

Credit Building with Returning Citizens

Especially for people incarcerated for a lengthy period, credit building can offer a fresh start that can build confidence as they re-enter daily life. Just as organizations do with other target demographics, credit building begins with education about how the credit system works and what it affects. Returning citizens have reported that practicing positive credit building behaviors and seeing their credit score increase empowered them and gave them confidence so they could take active steps towards opening a business or getting a job. Here are the key steps financial counselors can take to assist returning citizens with their financial health and credit.



Getting banked

Connecting clients to checking accounts helps them establish a relationship with a mainstream financial institution.

1. Does your client have an open bank account? If not, did they ever have one that was closed by the bank? If so, they may have a negative “ChexSystems” report that may impact their ability to get a traditional checking account. Clients can request a copy of their ChexSystems report online (chexsystems.org).
2. Clients who can’t get traditional checking accounts may be able to get a “second chance” checking account, which often carry a monthly fee but are available to clients who have a negative ChexSystems report. Nerd Wallet is one of a number of national sources to find banks and credit unions that offer these types of accounts.

Review the credit report with the client. Identify the credit challenges to address:

1. Collections
 - a. What are the dates of the collections? After seven years, most collections will no longer appear on the credit report. If the date the collection was opened occurred during the client’s incarceration, consider disputing the collection using the steps below.
 - b. How much of the collections are medical collections? Medical collections factor less heavily in recent credit score models so they are often less of a priority to address with the client.
2. Child support
 - a. If unpaid child support shows up on the credit report, confirm that it is valid and accurate. Child support obligations during incarceration vary by state. Consult your state child support bureau for information on how your state handles these obligations.
 - b. The client should contact the child support agency to confirm the amount owed and enroll in a payment plan.
 - c. Programs exist in many states that allow child support obligations to be reduced or forgiven after a number of successful payments have been made.
 - d. Some agencies may agree not to report negative information to the client’s credit report once they have made a minimum number of on-time payments on the payment plan.



Check for active accounts on the credit report.

1. Does the client have credit accounts reporting to the credit bureau that were kept active during incarceration, i.e active tradelines.
2. Are they current or delinquent? If delinquent, how far behind are they? The client should contact any creditors to ask about payment options for bringing delinquent accounts current. The client should focus on a payment plan to bring active tradelines current. Current existing tradelines can positively impact the client’s credit score.
3. If the client has fewer than three active tradelines in good standing and is in a position to successfully manage additional credit, consider assisting the client in opening and managing new lines of credit that report to the credit bureaus. Credit builder loans and secured credit cards can be good starter products.

Dispute inaccurate credit report data or activity related to identity theft.

1. Incarcerated people may be at risk of identify theft, including unauthorized accounts being opened in their names. These accounts may include utilities, phone, or cable. If there is any credit activity that isn’t accurate or doesn’t belong to the client, reach out to the collections agency or the original creditor to find out when the accounts were opened, and associated addresses for the account(s) in question.
2. Have the client collect proof of incarceration to submit when disputing charges that occurred during imprisonment. The client should consider filing a police report and submitting it along with the dispute.
3. Write dispute letters or submit to the credit bureaus via online forms. The Consumer Financial Protection Bureau’s dispute guide is particularly helpful as it contains dispute instructions and template letters, addresses and online links for submitting disputes.
4. If the dispute is rejected, contact the creditor and ask for more information on how to submit an additional dispute.