



REAL ECONOMIC IMPACT NETWORK: ALTERNATIVE STRATEGIES TO BUILD CREDIT

**August 10, 2016
Washington, DC**

Moderator/Presenter



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Impact Network**
National Disability Institute

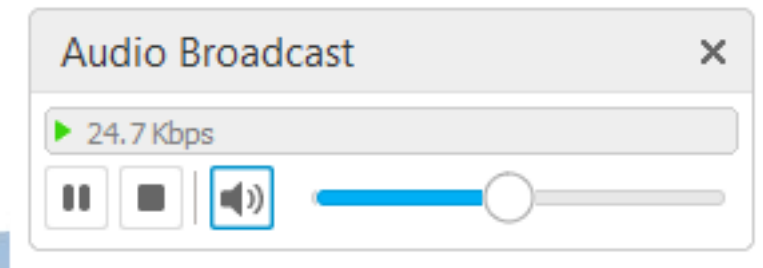


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National Disability Institute

The mission of National Disability Institute is to drive social impact to build a better economic future for people with disabilities and their families.





NDI's Real Economic Impact Network

- An alliance of organizations & individuals dedicated to advancing the economic empowerment of people with disabilities.
- Consists of more than 4,500 members located throughout the United States.
- Includes non-profits, community tax coalitions, asset development organizations, financial education initiatives, corporations & private-sector businesses, federal/state/local governments & agencies, and individuals & families with disabilities.
- All partners join forces to embrace, promote & pursue access to & inclusion of people with disabilities in the economic mainstream.

Learn more about the REI Network at

www.realeconomicimpact.org/REI-Network.aspx

Webinar Objectives

- Define credit building
- Distinguish the difference between credit building and credit/debt remediation
- Understand the importance of credit building for the individuals we support
- Understand how secured cards, credit builder loans and rent reporting are helping individuals build positive credit

Presenter



Carmina Lass
Director of Training and
Consulting
Credit Builders Alliance



**CREDIT
BUILDERS
ALLIANCE**

Helping Nonprofits
Build Stronger Credit
in their Communities



Alternative Strategies to Build Credit

August 10, 2016



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Introduction: Credit Builders Alliance's Mission

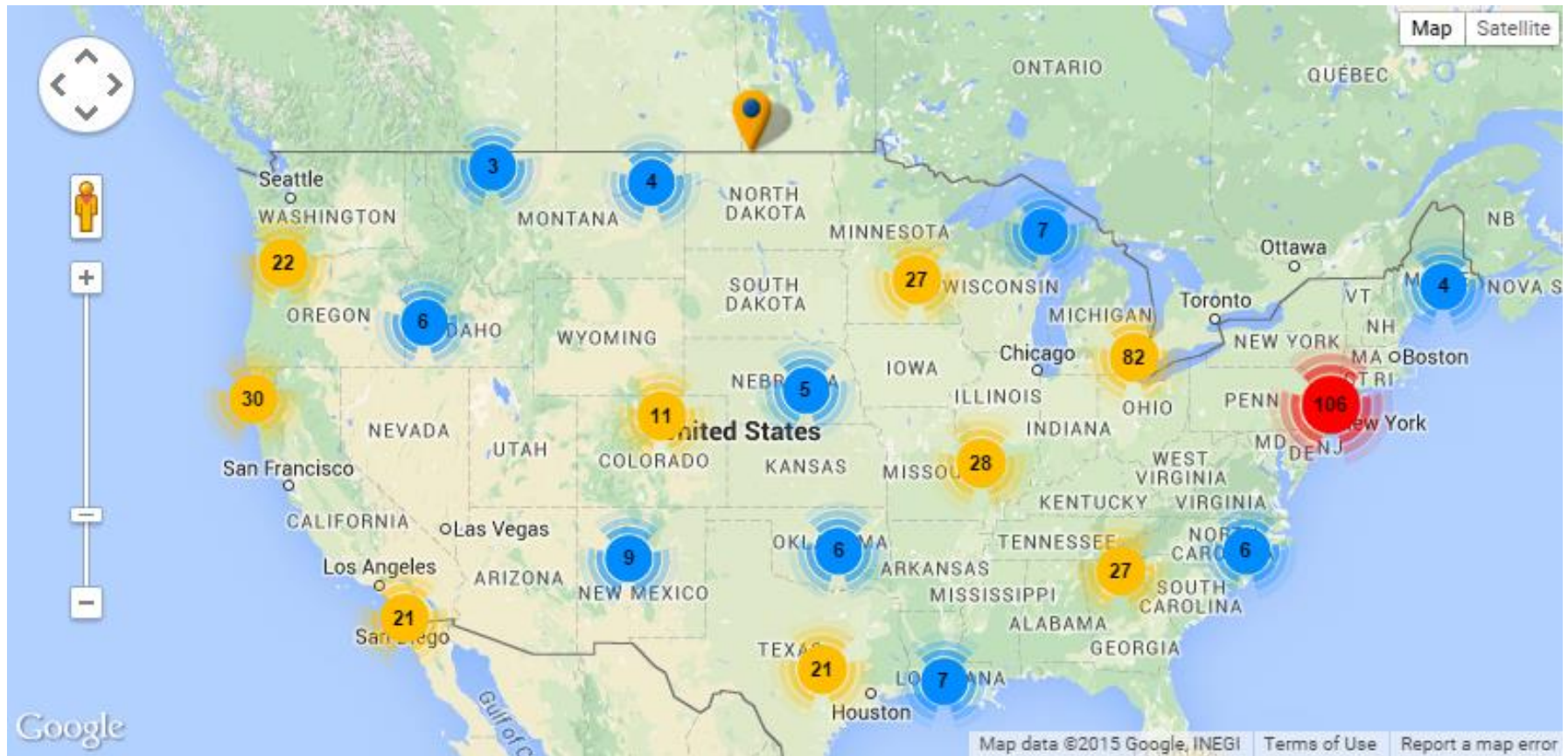


To help organizations move people from poverty to prosperity through Credit Building.

Good Credit is an Asset

Mission driven nonprofits and other entities are uniquely positioned to help the households they serve build credit *as an asset* – often the FOUNDATIONAL asset.

Introduction: CBA Credit Builder Community



Introduction:

CBA's Platform Supports Credit Building...



...Practices by enabling nonprofit and governmental entities to report loans and pull credit reports for underwriting & counseling/coaching



...Practitioners through technical assistance, training, networking & professional development



...Products that offer innovative, replicable and scalable solutions for consumers (including renters) and micro-/small business owners



...Policies that promote consumer, micro-/small business and nonprofit-friendly growth, innovation and development of the field

CBA Credit Building Community

CBA Platform Services



- **Reporter:** Currently **181** CBA Members are reporting **37,044** trade lines each month totaling **over \$1 billion** to the credit bureaus!

- **Access:** Currently **383**, Members are pulling credit reports through CBA. Last month, our members accessed **8,899** client reports!



Why Credit Building?



Good “Credit”: Passport to the New Economy

Why Credit Building?

Credit Realities among US Consumers



64 million U.S. consumers have no or thin credit history (Experian)

- **26 million are credit invisible:** About one in 10 Americans do not have any credit record.
- **19 million have unscored credit records:** About 8 percent of the adult population has credit records that are considered unscorable
 - 9.9 million have an insufficient credit history
 - 9.6 million lack a recent credit history



(CFPB)

Why Credit Building?

Credit Realities among US Consumers



- **Less than half of Americans have what is considered to be a “prime” credit score**

(CFED)

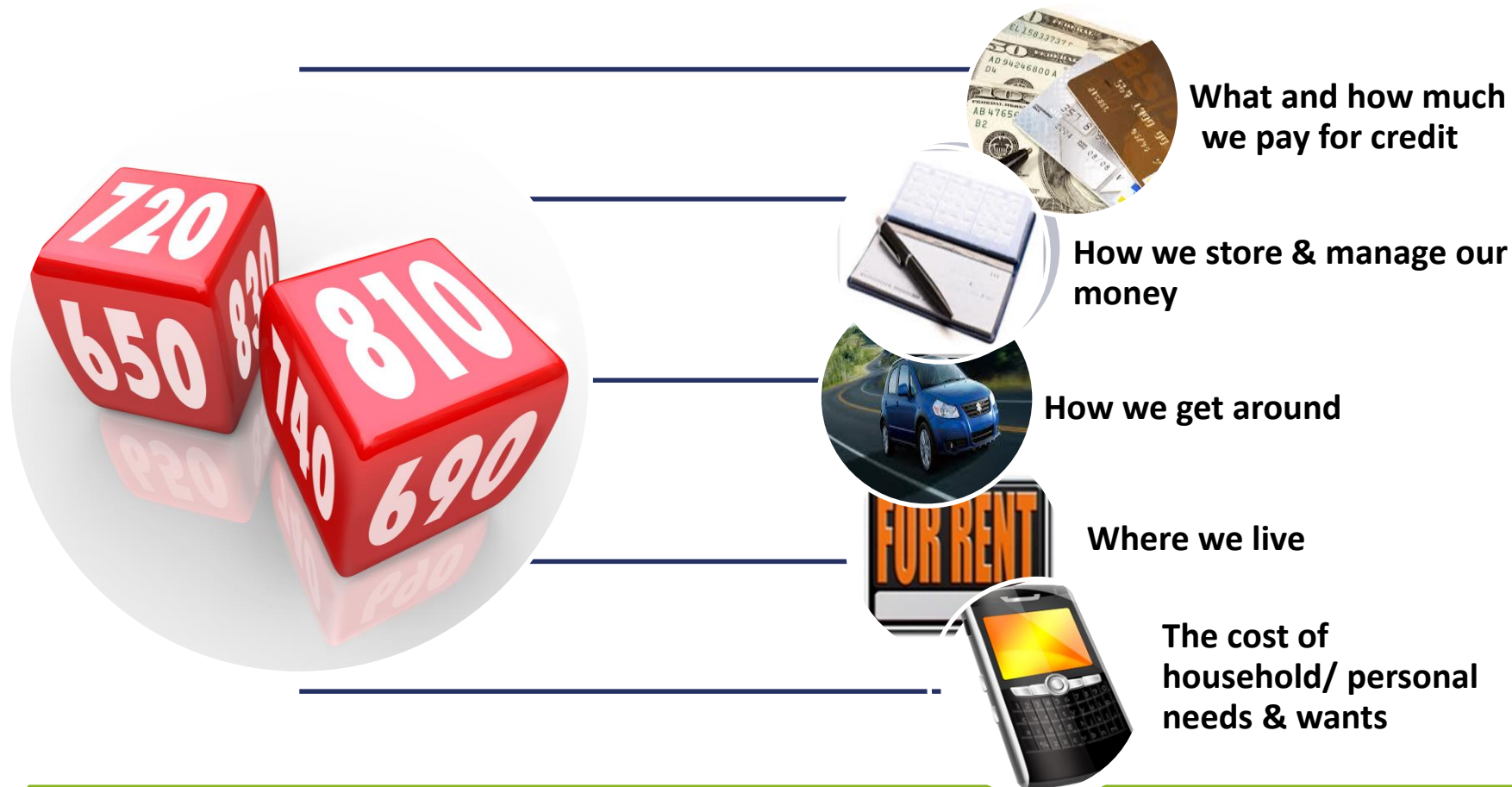
- **Consumers in low-income neighborhoods are more likely to be credit invisible or to have an unscored record**

- **Black and Hispanic consumers are more likely to have limited credit records**

(CFPB)



Why Credit Building? Increases Options



Why Credit Building?

Increases Cash Flow & Savings



Potential Savings
each month = \$67
over 5 years = \$4,020

Potential Savings
each month = \$192
over 30 years = \$69,280

\$10,000 auto loan 5 year term

\$100,000 mortgage 30 year fixed

Score	Interest Rate	Monthly Payment	Score	Interest Rate	Monthly Payment
500	17%	\$249.00	<620	N/A	N/A
620	11%	\$217.00	620	5.6%	\$1,153
720	3%	\$182.00	760	4%	\$960

Source: www.myfico.com

Why Credit Building?

Improves Asset Building Potential



620+



650+



Federal Reserve's 2014 Joint Small Business Credit Survey found that the top reason for denial of credit to micro and small businesses was "Low credit score"

What is Credit Building? Definitions



CREDIT BUILDING: *The act of making on-time monthly payments on a financial product such as an installment loan or a credit card that is reported by the creditor to the major credit bureaus.*

CREDIT BUILDING \neq Credit repair

CREDIT BUILDING \neq Credit remediation/debt management alone



What is Credit Building? How?



Q:

How do you build credit?

ESTABLISH & MAINTAIN ACTIVE TRADE LINES =

ON-TIME payments

REPORTED to a credit bureau

EVERY month

BUILDS credit

A:

What is Credit Building?

What is an Active Trade Line?



An Active Installment (loan):

- Has a Balance
- Has a monthly payment
- Is not closed



What is Credit Building?

What is an Active Trade Line?



An Active Revolving (credit card):

- Doesn't need to have balance or payment
- At least one payment has been made in the past 6 months (date of last activity)



What is Credit Building?

More on Active lines...



- An open line of credit is not the same thing as an active trade line -- just because it doesn't say closed/paid doesn't mean it's active
- Only time will heal the negative impact of a late payment on an active trade line
- A student loan in deferment is not active, but has the potential to be active
- A loan paid off is no longer active
- A collection/charge-off can never be an active line of credit

What is Credit Building?

Best Practice

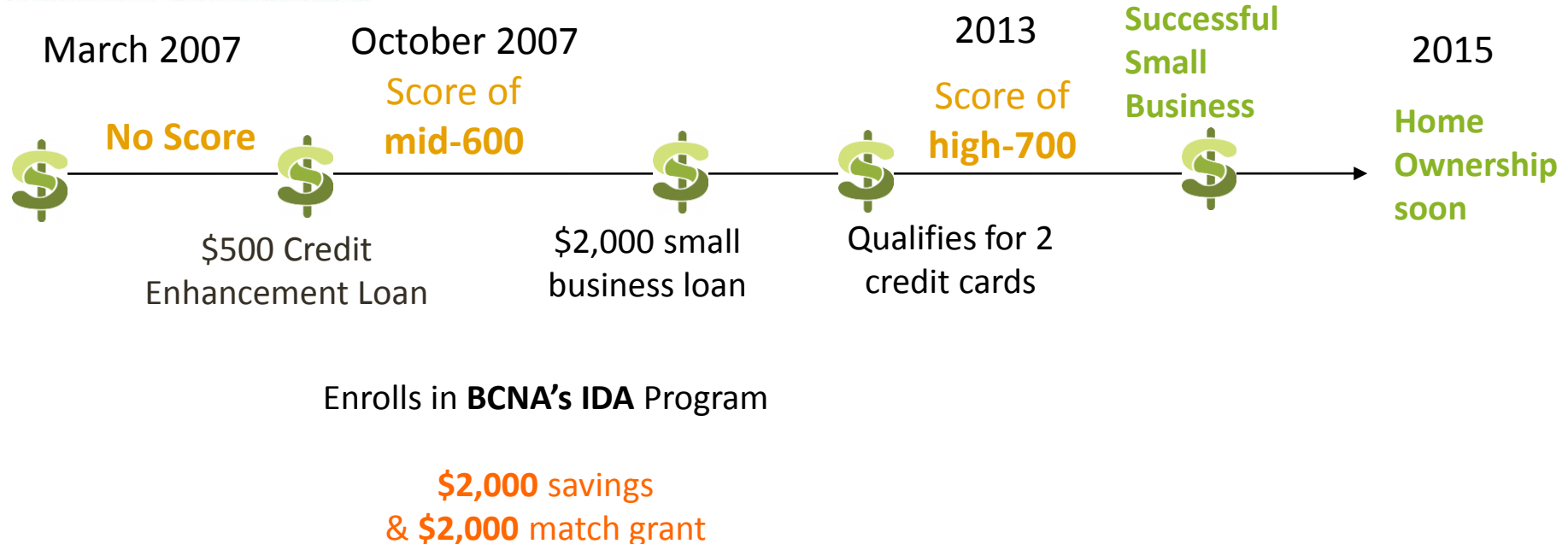


- ✓ **3 ACTIVE** trade lines always paid **ON-TIME!**
- ✓ **MIX** of installment and revolving
 - ✓ *Installment:* assess affordability of monthly payment
 - ✓ *Revolving:* maintain debt balance below 30% & don't use for general consumption
- ✓ **6 months** of history...and activity
- ✓ **PAIR** with credit education & support

Example: Success in Credit Building



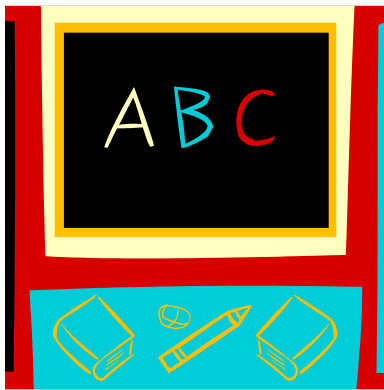
**BUSINESS CENTER
FOR NEW AMERICANS**



Credit Building= Financial Capability



Education



Product



Every monthly payment reinforces positive financial habits!

Credit Catch 22



I can't get credit because I have bad/no credit because I can't get credit because I have bad/no credit

Alternative Strategies for Credit Building



- Starter products:
 - Credit Builder Loans
 - Secured Credit Cards
- Special purpose consumer loans
- Social Loans
- Rent Reporting
- Alternative Credit Scoring for credit invisible and “thin” file consumers

Helping your clients build credit

How CBA Members Do It...



Create referral relationships with financial institutions

Partner with responsible lenders to offer new products

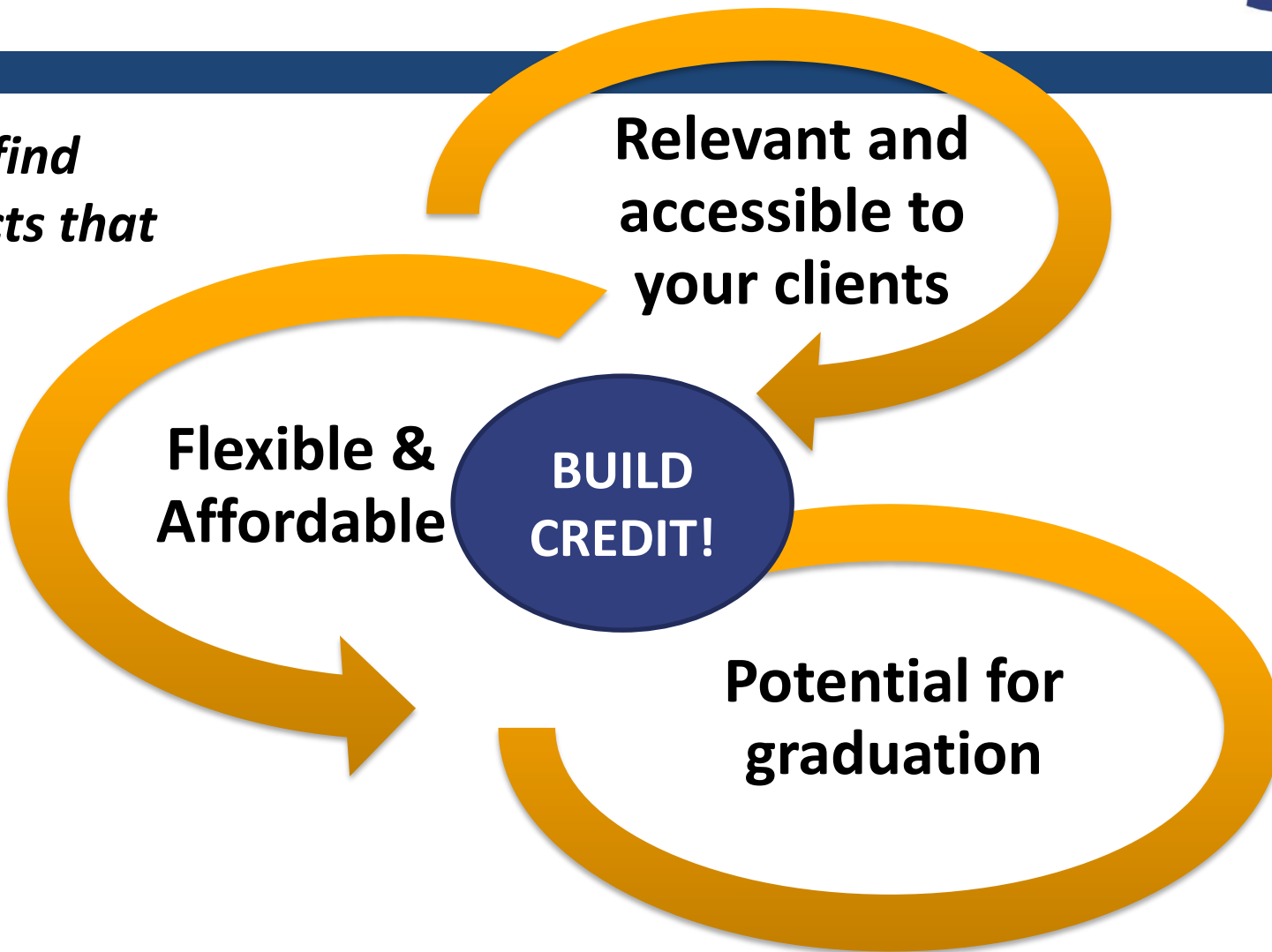
Offer & report their own products!

Helping your clients build credit

What to look for



Try to find products that are:



Product Models of Success



Credit Builder Products can serve many different people and purposes.

Assistive Technology Loans
Credit Building IDAs
Immigration Loans
Referrals to banks and credit unions
Auto Loans Social Loans Specific Purchase Loans
Financial Capability
Credit Builder Loans
Point of transaction education
Appliance loans Microenterprise Loans
Home mortgage loans Peer Lending Circles
Employer-based lending
Payday Loan Alternatives

Credit Builder Loan Characteristics



- Installment loan with 0% interest
- 100% secured, loan disbursed after 12 monthly payments
- Choose your loan amount
 - \$150 loan with 12 monthly payments of \$12.50 (individuals only, no couples)
 - \$300 loan with \$25 payments for 12 months
 - \$600 loan with 12 monthly payments of \$50
- Automatic enrollment in autopay from your bank account
 - Payment due dates 5th or 20th



- We report your on-time monthly payments to the three credit bureaus
- Non-refundable \$25 application processing fee due with application (\$35 for dual applicants)
- \$25 loan processing fee (\$35 for dual applicants)
- Average score improvement:
 - 677 if you start with no score
 - Gain 42 points if you start with a score

Secured Credit Cards



What are Secured Credit Cards?

A secured card is a bank credit card backed by money that you deposit and keep in a bank account. That account serves as security for the card. If you don't pay your bill, your deposit may be used to cover that debt.



Helping your clients build credit

Product models of success



Independence is priceless.
We make it affordable.



Washington Access Fund
1437 South Jackson Street, Suite 302
Seattle, WA 98144
206-328-5116 Voice
1-877-328-5116 Toll Free
206-328-5126 Fax
Email: info@washingtonaccessfund.org

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[APPLY FOR LOANS](#)

ASSISTIVE TECHNOLOGY LOANS

Loan Details

- Loan interest rate is 5.0%.
- Loans up to \$25,000 in Washington and \$10,000 in Oregon.
- Loan terms can range up to 5 years depending on the expected life of the assistive technology purchased and the borrower's budget.

Eligibility

Washington and Oregon residents of all ages with disabilities of all types, including seniors with age-related functional limitations, are eligible. [Click here](#) for a loan application checklist to find out if you are ready to apply.

Payment Calculator

LOAN

Resize Text

REG LRG XL

Reset Text Size

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Go

Support Us

Helping your clients build credit Products in your community



Find a Member

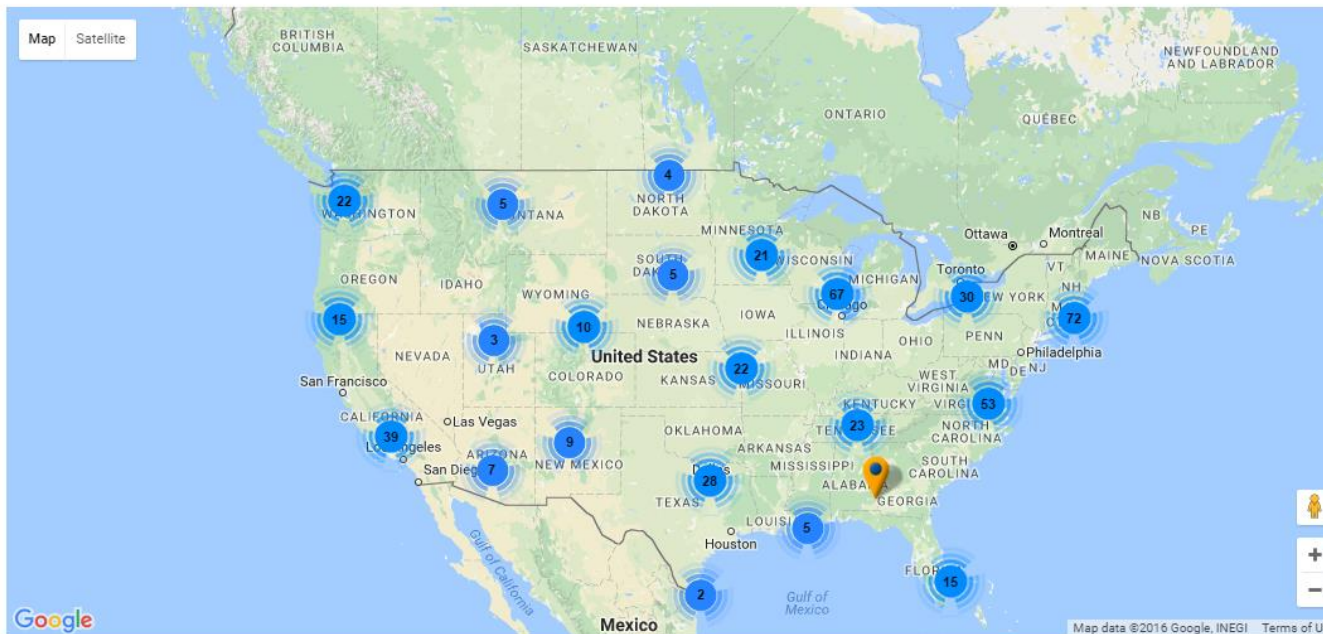
Search for...

Select State...

Puller Status...

Reporter Status...

Found 468 member(s):



Helping your clients build credit Products in your community



AssetPlatform.org
Financial tools to serve your community

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PRODUCTS

[Credit Union Locator](#)

If you don't already have relationships with credit unions in your area, the AssetPlatform can help you find one for your clients through its Credit Union Locator.

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Avg. rating

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Free for AssetPlatform members on

[Financial Products Locator - Credit Unions](#)

Use [this](#) locator to find a credit union in your area that has the following specific products:

Credit Builder Loans

Micro Consumer Loans

(Alternative) Payday Loans

Share Secured Credit Card

Small Denomination Certificates of

Deposit

Favorites

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Promoting Savings Accounts

Promoting Savings Bonds

Doorways to Savings

SavvyMoney Checkup

Navigating the Terrain: Fast Cash

Helping your clients build credit Products in your community



The payday loan trap: don't get caught

Short-term, high-interest payday loans can trap you in a cycle of debt. NerdWallet is here to help.



Stop and think

Payday loans can ruin your family's finances. Interest rates can top 1,000%, and nearly half of borrowers default inside two years.



Explore other options


Search the alternatives below, borrow from friends or family, ask your boss for an advance, or even use a pawn shop — anything but a payday loan.

Interested in speaking to certified credit counselor in your area right now?

Click to call [1.800.388.2227](tel:18003882227)

Showing 1 - 8 of 66

Re

Lender & loan type	Service	Loan uses	Loan amount
Rental Assistance 	Assistance	Rent	Varies

Learn More

www.nerdwallet.com/payday-loan-alternatives



CBA RENT REPORTING FOR CREDIT BUILDING

A NEW Way to Build Credit!



What is rent reporting?

Regular monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on consumer credit reports

What is rent reporting for credit building?

The pairing of rent reporting with credit/financial coaching and/or education and asset building programs for the purpose of supporting residents to build credit as a foundational asset and leverage improved credit to achieve financial goals



CBA RENT REPORTING FOR CREDIT BUILDING

A NEW Way to Build Credit!



Residents gain the opportunity to build credit without assuming additional debt through the establishment of a new, positive, active trade line on their traditional consumer credit report

Resident Service Providers gain access to a credit building product/tool which they can wrap coaching and education around and directly provide residents with means to measurably improve their credit profile

Property Managers gain the opportunity to a positive incentive for on-time rent payment and a competitive advantage in recruiting new residents.



CBA RENT REPORTING FOR CREDIT BUILDING

A NEW Way to Build Credit!



CBA's Power of Rent Reporting Pilot Results:

- **100%** of residents who initially were unscorable became **SCOREABLE** by VantageScore 3.0
- **79%** of residents experienced an increase in their credit score by an average of **23 points**
- **90%** of residents with a subprime initial score experienced an increase by an average of **32 points**

Alternative Credit Scoring



- FICO[®] Score XD
- LexisNexis RiskView
- Alternative underwriting models



Updates in consumer credit scoring

Starting Sept 2017

Medical Debt

- Creditors cannot report medical collection accounts less than 180 days old
- Must report a deletion for accounts that are being paid or were paid in full through insurance





Updates in consumer credit scoring

Starting June 2016

- Debt collectors must report the name of the original creditor and creditor classification code
- Debt collectors cannot report debt that did not arise from a contract or agreement to pay & must institute a process to remove such data from consumer credit reports (example: Traffic tickets)

Helping your clients build credit

Who is ready?



**Credit Building
isn't for
everyone!**

Helping your clients build credit

What is the Goal?



Why does your client want to build their credit?

Credit building is much more effective when connected to tangible short-term and long-term financial goals.

Helping your clients build credit

Financial Responsibility



Is your client financially able to successfully manage credit accounts?

The success of credit building depends on a consumer's ability to continually make on-time payments on active credit accounts.



Helping your clients build credit

Financial Stability



Does your client have the financial stability to be able to afford and maintain credit accounts?

Clients who are in financial crisis or who have unstable incomes may not be ready for credit building. Opening credit accounts that cannot be maintained will hurt, not help credit scores.

Helping your clients build credit Profile



Does your client's credit profile support credit building?

Clients who have lots of outstanding debt, 3 or more active tradelines, lots of outstanding collection accounts, or are considering bankruptcy or foreclosure are probably not ready to build new credit.



Who is ready to build credit?



No File	Thin File	Thick(er) File
Ability to make on-time payments!!!		
No credit score	No credit score or credit score	Credit score
No credit report	Less than 3 open & active trade lines	Generally no more than 3-5 open & active trade lines
No open or active trade lines	Accounts in collections only	No mix of credit type



Helping your clients build credit

Product Eligibility



Can your client rehabilitate existing accounts or qualify for new credit products in your community?

Consider how your clients' credit profile might impact their ability to access affordable credit products and what barriers might prevent them from doing so.

Helping your clients build credit

In summary



- What credit-building product (s) would be most helpful?
- What is the client ready and eligible for?
- Is there potential for ongoing credit building?



Who is not ready to build credit?



- In “crisis mode”
 - Strong tendency to miss payments
 - Struggling with paying basic bills
 - Revolving credit with utilization rate of 30% or more
- Large accounts in collections
- At risk of garnishment
- Contemplating foreclosure or bankruptcy (or in process)

**NOT READY
TO OPEN
NEW
ACCOUNTS!**

Get Started with CBA!



Write or call to get started!

CBA Membership Team

202-730-9390

membership@creditbuildersalliance.org



**CREDIT
BUILDERS
ALLIANCE**

QUESTIONS?

DISABLED POVERTY is a grassroots campaign which aims to increase awareness about the nearly one in three Americans with disabilities that live in poverty and remain outside the economic mainstream.

THE TWO OVERARCHING GOALS OF THE CAMPAIGN, TO BE ACHIEVED IN THE NEXT 10 YEARS, ARE TO:



50 ▼

DECREASE the number of working-age adults with disabilities living in poverty **by 50%**



50 ▲

INCREASE the use of mainstream banking products and services among Americans with disabilities **by 50%**

**TAKE THE PLEDGE AT
DISABLEDPOVERTY.ORG**

DISABLED POVERTY

National Disability Institute | realeconomicimpact.org



Join the Movement!

NDI's Real Economic Impact Network

Sign-up at bit.ly/NDI-sign-me-up

If you have questions on strategies to build the financial wellness of persons with disabilities, you can send your question to ask@ndi-inc.org.



Wrap-Up & Thank You

Join us for our next webinar:

Wednesday, September 14, 2016 at 3 pm ET

Motivational Interviewing: An Approach That Makes a Real Economic Impact

***Presenter: Sue Rogan, AFC® certificant,
Director of Financial Education, MD CASH
(Creating Assets, Savings and Hope) Campaign***

More information about this webinar will be sent out to the REI Network list via email in the coming weeks.

Check out future webinars and archived webinars (such as today's recording),

www.realeconomicimpact.org

Join Ticket to Work for the next webinar!



Ticket to Work: Working for a Federal Contractor

Date: Wednesday,
August 31, 2016

Time: 3:00-4:30 PM, ET

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or call 1-866-968-7842 (V) or 1-866-833-2967 (TTY).

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