



CBA TRAINING INSTITUTE

Using Credit Scores & Reports as Financial Coaching Tools

Part 1

December 17, 2018

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Poll Question

Q: Are you currently using credit reports in your financial coaching program? (*select the best response*)

- a) Yes, we pull reports on a regular basis**
- b) Sometimes, but only with a specific program**
- c) Not yet, but we'd like to**
- d) No, we do not see the value in pulling credit reports**

Agenda

- **About Credit Builders Alliance**
- **The Basics of Credit**
- **About Credit Reports and Scores**
- **Integration of Credit into Coaching**

About Credit Builders Alliance

Our mission:

To help organizations move people from poverty to prosperity through Credit Building.

Our philosophy:

Good Credit is an Asset

Mission driven nonprofits and other entities are uniquely positioned to help the households they serve build credit as an asset – often the FOUNDATIONAL asset.

CBA
TRAINING
INSTITUTE



What is credit



?!@



What is credit?

Credit is the ability of a customer to *obtain goods or services before payment*, based on the *trust* that payment will be *made in the future*.



DEFINITIONS

CREDO:

(kreed' o) v. trust

CREDIT:

(kred' it) *n.* value; worth

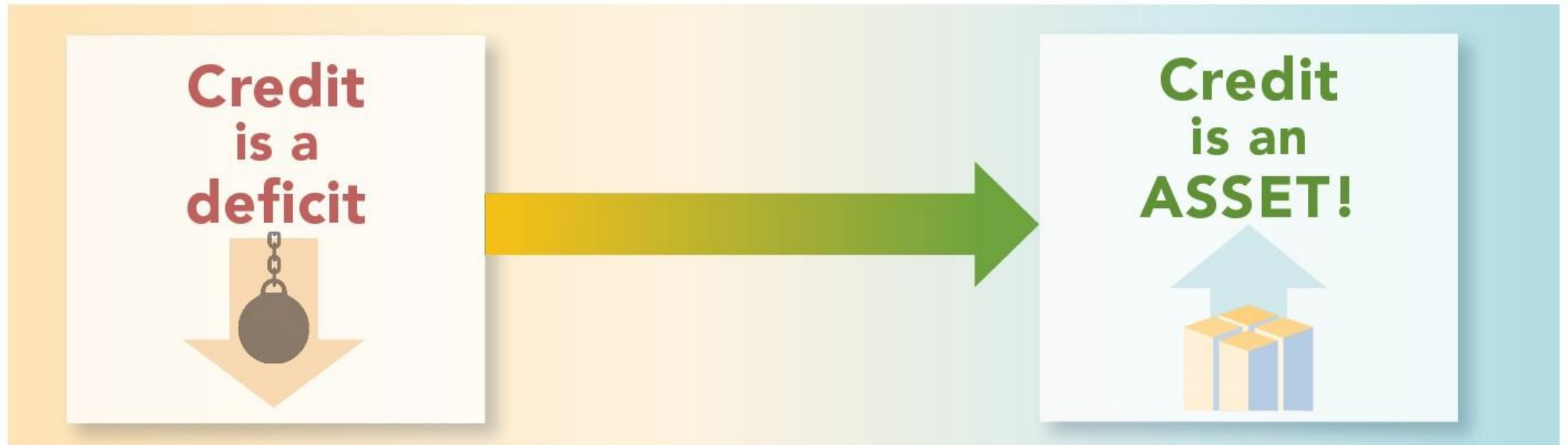
DETTE:

(Det) *n.* A sum of money that is owed or due

Debitum: *n.* Something owed



A Paradigm Shift May be Required

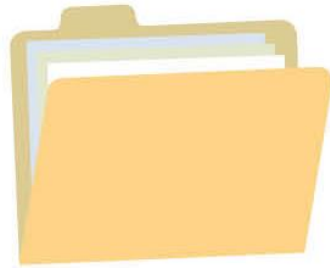
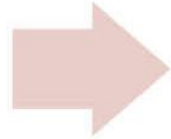


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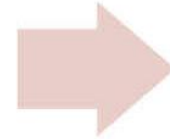
CREDIT HISTORY/FILE:

Record of transactions involving the use of credit – and other products/services



CREDIT REPORT:

Record of a consumer's credit history at a **particular point in time**



CREDIT SCORE:

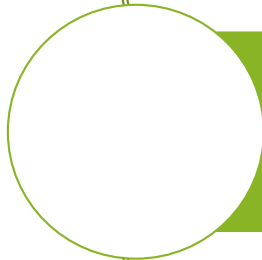
Three digit number summarizing credit risk at a **particular point in time**



About Credit Reports



Financial patterns that may reflect stability/ability to make ends meet



Debt obligations that may reflect ability to manage emergencies and save



Access to asset building credit that may reflect potential for financial security

What to Know About Credit Reports

- **There is not just one!**
 - Customized by data seller for different businesses and for consumers
- **National Consumer Assistance Plan (NCAP) yielded credit accuracy and accessibility improvements**
 - Medical collection – 180 days
 - Non-contractual debts no longer report
 - Better dispute resolution
- **Tax lien and civil judgments no longer report**
 - Update as of April 2018

Which Report?

Consumer Disclosure Report

About	Considerations from a Coaching Perspective
Designed for consumer education purposes as required by the Fair Credit Reporting Act	<ul style="list-style-type: none">✓ Available to consumers for FREE at www.annualcreditreport.com or on credit monitoring sites (e.g. Credit Karma, Credit Sesame, Credit Wise)✗ Security questions may be challenging for some consumers
Designed to be consumer friendly, including instructions	<ul style="list-style-type: none">✓ Easy to read format with explanations✓ May complement business division report
Contains detailed information about creditors and accounts	<ul style="list-style-type: none">✓ Helpful for identifying creditor details and for disputes where necessary✗ Sometimes overly detailed!
Includes all soft and hard inquiries	<ul style="list-style-type: none">✓ Remember: Only hard inquiries impact the score!✓ Helpful to review to ensure that no accounts have been opened by an identity thief✓ Initiated by consumer and some businesses for educational and informational purposes

Which Report?

Business Division Report

About	Considerations from a Coaching Perspective
Designed for lenders/businesses in order to make lending and other business decisions	<ul style="list-style-type: none"> ✓ Available to credit coaching/counseling organizations and lenders via data resellers or CBA Access ✓ Includes credit score ✗ Pricing varies depending on provider
Information may be consolidated and include codes and abbreviations	<ul style="list-style-type: none"> ✓ More condensed than consumer disclosure report ✗ Coding may require time to read and understand
Less information about creditors and accounts	<ul style="list-style-type: none"> ✓ Designed to protect the consumer ✗ Less detailed than the consumer disclosure report
Includes only hard inquiries	<ul style="list-style-type: none"> ✓ Can pull hard and soft inquiry reports as a lender and soft inquiry as a coaching agency ✗ Less insight into attempted fraudulent account openings

Purchasing Credit Reports for Your Coaching Program

Are you...?

- ✓ finding score inconsistencies between the report that your clients are viewing and what their lender is reviewing?
- ✓ working with populations experiencing difficulties accessing their report due to ID, address, etc.?
- ✓ assisting with home purchase or asset building opportunities?
- ✓ a lender?

A Business Division Report may be right or you!

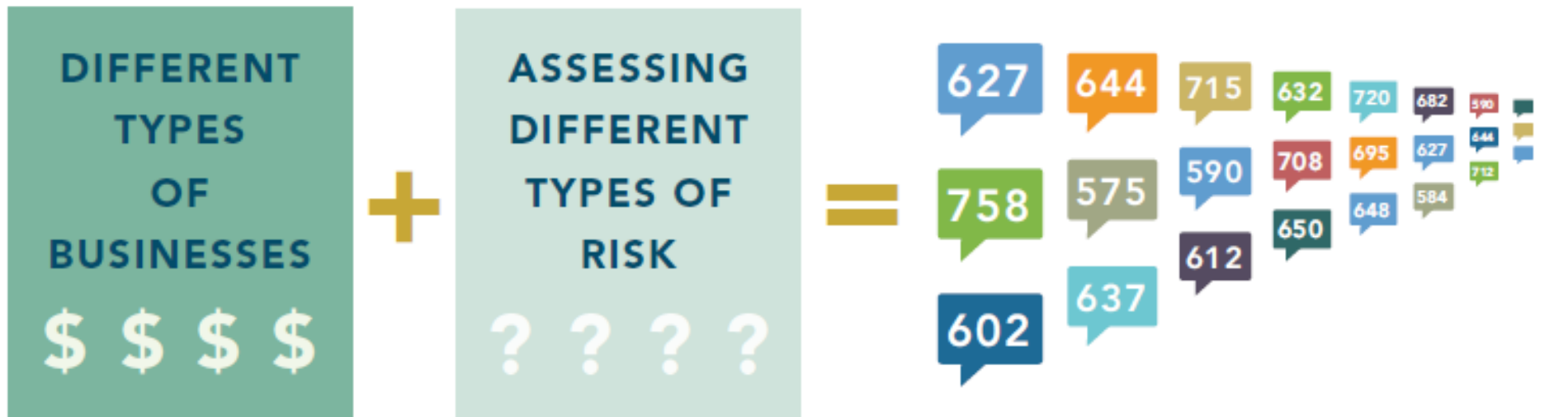


Poll Question

Q: How do you access credit reports? (select all that apply)

- a) With the client via www.AnnualCreditReport.com, Credit Karma, myfico.com, etc.**
- b) Direct bureau relationship (TransUnion, Experian, Equifax)**
- c) Data reseller (CoreLogic Credco, Kroll, etc.)**
- d) CBA Access service**

Which Score?



Many different credit scores designed for different lending and business purposes!



Why do credit scores vary?

Due to differences between...

- **Credit reporting agencies** (TransUnion, Experian, Equifax)
- **Credit score modeler & generation** (VantageScore v. FICO)
- **Business sector** (mortgage v. credit cards v. banking, etc.) **and risk assessment**– each company also decides if and to whom they will report to
- **Date calculated**
- **Quantity of credit score originators** producing both proprietary and nonproprietary models

Credit Scoring Models: Two Stand Out

FICO® Score	VantageScore
Used by 90% of lenders	Used by a growing number of lenders
Multiple generations of the FICO® Score have been developed over the last 25+ years	Multiple generations of the VantageScore has been developed over the last 12 years
Develops a FICO® Score model separately on each bureau's data	Developed one algorithm, used across each bureau's data

How to Access Credit Scores

- **For free via select financial institutions, credit card issuers, credit sites (Credit Karma), nonprofit credit and financial counseling programs**
 - Resource: CFPB list at bit.ly/CFPB_FreeCreditScores
 - Always confirm score type by reviewing the fine print!
- **Purchase credit scores with the business division reports**
 - Disclose FICO® Scores via FICO® Open Access for Credit & Financial Counseling (for nonprofit programs)

Considerations Around Free Credit Score Platforms

Pros	Cons
✓ Summarized credit information	X Not ideal if consumers need detailed credit report information X Difficult to access for people without a SSN or who might have difficulty answering detailed security questions
✓ Free credit scores	X Not always clear which score version is offered/ must read fine print X If it doesn't read FICO® Score, it's not
✓ Personalized recommendations	X Consumers must share personal information
✓ Product recommendations (some)	X May receive marketing messages



Scores are important but...

...focus on the **trend upwards**, the **range**, and the **underlying actions** as reflected in the credit report



Credit + Financial Coaching = The Ideal Match

- **Relationship is one of trust**
- **Poised to offer support through a strengths-based, client driven process**
- **Natural connection to financial goals**
- **Additional outcome tracking metric**

The Value of Credit Reports

The majority of CBA Members surveyed respond that credit reports:

- ✓ Are a valuable tool for staff to better understand and address their clients' individual credit profiles, challenges and opportunities
- ✓ Empower their clients to understand and own their financial situation
- ✓ Greatly improves their ability to measure client credit and financial progress and success over time
- ✓ Incentivizes clients' participation in credit and financial education/ coaching

Project Mapping

Intersect credit everywhere there's a remote connection!

- Workforce development
- Housing/rental services
- Social services
- Monthly cash flow and budgeting
- Small business programming
- Savings program



Inserting Credit into the Equation

Access to credit reports is key...

At intake

Prior to applying
for credit,
housing,
employment

As ongoing
coaching to
support success
and financial
stability

Credit is just one step in the journey, but an *integral* piece.

Established
and improved
credit histories



Access to
affordable products
and opportunities



Increased savings
and
financial stability



**Financial
security**



Call to Action

- Educate your clients*** on how to pull their credit report and why lenders may see something different
- Engage with local lenders*** to learn which score/report version(s) they utilize
- Identify all intersection points*** with credit reports/scores in your current program

Join us for part 2!

**Reading a Credit Report &
Designing a Credit Action Plan**

Thursday, January 10, 2019, 2 pm EST

Registration details forthcoming



Questions?

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