

PRODUCTS-IN-A-BOX

Assistive Technology

TOOLKIT




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Contents

Acknowledgments	5
About Credit Builders Alliance	6
Foreword	7
Part 1: Introduction to this Toolkit	8
A. What Is This Toolkit and Is It Right for Me?	8
B. How Was This Toolkit Created?	8
C. How Should I Use This Toolkit?	9
D. Why Offer Assistive Technology Loans?	9
i. Assistive Technology Cheat Sheet	11
ii. Setting up an AT Loan Program in 10 Steps	13
Part 2: Small Dollar Consumer Loans in Context	14
A. Small Dollar Consumer Loans and Nonprofit Lenders	15
B. Credit As an Asset: Achieving Credit Strength	16
C. Financial Capability	18
D. Profile of a Nonprofit Lender: Northwest Access Fund	20
Part 3: Initial Planning and Building the Infrastructure	23
A. Understanding the Target Population	23
B. Build Strong Partnerships	26
C. Raise Funds and Loan Capital	30
D. Build Organizational Capacity	32
i. Staff Capacity	33
ii. Leadership Capacity	37
iii. Board Capacity	37
iv. Loan Oversight Committees	37
E. Invest in Technology	38
i. Loan Software	38
ii. Other Technology	39
Part 4: Designing the Loan	41
A. Federal and State Lending Regulations	42
B. Policies and Procedures	43
C. Loan Use	45
D. Underwriting and Eligibility	46
E. Loan Amount	51
F. Loan Terms	54
G. Fees and Interest	55
H. Protecting Your Loan Fund	60
Part 5: Loan Implementation	63
A. Outreach, Marketing, and Customer Acquisition	63
B. Application	62
C. Loan Determination and Closing	64
D. Servicing and Supporting Repayment	69
E. Troubled Loan Management	75
F. Repayment and Graduation	79
G. Outcome Tracking	79

Part 6: Appendices	85
Appendix A: Financial Capability Resources and Outcome Tracking Tools	87
Outcome Matrix	88
Credit Strength Framework	90
Best Practices for Tracking Credit Scores	93
Credit Strength Roadmap	95
Budget Worksheet (Federal Trade Commission)	104
Bill Calendar (Consumer Financial Protection Bureau)	106
Net-worth Worksheet	107
Financial Wellbeing Scale (Consumer Financial Protection Bureau)	108
Appendix B: Small Dollar Lending Resources	109
Alternative Ways to Facilitate Access to Loan Funds & Products	110
Federal Legislation That Impacts Small Dollar Loans	113
Consumer Installment Loan Regulations By State	114
Choosing and Using Software for CBA Reporters	119
Appendix C: Sample Loan Documents	124
Sample Policies and Procedures (Northwest Access Fund)	125
Sample Credit Reporting Policy	144
Sample Loan Outreach Materials (Self Help Credit Union)	149
Sample Loan Application (Innovative Changes)	150
Sample Approval Letter (Northwest Access Fund)	154
Sample Denial Letter (Innovative Changes)	155
Sample Credit Score Disclosure Notice (Federal Trade Commission)	157
Sample Loan Agreement (Innovative Changes)	159
Sample Automatic Clearing House (ACH) Form (Northwest Access Fund)	164
Sample Customer Feedback Survey	165
Sample Customer Feedback Survey (Northwest Access Fund)	166
Sample Late Payment Notice (Innovative Changes)	167
Sample Adverse Action Letter (Cornell Law School)	168
Sample Loan Payoff Letter (Northwest Access Fund)	170
Appendix D: Assistive Technology Related Resources	171
Examples of People-First Language (National Disability Institute)	172
Creating an Inclusive Environment for Your Financial Education Program (National Disability Institute)	173
Setting Up an ABLE Account (Consumer Financial Protection Bureau)	178
Paying for Assistive Technology Worksheet (Consumer Financial Protection Bureau)	181
Appendix E: Additional Resources	185
General Financial Capability Resources	186
Credit Builders Alliance Training Institute Services	188
Glossary of Credit and Lending Terms	195

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- [Asian-American Homeownership Counseling, Inc.](#)
- [Capital Good Fund](#)
- [Chehalis Tribal Loan Fund](#)
- [The Center for Financial Independence and Innovation](#)
- [Freedom First Credit Union](#)
- [The Fountain Fund](#)
- [Housing Works Central Oregon](#)
- [Innovative Changes](#)
- [Justine PETERSON](#)
- [The Lansing Office of Financial Empowerment](#)
- [Latino Economic Development Center](#)
- [Oklahoma Assistive Technology Foundation](#)
- [Pennsylvania Assistive Technology Foundation](#)
- [Mercy Corps Northwest](#)
- [Northwest Access Fund](#)

This toolkit was developed with input from the Center for Financial Services Innovation (CFSI), leveraging the organization's insights and research on the small-dollar credit marketplace and consumer financial health.

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About Credit Builders Alliance



Credit Builders Alliance (CBA) serves as a unique and vital bridge between our member organizations and the major credit reporting agencies (CRAs). Through this support, CBA helps people and small businesses who are outside the financial mainstream build credit to achieve their goals and enjoy financial security. Our core services, CBA Reporter and CBA Access, provide mission-driven organizations with both the ability and critical technical assistance to report loan data to the CRAs and to pull low-cost client credit reports for the purposes of financial education, outcome tracking and underwriting. For more on CBA, go to www.creditbuildersalliance.org and follow us on Twitter at [@Credit_is_Asset](https://twitter.com/Credit_is_Asset).

Foreword

“Credit as an asset.” I first heard this idea years ago being espoused by Credit Builders Alliance. It resonated with me then and continues to ring true to me now. Having access to the credit system can strengthen a person’s ability to manage their day-to-day finances, weather financial shocks, and pursue opportunities to live the lives they want.

Unfortunately, far too many American households lack the asset of credit access. The Center for Financial Services Innovation (CFSI) estimates that there are over 120 million credit-challenged adults in the U.S.¹ Whether due to a subprime credit score or a credit history that is insufficient to generate any score at all, these individuals are often unable to access traditional forms of credit offered by mainstream lenders like banks or credit unions. Not having credit limits options to meet life’s challenges and, with nearly half of American households being unable to cover a \$400 unexpected expense,² many credit-challenged consumers have few places to turn. For many families, having access to credit can be critical when facing pressing needs such as a higher-than-expected property tax bill or the need for assistive technology to manage a disability.

Where can people turn to meet their needs when traditional credit isn’t an option? Unfortunately, the alternatives can be high-cost, low-quality loans often made without considering the borrower’s ability to repay. Such products can make a bad situation worse when borrowers become trapped in a debt cycle or find themselves unable to pay down a loan. Navigating the marketplace to find the “right” option can be a tough task made all the more difficult when consumers are facing the stress and urgency of critical financial challenges. What’s more, the market for loans is only increasing in its complexity as online lenders of varying quality continue to emerge.

Within this context, responsible community lenders can be a lifeline, offering consumers an option not only to solve their immediate financial needs but to build their credit and improve their financial health. But designing a loan, attracting borrowers, and managing a loan portfolio to balance borrower and lender success is no small feat. It is hard to get the details right to create a sustainable solution that can effectively serve credit-challenged consumers.

Fortunately, community lenders can succeed by learning from one another. Collectively, such organizations have tried a myriad of strategies for building loan programs and, naturally, some have had more success than others. Sharing experiences can help to uncover best practices and develop models that work.

The stakes are high as credit-challenged consumers struggle to find options to solve their financial challenges and achieve financial health. Community lenders have an opportunity to meet this challenge head-on by working together to give consumers a pathway to responsible loans today and the asset of “credit” in the future.

Joshua Sledge, Director, CFSI

¹ Center for Financial Services and Innovation (2016, December). “2016 Financially Underserved Market Size Study,”

² Federal Reserve. (2017, May). “Report on the Economic Well-Being of U.S. Households in 2016.”

Part 1: Introduction to this Toolkit

A. What Is This Toolkit and Is It Right for Me?

If you are interested in offering small dollar consumer loans to specific populations in your community, or partnering with a lender who can provide these loans, this toolkit is for you! This toolkit is specifically made for organizations that are:

- ✓ Already lending and considering or planning to add to their loan portfolio;
- ✓ Not yet lending but providing population-specific services and interested in providing loans as a complimentary support for that population; or
- ✓ Providing population-specific services or funding and want to partner with a lender to create a loan product that meets the needs of the population that they serve.

In the following sections of this toolkit, we will guide you through the steps of creating and offering small dollar loans that meet the needs of specific populations. Part 2 discusses the field of small dollar consumer lending and financial capability. Part 3 provides ideas and guidance for the initial planning for and infrastructure needs of a loan program. In Part 4, we detail the different elements of loan design and managing a loan portfolio. Part 5 walks through the steps of loan implementation from marketing the loan to borrower repayment and graduation. Lastly, the appendices provide sample loan documents and additional ideas and resources for small dollar lenders that aim to meet the needs of a specific target population.

For organizations setting up a loan program for the first time, we hope that this toolkit enables you to learn from others in the field and minimize roadblocks that you will inevitably face along the way. For lenders who are experienced with the fundamentals of providing loans, we urge you to pick and choose sections that may help enhance your current knowledge base.

B. How Was This Toolkit Created?

CBA partnered with the Center for Financial Services Innovation (CFSI) to create this toolkit through a variety of methods:

- 1) CBA surveyed its members in the field who offer small dollar loans to collect information on specific loan design features and processes.
- 2) CBA conducted follow-up interviews to gather more in-depth qualitative data about the organizational experience of offering specific small dollar loans.
- 3) CFSI and CBA gathered data from first and second-hand sources on examples of best practices in small dollar lending and population-specific loans.

CBA synthesized the survey, interview, and best practices data by vetting it through focus groups with on-the-ground practitioners and other stakeholders.

C. How Should I Use This Toolkit?

While this toolkit is full of recommendations, ideas, examples, and key considerations for providing small dollar loans, CBA recognizes that there is no one-size-fits-all product or implementation strategy. Your organization and partners will be responsible for customizing the loan to meet the needs of your specific community. We encourage you to use whatever piece(s) of the toolkit feel relevant and useful to you.

Additionally, as policies, regulations, and other contexts change (at local and national levels), and innovations in lending emerge, the information in the toolkit may change as well.

We urge you to consider this a living toolkit that can evolve over time. To that end, we would love to know more about how you are integrating the toolkit into your work as well as if there are parts that could be improved or updated. Please share your feedback by contacting us at programs@creditbuildersalliance.org.

Lastly, this information is not intended to be legal advice and may not be used as legal advice. Legal advice must be tailored to the specific circumstances of each situation. Every effort has been made to ensure this information is up-to-date. It is not intended to be a full and exhaustive explanation of the law in any area, nor should it be used to replace the advice of your own legal counsel.

D. Why Offer Assistive Technology Loans?

A decade ago, who would have imagined that prosthetics could be produced by 3D printers³ or that voice recognition software would be at the fingertips of almost every smart phone user? Assistive technology (AT)—“any item, piece of equipment, software program, or product system that is used to increase, maintain, or improve the functional capabilities of persons with disabilities,”⁴—exists to help individuals adapt and successfully function within their surroundings.

There is a widespread need for AT. One out of every five adults in the United States lives with a disability.⁵ The Center for Disease Control and Prevention (CDC) found that mobility limitations are the most common type of disability, followed by difficulties with cognition, independent living, vision and self-care.⁶ For 33 out of the 53 million people living with disabilities, their disability makes it difficult to carry out daily activities at home, school, in their community and/or at work.⁷ These hardships contribute to lower earnings and higher rates of poverty, yet AT can help reduce those barriers and increase the capabilities of those living with disabilities.

³ Birrell, Ian. (2017, February, 19). "3d-printed prosthetic limbs: the next revolution in medicine." Retrieved from <https://www.theguardian.com/technology/2017/feb/19/3d-printed-prostheticlimbs-revolution-in-medicine>

⁴ Assistive Technology Industry Association. "What is AT?" Retrieved from <https://www.atia.org/at-resources/what-is-at/>

⁵ Centers for Disease Control and Prevention. (2015, July 30). "53 million adults in the US live with a disability." Retrieved from <https://www.cdc.gov/media/releases/2015/p0730-us-disability.html>.

⁶ Eunice Kennedy Shriver National Institute of Child Health and Human Development. *How many people use assistive devices?* Retrieved from <https://www.nichd.nih.gov/health/topics/rehabtech/conditioninfo/Pages/people.aspx>

⁷ *ibid.*

While AT is a rapidly advancing field,⁸ the expense of updating one's home, or purchasing often costly equipment, can be prohibitive for those who need it. School systems, government programs, private health insurance, job training initiatives, and employers are a first place for individuals to seek funding for their AT needs. When these funding sources are unavailable (i.e. hearing aids are not covered by Medicare) or inadequate, assistive technology loans can bridge the funding gap.

AT loans are frequently offered by nonprofit and community development organizations. Operating under the Assistive Technology Act (ATA), which supports state and territory efforts to "assist individuals with disabilities of all ages with their assistive technology needs"⁹ there are about 37 different ATA associated loan programs (ATAPs) within the US and US territories.¹⁰ Credit Builders Alliance (CBA) has at least eight members that provide AT loans as part of their primary missions. For example, the Northwest Access Fund (NWAFF), a CBA member, nonprofit lender, and technical assistance lead for ATAP loan programs, has lent over \$3 million in loan funds to people with disabilities in Washington and Oregon. While there are a variety of AT lenders across the nation to look to for best practices (a handful of which are highlighted in this toolkit), there is still an unmet need for safe and affordable means of accessing AT. This toolkit can help guide your organization in taking steps to meet this unmet need through the provision of AT loans.

WHAT IS THE ASSISTIVE TECHNOLOGY ACT?

The Assistive Technology Act (ATA) of 1998 supports state and territory efforts to "assist individuals with disabilities of all ages with their assistive technology needs" through device reutilization programs, device loan programs, device demonstrations, and alternative financing (lending) programs. These programs are often referred to as Assistive Technology Act Programs (ATAPs).

Find your state's ATAP [here](#).

⁸ Meshcheryakova, Tatyana. (2017, January 23). *Assistive Tech Expected to Grow Rapidly*. Retrieved from <https://www.atia.org/at-resources/what-is-at/>

⁹ Civic Impulse. (2018). H.R. 4278 —108th Congress: Assistive Technology Act of 2004. Retrieved from <https://www.govtrack.us/congress/bills/108/hr4278>

¹⁰ National Public Website on Assistive Technology. "Alternative Financing Programs." Retrieved from <http://assistivetech.net/webresources/AlternativeFinancingPrograms2015.php>

Assistive Technology (AT) Loan Cheat Sheet

	CBA Member Practices
Purpose	Loans for assistive technology (AT) in order to help individuals with disabilities succeed in employment, education, small business development, and in their personal lives and community
Restrictions on use of funds	Few restrictions. Ensure that the AT is high quality and appropriate for the individual.
Loan amount range	\$1,500 to \$60,000* (average \$3,697) (no cap necessary; see considerations)
Loan terms	6 to 24 for smaller loans Up to 96 months for larger loans
Interest rate	0%-8% (average 4.5%)
Application Fee	\$0-\$15
Origination Fee	\$0
Late Fee	\$0-\$10
Non-sufficient funds fee	\$0-\$25
Charge-off rate	2%-6% (average 3%)
Loan loss reserve	4%-50% (average 19%)
Key Underwriting Considerations	■ Ability to pay ■ Some attention to borrower's credit score, history, and debt-to-income ratio; distinguish between consumer debt and medical debt ■ Proof that borrower has undertaken precautions to ensure that the AT will effectively meet their needs

Assistive Technology (AT) Loan Cheat Sheet *continued*

	CBA Member Practices
Security/Collateral	■ May take collateral on vehicle or home modifications ■ Consider a co-signer or security holdback to secure smaller loans
Loan servicing and payments	■ Monthly payment reminders ■ Flexible payment options (online, in-person, via mail)
Collection procedures	■ Notices at 10, 30, 60, and 90 days late ■ Options for loan modifications ■ Contact references to ensure borrower is not sick or hospitalized ■ Send to collections/charge-off at 120 days
Borrower support/ Financial education	■ Review budget and credit report during the application process ■ Offer ongoing financial development opportunities throughout the course of the loan ■ Offer a graduation product once loan has been paid-off
Credit Reporting	Report to all three credit bureaus
Measuring success	Collect information on: ■ Financial wellbeing ■ Credit strength ■ Asset building ■ Success with repayment ■ AT's impact on quality of life ■ Borrower's program satisfaction

Setting up an Assistive Technology Loan Program in 10 Steps

**Where to
read more!**

1 *Understand the needs of your target population*

- a. What are the unique needs of people with disabilities?
 - i. How do people who identify with disabilities describe their relationship with mainstream financial institutions and/or fringe lenders?
- b. What factors should your program keep in mind as we specifically design the loan to meet this diverse population's needs?

Part 3:
Understand the
target population
(pages 23-26)

2 *Develop strong partnerships*

- a. What financial capability, social and financial services exist in your community that can compliment a loan program?
 - i. Who can you refer clients to for additional supports?
 - ii. What organizations can help refer good candidates for loans?
 - iii. What organizations or services may be able to offset some of the borrowers costs to minimize loan needs?
- b. What systems do I need to understand to ensure the loan product doesn't create unintended consequences?

Part 3:
Build Strong
Partnerships
(pages 26-29)

3 *Build organizational capacity at all levels*

- a. Do staff have enough time and skills (population specific and lending specific) to offer loans?
- b. What expertise and involvement is needed from the board or organizational leadership?
- c. Will you develop a loan oversight body/loan review committee?

Part 3:
Build Organizational
Capacity
(pages 32-38)

4 *Invest in technology that will allow you to grow*

- a. What loan management software will you use?
- b. How else can you leverage technology to meet the needs of borrowers? committee?

Part 3:
Invest in Technology
(pages 38-40)

5 *Learn about state and federal regulations*

- a. See Appendix B to find your local regulating body and an overview of federal legislation that impacts small dollar lenders.

Part 4:
Federal and State
Lending Regulations
(pages 42-43)

Setting up an **Assistive Technology** **Loan Program** in 10 Steps *continued*

**Where to
read more!**

6 *Create policies and procedures*

- a. How will you ensure that your policies and procedures are fair and transparent, but flexible enough to meet the needs of your borrowers?
- b. How will you revise and update your policies and procedures as your organization gains experience in providing AT loans?
- c. See Appendix C for a sample of one organization's policy and procedures

7 *Determine allowable loan uses*

- a. Think back to your target populations needs
 - i. What uses will meet your target populations' needs AND assist borrowers in achieving greater financial stability?

8 *Develop clear eligibility and underwriting criteria*

- a. Consider the traditional five C's of underwriting (credit, capacity, capital, character and condition), your mission, and your typical borrowers' financial situation
 - i. What nontraditional underwriting criteria will you use that will minimize risk and increase access to loans for your target population?
 - ii. How will you determine capacity to repay the loan?
 - iii. What type of data and verification will you review and/or require?

9 *Decide on loan amounts, terms, and pricing*

- a. When deciding on loan amount and terms take into account: the varying costs of AT, affordable payment sizes, number of loans your organization plans to provide, and amount of loan capital.
- b. When determining loan pricing, think about market-based, risk-based, and cost-based loan pricing.

10 *Build in measures to protect your loan fund*

- a. Think about securing certain loans with collateral and/or embedding a forced savings component, collecting references, or asking for a co-signer on loans.
- b. Create a loan loss reserve

Start offering loans!

Part 4:
Policies and
Procedures
(pages 43-44)

Part 4:
Loan Use
(pages 45-46)

Part 4:
Underwriting and
Eligibility
(pages 47-50)

Part 4:
Loan Amount, Loan
Terms, and Fees and
Interest
(pages 51-58)

Part 4:
Protecting Your
Loan Fund
(pages 59-61)

Part 2: Small Dollar Consumer Loans in Context

A. Small Dollar Consumer Loans and Nonprofit Lenders

SDLs can play an important role in addressing credit needs and helping to close gaps in a household's cash-flow. As jobs become less predictable and income volatility is on the rise, households (particularly low-income households) are having a hard time making ends meet and planning ahead.¹³ One study found that even median income households experienced income fluctuations of \$500 from month to month.¹⁴ Another study revealed that just under half of American families spend more than or all that they earn every month, and lack a substantial savings cushion to make up for any deficits.¹⁵

When households are unable to make ends meet, many rely on credit. An estimated 15 million consumers annually, at all income levels, access small dollar credit that doesn't come from a mainstream financial institution. Most commonly SDLs are used to pay utility bills, general living expenses, and rent.¹⁶ Often consumers resort to SDLs when their living expenses are consistently more than their income, a bill or payment comes due before their paycheck arrives, and/or due to an unexpected event such as an emergency or an abrupt change in income.¹⁷

There is a clear need for SDLs but at the same time a dearth in affordable, safe

The Rippling Impact of Small Dollar Consumer Loans



WHAT IS A SMALL DOLLAR LOAN?

Small dollar loans (SDL) are defined differently depending on the context. CFSI defines small dollar loans as loans under \$5,000.¹¹ A Federal Deposit Insurance Corporation (FDIC) pilot on SDLs sought to distinguish criteria for safe, affordable and feasible SDLs. It defined these loans as being \$2,500 or less, with a term of 90 days or more, an annual percentage rate lower than 36 percent, and having low or no fees.¹² The average loan provided by CBA members surveyed for this toolkit is \$2,137 with a 5.8 percent interest rate. In this toolkit, we aim to equip nonprofit lenders with the information needed to provide safe and affordable loans. However, we don't hold a steadfast cap on what amount constitutes a small dollar loan.

¹¹ Center for Financial Service Innovation. "Developing High-Quality, Small-Dollar Credit Products." Retrieved from <http://cfsinnovation.org/research/small-dollar-credit>

¹² Federal Deposit Insurance Corporation. (2010) "A Template for Success: The FDIC's Small-Dollar Loan Pilot Program." FDIC Quarterly, Volume 4, No. 2.

¹³ Baker, Todd H. (2017, May). *FinTech Alternatives to Short-Term Small Dollar Credit: Helping Low-Income Working Families Escape the High-Cost Lending Trap*. M-RCBG Associate Working Paper Series, No. 75, Harvard Kennedy School. Retrieved from https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/75_final.pdf

¹⁴ JP Morgan Institute: Farrell, D. and Greig, F. (2015, May). *Weathering Volatility: Big Data on the Financial Ups and Downs of U.S. Individuals*. JPMorgan Chase Institute.

¹⁵ The Pew Charitable Trust. (2015 January). *The Precarious State of Family Balance Sheets*. Retrieved from http://www.pewtrusts.org/~media/assets/2015/01/fsm_balance_sheet_report.pdf

¹⁶ Levy, Rob. and Sledge, Joshua. (2012). *A Complex Portrait: An Examination of Small-Dollar Credit Consumers*. Center for Financial Services Innovation.

¹⁷ Ibid

products. Many mainstream financial institutions have shied away from providing SDLs due to the tensions between affordability and profitability. In addition, many consumers are un-or under-banked and seek credit options outside of the mainstream financial sector. Indeed, a fringe industry of lenders who provide payday loans, high cost installment loans, and auto title loans has emerged and capitalizes off of consumer urgency. Payday loans alone cost 12 million Americans \$9 billion in fees a year.¹⁸

This is where nonprofit lenders come in. Currently, Credit Builders Alliance enables hundreds of nonprofit lenders across the United States to report consumer and small business loans totaling over \$1.5 billion dollars every month. Across the country there are over a thousand Community Development Financial Institutions (CDFI),¹⁹ lenders with a mission to serve communities that are underserved by mainstream financial institutions, which have lent an average of \$6.8 billion a year since 2011.²⁰ While this industry has come a long way, there is room for growth (think of those 12 million payday loan customers who could benefit from less costly products!) Alternative nonprofit lenders can provide safe, affordable SDLs that fill gaps in a household's or entrepreneur's cash flow, and help individuals, families, and small businesses get ahead. The key is creating the right product and effective marketing to reach those who need it.

B. Credit As an Asset: Achieving Credit Strength

A small dollar loan is not just a means of meeting a consumer's immediate needs. SDLs can also help a borrower establish and/or improve their credit profile. In just six months, for example, on-time payments reported to the credit bureaus on an installment loan as small as \$100 can help an individual with a low credit score increase their score by an average of 35 points—and move an individual with no credit score to a prime credit score.²¹

A good credit history is crucial in today's economy. Far more than just a number, a good credit score is a prerequisite for every day financial services like a low-cost credit card, a bank account, or a car loan. A good credit history can make the difference in accessing the affordable lending products necessary to go to

college, buy a home, or start and grow a small business. Renting an apartment, paying for car insurance, signing up for utilities and even landing a job can also be affected by a person's credit history—or the absence of one.

**Good Credit is the Passport
to the New Economy**

CBA defines credit building as ***the act of making on-time monthly payments on a financial product such as an installment loan or a revolving credit card that is reported by the creditor to at least one of the major credit bureaus.*** Credit building is a powerful financial capability strategy to help individuals and small businesses take control of their financial lives. By engaging

¹⁸ The Pew Charitable Trust. (2016, January 14). *Payday Loan Facts and the CFPB's Impact*. Retrieved from <http://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2016/01/payday-loan-facts-and-the-cfpbs-impact>

¹⁹ The CDFI Fund. (2017, September). "CDFI Certification." Retrieved from <https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx>

²⁰ Theodos, B., & Hangen, E., (2017, September). *Expanding Community Development Financial Institutions*. Urban Institute.

²¹ Chenven, Sarah. (2014) *The Power of Credit Building: Credit Building Strategies for Funders*. Asset Funders Network.

in credit building activities they can access opportunities, reduce expenses and also build assets. Offering small dollar loans to your community helps people address a real need for credit, while also offering them an opportunity to pursue other financial stability and asset-building goals through credit building!



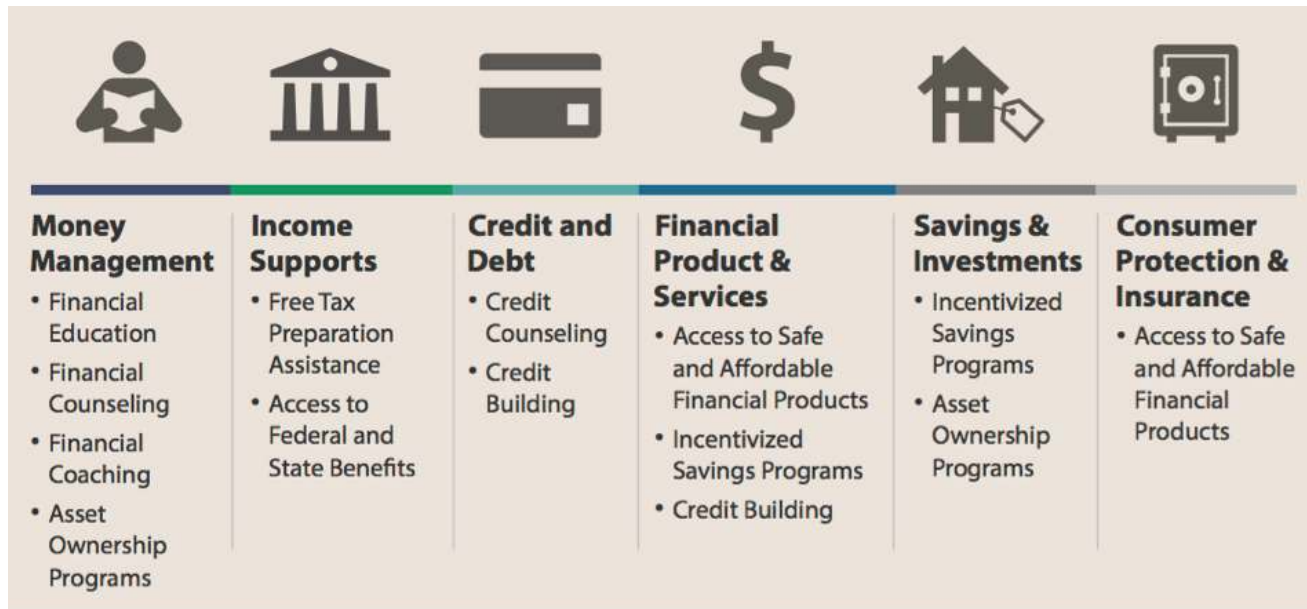
CBA's Credit Strength Framework® (see diagram above) guides organizations in taking a comprehensive approach to helping consumers build strong credit through **knowledge**, **access**, and **action**. As a practitioner, you can help them in achieving these three elements of credit strength:

- **Knowledge** involves credit education that helps clients understand their own credit profile and how the decisions that they make will influence it.
 - For instance, lending programs often use the application process as a time to help potential borrowers learn about their credit report.
- **Access** is about connecting clients to the products that they need in order to build strong credit.
 - Providing small dollar loans and referrals to other financial products are key ways of increasing access to building strong credit.
- **Actions** includes the use of financial products and the ongoing positive behaviors needed to build and sustain strong credit.
 - For example, nonprofit lenders can structure loan repayment in a way that facilitates ease of borrower repayment and can help promote positive financial behaviors that build credit.

CBA believes that all three of these elements are critical to a successful credit building program. This is also what makes credit building such a clear financial capability strategy. See Appendix A for more details on how to incorporate the Credit Strength Framework into your lending program.

C. Financial Capability

Financial Capability Services



Graphic from: United States Department of Health and Human Services. Building Financial Capability: A Planning Guide for Integrated Services. Washington, DC: Department of Health & Human Services, 2015

Access to a financial product is a key step towards building both credit strength and financial capability. A distinction in terminology notes that credit building is more narrowly focused on the establishment and/or successful management of credit products; whereas, financial capability—the capacity, based on knowledge, skills, and access, to manage financial resources effectively²²—is more multifaceted though still intertwined with credit building. As seen in Figure 1, building financial capability can involve a host of different activities, such as financial education, financial coaching, incentivized saving, free tax preparation, asset ownership programs, and credit building. For those who lend or advise on access to credit products, this can mean:

- **Leveraging interactions with borrowers as “teachable moments.”** For example, when signing a loan agreement with a borrower during the loan closing process, you could use this time as an opportunity to walk them through the document in detail, highlighting particular areas around repayment terms, etc. Throughout this guide, we will suggest points in the loan process that could be used as “teachable moments.”
- **Finding ways to offer more credit building activities, or other financial capability programming in-house.** For example, consider pulling a soft-inquiry credit report for your borrowers as part of the application review process. You could use this time as an opportunity to show them how to pull and review their own credit report in the future. For more information on integrating activities to help clients build credit strength into your program, see Appendix A: Credit as an Asset Framework® and Appendix A: Credit Strength Roadmap®.

²² United States Department of the Treasury. Amended Charter: President’s Advisory Council on Financial Capability. Washington, DC: Department of the Treasury, 2010.

- ***Searching for referral partners that provide complementary financial capability programming.*** This could be as simple as displaying flyers and information about your program or making warm referrals at specific points in the loan process. For example, once a borrower who is working to establish a credit profile makes a certain amount of on-time loan payments, you could refer them to (and/or help them apply for) a secured credit card at a local bank or credit union. If you are unsure of what services exist in your community, you can start by taking inventory of what is out there, using United States Department of Health and Human Services' financial capability inventory tool (see "Planning Guide for Building Financial Capability").

RESOURCE

The United States Department of Health and Human Services' "Planning Guide for Building Financial Capability" guides organization through integrating financial capability programming and services into your current offerings (through internal or external initiatives).

PROFILE OF A NONPROFIT LENDER

Northwest Access Fund (NWAf)

OVERVIEW	NWAF's Assistive Technology (AT) Loan
Amount	Up to \$25,000
Interest Rate	5%
Term	2-60 months
Fees	No fees
Eligibility & Underwriting Criteria	■ Must demonstrate an ability and willingness to repay ■ No minimum credit score, each applicant's credit history is considered on a case-by-case basis ■ Proof of income and identification documentation is required ■ If in Chapter 13 bankruptcy, must have authorization from the Court to take on the debt ■ In some cases, a cosigner or collateral is required
Loan Loss Reserve	5%
Charge off Rate	2%

Organizational background and funding

Northwest Access Fund (NWAF) is a nonprofit Community Development Financial Institution (CDFI) founded by the Washington Assistive Technology Act Program (WATAP)—the state designated ATAP whose mission is to increase access to AT.²³ Since it started providing loans in 2001, NWAF has lent over \$3 million to borrowers in Washington and Oregon. NWAF works with anyone with a disability, and its loans have covered AT as common as hearing aids and as rare as hyperbaric chambers. NWAF's loan capital comes from the CDFI Fund, financial institutions, foundations, federal grants, and revolved loan payments and 4% of its revenue is from loan interest.

In 2016,
the average
loan size was
\$4,529

50% of NWAF's clients
used their AT
for hearing aids
13% for a vehicle
modification
12% for computers
9% for mobility

69% of NWAF's clients
are over 50 years old
78% are low-income
47% have subprime credit

²³ NWAF spun off as a separate entity from WATAP in order to become a certified CDFI.

Organizational Structure

Board Engagement

NWAF has an active board, the majority of whom have a disability or a family member with a disability. The Board was influential in the loan design process and continues to help evolve the loan policies and procedures as NWAF leverages and learns from its lending experiences.

For example:

- Early on, NWAF offered loans up to \$10,000, but once it obtained additional funding, the board felt comfortable increasing the maximum loan size to \$25,000.
- Similarly, the board initially set the loan loss reserve to 10%, but after reviewing the organization's low charge-off rates over time, decreased the reserve percentage to 5%.
- When considering the loan terms, the board took into account the functional life of the technology, wanting loans to be paid off before the borrower needed new AT (in under five years).
- In addition, NWAF originally used risk-based pricing to determine interest rates. Eventually, through larger conversations about how to prioritize mission and sustainability, the board decided that this type of pricing did not align with their mission and that making a profit is not their primary goal. Now, NWAF charges a flat interest rate of 5%.
- The board also participates in a loan review committee that meets every two weeks to review any applications over \$1,500 (loans under \$500 are approved by the Program Director, and loans between \$500-\$1500 are approved by staff committee). During loan review committee meetings, the board has a chance to weigh the potential impact of any one loan on NWAF's entire portfolio.

Staffing

NWAF has one loan officer who works with borrowers on application, loan closings, and servicing. The officer is able to process all the loans remotely, and primarily works to establish a rapport with borrowers over the phone and through email. In 2016, the officer underwrote approximately 200 loans, conducted loan closing for 102 loans, and in 2017 is servicing 344 active loans. The loan officer does underwriting manually, and writes a credit memo for each application, which can take up to two hours. The approval of small loans can be done quickly, whereas larger loans can take up to two weeks (depending on the timing of the next loan committee meeting). This volume has been relatively steady over the past several years but NWAF has plans to increase outreach and the number of applications, which will necessitate additional staff. NWAF leadership acknowledges that the current workload is pushing the capacity of one staff member to manage.

Loan Implementation

Application and loan determinations

The majority of NWAf's clients are referred through AT vendors of all types including braille, wheelchair, modified van, and audiologists. Once referred, the loan officer will ensure that the applicant has considered other potential resources, if applicable, and that the technology is appropriate for the individual. Every application is done on a case-by-case basis. Borrowers must submit government issued photo identification, and proof of income, such as bank statements, tax returns and/or other financial documentation. In Washington, the applicant's spouse is required to co-sign. NWAf also takes into account debt-to-income ratio, current employment or employment history, and does a hard-pull of the applicant's credit report and score. NWAf may take collateral on the AT itself or as a lien on a car or home (for risky loans) depending on the type of AT and financial situation.

If a loan is denied, NWAf offers options to continue to work with the applicant, when possible, such as financial coaching or asking the individual to prove reliability by showing a record of payments to a savings account for a few months before being considered again for approval.

Payments

Since most borrowers make loan payments electronically, and their payments are due soon after they receive their paycheck or benefits, loan servicing has been relatively low effort, with only a few payment issues. When a borrower falls out of touch, NWAf will contact references. Sometimes the borrower is in the hospital or has passed away. NWAf tries to be flexible, and if a client requests a temporary payment change due to health or financial issues, they make every effort to work with the client.

Other Services

At this time, NWAf is growing its financial capability offerings in order to further integrate financial capability with the provision of AT loans through financial coaches and workshops.

Part 3: Initial Planning and Building the Infrastructure

Much of the success of high-impact small dollar lending hinges on strong relationships—with community partners and borrowers. Doing the initial research and planning needed to develop a loan product that fits well within your organizational structures as well as within your community is critical. In addition to fostering organizational and community buy-in, offering a new loan product may require initial investments in staff capacity and technology. Investing in infrastructure that allows for program growth may be costly upfront, but could save your organization time and money down the line. Ultimately, the key is building a lending model that allows you to cultivate and maintain strong and supportive relationships through efficient and transparent processes.

A. Understanding the target population

Disability is an extremely broad term. According to the Americans with Disability Act (ADA), the term disability means that an individual has a physical or mental impairment that substantially limits one or more major life activities of such individual.²⁴ Disabilities can be short-term (a broken leg from a work injury), newly acquired (hearing difficulties that come with age), or life-long (being born blind or with a developmental disability). Simply stated, it is nearly impossible to generalize the needs of the population of people with disabilities since they are so diverse. However there are broad trends among people living with a disability.

AMERICANS WITH DISABILITIES ACT (ADA):

The ADA, passed in 1990 and amended since, “prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation.”²⁹

Overall, individuals with disabilities face large disparities in education, earnings, health, and financial capability compared to those without disabilities. The points below are by no means exhaustive, but highlight specific trends that are preliminary starting points for understanding your potential borrowers. Partnering with organizations that serve people with disabilities in your community, and seeking input from individuals with disabilities within your community are essential ways to better understand your future borrowers’ needs.

- ***Individuals with disabilities have disproportionately low-incomes and lower rates of labor force participation compared to Americans without disabilities.*** According to the US Census Bureau, almost 1 in 3 people with disabilities lives in poverty.²⁵ People with disabilities are more likely to be unemployed or underemployed, and earn less compared to people without disabilities.²⁶ An estimated one in five people with disabilities cannot work as a result of their disability.²⁷ Due to limited income, many people with disabilities struggle to make ends meet.²⁸

²⁴ Social Security Administration. “Facts.” Retrieved from <https://www.ssa.gov/disabilityfacts/facts.html>

²⁵ U.S. Census Bureau. (2013, September). “Income, Poverty, and Health Insurance Coverage in the United States: 2012.”

²⁶ Conroy, Nicole, Katherine McDonald, Michael Morris, Elizabeth Jennings. (2014, July 22). Financial Capability of Adults with Disabilities: Findings from the FINRA Investor Education Foundation 2012 National Financial Capability Study. National Disability Institute.

²⁷ Ibid

²⁸ Ibid

²⁹ Americans With Disabilities Act of 1990, As Amended. Retrieved from ada.gov.

- **Individuals with disabilities are less likely to access or utilize mainstream financial services and products than those without disabilities.** Many people (almost 6 million) with disabilities are unbanked, meaning they don't have a bank account, or underbanked—they have a bank account but also use financial products outside the banking system.³⁰ Nearly half of households with disabilities have no credit profile.³¹ For those who do, unpaid medical bills are more likely to harm their credit rating than among Americans without disabilities.³² In addition, in a recent survey only 40% of households with a disability reported having any savings, and even fewer had money in a savings account.³³ Many people with disabilities report avoiding financial services/products because they do not have enough money to use them.³⁴ Some may also distrust financial institutions, seeing them as places that do not represent their best interests.
- **Individuals with disabilities relying on public benefits must consider how financial decisions will affect their benefits.** Supplemental Security Income (SSI) pays benefits to individuals with a disability based on financial need. Social Security Disability Insurance (SSDI) pays benefits to individuals if they have worked long enough and paid Social Security taxes. Of those with disabilities, almost 14 million individuals under the age of 65 receive social security benefits through either SSDI and/or SSI because of a disability and are therefore likely living on a fixed income.³⁵ SSDI benefits come with earning restrictions while SSI come with both earning and asset limits—caps on the amount of savings and other assets—that individuals must take into account when making financial decisions such as saving or purchasing a new asset (see the box below on Public Assistance and Asset Limits.)
- **Establishing and maintaining SSDI and SSI benefits has many complexities, which are impacted by earned income, ability to work with a disability, or likelihood of a disability improving.** The Social Security Administration funds the Work Incentive Planning Assistance (WIPA) Program to provide community-based work incentives expertise to beneficiaries of Social Security or Supplemental Security Income benefits based on disability. To contact the program in your area or state go the Social Security Administration WIPA website.

³⁰ Conroy, Nicole, Katherine McDonald, Michael Morris, Elizabeth Jennings. (2015, April 30). Banking Status and Financial Behaviors of Adults with Disabilities Findings from the 2013 FDIC National Survey of Unbanked and Underbanked Households. National Disability Institute.

³¹ *ibid*

³² *ibid*

³³ *ibid*

³⁴ Social Security Administration. (2017, July) Monthly Statistical Snapshot. Retrieved from https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/.

³⁵ Ortman, Jennifer M., Victoria A. Velkoff, and Howard Hogan. An Aging Nation: The Older Population in the United States, Current Population Reports, P25-1140. U.S. Census Bureau, Washington, DC. 2014.

- ***The U.S. has a growing elderly population and rates of disability increase with age.*** Between 2012 and 2050, the population of those over 65 is projected to double. As people age, their likelihood of developing a disability increases. Currently more than a third of adults over 65 have a disability.³⁶
- ***Individuals with disabilities may have someone else managing their finances.*** If an individual is not able to manage finances on their own, they may have a representative payee—a family member, friend, or payee professional who has authority to manage their finances on their behalf.³⁷ This may mean that the AT beneficiary is the borrower, but their representative payee is responsible for making the loan payments. If the representative payee is a family member or friend, they may also opt to co-sign on the loan.

PUBLIC ASSISTANCE AND ASSET LIMITS

Asset limits restrict the amount of resources a household can own while maintaining eligibility for public assistance. Asset limits and countable assets vary by program. Social Security Disability Insurance (SSDI) does not have asset limits, whereas to receive Supplemental Security Income (SSI), an individual cannot have more than \$2000 in assets. Countable assets under SSI include cash, money in a checking or savings account, stocks and bonds, amount of money in a life insurance policy over \$1500, household and personal items valued over \$2000, and any vehicles or real estate beyond a primary vehicle or house. Medicaid has similar asset limits, which vary from state to state. If you are working with an individual that receives public assistance, be sure to visit the program's website for more detailed and up-to-date information on asset limits and other eligibility guidelines. ABLE Accounts (see box on ABLE Accounts below) provide a way for some public assistance beneficiaries with disabilities to save without affecting the strict asset limits.

³⁶ Kraus, Lewis. (2017). 2016 Disability Statistics Annual Report. Durham, NH: University of New Hampshire.

³⁷ A representative payee is typically someone who must apply for and be appointed by the Social Security Administration. (SSA) Once approved, the payee can receive the social security or SSI benefits of anyone that can't manage their own benefits. According to SSA "A payee's main duties are to use the benefits to pay for the current and future needs of the beneficiary, and properly save any benefits not needed to meet current needs. A payee must also keep records of expenses. When we request a report, a payee must provide an accounting to us of how he or she used or saved the benefits." Being a payee is not the same as power of attorney or having a joint bank account. Source: Social Security Administration, <https://www.ssa.gov/payee/faqrep.htm>.

ABLE ACCOUNTS

Able Accounts, established under the ABLE Act of 2014, are tax-advantageous savings accounts for individuals with disabilities and their families. ABLE accounts' savings do not affect eligibility for Social Security Disability Insurance, Supplemental Security Income, Medicaid, and other public benefits. Eligibility for ABLE accounts are limited to individuals who have lived with a disability prior to the age of 26. Currently, the total amount of ABLE account contributions per year cannot exceed \$15,000. The ABLE National Resource Center has more information about ABLE accounts and the ABLE Act [here](#).

Assistive Technology Act Programs (ATAPs) can help people with disabilities access community assistance, or find used AT equipment (to buy or borrow). Even with ATAP support, there is often still a need for credit. Individuals may turn to nonprofit lenders for an AT loan because their insurance does not cover all or part of the cost of the technology that they want, they don't qualify for a loan from a bank, and/or don't have enough savings or assistance to pay for it. Sometimes, funding opportunities restrict consumer choice. For instance, some insurance companies restrict what type of AT a consumer can purchase (including but not limited to hearing aids, braille notes, closed-circuit televisions, scooters, and computers). An AT loan allows consumers to pick the technology that they like the best.

Key considerations for working with people with disabilities

- *Is your office ADA compliant? (see the Accessibility Assessment Checklist and guide to Creating an Inclusive Environment for Your Financial Education Program in Appendix A).*
- *Can you accommodate borrowers with hearing, sight, or other physical impairments during appointments and trainings? Would you consider providing services remotely?*
- *Do you have knowledge of different funding sources for AT? If not, can you connect clients to someone who does?*
- *Do you understand how public benefits may be impacted by acquiring new AT? If not, can you connect clients to someone who does?*
- *Do staff have the training in cultural competency necessary to work with individuals with disabilities? This includes using people-first language (see Box X).*
- *Can staff help clients to understand the implications of their financial choices while maintaining objectivity, avoiding judgment and staying realistic?*

USING PEOPLE-FIRST LANGUAGE

Ensuring that your organization is accommodating to people with disabilities can mean physical changes to your office, and smaller changes, such as incorporating “people-first” language as a common practice among staff. People-first language means putting the person before their disability, rather than conflating their identity with their medical diagnosis. For example, referring to an individual as a person with a disability rather than as a disabled person. Appendix A has a longer list of people-first terms.

B. Build Strong Partnerships

Strong partnerships are key to effectively supporting borrowers. Different types of partners can help you achieve different program goals. Partners can help you:

- Better understand your target population and design a loan that meets their needs. For this reason, it is important to involve partners with deep experience serving this target market from the beginning.
- Jointly fundraise or share costs.
- Outreach to potential borrowers.
- Refer clients to each other’s programs.
- Serve as “character references,” and trusted brokers for potential borrowers.
- Provide other financial capability services and opportunities for borrowers.
- Provide foundational and/or additional social service, financial, or other types of support to borrowers before, during, and after the loan.
- Support your lending program with technological solutions and ideas.

**PARTNERSHIPS ARE KEY:
THE MANY ROLES OF PARTNERS**

	Cultural Brokers	Complimentary Services	Funding and Stakeholder Support
Value	■ Expertise on target population ■ Positive community reputation ■ Trust of the target population	■ Support clients in achieving financial prosperity ■ Can help offset the cost of the loan (through direct resources or referrals to other resources)	■ Thought-partners in loan design and implementation ■ Leverage partnership to increase competitiveness for funding
Function	■ Client outreach ■ Pre-screening clients ■ Loan referrals	■ Financial capability services ■ Supportive services related to basic needs and self-sufficiency, including housing, transportation, child care, workforce development, mental and physical health, educational opportunities ■ Emergency assistance (financial and non-financial)	■ Provision of loan loss reserve funds ■ Program funding ■ Access to technological solutions

Forging local partnerships takes on-the-ground work building relationships in your community. CBA members who provide AT loans recommend the following places to seek partnerships, including:

State and local government agencies:

- **The Administration for Community Living** has links to state agencies, networks, and centers that serve people with disabilities. Many state/county/local departments of health and human service offices have a unit on disability, but this varies by state.

- **Vocational rehabilitation agencies (VRAs):** every state has a VRA that assists individuals with disabilities in preparing for, obtaining, maintaining, or regaining employment. Since AT can be essential for succeeding in the workplace, VRAs can be a natural fit for partnership. You can find your state agency [here](#).
- **Other Assistive Technology Act Programs:** ATAPs, established by the ATA, often offer AT device reutilization programs, device loan programs, device demonstrations, and alternative financing (lending) programs. Find your state's ATAP [here](#).

Community nonprofits

- Find local nonprofits in your community that serve people with disabilities and/or the elderly through assistive care, employment resources, financial assistance, and more.

AT vendors

- Developing relationships with AT vendors in your area can be helpful for referrals and for loan disbursements (i.e. you can send the loan funds to vendors directly). Establishing relationships with larger vendors that operate nationally can also be helpful. While there is no go-to place to locate vendors and technologies, the Assistive Technology Industry Association has a list of members on its website.

Medical providers

- Medical providers in your area can also be helpful for referrals and underwriting purposes (for example, ensuring that the borrower has been to an audiologist before choosing and purchasing hearing aids).

EXPLORING OTHER WAYS TO PAY

Developing a robust network of partners is not only key for connecting to the right borrowers, but essential for supporting your clients. Figuring out what resources are available in your community can help in cases where someone is ineligible for a loan but still needs assistance. Partners can also help clients become aware of other resources before deciding to take out a loan. While loans are important tools for building credit, for those with limited incomes, adding a loan payment may mean that the borrower has less of a cushion in their budget for savings or emergency expenses. Working with partners to find grants, or other resources that meet a client's need, can help eliminate the need for a loan or reduce the amount of loan that a borrower needs. Here are some tips for working with partners to ensure that clients are not taking on unnecessary debt:

- Collaborate to create a community resource guide (versions for staff and clients) with information about available assistance and key contacts at each partner agency.
- Request that partners work with clients to explore other funding options before making a referral.
- At application, ask applicants about their efforts to pursue other funding sources (as a question or embedded within a worksheet on the application, during a coaching appointment, etc.)
- See the Consumer Financial Protection Bureau's "Paying for Your Assistive Technology Worksheet" in Appendix A7 for more ideas on walking clients through seeking AT funding sources.

It is important to understand that many funding sources of AT have complex eligibility or can take a great deal of time and effort to determine if clients are eligible to purchase the device that meets their needs. If other options are available to a borrower, they may prefer a loan to minimize complications. For example, the Oklahoma Assistive Technology Foundation (OkAT) had a borrower that needed hearing aids. During the application process staff learned that he experienced his hearing loss while in the military. OkAT explained to him he could be eligible for Veteran's Assistance to provide the hearing aids at no charge. He replied, "I will never go back there again." Understanding that the borrower preferred a loan, over other types of assistance, OkAT approved him for the loan.

As you think about partnerships here are a few considerations, among many, to keep in mind:

- *Is there a Memorandum of Understanding (MOU) that outlines roles and responsibilities?*
- *How will partner staff stay up-to-date about your loan product(s) and services?*
- *Is there a point person at the partner agency that can be a main contact?*
- *If referring to each other, what will the referral process look like?*
- *How will communication about client payments, credit scores, and other important information be shared (if necessary)?*

RESOURCE

The National Federation of Community Development Credit Unions and Center for Financial Services Innovation has a guide on Partnerships for Financial Capability: Diagnostic Frameworks for Financial Institutions and Partners. Although the guide specifically profiles partnerships between credit unions and community organizations, the tenets of their framework can be applied to other types of financial capability partnerships.

C. Creating the infrastructure

Raise Funds and Loan Capital

Many CBA members specifically expressed difficulty with finding funds to cover the operational expenses associated with lending and other financial capability services. The Richmond Federal Reserve found that nonprofit lenders whose primary missions are driven by lending are able to recover 47% of their annual lending costs, whereas those for whom lending is an ancillary service typically only recover 16% of lending costs.³⁸ Either way, combined with riskier loan products, balancing the provision of safe and affordable loans with covering the costs of providing those loans is challenging. Seeking to balance the pursuit of funding by offering services or products that can subsidize other services and/or finding creative ways to fund a program can be a way to achieve a sustainable balance. Nonprofit lenders typically depend on a mix of private and public funding to sustain operations and maintain loan capital.

Funders of Nonprofit Lenders

- **U.S. Treasury Departments' Community Development Financial Institution (CDFI) Fund.**³⁹ To receive CDFI funding, an organization must become a certified CDFI, which can be an extensive process. CDFIs are non-depository nonprofit loan funds, community development corporations, banks, credit unions, or venture capital providers that offer access to financial products and services within low-income communities. The US Treasury offers financial assistance awards to CDFIs in the form of loans, grants, equity investments, deposits and credit union shares to help programs expand their products and services. The CDFI Fund also awards technical assistance (TA) awards to organizations with or aspiring to achieve CDFI certification for capacity development.
- **Banks and Credit Unions.** Banks and credit unions often have foundations or community giving programs. Banks in particular can qualify for Community Reinvestment Act (CRA) credits for giving a grant, loan or other type of equity investments, such as Equity Equivalents (EQ2s),⁴⁰ to a community-based nonprofit lender.

³⁸ Hoy, Tammie, Jessie Romero, Kimberly Zeuli. (2012, May). Microenterprise and the Small-Dollar Loan Market. The Federal Reserve Bank of Richmond, EB12-05.

³⁹ This information is from the U.S Department of the Treasury Community Development Financial Institutions Fund website: <https://www.cdfifund.gov>

⁴⁰ EQ2s are long-term subordinated loans that function similar to equity. They were created to expand access to investment vehicles for CDFIs, and investors receive CRA credits. For more information on EQ2s see: Lipson, Beth. (2002, March) Equity Equivalent Investments. Retrieved from [https://www.cdfifund.gov/Documents/\(22\)%20Equity%20Equivalent%20Investments.pdf](https://www.cdfifund.gov/Documents/(22)%20Equity%20Equivalent%20Investments.pdf)

- **Foundations.** Foundations that support financial capability programs are good targets for program funding. These differ by region, but the Asset Funders Network website offers a comprehensive list of foundations and funders that typically support nonprofits working on financial capability.
- **Individual donors.** This article entitled “15 Techniques Used by Top Nonprofits to Boost Donor Acquisition and Online Fundraising Results,” has tips to help you grow your donor base, including encourage people to give monthly, give people a way to stay in touch with the organization, and be transparent about where donated money is put to use.
- **Alternative financing models.** Nonprofit lenders are experimenting with new ways to fund and facilitate the provision of small dollar loans. See Appendix B for different models and program examples.
- **Municipal and/or local governments.** Increasingly, municipal leaders are investing in the financial health of their communities. There may be opportunities to seek funding or partnerships with local government agencies. Cities for Financial Empowerment Fund is a good resource for learning about ways local governments have supported financial capability efforts.

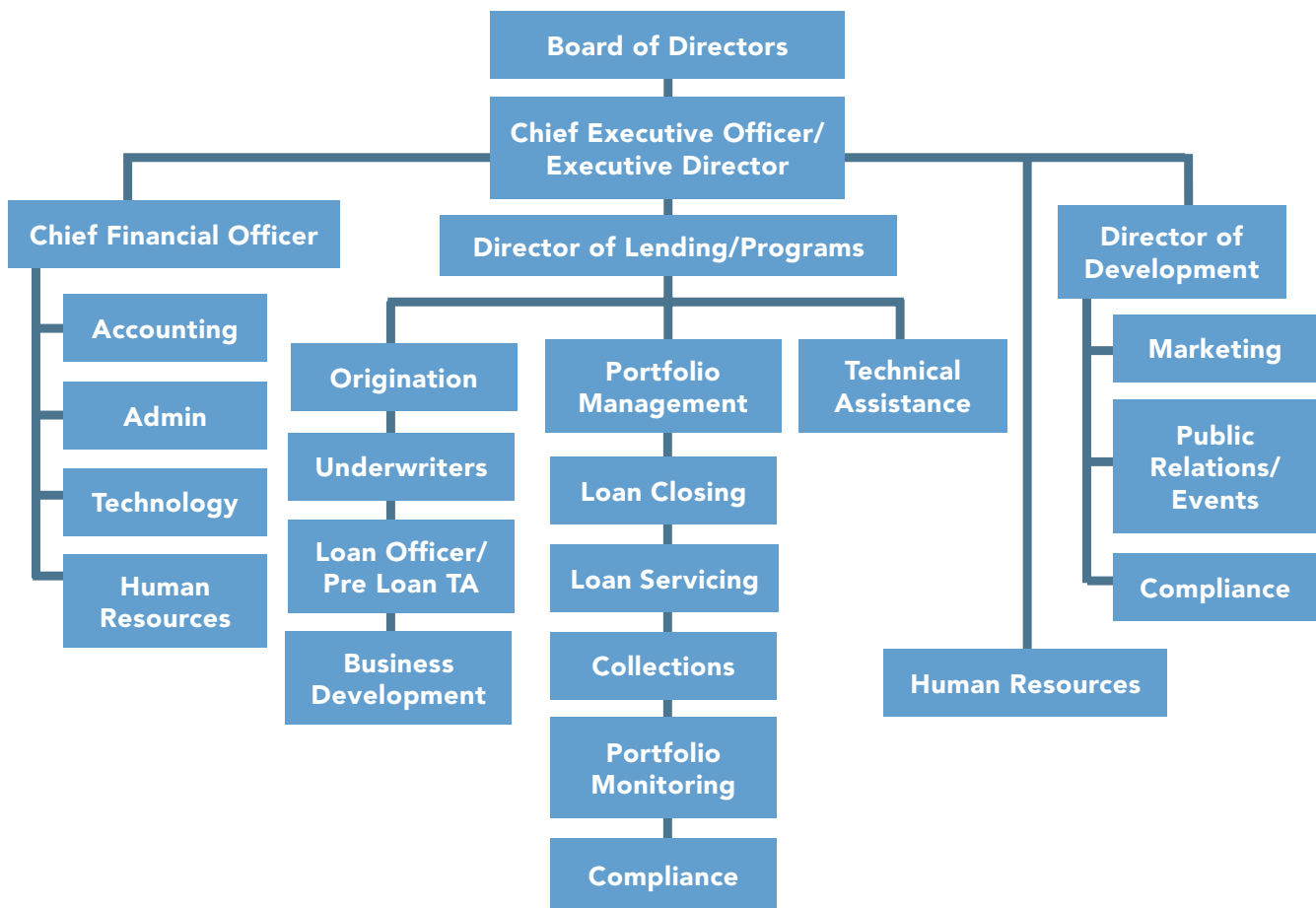
Disability and AT specific funders

- **Administration for Community Living (ACL) Grants.** ACL has two forms of grants for AT related programs:
 - **State Grant for Assistive Technology Act Programs:** this is a formula based grant.
 - **Alternative Financing Awards:** these are competitive grants for alternative financing providers. The grants are usually dispersed among three different providers.
- **Housing Finance Agencies (HFAs).** HFAs help to meet the affordable housing needs of residents in their state. This could mean ensuring that housing is conducive to people with special needs. For example, the Northwest Access Fund receives support from its HFA to help finance AT loans focused on home modifications. You can find your state HFA [here](#).
- **Disability specific foundations:** The Society for Nonprofits has a list of disability focused foundations [here](#).
- For other ideas, the Assistive Technology Industry Association has an AT Resources Funding Guide that can be found [here](#).

D. Build Organizational Capacity

There is no way around it, providing SDLs is a time and cost intensive endeavor. In a survey of CBA members who offer or were thinking of offering SDLs, 45% saw lack of staff time as a barrier to project implementation and were concerned with the time it may take for staff to service loans and collect payments.⁴¹ So, before implementing a loan product, it is important to ensure that everyone at your organization has the time and skills to execute their roles effectively. Below is a sample organizational chart developed by FIELD at the Aspen Institute. It provides a helpful visual of all the roles required to run a loan program. In many nonprofits, one person will wear many hats, so not each box necessitates a distinct staff person, but it is important to make sure that each box falls under someone's job responsibilities.

CDFI FUNCTIONAL ORG CHART⁴²



⁴¹ Credit Builders Alliance. (2012). Small Dollar Consumer Loans: Nonprofit Lenders Making a Difference. Retrieved from <https://www.creditbuildersalliance.org>

⁴² Adapted from: The Aspen Institute. (2017). Microloan Portfolio Management. [PowerPoint slides]. Retrieved from <https://assets.aspeninstitute.org/content/uploads/2017/10/FIELD-Microloan-Portfolio-Management-Webinar-2017.pdf>

While each organization is different, and time will depend on how high-touch you design your loan program to be, below are some key considerations for staff, leadership, and board around their responsibilities and capacity.

Staff Capacity

In a recent survey of CBA members, one member emphasized that caring about the mission and having experience working with the target client population are among the most important attributes to look for in lending staff. The other technical aspects of lending are teachable. However, ensuring they have the proper training is critical (see suggestions in Recommendations for Staff Training section below).

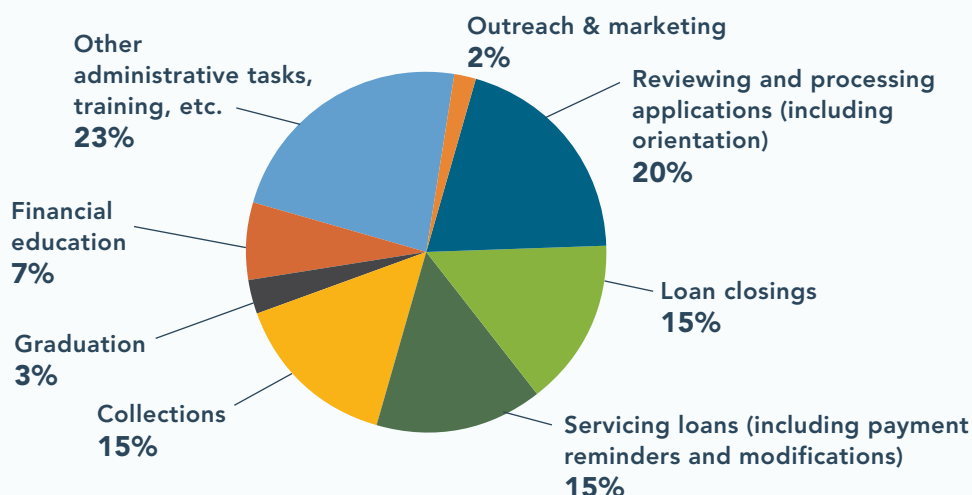
- Of the members surveyed, there was a wide range of answers about how staff spend their time. For example, the Northwest Access Fund, a nonprofit CDFI loan fund that offers assistive technology loans and does all their loans remotely, has one full-time loan officer who services their 344 active loans. In the prior year, she did the underwriting and closing for 102 loans. Another organization has a half time employee who services about 50 loans a year.

The box below provides an example of how Rachel Stein, the loan program manager at Innovative Changes, a CDFI based in Portland, Oregon that offers SDLs, spends her time.

A DAY IN THE LIFE OF A LOAN OFFICER

CBA sat down with Rachel, a full-time Loan Manager at Innovative Changes a CDFI with a relatively “high-touch” approach, to learn about how she spends her time. Last year, Rachel processed about 140 loan applications, 90% of which were approved. She is responsible for servicing a total of 327 active loans, and, as one might expect, often feels stretched for time! Keep in mind that every loan program will be different, depending on a number of factors, but, as a reference point, the below pie chart shows how Rachel estimated her use of time. It is important to note that some of the activities involve other staff in addition to Rachel. For example, there are other staff at IC\$ that provide financial education and assist with servicing loans.

How Rachel Spends Her Time



As you design your program and hire and/or train staff to deliver loans, here are some considerations to keep in mind:

- *Will you have staff dedicated to lending, or will lending staff also have other duties?*
- *How many loans do you plan to offer a year?*
- *Will staff meet with borrowers in-person or remotely or both?*
- *Are there ways to automate repetitive parts of the loan process that won't detract from your relationship with the borrower?*
- *How much do you plan to standardize your loan process, versus make decisions on a case-by-case basis?*
- *How much authority will Lending staff have to make decisions about loans (i.e., does it have to go to a committee for approval and in such cases what supporting documentation does the loan officer have to prepare)?*
- *How much financial education do you plan to infuse into the lending process?*

Recommendations for Staff Training:

The CBA Training Institute has a variety of trainings and tutorials on credit building, Metro2 credit reporting and the Fair Credit Reporting Act (FCRA). In addition, it offers resources and training to practitioners on the ins-and-outs of the credit reporting industry and supports clients in credit building activities (see Appendix E: CBA Training Institute Opportunities). Resources include:

- *Credit as an Asset Training* including an e-learning catalog and a Master Trainer Certification Program
- *Credit Builder's Toolkit* of interactive tools and resources for practitioners
- Customized credit building consulting and program development services for organizations
- A member's corner devoted to providing technical assistance to CBA members

In addition to CBA there are a variety of organizations that specialize in lending, financial capability, and in culturally-specific training.

Lending training: Many of the resources below are not specific to consumer lending, but many of the microlending concepts are applicable and/or transferrable.

- **The Opportunity Finance Network**, a network of CDFIs, has frequent capacity building and training opportunities for CDFIs (and nonprofit lenders).
- **The National Development Council** offers a wide range of online and in-person trainings, a few of which are relevant for small-dollar consumer lenders.
- **ACCION** has trainings and resources targeted to microfinance managers including trainings on financial analysis, leadership, and managing portfolios for growth.
- There are other organizations that offer resources for nonprofit lenders such as: **FIELD at The Aspen Institute**, the **Association for Enterprise Opportunity (AEO)** (primarily focused on microenterprise lenders), and the **CDFI Fund**.

Financial education and coaching training: Even if your program is not offering financial education or coaching, it may be helpful for staff to have knowledge of the approach.

- **University of Wisconsin** keeps a list of financial coaching training opportunities. Some of those opportunities include:
 - **NeighborWorks America**
 - **The Association for Financial Counseling & Planning Education**
 - **CNM Ingenuity at Central New Mexico Community College**
- **The Financial Clinic's Change Machine** is an online platform of tools and resources for practitioners to address their clients' underlying financial insecurity.
- **The Consumer Financial Protection Bureau (CFPB)** has a portal of practitioner resources and provides training on financial empowerment through "Your Money, Your Goals," which has companion guides for specific populations. This can be a great resource for seeking tools to accompany teachable moments throughout the lending process.
- **Federal Deposit Insurance Corporation's (FDIC) Money Smart** is a financial education curriculum, which includes online interactive modules in English and Spanish for youth and adults.

Culturally-specific trainings for service providers

- **The National Disability Institute (NDI)** has a Financial Education Toolkit for practitioners.
- Seeking training for staff at all levels of the organization that focuses on working with individuals with disabilities (not specific to finances) is important.
 - The **National Council for Support of Disability Issues** has an introductory PowerPoint available **here**.
 - The **Bobby Dodd Institute** has a training and manual on disability awareness and inclusivity.
 - The **National Institute on Disability and Rehabilitation Research (NIDRR)** has ten regional centers that provide information, training, and technical assistance to employers, people with disabilities, and other entities with responsibilities under the Americans with Disabilities Act (ADA).
- **Trauma informed training.** According to the **American Institutes for Research (AIR)**, traumatic experiences can include "physical, sexual, and emotional abuse; family and community violence; natural disasters; wars; and the ongoing, cumulative impact of poverty, racism, and oppression."⁴³ Training on trauma-informed care can help practitioners avoid unknowingly reinforcing systems of oppression, or triggering trauma, and work towards cultural competence and supporting a client's growth, control, choice and autonomy.⁴⁴ AIR has a Trauma-Informed Care curriculum, toolkits and resources for practitioners.

⁴³ American Institutes for Research. "Trauma-Informed Care." Retrieved from <http://www.air.org/topic/families-communities-and-social-systems/trauma-informed-care>

⁴⁴ ACES Connection. "Trauma-Informed Care Toolkits." Retrieved from <http://www.acesconnection.com/blog/trauma-informed-care-toolkits-1>

PROGRAM EXAMPLE

Lending staff from **Innovative Changes** found training on taking a “trauma informed” service delivery approach helpful. This particularly helped staff to communicate with clients when they were late on payments. They now focus on giving the borrower options, rather than ultimatums.

- **Motivational Interviewing.** The Center for Evidence-Based Practices states that motivational interviewing (MI) is “an evidence-based treatment that addresses ambivalence to change. It is a conversational approach designed to help people identify their readiness, willingness, and ability to change and to make use of their own change-talk.”⁴⁵ MI can be helpful in the application process and for working with borrowers to achieve financial capability goals through the loan and after. The Motivational Interviewing Network of Trainers is a good place to look for training resources on MI.

⁴⁵ Center for Evidence-Based Practices. “Motivational Interviewing.” Retrieved from <https://www.centerforebp.case.edu/practices/mi>

Leadership Capacity

Depending on the expertise of leadership, the size of the organization, and types of programs and services, the leaders of CBA member organizations reported playing different roles in their lending programs. Some leaders were involved at multiple points of each loan: approving applications; reviewing closing agreements; and overseeing collection efforts. Others focused more on big picture operations: obtaining and maintaining program funding; meeting reporting requirements; managing overall portfolio risk; building partnerships; and the legal aspects of the program.

As you design your loan program, here are some considerations to keep in mind that will have implications for your leaders' time:

- *How do you set up quality control infrastructure that ensures policies and procedures are followed, and that staff are efficient and effective?*
- *How can you best utilize leaders' skills to support the lending program? Do you need to hire someone with specific expertise?*
- *How involved do organizational leaders want to be with each loan?*
- *What other experts do you need to involve in order to minimize risk, ensure compliance, and the quality of the loan program?*

Board Capacity

Board members can also provide guidance on the big picture aspects of lending. Many nonprofits seek to fill gaps in expertise through their board members. CBA members have found it useful to have board members who are bankers, lawyers, community partners, and advocates for and members of the populations they are lending to. Having board members with both the community perspective and the business perspective is key to balancing the organization's mission and the sustainability of the loan program. CBA members reported that board members were commonly involved in:

- Developing and reviewing policies, procedures, and product terms
- Regularly assessing program risk
- Revisiting loan loss reserve amounts and loan costs
- Participating in loan oversight or review committees
- Conducting market analyses for new products

Loan Oversight Committees

Loan oversight committees or loan review committees can be a sub-committee of the board, or a committee independent of the board. Loan committees can help develop and review policies and procedures, strategically manage risk in the loan portfolio, take the burden off of individual loan officers for determining risk, and provide objectivity in making loan determinations. In addition, loan oversight committees can help make decisions around loans in delinquency status or serve

as a body for denial of appeals. On the other hand, a loan oversight/review committee can add another administrative layer to your program, which may slow down the lending process. Some CBA members turn to a loan committee to make determinations for their larger-sized loans, but make decisions around smaller loans through internal staff review.

PROGRAM EXAMPLE

The Chehalis Loan Fund, a tribal loan fund that offers small business, consumer, and home improvement loans, has a loan review committee that is made up of four (4) board members. The loan review committee only reviews loans applications for amounts over \$5,000, and they meet as a committee as needed.

Considerations for setting up a loan oversight committee:

- *Who will be on the committee?* Most CBA members have board representation on their loan committees. For some, the loan review committee includes a sub-committee of the board. Other organizations choose to bring in other non-board members with lending and/or subject matter expertise as well. Consider including past borrowers, or members of your target population on the review committee as well.
- *How many members will you have on your committee?* For example, the Chehalis Loan Fund has four members, whereas the Northwest Access Fund has 14, and other organizations might have committees with only a couple of members.
- *Will the committee have scheduled meetings or meet on an as-needed basis?* (This can depend on your loan volume).
- *Where/how will the loan review committee meet? Will they meet in-person? Are there ways they can make decisions remotely?*
- *What kind of time commitment should a loan review committee member expect?* (This will be influenced by answers to the questions above).
- *What type of loans will the committee approve?* For both the Chehalis Loan Fund and the Northwest Access Fund, the loan review committees make the determinations for larger loans.
- *What will constitute approval? Does the whole committee need to agree on the determination or just a majority?*
- *How will borrower identifying information/characteristics be masked for objectivity?*

E. Invest in Technology

Loan Software

Purchasing loan software is a large upfront investment. The more you plan to scale and automate your program, the more it will cost initially. However, choosing or developing your own software that meets your organization's needs for now AND in the future, can save you time and money in the long-run. Each loan software program has its own special features, strengths, and points of

frustration. Before launching into a comprehensive scan of loan software and/or developing your own, conduct an inventory of your organizational needs. Think about:

- Staff time and technical expertise
- Loan portfolio size and targeted growth
- Types of products that you offer (or plan to)
- Types of reports you will need to pull (credit reports, CDFI reporting, etc.)
- Outcomes that you plan to track (see section on outcome tracking)
- Which processes you plan to automate versus do manually
- How you plan to integrate lending with the other services that your organization provides
- Desired functionality for borrowers (for example, does the software have the ability to show borrowers up-to-date information on their loan?)
- Need for remote access
- Number of users who will need access to the platform

TABLE 1: TOP 7 LOAN SOFTWARE PROVIDERS USED BY CBA MEMBERS

1. DownHome Solutions
2. Common Goals TEA
3. PIDC Portfol
4. The Service Bureau
5. GMS
6. The Trakker
7. Nortridge Loan Software

Once you have a sense of your organizational needs you can start collecting information on different software companies or developers, their capabilities, add-on options, and pricing. Often, software companies will provide demos so that you can get a feel for the platform. CBA does not recommend one software over another; each organization needs to find the right fit for their needs. However, Table X has a list of the top 7 software providers used by CBA members. Additionally, Appendix B (“Top Ten Metro 2 Software Considerations”) has considerations for choosing loan software that is compatible with credit reporting as well as including the contact information for those loan software providers.

Other Technology

Many financial service providers are seeking new ways to leverage technology for the financial inclusion of low-income households. Technology-based platforms can be a great way to engage younger borrowers, or borrowers with hearing or sight impairments. For borrowers less comfortable with technology, paper-based options may be the best way to go. Incorporating technology into your program can be as easy and low-cost as adding links to web-based tools on your website, or it can involve more planning and resources. Here are some moderately low-cost ways of using technology to enhance educational opportunities and access to your loans:

■ Online eligibility screening tools

- LiftFund has an “Are you prepared for a loan” quiz on their website.

■ Online loan calculators for control of payment size and frequency

- The Capital Good Fund has a calculator on their website for applicants to see an estimate of how much their loan payments may be.

■ Virtual financial coaching

- Working Credit NFP partners with employers to offer their employees an in-person credit-building workshop, followed by virtual credit coaching and access to a credit builder loan. Working Credit typically uses Go-To Meeting or Skype for coaching appointments and a staff person emphasized that finding meeting platforms that don’t require clients to download an app is key!

■ Virtual loan orientations

- The National Disability Institute has their loan orientation for taking out an assistive technology loan available on their website.

■ Online applications and document upload options

- Individuals applying for a loan through the Community Loan Center can fill out their application and upload documents online. Once they have a loan, they can use the online Customer Portal to see up-to-date information on the status of their loan.

■ Automated texts and appointment/payment reminders

- Fig Loans automates all their emails and text reminders to clients, which are sent on a regular basis. The texts even have a way for clients to respond. For example, clients are prompted to press 1 if for any reason they will be unable to make their upcoming loan payment. This will walk them through setting up a loan modification.

Technology can also be used to automate application, for underwriting, and for loan servicing processes. Automating parts of your loan program may increase efficiency. However, sometimes efficiency can come at the cost of building strong relationships with borrowers. It is important to find the right balance for your program.

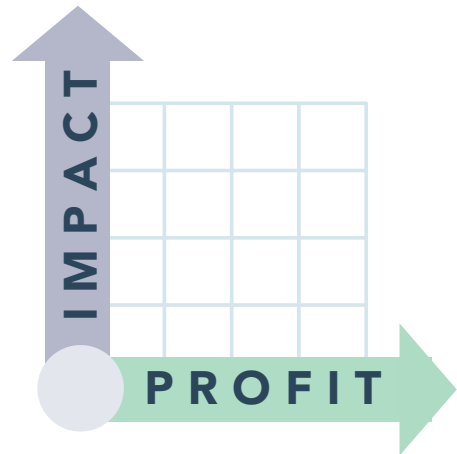


Part 4: Designing the Loan

Nonprofit lenders aim to improve the quality of life for individuals with limited access to safe and affordable credit. The million-dollar question is, “How does an organization fulfill this mission at a reasonable and sustainable cost to the organization AND to the borrower?” Determining what is reasonable and sustainable is an important part of the loan design process. In an ideal world, each loan would be high impact to the borrower and profitable (or at least sustainable) for the organization, but in reality, this often involves a give and take. Some loans may be time and resource efficient, while others may require more intensive resources. To balance out variation, it is important for organizations to develop a “big-picture” risk management plan, and design specific loan features based on that plan. For example, a nonprofit lender may stipulate guidelines for the composition of its loan portfolio such as:

- Limits on funds to any single borrower
- Percentage of secured vs. unsecured loans
- Size and term of loans
- Risk level of individual borrowers

Figuring out what feels “healthy” for your organization, yet allows you to be responsive to community needs will take time and the adaptation of policies and procedures. It is important to have the right people in the room thinking about your organizational and target population needs from the beginning and then on an ongoing basis. This includes internal leadership, board members, lending staff, community partners, and members of the population you plan to serve. It could also include representatives from local government, funders, and members of the mainstream financial industry.



HOW DO YOU KNOW IF YOU ARE PROVIDING A HIGH-QUALITY SMALL DOLLAR LOAN?

According to CFSI's Compass Guidelines for Small Dollar Credit, a high-quality small dollar loan:

- ✓ Is made with a high confidence in the borrower's ability to repay
- ✓ Is structured to support repayment
- ✓ Is priced to align profitability for the provider with success for the borrower
- ✓ Creates opportunities for upward mobility and greater financial health
- ✓ Has transparent marketing, communications, and disclosures
- ✓ Is accessible and convenient
- ✓ Provides support and rights for borrowers

Source: Garon, Thea, Beth Brockland. Designing High-Quality Small-Dollar Credit: Insights from CFSI's Test & Learn Working Group. Center for Financial Services Innovation.

A. Federal and State Lending Regulations

On a federal level, the Consumer Financial Protection Bureau (CFPB), an independent bureau within the Federal Reserve System established under the Consumer Financial Protection Act of 2010, regulates much consumer lending and financial products. Becoming familiar with key federal regulations that impact small dollar lenders (described in Appendix B: Federal Legislation That Impacts Small Dollar Loans) is a good first step.

Staying informed of developing or newly enacted legislation is also key. The CFPB provides tools and resources for consumers and practitioners, enables consumers to submit complaints about bad lending practices, develops new rules to protect consumers and has up-to-date guidance on adhering to federal policy.

In addition, each state has different lending laws and governing bodies. For instance, in Oregon, the Department of Consumer and Business Services oversees the regulation of small dollar loans, whereas in Minnesota, the Department of Commerce fills that role, and in West Virginia, it is the Division of Banking. Appendix B: Consumer Installment Loan Regulations has a list of states, their governing bodies for small dollar loans, and links to pertinent legislation (note that legislation may have changed or may change in the future and this list reflects what exists at a snapshot in time). State regulations can have serious implications for loan design and roll out in the following ways:

- Product and service delivery design (i.e. there may be a cap on the interest rates and types of fees you can charge) See the box entitled "All About Interest" in the Interest and Fees section for more information on APRs.
- Loan documents, including loan applications, disclosures, and loan agreements
- Loan servicing
- Reporting and loan management systems
- Licensing/permitting costs
- Legal fees
- Bonding/insurance requirements

A preliminary step for new nonprofit lenders is to determine if they need a lending license. In some states, small dollar lenders are exempt from needing a license under certain circumstances, such as if they offer 0% interest loans. Whereas for other states, going through the process of getting a license is necessary. This can be a challenge if you operate in multiple locations, which encompass different states. Regardless of whether you need a license, it is important to be aware of the requirements around small dollar lending in any state in which you offer loans. You may want to cultivate a relationship with your state's regulatory agency. Below are some potential sources for help with regulatory compliance issues:

- **National Association of Consumer Credit Administrators (NACCA)**, an association of state consumer credit regulators, has a Financial Services Regulator Directory with the contact information for each state agency.
- Money Transmission: **Money Transmitter Regulators Association (MTRA)**, a national nonprofit organization dedicated to the efficient and effective regulation of the money transmission industry, has links to state and federal consumer lending regulatory agencies.

- **The National Consumer Law Center (NCLC)**, works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state governments and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness. NCLC often has up-to-date information on consumer law.
- Legal Aid, State Bar Associations, and law schools can often provide pro-bono legal advice for nonprofits.
- Bank or financial institution partners may also be able to provide guidance on regulatory compliance.

B. Policies and Procedures

The policies and procedures are the go-to guide for your loan. They address the minutiae of your loan product—describing loan features, borrower requirements, the application process, and servicing and collection procedures, including (near and dear to CBA’s heart) credit bureau data furnishing. Creating policies and procedures are essential for helping your organization anticipate situations that may arise throughout the lending process, and come up with policies to address them. However thorough you were in creating your policies and procedures, unanticipated situations will always surface that necessitate additions or revisions. Having a plan for how you will regularly review and amend your policies and procedures may be just as important as creating them!

Policies and procedures need not be rigid and inflexible. While some policies must be definitive, others are best examined on a case-by-case basis. A leader at the Pennsylvania Assistive Technology Foundation emphasized, “It is important when you are creating policy that you allow your procedures to be flexible...life is unpredictable!” While being flexible (within the limits of fair lending) can help staff to better meet the unpredictable needs of borrowers, standardized procedures can help minimize biases that may crop up when staff are making a series of individual decisions. It often takes time for organizations to find their own balance between being responsive to borrower needs and adhering to standardized practices. However, even the best intentioned nonprofit lenders may open themselves up to complaints

TWELVE ELEMENTS OF A GOOD LOAN POLICY

1. Clear mission
2. Specify lending authority (i.e. clear structure of who approves loans)
3. Delineate responsibilities for reporting loan information
4. Describe origination, underwriting criteria and process
5. Documentation for complete application and complete credit file
6. State who maintains credit files
7. Collateral guidelines
8. Loan rating and loss reserves
9. How interest rates and fees are set
10. Preferred upper limit for total loans outstanding/concentrations
11. Describe trade area
12. How to detect, analyze, and work out problem loans

Source: CDFI Fund Capacity Building Initiative’s presentation on “CDFI Loan Policies and Procedures”

against them and inadvertent Equal Credit Opportunity Act (see more about this law in Appendix B) lawsuits if they are inconsistent in the way they apply this flexibility.

The development of policies and procedures is a good time to involve program stakeholders including staff, community members (particularly those from your target population), the board, and individuals with legal expertise. Appendix C has a sample policies and procedures that can be used as a good starting point for your own. The CDFI Fund's "Twelve Elements of a Good Loan Policy," and the "Sample Loan Policy Table of Contents" boxes provide guidance on determining key loan features and elements that may also be considered within your policies and procedures. When developing your policies and procedures think about the following:

- *How often will you revisit and review your policies and procedures? (Many nonprofit lenders review their policies and procedures annually at a minimum.)*
- *How will you assess if the policies are too lenient, stringent, outdated or vague?*
- *What is your process for making changes to and updating the policies and procedures?*
- *How will your organization learn from its own experience to improve its policies and procedures?*

SAMPLE LOAN POLICY TABLE OF CONTENTS

- 1. Introduction**
- 2. Mission Statement**
- 3. Scope of Services**
- 4. Definitions**
- 5. Loan Limits**
- 6. Interest Rates and Fees**
- 7. Loan Approval Authority**
- 8. Application Procedures and Underwriting Standards**
- 9. Loan Origination Procedures and Standards**
- 10. Loan Servicing & Collections**
- 11. Modifications and Extensions**
- 12. Credit and Security Standards**
- 13. Borrower Credit Reporting**
- 14. Exception of Lending Policy**

Attachments:

- **Loan Application**
- **Loan Agreement**
- **Truth in Lending Act (TILA) for some public assistance beneficiaries with disabilities to save without affecting the strict asset limits.**

Source: Modified from the CDFI Fund Capacity Building Initiative's presentation on "CDFI Loan Policies and Procedures"

C. Loan Use

AT comes in all shapes, sizes, costs, and functionalities. In 2016, the Center for Assistive Technology Act Data Assistance found that 56 state and territory ATAP alternative financing programs disbursed 860 loans, about 42 percent of which were for hearing devices (Medicare doesn't cover hearing aids), and more than a quarter of the loans were for vehicle modifications. The next most common use was for computers and computer related equipment.⁴⁶

TABLE 2: TYPE AND AMOUNT OF AT LOANS DISBURSED BY ATAP ALTERNATIVE FINANCING PROGRAMS IN 2016⁴⁷

	Percentage of loans	Dollar value of loans
AT Loan Use		
Hearing	41.7%	\$1,371,789
Vehicle modification and transportation	27.3%	\$4,324,942
Computers and related	11.6%	\$62,725
Mobility, seating, and positioning	6.7%	\$238,871
Environmental adaptations	4.4%	\$248,369
Vision	4.3%	\$44,184
Daily living	2%	\$61,144
Recreation, sports, and leisure	0.9%	\$55,865
Speech communication	0.6%	\$1,894
Learning, cognition, and developmental	0.3%	\$16,000
Total number/dollar amount of devices financed	860	\$6,425,783

⁴⁶ Center for Assistive Technology Act Data Assistance (CATADA). (2017). Financing Activities Activity Summary Report for US for 2016. Retrieved from <http://www.catada.info>.

⁴⁷ Center for Assistive Technology Act Data Assistance (CATADA). (2017). Financing Activities Activity Summary Report for US for 2016. Retrieved from <http://www.catada.info>.

AT is meant to help individuals succeed in employment, education, and in their personal lives and community, but it can be difficult to define what AT is and is not. For example, Northwest Access Fund's policies and procedures stipulate that dentures count as AT if "the individual's dental condition (lack of teeth) is such that it substantially limits the major life activity of eating or is a basis for discrimination in employment, education, credit or other important arenas." And, service animals may qualify as an AT service if they help an individual with the use of an AT device. In your policies and procedures, it is important to define what borrowers can and cannot use the loans for. To make decisions around loan use, we recommend consulting your target population (through a focus group, interviews, or surveys) to assess what permitted uses will meet their needs. Also keep in mind that, within your policies and procedures, it is okay to list areas that will be reviewed on a case-by-case basis.

Other considerations include:

- *Can the loan be used to purchase used AT?*
- *Will medical procedures count as an AT related service?*
- *Can the loan be used to pay off high-cost debt related to the purchase of AT?*
- *Can the loan be used to repair AT?*
- *Will you require borrowers to insure the AT? If so, what types or what amount of loan would stipulate purchasing insurance?*
- *How will you ensure that borrowers purchase quality AT that best meets their needs?*

SCAM ALERT:

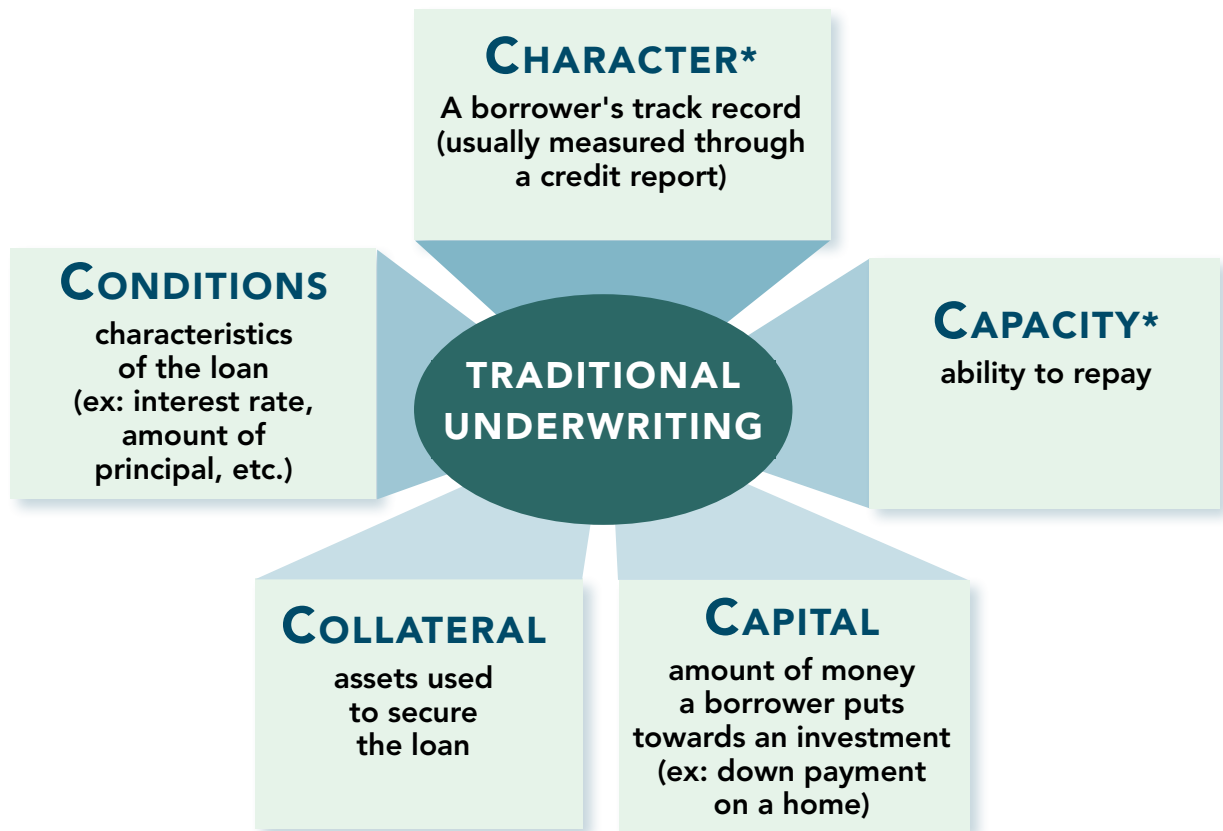
Staff from the Center for Financial Independence and Innovation (CFII) were skeptical when loan applicants sought to purchase a \$15,000 device that claimed to cure blindness. Since the applicants had never tested out the device, CFII arranged a demonstration. Loan applicants got the chance to try this new device, and by the end of the demo, they left feeling motion sickness and deterred from making the purchase. A CFII staff member reflected, "with AT loans specifically, we want to ensure people go in [to the loan process] educated." They now encourage loan applicants to demo AT before a purchase whenever possible.

D. Underwriting and Eligibility

At the heart of a responsible loan is responsible underwriting. It helps to ensure that people receiving loans are well positioned to pay them back and that loans meant to solve a challenge do not instead make it worse. Strong underwriting is also essential to the health of the loan fund by reducing risk and potential for losses. Lending to low-income communities has historically been considered risky, yet there are ways to assess, manage and plan for risk while still being inclusive of these communities. Although most nonprofit lenders emphasize a distinction in striving for sustainability rather than profitability, few are interested in losing loans or clients to charge-offs. This means that nonprofit lenders must work to develop alternative criteria to assess an applicant's potential risk. Traditional consumer lenders typically rely on the Five C's of Credit (see diagram below).

Above all, nonprofit lenders typically care most about the capacity and willingness to repay. Mission-driven lenders often want to help as many people as possible. While the desire to say "yes" may be noble, giving someone a loan they cannot afford to repay is not helpful in the long-term for either the borrower or the lender. Some lenders develop underwriting rubrics in order to weight and score different underwriting criteria (see the Justine PETERSEN example below), while

others look at the application as a whole with no set “value” for their underwriting criteria. The recommendations below provide ideas for fair and sound underwriting for high-risk populations that may supplement and in some cases replace one or more of the traditional Five Cs.



- **Don't compromise on ability to repay (borrower capacity).** Implementing an effective process for assessing a borrower's ability to repay is essential to responsible lending.⁴⁸ This can mean:
 - Working with borrowers to complete a household budget that is as realistic as possible and includes the projected loan payment
 - Calculating a debt-to-income ratio
 - Collecting bank statements, copies of bills, a tax return, credit report, government benefit letters, and/or paystubs for third party verification of an individual's budget
 - Offering up-to-date information on resources that can help an individual meet their needs other than through your loan

⁴⁸ For a full list of essentials to responsible lending guidelines and practices for small-dollar credit, survey CFSI's The Compass Guide to Small-Dollar Credit.

- **Use alternative data to assess “character” and bolster underwriting.** In recent years, there has been an influx of innovators utilizing non-traditional credit data to underwrite credit-invisible and thin-filed consumers. Such innovators use data ranging from rental data, utility payments, work history, and behavioral tendencies during the application process to assess borrower creditworthiness.⁴⁹
-  **Kinecta Credit Union** partnered with LexisNexis to use the company’s RiskView Score tool to expand access to a loan designed to help borrowers consolidate and pay off outstanding payday loans. Utilizing the platform helped Kinecta keep charge-off rates for the product below 6%.
- **Don’t require “proof” of disability.** As mentioned above, the term disability is broad, hence CBA members providing AT loans did not require proof of disability. Instead they focused on how the AT would make an impact in the individual’s life. One CBA member said, “As long as someone can tell us WHY they need this loan for AT, we will assist them in every way we can.”
- **When relevant, solicit proof that the technology is appropriate for the individual and/or if possible, have the applicant demo a device or if possible borrower a device from an AT Lending Library before committing to the purchase.** Many AATAP programs offer AT short-term loans of AT. This can help ensure that the individual is purchasing quality AT that will meet their needs. For example, one CBA member requires proof that those applying for a loan to purchase hearing aids have seen an audiologist. In the past, borrowers used the loans to purchase cheap hearing enhancement technology that quickly stopped working. While AT loans allow the borrower to exercise consumer choice, ensuring that the loans are not used to purchase subpar or “predatory” products is important and can be a great chance to infuse information to help empower borrowers to make the most informed decision about their options and know their consumer rights.
- **Distinguish medical debts from other consumer debts.** People with disabilities are more likely to carry medical debt than those without a disability.⁵⁰ Medical debt is often not a good indicator of someone’s credit worthiness since medical issues can be outside of one’s control. In fact, many CBA members choose not to use a person’s credit score as a key factor during the loan application and determination process because of the influence that these kind of debts may have.⁵¹ However, if a borrower is actively paying back medical debt, and has little room in their budget to afford loan payments, it’s worth taking this into account as part of a borrower’s ability to repay (perhaps while considering the borrower’s debt to income ratio and/or budget).
- **When possible, give borrowers options for what types of documents they can provide and how they can provide them.** CBA members reported that one of their biggest challenges at application time was getting all the right documents and information from applicants. Giving applicants options for the types of documents that they can submit,

⁴⁹ For more information on alternative underwriting, see CFSI’s report, *Big Data, Big Potential: Harnessing Data Technology for the Underserved Market*

⁵⁰ Conroy, Nicole, Katherine McDonald, Michael Morris, Elizabeth Jennings. (2014, July 22). *Financial Capability of Adults with Disabilities: Findings from the FINRA Investor Education Foundation 2012 National Financial Capability Study*. National Disability Institute.

⁵¹ Because of this issue, FICO 9 and other newer score models are starting to consider medical debt differently.

ensuring that none of the requirements are duplicative, while also figuring out ways to streamline this process can reduce the burden on the applicant. At the same time, this can make the loan application process more efficient for you. For example, members have streamlined the application process by creating an online portal for submitting documents or have information on how to get a copy of your social security benefits' letter on-hand.



For example, **Juntos Avansamos**, a network of credit unions seeking to better serve Hispanic communities, accepts a variety of ID forms, including: Passports, Matricular consular, Documento personal de identificación (DPI), Voter IDs, Municipal IDs. And, if one form of ID is expired, allowing the applicant to use the expired ID along with other identifying documents (birth certificates, utility or phone bills, etc.) can suffice.

- For proof of income, borrowers could show proof through paystubs, a tax return, bank statements or government benefit letters.
- **Identify criteria for automatic denial.** If there are specific criteria that will lead to denial, communicate this to borrowers up front. If your organization has requirements around credit scores, number of recent bank overdrafts or late payments, length of time since bankruptcy, etc., it is important to be transparent about this from the beginning to save everyone time and money.
- **Be flexible, but provide equitable treatment.** Each borrower will bring a different story and circumstance. In some cases, it may make sense to allow for exceptions to underwriting criteria. Your underwriting policies and procedures should outline when and how exceptions may be made and when they cannot. Ensure that flexible underwriting doesn't interfere with being a fair, transparent, and consistent lender. This is particularly important to ensure that you are in compliance with all lending laws related to equal access to credit.

WHEN TO REQUIRE THIRD PARTY VERIFICATION?

Many CBA members were unsure of when to require third party verification for applicant information versus when to just take applicants at their word. For example, should an organization require bank statement to assist in creating a budget, or simply allow clients to create the budget from memory? The more third party verification you require, the more hassle the application process may be for the applicant. However, receiving accurate information may allow for a more realistic risk assessment of the loan application.

PROGRAM EXAMPLE Justine PETERSEN (JP)

Justine PETERSEN, a St. Louis, Missouri based CDFI nonprofit loan fund and one of the nation's leaders in nonprofit credit building, developed a rubric for underwriting. Each item in the rubric is associated with a certain number of points and the applicant's total score tells the loan officer whether the applicant is low, moderate, or high risk. The rubric uses four of the Five C's of Credit taking into account:

Credit (10 possible points)

- Credit score
- Civil judgments, state/federal tax liens, or bankruptcies
- Late payments in the past year
- Phone or utilities with disconnection notices

Collateral (8 possible points)

- Deeds of trust with 20% equity or more
- 100% collateral
- W2 that shows three years at the same job
- Co-signer with verified income

Capacity (8 possible points)

- Positive balance in checking or savings account for past three months
- Budget that shows sufficient discretionary income to cover loan payment amount
- 5 years or more at the same address
- Long-term job history (over 3 years at same job)
- Debt-to-income ratio under 50% (including proposed loan payment)
- Business-related indicators (for business loans)—positive income, experience in the field, education

Character (4 possible points)

- Former JP borrower with no late payments over 60 days in the last year of the loans
- JP client with a positive character reference from a JP employee who has known them for at least a year
- Attended financial education classes
- Senior underwriter bonus point (this is a discretionary factor based on the underwriter's instinct and experience with the borrower)

In this model, credit is weighted most heavily out of the four categories, and character is weighted the least. This underwriting information is not only used to make a determination for underwriting the loan; additionally, JP uses risk-based pricing, so this data helps determine the borrower's interest rate. (See more on risk-based pricing in the interest and fees section!)

E. Loan amount

Organization	Northwest Access Fund	Oklahoma Assistive Technology Foundation	Pennsylvania Assistive Technology Foundation	The Center for Financial Independence and Innovation	Average
Maximum Loan Amount	\$25,000	No cap*	\$1,500, \$25,000, or \$60,000**	\$10,000	\$15,375

* Maximum loan provided: \$51,495

** The Pennsylvania Assistive Technology Foundation provides three different types of AT loans depending on the borrower's needs and credit score.

Stipulations around loan amount will impact what your loan is used for and what type of borrowers you serve. If loans are smaller, the AT loans may be used more for either a) gap funding or b) smaller devices and equipment. If the loans are larger this will enable more expansive use. Here are some considerations for determining loan size:

- **The cost of AT and program provisions around loan use.** According to AATAP, AT loans provided by ATAPs average \$6,723 a loan.⁵² Hearing aids on average cost \$2300 a piece⁵³ and vehicle modifications can cost up to \$80,000.⁵⁴ This is a wide range. While your organization may not be able to cover the full costs of some technologies, and serve as gap funding instead, taking into account the cost of AT is key for determining the loan amount.
- **Number of loans you plan to provide and amount of loan capital.** While it is not as easy as dividing your loan capital by the number of loans you aspire to provide, these are key factors to keep in mind not only as you set the loan amount, but as you make decisions on specific applications. Keep in mind that as you get more loan capital, you can always increase your loan amounts. This may impact what types of borrowers you serve.
- **Whether you are taking collateral on larger AT.** Taking collateral on a large loan minimizes risk (see the section on Protecting Your Loan Fund).
- **Borrowers' income levels and ability to repay the loan.** Of primary importance is ensuring that a loan will not make borrowers financially worse off. Mission-oriented lenders are put in a difficult position when a borrower is in need of AT, yet not in a position to make loan payments. In this case, providing extra support in finding other types of assistance, that could help reduce the loan amount (or need for the loan), and still help the borrower gain access to the AT (see partnership section).
- **Flexibility of loan terms.** If the borrower and lender have the ability to determine a length of time that matches an affordable payment for the amount of money needed, this could allow for larger loan amounts (see the section on Loan Terms).

⁵² Media Planet. (2015) "Gadgets for Good." Retrieved from <http://www.futureofpersonalhealth.com/education-and-research/gadgets-for-good-the-demand-for-assistive-technology-in-2015-infographic>

⁵³ Gandel, Cathie. (2016, October 3). Why do hearing aids cost so much? AARP. Retrieved from: <http://www.aarp.org/health/conditions-treatments/info-2016/hearing-aid-costs-prices-cs.html>

⁵⁴ Disabled World. (2017, June, 25). Adaptive Driving: Vehicle Hand Controls and Products Information. Retrieved from <https://www.disabled-world.com/assistivedevices/automotive/>

PROGRAM EXAMPLE

In order to better accommodate borrower's needs and minimize organizational risk, **OkAT** offers three different types of AT loan products. The products function similarly but are funded differently:

1. **Loans of \$4000 and under.** OkAT provides direct AT loans for amounts less than \$4,000. The interest rate is 5%, and the length of the loan varies based on the loan amount. OkAT has flexibility to shape the length of repayment to allow for monthly payment that are affordable to the borrower.
2. **Loans over \$4000.** OkAT has a contract with BancFirst of Stillwater to provide secured and unsecured loans for amounts over \$4000 to qualified borrowers. OkAT has a financial stake in each BancFirst AT Loan and in turn, BancFirst provides loan data monthly on all outstanding AT Loans.
 - a. **Unsecured loans:** This is an unsecured loan in which OkAT buys down the interest from (9)% to (5) or (6)% from BancFirst. The maximum loan term is three years.
 - b. **Secured loans.** BancFirst can refer clients that do not meet their underwriting criteria to OkAT. If the clients meet OkAT's underwriting criteria, they are referred back to BancFirst for a secured loan that is guaranteed by OkAT. It has a fixed interest rate of 5% and a maximum loan term of five years.

ACCESS TO ADDITIONAL UNDERWRITING TOOLS THROUGH CBA

CBA has worked to establish partnerships with several companies that can provide risk assessment tools to members. These include:

- LexisNexis® RiskView™ solutions (made available to CBA members in December 2017) leverages non-tradeline alternative credit data, such as public records information, to provide a more holistic view of consumers. This innovative approach allows lenders to better predict the creditworthiness of a consumer, allowing them to increase the number of accounts booked while reducing losses.
- ChexSystems reports (to be added in early 2018) examine data submitted by banks in the past five years. A report may describe banking irregularities such as check overdrafts, unsettled balances, depositing fraudulent checks, or suspicious account handling. Banks may refuse to open a new deposit account for a consumer that has a negative item reported.

Please reach out to CBA at membership@creditbuildersalliance.org if you are interested in any of these services.

F. Loan terms

Organization		Northwest Access Fund	Oklahoma Assistive Technology Foundation	Pennsylvania Assistive Technology Foundation	The Center for Financial Independence and Innovation	Average
Duration for loan repayment	Minimum Months	2	6	N/A	6	5.25
	Maximum Months	60	60	84*	96	57

* Depends on the type of AT

CBA members, who provide AT loans, had loan terms spanning between 2-96 months. Generally, loan terms should be at least six months to allow enough time to establish the loan as an item that is strengthening an individual's credit profile, however there may be good reasons to offer loan terms shorter than that in certain cases. Here are some considerations for determining loan terms:

- **What length of time will allow for affordable repayments?** Keep in mind that while a longer amortization period will mean lower payments, it also means that the borrower pays more interest. Also, during a shorter repayment period, it is important to make sure that the interest and fees do not exceed APR limits imposed by any state to whose licensing requirements you are subject as a lender.
- **How long will the AT last?** You will want to make sure that borrowers can pay off their loans before they need to replace the technology.



The Pennsylvania Assistive Technology Foundation sets loan terms based on the average life of the AT. For example the maximum term for a new vehicle is seven years, for pre-owned it is six years, a computer is two years, and a hearing aid is three or four years.

- **How quickly do you aim to revolve loan funds?** Short-term loans will allow you to revolve your loan capital faster, but may be relatively more costly to provide.

G. Fees & Interest

Organization		Northwest Access Fund	Oklahoma Assistive Technology Foundation	Pennsylvania Assistive Technology Foundation	The Center for Financial Independence and Innovation	Range or Average
Interest Rate		5%	5%-6%	0%-3.75%	3% -8%	0%-8%
Fee	Application	\$0	\$15*	\$0	\$0	\$3.75
	Origination	\$0	\$0	\$0	\$0	\$0
	Late	\$0	\$10	\$10	\$0	\$5
	Non sufficient funds	\$0	\$10	\$10	\$25	\$11.25

There is no magic equation for pricing a loan. Determining how much to charge for the loan is a balancing act of covering the cost of the loan and keeping the loan affordable to borrowers. Traditionally, there are three main strategies for pricing loans:

1. **Market-based:** loan pricing is based on the pricing of other similar products in the market
2. **Risk-based:** loan pricing is based on an individual borrower's probability of default determined during underwriting
3. **Cost-based:** loan pricing is based on the cost of providing the loans

Perhaps a fourth "strategy" that nonprofit lenders should keep in mind, is mission-based pricing: what pricing is fair and affordable to borrowers? None of these strategies are mutually exclusive and pricing a loan will look different for every lender.

As a mission-driven organization, you must decide what type of margins with which you are comfortable. This likely depends on your business model. Organizations whose primary business is lending may strive to cover more of their program costs through loan pricing than organizations that offer multiple services, and have added a loan product as another way of meeting specific community needs. Many nonprofit lenders operate at a loss, acknowledging that they will always need outside funding to cover program costs. Others seek to scale their program and create efficiencies to reduce lending costs, or cross-subsidize loans through other services/products. Most nonprofit lenders are happy to be able to cover their lending costs and nothing beyond that.

Here are some key considerations and factors to keep in mind for each strategy:

1. MARKET-BASED PRICING:

What do similar lenders charge? Similar can mean lenders that provide the same type of loans, or lenders that provide loans of similar amounts. The interest rate of surveyed CBA members ranges from 0 percent to 21 percent with an average of 7 percent. Data from the Opportunity Finance Network found that the microenterprise industry average is an 8 percent interest rate, with

interest rates increasing for lenders who provide smaller sized loans. However, when looking at other lenders' rates, it is important to make sure that you are actually comparing apples to apples. For example, a lender that provides similar loans may do so at a completely different volume, which will have different cost implications. For more information on other CBA members who are small dollar consumer lenders and their rates see Appendix B.

2. RISK-BASED PRICING:

Risk-based pricing involves charging higher interest rates to borrowers who are deemed at higher risk of default. Rather than looking at the overall risk of the average borrower to determine a flat rate, risk-based interest takes into account each individual's risk of default. Often, interest rates are tiered to different levels of risk. Mainstream financial institutions typically rely on credit scores to determine an individual's interest rate. Other factors to consider include:

- Whether the loan is secured with collateral and/or a co-signer
- Stability of income and employment
- History of paying other bills/debts on-time
- Debt-to-income ratio

See the example on Justine PETERSEN's underwriting model (see the section on Underwriting) for examples of other criteria to take into account in risk-based pricing. Keep in mind that risk-based pricing runs the risk of "penalizing" those who are in worse-off financial situations by charging them more in interest. It can also be more administratively complex to implement. On the plus side, risk-based pricing can be used to incentivize loan repayment. For example, lenders could reduce the interest rate after borrowers have made a certain number of on-time payments.

Under the FCRA, if you use risk-based pricing, you are required to notify consumers who do not receive the most favorable terms due to their credit score (or other consumer report information that went into the decision). See the box on Data Furnisher Requirements below.

3. COST-BASED PRICING

Cost-based pricing is perhaps the least straightforward of the pricing strategies because of the multitude of direct and indirect costs involved in operating a loan program. Here are some examples of costs that a lender might include:

- **Staff time.** This will likely be the largest cost to your loans. And the time staff spend on each loan may vary depending on the borrower's situation, the size and planned use of the loan. Tracking staff time and averaging the amount spent on different procedures can be helpful. If you have not started lending yet, this may be hard to determine but is a good habit to create out of the gate. You can start by estimating and then adjust once you are able to track the amount of time spent (see pie chart above on how one staff member from Innovative Changes spends her time as an example of one lender's experience).
- **Overhead costs.** This includes a fraction of your organization's overhead costs such as rent, bills, supplies, software and licensing fees, credit reporting costs, etc. Typically, organizations factor between 10 percent to 15 percent for this cost.

- **Cost of funds.** If any of your loan capital is borrowed, the cost of funds is the interest rate at which you will need to repay the funds. If different funds cost different amounts, use the average rate.
- **Loan loss rate.** Rather than pricing each loan depending on a complex algorithm of each borrower's risk, the loan loss rate is an overall indicator of risk. If you are just starting to lend, you can look to the loan loss rate of those providing similar loans. Among a broader group of CBA members surveyed, the average charge-off rate was 4 percent (see section on "Protecting Your Loan Fund" for more information on charge-off rates).
- Other factors that may impact the cost of loans:
 - *Time spent on other services that benefit the borrower such as financial education*
 - *The costs of a credit report pull*
 - *Inflation/depreciation of loan funds*
 - *Availability of funds (or leverage ratio)*
 - *Number of secured loans*
 - *The loan terms (the shorter the loan, the less likely it is that your organization will recoup costs because similar amounts of effort and resources go into making a shorter loan compared to a longer one. Also, the shorter the loan, the less interest you earn).*

4. MISSION-BASED PRICING:

On top of all the costs to your organization, it is important to weigh the needs and capacities of your borrowers.

- *How much can your target population afford to pay for the loan?*
- *What types of payments would serve as a barrier to taking out the loan (for example, is an upfront application fee prohibitive at any amount)?*
- *How will the fees and interest that you charge be perceived by the community, including key stakeholders such as partners and funders?*
- *And, perhaps less easily answered, what costs does your organization and community feel are fair?*

5. LEGAL CONSIDERATIONS:

Regulations imposed by state and federal regulators limit the interest rates and fees that a lender can charge. These vary by state. See section on "Adhering to State and Federal Lending Regulations" for guidance on how to stay up-to-date on regulations that impact your organization. Keep in mind that the fees you plan to charge that are directly tied to the loan (such as the origination fee) become a part of the Annual Percentage Rate (APR) calculation. It is important to ensure that your APR does not exceed (or come close to exceeding) the usury cap or the caps for the specific loan (i.e. small dollar installment loans) in the states in which you lend (if it has a cap).

Once you have taken your costs, borrower risk, market pricing, borrower needs, mission, lending regulations, and anything else necessary into account, you can start determining your interest and fees. Below are common types of fees and considerations for each one.

ALL ABOUT INTEREST

Types of Interest:

- **Simple interest:** a rate calculated based on the original amount of loan principle (commonly used by nonprofit lenders).
- **Compound interest:** a rate calculated on the principle and accumulated interest over a set period of time (not commonly used by nonprofit lenders).
- **Annual Percentage Rate (APR):** simple annual interest PLUS certain non-interest charges and fees related to obtaining the loan (like the origination fee). The calculation is not a simple formula but there are powerful tools that exist to calculate it.
- **Flat interest rate:** one interest rate that applies to all borrowers across the board.
- **Risk-based interest rate:** an interest rate that depends on an individual borrower's risk of default.

What Is the Deal with Annual Percentage Rate (APR)?

It is important to note that an effective "APR" is not always synonymous with "annualized interest rate." Instead, an effective APR calculation includes some—though not all—of the fees and charges associated with a loan, as well as the interest to be earned over the term of a loan. The APR has been used as the yardstick for the cost of credit in the United States for almost half a century. Although there are many who argue that the use of APR as the yardstick is flawed, it is the most commonly touted tool by which consumers are encouraged to compare loans. Determining whether and what, if any, effective APR cap exists in a given state often requires careful reading of the statutes.

What Are the Pros and Cons of Risk-Based Pricing?

Risk-based pricing could run the risk of "penalizing" those who are in worse-off financial situations by charging them more in interest. It can also be more administratively complex to implement. On the plus side, risk-based pricing can be used to incentivize loan repayment. For example, lenders could reduce the interest rate after borrowers have made a certain number of on-time payments, therefore serving as an incentive.

Under the FCRA, if you use risk-based pricing, you are required to notify consumers who do not receive the most favorable terms due to their credit score (or other consumer report information that went into the decision). See the box on Data Furnisher Requirements below.

Fee type	Considerations
Application fee	■ Have a pre-screening process/tool to help borrowers determine if they are qualified before they apply and are charged a fee ■ Usually a flat fee ■ Consider making it refundable if the loan is approved (and if financially feasible for your organization)
Origination fee	■ Think about folding this fee into closing costs (subtracting from loan funds disbursed) ■ Be sure to include this fee into your APR calculations ■ This is usually a percentage of the loan amount
Late fee	■ This could be a flat rate (i.e. \$5) or percentage of the late payment ■ Many lenders incentivize borrower communication by waiving the late fee if a borrower gets in touch prior to the due date to make a plan for getting back on track with payments
Prepayment fee	■ Most CBA members do not charge a prepayment fee CBA does not recommend charging this type of fee
Nonsufficient funds (NSF) fee	■ Work with borrowers up front to determine what payment method will work best for them ■ If borrowers are paying by ACH or check, determine this fee based on whatever your depository institutions charges you ■ Remind borrowers that they will also likely face a NSF fee from their financial institution
Loan modification/restructure fee	■ Most CBA members do not charge a modification/restructure fee ■ While modification can take staff time, being flexible to a borrower's needs and taking reasonable measures to help them successfully pay back the loan should be encouraged ■ This is another area where having policies and procedures to ensure flexibility but transparency and consistency is important

H. Protecting your loan fund

Organization	Northwest Access Fund	Oklahoma Assistive Technology Foundation	Pennsylvania Assistive Technology Foundation	The Center for Financial Independence and Innovation	Average
Loan Loss Reserve	5%	4%	50%	17%	19%
Charge off rate	2%	3%	2%	6%	3%

Securing loans

To minimize risk, you might choose to take collateral on a loan to guarantee repayment. This means that if the borrower stops making loan payments, your organization can seize the collateral as an attempt to recoup costs. Taking collateral can make sense when it comes to AT, since borrowers are purchasing something tangible with the loan. Yet, it can be complicated depending on the type of AT purchased. For example, hearing aids depreciate in value quickly and are difficult to resell. For home or vehicle modifications, you can take collateral through equity in the mortgage or the car title. Here are some things to think about as you develop your policies and procedures around securing loans:

- *What types of AT will you take collateral on? Will you spell this out in your policies and procedures or decide on a case-by-case basis? How will you ensure consistency in applying collateral standards even if done on a case-by-case basis?*
- *If you do decide to take collateral on a loan, what is your appraisal process (an appraisal letter, market data, etc.)?*
- *What are your state laws around repossession of collateralized property (most states let creditors take property without suing the borrower and obtaining a judgment in court)?*
- *What will your repossession process be?*
 - *At what point will you consider a repossession?*
 - *What other factors will you consider at the time of repossession (borrower's dependence on the AT, resell value, time and resources needed to pick up the item, store it, and sell the collateral, etc.)? How will you weigh these different factors?*
 - *How will you communicate to the borrower about this? Who else needs to be notified (a representative payee, family member, etc.)?*
 - *Who will be responsible for carrying out a repossession (communicating, collecting, reselling, etc.)?*

- *Do you have space to store any repossessed collateral?*
- *How will you communicate this whole process to your borrowers throughout the cycle of their loan (from loan application to point of default and repossession)?*



The Pennsylvania Assistive Technology Foundation secures loans for vehicles and accessible home modifications over \$10,000. All other loans are unsecured.

There are other ways of making risky loans more secure (that are not mutually exclusive to collateralization). Here are some other ideas:

- **Forced savings.** Rather than take collateral on a borrower's purchase, you can withhold a percentage of the loan as "forced savings" that is returned to the borrower once they pay off the loan.
-  Rather than taking collateral on a loan, the **Center for Financial Independence and Innovation** puts 17% of each vehicle loan into an escrow account. The money is returned to the borrower once they pay off the loan.
- **Collecting references at time of application.** Having the contacts of a few family, friends, or co-workers who can help you get in touch with the borrower if they stop making payments, can be helpful for locating someone who seems to have "fallen off the map."
- **Requiring or encouraging a co-signer.** Requiring a co-signer means that two people are legally responsible for paying back the loan. This can be a good tactic for people with disabilities who have a representative payee, partner, or close friend or family member who plays an active role in their life.

⁵⁵ Swack, M., Northrup, J., & Hangen, E., (2012) CDFI Industry Analysis: Summary Report. Carsey Institute. Retrieved from <https://www.cdfifund.gov/Documents/Carsey%20Report%20PR%20042512.pdf>

Loan Loss Reserve

In addition to minimizing the risk of individual loans, most organizations maintain a loan loss reserve (LLR) of funds to cover potential charge-offs. A LLR should resemble (or be a rate just over) your charge-off rate. However, you may not know what your charge-off rate is yet. Here are some considerations for determining your loan loss reserve amount:

- *Do your funders have provisions around loan loss reserves?*
- *What rate do similar lenders set aside? (see table above)*
- *How often will you revisit your loan loss reserve?* A study of CDFIs found that many were overly conservative about their loan loss reserves, which unnecessarily limited their amount of available loan funds (or leverage).⁵⁵ For example, Northwest Access Fund's board recently decided to reduce its LLR from 10- percent to 5 percent when they realized that the organization's losses were lower than originally projected.
- *How diversified are your loans (small, large, high risk, low risk, etc.)? And, how much would one or two charged-off loans impact your portfolio?* If you are a low volume lender, a few charge-offs may make a big difference, so your loan loss reserve may be closer to covering the amount you lend. For a more diversified portfolio, the LLR may be lower.

Part 5: Loan Implementation

The lending life cycle begins upon first contact with a potential borrower. Lenders can leverage different points in the lending cycle to build a relationship with their borrowers and support them in building their financial capabilities. While the lending cycle ends once the borrower has fully repaid their loan, this does not necessarily mean an end to the lender's relationship with the borrower. Lenders can offer graduation products or other services to keep engaging borrowers in their path forward. Below we highlight teachable moments and best practices for engaging borrowers and streamlining processes throughout the lending cycle.



A. Outreach, marketing, and customer acquisition

Effective outreach and marketing is about cutting through the noise to find the borrowers you aim to serve at the right time (e.g. when they're making a loan decision) and providing the right messaging to reach them. Here are some ideas:

- **Build partnerships to find the "right" borrower at the "right" time.** As discussed in the partnership section, partners can be an essential bridge between your loans and the community that you aim to serve. Getting partners to keep your marketing materials on hand, ensuring that partners fully understand the benefits of your program offerings, and designating someone on staff who is usually available for partners to call when they are with a potential applicant, can be essential ways of showing that you are able to work together to meet consumers' needs.

- **Maintain visibility in the community.** While partners may know about the loan product, it may not be at the top of their mind. Maintaining an active presence in the community at relevant meetings and events, requires staff time, but can be worth it. In addition, offering “refresher” orientations or information sessions on the loan product can be a helpful way of nudging partners, especially those which may experience frequent staff turnover, to remember to send clients your way.
- **Design messaging to pique customer interest and allay concerns.** In a CFSI survey, SDC borrowers ranked “how quickly I can get the money” and “I can qualify for the loan” as the most important attributes in selecting a loan product. For these borrowers, accessibility and speed trump other important factors such as price and having a clear sense of terms. Lenders can highlight chances of qualification and speed of funding to mitigate the concerns of credit-challenged consumers who might avoid applying for fear of being rejected.
- **State the facts up front.** In your outreach and marketing, it is important to not overwhelm consumers with information, but provide enough information so that they can assess whether a loan is right for them. Disclose the full cost of the loan to the borrower in simple, clear, and easy-to-understand language.

B. Application

Many CBA members reported application as the largest challenge in the lending process. Borrowers will submit some documents, but not all, and applications linger in incomplete status. A staff member from the Capital Good Fund said, “We get a lot of loan applications a day but the challenge is the conversion rate.” He recounted that “people aren’t submitting documents in the right format or information is unclear, so it’s hard to move from application to underwriting.” Below are best practices for making the application as streamlined and efficient as possible:

- **Create eligibility assessment opportunities.** Finding ways to help potential applicants identify if they are not eligible for the loan before investing time and resources into the application process. This can be done by:
 - Training partners to prescreen referrals:
 - ▶ **Innovative Changes** offers a monthly training for partners on their loan products and how to make referrals. Partners are required to take refresher trainings to ensure quality referrals.
 - ▶ For its citizenship loans, the **Latino Economic Development Center (LEDC)** has its partner CASA, only refer individuals who have completed CASA’s citizenship classes. CASA helps individuals complete the loan application packet before referring them to LEDC.
 - Develop measures to ensure that applicants have explored other low-cost or free options (see section on partnerships).
 - Online eligibility assessment tools:
 - ▶ Some CBA members have eligibility quizzes so that potential applicants can screen themselves.

- Loan orientations:

- ▶ In order to provide information on the loans, answer questions, and allow borrowers to self-select and receive application assistance, some nonprofit lenders encourage or require applicants to attend an in-person or online orientation.

- **Streamline application processes:** Ideas for making the application easier for borrowers and more efficient for organizations include:

- Set up computer workstations within your office for retrieving and printing documents, and filling out the application.
- List clear step-by-step procedures on the website with links to all pertinent documents (see the National Disability Institute example below).
- Give borrowers a loan application checklist.
- Create an online portal for submitting documents (make sure it is secure to protect sensitive borrower information).
- An online chat feature on the website so that applicants can ask questions while filling out the application:



The Capital Good Fund has a live chat feature on their website that allows applicants to get questions answered in real time.



PROGRAM EXAMPLE The National Disability Institute's (NDI) Assistive Technology Loan Program

NDI offers a clear guide to applying for an assistive technology (AT) loan on its [website](#). It breaks the application process into small actionable steps:

- **Get informed:** NDI has links to AT guides by state, and a loan program fact sheet that answers FAQs on the loan. (See Appendix C)
- **I think the loan is right for me. Now what?:** NDI has a link to a budget/spending plan and a link to their interactive online orientation course that takes about an hour (the outline of this course is a great place to get ideas for your own orientation!).
- **I've completed the orientation course. I'm ready to apply!:** NDI has an application checklist, a link to the application, and contact information of staff that can assist with filling out the application.
- **What happens after I send my application?:** NDI outlines their internal next steps for reviewing the loan application. Ideally this section would include a concrete timeline so that borrowers know how long the process takes.

TEACHABLE MOMENT

Using application as a teachable moment: The application process can be a great time to engage applicants in creating a budget and learning how to pull and review a credit report since these are typically components of underwriting anyway. This requires staff capacity and time. If your organization offers other financial capability services and/or utilizes volunteers or financial coaches, this may be an opportune stage at which to integrate those services.

- **Assessing ability to repay:** Taking the time to walk applicants through creating a realistic budget can be eye opening for the individual, and helpful for underwriting. It can also help with determining a loan payment due date that aligns with the borrower's cash flow. Appendix A has a sample budget, networth worksheet, and bill calendar, all of which can be helpful for this process.
- **Building credit strength:** Showing an applicant how to pull their free credit report, and creating an inventory and action plan that includes their loan as one component that helps them work towards a larger financial goal, can motivate successful loan repayment. Appendix A has CBA's Credit Strength Road Map® of tools for helping clients create a credit action plan.

C. Loan Determination & Closing

Once an applicant presses the actual or symbolic "submit" button on their application, it is important to set up clear expectations about the process moving forward including a clear timeline for when they will find out about the loan. Clear internal processes will allow you to easily communicate with applicants about what's next. Here are some considerations to take into account when setting up your loan determination process:

- **How quickly do typical borrowers need the loan?** The faster your organization can turn around a loan application, the more satisfied borrowers are likely to be. However, most AT loans are not urgent, so taking the time that you need to do due diligence on loan application reviews, as long as it is reasonable, should be okay. Of the CBA members who provide AT loans, most were able to make a loan determination and schedule a loan closing within two weeks of receiving an application.
- **Who has the authority to approve loans?** For most nonprofit lenders, the loan officer does the first application review. They ensure that the application is complete and provide a recommendation for loan approval or denial. The next steps vary from organization to organization. Some nonprofit lenders have loan committees (see box above for considerations when setting up a loan committee), others rely on the executive director to make a final determination, or some do both.

- **What's realistic?** A plan that ensures both speed of approval and a due diligence application review is ideal, but in reality, there may need to be compromises on both sides. Other factors to think about include:
 - The complexity of loan applications
 - The capacity of staff and board to review loan applications in a timely manner
 - The level of responsibility/authority given to the loan officer in the policies and procedures manual. While staff should have flexibility, decision-making discretion should be applied carefully in order to protect borrowers, the staff making the decisions themselves, and the organization.

Loan Denials

When a loan is approved, the next steps are fairly straightforward. It involves the loan officer preparing the loan documents and setting up a time for the loan closing. However a loan denial can be more complex. There can be different types of loan denials and many ways of framing a denial. For instance, the program director from Northwest Access Fund says that they never consider a non-approval to be a denial; rather it is just an incomplete application. Many CBA members seek to continue building relationships with “denied” applicants and help them get to a place where they can be a successful borrower in the future. A loan may be a longer-term goal for some applicants, whereas for others, they may be closer-to-ready to receive a loan. Some nonprofits offer conditional approvals to applicants that seem just too risky to approve, but near-ready to take out a loan. A conditional or contingent approval means that the applicant must take additional steps to demonstrate that they have the capacity to repay a loan. Some examples of contingent steps for approval include:



- Depositing the loan payment amount into a savings account for three months
- Getting current on bills, a bank account, or a credit card
- Paying off some debt to lower their debt-to-income level
- Demonstrating reliability through use of another product such as a smaller credit building loan
- Attending financial education classes or coaching sessions

Under the FCRA, if a lender uses a credit report/score to deny credit or make an unfavorable change to the credit terms (such as a higher interest rate under risk-based pricing) they are required to communicate with the borrower. The required notification information includes:

- How lender used the credit report/score
- How consumer can obtain a free credit report
- How consumer can dispute mistakes on their credit report
- Name of credit rating organization that produced the credit report
- Specific reason/s for the adverse action

Furthermore, the lender may be required to provide a Credit Score Disclosure Notice along with the adverse action notice. This includes:

- At least one score used in the determination (number, type of score, entity that created the score, and date of score)
- Credit score range for the model used
- Key factors that adversely affected the consumer's credit score

Appendix C has a sample adverse action letter and credit score disclosure notice.

Loan Closings

Loan closing are an important time to model clear and transparent lending. Ideally, the borrower will be aware of the terms of the loan going into the loan closing appointment. The loan agreement and amortization schedules can be great tools with which to communicate about the terms as applied to the borrower's specific loan. Reviewing the clauses of the loan agreement in terms that the borrower can understand, allowing the borrower to ask questions, and ensuring the borrower is aware of the costs associated with the loan are essential components of a loan closing appointment.

TEACHABLE MOMENT

Explaining the Fees and Legalese

The jargon around fees and interest rates can be the most intimidating part of taking out a loan. How does a consumer know that they are making a sound financial decision? Taking the time to review and explain the different types of fees, what they are for, and why and when they are charged, can help consumers be more informed and know what questions to ask the next time they use credit. The Truth in Lending Act (TILA) generally requires that you disclose the loan terms and APR of a consumer loan (see example TILA from Innovative Changes below, and another example in Appendix C4), but taking this a step further, and breaking it down by reviewing the amortization schedule as a visual tool to explain how interest works can also be a great teachable moment.

TRUTH IN LENDING ACT DISCLOSURE			
ANNUAL PERCENTAGE RATE (The cost of your credit as a yearly rate.)	FINANCE CHARGE (The dollar amount the credit will cost you.)	Amount Financed (The amount of credit provided to you or on your behalf.)	Total of Payments (The amount you will have paid after you have made all payments as scheduled.)
28.239 %	\$ 147.28	\$ 950	\$ 1097.28

Your Payment Schedule Will Be:			Prepayment: If you pay off early you will not have to pay a penalty. Payment in any amount may be made in advance at any time.
# of Payments	Amount of Payments	When Payments are Due	
12	\$ 91.44	Monthly Beginning 3/20/12	
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

See Attached Payment Schedule

ITEMIZATION OF THE LOAN AMOUNT			
Itemization of Loan	Amount Given to You	Amount Paid on Your Account	Prepaid Finance Charge
Amount of \$ 1000.00	Directly \$ 200.00	\$ 750.00	\$ 50.00

Amounts Paid to Others on Your Behalf: (If an amount is marked with an asterisk (*) we will be retaining a portion of the amount.)

\$ 150.00	To Borrower's Deposit	\$ 600.00	To Property Manager	\$	To
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Loan amount, not amount financed

Loan check written directly to borrower, in some cases this might be zero

Amounts of loan not given to borrower, including Security Holdback and payments to vendors

Origination fee

Source: Innovative Changes

In addition, the borrower should leave the appointment with a clear idea of when their first payment is due, how they can make payments, what to do if they are unable to make a payment, and other opportunities for engagement with your organization (see next section on Servicing and Supporting Repayment).

Here are a few considerations for conducting loan closings:

- *Who will create loan documents? Who will review the loan documents for accuracy?*
 - *How/where will loan closings be conducted? In-person? Can you do them remotely to increase accessibility?*
 - *Will checks be disbursed directly to the borrower or a third party?*
 - *Who has the authority to sign the checks or initiate a funds transfer?*
 - *How much buffer time will there be until the borrower's first payment?*
 - *What materials will a borrower leave with besides copies of their loan closing documents?*
- Examples could include:

- A magnet/card with their payment date, options for making payments, and contact information of their loan officer
- A tip sheet on how to be a successful borrower
- Brochures/flyers with information on other program offerings

D. Servicing and Supporting Repayment

Helping borrowers make payments on time is a win-win. Lenders avoid costs associated with delinquency and default, which helps to support the sustainability or growth of their loan programs. Borrowers can build a positive credit history while using a loan to solve financial challenges or pursue financial goals. To support successful repayment, lenders should create repayment structures that align with borrower cash flow and offer resources to encourage on-time payments. Three key factors of repayment include getting the right payment amount, and offering options for timing and method of payments that work for the borrower. On top of that, providing ongoing engagement (in a low- or high-touch way) can help organizations retain borrowers and effectively support their successful loan pay-off.

Payment Amounts

Initially, lenders should work with borrowers to structure loans to fit the borrower's budget and cash flow, presenting a range of options for loan size and term. Amortization tables, or online loan payment calculators, are useful tools for helping the borrower envision the costs of different payment sizes.

Timing

Many CBA members allow borrowers to choose a date that works best for them. Program staff can help borrowers find a payment date that most consistently fits their cash flow. A lender may urge or require that a loan payment be scheduled around the time that someone receives their paycheck or income.



Innovative Changes gives borrowers the choice of two different dates of the month to make their payments—the 5th or 25th.

Payment Methods

For the sake of simplicity and efficiency sake, many CBA members prefer that loan payments be automatically deducted from a borrower's paycheck or bank account. This reduces the hassle for the borrower and can reduce costs on the program lending side. However, automatic payments may not be conducive for those with inconsistent income, unbanked individuals, or older borrowers who prefer checks and money orders. Payment options and considerations for those individuals include:

Method of payment	Form of payment	Considerations
In-person or by mail	Cash Money orders Checks Debit cards Pre-paid cards	■ Do you have a safe and secure place to store payments as well as a separation of duties protocol to manage cash? ■ Do you have staff with the capacity to collect, process, and issue payment receipts to borrowers at any given time (or set time periods)? ■ Can borrowers make payments in-person after hours (through a locked box)? ■ What platform will you use for card-based payments? Be sure to take into account processing fees.
Online	Debit cards Pre-paid cards Bank account deduction	■ What platform will you use for card-based payments? ■ How much does the platform charge? ■ How will you ensure data security? ■ How will you make this option user-friendly on your website?
Automated payments	Automated Clearinghouse (ACH) Payroll deduction Automated bill pay	■ How will you work with borrowers to assess if automated payments are a good fit? ■ How will you communicate to borrowers about the costs of bounced payments or NSF fees? ■ Do you have the systems and legal forms for setting up ACH? ■ How will you support borrowers in setting up a payroll deduction or automated bill pay?

Ongoing Borrower Engagement

Payment reminders

Lenders can help borrowers stay on-track by providing timely reminders to engage borrowers before a payment is due. Research around behavioral insights has found that the framing of payment reminders can make a difference in a borrower's repayment rate, as well as the frequency and method of the reminder:

TIPS FOR PAYMENT REMINDER MESSAGING

- **Loss aversion framing:** behavioral insights show that framing something as a loss can be more powerful than framing it as a gain. Applying this lesson to loan payment reminders can mean messaging, such as:
 - *Don't miss your chance to:*
 - *Minimize the amount of interest that you pay by making an on-time payment!*
 - *Have a perfect record with your on-time loan payments!*
 - *Keep this loan as a positive item that boosts your credit score!*
- **Community framing:** research also shows that people are motivated by information on peer performance, and by being part of a larger community. This can mean using messaging including:
 - X percent of borrowers made their payments on-time last month. We are counting on you to be part of that group that pays on-time this month!
 - Paying back your loan means that we will have more funds to serve others in need of credit!
 - Each payment you make frees up funds that can go to someone else in need of a loan!
- **Supportive messaging:** While framing messaging that taps into loss aversion and sense of community obligation can be helpful, it is also important to let borrowers know that support is available, if they are unable to make their loan payment. Stressing things like:
 - We are here for you!
 - If you are unable to make a payment, don't stress, just contact us, and we will work with you!
 - We understand that things come up. Communication is the key to successfully repaying your loan. Here are all the ways you can get in touch with us....

TEACHABLE MOMENT

Use payment reminders as a teachable moment

Since you have your borrowers' captive attention (hopefully), payment reminders can be a good chance to infuse financial tips or ideas. For instance, Innovative Changes adds a "tip of the month" to their monthly payment reminders. The tip of the month could be something simple such as explaining the phrase "pay yourself first," or timely and relevant, such as information on a new product or online tool. See Appendix C for a Sample Payment Reminder.

Frequency, method, and format of payment reminders:

Many CBA members email or mail the automated statements produced by their loan software to borrowers on a monthly basis. Others send automatic text reminders, postcards, magnets, or calendar reminders.

PROGRAM EXAMPLE

While not a loan, as a part of its Borrow Less Tomorrow or BoLT program, **Clarifi**, a credit counseling organization with offices in New Jersey, Pennsylvania, and Delaware, experimented with sending different reminders to clients about upcoming payments on their debt management plans. Clarifi found that low-frequency (twice a month) and action-oriented text reminders had the greatest impact on improving a client's likelihood to make their payment on time.

Behavioral insight research has found that in addition to messaging, the formatting of reminders is extremely important.

PROGRAM EXAMPLE

ideas42, a behavioral insight think tank, worked with Accion, a small business lender that operates globally, to redesign their payment reminders since borrowers using ACH were having difficulties making on-time payments. On the new statement format, information on the due date and payment amount were displayed prominently. In addition, they included a recommended date to check for sufficient funds and a Post-it note to help plan for the deposit of funds. NSF fees among borrowers that received these new payment reminders decreased by nearly 25 percent.⁵⁶

Graphic from: CFED, ideas42, Citi Foundation. (2013, December). Small changes, real impact: Applying behavior economics in asset-building programs.



⁵⁶ CFED, ideas42, Citi Foundation. (2013, December). *Small changes, real impact: Applying behavior economics in asset-building programs*.

PROGRAM EXAMPLE

Behavioral Insights Used by the Behavioral Interventions to Advance Self-Sufficiency (BIAS) Project

BIAS Researchers used the acronym SIMPLER to test different behavioral techniques to improve human service programs. These techniques, described below, can be applied to loan programs to streamline application and support borrower repayment. For more on the BIAS project and behavioral techniques visit MDRC's website.

Behavioral Techniques Employed in BIAS

BIAS used a variety of behavioral principles across the project sites to improve how programs interact and communicate with their clients regarding desired outcomes. These strategies can be illustrated by the SIMPLER framework.

S OCIAL INFLUENCE	Persuade by referencing peers	IN NEW YORK	Hundreds of Paycheck Plus members just like you had a short conversation with our staff about how to earn an extra \$2,000 next year.
I MPLEMENTATION PROMPTS	Establish steps to a desired action		
M AKE DEADLINES	Make deadlines prominent		
P ERSONALIZATION	Customize for the individual		By not attending your appointment, you may:
L OSS AVERSION	Emphasize losses, not just gains	IN CALIFORNIA	LOSE up to \$2,508 a year in cash benefits.
E ASE	Reduce steps in a process		Your child support payment is due in 3 days.
R EMINDERS	Use phone calls, texts, postcards	IN OHIO	Pay on time to avoid penalties.

United States Department of Health and Human Services. (2016) "Behavioral Interventions to Advance Self-sufficiency." Retrieved from https://www.mdrc.org/sites/default/files/BIAS_TwoPageInfographic_11-9-2016.pdf

Financial education and coaching opportunities

If your organization offers other types of financial capability services, engaging borrowers through those opportunities can support successful repayment. For example, Asian-American Homeownership Counseling (AAHC) Inc., a nonprofit lender and foreclosure counseling agency, communicates that their application fee includes the cost of financial education classes or coaching appointments. While borrowers are not required to attend, AAHC sets the expectation of continued engagement from even before the start of the loan.

Incentivized repayment: Some CBA members are experimenting with incentivizing repayment. Here are some ideas:

1. **On-time payment raffle:** For each month that borrowers make an on-time payment, their name is entered into a lottery for a gift-card or other desirable reward. Organizations can choose to draw names on a monthly or quarterly basis.



The Cleveland Housing Network struggled with late rent payments. In order to incentivize on-time payments and grab residents' attention on the 1st of the month, they created a raffle. Residents who paid on-time each month were entered into a monthly raffle that included two \$100 prizes and one grand prize of one month's free rent in August. Ideas42 found that residents who received information about the raffle were twice as likely to pay their rent on-time than those who did not know about the raffle.

2. **Performance-based loan terms:** After making a certain number of on-time payments or attending a financial education class/series or coaching session, a borrower's loan terms become more favorable (i.e. their interest rate is reduced or they receive a credit for one month's payment).



Filene Research Institute's LIFT (Lower Interest For Timeliness) program provided interest rate reductions to borrowers as they established a track record of on-time loan payments. Participating credit unions would reward their borrowers with a 0.25 percent APR reduction after three consecutive months of loan repayments. Filene found that borrowers participating in the program had lower rates of delinquency than borrowers in a control group.

3. **Referrals to another product:** After making a certain number of on-time payments, a borrower becomes eligible for a referral to a larger loan, or another desirable product, such as a secured credit card or matched savings account.



The Business Center for New Americans (BCNA), in New York, offers \$500 to clients with no credit score. After six months, as they see clients' scores rise (typically to 660), clients can become eligible for larger business loans of up to \$50,000.

SOURCE

Using Incentives in Human Services Toolkit: Although not specific to lending, Building Better Programs created a helpful toolkit that walks practitioners through designing and using incentives to increase program engagement. The research and toolkit can be found [here](#).

MONTHLY CREDIT REPORTING

Credit reporting is another key step in servicing loans. In a survey of its members, CBA found that credit reporting not only allowed borrowers to show an active line of credit on their credit report and improve their credit scores, but also had a positive impact on their organization's loan portfolios: increasing on-time payments; decreasing charge-off rates; and motivating client interest in further improving their credit. As data furnishers credentialed by the credit bureaus, organizations are required to communicate to their borrowers about certain aspects of credit reporting (see the box on Your Responsibilities as a Data Furnisher below)

Four key monthly steps for reporting a borrower's loan through CBA include:

1. Generating a Metro2 report (specific format required by the credit reporting agencies) and uploading it to CBA
2. Correcting data as needed
3. Addressing consumer disputes
4. Keeping staff, CBA, and borrowers up-to-date on credit reporting policies and procedures, as well as major changes to your loan portfolio and staffing

Visit CBA's website on reporting for more information.

E. Troubled Loan Management: Delinquency and Collections

Inevitably, unexpected circumstances may prevent borrowers from prioritizing their loan payments. These can be stressful situations for borrowers, which may lead to damaging their credit. Delinquency or defaults on loans are also a costly occurrence for lenders.

YOUR RESPONSIBILITIES AS A DATA FURNISHER UNDER THE FAIR CREDIT REPORTING ACT (FCRA)

The FCRA stipulates that agencies reporting information (furnishing data) to consumer reporting agencies (such as the credit bureaus) have certain responsibilities to consumers including but not limited to:

- Duty to correct and update information
- Duty to investigate and address consumer disputes within 30-45 days
- Duty to report consumer activity such as voluntary closing of accounts and dates of delinquencies
- Duty to notify consumers when reporting negative information
- Duty to notify consumer about adverse decisions based on a consumer report (for example, denying a loan application due to a low credit score) and their right to a free report and to dispute inaccurate information

Loan design can play a role in reducing delinquencies or default. Communication, flexibility, and standardized procedures are key for addressing late payments and delinquencies.

Communication

In addition to regular payment reminders, if a borrower is late, reaching out early to remind them that you are there to work with them can be integral to retaining borrowers and helping them get back on track. Borrowers may fail to get in touch because they are ashamed of being unable to pay. Many CBA members pride themselves on their proactive messaging to borrowers. Rather than, “Why are your payments late?” they instead ask borrowers, “How can we make this loan work for you?”. Messaging should be supportive and remind borrowers that your organization wants to support them in maintaining a positive credit history.

PROGRAM EXAMPLE

Mission Economic Development Agency (MEDA) started its Volunteer Income Tax Assistance (VITA) Credit Builder program with the primary goal of helping clients establish or improve their credit by opening a secured credit card at tax time. Clients were connected with a text message-based reminder platform that sent advice based on a cardholder’s specific activity (e.g., maintaining a high balance or missing a payment). During the pilot, 61 percent of clients enrolled in the text platform missed a payment due; however, 85 percent of these clients received a reminder text and made the payments within the next twelve days, avoiding a reported delinquency that would have harmed their credit.

Loan modifications

No matter how well a borrower is underwritten, financial challenges can emerge during the loan term that can set them back. In these moments, it is important to engage with borrowers, reassess their situation, and develop an individual plan that will work for them and you as the lender. CBA members detailed different approaches for loan modifications and inability to pay:



The **Oklahoma Assistive Technology Foundation (OkAT)** gives borrowers the opportunity of three rescue payments. Rescue payments do have to be repaid and may be added to the end of the loan (not forgiven, but flexible). If after three months the borrowers still cannot start repaying the loan, the loan is considered in default. OkAT sends the remaining amount to collections.



Opportun, a for-profit CDFI Loan fund, aids customers who are willing but cannot make payments by offering a hardship restructure with a reduced interest rate and a longer-term period, which produces a lower payment amount for struggling clients.

PROGRAM EXAMPLE

Innovative Changes allows for six types of loan amendments (modifications):

Amendment Type	What it is?
Re-amortization	Re-schedules the outstanding principal amount of the loan over current or extended loan term.
Extension of maturity date	Extends the maturity date beyond the original loan term.
Restoration to current status	Adjusts borrower's past due status to current.
Interest-only payments	Allows borrower to make interest only payments for a fixed period of time.
Change in payment amount	Changes borrower's monthly payment amount.
Change in payment date	Changes borrower's monthly payment date to another approved date (5th or 20th).

Standardized Collection Procedures

Collections can be an emotionally taxing part of the loan process for staff and borrowers alike. It is important to set a clear timeline for collections. If a borrower is unable to be reached, collection can be a straightforward process. However, this process gets more complicated if a borrower resumes communication with your organization. Showing that you are there to help your client successfully repay the loan and are willing to be flexible, while also holding the borrower accountable to repayment, is a hard balance to attain. In addition, at some point, the cost of collections may not be worth the potential recovered costs of the loan. As mentioned above, a loan review oversight committee can support program staff in strategizing about collection procedures and making decisions around difficult cases.

Here are some considerations for developing standardized collection procedures:⁵⁷

- *Who is responsible for collections? Will your organization do collections internally or contract it out? What are the pros and cons, including costs, of either option?*

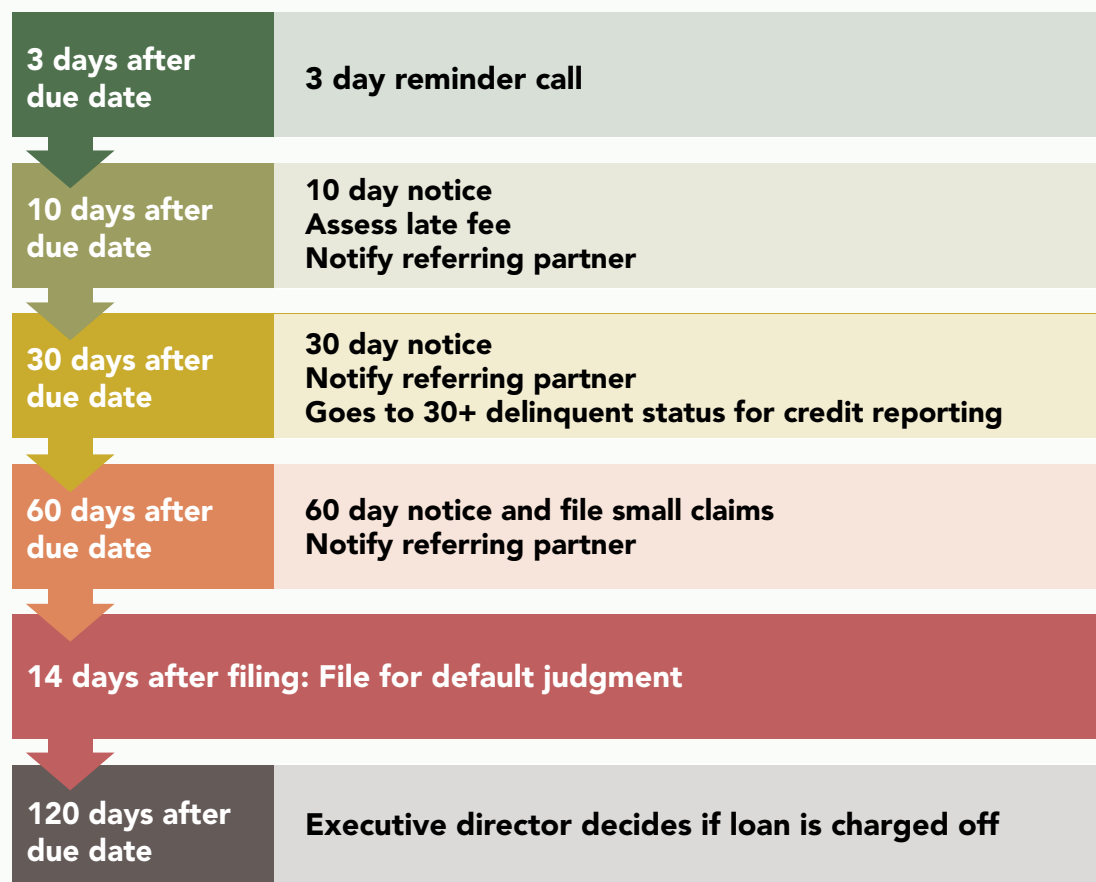
⁵⁷ Adapted from CDFI Fund Capacity Building Initiative's presentation on "CDFI Loan Policies and Procedures"

- How far are you willing to go to collect on a loan? When is a loan considered in default? When is it delinquent? When should it be charged off? Will you file a claim in court? Will you pursue a judgment?
- Have you built in the flexibility you might need?
- Who has the authority to make the decision about next steps?
- What type of report/s does leadership see regularly to help them stay current with problem loans?

PROGRAM EXAMPLE

In the past, **Innovative Changes (IC\$)** would call to give borrowers a last chance before they filed a claim in court. After filing, the borrower could enter into a mediated agreement to set up a new plan to repay the loan. This process was time consuming and costly for IC\$. Now, IC\$ is revisiting its collection plan to balance cost, effort, and fairness to borrowers. This will include tightening their collection timeline to reduce the amount of staff time spent on collections.

Innovative Changes Example Collection Procedure



F. Repayment and Graduation

Credit building does not end with the last payment of the first loan. Without continuing to build active credit, an established or improved credit score may go down, and eventually go away. Paying off an installment loan, for example, can be celebrated with the addition of a new safe and affordable active tradeline and continued support to ensure that clients are successful with their ongoing credit building ventures. Graduation product options could include:

- Larger, longer-term installment loans
- Lines of credit
- Revolving credit cards—secured or unsecured
- Access to a matched savings account or other asset building opportunities
- Ongoing one-on-one counseling to support achieving individualized credit building goals

Offering these opportunities in-house, or having referral options at your fingertips can be a great way to incentivize repayment throughout the life of the loan and to continue engaging and supporting borrowers in building a strong financial future. And, having an account with a mainstream financial institution, is one of CBA's credit strength "access" indicators!

PROGRAM EXAMPLE

Capstone Community Action (CCA) in Vermont refers clients to a local credit union for a secured card. The credit union waives their annual fee for CCA clients and lowers the required deposit from \$500 to \$150. This partnership allows clients to continue having an open line of credit that improves their credit score.

G. Outcome Tracking

How do you know if your loans are making a difference in people's lives? How can you figure out ways to improve your program? In particular, how can you measure your borrowers' credit strength? The answer is outcome tracking! Tracking outcomes takes an initial investment in setting up data collection systems and ongoing staff capacity to collect the data, but the time spent collecting outcomes can help you:

- Identify opportunities for growth
- Better understand the needs of your borrowers
- Get a pulse on your borrowers' experience in working with your organization
- Say something about the impact that your organization is making on the lives of individuals and their financial capabilities
- Obtain and maintain program funding (funders often require tracking)
- Ensure quality program implementation and regulation compliance

It is important to note that tracking borrower outcomes and collecting borrower feedback is not the same as conducting a rigorous program evaluation. Rigorous program evaluation, often done through randomized control trials (RCT) that have a treatment and control group, allow you to delineate the causal impact that your program has on the people you serve, and potentially generalize the results to a larger population. Some CBA members have partnered with researchers to conduct such program evaluations (see Table X for examples). Conducting a RCT is aspirational for many organizations, but all organizations should continually (using less rigorous methods) track outcomes in order to improve their programs.

PROGRAM EVALUATION EXAMPLES

- **Mission Asset Fund** partnered with San Francisco State University's César E. Chávez Institute to study the impact of Lending Circles on credit improvement. They found that pairing Lending Circles with financial education resulted in increased credit scores (by an average of 168 points) and a reduction in debt (by an average of \$1000). You can read more of their findings [here](#).
- **Working Credit NFP** partnered with Northeastern University's Dukakis Center for Urban and Regional Policy to conduct a randomized control trial to study the impact of Boston's Youth Credit Building Initiative on its young adult participants. They found that the combination of education, credit wellness counseling, data-informed feedback, and for some the use of a secured credit builder loan helped participants lower rates of delinquency and establish credit or boost their credit score to a prime score. The results from the study can be found [here](#).

Most organizations track outcomes in a variety of ways:

- **Borrower Surveys** can shed light on their customer experience, their perception of their financial capabilities, and other important information. Pre-and post surveys can measure self-reported changes in knowledge, attitudes, behaviors, and/or quality of life over time. Surveys at key moments throughout the loan process can also serve as opportune moments to capture change over time and borrower feedback. Surveys generally have low response rates, so building them into already scheduled customer interactions, or incentivizing survey completion, can increase participation rates.
- **Financial documents and forms** with demographic information, bank statements, household budgets, tax returns, and credit reports and scores are also useful forms of information that can help you track indicators of an individual's financial capability over time.
- **Administrative data** is any data on that you collect on borrowers through your loan software or other client management systems, including on-time loan payments, loan modifications, attendance at financial education classes, or coaching sessions.
- **Interviews** by phone or in-person are a way of capturing more in-depth information about a borrower's story and the impact of the loan on their life. This can be a great way to collect borrower success stories to share with community partners and funders.

- **Focus groups** with your target population, community stakeholders, and staff, are a key way to collect input at the design phase, and as you seek to improve facets of your program. If you plan to host a focus group, consider having a third party facilitator to allow for candid conversation. For borrowers, think about ways to reduce barriers to participation (e.g., provide food, child care, stipends, convenient timing).

Topic	What to track	Suggested time of measurement
Financial Wellbeing	Perceived financial well-being	Loan application, Bi-annually, Graduation
Credit Strength	Knowledge of how to: pull credit report, dispute errors, factors that contribute to a credit score, connect to safe credit products Access to: active credit, a mix of credit types, account at a mainstream financial institution Actions: disputing credit errors, pays bills on-time, maintains low debt balances, applies for credit only as needed Number of negative items on credit report Number of active, positive lines of credit Credit score Avoidance of predatory financial products Debt-to-income ratio	Loan application, Bi-annually, Graduation
Asset building	Has a bank account Maintains a monthly balance in savings Has 3 months or more in savings Net worth	Loan application, Bi-annually, Graduation
Success with loan	Number of on-time payments Number of times communicated with staff in advance of being late on a payment	Graduation
Assistive technology related outcomes	Overall perceived quality of life	Loan application, Bi-annually, Graduation
	AT's impact on employment, education, or personal life	After loan is paid off or Bi-annually or annually
Borrower experience	Borrower satisfaction	At loan closing, Graduation

Appendix A: Outcome Matrix has more in-depth suggestions on what data points to collect, and Appendix A has more sample measurement tools and best practices for tracking credit scores.

 RESOURCE

NeighborWorks America's "Measuring Outcomes of Financial Capability Programs: Success Measures Tools for Practitioners" has tools for tracking an individual's (adult and youth) financial capabilities, household composition and dynamics, and wellbeing.

Part 6: Appendices

Appendix A: Financial Capability Resources and Outcome Tracking Tools	87
Outcome Matrix	88
Credit Strength Framework	90
Best Practices for Tracking Credit Scores	93
Credit Strength Roadmap	95
Budget Worksheet (Federal Trade Commission)	104
Bill Calendar (Consumer Financial Protection Bureau)	106
Net-worth Worksheet	107
Financial Wellbeing Scale (Consumer Financial Protection Bureau)	108
Appendix B: Small Dollar Lending Resources	109
Alternative Ways to Facilitate Access to Loan Funds & Products	110
Federal Legislation That Impacts Small Dollar Loans	113
Consumer Installment Loan Regulations By State	114
Choosing and Using Software for CBA Reporters	119
Appendix C: Sample Loan Documents	124
Sample Policies and Procedures (Northwest Access Fund)	125
Sample Credit Reporting Policy	144
Sample Loan Outreach Materials (Self Help Credit Union)	149
Sample Loan Application (Innovative Changes)	150
Sample Approval Letter (Northwest Access Fund)	154
Sample Denial Letter (Innovative Changes)	155
Sample Credit Score Disclosure Notice (Federal Trade Commission)	157
Sample Loan Agreement (Innovative Changes)	159

Sample Automatic Clearing House (ACH) Form (Northwest Access Fund)	163
Sample Customer Feedback Survey	165
Sample Customer Feedback Survey (Northwest Access Fund)	166
Sample Late Notice (Innovative Changes)	167
Sample Adverse Action Letter (Cornell Law School)	168
Sample Loan Payoff Letter (Northwest Access Fund)	169

Appendix D: Assistive Technology Related Resources **170**

Examples of People-First Language (National Disability Institute)	172
Creating an Inclusive Environment for Your Financial Education Program (National Disability Institute)	173
Setting Up an ABLE Account (Consumer Financial Protection Bureau)	178
Paying for Assistive Technology Worksheet (Consumer Financial Protection Bureau)	182

Appendix E: Additional Resources **185**

General Financial Capability Resources	186
Credit Builders Alliance Training Institute Services	188
Glossary of Credit and Lending Terms	195

Appendix A

Financial Capability Resources and Outcome Tracking Tools

Outcome Matrix	88
Credit Strength Framework	90
Best Practices for Tracking Credit Scores	93
Credit Strength Roadmap	95
Budget Worksheet (Federal Trade Commission)	104
Bill Calendar (Consumer Financial Protection Bureau)	106
Net-worth Worksheet	107
Financial Wellbeing Scale (Consumer Financial Protection Bureau)	108

Outcome Tracking Matrix

Topic	What to track	Suggested time of measurement	Measurement Tool or Sample Survey/Interview Questions
Financial Wellbeing	Perceived financial well-being	Loan application, Bi-annually, Graduation	CFPB Financial Well-Being Scale
Credit Strength	Knowledge of how to: pull credit report, dispute errors, factors that contribute to a credit score, connect to safe credit products Access to: active credit, a mix of credit types, account at a mainstream financial institution Actions: disputes credit errors, pays bills on-time, maintains low debt balances, applies for credit only as needed	Loan application, Bi-annually, Graduation	CBA's Credit Strength Framework Indicators
	Number of negative items on credit report Number of active, positive lines of credit		Credit Strength Roadmap tools
	Credit score		Credit score provided by CBA Access service or any of the three credit bureaus
	Avoidance of predatory financial products		Have you taken out a payday loan, car title loan, or deposit advance loan in the past six months? Have you rolled over a payday loan in the past six months?
	Debt-to-income ratio		Monthly budget worksheet

Outcome Tracking Matrix

Topic	What to track	Suggested time of measurement	Measurement Tool or Sample Survey/Interview Questions
Asset building	Has a savings account	Loan application, Bi-annually, Graduation	Do you have a checking account at a bank or credit union? Do you have a savings account at a bank or credit union?
	Maintains a monthly balance in savings		In the last month, did you have a positive balance in your savings account?
	Has 3 months or more in savings		If you lost your source of income tomorrow, do you have enough money in your savings account to last you three months or more?
	Net-worth		Net-worth worksheet
Success with loan	Number of on-time payments Number of times communicated with staff in advance of being late on a payment	Graduation	Client payment records in loan software Notes within loan software or client files, number of modifications completed in advance of payment due date
Assistive Technology related outcomes	Overall perceived quality of life	Loan application, Bi-annually, Graduation	On a scale of one to five, five being completely satisfied, how would you rate your quality of life?
	AT's impact on employment, education, or personal life	After loan is paid off or Bi-annually or annually	How has the AT impacted your life?
Borrower experience	Borrower satisfaction	At loan closing, Graduation	On a scale of one to five, five being completely satisfied, how would you rate your experience with [organization's name]?

Credit Strength Framework[®]



At its most basic, credit building requires the reporting of positive tradelines to the major credit bureaus (access to credit products) and intentional financial behavior through on-time payments, debt reduction or elimination, and correcting errors as needed (the knowledge and actions necessary to establish and improve credit histories and scores). As a result, three elements, working in tandem, are essential for any individual to achieve credit strength: Knowledge, Access, and Actions.

KNOWLEDGE

First, people need knowledge about how the system works and what would most benefit them personally in order to establish and improve their credit profiles and corresponding credit scores. Programs that provide an educational component about personal and business credit, amid other financial education/money management topics are essential to beginning to level the knowledge playing field for their clients. However, knowledge alone is insufficient if people cannot act on it.

ACCESS

Second, they have to be able to access responsible credit products and ultimately other opportunities that help them establish and continue to improve their credit profiles and corresponding credit scores. Unfortunately, access may be one of the single greatest challenges for those who are credit invisible, unscored and/or with low credit scores.

ACTIONS

Third, they have to be in a position to take actions that help them establish their credit profiles and improve their corresponding credit scores. Healthy credit building actions are contingent on a number of variables including knowledge, readiness, commitment, and in many cases actual ability—most importantly, the ability to make on-time payments on open credit accounts. Furthermore, actions are often complicated by individuals' different experiences with credit specifically and finances and money generally. How we interact with credit may be shaped by what our parents or community modeled, emotional triggers that can influence behavior, external circumstances outside of our control like loss of a job, divorce, or illness, and more.

In spite of some of the challenges faced by many people in order to successfully implement credit strength in their lives—indeed because of them—nonprofit members of CBA's credit building community across the country and across many sectors are working to help their clients achieve credit strength. This Credit Strength Framework is the first-ever attempt in the credit building sub-field to support these nonprofits in their quests to comprehensively design/enhance and measure the success of their clients' credit building progress and their own credit building programs.

But We Already Track Credit Scores? Why Do We Need the Credit Strength Framework?

While credit scores are a highly useful and objective data point, they are not the only metric of credit or credit building success that nonprofit organizations can track. In fact, an increase in credit score alone may not be a definitive indicator that an individual has the knowledge and capability necessary to sustain credit building success going forward. Organizations also realize that consumers are “more than just credit scores,”⁵⁸ and that focusing on score alone may be too narrow an approach in order to affect more holistic progress towards financial well-being. This is why, without neglecting the importance of a credit score, many nonprofit practitioners are seeking alternative ways of tracking outcomes for credit building programs by also considering the bigger picture in designing, implementing and measuring the success of their credit building programming.

The Credit Strength Framework identifies other foundational credit profile information as well as additional elements necessary to comprehensively support clients' successful and sustainable efforts to build credit to achieve their ultimate financial goals.

How Do We Put It into Action?

Nonprofits of all types can use the Credit Strength Framework to design new or enhance existing programs as well as to measure them. Fundamental to the Framework's success is understanding your clients' goals within the context of your organizations' missions.

The Framework itself is agnostic as to what those goals are, which can include but are not limited to renting an apartment, getting a job, reducing debt, starting a business, purchasing a home, or going back to school.

⁵⁸ Schneider, R., & Vivrito, E., (2015). “Measuring Your Financial Health beyond the Credit Score.” Tech Crunch. <http://techcrunch.com/2015/07/04/measuring-your-financial-health-beyond-the-credit-score/>

A comprehensive credit building program will incorporate each of the Framework's three key elements. First, it will provide comprehensive credit education that teaches clients the fundamentals of credit, including how to access and review their credit reports, the basic factors that make up credit scores, and how to proactively and regularly monitor and manage their credit profiles. Second, it will connect clients to affordable, responsible credit products that both meet their needs for capital and are reported to one or more of the major credit bureaus. Finally, it will provide services that help to support clients to take ongoing healthy credit actions in pursuit of their goals.

CREDIT STRENGTH MEANS DIFFERENT THINGS TO DIFFERENT PEOPLE

**CREDIT STRENGTH =
ABILITY TO ACHIEVE MY GOALS**



Furthermore, the Credit Strength Framework can be used by nonprofit lenders and non-lenders alike. Consider how to make this happen whether you are a direct lender or not. For example, no matter what the primary focus or scale:

Lending programs can:

- ✓ Offer financial education as a program requirement that helps to increase borrowers' knowledge about credit.
- ✓ Provide access directly to loans or other credit products that both meet clients' specific credit needs in the moment and also build credit (in more and more cases CBA members are making Credit Building Loans specifically for the purpose of helping their clients build credit) to help them meet future credit needs and other opportunities.
- ✓ Connect with borrowers during the loan application and repayment process to support healthy credit building actions necessary in the short- and longer-terms.

Non-lending programs can:

- ✓ Prioritize knowledge about credit and credit action planning as a key component of helping clients achieve their financial and other goals.
- ✓ Create referral relationships with local financial institutions and/or nonprofit lenders that offer access to credit building products.
- ✓ Provide one-on-one support to help clients translate credit actions into success by leveraging credit score improvement into attainment of their greater goals.

Best Practices for Tracking Credit Scores

When using credit scores to track client progress, there are several considerations to keep in mind:

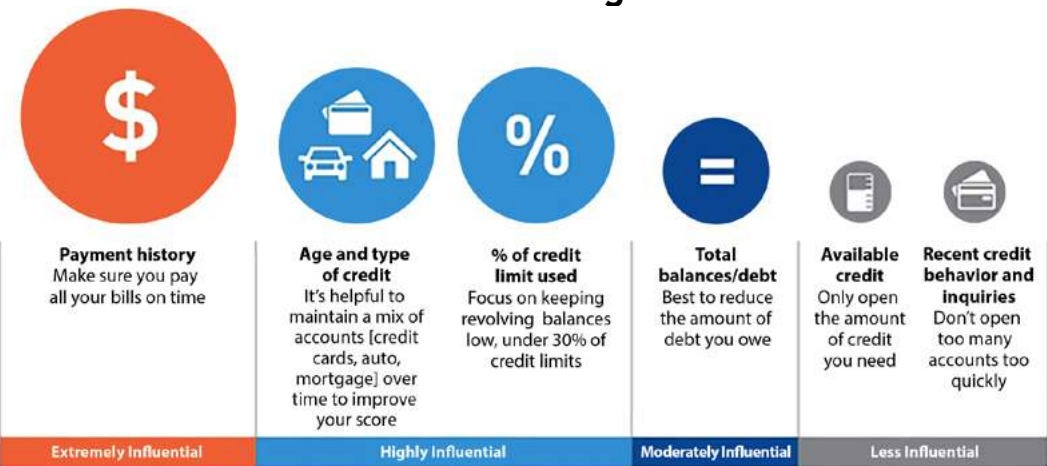
- **Compare apples to apples:** When using a credit score to measure progress, be sure you are always using the same score at intake or baseline as you do at follow-up intervals. Most major scores operate along the same range, but a 640 VantageScore 4.0 is not necessarily the same thing as a 640 FICO® Score 8.

All Scores Are Educational—But Two Stand Out

FICO	VantageScore
Still the most widely used score by lenders	Designed by the three credit bureaus to be friendly and accessible to consumers

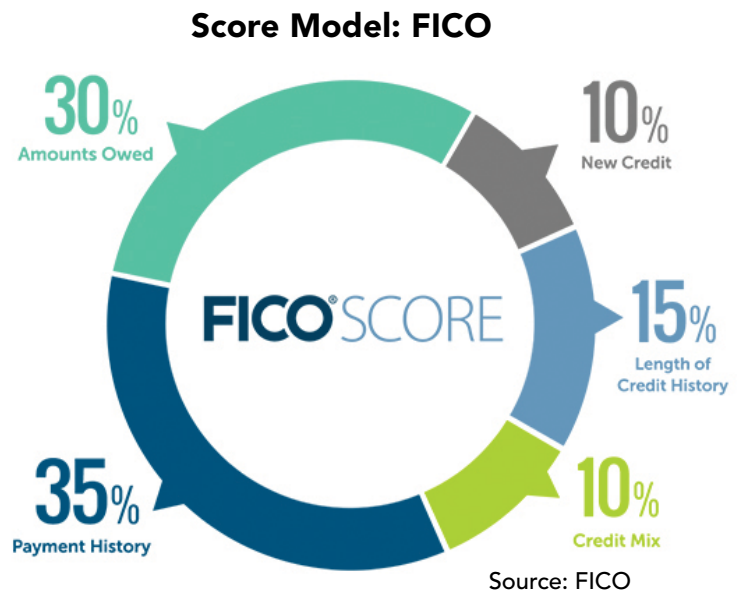
- That said, except in specific cases where you know what a lender, creditor or business is going to use to evaluate your client for access and cost of credit or other products and services, it really doesn't matter which particular score you use for tracking, as long as you use the same one overtime.
- Also, avoid combining the data on average credit score changes for those who start with no score and those who start with a low score. While there is no rule that says you can not do this—it is not best practice because it can misrepresent the likelihood of realistic score changes and certainly inflates your results.
- For example, if you combine client credit score changes by looking at two clients, one who starts with no score and after six months has a 650 and one who starts with a 575 and after six months has a 600, you would say that the average score increase would be around 337. However, in reality what you want to impart is that on average, the change for the person with no score is indeed going from no score to 650 and the average change in score for someone starting with a score is an increase of 25 points.

Score Model: VantageScore



Source: VantageScore Solutions, LLC

- Across almost 500 CBA member organizations all over the country we see an average increase of around 35 points after six months for those who start with scores. For those who are unscored, the average score established is in the mid six hundred range after that same period of time.
- Finally, there can sometimes be proprietary issues associated with sharing credit scores, depending on which score you are tracking and with whom you wish to share it. It is essential to understand the restrictions and permissions that you have around credit score sharing. This information should be available in any end-user agreement that is signed by a nonprofit organization and the company from whom they receive the credit score data.
- Track other information from the credit report, beyond just the score. While credit scores are derived as a snapshot in time, you cannot easily see patterns without looking at the credit report in more depth, or know definitively where that person is on their trajectory towards improving their credit profile. For example, someone may have been working hard over the last 6-12 months to improve their score only to have a collections account hit their report negatively—perhaps dramatically—impacting the score at the time it happens to be pulled, but not necessarily always indicating that the person is a bad credit risk.



CBA has identified some key indicators for each of the three Credit Strength Framework elements (Knowledge, Access, Action) as critical to achieving strong credit. These can be used to track participant growth over time.

Step 1: Consider the Goal



Important Questions to Ask

What do I want my life to look and feel like? What are my goals (Make them SMART)?		
Short-Term (< 6 months)	Longer-Term (> 6 months)	
How can building my credit help me achieve my goals?		
What are some concrete steps can I take now to achieve these goals?		Deadline
What are my immediate needs for loans/credit? (if any)		
Amount needed	Purpose	Needed by

CBA Credit-Strength Roadmap®

Step 2: Know the Score



CREDIT REPORT SUMMARY		Next Steps	Notes
Score (& Type) (e.g. FICO Classic '08, VantageScore 3.0)			
Types of ACTIVE Trade Lines (installment & revolving)			
# of ACTIVE Trade Lines			
# of Delinquencies on Active Trade Lines in last 24 months? (notably those in last 6 months)			
Total Amount of Outstanding Debt on Active Trade Lines (installment & revolving)			
% Credit Available			
# of Accounts in Collections (including public records)			
Total Amount of all Outstanding Debt (on non-Active accounts)			
# of Inquiries in last 24 months			
Oldest Open Account (DATE)			

Assess the Credit Report:



DO ANY OF THE FOLLOWING APPEAR ON YOUR CREDIT REPORT?

- ☐ 3 or more open, active credit accounts
- ☐ Recent late payments on current debt (last 3- 6 months)
- ☐ High Credit Utilization Ratio (over 30%)
- ☐ Recent (last 3 – months) accounts in collections that may lead to judgments or garnishments
- ☐ Public records reflecting money judgments or garnishments

Yes, I checked one or more boxes.

No, none of these apply.

GO TO STEP FOUR: DEAL WITH DEBT.

Make sure that you are ready for credit building by taking a closer look at your outstanding current and derogatory debt. Once you have assessed your budget and debt situation, revisit Step Three: Get the Good Stuff Going.

Consider whether there are credit building products that can help you better pay debt down/off or help you regain your financial/budget footing. Credit Building may make sense to proceed before or in tandem with dealing with debt, or in rare cases it may need to wait until after dealing with debt.

You have no credit or a “thin” file. A thin file means that your credit report might not contain enough information to generate a credit score. A lender may decide that your lack of experience with credit means you are a risky borrower, similar to the way that an employer might be nervous about hiring someone without much experience in the workplace.

Pros of having a thin file:

It is easier to build new credit than repair bad credit.

Cons of having a thin file:

It takes time to build a credit history.

Having assessed your debt situation more closely, you may be a good candidate for Credit Building now or in the near future!

Go to Step Three: Getting the Good Stuff Going.

You are a good candidate for Credit Building now!

CBA Credit-Strength Roadmap®

Step 3: Get the Good Stuff Going



Review your goals, credit report assessment, and budget to determine what type of credit product(s) you could benefit from and why:

1. My goal is to: _____

2. My credit profile is: It may be helpful to consider:

- | | |
|---|---|
| ☐ Credit Invisible | ☐ Do I have less than 3 ACTIVE trades? |
| ☐ Thin File | ☐ Are there any current delinquencies & how quickly can they be resolved? |
| ☐ Thick(er) File | ☐ Are there collections accounts/public records, what are their statuses, how old are they and if unpaid, how likely can I settle them in the near future? |
| | ☐ Is there a MIX of trade lines; & |
| | ☐ What is the client's revolving credit utilization ratio? |
| | ☐ Have I been applying for a lot of credit recently? |
| | ☐ How old is my oldest OPEN account? |

3. I would most benefit from the following credit product(s) (check all that apply):

- | | | |
|---|--|--|
| ☐ Installment | ☐ Revolving | It may be helpful to consider: |
| ☐ Pure Credit Builder Loan | ☐ Secured Credit Card | ☐ Opportunity to report rental payments |
| ☐ Personal or Signature Loan | ☐ Unsecured Credit Card | ☐ A maximum credit limit |
| ☐ Consolidation Loan | | ☐ A maximum interest rate/APR |
| ☐ Other _____ | | ☐ A maximum monthly payment amount |
| | | ☐ Other _____ |
| | | ☐ Other _____ |

4. This will help me because: _____

Example: With a signature or consolidation loan I can afford to pay off all my active credit card debt and use the monthly consolidation loan payments to build credit and save for a secured credit card deposit.

5. The maximum amount I can afford to pay on credit monthly is: _____

6. Compare products using the chart on the next page. Unfortunately, some of this information may not be easily available online so you may wish to help your client contact creditors directly if necessary in order to get the information they need to help their clients make good product selection decisions.



Questions to Consider*	Product #1	Product #2	Product #3
Basic Information			
Creditor Name			
Name of Product			
Type of Product (e.g. installment/revolving)			
Eligibility Requirements			
ID Requirements			
\$\$ Deposit required			
Minimum credit score required			
Accessibility			
Do the employees speak my language?			
Can I transact online?			
Is there a grace period?			
Affordability & Other Terms/Requirements			
Interest rate (variable, fixed?)			
Account opening fees			
Annual fees			
Estimated monthly payment			
Late fees			
Term (6 mo., 1 yr, revolving)			
Minimum/max credit limit			
Prepayment penalties			
Flexibility			
Payment due date			
Statement options (email, text, mail, etc.)			
Graduation Options			
Are there other features that can help me graduate to another product?			
Does this creditor have other products I can use that will be of value to me?			
Other			

*These are just sample questions. Some may or may not apply depending on the product. You may have additional questions!

Step 4: Deal with Debt



1. Dispute: Address Errors and Identity Theft

Name of account/ creditor	Bureau	Reason for Dispute	Date of letter	Date to check back

2. Budget and Save to Reduce or Pay Off Debt

How much can I afford to pay today towards debt? _____

How much can I begin to save each month towards debt? _____

Are there other sources of funds available or coming to apply to debt (e.g. EITC)?

Source of funds	Anticipated amount	Amount to be allocated toward debt	Anticipated timing

3. Prioritize Current Debt Payments

- ☐ Pay highest interest accounts first or
- ☐ Pay smallest balance accounts first.
- ☐ Consider keeping older paid off accounts open if possible to maintain credit history longevity.
- ☐ Other _____

Name of account/ creditor	Goal: Amount to reduce/eliminate	Amount to allocate (monthly or lump sum(s))	Estimated Date(s)

4. Reduce or Pay Off Accounts in Collections (prioritize accounts with high risk of judgment or garnishment first)



1.	\$			
2.	\$			
3.	\$			
4.	\$			
5.	\$			

Step 5: Make Credit Building Count



Baseline and follow up questions

Do you...		YES	NO
KNOWLEDGE	know how to pull a free annual credit report?		
	know how to dispute errors?		
	know what financial actions drive credit scores generally?		
	know how to connect to the right credit products to achieve their goals?		
ACCESS	have active credit?		
	have a mix of credit types?		
	have a credit account with a mainstream financial institution?		
	have a prime credit score?		
ACTIONS	dispute errors found on a credit report?		
	pay all bills on-time?		
	maintain revolving debt balances at 30% or less of total available credit?		
	apply for credit only as needed?		

What areas can you work on to improve your credit strength?
What kind of support do you need to do so?

Credit Score Improvement	Experian		TransUnion		Equifax	
Score Name						
What was my previous score/range (if any)?						
Date pulled						
What is my current score/range?						
Date pulled						
How much did it change?						



What major steps did I take to improve my credit scores and credit report?

- 1.
- 2.
- 3.

How can I leverage these improvements?

Consider Options/Opportunities	Next Steps
Ask creditors to lower interest rates on my current credit products	
Ask landlord or utility company refund all or a portion of security deposit?	
Ask car or homeowners insurance company lower my premium	
Apply for a job	
Apply for a bank account	
Apply for another credit product	
Other:	
Other:	

What additional steps do I need/want to take to continue to improve my credit scores and credit report?

- 1.
- 2.
- 3.



Make a Budget

Use this worksheet to see how much money you spend this month. Then, use this month's information to help you plan next month's budget.

Some bills are monthly and some come less often. If you have an expense that does not occur every month, put it in the "Other expenses this month" category.

MONTH _____ **YEAR** _____

My income this month

Income	Monthly total
Paychecks (salary after taxes, benefits, and check cashing fees)	\$
Other income (after taxes) for example: child support	\$
Total monthly income	\$ 0.00

Income

My expenses this month

	Expenses	Monthly total
HOUSING	Rent or mortgage	\$
	Renter's insurance or homeowner's insurance	\$
	Utilities (like electricity and gas)	\$
	Internet, cable, and phones	\$
	Other housing expenses (like property taxes)	\$
FOOD	Groceries and household supplies	\$
	Meals out	\$
	Other food expenses	\$
TRANSPORTATION	Public transportation and taxis	\$
	Gas for car	\$
	Parking and tolls	\$
	Car maintenance (like oil changes)	\$
	Car insurance	\$
	Car loan	\$
	Other transportation expenses	\$



Make a Budget

	Expenses	Monthly total
HEALTH	Medicine	\$
	Health insurance	\$
	Other health expenses (like doctors' appointments and eyeglasses)	\$
PERSONAL AND FAMILY	Child care	\$
	Child support	\$
	Money given or sent to family	\$
	Clothing and shoes	\$
	Laundry	\$
	Donations	\$
	Entertainment (like movies and amusement parks)	\$
	Other personal or family expenses (like beauty care)	\$
FINANCE	Fees for cashier's checks and money transfers	\$
	Prepaid cards and phone cards	\$
	Bank or credit card fees	\$
	Other fees	\$
OTHER	School costs (like supplies, tuition, student loans)	\$
	Other payments (like credit cards and savings)	\$
	Other expenses this month	\$
Total monthly expenses		\$ 0.00

Expenses

$$\begin{array}{c}
 \$ \quad 0.00 \\
 \text{Income}
 \end{array}
 -
 \begin{array}{c}
 \$ \quad 0.00 \\
 \text{Expenses}
 \end{array}
 =
 \begin{array}{c}
 \$ \quad 0.00
 \end{array}$$

Maybe your income is more than your expenses. You have money left to save or spend.

Maybe your expenses are more than your income. Look at your budget to find expenses to cut.

[Print Form](#)

Bill Calendar



Month: _____

SUN ____	MON ____	TUE ____	WED ____	THUR ____	FRI ____	SAT ____	Total bills for week
SUN ____	MON ____	TUE ____	WED ____	THUR ____	FRI ____	SAT ____	Total bills for week
SUN ____	MON ____	TUE ____	WED ____	THUR ____	FRI ____	SAT ____	Total bills for week
SUN ____	MON ____	TUE ____	WED ____	THUR ____	FRI ____	SAT ____	Total bills for week

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, attorney, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive information. The CFPB does not collect this information and is not responsible for how your information may be used if you provide it to others. The CFPB recommends that you do not include names, account numbers, or other sensitive information and that users follow their organization's policies regarding personal information.

Net-Worth Calculation Worksheet

An important step in gaining financial control is to calculate your net worth (assets - debts). Every year, your net worth should be tabulated to review your progress and compare it with your financial goals. In addition, a net-worth statement is a valuable aid in planning your estate and establishing a record for loan and insurance purposes.

Assets (What You Own)

Cash:

Cash On Hand	_____
Checking Account	_____
Savings Accounts	_____
Money Market Funds	_____
Cash Value of Life Insurance	_____
Other	_____

Real Estate/Property:

Home	_____
Land	_____
Other	_____

Investments: (*Market Value*)

Certificates of Deposit	_____
Stocks	_____
Bonds	_____
Mutual Funds	_____
Annuities	_____
IRAs	_____
401(k), 403(b), 457 Plans	_____
Pension Plan	_____
Other	_____

Personal Property: (*Present Value*)

Automobiles	_____
Recreational Vehicle/Boat	_____
Home Furnishings	_____
Appliances and Furniture	_____
Collections	_____
Jewelry and Furs	_____
Other	_____

Total Assets	_____
---------------------	-------

Liabilities (What You Owe)

Current Debts:

Household	_____
Medical	_____
Credit Cards	_____
Department Store Cards	_____
Back Taxes	_____
Legal	_____
Other	_____

Mortgages:

Home	_____
Land	_____
Other	_____

Loans:

Bank/Finance Company	_____
Bank/Finance Company	_____
Automobile	_____
Recreational Vehicle/Boat	_____
Education	_____
Life Insurance	_____
Personal (from family or friends)	_____
Other	_____

Total Liabilities	_____
--------------------------	-------

Total Assets Minus Total Liabilities = Net Worth



Questionnaire

NAME OR NUMBER

Part 1: How well does this statement describe you or your situation?

This statement describes me	Completely	Very well	Somewhat	Very little	Not at all
1. I could handle a major unexpected expense	☐	☐	☐	☐	☐
2. I am securing my financial future	☐	☐	☐	☐	☐
3. Because of my money situation, I feel like I will never have the things I want in life	☐	☐	☐	☐	☐
4. I can enjoy life because of the way I'm managing my money	☐	☐	☐	☐	☐
5. I am just getting by financially	☐	☐	☐	☐	☐
6. I am concerned that the money I have or will save won't last	☐	☐	☐	☐	☐

Part 2: How often does this statement apply to you?

This statement applies to me	Always	Often	Sometimes	Rarely	Never
7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month	☐	☐	☐	☐	☐
8. I have money left over at the end of the month	☐	☐	☐	☐	☐
9. I am behind with my finances	☐	☐	☐	☐	☐
10. My finances control my life	☐	☐	☐	☐	☐

Part 3: Tell us about yourself.

11. How old are you?	☐ 18-61	☐ 62+
12. How did you take the questionnaire?	☐ I read the questions	☐ Someone read the questions to me

Appendix B

Small Dollar Lending Resources

Alternative Ways to Facilitate Access to Loan Funds & Products	110
Federal Legislation That Impacts Small Dollar Loans	113
Consumer Installment Loan Regulations By State	114
Choosing and Using Software for CBA Reporters	119

Alternative Ways to Facilitate Access to Loan Products and Funds

Not every organization hoping to offer loans has to become a lender. Much of this toolkit attempts to guide organizations through the steps of creating and offering their own loan product, but this is not the only way. Below we provide examples of alternate ways to facilitate access to loan products and funds. It is worth noting that none of these options are mutually exclusive.

1. REFER TO A LENDER

Leveraging an existing product already offered by a bank, credit union, or nonprofit lender that more or less meets the needs of your target population can be an ideal route. In this case, you can work with the lender to tweak the product (if necessary) and set up a clear referral process. This may include signing a memorandum of understanding (MOU), establishing guidelines around data sharing, designating a specific point person whom is responsible for referrals, and collecting the lenders marketing materials to keep at your organization.⁵⁹



The **New York City Housing Authority (NYCHA)** refers residents to Urban Upbound, a long-time CBA member based in Queens, New York, whose mission is to provide residents of public housing neighborhoods the tools and resources needed to achieve economic mobility and self-sufficiency and to break cycles of poverty. In 2010, Urban Upbound mobilized residents to launch a credit union, Urban Upbound Federal Credit Union, the first to open in Queens in 30 years. Today, the credit union provides capital, credit-building loans and other asset-building services to its members, comprised largely of public housing residents.

2. PARTNER WITH A LENDER

Partnering with a nonprofit lender or a bank or credit union to create a new product can save you the administrative hassle of managing a loan fund, but give you the opportunity to be involved in the loan development from the beginning. Using this toolkit, you can work with a partner to create a loan product that meets your target population's needs. Your organizational involvement can vary depending on how much time, resources, and control you want to invest into the loan process. Below are three potential options organized from low to high effort on the part of your organization. Once you choose a partner and partnership model that seems like a good fit, we advise seeking legal counsel to solidify expectations around responsibilities and liabilities.

- A. **Refer.** Similar to the “refer to a lender” option above, in this approach your organization would work with a lender to establish referral procedures and jointly market the loan, but play a hands-off role in providing and servicing the loan.

⁵⁹ Again, the United States Department of Health and Human Services’ “Planning Guide for Building Financial Capability” is a helpful resource that guides organization through the logistics of forming partnerships.



Guidewell Financial Solutions, a nonprofit that provides financial education and counseling, wanted to incorporate tangible credit building strategies into its array of services but did not have the capacity to become a lender. Instead, Guidewell joined the Credit Building Nation Initiative—a partnership model created by Justine PETERSEN (JP), a nonprofit lender, that is helping to expand access to credit building across the country. Through that partnership, Guidewell is now able to offer clients JP's Save2Build credit building loan.

- B. **Refer and share costs of loan provision.** In this approach, your organization would make a financial investment in the loan fund to offset some (or all) of the costs to the lender. This can be done strategically so that your organization can exert more control over the loan features, for instance, to ensure low-rates or fees and/or to loosen underwriting criteria. For example, your organization could provide the loan loss reserve funds to guarantee the loans so that the lender feels more comfortable lending to “higher risk” borrowers.



Bradley Angle, a Portland, Oregon based nonprofit serving survivors of domestic violence, partnered with their local CDFI, Innovative Changes (IC\$), to offer economic empowerment loans. Bradley Angle provided financial backing—the loan capital and loan loss reserve funds—and Innovative Changes administered and serviced the loans. Because of this partnership, IC\$ was able to offer the loans with a lower interest rate and fees than their other loan products.

- C. **White label loans.** White labeling means that your organization provides the loans in-house, but a partner does the back-end servicing of the loans. This model is good for organizations that have staff with the capacity (time and knowledge) to work with borrowers, but don't want to invest in the infrastructure and jump through the regulatory hoops needed to be a lender. The cost of this arrangement varies. In some cases the lender may require a nonprofit to cover the full costs of loan provision, and in other cases the lender may charge a monthly or annual flat fee or fee based on loan volume.



Nonprofits throughout Texas and Indiana are now able to partner with the **Rio Grande Valley (RGV) Multibank**, a Texas-based CDFI founded through the Community Development Corporation (CDC) of Brownsville, to become Community Loan Centers (CLCs). CLCs partner with employers in their community to offer small dollar consumer loans to employees. The CLC does the front-of-house loan provision, while the CDC of Brownsville owns the loan, and the RGV Multibank services and manages the loans. The CLCs are responsible for reporting the loans to the credit bureaus, and take on the liability for the loans. (It's complex, we know!)

3. LENDING CIRCLES

Lending circles or peer-to-peer lending groups, are a prevalent loan alternative around the globe.⁶⁰ In Mexico they are called “tandas” and in the Philippines, “paluwagan.” Since the loan funds are provided by lending circle participants, this is a low-cost way to offer credit building loans within your community. Yet, your organization must have the capacity to implement the program.



In the United States, **Mission Asset Fund** has pioneered and facilitated the spread of a formalized model of Lending Circles marketed as “zero-interest credit building social loans.” Mission Asset Fund provides training, implementation support, and tools for organizations interested in facilitating Lending Circles within their community.

4. ONLINE LENDERS

Partnering with or referring to a licensed and reputable online lender is also an option. Though there is still some reasonable skepticism to be applied, there are more and more self-proclaimed socially-responsible online lenders that do seem to be making an effort to replace traditional payday and other more predatory lenders with better, but still risk-based priced loans.



PROGRAM EXAMPLES

- **eMoneyPool** facilitates and secures online Lending Circles.
- **Lift Fund**, a nonprofit based in Texas, provides online loans to small business owners in seven southern U.S. states. Their loans range from \$500 to \$1 million, and the average borrower has a credit score of 575. Additionally, LiftFund manages Microloan Management Services®(MMS®), a web-based lending platform that handles the back end processes of application, underwriting, and loan closings for small business lenders. LiftFund uses a proprietary underwriting algorithm that consists of a combination of data analytics and psychometric indicators for underwriting loans to those with subprime or no credit scores.

5. CROWD-SOURCED LENDING⁶¹

Similar to lending circles, crowd-sourced lending means that someone provides loan funds directly to the borrower, takes on the risk of borrower default, and receives a modest rate of return (if any) as the borrower repays the loan. This type of lending, made popular by the nonprofit Kiva, often relies on a user-friendly online platform that features compelling borrower stories, and a socially-minded investor base that is willing to “take a chance” on a borrower.

⁶⁰ Mission Asset Fund. “Lending Circles.” Retrieved Oct. 29 2017 from <https://missionassetfund.org/lending-circles/>

⁶¹ CBA is currently working on solutions for helping lenders who have crowd-sourced funding become credit bureau reporters.

Federal Legislation That Impacts Small Dollar Loans

- ***The Truth in Lending Act (TILA), Regulation Z:*** Lenders are required to disclose loan terms and annual percentage rates. Regulation Z also requires lenders to provide advertising disclosures, credit payments properly, process credit balances in accordance with its requirements, and provide periodic disclosures.
- ***The Equal Credit Opportunity Act (ECOA), Regulation B:*** Sets forth requirements for accepting applications and providing notice of any adverse action, and prohibits discrimination against any borrower with respect to any aspect of a credit transaction:
 - On the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);
 - Because all or part of the applicant's income derives from any public assistance program; or
 - Because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.
- ***The Gramm-Leach-Bliley Act (GLBA):*** Prevents financial institutions from impermissibly sharing a consumer's nonpublic personal information with third parties, and requires that financial institutions disclose their privacy policies.
- ***The Electronic Fund Transfer Act (EFTA), Regulation E:*** Protects consumers engaging in electronic fund transfers. Among other things, Regulation E prohibits lenders from requiring, as a condition of loan approval, a customer's authorization for loan repayment through a recurring electronic funds transfer (EFT), except in limited circumstances.
- ***The Fair Credit Reporting Act (FCRA):*** Requires that furnishers of information to consumer reporting agencies ensure the accuracy and integrity of the data they report. Additionally, the FCRA prohibits the use of consumer reports for impermissible purposes, and requires users of consumer reports to provide certain disclosures to consumers. The FCRA also limits certain information sharing between affiliated companies.
- ***The Fair Debt Collection Practices Act (FDCPA):*** Governs collection activities conducted by: third-party collection agencies collecting on behalf of lenders; lenders collecting their own debt using an assumed name, to suggest that a third person is collecting or attempting to collect such debt; and any collection agency that acquires the debt, if the collector acquired the debt when it already was in default.

Consumer Installment Loan Regulations - State

State	1. License Required	2. Regulator	Legal Code/Source	URL
<u>Alabama</u>				
<u>Alaska</u>	Yes	Department of Commerce, Community and Economic Development, Consumer Finance Section of the Division of Banking and Securities	Alaska Statutes 06.20	http://www.commerce.state.ak.us/bsc/consumer.html
<u>Arizona</u>				
<u>Arkansas</u>	Not at this time	Arkansas Attorney General	Amendment 89 of the Arkansas Constitution	http://paydayloaninfo.org/state-information/11
<u>California</u>				
<u>Colorado</u>	Yes	Uniform Consumer Credit Code	5-2.1-201 et seq	http://www.coloradoattorneygeneral.gov/departments/consumer_protection/uccc_cab/uccc
<u>Connecticut</u>				
<u>Delaware</u>	Yes	Office of the State Bank Commissioner	5 Del. C. 22	http://banking.delaware.gov/information/nonepsearch.shtml
<u>DC</u>	Yes	Department of Insurance, Securities and Banking	28-3301	http://disb.dc.gov/dsr/cwp/view,a,1299,Q,634434,dscrNav,%7C32821%7C,.asp
<u>Florida</u>	Yes	Office of Financial Regulation	2011 Florida Statutes, Title XXXIII, Chapter 516	http://www.flofr.com/Consumer/Verify.aspx
<u>Georgia</u>	Yes	Office of Commissioner of Insurance for loans under \$3,000 FTC for loans over \$3K per TILA	OCGA Title 7 Chapter 3	http://dbf.georgia.gov/00/channel_title/0,2094,43414745_46384550,00.html
<u>Hawaii</u>	Depends	Department of Commerce & Consumer Affairs, Division of Financial Institutions	480F-1	http://hawaii.gov/dcca/dfi

<u>Idaho</u>	Yes	Department of Finance, Consumer Finance Bureau	28-46-302	http://finance.idaho.gov/ConsumerFinance/ConsumerCredit.aspx
<u>Illinois</u>	Yes	Division of Financial Institutions, Consumer Credit Section	815 ILCS 122/1-1 et seq	http://www.idfpr.com/dfi/ccd/ccd_main.asp
<u>Indiana</u>	Yes	Department of Financial Institutions	24-4.5-7-101	http://www.in.gov/dfi/2385.htm
<u>Iowa</u>	Yes	Division of Banking	533D.1	http://www.idob.state.ia.us/
<u>Kansas</u>	Yes	Office of the State Bank Commissioner, Consumer and Mortgage Lending Division	16a-2-404	http://www.osbckansas.org/DOCML.html
<u>Kentucky</u>	Yes	Department of Financial Institutions	KRS 286.4	http://www.kfi.ky.gov/industry/Pages/loan.aspx
<u>Louisiana</u>	Yes	Office of Financial Regulation	RS 9:969.9	http://ofi.louisiana.gov/
<u>Maine</u>	Yes	Bureau of Consumer Credit Protection	Title 9a section 401 (9-A Me.Rev.Stat.Ann. 2-401)	http://www.maine.gov/pfr/consumercredit/index.shtml
<u>Maryland</u>	Yes	Office of the Commissioner of Financial Regulation	Code Ann. § 12-301 - 317	http://www.dllr.state.md.us/finance/industry/consumerlend.shtml
<u>Massachusetts</u>	Yes	Division of Banks	209 CMR 26.00: Loans Regulatory Board	http://www.mass.gov/ocabr/government/oca-agencies/dob-lp/

Michigan	Yes	Office of Financial and Insurance Regulation	Department of Licensing and Regulatory affairs office of financial and insurance regulation	http://www.michigan.gov/lara/0,4601,7-154-10555_13251_13257---,00.html
Minnesota	Yes	Minnesota Commerce Department	47.59	http://mn.gov/commerce/banking-and-finance/financial-institutions/finance-companies/
Mississippi	Yes	Department of Banking and Consumer Finance	Mississippi Code SEC. 75-17-1.	http://www.dbcf.state.ms.us/
Missouri	Yes	Consumer Credit, Division of Finance	408.500 - 408.506	http://finance.mo.gov/consumercredit/
Montana	Yes	Department of Administration, Division of Banking and Financial Institutions	32-5-101	http://banking.mt.gov/consumerloan.mcpx
Nebraska	Yes	Department of Banking and Finance	Chapter 45	http://www.ndbf.ne.gov/index.shtml
Nevada	Yes	Financial Institutions Division, Department of Business and Industry	675	http://fid.state.nv.us/
New Hampshire	Yes	Banking Department	Title 36, Chapter 399	http://www.nh.gov/banking/consumer.html
New Jersey	Yes	Division of Banking and Insurance, Division of Banking	No Specific Payday Lending Statues and/or require Lenders to Comply With Interest Rate Caps on Consumer Loans	http://www.state.nj.us/dobi/division_consumers/finance/financialinstitutions.htm
New Mexico	Yes	Financial Institutions Division	NMCPR Title 12	http://www.rld.state.nm.us/FID/index.html
New York	Yes	Department of Financial Services	New York Banking Law Article 9	http://www.dfs.ny.gov/consumer/dfs_consumers.htm
North Carolina	Yes	Office of the Commissioner of Banks	Chapter 53 Article 15	http://www.nccob.gov/public/FinancialInstitutions/CF/CFMain.aspx
North Dakota	No	Department of Financial Institutions	13-04-01	http://www.legis.nd.gov/information/acdata/html/..%5Cpdf%5C13-04-01.pdf
Ohio	Yes	Department of Commerce, Division of Financial Institutions	1321.01	http://com.ohio.gov/fiin/

Consumer Installment Loan Regulations - State

State	1. License Required	2. Regulator	Legal Code/Source	URL
Oklahoma	Yes	Department of Consumer Credit	Title 14-A	http://www.ok.gov/okdocc/
Oregon	Yes	Department of Consumer and Business Services, Division of Finance and Corporate Securities	Oregon Revised Statutes, Ch. 725	http://www.cbs.state.or.us/dfcs/consumer_finance.html
Pennsylvania	Yes	Department of Banking; Bureau of Licensing, Compliance and Investigation	P.L. 262, No. 66	http://www.portal.state.pa.us/portal/server.pt/community/licensees/18274/consumer_discount_2_5/597016
Rhode Island	Yes	Division of Banking	19-14	http://www.dbr.state.ri.us/about/
South Carolina	Yes if the loan exceeds 12% APR	Department of Consumer Affairs	Title 34, Chapter 29	http://www.sccconsumer.gov/licensing/credit_sales.htm
South Dakota	No	Not Regulated	N/A	http://dlr.sd.gov/banking/consumers.aspx
Tennessee	No	Not Regulated	N/A	http://state.tn.us/tdfi/compliance/compindex.html
Texas	Yes	Office of Consumer Credit Commissioner	Title 4B, Chapter 342A	http://www.occ.state.tx.us/pages/agency/Index1.html
Utah	Yes	Department of Financial Institutions	Utah Code Title 70C, Chapter 2, Section 101	http://www.dfi.utah.gov/OtherInt.htm
Vermont	Yes	Department of Banking, Insurance, Securities and Health Care Administration; Division of Banking	Title 8, Chapter 85	http://www.bishca.state.vt.us/banking/banking-division
Virginia	Yes	State Corporation Commission; Bureau of Financial Institutions	Section 6.2-1500	http://www.scc.virginia.gov/bfi/index.aspx
Washington	Yes	Division of Consumer Services	Chapter 208-620 WAC	http://www.dfi.wa.gov/cs/default.htm

Consumer Installment Loan Regulations - State

State	1. License Required	2. Regulator	Legal Code/Source	URL
West Virginia	Yes	Division of Banking	46A-4-101	http://www.wvdob.org/
Wisconsin	Yes	Department of Financial Institutions; Division of Banking	138.14	http://www.wdfi.org/
Wyoming	Yes if the loan exceeds 10% APR	Wyoming Division of Banking	40-14-362	http://audit.state.wy.us/banking/



Choosing and Using Software for CBA Reporters



Top Ten Metro 2 Software Considerations

The following tips capture our top-ten considerations and recommendations for non-profit microlenders looking to purchase or upgrade Metro 2 software for consumer and/or commercial reporting.

1. Cost

Each program has its own bells and whistles while staff time, technical expertise, portfolio size, and loan variety that will ultimately inform your decision. Ranging from a few hundred to a few thousand dollars, any software should be viewed as an investment in both credit building and capacity building.

Below \$1000

- Basic loan management with standard, compliant Metro 2 file creation.
- Designed for small portfolios (roughly 50 loans) and few loan products.
- Consumer, and in few cases, commercial reporting capability.
- Account corrections can be labor intensive, requiring multiple touches and account reviews.
- Customer service and tech support are minimal, often requiring users to refer to manuals to troubleshoot.
- Limited user access included in license agreement, roughly 1-to-2 people.

\$1000-\$3000

- Basic-to-intermediate loan management with standard, compliant Metro 2 file creation.
- Designed for medium portfolios (50-250 loans) and most loan products.
- Consumer, and in most cases, commercial reporting capability.
- Account corrections are automated, but user may find cases of system inflexibility when making updates.
- Customer service and tech support are inclusive, but not unlimited.
- Limited-to-advanced funder reports that may require additional modules from vendor.
- Inclusive user access with license agreement, roughly 1-to-5 people.

\$3000 and Up

- Advanced loan management with standard, compliant Metro 2 file creation.
- Designed for large portfolios (250-500 loans) and all loan products.
- Consumer and commercial reporting capability.
- Account corrections are highly automated, requiring little-to-no touch from user.



Choosing and Using Software for CBA Reporters



- High-to-unlimited customer service and tech support.
- Advanced report generation beyond Metro 2, including SBA, CDFI, and ORR funder reports.
- Inclusive user access with license agreement, generally unlimited unless otherwise stated by vendor.

CBA has unique relationships with numerous software vendors such as Portfol, DownHome Solutions, and Common Goals/TEA that provide discounts on licensing fees or reporting modules to CBA members. Some vendors, such as the Trakker, provide discounts to all nonprofit organizations or offer tiered pricing based on portfolio size.

Many CBA Reporters have also found success in reaching out to foundations and local bank partners for software set up funding since they value Metro 2 software's ability to track outcomes in a consistent, standardized fashion while playing an ever critical part in helping clients boost credit scores in an accurate, consistent manner.

2. Capability to report prior history/closed loans

New CBA Reporters overwhelmingly value Metro 2 software with the capability to report previous loan repayments so that borrowers do not miss months of positive credit-building activity due to either delayed set-up or system inflexibility. Expect to purchase software in the mid or high range, such as DownHome Solutions (DLM) and Portfol, which allow lenders to also opt to exclude history before a certain date, or report both active and closed/paid-in full loans with up to 24 months of previous payment history.

Some low-end systems, including The Credit Manager, can populate historical data. Some others in the mid- and high-range like Common Goals/TEA and GMS have options that require more user input to populate prior payment history. Currently systems including LSSI's Servicer 3D do not have this functionality in place.

3. Capability to do specialized reporting such as commercial or mortgage data

Commercial lenders that plan to report loan repayments to D&B and Experian Business will need software that incorporates commercial data into their monthly Metro2 file – business names in the J2 segment with an ECOA Code of W – or generate a separate file specifically for commercial data. Commercial reporting software includes DownHome Solutions (DLM), GMS, Portfol, and The Credit Manager. Other vendors are close to developing this functionality, and we will be sure to share updates with CBA Reporters as they become available.

Mortgage lenders require software with escrow account management and should select reporting software such as the Trakker and DownHome Solutions (DLM) which a host of features including escrow category definitions.

Expect to purchase software in the mid or high range for commercial reporting and/or mortgage reporting.



Choosing and Using Software for CBA Reporters



4. Capability to create SBA 504, CDFI, EDA, and ORR reports:

Each Metro2 software program is designed to meet data reporting requirements, and in some cases, will have additional features. Some include built-in reports, others include pre-built modules for CDFI and SBA reports, and others still include customizable reports for extensive reporting and data tracking. Expect to purchase software in the mid or high range for specialized reports – robust systems including Portfol, DownHome Solutions (DLM), and the Trakker generate a wide range that can be shared with everyone from funders to board members. Systems including Common Goals/TEA also have support in place to design custom reports to stakeholders as needed.

5. Flexibility to make updates and corrections

During software demonstrations and discussions with vendors, we recommend gauging how difficult it is to override account errors or make consumer information updates in a given system. Whether it be the number of keystrokes or the amount of time, it is critical to know approximately how much effort users are expected to exert when making corrections.

Select systems may also lack a full range of Equal Credit Opportunity Act (ECOA) codes, which are used to designate a borrower's legal obligation to a particular loan. ECOA codes X (Deceased), T (Terminated), and Z (Delete) often come in handy for long-term loan products, such as mortgages, where borrower liabilities may shift over the life of the loan. See our tip sheet on ECOA codes to learn how these codes are used.

Additional select systems including DownHome Solutions (DLM) allow mid-month corrections for organizations that wish to update account corrections outside of the monthly reporting cycle. CBA Reporters could make effectively make updates anytime and upload them to the secure site, where we will review and send them to the bureaus for immediate processing.

6. Process automation level

Portfolio size, staff size, and technical expertise generally factor in the level of automation required in Metro 2 software, and new CBA Reporters can expect to purchase a program in the high range for advanced automation.

Organizations with large portfolios often require this feature since more loans means more time for underwriting, posting transactions, tracking activity, sending borrower notifications, and generating reports for stakeholders. In some cases organizations with small portfolios have more flexibility in the amount of time and energy they are able dedicate to manually updating accounts in their software system, however, their lack of software savvy may sway them towards software with more automation than less.

7. Integration with other program software

Not all loan management systems are able to generate a Metro 2 file, but there are ways to bridge existing systems to create the file without having to investment in a new platform. There are currently stand-alone Metro2 software options for lenders that use Excel and Access to track loan repayments, such as The Credit Manager Pro Version, converting them into the required format for consumer and commercial bureau databases integration. Some



Choosing and Using Software for CBA Reporters



also integrate with Salesforce, QuickBooks, or other systems an organization has in place. A notable example includes DownHome Solutions (DLM) with QuickBooks among others. Costs vary, so you can expect to pay a minimal or moderate amount depending on your particular integration goals. Some higher cost software also integrates many other systems in itself to create your one-stop-shop – including accounting, grants management, customer relation management, marketing and more. Consider the other systems you use now, and if you are committed to using them long-term.

8. Tech support availability

Technical support varies depending on the software package purchased. Generally lower-cost programs offer limited set-up and technical support, whereas higher-priced programs provide advanced demonstrations, product offerings, and ongoing support. Some may require a separate service contract, while some are more user friendly overall. Expect to purchase software in the mid or higher range for ongoing tech support, or when appropriate, factor in costs for out-of-cycle assistance.

Keep in mind the level of technical literacy you and your colleagues have, and be frank about how much help you may need. Also draft a list of questions for your potential software vendor, including the level of technical training their staff and/or users have, how their programs are updated – software patches, downloadable versions, etc.— and their ability to respond to requests in a timely manner.

9. Number of users allowed in licensing packages

Licensing agreements often limit the number of unique individuals with access to software platforms, which can be burdensome for larger organizations that require interagency efforts or multiple loan officers. Expect to purchase mid or high costs software to obtain inclusive user access ranging from a few to unlimited number of users. CBA Reporters should understand the software packages they purchase, and whenever possible, include details in their policies and procedures such as login information and license keys should it get lost during staff transitions.

10. Customization/Module options

Various software programs have core platforms that can be customized with performance or metric modules, providing a complete package with potential for add-on features as needed. Customization equates to flexibility, however, the costs are often underappreciated and quickly rise based on vendor menu options. Ask yourself which software is best for your needs now, as well as your needs in the future. Some organizations experience drastic changes in their portfolio size or funder reporting based on new grants and/or certifications, and consequently, demand additional features overtime. The ultimate goal is to select flexible software that has, or is capable of having, desired modules that could benefit all program goals.



Choosing and Using Software for CBA Reporters



Metro2 software providers

Below we have created a comprehensive list of software providers for nonprofit lenders looking to purchase or upgrade Metro 2 software for consumer and/or commercial reporting. The bolded options are preferred based on their customer service, functionality, popularity, and discounts to CBA members.

- **Common Goals/The Exceptional Assistant (TEA)**
www.commongoals.com
(800) 354-5152
info@commongoals.com
- **DownHome Solutions (DLM)**
www.downhomesolutions.com
(800) 354-5152
info@commongoals.com
- **FedComp**
www.fedcomp.com
(800) 733-3266
- **FISC**
www.fics.com/index.cfm/mortgage-loan-servicing-software/5
972-458-8583
info@FICS.com
- **GMS Accounting**
www.gmsactg.com
(800) 933-3501
gms@gmsactg.com
- **iiCredit:**
iicredit.indianeractive.com/about
(307) 828-1618
- **Servicer 3D (LSSI Loanbase):**
www.servicer3d.com
(877) 879-5774
Servicer3d@emphasys-software.com
- **Nortridge**
www.nortridge.com
(800) 933-6227
sales@nortridge.com
- **PCFS Solutions:**
www.pcfssolutions.com
(714) 674-0009
- **Philadelphia Industrial Develop Corp (PIDC) – Portfol:**
www.portfol.com
(800) 200-PIDC (7432)
jdebellis@portfol.com
- **The Mortgage Office (TMO):**
www.themortgageoffice.com
(800) 833-3343
- **The Trakker:**
www.thetrakker.com
(800) 326-4112
sales@thetrakker.com

Additionally, there are stand-alone software options for lenders managing small portfolios with in-house software (i.e. Excel or Access) that do not offer Metro2 capacity:

- **The Service Bureau (TSB)/Credit Manager 4:**
www.tsbsoftware.com
(801) 334-0051

Have additional questions?

Each platform has its own bells and whistles while staff time, technical expertise, portfolio size, and loan variety will ultimately inform your software purchase. Ranging from a few hundred to a few thousand dollars, all software should be viewed as an investment in both credit building and capacity building. Please consult with CBA staff before making your selection. We can be reached at (202) 730-9390 or membership@creditbuildersalliance.org at your convenience.

Appendix C

Sample Loan Documents

Sample Policies and Procedures FY17 (Northwest Access Fund)	125
Sample Credit Reporting Policy	144
Sample Loan Outreach Materials (Self Help Credit Union)	149
Sample Loan Application (Innovative Changes)	150
Sample Approval Letter (Northwest Access Fund)	154
Sample Denial Letter (Innovative Changes)	155
Sample Credit Score Disclosure Notice (Federal Trade Commission)	157
Sample Loan Agreement (Innovative Changes)	159
Sample Automatic Clearing House (ACH) Form (Northwest Access Fund)	164
Sample Customer Feedback Survey	165
Sample Customer Feedback Survey (Northwest Access Fund)	166
Sample Late Notice (Innovative Changes)	167
Sample Adverse Action Letter (Cornell Law School)	168
Sample Loan Payoff Letter (Northwest Access Fund)	170

Sample Policies and Procedures FY17 (Northwest Access Fund)

I. Loan Underwriting Policies & Procedures

Consumer Oversight: The Northwest Access Fund is a certified Community Development Financial Institution (“CDFI”) that seeks to improve the socio-economic circumstances of Washington residents with disabilities through access to affordable credit, financial counseling and related services. By the terms of its bylaws and organizing documents – and in practice -- NORTHWEST ACCESS FUND’s Board is majority controlled by individuals with disabilities. NORTHWEST ACCESS FUND makes an active attempt to recruit individuals with a range of disabilities as Board members, Committee members and employees. Individuals with disabilities participate in all levels of decision making within the organization including Board committees. In addition, NORTHWEST ACCESS FUND seeks consumer feedback on its programs through contact with other community organizations, participation in community events and other methods including surveys and focus groups – all with the goal of maintaining consumer oversight and responsiveness in the administration and implementation of its programs.

Loan Policies & Procedures: NORTHWEST ACCESS FUND’s loan policies and procedures are established by its Board of Directors. At least annually, and more frequently if needed, the Board will review and revise NORTHWEST ACCESS FUND’s loan policies and procedures based upon the recommendations of its Loan Review Committee (Attachment A). NORTHWEST ACCESS FUND is a direct lender – meaning that it markets, receives, underwrites, closes and services its Assistive Technology and Telework (Employment and Self Employment) Loans directly to individual borrowers. The Loan Review Committee may recommend, and the Board may authorize, contracts with other financial institutions for the purpose of attaining efficiencies or access to expertise and resources in marketing, underwriting, closing or servicing of its loans. NORTHWEST ACCESS FUND also may contract with other organizations for the purpose of establishing new loan products. Different policies and procedures may apply to loans issued under such contracts. In all cases, such policies will be approved by the Board based upon the recommendations of the Loan Review Committee.

A. Definitions

1. Assistive Technology Device: Any device used to maintain or enhance the independence, quality of life or functional capabilities of an individual with a disability. Whether a particular device qualifies as assistive technology is determined on a case by case basis using a functional analysis consistent with U.S., Rehabilitation Services Administration Technical Assistance Circular RSA-TAC-06-02 dated September 7, 2006, and parameters established by other funding sources, such as the CDFI Fund.

2. Assistive Technology Service: Any service that directly assists an individual with a disability in the selection, acquisition, or use of an assistive technology device. Such term includes, but is not limited to:

- Evaluation of the assistive technology needs of an individual with a disability;
- Repairing or replacing of an assistive technology device;
- Training or technical assistance relating to the use of an assistive technology device.

Whether a particular service qualifies as an assistive technology service is determined on a case by case basis consistent with U.S., Rehabilitation Services Administration Technical Assistance Circular

RSA-TAC-06-02 dated September 7, 2006, and parameters established by other funding sources, such as the CDFI fund.

3. Individual with a disability: An individual with a mental, physical, or sensory impairment who meets the definition of an individual with a disability under Federal or State Law. Specific documentation of disability will be required only in those circumstances where it is not obvious from the individual's application or the nature of the equipment or technology purchased. Such documentation may include, but is not limited to: a written statement from a doctor or other medical professional; current medical records; a disability benefits award letter or other written finding from a relevant social service agency including, for example, the Division of Developmental Disabilities, Department of Services for the Blind and the Division of Vocational Rehabilitation.

4. Telework (Employment or Self Employment): Per the U.S. Department of Education Circular dated April 2, 2007 and incorporated herein Telework includes:

(a) Full or part-time employment or contract employment performed, in whole or in part, at a Telework location appropriate to the individual's disability and employment and approved by the Loan Review Committee.

(b) Self-employment performed, in whole or in part, at a location appropriate to the individual's disability and employment and approved by the Loan Review Committee.

5. Telework (Employment or Self Employment) Equipment: Any device or apparatus needed to effectively perform employment or self employment, or actively pursue employment or self employment, and any service that directly assists with the selection, acquisition or use of such equipment or device. The term, Telework equipment, includes but is not limited to:

- Computers, printers and related peripherals;
- Software and software licenses;
- Fax machines;
- Scanners;
- Office machines (e.g., calculators);
- Telecommunication devices and services
- Office furniture
- Home and work space modifications as needed to effectively perform Telework
- Motor vehicles as needed to effectively perform Telework
- Manufacturing and fabrication equipment and
- Assistive technology as needed to effectively perform Telework.

Telework services include but are not limited to:

- training to use Telework equipment and devices,
- maintenance agreements and extended warranties for Telework equipment and devices, and
- repair expenses for Telework equipment or devices.

Equipment does not include raw materials and inventory for businesses. However, per the U.S. Department of Education Circular dated April 2, 2007 incorporated herein, Telework loans may be used to purchase inventory and supplies associated with a Telework business equipment loan.

B. Eligibility & Outreach: NORTHWEST ACCESS FUND's Assistive Technology and Business loans are available to all Washington and Oregon residents with disabilities regardless of type of disability, age, income level, location of residence within the state or type of device, service or equipment sought. A resident is defined as a person who currently lives in Washington or Oregon and intends to continue living here permanently or for an indefinite period of time. NORTHWEST ACCESS FUND makes a special effort to serve individuals whose income, net worth or credit history make it difficult for them to procure traditional financing (NORTHWEST ACCESS FUND's "target market"). Borrowers must nevertheless demonstrate creditworthiness and/or an intent and ability to repay the loan. NORTHWEST ACCESS FUND makes a special effort to market its loan products throughout the states of Washington and Oregon to individuals of all ages with disabilities of all types and from a variety of racial, cultural and ethnic backgrounds. Attachment B.

1. Assistive Technology Loans: Washington and Oregon state residents with disabilities of all ages with disabilities of all types to finance purchases of assistive technology devices and services and/or home or vehicle accessibility modifications and/or family members and representatives including employers for the benefit of such individuals. Ownership of the technology must vest in the individual and/or family members and representatives if used for the benefit of such individuals.

2. Telework Loans: Washington and Oregon state residents of all ages with disabilities of all types to finance purchases of equipment needed for Telework purposes and/or family members or other representatives (including employers) for the benefit of such individuals. Ownership of the equipment must vest in the individual with a disability and/or family members and representatives if used for the benefit of such individuals. Telework loans that are funded through the CDFI fund may also be used for business working capital.

C. Loan Policies

1. Loan Amounts: Allowable loan amounts for the Assistive Technology and Telework loans will be set annually by the Board depending upon available loan capital and expected demand. The maximum amount of any single loan for the Fiscal Year beginning on October 1, 2016 and ending on September 30, 2017 is \$25,000 for Assistive Technology loans, and for Telework employment loans, up to \$10,000 for startup business (self employment) loans (businesses operating less than two years), and \$25,000 for established businesses (operating for at least two years). The Loan Review Committee may make recommendations to the Board for loans that exceed the maximum loan amount after consideration of the borrower's ability to repay, the impact on the availability of loan capital for other borrowers and overall risk to the portfolio. Loan funds may be combined with other financial resources.

2. Loan Terms: Loan terms up to five (5) years are allowable depending upon the useful life of the items purchased and the borrower's ability to repay. (Exception noted in section 13 for vehicles) The Loan Review Committee may approve loans with longer terms on a case by case basis except that the term of the loan may not exceed the useful life expectancy of the equipment to be purchased.

3. Interest Rates: For Fiscal Year 2017 the interest rate will be set at 5%. Interest rate policies will be set annually by the Board based upon the recommendations of the Loan Review Committee. The interest rate will be reviewed at least annually.

4. Loan Fees: No loan fees will be charged for the Fiscal Year beginning on October 1, 2016 and ending on September 30, 2017. Loan fees and costs will be set annually by the Board based upon the recommendations of the Loan Review Committee.

5. Titles, Liens & Security Interests. Equipment and devices purchased with ACCESS FUND loans will be titled in the name of the individual with a disability (unless the individual is under 18 years of age in which case it will be titled in the name of an appropriate family member or legal guardian). NORTHWEST ACCESS FUND will take a security interest in the equipment, device or service whenever possible and may request additional collateral or security in other borrower assets as needed to protect against the risk of loss. In the case of a vehicle, it will be titled in the name of the NORTHWEST ACCESS FUND (unless other collateral is provided) and the borrower will be the registered owner.

6. Insurance. Qualifying borrowers will generally be required to insure the equipment for the value and duration of the loan – adding NORTHWEST ACCESS FUND as loss payee. The cost of insurance, other than vehicle insurance, may be included in the loan. Insurance will not generally be required for loans under \$500.

7. Maintenance, Repairs and Upgrades. The qualifying borrower will be responsible for repairs and maintenance of the equipment. The loan (or a second additional loan) may be used to finance repairs, maintenance, extended warranties or maintenance agreements, and equipment upgrades.

8. Self-Employment and Employment. Applicants for employment or self-employment loans must show that (a) they intend to use the business or adaptive equipment purchased with their loan for employment or self employment in which they are currently engaged (b) they intend to use the business or adaptive equipment purchased with their loan for training to engage in employment or self-employment or (c) they intend to use the business or adaptive equipment purchased with the loan to seek employment or self-employment. Whether a person is engaging in employment or self-employment is determined on a case by case basis following U.S. Department of Education Telework guidelines (as noted in U.S. Department of Education Circular dated April 2, 2007) and incorporated herein. Under these guidelines, applicants must establish that:

- their disability creates a barrier or barriers to employment
- the proposed work overcomes that barrier or barriers
- the work can effectively be performed at the proposed location
- the proposed location is appropriate based upon its relationship to the proposed work
- the equipment to be purchased with the loan is necessary to make that form of work possible at the proposed location
- the loan increases access to technology or equipment
- the loan increases employment opportunities and competitive employment outcomes
- their primary employment goal at time of application was to:
 - ☐ Become newly employed in telework for an employer
 - ☐ Become newly self-employed
 - ☐ Change to teleworking job for an employer
 - ☐ Change to self-employment job
 - ☐ Expand existing business

- ☐ Other, with brief description

Additional requirements for Employment/Self-employment loans:

Self-employment applicants will be asked to provide a business plan and, if already in business, historical information about the business' performance.

Applicants who intend to engage in employment or contract employment must provide written documentation describing the essential terms and conditions of the arrangement.

Applicants who intend to purchase business equipment to engage in training for employment or self-employment must document eligibility for and enrollment in a relevant training program.

Applicants who intend to use the loan to seek home based employment or self-employment must describe how the business equipment purchased will assist them in their search for such employment.

Applicants who need funding in addition to that available through employment/self-employment loans should identify the additional sources of funding.

NORTHWEST ACCESS FUND's staff will provide technical assistance and information and referral to resources that can help the potential borrower meet these requirements.

9. Check Issuance. Northwest Access Fund's check will generally be made payable to the vendor of the equipment or service.

10. Policy on Balloon Payments. NORTHWEST ACCESS FUND will not make loans with balloon payments.

11. Used Equipment. NORTHWEST ACCESS FUND will make loans to cover the purchase or repair of used equipment where there is reasonable assurance that the equipment will continue to function cost-effectively for the lifetime of the loan. The Borrower may be expected to purchase extended warranties or maintenance contracts for the lifetime of the loan when available. The cost of such warranties or maintenance contracts can be covered through the loan.

12. Refinancing Policy. NORTHWEST ACCESS FUND will provide loans to refinance existing debt for employment/self-employment or assistive technology equipment as long as the following requirements are met: 1) Documentation of the purchase of the item to be refinanced is provided in the form of the original receipt or credit card statement; 2) The item is being refinanced in order to obtain a lower interest rate; 3) NORTHWEST ACCESS FUND will disburse the funds to the lender, not the borrower. Exceptions may be made on a case by case basis.

13. Vehicle Policy: The market value of the car should meet or exceed the car price. Modifications of vehicles will be taken into consideration as a value added. Loan terms will be set proportionately to the age, mileage and make of the car. These policies are set as guidelines, and the LRC can make exceptions to the policy as they see fit on a case by case basis.

14. Denture Policy: NORTHWEST ACCESS FUND will review applications for the funding of dentures where it is established that the individual's dental condition (lack of teeth) is such that it substantially limits the major life activity of eating or is a basis for discrimination in employment, education, credit or other important arenas.

15. Cochlear Implants & Other Medical Devices: NORTHWEST ACCESS FUND's assistive technology loans can be used for funding medical devices and prosthetics (such as cochlear

implants) that maintain or enhance the functional capabilities of an individual with a disability as long as there is a detachable external device that functions as assistive technology.

16. Surgery As A Related Service: Where surgery is required in order to effectively use an assistive device, this will be treated as an Assistive Technology service.

17. Assistive Technology Services. Loans for assistive technology services are made at the discretion of the Loan Review Committee. While subject to the same caps as loans for assistive technology devices, the loan review committee may exercise its discretion to limit the amount or percentage spent on services as needed to limit risk in the case of any particular loan.

18. Maximum Credit to a Single Borrower: The aggregate outstanding principal balance of all loans to one Assistive Technology borrower will be no more than \$25,000 and no more than \$25,000 for employment/self-employment borrowers. Exceptions to this policy can be made upon recommendation from the LRC with the approval of the Board of Directors. For purposes of this policy, loans will be grouped by borrower (including loans for which the borrower is a guarantor) and related entities or individuals.

19. Down Payment Policy: The Loan Review Committee may require down payments on a case by case basis. When a down payment is required the reason for that requirement will be documented in the meeting minutes.

20. Hearing Aid Policy: All hearing aid applicants must have an evaluation performed by a licensed audiologist within one year prior to the application. Exceptions for good cause may be granted by the LRC.

21. Service Animals: Service animals may qualify as an assistive technology service if they assist an individual with a disability in the use of an AT device. Applications for financing of service animal related expenses will be considered on a case by case basis.

22. Other Conditions & Policies: NORTHWEST ACCESS FUND may establish additional standards and policies as needed to implement its loan programs including specific criteria for different types of equipment and different loan products.

23. Exceptions to Policy: Exceptions to these policies may be made on a case by case basis by the Loan Review Committee, except where Board approval is expressly required (See Loan Policies #1, #3, #4, and #18).

D. Loan Application & Review Procedures

Statement of Policy: It is the policy of the Northwest Access Fund to ensure that loan applications are processed on a timely basis and without undue delay. NORTHWEST ACCESS FUND balances the need for a timely decision with the value of providing borrowers with opportunities to provide additional documentation and answer relevant questions from NORTHWEST ACCESS FUND's loan review committee. NORTHWEST ACCESS FUND also is committed to requiring only that paperwork needed to make an informed decision about eligibility and risk.

1. Initial Contact. When individuals contact NORTHWEST ACCESS FUND, staff will offer information about NORTHWEST ACCESS FUND's Assistive Technology and Telework Loan Programs. Staff also will offer information & referral (e.g., help to identify knowledgeable vendors and

service providers, other funding sources and related assistance - including consumer credit counseling - as needed). If the individual states an interest in applying for a loan, staff will send them an application packet that includes lending guidelines, an application form, an instruction sheet and other pertinent materials. Correspondence and the application packet will be provided in alternate formats as needed and/or requested.

2. Application. The Assistive Technology & Telework applications will include the following information and required attachments:

- Applicant's legal name
- Nature of relationship to the person with a disability who will use the assistive technology
- Nature and documentation of disability
- Description of assistive technology or Telework equipment being requested.
- Amount of loan request including costs of equipment purchase, extended warranty, service agreement, insurance, training, maintenance and repair
- A financial information sheet for each loan applicant which includes information regarding income and expenses and assets and liabilities
- For employment/self-employment applicants, (a) a business plan (for self-employment) with business goals (b) name of the employer or potential employers and description of the employment or (c) a description of the steps applicant is taking to develop the business plan or Employment Agreement (e.g., working with Small Business Development Center to develop a Business Plan; working with employer to identify terms and conditions of employment).
- Demographic data sheet
- Signed statement verifying truthfulness and accuracy of all information submitted and authorizing NORTHWEST ACCESS FUND to conduct a credit review and otherwise investigate the individual's ability to repay the loan.

3. Initial Application Review. Upon receipt of an application, NORTHWEST ACCESS FUND staff will: (a) verify that the applicant meets program eligibility requirements according to the Application Review Guidelines (Attachment E); (b) request a credit check and (c) prepare a credit memo for staff review or the Loan Review Committee (Attachment C).

4. Final Review of Application.

- There will be four levels of decision making authority, depending upon the amount of the loan requested:

1) NORTHWEST ACCESS FUND Program Director will make decisions for all loan requests up to but not exceeding \$500.00. The Executive Director will sign off on all loans prior to disbursement.

2) NORTHWEST ACCESS FUND staff and Executive Director will make decisions for all loan requests over \$500.00 but not exceeding \$1,500.00.

3) The Loan Review Committee (LRC) (Attachment A) will decide loan requests over \$1500.00, but not exceeding an amount to be determined by the Board *on an annual basis* depending upon loan capital availability and program demand. Loan caps for FY17 will be \$25,000 for Assistive Technology borrowers, \$10,000 for start up Employment/Self-employment borrowers (in operation less than 2 years) and \$25,000 for established businesses (in operation two or more years).

4) In the circumstance where an exception to the loan cap policy is considered, the LRC and the Board must approve any loan or combination of loans where the outstanding total current loan balance would exceed \$25,000 on Assistive Technology or Telework loans.

- The meeting schedule for the LRC is set annually. During FY17, regular LRC meetings will occur twice a month, assuming there are loans to be reviewed. Meetings and loan approval can be in person or by phone. Loans applications may also be approved by email in appropriate circumstances. If a member of the LRC requests a meeting to discuss an application in lieu of an email vote, within 2 days of the email vote request, the application will be tabled and added to the agenda for the next phone or in person meeting.
- The LRC (or Board) will approve the loan request, reject it, approve it with conditions or identify additional information needed.
- Approval with conditions means that: (a) the LRC (or Board) identifies certain questions that must be answered before a decision on a loan application can be reached or (b) the LRC or Board grants conditional approval requiring that certain conditions be met before disbursement of funds. Examples of such conditions include but are not limited to:

1. Verification of the AT user's disability
2. Verification of the applicant's income,
3. Copies of tax returns, business licenses or other relevant documents
4. Price quotes for all items to be purchased
5. Price quotes for insurance coverage for the item purchased
6. An evaluation or other written verification of the appropriateness of the AT or equipment to be purchased
7. Written verification of plans to address training, repair, software update, warranty and other related product issues
8. Use of automatic debit payments/electronic funds transfers for loan repayments and insurance
9. Participation in an approved financial counseling or financial management plan
10. Identification of other funding sources to complete a funding package
11. In the case of employment/self-employment applications, completion of an approved self-employment or small business plan or Employment Plan.
12. Any other condition recommended by the Loan Review Committee.

In some cases, these requirements may be written into the loan contract and may include specific time limits. In such cases, failure to meet these requirements may be a condition of default and cause for acceleration of the loan. The cost of technical assistance may be included in the amount of the loan and amortized over the life of the loan.

In the case of a business loan application, the LRC will evaluate and provide feedback on the business plan. However, approval or denial of the loan does not imply that the LRC believes the business will necessarily be successful or fail. The LRC will also consider several other factors in it's decision, including personal finances and credit history, (especially if the business is a start-up), the size of the loan requested, and potential collateral.

5. Notification to Loan Applicant/Deadlines: All loan decisions must be made, and loan applicants notified in writing of NORTHWEST ACCESS FUND's decision, within 30 calendar days of the date on which the loan application is complete.

6. Loan Closing: Loans that have been approved must be closed within ninety (90) calendar days of the date of approval. Applicants who have not closed their loans within the ninety-day period may be required to re-apply to Northwest Access Fund for approval. Once the LRC has approved a loan, the NORTHWEST ACCESS FUND underwriting staff can adjust the loan amount if the quote for the equipment or services changes by an amount not exceeding 10% of the originally approved loan amount as long as the total amount loaned does not exceed the loan cap.

7. Denials: Individuals whose applications are not approved will be informed of the reasons for the denial. If possible, NORTHWEST ACCESS FUND staff will identify other sources of funding for the equipment and if appropriate, the specific steps the applicant can take to improve his/her chances of qualifying for a loan in the future. To appeal the loan decision, the applicant must follow the following guidelines:

1. All appeals must be submitted in writing to the Program Director, who will submit them via email or mail to the LRC.
2. To be considered, an appeal must be submitted within 30 calendar days of the decision date and directly address all of the reasons for the denial with specific explanations.
3. Appeals shall be limited to 2 pages.
4. The LRC shall make a decision on the appeal within 10 calendar days from the date it is received by the loan committee

If denied, the appeal will be taken to the Board which will consider it at the next regular board meeting. Applicant will be notified of the Board's decision within 10 calendar days of the board's decision. Applicants will be informed of NORTHWEST ACCESS FUND's appeal policies upon request.

E. Credit Factors

Staff and the Loan Review Committee will use the following credit factors as guides in determining the potential Borrower's ability to repay and likelihood of repayment. These credit factors are not to be interpreted as a credit scoring system; they are guides to be applied with varying degrees of emphasis, depending on the unique characteristics of each potential borrower.

- Applicants' income and expenses
- Credit Report & Credit Score
- Job or income maintenance history
- Past payment history
- Amount of credit owing and debt to income ratio
- Total amount of credit available, length of time credit has been managed; and types of credit established
- Personal recommendations if requested
- Borrower's net worth
- Availability of guarantors, co-signors and/or collateral to secure loan
- In the case of employment/self-employment loans, prior business, self-employment or employment history

In terms of past payment history, factors to be included in the evaluation include:

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, utility payments, rent payments, telecommunications payments, mortgage, etc.)
- Presence of adverse public records such as bankruptcy, judgments, suits, liens, wage attachments
- Collections, delinquencies and past due items
- Severity of delinquency, meaning how long the payment(s) are past due
- Number of past due items on file
- Number of accounts paid as agreed
- Extenuating circumstances relating to Bankruptcies and judgments including disability-related events and medical expenses.

In terms of the amount of credit owing, NORTHWEST ACCESS FUND will evaluate the total credit burden on the borrower using guidelines in Attachment C.

Credit Builder Loans: Credit builder loans are loans of up to \$500 for AT or Employment/Self-employment applicants who do not otherwise qualify because of credit history. Credit builder loans are intended to help applicants build or rebuild credit and purchase needed Assistive Technology or employment or business equipment. Repayment of all credit builder loans must be by Electronic Funds Transfer.

F. Loan Monitoring and Post Loan Technical Assistance Policies

Loan monitoring is an indispensable component in ensuring borrowers' long-term success. Monitoring loans is a continuing process that includes communication with the borrower, and appropriate forms of technical assistance when necessary.

- 1. Reporting:** NORTHWEST ACCESS FUND staff will prepare monthly reports on the performance of the portfolio. This report will summarize all lending activity. The report will allow staff and Board to track trends and take appropriate action on troubled loans.
- 2. Social Impact Data:** Social impact data will be collected at the time of application, and at appropriate intervals after loan disbursement and/or denial. Data collection will be designed to measure (a) the extent to which NORTHWEST ACCESS FUND is achieving its goal of serving individuals with disabilities throughout the state regardless of type of disability, age, income level, location of residence within the state or type of device, service or equipment sought; (b) the impact of NORTHWEST ACCESS FUND's loans on outcomes with respect to independent living, employment and education. Such data will include data collection required by the U.S. Department of Education RSA for the AFP, Telework and the Assistive Technology Act Programs. Such data shall include, but not be limited to:

- Functional Limitation Addressed
- Gender, ethnicity, age and income of individual with a disability (and borrower as appropriate)
- Distribution of NORTHWEST ACCESS FUND loans by county
- Types and amounts of loans
- Purposes for Which AT loan is used & Outcomes with respect to:
 - Education

- Employment – Jobs created or retained with narrative explanation; income from such jobs
- Community Living

NORTHWEST ACCESS FUND's data collection also will incorporate any other specific measures required by Funders including, without limitation, the U.S. Department of Treasury and private funders.

3. Reporting to Credit Bureaus: NORTHWEST ACCESS FUND is a member of the Credit Builders Alliance (CBA), a non-profit agency which reports members' loan payment data on a monthly basis to the credit bureaus, using our loan software program, Downhome Loan Manager.

G. Default and Foreclosure Policies

1. Late Payments: In the event that a loan payment is more than **ten (10) calendar days late**, a late payment penalty in the amount of \$10.00 will be charged and will become immediately due and payable. NORTHWEST ACCESS FUND staff will call the borrower to ascertain the reason for the late payment, and to obtain a commitment date for payment. The Program Director may waive penalty fees.

2. Default: Borrowers will be in default if s/he does not make a payment within **31 calendar days** of when due or NORTHWEST ACCESS FUND learns that the Borrower has made material misrepresentations in the loan application and/or related communications. Borrowers also may be found to be in default if:

- a. There is, in Northwest Access Fund's sole judgment, a significant lessening of Borrower's ability to repay the loan evidenced by this Note, or a significant impairment of the Collateral;
- b. Borrower dies, becomes insolvent or goes into bankruptcy;
- c. Borrower breaks any promises in this Note and Security Agreement.

If Borrower is in default, Northwest Access Fund may, at its option, demand immediate payment of the entire unpaid balance of this Note, upon providing any notice required by applicable law. Interest after the expressed, or any accelerated maturity shall accrue at the rate expressed in the Promissory Note.

Usual Procedures if Loan is in Default:

NORTHWEST ACCESS FUND will contact any borrower whose loan is past due within 10 days of the missed payment due date and determine the reason(s) for the late payment and the borrower's intentions. The staff will follow-up with a collections letter if the payment is more than 30 days late, indicating the need to make the loan current, and NORTHWEST ACCESS FUND's intention if the loan is not made current. This letter will invite borrowers to work with NORTHWEST ACCESS FUND to create a plan to get the loan back on track. At 90 days, NORTHWEST ACCESS FUND will consider the loan to be in default if no prior mutually agreeable arrangement has been met. If the account is not made current and repayments are not received in a reasonable timeframe, NORTHWEST ACCESS FUND reserves the right to repossess the equipment and resell or lease it, demand repayment and take appropriate legal action. See the Investment Policies for language regarding specific loan loss reserve policies and charge off policies.

NORTHWEST ACCESS FUND realizes that, at times, some borrowers may find it difficult to meet the terms of repayment. When that is the case the borrower is expected to contact NORTHWEST ACCESS FUND as soon as possible. NORTHWEST ACCESS FUND may then consider renegotiating or restructuring the loan. Possible restructure options include, but are not limited to:

1. allowing “interest-only” payments;
2. restoring the borrower to “current” status and making arrangements for the customer to repay the past due amount;
3. adjusting the length of the loan and reducing the monthly payment for the customer.

Each of these changes is subject to approval by the Loan Review Committee if it involves more than two missed payments. A borrower agreeing to any such change may be required to sign a contract agreeing to the terms and conditions as set forth.

If a loan is 120 days or more in arrears and has not yet been charged off, a specific loan loss reserve equal to the amount of the principal will be established to cover the potential losses.

4. Foreclosure Policies: NORTHWEST ACCESS FUND Board will approve all decisions to foreclose on equipment, assistive technology or other collateral used to secure its loans.

H. Other Services

In addition to loans, NORTHWEST ACCESS FUND will offer the following technical assistance and services to its potential borrowers and borrowers. Such technical assistance is a valued and critical component of NORTHWEST ACCESS FUND’s lending program

1. Assistive Technology Information and Referral: Whenever possible, NORTHWEST ACCESS FUND staff will provide technical assistance and information and referral relating to the selection and purchase of AT, resources for identifying appropriate AT and referrals to AT and rehabilitation vendors and service providers. Staff also will recommend strategies for successfully accessing other funding sources (including free and low cost funding) for needed AT -- to be used either as an alternative to a financial loan or in conjunction with such a loan. As appropriate, NORTHWEST ACCESS FUND will refer potential borrowers to Benefit Professional Assistance Organizations to assist with preparation of PASS Plans and to ensure that borrowers take maximum advantage of other Work incentive programs and relevant tax benefits. In providing such services, NORTHWEST ACCESS FUND staff will coordinate with existing I and R programs including those offered by the Washington Assistive Technology Act Program and the state’s Independent Living Centers.

2. Employment/Self-employment Information & Referral: NORTHWEST ACCESS FUND staff will provide technical assistance and information and referral for entrepreneurs relating to small business and micro-enterprise planning; sources of funding for small businesses and micro-enterprises (including PASS plans, Vocational Rehabilitation Services; community development and micro-enterprise lenders, SBA, etc.); resources for necessary skill acquisition (e.g., training on tax and accounting issues and related software) and resources relating to the selection, purchase and effective use of business equipment. As appropriate, NORTHWEST ACCESS FUND will refer potential borrowers to Benefit Professional Assistance Organizations to assist with preparation of PASS Plans and to ensure that borrowers take maximum advantage of other Work incentive programs and tax benefits. NORTHWEST ACCESS FUND also may assist with finance packaging.

3. Financial Management Counseling & “Loan Readiness.” NORTHWEST ACCESS FUND will refer borrowers and potential borrowers to other nonprofits that offer credit counseling and financial education, as appropriate.

4. Follow-Up: NORTHWEST ACCESS FUND staff will maintain records of its contacts and communications with potential borrowers and will initiate follow-up on a periodic basis to determine status of their efforts to obtain assistive technology and/or employment or self-employment.

Attachment A

LOAN REVIEW COMMITTEE

The Loan Review Committee (LRC) is a standing committee of the Board of Directors.

Structure and Meetings

- Members of the committee are appointed by the Board of Directors.
- The LRC chairperson and vice-chair will be selected by the committee members. The chair and vice-chair, who must be members of the Board, can serve as committee officers (in that capacity) for two terms. However, succession must be affirmed by the board.
- When the LRC Chair is not available, the vice-chair may conduct the committee meetings. If neither the chair nor the vice-chair are available, a board member may conduct the committee meeting.
- The LRC will have a minimum of three and a maximum of 10 persons at all times, two of whom must be members of the Board.
- The Board President and the Executive Director will be ex-officio members of the committee.
- The committee will usually meet twice a month by phone or in person. Additional meetings may be requested at any time by the chairperson, Executive Director, or Program Director.
- A loan decision will require that at least two LRC members vote on the loan, it needs to be a majority vote and one of the votes needs to be from a board member. Staff can provide input but not vote on a loan decision.

Responsibilities

- Critically assess and analyze all loan requests over \$1,500.00.
- Make decisions on loans over \$1500 including setting terms and any specific loan conditions.
- Approve exceptions to Loan Underwriting Policies and Procedures.
- All LRC members will sign a conflict of interest agreement.
- Assist NORTHWEST ACCESS FUND staff in the development of risk management policies, including loan underwriting standards.
- Review and critically assess staff reports concerning the loan portfolio.
- Together with NORTHWEST ACCESS FUND staff, monitor loan portfolio performance.

- Make recommendations to the Board of Directors regarding the restructuring of loans and/or foreclosure proceedings.
- The LRC will also carry out other duties assigned to it by the Board of Directors.
- Confidentiality: All non-public personal information of the applicant obtained and reviewed in loan applications will be kept confidential and will not be disclosed to persons outside of the NORTHWEST ACCESS FUND Board, committee members, employees and others within the NORTHWEST ACCESS FUND organization, without the consent of the applicant or as otherwise permitted by applicable law.

Reporting

- The Program Director and/or Committee Chair will provide a brief report of the committee's activities at each meeting of the Board of Directors.

Meeting Information

- Agenda including status of approved but not disbursed loans and other relevant information
- Minutes of the previous LRC meeting.
 - Loan portfolio report.
 - Credit Memo and Financial information for all loans under consideration at the meeting.
 - Business plan or draft business plan for business loans, as appropriate.

Attachment B: Outreach Policies

OUTREACH POLICIES FY17

GENERAL

- NORTHWEST ACCESS FUND MATERIALS WILL BE MADE AVAILABLE IN ACCESSIBLE FORMATS
- APPLICATION MATERIALS & GUIDELINES WILL BE AVAILABLE ON NORTHWEST ACCESS FUND'S WEBSITE IN ACCESSIBLE FORMAT
- NORTHWEST ACCESS FUND WILL MAINTAIN ELECTRONIC & PRINT MAILING LISTS THAT INCLUDE CONSUMERS, COMMUNITY DEVELOPMENT LENDERS, SMALL BUSINESS DEVELOPMENT CENTERS, VENDORS, SERVICE PROVIDERS, TRIBAL ORGANIZATIONS, DISABILITY & AGING FOCUSED GOVERNMENT AGENCIES & COMMUNITY ORGANIZATIONS INCLUDING ORGANIZATIONS AND AGENCIES THAT SERVE A RANGE OF DISABILITIES
- NORTHWEST ACCESS FUND WILL SEND OUT PERIODIC NEWSLETTERS AND SPECIALIZED MAILINGS (E.G., TO SERVICE PROVIDERS, SPECIAL EDUCATION PROFESSIONALS, ETC.) TO KEEP INTERESTED PARTIES INFORMED OF ITS LOAN PRODUCTS AND OTHER SERVICES
- NORTHWEST ACCESS FUND WILL PARTICIPATE IN RELEVANT COMMUNITY AND AGENCY SPONSORED EVENTS THROUGHOUT THE STATE

REACHING DIVERSE COMMUNITIES

- NORTHWEST ACCESS FUND WILL DEVELOP A 'MARKETING & OUTREACH PLAN' THAT INCLUDES MEDIA COMPONENTS DESIGNED TO INFORM THE GENERAL PUBLIC ABOUT ITS LOAN PRODUCTS
- NORTHWEST ACCESS FUND'S MARKETING AND OUTREACH CAMPAIGN WILL SPECIFICALLY ADDRESS COST-EFFECTIVE WAYS TO REACH OUT TO:
 - SENIORS
 - CULTURALLY DIVERSE COMMUNITIES WITHIN THE STATE INCLUDING DIVERSE ETHNIC AND TRIBAL COMMUNITIES
 - AND NON-ENGLISH SPEAKING COMMUNITIES

Attachment C

Credit Memo Format

Date Application Was Received:

APPLICANT INFORMATION

Applicant #1:

Address:

Phone:

Applicant #2:

Address:
Phone:
AT User:
Functional Limitation:
Age:
Purpose of Loan:
AT Evaluation/Experience:
Loan Amount:
Prospective
Monthly Payments:
Preferred Monthly
Payment:
Other Funding Sources:

FINANCIAL INFORMATION

Applicant # 1:
Net Monthly Income
Source(s) of Income:
Applicant # 2:
Net Monthly Income
Source(s) of Income:
Total Net Monthly Income:
Net Monthly Expenses:
DOLLARS AVAILABLE
FOR LOAN REPAYMENT
Debt to Income Ratio:
Assets:
Liabilities:
of People in Household:
Credit Report:
Applicant #1 Score:
Applicant #2 Score:
Financial Analysis:

LFM ACTION

Date:
Action:

LRC ACTION

Date:
Term:
Principal:
Fees:
Total Amount Financed:
Monthly Payment:
Collateral:

Attachment D

AT & Telework Microloans

All NORTHWEST ACCESS FUND loan policies and procedures apply to the Microloan loan product except for the following distinctions:

1. **Loan Amounts:** The Microloan loan amounts will be set annually by the Loan Review Committee depending on demand for loan products. The maximum amount for any single Microloan for the Fiscal Year starting October 1, 2016 and ending September 30, 2017 is \$1,500.
2. **Loan Terms:** The allowable loan term will be up to three years and depend upon the useful life of the items purchased and the borrower's ability to repay.
3. **Interest Rates:** The interest rate will be set at 5% for the Fiscal Year starting October 1, 2016 and ending September 30, 2017. The Loan Review Committee will review and set the Microloan interest rate annually.
4. **Final Review of Application:** The Executive Director, Program Director and Assistive Technology Program Manager or Loan Officer will have decision making authority on all Microloan loan applications. At least two people must approve the loan, unless the loan amount is \$500 or less, in which case the Executive Director or the Program Director has decision making authority.

Attachment E

Application Review Guidelines

The Program Director or Assistive Technology Program Manager, at their discretion, may opt not to send a loan application to the Loan Review Committee if *any one* of the following circumstances applies:

1. The Financial Information Form reveals that the applicant has no extra money available at the end of the month to make a loan payment.
Guidance: a) Determine if client has potential guarantor or cosignor b) *Refer client to financial management resources and/or grant funding resources as appropriate. Encourage applicant to reapply should their financial situation change. Send a denial letter.*
2. For employment/self-employment loans, the business plan or employment plan are insufficient. Specifically, the applications will be put on hold if the plan submitted is missing a portion that was included on the NORTHWEST ACCESS FUND outline provided.
Guidance: *Make an appointment with the client to work on the business plan/employment plan if possible. If an in-person meeting is not possible, then set up a phone consultation and/or refer the client to local business resources (i.e. Small Business Development Center, Small Business Administration, SCORE, Washington Women's Employment and Education).*
3. The loan application is for significantly less money than the actual price of the item the loan is being used to purchase, and the applicant does not have the additional funds needed in hand or a realistic plan for obtaining such funds.
Guidance: *Keep the application on file and advise the applicant of supplementary funding resources that would be appropriate. Ask the applicant to reapply when the additional funds have been attained. Send a denial letter.*
4. Any portion of the Credit Memo has not been completed because the applicant has not provided adequate information. For example, if the applicant does not have a loan request amount ready because they are not sure what they are going to purchase.
Guidance: *Call or email applicant with list of questions and/or additional information needed. Provide date by which information will be needed in order to consider application at next loan review committee. If individual does not provide information by this date, send a letter indicating the additional information needed and dates of next loan review committee meetings. Keep the application on file until information is provided.*
5. The applicant has a poor credit history reflecting a recent or recurring pattern of unwillingness or inability to pay current obligations and outstanding debt.
Guidance: *Refer applicant to an appropriate financial literacy or credit counseling program. Send a denial letter.*



CREDIT BUILDERS ALLIANCE

Sample Credit Reporting Policy

Credit Reporting Policy

The purpose of [REDACTED] Credit Reporting Policy is to ensure credit reporting is applied equally and fairly to all qualified loans in [REDACTED] loan portfolio. The policy was established to:

1. Ensure the accuracy and integrity of information being furnished about consumers.
2. Allow consumers to formally dispute the correctness of certain information that is furnished about them to Credit Report Agencies (CRA) directly with the data furnisher.

WHAT IS REPORTED

All active loans in our portfolio will be reported regardless of account status. Credit reporting procedures are applied equally to all loans; in no case shall procedures be modified and applied on a loan-by-loan basis.

In order to maintain the accuracy and integrity of the consumer files, historical consumer credit information must be reported in a factual and objective manner. Paid derogatory accounts, such as collections, should be reported as paid; they should not be deleted. It is imperative that inaccurate data be corrected and only inaccurate accounts be deleted from the credit reporting agencies' file.

[REDACTED] will "clearly and conspicuously" provide consumers with an address to dispute data reported.

Information may not be furnished that we know -- or consciously avoid knowing -- is inaccurate.

DATA REPORTING

[REDACTED] is a member of the Credit Builders Alliance (CBA), a nonprofit organization established to help non-traditional financial and asset building institutions serving low and moderate income individuals build client credit and financial access in order to grow their business and/or personal assets. CBA provides community lenders the ability to report loan repayment data to the major Credit Reporting Agencies (CRA) such as Experian and Trans Union.

Standard data reporting format known as "Metro 2" is used to report data to the consumer Credit Reporting Agencies via CBA. Metro 2 is the current standard format for reporting consumer credit. It meets all the requirements of the Fair Credit Reporting Act (FCRA), the Fair Credit Billing Act (FCBA), and the Equal Credit Opportunity Act (ECOA). It allows most accurate and complete information on consumers' credit history.

The Metro 2 file is generated by [REDACTED] loan servicing software "PIDC Portfol Economic Development Software". Consumer credit is reported on monthly basis and must be submitted to the CBA website by the 7th business day of each month reporting the prior month's activity (see Appendix A, operating procedure for details on submitting Metro 2 file to CBA). To correct information on a specific consumer between monthly reports, a Midmonth Correction Metro2 file can be sent from [REDACTED] to CBA with just information on that consumer.

PIDC Portfol Economic Development Software is used exclusively for managing [REDACTED] loan portfolio; all payments are posted to Portfol upon receipt, ensuring accuracy of the account status being reported. By using the established loan management software Portfol, the reporting of inaccurate or duplicative information is minimized.

Adopted:



CREDIT BUILDERS ALLIANCE

In order to ensure the consumer is identified properly, checks and balances are put in place regarding entry of data to the loan management software. Each month following a consumer "loan closing" the Metro 2 file associated with this consumer is examined for accuracy. Specific attention is given to all identifying information, ensuring it is the same as reported in the original loan application. Any inaccuracy should be corrected before the Metro 2 file is submitted to the Credit Reporting Agencies via CBA.

RECORDS RETENTION

██████████ will maintain records for seven years after notes expire. Records must contain enough information to substantiate the accuracy of any information furnished that is subject to direct dispute. At a minimum, invoices (electronic or hard copy), Portfol journal entry reports and monthly credit reporting logs must be maintained for each consumer.

STAFF TRAINING & CERTIFICATION

All staff responsible for reporting data to Credit Reporting Agencies via CBA is required to obtain Fair Credit Reporting Act (FCRA) Certification with the Consumer Data Industry Association (CDIA) before performing any tasks related to consumer credit reporting.

COMPLIANCE

FCRA Certified staff will keep abreast of changes and/or participate in training provided by the Consumer Data Industry Association (CDIA) to ensure compliance with requirements in the Fair Credit Reporting Act (FCRA).

██████████ Credit Reporting Policy will be reviewed by the Plan and Policy Committee in March of 2012 to ensure it adheres to FCRA. Then, the policy will be reviewed as needed to ensure it is compliant, or as outlined in ██████████ Internal Controls Policy.

HANDLING DISPUTED CREDIT INFORMATION

Direct Disputes:

Upon receipt of direct dispute notice ██████████ will:

1. Acknowledge receipt of notice;
2. Conduct a reasonable investigation with respect to the disputed information;
3. Review all relevant information provided by the consumer with the dispute notice;
4. Complete its investigation of the dispute and report the results of the investigation to the consumer within 30 days.

All dispute notices must contain sufficient information to identify the account in dispute; the specific information disputed; an explanation of the basis for the dispute; and all supporting information, such as bank statements, cancelled checks, receipts, etc., ██████████ reasonably requires substantiating the basis of the dispute.

If the investigation finds the information reported is inaccurate, ██████████ will promptly notify Credit Builders Alliance (CBA) of the determination, CBA will assist in providing the credit bureaus with corrected information. All inaccurate information must be corrected in Portfol to update subsequent Metro 2 reports. To update Credit Reporting Agencies with corrected information on a specific borrower between monthly reports, a Midmonth Correction Metro 2 file can be sent to CBA with information of that consumer's corrected data. However, if ██████████ chooses to wait until the next credit reporting cycle, the Metro 2 file will reflect the correct information.

Adopted:



CREDIT BUILDERS ALLIANCE

e-OSCAR (Online Solution for Complete and Accurate Reporting) Disputes:

e-OSCAR is a web-based, Metro 2 compliant, automated system that enables Data Furnishers and Credit Reporting Agencies (CRAs) to respond to consumer credit history disputes in a streamlined and efficient manner. e-OSCAR is a communication tool – a credit bureau will open a case in e-OSCAR when it receives a consumer dispute to communicate the dispute to the creditor in question who is then responsible to re-verify the information being disputed and log their re-verification response through e-OSCAR.

CBA has been approved to act as an agent on behalf of community lenders. As such, CBA manages a centralized master e-OSCAR account with each community lender as a sub-account. By managing e-OSCAR centrally, CBA saves community lenders significant staff time and training while still being able to respond efficiently

CBA will monitor the e-OSCAR account daily on [REDACTED] behalf. Anytime CBA receives a dispute on behalf of [REDACTED], [REDACTED] will receive an email from CBA within 1 business day.

Trained CBA staff will assist [REDACTED] in verifying the information and correcting it if necessary within the 30 day period

In addition to disputes via e-OSCAR, [REDACTED] is responsible to respond directly to consumer disputes per the FACT Act Direct Dispute Rule effective starting July 2010. [REDACTED] will investigate disputes unless it determines the dispute is irrelevant or frivolous based on the following exemptions. If [REDACTED] determines that a direct consumer dispute requires investigation, [REDACTED] can request assistance from CBA staff on how to verify information. If [REDACTED] determines it is necessary to correct information related to a direct dispute, [REDACTED] will update PORTFOL and inform CBA staff to ensure that correction is correctly transferred to Credit Reporting Agencies.

In addition to disputes via e-OSCAR, [REDACTED] is responsible to respond directly to consumer disputes per the FACT Act Direct Dispute Rule effective starting July 2010. [REDACTED] will investigate disputes unless it determines the dispute is irrelevant or frivolous based on the following exemptions. If [REDACTED] determines that a direct consumer dispute requires investigation, [REDACTED] can request assistance from CBA staff on how to verify information. If [REDACTED] determines it is necessary to correct information related to a direct dispute, [REDACTED] will update PORTFOL and inform CBA staff to ensure that correction is correctly transferred to Credit Reporting Agencies.

Exemptions (no investigation required):

1. If the consumer dispute does not relate to:
 - a. the consumer's liability for debt with the furnisher;
 - b. the terms of that debt;
 - c. the consumer's performance or conduct concerning an account or relationship with the furnisher; or
 - d. any other information regarding an account that bears on the seven characteristics listed in the definition of "consumer report".
2. If the consumer does not submit direct dispute notice to:
 - a. An address provided by the furnisher that is included on a consumer report;
 - b. An address "clearly and conspicuously" specified by the furnisher for submitting direct disputes that is provided to the consumer in writing or electronically; or
 - c. Any business address of the furnisher if the furnisher has not provided an address by one of the other two methods.

Adopted:



CREDIT BUILDERS ALLIANCE

3. The consumer's dispute notice does not contain the required content.
4. The consumer's identifying information such as name, DOB, SSN, Phone # and address.
5. Information derived from public records, such as judgments, bankruptcies, liens and other legal matters.
6. Information related to fraud alerts or active duty alerts.
7. Information provided to a consumer reporting agency by another furnisher.
8. Reasonably believes the dispute comes from a "credit repair organization".
9. Reasonably determines the dispute to be "frivolous or irrelevant". A dispute qualifies as frivolous or irrelevant if:
 - a. The consumer did not provide sufficient information to investigate the dispute as required;
 - b. The direct dispute is "substantially the same" as a prior dispute (whether submitted directly or through a credit bureau) with respect to which [REDACTED] has already satisfied the applicable requirements. A dispute with additional information submitted is not substantially the same; or
 - c. The dispute relates to one or more of the exemptions already listed.

Upon making a determination that a dispute is frivolous or irrelevant the consumer must be notified of the determination within five business days by mail (or other method authorized by the consumer). The notice must include the reason for the determination and identify the information that the consumer must submit to trigger the [REDACTED] obligation to investigate the dispute.

Disputed information, once removed from the consumer file, cannot be reinserted unless it is found to be accurate at a later date.

DATA VERIFICATION

In addition to the ongoing Metro 2 file reviews outlined elsewhere in this policy, it is imperative that periodic evaluations of our practices occur. Therefore, [REDACTED] will review and verify random samples of information provided to CBA on a quarterly basis. This standard procedure will consist of verifying 10% of consumer's information.

Adopted:



CREDIT BUILDERS ALLIANCE

APPENDIX A

Guidelines:

Primary Borrower Criteria:

- Corporation - majority owner will be listed as primary borrower.
- LLC - First signer on the LLC documents will be listed as primary borrower.

Co-Borrower Criteria:

- Business is always listed as co-borrower unless d/b/a

Operating procedure:

Submitting information to Credit Reporting Agency (CRA):

1. Generate Metro2 file using Portfol Loan Management Software.
 - a. From the main menu select **Processing & Reporting** tab.
 - b. Click on **Accounting** to expand the selection. Once expanded click on **Portfolio Mgt.** to expand the selection.
 - c. Click on **Export Credit Report**, a new window will be displayed.
 - d. Confirm process month ending date. This should be the last day of the month for the preceding month.
 - e. Click on **Validate** button. If validation is unsuccessful, correct any errors that occur. Do not proceed until the validation is successful.
 - f. Click on **Preview Overrides** button. Review all manual overrides. Several loans have manual overrides enabled on Field 9, they are overridden to: 10 ("Business Loan (indiv personally liable)"), these are ok. Any other manual override should be investigated and corrected if necessary. Do not proceed until manual override report is reviewed and confirmed.
 - g. Confirm path in Step 3 – File Export box; the path should point to E:\Data\Loan Funds\PORTFOL\Credit Reporting\Metro2Export. Click on **Export** button. Examine report produced carefully. Special attention should be paid to new loans and delinquent loans.
2. Upload Metro2 file to secure CBA site, at https address provided by CBA. Login and upload the file. You will receive an email shortly after acknowledging receipt of the file.

Note: The procedure listed above may change if Portfol updates the software.

Overrides:

If Portfol does not report Metro 2 Account Type Code =10 you need to override the code. *Metro 2 field #9 - Account Type Code = 10 (Business Loan -individual personally liable)*

Adopted:

- Persons with any disability or their family members are eligible to apply for financing.
- State of North Carolina and Medicaid assistive technology restrictions do not apply.
- Rates and terms may vary depending on each individual's credit history and the credit union's underwriting factors.
- Applicants must visit a branch once the financing is approved.



Personal Loan Financing

Uses include:

- Communication Devices
- Hearing Aids
- Personal Equipment
- Home Modifications

Vehicle Loan Financing

Uses Include:

- Vehicle Upfits
- Vehicle Modifications
- New Car Financing
- Used Car Financing

Self-Help Credit Union Branch Locations



Who is Self-Help?

Self-Help is a family of nonprofit organizations whose mission is to create and protect ownership and economic opportunity for all. Since its founding in 1980, Self-Help has grown to include two credit unions, a loan fund, and a research and policy group.

For more information, call us at 1-800-966-7353 or
visit us at www.self-help.org/assistivetech

OPPORTUNITY LOAN APPLICATION

Type or print neatly in blue or black ink. **All fields required**; do not leave fields blank. If a field does not apply, please mark it NA.

If applying for joint credit, complete Co-Applicant Addendum on the last page and initial below. Co-applicants will both be contractually liable for the loan: **We are applying for joint credit.** _____ (Applicant Initials) _____ (Co-Applicant Initials)

1. Personal Information			
Last Name:		First:	Middle Initial:
		Social Security #: - -	
		Date of Birth:	
Home Address:		Home Phone:	
City:		Cell Phone:	
State:	Zip Code:	Work Phone:	Ext:
Email:			
2. Housing Information (We may call your landlord/mortgage holder to confirm amount and performance)			
Check the option that best describes your living situation:			
☐ I own my home ☐ I rent ☐ Other, please explain:			
Landlord/Property Manager/Mortgage Holder Name:			
Landlord/Property Manager/Mortgage Holder Phone Number:			
How long have you lived here?		Monthly Rent/Mortgage Amount:	
3. Income Information			
Primary Source of income			
Primary Employer Name:		Phone and email:	How are you paid? ☐ Direct Deposit ☐ Check ☐ Cash ☐ Other _____
Supervisor Name:		Monthly Gross Income (BEFORE taxes):	
Date of Hire*:			
* If less than 12 months, please include previous employer info in next section.			
Secondary Source of income (or prior employer if you have worked at your current job less than 12 months)			
Secondary Employer Name		Contact Info:	
Date of Hire:	Date of separation (if you no longer work here):	Monthly Gross Income (BEFORE taxes):	
Other Sources of Income / Co-applicant income			
Income Source:		Monthly amount (before taxes):	
1. _____		_____	
2. _____		_____	
3. _____		_____	
4. Bank Information			
Bank Name:		Checking ☐ Savings ☐	
Average monthly ending balance:		# Overdrafts in last 6 months:	
How long have you had this account?			
Do you have any other bank or financial accounts?, If yes, balance:			

5. References (Friend, colleague, relative, or landlord. Please do NOT include the person who referred you to us.)		
Name:	Relationship to you:	Phone Number:
1.		
2.		
3.		
6. Loan Request ** <i>Loan amount may not exceed 40% of your monthly net income (take home pay)</i>		
a) Amount of Loan Request (\$100-\$1000)**:		
b) Have you applied for a loan with us before? ☐ Yes ☐ No		Result? Approved ☐ Denied ☐ Changed mind ☐
c) What is this loan for? Please be specific.		
d) If you do not qualify for the entire loan amount you are requesting, what is your plan for making up the difference?		
e) How will this loan make you more financially stable?		
f) What other steps are you taking or planning to take to improve your financial stability?		
g) Have you taken or classes or done financial coaching with us in the last 18 months?		
h) Would you like access to financial coaching from Innovative Changes?		
i) Would you like to attend financial education classes through Innovative Changes?		
j) Debt-to-Income Ratio (DTI). <i>A debt-to-income ratio or DTI is a calculation frequently used by lenders to determine how much you can afford to borrow. Calculate your DTI below and use the explanation to the right to better understand what your percentage means.</i>		
<u>Calculate your DTI</u> 1. Calculate your total Monthly Gross Income: \$ 2. Add together the following: Monthly Rent or Mortgage Payment: \$ Monthly Auto Loan Payment: \$ Monthly Credit Card Payment/s: \$ Other Monthly Loan/Debt Payments \$ 3. Total Monthly Debt Payments \$ 4. Divide your Total Monthly Debt Payments (line 3) by your Monthly Income (Line 1) Multiply by 100. This is your Debt-to-income ratio %		If your DTI is... 36% or less: This is a healthy debt load to carry for most people. 37%-42%: Not bad, but start paying debt now if you can. 43%-49%: Financial difficulties are probably imminent unless you start paying debt down now. 50% or more: Your debt load is serious and you may need professional help to deal with your debt.

7. Monthly Household Budget

Please complete this budget to reflect your current expenses. Some categories may not apply; that's ok.

Monthly Income (After Taxes)	
Job	
Other (explain):	
Other (explain):	
Total Monthly Income:	
Monthly Expenses	
Housing	Housing: Rent/mortgage
	Telephone (home, cell)
	Internet
	Utilities (electric, heat)
	Other (e.g. trash, water):
Transportation	Car Payment/Bus Pass
	Gas
	Car Insurance
	Other (e.g. parking):
Food	Groceries
	Eating out/Take out
	Tobacco/Alcohol
Entertainment	Cable
	Entertainment (movies, sports, music, etc.)
	Memberships
Personal	Clothing
	Personal Care (hair, nails, etc)
	Laundry
Debt, Savings, Donations	Credit Card Payments
	Student Loan Payments
	Regular Savings
	Other (tithing, money to family, other loans such as payday loans, etc.)
Misc.	School/Education
	Pet care
	Bank Fees
	Storage Unit Rent
	Other
	Total Monthly Expenses
Subtract Expenses from Income – this is the money you have left over!	

8. Borrower History

Do you have any outstanding payday loans?	☐ Yes	☐ No
Do you have any outstanding direct deposit advances?	☐ Yes	☐ No
Have you filed for bankruptcy in the last six months?	☐ Yes	☐ No
Do you currently have an outstanding bankruptcy?	☐ Yes	☐ No
Are you currently being garnished?	☐ Yes	☐ No

Have you had a civil judgment in the past year?	☐ Yes	☐ No
Are you in the military or a dependent of someone in the military?	☐ Yes	☐ No

9. Additional Information

Would you like this loan reported to the credit bureaus?	☐ Yes ☐ No
What is your preferred loan payment date each month?	☐ 5 th ☐ 20 th
Unless noted, we will automatically deduct payments from your bank account monthly.	
☐ Do not automatically deduct payments	

10. Additional Documents

Copies of the following items must be attached to the application:

- ☐ Your most recent pay stubs from employment, public assistance, or unemployment:
 - ☐ Applications for loans up to \$300 require verifiable proof of income for at least the one (1) full calendar month prior to date of the application.
 - ☐ Applications for loans between \$350 and \$500 require verifiable proof of income from a consistent source(s) for at least three (3) full consecutive calendar months prior to the date of application.
 - ☐ Applications for loans between \$550 and \$1,000 require verifiable proof of income from a consistent source(s) for at least six (6) full consecutive calendar months prior to application.
- ☐ Bank statement in your name and with your current address covering the 90 day period prior to submission of the application.
- ☐ Copy of Driver's License or another form of government issued photo ID or Mexican Matricula Card
- ☐ Proof of Oregon residency: either an Oregon government issued photo ID or two (2) pieces of mail in your name with an Oregon address dated no later than 30 days prior to the date of application.
- ☐ A voided check if you want automatic monthly payment withdrawals from your bank account

11. Co-Applicant (Second Borrower) Addendum

If applying for joint credit, complete the following information for the co-applicant. Both applicants must sign the application on the last page. Co-applicants are each contractually liable for the loan.			
Last Name:	First:	Middle Initial:	Social Security #: - -
			Date of Birth:
Home Address:			Home Phone:
City:			Cell Phone:
State:	Zip Code:	Work Phone: Ext:	
Email:			

12. Signature(s)

By signing below, I hereby verify that the information presented here is true and accurate to the best of my knowledge, and if asked I can prove accuracy of the information. For purposes of verifying the above information, I authorize Innovative Changes or its contractors, affiliates, or agents to contact any persons or companies to verify information Innovative Changes may require now and in the future, while attempting to perform a loan service for me or recovering any debt due to Innovative Changes. I authorize Innovative Changes and its contractors, affiliates or agents to request and receive credit reports from time to time pertaining to me from any Consumer Credit Reporting Agency. Nothing herein contained shall require Innovative Changes to accept any checks presented by me. I further acknowledge that I have received Innovative Changes Privacy Policy and understand the privacy options. I acknowledge that Innovative Changes may report information about a loan I receive to credit bureaus. Late payments, missed payments or other defaults on such loans by me may be reflected in my credit report. I further agree to and will notify Innovative Changes of any change in name, address, telephone number, or employer, and any material change in my condition.

Applicant Signature _____ Date _____

Co-Applicant Signature _____ Date _____

Sample Approval Letter (Northwest Access Fund)

Date

Address

Dear:

Congratulations! As I informed you on the phone, the Northwest Access Fund approved your application for a loan on XXX in the amount of \$XXX for XXX. The interest rate is 5.0% and the term is XX months. Payments will be \$XX per month.

Enclosed please find the Promissory Note and Truth in Lending documents for your loan, as well as an Electronic Funds Transfer (ACH) form. Please indicate which day of the month you would prefer to have the payments withdrawn from your account and attach a voided check. Please sign and return these forms, along with the References sheet and Customer Feedback form. In addition:

- Please provide verification of income
- Please provide identity documentation such as a copy of your driver's license, passport, or other identification card.
- Please provide insurance information.

We will be able to disburse the loan as soon as you sign and return the enclosed documents.

We will write a check or pay by credit card directly to the vendor once we receive these items and have permission from you to disburse the loan.

Our policies require that funds be disbursed within 90 days of loan approval. If you are unable to close the loan for any reason within this time frame, let us know. Please let me know if you have any questions.

Sincerely,

Kathy Gilman
Program Director

Sample Denial Letter (Innovative Changes)

Innovative Changes
2010 Lloyd Center
Portland, OR 97232



<<Client Name>>
<<Address Line 1>>
<<Address Line 2>>

<<DATE>>

Ref: Loan Application dated <<DATE>>

Dear <<Mr./Ms. Client Last Name>>,

Thank you for your interest in the Innovative Changes' (IC\$) Loan program. We regret to inform you that we are unable to offer you a loan at this time:

- ☐ Insufficient proof of income for at least **one (1)/ three (3)/six(6)** full calendar month(s) prior to date of the application.
- ☐ No bank statement in your name and with your current address covering the 30 day period prior to submission of the application.
- ☐ Bank account is overdrawn.
- ☐ No form of government issued photo ID or Mexican Matricula Card available.
- ☐ No verifiable history of either steady residence for a period of six months prior to application date.
- ☐ No verifiable proof of steady income for the upcoming six months
- ☐ Insufficient proof of Oregon residency.
- ☐ Bankruptcy pending or discharged in past 180 days.
- ☐ Credit report contains a civil judgment filed within the past 180 days.
- ☐ Credit report, income history, or bank statements show current garnishment.
- ☐ No show for two or more appointments without prior notice

Dates: _____ and _____

Please know that although we cannot provide you with a loan at this time, you are still eligible to participate in our individual coaching and financial education programs. To set up an appointment, please call us at (503)-249-5205. You may be eligible to apply for a loan in the future if the checked criteria above has been resolved.

Here are some ideas and resource for finding extra funds:

- Contact a service provider to inquire about assistance programs and payment options
- Visit a food bank: Oregon Food Bank has a local food bank locator on the website:
<http://www.oregonfoodbank.org/>, 503-282-0555
- Call 211 for updating contact information of community resources
- Look for something to cut in your budget
- Sell something that you don't use anymore

Don't hesitate to contact us with questions or additional information on community resources.

We wish you the best of luck in your future endeavors.

Sincerely,

Nancy Yuill
Executive Director

If you wish to appeal this decision, please submit your appeal in writing to:

Nancy Yuill, Executive Director
Innovative Changes
2010 Lloyd Center
Portland, OR 97232
nancy@innovativechanges.org

What will happen next?

1. We will contact you by phone or email to acknowledge receipt of your complaint within three (3) business days of receiving it.
2. We will investigate your appeal.
3. Following our investigation, we will contact you in writing to inform you of the results of our investigation, and any action steps that may be taken to resolve your appeal. We will send you this response within seven (7) business days of acknowledging your appeal.
4. In some cases, we may also invite you to a meeting to discuss and hopefully resolve your appeal.
5. Following our written reply, a meeting, or both, if you are still not satisfied, you should contact us again and we will convene our Customer Complaint Committee to address your appeal.
6. The decisions made by the Customer Complaint Committee will reflect our final position on the matter, unless we specify otherwise.
7. If you are still not satisfied, you can then contact the Division of Finance and Corporate Securities of the Oregon Department of Consumer and Business Services at (866) 814-6710. If we have to change any of the timelines above, we will let you know and explain why.

B-4. Model form for disclosure exception for loans not secured by residential real property **Sample Credit Score Disclosure Notice (Federal Trade Commission)**

[Name of Entity Providing the Notice]
Your Credit Score and the Price You Pay for Credit

Your Credit Score

Your credit score

[Insert credit score]

Source: [Insert source]

Date: [Insert date score was created]

Understanding Your Credit Score

What you should know about credit scores

Your credit score is a number that reflects the information in your credit report.

Your credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors.

Your credit score can change, depending on how your credit history changes.

How we use your credit score

Your credit score can affect whether you can get a loan and how much you will have to pay for that loan.

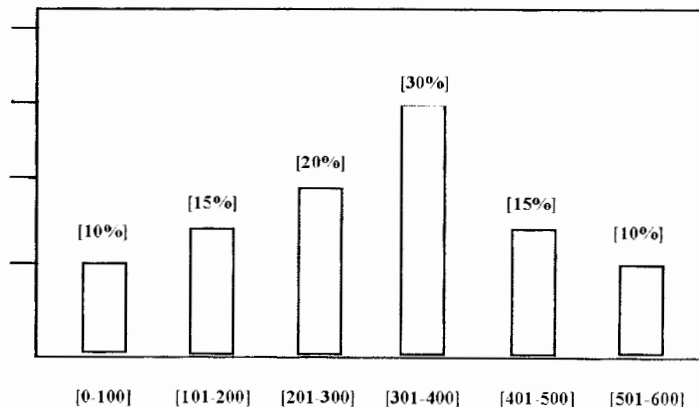
The range of scores

Scores range from a low of [Insert bottom number in the range] to a high of [Insert top number in the range].

Generally, the higher your score, the more likely you are to be offered better credit terms.

How your score compares to the scores of other consumers

% of Consumers with Scores in a Particular Range



Score Range

[or] [Your credit score ranks higher than [X] percent of U.S. consumers.]

Checking Your Credit Report

What if there are mistakes in your credit report?

You have a right to dispute any inaccurate information in your credit report. If you find mistakes on your credit report, contact the consumer reporting agency.

It is a good idea to check your credit report to make sure the information it contains is accurate.

How can you obtain a copy of your credit report?

Under federal law, you have the right to obtain a free copy of your credit report from each of the nationwide consumer reporting agencies once a year.

To order your free annual credit report—

By telephone: Call toll-free: 1-877-322-8228

On the web: Visit www.annualcreditreport.com

By mail: Mail your completed Annual Credit Report Request Form (which you can obtain from the Federal Trade Commission's web site at <http://www.ftc.gov/bcp/conline/include/requestformfinal.pdf>) to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

How can you get more information?

For more information about credit reports and your rights under federal law, visit the Federal Reserve Board's web site at www.federalreserve.gov, or the Federal Trade Commission's web site at www.ftc.gov.

Sample Loan Agreement: (Innovative Changes)

Innovative Changes 2027 Lloyd Center, Portland, OR 97232

LOAN DATE LOAN NUMBER MATURITY DATE

BORROWER 1	BORROWER 2
NAME AND ADDRESS	NAME (AND ADDRESS IF DIFFERENT FROM BORROWER)

TRUTH IN LENDING ACT DISCLOSURE

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments (The amount you will have paid after you have made all payments as scheduled.)
(The cost of your credit as a yearly rate.)	(The dollar amount the credit will cost you.)	(The amount of credit provided to you or on your behalf.)	
%	\$	\$	\$ 0.00

Your Payment Schedule Will Be:

# of Payments	Amount of Payments	When Payments are Due
	\$	Monthly Beginning
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		

See Attached Payment Schedule

Prepayment: If you pay off early you will not have to pay a penalty.

Payment in any amount may be made in advance at any time.

Late Charge: If you are Ten (10) or more days late in making a payment, you will be charged a late fee of Five Dollars (\$5) or 5% of the unpaid amount of the installment due, whichever is less.

Security: You grant IC\$ a security interest in \$ to be held in a deposit account IC\$ on your behalf with KeyBank (the "Bank"). **The annual percentage rate does not take into account your required deposit.**

See your contract documents for any additional information about nonpayment, default, and any required repayment in full before the scheduled date.

SIGNATURES

By signing as Borrower, you agree to the terms of the Loan Agreement. YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED A COPY OF THIS AGREEMENT.

The lender and the undersigned borrower hereby acknowledge and agree that (1) all the documents that are part of this transaction are retained by IC\$ may be retained electronically in the form of an imaged copy, and (2) the original copies of the loan documents may be destroyed. Both parties further agree that the imaged copies of these loan documents shall be recognized and serve as the originals for all purposes, including, but not limited to, disputes, litigation, or collection efforts that arise from the transaction.

Borrower 1	Date
Borrower 2	Date

LOAN DATE _____ LOAN NUMBER _____

ITEMIZATION OF THE LOAN AMOUNT

Itemization of Loan Amount of	Amount Given to You Directly	Amount Paid on Your Account	Prepaid Finance Charge
\$	\$	\$	\$

Amounts Paid to Others on Your Behalf: (If an amount is marked with an asterisk (*) we will be retaining a portion of the amount.)

\$ To Borrower's Deposit \$ To \$ To

LOAN AGREEMENT

In this Loan Agreement ("Agreement") all reference to "Innovative Change\$, " "IC\$, " "we," "our," or "us," mean Innovative Change\$ and anyone to whom IC\$ assigns or transfers this Agreement. All references to "Borrower," "you" or "your" mean each person who signs this Agreement as a borrower.

THIS LOAN AGREEMENT is made this ____ day of _____, _____, between Innovative Change\$ (IC\$), an Oregon nonprofit corporation, and _____ (Borrower) under the terms stated in the Truth in Lending Act Disclosure Agreement dated _____.

- PROMISE TO PAY.** You promise to pay us the "Total of Payments" shown above, which includes a Finance Charge, by the final payment due date.
- INTEREST RATE.** You agree that you will pay interest ("Interest") on the principal balance at a rate of eighteen percent per annum (18%) (the "Interest Rate") from the date of this Agreement until paid in-full. Interest is computed on a 365/365 simple interest basis. This means that interest is computed by dividing the annual Interest Rate by 365, multiplying that number by the outstanding principal balance, and multiplying that number by the number of days the principal balance is outstanding. You and we specifically intend this Agreement to bear a lawful rate of interest. If any competent court finds that the Interest Rate unlawful, it shall be reduced to the highest legal rate. We shall apply any excess interest previously collected from you to the unpaid principal balance or, if this Agreement is fully repaid, shall return it to You.
- PAYMENTS.** You promise to make payments of the amount and at the time shown in the payment schedule listed in the Truth in Lending Act Disclosure. Because this is a simple interest loan, if you do not make payments exactly as scheduled, your final payment may be more or less than the amount of the final payment that is disclosed. IC\$ will send you an invoice at least two weeks prior to your monthly payment due date.
 - Please send monthly invoice by ☐ post ☐ email _____ **Borrower Initials**
 - We may not require repayment of loans by preauthorized electronic transfers. You voluntarily authorize IC\$ to debit your bank account automatically for each Loan payment due. In cases where we utilize an EFT for payment, funds may be withdrawn from your account quickly, sometimes the same date as your loan payment is due. By initializing this section (Section 3) of this Agreement, you authorize us to electronically collect on your loan payments in the amount of the Total of Payments shown in this Agreement. Your authorization to EFT your account will remain in full force and effect until you terminate it by giving us written notice at the address listed on this Agreement and until we have had a reasonable opportunity to act on your notice. _____ **Borrower Initials**
- APPLICATION OF PAYMENTS.** We shall apply each payment or prepayment first to unpaid accrued interest and costs due under this Agreement, and then to unpaid principal.
- LOAN PROCEEDS BY MAIL.** If the proceeds of this loan are mailed to you, interest on this loan begins on the date the loan proceeds are mailed to you.

6. **LOAN ORIGATION FEE.** You agree to pay us an origination fee, shown above as a "Prepaid Finance Charge." The origination fee is fully earned by us on the date of this Agreement.
7. **SECURITY.** You grant us a security interest as shown in the Truth in Lending Act Disclosure. If you are in default, IC\$ may apply any or all of the amount held as collateral toward the amount you owe on this loan. Upon full repayment of your loan, these funds will be released to you along with interest earned, if any.
8. **PREPAYMENT.** You may prepay your loan in full without penalty at any time before the due date. If you prepay your loan in full, we will return to you any unearned Interest required by law. However, you agree that the origination fee is a nonrefundable and will **not be refunded to you, even if you pay off your loan early.**
9. **DEFAULT.** You will be in default under this Agreement if you do not make a payment of the amount required within ten (10) days of the date it is due. You will be in default if you fail to comply with any term of this agreement and your failure materially impairs your ability to pay amounts due under this Agreement. You will be in default if a bankruptcy petition is filed by or against you or you fail to keep any other agreement in this contract.
10. **ACTIONS AFTER DEFAULT.** When you are in default and after you have been given any right you have under state law to cure your default, we can require immediate payment of the entire unpaid balance under this Agreement. If we demand immediate payment, you will continue to pay interest at the rate provided for in this Agreement, until what you owe has been repaid. We will also apply against what you owe any security interest we hold under this Agreement. We may also exercise any other rights given by law when you are in default. If we must take additional actions to collect your loan, you agree to pay any collection costs (including reasonable attorney's fees) we incur, to the extent allowed by law. Any partial payments you make will be applied first to collections costs, then to finance charges, then to principal.
11. **LATE CHARGE.** If you are late in making a payment, you agree to pay the late charge shown in the Truth in Lending Disclosure. If no late charge is shown, you will not be charged one.
12. **RETURNED CHECK CHARGE.** You agree to pay a \$20.00 fee for each check delivered in payment of an amount due under this Note which is returned unpaid to us plus any fees charged to us arising out of the dishonored check charged to us.
13. **EACH PERSON RESPONSIBLE.** Each person who signs this Agreement will be individually and jointly responsible for paying the entire amount owed under this Agreement. This means we can enforce our rights against any one of you individually or against all of you together.
14. **CANCELLATION.** You may cancel this Loan without paying the Finance Charge. To do so, you must inform us in writing that you wish to cancel the Emergency Loan and future payment obligations and you must pay us all amounts that we have given you under this Agreement no later than the close of business on the next business day following the date of this Agreement. Your payment must be in the form of cash or in the original form of payment disbursed to you by us (e.g. the check we wrote to you or on your behalf). If we receive your payment on time, we will cancel your loan.
15. **TELEPHONE CALLS – MONITORING.** You agree that if you are past due or in default, you will accept calls from us or a third party we have contracted with regarding the collection of your Account. You understand these calls could be automatically dialed and a recorded message may be played. You agree such calls will not be unsolicited calls for the purposes of state and federal law. If you provide us with a wireless or cellular telephone number, you agree that we may place calls to that number which may result in charges from your wireless or cellular carrier. You also agree that, from time to time, we may monitor telephone conversations between you and us to assure the quality of our customer services.
16. **OTHER CONTACT.** IC\$ may contact you during the term of this loan, and periodically after the loan is repaid in full to collect information about your financial and/or household circumstances for the sole purpose of accumulating aggregated statistical data for reporting to federal and other funders that support IC\$ and for use in funding applications and public relations efforts.

_____ **Borrower Initials**

_____ **Borrower Initials**

- 17. DELAY IN ENFORCING RIGHTS.** We can delay enforcing any of our rights under this Agreement any number of times without losing the ability to exercise our rights later. We can enforce this Agreement against your heirs or legal representatives.
- 18. ENTIRE AGREEMENT.** Your loan is subject to the terms of this Loan Agreement, the Truth in Lending Act Disclosure, and the Security Agreement. You acknowledge that we have provided you with a copy of these documents, which together constitute the entire agreement between you and us.
- 19. ASSIGNMENT.** You may not assign this Agreement or your responsibility for repaying any Loan to anyone else. We may assign this Agreement to any of our affiliates. We may also assign or delegate any or all of our rights and responsibilities under this Agreement to independent contractors or other third parties.
- 20. CONTINUED EFFECTIVENESS.** If any part of this Agreement is determined by a court to be unenforceable, the rest will remain in effect.
- 21. NOTICES.** Notices will be sent to you at the most recent address you have given us in writing unless you opt to have notices sent to you electronically above. Notice to any one of you will be notice to all.
- 22. USE OF ACCOUNT.** You promise to use your account for consumer (personal, family or household) purposes.
- 23. OTHER PROVISIONS.** If you did not pay the loan origination fee at the time we approved your application, you authorize us to withdraw this fee from your loan principal.

- 24. REPRESENTATIONS REGARDING BANKRUPTCY:** You make the following representations to us as of the date of this Agreement and each time you apply for a Loan:
- You are solvent and generally paying your debts as they become due.
 - You have no intent to file any type of bankruptcy proceeding while a Loan is outstanding or within 121 days after you repay the loan.
 - You intend to repay your Loan.
 - There will be sufficient funds in your bank account on the due dates of the Loan payments to repay the Loan if you have authorized us to withdraw the payments by automatic debit.
 - You will not use the funds from a Loan to pay any debt that might otherwise be non-dischargeable in bankruptcy under Title 11 of the United States Code.

You acknowledge and agree that (a) the foregoing representations are material, (b) each time we make a Loan to you, we are relying upon your representations, and (c) we will be entitled to a presumption that any amount we loan to you is non-dischargeable under 11 USC § 523 if any of the foregoing representations is false, inaccurate or incomplete.

- 25. CREDIT REPORTING.** We may report information about your Loans to credit bureaus. Late payments, missed payments or other defaults on your Loans may be reflected in your credit report.

CREDIT COUNSELING AVAILABILITY: You should consider contacting an independent, non-profit credit counseling agency approved by the National Foundation for Credit Counseling (NFCC) or by a State or Federal government agency. You may obtain information on how to contact an approved counselor near you by calling the NFCC at 1-800-388-2227

- 26. SMALL CLAIMS.** You and we each may bring a Claim in small claims court. You and we need not submit Claims to arbitration prior to submitting them to small claims court. All Claims that cannot be heard or resolved in small claims court (and all appeals from a judgment by a small claims court) must be resolved in accordance with the Arbitration Agreement appearing above. If a small claims judgment is made in our favor, you agree to reimburse us for all costs and attorney fees incurred in relation to such Claims.

27. LICENSING. We are subject to the regulation and oversight of the Division of Finance and Corporate Securities of the Oregon Department of Consumer and Business Services. Consumer inquiries or complaints may be made by calling (866) 814-6710.

By signing below, (1) you acknowledge that you have read and received a copy of this Loan and Security Agreement and Disclosure Statement, and (2) you agree to all of its terms.

Borrower 1 Signature

Date of Loan

Borrower2 Signature

Date of Loan

NOTICE OF YOUR FINANCIAL PRIVACY RIGHTS: *We respect the privacy of our customers and are committed to treating customer information responsibly. We collect "nonpublic personal information" about you from the following sources: 1) Information we receive from you on applications or other forms, and 2) Information about your transactions with us.*

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

Sample Automatic Clearing House (ACH) Authorization Agreement (Northwest Access Fund)

Authorization Agreement for Direct Payments (ACH Debits)

Name(s): _____

I/we hereby authorize **Northwest Access Fund**, herein after called the Company, to automatically withdraw funds from my/our Checking Account in the amount of **\$XXX**. I agree that my account will be debited on the ____ of each month and that it is my responsibility to ensure that sufficient funds are in my account at that time. I understand that if my payment is returned for "Not Sufficient Funds", I will be responsible for paying a **\$15.00** returned item fee. I understand that I will be notified of changes in the payment amount at least ten (10) calendar days in advance of the scheduled payment date. I agree that in the event of an incorrect amount or entry, I authorize the Company to process a correcting entry.

Financial Institution _____
Transit Routing/ _____
ABA Number _____ Account Number _____

This authority will remain in effect until I instruct the Company in writing to change or cancel this authorization 10 days prior to the date funds are to be debited from my account.

Signature: _____

Date: _____

Signature: _____

Date: _____

Please attach a sample
VOIDED CHECK here

Sample Customer Feedback and Satisfaction Survey

Please answer the following questions about your experience. We appreciate your feedback on how we can improve our program!

1. To what extent do you agree with the following statements:

	Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
The application process was straight forward					
The office is in a convenient location					
Staff communicated clearly about who is qualified for a loan					
Staff communicated clearly about what documents I needed to apply for a loan					
Staff communicated clearly about the costs (interest and fees) associated with the loan					
I felt respected throughout the loan application process					
My loan was approved in a timely manner					
I understand the terms of my loan agreement					
I know how to make payments on my loan					
I know what to do if I am unable to make a loan payment					
I am satisfied with my experience of taking out a loan					
I would take out another loan from here if I needed one!					

2. What can we do better?

Please feel free to provide additional comments, suggestions, and additional information on the back of this page.

Sample Customer Feedback and Satisfaction Survey (Northwest Access Fund)

Please answer the following questions about the services you received from the Washington Access Fund. We need this information to provide high quality services and to meet the requirements for receiving federal funding.

1. Which of the following best reflects your level of satisfaction with the services you received? (Check one.)

- ☐ Highly satisfied
- ☐ Satisfied
- ☐ Satisfied somewhat
- ☐ Not at all satisfied

2. What is the primary purpose for which the equipment you purchased was needed?

- ☐ Education
- ☐ Employment
- ☐ Community (or Independent) Living

3. Why did you choose to pay for this equipment through the Washington Access Fund?

- ☐ Could only afford the equipment through our low interest loan program
- ☐ Equipment was only available through Washington Access Fund
- ☐ Equipment was available through other programs but the system was too complex or the wait time was too long
- ☐ None of the above

Please feel free to provide additional comments, suggestions, and additional information on the back of this page.

Sample Late Payment Notice: (Innovative Changes)

Innovative Changes
2027 Lloyd Center
Portland, OR 97232



Borrower address

July 9, 2015

Ref: Loan Number: OL1.....

Dear Nicole,

We have not received your Security and Success/Credit Builder/Opportunity Loan payment of \$0.00, which was due on June 20th, 2016. Because this payment is ten (10) or more days late, a late fee of \$0.00 has been assessed. Because you did/did not communicate with us before June 30th, 2016, we can/cannot waive this late fee in this instance. As of today's date, your outstanding principal balance is \$0.00.

Please bring your loan current by paying us \$0.00 + \$0.00 or to arrange a modification of your loan terms by July 30th, 2016. We will notify the credit reporting agencies that the loan payment has been made on time if we receive the funds by this date.

Please send/bring your payment(s) to: Innovative Changes, 2027 Lloyd Center, Portland, OR 97232

Or you can pay online with a debit card by going to this link: <http://www.innovativechanges.org/about/for-our-borrowers> and clicking on the "Make a Payment" button and filling out the necessary information -- purpose (ex: November loan payment from J. Smith) and amount. We only accept debit or pre-paid cards (not credit cards).

Note: *Although the site calls your payment as a donation, it directly goes towards paying off your loan, but it is YOUR RESPONSIBILITY to make sure we know that the payment is from you!*

Please do not hesitate to call Alicia or Rachel at 503-249-5205 or email Rachel at rachel@innovativechanges.org if you have any questions about your loan payment.

Sincerely,

Nancy Yuill
Executive Director

Sample Adverse Action Letter (Cornell Law School)

Date

Dear Applicant:

Thank you for your recent application for _____. We regret that we are unable to approve your request.

[REASONS FOR DENIAL OF CREDIT]

Your application was processed by a [credit scoring] system that assigns a numerical value to the various items of information we consider in evaluating an application. These numerical values are based upon the results of analyses of repayment histories of large numbers of customers.

The information you provided in your application did not score a sufficient number of points for approval of the application. The reasons you did not score well compared with other applicants were

- Insufficient bank references
- Type of occupation
- Insufficient credit experience
- Number of recent inquiries on credit bureau report

[YOUR RIGHT TO GET YOUR CONSUMER REPORT]

In evaluating your application the consumer reporting agency listed below provided us with information that in whole or in part influenced our decision. The consumer reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. It can be obtained by contacting: [name, address, and [toll-free] telephone number of the consumer reporting agency]. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

[INFORMATION ABOUT YOUR CREDIT SCORE]

We also obtained your credit score from this consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in

your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score:

Date:

Scores range from a low of ____ to a high of ____

Key factors that adversely affected your credit score:

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address:

[Toll-free] Telephone number: _____]]

If you have any questions regarding this letter, you should contact us at

Creditor's Name:

Address:

Telephone:

Sincerely,

Source: Cornell Law School: Legal Information Institute. Retrieved from https://www.law.cornell.edu/cfr/text/12/appendix-C_to_part_202

Sample Loan Payoff Letter (Oklahoma Assistive Technology Foundation)



Oklahoma Assistive Technology Foundation
311 S. Duck, Stillwater, OK 74074

June 6, 2017

Name
Address
City, state, zip

Dear Consumer,

Congratulations! You have successfully paid your loan with OkAT in full! We appreciate you being such a valuable borrower and hope you are enjoying your hearing aids.

When you took out your loan with OkAT, your TransUnion credit score was 584. Today, I pulled a soft credit report (one that would not affect your score) and it says you have improved your credit score to 637. That is a fabulous trend, reflecting savvy financial responsibilities!

If we can be of any additional assistance to you, please don't hesitate to call.

Sincerely,

Shelley Gladden
Program Director

Appendix D

Assistive Technology Related Resources

Examples of People-First Language (National Disability Institute)	172
Creating an Inclusive Environment for Your Financial Education Program (National Disability Institute)	173
Setting Up an ABLE Account (Consumer Financial Protection Bureau)	178
Paying for Assistive Technology Worksheet (Consumer Financial Protection Bureau)	182

Examples of People-First Language

Positive language empowers. When writing or speaking about people with disabilities, it is important to put the person first. Group designations such as "the blind," "the retarded," or "the disabled" are inappropriate because they do not reflect the individuality, equality, or dignity of people with disabilities. Further, words like "normal person" imply that the person with a disability is not normal, whereas "person without a disability" is descriptive, but not negative. The accompanying chart shows examples of positive and negative phrases.

Affirmative Phrases	Negative Phrases
Person with an intellectual, cognitive, developmental disability	Retarded; mentally defective
Person who is blind; person who is visually impaired	The blind
Person with a disability	The disabled; handicapped
Person who is deaf	The deaf; deaf and dumb
Person who is hard of hearing	Suffers a hearing loss
Person who has multiple sclerosis	Afflicted by MS
Person with cerebral palsy	CP victim
Person with epilepsy; person with seizure disorder	Epileptic
Person who uses a wheelchair	Confined or restricted to a wheelchair
Person who has muscular dystrophy	Stricken by MD
Person with a physical disability; person who is physically disabled	Crippled; lame; deformed
Unable to speak; uses synthetic speech	Dumb; mute



Creating an Inclusive Environment for Your Financial Education Program

The following checklist will help your organization remove barriers to participation by individuals with disabilities and create an inclusive environment. Creating an inclusive environment starts with the actions and attitudes of staff that set high expectations about a barrier free environment that encourages everyone to be sensitive and solution oriented to individual differences.

Self-Evaluation Checklist

Spirit of Inclusion

- ☐ 1. Are participants with disabilities treated as full participants in the classroom?
- ☐ 2. Are the expectations for participants with disabilities the same as for other participants?
- ☐ 3. Are staff using "people first language" and focusing attention on abilities, interests, and aspirations in the same way as for other participants?
- ☐ 4. Have staffed participated in a disability awareness training course?

Remove Physical Barriers

- ☐ 1. Is there an action plan to remove physical barriers in place?
- ☐ 2. Do the plans consider relocating to space without physical barriers?
- ☐ 3. Do the plans consider reorganizing space?
- ☐ 4. Do all events take place in barrier free locations?
- ☐ 5. Is the location on an accessible bus route or reachable by other accessible means of transportation?
- ☐ 6. Are the bathrooms accessible?

Remove Communications Barriers

- ☐ 1. Are staff familiar with and making available different kinds of alternative formats for materials?
 - a. Large print
 - b. CD
 - c. Audio Tape
 - d. Braille



- ☐ 2. Do program staff know how and where to secure interpreters, assistive listening devices, or real time captioning?
- ☐ 3. Are participants asked about their needs and preference for communication access?
- ☐ 4. Are staff and participants familiar with program procedures to handle requests for accommodations?
- ☐ 5. Is your website accessible for persons with disabilities?
- ☐ 6. Do you use visual information (words, charts, and graphics) to reinforce what is presented orally?

Remove Program Barriers

- ☐ 1. Do you let participants have additional time to complete assignments or take a test?
- ☐ 2. Do you offer the participant an aide, volunteer, or flexibility to bring a friend or family member to help maintain attention and understanding?
- ☐ 3. Do you offer follow up instruction, individually, as needed?
- ☐ 4. Do you provide a balance of active and passive activities within a lesson?
- ☐ 5. Do you use real life examples and concrete materials whenever possible?
- ☐ 6. Do you provide an overview of the content or expected learning objectives at the beginning of the session?
- ☐ 7. Do you repeat, paraphrase, and summarize all important points?
- ☐ 8. Do you encourage participants to ask questions?
- ☐ 9. Do you limit lectures and encourage participants to work in pairs or small teams to learn by doing?
- ☐ 10. Do you use hands on activities, pictures, or diagrams to provide alternative ways of learning abstract or more complex concepts?

Utilize Community Resources

- ☐ 1. Have you developed relationships with community disability organizations to learn more about removing physical, communication, or program barriers?
- ☐ 2. Have you asked leaders with disabilities in your community to either identify resources or help provide reasonable accommodations?
- ☐ 3. Have you invited the leaders or community disability organization staff to assess your barrier free environment?
- ☐ 4. Have you invited these leaders to help train your staff to be proactive in identifying and solving accessibility challenges?



Technical Assistance Resources

The National Institute on Disability and Rehabilitation Research (NIDRR) has established ten regional centers to provide information, training, and technical assistance to employers, people with disabilities, and other entities with responsibilities under the Americans with Disabilities Act (ADA). The centers act as a “one-stop” central, comprehensive resource on ADA issues in employment, public services, public accommodations, and communications. Each center works closely with local business, disability, governmental, rehabilitation, and other professional networks to provide ADA information and assistance. Programs vary in each region, but all centers provide the following:

- Technical Assistance
- Education and Training
- Materials Dissemination
- Information and Referral
- Public Awareness
- Local Capacity Building

Call the toll-free number: (800) 949-4232 (V/TTY) for information, materials, technical assistance, or training on the ADA. This number will automatically route your call to the Center in your region. The contact information for the ten Regional ADA Centers is listed below:

Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)

[New England ADA Center](#)

Institute for Human Centered Design
(formerly Adaptive Environments)
180-200 Portland Street, First floor
Boston, Massachusetts 02114
Phone: (617) 695-0085 (V/TTY)
Fax: (617) 482-8099
E-mail: adainfo@newenglandada.org
Web site: <http://www.NewEnglandADA.org>

Region 2 (New Jersey, New York, Puerto Rico, Virgin Islands)

[Northeast ADA Center](#)

Cornell University
201 Dolgen Hall
Ithaca, New York 14853-3901
Phone: (607) 255-6686 (Voice and TTY)
Fax: (607) 255-2763
E-mail: dbtacnortheast@cornell.edu
Web site: www.dbtacnortheast.org



Region 3 (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia)

[Mid-Atlantic ADA Center](#)

TransCen, Inc.
451 Hungerford Drive, Suite 700
Rockville, Maryland 20850
Phone: (301) 217-0124 (V/TTY)
Fax: (301) 217-0754
E-mail: adainfo@transcen.org
Web site: www.adainfo.org

Region 4 (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee)

[Southeast ADA Center](#)

Project of the Burton Blatt Institute – Syracuse University
1419 Mayson Street
Atlanta, Georgia 30324
Phone: (404) 541-9001 (V/TTY)
Fax: (404) 541-9002
E-mail: sedbtacproject@law.syr.edu
Web site: www.sedbtac.org

Region 5 (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin)

[Great Lakes ADA Center](#)

University of Illinois/Chicago
Department on Disability and Human Development
1640 West Roosevelt Road, Room 405
Chicago, Illinois 60608
Phone: (312) 413-1407 (V/TTY)
Fax: (312) 413-1856
Web site: www.adagreatlakes.org

Region 6 (Arkansas, Louisiana, New Mexico, Oklahoma, Texas)

[Southwest ADA Center](#)

Independent Living Research Utilization
2323 South Shepherd Boulevard, Suite 1000
Houston, Texas 77019
Phone: (713) 520-0232 (V/TTY)
Fax: (713) 520-5785
E-mail: dlrp@ilru.org
Web site: www.dlrp.org

Region 7 (Iowa, Kansas, Missouri, Nebraska)

[Great Plains ADA Center](#)

University of Missouri/Columbia
100 Corporate Lake Drive
Columbia, Missouri 65203
Phone: (573) 882-3600 (V/TTY)
Fax: (573) 884-4925
E-mail: brinkhoffj@missouri.edu
Web site: www.adaproject.org

Region 8 (Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming)

[Rocky Mountain ADA Center](#)

Meeting the Challenge, Inc.
3630 Sinton Road, Suite 103
Colorado Springs, Colorado 80907
Phone: (719) 444-0268 (V/TTY)
Fax: (719) 444-0269
E-mail: technicalassistance@mtc-inc.com
Web site: www.adainformation.org



Region 9 (Arizona, California, Hawaii,
Nevada, Pacific Basin)

[Pacific ADA Center](#)

555 12th Street, Suite 1030
Oakland, California 94607-4046
Phone: (510) 285-5600 (V/TTY)
Fax: (510) 285-5614
E-mail: adatech@adapacific.org
Web site: www.adapacific.org

Region 10 (Alaska, Idaho, Oregon,
Washington)

[Northwest ADA Center](#)

University of Washington
6912 220th Street SW, #105
Mountlake Terrace, Washington 98043
Phone: (425) 248-2480 (V)
Fax: (425) 771-7438
E-mail: dbtacnw@u.washington.edu
Web site: www.dbtacnorthwest.org

Setting up an ABLE Account

What to do:

For many people with disabilities, saving may not seem to be an option that's available to them. This is because when people receive public benefits, some benefit programs may have "asset limits." Asset limits cap the amount of savings and other resources you can have and still maintain eligibility for certain public benefits. When a program has asset limits, savings may impact a person's eligibility for that type of assistance. There are savings options, however, that do not count against these asset limits. This tool can be used to help people with disabilities understand what an ABLE Account is and some of the things they may want to consider if they want to open one.

What to say:

"An ABLE Account is a new way for people with disabilities to save. It could be an option for you. Before using any financial product or service, it's important to understand it. Let's look at how it works and whether an ABLE Account is something you'd like to consider. If it is, let's discuss how you can choose one that works for you and how you can set one up."

To access a dynamic and fillable version of this tool, visit: www.consumerfinance.gov/practitioner-resources/your-money-your-goals/companion-guides/



Setting up an **ABLE Account**

- 1** Ask these questions to determine if an ABLE Account is an option for you.
- 2** Fill in the worksheet on the next page to compare features of different plans if you determine you would like to open an ABLE Account.

☐ Do you meet the eligibility requirements?

- You have a significant disability with the age of onset of the disability that began before 26 years of age, and
- You are receiving benefits from SSI and/or SSDI, or you are eligible to file a disability certification with a qualified ABLE program or,
- You meet the Social Security's definition and criteria regarding significant functional limitations and receive a letter of certification from a licensed physician.

☐ Do your goals match the qualified disability expenses allowed that can be paid from an ABLE Account without incurring taxes?

Qualified disability expenses may include:

- Education
- Housing
- Transportation
- Employment training and support
- Assistive technology
- Personal support services
- Health care expenses
- Financial management and administrative services and other expenses that help to improve health, independence, or quality of life.

☐ Do you have the minimum contribution required to open an account?

This varies based on the requirements of each state program but is generally between \$25 and \$50.

☐ Can you continue to make contributions to the ABLE Account once it is opened?

Regular (monthly) deposits may not be required, but regular contributions to savings can help you grow your account faster. Remember that family and friends can also make contributions to your ABLE Account.

Be sure you find out:

- How your money will be invested through an ABLE Account
- Fees you may have to pay to open and maintain your account
- Whether there are advantages available to in-state residents
- Penalties that may be charged
- Other features the account may provide, such as checks or a debit card.

For a list of ABLE Accounts offered by state, visit the ABLE National Resource Center at:

www.ablenrc.org

Program feature	ABLE program 1	ABLE program 2
1. Where is this program?		
2. Who is the program administrator?		
3. Does this program provide extra benefits to in-state residents? If so, what are they?		
4. Are there state tax benefits for contributions made into the account? If so, what are they?		
5. Does this program offer various saving and investing options? If so, what are they?		
6. Are there fees for keeping the account open? What are they?		
7. Are there limits on disbursements from the account? If so, what are they?		
8. Does this program offer a debit card? If so, what is the fee to use it?		
9. Does the program offer check writing?		
10. Are there other features that are important to you?		

Paying for assistive devices

What to do:

For many people with disabilities, assistive devices may help the person achieve independence so they can reach their other goals. Assistive devices may be large purchases, requiring more money than a person can reasonably expect to have after covering their basic living expenses. Use this tool to help someone identify the assistive devices they need or want, how to reduce the costs, and how to pay for these items.

What to say:

"Assistive technology can help you increase or maintain your independence. Making any large purchase almost always takes planning. Setting goals and planning for buying an assistive device can help you get there faster. Covering the costs of assistive technology, however, may be difficult. Use this tool to help you:

- **Identify all the assistive technology that you need and the cost.** Research the cost of the device or service. If you do not know what you need or what your options are, you may be able to get an assistive technology evaluation. Check with your medical provider for a referral.
- **Figure out if your health insurance will pay for part or the entire item.** If you have health insurance, prior authorization may be required. The assistive device or service must be medically necessary. You may need a letter of medical necessity or prescription from your doctor.
- **Identify potential ways to pay for the items.**
- **Identify ways to keep the costs as low as possible.** You may qualify for a federally funded Alternative Financing Program that provides affordable financing to purchase assistive technology. Contact your local Department of Rehabilitation or visit the U.S. Department of Health and Human Services, Administration for Community Living website www.acl.gov for additional support or information."

To access a dynamic and fillable version of this tool, visit: www.consumerfinance.gov/practitioner-resources/your-money-your-goals/companion-guides/.



Paying for **assistive devices**

- 1 Estimate the costs of these expenses.
- 2 Figure out if your health insurance will pay for part or the entire item.
- 3 Identify potential ways to pay for the items.
- 4 Identify ways to keep the costs as low as possible.

Assistive technology	Specific item(s) and cost(s)	Insurance coverage	Ways to pay for what is not covered by insurance	Ways to cut expenses/reduce the overall cost
Mobility aids Examples include: wheelchairs, scooters, walkers, canes, crutches, prosthetic devices, and orthotic devices				
Cognitive assistance Examples include: computer, software, and electrical assistive devices				
Daily task assistive devices Examples include: kitchen implements, dressing aids, and medication dispensers with alarms that help people remember to take their medicine on time				
Modifications to a home Examples include: wider doors, lower countertops, grab bars in bathroom				

Assistive technology	Specific item(s) and cost(s)	Insurance coverage	Ways to pay for what is not covered by insurance	Ways to cut expenses/reduce the overall cost
Modifications to a vehicle Examples include: Adjustable foot pedals, wide doors, large interior door handles, dashboard- mounted ignition				
Educational assistive devices Examples include: automatic page-turners, recorders, book holders, and adapted pencil grips				
Assistive technology for people who are deaf or hearing impaired Examples include: hearing aids, closed captioning, software				
Assistive technology for people who are blind or visually impaired Examples include: voice recognition programs, screen readers, screen enlargement applications				
Other				

Consumer Financial Protection Bureau prepared the tools included in the Your Money, Your Goals: Focus on People with Disabilities companion guide as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

The tools may ask you to provide sensitive information. The CFPB does not collect this information and is not responsible for how your information may be used if you provide it to others. The CFPB recommends that you do not include names, account numbers, or other sensitive information and that users follow their organization's policies regarding personal information.

This guide includes links or references to third-party resources or content that consumers may find helpful. The Bureau does not control or guarantee the accuracy of this outside information. The inclusion of links or references to third-party sites does not necessarily reflect the Bureau's endorsement of the third-party, the views expressed on the outside site, or products or services offered on the outside site. The Bureau has not vetted these third-parties, their content, or any products or services they may offer. There may be other possible entities or resources that are not listed that may also serve your needs.

Appendix E

Additional Resources

General Financial Capability Resources	186
Credit Builders Alliance Training Institute Services	188
Glossary of Credit and Lending Terms	195

General Financial Capability Resources

Research

- [Annie E. Casey Foundation](#): Annie E. Casey Foundation provides case studies on financial well being and the Center for Working Families. Annie E. Casey also shares information on community change, evidence based practice, and alternatives to juvenile detention.
- [Center for Financial Security at University of Wisconsin-Madison](#):
- [Center for Social Development \(CSD\) at the George Warren Brown School of Social Work](#): CSD's website makes many research publications available including topics on financial capability, inclusion in asset building, and other social justice topics.
- [The Institute on Assets and Social Policy \(IASP\) at the Heller School for Social Policy and Management](#): IASP provides research on asset building, connecting employment to economic security, and the racial wealth gap.
- [The Urban Institute](#): Urban has a large number of research briefs on topics related to justice, health, housing, income and benefits and more.
- [The U.S. Financial Diaries](#): The U.S. Financial Diaries collected highly detailed data on how families manage their finances on a day-to-day-basis. The research provides new insights for supporting families and designing policy.

Advocacy

- [Bank On](#): Bank On's goal is to ensure that everyone has access to a safe and affordable bank or credit union account. Their website includes information on branches with certified accounts and information on the 65 coalitions across the county.
- [Get It Back](#) at the Center on Budget and Policy Priorities: The Get It Back Campaign organizes community partners, employers, and social service programs to coordinate outreach for the Earned Income Tax Credit (EITC).

Legal

- [Legal Aid](#): LawHelp.org allows people to find the free legal aid program in their area.

Public Agencies

- [Consumer Financial Protection Bureau \(CFPB\)](#): The CFPB provides [data and research](#), tools for consumers, and resources for practitioners all in one place. Consumers can [make a complaint](#) if they are having trouble with a financial

service, and the [Your Money Your Goals toolkit](#) provides a resource for front-line workers having financial conversations with participants.

- [Federal Deposit Insurance Corporation \(FDIC\)](#): The FDIC is home to Money Smart, a financial education curriculum designed to improve financial skills and create positive banking relationships. Money Smart is available for adults, young people, older adults, and small businesses. All the tools are free and there is a train-the-trainer program.
- [Federal Trade Commission \(FTC\)](#): The FTC offers information for consumers on money and credit, homes and mortgages, and privacy and scams. The FTC also allows consumers to file a consumer complaint and take steps to address identity theft.
- [Internal Revenue Service \(IRS\)](#): The IRS provides [information for taxpayers](#), can help taxpayers find [free tax prep](#) help in their area, and has an independent [Tax Payer Advocate Service](#) for when taxpayers need an advocate to navigate an issue with the IRS.
- [U.S. Department of Housing and Urban Development \(HUD\)](#): HUD has opportunities for community-based organizations to apply for funding and they also have a tool to help the user find a HUD approved housing counseling agency in their area.

Financial Capability Networks, Organizations, or Tools

- [Building Financial Capability: A Planning Guide for Integrated Services](#): The guide is an interactive tool to help community-based organizations interested in integrating financial capability services into existing programs.
- [Cities for Financial Empowerment \(CFE\) Fund](#): The CFE Fund works to improve financial stability by embedding financial empowerment in local government. In addition to providing financial support, they offer webinars, briefs, and other information to support financial empowerment.
- [First Nations Oweesta Corporation](#): Oweesta is a Native CDFI that provides training and technical assistance and is home to Building Native Communities: Financial Skills for Families a tool for facilitating community training.
- [NAACP Financial Freedom Campaign](#): The NAACP Financial Freedom Campaign provides sub grants to NAACP State Conferences for financial education and advocacy campaigns in their communities.



**CREDIT
BUILDERS
ALLIANCE**

CBA Training Institute

Supporting Credit Building Practitioners

Credit Builders Alliance is proud to support financial capability and asset building practitioners across the country in credit building efforts through the CBA Training Institute.

Our platform helps organizations and individual coaches and counselors develop and enhance credit building programming and implementation strategies, informed by CBA's Credit Strength Framework© and Roadmap ©.



Anyone can build, sustain and leverage good credit with the right combination of knowledge, access to financial products and positive ongoing credit actions



www.cbatraininginstitute.org



Credit as an Asset
Training Services
including an
e-learning catalog
and a Master
Trainer Certification
Program.

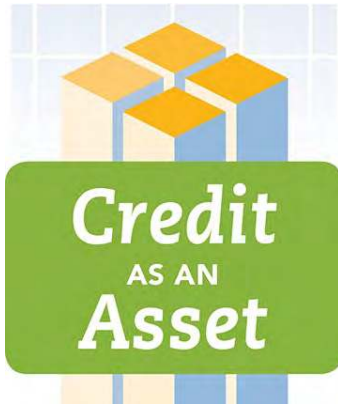
***Credit Builder's
Toolkit*** full of
interactive tools and
comprehensive
resources for
practitioners.

***Customized Credit
Building Consulting***
and program
development
services for
organizations.

A Member's Corner
devoted to
providing technical
assistance to CBA
Reporter, Business
Reporter and
Access members.

Credit as an Asset

Training Services



Credit Builders Alliance's (CBA) nationally recognized ***Credit as an Asset*** training helps financial coaches, social service providers, asset building professionals and many others understand credit building and credit education as a foundational component of any successful financial capability and asset building program for underserved clients.

"Your presentation was fabulous and even though I teach credit on a daily basis, I was able to take away some great tips and tools which is VERY RARE! ... I could tell everyone was all ears in and found so much value in the teachings."

-Credit as an Asset

Learning Objectives:

- Understand credit building as an essential and viable activity, foundational to the successful implementation of any financial capability and asset building strategy for low-income and underserved individuals and families;
- Understand the credit industry; in particular, how credit reporting, credit scoring, and consumer protection has evolved over the year
- Explore tools and develop skills in order to design, implement, and measure credit building programs based on client needs and goals as well as organization missions and capacities;
- Understand how to identify affordable and responsible credit building products locally, and
- Learn about best practices in credit education, access to responsible financial products, and measuring and communicating client credit outcomes.

Credit as an Asset Onsite Training Packages

- Dynamic and interactive in-person training services include breakout activities, networking opportunities, rich discussions and skill-building.
- Customized for your local market and audience.
- Participants receive training materials and a CBA Credit Building Certificate.

Credit as an Asset E-Learning Course

Features:

- 6 self-paced modules
- 8-10 hours of course time
- Updated annually to incorporate industry updates
- Interactive, multi-media experience.

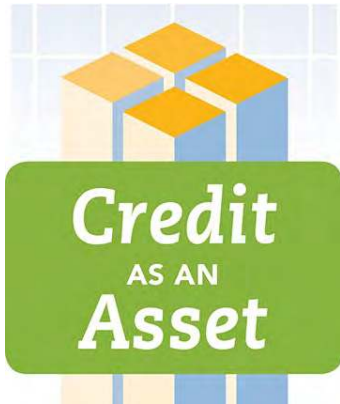
Costs:

- CBA Member rate: \$75 per user
- Non-member rate: \$225 per user.
- Bulk discounts available for purchasing course for 10+ users.
Please contact us for details.

Expanded E-Learning Catalog coming soon!

Credit as an Asset

Master Trainer Certification Program



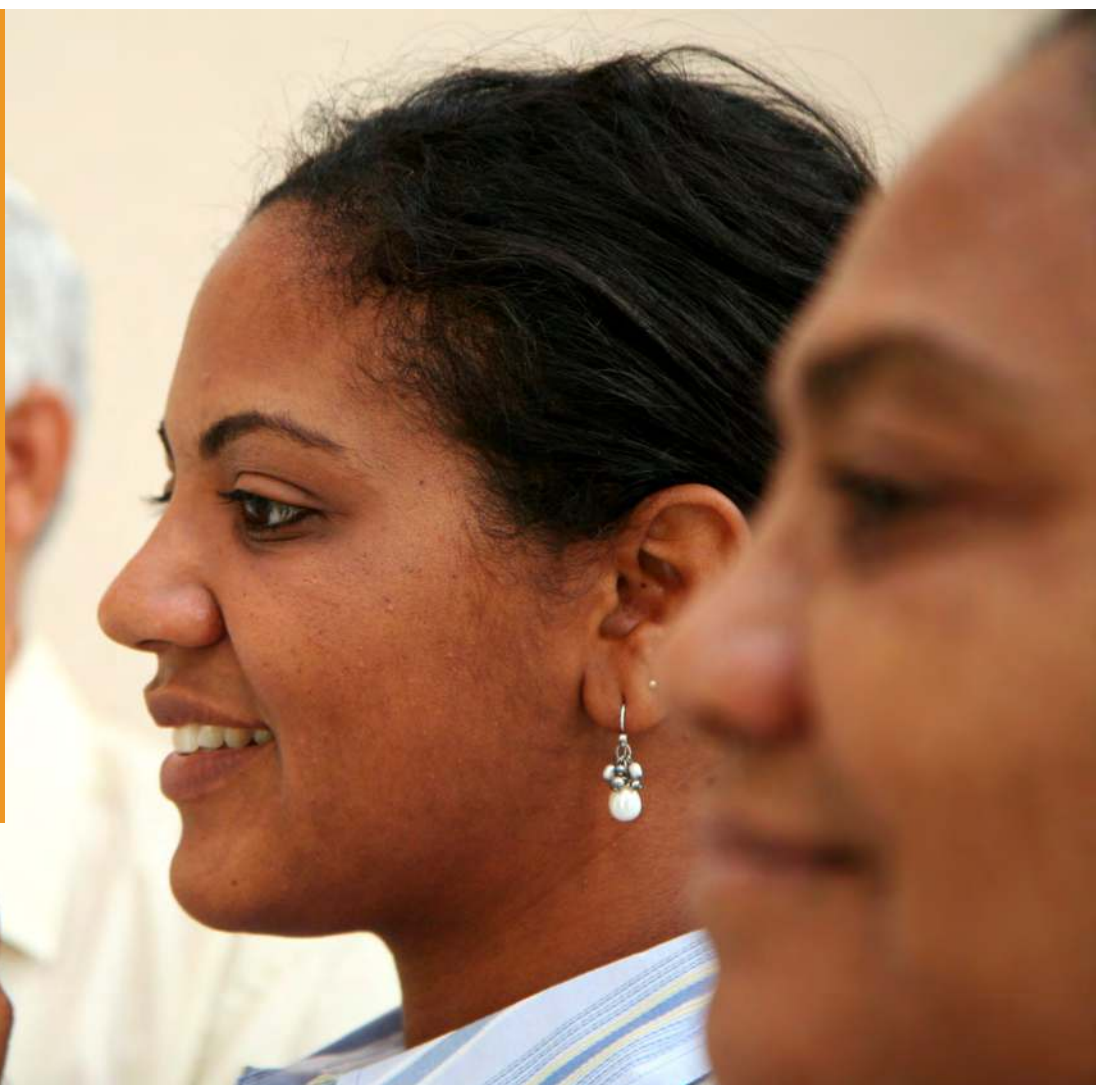
CBA's *Credit as an Asset* Master Trainer Certification Program offers an opportunity for experienced credit building practitioners to become credentialed to deliver the *Credit as an Asset* training program in local communities.

This in-depth training program provides participants with:

- a comprehensive 2-day training session on course materials and facilitation;
- full access to licensed curriculum with the ability to adapt course materials for use in local communities; and
- on-going continuing education, technical assistance, and updates on changes in the credit industry.

This training allowed local financial capability experts to gain critical credit building subject matter expertise in order to bring the most updated, highest quality, and relevant credit building coaching efforts to our community.

*-Gail Sokoloff
Senior Director
United Way of Massachusetts
Bay and Merrimack Valley*





Credit Strength Roadmap

An interactive coaching tool
for helping your clients set
goals, assess readiness and
start building credit!

GO!

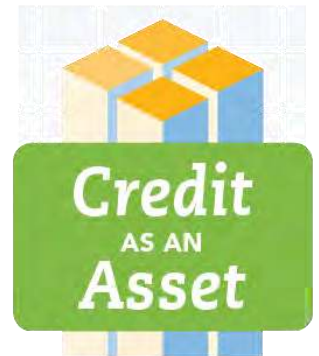
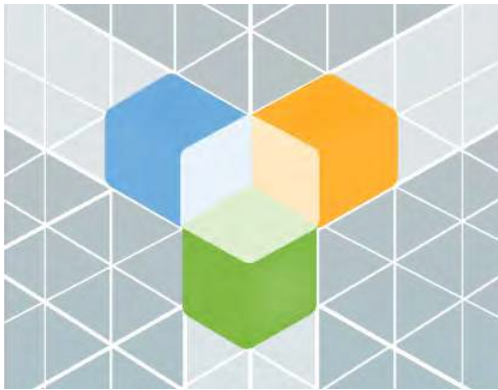


Members Only!

Credit Building Consulting



With over a decade of experience collecting best practices from an extensive network of financial capability and asset building partners, CBA plays a central role in supporting our membership and other partners through customized credit building program and product design, training and technical assistance.



Targeted Credit Building program and product design consulting for organizations seeking to develop or enhance their credit building efforts CBA brings expertise, industry connections, and credibility to organizations interested in investing in their credit building capacity.

Rent Reporting for Credit Building consulting service supports mission driven affordable housing providers to implement rent reporting for credit building initiatives in order to help their residents build credit histories and offer them a positive incentive for on-time rent payment.

***Credit as an Asset* Training Services** can be customized to meet an organizations unique needs, specific mission and target markets. Options for customized training packages include onsite, virtual and self-paced learning experiences.

Members Corner



The member's corner page houses resources specific to providing technical assistance to CBA's Reporter, Business Reporter and Access members, as well as credit building coaches.

As we pride ourselves on customer service and high quality and up-to-date guidance around Credit reporting and accessing credit reports, we want to make the experience of obtaining the information that our members need more accessible, efficient and impactful.

CBA Reporter Resources
[VIEW](#)

CBA Access Resources
[VIEW](#)

Coaching Resources
[VIEW](#)

Industry News and Updates
[VIEW](#)

Credit Building Program and Product Design
[VIEW](#)

Credit Building Products and Strategies
[VIEW](#)

FEATURED POSTS

- › Credit Agencies To Ease Up On Medical Debt Reporting
- › National Consumer Assistance Plan (NCAP) Public Record Credit Reporting Standards
- › Sharing Credit Report Data: Do's and Don'ts
- › Sharing Credit Data with 3rd party researchers and evaluators
- › Credit Building Messaging Guide

Search by:



Webinars



Tutorials



Tipsheets and Tools

Members Only!



**CREDIT
BUILDERS
ALLIANCE**

CBA Training Institute

Supporting Credit Building Practitioners

About CBA:

Credit Builders Alliance (CBA) is an innovative non-profit social enterprise dedicated to building the capacity of a diverse and growing network of hundreds of nonprofits (CBA members) across the United States and in Puerto Rico, that help low- and moderate- income households build strong credit and other financial assets. CBA was created by and for our nonprofit members in response to a serious gap in the modern credit reporting system that locks millions of individuals with poor or no credit out of the mainstream financial system without opportunities to build credit. Our philosophy is that good credit is essential to achieving and maintaining financial stability, and that mission driven nonprofits are uniquely positioned to help these struggling households build credit as an asset.

Our National Perspective:

CBA has an extensive network of members and asset building partners working on a range of innovative and compelling programming generating invaluable insights into lessons learned, successes, and best practices on topics ranging from consumer credit-building education to product design and delivery.

Access to the CBA Training Institute

For CBA Members

- Full Learning Library (included with membership)
- Credit Strength Roadmap© (included with membership)
- Training and Consulting Services \$ (discounted rates)
- E-learning catalog \$ (discounted rates)
- Trainer Certification Program

Not yet a CBA Member? Learn more and apply for membership by visiting:
www.creditbuildersalliance.org/become-member

For non-member organizations and individuals

- Training and Consulting Services
- E-learning catalog
- Trainer Certification Program

For more information about CBA's programs and services, please contact us at programs@creditbuildersalliance.org or by calling 202-730-9390

Glossary of Key Credit and Lending Terms

Term	Definition
Accounts in good standing	Credit accounts that have a positive status, meaning that they are open accounts with no past due balance.
Active account	A credit account that is open with recent activity (payments) having occurred within the last six months.
Adverse action notice	A lender's notice to refuse credit on the terms requested in a credit application, such as APR or credit limit. Under the Fair Credit Reporting Act, creditors must disclose with a notice the reason why credit was denied. The adverse action notice can also refer to a lender's decision to reduce a credit limit or end a credit agreement.
Age-off	While positive information can stay on a credit report indefinitely, negative information will eventually 'age-off,' or disappear from a credit report. Most negative information will remain on a credit report for up to seven years. Some court rulings such as Chapter 7 bankruptcies can remain on a credit report for more than seven years.
Alternative data	Alternative data refers to the inclusion of non-financial payment reporting data in credit files, such as telecom and energy utility payments.
Applicant	The person or business applying for credit.
Application	A person's request for credit. Applicants typically fill out a form and provide any information that the creditor requires for to determine whether or not to grant the credit. This information may vary based on the type and amount of credit requested.
Authorized user (Credit card)	A person who has permission to use and/or carry another person's credit card, but isn't legally responsible for paying the bill.
Available credit	The unused portion of an open line of credit, such as a credit card or a revolving loan (such as a home-equity line of credit). Available credit is the difference between the total amount of the credit line or limit, and the amount that has already been borrowed.
Balance	The total amount of money owed on a loan. It includes unpaid balances from previous months, purchases, cash advances, fees, interest, transaction charges, and credits. Also known as outstanding balance. Also see debt.
Bankruptcy	The process by which a person discharges debt they cannot repay as promised. There are two common types of personal bankruptcy: Chapter 7 and Chapter 13. Chapter 7 is a "straight bankruptcy" and gets rid of all debts (except some taxes and maybe alimony payments) at the price of a total liquidation of assets. Chapter 13 is a "wage earner repayment plan" and allows a borrower with a reliable income to pay off bills over a 36 to 60 month period. When a person files for bankruptcy, a record of the filing appears on the borrower's credit report for up to 10 years.
Borrower	The person who owes money to a lender. The borrower is legally responsible for paying the loan (installment or revolving). Once a credit application is approved, the applicant becomes a borrower. Also known as debtor.
Bureau	See <i>credit bureau</i> .
CDFI	See <i>Community Development Financial Institution</i> .
CFPB	See <i>Consumer Financial Protection Bureau</i> .

Term	Definition
Charge-off	Action of transferring accounts deemed uncollectible to a category such as bad debt or loss. Collectors will usually continue to collect payments once they are charged off (see Collection Agency), but the accounts are no longer considered part of a company's receivable or profit picture.
Co-borrower	One of several people responsible for repaying a loan. Once the loan application is approved, co-applicants become co-borrowers.
Collection account	Refers to the status of an account owed to a creditor once it has been charged off and transferred from a routine debt to a Collection Department of the creditor's firm or to a separate professional debt collecting firm.
Collection agency	Companies hired by lenders to recover funds that are past due or accounts that are in default. The lending company itself may also have a division or subsidiary that acts as its in-house collection agency. A collection agency is often hired after a company has made multiple attempts to collect its receivables or after an account has been charged off.
Community Development Financial Institution	A community-based specialized financial institution that serves low income people or businesses, or work in economically distressed communities, often working in market niches that may be underserved by traditional financial institutions. Community Development Financial Institutions provide a unique and wide range of financial products and services that help customers build wealth and achieve the goal of participating in the ownership society. Also known as <i>CDFI</i> .
Consolidation loan	A loan usually obtained for the purpose of reducing the number of bills to pay by consolidating all of a consumer's revolving debt into a single account.
Consumer	A person who uses credit for personal, family, or household purposes.
Consumer credit	A debt that someone incurs for the purpose of purchasing a good or service for personal, family, or household purposes. This includes purchases made on credit cards, lines of credit and some loans.
Consumer dispute	If a consumer believes an item of information on their credit report is inaccurate or incomplete, they may challenge or dispute the item. Credit bureaus are mandated to investigate, correct and/or remove any inaccurate information or information that cannot be verified. Under the Fair Credit Reporting Act, both the credit reporting company and the information provider are responsible for correcting inaccurate or incomplete information in credit reports.
Consumer Financial Protection Bureau	A regulatory agency charged with overseeing financial products and services that are offered to consumers. The agency is divided into several units: research, community affairs, consumer complaints, the Office of Fair Lending and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available. Also known as CFPB.
Credit builder loan	Installment loans most commonly offered by credit unions and nonprofit financial institutions with the sole purpose of helping people build credit. These are usually small loans with 6-12 month terms. Instead of receiving money at the time the loan is made, the borrower's loan funds are generally held in a locked savings account until they repay the loan. Borrowers' payments are reported to at least one credit bureau.

Term	Definition
Credit building	The act of establishing and maintaining ACTIVE credit accounts (trade lines) that are reported by creditor(s) to one or more of the major credit bureaus.
Credit bureau	A credit-reporting agency that is a clearinghouse for information on the credit rating of individuals or firms. The three largest credit bureaus in the U.S. are Equifax, Experian, and TransUnion. Also known as credit reporting agency, credit repository.
Credit card	A type of revolving account that can be used to make purchases of goods and services and repay over time. The lender charges interest on the amount owed (borrowed), unless the cardholder pays the balance in full at the end of each month. The lender also may charge fees such as a late payment and/or overlimit fee. APR and fees are set by the lender.
Credit counseling	Personalized counseling services that provide guidance and support for those who are generally facing some immediate financial difficulties affecting their ability to repay debt. The objective of most credit counseling is to help avert bankruptcy or foreclosure, as well as provide basic education on financial management. Many accredited counseling services also offer Debt Management Plans and negotiate with creditors on behalf of the borrower to reduce interest rates and late fees.
Credit education	The process by which consumers improve their understanding of credit products, concepts and risks, and through information, instruction and coaching, develop the skills and confidence to become more aware of financial risks and responsibilities.
Credit history	Information pertaining to a consumer's past usage and payment of credit on credit accounts, often summarized in a credit report.
Credit invisible	A consumer who does not have any credit history with one of the major credit bureaus. Also known as no-hit credit file.
Credit limit	The maximum dollar amount a borrower may charge on his/her revolving credit account. Some lenders set separate limits for purchases and cash advances. Spending more than the credit limit will make the account overlimit, which may cause the lender to charge an overlimit fee and/or cancel account privileges. Also known as <i>credit line</i> , <i>line size</i> .
Credit rating	See <i>Credit score</i> .
Credit remediation	See <i>Debt management</i> .
Credit repair	Traditionally, counseling focused on a specific tactic that disputes every negative tradeline on an individual's credit report regardless of whether a consumer recognizes the debt as his or her own. The term "credit repair" is a red flag for the credit bureaus.
Credit report	A report obtained from a credit bureau, containing a consumer's up-to-date credit history plus additional information such as age, address, marital status, employment history and other details that may help creditors judge creditworthiness. The credit history includes balance, credit limit and payment information for all accounts (past and present, joint and individual), credit applications made in the past, and public records such as judgment liens, bankruptcy filings, and tax liens. Credit bureau reports are usually requested either by prospective lenders or by consumers themselves. Apartment rental agencies, insurance companies and hiring employers may also request credit reports.

Term	Definition
Credit reporting agency	See <i>Credit bureau</i> .
Credit repository	See <i>Credit bureau</i> .
Credit score	A number used by lenders as an indication of how likely a consumer is to repay his/her loans. Credit scores are generated by a credit scoring model utilizing the data from a credit report. Also known as <i>credit rating</i> .
Credit scoring model	A complex mathematical formula used to assess a consumer's creditworthiness from his/her credit report. The formula is developed using statistical techniques and millions of credit profiles. The model generates a credit score used by lenders to make consistent and objective credit decisions. While the credit bureaus all have several credit scoring models in their systems, many large lenders develop their own proprietary models.
Credit terms	The terms associated with a credit account. They include APR, credit limit, payment schedule, and fees (such as late-payment, over-limit, or annual fees.)
Credit utilization	The percentage of a consumer's available credit that he or she has used. The credit utilization ratio is a key component of your credit score. A high credit utilization ratio can lower your score, while a low credit utilization ratio can raise your score. FICO's credit-scoring formula assumes that consumers who use more of their available credit are riskier borrowers than those who use less of their available credit.
Current	The payment status of accounts with no past due amount. Making all required monthly payments on time maintains a current payment status on the account. This is the opposite of delinquent. Do not confuse current with present (now) or open (available for transactions). Also known as <i>paid on time</i> , or <i>paid as agreed</i> .
Data furnisher	Data furnishers are typically creditors, lenders, utilities, debt collection agencies and the courts (i.e. public records) that a consumer has had a relationship or experience with. Data furnishers report their payment experience with the consumer to the credit bureaus.
Date opened	The date when a loan was originally initiated by a lender
Date reported	The date when account information (including payment status) is reported by the lender to the credit bureau(s).
Debt management	Any strategy that helps a debtor to repay or otherwise handle their debt better. Debt management may involve working with creditors to restructure debt or helping the debtor manage payments more effectively. Also known as credit remediation.
Debtor	See <i>Borrower</i> .
Debt-to-income ratio	A ratio that compares an individual's debt payments to the income he or she generates. This measure is important because it helps determine if the borrower is able to repay the loan.
Default	A designation on a credit report that indicates a person has not paid a debt that was owed. Accounts usually are listed as being in default after several reports of delinquency. Defaults are a serious negative item on a credit report.

Term	Definition
Delinquent	The payment status of accounts with a past due amount. Paying late or missing payments makes the account become delinquent. A special payment status is assigned to the account to indicate how many payments are late: an account that is 30 days delinquent has missed one month of payment; an account that is 60 days delinquent has missed two consecutive months of payment, etc. The lender may charge a higher APR to delinquent accounts, particularly for serious delinquencies such as 90 days or more. Delinquent is the opposite of current. Also known as in default, late, past due. Also see <i>default</i> .
Derogatory	A negative reference appearing on credit reports, such as public records and severe delinquencies. An account gets a derogatory status when the consumer repeatedly fails to make the required payments and the account is turned over for special handling, such as collections, chargeoff, repossession, etc.
Dispute	See <i>Consumer dispute</i> .
Fair Credit Reporting Act	The act regulates the collection of credit information and access to an individual's credit report. It was passed in 1970 to ensure fairness, accuracy and privacy of the personal information contained in the files of the credit reporting agencies. It requires that any person or entity requesting your report must demonstrate a permissible purpose for the information before it is released. It also designates the Federal Trade Commission as the enforcement authority for the provisions of the act. Also known as FCRA.
Fair Isaac Corporation	A major analytics software company that provides products and services to both businesses and consumers. The Fair Isaac Corporation, better known as FICO, widely used consumer credit scores that financial use in deciding whether to lend money or issue credit.
FCRA	See <i>Fair Credit Reporting Act</i> .
Federal Trade Commission	An independent federal agency whose main goals are to protect consumers and to ensure a strong competitive market by enforcing a variety of consumer protection and antitrust laws. These laws guard against harmful business practices and protect the market from anti-competitive practices such as large mergers and price-fixing conspiracies. Also known as FTC.
FICO	See <i>Fair Isaac Corporation</i> .
FICO® Score	A FICO® score is a type of credit score created by the Fair Isaac Corporation. Lenders use borrowers' FICO® scores along with other details on borrowers' credit reports to assess credit risk and determine whether to extend credit. FICO® scores take into account various factors in five areas to determine credit worthiness: payment history, current level of indebtedness, types of credit used, length of credit history and new credit accounts.

Term	Definition
Foreclosure	A legal procedure, initiated by a creditor that has the purpose of having the property sold to collect on a loan in serious delinquency. Foreclosure can only happen in secured loans since it is the collateral that is used to repay the creditor. This typically happens for mortgages when three or more payments have been missed. Foreclosure is one of the types of derogatory information that appears on credit files (and lowers credit ratings.)
FTC	See <i>Federal Trade Commission</i> .
Garnishment	A court-ordered procedure by which a creditor receives funds from a borrower's paycheck to assure repayment of debt.
Grace period	A provision in most loan and insurance contracts which allows payment to be received for a certain period of time after the actual due date. During this period no late fees will be charged, and the late payment will not result in default or cancellation of the loan. A typical grace period is 15 days.
Guarantor	The individual responsible for paying a bill.
Hard inquiry	A type of credit report check that is reported and may affect an individual's credit score. A hard inquiry occurs when an individual applies for any type of credit, such as a mortgage, credit card or auto loan. The reason a hard inquiry may lower an individual's credit score is because someone who has recently applied for new credit is seen as a potentially riskier borrower. Also known as <i>hard pull</i> .
Hard pull	See <i>Hard inquiry</i> .
HUD-certified housing counseling agencies	Agencies throughout the US, sponsored by HUD, that provide advice on buying a home, renting, defaults, foreclosures, and credit issues.
IDA	An Individual Development Account (IDA) is an asset building tool designed to enable low-income families to save towards a targeted amount with the help of additional funds to match their contributions. Savings are usually used for building assets in the form of home ownership, post-secondary education and small business ownership.
Individual account	A credit account for which only one person is responsible for repaying the debt. Additional cards may be issued to other people (generally family members), but only the person who has applied for credit is legally responsible for it. This is the opposite of a joint account.
Inquiry	The record of a request for a credit report. Most inquiries are made by prospective lenders for the explicit purpose of making a credit decision. However, insurance companies, potential employers, or rental housing agencies may also request credit reports as long as the consumer authorizes them. By filling out an application, consumers typically authorize the company to pull their credit report from one or more credit bureaus. See also: <i>hard inquiry</i> , <i>soft inquiry</i> .
Installment credit	A credit account in which the debt is divided into amounts to be paid successively at specified intervals.

Term	Definition
Joint account	A credit account for which two or more people are responsible. All account holders can use the account and all assume legal responsibility to repay any debt accumulated on the account.
Judgment	A court order.
Lender	The person or company a borrower owes money to. The name of the creditor for each account appears in credit reports and billing statements. The term issuer often specifically refers to credit card lenders. Often used synonymously with the term "Creditor."
Lien	A legal document used to create a security interest in another property. A lien is often given as a security for the payment of a debt. A lien can be placed against a consumer for failure to pay the city, county, state or federal government money, such as taxes, that is owed. It means that the consumer's property is being used as collateral during repayment of the money that is owed.
Line of credit	An arrangement between a financial institution, usually between a bank and a customer, that establishes a maximum loan balance that the bank will permit the borrower to maintain. The borrower can draw down on the line of credit at any time, as long as he or she does not exceed the maximum set in the agreement.
Loan	A sum of money borrowed from a creditor, to be repaid with interest.
National Consumer Assistance Plan	An initiative launched by the three nationwide consumer credit reporting companies—Equifax, Experian and TransUnion—to make credit reports more accurate and to make it easier for consumers to correct any errors on their credit reports. Also known as <i>NCAP</i> .
NCAP	See <i>National Consumer Assistance Plan</i> .
No-hit credit file	See <i>Credit invisible</i> .
Open account	An account that is available for debit (such as purchase) and credit (such as payment) activity.
Paid as agreed	See <i>Current</i> .
Paid on time	See <i>Current</i> .
Permissible purposes	There are legally defined permissible purposes for a credit report to be issued to a third party. Permissible purposes include credit transactions, employment purposes, insurance underwriting, government financial responsibility laws, court orders, subpoenas, written instructions of the consumer, legitimate business needs, etc.
Public record data	Included as part of the credit report, this information is limited to tax liens, lawsuits and judgments that relate to the consumer's debt obligations.
Rent reporting	Regular monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on consumer credit reports.

Term	Definition
Rent reporting for credit building	The pairing of rent reporting with credit/financial coaching and/or education and asset building programs for the purpose of supporting residents to build credit as a foundational asset and leverage improved credit to achieve financial goals.
Revolving account	Credit that is available up to a predetermined maximum limit so long as a customer makes regular payments.
Secured credit card	A credit card secured with a cash deposit. The deposit is paid by the cardholder and may be lost if the account becomes delinquent. The credit limit is based on the amount of the deposit and usually is similar to the deposit amount. As a result, this type of account presents very little risk for the lender and is therefore much easier to obtain. It is often used by people who are either new to credit or trying to improve their poor credit rating. APR on a secured credit card is usually higher than on an unsecured credit card, and many fees may apply (application fee, processing fee, annual fee, late fee, overlimit fee, etc.).
Soft inquiry	A credit report check that does not affect an individual's credit score. Also known as <i>soft pull</i> .
Soft pull	See <i>Soft inquiry</i> .
Statute of limitations	The statute of limitations is a rule that sets a time limit within which a creditor may sue you for payment of a debt. The length of time that a creditor has to sue you on an unpaid debt varies from state to state. In some states, it's four years. In other states, it might be longer.
Terms	Refers to the debt repayment terms of your agreement with a creditor, such as 60 months, 48 months, etc.
Thick file	A "thick file" is when one has a credit history with several accounts of different types. For example, the credit history could include credit cards, installment loans and a mortgage.
Thin file	A credit report that contains very little account information, usually because there are no or few accounts with no or limited history. Individuals with thin files may have no credit score.
Trade line	An account listed on a credit report. Each separate account is a different trade line. A tradeline describes the consumer's account status and activity. Tradeline information includes names of companies where the applicant has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.
Type	This refers to the type of credit agreement made with a creditor; for example, a revolving account or installment loan.
Underwriting	The process of extending credit under terms (such as APR and fees) that match the risk profile of the borrower.
VantageScore	A consumer credit-scoring model, created through a joint venture of the three major credit bureaus (Equifax, Experian, and TransUnion).