

Building Credit for Homeownership IDA Participants

AFI Virtual Coffee Webinar Series
August 29, 2017



Office of Community Services
Administration for Children and Families
U.S. Department of Health and Human Services

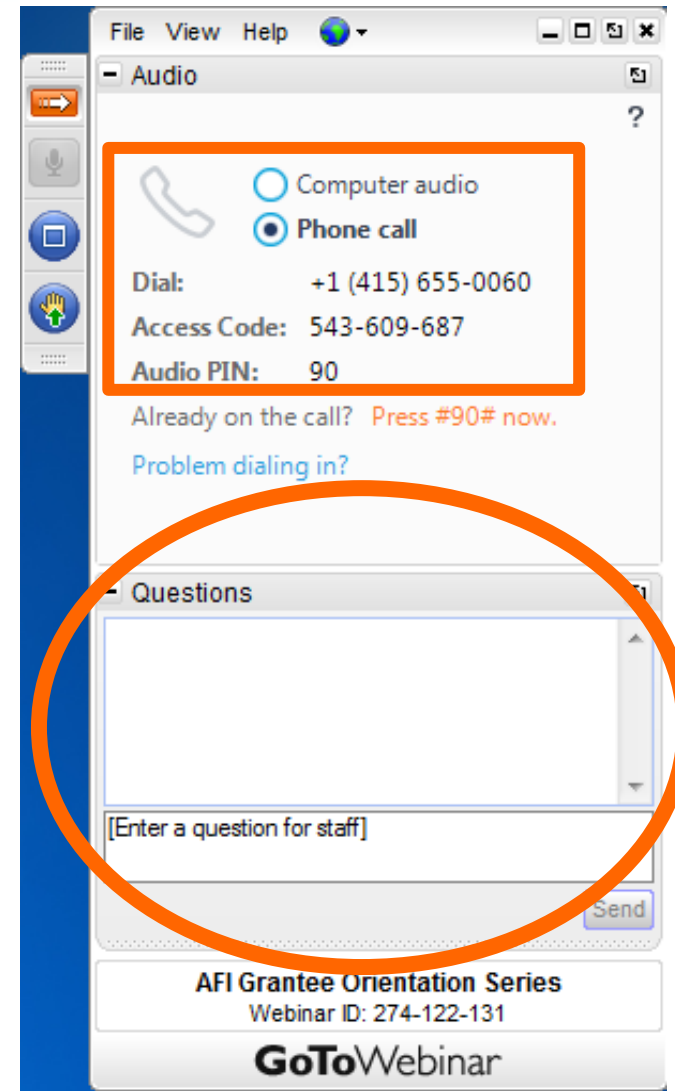


Introduction of Speakers

- Carmina Lass, Credit Builders Alliance
- Pat Hilgendorf, NeighborWorks Montana
- Hiba Haroon, Prosperity Now

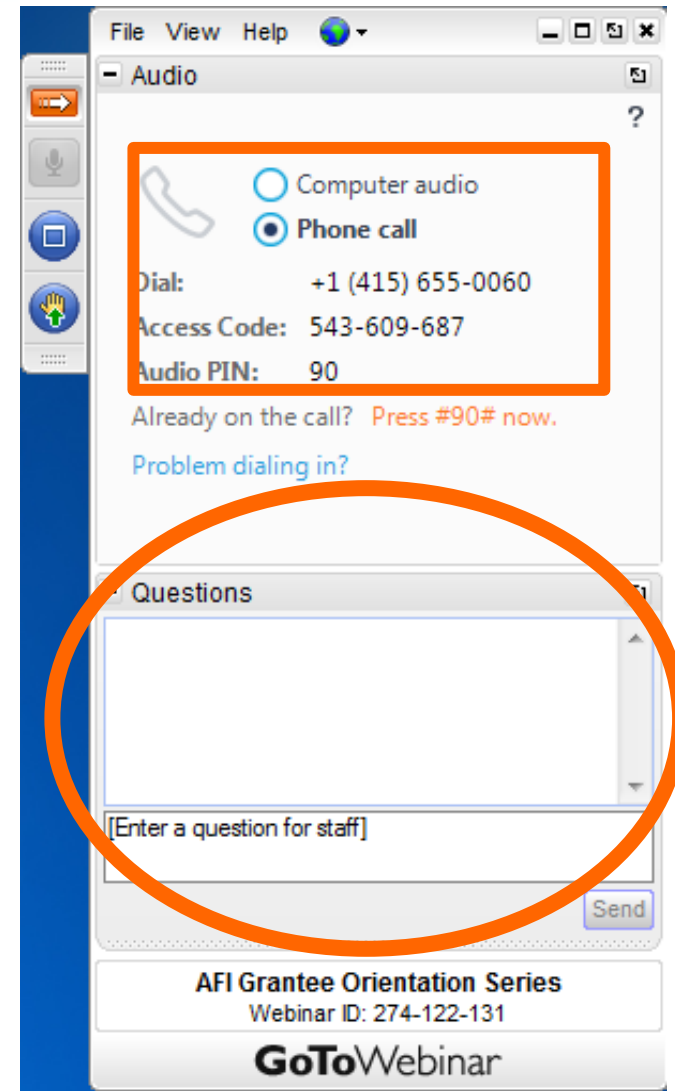
Connecting to Audio

- Choose the appropriate audio setting (computer or phone)
- Ask a question any time by typing the question into the text box on the GoToWebinar Control Panel
- Experiencing technical difficulties?
 - Use the text box
 - Email us at jvardag@prosperitynow.org



Housekeeping

- This webinar is being recorded!
 - All attendees are muted to ensure sound quality.
 - A video recording and transcript will be available; details will be provided at a later date.
- The webinar will last approximately 60 minutes.



Objectives for Today

- Explore tools & methods grantees employ to review participants' credit reports, build their credit and set them up for successful asset purchase.
- Learn about stories of clients who have successfully built credit during their homeownership IDA purchase.
- Learn how grantees have used credit building tools & techniques.
- Discuss effective strategies for integrating credit building into homeownership asset purchases.

A Few Questions For You



What is your role with your AFI project?



What is your level of experience with credit building with IDA participants?



What are specific challenges that you face with incorporating credit building?



PANELIST: CARMINA LASS,
CREDIT BUILDERS ALLIANCE





**CREDIT
BUILDERS
ALLIANCE**

Helping Nonprofits
Build Stronger Credit
in their Communities



Credit Building and IDAs



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Credit Builders Alliance



To help organizations move people from poverty to prosperity through Credit Building.

Good Credit is an Asset



Introduction:



CBA's Platform Supports Credit Building.



...Programs
by connecting nonprofits and municipalities to the credit bureaus for reporting and accessing reports



...Practitioners
through technical assistance, training, networking & professional development



...Products
that offer innovative, replicable and scalable solutions for consumers and small business owners



...Policies
to enhance credit building outcomes for nonprofits and their clients

CBA Credit Building Community

Why Credit Building?



Increases Access, Affordability, and Options for...

Decreases costs/expenses
Increases cash flow
Creates opportunity

- Financial products
- Rental Housing
- Utilities
- Cell phone plans
- Insurance products
- Employment
- Asset Building

What is Credit Building?

And what it's not



CREDIT BUILDING = *The act of making on-time regular payments on a financial product such as an installment loan or a credit card that is reported by the creditor to the major credit bureaus.*

CREDIT BUILDING ≠ Credit repair

CREDIT BUILDING ≠ Credit remediation/debt management alone

CREDIT BUILDING ≠ Credit education alone



Non-Traditional Strategies for Credit Building



- Starter products:
 - Credit Builder Loans
 - Secured Credit Cards
- Social loans
- Special purpose loans
- Rent Reporting

**Credit Builder
Products can
serve many
different
people and
purposes!**

Finding credit building opportunities in your community



Clients with no credit, or challenged credit may have difficulty finding responsible credit products that they are eligible for. Consider the following options:



Banks/Credit Unions, particularly those that are CDFIs may offer small-dollar secured and unsecured products. If your client already has a relationship with a financial institution, this may be a good place to start.



Non-profit/community lenders (including CBA members and CDFIs) in your area may have programs specifically designed for underserved communities or those with challenged credit.



Licensed & reputable online lenders are becoming more prolific and may offer options at reasonable rates and with more responsible policies and procedures than online payday lenders.

What to look for



Try to find products that are:

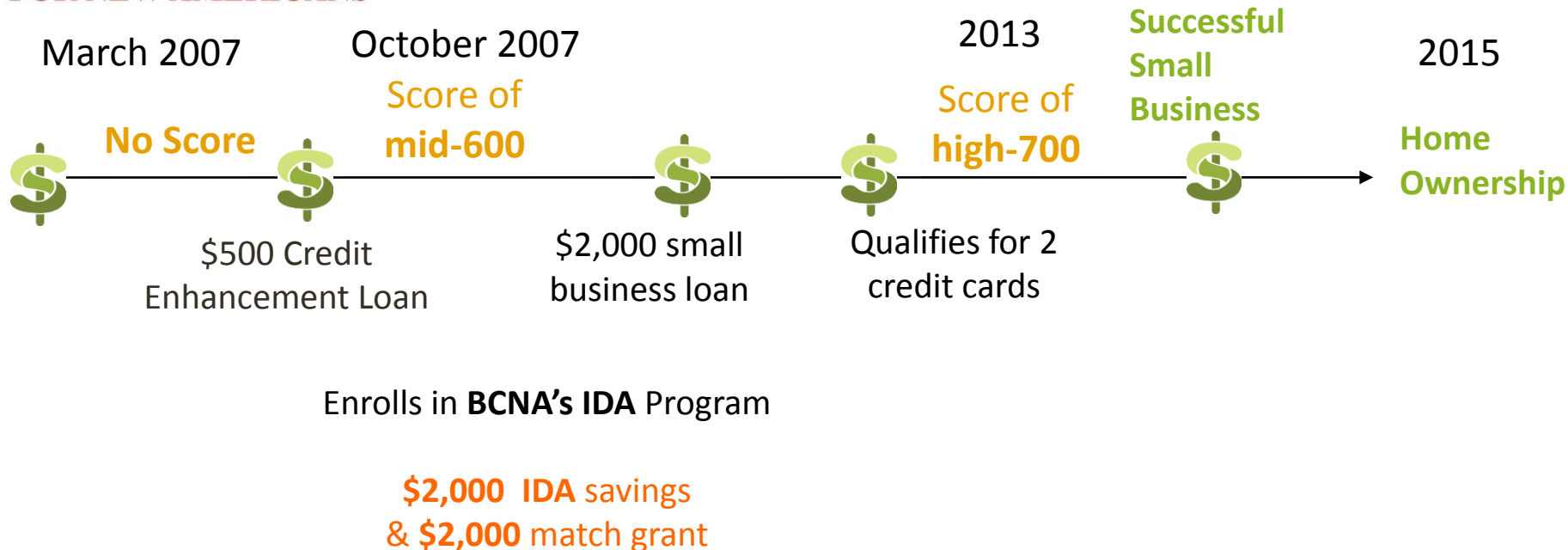


Integrating CB with IDAs

Examples from the field



**BUSINESS CENTER
FOR NEW AMERICANS**





Thank You!

Questions?

Contact: programs@creditbuildersalliance.org

Q&A: What questions do you have?



PANELIST: PAT HILGENDORF,
NEIGHBORWORKS MONTANA



Background on Montana

- Large state: 147,040 sq miles and a population of 1.04 million people
- Mostly rural state with low wages
 - Ranked 49th among states for average annual wages.
- 66% homeownership rate



Neighborworks Montana IDA Program

- In order to meet the demand of the statewide IDA program, we rely heavily on our partner agencies to promote and screen individuals for the program. We partner with 14 HUD approved housing counseling agencies around the state.



Role of the counseling agencies

- Offer first time homebuyer education
- Conduct one on one counseling for class attendees covering the following:
 - credit report
 - income stability
 - home purchase loan options
- During the homebuyer classes, the counselor will cover the basic guidelines for the IDA program.
- Participants that are about ready to purchase are given NWMT contact information. Those that need to work on their credit are referred to a credit building class or counseling. They may be referred at a later date, upon meeting their credit building goals
- Potential applicants for the program contact NWMT for application
 - During this initial contact, applicant is asked about their earned income for qualification, credit score and goals for homeownership
- Most applicants referred through HBE classes have credit that meets the national guidelines for home purchase
- Occasionally applicants find us on social media



Our 1st AFI Grant: 2008-2013

- Enrolled all applicants, as long as they met the income and asset qualifications.
- If their credit score was low, they would work to repair credit during the time they were saving for the IDA program.
- Homebuyer educators handed out applications upon request.
- Results:
 - We spent a lot of time processing applications that did not meet the criteria.
 - Because of the lack of financial education and credit repair counseling agencies in and around the state, the assumption that clients' credit scores would improve as they saved, proved to be less than accurate.



Status of Program in 2011

- I took over the administration of the IDA program—3 years into the grant period.
- Due to funding constraints, the administration of the program was an added duty to my lending position and had limited time to put towards this program.
- This grant was closed out in 2014 after a one year extension. Of the 111 enrollees, we had 72 successful asset purchases.
- Of the remaining 39 enrollees not purchasing, 8 had fulfilled all the requirements of the program and were ready for home purchase, but unable to find a suitable property. The remaining 31 enrollees were still working on completing HBE, FE or building their credit.



Our Learnings

- Fulfilling the enrollment for the grant is not an issue
- Demand for the product is ongoing
- There are time restraints for monitoring each file
- Need to have continuous contact with the enrollee to ensure they meet their savings goal and any other they may have set for themselves
- Want to enroll individuals who are mortgage ready or have started the credit building process and showing some improvement



Updates on our current grant (2014-2019)

- 56 full enrollments, only 1 enrollee terminated due to credit
- Within 18 months of getting our program up and running, we had allocated all our funding and started with 5 persons on a waiting list
- Resources dictate program guidelines



Key Takeaways

- Our goal: to enroll the applicant, make sure they complete their requirements of saving and completion of Financial Education and Homebuyer Education and finally purchase a home. We do not have the resources or credentials to offer the credit building within the program
- Two client stories



Q&A: What questions do you have?





AFI Resource Center

- Help Desk:
 - Email: info@idaresources.org
 - Phone: 1-866-778-6037

Thank You!

