

FINANCIAL MOBILITY

The concept of financial mobility refers to the increases in wealth and opportunity that can drive social change for individuals and families over time.

Fundamental to financial mobility is higher income levels associated with regular pay rises as individuals increase in experience and expertise at work. Equally important, however, are the opportunities to build personal financial capabilities that can enhance and protect income and help with wealth-building.

In the modern world, financial mobility requires establishing a track-record of sound financial management, represented by the credit rating (often referred to generically as the FICO score), assigned to all individuals based on reports to the four credit agencies, Experian, Equifax, Transunion and Innovis.

The opportunity to build a positive credit rating is critical to financial mobility; indeed, the credit score scale, from 300 at the lowest end, to 850 at the top end, can be considered a scale along which individuals travel as they become more financially mobile.

Those at the beginning of their family life-cycles—just starting in employment and in the process of establishing families—can be expected to have low credit scores. These people are likely to increase their earnings over time, allowing them to save and create additional wealth through ownership of property or other big-ticket items. Borrowing to fund these items requires a positive credit rating.

Access to credit building loans is essential to building a positive credit rating. Without it access people would miss out on the opportunity to become financially mobile and reap no benefits from diligent management of their finances.

Without access to credit, or with access only to non-credit-building loans, individuals remain financially *immobile*, no matter how effective they are at repayment. This condemns them to:

- Continue to pay the highest interest rates associated with the riskiest loans
- Miss out on favorable terms and availability of credit products
- Limited choices when looking to purchase a vehicle
- Miss out on lower insurance premiums on car insurance
- Fewer housing options, as many landlords consider a potential tenant's credit score to determine whether they are financially trustworthy
- A lifetime of renting—it is impossible to buy a home without a good credit rating

- Pay security deposits to initiate utility services, which are generally waived for those with higher credit ratings

Traditional installment loans are widely acknowledged by consumer groups and others as a safe and affordable form of loan for which loan performance is reported directly to credit bureaus. This means these loans are added-value tools of financial capability, allowing those without access to bank credit the ability to borrow to meet their needs and establish a track record that builds the credit score so essential to financial mobility.