Loan Types and Household Debt Delinquency

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Abstract

Using data from the 2013 Survey of Consumer Finances (SCF), the purpose of this study was to understand the loan repayment issue of U.S. households by loan types. In particular, this study examined the role of loan types, household financial characteristics, and socioeconomic characteristics in household debt delinquency. Household debt delinquency was measured by whether or not households had a late or missed loan payments during the last year or had been behind in loan payments by two consecutive months or more. Loan types include home mortgages, auto loans, student loans, and other loans. Household financial characteristics included liquidity ratio, debt-to-income ratio, and payday loan borrower. Socioeconomic characteristics included income, net worth, education, marital status, race, gender, employment status, age, and home ownership. Results from the logistic regression indicate that households with auto loans, student loans, and other loans were more likely to experience debt delinquency. Households that had adequate level of liquid assets and debt-to-income ratio were less likely to be delinquent on loan payments than those that did not meet the threshold of each ratio, while those that used payday loans in the past year were more likely to have debt payment problems than those that had not used payday loans. The findings on household socioeconomic characteristics suggest that net worth, race, and age were related to probability of debt delinquency. In particular, households with lower levels of net worth, Black households, and younger households were more likely to experience debt payment problems than the reference households (i.e., those with higher net worth, White, 70s and above). By documenting household debt delinquency by loan types and their financial vulnerable characteristics, the findings from this study can help financial professionals and educators, and policy makers identify the needs of financial education and advice for their target population and potential clients.

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