

Prior parental teaching of money management and later loan performances among low and moderate income homeowners

Michal Grinstein-Weiss

Clinton Key

Yeong Yeo

Andrea Taylor

Jonathan Spader



UNC
COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL



UNC
SCHOOL OF SOCIAL WORK

A generational problem



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER for COMMUNITY CAPITAL

A generational problem

- Where do bad financial outcomes come from?
- Where do people “learn” about money?



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL

Paying off loans in America today



UNC
SCHOOL OF SOCIAL WORK



UNC
COLLEGE OF
ARTS & SCIENCES
CENTER *for* COMMUNITY CAPITAL

The cost of non-payment

- Interest and penalties
- Harm to credit score
- Non-pecuniary



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL

A generational cause?

- How resonant is childhood learning for adult behavior?
- Specifically, does parental teaching of money management improve loan performance in a low-to moderate-income population?



UNC
SCHOOL OF SOCIAL WORK



UNC
COLLEGE OF
ARTS & SCIENCES
CENTER *for* COMMUNITY CAPITAL

Measuring parental teaching

- Obviously an 80-year, attrition-free, cross-generational, longitudinal panel is needed!
- Validity of retrospective measurement (for now)



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL

Data

- Community Advantage Program (CAP)
- Low- and moderate-income borrowers
- Prime-term loans
- Administrative data on loan performance!



UNC
SCHOOL OF SOCIAL WORK



UNC
COLLEGE OF
ARTS & SCIENCES
CENTER *for* COMMUNITY CAPITAL

Loan performance in the sample

- 24% (442 respondents) experienced 30-day delinquency
- 13% (267 respondents) experienced 90-day delinquency
- 8% (160 respondents) experienced foreclosure



UNC
SCHOOL OF SOCIAL WORK



UNC
COLLEGE OF
ARTS & SCIENCES
CENTER *for* COMMUNITY CAPITAL

Findings



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL

A generational solution?

- Whole life financial literacy and numeracy
- Financially capable adults, financially capable kids



UNC
SCHOOL OF SOCIAL WORK



UNC
COLLEGE OF
ARTS & SCIENCES
CENTER *for* COMMUNITY CAPITAL

What else do we need to learn?

- Extent vs Content
- Doing or teaching
- The power of a bad example



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL

Questions?

cckey@unc.edu



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL



UNC

SCHOOL OF SOCIAL WORK



UNC

COLLEGE OF
ARTS & SCIENCES

CENTER *for* COMMUNITY CAPITAL