Welcome to the Financial findings podcast, where Financial Research Policy and Practice meet. I am your host, Host: Jonathon Ferguson. Our episodes contain interviews with researchers and discuss evidence-based strategies that policymakers and practitioners can implement to strengthen financial wellbeing for individuals at all stages of life. For this episode, we have an interview with Dr. Stephanie Moulton, a professor and the Associate Dean for Faculty and research in the John Glenn College of Public Affairs at The Ohio State University.

Dr. Moulton specializes in the design, implementation and evaluation of housing and consumer finance policies and programs with an emphasis on vulnerable populations. She has published more than 14 journal articles, a book, and several book chapters. We discuss Stephanie's research project titled, The COVID 19 pandemic and Older Adults’ Employment and Economic Security: Insights from earning and Credit Panel Data.

Thanks for joining us today, Stephanie.

Thanks for having me.

It's fantastic to have you here. We get started with our first question that I ask everyone, the very first question is about you and what has been a financial aha moment in your life?

This was actually a really interesting question that made me reflect a bit and I remembered about a decade ago, I heard Elder Shafir give a talk where he was talking about a suitcase metaphor to describe people's budgeting behaviors and financial behaviors. It's also in his book on scarcity. But he says that the wealthy have a big suitcase, which allows them to pack modest items casually. And then the poor have a small suitcase, which must be packed intently and with great care. So, the packer of the small suitcase has to carefully consider the size of each new item, they have to consider what can be removed every time they want to put something in, whereas the wealthy people who have this big suitcase can just kind of throw everything in, you might need for the trip, you don't know if you're going to need it or not. But it's all good. I can figure it out later. And it really resonated with me, and it made me think back on my own life and circumstances. And then it also kind of affects how I think about studying financial behaviors today.

So, when I was just starting out, I had my first daughter, when I was an excellent undergraduate student, actually, in college, my husband and I worked multiple minimum wage jobs trying to make ends meet. And I remember at that time, like budgeting was so critical to me, I was in charge of her
budget. And I had to watch her every single penny went, and I knew our budget down to, you know, $801 was what we had that month. And that's what we had to spend the entire month. And I knew where every penny came in, and where every penny went out. And I think it was, you know, it was just a small taste of what many households deal with every day, all the time and with no reprieve. So, I'm really privileged now to have a good job that pays me well, where I don't have to live, I need a penny.

But those lessons that I learned, they really kind of transform and stick with me and I often think, you know, I don't keep the kind of budget today that I kept then. And you could say, I'm more educated today, I know more today, I should be doing that I was a much better budgeter back as an undergraduate student, when I had my daughter and I had to live on those 801 dollars a month, than I am today as a university professor. And so, you know, that lesson really taught me some of what I study deals with people that work in financial education and counseling, for example. And while I think that's important, and of course, it's great to help people learn to manage their money, that sometimes it feels like replacing the burden on people who are already probably doing this better than most people in order to just make it right. And these are already people that are stretched incredibly thin. And they tend to be expert financial planners and figuring out how to make it work for them. And so, you know, as I think about how I approach this issue, and topics like financial equity and inclusion, and just financial education, counseling, whatever it might be, I really prefer strategies that try to increase the size of the suitcase, if you will.

So how can we increase income? How can we increase wealth? How can we reduce expenses? How can we increase the size of the suitcase, rather than just trying to teach people how to be better packers, if that makes sense? And Shafir, his book is all about becoming a better packer and how do we help people become better packers? But you know, to me, I think we fundamentally also need to change the size of the suitcase. And so that's kind of something that I think, sticks with me and what I do.

Host: Jonathon Ferguson 04:36
Oh, that's a great analogy, and I haven't heard that one before, but it does sum it up really well. I think 100% correct, and that financial education and counseling is clearly critically important for everyone, but sometimes with folks who have limited means, they've been forced to just be more efficient with their money and actually manage it well. That's not the primary challenge, the primary challenge is a more systemic bigger issue. So, I appreciate that answer. And I hadn't heard that suitcase analogy before.

Guest: Dr. Stephanie Moulton 05:13
You know, it sticks with me all the time. And I, again, back to kind of this, I feel like we oftentimes put more burden and have more expectations of people that have smaller suitcases, you know, and it's, it's, I don't know, it's not something that they necessarily chose to have. It just happens to be that the suitcase that they, they have, and for those of us that have giant suitcases that can, you know, have the luxury of figuring things out. It's, it's, you know, very different.

Host: Jonathon Ferguson 05:41
Yeah, great answer. All right. So, let's move on to our next question, which is, if you would tell us a little bit about your academic background and professional resume.

**Guest: Dr. Stephanie Moulton 05:50**

Yeah, sure. So those two things are actually really intertwined for me. So, my professional experience and my academic background kind of go hand in hand. So, you know, I have a bachelor's degree in social work, actually. So, I wanted to solve poverty in my lifetime. But I started out as a social worker working on the ground. And I actually, my first job was for a nonprofit housing organization after I completed my undergraduate degree. And I worked there for five years, I was placed there as an intern while I was doing my undergraduate degree, and then I stayed on for five years. And I often tell my students that everything that I research today literally comes back to those five years that I spent working at that nonprofit. And I don't know if that says something about me, and a sense that I'm like, you know, I, if it's, you know, what, you know, and you sort of stick with it. Or if that's a generalizable thing that others could say, I'm not sure. But it was just I think it had such a profound impact on me those five years, working as a social worker, that I now feel like, those are the problems that the things that I studied the things that I saw, that I saw come to life during those five years. Those are the challenges that I want to address, we had a really amazing executive director of the nonprofit that I worked at. And it was just she and I for a while. And we were doing everything from Homeownership Program to try to get people into homes, to developing new rental housing, trying to create affordable rental housing programs to all sorts of financial education and counseling programs to savings programs. We even did credit counseling; we did reverse mortgage counseling. So literally, everything I study today comes back to those five years and the people that I met during those times working in those programs, and, you know, I still see and everything that I do, I kind of see the faces of the people that I was working with, and those you know, it's now been over 20 years ago. But I still see that. And so, I was really, you know, well, I enjoyed my job a lot, I was really wanting to make system change. So, this, you know, I was I was working was the beginning of 2000, that the housing market was just booming, but we could see the writing on the wall, it was around 2004, that things were you know, not doing so great. And actually, some of the affordable programs we would create, we're having trouble, we were having trouble competing with some of the private market programs that were out there. And, you know, we felt like people were getting a bad deal and some of the mortgages that they were getting, but it was just really hard the way the system was created to compete with a product that was good in that environment. And so, it really motivated me to want to kind of be part of policy change and make systematic change. Also, you know, just seeing the same issues again and again, and realizing that, you know, you can do so much within the system, you know, as a social worker, for example. But sometimes you fundamentally need to change the system. And in order to change the system, I needed to have different tools.

And so going back and getting my PhD and Public Policy and Management gave me different tools and gave me a different kind of a platform through which I could try to affect change. And I still admire more than anything, I think social workers are just, you know, I don't think this world could operate without social workers. So, I don't regret those five years at all. But I do think you know, now having that different voice having that different platform going back, I went to Indiana University, got my PhD in Public Policy and Management, graduated from there in 2008. And have since been working at Ohio...
State University as a professor and study lots of issues related to financial equity and financially vulnerable households in particular. So really, again, a lot of that comes back to those years working but kind of taking that to a different level and a different platform through my academic career.

**Host: Jonathon Ferguson 09:32**

I think it's rare to see someone who has like the academic, more global experience like the changing and research and, and that kind of thing, but then also have the practitioner experience working with the clients there. So, I don't know if you've ever considered yourself to be a unicorn, but it sounds Cornish to me, and I think it likely serves you really well being able to see both ends of it. So, the next question for you What motivated you to complete this research?

**Guest: Dr. Stephanie Moulton 10:03**

So, you know, much of my research, no surprise, its focuses on financially vulnerable individuals. And, you know, I think about this in a lifecycle perspective. So, some of the individuals I focus on are just getting started, they're just starting out their lives. And oftentimes, you know, first generation home homebuyers are an area of research that I've done a lot with and focusing on that transition into that kind of first, first home, I also look at people that are buried under the weight of credit card debt. So maybe they're, you know, they've gotten their first job they're working, they may even own a home, but they're now getting saddled with that, and what are the different options available to them. But then another area kind of making a life course perspective there, I deal a lot with older adults as well. And I focus on particularly, again, older adults with limited incomes, or older adults who have that small suitcase that have to try to figure out how they're going to make ends meet.

In retirement, oftentimes, Social Security income as their only income, maybe they have a little bit of wage earnings. And in fact, that's what this paper is, is focusing on, you know, they might be working a little bit to supplement that Social Security check that they get, but they don't have a big pension, they don't have a lot of retirement wealth. And in fact, they're their primary or only savings is the equity in their home. And other than that, they really have not much of a savings account to their name. So Social Security check, and maybe a bit of wage income to help supplement it. And that's pretty much it. And so, my colleagues and I were researching we had about we have about a decade long, maybe a little bit longer now research strain, that we've been focusing on the financial lives of older adults. And we've been particularly focused on you know, how these older adults are using housing wealth and how they're using consumer debt to make ends meet. And then the consequences of those things. So, the consequences of using consumer data or using housing wealth to make ends meet for your health and well-being.

So, we have this really robust kind of research stream going that we were working on this, and then the pandemic kit. And when the pandemic hit, there was a lot of concern raised about what this was going to mean for older adults, both in terms of, obviously, their physical health, you know, we worry about, they were more susceptible to the actual disease of COVID-19 than younger adults. So, the probability of death mortality, or just sickness was greater for older adults. But then there's also this, the financial consequences of COVID-19 for older adults. And there were some emerging evidence coming out that older adults IQ right in the beginning of the pandemic, there's some pretty dramatic pictures that show this drop in labor force participation. So, among older adults, so think about an older adult, which might
be supplementing their social security check working at Walmart, as a greeter, or you know, working at a laundromat or working somewhere to make some extra money. So, among older adults that were aged 65 and older, that were in the labor force, when the pandemic hit, the unemployment rate rose from 3%, and 2019, to 16%, and April 2020. And so, an additional 11% of households aged 65 and older were exiting the labor force and through 2020. And actually, this was the group and we looked at different age groups, this was the group, you know, the youngest adults, and the oldest adults saw the biggest exits from the labor force, immediately when the pandemic hit. And so, we were trying to understand what this means, you know, on one hand, maybe these are temporary access, maybe that maybe folks will get right back to work, you know, maybe they're going to be okay, because, you know, they're going to reduce consumption, too.

So, think about, you know, we all kind of cut back, we didn't go out to eat, we didn't, so maybe it's going to be okay, maybe, maybe this won't be a problem. There were also a lot of increases in government benefits, although some of those are targeted at younger households with kids, but there were still, you know, if they could file for an unemployment claim, and again, we didn't know how often they were doing that, but if they were doing that, then that could help supplement and unemployment benefits were more generous. And then there were also these private creditor forbearances that we were really interested in whether that was helping older adults, so creditors were previously you might have been delinquent on your debt if you couldn't make a payment. And so you would be, you'd be in serious trouble. If you lost income, you lost your wages, and you couldn't make your mortgage payment, for example, there was this generous mortgage forbearance happening where older adult anybody could not make their mortgage payment and they wouldn't be delinquent. So, you know, it really was this quandary for us about what happens to these older adults that are losing their jobs or exiting, they're probably more likely voluntarily exiting the labor force. How are they doing? And who are they? And so, we had kind of two main questions really, though, is how are they doing? And who are they? Or who are they and how are they doing?

So, the first one was, you know, are the people that are exiting? Are they more financially vulnerable? Or was it like the people that are better off that just chose to exit and the financially vulnerable state and the labor force, so we didn't know that was the first question. And then the second order question was whether the older adults that left the labor force during the pandemic experienced more economic insecurity than adults that might have left the labor force in pre pandemic times. So, we kind of wanted to compare, we know older adults leave the labor force, like that's a known, that's a known fact, like, people retire at some point. So obviously, people are going to leave the labor force during this period. But are the extra levers that that additional group that's leaving because of the COVID period and the special things about the COVID? Period? How is that group different from the levers and what we call quote, unquote, normal times or pre COVID? Time? So, the levers and pre COVID times are going to look a particular way? How do the levers in the in the post COVID times look relative to the pre COVID times? So, we actually had, we have some pretty unique data that we've been putting together to study financial behaviors of, of people for a while. And in Ohio, we have a unique data set that combines credit data, quarterly credit data with labor force, and wage and income data. And so, this allows us we had a sample of about a million older adults, adults aged 50 and older in Ohio. And we can follow quarterly what's happening with their wages, and also what's happening with their financial outcomes using credit data. And we did that for a group of people that, you know, we look at, I'm starting in
baseline and 2020, right before COVID hits, and we follow them for 15 months after COVID. But then we want to say, Okay, if we just look at that period, we're going to miss out on you know, whether what we're observing is just who leaves the labor force? Or is it something about COVID. So, then we construct a similar kind of a sample where we had people that were working in January 2018, for example, we have a baseline up to January 2018. And we followed them for 15 months later before COVID. And then we can kind of see older adults that were working and leave the labor force in the pre COVID times older adults that were working in the labor force and post COVID times, and then kind of net out those COVID era differences, if you will, to figure out, are they more financially vulnerable now? Or are they better off? And then what happens to them afterwards? Are we seeing any more indicators that COVID era exits were associated with more financial distress, or less than pre COVID exits?

**Host: Jonathon Ferguson 17:03**

Well, that's certainly a very interesting set of questions. I had lots of little micro questions pop up in my head, just as you were going through all that, because they're, I guess, many pieces that impact the lives of older adults. So, given all that, I'm curious, were there any specific constraints or limits to the research that you all set, you all found?

**Guest: Dr. Stephanie Moulton 17:26**

This is Ohio, right. So, we do have, you know, really rich data that allows us to kind of see the financial lives of people in a way that you can't see necessarily in other data sets. And kind of in real time, to some extent, at least relative to you know, waiting for a big survey, like the Health and Retirement studies and amazing survey, but it often takes years to get the data, there's a lag, and we needed quick data to be able to inform you know, what was happening during COVID. It's Ohio. And, you know, Ohio isn't California, Ohio isn't Florida, Ohio isn't? Nebraska, and Ohio isn't Boston, like it's, you know, it's Ohio. But you know, we do look like the average is in the US pretty much look like Ohio.

So, if we look at the average US population, we have a great mix of urban and rural areas in Ohio, we actually are I think, the most urban areas, per capita, or per capita in Ohio, you might not think about that. But we actually have quite a few urban areas. We also have Appalachian rural areas in Ohio. So, you know, it really is kind of a microcosm. But that is definitely a limitation.

You know, the other limitation, I would say, well, it's, you know, in some ways, it's nice to have administrative data for a couple of reasons. So, our data is all administrative data, we're using credit data, and we're using wage data, both that are being reported for other purposes, they weren't collected for this research, they were, you know, credit report, data is collected on everybody. And then wage data is data that's being reported to the state department of job and family services for tax purposes. So, on the positive side, we don't have to bug people, we don't have to enter like the be another, you know, intrusive person in their lives, all of our data's de identified, so we don't have any way to know who they are. So, we're protecting that confidentiality. So, in that way, it's less invasive than perhaps some survey data. And we can observe things that, you know, typically have to rely on recollection for so we can actually see, you know, they lost $23 that month, and their credit score went up four points. And, you know, so you can actually really kind of precisely see things. On the other hand, you don't know why they occur, and we don't know what it you know. So, for example, you know, we might see an older adult was working, they no longer work, and they didn't, you know, and they still aren't back as
in university period, but that a choice. Was that something they deliberately did, or was that something they were forced to do? We don't know. We could see if they filed an unemployment claim. So, we do that to try to kind of parse out was this a voluntary exit or was it something involuntary, but we really don't know. I mean, they could even if they didn't file an employment claim, it could have still been an invite voluntary exit, they just decided not to bother with an unemployment claim. So, you know, some of the why questions? Why do people do these things? Survey data, qualitative research is much better at answering those things, then then this administrative data, but the administrative data, you know, has its benefits of, you know, being able to see this really find increment kind of look into people's lives without being quite as invasive.

Host: Jonathon Ferguson  20:23
Yeah, the administrative stuff always, to me seemed like a great flashlight, to know where to look for the follow up for the qualitative, like why questions asked. But it's hard to start off asking why when you don't know what to ask why about. So, it's a great entry point stepped up provides a good overview, but then obviously, follow up. To learn more to get more of that information is very helpful. You mentioned the two, the two areas that you want, we're looking to learn more about what did the research find? I'm so curious to learn.

Guest: Dr. Stephanie Moulton  21:00
Yeah, absolutely. So, you know, we have kind of two main findings that parallel that that research, so the questions I mentioned. So, you know, I said we weren't sure who was more likely to leave during COVID? Is it going to be the people that are better off? Or is it going to be the people that are more vulnerable, we actually did find that it was the more financially vulnerable that we're more likely to have these COVID exits.

So, the excess exits were associated with more financially vulnerable individuals on a couple of different dimensions. So one dimension, simply age, so the oldest older adults, so in our study those age 67, and older, relative to those aged 50, to 66, had more access exits, in the first 15 months during the COVID pandemic, which probably makes sense, if you think about people, you know, 67, as the eligibility age, for full retirement benefits possible, there were some tradeoffs going on there. It's also possible a lot more concern about susceptibility to the COVID pen disease itself among the oldest adults. And so, the oldest adults were more likely to exit, we also noticed that the people that exited during COVID, the excess exits, they were more vulnerable in credit and wage characteristics too.

So, they had lower credit scores, they have less access to credit and lower wages compared to older adults who exited the labor force and pre COVID periods. So, for example, labor force exits are typically higher among people with lower credit scores, we saw that in both periods. So, people with lower credit scores actually work shorter, or exit sooner, what we found was that was actually 10 times larger credit score factor on leaving the labor force during the COVID period, that the queue the first quarter of the COVID period than in pre COVID periods. And this may suggest, you know, again, we don't know why this God isn't qualitative research. God isn't asking people to figure out why. But you know, these are the individuals that are potentially the most violent, financially vulnerable, that don't have that buffer, that credit cushion potentially as much because they have lower scores, more likely to leave, it could be the kinds of jobs that they were working in, although we do have the type of job and so we can look at
that a little bit. But it could also be something about their financial lives and what they need to do to kind of make ends meet when this crisis hits, they may be more vulnerable. And so those individuals that have the lower credit scores were more likely to leave. So that actually is, you know, was quite concerning on that side.

But that leads to the second set of conclusions that we found. And so, you know, we were worried then after finding that, what's going to happen to them, you know, the financial outcomes of individuals that then left if these were already the more vulnerable people. And we did see that, in general, the people that left the labor force, after the older adults leave the labor force pre post COVID time, you do see a slight reduction in credit score a slight increase in payment, delinquencies, but we actually found that that was muted during the COVID period. I think a lot of that had to do with the generous forbearance programs, I'll tell you why.

So, we actually saw that older adults who left the labor force during COVID, were more likely to fall behind on their debt payments than people that left before COVID. So that's a signal that they were having trouble, we can see whether they were making their payments more likely to miss their debt payments, think of mortgage payments being one of the main ones for older adults. However, they were not more likely to be seriously delinquent. And they were much they can't see forbearance before COVID. Because forbearance didn't exist before COVID. But there's a lot of individuals that ended up in forbearance on their on their debt. So, they have this spike and are missing their mortgage payments and missing their auto payments. But we also see evidence that they get this this forbearance that kind of prevents them from being counted as delinquent. And so, any hit to the credit score that might normally happen with a with a typical kind of labor market exit is actually buffered because of this kind of generous forbearance policies that we saw in place. And of course, there's other things that we can't observe. We observe forbearance, we can observe some of the other policies that were also in place at the time that might have helped buffer that, but we think the fact that we see an increase in delinquencies, so it's not like they're not missing their payments. If let's say it was just a generous income support or reduced consumption, that propped up their credit score, then you probably wouldn't see that increase in delinquencies or missed payments. But we're still seeing the missed payments occur, but then actually more so during COVID. But you're seeing a lot of forbearance and so that the effect of credits on credit score gets muted, and they ended up actually being better off in terms of their credit position. After leaving the labor force during COVID than pre COVID times.

Host: Jonathon Ferguson 25:28
We've gone through some of the high points and some of the key findings, what do you think the implications of these research findings are in short, so what uh, now what?

Guest: Dr. Stephanie Moulton 25:39
So, you know, I think there's more appetite to discuss this today than there was before COVID. So maybe a silver lining to come out of COVID is that we've recognized that there are ways that we can perhaps build in for people that have an income shock, if we know it's going to be transitory, if we know it's a temporary bump in their income, is there a way we can stabilize their debt payments during that period, so they don't spiral down? Particularly for something like a mortgage or student loan, pretty substantial debt? Is there a way that we can think about kind of building this into mortgage contracts
moving forward, if you will, and there's various ways that we can do that. So, we can do it in a way that obviously it has to be priced to some extent.

However, if we can show that we actually reduced, you know, it's not a good thing when mortgages foreclosed, it's not a good thing when mortgages default, it's not a good thing. When mortgages prepay before they're supposed to prepay from a market perspective or from a consumer perspective. So you know, if this actually ends up, not just helping the consumer, but it actually ends up preventing a spiral of default delinquency, costly, you know, ramifications for the market, then, you know, of course, you know, we have to pay for the forbearance in some way, but maybe we don't have to pay as much as we think we do. Because there's actually a market case to be made for it. You can also think about kind of insurance products are really great at this. And there's ways that you could bake in an insurance product that would help cover that, that that spell of a missed payment.

Actually, Massachusetts housing has something like this, that they've been doing for years called Mi plus, it's for all of their low- and moderate-income borrowers. And basically, you know, they know that we're putting individuals into homes, who potentially have lower incomes, and potentially have more income volatility. So we're going to build right into that product, not just mortgage insurance for the lender, but mortgage insurance for the borrower, and all of their borrowers, then if they miss a payment, they get like a six month window, or I'm sorry, if they miss a, if they lose income, they have up to six months to kind of regain their income and get their footing back without being counted as delinquent on the loan. So, it's sort of like in Pennsylvania, I believe, had something similar, you know, there's these little pilots that were happening before in pockets. But I think that this kind of widespread adoption, showed us the kind of the importance of thinking about that more systematically, and how can we, you know, not just focus on not that, you know, increasing benefits during a time of distress is also really important.

But there's also ways in the back end to kind of increase the way we think about or change the way we think about debt programs and debt payments in times of distress. So that's one I think, application. The other one, we stopped our study, this particular study went through June of 2021. We are right now going through December of 2021. And we're going to hopefully be getting data to continue to go forward. I worry about, you know, we were seeing things roquet as of June 2021. So as of June 2021, like I said, those older adults, you know, they weren't worse off per se than the people that have left the labor force pre pandemic, and if anything, maybe their credit, looked like it was being better off in some ways, some indicators like credit score, but I do worry about what's what about the longer term effects for that group. So there have been some other studies that have shown that, you know, the labor force participation rates have rebounded from any age groups, but they and the older adults came back, but they're still below pre pandemic levels. So, and that may be okay. It may just be older adults that were on the verge of retirement, retired and are doing just fine now and are financially stable. But as we know, people are experiencing inflation and household budgets might be tightening. I think it's important to not jump to the conclusion and say, “everybody was fine that those COVID exits, these papers show everything's great. Let's move on.” I think that this hasn't resolved itself completely. The older adults are still more likely to be able to labor force. I think we need to keep monitoring that and monitoring the financial health of those older adults and the implications of that down look down the line.
Host: Jonathon Ferguson  29:49
Yes, continued focus on this would be fantastic. And I, for one, would be incredibly happy to see it: Mortgage changes in a way that enables the consumer to be protected in ways similar to how the lender is. Private mortgage insurance and the mortgage insurance premium—those things are great in that they do provide some security to the overall system and working. But it would be nice to also have some of that security built in so that it is affordable and manageable for people who might experience tough times to kind of carry them through those times. And right now, I think that's a gap, at least on a broad scale. I think if this research speaks directly to that, it would only be beneficial for not just those consumers, but the entire system. If we elevate the consumers, hopefully we elevate the entire system.

Thanks so much for joining us again.

Guest: Dr. Stephanie Moulton  30:54
Thank you so much for allowing me to share the research and talk to your listeners. And yeah, this is a great opportunity. Thank you.

Host: Jonathon Ferguson  31:02
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