



Providing and Promoting Just and Affordable  
Financial Services that benefit low-wealth residents  
of Hartford

## Credit Contrasts:

Most residents in Hartford's predominantly African-American neighborhoods can't access affordable credit

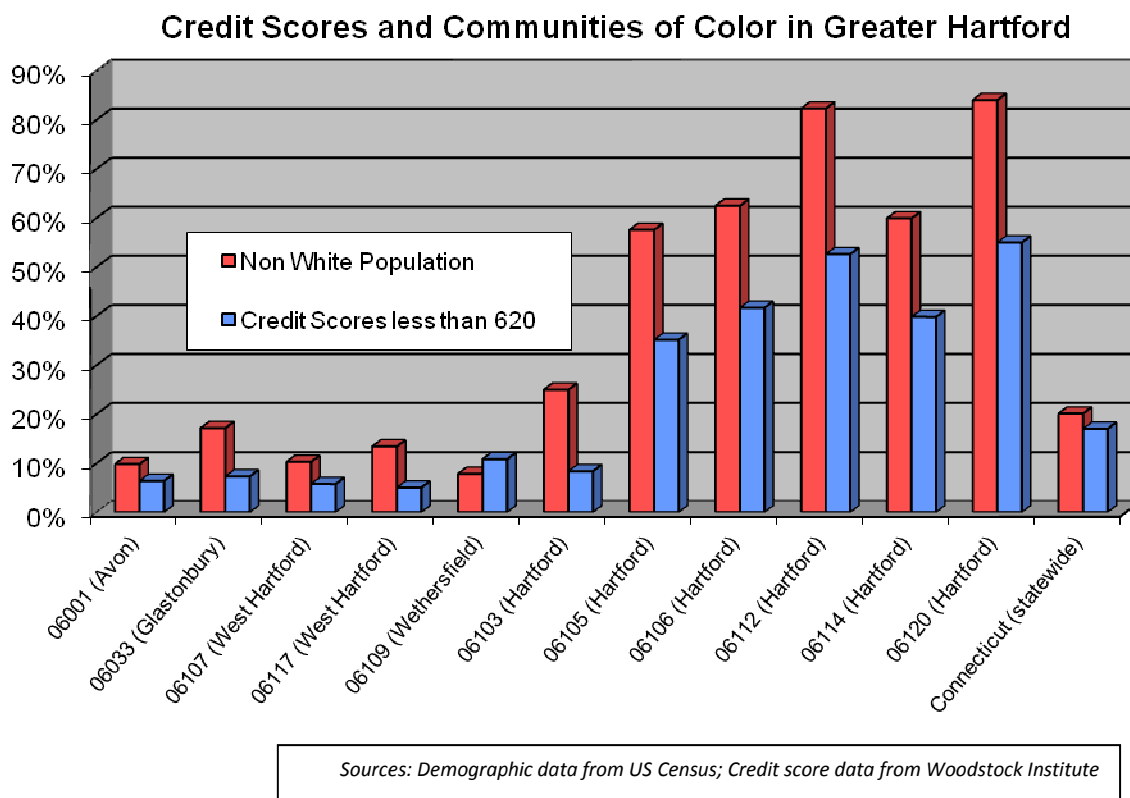
## Overview

- Based on analysis of recent data collected by the Woodstock Institute on behalf of the Hartford Community Loan Fund, of all adult residents in Hartford's two zip codes predominantly populated by African-Americans (06120 and 06112) **more than 50% had credit scores below 620**, a common boundary determining access to affordable credit. **By contract, less than 6% of residents in the predominantly white communities of West Hartford maintained credit scores below 620 (zip codes 06107 and 06117).**
- An individual's credit score increasingly determines his or her eligibility for affordable financial services beyond mortgages or consumer loans. Not only do low credit scores make it more difficult to access affordable loans for cars, homes, and small businesses, bad credit can now negatively impact access to quality rental housing, utilities, and affordable insurance. Increasingly, employers are even reviewing the credit history of prospective employees. **The concentration of low credit scores in communities of color raises concerns about the prospects for economic recovery in such neighborhoods.** Populations with low credit scores are vulnerable to high cost and predatory lending practices that reduce household financial stability and in turn lead to the destabilization of entire neighborhoods. The 'disinvestment' so often noted in Hartford's northend neighborhoods (zip codes 06120 and 06112) may be primarily a reflection of the fact that neighborhood residents themselves are unable to access affordable capital to invest.
- A credit score reflects an individual's financial track record, but credit scores also reflect structural, historical, and political realities beyond an individual's control. Studies in a number of U.S. cities have shown that disparities in credit score often correlate with race and socioeconomic indicators such as the level of poverty or rates of homeownership in the city<sup>1</sup>. These disparities characterize the greater Hartford area, where historical "redlining" practices isolated racial and ethnic minorities<sup>2</sup>, and where Connecticut tax policy discourages resource-sharing on a regional level.
- **Hartford Community Loan Fund** analyzed credit score data by zip code, contrasting the credit profiles of Hartford residents with those of suburban residents in the towns of Avon, West Hartford, Wethersfield, and Glastonbury (see chart on page 2). Even with the absence of thin-or-no-file residents from this data, the difference in credit scores across zip codes is staggering.

<sup>1</sup> See Woodstock Institute's "Bridging the Gap: Credit Scores and Economic Opportunity in Illinois Communities of Color" (September 2010) <http://www.woodstockinst.org/blog/blog/new-report-finds-dramatic-gap-in-credit-scores-between-communities-of-color-and-predominantly-white-communities-in-illinois>

<sup>2</sup> For more information on redlining (discriminatory lending by geographic area), see [http://magic.lib.uconn.edu/otl/holc\\_mashup.html](http://magic.lib.uconn.edu/otl/holc_mashup.html)

- Zip codes in Hartford populated predominantly by African-American, West Indian, and Hispanic residents had consistently lower credit scores. Between 40% - 55% of residents in Hartford's primarily Hispanic or African-American/West Indian neighborhoods (zip codes 06106, 06114, 06120, and 06112) had credit scores below 620, the common cut-off score determining access to traditional, affordable credit. By contrast, in most of Hartford's predominantly white and more affluent suburbs less than 10% of adult residents had credit scores below 620.



- Areas of poverty, low homeownership rates, and lower education all correlate to sub-prime (<620) credit scores. Studies conducted across the country have shown that sub-prime credit scores are six times more prevalent in neighborhoods where more than 20% of the population lives below the poverty rate, and five times more likely for areas with predominantly renter-occupied housing. Other research has indicated that credit scores are typically much lower in neighborhoods with a high proportion of non-high school graduates.
- HCLF seeks to serve the low-wealth residents of Hartford by providing and promoting just and affordable financial services, but many Hartford residents lack sufficient credit to qualify for an affordable loan from even non-traditional lenders such as HCLF, let alone from a mainstream lender such as a bank. HCLF is exploring what actions might help constituents in Hartford increase their credit scores.

- The prevalence of low credit scores in HCLF’s constituent communities suggests a need for **alternative, affordable financial products** to help low-wealth residents build credit. Elsewhere in the US, community development financial institutions (CDFIs) like HCLF have demonstrated that even very small short-term loans paid back on a timely basis can have a positive effect on credit scores, opening the doors to more economic opportunity for low-wealth individuals.
- HCLF is partnering with providers of **financial literacy training programs** to help Hartford residents understand the impact of credit scores, identify predatory products and services, and take steps to build credit. HCLF has recently piloted a **Credit Builder Microloan** product with early results indicating a very positive impact on credit scores of Hartford residents through timely repayment patterns.

---

*This report was prepared in collaboration with the Woodstock Institute and with the support of Hartford Foundation for Public Giving. A more detailed analysis of the impact of credit in Hartford’s communities of color will be published by the Hartford Community Loan Fund in the spring of 2012.*

*For more information, contact Hartford Community Loan Fund’s Director of Consumer Credit & Policy Initiatives, Steve Borla, at 860.296.7005; ext. 106. HCLF’s offices are at 434 Franklin Avenue, Hartford, Connecticut 06114.*

*The mission of the **Hartford Community Loan Fund** is to provide and promote just and affordable financial services that benefit low-wealth residents of Hartford. A certified community development financial institution (CDFI), HCLF has facilitated more than \$20 million in credit to Hartford-based businesses, property owners, and city residents.*



**Hartford Community Loan Fund**

434 Franklin Avenue

Hartford, CT 06114