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FEBRUARY 2021

Tracking the Credit Health of Washington, DC Residents

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



About This Resource

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

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

Financial Health Is Integral to Inclusive Recovery

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

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

In Washington, DC, racial and economic inclusion is a key priority. While [Washington, DC](#), ranks 143rd out of the 274 largest cities nationwide along key measures of economic inclusion and 172nd along key measures of racial inclusion, the city has seen a rise in overall inclusion over time.

Key Takeaways

- **Credit health among Washington, DC, residents—measured by changes in credit scores, credit use, and delinquencies—improved after the Great Recession and into COVID-19 as of October 2020.** These trends suggest choices by federal, state, and local policymakers and private-sector partners to help families weather the impacts of COVID-19 are making a difference in their credit health.
- **Disparities by race illustrate that the last economic recovery failed to adequately address systemic barriers facing families of color.** The share of DC residents in communities of color with subprime credit scores (33.1 percent) is 5.7 times higher than in majority-white communities in the city (5.8 percent). Without sustained support and intentional policies that address racial barriers, the economic impacts of COVID-19 could create major setbacks on the pathway to inclusive economic recovery.
- **Credit health is one component of financial health; while credit measures improved, [other data](#) point to increased food insecurity, employment income loss, and other hardships, indicating an uneven recovery.** Credit data cannot capture the experiences of about [one in ten US adults](#) who do not have a credit file, and people of color are disproportionately represented in this group. Credit data also do not reflect residents' ability to make timely payments once loan forbearance and other protections end, since reporting requirements make qualifying loans that were current before borrowers sought accommodations appear current during forbearance. Even residents with strong credit health may face challenges if underlying financial circumstances—income and savings—have not improved. Assessing the state of resident's incomes, savings, and other assets will be important for understanding the full impact of COVID-19 on financial health.

The State of Financial Health in Washington, DC

Pre-COVID-19

Washington, DC, is [an economically stable city with high housing costs](#). Similar to New York, Boston, and Minneapolis, Washington, DC, has a high share of low- and moderate-income residents who are housing-cost burdened. In addition to high housing costs, unequal opportunities and economically segregated neighborhoods make financial health and security a challenge for many. Disparities between majority-white communities and majority communities of color are large, notably in share with subprime credit score and share with debt in collections.

High housing costs pose a challenge for city residents, making it difficult for them to save for financial emergencies and long-term investments such as a home. Inequities also exist in ability to obtain capital, such as small-business loans.

The Threat of COVID-19 for Resident Financial Health

America's cities are showing the economic impact of the COVID-19 pandemic. In DC, the [unemployment rate](#) went from 5.2 percent in February to 11.1 percent in June. As of October, DC's unemployment rate was 8.2 percent. Job losses in DC have not been equally felt by all residents—a continuation of a trend in wage and employment equity. Before COVID-19, DC had the [highest Black unemployment rate](#) in the nation, 6.3 times the white unemployment rate. Poverty rates were approximately 2 and 4 times higher for Black and Latino residents relative to white residents. Since COVID-19, [half of jobs held by Latino residents](#) and one-third of jobs held by Black residents are vulnerable to layoffs.

Small business revenue is down [61 percent](#) as of November—a figure worse than peer cities New York (49 percent) and LA (25 percent)—and the DC-Maryland-Virginia metro area has lost nearly [107,000](#) low-income jobs since the beginning of the pandemic, many of which were in accommodation and food services.

These sudden income drops from job losses, reduced hours, or lost business revenue put financial strain on families, many of whom have limited savings to buffer against such shocks. And many households may face steep medical bills if family members required hospitalization for coronavirus infections.

The Additional Threat of COVID-19 for Communities of Color

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

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

Resident Credit Health in Washington, DC, Improved after the Great Recession and into COVID-19

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

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

Washington, DC, is somewhat above average in financial health, as comparisons with the US show. Still, there is room for improvement: about 1 in 4 Washingtonian have debt in collections. While just over 1 in 50 Washingtonians use high-cost alternative financial services loans, nearly 1 in 20 (5.1 percent) of those loans are 30 or more days past due.

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

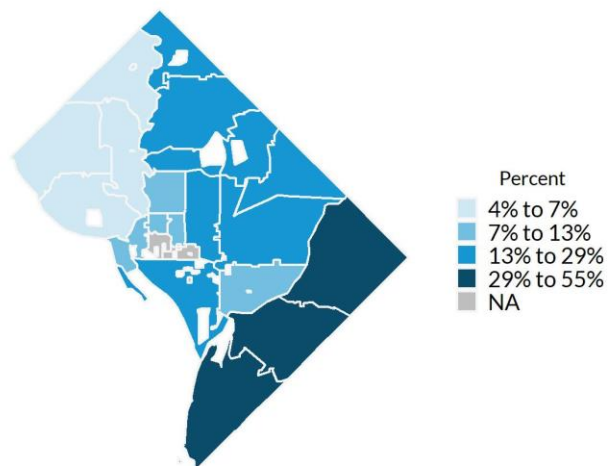
Indicators of the Credit Health of City Residents

Three ways to characterize credit health using credit data:

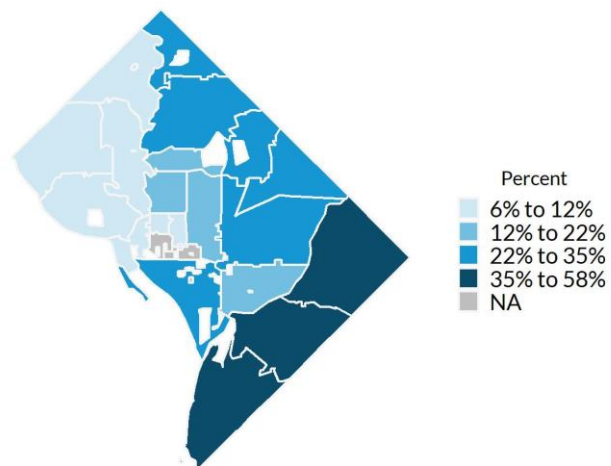
- 1) **Credit scores** are a composite indicator of overall credit health. Having a subprime credit score can limit access to credit and increase the cost of debt.
 - Scores range from 300 to 850; a score below 600 is subprime.
- 2) **Credit use** indicates access to credit, which families may use to meet their financial needs. The share of available credit used is a measure of debt burden. Higher debt burdens could signal financial distress.
 - Use of alternative financial service loans like payday loans can indicate emergency needs.
- 3) **Delinquent debt** data can show where support is needed to avoid foreclosures, bankruptcies, calls from debt collectors, and other hardships. Delinquent debt appears on credit reports, which are sometimes used by employers and landlords to assess job and rental applicants.
 - Delinquent debt is debt that is 30, 60, or more days past due or in collections.

Financial Health Varies by Neighborhood

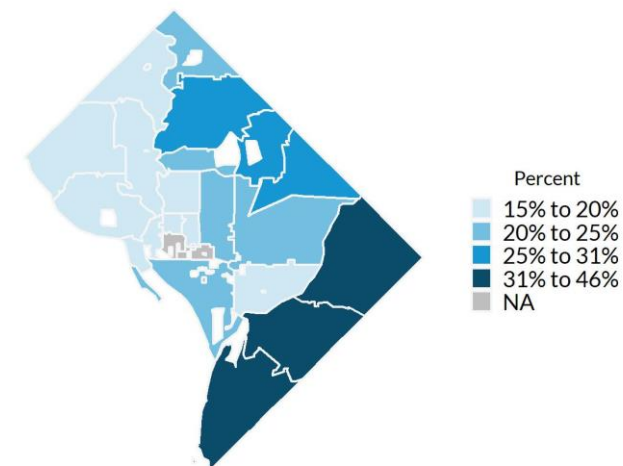
Share with Subprime Credit Score of Washington Residents



Share with Debt in Collections of Washington Residents



Average Credit Utilization of Washington Residents



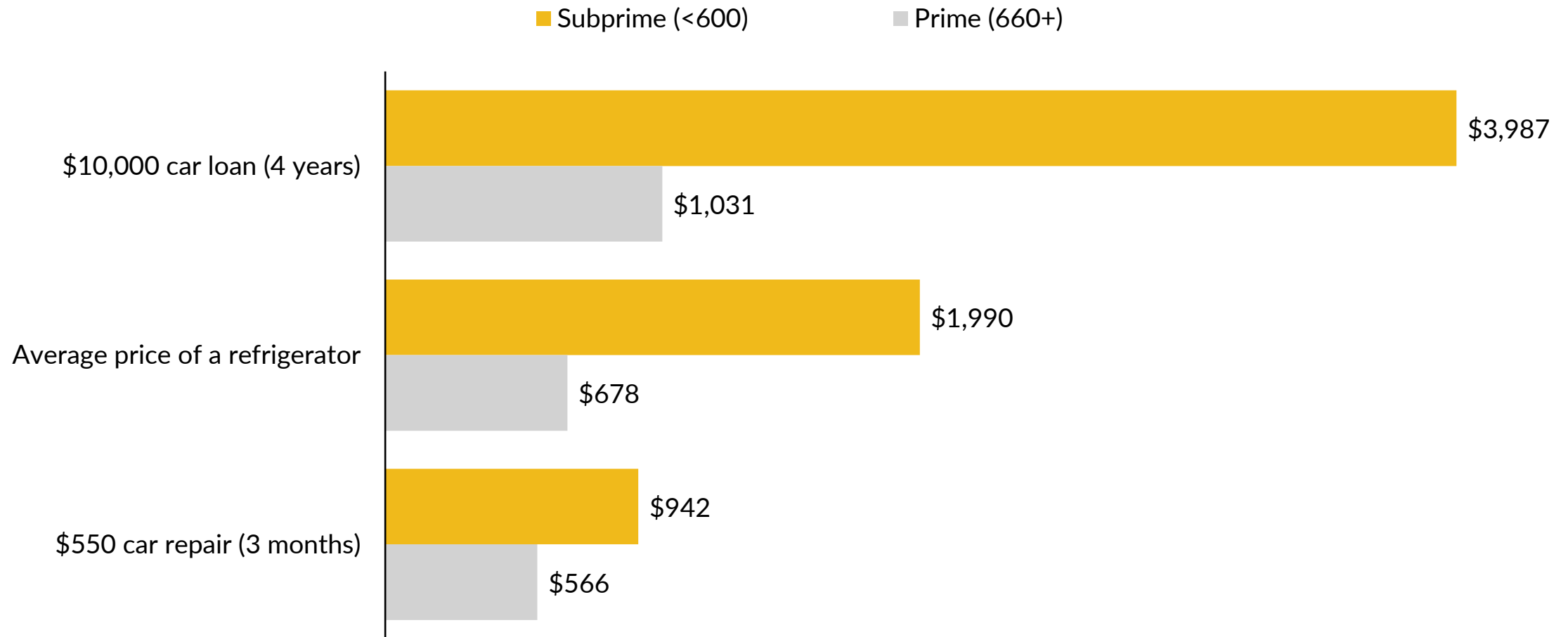
Like in most cities, resident financial health in **Washington, DC**, varies by neighborhood. City leaders in government, business, philanthropy, and advocacy can examine differences in delinquencies, credit scores, and credit use to understand how to build a more inclusive recovery, including the targeting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

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

Credit Scores

Credit Health Affects Residents' Costs of Living

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

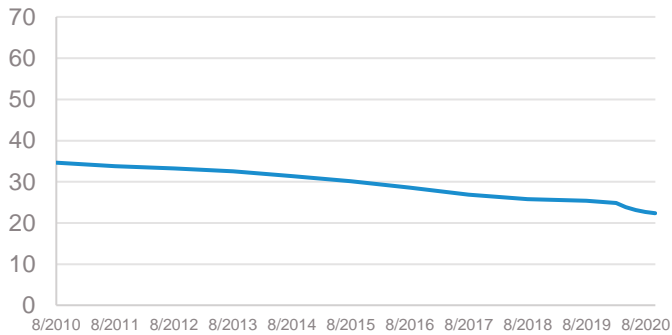


Source: Elliott and Lowitz. 2018. What Is the Cost of Poor Credit. Washington, DC: Urban Institute.

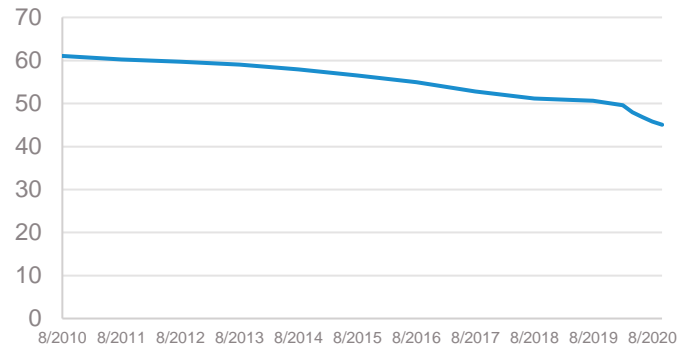
Nationally, the **share of residents with a subprime credit score** steadily declined after the Great Recession and into the pandemic, but racial disparities persisted.

■ US

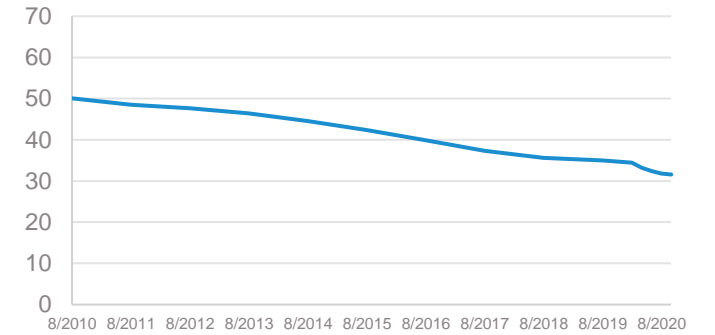
All communities



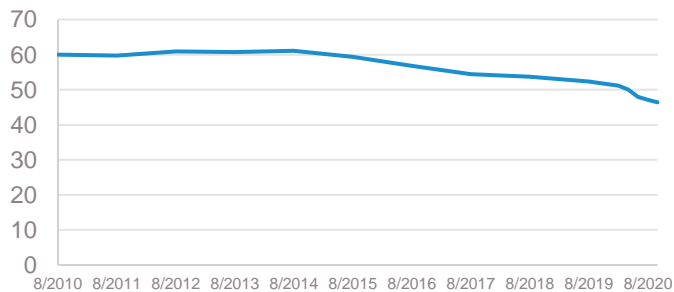
Majority-Black communities



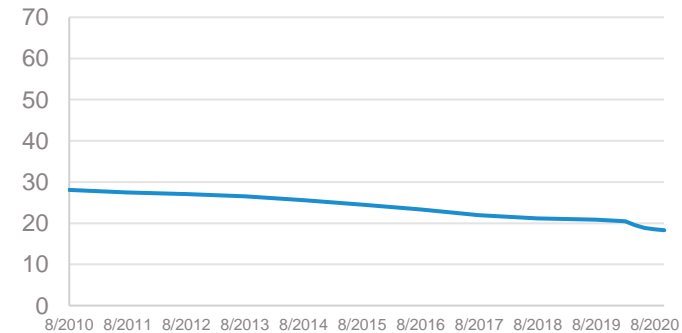
Majority-Hispanic



Majority-Native American and Alaska Native communities



Majority-white communities



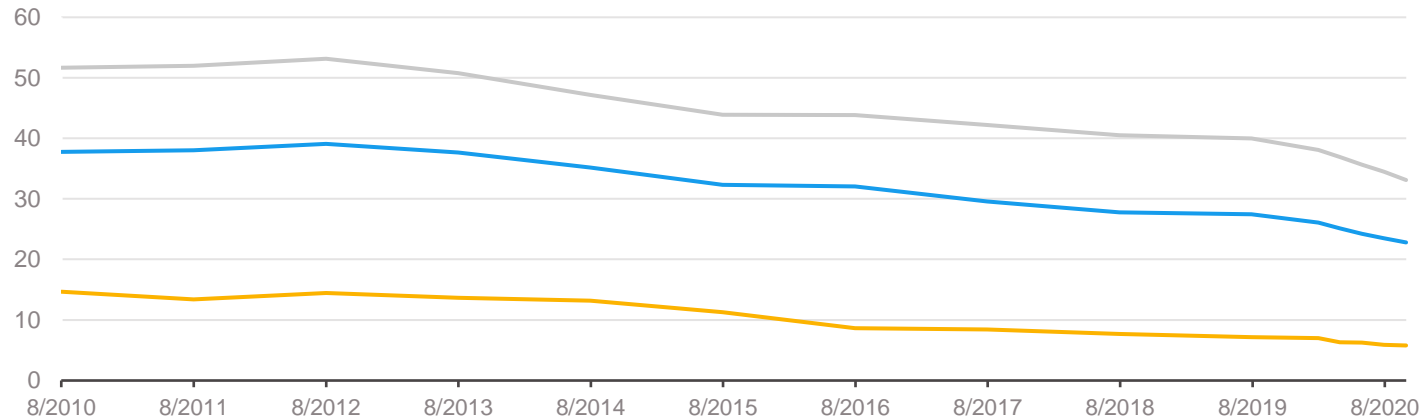
DC demographic data are not shown because of insufficient data.

Source: Tabulations of Urban Institute credit bureau data.

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

The share of Washington, DC, residents with subprime credit scores declined from 37.8 percent in August 2010 to 22.8 percent in October 2020.

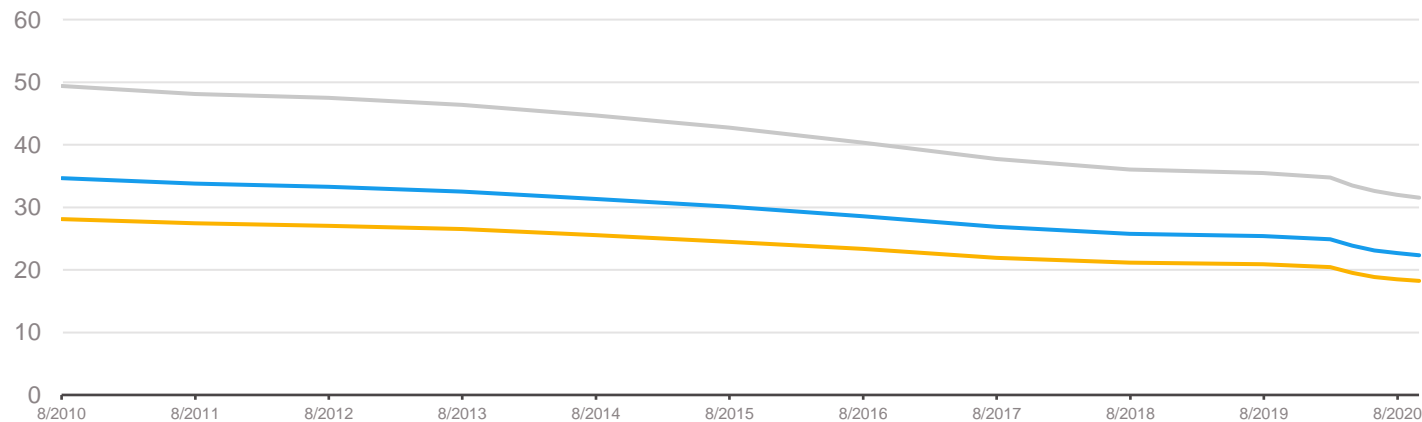
Washington, DC



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

This trend follows a similar path to the United States overall, though the share of Washington, DC, residents with subprime credit scores is slightly higher than national shares.

US



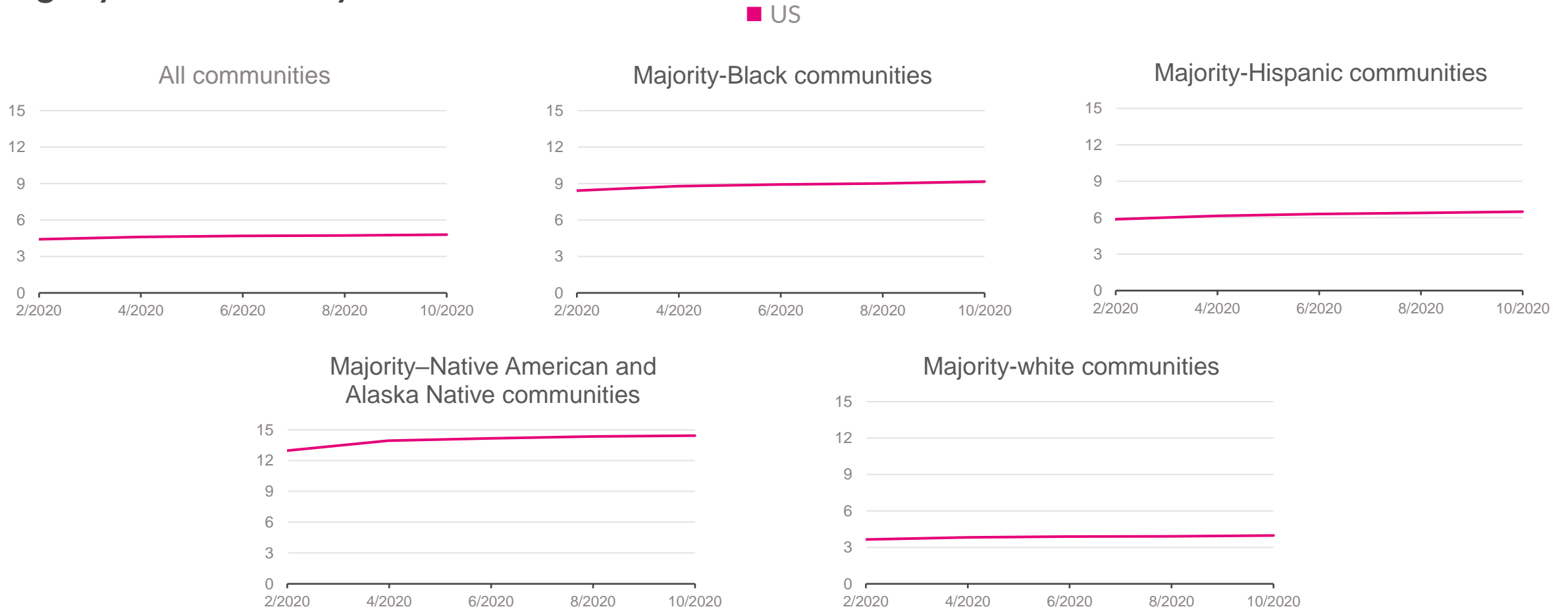
Credit scores reflect and [perpetuate racial disparities](#). The share of residents in communities of color with subprime credit scores (33.1 percent) is 5.7 times higher than in majority-white communities in the city (5.8 percent).

Source: Tabulations of Urban Institute credit bureau data.

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

Credit Use

The **share of residents using alternative financial service credit**, such as payday loans, increased slightly since February 2020 nationwide.



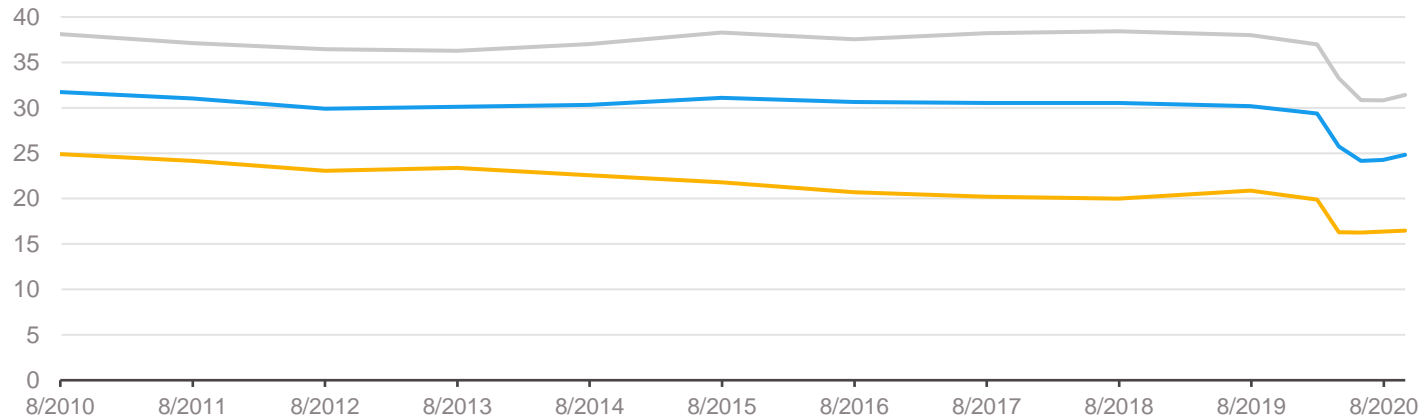
Source: Tabulations of Urban Institute credit bureau and alternative financial service data.

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

DC demographic data are not shown because of insufficient data.

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

Washington, DC

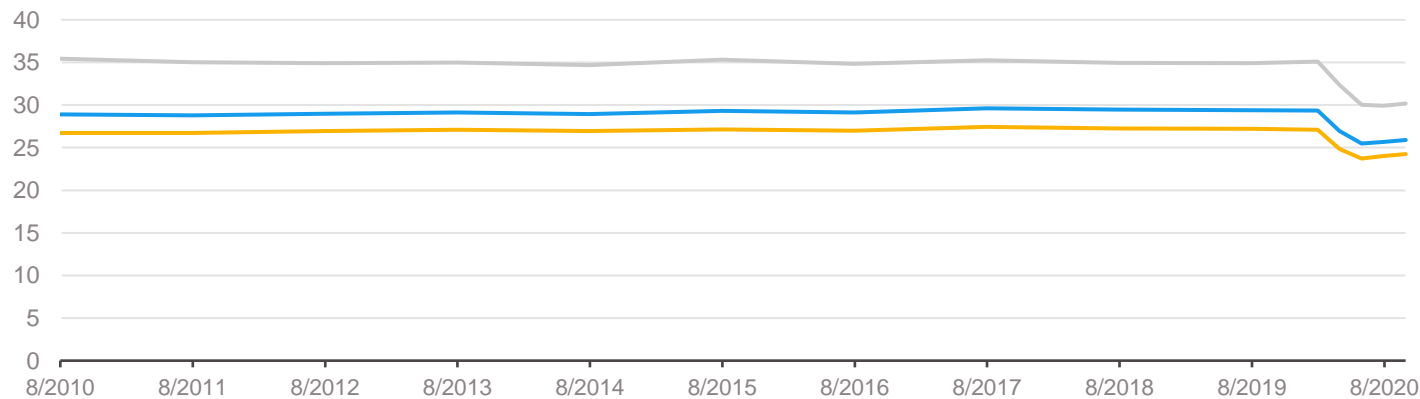


— All communities
 — Majority communities of color
 — Majority-white communities

Utilization fell from 29.4 percent in February 2020 to 24.1 percent in June, with only a slight increase to 24.8 percent in October.

Average credit card utilization in DC is similar to credit card utilization nationwide.

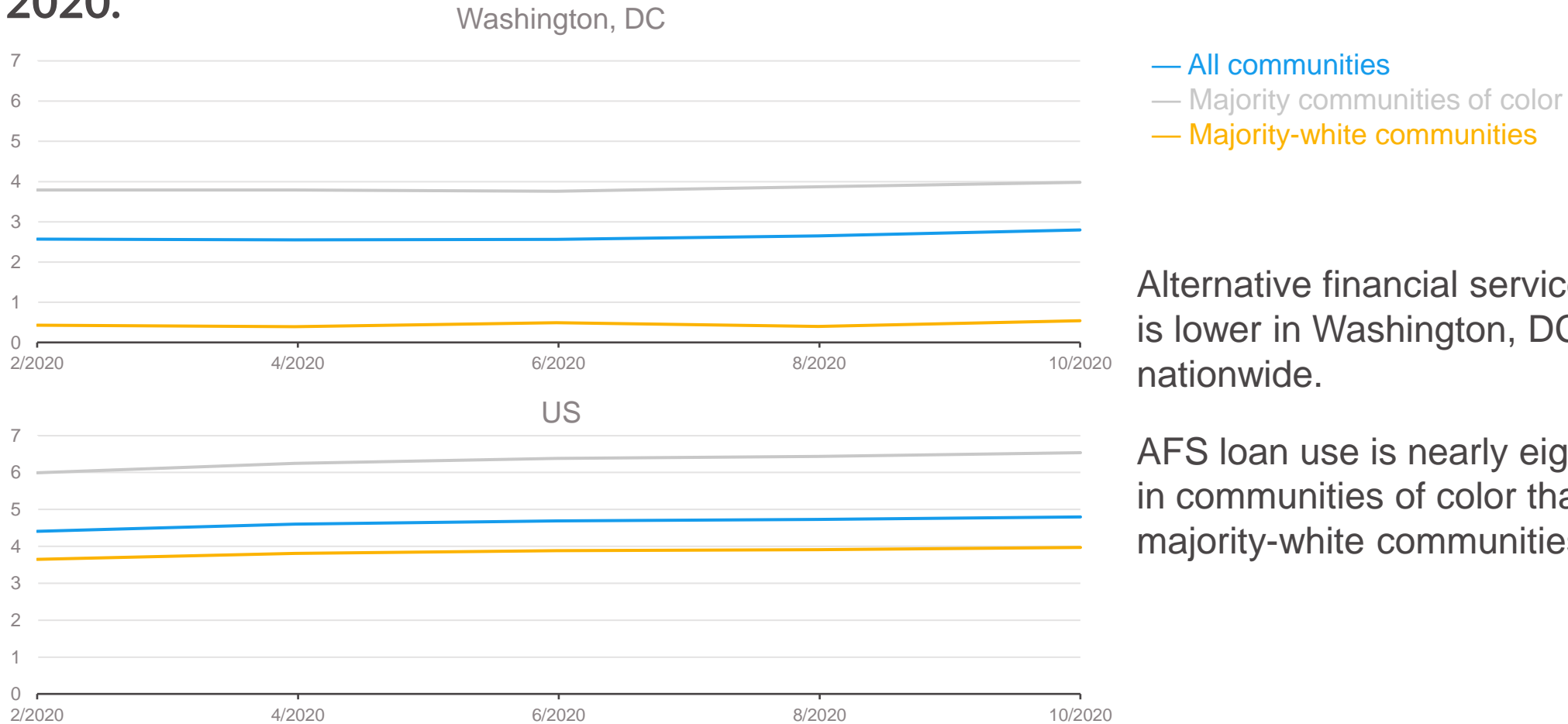
US



Source: Tabulations of Urban Institute credit bureau data.

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

The share of residents using alternative financial service credit since the start of the COVID-19 pandemic has remained around 2.5 percent in Washington, DC, since February 2020.



Alternative financial service (AFS) loan use is lower in Washington, DC, than it is nationwide.

AFS loan use is nearly eight times higher in communities of color than it is in majority-white communities in DC.

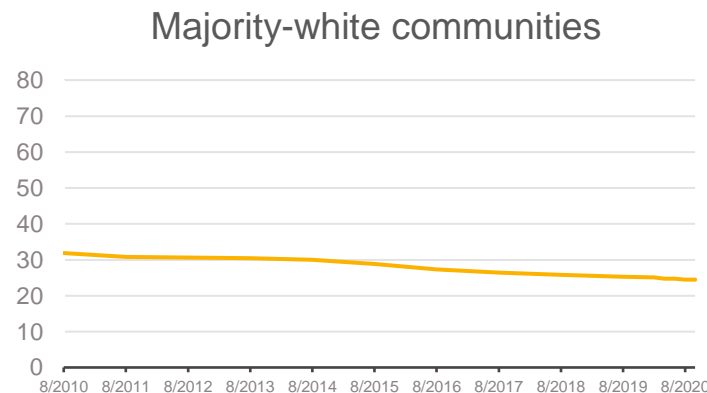
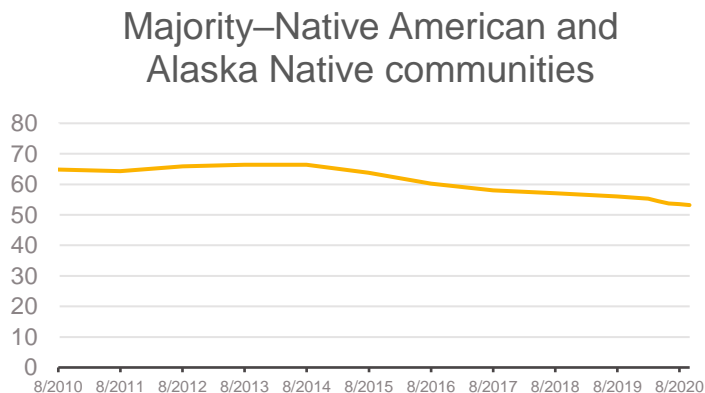
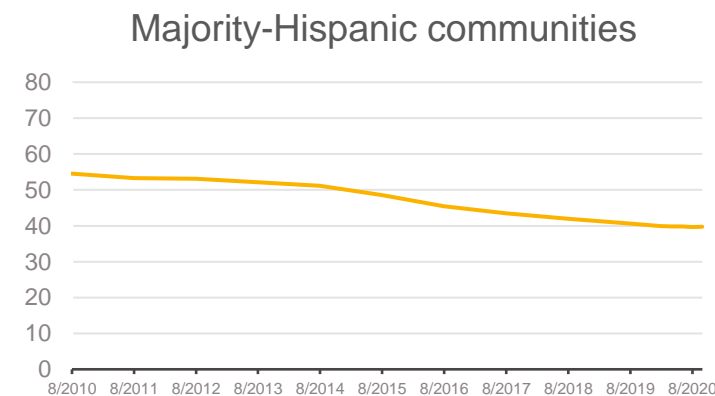
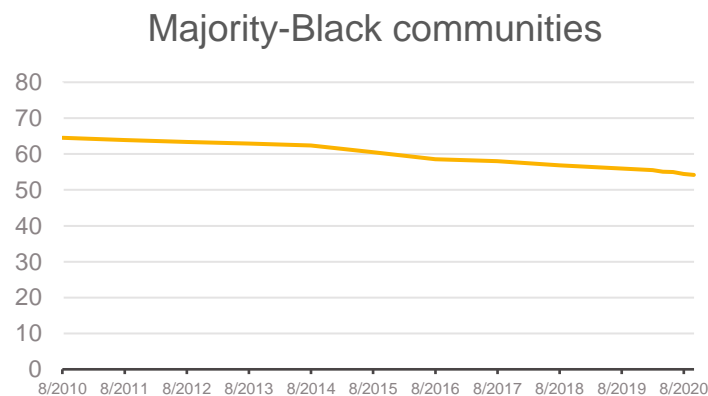
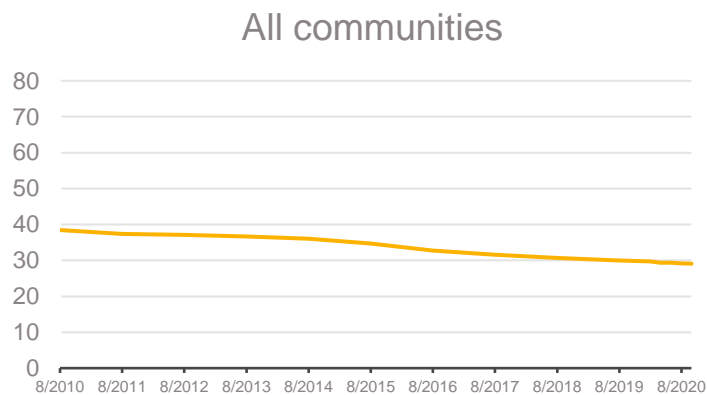
Source: Tabulations of Urban Institute credit bureau data.

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

Delinquent Debt

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

■ US

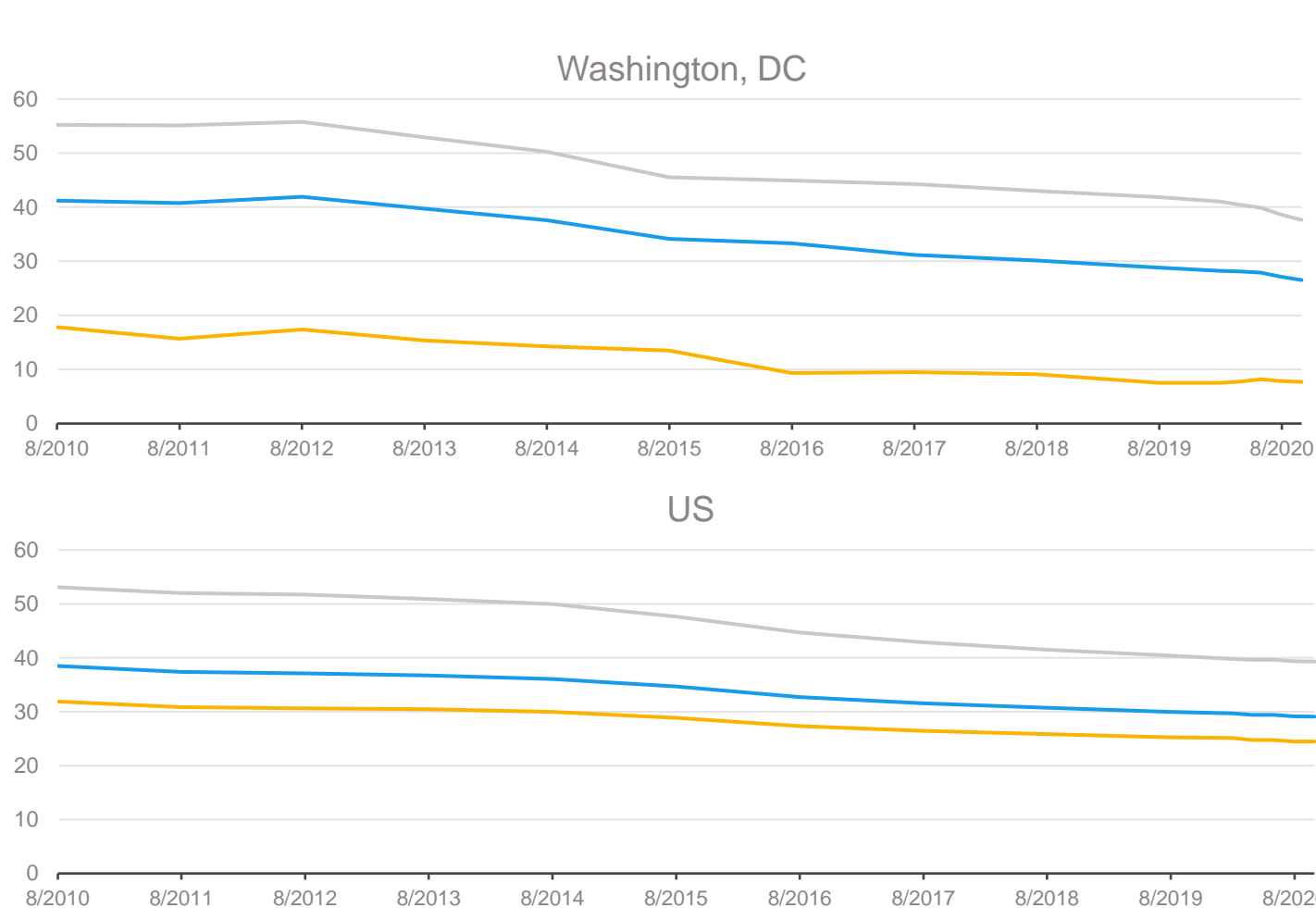


DC demographic data are not shown because of insufficient data.

Source: Tabulations of Urban Institute credit bureau data.

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

26.5 percent of Washingtonian adults with credit files had debt in collections in August 2020.



Source: Tabulations of Urban Institute credit bureau data.

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

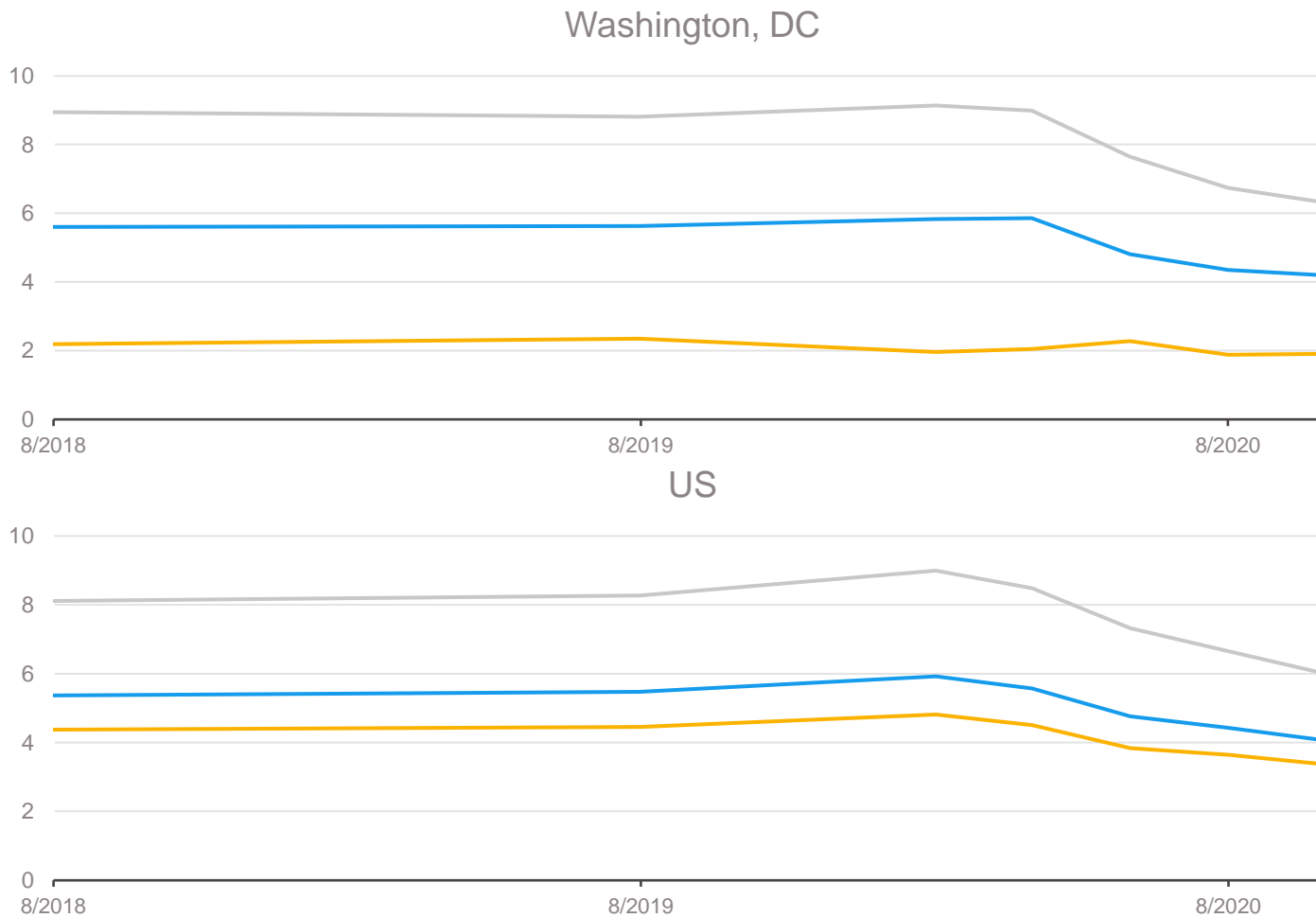
- All communities
- Majority communities of color
- Majority-white communities

This number is down from 41 percent in 2010 and has continued to decline from 28.2 percent in February 2020, when COVID-19 began spreading in the US.

The share of Washingtonians with debt in collections is slightly lower than the share of adults with debt in collections in the US overall (29.1 percent).

Washington, DC, residents living in communities of color are **nearly five times as likely** to have debt in collections as residents living in majority-white communities (37.6 percent compared with 7.6 percent).

The credit card delinquency rate in Washington, DC, was 4.2 percent in October 2020.



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

This share is compared with 5.6 percent in August 2018.

There has been a slight decline in the credit card delinquency rate in Washington, DC, since February 2020.

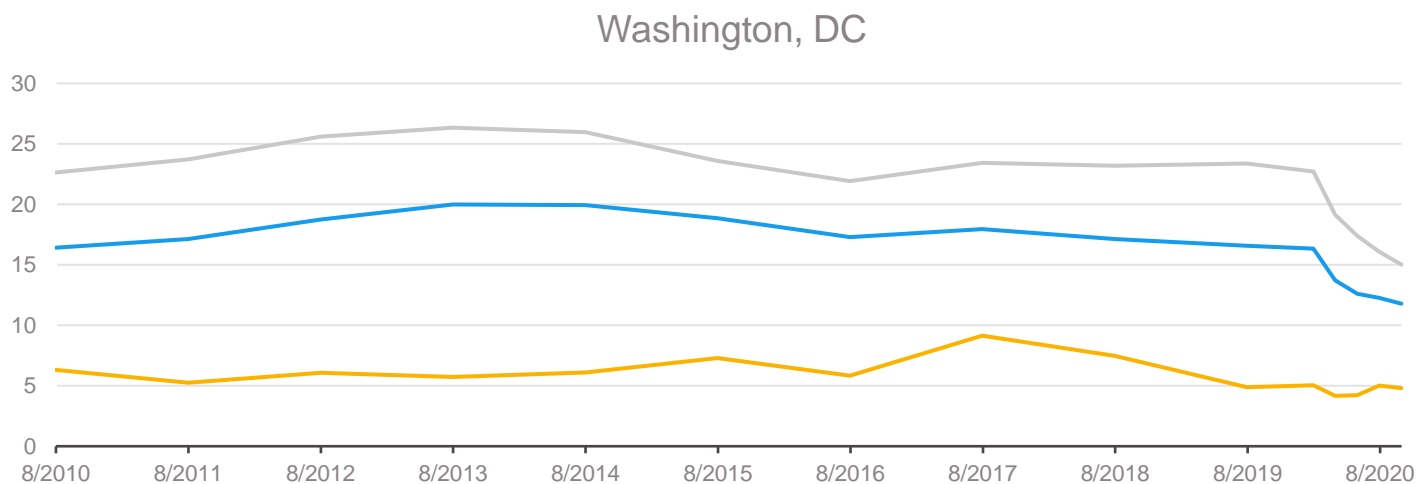
The credit card delinquency rate in DC is roughly on par with the overall rate in the US (4.1 percent).

Data before August 2018 are unavailable.

Source: Tabulations of Urban Institute credit bureau data.

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

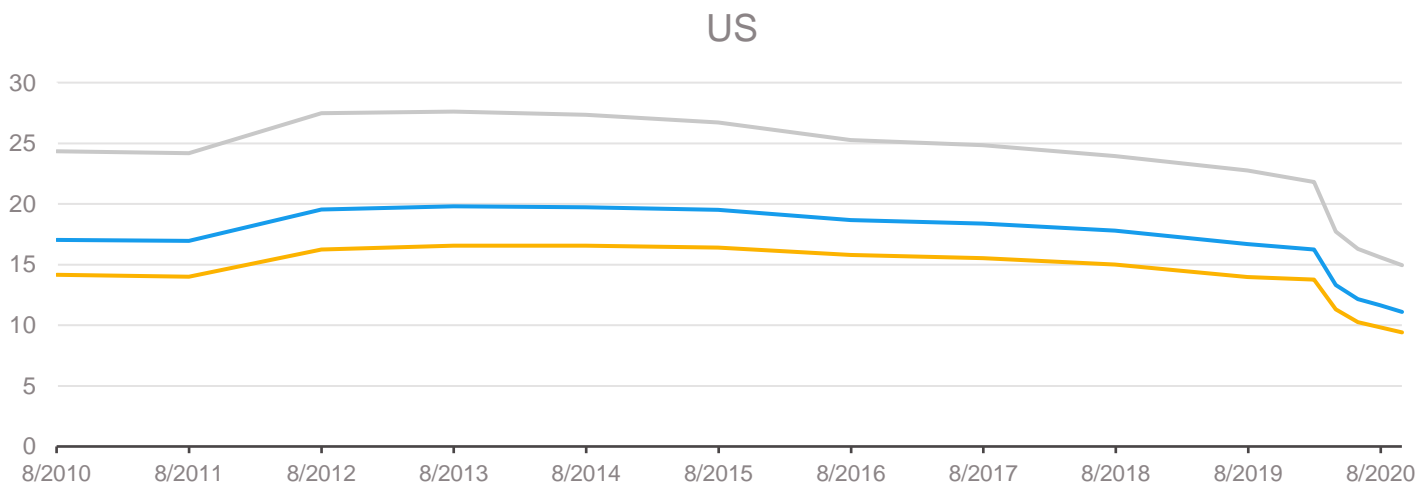
The student loan delinquency rate in Washington, DC, was 11.8 percent in October 2020.



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

This rate is down from 16.4 percent in August 2010 and 16.3 percent in February 2020.

Student loan delinquencies are higher in DC than the US overall (9.4 percent).

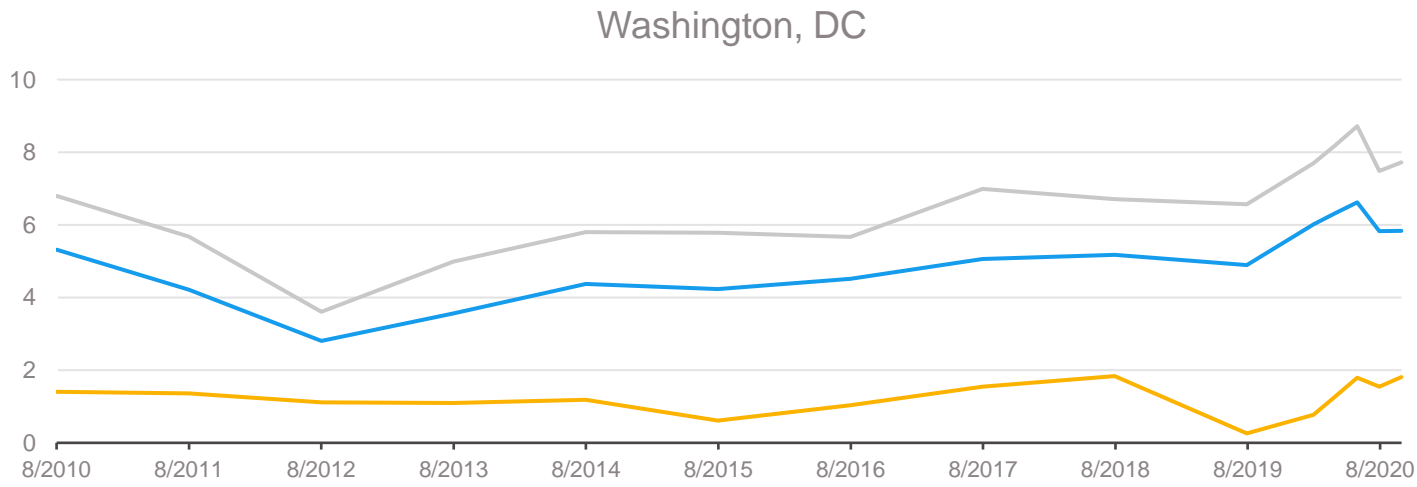


The [CARES Act and executive actions](#) by the Department of Education suspended principal and interest payments on federally held student loans through December 31, 2020. Garnishments of wages, tax refunds, and Social Security benefits on student loans in default were also suspended.

Source: Tabulations of Urban Institute credit bureau data.

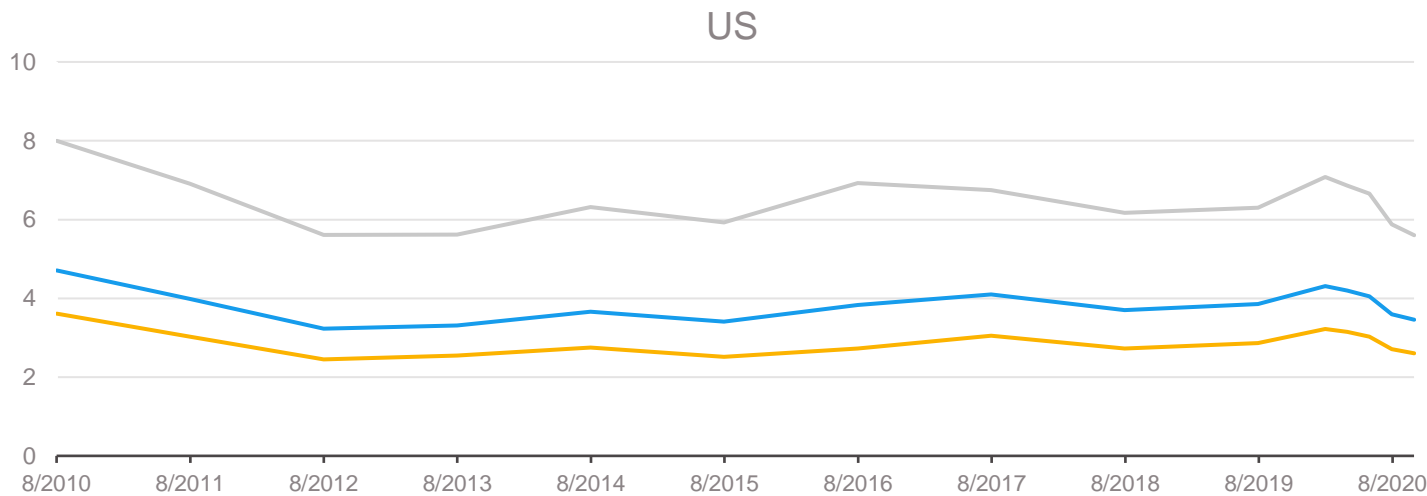
Notes: Student loan debt delinquency rate is the share of people with student loans who are 60 or more days delinquent. White communities and communities of color are based on zip codes where most residents (at least 60 percent) are white or most residents (at least 60 percent) are people of color.

The auto/retail loan delinquency rate in Washington, DC, was 5.8 percent in October 2020.



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

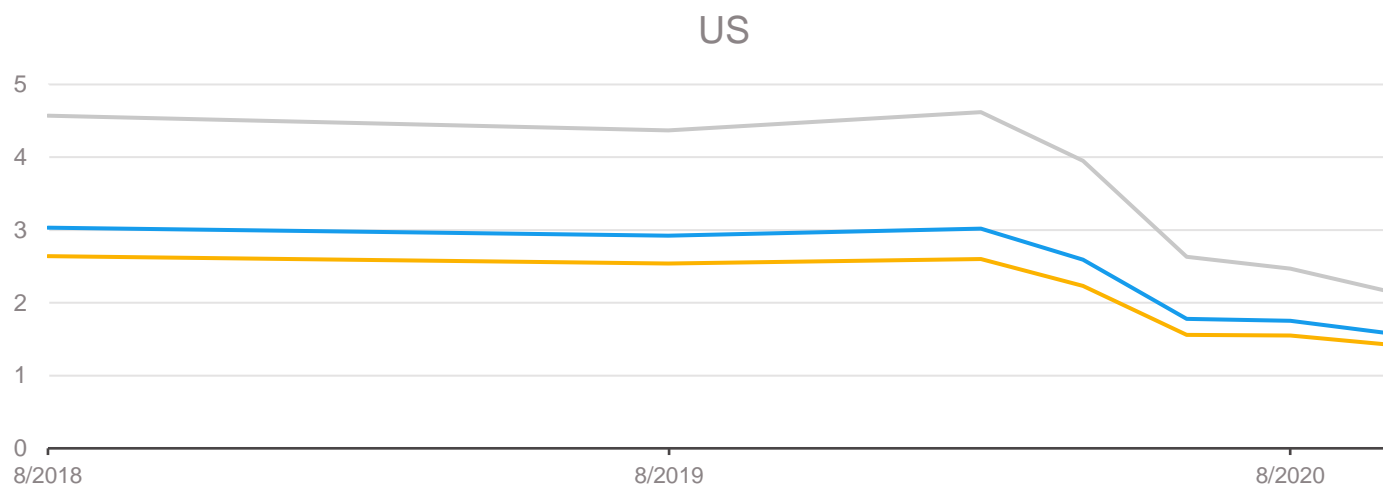
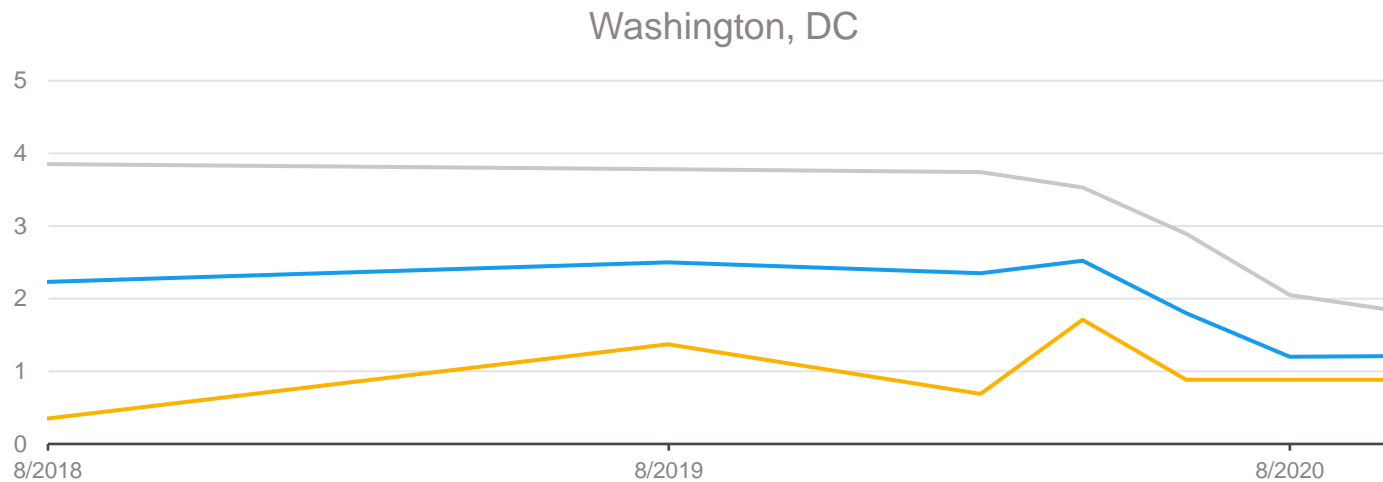
This rate varies somewhat over time; it was 5.3 percent in August 2010 and 6 percent in February 2020.



Source: Tabulations of Urban Institute credit bureau data.

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

1.2 percent of people with mortgages in Washington, DC, are 30 or more days past due.



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

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

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

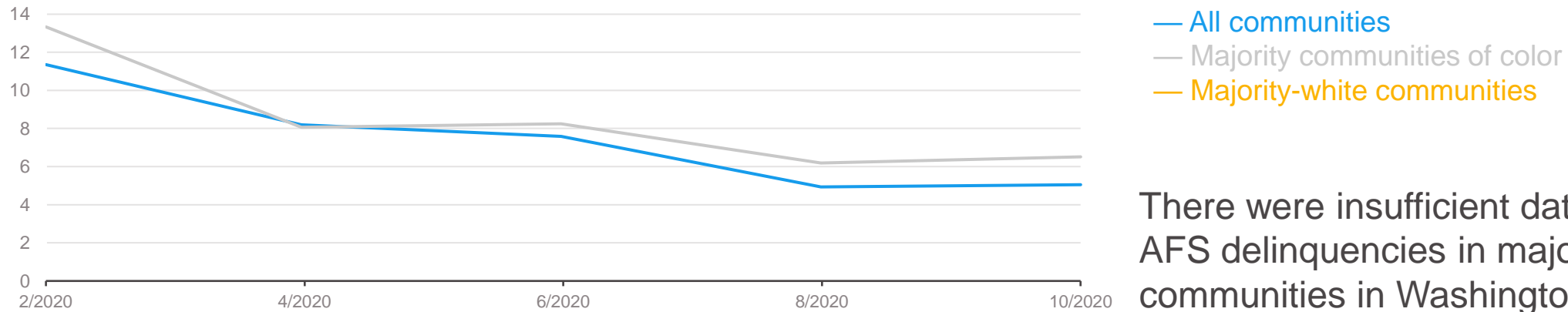
Data before August 2018 are unavailable.

Source: Tabulations of Urban Institute credit bureau data.

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

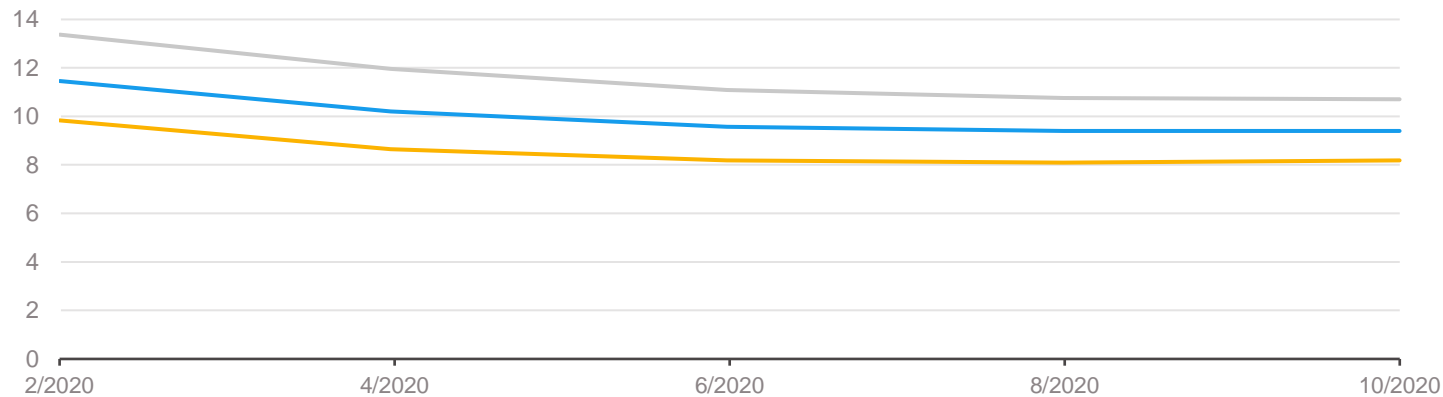
The share of alternative financial service loans 30 or more days past due in Washington, DC was 5.1 percent in October 2020.

Washington, DC



There were insufficient data to calculate AFS delinquencies in majority-white communities in Washington, DC.

US



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

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

What solutions are cities exploring to support resident financial health?

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

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

Potential Areas of Short-Term Focus for DC

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

Area	Existing measures	Possible future measures
Income supports	<ul style="list-style-type: none"> • District of Columbia Department of Employment Services (DOES) to provide \$300 per week in Lost Wages Assistance (LWA) to eligible DC workers for a limited number of weeks • With Pandemic Unemployment Assistance (PUA) set to end at the end of the year, DC government is providing a \$1,200 one-time stimulus payment for DC residents currently receiving PUA. The city estimates this will benefit about 20,000 Washingtonians 	<ul style="list-style-type: none"> • Grants to low-income households that have lost work or had extra medical or child care expenses because of COVID-19 (Los Angeles) • Expand direct cash assistance programs like THRIVE East of the River
Small business supports	<ul style="list-style-type: none"> • The Restaurant Bridge Fund will provide \$35 million in competitive grants to eligible restaurants and food service establishments to help cover operational expenses and expenses incurred because of winterization or COVID-19 preparation • Small Business Resiliency Fund • \$25 Million DC Small Business Recovery Microgrants Program, included over 6,000 grants disbursed east of the river and \$3.25 million to businesses that have been in the District for at least 20 years • DC Child Care Provider Relief Fund: \$5 million for child care facilities 	<ul style="list-style-type: none"> • Deferral of licensing fees (existing policy in San Francisco) • Prioritization of small business grants to businesses with five or fewer employees; continued prioritization for areas identified as high risk of displacement/highly disadvantaged (existing policy in Seattle)
Debt protection	<ul style="list-style-type: none"> • Expanded financial relief options for District residents who are struggling to pay private education loans because of the coronavirus (COVID-19) public health emergency • D.C. ACT 23-323 provides that during a public health emergency and for 60 days after its conclusion, no creditor or debt collector shall initiate, file, or threaten to file any new collection lawsuit • D.C. ACT 23-334 protects consumers by requiring credit reporting agencies to indicate, for qualifying individuals, information on file that the consumer has been financially impacted by the COVID-19 emergency 	<ul style="list-style-type: none"> • Cross-departmental reductions in response to the crisis to alleviate the burden of fines, fees, financial penalties, and collections (existing policy in San Francisco)
Housing stability	<ul style="list-style-type: none"> • DC Columbia Housing Finance Agency DC MAP (Mortgage Assistance Program) COVID-19 will provide financial assistance to homeowners who have been financially impacted by COVID-19 • DCHA is using CARES Act funds to continue basic functions and protect residents and staff • Eviction moratorium until 60 days following the emergency, though eviction filings have continued 	<ul style="list-style-type: none"> • Eviction moratorium extensions until June 30, 2021 (CA legislature) • Engage directly with residents when determining priorities for policy and programmatic actions aimed at housing stability

Potential Areas of Long-Term Focus for DC

As leaders in DC begin to look beyond relief efforts and into recovery, leaders can also consider the following evidence-based long-term strategies to meet the financial needs of their residents:

- **[Integrate financial and savings interventions](#) into existing programs and platforms** (e.g., [housing](#), [employment](#), [community colleges](#), [tax preparation](#), and [public utilities](#)) to reach more residents and meet people where they are. This can include elements that help residents manage their debt and daily finances, build credit scores, and save. Given the high share of residents who are housing-cost burdened, and the fact that Black and Latino renters in DC are [more likely to be](#) housing cost-burdened, this integration could be particularly beneficial in programs that help with affordable housing and homeownership.
- **Help residents save through savings programs with incentives, like the [DC Opportunity Accounts Program](#).** These programs provide incentives such as matching funds that can be used to [build an emergency savings cushion](#) or [save for long-term investments](#), such as a first home or a child's education.
- **Expand strategies that preserve and produce affordable housing across the income spectrum.** Specific local strategies include the following:
 - [Preserve](#) existing affordable units by taking advantage of existing collaboratives and tools like the [DC Preservation Network](#) and the DC Preservation Catalog.
 - Target subsidies appropriately to priority geographic areas for new [affordable housing](#) investments ([28 percent of residents in Ward 8](#) are residentially unstable or have a perceived risk of future residential instability)
- **Expand and align economic and workforce development.**
 - Economic development that helps existing and potential business, invests in small business growth strategies (such as [cluster-based growth](#)), and supports entrepreneurs through access to capital and training (such as [microenterprise programs](#)) can bring jobs to the areas that need them most.

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

Additional Resources

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

Tracking the Financial Health of Washington, DC Residents

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

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