

### **Credit Constraints: The Effect of Race/Ethnic Group**

About 20% of U.S. households are credit constrained. This research is the first to identify the impact on being credit constrained of being Hispanic separately from other racial/ethnic groups, to analyze credit constraints among those who have applied for credit, as well as to control for the effects of past credit behavior on being credit constrained. We first employ a simple empirical multivariate analysis used by previous researchers, and find that Black households were more likely than otherwise similar White households to be credit constrained, but Hispanic households were not significantly different from White households. However, because many households considered “not credit constrained” had not applied for credit, in our second model, limited to households that had applied for credit in the past five years, we found that both Hispanic and Black households were more likely to be credit constrained than otherwise similar White households. In our third model, we controlled for financial behavior problems in addition to household characteristics, among households that had applied for credit, and we found that the predicted credit constraint rate difference between Black and White households was slightly smaller than the difference found in the second model, but the difference between Hispanic and White households was even larger than the difference found in the second model. These results from household data supplement analyses based on lender data, providing some evidence of discrimination against minority groups and/or unmeasured characteristics limiting access to credit among those households.

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#### Endnotes

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