



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

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May 25, 2016

Research Symposium on Gentrification and Neighborhood Change
Philadelphia, PA





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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)*

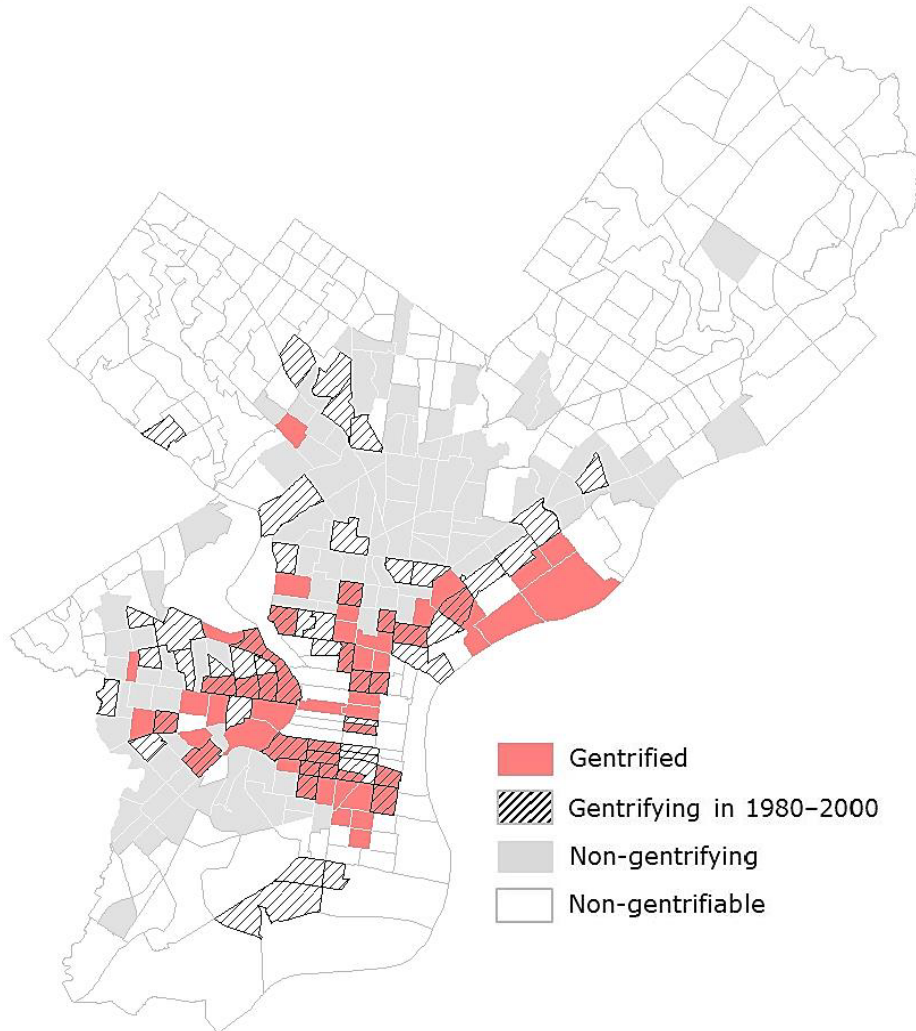


Data

- 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



Gentrifying Neighborhoods



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.

Methodology

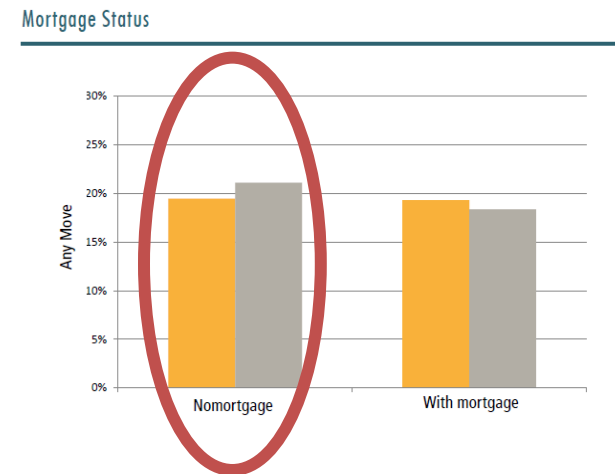
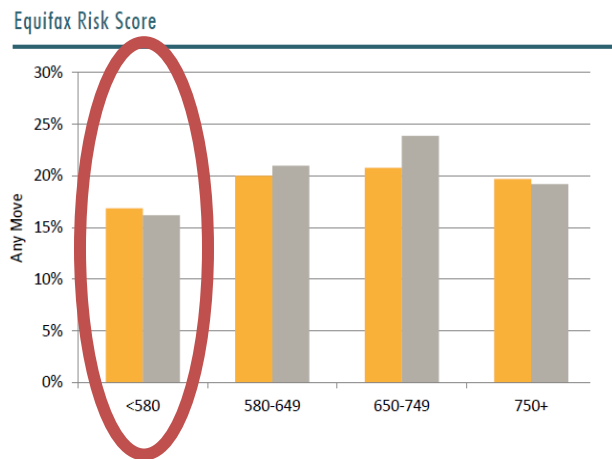
- A comparison of the improvement of Equifax risk scores between
 - *Stayers in gentrifying and stayers in nongentrifying neighborhoods*
 - *Movers and stayers from gentrifying neighborhoods*
- Controlling for initial risk score, individual and household characteristics, and time dummy
- Test for interactions 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

■ Nongentrifying ■ Gentrifying

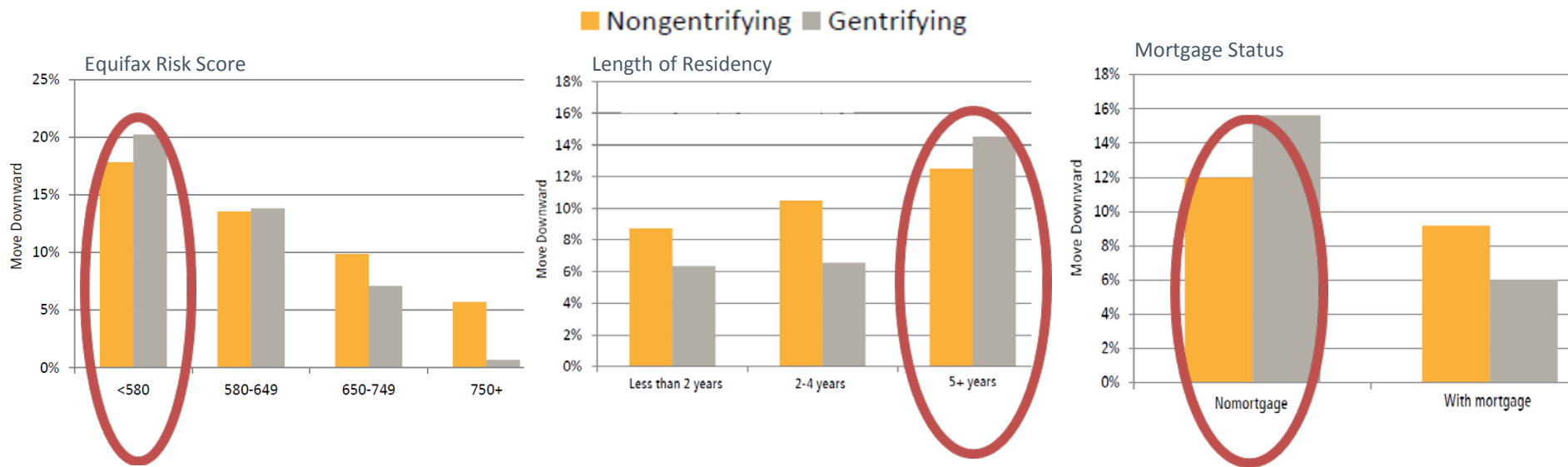


Note: Based on linear probability regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax (2003–2014); estimation is for a typical resident (or mover) in a gentrifiable neighborhood; differences between vulnerable residents are generally significant at the 0.01 level.



Residential Mobility

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

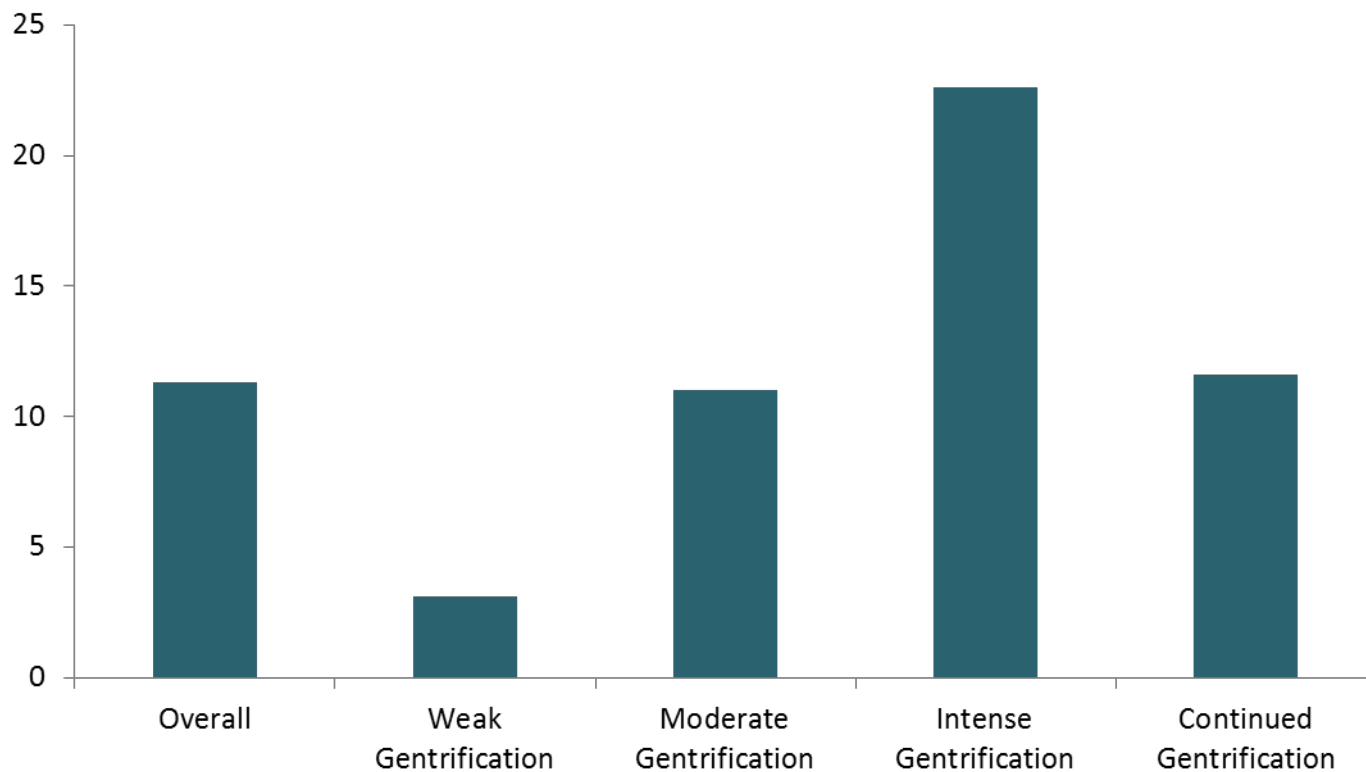


Note: Based on linear probability regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax (2003–2014); estimation is for a typical resident (or mover) in a gentrifiable neighborhood; differences between vulnerable residents are generally significant at the 0.01 level.



Findings: Financial Health

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

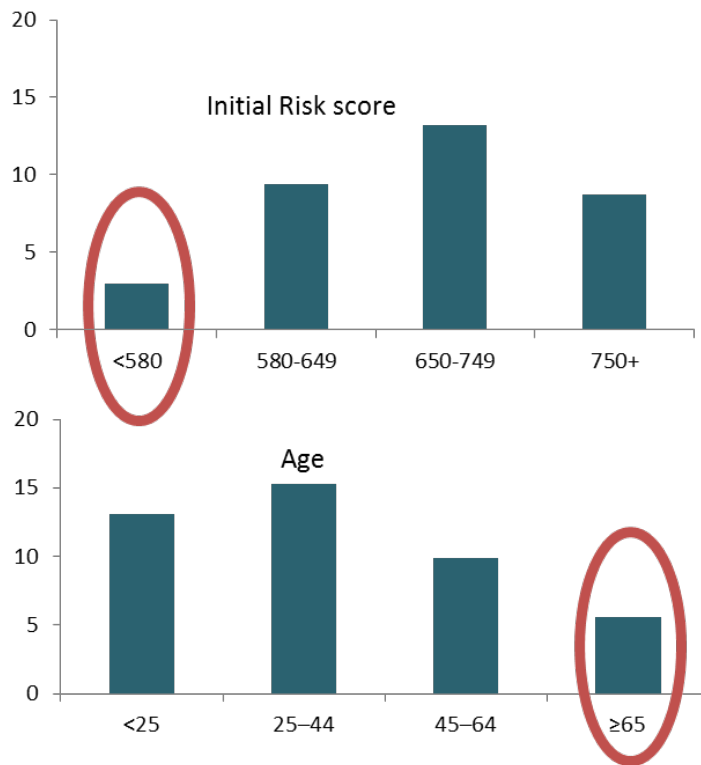


Note: Based on linear probability regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. All changes are significant at the 0.01 level.



Financial Health

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

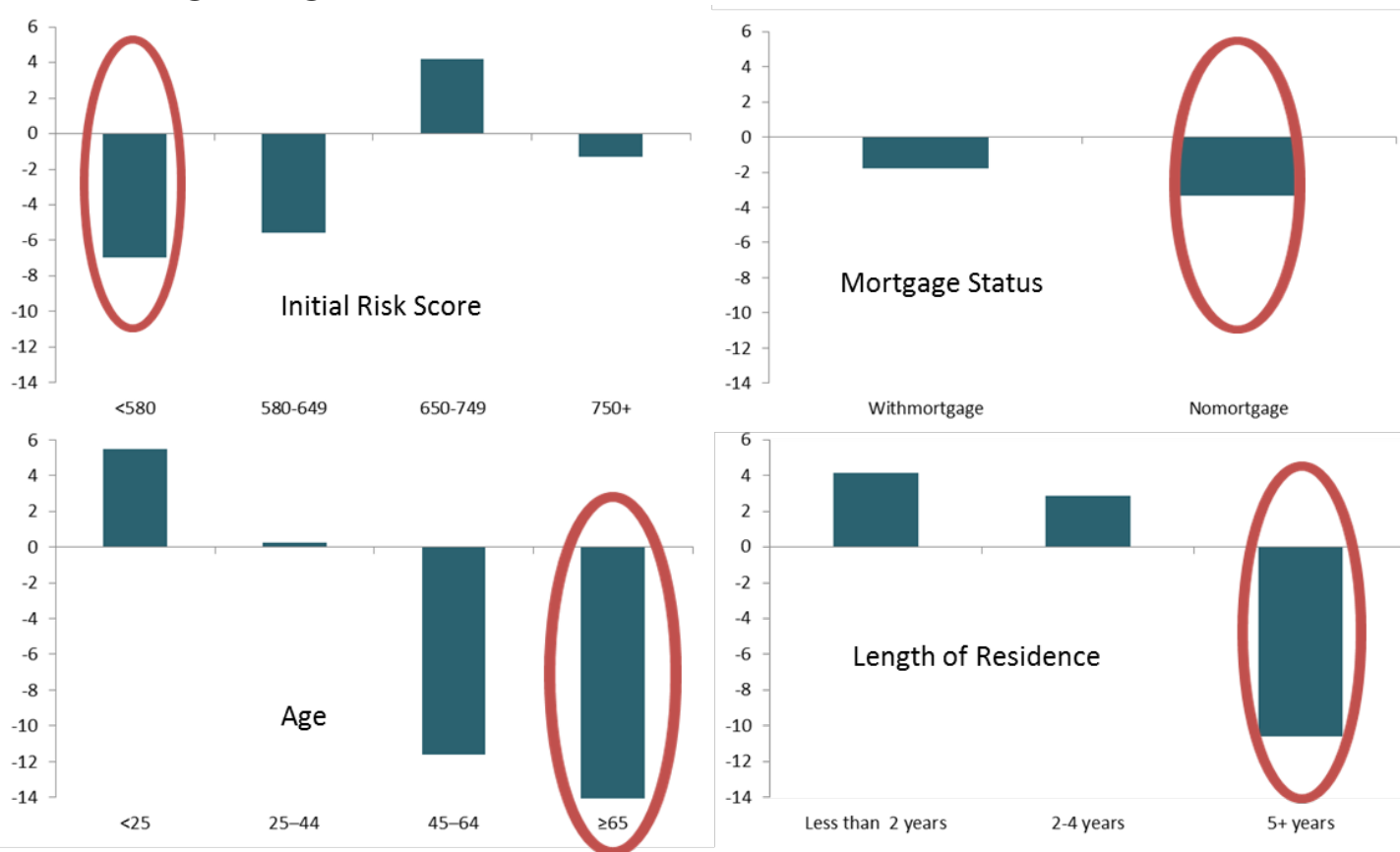


Note: Based on linear regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. All changes are significant at 0.01 level.



Financial Health

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

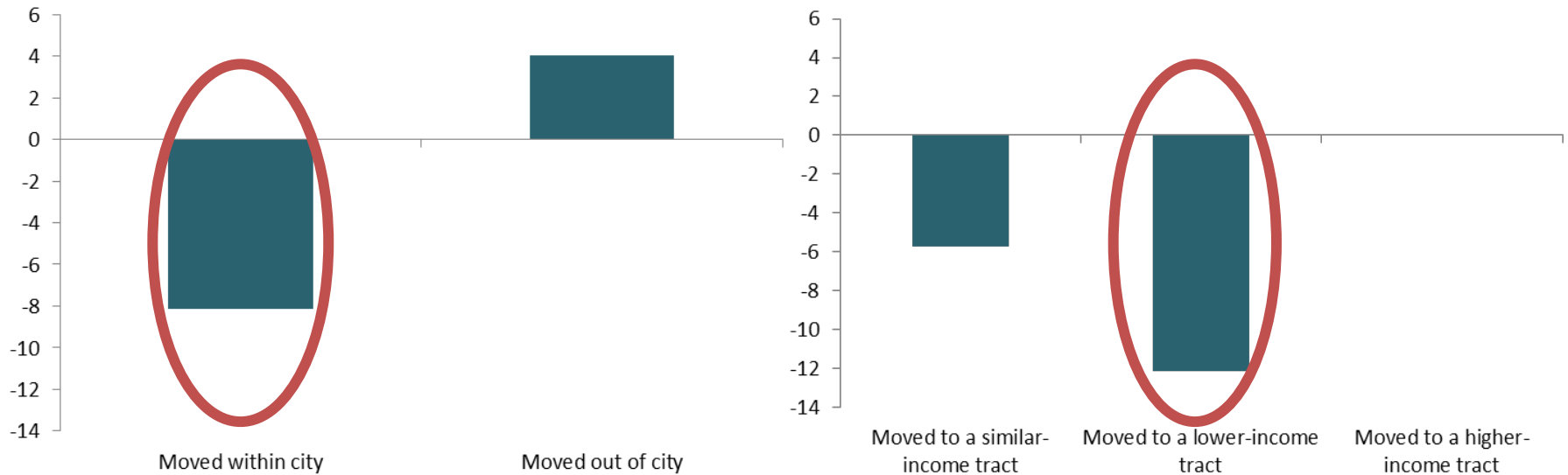


Note: Based on linear regressions using pooled data from the FRBNY Consumer Credit Panel/Equifax. Changes for less advantaged groups (circled ones) are significant at the 0.01 level.



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:

Ding, Lei, Jackelyn Hwang, and Eileen Divringi. "*Gentrification and Residential Mobility in Philadelphia*," Federal Reserve Bank of Philadelphia, Working Paper 15-36, December 2015

Ding, Lei, Jackelyn Hwang, and Eileen Divringi. "*A Practitioner's Summary: Gentrification and Residential Mobility in Philadelphia*," Federal Reserve Bank of Philadelphia, October 2015

