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

- 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.

Desired Impact

- 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

Co-Chairs
- Beadsie Woo, The Annie E. Casey Foundation
- Benita Melton, Charles Stewart Mott Foundation

Steering Committee
- Daniel Delehanty, Capital One Bank
- Aimee Durfee, Y & H Soda Foundation
- Amanda Feinstein, Walter and Elise Haas Fund
- Kelo Kijakazi, The Ford Foundation
- Megan McTeman, 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
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

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

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

What is Credit Building? How it Works

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

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

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

Margaret Libby
Executive Director
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.

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:
- $36 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).

Problem:
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.

Solution:
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.

Results:
- $2k to $3k per year
- $2,000 savings & $2,000 match grant
- Qualifies for 2 credit cards
- $500 Loan
- Takes out Share-secured credit card
- Takes out car loan
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 gets 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)

Every monthly payment is a teachable moment!

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

Credit Report: Client #1
- Last open account 2005
  - 8/13 No FICO
  - 3/14 730 FICO
- Why it matters:
  - 11/12 No FICO
  - 6/13 671 FICO
  - 3/14 592 FICO

Credit Report: Client #2
- Credit Report: Stark
  - 12/12 Credit in TA
  - 2/13 Credit Card
  - 10/13 Credit Card

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.

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

Asset Funders Network

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 juliemorris@assetfunders.org.

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