

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

LMI Job Availability Strong, But Struggles Continue

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 includes Delaware, southern New Jersey, and eastern Pennsylvania. To see previous reports or to register as a survey respondent, please visit <http://www.philadelphiafed.org/community-development/community-outlook-survey/>.

Overview

Seventy-three organizations responded to the survey in January and evaluated key indicators affecting the LMI community. Job availability improved for the fourth time in five quarters, and the decline in the availability of affordable housing slowed relative to the third quarter. Financial well-being and access to credit continued to worsen. The conditions of the organizations that responded continued to deteriorate, but the organizations still fared better relative to last quarter, when they experienced all-time lows in funding and organizational capacity. Demand for organizations' services might be starting to level off, but it remains high. Still, respondents are optimistic that their agencies will be more able to meet the needs of their clients in the first quarter of 2013.

Figure 1 and Table 1 provide a breakdown of the types of services provided by the organizations surveyed and summarize their responses pertaining to changes in various indicators affecting the LMI community and their organizations. Table 2 calculates the fourth quarter diffusion indexes, which measure the dispersion of changes in conditions relative to the third quarter of 2012, and compares the indexes with the diffusion indexes from the previous quarter (3Q2012) and four quarters ago (4Q2011). The computation of the diffusion indexes is shown in the footnote on page 3. Figures 2 and 3 display changes in the indicators over time and examine how changes in the indexes observed in the fourth quarter of

2012 compare with respondents' expectations from the previous survey. Table 3 displays the top challenges facing the LMI community. The last section contains selected comments made by respondents.

Respondent Breakdown and Observations

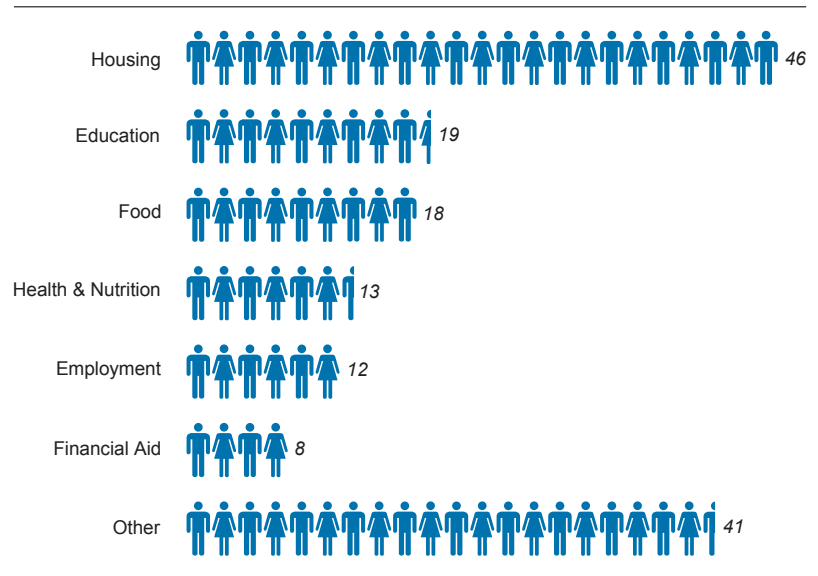
The senior staff members who received the fourth quarter survey represent a broad cross-section of organizations, including social service agencies, community development corporations, housing counselors, food banks, government agencies, and other nonprofits that provide services directly to LMI populations. Of those agencies that completed the survey, eight were located in Delaware, 12 in New Jersey, and 53 in Pennsylvania. However, many of the organizations' service areas include more than one state. The organizations' operating budgets varied substantially, with the middle 50 percent of the budgets lying between \$0.84 million and \$8.3 million.

Forty-six (63 percent) of the organizations reporting this quarter provide housing services, while approximately one-quarter offer food or education services. Forty-one (56 percent) of the respondents indicated that they offer services not listed in the survey, including counseling, family care, legal assistance, economic development, and neighborhood and community revitalization. Figure 1 displays the complete results.

The Community Outlook Survey elicits respondents' opinions on whether conditions affecting LMI households and organizations have changed in the current quarter (4Q2012) relative to the previous quarter (3Q2012). The survey also asks for predictions for those same indicators in the upcoming quarter (1Q2013). The aggregated responses are shown in Table 1.

For each household indicator, more than half the respondents reported that conditions remained unchanged in the fourth quarter. While a higher percentage of respondents observed increases in job availability compared with the percentage that observed decreases, very few reported improvements in the availability of affordable housing, financial well-being, or access to credit. A mere 3

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



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

Table 1: Survey Responses (Percentages)

	4th Qtr 2012 v. 3rd Qtr 2012			Expectation for 1st Qtr 2013		
	Increase	No Change	Decrease	Increase	No Change	Decrease
Household Indicators						
Job availability	29	54	17	34	54	13
Availability of affordable housing	7	72	21	14	64	22
Financial well-being	9	55	36	14	55	30
Access to credit	3	75	22	8	73	20
Organizational Indicators						
Demand for services	60	37	3	63	34	3
Organizational capacity	17	57	26	24	60	16
Organizational funding	17	37	46	17	46	37

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

percent indicated that access to credit improved in the fourth quarter, which is 10 percentage points lower than in the third quarter (see the corresponding Table 1 in the Third Quarter 2012 survey).

Sixty percent of the agencies that participated reported that the demand for their services increased in the fourth quarter, which is an 11-percentage-point decrease from last quarter. Seventeen percent benefited from increased funding in the fourth quarter, compared with only 3 percent in the third quarter. The percentage of respondents who observed improvements in their capacity to serve their clients was also marginally higher in the fourth quarter, which suggests that the

deterioration in conditions affecting organizations in the fourth quarter was less severe.

Expectations for the first quarter of 2013 are cautiously optimistic; a higher percentage of respondents anticipate improvements relative to the fourth quarter. However, with the exception of job availability and organizational capacity, more respondents expect declines in the first quarter compared with the number expecting improvements. For example, although 14 percent of organizations anticipate that financial well-being will improve in the first quarter, compared with only 9 percent who observed an improvement in the fourth quarter, far more predict that financial well-being will decline in the first quarter (30 percent).

Diffusion Indexes

The diffusion indexes* from the fourth quarter survey are shown in Column A of Table 2. Indexes above 50 signal an overall improvement, while those below 50 signal an overall decline. An index of 50 indicates that conditions remained unchanged from one quarter to the next.

The Demand for Services Index Has Changed

Beginning with the fourth quarter of 2012, the calculation of the demand for services index was altered to align that index with the others. Similar to the other indicators, a value greater than 50 now signals an improvement in the demand for services index. The new calculation is as follows:

$$\text{Demand for services} = [(\% \text{ Decrease}) + \frac{(\% \text{ No Change})}{2}] * 100$$

In this report, as well as for all future reports, past values of this index have been converted to reflect this change. However, past reports will continue to display the old calculation.

Table 2: Diffusion Indexes for Low- and Moderate-Income Indicators

	A	B	C*	D	E**
	4th Qtr 2012	3rd Qtr 2012	1 Qtr Change	4th Qtr 2011	1 Year Change
Current conditions relative to previous quarter					
Job availability	55.8	51.8	4.0	51.5	4.3
Availability of affordable housing	43.3	40.2	3.1	42.2	1.1
Financial well-being	36.6	36.2	0.4	32.8	3.8
Access to credit	40.8	41.5	-0.7	33.3	7.5
Demand for services***	21.4	15.3	6.1	14.0	7.4
Organizational capacity	45.7	39.7	6.0	48.5	-2.8
Organizational funding	35.7	21.6	14.1	36.8	-1.1
	1st Qtr 2013	4th Qtr 2012	1 Qtr Change	1st Qtr 2012	1 Year Change
Expectations for conditions over the next quarter					
Job availability	60.6	68.2	-7.6	61.1	-0.5
Availability of affordable housing	46.4	51.0	-4.6	46.0	0.4
Financial well-being	42.0	51.8	-9.8	49.3	-7.3
Access to credit	43.9	47.2	-3.3	44.5	-0.6
Demand for services***	20.0	21.2	-1.2	18.9	1.1
Organizational capacity	53.7	47.4	6.3	47.8	5.9
Organizational funding	40.0	40.5	-0.5	38.2	1.8

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

*Column C is calculated by subtracting Column B from Column A

**Column E is calculated by subtracting Column D from Column A

***In previous reports, the formula used to compute the demand for services index was (percent increased)+(1/2)(percent no change). The calculation was changed to (percent decreased)+(1/2)(percent no change) to align with the other indexes. That is, a demand for services index above 50 now indicates that conditions improved.

Source: Federal Reserve Bank of Philadelphia

*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 Table 1 for percentages.

Current Conditions

The job availability index hit a two-year high in the fourth quarter, increasing by 4 points, from 51.8 to 55.8. LMI households have benefited from improved job availability in four of the last five quarters, although the improvements have been gradual. The availability of affordable housing index (43.3) also increased compared with the previous quarter's index (40.2), but it still suggests that acquiring housing at an affordable price is difficult. Financial well-being and access to credit continue to decline but remain close to their respective rates in the third quarter.

The organizational indicators demonstrated more substantial improvements following a dismal third quarter. The demand for services index rose 6.1 points, to 21.4, its highest value since the start of the survey. The index has increased by 7.5 points since last year, perhaps an indication that it is beginning to level off. The organizational capacity index has increased 6 points since last quarter, while the organizational funding index rose considerably, from an all-time low of 21.6 in the third quarter to 35.7. Still, the funding index remains well below neutral, suggesting that service providers are failing to gain grants and other forms of aid.

Expectations

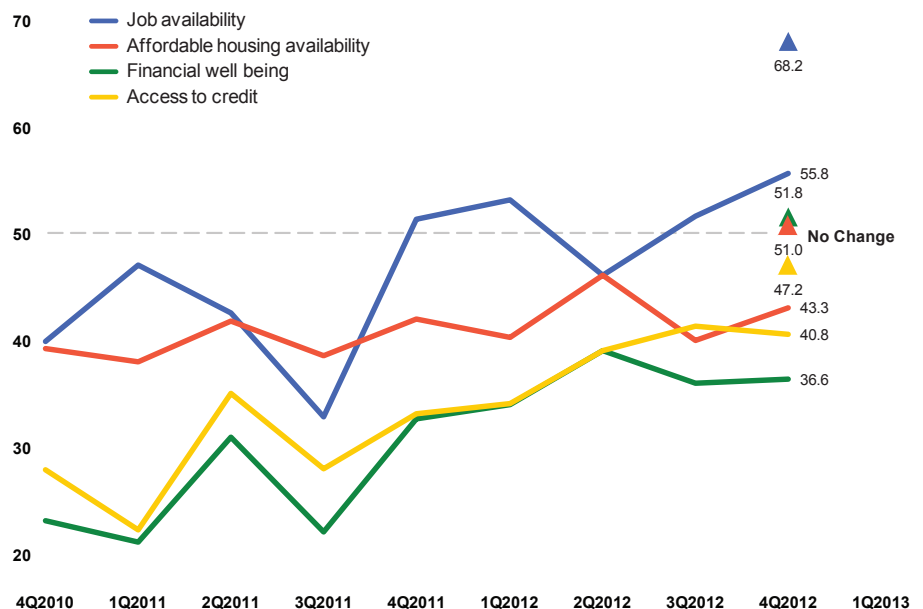
The respondents' expectations for the first quarter of 2013 are more guarded than those from the previous survey (Table 2, Column B). Organizations are generally less optimistic about the first quarter of 2013 than they were about the fourth quarter of 2012. The sole exception is the

organizational capacity index, which increased from 47.4 to 53.7. Typically, expected indexes tend to be higher than current indexes, but this is not the case for the demand for services index. It is expected to drop from 21.4 to 20.0 in the first quarter.

Trends

Figure 2 illustrates the changes in the four household indexes since the fourth quarter of 2010. Each point on the graph represents a diffusion index for the corresponding quarter. For instance, in the fourth quarter of 2010, the indexes for job availability and affordable housing availability were 40.1 and 39.4, respectively. The triangles represent respondents' expectations for the fourth quarter contained in the third quarter survey. For example, in the third quarter of 2012, respondents predicted that the index for financial well-being in the fourth quarter would be 51.8. The actual index was 36.6.

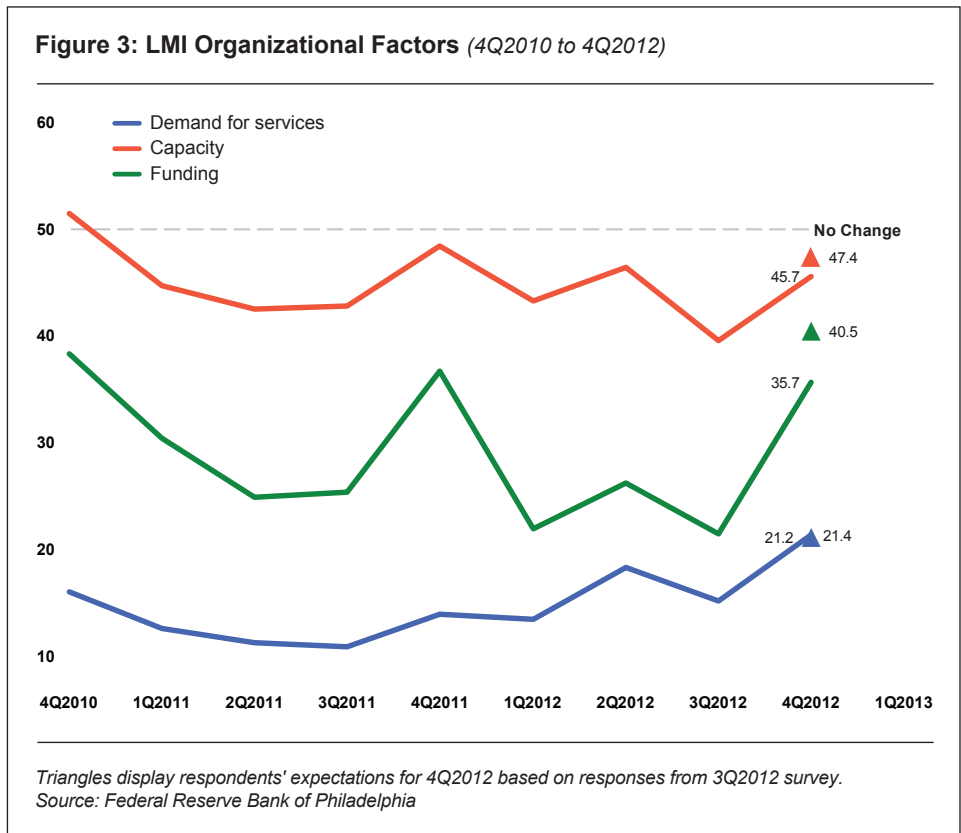
Figure 2: LMI Household Indicators (4Q2010 to 4Q2012)



Triangles display respondents' expectations for 4Q2012 based on responses from 3Q2012 survey.
Source: Federal Reserve Bank of Philadelphia

For the household indexes, expectations for the fourth quarter were more positive than observed levels. Even though the job availability index climbed to 55.8 in the fourth quarter, respondents' predictions from the previous quarter combined to produce an index 12.4 points higher. Organizations were even more optimistic about the financial well-being of LMI households in the fourth quarter, since the expected index (51.8) was significantly larger than the observed index (36.6). Affordable housing availability and access to credit were also overestimated, but to a smaller degree. Generally, the household indicators have been trending up since the start of the survey, but with a significant amount of volatility, particularly for the job availability index. Not surprisingly, expectations for the organizational indicators were much more accurate.

Respondents' predictions for the demand for their services and their capacity to serve their clients very closely resembled the actual values. Organizations overestimated the amount of funding they would receive in the fourth quarter only slightly, although the funding index has tended to be the most volatile index over the course of the survey. In the past nine quarters, the organizational indicators remain roughly where they started, but perhaps a strong fourth quarter will help them gain momentum in 2013.



Challenges

Each quarter, we ask survey participants to select the challenges they believe are most detrimental to LMI households' access to credit, the availability of affordable housing, and their organizations' financial sustainability. Table 3 displays the percentage of respondents who

selected each category over time. For example, in the second quarter of 2012, 60 percent of respondents selected lack of financial knowledge as a major obstacle impeding LMI households' access to credit. Boxes are filled based on the percentage of respondents who selected each category.

Table 3: Comparison of Challenges Across Time*

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Challenges affecting LMI households' access to credit									
Lack of financial knowledge	77	71	60	78	68	65	66	72	71
Underwriting standards/credit ratings	74	71	75	75	62	72	66	72	84
Lack of cash flow	70	77	77	71	62	72	66	70	66
Lack of trust in banks	24	18	23	37	24	22	16	22	20
Regulatory issues	23	9	14	14	14	11	12	15	8
Interest rates and other lending costs	17	13	9	20	17	14	26	31	28
Challenges affecting the availability of affordable housing in community									
Development costs**	67	55	59	66	49	62	56	55	63
Competition for grant/subsidy funding	64	70	69	64	63	72	56	65	61
Lack of capital	63	68	69	74	69	75	74	77	66
Community opposition	35	28	26	31	22	20	27	23	29
Organizational capacity	29	27	22	31	19	31	27	25	23
Regulatory issues	17	20	26	21	10	18	18	18	18
Lack of demand	3	5	3	2	4	5	0	1	2
Challenges affecting organization's financial sustainability									
Lack of government funding	75	81	79	77	81	78	77	86	61
Lack of grant funding	68	76	74	72	67	72	69	67	67
Market conditions/lack of earned income	36	20	34	28	39	34	31	36	36
Lack of bank financing	14	15	10	10	13	5	14	22	18

*Respondents were permitted to select more than one category.

**Beginning in 3Q2011, the category "costs" was changed to "development costs."

Source: Federal Reserve Bank of Philadelphia

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 organization or service area. Selected comments from their responses are included below. The comments have been edited for publication.

Affordable Housing

“The American dream of owning a home is out of the realm of possibility for families who would be successful homeowners if given a mortgage.”

“Factors, such as the influx of Marcellus Shale workers, artificially inflate rental costs, food prices, etc. However, these outside factors are not considered when determining fair market rents; the current fair market rents are preventing many clients from locating housing that falls under those guidelines and are therefore eligible for subsidy payments.”

“Housing is usually sought nearby major public transportation routes that can provide access to jobs outside of the living area. Most LMI households do not have vehicles and find it difficult to find affordable housing inside metropolitan areas.”

“In order to make low-income housing rents affordable to the very low-income individuals there needs to be rent subsidies. With the extreme competition for the very few subsidy programs available, it makes it next to impossible to develop low-income housing.”

“A challenge our organization faces is obtaining funding to secure additional LMI housing. To address this issue, we have approached faith-based organizations and local corporations and individuals that have properties available and encourage owners to enter into master lease agreements with us at a low cost so we can rent them to LMI families. Keeping the master lease cost low gives us the ability to operate these properties with a break even cash flow. We also use many volunteers to help us maintain the properties. We are continuing to look for new ways to make LMI housing available.”

“Hurricane Sandy increased the demand for sanitary housing. The current housing stock was already in great demand prior to the storm, so our organization could not do much to alleviate the increased housing need. However, we did implement a housing preference for those displaced by the storm, allowing those who qualified to move higher on the existing wait list than those without a preference.”

“Many older residents who planned on aging in place no longer have the income to maintain their homes.”

“Our organization is continuing to shift focus from providing hospital-based care to a more population health approach in order to reduce inpatient hospital stays and emergency room visits while increasing the availability of outpatient and primary care resources, chronic disease management resources, and increasing patient engagement opportunities around their health.”

Employment & Workforce Development

“LMI households today face many issues related to access. Many do not have access to the Internet or a computer in which to find jobs or affordable housing. Because most of this information is online, it marginalizes low- and moderate-income households.”

“North Camden residents are in desperate need of employment and employment training. The leading industry in this area is the sale of illegal drugs.”

“The neighborhood library closed due to renovations, and as a result, we now have a surge of people coming in to use the computers to look for jobs and affordable housing due to the accessibility of the community center.”

“LMI casino-related workers are being laid off and/or are having their hours reduced, which is impacting their eligibility for union health benefits and therefore increasing the number of under- and uninsured patients at our health care facilities.”

Funding

“Housing for very low income households is heavily dependent on funding from the Federal government, but the Federal government has ceased to function in a rational manner. As a result, we have no idea how much funding will be available to house the very low income families in our county nor how many staff we can employ to operate the housing programs.”

“Pennsylvania’s elimination of general cash assistance through the Department of Public Welfare for single individuals has eliminated some from having the ability to obtain housing. It forces people to seek alternate ways to preserve public benefits such as applying for disability.”

“Our organization has been challenged by the loss of the Homeless Prevention and Rapid Re-Housing Program

(HPRP) funding we received due to closure of the grant. We applied for similar funding through the Emergency Solutions Grant (ESG), but we were only granted 25 percent of what was requested. We deal with mental health through our current program, but there is a general need for housing assistance to prevent homelessness. I do not see those with the purse strings helping to tackle this need.”

“How do we provide services without capacity grant funding? With the federal government settling with the major mortgage servicers and getting over 25 billion dollars in fines, not one cent was set aside for housing counseling. Our challenge is to get the Federal Reserve and the Chamber of Commerce to advocate for us. Our industry has not been represented well when it comes to providing essential funding. This will lead to agencies not replacing counselors to deal with attrition. It is impossible for us to give raises and grow unless we get funded. The entire housing counseling industry of 501(C)(3) agencies need help.”

“Our organization was denied grant funding because there is too much competition. We continue to alter and re-submit applications to better qualify for grant monies.”

“With the tax credit market being very competitive, we have worked on our skill sets in developing applications.”

Homelessness

“Growing homelessness in Philadelphia is of great concern for families. Only families with a household member with a disability are readily accessing housing. Others are in and out of shelter, awaiting public housing or other options. Both individuals and families are seeking disability benefits in greater numbers and perhaps overburdening the behavioral health system, when housing is the underlying need.”

“HUD requirements under the definition of homeless families makes it very difficult for us to find qualifying families. At the same time, there are families that need assistance and we are not able to assist them because they do not meet HUD definitions of chronically homeless.”

Miscellaneous

“It has become increasingly difficult to balance verification of the clients’ stated needs with client privacy and dignity. We have identified increasing attempts to fraudulently obtain financial assistance, thereby taking resources away from those who really need them. But clients in desperate

circumstances often do not have the ability to wade through a check and balance process to obtain assistance.”

“Generally, LMI households face multiple problems, yet there are few if any organizations which offer comprehensive help.”

“The banking community needs to do a better job of understanding how LMI families make economic decisions.”

“Unemployed workers looking to start their own business have been assisted by the Small Business Development Centers to write a viable business plan. This helps the person to understand if their business idea will be profitable and sustainable. It is often difficult to convince potential new business owners of the necessity for a completed business plan. They want to fill out a one-page application and not be bothered with a business plan, telling us it takes too long and is just ‘busywork’.”

“We have a very underserved area because of the diversity of incomes in the area, which affects the funds available for the LMI area of our district. We have better targeted and identified the LMI areas and made a case that they have been overlooked due to the types of incomes and homes that are in the area. As a result, we were awarded renovation/weatherization funding from Philadelphia Housing Development Corporation to renovate ten homes of low- to moderate-income households.”

“LMI households are the target audience that my agency seeks to serve. To reach that audience, our staff goes to social service agencies that also serve that population. We receive many calls for heater repair and replacement. If these individuals are even slightly above the federal cutoff for these services, we cannot help them. We raise private dollars to help these individuals. Some of this support comes in the form of donated labor and materials from our heating subcontractors.”

“LMI individuals often mistrust government and financial institutions and therefore are often discouraged from seeking assistance.”

“While many people who are eligible are supported when applying for benefits, others are remaining homeless. We are concerned about increased criminal activity as a result.”

“We need resources for those who are in position to help LMI households, but they themselves need a helping hand to sustain their contributions.”

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 Daniel Hochberg at Phil.COSurvey@phil.frb.org.