



Credit Action Planning: Leveraging the Credit Report as a Critical Financial Coaching and Counseling Tool

**Native Financial Education Practitioners
Summit**

April 27, 2022

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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 Builder Community



Disclaimer



This information is not intended to be legal advice and may not be used as legal advice.

Every effort has been made to assure this information is up-to-date. It is not intended to be a full and exhaustive explanation of the law in any area, nor should it be used to replace the advice of your own legal counsel.

- Overview of credit profiles
- Review of one credit report and how this informs your work with participants
- Considerations for what to look for when reviewing each section of the credit report

This session
will cover...



- Detailed exploration of credit scoring or how information on the credit report affects credit ratings
- Guidance on specific situations
- In depth coverage of specific credit challenges

This session
will not cover...





REFLECTION

“To be honest, I can’t even bring myself to look at my credit report emotionally and my therapist told me I don’t have to... I haven’t looked at my credit report for two years....

Life can be overwhelming so adding credit on top of everything else is really tough. It’s funny because I am an intelligent person, but I still can’t bring myself to pull my credit report.”

~Chicago Resident





DISCUSSION

Does this resonate?

**What do you typically hear
from your participants about
credit?**



Shifting the Paradigm

I have bad credit and there isn't anything I can do about it. I haven't looked at my credit report in years.

I am afraid that I will never be able to qualify for a mortgage.

I am scared to open credit accounts because I have been in trouble with debt before.



Shifting the Paradigm

**Credit
is a
deficit**






**Credit
is an
ASSET!**



IS YOUR PARTICIPANT AN IDEAL CANDIDATE?

Ability to make on-time payments!

NO FILE (Credit Invisible)	THIN FILE	THICK(ER) FILE
No Credit Report	Credit Report	Credit Report
No Credit Score	No Credit Score/ Low Credit Score	Credit Score
No positive or negative information	Fewer than 3 ACTIVE tradelines May also include: <ul style="list-style-type: none">■ Small, paid or older collections only■ No MIX of tradelines	Generally 3-5 ACTIVE tradelines Other features: <ul style="list-style-type: none">■ No current delinquencies■ Small, paid or older collections only■ No MIX of tradelines■ Low revolving credit utilization■ Not a lot of recent inquiries■ Long history
		


The Key to Credit Building



Establish and maintain **ACTIVE** paid **on-time** tradelines (installment or revolving) that are **reported** to the major credit bureaus



Focus on behavior **now** to create opportunities for the future

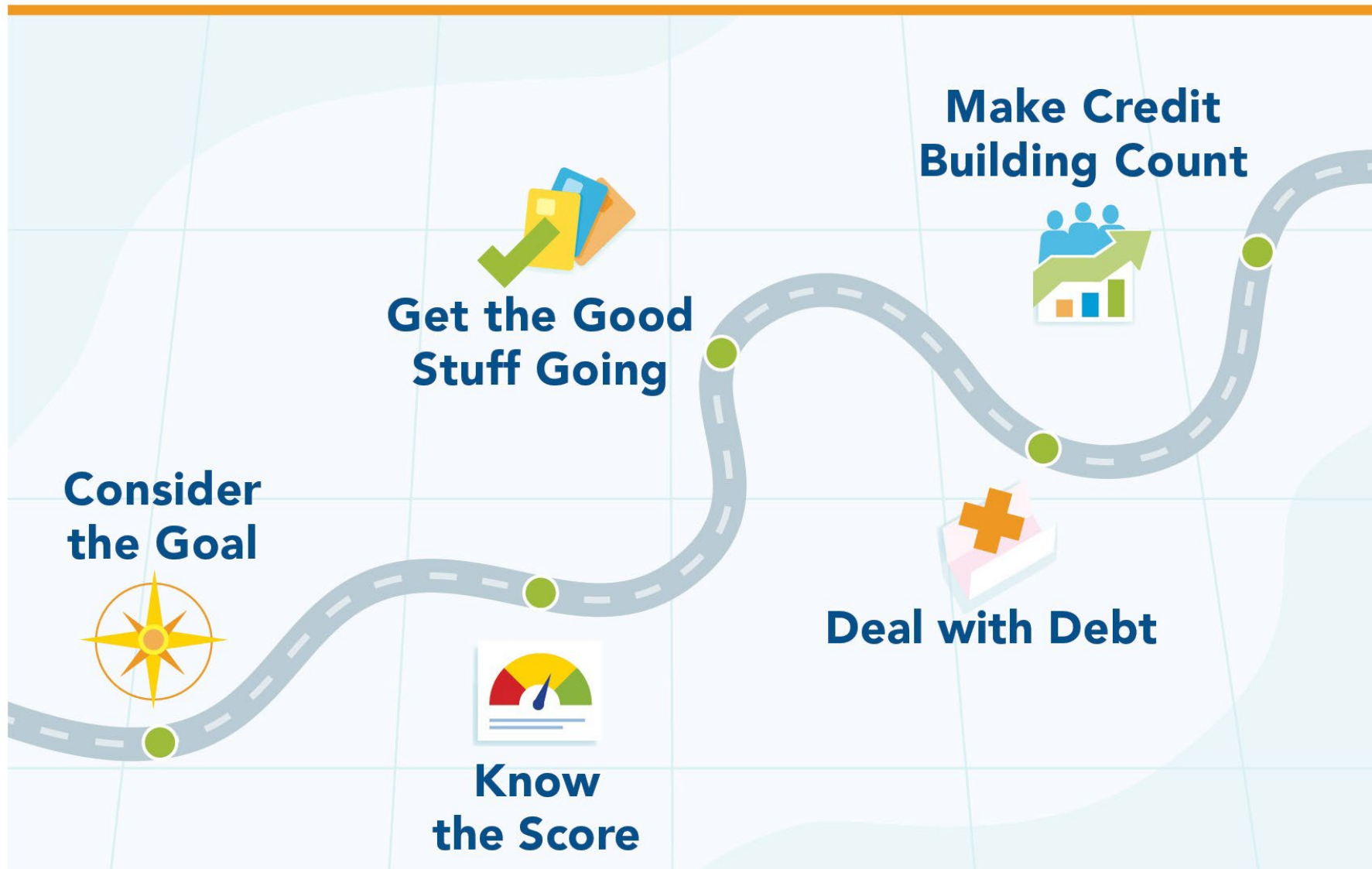
A 3D bar chart with four bars of varying heights, colored orange and blue, set against a light blue grid background. The bars represent data points, with the second and fourth bars being the tallest.

Credit
AS AN
Asset

Credit Checklist

Do you...		YES	NO
KNOWLEDGE	know how to pull a free annual credit report?		
	know how to dispute errors?		
	know what financial actions drive credit scores generally?		
	know how to connect to the right credit products to achieve your goals?		
ACCESS	have active credit?		
	have a mix of credit types?		
	have a credit account with a bank or credit union?		
	have a prime credit score?		
ACTIONS	dispute errors found on your credit report?		
	pay all bills on-time?		
	maintain revolving debt balances at 30% or less of total available credit?		
	apply for credit only as needed?		

CREDIT STRENGTH ROADMAP[©]

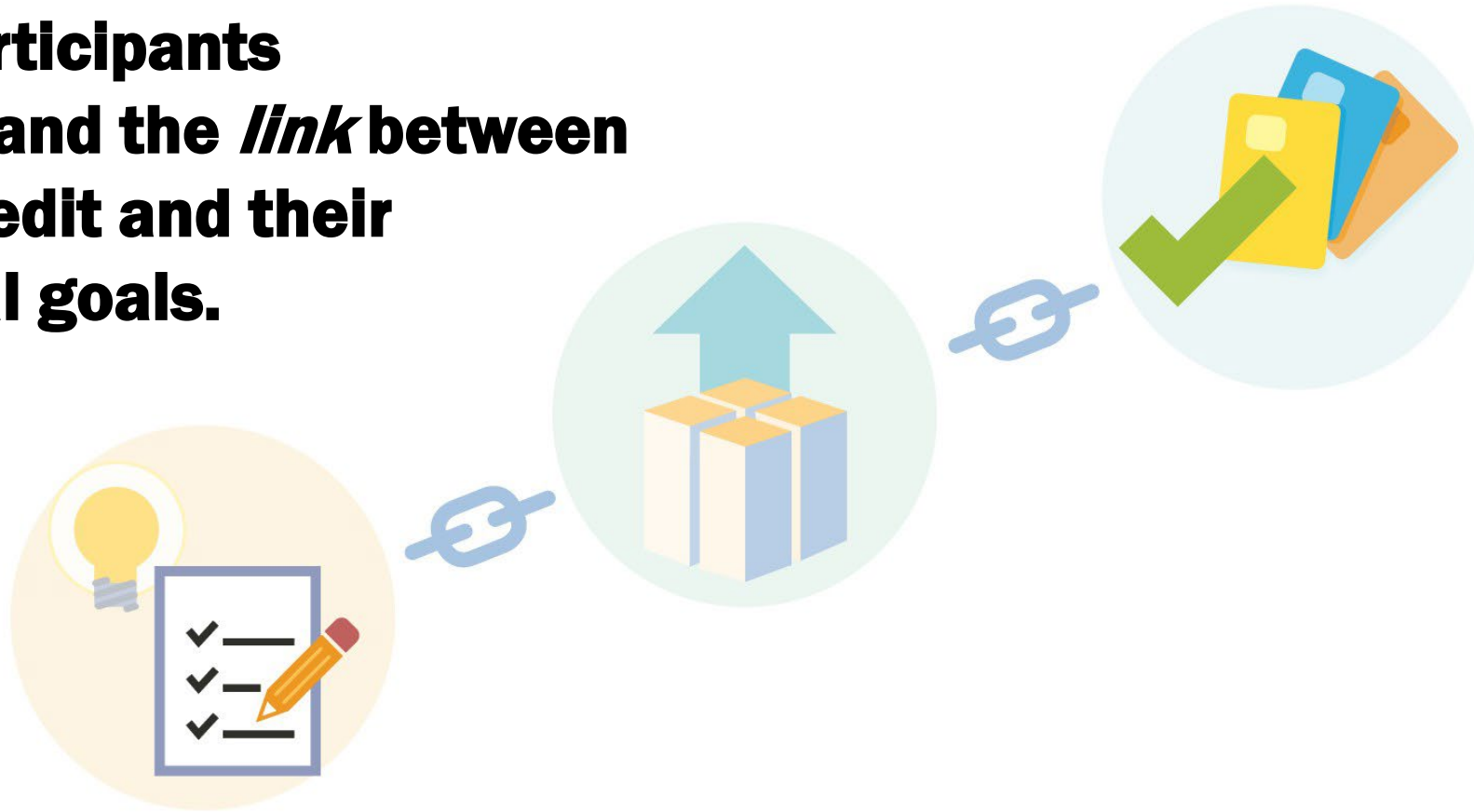


CREDIT STRENGTH ROADMAP[®]



Connect Goals with Credit Building

Help participants understand the *link* between good credit and their financial goals.



Meet Geneva

Geneva is a new financial counseling participant. She is 29-years-old and newly single. She has a stable, low-wage job.

She needs to move next year and knows that improving her credit is important in order to be competitive in a tight rental housing market. Geneva hasn't checked her credit for awhile but states that her score is low and wants to improve it.



Make Geneva's Goal "SMART"

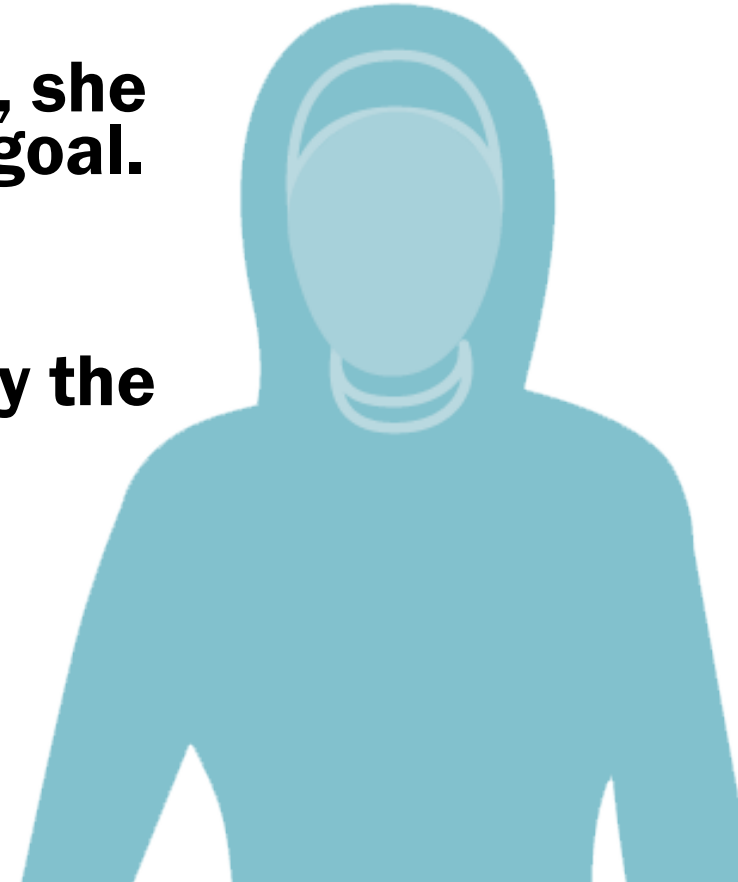
Specific: Save \$2,000 and increase credit score to 650 as this is required by many landlords in her community of choice

Measurable: Each month that Geneva saves \$250, she is that much closer to accomplishing her savings goal. Track score monthly.

Actionable: Set up automatic direct deposit for \$250/month. Use revolving credit monthly and pay the balance off in the full to build her score.

Realistic: Geneva is able to do this based on her current budget and circumstances.

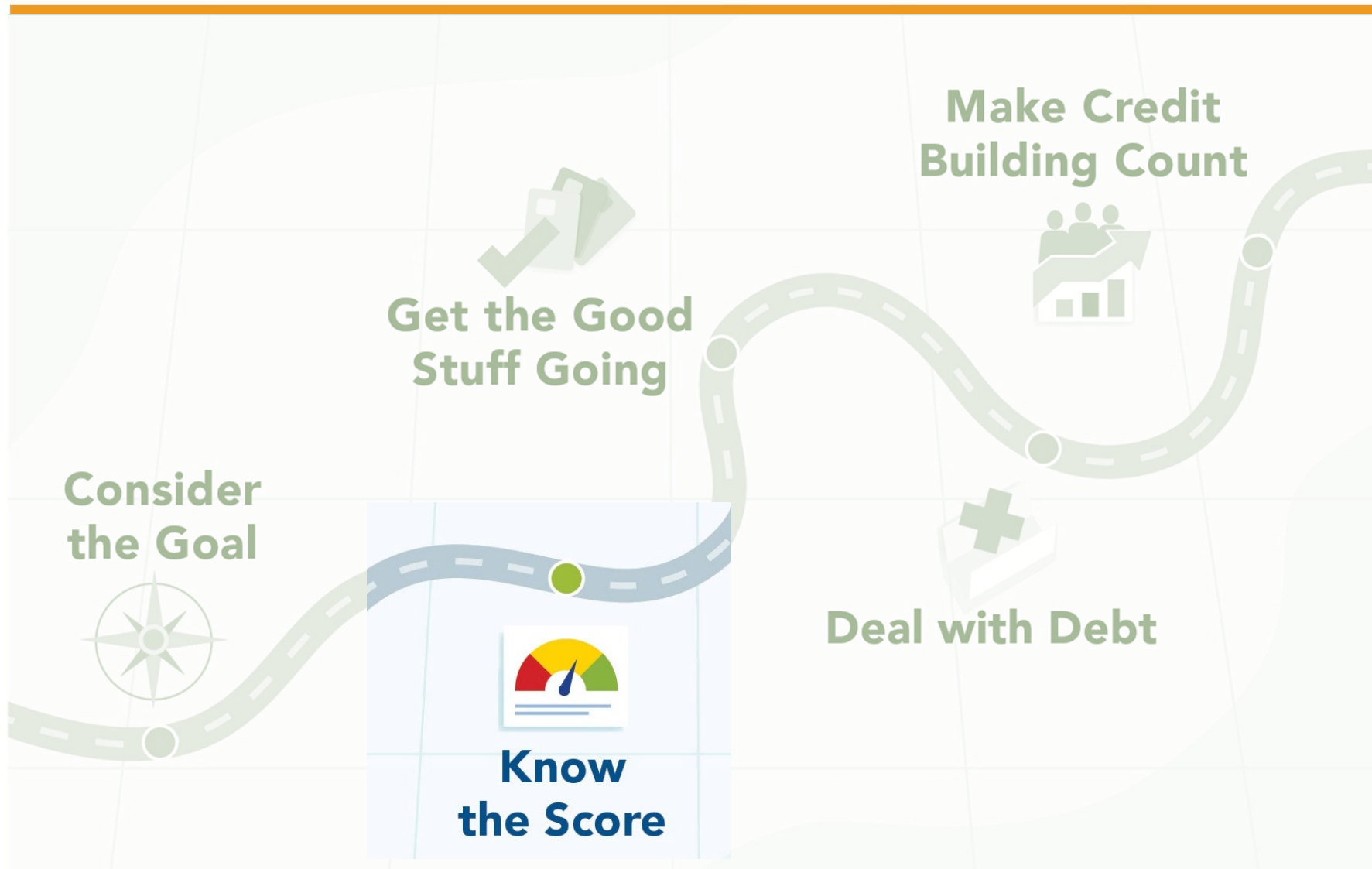
Time-based: Within 1 year



Step 1: Action Steps

- **Help her pull her own credit report**
- **Review for accuracy and identity theft**
- **Dispute errors as needed**

CREDIT STRENGTH ROADMAP[®]



Credit Strength Roadmap Tool:

Know the Score

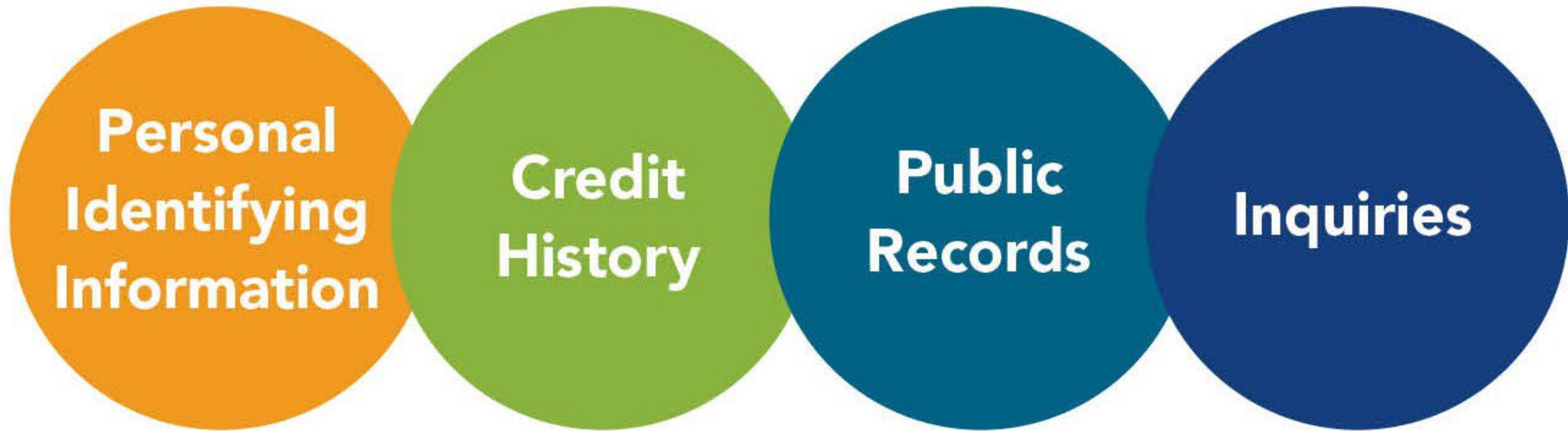


Identify what is on your credit report. This will help to inform the next steps you take to build or rebuild your credit.

CREDIT REPORT SUMMARY		Next Steps	Notes
Score Model and Generation			
Number of ACTIVE Installment Tradelines			
Number of ACTIVE Revolving Tradelines			
Percentage (%) of Available Revolving Credit			
Number of Delinquencies on ACTIVE Tradelines in Last 12 Months			
Outstanding Balances (\$) on Active Trades (i.e. open loan and credit card accounts)			
Date of Oldest Open Account			
Number of Accounts in Collections			
Other Outstanding Debt Balances (\$) Owed (i.e. charged-off accounts and collections)			
Number of Inquiries in Last 12 Months			

*ACTIVE refers to open tradelines (loans/credit cards) that are currently (in the last 6 months or so) are being used.

Main Sections of the Credit Report



Personal Identifying Information

PERSONAL CREDIT REPORT		DATE OF REPORT: 11/18/2021
		Report # 99999
PERSONAL INFORMATION		
NAME Geneva Smith	SSN: xxx-xx-5555 Your SSN has been masked for your protection	You have been in our files since: March 2001
Other Names Reported Eva Smith, Geneva Doe	Year of Birth: 1992	
Addresses Reported 123 Main Street Anytown, HomeState 00001 321 Main Street, Othertown, HomeState 00002 789 County Rd A, AnotherTown, HomeState 00005		
Telephone Numbers Reported 222-555-5555 222-888-8888	Spouse or Co-applicants	Employers Anytown Paper Co. Generic Industries
SCORING		
TYPE Experian/Fair Isaac Risk Model V2	SCORE 550	

Credit History - Open Accounts

CREDITOR:

Johnson's Retail

3232 Beta Rd. Anothertown, HomeState 00005

(222)-222-2222

Account #

654***



Date Opened: 10/1/2015

Responsibility: Individual

Account Type: Revolving

Loan Type: CREDIT CARD

Balance: \$987

Date Updated: 11/1/2021

Payment Received \$0

High Balance \$993

Credit Limit \$1,000

Pay Status: Current; Paid or
Paying as
Agreed

Terms Paid Monthly

Date Closed:

Remarks:

2021							
NOV	OCT	SEP	AUG	JUL	JUN	MAY	APR
OK	OK	30	OK	OK	OK	OK	OK
2020							
MAR	FEB	JAN	DEC	NOV	OCT	SEP	AUG
OK	OK	OK	OK	OK	OK	OK	OK

Credit History - Open Accounts

CREDITOR:

Account # 10000121212***

Othertown Community Credit Union
2323 Oscar Blvd. Othertown, HomeState 00002
(363) 636-3636



Date Opened: 7/6/2013
Responsibility: Individual
Account Type: Revolving
Loan Type: CREDIT CARD

Balance: \$0
Date Updated: 11/5/2021
Payment Received: \$0
High Balance: \$125
Credit Limit: \$500

Pay Status: Current; Paid or
Paying as
Agreed
Terms Paid Monthly
Date Closed:

Remarks:

2021							
NOV	OCT	SEP	AUG	JUL	JUN	MAY	APR
-	-	-	-	-	-	-	OK
2020							
MAR	FEB	JAN	DEC	NOV	OCT	SEP	AUG
OK	OK	OK	OK	OK	OK	OK	OK

Credit History - Collections

ACCOUNTS IN COLLECTION

CREDITOR: Account # ABC654***

Collection Co
1212 Alpha Rd., Anothertown, HomeState 00005
(222) 221-8989

Place for collection:	4/1/2020	Balance	\$550	Status:	In Collection
Responsibility:	Individual Account	Date Updated:	11/1/2021		
Account Type:	Open Account	Original Amount:	\$550		
Loan Type:	Debt Buyer	Original Creditor	Big Telecom Cable/Cellular		
		Past due:	\$550		
Remarks:	Placed for Collection				

Estimated month and year that this item will be removed: 04/2027

Public Records

PUBLIC RECORDS

No public records.



Inquiries

HARD INQUIRIES

Regular Inquiries are posted when someone accesses your credit information from our company. The presence of an inquiry means that the company listed received your credit information on the dates specified. These inquiries will remain on your credit file for up to 2 years.

ANYTOWN FEDERAL CREDIT UNION

875 BIG BOULEVARD, Anytown, HomeState 00001
(877)787-8787

Requested On:

1/26/2021

Inquiry Type:

Individual

Permissible Purpose:

CREDIT TRANSACTION

WORLD OF AUTO

7878 Motorcity Dr. , Anytown, HomeState 00001
(777)-777-7778

Requested On:

2/26/2021

Inquiry Type:

Individual

Permissible Purpose:

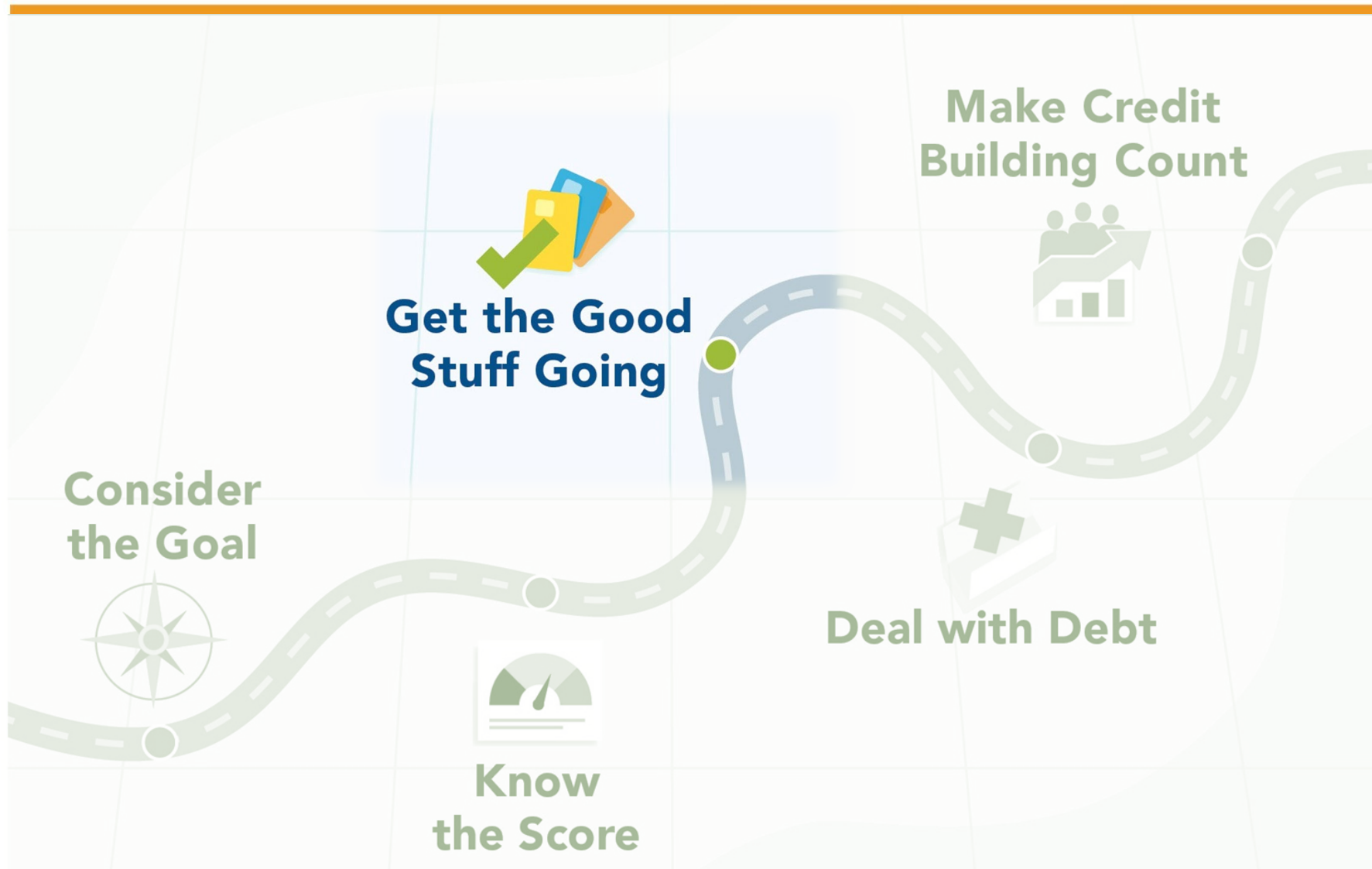
CREDIT TRANSACTION



Step 2: Action Steps

- **Retail Credit Card:**
 - **Reducing the balance that she owes on the retail credit card will improve Geneva's credit utilization. Geneva decides to increase her monthly payment to pay down her debt faster.**
- **Big Bank Credit Card:**
 - **Consider using this credit card for at least one small purchase regularly**
 - **Pay on time and in full each month**

CREDIT STRENGTH ROADMAP[®]



Which credit product(s) might be helpful for Geneva?

Unsecured
Credit Card

Secured
Credit Card

Authorized
User

Personal and
Business
Loans

Student
Loan

Credit
Builder
Loans

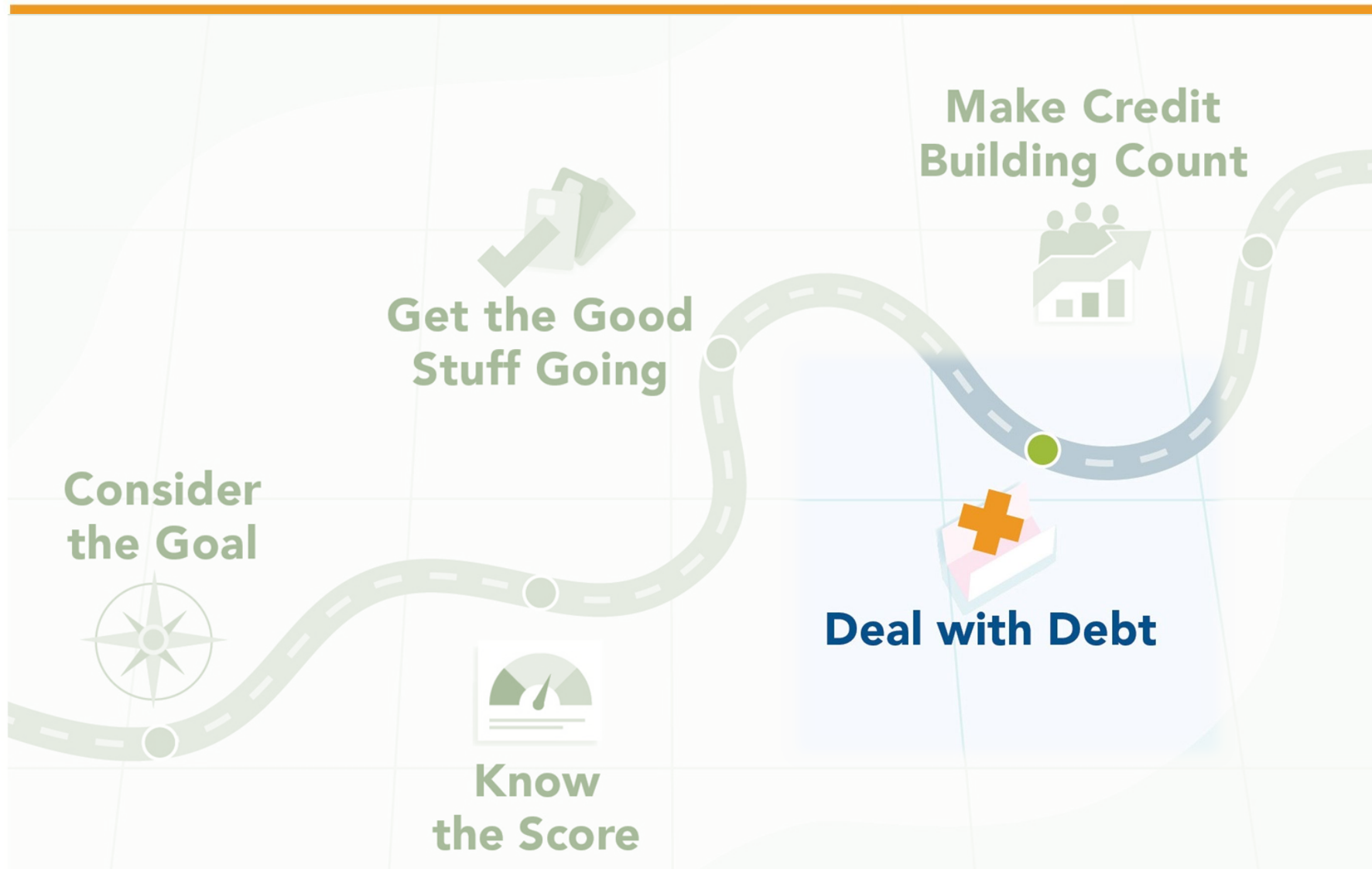
Social Loan/
Lending
Circle

Rent
Reporting

Step 3: Action Steps

- **Consider adding another account to...**
 - **Diversify her mix of credit products**
 - **Installment account**
 - **Help her reach her goal**
 - **Credit builder loan to contribute to savings goal**

CREDIT STRENGTH ROADMAP[®]



Credit History - Collections

ACCOUNTS IN COLLECTION

CREDITOR: Account # ABC654***

Collection Co

1212 Alpha Rd., Anothertown, HomeState 00005

(222) 221-8989

**Place for
collection:**

4/1/2020

Balance

\$550

Status:

In Collection

Date Updated:

11/1/2021

Responsibility:

Individual Account

Original

\$550

Account Type:

Open Account

Amount:

Loan Type:

Debt Buyer

**Original
Creditor**

Big Telecom
Cable/Cellular

Past due:

\$550

Remarks:

Placed for Collection

Estimated month and year that this item will be removed:

04/2027



How should Geneva address her collection account?

Weigh the pros/cons

Pay in Full

+ Most beneficial for credit score

– Costs more money

Settle

+ Costs less money

– Forgiven amount may be taxed

Payment Plans

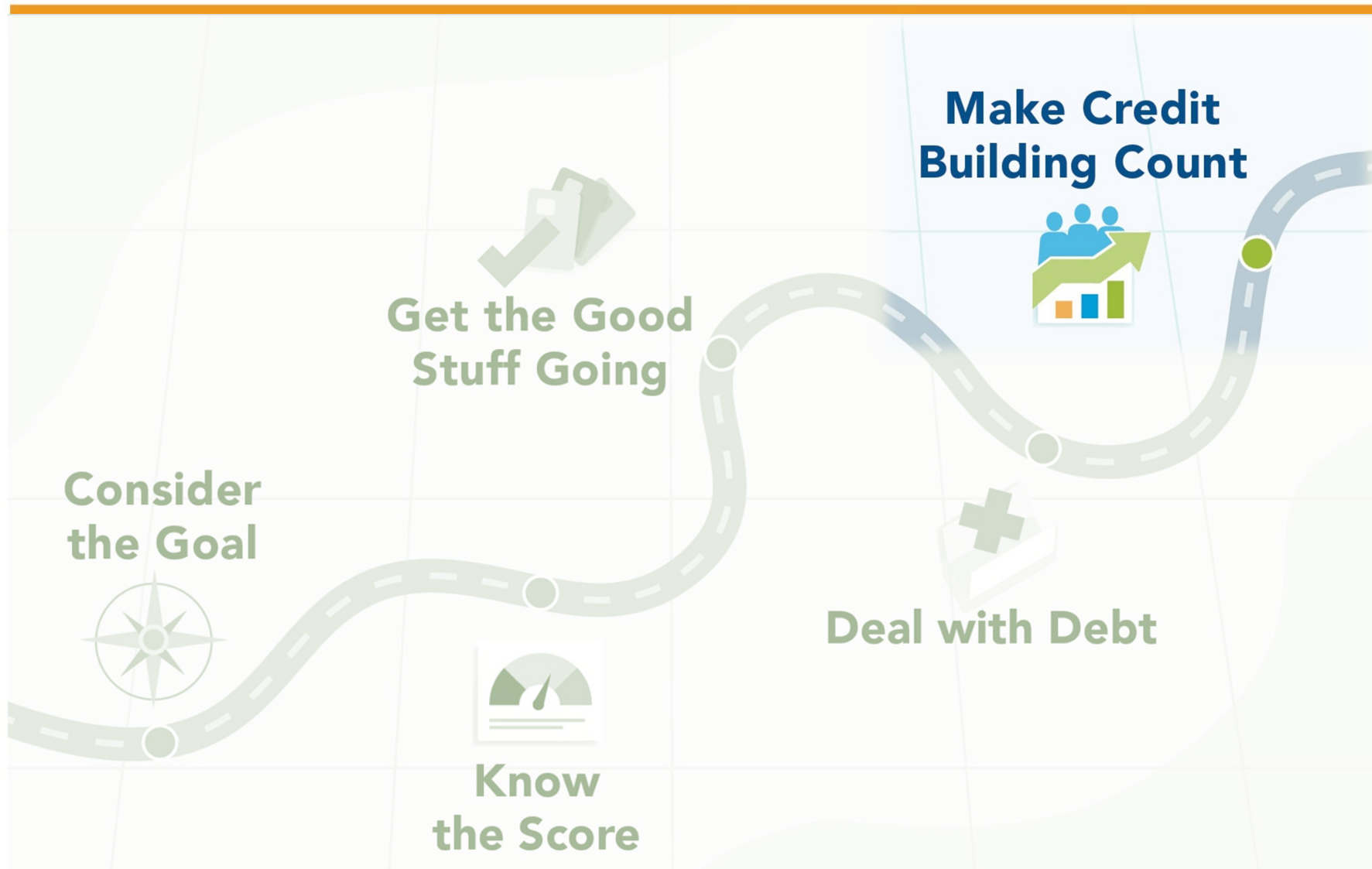
! Exercise caution



Step 4: Action Steps

- **Address collection account**
 - **Pay in full**
- **Pay all bills on-time**

CREDIT STRENGTH ROADMAP[®]





ARE YOU ASKING THE RIGHT QUESTIONS?

Consider:

- **How have you connected credit building to the participant's goals?**
- **How has credit building made a meaningful difference in your participant's financial lives?**
- **What have you/the participant learned? How will this inform your work going forward?**



Credit Strength Means Different Things to Different People

**CREDIT STRENGTH =
ABILITY TO ACHIEVE MY GOALS**

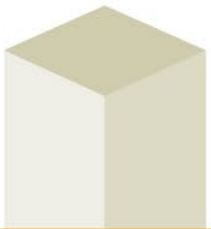


Step 5: Action Steps

- **Make a plan and follow through (potentially add additional products, continue working to improve score, etc.)**
- **Pull credit periodically to track progress**
 - **Use the same score each time!**
- **Focus on the trends upward**
 - **Movement from thin to thick file**
 - **Tier movement (subprime to prime, etc.)**
- **Celebrate progress!**

Make Credit Building Count

Established
and improved
credit histories



Access to
affordable products
and opportunities



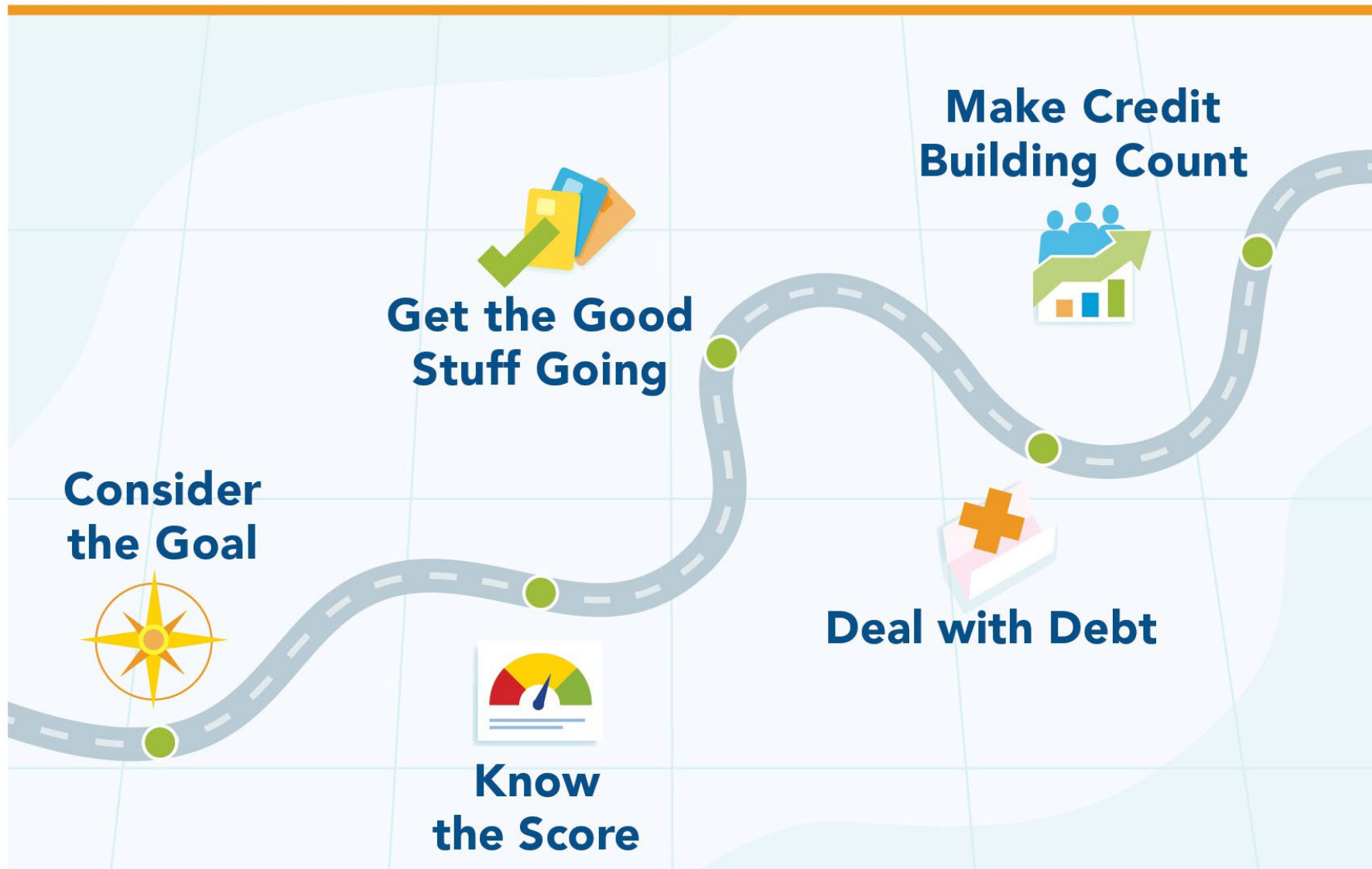
Increased savings
and
financial stability



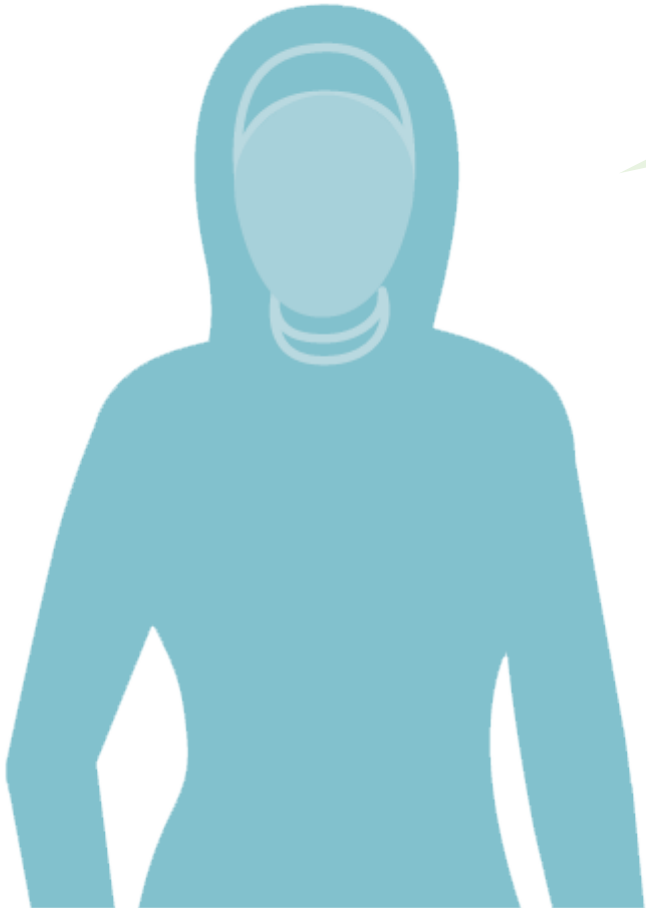
**Financial
health**



CREDIT STRENGTH ROADMAP[©]



Shifting the Paradigm



Now that I know what is on my credit report, I can start working on my plan to improve my credit score.

My credit is far from perfect, but with time and dedication I will be able to achieve my financial goals.

I am in control of my credit and know what steps I need to take to build the credit score I need in order to achieve my goal.

Keys to Effective Credit Action Planning



GUIDE PARTICIPANTS
TO MAKE INFORMED
DECISIONS



HELP PARTICIPANTS
UNDERSTAND THEIR
RIGHTS



ENCOURAGE
HONESTY AND
ACCOUNTABILITY



SUPPORT THE
INTEGRITY OF THE
SYSTEM



MANAGE
EXPECTATIONS



CELEBRATE
PROGRESS AND
ACHIEVEMENT...NO
MATTER HOW SMALL!

Reflection

What is one thing you learned today that you will implement with your participants?

Q&A



CBA's Training Institute



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Thank You!

training@creditbuildersalliance.org

