FEBRUARY 2021

Tracking the Credit Health of New York City Residents

How can city leaders support an inclusive recovery and help residents build financial health?

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About This Resource

This resource is designed to help local leaders assess the state of their residents' financial health and identify priorities to advance an inclusive recovery. The chart deck is organized into three sections:

1. The link between financial health and inclusive recovery;
2. Key credit health indicators of New York City residents from the Great Recession through the COVID-19 pandemic; and
3. Policy priorities to stabilize resident financial health and advance an inclusive recovery.

Financial Health Is Integral to Inclusive Recovery

Financial health reflects residents' ability to manage their daily finances, be resilient to economic shocks, and pursue opportunities for upward mobility. Credit health is an important component of overall financial health, in addition to savings, income, and wealth. During economic crises, financially healthy residents can better weather the storm, help stabilize city finances, and contribute to economic recovery. But financial health, like economic recovery, is unevenly distributed across racial and economic groups. And advancing inclusion through financial health requires intentional policies and actions.

An inclusive recovery occurs when a place overcomes economic distress in a way that provides opportunity for all residents—especially historically excluded groups of people—to benefit from and contribute to economic prosperity. To achieve this, an inclusive city must provide a platform of opportunity for all residents while ensuring its residents are financially secure enough to take advantage of that opportunity.

In New York City, racial and economic inclusion is an area for growth. New York City ranks 189th out of the 274 largest cities nationwide along key measures of economic inclusion and 169th along key measures of racial inclusion. While New York City is notably worse than other cities on income segregation and racial segregation, the share of rent-burdened residents matches other cities' levels and trends.

Key Takeaways

- **Credit health among New York City residents—measured by changes in credit scores, credit use, and delinquencies—improved after the Great Recession and into COVID-19 as of October 2020.** These trends suggest choices by federal, state, and local policymakers and private-sector partners to help families weather the impacts of COVID-19 are making a difference in their credit health.
- **Disparities by race illustrate that the last economic recovery failed to adequately address systemic barriers facing families of color.** The share of New York City residents in communities of color with subprime credit scores (24.4 percent) is 2.6 times higher than in majority-white communities in the city (9.1 percent). Without sustained support and intentional policies that address racial barriers, the economic impacts of COVID-19 could create major setbacks on the pathway to inclusive economic recovery.
- **Credit health is one component of financial health; while credit measures improved, other data point to increased food insecurity, employment income loss, and other hardships, indicating an uneven recovery.** Credit data cannot capture the experiences of about one in ten US adults who do not have a credit file, and people of color are disproportionately represented in this group. Credit data also do not reflect residents' ability to make timely payments once loan forbearance and other protections end, since reporting requirements make qualifying loans that were current before borrowers sought accommodations appear current during forbearance. Even residents with strong credit health may face challenges if underlying financial circumstances—income and savings—have not improved. Assessing the state of resident's incomes, savings, and other assets will be important for understanding the full impact of COVID-19 on financial health.

The State of Financial Health in New York City

Pre-COVID-19

New York City is an economically stable city with high housing costs. Similar to Washington, DC, Los Angeles, Oakland, Sacramento, and Boston, New York City has some of the highest shares of low- and moderate-income residents who are burdened by housing costs. New York City's economic conditions are mixed but typically somewhat above average. Residents' credit health is generally above average, with median credit scores in the prime range. While New York City has higher median credit scores among both communities of color and majority- white communities, it also has among the highest share of low- and moderate-income residents who are burdened by housing costs.

High housing costs pose a challenge for city residents, making it difficult for them to save for financial emergencies and long-term investments, like a house or small business. Homebuyers may have to borrow a substantial amount, making them vulnerable to housing market downturns.

Among families in New York City, **61 percent (approximately 1.9 million families) were financially insecure in 2019**, with less than $2,000 in savings, compared with 52 percent nationally. This directly affects the city's financial health. In New York City, the estimated government cost of family financial insecurity from eviction and unpaid property taxes and utility bills is **$542 million to $1.2 billion** out of a total annual budget of $85 billion.

The Threat of COVID-19 for Resident Financial Health

America's cities are showing the economic impact of the COVID-19 pandemic. In New York, the unemployment rate went from 3.4 percent in February to 20.3 percent in June. As of October, New York's unemployment rate was 13.2 percent, far higher than that of peer cities including Seattle (4.2 percent), San Francisco (6.9 percent), and Washington, DC (8.2 percent). Small business revenue is down 48 percent as of October, and the metro area (including Newark and Jersey City) has lost nearly 588,000 low-income jobs since the beginning of the pandemic, many of which were in accommodation and food services, health care and social assistance, and retail trade.

These sudden income drops from job losses, reduced hours, or lost business revenue put financial strain on families, many of whom have limited savings to buffer against such shocks. Before the pandemic, an estimated 45 percent of New Yorkers could not pay for a $400 emergency expense with cash; and 30 percent could not come up with money for such an expense at all. And many households may face steep medical bills if family members required hospitalization for coronavirus infections.

The Additional Threat of COVID-19 for Communities of Color

Households of color have been disproportionately affected by the health and economic consequences of the COVID-19 pandemic. They are more likely to die from COVID-19, more likely to be in essential jobs with outsized exposure to the virus, and more likely to be in low-wage jobs impacted by layoffs.

These disparities are not the result of individual failings but of systemic inequities that produce disparate outcomes by race. Families of color experience greater financial insecurity because of long histories of employment discrimination that hindered pay, housing discrimination that limited wealth building, and residential segregation that slowed mobility. They have less wealth and savings, less access to credit, and more expensive credit than their white peers. Residents in majority-Black, -Hispanic, and -Native communities also experience higher delinquencies and are more likely to use alternative financing services. All these factors contribute to their increased vulnerability to the health and economic shocks of the COVID-19 pandemic and recession.

Resident Credit Health in New York City Improved after the Great Recession and into COVID-19

This section shows key credit metrics for New York City—credit scores, credit use, and delinquent debt—and breaks out delinquencies by debt type. Federally backed mortgages and student loans received especially strong protections from federal policies during the 2020 economic recession. State and local leaders also have leverage in key markets, given their major role in public higher education systems, oversight of financial institutions, and workforce and economic development partnerships.

Where possible, data show metrics for three groups—all communities, communities of color, and majority-white communities—to highlight the need for policies and strategies that include and empower residents of color. Our city-level data are insufficient to break down communities into more defined racial and ethnic groups, and, sometimes, to perform any demographic analysis. We recognize that financial health data aggregated by racial and ethnic groups often mask tremendous differences within groups.

New York City is more financially healthy than many cities, as comparisons with New York State and US show. Still, there is room for improvement: about 1 in 5 New York City residents have subprime credit, 1 in 5 New York City residents have debt in collections, and residents who live in communities of color are twice as likely to have debt in collections.

While credit health has improved for all racial groups since August 2010 across many metrics that follow, the racial gaps that remain indicate that “a rising tide” is not enough. Further, while the following charts show recent improvement across many measures, those improvements reflect government choices to help families weather the financial impacts of COVID-19. Without sustained support and intentional policies that address racial barriers, the economic impacts of COVID-19 could result in a major setback for resident financial health, further exacerbating the fiscal crunch of state and local governments and slowing the pathway to an inclusive economic recovery.

Indicators of the Credit Health of City Residents

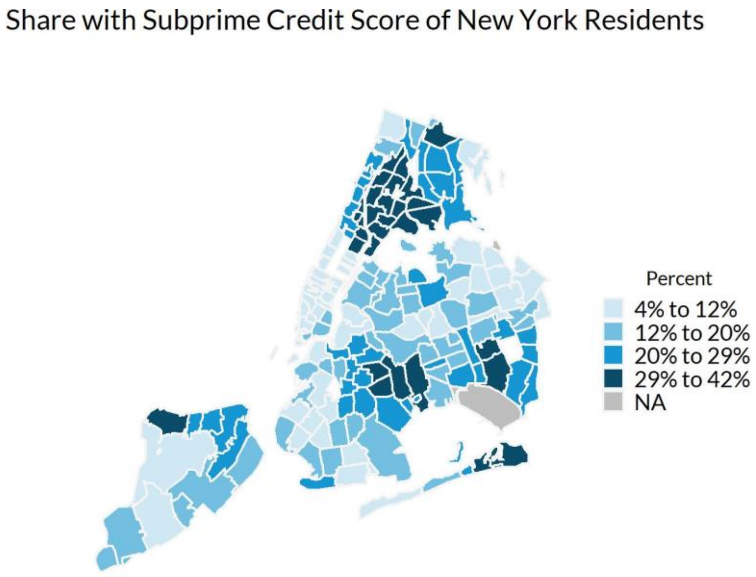
Three ways to characterize credit health using credit data:

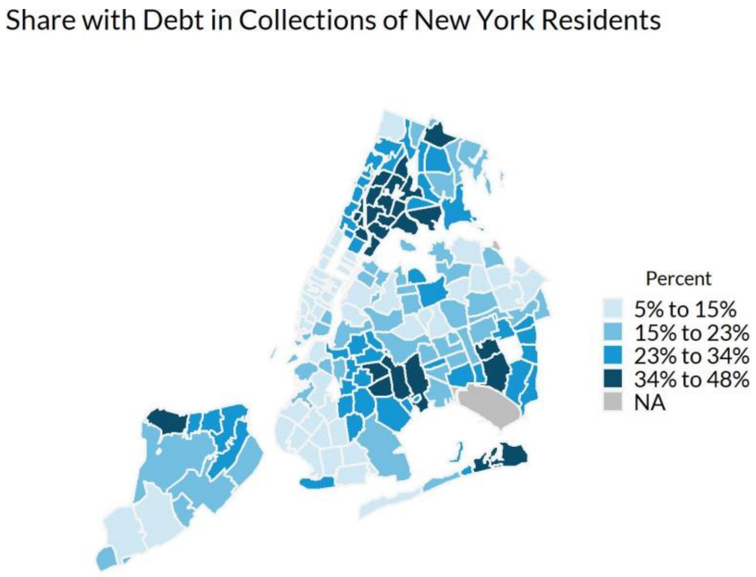
1) **Credit scores** are a composite indicator of overall credit health. Having a subprime credit score can limit access to credit and increase the cost of debt.
   - Scores range from 300 to 850; a score below 600 is subprime.

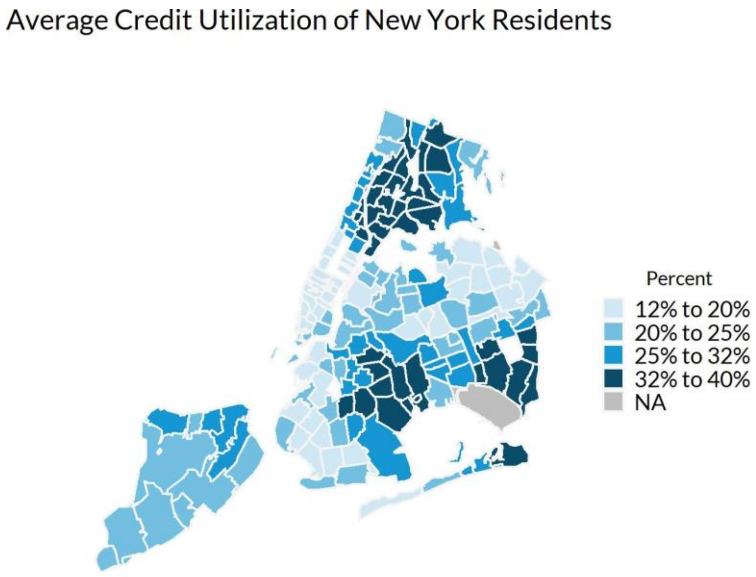
2) **Credit use** indicates access to credit, which families may use to meet their financial needs. The share of available credit used is a measure of debt burden. Higher debt burdens could signal financial distress.
   - Use of alternative financial service loans like payday loans can indicate emergency needs.

3) **Delinquent debt** data can show where support is needed to avoid foreclosures, bankruptcies, calls from debt collectors, and other hardships. Delinquent debt appears on credit reports, which are sometimes used by employers and landlords to assess job and rental applicants.
   - Delinquent debt is debt that is 30, 60, or more days past due or in collections.

Financial Health Varies by Neighborhood







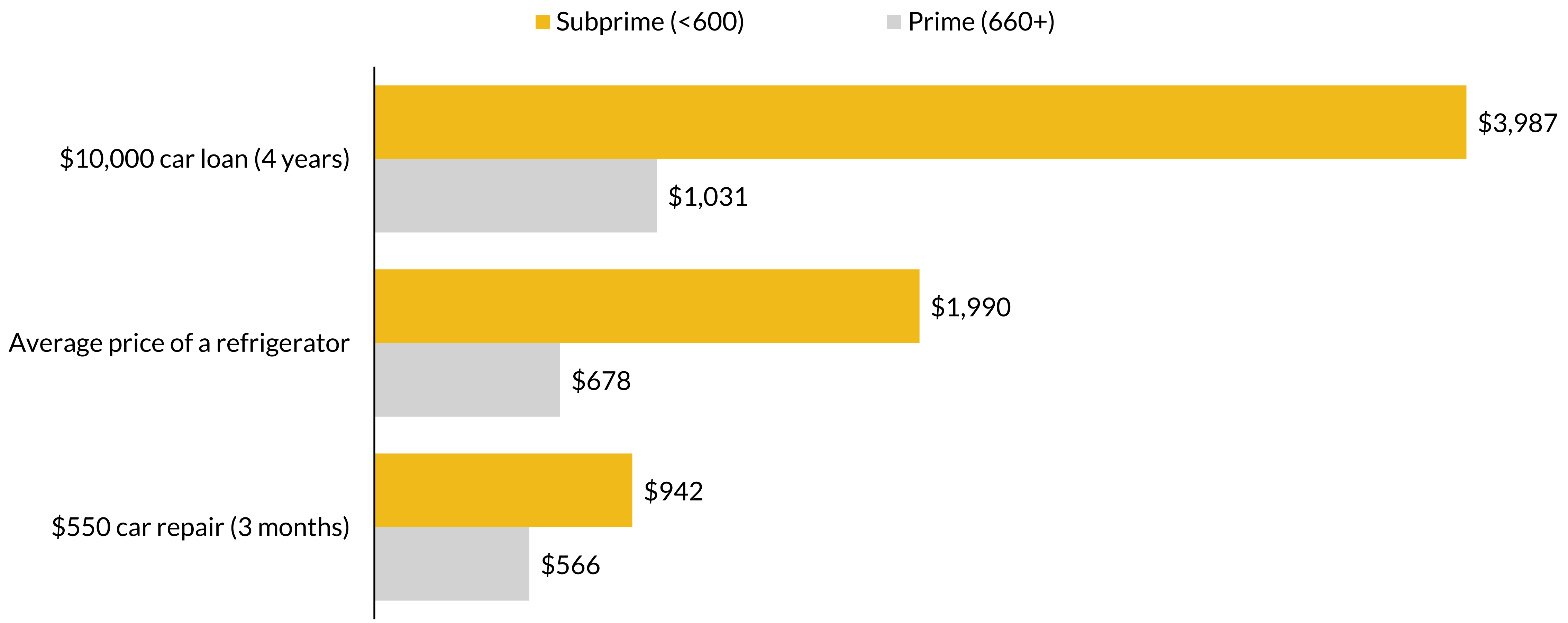
Like in most cities, resident financial health in New York City varies by neighborhood. City leaders in government, business, philanthropy, and advocacy can examine differences in delinquencies, credit scores, and credit use to understand how to build a more inclusive recovery, including the targeting of important policies, practices, and resources:

- Community and economic development resources to encourage equitable job and business opportunities
- Location of community services, including banks and financial empowerment centers, to help residents access affordable financial services, build savings, and improve financial resilience
- Design and enforcement of consumer financial protections against predatory lending and unfair debt collection practices

Credit Scores

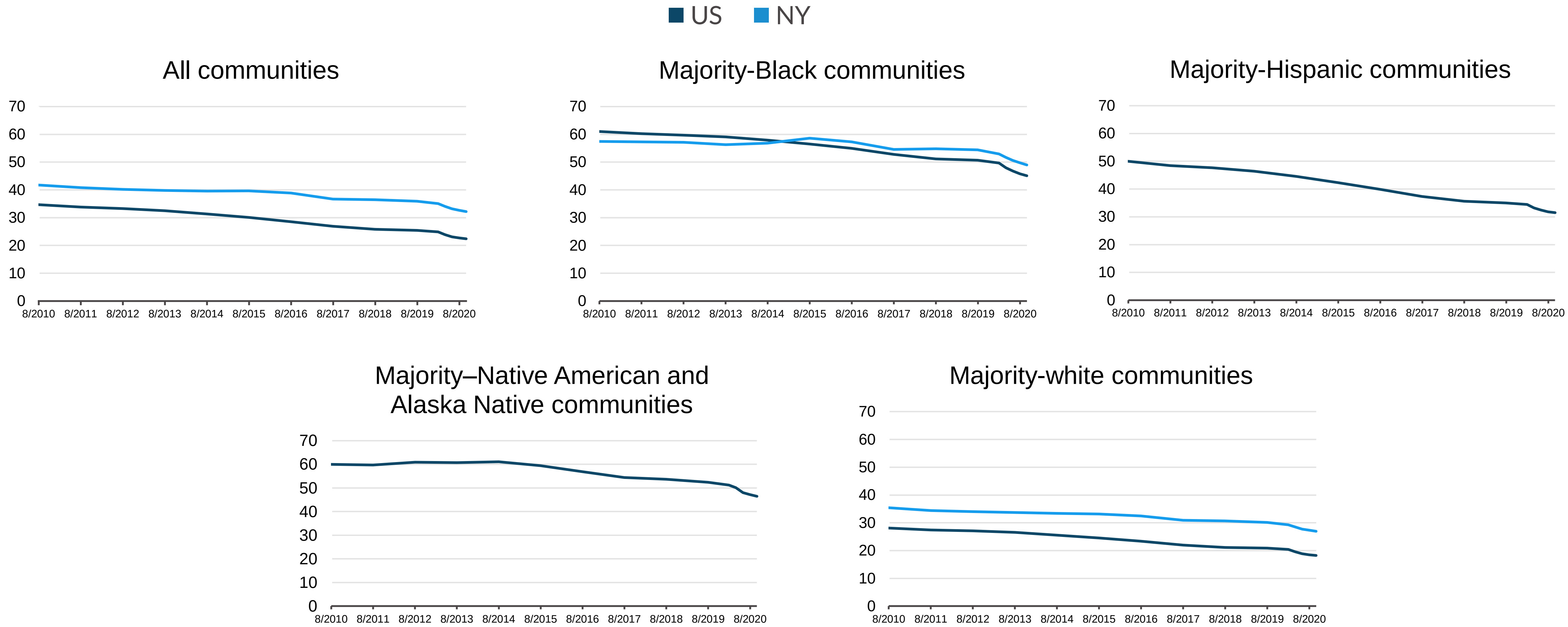
Credit Health Affects Residents' Costs of Living

Having a subprime credit score increases the costs of common consumer purchases



Source: Elliott and Lowitz. 2018. What Is the Cost of Poor Credit. Washington, DC: Urban Institute.

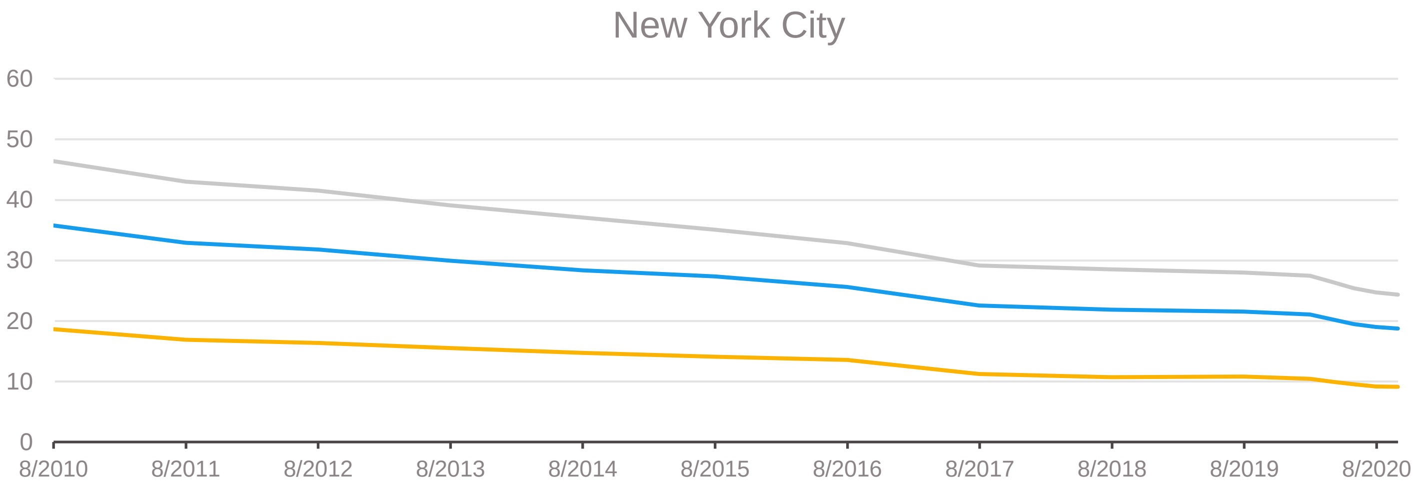
Nationally and in New York State, the share of residents with a subprime credit score steadily declined after the Great Recession and into the pandemic, but racial disparities persisted.

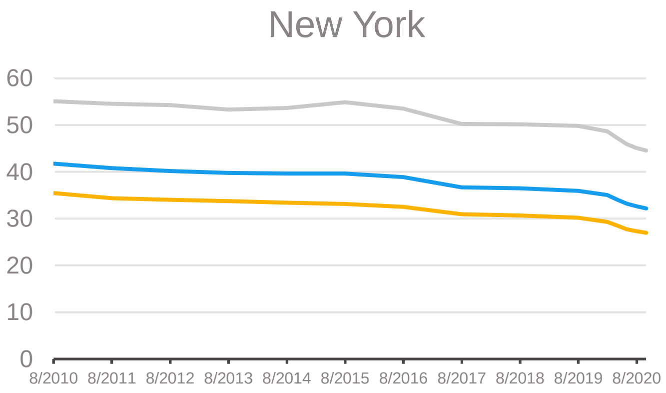


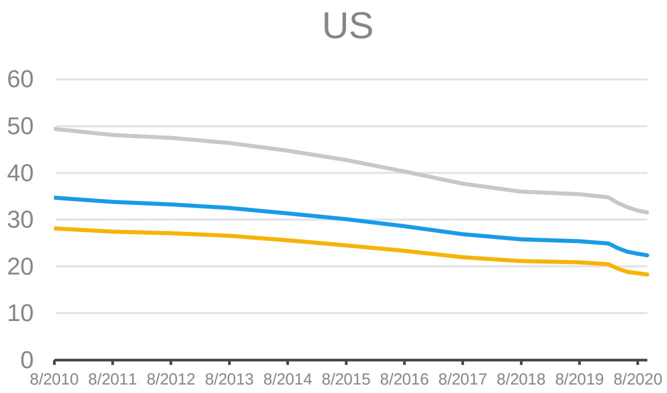
Source: Tabulations of Urban Institute credit bureau data.

Notes: Subprime credit score is a VantageScore of 600 or below. Demographic estimates are based on zip codes where at least 60 percent of the population identifies as the given race or ethnicity. Because of limited sample sizes, state-level demographic estimates are not always available for all timespans and/or races or ethnicities.

The share of New York City residents with subprime credit scores declined from 36 percent in August 2010 to 19 percent in October 2020.







— All communities
— Majority communities of color
— Majority-white communities

Source: Tabulations of Urban Institute credit bureau data.

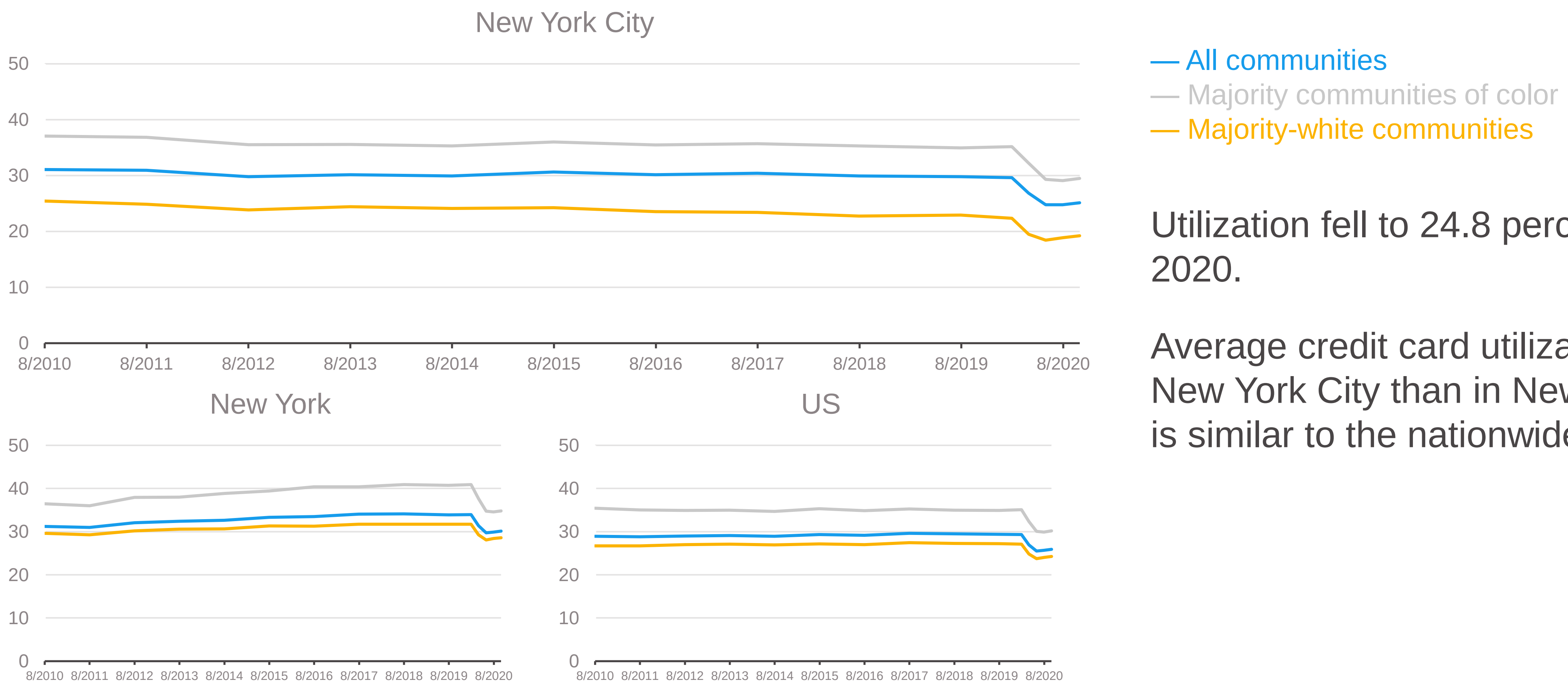
Notes: Subprime credit score is a VantageScore of 600 or below. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

This trend follows a similar path to New York State and the United States overall, though the share of New York City residents with subprime credit scores is lower than the statewide and national shares.

Credit scores reflect and perpetuate racial disparities, even in a relatively prosperous city like New York City. The share of residents in communities of color with subprime credit scores (24.4 percent) is 2.6 times higher than in majority-white communities in the city (9.1 percent).

Credit Use

Average credit card utilization in New York City declined slightly between August 2010 and February 2020, then steeply in the first months of the pandemic.



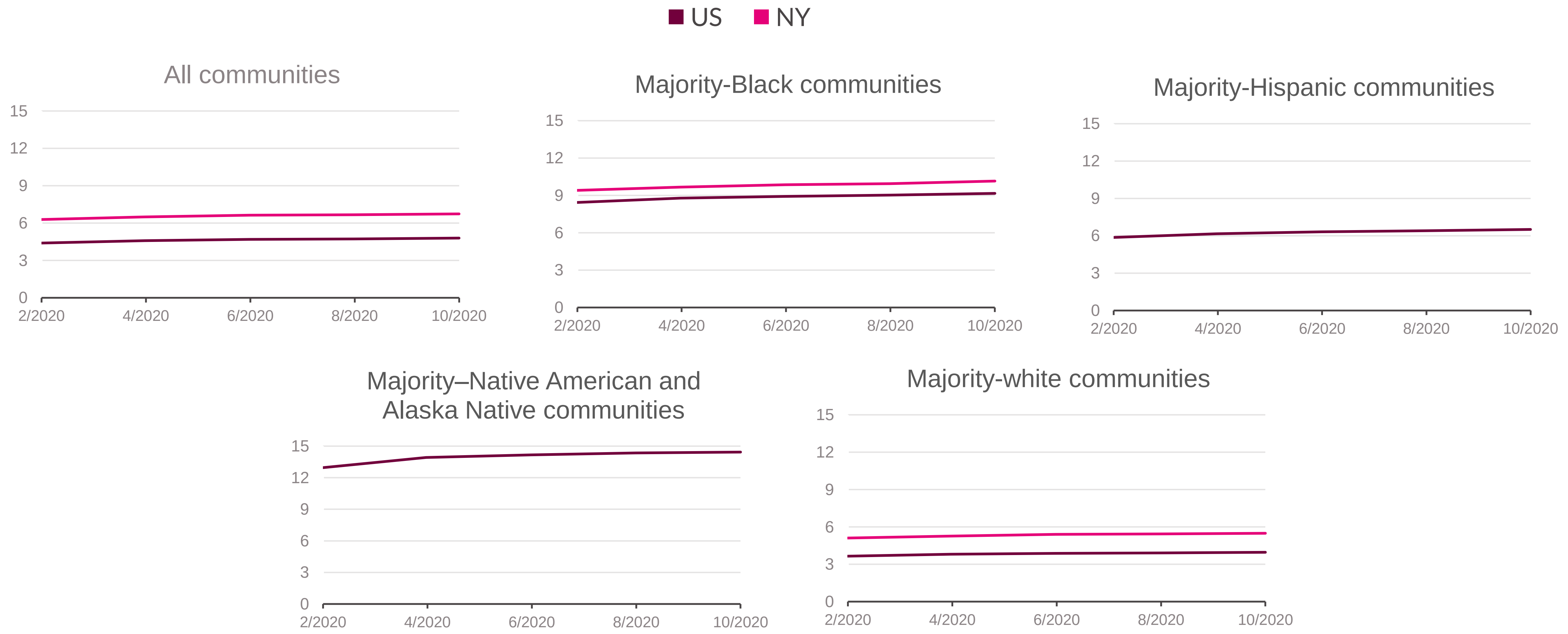
Utilization fell to 24.8 percent in August 2020.

Average credit card utilization is lower in New York City than in New York State and is similar to the nationwide average.

Source: Tabulations of Urban Institute credit bureau data.

Notes: Average credit card utilization is the average percentage of available credit card limit used. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

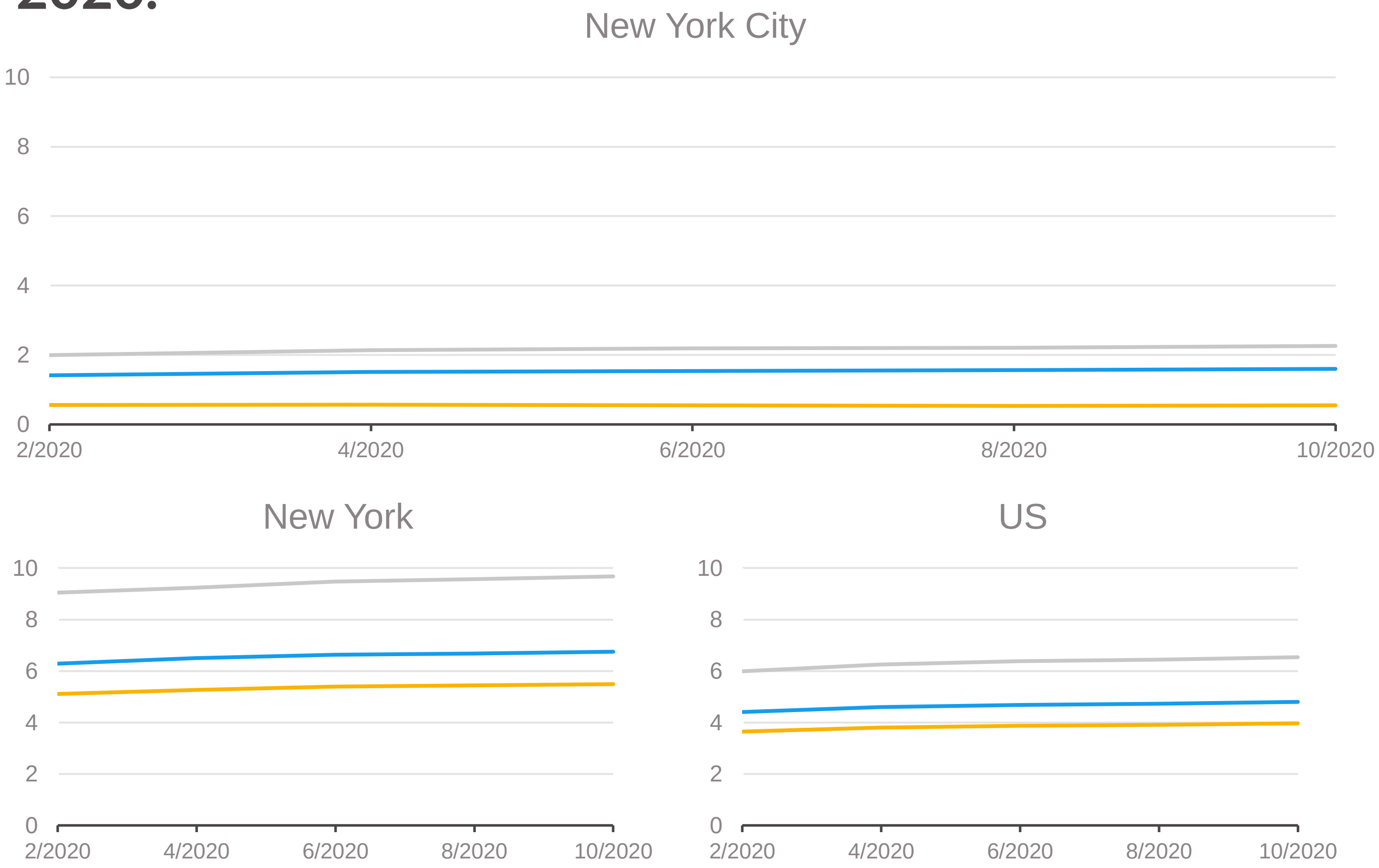
The share of residents using alternative financial service credit, such as payday loans, increased slightly after February 2020. The share is highest in neighborhoods with majority-Black residents.



Source: Tabulations of Urban Institute credit bureau and alternative financial service data.

Notes: Alternative financial service credit includes short-term loans (installment loans, nonprime credit cards, auto title loans, rent-to-own) and single-pay credit (pawn shops, payday loans) from non-banking institutions. Demographic estimates are based on zip codes where at least 60 percent of the population identifies as the given race or ethnicity. Because of limited sample sizes, state-level demographic estimates are not always available for all timespans and/or races or ethnicities.

The share of residents using credit from alternative financial services since the start of the COVID-19 pandemic has remained around 1.5 percent in New York City since February 2020.



Alternative financial service (AFS) loan use is lower in New York City than it is in New York State and nationwide.

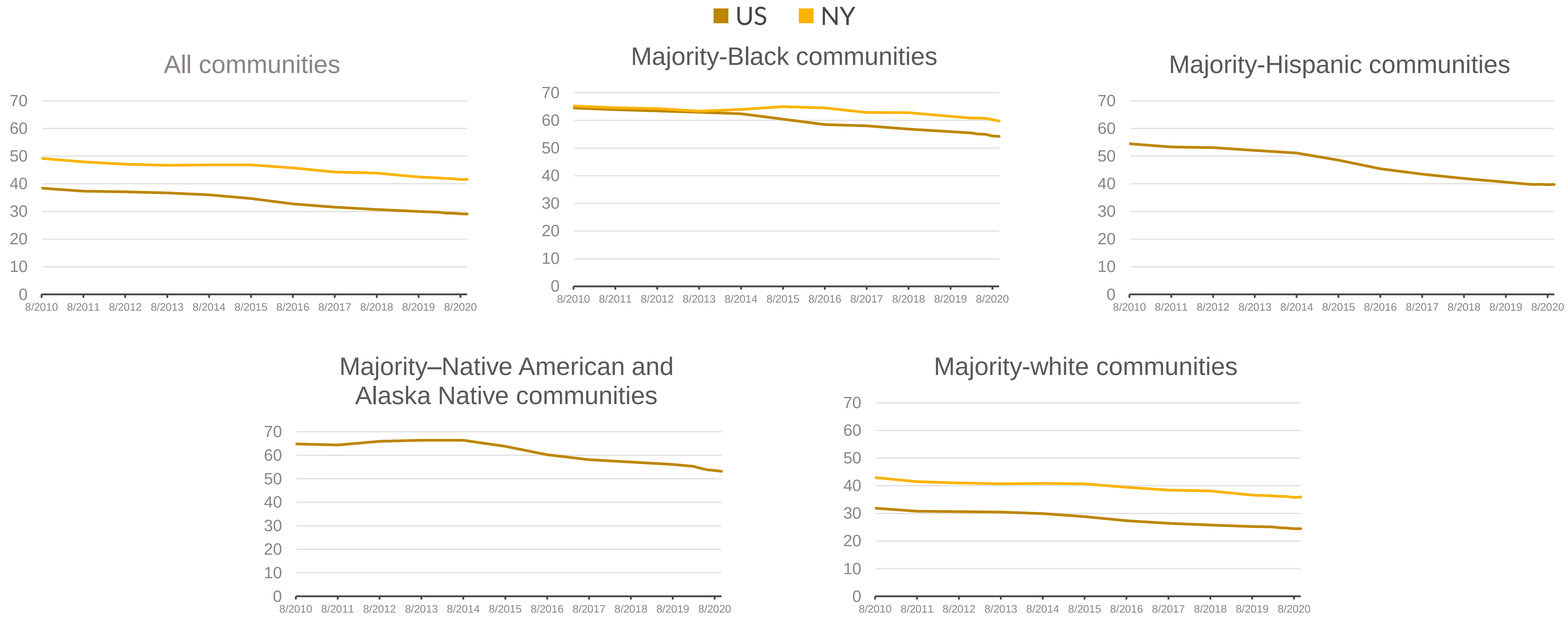
Lower use of AFS loans may reflect New York City's policy environment: payday loans are illegal, which limits residents' access to alternative financial services.

Source: Tabulations of Urban Institute credit bureau data.

Notes: Alternative financial service products include short-term loans (installment loans, nonprime credit cards, auto title loans, rent-to-own) and single-pay credit (pawn shops, payday loans). Loan origination channels could be online or storefront. Loan types could be installment or single pay.

Delinquent Debt

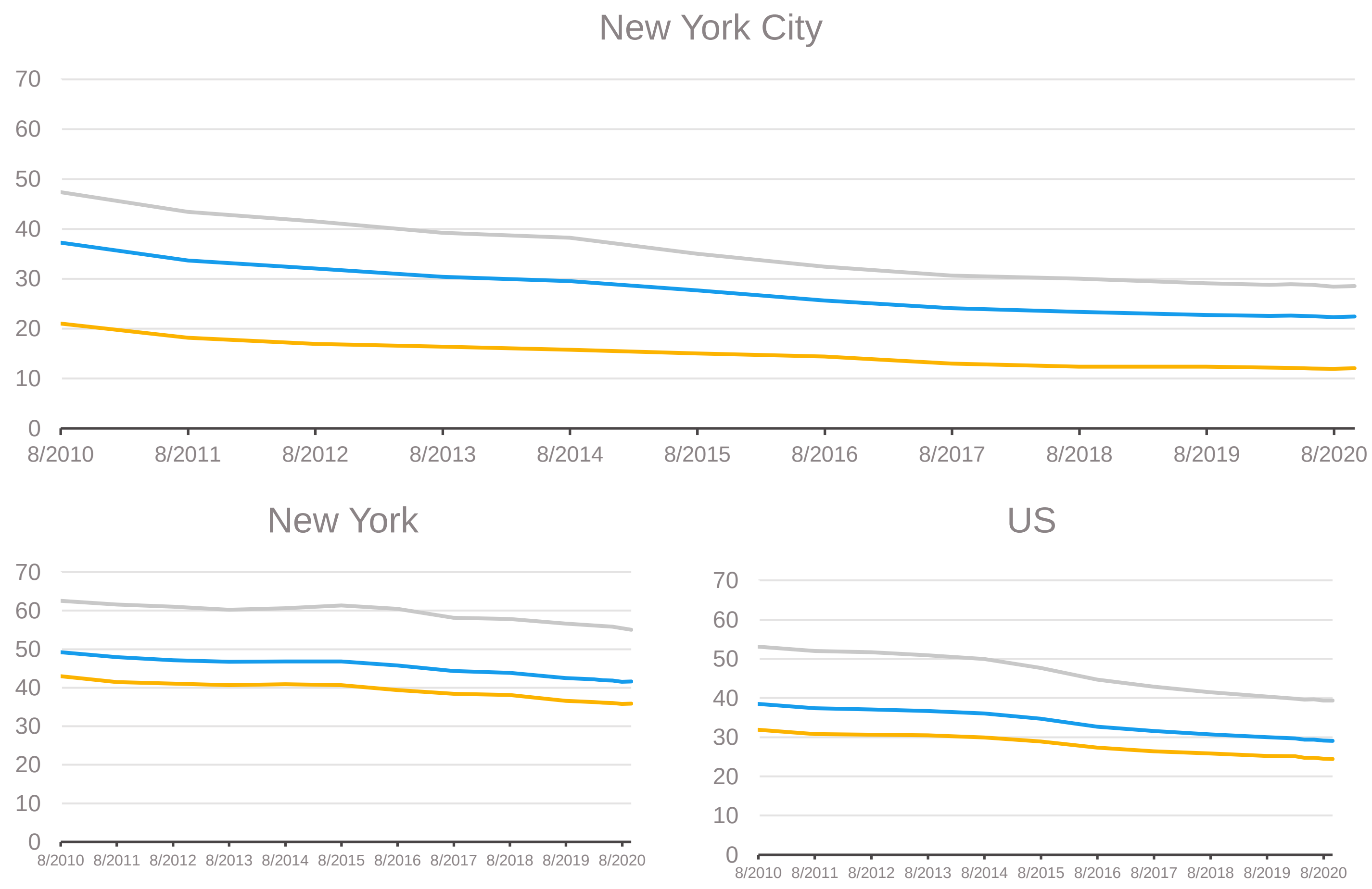
The share of residents with debt in collections also declined after the Great Recession. Nearly 1 in 3 (29.1 percent) US adults with a credit file, and 4 in 10 New Yorkers, had debt in collections in October 2020. Overall, racial disparities have continued.



Source: Tabulations of Urban Institute credit bureau data.

Notes: Share with any debt in collections is the share of people with a credit bureau record who have any debt in collections. Demographic estimates are based on zip codes where at least 60 percent of the population identifies as the given race or ethnicity. Because of limited sample sizes, state-level demographic estimates are not always available for all timespans and/or races or ethnicities.

22.4 percent of New York City adults with credit files had debt in collections in October 2020.



This number is down from 37 percent in 2010 and relatively stable from 22.5 percent in February 2020, when COVID-19 began spreading in the US.

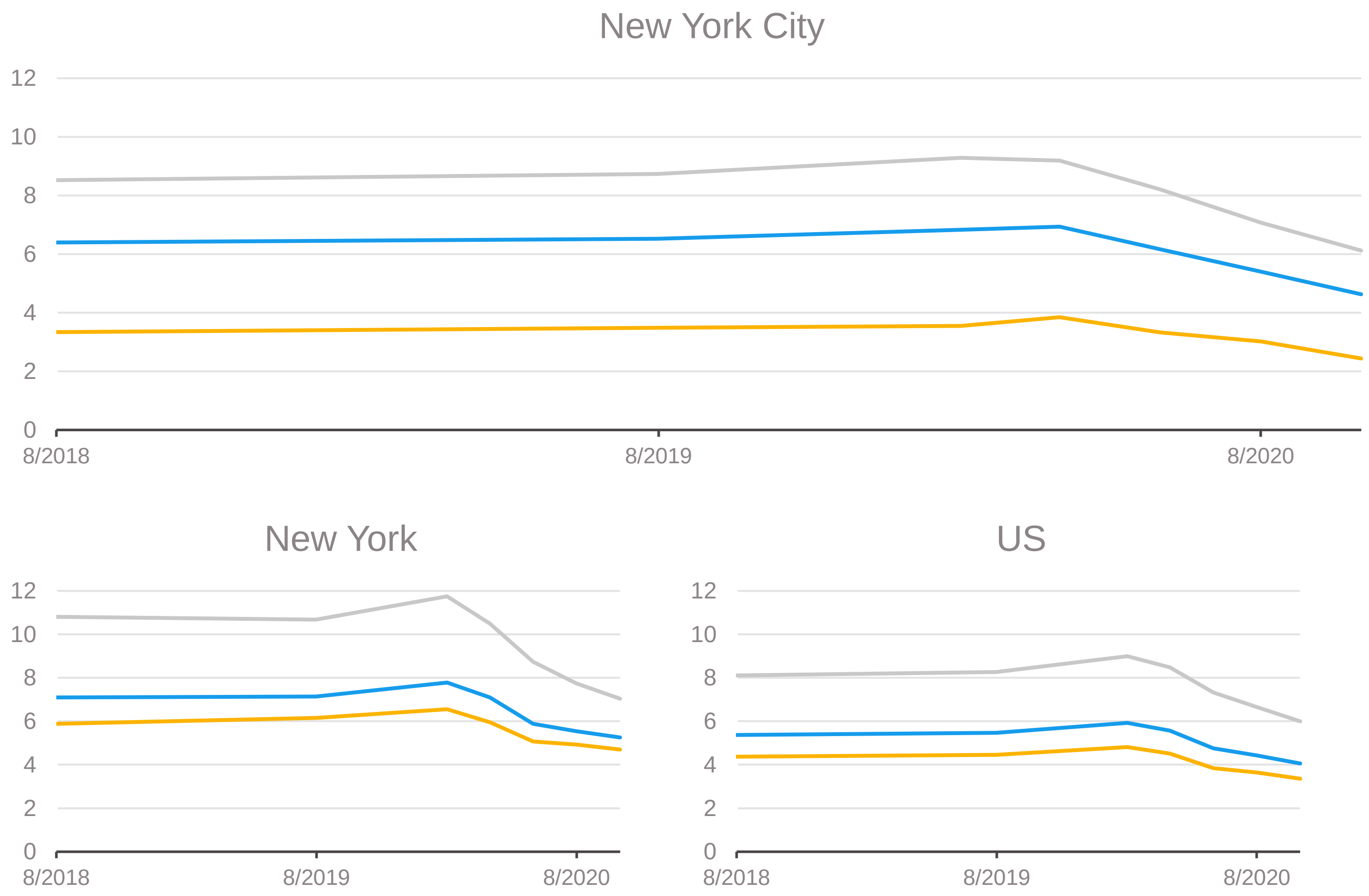
The share of New York City residents with debt in collections is lower than the share of adults with debt in collections in New York State (49.6 percent) and the US overall (29.1 percent).

New York City residents living in communities of color are **over twice as likely** to have debt in collections as residents living in majority-white communities (28.6 percent compared with 12.1 percent).

Source: Tabulations of Urban Institute credit bureau data.

Notes: Share with any debt in collections is the share of people with a credit bureau record who have any debt in collections. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

The credit card delinquency rate in New York City was 4.6 percent in October 2020.



This share is compared with 6.4 percent in August 2018.

Since February 2020, the credit card delinquency rate in New York City has dropped from 6.8 percent to 4.6 percent in October 2020.

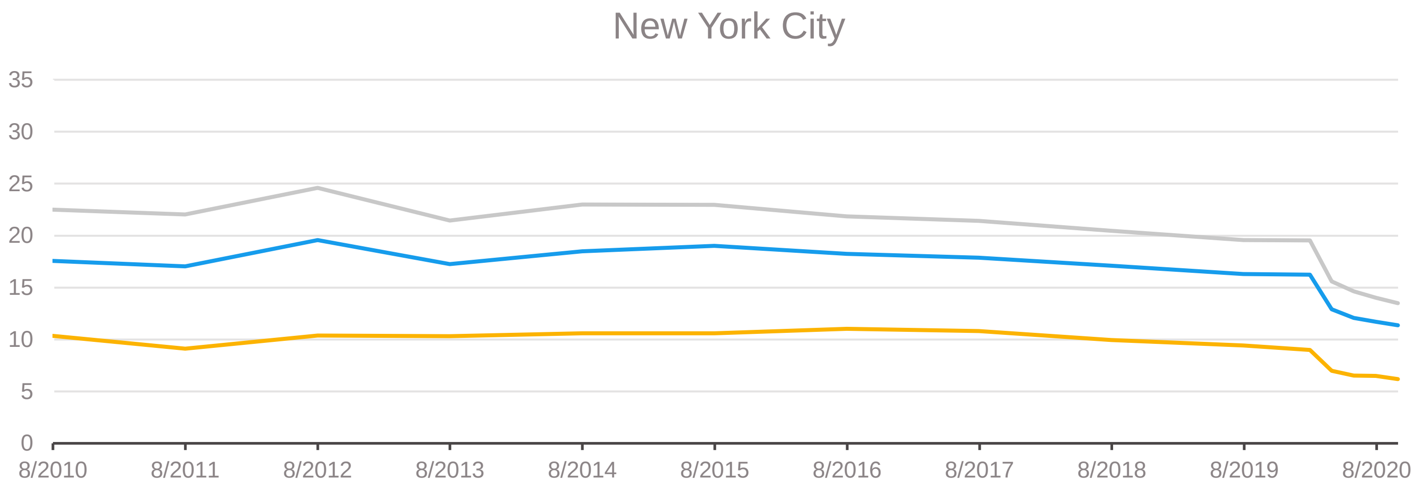
The credit card delinquency rate in New York City is lower than it is in New York State (5.3 percent) but higher than the US overall (4.1 percent).

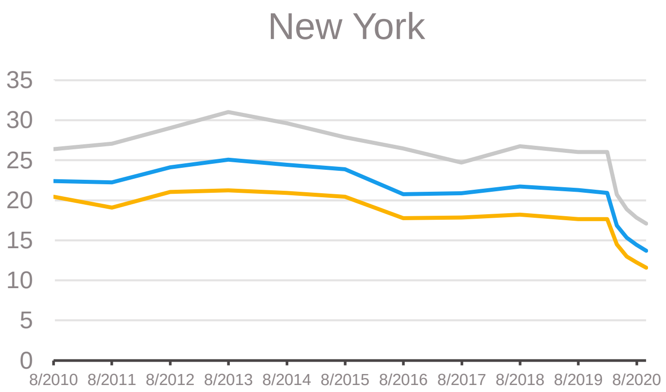
Data before August 2018 are unavailable.

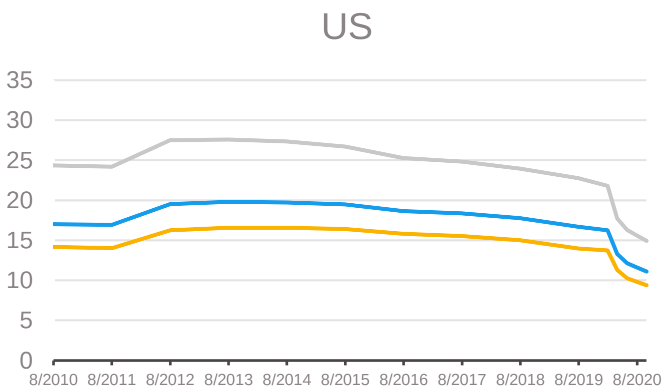
Source: Tabulations of Urban Institute credit bureau data.

Notes: Credit card debt delinquency rate is the share of people with credit/charge card debt who are 30 or more days delinquent. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

The student loan delinquency rate in New York City was 11.4 percent in October 2020.







— All communities
— Majority communities of color
— Majority-white communities

This rate is down from 17.6 percent in August 2010 and 16.2 percent in February 2020.

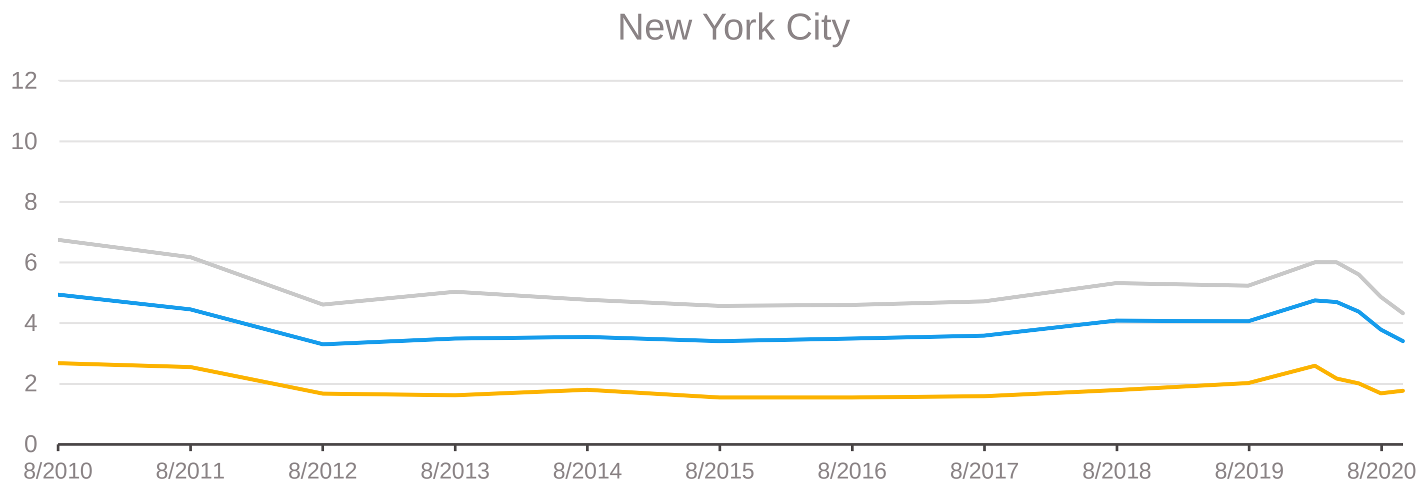
Student loan delinquencies are lower in New York City than in New York State (13.7 percent) and are similar to the US overall (11.1 percent).

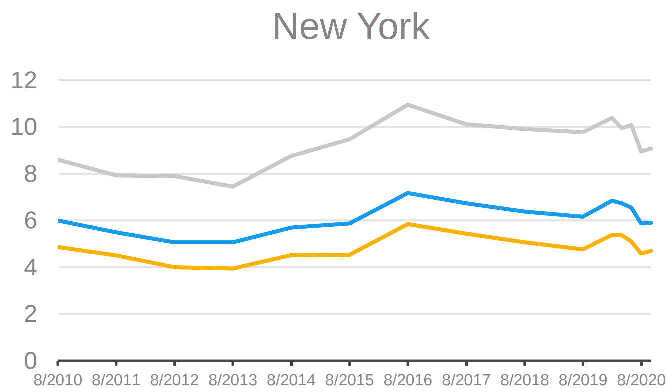
The CARES Act and executive actions by the Department of Education suspended principal and interest payments on federally held student loans through December 31, 2020. Garnishments of wages, tax refunds, and Social Security benefits on student loans in default were also suspended.

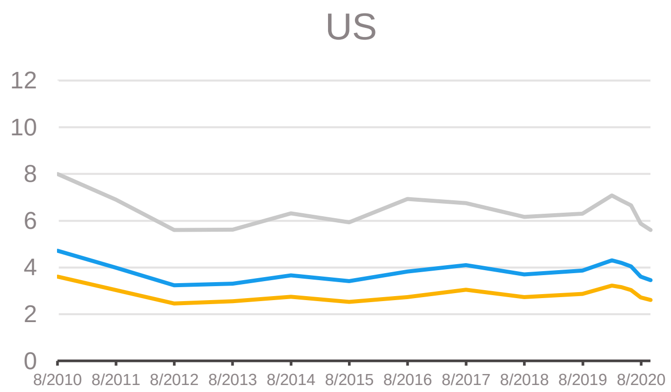
Source: Tabulations of Urban Institute credit bureau data.

Notes: Student loan debt delinquency rate is the share of people with student loans who are 60 or more days delinquent. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

The auto/retail loan delinquency rate in New York City was 3.4 percent in October 2020.







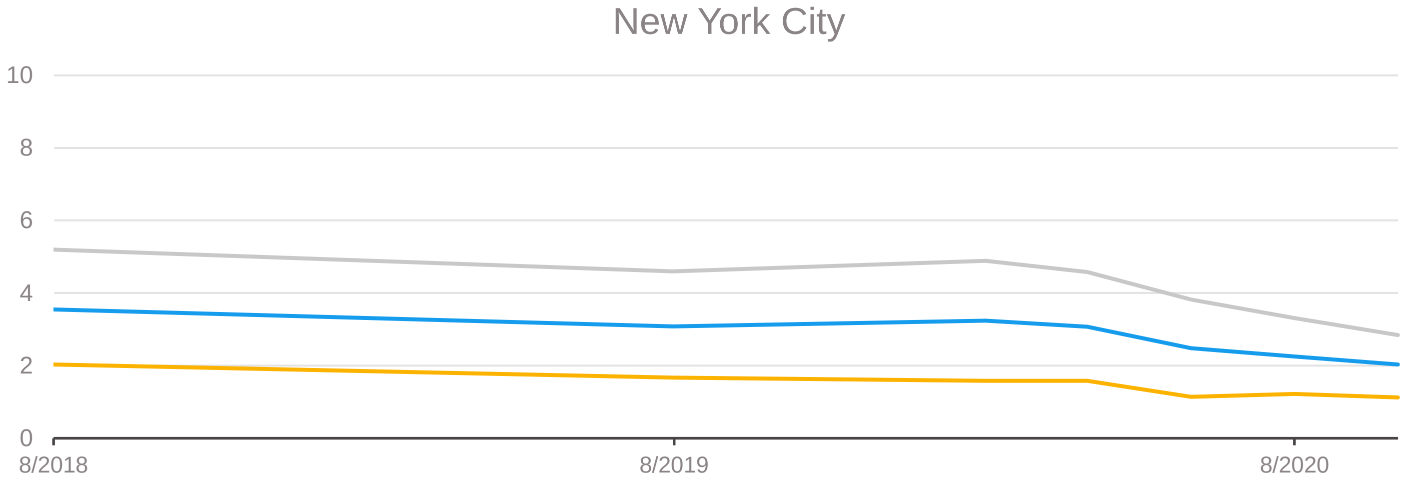
This delinquency rate is down from 4.9 percent in August 2010 and 4.8 percent in February 2020.

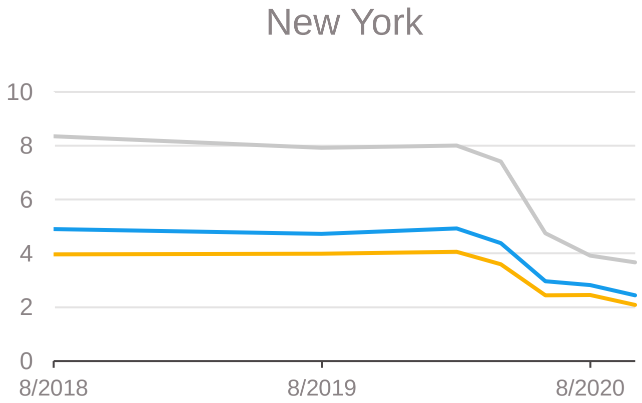
In October 2020, New York City residents living in communities of color were more than twice as likely to be delinquent on their auto or retail loan payments than residents living in majority-white communities (4.8 percent compared with 1.8 percent).

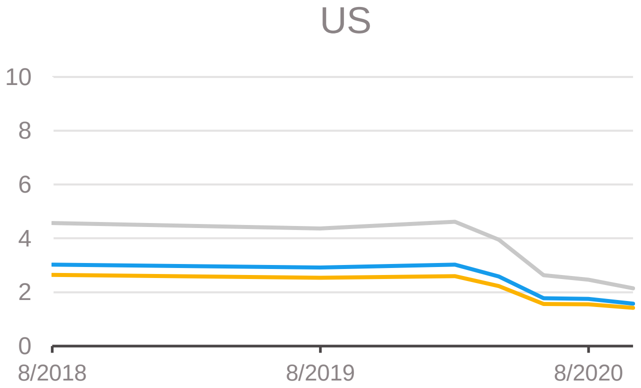
Source: Tabulations of Urban Institute credit bureau data.

Notes: Auto/retail loan delinquency rate is the share of people with an auto loan or lease or a retail installment loan who are 60 or more days delinquent. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

Two percent of people with mortgages in New York City are 30 or more days past due.







Source: Tabulations of Urban Institute credit bureau data.

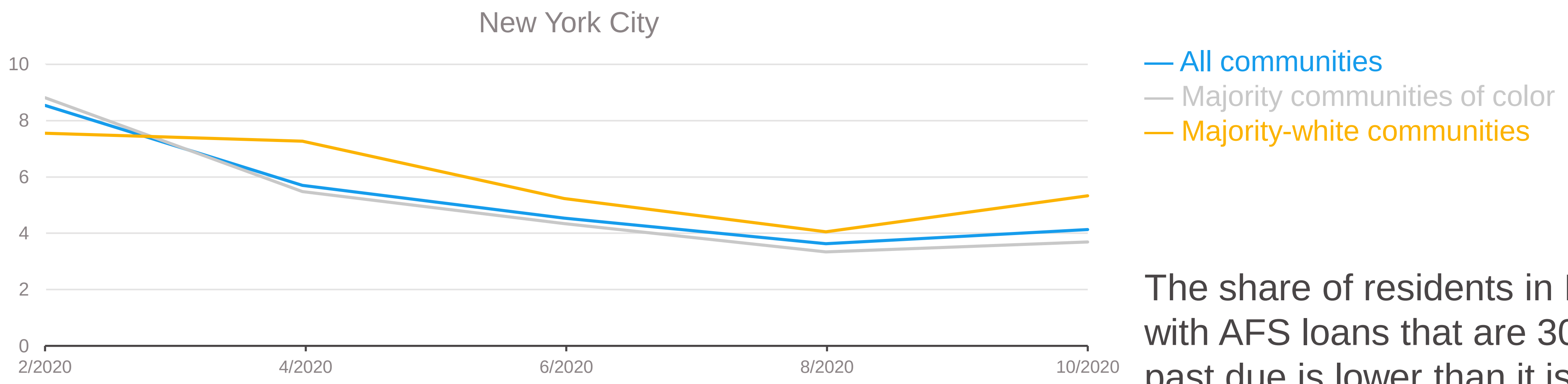
Notes: Mortgage delinquency rate share of people with a mortgage who are 30 or more days delinquent. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

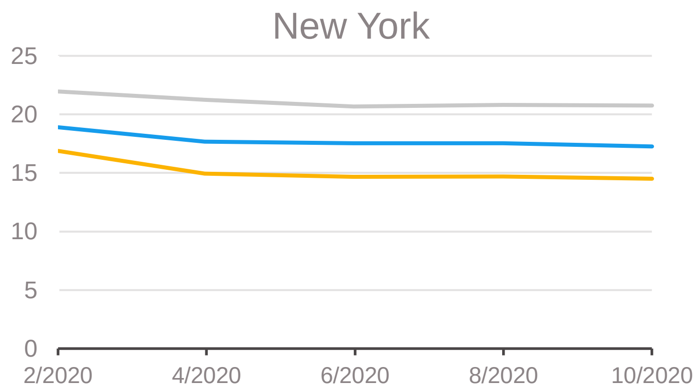
The Biden administration extended the foreclosure moratorium for federal and GSE backed loans through June 30, 2021 and provided additional relief to borrowers through flexible forbearance measures. If a loan was current before the request for forbearance, it is counted as current during the forbearance period.

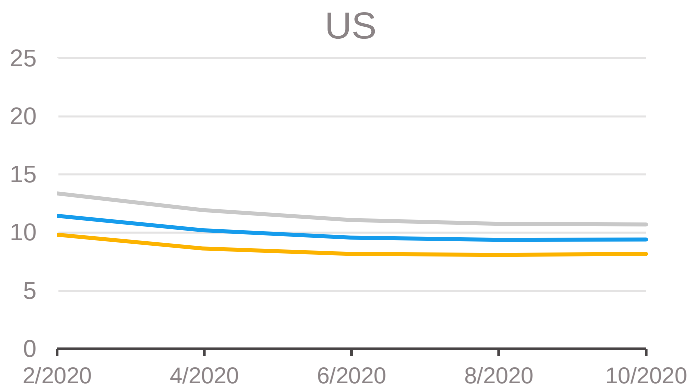
Qualifying renters are also protected from eviction until March 31, 2021, according to an order from the Centers for Disease Control and Prevention.

Data before August 2018 are unavailable.

The share of alternative financial services loans 30 or more days past due in New York City was 4.1 percent in October 2020.







The share of residents in New York City with AFS loans that are 30 or more days past due is lower than it is in New York State and nationwide.

Source: Tabulations of Urban Institute credit bureau and alternative financial service data.

Notes: Alternative financial service credit includes short-term loans (installment loans, nonprime credit cards, auto title loans, rent-to-own) and single-pay credit (pawn shops, payday loans) from non-banking institutions. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

What solutions are cities exploring to support resident financial health?

To address the economic and health challenges presented by COVID-19, national, state, and local policymakers—along with businesses, philanthropy, and other partners—responded with policies and services to help families avoid eviction and foreclosure and stay current on bills. Federal policies like the CARES Act provided cash payments to millions of families, expanded unemployment benefits, created forbearance options to affected borrowers, and enacted protections to prevent renters from being evicted from their homes. State and local policymakers and their partners filled gaps and built on federal measures, such as by expanding or extending eviction and foreclosure protections. The policy response may explain why many credit measures sometimes improved, counterintuitively, after February.

This last section explores policies and approaches to building resident financial health, both short-term responses to the emergency created by the COVID-19 pandemic and longer-term solutions supported by research.

Potential Areas of Short-Term Focus for New York

New York leaders can take action to ensure an inclusive recovery from COVID-19 and build a stronger, more equitable economy for its residents. City leaders will need to consider whether temporary measures enacted in response to COVID-19 need to be extended, or if certain groups need additional protections or supports. The table below describes some steps New York City and State have already taken to protect financial health during the pandemic, and points to ways to build upon these efforts.

Area	Existing measures	Possible future measures
Income supports	• Special enrollment period for uninsured New Yorkers will be extended through December 31 as the state continues to provide supportive services during the COVID-19 public health crisis • NY Senate Bill S8275 suspends the forfeiture of unemployment benefits during the COVID-19 state of emergency	• Continued stimulus relief to support the low-income workers who have lost jobs since the pandemic hit (existing policy in Washington, DC) • Grants to low-income households that have lost work or had extra medical or childcare expenses because of COVID-19 (Los Angeles)
Small business supports	• NYC Department of Small Business Services provided 4,000 grants from an $80M program for businesses; launched mentorship programs Small Business Mentors NYC, BE NYC Mentors, and M/WBE Mentors aimed at supporting Black entrepreneurs and minority- and women-owned businesses • Several bills to help small businesses: removes and caps fees levied by third-party food delivery services, commercial tenant protections	• Deferral of licensing fees (existing policy in San Francisco) • Prioritization of small business grants to those with five or fewer employees and from areas identified as high risk of displacement/highly disadvantaged (existing policy in Seattle)
Debt protection	• NY Senate Bill 7508 regulates student debt consultants who disseminate advertisements in the state of New York or who intend to directly or indirectly contact a borrower who has a student loan • New York Department of Financial Services obtains relief for approximately 300,000 New York student loan borrowers not covered by federal CARES Act • Provide forbearances on residential mortgages and certain banking fees for distressed New Yorkers coping with COVID-19	• Cross-departmental reductions in response to the crisis to alleviate the burden of fines, fees, financial penalties, and collections (existing policy in San Francisco)
Housing stability	• NY Int. No. 2083-A temporarily prohibits the enforcement of personal liability provisions in commercial leases or rental agreements involving certain COVID-19 impacted tenants • NY Assembly Bill 10290 provides that no court shall issue a warrant of eviction or judgment of possession against a residential tenant that has suffered a financial hardship for the non-payment of rent that accrues or becomes due during the COVID-19 covered period • State's Tenant Safe Harbor Act will be expanded until January 1, 2021, to protect additional residential tenants from eviction if they are suffering financial hardship during the COVID-19 pandemic • Automatic suspension of new eviction cases—no hearings are scheduled, and therefore no eviction warrants can be issued	• Permitting rent payment plans (existing policies in Seattle and Washington, DC)

Potential Areas of Long-Term Focus for New York

Many of these measures end when legal authorizations for them set in laws or regulations expire. Their expiration might not always correspond with improvements in economic conditions in all places. In addition to short-term relief strategies, New York can also consider the following evidence-based long-term strategies to meet the financial needs of their residents:

- **Integrate financial and savings interventions into existing programs and platforms** (e.g., housing, employment, community colleges, tax preparation, and public utilities) to reach more residents and meet people where they are. This can include elements that help residents manage their debt and daily finances, build credit scores, and save. Given the high share of residents who are housing-cost burdened, this integration could be particularly beneficial in programs that help with affordable housing and homeownership.
- **Help residents save through savings programs with incentives**. These programs provide incentives such as matching funds that can be used to build an emergency savings cushion or save for long-term investments, such as a first home or a child's education. Savings and assets can build residents' economic security and provide a pathway to economic mobility, which can, in turn, benefit the economic and financial health of their cities.
- **Expand strategies that keep people stably housed and preserve affordable housing across the income spectrum**. The expertise of the communities most impacted can lead conversations, including minority-owned development firms.
- **Expand and align economic and workforce development to support small businesses.** Economic development that helps existing and potential business, invests in small business growth strategies (such as cluster-based growth), and supports entrepreneurs through access to capital and training (such as microenterprise programs) can bring jobs to the areas that need them most. An example of a promising local effort is the Brooklyn Navy Yard business incubator, which aims to help minority and female entrepreneurs create, develop and grow their companies–with a specific focus on those founded by African Americans.

To meet resident needs with limited resources, local leaders may consider leveraging community partnerships with businesses, nonprofits, and philanthropy; or enacting measures like regulations that don't require additional spending.

Additional Resources

- Tracking Resident Credit Health during COVID-19
- Debt in America: An Interactive Map
- Financial Health of Residents Dashboard: A City-Level Dashboard
- Cost of Eviction and Unpaid Bills of Financially Insecure Families for City Budgets
- Thriving Residents, Thriving Cities
- Making the Case: The Link between Residents' Financial Health and Cities' Inclusive Growth
- Developing Solutions: Strategies to Improve Resident Financial Health and Propel Inclusive Growth

Tracking the Financial Health of New York City Residents

How can city leaders support an inclusive recovery and help residents build financial health?

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PROJECT TEAM
Caleb Quakenbush, Madeline Brown, Kassandra Martinchek, Breno Braga, Signe-Mary McKernan, Oriya Cohen, Shamoiya Washington, and Alexander Carther

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