



**CREDIT  
BUILDERS  
ALLIANCE**

# Build Credit. Build Entrepreneurs.

## Innovations: Opportunity Loans

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## CBA Mission

To create innovative solutions for asset building organizations to help low and moderate income families build stronger credit and financial access in order to grow their businesses and/or personal assets.



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**CBA Board**

**CBA has a diverse active board representing:**

- ACCION International
- Center for Financial Services Innovation
- Central Vermont Community Action Council
- Capital One Bank
- Church of the Brethren Credit Union
- Ethiopian Community Development Corporation EDG
- Justine Petersen Housing and Revitalization
- Mission Asset Fund
- New Mexico Assets Consortium
- Opportunity Finance Network
- RUPRI Center for Rural Entrepreneurship
- Founder CircleLending



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# CBA's Work

**CBA is implementing its mission through three main activities:**

## **Innovative Products and Services**

[CBA Reporter](#) community lenders report borrower data through our unique partnerships with major credit bureaus.

[CBA Access](#) negotiating low cost credit reports for lending, credit education, and measuring outcome

## **Knowledge Sharing, Training and Consulting**

[CBA Toolkit](#) online resource sharing tools, strategies and best practices

[CB 5-Step Training and Workshops](#) as webinars and on-site trainings  
Credit Outcome and Credit Builder Loan Development consulting

## **Research and Awareness Raising**

[Longitudinal Research](#) with Justine Petersen & St. Louis University

[Credit Outcome Tracking](#) how credit reports could provide a *cost-effective objective longitudinal* measure of economic self-sufficiency



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## CBA Reporter

*“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. We applaud CBA for their pioneering work, and we are looking forward to seeing the results of our joint efforts.”*

Zaydoon H. Munir, Sr Vice President, Experian



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# Financial System: Cut Two Ways

40% of US population have no score or a low credit score

- 15 percent of the U.S. population - between 35-50 million people – have no credit files or thin files and are “unscorable.”
- 25 percent of the population have poor scores (lower than 650 FICO)

Low credit scores = “underbanked”

40% of US population are using alternative financial services  
(CFSI)



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**Catch-22**

**Good Credit scores provide access for most  
business transactions**

**BUT**

**Individuals, entrepreneurs and communities  
with low or poor traditional credit have  
few opportunities to build good credit**



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# Two-Tiered Financial System

Credit Card(PIF) → 0% loan 30 days

Credit Card (balance) → 22% APR

PayDay Loan → 400% APR



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# Good Credit = Asset

**Yes!** helps families build wealth – a home, a business, education.

**Yes!** offers access to safe, affordable financial services

**Yes!** impacts opportunities with growing number of businesses:

- landlords/rental housing
- insurers
- auto lenders
- employers
- banks -- checking, savings, and investment accounts
- utilities and phones
- medical providers



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# Theory of Change

## **“Credit is a Financial Asset”**

Good credit rating will save approximately \$250,000 in interest throughout our working lives

**A car buyer saves \$50/month on a 36-month car loan.**

**Entrepreneur saves utility company deposits.**

**Job seeker gets an interview.**



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# Theory of Change

**Financial Education with  
“Just-in-Time Product”**

**leads to  
Measurable Outcomes  
Financial Capability**



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# Theory of Change

## Credit Report = Credit Outcome Tool

Credit reports could provide a *cost-effective longitudinal third-party* measure of *financial behavior* and behavior change to look at client and community outcomes.

Credit reports and scores are *universally recognized* and understood by many types of businesses as an indicator of *financial access*



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# CDFIs and Opportunity Loans



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# Opportunity Loan

## Purpose:

- 1) Offer access to appropriate starter product
- 2) Create new behavior of on-time payments
- 3) Create credit history
- 4) Create pathway to long-term relationship with at least 2 creditors that report
- 5) Establish long-term behavior that builds credit not debt



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# Opportunity Loan

## Opportunity loans can:

- a) Build savings
- b) Support Cash Management/Budgeting
- c) Offer Alternative to Predatory Products
- d) Reduce Debt
- e) Reduce Expenses
- f) Build Assets



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# Opportunity Loan

## Delivery and terms to reduce risk:

- a) 100% Cash Secured
- b) Partially Cash Secured
- c) Collateralized
- d) Payroll Deduction
- e) ACH
- f) Nonprofit Access to Payment Behavior



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**Create your  
Opportunity Loan!**

**Mission Connect**

**Target Market**

**Purpose**

**Loan Product (Loan Size, Interest Rate, Terms)**

**Partners**

**Pathway**



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## **Mission Connect**

**What does your organization do?**

**How would an Opportunity Loan support your work?**



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## **Target Market**

**Who do you serve?**

**How would an Opportunity Loan help serve:**

- **your clients**
- **your community**



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## Purpose

- **Savings**
- **Debt reduction**
- **Payday Loan Alternative**
- **Buy Here Pay Here Alternative**
- **Credit Building**



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## Loan Product

- **Loan Size – \$ needed**
- **Terms**
  - capacity to pay
  - time to build credit
- **Interest Rate**
- **Risk-Management**



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## Partners

**Who will make and report the loan?**

- **Nonprofit**
- **CDFI partner**
- **Credit Union**
- **Bank partner**



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**Pathway**

**What's the graduation strategy  
to keep good credit going?**



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# Innovations in Opportunity Loans

<b>Product:</b>	<b>Amount</b>	<b>Lender</b>
CB Loan/CC	\$200	Justine Petersen
CB Saver	\$500	LISC, Peoples CU
CB Micro	\$500	NYANA
Peer Saving	\$1,000	Mission Asset Fund
Payday Alternative	\$1,000	CPCDC, Innovative
Appliance Loans	\$1,500	Chautauqua
Micro Consolidation	\$2,500	Four Bands
Debt Consolidation	\$5,000	Isles
Car Loan	\$4,000	Accord, ECDC



justine PETERSEN  
BUILDING ASSETS. CHANGING LIVES.

# JP Credit Builder Loan

Loan Amount: \$150.00

Interest Rate: Flat \$30.00

Term: 12 months

Monthly Payment: \$15.00

Primary Target: First-time Homebuyers;  
African-American working poor



## Opportunity Loan

**\$100-\$1,000**

- Installment loan
- 5% origination fee
- 18% interest
- 15% held as security

## Credit Builder Loan

**\$150 installment loan**

- \$25 application fee
- 12 month term
- \$12.50 monthly payment
- Hold entire principal as security until paid off



## **BUSINESS CENTER FOR NEW AMERICANS**

### **Step Up Loan**

**Loan Amount:** up to \$500.00

**Interest Rate:** 12%

**Loan Term:** 6 months

**Target:** New Americans, Entrepreneurs

#### **Success**

BCNA (formerly NYANA) offers \$500 loans to clients who have no score. After 6 months, scores increase (up to 660) enabling BCNA to offer business capitalization loan and/or help clients access other business credit.



# Mission Asset Fund

## Cestas Populares

**Taking a traditional lending practice up a notch to create greater and long-lasting impact**

<b>Average Loan Amount:</b>	\$200-\$1200
<b>Average Loan Payment:</b>	\$200
<b>Term:</b>	Minimum 1 year
<b>Interest Rate:</b>	0%
<b>Target Market:</b>	Immigrant populations with an informal peer lending circle
<b>Requirements:</b>	<ol style="list-style-type: none"><li>1) Have or open a bank account</li><li>2) Commit to participating in a Cesta for at least one year</li><li>3) Credit report and score review at intake</li><li>4) Monthly education including credit education</li></ol>

After four months, the average credit score increased 52 points.

Participants decreased their debt balance (installment and revolving) by an average \$1208.

No new late payments were reported for the Cestas and all other active accounts that appear in the members' credit reports.



# Washington Access Fund

## Assistive Technology Loan

**Loan Amount:** up to \$10,000

**Interest Rate:** 5%

**Term:** up to 5 years

**Use:** hearing aids, vehicle adaptations, computers software and hardware, vision aids and mobility equipment – all items typically not covered by insurance or other programs.

**Target:** Washington residents of all ages with disabilities of all types

Outcomes:

2007 Borrower Survey: 43% improved ability to manage their finances, 43% increased their net worth, 32% higher household income.

Since joining CBA, we have definitely seen improvements in credit scores - particularly those people with no credit histories.



# Chautauqua Opportunities

## Appliance Loan

**Loan Amount:** \$500 - \$1,400

**Loan Type:** Secured

**Interest Rate:** Prime +3 (around 8%)

**Term:** 1-3 years

**Target:** very low-income clients

### Success Story:

Annie, a single mother, works 3 jobs to provide for her children. She had no stove or fridge. She was cooking on a hot plate and storing food in a cooler. Her children were at risk of removal from the home by the state protective services agency. With an appliance loan from CODI, she has been able to get a refrigerator and a stove in her home and keep her children.



in partnership with NorthSide Federal  
Community Development Credit Union

## Twin Accounts Program

**Loan Amount:** \$500

**Loan Type:** Secured

**Interest Rate:** 16%

**Term:** 12 months

**Target Market:** low-income Center for Working Family clients

### **Process:**

Credit Union **makes loan** to customer

Credit Union **deposits full proceeds into new “locked” savings**

Customer **pays back** the loan monthly

LISC matches **on-time** monthly payments

**Credit Union reports monthly payments** to credit bureaus

**On-time payments can push credit score up**

When **loan paid in full**, customer **can withdraw** savings and match

Clients encouraged to use savings to secure credit card



## People's Community Partnership Federal Credit Union

### Fresh Start Loan

Fresh Start Loan is designed to help build credit and save money.

**Loan Amount:** \$300-\$3,000

**Interest Rate:** 6%

**Term:** up to 24 months

**Savings:** regular savings account or CD

**Target Market:** the unbanked/underbanked in Oakland, CA

**Loan Type:** Secured. PEOPLE'S FCU holds the loan funds until after the loan has been repaid in full and then releases the full amount of the loan plus all dividends to the borrower.

# ECDC Car Loan

**Loan Amount:** up to \$8,000

**Interest Rate:** risk-based up to 15%

**Term:** up to 3 years

**Target:** people working multiple jobs and/or going to school; LMI and refugees moving further away from the city and public transportation

**Criteria:** demonstrated need to get to work, get a job or get to school

## **Success Story**

EDG has provided their community:

- \$10.2 million in business loans to 580 entrepreneurs
- \$1 million in car loans to 183 income earners
- \$2.5 million in match to 908 IDA savers
- \$730k in EITC refunds to 605 families
- \$45k in credit builder loans to 47 assets builders



# CPCDC Employee Loan Program

**Loan Amount:** \$500-\$1,500

**Loan Type:** Unsecured

**Interest Rate:** 16%

**Term:** 12-18 months

**Target Market:** Tribal employees

## **Success story**

Ms. Anderson received an employee loan in April 2006. She had no credit score and a credit report with only old collections. In August 2007 she had paid off the loan and her credit score was 667. She received a second employee loan. In March 2008 was able to finance a car.



## Credit Builder Loan

### Client Profile:

More than 50% of 1,000 clients has no credit profile

Other 50% have credit score average of 600.

Most low score from default/bad tradelines only.

Lots of Payday loan debt led to debt consolidation loan

**Product Loan Amount:** up to \$2,500

**Term:** 24 months

**Interest Rate:** 10.25% -12.25%

### Process:

- 1) Credit report review
- 2) Confirm outstanding debt
- 3) Complete Credit when Credit is Due course
- 4) Receive loan up t \$2,500 to pay off debt
- 5) Build credit history and access business loans



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# New Developments

**Ramp it Up!  
Springboard Loan  
Moving on Up Loan**



# Isles Community Enterprises

## Springboard Loan

**Loan Amount:** \$500-\$5,000

**Target Market:** low-income individuals with high cost credit

**Purpose:** repay personal debt and build positive credit record for future asset acquisition

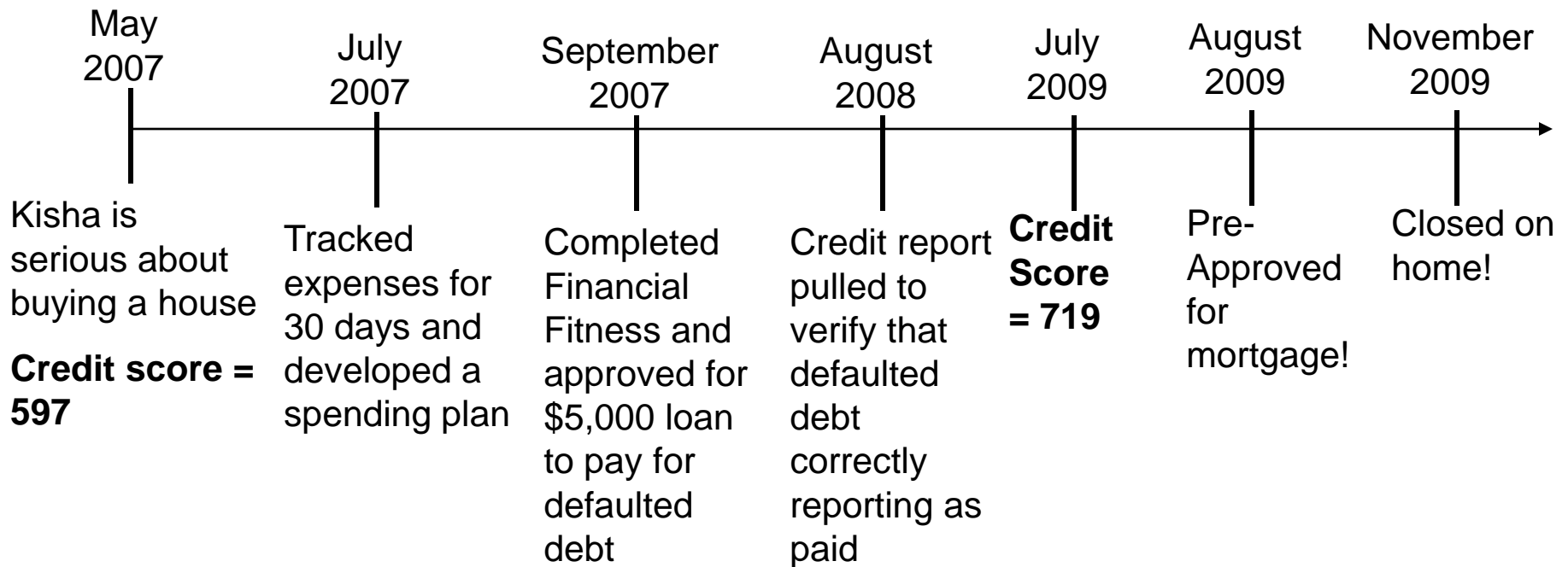
**Interest Rate:** 8%

**Term:** 12-36 months

**Requirements:** participate in Financial Fitness Program for at least 4 months and be in good standing



# Isles Community Enterprises





# Isles Community Enterprises

Kisha is a young African American woman who works full-time for the State of New Jersey. At intake she was making \$27,246 per year, which is just under 50% of the AMI for Mercer County, NJ. She has attended some college, but does not have a degree. She now has two children.

Kisha was extremely focused with an anything is possible attitude. She worked with us for almost 2 ½ years and was never late for an appointment.

This client is so special is because of the credit challenges she overcame and her commitment to maintain a high credit score. She managed to get approved for a mortgage during the credit crunch and at a time when lenders tightened underwriting standards.



# Isles Community Enterprises

*“When I initially evaluated my debt and credit, I knew I would need help if I wanted to buy a house. A friend told me about the Isles program. The counselors were great and really cared about what I was doing. They wanted to see results and I gave them results. When my credit score went over 700 I knew I had really accomplished something.”*



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# Just in Time Education: Offer small loans

## CBA Reporter

Whether you have 5 loans or 500,  
CBA is a one-stop shop for reporting!



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# Be part of CBA!

## Three ways to be part of CBA:

**CBA Reporter.** Community lenders can provide borrower data through our unique partnerships with major credit bureaus.

**CBA Access.** Nonprofits organizations can pull credit reports for lending, credit education, and measuring outcome.

### **CBA Member.**

**CBA Toolkit** is an online resource to collect and share tools and best practices for asset-based credit building strategies.

**Webinars and Workshops** as webinars and on-site trainings.

**Consulting** product development, outcome tracking

**Credit Impact Measure Research** credit reports as *cost-effective, objective, longitudinal* measure of economic self-sufficiency.



# CREDIT BUILDERS ALLIANCE

- > CBA REPORTER
- > CREDIT BUILDERS TOOLKIT
- > CBA IN THE NEWS
- > ABOUT CBA
- > CONTACT US

**Welcome to Credit Builders Alliance.** We are a non-profit organization creating new solutions for community lenders and asset building organizations to report client financial behavior to the major credit bureaus and help families build stronger credit profiles and scores.

Helping Nonprofits  
Build Stronger Credit  
in their Communities



## Be a CBA Reporter



**"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. We applaud CBA for their pioneering work, and we are looking forward to seeing the results of our joint efforts."**

Zaydoon H. Munir, Senior Vice President, Experian

CBA and Experian have created a unique model – from application to reporting to dispute processing – so community lenders of all sizes can report.

**DownHome Solutions** and **CommonGoals** software companies are important partners -- both offer

## Innovative Solutions



**Entrepreneurs Dream**  
Four Bands Community Fund introduces Credit Builder Loan up to \$2,500 to enhance seamless customer-service for entrepreneurs.

[Learn More >>](#)

## Community Lenders

"The single most important means for our CDFI to graduate micro-entrepreneurs and homebuyers into the formal banking system is to

## Did You Know?

### It's not cool to be THIN

Credit bureaus define less than 3 lines of credit a THIN FILE.

[Read More >>](#)

## Asset Builders

"Credit building may be the most cost-effective and efficient asset building tool."

Robert Boyle.

## News

Community Lenders can now apply to CBA to report to Experian.

Look for CBA Exhibit at AEO Conference Kansas City May 15-18

## Credit Bureaus

CBA's unique business model can help you access reliable, high-quality data from community lenders on unbanked and underbanked



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Helping Clients Build Credit

Federal Reserve Bank of Boston:

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