




The Grantmaker Webinar Series 2014
presents

The Power of Credit Building

April 23, 2014

Webinar Agenda

- I. AFN Overview and Introduction of Speakers**
Daria Sheehan, Senior Program Officer, Citi Foundation
- II. Presentation – The Power of Credit Building**
Sarah Chenven, Credit Builders Alliance
- IV. Credit Building in Action**
Yanki Tshering, Business Center for New Americans
Ricki Granetz Lowitz, LISC Chicago
Margaret Libby, Mission SF
- V. Question and Answer Session**
Daria Sheehan will pose questions submitted from attendees during the presentation.
- VI. Closing Remarks**
Upcoming AFN webinar and events, and we thank you in advance for responding to our brief webinar survey, sent via email at the conclusion of the webinar!




The Asset Funders Network

Mission	Desired Impact
Increase the capacity of our members to effectively promote economic mobility by supporting efforts that help low and moderate income individuals build and protect assets.	Raise the visibility of and funding for activities that expand access to financial opportunities and strengthen communities.



Grow → Educate → Elevate → Influence

- ✓ **Growing**
Increasing the number of grantmakers and resources focused on financial security.
- ✓ **Educating**
Building knowledge and serving as an information resource to grantmakers and the asset-building field.
- ✓ **Elevating**
Highlighting promising practices, key issues, collaborations, and innovations in the field.
- ✓ **Influencing**
Engaging policymakers and key stakeholders in the needs and benefits of expanding access to financial opportunities.



AFN Steering Committee

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Megan McTiernan, The Thomson Family Foundation
Daria Sheehan, Citi Foundation
K. Sujata, Chicago Foundation for Women
Carla Thompson, The W.K. Kellogg Foundation
Angel Zapata, Wells Fargo Foundation



Introduction of Presenters

Moderator

- Daria Sheehan, Senior Program Officer, Citi Foundation

Presenters

- Sarah Chenven, Credit Builders Alliance
- Yanki Tshering, Business Center for New Americans
- Ricki Granetz Lowitz, Director of Economic Opportunities, LISC Chicago
- Margaret Libby, Mission SF

				
Daria Sheehan	Sarah Chenven	Yanki Tshering	Ricki Granetz Lowitz	Margaret Libby



Introduction 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 REPAIR: Reducing active debt loads and paying off historical accounts in collections.

CREDIT COUNSELING: Addressing urgent current financial challenge

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What is Credit Building? How it Works

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

Opening and successfully managing financial products is key to **building** and **maintaining** a good credit history.

Active Credit Trade Lines

Active Installment Credit (LOANS)

To build credit, installment lines must be open, with a balance, and a monthly payment.

Active Revolving Credit (CREDIT CARDS or LINES OF CREDIT)

To build credit, revolving lines must be open, and with or without a balance. A payment must be made at least once every 6 months.

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What is Credit Building? What is "Good"?

Range	FICO Score	Meaning...
Subprime (Poor/Low)	Under 620	No access or unfavorable rates & terms
Prime (Fair/Good)	620 - 780	Reasonable or good rates & terms
Super Prime (Excellent)	780+	Better or best rates & terms

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Why Credit Building? Two Tiered System

64 million U.S. consumers have insufficient or no credit history

56% of U.S. consumers have low credit scores, ranging from 500-649

People with low or no credit scores may pay \$200,000 more over a lifetime for financial products and services than those with good scores

The average credit score of a Millennial in 2013 was 628, positioning them at the tipping point between higher cost and more affordable credit products

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Why Credit Building? Improves Outcomes

- **Increases Cash Flow and Creates Opportunities to Save**
- **Improves Employment and Housing Options**
- **Improves Access to High-Quality Credit Products**
- **Expands Opportunities for Small Business Growth**
- **Buffers Economic Shocks and Smooths Income**

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Margaret Libby
Executive Director

Mission:
To position low-income youth and young adults to take control of their financial lives and achieve economic mobility.





Problem:
Lack of positive credit history and/or impaired credit presents a major barrier to accessing employment, housing and quality, affordable financial products.

Solution:
MY Path to Credit's financial coaching paired with credit-builder loan helps young adults build a positive credit history while establishing savings.

Results:

- Piloting the model with 18 to 24 year olds in Year Up, a youth workforce program, with support from the Financial Capability Partnership Initiative.
- Engaged 25 students since October 2013 with the credit-builder loan and coaching.
 - Student credit scores jumping to 650+ after 7 months.
 - Student from last year getting ready to purchase a home.


Victor establishes 713 Fico Score

June 2010, 2011	October 2011	October 2012	October 2013
Meets first savings goals with MY Path	Takes out credit-builder loan	Score of 713	Car Loan
Enrolls in Mission SF's MY Path to Savings Program	\$500 Loan	Takes out Share-secured credit card	Takes out car loan
\$400 in savings	Starts college Starts New Job		Qualifies for car loans and purchases car for his parents




Yanki Tshering
Executive Director

Mission:
To fulfill the American Dream of financial inclusion for immigrants, refugees, women and others in need by building wealth through business development & expansion, savings, and homeownership.





Problem:
Lack of positive credit history precludes clients from accessing formal financial system, making them more susceptible to predatory lenders and preventing them from achieving their long-term asset building goals.

Solution:
Credit Enhancement Loan developed to help clients with no credit history establish one.

Results:

- 836 Credit Enhancement Loans for a total of \$1.2 million disbursed.
- Approximately 50% of the borrowers established credit for the first time (20% were assisted to correct errors on their credit score and 25% who had thin or problematic credit scores were able to establish thicker credit files and raise their scores).

Astou establishes 740 Fico Score

March 2007	October 2007	2008-2013	2014
\$500 Credit Enhancement Loan	Score of 640	Score of 740	Home Ownership
Enrolls in BCNA's IDA Program	\$2,000 Loan	\$2k to \$3k Per Year	
\$2,000 savings & \$2,000 match grant		Qualifies for 2 credit cards	




Ricki Lowitz
Director, Economic Opportunities

LISC Chicago Mission:
To connect neighborhoods to the resources they need to become stronger and healthier.
To support income and credit building through a network of 13 Financial Opportunity Centers (FOCS) - all offering workforce services, help to access public benefits, and one-on-one financial coaching/counseling.

Problem:

Bad credit (or no credit) undermines asset building efforts, as asset purchasers pay significantly more in interest than their counterparts with good credit.

Solution: LISC Twin Accounts

- ❑ Participant opens \$300 credit builder loan at Justine Petersen (from the FOC office)
 - ✓ Justine Peterson deposits loan proceeds into a "locked" savings account
- ❑ Participant makes 12 monthly payments of \$25
 - ✓ Justine Petersen (JP) reports each payment to the credit bureaus
 - ✓ LISC matches each payment – as long as it get to JP on time (no match, if payment is late)
- ❑ At the end of 12-month loan term...
 - ✓ Participant has up to \$600 (\$300 savings + \$300 match) + improved credit
 - ✓ Participant uses \$300 in match (and/or savings) to open secured credit card
- ❑ LISC rewards good management of secured credit card (for first 12 months of card)
 - ✓ Participant earns \$25 for each monthly billing statement that shows...
 - ❖ Participant used the card at least one time that month
 - ❖ Participant ended the billing term with a balance of 30% or less than credit limit
 - ❖ Participant paid the last bill on time (starting 2nd month)

Results:

Twin Accounts initiated since 2010: 337 (154 currently open)

- ✓ 85% completed (or are on track to complete) the 12-month loan
- ✓ 63% have made ALL of their payments on time
- ✓ 22% late at least one time
 - Average number of late payments: 1.7
- ✓ 95% of all participants who owed a payment in February 2014 - paid ON TIME

What's possible:

Client #1
 Credit Report: Last open account 2005

Timeline: 8/13 No FICO → 10/13 Enrolls in TA → 3/14 730 FICO → 11/14 Will open Secured Credit Card

Why it matters:

Client #2
 Credit Report: Blank

Timeline: 11/12 No FICO → 12/12 Enrolls in TA → 2/13 Opens Credit Card → 6/13 677 FICO → 10/13 Credit Card Delinquent 1X → 3/14 592 FICO → Gets Car Loan @ 28%

The Power of Credit Building Opportunities for Funders

A good credit history is not only an asset, it is the means to greater and more sustainable financial stability, savings and asset building opportunities.






Every monthly payment is a teachable moment!

The Power of Credit Building Funder Recommendations

- Build Practitioner Capacity
- Expand Credit Building across Sectors
- Promote Collaboration
- Nurture Peer Learning
- Foster Knowledge and Innovation
- Support Evaluation
- Explore Policy Opportunities

Question and Answer Session


The Power of Credit Building

Daria Sheehan Sarah Chenven Yanki Tshering Ricki Granetz Lowitz Margaret Libby

Please open the question box in your control panel to submit questions. Daria will select questions to verbally ask the presenters.

Note, due to time and topic constraints, all questions may not be addressed, but we endeavor to address each question.





What's next?

Asset Funders Network provides a unique and vital space where funders gather in-person or virtually to share ideas, best practices, and gather input to maximize our resources and share progress.

Visit our website to learn more about in-person convenings, webinars, and resources. Asset Funders Network seeks to increase the capacity of grantmaker members to effectively promote economic security by supporting efforts that help low and moderate income households build and protect assets.

For more information, please contact julie.morris@assetfunders.org.

To learn more about the Asset Funders Network, please visit assetfundersnetwork.org



Asset Funders Network

Spring Webinar Series

The Effects of Coordinated Services Webinar with the University of Maryland
May 9, 2014

Tax Policy Project – Reform Recommendations Webinar
May 21, 2014

Financial Coaching Webinar
June 5, 2014

For registration information, please
visit assetfunders.org
to view the Events page in the
Connect section.