



**CREDIT  
BUILDERS  
ALLIANCE**

Helping Nonprofits  
Build Stronger Credit  
in their Communities



# Credit Outcome Tracking for Asset Builders

CFED ALC September 2012



© 2012 Credit Builders Alliance, Inc. Some rights reserved.

Credit Builders Alliance ("CBA"), a not-for-profit organization, makes this information available for informational purposes only. This information is not intended as legal, financial, or other advice, and you and your clients should consult qualified advisors before making any decisions. CBA does not represent that any of the information will produce results.

# 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.

# CBA Work



## CBA implements its mission via 3 main activities:

### Innovative Products and Services

**CBA Reporter** community lenders report borrower data through our unique partnerships with major credit bureaus: Experian, TransUnion, Duns&Bradstreet

**CBA Access** nonprofits access low cost credit reports for lending, credit education, and outcome tracking research

### Knowledge Sharing

**“Credit is an Asset” Training Workshops**

**Credit Building Product Development**

**CBA Toolkit** online resource sharing tools, strategies and best practices

**Changing Industry Updates** RentBureau, ChexSystems, Score Disclosure, etc.

### Outcome Tracking Research and Awareness Raising

**Credit Outcome Tracking and Longitudinal Research**

# Workshop Goals



Define and provide frameworks and tools for:

-  Credit Outcome Tracking
-  Score2Save Tracking

Including tools for:

-  Qualitative Tracking
-  Quantitative Tracking

# Credit Outcome Tracking



**How do you  
create programs and activities  
to create credit outcomes?**

# 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 Report

-- it is their FINANCIAL RESUME

MIND THE GAP

# CBA Theory of Change



**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.**



# Get Good Stuff Going



## Asset-Based Approach to Credit Report

### What's on the Credit Report?

**No Credit**

**Open Debt Balances**

**Active Credit**

### What needs to be on the Credit Report?

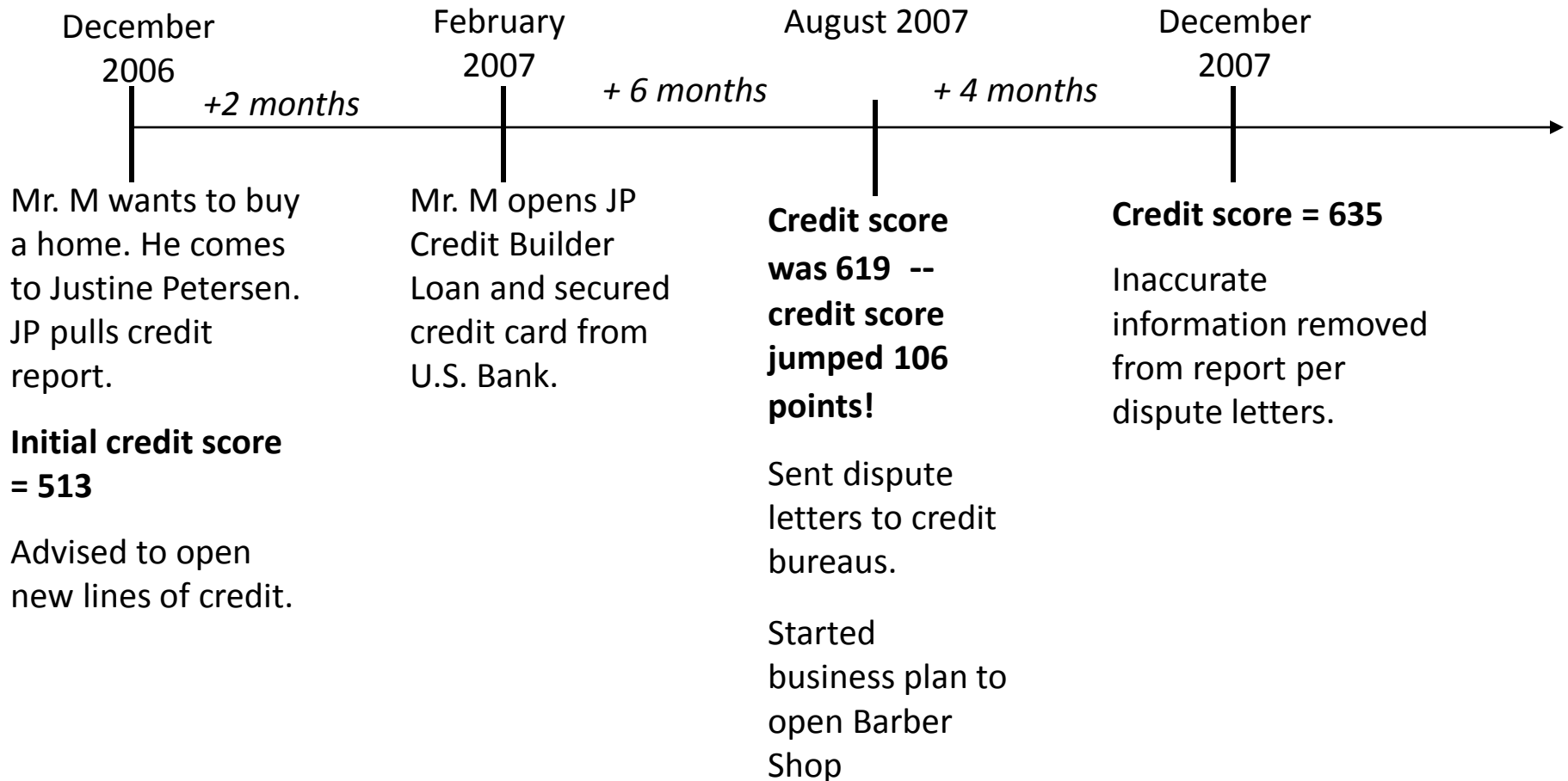
**Active Credit**

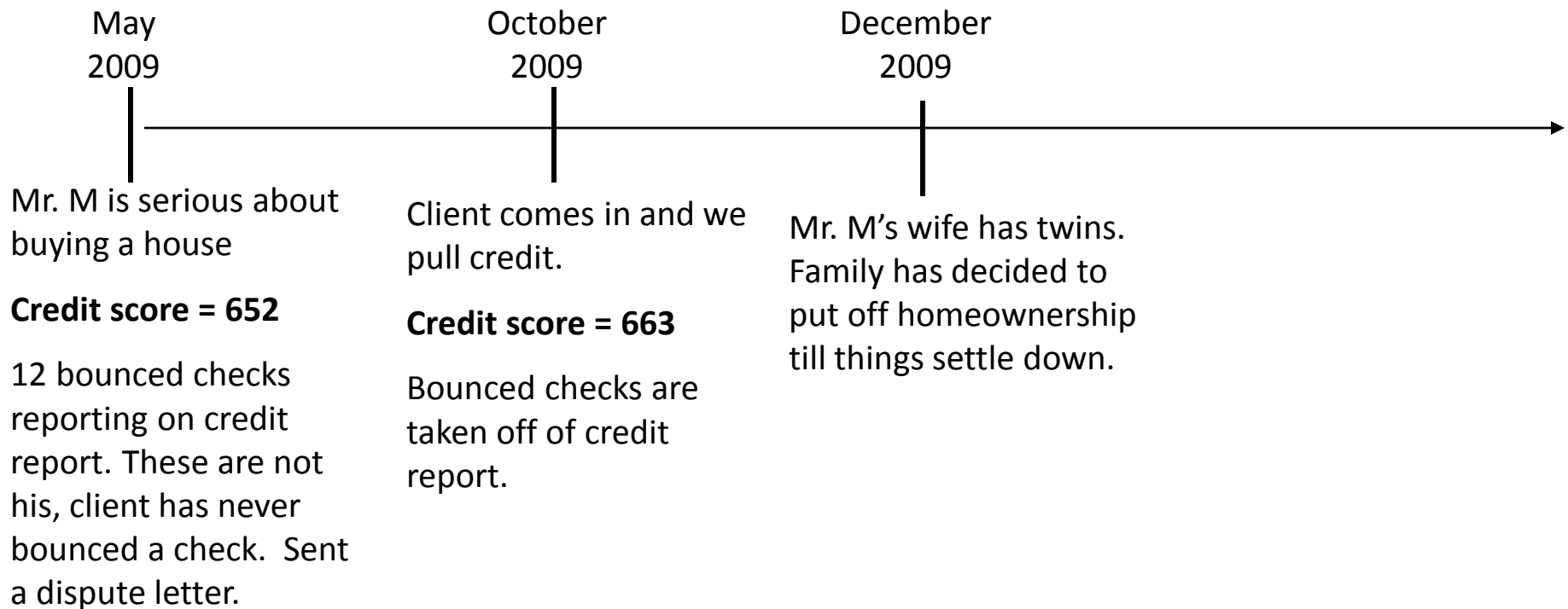


Loan Amount: \$150.00  
Interest Rate: Flat \$30.00  
Term: 12 months  
Monthly Payment: \$15.00

#### Success:

- Ms. Jones filed Chapter 7 Bankruptcy in January 2006. In September 2006, her credit report accurately reported zero balances on all accounts and no credit score. She opened a Credit Builder Loan and made six on-time payments. In February 2007, her credit score is 637.
- Ms. Clemons had \$4,500 in unpaid collections and a \$1,500 civil judgment. In July 2006, she had no good lines of credit. Her credit score was 457. In September 2006, she opened a Credit Builder Loan and a US Bank secured credit card. She made six on-time payments to each. In February 2007, she still had \$6,000 in unpaid collections and civil judgment and her credit score is 557 - a 100 point increase.







## Credit Builder Loan

### Client Profile:

More than 50% of 1,000 clients has no credit profile

Other 50% have credit score average of 600.

Most low score from default/bad tradelines only.

Lots of Payday loan debt led to debt consolidation loan

**Product Loan Amount:** up to \$2,500

**Term:** 24 months

**Interest Rate:** 10.25% -12.25%

### Process:

- 1) Credit report review
- 2) Confirm outstanding debt
- 3) Complete Credit when Credit is Due course
- 4) Receive loan up t \$2,500 to pay off debt
- 5) Build credit history and access business loans

# Credit Outcome Tracking



**How do you define  
credit outcomes?**

# Credit Outcome Tracking



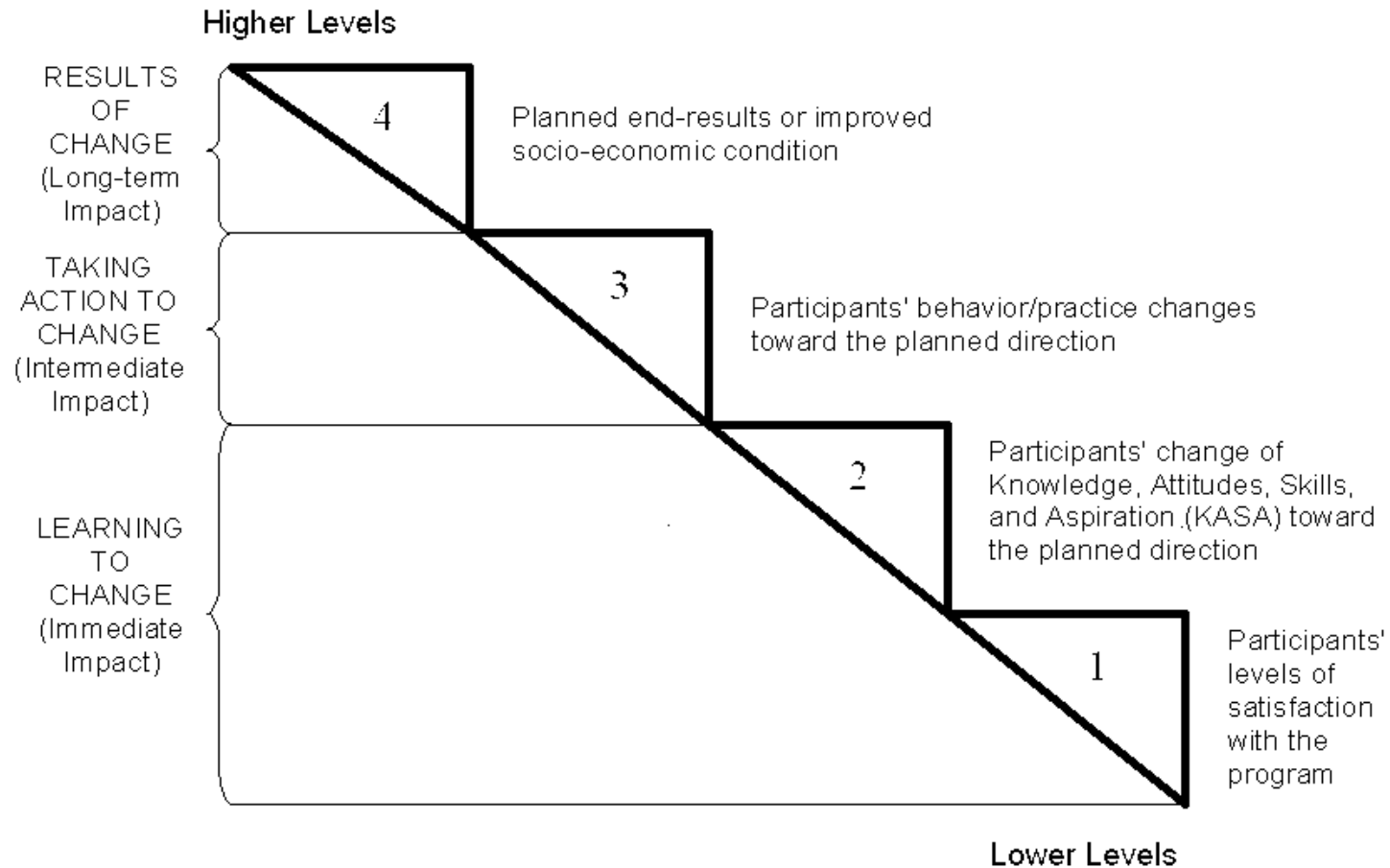
Credit are a *cost-effective objective longitudinal* measure of financial behavior and behavior change to look at client and community outcomes.

Credit reports and scores are recognized and understood by many types of businesses = don't need to explain as indicator.

# NEFE Impact Hierarchy



**Diagram 2. Impact Hierarchy**





# Indicators from Credit Report



- Types of Financial Relationships
- Payment Behavior
- Debt
  - Total Debt
  - Debt to Credit Ratio
- Use of Credit Cards
- Access: Credit Score
- Possible Other: Asset Purchase and Maintenance (home, vehicle), Interest Rates

# Credit Outcome Tracking



## Celebrate Success!

- Credit Outcome Tracking
- Credit score = Financial Access
- New Financial Relationships
- Fewer Delinquencies
- Better credit, less debt



### **Credit Builder Tools:**

- Credit Outcome Template
- Credit Outcome Timelines

# Celebrate Success



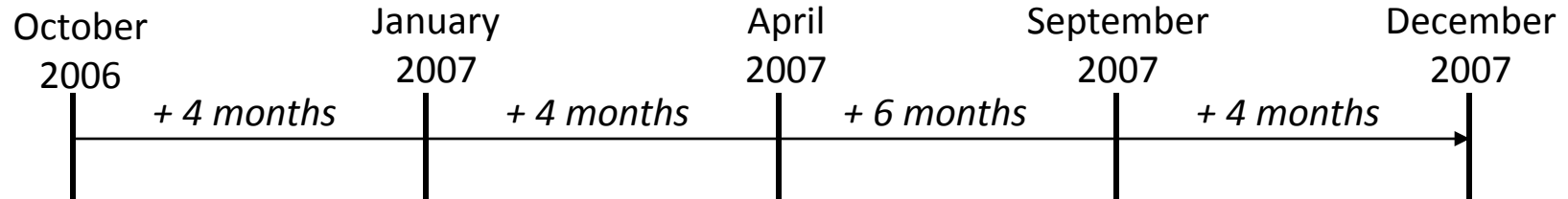
1. Show Financial Behavior Change and Credit Score Change
2. Identify specific advice/activities that impacted behavior and credit score –  
i.e. new financial institution credit line, on-time payments, reduced debt to credit limit
3. Convey how activities helped client access assets  
i.e. purchased car/home, increase savings, decreased debt
4. Tell a good story!
5. Demonstrate purposeful use of credit report info for tracking



# 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.**

# Indicators from Credit Report



## **Relationship with Financial Institutions**

- Worksheet 1: Client's Financial Relationships ~ Point in Time
- Worksheet 2: Client's Financial Relationships ~ Change Over Time
- Worksheet 3: Aggregate Summary of Clients' Financial Relationships

## **Payment Behavior**

- Worksheet 4: Client's Payment Behavior ~ Point in Time
- Worksheet 5: Client's Payment Behavior ~ Change Over Time
- Worksheet 6: Aggregate Summary of Clients' Payment Behavior

## **Debt Management**

- Worksheet 7: Client's Debt Management ~ Point in Time
- Worksheet 8: Client's Debt Management ~ Change Over Time
- Worksheet 9: Aggregate Summary of Clients' Debt Management

## **Credit Card Usage**

- Worksheet 10: Client's Credit Card Usage ~ Point in Time
- Worksheet 11: Client's Credit Card Usage ~ Change Over Time
- Worksheet 12: Aggregate Summary of Clients' Credit Card Usage

## **Access to Credit**

- Worksheet 13: Client's Credit Score ~ Point in Time
- Worksheet 14: Client's Credit Score ~ Change Over Time
- Worksheet 15: Aggregate Summary of Clients' Credit Score

# Indicators from Credit Report



Last name, first initial

Date of intake

Credit score at intake

# of active lines of credit

# of revolving

# of installment

# of 30 day lates on Active lines of credit in the past 24 months

# of 60 day lates on Active lines of credit in the past 24 months

# of 90+ day lates on Active lines of credit in the past 24 months

Amount in collections/charge-off

Amount in public records (tax liens, public records, etc..)

Has the client been dismissed/discharged from a bankruptcy in the past 24 month

Gross annual income

Discretionary income (left over income after expenses on budget)

Was credit building product recommended?

If not, why?



## And the results are in...

### Product Launch: August 2010

20 loans      0% losses      0% delinquencies

#### Intake:

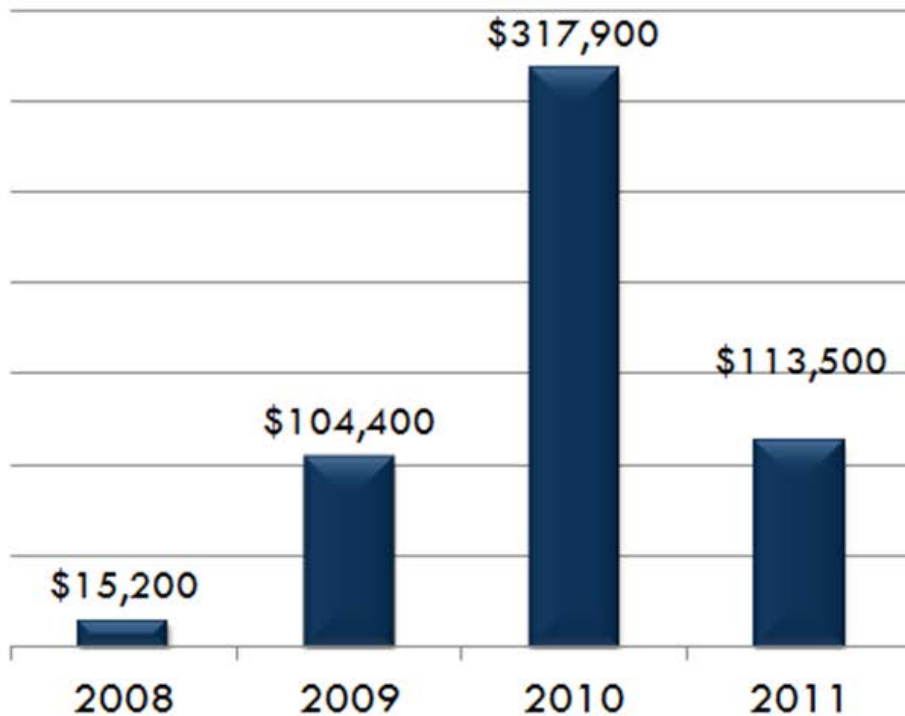
540 Median FICO

38% no score

#### 3 Months Later:

621 Median FICO

88% increased score



- Zero default rate
- Increase of 49 points in credit scores
- Decrease debt by \$1,209
- Increase of 4 trade lines

- \$551,000 total loan volume
- 295 participants; 73% women
- 324 loans; \$1,725 per loan





Beyond Credit Outcome Tracking – or the information  
ON a credit report

to

Compute Savings and Assets clients with improved  
access and credit



# Many ways to Calculate Savings!

- ✓ Reduce loan interest and fees
- ✓ Reduce expenses
- ✓ Increased income
- ✓ Access
- ✓ Time
- ✓ Quality of life



## Be Creative in Calculating Savings!

### **Savings = Reduced Loan Interest and Fees**

- 💰 Lower interest rates
- 💰 Smaller monthly payments
- 💰 Avoiding late fees
- 💰 Steering clear of predatory loans
- 💰 Avoiding loans

# 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)

# Good Credit Saves



30 year fixed mortgage of \$300,000		
FICO score	Monthly Payment	Total Interest
620	\$1,815.00	\$353,400.00
650	\$1,711.00	\$315,960.00
700	\$1,559.00	\$261,240.00

**Potential Savings over 30 years = \$92,160**

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

# Two-Tiered Financial System



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



# Be Creative in Calculating Savings!

## **Savings = Reduced Expenses**

- 💰 Efficient car = less gas
- 💰 Savings in bank = less bank fees
- 💰 Reduced Insurance (Oregon Law)



# Be Creative in Calculating Savings!

## Savings = Increased Income

- 💰 Increased business revenue
- 💰 New job
- 💰 Career Advancement/Promotion
- 💰 Raise
- 💰 EITC Refund





# Be Creative in Calculating Savings!

## Savings = Access

- 💰 Eligible to rent or buy a home
- 💰 Rental apartment in good school district
- 💰 Eligible to buy a car
- 💰 Eligible for checking and savings account



# Be Creative in Calculating Savings!

## Savings = Time

- \$ No more public transportation
- \$ Less time looking for loan



# Be Creative in Calculating Savings!

## Savings = Improved Quality of Life

- 💰 Self-respect
- 💰 Optimism
- 💰 Restoration of Hope



# Today's Score2Save Winners:

**Warm Springs**

**&**

**North County Lifeline (NCLL)**



# Warm Springs Tribal Credit Union, Oregon

Bruce Engle

Loan & Support Officer





# Meet Robert!



# Robert

September  
2009



June  
2010



March  
2012



April  
2012



May  
2012



**Initial credit score  
= 624**

Balance budget by  
reducing spending

Shop around  
and open car  
loan at credit  
union

Score jumps **117  
points**

**New credit score  
=741**

Approved  
for home  
improvement  
loan.

Access  
weatherization  
grant funds.

Save on heating  
and energy!

**Cha-CHING!**



## Warm Springs helped Robert save in 5 ways

**Balance budget.  
Reduce spending**

**Save**



**Save \$3,839**

**Found a car  
loan at 9.9% vs.  
13.9 %**

**Restructured  
car loan after 6  
months. 9.9%  
to 3.9%**

**Save \$3,936**



**Qualified for  
home  
improvement  
loan**

**Save**

**Accessed  
weatherization  
grant funds**

**Save**







# Financial Opportunity Center for North County Lifeline

Alma Palencia  
Bilingual Lead Financial Coach





# Meet Beatriz





## NCLL's FOC helped Beatriz save 6 ways.

Balance  
Budget

Saves \$140  
monthly

Rent deposit  
waived!  
Credit score  
minimum

Save \$400

Pay cash for  
rent and  
citizenship  
test

Save \$488



Save \$1,851

Increase on  
time  
payments

Save \$35  
monthly

Cut transport  
costs

Save \$869

Obtain  
microloan in  
September



# Beatriz

Feb  
2012



**Initial credit score  
= 656**

Balance Budget by  
reducing expenses

Feb  
2012



Starts paying  
credit card on-  
time and with  
bigger  
payments to  
pay down debt

June  
2012



Score jumps  
**14 points**

**New credit  
score =670**

Qualified for  
apartment

July  
2012



Became a  
US citizen!



## Financial Opportunity Center for North County Lifeline

***“My son is losing weight since he is now able to stay and use the school gym after hours, and I feel peace knowing he is safe and within a walking distance. We have achieved so much! I have only one credit card left to pay, I know how to make my money stretch, and tomorrow I will be attending in the morning my ceremony for citizenship and in the afternoon the CENTRO graduation where I was asked to speak, I feel successful! And grateful...”***

***Before, I was making payments here and there just trying to keep it up [sigh of exhaustion], now look! I have only one debt to pay, I’m making my money stretch, and I was so clever choosing this place to live.”***

# Credit Outcome Tracking



- How does your organization track client outcomes?
- How does your organization track credit outcomes?
- How can your organization improve its outcome tracking by including creative credit outcomes?

# Be Part of CBA



## Three ways to be part of CBA:

**CBA Reporter.** Community lenders can provide borrower data through our unique partnerships with major credit bureaus.

**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 Impact Measure Research** credit reports as *cost-effective, objective, longitudinal* measure of economic self-sufficiency.

# Credit Outcome Tracking



## Questions?



# Thank you for attending!



**Vikki Frank**

**Executive Director**

[vikki@creditbuildersalliance.org](mailto:vikki@creditbuildersalliance.org)

**202-730-9390**

[www.creditbuildersalliance.org](http://www.creditbuildersalliance.org)