Federal Reserve Bank of St. Louis

Low- and Moderate-Income Survey

OCTOBER 2011 RESULTS

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Introduction

The struggling U.S. economy has hit low- and moderate-income (LMI) families particularly hard, leaving the American dream further from their reach. The Census Bureau recently reported that the nation's poverty rate rose to 15.1 percent in 2010, its highest level since 1993 and up from 14.3 percent in 2009. The poverty rate for children rose to 22 percent in 2010, meaning more than 1 in 5 children in America—one of the wealthiest nations on earth—are living in poverty. Among the regions included in the Eighth District, the South added 3.3 million and the Midwest another 1.6 million people to the ranks of the poor.

These high rates of poverty are, of course, caused in part by the recession and unemployment. According to the Bureau of Labor Statistics, there are now nearly 26 million workers who are officially unemployed or underemployed, including 6.2 million Americans who have been unemployed more than 6 months and 4.4 million who have been out of work more than one year. Some four workers remain unemployed for every one job opening in America.

Not surprisingly, surveys show that financial insecurity is now reaching well into the middle class. Nearly half of all Americans consider themselves financially fragile, meaning that they would "probably" (22.2 percent) or "certainly" (27.9 percent) be unable to come up with $2,000 in 30 days to cope with a financial emergency. Similarly, almost half of all Americans report having trouble making ends meet.

Meanwhile, the balance sheets of American households, which have improved somewhat in the last couple of years, remain shockingly weak: Three-fifths or more of families across all income groups, according to the 2009 Survey of Consumer Finances (SCF) of the Federal Reserve, reported a decline in wealth between 2007 and 2009, and the typical household lost nearly one-fifth of its wealth, regardless of income group. In addition, the Pew Research Center reports that in 2009, typical net worth stood at $5,677 for blacks, $6,325 for Hispanics, and $113,149 for whites. About a third of black and Hispanic households had zero or negative net worth that year, compared with 15 percent of white households.

With the unemployment rate just below 9 percent, poverty higher than it has been in 17 years, and the wealth of American households disturbingly low, there could not be a better time to boost our efforts to improve the financial stability and balance sheets of LMI households in our District and nationwide. Financially stable families not only improve their lives and their communities, they also spend, save and invest more, thereby contributing to our nation's economic growth.

It is in this spirit that we conducted this survey of LMI families in the Eighth District.

—Ray Boshara, Senior Advisor, Federal Reserve Bank of St. Louis

Perspectives from Survey Respondents[1]

The Obvious

LOW-INCOME = <50 percent of area median family income

MODERATE-INCOME = 50 to 80 percent of area median family income

Top Three Factors Affecting LMI Areas Most Negatively

1. Job availability (48 percent)
2. Education (35 percent)
3. Job skills (32 percent)

Nonprofits

71 percent of nonprofit responders reported an increase in demand for their services, while 55 percent reported that both decreased funding and instability of funding sources are affecting their ability to serve LMI communities.

Financial Institutions

Respondents from financial institutions reported that demand for loans for community and economic development projects in LMI areas is low (48 percent) and that CRA opportunities have remained relatively unchanged over the past six months (45 percent).

Community and Economic Development

The demand for commercial real estate was identified as being low (30 percent) to very low (27 percent) in LMI areas.

Other

- 66 percent of respondents stated that economic conditions for LMI households continue to worsen.
- Overwhelmingly (86 percent), respondents believe that LMI individuals and communities are not being adequately prepared to compete for higher wage jobs that require more job skills.

"Increased regulatory requirements for financial institutions have a good intention (protecting consumers), but I feel the effects of these requirements will actually have unintended negative effects in regard to LMI individuals."

1 Please note that some questions have been aggregated and/or combined for summary purposes. The number and type of questions that a respondent received depended on their self-identified type of organization. Select responses were grouped into organizational categories (e.g., nonprofits, community and economic development organizations, financial institutions), as well as metropolitan and rural categories. Not all respondents received all of the survey questions. Therefore, reported percentages in some cases have been aggregated with like respondents and similar questions and may not total 100 percent.

The Somewhat Obvious

The top three issues for the next generation of LMI individuals were the same as the current top issues:

1. Job availability (44 percent)
2. Education (39 percent)
3. Job skills (36 percent)

Generational poverty (26 percent), debt (25 percent), ability to save money (23 percent), and availability of affordable housing (20 percent) were also highly rated issues for the next generation of people living in LMI communities.

Nonprofits

Nonprofit professionals report that private donations (39 percent) are having the greatest impact on their ability to serve the LMI community, followed by government funding (33 percent).

Financial Institutions

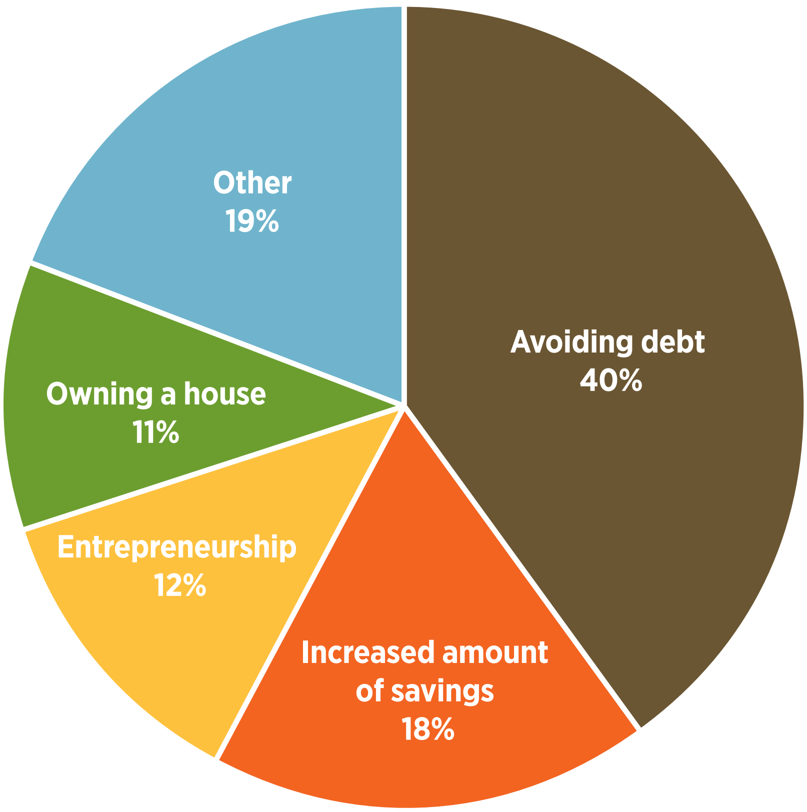
Respondents from financial institutions believe that the tightening of lending standards (34 percent) is the greatest barrier to improving the financial well-being of LMI individuals in their service areas. Unbanked LMI individuals and those who do not have a banking relationship also present a challenge to this goal, according to 31 percent of respondents.

Community and Economic Development

Community and economic developers indicated that small businesses are most interested in available sites in LMI communities (59 percent). Average (46 percent) to low (39 percent) wages were overwhelmingly cited as the going rate in LMI areas.

"Policy approaches to date have been somewhat temporary, stopgap measures that don't promote long-term solutions."

Top Assets for Increasing the Financial Stability of LMI Households



Owning a house was ranked fourth out of eight choices for the most important asset to help LMI individuals increase their financial stability. This issue certainly goes beyond the LMI community. A recent *Wall Street Journal* article noted that 2011 will be a record year for rental household formations, which are expected to increase by 1.5 million. As the home ownership rate continues to decline (from its peak in 2004 at 69 percent to 66 percent in the second quarter of 2011,[2]), people in the Eighth District and Americans in general continue to redefine how they view and prioritize financial assets.

2 http://online.wsj.com/article/SB10001424052970203911804576653403871400400.html?KEYWORDS=apartments

"The categories defining success for communities, individuals or households are overdue for redefining."

The Not-So-Obvious

Nonprofits

Only 18 percent of nonprofit respondents chose leadership issues at the city, state or federal level as the major barrier to helping increase the economic stability of LMI households and communities.

Financial Institutions

Only 10 percent of respondents from financial institutions thought that the belief that loans in LMI communities may be risky was a major barrier to improving those communities.

Community and Economic Development

A full 39 percent of community and economic developers indicated that there have been recent business expansions and job additions in their LMI service areas.

Other

- Globalization appears to be impacting rural and metropolitan LMI communities in different ways: 39 percent of metropolitan respondents stated that globalization offers *more* opportunities to LMI communities in their area. In comparison, 42 percent of rural respondents indicated that globalization offers *less* opportunities to their communities.
- Both rural and metropolitan community stakeholders were split on the prospect that LMI individuals or households have the ability to progress to a better economic situation in the current environment.
  + Not very probable: Rural, 53 percent; Metropolitan, 42 percent
  + Possible: Rural, 44 percent; Metropolitan, 50 percent

  (Other responses consisted of "Do not know," "Impossible," "Very probable.")

"Too often I see people rush to get LMI people into homes they can't afford to maintain or other programs that are beyond their ability. There are times—perhaps lifetimes—when people should be renters and learn how to live within their means, however small."

Frequency of Qualitative Responses

We asked, "In what other ways is the changing economic landscape affecting your organization and/or the LMI individuals in your area?" The word cloud below is a visual representation of the responses received. The frequency of each response is shown by the size of the word.

Additional LMI Information

LMI Wages by MSA, Eighth Federal Reserve District

MSAs by State	2011 HUD Median Family Income[1]	Low Annual Income[2]	Moderate Annual Income[2]	Low Hourly Income[3]	Moderate Hourly Income[3]
ARKANSAS					
FAYETTEVILLE-SPRINGDALE-ROGERS, AR-MO	$57,500	$28,750	$46,000	$13.82	$22.12
FORT SMITH, AR-OK	$47,800	$23,900	$38,240	$11.49	$18.38
HOT SPRINGS, AR	$48,800	$24,400	$39,040	$11.73	$18.77
JONESBORO, AR	$51,300	$25,650	$41,040	$12.33	$19.73
LITTLE ROCK-NORTH LITTLE ROCK-CONWAY, AR	$61,500	$30,750	$49,200	$14.78	$23.65
PINE BLUFF, AR	$47,800	$23,900	$38,240	$11.49	$18.38
AR NON-MSA	$43,300	$21,650	$34,640	$10.41	$16.65
ILLINOIS					
BLOOMINGTON-NORMAL, IL	$79,100	$39,550	$63,280	$19.01	$30.42
CHAMPAIGN-URBANA, IL	$67,100	$33,550	$53,680	$16.13	$25.81
CHICAGO-JOLIET-NAPERVILLE, IL	$76,200	$38,100	$60,960	$18.32	$29.31
DANVILLE, IL	$52,600	$26,300	$42,080	$12.64	$20.23
DECATUR, IL	$59,400	$29,700	$47,520	$14.28	$22.85
KANKAKEE-BRADLEY, IL	$64,400	$32,200	$51,520	$15.48	$24.77
PEORIA, IL	$68,200	$34,100	$54,560	$16.39	$26.23
ROCKFORD, IL	$63,400	$31,700	$50,720	$15.24	$24.38
SPRINGFIELD, IL	$69,100	$34,550	$55,280	$16.61	$26.58
IL NON-MSA	$56,600	$28,300	$45,280	$13.61	$21.77
INDIANA					
ANDERSON, IN	$57,000	$28,500	$45,600	$13.70	$21.92
BLOOMINGTON, IN	$59,100	$29,550	$47,280	$14.21	$22.73
COLUMBUS, IN	$67,300	$33,650	$53,840	$16.18	$25.88
ELKHART-GOSHEN, IN	$51,100	$25,550	$40,880	$12.28	$19.65
EVANSVILLE, IN-KY	$62,900	$31,450	$50,320	$15.12	$24.19
FORT WAYNE, IN	$63,000	$31,500	$50,400	$15.14	$24.23
INDIANAPOLIS-CARMEL, IN	$66,000	$33,000	$52,800	$15.87	$25.38
KOKOMO, IN	$59,100	$29,550	$47,280	$14.21	$22.73
LAFAYETTE, IN	$62,300	$31,150	$49,840	$14.98	$23.96
MICHIGAN CITY-LA PORTE, IN	$59,600	$29,800	$47,680	$14.33	$22.92
MUNCIE, IN	$52,300	$26,150	$41,840	$12.57	$20.12
SOUTH BEND-MISHAWAKA, IN-MI	$59,400	$29,700	$47,520	$14.28	$22.85
TERRE HAUTE, IN	$53,100	$26,550	$42,480	$12.76	$20.42
IN NON-MSA	$52,900	$26,450	$42,320	$12.72	$20.35

MSAs by State	2011 HUD Median Family Income[1]	Low Annual Income[2]	Moderate Annual Income[2]	Low Hourly Income[3]	Moderate Hourly Income[3]
KENTUCKY					
BOWLING GREEN, KY	$56,600	$28,300	$45,280	$13.61	$21.77
ELIZABETHTOWN, KY	$56,300	$28,150	$45,040	$13.53	$21.65
LEXINGTON-FAYETTE, KY	$66,200	$33,100	$52,960	$15.91	$25.46
LOUISVILLE-JEFFERSON COUNTY, KY-IN	$62,900	$31,450	$50,320	$15.12	$24.19
OWENSBORO, KY	$56,600	$28,300	$45,280	$13.61	$21.77
CINCINNATI-MIDDLETOWN, OH-KY-IN	$70,400	$35,200	$56,320	$16.92	$27.08
HUNTINGTON-ASHLAND, WV-KY-OH	$49,600	$24,800	$39,680	$11.92	$19.08
KY NON-MSA	$43,000	$21,500	$34,400	$10.34	$16.54
MISSISSIPPI					
GULFPORT-BILOXI, MS	$54,000	$27,000	$43,200	$12.98	$20.77
HATTIESBURG, MS	$49,500	$24,750	$39,600	$11.90	$19.04
JACKSON, MS	$58,000	$29,000	$46,400	$13.94	$22.31
PASCAGOULA, MS	$57,700	$28,850	$46,160	$13.87	$22.19
MS NON-MSA	$41,600	$20,800	$33,280	$10.00	$16.00
MISSOURI					
COLUMBIA, MO	$65,100	$32,550	$52,080	$15.65	$25.04
JEFFERSON CITY, MO	$65,000	$32,500	$52,000	$15.63	$25.00
JOPLIN, MO	$47,500	$23,750	$38,000	$11.42	$18.27
KANSAS CITY, MO-KS	$72,300	$36,150	$57,840	$17.38	$27.81
SPRINGFIELD, MO	$54,700	$27,350	$43,760	$13.15	$21.04
ST. JOSEPH, MO-KS	$55,700	$27,850	$44,560	$13.39	$21.42
ST. LOUIS, MO-IL	$69,500	$34,750	$55,600	$16.71	$26.73
MO NON-MSA	$47,200	$23,600	$37,760	$11.35	$18.15
TENNESSEE					
CHATTANOOGA, TN-GA	$57,000	$28,500	$45,600	$13.70	$21.92
CLARKSVILLE, TN-KY	$53,500	$26,750	$42,800	$12.86	$20.58
CLEVELAND, TN	$51,300	$25,650	$41,040	$12.33	$19.73
JACKSON, TN	$53,600	$26,800	$42,880	$12.88	$20.62
JOHNSON CITY, TN	$50,500	$25,250	$40,400	$12.14	$19.42
KINGSPORT-BRISTOL-BRISTOL, TN-VA	$49,500	$24,750	$39,600	$11.90	$19.04
KNOXVILLE, TN	$61,300	$30,650	$49,040	$14.74	$23.58
MEMPHIS, TN-MS-AR	$58,300	$29,150	$46,640	$14.01	$22.42
MORRISTOWN, TN	$48,700	$24,350	$38,960	$11.71	$18.73
NASHVILLE-DAVIDSON-MURFREESBORO-FRANKLIN, TN	$66,200	$33,100	$52,960	$15.91	$25.46
TN NON-MSA	$45,400	$22,700	$36,320	$10.91	$17.46

Data source: FFIEC (http://www.ffiec.gov/hmda/pdf/msallinc.pdf)

[1] Median Family (not Individual) Income was used for this table.

[2] Low Annual Income = 50 percent of Median Family Income; Moderate Annual Income = 80 percent of Median Family Income.

[3] Hourly Income was calculated by dividing Annual Income by 52 (weeks), and then dividing that number by 40 (hours).

Are Poverty and LMI the Same?

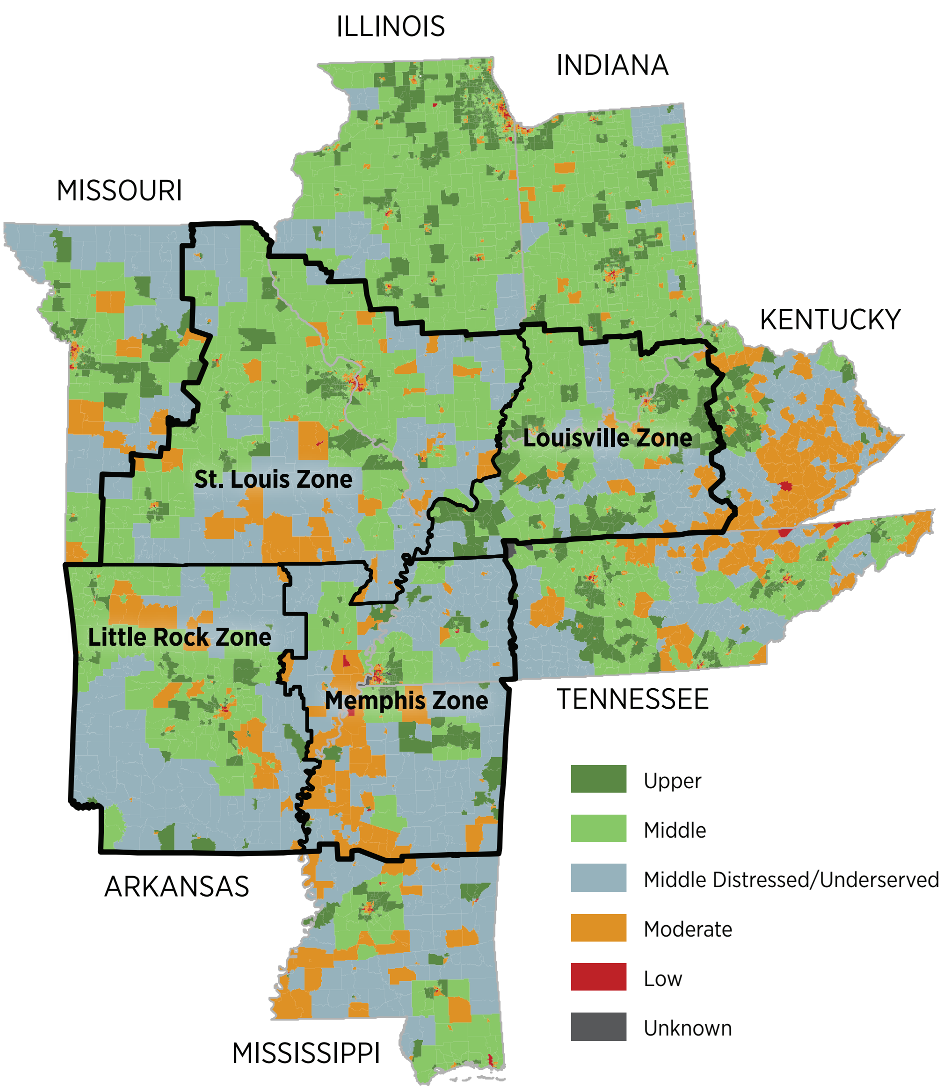
No, poverty and LMI are not the same. The 2010 Census Bureau poverty threshold for a four-person household is $22,314. By this measure, 15.1 percent of Americans live in poverty. If you refer to the wage table on pages 8 and 9 and use this poverty threshold, you can see the contrast in estimated wages for poverty and LMI populations. Also, LMI data is relative to the geographic location of the individual; census poverty data is not. (It should be noted that the Census Bureau's poverty data is calculated differently than LMI data (see link to the right), but is also valuable to understand the current conditions in underserved communities.)

How the Census Bureau Measures Poverty

Census Bureau poverty data is calculated differently than LMI data.

See how it's done here:
www.census.gov/hhes/www/poverty/methods/measure.html

Census Tracts by CRA Income Designation



Poverty Statistics

State	2010	2007	Change Since 2007
ARKANSAS	15.5%	13.8%	+1.7%
ILLINOIS	14.1%	10.0%	+4.1%
INDIANA	16.3%	11.8%	+4.5%
KENTUCKY	17.7%	15.5%	+2.2%
MISSISSIPPI	22.7%	22.6%	+0.1%
MISSOURI	14.8%	12.8%	+2.0%
TENNESSEE	16.7%	14.8%	+1.9%
EIGHTH DISTRICT	16.8%	14.5%	+2.4%
UNITED STATES	15.1%	12.5%	+2.6%

Source: Census; Number of Poor and Poverty Rate, by State: 1980 to 2010, www.census.gov/hhes/www/poverty/data/historical/hstpov21.xls

State Poverty Ranking, Eighth Federal Reserve District

Rank	State
Highest to Lowest Percentage, 2010	
1	Mississippi
2	Kentucky
3	Tennessee
4	Indiana
5	Arkansas
6	Missouri
7	Illinois
Highest to Lowest Percentage Change in Rankings Since 2007	
1	Indiana
2	Illinois
3	Kentucky
4	Missouri
5	Tennessee
6	Arkansas
7	Mississippi

States with some of the lowest percentages of poverty in 2007 (Illinois and Indiana) had the highest increase from 2007 to 2010; Mississippi, with the highest percentage in 2007, only increased by 0.1%.

About the Survey

- The Federal Reserve Bank of St. Louis Low- to Moderate-Income Survey was sent to 1,188 community stakeholders in the seven states that comprise the Eighth Federal Reserve District. Responses were received from 307 of those stakeholders from September 12 to October 3, 2011. The overall survey response rate was 26 percent.
- Participants included a variety of community stakeholders, including advocacy/interest groups, chambers of commerce, community and economic development organizations, energy companies, educational institutions (K-12 and colleges), faith-based organizations, financial institutions, government agencies, microlenders and venture capitalists, philanthropic foundations, public officials, workforce development organizations, and other nonprofits. The number and type of questions that a respondent received depended on their self-identified type of organization. Select responses were grouped into organizational categories (e.g., nonprofits, community and economic development organizations, financial institutions), as well as metropolitan and rural categories.

Thank You

We would like to thank all the survey respondents for allowing us to gather their perspectives and share them with others around the Eighth Federal Reserve District. Hopefully this information will provide insights regarding particular service areas and the regional areas we all share. We look forward to updating this information biannually in order to continuously learn how LMI communities are changing and being shaped. We look forward to hearing from you again.

Acknowledgements

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