



**CREDIT
BUILDERS
ALLIANCE**

Helping Nonprofits
Build Stronger Credit
in their Communities



Credit Building Products

CFED September 2012



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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.

Be Part of CBA



CBA implements its mission in three ways:

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 Knowledge Sharing.

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.

CBA Reporter



“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

Credit Builder 5-Step[®]



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!

Credit is an Asset



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

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



Good credit leads to more SAVING

- Lower interest rates
- Fewer late fees
- Less use of predatory loans
- Increased Income
- Career Advancement/Promotion
- Reduced Expenses
- Eligible to buy a home
- Rental apartment in good school district
- More free time and self-confidence



\$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



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

What is 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.**

Credit Building & Financial Capability



EACH MONTHLY PAYMENT IS A TEACHABLE MOMENT!

If you teach the importance of good credit

helping clients open a credit account that reports turns
knowledge into action that builds credit.

Credit Builder Products



- 1) Appropriate, relevant starter product
- 2) New behavior of on-time reported payments
- 3) Develops meaningful credit history
- 4) Embeds practice to build credit not debt
- 5) Pathway to long-term relationship with FI

Credit Builder Products



Different credit builder products can also:

- a) Build Savings
- b) Support Cash Management/Budgeting
- c) Offer Alternative to Predatory Products
- d) Reduce Debt
- e) Reduce Expenses
- f) Build Assets

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 1st Cesta, \$800

Jul 09: • Applies for a secure credit card from MCU

Sept 09: • **623 Credit Score**

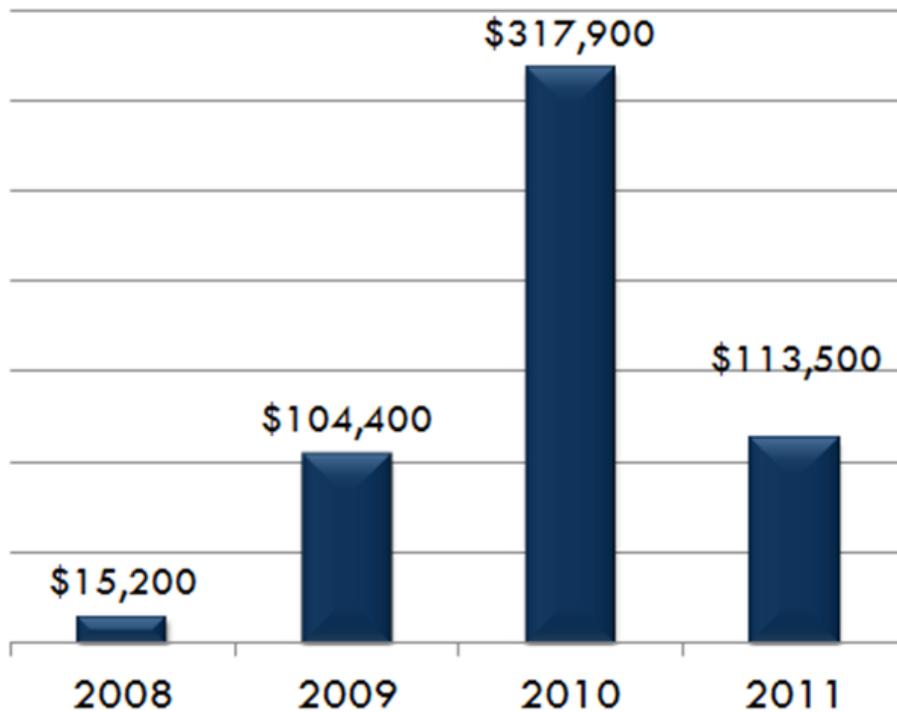
Oct 09: • Joins 2nd Cesta \$2,000

Dec 09: • \$6,000 in IDA savings

Jan 10: • Gets \$2,500 loan from MCU to buy \$8,500 car

Jul 10: • Joins 3rd Cesta \$3,000

Nov 10: • **703 Credit 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

Presenters with Product!



- **Sheri Flanigan-Vazquez, Justine PETERSEN, St. Louis**
www.justinepetersen.org
- **Paul Woodruff, St. Louis Community Credit Union**
www.stlouiscommunity.com
- **Laura Castro de Cortes, Centris Federal Credit Union, Omaha**
www.centrisfcu.org
- **Jonathan Harrison, Emerge Financial Solutions, Oakland, CA**
emergefinancialwellness.com