



Credit Builder Loan Overview

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.

A credit builder loan 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 loan 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 Loan Work?

A credit builder loan forces you to save money, as you are essentially making payments into a savings account. You do not receive money up front, like a traditional loan. Your monthly payments are then 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 loan 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: Credit builder loans are generally CLOSED, immediately or within 30-days, if late payments or non-payment occurs, so that your credit score isn't negatively impacted.

The Bottom Line

While credit builder loans 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 loan 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 loan, which requires you to set aside money every month for a loan 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 LOAN Overview and Guidelines

Loan is set-up like a savings account that you pay into monthly, for 12 consecutive months, with the benefit of your 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.

- Loan is written for 12 months at 6% fixed interest
- Loan amounts are **\$300, \$600 or \$1000**
- Depending on the loan amount you choose, listed below are the monthly loan payments per month.

\$25.82 - 12 months (**\$300**)

\$51.64 - 12 months (**\$600**)

\$86.07 - 12 months (**\$1000**)
- Your monthly payment, during the 12 month period, is 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 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 loan 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.
- If you miss a monthly payment, we will communicate via the preferred method listed on your loan application, one time. It is your responsibility to communicate back to us within 7 days to make payment arrangements on the current amount due.
 - After 20 days, if missed payment and late / NSF fees have not been resolved, loan will automatically be **CLOSED** – so the loan will not negatively affect your credit.
 - Any remaining funds, after interest & fees have been paid, will be returned to you via check within 45 days.

**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 Loan Application

- Provide and clearly print the requested information.
- Fill out ACH Form – Authorization Agreement for Automatic Debit Payments from your bank account.
- Return both the Application & ACH Form to Community LendingWorks.
- We will then contact you for next steps!

Name: _____

Address: _____
City State Zip

Preferred Form of Contact: (Check One) PHONE TEXT EMAIL

Preferred Contact Phone # or Email Address: _____

Social Security Number: _____ Date of Birth: _____

Employer: _____

Monthly Income: \$ _____ Other Income: \$ _____ Other Income: \$ _____

Source(s) of Other Income: _____

Loan Amount and Monthly Loan Payment Due: (Check One)

\$300 (\$25.82 - 12 months) **\$600** (\$51.64 - 12 months) **\$1000** (\$86.07 - 12 months)

Preferred Monthly Loan Payment Due Date: (Check One) 1 5 8 15 22 25

I authorize NEDCO/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: _____

Parent / Guardian Signature: (applicant under 18) _____ Date: _____

CLW Use Only

Approved Denied

NOTES:

Date:

Loan Officer: _____

Credit Committee: _____



The following information is used for grant purposes only and will have no bearing on your credit application. If you prefer to not provide this information, please check this box.

Total Number of people in your household?		Which Gender do you identify with? <input type="checkbox"/> Male <input type="checkbox"/> Female <input type="checkbox"/> Other	
Family Status <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Male head of household <input type="checkbox"/> Female head of household		Do you identify as LGBTQ? <input type="checkbox"/> Yes <input type="checkbox"/> No	
<i>Please select both Ethnicity and Race: (select as many as apply)</i> Single Race: <input type="checkbox"/> American Indian/Alaskan Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White		Multi-Race: <input type="checkbox"/> American Indian/Alaskan Native & White <input type="checkbox"/> Asian & White <input type="checkbox"/> Black or African American and White <input type="checkbox"/> Other multiple races	
Ethnicity: (select one) <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino			
Are you a U.S. veteran? <input type="checkbox"/> Yes <input type="checkbox"/> No	Are you receiving services for a disability? <input type="checkbox"/> Yes <input type="checkbox"/> No		
How did you hear about us? <input type="checkbox"/> Event/Expo <input type="checkbox"/> Professional Referral _____ <input type="checkbox"/> NEDCO/Class/Counseling <input type="checkbox"/> Referred by family/friend _____ <input type="checkbox"/> Other _____			



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 _____

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

Day of Month for Payment 1 5 8 15 22 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