# Justine PETERSEN
# Credit Building Manual

## CREDIT BUILDING COUNSELING PROCESS

### Setting-up the Appointment

The CREDIT BUILDING COUNSELOR is responsible for scheduling all credit building appointments. The CREDIT BUILDING COUNSELOR is responsible for returning calls and emails to potential credit-building clients. The RECEPTIONIST will assist as requested.

Before scheduling an appointment, the CREDIT-BUILDING COUNSELOR will:

1. Confirm the client's goal for the credit building session

2. Identify how they were referred to the organization

3. Explain the process of the credit building session (to review the client's credit history and develop a credit building action plan)

4. Explain to the client the difference between a soft and a hard pull:

    - A hard pull is an inquiry on the client's credit report and will have a slightly negative impact on the client's overall score. These types of credit pulls remain on the report for 1-2 years but only impacts score for 2-3 months, in which the score will rebound. A hard pull report provides more details on a client's credit history than a soft pull, including account numbers and creditor contact information. The CREDIT BUILDING COUNSELOR has the ability to pull a tri-merge credit report or one just one of the credit bureau reports.

    - A soft pull report provides a summary of one's credit history with credit score and does not impact one's credit score. The soft pull does not include account numbers or creditor account information. The CREDIT BUILDING COUNSELOR can only pull a soft pull from Transunion. It is preferred that these are only done for follow-ups or by the request of a new client.

5. Ask the client to bring the following amounts of money to their credit-building counseling session:
    - $25 for a Tri-merge Credit Report, OR
    - $7 for a Transunion Credit Report

- The client can bring in their own credit reports, if pulled within the last 2-3 months. If the credit report is not a lender report, it is recommended to pull a new report because we can guarantee an accurate FICO score

- Two forms of Identification (for Red Flags Rule compliance)
  - Driver's license or state issued identification
  - US passport, School identification with photograph, voter registration card, or US military card,

**<u>Credit Building Counseling</u>**

**Client Arrives**

When client arrives, the RECEPTIONIST or CREDIT BUILDING COUNSELOR:

1. Has the client complete and sign the Credit Report Release and the disclosure form

2. Takes a copy of identification and if Red Flag rule is refer on credit report, gets a second form of identification.

3. Collects and logs credit report fee per cash handling policy, unless:

   - The individual is a returning client and has a recent credit report on file, or

   - The fee is waived at the discretion of a CREDIT BUILDING MANAGER and criteria qualitative in nature, or

   - The client attended a credit building outreach event and has a coupon for a free credit report.

4. If payment is collected, the RECEPTIONIST or CREDIT BUILDING COUNSELOR:

   - Logs receipt of payment in the client payment log

   - Fills out receipt for client

   - Places payment in secure cash safe along with a copy of Credit Release Form and yellow copy of receipt.

   - The client will receive a copy of the white receipt for their records.

5. Create a new electronic folder for the client with the person's last name, first initial.

6. Scans copy of the credit report release form, disclosure, and identification and saves in new electronic Folder.

7. Pulls Credit Report (if needed)

8. Saves the pdf of the Credit Report in the new E-Folder.

9. Prints two copies of the credit report (one for client, one for counselor)

10. The Credit counseling e-file should contain: signed credit release form, signed disclosure form and credit report

**Client Meets with the CREDIT BUILDING COUNSELOR**

1. **Review of Client's Credit Building Goals:**

   The CREDIT BUILDING COUNSELOR will inquire about the client's reason for making an appointment to view their credit report. After inquiring about the client's goals, the CREDIT BUILDING COUNSELOR will review with the client their employment history and income, how many people are in the household and their rental history, including amount of rent/mortgage.

2. **Review of Credit and Debt**

   The CREDIT BUILDING COUNSELOR will make sure the client has a clear understanding of his/ her credit report and understand any steps that need to be taken to build or re-build credit. The review will include:

   i. Explanation of credit score

   ii. Review of credit report

   iii. Identification of good lines of credit

   iv. Identification of inaccuracies on credit report

   v. Review of collections

   vi. Review of Inquiries, Addresses on file, Fraud Messages

3. **Discuss Banking Practices**

The CREDIT BUILDING COUNSELOR will discuss with client if they have and use a bank account. The counselor will discuss the reason for not being banked, the importance of using a bank account and how it can impact a better credit profile. The CREDIT BUILDING COUNSELOR will discuss local second chance checking/ savings products and make referrals as appropriate.

4. **Create a Household Budget**

The CREDIT BUILDING COUNSELOR will assist the client to create a monthly household budget and discuss monthly cash flow. Before opening any credit building products, the CREDIT BUILDING COUNSELOR discusses with the client how much the client can afford per month to build credit and include those payment in the monthly budget.

5. **Create a Credit Action Plan**

Using the information on the credit report and budget, the CREDIT BUILDING COUNSELOR assists the client to create a Credit Action Plan to improve the client's credit profile. This plan will outline steps to build good credit and address the negative information on the report. Typical recommendations will include:

i. Opening a bank account

ii. Establishing good lines of credit

iii. Paying lines of credit on time

iv. Disputing errors on the credit report

v. Negotiating a settlement with old bad debt

vi. Attending a financial education class

6. **Recommend Credit Building Products**

After reviewing the credit report with the client, the CREDIT BUILDING COUNSELOR will discuss the different credit building product options and will come to an agreement as to which product best meets the client's needs. Credit Building Products are ideal for clients that have less than three active lines of credit or a zero credit score. Credit Building Products should not be used with clients that currently have late payments on other open lines of credit and have no way to get them caught up. A new active line of credit will not outweigh a line of credit that is not being paid on time.

i. Installment Loans

Many Community Development Financial Institutions (CDFI), credit unions and banks offer Credit Building Loans. Credit Building Loans are paid back in equal monthly payments and the payment history is reported to the credit bureaus. The purpose is for the client to demonstrate the ability and wiliness to make on-time payments on an installment loan.

ii. Secured Credit Card

A secured credit card is credit card linked to a savings account into which the client has deposited the credit limit of that credit card. The credit card issuer has the right to keep the savings account balance if the client fails to make the credit card payments. After an introductory period, the deposit is returned to the client and the client may be able to increase the credit limit on that card. After the deposit is returned, the credit card will change from a secured credit card to an unsecured credit card.

**7. Dispute Inaccurate Information on a Credit Report**

If there are inaccuracies on the credit report and time permits at the initial counseling session, the CREDIT-BUILDING COUNSELOR will assist the client in writing a letter to the credit bureaus disputing inaccurate information. If time does not permit, a letter can be created within the following two business days and either emailed to a client, mailed to the home of the client, or the client can come to the office to pick it up.

Only inaccurate information will be disputed. If it is Bankruptcy related, the client needs to provide a copy of their bankruptcy papers. If the client has a receipt of a paid collection or account, every effort should be made to enclose a copy in dispute letter.

The dispute should include creditor, original creditor, account number, and reason why it is being disputed. The client will need to sign and mail off the dispute letter. The CREDIT BUILDING COUNSELOR will give the client the envelopes with the appropriate addresses to the credit bureaus.

Client should come in to office for follow up appointment once all dispute responses are received, usually within 30-45 days.

8. **Refer to Financial Education Classes**

Most Credit Building Clients will benefit from attending Financial Education classes. The CREDIT BUILDING COUNSELOR will make referrals as appropriate. The following are some examples of what is available.

i. **Citi Banamex Modules:** There are a total of four modules that are offered via webinar. The ABC's of Credit; Maintaining Good Credit; Credit Cards and Identity Theft; and Debt Collection and Your Rights.

ii. **FDIC Money Smart Curriculum:** Justine PETERSEN offers several modules group together as "Consumer Rights and Responsibilities", "Insurance Needs and Risk Management", and "Saving and Investing". These classes are offered the third Saturday of every month using volunteers.

iii. **Credit Building Workshop**: The CREDIT BUILDING MANAGER offers monthly outreach seminars at her discretion.

C. **Interdepartmental Collaboration**

i. Homeownership

Clients are typically referred by the housing department because they are over six months away from buying a house and need to establish a credit history, pay off collections, and/or dispute inaccurate information

If the client's ultimate goal is to buy a house and the CREDIT BUILDING COUNSELOR believes that the client can purchase within 6 months, the counselor will make every effort to bring in a HOUSING COUNSELOR to explain the housing process and application process.

If a HOUSING COUNSELOR is not available, the CREDIT BUILDING COUNSELOR will make every effort to explain the housing process and what the client should expect from the housing department and the services that they provide. A follow up appointment should be expected to be had no more than 3 months from the original appointment, in which the client will meet with a CREDIT BUILDING COUNSELOR and a HOUSING COUNSELOR.

After the appointment, the CREDIT BUILDING COUNSELOR and the HOUSING COUNSELOR will consult on the Credit Action Plan of all clients interested in home purchase. The CREDIT BUILDING COUNSELOR will keep the HOUSING COUNSELOR apprised of all steps taken and once the client has done everything asked for by the CREDIT BUILDING COUNSELOR then the client will graduate from a Credit Building client to a Housing client.

ii. Micro-Enterprise

These clients are typically referred by the micro-enterprise department because they were denied a micro-loan due to credit or a debt issue.

If the client's ultimate goal is to start or expand a small business and the client is interested in a small business loan from Justine PETERSEN, the CREDIT BUILDING COUNSELOR will make every effort for the client to meet a MICRO-

LOAN COUNSELOR for a brief period of time and then the MICRO-LOAN COUNSELOR can make a follow up appointment. If a MICRO-LOAN COUNSELOR is not available then the RECEPTIONIST will make an appointment for follow up with a MICRO-LOAN COUNSELOR.

## D. Follow Up Procedures

### i. Follow-up Contact

All clients will receive a follow up call or email within 3-4 weeks of the appointment. Exceptions will be made for those clients that have a step in their Credit Action Plan to complete prior to the 3-4 weeks.

### ii. Telephone Counseling

The CREDIT BUILDING COUNSELOR will follow up with the client every 4-6 weeks by phone or e-mail and as long as the client is reporting that they are making progress and following the Credit Action Plan.

Clients that have purchased a Credit Building Product should be encouraged to pay on time each month and keep the balance low on their secured credit card.

### iii. In-Person Counseling

The client should come in every 3 months for a follow up CREDIT BUILDING COUNSELOR to make sure they are staying current with the Credit Action Plan and to revise the Credit Action Plan as necessary.

Clients that have purchased Credit Building product should bring the last statement on the product.

### iv. Client Withdrawal

If the client is not responding to follow up calls/emails to the CREDIT BUILDING COUNSELOR for 3 consecutive months, then follow up call/emails will cease and the client will need to contact Justine PETERSEN to get back into the follow up process unless we have assisted the client to purchase a Credit Building Product. If a client has purchased product, the CREDIT BUILDING COUNSELOR will continue follow-up procedures until the product is closed or the client graduates to an unsecured card.