



For Immediate Release

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**Minority Communities Trapped by Poor Credit
New Report Shows Credit Gap Feeding Racial Inequality in Illinois**

Chicago, IL — A new report from the Social IMPACT Research Center at Heartland Alliance and the Illinois Asset Building Group (IABG), *Trapped by Credit: Racial Disparities in Financial Well-Being and Opportunity in Illinois*, finds a stark difference – well over 100 points in some cases - in credit scores and related access to opportunity in predominantly white versus predominantly minority communities in Illinois.

The report examines a shocking aspect of the racial wealth gap— disparity in credit scores. In communities of color across the state, the new data shows residents are trapped in a cycle of poor credit with limited access to the opportunities and resources needed to become financially secure.

“Having a good credit score helps people gain access to things like education, better jobs, homeownership—the same things that create financial and social opportunity,” says Lindy Carrow of the Social IMPACT Research Center at Heartland Alliance. “Without good credit, you often can’t access those things, so disparities in credit scores are feeding the continued growth of the racial wealth gap.”

When comparing Illinois neighborhoods, the data illustrates some of the stark disparities when it comes to credit scores and racial inequality:

Chicago

- In Englewood, where 99% of the population is racially or ethnically minority, the average credit score is 603, 131 points lower than Lincoln Park, where only 17% of the population is a minority.
- Education is key to closing the income, wealth, and credit gap, but is not equally accessible— only 7% of people age 25 and older have a bachelor’s degree or higher in Englewood, compared with 82% of those in Lincoln Park—that’s 75 percentage points higher.

St. Louis

- In the Washington Park neighborhood, where 98% of the population is a minority, the average credit score is 600, 107 points lower than in Belleville, near East St. Louis, where only 22% of the population is a minority.
- Homeownership and home loan debt are closely tied to credit scores, and the racial gap is obvious. In Washington Park, the homeownership rate is only 46% compared to

77% in Belleville, and home loan debt in Washington Park is over \$50,000 lower than in Belleville.

- Employment and a sufficient income are important precursors to building wealth and credit, but there are substantial racial inequities: Washington Park has a 26% unemployment rate, and 25% of households are low-income, compared to a 6% unemployment rate in Belleville, where only 12% of households earn low incomes.

“While credit score disparities speak to the growing racial wealth gap, people can get out of the cycle of poor credit,” says Lucy Mullany with Heartland Alliance and the Illinois Asset Building Group. “Government policies and institutional practices created the racial wealth and credit gaps, and policies and practices can reverse it. Policymakers need to invest in credit building programs, protect consumers from dangerous financial products, and expand access to savings opportunities.”

In an accompanying report, *The Game of Credit*, the Illinois Asset Building Group at Heartland Alliance proposes concrete solutions to the credit gap, including:

- Expand Opportunities for Positive Credit Reporting
- Fund Credit Builder Loan Programs
- Enforce Restrictions on Employer Credit Checks
- Expand Access to Safe Small Dollar Loans
- Strengthen Predatory Lending Reforms
- Create a Universal Children’s Savings Account Program
- Raise the Minimum Wage
- Increase Access to Retirement Savings Opportunities

To learn more about these solutions and to read the full report visit:

www.illinoisassetbuilding.org

The Illinois Asset Building Group (IABG) is a statewide coalition committed to increasing access to the tools people need to build financially secure futures for themselves and their children. Our work across issue areas includes examining barriers and solutions to the persistent racial wealth gap. IABG is led by Heartland Alliance for Human Needs and Human Rights. Our partners include community leaders, service providers, researchers, advocates, and financial institutions. For more information visit <http://www.illinoisassetbuilding.org/>.

The Social IMPACT Research Center (IMPACT) at Heartland Alliance conducts applied research for nonprofits, foundations, advocacy groups, governments, coalitions, and the media to help them measure, inform and grow their social impact. IMPACT also regularly reports on key poverty trends to equip decision makers with sound data to inform public policy. For more information, visit: www.socialimpactresearchcenter.org or follow us on Twitter at <https://twitter.com/IMPACTHeartland> or like us on Facebook at <https://www.facebook.com/social.impact.research>.

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