

From Recession Through Recovery: The Changing Conditions of Low- to Moderate-Income America

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Organized by the Federal Reserve Bank of Kansas City

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The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you to everyone for joining this session.

For today:

- This call is being recorded.
- An archived recording of this session will be available on the **Connecting Communities**® web site shortly after the session has taken place: www.stlouisfed.org/connectingcommunities/
- We will be taking questions via email during this session. Please direct your questions to communities@stls.frb.org. These questions may be part of the recorded archive for this session.
- In connection with this session, several of our Reserve Bank offices have posted links to a variety of additional resources on this topic. We encourage you to browse through this list and to contact your regional office if you would like additional information on any of these items.

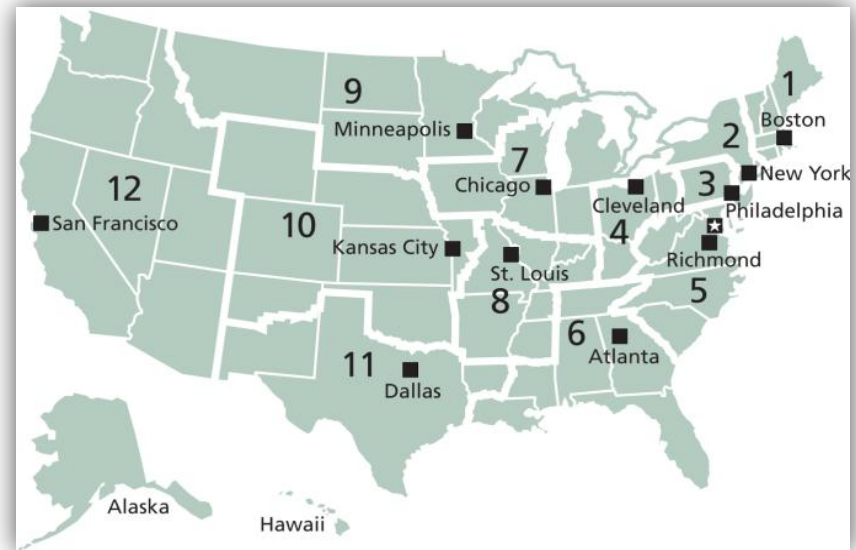
Legal Notices and Disclaimer

The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Affairs

Community affairs programs at the Federal Reserve Board and the 12 Federal Reserve Banks support economic growth by promoting community development and fair access to credit.

Community affairs offices at the Board and Reserve Banks engage in a wide variety of activities to help financial institutions, community-based organizations, government entities, and the public understand and address financial services issues that affect low- and moderate-income (LMI) people and geographic regions.



Community Affairs (continued)

Each office responds to local needs in its district and establishes its own programs to:

- Foster depository institutions' active engagement in providing credit and other banking services to their entire communities, particularly traditionally underserved markets
- Encourage mutually beneficial cooperation among community organizations, government agencies, financial institutions, and other community development practitioners
- Develop greater public awareness of the benefits and risks of financial products and of the rights and responsibilities that derive from community investment and fair lending regulations
- Promote among policy makers, community leaders, and private-sector decision makers a better understanding of the practices, processes, and resources that result in successful community development programs

Agenda

The following will be discussed:

- How the LMI population has fared relative to other income segments
- Changes and challenges experienced relative to job availability, credit access, affordable housing and basic needs
- Perspectives on how the findings can inform service design and delivery

The LMI Community in Recession and Recovery

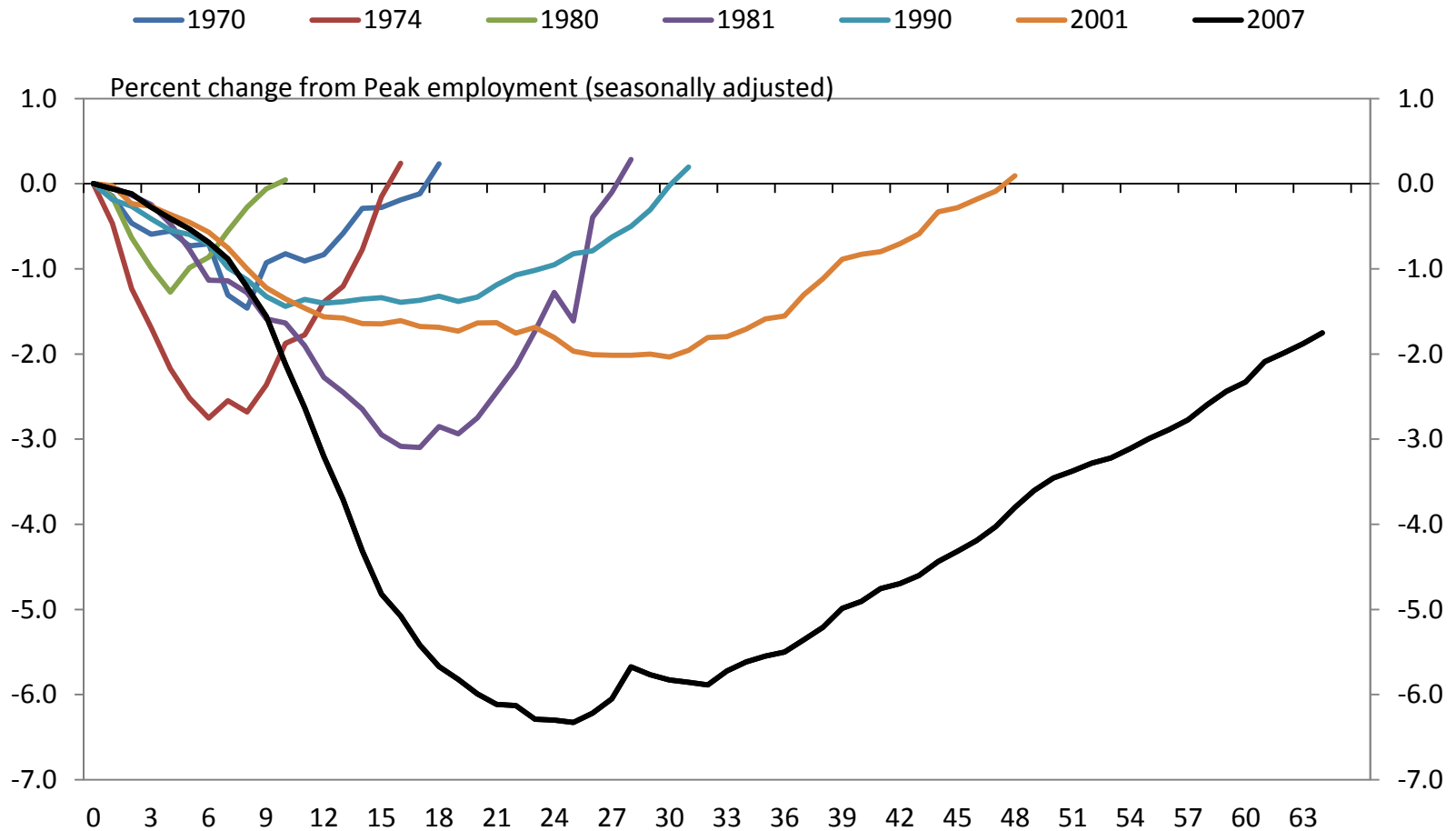
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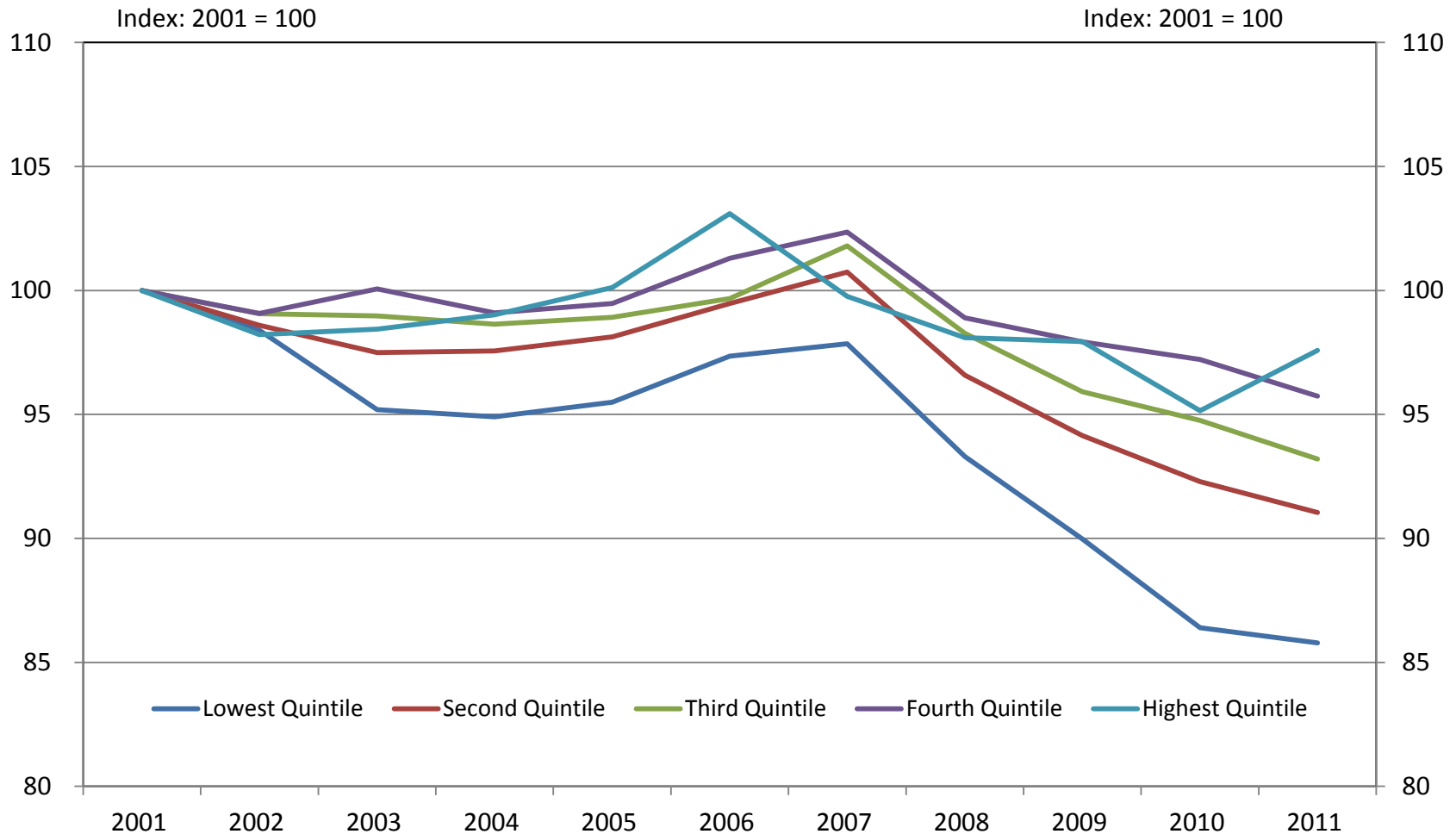
<http://www.kansascityfed.org/community>

By historical standards, for employment, the 2007–2009 recession was especially deep and the recovery especially weak.



Source: U.S. Bureau of Labor Statistics; Haver Analytics

Inflation-Adjusted Family Income by Quintile



Source: U.S. Bureau of Economic Analysis

The LMI Survey

The LMI Community in Recession and Recovery

Survey Design

- It gauges the perceptions of executive directors or other senior staff of organizations providing services directly to LMI individuals or families.
- Survey target is the population of such organizations in the Tenth District.
 - About 1,000 survey requests distributed quarterly
 - Generally about 150 completed
- Potential survey respondents are actively recruited and vetted to ensure they deliver services directly to LMI population.

Survey Design

- Seven basic questions
 - Most inquire about the LMI population:
 - Overall assessment of economic and financial conditions
 - Demand for services
 - Job availability
 - Availability of affordable housing
 - Access to credit
 - Others about responding organizations:
 - Funding
 - Nonfinancial capacities (e.g. volunteers)

Survey Design

- Respondents are asked about conditions relative to:
 - Previous quarter
 - Previous year
 - Expectations for following quarter
- Rolling benchmark: answers are
 - Better (more, higher)
 - Worse (less, lower)
 - About the same

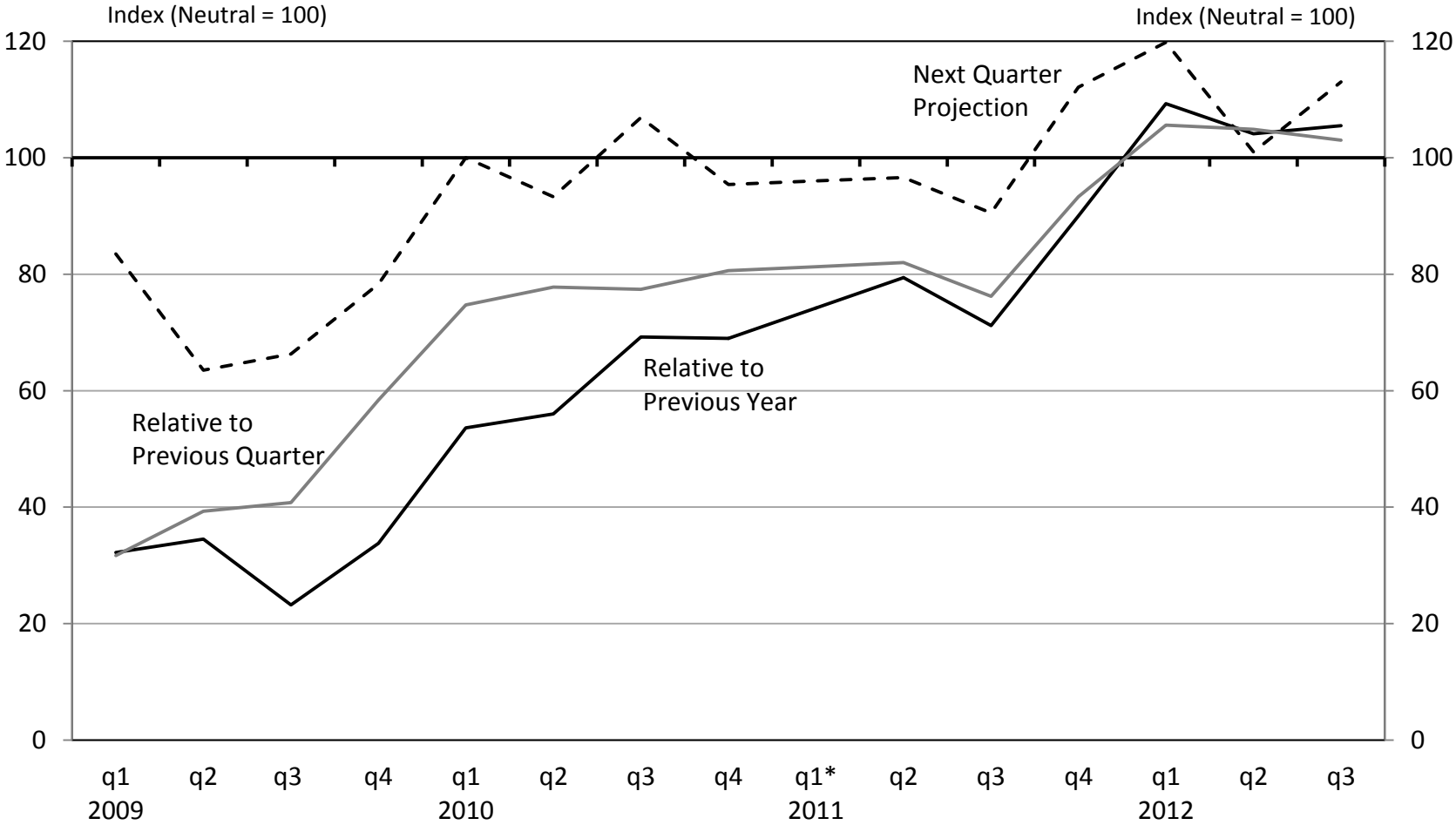
Survey Design

- Index: %better - %worse + 100
 - Index takes values between 0 and 200
 - 100 is neutral
 - < 100 indicates deterioration in conditions
 - Any number below 100 indicates deterioration, even if the index is rising
 - > 100 indicates improvement in conditions
- Example: 10% say job conditions are better, 50% the same, and 40% worse
 - Index value is $10 - 40 + 100 = 70$ (deterioration)

Results

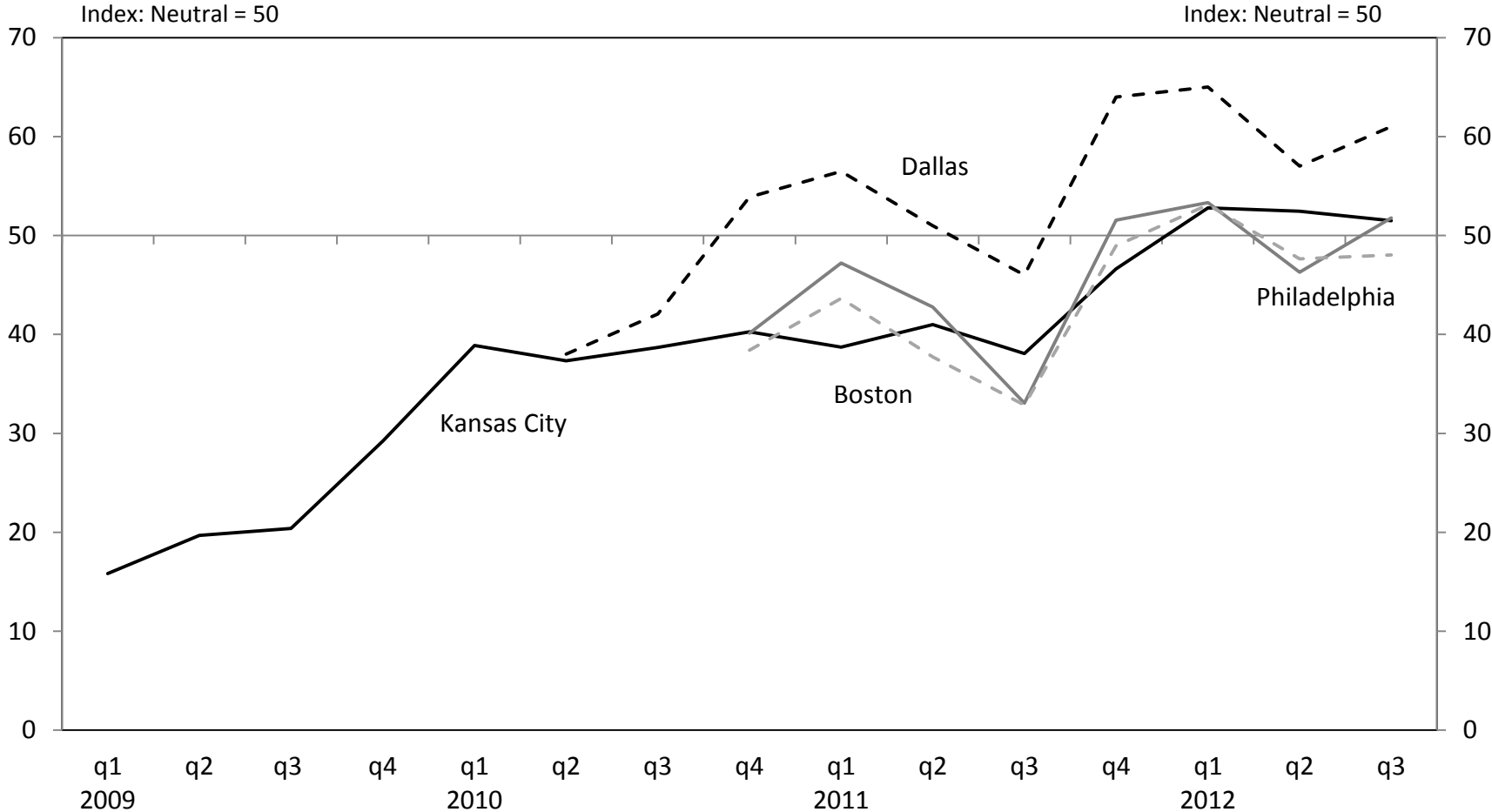
The LMI Community in Recession and Recovery

Job Availability



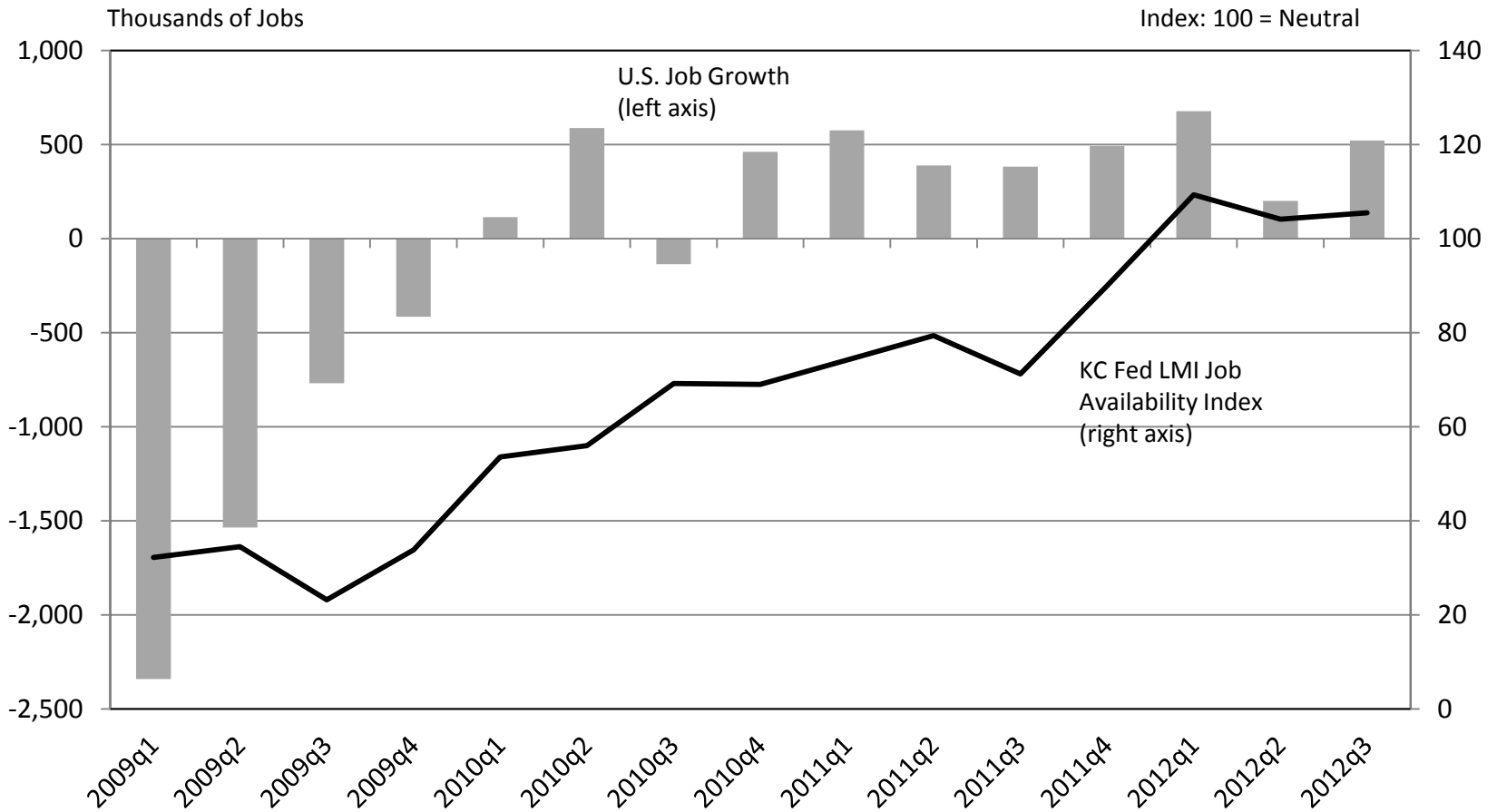
Source: Federal Reserve Bank of Kansas City

Job Availability



Source: Federal Reserve Banks of Boston, Philadelphia, Dallas, and Kansas City.
 Note: The Kansas City LMI Job Availability Index was adjusted to be consistent with other reserve bank indices (50 = neutral).

U.S. Job Growth and the LMI Job Availability Index

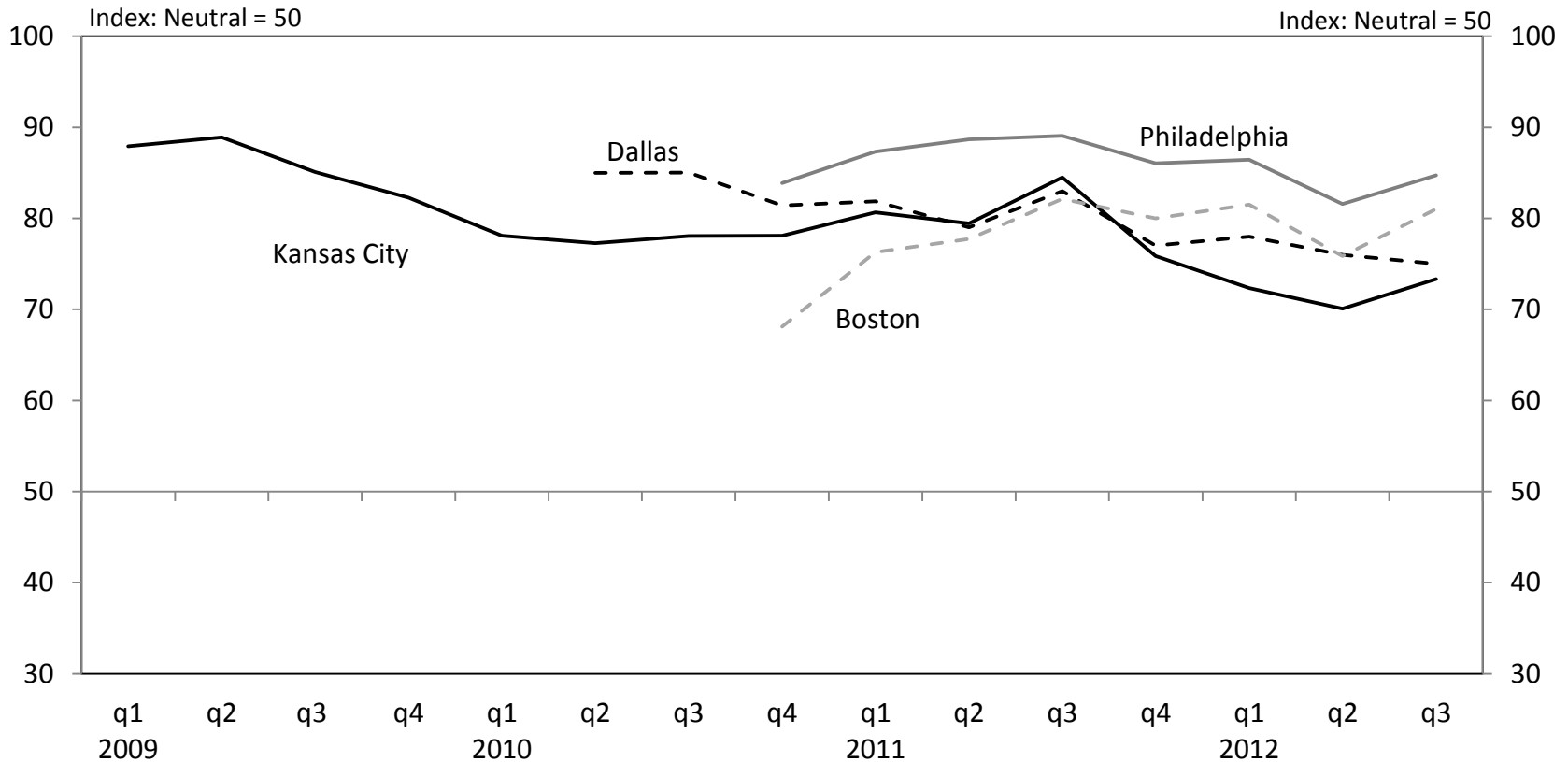


Source: U.S. Bureau of Labor Statistics and Federal Reserve Bank of Kansas City

Other Issues Highlighted by LMI Survey Reports

- Relatively tighter labor market for low-skilled jobs
- Disconnect between growing sectors and job skills of the LMI
- Lower-skilled jobs filled by higher-skilled workers out of work
- Credit histories
- Criminal histories (especially drug charges)
- Transportation and childcare needs
- Change in residency
- Job readiness
- Significant turnover noted

Federal Reserve Bank LMI Demand for Services Indices



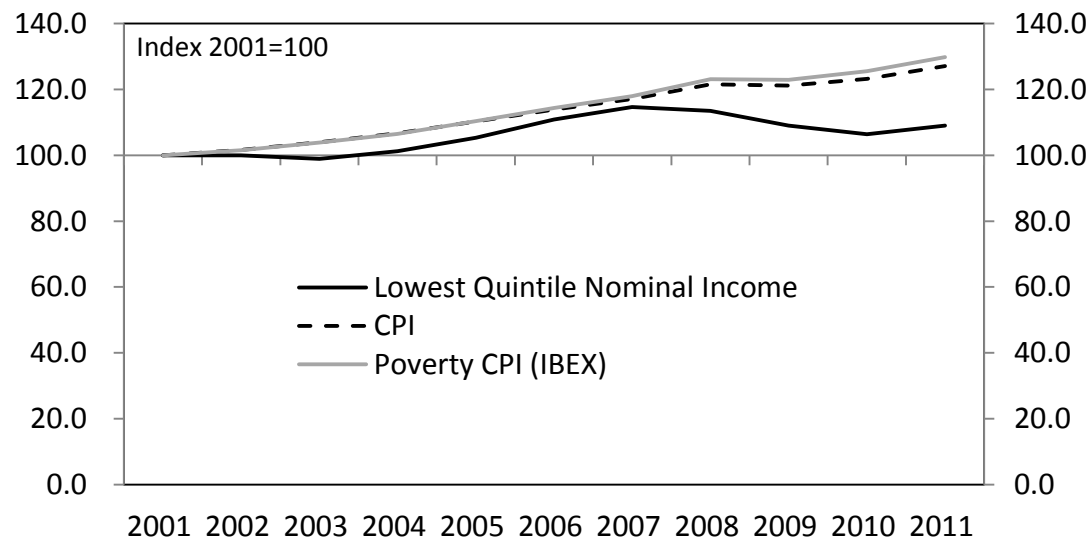
Note: In this chart, higher numbers indicate a greater demand for services, so unlike the other charts from Reserve Bank surveys, higher numbers indicate deteriorating conditions. The Kansas City Fed's LMI Survey results were adjusted to be consistent with this concept. A value of 100 would indicate that all respondents reported that the demand for their services had increased.

Source: Federal Reserve Banks of Boston, Philadelphia, Dallas, and Kansas City.

Note: The Kansas City LMI Demand for Services Index was adjusted to be consistent with other reserve bank indices (50 = neutral).

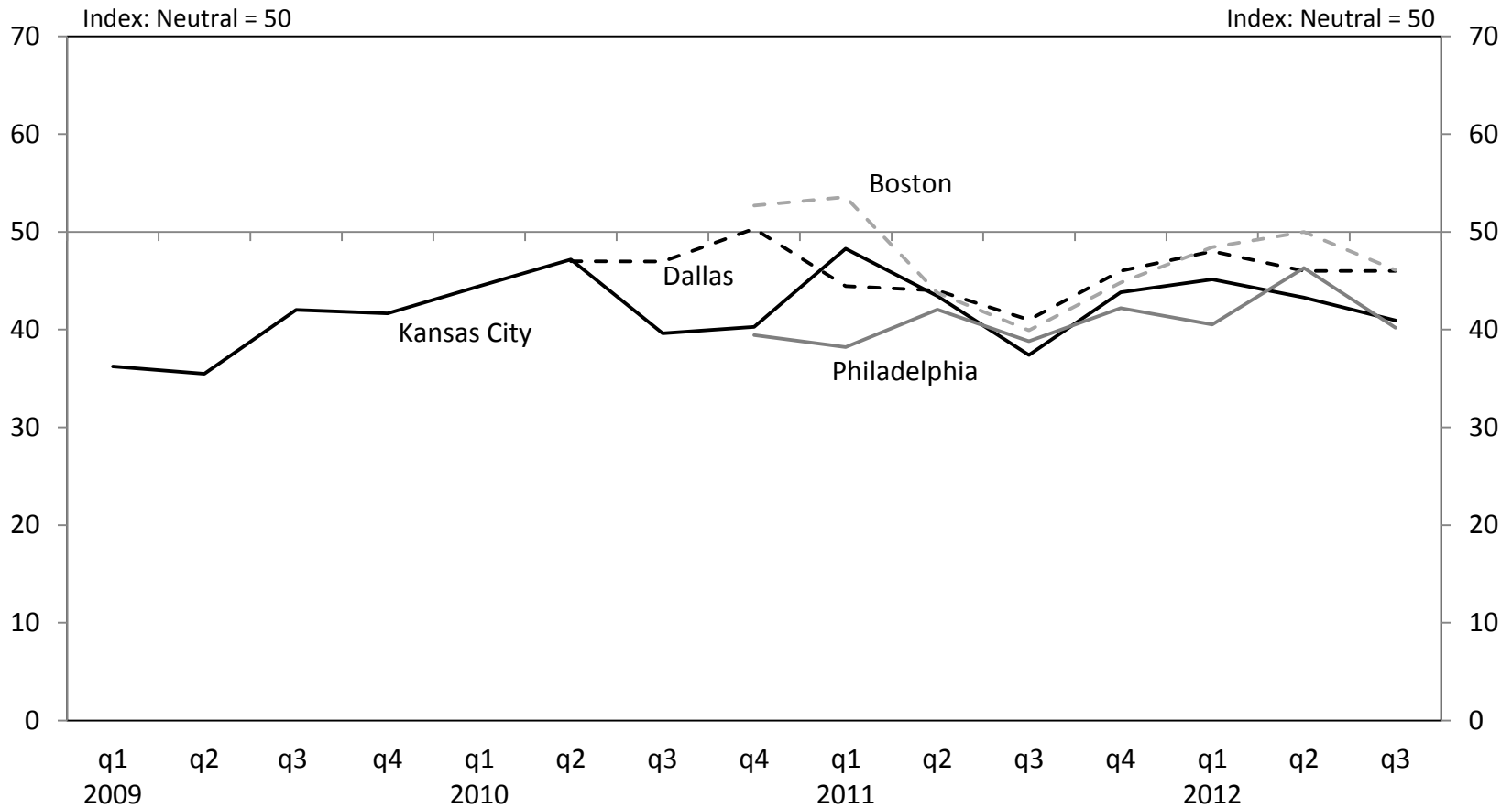
Other Issues Highlighted by LMI Survey Reports

- Influx of previously middle class
- Post-recession increase
- Rising prices for basic necessities
- Natural disasters
- Cuts in public funds



Source: Federal Reserve Bank of Chicago

Federal Reserve Bank LMI Affordable Housing Indices



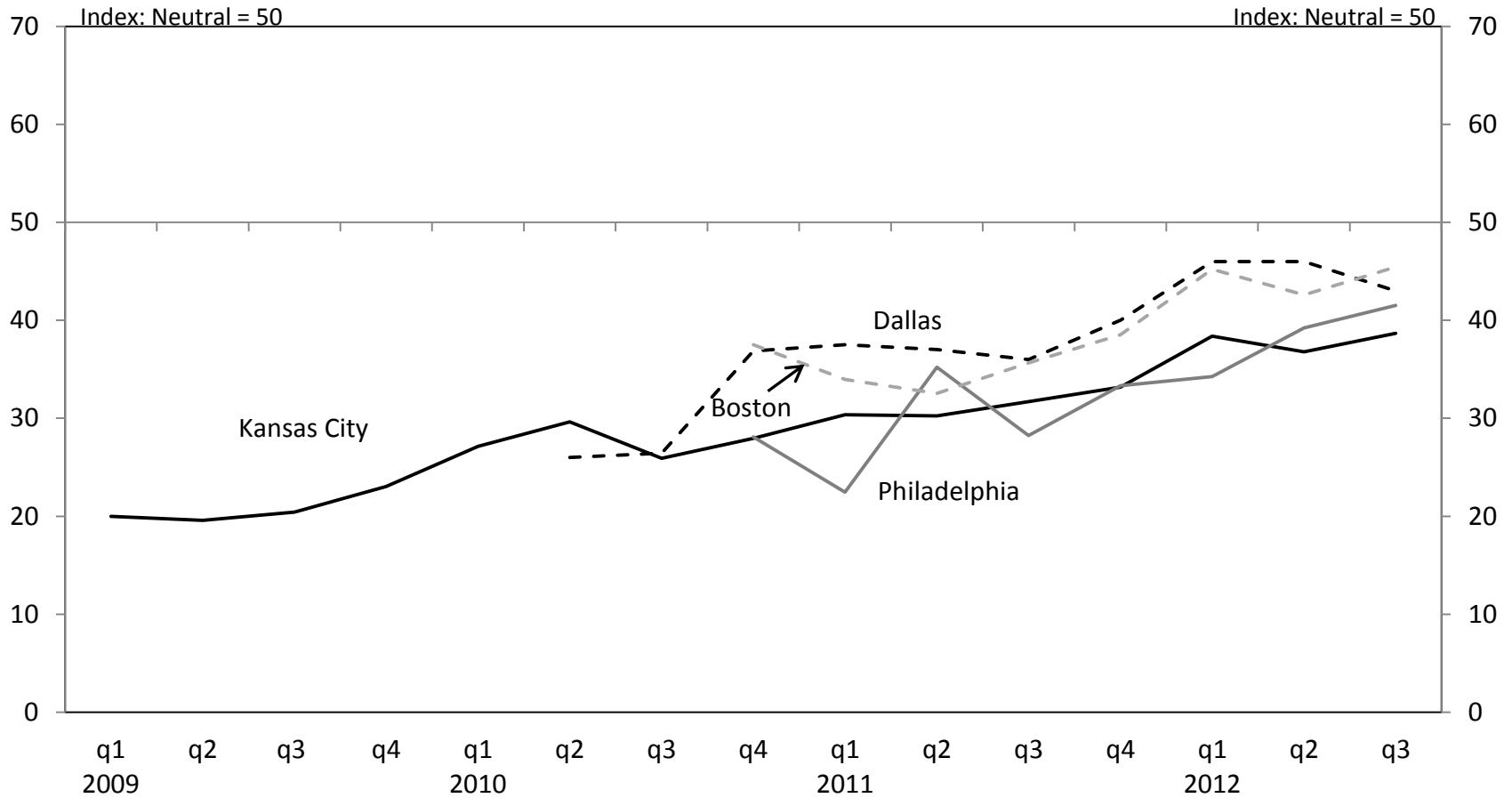
Source: Federal Reserve Banks of Boston, Philadelphia, Dallas, and Kansas City.

Note: The Kansas City LMI Affordable Housing Index was adjusted to be consistent with other reserve bank indices (50 = neutral).

Other Issues Highlighted by LMI Survey Reports

- “Doubling up”
- Declining vacancies / rising rents
- More selective landlords (credit, criminal and tenant histories; income)
- Homelessness
- Inability to take advantage of attractive (single-home) housing market

Federal Reserve Bank LMI Credit Access Indices



Source: Federal Reserve Banks of Boston, Philadelphia, Dallas, and Kansas City.

Note: The Kansas City LMI Access to Credit Index was adjusted to be consistent with other Reserve Bank indices (50 = neutral).

Other Issues Highlighted by LMI Survey Reports

- Lower credit scores than average
- Little access to “traditional” consumer loans
- “Refugee effect” of self-employment
- Financial literacy

Do you have questions?
Email us at:
communities@stls.frb.org

A View From the Ground

Ona Porter

President and CEO,
Prosperity Works

<http://prosperityworks.net>



LMI Households: Unique Adverse Conditions

WORKERS

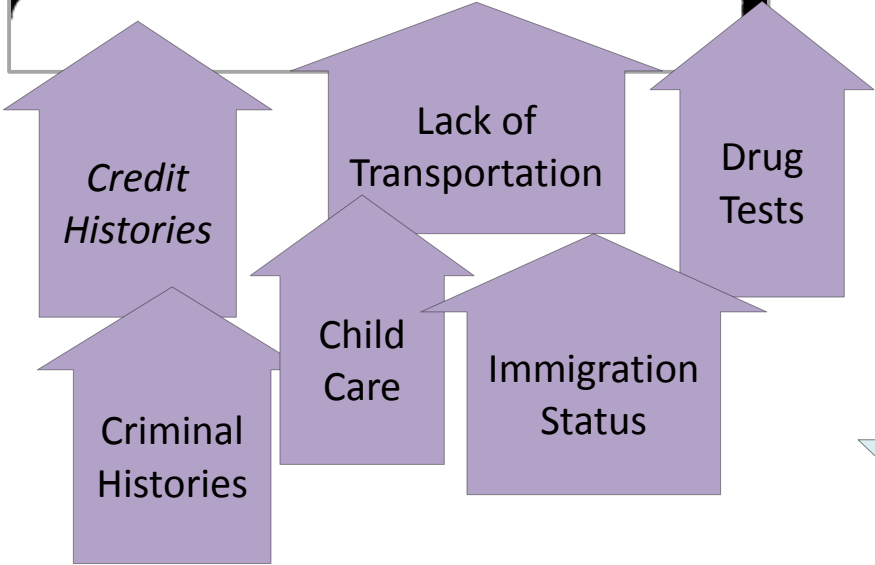
- Less Skilled
- Less Experienced
- Less Educated

WORK

- Part Time
- Temporary
- Volatile Growth
- Fewer Hours
- Stagnant Wages
- Wage Theft



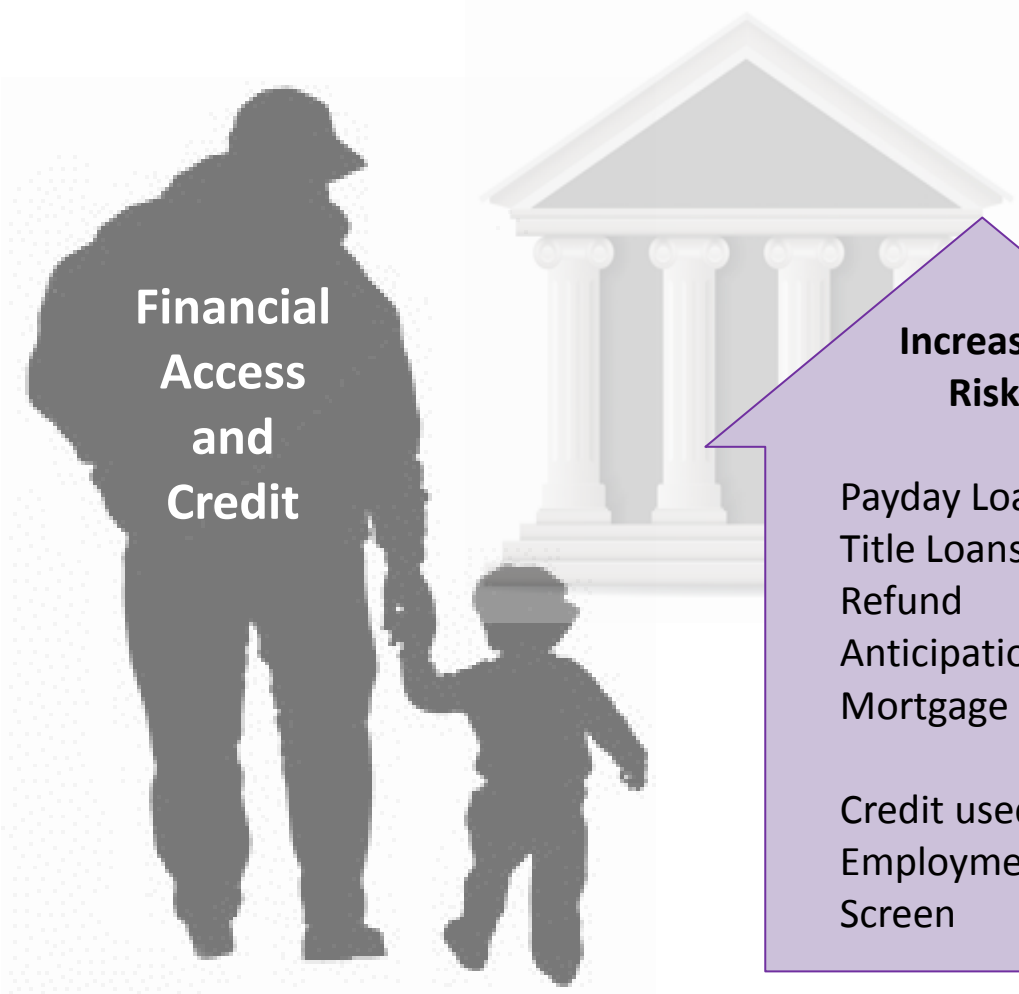
Long Periods of Unemployment



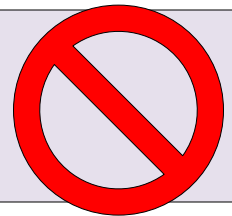
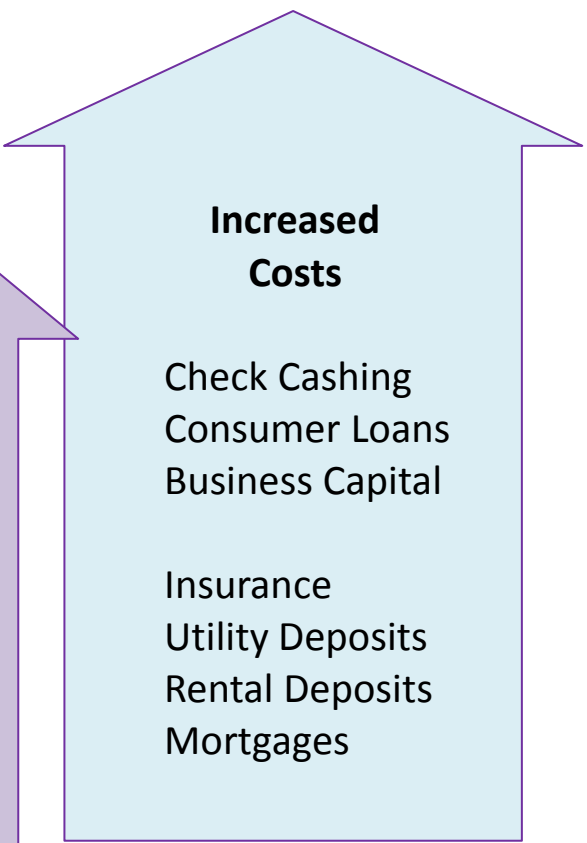
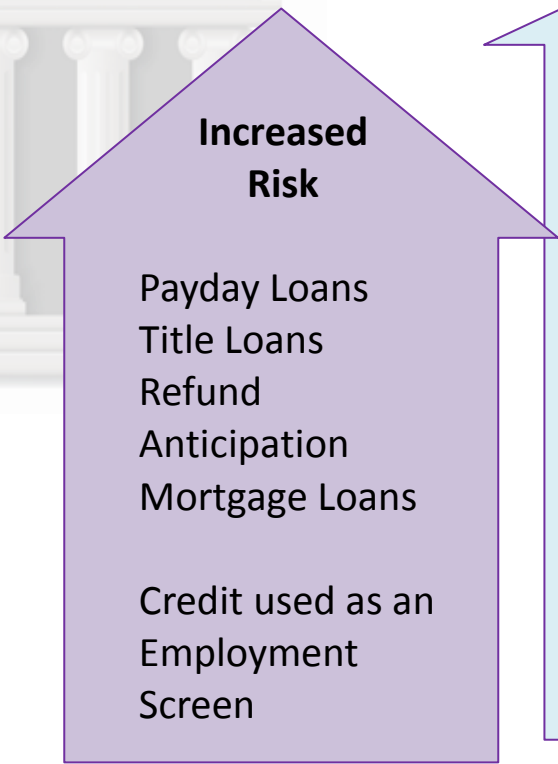
REAL FAMILY INCOME

↓ 12.3% for bottom quintile

↓ 9.6% for next lowest quintile



**Financial
Access
and
Credit**



**No Access to Mainstream
Financial Products & Services**

**No or Marginal
Credit Histories**

LMI Exposure to Housing Risk

BUBBLE

- ➔ Priced out
- ➔ Foreclosure
- ➔ Sub-Prime Loans
- ➔ Loss of Asset / Stability / Future

BUST

- ↓ Purchase Opportunities
- ↓ Quality / Maintenance
- ↑ Rental Demand ↑ Cost
- ↑ Doubling Up ↑ Mobility

Credit Scores

Income Standards

Rental Histories

Criminal Offenses

Drug Offenses

Poverty: A Framework

Personal Behaviors

Why don't you ever?

Surely you realize!

If only you would...

Bootstrap narrative

Lack of Community & Social Resources

Effective safety net

Health care

Child care

Excellent K-12, post-secondary training and education

Public transportation

Affordable housing

Healthy food

Exploitation of LMI Populations

Payday loans

Title loans

Check cashing

Lease to own

Sub-prime lending

For-profit higher education

Deposit requirements

Higher cost of goods and services

Political and Economic Systems

\$500B tax benefits to the top earners

Regressive taxes

Asset tests

Fiscal cliff

Exclusion from financial products and services

Policy Solutions

Personal Behaviors

Whole people who have lacked knowledge, relationships and opportunities

Generational Poverty

Learned Behaviors

Lack of Community & Social Resources

Safety Net

Stop erosion of Unemployment Insurance reciprocity rate

Health Care

Fully implement Affordable Care Act

Education

Invest cradle to career

Jobs

Increase minimum wage

Affordable Housing

Housing trust funds

Exploitation of LMI Populations

Usury law(s)

Payday loans, title loans, check cashing, lease to own and sub-prime lending

For-profit higher education

Limit loans and grants

Consumer Protection

Financial Bureau

Student loans, bank fees and transparency

Credit Reports

Credit for credit only

Political & Economic Systems

Tax reform

Direct tax benefits to rebuild middle Earned Income Tax Credit and improve state initiatives

Close loopholes for wealthy and corporations

Benefit programs

Eliminate cliffs and asset tests

Access to credit and banking

Community Reinvestment Act reform

Regulation enforcement



There are more than **30 million** low- to moderate-income families in the U.S. Underlying this reality is a **legacy of discrimination** in education, employment, housing and credit markets.

Do you have questions?
Email us at:
communities@stls.frb.org

Wrap-up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session.
- Additional Federal Reserve System resources related to this topic can be found on our web site along with links to your local Federal Reserve Community Development office.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org.
- Information about future sessions will be posted on our web site along with archived materials from past sessions: www.stlouisfed.org/connectingcommunities/.