

# A risk-free credit builder loan

How it impacts students' financial capabilities  
and access to credit

Presentation by Jasmine Adams



# Agenda



Background



Outcomes of  
interest



Research  
methodology



Data collection  
and analysis

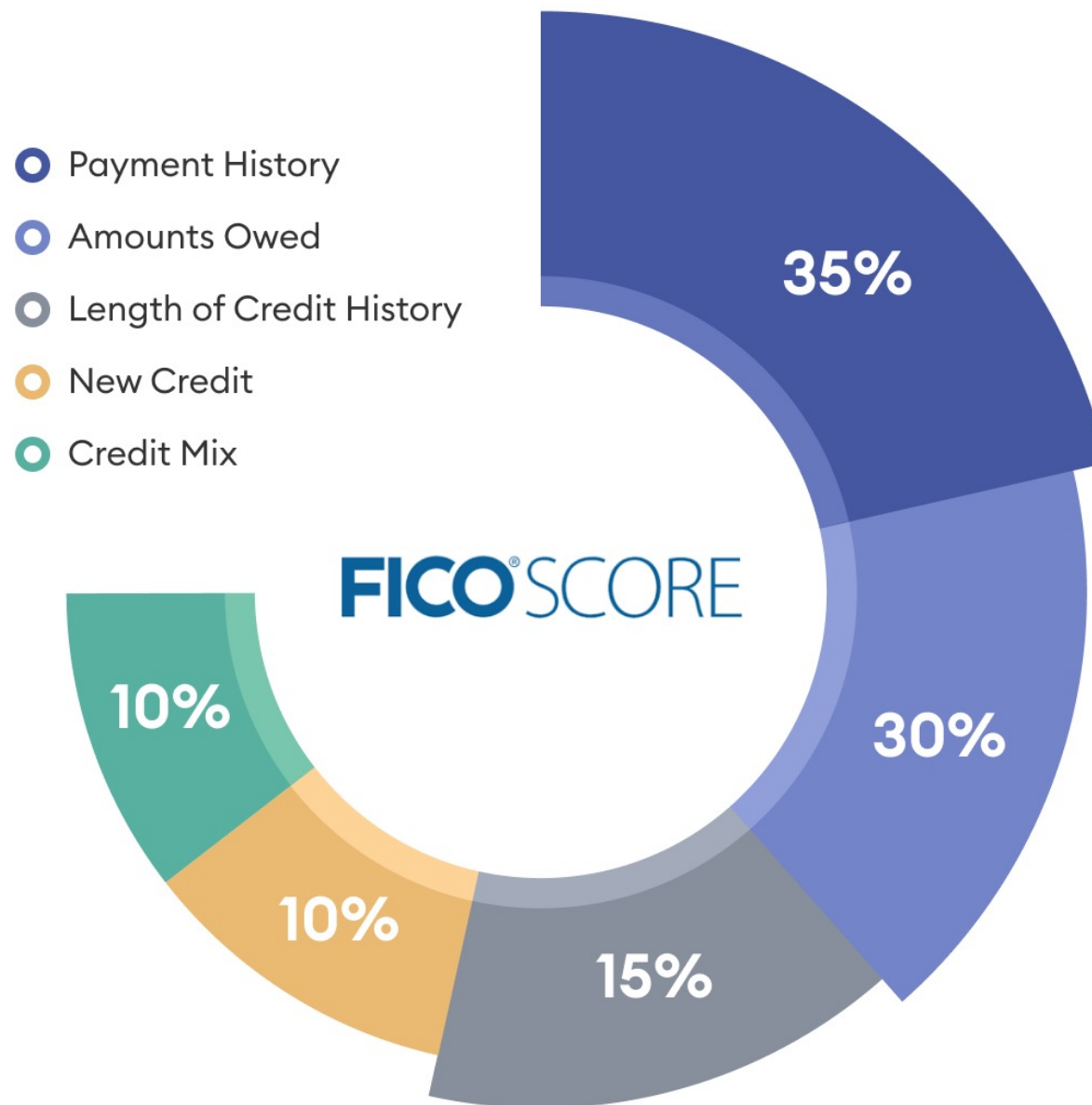


Questions

Background

# How is your credit score calculated?

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# What is a credit builder loan?

## Traditional CBLs



Apply for the loan  
(hard inquiry)



Borrowers make preemptive  
on-time monthly payments



Funds are deposited after the  
loan is paid off

## GU Student Credit Union



Approved without a credit  
check



Funds are frozen in an  
account that borrowers can't  
access



Bank uses the funds to pay the  
loan on the borrower's behalf

# Outcomes of interest



- ✓ Credit score
- ✓ Access to credit
  - Lines of credit
  - Borrowing limits
  - Interest rates
- ✓ Financial capabilities
  - Purchasing power
  - Financial literacy
  - Credit management

# Research Methodology

# Research methodology

## Sampling frame

All Georgetown graduate students

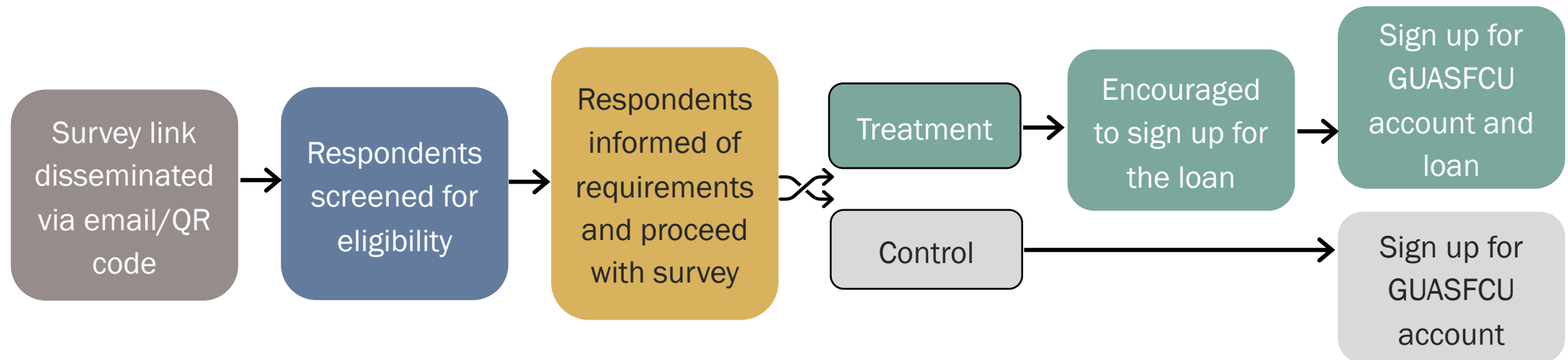


Have/eligible to receive a credit score

No prior knowledge of CBL loan

May have less access to credit

## Intent-to-treat design





# How it works



## SEQUENCE OF EVENTS



Preliminary  
research



Survey  
round 1



Data  
collection



Survey  
round 2



Analysis



Report

# Data Collection and Analysis

# Preliminary research

Pilot group: convenience sample of approximately 50 people



## Survey validity

Are we measuring what we think we are?

Is anything unclear?

Is the survey too long?



## Data Collection

Can we narrow down the sample to people with weaker credit reports?

Can we screen for students with lower financial capabilities?

# Demographics

12,014

GRADUATE STUDENTS

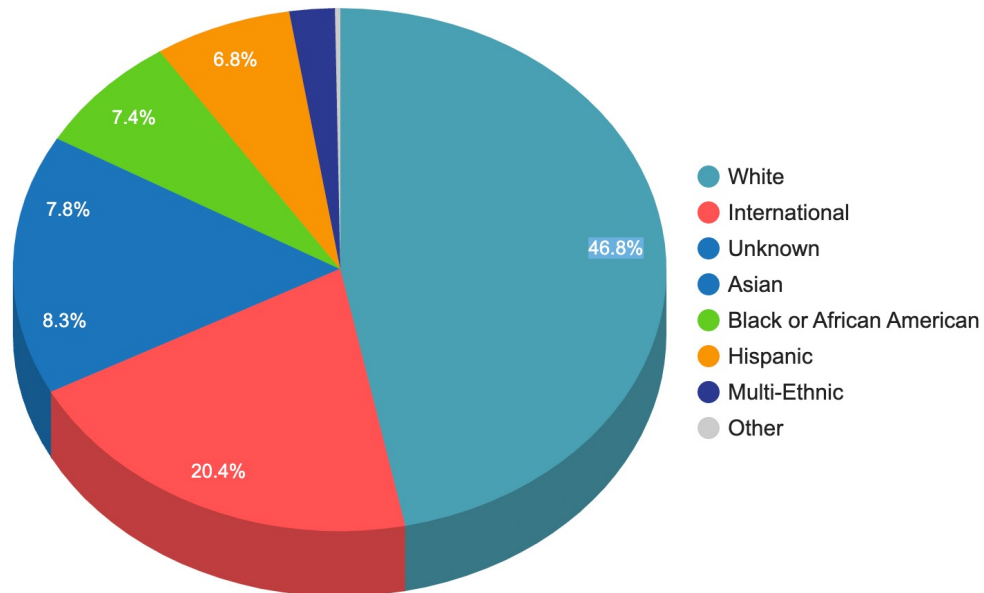
53.3%

WOMEN

26.2%

RACIAL-ETHNIC  
MINORITIES\*

Racial-Ethnic Diversity Breakdown for Georgetown University Graduate Students



Avg. Student Loans for Georgetown Master's Degree Holders



Avg. Student Loans for Georgetown Doctorate Degree Holders



# Credit scores and reports

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Credit score and  
survey

Credit score

Year 0

Loan begins

Year 1

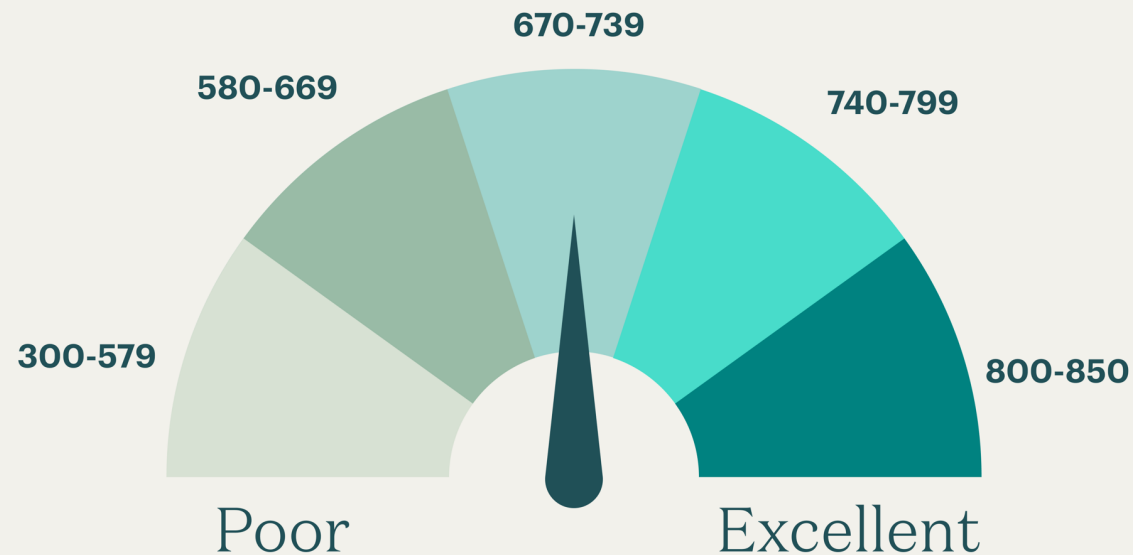
Halfway mark

Year 2

Loan is repaid

Year 3

1-year post



- ✓ Debt
- ✓ Lines of credit
- ✓ Borrowing limits
- ✓ Delinquencies

# Financial Capabilities Survey

Demographic  
backgrounds

Quantitative  
*Income,  
rent/mortgage*

Impact of  
current score  
*consumption  
choices*

Personal  
assessment  
*Financial literacy,  
stability*

Money habits  
*Investing,  
managing credit*

Financial  
goals

Secondary  
impacts  
*mood, work-life  
balance*



Questions