Credit Access in the United States

by Bakker, DeLuca, English, Fogel, Hendren, Herbst

Discussant Comments: Vicki Bogan, Duke University and NBER

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Importance

U.S. Household Debt Soars to Unprecedented $18.59 Trillion, Raising Economic Alarms

By: MarketMinute

November 06, 2025 at 15:32 PM EST

Households Pump the Brakes on Credit as Economic Uncertainty Looms

BY PYMNTS | OCTOBER 7, 2025

What the paper does

- Assembles a large linked administrative dataset
- Examines patterns of credit access (e.g., credit scores, credit utilization, AFS)
- Examines the role of characteristics and early-life/geography-based factors in shaping adult credit outcomes

Main Findings

- Large credit score gaps emerge by age 25 and persist through adulthood (Table I)
  - Black vs. White average gap ≈ 100 points
  - Bottom vs. top income quintile average gap ≈ 110 points
- Controlling for the same credit score, low-parental-income and Black individuals are more likely to fall delinquent than otherwise similar peers (calibration issue)
- Among borrowers who do not go into delinquency, low-income and Black individuals still receive lower scores on average (balance issue)

Main Findings

- Hometown effects predict repayment beyond observables
- Several mechanisms for higher delinquency rates of disadvantaged groups

I like the paper very much

IMPORTANT AREA OF RESEARCH

COMPREHENSIVE FINDINGS

WELL-EXECUTED

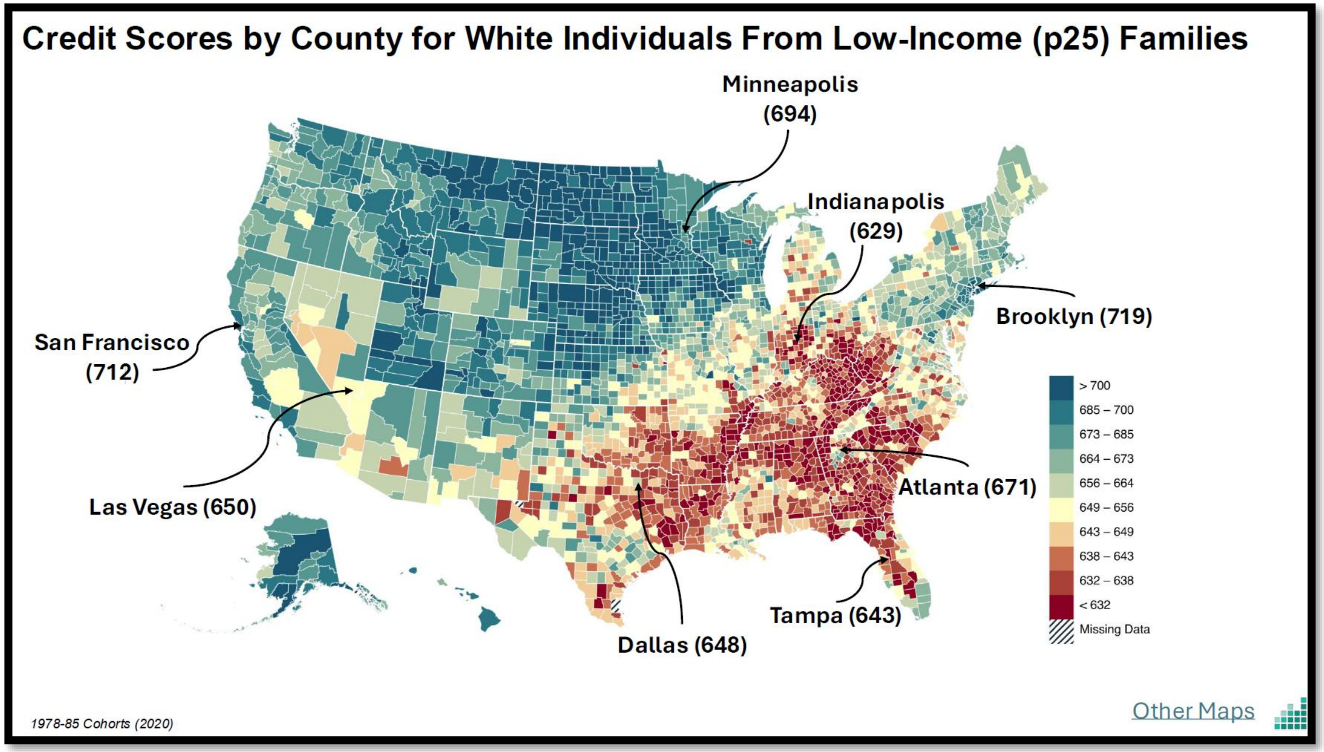
Key Contributions

- Data innovation: links credit bureau data with Census and IRS records
- Distinguishes types of bias
  - calibration bias (same score, different outcomes)
  - balance bias (same outcomes, different scores)
- Bridges mobility and credit market research

Key Contributions

- Maps credit access, repayment, and scores by race, parental income, and geography

- Traces credit access disparities to childhood environ-ment and geography



Policy Takeaways

- Early-life environment shapes adult financial resilience
- Credit inequality is an intergenerational mobility issue
- Regulators should assess predictiveness and equity jointly
- Framework can inform consumer finance and government fairness audits

Suggestions / Issues to Consider

Data, Sample Coverage, and Bias

- ~10% lack credit files → potential selection bias

- Is lack of credit files concentrated among low-income and minority groups?

Data, Sample Coverage, and Bias

- Calibration bias
  - May reflect structural differences in income volatility or shocks
  - Strong assumptions not necessarily valid in practice
- Balance bias
  - Could be due to historical data bias or omitted variables

Identification and Causal Claims

- Within the Chetty–Hendren place-effect framework used, how much variation is causal vs. mechanical?
  - Selection into credit markets may bias place effects
  - Migration and sorting complicate identification

Additional Robustness Checks

- Are persistence of gaps due to initial conditions or market amplification?
- FICO score model
- Compare models excluding geographic proxies
- Explore differences between White and Asian

Suggestions for Future Research

- Do fintech/alternative scores reduce or replicate bias?
- Which credit types drive disparities most (e.g., auto, student loan, credit card)?
- Would 'race-blind' models help or harm fairness?
- How stable are place effects across cohorts and time?

Concluding Remarks

- Pathbreaking integration of credit and mobility research
- Conceptually sharp, empirically rich, and policy-relevant
- Part of a developing new research frontier – financial mobility economics

Thank you