

## Economic Power Of Black And Other Consumers Limited By Low Knowledge About Credit

By Hazel Trice Edney

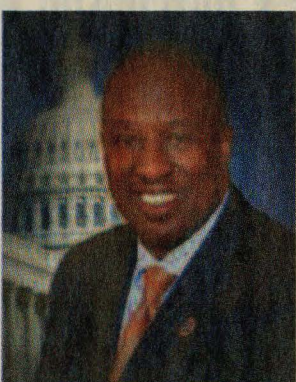
(Trice Edney Wire) – Despite the level of economic destruction suffered by millions of Americans –and disparately by African-Americans – during the housing crisis, many people still have only basic knowledge of credit scoring rather than knowledge of the complexities still impacting their financial lives, according to a new survey.

“The good news is that consumers understand the basics of credit scores, such as the importance of making loan payments on time,” says Stephen Brobeck, executive director of the Consumer Federation of America (CFA), which recently released the results of its sixth annual credit score survey. “The bad news is that this knowledge is limited and, each year, can cost them hundreds of dollars in fees on services and additional interest on

consumer loans,” he said in a release announcing the survey results.

Brobeck led a June 13th phone conference announcing the survey results. He said one of the most critical unknown facts about credit scores is that “low scores can add hundreds - even thousands of dollars - to your credit costs every year.”

The results are not broken down by race, but financial experts indicate this lack of knowledge has more severely impacted African-Americans and Latinos since they already suffer more economic disparities than people of other races. Financial experts at the Durham-based Center for Responsible Lending (CRL) says racial minorities are often even targeted for financial abuse; then when their credit scores plummet, their financial lives become even



Ron Busby

more difficult.

“Every day working for CRL, I’m reading information about finances. And invariably from one issue to the next, Black people – Blacks and Latinos – are getting the short end of the stick. It’s just horrible,” says CRL spokeswoman, Charlene Crowell.

Among the findings of the CFA survey of 1,005 adults in April are as follows:

- Consumers greatly underestimate the cost of low credit scores. Only 22 percent know that a low score, compared to a high score, typically increases the cost of a \$20,000, 60-month auto loan by more than \$5,000.

- A significant minority do not know that credit scores are used by non-creditors. Only about half (53 percent) know that electric utilities may use credit scores (for example, in determining the initial required deposit), while only about two-thirds know that these scores may be used by home insurers (66 percent), cell phone



Charlene Crowell

companies (68 percent), and landlords (70 percent).

- Over two-fifths think that marital status (42 percent) and age (42 percent) are used in the calculation of credit scores. (While these factors may influence the use of credit, how credit is used determines credit scores.)

- Only about half of consumers (51 percent) know when lenders are required to inform borrowers of their use of credit scores – after a mortgage application, when a consumer does not receive the best terms on a consumer loan, and whenever a consumer is turned down for a loan.

Attaining the necessary knowledge about the financial world, including about credit scoring, can be the key to a new economic beginning, experts say. Ron Busby, president/CEO of the Washington, DC-based US Black Chambers Inc. says, “The number one, two and three concerns for Black businesses is access to capital.”

Some business credit difficulty has been related

to historic discrimination against Black-owned businesses. But often times when seeking to attain credit, Busby said, “I do believe we just go unprepared.”

To help prepare communities and individuals with crucial information, the CFA has a credit knowledge quiz by which current or prospective borrowers can learn how much they don’t know, but also learn new, valuable information. The 12-question quiz can be found at [creditscorequiz.org](http://creditscorequiz.org).

Other important credit information is also readily available on line, including personal credit scores, says Barrett Burns, president/CEO of VantageScore Solutions. VantageScore is a 10-year-old credit scoring model created by the three national credit reporting companies, Equifax, Experian and TransUnion, which aims to “address the economic realities” of the 21st century.

“Access to scores and to the tips and explanations that accompany them on many of the sites give consumers a better chance to understand their credit worthiness before applying for a loan,” Burns said on the phone conference. “These scores help consumers take charge of their credit profiles and to improve their credit scores before they seek credit and when they’re ready to apply for a loan these websites

help consumers consider many different credit products side by side on an online dashboard allowing them to make more informed decisions.”

The national survey also revealed that millennials (18-34 year-olds) know less about credit scores than do generation-exers (35-51 year-olds). This indicates the need for early credit education. “On eight of nine key knowledge questions, gen-exers scored more highly than millennials,” the release states.

In a nutshell, the CFA survey advises consumers of all ages to “raise their credit scores or maintain high scores” by doing the following:

- Consistently make loan payments on time every month.
- Using a small portion of the credit available on a credit card.
- Pay down debt rather than just moving it around, as well as not open multiple new accounts at the same time.
- And check credit reports to make sure they are error-free by contacting [annualcreditreport.com](http://annualcreditreport.com) or by calling 800-322-8228.

Crowell concludes, “Whether it’s buying a car, buying a home, managing credit card debt, managing student loan debt, all of those things contribute to your credit scores. You don’t want to default on a loan, whether it’s a car or a home – you don’t want to do that.”

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## Real Life 101 Announces Seattle Scholarship Recipients



2016 Real Life 101 Scholarship recipients from Seattle.

Real Life 101 — a non-profit organization out of Detroit, Michigan that provides college scholarships for selected inner city, African American males who are graduating from high school – recently honored and announced their 10 scholarship recipients from the Seattle area.

As a result of the 100 Black men gathering that took place in February at Southshore Pre-K – 8 School in Seattle, all 10 scholarship recipients are African Americans males who previously attended Southshore.

Bryant George, executive director of Real Life 101, says he was looking for schools to

partner with in Washington State when he came across an article about the 100 Black men’s gathering at Southshore.

“I came across an article that stated that the 100 Black men came to a middle school and greeted every student that came into the school that day and that is something that our Black male task force committee here in Detroit, Michigan has done at several elementary and middle schools,” said George in an interview with The Seattle Medium in February.

“I was completely impressed with how the community has united around the young people and how the community has given them a vision and

how they are serving as role models for the kids who might be considered to be at risk by society’s standards,” added George.

This year’s scholarship recipients are: JoNathan Alderson, Marquise Bennett, Jeremiah Conyers, Devin Doss, Keiron Goodwin, Shedrick Johnson, Aristotle Marr, Airik Myers, Mehki Rogers and Jessie Williams.

Each student will receive a \$10,000 scholarship (payable at \$2,000 per year for up to five years), a new laptop computer fully loaded with software, and a computer backpack. In addition, each student will be paired with a Certified Real Life Mentor while in the program.

According to Sid Taylor, founder and chairman of Real Life 101, the mission of the

organization is to invest in education and not incarceration. Taylor says that it cost \$22,600 per year, per inmate to house people in prison and that his organization and the taxpayers are the ones who pay the bill, but Real Life invests in the kids’ future and hopes that the community will reap the benefits of this investment.

“They [Black males] have a one in three chance of going to prison,” Taylor said. “We are investing in them on the front end, which is a positive investment instead of investing in them on the back end, which is a negative investment.”

Founded in 2000, the organization has awarded more than 500 scholarships and over \$1,500 laptops to inner city African American males across the country.

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