

How Has COVID-19 Impacted Low- and Moderate-Income Households?

A SpringFour Survey of Financial Health

August 2020



By Katy Jacob, VP of Research & Impact
Design by Morgan Pierce, Summer Associate



Overview

In July 2020, SpringFour commissioned a representative survey of low- and moderate-income (LMI) households to assess the impacts of the COVID-19 crisis on these families and find out more about their needs for financial resources at this time.¹ SpringFour believes that when consumers can't pay a bill or are living paycheck to paycheck, they need direction to local resources that can help. SpringFour works with financial services providers, employers, and nonprofits to provide over [15,500 resources in 25 categories](#), including more than 3,000 COVID-19-specific resources, that are searchable throughout 575 markets in all 50 states.

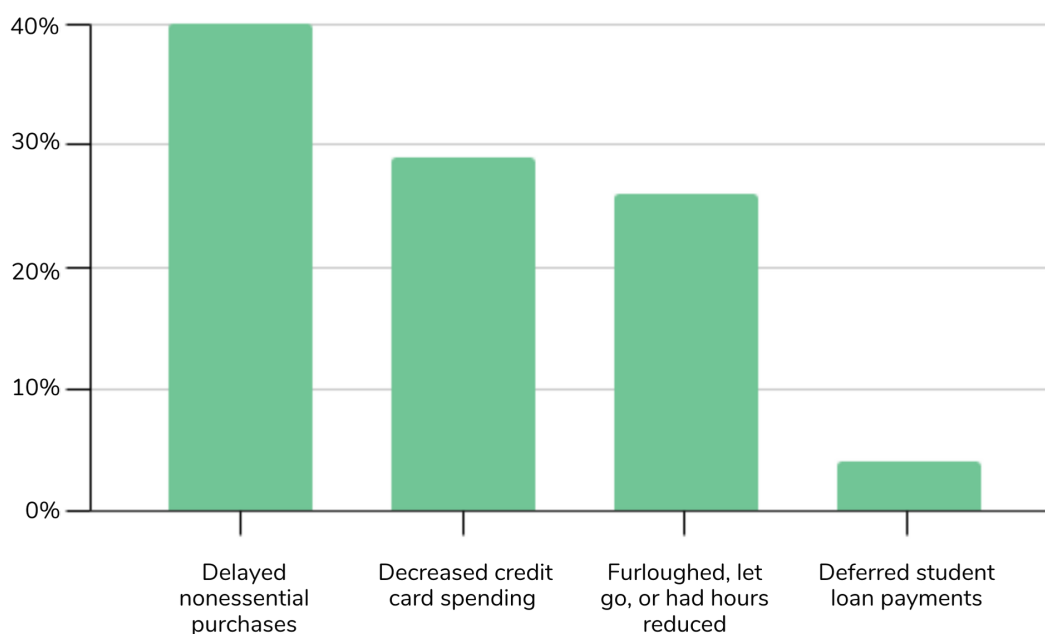
The COVID-19 crisis has led to unprecedented demand for SpringFour resources, and this survey helps to uncover some of the trends and concerns that LMI households have about the ways that the pandemic has impacted their financial lives. The results are instructive for all those who are invested in working with families to improve their financial health and manage through and beyond this global health crisis.

¹ SpringFour commissioned Competiscan for this survey, which included a nationally representative sample of 105 individuals with household incomes of under \$50,000 per year. [Approximately 40% of US households fall into this category.](#)

Impact of COVID-19 on LMI Consumers' Financial Situation

The COVID-19 pandemic has made a direct impact on many LMI households' employment status and income. In our survey, over a quarter of respondents have been furloughed, let go, or had hours at work reduced due to the crisis. We see the impact that this has on household spending, as 40% of surveyed households delayed nonessential purchases and 29% decreased credit card spending due to the pandemic. This is in line with [research from the Financial Health Network](#), which has found that 33% of Americans have lost income due to COVID-19.

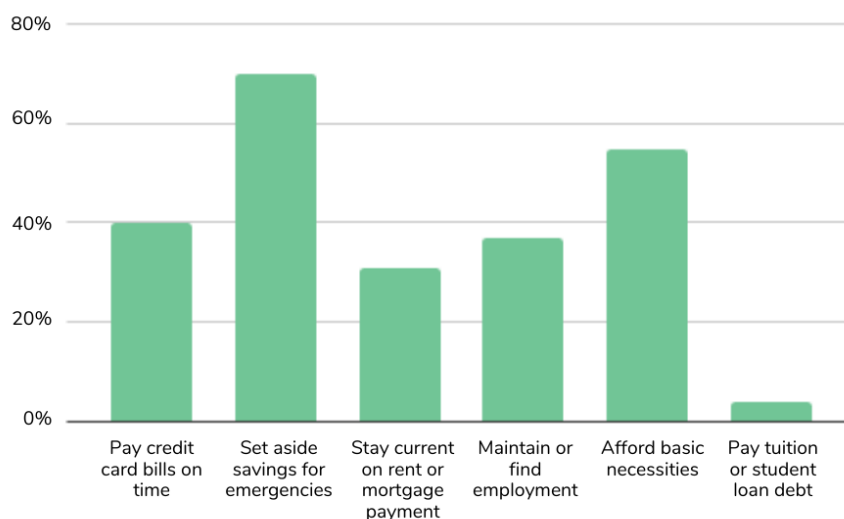
Impact of COVID-19 on LMI Households



In addition to the above, 30% of respondents said that they are unable to pay their monthly bills in a timely manner sometimes or most of the time.

Moreover, LMI households are somewhat or very concerned about being able to stay afloat financially. Two-thirds of respondents are concerned about being able to set aside savings for emergencies, while more than half are unsure if they will be able to afford basic necessities such as food, utilities, and healthcare. About 40% of respondents are concerned about paying credit card bills on time, while employment and housing costs are on the minds of a third of all respondents.

LMI HH Concerned About Ability to:



SpringFour also gave respondents an opportunity to answer an open-ended question in order to unearth more qualitative information about financial stressors in people's lives: "What is the largest cause of financial stress to you, based on your current financial situation?" Over a quarter of respondents, 26%, stated that maintaining employment or income was their largest source of stress, while 12% are concerned about being able to pay bills or regular expenses. The remainder of respondents listed a range of concerns from savings to debt to retirement to just generally being short of cash. Given record levels of unemployment and the ongoing nature of the pandemic, we see a pattern of ongoing stress in LMI households' financial lives.

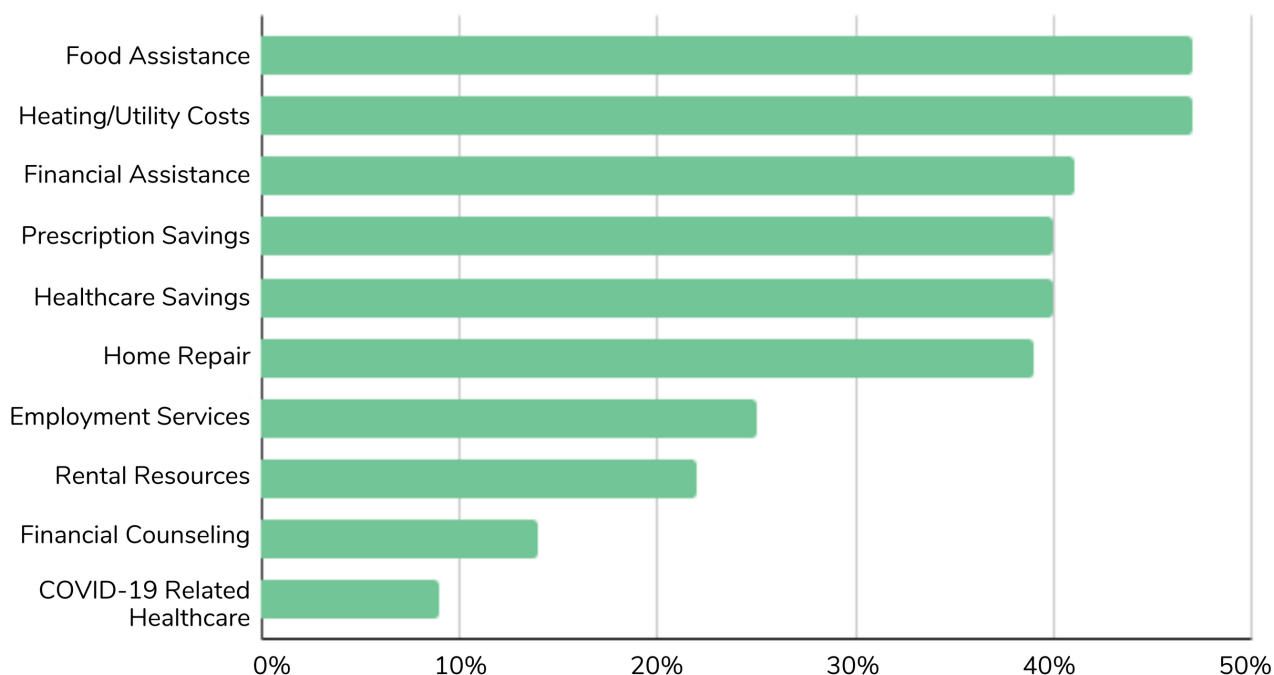
Do Families Know Where to Go for Help?

Given the wide-ranging nature of the crisis and the numerous programs available to assist families through it, SpringFour was interested in ascertaining whether or not households were aware of the resources that might help them through this stressful financial time. In the survey, we asked if households were familiar with any local resources, including local non-profits or government assistance programs, that can provide assistance in helping to reduce household expenses in areas such as food, prescription costs, and utility savings. We found that fully 40% of respondents were not at all familiar or not very familiar with these resources, while 43% were somewhat familiar. Only 17% of respondents stated that they were very familiar with the resources that might be available to help them through a financial setback.

Given the overall lack of knowledge of what resources are available, we also asked respondents if they would be interested in receiving information on additional financial resources when they apply and are approved for a checking account, credit card, personal loan or mortgage. Almost 60% of respondents said they would be very interested or somewhat interested in receiving resources at that time. Moreover, a vast majority of respondents — 83% — said they had some level or a strong level of trust in their bank as a source of financial guidance, support and resources. 63% of respondents felt the same way about their credit card issuer. This points to the strong opportunity that financial services providers have to partner with financial health experts to offer customers assistance in achieving financial health outcomes.

Further, we told respondents that there were resources available in a variety of categories, and asked them to rate whether or not they thought they would have a need for these resources. We find — very much in line with SpringFour’s data of overall category of referral usage — that respondents see a need or potential need for resources related to basic necessities such as food assistance, utility costs, healthcare, and more.

LMI HH Looking for Resources in the Following Areas



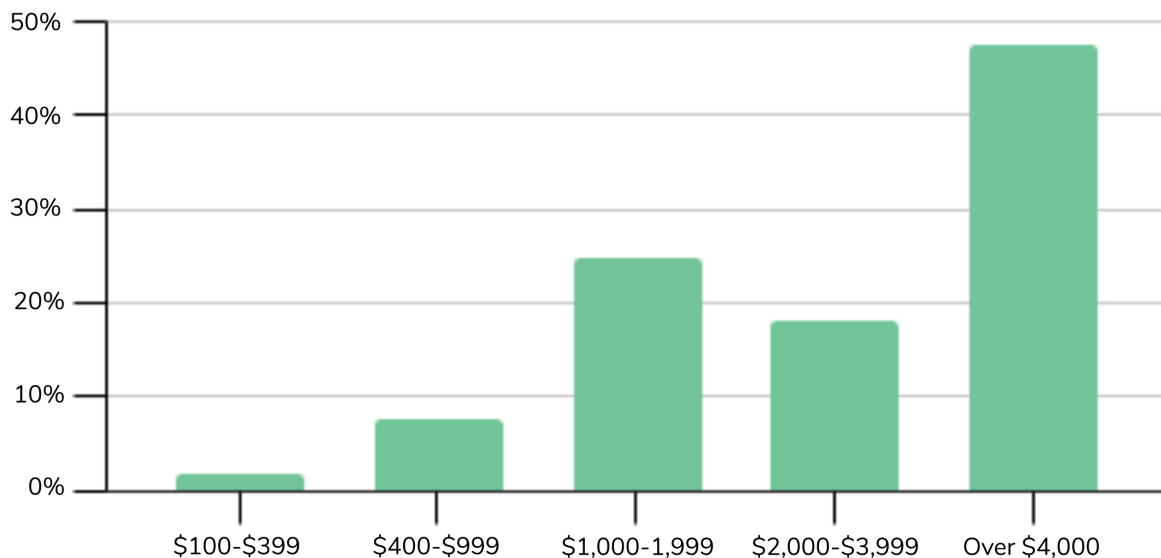
Short-Term vs. Long-Term Need

As our country grapples with what will likely be long-term impacts of the COVID-19 pandemic, it is instructive to think about the level of assistance that LMI households might need. For example, most individuals in the United States received a stimulus check of \$1,200 at the beginning of the pandemic, with \$500 for each child claimed on tax returns.² Unemployment benefits were increased to \$600 weekly in response to the pandemic. A second round of stimulus payments that would extend the new unemployment benefit is currently stalled in Congress. This begs the question: is the amount of assistance offered at the Federal level sufficient for consumer needs? It might be, if the household is most concerned about paying for basic necessities such as food and heat right now. However, as unemployment continues to rise and other assistance programs such as mortgage forbearance and rent forgiveness expire, LMI households might actually need and desire a much greater safety net — which may or may not be available to them.

To address this issue, SpringFour inquired about how much savings LMI customers would prefer to have in an emergency account. The responses show that these families are looking to have a much bigger cushion available to them to help stave off emergencies.

² For a complete breakdown of how stimulus payments were distributed, see <https://www.consumerfinance.gov/about-us/blog/guide-covid-19-economic-stimulus-checks/>

What is an appropriate and ideal amount, in dollars, that you would like to have available in an emergency savings account?

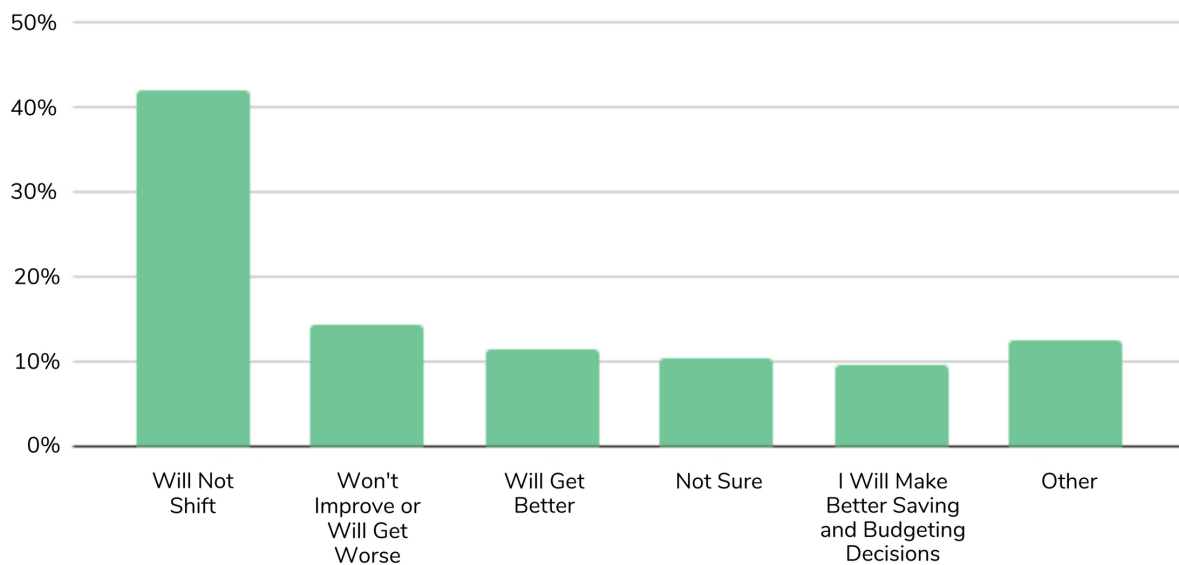


As households struggle to pay rent or mortgage costs in an environment when mitigation efforts to help in those areas is set to expire, the need for a larger financial cushion is paramount. Low- and moderate-income families are clearly thinking about the short-term and long-term implications of the COVID-19 crisis on their financial lives. At the same time, for many of these families, they have been dealing with precarious financial situations long before COVID-19. SpringFour asked respondents to tell us how they thought their financial situation and priorities might change once the country begins to open up from the pandemic; the question was open-ended, and yet most answers could be categorized into one of five responses (see below).

The responses to the survey below can be interpreted in one of two ways:

- LMI households expect that the crisis will have longer-term implications, as over half of respondents think that their financial situation will remain the same or get worse.
- Another interpretation that warrants future research is that for many of these households, COVID-19 unearthed a lack of financial stability that has always been there — and that they do not, overall, expect to see improvement once the pandemic subsides. This has implications for all those involved in promoting financial health and wellness through this crisis and beyond.

As the Country Opens Up, How Will Your Financial Situation or Priorities Change?



Conclusion

"The pandemic has made financial challenges even more acute for low- and moderate-income families. The government's stimulus payments have not alleviated their financial pressures and many are unaware that local resources exist to help them cover basic needs. The good news is that families feel confident in their banks' ability to help, giving banks the opportunity to step up and meet their clientele's challenges."

- Rochelle Nawrocki Gorey, CEO and Co-Founder, SpringFour

"Research in the financial health field has long shown that families are one step away from a financial emergency and that they do not have sufficient funds to cover an unexpected expense. The survey results show that a crisis like COVID-19 uncovers the need for long-term, ongoing solutions. Families know they don't have enough money saved and they need financial support and specific, targeted resources that help reduce household expenses and create opportunities to save for emergencies."

- Katy Jacob, Vice President of Research and Impact, SpringFour

For press inquiries, contact rachel@enunciate.xyz.