

## Scoring credit

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Some people may have had the rare misfortune of being turned down for a loan or being offered a loan at a higher interest rate because of a low credit score. But for low-income people in Baltimore, it's an all-too-common experience, according to a recent report from the Job Opportunities Task Force.

Credit scores have increasingly become a screening device to determine not only the interest rate on a home mortgage or a car loan but also whether a poor person can rent an apartment or get a job. It's a problem that calls for more flexibility on the part of financial institutions, closer monitoring of "debt management" companies and targeted campaigns to educate low-income consumers.

Paying bills on time, having bank accounts and not having too much debt generally help increase one's credit score and allow lenders to determine whether a potential borrower is creditworthy or not. But about 25 percent of the nation's lowest earners have no bank account (compared with less than 5 percent of the highest earners), a proportion that likely holds true in Baltimore, according to the task force.

Credit scores can also easily be lowered because of debt from medical expenses, credit cards and student loans. The inability to get a fair loan from a reputable financial institution can push a poor person to check cashers or pawnbrokers who charge higher interest rates or fees, and help contribute to the \$2,800 annual "poverty premium" that the task force report estimated in Baltimore.

More banks should develop low-cost accounts that would attract low-income customers who are ready to start building assets. Some credit bureaus, such as Pay Rent, Build Credit Inc. in Annapolis, have developed alternative credit models for consumers to show that they have paid bills on time or have completed a financial literacy course as evidence of their financial stability.

But there should also be more-extensive efforts - through public education campaigns and individualized counseling - to let low-income consumers know that they have better options to clean up their credit and not fall victim to financial exploitation.

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