The Brookings Institution

Metropolitan Policy Program

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Where is the Asset Building Opportunity?

A Profile of Credit Utilization and Management in 50 Metros

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Where is the Asset Building Opportunity?
A Profile of Credit Utilization and Management in 50 Metros

I How did we define this opportunity?

II What are our initial findings?

III What are the implications, and next steps?

To measure this opportunity, we relied on 14.1 million TransUnion credit reports from 50 metro areas, representing about 13 percent of the adult population in these areas.

You can buy these data yourself by calling:
Jennifer Weinberg
TransUnion Sales Representatives
Phone: 301-580-7500
E-mail: Jweinbe@tusales.com

As rich as these data are, there are a number of caveats to keep in mind.

Using these data, we consider the ability of borrowers to save for assets, and buy credit-backed assets affected by credit scores. In particular, we asked four questions:

How does LMI participation in the credit market vary across the country?

How does LMI consumer debt vary across the country?

How do LMI delinquency rates vary across the country?

How do LMI credit scores vary across the country?

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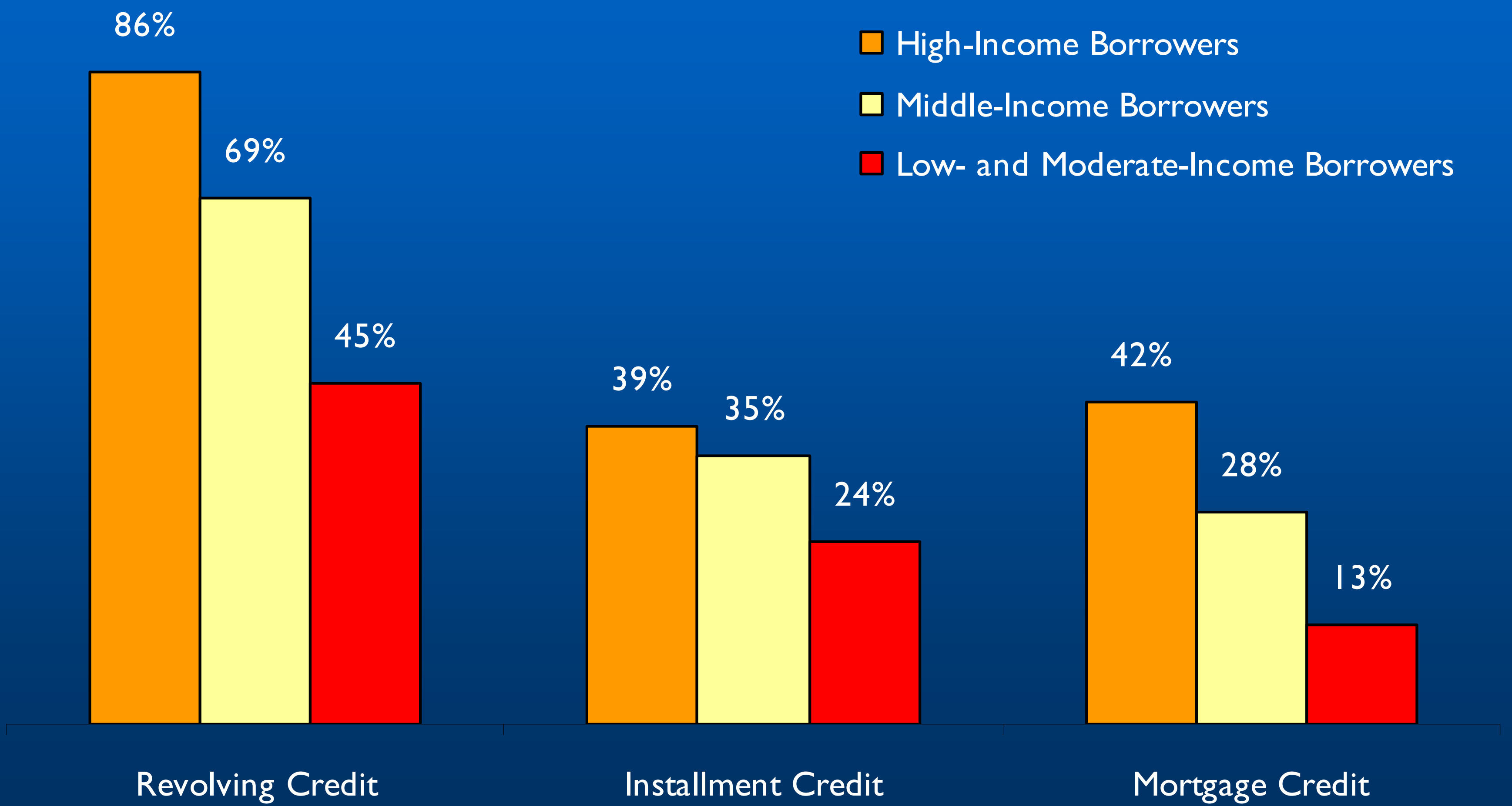
First, we find that LMI borrowers use much less of every type of credit than middle and higher income borrowers



Source: Brookings Institution analysis of data from TransUnion
Note: All available data in the TransUnion database are from depersonalized consumer credit reports.

But, utilization within the LMI population widely varies across the country

Utilization of credit among low- and moderate-income borrowers, by metros with highest and lowest utilization rates

Type of credit	Top metros	Bottom metros
Mortgages	Jacksonville, FL (18.4%)	New York, NY-NJ-PA (6.9%)
Installment loans	San Antonio, TX (34.4%)	San Francisco, CA (14.0%)
Revolving accounts	Boston, MA-NH (76.4%)	Milwaukee, WI (28.9%)

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports.

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This variation is explained, in part, by variance in cost of living across the country

Utilization of different lines of credit among low- and moderate-income borrowers, by cost of living

Low cost metros	Mortgage	Installment	Revolving
San Antonio, TX	13%	34%	49%
Memphis, TN-MS-AR	16%	28%	40%
Oklahoma City, OK	16%	28%	45%
Charlotte, NC-SC	13%	21%	33%
Houston, TX	10%	25%	40%
High cost metros			
New York, NY-NJ-PA	7%	16%	55%
San Francisco, CA	9%	14%	43%
Los Angeles, CA	10%	27%	52%
San Jose, CA	7%	17%	50%
Washington, DC-VA-MD-WV	11%	20%	40%

Source:
Brookings analysis of data from TransUnion

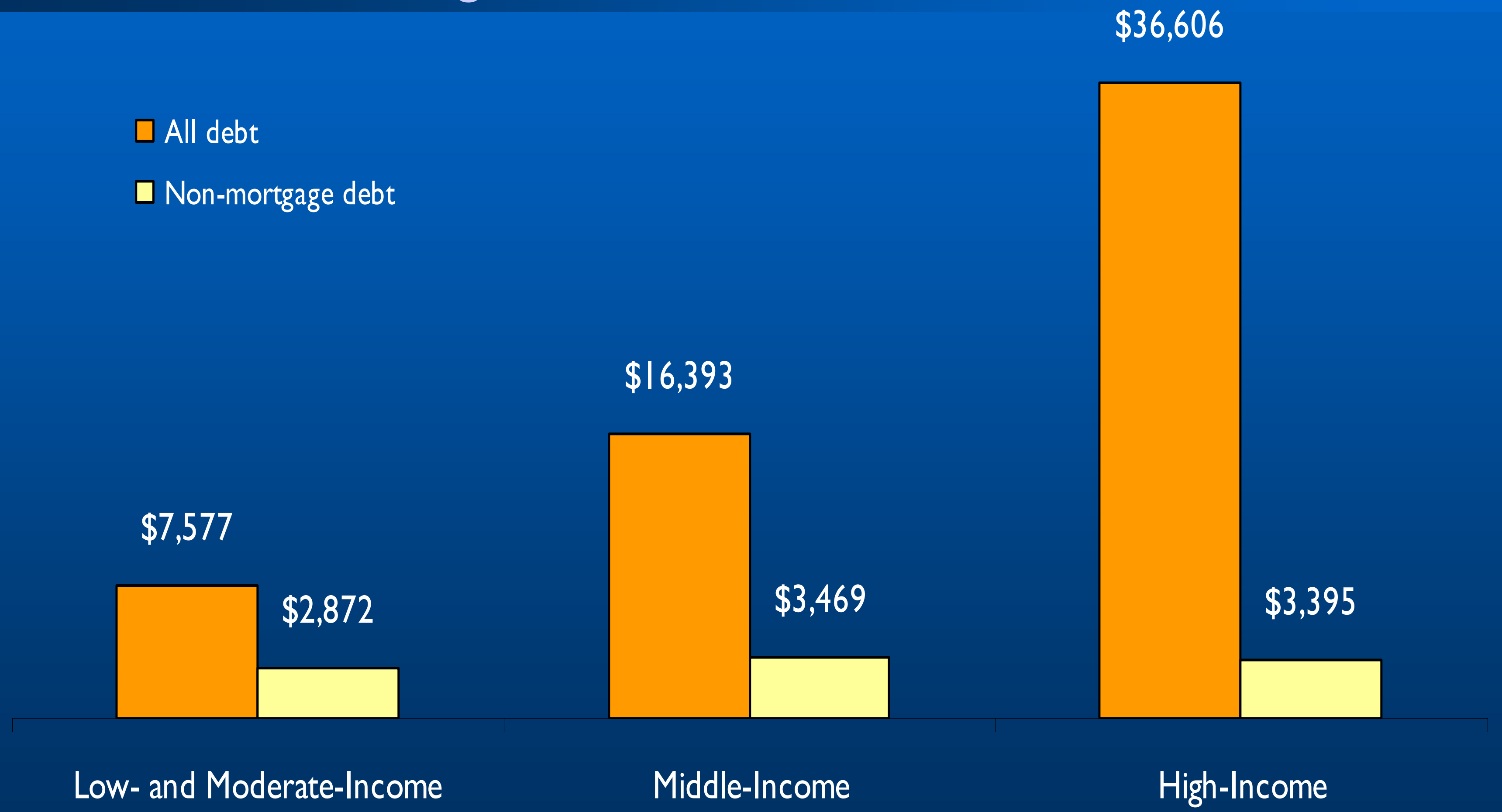
Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. Cost of living was determined using the ACCRA Cost of Living Index (2006).

The major takeaways for the asset-building community are that:

1. LMI participation in credit markets is still very modest, relative to higher income households. This will affect their credit histories, carrying implications for access to credit-backed assets

2. LMI borrowers in lower cost areas tend to buy more mortgage and installment trades than LMI borrowers, carrying implications for their relative ability to save for additional assets

Second, we find that median debt among LMI borrowers is much lower than higher income borrowers



Source: Brookings Institution analysis of data from TransUnion
Notes: All available data in the TransUnion database are from depersonalized consumer credit reports; figure is based on 50 metro sample.

But, median debt among LMI borrowers widely varies across the country

Median non-mortgage debt among low- and moderate-income borrowers, by amount of debt

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports.

Top 5		**Median Total Debt**
1	Jacksonville, FL	$13,570
2	Indianapolis, IN	$13,469
3	Virginia Beach, VA-NC	$13,090
4	Denver, CO	$13,031
5	Birmingham, AL	$12,075
Bottom 5		
46	Boston, MA-NH	$5,534
47	San Francisco, CA	$5,157
48	Los Angeles, CA	$3,811
49	New York, NY-NJ-PA	$3,056
50	San Jose, CA	$3,039

That is also the case for median non-mortgage debt among LMI borrowers

Median non-mortgage debt among low- and moderate-income borrowers, by amount of debt

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports.

Top 5		**Median Non-Mortgage Debt**
1	Birmingham, AL	$7,177
2	Jacksonville, FL	$7,134
3	Virginia Beach, VA-NC	$7,132
4	Indianapolis, IN	$6,747
5	Austin, TX	$6,479
Bottom 5		
46	Miami, FL	$3,284
47	San Francisco, CA	$2,882
48	New York, NY-NJ-PA	$2,398
49	Los Angeles, CA	$2,398
50	San Jose, CA	$2,355

This variation is explained, in part, by variance in cost of living across the country

Median borrower debt among low- and moderate-income borrowers, by cost of living

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. Cost of living was determined using the ACCRA Cost of Living Index (2006).

Low cost metros	Median Non-Mortgage Debt	Median Total Debt
San Antonio, TX	$6,264	$9,761
Memphis, TN-MS-AR	$5,750	$11,594
Oklahoma City, OK	$5,809	$10,757
Charlotte, NC-SC	$5,656	$11,271
Houston, TX	$5,139	$8,022
High cost metros		
New York, NY-NJ-PA	$2,398	$3,056
San Francisco, CA	$2,882	$5,157
Los Angeles, CA	$2,398	$3,811
San Jose, CA	$2,355	$3,039
Washington, DC-VA-MD-WV	$5,303	$9,271

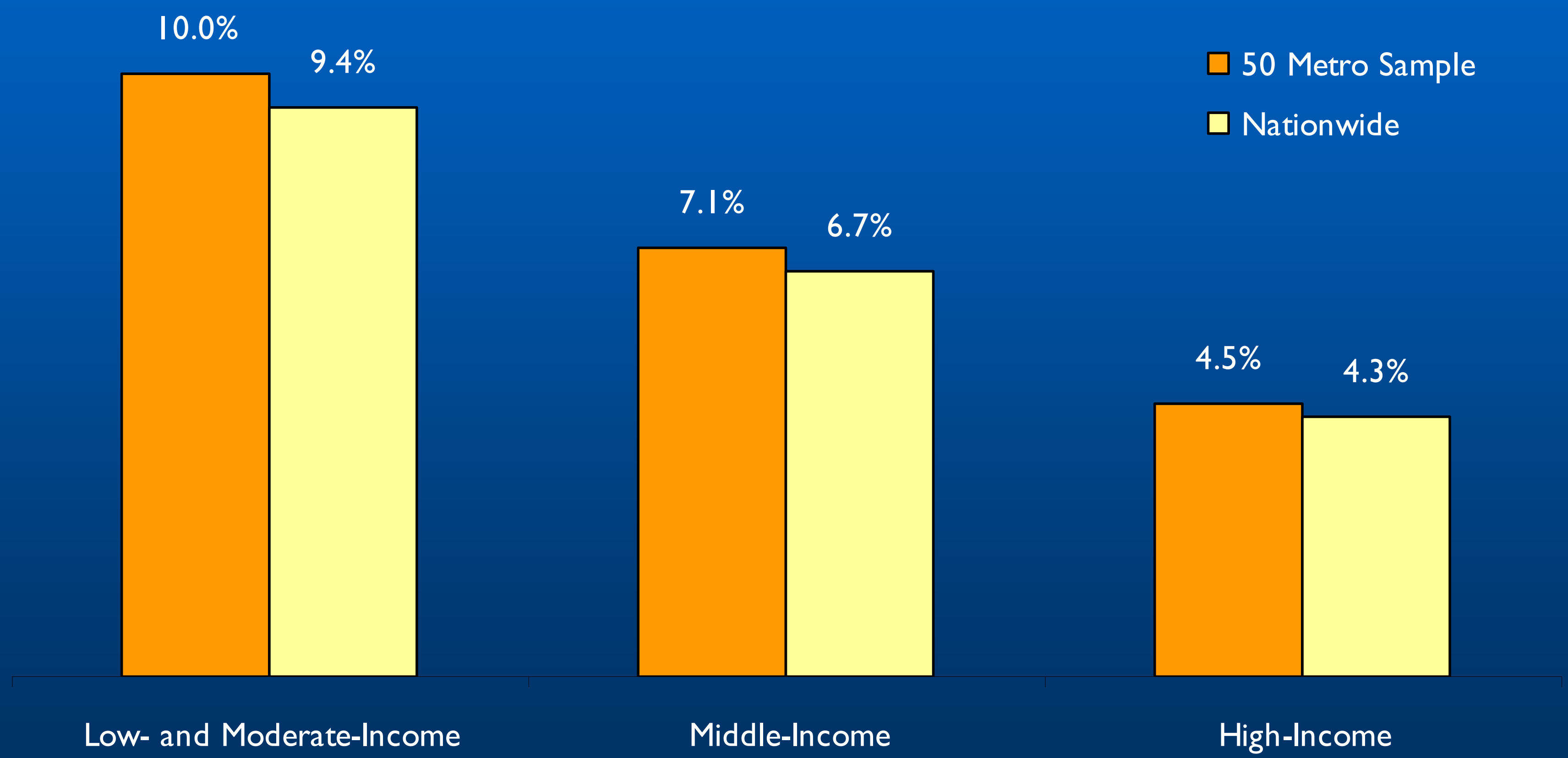
The major takeaways for the asset-building community are that:

1. Total debt among LMI borrowers is much lower than higher income borrowers, but this does not say anything about comparative burden

2. Expensive metros pose significant cost-of-living challenges for LMI borrowers, but their lower, typical debt and greater access to revolving credit may provide them with sturdier platforms for asset-building

3. Less expensive metros suggest greater buying power, but LMI borrowers carry more debt in these areas

Third, we find that delinquency rates among LMI borrowers are much higher than higher income borrowers



Source: Brookings Institution analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. Delinquent borrowers are those with accounts that are 30+ days past due.

But, delinquency rates among LMI widely vary across the country

Overall delinquency rate among low- and moderate-income borrowers, by delinquency rate

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. Delinquent borrowers are those with accounts that are 30+ days past due.

Top 5		**Delinquency rate**
1	Memphis, TN-MS-AR	18.1%
2	Richmond, VA	15.0%
3	Charlotte, NC-SC	14.4%
4	Cleveland, OH	14.2%
5	San Antonio, TX	12.5%
Bottom 5		
46	Tampa, FL	6.9%
47	San Francisco, CA	6.8%
48	Portland, OR-WA	6.7%
49	Seattle, WA	6.6%
50	San Jose, CA	4.4%

This variation is explained, in part, by variance in cost of living across the country

Overall delinquency rate among low- and moderate-income borrowers, by cost of living

Low cost metros	Delinquency rate
San Antonio, TX	12.5%
Memphis, TN-MS-AR	18.1%
Oklahoma City, OK	9.7%
Charlotte, NC-SC	14.4%
Houston, TX	12.2%
High cost metros	
New York, NY-NJ-PA	7.9%
San Francisco, CA	6.8%
Los Angeles, CA	11.3%
San Jose, CA	4.4%
Washington, DC-VA-MD-W	10.0%

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. Delinquent borrowers are those with accounts that are 30+ days past due. Cost of living was determined using the ACCRA Cost of Living Index (2006).

The major takeaways for the asset-building community are that:

1. LMI borrowers have a much more difficult time managing debt than higher income borrowers

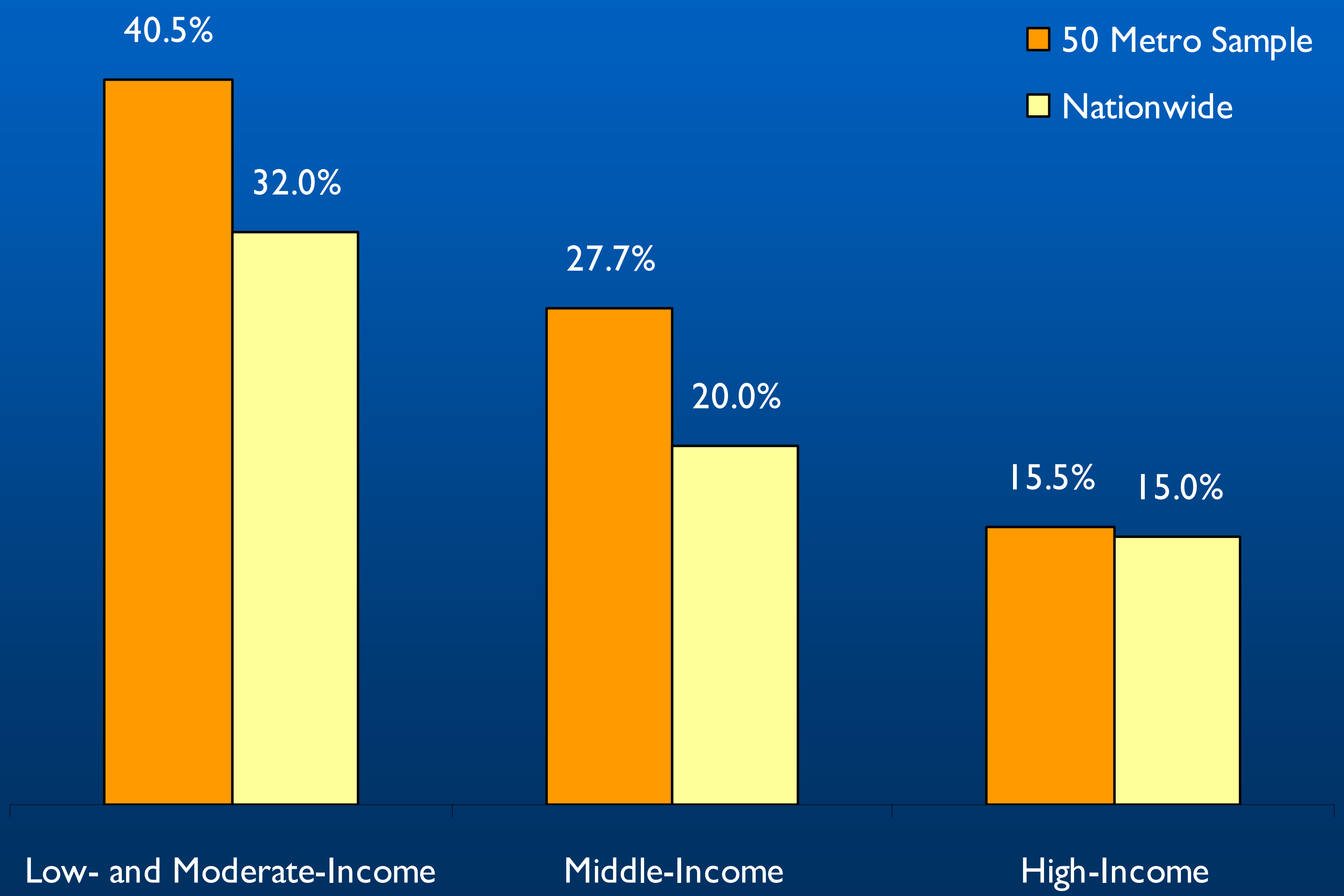
2. LMI borrowers in less expensive metros have a much more difficult time managing debt than those in higher income metros

3. Areas of the country stand out for extremely high levels of mortgage delinquencies

Finally, we find that credit scores among LMI borrowers tend to be lower than higher income borrowers

Proportion of borrowers with scores lower than 75% of other borrowers, by cost of living

Source:
Brookings analysis of data from TransUnion



But, typical credit scores among LMI widely vary across the country

Proportion of low- and moderate-income borrowers with extremely weak credit scores

Top 5		Proportion with extremely weak scores
1	Memphis, TN-MS-AR	52.9%
2	Milwaukee, WI	52.4%
3	Cleveland, OH	50.2%
4	Detroit, MI	49.8%
5	Chicago, IL-IN-WI	49.1%
Bottom 5		
46	Minneapolis, MN-WI	31.9%
47	Salt Lake City, UT	31.7%
48	Portland, OR-WA	30.8%
49	Boston, MA-NH	29.9%
50	San Jose, CA	21.9%

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports.

This variation is explained, in part, by variance in cost of living across the country

Proportion of low- and moderate-income borrowers with extremely weak credit scores, by cost of living

Low cost metros	Proportion with extremely weak credit scores
San Antonio, TX	48.4%
Memphis, TN-MS-AR	52.9%
Oklahoma City, OK	40.1%
Charlotte, NC-SC	45.7%
Houston, TX	47.3%
High cost metros	
New York, NY-NJ-PA	37.3%
San Francisco, CA	32.4%
Los Angeles, CA	33.3%
San Jose, CA	21.9%
Washington, DC-VA-MD-WV	40.3%

Source:
Brookings analysis of data from TransUnion

Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. Cost of living was determined using the ACCRA Cost of Living Index (2006).

The major takeaways for the asset-building community are that:

1. LMI borrowers tend to have much lower credit scores than higher income borrowers

2. Broad swaths of lower income consumers have very weak credit scores, which will restrict access to assets, or drive-up the price.

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What are the implications, and next steps?

1. Affordability may be as much of a barrier as unaffordable costs of living

2. Need for financial education is great

3. Need for more research is great

www.brookings.edu/metro