America’s Hidden Debt

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Everyday Private Debt

Since the 2008 financial crisis in the United States, and the repercussions of that crisis around the world, greater attention has been paid to the impact of private debt on the performance of the wider economy. Traditionally the focus has been paid to savings, investment and productivity growth, but there is an increasing realization both that private debt is just as central to economic performance, and that we know far too little about it.

Most of the recent attention on private debt has focused on how it might affect systemically important financial institutions, those that are so central to the broader financial system that their failure could put the entire financial system, and our economy, at risk. While this concern about the impact of private debt on the systemic level is crucial, what gets lost is how private debt affects ordinary people, particularly those living on low incomes. Discussions may touch on macro aggregates of auto loan or student loan debt, but we know too little about the impact on people’s lives of that debt, and other types of debt that low income people are burdened by. This type of debt is much smaller in size that the debt we usually focus on, but it has a disproportionate effect on large numbers of vulnerable Americans. And it is not somehow separate from large, mainstream financial institutions or investors. A recent Washington Post article (Whoriskey 2018) revealed how Mariner Finance, a consumer finance company owned and managed by multi-billion dollar private equity fund Warburg Pincus, the president of which is former treasury
secretary Timothy Geithner, makes money from high-interest loans to low-income Americans, including from the substantial fees charged if they cannot repay and the loan goes into collections.

We can call this type of debt ‘everyday private debt’. And it is America’s hidden debt problem. We don’t know exactly how large the problem is but given its impact on people’s lives, we need to know more.

This paper describes how lack of access to data challenged a project that sought to understand the debt burden on low-income residents of New Haven, CT. The project was motivated by the results of a small, in-depth qualitative study of the finances of a small group (32) of people with mental illness, which found that they were heavily burdened, and stressed, by different types of debt. The next step was to try to ascertain how common these problems were among the broader population. Did the experiences of those 32 people reflect the experiences of other people with mental illness? What about people who are poor but do not have mental illness? Most of the debt problems these people were facing seemed to be related to poverty, rather than mental illness specifically. But, what seemed like a relatively straightforward research project, turned into a long, complicated, and still incomplete, search for data.

**National Data**

There is quite good national level data about the amount and type of household debt in America, even though behavior around debt is poorly understood compared to other aspects of household balance sheets (Zinman 2015). This national data comes from a variety of regular surveys, the results of which are shared publicly, including the Federal Reserve’s Survey of Household Economics and Decision Making (SHED) and Survey of Consumer Finances (SCF), the FDIC National Survey of Unbanked and Underbanked Households, the FINRA Foundation’s National Financial Capability Study (NFCS), the US Census Bureau’s Survey of Income and Program Participation (SIPP), and the University of Michigan’s Panel Study of Income Dynamics (PSID). Some data is also available from credit bureaus, which store (and sell) data about Americans’ use of credit.
That data is made available to the public either through arrangements between those bureaus and the Federal Reserve Bank, or when it is purchased by research organizations.

Data from the above sources indicates that debt levels are high. They started to rise in the 1950s, driven in particular by mortgage debt. Rates of indebtedness roughly doubled between 2000 and 2007 (Zinman 2015). After the 2008 financial crisis the rise of mortgage debt slowed, but other types of debt have continued to rise, particularly student loan debt and auto loan debt, and latterly credit card debt. Very recently mortgage debt has started to rise again (Haughwout et al 2018).

Debt in itself is not necessarily a bad thing. If people are taking loans that they can afford to repay, there is no need for concern. Rising debt can be an indicator of good times – if people are investing in their futures with loans that they can repay as their economic situations improve as a result of that investment. The standard model of debt behavior is the life-cycle model of consumption, where people borrow more at certain times of their life, when their incomes are inadequate to meet their spending or investments needs, and are then able to repay that debt as their incomes rise. Debt behavior can also be understood in shorter time frames as a consumption smoothing strategy – when people have fluctuating incomes they borrow when their income is low, and can then repay when their income rises. Whether a person is borrowing now and repays over a long period of time, or borrows now and repays in the near future, it doesn’t matter as long as they can afford to repay.

The problems arise when people borrow more than they can comfortably afford to repay, either because the purpose for which they borrowed has not been as productive as they hoped, or because they want more than they can afford, due to the pressures of consumer culture or easily available credit, to maintain a prior lifestyle that they can no longer afford, or simply because they have no other way of making ends meet (Boshara 2016, Alpert and Hockett 2016). Available data shows that low and medium income households, particularly households of color, are more likely than those with higher incomes to be in this situation, as wages have stagnated and median family incomes declined (Freedman and Shwenniger 2015). While the overall economic situation has
improved in the last few years, many families are still struggling, especially non-whites and people with lower education levels. The 2017 SHED survey shows that 40% of Americans would have to borrow, sell something, or not be able to pay if faced with an unexpected $400 expense. This is an improvement on previous years, but shows a continued high level of financial fragility. Minority families are far less able to handle financial shocks; of those with a high school degree or less, 41% of Black families and 35% of Hispanic families say they are not able to fully pay current bills, compared to 25% of White families (Board of Governors of the Federal Reserve Board 2018).

Not everyone with a low income is indebted. Some people simply live on less as they get poorer, rather than borrow more (Mason 2017). But when low income people borrow, though the amounts are smaller than loans taken by wealthier people, they are more likely to struggle to repay (Pew 2015). Having unmanaged debt – debt that is not being repaid in a timely way - is associated with a number of factors including geography\(^1\) as well as health insurance coverage, housing values and homeownership rates, unemployment rates, income, educational levels, and race (Braga et al 2016). Approximately 33% of Americans with a credit file have an account in collections, rising to 45% among non-white Americans, who are also more likely to lack health insurance, and to have lower incomes (Urban Institute 2018). It is not that people of color simply choose not to pay back their loans. The correlation between race and missed loan payments arises from structural and systemic factors that cannot be changed through individual choice and behavior (Emmons and Ricketts 2016, Aspen Epic 2018). Low income households are also more likely to be burdened by forms of debt that do not help them climb out of poverty (Baradaran 2013). For example, they are less likely than higher income Americans to have mortgage or student loan debt (if they do have those types of debt they are more likely to be struggling with repayment). The other two of the ‘big four’ categories of debt – an auto loan or credit card debt – are relatively common among lower income Americans, but many are struggling to repay these debts.

\(^1\) Residents of Southern and Western states are more likely to have debts in collections),
Low-income people also tend to carry high cost debt, often for relatively small loan amounts, but at a price that is hard for them to bear. The 2015 FDIC survey found that 9% of people earning between $15,000-$30,000 had used an Alternative financial services (AFS) loan product, such as a pawn shop, payday, auto title, tax refund anticipation loan, or a rent-to-own store\(^2\), in the prior 12 months, rising to nearly 20% of those in that income category with volatile incomes. Generally, loans of this type are under reported, even when surveys do ask about them (Zinman 2015). Unsurprisingly, people who are unbanked (which correlates strongly with income) are much more likely to use such services; for example only 1.5% of people with bank accounts took a loan from a pawnshop or used a rent-to-own store, whereas 6.6% of those without an account took a pawnshop loan, and 5% used a rent-to-own store (FDIC 2015). AFS products are more likely to be used by people between 18-34 years, minorities, people who lack a college degree, renters, and people with low credit scores. People of color are much more likely to have poor credit; 1/3 of African Americans versus only 7.6% of whites are in the bottom 10% of overall credit score distribution (Emmons and Ricketts 2016). Recipients of social assistance are five times more likely to borrow from payday lenders than people who do not receive social assistance (FINRA 2016, Caplan et al 2017).

The pawnshop industry in the United States has grown 50% since 2008 (Zinman 2015), though there are signs that pawnshop loan use has declined in recent years (FDIC 2015, FINRA 2016). Use of rent-to-own stores has increased in the past decades, and continues to rise (FDIC 2015, Zinman 2015), as has use of payday loans, auto-title loans and refund anticipation loans (FDIC 2015, FINRA 2016). Payday loans are more likely to be used by

\(^2\) Pawnshop loans are given for between 40-60% of the value of an item which serves as collateral, often jewelry or electronics. A monthly fee of 20% of the loan amount is charged – translating to an APR of 240%. Borrowers do not need a bank account and credit is not checked (Avery and Samolyk 2011). Payday lenders make small, short-term loans (initially of 2-4 weeks) in exchange for a post-dated check, with fees ranging from 15-20%, equivalent to an APR of 390% or more. Borrowers must have a documented source of income, an address, and a bank account in good standing (ibid, Caplan et al 2017). Rent-to-own stores offer installment payments for items such as furniture, appliances and costly electronics, typically charging between 2-4 times the retail price unless the customers pays in full early, with an effective APR of 200% or more (Anderson 2014). Customers do not need a bank account, and credit is not checked. Auto-title loans are given using a vehicle as security, with no need for a bank account and no credit check. The loan amount is usually less than half the value of the vehicle, and a fee of 25% of the loan amount is charged monthly. If the loan is not repaid, the vehicle is seized (Hawkins 2012). Tax-refund anticipation loans can be taken in advance of an expected tax refund, with APRs in excess of 100% (Robb et al 2015).
those without a four-year college degree, renters, African Americans, people earning less than $40,000, and people who were separated or divorced. Most borrowers used the loans for recurring expenses, such as utilities, credit card bills, rent/mortgage payments, or food (Pew 2012). One study found that payday loan borrowing decreased significantly with Medicaid expansion, suggesting that some people borrow to cover out of pocket medical expenses (Allen et al 2017).

Another type of debt not normally classified as such is bank overdraft. A person who spends more than they have in their account, and so goes overdrawn, is essentially taking a short term loan from the bank, which they then automatically repay whenever funds are paid into their account. At an average of $35 per overdraft transaction, plus in some cases daily fees charged while the account remains overdrawn, the cost of such short terms loans is prohibitive. They can end up being costlier than even a payday loan, typically villainized as the most exploitative and costly loan product out there (Borne and Smith 2013). People who are low income, non-white, renters and single are more likely to use overdrafts and incur fees (ibid).

Another important type of debt that we know very little about, even at the national level, arises from loans taken to pay bail bonds. Requiring payment for bail has increased dramatically in the last two decades, and many people need to take loans to pay that bail; one study in Maryland found that residents had been charged more than $256 million in non-refundable corporate bail bond premiums between 2011 and 2015, and that African Americans were charged almost 2.5 times the amount of all other races combined (Gupta et al 2016, Silver-Greenberg and Dewan 2018). For Veronica, from New Haven, a loan taken to bail her son out of jail precipitated other loans, and eventual eviction.

Veronica, an African-American woman in her fifties, lives with her husband and her youngest son, who just graduated high school. She has two older sons, one living in a mental-health inpatient facility, the other living nearby. She receives Social Security Disability Income (SSDI) of $850 a months, and occasionally works as a companion and homemaker a few hours a week. Her husband works in a factory, earning minimum wage, though his hours are irregular. When everything is going smoothly, Veronica and her husband can just about make
ends meet – rent, bills, groceries, bus passes etc. But as soon as there’s a larger than normal expense, they are in trouble. For example, in winter their electricity bills in their electrically heated home can be high. Also, both Veronica’s husband and one of her sons have ongoing criminal justice involvement, and she has to find money for fines, fees and to pay bail. She is frequently indebted to a bondsman as a result. In order to manage some of these expenses, Veronica borrows from friends, and has, at least three times, taken an online payday loan. The last loan was for $500 to pay the electricity bill to avoid disconnection. Over seven and a half months she repaid a total of $1545, at which point she still owed $200. In addition, at least twice she did not have enough money in her account when the payment was automatically deducted, resulting in overdraft fees. Veronica had come to an arrangement with her landlord to pay a reduced rent in order to be able to repay the payday loan, but when he insisted that she get back on the normal rate and pay back what she owed, she couldn’t make it work, and was evicted. She is now living with her mother, her youngest son bounces between there and friends’ houses, and her husband is sleeping in their broken down vehicle in a lot behind a co-worker’s home.

Finally, while some surveys do ask about personal loans, little detail is provided, so loans taken outside the formal debt industry, be that from family, friends or loan sharks, remains mostly invisible.

Non-repayment of debt can have a cascading impact. Other than the better-known impacts in terms of loss of collateral, damaged credit scores, late fees, demands from debt collectors, court cases, wage and bank account freezes and attachments, there can be less well known consequences. For example, in 19 states, government agencies can seize state-issued professional and drivers’ licenses from residents who default on student loans (Silver-Greenberg et al 2017). There are also serious potential health impacts. Indebtedness – particularly the type of costly debt that low-income people are more likely to have – is strongly correlated with ill-health, including anxiety, depression and suicide (Eisenberg et al 2018, Sweet et al 2013, Fitch et al 2011, Skapinakis et al 2006). The case below of Steve from New Haven illustrates this.

Steve is an African American man in his forties, who receives SSDI and is employed part-time as a peer support specialist. He has one adult child for whom he is still paying child support arrearage. Steve has a history of incarceration and drug use, but has been drug free and stably employed for four years. He has multiple debts in addition to his child support; he pays $450 a month for his car that he needs to get to work, he spiraled into overdraft a couple of years ago when he had car trouble, and now no longer has a bank account, he has student loan
debt from a few years ago when he started a course in patient care but had to drop out due to anxiety, he owes his landlord back rent from when he asked to skip a month when he bought his car, and he frequently borrows small amounts from family, friends and colleagues. He is also behind on his utility bills. Recently, in an effort to keep up with his car payments, Steve started doing ‘ghetto uber’, as he put it (charging for rides), at night. As a result he kept falling asleep at work. His boss was sympathetic, but began to lose patience. Steve became more and more exhausted and stressed, and eventually had a relapse, and found himself back behind bars. His car has been repossessed, and he has lost his apartment.

So far we have talked about what we normally think of as debt – loans taken that have not yet been repaid. But debt actually just means something that is owed. And low-income people, like Steve, often owe a lot of money, even if they have never taken a loan, in the form of unpaid rent, bills, taxes, fines or fees, taxes, and child support. This type of ‘non-loan’ debt constitutes a significant share of the debt held by lower income people (Aspen Epic 2018, Pew 2015). The case of Darren, another participant in our study, shows this.

Darren is an African American man in his early 60s. He has no children, and lives with his disabled sister in a duplex inherited from his father. A long-standing tenant lives in the second apartment, and pays rent of around $800-1,000 monthly, though does not always pay regularly as he is struggling financially. They feel they cannot evict him – he is an old friend of their fathers who has lived there for many years, plus he helps out with basic home repairs. They also don’t think they could find anyone else to rent the space, which needs renovation. Their apartment has not had a working furnace for three years. Darren is an unemployed freelance writer, and currently has no other income beside the tenant’s rent. He will be eligible for retirement benefits in a few years, but spent most of his life working overseas so those benefits will be minimal. His sister receives SSDI and occasionally works at a local store. Darren does his best to pay the house bills and taxes, but often gets behind. Recently, the house was damaged by fire. Their insurance company had cancelled their insurance 6 months prior, due to the condition of the home. They managed to raise some money on GoFundMe for basic repairs so they could move back in, but the cost of a motel for 6 weeks meant they fell even further behind on their bills. They applied for a local municipal rehabilitation program which would have given them a forgivable loan of up to $30,000 to repair their home, but were found to be ineligible because they were behind on their property taxes and had no home insurance. Recently, the water and pollution control authority sent them a letter threatening to file for foreclose of the home due to $2,500 in unpaid water bills.
Much less data is available about non-loan debt, although it is likely to be high. Nationally 22% of Americans expect to put off paying at least one bill a month; most delay credit card payments, but one third delay making rent, mortgage, or utility bill payments (FINRA 2016). Some non-loan debt is reported to the credit bureaus, including child support arrears and medical debt, but child support is typically not reported until the arrearage is over $1000, and there is a delay in reporting of medical debt. Not all utilities and telephone companies report late payments to the credit bureaus immediately. Taxes owed to the IRS may eventually be reported to the credit bureaus if the IRS imposes a tax lien on the borrower, but this only happens for amounts owed over a certain amount, and not until efforts have been made to come to a payment arrangement. While indebted people benefit from not having all of their arrears reported to the credit bureaus, it means that we lack data about the scale of the debt burden. We only know what is reported to the credit bureaus, and even then we only know about the data selected for analysis and publication by the Federal Reserve or research organizations that have purchased it.

Numerous other consumer reporting companies besides the three main credit reporting bureaus provide information to employers, landlords, insurance providers, utilities, banks and more (CFPB 2018). Almost all provide a free report once a year to any consumer who requests it, but large scale data must be purchased; it is not available via the Federal Reserve Bank in the same way as credit bureau information. Child support statistics are consolidated at a national level by the Office of Child Support Enforcement’s (OCSE) Federal Offset Program, from whom we know that as of April 2017, 5.5 million non-custodial parents were delinquent in their child support payments, owing a total of $4 billion (Putze 2017).

We must understand more about non-loan debt. Falling behind on bills is one of the strongest indicators that a person’s finances are headed for trouble, with potentially disastrous outcomes such as utility disconnection, eviction or foreclosure. Just like other types of debt, unpaid bills or fines can have cascading effects such as suspension of

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3 Fifty percent of these debtors owed less than $10,000, 35% owed between $10,000 and $40,000, and 15% owed $40,000 or more. While the number of people owing child support has declined in recent years, the amount of arrearages has grown (Putze 2017).
licenses due to unpaid fines, or even jail time. One report estimates that 7 million people may have had their drivers licenses suspended due to unpaid vehicle violation fines (Moyer 2018, Aspen Epic 2018). In Chicago unpaid vehicle violation tickets, including parking tickets and expired plates, mostly affect people from low income, majority non-white zip codes (Sanchez and Kambhampati 2018).

**New Haven Case Study: What do We Know, and Where are the Gaps?**

Given the national data discussed thus far, what can we say about debt in New Haven? Forty-nine percent of New Haven households are low-income, 26% live in poverty⁴, and 16.3% of residents aged 24 or older do not have a high school diploma. Thirty-three percent of New Haven residents are African American, 31% are Hispanic, 31% are White, and 71% are renters (Abraham et al 2013). Given these demographics, we can estimate that a significant number of residents are behind on bills and struggling with unmanaged debt. But what about more local level data that tells us more exactly what is going on in New Haven?

Some county level information is available from the New York Federal Reserve’s analysis of data from one of the three major credit bureaus. New Haven county residents have higher credit scores than the national average, and use credit cards at approximately the same rates and in similar ways to the national average (New York Fed 2018). County level information based on analysis of credit bureau data purchased by the Urban Institute tells us that New Haven county residents are slightly more likely than the national average to have student loan debt, but less likely to have student loan debt in collections, or indeed any debt in collections, including medical debt (Urban Institute 2018).

While this county level data makes New Haven look pretty good, it actually tells us very little about the experience of particular populations within New Haven county. The Urban institute provides more insightful analysis in their disaggregation of the data by race,

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⁴ Low income means living at or below 200% of the Federal Poverty Level - $49,200 for a family of four in 2017. The FPL for a family of four was $24,600.
based on zip codes; areas where at least 60% of the population is white are classified as white, and areas where at least 60% of the population are non-white is classified as nonwhite. This shows that while the averages look good, the numbers for non-white people are considerably worse. Fewer non-white residents have student loan debt than whites, but they are considerably more likely than whites to have their student loan debt in collections, and to have medical debt in collections. In fact, they are almost 2.5 times more likely than whites to have any debt in collections. Thirty-one percent of residents of New Haven county have any debt in collections, slightly below the national average of 33%, rising to 51% of non-white residents, versus only 22% of white residents. Zip-code level student loan debt data disaggregated by race tells us that residents of predominantly non-white zip codes have much higher rates of delinquency on their student loans (Washington Center for Equitable Growth 2017).

New Haven was one of 60 cities from around the country highlighted in an Urban Institute report providing city level credit bureau data about credit scores and delinquent debt. Median credit scores in New Haven are 618, lower than the national average of 675; median credit scores in non-white areas (based on proportion of race in each zip code) are only 586. Forty-eight percent of residents have delinquent debts, compared to the national average of 34%, and rates of foreclosure are significantly higher than the national average (Urban Institute 2017).

City level data certainly tells us more than regional data, but in a city like New Haven, and many cities around the country, where there are large differences in income and wealth across different neighborhoods, we need even more granular data to really understand how particular populations are faring (Kingsley et al 2014). Generally, due to privacy concerns, credit bureaus do not allow reporting of their data below the city level5. The Urban Institute data disaggregated by race, based on zip codes, gives us important insight, but zip codes themselves can include very divergent populations. Map 1 below shows poverty rates in New Haven by neighborhood (the borders of which are close to, though

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5 Though see a recent report from the Federal Reserve Bank of Boston which analyzed credit report data at the neighborhood level, and found significant disparities (Chaddha 2018).
not exactly the same, as census tract borders). Map 2 shows zip code boundaries; within those boundaries there are large disparities which would not be apparent without the more granular neighborhood images. Chart 1 clearly shows the income disparities in those different neighborhoods.

Map 2: Zipcode boundaries in New Haven
(https://www.zipmap.net/Connecticut/New_Haven_County/New_Haven.htm)
The above neighborhood level data is provided by DataHaven\textsuperscript{6}, a local organization that conducts local data collection and analysis, including a three-yearly community well-being phone survey covering Connecticut and some areas of surrounding states, with results presented at the neighborhood and sometimes census tract level. Given New Haven’s inclusion in the Urban Institute city-level analysis, and the presence of DataHaven, we have much better data available than in most cities. DataHaven’s analysis shows significant educational, employment and health disparities across the city, that are strongly associated with race and income, and would likely correlate with debt. Data Haven has not in the past asked about debt in their survey partly because of high demand from different partners to include questions on multiple subjects and because understanding debt has not been seen as a priority (though a question will be added to their next survey). The fact remains, however, that it is difficult to effectively ask about debt in a phone survey. Debt is a complex, multi-faceted issue, and cannot be easily

\textsuperscript{6} www.datahaven.com.
understood through the type of questions that can realistically be included in a survey that covers a wide range of other topics.

Given the difficulty of asking questions about debt in a general survey such as DataHaven’s, we must find other sources of local data. Significant data exists in municipal, court and other records. For example, we know from the city’s annual financial report that approximately $10 million is owed in back property taxes, rising to over $12 million including fees and interest. This data is available at the individual property level, but must be looked up case by case; requests for access to the databases have not been forthcoming. The city provided us with city level unpaid parking ticket data – approximately $5 million is collected annually, and arrears total $13 million. According to communication with the city administration, at least 30% of city employees have their wages garnished due to some type of debt.

Local utility companies have data about who is in arrears on their utility bills or has been disconnected. The data is required to be made publicly available but only at the utility company service area level. The ‘publicly available’ information, however, is extremely difficult to access. It took a number of conversations with the local electricity company, and their regulator, to access and fully understand that data. We were able to get arrears data for the city of New Haven, finding that approximately 5,000 customers who qualify for financial or medical hardship, around 10% of all households in the city, are in arrears on their electricity bill. Rough estimates from the electricity company’s disconnection data suggest that approximately 2,000 of those customers were disconnected from service at some point between May and November 2016. A local journalist investigating foreclosures relating to water and sewer bill arrears found that the local Water Pollution Control Authority had filed 158 foreclosure cases in New Haven during a 12 month period; this data was gathered case by case from court records (Peak 2017).

7 The company is required to provide the data disaggregated by ‘hardship’ and ‘non-hardship’ customers; hardship customers are eligible for hardship on the basis of income or medical problems, and qualify for certain assistance and protections.
A wealth of data is available from the courts about civil, family, housing and small claims cases, including initiated foreclosures, evictions, or consumer debt filings, such as when a creditor sues for payment of an unpaid debt, or an unpaid loan. A study of such court records from New York found that consumer debt litigation was disproportionately concentrated in low-income areas, though all neighborhood were affected (Singh 2007)⁸. While this data is public, it can be difficult to understand, and is not immediately accessible in a form useful for data analysis (Mungo et al 2018). Data about bail bonds may also be available from the courts, but the bondsmen are unlikely to share data about loans they have made for bail bonds.

Recently, Princeton University’s Eviction lab compiled eviction records taken from courts in 48 states and the District of Columbia, which gives us some indication of the rate of rental arrears (The Eviction Lab 2018)⁹; New Haven is 69th in the top 100 evicting cities, with 1,481 evictions during 2016, just over 4 evictions daily. Maps using the Evictions Lab data show how important it is to have more granular data than just city level. The maps below combine poverty and evictions data; the poverty rate is indicated by the depth of color, evictions rate is indicated by smaller or larger red dots¹⁰.

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⁸ Almost 90% of the debt collection litigation was initiated by a third-party debt buyer who had purchased the debt from the original creditor; typically these third-party debt buyers have bought the debt for a fraction of their original value. The same study found that less than 1% of the debtors in such cases had legal representation, compared to 100% of creditors (Singh 2007).

⁹ The Eviction lab gathered their data in a variety of ways, directly from courts either directly or via the internet, when possible, but they also had to purchase some data from two consumer reporting companies including LexisNexis Risk Solutions and American Information Research Services Inc. (www.evictionlab.org).

¹⁰ Similar maps can be created showing the overlap between evictions and race, rent burden and more.
Map 3: Evictions and poverty rate at the city level.

Map 4: Evictions and poverty rates at the census tract level.
Map 5: Evictions and poverty rates at the block group level.

What More do We Need to Know, and Why Does it Matter?

However difficult, we must improve our understanding of debt at the local level (Kingsley et al. 2014). Everyday private debt has a profoundly negative effect on individual debtors and their families. It affects their ability to meet their basic needs, and limits their ability to invest in their own and their children’s futures. It has a profoundly negative effect on their health. All of this has spin-off effects on broader society but also has more immediate impacts on municipal systems and beyond (Mckernan et al. 2016). If people are being evicted, like Veronica, it affects municipal systems that help people who are homeless. If people are losing their cars, it has implications for employment and public transportation. If people have bad credit scores, it can affect their ability to access affordable credit, rent an apartment, purchase insurance or even find a job, which can lead to a further spiral into unaffordable debt. Being in debt limits peoples’ purchasing power, which affects local businesses. If residents aren’t paying their property taxes, or municipal fines and fees, it affects municipal coffers. If residents aren’t paying their utility bills, it not only affects those residents’ health, and their ability to retain housing, it also affects utility companies’ ability to provide affordable services. Unpaid credit card debt, or student loan debt or child support, or unpaid taxes, can affect someone’s earnings if their wages are garnished, and their tax refunds taken. The EITC is a crucial tool for low-income people to plan ahead.
and stay out of destitution (Marr et al 2015). That option can be lost to people who owe money. Over 6.6 million Americans eligible for the EITC did not claim it in 2016; losing out on a total of $16.3 billion (Communally 2018). Anecdotal data from New Haven suggests that one reason may be that people who owe money do not bother to file taxes, knowing that their refund will be taken.

The individual stories we have are powerful, but we can’t really tell how common those experiences are. This matters if we are to take action to create change. If the experiences of Veronica, Steven and Darren are unique, then we should help them as individuals to address their unique problems. But if their stories are more common, then we need to develop broader support systems for people in their financial situations and, more importantly, interventions and policy changes to help prevent people getting in to that type of debt in the first place. Estimates based on correlations between national data and demographics is helpful, and county, city and particularly zipcode level data tells us a great deal. But local level data is more accurate, and tells us more about the particular, local nature of problems that we seek to address. Not all regions in the country are the same. For example auto title loans and payday lenders do not operate in Connecticut (although payday loans are readily available online). The cost of living makes a difference, as do local histories, economies, and political contexts. Without local data, municipalities are limited in their ability to understand their residents’ debt-related problems, or how those problems impact the municipality. Local data can help us determine cause and effect between specific conditions and outcomes, so informing the design of interventions and policy change to address problems, and to track how things are changing over time and so assess the effectiveness of those interventions and policies. Should access to small loans be expanded through subsidies, or restricted using price capping? Would local regulation of debt collection practices be helpful? Could financial literacy initiatives help, or not? (Chaddha 2018, Zinman 2015, Baradaran 2013). What can be done at the municipal level, what state action is needed, and what must happen at the federal level? Without detailed, local knowledge, it is hard to know.

Lack of local data also limits the ability to build the necessary political capital to put strategies in place. Information available through the credit bureaus is valuable, but limits
us to data that matters to those bureaus, rather than data that might matter more to the municipality and city residents. Locally generated data can play a particularly powerful role in advocacy efforts. To say that 9,000 rent-to-own stores nationwide earned approximately $8 billion in one particular year, or even that on average, 35% of people have a debt in collections, has little meaning in a local context. Local data tells a local story. Maps have particular power, embodying messages through image; as for example the image below about foreclosures in New Haven. Data that overlaps with political geographies can put pressure on elected officials to act. The process of collecting and presenting local data is also an opportunity for local, collective action, bringing the people most affected by problems, and thus invested in solutions, into the process from the beginning (Kingsley et al 2014).

(http://www.radicalcartography.net/index.html?newhaven-foreclosures)
**Recommendations**

Work such as that done by the Urban Institute, and the Federal Reserve Banks of New York and Boston, analyzing and presenting credit bureau data at the most granular level possible, is extremely valuable (Urban Institute 2017, 2018; New York Fed 2018; Chaddha 2018). Such analysis should be conducted on a regular basis, covering representative geographies around the country to enable regional and local governments to apply lessons learned to their communities. Credit report data is limited, however, both by restrictions on how local a scale it can be reported, and by the type of debt that is reported. Data from other consumer reporting agencies should be made more available through arrangements similar to that between the major credit bureaus and the federal reserve. Local surveys such as those done by DataHaven provide important, granular data. However, it is difficult to ask comprehensive questions about debt in such surveys. It would be helpful to conduct local surveys focusing specifically on finances and debt, along the lines of the national surveys.

We need to develop replicable models for making available local data from municipalities, courts and utilities, to simplify the process of accessing, analyzing and presenting this data. Much of the data is already publicly available, but until it is actually accessible in a user-friendly format, it may be available, but it is not useful. Using mixed methods studies, complementing quantitative data with in-depth, qualitative data, can provide insight into complex situations, inform intervention and policy design, and support advocacy efforts. The data must be published so that it makes sense to non-specialists, making use of innovative mapping methods. The ‘truth’ of the data is only as valid as how it perceived.

While this article has been mostly about the problems associated with lack of access to data, there are serious risks associated with greater access. Credit bureau data helps us understand people’s financial situations, but also shapes what opportunities are open to them, where and how they can live and work. Greater access to data about debt at a neighborhood level may help us understand where problems lie, but could also enable greater discrimination in services and opportunities (Cicero 2018); vulnerable groups,
such as people with histories mental illness, are particularly afraid of being profiled based on data access (Guzelian 2015). Our need for more local data must be tempered by a recognition of these risks.

Bibliography


