Youth Credit Matters

Pilot-testing the nation's first credit-building and saving model for working young adults

This summary highlights the results of a two-year pilot study of MyPath Credit, the nation's first credit-building and saving model for working young adults from low-income communities.

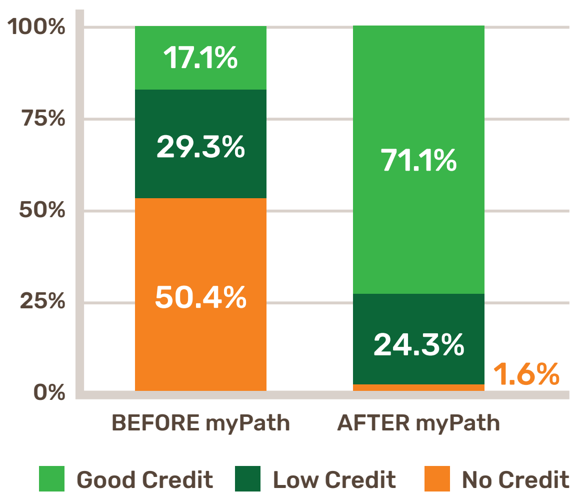
FINDINGS

Four in Five Low-income Young Adults Face Credit Barriers

More than three-quarters of low-income working young adults (79.7%) in the study face credit barriers. At the start of the program, more than half of participants (50.4%) had no credit score, or were "credit-invisible" and nearly one-third (29.3%) had low credit scores (FICO score under 680). Less than one-fifth (17.1%) had good credit scores (FICO score 680 or higher).

MyPath Participants Saw Statistically Significant Improvement in Credit Scores

- **96.7%** of those who were "credit-invisible" at the start of MyPath Credit moved into the good credit score range six months later.
- Those who had low credit scores improved their credit scores an average of **23 to 30 points** after six months.
- Those who started with good credit scores saw **no significant change** in their credit scores.
- More than **two-thirds (71.1%)** of participants achieved a good credit score after 6 months. **64.9%** of participants had a FICO score of 680 or higher after 6 months.



MyPath Credit Produces Emergency Savings

During the pilot, participants saved on average $500, collectively saving $60,500. Many continued saving after repaying the loan by keeping their auto-debit feature active and making automatic savings deposits from each paycheck.

MyPath Credit Increases Financial Knowledge and Self-Efficacy

After the 12-month program, participants reported statistically significant higher levels of financial knowledge and financial self-efficacy.

Profile of the 121 youth participants

$7,366
Youth's personal average annual income

$26,024[1]
Average annual family income

- **51%** African-American
- **16%** Latino
- **14%** Asian or Pacific Islander
- **6%** White
- **13%** Other/Unknown

45% FEMALE **55% MALE**

[1] $26,024 is approximately half of Oakland's median income and nearly a third of San Francisco's

About MyPath Credit

MyPath Credit is a model designed to be embedded into employment programs for young adults from low-income communities. The goal of the model is to build savings, credit and financial confidence while young adults are earning their first paychecks.

Why MyPath Credit?

Strong credit can boost economic opportunity for young adults, since strong credit is needed to get a job, good housing and quality loans. Poor credit, however, can place these dreams out of reach. By giving young adults the financial information and tools needed to create a "savings muscle" and establish an emergency fund, we increase their financial stability, provide an alternative to predatory credit, and position them to weather financial shocks.

NEXT STEPS

Interested in learning more? Please email Senior Manager of Evaluation, Elizabeth de Renzy, at **liz@mypathus.org**.

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The MyPath Credit model piloted for this study includes:

- Two group financial education workshops covering credit basics and credit-builder loan enrollment
- One-on-one financial coaching sessions (at least one session required)
- A credit-builder loan whose proceeds are "frozen" for its 12-month duration while participants make small monthly payments, and released upon repayment. Payments are made with auto-debit and are reported to the three major credit bureaus. Following repayment, participants will have an average of $500 in savings and an improved FICO score, typically ranging from 680 to 700 for those participants who enter the program with no credit history.

Pilot Partners

- **Youth Employment Program Partner:** Year Up Bay Area, a nationally recognized youth leadership and employment program serving young adults from low-income communities ages 18–24.
- **Financial Institution Partner:** Self-Help Federal Credit Union, a leading community development credit union based in California.
- **Research Partner:** University of Georgia.

MyPath provided the pilot partners with technical assistance on MyPath Credit planning, program delivery and troubleshooting, as well as data collection and outcome measurement tools.

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KEY LESSONS

- **Credit is a major barrier facing young adults from low-income communities**
- **Given the right tools and information, working young adults can save and build credit**
- **Credit building and saving models can be effectively integrated into an employment program for young adults**
- **Once employed and financially capable, young adults continue to seek financial advice**

Full study brief: https://bit.ly/2w2hUcu