FEDERAL RESERVE BANK of NEW YORK

COMMUNITY DEVELOPMENT

CREDIT INSECURITY IN THE UNITED STATES: 2018 - 2023

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Key Takeaways

- Credit security is the ability of households to access mainstream credit and keep current on debt payments. Credit security increased among U.S. households between 2018 and 2023, a period that included significant economic disruptions.
- The share of people living in credit secure counties increased from 57 percent (182 million) to 69 percent (226 million) during this period.
- However, despite national improvement, pockets of America are experiencing hardship. More than one in ten people in the United States (41 million) live in Credit Insecure counties, places where large shares of consumers rely on high-cost credit and struggle to manage debt.
- Credit insecurity is persistent in certain places. Nearly two in three counties that were Credit Insecure in 2018, home to 14 million people, remained Credit Insecure through 2023.
- Credit insecurity is regionally concentrated, with concentrations in the South and Appalachia. Credit Insecure places have higher shares of the population who live in rural areas, do not have bachelor's degrees, and rent their homes.

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Introduction and Project Overview

In September 2019, the New York Fed released *Unequal Access to Credit: The Hidden Impact of Credit Constraints*.[1] The report analyzed household credit data at the national, state, and community levels to understand degrees of financial well-being across the United States.[2]

Soon after, the COVID-19 crisis prompted shutdowns and prolonged economic uncertainty for households, with unemployment rates approaching levels not seen since the 1930s.[3] The economic impact was especially profound for low-income workers, who lost jobs at five times the rate of middle-income workers. The pandemic also widened the gulf between low-income and high-income earners, whose employment increased during this period.[4] Federal fiscal policy provided relief to borrowers, which resulted in declining credit delinquencies and higher credit scores. However, inflation pressures also squeezed consumers' budgets and their ability to keep current on debt when the pandemic relief ended.

The impact of these profound economic developments in a span of less than five years warrants an update to our earlier work. In this report, we examine how households and communities have fared by measuring credit security from 2018 through 2023. We are interested in national and state levels of credit security, community-level credit security, and how specific *places*[5] fared over time (i.e., which communities' credit security improved or worsened during the pandemic). We ask the following questions:

- Have national levels of credit security improved, worsened, or stayed the same since 2018?
- How uniform were changes in credit security across communities between 2018 and 2023?
- To what degree did Credit Insecure places see their conditions improve, or did they remain insecure?
- Which geographic, economic, and demographic characteristics are correlated with credit security?

The report is organized as follows. Section 1 describes the importance of credit in consumers' financial lives and why credit measures offer insight into economic well-being. Section 2 describes

[1] Claire Kramer Mills, Kausar Hamdani, Edison Reyes, and Jessica Battisto (2019). *Unequal Access to Credit: The Hidden Impact of Credit Constraints*, Federal Reserve Bank of New York (https://www.newyorkfed.org/outreach-and-education/community-development/unequal-access-to-credit-hidden-impact-credit-constraints)
[2] Ibid. p. 6.
[3] Raj Chetty, John Friedman, Nathaniel Hendren, Michael Stepner, and The Opportunity Insights Team (2020), "The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data," NBER Working Paper 27431.
[4] Jaison R. Abel and Richard Deitz (2021). "Some Workers Have Been Hit Much Harder than Others by the Pandemic," Liberty Street Economics, Federal Reserve Bank of New York (https://libertystreeteconomics.newyorkfed.org/2021/02/some-workers-have-been-hit-much-harder-than-others-by-the-pandemic).
[5] Census "places" are communities that do not always directly fit with a geographic classification such as county or tract. They include incorporated communities such as towns and cities as well as unincorporated communities that may not always have formal or legal boundaries (https://www.census.gov/content/dam/Census/data/developers/understandingplace.pdf).

the Credit Insecurity Index framework and credit tiers. Section 3 documents developments in credit security in the United States between 2018 and 2023. Section 4 examines the relationship between demographic and socioeconomic characteristics and credit security. Section 5 dives deeper into credit security at the city, town, and place level. Section 6 discusses how financial institutions, policymakers, academics, and other stakeholders can employ the Credit Insecurity Index to assess local economic conditions and shape programs and investments to improve credit security.

About the Data

The data we use to construct the Credit Insecurity Index are primarily sourced from the New York Fed's Consumer Credit Panel (updated as of Q4 2023). These data are derived from anonymized Equifax credit data and are the source for the New York Fed's *Quarterly Report on Household Debt and Credit*.[6] Credit information in this study comes from the fourth quarter of each year. Credit report data do not provide information on individual income or socioeconomic characteristics; for these, we use geographic information on the borrowers' 2010 census tracts and merge it with income and demographic data from the 2018-2022 5-year Census Bureau American Community Survey (ACS). Note that these estimates are the best available, yet imprecise, approximations of income. 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.

Section 1: How Credit Patterns Provide Insight into Community Well-Being

Credit is essential for participating in the modern economy.[7] Consumers rely on access to credit for everyday consumption, and credit enables households and families to smooth their income when planned or emergency expenses eclipse short-term income or savings. Credit also allows consumers to invest in assets such as housing or education that require significant up-front deposits that are beyond the reach of a typical family's savings. Simply put, credit is a tool that enables individuals and families to manage everyday finances and invest in physical and human assets that can enhance economic well-being over time.

As the examples above suggest, mere credit access or inclusion—defined as having a credit score or file (and by association a credit product or products)—while critically important, is only part of

[6] https://www.newyorkfed.org/microeconomics/hhdc/background.html
[7] Mike Hepinstall, Chaitra Chandrasekhar, Peter Carroll, Nick Dykstra, and Yigit Ulucay. *Financial Inclusion and Access to Credit*, Oliver Wyman (https://www.oliverwyman.com/our-expertise/insights/2022/jan/financial-inclusion-and-access-to-credit.html).

credit participation. Equally important is credit management, i.e., keeping current on payments and having sufficient borrowing room on credit lines to be able to access them in the event of an opportunity or emergency. Credit management means that an individual or household can access the benefits of credit while minimizing the costs associated with over-utilization or arrears, including late fees, reduced credit scores, and increased borrowing costs in the future.

Credit behaviors affect access to a range of economic opportunities. Consumers with histories of strong credit management are better able to access credit to start a business or invest in education and training. Conversely, individuals without credit scores or credit files, or who have encountered challenges in managing credit, may face serious limits on their ability to secure affordable credit or new credit lines at all. Negative credit information can have serious consequences by limiting job opportunities, housing options, and other economic pursuits.

For communities, residents with access to credit are both better off individually and can also increase their communities' credit health and resiliency. Residents in communities with higher concentrations of households with credit access have greater potential to pursue upward mobility through higher education and home purchases and have more resiliency to withstand economic shocks.[8]

Section 2: Credit Insecurity Index Framework

This report offers a framework for understanding how people access and use credit in their communities, focusing on two main factors: having a credit score or credit file, and experiencing credit constraints. The former determines a borrower's access to formal credit in general and the latter determines a borrower's ability to obtain and use formal credit at choice in an affordable, sustainable way. These two factors are what ultimately underpin the concept of credit insecurity and make up the Credit Insecurity Index score.

The credit inclusion of a household or individual has largely been understood as whether they have a credit score or credit file. In other words, those with a credit score or file can access credit and those without a credit score or file cannot access credit. No-file, thin-file, or stale-file borrowers have no or limited credit histories and, as a result, do not have a credit score. Having a credit score is key to a borrower's ability to apply for formal credit products and is the most obvious determinant of a borrower's credit inclusion.

[8] Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez (2014). "Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States," *Quarterly Journal of Economics*, 129, no. 4, November, pp. 1553-1623; https://doi.org/10.1093/qje/qju022.

However, simply having a credit score or credit file does not guarantee a borrower access to affordable, quality credit products in a timely manner. Borrowers who have a credit score or credit file but also experience credit constraints (such as a low credit score, a delinquent payment history, over-utilized credit lines, or a lack of revolving credit) are similarly limited in their ability to access timely, affordable credit. We refer to this group as credit constrained. Examining credit-constrained individuals in addition to those who lack a credit score or credit file is crucial to understanding the financial resilience of borrowers and their communities. Although these borrowers have a credit score or credit file, they may find it difficult to obtain credit when they need it, since they may be denied more often or offered unaffordable terms. This has unfortunate implications for credit-constrained borrowers' ability to access credit in order to manage short-term financial shocks (such as costs related to a natural disaster or an unexpected medical bill), pursue economic opportunities (such as starting a small business), or build wealth for themselves, their families, and their communities.

Credit constraints experienced by low- and moderate-income borrowers are particularly important to measure, since they reflect the broader income and budgeting constraints that low- and moderate-income households and communities face in their daily financial lives. These constraints stem from:

- Uneven and inconsistent income flows: Low- and moderate-income borrowers are more likely to rely on multiple sources of income that do not offer even and consistent income flows month to month.[9]
- Liquidity constraints and higher costs relative to income: Low- and moderate-income households are more likely to have limited balances to cover the essential month to month costs of living, such as payments on rent, utilities, and phone/internet. In addition, these expenses often make up a higher share of these household's income relative to other income groups. In 2023, 70% of households making less than $25,000 spent more than or equal to their monthly income to make ends meet.[10]
- Unexpected financial shocks and limited safety nets: A substantial number of borrowers find it difficult to use savings to cover emergency expenses: 17% of U.S. adults are not able to pay their current month's bills in full, and another 12% of adults would be unable to pay their current month's bills if they also had an unexpected $400 expense.[11]

[9] The U.S. Financial Diaries provides an illustrative example of a low-income household and its income sources over a year. See USFD Issue Brief, "The Financial Lives of Low and Moderate-Income Americans" (U.S. Financial Diaries, 2017): https://www.usfinancialdiaries.org/issue6-method1217.
[10] Survey of Household Economics and Decisionmaking (SHED): https://www.federalreserve.gov/publications/files/2023-report-economic-well-being-us-households-202405.pdf
[11] Survey of Household Economics and Decisionmaking (SHED): https://www.federalreserve.gov/publications/files/2023-report-economic-well-being-us-households-202405.pdf.

- Limited asset ownership and access to wealth: Households can tap existing assets when a financial shock suddenly reduces their income. This is especially important for low- and moderate-income families who may do this to pay for necessities. However, these LMI households often have limited assets to draw on.[12]

These factors make it difficult for households to access credit at favorable terms and to sustainably manage and pay down existing debt obligations. At the same time, these households and their respective communities are the most in need of credit products that help them smooth costs, address unexpected expenses, and build wealth.

When the impact of credit constraints is omitted from the discussion, communities with high concentrations of residents with no or low ability to obtain affordable credit at choice–the "credit insecure" communities–can be missed when assessing community needs and consequently receive less policy and programmatic attention than they would have otherwise. Understanding the degree of credit inclusion within a community as well as the degree to which its residents experience credit constraints can help community lenders and stakeholders determine more precisely what kinds of credit products and financial products are best suited to a community's needs.

The following table provides a summary of the specific sub-components of the Credit Insecurity Index that map to the two factors that underlie the score: Credit Inclusion and Credit Constraints.

[12] Robert I. Lerman (2005). *Are Low-Income Households Accumulating Assets and Avoiding Unhealthy Debt?* Urban Institute (https://www.urban.org/sites/default/files/publication/51581/311185-are-low-income-households-accumulating-assets-and-avoiding-unhealthy-debt-.pdf).

Table A: 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 Over-utilization	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	Percent of adults who are chronically delinquent or severely overdue on payments during the past five quarters on any debt obligation

Credit Included indicates the percent of adults with a credit score or credit file. In other words, this is the population of adults who can access formal credit. *Not Credit Included* refers to the percent of adults without a credit score or credit file, or the population of adults who cannot access formal credit.[13]

No Revolving Credit measures the percent of adults who do not have a credit card or home equity line of credit. Having no revolving credit is a credit constraint because it means that a borrower cannot access a consistent line of credit that is readily available. Access to credit cards enables a borrower to pay for costs without completely depleting cash reserves and to address short-term unexpected expenses. Additionally, certain credit lines, such as a home equity line of credit, allow

[13] See "Who are the credit invisibles" published by the Consumer Financial Protection Bureau (CFPB) for an expanded explanation of those who are "Credit Invisible," which is a comparable metric to our measure of those who are Not Credit Included. (https://www.consumerfinance.gov/data-research/research-reports/who-are-credit-invisibles/)

borrowers to take on larger costs that pay financial dividends later, such as owning an asset (for example, a home or a car).[14]

Credit Over-Utilization measures the percent of adults with ≥ 100% utilization on revolving credit products. In other words, this measures the percent of credit-included adults who have met or exceeded the limit on their revolving credit lines. This measure is a credit constraint because for most borrowers, exceeding a utilization rate of 70% of a credit line is enough to impact a credit score: meeting and even exceeding the limit of a revolving line of credit is an indicator of substantial credit stress and reliance. Additionally, consistent credit over-utilization means that a borrower has no remaining credit each month to use for necessary or unexpected expenses.

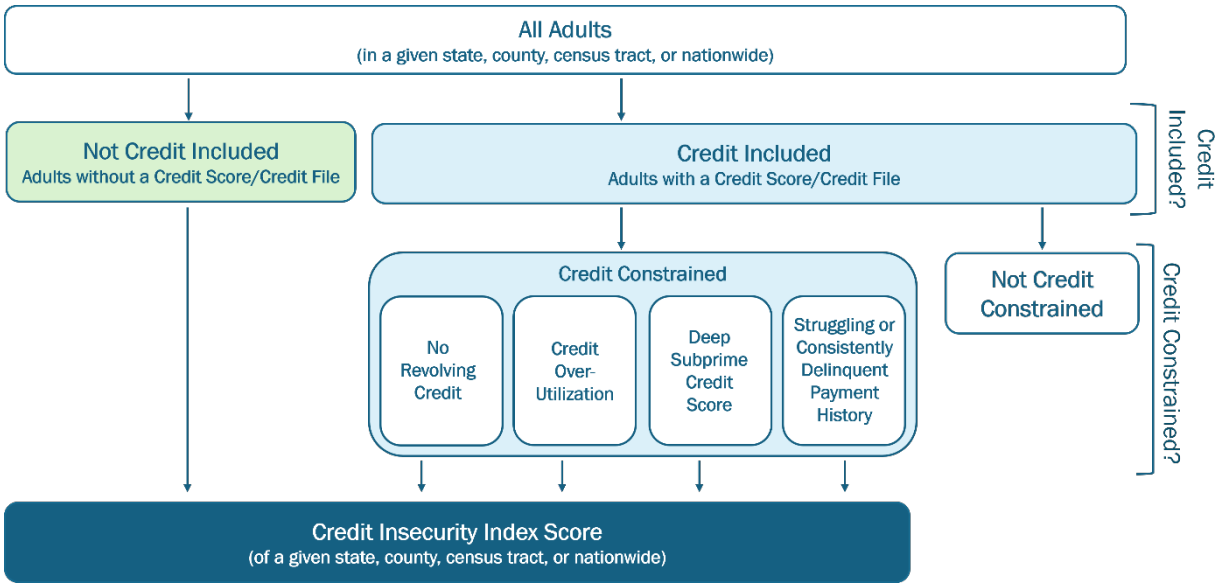
Struggling or Consistently Delinquent Payment History measures the percent of adults who are chronically delinquent or severely overdue on payments during the past five quarters on any debt obligation. A delinquent payment history is a credit constraint because it negatively impacts a borrower's credit score and their future ability to borrow affordable credit. Payment delinquencies are often observed in situations when a borrower cannot pay on time due to unexpected shocks such as job loss, emergency health costs, or increased interest rates, with limited savings to help.

Deep Subprime Credit Score measures the percent of adults with a credit score of 580 or below. This measure is a credit constraint because it reflects many of the prior measures and is the primary source of information for lenders on a borrower's creditworthiness and ultimately their ability to get approved for credit or receive favorable terms on credit products.

Credit inclusion and credit constraints are the two overarching factors that underlie the calculation of the Credit Insecurity Index. Exhibit A below stylizes the selection criteria for the shares of adults who may be experiencing elements of credit insecurity. We start with the adult population within a given period and geography,[15] and then divide this into the two groups determined by their credit inclusion: adults with a credit score or credit file, and adults without a credit score or credit file. The share of adults without a credit score or credit file—those who are not credit included—becomes the first component of our Index.

[14] Metro Community Development, "What's Best for Your Business? A Revolving or Non-Revolving Line of Credit?" (https://metrocommunitydevelopment.com/business-lines-of-credit/).
[15] In this analysis, we measure credit insecurity on an annual basis, using credit data from the fourth quarter of every year.

Exhibit A: Conceptual Framework for the Credit Insecurity Index



Next, the population of adults with a credit score or credit file, or those who are credit included, is divided into two groups based on their credit constraints: adults who are credit constrained and adults who are not credit constrained. The credit-constrained component is composed of the four measures discussed previously: No Revolving Credit, Credit Over-Utilization, Deep Subprime Credit Score, and Struggling or Consistently Delinquent Payment History.

The share of the adult population that is not credit included and the weighted share of the adult population that is credit included but is credit constrained[16] are the two main components that ultimately make up the Credit Insecurity Index score.

The Credit Insecurity Index is a Place-Based Measure of Community Credit Health

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. The Index is reflective of the credit conditions experienced collectively by the individuals and households that make up the geography being examined.

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

[16] See below for detailed description of how this value is calculated. We use equal weights to average the four credit-constraining components so that the overall Index is not biased toward any one credit constraint

community's ability to access affordable credit, be resilient in the face of shocks, pursue economic opportunities, and take on community-wide investments.

Credit insecurity can both influence and be reflective of a community's banking and lending ecosystem, such as the types of banking and financial services providers that operate within a community, as well as the quality and breadth of financial products that are available to community members.

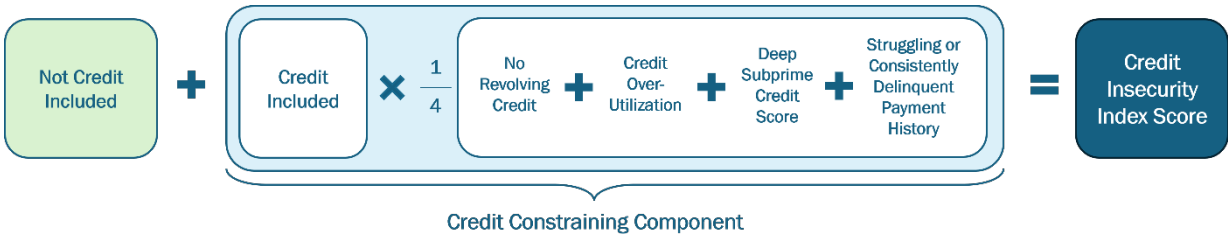
Additionally, credit insecurity in a community is also a measure of community resiliency. It is very relevant when assessing a community's ability to adapt and recover in the face of natural disasters, public health emergencies, and other community-wide shocks, which necessitate access to timely and affordable credit to meet emergency expenses and recover from losses.

The Credit Insecurity Index is also a measure of community opportunity. A community that can access and use credit at choice can build collective wealth and its residents can pursue economic opportunities that benefit the community at large (such as starting a small business). Additionally, the Index reflects the opportunities communities have for investments and interventions that bolster financial resilience and the capital absorption capacity for such investments.

Credit Insecurity Index: Technical Foundations of the Measure

In practice, the calculation involves adding the share of people who are not credit included to a value that represents the degree to which the population that *is* credit included is nonetheless credit constrained.

Exhibit B: Calculation of the Credit Insecurity Index

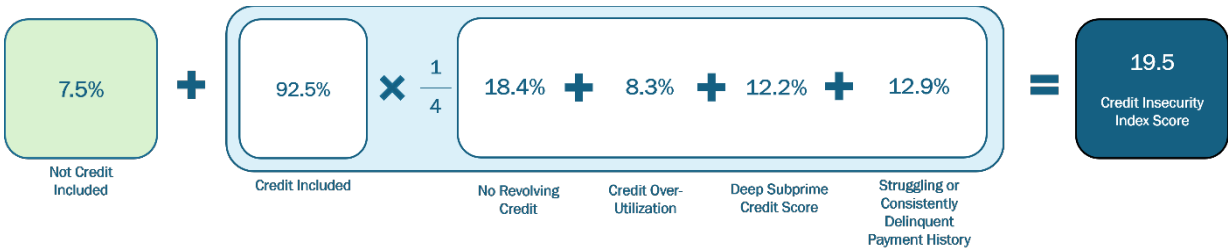


First, we calculate the portion of the adult population that is not credit included. This value is a simple share, which we derive by subtracting the number of adults (18+) with credit files and credit scores from the total adult population in a given geography. The remainder is the estimated share of the adult population in the given geography that is not credit included.

The second component captures those adults who are credit included but also credit constrained due to the four sub-components described above. We calculate this value by finding the respective share of adults facing each of the credit-constraining components and taking the simple average, scaled by the share of people who are credit included in that geography.

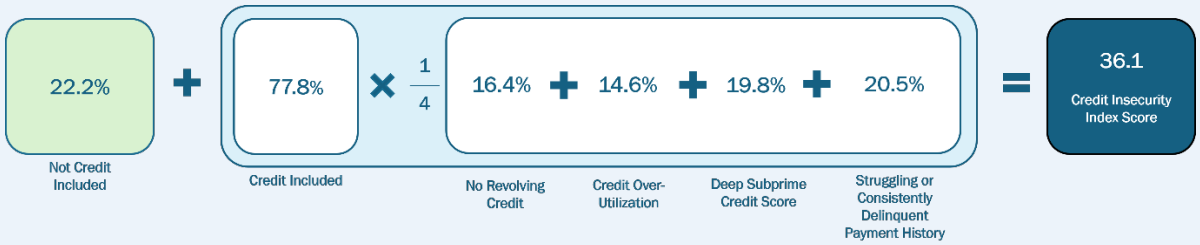
We use equal weights to average the four credit-constraining components so that the overall Index is not biased toward any one credit constraint. Other weighting options are possible and would produce different Index values. Index values are point-in-time measures but capture resident outcomes over at least the prior year.

Exhibit C: Calculation of the National Credit Insecurity Index Score



This calculation can be understood most readily via example. Looking at the national level in 2023, we estimate that approximately 7.5% of adults were not credit included. This is the first component. For the second component, we estimate that of the adults who are credit included, 18.4% had no revolving credit, 8.3% had credit overutilization, 12.2% had deep subprime credit scores, and 12.9% had consistently delinquent payment histories. The average of these four values is 12.95. We then scale that value by multiplying it by the share of adults who are credit included (92.5%), which gives us a value of 12%. This is the second component, the credit-constrained component. The Credit Insecurity Index is the sum of the first component (7.5) and the second component (12). This works out to a score of about 19.5 at the national level for 2023.

Illustrating the Credit Insecurity Index in Practice: The Bronx



The Bronx has a higher level of credit insecurity relative to other counties and the national Credit Insecurity Index score. This is driven by a comparatively higher share of the adult population that is not credit included or that is credit constrained.

In the Bronx, 22.2% of adults are not credit included and do not have a credit score – about 15 percentage points higher than the same component of the national Credit Insecurity Index score. The weighted share of the population that is credit constrained, determined by the calculation in the second component, is about 13.9%, 2 points higher than the credit-constrained component of the national score.

The credit-constrained component appears to be driven mostly by the shares of borrowers with a struggling or consistently delinquent payment history (20.5%) and deep subprime credit scores (19.8%). This figure is consistent with the Bronx seeing higher rates of rent burden and utility costs burden.[17] The score overall, at 36.1, is significantly driven by the share of the population that is not credit included at all, which is likely related to the Bronx seeing some of the highest concentrations of unbanked and underbanked populations in New York City.[18]

Credit access challenges in the Bronx are rooted in the financial disparities that have shaped neighborhoods such as Mott Haven, Highbridge, Hunts Point, Soundview, and Morrisania.[19] These areas are home to low- and moderate-income (LMI) households that face barriers such as being unbanked or underbanked, as well as having no-file or thin-file histories, which exclude them from many traditional credit options. Community Development Financial Institutions in the Bronx serve populations that are not credit included or that are credit-constrained, offering account access, credit-building loans, and other affordable financial products tailored to residents with limited or poor credit histories. Still, many residents remain reliant on alternative financial services for payment transactions and lending needs.

[17] According to a report from the NYC Consumer and Worker Protection agency, "Where Are the Unbanked in NYC?" eight out of the ten community districts in the Bronx experience the highest rates of rent burden and the highest shares of unbanked households in New York City. The report states that rent-burdened households experience increased financial stress, which leads to an inability to meet the minimum balance required to open or maintain a bank account. (https://www.nyc.gov/assets/dca/downloads/pdf/partners/Research-UnbankedNYC-2021Data.pdf)
[18] Ibid.
[19] Ibid.

Contextualizing Credit Security with Tiers

To compare communities (states, counties, cities, etc.), it can be helpful to also have a categorical variable describing credit security at a high level. To allow for easier comparison across communities, we assign specific Credit Insecurity Index scores to "tiers" of relative severity: Credit Assured, Credit Likely, Mid-Tier, Credit At Risk, and Credit Insecure.

We use ranges of Index scores to create these tiers. For example, the Credit Assured category includes communities with scores that fall between 0 and 16.6. To determine these ranges, we use the quintiles of county-level Credit Insecurity Index scores. We use 2018 as our base year to do this calculation, meaning the tiers are based on the county-level Index scores from that year. This allows the number of counties in each tier to change in subsequent years.[20]

Table B: Credit Tiers and Their Index Score Ranges

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

In broad terms, this means that communities with lower scores, which have lower shares of residents who are not credit included or who are credit constrained, are assigned to the Credit Assured and Credit Likely tiers. Communities with higher scores, which have higher shares of residents who are not credit included or who are credit constrained, are assigned to the Credit At Risk and Credit Insecure tiers. These tiers offer another dimension of categorical information to demonstrate how credit constrained a community is relative to other communities in the United States.

[20] Differences in the score ranges for credit tiers computed using 2018 data from the FRBNY Equifax Consumer Credit Panel between this report and our previous report, *Unequal Access to Credit: The Hidden Impact of Credit Constraints*, are due to adjustments and revisions to the underlying data (https://www.newyorkfed.org/outreach-and-education/community-development/unequal-access-to-credit-hidden-impact-credit-constraints).

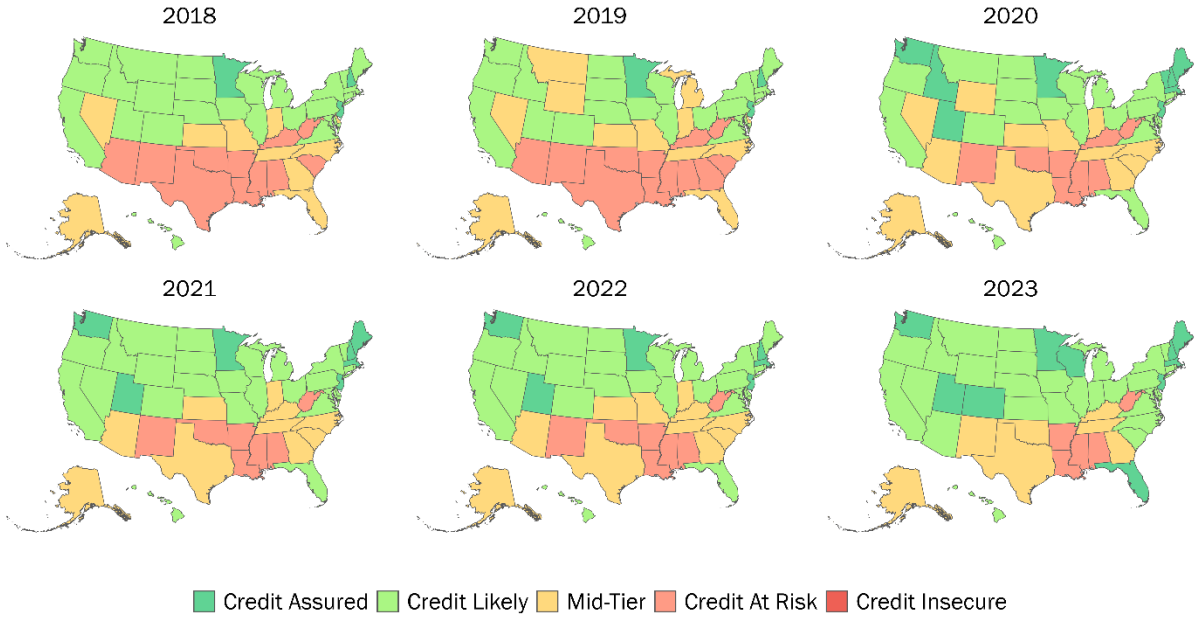
Section 3: A Snapshot of Credit Security from 2018-2023

Credit Security Has Improved Overall

Credit security in the United States improved between 2018 and 2023.[21] In the midst of considerable economic disruptions, the national Credit Insecurity Index fell from 22.3 in 2018 to 19.5 in 2023.[22] This reflects the fact that more people have become credit included and the share of people who are credit constrained has fallen.

Figure 1: There Has Been Broad Improvement in Credit Access, Though Credit Insecure Regions Remain*

Credit Insecurity Index score by state from 2018 to 2023



Sources: FRBNY Consumer Credit Panel/Equifax (values from Q4 of each year), American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.
*Note: There were no credit insecure states from 2018 to 2023. However, there are credit insecure counties even in states that are not credit insecure overall.

This improvement occurred at the state level as well. Between 2018 and 2023, the number of states in the Credit At Risk tier declined from 12 to 5, with Arizona, New Mexico, and South Carolina improving into higher tiers. Similarly, the number of states in the Credit Assured tier more

[21] This is the overall trend. There were, of course, movements in the interim. See the *Quarterly Report on Household Debt and Credit from 2018 to 2023* (https://www.newyorkfed.org/microeconomics/hhdc/background.html). See also: "A Monthly Peek into Americans' Credit During the COVID-19 Pandemic" (https://libertystreeteconomics.newyorkfed.org/2020/08/a-monthly-peek-into-americans-credit-during-the-covid-19-pandemic/) and *The State of Low-Income America: Credit Access & Debt Payment* from 2022 (https://www.newyorkfed.org/medialibrary/media/press/the-state-of-low-income-america-credit-access-debt-payment-march-2022).
[22] See Figure A in the Figure Appendix for a detailed view.

than tripled from 3 to 10, with states such as Wisconsin, Washington, and Florida becoming Credit Assured.

Similar developments occurred at the county level. The number of Credit Assured and Credit Likely counties increased (1,231 to 1,475), the number of Mid-Tier counties stayed roughly equal, and the number of Credit At Risk and Credit Insecure counties declined (1,237 to 972). At the population level, the share of people living in Credit Likely and Credit Assured counties increased from 57% (182 million) to 69% (226 million), the share living in Mid-Tier counties declined slightly to 18% (59 million), and the share living in Credit At Risk and Credit Insecure counties fell from 21% (68 million) to around 13% (41 million).[23]

Table C: Credit Tiers, 2023

TIER	COUNTIES	POPULATION	SHARE OF POPULATION (%)
Credit Assured	795	125,883,744	39%
Credit Likely	680	100,559,396	31%
Mid-Tier	633	59,136,248	18%
Credit At Risk	528	25,962,882	8%
Credit Insecure	444	14,989,721	5%

Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Although much of the U.S. population lives in Credit Assured and Credit Likely counties, Appendix Table B illustrates that there are still substantial populations of people who are socioeconomically vulnerable living in these credit secure areas. For example, nearly 54 million people who live in Credit Assured and Credit Likely counties have subprime or deep subprime credit scores. In many cases, the highest population counts of people demonstrating characteristics of financial vulnerability (such as being subprime or not in the workforce) are in Mid-Tier, Credit Likely, and Credit Assured counties.

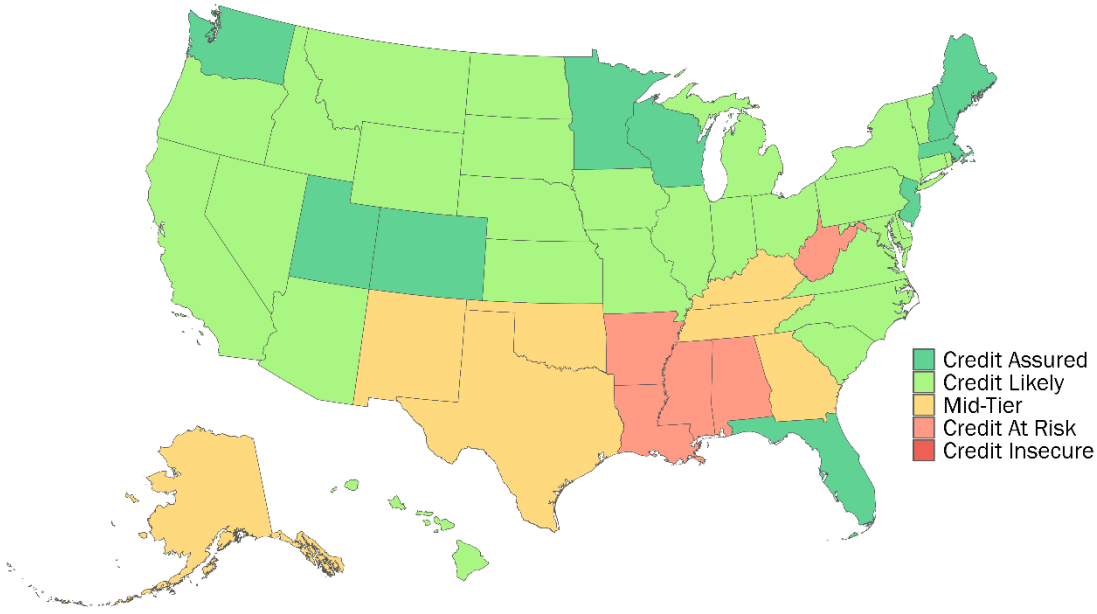
[23] Note that for this calculation, we use the 2023 insecurity tier for each county and the 5-year ACS total population estimate from 2022, given it is the most recent population estimate available at the time of writing.

There Is Substantial Geographic Variation Amid Overall Improvement

Amid this nationwide improvement, there is considerable geographic variation and clustering in credit security.[24] Mapping state-wide scores, as in Figure 2, demonstrates that states range from Credit At Risk to Credit Assured. It also reveals geographic clustering among struggling states: credit insecurity tends to cluster in the South-Central region and Appalachia.

Figure 2: State-Level Credit Security Varies Widely Across the Country*

Credit insecurity tier by state, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.
*Note: There were no credit insecure states in 2023. However, there are credit insecure counties even in states that are not credit insecure overall.

Figure 3 similarly shows this wide range in state scores. Some states, such as Mississippi, have Credit Insecurity scores of nearly 30, while others, such as New Hampshire, have scores less than 13. The figure also reveals that even states in the Credit Assured or Credit Likely tiers still have meaningful shares of people who are insecure. For example, while New York falls into the Credit Likely tier, more than one in ten adults do not have a credit score or file, and the weighted share of the population that is credit constrained is 10%.

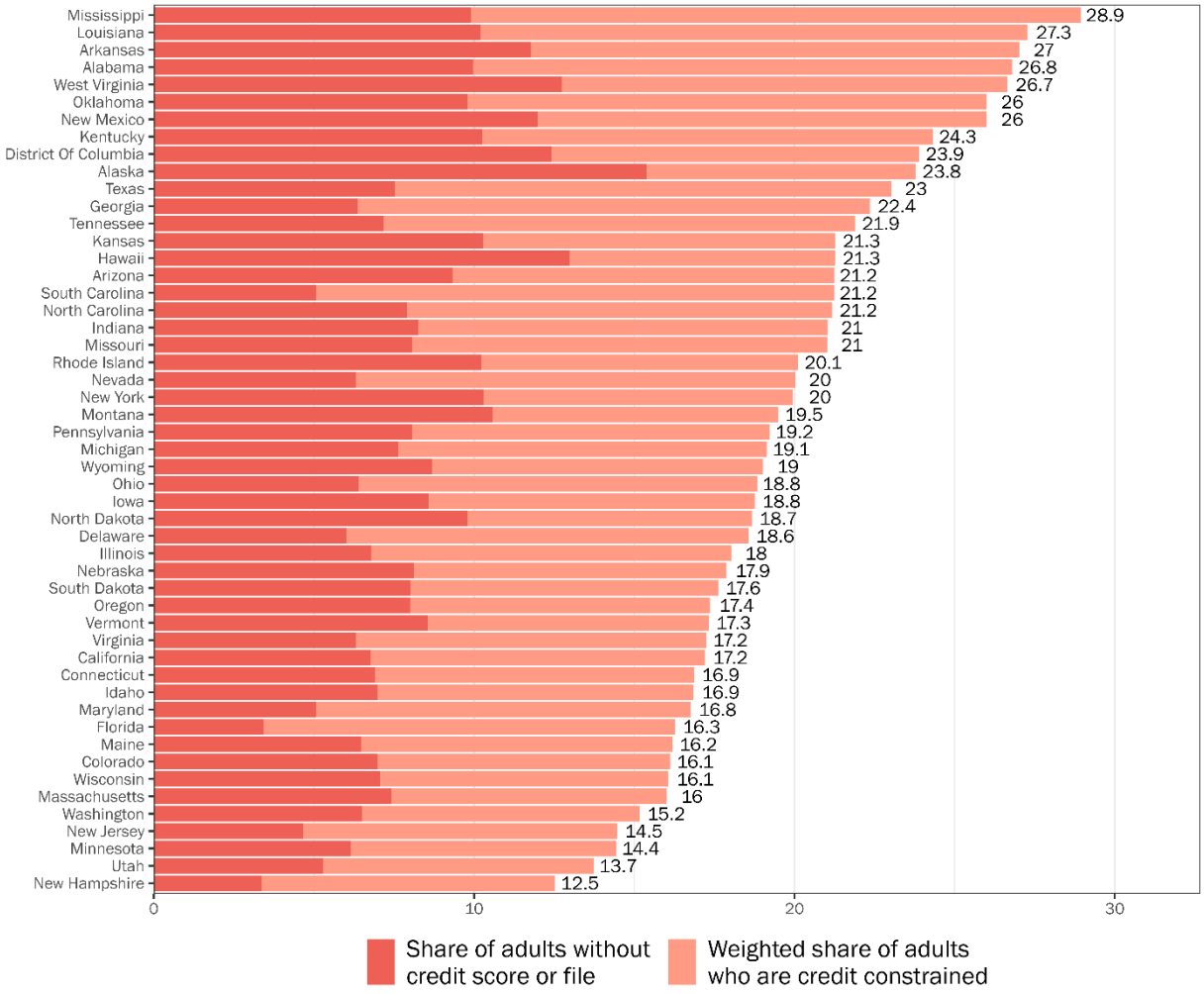
By breaking down the score into the two components, Figure 3 also demonstrates that the drivers of credit insecurity can vary considerably across states. For example, South Carolina and Hawaii

[24] Some of this is likely related to other socioeconomic characteristics of these places, which we investigate in subsequent sections.

have virtually identical scores overall. However, in Hawaii, around 13% of adults do not have a credit score or file, and the weighted share of the population that is credit constrained is 8%, whereas in South Carolina the numbers are flipped: just 5% of adults do not have a credit score or file and the average of the credit-constraining components is more than 16%. This has implications for what may be driving credit insecurity and what programs may ameliorate it (credit building versus credit repair programs, for example).

Figure 3: Credit Insecurity Index Scores Vary Widely Across States

Score by state in Q4 2023, by share without credit score or file and share who are credit constrained

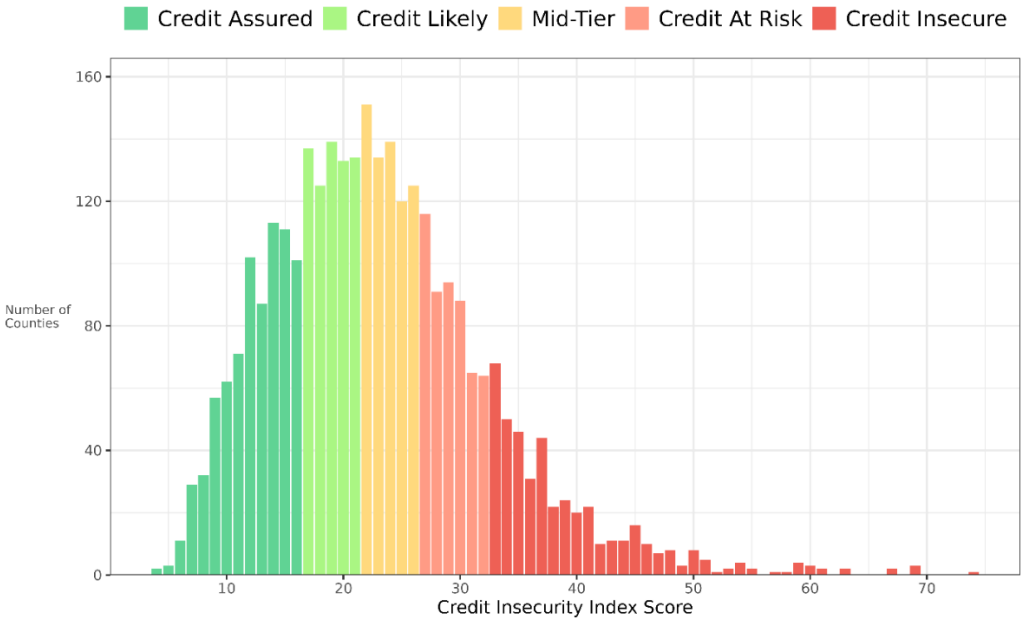


Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Smaller geographies such as counties reveal an even wider range in their Credit Insecurity Index scores. Although the modal county was Credit Likely or Mid-Tier as of 2023, there is a significant difference in scores between the most secure and insecure places in the United States, as seen in Figure 4.

Figure 4: Counties Vary Significantly in Their Level of Credit Security

Number of counties by Credit Insecurity Index score, Q4 2023*



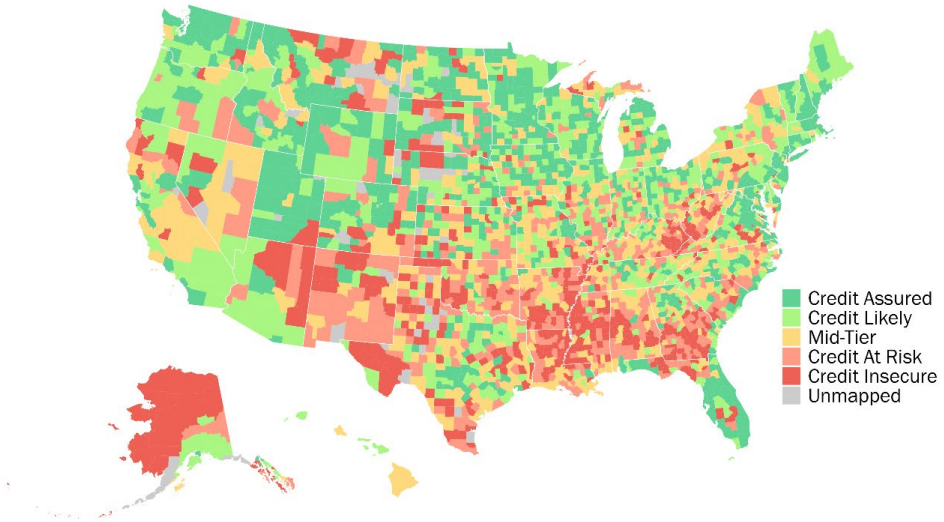
Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.
*Note: Each bar represents a bin width of one

Mapping counties in Figure 5 reveals considerable geographic clustering. There are concentrations of credit insecurity in the South and Appalachia and concentrations of credit assuredness along the east coast and in regions of the upper Midwest. In general, Credit Assured counties tend to cluster in areas of the country that are distinct and distant from counties that are Credit Insecure.[25]

[25] See Figure B in the Figure Appendix for additional visualization.

Figure 5: Counties in the South and Appalachia Experience Substantial Credit Insecurity

Credit Insecurity Index score by county, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Despite Improvement, There Is Evidence of Persistence in Credit Insecurity

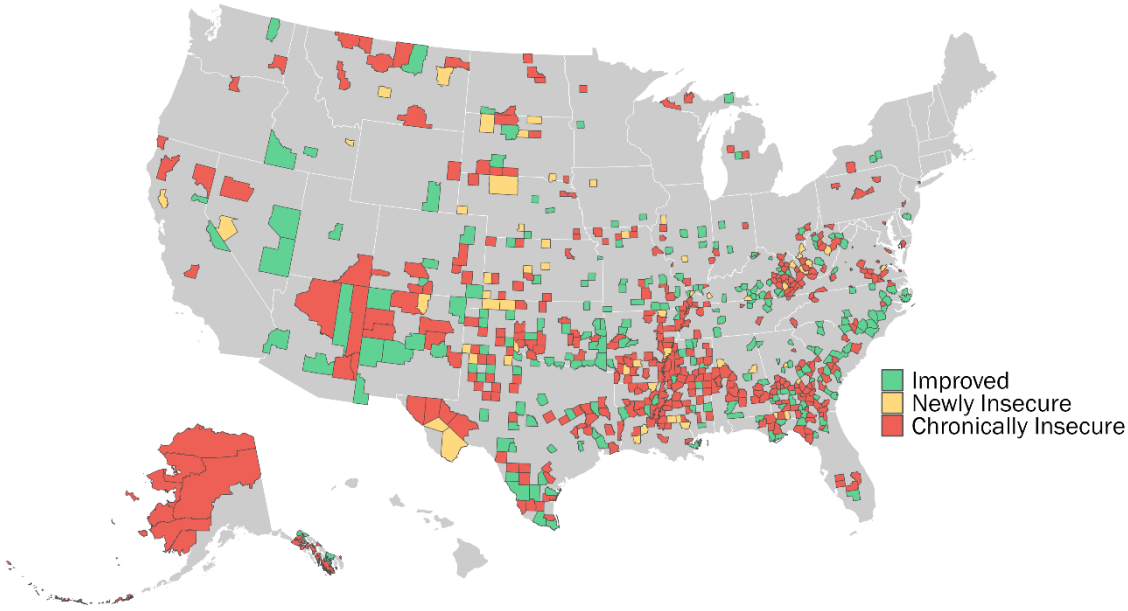
In addition to this geographic variation and clustering, we also find that the overall improvement since 2018 has not been experienced evenly. In fact, there is meaningful persistence in Credit Insecurity Index scores: around 60% of counties were in the same tier of credit security in 2023 as they were in 2018.[26] This means most people, around 199 million (61%), live in counties that are in the same tier today as they were five years ago.[27] There is movement on the margins, but the typical county is in the same category of insecurity as it was at the start of the sample.

[26] Only 32% of counties improved into a more credit secure tier and just 9% fell into a more insecure tier.
[27] 115 million (35%) live in counties that moved up at least one tier, and 13 million (4%) live in counties that fell at least one tier.

Credit Insecure counties and their score movements during this period are of particular interest, given the economic shocks and programmatic interventions that took place. We find that there has been movement into and out of the Credit Insecure tier: 57 counties fell into the Credit Insecure tier between 2018 and 2023 ("newly insecure") [28] and 229 counties improved out of the Credit Insecure tier ("improvers").[29] However, most Credit Insecure counties can be characterized as "chronically insecure," places where residents have exhibited persistent levels of credit insecurity, even amid national improvement.[30] Almost two in every three counties that were Credit Insecure in 2018 remained so in 2023.[31]

Figure 6: Most Insecure Counties Remained Insecure Between 2018 and 2023

Insecure counties by category of improvement or decline*



Sources: FRBNY Consumer Credit Panel/Equifax (values from Q4 of each year), American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.
*Note: Gray areas indicate counties that were not credit insecure in 2018 or 2023.

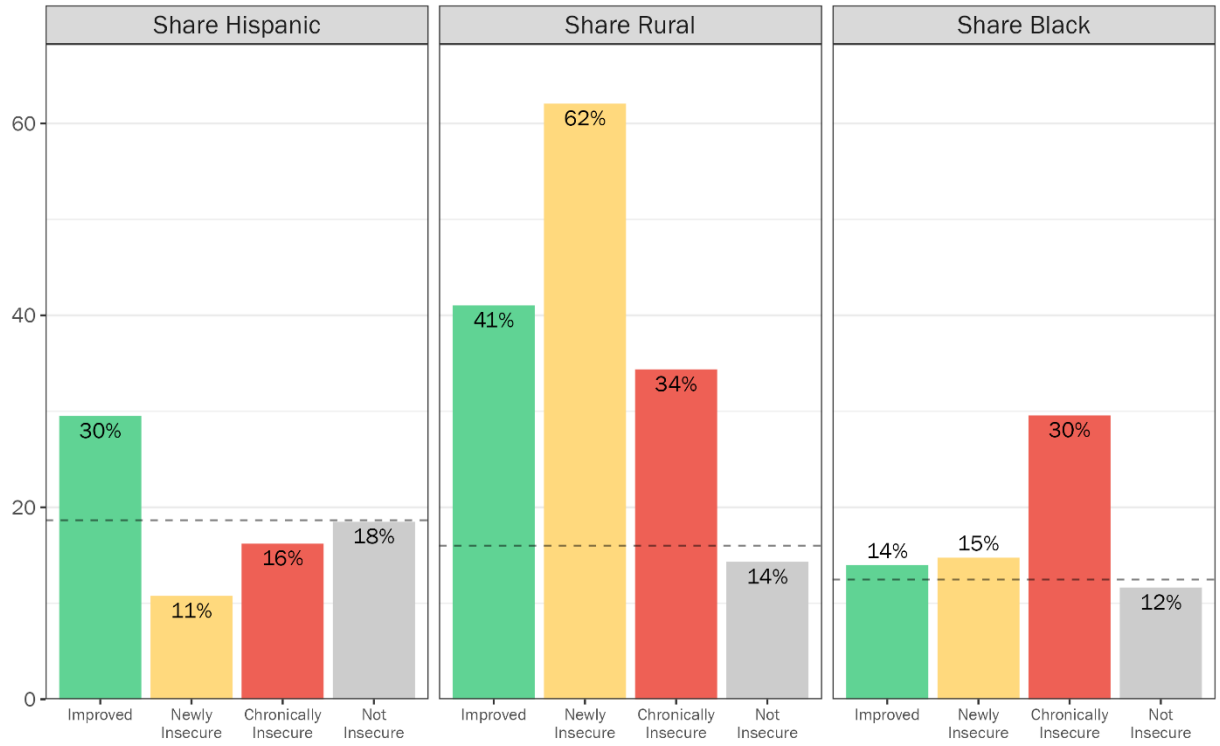
Given the implications of credit security for financial wellbeing, we examine the socioeconomic characteristics of improved, newly insecure, and chronically insecure counties since 2018. Figure

[28] 51 had been Credit At Risk in 2018, 5 had been Mid-Tier, and one had been Credit Assured.
[29] 172 (75%) improved to the At Risk tier, 45 (20%) improved to Mid-Tier, 9 improved to Credit Likely (4%), and 3 improved to the Assured Tier (1%).
[30] And despite trillions of dollars in spending between 2018 and 2023 from COVID relief measures alone (https://www.usaspending.gov/disaster/covid-19).
[31] Framed another way, this means that of the 444 counties that were insecure as of 2023, almost nine in every ten were also insecure in 2018.

7 shows that counties that improved out of the Credit Insecure tier have a much higher share of the population that is Hispanic, counties that fell into the Credit Insecure tier have a much higher share of the population that is rural (more than 6 in 10 people in counties that became insecure between 2018 and 2023 live in rural census tracts[32]), and chronically insecure counties have a much higher share of the population that is Black.

Figure 7: Counties that Improved Out of Credit Insecurity, Fell into Credit Insecurity, or Remained Credit Insecure Have Populations That Differ from Non-Insecure Counties and Each Other

Share of population in each county category that is Hispanic, rural, or Black. Dashed line indicates national share.



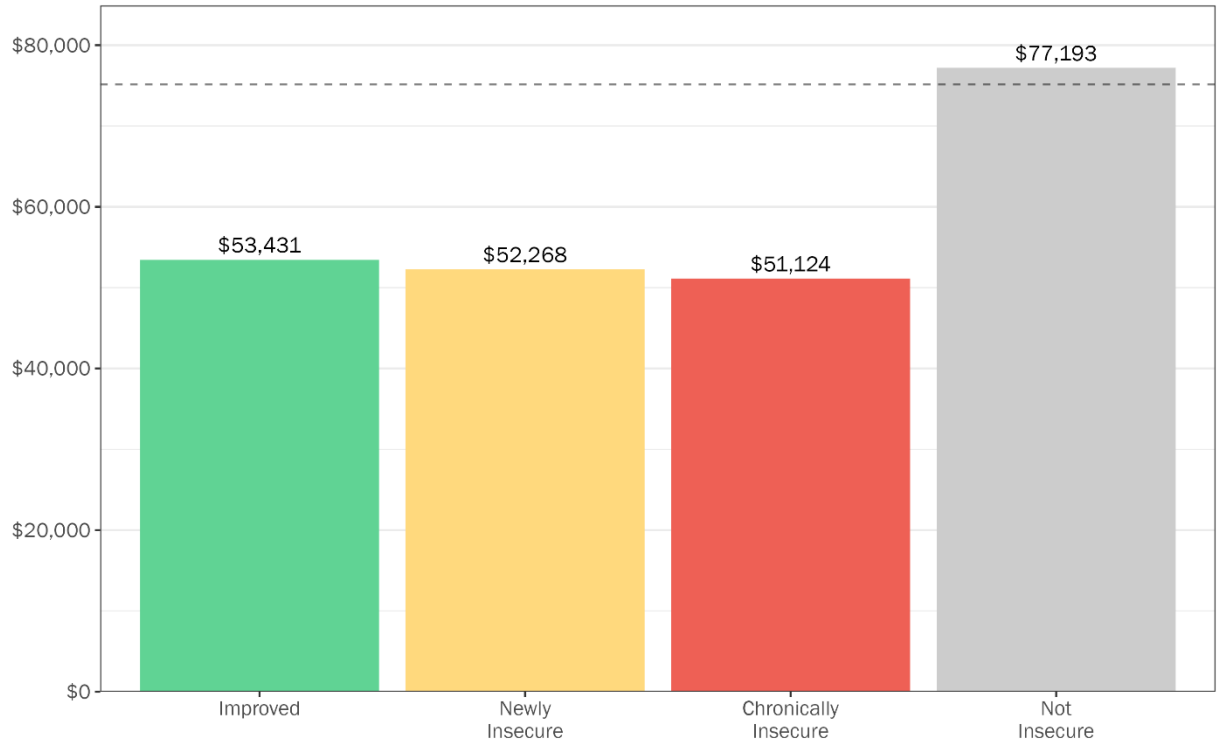
Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Economic characteristics are more uniform across improved, newly insecure, and chronically insecure counties. Compared to counties that were not Credit Insecure in 2018 or in 2023, these improved, newly insecure, and chronically insecure counties all have lower median incomes, higher poverty rates, a lower share of people in the workforce, and lower educational attainment.[33]

[32] See Data Appendix for an explanation on how we calculate rural.
[33] For a detailed view of additional categories, see Figure C in Figure Appendix.

Figure 8: Counties that Improved Out of Credit Insecurity, Fell into Credit Insecurity, or Remained Credit Insecure All Have Similar, Relatively Low, Median Incomes

Weighted median income by county category. Dashed line indicates national median income.



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Despite remaining Credit Insecure in 2018 and 2023, chronically insecure counties nonetheless saw shifts in their Credit Insecurity Index scores. Table D shows how counties that were chronically insecure saw their Index score change over time relative to the national rate of improvement.[34]

Table D: Chronically Insecure Counties' Score Performance from 2018-23

CATEGORY	CHRONICALLY INSECURE COUNTIES	SHARE OF CHRONICALLY INSECURE COUNTIES (%)	POPULATION
Overperformed	**25**	**6.5**	**337,425**
Kept Pace	**107**	**27.7**	**3,678,912**
Fell Behind	**131**	**33.9**	**7,294,759**
Outright Declined	**123**	**31.9**	**2,732,469**

[34] The national rate of improvement was 12.6% between 2018 and 2023. We define a county as outperforming if its rate of improvement was 5 percentage points faster (above 17.6%), as keeping pace if its rate of improvement was within 5 percentage points of that rate (between 7.6% and 17.6%), as falling behind if its rate of improvement was more than 5 percentage points below that rate (below 7.6% but above 0%), and as outright declining if the county experienced no improvement or saw a decline (below 0%).

A few dozen of these counties saw an improvement in their Credit Insecurity Index score that was meaningfully faster than the national rate of improvement, and over a quarter kept pace with the national rate. However, a little over a third fell behind the national rate of improvement, and almost a third saw their Credit Insecurity Index scores outright decline. Unfortunately, this means that not only did many of these counties remain Credit Insecure between 2018 and 2023 but also that over two-thirds fell even further behind.

Section 4: Socioeconomic Characteristics of Credit Insecure Places

Given the negative impacts that a lack of access to credit has on households' financial well-being and the persistent geographic inequality of credit insecurity observed in the previous section, it is important to understand who is experiencing credit insecurity. Previous research suggests that constraints on access to credit are often acutely felt by populations that are socioeconomically vulnerable in other dimensions, including income, race, housing tenure, education level, and employment status.[35]

While the foundation of our measure is individual credit data, the Credit Insecurity Index itself is a place-based measure. Similarly, data on socioeconomic characteristics, such as age and race, are available only at geographically aggregated levels like counties. Therefore, to assess the relationship between credit security and socioeconomic characteristics, we look at Credit Insecurity Index scores and population characteristics at the county level. While not a direct measure of the correlation between individual security and individual socioeconomic characteristics, it is a good place-based proxy.

Using counties as observations, in Figure 9 we run a simple Spearman correlation[36] to see which county-level characteristics are associated with credit insecurity. Higher positive values indicate a stronger positive relationship, and more negative values indicate a stronger negative relationship.

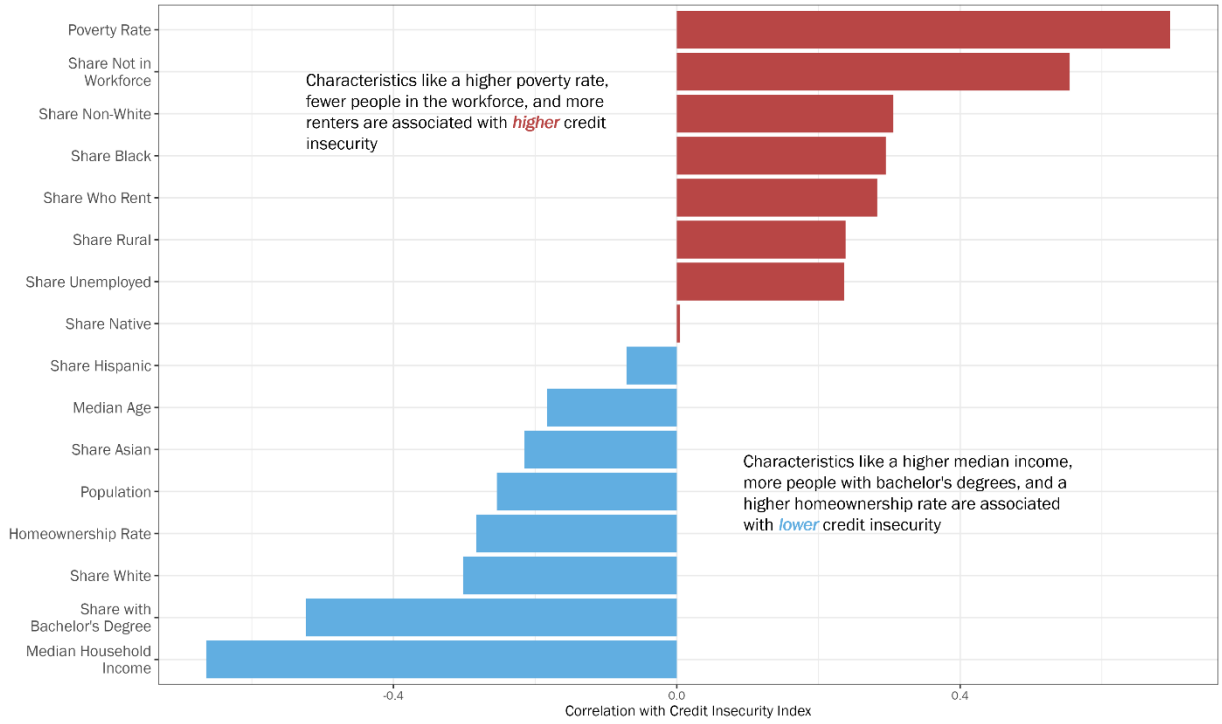
We find that poverty rates and the share of people not in the workforce have the strongest positive correlation: counties with a higher share of their population in poverty and a lower share in the workforce have higher Credit Insecurity Index scores. We also find that the shares of the

[35] FDIC (2021). *FDIC National Survey of Unbanked and Underbanked Households*. (https://www.fdic.gov/sites/default/files/2024-03/2021report.pdf); Consumer Financial Protection Bureau (2015). *Data Point: Credit* Invisibles. (https://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf).
[36] Spearman's Correlation (https://www.statstutor.ac.uk/resources/uploaded/spearmans.pdf)

population that are non-white, are renters, and that live in rural areas are also positively correlated with credit insecurity.

Figure 9: Characteristics such as Income, Poverty, and Homeownership Correlate with Credit Insecurity at the County Level

Spearman Correlation coefficients, county-level observations



Sources: FRBNY Consumer Credit Panel/Equifax (Q4 2023), American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

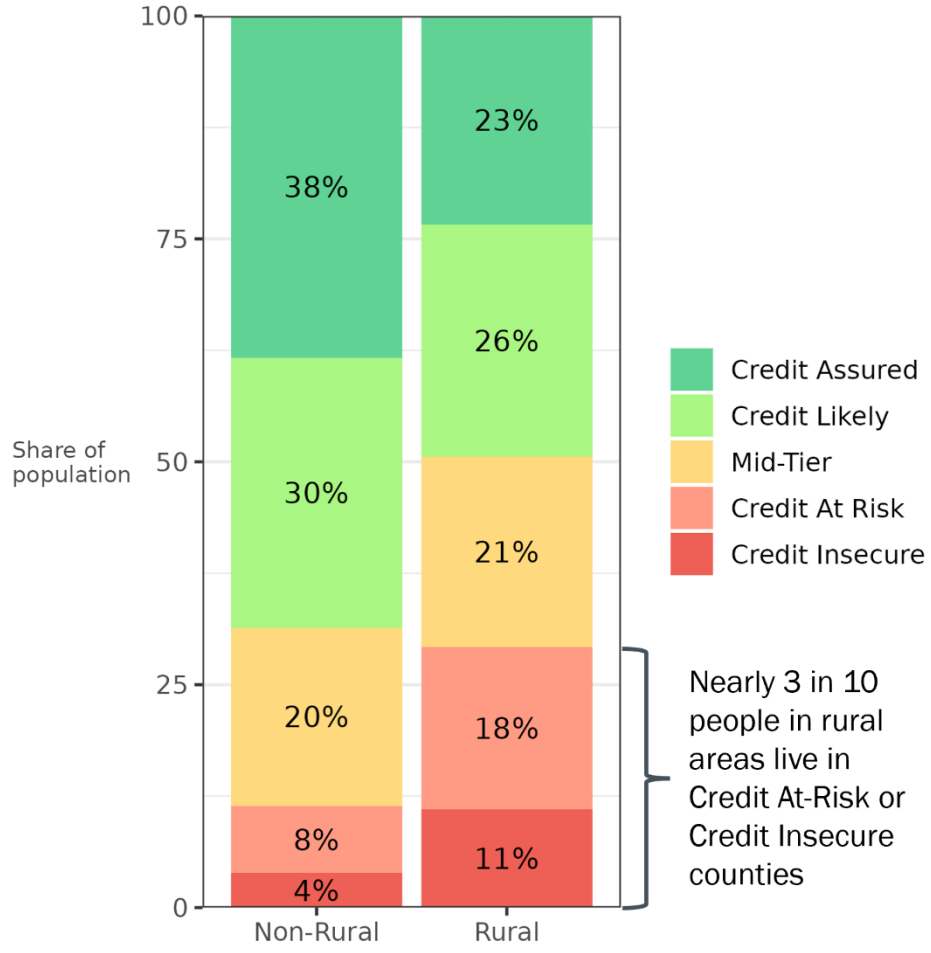
In the other direction, we find that counties with higher median incomes and greater shares of the population who are white, have a bachelor's degree, and own homes are less credit insecure. While the relationship appears somewhat weaker, we also find that counties with older residents and larger populations also have less credit insecurity.

The strength of some of these correlations warrants additional analysis. For example, as in Figure 5 and Figure 9 above show, rural places are disproportionately credit insecure. In fact, as of 2022, of the 16.6 million people who live in Credit Insecure counties, 5.8 million live in rural areas.

Figure 10 takes this analysis a step further and shows that 29% of people in rural areas live in Credit Insecure and Credit At Risk counties. This contrasts with just 12% of people in non-rural areas who live in Credit Insecure and Credit At Risk counties. This suggests that many of the communities that face more difficulties in accessing credit are smaller, less populated areas. That said, there is still substantial credit insecurity in non-rural areas. Nearly half of all people in Credit At Risk and Credit Insecure counties live in non-rural areas.[37]

Figure 10: Rural Residents Are More Likely to Reside in Credit Insecure and Credit At Risk counties

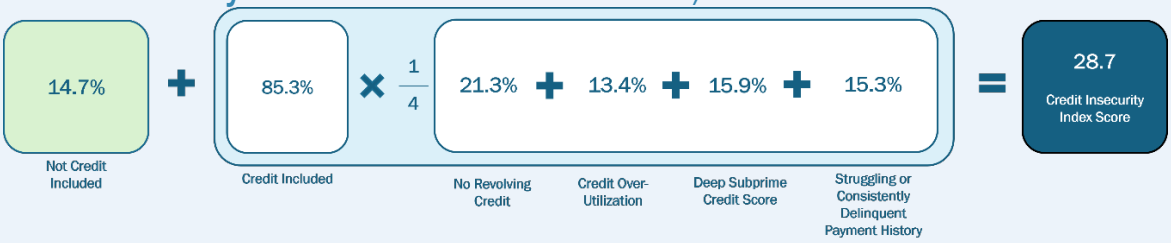
Percent of rural and non-rural populations in each credit tier, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year)

[37] See Appendix Table B for a full list of demographic population counts by credit tier.

Credit Insecurity in a Rural Context: Whitehall, NY



Whitehall, a town of about 2,465 people in Washington County in Upstate New York, exemplifies how the Credit Insecurity Index can be applied in a rural context. In Whitehall, 14.7% of adults are not credit included, meaning they do not have a credit score – about twice the national share of adults that are not credit included. The weighted share of the population that is credit constrained is about 14.0%, two points higher than the credit-constrained component of the national score. Whitehall's score of 28.7 places it in the Credit At Risk category. The credit-constrained component of Whitehall's score appears to be driven most by the share of borrowers with no revolving credit (21.3%). Whitehall's score overall, however, is driven almost equally by both score components.

The town of Whitehall has limited financial service providers. There are two bank branches in Whitehall village that offer banking and lending services, but these service a broad geographic area within Washington county, much of which has no bank branch within a 5-to-10-mile radius. Moreover, Whitehall's surrounding area offers few additional financial services. According to data from the Federal Reserve Bank of Philadelphia, Whitehall is located near two census tracts considered to be potential banking deserts, meaning that there is only 1 bank branch available within the area or within a certain radius from its population center.[38] While Whitehall itself is not a banking desert, this provides important context for Whitehall's score – research has shown that bank branch presence in low-and-moderate income neighborhoods is linked to improved access to financial services, higher originations in products like mortgages, and lower interest rates.[39]

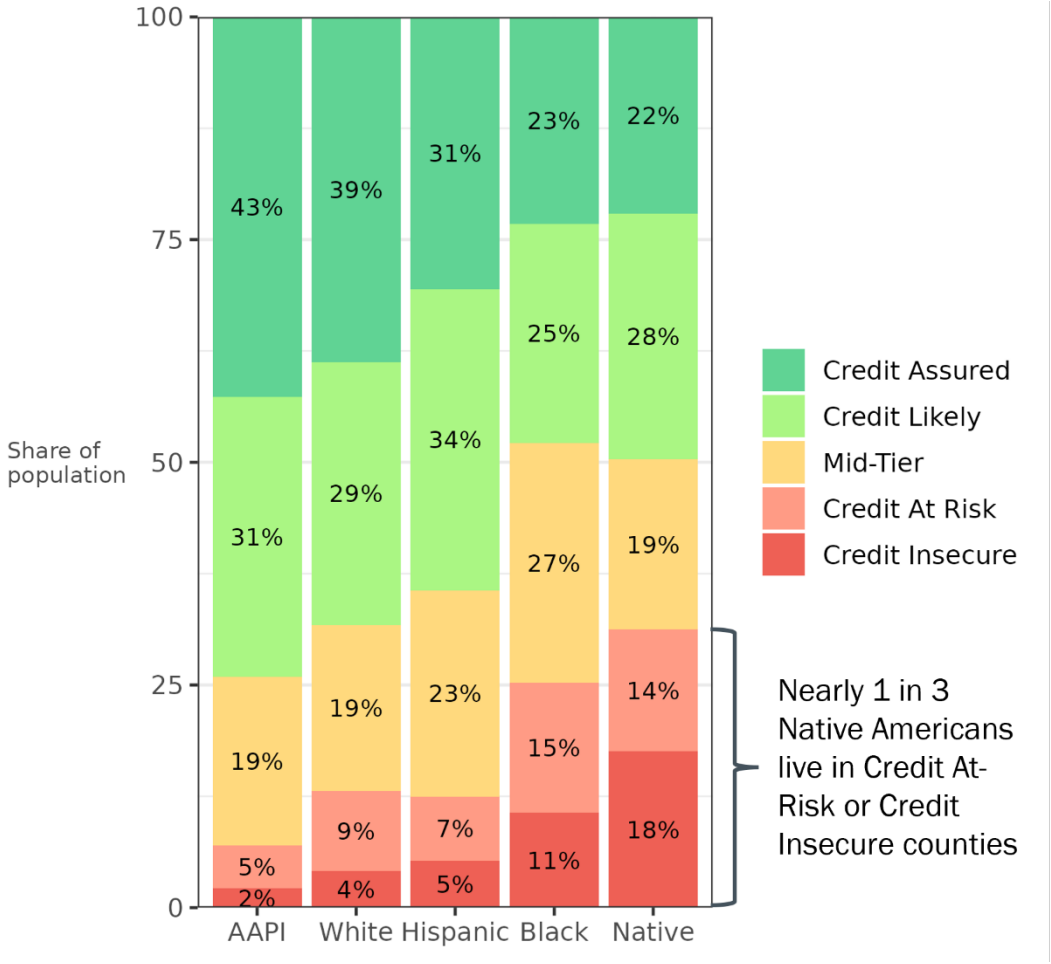
Moderate access to banking services in and around the town of Whitehall can explain the credit-constrained component of Whitehall's score, particularly its sub-component of no revolving credit. Without access to a broad set of options for banking services, residents may find it difficult to apply for revolving lines of credit and build the credit histories necessary to qualify for one. However, Whitehall's existing community banking institutions provide credit access sufficient enough to land Whitehall in the Credit At Risk category, and not the Credit Insecure category. In a potential banking desert like Whitehall, access to a consistent and quality internet connection might be necessary to use online banking services, especially when a physical bank branch is less accessible. About 10.8%[40] of Whitehall's population does not have access to the internet (a mobile or broadband subscription), and there are only two internet providers in the area offering adequate internet speeds.[41] This lack of access to reliable internet is characteristic of many rural areas.[42] Residents without adequate and reliable access to the internet in Whitehall might contribute to the share of the population that is not credit included.

[38] See Banking Deserts Dashboard (https://fedcommunities.org/data/banking-deserts-dashboard). The geographic radius to determine if a census tract is a banking desert is 10 miles for rural communities.
[39] Ozgur Emre Ergungor. Bank Branch Presence and Access to Credit in Low- to Moderate-Income Neighborhoods, *Journal of Money, Credit and Banking*, Vol. 42, No. 7 (October 2010), pp. 1321-1349
[40] 2022 American Community Survey 5-year estimates, Table B28002 for Whitehall, NY
[41] Defined by the Federal Communications Commission as a minimum of 100 Mbps download and 20 Mbps upload speeds. See page 9 of "Digital Equity in the U.S. Northeast, Puerto Rico, and The U.S. Virgin Islands" for map of U.S. Northeast on broadband service by census tract (https://www.newyorkfed.org/outreach-and-education/household-financial-stability/digital-equity-in-the-us-northeast-puerto-rico-and-the-us-virgin-islands).
[42] According to the FCC, 22.3% of Americans in rural areas lack broadband coverage, as compared to only 1.5% of Americans in urban areas. (https://www.usda.gov/sustainability/infrastructure/broadband)

Another strong correlation in Figure 9 is between race/ethnicity and credit security. Figure 11 shows that Asian American-Pacific Islander, white, and Hispanic populations largely live in Credit Assured and Credit Likely counties. Nearly 74% of the AAPI population, 68% of the white population, and 65% of the Hispanic population live in areas that are less likely to see constraints on access to credit.[43]

Figure 11: Black and Native American Households Are More Likely to Live in Credit At Risk and Credit Insecure Counties

Share of race/ethnicity that lives in each credit tier, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year)

In contrast, Black and Native American populations are much more likely to live in Credit At Risk and Credit Insecure counties. Figure 11 shows that more than a quarter (26%) of Black individuals

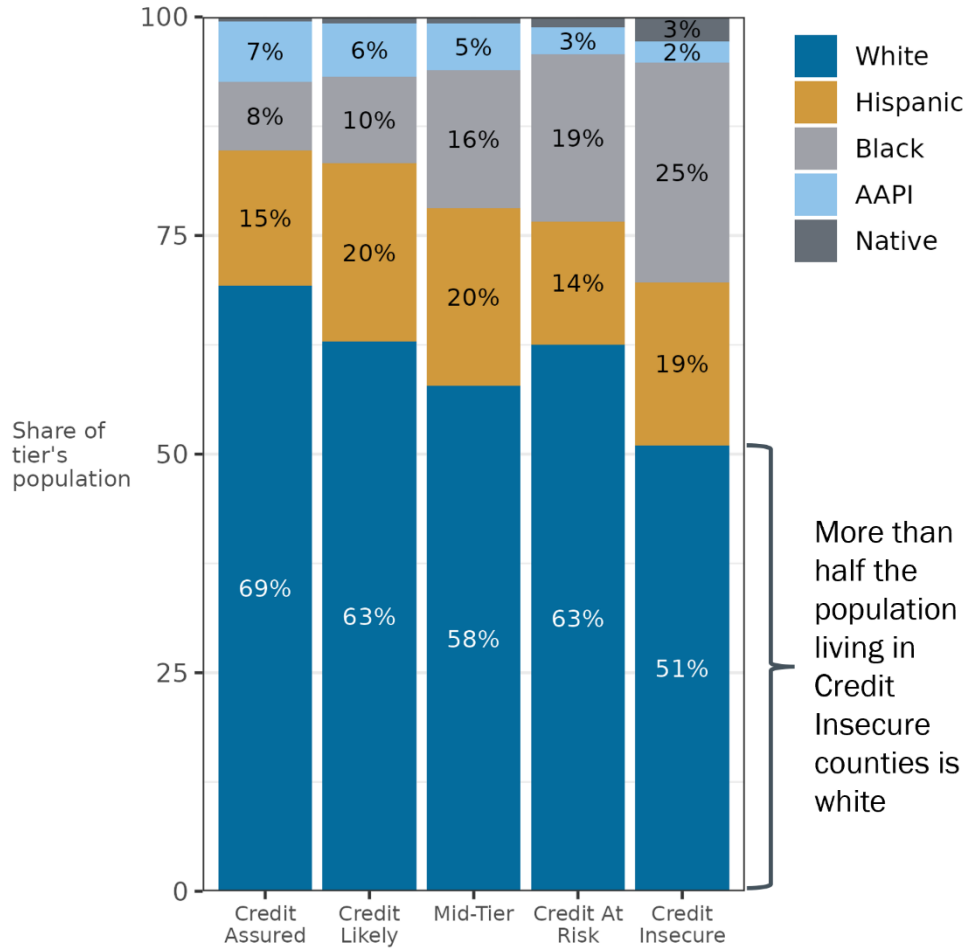
[43] An additional consideration is that Hispanic and AAPI populations have a high degree of variation in ethnic composition as well as heterogeneity in race and income characteristics. Further analysis into sub-populations may reveal more variation in credit characteristics within their populations.

and nearly a third (32%) of Native Americans live in such counties. Especially stark is the share of Native American people, at nearly one in three, who live in the most constrained counties.

While Figure 11 shows how the population of certain racial groups is distributed across tiers, it is similarly important to consider the population composition of the tiers themselves, as done in Figure 12. This reveals that, despite the exposure of Black and Native American households to credit insecurity, white individuals make up a majority of the population in every tier. This includes Credit At Risk and Credit Insecure counties, where white individuals make up 63% and 51% of the population, respectively (about 20 million and 9 million people).[44] Therefore, while Black and Native American households are disproportionately exposed to credit insecurity, most people living in Credit At Risk and Credit Insecure places are white.

Figure 12: A Majority of People in Each Credit Tier Are White

Share of credit tier made up by given race/ethnicity, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year)

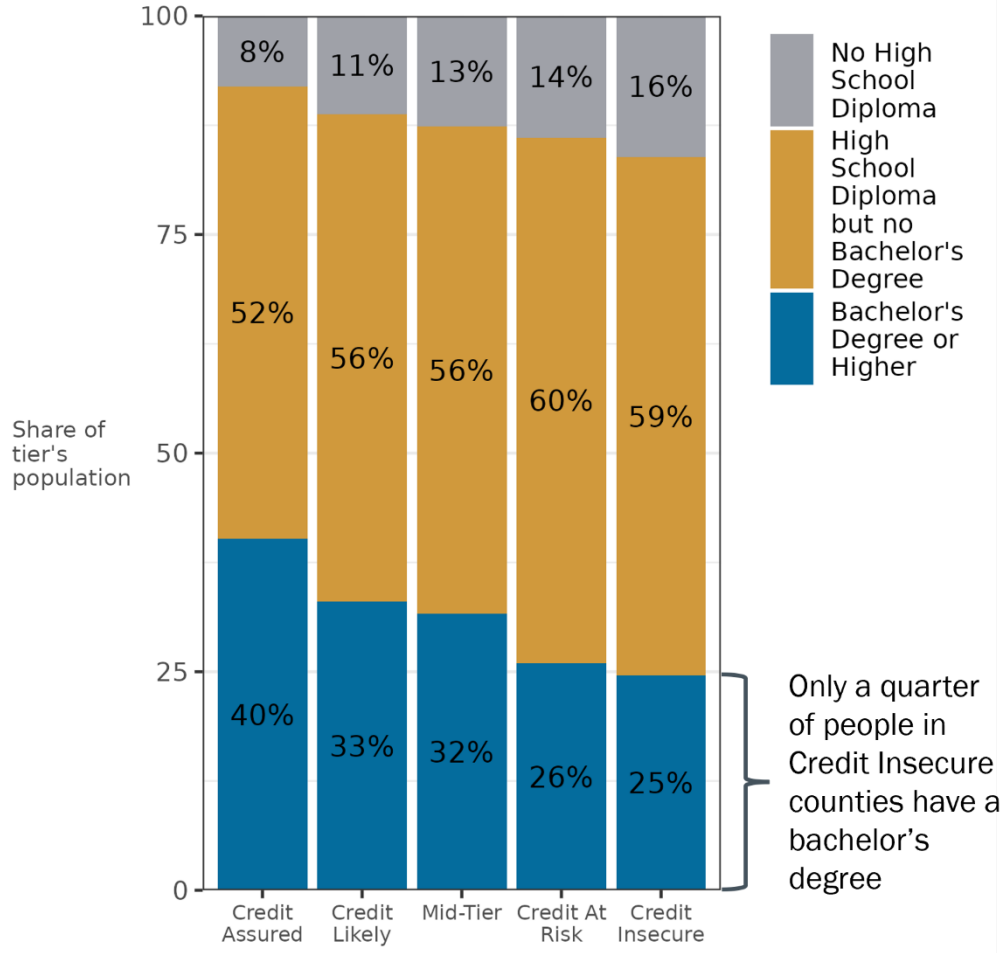
[44] See Appendix Table B for a full list of demographic population counts by credit tier.

Educational attainment is also strongly correlated with credit security. Figure 13 shows that counties in the Credit Insecure tier have the highest share of individuals without a high school diploma: 16% of their 25+ population. The share of people age 25+ without a high school diploma in Credit Assured counties is only half that high (8%). Similarly, only a quarter of the people age 25+ in Credit Insecure counties have a bachelor's degree or higher, while 40% of people in Credit Assured counties do.

In practice, this means that a person over 25 years old without a bachelor's degree is between 1.5 and 2 times as likely to live in a Credit At Risk or Credit Insecure county compared to a person with a bachelor's degree.[45]

Figure 13: People in Credit Insecure Counties Are Less Likely to Have a Bachelor's Degree

Share of given credit tier made up by people with each education level, Q4 2023



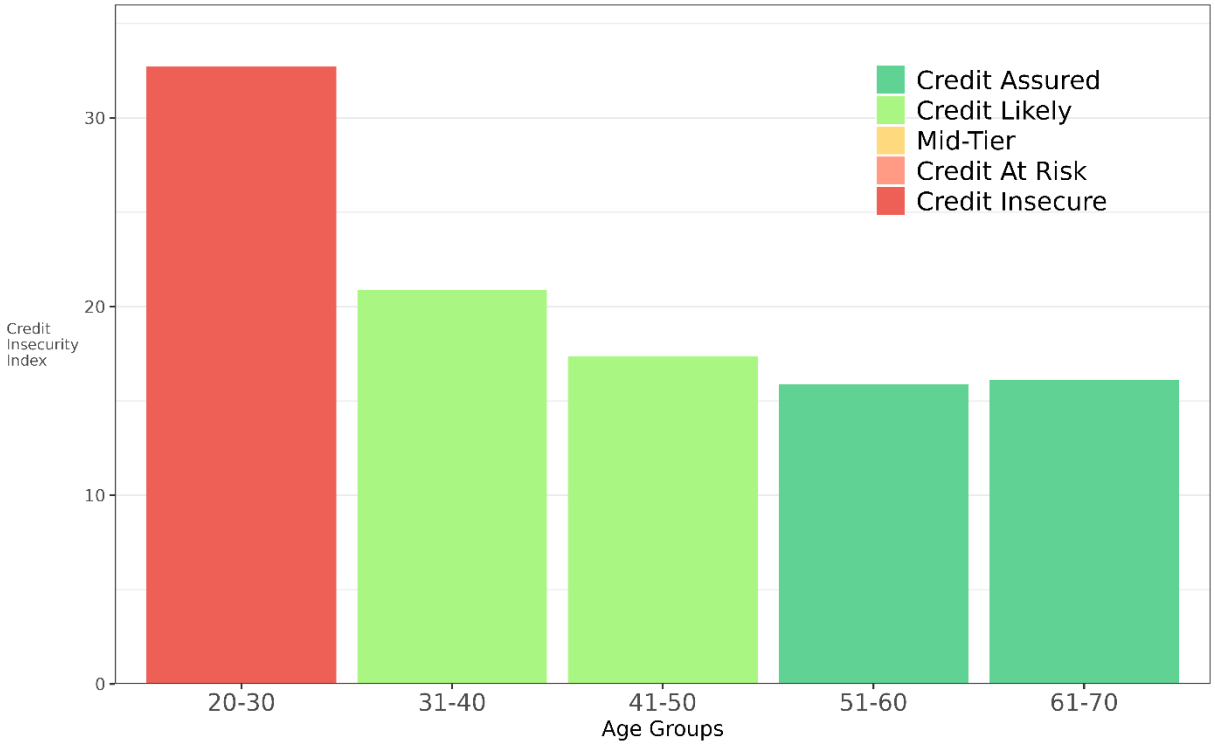
Sources: FRB NY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year)

[45] Only 10% of those with a bachelor's degree or higher live in Credit At Risk or Credit Insecure counties, compared to 15% of people with a high school diploma but no bachelor's degree and 18% of people with no high school diploma. See Figure C in the Figure Appendix.

While there is a modest negative relationship between the median age of residents in a county and the level of insecurity overall (counties with older populations are less insecure), the relationship is especially pronounced at the lower end of the age range. Counties with a median age above 30 are consistently Credit Likely or Credit Assured, while counties with a median age between 20 and 30 have a very high Credit Insecurity Index score, as seen in Figure 14 below. This is likely driven by the fact that many young adults, especially those who are college age and below, have not yet entered the formal credit economy.

Figure 14: Counties with a Median Age of 30 or Lower Are Substantially More Credit Insecure Than Counties with Older Populations

Population weighted median Credit Insecurity Index score by age category, county-level observations, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Section 5: Contextualizing Credit Insecurity Using Places and Their Characteristics

The Credit Insecurity Index is designed to illustrate the realities of credit access at the community level by providing a lens through which to understand how local conditions shape access to credit.

This section of the report explores how credit insecurity manifests in different local contexts, from the largest cities in the United States, to the most Credit Insecure urban centers, and to the

smaller but most insecure places in the country. We combine place-level Credit Insecurity Index scores with socioeconomic characteristics such as median income, share of the population in poverty, and share of the non-white population to shed light on place-based dynamics that contribute to credit constraints and vulnerabilities.

Most Populous Cities

First, we examine the relationships between credit security and socioeconomic characteristics among the most populous cities in the Unites States in 2023. We find that while the relationships are not linear, similar characteristics to those illustrated above are correlated with insecurity. Wealthier cities with lower poverty rates and older populations tend to be more assured, while lower-income cities with higher poverty rates and younger populations tend to be more Credit Insecure.

PLACE	POPULATION	TIER	CI INDEX	MEDIAN INCOME	POVERTY %	NON-WHITE %	MEDIAN AGE
San Diego, CA	1,383,987	Assured	14.3	$98,657	11.4	24.2	36
San Jose, CA	1,001,176	Assured	14.5	$136,010	7.9	42.4	38
Seattle, WA	734,603	Assured	15.9	$116,068	10.1	24.4	35
San Francisco, CA	851,036	Likely	17.2	$136,689	10.5	40.9	39
Jacksonville, FL	950,203	Likely	17.9	$64,138	14.8	35.5	36
Charlotte, NC	875,045	Likely	18.2	$74,070	11.7	42.2	35
Portland, OR	646,101	Likely	18.7	$85,876	12.2	15.8	38
Denver, CO	710,800	Likely	19.1	$85,853	11.7	13.4	35
El Paso, TX	677,181	Likely	21.4	$55,710	18.9	5.8	34
Phoenix, AZ	1,609,456	Mid-Tier	22.2	$72,092	14.6	13.4	34
Austin, TX	958,202	Mid-Tier	22.5	$86,556	12.4	17.1	34
Nashville-Davidson, TN	684,103	Mid-Tier	22.8	$71,328	14.5	30.6	35
Los Angeles, CA	3,881,041	Mid-Tier	23.1	$76,244	16.6	21.6	37
Washington, DC	670,587	Mid-Tier	23.5	$101,722	15.1	48.7	35
Oklahoma City, OK	681,088	Mid-Tier	23.8	$64,251	15	21.7	35
Fort Worth, TX	924,663	Mid-Tier	24.2	$72,726	13.4	24.8	33
Indianapolis, IN	882,006	Mid-Tier	24.2	$59,110	15.9	33.3	34
New York, NY	8,622,467	Mid-Tier	25.9	$76,607	17.2	38.3	38
Columbus, OH	902,449	At Risk	26.9	$62,994	18.1	35.2	33
San Antonio, TX	1,445,662	At Risk	27.9	$59,593	17.7	10.6	34
Dallas, TX	1,300,642	At Risk	28.1	$63,985	17.5	27.9	33
Boston, MA	665,945	At Risk	28.7	$89,212	17.5	32.6	33
Houston, TX	2,296,253	At Risk	29.1	$60,440	19.6	30.1	34
Chicago, IL	2,721,914	At Risk	29.3	$71,673	16.9	36.6	35
Philadelphia, PA	1,593,208	Insecure	32.6	$57,537	22.7	48.1	35

It is important to note that when we look at cities individually, no one variable consistently aligns with credit insecurity. In other words, there is no one socioeconomic characteristic for which credit insecurity merely serves as a proxy.

For example, one may think that credit insecurity is a proxy for income. However, both Dallas and Jacksonville have household median incomes just above $64,000, yet Dallas is Credit At Risk while Jacksonville is Credit Likely. Washington DC has one of the highest household median incomes in this group of cities and yet has a relatively high Index score that lands it in the Mid-Tier. Fort Worth and San Diego provide another example where the Credit Insecurity Index measures something distinct from other economic measures. While the poverty rate is just 2 percentage points higher in Fort Worth, the Credit Insecurity Index score is over 10 points higher, with San Diego as the most Credit Assured big city in the country and Fort Worth firmly in the Mid-Tier. These examples underscore that while the Index is related to other measures of economic distress such as income and poverty, it measures something distinct and important.

Most Credit Insecure Cities

Next, we examine just the most Credit Insecure cities (with populations greater than 50,000) in the United States in 2023, which also largely match the story told by the correlations shown in Figure 9. These cities are typically lower income, younger, have higher poverty rates, and generally (though not always) have higher shares of the population that are non-white. They also tend to be smaller in size, typically below 150,000 people.

In the Midwest, Mid-Atlantic, and Northeast these cities tend to be formerly industrial or “Rust Belt” cities such as Detroit, Syracuse, and Gary. In the South, they tend to be home to large universities. For example, Gainesville is home to the University of Florida, College Station is home to the main campus of Texas A&M, and Tuscaloosa is home to the University of Alabama. A lower median age is strongly correlated with a higher Credit Insecurity Index score, and for these cities, it is plausible that many students attending the universities have not yet entered the formal credit economy. See Figure D in the Figure Appendix for a map of these cities.

PLACE	POPULATION	TIER	CI INDEX	MEDIAN INCOME	POVERTY %	NON-WHITE %	MEDIAN AGE
New Brunswick, NJ	55,718	Insecure	50.7	$57,138	31.9	27.1	24
Trenton, NJ	90,055	Insecure	50.5	$44,444	26.2	47.1	36
Tuscaloosa, AL	105,797	Insecure	49.1	$47,257	23.1	45.6	29
Detroit, MI	636,787	Insecure	45.6	$37,761	31.5	79.8	35
Bloomington, IN	79,006	Insecure	45.2	$46,543	31.1	15.5	24
College Station, TX	120,451	Insecure	45.2	$52,397	28.5	18.6	23
Camden, NJ	71,799	Insecure	45	$36,258	31.6	45.8	32
Muncie, IN	65,167	Insecure	44.8	$40,309	30.4	12.5	29
Newark, NJ	307,355	Insecure	44.4	$46,460	24.4	49.5	35
Harrisonburg, VA	51,784	Insecure	43.8	$56,050	27.2	11.1	25
Pontiac, MI	61,965	Insecure	43.3	$40,307	26.7	53.4	34
Gary, IN	69,136	Insecure	42.6	$36,874	32.2	77.9	37
Albany, NY	99,692	Insecure	42.5	$54,736	23.3	35.2	32
Flint, MI	81,863	Insecure	42.4	$35,451	33.3	57.3	36
San Marcos, TX	67,143	Insecure	42	$47,394	27.7	9	25
Gainesville, FL	142,414	Insecure	41.9	$43,783	29	28.3	26
Troy, NY	51,268	Insecure	41.7	$54,837	23.3	21.9	33
Columbia, SC	136,754	Insecure	41.4	$54,095	24.2	43.5	28
Syracuse, NY	146,134	Insecure	41.3	$43,584	29.6	36.7	32
Hartford, CT	121,057	Insecure	41.2	$41,841	26.9	39	33
Manhattan, KS	54,287	Insecure	40.7	$55,316	26.4	11.4	25
Baton Rouge, LA	225,500	Insecure	40.5	$50,155	24	56.5	32
Buffalo, NY	276,688	Insecure	39.7	$46,184	27.2	41.3	34
Ames, IA	66,265	Insecure	39.6	$57,428	26.8	13.7	23
Auburn, AL	76,660	Insecure	39.6	$55,509	24.6	26.2	26

This all contrasts with the most Credit Assured cities, which are typically suburban areas of wealthier cities, especially on the West Coast. They tend to be substantially wealthier, older, and have much lower poverty rates than insecure cities. This can be seen in greater detail in Table C and Figure E in the Figure Appendix.

Most Credit Insecure Places

While the prior tables analyzed credit security among the most populated cities in the United States, credit insecurity is broadly felt in very rural, less densely populated places. The table below shows the places in the United States with the highest credit insecurity in 2023.

The places in this list were filtered for populations of 5,000 people or above (since places with populations below 5,000, particularly hyper-rural places, are almost consistently Credit Insecure). Additionally, college towns and military bases were filtered out, as they consistently have higher Credit Insecurity Index scores and largely reflect young individuals who have thin credit histories or are not yet in the credit economy.[46] In contrast to the list of the most Credit Insecure cities, Credit Insecurity Index scores for this list of insecure places are much higher, ranging from 57 to 96. This indicates a higher and more consistent level of credit insecurity among the populations in these communities. Additionally, these places range between rural and suburban, all with populations below 20,000. Median incomes for these places vary but tend to be lower on average compared to Credit Insecure cities.

PLACE	POPULATION	CI INDEX	MEDIAN INCOME	% POVERTY	MEDIAN AGE	NON-WHITE %	HISPANIC %	NO H.S. DIPLOMA %
Zuni Pueblo, NM	5,047	96	$43,594	30.4	34	97.9	1.9	23.5
Hawaii Paradise Park, HI	10,269	92	$81,236	4.8	40	39.0	17.7	8.2
Somerton, AZ	10,006	77	$64,180	16.8	30	3.5	96.2	33.1
Gatesville, TX	14,598	64	$46,536	11.5	39	16.9	25.2	20.8
Lewisburg, PA	5,043	64	$42,302	16.2	29	4.9	3.9	21.2
St. Louis, MI	6,292	62	$47,662	13.5	38	28.1	8.4	13.3
Florence, AZ	22,841	58	$74,025	6.8	43	14.6	34.8	22.3
Chester, IL	6,208	58	$68,826	20.1	43	26.3	5.3	28.9
St. Gabriel, LA	5,575	57	$55,735	12.7	35	58.7	7.5	23.0
Eloy, AZ	14,408	57	$57,634	18.9	38	15.6	49.7	25.1
Langley Park, MD	14,088	57	$77,731	26.3	29	15.1	83.0	59.3

In general, the most Credit Insecure places represent varying levels of racial and ethnic diversity. Notably, the place with the highest credit insecurity in 2023 is Zuni Pueblo, which sits on tribal land and has a population that is 97% Native American.

Langley Park has some of the highest shares of the population living below the poverty level (26.3) and who are Hispanic (83.0) of the places in this list. It is also characterized by almost 60% of its population not having a high school diploma. This is true across the most Credit Insecure places: a relatively large share of the population (typically between 20 and 35%) lacks a high school diploma.

[46] The college towns and military bases that were filtered out are the following: Notre Dame (IN), Storrs (CT), Fort Riley (KS), Lackland AFB (TX), Kingston (RI), Isla Vista (CA), Fort Dix (NJ), Durham (NH), South Hill (NY), Fort Leonard Wood (MO), Camp Pendleton (CA), Oneonta (NY), Oxford (OH), Orono (ME), Bloomsburg (PA), Boone (NC), and Cullowhee (NC),

Some of the most Credit Insecure places have additional characteristics that are not easily identifiable through the demographic data available but that offer insights into the level of credit insecurity experienced in these communities. For example, Gatesville has a very large incarcerated and formerly incarcerated population that may have difficulties accessing traditional credit. Additionally, Somerton has a large Hispanic and non-English-speaking population, with significant numbers of immigrants.

Section 6: Applications and Uses of the Credit Insecurity Index

The Credit Insecurity Index can be used by different community stakeholders to assess the state of credit health in their communities. Because the scores allow users to quantify the impact of credit constraints on their community and understand their credit security relative to other places, the scores can aid in decision-making on how and where to allocate capital resources and ensure that planned investments are sufficient to the scale and nature of the community needs being targeted.

Scores can also benchmark a community's credit health over time and help to evaluate the impact of investments and other interventions on a community's ability to access and sustainably utilize credit. The Index is best used in combination with other indicators of community well-being, including race and ethnicity, health outcomes, housing security, exposure to climate risks, internet access, and others, to help characterize the populations most affected by credit insecurity and the added dimensions of socioeconomic vulnerability they may face.

In the table below, we provide sample use cases of the Credit Insecurity Index scores for various stakeholders:

STAKEHOLDER	SPECIFIC USE CASES	SHARED USE CASES
Banks	• Understand cross-time trends in credit inclusion and management • Utilize these data insights to improve understanding of community needs • Identify areas for expansion of products and services	• Assess areas of greatest need for credit products and services • Evaluate policy and capital interventions and their impact on credit health over time • Understand geographical variations in credit inclusion, health, and stress
Community Development Financial Institutions (CDFIs) and Non-Profits	• Identify targeted opportunities for outreach to unbanked or underbanked consumers and consumers in need of credit coaching or repair	

STAKEHOLDER	SPECIFIC USE CASES	SHARED USE CASES
Non-Bank Financial Institutions (NBFIs)	• Understand which communities show demand for certain financial products and services relative to their credit insecurity scores • Identify which financial products and services work for communities over time • Identify areas for expansion of products and services	• Understand community needs by linking credit insecurity data with other indicators of community well-being
Research Institutions & Think Tanks	• Complement existing community development research and analysis with credit security information,	
Local Governments	• Target financial coaching and outreach programs • Identify communities within jurisdiction that are Credit Insecure, and understand the trajectory of these communities over time relative to policy interventions (or lack thereof)	

Conclusion

Measuring a community's level of credit security is crucial to understanding a community's access to credit, its resilience to economic shocks, and its needs for programmatic interventions that improve the availability of timely and affordable credit. The Credit Insecurity Index does just that: it measures the level of credit inclusion and credit constraint within a community and can be used as a tool for comparison among communities.

Credit security increased in the U.S. between 2018 and 2023, reflecting growing numbers of households that were able to access mainstream credit and manage their debt after the pandemic. Locally, 229 counties rose out of the Credit Insecure tier during this period. Despite overall improvement, however, credit insecurity is persistent in several places: two-thirds of counties that were Credit Insecure in 2018 remained so in 2023. These places are more likely to be rural and to have higher shares of residents who have a high school education or less, who are living in poverty, and who are unattached to the labor market.

Though correlated with income and employment levels, credit security is a distinct measure of financial security. Cities and places with comparable incomes and poverty rates rank differently on the Credit Insecurity Index, reflecting additional information that the Index captures. Differences between these places likely reflect population-specific factors, including prior engagement with financial institutions, inclinations to acquire debt, and debt management experience; and place-

specific factors, including density and types of local financial institutions and credit product availability and cost, among others. While the Credit Insecurity Index is related to existing measures of financial well-being, it is distinct and warrants further exploration at the local level to improve understanding of both obstacles to credit security and levers for improving communities' security over time.

Data Appendix

Calculating Rural Population

Determining whether a given location is rural is not straightforward. There are no fewer than ten separate methods employed by the federal government alone.[47] One common framework is the Census Bureau designation: the Bureau identifies dense clusters of census blocks as urban and areas outside of those clusters are classified as rural. This allows for geographic precision to the block level, but the classification itself arguably has limitations: suburban areas on the outskirts of cities can be classified as rural under this definition, despite not fitting the traditional conception of rurality. Another common framework comes from the Office of Budget and Management (OMB). This method considers a broader range of factors, including population density and the degree of urbanization of an area, making it arguably more accurate than the Census Bureau method. However, the OBM's method is done at the county level. Given the size of many counties and the diversity of population density and urbanization even within a single county, this makes the OBM's definition of rural less geographically precise.[48]

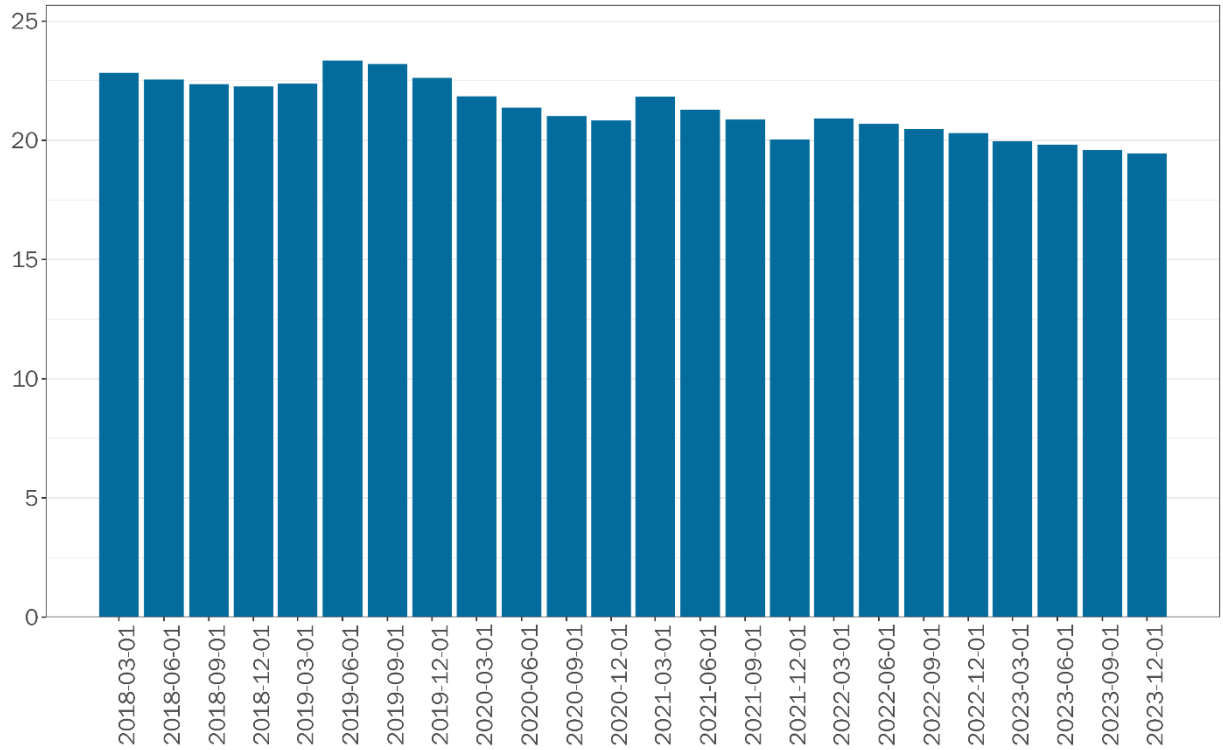
These challenges associated with established methods led us to develop our own simple method that can provide both reasonable accuracy and geographic precision at the tract level. Specifically, we calculated the population density for all census tracts in the country and identified a tract as rural if it fell in the bottom 20th percentile of population density. While the 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).[49] For each county, we calculate the number of people who live in census tracts that our method classifies as rural. For example, if 10% of people in a county with a population of 150,000 live in rural census tracts, we would consider the rural population of the county to be 15,000. This gives us an estimate of the rural population in each county. For our place-based analysis, given that places range widely in size, we classify them as rural or urban in a binary way: if the population density is in the bottom 20th percentile for all places, we classify it as rural.

[47] Jonathan Schwabish, Alice Feng, and Wesley Jenkins (2024). "Do No Harm Guide: Crafting Equitable Data Narratives," Urban Institute (https://www.urban.org/research/publication/do-no-harm-guide-crafting-equitable-data-narratives)
[48] Ibid.
[49] Ibid.

Figure Appendix

Figure A: There Has Been a General Improvement in Credit Security at the National Level

Credit Insecurity score by quarter



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Table A: Shares of Socioeconomically Vulnerable Populations in Credit Assured, Credit Likely, and Mid-Tier Areas Can Be Higher Than in Credit At Risk and Credit Insecure Areas

Share of selected populations by credit tier (%)

Tier	Credit Assured	Credit Likely	Mid-Tier	Credit At Risk	Credit Insecure
% Total U.S. Population	36.0	29.7	20.1	9.1	5.0
% Rural Population	17.5	18.7	19.4	22.3	22.1
% Non-White Population	32.4	27.9	22.8	10.0	6.9
% Black Population	23.2	24.6	26.9	14.6	10.6
% Hispanic Population	30.6	33.8	23.2	7.2	5.3
% AAPI Population	42.7	31.4	18.9	4.9	2.1
% Native American Population	22.1	27.6	19.1	13.7	17.6
% Population with No H.S. Diploma	29.1	30.4	22.7	11.0	6.8
% Population Not in Workforce	34.0	29.4	20.4	10.2	6.0
% Population Living Below Poverty Threshold	25.2	29.1	23.9	13.2	8.5
% Subprime Population	29.0	29.5	23.2	11.7	6.6

Source: 2022 American Community Survey 5-year Estimates, FRBNY Consumer Credit Panel/Equifax
Note: Each percentage is the total population specified in the leftmost column living in a county of the specified credit tier divided by the total specified population. For example, 22.1% of the total rural population lives in a credit insecure county.

Table B: There Are Substantial Counts of Socioeconomically Vulnerable Populations in Credit Assured, Credit Likely, and Mid-Tier Areas

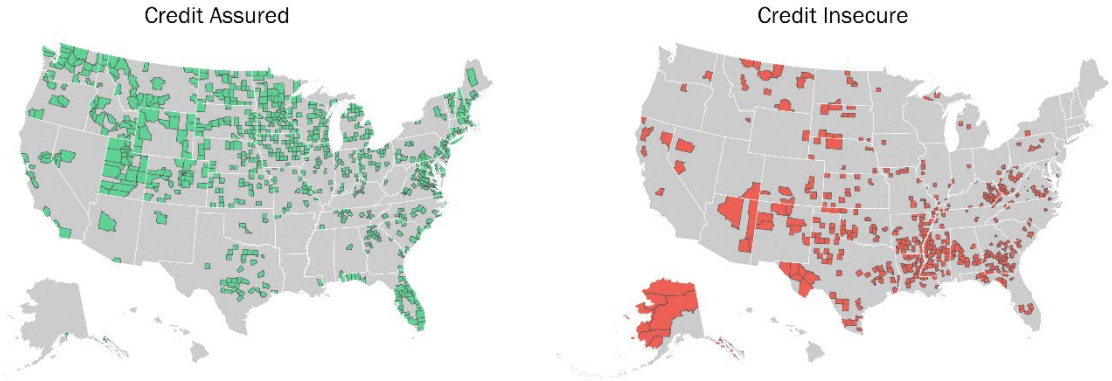
Population counts of selected populations by credit tier

	Credit Assured	Credit Likely	Mid-Tier	Credit At Risk	Credit Insecure
Total U.S. Population	118,936,764	98,058,728	66,921,028	30,497,725	16,620,372
Rural Population	12,384,276	13,799,319	11,311,579	9,639,034	5,817,597
White Population	84,557,202	64,287,298	40,656,346	19,666,320	8,910,079
Non-White Population	18,633,776	17,111,521	15,388,996	7,362,521	5,305,136
Black Population	9,596,533	10,148,960	11,126,533	6,021,366	4,393,019
Hispanic Population	18,872,013	20,879,288	14,295,233	4,434,972	3,268,280
AAPI Population	8,423,947	6,195,877	3,731,302	961,664	423,942
Native American Population	613,296	766,684	531,161	379,491	488,175
Population with No H.S. Diploma	8,197,639	8,553,432	6,389,165	3,084,293	1,916,715
Population Not in Workforce	36,106,076	31,228,703	21,643,940	10,874,170	6,387,570
Population Living Below Poverty Threshold	10,223,296	11,795,429	9,685,318	5,349,697	3,458,363
Subprime Population	26,512,720	27,002,940	21,237,020	10,702,680	6,066,700
Renter-Occupied Housing Units	13,378,491	13,559,072	10,259,027	4,411,448	2,623,806

Source: 2022 American Community Survey 5-year Estimates, FRBNY Consumer Credit Panel/Equifax

Figure B: Credit Assured Counties Tend to Be Geographically Distant From Insecure Counties

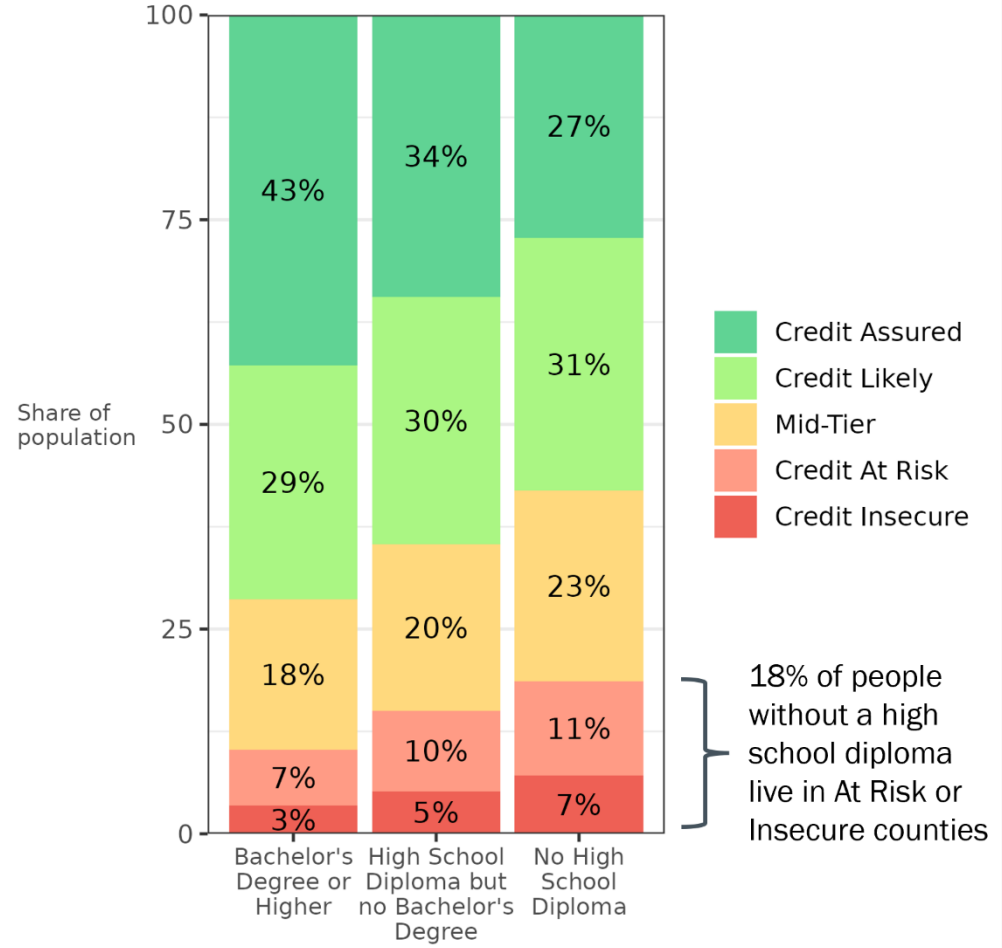
Credit Assured and Credit Insecure counties in Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Figure C: People Without a High School Diploma or Bachelor's Degree Are More Likely to Reside in Credit At Risk or Credit Insecure Places

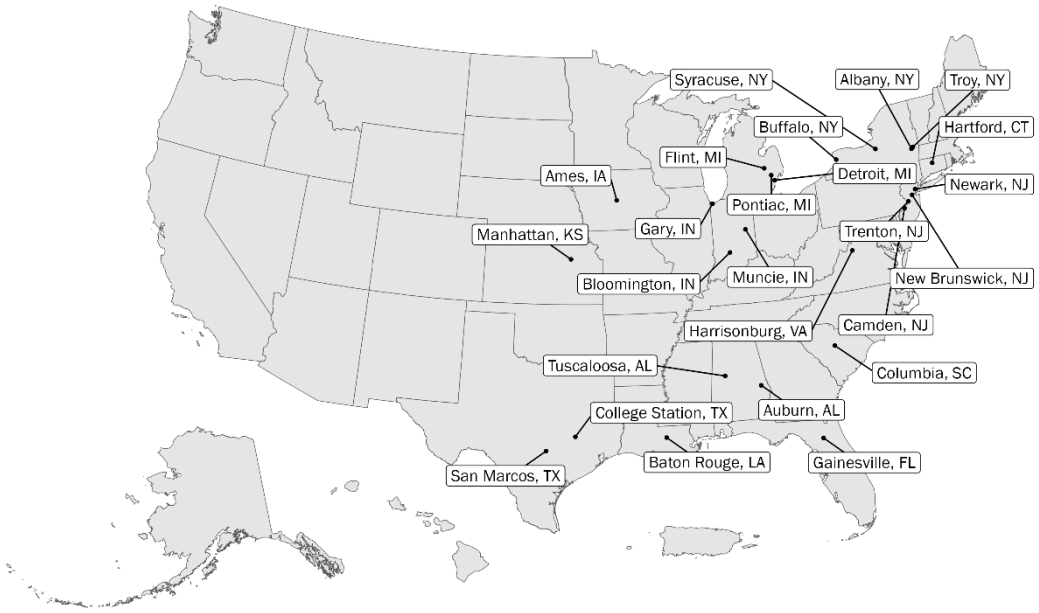
Share of people with given level of education who live in each tier, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year)

Figure D: The Most Credit Insecure Cities in America Are Often Former Industrial Cities or Are Home to Major Universities

Top 25 most insecure cities, Q4 2023



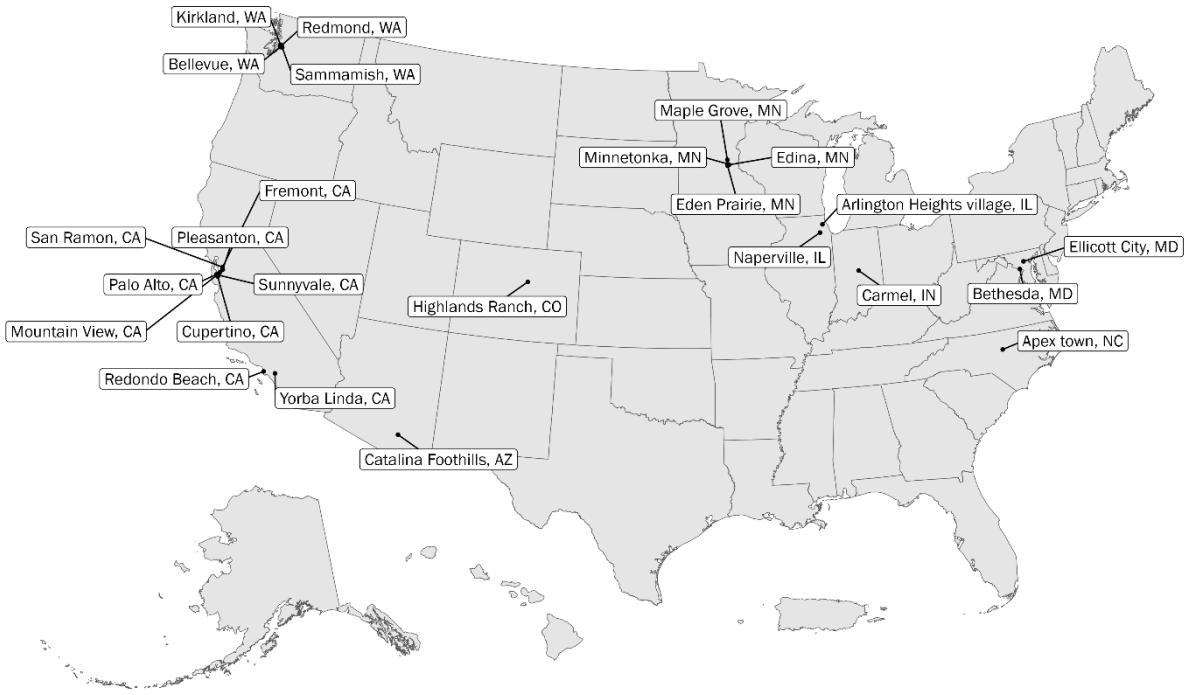
Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.

Table C: Most Credit Secure Places, Q4 2023

PLACE	POPULATION	TIER	CI INDEX	MEDIAN INCOME	POVERTY %	NON-WHITE %	MEDIAN AGE
Cupertino, CA	59,763	Assured	3.3	$223,667	5.3	72	40
Sammamish, WA	66,586	Assured	3.4	$215,047	4.1	37.6	39
Bethesda, MD	66,316	Assured	3.9	$185,546	3.9	16.8	44
Palo Alto, CA	67,901	Assured	4	$214,118	4.7	37.3	42
Redmond, WA	73,728	Assured	4.2	$155,287	5.9	41.1	35
Bellevue, WA	150,606	Assured	4.6	$149,551	7.2	42.6	38
Edina, MN	53,037	Assured	4.7	$125,506	4.9	9.9	45
Pleasanton, CA	78,691	Assured	4.8	$181,639	5.3	43.5	42
Kirkland, WA	92,015	Assured	4.9	$135,608	6.6	19.3	38
San Ramon, CA	86,119	Assured	5	$190,829	4.2	51.6	40
Mountain View, CA	82,132	Assured	5.1	$174,156	5.4	35.9	36
Sunnyvale, CA	154,573	Assured	5.2	$174,506	5.3	51.4	35
Eden Prairie, MN	63,623	Assured	5.3	$129,345	5.1	20.4	40
Highlands Ranch, CO	101,514	Assured	5.5	$148,227	1.9	7.5	41
Redondo Beach, CA	70,620	Assured	5.5	$134,033	5.3	20.4	40
Yorba Linda, CA	68,035	Assured	5.6	$148,325	6	25.5	44
Catalina Foothills, AZ	50,573	Assured	5.7	$110,660	4	8.6	55
Ellicott City, MD	73,589	Assured	5.7	$149,534	4.5	39	42
Maple Grove, MN	70,110	Assured	5.7	$127,001	4.5	14.7	41
Apex town, NC	65,541	Assured	5.9	$129,688	2.9	23	36
Arlington Heights village, IL	76,794	Assured	5.9	$113,502	5.7	14.2	43
Carmel, IN	99,453	Assured	5.9	$132,859	3.6	15	41
Minnetonka, MN	53,529	Assured	6	$114,867	4.5	10.6	42
Naperville, IL	149,089	Assured	6	$143,754	4.3	25.8	40
Arcadia, CA	56,181	Assured	6.1	$108,214	8.9	59.4	44

Figure E: The Most Credit Secure Cities in America Tend to Be Suburbs of Larger Cities, Especially on the West Coast

Top 25 most credit secure cities, Q4 2023



Sources: FRBNY Consumer Credit Panel/Equifax, American Community Survey (2017-2022 5-Year), Missouri Census Data Center Geocorr 2022.