VITA Credit Builder

In 2010, Mission Economic Development Agency (MEDA) launched its Volunteer Income Tax Assistance (VITA) Credit Builder program with the primary goal of helping low-income Latino immigrants establish or improve their credit. VITA Credit Builder proposed to augment MEDA’s VITA program and leverage the tax preparation process as a timely moment to engage clients. VITA Credit Builder helped clients enroll for a secured credit card and use tax refunds to make the necessary deposit. The secured card was provided by MEDA’s financial partner, the Cooperative Center Federal Credit Union.

Clients who received secured credit cards consulted with financial coaches to identify and overcome potential financial challenges. Additionally, selected clients also received access to an SMS text-based coaching platform developed in partnership with Juntos Finanzas. Based on cardholders’ specific activity (e.g. maintaining a high balance or missing a payment), the platform sent automated messages to advise clients on how to manage their secured card in ways that would improve their credit. To test the impact of the platform, MEDA compared outcomes between cardholders that received text coaching and those that did not.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.

MEDA asked:

» Does the presence of a tax refund make it more likely that clients will sign up for secured credit cards?

» Does the use of a text-based coaching platform positively impact consumer behaviors with secured card products?

MEDA learned:

» Between 2014 and October 2015, MEDA received 161 applications for secured credit cards, and 123 through its VITA program. Drawing upon the lessons learned from distributing cards in 2014, MEDA saw a greater number of applications in 2015 (96 in 2015 vs. 65 in 2014) and a higher percentage of applications converting to actual cards being delivered to clients (90% in 2015 vs. 64% in 2014).

» Clients were approximately four times more likely to take up the secured card with the presence of a refund at tax time.

» Sixty-eight clients signed up to receive text messages and 56 stayed enrolled in the platform for at least two payment periods.

» During the pilot, 35 out of the 56 enrolled in the text platform (61%) missed payments due dates, but 29 of these (85%) made the payments within the next 12 days. This avoided a reported delinquency that would have harmed their credit.

» By far, this product was most useful to those obtaining a credit score for the first time, as those clients averaged a credit score of 700 after 3-6 months of use.

» Financial coaches provided valuable support for clients, regardless of whether clients also opted into the text messaging pool. Many clients were establishing formal credit for the first time, and many others were not used to managing a credit card balance; coaches served as a useful resource to help clients through the experience.

VITA Credit Builder results:

» Clients were approx. 4X more likely to take up the secured card with the presence of a refund at tax time.

» During the pilot, 35 out of the 56 enrolled in the text platform (61%) missed payments due dates, but 29 of these (85%) made the payments within the next 12 days.

» Most useful to clients obtaining a credit score for the first time, as they averaged a credit score of 700 after 3-6 months of use.
Future Applications
MEDA is continuing to collect data on the program’s impact and will have final results by mid-2016, but the early lessons learned from the pilot can be helpful for other VITA and secured card providers. MEDA’s initial findings demonstrate the opportunity for VITA sites to further engage customers and provide them with secured credit cards at tax time. MEDA’s successful text messaging platform also provides an example of how secured card providers can incorporate technology to provide actionable advice based on a cardholder’s specific activity in order to efficiently help them build credit.

<table>
<thead>
<tr>
<th>Representing clients served at the VITA program at Plaza Adelante from January 2014 to October 2015</th>
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<tbody>
<tr>
<td>Out of 4,358</td>
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<tr>
<td>Total # of clients</td>
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<tr>
<td>Interested in a Secured Credit Card</td>
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<td>Percentage of Clients interested in SCC</td>
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Mission Economic Development Agency
MEDA is a community economic development corporation located in San Francisco’s Mission District. Since 1973, MEDA has worked to improve economic and social conditions for San Francisco’s low- and moderate-income residents, with Latino families serving as the organization’s primary constituents. MEDA helps families open and improve small businesses, purchase homes and prevent foreclosures, build credit and savings while reducing debt, access technology and find sustaining jobs.

To learn more, visit medasf.org.

The Financial Capability Innovation Funds
The Financial Capability Innovation Funds were supported by a collaborative of funders led by the Citi Foundation and also including Bank of America, the Capital One Foundation, Charles Schwab Bank, Charles Schwab Foundation, Experian, Morgan Stanley, NYSE Euronext Foundation, US Bank, and Visa.

From 2010-2012, the Center for Financial Services Innovation selected thirteen cutting-edge projects to receive $4 million total in grant support, from among 373 applications totaling more than $107 million in requests.

To learn more, visit cfsinnovation.com/Financial-Capability-Innovation-Funds.

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