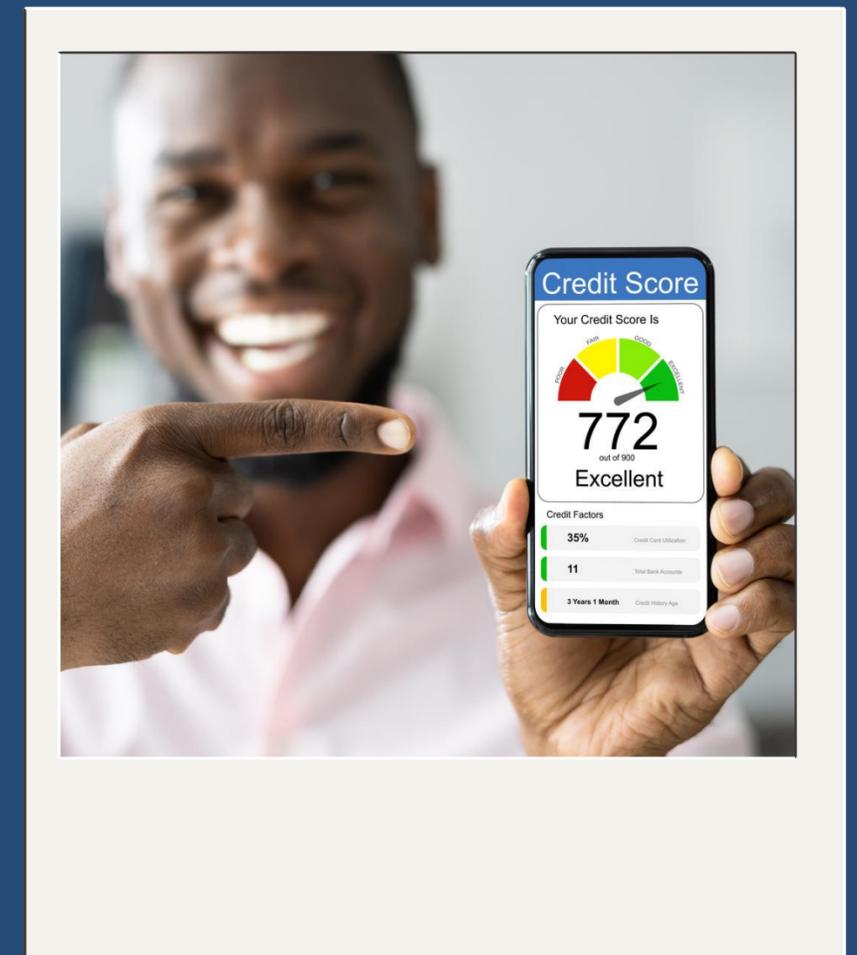


# Practicing financial wellness through a cultural lens

## Cultural Humility & Credit



What percentage of your clients have credit building goals?



# Thank you!



# Consumer Protections

Thursday, May 16, 2024

9:30 -10:30 am

Register: [raisetexas.org/events/](https://raisetexas.org/events/)



# Objectives



Understand how credit scores can be discriminatory



Credit Building Tools



Credit Building & Repair

# Expectations

1. Be present and reflective
2. Be open to being uncomfortable
3. Make space and take up space

# Speakers



**Melinda Perez, AFC®**

Certified CNM  
Financial Coach



**Mostafa Elkadi**

VP Consumer Banking  
Market Leader  
Bank of America



**Lauren Bringle, AFC®**

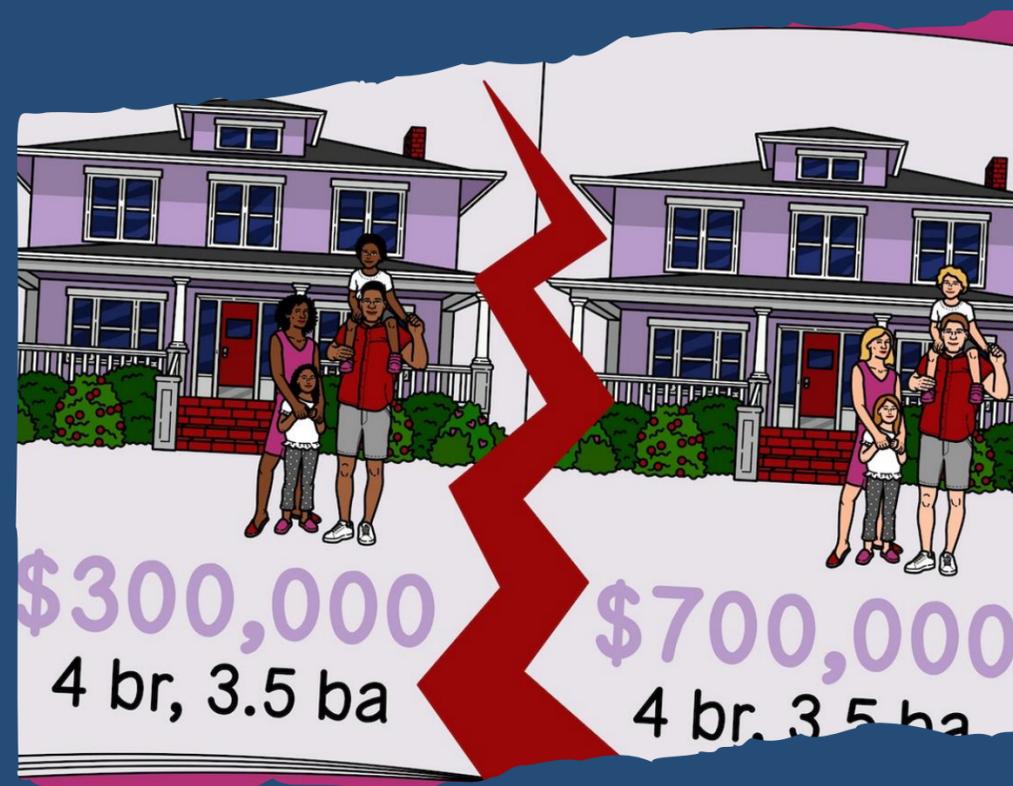
Manager, Operational Content  
and Customer Experience  
Self Financial

# Are Credit Scores Discriminatory?

Let's take a  
closer look



# Historical Discrimination Impacts Data in Credit Scoring Models



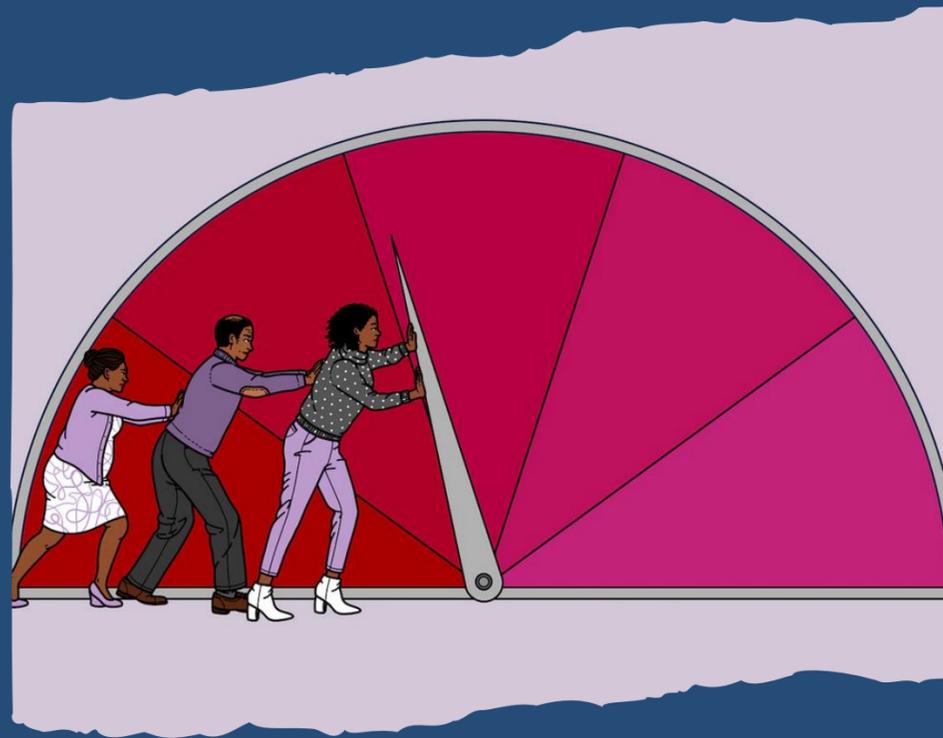
<https://www.washingtonpost.com/business/2020/10/16/how-race-affects-your-credit-score/>

# Assets by Race and Ethnicity

	ALL	WHITE	BLACK	HISPANIC	ASIAN	MULTIRACIAL
Financial Accounts	96%	98%	90%	91%	99%	96%
Primary Residence	62%	70%	40%	47%	58%	45%
Retirement Accounts	60%	66%	46%	44%	68%	52%
Bonds, Stocks, Mutual Funds	31%	35%	18%	16%	47%	27%
Business Equity	15%	15%	9%	16%	16%	7%

<https://www.pewresearch.org/race-ethnicity/2023/12/04/the-assets-households-own-and-the-debts-they-carry/>

# Historical Discrimination Impacts Data in Credit Scoring Models



<https://www.washingtonpost.com/business/2020/10/16/how-race-affects-your-credit-score/>

Racial disparities in credit scores are due to deep structural factors, created by centuries of intentional and legalized discrimination as well as present-day biases. These huge gaps stem from the very nature of judging humans based on past behavior. By doing so, credit scores necessarily incorporate elements of past and present inequality.

National Consumer Law Center. (2024, February)

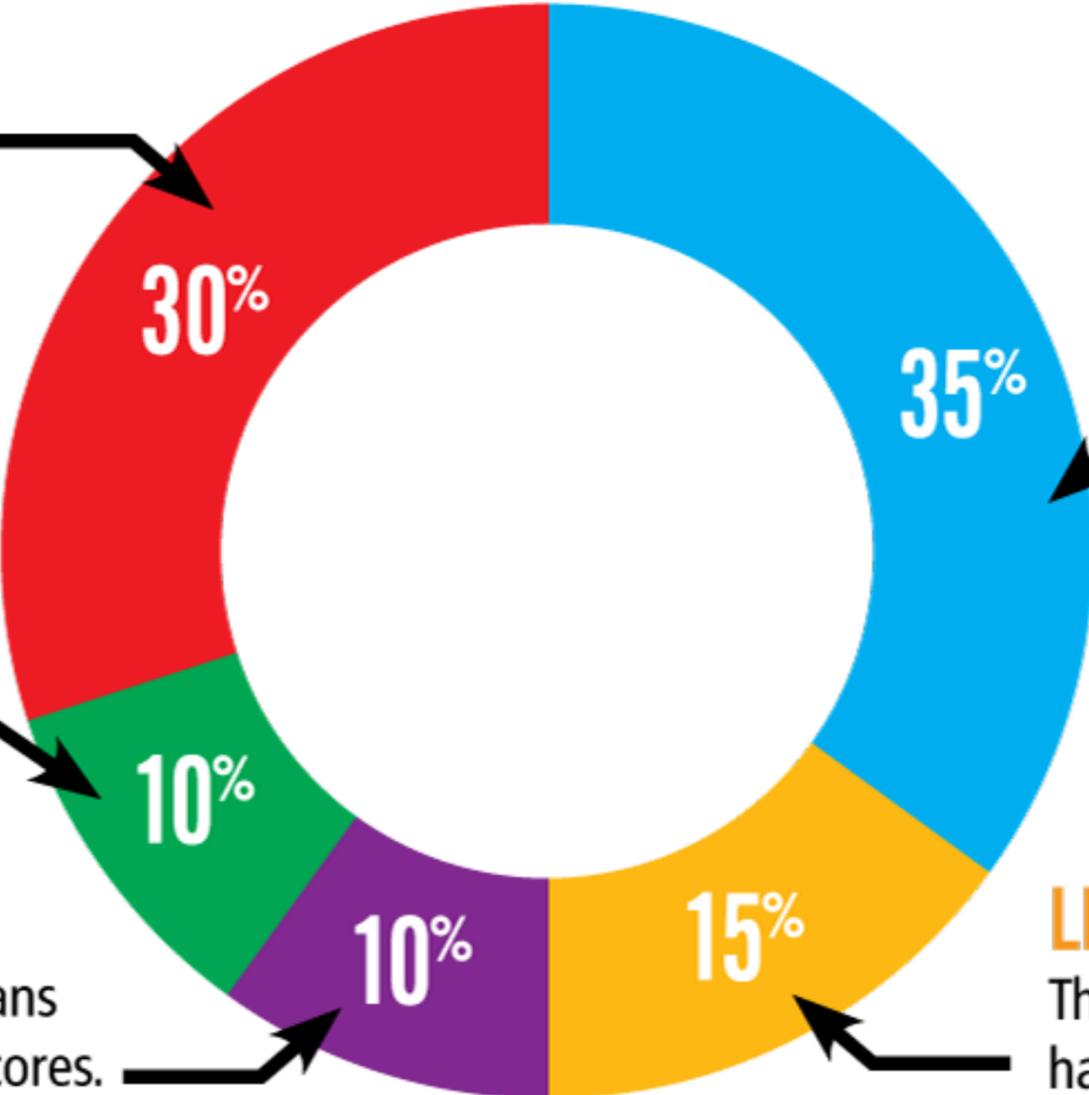
Past Imperfect: How Credit Scores and Other Analytics “Bake In” and Perpetuate Past Discrimination.

# Credit Building



**AMOUNT OWED**

The percentage of credit limits available.



**PAYMENT HISTORY**

The most weight is given to how bills are paid: are payments made on time or are they delinquent?

**NEW CREDIT ACCUMULATION**

Number of credit inquiries and new line opening dates in the last 12–18 months.

**TYPE OF CREDIT**

Responsibly handle a mix of credit. Installment loans raise scores while revolving loans tend to lower scores.

**LENGTH OF CREDIT**

The amount of time a line of credit has been established.

<https://www.dupaco.com/learn/master-your-money/credit-credit-scores/what-makes-up-your-credit-score-chart/>

## What is a good credit score?

Most credit scores have a 300-850 score range. The higher the score, the lower the risk to lenders. A "good" credit score is considered to be in the 670-739 score range.

Credit Score Ranges	Rating	Description
<580	Poor	This credit score is well below the average score of U.S. consumers and demonstrates to lenders that the borrower may be a risk.
580-669	Fair	This credit score is below the average score of U.S. consumers, though many lenders will approve loans with this score.
670-739	Good	This credit score is near or slightly above the average of U.S. consumers and most lenders consider this a good score.
740-799	Very Good	This credit score is above the average of U.S. consumers and demonstrates to lenders that the borrower is very dependable.
800+	Exceptional	This credit score is well above the average score of U.S. consumers and clearly demonstrates to lenders that the borrower is an exceptionally low risk.

<https://www.myfico.com/credit-education/credit-scores>

# Credit Building

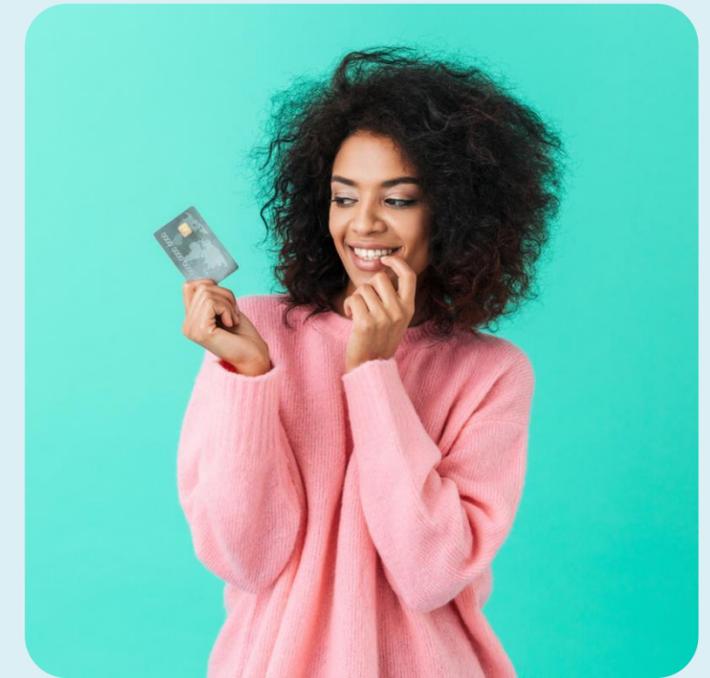
Ideal for:

- New Immigrants
- Graduates or first-time job
- “No-file” or “thin-file” clients

# No file or thin file?

A thin credit file or no credit file (credit invisible) means that a person does not have a credit history or not enough current credit history to produce a credit score.

<https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/answers/key-terms/#credit-invisible>



## Steps to credit building

1. Identify credit goals
2. Educate on how credit works
3. Identify different products to build credit
4. Allow client to choose the products they want

# Credit Building Financial Products

Secured Credit Cards

Credit-Builder Loans

Rent and Utility  
Reporting

# Credit Building Products

## Benefits

- Works with little or no credit
- High odds of approval with adequate preparation

## Limitations

- Some require money upfront
- Limited credit line
- Generally have higher interest rates
- Takes at least 6 months to affect credit score

# CREDIT BUILDING TOOLS

**Self Credit Building Loans:** <https://www.self.inc/credit-builder-loan>

Self Credit Builder Account	Term (mo.)	Interest Rate	APR	Loan Amount	\$ Access Now	Monthly Payment	Total Paid	\$ Get Back	Additional Fees	Credit Reporting	Requirements & Limitations
Small	24	14.14%	15.92%	\$600	\$0	\$25	\$609	\$520	For current, visit <a href="https://www.self.inc/pricing">self.inc/pricing</a>  -\$9 admin fee - Debit Card Convenience Fee: varies	ALL	Applies to all plans: - 18+ years old - US Citizen or Permanent Resident - Social Security Number - ITINs not accepted - Pay via bank account or debit card - No credit score required
Medium	24	14.70%	15.97%	\$840	\$0	\$35	\$849	\$724			
Large	24	14.79%	15.72%	\$1,152	\$0	\$48	\$1,161	\$992			
X-Large	24	15.58%	15.88%	\$3,600	\$0	\$150	\$3,609	\$3,076			

Hard or Soft Pull	First Payment Due	Forms of Payment	Early Withdraw Penalty	Impact of Missed Payments	Advanced Payments
Soft pull if have existing credit profile to verify identity. Otherwise, must provide additional ID for verification.  No hard pull.	\$9 admin fee to open  1st payment begins 1 month from the start date of account.	Linked bank acct, debit card, and some prepaid cards. Auto-Pay available.	No penalty. Can pay off early and close at any time. Note: Payment history is most important factor with credit score. If pay off early, establish less payment history with credit bureaus.	15-day grace period from payment due date. Past that, you will incur a late fee of 15% of the monthly payment.  If 30 days late, report as late payment & will report as late after 60 and 90 days.	Overpayments are applied to the principal and shorten the loan term.

## Recommended Credit Building Loans from Banks & Credit Unions

*Ask your local credit union or bank about their credit builder loans.*

Bank of America Balance Assist Loan	Term # mos	Interest Rate	APR	Loan Amount	\$ Access Now	Monthly Payment	Total Paid	\$ Get Back	Fees	Credit Reporting	Requirements & Limitations
	3	0%	\$5 fee = 5.99% - 29.8%	Up to \$500	Up \$500	3 equal monthly payments	Loan + plus \$5	\$0	\$5	ALL	<ul style="list-style-type: none"> <li>- Have qualified BofA checking acct for 1+ yr with regular monthly deposits OR 2.5 yrs if no credit score.</li> <li>- Positive checking acct balance + make regular monthly deposits</li> <li>- no open Balance Assist (BA) Loan</li> <li>- Max of 6 BA Loans over 12 months</li> <li>- Will run credit check - hard pull</li> </ul>

Randolph Brooks Credit Union Credit Builder Loan	Term # mos	Interest Rate	APR	Loan Amount	\$ Access Now	Monthly Payment	Total Paid	\$ Get Back	Fees	Credit Reporting	Requirements & Limitations
	6 to 36	Varies	Varies	\$300 - \$2,500	\$0	Varies	Loan + interest	\$0	None	ALL	Visit website to see if eligible to be credit union member.

## Recommended Secured Cards

Card Provider	Annual Fee	APR	Security Deposit	Available to	Fees	Other Requirements	Hard or Soft Pull	Report	Why RAISE Texas Likes it:	Downsides:
<b>Secured Chime Credit Builder Visa® Credit Card</b>	\$0	0.00%	No Minimum	No Credit Poor/Fair Credit	Out of Network ATM Fee: \$2.50 Cash Advance Transaction Fee: \$2.50	- Chime Checking Acct required - Qualifying direct deposits of \$200+	No Credit Check	ALL	- No Annual Fee - No Interest - No <u>minimum security deposit</u> with Chime Checking Acct with eligible direct deposit. - No credit <u>check</u> - Accessible, low-cost option if have bad credit.	-Can't carry a balance -Does not report on credit utilization so slow to build credit
<b>Discover It® Secured Card</b>	\$0	28.24%	\$200 to \$2,500	No Credit Poor/Fair Credit	Late fee: \$41	- At least 18 <u>yrs</u> old - have a social security number	Soft Pull	ALL	- No Annual Fee - Earn cash back - Higher Credit Limit - Free Security Features	Variable 28.24% APR is high, so avoid carrying a balance.
<b>Bank of America Customized Cash Rewards Secured</b>	\$0	28.24%	\$200 to \$5000	No Credit Poor/Fair Credit	Late fee: \$40		Soft Pull	ALL	- No annual Fee - Earn cash back - Higher Credit Limit - Free Security	Variable 28.24% APR is high, so avoid carrying a

## Other Credit Building Products

Tool	Requirements	Fees	Reporting
<b>Self Financial Rent &amp; Utility Reporting</b>	<ul style="list-style-type: none"> <li>- Securely connect to account you use for rent payments</li> <li>- Submit proof of payment such as copy of deposited rent check, screenshot of bank statement or account activity, money order receipt, copy of cashier's check, or emailed receipt from landlord/property manager.</li> </ul>	No fee for Rent Reporting <b>only</b> . Can add utilities (cell, water, electricity, gas) for \$6.95/month.	Rent reported to all three credit bureaus Utilities reported only to TransUnion.
<b>Grow Credit</b> Monthly membership to report streaming and subscription services. <a href="https://growcredit.com/signup/apply">https://growcredit.com/signup/apply</a>	<ul style="list-style-type: none"> <li>- Bank acct with income deposits or bank-issued debit card in your name</li> <li>- Email address</li> <li>- Phone number that receives SMS messages</li> <li>- Social Security Number (SSN)</li> <li>- Must be Permanent Resident with physical address in US</li> <li>- At least 18 years of age</li> </ul> <b>Process:</b> <ul style="list-style-type: none"> <li>- Apply for <u>GrowCredit Account</u></li> <li>- Add subscriptions to account</li> <li>- Use <u>GrowDebit Mastercard</u> to pay subscriptions on time</li> </ul>	<ul style="list-style-type: none"> <li>- 1st yr free + 1 streaming service/subscription (max \$17)</li> <li>- After 12 mos, \$2.99/mo.</li> <li>- \$4.99/mo for \$50 of (2-3) streaming services or subscriptions</li> <li>- \$9.99/mo for \$150 of streaming services or subscriptions plus cell phone payment and car insurance reporting</li> </ul>	ALL
<b>Walmart Store Card</b> Walmart Rewards Card Mastercard by Capital One	<ul style="list-style-type: none"> <li>- At least 18</li> <li>- Have SSN or ITIN</li> <li>- Can qualify with poor credit</li> <li>- Only good for Walmart purchases.</li> <li>- Credit approval required with hard pull but offers pre-approval</li> </ul>	APR: 19.48 or 29.99% No Annual Fee	ALL

**BANK OF AMERICA**





Self.



# Rebuilding Credit

# Credit **Repair** Scams



## **Advertised Credit Repair Scams**

- Require upfront payment
- Guarantees results
- Asks you to misrepresent information
- Does not explain your legal rights
- Sounds too good to be true

# Steps to Rebuilding Credit

1. Pull your credit report ([annualcreditreport.com](https://annualcreditreport.com))
2. Ensure all information is accurate
3. Identify the goal of rebuilding credit (homeownership, car purchase)
4. Assess debts in collection
5. Make a plan to repay those debts
6. Consider credit building products while paying off debts
7. Remember: It takes TIME!

# What you need to know

- ✔ Most recent debt collection impacts a score the most
- ✔ Always respond to debt collection letters
- ✔ How to engage with a debt collector on the phone
- ✔ Always validate a debt with a debt validation letter
- ✔ Understand full pay-off versus debt settlement

# What you need to know

- ✔ Don't be afraid to negotiate
- ✔ Get everything in writing
- ✔ Remember: It takes TIME!
- ✔ Medical debt under \$500 should no longer be in your credit report

# How to Respond to Debt Collector

I do not owe this debt.

I need more information about this debt.

I want the debt collector to stop contacting me.

I want the debt collector to only contact me through my lawyer.

I want to specify how the debt collector can contact me.

<https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>

# Dealing with a debt collector on the phone

- Don't give a collector any personal financial information.
- Don't make a "good faith" payment, promise to pay, or admit the debt is valid.

# Debt collection pay off

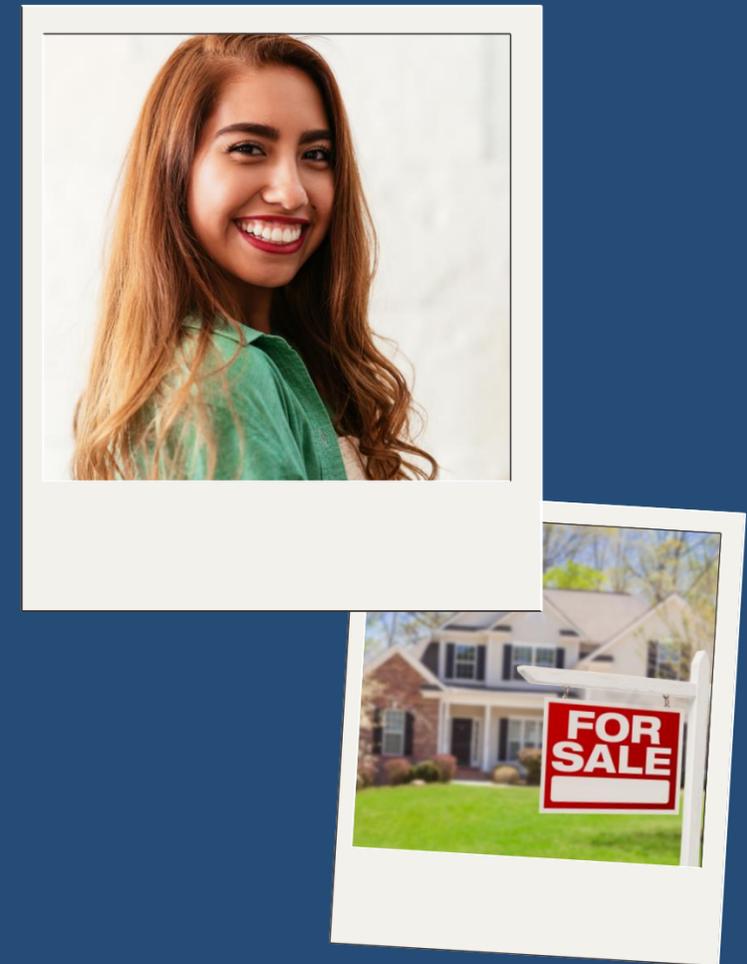
- Does not remove the account from the credit report.
- Usually has a positive effect on your score.
- Will still show as a collection account but paid off.

# Debt Collection Settlement

- Does not remove the account from the credit report.
- Usually has a positive effect on your score, but not as much as paying off the full balance.
- Will still show as a collection account with a debt settlement.
- Debt that is written off could be considered taxable income.

# Scenario: Credit for Acquisition

Sonia's goal is to buy her first home.  
She has a credit score of 560.  
She has an income of \$70k a year.



# Scenario: Credit for Acquisition

Pull all 3 credit reports and  
ask Sonia to review all 3 reports for accuracy



<https://www.consumerfinance.gov/ask-cfpb/how-do-i-dispute-an-error-on-my-credit-report-en-314/>

# Scenario: Credit for Acquisition

Do we know what is causing the low credit score?  
Collection accounts and/or high balances?



# Scenario: Credit for Acquisition

Make a plan to pay off debt

Build savings

Consider credit building tools







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BUILDING FINANCIAL SUCCESS

**We want your  
feedback!**

**Please complete our  
survey  
when the webinar  
ends.**

# Contact us!



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<https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/answers/key-terms/#credit-invisible>

<https://www.consumerfinance.gov/ask-cfpb/what-should-i-do-when-a-debt-collector-contacts-me-en-1695/>

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<https://www.nclc.org/resources/past-imperfect-how-credit-scores-and-other-analytics-bake-in-and-perpetuate-past-discrimination/>