



ONAP Training & Technical Assistance
Virtual Session

Integrating Comprehensive Credit Coaching Tools

DAY 2

Preparing Eligible & Qualified Borrowers



This virtual training is sponsored by the
U.S. Department of Housing & Urban Development's Office of Native American Programs and the
National American Indian Housing Council



Learning Environment

- Mute yourself
- Use the chat box
- Turn your video on
- Session will be recorded



Course Description

Apply Tools and Concepts to:

- Positively impact your client's credit and their overall financial knowledge; and
- Increase the capacity of Housing Program staff

Course Objectives

1. To gain a deeper understanding of Credit Coaching concepts and tools (including):
 - Successful Credit Coaching questions, (to help clients share their financial needs)
 - Utilization of household budgeting, and how to address budgeting concerns with clients
 - Financial Mission Statements
 - Client Action Plans
 - Successful Debt Negotiation

CREDIT COACHING CONCEPTS AND TOOLS



Coach, But Try Not to “Counsel”

- Ask open-ended questions
- Practice good listening habits
- Challenge *old ways of thinking*
- Let the coaching-client environment contain moments of silence, the available time for careful consideration, and a comfortable space where clients can seek the answers to the financial and personal questions.
- Try not to “prompt” clients with the answers you want to hear
- Wait for clients to respond to Credit Coaching tools and concepts.
- Create a meeting space that is quiet and free from outside distractions
- Offer encouragement when it is needed
- Offer recognition when it is deserved
- Remember that Credit Coaching can be stressful, try to take it easy on yourself, relax, and take breaks throughout the work day



Client Assessment Overview

1. Determine and verify client(s) income
2. Calculate income with supporting documentation
3. Analyze credit reports with clients
4. Identify debts (monthly bills, trade lines, minimum payment amounts, etc.)
5. Calculate total outstanding debt (trade line total amount(s) and/or other unpaid debts)
6. Prepare, analyze, and/or modify the client’s household budget and savings.
7. Calculate affordability ratios and instruct client’s about different loan products to accommodate their personal ethics and needs.
8. Encourage clients and contact local lenders on during your down time to ask questions, in order to increase one’s overall financial knowledge, contacts and to boost the comfort within a lending atmosphere.

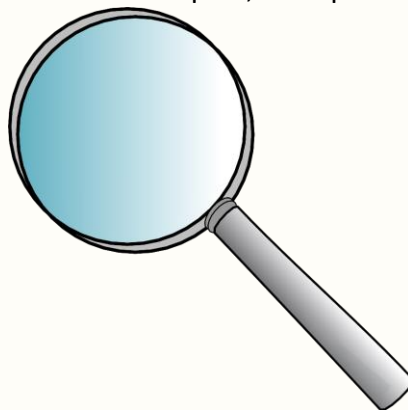
Client Assessment Overview (Continued)

9. Match clients with appropriate tribal program(s) or other applicable program(s) in your area, i.e. ongoing one-on-one credit coaching, Financial Education or First Time Homebuyers Classes, etc.
10. Coach clients to increase their loan eligibility & qualification odds for loan products and match up with their Financial Mission Statements and goals.
11. Coach client while they draft a CAP. It should identify personal Financial Mission Statements, 3 Action Steps, and an estimated completion date for each. Keep in mind the following:
 - Almost every Financial Mission Statement has obstacles.
 - The 3 Action Steps directly address the obstacles that are identified by client's during guided coaching sessions.
12. Provide the client one-on-one credit coaching/counseling on an *ongoing basis when needed*.
13. Thoroughly review and verify the client's income, credit reports, monthly debt obligations, financial history and Financial Mission Statement goals listed on CAPs.

Rebuilding Credit Reports: IDENTIFY INACCURACIES

Identify inaccurate accounts on clients credit report, examples:

- Duplicate trade lines
- Missing positive trade lines
- Balances owed
- Incorrect monthly payments
- Late payment(s) that were **not** late
- Incorrect credit limits
- Incorrect account open dates
- Re-aging of any kind



Financial Mission Statements

- A *Financial Mission Statement* should be prepared by the client(s) before their first scheduled Client Assessment meeting.
- It can be as brief or wordy as they choose.
- Review and modify (when appropriate), the *Financial Mission Statement* with the client(s) before you begin working on their personal budget or pull credit report(s).

Financial Mission Statements (Continued)

WHAT "EXAMPLE QUESTIONS" WOULD YOU ASK DURING A CLIENT ASSESSMENT?



Client Action Plan(CAP)

Client Name(s): _____
 Date: _____
 Client's reason for appointment: _____

Financial Mission Statement:

Client Goals (Based on Financial Mission Statement, Personal Budget, and Credit Report):

- 1) _____ Estimated Date of Completion: _____
 2) _____ Estimated Date of Completion: _____
 3) _____ Estimated Date of Completion: _____

Action Plan/Steps for Each Goal:

- Goal 1: _____ Goal 2: _____ Goal 3: _____
- a. _____ a. _____ a. _____
 b. _____ b. _____ b. _____
 c. _____ c. _____ c. _____

Credit Coach/Counselor Action Plan/Steps for Meeting Goals:

- a. Resource and Referral for/to other appropriate Community Agencies.
 b. Be available to answer additional questions as needed.
 c. Check client's file monthly for case status/activities until closed.

Client Signature: _____ Date: _____

Client Signature: _____ Date: _____

Counselor Signature: _____ Date: _____

Validate All Debts

Validate clients outstanding debt(s), **before** applying other and coaching tools or techniques

- Validation gives clients and Credit Coaches more time to strategize ways to save money for payments, budget, create goals and practice new habits to succeed.
- Validation requests credit and/or collection companies to provide the original signed lending or service documentation, to serve as proof of a client's liability to the debt.

Step one is to write and mail a Validation Letter to the creditor and/or collection company, and the three credit bureaus. The letter requests documentation for each of the following:

- Name of the company that serviced the original loan or service?
- The original amount of the loan or service
- The original interest rate attached to the loan or service agreement
- How the trade line and/or collection company calculated the most current total debt balance?
- The original account number (if applicable)
- The original date of delinquency (if applicable)

** A sample Validation Letter can be found in the *Credit Building Letters* document attached in the left hand corner box.

Use Credit Rebuilding Letters & Dispute Online or By Mail



- **Did anyone attend the first credit webinar on Tuesday take time to review credit letters?**

If so:

- **What did you think?**
- **Did you have any outstanding questions about any of the credit letters?**



Coaching Clients To File Disputes

- Dispute errors through the mail, over the phone, or online. (Whenever possible completing online is the fastest and easiest way for most)
- If the dispute is mailed, send via **CERTIFIED MAIL**.



Coaching Clients To File Disputes (Continued)

- List all inaccurate accounts in *dispute letter*.
- Submit copies of available receipts, or any other evidence to support the claim.
- Use account numbers in *dispute letters*.
- Include a copy of clients credit reports.
- *Number and highlight* inaccuracies.
- *Keep copies of all paper and email correspondence in client files.*



Client Budgets

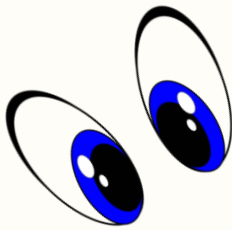
ReNa Lanier: November, 2014			
MONTHLY BUDGET			
	PROJECTED	ACTUAL	DIFFERENCE
Groceries	\$650.00	\$478.25	\$171.75
Utilities	\$178.00	\$182.00	-\$4.00
Clothing	\$100.00	\$58.00	\$42.00
Car Payment #1	\$245.00	\$245.00	N/A
Car Payment #2	\$488.00	\$488.00	N/A

Financial Vision Boards

- Daydream: Allow space for hopes and desires to be discussed
- List Financial Mission Statement
- List Personal Goals
- Collect
- Edit
- Commit
- Plan



Taking A Second Look At Credit Reports



Sample Credit Report

Run Date: 1/15/2008
 Business Name/Address: SAMPLE PLUMBING
 1001 SAMPLE ST.
 SAMPLE, IL
 Principal: Joe Sample
 Phone: 708-555-5555 FAX: 708-555-5556

EQUIFAX

TransUnion.

Experian™

MOST RECENT STATUS BY CREDITOR

Business Type	Acct. Type	Amt. Due	Past Due	Last Sale	Last Payment	Acct. Status
Plumbing Supply Co.	In-House	11,930	3,733	1/07/08	1/07/08	
Plumbing Supply Co.	In-House	51,167	0	1/07/08	12/20/07	
HVAC Supply Co.	In-House	393,597	380,187	12/06/07	11/26/07	

DETAIL HISTORY

Plumbing Supply Co.	Last Sale:	1/07/08	Date Opened:	3/04/97	Terms:	Net 30
Type: In-House	Last Pay:	1/07/08	High Balance:	42,466		
Report	Credit					
Date	Limit	Amt. Due	Current	30 Days	60 Days	90 Days
1/14/08	9,667	11,930	8,197	3,733	0	0
12/26/07	10,093	11,903	11,903	0	0	0

DETAIL HISTORY

Plumbing Supply Co.	Last Sale:	1/07/08	Date Opened:	4/30/99	Terms:	Net 30
Type: In-House	Last Pay:	12/20/07	High Balance:	65,536		
Report	Credit					
Date	Limit	Amt. Due	Current	30 Days	60 Days	90 Days
1/13/08	60,000	51,167	51,167	0	0	0
1/06/08	60,000	51,039	50,205	0	0	0
12/30/07	60,000	50,205	50,205	0	0	0
12/23/07	60,000	49,907	49,907	0	0	0

DETAIL HISTORY

HVAC Supply Co.	Last Sale:	12/06/07	Date Opened:	11/27/06	Terms:	Net 30
Type: In-House	Last Pay:	11/26/07	High Balance:	411,629		
Report	Credit					
Date	Limit	Amt. Due	Current	30 Days	60 Days	90 Days



Collection Accounts

- Debts are typically sold to a collection agency after they have reached 120 days past due with the original creditor.
- The original creditor *charges-off* the debt and this is reflected on the credit report.
- Collection accounts *negatively* affect the credit score.



Types of Collectors

- **Original Collector:** *The company that you went into debt with*
- **1st Contingency Collector:** *Works with the original creditor and they share in the collection proceeds*
- **1st Tier National Collection Agency:** *Purchases the right to collect the debt from the original creditor*
- **Third Party Debt Collector:** *Purchases the right to collect the debt from another collection agency*

Working With Collection Companies



Successful Debt Negotiation and Reduced Payment Plans

1. Establish when clients can pay, and what amounts they are committed to sending. Otherwise negotiated reduced payoff agreements and/or reduced payment plans **should NEVER** be entered!
2. Suggest to clients as a last resort, and only after they have completed financial education.
3. Once reduced payoff agreements or reduced payment plan amounts have been negotiated, get it in writing, request signatures, and keep documents in the client files.

NEGOTIATING TIPS:

- Encourage clients to keep detailed notes by *modeling* desired behaviors, such as:
 - Detailed telephone tracking logs, which include the names and positions of those whom you and/or a client is conversing with by phone, email, or fax.
- Make it clear to clients that the ability to negotiate a reduced payoff agreement or a repayment plan depends on:
 - The type of debt,
 - The amount(s) owed,
 - and the amount of time since the original delinquency took place.

Reduced Payoff Agreements and Repayment Plans

-Mail or fax creditors and/or collection companies an agreement letter that states the agreed upon terms, the number of payment(s), and the exact payoff or reduced payment amounts.

-Before clients make any payments, request creditor and/or collector sign every negotiated payment agreement.

-Coach clients to always pay with Money Orders; (*U.S. Postal Service or Financial Institution money order's are accepted as payment the most quickly*).

- Never allow clients to make payments with personal credit cards or checks.

Savings/CD Secured Loans

- Suggest to clients with less disposable income to apply for a Savings/CD Secured Loan (large payoff amount)

Benefits:

- Lower rates
- Guaranteed approval
 - Pay off debts
 - Establish good payment history
- Earning interest
- Secured savings



Track Outside Credit Interactions

Client Name: November, 2014	
TELEPHONE TRACKING LOG	
Name of Company: McCracken Collection Services Phone Number: 406-111-1122 Fax Number: 406-111-1123	Company Address: 1245 S Kent St Missoula, MT 59800
Type of Account: Medical	Account Number: 123458-c452
Payment Due Date: June 5, 2015	Regular Payment Amount: \$2,228.72
Amount Past Due: 13 months	Reduced Payment Amount: \$798.00 <i>Credit Report Code: Paid in Full for Less than the full amount</i>
<p>Record calls here: 09/08/2015, 09/22/15, 10/4/15, 10/18/15 (details of each call on logs in client's file) DATE: 11/4/2015 TIME: 3:15 pm (MST) PERSON WE SPOKE WITH: Jesse Moran, Manager EXTENSION #: N/A E-MAIL: jmoran@mcallservies.com Main Portions of Conversation: Manager Jesse Moran returned requested call back from pervious conversation between Seth Tomlin and client on 10/18/15. Mr. Moran accepted \$798.00 to serve as final payment on remaining emergency room medical debt, (injuries sustained on 12/18/14. What was the agreement? Client asked for deletion of the entire debt on his credit report. Payment in full for less than full amount was agreed on by both parties, after the following negotiated details: One payment of \$798.00 will be mailed via FedEx two-day or express delivery by the client. Payment must be received on or before 11/18/15 or payment in fill will no longer apply or be accepted by collection company. The final agreement was faxed and states Mr. Moran's acknowledgement other listed items, and shows that money order received after 11/18/15 will negate agreement and company can apply a maximum of \$100 as a payment against the debt, and the remaining amount of \$698.00 will be returned to the clients mailing address. The \$798 full payment will be mailed by client on or before 11/6/15 (payday). Follow up date: 11/9/2015</p>	



Client 1099's



- A 1099 is mailed to clients when an amount owed to a creditor has been waived and/or forgiven
- The waived amount exceeds \$600.00
- Clients must claim the 1099 as income
- A client's current tax situation determines if a 1099 has an adverse affect.
- Check with a *Tax Accountant* or *CPA* client is unsure about tax consequences

QUESTIONS:



TA Contacts by ONAP Area Office

	Name	Email	Phone Number
AKONAP	Deb Alston	deb.alston@hud.gov	907.677.9863
EWONAP	Mary White	Mary.White@hud.gov	312.913.8762
NPONAP	Katie Gloystein	Katie.E.Gloystein@hud.gov	303.672.5147
NWONAP	Kirsten Franklin-Temple	kirsten.u.franklin-temple@hud.gov	206.220.6415
SPONAP	Sherri Coleman	Sherri.A.Coleman@hud.gov	405.609.8549
SWONAP	Deborah Broermann	Deborah.S.Broermann@hud.gov	602.379.7198