The Consequences of Gentrification: A Focus on Residents’ Financial Health in Philadelphia

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A Broader View of Consequences of Gentrification

- Do vulnerable residents in gentrifying neighborhoods face a higher risk of moving out?
- Do vulnerable residents who move out of gentrifying neighborhoods face a higher risk of ending up in lower-income neighborhoods?
- And how does gentrification affect the financial health of residents, beyond residential displacement?
  - Credit score as a measure of financial health
  - No direct link
  - Indirect impact (positive or negative)
Data

- Federal Reserve Bank of New York (FRBNY) Consumer Credit Panel/Equifax
  - Anonymized 5 percent, nationally representative random sample of individuals in the U.S. with an SSN and a credit report
  - Reports the updated census geography each quarter for the same individuals over time beginning in 1999, allowing us to identify inter-neighborhood movers
  - Reports individuals’ credit use, updated Equifax risk score (a credit score), mortgage, age
  - Does NOT include information on race/ethnicity, income, tenure

- 2000 Decennial Census & 2009–2013 American Community Survey
Gentrifiable
Initial income is below the *citywide* median in 2000.

Gentrifying
Percent change in median rent or home value during 2000–2013 is above *citywide* increase.
AND
Percent change in college-educated residents during 2000–2013 is above *citywide* increase.

Source: Authors’ definition based on 2000 Census and 2009–2013 ACS data and U.S. Census TIGER/Line Shapefiles.
A comparison of the improvement of Equifax risk scores between
- Stayers in gentrifying and stayers in nongentrifying neighborhoods
- Movers and stayers from gentrifying neighborhoods

Controlling for initial risk score, individual and household characteristics, and time dummy

Test for interactions for low-score, older, long-term residents, and those without mortgages

Caveat: unobserved heterogeneity and selection issues may preclude causal claims
Background: Residential Mobility

Predicted Mobility Rates for Subgroups: vulnerable residents are generally no more likely to move

Note: Based on linear probability regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax (2003–2014); estimation is for a typical resident (or mover) in a gentrifiable neighborhood; differences between vulnerable residents are generally significant at the 0.01 level.
Residential Mobility

Predicted Downward Mobility Rates for Subgroups: vulnerable movers are more likely to move to lower-income neighborhoods

Note: Based on linear probability regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax (2003–2014); estimation is for a typical resident (or mover) in a gentrifiable neighborhood; differences between vulnerable residents are generally significant at the 0.01 level.
Findings: Financial Health

Equifax Risk Score Changes (in 3 years) for Stayers in Gentrifying Neighborhoods, Relative to Nongentrifying

Note: Based on linear probability regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. All changes are significant at the 0.01 level.
Financial Health

Equifax Risk Scores Changes (in 3 years) for Different Subgroups of Stayers in Gentrifying Neighborhoods, Relative to Nongentrifying

Note: Based on linear regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. All changes are significant at 0.01 level.
Financial Health

Equifax Risk Scores Changes for Subgroups of Movers from Gentrifying Neighborhoods, Relative to Stayers

Note: Based on linear regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. Changes for less advantaged groups (circled ones) are significant at the 0.01 level.
Financial Health

Equifax Risk Score Changes (in 3 years) for Movers from Gentrifying Neighborhoods by Destination Neighborhoods, Relative to Stayers

Note: Based on linear regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. All changes are significant (at the 0.01 level), except the “moved to a higher-income tract” group.
Summary of Findings

• No significant evidence of *direct* displacement of vulnerable residents in Philadelphia (2000–2014); *unequal quality of moves* from gentrifying neighborhoods

• Residents experienced an *improvement* in financial health, if they were able to stay

• Less advantaged residents *gained less, and could be hurt* if they were unable to stay
Discussion: Gentrification and Financial Health

• **No direct link**
  – Fine geographic information not used in credit scoring models

• **Indirect impact**
  – *Positive*: possibly improved access to mainstream financial services, increased income, improved mortgage performance
  – *Negative*: likely liquidity problems due to increases in rents, property taxes, and costs of living; negative impact from forced move

• **Selection issue**

• **Mean conversion of credit scores**
Thanks!

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More resources:
