



The Mechanics of Credit Builder Loans

**CBA Webinar
August 20, 2020**

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- **Tech questions? Chat the panelist. If you choose to raise your hand, please still chat the panelist.**
- **Questions for the presenters? Type them into the Q&A box. These will be answered at the end.**



CBA's Training Institute



www.cbatraininginstitute.org



Meet the Presenters



Tamra Thetford
Chief Program Officer
Justine PETERSEN



Andrea Yee
Senior Manager of Design and Innovation
MyPath



Today's Game Plan

1. Defining & Contextualizing Credit
Builder Loans



2. Introduction to the CBA CBL
Toolkit



3. Learning From the Experts: Q&A
with Tamra & Andrea



What are Credit Builder Loans?



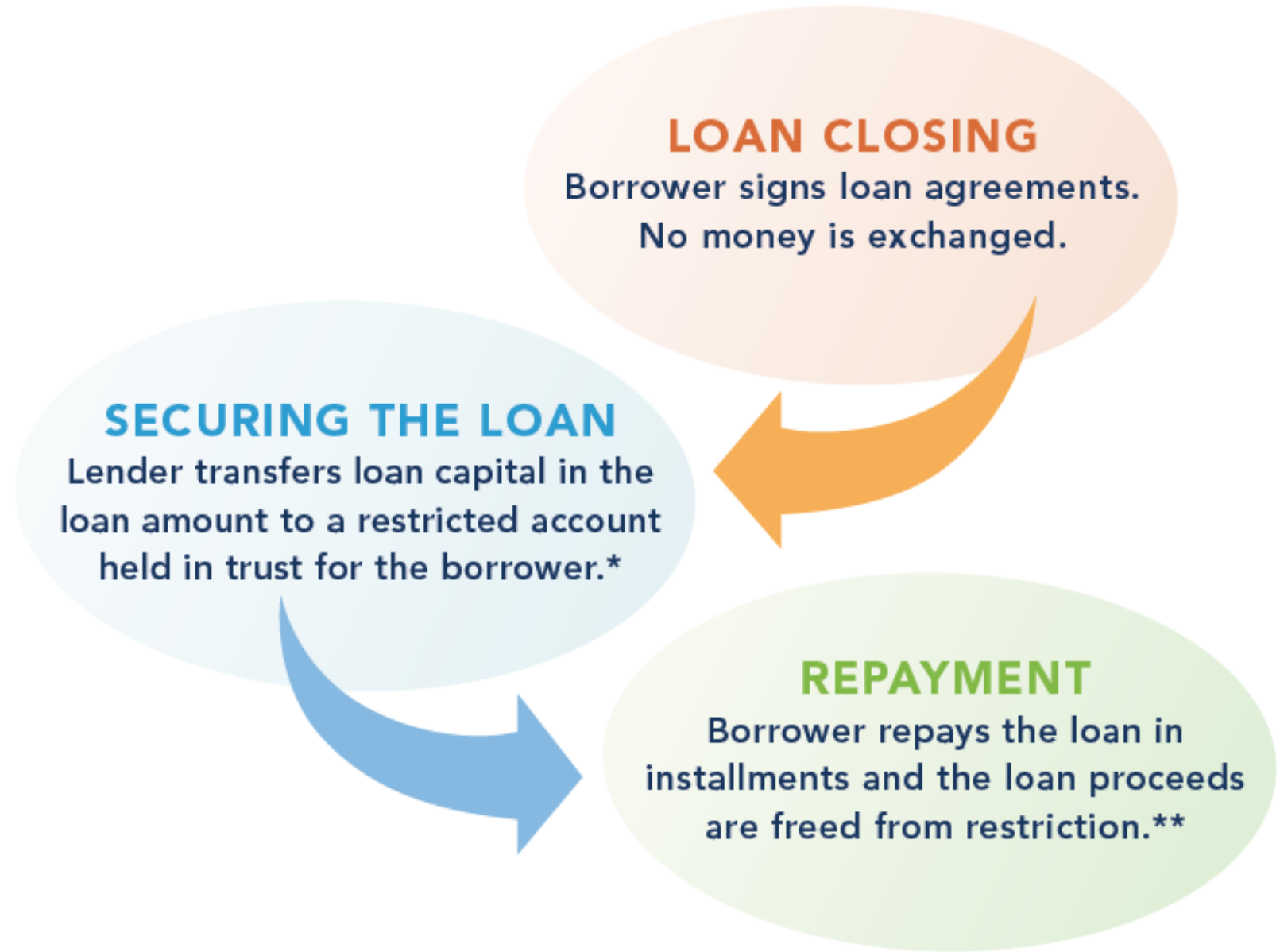
Small dollar consumer loans secured by the loan proceeds with no money exchanged up front.



Sole purpose of the loan is to help people (re)build credit.



How do they work?



* Once the loan is closed and the lender transfers the loan capital to a restricted account, these funds technically belong to the borrower, hence the loan is secured by the loan proceeds. The lender can start repaying themselves for the loan capital once the borrower makes payments.

** In some cases, the loan proceeds are released to the borrower once the loan is paid in full in other cases, the proceeds may be released with each payment.



Poll

Using the definition just provided, do you offer a CBL?

- a) Yes**
- b) No**
- c) Not currently, but we hope to!**



Typical Features

Amount	\$120-\$500
Terms	12-24 month
Interest Rate	0%-12%
Fees	Vary
Key Underwriting Factors	▪ Identity verification ▪ Ability to pay
Security/Collateral	Secured by the loan proceeds
Credit Reporting	Reports to all three bureaus



What do we know about CBLs?

1. They generally provide the most benefit to those who are credit invisible or unscorable
2. Credit coaching can enhance credit score outcomes for CBL borrowers
3. CBLs are loss leader products, but further lenders' missions

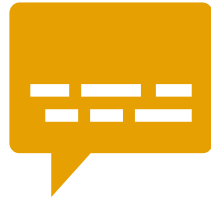


Introducing the CBL Toolkit



1. Programmatic Recommendations

Structuring the loan
Providing borrower support
Tracking outcomes
Building in special features



2. Credit Reporting Guidance

Typical coding structure
Creating policies for and coding late payments



3. Partnership Options

White labeling
Partnering with a financial institution



4. Case Studies

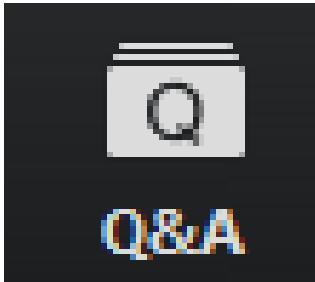
Justine PETERSEN
MyPath
Citizen Potawatomi

Toolkit is available here:

<https://cbatraininginstitute.org/credit-builder-loan-toolkit/>



Q&A



**Type your questions into
the Q&A box!**



Resources

CBL Toolkit

- <https://cbatraininginstitute.org/credit-builder-loan-toolkit/>

CFPB's Practitioner Guide for Targeting CBLs

- <https://www.consumerfinance.gov/data-research/research-reports/targeting-credit-builder-loans/>

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- <https://cbatraininginstitute.org/>



Thank You!

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