Office of Community Affairs

Daniel Dodd-Ramirez, Assistant Director, Office of Community Affairs
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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
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

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

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.

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 about 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

Featured videos

- **CARES Act Mortgage Forbearance**
  
  CARES Act Mortgage Forbearance: What You Need to Know
  
  Watch video

- **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

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.
  
  See resources for servicemembers & veterans

- **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 in adulthood.
  
  Find it at consumerfinance.gov/coronavirus
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

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 contains information about how to dispute a mistake. If you dispute a negative report, you should follow the procedures outlined in the report. The procedures are designed to ensure that accurate and complete information is provided to credit reporting companies.

Building credit from scratch

Starting out in the financial world can be confusing. And building good credit takes time. Below are some tips to help you reach your financial goals.

Finding the right products

Secured credit cards

Apply for a credit card as you would a traditional credit card. Check approval, deposit any amount of money which can range from $500 to $2,000 into a separate account. The bank will give you a credit limit that is equal to the amount deposited. If you do not make payments, the credit limit will be reduced. If you make payments, the credit limit will increase.

Credit builder loans

Some companies offer credit builder loans to help you establish credit. With a credit builder loan, you receive a loan and a credit card. You make monthly payments on the loan, and the loan is reported to credit reporting agencies. The amount you can borrow depends on the credit reporting agencies. The reported amount is equal to the amount of the loan plus the amount of the loan you make monthly payments on the loan.

Actions you can take to help your credit and score

- Get and read your free credit report and score from the three major credit reporting agencies.
- Review your credit report for accuracy and report any errors.
- Pay your bills on time and keep your accounts open.
- Use credit cards responsibly and keep balances low.
- Shop around for the best interest rates.
- Consider a secured credit card if you have trouble getting a traditional credit card.

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.
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