

Partnering with Families to Build Economic Security During Emergencies



Partnering with Families to Manage Credit and Debt

Families may need to access credit or adjust their debt management strategies at any time, including during an emergency or natural disaster. Early care and education professionals can partner with families to:

1. Manage credit and debt during emergencies
2. Manage credit and debt for long-term goals
3. Track progress and celebrate successes

1. Manage Credit and Debt During Emergencies

Emergencies and natural disasters may impact a person's credit due to changes in income or other circumstances. These are times for families to address their immediate financial needs and protect their future financial goals. Early care and education professionals can support families to manage credit and debt during emergencies by sharing information about the following:

- **Credit.** Credit is an agreement between a lender and a borrower. The borrower promises to repay the lender by a certain date with interest. Interest is a fee charged for borrowing money.
- **Debt.** Debt is the amount owed to a lender. Some common forms of debt are home mortgages, car loans, personal loans, and credit card balances. It is up to each individual to decide when going into debt is worthwhile and when debt may cause them stress and financial worry.

- **Protecting credit during emergencies.** Many lenders have announced procedures to help borrowers who are impacted by the current national health emergency pandemic. Visit the Consumer Financial Protection Bureau (CFPB) website to learn more.
 - Some lenders are willing to provide loan extensions, a reduction in interest rates, and temporarily lower or paused payments (forbearance).
 - Some lenders may choose to not report late payments to credit reporting agencies or will waive late fees due to the current pandemic.
 - Encourage families to contact their lenders to explain their situation and ask what procedures they have in place. Remind families to get confirmation of any agreements in writing and to keep a record of these conversations, including dates, times, and employee ID numbers or names.
- **The CARES Act.** The Coronavirus Aid, Relief, and Economic Security (CARES) Act places special requirements on companies that report families' payment information to credit reporting companies.
 - These requirements apply if families are affected by national health crisis and if their creditor makes an agreement with them to defer a payment, accept partial payments, forbear a delinquency, modify a loan, or provide other relief.
 - Visit the Consumer Financial Protection Bureau (CFPB) website to learn more about credit reporting under the CARES Act.
- **Free financial coaching.** You can refer families to credit counselors or financial coaches who can help them make important financial decisions that work best for them.
 - The Association for Financial Counseling & Planning Education (AFCPE) is offering free virtual financial counseling and coaching during the current national health crisis. Families can work with an AFCPE certified professional to address their unique situation and needs. Visit the Yellow Ribbon Network website to learn more.
 - For more information, see the *Economic Mobility Toolkit for Early Care and Education*, Key Topic 1: Accessing Financial Education, Coaching, and Counseling.

2. Manage Credit and Debt for Long-Term Goals

Early care and education professionals can support families to manage credit and debt for long-term goals by sharing information about the following:

- **Credit reports.** Banks and companies that lend money also report information to credit bureaus about people's personal payment history and how they have used credit in the past. This information creates a person's credit history, credit report, and credit score. A person's credit report and credit score play an important role in the person's future financial opportunities.

- A credit report and credit score record and measure a person's financial reliability. Credit reports and credit scores can carry a lot of weight in many circumstances, including getting a credit card, buying a house, or even applying for a job.
- Consumers are entitled to one free credit report per year from each of the three major credit bureaus: Equifax, Experian, and TransUnion. You can help families access their credit report and review the information on each report.
- Families can go to [AnnualCreditReport.com](https://www.annualcreditreport.com) to request a free credit report. Currently, Annual Credit Report is offering more frequent free reports to help families manage their credit history during this emergency.
- **Credit score.** Credit bureaus, also called credit reporting agencies, use the information on a person's credit report and a formula to create a person's three-digit credit score.
 - When a person applies for credit, a financial lender uses this score to help decide whether or not to offer the person a loan and how much interest they should be charged.
 - Typically, having a low credit score makes it harder for a person to get a new loan or a low interest rate on a loan.
 - A credit score is a continually changing number because the information in a person's credit history changes as they make financial decisions.
- **Managing debt.** You can partner with families to create a budget for repaying debt. Remind families that it is important to repay debt on time. This helps them avoid additional fees that make payments much more expensive and protect their credit history.
 - Families can consider when and how much money they receive each month from a paycheck, financial aid, unemployment insurance, or other sources.
 - They also can figure out how much money they have left each month to pay down a loan after paying for housing, food, and other necessities.
 - Share tools, such as the [Make a Budget Worksheet](#) from the Federal Trade Commission website, that families can use to create a budget.
 - Visit the CFPB website for additional tools and resources on managing debt. You can also review [Managing Debt](#) from Consumer.Gov for additional guidance.
- **Learn more.** To learn more about credit and debt, see [Credit, Loans, and Debt](#) from Consumer.Gov. See also the *Economic Mobility Toolkit for Early Care and Education*, Key Topic 3: Building Credit and Managing Debt.

3. Track Progress and Celebrate Successes

Follow up with families to see how they are managing credit and debt to address their immediate needs and long-term goals. Celebrate successes!



Staff Tip

You may also benefit from the information in this tip sheet. Use this information to address any needs you may have related to credit and debt.

Check out the other staff tip sheets in the *Partnering with Families to Build Economic Security During Emergencies* series. Review and share the family tip sheets in this series with families. These tip sheets include valuable information that families can use to improve their family economic security during emergencies.

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