



# Bridging the Capital Access Gap

A Curriculum for Lenders, Business Development Organizations, and TA Providers



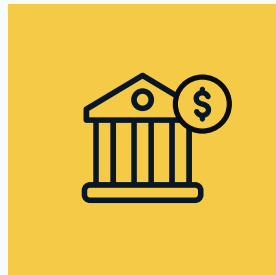
LSC



# Main Topics



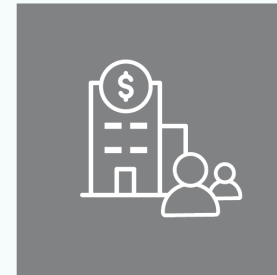
CHAPTER 1  
**Lending  
Landscape**  
(Modules 1 - 4)



CHAPTER 2  
**Underwriting  
Basics**  
(Modules 5 - 8)



CHAPTER 3  
**The Best  
Version of the  
Business**  
(Modules 9 - 14)



CHAPTER 4  
**Preparing for  
the Next Level**  
(Module 15)



CHAPTER 5  
**Resources for  
Professional  
Development**  
(Module 16)



## CHAPTER 3

# Best Version of the Business (Modules 9 - 14)

**Quality Applications** (Module 9)

**Startups vs. Existing Businesses** (Module 10)

**Loan Ready vs. Not Qualified** (Module 11)

**Improving Credit** (Module 12)

**Improving Debt Service Coverage** (Module 13)

**Collateral** (Module 14)



# Improving Credit

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# Improving Credit: What You'll Learn

- Why credit is central to capital access.
- The biggest credit challenges faced by clients who are often left out of traditional financing options.
- How you can help clients improve their credit reports.



# Why credit history is so important

## Allows consumers to:

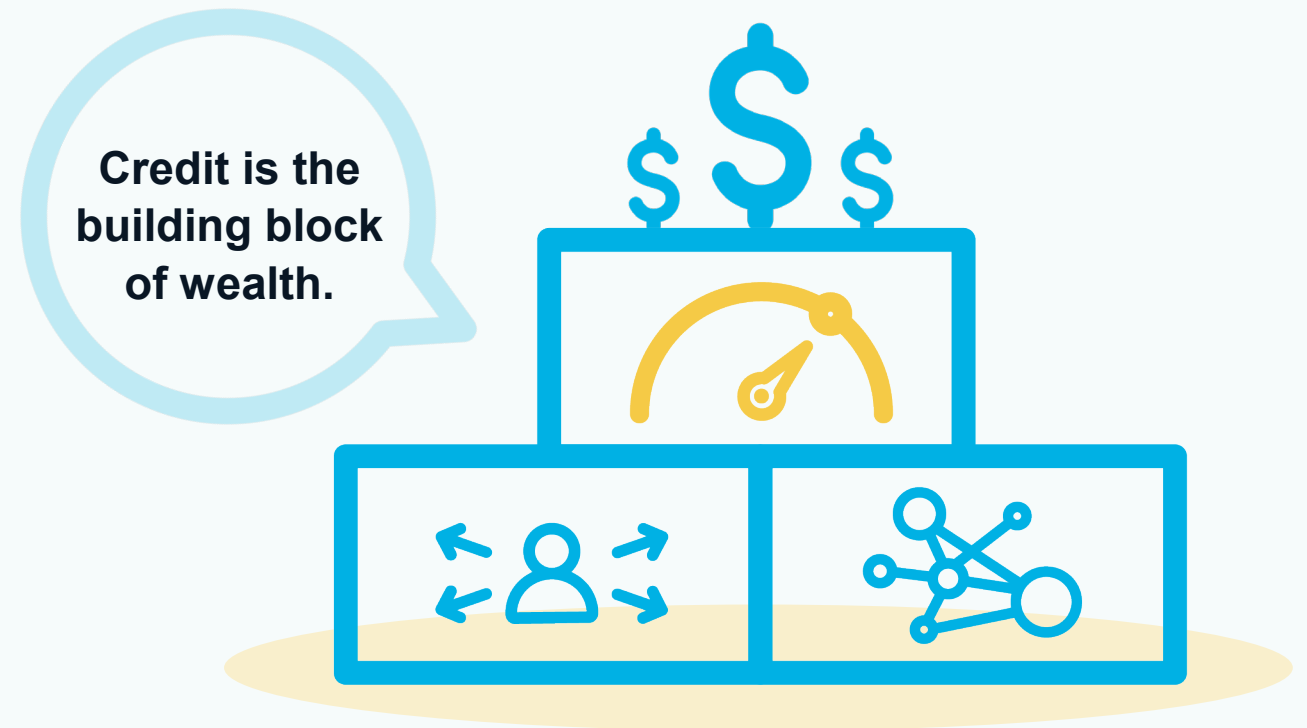
- Purchase productive assets and services such as a car, work tools, education.
- Start a business and build wealth.
- Enjoy tax advantages by deducting interest.
- Qualify for lower rates on mortgages, auto loans and all financing products thus saving hundreds of thousands of dollars over the course of a lifetime.



# Access, knowledge, power, wealth

A good or excellent credit score lowers the perceived risk and thus can:

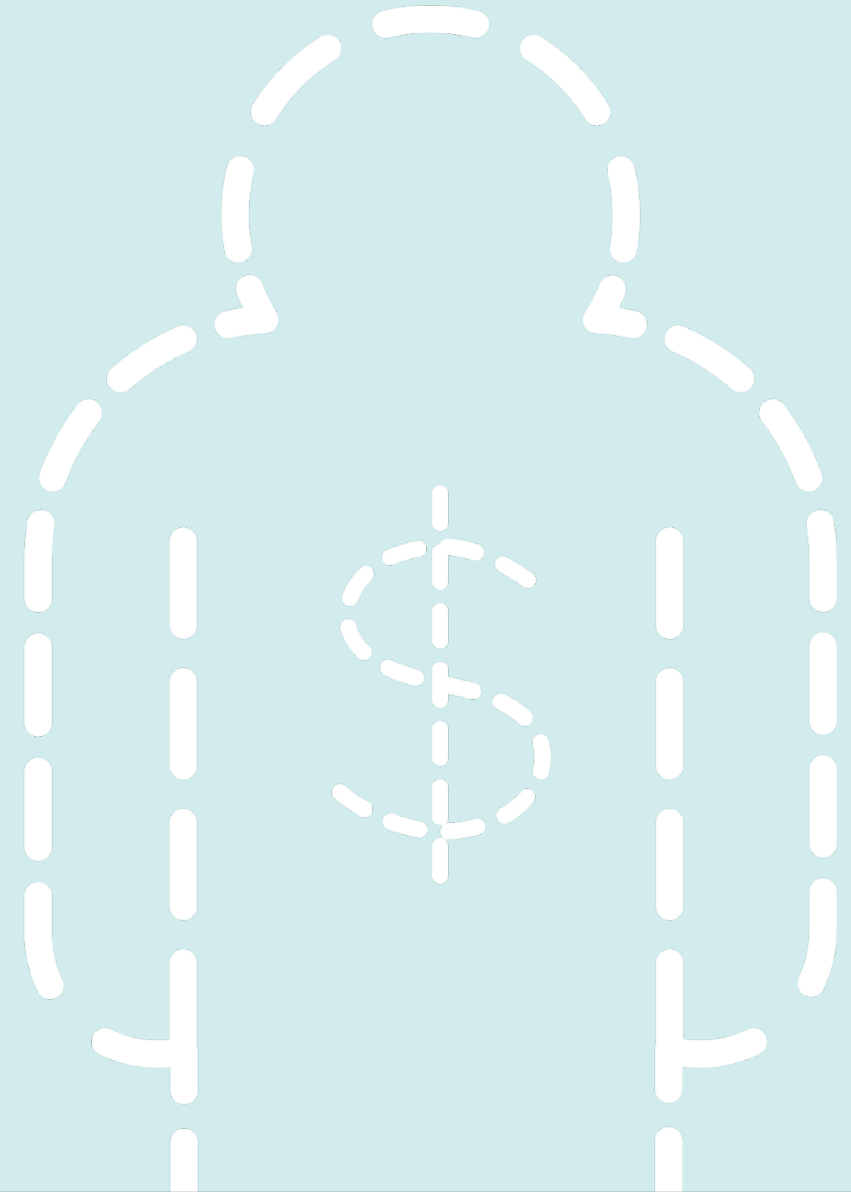
- Provide borrowers with access to more banking options.
- Allow these individuals to gain financing experience, networks, and negotiation skills.



# Little, no, or poor credit

## Credit invisibles and those with thin credit files are:

- Vulnerable to high-priced, short-term credit such as payday loans, merchant cash advances, and other predatory products.
- Vulnerable to available loan products that can leave them in cycles of increasing debt.
- This, in turn, damages their credit even more.





# More on Credit Invisibles & MCAs



**Poverty and Environment  
Research Center Video**

**“Credit Invisibles”**

**<http://vimeo.com/43396643>**



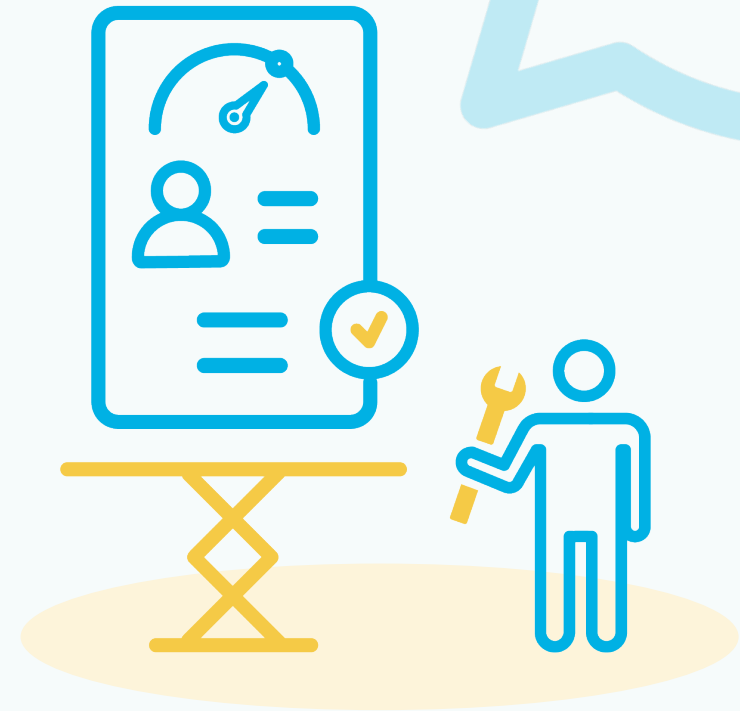
**Accion Opportunity Fund  
on merchant cash advances.**

**“Unaffordable and  
Unsustainable” – handout**

# Helping clients improve credit

- Can your business clients improve their credit?  
Yes!
- Business coaches and trainers can work with clients to improve their credit practices and increase their chances of qualifying for a loan.
- If your organization has, as part of its mission, a goal of increasing access to capital:

**Credit education, development and repair are essential services.**



# Getting started

Review credit reports with your clients, line by line, so they understand their own credit report reality.

- Ask clients to pull their credit report at: [AnnualCreditReport.com](https://AnnualCreditReport.com).
- Free weekly through December 2022 due to Covid.
- Get client's FICO score: make sure you get the one used by lenders.
- Recommend budgeting for this, especially for low-income clients.



# Consumer Financial Protection Bureau



Consumer Education ▾

Rules & Policy ▾

Enforcement ▾

Compliance ▾

[← Credit Reports and Scores](#)

LAST REVIEWED: SEP 04, 2020

## Where can I get my credit score?

There are a few main ways to get your credit score, including from a credit card or other loan statement, a non-profit counselor, or for a fee from a credit reporting agency.

<https://www.consumerfinance.gov/ask-cfpb/where-can-i-get-my-credit-score-en-316/>

# Where to purchase FICO scores



**AUTHORIZED FICO® SCORE RETAILERS** Obtain your FICO® Scores directly from an authorized FICO® Score retailer to ensure you're getting your FICO® Scores – and not any other type of credit score. If they aren't listed, they aren't delivering FICO® Scores.



[www.experian.com](http://www.experian.com)



[www.equifax.com](http://www.equifax.com)



[www.myfico.com](http://www.myfico.com)

# Improving Credit: Errors and Problems



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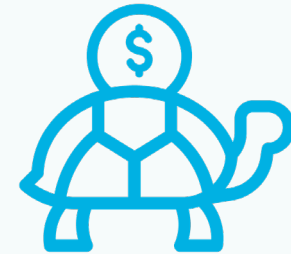
**Dispute inaccuracies**—all credit bureaus have online forms for disputing incorrect information.



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**If collections: Contact collection agencies and make a payment plan.**

Collection will still show for several years but will be marked as resolved.



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**If slow pays: Start paying credit obligations on time.**

This is where financial literacy might help: budgeting, automatic payments, how to use credit cards wisely, understanding how loans work.

# Improving Credit: Amount and Type

- Reduce credit if highly leveraged relative to income.
- Keep credit card debt to half the card limit.
- Reduce number of credit cards if client has many.  
Use cash instead.
- Limit the number and frequency of credit applications.
- Add to credit mix if possible: mortgage, revolving, and installment.



# Improving Credit: Invisibles and Thin Files

## If a credit invisible:

- Apply for a (secured) credit card or become an authorized user of someone else's credit card.
- Keep old accounts open, even if not being used.
- Research options of other credit-tracking services: UltraFICO, Rental Karma, RentTrack, Perch, Experian Boost.





# Credit repair services: Do your research

- Consumer Financial Protection Bureau on [credit repair](#).
- Federal Trade Commission on [credit repair scams](#).
- Justice Department approved list of [credit counseling agencies](#).
- Check with your state's consumer protection department.



## DO IT YOURSELF:

Your team can learn how to do this service and make it part of your program offerings.





## CHAPTER 3

# Best Version of the Business (Modules 9 - 14)

**Quality Applications** (Module 9)

**Startups vs. Existing Businesses** (Module 10)

**Loan Ready vs. Not Qualified** (Module 11)

**Improving Credit** (Module 12)

**UP  
NEXT**

**Improving Debt Service Coverage** (Module 13)

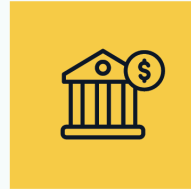
**Collateral** (Module 14)

# LISC *Capital Access* Training Modules



## CHAPTER 1 **Lending Landscape** (Modules 1 - 4)

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- 1 Lending Landscape
  - 2 When to Borrow
  - 3 Finding the Right Lender
  - 4 Building Relationships with Lenders



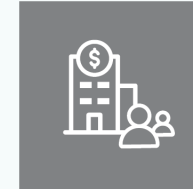
## CHAPTER 2 **Underwriting Basics** (Modules 5 - 8)

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- 5 What is Underwriting?
  - 6 Five C's Overview
  - 7 Understanding Credit
  - 8 Debt Service Coverage



## CHAPTER 3 **The Best Version of the Business** (Modules 9 - 14)

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- 9 Quality Applications
  - 10 Startups vs Existing Businesses
  - 11 Loan Ready vs Not Qualified
  - 12 Improving Credit
  - 13 Improving Debt Service Coverage
  - 14 Collateral



## CHAPTER 4 **Preparing for the Next Level** (Module 15)

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- 15 Preparing for the Next Level



## CHAPTER 5 **Resources for Professional Development** (Module 16)

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- 16 Resources for Professional Development

# Thank you for joining us!

**Presenter: Susan Brown**

Business & Nonprofit Development

Microlending & CDFI Capacity Building

Online Program Design

**[susanrileybrown.com](http://susanrileybrown.com)**

## LISC

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