



CRC Credit Bureau Limited
In association with Dun & Bradstreet

INCREASING YOUR ACCESS TO FINANCE

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Outline

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- ✓ CRC Credit Monitors



What is Credit?

- Credit is borrowed money that you can use to purchase goods and services when you need them
- You get credit from a credit grantor, whom you agree to pay back the amount you borrow, plus applicable finance charges, at an agreed-upon time
- In other words, it is the ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future
- Some reasons people borrow money include financing a business, buying a home or car or paying back other debt

Entrepreneurs can access credit from several sources:

- **Personal Savings:** borrowing from personal savings is typically where to start – it is cheap and you can pay yourself back when you want
- **Family Loans:** depending on the financial position of family members, borrowing from family and friends is the next easiest option for entrepreneurs, especially those with no track record
- **Buy now pay later:** This would include purchases of consumer items with payments in installments, postpaid phone services and /or power consumption

- **Angel Investors:** an angel investor is an affluent individual who provides capital for business start-up, usually in exchange for convertible debt or ownership equity
- **Venture Capital:** is a form of equity + debt financing that is provided to start-up firms that have demonstrated high growth potential
- **Bank Loans:** Bank loans, typically for established businesses, have fixed dates for repayment and carry an interest rate

What is a credit history?

- A credit history is a record of a person's borrowings and how s/he has demonstrated responsibility in repaying debts.
- It is a record of a borrower's responsible repayment of debts.
- There are three categories of people: those with good credit history, those with bad credit history and those with no credit history
 - ❖ Those with good credit history are those that have demonstrated the ability to repay debts responsibly as at when due.
 - ❖ Those with bad credit history are those who owe a lot and pay their debts late.
 - ❖ Those with no credit history have no record of borrowing
- Your credit history plays a major role in getting new credit

How to build a Credit History

The best way to build good credit history is to pay back all loans on time.
Other important factors include:

- Monitor your loans and your credit report – make sure what is being reported about you to potential lenders accurately reflects all payments made
- Have some credit but not too much – demonstrate that you can borrow and pay back responsibly
- Be aware of your debt-to-income ratio – your monthly debt payments should only be a fraction of your monthly income
- Demonstrate stability – don't jump from job to job or from one business idea to another too frequently

Benefits of building a good credit history

A person's credit history affects their ability to obtain credit and the terms of credit granted, but it can also affect other parts of the person's life that are not related to borrowing.

Benefits of good credit include:

- Enhances one's chances of securing employment
- Landlords use credit history as preference for tenancy
- Ability to purchase vehicles and other major items on good credit terms
- Lower requirements for collaterals for loans
- Lower interest rates on loans

Things that damage your credit history

While it is important to know what things help to build a good credit score, it is important to know the actions that could hurt your credit score:



Repairing your credit history

Bad credit history is not a death sentence.

Steps can be taken to repair bad credit history, some of which are:

- Call lenders to renegotiate terms for repayment
- Obtain your credit report and dispute any inaccuracies
- Save aggressively and pay down debt
- Demonstrate your stability in your job by not hopping a
- Sell items bought on credit that you can no longer afford
- Develop a good relationship with your credit officer



Small and medium-sized businesses are considered high risk by lenders.

However, there are steps you can take to increase your chances of getting credit:

- Build your financial character by being diligent in paying back small loans and bills on time
- Submit a business plan that clearly outlines your plan for the business to turn over profit and how viable the business is
- Borrow only what your business can comfortably pay back – do not create a debt burden your business cannot handle
- Borrow during an expansion and not during a recession in your business

How to increase your access to credit

- Tender a worthy collateral and credit-worthy references
- Apply at a bank you have a relationship with – if your salary or proceeds from your business are domiciled there, the banker is better able to judge your capacity for the loan
- Provide consistent data across all credit applications
- Maintain good credit behavior and employment history
- Limit your applications for credit
- Subscribe to Credit Monitors to stay updated on what is reported about you



Steps to take before borrowing

- Remember it is cheaper to repay loans over a shorter period
- Ask what the interest rate is and work out what this means for you
- Compare interest rates
- Look at the small print, which explains all the terms and conditions
- Remember that interest rates could change and your payments could increase
- Calculate and add all extra costs like administration fees into your payment
- Sign up with CRC Credit Bureau to get access to your credit history to make repairs if needed and subscribe to CRC Credit Monitors to stay updated on changes

- To maintain a database of borrowers from lending institutions
- To provide a central storage for all the information collected
- To provide credit information upon request
- To eliminate/reduce information discrepancy in the Credit Industry
- To allow increased access to credit for strategic growth

CRC Credit Bureau

- CRC Credit Bureau is owned by Twelve (12) investors of which;
 - ❖ Eleven (11) are Nigeria foremost Commercial Banks, and
 - ❖ One (1) is both a technical partner and investor (i.e. Dun & Bradstreet International)

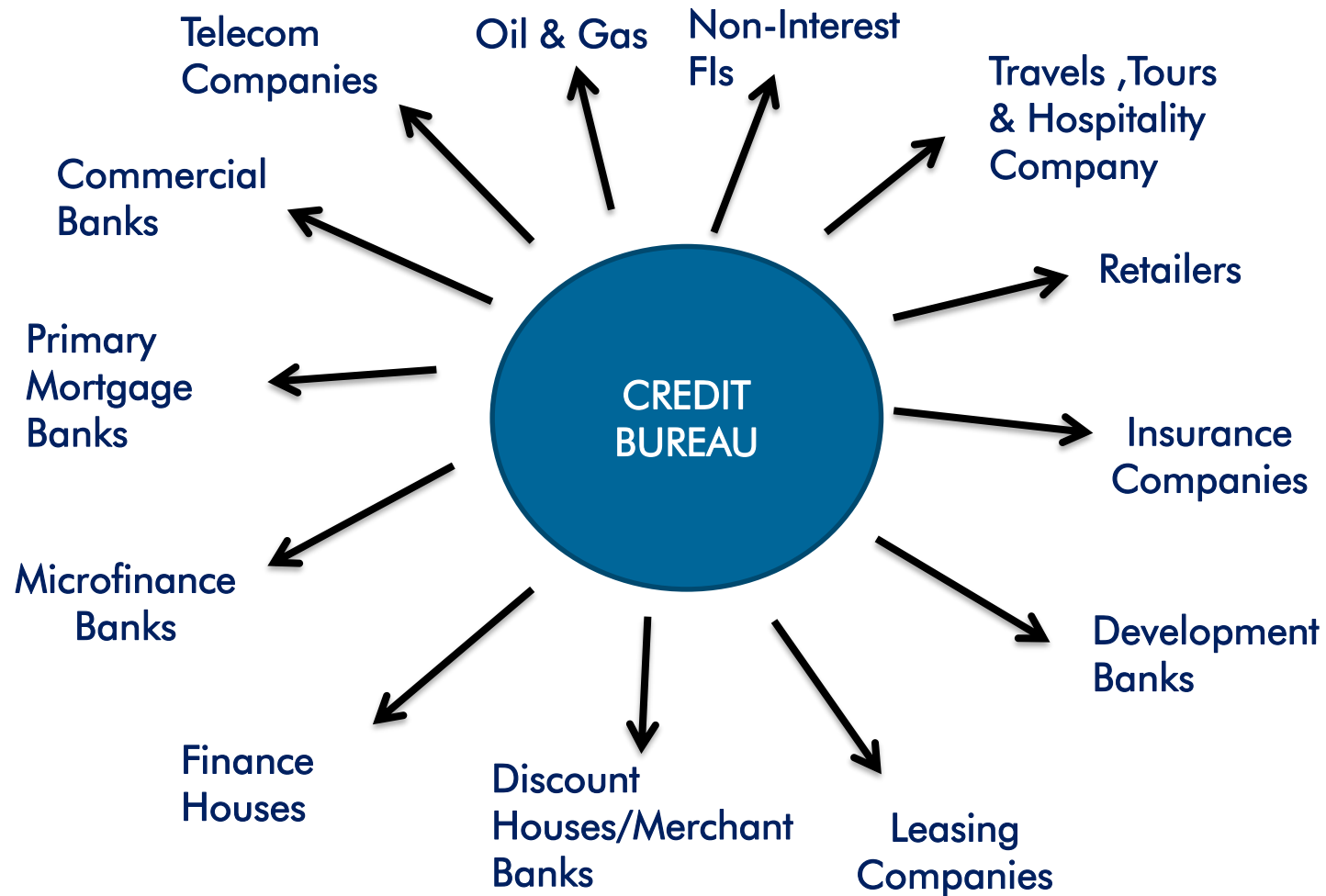


About CRC Credit Bureau Limited



- **CRC Credit Bureau Limited** got licensed by the Central Bank of Nigeria in June 2009 and also commenced live operations in June 2009.
- Awarded the Best Loan Applications Service Provider by Capital Finance International UK.
- We currently have over **20 Million** credit records in our repository and growing daily.
- Our customer base covers over **1000 institutions** from various sectors of the Nigerian economy (see next slide for coverage).

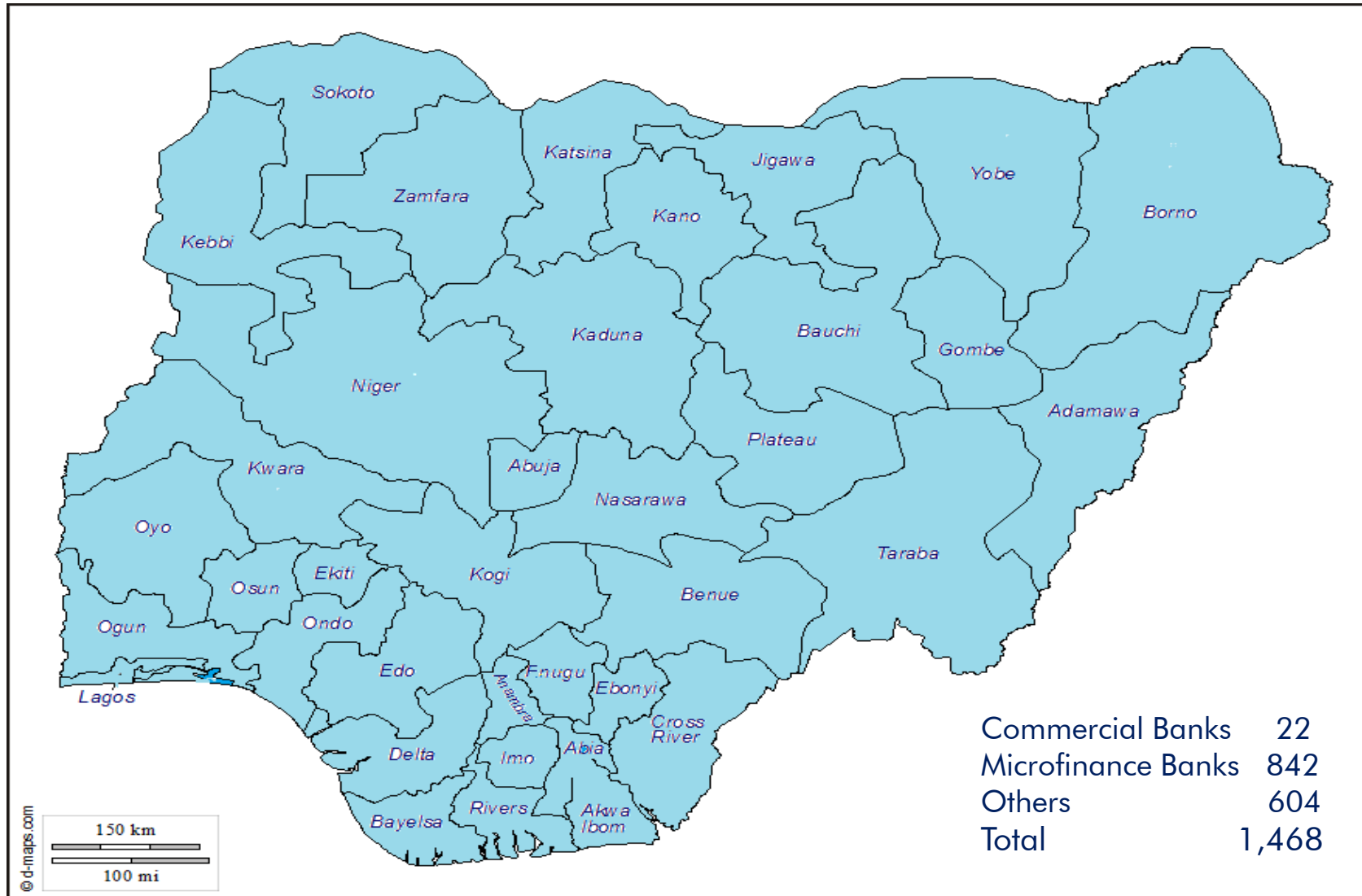
CRC's Sector Coverage



CRC Membership Spread



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WHAT ARE CRC CREDIT MONITORS?

- Tools to proactively monitor credit transactions
- Overview of dealings with all commercial banks, others
- Delivered periodically throughout the year
- Customers can also use to monitor their current accounts
- Prompt notifications in the event of sudden changes
- Enable customers build credible profiles
- Proactive means for loan customers to keep their credit history accurate

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 **CRC Monitors & Alerts**



CRC FICO SCORE

- Credit score is a statistical number that defines the creditworthiness of an individual. Scores are generated using data from the individual's credit history* (i.e. Credit Information Report).
- Lenders use credit scores to evaluate the probability that a person will repay their debts*.
- An individual's score position or classification is tied to a good or poor credit management history.
- A borrower's credit score can vary with the way they manage their credit. A poor score can positively improve over time with a conscious management of credit payments.



INFORMATION CONSIDERED IN GENERATING CREDIT SCORES

❑ **Amount Owed (Outstanding Debt) (30%)** – This reviews the amount owed in all the subject's account, the number of accounts with balances and how much of available credit the subject is using.

❑ **Pursuit of New Credit (10%)** – If the subject has recently applied for or opened a new credit account. The score will weigh this against the rest of the subject's credit history.



❑ **Length of Credit History (15%)** – Longer credit history increases the credit score of the subject. Good scores can also be achieved with short credit history if the rest of the report shows responsible credit management.

❑ **Payment History (35%)** – This reviews the degree of compliance to agreed payment terms such as frequency and time of payment. Late payments, bankruptcies and other negative items impacts the outcome.

❑ **Credit Mix (10%)** – Having a mix of credit types (Credit Card, installment loans and personal lines of credit) can slightly add to the subject's credit score.

HOW LENDERS USE CREDIT SCORES



750-850	Excellent
650-749	Good
500-649	Average
300-499	Poor

- ❑ The CRC FICO® Score ranges between 300 and 850. It further subdivided into subranges depending on the providers.
- ❑ Lenders use scores to profile and make credit decisions on new and existing credit customers.
- ❑ The profiling includes;
 - ✓ Risks level – Customers are grouped as either High, Medium or Low risks depending on their scores.
 - ✓ Interest Rates – Customers with scores above 650 tend to get better rates compared to those below.
 - ✓ Insurance Premium – The amount of premium paid can be impacted by the credit score. This is common with Mortgage and Auto-loans
 - ✓ Access to New Loans – A customer credit score will impact their ability to get new loans.

Sources of funding for SMEs

Funding for SMEs in Nigeria are available through several formal and informal institutions.

The formal sources are the Commercial banks, Discount houses, Development houses, Merchant banks, Microfinance banks and Primary Mortgage Institutions.

Informal sources are the local cooperative societies, retailers, manufacturers, crowdfunding, peer-to-peer lending, family and friends.

Some sources of funding you can access:

➤ Lagos State N25 billion Employment Trust Fund (LSETF)

- ❖ Established to provide financial support to SMEs resident in Lagos State.
- ❖ Fund is delivered primarily through its partners
- ❖ Funding is between N500,000 and N5million at interest rate of 5% per annum
- ❖ Guidelines for application can be gotten at <http://www.lagosresidents.gov.ng/home/>

Other sources of funding you can access:

- **The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)**
 - ❖ Designed to provide funding to all players in the agricultural value chains.
 - ❖ The \$500million seed capital is allocated across NIRSAL's five pillars: sharing losses with banks on Agric loans, expand insurance products for Agric lending, equip banks with funds, rate the banks on the effectiveness of their Agric lending and offer cash awards.
 - ❖ Loan interest rate of 7.5 to 10.5% per annum
 - ❖ Prospective borrowers can apply for a NIRSAL credit guarantee through the Agric desk of their banks or through the NIRSAL office

- **The Government Enterprise and Empowerment Programme (GEEP)**
 - ❖ Interest-free loans targeted at market women and traders, artisans, youths and farmers
 - ❖ Funds are delivered by the Bank of Industry through the product name, MarketMoni
 - ❖ Loans are between N10,000 and N100,000 at 5% per annum
 - ❖ Guidelines for application are available on <http://marketmoni.com.ng/>

FOR FURTHER INFORMATION ON PRODUCTS / SERVICES:



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ANY QUESTIONS





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