



# Community Issues and Insights 2025: Inflation Continues to Strain Households' Budgets

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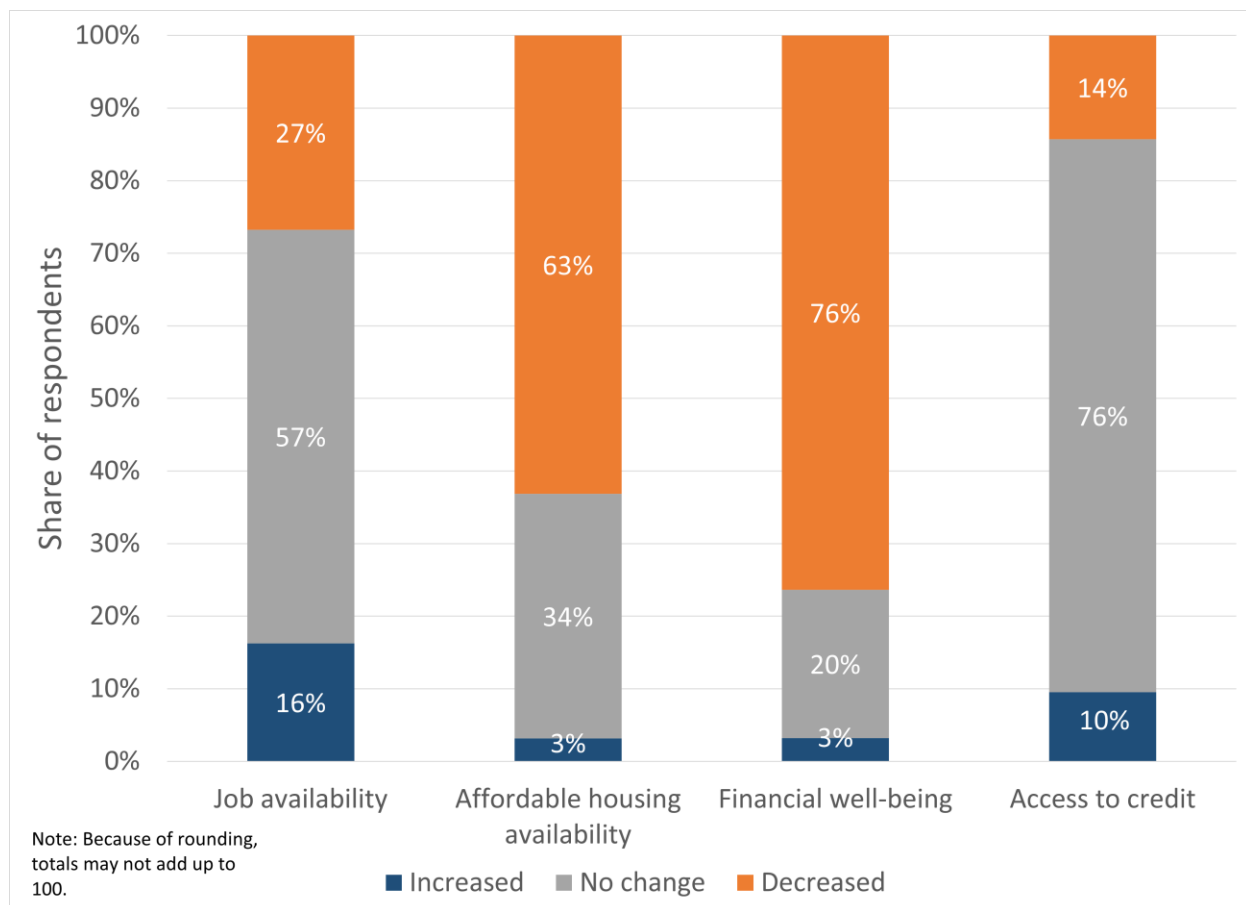
The Federal Reserve Bank of Cleveland's Community Issues Survey (CIS) collects information semiannually from direct service providers to monitor economic conditions and identify issues impacting low- and moderate-income (LMI) households in the Fourth District, a region that includes Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. On March 3–17, 2025, we surveyed nearly 550 organizations that directly serve LMI individuals and communities across our District and received 104 responses (19 percent response rate). The results of this survey are summarized here and provide insights into how organizations and the households they serve are faring in today's economy.

## Key Findings

- **Job availability:** Only 16 percent of respondents said that job availability for LMI workers had increased in the past six months, marking a continued steady decline from the high of 78 percent in the March 2022 survey. Most respondents (57 percent) said that there had been no change (Figure 1).
- **Affordable housing availability:** Sixty-three percent of respondents said that the availability of affordable housing had continued to decrease over the past six months (Figure 1). This share has exceeded 50 percent since the March 2020 survey (47 percent).
- **Financial well-being and access to credit:** Seventy-six percent of respondents reported that financial well-being for LMI people had decreased over the past six months, while the same share of respondents said that access to credit had remained unchanged over the past six months (Figure 1).
- **Top concerns for LMI households:** Respondents' top concerns were rising rents, the shortage of affordable housing, and the continued impact of price increases on households' budgets.

- **Top concerns for nonprofit organizations:** Nonprofit organizations reported that demand for their services remains high, consistent with responses to previous surveys, while capacity remains steady. Organizations expressed concern about funding, particularly uncertainty over federal sources. To compensate for this, they said that they are making strategic adjustments such as increasing fundraising and limiting services.

**Figure 1. Change in the Economic Conditions of LMI Households in the Six Months Prior to March 2025**



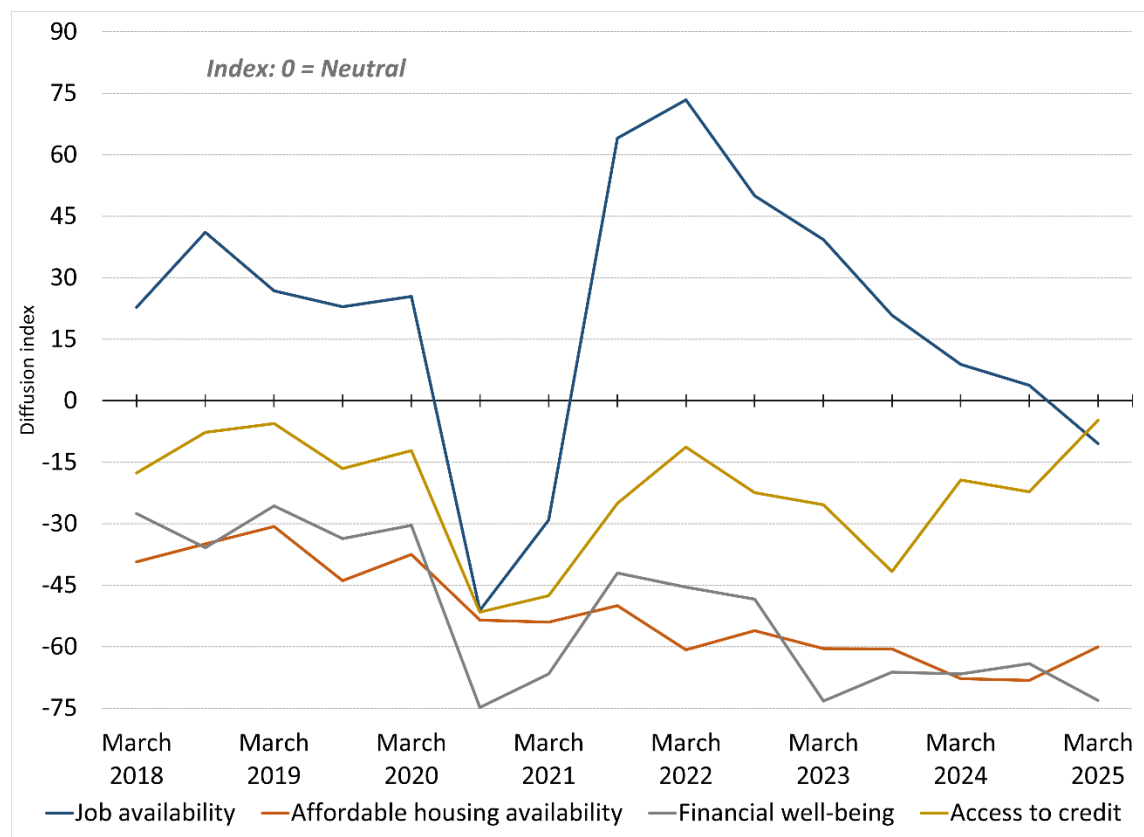
The highest value of 100 would occur if every respondent believed a given condition was improving, while the lowest value of -100 would occur if every respondent believed it was worsening. When we compare the values over time, we get a sense of how conditions are changing. For more information on the calculation, see the Survey Methodology section.

## Economic Conditions of LMI Households

We build a diffusion index from each survey question so we can observe trends in the responses over time (see the Methodology section for more information on diffusion indexes). According to the March 2025 survey, job availability crossed into negative territory for the first time since the September 2020 survey as an increasing share of respondents observed decreases. Both

affordable housing availability and financial well-being are near their lowest points on record (going back to 2018) (Figure 2). Regarding housing, survey respondents expressed concern over rising rents, low supply, and the combination of increasing building material costs, high interest rates, and fewer subsidies for low-income housing making construction of new affordable units difficult. For financial well-being, many respondents continued to express concern over inflation's strain on LMI households' budgets.

**Figure 2. State of LMI Households**



## Top Issues Impacting LMI Households in the Fourth District

### **Job availability: Employers becoming more cautious about hiring**

While most respondents said that job availability for LMI households had not changed (57 percent), a growing share indicated that it had decreased (27 percent), up from 20 percent in the September 2024 survey. Respondents from workforce development intermediaries, which work with those seeking employment, reported several reasons for this: Employers are being more cautious about hiring, are seeing less turnover, are less willing to train individuals, are conducting more interviews before filling a position, and are increasing their use of temporary workers. According to a workforce development intermediary, “employers are unsure of the economic future and are being cautious about hiring more staff.” Respondents also noted less reliable hours, less flexibility, and

fewer benefits. A respondent said that “the labor force has lost leverage,” and another observed that “employers are no longer willing to bend over backwards to keep employees.” Educational opportunities for workers to upgrade their skills are lacking, according to one respondent, and are very expensive when they do exist.

#### **Affordable housing: Availability remains low**

For the seventh straight survey going back to March 2022, a majority of respondents (63 percent) said that the availability of affordable housing had declined. Most respondents cited rising rents and low supply as the primary reasons. However, while one respondent felt that landlords were “price gouging and making low-income units unaffordable,” another noted that landlords “have had to raise rents to cover basic operational costs, utilities, and property tax increases.” Respondents also shared that affordable housing units are continuing to be demolished and are either not being rebuilt or being only partially rebuilt. On the other hand, one respondent said that communities are using zoning to allow for more “infill housing,” defined as housing that is built in existing neighborhoods, and are looking into developing their own down payment assistance programs.

#### **Financial well-being and access to credit: Effects of inflation continuing to strain LMI households’ budgets**

More than three-quarters of respondents (76 percent) said that financial well-being had decreased, with continued price increases being the primary reason cited. Respondents indicated that this had led to increased reliance on credit cards to cover everyday expenses, with one respondent saying that “rising credit card debt has increased financial strain, and higher interest rates are leading to higher monthly payments.” One respondent noted “a slight uptick in folks falling behind on their mortgages,” and another saw increased demand for foreclosure prevention counseling. Although most respondents reported that access to credit had remained unchanged over the past six months (76 percent), one noted an increase in credit access as households used credit to replace items destroyed in the February 2025 flooding in eastern Kentucky.

## **How Organizations That Serve LMI Households Are Faring**

Figure 3 shows diffusion indexes for questions on the state of the organizations that serve LMI households (see the Methodology section for more information on diffusion indexes). In the March 2025 survey, the majority of respondents continued to indicate an increase in demand over the past six months. Organizations’ capacity remained nearly neutral, but several respondents expressed concern over the impact of funding cuts, fewer volunteers, and hiring challenges. The funding index continued its steady decline since March 2024, as the number of respondents who said that their funding decreased over the past six months continued to rise.

Figure 3. State of Organizations that Serve LMI Households

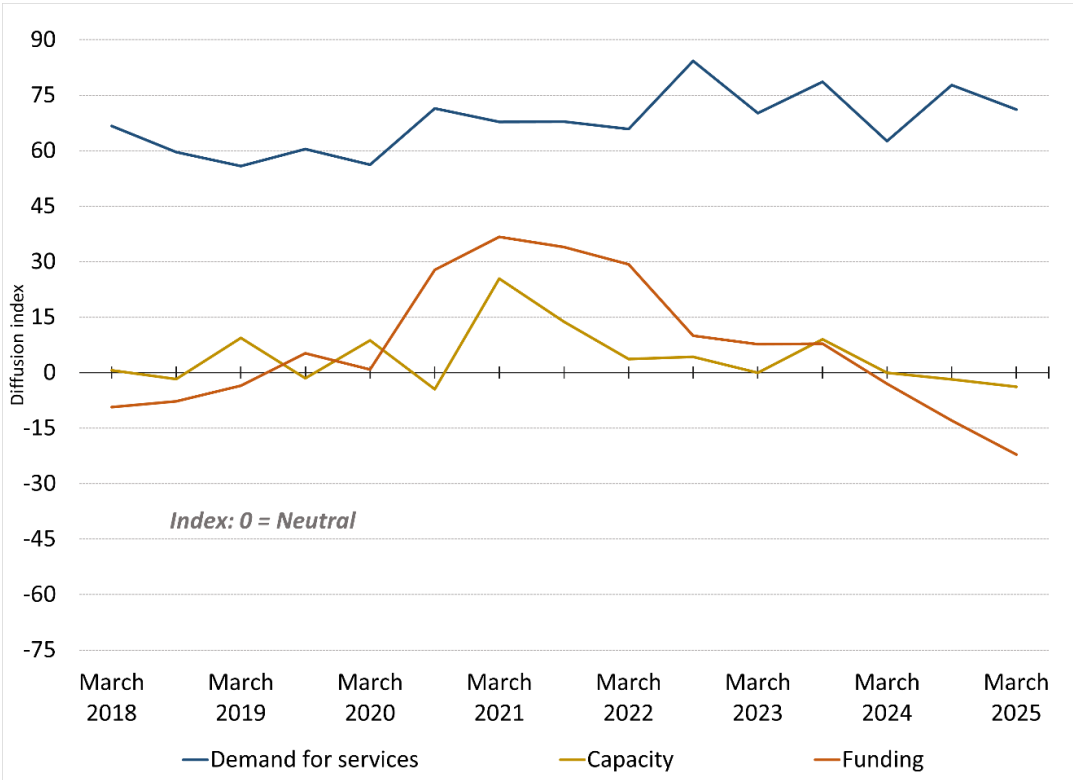
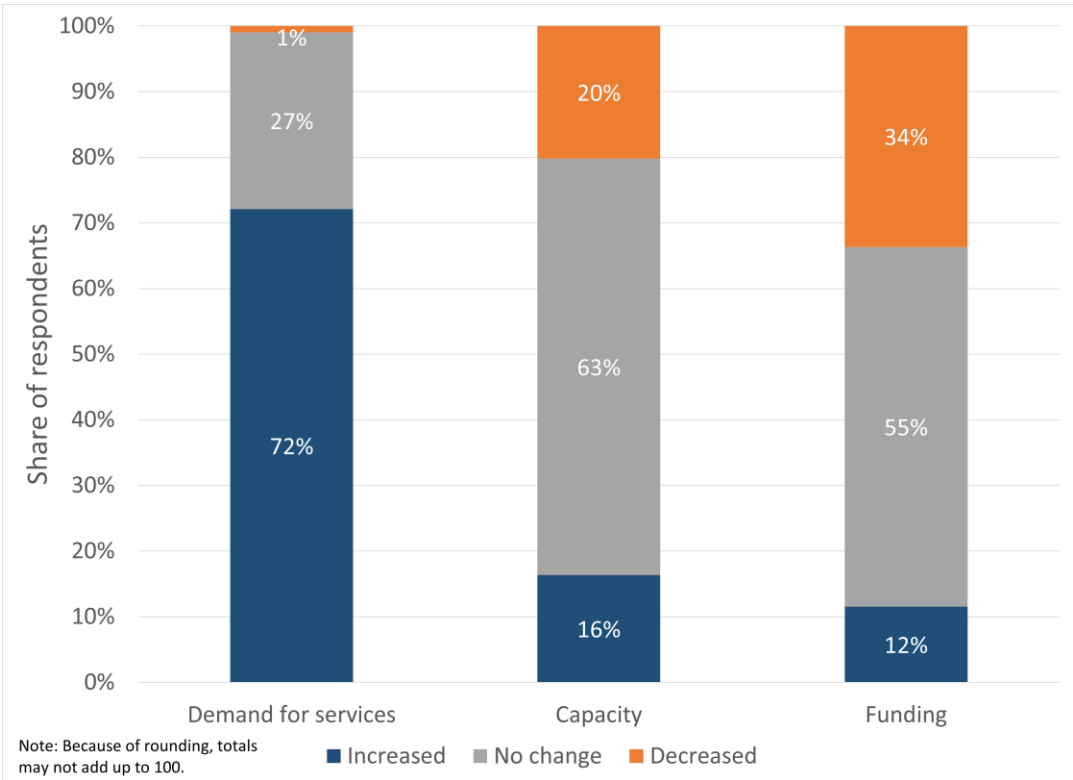


Figure 4. Change in Nonprofit Organizations’ Operations in the Six Months Prior to March 2025



# Top Issues Impacting Organizations That Serve LMI Households

## **Demand for services: Remains high**

Seventy-two percent of respondents said that demand for their services had increased over the past six months, a share which is equal to the survey average going back to March 2018 (Figure 4). Housing-related reasons were the most cited, and rising home prices caused one organization to see “an increase in requests for down payment and closing cost assistance programs.” The impact of price increases on household budgets was also mentioned. One organization saw increased demand for food and observed that “the families that we serve have no financial reserves to weather the storm.” Two respondents mentioned that their demand increased because of the closure of community organizations. Others pointed to federal policy impacts, and one respondent said that “in the last two months, we have received an increase in requests for emergency financial support from community organizations experiencing gaps in funding due to a decrease in government and corporate funding.”

## **Capacity: Largely unchanged, but federal funding changes are having an impact**

Most respondents said that their capacity had not changed (63 percent), but 20 percent noted a decline (Figure 4). One organization had lost roughly 9 percent of the food that it distributes because of changes in federal funding, while another said that it was unable to attract new workers because of its wage scale. Regarding volunteers, one respondent suspects that, in the hybrid work environment, “many of the corporations that had provided volunteer support do not have all of their teams back in the office, so on their days in the office, they are not inclined to let them go out and volunteer.” Of the 16 percent who said that their organizations had increased capacity, most cited more staff as the reason, and one said that they “created a full-time position by combining AI technology with a part-time staff hire.”

## **Funding: Federal funding decisions have created an uncertain environment**

As shown in Figure 4, over half of the respondents said that their funding had been unchanged over the past six months (55 percent), and 34 percent said that it had decreased (near the survey high of 37 percent in September 2024). Given the uncertainty around federal funding, we dug deeper into that topic with a series of special questions. We asked those who received federal funding (75 percent of all respondents) how they expect this funding to change during the next six months: 53 percent said that it would decrease, while 41 percent said that they were unsure. Of those who expected their federal funding to decrease, we asked what strategies they were employing in response to this expected reduction in funding. Nearly 70 percent plan to increase fundraising, 63 percent plan to limit services, and 34 percent plan to reduce staff. Fundraising may be difficult, however, as one respondent noted that “more organizations are seeking funding from more sources, and the pot is getting smaller and smaller.” Other concerns highlighted by respondents include aging donors, donors who are giving less because of inflation, and “fewer grantmaking bodies with available funds.”

## Conclusion

The March 2025 CIS examined the state of LMI households and the organizations that serve them. From the responses, we learned that job availability for LMI households is showing signs of decreasing and that employers are becoming more cautious in their hiring. The availability of affordable housing is decreasing because of rising rents, low supply, and high construction costs. The effect of inflation continues to strain LMI households' budgets, and access to credit continues to be limited by high interest rates. When looking at organizations that serve LMI households and communities, respondents indicated that demand for their services remains high. Their capacity is relatively unchanged but is beginning to feel the impact of changes in federal funding. These federal funding changes have created an uncertain environment and caused organizations to rethink their funding sources and whether to limit their services.

## Survey Methodology

The Federal Reserve Bank of Cleveland developed this survey tool to elicit perspectives from community stakeholders that directly serve LMI individuals and communities on key issues impacting the economic mobility and resiliency of those populations. In March 2025, the online survey was distributed to nearly 550 individuals working in direct service organizations in the Fourth District; 104 completed the survey. The following tables show the types of organizations that provided responses to the survey and in which states the organizations were located.

### Respondents by Organization Type

Organization type	Share (percent)
Community service provider*	40
Government entity	15
Neighborhood development organization	12
Foundation/funder	9
Community development financial institution (CDFI)	6
Workforce development board	3
Other	15
<b>Total</b>	<b>100</b>

\*Community service providers include organizations such as community action agencies and social service organizations.

### Respondents by State\*

State	Share of respondents (percent)	Share of 2023 Fourth District population (percent)
Ohio	72	69
Kentucky	10	12
Pennsylvania	13	19
West Virginia	5	1

\*Shares may not sum to 100 because of rounding.

### Type of Clients Predominantly Served\*

Clients	Share (percent)
Urban	63
Rural	28
Suburban	10

\*Shares may not sum to 100 because of rounding.

## Survey Methodology: Diffusion Indices

A diffusion index is a useful way of summarizing data to understand if something is improving or worsening over time. In the diffusion indices shown in this report, each response to a survey question is tallied as increased, decreased, or no change. That survey question's diffusion index is then calculated by subtracting the percentage of decreased responses from the percentage of increased responses. An index value of greater than zero means the average response indicates improving conditions, while a value of less than zero means the average response suggests worsening conditions. The calculation and example that follow are a guide to better understand the information provided in the indices:

- Diffusion Index =  $(I - D) * 100$
- I = increase (% of observations)
- D = decrease (% of observations)
- Index > 0 indicates improving conditions
- Index = 0 is neutral
- Index < 0 indicates worsening conditions

**Example:** A decrease in the index from 40 to 20 could represent a couple of trends. It could indicate that conditions have still improved but that more respondents are stating that conditions are worsening. It could also represent a combination of things such as a decline in respondents who say that conditions are improving, an increase in those who say no change, and no increase in those who say that conditions are worsening.