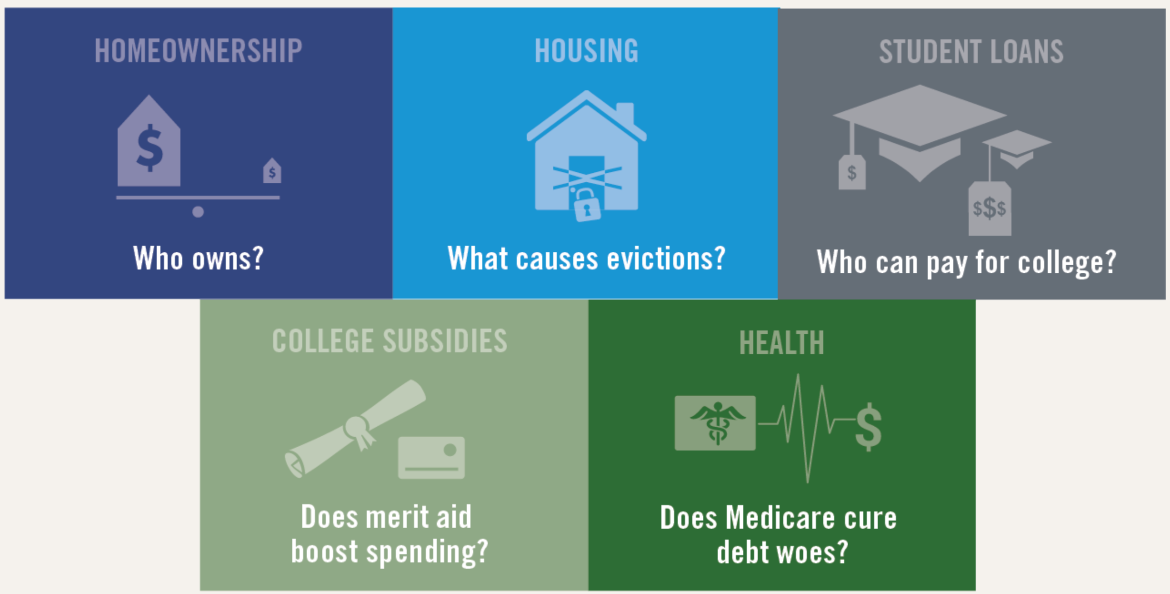
Liberty Street Economics

Heterogeneity Series III: Credit Market Outcomes



Liberty Street Economics

Heterogeneity in Credit Market Outcomes

ON TODAY'S CALL

ANDREW HAUGHWOUT
Senior Vice President

RAJASHRI CHAKRABARTI
Senior Economist

WILBERT VAN DER KLAAUW
Senior Vice President
Director of the Center for
Miicroeconomic Data

JOELLE SCALLY
Senior Data Strategist

MAXIM PINKOVSKIY
Senior Economist

DONGHOON LEE
Economist

HAOYANG LIU
Economist

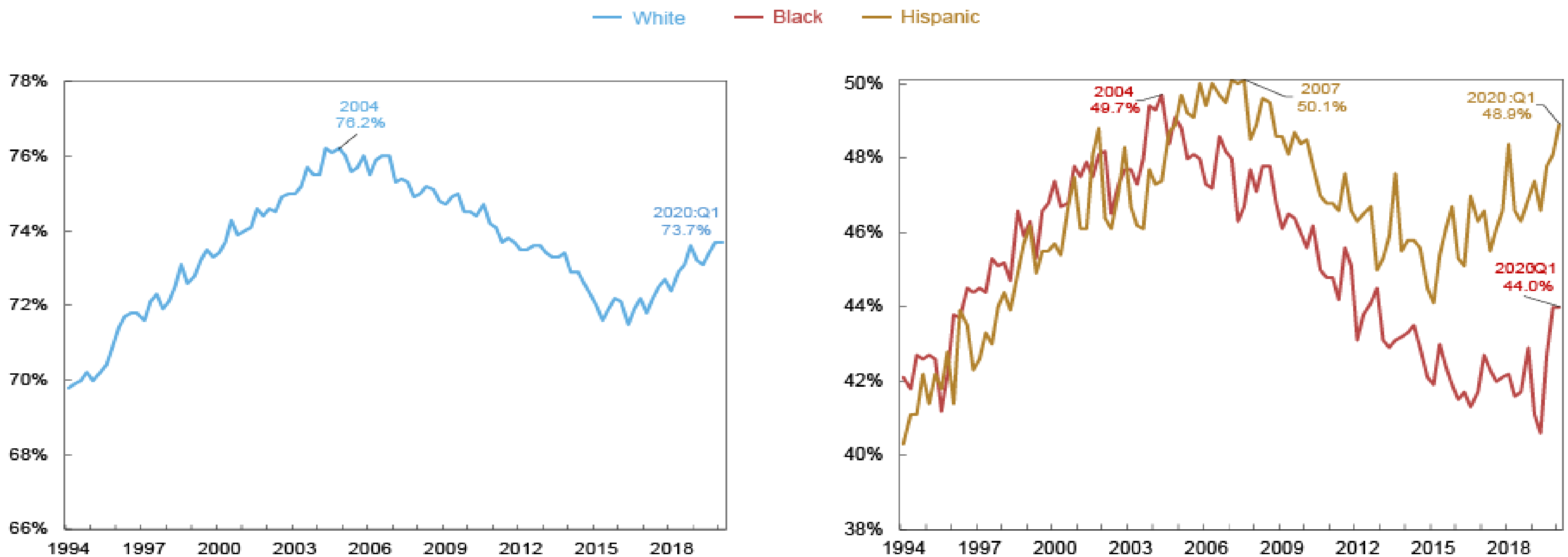
Liberty Street Economics

Inequality in U.S. Homeownership Rates by Race and Ethnicity

Andrew Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw

JOELLE SCALLY
Senior Data Strategist

Homeownership rates for white and Hispanic households recover somewhat, but less so for Black households



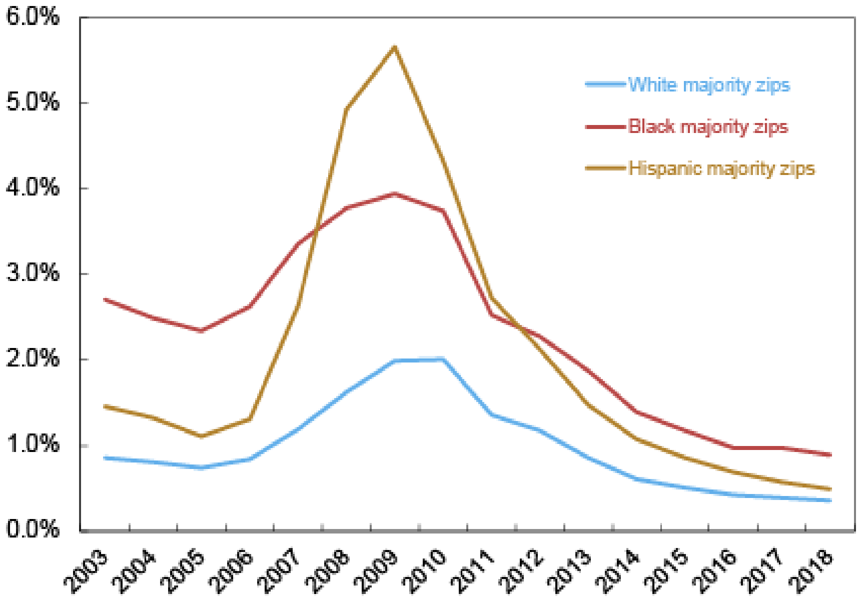
- Homeownership has historically been higher in white households.
- Income differences and institutional racism – legal, explicit discrimination in housing that endured through 1968 (including redlining) – have contributed to the gaps.
- The Black-white and Black-Hispanic homeownership gaps widened after 2015.

Source: Census Bureau.

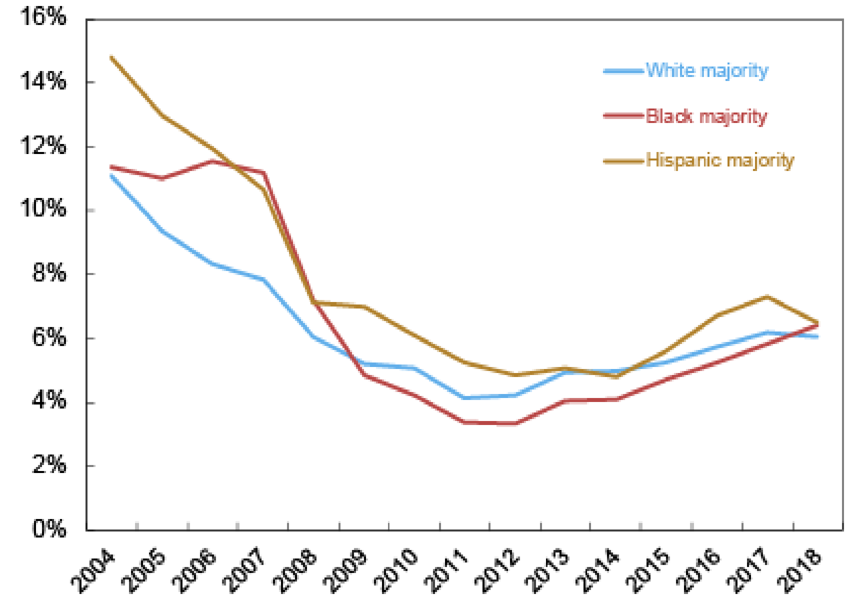
JOELLE SCALLY
Senior Data Strategist

Homeownership rate changes are determined by entrants (new owners) and exits (mostly foreclosures)

Share of mortgage-holders with new foreclosure



Share of mortgage-holders who are new entrant



- The foreclosure crisis disproportionately affected zip codes with a majority of Black or Hispanic residents.
- Entry into homeownership lags among Black households since the Great Recession.

Source: New York Fed Consumer Credit Panel / Equifax; Census Bureau.

JOELLE SCALLY
Senior Data Strategist

Potential explanations for the growing homeownership gap

- Uneven impact of tightening in mortgage underwriting.
  - The “minimum” credit score required for a mortgage is 650.
  - The average credit score in Black-majority zip codes is 638.
  - The average credit score in Hispanic- and white-majority zip codes is 679 and 716 respectively.
- Black workers fared worse during the great Recession, and have seen a more stagnant wage growth in the years since.
- Borrowers in majority Black or Hispanic zip codes are more likely to struggle with student loans.

Source: New York Fed Consumer Credit Panel / Equifax; credit score is Equifax Risk Score 3.0.

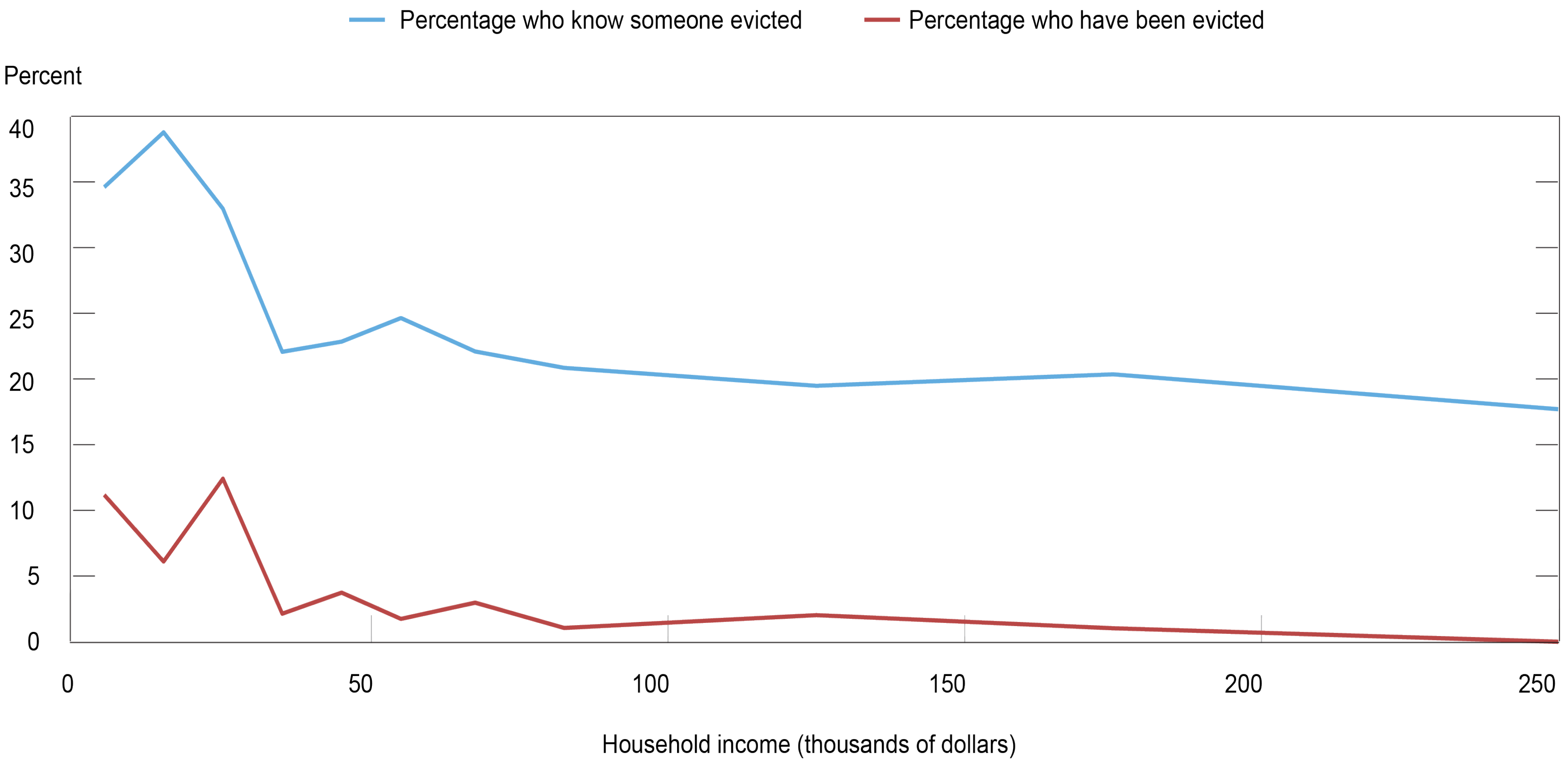
Liberty Street Economics

Who Has Been Evicted and Why?

Andrew Haughwout, Haoyang Liu, and Xiaohan Zhang

HAOYANG LIU
Economist

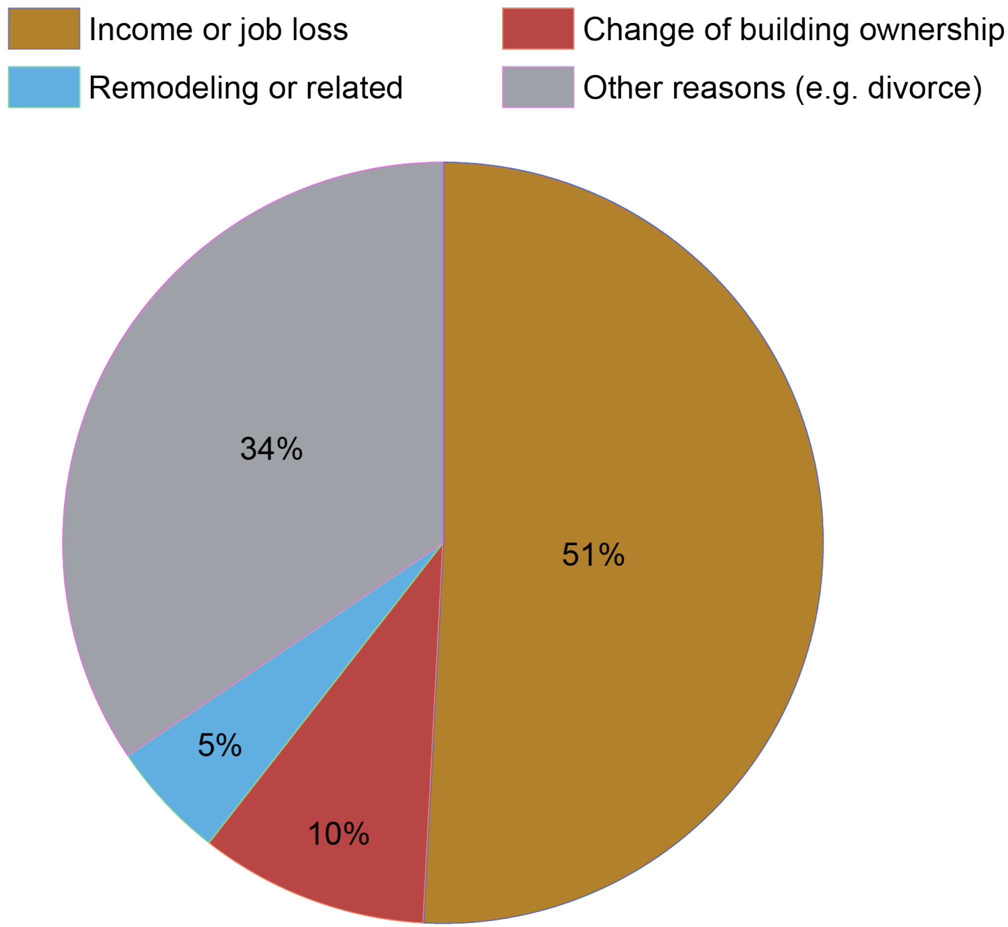
Past evictions are concentrated in low-income households



Sources: New York Fed Survey of Consumer Expectations; authors' calculations.

HAOYANG LIU
Economist

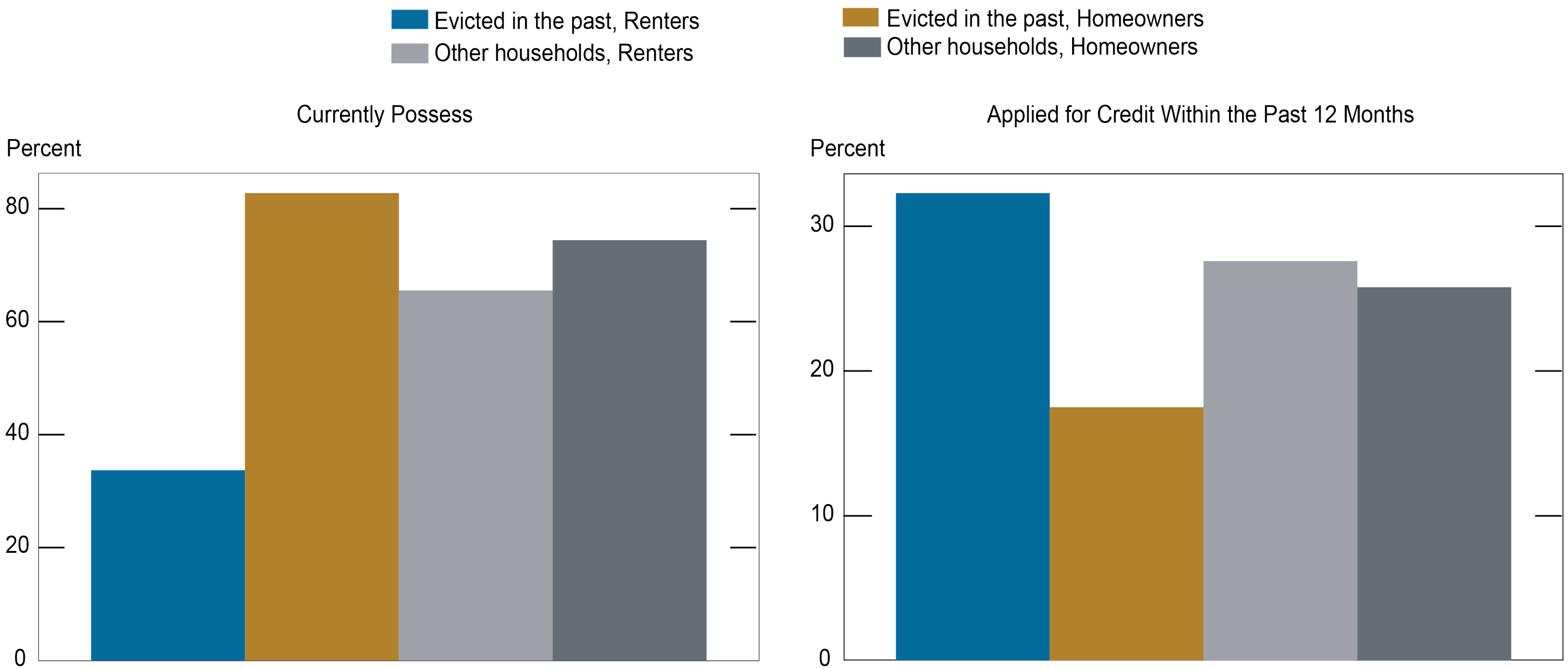
Income loss and change of building ownership are common reasons for evictions



Source: New York Fed Survey of Consumer Expectations; authors' calculations.

HAOYANG LIU
Economist

Renters with past evictions are less likely to possess credit cards despite applying more



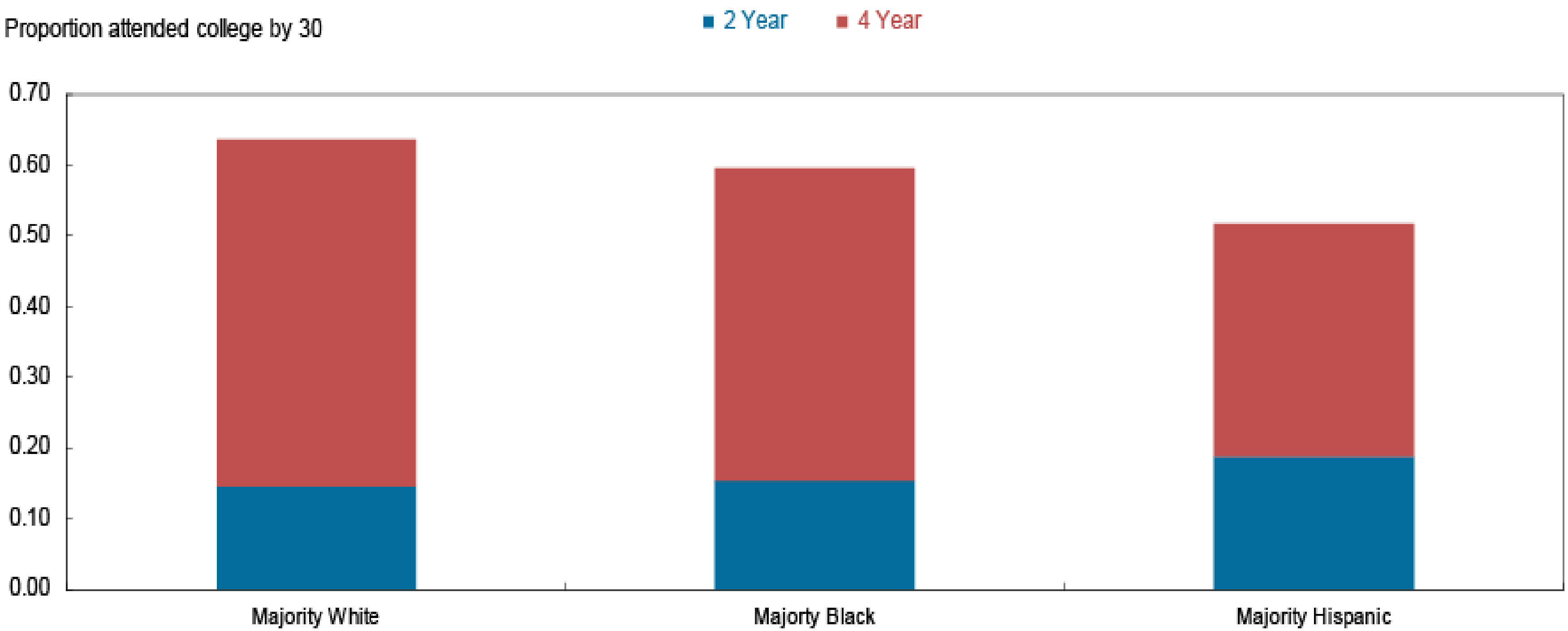
Sources: New York Fed Survey of Consumer Expectations; authors' calculations.

Measuring Racial Disparities in Higher Education and Student Debt Outcomes

Rajashri Chakrabarti, William Nober, and Wilbert van der Klaauw

RAJASHRI CHAKRABARTI
Senior Economist

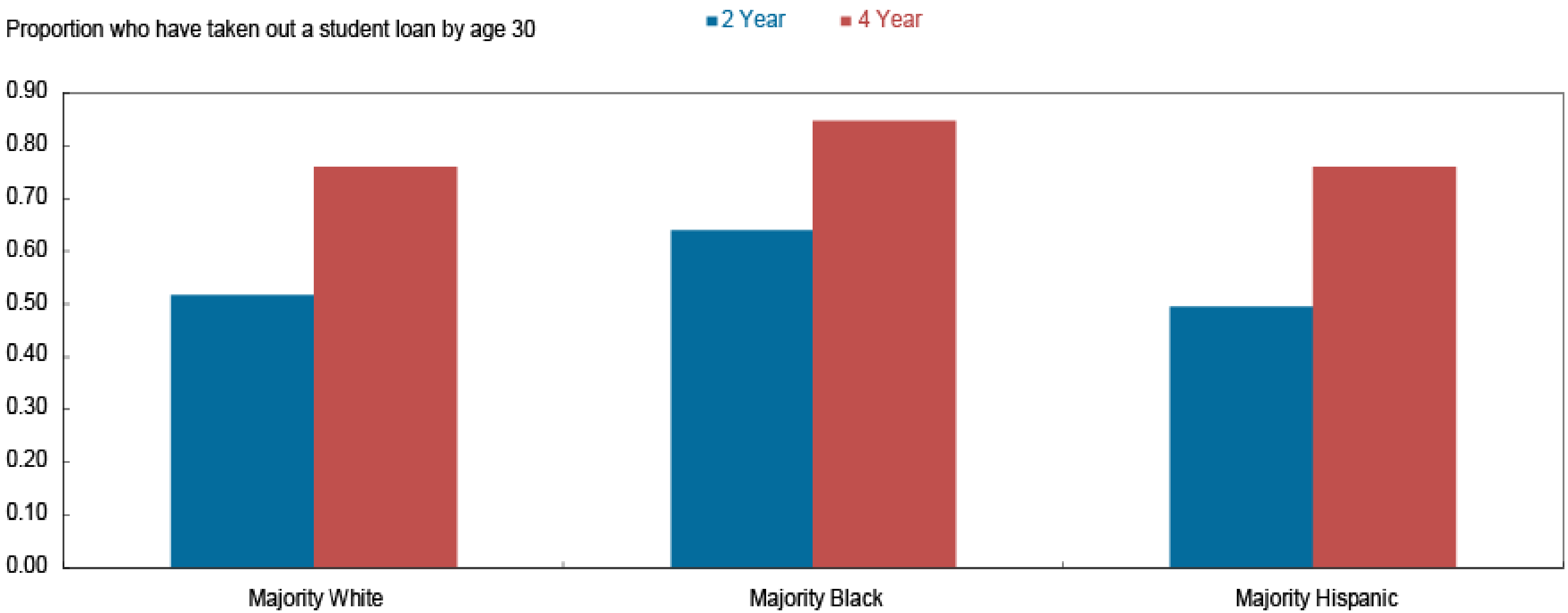
College attendance rates in White majority areas are markedly higher, lowest in majority Hispanic areas



Source: National Student Clearinghouse and New York Fed Consumer Credit Panel / Equifax.

RAJASHRI CHAKRABARTI
Senior Economist

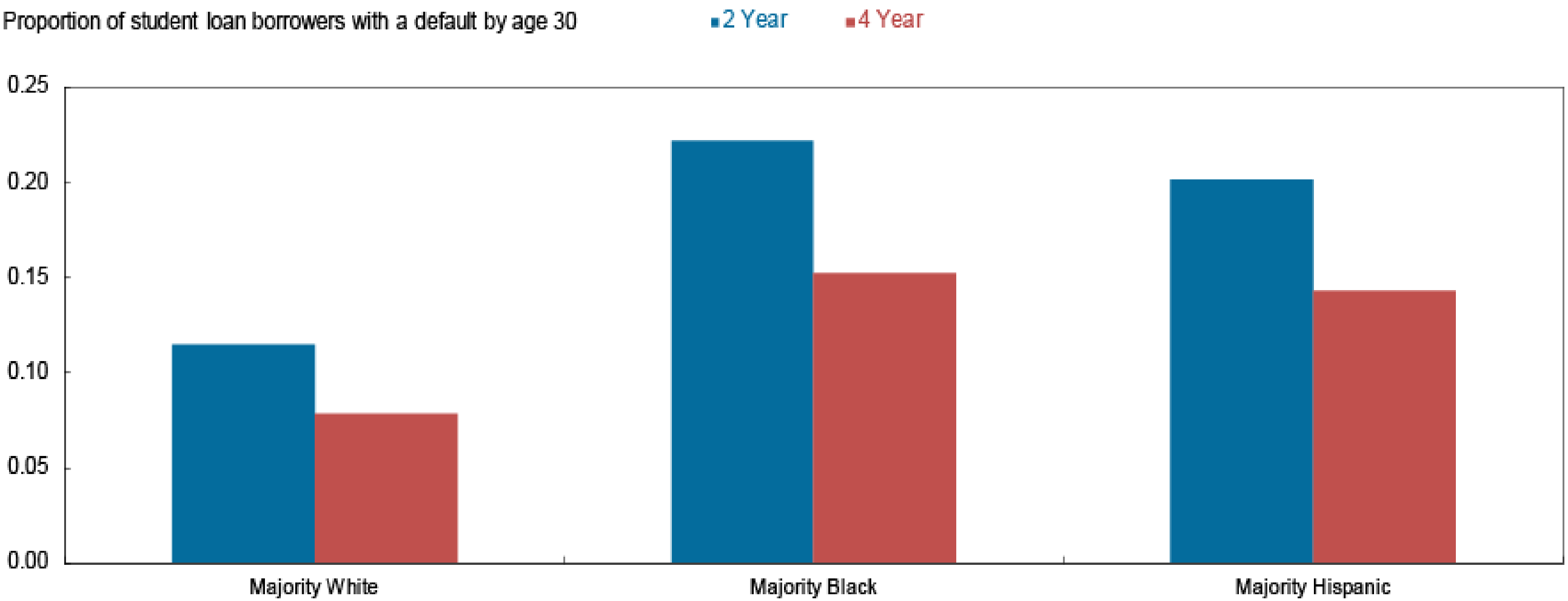
Students from majority Black areas are more likely to borrow and this gap is larger for two-year students



Source: National Student Clearinghouse and New York Fed Consumer Credit Panel / Equifax.

RAJASHRI CHAKRABARTI
Senior Economist

Borrowers in two-year colleges are more likely to default than those in four-year colleges, and substantively more so in majority-minority areas



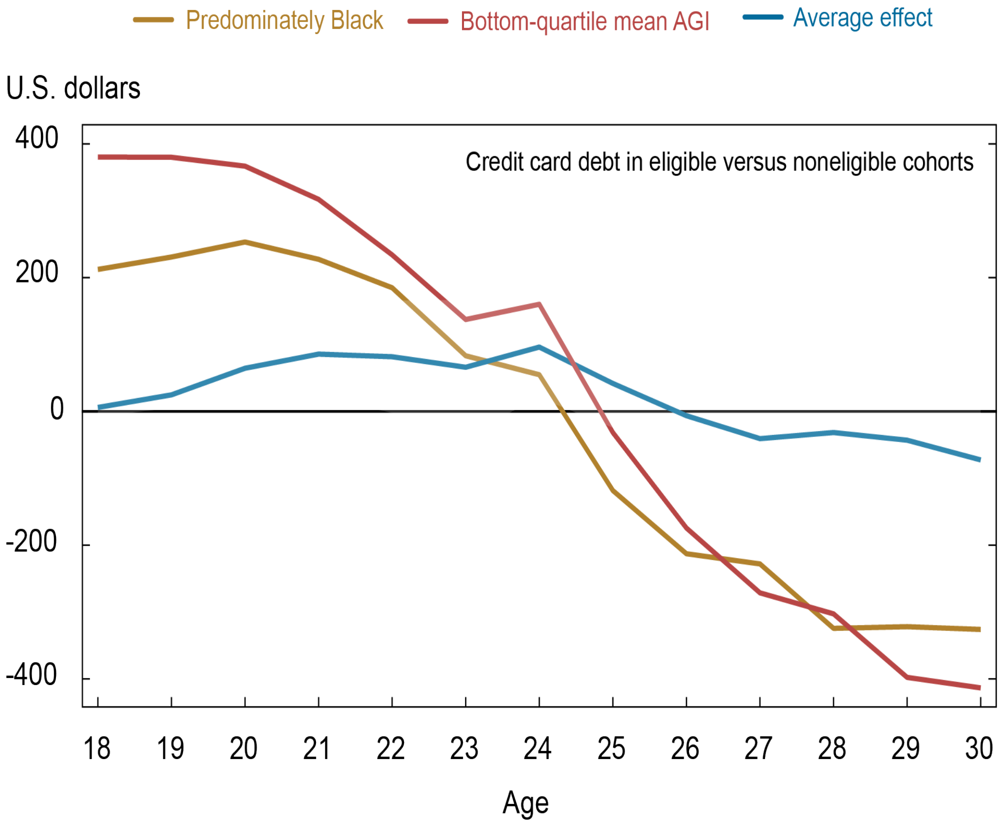
Source: National Student Clearinghouse and New York Fed Consumer Credit Panel / Equifax.

Do College Tuition Subsidies Boost Spending and Reduce Debt? Impacts by Income and Race

Rajashri Chakrabarti, William Nober, and Wilbert van der Klaauw

RAJASHRI CHAKRABARTI
Senior Economist

Merit aid eligibility increases spending in the early 20s

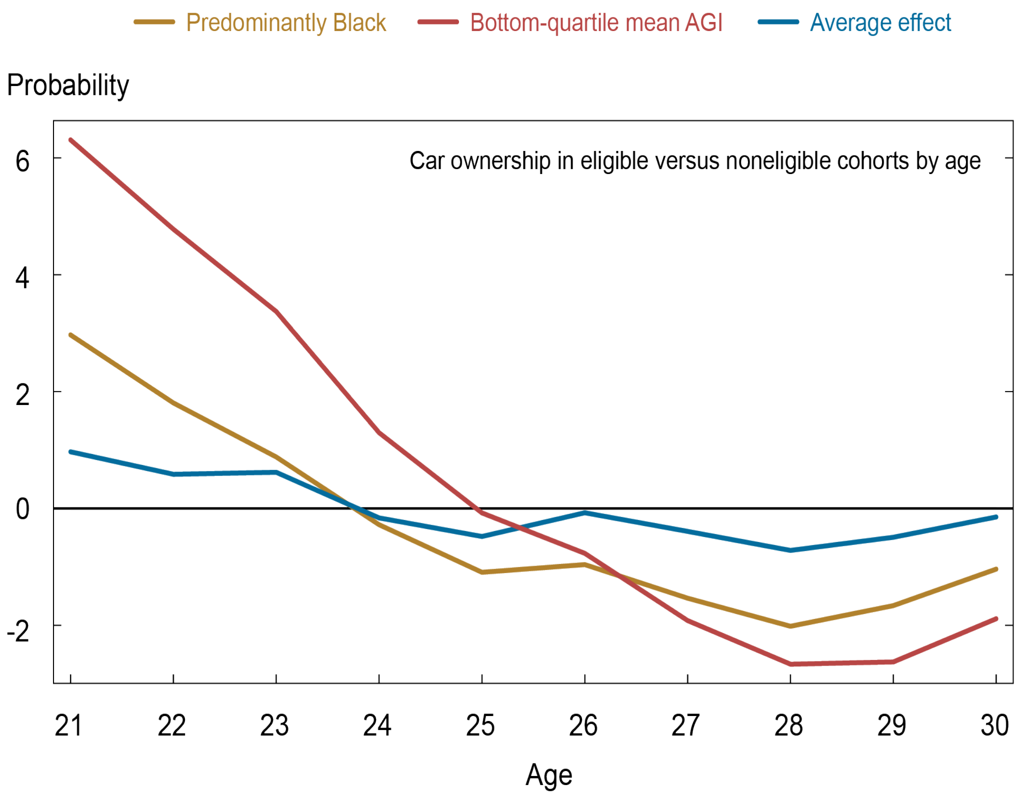


- Eligibility for tuition subsidies (as captured by merit-based aid) leads to immediate but temporary increase in spending (as captured by credit card debt).
- Implies substitution between different forms of consumer debt: away from student debt and toward credit card debt (~17% pass through at age 21).
- These patterns are more prominent for individuals from low-income and predominantly Black zip codes.

Sources: National Student Clearinghouse; New York Fed Consumer Credit Panel/Equifax; Internal Revenue Service; American Community Survey.

RAJASHRI CHAKRABARTI
Senior Economist

Merit aid eligibility temporarily increases car ownership



- Eligibility leads to increased propensity to buy a car, as reflected in auto debt.
- Pattern more prominent for individuals from low-income and predominantly Black zip codes.

Sources: National Student Clearinghouse; New York Fed Consumer Credit Panel/Equifax; Internal Revenue Service; American Community Survey.

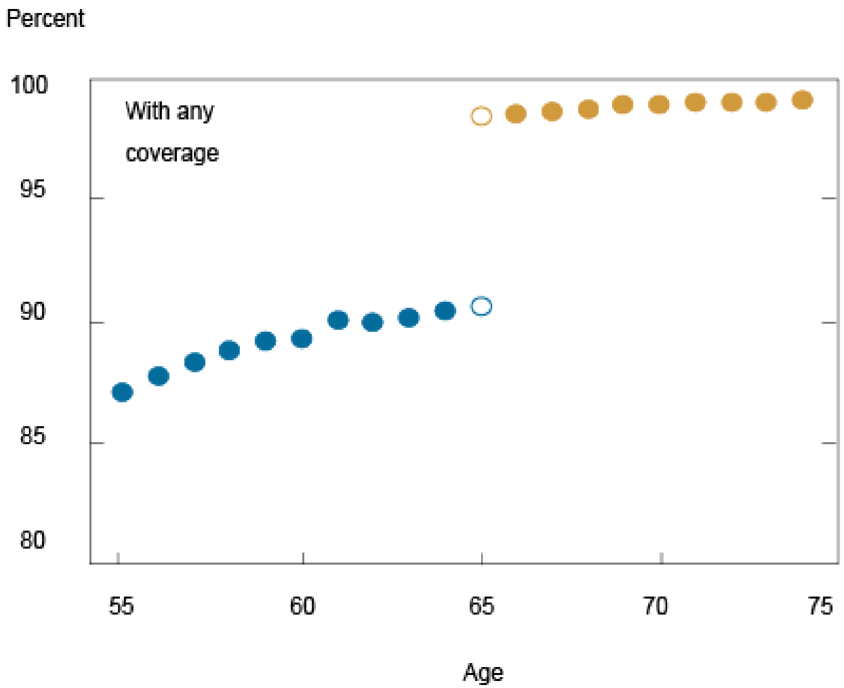
Liberty Street Economics

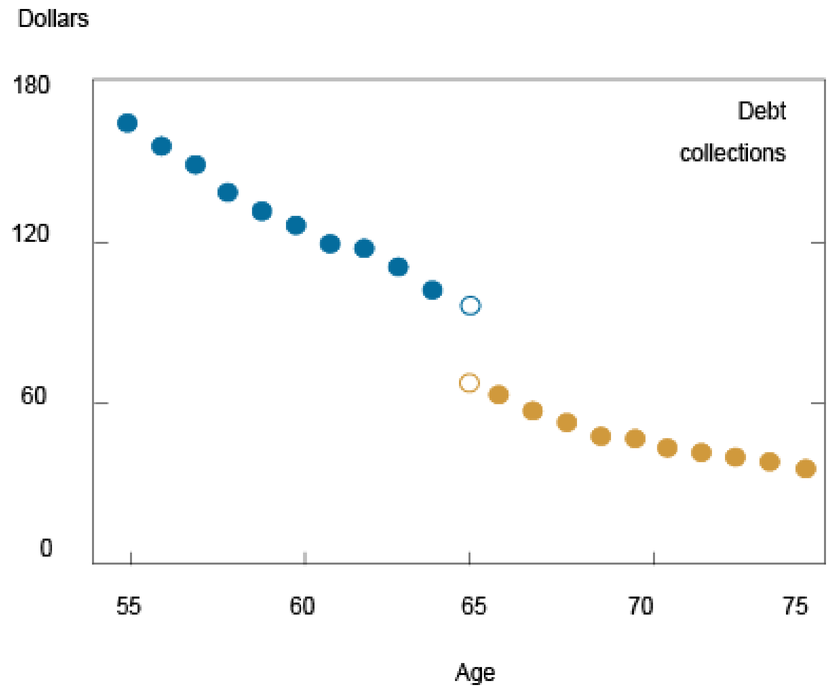
Medicare and the Geography of Financial Health across the United States

Paul Goldsmith-Pinkham, Maxim Pinkovskiy, and Jacob Wallace

MAXIM PINKOVSKIY
Senior Economist

Eligibility for Medicare improves financial health



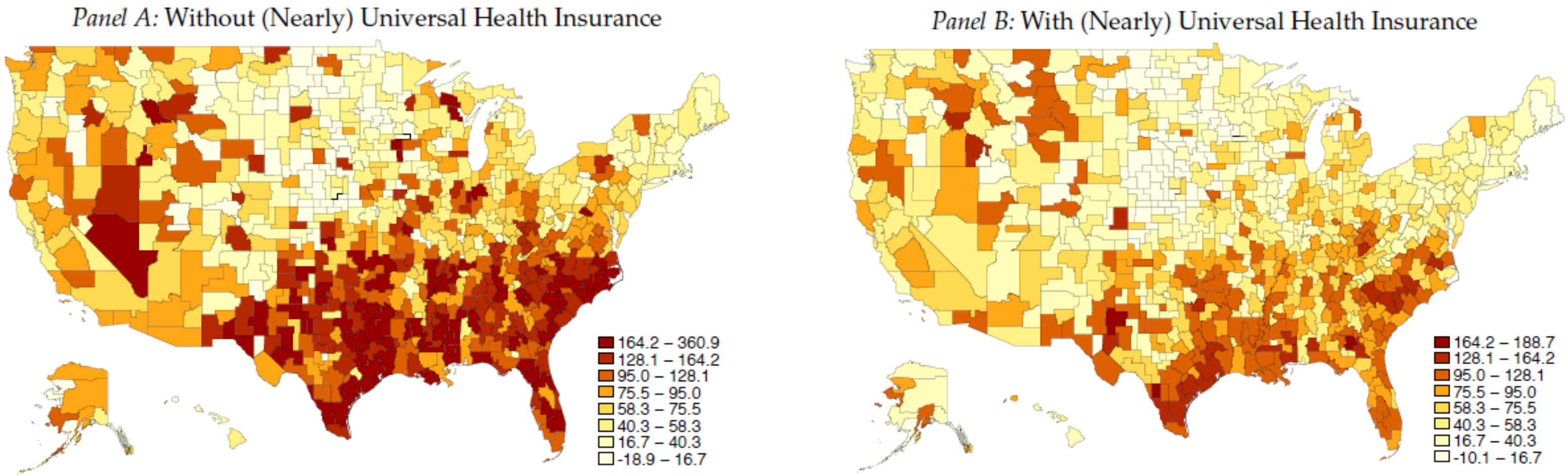


- People become eligible for Medicare abruptly at 65.
- Financial health (debt in collections) abruptly improves at 65 (Barcellos and Jacobson 2015).

Sources: American Community Survey, 2008-17; New York Fed Consumer Credit Panel/Equifax 2008-17.

MAXIM PINKOVSKIY
Senior Economist

Medicare reduces geographic disparities in financial health by two-thirds



- Using the CCP we find that Medicare reduces disparities in financial health by two-thirds.
- Particularly large effects were found in areas with a high fraction of Black residents, poverty and disability, and for-profit hospitals.
- These effects remain post-ACA – the largest effects are in states that did not expand Medicaid.

Source: New York Fed Consumer Credit Panel/Equifax, 2008-17.