Bridging the credit divide:

income, risk and inclusion in consumer finance

⟶ A **societal imperative** and a **strategic priority** for banks

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A report commissioned by Experian®, November 2025

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Introduction

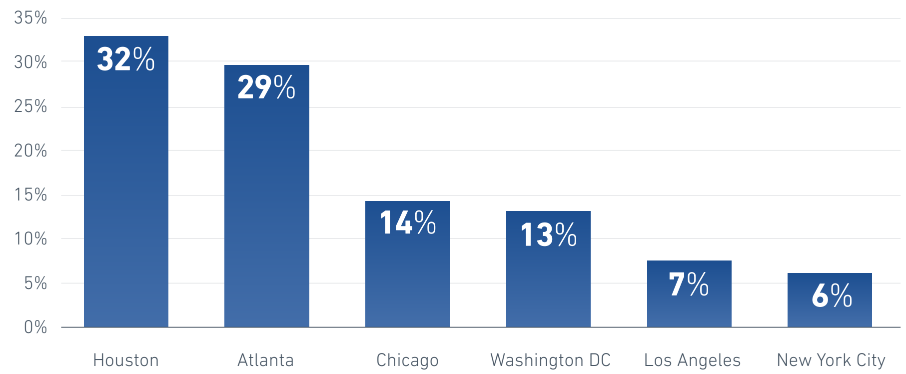
Household financial health is more than numbers on a balance sheet — it's a barometer of opportunity and equity in society. As the United States becomes more diverse and faces generational shifts, disparities in income and credit access take on new urgency. This analysis presents income and credit findings through a public-interest lens, illustrating why closing credit gaps is both a societal imperative and a strategic priority for banks. The stakes are high: segments historically disadvantaged in income and credit (by gender, race or age group) are growing in importance, particularly given that minorities are on track to form the majority of the U.S. population by the mid-2040s.[1] Financial institutions that recognize these trends can lead with inclusive strategies that expand opportunity while bolstering portfolio health.

The data in brief: sample and demographic overview

The analysis in this report utilized data provided by Experian, from 6,319 U.S. households, observed at four points in time (2019, 2021, 2023, 2025). As shown in **Figure 1**, the sample intentionally spans multiple major metropolitan areas to capture diversity in geography and demographics. The largest share of households came from Houston (about 31.8% of the sample), with substantial representation from cities like Atlanta and Chicago. This broad base helps ensure that insights reflect trends across diverse populations, with representation across a variety of regions and communities.

Figure 1

Metropolitan Statistical Area Population Distribution



Figures 2–5 provide the demographic makeup of sample household composition. Just over half of the sample (57.4%) is female, and 62.5% identify as white. The remaining racial groups identify as African American, Hispanic and Asian. A striking 80.5% of these households are married couples, and a majority (51.6%) work in professional or managerial occupations. These demographics skew the sample toward relatively stable household structures and job types but allow for a sizeable representation of single individuals, retirees, and blue-collar workers. That said, findings presented here are likely to understate the magnitude of noted disparities.

Figure 2

Gender distribution

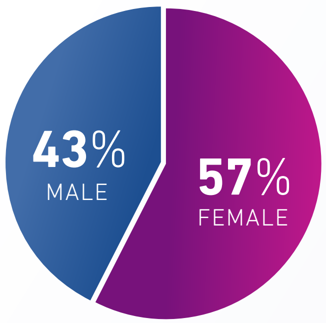


Figure 4

Marital status distribution

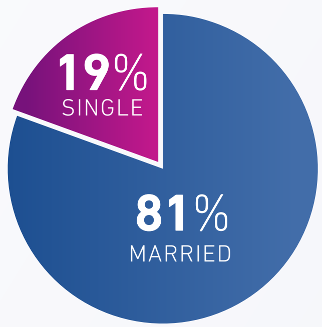


Figure 3

Racial distribution

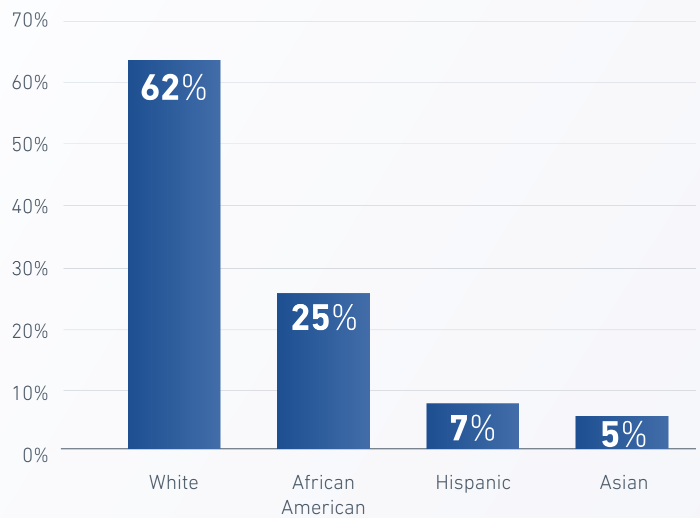
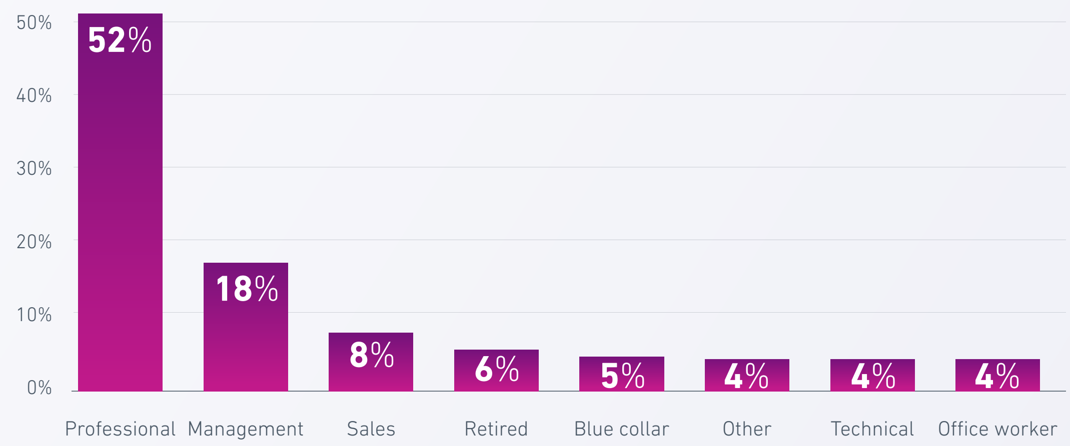


Figure 5

Occupational field distribution



Sampling

Each household falls into one of five credit risk categories — **deep subprime** (300–499), **subprime** (500–600), **near prime** (601–660), **prime** (661–780), or **super prime** (781–850) — based on standard credit score ranges as established by Vantage Score® 4. Throughout this analysis, we compare these groups to see how credit health correlates with income and demographics. Super prime roughly corresponds to exceptional credit (highest credit scores), whereas deep subprime indicates very poor credit (lowest credit scores). By design, this stratification lets us explore inequality through a financial lens — who enjoys prime credit, and who's stuck in subprime — to provide a glimpse into what may drive this stratification.

By covering the years 2019–2025, the sample spans pre-pandemic conditions, the upheavals of COVID-19 and the recovery period. These years saw economic shocks and rebounds that affected income and debt (e.g., stimulus programs, job market shifts, inflation). Observing the same households over time allows us to see not only static differences between groups but also household trends and consumer mobility over time and across credit tiers.

Income & credit disparities: **key finding by demographic groupings**

Income and credit disparities are examined across gender, race and generation. The data reveals persistent disparities in both income and credit risk across these demographic groupings. Importantly, these aren't merely abstract statistics; they translate into real differences in who has access to affordable credit, who faces higher borrowing costs and who's at greater risk of financial shortfalls. Significant disparities are uncovered by the following data and its implications.

Gender and household dynamics — **the rise of female-led households**

One of the most significant social shifts impacting finance is the rise of female-led households. Women now head roughly half of U.S. households — a dramatic increase from just 32.5% in 1990.[2,3] This trend includes single women as primary householders and wives out-earning or taking the lead in married households. For instance, among married couples, the share of households headed by women jumped from 21.8% in 1990 to 46.1% by 2019.[4] The implications are profound: More women are making major financial decisions (home purchases, investments), and thus their economic wellbeing directly shapes community outcomes.

Despite these gains in headship and homeownership, income and credit gaps between women and men persist. The data shows that female-headed households in the sample have lower average incomes and are more likely to fall into lower credit tiers than male-headed households. **Table 1** shows that in 2019, women in the sample earned about $13,000 less in annual household income on average than men ($71K versus $84K), and by 2025 that gap remained roughly the same ($78K versus $90K).

This aligns with national figures indicating female household heads have a median income nearly $20,000 lower than male heads.[5] It's noted that the gender income gap in our sample may be lower than the reported national average given the sample is heavily weighted with those in professional and managerial professions. **In all, lower earnings can constrain women's ability to build savings and credit history, contributing to weaker credit profiles over time.**

Table 1

		Income 2019	Income 2025
		Mean	Mean
GENERATION	Boomer	$76,000	$80,000
	Gen X	$82,000	$96,000
	Gen Z	$116,000	$117,000
	Older Gen Y	$71,000	$97,000
	Silent Gen	$66,000	$65,000
	Younger Gen Y	$34,000	$47,000
GENDER	Female	$71,000	$78,000
	Male	$84,000	$90,000
RACE	White	$82,000	$87,000
	African American	$63,000	$72,000
	Hispanic	$64,000	$72,000
	Asian	$88,000	$96,000
MARITAL STATUS	Married	$79,000	$85,000
	Single	$65,000	$77,000
EDUCATIONAL LEVEL	Less than HS	$46,000	$49,000
	Highschool	$56,000	$61,000
	Bachelor's degree	$76,000	$84,000
	Graduate	$90,000	$95,000

Gender Distribution by Credit Risk Tier

In addition, women are disproportionately represented in the three riskiest credit categories. **Table 2** shows data across the four sample periods and indicates that, with few exceptions, women were roughly two times as likely to be represented in the three subprime credit risk tiers (deep subprime, subprime and near prime) than men. Women represented approximately 72% of those consumers carrying deep subprime credit, versus 28% for their male counterparts in 2019. Numbers were little improved across subprime and near prime categories, and over time. By 2025, this imbalance had improved slightly but was still evident, with roughly 68% of deep subprime represented by women, versus approximately 55% of women represented in the super prime credit risk tier. In plain terms, female borrowers were much more likely to have adverse credit scores than male borrowers. While gender itself isn't used in credit scoring, it correlates with factors that do influence credit, like income, employment patterns and debt levels. Some research suggests that career interruptions for caregiving, the gender pay gap and higher likelihood of single-parent responsibilities can all make it harder for women to sustain strong credit.

Table 2

		DEEP SUBPRIME	SUBPRIME	NEAR PRIME	PRIME	SUPER PRIME
2019	Female	71.8%	65.4%	66.1%	58.7%	54.3%
	Male	28.2%	34.6%	33.9%	41.3%	45.7%
2021	Female	50.0%	64.3%	65.4%	62.0%	54.1%
	Male	50.0%	35.7%	34.6%	38.0%	45.9%
2023	Female	68.1%	65.2%	61.3%	62.1%	54.3%
	Male	31.9%	34.8%	38.7%	37.9%	45.7%
2025	Female	67.7%	63.5%	67.0%	59.7%	54.8%
	Male	32.3%	36.5%	33.0%	40.3%	45.2%

⟶ IMPLICATIONS FOR BANKS:

This gender credit gap means women often pay more for loans or get denied credit, even as they're increasingly the financial heads of household. This is a concern for local communities and for lenders as they work to maintain gender equity and the health of their loan portfolio amidst shifts in head of household characteristics. Financial institutions should see an opportunity here: supporting female borrowers with tailored products and financial education can both tap a growing market and advance equality. For example, women have made significant gains in education. Today, women heads of household are as likely, if not more, to hold a bachelor's degree than men.[6,7] **Table 1** also shows a direct correlation between education and income levels, with those holding a bachelor's degree in 2025 earning more than 37% more than those holding a high school diploma. However, those educational gains haven't fully translated into closing the gender income or credit score gap. Lenders could offer credit-building programs targeting female customers or partner with organizations that coach women on financial management. Considering that female-headed households are on the rise, proactive engagement both empowers families and expands the bank's base of creditworthy clients.

Racial credit disparities — **an unequal credit landscape**

Disparities in credit outcomes by race are stark and persistent in our findings, underscoring the economic legacy of financial inequality. As we move toward a "majority-minority" society by 2045, where non-Hispanic whites will fall below 50% of the population,[8] minority households still face disproportionate barriers to affordable credit. **Figures 6 and 7** illustrate that African Americans and Hispanics were overly represented in the three lowest credit rating tiers (deep subprime, subprime and near prime) relative to Asian and white households, which correlates to significantly lower representation in the credit tiers marked by preferred and cheaper credit terms.

Asian and white households dominate the top credit tier across all four periods. In 2019, the majority of Asian and white households in the sample held super prime credit status, thus enjoyed borrowing benefits such as lower borrowing costs (lower interest rates), limited loan fees, access to premium loan products and services, and higher approval rates, to name a few. Roughly 72% and 67% of Asian and white households, respectively, were super prime borrowers in 2019, and 2025 saw these percentages increase to 75% and 73%, respectively.

Figure 6

2019 Credit risk tiers by race

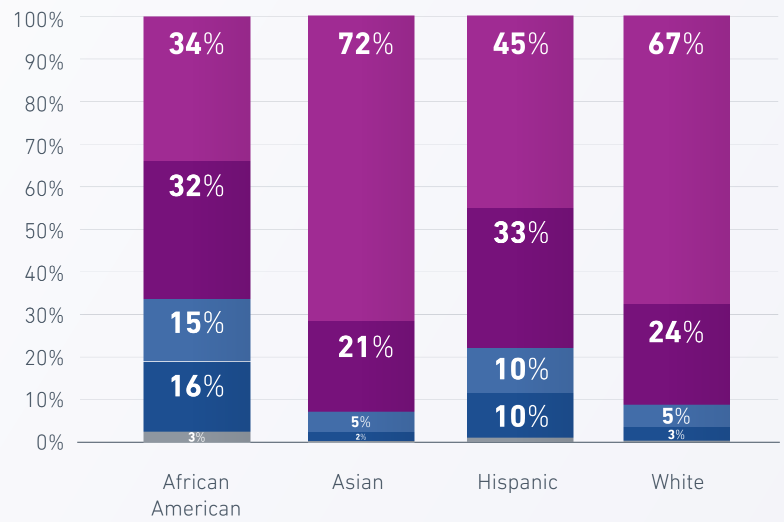
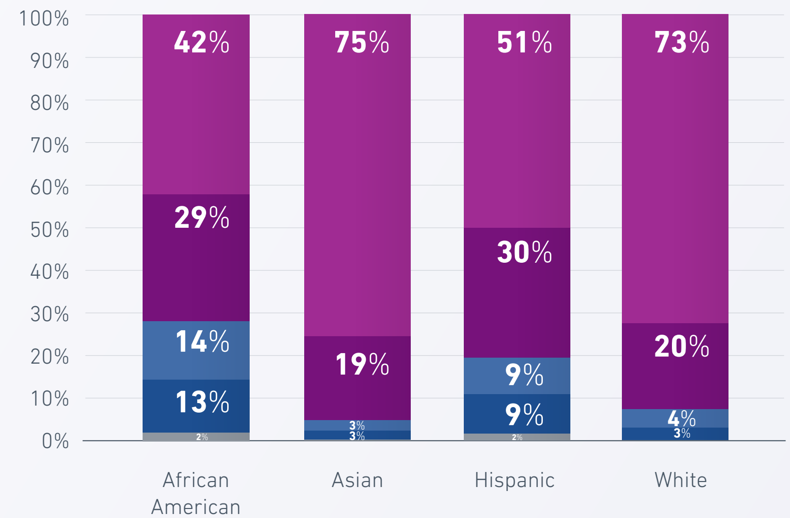


Figure 7

2025 Credit risk tiers by race



By contrast, only 34% and 45% of African American and Hispanic households, respectively, were categorized as super prime in 2019. Further, over 33% of African American households, and roughly 22% of Hispanic households held the lowest credit rating tiers (deep subprime, subprime and near prime) in 2019, representing over 1/3 of African American households and roughly 1 in 5 Hispanic households. This is in stark contrast to Asian and white households where little more than 7% of Asian and slightly under 9% of white households fell into the lowest credit tiers in 2019. While credit profiles improved for all races by 2025, 1 in 4 African American households and roughly 1 in 5 Hispanic households in our sample still fell into the lowest credit tiers.

These patterns reflect broader U.S. credit trends and are due, in part, to historical inequities (lower inherited wealth and exposure to financial literacy, credit invisibility, systemic bias) that can't be explained by income alone. The societal importance of these disparities can't be overstated. Credit scores influence the cost of nearly every financial product — mortgages, car loans, credit cards, even insurance in many states. When significant portions of a community have systematically lower scores, it translates into higher costs of living and fewer opportunities to build wealth since credit is often needed to purchase a home, start a business or cover emergency expenses. The racial credit gap also echoes past discriminatory practices, such as redlining and predatory lending, whose effects linger today. Expanded credit data could make a significant amount of the 21 million currently unscoreable consumers scoreable — including about 1.7 million African American and Hispanic individuals who could gain near-prime or better scores.[9,10] **This highlights how much latent credit potential exists if we bridge data gaps and design scoring to be more inclusive.**

⟶ IMPLICATIONS FOR BANKS:

By expanding credit access to a population of consumers classified as unscoreable, banks increase market coverage and customer reach, build loyalty and brand recognition, drive revenue growth and support more equitable lending practices. As such, lenders should regularly test their credit models for disparate impact, ensuring that decision factors aren't disproportionately excluding minority applicants. In addition, community outreach and product design can address lending gaps. For example, offering small-dollar credit builder loans, secured credit cards or rent-reporting programs in minority communities may help boost credit histories. Financial institutions may partner with local organizations or nonprofits to provide financial literacy workshops targeted at under-served groups with a goal to expand the pool of "lendable" customers by moving people from subprime into the more favorable credit tiers. Proactive lenders should find value in seizing these opportunities, or fintech competitors will do so.

Generational shifts — from Boomers to Gen Z in the credit economy

The generational mix of consumers is changing fast, bringing new challenges for financial institutions. Baby boomers are entering retirement en masse — with a record 4.2 million Americans reaching age 65 in 2025 alone,[11] while millennials (Gen Y) and Gen Z now comprise the bulk of young and middle-aged borrowers. The data includes multiple generations (silent generation, boomers, Gen X, older Gen Y and younger Gen Y, and Gen Z), allowing a look at how income and credit trends differ by generational cohort.

Boomers & retirement trends:

The baby boomer generation has generally enjoyed strong credit health — in fact, about 80% of boomers are in prime or super-prime credit tiers as of the mid-2020s.[12] Many built up solid credit histories over decades of homeownership and stable employment. Referencing **Table 1**, boomers' average household income in our sample was about $80K in 2025, up modestly from $76K in 2019. However, retirement can introduce new risks. A recent analysis[13] by VantageScore® warned that even though older borrowers have lower delinquency rates today than younger borrowers, their delinquency rates have been rising faster in recent years. Moreover, some boomers carry significant debt into retirement — mortgages, credit cards, even student loans (often for their children), without ample savings. As Boomers transition to fixed incomes, there's a concern that more boomers could become financially stretched, leading to upticks in defaults.

Table 1

	Income **2019**	Income **2025**
	Mean	Mean
Boomer	$76,000	$80,000

Millennials and Gen Z:

Younger generations have had a very different entry into the credit system. Millennials (roughly ages 29–44 in 2025) came of age during or just after the 2008 financial crisis, often burdened by student debt and a tough job market in their early careers. Gen Z experienced the pandemic during their college or first job years. Despite these challenges, our data shows improving credit trajectories for many young adults. **Table 1** shows income growth for the younger Gen Y (younger millennials) cohort, as they saw the average income rise from about $34K in 2019 to $47K in 2025, representing a substantial jump as they moved from entry-level jobs into more established roles. Older Gen Y (older millennials now in their late 30s/early 40s) saw an even bigger increase, from $71K to $97K on average. This reflects millennials hitting their prime earning years. Gen Z in our data interestingly showed very high income (over $115K on average), likely because only a small subset (those already well into careers) was captured and given the sample's heavy skew toward professional and managerial professions. **The key point is that as younger generations gain experience, their incomes and financial stability tend to improve, which bodes well for creditworthiness.**

	Income **2019**	Income **2025**
Table 1	Mean	Mean
Younger Gen Y	$34,000	$47,000
Older Gen Y	$71,000	$97,000
Gen Z	$116,000	$117,000

⟶ IMPLICATIONS FOR BANKS:

As boomers retire and Gen X ages, banks will increasingly rely on millennial and Gen Z customers to fuel growth. These younger cohorts are more diverse, more tech-savvy and often more debt-averse. To attract and retain them, banks should continue to adapt products and services that meet the needs and engagement style preferences of this newer generation. From a risk perspective, lenders might consider life stage factors more dynamically. For instance, early analysis indicates that being married was a protective factor against delinquency during prior years, but by 2025 it was much less a factor, possibly as single borrowers' financial stability and income improved.

For banks, the "silver tsunami"[14] of retirements means portfolio monitoring across generational cohorts will be crucial. Lenders should evaluate how a large segment moving out of peak earning years affects their credit risk models. Moreover, there's some evidence that longevity risk (outliving one's savings) could make later-life borrowers a new focus of concern.[15] Banks will need strategies to serve aging customers. A balanced portfolio strategy might involve expanding loss mitigation options for older borrowers — such as flexible repayment plans or referrals to housing counseling to preempt defaults that could spike as this group ages.

2019–2025 **Credit delinquency trends**

It's critical for banks to monitor and understand delinquency rate trends, as these metrics provide early signals about their customers' financial health and credit behavior. By carefully tracking delinquencies, banks can identify emerging risks, adjust lending strategies proactively and manage credit portfolios to minimize losses. **Tables 3a and 3b** provide delinquency correlations between households that report delinquency occurrences of 30 days, 60 days, 90 days and 180 days and for each of the four sample periods (2019, 2021, 2023, 2025). For example, **Table 3a** indicates that in 2019, households that were 30 days late were also roughly 60% likely to also run 60 days delinquent. However, we see that the likelihood of delinquency beyond 60 days begins to fall, providing some evidence that borrowers running 30 days late are less likely to go beyond 60 days late on payments. **Table 3a** also indicates that for those borrowers that do run an account 90 days delinquent, the probability of a charge-off is very high (over 77%), given banks write off loans as bad debt once these accounts move beyond 4–6 months past due.

Table 3a

2019 Correlations across delinquency occurrences

		30-day delinquency 2019	**60-day** delinquency 2019	**90-day** delinquency 2019	**180-day** delinquency 2019
30-day delinquency 2019	Pearson correlation	1	.606**	.411**	.281**
60-day delinquency 2019	Pearson correlation	.606**	1	.476**	.318**
90-day delinquency 2019	Pearson correlation	.411**	.476**	1	.775**
180-days delinquency 2019	Pearson correlation	.281**	.318**	.775**	1

Subsequent **Table 3b** indicates that credit delinquencies are significantly increasing relative to 2019 levels, indicating that borrowers may be experiencing increased financial stress in the face of pandemic-era credit and employment benefit concession pull-backs and rising inflation. While 2021 did see a drop in delinquency progression likely due to significant pandemic-era financial and credit accommodations, 2023 and 2025 saw the likelihood of credit delinquency progression increase across all delinquency categories relative to the pre-pandemic time period.

Table 3b

2025 Correlations across delinquency occurrences

		30-day delinquency 2025	**60-day** delinquency 2025	**90-day** delinquency 2025	**180-day** delinquency 2025
30-day delinquency 2025	Pearson correlation	1	.785**	.489**	.411**
60-day delinquency 2025	Pearson correlation	.785**	1	.621**	.513**
90-day delinquency 2025	Pearson correlation	.489**	.621**	1	.825**
180-days delinquency 2025	Pearson correlation	.411**	.513**	.825**	1

⟶ IMPLICATIONS FOR BANKS:

Delinquency trends reflect broader economic conditions that influence consumer repayment ability, enabling banks to fine-tune credit policies, enhance risk management and ensure long-term stability. Ultimately, attentive monitoring of delinquency rates helps banks protect bank assets, maintain regulatory compliance and support sustainable lending growth. Rising delinquency rates signal weakening borrower repayment ability and often precede charge-offs, leading to higher credit losses and reduced profitability for banks. The progression of delinquencies indicates growing credit risk in the portfolio, which can strain banks' capital reserves and increase provisions for loan losses. Additionally, higher delinquency rates may push banks to adopt tighter lending standards, reducing credit availability and further exacerbating credit access and lending disparities. To mitigate these risks, banks may implement early intervention strategies, such as proactive monitoring and enhanced borrower communication as accounts approach delinquency thresholds. The analysis seems to indicate that preventing borrowers from going beyond 60 days late is an imperative. These efforts help prevent credit deterioration in borrowers, maintain healthier credit portfolios and reduce the likelihood of charge-offs, ultimately protecting the bank's financial stability and supporting sustainable lending practices.

Beyond the numbers: **why these disparities matter**

Disparities in income and credit are not just academic observations, they have real-world consequences for individuals and communities and strategic implications for financial institutions.

Access to essentials

A lower income or subprime credit score can mean paying higher interest on every loan, needing larger security deposits for utilities or rentals, or being outright denied credit for a home or small business loan. Over time, these costs trap households in a cycle of financial precarity. For example, a family with subprime credit might pay hundreds of dollars more per month on a mortgage than if they had prime credit, potentially making homeownership unsustainable. By contrast, narrowing the credit gap can empower more families to buy homes, pursue education or start businesses, which benefits the economy overall.

Wealth gap reinforcement

Income and credit disparities often reinforce the racial and gender wealth gaps. Lower income means less ability to save and invest; poor credit means expensive debt eating into cash flow. These factors contribute to minorities and single-female households generally having less wealth than white households. If lenders only focus on the top-tier borrowers, they might inadvertently underserve a huge portion of the population and miss chances to help close these gaps.

Systemic risk & portfolio health

From a bank's perspective, high concentrations of risk in certain demographics could pose long-term portfolio challenges. Understanding the demographic makeup of risk tiers can guide better risk diversification and assist banks in deploying targeted education and early credit warning systems to those borrowers most impacted by higher borrowing costs and changing economic environments, such as an inflationary market. Such targeted intervention may reduce bank portfolio risk and assist vulnerable borrowers in maintaining creditworthiness and access.

Reputational & regulatory stakes

Regulators and the public are increasingly attuned to issues of fairness. The Equal Credit Opportunity Act (ECOA) and related laws bar discrimination, and there's growing pressure on lenders to ensure they are not only race/gender-neutral in policy but also equitable in outcomes. Institutions that are seen as proactively addressing disparities can bolster their reputations as community-minded, forward-thinking and equitable lenders, which not only supports inclusive lending but will undoubtedly be considered good business as demographics shift to a minority-majority.

Segment & target portfolio strategies for inclusion

Understanding the profiles of who is more prone to delinquency or exclusion should inform both risk management and marketing. While lending decisions must be blind to protected characteristics, if data show, for example, that female borrowers in your portfolio have higher delinquency rates within certain markets, targeted financial coaching programs or an AI-driven budgeting app service for female customers could help. Some institutions have launched initiatives like credit counseling for single mothers, aligning with corporate social responsibility (CSR) goals.

Incentivize & support education & self-improvement

The data showed higher education correlating with better income and credit outcomes. While care must be taken so as not to inadvertently disadvantage those who couldn't afford higher education, rewarding credentials can be one form of inclusive design, especially if paired with programs to help others gain those credentials. For example, a bank could offer a "finish your degree" loan at a favorable rate for working adults, confident that helping them graduate will improve their lifetime earnings, thus their creditworthiness.

Small-dollar credit & credit-building tools

The racial and income disparities suggest a portion of the population either can't get mainstream credit or can only get it at very high rates. To prevent these customers from resorting to payday lenders or loan sharks, banks can offer safe small-dollar loans and secured credit cards. As noted earlier, credit-builder loans (where the loan amount is secured in a savings account until repaid) are a great way to help consumers establish credit. Secured cards with low limits can graduate to unsecured cards over time. These products won't be huge profit centers initially, but they serve as entry ramps for future loyal customers. Additionally, consider reporting nontraditional payments (with customer permission) to credit bureaus, such as on-time rent, utility or cellphone payments as a way to boost thin-file customers' credit scores. For example, Experian Boost allows consumers to add utility payments to their credit file; banks could similarly incorporate such data in underwriting to say "yes" to someone who has scant credit history but a solid record of paying bills.

Community engagement

Work with regulators, researchers, and communities on pilot programs. For example, a bank might collaborate with the CFPB on a no-action letter to try an alternative scoring method for disadvantaged applicants. Alternatively, lenders can work with researchers to explore how to implement and use financial education and curriculum as a tool to improve financial inclusion and consumer outcomes.

In summary

Making lending more inclusive doesn't mean taking on imprudent risk or abandoning sound models. **It means refining our understanding of risk and using better data to identify borrowers who are capable and deserving of credit.** It also means helping borrowers become lower risk through education, products and interventions, rather than viewing risk as a static trait. Lenders that embrace this philosophy can enlarge their customer base, reduce default rates through smarter engagement and position themselves as leaders in responsible finance.

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