



November 2019

# Family Financial Security Matters for Cities

The financial health of Chicago residents



**The financial health of cities depends on financially secure residents. When families have little to no savings and experience a disruption in their income or expenses, bills may be missed and consequences such as eviction may result.**

# The financial security of Chicago is tied to the financial health of its residents

**\$68–157  
million**

The minimum cost to Chicago government of family financial insecurity from eviction and unpaid property taxes and utility bills

**644,000**

of the 1,048,000 families in Chicago are financially insecure

**35%**

of Chicago residents have subprime credit scores

Among families in Chicago, 62% were financially insecure, with less than \$2,000 in savings, compared with 52% nationally.

# Financial Health of Chicago Residents

# Indicators of the financial health of city residents

*Three ways of characterizing financial health using credit data*

## 1) Delinquent debt

- Having delinquent debt is an indicator of financial distress
- Delinquent debt is debt that is 60 or more days past due or in collections

## 2) Credit score

- Credit scores are a composite indicator of overall financial health
- Scores range from 300 to 850; a score below 600 is subprime

## 3) Credit use

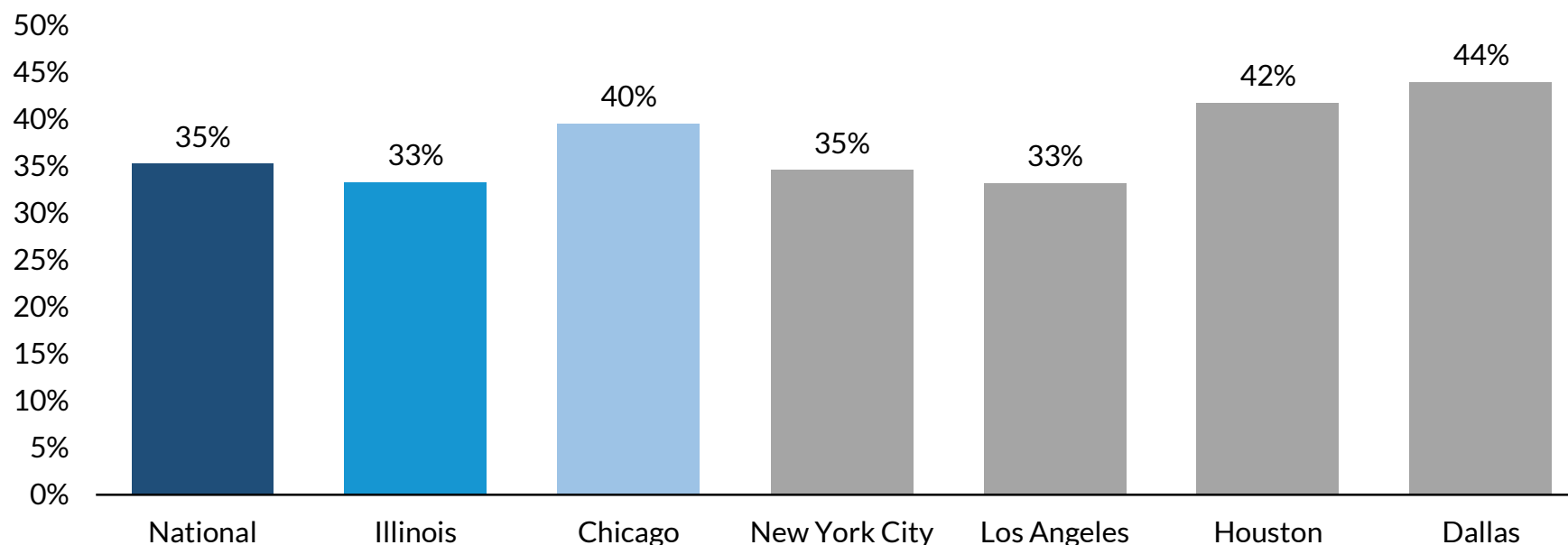
- Having a credit card or other revolving debt indicates access to credit, which families may use to meet their financial needs
- But the share of available credit used is a measure of debt burden

# Delinquent Debt

# Two in five Chicago residents have delinquent debt

*Delinquent debt indicates residents have trouble meeting financial obligations*

## Share of residents with delinquent debt



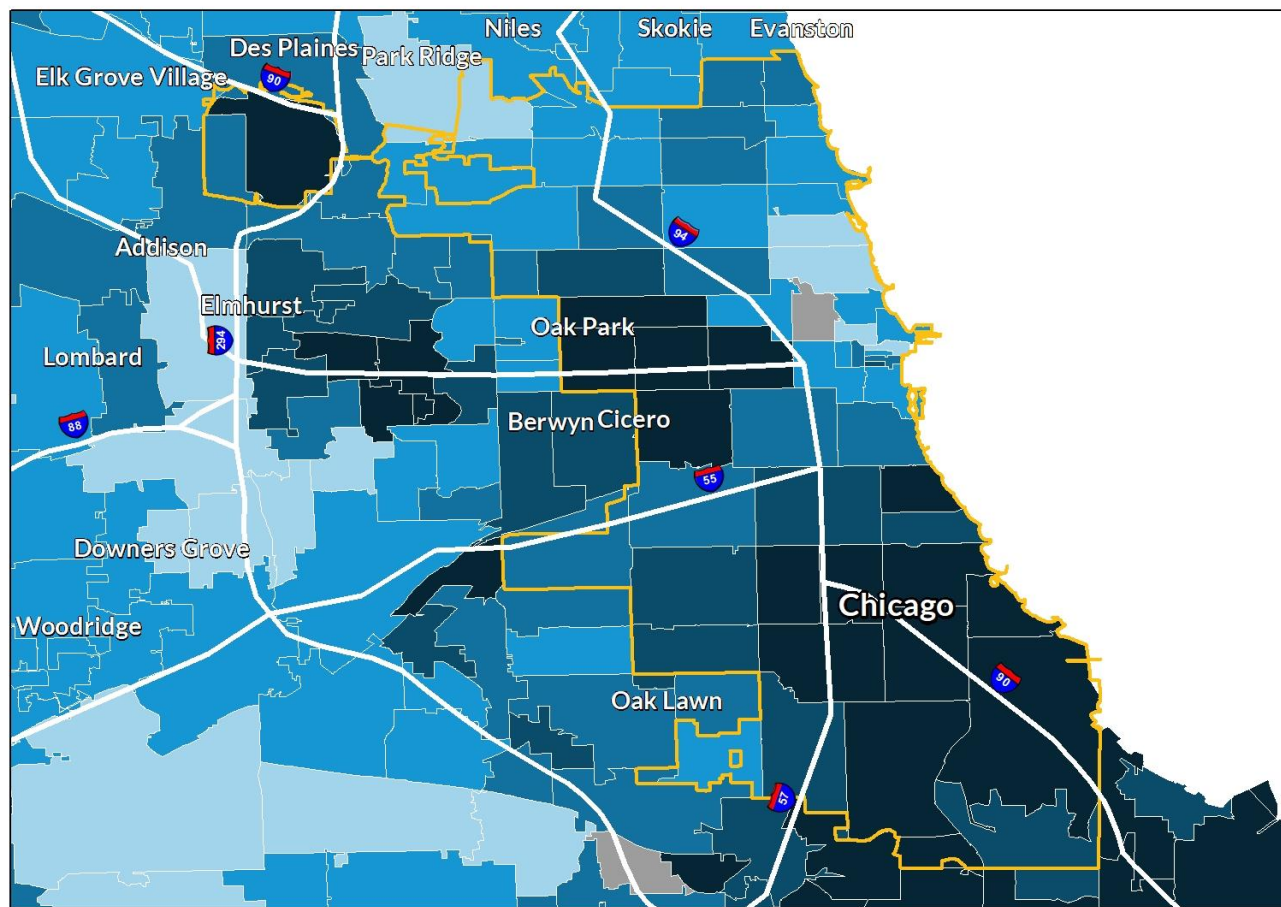
**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

**Notes:** Delinquent debt includes debt that is 60 or more days past due or in collections. Chicago and other city residents include consumers with a credit record living within city limits. National and state figures include consumers with a credit record living in the US or within Illinois. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Financial Protection Bureau).

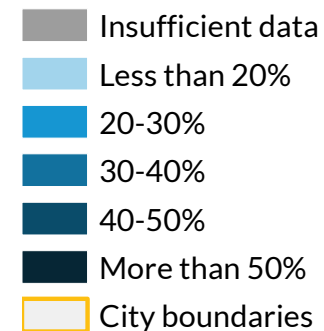


# There are geographic disparities in delinquency within Chicago

*In some neighborhoods, more than half of residents have delinquent debt*



## Percent of residents with delinquent debt



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

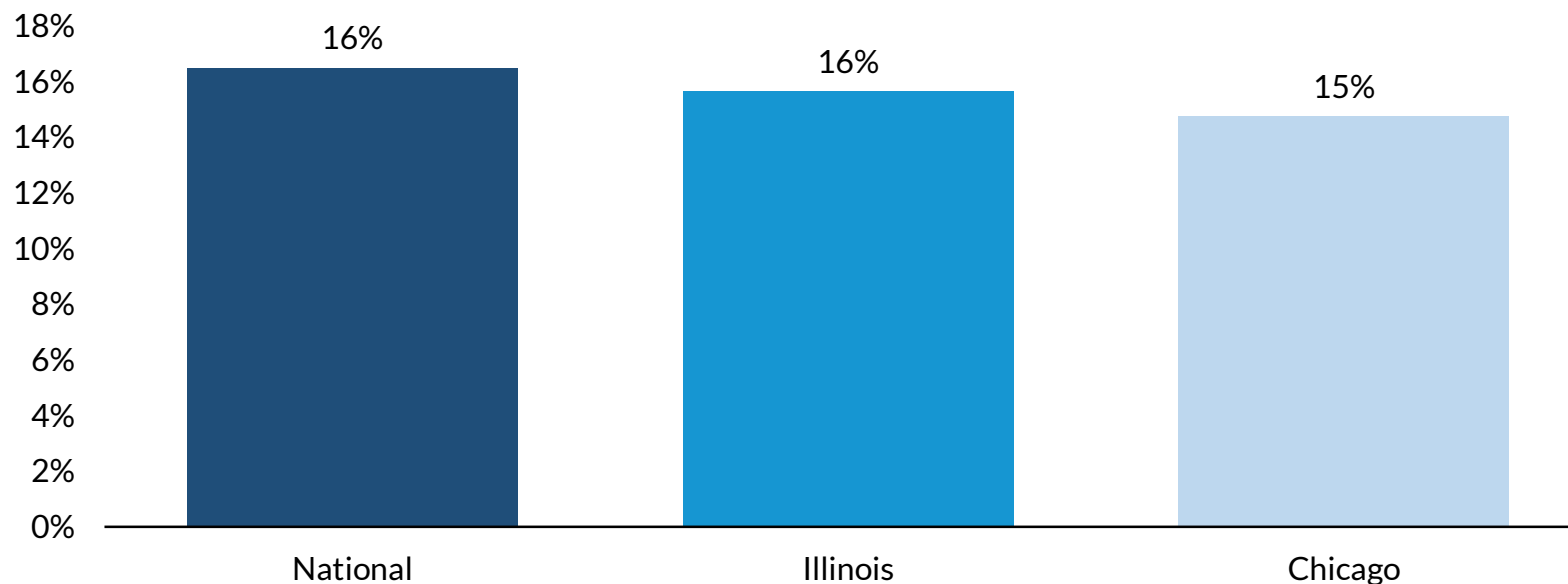
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# Many Chicago residents struggle with medical debt

*One in seven Chicago residents have medical debt in collections, similar to the national average*

## Share of residents with medical debt in collections



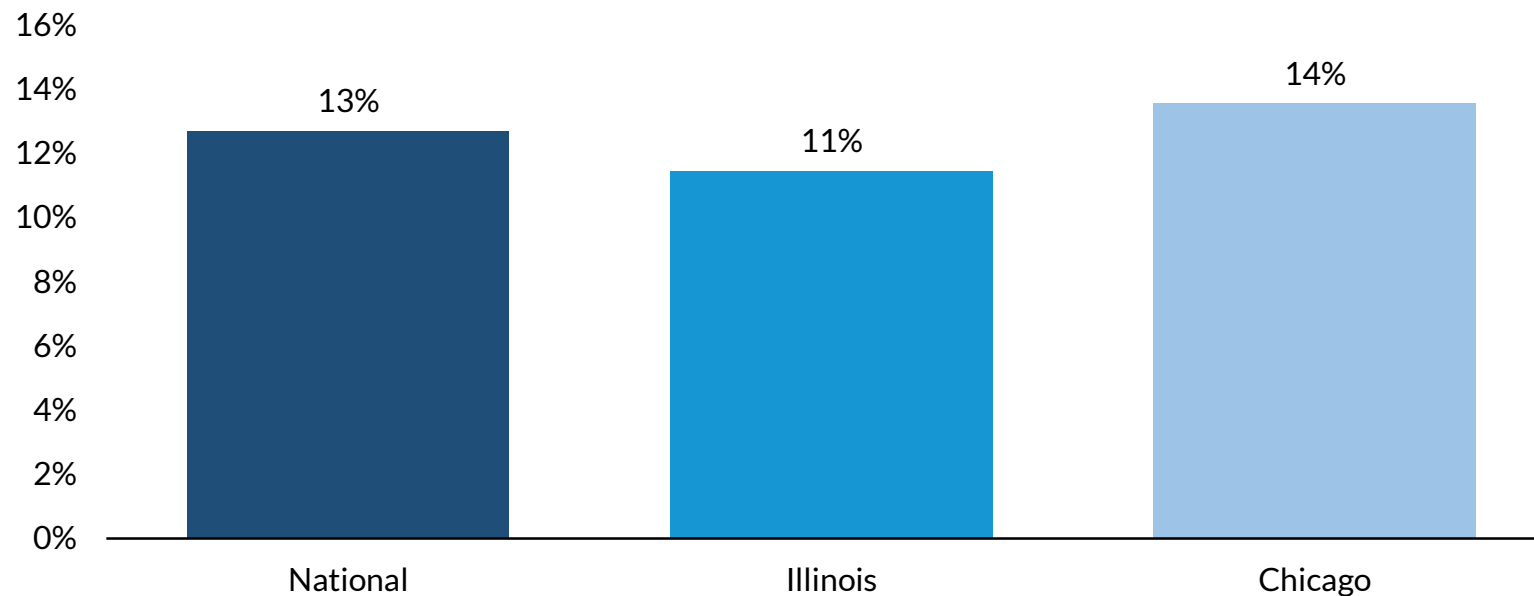
**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

**Notes:** Chicago residents include consumers with a credit record living within city limits. National and state figures include consumers with a credit record living in the US or within Illinois. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance).

# Student debt may be a challenge for some Chicago residents

*Fourteen percent of residents with student debt have loans in collections, on par with the national average*

## Share of student loan holders with student loan debt in collections



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

**Notes:** Student collections are among those with any student loan debt. Chicago residents include consumers with a credit score living within city limits. National and state figures include consumers with a credit record living in the US or within Illinois. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance).

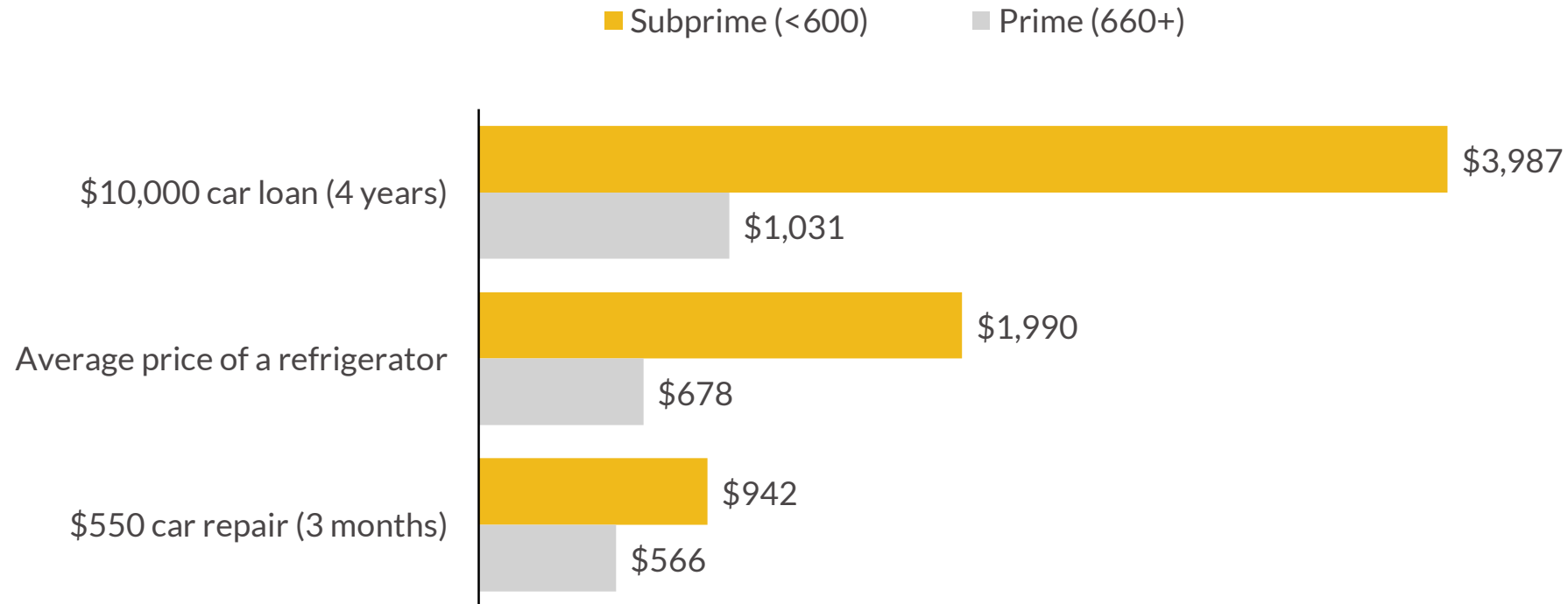
## Summary of findings on delinquent debt

- 1) Delinquent debt is a measure of financial distress. It indicates that residents have trouble meeting financial obligations.
- 2) Forty percent of Chicago residents have delinquent debt, a rate that is higher than some other large cities such as Los Angeles and New York City.
- 3) In some Chicago neighborhoods, more than half of residents have delinquent debt.

# Credit Score

# Credit health affects residents' costs of living

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

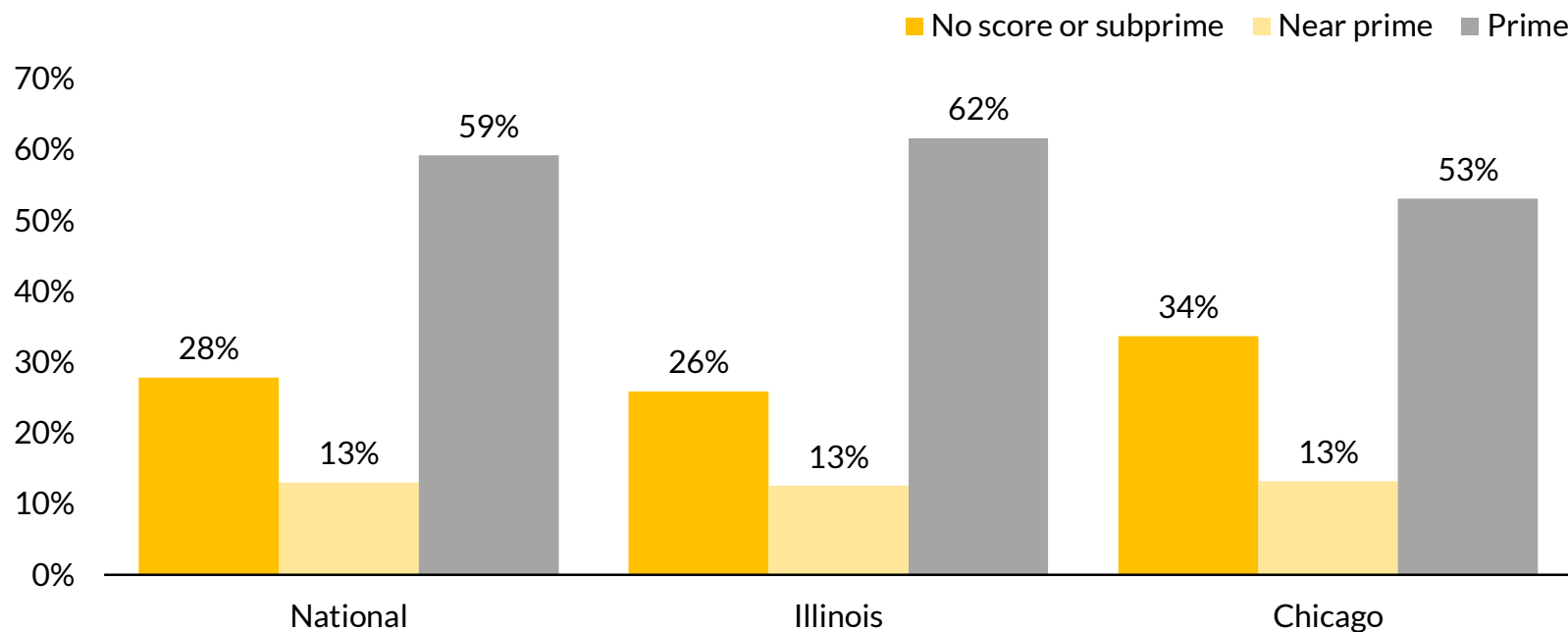


Source: Elliott and Lowitz. 2018. What Is the Cost of Poor Credit. Washington, DC: Urban Institute.

# Nearly half of Chicago residents have poor credit

*Fifty-three percent of residents have prime credit, below the national and state averages*

Share of residents by credit score range



**Source:** Urban Institute tabulations from a major credit bureau, 2018.

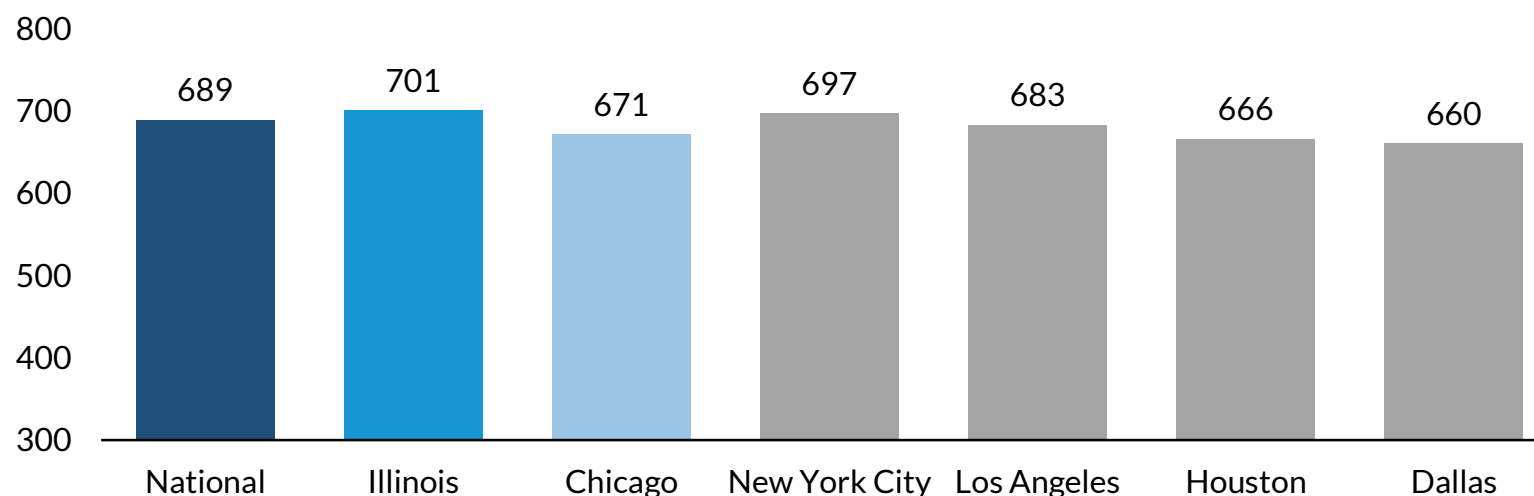
**Notes:** The VantageScore credit score ranges from 300 to 850. Subprime scores range from 300 to 600, near-prime from 601 to 660, and prime or more from 661 to 850. Chicago residents include consumers with a credit score living within city limits.

National and state figures include consumers with a credit record living in the US or within Illinois. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance).

# Chicago residents have lower credit scores than some other large cities

*Chicago's median credit score is lower than the median score in New York or Los Angeles*

## Median credit score



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

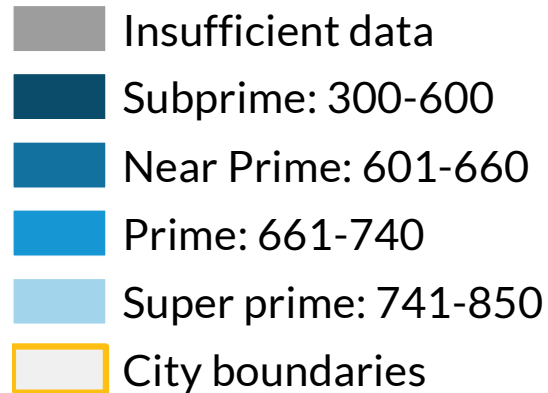
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# There are geographic disparities in credit health within Chicago

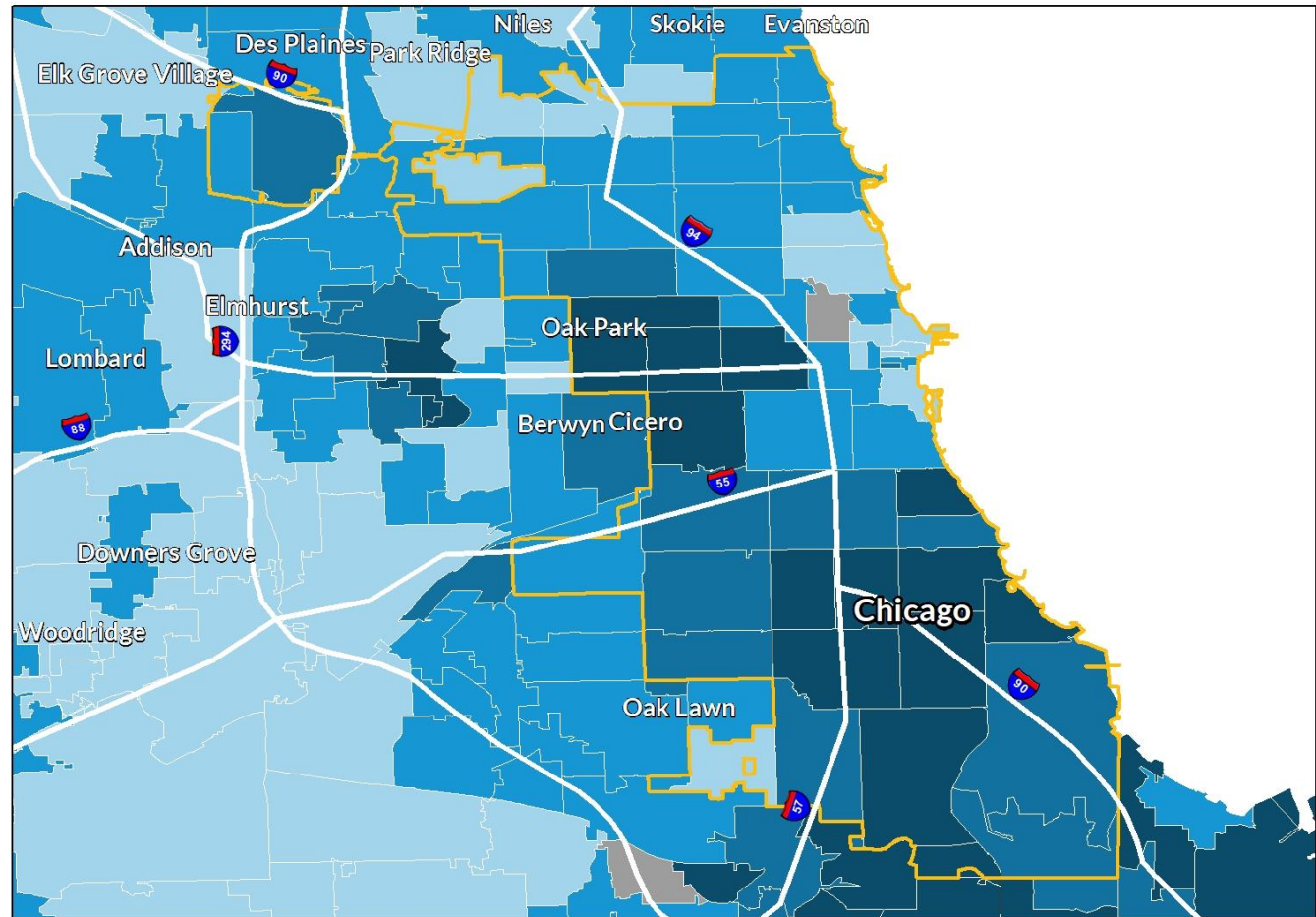
*In some neighborhoods, the median credit score is subprime*

## Median credit score



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

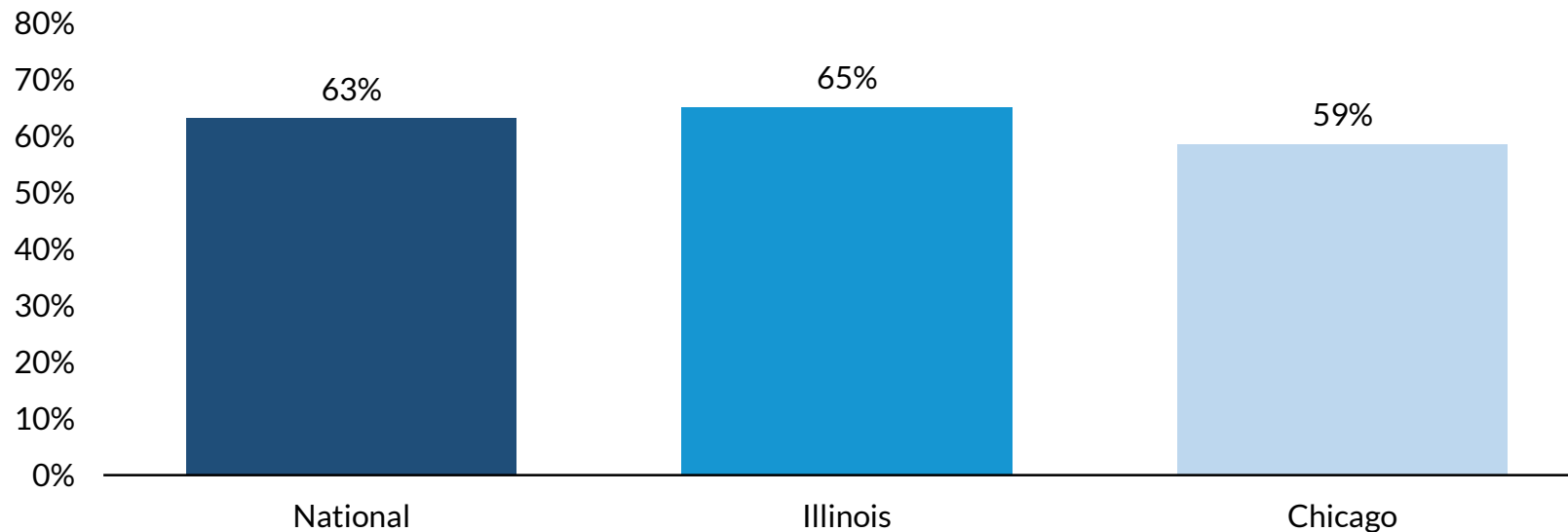
**Notes:** The VantageScore credit score ranges from 300 to 850. Chicago residents include consumers with a credit record living within city limits. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance). Data are visualized at the zip-code level.



# Most Chicago residents have healthy credit

*Nearly three in five Chicago residents have healthy credit*

## Share of residents with healthy credit



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

**Notes:** Consumers with healthy credit have at least one line of credit never delinquent in the past year and no lines of credit paid 60 or more days late in the past two years. Chicago residents include consumers with a credit score living within city limits. National and state figures include consumers with a credit record living in the US or within Illinois. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance).

## Summary of findings on credit score

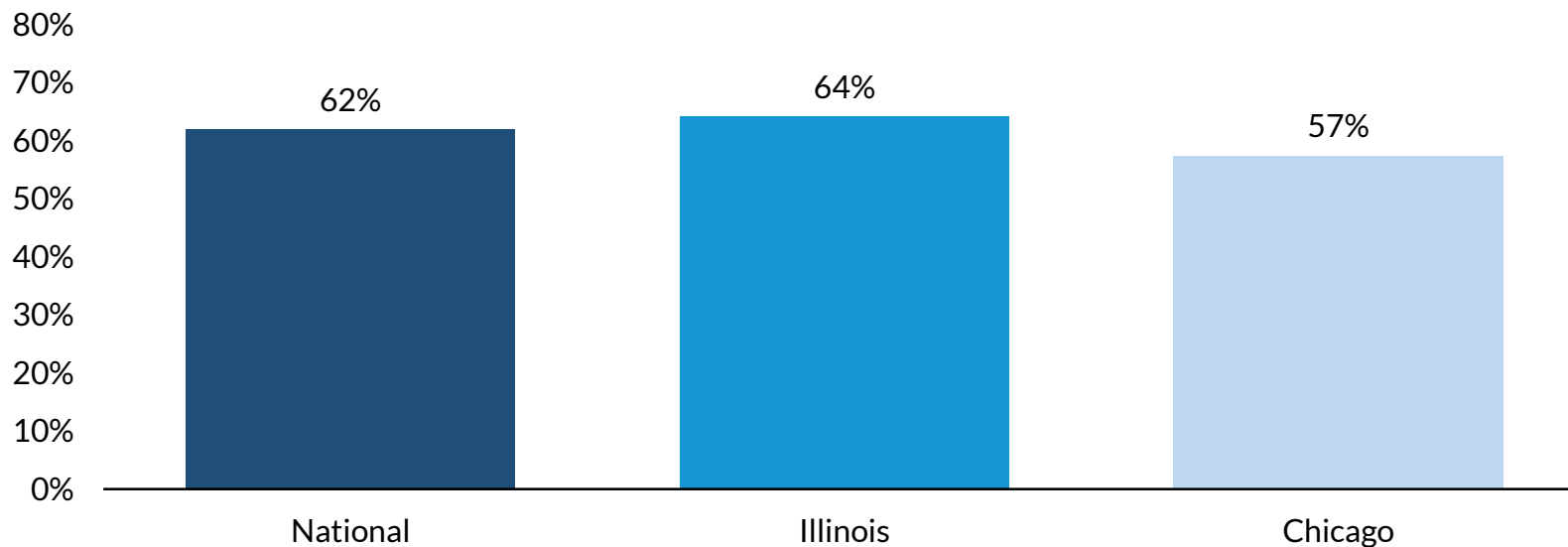
- 1) Credit scores are a composite indicator of overall financial health. Poor credit is costly for city residents.
- 2) Chicago residents, on average, have poorer credit compared with US residents or residents of some other large cities.
- 3) There are also geographic disparities in credit health within Chicago. In some neighborhoods, the median credit score is subprime, while in others it is prime or higher.

# Credit Use

# The share of Chicago residents with access to credit is lower than the share nationally

*A credit card or other sources of credit can help residents meet their financial needs*

## Share of residents with credit card or other revolving credit



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

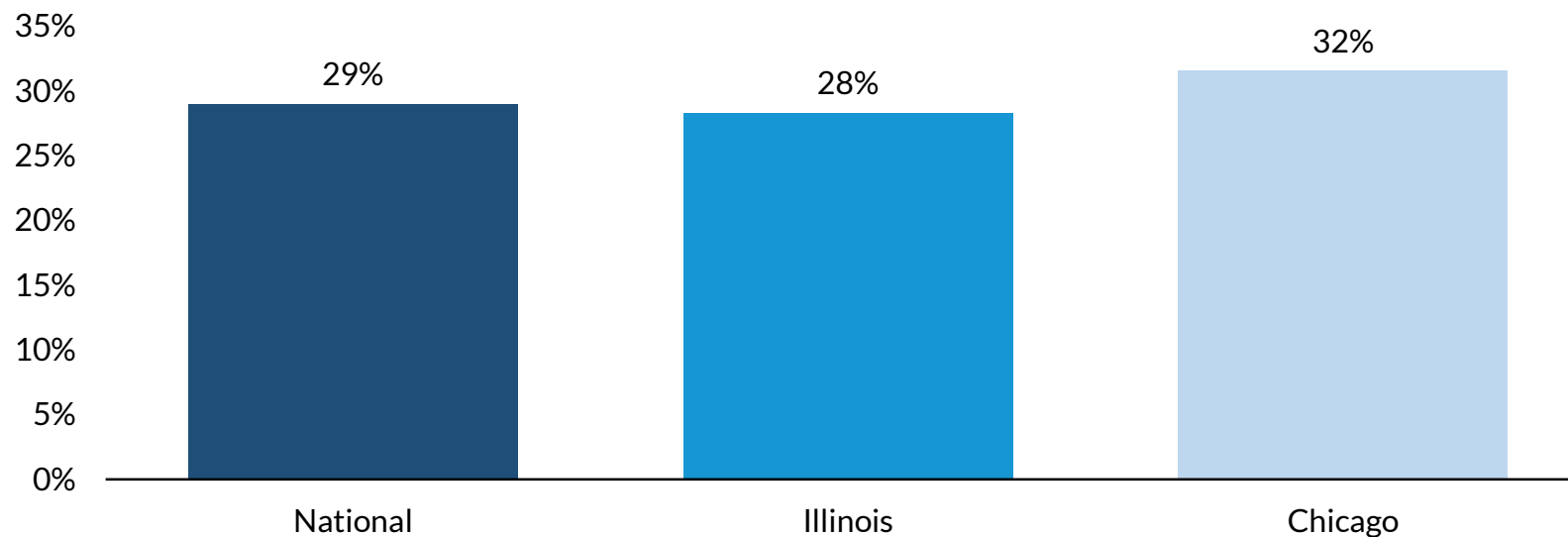
**Notes:** A revolving account is one in which the credit may be used or withdrawn repeatedly up to a pre-approved credit limit. Credit cards are the most common type of revolving account. Chicago residents include consumers with a credit score living within city limits. National and state figures include consumers with a credit record living in the US or within Illinois.

Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance).

# Credit burden for Chicago residents is similar to the national average

*Credit card holders using a larger share of their available credit have larger debt burdens*

## Share of available credit used, among credit card holders



**Source:** Urban Institute tabulations of data from a major credit bureau, 2018.

**Notes:** Available credit is the credit amount available for the borrower to use; the amount difference between the credit limit and outstanding balance. Chicago residents include consumers with a credit score living within city limits. National and state figures include consumers with a credit record living in the US or within Illinois. Approximately 89 percent of US adults have a credit record (Brevoort, Kenneth P., Philipp Grimm, and Michelle Kambara. 2015. *Data Point: Credit Invisibles*. Washington, DC: Consumer Finance).

## Summary of findings on credit use

- 1) Having a credit card or other revolving debt 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.
- 2) More than half of Chicago residents have access to these sources of credit. The credit burden faced by Chicago residents with a credit card is similar to the national average.



# Key takeaways

- Residents' financial health is linked to cities' financial health.
- Steps cities can take:
  - Offer financial coaching, counseling, and innovative uses of technology to help build residents' financial well-being, including savings strategies.
  - Integrate financial interventions—such as those that help residents repay rent and utility debt—into other programs to meet people where they are.
  - Make saving easy through incentivized programs that provide matching funds to help residents build an emergency savings cushion and move up the economic ladder.
- To learn more about how Chicago's financial health compares to similar cities across the country and specific actions cities can take to improve their residents' financial health, explore Chicago's profile on our [interactive City-Level Dashboard](#)

# Thriving Residents, Thriving Cities

## INTERACTIVE FEATURE

### The Financial Health of Residents: An Interactive Dashboard

## RESEARCH BRIEF

### Thriving Residents, Thriving Cities

## BLOG

### Financially Insecure Residents Can Cost Cities Millions

URBAN  
WIREDATA/  
VIZ

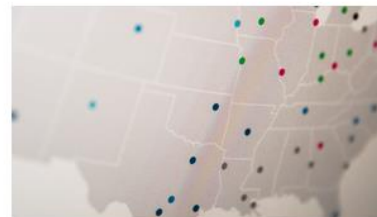
FEATURES

POLICY  
DEBATESPARTNER  
PROJECTS

NEXT50

## Thriving Residents, Thriving Cities

The economic health of cities and communities depends on residents' financial health and stability. When residents thrive, cities are better able to thrive. And when residents struggle to make ends meet, cities can too. By improving family financial health, cities can bolster their own financial security and ensure that all residents have the chance to succeed.



Financial Health of Residents: A City-Level Dashboard



Credit scores perpetuate racial disparities, even in America's most prosperous cities



Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities



Why Cities Should Care about Family Financial Security



The Financial Health of Detroit Residents



Detroit's financial future is looking up, but residents have a long way to go



# Debt in America: An Interactive Map

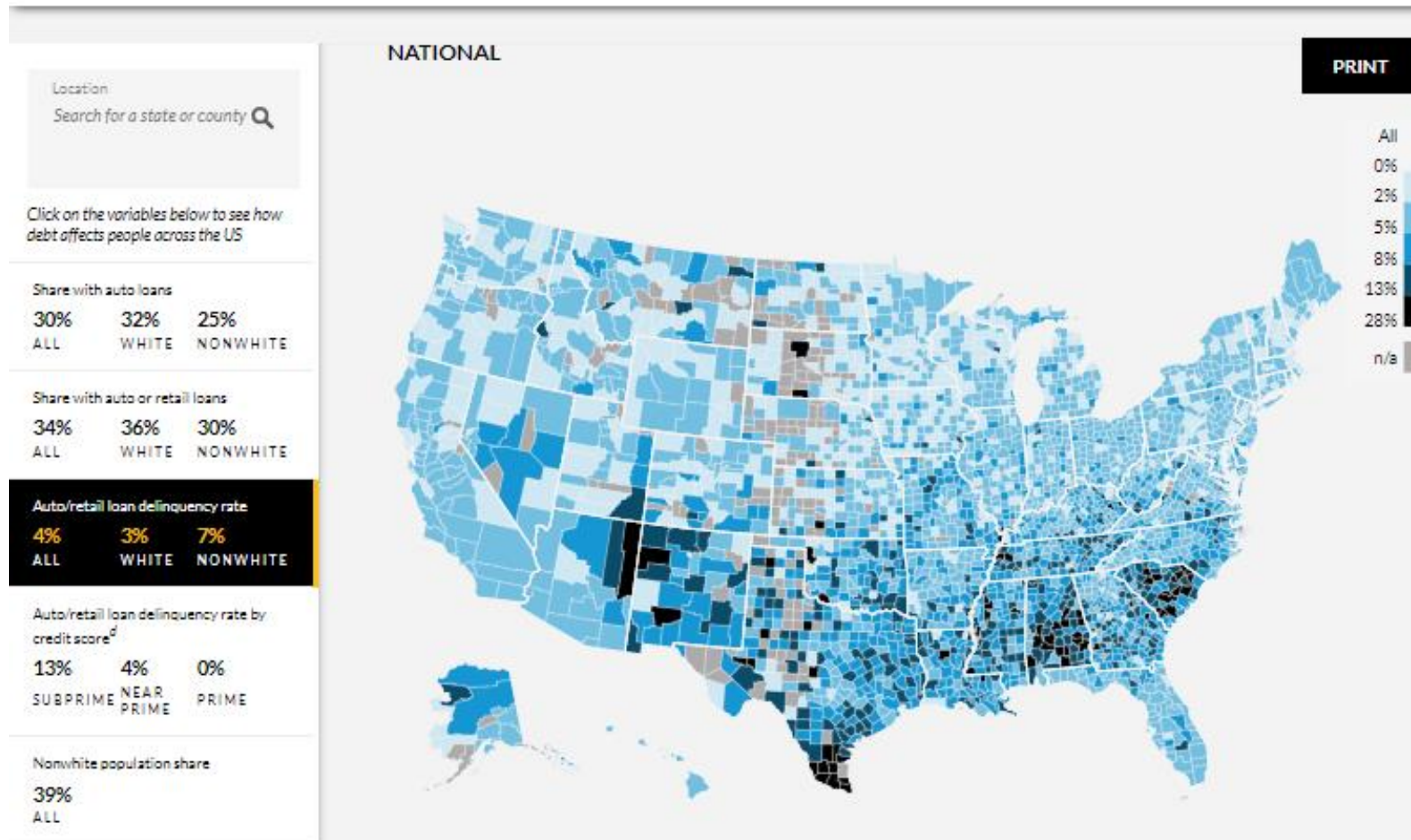
## INTERACTIVE FEATURE

[apps.urban.org/features/debt-interactive-map/](https://apps.urban.org/features/debt-interactive-map/)

## Debt in America: An Interactive Map

*Credit can be a lifeline during emergencies and a bridge to education and homeownership. But debt, which can stem from credit or unpaid bills, often burdens families and communities and exacerbates wealth inequality. This map shows the geography of debt in America at the national, state, and county levels. How does your community compare?*

Currently viewing: **AUTO LOAN DEBT (LAST UPDATED 12/13/18)**



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The financial health of Chicago residents

November 2019

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