Credit Builder Program – Quick Facts

Should I Open a Credit Builder Loan?

If you have no credit or bad credit, getting a loan may seem impossible.

That's because when lenders are considering a loan application, one of their main concern is whether the applicant can pay the loan back. One way they analyze this is by looking at an applicant's credit history, which shows one's debt and payment history, to determine how likely the applicant can pay off a loan in the future.

If an application has no debt — and therefore no loan repayment history, or a spotty record of late payments or loan defaults, a lender may quickly determine that lending to the applicant would be too risky.

With a Credit Builder, this is one way you can start building a strong credit history that may eventually qualify you for other types of loans – auto, personal or mortgage.

Building good credit, whether you are starting from scratch or repairing a bad credit history, requires patience. You'll need time to show lenders that you are a consistent, reliable borrower who makes on-time debt payments.

A Credit Builder is a great way to begin establishing a good credit history, especially, if you are also focused on addressing any other credit report issues that may exist.

How Does a Credit Builder Work?

A Credit Builder requires you to save money, as you are making payments into an account that is set up similar to a savings account. You DO NOT receive money up front, like a traditional loan, however, your monthly payments are reported to credit reporting agencies as an "installment loan payment".

Example: You, the borrower, pays the loan back, in small monthly installments to the financial institution — with interest — over a set period of time. At the end of the loan's term, you will then receive the total amount of the credit builder loan in a lump sum at the end of the loan period – minus interest and fees, such as NSF or late fees.

When you make all of your required monthly payments, on time, your credit score should improve, as mentioned earlier the lenders report the payments to credit reporting agencies, helping you begin to build a solid credit history.

Note: A Credit Builder may be CLOSED, immediately or within 30-days, if late payments or non-payment occurs, to help ensure that your credit score isn't negatively impacted.

The Bottom Line

While a Credit Builder can be a key step in establishing a strong credit history, it's imperative that you make all of your payments in full and on time. When you are committed to building a strong financial future with personal budgeting and spending discipline, successfully paying off a Credit Builder may lead to approval of better rates and terms on other loans in the future.

At a minimum, you will develop good savings habits through opening a Credit Builder, which requires you to set aside money every month for the payment. Also, as you make payments, on time every month, you will develop financial discipline which you will then be able to apply to all aspects of your personal finances in the future.

CLW CREDIT BUILDER PROGRAM - Overview and Guidelines

Our Credit Builder is set-up like a savings account, but it is classified as a loan. You will make monthly payments, for 12 consecutive months, with the benefit of your monthly payments being reporting to **TWO** out of the three major credit bureaus – Trans Union and Experian.

You receive **NO** money upfront – your monthly savings payments to CLW are reported as an installment loan, with the hope that your credit score will increase and/or you will begin to build a solid credit history.

- You must be at least 18 years old OR have an adult co-sign on your behalf.
- Loan is written for 12 months at 6% fixed interest.
- Loan amount is **$300**.
- Estimated monthly loan payment per month to CLW $25.82 - 12 months.
- Your monthly payment, during the 12 month period, will be made to Community LendingWorks – we encourage you to set up a monthly automatic payment. Please fill out the CLW – Authorization Agreement for Automatic Debit Payments (ACH) and turn this form in with the Credit Builder Loan Application.
- Credit bureau reporting & posting to your credit score is generally one or two months behind your first payment date.
- After the Credit Builder is paid in full, the principal balance of the loan is returned to you, less interest, NSF or any late payment fees that you may have incurred. NSF Fee is $30. Late Payment Fee is $35, after a 7-day grace period from date due.
- Please Note: If you miss a monthly payment, we will communicate with you at least one time, via the preferred method listed on your loan application. It is your responsibility to communicate back to immediately to make payment arrangements on the current amount due, which may include fees, as noted above.
    - After 20 days, from your original due date, if missed payment and late / NSF fees have not been resolved, loan will automatically be **CLOSED** – to help ensure that your credit isn't negatively affected.
    - Any remaining funds, after interest & fees have been paid, will be returned to you via check within **30** days of last payment or account closing.
    - If loan is automatically closed or you close account early, you may re-apply after a six month waiting period.

Provide a current email address on your application, so that you can sign the CB Loan document quickly & remotely.

Communication is key – please don't hesitate to contact us.
We are here to assist you as you focus on improving your credit.

Credit Builder Program Application

- Provide and clearly print the requested information – double check that everything is correct & completed!
- Fill out ACH Form – Authorization Agreement for Automatic Debit Payments from your bank account.
- Complete Demographics – Optional, however, if you opt out, please select opt out on form and return.
- Return Application, ACH Form and Demographics Form to Community LendingWorks.
- We will then contact you for next steps!

Name: _____

Address: _____
Apt. or Ste. # **City** **State** **Zip**

Preferred Form of Contact: (Select One) ◯ PHONE ◯ TEXT ◯ EMAIL

Phone #: _____ Email Address: _____**(to sign loan docs remotely)**

Social Security Number: _____ Date of Birth: _____

Employer: _____

Monthly Individual Income:$_____ Total Household Income:$_____ # of People in Household:_____

Additional Income: List Amount(s) and Source(s): _____ ◯ Monthly **OR** ◯ Annual

Credit Builder Loan (Savings) Amount and Estimated Monthly Payment Due to CLW: **$300** ($25.82 - 12 months)

Monthly Payment Due Date: (Select One) **5** ◯ **15** ◯ **25** ◯

I authorize DevNW/CLW to obtain credit reports and verify any information in connection with this loan application and for any updates, renewal or extension of the credit received. I agree CLW may contact me, for all notices and reminders pertaining to my account, by phone, email or text messaging, which may result in additional charges. I can discontinue electronic delivery service at any time by notifying CLW directly. In addition, I authorize use of electronic signature software for the signing of CLW loan applications and documents.

Signature: _____ Date: _____

CLW Use Only

Date: _____ ◯ Approved ◯ Denied

Loan Officer:_____

Credit Committee:_____

NOTES:

Authorization Agreement for Automatic Debit Payments

How the automatic debit payment plan works:

- You authorize regularly scheduled payments to be made from your checking or savings account.
- Your payments will be made automatically on the specified day.
- A proof of payment will appear on your bank statement.
- To enroll in Automatic Debit Payments, complete the information below and return this form signed along with a voided check.
- Please allow up to two (2) weeks processing time prior to your next payment due date.

Name _____

Address _____

City _____ State _____ Zip _____

Best Contact Phone Number _____

CLW Loan Number _____ (CLW USE ONLY)

Amount of Loan Payment $ $25.82 Month/Year Start Date _____

Day of Month for Payment: 5 ◯ 15 ◯ 25 ◯

Type of Account: Checking Account ◯ Savings Account ◯

Financial Institution Name _____

Financial Institution City and State _____

Routing/Transit Number _____ Account Number _____

I agree to notify Community LendingWorks (CLW) in writing of any changes to my account information or termination of this authorization at least 15 days prior to the next automatic debit date. Automatic debit dates that fall on a weekend or holiday, may be executed on the next business day. If the amount of the payment changes, notification will be made at least 15 days before the automatic debit date. In the event of an overpayment, refunds will be paid by check. If a payment is returned by the bank as a non-sufficient payment (NSF), I understand I will be charged an NSF fee of $30.00 plus a payment late fee of $35.00, and must be made within 7 (seven) days by cash or money order only. If two (2) consecutive NSF payments are received, future automatic debit payments may be cancelled with all payments accepted only by cash or money order.

_____ _____

Signature Date

The following information is used for grant/programming purposes only and will have no bearing on your loan application. Thank you for assisting us!

If you prefer to **OPT OUT** in providing this information, please check this box ☐

Total household income? $ _____

# of people in household? # _____

Which gender do you identify with?
☐ Male ☐ Female ☐ Other

Identify as LGBTQ? ☐

Marital status?
☐ Single
☐ Married

Head of Household? ☐
(Unmarried, dependents, pay *more than* ½ HH expenses)

What county do you live in?
_____

Race: *(select as many as apply)*

Single Race:
☐ American Indian/Alaskan Native
☐ Asian
☐ Black or African American
☐ Native Hawaiian/Pacific Islander
☐ White
☐ Other

Multi-Race:
☐ American Indian/Alaskan Native and White
☐ Asian and White
☐ Black or African American and White
☐ Other (Multiple Races)

Ethnicity: *(select one)*
☐ Hispanic or Latino
☐ Not Hispanic or Latino

U.S. Veteran? ☐

Disabled? ☐

US Citizen? ☐ or **Permanent Resident?**☐

How did you hear about us?
☐ Professional Referral (Name):_____ ☐ DevNW Class/Counseling
☐ Event/Expo ☐ Referred by family/friend _____
☐ Other_____

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