Agenda

- Brief introduction to CBA
- Credit Building Essentials
- Industry Updates
  - National Consumer Assistance Plan (NCAP)
  - Identity Protection Tools
  - New Developments in Credit Scoring
  - Policy Developments
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 Credit Building Community

over 500 members nationwide
Credit Realities
Credit Catch 22

Opening and successfully managing financial products is key to building and maintaining a good credit history.

BUT...

Individuals, families, and communities with no, thin or poor traditional credit histories have few opportunities to build good credit.
Credit Realities Among U.S. Consumers

Approximately 45.4 million Americans (almost 20 percent of the population) have “unscored” credit records or are “credit invisible.”

SOURCE: CFPB
Credit Realities Among U.S. Consumers

- Consumers in low-income neighborhoods are more likely to be credit invisible or to have an unscored record.
- Black and Hispanic consumers are almost twice as likely to have limited credit records.
- Low-income consumers are more likely to establish a credit history through non-loan items, such as collections and public records.

SOURCE: CFPB
Credit Realities Among U.S. Consumers (2016)

Prime

Percent of the credit economy with an Equifax Risk Score of 720+. 

<table>
<thead>
<tr>
<th>Prime Indicator</th>
<th>National</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime (score 720+)</td>
<td>51.9%</td>
<td>--</td>
</tr>
<tr>
<td>Near Prime (score 660-720)</td>
<td>16.8%</td>
<td>--</td>
</tr>
<tr>
<td>Subprime (score &lt;660)</td>
<td>31.2%</td>
<td>--</td>
</tr>
</tbody>
</table>

SOURCE: Federal Reserve Bank of NY
Credit is used in which of the following?

A. Rental housing
B. Employment
C. A cell phone
D. Auto insurance
E. All of the above
Good Credit is the Passport to the New Economy
How Does Credit Building Work?

CREDIT BUILDING:
Establishing and maintaining ACTIVE paid on-time trade lines (installment or revolving) that are reported to the major credit bureaus

Focus on behavior now to create opportunities for the future
Credit Building Best Practices

- 3 ACTIVE trade lines always paid on time!
- MIX of installment and revolving
  - Installment: assess affordability of monthly payment
  - Revolving: maintain debt balance below 30% and don’t use for general consumption
- 6 MONTHS of history ... and activity
- PAIR with credit education and support
Unique Credit Challenges for Survivors

- Credit records intertwined with abuser
- Privacy concerns
- Need to establish/re-establish credit history
Updates in the Industry
The Players

Step 2: Know the Score

SOURCE: Experian
The National Consumer Assistance Plan (NCAP)
National Consumer Assistance Plan (NCAP)

Timeline

2012-2013
Investigations by 32 States Attorneys General

March-May 2015
Settlements reached between Attorneys General and three major credit bureaus

2015-2018
Implementation of NCAP
National Consumer Assistance Plan (NCAP)

- Debt Collection Practices
- Requirements for Data Furnishers
- Credit Bureau Duties
NCAP Provisions

Debt Collection Practices

Debt collectors must provide information about the original creditor and account type. This helps consumers understand where collection account information came from.

<table>
<thead>
<tr>
<th>Creditor:</th>
<th>Account # 123456</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC Collection Services</td>
<td>Opened: 12/15</td>
</tr>
<tr>
<td>123 Main St.</td>
<td>Verified: 02/17</td>
</tr>
<tr>
<td>Anywhere USA 12345</td>
<td>Amount: $975</td>
</tr>
</tbody>
</table>

Original Creditor: Anywhere Loan Services
Type: Installment
Can debt from a traffic ticket be included on your credit report?
Can debt from a traffic ticket be included on your credit report?

No!
NCAP Provisions: Check your Knowledge!

Debt Collection Practices

Can debt from a parking ticket be included on your credit report?
NCAP Provisions: Check your Knowledge!

Debt Collection Practices

Can debt from a parking ticket be included on your credit report?

No!
Can debt from a library fine be included on your credit report?
Can debt from a library fine be included on your credit report?

No!
NCAP Provisions

Debt Collection Practices

Debt collectors cannot report debt that did not arise from a contract or agreement to pay.

- Traffic Ticket
- Parking Ticket
- Library Fine
NCAP Provisions: Medical Debt

Creditors cannot report medical debts that are less than 180 days old.

Medical bills that have been reported but are later paid by insurance must be deleted from the credit report.
NCAP Provisions: Minimum Requirements

Data furnishers must meet minimum requirements for reporting borrower ID information to reduce errors.

Data Furnishers must report:

- Full name (first, middle, last, generation)
- Full Social Security Number (SSN) and Date of Birth (DOB)
- If full SSN is not available, full DOB is required
NCAP Provisions: Disputes

Credit Bureaus now have more stringent requirements for handling consumer disputes.

Credit Bureaus have agreed to:
- Reduce barriers to submitting disputes
- Provide more thorough investigation to disputes, even when creditor claims that information is accurate
- Provide a second free annual credit report following a dispute
- Improve notifications of dispute results
NCAP Provisions: Civil Judgements and Tax Liens

As of April 2018, Credit Bureaus have removed civil judgments and tax liens from consumer credit reports.

Potential Impact:
✓ A small number of people may experience an increase in credit score.
! The credit report may not reflect a comprehensive summary of a consumer’s debts.
➢ LexisNexis and courthouse records may provide additional information on other debts owed.
Identity Protection Tools
New legislation

Economic Growth, Regulatory Relief, and Consumer Protection Act

- Became law 5/24/18
- Includes specific guidelines regarding consumer protection and credit
- Credit freeze/fraud alert changes went into effect September 2018
Fraud alert

What is it?

A fraud alert is a temporary notice that appears on the credit report and prompts businesses to verify identity before issuing credit.
New legislation: Fraud alert

Previously:
Initial fraud alerts last for 90 days.
New legislation: Fraud Alert

As of September 2018:
Initial credit alerts will remain on the credit report for 1 year.
Credit freeze

What is it?

A credit freeze prevents any business from viewing an individual’s credit report for the purpose of granting credit.
New legislation: Credit freeze

Previously:

Rules and fees around credit freezes vary from state to state.
New legislation: Credit freeze

Previously:
Rules and fees around credit freezes vary from state to state.

As of September 2018 credit freezes will be free for all consumers.
Placing a freeze on your credit

- For Equifax: [www.equifax.com/personal/credit-report-services/](http://www.equifax.com/personal/credit-report-services/)
- For Experian: [www.experian.com/freeze](http://www.experian.com/freeze)
- For TransUnion: [www.transunion.com/credit-freeze](http://www.transunion.com/credit-freeze)

- All contacts can be found here: [https://www.identitytheft.gov/creditbureaucontacts](https://www.identitytheft.gov/creditbureaucontacts)
New legislation: Other changes

- Credit freezes will also be free for any child under 16 (Previously only some states allowed credit freezes for children under 16).
New legislation: Other changes

- Credit freezes will also be free for any child under 16 (Previously only some states allowed credit freezes for children under 16).

- Credit Reporting Agencies must offer free electronic credit monitoring to all active duty military.
New Developments in Credit Scoring
New Developments in Credit Scoring

- Newest credit scoring models:
  - FICO® Score 9
  - UltraFICO™ Score
  - VantageScore® 4.0
  - Experian Boost
  - Scores using alternative data: FICO® Score XD, LexisNexis® RiskView™
New Developments in Credit Scoring

- **Ways that new scoring models are innovating:**
  - Trended data and machine learning to score more consumers
  - Consumer permissioned data
  - Incorporating alternative data points
  - Changes to weighting of medical and small collections
Trended Credit Data

What Is It: Information incorporated into credit scoring models to add more dimension to the credit “snapshot,” providing more insight into consumer behavior patterns and risk assessment.

What it considers: Credit patterns over time related to payment history, credit utilization, outstanding balances and other factors.
Without trended credit data, Gloria and Wayne’s outstanding credit card debt looks the same when the credit report is pulled in May.

Trended credit data reveals more information about differences in Gloria and Wayne’s credit card usage.
Trended Credit Data: Example

Who would be considered a greater credit risk? Why?
New Developments in Credit Scoring

- Financial inclusion, consumer protection, and the need for more diversity of financial products are all in sharp focus
- Industry innovation is often driven by market forces, not necessarily in the spirit of economic justice
- Continued need to lift up and scale the impactful work of community-based lenders and financial institutions!
Policy Developments
Policy Developments around Credit Inclusion

Examples

- Credit Access and Inclusion Act
- Economic Growth, Regulatory Relief and Consumer Protection Act
  - Exploration of credit score options by GSEs for mortgage underwriting
  - Free Credit Freezes
  - Medical collections grace period for veterans
- Payday Lending Rule Changes
Potential for Unintended Consequences around Industry and Policy Developments?

- Concerns around “Full-file” reporting
- What is the net benefit to LMI and underserved households?
- Are predictive data points still built upon structural bias?
Conclusion
Upcoming *Credit as an Asset* Trainings

**In Person: Detroit**

November 12, 2019

[https://www.eventbrite.com/e/credit-as-an-asset-training-registration-62874432119](https://www.eventbrite.com/e/credit-as-an-asset-training-registration-62874432119)

**E-learning: Monday’s,**

September 9 – October 14th

2:00 – 3:30 ET
Continued Learning

Credit as an Asset Training
Credit Builders Toolkit
Credit Building Consulting
CBA Members' Corner

www.cbatraininginstitute.org
References


Questions?

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www.creditbuildersalliance.org