Well-being Across America: More Unequal, More Insecure

Community Indicators of Financial Security, Opportunity and Resiliency

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Overview

Credit Data as a Lens on Community Well-being

- Credit data are current and cover communities across America; enable apples-to-apples comparisons

- Access to credit is a financial asset to pursue economic opportunity and enhance financial security

- Analytical challenge—policy focus is on access but data report outcomes

- Our tool—Credit Security Index; evidence on over 12,000 cities from 2005–2018

Takeaways

- Scores confirm unequal access to opportunity across communities

- Over time, access is dynamic—some cities are perennially high opportunity or entrenched in credit insecurity, others are on upward or downward trajectories

- The combination of current score and time trend can support proactive policy actions

Slides will be available on the New York Fed's website.

Tool: score a community's credit access for opportunity
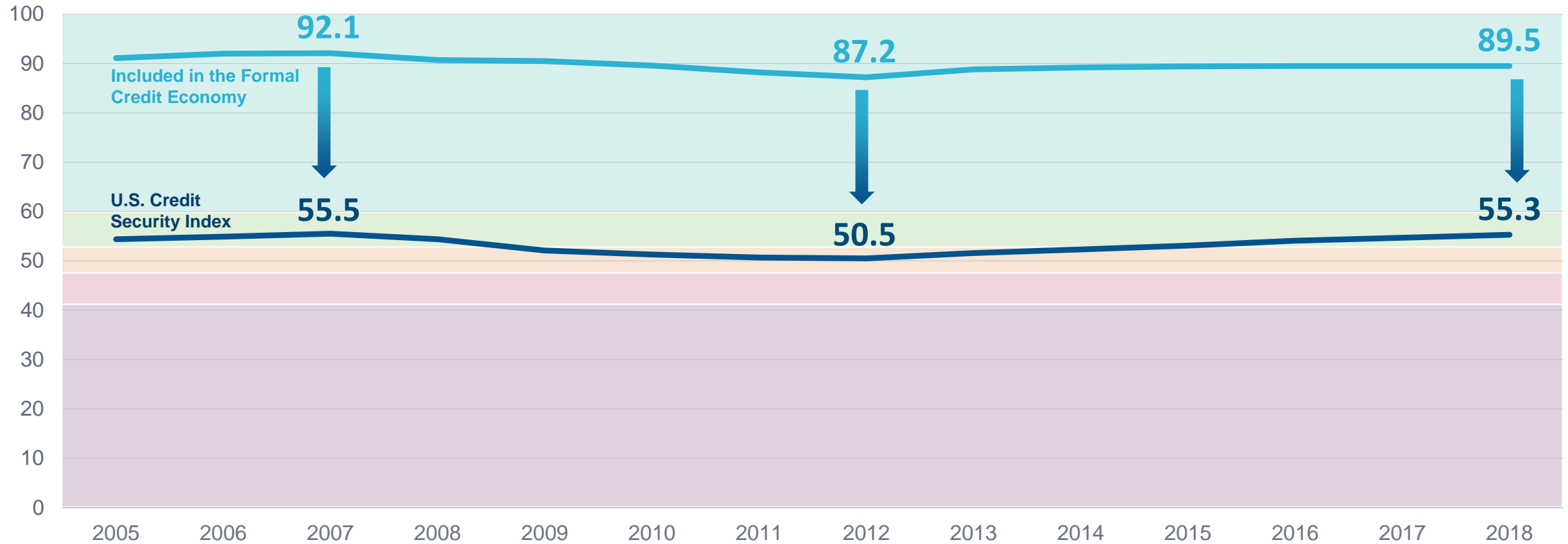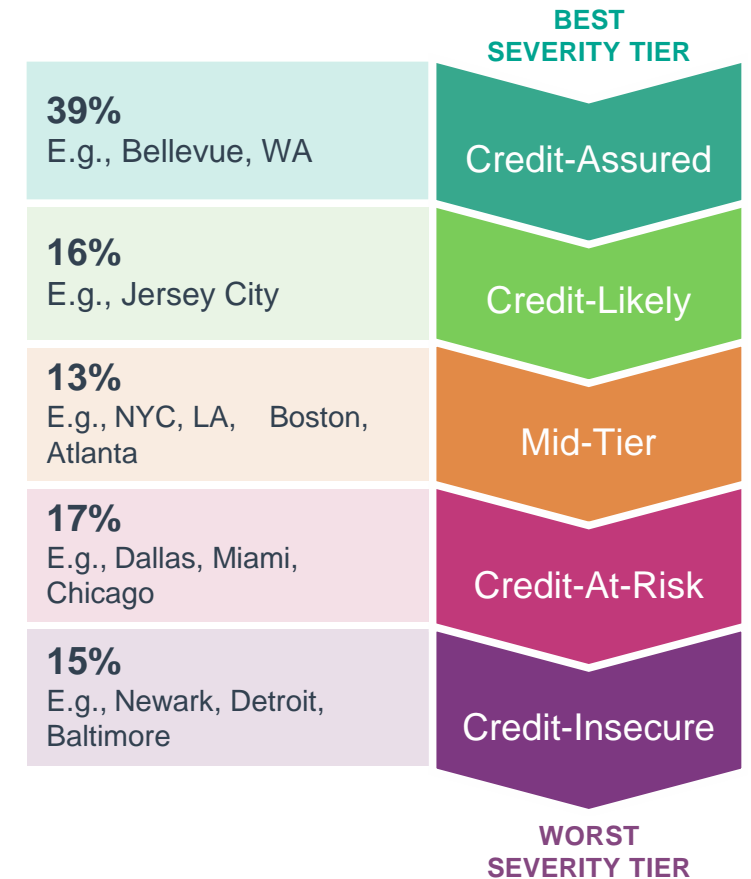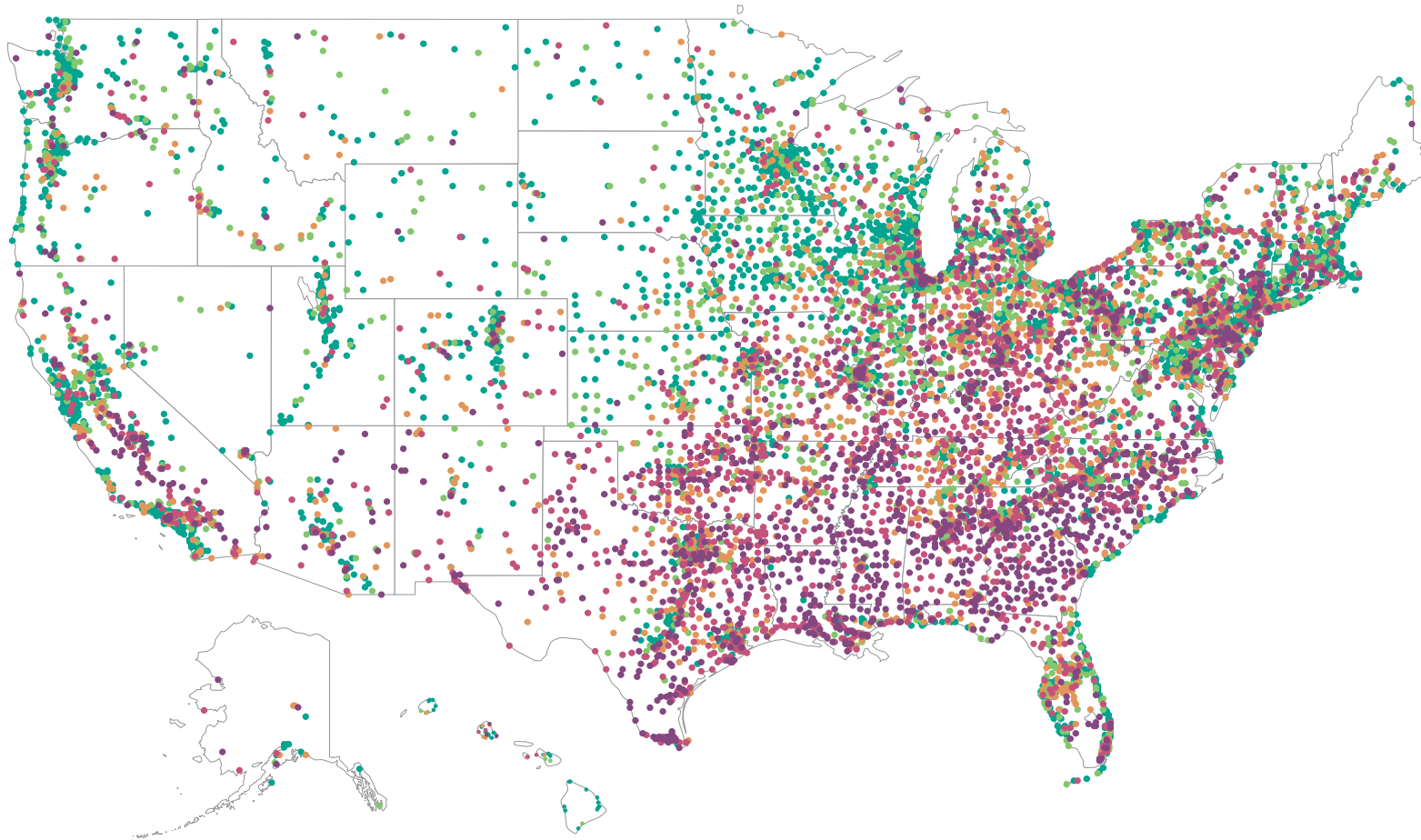
Credit Security Index Components

$$\text{Credit Security Index} \begin{array}{c}\textit{Prevalence of strong}\\\textit{credit outcomes}\end{array} = \text{Included in the Formal Credit Economy} \times \frac{1}{4} \left(\text{Revolving Credit} + \text{Utilization} <30\% + \text{Prime Credit Score} + \text{On-time Payers} \right)$$

Index Severity Tiers

BEST SEVERITY TIER →————————————————————————→ WORST SEVERITY TIER

| CREDIT-ASSURED TIER | CREDIT-LIKELY TIER | CREDIT MID-TIER | CREDIT-AT-RISK TIER | CREDIT-INSECURE TIER |

U.S. Security Index Scores: access varies over time

Credit Security Index, U.S., 2005–2018

Sources: New York Fed Consumer Credit Panel/Equifax & U.S. Census Bureau's Population Estimates Program

Access is unequal across U.S. cities

Credit Security Index, U.S. Cities, 2018 N=12,899

	BEST SEVERITY TIER
39% E.g., Bellevue, WA	Credit-Assured
16% E.g., Jersey City	Credit-Likely
13% E.g., NYC, LA, Boston, Atlanta	Mid-Tier
17% E.g., Dallas, Miami, Chicago	Credit-At-Risk
15% E.g., Newark, Detroit, Baltimore	Credit-Insecure
	WORST SEVERITY TIER

Access was dynamic over the 2007–2018 macro-economic cycle

Credit Security Index, Change in Severity Tier by Cities, 2007–2018

Upgrade	21%
No Change	58%
Downgrade	21%
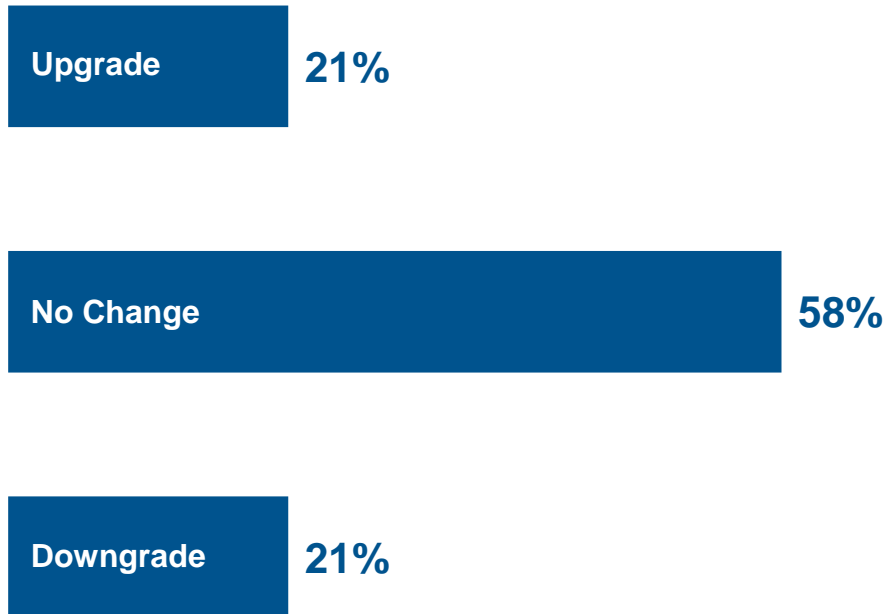
Credit Security Index, Migration by Severity Tiers by U.S. Cities, 2007–2018
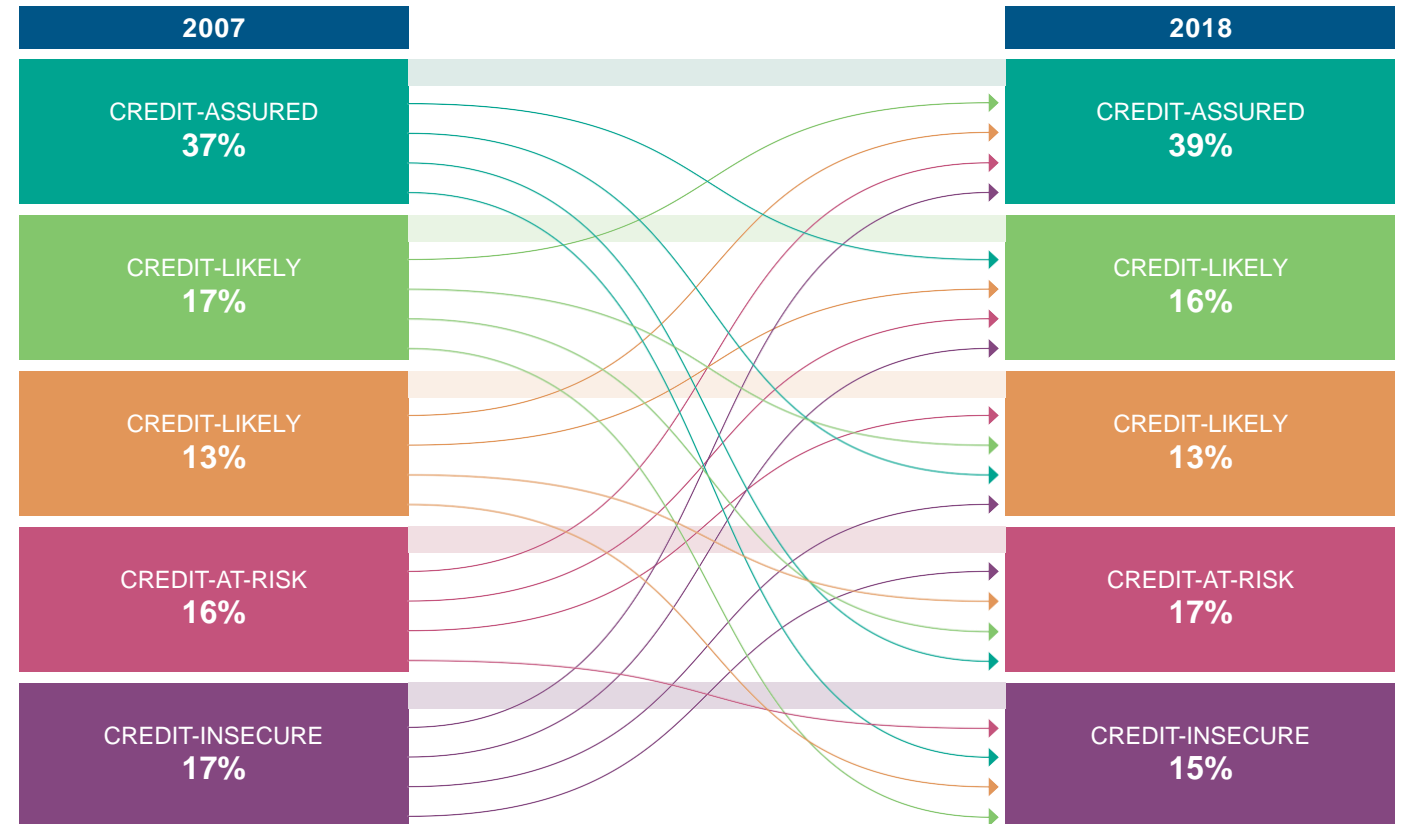
2007		2018
CREDIT-ASSURED 37%		CREDIT-ASSURED 39%
CREDIT-LIKELY 17%		CREDIT-LIKELY 16%
CREDIT-LIKELY 13%		CREDIT-LIKELY 13%
CREDIT-AT-RISK 16%		CREDIT-AT-RISK 17%
CREDIT-INSECURE 17%		CREDIT-INSECURE 15%

6

Tier upgrade cities: access improved above 2007 levels

Credit Security Index, U.S. Cities with Upgraded Severity Tiers, 2007–2018

21% of all Cities
N=2,565

■ Upgraded 3+ tiers   ■ Upgraded 2 tiers   ■ Upgraded 1 tier

3%
E.g.: Cedar Park, TX, Commerce City, CO

4%
E.g.: Atlanta, Oakland, Jersey City

14%
E.g.: NYC, LA, Dallas
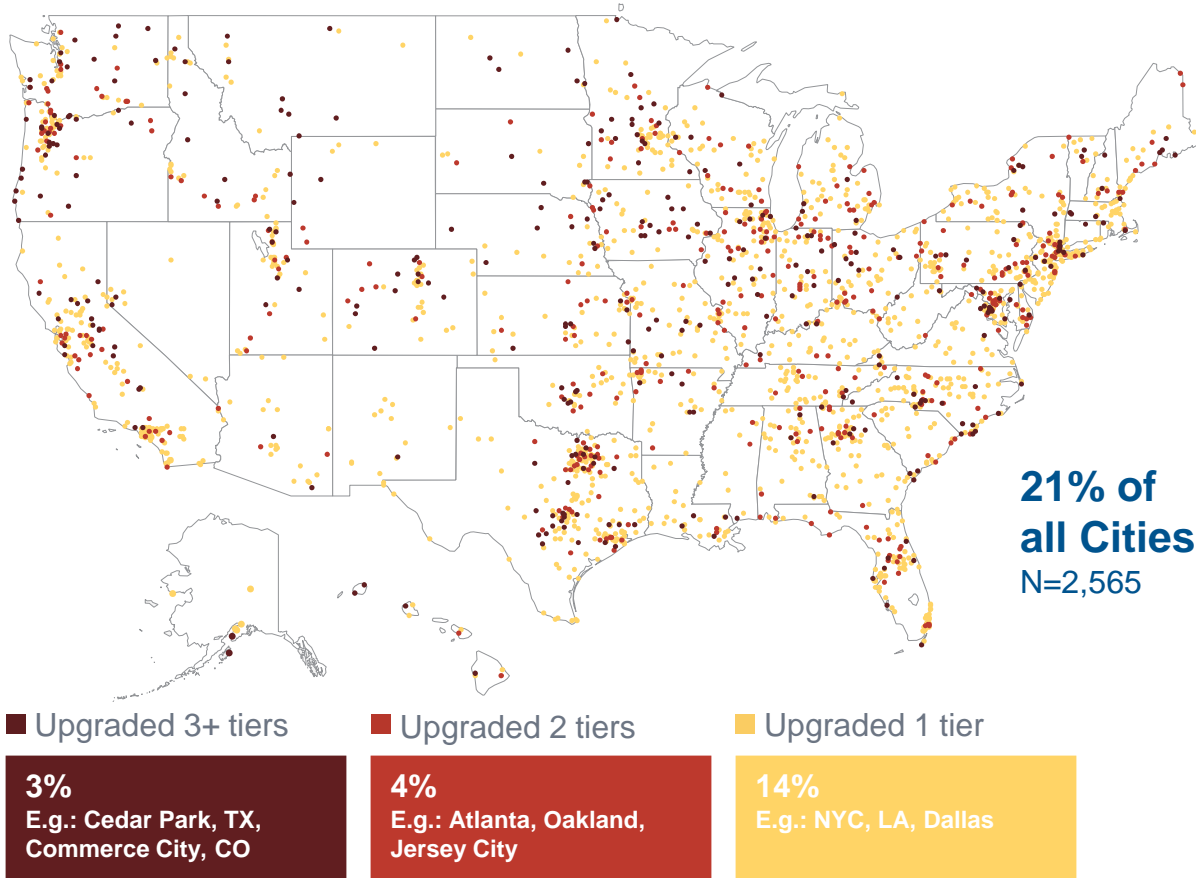
Credit Security Index, Severity Tier Distribution for Upgraded Cities, 2018
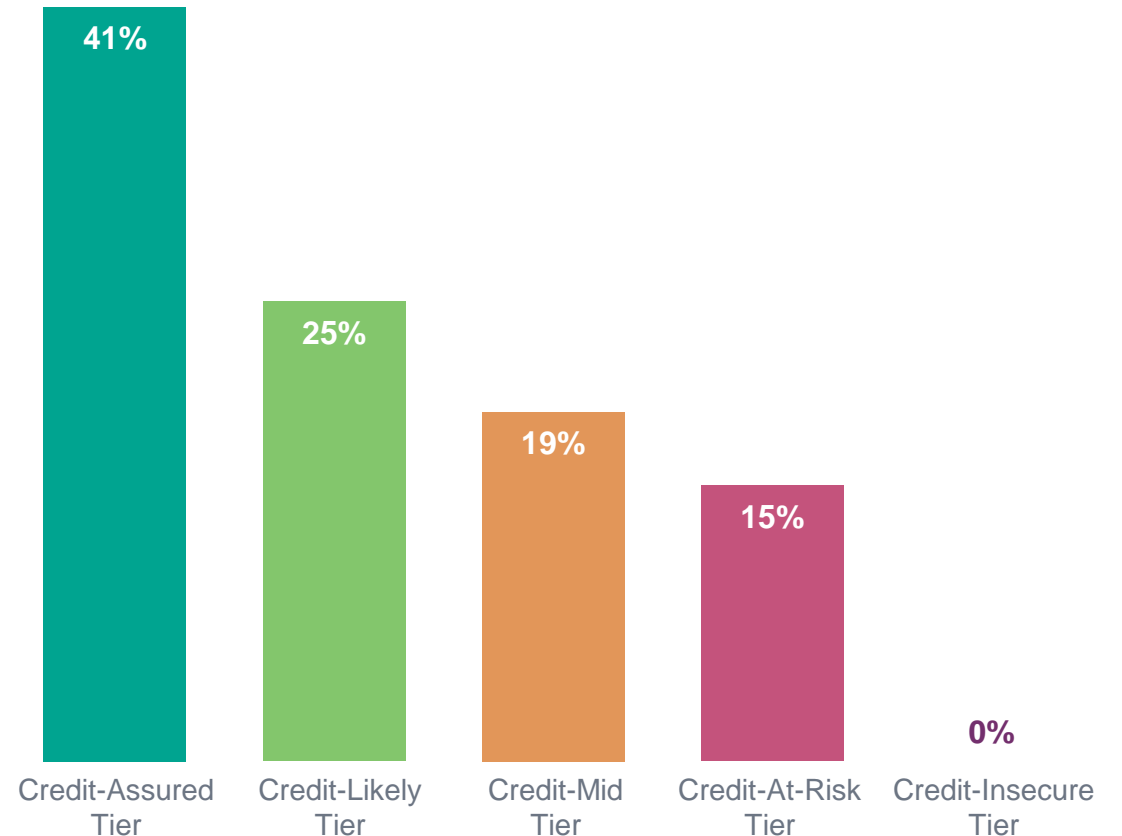
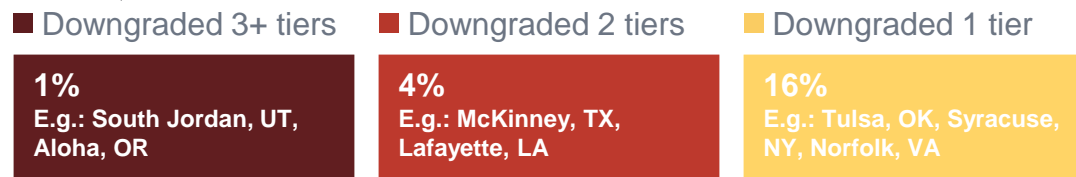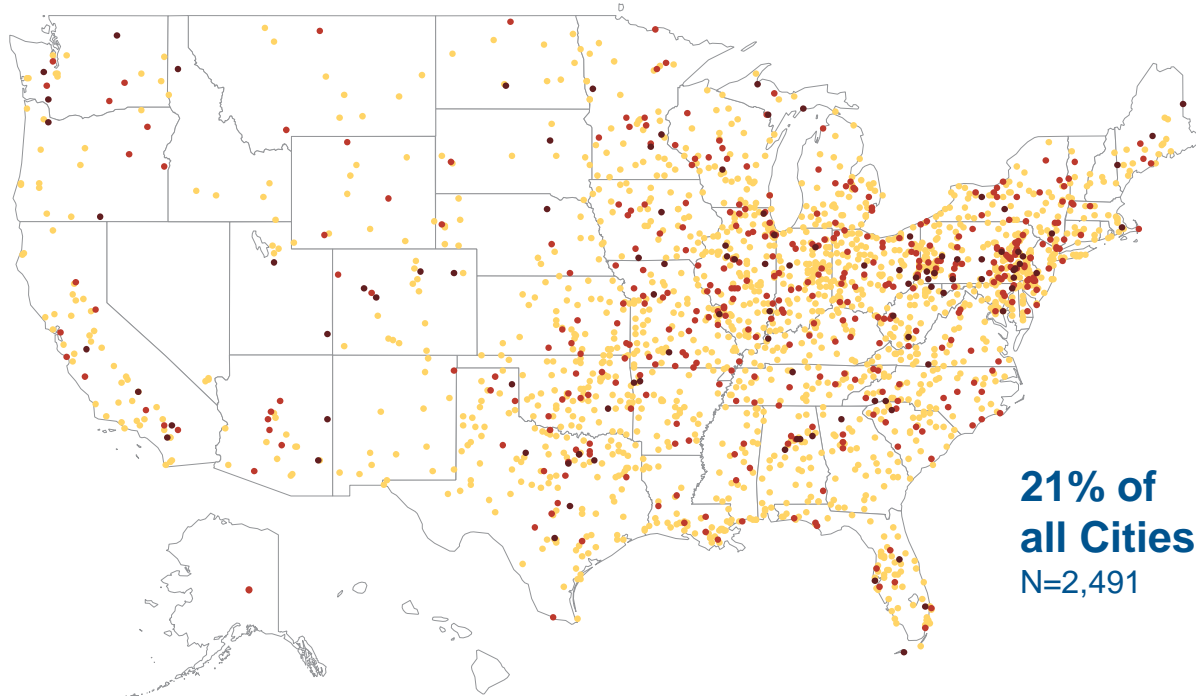| Credit-Assured Tier	Credit-Likely Tier	Credit-Mid Tier	Credit-At-Risk Tier	Credit-Insecure Tier
41%	25%	19%	15%	0%

Excludes cities with no data available in 2007. Population values for 2007 for cities use 2009 data.
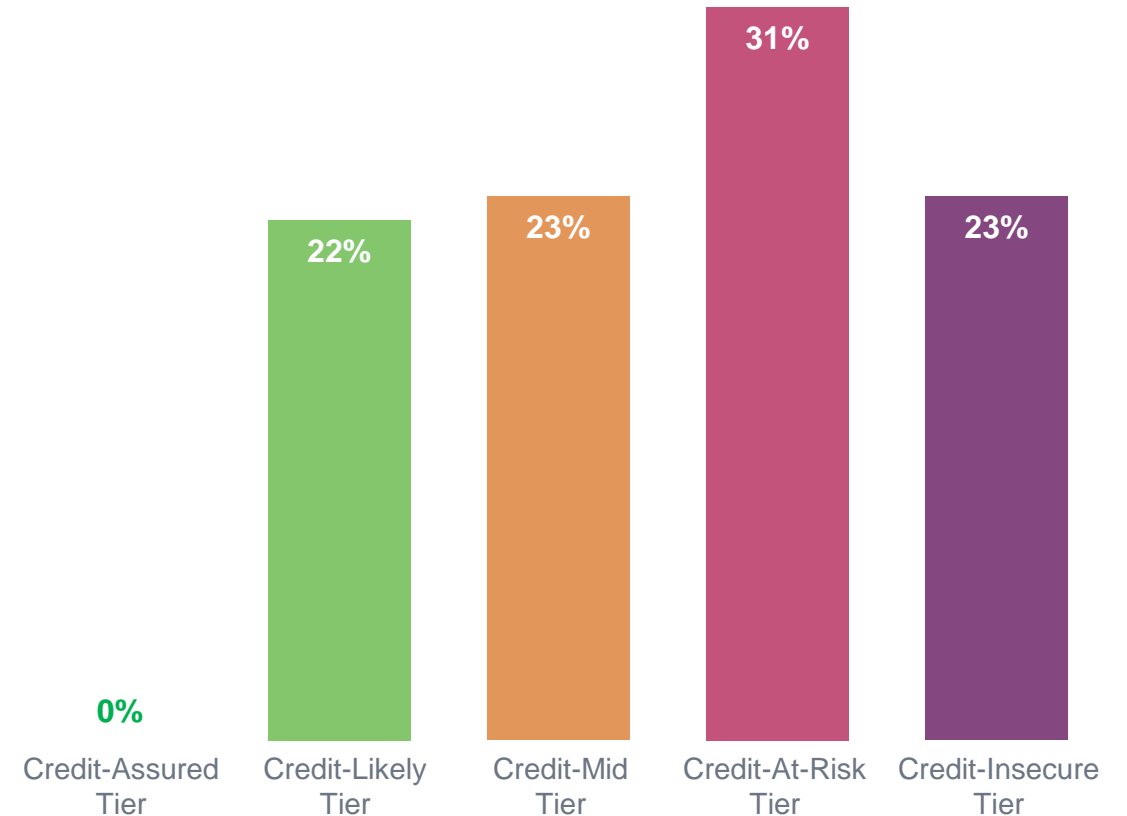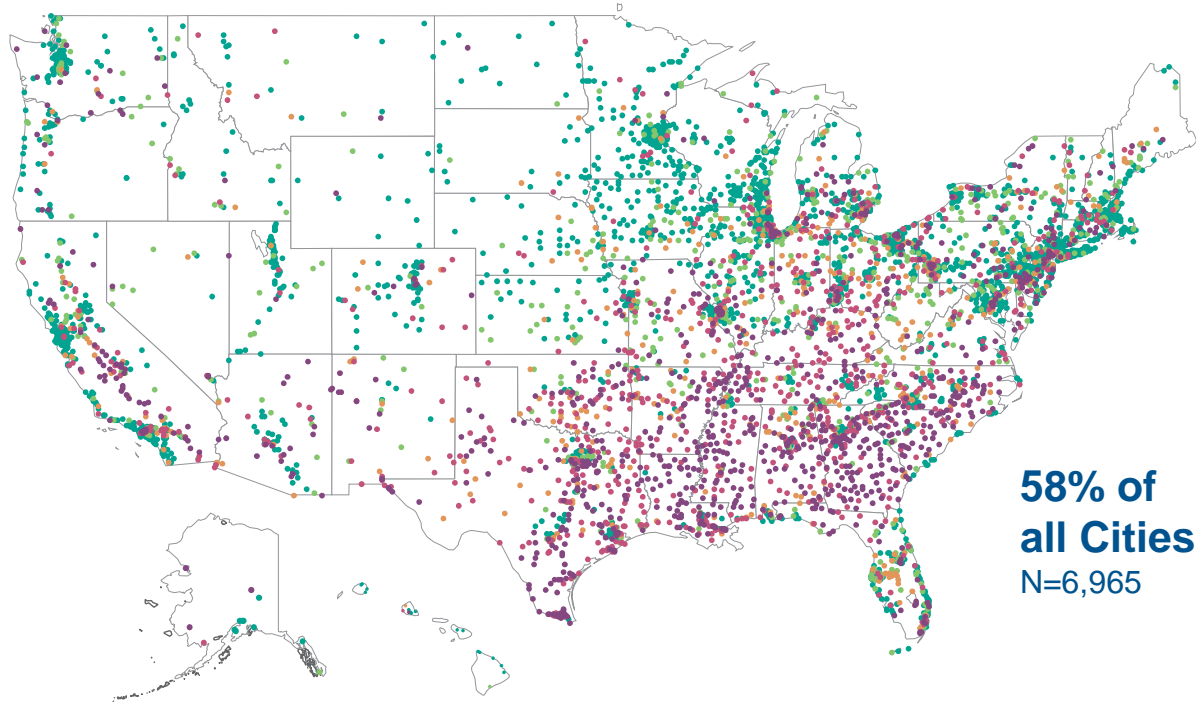*Sources: New York Fed Consumer Credit Panel/Equifax, U.S. Census Bureau's 2005-2009 & 2013-2017 American Community Survey*

Tier downgrade cities: more insecure in 2018 than in 2007

Credit Security Index, U.S. Cities with Downgraded Severity Tiers, 2007–2018

21% of all Cities
N=2,491

■ Downgraded 3+ tiers   ■ Downgraded 2 tiers   ■ Downgraded 1 tier

| 1% E.g.: South Jordan, UT, Aloha, OR | 4% E.g.: McKinney, TX, Lafayette, LA | 16% E.g.: Tulsa, OK, Syracuse, NY, Norfolk, VA |

Credit Security Index, Severity Tier Distribution for Downgraded Cities, 2018

0%	22%	23%	31%	23%
Credit-Assured Tier	Credit-Likely Tier	Credit-Mid Tier	Credit-At-Risk Tier	Credit-Insecure Tier

Excludes cities with no data available in 2007. Population values for 2007 for cities use 2009 data.
Sources: New York Fed Consumer Credit Panel/Equifax, U.S. Census Bureau's 2005-2009 & 2013-2017 American Community Survey
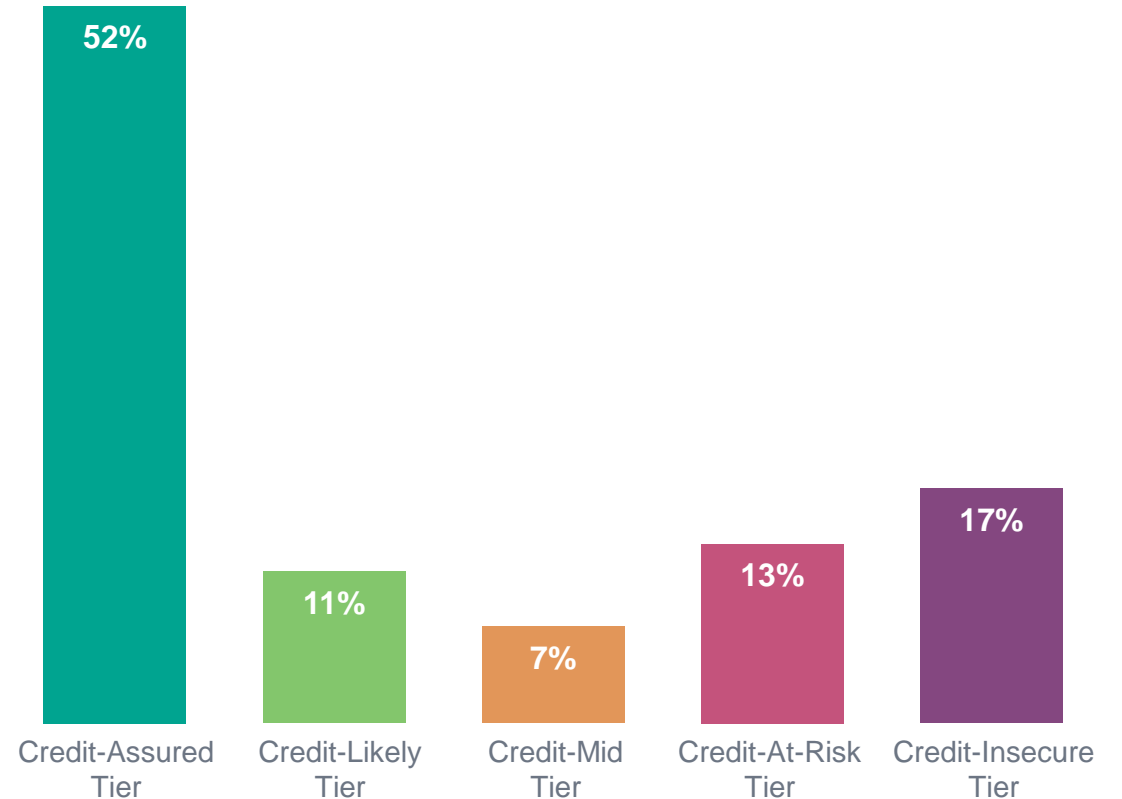
Unchanged tier cities: nearly a third are stuck in low access

Credit Security Index, U.S. Cities with Unchanged Severity Tiers, 2007–2018

58% of all Cities
N=6,965

BEST ⟶ WORST

CREDIT-ASSURED TIER | CREDIT-LIKELY TIER | CREDIT MID-TIER | CREDIT-AT-RISK TIER | CREDIT-INSECURE TIER

Credit Security Index, Severity Tier Distribution for Cities with Unchanged Tiers, 2007–2018

Credit-Assured Tier	Credit-Likely Tier	Credit-Mid Tier	Credit-At-Risk Tier	Credit-Insecure Tier
52%	11%	7%	13%	17%

Excludes cities with no data available in 2007. Population values for 2007 for cities use 2009 data.
Sources: New York Fed Consumer Credit Panel/Equifax, U.S. Census Bureau's 2005-2009 & 2013-2017 American Community Survey

9

Examples: access today and momentum from 2007

Credit Security Index Severity Tiers, 2018 *Share of U.S. Cities*	Upgraded from 2007	No Change from 2007	Downgraded from 2007
BEST Credit-Assured 39%	9% E.g., San Diego, CA; San Jose, CA; Portland, OR; Anchorage, AK; Virginia Beach, VA	30% E.g., San Francisco, CA; Seattle, WA; Scottsdale, AZ	
Credit-Likely 16%	5% E.g., Austin, TX; Denver, CO; Sacramento, CA; Oakland, CA; Mesa, AZ; Jersey City, NJ; Yonkers, NY	6% E.g., Omaha, NE; St. Petersburg, FL; Salt Lake City, UT	5% E.g., Santa Clarita, CA; Fargo, ND; Fort Collins, CO; Bend, OR
Credit Mid-Tier 13%	4% E.g., New York, NY; Los Angeles, CA; Boston, MA; Phoenix, AZ; Atlanta, GA; Nashville, TN; Kansas City, MO	4% E.g., Jacksonville, FL; Charlotte, NC; Washington DC; Las Vegas, NV; Oklahoma City, OK; Raleigh, NC	5% E.g., Wichita, KS; Fort Wayne, IN; Bethlehem, PA; Waldorf, MD; Largo, FL
Credit At-Risk 17%	3% E.g., Houston, TX; Dallas, TX; Miami, FL; Santa Ana, CA; St. Louis, MO; Providence, RI	8% E.g., Chicago, IL; Philadelphia, PA; Indianapolis, IN; San Antonio, TX; Columbus, OH; Fort Worth, TX; El Paso, TX	6% E.g., Tulsa, OK; Greensboro, NC
WORST Credit-Insecure 15%		10% E.g., Detroit, MI; Memphis, TN; Baltimore, MD; Milwaukee, WI; Rochester, NY	5% E.g., Norfolk, VA; Baton Rouge, LA; Albany, NY; Flagstaff, AZ

*Excludes cities with no data available in 2007. Population values for 2007 for cities use 2009 data.
Sources: New York Fed Consumer Credit Panel/Equifax, U.S. Census Bureau's 2005-2009 & 2013-2017 American Community Survey

Characteristics of credit security momentum

City groups	Included in formal credit economy	1 Active users — Revolving credit	2 Capacity to borrow — Utilization <30%	2 Capacity to borrow — Prime credit score	3 Manage debt — On-time payers
Upgraded tiers N=2,565	⬆			⬆	⬆
Downgraded tiers N=2,491	⬇	⬇	⬇		

Closing thoughts

- We score a city's access to credit with the Credit Security Index

- The evidence confirms patterns of inequality across American cities

- The evidence also shows that access is dynamic over time—some cities are perennially high or low opportunity, others had upward or downward momentums from 2007 to 2018

- A city's score and underlying momentum can sharpen policy and practice

  - Upward momentums point to local strengths even though the current score is low

  - Downward momentums might be early indicators of nascent conditions, to be addressed with proactive actions

For more information

Go to NYFed.org/CommunityCredit
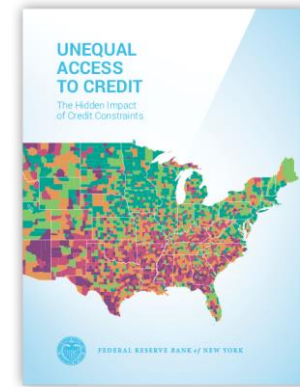
Comprehensive data

A decade of data, updated annually at no charge

See Interactive

Community Credit framework and indicators

Extensive maps and charts presenting trends for the U.S. and counties

2016 Chartbook
2015 Chartbook
2014 Chartbook

Unequal access to credit

Expands the Community Credit framework to incorporate the hidden impact of credit constraints on America's communities

See Report

Zip Code-level analytics for NY communities

In-depth credit profile of three regions identifying neighborhoods with entrenched credit distress

Long Island
City of Rochester
New York City