CONSUMER FINANCIAL PROTECTION BUREAU | JULY 2020

Targeting credit builder loans

Insights from a credit builder loan evaluation

Consumer Financial Protection Bureau

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Executive Summary

The goals of providing opportunities for consumers to establish a credit record and helping them build a positive repayment history have generated innovation around new credit products. Credit Builder Loans (CBLs) are one such product uniquely designed for consumers without a score and those with lower scores seeking opportunities to demonstrate a positive repayment history. This report summarizes findings from a Consumer Financial Protection Bureau (CFPB) funded evaluation of an existing standalone CBL.[1]

CBLs are designed to help consumers new to credit establish a credit score and those with lower scores improve their repayment histories. A CBL's defining feature is a requirement that borrowers make payments before receiving loan funds. When a borrower opens a CBL, the lender moves its own funds into a locked savings account. The borrower then makes installment payments over a period typically set at 6 to 24 months. The lender reports these payments to the credit reporting agencies. The lender deposits principal payments into the borrower's savings account, after each payment or in entirety when the borrower completes the program.

Although CBLs are designed to reduce risk to lenders and borrowers, borrowers who make late payments risk harming their credit scores. To date, little independent research has explored the effects of CBLs on a borrower's likelihood of having a credit score or on the score itself. In addition, more research is needed on whether borrowers tend to withdraw the deposits lenders make into their accounts or save those funds. Recognizing the promise of CBLs and the need for more research, the CFPB funded a study of a CBL similar to others available in the market.

The CBL in the study totaled about $648, of which $600 was principal and the remainder was interest that varied slightly based on origination date. When a borrower opened the CBL, the bank moved $600 of its own dollars into a locked savings account. Borrowers were then required to make 12 monthly payments of $50 plus interest. After each payment, the lender released $50 to the borrower's regular savings account. The lender reported the borrower's payment history to the three major credit reporting agencies as a standard installment loan.

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[1] This study focuses on a "standalone" CBL—one that was not part of a broader credit building program. Nationally, a number of programs pair CBLs with other services such as one-on-one financial coaching. The differences between standalone CBLs and CBLs paired with wraparound services are important for interpreting the findings, but the evaluation raises issues worthy of consideration across all CBL programs.

The evaluation explored four questions:

- How does the CBL affect participants' likelihood of having a credit score?
- For participants who already had a credit score, how does the CBL affect their score?
- How likely are CBL borrowers to make late payments on the CBL and other loans?
- Does the CBL affect participants' savings balances?

Study participants were randomly assigned into two groups, a "treatment" group with immediate access to the CBL and another that was told it needed to complete an "extra step" before opening one. The researchers compared credit and savings outcomes between the two groups to measure the CBL's effects.

Table 1 summarizes the key findings. Overall, the CBL proved more effective for participants who entered the study without existing debt. These participants were significantly more likely to have a credit score by the study's end. Nearly all participants with existing debt already had a credit score, so the CBL had little effect on their likelihood of being scored.

TABLE 1: SUMMARY OF FINDINGS

Outcome	Results
Likelihood of having a credit score	For participants without existing loans, opening a CBL increased their likelihood of having a credit score by 24%. Almost all participants with existing debt already had a credit score, so the CBL had a minimal effect on their likelihood of having a score.
Credit score	Participants without existing debt saw their credit scores increase by 60 points more than participants with existing debt.[2] In fact, the CBL appeared to cause a decrease in scores for participants with existing debt.
Late payments on the CBL	39% of participants who opened a CBL made at least one late CBL payment.
Late payments on non-CBL loans	The CBL is associated with increases in late payments on non-CBL loans, particularly for those who entered the study with existing loans.
Savings balances	Average savings increased by $253, but this finding is less conclusive than others.

[2] Throughout the evaluation, it remained up to each participant whether to open the CBL or not. Among participants who entered the study with existing debt, 30 percent of participants in the treatment group opened the CBL, versus 10 percent in the extra step group. The 60-point difference in credit scores is limited to these participants—the ones who opened the CBL. A more conservative methodology is to include participants who did not open the CBL in the analysis on the grounds that doing so reflects "real world" conditions, where take up rates are never 100 percent. When including all participants, not just those who opened the CBL, the effects of the CBL on credit scores decrease from 60 points to about 12 points. Overall, the results of any evaluation are greatly influenced by take up and follow through rates, and how the statistical analysis incorporates those rates.

The CBL improved the credit scores of people without existing debt but led to a slight decrease in scores for people with existing debt, on average. The CBL's effect was 60 points higher for people without existing debt compared to those with existing debt. This finding suggests that borrowers with existing debt may find it difficult to incorporate a CBL into existing obligations.

Notably, 39 percent of all CBL borrowers made a least one late payment on the CBL loan. In addition, the CBL was associated with an increase in late payments on non-CBL loans. Finally, the CBL appears to have helped some participants build savings, but the savings results were less conclusive than others.

The results raise important issues for lenders, financial capability practitioners, and consumers:

Lenders may develop new ways of targeting CBLs and other credit building products to consumers most likely to benefit. At one extreme, they could reject, or discourage, consumers who have existing debt from opening one. Alternatively, financial institutions could require or incentivize consumers with existing debt to participate in additional services. Already, many organizations and programs already pair CBLs with an array of wraparound services such as financial coaching. Organizations that offer CBLs in this way would potentially show different results from this study. In addition, lenders can focus on clearly explaining how to manage CBL repayment obligations, including the pros and cons of withdrawing versus saving payment funds the lender deposited into their accounts. In cases when CBL payments are immediately released back to the borrower, the lender may find ways to ensure borrowers are aware that they only need to part with funds momentarily.

Financial capability practitioners can continue to assist consumers in finding the products and services best suited to their specific situations. In particular, they can make sure to counsel consumers about how likely a CBL is to be a good fit, based on the consumers' existing credit profile. Financial capability practitioners may continue to find ways to partner with financial institutions to develop CBL programs that offer wraparound services such as one-on-one financial coaching or other credit education to help consumers manage CBLs alongside existing credit obligations.

Consumers can continue to look for products that best meet their needs. Consumers without a credit score or those with no existing debt may find CBLs especially beneficial. Consumers with existing debt may want to consider paying down other loans before opening a CBL or choosing other products and services to help them build credit. These services could include credit education, credit counseling, help with cash flow and money management, and one-on-one financial coaching.

1. Introduction

CFPB research has found that approximately 26 million U.S. adults, about one-in-ten, lack a credit record and are "credit invisible." By definition, these consumers lack a credit score. Another 19 million have a credit record but no score because their history is too thin or out-of-date.[3] Without a credit score, consumers may face obstacles to accessing credit or qualifying for lower interest rates. Among consumers who do have a credit score, nearly one-third have a subprime score,[4] again potentially limiting their access to and increasing the costs of credit. Twin goals—providing opportunities for consumers to establish a credit record and helping them build a positive repayment history—have generated interest in and innovation around new credit products. CBLs are one such product uniquely designed for consumers without a score and those with lower scores seeking opportunities to demonstrate a positive repayment history.

Loan terms vary across lenders, but a CBL's central feature is the requirement that borrowers make payments before receiving funds—the opposite of other loans, and a feature often promoted as a way for borrowers to build credit and savings at the same time. When a borrower opens a CBL, the lender moves its own funds, generally in the range of $300 to $1,000, into a locked escrow account. The borrower then makes payments, including any interest and fees, in installments over a period typically set at 6 to 24 months. The lender deposits principal payments into the borrower's own savings account, either after each payment or in entirety when the borrower completes the program. In this way, CBLs may promote savings. The CBL forms a new tradeline on the borrower's credit report. The lender reports the borrower's repayment history, positive (<30 days late) and negative (>=30 days late), as a standard installment to the major credit reporting companies: Experian, Equifax, and TransUnion.

CBLs' structure limits risks to lenders, and borrowers are protected in the sense that they cannot end up with a lasting outstanding balance.[5] Nonetheless, borrowers who fail to repay CBLs on time run the risk of harming their credit records, just like any other loan reported to a national consumer reporting agency. Of particular interest is the effect existing debt may have on

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3 Brevoort, K., P. Grimm, P., & Kambara, M. (2015). "Credit Invisibles." Consumer Financial Protection Bureau Data Point. Available at http://files.consumerfinance.gov/f/201505_cfpb_data-point-creditinvisibles.pdf.

4 Federal Reserve Bank of New York. "Community Credit: A New Perspective on America's Communities." Available at https://www.newyorkfed.org/data-and-statistics/data-visualization/community-credit-profiles/index.html#inclusion/credit_quality/pct_ce_prime. Accessed January 10, 2020.

5 Borrowers who fail to make timely repayments have their loans closed, leaving them with a negative mark on their repayment history but no outstanding balance to repay.

borrowers' success with CBL loans. Borrowers with existing loans might struggle to incorporate a CBL into their payment obligations. On the other hand, existing debt may signal more experience with credit and better access to liquidity, potentially increasing a borrower's likelihood of success with a CBL. Given the CFPB's interest in identifying ways to expand consumers' access to credit, the CFPB was motivated to support research into whether CBLs are effective, and if so, for whom.[6]

The study was designed not just to establish correlations between CBLs and subsequent credit outcomes, but to prove causation. It could be, for example, that potential CBL borrowers will go on to establish or improve their credit scores even if they do not open a CBL. Similarly, CBLs may be more suitable for some consumers than others, rather than a one-size-fits-all product. To explore these issues, the CFPB commissioned a field study of a CBL product offered by a Midwestern credit union.[7] This report summarizes findings and implications of the study, with particular focus on the effects of existing debt on CBL outcomes.

Critically, this study focuses on a "standalone" CBL—one that was not part of a broader credit building program. Nationally, a number of programs embed CBLs into a suite of other services such as one-on-one financial coaching. The differences between standalone CBLs and CBLs paired with wraparound services are important for interpreting the findings, but the evaluation raises issues worthy of consideration across all CBL programs.

The next section describes the study setting and the CBL's terms, followed by an overview of the research design and participant demographics. Then the report describes findings across four outcomes:

- Participants' likelihood of having a credit score,
- The CBL's effects on their actual credit scores,
- Participants' likelihood of making late payments on the CBL and other loans, and

[6] The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) established the Bureau's functions to include "providing opportunities for consumers to access . . . savings, borrowing, and other services found at mainstream financial institutions." Dodd-Frank established the Community Affairs Office to provide "information, guidance, and technical assistance regarding the offering and provision of consumer financial products or services to traditionally underserved consumers and communities.

[7] The study was conducted by RAND with funding from the CFPB under competitive award CFP-12-Z-00020/0002. For the full report, see Burke, J., Jamison, J. C., Karlan, D., Mihaly, K., & Zinman, J. (2019). Credit Building or Credit Crumbling? A Credit Builder Loan's Effects on Consumer Behavior, Credit Scores and Their Predictive Power. Innovations for Poverty Action Working Paper. Available at https://www.poverty-action.org/sites/default/files/publications/CreditBuildCreditCrumble_July2019.pdf.

- Effects on participants' savings balances.

The analysis explores whether the outcomes differ based on whether or not the borrower had existing debt when opening the CBL. The report then synthesizes the findings into implications for financial institutions and practitioners interested or already involved in offering CBLs. The report concludes with a list of Bureau resources for helping consumers with credit.

2. Research Setting and Design

The evaluation was designed to answer four primary questions about the effects of the credit union's CBL on participant outcomes:

- How does the CBL affect participants' likelihood of having a credit score?
- Among participants who started with a credit score, how does the CBL affect their scores?
- How likely are participantsto make late payments on the CBL or other loans?
- Does the CBL affect participants' savings balances at the credit union?

The researchers examined CBLs' average effects across the four areas but were also able to explore whether existing debt affects these outcomes—participants entering the study with existing debt may have different experiences with the CBL than those without it.

The researchers partnered with a Midwestern credit union that already had a CBL product. The product's structure and terms were similar to CBLs offered by other financial institutions and credit building programs. Borrowers who opened the CBL received no money at origination. Instead, the credit union put $600 of its own funds into a locked escrow account. Interest charges varied slightly based on the loan origination date but were generally around $4 per month. Borrowers had to make payments totaling about $54 per month for one year, about $648 over the life of the loan. After each monthly payment, the credit union immediately moved $50 into the borrower's regular savings account. Thus, borrowers only had to part with their principal payments momentarily. Borrowers could withdraw their funds or keep some or all of the funds in their savings account.

Like other financial institutions offering CBLs, the partnering credit union reported borrowers' payment histories to the three major credit reporting agencies: Equifax, Experian, and TransUnion. In the event of extended nonpayment, the credit union used funds from the locked savings account to pay off the loan. The CBL formed a new tradeline on the borrower's credit report and was reported as a standard installment loan. Again, the CBL was a "standalone" product and was not paired with the types of wraparound services some credit building programs offer alongside CBLs.

Table 2 summarizes the features of CBLs in general and those specific to the CBL offered in this study to provide a sense of how the CBL in this study compares to others available to consumers.

TABLE 2: CREDIT BUILDER LOAN STRUCTURE

Key characteristics	General CBL design	CBL in this study
Principal	$300 to $1,000	$600
Term	6 to 24 months	12 months
Payments due	Monthly	Monthly
Fees and interest	Vary, but the product design reduces risk to the lender. Risk is a key factor in setting fees and interest rates	About $4 per month, depending on the interest rate at origination
Funds availability	Immediately after each payment or all at once at the end of the program	Immediately after each payment
Intended outcomes	Borrowers establish credit scores, improve their scores, and build savings	Borrowers establish credit scores, improve their scores, and build savings
Reporting	New tradeline reported to the 3 major credit reporting agencies. Positive and negative history reported	New tradeline reported to the 3 major credit reporting agencies. Loans closed before they could be reported more than 30 days past due
Wraparound services	Some programs pair CBLs with wraparound services such as financial coaching; otherwise, a standalone product	Standalone product

Note: The sample CBL features listed here are broadly illustrative of the loans available to consumers. Specific CBLs each have their own structure and terms, any of which may differ from the general characteristics listed above.

Although the credit union already offered the CBL, the evaluation required some changes to the customer experience. Members of the research team visited participating branches and asked customers entering the branch whether they were interested in building their credit. Customers who expressed interest were invited to participate in a study about "credit markets and products" and complete a short survey. The researchers then described the CBL and assigned customers interested in opening one to one of two study groups, as discussed below. Enrollment in the study did not require participants to actually open a CBL, just to express interest in doing so.[8] In total 1,531 credit union members enrolled in the study; enrollment took place from September 2014 through February 2015.

The study is notable for the strength of its research design. The researchers used random assignment—the gold standard for evaluating program effectiveness—to split the 1,531 study participants into two groups. One group had immediate access to the CBL and could open one right after talking to the researchers, while members of the other group were told they needed to complete an online financial education extra step before opening one.[9] These groups are the "treatment" and "comparison" groups, respectively.

Randomly assigning participants into two groups allowed the researchers to measure the effects of the CBL without having to prevent anybody from opening the CBL. It remained up to participants whether to work with credit union staff and actually open the CBL. Consistent with the design, participants in the treatment group were more likely to open the CBL than participants in the extra step comparison group. Thirty percent of participants in the treatment group opened the CBL, versus 12 percent in the comparison group. The researchers were able to track data on everybody who enrolled in the study, regardless of whether they actually opened a CBL.

Table 3 summarizes the data sources, the types of information each provided, and the timing of the data collection. The researchers had three data sources: a baseline survey, credit union administrative data, and credit reports. The baseline survey was collected during the recruitment process and covered demographics, attitudes, and financial behaviors. The credit union data tracked CBL performance along with participants' use of other products including their savings balances. Credit data came from one of the three major credit bureaus, first after participants were assigned to either group and then roughly six, 12, and 18 months later. The credit reports provided information about participants' repayment behavior—particularly important so the researchers could track participants' payments on loans outside of the credit union. The credit reports showed whether participant had existing debt when they entered the study. The reports include a credit score.

8 This is an "intent-to-treat" design, meaning the treatment is the offer of a product or service, not a requirement that the participant take up a product or service. Intent-to-treat mirrors real world conditions, where consumers have the option whether or not to take up a particular product or service.

9 Participants in the extra step group were told they needed to complete five online financial education lessons totaling about an hour or less before they could open the CBL. The lessons could be completed in the branch or on any device connected to the internet. This randomized encouragement design—or in this case perhaps better described as a "discouragement" design—provides rigorous results without having to outright deny anybody a CBL. In practice, some people in the extra step comparison group were able to open a CBL without completing the online lessons, a form of "crossover" from one group to another observed in many field studies. Though part of the research design, the financial education extra step was not the focus of this evaluation.

TABLE 3: SUMMARY OF DATA SOURCES

Data source	Information	Timing
Baseline survey	Demographics, attitudes, and basic financial information	Completed during CBL marketing process
Credit union administrative data	CBL payments and participants' use of other loan and deposit products	Monthly
Soft credit pulls from 1 of the 3 major credit bureaus	Existing debt; borrowing and repayment activity; and credit score	Baseline and approximately 6, 12, and 18 months later

3. Participant Demographics

Participants looked much like the credit union's customer base as a whole in terms of their demographics and financial situations. The two groups of customers—those with immediate access to the CBL and those told to complete the extra step—looked very similar in terms of their financial and demographic characteristics. This indicates the randomization process was successful. Table 4 summarizes participants' characteristics at the start of the study. Overall:

- Eighty-two percent of participants entered the study with a credit score;
- Among participants who entered the study with a score, the average score was a subprime 560; nationally, the average score was just under 700 at the time of the study;
- Seventy percent of participants had an existing loan when entering the study, and 32 percent had a non-CBL loan from the credit union. Forty-five percent had been delinquent on one or more loans in the past twelve months.
- Participants' average deposit account balance with the credit union was $650, but nearly two-thirds of participants had less than the required CBL monthly payment amount ($54) in their deposit accounts when they signed up for the study; and
- Sixty-two percent of participants had an annual household income below $30,000.

TABLE 4: PARTICIPANT CHARACTERISTICS AT THE START OF THE EVALUATION

Participant Characteristics	Start of the Study
Had a credit score	82%
Average credit score (limited to participants who entered the study with a score)	560
Had an existing loan from any lender	70%
Had an existing non-CBL loan from the credit union	32%
Delinquent on one or more loans in past 12 months	45%
Average deposit account balance at the credit union	$650, but nearly two-thirds had less than the CBL monthly payment of $54
Household income below $30,000	62%

In addition, a majority of study participants were female, and nearly 90 percent were African American. On average, participants were 43 years old, and about one-quarter were married. About one-in-four participants had a college degree.

4. Key Findings

With the participants assigned to the two groups and the data collection underway, the researchers compared outcomes between the two groups over time to answer the four research questions. Table 5 summarizes the findings for the four research questions: likelihood of having a score, effects on the score itself (only for participants who entered the study with a score), likelihood of becoming delinquent on the CBL or other loans, and effects on savings balances. Column I shows the average effects across all participants, with Columns II and III breaking the results out based on whether the participant entered the study with existing debt.

TABLE 5: EVALUATION OUTCOMES

Outcome	I. All participants	II. Participants with existing debt	III. Participants without existing debt
Likelihood of having a credit score	Little to no effect	Minimal effect since nearly everyone entered the study with a score	Increase of 24%
Credit score (limited to those with a credit score at baseline)	Little to no effect	Small decrease of about 3 points	60 points higher than people with existing debt[10]
CBL borrowers who made at least 1 late payment on the CBL	39%	36%	45%
Non-CBL delinquencies	Little to no effect	Increase in 30 day non-CBL delinquencies for participants with existing installment loans	No evidence the CBL affected delinquencies[11]

[10] 60 points is a treatment-on-the-treated estimate, which adjust the results based on the CBL take up rates for the CBL and extra step groups. Overall, the more conservative intent-to-treat estimates are a 10-point increase in credit scores for the CBL group and a 2-point decrease for the extra step group. The results of any intervention depend significantly on take up and follow through rates.

[11] Although these participants did not have existing loans at the start of the study, they could open non-CBL loans during the study period. This outcome assesses whether non-CBL loans opened after study enrollment were affected by the CBL.

Outcome	I. All participants	II. Participants with existing debt	III. Participants without existing debt
Average balance in savings account balance at the credit union	Suggestive evidence of a $253 increase	$347 increase	$4 increase but the margin of error cannot rule out a decrease

The key finding is that CBL outcomes differed based on whether or not a participant entered the study with existing debt listed on his or her credit report. The average effects across all participants (Column I) are close to zero and mask important differences based on whether the person had existing debt.

- **Likelihood of having a score**. Across all study participants, the CBL had no average effect on the likelihood of having a credit score (Column I). Forty percent of participants who entered the study without existing debt had a baseline credit score, compared to 98 percent of participants with existing debt. The CBL affected these two groups' differently. The CBL had a modest negative effect (1.6 percentage points) on the likelihood of borrowers with existing debt becoming scoreable (Column II). This is consistent with the fact that nearly all of these participants entered with a score, giving them little room for improvement. In contrast, the CBL increased the likelihood that a participant without existing debt would have a credit score by at least 25 percent. Because 30 percent of participants in the CBL group opened a CBL, this finding is even stronger when considering only those who opened a CBL.

- **Effect on credit scores**. Turning to the CBL's effect on credit scores, the overall effect across all participants was close to zero (Column I). However, participants with existing debt experienced a decrease in credit score of 3.1 points (Column II). In contrast, participants without existing debt saw their credit scores increase by 8.9 points, a statistically significant difference from the other group of 12 points (Column III). When factoring in the difference in CBL take up rates between the two groups, this suggests opening a CBL could have an effect of up to 60 points for borrowers without existing debt (compared to an average beginning score of 560), an economically meaningful change that could move borrowers to a new score band (e.g., from subprime to near-prime). Overall, the results suggest that the CBL worked as intended for people without existing debt, but not for consumers who already had debt.

- **Likelihood of making late payments**. The next two outcomes illustrate the likelihood of borrowers making at least one late payment on a loan, first for the CBL itself and second for non-CBL loans. Overall, nearly four-in-ten participants who opened a CBL made at least one late CBL payment (Column I), with borrowers with no existing loans experiencing higher delinquency rates (Columns II and III). In contrast, borrowers with existing debt—specifically installment loans, which provide no payment flexibility--had higher non-CBL delinquency rates (Columns II and III). This finding suggests that borrowers with open (installment) loans struggled to incorporate the CBL payments into their existing credit payments. Overall, the CBL delinquency rates serve as a reminder that CBLs may harm some consumers' credit.

- **Savings balances**. The researchers found some evidence that CBLs increased savings, with an average increase of $253 (Column I). This increase was entirely driven by borrowers with existing debt, who were estimated to save $347 (Column II). Borrowers without existing debt appeared to save just $4, and the margin of error could not rule out a possible decrease in savings (Column III). Although these results suggest that CBLs succeed in helping some people build savings at the same time they work on their credit, the authors caution that these results are not conclusive and may reflect in part shifting balances between different accounts rather than a net increase in savings.

Finally, important to the broader credit market perspective, CBLs did not affect the accuracy of credit scores in predicting borrowers' repayment behavior.

5. Implications for lenders, practitioners, and consumers

The study results come from a single lender, a midwestern credit union, offering a standalone CBL. Because CBLs are structured somewhat differently across lenders and each lender serves a unique client base, the results of any individual CBL program will vary. For example, a CBL program with wraparound services such as credit counseling may use specific strategies to support participants who have existing debt. Overall, the study findings highlight the importance of closely considering consumers' financial situation before opening a CBL, rather than treating CBLs as a one size fits all product.

A CBL's structure mitigates risk to the lender, and borrowers cannot end up with a lasting outstanding balance. Nonetheless, the results show that CBLs may harm some consumers' credit records. In this study, a key factor was whether or not the consumer had existing credit tradelines, something that could readily be determined by reviewing the consumer's credit report before opening a CBL. Consumers without existing credit were more likely to benefit from a CBL, both in terms of establishing a credit score and improving their score. In contrast, borrowers with existing loan obligations were more likely to struggle to incorporate the CBL into their payment obligations, for example by making a late payment on a non-CBL loan. The results provide suggestive evidence that CBLs help some borrowers save, a feature often highlighted in CBL marketing materials.

Although the evaluation focused on a specific CBL offered by one credit union, the results raise important considerations for lenders that offer CBLs or other credit-building products and service, as well as for consumers. These takeaways could be implemented and tested in a variety of different ways.

- **Lenders** may develop new ways of targeting CBL and other credit building products to consumers most likely to benefit, i.e., consumers without existing debt. Lenders might choose to direct consumers with existing debt to other credit building products. Alternatively, financial institutions could require or incentivize consumers with existing debt to participate in additional services such as financial counseling, either before they open a CBL or while they are making CBL repayments. Borrowers with existing debt may benefit from a range of services designed to help them manage and pay down existing debt and improve their money management skills. Many programs already pair

CBLs with wraparound services. Financial institutions may focus on clearly explaining how CBLs function, including how to manage CBL repayment obligations and the pros and cons of withdrawing versus saving the funds that are deposited into the borrowers' accounts after each payment. In cases when CBL payments are immediately released back to the borrower, the lender may focus on communicating that the borrower only needs to part with funds momentarily.

- **Financial capability practitioners** can continue to counsel consumers about how likely a CBL is to be a good fit, based on the consumers' current credit profile. Financial capability practitioners may partner with financial institutions to develop CBL programs that offer wraparound services such as one-on-one financial coaching or other credit education to help consumers manage CBLs alongside existing credit obligations. At the same time, these wraparound services may be less necessary for consumers without existing loans.
- **Consumers** without a credit score or those with no existing debt may find CBLs to be especially beneficial. Those consumers who do have debt may want to consider paying down other loans before opening a CBL or choosing other products and services to help them build credit. These services could include credit education, credit counseling, help with cash flow and money management, and one-on-one financial counseling or coaching.

Future studies may seek to test whether these results replicate for other CBL products, and how CBL design changes affect borrower outcomes. Although CBLs' core features are fairly standardized, the ways lenders market them to consumers and structure CBL terms and fees afford opportunities for additional innovation and testing. This evaluation highlights the importance of considering existing debt in product development and marketing. The evaluation also highlights the types of data lenders may use to evaluate the effectiveness of CBL products and programs.

6. Bureau credit building resources

The CFPB has developed resources to help financial capability practitioners and consumers with credit education and credit building, including

- **Want credit to work for you? Start with these steps**. Colorful, compact booklet designed to help financial educators talk to consumers about how to order and review credit reports, dispute any errors they identify, make a plan to establish or build credit, and respond to identity theft.
- **How to rebuild your credit.** Brochure with steps that can help consumers recover from financial challenges that hurt their credit.
- **Building credit from scratch**. Brochure with steps consumers can take to build and maintain good credit.
- **Check your credit report**. Brochure that shows free ways to check a credit report and provides information about finding and fixing mistakes, updating information, and guarding against identity theft.
- **Understand your credit score.** Brochure explaining that banks, credit card companies, and other businesses use credit scores to estimate how likely consumers are to pay back the money they borrow.
- **Where to find free access to a credit score.** Brochure that provides information about obtaining free credit scores and lists companies that offer existing credit card customers free access to one of their credit scores.
- **You have a right to see specialty consumer reports**. Brochure informing consumers about specialty consumer reporting companies and their right to get a free report from each one every 12 months.
- **Credit reports and scores.** Website with resources to help consumers better understand credit reports and scores, learn how to correct errors, and improve their credit record over time.