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. 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 last six months of 2014, growth of the Texas economy was moderate, despite unemployment continuing to fall. The energy sector growth that had driven much of the overall economic growth over the past year declined in December, as oil prices plummeted. Growth in manufacturing, service and retail sectors slowed. Evidence suggests that the sharp drop in oil prices will continue to impact the overall economy, slowing the strong employment growth the state saw in 2014. In the region’s low- and moderate-income (LMI) communities, observations of job availability have improved slightly, while views on affordable housing availability remain decidedly negative. Service providers continue to worry about the growth of high-priced housing complexes in major cities, pushing LMI families and special-need populations farther and farther from public transit.

### PARTICIPATE IN THE 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, please submit the request form.

View a copy of our survey.

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### Modest Job Improvement Encourages Service Providers in Eleventh District

**JULY–DECEMBER 2014**

In January 2015, 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—for the last six months of 2014. 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 for the first six months of 2015. Table 1 summarizes their feedback.

In the last half of 2014, the picture for LMI families is mixed. The percentage of respondents reporting increases in many indicators of LMI well-being fell a few percentage points. For instance, the share of service providers seeing increases in jobs dropped 3 percentage points (53 versus 56), and for financial well-being, the share dropped a full 10 percentage points (30 versus 20). Only the share seeing increases in access to credit grew, from 8 percent in the first half of 2014 to 11 percent in the second half. Notably, the percentage of service providers seeing decreases in LMI well-being dropped as well, meaning that a much higher share saw no change in the past six months. Regarding their own organizations, the share of respondents observing increases in funding remained fairly steady, as did the share observing increased capacity to serve. Most notable was the demand for services measure: Less than half of respondents observed increased demand, compared with 66 percent last survey period.

The diffusion indexes can show a clearer picture, by combining all three percentages (increase, no change, decrease) into one score. Regarding nonprofit organizations, the diffusion indexes rose 3 points for both funding (47 versus 44) and capacity to serve clients (53 versus 50). Perhaps this positive turn in capacity is reflected in the decreased demand for services: Its diffusion index plummeted from 81 during the first half of 2014 to 70 this period.
Taking a look at the indexes for measures of LMI well-being, all but affordable housing are above the neutral baseline of 50 (Chart 1). Access to credit broke into positive territory during the last half of 2014, and the jobs index increased 2 points (75 versus 73). Since the beginning of 2013, most of these indicators have increased slightly, with the exception of job availability. Access to credit steadily rose over the past four survey periods, landing in positive territory at 52.

Reported expectations about the first half of 2015 are positive on all measures except funding for one’s organization, at 49. Expectations during the last survey period were higher on this indicator, with a diffusion index of 55.

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.

### Access to Credit

Chart 2 shows the breakdown of responses that highlight the top factors affecting LMI households’ access to credit. Lack of cash flow was again the top concern, tied this time with underwriting standards or credit ratings. Regulatory issues, previously at the fourth spot, came in near the bottom this time, just above “other factors.” These factors included difficulty in household budgeting and past histories with bad credit.

### Availability of Affordable Housing

We also asked about the top factors affecting the availability of affordable housing. Development costs came in No. 1, switching spots from the last survey with lack of capital (Chart 3). Organizational capacity climbed during the last six months of 2014. One respondent cited the decrease in federal and state funds, while another expounded upon land availability as a major barrier.

### Financial Sustainability

Chart 4 shows that, in keeping with previous surveys, lack of governmental and grant funding were the top two factors service providers indicated as affecting their organization’s sustainability. Furthermore, market conditions again ranked
third. The comments from “other factors” illuminated some deeper issues within respondents’ own organizations. For instance, two respondents explained that the economic development sales tax their organizations usually rely on decreased in amount due to the surrounding local economy and the decrease in oil production. Another service provider cited the challenges associated with drops in donor incomes, explaining, “Many donors are of moderate income and are not seeing the financial gains being experienced by many in our community. We need to work on expanding our donor base.”

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. Not surprisingly, the negativity regarding affordable housing seen in the diffusion indexes continued in the comments. The picture is complicated by worries about transit and the continuing lack of affordability in cities, pushing LMI residents outside these communities. For example, some commenters described luxury apartment development in the cities, pushing lower-income and even moderate-income families into the suburbs—only to have them suffer from lack of affordable public transportation. Another respondent described “not in my backyard” mentalities of some cities that push LMI families into unincorporated communities, such as the border colonias, where families can enter a risky, informal contract-for-deed scenario, without the need to qualify for a loan.

Still others focused on health concerns, particularly for special-need populations such as the elderly or those located in isolated, rural communities. One respondent writes:

- The elderly population in rural areas is much more distressed during flu seasons. We need more access to transportation and social services for these senior citizens.

More respondents pointed to the distinct issues that rural communities face, including limited educational opportunities and training for youth as well as the digital divide—the lack of Internet connectivity in some rural communities that contributes to isolation and ongoing dearth of opportunities.
Challenges and Solutions for Nonprofit Organizations

For this survey, we posed an additional set of questions to service providers: What is the most prominent issue affecting LMI communities that your organization will focus on for the first half of 2015? Additionally, what information, resources or actions do you believe are needed to move this issue forward?

Financial capability and affordable housing had the most representation among service provider responses. Other prominent issues that surfaced include health, education and influencing local governments. Below are selected comments that have been edited for publication:

- We’re focused on effective financial coaching, including tracking of credit scores, improving savings and increasing income. We need a community-wide push to get free tax preparation and strongly encourage savings for future crises and needs, thus circumventing payday and title lenders and the like. We need help from traditional lenders to provide affordable and obtainable products as alternatives to high-cost alternative lenders.

- We are in the federal health/dental/behavioral health sector. What is affecting us is the lack of disposable income with individuals and families. One of the last things people will spend money on is their health care. We have not seen the Affordable Care Act help much yet, at least not in our area in Texas.

- Our focus is improving access to broadband and Internet for LMI communities.

- There is an unmet need for quality early childhood educational opportunities, particularly for at-risk families. This need will increase exponentially when changes to cash assistance and other federal public aid programs are implemented that require recipients to work or be in job training or school.

- The opinion of vocal citizens impacts the position of elected officials. This year, I intend to work toward changing public perception of low-income individuals by developing and distributing materials that dispel the negative myths surrounding those with low incomes.

Going into 2015, service providers have targeted a wide range of issues to tackle. By addressing these often interconnected concerns in tandem, rather than individually, they strive to help positively change the trajectory of LMI families.

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/2015/1501.cfm

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

4 The number of respondents to the second six months of 2014 survey is 62.

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