In July 2011, 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 first quarter 2011 to second quarter 2011. 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 second quarter 2011 to third quarter 2011. Table 1 summarizes their feedback.

The results based on the responses to the second quarter 2011 survey are slightly more discouraging than the first-quarter survey. The diffusion index on the availability of jobs dropped from 56 to 51. Only 21 percent of the 130 respondents thought jobs became more available from first quarter 2011 to second quarter 2011, a lower percentage than the previous two surveys. More respondents reported a decrease than an increase in affordable housing availability (26 versus 14 percent). The diffusion index for the availability of affordable housing stayed at 44, the lowest level since the inception of the survey. The financial well-being of LMI households continued its negative trend, with a low diffusion index of only 39, a 1-point increase from the first-quarter survey.

The diffusion index for demand for services stayed very high at 79, although fewer respondents reported an increase in demand for service than in the previous survey (61 versus 67 percent). Again, only 3 percent of the respondents considered demand to have decreased from the previous quarter. The share of survey respondents reporting an increase or decrease in their capacity to serve clients was the same (14 percent). The diffusion index decreased from 55 in the last survey to 50. The trend of funding decreases for their organizations continued, with a diffusion index of only 35.
Availability of Affordable Housing

As in the previous survey, the lack of capital, costs and the competition for grant/subsidy funding remain the three most cited factors that affect the availability of affordable housing (Chart 2). A number of respondents also

Gaps Between the Reality and Expectations

As shown in the responses to the second-quarter survey, the diffusion indexes for every category were lower than respondents had expected in the first-quarter survey. In particular, the diffusion index for the availability of jobs was down from 70 to 51, and that for funding for the organization was down from 52 to 35.

The survey respondents’ expectations about third quarter 2011 were less optimistic than in previous surveys. The diffusion indexes for access to credit, financial well-being of LMI households and available funding for organizations fell below 50, suggesting that service providers participating in this survey have a pessimistic outlook about the situation in these areas.

The following charts identify the factors affecting LMI households’ access to credit and affordable housing and the factors impacting service providers’ financial sustainability.

Access to Credit

In the second-quarter Community Outlook Survey, the three factors that are most often cited to have affected LMI clients’ access to credit—tightening/tightened underwriting standards/credit ratings, clients’ lack of cash flow and clients’ lack of financial knowledge—remain consistent with previous surveys (Chart 1). Respondents are also concerned about lack of trust in banks, interest rates and other lending costs, and regulatory issues.

Service providers pointed out that reasons behind the lack of improvement in access to credit may include unstable employment, the vicious cycle of bad credit, un-
chose organizational capacity, community opposition, regulatory issues and lack of demand as influential factors. Slightly fewer respondents chose community opposition as an issue than in the last survey (27 among 130 versus 30 among 128).

Service providers mentioned that population growth, due to the oil industry boom and inflow of Mexican families fleeing from border violence, made the affordable housing market very competitive. However, the lack of affordable land, uncertainty with the federal budget and the lack of builders’ interest in rural areas created a shortage of affordable housing.

**Financial Sustainability**

As they did in the previous survey, service providers still listed the lack of government and grant funding as the main influential factors for the organizations' financial sustainability (Chart 3). There was a drop from the previous survey in the number of respondents citing market conditions/lack of earned income (38 versus 52). The lack of bank financing remained a factor affecting the organizations' sustainability.

In addition, some respondents mentioned that the lack of donors had affected their financial sustainability.

In addition, some respondents mentioned that the lack of donors had affected their financial sustainability.

**Affordable Housing**

Multifamily rental housing is becoming more scarce and expensive. The demand is increasing.

Our community is on the threshold of a predicted oil boom. With the influx of all these workers, demand for living quarters has increased, along with the rents.

Mexican nationals have been relocating to the public housing authority areas near the border due to violence in Mexico. Rents have increased dramatically, making it more difficult for low-income families to find an affordable unit.

Homeownership will continue to be difficult for many first-time buyers, so demand for quality rental products will remain strong for the near term. Tax-exempt bond market softness, combined with lower LIHTC pricing, makes bond transactions extremely difficult. Demand can’t be met through the 9 percent LIHTC program alone.

**Drought Conditions**

Extreme drought and wildfires have jeopardized the living conditions of households in affected areas. There has been unusual demand for water and increased cost of utilities, outdoor repairs and landscaping.

**Income Loss of Elderly Population**

Many individuals 50 years and older have unexpectedly lost jobs, and the possibilities to replace those jobs have gotten smaller. Organizations are losing donors in that age group, who fear lower incomes from Social Security and increased medical costs. Many families are no longer able to take good care of the frail elderly.

**Comments from Survey Respondents**

The Community Outlook Survey asks nonprofit service providers for additional insights on unusual events affecting the demand for their services and for other comments that would help us better understand the issues faced by LMI households. These comments were selected from respondents to this quarter’s surveys and have been edited for publication.

**Income/Job Insecurity**

Middle-income households are sliding quickly into poverty. There is very little job security today.

Fear of job loss or potential decreases in income has had a negative effect on the population we attempt to serve. The media seem to fuel these perceptions.

**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 www.dallasfed.org/research/regional.cfm.

3. The number of respondents to the second quarter 2011 survey is 130. The previous four surveys had 114, 165, 162, 128 respondents.

Questions regarding the Community Outlook Survey can be addressed to Wenhua Di at wenhua.di@dal.frb.org.