FEDERAL RESERVE BANK of NEW YORK
COMMUNITY DEVELOPMENT

CREDIT INSECURITY AND ALICE HOUSEHOLDS IN THE UNITED STATES

Claire Kramer Mills
Ambika Nair
Jacob Scott
Drew Abrahamson
Ashley Anglin
Stephanie Hoopes*

May 2026

Key Takeaways

- Communities with high shares of households struggling to afford necessities are more likely to be credit insecure, lacking access to more traditional, low-cost credit options.
- Nearly twice as many people living in High ALICE counties lack a credit score or file, compared to those in Low ALICE counties. High ALICE counties also have a higher share of borrowers who 1) have no revolving credit, 2) overutilize credit, 3) have deep subprime credit, and 4) are struggling or delinquent on payments.
- There is a compounding socioeconomic impact of High ALICE and credit insecurity. High ALICE counties that are also credit insecure experience additional challenges: lower median incomes and lower rates of employment, homeownership, and bachelor's degree completion. One-third of High ALICE and credit insecure counties are rural.

* Kramer Mills, Nair, and Scott: Federal Reserve Bank of New York; Abrahamson, Anglin, and Hoopes: United for ALICE

Table of Contents

INTRODUCTION.....1

CONCEPTUAL FRAMEWORKS: ALICE AND THE CREDIT INSECURITY INDEX.....3

THE RELATIONSHIP BETWEEN FINANCIAL INSECURITY AND CREDIT INSECURITY.....8

THE COMPOUNDING EFFECT OF INCOME CONSTRAINTS AND CREDIT INSECURITY ON SOCIOECONOMIC VULNERABILITY.....13

CONCLUSION.....20

Introduction

More than 40% of households in the United States struggle to afford necessities. These households include those living below the Federal Poverty Level (FPL) and those earning above the FPL but unable to cover the costs of housing, food, childcare, technology, and other basic expenses. This latter group is known as ALICE (Asset Limited, Income Constrained, Employed), an acronym describing the financial constraints of many working families.[1] ALICE households and families living below the FPL represent a substantial portion of the population whose low wages, limited savings, and high living costs complicate daily life and increase their vulnerability to financial shocks.

For households with limited or variable income, credit can provide access to essentials, help prevent crises, and enable income-enhancing investments. For example, a loan or credit line can enable a household to buy a used car to get to work, cover emergency dental work, or invest in training.[2] However, lack of credit access or unsustainable debt levels can exacerbate and deepen financial hardship.

This paper examines credit use among ALICE households through a tool called the Credit Insecurity Index, which measures the credit access and constraints of households in a given geography.[3] We compare communities with high (above the national average) shares of households earning below the FPL and identified as ALICE, which we define as High ALICE, to communities with lower shares of FPL households and ALICE, which we call Low ALICE. Our goal is to understand 1) the relationship between ALICE and credit insecurity, 2) credit challenges in High ALICE communities and how they compare to Low ALICE communities, and 3) the compounding effects of income and credit insecurity.

While U.S. credit access has been improving overall, national figures often mask local hardships. This analysis helps us better understand ALICE households' credit use and identify communities facing persistent barriers to credit security. Our findings are as follows:

- ALICE is associated with higher levels of credit insecurity. More people in High ALICE counties lack credit scores and files,[4] which are the bare essentials of mainstream credit access, than in Low ALICE counties (8% vs. 5%). High ALICE counties also have more borrowers who lack

[1] See United For ALICE: https://unitedforalice.org/

[2] https://www.stlouisfed.org/community-development/publications/access-credit-financial-services-bridge-financial-well-being

[3] https://www.newyorkfed.org/outreach-and-education/household-financial-stability/credit-insecurity-united-states

[4] Borrowers who lack a sufficient credit history are often referred to as either no-file or thin-file, where a no-file borrower is an individual with zero credit history at any of the major national credit bureaus, and a thin-file borrower often has a credit report, but it contains insufficient information to generate a reliable score.

revolving credit, such as a credit card (20% vs. 16%), who are consistently delinquent on debt payments (15% vs. 11%), who have a deep subprime credit score (14% vs. 10%), or who overutilize or max out existing credit lines (10% vs. 7%).

- More than half the U.S. population lives in counties that are High ALICE. Overall, 12% of people live in counties that are both High ALICE and credit insecure (1213 counties). Another 40% live in counties that are High ALICE and credit secure (840 counties). In these communities, many residents have limited assets and income, but credit access is relatively high overall.
- Credit insecurity has a compounding impact. High ALICE counties that are also credit insecure experience additional challenges compared to counties that are just High ALICE. They have lower median incomes as well as lower rates of employment, homeownership, and bachelor's degree completion. For example, Credit Insecure High ALICE counties have a median household income of $58,000 compared to $73,805 in Credit Secure High ALICE counties.
- Nationally, Credit Insecure High ALICE counties are concentrated in the South, Southwest, and Appalachia, and one-third of people living in Credit Insecure High ALICE counties are located in rural census tracts. In New York, New Jersey, and Connecticut, 15% of the population resides in Credit Insecure High ALICE counties.

About the New York Fed Consumer Credit Panel/Equifax Data

The data we use to construct the Credit Insecurity Index are from the Federal Reserve Bank of New York's Consumer Credit Panel (updated as of Q4 2023), which consists of anonymized, representative individual-level credit records from Equifax and demographic information from the U.S. Census Bureau.[5] The Equifax credit data used in this report come from the fourth quarter of each year. Credit report data do not provide information on individual income or socioeconomic characteristics, but they do contain information about the geographic location of borrowers. Therefore, we use data on borrowers' 2010 and 2020 census tracts from Equifax and merge this information with income and demographic data from the 2019-2023 5-year Census Bureau American Community Survey and the 2023 United For ALICE population estimates to approximate the characteristics of borrowers at the county levels. Note that these are the best available, yet imprecise, estimates. Borrower traits vary within neighborhoods, and it is possible for a high-income or high-wealth borrower to live in a low-income neighborhood and vice versa.

[5] https://www.newyorkfed.org/microeconomics/hhdc/background.html

Conceptual Frameworks: ALICE and the Credit Insecurity Index

This section provides a foundational overview of the analytical frameworks that underlie the measurement of ALICE populations and the Credit Insecurity Index.

ALICE

United For ALICE[6] is a national research and action initiative, led by United Way of Northern New Jersey, that provides a framework for understanding financial hardship and equips partners with data tools to promote financial stability in their communities. Based on the Federal Poverty Level (FPL), 13% of U.S. households were defined as being in poverty in 2023. However, this fails to capture households who are above the FPL but still struggle to afford the essentials. United For ALICE calls these "ALICE" households: Asset Limited, Income Constrained, Employed. They have incomes above the FPL but below the cost of basics.

The organization produces standardized metrics, specifically the ALICE Threshold and the Household Survival Budget, which are designed to capture the gap between the FPL and the actual cost of necessities in specific geographic markets. The Community Development team at the Federal Reserve Bank of New York has partnered with United For ALICE for this report.

To estimate the share of households that fall into this category, United For ALICE calculates an "ALICE Threshold," which represents the minimum income a household needs to afford necessities. Households above the FPL but below this Threshold are classified as ALICE. To calculate the Threshold, United for ALICE pulls from a wide range of publicly available data sources to estimate the cost of housing, childcare, food, transportation, health care, and technology. It also estimates taxes and cost overruns at 10% of a household budget. Added together, these expenses form a "Household Survival Budget," from which they derive the ALICE Threshold for all household sizes and across a range of geographies.[7]

Using this more comprehensive measure and combining ALICE households with those living in poverty, the share of households not earning enough to afford basic expenses in the county where they live reaches 42% nationally in 2023. While the percentage of households below the ALICE

[6] https://www.unitedforalice.org/overview
[7] https://www.unitedforalice.org/methodology

Threshold varies by state, county, and within counties,[8] in this report we use above or below the national average of 42% to differentiate between "High ALICE" and "Low ALICE" counties.

Credit Insecurity Index

Lacking credit experience or being burdened by credit constraints can have an impact on people's ability to obtain and use formal credit in an affordable, effective way. The Credit Insecurity Index offers a framework for understanding the ease and affordability with which people can access and use credit in their communities. It focuses on two components:

- **Credit inclusion (credit file and credit score)**: The minimum requirements to be included in the credit economy are that an individual be of legal age (18+), have a Social Security number, and have at least one active credit account—such as a credit card or loan—reported to a major bureau.
- **Credit constraints**: The barriers that prevent households from accessing affordable credit include lack of a credit card or other revolving credit product, overuse of available credit (exceeding 100% of a credit line), a very low credit score, and delinquent payments on credit products such as a car loan.

Understanding the degree of credit inclusion and credit constraints within a community can help community lenders and stakeholders determine more precisely which types of credit and financial products are best suited to a community's needs. Table A provides a summary of the specific sub-components of the Credit Insecurity Index.

[8] There are households below the ALICE Threshold in rural, urban, and suburban geographies that reflect a wide range of demographics and household types.

Table A: Credit Index Measures and Definitions

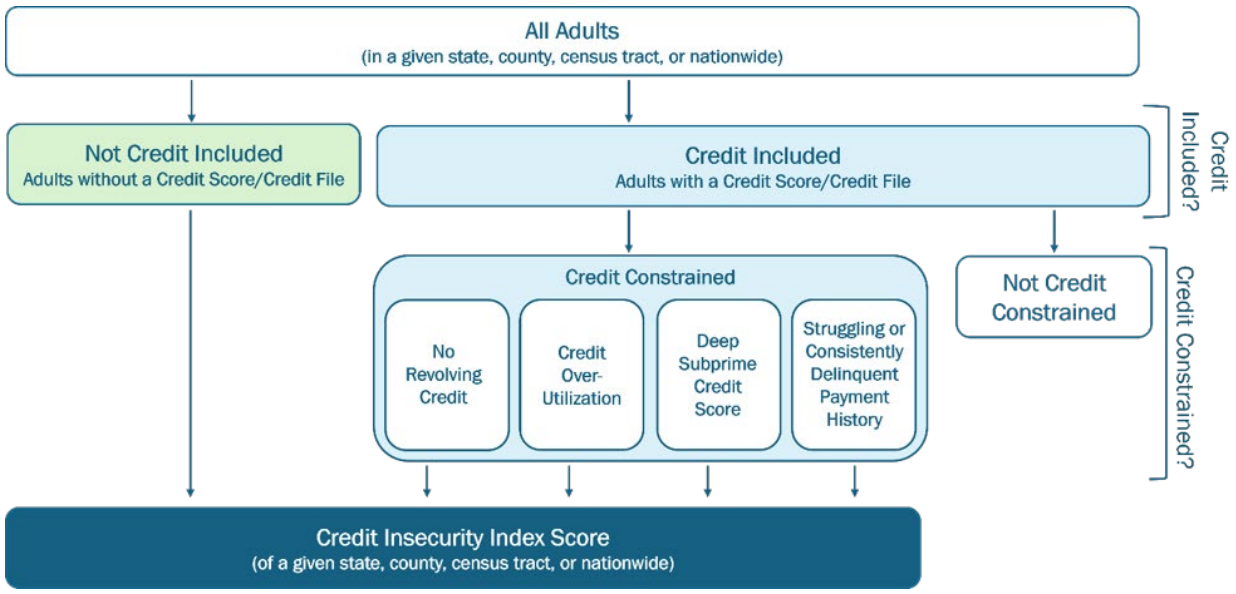
	MEASURE	DEFINITION
Credit Inclusion	Credit Included	Percent of adults with a credit score or file
	Not Credit Included	Percent of adults without a credit score or file
Credit Constraints	No Revolving Credit	Percent of adults who do not have a credit card or home equity line of credit
	Credit Overutilization	Percent of adults with ≥ 100% utilization on revolving credit products; alternatively, percent of adults with a credit score or file who have hit or exceeded the limit on a revolving credit line
	Deep Subprime Credit Score	Percent of adults with a credit score of 580 or below
	Struggling or Consistently Delinquent Payment History[9]	Percent of adults who are 60 days past due on payments during the current quarter and past four quarters on any debt obligation

Figure 1 stylizes the criteria for calculating the Credit Insecurity Index. We start with the adult population within a given period and geography, then divide the population into two groups based on their credit inclusion. The share of adults who are not credit included becomes the first component of the Index. The share of adults who are credit included is further divided into those who are credit constrained and those who are not. The credit-constrained component is composed of the four measures listed in Table A: No Revolving Credit, Credit Overutilization, Deep Subprime Credit Score, and Struggling or Consistently Delinquent Payment History. The share of the adults that are not

[9] Struggling delinquent is defined as being 60 days past due on a debt obligation in the current quarter and at least one of the previous four quarters. Consistently delinquent is defined as being 60 days past due on a debt obligation in the current quarter and the previous four quarters.

credit included and the weighted share of adults that are credit constrained are the two main components that ultimately make up the Credit Insecurity Index score.

Figure 1: Conceptual Framework for Credit Insecurity Index



The Credit Insecurity Index is intended to capture all the components that inform a community's credit health in a composite measure. The score is meant to be interpreted in terms of place, such as a state or a county. While it is important to understand credit insecurity at an individual or household level, assessing and comparing community-level credit insecurity can help researchers, practitioners, and community stakeholders understand the broader implications credit insecurity has for a community's ability to access affordable credit, be resilient in the face of shocks, pursue economic opportunities, and take on community-wide investments.

To allow for easier comparison across communities, like states and counties, we assign Credit Insecurity Index scores to "tiers" of relative severity: Credit Assured, Credit Likely, Mid-Tier, Credit At Risk, and Credit Insecure (Table B).[10] Communities with lower insecurity scores are assigned to the Credit Assured and Credit Likely tiers, while communities with higher scores are assigned to the Credit At Risk and Credit Insecure tiers. For example, a county with a score between 0 and 16.6 would be assigned to the Credit Assured tier.[11]

[10] The score ranges for each Credit Insecurity Index Tier are determined using the quintiles of county-level Credit Insecurity Index scores from 2018.

[11] How these tiers are calculated can be found in our report Credit Insecurity in the United States: 2019-2023 (https://www.newyorkfed.org/outreach-and-education/household-financial-stability/credit-insecurity-united-states)

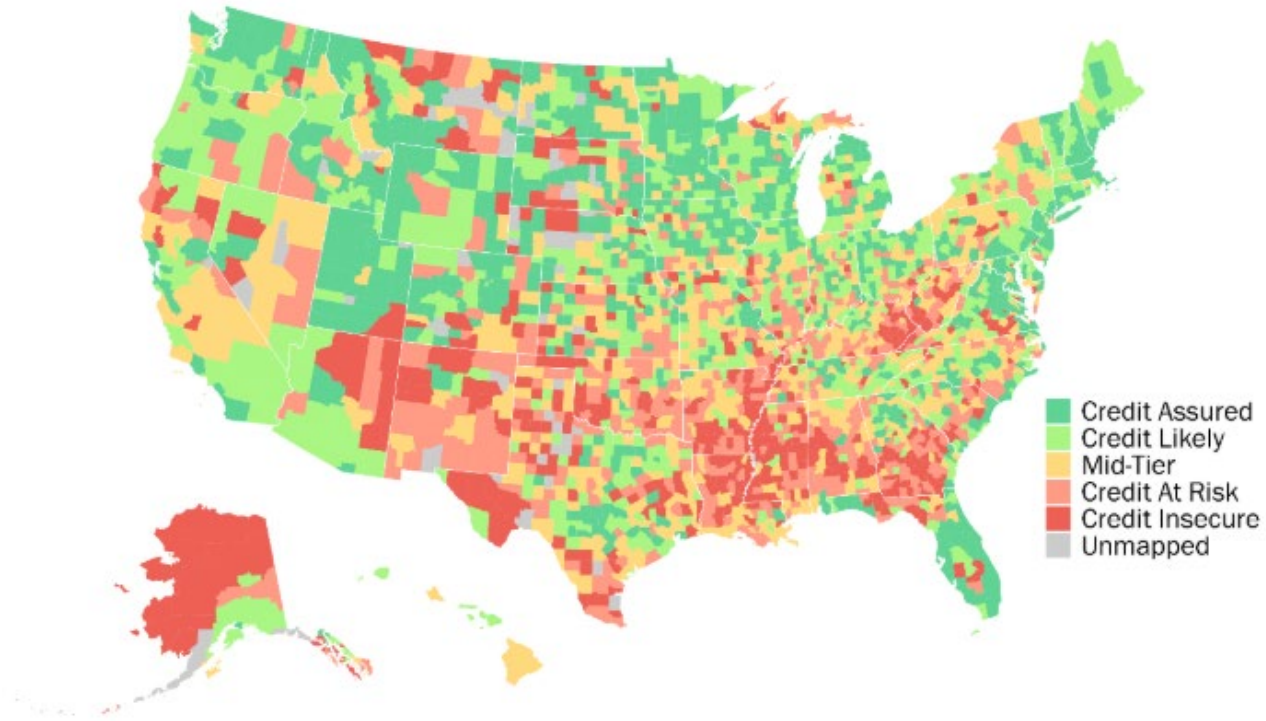
Table B: Credit Insecurity Index Tiers

TIERS	INDEX SCORE RANGES
Credit Assured	0 – 16.6
Credit Likely	16.7 – 21.7
Mid-Tier	21.8 – 26.4
Credit At Risk	26.5 – 32.5
Credit Insecure	32.6 or above

These tiers represent how credit constrained a community is relative to other communities in the United States. Mapping credit security across the country, illustrated in Figure 2, reveals concentrations of deep credit insecurity in the South and Appalachia and concentrations of credit security along the East Coast and in regions of the Upper Midwest.

Figure 2: Counties in the South and Appalachia experience substantial credit insecurity

Credit Insecurity Index Tier by county, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; American Community Survey, 2023

The Relationship Between Financial Insecurity and Credit Insecurity

Low-and moderate-income households face financial challenges, including fluctuating income, little or no savings, vulnerability to price increases, and unexpected emergencies. These same households are often the most in need of credit products that can help them smooth costs, address unexpected expenses, and take advantage of economic opportunities. Access to such products can enable individuals to invest in training to get a better job or to buy a used car for work.[12] It can also prevent a crisis, since even a small loan can mean keeping the electricity on or fixing a leaking roof.

However, despite this heightened need, having a low income makes access to credit more expensive and therefore often out of reach. Low-income borrowers frequently rely on costly credit alternatives, including payday loans, which carry high interest rates, and buy-now-pay-later (BNPL) services, which can involve heavy fees and high interest rates if payments are missed.[13,14,15]

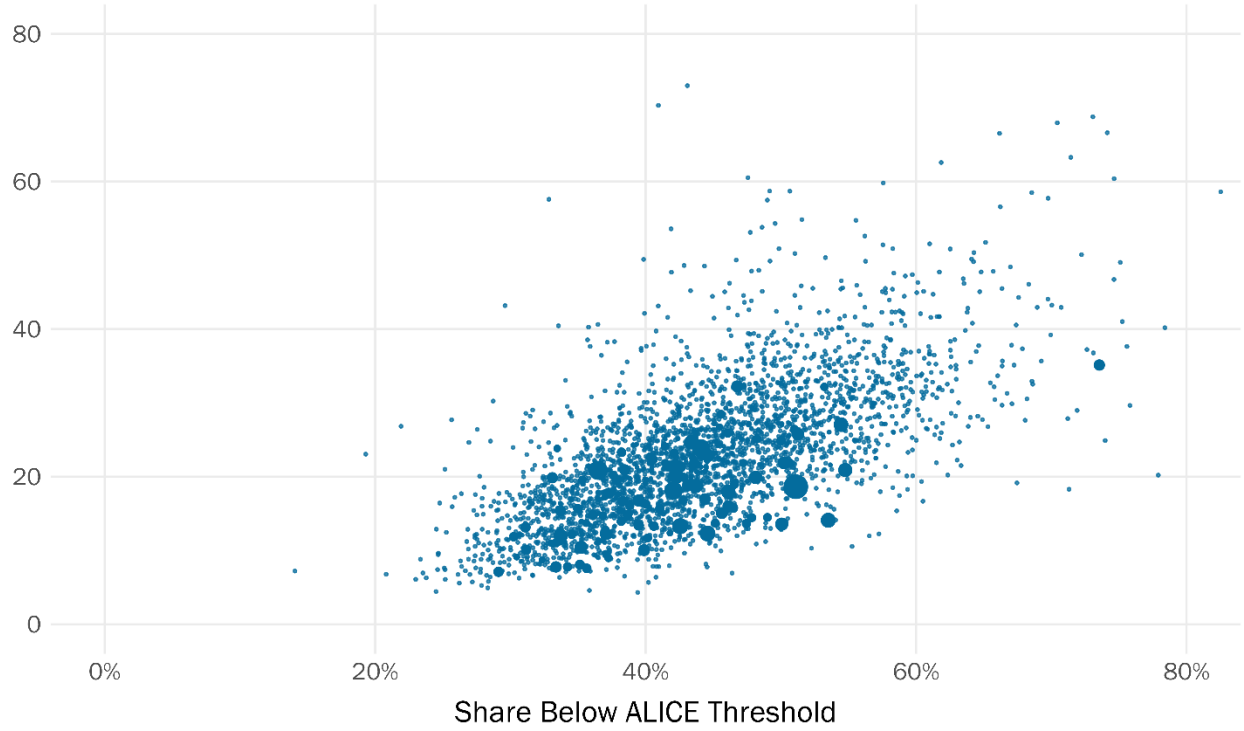
The analysis in this section focuses on understanding communities by examining the relationship between the share of households below the ALICE Threshold (poverty and ALICE combined) and credit insecurity in counties across the United States.

Figure 3 shows that communities with a high share of households struggling to afford the basics are also more likely to be credit insecure, lacking access to more traditional, low-cost credit options. Specifically, counties with a higher share of households living below the ALICE Threshold also have higher rates of credit insecurity, whereas areas with a lower share of households below the Threshold have lower rates of credit insecurity.

[12] https://www.stlouisfed.org/community-development/publications/access-credit-financial-services-bridge-financial-well-being
[13] https://www.federalreserve.gov/econres/notes/feds-notes/the-only-way-i-could-afford-it-who-uses-bnpl-and-why-20241220.html
[14] https://www.responsiblelending.org/media/new-report-predatory-payday-lenders-took-24-billion-fees-borrowers-year
[15] https://www.consumerfinance.gov/about-us/blog/making-ends-meet-series-consumer-use-payday-auto-title-pawn-loans/

Figure 3: The share of households below the ALICE threshold is positively correlated with the Credit Insecurity Index

Credit Insecurity Index, 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023
Note: Points representing counties with an 18+ population greater than 500,000 are sized based on 18+ population

To further understand how these characteristics are related, we divide counties into two groups: High ALICE counties, where more than 42% of people live below the ALICE threshold, and Low ALICE counties, where less than 42% of people live below the ALICE threshold. We find that the Credit Insecurity Index has a value of 22 (Mid-Tier) for High ALICE counties and a value of 15.2 (Credit Assured) for Low ALICE counties. Overall, this association suggests that in communities where people struggle to afford household basics, people also struggle to access credit.

The higher Credit Insecurity Index score in High ALICE counties is driven by both components of the Index: credit inclusion and credit constraints, as shown in Table C.

Table C: High ALICE counties are more credit insecure overall than Low ALICE counties

CREDIT INSECURITY MEASURE (Score)	LOW ALICE	HIGH ALICE
Credit Insecurity Index	15.2	22.0
Not Credit Included	4.8	8.4
Credit Constrained	10.4	13.7

Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

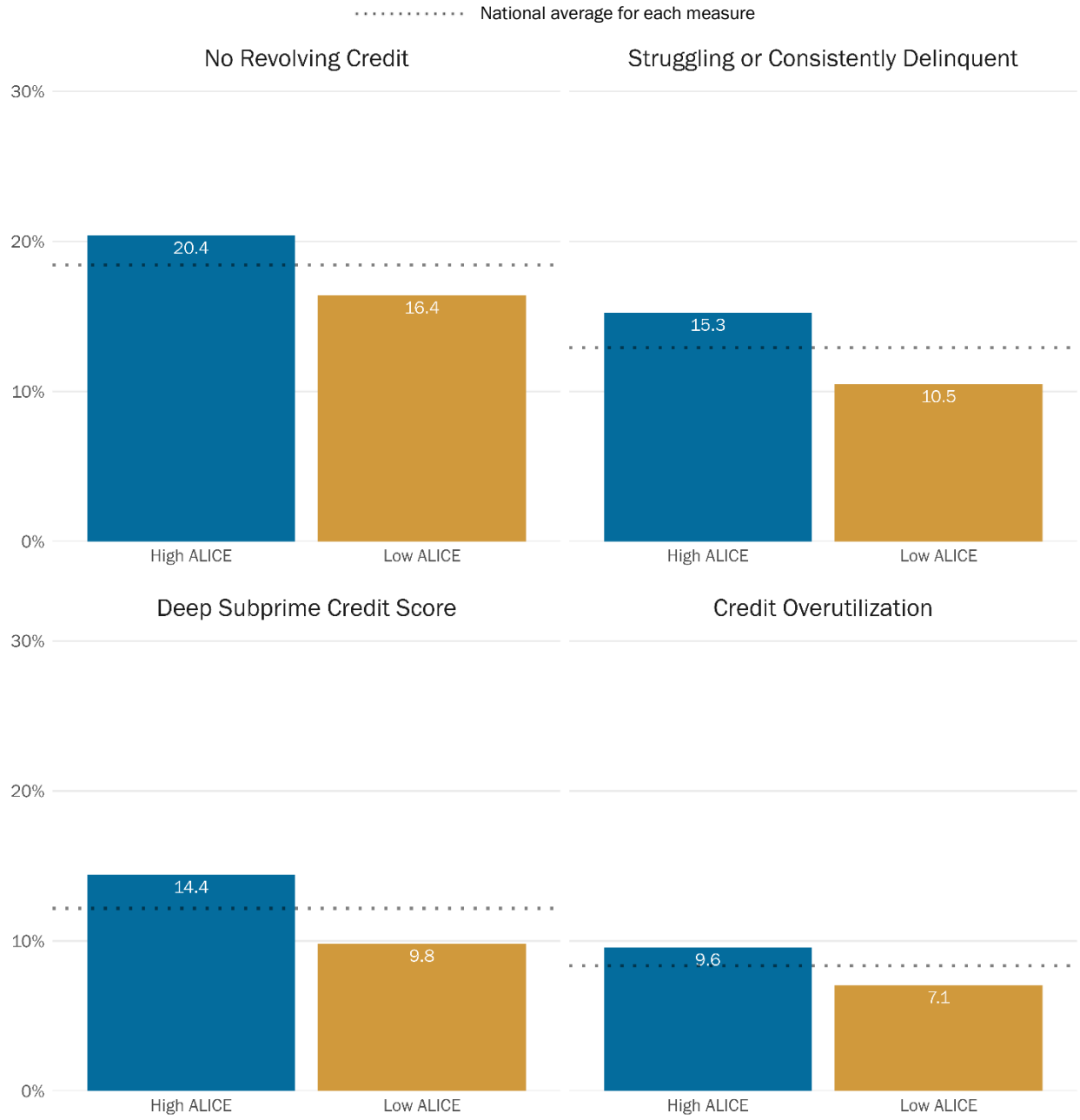
Credit Inclusion: We find that the share of people without a credit score or file is higher in High ALICE counties compared to Low ALICE counties (8% compared to 5%). There are many reasons why people do not have a credit score, including lack of trust in financial institutions, bad experiences with credit (such as delinquencies, credit denials or excessive fees), or cultural preferences regarding the use of credit. Many individuals without a credit score, particularly those that have low and moderate incomes, may also be unbanked or underbanked. Almost eight in 10 unbanked households in 2023 had no mainstream credit.[16]

Credit Constraints: High ALICE counties also have a higher share of people who are credit constrained (14% compared to 10% in Low ALICE counties), indicating that in counties with a higher prevalence of income constraints, more people are likely to encounter barriers in qualifying for affordable, high-quality credit. On each measure of credit constraints, rates were higher in High ALICE counties, as illustrated in Figure 4.

[16] https://www.fdic.gov/household-survey

Figure 4: High ALICE counties have notably higher rates on measures of credit constraint, compared to Low ALICE counties

Share of population within ALICE county category



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

High ALICE counties have a higher share of people without revolving credit (20% vs. 16%)

The most common credit constraint we measure is a lack of revolving credit. The percentage of people in a county with no revolving credit (such as a credit card or home equity line of credit) was

notable in all counties, but even higher in High ALICE counties. Low-and-moderate income people are often less likely to have revolving credit because of fear of denial, minimal income or credit history requirements, high and unaffordable rates, or complicated fees or terms on revolving credit products.[17,18] Difficult experiences with revolving credit in the past, including debt collections or unwieldy levels of debt, may also lead some borrowers to drop revolving credit products.

High ALICE counties see higher levels of individuals struggling or consistently delinquent on payments (15% vs. 11%)

Households that struggle to cover the cost of basic necessities also struggle to keep up with loan payments. High ALICE counties have a higher rate of people at least 60+ days delinquent on credit products, such as mortgages, credit cards, or student loans. The consequences can be substantial, including foreclosure or repossession of a vehicle. In addition, lenders are required to report delinquencies to the major credit bureaus, causing delinquent borrowers to experience a drop in their credit scores and making it harder for them to access credit in the future.

High ALICE counties have more people who have deep subprime credit scores (14% vs. 10%)

Very low credit scores are another challenge for low-income households, and we see that High ALICE counties also had a higher rate of people with deep subprime credit scores than Low ALICE counties. Lower credit scores translate into higher borrowing costs for ALICE borrowers. For example, according to Experian's State of the Automotive Finance Market report, on a $30,000 car loan for a term of 60 months, a borrower with excellent credit could qualify for an interest rate of 5.27% and therefore pay $570 a month, while a borrower with poor credit may be charged an interest rate of 15.97% and pay $729 a month, resulting in a difference of $160 a month and $9,500 over the life of the loan.[19]

High ALICE counties are more likely to have people who max out their credit lines (10% vs. 7%)

ALICE households are also more likely to have fluctuating incomes and therefore are more likely to need a bridge to cover household basics. For many households, utilizing their full credit card limit may be the best alternative, especially compared to a payday or car title loan.[20] Like delinquencies,

[17] https://www.usnews.com/banking/articles/survey-gen-z-millennials-are-ditching-the-credit-card-for-other-payment-methods
[18] https://www.newyorkfed.org/microeconomics/sce/credit-access#/experiences-credit-applications9
[19] https://www.bankrate.com/loans/auto-loans/average-car-loan-interest-rates-by-credit-score/#average
[20] https://www.stlouisfed.org/on-the-economy/2024/may/which-us-households-have-credit-card-debt

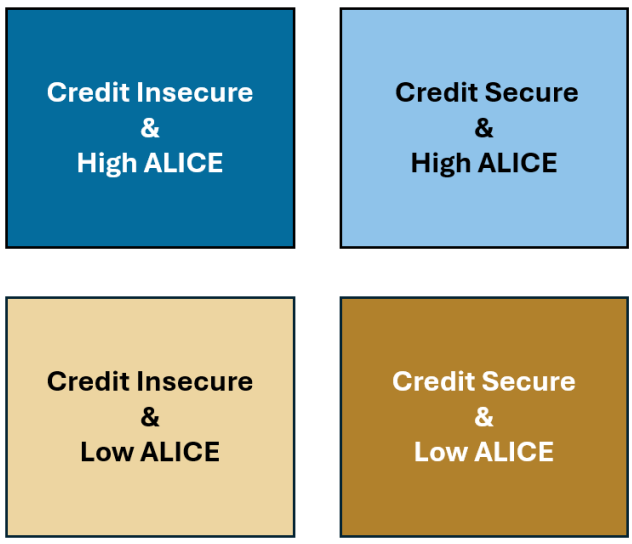
credit utilization rates are also reported to credit rating agencies, further reducing credit scores and impeding recovery.

The Compounding Effect of Income Constraints and Credit Insecurity on Socioeconomic Vulnerability

Previous research has demonstrated that ALICE households and credit-insecure households are more likely to struggle across a range of socioeconomic characteristics—including income, employment, homeownership, and educational attainment.[21,22] In this section, we assess how different combinations of credit insecurity and ALICE status relate to these measures of socioeconomic vulnerability, including whether being both credit insecure and High ALICE makes a county more vulnerable across other measures. We also highlight key demographic characteristics of these counties. This analysis is intended to help stakeholders better understand components of a county's socioeconomic vulnerability.

To investigate, we create a typology of counties across four combinations of credit secure/insecure status and Low/High ALICE status.[23] The quadrants can be "Credit Secure" or "Credit Insecure" (based on the tiers of the Credit Insecurity Index) and "Low ALICE" or "High ALICE".

Figure 5: Credit Security-ALICE County Matrix



ALICE:

- **High ALICE:** County with ≥ 42% of households below the ALICE Threshold
- **Low ALICE:** County with < 42% of households below the ALICE Threshold

Credit Insecurity:

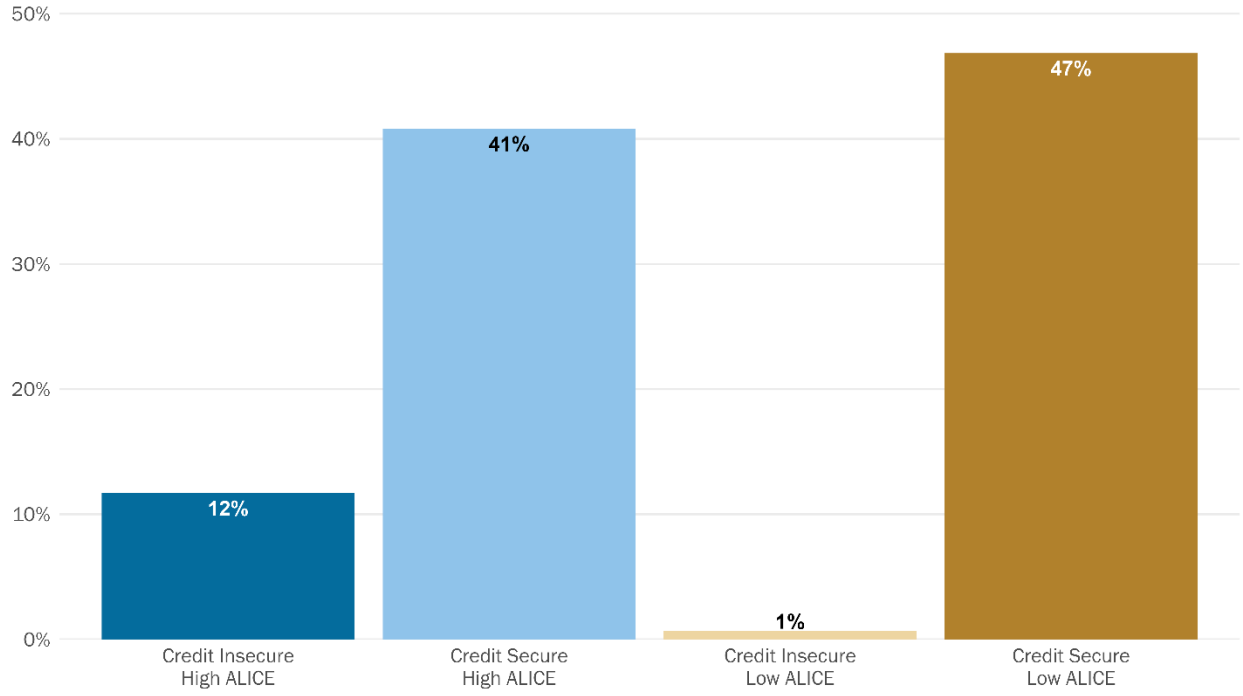
- **Credit Secure:** County that is Credit Assured, Credit Likely, or Mid-Tier
- **Credit Insecure:** County that is Credit At Risk or Credit Insecure

[21] https://www.newyorkfed.org/outreach-and-education/household-financial-stability/credit-insecurity-united-states
[22] https://www.philadelphiafed.org/community-development/workforce-and-economic-development/understanding-economic-stability-and-economic-mobility-in-philadelphia
[23] We do so at the county level due to data availability. This may mask sub-county dynamics, especially in larger and more economically diverse counties.

Using this matrix, Figure 6 shows that 12% of people in America live in Credit Insecure High ALICE counties, a category which includes 1,213 counties (out of 3,143). A total of 41% reside in Credit Secure High ALICE counties. This category is more concentrated, spanning 840 counties, and includes places that are relatively credit secure, despite having a high share of people who are income constrained. Finally, 47% of people live in Credit Secure Low ALICE counties, a category made up of 908 counties. Just 1% of the population lives in Credit Insecure Low ALICE counties.[24]

Figure 6: More than one in 10 people live in Credit Insecure High ALICE counties

Credit Security-ALICE County Matrix, share of population in each category, 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

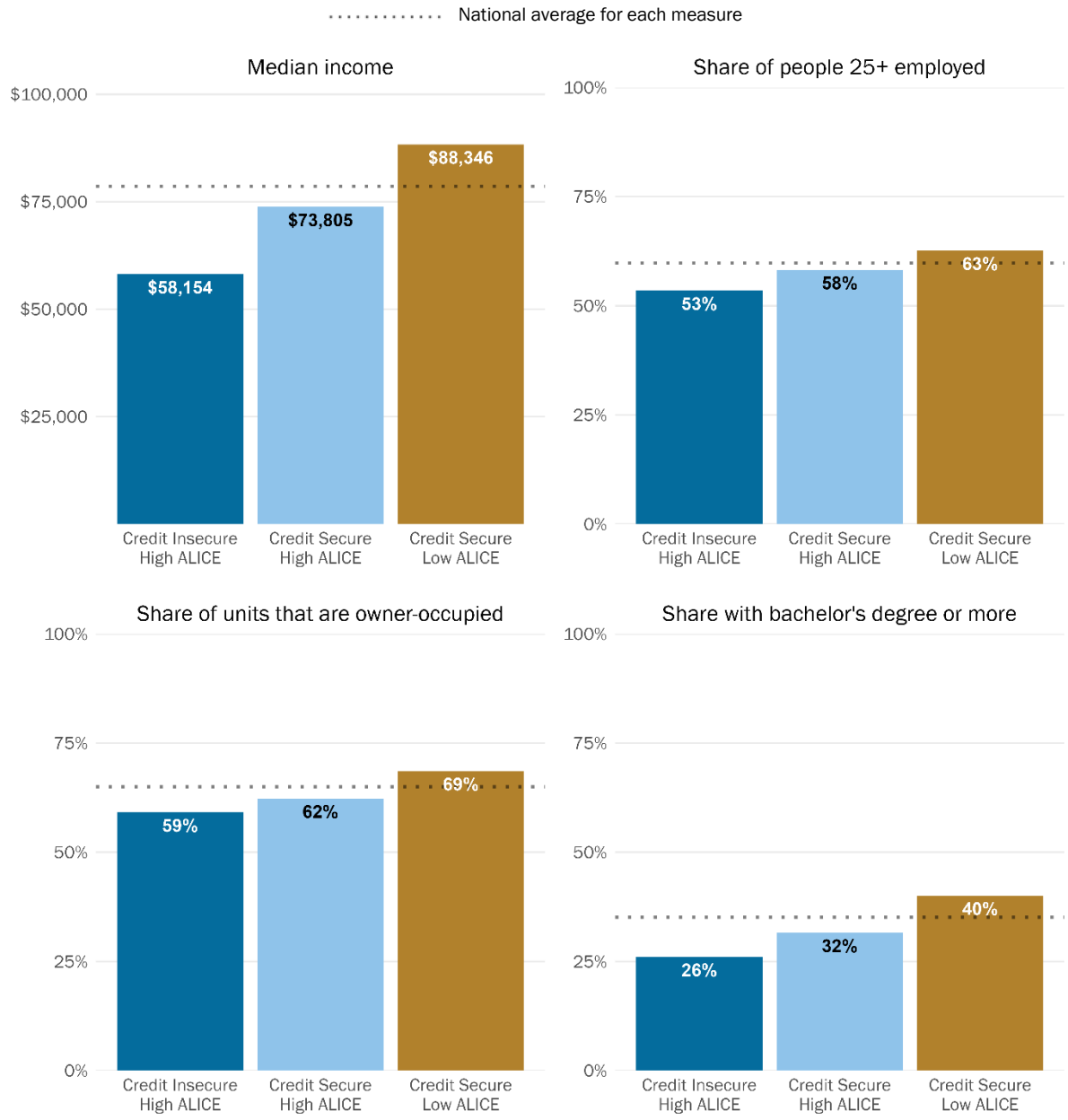
To further understand the dynamics of income status and credit security, we layer additional characteristics on to the matrix, first economic and then demographic.

[24] Note: this category is excluded from further analysis.

Economic Characteristics

In terms of income, counties with both higher rates of income constraint and credit insecurity had lower median household incomes ($58,154), than both Credit Secure High ALICE counties ($73,805) and Credit Secure Low ALICE counties ($88,346).

Figure 7: High ALICE counties that are also credit insecure experience additional challenges compared to those that are just High ALICE



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

This relationship holds across a variety of metrics. High ALICE counties that were also credit insecure had lower rates of employment, homeownership, and bachelor's degree completion compared to both Low ALICE counties and High ALICE but credit secure counties.

This demonstrates the importance of examining both credit and income constraints. Although income constraints are associated with socioeconomic challenges, all these indicators are further depressed in counties with high shares of households that are also credit constrained.

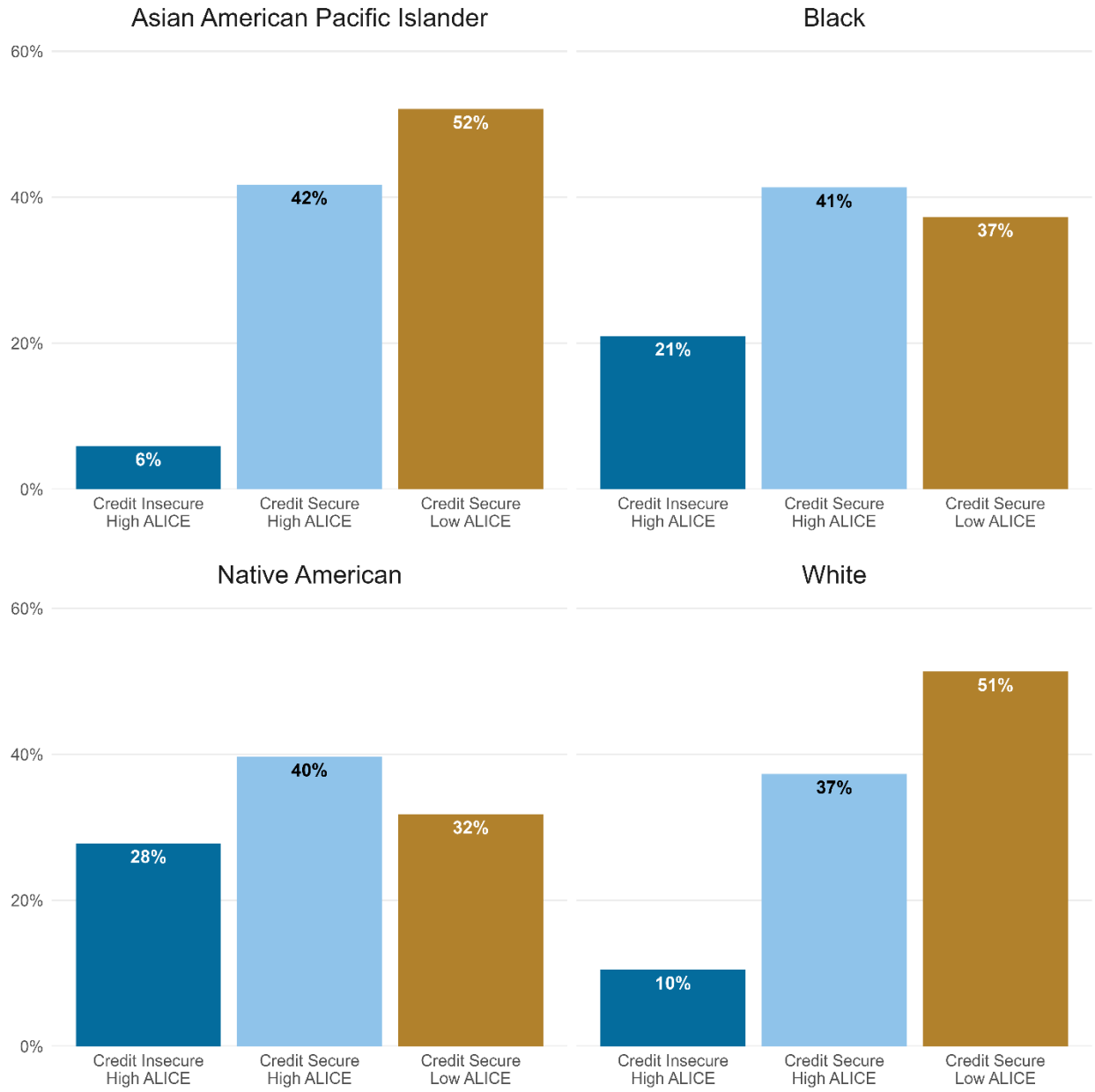
Demographic Characteristics

Given the impact of living in an income- and credit-constrained county, we investigate the demographics in such counties and where these counties are located.

Race/ethnicity: Figure 8 shows the share of each demographic group that lives in each type of county. We can see that, relative to other groups, Black and Native American people disproportionately live in Credit Insecure High ALICE counties. More than one in five Black people and more than one in four Native Americans in the United States live in counties that are both credit and income constrained.

Figure 8: About 20% of Black and 28% of Native people live in Credit Insecure High ALICE counties

Share of population by race that lives in given ALICE/CI county category, 2023



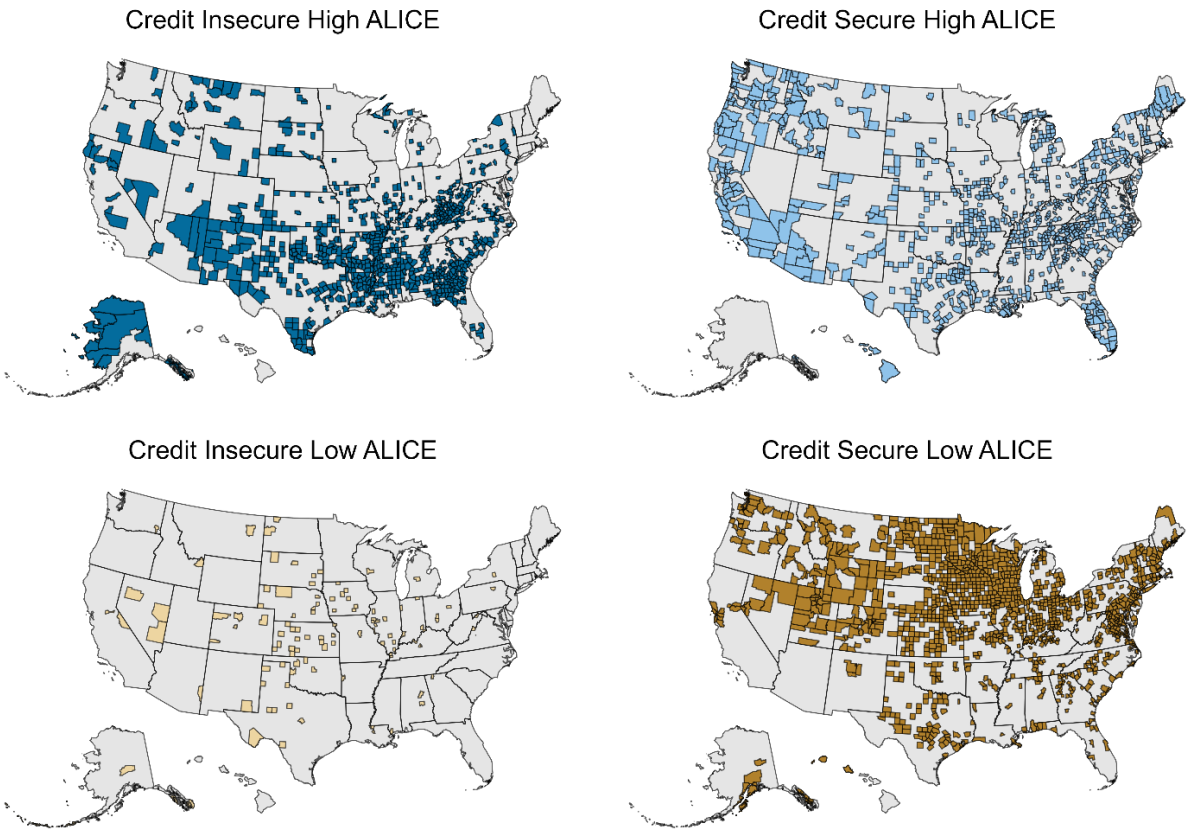
Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

Age: In terms of age, there is relative consistency across county categories and across groups. The exception is found in young counties. Counties where the median age is between 20 and 30 are considerably more likely to be credit insecure and to have a higher share of people below the ALICE threshold.

Geography: Credit Insecure High ALICE counties, the ones that are struggling the most, are concentrated in the South, Southwest, and Appalachia. Credit Secure High ALICE counties tend to concentrate along the coasts and in parts of Appalachia and New England. Credit Secure Low ALICE counties tend to be concentrated in the Midwest, along the Northeast Corridor, and in portions of New England.

Figure 9: There are distinct regional variations in ALICE and Credit Insecure populations

Category by county, 2023

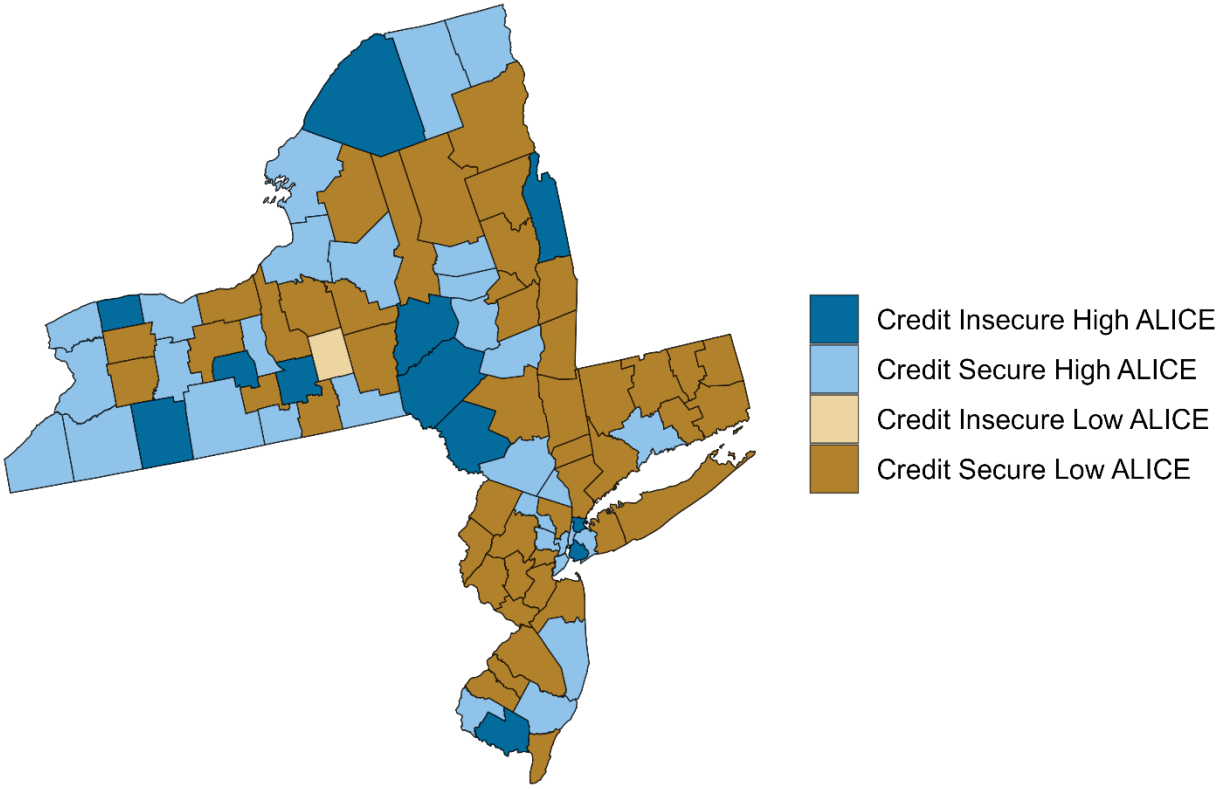


Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

Zooming in on New York, New Jersey, and Connecticut, we can see that around half the counties (47) are Credit Secure Low ALICE. These contain 47% of the total population. Around a third of counties (31) are Credit Secure High ALICE and contain 38% of the total population. Twelve counties, containing 15% of the population, are Credit Insecure High ALICE. Just one county is Credit Insecure Low ALICE.

Figure 10: There is notable regional variation in credit security and ALICE presence in Second District counties

County categories by county, 2023



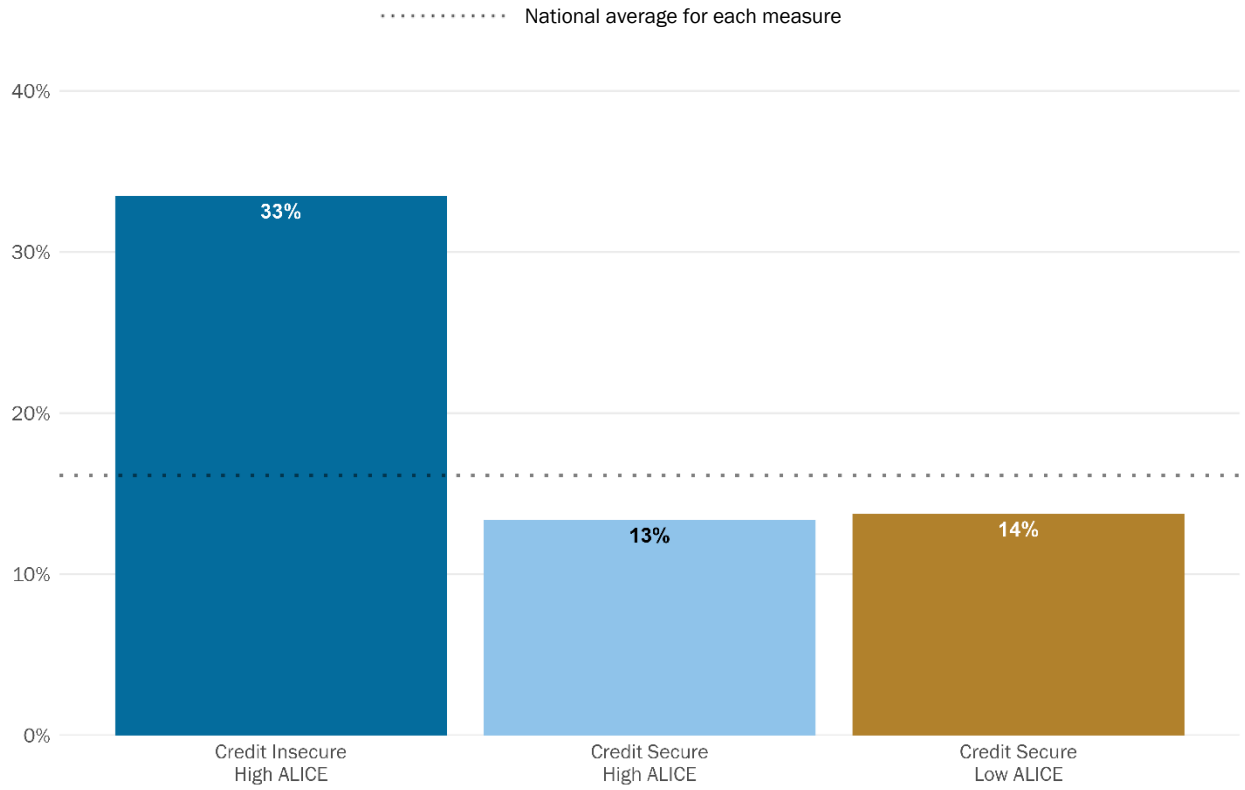
Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023

Urban/rural status: Credit Insecure High ALICE counties tend to be much more rural than other county categories.[25] A total of 33% of people in Credit Insecure High ALICE counties live in rural census tracts, compared to 13% and 14% in Credit Secure High ALICE and Credit Secure Low ALICE counties (Figure 11).

[25] We calculated the population density for all census tracts in the country and identified a tract as rural if it fell in the bottom 20th percentile of population density. While this cutoff is by necessity somewhat arbitrary, the number of people classified as rural by this definition (53 million) falls between the number of people classified as rural by the Census Bureau (62 million) and by the OMB (45 million) (https://www.urban.org/research/publication/do-no-harm-guide-crafting-equitable-data-narratives)

Figure 11: Credit Insecure High ALICE counties are more rural than other county categories

Share of people in each county category that lives in a rural census tract, 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2019-2023 5-Year), Missouri Census Data Center Geocorr 2022; ALICE Threshold, 2023; American Community Survey, 2023. Rural is defined as a census tract that falls in the bottom 20th percentile of population density.

Conclusion

Credit is an important tool that helps families manage expenses, navigate income fluctuations, and build wealth. Understanding credit access and use among ALICE households, a substantial portion of the U.S. population, is critical to understanding consumer well-being overall. Previous research has examined links between income constraints and credit insecurity at the national level. This paper expands that analysis by investigating credit challenges in High ALICE communities, how they compare to Low ALICE communities, and the compounding effects of income and credit insecurity.

The Credit Security-ALICE County Matrix provides a structure to examine the connections between and impact of credit security and ALICE income status. Almost half of the U.S. population (47%) lives in Credit Secure Low ALICE counties, a category which is concentrated in 908 counties (out of 3,000). Credit Insecure High ALICE counties account for 12% of the population, spanning 1,213

counties. Notably, 41% of people live in Credit Secure High ALICE counties, a category spanning 840 counties. These are counties that are relatively credit secure, despite having a high share of people who are income constrained.

Our analysis shows that places that have both a high share of households below the ALICE Threshold and high credit insecurity have several defining characteristics. They are concentrated in the South, Southwest, and Appalachia. One-third of people living in Credit Insecure High ALICE counties live in rural census tracts, and these Credit Insecure High ALICE communities also have higher than average shares of African American and Native American residents. These communities also show evidence of the compounding effects of being income and credit constrained. High ALICE counties that are also credit insecure experience additional challenges compared to counties that are just High ALICE: lower median incomes and lower rates of employment, homeownership, and education.

These findings raise important questions about the root drivers of credit insecurity at the regional, community, and household levels, as well as whether credit security can improve the economic experience of low-income households. Does residing in a credit secure area benefit ALICE households? Are they better able to weather emergencies or access wealth-enhancing opportunities? Future research could further explore the geographic patterns of relative credit security and the degree to which the benefits of high levels of credit security reach residents within a community. Plans for future work include combining this quantitative analysis with additional qualitative research on ALICE households in credit secure and credit insecure communities to understand if and how they use credit, why they use (or don't use) different types of financial products, and other strategies they employ to achieve their economic goals.