



**CREDIT  
BUILDERS  
ALLIANCE**

Helping Nonprofits  
Build Stronger Credit  
in their Communities



# Credit Building is Asset Building

CFED September 2012



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# First Impressions



Credo: CRED o (kreed' o) v.  
trust

Credit : CRED it (kred' it) n.  
value; worth

# CBA Mission



Create innovative solutions for asset building organizations to help low and moderate income families build strong credit and financial access in order to grow their businesses and/or personal assets.

# Credit is Asset



*“Enabling CBA’s clients to report data to us expands the credit system to many individuals who have not had the benefits of an established credit history in the past. We applaud CBA for their pioneering work, and we are looking forward to seeing the results of our joint efforts.”*

Zaydoon H. Munir, Sr. Vice President, Experian

# Catch-22



**Good Credit scores provide access for most  
business transactions**

**BUT**

Individuals, entrepreneurs and communities  
with low or poor traditional credit have few  
opportunities to build good credit

# Credit Builder 5-Step<sup>®</sup>



## Step 1: Rethink: Credit = Asset

- Impart importance of good credit

## Step 2: Know the Score

- Pull a credit report – Financial Resume – at every client intake

## Step 3: Get Good Stuff Going

- Build good credit first before dwelling on bad debt.

## Step 4: Create a Credit Action Plan

- Integrate credit into income, saving, debt reduction, asset accumulation, budget, and cash flow goal planning.

## Step 5: Celebrate Success! Credit Outcomes

- Credit report outcome tracking helps you and your client stay on track!

# CBA Theory of Change



## **“Credit is a Financial Asset”**

Good credit rating will save approximately \$250,000 in interest throughout our working lives

**A car buyer can save \$50/month on a 36-month car loan.**

**A renter has access to apartment in community with good schools**

**Consumer has security and utility company deposits.**

# Good Credit Saves



## \$10,000 auto loan, 5 year term

Score	Interest Rate	Monthly Payment	Total Interest Paid
Low	25%	\$294.00	\$7,611.00
Okay	12%	\$222.00	\$3,347.00
Excellent	5%	\$189.00	\$1,323.00

**Potential Savings over 5 years = \$6,288**

Source: [www.bankrate.com](http://www.bankrate.com)



# Two-Tiered Financial System



Credit Card(PIF)	➔	0% loan 30 days
Credit Card (balance)	➔	22% APR
PayDay Loan	➔	400% APR

# Good Credit = Asset



**Yes!** helps families build wealth – a home, a business, education.

**Yes!** offers access to safe, affordable financial services

**Yes!** impacts opportunities with growing number of businesses:

- landlords/rental housing
- insurers
- auto lenders
- employers
- banks -- checking, savings, and investment accounts
- utilities and phones
- medical providers

# Credit Building



**There are many ways to damage or repair credit  
and  
only ONE way to BUILD CREDIT!**

**ON-TIME payments  
REPORTED to a credit bureau  
EVERY month  
BUILD credit.**

# Financial Capability



If you emphasize the importance of good credit and credit scores in your TA and education.....

Helping your clients open a credit account that reports turns knowledge into measurable action that builds credit.

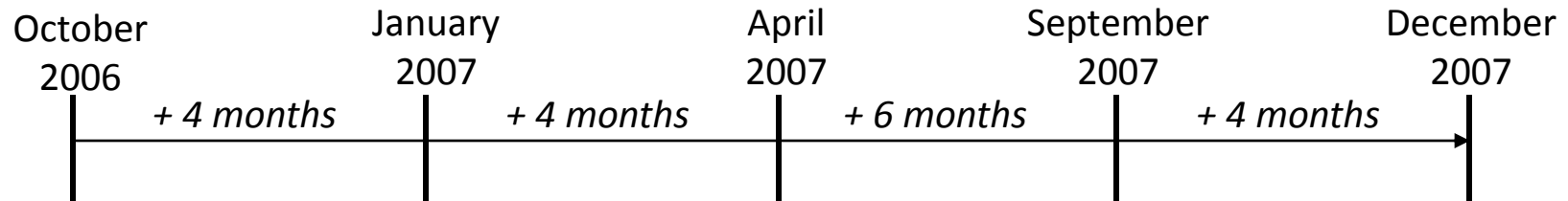
**EACH MONTHLY PAYMENT IS  
A TEACHABLE MOMENT!**



# Citizen Potawatomi CDC



## Ms. Young



Ms. Young comes to CPCDC with nearly \$19,000 in debt. She enrolls in the credit builder IDA program.

**Initial credit score = 476.**

Takes out \$500 employee loan and starts making on-time reported payments.

Uses EITC refund to pay off \$2,500 in collections and payday loan debt.

Completes IDA program: saved \$786 (\$2,359 with match). Uses IDA savings to pay back debt.

Completed 42 hours of financial education.

**Credit score is 603.**

# Impact – Jessica's Story

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Nov 08:

- No assets; No credit score; No checking account

Jan 09:

- Opens IDA; Enrolls in Financial Education

Mar 09:

- Joins 1<sup>st</sup> Cesta, \$800

Jul 09:

- Applies for a secure credit card from MCU

Sept 09:

- **623 Credit Score**

Oct 09:

- Joins 2<sup>nd</sup> Cesta \$2,000

Dec 09:

- \$6,000 in IDA savings

Jan 10:

- Gets \$2,500 loan from MCU to buy \$8,500 car

Jul 10:

- Joins 3<sup>rd</sup> Cesta \$3,000

Nov 10:

- **703 Credit Score**



My name is Antonio De Leon. After about a year making monthly payments, I needed another loan for store improvements: get the deli running, install an exhaust fan, repair the ceiling and upgrade an old refrigerator. I turned to FINANTA for \$6,500. When my credit report was pulled, I had a score of 705. I was thrilled! This was the first time I had credit, starting with a good credit score. FINANTA approved the new loan, and my business has grown, resulting in higher revenue and lower expenses.

## FINANTA



# Join CBA!



## Three ways to be part of CBA:

**CBA Reporter.** Community lenders can provide borrower data through our unique partnerships with major credit bureaus – consumer, small business, rent!

**CBA Access.** Nonprofits organizations can pull credit reports for lending, credit education, and measuring outcome.

### **CBA Member.**

**CBA Toolkit** is an online resource to collect and share tools and best practices for asset-based credit building strategies.

**Webinars and Workshops** as webinars and on-site trainings.

**Consulting** product development, outcome tracking

**Credit Outcome Tracking** credit reports as *cost-effective, objective, longitudinal* measure of economic self-sufficiency.