



**CREDIT
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Build Credit. Build Assets.

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Alternative Credit Data

What's New?

- Experian RentBureau

Prepaid vs. Secured Credit Cards

- Alternatives to traditional debit cards and unsecured credit cards

Top Five Things To Know About



- 1) 8 million of the approximately 96 million renters in the United States are reported through RentBureau.
- 2) Works with 45 major property management companies across the country using software programs for updates every 24 hours.

- 3) Currently reports only the positive data and removes rental history from a report if a person skips two payments
- 4) By mid-2012, Experian will begin to report derogatory data, including late and missed payments
- 5) Experian is currently the only company to include rental data on their credit reports.





Where does the data go?

Experian has two databases with rental data:

Tenant Screening: includes all 8 million tenants currently reporting their rental information

Consumer Credit: 2-3 million tenants with strong rental histories and clean, full file, positive data included in their Experian credit reports



Pros of RentBureau

1. Builds credit for renters!

- 96 million people rent in the U.S. Unlike homeowners, they have not been receiving credit for their monthly housing payments.
- Many renters also have a thin credit files due to lack of use of mainstream financial institutions in their communities
- VantageScore improvements: 1 in 3 consumers whose score was in the lowest band, 501 to 600, moved up to at least the next level, between 601 and 700.

2. Helps to avoid late or skipped payments

- Incentivizes renters to pay on-time and have strong financial habits

3. Rental history will be readily available

- Creditors and businesses can make more-informed decisions



Cons of RentBureau

1. May further marginalize consumers with poor credit histories

- Tenants already struggling on other payments may suffer from additional negative data

2. Hinders tenants' rights to withhold their rent to remedy habitability or repair problems

- “Real-time” updates of payment histories may pressure a tenant to pay despite repair issues

3. Inconsistent reporting of tenants leading to unfair credit histories of renters as a group

- Data on only 8 million of the approximately 96 million who rent
- RentBureau faces significant challenges in accessing all renters in the future



The Next Generation of Plastic: Prepaid Cards & Secured Credit Cards





What is a General Purpose Prepaid Card?

- “Checkless checking accounts” enabling the user to load and store money safely and securely.
- Many of the same features and benefits as a traditional debit card, but without the checking account
- FDIC insured bank-account in the back-end
- Account holder interact with intermediary company



Features of a GPR Card

Loading Money:

- Direct Deposit
- Loading Networks (Ex: MoneyGram, Western Union)
- Tax Refunds
- Proprietary Lending Networks

Spending Money:

- ATM withdrawal
- Electronic Bill Pay
- Retail Cash Back
- Remittance
- Transfer to a 2nd card
- Retail Point of Sale
 - PIN
 - Signature

Manage Money:

- Check balances via
 - Online
 - ATM
 - Phone
 - Text message alert
 - Online Budgeting

Payment Structures

- 1) Moderately monthly fee and no fee for individual transactions
- 2) Low or no monthly fee and charges for certain card transactions



*Help prevent your clients
from feeling like this!*



How the Prices Stack Up

Prepaid Card

- Annual fees range from \$76-261 with direct deposit
- Annual fees rise to \$184-380 if they do not use direct deposit

Checking Accounts

- Yearly costs run \$218-314 every year for an account at a major bank *(including five overdrafts a year and associated fees)*

Check Cashing

- Consumers pay from \$140-720 a year using check cashing services

Source: Study conducted by Economist and CEO G. Michael Flores of the management advisory firm Bretton Woods Inc.



Pros of Prepaid

- 1) Accessibility – no Chex or Credit Check
- 2) Availability – sold in many retail outlets
- 3) Benefits of a major payment network (Visa, MC)
- 4) No Overdraft means no Overdraft Fees
- 5) Safety and security
- 6) Immediate liquidity

Cons to Prepaid Cards

- 1) Accounts are rarely interest-earning
- 2) No traditional credit building
- 2) Limited access to credit and savings
- 4) Limited theft protection
- 5) Read the fine print!





**Need more info?
We recommend...**



**“The Nonprofit’s Guide to Prepaid Cards” by the Center
for Financial Services Innovation (CFSI)**

<http://cfsinnovation.com/intelligence/nonprofitguide>

What is a Secured Credit Card?

- Requires a cash collateral deposit that becomes the credit line for that account
- Funds are “secured” in a savings account to be used for payment if the consumer defaults
- Credit limit is generally the amount in the savings account





Pros to Secured Credit Cards

- 1) Can help build or rebuild credit
- 2) Promotes responsible spending and healthy financial habits
- 3) Same privileges as an unsecured card
- 4) Affordable options are available!
- 5) Good behavior may lead to extended lines of credit and many people graduate to an unsecured card in as little as 12 months



Cons to Secured Credit Cards

- 1) When **not** used responsibly, credit card late fees and interest rates can rack up quickly and turn into a debt trap.
- 2) Revolving credit can lead to balances where consumers minimum monthly payments don't even cover all interest (negatively amortizing)

Justine Petersen & Citi/Banamex Secured Credit Card

Card Terms

- \$300 Secured Credit Card
- 2% interest on the savings account
- Interest rate on purchases: 20.99%
- \$35 Annual Fee
 - Take 4 financial education classes and pay on time for 1 year and the fee is refunded



justine PETERSEN
BUILDING ASSETS. CHANGING LIVES.



Justine Petersen & Citi/Banamex Secured Credit Card

Justin Petersen's Interest:

- Supports credit building mission
- Met needs for low out of pocket expenses
- Innovative card features
- Helps clients develop healthy financial habits with tangible products
- Stepping stone to micro-loans and mortgages

Client Benefits:

- Access to safe and affordable credit
- One-on-one credit building and counseling
- Financial education courses to learn the best credit card practices

Results & Success Stories

Melodie

Goal: To purchase a home

Jan 2010: Credit Score = 0; had a credit building appointment, had \$1200 in collection debt

Jan 2010: Opened JP Credit Building Loan and Banamex Secured credit card. Attended financial education classes and opened a second chance checking account at a local credit union

Mar 2010: Credit Score = 674

May 2010: Client bought a home through the USDA program

Dec 2010: Credit Score = 689, client aims to start a business and is working with the micro department



- \$29 annual fee
- 22.9% APR
- \$200-3,000 credit limit
- Approval and funding can be done instantly online
- Partially-secured deposit based on risk (25%-100%)
- Credit Inform





THE INTERSECT FUND

Terms

- 0% Interest
- \$75 closing fee
- 12-month term
- \$56.25 monthly payment via ACH

Sources

- \$200 line of credit
- \$400 installment loan

Uses

- \$400 check to borrower
- \$200 secured card deposit

Requirements

- Over 18
- No adjustable rate mortgage
- No active bankruptcy
- No child support or tax arrears
- No late rent or mortgage payments in last 12 months
- At least \$1,000 in monthly income
- Bank account



THE INTERSECT FUND

And the results are in...

Product Launch: August 2010

20 loans 0% losses 0% delinquencies

Intake:

540 Median FICO

38% no score

3 Months Later:

621 Median FICO

88% increased score



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