

GRANTEE LEARNING BRIEF

## Credit Builders Alliance

### Helping the underbanked establish credit with CBA Reporter

A credit score affects virtually every aspect of a person's financial life—from buying a home or starting a business to the interest rate on credit cards. Credit checks are also used to screen applicants for rental housing, bank accounts, and jobs. Yet roughly 40 million people have either no credit files or “thin” files that make them “unscorable,” and approximately 45 million more have low scores.\* People with good credit ratings pay about \$250,000 less in interest throughout their lives than those with poor ratings—savings that could go toward building assets.

Nonprofits, such as micro-enterprise development and first-time homebuyer organizations, offer loans to low-income, poor-, thin-, or no-credit-file consumers, to help these consumers build credit and assets. However, many nonprofits and other small lenders cannot report their loan repayment data to the three major credit bureaus—Experian, TransUnion, and Equifax—because they face barriers such as small portfolio sizes or the high cost of credit reporting (i.e., technology, compliance, know-how).

### CBA Reporter

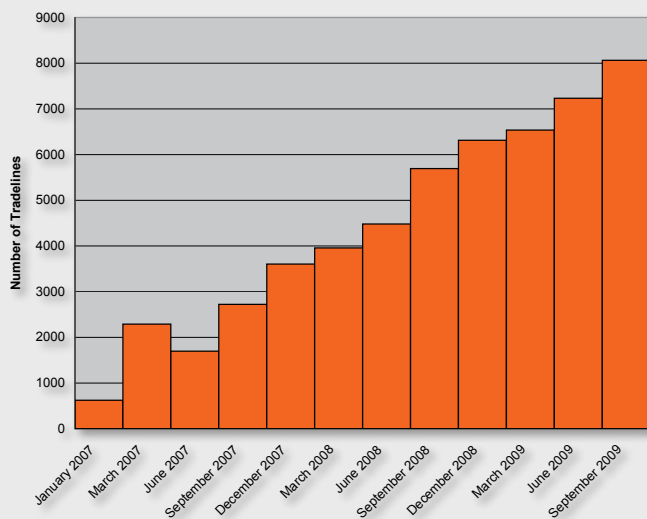
Created by Credit Builders Alliance to solve this problem, CBA Reporter batches data from nonprofit lenders, allowing them to report repayment data to the credit bureaus in a way that is mutually cost-effective and efficient.

Lending organizations can join CBA to report data regardless of their portfolio size. The streamlined credentialing process is designed

to assure credit bureaus that organizations are sustainable, reputable, and solvent. CBA Reporter members report that more than 75 percent of their clients are of low to moderate income.

CBA helps member organizations acquire software, set up loans for reporting, inform borrowers that repayment information will

be reported, and furnish data to CBA electronically every month. CBA then provides members with unlimited ongoing technical assistance to help with monthly uploads and consumer disputes.



The number of loans CBA reports to credit bureaus has grown steadily.

\*Estimate derived from Fair Isaac assessment of the credit-eligible population and distribution of credit scores. See [www.fico.com/en/FIResourcesLibrary/Lenders\\_Success\\_2249CS.pdf](http://www.fico.com/en/FIResourcesLibrary/Lenders_Success_2249CS.pdf) and <http://www.myfico.com/CreditEducation/CreditScores.aspx> for more information.

### About This Learning Brief

In September 2007, the Center for Financial Services Innovation (CFSI) received a two-year, \$2 million grant from The Walmart Foundation to create the Nonprofit Opportunities Fund. The fund provides innovative nonprofit organizations with the funding, partnerships, and peer learning they need to connect their un- and underbanked constituents with financial services and asset-building opportunities.

This Learning Brief describes the experiences of one grantee, Credit Builders Alliance, through fall 2009.

### About CBA

CBA is an innovative nonprofit organization incorporated in 2006 with seed capital from CFSI. CBA addresses the need for low- and moderate-income people to establish or improve credit. CBA's mission is to create a major impact in the credit- and asset-building field, with the goal of influencing nonprofit practice as well as national policies and regulations related to credit scoring.

### About CFSI

CFSI's mission is to transform the financial services marketplace to help underbanked consumers achieve financial prosperity.

## Successes

- **Nonprofit members:** CBA has more than 100 members, including nonprofit loan funds, community credit unions, and local city and government lenders.
- **Loans reported:** In December 2007, CBA helped 15 nonprofits report approximately 2,500 loans each month to the credit bureaus. By August 2009, CBA helped more than 60 nonprofits report more than 8,000 loans.
- **Outreach to credit bureaus:** CBA began reporting to Experian in June 2007 and TransUnion in April 2008, and is still working to partner with Equifax.
- **Customer service:** CBA continues to expand and improve its services to help nonprofits build client credit. CBA can now help members begin reporting in as little as four weeks.
- **Education:** CBA offers an online credit builders toolkit, bimonthly membership calls, quarterly e-newsletter, and training workshops to help nonprofits build strong credit in their communities.
- **Measuring impact:** It can be difficult to collect client-level data nationally on whether borrowers of CBA Reporter members improve their credit scores. To make it easier, CBA developed a Credit Outcome Measurement Tool that outlines how to systematically track outcomes and demonstrate impact using credit scores and the information in credit reports. Combined with CBA Access, which offers nonprofits the opportunity to purchase credit reports with a FICO score for credit education and data tracking purposes, CBA is helping nonprofit lenders better evaluate the effectiveness of their programs and services.

## Challenges

- **Building membership:** Nonprofits can be slow to take on reporting because of customer questions and limited staff and funding. CBA is realizing the need to offer more training to nonprofit staffers so they better understand the importance of credit and credit reporting.
- **Technology:** CBA created its current upload technology in 2007. As membership expands, enhancements are needed to minimize manual processing and save time and resources.

## Looking Ahead

- **Business reporting:** CBA is working with Experian on a way to report small business loans to both their consumer and business databases so that the entrepreneur and the enterprise build credit.
- **Expansion:** CBA aims to have 200 Reporter members by 2011.

## For More Information

Contact the Credit Builders Alliance at 202.730.9390, or visit [www.creditbuildersalliance.org](http://www.creditbuildersalliance.org).

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*“Enabling CBA’s clients to report data to us expands the credit system to many individuals who have not had the benefits of an established credit history in the past.”*

— Zaydoon H. Munir,  
Senior Vice President, Experian

*“The service provided by CBA truly allows us to achieve our larger objective of long-term impact on the financial well-being of our clients.”*

— Robert Vickers,  
Latino Economic Development  
Corporation, Washington, D.C.

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## CBA Reporting Helps People Improve Their Lives

- In April 2006, Citizen Potawatomi, a Native American CDFI in Oklahoma, made a low-cost personal loan to a borrower with no credit score. Her loan payments were reported through CBA, and in August 2007, when she had paid off the loan, her credit score was 667. She took out a second loan and was able to finance a car at a mainstream rate.
- When a full-time worker visited Justine Petersen Housing, a nonprofit CBA member in St. Louis, his credit score of 513 did not allow him to buy a house. He opened a credit-builder loan with the agency and a secured credit card. With his repayments reported, his credit score jumped 106 points in six months.
- After three years of working unsuccessfully with the credit bureaus to report to repayment data, the Business Center for New Americans (BCNA) joined CBA and now sees data show up on its clients' credit reports. BCNA began offering a credit enhancement loan, designed to help foreign-born clients in New York City who have little or no credit to establish credit profiles. This \$500 loan has proven to be an important starting point for many new Americans. BCNA has seen refugees go from no credit to a 660 credit score in six months.