the third to the fourth quarter of 2010. Further light was shed on the job picture when more respondents reported that the availability of jobs decreased rather than increased. However, expectations for three months from now were more optimistic. While most respondents anticipate that the availability of jobs will stay the same, the percentage of respondents who think the availability of jobs will increase is higher than the percentage who think the availability will decrease.

Respondents had a somewhat negative view of the availability of affordable housing: only 17 percent answered that it had increased from the third to the fourth quarter of 2010, while 46 percent indicated no change and 38 percent reported that it had decreased. The respondents' outlook for the availability of affordable housing three months from now is slightly less pessimistic: 19 percent expect an increase and 22 percent a decrease, while most respondents expect no change.

The respondents also had an unfavorable opinion of their clients' financial well-being and access to credit. Only 1 percent reported that the financial well-being of LMI households increased from the third to the fourth quarter of 2010, while 45 percent indicated it had stayed the same and 54 percent responded that it had decreased. No respondents reported that access to credit had increased, while 56 percent indicated that it had stayed the same and 44 percent reported that it had decreased. The respondents' future expectations about the financial well-being of LMI households were slightly better. Most respondents (63 percent) expect that the financial well-being of LMI households three months from now will be the same, with the percentage expecting it to decrease (26 percent) higher than the percentage expecting it to increase (11 percent). Respondents had a similar view of access to credit: most (73 percent) expect it to stay the same and more expect it to decrease than increase (20 percent and 7 percent, respectively).

As one might expect given the current economic climate, most service providers (71 percent) saw the demand for their services increase from the third to the fourth quarter of 2010, with only 3 percent reporting a decrease and 26 percent indicating that it had remained the same. Most

organizations expect the increase in demand to continue three months from now, with 76 percent expecting an increase and no respondents expecting a decrease in demand.

Unfortunately, while demand for the services of organizations responding to the survey is increasing and may continue to increase in the future, these organizations are facing funding problems that preclude them from expanding their capacity to serve their clients at the same rate. Most respondents reported that their capacity stayed the same from the third to the fourth quarter of 2010, while only slightly more saw an increase in capacity than a decrease. The organizations' expectations are more optimistic about conditions three months from now: 26 percent expect an increase in their capacity to serve clients, while only 16 percent expect a decrease. However, the percentage of organizations that expect an increase in demand for their services is greater than the percentage that expect an increase in capacity to help meet the increased demand. Most organizations (51 percent) saw their funding stay the same from the third to the fourth quarter of 2010, while only 12 percent reported that it had increased, and 35 percent indicated that it had decreased. Thirteen percent of the respondents expect their funding three months from now to increase, while 37 percent expect it to further decrease.

Once future surveys have been administered, the Philadelphia Fed hopes to establish a baseline and track trends over time. The addition of more information will allow us to monitor trends, identify emerging issues in the data, and follow up on them in future Community Outlook Survey reports.

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## Factors That Affect Access to Credit

Respondents were asked what factors most affect their LMI clients' access to credit. At right is a chart of their responses. The three biggest factors cited were underwriting standards/credit ratings, lack of financial knowledge, and lack of cash flow.

*Note: Respondents could check more than one box.*

Chart 1

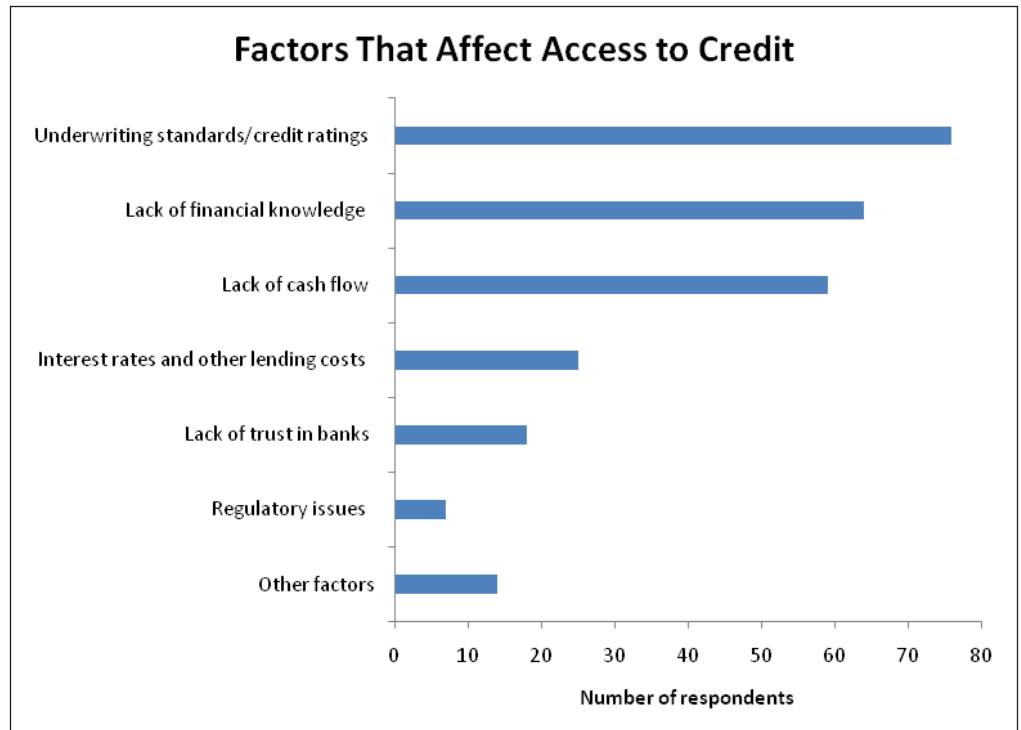
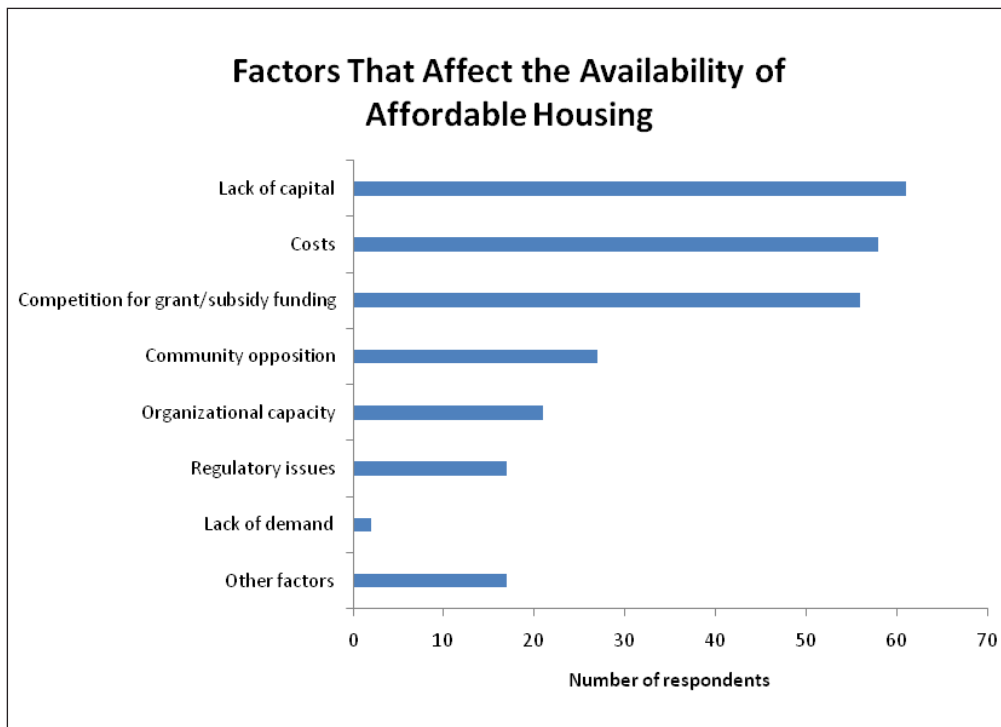


Chart 2

## Factors That Affect the Availability of Affordable Housing



Respondents were asked what factors most affect the availability of affordable housing. The chart at left shows their responses. The three main factors cited were lack of capital, costs, and competition for grant/subsidy funding. One factor cited multiple times in the "Other factors" category was the availability of suitable land.

*Note: Respondents could check more than one box.*

## Factors That Affect Organizations' Financial Sustainability

Respondents were asked what factors most affect the financial sustainability of their organization. At right is a chart of their responses. The two main factors cited were lack of grant funding and lack of government funding. In addition, lack of funding from other sources was also cited many times in the "Other factors" section, including a decrease in corporate and individual funding and reduced fundraising income.

*Note: Respondents could check more than one box.*

Chart 3



## Additional Insights

The Community Outlook Survey asks nonprofit service providers for additional insights on unusual events affecting the demand for their services and other comments that would help us better understand the issues faced by LMI households. Many respondents cited the recent economic crisis as an unusual event that increased the demand for their services. Respondents identified a number of other issues as well, including a variety of concerns about the employment situation. In particular, the respondents cited the lack of jobs, the lack of permanent jobs, workers lacking skills, and the low pay for jobs that are available. Other issues that respondents brought up frequently include foreclosures, low-quality housing units, and the Marcellus Shale mining in northern Pennsylvania.

Any questions, concerns, or comments about the Community Outlook Survey should be addressed to Brian Tyson at [Phil.COSurvey@phil.frb.org](mailto:Phil.COSurvey@phil.frb.org).