MARKETING COLLOQUIA

FALL 2019

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Where: *741 JMHH*
When: *12:00 PM* to 1:20 PM

THE GEOGRAPHY OF FINANCIAL DISTRESS: DELINQUENCY AND DEFAULT IN AMERICA

(WITH NEALE MAHONEY AND HANBIN YANG)

ABSTRACT: We use credit report data for a representative sample of 35 million individuals over 2000-2016 to examine consumer financial distress in the United States. We show there are large, persistent geographic disparities in consumer financial distress, with low levels in the Upper Midwest and high levels in the Deep South. To better understand these patterns, we conduct a "movers" analysis that examines how financial distress evolves when people move to places with different levels of financial distress. For collections and default, there is only weakly convergence following a move, suggesting these types of financial distress are not primarily caused by placed-based factors (such as local economic conditions, loan supply, and state laws) but instead reflects person-based characteristics (such as financial literacy and risk preferences). For bankruptcy, there is a sizable place-based effect, which is consistent with anecdotal evidence on how local legal factors influence the bankruptcy filing decision. We discuss how these results help prioritize competing theories of financial distress.

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