



Service Providers Adjust to Economic Conditions in the Eleventh District

Third Quarter 2011

About the Community Outlook Survey

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.¹ The community organizations participating in the survey provide housing, health and nutrition, financial aid, workforce development and education services to at least 93 cities and 123 counties in the three states.

In the recent quarter, the energy sector remained a strong driver of the region's economy, though job growth was slower than in the previous quarter. Existing-home sales rose, while past-due mortgages and foreclosures declined. However, drought conditions remained severe, hurting the region's agriculture sector. There was also a sense of uncertainty both for businesses and consumers as confidence in economic recovery stagnated.² The low- and moderate-income (LMI) populations in the district still struggle with job security and access to affordable housing. Service providers are adjusting to ongoing sustainability challenges due to tightening budgets and increasing demand for services.

The following report highlights this quarter's COS results.

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, visit www.dallasfed.org/ca/cos/request.cfm to submit your request. To view a sample of the survey, visit www.dallasfed.org/ca/cos/survey.pdf.

Third Quarter 2011 Survey Results

In October 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 second quarter to third 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 third quarter to fourth quarter 2011. Table 1 summarizes their feedback.

Results from the third quarter 2011 survey illustrate growing pessimism about economic conditions in LMI communities. Only 7 percent of the 130 respondents perceived an increase in the availability of affordable housing and in financial well-being. The previous survey's results showed increases in these indicators of 14 percent and 10 percent, respectively. In addition, the diffusion index for availability

of jobs was in negative territory for the first time in a year, falling to 46. In the previous three quarters, it had hovered above the baseline of 50.

More respondents indicated no change in access to credit in this quarter (66 versus 61 percent). However, the diffusion index dropped by 1 point, from 37 to 36. The third-quarter survey shows a slight increase in the share of organizations reporting increased capacity to serve clients (16 versus 14 percent), as well as a minor 1 percentage point increase in respondents reporting increased funding (13 versus 12 percent).

As seen in previous surveys, there are discernible gaps between what respondents foresaw for the third quarter and what they reported as current conditions. In the second quarter, 33 percent of respondents expected increases in the availability of jobs, compared with 19 percent who reported increases currently. While responses matched expectations for increases in funding, there were large gaps between expectation and reality in the areas of affordable

	Current 2011:Q3 vs. 2011:Q2			Expectations for next quarter 2011:Q4 vs. 2011:Q3			Diffusion index* 2011:Q3		Diffusion index* 2011:Q2	
	Percent increase	Percent no change	Percent decrease	Percent increase	Percent no change	Percent decrease	2011:Q3 vs. 2011:Q2	2011:Q4 vs. 2011:Q3	2011:Q2 vs. 2011:Q1	2011:Q3 vs. 2011:Q2
Availability of jobs	19	54	27	31	55	14	46	59	51	60
Availability of affordable housing	7	68	25	11	70	20	41	46	44	51
Financial well-being	7	54	39	14	57	29	34	43	39	48
Access to credit	3	66	31	8	68	25	36	42	37	43
Demand for services	67	32	2	56	42	2	83	77	79	79
Capacity to serve clients	16	70	14	20	68	13	51	54	50	53
Funding for organization	13	43	45	17	50	33	34	42	35	40

*The diffusion index summarizes the three percentages (Increase/No change/Decrease) into one number for each question and is calculated by adding the percentage of the "Increase" responses to half of the percentage of the "No change" responses and then multiplying that total by 100. If the index is greater than 50, the attitudes of the service providers are positive. If it is lower than 50, the attitudes of the service providers are negative. If it is 50, there is no overall change in attitudes

NOTE: Percentages may not add to 100 due to rounding.

housing (20 versus 7 percent) and financial well-being (17 versus 7 percent). Table 2 highlights the differences between the expectations in indicators for this quarter from the previous survey and the share of respondents reporting increases in those indicators in the current quarter.

	Percent reporting increase in...	
	Q3 current conditions	Q3 expectations from Q2 survey
Availability of jobs	19	33
Availability of affordable housing	7	20
Financial well-being	7	17
Access to credit	3	10
Demand for services	67	60
Capacity to serve clients	16	18
Funding for organization	13	13

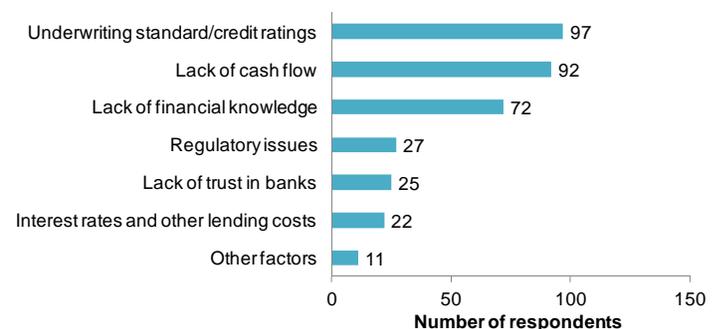
Expectations for next quarter are slightly less optimistic than they have been in previous surveys, with the exception of funding for organization. The diffusion index for availability of affordable housing fell below 50 this quarter, suggesting that service providers are less hopeful than before about housing for LMI communities.

The charts that follow identify the factors affecting LMI households' access to credit and affordable housing and the factors impacting service providers' financial sustainability.³

Access to Credit

The three factors cited most frequently in the survey as affecting LMI clients' access to credit—tightening underwriting standards/credit ratings, clients' lack of cash flow and clients' lack of financial knowledge—remain the same as in previous surveys (*Chart 1*). However, slightly more respondents reported concerns about regulatory issues than in the past.

Chart 1
Factors That Affect Access to Credit



NOTE: Respondents could check more than one box.

Service providers cited the lack of mainstream banks in LMI neighborhoods, fear of the current political environment and the reluctance of financial institutions to lend as other major issues that are affecting credit access.

Availability of Affordable Housing

As in past surveys, respondents cited lack of capital, development costs and the competition for grant/subsidy funding as the largest factors affecting the availability of affordable housing (*Chart 2*). Community opposition was reported at a slightly higher frequency than in the second quarter. Com-

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 third quarter 2011 survey is 130. The previous four surveys had 165, 162, 128 and 130 respondents.

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