



Credit Building Loan Guidelines & Standards (2022)

Core Features	Rationale
Reports to all three major credit bureau companies	Must report to all three major credit bureaus to optimally increase a consumer's credit score
APR and/or Interest Rate is 18% or below	Less interest allows consumers to save and spend elsewhere
The Product's or Loan's Term is at least 12 months long	15% of score is the length that account has been open. Advise to carry out loan past 12 months to establish longer credit history
No Prepayment Penalties	Consumer may payoff loan early without extra fees or charges
Affordable Payments	The amount of the loan and or interest rate and term should coordinate so that the monthly payment on the loan is affordable for the consumer. Financial institution should set a loan amount/ term where monthly payments stay under \$50 and/or utilize an Income vs Expense and/or Budget Assessment Tool
The Loan/Product can be opened Online	The product is accessible and convenient for all consumers
There are no fees or add-on products other than late fees	Beyond late fees, cash advances, returned payments, and balance transfer fees, all other fees should be non-existent
Does not go into collection on default	In the event of a default, institution will collect unpaid balance from the security, but will not employ a 3rd party debt collector, sell the debt, or initiate legal action against the borrower/consumer
Accessible to Consumers	Requires knowledgeable staff at institution to recommend product
Clear Privacy Policy	Products must have a clear privacy policy statement or a legal document that discloses how the institution gathers, uses, and manages customer data. Ability to opt-out would be ideal
Highly Recommended Features	
Soft Credit Pull	If the credit report is used for verification, it should be a soft pull
Flexibility on Product Size and Term	Having flexibility to choose the size and the term can contribute to the successful repayment of the loan
Potential for Graduation and/or Strategy	Consumers should have ability to graduate to an unsecured loan, secured credit card, or another loan product with a lower interest rate. Ideally the secured credit card company has a strategy in place that requires review of the consumers credit report regularly to see if they are qualified for an unsecured credit card
Partnerships with non-profits on financial coaching	Coaching can lead to fewer late payments and improved credit scores
Adjustable Payment Deadline Dates	Ability to adjust payment dates can make repayment easier. If payment is due more than once a month, a fee should only be charged once
No Loan Closure before 30-day late payment	To help consumers build credit, institution should adopt monitoring
No disqualification for low credit score/ChexSystems	Institution should offer credit building loan regardless of history
Offer of loan through institution or vetted organizations	Loan and applications should be secure and accessible to public
Standards for Product Approval are Provided	Institution's staff should be made aware of all policies; minimum standards, maximum collection debt load, public records, minimum debt-to-income (DTI) ratios required to guide consumers, and ideally that information is posted on website for consumers
Outcome Tracking, Data Sharing, and Transparency	In order to assess the efficacy of financial education and to see if consumers are transitioning to additional credit building products, financial institutions should share quantitative aggregate consumer level data regarding usage of credit building products and services