Banks and credit unions can and should be doing much more to support consumer credit building – and, importantly, they can do so in ways that align their own success with the success of their customers. CFSI has identified a number of initiatives that financial institutions can implement over the short-term, medium-term and longer-term to help consumers build their credit profiles.

Strategies for Banks and Credit Unions to Support Credit Building:

**Short-term – Credit Building Tools, Services and Partnerships:**
- Connect customers to online and mobile-enabled credit score tracking tools
- Connect customers to personal financial management (PFM) tools, or build in-house PFM tools
- Partner with non-profits to offer high-touch products and services
- Connect customers to online and offline debt management programs

**Medium-term – Risk-Limited, Credit Building Products:**
- Develop and market secured credit products or credit builder loans
- Develop and market low credit lines
- Offer loan terms that improve with good behavior
- Invest in marketing efforts for credit building products

**Longer-term – Go Beyond Traditional Credit Files:**
- Consider new and deeper sources of data for credit decisioning

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Key Stats

- **70 million** Americans have a thin file or no credit file
- **144 million** U.S. consumers are over-indebted
- **25%** of small-dollar credit users don’t know their credit score
- **56%** of consumers say they need help improving their credit score
- **46%** of thin file consumers were found to have prime or superprime scores
- People who use small-dollar credit products like payday and pawn loans are **less than half as likely** to have a credit card as people who don’t
Credit Scores Today
In the immediate wake of the financial crisis, many consumers’ credit scores migrated up or down the score spectrum, and a substantial number of U.S. consumers have found themselves newly in the lower scoring tiers of the credit spectrum, whether through their own actions or through systematic adjustments to credit standards. For these consumers, high-quality credit is likely to be expensive or inaccessible. These shifts in credit standing underscore the need for financial institution-driven solutions that can help consumers build their credit profiles.

Featured Strategies
In the short-term, consider connecting your customers to online and mobile-enabled credit score tracking tools and personal financial management (PFM) services.
- Tools such as those offered by Credit Karma and Credit Sesame can enable consumers to engage with their credit scores on an ongoing basis.
- For low-to-moderate income (LMI) consumers, online PFM tools can take on the role that financial advisors play for more affluent consumers. PFMs can help consumers see how their credit use connects to their broader financial lives.

In the medium-term, consider developing – and proactively marketing – secured credit products that can support credit building and build long-term customer relationships. Best practices include:
- Utilize market research to identify potential customers and properly position the product
- Enable customers to graduate to a partially secured or unsecured product over time
- Offer budgeting and expense tracking features alongside the product
- Partner with a nonprofit to deliver secured credit products paired with financial guidance

Over the longer-term, consider incorporating new and deeper sources of data for credit decisioning. This may include in-house data for existing customers or third-party data from non-traditional sources.
- In-house:
  - Tenure with the financial institution
  - Current and past relationships with the institution
  - Deposit account balances and behaviors
  - Overdraft history
- Third-party:
  - Rental payments
  - Utility payments
  - Cell phone bill payments
  - Payday loan payments
  - Public records
  - Payroll records

For more information and additional credit building strategies, read CFSI’s research paper Building Consumer Credit: A Winning Strategy for Financial Institutions and Consumers Alike.

Setting the Stage: What is a credit score?
A person’s credit score, credit profile, or credit standing all generally refer to the numerical score and historical payment and account information that are contained within the databases of the three large credit bureaus (Equifax, Experian and TransUnion) in the country, and in turn within the credit reports that the bureaus generate.

Components of a Credit Score

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