In January 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 third quarter 2011 to fourth 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 fourth quarter 2011 to first quarter 2012. Table 1 summarizes their feedback.

Results from the final quarter of 2011 show a notable upswing in perceived well-being of LMI communities. Only 7 percent of respondents from the previous survey indicated increases in both availability of affordable housing and in financial well-being, while in this quarter, 13 percent and 18 percent report increases in each of these indicators, respectively. The largest change from last quarter is in the number of service providers who perceive an increase in the availability of jobs. This percentage has doubled from third quarter (38 versus 19).

The diffusion index for job availability rebounded from last survey’s slump. In fact, at 64, the index is at its peak since the start of the Community Outlook Survey. This means that more respondents perceive an increase in job availability from the previous quarter to the current quarter than in any other survey period.

Reporting on the final quarter of 2011 presents an opportunity to revisit data from the start of the survey. Chart 1 shows the changes in respondent observations of LMI circumstances through the past seven surveys. The dotted line designates the index baseline of 50, meaning no change from the previous quarter. Each indicator experiences dips and peaks, but it appears that the share of service providers seeing improvements is trending upward on most accounts.
The orange bars represent the diffusion indexes for what respondents foresaw for each quarter, and blue bars are diffusion indexes for what they actually observed. The share of providers who expected more job availability was higher than the share who actually reported observing it. The diffusion indexes miss the mark by between 12 and 19 points—a sizeable amount. The sole exception is in the current quarter—where the diffusion index is 5 points higher than predictions.

Expectations for the first quarter of 2012 are generally high across the board. In particular, the diffusion index for financial well-being for next quarter is 15 points higher than the expectation from last quarter (58 versus 43). This indicates that service providers are generally optimistic about how LMI families will fare in the first quarter of 2012.

Furthermore, respondents expect this favorable trend to continue. The diffusion index for expectations on job availability, at 74, is higher than in any previous survey. Indexes for all other indicators are also in positive territory, with the exceptions of access to credit (48) and funding for respondents’ organization (46), which, while still below 50, have notable improvement from last quarter. Even with these two concerns, a higher share of service providers indicated that their capacity to serve LMI clients will improve.

Among the many positive outcomes in this survey is the following: These data show, for the first time in this survey’s history, that observations about well-being of LMI households in the current quarter surpassed expectations that were made last quarter. Using availability of jobs as an example, Chart 2 illustrates the differences between the share of respondents reporting increases in job availability in each period and the expectations in the previous quarter. The orange bars represent the diffusion indexes for what respondents foresaw for each quarter, and blue bars are diffusion indexes for what they actually observed. The share of providers who expected more job availability was higher than the share who actually reported observing it. The diffusion indexes miss the mark by between 12 and 19 points—a sizeable amount. The sole exception is in the current quarter—where the diffusion index is 5 points higher than predictions.

### Chart 1

**Respondents’ Observations of the Changes in Situation of LMI Households**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percent increase</th>
<th>Percent no change</th>
<th>Percent decrease</th>
<th>Percent increase</th>
<th>Percent no change</th>
<th>Percent decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of jobs</td>
<td>38 53 9</td>
<td></td>
<td>51 47 2</td>
<td>64 74</td>
<td>46 59</td>
<td></td>
</tr>
<tr>
<td>Availability of affordable housing</td>
<td>13 65 21</td>
<td></td>
<td>19 68 13</td>
<td>46 53</td>
<td>41 46</td>
<td></td>
</tr>
<tr>
<td>Financial well-being</td>
<td>18 55 27</td>
<td></td>
<td>27 62 11</td>
<td>46 58</td>
<td>34 43</td>
<td></td>
</tr>
<tr>
<td>Access to credit</td>
<td>5 71 24</td>
<td></td>
<td>6 85 10</td>
<td>40 48</td>
<td>36 42</td>
<td></td>
</tr>
<tr>
<td>Demand for services</td>
<td>56 42 2</td>
<td></td>
<td>67 31 2</td>
<td>77 82</td>
<td>83 77</td>
<td></td>
</tr>
<tr>
<td>Capacity to serve clients</td>
<td>14 73 12</td>
<td></td>
<td>26 68 6</td>
<td>51 60</td>
<td>51 54</td>
<td></td>
</tr>
<tr>
<td>Funding for organization</td>
<td>14 50 36</td>
<td></td>
<td>21 50 29</td>
<td>39 46</td>
<td>34 42</td>
<td></td>
</tr>
</tbody>
</table>

*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 2

**Availability of Jobs: Gap Between Observations and Expectations**

Expectations for the first quarter of 2012 are generally high across the board. In particular, the diffusion index for financial well-being for next quarter is 15 points higher than the expectation from last quarter (58 versus 43). This indicates that service providers are generally optimistic about how LMI families will fare in the first quarter of 2012.
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.3

**Access to Credit**

Once again, the top three issues affecting access to credit are underwriting standards, lack of cash flow and lack of financial knowledge, as reported by our survey respondents (Chart 3).

Although there has been very little change overall, looking at the variation within the top three categories since the beginning of 2011 shows a slight convergence of the factors. As Chart 4 shows, in previous surveys, underwriting standards/credit ratings represented a larger proportion of total responses—about 10 percentage points more than the next two highest factors. While lack of cash flow and lack of financial knowledge have remained the second and third most cited factors, there is some evidence that they are increasingly being seen as important. For the fourth quarter 2011, the difference in proportions of each factor is narrowing (28 percent versus 26 percent versus 23 percent). The comments we received on this question reinforce this perspective. Many concerns about lack of financial education surfaced in the fourth quarter.

**Availability of Affordable Housing**

Consistent with past surveys, service providers pointed to lack of capital, development costs and competition for grant funding as the most important contributing factors to the availability of affordable housing (Chart 5). Comments discuss concerns about the cost, availability and location of land, particularly as it relates to job availability. Respondents also note the perceived difficulties for builders to make profits on affordable housing units.

**Financial Sustainability**

Chart 6 shows what respondents selected as the top factors affecting their organization’s sustainability. As with previous surveys, the top three concerns remain—although, this is the first time in the past year that concerns about grant funding have surpassed those about governmental funding. However, the comments report anxieties about political un-
certainty, bureaucracy and instability of federal and state funding. On a positive note, some organizations commented that they have few sustainability concerns, with one reason being the increasing revenue from economic development sales tax.

**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. Many respondents perceived a shift from homeownership to the rental market because of tightening lending standards. Comments indicate that the rental market is experiencing rising costs with an increase in demand, an issue that is exacerbated in areas where the oil and gas industries are booming. Another theme in the fourth quarter comments is a job-skills mismatch. Many respondents point out that unemployment may not be caused by lack of jobs, but lack of skilled workforce. Poor credit was also identified as a contributing factor to unemployment.

The following comments have been selected from this quarter’s survey and have been edited for publication:

A lot of LMI family members do not have strong job skills so even if there are positions available, they do not qualify for them.

The oil boom has increased the job market and more people are working, but the LMI community is still having problems with resolving credit issues.

There is an increase in jobs for low/middle income households due to the Eagle Ford Shale prospect. However, for many of these jobs, the workforce is not trained or equipped for hiring.

**Most Prominent Issues of 2012**

In the fourth quarter we also asked service providers to answer the following question for the new year: What is the most prominent issue affecting LMI communities that your organization will focus on in 2012? Additionally, what information, resources or actions do you believe are needed to move this issue forward?

Nearly half of all responses focused on housing. Some service providers mentioned working with legislators to obtain more funds for affordable housing developments, along with elevating the visibility of the issue within the community. Other organizations indicated that they would focus on convening builders and funders to foster partnerships. Others focused on demand side, noting that they will enhance their work with potential LMI buyers to repair their credit and raise their scores.

Many other comments suggested organizations will target job creation during 2012. Fostering permanent, primary jobs by attracting new and small businesses to regions was one major theme mentioned by providers. Transportation issues were also a concern, particularly low-cost, reliable public options for commuters.

Financial education emerged as another large focus for nonprofit providers in 2012. Some examples of comments include:

We will be concentrating more on credit repair counseling in an effort to move more families into a position to qualify for conventional financing.

We need volunteers to step up to the plate in assisting with EITC (Earned Income Tax Credit) and VITA (Volunteer Income Tax Assistance), and other training programs. We also need the financial institutions to partner with one another in order to help the community as a whole. We have families that do not have bank accounts, but at the same time we are dealing with high unemployment rates.

We will be educating and assisting all members of the family on finances, job preparation and education.

In general, the comments point to the importance of the intersection of industries and services. With increasing scarcity of resources, concerns about the unknown future political climate and LMI families experiencing a variety of struggles, many respondents called for leveraging resources and specializations into a multisector approach to achieving community stability. “Collective Impact,” as one respondent described it, is increasingly important, a theme that is consistent with results from the third quarter’s question on capacity constraints. Respondents indicated in the fourth quarter 2011 that health, education, housing and financial services sectors should combine resources for a greater and more positive impact.

**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 fourth quarter 2011 survey is 103.

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