

Dara Duguay, the Executive Director of Credit Builders Alliance (CBA), is submitting a public comment concerning a way to enhance the quality of the information collected in the *Uses of Award Report Form*. The comment specifically relates to the addition of a data collection point—credit reporting.

CBA was founded for and by CDFIs to fill a critical gap – the ability to help consumers and entrepreneurs to build a credit history. A primary obstacle for small lenders has been the loan portfolio size threshold requirement. Before CBA, if a lender did not meet the size requirement for the major Credit Reporting Agencies (CRAs), they were not allowed to report. However, through a groundbreaking arrangement with CBA, non-profit lenders can get credentialed to report, regardless of the size of their portfolio. Currently, CBA provides ongoing capacity building to 463 nonprofits. Almost one-third of CBA members are nonprofit CDFI loan funds (including many Native CDFIs) that provide financial products directly to consumer and small business borrowers, located across the [country](#).

The credit report is a financial resume. It is a collection of behavioral indicators widely recognized by the mainstream financial system (i.e. credit utilization rates, payment behavior, etc.), which are used to track and predict behavior and influence access to safe and affordable mainstream financial products. Credit scores, as aggregate measures of financial behavior, are used to define the cost and access to capital and other business services (insurance, wireless, merchant services, utilities).

Unfortunately, for many of the 64 million Americans with no or thin credit files, the ability to establish a good credit history is hampered by lack of access to affordable mainstream credit building financial products. However, a disproportionately large number of these individuals are low-income and many live in areas underserved by traditional financial institutions but thankfully **are** served by CDFIs. Credit invisibility means fewer economic opportunities, when, in fact, low- and moderate-income individuals, families and small businesses need more financial options not less. CDFIs can play an important part in helping their borrowers become credit “visible.”

CBA has evidence that reporting loan data to the major CRAs:

- Increases their clients’ access to safe and affordable mainstream credit products and increases their VantageScore® credit scores¹; and
- Improves the quality of their loan portfolio -- decreasing delinquency rates -- by providing clients with a positive incentive to make their payments on-time²

Despite this compelling evidence about the benefits of credit reporting, many CDFIs are still not reporting their loan portfolios and helping their borrowers build credit. CBA has learned that many of the perceived barriers to credit reporting are either not valid (i.e. believing their portfolio is too small to be allowed to report) or one that can be overcome (i.e. staff needs training).

¹ 2014 Experian® data analysis of CBA Reporters

² 2013 CBA membership survey

The inclusion of “credit reporting” as a data collection point, specifically for nonprofit CDFI loan funds that directly lend to individual consumers and small businesses, in the *Uses of Award Report Form* would increase the number of CDFIs reporting their loan portfolios by raising their awareness of the opportunity to do so. This would be beneficial not only to the borrowers, but to the operations of the CDFIs as well. Unfortunately, since credit reporting is voluntary, without having an incentive to report to the major CRAs, 51% of the CDFIs surveyed by CBA opted not to do so³.

Therefore, adding a question, “Do you report your borrowers’ loans to any of the major consumer or commercial CRAs?” into the Award Program Form would increase awareness of the importance of this component to their lending program. The current BEA form doesn’t need to have this reporting variable since the majority of banks already report to the major CRAs. However, with the nonprofit CDFI loan funds, who offer direct lending to individual consumer and small businesses borrowers, reporting to the CRAs is not the norm.

Given how influential credit histories and scores are on hundreds of millions of U.S. households in today’s economy, it is an imperative that all CDFIs report their direct consumer and small business borrowers’ loans to ensure that they are able to join the financial mainstream.

³ Credit Reporting Survey conducted by Credit Builders Alliance from June 26th – July 18th, 2016, which included recipients of CDFI Fund FA grants.