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Understanding the Ins and Outs of Financial Services and Products is a Daunting and Difficult Task: An Intern's Reflections of Financial Services and Products over 11 Months

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CONTENTS

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I. INTRODUCTION

This capstone project for my master's degree in Cultural Anthropology and Applied Community and Economic Development from Illinois State University examines financial services programs from the perspective of the cultural anthropology of money. During my 11 months of professional practice experience at Credit Builders Alliance (CBA) and the Center for Financial Services Innovation (CFSI), I observed their programs, products, and policies. Here I reflect on the anthropology of money to put CBA or CFSI's projects in broader sociological and anthropological context. My reflections brought forth three major ideas related to the organizations:

- Educating individuals about small-dollar credit services helps individuals and families succeed but does not fix the structural causes of consumers' financial problems.
- More can be done to apply knowledge about small-dollar credit services and work with organizations that can change policies for the better of the consumer.
- Financial education is vital to young people's education specifically on why credit is important, not just those who have already experienced the financial world. Education depends on making the language of financial services and products less overwhelming so that consumers can better understand it.

The purpose of this project is to reflect on how these two nonprofit organizations with missions of raising awareness, providing education, and offering assistance related to financial services and products can be understood in light of an anthropological approach to money. These organizations aim to help individuals to cope in today's financial society; yet, the money system operates autonomously as a structure far beyond the scope that CBA or CFSI could.

CBA and CFSI are organizations that work in the financial services industry. *Financial services* are economic services implemented by the finance industry, which includes an extensive range of businesses that handle money, including credit unions, banks, credit card companies, insurance companies, and investments.

Credit Builders Alliance (CBA) is a ground-breaking, non-profit social enterprise in Washington, D.C, devoted to forming the capacity of a diverse and growing network of 502 nonprofits (CBA members) in every state, excluding West Virginia and Alaska, but including Puerto Rico, that help low- and moderate- income households build strong credit and other financial assets. CBA was created by and for their nonprofit members as a response to a large gap in the modern credit reporting system that blocks millions of individuals with poor or no credit out of the conventional financial system without openings to build credit. CBA's view is that good credit is vital to attaining and maintaining financial stability, and that mission-driven nonprofits are exclusively situated to aid these struggling households build credit as an asset. CBA was formed to be the connection between nonprofits and the Credit Reporting Agencies (CRAs). In general, CRAs have conditions about who can acquire their services and send them data – and nonprofits were often too small or too much of an unknown for them to work with directly. CBA was able to overcome this challenge by becoming that connection. The ability to have credit data allows the nonprofits to monitor and check their clients' credit reports. By monitoring the reports, the CBA nonprofit members can show their clients are building credit over time to which might allow them to possibly buy a house, car, or some other major credit-required need. A few of CBA members are National Network to End Domestic Violence. the Aspen Institute, Life Asset, Neighborhood Housing Association, and WorkingCredit in Chicago.

CBA is funded through grants, consulting workm and their annual Credit Building

Symposium. They have three major grants along with various smaller ones. The major grants are through MetLife Foundation, SBA Prime, and JP Morgan Chase Bank. Capital One Foundation, Wells Fargo, LexisNexis also fund CBA but to a lesser degree. These grants fund around 40 percent of CBA's revenues. CBA's consulting work consists of creating toolkits on best practices on various financial situations, credit building for consumers, awareness trainings around the United States, and finally, one-on-one credit building advice for CBA's nonprofit members. The toolkits range in topics from advice for "returning citizens" (incarcerated individuals returning to the financial world after they have completed their prison time) to assistive technology loan programs (how one can apply for a hearing aid, special listening device or some sort of technology to assist one on their daily lives).

CBA's consulting work funds about 40% of their operating costs. The final form of revenue of CBA is their annual CBA Credit Building Symposium in June. This symposium was created to connect CBA members with the credit bureaus, other CBA members, CBA staff, and current information on credit building. The symposium funds the last 20% of CBA's revenue through attendee registration and sponsorship.

As the national authority on financial health, the Center for Financial Services Innovation (CFSI) believes that finance can be a force for good in people's lives and that sensibly meeting consumers' needs ultimately improves results for both consumers and providers. Through consulting work, the Financial Capability Innovation Funds, and the Financial Solutions Lab, CFSI has adopted innovative products and technologies that advance the financial health of consumers and support small businesses (CFSI 2018). Their research ranges from targeted surveys to tactical consumer studies; it provides a foundational understanding of the challenges and opportunities for all sectors to achieve consumer financial health. CFSI's consulting services impact a deep understanding of consumer needs, innovation developments, and high-quality product design. They guide customers through the entire development cycle, such as creativity strategy definitions (inform the client about various financial strategies) to offering solutions and assessing impact. CFSI's vision is to grasp a strong, robust, and competitive financial services marketplace where the range of consumer transactions, savings, and credit needs are met by a variety of providers present with clear, transparent, high-quality products and services at reasonable prices (CFSI 2018).

CFSI has offices around the country in Chicago; Washington, D.C; New York; and San Francisco while their network members work nationwide. These network members range from nonprofits (Propel, Credit Builders Alliance, Accion) to fintech startups (Dave.com, digit, WiseBanyan) to foundations (Omidyar, AARP Foundation) all the way to big-name banks (Bank of America, Wells Fargo, TD Bank).

Similar to CBA, CFSI is funded through grants from philanthropic organizations and funders committed to improving financial services for all in the United States. CFSI his funded by key foundations and organizations: JPMorgan Chase, Morgan Stanley, Visa, Intuit, and the Bill & Melinda Gates Foundations. A majority of their revenue comes from grants, but a small portion comes from their annual Emerge Summit. This is their annual Financial Health forum in June. It was created to learn, network, and develop financial health strategies. The attendees range from banks and credit unions, to fintech, to nonprofits and foundations.

The similarities between Credit Builders Alliance and the Center for Financial Services Innovation are small. They both are based in financial services, but that is their only major linkage. CBA focuses on credit for the consumer, while CFSI has a range of focuses related to financial health. Both have the same mission of helping the consumer succeed in society through the growth of their financial health by providing educational tools and resources.

II. AN INTERN WITH ETHNOGRAPHIC SENSIBILITIES

Participant observation is a common qualitative research method in cultural anthropology. Anthropologists use participant-observation and people's stories to reveal the "patterned processes in our interactions and [the] constraints of social structures" (Ellis and Adams 2014, 255). Its aim is to gain close and intimate familiarity with a given group of individuals and their practices through an intensive involvement with people in their cultural environment. The product of ethnographic research, the ethnography, is a text that is not a detached description of the research and findings, but a restating of the researcher's experience that aims to draw the reader into the scene. As a intern at Credit Builders Alliance (CBA) and the Center for Financial Services Innovation (CFSI) during my 11 months of professional practice internship, I brought an ethnographer's sensibility and knowledge of cultural anthropology to my work. In this paper, I reflect on my internship and the work of these organizations and make recommendations for their future work.

My internship at CBA and CFSI began in June 2017 and continued until May 2018 for my professional practice fellowship. My considerations and recommendations for CBA and CFSI to contemplate are based on views as an intern as I saw issues emerge. My internship was arranged via The Applied Community and Economic Development Peace Corps Fellows Program at Illinois State University, a two-year master's program. This program is designed to further develop the skills of Returned Peace Corps Volunteers (RPCVs) and preparing those RPCVs to become development specialists. The interns complete one calendar year of full-time coursework in Community and Economic development along with the intern's specific course of study: anthropology, sociology, applied economics, kinesiology and recreation or political science. The second part of their internship is an 11-month, hands-on professional practice (35 hours per week) with community organizations that need the skills and knowledge of the intern. The job of the intern is to progress special projects forward, offer access to skills or knowledge unavailable within the organization, and advance the established mission of the organization in new ways (Stevenson 2017).

I have been a part of the Stevenson Center since August 2016 working on my master's degree in Anthropology. Before coming to the Stevenson Center, I had finished my two years of Peace Corps service as a ninth grade English teacher and Gender and Development advocate in Ethiopia. I completed my coursework in anthropology and community development in May 2017 and was assigned my internship program. Typically, an intern is assigned one organization to work for, I was not the typical intern. I was assigned to two host organizations in Washington D.C, Credit Builders Alliance (CBA) and the Center for Financial Services Innovation (CFSI). I worked at both organizations equally, 17.5 hours per week. As mentioned earlier, a typical intern works at one organization, but CBA and CFSI worked closely together and were similar in their companies' missions to be able to have an intern work at both organizations simultaneously.

In general, at both organizations I completed a wide range of projects, responsibilities, and duties. My main task was to research various projects related to financial services and health. I interviewed network members about their businesses to see if they felt like they were in a "financially healthy lifestyle" and help them evaluate their position. I organized and coordinated conferences, meetings, symposiums, and workshops to bring that critical data forward. I produced, recorded, and implemented webinars, tutorials, and tip sheets related to credit building to assist individuals of any financial knowledge, understand their options in multiple media formats to broaden the scope of materials available. Those different media formats are needed to garner different demographic landscapes. These products are now being used on Credit Builders

Alliance's Training Institute website. The learning tools or educational opportunities are used to aid CBA's members so they may aid their own customers. This was the most sustainable and robust project I completed because my voice, thoughts, and knowledge will remain on the Training Institute website for CBA members to use indefinitely.

III. ECONOMIC ANTHROPOLOGY

Anthropology, since it became a field of study, offers generalizations about social and cultural life using detailed descriptions of the worlds. It makes the unfamiliar, familiar. Money and exchange have been important topics in anthropology since its development as a modern field of study. Rather than take for granted what money does, as the economists often do – as a medium of exchange, reserve funds, or means of accounting – anthropologists often address it as an essential part of social hierarchies and networks of exchange.

Money is the cause of the growth of the immense global economy, but money also is a source to vast environmental destruction, increasing economic inequality, and the control of power in the hands of a small group of privileged individuals (Muzio and Robbins 2017). Anthropologists, sociologists, historians, and economists study how culturally and historically money is formed and how it is used along with how the usage can either sustain societies or impoverish them (Akin and Robbins 1999). The most complex question then, is seemingly the simplest: What is money?

What is money? Where does it come from? Is money an object or an idea, real or virtual? One thing or many? Historically specific or a human universal? Is it credit or debt, or both? An economist, Roger Arnold defines money as a medium of exchange: “Money is any good that is widely accepted for purpose of exchange payment for goods and services and in the repayments of debts” (Arnold 1999, 242). This highlights only one function because it is also a unit of account, and store of wealth. In our increasingly virtual world, money is also a means of moving value from one person or object to another (Maurer 2015, 28). Money, in capitalist societies, has particularly been understood as a claim to privileges in society and over resources. Money also plays role in relations of power and control: The more money one has the more privileges they have over society and its natural resources (Muzio and Robbins 2017, 4).

Anthropologist Marcel Mauss (1954) played a significant role in displaying how money was essential to how we form various features of our social identities. He showed how the notions of independence, justice and the person can only be comprehended within the specific monetary measures that show us the various social identities. Monetary evaluation is never just mechanical, but moral and political, signifying the symbolic environment of each person in society according to various orders. He explained that world history showed power relations in the industrial civilizations of his time, while displaying how financial relations extended societies beyond their assumptions and were a visible means of change. Mauss (1954) examined this common belief, and his research led him to develop this now obvious paradox regarding credit and debt relations. In *The Gift*, Mauss (1954) showed how the notions of freedom, justice and the person can only be understood within the exact economic measures that give us our various social identities. Mauss states that credit and debt greatly support the building of hierarchy and dominance, but they are also the keys to building group cohesion.

Money imitates systems of social power like magic, jewels, beads, clothing and witchcraft (Graeber 1996; Akin & Robbins 1999). It is common in anthropology to refer to clothing and adornments as markers of social identity. They define the variances among people. The display of wealth in our own society, can be translated by bragging about one's mansion, displaying their Picasso paintings, or having an expensive car, which all could be considered an ornament of the owner. Obviously, money can never become an embellishment to a person in the same way, but it can make distinction on the measurable sense. Some people have significant wealth and others do not have that same advantage. Graeber (1996) argues that money is quite often identified with its owners' person. It serves as a mark of uniqueness and is sometimes recognized with the holder’s ability for action.

David Graeber (2009, 2011), in a historical synthesis, links money to debt. The invention of money 5,000 years ago allowed ethical responsibilities to be given an objective degree. He discusses the possibility that diverse types of money can change a society’s position of power. In *Debt: the First 5,000 years* (2011), he offers the idea that the difference between “commodity-money” (gold, silver, etc.) and “debt-money” (money not backed with a valuable substance such as gold, also known as credit-money) greatly shaped global history and effected the advancement of power, the disposition of family and social relations. Today, the global economy runs as a debt-money society. Graeber (2011) asserts that there could never be enough commodity-money to finance a large-scale economy- the world is completely in debt. There is not enough commodity money to back the amount of debt the world is in now. Graeber even refers to the present time as the Empire of Debt age.

Modern Money Creation and Banking

The creation of money is a topic filled with confusion and disagreement among economists. It is an important topic because the creation of money results in huge power control to who or what has that right. Who has this control of creating money? Most people would say the government, which is not entirely true. The governments typically have control over the circulation of money, but most of new money is lent as interest-bearing debt by commercial banks and other financial institutions (Muzio and Robbins 2017).

When commercial banks make and give out loans, new money is created. The loan is an obligation or burden to the bank (it owes you this money) and a credit to the customer as a purchasing power. It is also a debt because it must be repaid with interest (Muzio and Robbins

2017). New money is created by banks when they issue loans or "endogenous money" (Huber and Robertson 2000; Muzio and Robbins 2017, 78). This means that the total money in any economy is not decided by some power like a central bank but by the want for loans among individuals, businesses, and government.

There are consequences for allowing banks to own the money used by individuals, businesses, and governments. If banks continue to create the majority of money, we allow them to make the majority of distribution and allocation decisions in society. Banks decide who has access to claims on society and resources and in what proportions (Muzio and Robbins 2017). Banks generally make loans depending on the level of creditworthiness (do they have good or poor credit) of the borrower or their credit score. The creditworthiness of the borrow is the bases the banks use to make decisions of whether or not to issue credit and in what proportions, but it is not enough (Rowbotham 2007). Banks make loans based on a person's income, their ability to repay, and their assets. This form of "rating" can completely discount an entire group of people not just because they do not have credit, but because they do not even have the education behind what credit is.

Banks normally create loans based off of collateral of some sort. If someone was born without any resources besides their capability to work for a salary, they are already at a disadvantage for loans. That is contrary for the wealthy; they already have some sort of resource from preceding generations that can be borrowed against (Muzio and Robbins 2017). It is not just the possibly of getting a loan from a bank that helps reproduce inequality, but also the terms of the loan. Those with fewer resources or poor credit scores might have to pay higher fees and higher interest rates on their loans than those who are wealthy. Thus, the loan becoming more of a risk and potential disadvantage to an already credit-vulnerable individual.

Maurer (2015) mentioned that "savings" related to money raises fears that the powerful privileged individuals will use money in a ploy to acquire poor people's resources. Savings produces anxiety because it emphasizes people's fear that they never have had enough money on hand. Muzio and Robbins (2017) remind us that poor individuals have good reason to be hesitant with banks and savings accounts, people with the power. Banks control the money and create the loans; if one ever wants a loan they will have to accept the banks rules, minimum balance in an account, have a Social Security number and so much more.

Ethnographic Studies of Money and Transactions

Maurer (2015) views money as more than just a medium of exchange or a store of value, but as a "system of relationships, a chain of promises, and a record of people's transactions with one another" (46). The poor are often, by definition, excluded from relationships as much as material goods.

Maurer (2015), an anthropologist, studied issues around changing payment systems and economic development. While he is completely aware of the power of new advancements in payment technologies to encourage economic development and greater participation in the formal financial scope, he is also focused on the ethnographic problem of relativism—judging other cultures by one's own—and the burden of change that may harm some or eliminate other valuable parts of a culture. "People working in this space must acknowledge their position in a long history of powerful others descending upon the poor and their money" (113). As he states, "We should never forget that poor people have good reason to be ambivalent about state-issued currency, banks, and savings accounts" (134). They will have to find other means as they do not fit into the financial landscape that is widely used.

Everyone has used cash, dollars and cents, euros, birr, or whatever currency is accepted. Maurer in *How Would You Like to Pay?* (2015) shows us the importance of our monetary structure and money as a means of payment. Many people rely on cash for their transactions, but more and more businesses are going "cashless" and will not even accept it. For example, Sweetgreen which is a high-end salad chain. They have small signs on the door saying, "This is a cash-free establishment." If cash is not used that creates a major problem because almost any other means of payment require some sort of authentication. You need a Social Security number to open a bank account to then get a debit card or to apply for a credit card.

This shift to a cashless society has created new forms of payments. There are now new banking methods that allow a user to transfer money, finance, or pay for a product. New banking methods or financial products affect current social structures, and sometimes produce new ones. For example, Maurer analyzed successful and unsuccessful technologies for making payments. Successful products, such as M-Pesa and Square, have advanced existing behavior and infrastructure while frequently masking the technology behind the scenes that makes them work. Maurer discusses the use of M-Pesa in Kenya as useful. It grew out of the increasing theme that people were using mobile phone air time to send money: the sender would buy a mobile card for a prepaid mobile phone service. The sender then texts the phone code number to the receiver, who could then use the code to add credit to their own mobile phone account or transfer the code for cash. M-Pesa started as a structure in which microfinance loans (loans for small businesses, entrepreneurs, and individuals who lack access to traditional banking services [Kiva 2018]) could be dispersed and paid back, using merchants of mobile phone cards as the point of entry into the financial system. People soon began using M-Pesa for more than just microfinance business, and it has grown into a major payment system that allows anyone with a simple cell phone to make or receive payments via text messages. Overall, it met the system using familiar tools available versus changing familiarity to a formal system.

Maurer challenges us that understanding money is more than just comprehending legal tender, but understanding other ways of transferring wealth and all the associated social and cultural means of keeping track of money, credit, and debit relationships.

Ethnographic Studies of Credit and Debt

Ethnographic data has shown that credit is considered beneficial and liberating for the individual who has access to credit (Zelizer 1994), while debt is a burden and a punishment for the borrower (Peebles 2010). This data has shown credit is advantageous while debt is damaging. Deville and Seigworth (2015) even state that, "credit is regularly lived as a kind of catalyzer, as an opportunity to reorient one's sense of the future, whereas debt is inhabited as a drag on the immediate present and its future, continually exerting a gravitational pull of the past on one's sense of aspiration and mobility" (19-20). Eiss (2002), on the other hand ,points to instances in which debt is seen as a sort of blessing rather than a trap. He explains that laboring to pay back a "sacred debt to the Virgin... [brings] value, honor, and grace to their pueblo" (322). Good or bad, credit or debt shapes the future and opportunities an individual can attain as well.

Credit is a method of lending tangible resources to an individual now and requiring the return of the good/money in the future with interest. Weber (1978 [1922]) stated that, "credit in the most general sense will be used to designate any exchange of goods presently possessed against the promise of future transfer of disposal over utilities, no matter what they may be" (81). In an ideal world, both creditor and borrower are pleased with the agreement that allows for the expansion of economic value for every party involved.

The Need for Financial Literacy

Today banking and financial terminology -- credit, FICO, underwriting, and FCRA -- are not used in common vernacular. Consumer advocates argue for greater financial literacy. To efficiently manage money, one must first know something about money. Financial literacy is known as the essential skill for the consumers who are contributing in the financial markets (Kefela, 2010). It permits people to make more knowledgeable and better financial choices by providing them the opportunity to understand and lessen the risk (2010). Researchers have shown that the people buying financial products and services have little knowledge or understanding about them as compared to the providers who are furnishing them (Shen, Lin, Tang, and Hsiao, 2016). For example, credit card "Terms and Conditions" are created at a level beyond the reading capability of the regular United States consumer. Creditcards.com has released a new study researching 2,000 credit card agreements. They found that the average Terms and Conditions was created for a 11th-grade reading level or higher (Creditcards 2016), whereas the average consumer reads at a 9th grade level or below? If a person cannot understand what they are signing up for how will they understand how to use the product to its fullest? Why are there so many hidden meanings? Not only is the system creating a barrier with the inability to access, it is creating a barrier for individuals to fully understand what they are signing up for.

IV. SOCIAL ENTERPRISE IN FINANCIAL WORLD

I found three major themes over the year of my internship at CBA and CFSI. The key concepts in anthropological literature of money gave me a critical understanding of how to understand those themes. 1.) Educating individuals about small-dollar credit services helps individuals and families succeed but does not fix the structural causes of consumers' financial problems. 2.) More can be done to apply knowledge about small-dollar credit services and work with organizations that can change policies for the better of the consumer. 3.) Financial education is vital to young people's education, specifically on why credit is important, and not just those who have already experienced the financial world. Education depends on making the language of financial services and products less overwhelming so that consumers can better understand it.

In the United States, there are 138 million people struggling financially. Of those 138 million people, 68 million are "underbanked" or "unbanked" (Gutman *et al* 2015). Almost a third of Americans cannot make ends meet if they experience a drop in income. More than a quarter have less than $1000 saved for retirement and almost half of the country have difficulty keeping up with bills and repaying debt (2015). The problem is not simply a question of access to financial services, but access to the right kinds of financial services to their specific needs and financial understanding. According to the World Bank, the unbanked or underbanked are those individuals who do not have accounts at banks and other traditional financial institutions and are required to use inconvenient and often risky ways to handle their money (World Bank 2012).

CFSI has produced research on the un/underbanked community to raise awareness of the difficulties that low-to-moderate-income (LMI) individuals have and the exploitation they are subject to. Financial product designers can use CFSI research to design products that un/underbanked individuals can use to enter the financial services market. Again, the goal is to educate, to give more understanding, and give power to those to make these financial decisions.

A. CFSI: Underserved Consumers are a Market Opportunity

Individuals around the world aim to improve their financial lives. They spend, save, borrow, plan, and defend their resources in search of improvements to their lot. In one of CFSI's largest research projects, CFSI's team coined the term "financial health" (Gutman *et al*. 2015). In the U.S. today, "financial health" is a relatively new term in the financial community, and it refers to a measurement of how well one's daily financial structures build resilience from surprises and create occasions to pursue one's dreams such has buying a house or a new car (2015). CFSI aims to increase understanding of underserved consumers and create awareness of market opportunities to serve them profitably and responsibly through research in tracking the financially underserved marketplace and the state of Americans' financial health.

Many low-to-moderate income people in the U.S. are exploited by the lack of credit services, lack of access to banking systems and credit, or distrust of government currency, banks, and savings accounts (Maurer 2015, 134). This leads people to find other means to take care of their financial needs. CFSI has seen that some people have few choices but to reply on risky "small-dollar credit options." Small-dollar credit (SDC) services are services such as auto title loan, payday lenders, pawn shops, money transferring, check cashier, and other dubious forms of short-term loan products (see Figure 1). Payday loans are organized in ways that can quickly turn for the worst. The Pew Charitable Trust has studied payday lenders for years and found that the average $375 two-week loan increased to an actual cost of $500 over the repayment period of five months (Pew Charitable Trust 2013). The Consumer Financial Protection Bureau (2017) has reported that more than four out of five payday loans are re-borrowed within a month, typically right when the loan is due or shortly after.

Figure 1: Examples of Small Dollar Product Establishments (photos retrieved from Small Dollar Credit Industry Deep Dive Presentation by CFSI)

Every year CFSI renews a project called the Financially Underserved Market Size Study. This study demonstrates the needs of financially underserved consumers and discusses the importance of the results driving marketplace evolution and growth. To improve consumer financial health, especially for the underserved, the market must note consumers' need for day-to-day financial systems that function well together with products that increase the likelihood of resilience and the ability to pursue opportunity. As one of the researchers with CFSI, we compiled research showing LMI individuals increasingly use short-term credit. LMI are using these products more and more rather than using a bank to cash their checks or provide loan services. This is very problematic given that some of these services charge interest rates up to 300%. Fees typically ranges from $15 to $30 per every $100 (Mayer 2003). These exploitative rates threaten consumers' financial health and can have a major impact on their futures. From the perspective of CFSI, consumers should not spend scarce resources by paying large interest rates; LMI individuals need to save that money to put elsewhere, like in a bank or other financial institution like a credit union, to reduce the need to borrow in the future.

FinX

To educate and raise awareness, CFSI has created the Consumer Financial Experience (FinX). This is an in-the-field workshop and training event for financial product designers to experience firsthand what the challenges and opportunities are in accessing financial services (see Figure 2). Participants at these workshops can range from CEOs of top financial institutions

Figure 2: Omidyar employees prepare for CFSI's FinX (photo belongs to Alesha Klein)

like Visa to university students to funder networks like the Omidyar Network. This experience gives individuals the opportunity to see what an un/underbanked person must go through to get their money and what they understand money to be, which could be a different definition than the company they may represent.

One FinX activity, for example, has participants “transact” as many of the activities as possible in about an hour and a half, such as: to cash a payroll check at a payday lender, complete a money transfer, or try and pawn an item (see Appendix A). The purpose of completing these activities in one and a half hours is to exemplify that a person only has so much time in the day to complete their financial needs[1,2].

The reason behind CFSI’s facilitation of FinX is to educate the financial product designers. They do that so that the designers see what is out in the financial market beyond their own products and to close the gap. Awareness and education is key here to show that the un/underbanked individuals are working on ways to get by in the world and they are not always able to use traditional financial services due to lack of a Social Security number, citizenship, etc. The FinX shows the designers that they need to find other ways so that the un/underbanked individuals can use their services, along with current users, to have a better scope and understanding of what has been purchased and/or loaned.

Once the transactions are completed, everyone gathers to discuss what their experience was like. Most of the individuals who participated said that it was an eye-opening experience that they would have never experienced any other way. Others said that they had fun and wished they had more time to complete everything. More reactions are available in the video that CFSI created (CFSI 2016).

The individuals who were participating in the FinXs have a lot of money and power; some are extremely affluent and would have never used a payday lender or pawn shop. They

[1] A consumer cannot spend three hours trying to cash a check. Those three hours are precious, and that consumer could be working or spending time with their family.
[2] Beyond “doing” the activities, the transactors needed to inquire about various loan products. Is there a way to get a $500 loan at a bank? How much does it cost to send money abroad? What are the fees related to the transactions? These inquires have been an issue in many FinXs because the risky small-dollar credit lenders do not want to share with CFSI, and researchers in general, what they charge for fees or interest

may have never used a payday lender or similar service. Since they or the company they represent have money to pay CFSI to facilitate this project, they have the financial luxury to not need any of the services outside of the norm. Even in this activity which intended to sensitize the well-off, unfortunately become a game. Their privilege has blinded them to the fact that it was more than a game; it is what someone must deal with to get the money for which they have worked so hard.

FinX and Power

CFSI's Consumer Financial Experience has educated the financial product designers why small-dollar credit options are unsustainable and extremely expensive for the consumer. The FinX has resulted in those product designers to think about other options for their current products and how they can open their own products more to the public. This is all very beneficial, but as a participant, observer, and planner of a CFSI FinX, I recognized some areas that should be altered. When I first participated in the FinX, I had a lot of fun "running around Washington D.C." transacting the various activities and fell into the "game" like the others who participated. I never have had to use check cashier at a payday lender or needed to apply for an auto title loan. The individuals that use these services are paying a lot money in fees and interest and some do not know the financial impact these decisions will have. Why would they do that one might ask? Can't they just go to a bank and get a checking account? No, they cannot. They might not have enough money throughout the entire year to support a checking account's minimum balance, or they might not have a Social Security number to open an account.

These are all observations that CFSI has made, but there is another area that needs to be highlighted - the product designer's actions and mannerisms when they transact. These individuals did not see this training as an everyday life experience of an individual. They, along with myself, for a time thought of it as a game. They rushed through the activities to see who could get done the fastest and become “the winner.” They did not have any regard for those surrounding them. These customers needed to get their checks cashed; it’s their only option to receive their money. They do not have access to a checking account and cannot go to a bank to cash their checks. The transactors monopolized the area when they could have let the other customers go in front of them or tried to be more respectful in the facilities for those using the services.

I believe there is a way to set up and educate individuals for this experience. For example, CFSI, when introducing the FinX to the product designers, students, *et cetera* should be transparent and inform the transactors that this situation is an example of an un/underbanked individual’s life. They are there to transact, yes, but they must also recognize their surroundings and not only complete the transaction but feel what it is like to be a true transactor needing those services. CSFI can play a bigger role in impacting the financial world by providing this additional educational step to those privileged individuals who are participating in this activity.

Critiquing a few can be important, but one also needs to look at the bigger picture of the enterprises who serve the un/underbanked. Why should these exploitive payday lenders be allowed to do this? Why are these services still in business after charging the astronomically large fees and interest? These services are there to “help” consumers so they can pay a “now” expense, but they are not helping the consumer in the long term. As mentioned earlier, these fees, interest, and terms of the loan are so exorbitantly large that the consumer gets behind in their repayments. They are not helping the consumer if the consumer needs to go into debt again just to pay back their first loan. The payday lender services should not be allowed to do this, but there are so many people locked into this cycle of repayment that it will be very difficult to end these services. If ending the services is not possible, what else can be done? There needs to be a change in policies to better regulate this industry, and CFSI can help.

B. CBA: Money, Credit, and Debt

We have seen in the literature that credit is considered a positive and debt a negative along with the opposite. CBA believes that credit is an asset and addresses that through issues faced by their members. Credit is often a common issue for clients who are working towards pursuing financial capability and asset-building goals. There is a strong social emphasis on having good credit. Improved credit may be a driver for an identified goal. CBA finds that U.S. consumers believe many myths about credit and debt, such as if you pay all your monthly bills on time, you will have a high credit score. Myth: Paying regular bills on time is good but will not build credit unless the payments are reported to one or more of the major credit bureaus. You can ruin your credit by applying for a few new lines of credit. Myth: Applying for new credit does affect the credit score, but only by approximately 10%. Missing one payment on a credit card can reduce a credit score by as much as 100 points. Fact: Payment history has a significant impact on the credit score - around 35% of the score. Most consumers' knowledge comes from myth or word of mouth. Imagine if it came from a financial source? There could be less barriers for the consumer.

CBA teaches that credit comes from the Latin work *cred* or credit which means trust, value, and worth. Debt focuses much more on what is negative and burdensome. If one is using too much credit it may lead to severe debts. Credit is the ability to borrow money; debt is when you owe someone or something money. But credit is just a tool to attain the short-term or long-term financial goals of the individual potentially outside of their current financial scope. As with all tools, knowing how to use them correctly is the key to success in navigating this financial tool. At its core, credit allows you to buy something now and pay for it later. People trust you to pay back the money you borrow from them based on the financial information provided or found regarding that person. CBA's Director of Training and Consulting, Carmina Lass, has further solidified that differentiation when she said, "Debt is a liability. Credit, on the other hand, can be an asset" Personal Communication, January 2018).

Good credit equals access to assets. A good credit history can make the difference in accessing the affordable lending products necessary to go to college, buy a home, or start and grow a small business – three of the most widely promoted asset-building options across the country. Good credit also equals opportunity and options for multiple forms of housing (apartments, townhomes, etc.). Many landlords pull credit reports to determine whether to rent to an applicant and, sometimes, how much of a security deposit to charge. Good credit may reduce or eliminate costly deposits otherwise required to turn on utilities or acquire a cell phone contract. A positive credit rating may also reduce the cost of products like car and homeowner's insurance. Again, good credit equals asset building. Some people have the income, savings, and assets – or at least family or social safety net -- to fall back on to weather financial challenges, but many do not have that financial luxury. The truth is we live in a two-tiered financial system in which having no or poor credit is a barrier – at best to attaining and maintaining financial stability and at worst to ensuring we do not become trapped in an unmanageable cycle of debt and financial chaos.

Credit Builders Alliance has a signature training they have created that leverages the expertise and experience of CBA's large community of nonprofit practitioners to recognize credit-building best practices and guidance across target markets and populations. CBA believes that the first step towards helping clients strategically build credit in pursuit of financial goals is to reframe a negative association with credit to a positive focus that credit is an asset -- “shifting the paradigm” (CBA 2018). CBA equips their nonprofit social enterprise members, so they can ensure the clients are gaining knowledge to understand what is on their credit reports, and how to use that information to set concrete goals to impact positive changes to their credit profile. Focusing on credit as an asset helps to empower individuals to take control of their credit history and financial goals.

Money, debt, and credit can be confusing for all of us, and there are a lot of different terms when we talk about them: credit history, interest, reports, loans, etc. Sometimes these terms are used interchangeably when they really have different meanings. During CBA’s trainings, tutorials, webinars, and one-on-one discussions, they are very clear and descriptive when they discuss these high-level terms. Because there are few educational materials or services regarding finances, consumers can be confused. Providing educational tools and resources reduces that confusion. Do consumers fully understand what is on a credit report? Do they know that they could get charged for checking their own credit report? What does that three-digit number mean on the report? One can try and research what it means, but they only get further and further in a hole of jargon and acronyms. Why does this area have to be so difficult to navigate? If everyone at one point in their life must deal with credit or other financial services and products, why does it have to be so difficult to understand?

All these questions are common when one becomes involved with credit, money and debt. Thankfully, CBA has great resources for all different types of customers to give them power over their financial decisions. The tutorials, toolkits, webinars, and tip sheets give that power back to the consumer through education versus solely the financial industry.

During my internship at CBA, I was bewildered with the amount of terms, acronyms, and jargon. The first few weeks were difficult because of the high learning curve at CBA plus all the extra terms I had no prior knowledge of through my financial life experience. I asked my coworkers if there was anything that could aid me in this process. Was there a list of terms somewhere, like a glossary? The response I received was that there was not one. There was no glossary to help me help others to navigate this financial world. The only area that had any terminology was within CBA's toolkits, which did not fully incorporate the vast amount of terms needed to have a full understanding of the scope of this industry. With this feeling of lack, I decided to change that. I started to gather all my notes, acronyms, and anything I heard from others into a document and created a glossary for CBA. This glossary at first was only a few pages, but CBA really liked my idea and added on throughout my time there. I was by no means an expert in financial terminology and had assistance with many of the terms, but over time; I created a glossary (see Appendix B). This glossary has now been added to all the current toolkits, guides and on CBA's two websites. As a living document, it can be added to or edited as new financial information or terms are available. Through my experience in educating myself in the financial industry, it has provided a tool for others to learn from now and in the future.

V. CONCLUSIONS

My 11-month professional practice internship allowed me to learn about financial services and products and how they affect individuals. Credit Builders Alliance and the Center for Financial Services Innovation aim to educate, raise awareness, and aid the consumer in numerous ways. The anthropological literature and perspective allowed me to view this project with a critical lens - they brought my views full circle. Through my participant observation, I saw three major ideas emerge:

- Educating individuals about small-dollar credit services helps individuals and families succeed but does not fix the structural causes of consumers' financial problems.
- More can be done to apply knowledge regarding small-dollar credit services and work with organizations that can change policies for the better of the consumer.
- Financial education is vital to young people's education specifically on why credit is important, not just those who have already experienced the financial world. Education depends on making the language of financial services and products less overwhelming, so consumers can better understand it.

<u>Financial Health</u>

Through educating their clients and direct consumers, CFSI's goal is to see financially healthy individuals in their day-to-day financial functions and increase the possibility of long-term resilience. This is an excellent goal and mission.

What else could CFSI do to expand their reach beyond producing reports and research on the topics of financial health? While CFSI has produced very important research and conveys it, there needs to be a way that they can "act" on it. CFSI is a well-known company in the financial industry world and has the connections to reach out beyond their usual scope. They should try to become more involved with the CFPB, the Consumer Financial Protection Bureau or other like entities. Doing so, they could work with the CFPB or other entities and try to create or edit policies related to financial protection. CFSI has mentioned in the past about wanting to work with those entities but has never acted on that concept. These entities would be an additional stage for CFSI to aid un/underbanked individuals. If they could get a policy changed related to the risky, small-dollar credit options, they could save the consumer considerable time and money. For example, the CFPB right now is trying to finalize a policy that would require the payday lenders to conduct a payment test. This would determine upfront that a borrower can actually afford to fully repay their loans without having to re-borrow, which is very common. CFSI could join the CFPB in lobbying to get this policy in place. This would not stop all risky forms of lending, but it would create at least an obstacle in front of the lenders so that the borrowers do not get stuck in the cycle of reborrowing.

Financial Literacy in Schools

The target audience for CBA's financial literacy is their network members of nonprofits working in microenterprises, community action agencies, and affordable housing organizations. But the information is important for all consumers to know. Unfortunately, not many people understand or even have knowledge of it. CBA informs as many individuals as they can in the membership network about how credit is an asset if you have the knowledge to use it correctly. CBA only can inform a very few individuals about financial literacy. Financial literacy, in a program, such as CBA's Credit as an Asset training, should be required for students in high school. Organizations have proposed that students in high schools should be educated with knowledge and understanding for their future financial needs (Speer and Seeber 2013). Right now, only 17 states require their high students to take a personal finance course before they graduate (Farzan 2015). This information could benefit the students immensely. They could be informed before they hit the “real world.” They will eventually need to find a place to live or possibly buy a car and having the basic knowledge about credit can lead them on the right path. This path could lead them to a better financial life and future.

This could be a direction for CBA who already offers a training called “train the trainers.” CBA trains trainers all over the United States to become experts in credit-related topics. Perhaps, CBA could do something similar with training the trainers in high schools. Financial education is important for the future financial welfare of students.

I know there is a need here along with a want. In April, I co-led a training called Business Credit and Banking Services Training Pilot for Young Entrepreneurs. This training educated new entrepreneurs on credit and banking services related to their businesses. Unfortunately, we were unable to start the training on time because of a lack of knowledge from the young entrepreneurs. We had to give definitions to almost all the financial terms we discussed such as credit, debt, and credit score. My co-leader and I discussed afterwards that we were glad that we were able to help them, but how many others are in the same situation of being uneducated in financial services and products?

Tools for Financial Literacy

Providing education in financial services and products requires pedagogical tools, such as the glossary I created of credit-related terminology for CBA. CBA and CFSI both educate the consumer with their research and trainings, but an open webinar or tutorials for all would be very helpful outside of the members. CBA's Credit as an Asset training is currently only for their members or people who will pay hundreds of dollars, and this income supports the organization. A short thirty-minute tutorial on "Best Practices for Understanding Financial Services" could expand their reach beyond their current scope. CFSI could partner with CBA (they have done so in the past with other projects) to build educational tools and disseminate these to schools as well as professional outlets such as *American Banker* or the *Wall Street Journal* to reach out to those beyond their current customers.

My Time in Financial Services

Working at CBA and CFSI for a year has been a whirlwind of terminology, webinars, trainings, conferences, Excel, and a whole lot of numbers. Being an anthropologist in an economist setting was an arduous task. There were times when I had no idea what I was doing, but I know that I helped CBA and CFSI. I brought an anthropological perspective to a heavily economically dominated area. I made them think outside of the box and challenged their natural way of life.

These organizations are underappreciated for what they contribute to the everyday consumer in building their financial future. I am blessed that I was assigned to work for two remarkable and innovative organizations who directly impact how our financial industry works or can work. This experience is something I know I will never forget because I use the knowledge I have learned every day in my life and help those around me. I have helped my friends in their own financial life by giving them advice in applying for a credit card - the dos and don'ts. One friend never thought about how having three store credit cards can affect her credit or her financial situation in the long-run. I have even tested my parents to see if they are in a financially healthy lifestyle. This knowledge I have accumulated over the last year - which by no means easy - will be valuable for the rest of my life, and I plan to use it to help anyone in any way I can. I hope during my time assisting CBA and CFSI I have been able to help create and establish educational tools to further assist those who are making financial decisions feel more empowered and understand the long-term effects of those choices.

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APPENDIX A

Team Name and Color

# of Activities Completed ____________

FinX

Activity Summary

Please complete one activity summary sheet for your team that shows your overall totals in the "completed" and "cost" columns. For activities with no cost, please mark an X. Submit this sheet with any leftover cash or financial products to the FinX team.	CHECK IF COMPLETED	FEE COST
ACTIVITY 1a / **Cash the payroll check** from your primary part-time job.		
ACTIVITY 1b / **Cash the personal check** from your other job.		
ACTIVITY 1c / Your son is in college and you frequently send him money to manage his expenses. **Buy a general purpose reloadable (GPR) card and put $10 on it.**		
ACTIVITY 1d / At a different location, **reload the GPR card with at least $10.**		
ACTIVITY 2a / **Complete a money transfer for $30** to your sister to help with the party expenses. (Send money to someone on your team.)		
ACTIVITY 2b / Using the GPR Card, **buy a nice present for under $15** (tax included) for your niece.		
ACTIVITY 3a / **Pick up the $30 money transfer that a friend lent you to help with repairs.** The pick-up location to receive funds from your earlier money transfer should be different than the location from which you sent funds.		
ACTIVITY 3b / Inquire about a **$500 loan from a financial institution.**		
ACTIVITY 3c / OPTIONAL Visit a pawnshop and inquire about how much money could be exchanged for a team member's watch or jewelry.		
ACTIVITY 4a / Buy groceries for your family. **Purchase beverages or snacks for your team spending no more than $10 (tax included).**		
ACTIVITY 4b / Another monthly bill is due today. **Purchase a Money Order for $20** made out to your biller: Center for Financial Services Innovation. 135 S. LaSalle, Suite 2115, Chicago, IL 60603		
ACTIVITY 4c / You occasionally help your aunt in Mexico pay her bills. **Inquire about the cost to send $200 to Mexico.**		
ACTIVITY 5a / **Find a no fee / no overdraft checking account** with free checks so you can keep a record of rent payments.		
ACTIVITY 5b / In attempt to build a financial cushion and avoid late rent, **inquire about a savings product at a financial institution available with an ITIN rather than a SSN.**		

APPENDIX B

A

<u>Accounts in Good Standing</u>: Credit items that have a positive status and should reflect favorably on one's creditworthiness.

<u>Account type:</u> The type of credit account, such as auto loan, credit card, mortgage, student loan, revolving and installment accounts, etc. Also known as *loan type*.

<u>Active Account</u>: A bank or credit account with frequent and regular transactions.

<u>Adverse action notice:</u> A lender's notice to refuse credit on the terms requested in a credit application, such as APR or credit limit. Under the Fair Credit Billing Act, creditors must disclose with a notice the reason why credit was denied. The adverse action notice can also refer to a lender's decision to reduce a credit limit or end a credit agreement.

<u>Age-off</u>: While positive information can stay on a credit report indefinitely, negative information will eventually 'age-off,' or disappear from a credit report. Most negative information will remain on a credit report for up to seven years. Some court rulings such as bankruptcies and judgments usually remain on a credit report for more than seven years.

<u>Alternative Data</u>: Alternative data refers to the inclusion of non-financial payment reporting data in credit files, such as telecom and energy utility payments.

<u>Applicant:</u> The person applying for credit.

<u>Application:</u> A person's request for credit. Applicants typically fill out a form and provide any information that the creditor requires for evaluation. This information may vary based on the type and amount of credit requested.

<u>Authorized User</u>: A person, other than the cardholder, that has the right to use a card (i.e. credit card, debit card, etc.) but has no obligation to pay it. The account displays on the credit reports both the cardholder and the authorized user.

<u>Available credit:</u> The amount of credit available before the credit limit is reached. It is a dollar amount; for revolving credit it is the difference between the credit limit or original loan amount for installment loans and the current balance. Also known as open to buy or unused credit.

B

<u>Balance:</u> The total amount of money owed on a loan. It includes unpaid balances from previous months, purchases, cash advances, fees, interest, transaction charges, and credits. Also known as outstanding balance. Also see debt.

<u>Bankruptcy:</u> The process by which a person becomes bankrupt. There are two common types of personal bankruptcy: Chapter 7 and Chapter 13. Chapter 7 is a "straight bankruptcy" and gets rid of all debts (except some taxes and maybe alimony payments) at the price of a total liquidation of assets. Chapter 13 is a "wage earner repayment plan" and allows a borrower with a reliable income to pay off bills over a 36 to 60-month period. When a person files for bankruptcy, a record of the filing appears on the borrower's credit report for up to 10 years.

<u>Borrower:</u> The person who owes money to a lender. The borrower is legally responsible for paying the loan (installment or revolving). Once a credit application is approved, the applicant becomes a borrower. Also known as *debtor*.

C

<u>CDFI (Community Development Financial Institution)</u>: Community development financial institutions (CDFIs) are community-based specialized financial institutions that serve low income people or work in economically distressed communities, often working in market niches that may be underserved by traditional financial institutions. CDFIs provide a unique and wide range of financial products and services that help customers build wealth and achieve the goal of participating in the ownership society.

<u>Certified Credit Counseling Agency</u>: Organizations which help consumers find a way to repay debts through careful budgeting and management of funds. These are usually nonprofit organizations, funded by creditors. By requesting that creditors accept a longer pay-off period, the counseling services can often work out a successful repayment plan. Consumer Credit Counseling Service has offices throughout the United States that can be located by calling 800-388 CCCS (2227)

<u>CFPB (Consumer Financial Protection Bureau</u>: The Consumer Financial Protection Bureau (CFPB) is a regulatory agency charged with overseeing financial products and services that are offered to consumers. The CFPB is divided into several units: research, community affairs, consumer complaints, the Office of Fair Lending and the Office of Financial Opportunity. These units work together to protect and educate consumers about the various types of financial products and services that are available.

<u>Charge-Off</u>: Action of transferring accounts deemed uncollectible to a category such as bad debt or loss. Collectors will usually continue to solicit payments, but the accounts are no longer considered part of a company's receivable or profit picture. Also known as *bad debt, charged-off account, charged-off balance, charged to loss, charged to profit and loss.*

<u>Co-borrower:</u> One of several people responsible for repaying a loan. Once the loan application is approved, co-applicants become co-borrowers.

<u>Collection Agency</u>: Companies hired by lenders to recover funds that are past due or accounts that are in default. The lending company itself may also have a division or subsidiary that acts as its collection agency. A collection agency is often hired after a company has made multiple attempts to collect its receivables.

<u>Collection Account</u>: Refers to the status of an account owed to a creditor when it has been transferred from a routine debt to a Collection Department of the creditor's firm or to a separate professional debt collecting firm.

<u>Consolidation loan:</u> A loan usually obtained for the purpose of reducing the number of bills to pay by consolidating all of a consumer's revolving debt into a single account.

<u>Consumer:</u> A person who uses credit for personal, family, or household purposes.

<u>Consumer Credit:</u> a debt that someone incurs for the purpose of purchasing a good or service. This includes purchases made on credit cards, lines of credit and some loans.

<u>Consumer Dispute</u>: If a consumer believes an item of information on their credit report is inaccurate or incomplete, they may

challenge, or dispute the item. Credit bureaus are mandated to investigate, correct and/or remove any inaccurate information or information that cannot be verified. Under the Fair Credit Reporting Act, both the credit reporting company and the information provider are responsible for correcting inaccurate or incomplete information in credit reports.

Credit Bureau: A credit-reporting agency that is a clearinghouse for information on the credit rating of individuals or firms – often called a credit repository or a consumer reporting agency. The three largest credit bureaus in the U.S. are Equifax, Experian, and TransUnion.

Credit building: The act of establishing and maintaining ACTIVE trade lines that are reported by the creditor(s) to the major credit bureaus.

Credit builder loan: Installment loans most commonly offered by credit unions and nonprofit financial institutions with the sole purpose of helping people build credit. These are usually small loans with 6-12 month terms. Instead of receiving money at the time the loan is made, borrower's loan funds are held in a savings account until they repay the loan. Borrowers' payments are reported to at least one credit bureau.

Credit card: A type of revolving account that can be used to make purchases of goods and services and repay over time. The lender charges interest on the amount owed (borrowed), unless the cardholder pays the balance in full at the end of each month. The lender also may charge fees such as a late payment and/or overlimit fee. APR and fees are set by the lender.

Credit counseling: Advice given to consumers to help them use credit responsibly and reduce/repay their debt.

Credit history: Information present in a credit report that pertains to the past usage and payment of credit on credit accounts. Sometimes refers to the credit report itself.

Credit invisible: Is someone who does not have a credit history with one of the nationwide credit reporting companies.

Credit limit: This is the maximum dollar amount a borrower may charge on his/her revolving credit account. Some lenders set separate limits for purchases and cash advances. Spending more than the credit limit will make the account over limit, which may cause the lender to charge an over limit fee and/or cancel account privileges. Also known as *credit line, line size.*

Credit Repair: Traditionally, counseling focused on developing debt management plans. The bureaus consider credit repair to be a specific tactic that disputes every negative tradeline on an individual's credit report regardless of whether a consumer recognizes the debt as his or her own.

Credit report: A report obtained from a credit bureau, containing a consumer's up-to-date credit history plus additional information such as age, address, marital status, employment history and other details that may help creditors judge creditworthiness. The credit history includes balance, credit limit and payment information for all accounts (past and present, joint and individual), credit applications made in the past, and public records such as judgment liens, bankruptcy filings, and tax liens. Credit bureau reports are usually requested either by prospective lenders or by consumers themselves. Apartment rental agencies, insurance companies and hiring employers may also request credit reports. Also known as *credit file, credit profile, credit record, individual report*

Credit score: A number used by lenders as an indication of how likely a consumer is to repay his/her loans. Credit scores are generated by a credit scoring model utilizing the data from a credit report. Lenders have been using credit scores for more than 30 years, and there is a multitude of credit scores used in the credit industry. Also known as *credit rating.*

Credit scoring system: A complex mathematical formula used to assess a consumer's creditworthiness from his/her credit report. The formula is developed using statistical techniques and millions of credit profiles. The model generates a credit score used by lenders to make consistent and objective credit decisions. While the credit bureaus all have several credit scoring models in their systems, many large lenders develop their own proprietary models.

Credit terms: The terms associated with a credit account. They include APR, credit limit, payment schedule, and fees (such as late payment, over-limit, cash advance, etc.). These terms are set by the lender and are a function of a consumer's credit rating, such that a consumer with a better credit score usually has lower APRs and fees.

Credit Utilization: Credit utilization is the percentage of a consumer's available credit that he or she has used. The credit utilization ratio is a key component of your credit score. A high credit utilization ratio can lower your score, while a low credit utilization ratio can raise your score. FICO's credit-scoring formula assumes that consumers who use more of their available credit are riskier borrowers than those who use less of their available credit.

Current: The payment status of accounts with no past due amount. Making all required monthly payments on time maintains a current payment status on the account. This is the opposite of *delinquent*. Do not confuse current with *presen*t (now) or open (available for transactions). Also known as in *good standing, on time, paid, paid as agreed, paid on time.*

D

Data Furnisher: Data furnishers are typically creditors, lenders, utilities, debt collection agencies and the courts (i.e. public records) that a consumer has had a relationship or experience with. Data furnishers report their payment experience with the consumer to the credit bureaus.

Date opened: The date when a loan was originally initiated by a lender.

Date reported: The date when account information (including payment status) is reported by the lender to the credit bureau(s).

Debt-to-Available-Credit Ratio: The amount of money a person has in outstanding debt, compared to the amount of credit available on all of the individual's credit cards and credit lines. The higher a person's debt to available credit, the more risky the individual appears to potential lenders.

Debt-to-Income Ratio: A ratio that compares an individual's debt payments to the income he or she generates. This measure is important becomes it helps determine if the borrower is able to repay the loan.

Default: A designation on a credit report that indicates a person has not paid a debt that was owed. Accounts usually are listed as being in default after several reports of delinquency. Defaults are a serious negative item on a credit report.

Delinquent: The payment status of accounts with a past due amount. Paying late or missing payments makes the account become delinquent. A special payment status is assigned to the account to indicate how many payments are late: an account that is 30 days delinquent has missed one month of payment; an account that is 60 days delinquent has missed two consecutive months of payment, etc. The lender may charge a higher APR to delinquent accounts, particularly for serious delinquencies such as 90 days or more. Delinquent is the opposite of *current*. Also known as in *default, late, past due.* Also see *defaul*t.

Derogatory: A negative reference appearing on credit reports, such as public records and severe delinquencies. An account gets a derogatory status when the consumer repeatedly fails to make the required payments and the account is turned over for special handling, such as collections, charge off, repossession, etc.

F

FACT (Fair and Accurate Credit Transactions) Act: The federal law (2003) that establishes consumers' rights to obtain credit reports from credit bureaus, free, once a year. The act led to the establishment of the website, www.annualcreditreports.com, which provides access to the three major credit bureaus. The act gives consumers the right to place an alert on their credit reports if they suspect fraud.

FCRA (Fair Credit Reporting Act): The act regulates the collection of credit information and access to an individual's credit report. It was passed in 1970 to ensure fairness, accuracy and privacy of the personal information contained in the files of the credit reporting agencies. It requires that any person or entity requesting your report must demonstrate a permissible purpose for the information before it is released. It also designates the Federal Trade Commission (FTC) as the enforcement authority for the provisions of the act.

FICO Score: FICO is an acronym for the Fair Isaac Corporation, the creators of the FICO score. The FICO score range is between 300 and 850. In general, a FICO score above 650 indicates that the individual has a very good credit history. Individuals with scores below 620 may find it more difficult to obtain financing at a favorable rate.

Foreclosure: A legal procedure, initiated by a creditor that has the purpose of having the property sold to collect on a loan in serious delinquency. Foreclosure can only happen in secured loans since it is the collateral that is used to repay the creditor. This typically happens for mortgages when three or more payments have been missed. Foreclosure is one of the types of derogatory information that appears on credit files (and lowers credit ratings).

FTC (Federal Trade Commission): The Federal Trade Commission (FTC) is an independent federal agency whose main goals are to protect consumers and to ensure a strong competitive market by enforcing a variety of consumer protection and antitrust laws. These laws guard against harmful business practices and protect the market from anti-competitive practices such as large mergers and price-fixing conspiracies.

G

Garnishment: A court-ordered procedure by which a creditor receives funds from a borrower's paycheck to assure repayment of debt.

Grace period: A provision in most loan and insurance contracts which allows payment to be received for a certain period of time after the actual due date. During this period no late fees will be charged, and the late payment will not result in default or cancellation of the loan. A typical grace period is 15 days.

Guarantor: The individual responsible for paying a bill.

H

Hard Inquiry: A type of credit report check that is reported and may affect an individual's credit score. A hard inquiry occurs when an individual applies for any type of credit, such as a mortgage, credit card or auto loan. The reason a hard inquiry may lower an individual's credit score is because someone who has recently applied for new credit is seen as a potentially riskier borrower.

HUD Certified Housing Counseling Agencies: agencies throughout the US, sponsored by HUD, that provide advice on buying a home, renting, defaults, foreclosures, and credit issues

I

Individual account: A credit account for which only one person is responsible for repaying the debt. Additional cards may be issued to other people (generally family members), but only the person who has applied for credit is legally responsible for it. This is the opposite of a joint account.

IDA (Individual Development Account: An Individual Development Account (IDA) is an asset building tool designed to enable low-income families to save towards a targeted amount with the help of additional funds to match their contributions. Savings are usually used for building assets in the form of home ownership, post-secondary education and small business ownership.

Inquiry: The record of a request for a credit report. Most inquiries are made by prospective lenders for the explicit purpose of making a credit decision. However, insurance companies, potential employers, or rental housing agencies may also request credit reports as long as the consumer authorizes them. By filling out an application, consumers typically authorize the company to pull their credit report from one or more credit bureaus.

Installment Credit: A credit account in which the debt is divided into amounts to be paid successively at specified intervals.

J

Joint account: A credit account for which two or more people are responsible. All account holders can use the account, and all assume legal responsibility to repay any debt accumulated on the account.

Judgment: A court order to pay a certain amount of money; a judgment stays on a credit report for seven years from the date it is issued.

L

Lender: The person or company a borrower owes money to. The name of the creditor for each account appears in credit reports and billing statements. The term issuer often specifically refers to credit card lenders.

Lien: A legal document used to create a security interest in another property. A lien is often given as a security for the payment of a debt. A lien can be placed against a consumer for failure to pay the city, county, state or federal government money that is owed. It means that the consumer's property is being used as collateral during repayment of the money that is owed.

Line of Credit: (LOC) An arrangement between a financial institution, usually between a bank and a customer, that establishes a maximum loan balance that the bank will permit the borrower to maintain. The borrower can draw down on the line of credit at any time, as long as he or she does not exceed the maximum set in the agreement.

Loan: A sum of money borrowed from a creditor, to be repaid with interest.

N

National Consumer Assistance Plan (NCAP): NCAP is an initiative launched by the three nationwide consumer credit reporting companies—Equifax, Experian and TransUnion—to make credit reports more accurate and to make it easier for consumers to correct any errors on their credit reports.

National Foundation for Credit Counseling (NFCC): A non-profit organization representing member agencies that provides free or low-cost individualized, confidential credit counseling in-person, by phone, or on-line. Personal assistance is offered to help people in stressful financial situations as well as those seeking financial education, increased financial literacy, or trying to reach specific financial goals, and is provided by trained Certified Consumer Credit Counselors.

National Foundation for Consumer Credit (NFCC): A non-profit organization that seeks to educate consumers about credit and borrowing. One of the major services provided is counseling for consumers who have taken on too much debt, with the goal of keeping consumers from declaring bankruptcy; they also help consumers work out payment plans and reduce their overall debt load.

O

Open: An account that is available for debit (such as purchase) and credit (such as payment) activity.

P

Permissible Purposes: There are legally defined permissible purposes for a credit report to be issued to a third party. Permissible purposes include credit transactions, employment purposes, insurance underwriting, government financial responsibility laws, court orders, subpoenas, written instructions of the consumer, legitimate business needs, etc.

Public Record Data: Included as part of the credit report, this information is limited to tax liens, lawsuits and judgments that relate to the consumer's debt obligations.

R

Rent Reporting: Regular monthly reporting of tenant rent payments to at least one of the major consumer credit bureaus for inclusion on consumer credit reports

Rent Reporting for Credit Building: The pairing of rent reporting with credit/financial coaching and/or education and asset building programs for the purpose of supporting residents to build credit as a foundational asset and leverage improved credit to achieve financial goals

Revolving Account or Revolving Line of Credit: Credit that is available up to a predetermined maximum limit so long as a customer makes regular payments.

Risk Scoring Models: A numerical determination of a consumer's creditworthiness. Tool used by credit grantors to predict future payment behavior of a consumer.

S

Secured credit card: A credit card secured with a cash deposit. The deposit is paid by the cardholder and may be lost if the account becomes delinquent. The credit limit is based on the amount of the deposit and usually is similar to the deposit amount. As a result, this type of account presents very little risk for the lender and is therefore much easier to obtain. It is often used by people who are either new to credit or trying to improve their poor credit rating. APR on a secured credit card is usually higher than on an unsecured credit card, and many fees may apply (application fee, processing fee, annual fee, late fee, over limit fee, etc.).

Soft Inquiry: A credit report check that does not affect an individual's credit score. A soft inquiry is also called a soft pull.

T

Terms: Refers to the debt repayment terms of your agreement with a creditor, such as 60 months, 48 months, etc.

Thick file: A "thick file" is when one has a credit history with several accounts of different types. For example, the credit history could include credit cards, installment loans and a mortgage.

Thin file: A credit report that contains very little account information, usually because there are no or few accounts with no or limited history. Individuals with thin files tend to have a low credit rating.

Tradeline: An account listed on a credit report. Each separate account is a different trade line. A tradeline describes the consumer's account status and activity. Tradeline information includes names of companies where the applicant has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.

Type: This refers to the type of credit agreement made with a creditor; for example, a revolving account or installment loan.

U

Underwriting: The process of extending credit under terms (such as APR and fees) that match the risk profile of the borrower.

V

VantageScore: A consumer credit-scoring model, created through a joint venture of the three major credit bureaus (Equifax, Experian, and TransUnion)