



Achieving Credit Strength: Supporting Returning Citizens Through Credit Building

Toolkit Overview Webinar

7/29/2020

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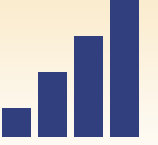
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Housekeeping

- **This webinar is being recorded. The recording and presentation slides will be shared post-webinar.**
- **Audio can be streamed through your computer speakers or phone. Refer to your confirmation email for call-in details.**
- **Attendees will remain in listen-only mode throughout the webinar.**
- **Interact with us via a poll, chat and the Q&A box.**



Who's with us?



At what stage(s) do you provide support for returning citizens? (Select all that apply)

- a) Pre-release**
- b) During incarceration**
- c) Post-release**
- d) As a funder**
- e) N/A, I'm here to learn!**



Agenda

- **Laying the Groundwork**
- **About the Toolkit**
- **Overview of Cohort Members**



A Special Thanks!

JPMORGAN CHASE & CO.



About the Toolkit



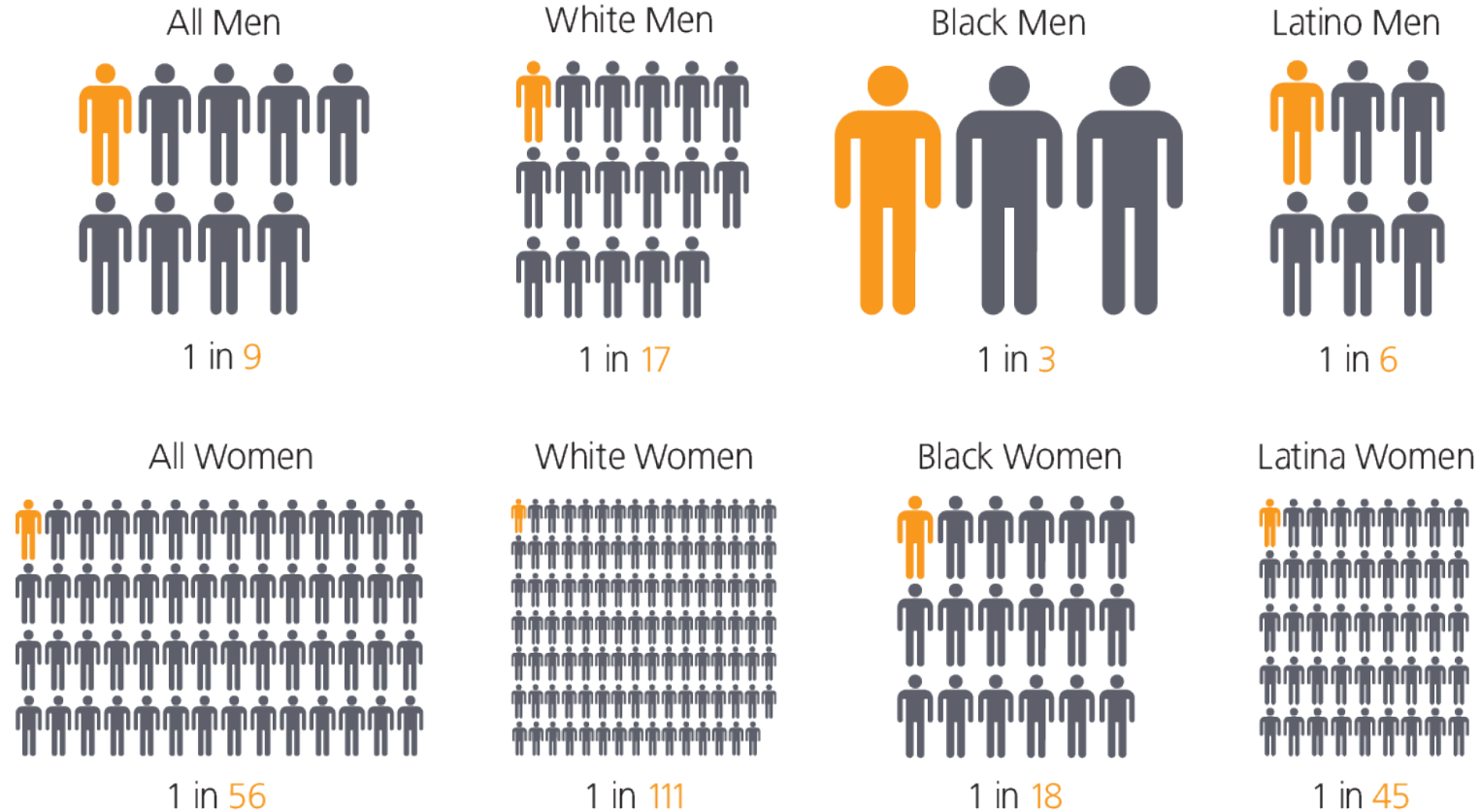
Why now?

- **The impact of mass incarceration is widespread:**
 - **Nearly 1 in 3 have a criminal record**
 - **40% of all crimes can be directly attributed to poverty**
 - **80% of the population that is incarcerated is low-income**



Why now?

Lifetime Likelihood of Imprisonment of U.S. Residents Born in 2001



Source: Bonczar, T. (2003). *Prevalence of Imprisonment in the U.S. Population, 1974-2001*. Washington, DC: Bureau of Justice Statistics.

Reentry Support is Necessary

- **Over 600,000 individuals are released every year.**
- **Returning citizens face barriers to obtaining housing, employment, and meeting basic needs.**
- **Often returning citizens have poor or no credit, high debt loads, and limited access to safe financial products.**



Credit Challenges are Seemingly Endless

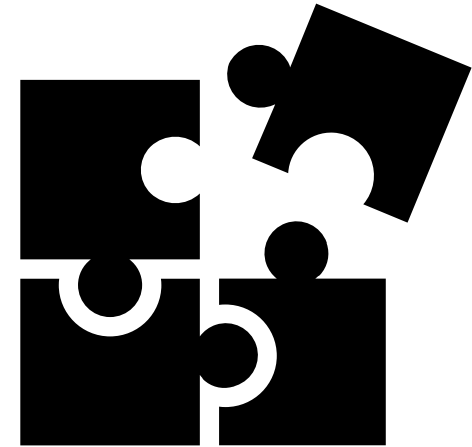
- **Credit inactivity and misuse**
- **Identity theft**
- **Child support and/or pre-incarceration debt**
- **Fines and fees**
- **Legal issues**
- **Employment and housing barriers**
- **Lack of trust in institutions**
- **No financial institution account**
- **Lack of ID**
- **No permanent address**
- **Derogatory banking history (ChexSystems)**
- **Etc.**

Top debts: Medical collections, telecom bills, and child support



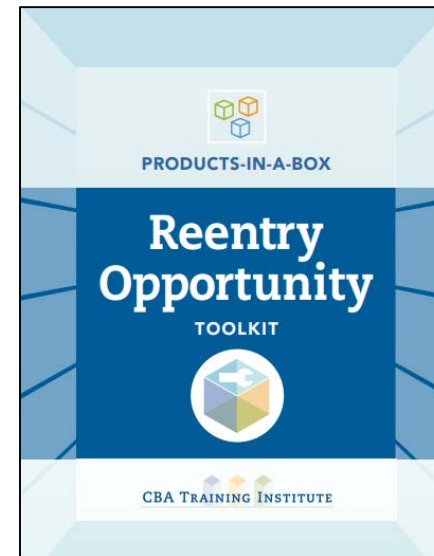
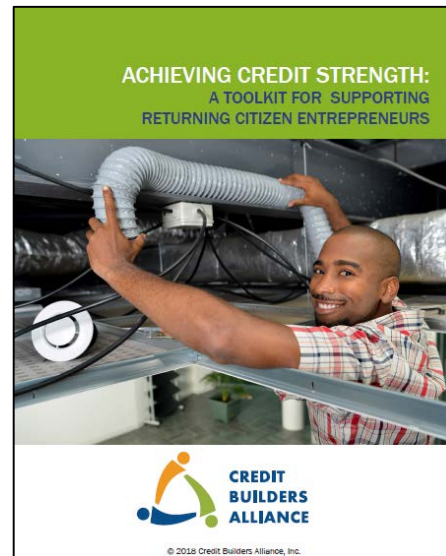
The Perfect Pairing

- **CBA Members (nonprofits, social service providers, justice system stakeholders) are supporting justice-exposed individuals in innovative ways.**
- **Financial inclusion is one key piece of the economic stability puzzle.**
- **CBA members are strategically positioned to serve this population.**



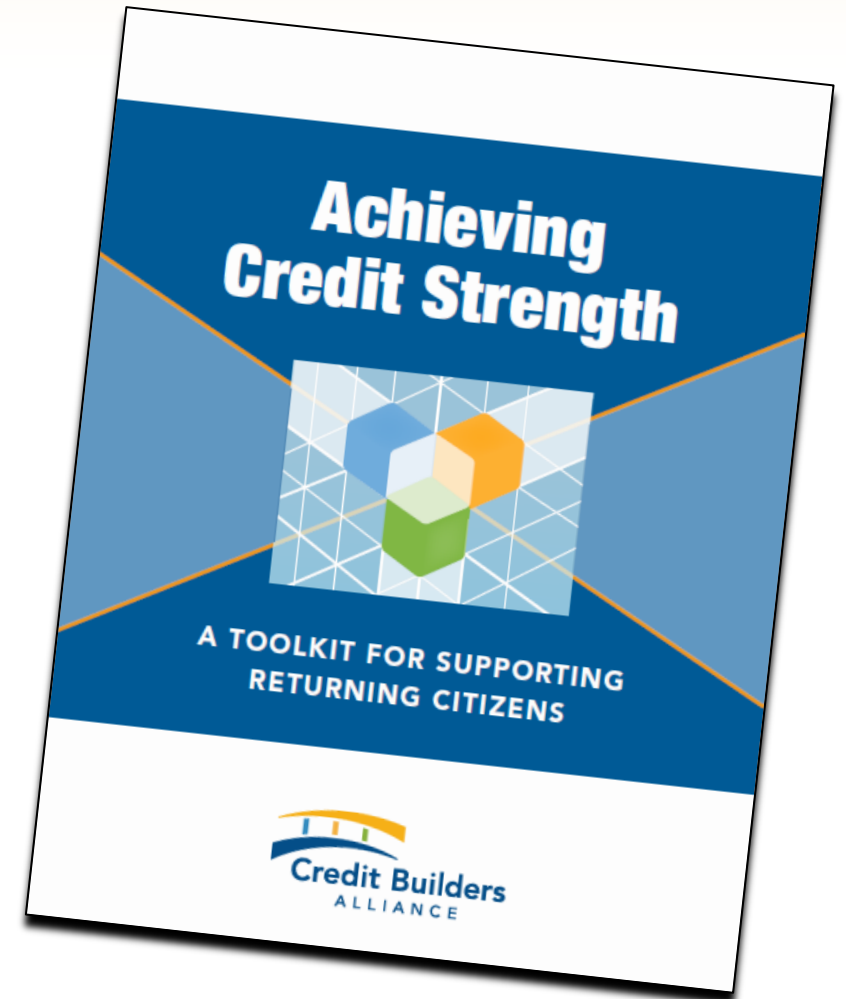
Toolkit Overview

- **Funded by JPMORGAN CHASE & CO.**
- **Builds upon earlier work funded by**



Preview of Toolkit

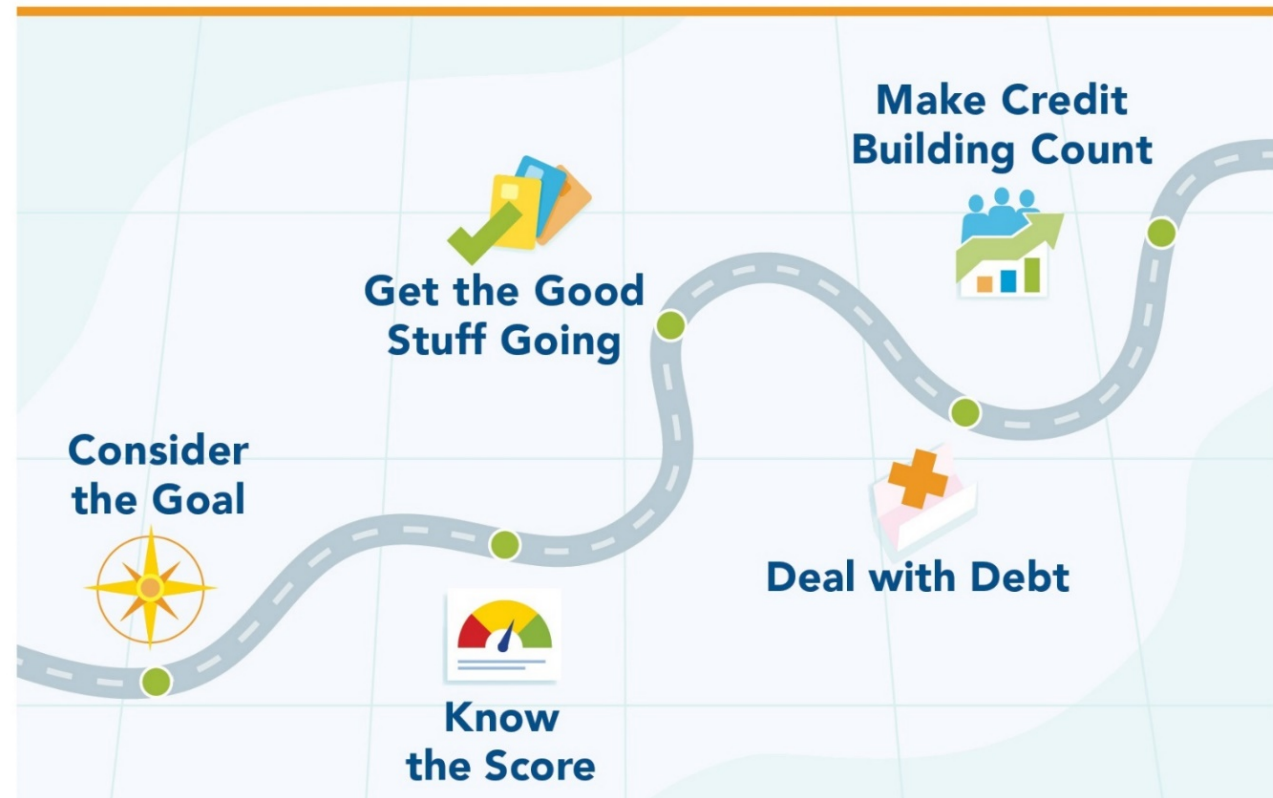
- **Offers CBA's Credit Strength Roadmap as a framework**
- **Incorporates call-outs, practitioner tips, program examples**
- **Provides credit building strategies and tools to enhance client outcomes**
- **Designed to be used in financial capability, community development and reentry programming**



Provides a Roadmap

- Includes considerations specific to returning citizens
- Merely a guide, no need to use in linear fashion

CREDIT STRENGTH ROADMAP[®]



Calls Out Barriers...While Offering Resources

Protection and Requirements	Security Freeze	Initial Alert	Extended Alert
The lender is required to verify the requester's identity before approving new credit		X	X
Completely prevents your report from being shared with third parties unless lifted	X		
Alerts users of your credit report to the possibility of identity theft and requires heightened identify verification procedures		X	X
For when you believe you are or may be the victim of ID theft	X	X	
Requires you to have submit an identity theft report			X
Extra free credit report		X (one)	X (two)
Exclusion from prescreening lists			X (five years)
May have to pay or place or lift the protection	X		
Free in every state	X	X	X

ChexSystems and ChexAdvisor® Educational Reports

ChexSystems, Inc. is a nationwide specialty consumer reporting agency, as defined under the Fair Credit Reporting Act (FCRA)¹⁰ that gathers information about problems individuals have had with bank accounts. ChexSystems reports include, but are not limited to, account misuse, closures, and/or fraudulent activity that has occurred within the past five years.

Companies use the information on a ChexSystems report, sometimes with other credit bureau or alternative data provider information, as a means to evaluate a consumer for a transactional or credit product or service offering. For example, banks and credit unions use ChexSystems reports to assist in their checking and savings account evaluation process. The ChexSystems report may also be used to evaluate an applicant for a new auto loan or lease, a credit card, short-term installation loan, or new utility or phone service.

The information in a ChexSystems report includes consumer event information such as:

- The number of times an application for a checking, savings, or credit account has been made.
- The names of businesses that have requested the consumer's report, as part of a product evaluation.
- The time since the last ChexSystems report was requested.
- The names of and number of accounts closed by banks or credit unions. This information typically remains on the report for a period of five years.
- The number of times that a consumer has applied for a credit decision when ChexSystems was used.
- The number of times checks have been ordered by a consumer and the number of accounts for which checks have been ordered. This information typically remains on the report for a period of five years.
- The number of and timing of bounced checks used by the consumer at retailers.

Like traditional credit reports, ChexSystems does not provide crediting decisions, only information to support the decisions made by other institutions; it also does not serve as a collection agency. Upon request, ChexSystems uses the provided personal information of the consumer to generate a consumer report. One ChexSystems report a year is available to all consumers, including returning citizens, at no cost.

¹⁰ Early Warning Solutions is a similar product to ChexSystems. Report selection is left to the discretion of each financial institution. In this report, we only highlight information surrounding ChexSystems, given the easy access to the consumer disclosure option.



Guides for Reentry Products

- **Flexibility in design**
- **Possibilities: payoff debts (LFOs), car loan, life loan, pure CB loan, housing stability, entrepreneurship focused**
- **Safety net feature: incentivize with savings**

Reentry Opportunity Loan

	CBA Member Practices
Purpose	Loans to help returning citizens build credit and stability as they reenter into a community
Restrictions on use of funds	Loans can cover the costs of basic needs such as housing, transportation, high cost debt, job training/certifications, clothes or equipment for a new job
Loan amount range	\$300 to no cap (average: \$1,577)
Loan terms	6-36 months*
Interest rate	0% to 30% (average: 12%)
Key Underwriting Considerations	■ Ability to repay ■ Some attention to borrower's credit score, history, and debt-to-income ratio ■ Distinguish between consumer debt and medical debt ■ Alternative measures of stability (i.e. potential job leads or income, family support, concrete future goals, etc.)



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5. Based on my budget, I can afford to pay \$_____ each month on new credit.

nent

YES NO

Highlights Key Programmatic Components



Program Integration: Lending Programs

- ✓ **Offer financial education in conjunction with lending**
- ✓ **Provide access to loans**
- ✓ **Connect regularly with the borrower during loan processes**
- ✓ **Offer small dollar consumer loans**



Program Integration: Non-Lending Programs

- ✓ **Prioritize knowledge around credit as key component**
- ✓ **Create referral relationships**
- ✓ **Provide support to leverage credit success**



Cohort Overview



Support

- **Training modules on credit/credit building**
- **Pulling credit reports for educational purposes**
- **Setting up to report credit products**
- **Designing innovative reentry credit building products**



Next Steps

- **Download and engage with the toolkit @ bit.ly/CBA_Returning_Citizens**
- **Provide feedback about what else would be useful by emailing maria@creditbuildersalliance.org**
- **Join our November cohort learnings webinar -- details forthcoming!**



Thank You!

maria@creditbuildersalliance.org

