

Access to Credit for Adults with Disabilities

Introduction

Credit is an important tool in today's economy. It can enable families to buy a home or a car, start a business, pursue an education, or withstand a medical emergency or drop in income. However, Americans with disabilities have less access to credit than those without disabilities. According to the National Disability Institute (NDI) report *Financial Capability of Adults with Disabilities: Findings from the National Financial Capability Study*, individuals with disabilities are less likely to have a credit card, more likely to use nonbank borrowing (such as pawn shops and payday lenders) and less likely to have common types of credit (such as auto loans or mortgages). One consequence of not having access to affordable credit is that more than half (55 percent) of people with disabilities could not come up with \$2,000 in an emergency, compared with 32 percent of those without disabilities (Figure 1).¹

To some extent, these findings are unsurprising. Although many people with disabilities work in well-paying jobs, adults with disabilities are more likely than those without disabilities to have lower incomes, lower levels of education, less attachment to the labor force and higher expenses. These factors are strongly associated with financial capability, credit scores and access to credit. However, research reveals that adults with disabilities are credit constrained beyond what would be predicted by their socioeconomic characteristics.²

Having a poor credit history, or a credit history insufficient to generate a credit score (a "thin" credit file), can be expensive. Generally, credit scores (ranging from 300–850) are calculated based on detailed information in consumer credit reports maintained by the three major credit reporting agencies: Equifax, Experian and TransUnion. The most widely used credit score is the FICO® score. A substandard credit history or low credit score affects not only access to affordable credit, but also the ability to be approved for an apartment or cell phone contract. Those with low or no credit scores may be required to pay a security deposit on utilities and, in some states, insurance companies may use a credit-based score when setting premium rates. Employers do not have access to an individual's credit scores but, in some states, they may use

¹ Goodman, N., O'Day, B. & Morris, M. (2017). *Financial Capability of Adults with Disabilities: Findings from the National Financial Capability Study*. National Disability Institute and FINRA Investor Education Foundation. <https://www.finrafoundation.org/files/financial-capability-adults-disabilities>

² *Ibid.*