IRC'S CENTER FOR ECONOMIC OPPORTUNITY

Small Dollars, Big Impact: New Americans Building Credit

2024

center for economic opportunity

An analysis of credit scores for clients participating in CEO's integrated financial capability program + loan model

July, 2024

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Acknowledgments

The Credit-Building Ladder study was made possible by a grant from Wells Fargo and conducted in collaboration with Credit Builders Alliance (CBA). CBA served as lead technical consultant to CEO over the arc of this study - offering their unique expertise from initial conception and design through the evaluation and analysis of findings that occurred one year later.

The CEO team wishes to extend our immense appreciation to the community organizations that make CEO's unique lending model possible. Financial coaches and other program staff work tirelessly to help thousands of families navigate consumer finance in the United States every year, making sense of a complex and poorly understood system. Without their compassion and connection to these communities, and their unwavering commitment to affecting positive change, the loan products highlighted in this study would not be nearly as impactful.

We would also like to share our appreciation for the borrowers who participated in this study, including the twenty individuals who offered their time as well as their stories about the U.S. credit system. Their insights are essential, not only as an important part of this publication, but also for CEO's own learning and that of our partners.

We wish to thank Wells Fargo for providing the funding for this study and their continual support of CEO's work to help the credit invisible become visible, through their funding of CEO's Credit Building Loan product as well as financial education programming at many of the community partner organizations CEO works with.

CEO and CBA staff members involved in this analysis include: Kasra Movahedi, Megan Hershiser, Joshua Geary, Gokcen Topbas, Nahaleh Salvatian, Sara Farsiu, Richard Reeve, Elisabeth Johnson-Crawford, Juan Zamarripa, and Yasmin Shafi.

Executive Summary

During the period of September 2022 – August 2023, the IRC's Center for Economic Opportunity (CEO) and Credit Builders Alliance (CBA) launched an initiative to evaluate the impact of CEO's "Credit-Building Ladder" (CBL) model and loan program. The analysis draws on credit data from up to 2,233 individuals, including baseline and follow-up credit scores across IRC-CEO's three credit-building products: a series of 0% APR installment loans of $100, $300, and $1,000.

This report is based on data from CEO's borrowers who received a CBL loan from January 1, 2019, through December 31, 2022. More than half of the borrowers included in the study began the Credit-Building Ladder program in 2022, as CEO did not robustly capture follow-up credit data prior to Wells Fargo's funding of this study.

"The United States is built based on credit and newcomers should know about it as soon as possible"

Emmanuel, CEO Client that arrived in 2015 from Ghana, now lives in Georgia.

The results of the study produced four key learnings, most significantly, that the CBL loan program has significant and positive impact on borrowers regardless of whether they began the program with or without a credit score. Moreover, credit outcomes were equally effective across various contexts and populations.

Evaluators were surprised by the depth of positive impact suggested by the data, notably, that an individual's credit invisibility can be solved quickly and with minimal capital risk. Other key observations include the partnership model of lenders working closely with community-based organizations show great promise in supporting positive credit outcomes, and that quality financial coaching is a powerful tool in its own right.

It is the hope and intention of CEO and our partners that the lessons learned in this report can provide a valuable blueprint for newcomers, lenders, and policymakers.

The results summarized within the report offer a compelling case for the integrated model of "financial products + financial programs" being implemented by CEO and its network of community partners. The findings underscore the potential for small-dollar loan products to quickly generate significant positive outcomes, especially for those without a credit history.

"Every newcomer in the U.S. should learn about credit, it will help them manage their lives with less stress."

Zabihullah, who arrived in Maryland from Afghanistan in 2021

Author and Evaluator

IRC's Center for Economic Opportunity (CEO) is a national CDFI Loan Fund and a subsidiary of the International Rescue Committee (IRC). Since making its first loan in 2015 through the end of the 2023 fiscal year (September 2023), CEO has closed over 6,000 loans totaling $25 million, primarily to low-income, credit-thin refugees and immigrants. Loans provided by CEO range from 0% Credit-Building Loans to business and consumer loans up to $50,000. CEO operates through a unique model wherein all applicants are referred for financing from local community-based non-profit organizations with unique linguistic and cultural competence and a portfolio of related asset-building programs. Within its model, CEO's loans serve as integrated components of our local partners' programs - making our portfolio of loans accessible without external referrals while fully leveraging the insights, linguistic competence, and wrap-around supports offered by our partners to drive deep impacts for the end-borrower while at the same time de-risking CEO's lending activity.

Credit Builders Alliance (CBA) is an innovative national nonprofit network dedicated to building the capacity of a diverse and growing network of hundreds of nonprofits across the country. CBA was created by and for our nonprofit members as a bridge to the modern credit reporting system to help millions of individuals with poor or no credit participate in the mainstream financial system by building credit. CBA's mission is to bridge the gap between equity-focused nonprofits and credit bureaus to unlock credit as an asset for all. The data presented by CEO in this report has been verified and analyzed by staff members at CBA.

"My mom never really mentioned credit. We didn't grow up with money. That wasn't a thing I thought about. When I was 16 and I got my first job and needed a car I heard about it. It started to become a thing in my life that I paid attention to. Thankful now that [IRC-CEO partner] Arouet refreshes us on all key points on credit and how to maintain our score."

Haley, a formerly incarcerated individual living in Arizona

Why Credit Matters

Prior to delving into the outcomes, a brief overview of why knowledge of the credit system and establishing positive credit scores is so critical for newcomers.

A person's credit score has vast implications on their financial well-being. Credit is the primary determinant of whether a person has access to capital and how much they must pay. From credit cards to home mortgages, business loans to auto loans, credit score determines credit access.

For low-income households with limited savings, credit scores can be a major determinant of economic potential. The differences in financing costs for individuals with good credit vs those with bad or no credit are vast. Table 1 below highlights the difference between good vs bad credit for common types of debt. ("no credit" is viewed by most lenders as being the same as "bad credit"):

Table 1: Impact of Credit Score on Costs

Type of Loan	Interest Expense		
	Good Credit	**Bad or No Credit**	**Cost of Bad Credit**
$20,000 Auto Loan Repayable Over 6 Years	**6.5% APR** $4,206 interest paid, $336/monthly	**22% APR** $16,182 interest paid, $503 monthly	**$11,976 more** in total interest, **$167 more** per month
$5,000 Personal Loan Repayable Over 3 Years	**10% APR** $808 interest paid, $161 monthly	**30% APR** $2,641 interest paid, $212 monthly	**$1,833 more** in total interest, **$51 more** per month
$400,000 Mortgage Repayable Over 30 Years	**6.5% APR** $510,178 interest paid, $2,528 monthly	**8% APR** $656,621 interest paid, $2,935 monthly	**$146,443 more** in total interest, **$407 more** per month

As shown in the table above, a consumer with bad credit may pay up to $150,000 more than someone with good credit for the same house (if they can find financing at all). Some estimates calculate individuals with bad credit pay up to $400,000 more in interest and fees over a lifetime compared to those with excellent credit[1]. Credit in America affects much more than monthly bills – it can affect generational wealth.

"CEO really helped me to build some credit after I wrecked it during the pandemic. They gave me a few 0% interest loans that I'm paying on which improved my credit score."

Brandy, from California, connected to CEO through the Financial Empowerment Center in Sacramento

1 https://www.self.inc/info/life-of-interest-payments/

Lizbeth, a CBL Case Study

Lizbeth arrived in the United States after fleeing Mexico in 2021. She sees many similarities between the credit system in each country but believes all immigrants to America must be aware of how it works here.

In Mexico, everything was cheaper, and there were fewer regulations and much higher interest. Lizbeth had a car in Mexico where the interest rate on her loan was 21%. She also saw the banks and people who worked at them in Mexico as untrustworthy.

Once in the United States, Lizbeth received a CBL loan from CEO to establish her credit score. She then got a secure credit card from a bank to keep building her score. She believes the process of building credit here is confusing at first but is more straightforward than in Mexico.

"It is mostly fair. But there are troubles here. Immigrants are new and we don't always know how the system works, and not everyone wants to help you."

Now, she is using the car she purchased with a CEO auto loan to commute 45 minutes to a new, higher-paying job. When Lizbeth had a less reliable car, she felt limited in where she could work. She continues to learn more and keeps building her new life in America, checking in with her financial coach when she has questions or needs reassurance.

"It is complicated to get loans in this country, especially when you are a new immigrant. CEO is good for us, but they care about more than your score. They care about you."

Credit scores also play a critical role in determining access to personal transportation and overall mobility, independence, and income-generating opportunities (better wages, more available hours, and gig-economy income to patch or boost savings and income). Credit scores can determine options when navigating a financial emergency and therefore are directly tied to financial resilience. Credit scores hold an outsized impact on an individual's economic potential and financial stability in the United States.

The impacts of credit scores in the U.S. are not limited only to access to capital and interest and fees charged by lenders. Nearly all landlords check the credit of prospective tenants before deciding whether they will offer a lease. Therefore, credit is critical when seeking to buy or to rent a home and directly determines the neighborhoods and communities in which an individual and their family may reside. In turn, evidence has clearly shown that zip code is a primary social determinant of health[2]. The safety of a neighborhood, the quality of local public schools, access to reliable public transportation, health care, grocery stores with healthy food, social networks, and services for families and youths are all relative to where someone lives. And credit score is a key factor in determining where people can secure housing.

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2 Emily Orminski (June 30,2021) Your Zip Code is More Important Than Your Genetic Code **https://ncrc.org/your-zip-code-is-more-important-than-your-genetic-code/#:~:text=Where%20you%20live%20is%20one,solely%20by%20your%20zip%20code**

Credit is Poorly Understood Despite Its Importance

Despite its significant role across numerous aspects of financial wellness and opportunity, the U.S. credit system remains poorly understood by most. Nearly two-thirds of U.S. consumers cannot pass a basic financial literacy test[3]. More than half of US residents have been turned down for a loan due to bad credit [4], and more than 40% of Americans would be unable to come up with $400 in an emergency[5].

"Most newcomers from Afghanistan don't have enough information about the American credit system. I think everyone should know about credit; it is a big part of life here. If you don't know about credit, you do nothing but work."

Farid, an Afghan refugee resettled in Georgia in 2020

For newcomers – including refugees – the challenges are magnified. All immigrants arrive in the U.S. as 'credit invisible' – the highest tier of perceived risk among creditors. Refugees and immigrants come with little to no understanding of the complex U.S. financial system; many from primarily cash economies where debt is seen as unfavorable. Without a credit history, newcomers have access to only fringe financial products that can have negative long-term consequences, hampering self-sufficiency. Compounding matters is that any early missteps due to lack of understanding of the credit system will haunt families for years afterwards, as records of collections remain on a credit report for seven years.

A general lack of credit education coupled with the critical role of credit history create a pathway to poverty for newcomers and native-born Americans alike.

CEO's Credit-Building Ladder loans are intended to both incentivize participation in credit education and offer participants safe, free means to establish a positive credit score.

"I experienced bankruptcy for a year. I lost my place and my car. My dad didn't help me. He said you need to solve it yourself."

Faisal, who overspent his credit card from a major bank, didn't understand how interest accrued and it got away from him quickly

3 Nearly Two-Thirds of Americans Cant's Pass a Basic Financial Literacy test (July 12, 2016) **https://fortune.com/2016/07/12/financial-literacy/**

4 YouGov/ScoreSense Study (Nov 14, 2019) **https://www.prnewswire.com/news-releases/53-of-americans-turned-down-due-to-bad-credit-300956979.html**

5 Federal Reserve 2022 Economic Well-Being of U.S. Households Survey (May 22, 2023) **https://www.federalreserve.gov/consumerscommunities/shed.htm**

Evaluating Impact of Credit Building Ladder on CEO's Borrowers

While CEO offers a broad range of loan products, the focus of this report is an analysis of the impact of CEO's "Credit-Building Ladder" (CBL) – a series of 0% APR installment loans of $100, $300, and $1,000 with no underwriting and available to clients who participate in credit education courses offered by CEO's community partners. Through its CBL loan products, CEO seeks to help low-income credit-thin individuals learn about, and rapidly enhance, their credit scores. The loans are designed to achieve this by:

1. Incentivizing participation in credit education - anyone who participates in CEO partners' credit education training is guaranteed to be approved.
2. Deepening borrowers' learning by coupling classroom-based credit education with real opportunities for credit building.
3. Serving as an "on-ramp" to engaging in credit education and financial coaching; evidence has shown this results in positive outcomes across populations, sectors, and contexts.[6]

The only requirement for approval for the first step of the $100 CBL is participation in credit education and a 1:1 meeting with a financial coach from [one of our referring partners][7]. *Every client that meets these requirements is automatically approved for the $100 CBL.* Subsequent loan amounts of $300 and $1,000 are automatically approved provided that the client repays the prior step without late payment. All loans are 0% APR and CEO does not charge late fees, nonsufficient funds fees, nor any other penalties. (For a full description of CEO's CBL loan products and terms, see Appendix.)

Table 2: CEO's Credit Building Ladder Terms

CBL Amount	Repayment Period	Monthly Payment	APR
$100	6 months	$16.67	0%
$300	8 months	$37.50	0%
$1,000	20 months	$50	0%

"At the beginning, I didn't know about credit, and [IRC-CEO partner] Church World Service taught me about it six months later. I felt behind... I would have liked the opportunity to learn right after I got to the U.S."
Jega, a refugee originally from Sri Lanka, now living in New Jersey

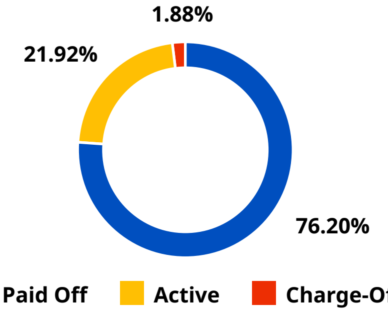
6 https://www.lisc.org/our-resources/resource/lisc-study-employment-and-financial-services-help-low-income-people-make-progress/
7 CEO's Credit-Building Loan Process: https://support.irc-ceo.org/hc/en-us/articles/6822916063380-How-to-apply-for-a-CEO-loan

CEO reports all borrower repayment data to all three major credit bureaus each month and directly issues, funds, and services all loans to maturity. CEO has offered this Credit-Building Ladder product since 2015 and closed more than 4,100 such loans, totaling $810,000 financed. Remarkably, despite the product featuring no underwriting and being deployed to financially vulnerable borrowers, less than 2% of the 4,142 loans have failed to repay and been charged off, as reflected in the figures below.

Table 3: CBL Historical Loan Performance

CBL Loan Status	Loans
Active	908
Charge-Off	78
Paid-Off	3156
Grand Total	**4142**

CBL Historical Performance
(Sept. 2023)



Tizita's World Makes More Sense with Credit

Tizita, 55, was born in Ethiopia but lived many years in a refugee camp in Uganda. She then resettled to the U.S. with her husband and two daughters. Compared to America, Tizita describes the financial system in Ethiopia:

"It's a very sad situation there, especially now. It's hell to live in that country. There is a civil war, you can't go to the village. Robbery and murder are everywhere. You can't go anywhere. They live there by God's grace. Eating food is by God's grace. People don't have jobs…. Life is hard."

Tizita's husband has been unable to find suitable work in the United States due to a disability, which means Tizita is the sole provider for the family. Her oldest daughter found work to help support the family. In 2014, when Tizita's family arrived in the U.S., IRC taught them how to find jobs, save money, and apply for a credit card. Since she needed a car for her new job, she applied for an auto loan from two large, national banks. Both of her applications were denied.

"During the early days of the pandemic I didn't have a car. IRC called me and asked if I needed help with anything. I didn't have a car and was using the train and bus. It was very hard and felt unsafe. CEO gave me an auto loan to buy a car. They charged me way less interest than banks or the cars dealer. Banks make people pay a lot of money, It's too much."

Tizita believes that all newcomers should learn about the credit system in the U.S. before they start working. She says that although she struggles with English, but when people explain the credit system to her, she feels her understanding of the world continue to grow.

Credit-Building Ladder Evaluation Methodology

The underlying data collection was led by CEO staff, who compiled baseline and follow-up credit scores, "flattened" data by individual borrowers, and incorporated robust demographic indicators for each borrower record. All baseline and follow-up credit scores were captured using the TransUnion FICO 08 scoring model and all credit pulls were conducted as 'soft inquiries.' Records for 920 borrowers that received a CBL loan from 2019 - 2022 were included in the pool for analysis. A more detailed overview of the study methodology, inclusion/exclusion factors, and other important context can be found in the Appendix.

The results are summarized below and offer a compelling case for the integrated "financial products + financial programs" model being implemented by CEO and the potential for small-dollar credit-building products to, quickly and consistently, make visible those populations who were formerly "credit-invisible".

Borrower Profile/Baseline Borrower Data

920 unique borrowers met the criteria for inclusion in this study (inclusion/exclusion factors are further detailed in the Appendix.) CEO's borrower demographic data shows most reside in low-income households and have low or no credit when they initially engage with the CBL program. Moreover, CEO primarily works with refugee- and immigrant-serving organizations, though not exclusively. Participants from all of CEO's community partners were included in the study. All demographic data related to gender, country of origin, refugee status, time in the U.S., household size, and income levels, see the Appendix.

73% of the 920 borrowers had **had no FICO score** when they applied for their initial $100 Credit-Building loan (CBL100). Without any FICO score, these borrowers are excluded from the mainstream financial system and have access only to burdensome financial products. Of the 244 borrowers who started the CBL program with a FICO score, more than 50% had subprime or deep subprime scores, situating them on the outer fringes of the mainstream U.S. financial system.

Table 4: Baseline credit data for borrowers included in study

Credit Tier	% of Total	# Borrowers	Avg FICO Score
No Score	73.48%	676	-
Deep Subprime	9.78%	90	529
Subprime	3.80%	35	599
Near-prime	3.26%	30	641
Prime	5.33%	49	694
Super-prime	4.35%	40	743
Grand Total	**100.00%**	**920**	**621**

Evaluation Results Summary

The overall pool of borrowers was subdivided into two cohorts for analysis: 676 who started without any credit score and 244 who already had a score when they applied for their initial CBL100. A summary of four major findings is presented below, followed by the in-depth presentation of results.

Evaluation Summary

1. The Credit Building Ladder has significant positive impacts on borrowers that start without a FICO score; with 98% establishing a score after the $100 CBL and 89% establishing a Prime or better rating post $300 CBL.
2. The Credit Building Ladder has positive impacts on borrowers with a preexisting FICO score; with 66% of CBL100 borrowers improving their score, with an average increase of 52 points while 75% of CBL300 borrowers improved their score, with an average increase of 30 points.
3. The credit outcomes were equally effective across various contexts and populations, with no meaningful variations in outcome level across all demographic filters, including refugee vs immigrant vs native-born groups.
4. Fewer than expected clients elected to continue the Credit Ladder from the $100 level to subsequent steps despite automatic eligibility and no-cost terms.

Farid's Experience with Financial Coaching and Buying a Car in America

Farid was a successful multimedia journalist in Afghanistan before he was forced to flee after the Taliban overtook Kabul. He arrived in the United States in 2021 as a part of Operations Allies Welcome. He quickly found work on the night shift at a department store. His manager helped him open his first bank account. He then got connected at the IRC and began learning more about credit and financial life in the U.S.

Farid, like most people living in America, needed a car. He was commuting via a 1.5-hour train ride to get home each day. Leaving work late at night, he was constantly harassed by other passengers to the point where it no longer felt safe. He tried using rideshares instead, but the cost of a ride was almost wiping out his entire take-home pay for a shift. He bought a bike, but the summer heat in Georgia made it unsafe for him to pedal a long commute. Farid's financial coach at the IRC in Atlanta worked with him to apply for an auto loan through CEO.

Through the auto-purchase training and financial coaching, Farid learned about credit.

"I am still learning, but I know a good score can better your economic situation."

Farid wants to save him money to finish his bachelor's degree in IT, so he can earn enough money to continue supporting the family that came with him. He understood the banking system back home in Afghanistan before it collapsed but was overwhelmed by the by flood of new information in America.

"I am sure most newcomers don't have all the information. I didn't have it. Now that I know enough and continue to learn more, it has made an impact on my life and future. If you don't know credit, you just work, work, work. People should learn about credit right away when they get here."

Credit-Building Ladder Impacts on Borrowers with no FICO (n=676)

CBL100 Impact Summary

- 98% of credit-invisible borrowers achieved a FICO score within 6-12 months after receiving their first CBL100 loan.
- 66% achieved a Prime or better credit rating.
- The average credit score established was 677.

The impact of the initial CBL100 loan on borrowers without a FICO score suggests CEO's model is highly effective at rapidly helping recipients establish a positive FICO score sufficient to unlock significant and immediate real-world benefits

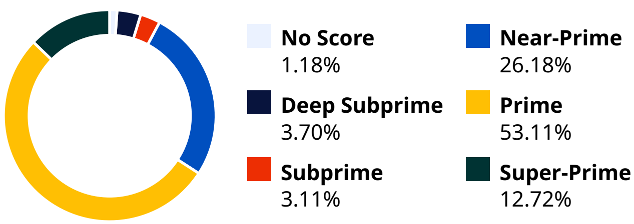
Of the 676 borrowers who had no credit score when they applied for the initial CBL100, 668 (99%) successfully established a FICO score. Most compelling, 66% achieved a "Prime" or better credit rating after repayment of the CBL100. (this evaluation classifies borrower tiers of credit based on the Consumer Financial Protection Bureau's credit tiers, found in the Appendix).

Table 5 and Figure 1 provide further details of the CBL100 outcomes for credit-invisible borrowers.

Table 5: CBL100 Credit Impacts on Credit-Invisible Borrowers

Credit Tier	% of Total	# Borrowers	Avg FICO Score
No Score	1.18%	8	-
Deep Subprime	3.70%	25	550
Subprime	3.11%	21	602
Near-prime	26.18%	177	648
Prime	53.11%	359	692
Super-prime	12.72%	86	728
Grand Total	**100.00%**	**676**	**677**

Figure 1:
Credit Outcomes after Repayment of the CBL100



26% of borrowers established a "near-prime" rating of between 620-659. Only 7% of borrowers established a subprime or deep subprime score. These negative outcomes were likely a result of a) making a late payment on their CBL100 or other loan/credit card or 2) having a collection account (usually medical or telecommunications-related) show up on their credit report.

CBL300 Impact Summary

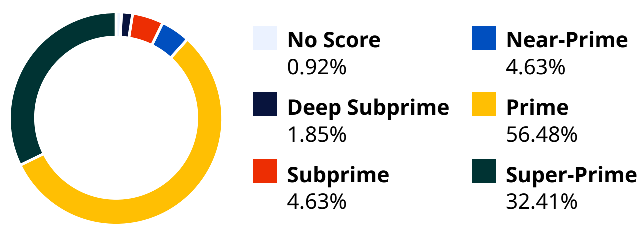
- 89% of credit-invisible borrowers achieved a Prime or better FICO score after completing the next step CBL300
- The average credit score established after CBL300 was 694.

Table 6: CBL300 Credit Impacts on Credit-Invisible Borrowers

Credit Tier	% of Total	# Borrowers	Avg FICO Score
No Score	0.9%	1	-
Deep Subprime	1.83%	2	563
Subprime	4.59%	5	602
Near-prime	4.59%	5	635
Prime	55.96%	61	686
Super-prime	32.11%	35	737
Grand Total	**100.00%**	**109**	**694**

The credit outcomes captured after CBL300 repayment resulted in the most compelling outcomes, with **89% establishing a PRIME or better FICO Score** within six months of repaying the CBL300 loan. The average score established was 694.

Figure 2:
CBL 300 Impact On Credit-Invisible



With a Prime or better FICO rating, the full benefits of having a 'good credit score' are unlocked for consumers. These borrowers have sufficient credit for mortgages, signing apartment leases, financing cars at lower rates, or accessing financing to start businesses and will have many more options in a financial emergency.

There was insufficient follow-up data available on borrowers who went through to the $1,000 level as many of these loans were still in repayment at the time this study was conducted. As discussed later, CEO will capture outcomes on the $1,000 CBL loans in subsequent studies.

> "The credit building loan gave me an opportunity to build a good credit score. I want CEO to continue assisting coming refugees."
> **David a refugee from Burundi who resettled in Colorado in 2021**

Credit-Building Ladder Impacts on Borrowers WITH an Already-Established FICO (n=244)

CBL100 Impact Summary

- 66% of borrowers with an already established FICO score realized an increase after repaying their CBL100; the average increase was 52 points.
- 31% of borrowers realized a decrease; the average decrease was -33 points.
- Across all borrowers, clients realized a 25-point gain, with an average follow-up score of 646.

244 borrowers had an established FICO score at the time of their initial CBL100 credit-building loan application. The figures below offer a summary of outcomes captured between one and six months after their final scheduled payment.

Table 7: CBL100 Impact on Borrowers with FICO at Baseline

Change from Baseline	# Borrowers	% of Borrowers	AVG Change in Score	AVG Follow-Up Score
Score Increased	162	66.39%	52	644
Score Decreased	75	30.74%	-33	651
No Change	3	1.23%	0	609
Reverted to Unscored	4	1.64%	-	-
Total	**244**	**100%**	**25**	**646**

66% of borrowers with a score realized an increase within six months of their final scheduled loan payment, while 31% saw a drop in score. Reductions in FICO score for this cohort – who already have had prior engagement with the US credit system - are most likely a result of a) making a late payment on their CBL300 or other loan/credit card 2) having a collection account (usually medical or telecommunications-related) show up on their credit report 3) having multiple 'hard inquiries' over a short period of time (CEO's CBL loans use soft-inquiries and do not impact applicant scores) or 4) increasing their utilization of credit cards such that they near the credit limit. In some cases, borrowers may have had even lower credit score in the absence of the CBL loan. Accounting for all factors leading to the post-CBL outcomes were beyond the scope of this evaluation.

Interestingly, the average follow-up FICO scores for those who realized a decrease (651) was higher than those whose score increased (644), suggesting the product may be marginally more suitable for those who begin with lower FICO scores. Four borrowers reverted to unscored; this is likely a result of having no active accounts six months after paying off their CEO loan. (With nothing else active after payoff, there are no active accounts to generate a credit score, letting it slip from scored to unscored.)

These positive outcome trends continue for those who moved to the next step CBL300.

CBL 300 Impact Summary

- 75% of borrowers with an already established FICO score realized an increase after repaying their CBL300; the average increase was 30 points.
- 25% realized a decrease in their FICO score, with an average decrease of -20 points.
- Across all borrowers, clients realized an 18-point increase, with an average follow-up score of 662

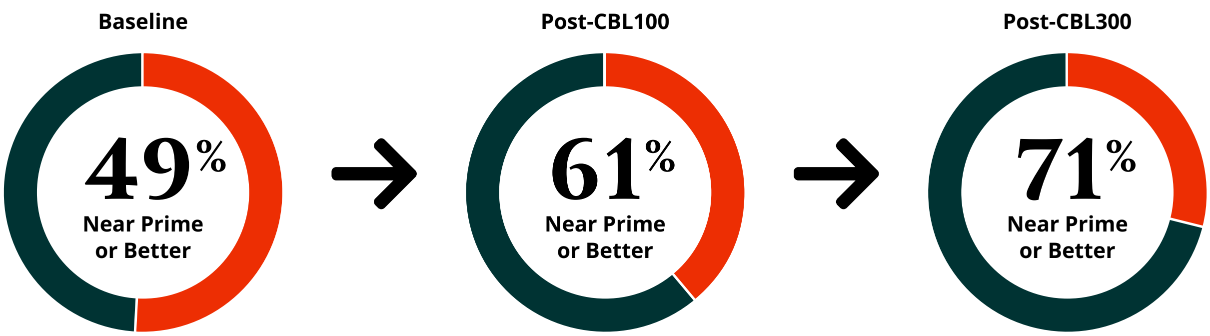
Of the 244 borrowers that had a FICO score when they received their CBL100, 56 had completed repayment on a CBL300 at the time of this study. Their results are presented in Table 8 below.

Table 8: CBL300 Impact on Borrowers with FICO at Baseline

Change from Baseline	# Borrowers	% of Borrowers	AVG Change in Score	AVG Follow-Up Score
Score Decreased	14	25%	-20	630
Score Increased	42	75%	30	672
Total	**56**	**100%**	**18**	**662**

A majority of borrowers realized an increase in their score compared to their score at application, with an average follow-up score of 672. Those who saw a decrease in score had an average follow-up score of 630. Looking at a change in borrower's credit composition over time and across the CBL100 and CBL300 products suggests strong gains in credit outcomes for borrowers that begin the program with a pre-established FICO score, as shown in Figure 3 below. The results suggest increasingly positive credit outcomes for clients who begin with an already-established FICO score as they complete the $100 and $300 steps on the Credit Building Ladder.

Figure 3: Credit Outcomes Summary for Borrowers w/FICO Score at Baseline



	Baseline	Post-CBL100	Post-CBL300
Subprime or Lower	51%	39%	29%
Near-prime or better	49%	61%	71%

Outcomes Consistent Across Populations

CEO works with more than 30 community partners across the country, and borrowers come from a broad demographic profile. Evaluators found no material variance in observed outcomes based on demographic categories (i.e., gender, age, household size, country of origin, refugee status), geography, or referring partner.

CEO lends primarily – but not exclusively - to refugees and others who arrive in the U.S. under humanitarian status. However, 14% of study participants were born in the United States. Further, several of CEO's partners are focused on populations other than refugees – several specialize in serving justice-involved individuals and others support local low-income housing programs.

The consistency in results suggests CEO's model could yield positive results across a wide variety of groups. Study authors opine the most critical factor to success is the relationship between the borrower and the organization – or trust between the borrower and the entity offering credit education and through which they are accessing the CBL loan. If there is trust between CEO's community partners and its borrowers, we expect similar credit outcomes regardless of other factors.

David's Credit Building Experience

David was born in Burundi, where he says owning a car or home was only for the most privileged. Loans were available, but banks were seen as unstable and untrustworthy, and holding on to physical currency could be dangerous, but necessary if you and your family wanted to flee the country quickly. For David, there were no good choices.

"There are no loans, only cash."

When he arrived in the United States less than two years ago, he had never heard of credit. Through the IRC in Denver, David learned about credit scores, budgeting, how to spend money, and how to save for and eventually buy a car and/or home in the future.

David received two different 0% credit building loans from CEO which helped him establish a "prime" credit score in the United States. He sees the process as fair; he is new to the country, and he needs to prove he can pay back a loan. CEO's credit building loan allowed him to do just that. Once he paid off the loan, he felt more comfortable applying for a credit card, and received better options than were available to him before as a credit invisible individual. He uses the card only when he is short on cash but knows his next paycheck will be able to cover his full credit payment, to avoid interest charges.

"In the U.S., if you want to have a great life, you have to have great credit."

What David says is true at many levels. Credit scores impact where someone can live, and as a result what resources they have access to. It determines how expensive a car loan will be, which impacts the amount of savings someone can build.

David believes learning how to build credit should be a priority for everyone in America, especially those who are new here. His next goal is to buy a car, and he plans to apply for a loan through CEO to make it happen.

"CEO gave me an opportunity to build good credit. I know they will continue assisting future refugees."

Emmanuel’s Introduction and Experience with Credit

After leaving Ghana, Emmanuel began his life in America with a 2.5 year stay in a detention center in Georgia in 2015. This experience had a negative impact on his mental wellbeing and ability to trust others. This type of hesitancy can cause significant barriers for refugees and other new arrivals to the United States, like Emmanuel, especially regarding that person’s finances.

The financial system in Ghana is described by Emmanuel as cash-based, and exploitative, where he says political leaders focus on extracting wealth from their people. Emmanuel learned about the credit system in the United States through a Ghanian family that has lived in the United States for more than 20 years. The concept of credit was foreign to Emmanuel, but he learned from his mentors and his own experiences how to use a credit card to build his credit, not go over the limit, and avoid interest payments. He could not believe that banks will tempt and allow people to open a credit card without a clear understanding of how it works and says,

“They push you to use it and then pay the minimum. But you must pay it all back.”

Before he had his own car, Emmanuel was relying on co-workers and rideshares to get to work, eating into his income and time, and adding stress to his life. He was able to finance a car with an Auto Loan from CEO. Emmanuel found a higher-paying, stable job in Atlanta and can send money back home to his family in Ghana. He credits CEO for their flexibility during the COVID-19 pandemic, when CEO paused his payments, which protected his budget and his credit. As he closes in on paying off his loan, he knows that if he runs into trouble, he can communicate with CEO and find a path forward.

CEO understands the importance of credit in the United States, the outsized impact it plays on a person’s life, and the magnifying lens it places on those who arrive the U.S. credit invisible.

Like Emmanuel, CEO wants everyone to know, **“The United States is built based on the credit and newcomers should know about it as soon as possible.”**

Low Conversion Rate

While all data trends showed clear positive movement in credit scores as borrowers worked up the ladder, of the total 920 participants that started with a first-step $100 loan, only 569 (62%) proceeded to the next step $300 loan, and only 43% of those eligible for the $1,000 loan received one. These numbers were lower than expected given that every borrower is automatically approved for the next step after repayment of the prior step and all loans have 0% APR. There was insufficient outcome data available to assess the impact of the final $1,000 CBL loan product in this study.

CEO is implementing more borrower reminders and behavioral nudges within our direct borrower communications to encourage individuals to continue to subsequent steps. We will also share the findings of this study with borrowers and our partner financial coaches to gain deeper insights into how the conversion rate can be improved going forward. Both groups will be surveyed, and additional follow-up information will be published in the future.

Evaluation Conclusions

Evaluators were surprised by the depth of positive impact suggested by the data. CEO believes the lessons learned in this report provide a valuable blueprint for newcomers, lenders, and policymakers.

1. **Credit invisibility can be solved quickly and with minimal capital risk.**
    a. Offering CBL or similar credit-building products has significant potential to generate positive impacts, especially for borrowers that have no credit history to begin with.
    b. Stakeholders should make note of the long-term impact achieved with loans as small as $100; the total capital risk for lenders in offering CBL-like products may be very limited.
    c. The “capital cost” to CEO since 2015, with over 4,100 loans deployed, is $12,578. There are, of course, other meaningful costs that must be considered, including time and effort put forth by CEO staff (accounting, administration, loan servicing and support) and community partners (financial coaches, credit education). However, the impact relative to the actual capital risk should encourage other institutions with the lending capacity to consider offering products such as these AND encourage community organizations to try even harder to find lending partners that may complement their financial education and coaching services.
    d. Regulators could look to increase access, decrease regulations, and create carve-outs for Credit-Building and consumer loans from CDFI Loan Funds or other socially conscious lenders.
2. **Subprime score accounts improve more slowly than credit invisible accounts.**
    a. While those who already have existing credit scores do not receive the immediate boost that credit-invisible folks do, there are still significant positive benefits suggested by the evaluation data. CBL and products like it can serve as safer forms of credit repair especially if delivered alongside financial education.
    b. In the context of immigrants and refugees, these findings suggest benefits to starting credit education & credit building as soon after arrival as possible to and prior to any potential missteps that may damage a newcomer’s credit history
3. **Partnerships between lenders and community-based organizations show promise.**
    a. The compelling outcomes found in this study suggest that CEO’s model of 1) offering credit-building loans in tandem with 2) credit education provided by 3) trusted local organizations may present significant synergies for rapidly and durably achieving positive credit outcomes for credit-invisible populations. Evaluators believe all three factors to be key drivers of the depth of outcomes reflected in the findings.
    b. The strong positive credit impacts seen in this study suggest there may be significant opportunity for financial institutions, including banks, credit unions, and CDFIs, to partner with local community-based organizations to offer low-cost, low interest credit building products.
4. **Financial coaching is a powerful tool on its own and supercharged when paired with credit building loans.**
    a. CEO believes financial education is a critical component in driving the positive outcomes found in this evaluation. The 98% CBL repayment rate – despite having no underwriting – is a direct testament to the power of credit education. CEO and study authors firmly believe these outcomes would not have been achieved in the absence of the loans being coupled with credit education delivered by dedicated Financial Coach staff working directly with borrowers.

Appendix

Inclusion / Exclusion from Study

CEO has offered Credit-Building Ladder loans since its inception in 2015 and has made over 4,000 CBL loans. Of the 4,000 loans, CEO applied a series of exclusion/inclusion filters that whittled down the number of records to the 920 used in this study. The factors for inclusion in the study:

- borrowers who began on the credit ladder after January 1, 2019, and;
- for whom we successfully captured a baseline FICO score at application, and;
- for whom we successfully captured a follow-up score between 0-5 months after the final scheduled CBL payment

Application of the above inclusion factors yielded the 920 client records that were subsequently used for this evaluation. No other inclusion/exclusion factors were applied.

CEO's Model

CEO operates through an innovative "B2B2C" model wherein all loans are made through a referral from partnered community-based organizations – including through all offices of our parent, IRC. The model allows partners to effectively function as "local branches" of CEO. The non-profit partners offer credit training and have the linguistic and cultural competence to serve newcomers effectively. Loans are accessed alongside related services, like workforce development or case management, helping to increase ROI on existing programs.

CEO Partnership Model

Lending through trusted community partner organizations

Partner Organization Provides
Linguistic & Cultural Competence

Financial Education | **Financial Coaching**

+

IRC-CEO Provides
Full-Service Lending Platform

Credit Reporting | **Loan Capital**

CEO and partner org work collaboratively to make loans and support borrowers if/when they face hardship

Borrowers benefit by accessing loans from organizations they trust, who speak their language and can help them work with CEO to modify their loan if there's ever turbulence. Thus, every CEO borrower has access to ongoing support from their referring organization, which de-risks CEO's lending activity. Since 2015, CEO has maintained a 97% repayment rate while deploying over $30 million through this model.

Credit Tiers Criteria

CEO labels borrowers by credit tiers based on practices from the Consumer Financial Protection Bureau (https://www.consumerfinance.gov/data-research/consumer-credit-trends/student-loans/borrower-risk-profiles/)

- **Deep Subprime** (credit scores below 580)
- **Subprime** (credit scores of 580-619)
- **Near-Prime** (credit scores of 620-659)
- **Prime** (credit scores of 660-719)
- **Super-Prime** (credit scores of 720 or above)

Examples of Credit's Impact

Client case studies and quotes are based on 20 separate interviews conducted by CEO staff. Clients were asked a variety of questions related to credit, credit cards, banks, CEO, financial education, and more. Below are some of their quotes.

- "Even though I'm sixty-six, my life is not over, so I'm trying to pay it back and build up my credit to eventually to own a house." – Andrea
- "Well, honestly, I just checked my score which is very good. This for me has a positive energy. Building a good credit score is your own effort; nobody gives it to you. You make it high or low. Here in the U.S., if I want to apply for mortgage, a good credit score gives me a chance to get a loan from a bank or a lender." – Mehrdad
- "If you have good credit here, you can afford things here." – Asghar
- "They said if you don't have credit in the US, you cannot buy a car or house. No one rents you a house if you don't have a credit." – Zabihullah
- "I'm still new in this country. When I check my score with some apps, they say I don't have enough credit history. So, my score is not really high for now. I'm trying to build it. There is a reason why it's not high, but I don't understand that. Maybe I don't have enough knowledge. I never use a credit card. I use debit and cash. The credit score is kind of like a dog chase. You get more opportunities like getting good loans. But the most important thing is to pay it back. That's the most difficult part. Sometimes when things are collecting in a month, and you cannot pay, you destroy your credit forever; just because you didn't pay back for a month. I come from a background that nobody asks for loans. I don't even think that I want a loan to buy a car. Because I need to pay for the car and the interest, so I need to pay double. After that, I'll forget. I feel the whole point is that they hope you forget to pay, that you pay double. Because of that I don't want to owe people money." – Gianmarco
- "Credit matters if you don't have any, like me, and you live in a creepy apartment and don't get to go move up in the world." – Brandy
- "You don't get loans, you pay cash. You need to save your whole life to buy a car. In the U.S., if you want to have a great life, you have to have great credit. In America you cannot live without a car. It will be so hard for you to maneuver around without a car. To access that car, you need to have great credit. In the future, if you have capacity to pay off for your house, to get that, you need a good credit. Good credit is very important to live in the U.S.," – David
- "It's a trap to fall deeper. I have never applied because I knew I was never going to be approved." – Andrea (referring to solicitations to open new credit cards)
- "I felt absurd, but I blamed myself. I knew something about the credit system back in Afghanistan and I said to myself, 'why didn't I apply for a credit when I first arrived in the U.S.? Why did I have to wait 2 to 3 months?'" – Zabihullah (denied a loan when soon after he arrived to the U.S. before building his credit with CEO)

- "I don't know why they rejected. Maybe because I didn't have enough credit score. .... When they rejected, I was very disappointed. They didn't say a correct reason why they did that." – Jega (after being rejected from a loan at a bank he had had an account at for two years!)
- "The financial difficulty is long term and devastating" – Julie (referring to her credit score after leaving prison)
- "Bad credit makes you feel less than a human being. You're in a really bad financial situation and you really need the money but it almost like you're not good enough, you're not trustworthy enough." – Brandy
- "I bought my first car. My score was not good, and they charged me with interest 18 percent. Which was very high. After three months, I sold that car, and I lost my $3,000 including $1,700 almost $5,000. Just because my credit was not good, and they charged me more interest. I couldn't sleep well because I was new in the U.S. I saved some money for my wife, and I lost all that money. That was huge." – Jabar (bought a car early in his time in the U.S. when he was credit-thin and didn't fully understand the system)

Loan Product Overview

In addition to credit building loans, CEO offers business loans, auto loans, auto loan refinancing, personal loans, immigration loans, and education/training loans.

For current information and loan products, terms, and rates, visit **CEO's help center**[8]

Credit Building Ladder Loan Overview

CEO's Credit Building Ladder is a series of three (3) installment loans –all with 0% APR –that help borrowers build credit over several years.

1. **Start with a $100 loan, payable over 6 months.**
2. **If the loan is repaid without any late payments, the borrower is automatically approved for a $300 loan.**
3. **Once the $300 loan is repaid on time over 8 months, borrower is automatically approved for a $1,000 loan payable over 20 months.**

Borrowers that follow all three steps of the Credit Building Ladder, making all payments on time, benefit in several ways:

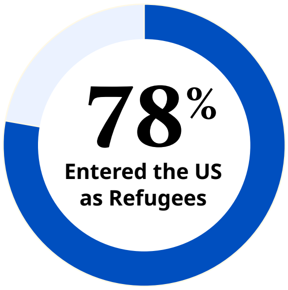
- Show 34 on-time payments on your credit history
- Have three (3) installment loans opened and paid-in-full
- No hard inquiries on credit reports
- Pay zero ($0) dollar fees over the entire 2.5 years

Anyone that completes one of our partner's trainings on credit may start on the first Credit Building Ladder with no additional approval required. To move up to the next step on the Ladder, borrowers must simply repay their current loan on time. At each step, a quick check-in with a financial coach is required to review the impacts of the previous loan and submit for the next round.

8 CEO Loan Products: https://support.irc-ceo.org/hc/en-us/articles/6736925205140-What-loan-products-does-CEO-offer

Additional Tables and Borrower Demographic Information

Of the 920 borrowers analyzed in this study:



AVERAGE HOUSEHOLD SIZE

3.4 Members

53% ARE MALE

47% ARE FEMALE

The average length of time in the US when applying for a CBL100 was **2.3 YEARS**

Average household annual income was

$32,534

Income Level[10] at CBL100 application:

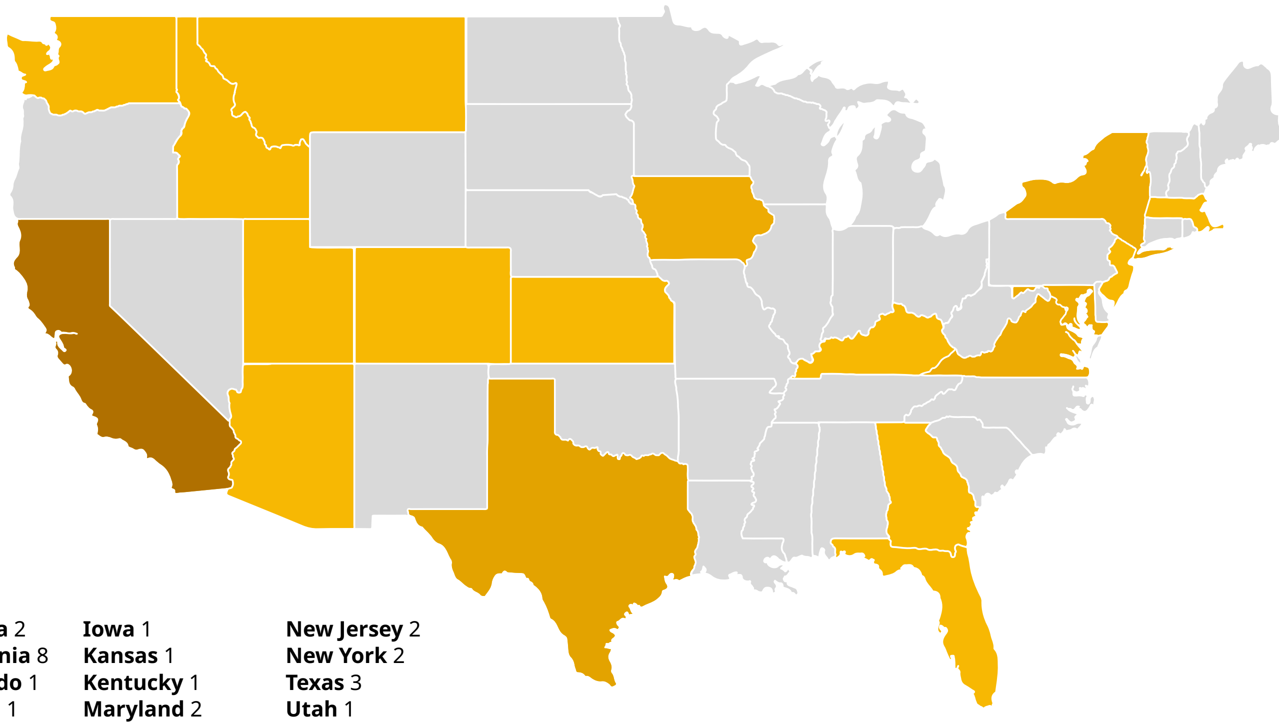
- **Extremely Low Income** 64%
- **Very Low Income** 22%
- **Low Income** 11%
- **Moderate income** 3%

CEO currently has 34 partner programs across 18 states, with more expansion planned and expected. Current list of partners includes: IRC Abilene, IRC Atlanta, IRC Baltimore, IRC Boise, IRC Charlottesville, IRC Dallas, IRC Des Moines, IRC Denver, IRC Elizabeth, IRC Los Angeles, IRC Louisville, IRC Missoula, IRC New York, IRC Oakland, IRC Phoenix, IRC Richmond, IRC Sacramento, IRC Salt Lake City, IRC San Diego, IRC San Jose, IRC Seattle, IRC Silver Spring, IRC Tallahassee, IRC Turlock, IRC Wichita, IRC SAFE Program, Arouet Foundation (AZ), California Mosaic SBC, Church World Service Jersey City, Jewish Family Service of Metrowest (MA), San Diego Housing Commission, International Literacy and Development (TX), LSI: Lutheran Services in Iowa, FinEQUITY

9 Average calculated from all borrowers with earned income; all those who reported income as $0 are receiving cash assistance from ORR or TANF.

10 CEO determines a borrower's income level using ranges provided by the U.S. Department of Housing and Urban Development (HUD). CEO uses household size and county of residence to determine each individual's income level at the point of application.

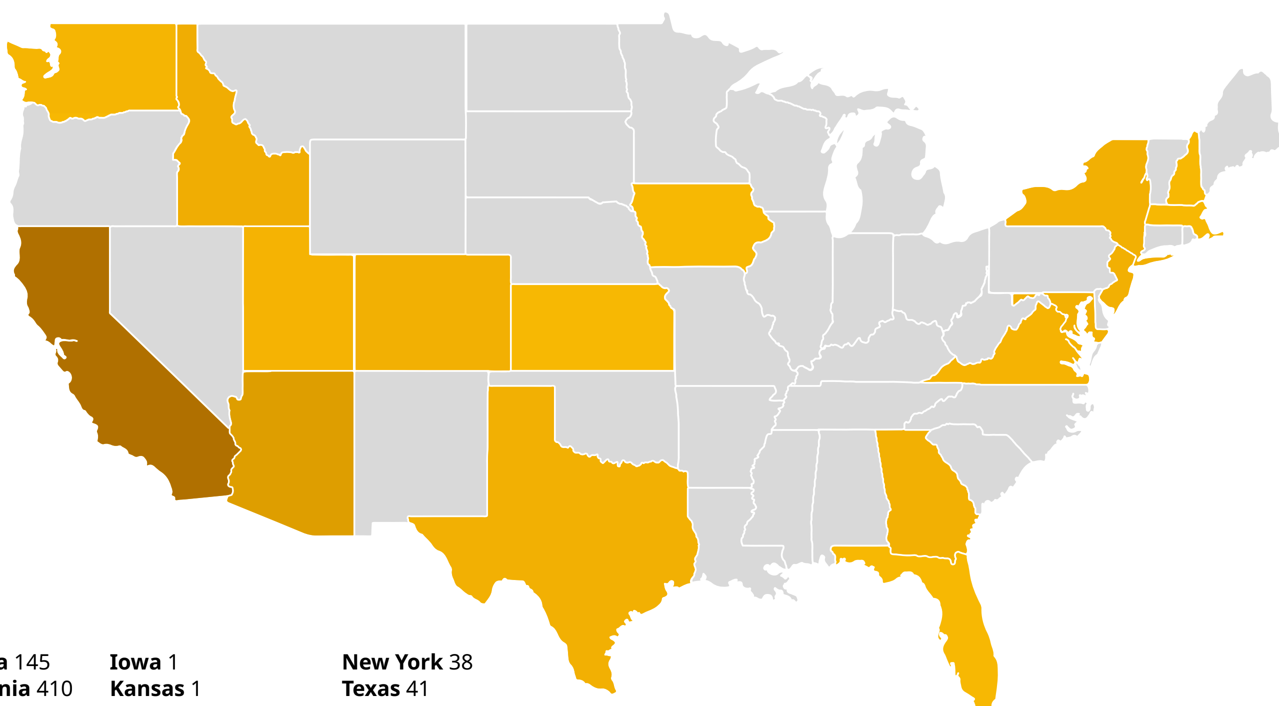
States with CEO Partner Organzations



Arizona 2
California 8
Colorado 1
Florida 1
Georgia 1
Idaho 1
Iowa 1
Kansas 1
Kentucky 1
Maryland 2
Massachusetts 1
Montana 1
New Jersey 2
New York 2
Texas 3
Utah 1
Virginia 2
Washington 1

1 **7**

Borrower State of Residence

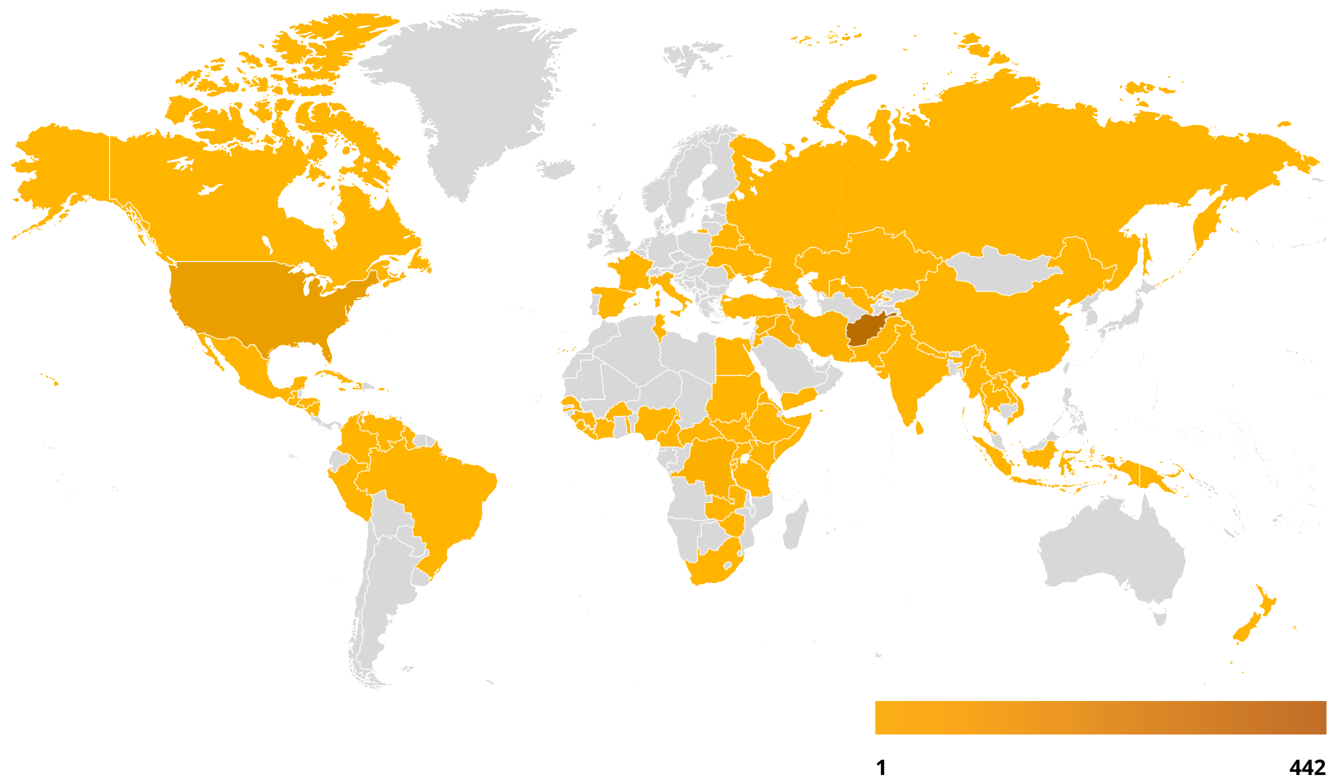


Arizona 145
California 410
Colorado 42
Florida 1
Georgia 34
Idaho 39
Iowa 1
Kansas 1
Maryland 56
Massachusetts 2
New Hampshire 2
New Jersey 50
New York 38
Texas 41
Utah 25
Virginia 18
Washington 14
Washington DC 1

1 **145**

Borrower Country of Origin

CEO's clients come from all over the world and resettle across the United States. Below is a map highlighting the 67 countries where CEO borrowers (that received CBL100) in this study came from. The most common countries are as follows: Afghanistan[11] (48%), United States (14%), and the remaining 38% made up of the other 65 countries.



Afghanistan 442
Antigua 1
Belarus 2
Brazil 1
Burkina Faso 2
Burma 8
Burundi 3
Cameroon 9
Canada 1
Central African Republic 2
China 1
Colombia 5
Cuba 1
DRC 28
Egypt 3
El Salvador 18
Eritrea 17
Ethiopia 14
Guatemala 7
Guinea 1
Guyana 1
Haiti 2
Honduras 1
India 6
Indonesia 1
Iran 16
Iraq 24
Italy 1
Ivory Coast 2
Jamaica 3
Jordan 1
Kazakhstan 1
Kenya 4
Laos 1
Lebanon 1
Liberia 2
Mexico 9
Moldova1
Myanmar 2
Nepal 1
New Zealand 1
Nicaragua 2
Nigeria 10
Pakistan 9
Papua New Guinea 1
Peru 4
Puerto Rico 1
Russia 4
Rwanda 4
Senegal 2
Sierra Leone 1
Somalia 11
South Africa 2
South Sudan 3
Spain 1
Sudan 10
Syria 36
Turkey 1
Uganda 5
Ukraine 23
USA 129
Uzbekistan 2
Venezuela 7
Vietnam 1
Yemen 1
Zambia 1
Zimbabwe 2

11 CEO lends primarily to refugees, and Afghans make up a large amount of recent and current CBL borrowers as a result of Operation Allies Welcome and the **SAFE program** run by CEO's parent company, the IRC.