

Office of Community Affairs

Daniel Dodd-Ramirez, Assistant Director, Office of Community Affairs
July 14, 2020



Dodd-Frank Statute

12 U.S.C. § 5493(b)(2)

Community affairs

The Director shall establish a unit whose functions shall include providing information, guidance, and technical assistance regarding the offering and provision of consumer financial products or services to traditionally underserved consumers and communities.

Expanding access to safe credit products

- Bureau research on “credit invisibility”
 - 11% of consumers have no credit record
 - Another 8% have credit record that is too limited to score
- Goals for consumers
 - Establish a credit score
 - (Re)build and maintain credit
- **What credit products and services can serve as safe onramps to credit?**

Strategies

- **Develop resources**
 - [Consumer tools](#)
 - [Practitioner resources](#)
 - Ask CFPB: consumerfinance.gov/ask-cfpb
- **Provide technical assistance to and learn from local communities addressing credit invisibility**
- **Develop strategic partnerships** between nonprofits, industry, and local government
- **Advance research** on effective strategies



bcfp Bureau of Consumer Financial Protection

Your Money,
Your Goals

Credit Builder Loans (CBLs)

- The lender...
 - Disburses the loan into a savings account it controls
 - Releases funds to the borrower after each payment or in whole after all payments
 - Reports payments to the credit reporting agencies
- Minimize risk to consumers and lenders
- Potential stepping stone to secured credit cards and other products

Evaluating CBL Outcomes

How does the CBL affect borrowers'

- Likelihood of having a credit score,
- Actual credit scores,
- Payments on other loans, and
- Savings balances?

Are CBLs a better fit for some consumers than others?

Evaluation

CBL Product

- Standalone CBL offered by a credit union
- \$600 loan + \$48 in interest
- 12 monthly payments
- Reported to the 3 major reporting agencies

Study Design

- Existing product
- “Gold standard” randomized design
- Tracked participants’ credit and savings for 18 months

The study was conducted by RAND with funding from the CFPB under competitive award CFP-12-Z-00020/0002. For the full report, see Burke, J., Jamison, J. C., Karlan, D., Mihaly, K., & Zinman, J. (2019). Credit Building or Credit Crumbling? A Credit Builder Loan’s Effects on Consumer Behavior, Credit Scores and Their Predictive Power. Innovations for Poverty Action Working Paper. Available at https://www.poverty-action.org/sites/default/files/publications/CreditBuildCreditCrumble_July2019.pdf.



Consumer Financial
Protection Bureau

Key Findings

- CBLs were more effective for people *without existing debt*
- For participants without existing debt, opening a CBL
 - Increased their likelihood of having a score by 24%
 - Increased their average credit score by about 60 points
- The CBL increased average savings balances by \$253
- Borrowers with other debts sometimes struggled to incorporate the CBL into their existing payment obligations

Implications

- Target CBLs to borrowers most likely to benefit: Consumers with thin or no credit histories
- Help borrowers stay current on their CBLs and other debt obligations
- Encourage consumers to use CBLs as a savings tool
- Connect CBL borrowers in need of more support to wraparound services

CFPB's coronavirus resources



Consumer Tools ▾ Practitioner Resources ▾ Data & Research ▾ Policy & Compli-

Protecting your finances during the coronavirus pandemic

The CFPB is committed to providing consumers with up-to-date information and resources to protect and manage their finances during this difficult time.

Español | 中文 | Tiếng Việt | 한국어 | Tagalog

Resources to help you make financial decisions

🏡 Mortgage and housing assistance

If you're concerned about how to pay your mortgage or rent, we have information on what to do now, and what your options are for mortgage and rental relief.

[Learn more mortgage and housing assistance](#)

💸 Managing your finances

We have resources to help you protect and manage your finances if you are facing financial difficulties as a result of the pandemic.

[See resources to help manage your finances](#)



Find it at consumerfinance.gov/coronavirus

🎓 Student loans

Student loan borrowers now have more benefits to consider when planning for the potential financial impact from coronavirus.

[Find resources for student loan borrowers](#)

ⓧ Avoiding scams

Scammers are taking advantage of the coronavirus pandemic to con people into giving up their money.

[Learn how to protect yourself from scams](#)

Featured videos



CARES Act Mortgage Forbearance: What You Need to Know

[Watch video](#)



What non-tax filers need to know about economic impact payments

[Watch video](#)

Resources for specific audiences

Servicemembers & veterans

Some military personnel and their families are facing financial strain due to lost employment or changes in military orders. If you need financial assistance as a result of the pandemic, there is help.

Parents & kids

While kids are home with you or other in-home caregivers, try our free activities to help them build the important skills they will need to manage money into adulthood.

Content topics and themes

- Protect yourself financially
- Submit a complaint if you are having a problem with a financial product or service
- **Protecting your credit**
- Tips for financial caregivers
- Dealing with debt: Tips to help ease the impact
- Student loan repayment
- Be aware of scams
- Mortgage relief options
- A guide to COVID-19 economic stimulus relief

*For a full list of topics visit
consumerfinance.gov/coronavirus*

Protecting your credit

- Get a copy of your credit report.
- If you can't make payments, contact your lenders. Be sure to get confirmation of any agreements in writing.
- The CARES Act places special requirements on companies that report your payment information to credit reporting companies.
- Routinely check your reports and report and dispute inaccurate information.

Use the CFPB's step-by-step guide to dispute that information:

consumerfinance.gov/coronavirus

Consumer resources on credit reports and scores

Want credit to work for you?
Start with these steps.

Common mistakes in credit reports include:

- Loans and credit accounts you've never opened.
- Misspelled name, wrong Social Security number, wrong address, or incorrect phone number.
- Accounts never opened as late, incorrect balances, incorrect credit limits, closed accounts listed as open, incorrect delinquency dates, or accounts listed more than once.

Check your credit report:

- Look for and fix mistakes that could hurt your ability to get credit.
- Be sure your information is correct and up-to-date.
- Guard against identity theft.

Credit reports can receive free copies from AnnualCreditReport.com. This is the only authorized source under federal law that provides free reports from the three major national credit reporting companies: Equifax, Experian and TransUnion. Other websites that promise free credit reports may require you to sign up for "free trials" that eventually charge you or purchase other products or services you may not need.

bcfp Bureau of Consumer Financial Protection Your Money, Your Goals

CHECK YOUR CREDIT REPORT AT LEAST ONCE A YEAR

The Consumer Financial Protection Bureau advises consumers to check their credit reports at least once a year.

Dispute mistakes you find

Your credit report will include information about how to dispute a mistake. If your dispute is about a credit account, you should send a dispute letter to both the credit reporting company and creditor that was the source of the information.

Your dispute should clearly explain what you think is wrong and why. State the facts, explain why they are wrong, attach the information, and request that it be corrected.

In your dispute letter to the creditor, you may want to enclose a copy of the relevant portion of your credit report. Highlight the items in question. Also, include copies of documents that support your position. Never send your original documents. Keep copies of your dispute letters and documents.

The credit reporting company and the creditor should investigate the dispute or fix any mistakes. If the disputed information is wrong or cannot be verified, the creditor

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Consumer Tools Practitioner Resources Data & Research Policy & Compliance

< Credit Reports and Scores

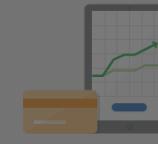
Sample letters to dispute information on a credit report

If you want to dispute information on a credit report, you may need to send a dispute letter to both the institution that provided the information, called the information furnisher, as well as the credit reporting company.

- Download our [sample letter](#) and [instructions](#) to submit a dispute with an information furnisher.
- Download our [sample letter](#) and [instructions](#) to submit a dispute with a credit reporting company.

Building credit from scratch

Starting out in the financial world can be confusing. And building good credit takes time. Below are some types of helpful products, as well as actions you can take to help reach your financial goals.



Finding the right products

Secured credit cards

Apply for this card as you would a traditional credit card. Once you deposit a sum of money – which can range from \$50 to \$300 – into a separate account, the bank holds onto this deposit and extends a credit line matching the deposit amount. Generally, you can build credit with a secured card, but be sure to ask your card issuer about reporting to the credit reporting companies. Many of these cards include a "graduation" component, so you are able to move from a secured card to a traditional credit card seamlessly after establishing a pattern of consistent payments.

Retail store cards
Many gas stations, department stores and restaurants offer credit cards to easier to obtain and maintain credit lines. This can be an option when you are nonexistent credit record.

Credit builder loans

Financial institutions, typically credit unions, deposit a small "loan" (often \$300-\$1,000) into a locked savings account and then you pay the institution back with small-dollar payments over 6 to 24 months. These payments are reported to the credit reporting companies. Once you come to the end of the loan term, you receive the accumulated money back in total.

Actions you can take to help rebuild your credit score:
When you experience a financial challenge, your credit record could suffer. Rebuilding it takes time. There are no shortcuts or secrets.

The steps below can help

1. Pay your bills on time, every time

"On time" means the payment got to the company by the day the bill is due. Mail your bills a few days before they're due.



Automatic payments from your bank can be a good way to make sure your bills get paid on time. Keep track of automatic payments so you know have enough money in your account to cover them.

2. Don't get too close to your credit limit

Credit scores consider how close you are to being "maxed out" on credit cards. If you use too much of your total credit lines, you can hurt your credit score. Experts advise using no more than 30 percent of your total credit limit – some even say you should use less than 10 percent.

3. Don't apply for too much credit in a short time

Your credit score may go down if you apply for or open a lot of new accounts in a short time. This includes getting a new card so you can transfer balances, or opening a new store card account so you can get a discount.

4. If you can't qualify for a regular credit card, try a secured card

Many banks and credit unions offer secured credit cards. With most of these cards, your credit line starts out small. You put an amount equal to your credit limit in an account as a deposit.

As you show you can pay on time, your credit limit may grow and you may have your deposit refunded. Fees and interest rates can be high for secured cards, but using one can help you to establish a credit record.

5. If you pay with a credit card, pay your balance off every month

You'll build credit by using your credit card and paying on time, every time. Pay off your balances in full each month to avoid paying finance charges. Paying off your balance each month can also build better credit than carrying a balance. Think about signing up for text alerts and automatic payments to make sure you don't pay late or miss a payment.

cfpb Consumer Financial Protection Bureau

Learn more at consumerfinance.gov

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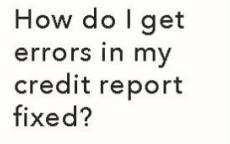
Want credit to work for you? booklet

Eight tools related to credit

- **Yellow** – taking the first steps of requesting and reviewing your credit report and getting errors corrected
- **Blue-Green** – planning for action to build credit, improve scores, or deciding when to use credit
- **Red** – can be used for immediate challenges and needs



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	<p>How do I get a free copy of my credit report?</p> <p>CREDIT REPORT</p>		<p>How do I make sure my credit report is accurate?</p> <p>CHECKING FOR ERRORS</p>		<p>How do I get errors in my credit report fixed?</p> <p>DISPUTING ERRORS</p>
	<p>What steps can I take to build good credit?</p> <p>ACTION PLAN</p>		<p>How can I improve my credit scores?</p> <p>CREDIT SCORES</p>		<p>Should I use credit to buy this?</p> <p>CHOOSING CREDIT</p>
	<p>What do I do if I've been a victim of identity theft?</p> <p>IDENTITY THEFT & FRAUD</p>		<p>Tools about credit histories, reports, and scores.</p>		<p>Who else can I turn to for help?</p> <p>RESOURCE CARDS</p>