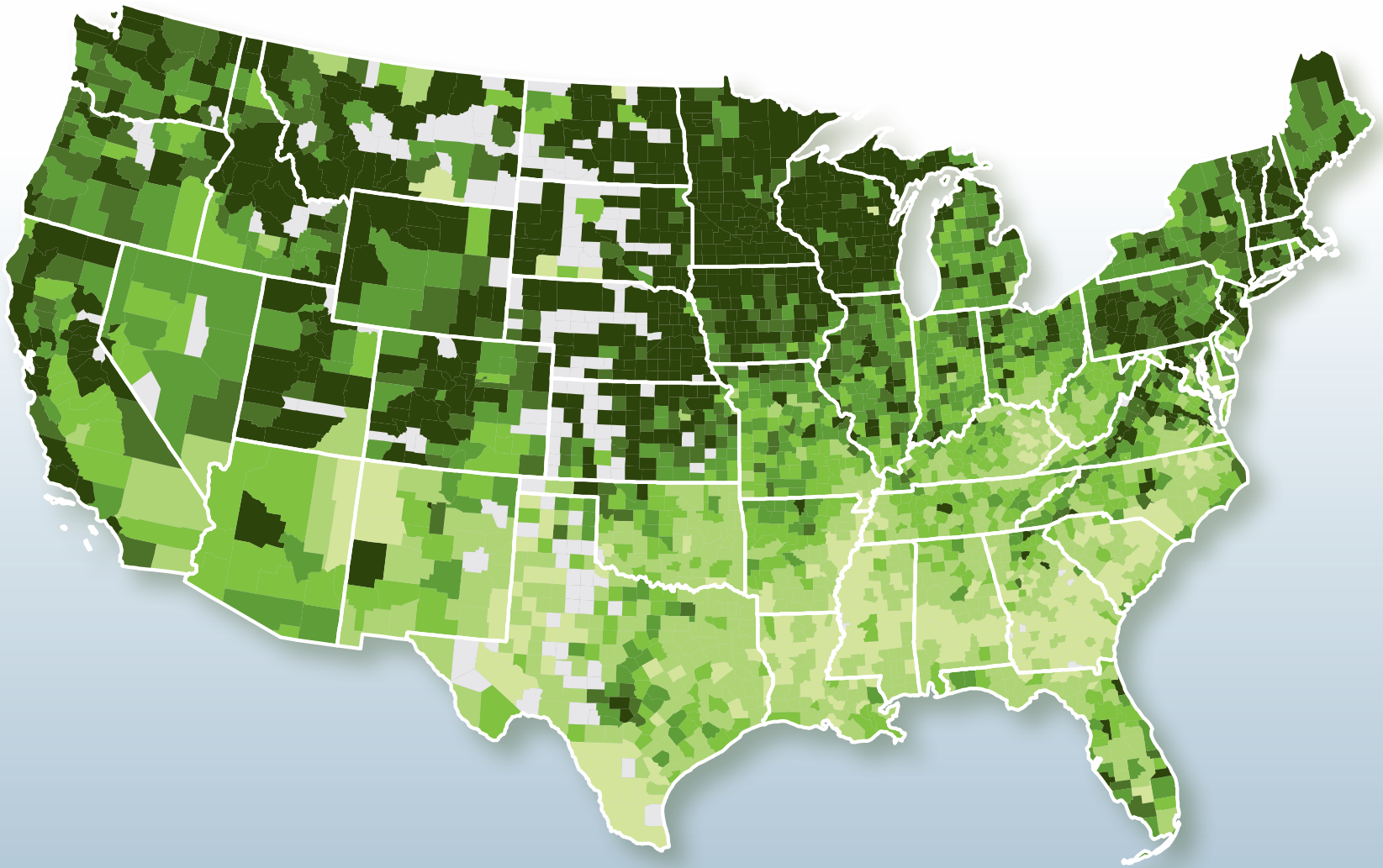


2015

# COMMUNITY CREDIT CHART BOOK



FEDERAL RESERVE BANK *of* NEW YORK



# 2015 **COMMUNITY CREDIT** CHART BOOK

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## FOREWORD

*Community Credit* is designed for those who want to examine, in a practical and easily accessible way, the well-being of a community through the everyday lens of consumer credit. The benchmarks we chose reflect the needs and interests of those who work in the community development field. They range from measures of the number of community residents who have a credit file and score to those who hold a revolving credit product and have a history of payment performance. We tried to capture important aspects of financial inclusion, stress, and resiliency across America's communities for the past decade. This year, in the interest of serving community development practitioners throughout the United States, we have broadened the work to include measures for Puerto Rico.

The data and graphics in this book and in the accompanying interactive ([nyfed.org/communitycredit](http://nyfed.org/communitycredit)) indicate that 2012 marked the nadir of credit well-being in the mainland United States, though with considerable regional and community level variation. Even as credit availability has grown and signs of stress have eased at the national level, many communities continue to be excluded from credit opportunities and have experienced financial stress.

During the last year, our Community Development team has partnered with philanthropic, nonprofit, and government leaders to widen consumers' access to credit. Together, we've witnessed how the *Community Credit* measures can enrich local efforts to improve financial health, help target nonprofit resources, and assist communities in measuring changes over time.

For example:

- Working with national policy experts to include credit measures in their assessment of economic opportunity. CFED's inclusion of community credit measures in the Assets & Opportunities Scorecard is one example.
- Helping practitioners in the field, including credit counselors in the Credit Builders Alliance network, to identify areas where counseling needs are greatest.
- Engaging with civic leaders in Rochester and Buffalo, New York; Portland, Oregon; and Newark, New Jersey in their efforts to track neighborhood measures of credit access and stress.

*Community Credit* began with a simple goal: to make measures of financial well-being accessible to all who strive to improve conditions in our communities. We are pleased that the work has shown momentum, and we look forward to continuing partnerships with community leaders to foster economic and financial well-being in the Second Federal Reserve District and beyond.

**Kausar Hamdani, Ph.D.**

SVP and Senior Advisor

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**Claire Kramer, Ph.D.**

AVP and Community Affairs Officer

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## ACKNOWLEDGMENTS

*Community Credit* is inspired by local efforts that are underway across the United States—to broaden economic opportunity, restore financial footing after natural disasters or other crises, and assist families with daily debt management. Our aim is to put practical and valuable information into the hands of leaders who routinely assess community needs, allocate resources, and evaluate progress. We thank the practitioners, policymakers, funders, technical experts, and other community stakeholders who have generously shared insights about their data needs. Our understanding of community concerns has been especially enriched through a series of community leader forums we held in late 2015 and throughout 2016 in Portland, Oregon; Newark, New Jersey; Rochester, New York; and Syracuse, New York. The enthusiastic response to *Community Credit* has emboldened us to extend our outreach and deepen our analysis to meet policymakers' and practitioners' demand for more detailed, local analysis.

We particularly wish to thank the following people and their organizations:

- **Leonard Broc**  
Rochester Monroe Anti-Poverty Initiative
- **Sarah Chenve**  
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The views presented here are those of the authors and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System.



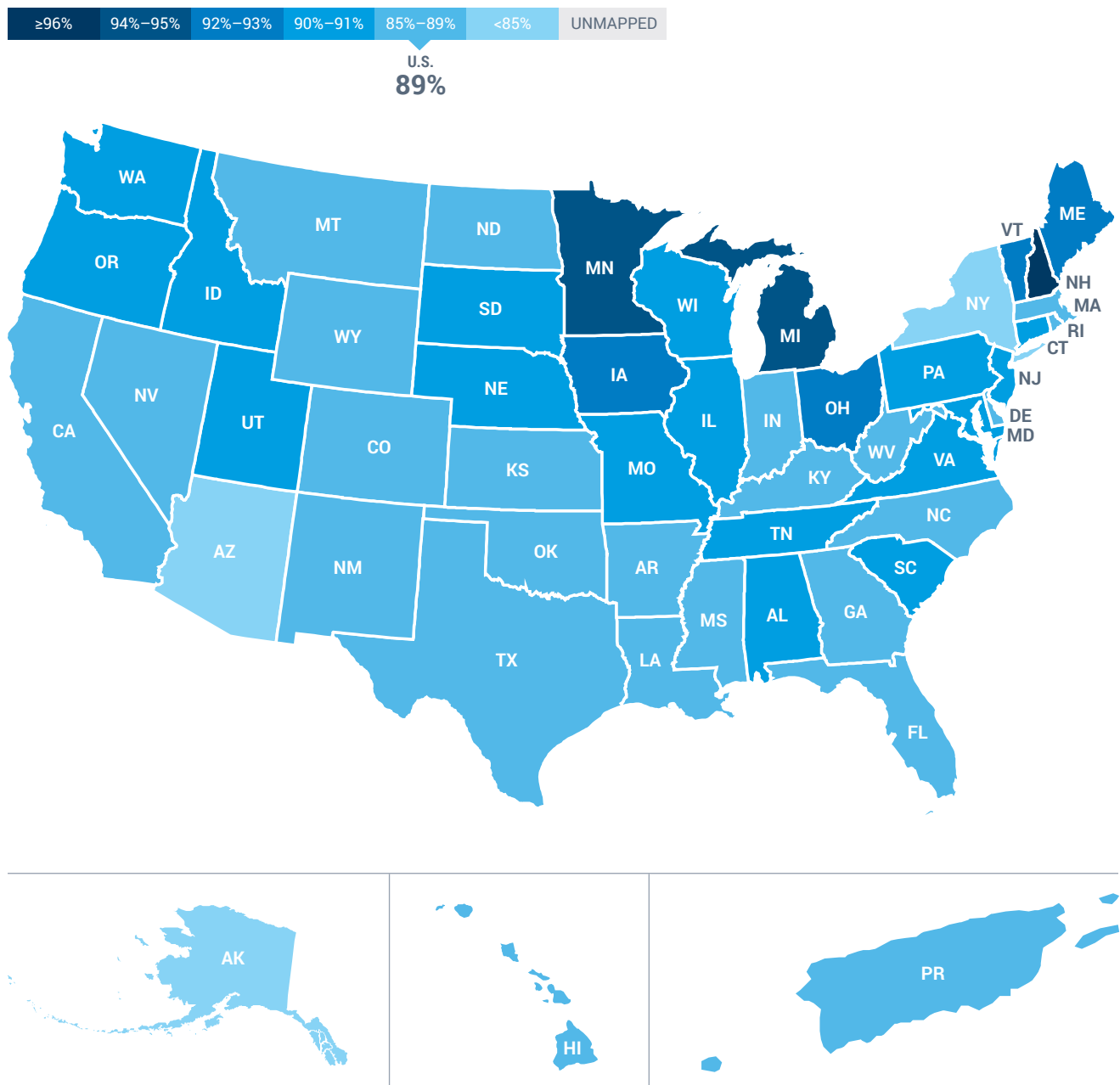
# INCLUSION MAPS

## CREDIT ECONOMY / INCLUDED

The INCLUDED measure is intended to show the percent of local residents who have access to credit from traditional financial lenders. One way to measure credit inclusion is to identify the credit economy, which is defined as the percent of adult residents in a geography, age 18 years or above, who are estimated to have a credit file and a credit score with a major credit reporting organization. See *About the Data* for details.

The bar chart on the facing page shows INCLUDED values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

### U.S. 2015

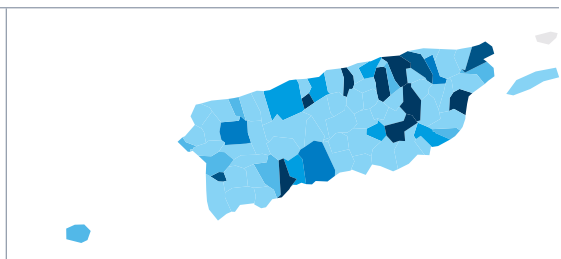
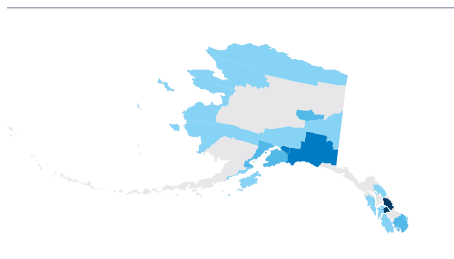
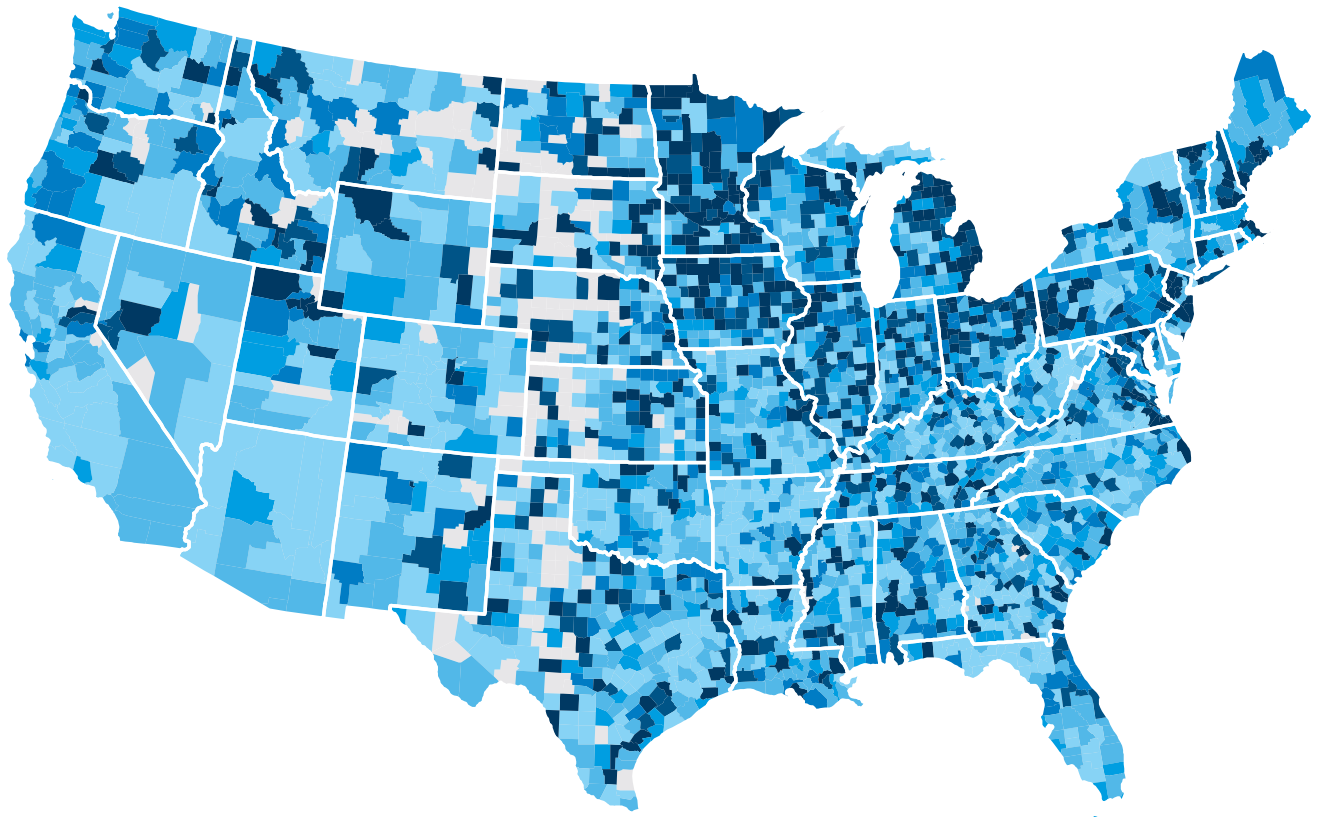
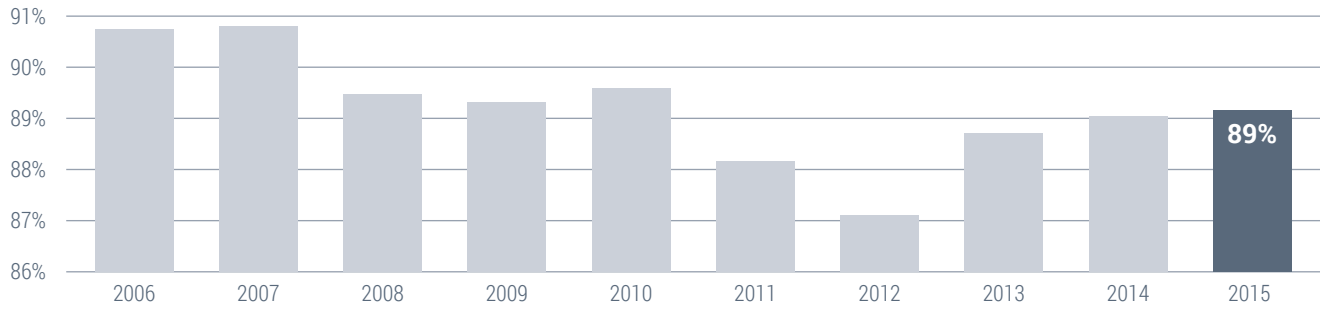


Data Source: FRBNY Consumer Credit Panel / Equifax

Not to scale



### U.S. Credit Economy, Included Credits, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

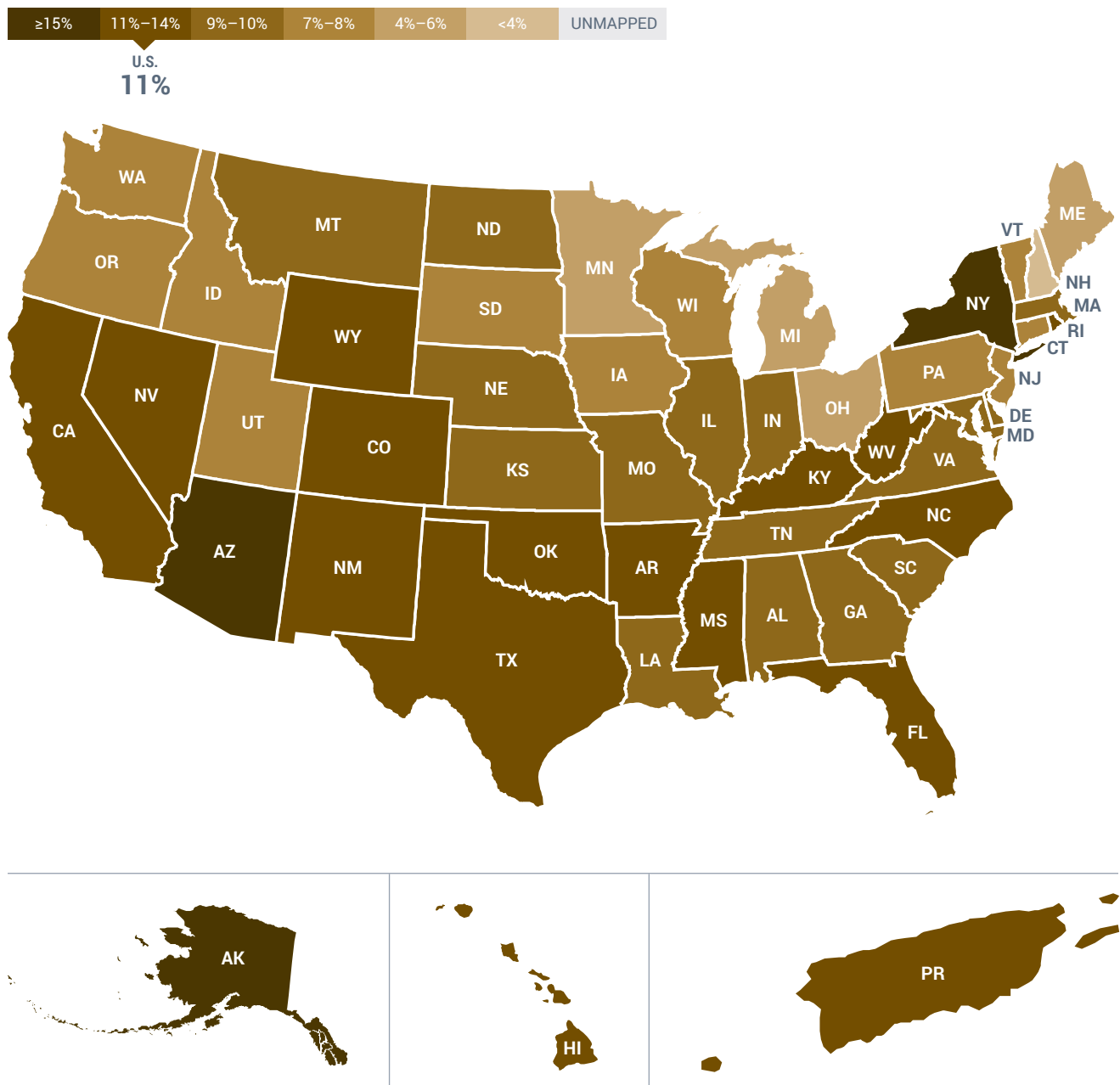
Not to scale

## CREDIT ECONOMY / NOT INCLUDED

The NOT INCLUDED measure is simply the reverse of the INCLUDED measure. It is presented for the convenience of stakeholders whose focus is on those who are not part of the credit economy.

The bar chart on the facing page shows NOT INCLUDED values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

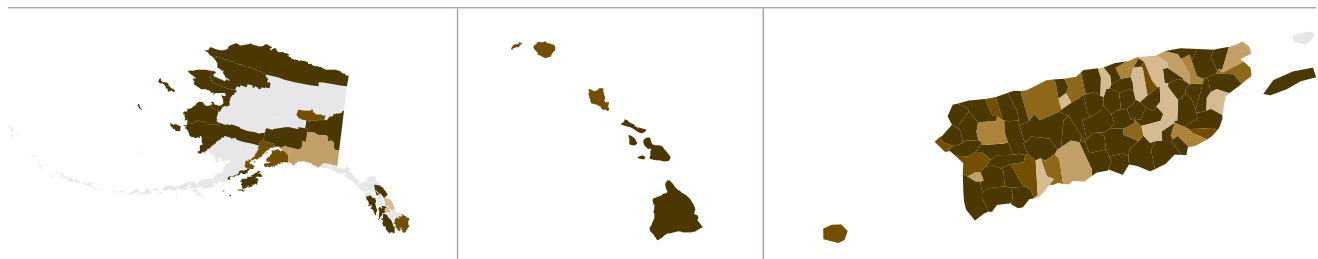
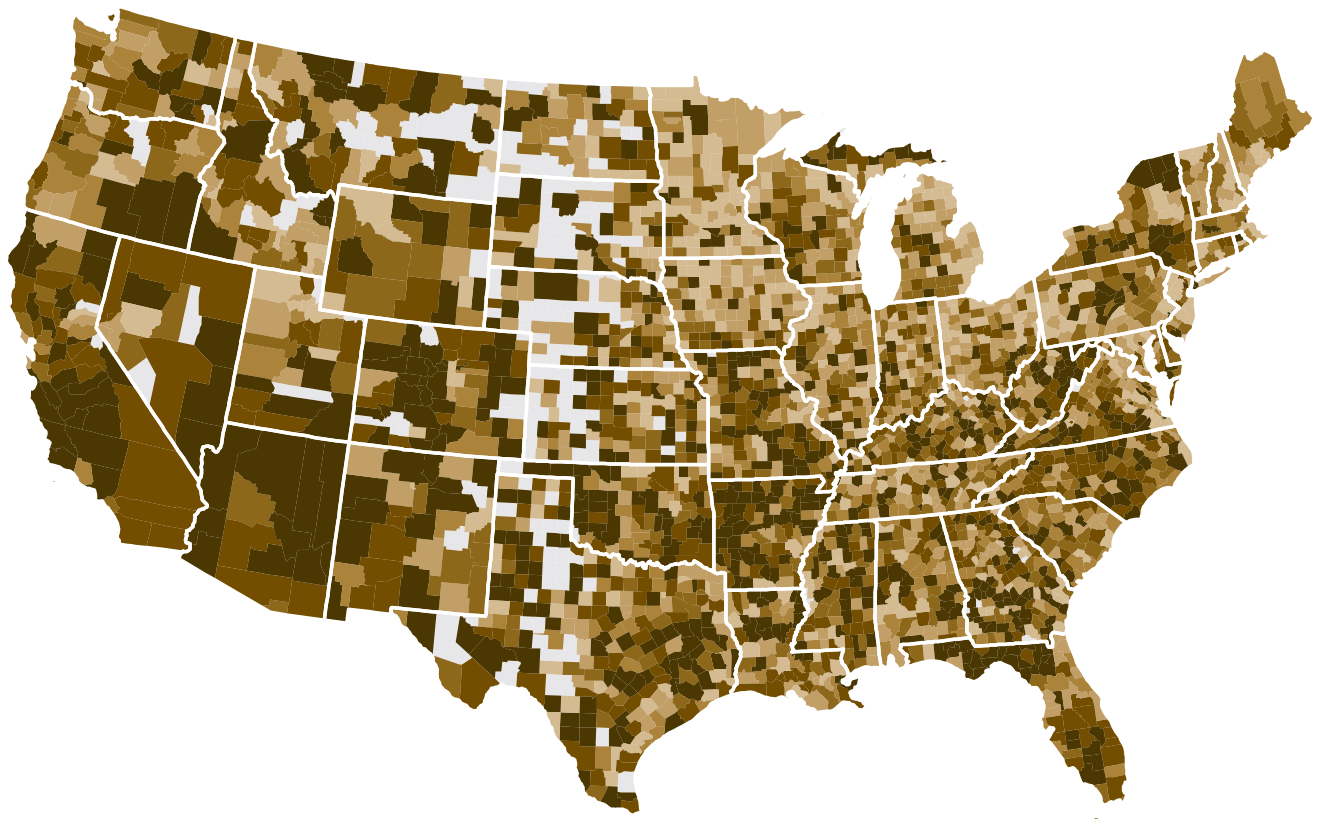
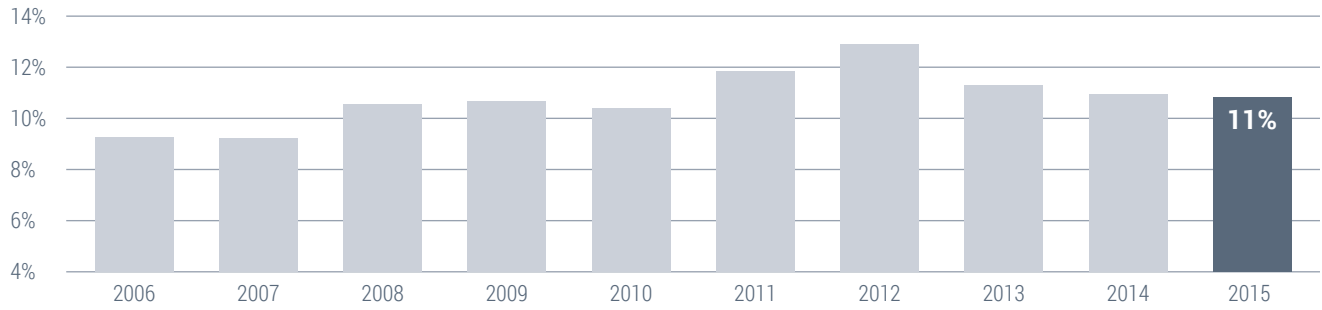
### U.S. 2015



Data Source: FRBNY Consumer Credit Panel / Equifax

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### U.S. Credit Economy, Not Included Credits, 2006–2015

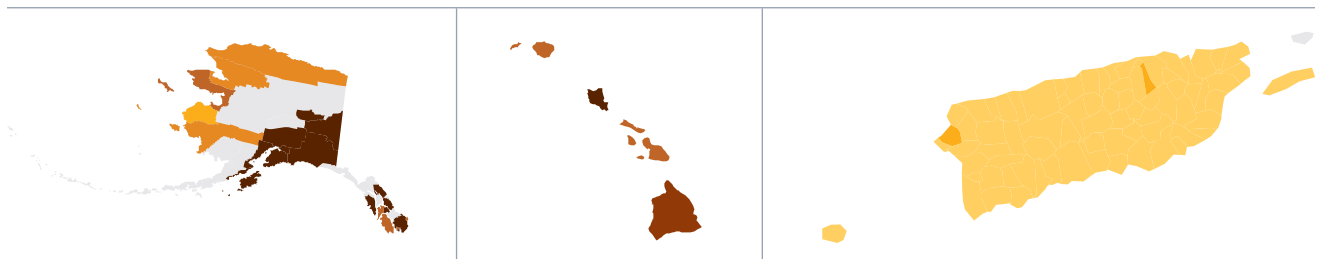
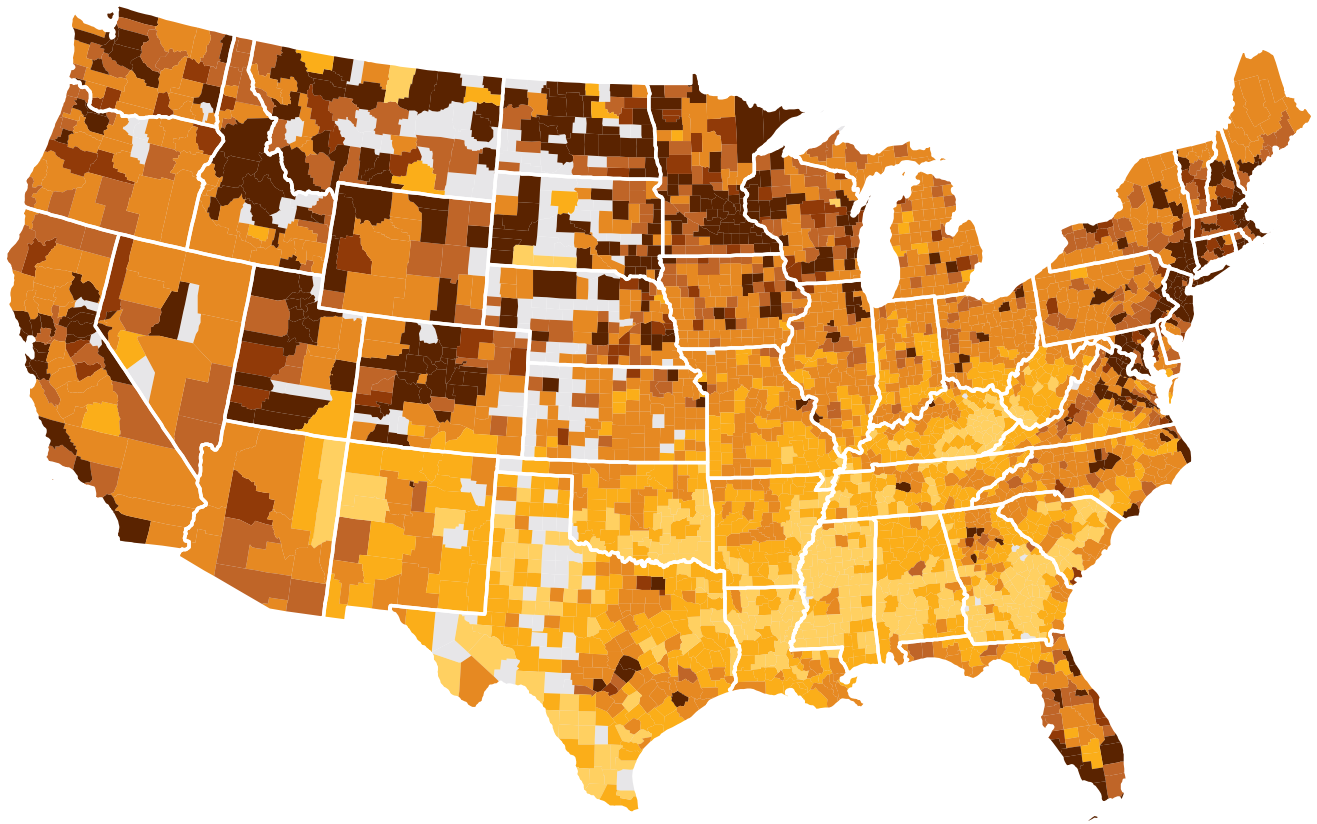
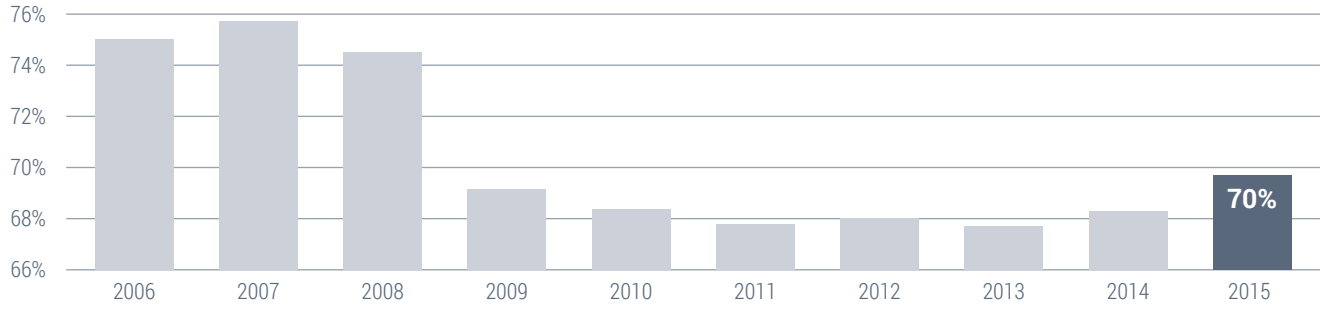


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### U.S. Credit Economy, Revolving Credit, 2006–2015

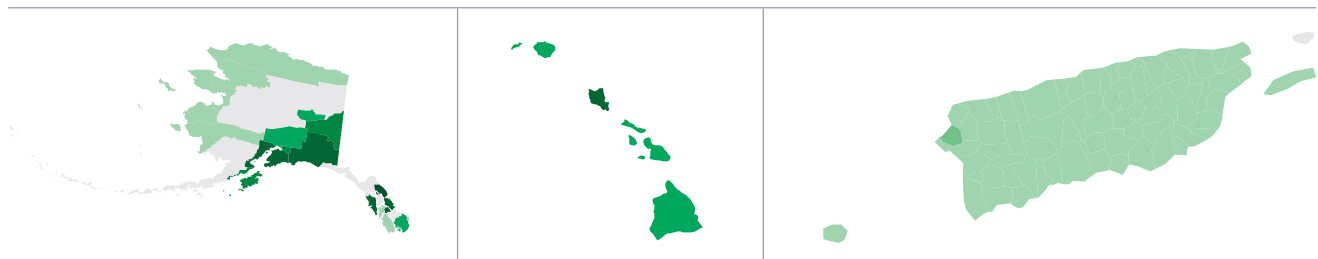
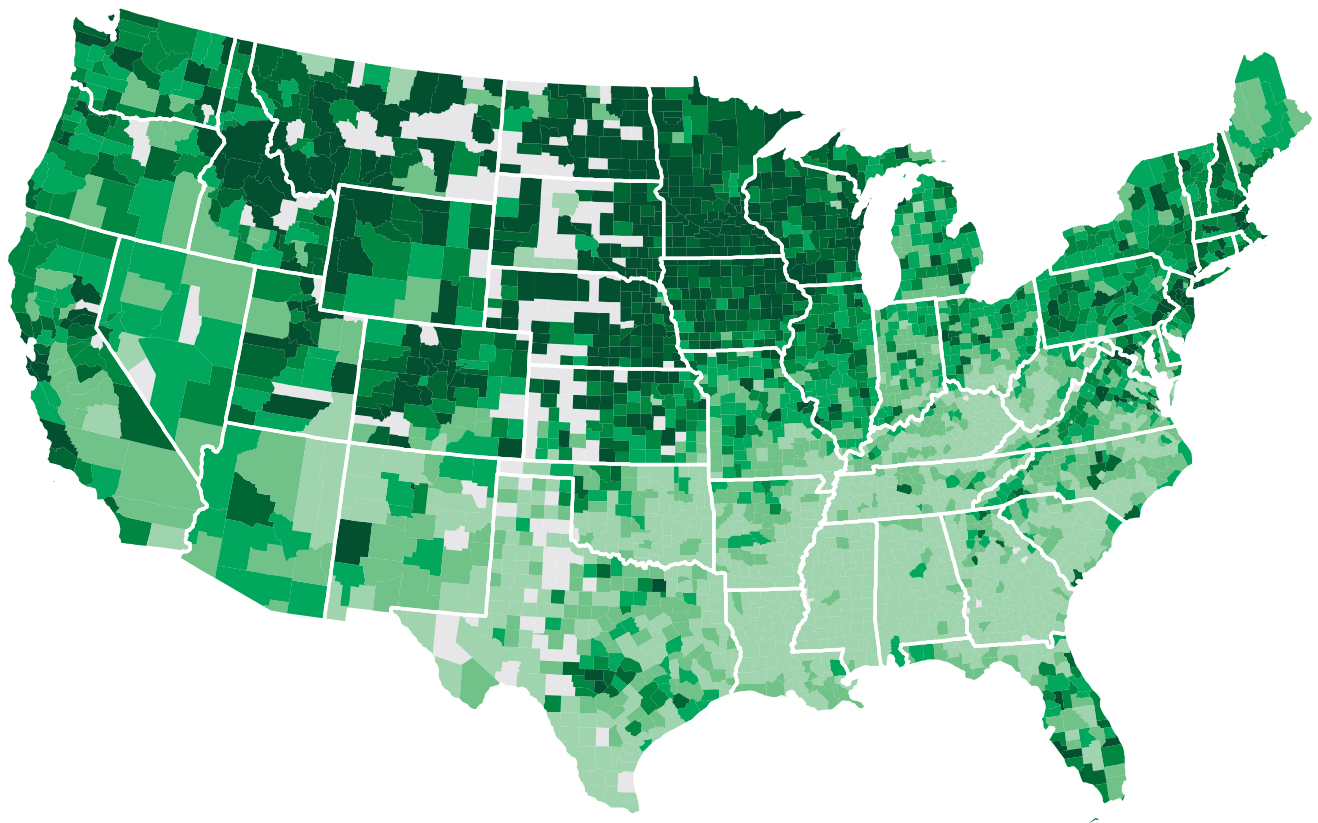
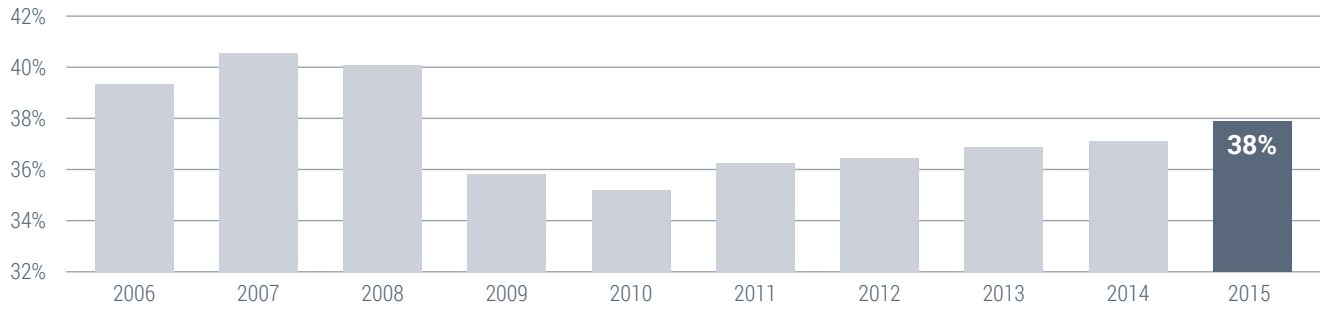


Data Source: FRBNY Consumer Credit Panel / Equifax

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### U.S. Credit Economy, Utilization, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

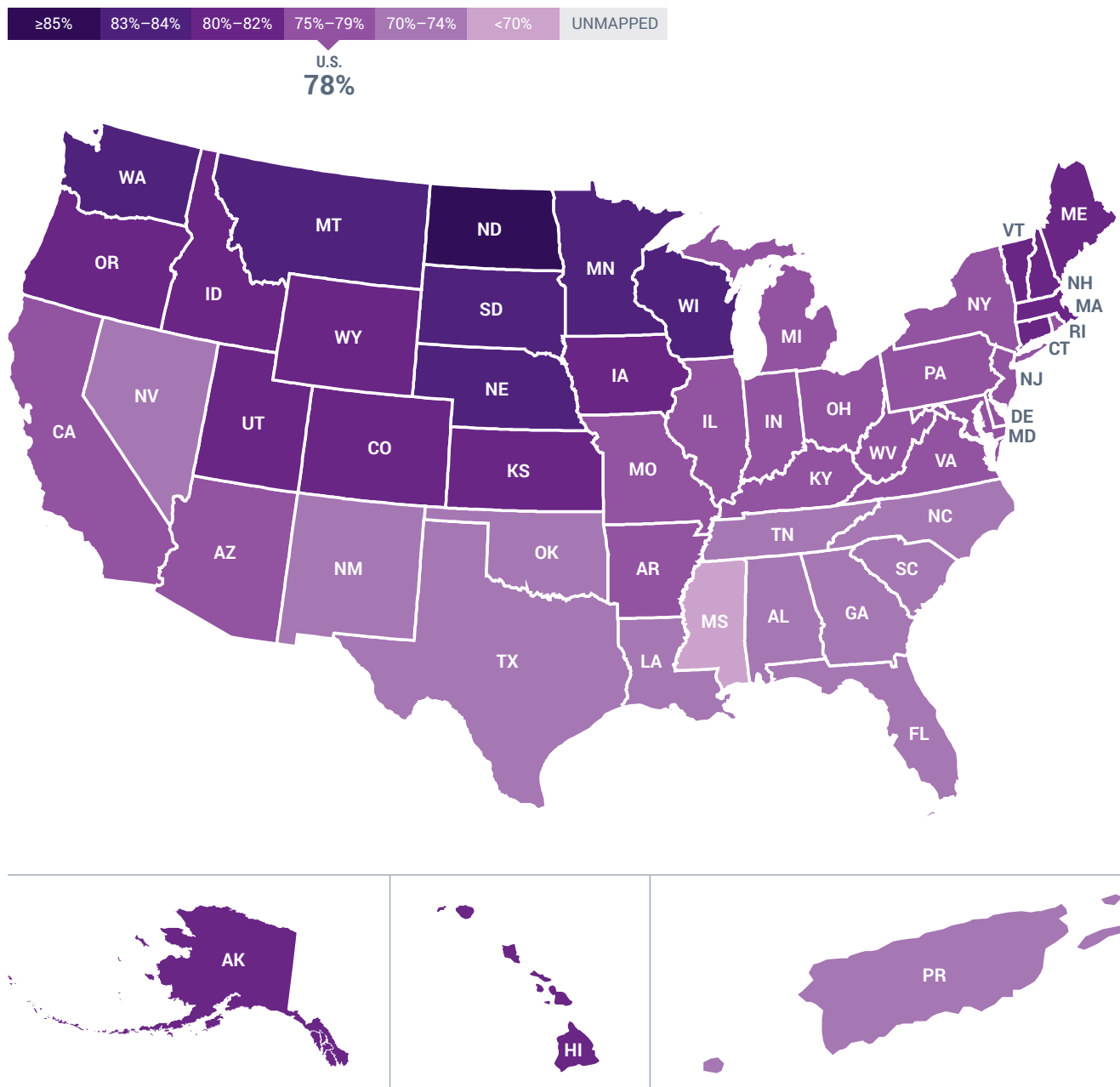
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## CREDIT QUALITY / ON-TIME PAYERS

Another indicator of individuals' ability to access credit is their payment history. The ON-TIME PAYERS indicator measures the percent of credit economy residents who were current on all credit obligations for each quarter of the calendar year.

The bar chart on the facing page shows ON-TIME PAYERS values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

### U.S. 2015

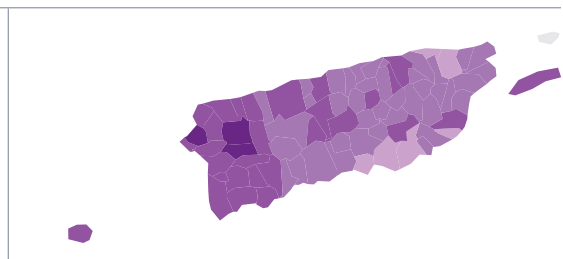
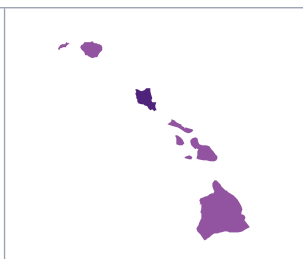
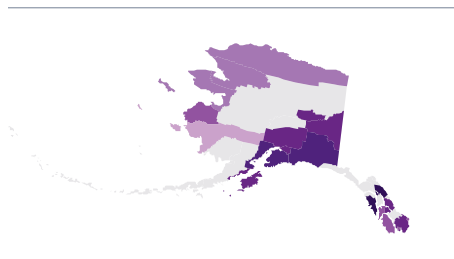
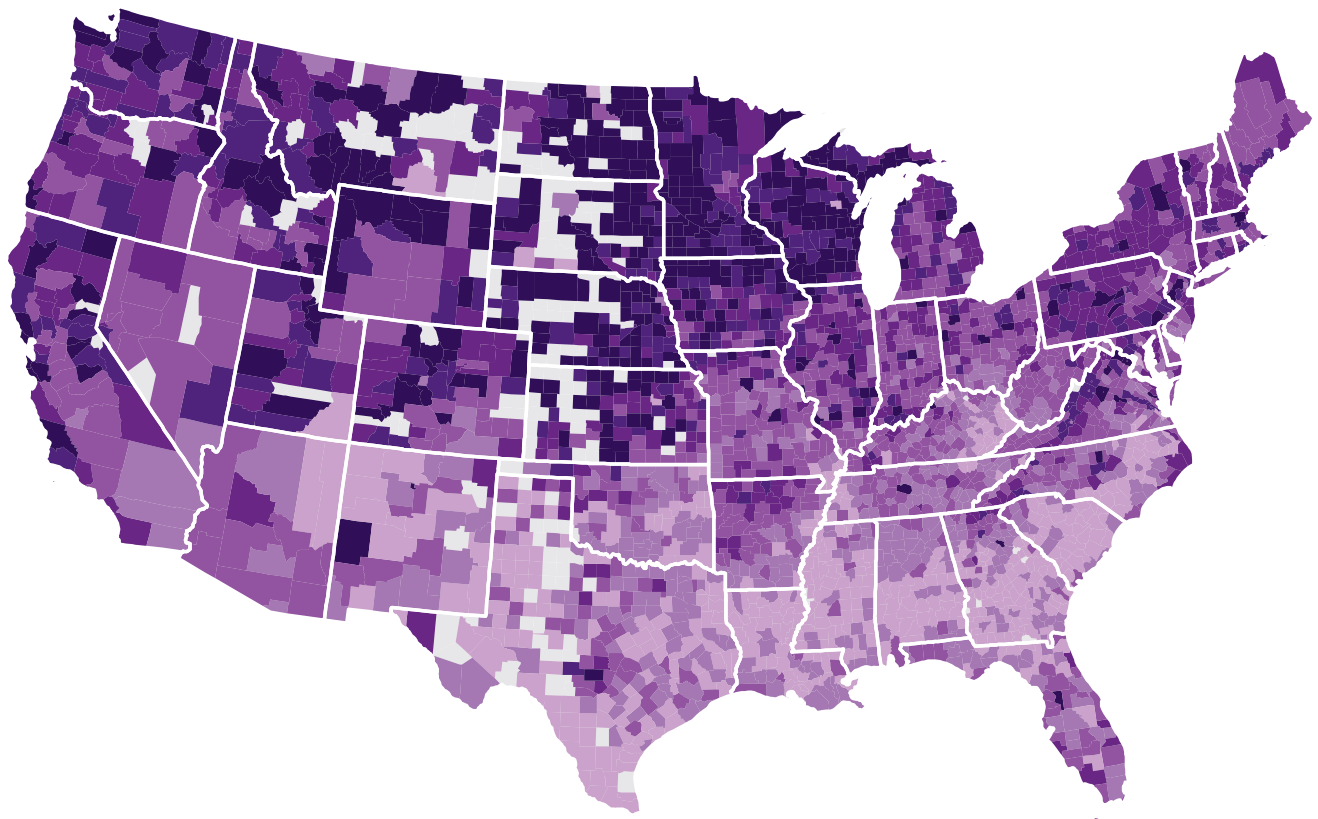
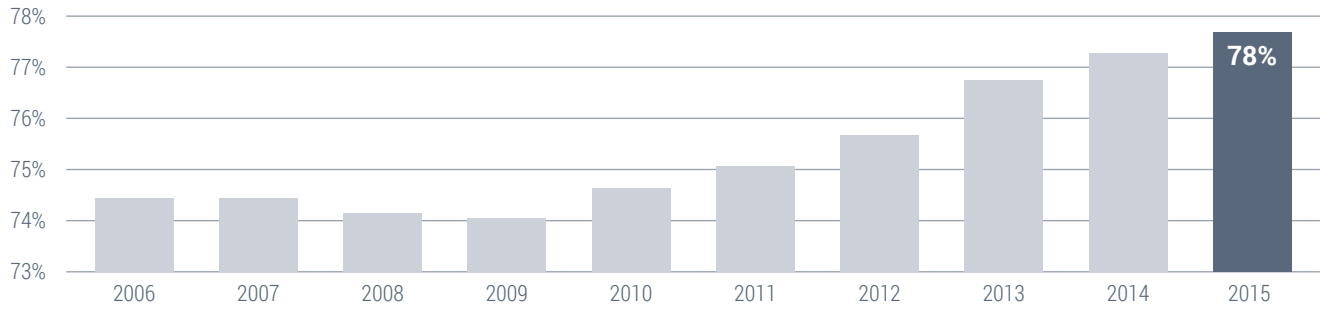


Data Source: FRBNY Consumer Credit Panel / Equifax

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### U.S. Credit Economy, On-Time Payers, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

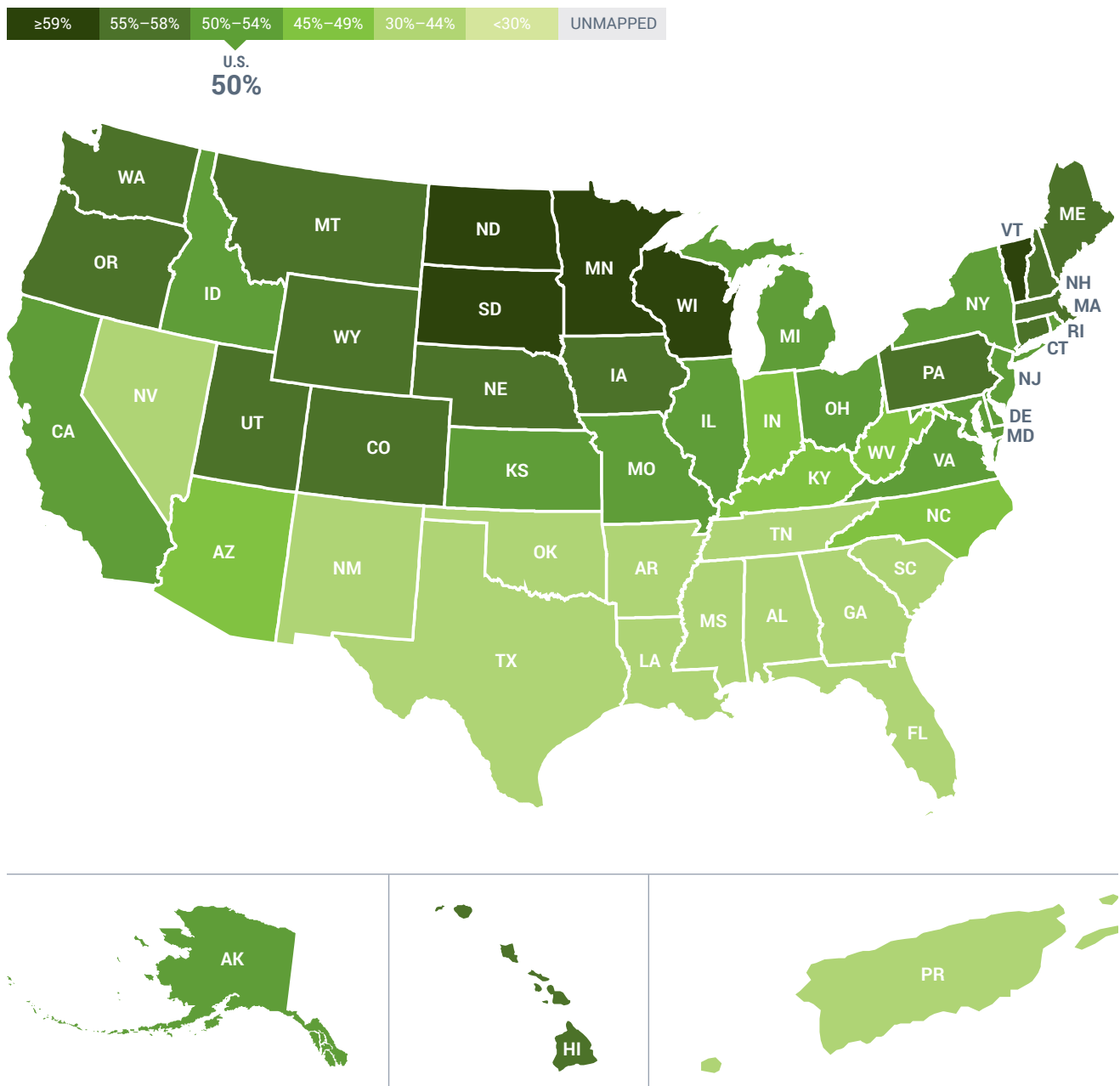
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## CREDIT QUALITY / PRIME CREDITS

Another indicator of individuals' ability to access credit in a timely way or at all and at favorable terms is their credit risk score. We use the Equifax Risk Score 3.0, which ranges in values from 280 to 850. Individuals with higher scores are viewed as better credit risks than those with lower scores. While classifications vary in the industry and in practice, we designate risk scores of 720 and higher as prime. In the PRIME CREDITS indicator map, we display the percent of the credit economy in that geography with prime credit risk scores.

The bar chart on the facing page shows PRIME CREDITS values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

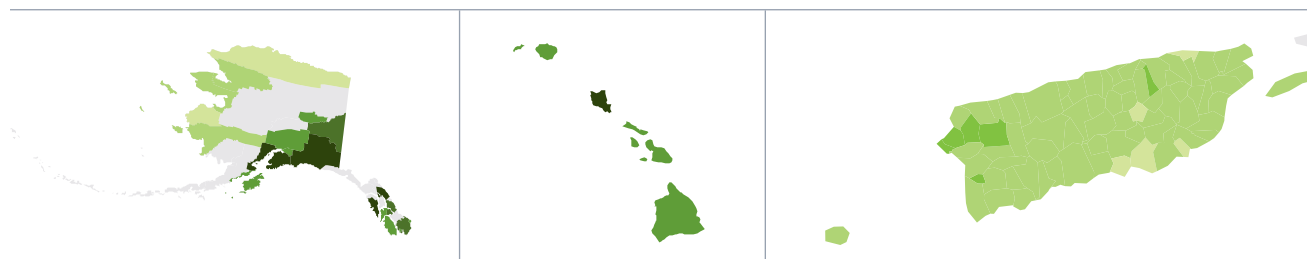
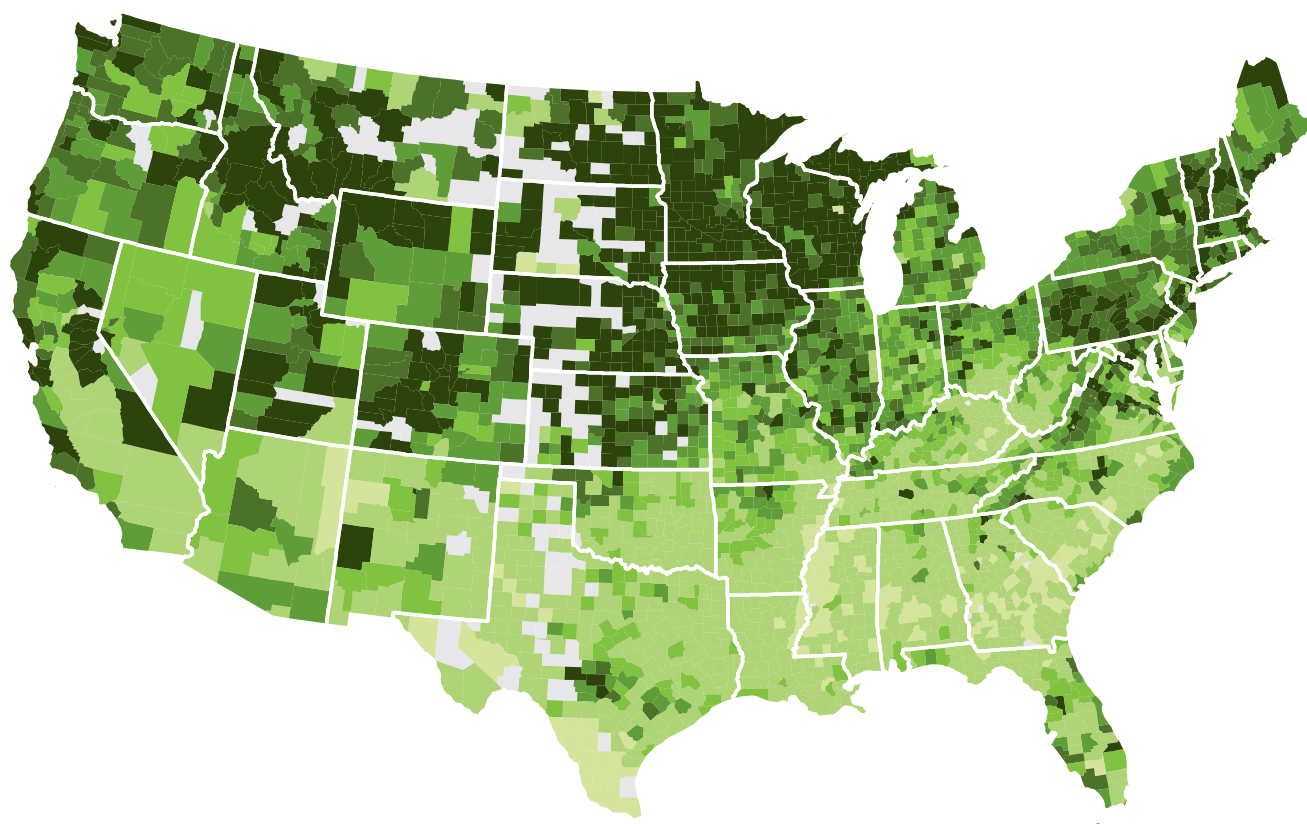
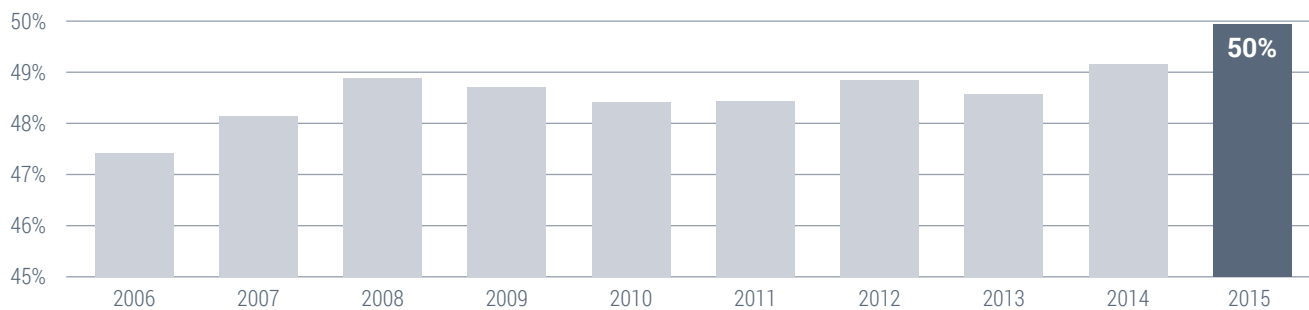
### U.S. 2015



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Data Source: FRBNY Consumer Credit Panel / Equifax

### U.S. Credit Economy, Prime Credits, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

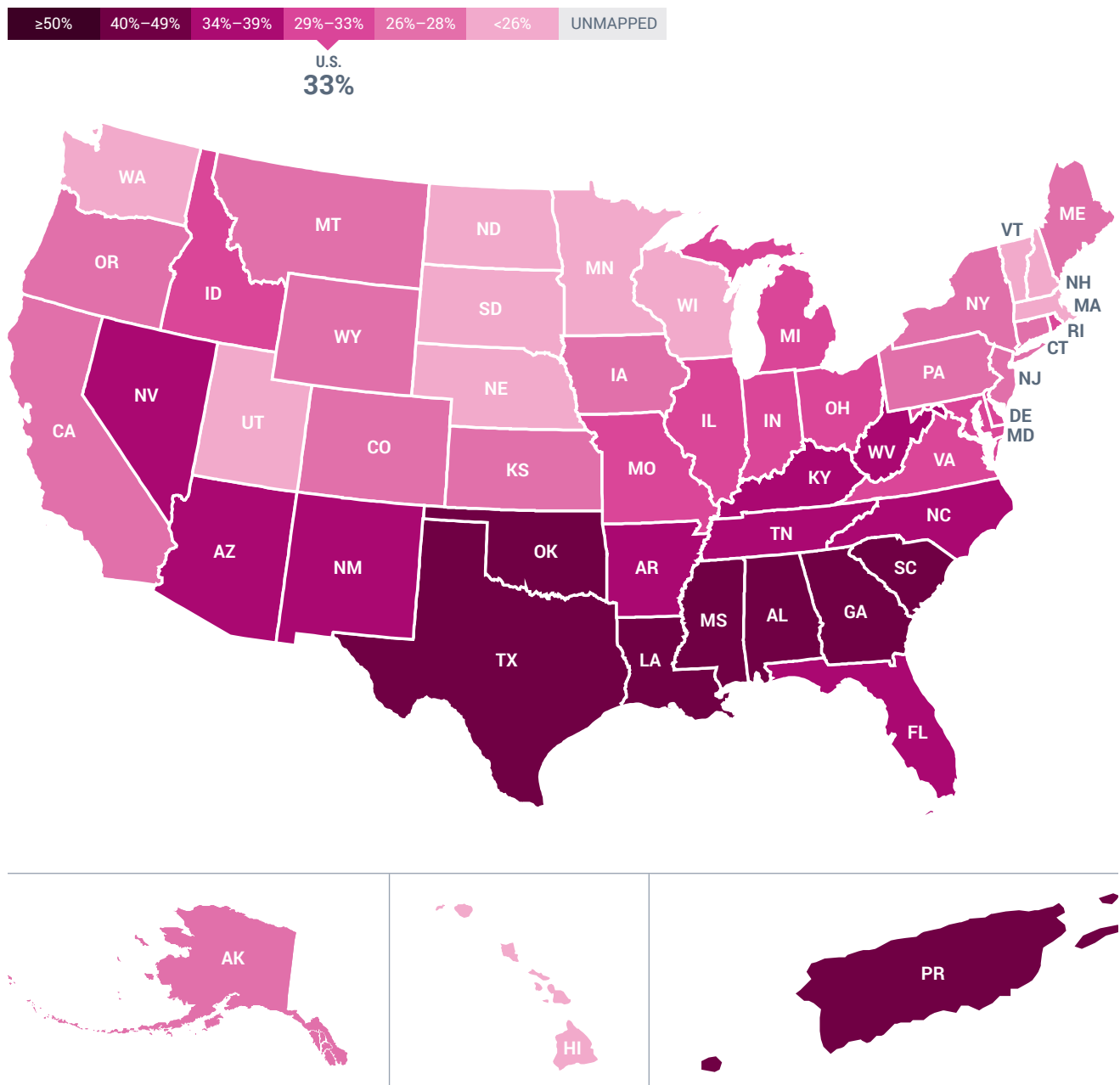
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## CREDIT QUALITY / SUBPRIME CREDITS

The SUBPRIME CREDITS indicator displays the percent of the credit economy in that geography that has a credit risk score of less than 660. As noted, we use the Equifax Risk Score 3.0, which ranges in values from 280 to 850. Individuals with higher scores are viewed as better credit risks than those with lower scores. Classifications vary in the industry and in practice.

The bar chart on the facing page shows SUBPRIME CREDITS values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

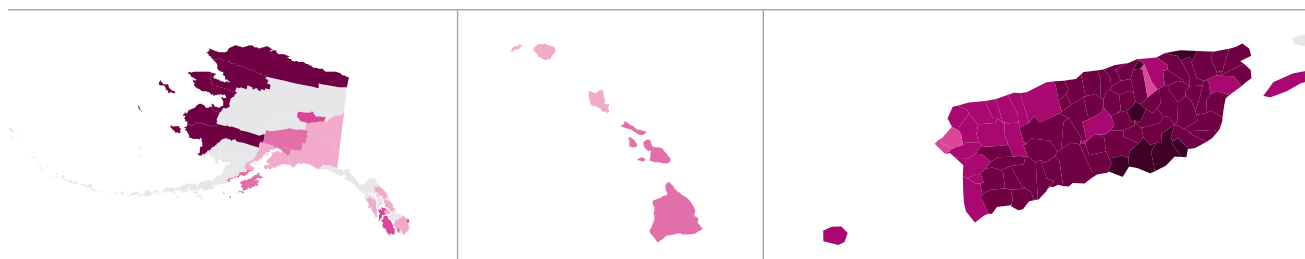
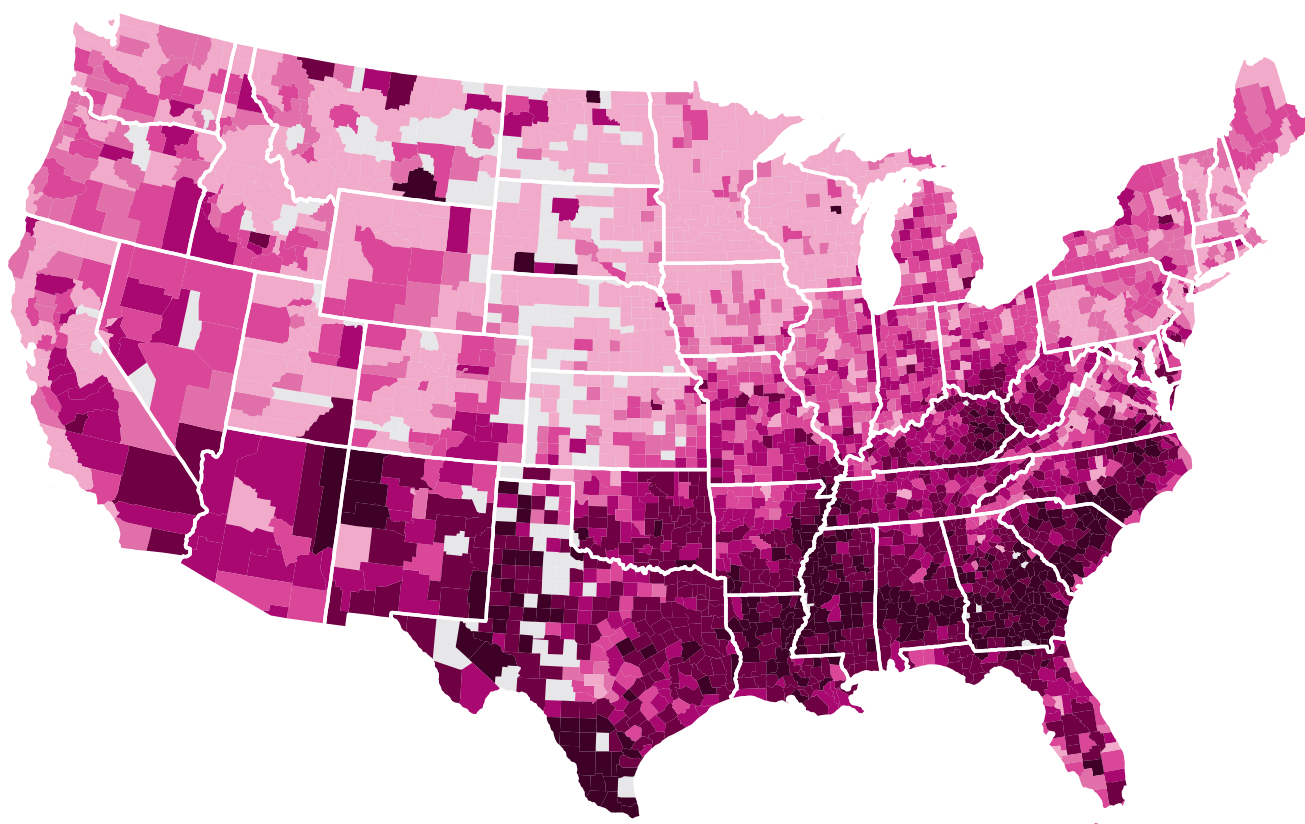
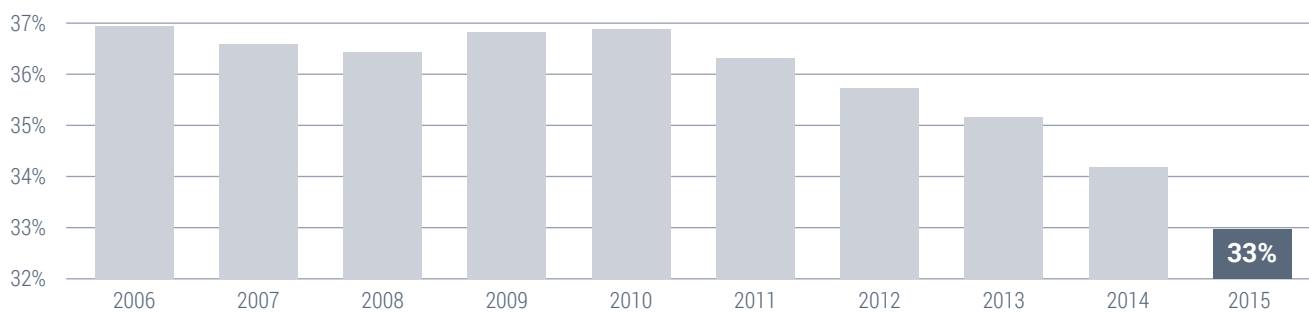
### U.S. 2015



Data Source: FRBNY Consumer Credit Panel / Equifax

Not to scale

### U.S. Credit Economy, Subprime Credits, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

Not to scale



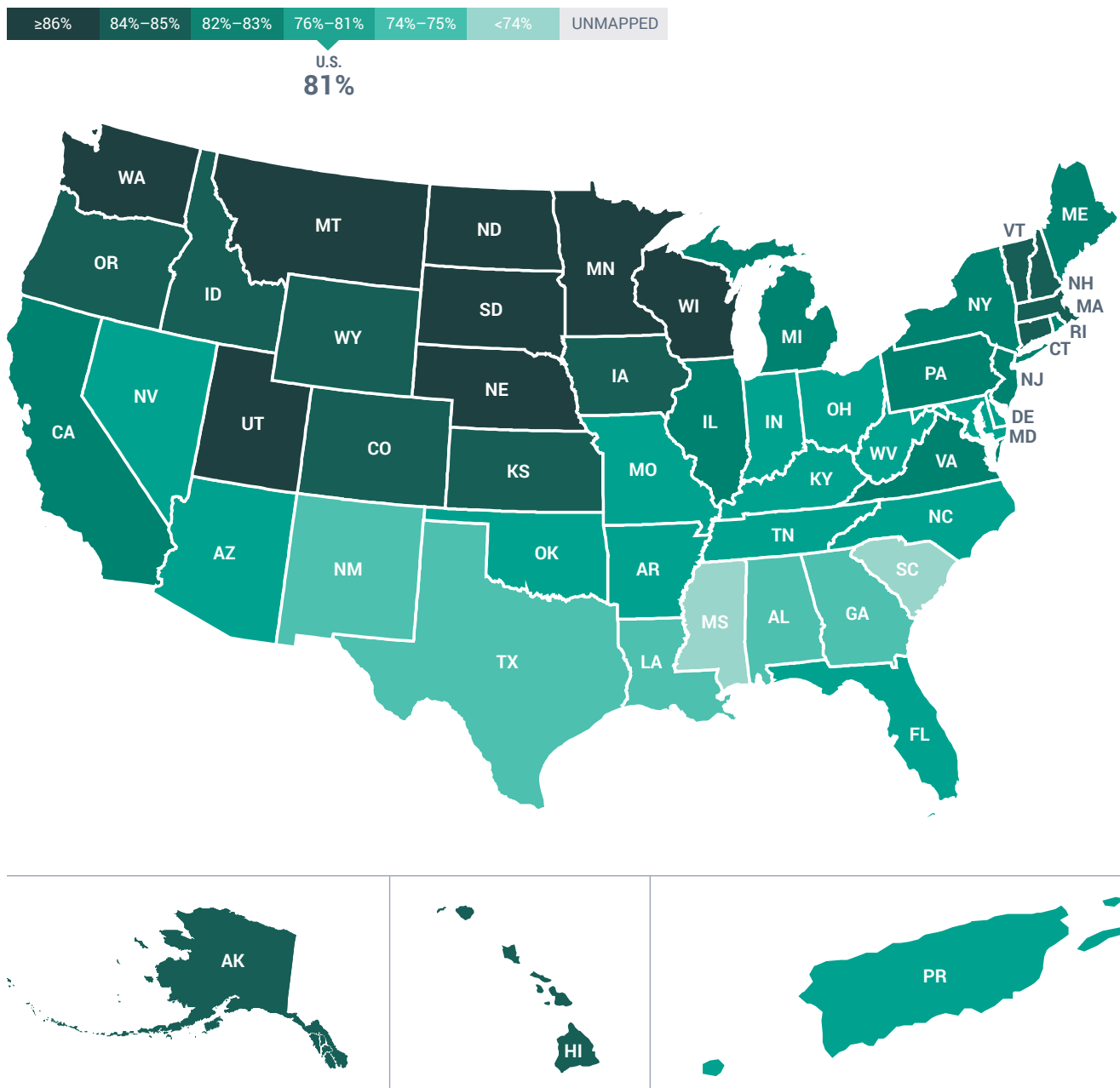
# STRESS MAPS

## GOOD PAYMENT HISTORY

Credit distress may limit access to credit from traditional lenders and even deny residents economic opportunities. We use a five-category scale (see *About the Data*) to characterize how well credit economy residents are managing their debt. We sort credit economy individuals by the quarterly payment history of their combined credit obligations from year-end 2014 to year-end 2015.

The GOOD PAYMENT HISTORY indicator is the percent of credit economy residents who were never more than sixty days past due during any of the quarters analyzed. The bar chart on the facing page shows GOOD PAYMENT HISTORY values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

### U.S. 2015

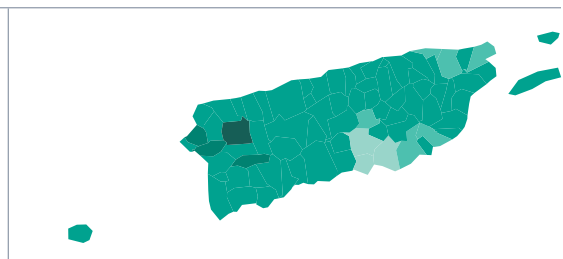
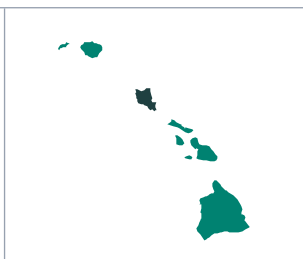
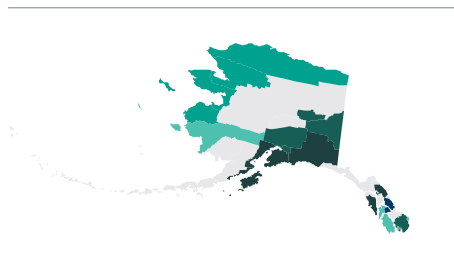
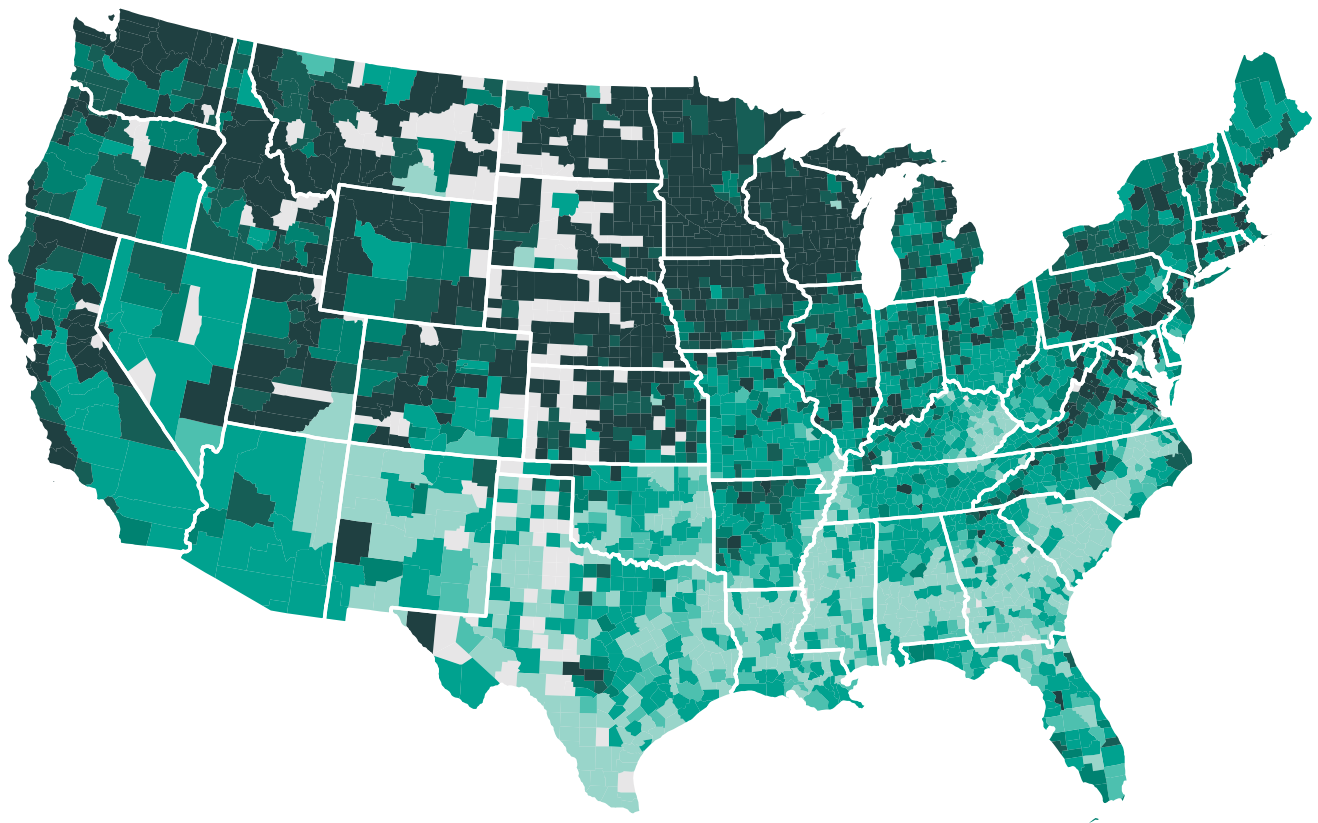
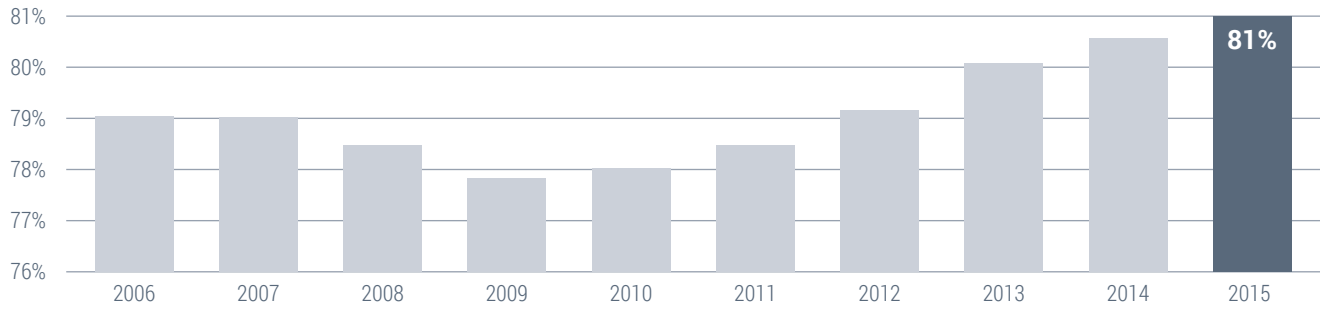


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Data Source: FRBNY Consumer Credit Panel / Equifax



### U.S. Credit Economy, Good Payment History, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

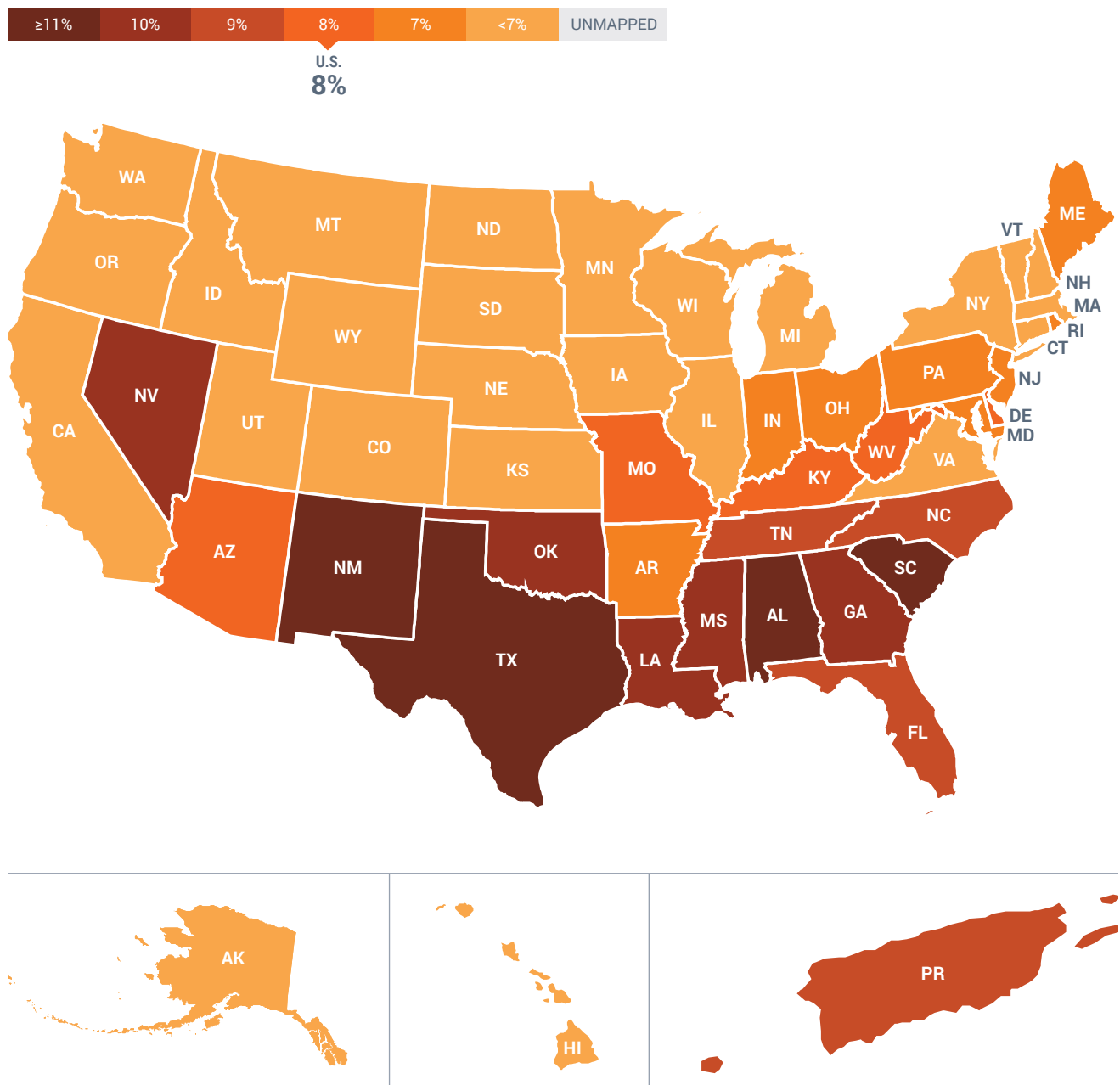
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## CONSISTENTLY DELINQUENT PAYMENT HISTORY

Credit distress among residents may limit access to credit from traditional lenders and even deny residents economic opportunities. We use a five-category scale (see *About the Data*) to characterize how well credit economy residents have managed their debt. We sort credit economy individuals by the quarterly payment history of their combined credit obligations from year-end 2014 to year-end 2015.

The CONSISTENTLY DELINQUENT HISTORY indicator maps the percent of individuals in the credit economy who were more than sixty days past due during all quarters of the period analyzed. The bar chart on the facing page shows CONSISTENTLY DELINQUENT HISTORY values for the U.S., 2006–2015. The two maps show values at the state and county levels for 2015. The legend on this page applies to both maps.

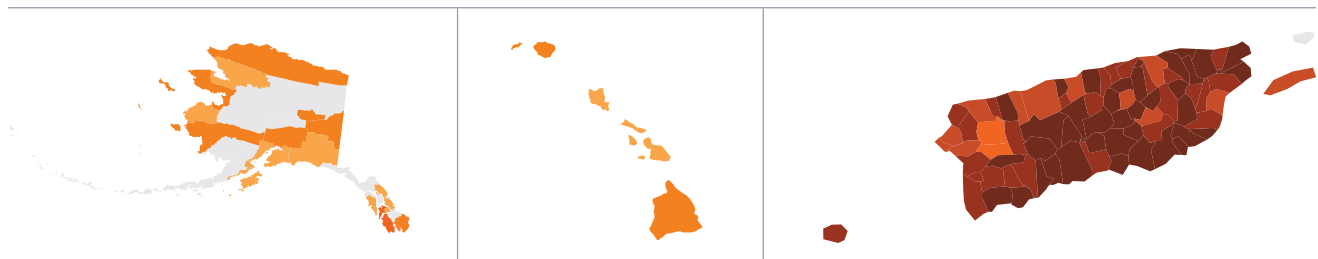
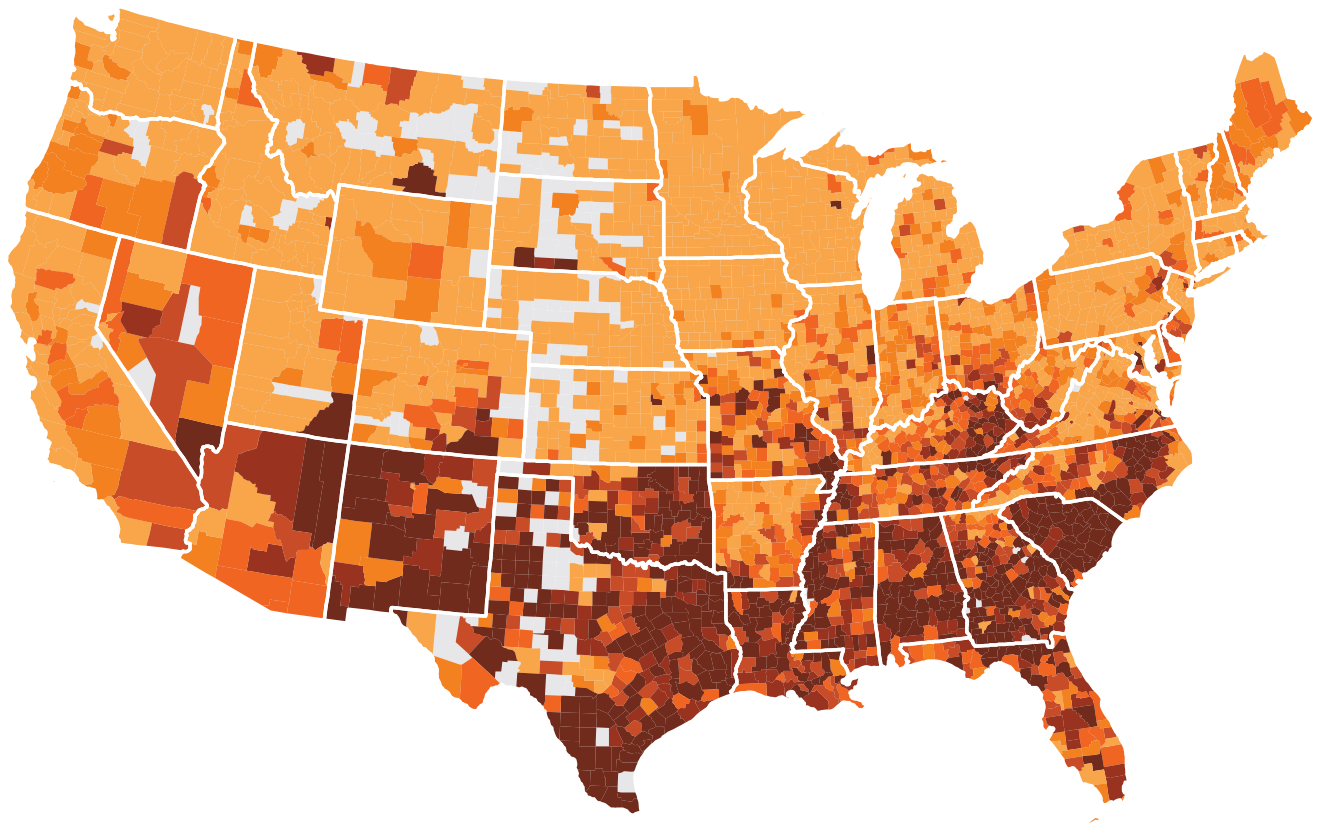
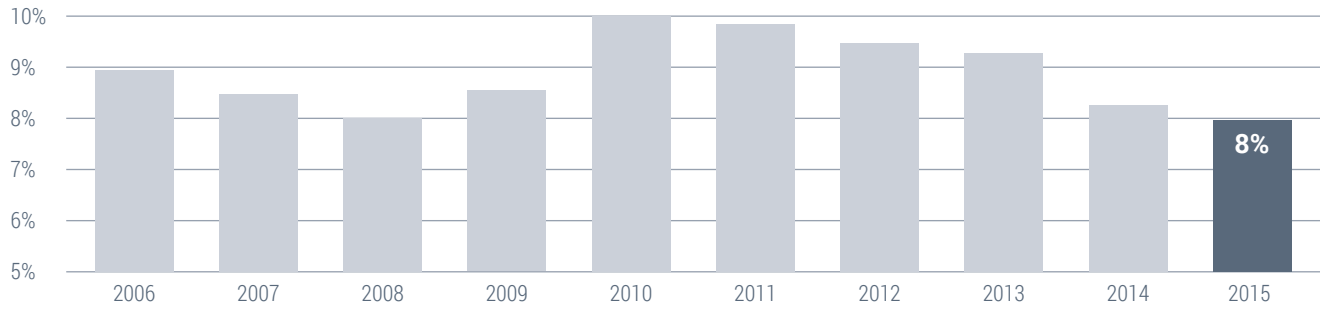
### U.S. 2015



Data Source: FRBNY Consumer Credit Panel / Equifax

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### U.S. Credit Economy, Delinquent Payment History, 2006–2015



Data Source: FRBNY Consumer Credit Panel / Equifax

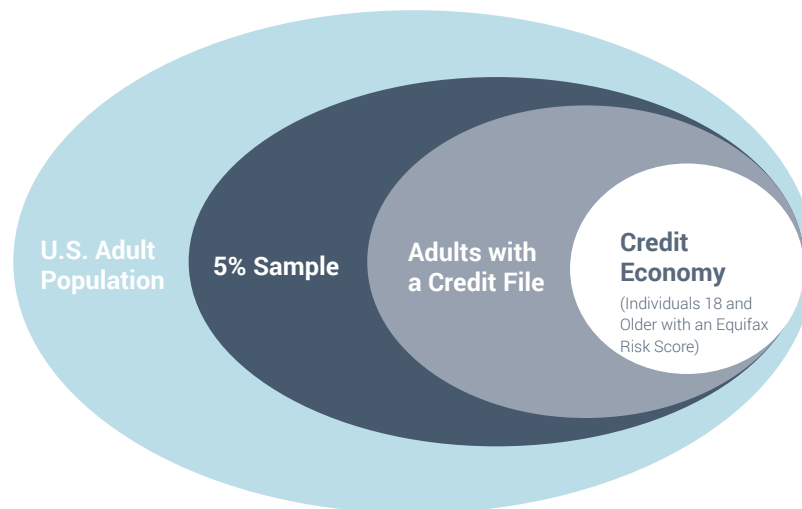
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# ABOUT THE DATA

## DATA SOURCES

The Community Credit measures have two data sources. For the credit values, we use FRBNY Consumer Credit Panel/Equifax (CCP), which consists of detailed Equifax credit report data for a unique longitudinal quarterly panel of individuals and households. The panel is a five percent nationally representative sample of all individuals with a social security number and a credit report. All information is anonymized. The data are quarter-end values, available at the end of each quarter. For more information, see the Federal Reserve Bank of New York Staff Report, "An Introduction to the FRBNY Consumer Credit Panel."<sup>1</sup>



For the U.S. population values needed to calculate the INCLUDED and NOT INCLUDED measures, we use population estimates provided by the U.S. Census Bureau's Population Estimates Program (PEP).<sup>2</sup>

The maps exclude geographies with fewer than 100 observations in the CCP data as of Q4 2015. As a result, we do not display values for 178 counties out of the 3,142 Census-identified counties and equivalents in the U.S. For the website data, the cut-off threshold was also 100 observations. However, a threshold of 500 observations was used to report number values for all measures.

For 2015, our sample size was 11.05 million U.S. individuals. Because this panel is a five percent nationally representative sample, our sample size represents 220.92 million adult residents in the United States.

For Puerto Rico for 2015, our sample size was 118,110 individuals, which represents 2.36 million adult residents on the island. We were not able to map only one (Culebra) of the 78 Census-identified municipios and equivalents.

<sup>1</sup> See Donghoon Lee and Wilbert Van der Klaauw, "An Introduction to the FRBNY Consumer Credit Panel," Federal Reserve Bank of New York Staff Report no. 479, November 2010.

<sup>2</sup> Population estimates were gathered from the U.S. Census Bureau's Population Estimates Program (Vintage 2009 CC-EST2009-agesex release and 2015 PEP\_2015\_PEPAGESEX release).

## DATA NOTES

**Credit Economy:** The credit economy for any geography is estimated as 20 times the number of people with a credit score in the CCP for that geography.

**Adult Population:** Adults are defined as age 18 and above.

**Revolving Credit Products:** An individual in the credit economy is counted as holding a revolving credit product if he or she has a bankcard account that has a credit limit greater than \$0 and/or a revolving HELOC account that has a credit limit greater than \$0. We do not include store-specific credit cards because their use is limited to specific products and services offered by the respective stores.

**Utilization Rate:** The utilization rate for an individual is computed as the sum of all revolving account balances divided by the sum of credit limits for all revolving accounts.

**Credit Score Status:** Credit score is the Equifax Risk Score 3.0. It was developed by Equifax and its values range from 280 to 850. Individuals with higher scores are viewed as better credit risks than those with lower scores. We use score classifications of less than 660 as subprime, scores between 660 and 719 as near prime, and scores 720 and higher as prime. However, classifications vary in the industry and in practice.

## INCLUSION INDICATORS

**Credit Economy Included:** CCP-based estimate of the number of individuals in the population with a credit score as of year-end 2015 (multiplied by 20) divided by the Census estimate of the population 18 or older for that year. Due to differences between CCP and Census data, this measure is top coded at 100 percent.

**Credit Economy Not-Included:** 100 percent minus the Included rate. Due to differences between CCP and Census data, this measure is bottom coded at zero percent.

**Revolving Credit:** Number of individuals with a revolving credit product, divided by the number of individuals in the credit economy.

**Utilization Limits:** Number of individuals with a revolving credit product and a utilization rate of 30 percent or less, divided by the number of individuals in the credit economy.

**On-Time Payers:** Number of individuals in the credit economy who were current on all debt for the four quarters of 2015, divided by the number of individuals in the credit economy.

**Prime Credits:** Number of individuals in the credit economy with an Equifax Risk Score of 720 or higher, divided by the number of individuals in the credit economy.

**Subprime Credits:** Number of individuals in the credit economy with an Equifax Risk Score below 660, divided by the number of individuals in the credit economy.

## STRESS INDICATORS

**Credit Stress:** For each individual in the credit economy, credit stress status is determined based on year-end data. We first determine whether the person was 60+ days past due on any account as of year-end 2015. Then, using payment history on all accounts for each of the preceding four quarters (2014:Q4, 2015:Q1, 2015:Q2, and 2015:Q3), we categorize individuals based on the following three filters:

- Was the person 60+ days past due on any account as of year-end 2015 (i.e., at the end of 2015:Q4)?
- Was the person 60+ days past due during any of the preceding four quarters?
- Was the person 60+ days past due during all preceding four quarters?

Using these filters, we classify each individual in the credit economy at year-end 2015 into one of the following five mutually exclusive credit stress categories:

**Good History:** Individual was never 60+ days past due during any of the quarters analyzed.

**Improved History:** Individual was not 60+ days past due as of year-end 2015, but was 60+ days past due at some point during the preceding four quarters.

**Declining/ Newly Delinquent History:** Individual was 60+ days past due as of year-end 2015, but was not 60+ days past due during any of the four preceding quarters.

**Struggling History:** Individual was 60+ days past due as of year-end 2015 and was 60+ days past due during some, but not all, of the preceding four quarters.

**Consistently Delinquent History:** Individual was 60+ days past due during all of the quarters analyzed.

The following diagram illustrates the categorization process:

	Was the person 60+ days past due on any credit obligation during <u>any</u> of the preceding four quarters?		
	Was the person 60+ days past due on any credit obligation during <u>each</u> of the preceding four quarters?		
Payment Status as of Year-end 2015	Current	30-59 Days Late	60+ Days Late
Current	On-time Payers	Good History	Improved History
30-59 Days Late			
60+ Days Late	Declining History		Struggling History Consistently Delinquent History



This classification is summarized into the following credit stress taxonomy:

Credit Stress based on Five Quarters of Payment History of Individuals				
<b>Good History</b> Current or only 30-59 days late	<b>Improved History</b> Improved from 60+ days late to current or less than 60 days late	<b>Declining History</b> Deteriorated from current or less than 59 days late to 60+ days late	<b>Struggling History</b> Was 60+ days late for some, but not all, of the period	<b>Consistently Delinquent History</b> Was 60+ days late the entire period

## COMPONENTS OF SUBPRIME MOBILITY

**Net new subprime entrants (the new entrants):** The portion of subprime growth rate attributable to new additions to the community who have a subprime credit score, minus the subprime individuals who are no longer included in the credit bureau files.

**Net risk score changers (the stayers):** The portion of subprime growth rate attributable to people who stayed in the community and saw their credit scores decline below 660, minus those whose scores improved to 660 or higher.

**Net geographic movers (the relocators):** The portion of subprime growth rate attributable to subprime residents relocating into the community, minus the subprime residents who moved away.

## NOTES ON CLASS BREAK RANGES FOR THE MAPS

For the sake of visual clarity, the class break ranges on the maps are displayed as whole integers. However, the underlying data are sorted and mapped using up to two decimal places (rounded up from six decimal places). So how do they correspond?

We used the following convention, which is best explained with an example. Assume the following class break ranges from the not-included maps:

Shading on the Maps							
Map Legend	≥15%	11%–14%	9%–10%	7%–8%	4%–6%	<4%	Unmapped
Corresponding Data Values for the Geography	≥15.00%	11.00– 14.99	9.00–10.99	7.00–8.99	4.00–6.99	<4.00%	

For example, a county with the value of 3.88 will be in the class labeled <4 percent. A county with the value of 4.22 percent will be in the class labeled 4 to 6 percent. A county with the value of 6.99 percent will also be in the class labeled 4 to 6 percent. However, a county with the value of 7.01 percent will be in the class labeled 7 to 8 percent.





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