CBA TRAINING INSTITUTE

Credit Building through Financial Products

CREDIT BUILDERS ALLIANCE

May 7-9th

NAIHC Conference

Thank You

Freddie Mac
We make home possible®

NAIHC

CBA Training Institute

CBA's Partnership with NAIHC

Pathways Home:
A Native Homeownership Guide

Developing a supplemental credit building module

CREDIT BUILDERS ALLIANCE

Offer CBA membership to 14 Native Organizations

RENT REPORTING FOR CREDIT BUILDING
A NEW Way to Build Credit!

Initiate rent reporting for 5 Tribally Designated Housing Entities or Tribal Housing Developments

CBA TRAINING INSTITUTE

CBA Credit Building Community

Good Credit is an Asset
CBA helps organizations move people from poverty to prosperity by supporting credit building:

- **Programs**
- **Practitioners**
- **Products**
- **Policies**

CBA
TRAINING
INSTITUTE

Remember...

HOW DO YOU BUILD CREDIT?

ON-TIME payments +

REPORTED to a credit bureau +

EVERY month +

BUILDS credit ✓

CBA TRAINING INSTITUTE

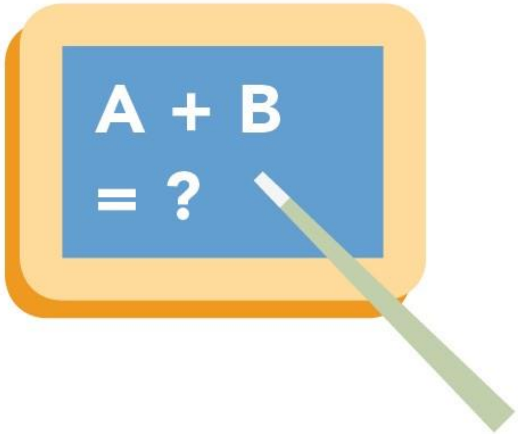
Get the Good Stuff Going!

- What credit building product(s) would be most helpful?
- What is the client ready and eligible for?
- Is there potential for ongoing credit building?

CBA
TRAINING
INSTITUTE

Financial Capability

EDUCATION



+

PRODUCT

Every monthly payment reinforces positive financial habits!

CBA
TRAINING
INSTITUTE

Non-Traditional Strategies for Credit Building

- Starter products:
  - Credit Builder Loans
  - Secured Credit Cards
- Social loans
- Special purpose loans
- Rent Reporting
- Alternative credit scoring for credit invisible and "thin" file consumers

Credit Builder Products can serve many different people and purposes!

CBA TRAINING INSTITUTE

How CBA Members Do It...

CREATE referral relationships with financial institutions

PARTNER with responsible lenders to offer new products

OFFER and report their own products!

CBA TRAINING INSTITUTE

Create Credit Building Opportunities

Create Credit Building Opportunities

CBA
TRAINING
INSTITUTE

Create Credit Building Opportunities

BY DESIGNING YOUR OWN PRODUCTS

CBA TRAINING INSTITUTE

Creating a Credit Building Product

Assess
- Determine Mission Fit
- Define Target Market and Need
- Assess Organizational Capacity

Prepare
- Build Partnerships
- Raise Funds and Loan Capital
- Invest in Technology
- Understand the Regulatory Environment

Create
- Policies and Procedures
- Underwriting Criteria
- Loan Features
- Financial Education Requirements and Support

Implement
- Conduct Outreach
- Provide and Service Credit Products
- Report Loans to the Credit Bureaus Through CBA
- Offer Pathways to Continue Credit Building (such as a graduation product)
- Track Outcomes

CBA TRAINING INSTITUTE

CONTEXT | Credit Builder Loans

Installment loans, often offered by credit unions and nonprofit financial institutions with the sole purpose of helping to build credit

- **Collateral:** Loan funds in a savings account
- **Typical Terms:** 6-12 months
- **Credit Reporting:** One bureau minimum

CBA TRAINING INSTITUTE

PRODUCT | Credit Builder Loan

Citizen Potawatomi
Community Development Corporation

- **Loan Amount:** $200 - $1000
- **Collateral:** Loan funds in a savings account
- **Interest:** 10%
- **Typical Terms:** Minimum 12 months
- **Credit Reporting:** One bureau minimum

http://cpcdc.org/services/

PRODUCT | Secured Credit Card

Bank credit card backed by money that you deposit and keep in a bank account

- **Collateral:** Security Deposit
- **Terms:** Annual fee typical
- **Credit Reporting:** Reports to all three bureaus
- **Where to find:** NerdWallet www.nerdwallet.com/credit-cards

PRODUCT | Secured Credit Card

Capital One Secured MasterCard

- **Target Market:** Credit rebuilders
- **Security Deposit:** $49-$200, based on creditworthiness
- **Annual Fee:** None
- **Credit Limit:** $200, or as much of a deposit as added
- **Additional Info:** If first 5 monthly payments are paid on time, eligible for a credit limit increase

PRODUCT | Social Loan

MAF

MAF Lending Circles

Lending Circles are formed between 6-12 people, and the loan amount ranges from as little as $300 to $2,400.

Each month, a new member of the Lending Circle receives the loan until everyone in the group gets their chance.

missionassetfund.org/lending-circles/

PRODUCT | Special Purpose Loan

Karuk Community Loan Fund

Emergency Loan

- 6-month loan program is for employed individuals to help overcome an immediate situation with a loan amount up to $500 or $1,000.
  - Set up fee of $40; 15% interest rate; weekly or bi-weekly payment due.

http://kclf.us

PRODUCT | Special Purpose Loan

Hawaii Community Lending

- Micro-loans are consumer, low-interest, fixed rate loans of up to $10,000
- Borrowers required to complete housing/financial education workshops and counseling
- Can be used to assist low-income individuals and families reduce debt, build credit, or secure or sustain affordable housing

http://www.hawaiiancommunity.net/

PRODUCT | Special Purpose Loan

CDFI of the Tohon O'odham Nation

Consumer Loans

- **K – 12 Grade Funding:** $500 - $2,500 loan
  - School purchases (School supplies, clothing, school lunches, laptops)
- **Down Payment/Purchase Vehicle/Refinancing:** $500 - $50,000
  - Can purchase up to 4 year old car from dealership or individual
- **Auto Repair:** $500 - $5,000 for repair

http://www.cdfiton.org/

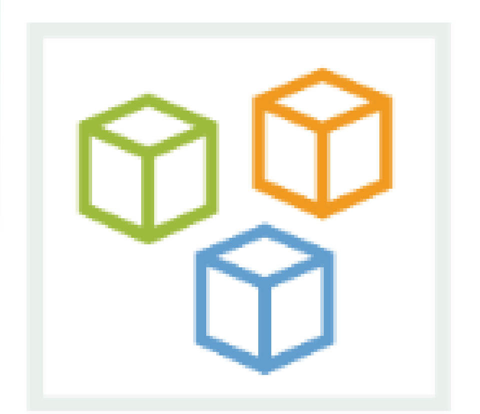
PRODUCT | Special Purpose Loan

Bii Gii Wiin

- **Business Loan: $500 - $5,000**

https://www.biigiiwiin.org/loans

CBA Fund



Turnkey toolkits

To guide organizations through taking the steps needed to plan for, design, and offer credit building product to a specific populations.

Technical assistance

Providing support for choosing, designing, integrating, and implementing a new credit product at your organization, and/or improving your credit building program.

Funding opportunities

Loan capital and/or program support to help build the capacities of nonprofits offering credit building products.

cbafund@creditbuildersalliance.org

CBA TRAINING INSTITUTE

PRODUCT | Assistive Technology Loan

Northwest **Access** Fund

Northwest Access Fund's Assistive Technology Loan	
Amount	Up to $25,000
Interest Rate	5%
Term	2-60 months
Fees	No fees
Eligibility & Underwriting Criteria	• Must demonstrate an ability and willingness to repay • No minimum credit score, each applicant's credit history is considered on a case-by-case basis • Proof of income and identification documentation is required • If in Chapter 13 bankruptcy, must have authorization from the Court to take on the debt • In some cases, a cosigner or collateral is required

"This product offers clients dignity to be able to pay for things that they use in their daily life. We see the impacts of clients accessing this technology- it's powerful. If someone gets a modified van, they can take their whole family out to dinner! One client just wanted to hear his cat meow." – Emerson Sekins, NWAF

www.nwaccessfund.org

PRODUCT | Re-entry Opportunity Loan

THE FOUNTAIN FUND

The Fountain Fund's Reentry Loan	
Amount	$300-$4400* *There is no cap on loan amount. This is the range of amounts provided thus far.
Interest Rate	5%
Term	36 months typically
Fees	$25 late fee $25 bounced payment fee
Eligibility & Underwriting Criteria	• Ability to repay/Adequate prospective income • Substantiation for use of funds (must be used to help the individual achieve greater self-sufficiency) • Formerly incarcerated

"We become a partner to our clients in the residual criminal justice process. This strengthens our relationship with them and they see that we are invested in their progress." Nicole Snyder, The Fountain Fund

www.fountainfund.org

PRODUCT | Rent Reporting for Credit Building

Regular monthly reporting of tenant rent payments

- **Terms:** Paired with credit/financial coaching and/or asset building programs
- **Credit Reporting:** One bureau minimum
- **Note:** Some landlords may offer rent reporting. If not, a variety of fee-based services exist that allow individual renters to have their rental payments reported.

CBA TRAINING INSTITUTE

CBA-Esusu Rent Reporter

- Turnkey platform for affordable housing providers
  - Streamlined, minimal tech configuration
  - Automated outcome tracking
  - Payment agnostic
  - No minimum volume
  - Responsive and supportive technical assistance

Key Characteristics of Good Credit Building Products

CBA Training Institute

Assessing Active Lines

Help your clients evaluate active credit lines in order to ensure credit building success. Consider:

1) Affordability of monthly payments
2) Credit reporting process
3) Terms & conditions
4) Associated fees
5) Point of contact

CBA Training Institute

Where to Look

Clients with no credit, or challenged credit may have difficulty finding responsible credit products that they are eligible for. Consider the following options:

Banks/Credit Unions, particularly those that are CDFIs may offer small-dollar secured and unsecured products. If your client already has a relationship with a financial institution, this may be a good place to start.

Non-profit/community lenders (including CBA members and CDFIs) in your area may have programs specifically designed for underserved communities or those with challenged credit.

Licensed & reputable online lenders are becoming more prolific and may offer options at reasonable rates and with more responsible policies and procedures than online payday lenders.

CBA
TRAINING
INSTITUTE

Where to Look

Native Community Development Financial Institutions

- **Financial Assistance: Loans, grants, deposits, equity investments**
- **Technical Assistance: Consulting or contracting services, pay salaries/benefits, train staff and board, purchase equipment**
- **Capacity Building: Attend trainings and webinars, apply for additional technical assistance, access resources**

www.cdfifund.gov/native

U.S. DEPARTMENT OF THE TREASURY
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

CBA TRAINING INSTITUTE

Discussion

What Native CDFis and financial products are available in your community?

CBA TRAINING INSTITUTE

Importance of Graduation Products

Step 3:
Get the Good Stuff Going

Identify a graduation product:

- Larger, longer-term Installment Loans
- Revolving Credit Cards - secured or unsecured
- Lines of Credit

CBA TRAINING INSTITUTE

Make Credit Building Count

Upcoming NAIHC Sessions

Session 4. The Power of Rent Reporting (May 9th from 1:45 – 2:45)

Check out
www.cbatraininginstitute.org
***and* become a CBA Member for more helpful resources that we may not cover in detail in this training!**

CBA TRAINING INSTITUTE

Continued Learning

Credit as an Asset Training

Credit Builders Toolkit

Credit Building Consulting

CBA Members' Corner

www.cbatraininginstitute.org

CBA TRAINING INSTITUTE

Thank You!

Questions?

training@creditbuildersalliance.org

www.creditbuildersalliance.org

CBA TRAINING INSTITUTE