

Community Outlook Survey

LETTER FROM THE COMMUNITY DEVELOPMENT OFFICE

The Community Outlook Survey (COS), a biannual 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 cities and counties in the Eleventh District.

In the first six months of 2015, Texas economic growth continued to be modest, but some positive signs emerged. After a substantial drop in the energy sector, the industry stabilized somewhat in June. Unemployment fell to prerecession rates as job growth climbed, particularly in the service sector. Rising home prices and sharp increases in the rental market continued through the first half of the year.² In the region's low- and moderate-income (LMI) communities, the upsurge in housing costs negatively impacted individuals and families. Health care issues and limited government funding also hindered these households. Fewer service providers noted improvement in the job market for their LMI clients, and many providers expressed concern that dwindling work opportunities could further handicap struggling families.

PARTICIPATE IN THE SURVEY

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

View a copy of our survey.

Housing and Health Care Woes Burden Eleventh District Communities

JANUARY–JUNE 2015

In July 2015, we asked service providers how they evaluated changes in the needs of low- and moderate-income (LMI) households—from the availability of jobs and affordable housing to financial well-being and access to credit—for the first six months of 2015.³ To better understand how well the needs of LMI households are being met, we also asked providers about changes in demand for their services, their capacity to serve clients and funding for their organizations. In addition, we asked what changes they expected for the second six months of 2015. Table 1 summarizes their feedback.

In the first half of 2015, the picture for LMI families was negative overall. The percentage of respondents reporting increases dropped for all indicators of LMI well-being except access to credit. The largest drop occurred within job availability (39 versus 53 percent). Access to credit continued its upward trend for the third survey period: from 8 percent in the first half of 2014 to 11 percent in the second half and to 14 percent this survey period. Regarding their own organizations, the share of providers noting increases

in funding declined from 18 percent in the last half of 2014 to 14 percent. The diffusion indexes in the table confirm this downturn. The index for funding fell 7 points, slipping further into negative territory at 40. Despite this, capacity to serve clients remained about the same.

Turning to the indexes for measures of LMI well-being, all indicators declined from the last survey (*Chart 1*). While job availability decreased a noteworthy 14 points, it remains well above the neutral baseline of 50. The index for financial well-being fell 12 points, putting it in negative territory for the first time since 2012.

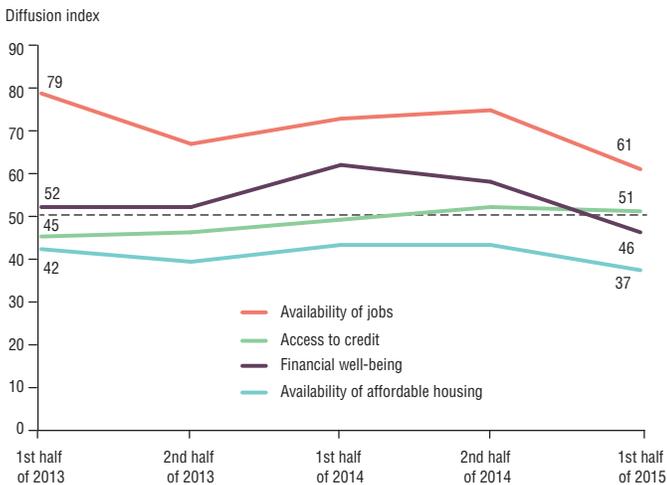
Reported expectations about the second half of the year are in positive territory, with two key exceptions: affordable housing and organization funding. While the diffusion index for expectations of affordable housing availability has occasionally dropped into negative territory during the five years COS has been conducted, it's now at an all-time low of 43. The diffusion index for expectations of organization funding matched the last survey's reading of 49, just below the baseline of 50.

Table 1	Demand for Services							
	Current six months: first half of 2015			Expectations for the next six months: second half of 2015			Diffusion index*	
	Percent increase	Percent no change	Percent decrease	Percent increase	Percent no change	Percent decrease	First half of 2015	Second half of 2015
Availability of jobs	39	42	18	33	50	17	61	58
Availability of affordable housing	8	58	34	11	63	26	37	43
Financial well-being	16	61	24	22	67	11	46	56
Access to credit	14	74	11	12	82	6	51	53
Demand for services	47	50	3	61	39	0	72	81
Capacity to serve clients	22	62	16	28	64	8	53	60
Funding for organization	14	53	33	19	58	22	40	49

*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.

Chart 1 Respondents' Observations of the Changes in Situation of LMI Households



We also asked service providers to identify factors affecting their answers to many of the indicators. Charts 2, 3 and 4 show the responses related to LMI households' access to credit and affordable housing and to service providers' financial sustainability.⁴

Access to Credit

Underwriting standard/credit ratings was the top factor affecting access to credit, ahead of lack of cash flow (Chart 2). The two categories tied as the top factor last time. Lack of financial knowledge rounded out the top three this time, while regulatory issues moved to fourth from a near-bottom ranking the second half of 2014. Other factors, named by

two respondents, were the dominance of payday lenders and the credit rejection fears of some LMI individuals.

Availability of Affordable Housing

Development costs were once again the most-cited factor affecting availability of affordable housing, followed by lack of capital and competition for grants or subsidies (Chart 3). Community opposition was a bigger concern than organizational capacity this time. Within the comments, respondents pointed to a lack of available land and limited incentives for developers, who may prefer to target other types of units.

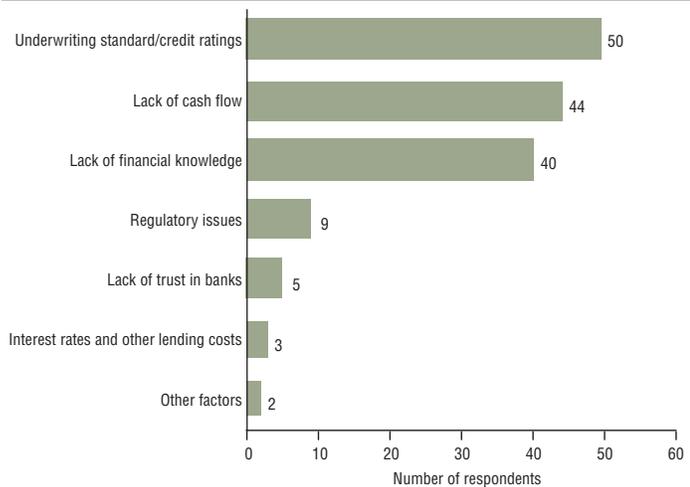
Financial Sustainability

Lack of governmental and grant funding again were the top two factors affecting the financial sustainability of organizations (Chart 4). One respondent wrote that "grant responses are taking an extra-long time this year." The only differences from last survey period are that more respondents saw lack of bank financing as a concern and fewer selected "does not apply." Other comments pointed to a reduction in giving from individual donors and competition for dollars from other nonprofit organizations.

Additional Insights from Survey Respondents

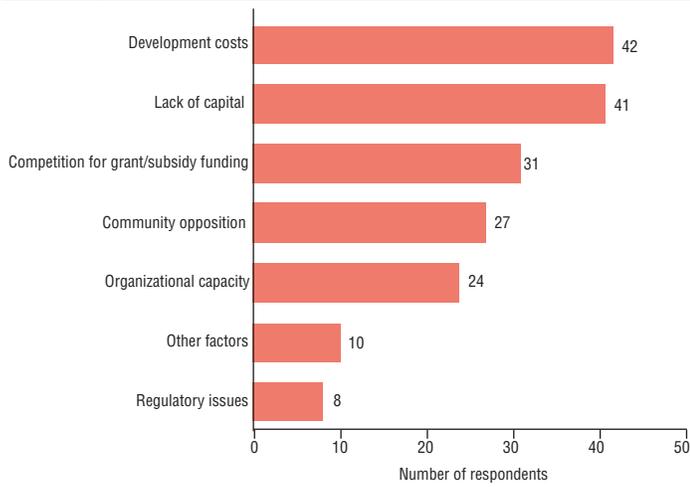
When asked if they had additional insights into LMI households conditions, many service providers referenced the intersection of health and limited incomes. For families trying to save and increase assets, providers noted that one illness or accident can derail all progress and push families deep into poverty. Others explained the need for workforce

Chart 2 Factors That Affect Access to Credit



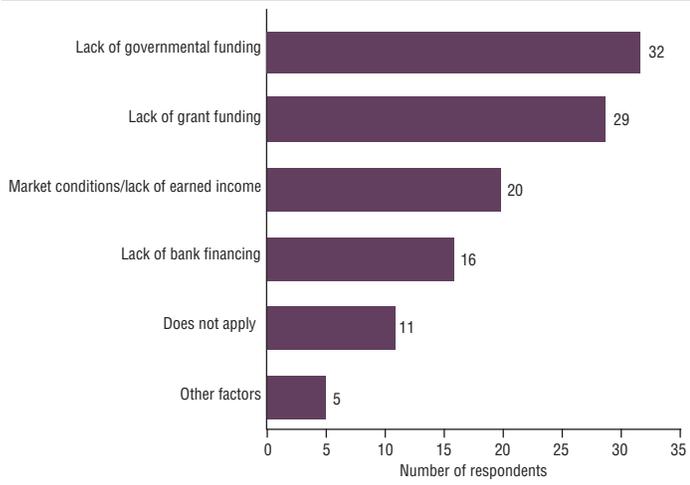
NOTE: Respondents could check more than one box.

Chart 3 Factors That Affect the Availability of Affordable Housing



NOTE: Respondents could check more than one box.

Chart 4 Factors That Affect Organization's Financial Sustainability



NOTE: Respondents could check more than one box.

development and for more employers to hire ex-offenders. Still others discussed the tough decisions that elderly clients on fixed incomes have to make among rent, utilities and medicine.

Another respondent lamented the fact that Texas elected to not expand Medicaid as part of the Affordable Care Act and noted the impact on organizations:

- Housing and Urban Development programs increasingly pay only for rent and utilities, yet many LMI households have presenting issues and disabilities requiring supportive care. The supportive care must be locally funded. Texas is a non-Medicaid-expansion state, making supportive-care dollars all the more difficult to identify.

Challenges and Solutions for Nonprofit Organizations

For this survey, providers were asked two additional questions:

- 1) What is the most prominent issue affecting LMI communities that your organization has focused on for the second half of 2015?
- 2) What information, resources or actions do you believe are needed to move this issue forward?

Affordable housing was the most-discussed topic, reflecting the same concerns found in the diffusion indexes. Issues discussed include the rising cost of land, competition for limited government funds and “not in my backyard” attitudes.

Service providers also discussed financial capability and the interconnected problems that budgeting on a very low income can cause. Other top concerns included access to health care and jobs, and the sometimes perverse incentives that accompany public assistance programs. Below are selected comments, edited for publication:

- We will continue to provide adequate housing services to help extremely-low-income people reside in safe, decent housing they can afford. We also work to prevent homelessness, aid those who are already homeless, preserve affordable housing for disabled or aging LMI homeowners and identify adequate resources to help qualified households become first-time homebuyers. More resources are needed from the state and federal government to meet increasing demand for the above housing services.
- We reach out to everyone who needs help with their business, no matter the financial ability. It's hard for

people to create more wealth by starting a business if banks do not fund startups. You have people wanting to make a better life for themselves, yet no one is willing to help people who want to work.

- We will focus on affordable housing targeted to homeless households and on access to health care. Health care needs to address the uninsured working family—not expanding Medicaid has left many families unchanged in their situations, with little or no access to primary care. In our area, a physician shortage is directly related to frozen Graduate Medical Education residency slots.
- The same challenges continue—removal of mainstream resources in one area impacts all other areas, making it difficult for clients to wean themselves from public support. It’s all or nothing. Child care, food stamps and public health are all connected to income, so the more a client makes in employment income, the more the resources disappear. Clients are penalized for becoming independent and self-sufficient.

Moving forward, service providers are focused on health care, income, and safe and affordable housing. Even with often-limited resources from the government and private funders, they will strive to help stabilize families for the rest of 2015 and beyond.

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 one survey to the next.

² For more economic statistics and analyses on the Eleventh District, see www.dallasfed.org/research/update/reg/2015/1505.cfm.

³ Beginning in 2013, COS switched from a quarterly to a biannual survey.

⁴ The number of respondents to the survey for the first six months of 2015 was 58.

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