

Federal Reserve Bank of St. Louis

# Community Outlook Survey

APRIL 2012 RESULTS



CENTRAL TO AMERICA'S ECONOMY

[STLOUISFED.ORG](http://STLOUISFED.ORG)

# Introduction

---

During the first quarter of 2012, job availability, workforce issues and access to education continued to be the most pressing issues affecting low- and moderate-income (LMI) individuals and communities in the Eighth Federal Reserve District, according to respondents to the St. Louis Fed's Community Outlook Survey. Respondents indicated that the need for more affordable housing increased greatly and that this was having a strong short- and long-term negative impact on LMI households throughout the states that comprise the Eighth District.

According to respondents from financial institutions, nonprofits, and community and economic development organizations, there was no significant improvement in the overall well-being of LMI communities in the first months of 2012. The majority of respondents from financial institutions continued to describe the demand for loans for community and economic development projects in LMI areas as being low. Tightening of lending standards decreased slightly in the first months of 2012, and being unbanked was identified as the greatest difficulty in improving the financial well-being of LMI individuals.

Compared with the 2011 survey responses, more nonprofits indicated that they have less funding to contribute financially to improving LMI individuals and communities. Instability of funding sources for nonprofits also continues to outpace other issues (including leadership issues at the city, state or federal level, staffing issues, or competition for funding) as being the greatest barrier in allowing nonprofits to increase the economic stability of LMI households and communities.

Job additions and business expansions in LMI areas served by community and economic developers are declining, according to respondents, and wages remain average to low. Most community and economic developers who responded to the survey also believe that conditions for jobs and business expansions will remain unchanged in the next six months.

Responses to the current survey did not identify any dramatic improvements in the economic status or well-being of LMI individuals in the states that comprise the Eighth District. Some of the most significant changes that community stakeholder respondents identified since the 2011 survey included a sharp decrease in the amount of funding for nonprofits and the need for more affordable housing in the beginning of 2012.

One survey respondent summed up current conditions by saying, "LMI populations are experiencing 'the perfect storm' in terms of job loss, unemployment and underemployment, lack of standard affordable housing, the almost unavoidable tendency to incur substantial debt, and a poor educational system that does not come close to preparing LMI populations to succeed in the areas of work, education, finance, housing or health care."

# Are LMI Conditions in the Eighth District Getting Better or Worse in 2012?

A majority of respondents (47 percent) indicated that economic conditions are continuing to decline in 2012. But this was a 19 percent decrease from the previous survey in 2011 (66 percent). The first quarter of 2012 did not mark a significant improvement for LMI individuals and households, but the data was slightly improved from 2011, as shown in Table 1.

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

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

TABLE 1  
Economic Conditions for LMI Populations in the Eighth Federal Reserve District

Year	Getting Worse	Staying the Same	Improving
2011	66%	31%	3%
2012	47%	43%	10%

There was a mixed response among states regarding the improvement of LMI individuals and communities in 2012. (See Charts 1 and 2.) The majority of respondents from Arkansas, Kentucky and Mississippi said that the economic conditions of their LMI populations were continuing to decline. Respondents from Illinois, Indiana, Missouri and Tennessee indicated that LMI conditions in their states were staying the same. Very few respondents indicated that economic conditions for LMI communities in early 2012 were improving.

CHART 1  
Percentage of Respondents Indicating Worsening LMI Economic Conditions (by State)

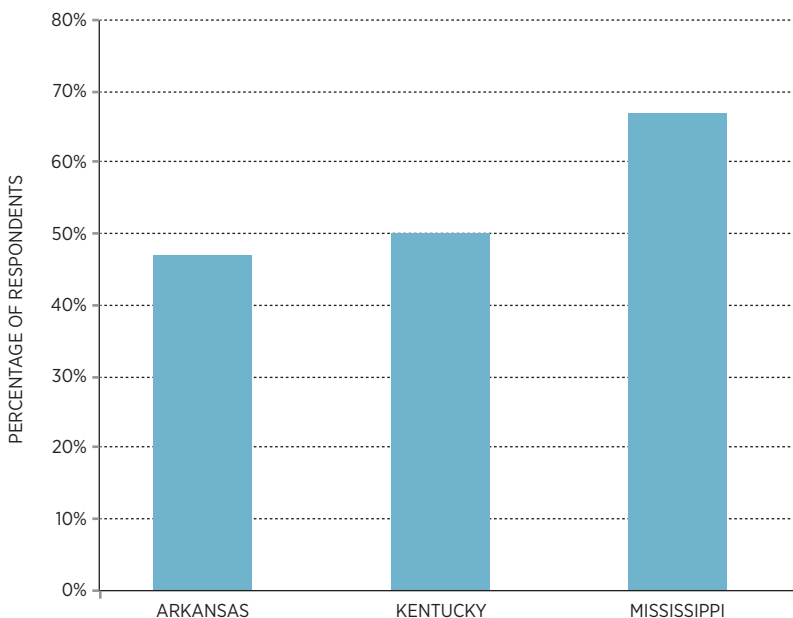
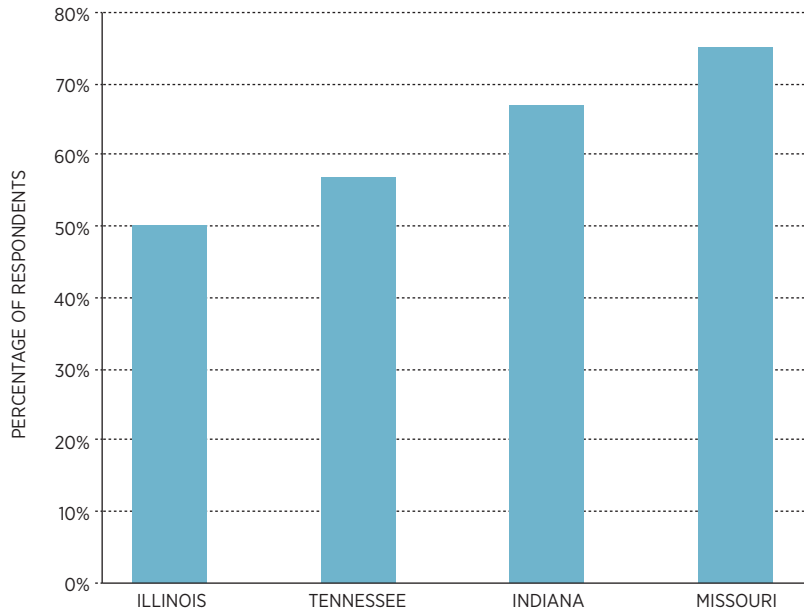


CHART 2  
**Percentage of Respondents Indicating No Change in LMI Economic Conditions (by State)**



# Increased Demand for Affordable Housing

In 2011, affordable housing ranked sixth in the list of what was most currently affecting LMI communities, and was the seventh greatest future challenge for the LMI population. But the need for affordable housing is now growing rapidly, according to the April 2012 Community Outlook Survey respondents. It was second on the list of the issues most currently impacting LMI communities, and was third in long-term challenges for the next generation in LMI communities.

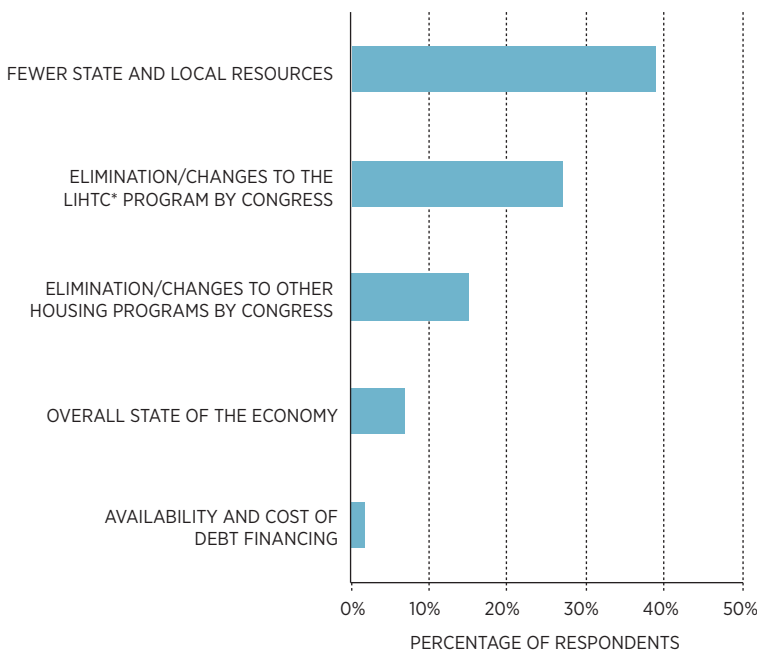
## Why the increased need for affordable housing in the Eighth District? Some factors include the following:

1. “Fewer state and local resources” was recently ranked as the issue of most concern to the firms responding to the Affordable Housing Finance Survey in 2012. (See Chart 3 below).



© 2012 SHUTTERSTOCK/CAMMEP

CHART 3  
**Top 5 Concerns for 2012 — Affordable Housing Finance Survey**



\* Low-Income Housing Tax Credit

Source: Top 50 Affordable Housing Developers Survey, Affordable Housing Finance, April/May 2012, [www.housingfinance.com/ahf/articles/2012/april-may/0412-cover-Steady-Goes-It.htm](http://www.housingfinance.com/ahf/articles/2012/april-may/0412-cover-Steady-Goes-It.htm)

2. The market has a lower supply of homes.

According to the National Association of Realtors, the number of homes listed for sale in the U.S. decreased by 22 percent from March 2011 to March 2012.<sup>1</sup> This drop resulted in the lowest number of homes on the market since 2005.

3. Median home prices in the Midwest and South have increased since 2011.<sup>1</sup>

From March 2011 to March 2012, median home prices in the Midwest increased by 5.2 percent, with a current median price of \$132,800. In the South, the median home price increased by 6.2 percent in the past year, with the median home price now at \$146,500.

4. Wages among lower-income workers also continue to affect not only homeownership but the ability to afford rent. According to the National Low Income Housing Coalition, minimum-wage workers in the Eighth District would have to work an average of 70 hours a week to afford a two-bedroom apartment.

“LMI populations are experiencing ‘the perfect storm’ in terms of job loss, unemployment and underemployment, lack of standard affordable housing, the almost unavoidable tendency to incur substantial debt, and a poor educational system...”

TABLE 2  
Hours at Minimum Wage Needed to Afford Rent

State	Hours Needed
ARKANSAS	63
ILLINOIS	81
INDIANA	74
KENTUCKY	65
MISSISSIPPI	66
MISSOURI	74
TENNESSEE	69

Source: National Low Income Housing Coalition, <http://nlihc.org/sites/default/files/oor/2012-OOR-Min-Wage-Map.pdf>

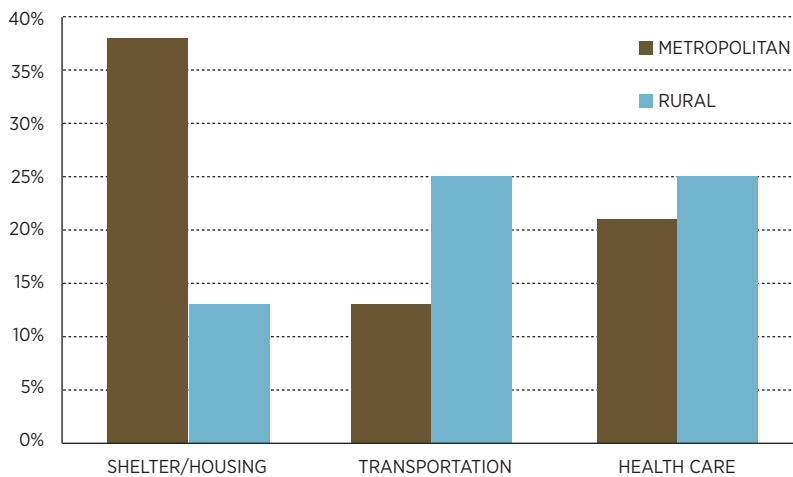
<sup>1</sup> See [www.realtor.org/news-releases/2012/04/existing-home-sales-decline-in-march-but-inventory-down-prices-stabilizing](http://www.realtor.org/news-releases/2012/04/existing-home-sales-decline-in-march-but-inventory-down-prices-stabilizing).

# Basic Needs for LMI Individuals Differ by Geography

When asked which basic needs were currently most difficult for LMI households to adequately access, respondents in metropolitan areas were most concerned with shelter/housing (38 percent); rural respondents were most concerned with transportation (25 percent) and health care (25 percent). Both metropolitan (21 percent) and rural (25 percent) respondents reported that LMI individuals are having difficulty accessing health care. The needs of LMI populations can differ greatly throughout the Eighth District. The geographic location of these populations might require different policies to improve LMI communities.

CHART 4

**Top Basic Needs for Metropolitan and Rural LMI Populations**



# Education Continues to Rank High

Access to education and educational attainment continue to be highly rated among survey respondents. They ranked education second in 2011 and third in 2012 as the issue that is currently having the most negative impact on LMI households and communities. But rising education costs and the job market will continue to make it difficult for many lower-income individuals to progress via education to a better economic situation.

In 2011, both rural and metropolitan respondents ranked better education (including financial education) as the best opportunity for improving America’s LMI population. In 2012, rural respondents ranked education second and metropolitan respondents ranked it third. Both rural and metropolitan respondents to the latest survey ranked redevelopment to attract jobs and businesses higher than education as it pertains to improving America’s LMI population. The slight drop in the education ranking may be due to increasing college costs and the current job market.

Education is certainly a very strong indicator of a person’s ability to attain a job with higher wages, but there has been a surprising growth in the number of highly educated people who need public assistance, as recently noted in the *Chronicle of Higher Education*. (See Table 3.)

TABLE 3  
Public Assistance for Those With a Master’s Degree or Higher

Degree	Number of People Receiving Public Aid	
	2007 (of 20 million total)	2010 (of 22 million total)
MASTER'S	101,682	293,029
PROFESSIONAL-SCHOOL (E.G., PHARMACIST, OPTOMETRIST)	24,864	32,719
DOCTORATE	9,776	33,655

Access to higher education has also become more difficult for many lower-income families who rely on Pell grants. In 2011, families who made \$32,000 or less automatically qualified for the maximum Pell grant. But in 2012, household income is limited to \$23,000 to qualify, according to the U.S. Department of Education. (See <http://studentaid.ed.gov/about/announcements/recent-changes>.)

Some institutions of higher learning are trying to offset rising tuition costs and lower income thresholds for Pell grants by offering their own programs to help students from lower-income families. For example, Harvard University recently announced a change to its



---

Harvard Financial Aid Initiative. Beginning in the fall of 2012, any admitted student whose family income is below \$65,000 per year (increased from \$60,000) will be able to attend Harvard for free. (See [http://www.admissions.college.harvard.edu/financial\\_aid/hfai/index.html](http://www.admissions.college.harvard.edu/financial_aid/hfai/index.html).) Admitted students with family incomes below \$150,000 may attend Harvard for 10 percent of the total cost of tuition, room and board, and other fees.

Education is certainly a very strong indicator of a person's ability to attain a job with higher wages, but there has been a surprising growth in the number of highly educated people who need public assistance.

# Other Information

---

## Other Data

To see raw data from the current Federal Reserve Bank of St. Louis Community Outlook Survey, please visit [www.stlouisfed.org/community\\_development/community\\_outlook\\_survey/](http://www.stlouisfed.org/community_development/community_outlook_survey/).

## About the Survey

The Federal Reserve Bank of St. Louis Community Outlook Survey was sent to 1,197 community stakeholders in the seven states that comprise the Eighth District. Responses were received from 64 of those stakeholders between April 5 and April 25, 2012. The overall survey response rate was 5.34 percent.

A variety of community stakeholders participated, 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.