

WHERE IS THE ASSET-BUILDING OPPORTUNITY?
A Profile of Credit Utilization and Management in 50 Metropolitan Areas

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

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Dozens of public policies and hundreds of organizations across the US aim to stimulate asset-building among low-to-moderate-income (LMI) families, yet we know very little about how the market opportunity for these initiatives varies around the country. In this paper, we assess this opportunity in 50 major metropolitan areas, finding that LMI borrowers appear less able to save for and buy credit-backed assets in lower cost areas than in higher cost areas. In particular, an analysis of credit utilization and management, based on 14.1 million TransUnion credit reports in 50 metropolitan areas, reveals that:

LMI borrowers are much more likely to borrow high-value loans, like installment and mortgage loans, in low cost metropolitan areas than in high cost areas. The proportion of LMI borrowers with an installment loan ranges from less than 16 percent in high-cost areas like San Francisco and New York to over 30 percent in lower cost areas like Pittsburgh and San Antonio; the proportion with a mortgage ranges from less than seven percent in New York and San Jose to over 18 percent in Tampa and Jacksonville; and the proportion of LMI borrowers who hold some form of revolving credit, such as a bank or retail credit card, ranges from over 60 percent in the Providence and Boston areas, to less than 33 percent in Milwaukee and Charlotte.

Both aggregate and non-mortgage borrower debt among LMI borrowers is highest in the cheapest metropolitan areas to live in and lowest in the most expensive metro areas in the country. Metro areas with more affordable housing and lower, overall costs of living — like Indianapolis, Birmingham, Virginia Beach, and Jacksonville, FL—top the list for median, non-mortgage debt held by LMI consumers (over \$7,000). In contrast, higher cost areas – like New York, Los Angeles, and San Francisco – have much lower, median non-mortgage debt burdens among LMI borrowers (less than \$3,000).

LMI borrowers are much more likely to fall behind on mortgage payments, and bills for other lines of credit, in lower cost areas of the country than in higher cost areas. Nationwide, seven percent of borrowers were delinquent on at least one account they own. In particular, about 11 percent of LMI borrowers were behind on at least one credit-bearing account in the first quarter of 2005, compared to six percent of the middle income (MI) group and four percent of the high-middle and high income (HMI) group.

LMI borrowers are much more likely to have extremely weak credit scores in lower cost areas of the country than in higher cost areas. Across the country, the average credit score was 662 in 2005. More than 32 percent of LMI borrowers had extremely low credit scores, compared to 20 percent of MI borrowers, and 15 percent of HMI borrowers.

Successfully building assets among LMI families in metropolitan areas mandates that leaders invest in efforts to educate families about debt, work to reduce delinquencies, and boost credit scores, particularly in the lower cost areas of the country.

Introduction

Asset building among LMI families is now pursued through dozens of different initiatives, from savings incentives like Individual Development Accounts to more traditional homeownership subsidies.¹ Underlining these efforts is the belief that assets tend to appreciate over time, making them as meaningful a path out of poverty as more traditional anti-poverty efforts, like income supplements.²

By most counts, there is a substantial need for asset-building initiatives, both among the poor and general public. Poor households are much less likely than middle- and higher households to own a savings account, for instance, but the overall household savings rate is also now negative, pointing to the very large opportunity to spur savings among both the poor and general public.³ Similarly, the approximately three out of every 10 American households that do not own a home today consists of households from all income levels.⁴

However, the market for policies and programs designed to spur asset development does not include every household that lacks an asset, since not everyone can responsibly own an asset. A renter struggling to keep-up with credit card debt every month, for instance, is probably not someone that should consider buying a home. Similarly, a household that is stressed to keep healthy food on the table every night should probably address that need before thinking about opening a savings account.

Unfortunately, the information needed to identify these different consumer segments among the population in need of assets has for the most part been unavailable, particularly at the sub-national level. This is a significant roadblock for asset-building initiatives, since this lack of information can lead public and private leaders to inefficiently dedicate resources across the dozens of asset-building opportunities that exist. For instance, a community faced with large proportions of consumers with poor credit histories and low home ownership rates –market conditions that describe the bulk of southern Texas, for instance - may benefit more from investments in credit repair counseling than investments in home-buying assistance. The end goal may still be to boost homeownership, but the road toward that goal may be more indirect.

Public and private leaders also run the risk of inadvertently perpetuating poverty by not strategically identifying market segments for asset-building opportunities. Advising a lower income individual to open a checking account when s/he may not be able to manage an account, for instance, would likely lead to added household expenses and

¹ See, for instance: Ray Boshara, Reid Cramer, Leslie Parish, Anne Stuhldreher. 2006. “The Assets Agenda 2006: Policy Options to Broaden Savings and Ownership by Low- and Moderate-Income Americans.” Washington, DC: The New America Foundation.

² Michael Sherraden. 1991. *Assets and the Poor: A New American Welfare Policy*. Armonk, NY: M.E. Sharpe.

³ Department of Commerce data indicate the personal savings rate has been negative since the 2nd quarter of 2005.

⁴ Joint Center for Housing Studies of Harvard University. 2006. “The State of the Nation's Housing 2006.” Cambridge, MA: Harvard University.

future difficulty qualifying for credit.⁵ Similarly, nearly one in 14 households today who were only able to buy a home with a relatively new high-cost mortgage are now behind in their mortgage payments and may be at risk of losing their homes to foreclosure.⁶

In sum, the failure to effectively measure the asset building market can lead to inefficient investments, some of which may even be counter-productive.

In this paper, we analyze a new dataset that addresses some of these current limitations. The dataset contains a partial copy of TransUnion credit reports for a sample of 14.1 million consumers in 50 metropolitan areas.⁷ Importantly, the population of individuals represented in this dataset may not be perfectly representative of the population of all consumers, a point we discuss in more detail in the methodology section of this report. But, the extent to which the asset building opportunity defined by the sample distribution varies from the distribution among the population of all consumers is thought to be modest.⁸

Using these data, we consider the extent to which credit utilization and debt management affect a low and moderate income (LMI) consumer's ability to engage in asset development opportunities.⁹ In particular, we consider the ability of consumers to save for additional assets and the ability of consumers to buy assets that depend on their credit scores, such as houses, educational loans, and small business loans.¹⁰

To do this, we first provide an overview of the utilization of major lines of credit, including utilization of mortgages, installment accounts, and numerous revolving lines of credit, including credit cards. We compare this utilization across different income groups, different areas of the country, and different lines of credit.

⁵ The added household expense would be incurred because of overdraft charges. The future difficulty obtaining credit may arise for a number of reasons, including a negative record at a bank account advisory company, like Chex Systems, Inc.

⁶ Joint Center for Housing Studies of Harvard University. 2006. "The State of the Nation's Housing 2006." Cambridge, MA: Harvard University; Mortgage Bankers Association. But, note that delinquency rates widely vary across markets; see, for instance: Matt Fellowes. 2006. "Credit Scores, Credit Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution.

⁷ TransUnion is one of the three major credit bureaus. For more information about this industry, please refer to: Robert Hunt, "A Century of Credit Reporting in America." (Federal Reserve Bank of Philadelphia. Working Paper No 05-13, 2005);

⁸ Please refer to the discussion in the methodology section on page five.

⁹ Besides issues related to credit utilization and debt management, there are numerous other roadblocks to LMI families being able to save. See, for instance: Zoe Neuberger, Robert Greenstein, and Peter Orszag. 2006. "Barriers to Saving: The Dilemma for Low-Income Families," Communities and Banking, Federal Reserve Bank of Boston, Summer 2006; or Ray Boshara, Reid Cramer, and Leslie Parrish. 2006. "Policy Options to Encourage Savings and Asset Building by Low-Income Americans." Washington, DC: New America Foundation

¹⁰ It is important to keep in mind our central assumptions in this analysis that all borrowers have the capacity to save for assets. We make this assumption because we have no ability to isolate borrowers that already own a particular asset, other than a home. We also do not know the disposable income of individual borrowers, the extent of their participation in asset-building initiatives, or any of the other, additional qualities of a borrower that may influence an individual's capacity to save for assets.

Then, we consider the market for increasing asset ownership in these metropolitan areas along three different dimensions. First, we examine the markets characterized by high and low debt burdens among LMI consumers, as a guide to which areas may be particularly suited for asset development versus debt management interventions. Second, we consider the proportion of consumers that appear able to buy additional assets by assessing the proportion of borrowers that are struggling to make timely payments on the lines of credit they already own. Finally, we consider the proportion of borrowers with credit scores that qualify them for being able to buy credit-based assets, like houses, educational loans, and small business loans.

Our major finding is that affordability seems to be as much a barrier to asset-ownership as the lack of affordability. In particular, areas of the country where a LMI goes much farther to being able to cover the costs of necessities, there is a greater capacity to save for assets, buy assets like cars and houses, and presumably hold onto assets. Ironically, though, it is exactly in these types of areas where we find that borrowers are most at risk of falling behind on their debt service. And, it is in the areas where savings for, buying, and holding onto assets is most difficult where we find the lowest proportion of LMI borrowers behind on payments.

To successfully build assets among LMI families in metropolitan areas, then, leaders must invest in efforts to educate families about debt, reduce delinquencies, and boost credit scores, particularly in the lower cost areas of the country.

Background on the LMI Credit Market

Innovations in financial services technology, marketing, and capital markets have greatly expanded the availability of consumer credit over the past two decades.¹¹ Much research has focused on the meaning of these innovations for access to mortgage credit and home ownership for LMI households and minorities.¹²

Yet these same innovations have also expanded the availability of other, much more widely utilized forms of credit, such as bank and retail credit cards, student loans, and automobile loans. Because millions more LMI households use these forms of credit every year they arguably play a much greater role in the lives of low- and moderate-income consumers today than does mortgage credit. Like mortgages, these more basic credit tools can also provide pathways to greater financial well-being, by helping families acquire durable assets like vehicles and appliances, finance small-business activities, and make longer-term educational investments. In many cases, they may also offer consumers better prices for short-term credit than market alternatives, such as payday loans.¹³

¹¹ For more information, please refer to Nicolas P. Retsinas and Eric S. Belsky. 2005. *Building Assets, Building Credit: Creating Wealth in Low-Income Communities*. Washington, DC: The Brookings Institution and Cambridge, MA: The Joint Center on Housing of Harvard University.

¹² Ibid.

¹³ Matt Fellowes. 2006. "From Poverty, Opportunity: Putting the Market to Work for LMI Families." Washington, DC: The Brookings Institution.

At the same time, however, evidence on mounting consumer debt and bankruptcy in the United States suggests that many families are using credit to finance ongoing consumption, as well as extraordinary one-time costs (such as unreimbursed medical care).¹⁴ In the end, using credit in this way may imperil families' long-term financial health. In addition, organizations working one-on-one with LMI families to improve their financial situation are increasingly recognizing the significant challenges that many face in responsibly managing credit, and coping with substantial debt. For instance, a 2006 survey of clients using free tax preparation sites in the District of Columbia (all had incomes under \$35,000) found that 63% reported having some non-mortgage debt, with more than one-third of those clients reporting that they held at least \$5,000 in debt.¹⁵

As subsequent sections demonstrate, these challenges may vary greatly across different areas of the country, owing to the characteristics of their consumers, economic conditions, and the nature of credit supply in those areas. Policymakers and organizations striving to identify asset-building opportunities for LMI families—and possible barriers to asset-building—could benefit from such localized information on consumer credit usage. In areas of the country where LMI consumers have decent credit scores, modest debt burdens, and access to lower-priced credit tools, medium- and long-term asset development strategies might find a suitable audience. Areas with more troubling credit profiles, however, may benefit from more focused attention on credit management, credit repair, and short-term savings strategies to help consumers navigate financial contingencies.

Methodology

About the Data Sample

This analysis is based on information from a partial copy of TransUnion credit reports for a sample of consumers in 50 metropolitan areas in the United States.¹⁶ In total, that sample includes partial credit reports for about 14.1 million borrowers, or an average of about 13 percent of all adults that live in these metropolitan areas.¹⁷ Across the 50 metropolitan areas we analyze, there is a standard deviation of about two percentage points from that central tendency (Table 1). That means, for instance, that the data used in this report includes credit report information for about 510,550 borrowers in the Miami metro area, or about 17 percent of the area's adult population, and 1,544,133 borrowers from the New York metro area, or about 10 percent of that area's adult population. These very large samples provide the capacity to analyze information across the metropolitan areas and between different segments of borrowers within these areas.

¹⁴ For instance, a recent telephone survey of low- and MI households with credit card debt finds that 48 percent of households had debt due in part to car repairs, and 29 percent had debt due in part to illness or medical expenses. See Demos and Center for Responsible Lending, "The Plastic Safety Net: The Reality Behind Debt in America" (2005)

¹⁵ Capital Area Asset Building Corporation, <http://www.caab.org>

¹⁶ All available data in the TransUnion database are from depersonalized consumer credit reports.

¹⁷ Authors' assessment of population data from the United State Census Bureau.

TransUnion drew these records from the underlying sample used for the bureau's trend database, which is drawn from the population of all borrowers with a credit report on file with TransUnion.¹⁸ The sample for the trend database is drawn every quarter to provide statistically representative information about borrowers from every county, metropolitan area, and state in the county. Depending on the quarter, that sample ranges in size from 21 to 28 million borrowers. Using these data, we created a sub-sample that included the 14.1 million borrowers in the trend database from the fifty largest metropolitan areas.

Importantly, the population of borrowers represented in this dataset is different from the population of all consumers, since not all consumers have a credit report on file with one of the major bureaus.¹⁹ Nationwide, reported estimates of the number of consumers without a credit report vary between 17 million and 22 million.²⁰ That population is thought to be disproportionately represented by LMI consumers, minorities, the elderly, and immigrants.²¹ While the number of consumers lacking a credit report in each of the 50 metropolitan areas is not known, it is safe to assume that our sample also under-represents these groups of consumers. But, there is not enough information to assess what the effect of this under-representation will have on our inferences about the relative ability of households within different income groups to own additional assets. For instance, the LMI households that lack a credit report may not, as a group, be systematically more or less able to save money every month than those LMI households that do have a credit report. Where there is an obvious difference, however, we do take care to note this in the text.²²

These data include a partial credit report for each of the 14.1 million borrowers from these metro areas. This partial listing differs from the full listing held by credit bureaus in several important respects.²³ First, the partial credit report was stripped of all individual identifiers other than the census tract that the borrower lives in. Second, the partial report includes information related to an individual's utilization of credit-based products, but this utilization is aggregated underneath broad categories of credit, like revolving or bank credit cards, instead of underneath a specific lender and line of credit.

¹⁸ For more information about this dataset, please see John M. Barron, Gregory Elliehausen, and Michael E. Staten. 2000. "Monitoring the Household Sector with Aggregate Credit Bureau Data." *Business Economics* (35): 63–76; or Matt Fellowes. 2006. "Credit Scores, Credit Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution. Note that an assessment of state mortgage delinquency rates in the trend data with estimates from the Mortgage Bankers Association were nearly identical.

¹⁹ Officials from both bureaus and from corporate users of these data assure us that the concern of there being gaps in credit report coverage across the three major bureaus is mostly out-of-date and overblown. The larger problem seems to be wide variance in the quality of services provided by third-party data vendors that process bureau information for corporate clients. In any case, no representative data exists to assess these issues.

²⁰ Information Policy Institute. 2005. "Giving Underserved Consumers Better Access to the Credit System: The Promise of Non-Traditional Data." New York, NY: Information Policy Institute.

²¹ Katy Jacob. 2006. "Reaching Deeper: Using Alternative Data Sources to Increase the Efficacy of Credit Scoring." Chicago, IL: Center for Financial Service Innovation.

²² For instance, households without a credit report will have a much more difficult time qualifying for credit-backed assets, like houses, education loans, and small business loans.

²³ For an excellent review of these market products, please refer to: Robert B. Avery, Raphael W. Bostic, Paul S. Calem, and Glenn B. Canner. 2003. "An Overview of Consumer Data and Credit Reporting," *Federal Reserve Bulletin*, (89): 47-73.

Third, the partial report only includes a listing of the number of inquiries made into the borrower's credit and does not indicate who made the inquiry or why the inquiry was made. Finally, the only public record information included in the reports indicates whether the borrower has filed for bankruptcy protection within the last three years. In total, the partial credit report includes 60 different variables.

About Our Proxy Variable for Borrower Income

TransUnion made available an estimate of personal income derived from a proprietary model. The model is based on information that is exogenous and endogenous to the information contained in the partial credit report, but the precise variables and model used to obtain these estimates is unavailable. Because this estimate is used to aid the business services provided by the credit bureau, there is a strong market incentive to strive for a high level of reliability and validity.²⁴ Still, household income estimates are only available for about 73 percent of the sample and, at the time of this conference, we have not yet completed our assessments of the validity of this estimate.

As an alternative, we use the median, household income of the census tract that the borrower lives in as a proxy for the borrower's household income. With this information, we divided the 14.1 million observations into four quartiles. This meant that the reported low- and moderate income (LMI) households in this analysis include those observations that live in a neighborhood with a median income approximately lower than 75 percent of the other individuals in the sample (or less than \$32,217); the middle income (MI) households live in a neighborhood with a median income approximately between the 25th and 75th percentile (between \$32,217 and \$56,212 and above); and the HMI households live in a neighborhood with a median income approximately above the 75th percentile (above \$56,212).²⁵

While used in other research, this proxy is far from ideal.²⁶ Most importantly, the distribution of household income in a neighborhood does not correspond perfectly with the distribution of income across neighborhoods. For instance, 72.1 percent of households living in the LMI neighborhoods earn less than the nationwide median income in 2000 (\$42,307), but another 18.4 percent are in the third quartile of income (up to \$71,428) and another 9.5 percent earn more than that. Similarly, 75.3 percent of households living in HMI neighborhoods earn more than the median, but nearly a quarter do not.²⁷

Nonetheless, the bulk of households have incomes we would expect, given the median income of the neighborhood they live in. Also, we found the same relationships reported in this paper in a replication of the results using the TransUnion estimate of personal

²⁴ Among its applications, this income estimate is used to identify the population for and the terms of preapproved, credit solicitations, and to aid services provided by collection agencies.

²⁵ This weighted the distribution to reflect the density of the population.

²⁶ For instance, see Fiona Scott Morton, Florian Zettelmeyer, and Jorge Silva-Risso. 2001. "Consumer Information and Price Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities?" Working Paper 8688, National Bureau of Economic Research.

²⁷ Authors' analysis of 2000 Census.

income. For these reasons, this proxy should provide a good, general sense of the differences in credit utilization and management across different income groups.

About the Lines of Credit Variables

We consider credit utilization and management of three different major types of credit. The first type is mortgage credit, which includes all loans on a property/house. Mortgages are typically paid in installments and are non-revolving. The second type of credit we consider are all revolving loans, which are loans that allow a consumer to borrow against a line of credit once it has been either fully or partially repaid. Common examples include credit cards, retail cards, and home-equity loans. Finally, we consider installment loans, which is a non-revolving loan that is repaid with a fixed number of equal-sized payments. Auto and education loans are two common types of installment loans.

Findings

A. LMI borrowers are much more likely to borrow high-value loans, like installment and mortgage loans, in low cost metropolitan areas than in high cost areas. The proportion of LMI borrowers with an installment loan ranges from less than 16 percent in high-cost areas like San Francisco and New York to over 30 percent in lower cost areas like Pittsburgh and San Antonio; the proportion with a mortgage ranges from less than seven percent in New York and San Jose to over 18 percent in Tampa and Jacksonville; and the proportion of LMI borrowers who hold some form of revolving credit, such as a bank or retail credit card, ranges from over 60 percent in the Providence and Boston areas, to less than 33 percent in Milwaukee and Charlotte.

Across the three major types of credit examined here—revolving, installment, and mortgage—middle and high income consumers are more likely to have an open revolving trade (e.g., a credit or retail card), installment trade (e.g., auto, furniture, and appliance) and more likely to have a mortgage, than LMI consumers in each of the 50 metropolitan areas examined (Figure 1). But, across the metropolitan areas, utilization, particularly among LMI borrowers widely varies (Figure 2).

Revolving credit is the most widely utilized form of credit among all borrowers, although the extent of that use varies across the country. Among the metropolitan areas in our sample, between 56 and 85 percent of MI consumers, and between 79 and 92 percent of HMI consumers, have such accounts. By contrast, the proportion of LMI consumers with credit cards and other revolving forms of credit ranges from over 60 percent in the Providence and Boston areas, to less than 33 percent in Milwaukee and Charlotte.

Installment credit is the second most widely utilized form of credit. Utilization among MI consumers ranges from a low of 21 percent of borrowers in San Francisco to a high of 44 percent in San Antonio; and among HMI borrowers, use of installment credit ranges from 24 percent of borrowers in San Jose to 50 percent in San Antonio. Like the other forms of credit, LMI borrowers are generally much less likely to use this form of

credit than HMI borrowers, ranging from 14 percent of LMI borrowers in San Francisco to 34 percent in San Antonio.

Mortgage credit is the least utilized form of credit. Consistent with our findings about installment credit, lower, middle and HMI borrowers in San Jose and New York are the least likely to have a mortgage. But, on the other side of the distribution, the areas with the highest utilization among different income groups varies. Among the MI and HMI group, it's areas like Indianapolis, Minneapolis, and St. Louis that have the highest utilization of mortgages among middle and high-income consumers. And, among LMI borrowers, it's areas like Tampa and Jacksonville where the highest proportion own a mortgage – more than 18 percent.

The variation in credit utilization across income groups observed in these data reflects widely known and analyzed differences between the credit worthiness and market opportunities of these groups.²⁸ But, the variation within income groups across the metropolitan areas has less to do with the individual borrowers than it has to do with systematic, market differences in the metropolitan areas. Most importantly, costs of living are much higher in areas where we observe low, relative usage of installment and mortgage credit and high, relative use of revolving credit (Table 2). That reflects the fact that houses are less affordable in high-cost markets, which means fewer households are buying mortgages and own houses to buy installment loans for durable goods like appliances. Similarly, many of these high-cost markets also have extensive transportation systems, which drive down demand for cars. In turn, fewer shares of borrowers, particularly LMI borrowers, buy these market goods.

At the same time, because of the higher, daily costs of living, borrowers have less purchasing power. A \$30,000 income in New York city, for instance, buys fewer goods and services than in Omaha, Nebraska. That pushes borrowers in these high cost areas to rely more on revolving forms of credit, like credit and retail cards, than borrowers in lower cost areas, like San Antonio.²⁹

Another explanation behind these wide, inter-market differences may relate to the geographic variation of the creditors themselves. Consumer finance companies, many of which concentrate on installment lending, cluster heavily in the South and form an important part of the credit supply in that part of the country. According to 2004 Census Bureau County Business Patterns data, 60 percent of the nation's consumer lending and "other nondepository credit intermediation" establishments were located in the 16 southern states and the District of Columbia, though those states contained only 36 percent of the nation's population that year. As one example, World Acceptance

²⁸ See, for instance: Patrick Bolton and Howard Rosenthal. 2005. *Credit Markets for the Poor*. New York, NY: Russell Sage Foundation; Matt Fellowes. 2006. "Credit Scores, Credit Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution; or Nicolas P. Retsinas and Eric S. Belsky. 2005. *Building Assets, Building Credit: Creating Wealth in Low-Income Communities*. Washington, DC: The Brookings Institution and Cambridge, MA: The Joint Center on Housing of Harvard University.

²⁹ We checked the validity of these findings by dropping the tails of the distribution – the five most expensive places to live, and the five least expensive places to live – and found that the results were nearly identical, although the relationship between the variables was less robust.

Corporation, one of the nation's largest small-loan consumer finance companies (specializing in lending to credit-constrained consumers), has 494 of its 583 branch locations in southern U.S. states.³⁰ In part, firms such as these may be responding to what they perceive as unique credit needs affecting LMI families in this region. But history and culture, as well as contemporary credit issues, have undoubtedly played a role in creating a very distinct supply side of the credit market in southern cities and metropolitan areas.

B. Both aggregate and non-mortgage borrower debt among LMI borrowers is highest in the cheapest metropolitan areas to live in and lowest in the most expensive metro areas in the country. Metro areas with more affordable housing and lower, overall costs of living — like Indianapolis, Birmingham, Virginia Beach, and Jacksonville, FL—top the list for median, non-mortgage debt held by LMI consumers (over \$7,000). In contrast, higher cost areas — like New York, Los Angeles, and San Francisco — have much lower, median non-mortgage debt burdens among LMI borrowers (less than \$3,000).

As noted earlier, access to consumer credit can improve the short- and long-term financial well-being of LMI households. In particular, the price and terms of that credit, and the ability those consumers have to manage it wisely, help dictate the overall utility they derive from such credit tools. While the TransUnion data do not provide information on the price and terms of credit, they do offer a view of the balances held by borrowers on different lines of credit, and thus illustrate the relative debt burdens borne by borrowers in different parts of the nation.

In general, metro areas with more affordable housing, lower, overall costs of living, and less developed public transportation networks — like Indianapolis, Birmingham, Virginia Beach-Norfolk-Newport News, and Jacksonville, FL—top the list for debt held by LMI consumers (Table 3).³¹ In each of these areas, the typical, LMI borrower has over \$7,000 in non-mortgage debt. In contrast, higher cost areas, with much more expansive public transportation systems — like New York, Los Angeles, and San Francisco — have much lower, non-mortgage debt burdens (less than \$3,000). This points to the strong, underlying, negative relationship between costs of living and median borrower debt.³²

These differences in the value of debt held by borrowers across the country reflect the underlying market differences in the utilization of credit discussed in the previous section. In low-cost areas like Indianapolis and Birmingham, LMI consumers are much more likely to use installment credit than borrowers in high cost areas. At the same time, borrowers in the high cost areas are more likely to use revolving credit, like credit and

³⁰ These include Alabama, Georgia, Kentucky, Louisiana, Oklahoma, South Carolina, Tennessee, and Texas. Website of World Acceptance Corporation, www.worldacceptance.com

³¹ The debt problems facing younger members of the military have been well-noted; see, e.g., Rick Rogers, "Military has payday loans in its sights; Service members called vulnerable." *San Diego Union-Tribune*, May 23, 2006.

³² We also looked at the relationship between median debt and all borrowers, and found the same relationship.

retail cards. That means more borrowers in these higher cost areas are carrying the typically, lower balances extended on revolving lines of credit. In turn, these differences drive-down the typical balances of borrowers in high-cost areas, and drive-up the balances of borrowers in lower cost areas.

Typical consumers across income groups hold very similar levels of debt, although LMI borrowers do have a modestly smaller, median non-mortgage debt value. In particular, across all 50 metro areas, the median high-income borrower, non-mortgage debt was valued at \$3,395 MI borrowers had a median, non-mortgage debt of 3,469, LMI borrowers had a median, non-mortgage debt of \$2,872.

The larger difference across income groups is in the aggregate value of the debt held. Across all 50 metro areas, high-income borrowers hold a combined \$582.7 billion in all balances, compared to \$338.6 billion for MI consumers, and \$57.7 billion for LMI consumers. Excluding mortgages, HMI consumers hold a combined \$120.5 billion in non-mortgage balances, compared to \$89.6 billion for MI consumers, and \$19.0 billion for LMI consumers.

Consumers in the three income categories are distinct not only in the total amount of debt they hold, but also in the form that debt takes. For consumers at the low end, balances on installment trades account for more than three-quarters of total debt held. By contrast, bank and finance revolving accounts are much more important credit tools for moderate/middle- and high-income borrowers, though installment credit comprises a significant proportion of their total debt, too. Thus, despite the fact that most LMI consumers hold revolving accounts of one type or another, the bulk of their borrowing occurs in closed-end (installment) form.

These statistics on debt burdens provide national and local actors with guidance on where significant asset-building interventions might make the most sense, and where families must address outstanding credit issues before they embark upon savings plans. They point to metro areas with a significant presence of installment lending as less fertile ground for targeted savings strategies, and as places where helping low- and moderate-income families manage credit and debt will call for more concerted, long-term efforts. More expensive coastal areas like New York, Los Angeles, and the Bay Area pose significant cost-of-living challenges for LMI individuals, but their lower debt burdens and greater access to revolving credit tools may provide them with a sturdier platform for longer-term asset-building.

C. LMI borrowers are much more likely to fall behind on mortgage payments, and bills for other lines of credit, in lower cost areas of the country than in higher cost areas.

Nationwide, seven percent of borrowers were delinquent on at least one account they own. In particular, about 11 percent of LMI borrowers were behind on at least one credit-bearing account in the first quarter of 2005, compared to six percent of the middle income (MI) group and four percent of the high-middle and high income (HMI) group.

In general, we find that the likelihood of a borrower falling behind on payments is unrelated to the value of a borrower's outstanding debt.³³ In fact, even among LMI borrowers there is only a weak relationship between total debt load and the propensity to fall behind on payments.³⁴ This indicates that, in general, borrowers are assuming aggregate debt loads that they seem to be able to manage, falling behind because of other reasons, like the extent and types of their credit utilization, changes in economic circumstances, and the price of the credit they borrow.

However, this picture changes when we step-up from the borrower level to the aggregate metropolitan markets that they are part of and focus just on LMI borrowers (Figure 3). In fact, we find that overall market delinquency rates among LMI borrowers are strongly associated with median borrower debt loads. Areas like San Antonio and Birmingham, for instance, have some of the highest average debt loads among LMI borrowers and also some of the highest delinquency rates among this market segment. Similarly, high-cost areas like San Jose and San Francisco have nearly the lowest median debt loads among LMI borrowers and also some of the lowest delinquency rates among LMI borrowers in the country. Such a strong relationship between delinquency rates and debt loads at the market level are in sharp contrast to the very modest relationship found to exist among individual borrowers.

What explains this discrepancy between delinquencies and debt load found at the individual and market level? Most importantly, underlying, systematic differences between markets are reflected by this discrepancy, a fact that underscores the significance of being able to consider the differences in credit utilization and management between markets. As earlier noted, borrowers in high cost areas like New York, Los Angeles, San Jose, and San Francisco buy both fewer installment and mortgage loans than lower cost areas, like San Antonio and Jacksonville; relying more instead on revolving debt. And, therein lies part of the answer to this discrepancy, because among LMI borrowers, installment and mortgage trades are much more risky than revolving trades.

In the first quarter of 2005, for instance, just 5.52 percent of LMI borrowers were delinquent on revolving credit, while 6.08 percent were delinquent on a mortgage, and 8.38 were delinquent on an installment line of credit (Figure 4). Revolving trades tend to be of a smaller, relative value, which means that the median debt loads in areas where there is a lower, relative usage of mortgage and installment credit are demonstrably lower. At the same time, revolving trades are easier to maintain because the minimum payments tend to be smaller.

³³ We estimated the likelihood of a person falling behind on a payment based on the value of their debt, along with a number of control variables, and found that there was a nonsignificant effect of total debt value on this likelihood. This finding is implied by the fact that the FICO credit score model does not factor in total debt as a predictor of future financial insecurity – instead, credit utilization is used.

³⁴ We re-estimated the maximum likelihood model described in a previous footnote with only borrowers in this income group.

Putting together the pieces, then, we can see how these market differences in types of credit utilization are reflected by overall differences in delinquency rates.³⁵ Looking particularly among LMI borrowers, we find that areas with a high, relative usage of revolving credit, and low, relative usage of installment and mortgage credit, have much lower proportions of borrowers behind on payments. In contrast, the areas like Houston, San Antonio, and Charlotte that have low relative usage of revolving credit, and high, relative usage of installment and mortgage credit, have much higher proportions of borrowers behind on payments. Market differences such as these wash out when examined at a national, sample of individuals, but are a critical part of public and private leaders being able to understand where the market for asset-building exists in the country.

Meanwhile, the general finding here of very high delinquency rates among LMI borrowers – more than one out of every 10 in the first quarter of 2005 – indicate that broad swaths of LMI borrowers are having trouble meeting existing, monthly financial obligations, particularly when compared to borrowers that earn a MI and HMI borrowers. More troubling, more than six percent of LMI borrowers are behind on their mortgage payments. Many of these delinquent LMI borrowers will need to re-evaluate their capacity to meet this financial obligation before being able to think about building additional savings into their budgets.

Findings of such high, mortgage delinquency rates among LMI borrowers also should be a warning for asset-building initiatives focused on expanding home-ownership among LMI families. Ironically, it's in areas of the country where housing is most affordable that LMI families are having the most difficult time meeting their monthly mortgage obligations. In particular, we find it's in very affordable housing markets like Memphis, Philadelphia, Birmingham, Detroit, Jacksonville, San Antonio, and Baltimore where LMI home ownership is the most risky; not in high-cost areas like San Francisco, New York, Los Angeles, and San Diego. In these more pricey areas, the market acts as a filter to home ownership among LMI borrowers, allowing access to only the most qualified homebuyers. While this restricts access to this important asset, this market filter also protects borrowers in these high-cost markets from taking on too much debt and financial responsibility.

This same type of market filter is at work, albeit less powerfully, when we consider broader cost of living differences between areas. In fact, over 13 percent of LMI borrowers in relatively low-cost areas like Richmond, Charlotte, San Antonio, Houston, Raleigh, and Atlanta, were behind on payments in the first quarter of 2005. That compares to relatively more expensive places like San Francisco, Seattle, New York, and Boston where fewer than 8.5 percent of LMI borrowers were behind on payments (Table 4).

Together, these findings lead to a rather counter intuitive finding: affordability seems to be as much as barrier to asset-ownership as the lack of affordability. In areas of the

³⁵ In fact, in a model designed to predict the proportion of LMI borrowers in a market that are delinquent on at least one line of credit, median debt had a non-significant effect after other effects were controlled for, including the cost-of-living in the metro area and the utilization rates on different major lines of credit.

country where a LMI goes much farther to being able to cover the costs of necessities, there is a greater capacity to save for assets, buy assets like cars and houses, and presumably hold onto assets. Ironically, though, it is exactly in these types of areas where we find that borrowers are most at risk of falling behind on their debt service. And, it is in the areas where savings for, buying, and holding onto assets is most difficult where we find the lowest proportion of LMI borrowers behind on payments.

These findings underscore just how diverse the asset-building opportunity is around the country. Public and private leaders need to be able to take into account this diversity in their planning for investments in asset building. Areas where LMI families seem most able to save for and buy assets are exactly the areas where leaders need to focus most on financial education, connecting LMI families to responsible lenders, and guarding against the overextension of credit. These are the areas where the asset-building opportunity is simultaneously most robust and at risk. And, in areas where LMI families seem most unable to save for and buy assets are areas where leaders need to focus on bringing down revolving debt, like credit cards and retail cards, and building an affordable housing stock.

D. LMI borrowers are much more likely to have extremely weak credit scores in lower cost areas of the country than in higher cost areas. Across the country, the average credit score was 662 in 2005. The distribution of scores around the central tendency is essentially flat. Twenty-five percent of borrowers have scores below 548, 50 percent have scores between 548-803, and another 25 percent have scores above 803. More than 32 percent of LMI borrowers had extremely low credit scores, compared to 20 percent of MI borrowers, and 15 percent of HMI borrowers.

No common metric exists for assessing how degrees of risk correspond with credit score values. There is variance across companies, types of applications, and different credit scores.³⁶ However, the TU generic score is constructed to correspond with the more widely used FICO score, which ranges from 350 to over 850. In this analysis, we refer to borrowers with lower scores than 75 percent of all other borrowers as having extremely low credit scores (less than 548); borrowers with scores ranking them in the middle 50 percent of all borrowers are characterized as having average scores (between 548 and 803); and the borrowers with higher scores than 75 percent of other borrowers are characterized as having extremely high credit scores (over 803).

Credit scores are used by lenders to determine if a borrower qualifies for a loan and, if so, the price that they should be charged.³⁷ In this way, credit scores directly affect the access borrowers buy credit-backed assets like houses, educations, and loans, along with durable assets, like cars and appliances. More indirectly, scores may influence the capacity borrowers have to save for additional assets, by influencing the price of loans and insurance. Together, these market implications make credit scores a central component of the asset-building opportunity.

³⁶ Matt Fellowes. 2006. "Credit Scores, Reports, and Getting Ahead in America." Washington, DC: The Brookings Institution.

³⁷ There are many more market applications than this, however. See *ibid.*

Consistent with other recent findings, we find that LMI borrowers are much more likely than HMI borrowers to have extremely low credit scores.³⁸ What's particularly surprising here, though, is just how large these differences are among income groups. In the first quarter of 2005, more than 32 percent of LMI borrowers had extremely low credit scores, compared to 20 percent of MI borrowers, and 15 percent of HMI borrowers. (Figure 5).

Such sharp differences in credit scores among income groups drive the disparate access to asset-buying credit and the disparate price of this credit among income groups.³⁹ Nearly a third of LMI families look like they are too risky for lenders to underwrite, particularly at a reasonable, market rate. This fundamental underlying difference between income groups will have to be addressed before large proportions of LMI families will be able to buy credit-backed assets like houses, educational loans, and small business loans.

We can see the effect of this market dynamic in our data, albeit indirectly. Borrowers are more likely to own a mortgage as their credit scores increase, although the strength of this relationship is obscured by the fact that we cannot filter out the borrowers that already own their homes outright.⁴⁰ Still, this underlying association does underscore the gatekeeper role that credit scores play in asset markets.

But, like credit utilization, debt, and delinquency, there is wide variance across the country in the credit scores of borrowers within different income categories. Over half of the LMI borrowers in rust-belt areas like Detroit, Cleveland, and Milwaukee have extremely weak credit scores, making them very unlikely candidates for any credit-based asset investments. On the other side of the distribution, areas like San Jose, Boston, San Francisco, and Portland stand out as having the fewest, relative shares of LMI borrowers with extremely low credit scores (less than one-third).

What explains this variance? The most important direct impact is the role of delinquencies in shaping credit scores. As discussed in the previous section, LMI borrowers in low cost metro areas like Detroit and Cleveland are much more likely to be behind in monthly bills than borrowers in high cost areas like San Francisco and San Jose. That difference between borrowers is reflected in credit scores because they are based, in part, on delinquencies.

³⁸ Ibid.

³⁹ For instance, see: Robert B. Avery, Kenneth P. Brevoort, and Glenn B. Canner. 2006. "Higher-Priced Home Lending and the 2005 HMDA Data." Federal Reserve Bulletin; or Joint Center for Housing Studies of Harvard University. 2006. "The State of the Nation's Housing 2006." Cambridge, MA: Harvard University.

⁴⁰ In particular, a maximum likelihood model was used to estimate the probability that a borrower owns a mortgage, using the borrower's credit score as one of the predictors. There was a significant effect, although it was quite modest. Importantly, the dependent variable was less than ideal because we were not able to drop the borrowers that already own their home outright.

These findings reinforce the fact that the asset-building opportunity looks to be most tenuous in areas where it would otherwise be assumed to be the most robust. Reflecting, in part, the above average debt loads and delinquency rates reported earlier, low-cost areas have some of the highest proportions of LMI borrowers with extremely low credit scores. That makes the prospect for being able to qualify for a major asset like a house much more daunting in these areas, even though housing is much more affordable in these areas.

Besides market differences, variation between areas of the country in credit scores also has to do with systematic differences between the consumers in markets. In particular, areas with higher, relative shares of people living below the poverty line and areas with higher, relative share of non-citizens tend to have much larger shares of LMI borrowers with extremely weak credit scores.⁴¹ Both groups participate less in credit markets than other borrowers, which means that they look like less experienced, and perhaps more risky borrowers to lenders.

But, this is a snapshot of all borrowers in these areas. What about the borrowers who are in the prime, home-buying age bracket (between 25 and 44) and currently lack a mortgage? In general, we find the exact same market dynamic at work. More than 53.2 percent of borrowers in Memphis, San Antonio, Cleveland, Virginia Beach, and Milwaukee without a mortgage and in this age group would likely not be able to find a mortgage to buy a home. That compares to places like San Jose, Boston, San Francisco, and Minneapolis, where fewer than 37 percent of LMI borrowers have extremely weak credit scores.

Interestingly, areas where there is a high, relative reliance on revolving credit also tend to have the lowest shares of LMI borrowers with extremely weak credit scores. This is in areas like San Francisco, Boston, San Jose, and New York, where the high-cost of living drives LMI borrowers to rely on revolving credit. At the same time, though, it acts as a powerful deterrent against more risky lines of credit, like installment and mortgage trades. In turn, the generally much better credit scores of the LMI borrowers in these high-cost markets reflect this.

All of this suggests that this asset building opportunity is uneven across the country, and not just by the extent to which LMI families lack assets. Nationwide, nearly half of LMI borrowers who are in the prime home-buying age bracket and currently lack a mortgage do not have credit scores that qualify them for a mortgage. And, in places like Memphis, Milwaukee, San Antonio, Houston, Dallas, Jacksonville, and Las Vegas, over half of LMI borrowers in this segment do not qualify for a mortgage. Leaders will have to make boosting credit scores more of an initiative going forward if they will be successful at expanding ownership of this important asset in these communities.

⁴¹ We regress the proportion of LMI borrowers with extremely weak credit scores on a number of variables, including the proportion of borrowers in a metro area below the poverty line and the proportion of non-citizen borrowers. The model explained 86 percent of the variation in credit scores across the country. Both variables had a statistically significant effect on the dependent variable.

Discussion and Recommendations

Our research strives to define the extent to which LMI families can save for and buy assets. We find that these market opportunities for asset building widely vary across the country. Areas like Memphis, Houston, and Dallas, have large shares of LMI borrowers that are struggling to keep-up with their financial obligations. Average debt burdens and delinquency rates are very high in these metros compared to other major metropolitan areas, and credit scores are unusually low. Together, these factors suggest that LMI families in these areas comparably look less able to save for additional assets and buy major assets, like houses.

Ironically, many of the metro areas where the asset-building opportunity looks most tenuous is in areas where the cost of living is among the lowest in the country. LMI borrowers in less expensive metro areas should have a much easier time staying on top of their finances, because they have more purchasing power than in higher cost areas, like San Francisco and New York. But, we find that LMI borrowers in these low cost areas are much more overextended in the credit market compared to borrowers in higher cost areas, taking on both higher levels of debt and more types of debt, particularly installment loans.

On the other hand, LMI borrowers in areas like New York, San Francisco, and Los Angeles, look comparably much more able to save for assets. Debt burdens and delinquency rates are lower in these areas, and LMI borrowers tend to have higher, average credit scores. The chief issue for leaders to address in these metros is the much higher reliance on revolving loans in these high-cost areas, which reflect the higher costs of living and perhaps the greater number of purchasing opportunities.

Together, these findings point to several major implications for policy and future work.

Most importantly, this evidence provides public and private leaders with guidance on where different types of asset-building interventions might make the most sense. In general, less expensive metro areas provide a less fertile ground for targeted savings strategies, since larger shares of LMI borrowers are struggling to keep-up with existing debt obligations and tend to be already more heavily indebted. Helping low- and moderate-income families manage credit and debt in these areas will call for more concerted, long-term asset-building efforts, particularly around boosting credit scores.

On the other hand, more expensive coastal areas like New York, Los Angeles, and the Bay Area pose significant cost-of-living challenges for LMI individuals, but their lower debt burdens and greater access to revolving credit tools may provide them with a sturdier platform for longer-term asset-building. Here, asset-building interventions should focus more on leveraging the typically higher credit scores of borrowers in these areas by providing incentives for homeownership, educational loans, or small business development. At the same time, the higher reliance on revolving trades in these areas points to the need to invest in boosting the income and economic mobility of workers in these areas.

More generally, these findings point to the need for leaders to invest in initiatives that educate families about debt, reduce delinquencies, and boost credit scores, particularly in the lower cost areas of the country. While, recent financial service innovations greatly improved the prospects of owning assets like homes among lower income households, these same innovations also created new risks for falling behind. As this paper has made clear, these risks are particularly severe in the lower cost metro areas of the country, which afford more opportunities to take on debt, particularly the riskier installment lines of credit. To address both these potential pitfalls, and opportunities, leaders need to reinvest in financial education curriculums.

To do this, leaders need to invest in financial education, and not just in the piecemeal way that it is currently inculcated. Leaders need to take an inventory of the underway financial education initiative in their communities and promote the best of these initiatives and reshape the worst of these. They also need to fill in critical gaps that exist in financial education, both among different types of consumers, like the age of the consumer or the state of their finances, and different types of financial issues, like savings and buying a home. These initiatives will help set the conditions for LMI families to make more responsible and savvy decisions about the credit they purchase.

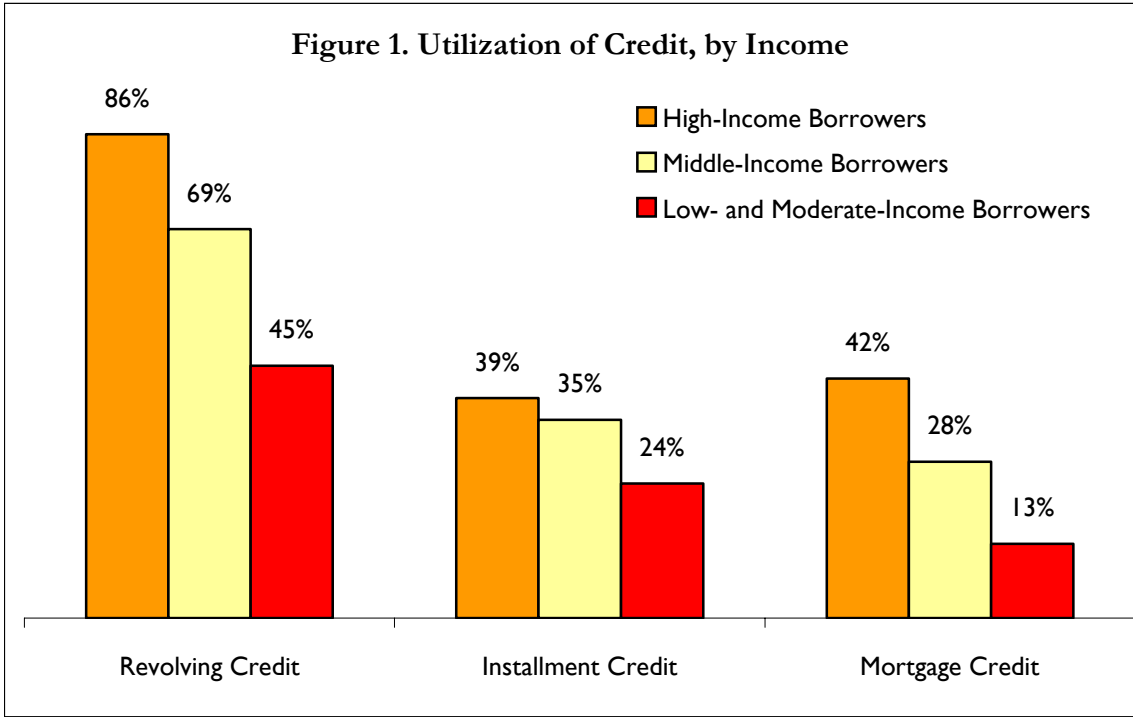
Finally, these findings point to the ability of leaders to track the efficacy of their interventions in LMI markets. Considering the average credit score in these communities among LMI borrowers, for instance, could provide insight into the effect of a campaign to boost the credit scores of LMI borrowers. Similarly, a policy intervention designed to curb delinquency rates among LMI families could be tracked with these data. Being able to track the efficacy of these interventions will help private and public leaders make more strategic decisions about the types of asset-building initiatives they invest in. Unsuccessful programs can be dropped and reformatted to reflect more successful efforts.

Table 1. Percentage of Adult Population Included in the Sample

Metropolitan Area	Percentage of Adult Population Included in the Sample	Metropolitan Area	Percentage of Adult Population Included in the Sample
Austin, TX	13.70%	Nashville, TN	13.40%
Baltimore, MD	12.30%	New York, NY-NJ-PA	9.70%
Birmingham, AL	14.40%	Oklahoma City, OK	13.30%
Boston, MA-NH	8.20%	Orlando, FL	14.50%
Buffalo, NY	12.50%	Philadelphia, PA-NJ-DE-MD	11.40%
Charlotte, NC-SC	12.70%	Phoenix, AZ	13.60%
Chicago, IL-IN-WI	12.30%	Pittsburgh, PA	12.20%
Cincinnati, OH-KY-IN	12.80%	Portland, OR-WA	11.40%
Cleveland, OH	9.00%	Providence, RI-MA	15.10%
Columbus, OH	13.90%	Raleigh, NC	9.00%
Dallas, TX	13.60%	Richmond, VA	14.60%
Denver, CO	11.80%	Riverside, CA	14.50%
Detroit, MI	10.00%	Rochester, NY	11.50%
Hartford, CT	11.60%	Sacramento, CA	14.00%
Houston, TX	13.90%	Salt Lake City, UT	10.00%
Indianapolis, IN	12.30%	San Antonio, TX	14.60%
Jacksonville, FL	13.60%	San Diego, CA	13.30%
Kansas City, MO-KS	13.60%	San Francisco, CA	7.60%
Las Vegas, NV	13.90%	San Jose, CA	13.20%
Los Angeles, CA	9.80%	Seattle, WA	11.40%
Louisville, KY-IN	14.70%	St. Louis, MO-IL	12.50%
Memphis, TN-MS-AR	13.30%	Tampa, FL	14.10%
Miami, FL	17.40%	Virginia Beach, VA-NC	n.a.
Milwaukee, WI	10.70%	Washington, DC-VA-MD-WV	13.00%
Minneapolis, MN-WI	12.00%		

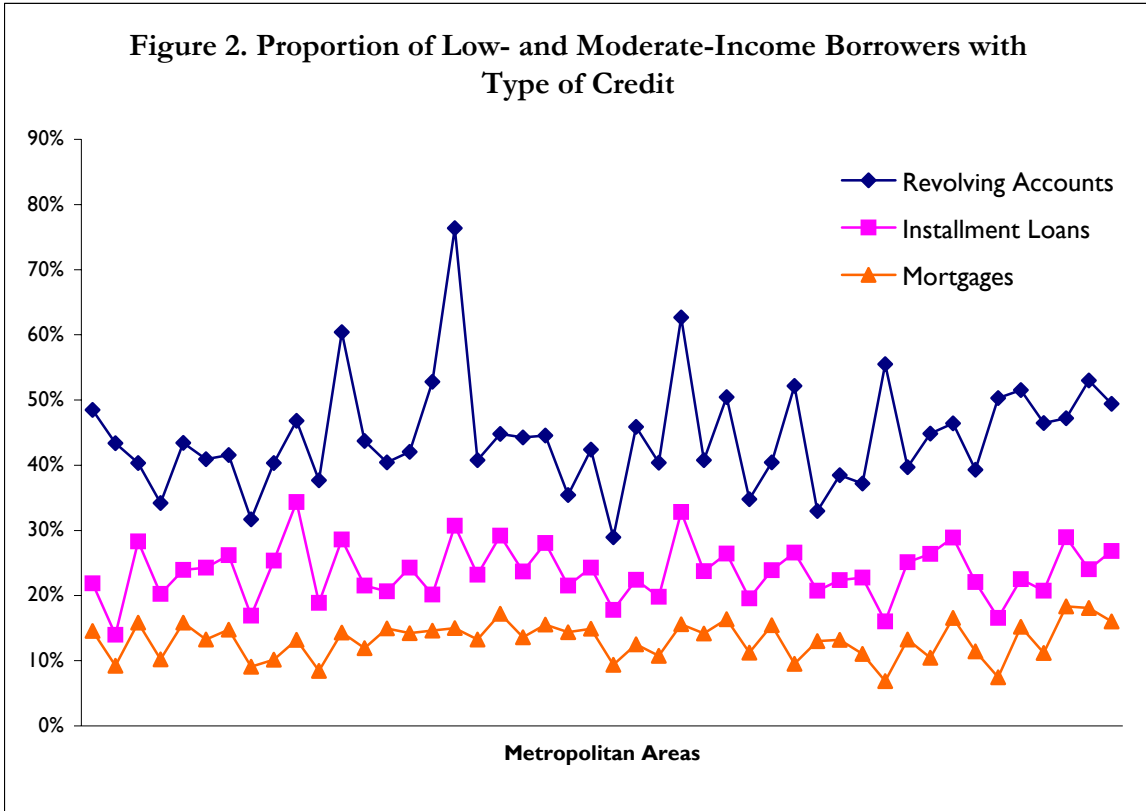
Source: Authors' analysis of data from TransUnion.

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



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Notes: All available data in the TransUnion database are from depersonalized consumer credit reports. The 50 metropolitan areas in our sample are represented on the x-axis.

Table 2. Utilization of Different Lines of Credit Among Low- and Moderate-Income Borrowers, by Cost of Living

Low Cost Metros	Mortgage	Installment	Revolving
Houston, TX	10%	25%	40%
Charlotte, NC-SC	13%	21%	33%
Oklahoma City, OK	16%	28%	45%
Memphis, TN-MS-AR	16%	28%	40%
San Antonio, TX	13%	34%	47%
High Cost Metros			
Washington, DC-VA-MD-WV	11%	20%	40%
San Jose, CA	7%	17%	50%
Los Angeles, CA	10%	27%	52%
San Francisco, CA	9%	14%	43%
New York, NY-NJ-PA	7%	16%	56%

Source: Authors' 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).

Table 3. Median Borrower Debt Among Low- and Moderate-Income Borrowers, by Cost of Living

Low Cost Metros	Median Non-Mortgage Debt	Median Total Debt
Austin, TX	\$ 6,445	\$ 9,419
Indianapolis, IN	\$ 6,887	\$ 13,469
Birmingham, AL	\$ 7,251	\$ 12,075
Virginia Beach, VA-NC	\$ 7,280	\$ 13,090
Jacksonville, FL	\$ 7,329	\$ 13,570
High Cost Metros		
San Jose, CA	\$ 2,271	\$ 3,039
New York, NY-NJ-PA	\$ 2,351	\$ 3,056
Los Angeles, CA	\$ 2,379	\$ 3,811
San Francisco, CA	\$ 2,801	\$ 5,157
Miami, FL	\$ 3,260	\$ 6,559

Source: Authors' analysis of data from TransUnion.

Note: 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).

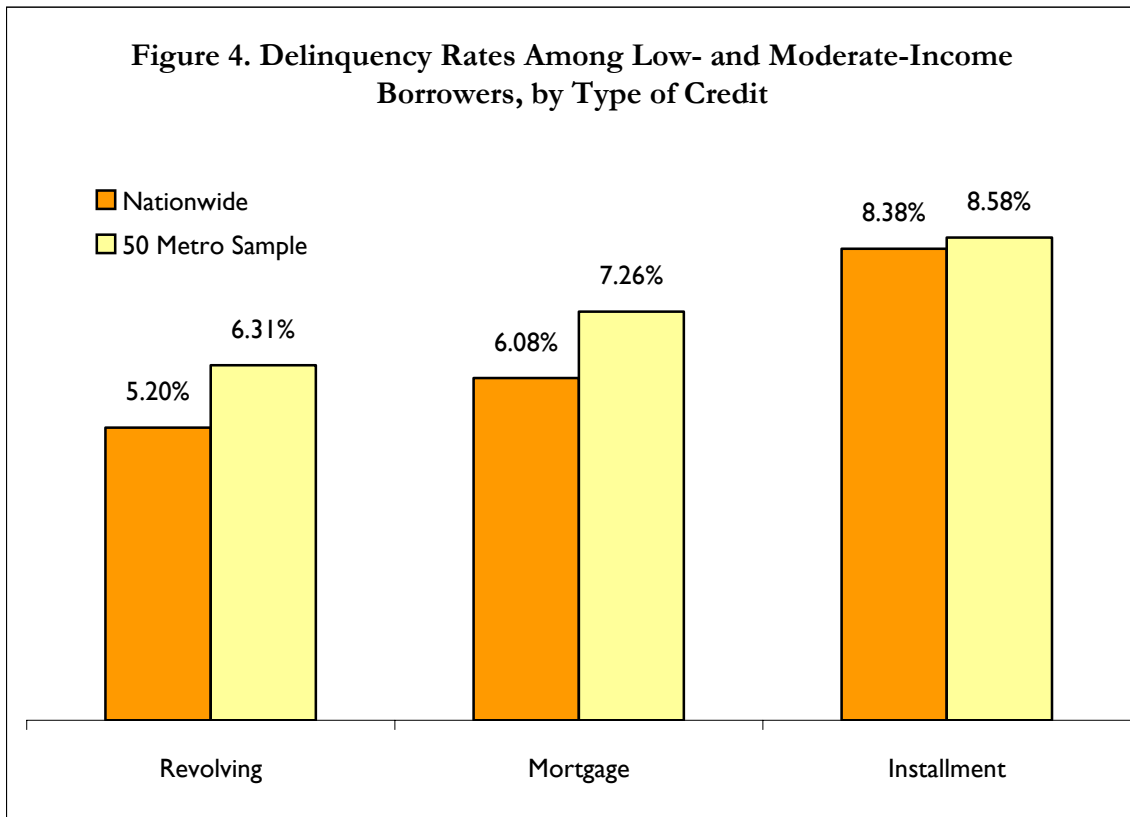
Table 4. Overall Delinquency Rate Among Low- and Moderate-Income Borrowers, by Cost of Living

Low Cost Metros	Overall Delinquency Rate Among Low- and Moderate-Income Borrowers
San Antonio, TX	12.5%
Cleveland, OH	14.2%
Charlotte, NC-SC	14.4%
Richmond, VA	15.0%
Memphis, TN-MS-AR	18.1%
High Cost Metros	
San Jose, CA	4.4%
Seattle, WA	6.6%
Portland, OR-WA	6.7%
San Francisco, CA	6.8%
Tampa, FL	6.9%

Source: Authors' 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).

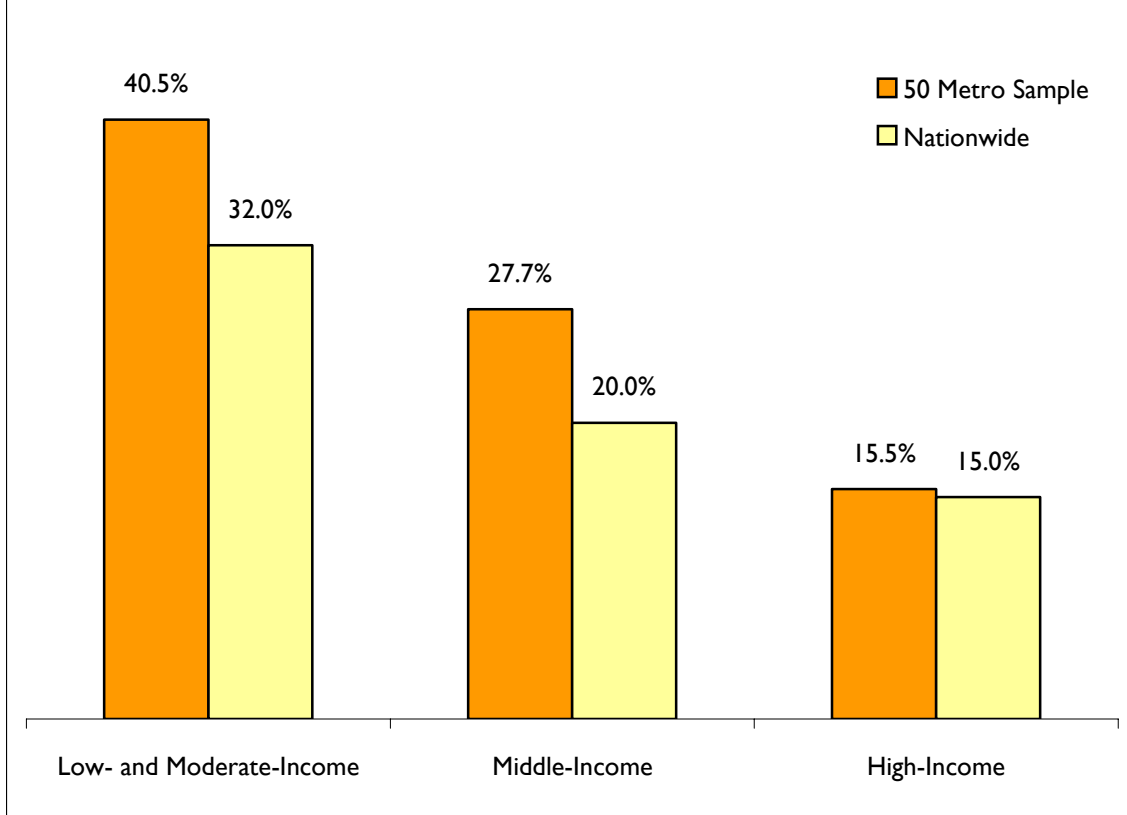
Figure 4. Delinquency Rates Among Low- and Moderate-Income Borrowers, by Type of Credit



Source: Authors' analysis of data from TransUnion.

Note: 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.

Figure 5. Proportion of Borrowers with Extremely Weak Credit Scores, by Neighborhood Income



Source: Authors' analysis of data from TransUnion.

Note: All available data in the TransUnion database are from depersonalized consumer credit reports. A credit score is considered extremely weak if it is 548 or smaller.