

Latinos' Access to Credit Remains Uneven and Stratified*

On behalf of UnidosUS and sponsored by Oportun, BSP Research surveyed 1,200 Latinos throughout Arizona, California, and Texas regarding economic topics such as Latinos' access to credit and banking services, student loans, home mortgages, and other loans in general. Despite unparalleled economic contributions, Latinos have long been overlooked. A deeper understanding of how the credit system works for Latinos—including the persistent barriers Latinos face—is critical to improving the credit system for all. Below, we provide data to paint a cohesive picture of how the country's current credit system is working—or not working—for Latinos.

The survey, one of the largest studies of Latinos' financial health commissioned by UnidosUS, is our latest effort to provide a snapshot of the financial situation of the 62 million Latinos living in the United States [whose purchasing power could soon exceed \\$2.6 trillion](#), and [who continue to start businesses at much higher rates than non-Latinos](#).

Safe and affordable credit is a cornerstone of wealth-building for Americans, especially considering that credit has an increasingly important role in everyday life. It also has increasingly become a measure of “worthiness” to other wealth-building vehicles like employment, employment benefits, homeownership, and entrepreneurship. It can even play a part in eligibility for government programs, like federally subsidized housing or government-secured mortgage loans.

Yet, today's credit system reflects deep structural, racial, and economic disparities. Though credit scores are supposed to be an objective measure of an individual's creditworthiness, [it is largely correlated with income and wealth](#) and [exacerbates longstanding wealth gaps between different racial and ethnic groups](#).

The credit system also fails to include 1 in 10 Americans, rendering 45 million Americans credit invisible, meaning they have no credit on record with the “Big Three” national credit reporting agencies (CRAs). Unfortunately, Latinos are twice as likely as the average American to be credit invisible. This is because the traditional credit scoring algorithm used by CRAs fails to account for factors specific to Latinos,

* The terms “Hispanic” and “Latino” are used interchangeably by the U.S. Census Bureau and throughout our materials to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. Our materials may also refer to this population as “Latinx” to represent the diversity of gender identities and expressions that are present in the community.

such as reluctance to accumulate debt, credit history from other countries, or other history of on-time payments like rent. [Individuals with an Individual Taxpayer Identification Number \(ITIN\) also face difficulty in building credit and thus](#), are more likely to be credit invisible. Moreover, [approximately 34.5 million Latinos live in banking deserts](#): areas with an above-average proportion of unbanked individuals.

This survey finds that 20% of Latinos do not have any credit history and only 56% have a credit card—[compared to the national rate of 84%](#). This gap has tangible consequences for Latinos. Over a third of Latinos (34%) identified a low credit score as one of the top three reasons they have not bought a home. Forty-two percent of respondents self-reported a “very poor” or “fair” credit score lower than 669 as [compared to 34% of the national average](#). Thirty-two percent of Latinos reported primarily relying on loans from family or friends to cover basic living expenses.

At the same time, Latinos demonstrate a high understanding of the credit system, including terms and features of loans. Fifty-six percent of Latinos reported the process of applying for a credit card or loan as easy to understand. Only 22% of Latinos did not know what their credit score was—compared to 40% of Americans. The clear understanding of the credit system and credit score suggests Latinos' low access to credit is attributable to systemic barriers more than financial literacy or knowledge.



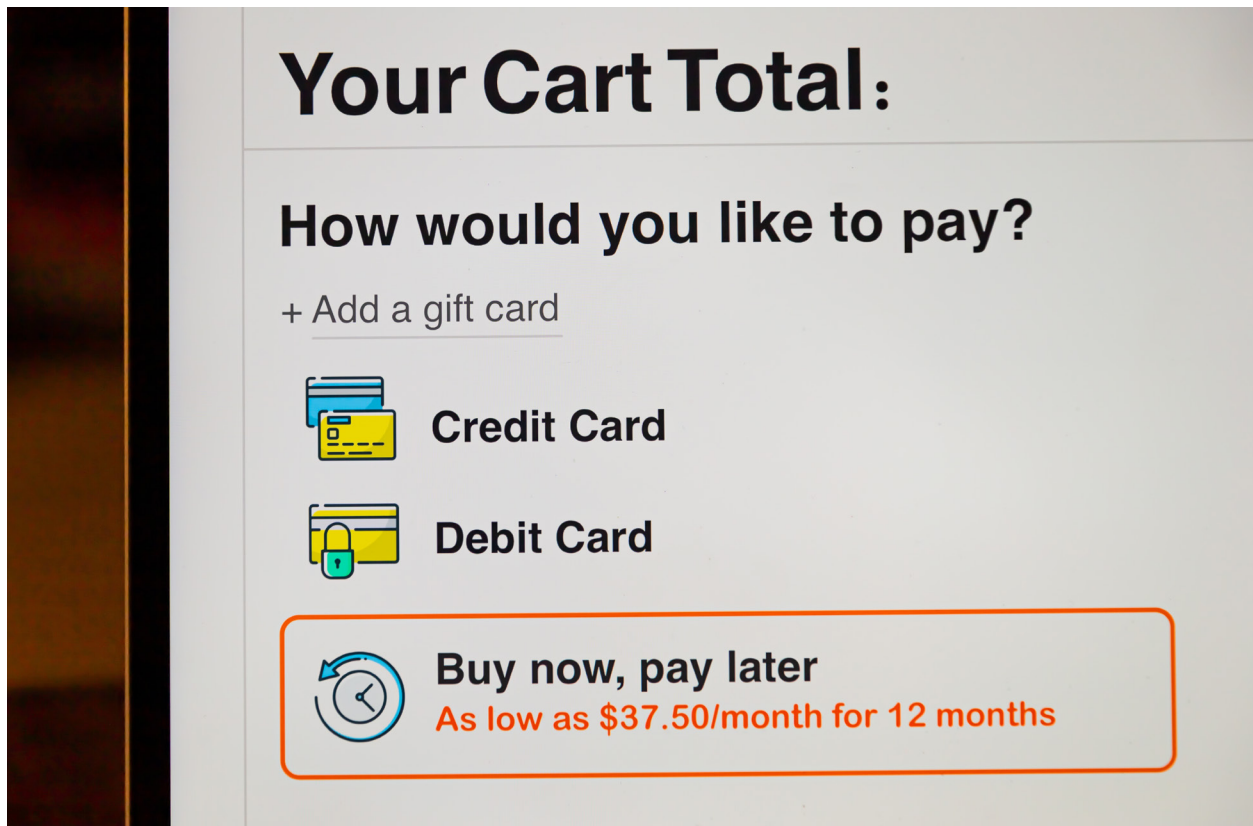
Latinos' Understanding of Credit is High Yet They Remain Shut Out of the Credit System

- **The credit score reporting system remains out-of-reach for many Latinos.** Although Latinos display a high understanding of credit, 42% of Latinos report having had a credit application rejected in the last two years. Twenty-nine percent of Latinos report not having a credit score, never having seen their credit score, or do not remember their credit score. Thirty-six percent of respondents attribute this to not knowing how to check their credit score.

- **Latinas are one of the most disconnected groups from the credit score reporting system.** Forty-three percent of Latinas report not having a credit score, never having seen their credit score, or do not remember their credit score in comparison to 30% of Latino men.
- **Credit scores remain a weak spot for Latinos.** Forty-two percent of Latinos self-reported a credit score of 669 or lower. For reference, Freddie Mac, a government agency that handles mortgages, requires a credit score equal to or greater than 661 to be considered “mortgage-ready” among other financial characteristics. Only 7% of Latinos self-reported a credit score higher than 800. Another 12% reported a credit score from 740-799. More foreign-born respondents had a credit score in the 800-850 range than any other demographic group (10% compared to the total percentage of 7%). Twenty-two percent of respondents reported that they did not know their credit score. The number of people that reported they did not know their credit score jumped to 43% for foreign-born respondents.
- **Low credit scores prevent Latinos from purchasing a home and building wealth.** When asked to identify the top three reasons why they have not bought a home, 42% of Latinos said low credit scores prevent them from doing so. Respondents in the lower-income bracket were much more likely (43%) to identify low credit score as a barrier to purchasing a home than respondents in the higher-income bracket (21%).
- **A plurality of Spanish-speaking households are separated from the credit score reporting system.** Thirty-seven percent of Spanish-speaking households reported they did not know how to check their credit score compared to 32% of English-speaking households.

Latinos' Access to & Cost of Credit Remains Highly Correlated to Access to Banking

- **Latinos' access to credit cards lags the national rate, with a larger gap for low-income Latinos.** This disparity is larger for Latinos who make less than \$30,000 a year, as only 37% of low-income Latinos have a credit card. Even Latinos earning more than \$50,000 a year fall short of the national rate of 84%, with 68% of higher-income Latinos having a credit card.
- **Those without a bank account are much more likely to incur a late fee on a loan or credit card payment.** Nineteen percent of all respondents reported paying a late fee on a loan or credit card. Among those without a bank account, 33% reported paying a late fee on a loan or credit card.



Latinos Remain Tied to Traditional Lines of Credit, but Increasingly Rely on Alternative Forms of Credit as Well

- **Respondents report car loans and credit cards as the two most common sources of credit.** When asked to identify the type of loans respondents had ever had, credit cards were picked by 44% of Latinos, followed by car loans at 41%. Thirty-seven percent of respondents identified personal loans, followed by home loans and mortgages, as well as personal student loans, both at 21%.
- **Latinos report using Buy Now, Pay Later (BNPL) products to cover basic living expenses.** Fourteen percent of respondents reported using BNPL to cover basic living expenses, like groceries or utilities. The use of BNPL products remains most popular among middle-income households and those with existing bank relationships. Respondents in the middle-income bracket (\$30,000-\$49,000) were more likely to use BNPL than in the lower and higher end of the income spectrum. Those with bank accounts or credit cards were significantly more likely than those without a bank account or credit card to report using BNPL (15% and 3%, respectively).



Latinos Turn to Non-Traditional Sources of Loans for Emergencies or Necessities

- **Latinos primarily rely on loans from family or close friends and personal loans to cover basic living expenses.** Thirty-two percent of respondents reported borrowing money from family or close friends to cover basic living expenses. Respondents with no bank account or credit card were approximately twice as likely to rely on family or close friends than on other sources. Credit card cash advances and pawn shops (18% and 17%, respectively) were close follow-ups for respondents.
- **Buy Now, Pay Later products are increasingly used to cover necessities.** Forty-nine percent of Latinos that have ever used a BNPL product relied on it to cover necessities such as groceries, gas, utilities, and household supplies.
- **Latinos still rely on payday loans regardless of access to banks.** Fifteen percent of respondents have taken out a payday loan. Interestingly, respondents with a bank account are more likely to report having taken out a payday loan than respondents without a bank account. Sixteen percent of respondents with a bank account reported they have taken out a payday loan at least once whereas only 6% of respondents without a bank account reported ever doing so.

About UnidosUS

UnidosUS, previously known as NCLR (National Council of La Raza), is the nation's largest Hispanic civil rights and advocacy organization. Through its unique combination of expert research, advocacy, programs, and an [Affiliate Network](#) of nearly 300 community-based organizations across the United States and Puerto Rico, UnidosUS simultaneously challenges the social, economic, and political barriers that affect Latinos at the national and local levels. For more than 50 years, UnidosUS has united communities and different groups seeking common ground through collaboration, and that share a desire to make our country stronger. For more information on UnidosUS, visit www.unidosus.org or follow us on [Facebook](#), [Instagram](#), and [Twitter](#).

About Oportun

Oportun is a mission-driven, technology-powered provider of inclusive, affordable financial services and a certified Community Development Financial Institution. By lending money to hardworking, low-to-moderate income individuals, Oportun helps them move forward in their lives, demonstrate their creditworthiness, and establish the credit history they need to access new opportunities. Oportun serves customers online, over the phone, and in-person in English and Spanish in the following 12 states: Arizona, California, Florida, Idaho, Illinois, Missouri, Nevada, New Jersey, New Mexico, Texas, Utah, and Wisconsin. For more information on Oportun please visit oportun.com.