Workshop on the Impact of Credit Education & Loan Worthiness with a Goal of Homeownership

Crysti B. Hopkins
Master of Science
Agriculture & Life Sciences
Education Concentration

Committee: Dr. James Anderson, Dr. Hannah Scherer, Dr. Matthew Spindler

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Introduction

Personal financial decisions made by consumers directly affect their current and future credit. The information on credit reports is used to determine credit scores. Financial institutions use this information to make loan risk/credit worthiness decisions when faced with approving or denying credit requests. There has been a 28% increase in household problem debt over the last three years. Personal finance is a topic that needs the attention of both youth and adult educators. There are many adults that do not know the following basic, important information.

- Making wise personal financial decisions includes cutting costs where possible in a family’s budget (Leech and Scott, 2009).
- Credit is offered when you are trusted to repay the lender of the funds. It is often difficult to understand the actual cost of using credit and keeping it affordable (eXtension, 2011).
- Bills that are not paid on time, especially when the creditor is not contacted, are shown as negative marks on your credit report (Hayhoe, 2009).

Credit scoring is based on five factors: payment history, amounts owed on accounts, length of credit history, taking on more debt with request, and types of credit in use which are negatively impacted by loans from finance companies (Anderson, Bau, and Hachfeld, 2004). All of these factors, if negatively affected by past poor, uneducated decision-making, may impede a person from obtaining credit approvals especially at favorable terms. Credit history problems including excessive debt usually builds over time and take time to deal with and eliminate.

Americans of all ages and backgrounds have made and continue to make uninformed credit decisions usually based on wants instead of needs in their past. Now, many people find themselves with debt levels they cannot begin to pay off without seeking help of some kind. They desire to purchase homes or safe cars for their families and cannot due to bad credit.

During the late 1990s and early 2000s, many Americans were able to easily fall into the scenario of buying with the ability to pay later. The real estate market was growing by leaps and bounds. Americans were selling their modest homes, using the equity from the sales to purchase much larger or more expensive homes. When individuals incurred rising credit card debt, they often
paid off those debts by using the equity in their homes through home equity loans, lines of credit or cash-out refinances. First-time home buyers were purchasing homes with interest only loans and adjustable rate loans based on the thought that the economy would be bringing them increased pay checks within the next three to six years when those loans would be due for adjusted interest rates and principle curtailments.

Unfortunately, those increases in pay did not come and many people found themselves without a well-paying job. Without much thought, too much credit was used by many consumers. The real estate market reached its peak and borrowers were no longer able to refinance their debts by adding those balances to their mortgages. The growing equity they had previously been able to take advantage of to consolidate debts use was no longer available. The value of the home properties had unfortunately decreased to below the purchase price many people had originally paid when they purchased the homes in which they were living. This created a situation that has resulted in consumers trying to pay back the debt they have accumulated in order to get back on track (O’Neill, 2011).

Currently, there is a great amount of effort shown by not only extension educators but educators as a whole to provide knowledge on budgeting and financial management skills to all age groups. Credit counseling is offered by a wide variety of for-profit and non-profit groups (O’Neill, 2011). There is much more credit advice and educational tools including internet articles available today to assist consumers in making sound financial decisions. Credit management strategies can be used to avoid the overuse of credit, lower the total amount of debt, shorten the term of debt, and reduce interest and finance charges paid for the use of credit (eXtension, 2011). With education for younger people offered on finances, hopefully they will have the knowledge to make smarter decisions earlier in life.

Education offered today includes information on planning strategies for obtaining credit, credit usage, debt repayment, and assessing your credit status (O’Neill, 2011). A lot of consumers currently dealing with the effects of bad credit made decisions in prior years when information
was not readily available to them or not available at all. Credit reports were only mentioned when a consumer applied for credit at a financial institution. If bad or incorrect information was on the credit report, there was no time to work towards improving the report - the loan funds were often needed immediately. Consumers were not educated on the high interest rates and the long-term effects of them on repaying credit card balances. The more credit cards one had, the better, in many minds. Also, credit card companies started sending checks in the mail to consumers. Consumers only knew to deposit them or cash them, never reading the small print about the repayment terms.

**Review of Literature**

Several research studies support education of financial management which results in positive effects on a person’s credit and credit scores (how they both are reported and determined). Financial skills learned early are advantageous to a person’s financial decision making skills. Bad early decisions can serve as disadvantages for years to come in the determination of loan worthiness.

- Findings suggest that approximately 32 percent of consumers overestimate their credit ratings while only 4 percent underestimate them. Those who overestimate their credit ratings are less knowledgeable about financial matters, are more likely to have acquired their financial knowledge from difficult past experiences, and are less likely to budget, save or invest regularly (Perry, 2008).

- Financial education is linked to changes in knowledge and behavior, particularly for females. Thus, there is a clear rationale for parents and financial professionals to encourage schools to include personal finance in their curriculum and to advocate toward mandating financial education. Financial courses prepare students to manage their income over a lifetime, but in different ways for males and females (Danes & Haberman, 2007).

- Individuals will support financial literacy education. Willingness to pay additional property taxes to fund financial education is a reality. This study indicated that taxpayers were willing to pay from 4.3 to 5.6 cents per $100 of property value for financial literacy
education, sending a clear message to legislators and school administrators that courses on financial topics are valued. These findings can be cited by financial education advocates seeking state mandated courses. Financially literate citizens are an economic asset to their state of residence (Davis & Durbard, 2008).

Personal financial decisions made by consumers directly affect their current and future credit reports’ information. The information on credit reports is used to determine credit scores. Financial institutions use this information to make loan risk/worthiness decisions and thus approval of loan requests. Making wise personal financial decisions includes cutting costs where possible in a family’s budget (Leech & Scott, 2009). Credit is offered when you have shown evidence of your ability to repay the lender the funds you have requested in the past. It is often difficult for consumers to understand the actual cost of using credit and keeping it affordable (eXtension, 2011). Bills that are not paid on time especially when the creditor is not contacted are shown as negative marks on your credit report (Hayhoe, 2009).

Many Americans of all ages and backgrounds have made many uninformed credit decisions usually based on wants instead of needs in their pasts. Now, they find themselves with debt levels they cannot begin to pay off without seeking help of some kind. They desire to purchase a home or safe, reliable cars for their families and can’t due to low credit scores. During the late 1990s and early 2000s many Americans were able to easily fall in to the scenario of purchasing too much (large and small items) with the ability to pay later. During those years, the economy was good and growing and property values were escalating. The scenario was expected to continue. Without much thought, too much credit was used. In 2011 and still today, consumers are trying to pay back that debt (O’Neill, 2011). Credit reports and scores show the struggles consumers are having in paying off the credit extended to them.

Credit scoring is based on five factors: payment history, amounts owed on accounts, length of credit history, taking on more debt with the request made at the time of application, types of credit in use which is negatively impacted by loans from finance companies (Anderson, Bau, Hachfeld, 2004). All of these factors if negatively affected by past uneducated decision making can impede a person from obtaining credit approvals especially at favorable terms. Credit problems, including excessive debt, build over time (O’Neill, 2011).
It is a responsibility in the Family and Consumer Sciences area of Cooperative Extension to provide financial management education to the public. Family and Consumer Sciences Extension Agents deliver financial education at local levels to citizens based on needs. Cooperative Extension provides educational programs to help people achieve financial stability (Jayaratne, Lyons, Palmer, 2008).

Purchasing a family home is included within the comprehensive education programs in family financial management. Getting to this point in one’s life often includes being educated on credit, credit scoring, and loan worthiness (Hayhoe, 2009). Virginia Cooperative Extension’s Vision for a Stronger Commonwealth includes teaching skills for planning for homeownership, being a wise grocery shopper, handling credit wisely, and managing finances successfully.

Education on having, maintaining and improving credit is imperative to loan worthiness. Credit counseling to improve credit situations is offered by a wide variety of for-profit and non-profit groups (O’Neill, 2011). There are educational tools available today to assist consumers in making sound financial decisions. Credit management strategies can be used to avoid the overuse of credit, lower the total amount of debt, shorten the term of debt, and reduce interest and finance charges paid for the use of credit (eXtension, 2011).

Education offered today includes information on planning strategies for obtaining credit, credit usage, debt repayment, and assessing your credit status (O’Neill, 2011). Research supports education of financial management which results in positive effects on a person’s credit and credit scores (how they both are reported and determined). Financial skills learned early are advantageous to a person’s financial decision making. Bad early decisions can be disadvantageous for years to come in determination of loan worthiness. Findings suggest that approximately 32 percent of consumers overestimate their credit ratings while only 4 percent underestimate them. Those who overestimate their credit ratings are less knowledgeable about financial matters, are more likely to have acquired their financial knowledge from difficult past experiences, and are less likely to budget, save or invest regularly (Perry, 2008). Financial
education is linked to changes in knowledge and behavior, particularly for females. Thus, there is a clear rationale for parents and financial professionals to encourage schools to include personal finance in their curriculum and to advocate toward mandating financial education. Financial courses prepare students to manage their income over a lifetime, but in different ways for males and females (Danes, Haberman 2007).

**Theoretical Framework**

The project utilized a social cognitive framework for guiding activities and understanding the perspectives through which the context and data were analyzed. Social cognitive theory holds an agentic view of human cognitive development, adaptation, and change (Bandura, 2001). According to Bandura (2006), to be an individual agent means that one has robust influence over one’s own intentionality in daily life functions and life circumstances. This means that individuals are contributors to their life circumstances and should understand themselves as self-organizing, proactive, and self-regulating entities (Bandura, 2006).

According to social cognitive theory there are four core properties of human agency: intentionality; forethought; self-reactiveness; and self-reflectiveness (Bandura, 2006). Intentionality is realized in behaviors that include action plans and strategies for actualizing them. Forethought includes extending agency through temporal spaces. In this way individuals construct goals and anticipate likely outcomes of their guided actions. Bandura (2006) states that it is the ability to anticipate outcomes that motivates current behaviors to be purposeful. Self-reactiveness properties are tied to self-regulation. Agency is realized once a plan of action is constructed which follows appropriate pathways including a series of steps in a process. The fourth agentic property, self-reflectiveness, includes aspects of self-examination and self-awareness. In this way individuals’ assessments of personal efficacy in relation to planned pursuits and actions help to drive corrective adjustments in behaviors if necessary (Bandura, 2001).

The overall program design and the course that I teach are aligned with the social cognitive approach to improving the capacity of individuals to manage their financial credit. The course
begins by helping the participants to develop a higher level of intentionality with respect to improving and maintaining a positive credit history and score. Aspects of forethought are critical in helping the participants to address their challenges and construct a plan for building good financial credit. Part of the course I teach also assists the participants to strengthen their self-reactiveness so that they are able to follow through with critical actions and behaviors throughout the process of building their financial health. Through monitoring the financial credit of the participants the director and I are able to assist the participants as they further develop their ability to exercise human agency through self-reflectiveness. By teaching skills, such as, monitoring personal credit scores the participants are developing their ability to use self-reflectiveness to adjust their behaviors and exercise more human agency over the health of their financial credit.

**Purpose, Goals, and Objectives**

Educating about, encouraging, and maintaining financial security within a community is very important for its residents and government. Financial resilience is a strong labor force factor that is a key to building economic development and bringing business opportunities to a locality. Homeownership is an indicator of financial stability, which is related to positive economic development. For many communities, growth in the number of home owners is an encouraging statistic which is correlated to the positive financial strength of its citizens. Persons who have made bad credit decisions can still become homeowners through credit education, budgeting planning, and self-monitoring.

Building financial resilience through helping consumers make educated decisions about credit and other financial decisions is critical to community viability and stability. More specifically, programming which provides instruction regarding financial literacy and personal financial planning is a responsibility in the Family and Consumer Sciences area of Virginia Cooperative Extension (VCE). The overall goal of the programming offered through VCE is to provide strong family financial management education which can help consumers make better credit and financial decisions. Family and Consumer Sciences Extension Agents deliver financial education at local levels to citizens based on local needs. In general, extension programming in many
places provides educational programing to help people achieve financial stability (Jayaratne, Lyons and Palmer, 2008). Purchasing a family home is included within the comprehensive education programs in family financial management. Understanding the home purchasing process typically includes understanding how home loans are obtained. Obtaining a loan for a home often involves learning more about financial credit, credit report scoring, and loan worthiness (Hayhoe, 2009). Virginia Cooperative Extension’s vision for a stronger commonwealth includes programming which teaches participants about the skills necessary for planning homeownership, handling credit wisely, and managing finances successfully (Hayhoe, 2009).

While the importance of financial education has only in recent years begun to be stressed, there are organizations trying to help all age groups to make sound financial decisions. Such organizations include but are not limited to: Virginia Cooperative Extension (all age groups), schools (teenagers), AARP (elderly), and financial institutions (all ages). The goal of this project is to report on the impact a VCE and Habitat for Humanity co-sponsored financial education program has on the behaviors and life circumstances of participants. The objectives of the project are to report on the ability of participants to: a) obtain and correctly analyze their credit reports and credit scores; b) plan for and make sound financial decisions; and c) obtain homeownership as outcomes of the program.

Methodology

Within this project I conducted workshops on the impact of credit on loan worthiness. The teaching materials used were The Virginia Housing Development Authority’s Homebuyer Handbook and Virginia Cooperative Extension’s program for financial volunteers. The workshops enabled participants to learn how financial decisions effect credit and how their credit scores are used by lenders as tools to assist in determining loan worthiness. The workshops have focused on consumer debt, credit card debt, loan repayment ability, strategies on improving credit scores, obtaining credit reports, and obtaining credit scores from each credit reporting agency annually. In that way participants are able to see the effects of their budgeting by obtaining four free credit reports per year. The workshops were conducted with an existing
group of Habitat for Humanity potential homeowners taking a homeownership class involving budgeting and credit among other topics. To help ease the burden on the working mothers and offer spaces for sharing amongst participants, meals were served before each class. Further, the participants were able to bring their children into the classes to avoid having to pay for additional child care. A Habitat for Humanity director and VCE agent co-taught the workshops. The co-teaching arrangement helped program providers ensure that the participants would remain qualified for the program by adhering to the Habitat for Humanity guidelines, which included continuous monitoring of participant progress.

The participants in the program are individuals who are working with Habitat for Humanity in a yearlong program. Specifically, the participants in the current project took part in a homeownership class that Habitat for Humanity requires each of their home recipients to complete. At the first meeting of the home ownership course, participants receive instruction and resources which explain and define good budget planning and monitoring skills. The next class session includes a lesson about reviewing the actual monthly budgets of participants on the income and expense sides for at least one month. Once participants have a better understanding of budgets and budget planning the instructors introduce the concept of financial credit. After participants understand the concept of credit reporting, the instructors then introduce credit scoring.

Both credit reporting and scoring are explained in relation to how creditors use the information to making decisions about credit and loans. Helping participants to understand how credit reporting and scoring is used in making credit and loan decisions serves to build their awareness of how important their credit history is to their future and ties directly to helping them better understand their own human agency. Following introductory instruction all the participants are guided through the process of obtaining their credit report from through a free government website. Once participants obtain their initial credit report program implementers work with them individually to review each section and answer questions in order to help them understand
the information and how intentionality, forethought, self-reactiveness, and self-reflectiveness in the area of financial credit are critical for improving their life circumstances.

Following the review of their initial credit report participants were informed about how to obtain subsequent credit reports for self-monitoring. The self-monitoring process and skills are particularly important to the long term financial stability of the participants and those activities are grounded in the need for human agents to guide future intentions and forethoughts through self-reactive and self-reflective (Suarez, Lesneski, and Denison, 2011). After learning these key concepts, in addition to budgeting, participants were ready to work towards improving housing for themselves and their families. The program is structured so that participants’ ability to save, decrease debt, and improve credit were reported to the program implementers on a regular basis. In this manner program implementers were able to monitor financial progress and the progress of participants on developing their ability use principles of human agency to improve their life circumstances. The program participants were required to prepare a budget (Appendix A) to use throughout the workshops in order to assist their development of plans and actions, this also served as clear connection between the program and the conceptual framework provided by Bandura’s (2006) conception of human agency. The appendix attached includes a copy of the credit report (Appendix B) used as an example in teaching and an example data collection tool (Appendix C).

Information collected for data analysis, consisted of the number of participants in each of the following areas: a decrease in their consumer debt, a decrease in credit card debt, and an increase in credit scores as determined by the Habitat director who examined their credit reports and scores every four months. These measures were collected at the time credit reports and credit scores were first pulled at the workshop and again after the first four-month interval when another credit report and score could be obtained. To assist me in conducting effective workshops, I used the indicators of human agency described by Bandura (2006). The Habitat director and I asked questions to discover and analyze the participants’ plans concerning credit
and lending at the start of the workshop. The participants were asked to prepare budgets to help them improve their credit. The Habitat director and I arranged for all participants to come in for a review of their new and hopefully improved credit reports. The Habitat director also cross-examined their planned budgets with the budgets they were actually using in an effort to see if they had been saving any funds.

Findings

The class on home ownership started being held on the second and fourth Thursdays in 2012. Twenty individuals attended the first night. The class has been offered three times now. At the start of the classes, the combined data on the participants is summarized as follows: Ten single mothers with three being disabled and two single males with one being disabled. Of those not disabled, all eight were employed full time. Eleven participants had credit issues to satisfy before becoming a homeowner. Of those eleven, four had gone through the bankruptcy process. Those with delinquencies on their credit reports contacted the creditors owed and were able to make payment arrangements to satisfy the debts.

Lesson plans were developed and can be reviewed in Appendix D - G, some topics took longer to teach on than others. We moved at the pace of the group. The majority of the participants had a low level of understanding with respect financial credit, credit reporting, and credit scores. For example, there were participants with balances on credit cards who did not realize that by making the minimum payment each month the principle balance was not being curtailed. Many participants did not know how to establish credit nor the importance of paying their creditors in full on due dates.

Prior to the class, participants were not being pro-active in trying to communicate with and satisfy the creditors. In terms of human agency, the participants were not acting with intentionality and were not exercising forethought with respect to how their lack of actions may have been diminishing their credit standing. As a result of the program the participants were better able to work with creditors and felt confident enough to call them directly, an important
change of behavior. In terms of human agency, the participants were able to build intentionality and forethought through their program participation.

Three participants first came to a homeownership class living in overcrowded housing. One participant was living in a rented trailer. Three of these participants and their families now own homes. The Louisa County Habitat for Humanity has been very blessed to have had two homes located in Louisa County owned by a local bank due to foreclosure situations donated to the local chapter. Another home is in the process of being donated. These donations are able to speed up the time taken to provide a completed home to a family in need. Another single mother with two children and working full time was homeless and renting a room at a hotel. Her conditions have improved as she is now renting a house.

Two participants came to the class already having the necessary savings to cover out of pocket costs for a Habitat home. Another four participants with no savings to start with have now been able to save the amount needed by budgeting. The use of budgets to target expenses to try to reduce and to increase savings has proven very beneficial to the participants. In terms of human agency, those participants were able to build their capacity for self-reactiveness or self-regulation which resulted in favorable changes to the circumstances surrounding them. These findings align well with the findings of Leech and Scott (2009), who stated that cutting costs where possible is a step towards making wise personal financial decisions and establishing savings.

Four other female participants were already waiting for Habitat for Humanity homes. One of the participants will be moving into her home shortly. Two of those participants are in the process of having their homes prepared by Habitat for Humanity and the fourth participant is next in line for a home.

In accordance with O’Neill’s point about a variety of educational information being offered, the knowledge of how to have and stay in good credit standing with creditors was taught to participants. And, good established credit results in lower interest rates for consumers applying for additional credit. As stated in eXtension 2011, there is difficulty in understanding the actual cost of using credit. The classes’ participants have also found this to be an area needing further explanation. This might be an area to work on building the self-reflective
component of human agency into the overall program. By building the capacity of the participants to use metacognitive reflection it is more likely that they will continue to be more aware of their financial standing and potential pitfalls.

Summary/Conclusion

My project began with the purpose of conducting a workshop on the impact of credit on loan worthiness. The workshops focused on credit and how to improve it to help one’s ability to obtain loan approvals for life’s wants and needs (homes, vehicles, etc.). The participants were individuals working with the local Habitat for Humanity organization in hopes of one day owning a home. In order to receive a home through Habitat, a requirement is to have completed a homeownership education class. I have taught each of these three series of classes in Louisa County, VA. The participants started the classes after deciding for themselves that they wanted to work with Habitat for Humanity. The credit workshops consisted of five out of twelve sessions of the course. Participants were previously interviewed by the Habitat director to make sure they fit into the Habitat program’s guidelines. Participants were provided the education to be able to understand credit and budgeting. The participants’ self-efficacy beliefs and changes in planned behavior brought them to this point. These working mothers had to arrange their work schedules, children’s pick up times from child care in the evenings, transportation to classes among other challenges to be able to attend the classes. No one missed a class without calling ahead of time to say why they were not able to attend. Arrangements were made with those needing another time to meet. Due to the evening time meetings, usually light dinners were provided. Also, the room was large enough for children to be able to come if necessary.

Through the knowledge gained in class, participants were able to see a light they had not known existed. The light represented credit management strategies that were used to avoid negative financial impacts. They now have the ability to establish good credit, improve on past problem credit, and to budget for savings. These participants had decided before classes started that they were going to be successful at whatever it took to own a home for their family.
Works Cited


# APPENDIX A

## HOUSEHOLD SPENDING PLAN

Indicate # of people in household:
- Adults: _____
- Children: _____

<table>
<thead>
<tr>
<th>NET MONTHLY INCOME</th>
<th>NOW</th>
<th>W/HOUSE</th>
<th>FLEXIBLE EXPENSES</th>
<th>NOW</th>
<th>W/HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source 1</td>
<td></td>
<td></td>
<td>Savings</td>
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<td>Source 2</td>
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<td>Groceries</td>
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<tr>
<td>Other Income</td>
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<td>Lunch (work/school)</td>
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<tr>
<td>Total Income [A]</td>
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<td></td>
<td>Eating Out</td>
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<td></td>
<td></td>
<td></td>
<td>Entertainment/Hobbies</td>
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<td></td>
<td>Laundry/Dry cleaning</td>
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<td></td>
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<td></td>
<td>Cleaning Supplies</td>
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<tr>
<td>FIXED EXPENSES</td>
<td>NOW</td>
<td>W/HOUSE</td>
<td>Clothing</td>
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<td>Gasoline/Bus/Bus</td>
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<td>Newspaper/Magazines</td>
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<td>Alcohol/Cigarettes</td>
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<td>Church/Charity</td>
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<td>Tuition/Books</td>
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<td>Barber/Beauty Shop</td>
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<td>Auto Maintenance</td>
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<td>House Maintenance</td>
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<td>Doctor/Dentist</td>
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<td>Pets</td>
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<td>Parking/Tolls</td>
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<td>Lottery/Bingo</td>
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<td>Lawn Care</td>
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<td>Maintenance/Repairs</td>
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<td>Other</td>
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<td></td>
<td></td>
<td>Total Flexible [D]</td>
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<td>Other</td>
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<td>Total Fixed [B]</td>
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<td>EXPENSES</td>
<td>NOW</td>
<td>W/HOUSE</td>
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<td>FIXED [B]</td>
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<td>DEBT [C]</td>
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<td>FLEXIBLE [D]</td>
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<td>TOTAL EXPENSES [E]</td>
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<table>
<thead>
<tr>
<th>DEBT PAYMENTS</th>
<th>NOW</th>
<th>W/HOUSE</th>
<th>FIXED [B]</th>
<th>DEBT [C]</th>
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<tbody>
<tr>
<td>Installment Loans</td>
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<td></td>
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<tr>
<td>Automobile Loan</td>
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<tr>
<td>Credit Card Payments</td>
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<td>Credit Card Payments</td>
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<tr>
<td>Credit Card Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Card Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Debt [C]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** If you have accounted for all your expenses, including savings, your difference should be $0.00. If you come up with a positive number, you may want to consider allocating the extra money toward your debt and savings. If you come up with a negative number, you are spending more than you make. Review the budget thoroughly to examine where you can trim your expenses.

---

**Applicant Signature:**

---

**Applicant Signature:**

---

**CERTIFICATION:** I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable.

---

**Lender or Counselor Signature:**

---
Online Personal Credit Report from Experian for

John Q. Consumer

Your report number is
1532064065
04/22/2007

Experian compile and organize information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, employers and others as allowed by law, which can expose your ability to obtain credit and can make offers of credit available to you. We do not grant or deny credit; each credit grantor makes that decision based on its own guidelines.

To return to your report in the near future, log on to www.experian.com/consumer and select "View your report again" or "Dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing.

Potentially Negative Items

Public Records

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

MAIN COUNTY CLERK

Address: 123 MAIN STREET
BUFFALO, NY 10000

Status: Civil claim paid.

Date Filed: 10/15/2000
Date Resolved: 03/04/2001

Responsibility: INDIVIDUAL

Credit Items

For your protection, the last few digits of your account numbers do not display.

ABCD BANKS

Address: 100 CENTER RD
BUFFALO, NY 10000
(716) 555-5555

Status: Paid/Paid due 60 days.

Date Opened: 06/05/2005
Reported Since: 11/15/2005

Terms: 12 months
Date of Status: 04/04/2007

Credit Limit/Original Amount: $500
High Balance: $0
Recent Balance: $0 as of 04/2007
Recent Payment: $0

Accessibility:
60 days as of 12-2006
50 days as of 11-2006

Account History:

Report number:
You will need your report number to contact Experian online, by phone or by mail.

Index:
Navigate through the sections of your credit report using these links.

Potentially negative items:
Items that creditors may view less favorably. It includes the creditor's name and address, your account number (shortened for security), account status, type and terms of the account and any other information reported to Experian by the creditor. Also includes any bankruptcy, lien and judgment information obtained directly from the court.

Status:
Indicates the current status of the account.

If you believe information in your report is inaccurate, you can dispute that item quickly, effectively and cost free by using Experian's online dispute service located at:
www.experian.com/disputes

Disputing online is the fastest way to address any concern you may have about the information in your credit report.
### Sample Credit Report

**MAIN COLL AGENCIES**

**Address:** PO BOX 123  
**City, State:** AMTOWN, PA 1000  
**Phone:** 652-555-555

- **Status:** Collection account, $65 past due as of 4-2005.

<table>
<thead>
<tr>
<th>Date Opened:</th>
<th>Type:</th>
<th>Original Creditor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/2004</td>
<td>Monthly</td>
<td>TELEVISION CABLE COMM.</td>
</tr>
</tbody>
</table>

#### Credit Limit/Original Amount:

- $65
- High Balance: NA

#### Recent Balances:

- $65 as of 04/2005
- Recent Payment: $0

**Your statement:** ITEM DISPUTED BY CONSUMER

**Account History:**

Collection as of 4-2005

**Accounts in Good Standing**

**AUTOMOBILE/AUTO FINANCE**

**Address:** 100 MAIN ST E  
**City, State:** AMTOWN, ND 90001  
**Phone:** 652-555-555

- **Status:** Open/Other Inq.

<table>
<thead>
<tr>
<th>Date Opened:</th>
<th>Type:</th>
<th>Credit Limit/Original Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/2004</td>
<td>Installment</td>
<td>$10,005</td>
</tr>
</tbody>
</table>

- **High Balance:** NA

#### Recent Balances:

- $7,854 as of 04/2007
- Recent Payment: $0

**Account History:**

Collection as of 4-2005

**Accounts in Good Standing**

**MAIN**

**Address:** PO BOX 1234  
**City, State:** PERTYLAND, FL 10000

- **Status:** Closed/New Inq.

<table>
<thead>
<tr>
<th>Date Opened:</th>
<th>Type:</th>
<th>Credit Limit/Original Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/1997</td>
<td>Installment</td>
<td>NA</td>
</tr>
</tbody>
</table>

#### Recent Balances:

- $3,328
- Recent Payment: $0

**Your statement:** Account closed at consumer's request

**Accounts in good standing:**

List accounts that have a positive status and may be viewed favorably by creditors. Some creditors do not report to us, so some of your accounts may not be listed.

**Type:** Account type indicates whether your account is a revolving or an installment account.

---

**Your statement:**

Account closed at consumer's request.
Requests for Your Credit History

Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested to view your credit history as a result of actions involving you, such as the completion of a credit application, the transfer of an account to a collection agency, application for insurance, mortgage or loan application, etc. Creditors may view these requests when evaluating your creditworthiness.

**HOMESALES REALTY CO**
- **Address:** 3000 E MAINROAD BLVD STE ANYTOWN CA 1111
- **Date of Request:** 07/16/2006
- **Comments:** Real estate loan on behalf of 2000 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 9-2006.

**M & T BANK**
- **Address:** PO BOX 100
  BUFFALO NY 14000
  (555) 955-5555
- **Date of Request:** 06/05/2006
- **Comments:** Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.

**WESTERN FUNDING INC**
- **Address:** 191 W MAIN AVE STE 100
  INTOWN CA 1234
  (555) 955-5555
- **Date of Request:** 01/25/2006
- **Comments:** Permissible purpose. This inquiry is scheduled to continue on record until 3-2006.

Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested to view your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example:

- other creditors who want to offer you preapproved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation;
- a credit reporting agency or other credit reporting agencies to process a report for you;
- your existing creditors to monitor your activity (date listed may reflect only the most recent request).

We report these requests only to you as a record of activities. We do not provide this information to other creditors who evaluate your creditworthiness:

**MAIN BANK USA**
- **Address:** 1 MAINCTR AA 11
  BUFFALO NY 14003
- **Date of Request:** 06/10/2006

**MYTOWN BANK**
- **Address:** PO BOX 625
  INTOWN DE 10000
  (555) 955-5555
- **Date of Request:** 08/05/2006

**INTOWN DATA CORPS**
- **Address:** 2000 E MAINTOWN BLVD STE
  INTOWN CO 1111
  (555) 955-5555
- **Date of Request:** 07/18/2006
Personal Information:

The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud prevention efforts, a notice with additional information may appear. As a security procedure, the Social Security number that you used to obtain this report is not displayed. The Name Identification number and Address Identification number are how our system identifies variations of your name and address that may appear on your report. The Geographical Code shown with each address identifies the state, county, census tract, block group and block group Statistical Area associated with each address.

Names:
John Q Consumer
Name Identification number: 15621

Jonathan Q Consumer
Name Identification number: 16422

J. Q. Consumer
Name Identification number: 15623

Social Security number variations:
999999999

Year of birth:
1969

Spouse or co-applicant:
Jane

Employers:
ABCDE Engineering Corp

Telephone numbers:
(503) 555-5555 Residential

Address:
123 Main Street
Anytown, MO 65001-6650
Address Identification number:
027745504
Type of Residence: Single-family
Geographical Code: 0-15610-30-24A0

Address:
555 Simple Place
Anytown, MO 65001-7777
Address Identification number:
0170090090
Type of Residence: Single-family
Geographical Code: 0-15610-30-24A0

Address:
999 High Drive Apt 123
Anytown, MD 20003-3555
Address Identification number:
01701239501
Type of Residence: Apartment complex
Geographical Code: 0-15610-30-24A0

Personal statement:

Any personal statement that you added to your report appears here.

Note: statements remain as part of the report for two years and display to anyone who has permission to review your report.

Contacting Us

Contact address and phone number for your area will display here.

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Data Collection Instruments to Use

APPENDIX C

Objectives:

1. Educate participants on making sound financial decisions
2. Participants will obtain & examine their own credit reports & credit scores
3. Participants will learn how credit scores are used as an important tool in deciding on their loan worthiness

Prior to and Post Evaluation Questions given at workshop:

1. Have you ever looked at your credit report? (Obj. 2)
2. Do you know what is on a credit report? If yes or no, explain, please. (Obj. 2)
3. Do you know that you can receive your credit report from the three credit reporting companies once a year (thus a copy of it every 4 months to be able to monitor it)? (Obj. 1)
4. Do you know how your decisions concerning bills (paying on time as well as adding new ones) and debts affect your credit report? (Obj. 1)
5. Do you know what makes up your credit score? Please explain. What improves it and lowers it? (Obj. 2)
6. Is tracking your expenses, however small they may be, important to you? Is it now after taking this credit workshop? (Obj. 1)
7. Do you have a budget? Are you staying on task with it? (Obj. 1)
8. Do you understand how credit decisions are made by lenders? (Obj. 3)
9. Do you know that lenders look at your total monthly income and compare it to your total monthly expenses and the amount you have leftover to handle unexpected expenses? (Obj. 3)
10. Is homeownership important to you? (Obj. 1)
11. Are you willing to do whatever it takes to improve your credit in order to receive loan approvals to be able to have items deemed important to the quality of life to you and your family? How? (Obj. 1)

Each 4 months following obtaining the first credit report in class, participants will be asked to meet with me to discuss how they are applying the basic skills taught at the workshop. I will be serving as a facilitator. (Obj. 3):

1. Pull a credit report and score from another company
2. Review their efforts to improve their credit report and score
3. Review their budgets & assist them with ideas on making improvements
4. Have any new debts been incurred & have any been decreased?
5. Have efforts made to remove incorrect information been successful?

Set up appointments with the participants at a 1 year mark to go over their financial position, reviewing the 5 questions above. (Obj. 5)
Exhibit D

Terms

Homeownership – being the owner of a home.

Budgeting – ability to examine one’s income and expenses to determine in what categories need to be decreased and/or increased

Record Keeping – maintaining a list of receipts, bills, pay stubs, etc. to look back on to make budgeting more realistic

Habitat for Humanity - non-profit organization trying to improve housing for the world

Planning – deriving a plan of what you want to achieve and the steps to get there

Expenditures – what you are spending your income on

Household Spending Plan – the form to be used by participants to track income and expenses

Net Income – the amount of income you receive after taxes, insurance, etc. is deducted to cover monthly expenses

Total Income – income received from all sources (employment, child support, disability, etc.)

Fixed Expenses – living expenses that remain the same each month

Debt Payments – monthly payment amounts on debt you owe

Total Debt – fixed expenses and debt payments on a monthly basis

Flexible expenses – expenses that may change from month to month

Total expenses – fixed expenses, debt payments, flexible expenses combined

Positive or Negative number from subtracting total expenses from total income – to determine if you are spending more than your income per month or to see that you are covering your expenses with some income left over which may be used to decrease credit balances.

Credit – ability to obtain goods, money, or services in return for a promise to pay at some later date

Credit scoring – a number that reflects your credit worthiness based on previous actions

Experian, Equifax, and TransUnion – credit bureaus

Collections – a negotiable instrument used in an attempt to collect funds owed

Judgements – a decision made by a court determining the amount owed to and from two parties
Bankruptcy – legal status of a person or other entity that cannot repay the debts it owes to creditors usually filed in a court

Voluntary repossession – debtor voluntarily gives up possession of the property he or she is owing on to the creditor

Tri-merged credit reports – a very detailed credit report combining the data from all three credit bureaus

Alternative documents to use in determining credit worthiness – when an individual does not have a credit history, other types of proof of a payment history can be used. Examples are: electric bill, phone bill, rent payments made

“Pulling Credit Reports” – actually obtaining a credit report electronically

Delinquencies/late payments – payments not paid in the manner agreed on – not made on the payment due dates

Creditor – party extending credit

Debtor – individual owing money to a creditor for goods or services

Affordability – one is able to include another payment added to their monthly total expenses and still have total monthly income to cover it while maintaining savings their savings plan and unexpected costs

House payment – amount of principle, interest, usually 1/12 of property taxes on the home and 1/12 of the insurance premium on the home to pay the debt off in the specified length of the mortgage

Loan Closing – when all documents are signed transferring ownership of a home to the new home owner. Purchaser then also will be signing documents obligating them to pay back the mortgage used to buy the home.

Sweat equity – amount of work a purchaser devotes to building or improving a home in place of making a down payment of cash

Disclosures – documents signed at closing in relation to the mortgage to insure understanding of the purchaser

Obligations – total expenses

Maintenance costs – costs incurred to make any repairs or improvements to a home to keep it in good condition