THE STATE OF CONSUMER DEBT IN OREGON

Statement of

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before the

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Oregon State Senate

THE FAMILY FINANCIAL PROTECTION ACT, LC 54

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* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

I thank Sarah Trumble for help in preparing this testimony.

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Chair Taylor, Vice-Chair Bonham, and members of the Senate Committee on Labor and Business, thank you for the opportunity to provide testimony related to The Family Financial Protection Act, LC 54. I am Miranda Santillo, a policy program associate at the Urban Institute, a nonpartisan, nonprofit research organization, where I manage in depth research projects on wealth inequity and financial well-being. The views I express today are my own and should not be attributed to the Urban Institute, its board, or its funders.

Financial burdens such as delinquent debt are signs of economic distress that can lower families' and communities' financial well-being. Debt, which people often take on to meet basic needs and buffer against economic shocks, is a key indicator of financial stability that can negatively affect a borrower's overall credit health. This plays a vital role in families' ability to weather future financial disruptions—such as the loss of a job or a health emergency. Past-due debt also has immediate impacts on financial well-being; it can affect whether someone can get a job, rent an apartment, or access affordable credit to meet other financial needs and goals.[1]

The Urban Institute has explored the issue of debt closely through tools such as our Debt in America interactive map.[2] I will present findings from this tool that that highlight the widespread nature of debt across Oregon, identify racial and geographic disparities in debt, and indicate opportunities for state government to influence the financial burden of its residents.

The Nature of Consumer Debt in Oregon

According to data from the Debt in America interactive map, 16 percent of residents in Oregon have debt in collections, highlighting that the issue is widespread. The median debt in collections stands at $1,563, underscoring the financial strain faced by a significant portion of Oregon's population.

Among the various types of debt, medical debt and student loans are common in Oregon. These debts can be particularly concerning as adults with medical debt are more likely to forgo needed health care and have difficulty paying for basic needs such as food and housing costs.[3] Higher student loan debt burden can also create barriers to key wealth-building strategies such as homeownership.[4]

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[1] Diana Elliott and Ricki Granetz Lowitz, "What Is the Cost of Poor Credit?" (Washington, DC: Urban Institute, 2018).

[2] "Debt in America: An Interactive Map" uses more than 10 million deidentified, consumer-level records from a major credit bureau. Information on Oregon's debt is available at https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=totcoll&state=41.

[3] David U. Himmelstein, Samuel L. Dickman, Danny McCormick, David H. Bor, Adam Gaffney, and Steffie Woolhandler, "Prevalence and Risk Factors for Medical Debt and Subsequent Changes in Social Determinants of Health in the US." *JAMA Network Open* 5, no. 9 (2022): e2231898; Lunna Lopes, Audrey Kearney, Alex Montero, Liz Hamel, and Mollyann Brodie, *Health Care Debt in the US: The Broad Consequences of Medical and Dental Bills* (San Francisco: KFF, 2022).

[4] Kristin Blagg, Jung Hyun Choi, Sandy Baum, Jason Cohn, Liam Reynolds, Fanny Terrones, and Caitlin Young, *Student Loan Debt and Access to Homeownership for Borrowers of Color* (Washington, DC: Urban Institute, 2022).

Debt Disparities by Race and Geography

While the impacts of debt are far-reaching across both urban and rural communities in Oregon, the burden of debt is not borne equally by all communities. According to the credit bureau data, the five counties with the highest share of debt in collections are Malheur, Klamath, Sherman, Lake, and Jefferson Counties. The share of households with debt in collections in these counties ranges from 31 to 23 percent. It is worth noting that the average household income in each of these counties is below the state average and the majority of residents live in rural communities.

Specifically, Malheur and Klamath Counties have the highest share of residents with medical debt in collections (21 and 13 percent, respectively), while Malheur and Jefferson Counties have the highest auto/retail delinquency rates.

Furthermore, 28 percent of households in communities of color in Oregon face debt in collections, compared with only 16 percent of those in majority-white communities. Jefferson County experiences the most significant racial disparities in the state with nearly half (49 percent) of residents in communities of color facing debt in collections, compared with 15 percent of those in majority-white communities.

Pandemic Impact

COVID-19 created financial challenges for families across the US. According to the Urban Institute's Credit Health during the COVID-19 Pandemic interactive tool, key measures of credit health in Oregon did show improvement following the pandemic.[5] This trend suggests that choices by federal, state, and local policymakers helped families weather the impacts of the pandemic and made a difference in credit health.[6] Yet racial disparities persist, reflecting historical inequities that have limited economic choices for communities of color and reduced overall wealth.

As the pandemic-era financial relief policies have since expired, I urge Oregon state policymakers to consider the consumer protections and debt statutes reforms proposed today to continue offering economic protection to vulnerable households who inequitably face the burden of debt. I have also submitted the Urban Institute tools to the record and invite you to explore these resources to uncover the state of debt in the communities you represent.

Thank you again for the opportunity to present these data and to speak with you today.

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[5] "Credit Health during the COVID-19 Pandemic" uses credit bureau data from February 2020 to August 2021. Information on Oregon's debt during the pandemic is available at https://apps.urban.org/features/credit-health-during-pandemic/index.html?cat=subprime_pct_all&month=08%2F01%2F2021&state=OR&geog=state.

[6] Xudong An, Stuart A. Gabriel, and Nitzan Tzur-Ilan, *More Than Shelter: The Effects of Rental Eviction Moratoria on Household Well-Being* (Los Angeles: University of California, Los Angeles, 2021); Susan F. Cherry, Erica Xuewei Jiang, Gregor Matvos, Tomasz Piskorski, and Amit Seru, "Government and Private Household Debt Relief during COVID-19," Working Paper 28357 (Cambridge, MA: National Bureau of Economic Research, 2021).