Building Credit for Homeownership IDA Participants

AFI Virtual Coffee Webinar Series

August 29, 2017

Hiba Haroon: Good afternoon, everyone. We're going to give folks a few more minutes to sign in. So just sit tight and we'll get started shortly after four o'clock.

(silence)

Good afternoon, everyone. We're going to go ahead and get started. I know a few folks may trickle in after we get going and we'll welcome them when they join. Thank you so much for joining us for the last webinar of our AFI Virtual Coffee Webinar Series. The topic for today's webinar is building credit for home ownership IDA participants.

My name is Hiba Haroon. I work with Prosperity Now and will be leading the webinar today. I'm joined by Carmina Lass from the Credit Builders Alliance and Pat Hilgendorf from NeighborWorks Montana. Both Carmina and Pat will provide more background information on their programs in just a little bit. So, thank you to you both for taking the time out to join us this afternoon.

Before we get started I'd like to cover a few housekeeping items. You have the choice of dialing in with your phone or listening to the webinar through your computer, so please select the appropriate audio option on the Go To webinar control panel. You can ask a question at any time during today's call by using the chat box on your Go To webinar control panel or raising your hand to request to be unmuted. Please keep in mind that during the second half of this session we'll open up the discussion to troubleshoot your specific questions related to your programs or any questions that you may have about what the speakers share.

So, please use the chat box to submit those questions as the speakers are presenting or as you hear new ideas, or wait until after the speakers have presented. And based on the time remaining, we'll call on folks to read their questions and we'll open it up for responses. If you're watching this live and experience any technical difficulties, please type the question into the Go To webinar interface or email us at jvardad@prosperitynow.org and we'll help you troubleshoot them.

A couple more notes. The webinar is being recorded. All of you are muted to ensure your sound quality. A video recording and a transcript of this webinar will be available at a later date and we'll provide you those details after the call has ended today. The webinar will last approximately 60 minutes and we hope to provide ample time at the end of the call for questions and answers with the speakers and answer any additional questions that you may have about your program.

So, let's get started. The objectives of today's webinar are to explore tools and methods to grantees employ to review participants' credit reports, build their credit, and set them up for successful asset purchases. We'll learn about stories of clients who have successfully built credit during their home ownership IDA purchase. We'll also learn how grantees have used credit building tools and techniques. And finally, we'll discuss effective strategies for integrating credit building into home ownership asset purchases.

So, in order to understand who is participating in this virtual coffee, we have a few poll questions that you will see on these slides and will pop up in the poll box. Please take a few seconds to respond to these questions so that our speakers and us have a better understanding of who all is in the room.

The first question is, what is your role with your AFI project? Are you an executive director, a program coordinator/manager, a data manager, a case manager, or you have some other role within the organization?

Great. So, a large number of you, about 67% are program coordinators or managers who are really involved in the overarching sort of program elements and the program design elements. 17% of you are case managers. An additional 17% of you have another role. So, please share what those roles are in the chat box so that we can hear from you during the question and answer phase of our call.

The next question is, what is your level experience with credit building with IDA participants? Do you classify yourself as a beginner, intermediate, or advanced?

That's very interesting. So, we have an even divide between those of you who classify yourself as beginners and those that qualify as advanced. And a good portion, about 15% of you, think that you have intermediate experience level of providing credit building services to IDA participants. So, we look forward to hearing about your varying experience and questions that you have regarding credit building for the IDA program during the Q&A section.

And then finally, what are specific challenges that you face with incorporating credit building services to IDA participants? Is it a lack of understanding about how to provide crediting building services? Do you experience a lack of staff capacity, a lack of resources, or a lack of partnership?

Great. So, about 57% of you listed lack of staff capacity as an issue, 29% said lack of resources, and about 14% said lack of understanding about how to provide credit building services. So, it'll be great to hear from our first presenter, Carmina, who will address sort of that first point. But we want to hear from you around what specific challenges you're facing with staff capacity and lack of resources so that we're able to better connect you to additional resources after the call.

So, now let's here from our panelist Carmina Lass from the Credit Builders Alliance. And I'll ask Carmina to please share a little bit about the Credit Builders Alliance as an organization and your role within it before you jump into your presentation.

Carmina Lass: Great. Hello. Thank you for having me today. My name is Carmina Lass and I am the director of training and consulting with the Credit Builders Alliance. So, I'll, in my next few slides I'll tell you a little bit more about CBA and what we do.

Today I'm just going to give you a bit of a high level overview about credit building as a financial capability strategy and how it can complement your IDA program. You can go to the next slide, please.

Okay. So, if you're not familiar with Credit Builders Alliance, CBA was created by and for a nonprofit lending and asset building organization in response to the need for low and moderate income individuals, many of whom compromise the millions of Americans with no or thin credit files to gain or regain access to the modern financial system by building credit and financial assets. Underscoring CBA's philosophy that a good credit file is essential to achieving and maintaining financial stability. It is our belief that mission driven nonprofits are uniquely positioned to help individuals and families build credit as an asset and often as the foundational asset necessary to get and stay ahead.

So, at CBA we have a membership of hundreds of nonprofits across the country, as well as some municipal entities, as well. Our credit building community is very diverse and is comprised of a wide variety of different types of organizations that includes community development financial institutions, committee action programs, United Way and Goodwill affiliates, Habitat for Humanity affiliates, small community credit unions, affordable housing providers, workforce development programs, domestic violence shelters, refugee resettlement agency, and the list goes on. And the next slide, please.

Over the last 10 years, CBA has created unique credit bureau partnerships and other industry partnerships, which is accompanied by robust technical assistance in order to support our members and their efforts to improve outcomes for their clients and organizations. We have one of a kind intermediary, excuse me, umbrella arrangements with the major credit bureaus that enable our CBA access members to pull thousands of consumer credit reports each month for the purposes of credit coaching, client outcome tracking, as well as loan underwriting.

Our CBA reporter service enables lender members to report tens of thousands of loan trade lines on behalf of their low and moderate income borrowers each month worth more than 1.2 billion dollars to the consumer credit bureaus and almost 100 million dollars to the commercial credit bureaus. We also offer virtual and onsite technical assistance to nonprofits asset building coalition funders and others in the development and measurement of credit building programs through our credit as an asset training and consulting services.

And most recently, we've launched a new training institute that brings together all of our training technical assistance and consulting services into one interactive platform. The entire platform is informed by our credit strength framework and focuses on helping organizations build strong credit building programs. [We're 00:12:54] also helping individual coaches work one-on-one to help clients pursue their unique goals. Our training institute allows practitioners to access elearning courses and an expansive learning library full of resources related to credit and credit building. All right. Next slide please.

Okay. So, now that you know a little bit more about Credit Builders Alliance, we can talk a bit more about why we feel that strong credit is an asset on its own and foundational to helping families further other goals including home ownership and their IDA savings goals.

So, just to frame the conversation, in the past, conversations about credit in the context of financial capability have really tended to focus on more on the debt side of the balance sheet and how poor credit or a lack of credit can be a barrier. And while that is certainly true, the result is that we end up with lots of negative connotations and associations with the word credit and the concept of credit. But ultimately, credit, in its essence, is neutral. It is just a tool. And as with all tools, knowing how to use them correctly is really the key to success.

A good credit history is really powerful in that it can actually increase access and options for many different services and opportunities. Good credit equals access to high quality financial products. Most of us require access to credit to weather economic shocks such as an unexpected job loss, cars that break down, or kids that need braces. Without access to credit, many must depend on predatory lenders and may fall into a cycle of over indebtedness. And having good credit also helps us find more affordable financial products.

It's been estimated that a good credit score can save a person as much as 200 thousand dollars over the course of a lifetime. Consumers ultimately with good credit are offered better loan rates. But it also, good credit can equal opportunity and options for housing. Many landlords pull credit reports to determine whether to rent to an applicant and sometimes how much of a security deposit to charge, as well. Good credit can reduce or eliminate costly deposits otherwise required to turn on utilities or require a cell phone contract. A positive credit rating may also reduce the cost of products like a car and homeowners insurance.

And then, of course, one of the reasons why we're all here today is that good credit can equal asset building. A good credit history makes a difference in accessing affordable lending products, in particular a mortgage necessary to buy a home. But it's not just about getting the credit score at the place to qualify for that home. Having a good credit history can reduce costs and expenses throughout the savings period when one's working towards saving for that down payment with affordable interest rates on other products. In addition, having good credit can support ongoing success in home

ownership when somebody is in their home and is able to keep their expenses low, reduce their insurance costs, and avoid costly deposits. So, overall, CBA really believes that credit building is a natural complement to any IDA program. Okay. The next slide, please.

Okay. So, I just like to start every conversation or make sure that we're all on the same page by really providing a quick definition of what we mean by credit building. While credit building may indeed involve credit education and credit remediation, credit building is distinct in that it requires a linkage to an actual credit product. So this, by the way, is also what makes it such a clear financial capability strategy.

The focus of credit education, of course, as we know, is to help individuals build knowledge and skills to understand and address their credit practices and the focus of credit remediation may often center around dealing with errors or outstanding debt, whether current debt or in collections on their credit reports. But credit building's focus is really about the establishment and successful maintenance of an active trade line that would show up on a traditional credit report. Historically, that means either an installment loan or revolving credit product, like a credit card, but these days that's been expanded to include some still limited instances of alternative credit data such as rent reporting.

So, when we talk about active credit, we mean an account that is paid on time and on which payments are made regularly, at least once in a six month period. Having positive active credit trade lines on your credit report is really the only way that someone with no credit or a thin credit history can establish or re-establish a credit score. And in many cases adding an active trade line is an effective and faster first step than dealing only with debt for those with poor credit profiles who wish to boost their credit scores.

So, when we think in the context of home ownership, we often focus in on credit counseling, which is absolutely essential to helping somebody get ready for everything that they need to do in order to qualify for the mortgage and to apply for that mortgage. But credit building is really more of a holistic approach and it's more of a ... we're thinking about the whole life cycle of a person's financial stability when we're thinking about preparing for the opportunity for home ownership but also success in home ownership after purchasing that asset. So, if you could go to the next slide, please.

Really, what we want to bring to you today is thinking about how we help our clients to strategically build credit in pursuit of their goals for home ownership. The challenge or the credit catch 22 is that for people who have, for low income individuals who have no credit or thin credit files and those with poor credit histories, it's often difficult the ability to establish or re-establish a good credit profile is hampered by the lack of access to responsible credit building financial products, especially amongst more mainstream financial services providers.

But fortunately, credit building opportunities are no longer limited to more traditional products like loans and unsecured credit cards. Lenders, both small and large, are now innovating to create products designed for and available to communities who have been traditionally underserved. These might include starter products, such as credit builder loans and secured credit cards.

For those of you not familiar with credit builder loans, these are installment loans that are most commonly offered by credit unions and nonprofit financial institutions with the sole purpose of helping people build credit. They're usually very small dollar loans, anywhere from $150 all the way up to maybe 2,000 or 25 hundred, with 6 to 12 month terms. The key to credit builder loans is that instead of receiving the money at the time that the loan is made, borrowers typically, their loan funds are held in a secured savings account until they repay the loan.

So that enables the lender to be able to really offer these products widely because those funds are secured. And then borrowers payments are, of course, reported to at least one of the major credit bureaus. So, starter products such as credit builder loans or secured credit cards are really great for people who are just getting started with building credit, maybe those who have very limited credit history or none at all.

There's lots of other different ways that people might have to build credit. Social lending programs, such as lending circles that are offered across the country by a CBA member mission asset fun in partnership with other local community based organizations or nonprofits. In this model, people come together in a small group and save a fixed amount of money each month for a set period of time. That's something that's happening all over the world in terms of these saving and lending circles, but what mission asset fund and other organizations have started to do is actually formalize the process of that and equip the local organizations to be able to report those loan payments to the credit bureaus.

We also see special purpose loans, which would be loans designed really to meet any specific need for capital but also to build credit at the same time. So, a lot of our membership are really on the cutting edge of developing very tailored, specific types of loan products that meet specific purposes but also helps people build credit. Some examples might include small loans for entrepreneurs, immigration loans, assistive technology loans, and many, many others.

And then finally, another kind of new non-traditional strategy for credit building is rent reporting. It's really a growing way for renters to establish and build credit. Rent reporting involves the regular monthly reporting of rent payments to at least on of the major consumer credit bureaus for inclusion on the consumer credit report. Ideally, the rent reporting is also paired with credit and financial coaching or asset building programs, as we're seeing a lot of affordable housing providers really take this on in a strategic way, especially for programs that they have that are designed to transition people from renting into owning their own home.

Rent reporting is fairly new in the development of the credit reporting industry and currently is primarily dependent on the housing provider to adopt a program and we're seeing that more and more in the affordable housing space organizations that are taking up rent reporting initiatives. There are, of course, some services that do allow individual renters to sign up independently to have their rents reported, though this does usually come with a fee.

All right. Those are just some examples of some different ways that people can think about building credit and have opportunities to build credit beyond mainstream financial products. All right. Next slide, please.

So, where do we find these products? Credit building options really do vary greatly depending on where you are and what you're local community and financial services landscape looks like. But in general there's a few places you can start with when identifying credit building products for your target audience. First, banks and credit unions may offer credit building products that do fit the needs of your community. Of course, this is always a good place to start if your clients do have an existing relationship with that financial institution. Things like credit builder loans and other small dollar products are not always widely advertised, so you might have to do a little bit digging and talking to people at your local financial institutions to find out what they are offering.

You can also look for nonprofit lenders, including community development financial institutions in your community who offer credit building services. On CBA's website, which is www.creditbuildersalliance.org, we do have a locator map that you can find a CBA member in your area that might be offering some credit building products. There are also some other national programs, which may be in your area, such as the LISC financial opportunity centers, which provide a suite of financial capability services, including credit building at nearly 80 sites across the country. But it really does vary quite a bit across the country, but you can always contact us if you're wanting more specific information about what we know about the organizations providing these types of services in your area.

And finally, the fin tech industry is also been offering up many new options around online lending. It's still a little bit of a gray space and CBA definitely doesn't specifically endorse or recommend any specific products, but we do really want to acknowledge the fact that people are turning more and more to online options for financial services and there are some groups in the industry that are really focused and committed to socially responsible and financially responsible products for their communities. The Center for Financial Services Innovation is a really good organization to turn to for input on to how to evaluate products and services that are offered in the fin tech space. As with any product it's always important to do your due diligence to fully understand a lender's reputation, their rates, their terms, and their products.

But one example, and again, this is not a recommendation, just an illustrative example, is selflender.com, which does offer credit building products and it's available online so it's across the country. I'm not sure if they have a lending license in all 50 states, but if you don't have options available locally, it's something that you could look into. They do offer credit building loan products and there's others that are emerging into that space and we're kind of closely tracking that to see what might be good options for the clients that our members serve. All right. Next slide, please.

Okay. We also just want to iterate that any time that you're identifying products in your community, there's some basic characteristics that you want to look at in terms of how you evaluate what that product is and how it meets the needs of your clients. First of all, I think it's important to make sure that your clients qualify for the products. And there's nothing more frustrating than to make a plan and have an option and then somebody goes and tries to apply and realizes that they don't have the right identification documents or didn't meet other basic criteria. So, I think when referring your clients to credit building products, make sure you're familiar and it's a good fit.

Also, finding lenders that are willing to work with clients, make loan modifications if necessary to really help support their clients' success and keep them on track. And also, having a plan for providing support when clients do encounter challenges. And just like you do with building an IDA contribution into the budget, building active credit payments into that budget, of course, is essential to somebody's success because the success in credit building is really dependent on their ability to make on-time monthly payments.

And finally, we always say that credit building shouldn't end with the final payment on the first product. So, again, even if it's getting to that place where your client has the credit score that they need to qualify for the mortgage that they're after, that's not the end. It's really just the beginning because continuing to build credit is going to be critical for their ongoing financial stability as a homeowner. So, making sure that somebody is able to then graduate on to other affordable, responsible credit products to keep their active credit going. Next slide.

Okay. This is just an example of how one of our members really pairs credit building with IDA saving. Their initial focus for this client is really on small business development, but ultimately she ends up pursuing home ownership, as well. So, this example is from a member in New York City, the Business Center for New Americans whose mission is to fulfill the American dream of financial inclusion for immigrants, refugees, women, and others in need by building wealth through business development and expansion, savings, and home ownership.

BCNA makes business in credit builder loans, administers individual development accounts. They find that their clients are often very thrifty but overpaying for financial products and services due to their lack of credit history or due to poor credit history. So, in recognizing that, that this overpaying for those financial products is a barrier to saving

and pursuing their asset building goals, they've developed their overall suite of services to be responsive to that. They see that the lack of positive credit history often precludes their clients from accessing formal financial systems and also makes them more susceptible to predatory lenders and prevents them from achieving those long-term goals.

They created their own credit builder loan called the Credit Enhancement Loan that helps their clients to establish a credit history. This is an example of a client named Ostu who started out wanting to own her own business but she had no credit history or score. And so, she was able to participate in their education program, start out with a credit builder loan, eventually enroll in their business IDA program, and was very successful in that.

But as she built her credit alongside her savings goals, she was able to leverage that strong credit history to be able to qualify for lower rates on different financial products and ultimately that supported her success in small business ownership, which enabled her to start to pursue her goal of home ownership. So, I think that this example just really shows how credit building, saving, and comprehensive support from the organization, from BCNA, really helped to contribute to this client's success in a very holistic way. All right. So, to next slide.

So that is what I have for you today in terms of just a high level overview of credit building and how we feel it really pairs with IDA programs and how it works. I know that we might have limited time for questions on this webinar, but you can always feel free to reach out to us at programs@creditbuildersalliance.org and I'm happy to answer any questions you might have. So, thank you.

Hiba Haroon: Great. Thank you so much, Carmina, for that useful information. We encourage our audience members, if you haven't done so, to please share your questions via the chat box located on the right hand corner of your screen. Carmina, we have one question from Rosemary Thompson. And it was, have you worked with bank on coalition.

Carmina Lass: We have worked with some bank on coalitions from the prospective of including messaging around credit building into the general getting bank messaging, but definitely think that that's a great initiative. And I think getting banked is a great way to help clients start to understand what other banking services they can take advantage of in addition to depository accounts, credit building options as well.

Hiba Haroon: Great. Thank you. And as you were talking about sort of the connotations, excuse me, associated with credit building, one questions that I have for you is how have you seen organizations tailor credit building to serve different populations? It's not so much from what credit products they offer but just how they introduce the notion of credit building. Does that vary across different populations? And if so, if you could share some examples.

Carmina Lass: Sure. Yeah. So, I think that culturally, credit can be, like I was saying in the beginning of the presentation, there can be a lot of different connotations around credit based on how prolific it is in our society and how there might be a lot of fear to engage with credit because you're afraid that it's going to lead you down a path where you're going to have debts and negative impact on you.

So, I think a lot of what we propose to our members and what we advocate for is really, again, flipping the messaging and shifting the paradigm from credit as something that's a deficit or a barrier to something that really improves the opportunities that people have. I think one way that organizations do that is coming up with really connecting credit building to their client's specific goals. So, you might know generally it's better to have a good credit score but what does that mean to me if my goal is home ownership or if my goal is small business ownership? What does that mean in terms of what's the cost that I'm going to pay for a mortgage over 30 years or for even just a car loan or for my car insurance rates?

So, really using specific, tangible examples and for that target market in order to really connect it with what they're after. That's key. And I think that it's also just so personal and so just being able to have a coaching relationship and a one-on-one relationship to be able to review somebody's individual credit report and understand what it means for them and what specific actions they need to take towards their goals because it's really, there's a lot of different permutations of how somebody's credit might impact their path forward.

Hiba Haroon: Great. Thank you for sharing that. I think what you just said would resonate with a lot of grantees. I know when I was a grantee myself in Houston, really not just credit building but really any financial capability service, it was only going to be effective if you could tie it into something beyond the service. Right? So, something beyond and something that really resonates and brings home the point to the client. So, I appreciate you sharing that.

And we'll move on to our next panelist, but I want to encourage audience members if you have any more questions for Carmina, we'll have some time at the end of the call today to ask those questions. So, please feel free to continue sending us those questions.

Now, let's here from our panelist Pat Hilgendorf from NeighborWorks Montana. And Pat, if you could just share a little bit about the organization and your role before you jump into your presentation that would be great.

Pat Hilgendorf: Okay. Thank you so much for inviting me to speak today. Pat Hilgendorf. I am currently the manager of the lending department here at NeighborWorks Montana. I came onboard about 2009 just as a loan specialist. So, my role in the organization has not been at all in the counseling area.

NeighborWorks Montana is an incorporated nonprofit organization that provides home ownership or excuse me, home buyer education, foreclosure, and credit repair counseling, affordable first mortgages, and down payment and closing costs to qualified low to moderate income first time home buyers in 55 of Montana's 56 counties. This organization was established out of an urgent need for buying assistance for the families with incomes at 80% or low or medium income. NeighborWorks Montana has evolved from a collaborative partnership of nonprofit and private corporations, government officials and residents who combine knowledge and resources to deliver these services.

Okay. We'll go on with the presentation. Montana is a very large state. It's the fourth largest state in the nation, in our country, having over 147 square miles, but a small population of just barely over a million. That's a lot of blacktop to cover in order to get anywhere in our state and we do spend a lot of time driving. We are mostly a rural state with low wages. We're ranked 49th of the states for average annual wages and 66% home ownership rate. These factors attribute to the need for assistance when it comes to home ownership.

NeighborWorks Montana does not have its own housing counselor, but instead we partner with 14 HUD approved housing counseling agencies around the state. In order to meet the demand of the statewide IDA program, which we administer, we rely heavily on our partner agencies to promote and screen individuals for the program.

The role of the counseling agency is to offer a first time home buyer education, conduct a one-on-one counseling for class attendees covering the following of a credit report, if their income is stable in order to purchase a home, and also show them the different home purchase loan option. During the home buyer classes, the counselors will cover the basic guidelines of the IDA program. They do not go into a lot of material on the IDA program just because of changes that may occur or the lack of knowledge on their part where they have not been involved in the program themselves.

When the participants are ready to purchase or about ready, they're given a NeighborWorks Montana contact information and they could give us a call. And we basically explain the program to them, ask them about their credit. Also, see what their goals are for saving money and for purchasing. And if at that time we see that their credit is in need of repair or building, we ask them to go back to the counselor and work with them on that because that is their expertise. So then they may again be referred to us at a later date.

The most applicants that are referred through the home buyer education classes that are given have credit that meets the national guidelines for a home purchase. So, these are the ones that are referred to us for the IDA program. Occasionally, we'll have applicants that find us on our social media, such as our website. They have not gone through home buyer education classes yet and they will be screened through us and, again, referred back to a counselor at one of our partners and work on the building of their credit.

We found that we have a very small community of home building agencies or, excuse me, of credit agencies to assist a lot of our home buyers in the rural areas. So, a lot of those are doing that credit building or credit repair through online courses, through via telephone through a credit building agency. So, we don't have a lot of that available to us in the state and that's why we have kind of thrown that back into the laps of our counseling agencies and partners that can assist them and be in their area.

So, a little bit. During our first AFI grant, go ahead next slide, which was 2008 to 2013 we enrolled any applicant as long as they met the income and asset qualifications. Assuming that, if they had a low credit score that they'd work to repair their credit during that time, that they were saving in the IDA program. Those that were enrolled in the first couple of years, we're thinking, "Well, you know, they got three, four years to improve their credit and they'll be ready to purchase a home at the time before our grant expires." We spent a lot of time processing applications that did not meet the criteria for credit. And because of the lack of the financial education and the credit repair or credit building counseling agencies and around the state, this assumption that their credit scores would be improved if they stayed. I guess it proved to be less than accurate.

I took over administration of the IDA program in 2011, already three years into that grant period. And due to the funding constraints, the administration of the program was just an added duty to my lending position and I had really very limited time to put towards the program. This grant was closed out in 2014 after a one year extension.

So, of the 111 enrollees we had, we had 72 successful asset purchases. That's a 64%, I call it satisfaction, ratio. Of the remaining 39 enrollees not purchasing, 8 of those had fulfilled all the requirements of the program and were ready for home purchase, but were unable to find a suitable property. The remaining 31 enrollees were still working on completing the home buyer education, the financial education, or rebuilding their credit. Based on this information, we decided to re-evaluate our process with the new grant.

Our objectives were fulfilling the enrollment for the grant. Or, our learnings were, the grant, that's not hard. We don't have an issue. We have a waiting list. There's a great demand for this product all over the state. There's some time restraints for monitoring each file. And the need to have continuous contact with the enrollee to ensure that they meet their savings goal and any other goal they may have set for themselves. And we want to enroll individuals who are mortgage ready or have started the credit building process and are currently working with someone and showing an improvement.

Our current grant, which started in 2014, has 56 full enrollments available. Within 18 months of getting our program up and running, we had allocated all of our funding and started with five persons on a waiting list. Our goal is to enroll the applicant, make sure that they complete the requirements of savings and completion of financial education and home buyer education, and finally purchase a home. We, ourselves, do not have the

resources or the credentials to offer the credit building within our program. I am aware that we're probably missing some people that would benefit from our program. But our resources dictate that our program guidelines and we find those needing the credit building assistance are better served by working on their credit first then applying for the IDA and they're more successful than if we have them working on the two goals at once.

We hit the downside of the grant. I've terminated one enrollee due to a credit issue and that was due to the loss of income and the resulting late payments and charge off that had caused her credit to drop to a low 500. Her and I talked about it and both agreed that she needed to exit from the IDA program and work to repair her credit and come back. Keep in touch with you. You never know, we may have additional funding at that time. Because I did explain that our AFI grant's going to expire in 2019 and I just want to make sure that she has the feeling that there is some help for her in the future and that that repair of her credit should be her prime goal right now.

Even individuals with good credit sometimes find themselves in a precarious position. I had one enrollee that was purchasing a home, was credit approved, the home had passed inspection. Two days before closing, the lender pulled a new credit report. That is not unusual. That's pretty much the norm. During the process of purchasing the home, the borrower noticed a charge on his credit card and he disputed the charge. This caused his credit score to fall below the required score for their loan program. He could not purchase this property. Fell through on him. However, after another 18 months in the program, he rebuilt that credit up, found a home, and now is a successful home buyer. He learned that we just don't all fail after one try and he was well aware of the importance of having nice good credit.

That is all that I have at this time. But I will take any questions.

Hiba Haroon: Great. Thank you so much, Pat. We had a question come in from Rebecca Thompson as you were speaking. That was, if you could share where to locate the national guidelines for home purchase.

Pat Hilgendorf: National guidelines for home purchase. Well, that would be according to the program that the borrower was trying to obtain and lend in a loan. So, if you're using FHA, BA, or a conventional loan product. Most of those are at 640 for credit scores to make them eligible. So, it would be specific to their loan program that they are trying to apply for.

Hiba Haroon: Great. Thank you. And Rebecca, let us know if that answers your question or if you need further information. And I think Santi had a question for you as well.

Santiago: Yeah. Hey, Pat, this is Santiago.

Pat Hilgendorf: Yes.

Santiago: I was curious about your, just looking at, you mentioned that you communicate constantly with your clients especially during the savings period and that's one of the

things that you sort of revisited when you're thinking about retaining clients and reducing attrition. How do you design your contact and how do you do that?

Pat Hilgendorf: Well, when they first enroll in the program that's part of my agreement with them, that they will contact me at least once a month. If I don't hear from them after I have received their bank statement, I make a conscious effort to contact them by phone and if I can't get them I do have email addresses for all of my clients. My main thing is, are you on track for your saving, did you make your deposit, which I can tell from their bank statement. And if they have other goals that they have shared with me in any of our visits, and it's a coaching process, have you met those goals? If not, why and now what are you going to do from this point? So, with the consistent coaching each month with them, they are achieving their goal or they need to reset their goals and move forward on that.

Ultimately, the home buying process and home ownership is going to be their ultimate goal. So, maybe one month they might have had to say I'm going to do my home buyer education this month. And I will talk with them. And if they've completed it they will be able to send me a certificate. Work through the whole process of the IDA program, find out why they didn't make their payment this month. What are they going to do to get back on track? So that, I think that monthly contact with my IDA clients has been very successful in this grant.

Santiago: Great. Thanks, Pat. That's really insightful and good to know.

Hiba Haroon: So, Carmina, I wanted to ... We're giving folks a chance to bring in their questions. The question I wanted to raise for you is, having heard the stories that Pat shared about the two clients that were enrolled in the programs and the difficulties they faced with credit pulls and their scores midway through the process or as they were looking to complete the program. And I'm thinking about the trajectory that you showed of the client who came in with no credit score and was able to build their credit and establish credit lines throughout the process and was in a much better shape of having that asset purchase at the end.

But the stories that we shared are very common to grantees, particularly for those that are working with clients that are looking to purchase homes. So, is this something that resonates with you that you feel like and the members that you work with are also experiencing? If so, how have individuals or organizations tackled that issue?

Carmina Lass: Sure. I think, yeah, I think that that's a great point and I think that it's never always just a complete upward trajectory for any one given client. There's oftentimes bumps in the road. And I think that what is critical is just, again, going back to that focus on the goal and thinking about the long-term goal and knowing that sometimes you have to balance some competing priorities. And there's maybe short-term priorities with financial stability needs with making ends meet with making the deposits that you need to make for the IDA program. Sometimes there's longer term hurdles like debt loads that you

have to manage. And then, of course, you've got your shorter term and your longer term goals.

And so, I think that sometimes it can definitely be a balancing act. And I think sometimes you have to switch your focus maybe temporarily to that short-term stability piece in order to be in that stable place as Pat was describing to take care of some of those more immediate, pressing issues to set yourself up for that longer term success and really best position yourself to build that strong credit even though it takes time. And I think that that's the role of a great coach is really helping people understand and set those priorities whether they're the short-term or the long-term priorities.

And then reassess as you go along because, ultimately, life happens and especially with credit you can see those even unanticipated dips in the credit scores that can have that huge impact but it's always kind of re-evaluating and focusing on that long-term goal.

Hiba Haroon: Great. Thank you so much. And this question is for both of you. So, just going back to the poll question. About 57% of our audience members said that lack of staff capacity was one of the main challenges that they face in integrating credit building into their IDA program. And Pat, it seems like you've done a lot preemptive work around credit building and have partnerships in place. And Carmina, the members that you're talking about have really integrated credit building strategies into the program.

But for those that are sort of very new to this concept and to this space and are dealing with staff capacity, what are maybe, I would ask both of you to share one or two considerations or questions that you would pose to them as they begin thinking about what is the best route for them to take to integrate those credit building strategies into their IDA programs. So, one or two takeaways or questions for them to think about.

Pat Hilgendorf: Well, this is Pat. I think the first thing is when we look at the application and evaluate the individual's eligibility for the program. We have to converse with them and talk to them about the reality of their goals. I know home ownership is a great thing, but sometimes it's not for everybody at that point in their life. And so they have to take a broader picture than just saying, "I've got to save this money so I can get this money." I mean, a lot of these people have to change the way that they've been living and definitely moving towards a future in which they continue to save, not only save for the IDA program, but they change their ways to continue to save in the future for things that they will need for home ownership.

So, I think that's the one thing that we need to look at and the individual themselves really have to do a little bit of soul searching and make sure that this is the right time for them. Definitely, we're not discouraging them from home ownership, but let's look at the reality of this, of you accomplishing it within the timeframe that we have available for you.

Carmina Lass: Yeah, and I'll jump in and piggyback on that. And I think that the assessing readiness piece is so critical, especially with credit building and it can save a lot of time in terms of the client's time. But also the staff capacity if you're able to kind of build in some kind of assessment when you're first starting to have these conversations with the client to really see what they are able to take on at that moment, what they might be ready for.

I think the other thing that I would say would be a key consideration is how can you leverage partnerships and other core competencies of other either organizations in your community or other entities? The way that our members provide credit building services, some really just have great referral relationships with other financial institutions. And that is a lower touch option. They've done some investment in terms of in the relationship and knowing what the partner or the financial institution might offer. But they can really just have a nice, warm handover. And that requires less capacity than, say, building out your own entire loan program.

So, I think that there's a continuum. But I think it's also, just to start with, how are you even having that conversation and what key questions can you ask those clients to be able to understand what they might be ready for and what the potential barriers might be for them in terms of their credit.

Hiba Haroon: Great. Thank you so much. And thank you for taking the time to join us this afternoon and staying engaged and asking great questions. Like I mentioned to you at the beginning of the webinar, we will be sending out the recording of today's call as well as slides from both of the speakers in a few days. Thank you to our speakers, Pat from NeighborWorks Montana and Carmina from the Credit Builders Alliance, for taking the time to share more about your programs. And with that, we wish you the best of luck with your programs and know that you'll continue to do great work in your communities. Have a wonderful evening and rest of the week.