

ASSET Initiative

Managing Credit and Debt

Many low-income families face challenges related to credit and debt. Low credit scores resulting from lack of knowledge or lack of access to fairly priced financial products—or no credit history at all—prevent many families from qualifying for prime-rate mortgages or small business loans. In addition to poor credit, many families are struggling with credit card debt, one of the fastest growing areas of debt in the United States.

Credit and debt issues can impact a family's ability to achieve financial stability. For example, families that are struggling with debt are more likely to drop out of individual development account (IDA) programs before reaching their savings goals. Even the odds of landing a better job plummet when a background check reveals a weak credit history.

Credit and debt counseling helps people learn to manage and reduce debt and take positive steps to improve credit. Families can understand and manage good debt (such as a loan for college education) and avoid bad debt (such as high-interest credit cards).

Programming Ideas

Ways to integrate credit building and credit counseling into your organization's programming include:

- Screening clients' credit and debt counseling needs and connecting them to reputable and trustworthy counseling providers. Credit counseling organizations advise on managing money and debt, help with budgeting, and offer free financial educational materials and workshops. Banks, local consumer protection agencies, and faith- and community-based organizations are good sources for referrals. Check with the National Foundation for Credit Counseling (www.nfcc.org) to find a nonprofit Consumer Credit Counseling Service in your community.
- Cautioning clients against using payday and other predatory lenders that charge excessive interest rates and fees for services that are provided by banks and credit unions for less. Refer them to mainstream financial services instead.
- Helping clients to obtain and understand their credit report. Individuals are allowed to request a free credit report once every 12 months from each of the three nationwide consumer credit reporting companies: Equifax, Experian, and TransUnion.
- Showing clients with credit card debt how to use a credit card payment calculator to see how long it will take to pay off their credit card debt. Help your client to identify money management strategies they can use to meet their repayment goals. Credit card payment calculators are available online through a number of Web sites, such as Springboard Credit.org (www.credit.org), a nonprofit consumer credit counseling agency.



Assets, Savings, Support, Education and Training
A Partnership to Encourage Asset Development

Successful Programs

These programs and others illustrate the value of helping families to manage credit and debt:

Lutheran Social Services (LSS) of Minnesota's Financial Counseling Service is one of the largest providers of full-service, community-based financial counseling in Minnesota. LSS uses its Financial Counseling Service as a gateway to its AFI program to ensure that all IDA savers are prepared to achieve their savings goals. Participants open IDAs only after extensive credit counseling, debt counseling, and financial education. For more information on LSS, visit www.lssmn.org.

Community Action Agency of Oklahoma City and Oklahoma/Canadian Counties has helped participants save more than \$500,000 and benefit from financial education. Through partners—including Consumer Credit Counseling Services and Neighborhood Counseling Services—the organization connects AFI program participants to one-on-one credit and debt counseling based on an assessment of each participant's needs. For more information, visit www.caaofokc.org.

The Assets for Independence (AFI) Program, the largest source of Federal funding for IDAs, provides funding for nonprofit organizations, qualified State and local governments, community development credit unions, and other community-based organizations to provide financial education and IDAs for qualified individuals in their areas. AFI offers grant funds for asset building programs nationwide that provide low-income individuals and families with tools they need for long-term economic success. Contact the AFI Resource Center for more information on partnering with or becoming an AFI grantee.

Visit the AFI Resource Center Web site at www.IDAresources.org for more information on savings and IDAs. Contact the AFI Resource Center to talk with an asset building specialist about strategies for bringing asset building to the families you serve.



About the ASSET Initiative

Families stand a better chance of escaping poverty if they know how to use their money and resources effectively, and grow their assets over time. The ASSET Initiative, a collaborative effort within the Administration for Children and Families (ACF), brings together ACF offices and their partner agencies and organizations at the State and community levels to extend the benefits of asset building services to more individuals and families across the Nation. The ASSET Initiative highlights the six asset building strategies shown above.

ACF grantees, partners, and staff can incorporate these strategies into their efforts to support individuals and families. The programming ideas suggested here are only examples of how agencies and organizations can incorporate asset building into their work with families to improve their financial stability.

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