



The New COMMUNITY OUTLOOK SURVEY Assesses Community and Economic Development in the Eleventh Federal Reserve District

Second Quarter 2010

Letter from Community Affairs Office

In July 2010, the Federal Reserve Bank of Dallas launched the Community Outlook Survey, a quarterly online survey to assess community and economic development in the Eleventh District of the Federal Reserve System—Texas, northern Louisiana and southern New Mexico.¹

This seven-question survey focuses on changes in financial well-being for low- and moderate-income (LMI) populations as well as service providers' capacity to serve the needs of these clients. The Bank uses providers' responses to measure increases/decreases/unchanged conditions from the previous quarter as well as expectations for changes in the following quarter. The data collected will help the Dallas Fed further analyze and encourage community and economic development and fair and impartial access to credit.

The following report highlights this quarter's 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.

Survey Results

In July 2010 we asked service providers how they evaluate changes in the needs of low- and moderate-income households—from the availability of jobs and affordable housing to their financial well-being and access to credit—from the first quarter to second quarter of 2010. 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, funding for their organizations and their organizations' capacity to serve clients.

In addition, we asked what changes they expect from the second quarter to the third quarter. Table 1 summarizes their feedback.

Table 1

	Current 2010:Q2 vs. 2010:Q1			Expectations for Next Quarter 2010:Q3 vs. 2010:Q2			Diffusion Index	
	% Increase	% No change	% Decrease	% Increase	% No change	% Decrease	2010:Q2 vs. 2010:Q1	2010:Q3 vs. 2010:Q2
Demand for services	72	26	3	68	30	2	85	83
Availability of jobs	14	48	38	30	48	22	38	54
Availability of affordable housing	19	56	25	22	62	16	47	53
Financial well-being	12	47	41	17	54	29	35	44
Access to credit	5	42	53	13	51	37	26	38
Funding for organization	12	49	39	23	49	29	37	47
Capacity to serve clients	25	67	8	28	65	8	59	60

NOTE: Percentages may not add to 100 due to rounding

We use the diffusion index to assess the attitudes of service providers each quarter and track how their attitudes change over time. The 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, then the attitudes of the service providers are positive. If it is lower than 50, then the attitudes of the service providers are negative. If it is 50, then there is no overall change in attitude.

Most service providers reported that the availability of jobs for low- and moderate-income households stayed the same or diminished from the first to second quarter of 2010. However, more of them anticipate jobs to become increasingly available in the third quarter of 2010. The diffusion index reflects this change in attitude: from the first to second quarter, respondents had a negative attitude about the availability of jobs (diffusion index of 38) but from the second to third quarter, they had a slightly positive attitude (diffusion index of 54).

Respondents also had a slightly negative attitude about the availability of affordable housing (diffusion index of 47) from the first to the second quarter, but from the second to third quarter, they had a slightly positive attitude (diffusion index of 53).

When asked for their observations on LMI households’ financial well-being and access to credit, most service providers said that these households’ situations remained the same or worsened from the first to second quarter of 2010. While the diffusion index did remain below 50, fewer respondents thought that these households’ financial well-being and access to credit would decrease during the third quarter.

Predictably, most service providers saw the demand for their services increase from the first quarter to the second quarter, and they expect this trend to continue through the third quarter 2010. The diffusion index for demand for services is very high—85 and 83.

Nonetheless, less than 10 percent had a negative outlook on their capacity to serve clients, and an increasing number of them anticipated their organizations’ funding to improve from the second to the third quarter. The diffusion indexes reflect this change in attitude: from the first to second quarter, respondents had a negative attitude about their organizations’ funding (diffusion index of 37) but from the second to third quarter, they were less negative (diffusion index of 47).

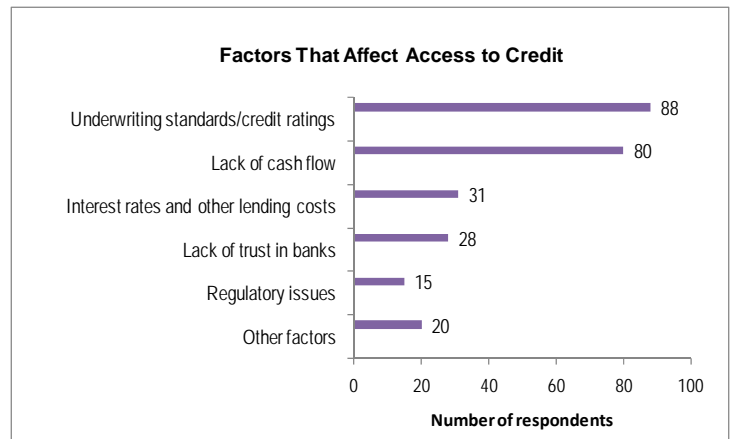
The following charts identify the factors affecting LMI households’ access to credit and affordable housing and

the factors impacting service providers’ financial sustainability. As the Dallas Fed continues to collect feedback from respondents every quarter, we will monitor trends, patterns and emerging issues in the data and note them in future Community Outlook Survey reports.

Factors That Affect Access to Credit

Most service providers who responded to the Community Outlook Survey reported that the factors that most affect their LMI clients’ access to credit are tightening of underwriting standards/credit ratings and clients’ lack of cash flow. (Chart 1).

Chart 1



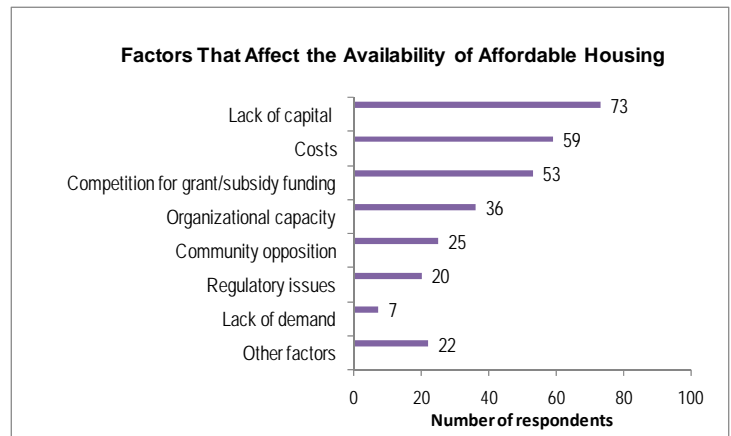
NOTE: Respondents could check more than one box.

Service providers also cited other factors that affect LMI households’ access to credit, such as clients’ lack of financial knowledge, clients’ poor or nonexistent credit scores/history and banks’ lack of interest in this market.

Factors That Affect Availability of Affordable Housing

Several factors that affect the availability of affordable housing include costs, the lack of capital and the competition for grant/subsidy funding (Chart 2).

Chart 2



NOTE: Respondents could check more than one box.

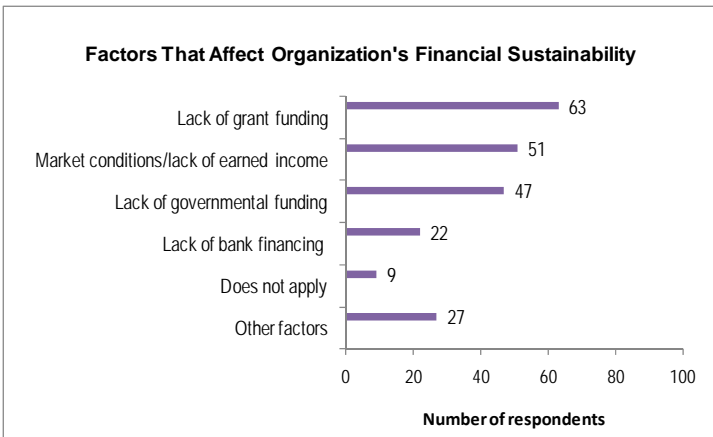
Service providers also cited other factors that affect the

availability of affordable housing, ranging from the depressed economy to the lack of eligible clientele, NIMBY-ism (Not In My Backyard), developers' lack of interest in this market, funders' inability to provide enough funding for development, and increased competition from higher-income homebuyers who seem to be more conservative in their home purchases. By purchasing lower price homes, they make affordable housing for lower-income families more scarce.

Factors That Affect Organization’s Financial Sustainability

Most service providers identified the lack of grant funding to be the major issue for their organization's financial sustainability, and quite a few others chose market conditions/lack of earned income and the lack of governmental funding to be the influential factors. (Chart 3).

Chart 3



NOTE: Respondents could check more than one box.

Service providers cited additional factors that affect their financial sustainability, including inability to obtain bank or nonbank financing, lack of contributions from individuals or firms, competition for funding, the requirement to raise match funds when applying for government grants, increased operational costs and low sales tax revenues.

Note

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. The responses to open-ended questions will not be publicized until patterns and trends can be assessed.

Questions regarding the Community Outlook Survey can be addressed to Elizabeth Sobel Blum at elizabeth.sobel@dal.frb.org.