



National
**Consumer
Reporting**
A S S O C I A T I O N

COVID-19
&
**Consumer Credit
Reporting**

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A Strange New World of Unchartered Waters

- ✓ **Massive Human and Economic Impact**
- ✓ **Both increasing daily with a yet to be determined final outcome**
- ✓ **Federal Economic Stimulus currently totals about 300% more than the cost of the 2008 Financial Crisis with discussions of CARES Act 2 active on Capitol Hill**
- ✓ **Only 1 “Corona Constant”**
What we know as FACT today, will be wrong either by tomorrow, next week or next month
- ✓ **We will talk about the “Way it is Today” and remember that it is very likely going to change before this is all over**
- ✓ **This information is for Educational Purposes Only and is NOT to be considered as Legal Advice – For Compliance Advice please seek reputable legal counsel**

Key Dates in COVID-19 for Credit Reporting

- ✓ **March 13, 2020 – Officially a National Disaster**
“Presidentially Declared Emergency”
- ✓ **March 22, 2020**
Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus
- ✓ **March 27, 2020 - CARES Act becomes Law**
Coronavirus Aid, Relief, and Economic Security
- ✓ **April 1, 2020**
CFPB Statement on Supervisory and Enforcement Practices Regarding the FCRA and Regulation V in Light of the CARES Act

Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus

- ✓ Board of Governors of the Federal Reserve System
- ✓ Federal Deposit Insurance Corporation
- ✓ National Credit Union Administration
- ✓ Office of the Comptroller of the Currency
- ✓ Consumer Financial Protection Bureau
- ✓ Conference of State Bank Supervisors

Encourages Financial Institutions to work with consumers with financial struggles due to COVID-19 and provides them accounting protections from asset audits for these modified loans

The CARES Act -

- ✓ **\$2+ Trillion Multifaceted COVID-19 Economic Relief Package**

An attempt to protect the American consumer and economy from long lasting impacts

- ✓ **A “Fast and Direct” Economic Assistance and Stimulus Program**

American workers, families, and businesses get cash to preserve jobs and the American economy plus safe guards from harm

- ✓ **CARES Act - Section 4021 Amends the FCRA**

Formerly puts into law what March 21 Interagency Statement began to allow creditors and CRAs to work with consumers for account forbearance, skipped or modified payment plans to assist consumers

- ✓ **Credit Protection Dates**

From January 31, 2020 to the later of 120 days after enactment or 120 days after the end date of this National Emergency Declaration

CFPB Statement on CARES Act and Credit Reporting

- ✓ **Provides Guidance** - Outlines the responsibility of CRAs and Lenders in assisting Consumers struggling from COVID-19 and provides further details on how Lenders can provide flexibility to assist Consumers having difficulty making payments
- ✓ **Accurate Credit Data Critical** - Documents the requirement for Lenders to report accurate information about modified payment to the Consumers accounts to the CRAs
- ✓ **Recognizes the Difficulties of Compliance** - Provides some protections for both Lenders and CRAs for certain compliance impossibilities if “Good Faith” efforts for compliance is being carried out

What does all this mean for Consumers?

- ✓ **If you are working and can pay your loan (rent) pay it**
This is not a payment “Hall Pass” and skipped payments are a burden on the American economy when we can least afford it
- ✓ **If you are in Financial Trouble –**
Talk to your Lenders/Loan Servicers **BEFORE you miss a payment**
- ✓ **Be sure to **ASK** and fully understand **HOW** the missed payments will need to be made up...this is not a release from your obligations**
- ✓ **Missed payments will need to be repaid -**
That will vary per lender and loan type –
Clearly Understand the Consequences of Skipped/Deferred Payments

The U.S. Credit Reporting Industry Is Prepared for Disaster Reporting Scenarios

- ✓ **For more than 20 years the Credit Reporting Industry has assisted Lenders and Consumers in protecting credit histories impacted by disasters**
- ✓ **From before and including 9/11 - Hurricanes, Major Fires, Floods, Tornados, Earthquakes, etc. Declared and Natural Disaster protection has been built into the credit coding system**
- ✓ **What is Metro2®?**
The Credit coding system used by the “Big 3” U.S. Credit Bureaus (Experian, Equifax, and TransUnion) and every Lender/Creditor who reports to them
- ✓ **When properly applied by the Lenders and Loan Servicers**
These “Disaster” codes are treated in a neutral fashion by FICO and VantageScore to eliminate a negative impact on the Consumer’s credit score

Key Issues for Lenders/Loan Servicers

- ✓ **Work with your Legal Counsel and Compliance team to address the business decisions required to develop a COVID-19 plan**
- ✓ **Two plans may be needed –**
 - Government backed loans**
 - Private money loans**
- ✓ **Choose the best option to accurately report **ONLY** the loans requiring deferment or forbearance following the Metro2® credit coding system**
- ✓ **Seek help from the Credit Bureau(s) you are reporting to and/or the Metro2® help desk metro2info@cdiaonline.org**

What are the Metro2® Options For Lenders/Loan Servicers

Option 1 - Special Comment Code “AW”

- ✓ Affected by natural or declared disaster
- ✓ Covers both Open/Closed Accts. – 11, 71, 78, 80, 82-84
- ✓ Handles deferred payments by reporting a “D” in the Payment History Profile for months deferred
- ✓ Report any payments made and all other account details to keep consumer credit data accurate
- ✓ Can be used with Derogatory Accounts as well
- ✓ Only one Special Comment Code can be used at a time, for multiple situations choose most important
- ✓ **Follow Metro2® FAQ 58 and the CDIA help desk metro2info@cdiaonline.org
<https://crrg.s3.amazonaws.com/2019+CRRG+FAQ+58.pdf>**

What are the Metro2® Options For Lenders/Loan Servicers

Option 2 - Special Comment Code “CP”

- ✓ Used for Accounts in Forbearance if the consumer is making reduced or interest only payments
 - ✓ Report any payments made and all other account details to keep consumer credit data accurate
 - ✓ Terms of the loan should be changed to reflect new duration if the loan is extended
 - ✓ Other details similar to handling “AW” and FAQ 58
 - ✓ Account status, payment history profile (could be a “D” if payment not made), current balance and other terms reported to accurately reflect the account
 - ✓ Only one Special Comment Code can be used at a time, for multiple situations choose most important
- ✓ Follow Metro2® FAQ 45 and the CDIA help desk metro2info@cdiaonline.org
<https://crrg.s3.amazonaws.com/2019+CRRG+FAQ+45.pdf>

Key Issues for Mortgage Originators

- ✓ **The Tri-Merge credit reports from Mortgage CRA's are Required by FCRA and Contract to pass through the account terms as reported to them**
- ✓ **Take special care and precautions when reviewing the credit reports of Consumers who have been in Forbearance or have Deferred payments due to COVID-19 to assure the reporting was done correctly**
- ✓ **Tips for proper reporting - Look for “D” in the Payment History Profile – That is the up to 24 month series of numbers that reflect monthly payments
Hopefully that looks like “...111DDD111...” to reflect any Deferred payments**
- ✓ **Important Note – While the credit score will not be impacted – an AUS or Underwriter *may* treat Consumers with Deferred payments differently pending the loan type the consumer is seeking**
- ✓ **Both FICO and VantageScore treat “AW” and “CP” code accounts as NEUTRAL and will have no negative impact on the credit score**

Questions?

Thank you!



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For more Information go to NCRainc.org