LETTER FROM THE COMMUNITY DEVELOPMENT OFFICE

The Community Outlook Survey (COS), a quarterly online survey by the Federal Reserve Bank of Dallas, helps assess community and economic development in the Eleventh District of the Federal Reserve System—Texas, northern Louisiana and southern New Mexico. The community organizations participating in the survey provide housing, health and nutrition, financial aid, workforce development and education services to cities and counties in the Eleventh District.

In third quarter 2012, the Texas economy picked up speed. Job growth climbed to a 3.1 percent annual rate, after a slowdown was reported last quarter. Real estate progress continued, as house prices held up and existing home sales remain strong. The regional economy appears to be maintaining its strength, amidst political uncertainty and fears of the “fiscal cliff.” In the region’s low- and moderate-income (LMI) communities, optimism about the availability of jobs rebounded, after taking a dip last quarter, but service providers still worry about living wages for LMI workers. Education also became a primary concern in this quarter, both with regard to jobs and financial literacy. Finally, though nonprofits face diverse challenges in their respective communities, they are all focused on organizational sustainability and maintaining funding in a climate of tightening budgets.

PARTICIPATE IN THE SURVEY

If you are interested in participating in our 10-minute survey and are a nonprofit service provider to LMI households in Texas, northern Louisiana or southern New Mexico, please submit the request form.

View a copy of our survey.

Conditions Remain Stagnant for Communities in Eleventh District, but Optimism Peers Through

THIRD QUARTER SURVEY RESULTS

In October 2012, we asked service providers how they evaluated changes in the needs of low- and moderate-income (LMI) households—ranging from the availability of jobs and affordable housing to financial well-being and access to credit—from second quarter 2012 to third quarter 2012. To better understand how well the needs of LMI households are being met, we also asked service providers about the changes in demand for their services, their organizations’ capacity to serve clients and funding for their organizations.

In addition, we asked what changes they expected from third quarter 2012 to fourth quarter 2012. Table 1 summarizes their feedback.

After the decline in observed conditions for LMI households we saw last quarter, indicators for third quarter 2012 seem mostly stagnant. The largest shares of respondents indicated no change in measures of availability of affordability housing, financial well-being and access to credit. The percentage of service providers reporting an increase in funding for their organization dropped 2 percentage points (11 versus 13), although the share of providers noticing an increased ability to serve clients increased 4 percentage points to 19 percent. The category to see the largest positive change was availability of jobs—35 percent of service providers saw an increase, compared with just 30 percent last quarter.

Taking a look at the diffusion indexes, we see that affordable housing and financial well-being are unchanged (Chart 1). Access to credit, at 43, is three points lower than it was last quarter. All indexes remain below the baseline of 50, except that of jobs. In fact, the availability of jobs index jumped 4 points, from 57 last quarter to 61 this quarter. With the exception of demand for services, availability of jobs has been the only index to consistently stay above the baseline of 50—indicating that survey respondents are generally positive about the availability of jobs for LMI households. Observations of job availability continue to be much more positive than observations of other indicators.

Expectations about job availability in the fourth quarter of 2012 are even more positive. At 53 percent, a majority of service providers indicated they believe job availability will increase next quarter, while just 32 percent felt the same last quarter. The diffusion index for expectations of job availability leapt to 73, up 11 points from last quarter. The second largest change from last quarter is within expectations for financial well-being. In this case, the index climbed 7 points from last survey (56 versus 49), and is now in positive territory, indicating that service providers generally believe financial well-being will improve for LMI households in the fourth quarter of 2012.

With regard to service providers’ own organizations, the diffusion indexes see very little change. Expectations about
future funding dropped to an index score of 44, down from 51 last quarter. However, capacity to serve clients increased just one point to 53, showing that despite expected funding challenges, sentiment about ability to serve LMI households in the fourth quarter are, on the whole, positive.

In addition to asking service providers about the change in the situation of LMI households, we asked them to identify factors affecting their answers to many of the indicators. The following charts show the responses to factors affecting LMI households’ access to credit and affordable housing and the factors impacting service providers’ financial sustainability.

**Access to Credit**

Chart 2 shows the breakdown of responses to the question inquiring about the top factors that affect LMI households’ access to credit. For the first time since the start of COS, lack of cash flow is cited as the number one determinant. With the comments on this question providing additional insight, we can see that lack of income due to unemployment is at the very top of respondents’ concerns. Lack of trust in banks has climbed forward this quarter as well. One commenter explained that many LMI individuals simply don’t believe banks will give them access to mainstream credit.

**Availability of Affordable Housing**

As reported in previous surveys, respondents pointed to lack of capital, competition for grant or subsidy funding and development costs as the most important factors affecting the availability of affordable housing (Chart 3). However, fewer respondents cited development costs this quarter, while more pointed to “other factors.” Comments shed light on these other factors, which range from population growth to poor credit on the part of LMI households. Other respondents cite concerns in oil fields, where booming activity has constricted supply and raised property prices.

**Financial Sustainability**

Chart 4 shows the top factors affecting respondents’ organizations’ financial sustainability. Lack of grant funding reclaimed its spot as the top concern, after dropping to second place in the second quarter 2012. “Other factors” ranked in fourth place and included items such as high competition for individual donations and economic uncertainty, particularly with the impending presidential election.

**Additional Insights from Survey Respondents**

We also asked nonprofit service providers for any additional insights they would like to report about the conditions of LMI households. The most frequently mentioned issue was employment. Respondents wrote specifically of the need not just for available jobs, but for jobs that pay a living wage. Many wrote of the barriers that LMI families may have to employment, as well as the overlap between jobs and credit. One respondent explains:
Many LMI families spend one-third to one-half of their income on childcare, if they work. Most mothers would work and add to the family income if they could afford good daycare. I believe an affordable and well-run daycare for the low income families would help to sustain these families.

Other respondents described difficulties that service providers have in encouraging and guiding their clients to create a vision for their futures. Focusing primarily on generational poverty, they explain the necessity of changing the mentality of LMI clients and helping them pave their way to the future.

LMI households need the encouragement and guidance provided by quality individualized case management to identify the path that is right for them, connect the dots to enter the path and be encouraged to stay the course, even when the going gets tough and they may want to give up.

Encouraging low-income households to find ways to move forward with their lives is not happening in some communities. Many well-meaning organizations sometimes enable clients by not holding them accountable and guiding them out of their current situations. As providers, our goal should be to work ourselves out of a job, as we solve poverty and homelessness.

Challenges and Solutions for Nonprofit Organizations

For third quarter 2012, we posed an additional question to service providers, as we did the previous two surveys: Consider a recent challenge your organization has encountered in providing services to LMI households and identify the steps you have taken to resolve it. In addition, describe a challenge (if any) you have yet to resolve.

This time, the topic that received the most comments was housing—specifically, the need for housing that is truly affordable. Many of these responses relate to the lack of government funding available for affordable housing programs, while others explain that even with subsidies, the costs remain too high for some LMI households. Some respondents noted that they have had challenges in their work to fill the gaps in housing for special-need populations like the elderly. Others wrote that they will focus their efforts on safety of families in affordable housing units.

Many other comments indicated that service providers have had challenges relating to jobs and education. Some service providers also brought up the election and current state of the government. Prevalent through all the comments are concerns about funding and sustainability of government programs. Below are selected comments that have been edited for publication:

- We are focused on the aftermath of the election, looking at funding for military operations in this area and the perception of how Washington will deal with tax cuts.
• The most prominent issues we are focusing on in 2012 are ensuring that the federal disaster relief funds from Hurricanes Ike and Dolly are expended to improve flooding and other storm-related problems in LMI communities and rebuild affordable housing.
• Our challenges include the lack of transportation-oriented developments, continued sprawl in the county because of lack of authority for planning and zoning and continued increase in substandard housing in the colonias that have little drainage or other infrastructure like street lights, sidewalks and recreational areas.
• The most prominent issue is the state of our economy. Actions needed include assisting the small business sector with improved access to capital, expanding their production capacity and creating more jobs.

The focus areas vary by organization, but similar concerns emerge about local and federal government. Service providers continue to worry about future funding, and all eyes have been on the election. Although the election is over, challenges remain for providers and the LMI households they serve.

Notes
1 Data collected represent the opinions of organizations that complete the survey and should not be interpreted to represent the opinions of all service providers to low- and moderate-income households in the Eleventh District of the Federal Reserve System. In addition, the organizations that respond to the survey will not necessarily be the same from quarter to quarter.
2 For more economic statistics and analyses on the Eleventh District, see http://www.dallasfed.org/research/update/reg/2012/1207.cfm.
3 The number of respondents to the second quarter 2012 survey is 85.

Questions regarding the Community Outlook Survey can be addressed to Emily Ryder at emily.ryder@dal.frb.org