Measuring Renters in Credit Data: Evidence from Linked Survey and Administrative Data

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Disclosure statement: The authors declare that they have no relevant or material financial interest that relate to the research described in this paper. The data agreement for the data used in this paper requires a review of the findings prior to their public release. The views expressed here are those of the authors and not those of the Federal Reserve Board.

Summary: Using linked survey and administrative data, we find considerable mismeasurement when using credit bureau data to classify and analyze renter households, leading to substantial mismeasurement of financial well-being outcomes.

Motivation

Historic swings in rents during the pandemic have driven increased interest in research on the financial impacts of rising rents on households. However, compared to homeowners with a mortgage, data on renters are scarce, limiting researchers' ability to analyze the 28 percent of households that rent their home.[1] Some previous work on renter households uses microdata sets from credit bureaus (Bhutta (2023), Brown, Stein, and Zafar (2015)). These datasets are attractive because they are large, timely, and sometimes track households over time. However, credit bureau data does not include systematic information on rent payments because a lease is not a credit product. Therefore, studying renters in these data requires relying on proxy measures. Specifically, if a household has a mortgage, they are counted as a homeowner. If they do not have a mortgage (or have not had one during the data sample), they are counted as a renter.

However, this definition misclassifies as renters the 22 percent of households who own their home free and clear (i.e. without a mortgage) and the 9 percent who neither own nor pay rent, a combined 31 percent of households. Moreover, compared to the typical renter household, homeowners without a mortgage are much better off, leading to mismeasuring and likely understatement of the impacts of rising rents on renter households.

More generally, using proxies for demographics in the credit data can generate mismeasurement. For example, some papers use the absence of student loans to proxy for educational status (Brown and Caldwell 2013). Like the absence of a mortgage, those without student debt includes people who did not go to college but also people who went to college debt-free.

Methodology

We use a unique data source linking nationally representative survey data with credit bureau information from Experian to determine how much mismeasurement comes from using credit data to measure renters, and its impacts on measuring renter financial well-being. Using these data (2023 Survey of Household Economics and Decisionmaking (SHED) credit data merge), we construct a sample of people in households that would be classified as renters in the credit data. We classify as renters any people in households who do not have a mortgage in their credit report in

[1] Federal Reserve Board. (2024). *Economic Well-being of U.S. Households in 2023*. Board of Governors of the Federal Reserve System.

the previous 7 years (2016-2023). We then compare them to people in households who report paying rent in the survey data.[2]

Results

While we find that credit data successfully classifies a large share of renters, we also find considerable mismeasurement, largely in the form of false positives. Table 1 shows that that the largest share of households classified as renters in the credit data (40 percent) report paying rent in the survey data. However, of those with no mortgage who would be classified as renters in the credit data, 35 percent are actually homeowners who own their home free and clear. An additional 9 percent neither own nor pay rent. In total, around 45 percent of the credit bureau renter sample is misclassified because of these reasons.

Next, we show that renter misclassification in the credit data leads to substantial mismeasurement of outcomes for renter financial well-being, as households classified as renters in the credit data have much better outcomes on average compared to those who self-identify as renters in the survey data. Table 2 shows differences in standard measures of financial well-being in the credit data between renters in the survey data and households without a mortgage who are classified as renters in the credit data. Renters in the survey data are much more likely to have a delinquency on a credit account (36 percent) than renters in the credit data (26 percent). Renters in the survey data are also much more likely to have high credit card utilization, with 26 percent using more than 75 percent of their available credit versus 17 percent of households without a mortgage in the credit data. Credit scores are also lower for renters in the survey data, who are much more likely to have scores below 620 than those without a mortgage in the credit data. Finally, renters in the survey data apply for credit at higher rates than those without a mortgage (1 percent versus 0.8 percent).

Finally, we address another relevant source of mismeasurement in the survey versus credit data: the 15 percent of households in Table 1 without a mortgage on their credit report but who report having a mortgage in the survey data. Women, younger adults, and adults currently living with their spouse and/or partner were more likely to be missing a mortgage tradeline despite answering affirmatively on the survey. There are several common reasons why this might arise.[3]

Conclusion

The inability to properly identify renters in credit data leads to artificially inflated credit statistics largely due to the inclusion of those who own their home free and clear. The renter population has higher delinquency rates, credit seeking rates, and lower credit scores when self-identified in the survey data. Credit bureau data, by design, lacks most demographic information. Researchers should exercise caution when using proxies for classifying demographic groups, including renters.

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[2] The share of renter households in the SHED is similar to the American Community Survey (ACS).

[3] For adults who live with spouses or partners, only one is required to be on the mortgage. Moreover, in cases where one partner has a significantly weaker credit record or income than the other, it is advantageous to only have one applicant on the mortgage. Accordingly, adults living with a spouse or partner and women are more likely to be missing a mortgage on their credit report despite saying their home has a mortgage. For younger adults, there has been an uptick of parents purchasing homes for their adult children. In these cases, the house is mortgaged but it is not under the survey respondents' name. Finally, single individuals buy homes and then meet their current spouse/partner later.

Table 1. Classification of Renters in Survey vs. Administrative Credit Data

	Credit data renter definition	
SHED survey response	Renter (No Mortgage)	Homeowner (Has Mortgage)
Pay rent	40.38	1.63
Neither own nor pay rent	**8.77**	0.45
Own home free and clear	**35.23**	9.39
Own home with a mortgage	15.62	88.54

Note: Authors' calculations using the 2023 SHED credit-merge sample. No mortgage refers to households with no mortgage trade in the past 7 years.

Table 2. Credit characteristics by renter definition type

Credit Characteristics	Survey renter	Credit data renter (No mortgage)
Delinquency (any account)	35.6%	25.5%
Credit card utilization		
Less than 10%	35.4%	49.7%
10–25%	17.3%	17.2%
25–50%	13.9%	10.8%
50–75%	7.4%	5.3%
75–100%	26.0%	17.0%
Credit score		
< 620	34.1%	23.3%
620 - 659	10.3%	8.4%
660 - 719	15.4%	13.1%
> 720	40.3%	55.2%
Total inquiries in past 12 months	1.03	0.81

Note: Authors' calculations using the 2023 SHED credit-merge sample. Credit score is VantageScore 4.0. No mortgage refers to households with no mortgage trade in the past 7 years.

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