Financially Fit?
Comparing the credit records of young servicemembers and civilians

Office of Servicemember Affairs | July 2020
Research Helps Guide OSA Education & Outreach

- The financial profile of servicemembers changes over the course of their military career, and after

  - Join Military
    - Auto Loan
    - Credit Card
  
  - Promotion, Marriage, Children
    - Mortgage
  
  - Exit Military
    - Student Loan
    - Pay off Debt

- Research helps the Office of Servicemember Affairs (OSA) educate and empower servicemembers and their families to make better-informed decisions regarding consumer financial products over the military life-cycle
New Report Shows Evolution of Young Servicemembers’ Credit Records

Question: How do young consumers build credit histories?

Answer: It depends on when they join the military, and how long they serve.
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Age 18
- Civilian
- Enlistee
  - Serves for 4 years

Age 24
- Enlistee
  - Serves for 6 years

- Educational and professional milestones
- Car and home ownership
Key Takeaways

- Random sample of nearly 300,000 de-identified credit records
  - Start observing at age 18, before most establish a credit history
  - Many young servicemembers have no credit history prior to joining active duty
- Servicemembers have different credit accounts than civilians
  - More often auto loans, credit cards
  - Less often student loans, accounts in collections
- Credit record at age 24 related to two aspects of military service
  - Age at entry
  - Time in service (best predictor in our data)
Servicemembers, Civilians Use Different Credit Products

Fraction of consumers with various types of accounts by age 24

- **Auto Loan**: 73% (73%) served in active duty prior to age 24, 39% (5%) did not join active duty by age 24
- **Mortgage**: 7% (7%) served in active duty prior to age 24, 5% (5%) did not join active duty by age 24
- **Student Loan**: 26% (26%) served in active duty prior to age 24, 45% (45%) did not join active duty by age 24
- **General-Purpose Credit Card**: 80% (80%) served in active duty prior to age 24, 69% (69%) did not join active duty by age 24
- **Retail Credit Card**: 62% (62%) served in active duty prior to age 24, 46% (46%) did not join active duty by age 24
- **Third-Party Collections Account**: 37% (37%) served in active duty prior to age 24, 41% (41%) did not join active duty by age 24
Some Types of Products are Used More Often After Joining the Military

Fraction of consumers with an auto loan, by age at entry into military
Some Types of Products are Used More Often After Joining the Military

Fraction of consumers with an auto loan, by age at entry into military

Cohorts begin taking out more auto loans around the age at which they join.
Some Types of Loans are No Longer Needed After Leaving the Military

Fraction of consumers with an auto loan, by time in service

- Active duty 1 yr or less
- Active duty 1 to 2.5 yrs
- Active duty 2.5-5 yrs
- Active duty more than 5 yrs
- Not active duty by age 24

Percent of cohort vs Age

18 20 22 24

Consumer Financial Protection Bureau
Some Types of Loans are No Longer Needed After Leaving the Military

Fraction of consumers with an auto loan, by time in service

Cohorts begin closing auto accounts around the age they leave active duty
Some Types of Loans are No Longer Needed After Leaving the Military

Fraction of consumers with an auto loan, by time in service

Cohorts begin closing auto accounts around the age they leave active duty

Servicemembers who leave within 1 year are more similar to civilians
Results Inform OSA’s Mission

- Young servicemembers’ credit histories evolve differently from civilians’ in important ways
- Research helps identify key aspects of credit behavior
  - Points in military career when major credit-related decisions occur
  - Types of products and sizes of loans for typical servicemember
  - Subpopulations that do or do not use products, or have delinquencies/defaults
- The report lays groundwork for OSA and others to better understand military families’ financial well-being
Download the Full Report and Executive Summary

https://www.consumerfinance.gov/data-research/research-reports/

Look for a follow-on report on young veterans in the first year after leaving active duty.