

Secured Credit Card Success Stories
justine PETERSEN

A barber shop owner in East St. Louis, IL, applied to justine PETERSEN (JP) for a micro-loan in October 2009. His credit score was 557. He had \$4,664 in collections, a car loan that he was paying on time and four payday loans that he was also paying on time. The JP counselor discussed how short-term payday loans don't strengthen the credit profile and have a high interest rate. Because of lack of collateral JP was unable to originate a micro loan, but the customer was interested in credit building and a plan was created to improve his credit profile.

1. Establish active lines of credit. The customer opened a JP credit building loan and a secured credit card in October 2009.
2. Dispute inaccurate information. The largest collection (\$2,000) was included in the customer's 2000 bankruptcy, but still reporting on the credit report. Counselor assisted him to dispute the account.
3. Settle collection debt.

In September 2010, the customer had made successful payments on his JP credit building loan each month and was keeping his balance low and paying on time to his secured credit card. All his other collections had been settled/ paid and the disputed account was showing a zero balance. His credit score had risen to 601.

In November 2010, the customer applied for a JP micro loan to purchase additional chairs for his barber shop. Since he had established a payment history, JP originated the \$3,000 micro-loan even though he did not have collateral.

In February 2011, the customer's credit score had risen to 639. All of his accounts were reporting current and his balance on his secured credit card was low.

Another customer applied for a JP micro-loan for his hauling company in March 2009. His credit score was 537. He had \$2,300 in collection debt, a \$1,300 civil judgment, and no active lines of credit. A plan was created to assist him to improve his credit profile.

1. Establish active lines of credit. In August 2009, the customer borrowed \$5,300 micro-loan and he opened a secured credit card. He was advised to pay on time both lines of credit and keep his balance on his credit card down.
2. Settle collection debt. Counselor discussed how to settle collections for 50% of the balance owed.

In September 2010, his credit score had risen to 592. He was paying both lines of credit on-time, but had not yet settled his collection debt.

In February 2011, all collections and the civil judgment have been settled. His JP micro-loan and secured credit card had been paid on time for 16+ months. The customer's credit score is 665. He has been approved for an FHA mortgage loan and is looking to purchase a home.