



While credit education has always been a part of financial education, changes in the credit industry over the past decade have made the link between good credit and good financial management more pronounced. At the same time, financial educators are struggling with the best way to make this link for their clients.

In addition, there is a growing interest across the financial services industry -- among CDFIs, financial educators, government policy makers, foundation donors and financial institutions to understand and measure the impact of financial education and asset building interventions. A few studies have looked at the link between financial education and changes in credit and credit behavior.

Moving forward, CBA believes that credit reports and scores may prove to be a very cost-effective and independent market indicator of financial behavior changes after financial education in both the short and long-term. As a measure recognized by conventional banks to demonstrate creditworthiness, it might also be a potential impact measure of their success in "graduating" clients to mainstream credit.

Highlighted Articles and Research

Early Intervention and Credit Cardholders

By: Amy Brown and Kimberly Gartner, Center for Financial Services Innovation

Did you know? Cardholders who fail to make on-time payments on their accounts not only jeopardize their own credit ratings but also cause financial losses for card issuers.

Three credit card issuers conducted pilot projects offering special services to cardholders deemed at risk of delinquency and those who were new to credit, such as college students, to test whether early intervention, such as reminder calls, mailings, and credit education, could help prevent delinquencies. Findings suggest that integrating financial education into cardholder relationships can improve credit behavior.

Does Homeownership Education and Counseling Help Credit Scores?

By: Julie Birkenmaier, Ph.D and Sabrina Tyuse, Ph.D, Saint Louis University

Did you know? Low credit scores may not be as much a result of negative credit, but the lack of good credit.

In 2002 Great Rivers CDFI received a research grant from St. Louis University to look at the impact of homebuyer education and counseling on credit scores. As a result, Birkenmaier and Tyuse (2006) found that pre-purchase homebuyer counseling clients increased their credit scores within one year of initial intake, with higher increases for clients with lower intake scores. This research clarified that for Great Rivers CDFI clients: (1) low credit scores were not as much a result of negative credit, but the lack of good credit; (2) the main obstacle for LMI clients is a lack of active lines of good credit on their credit reports; and (3) the typical credit builder plan takes between six to twelve months to accomplish.