

FAQ's concerning credit reporting during the COVID-19 Pandemic

Questions 1 - As a Data Furnisher what reporting options are there during the COVID-19 Pandemic?

Answer –

1. **Open Accounts and Closed Accounts** (Reported with Account Status Codes 11, 71, 78, 80, 82-84)
 - a. **Option 1:** Report the account as deferred, along with Special Comment Code AW (Affected by natural or declared disaster)
 - Highest Credit or Original Loan Amount = the total amount borrowed
 - Account Status = 11 (Current account)
 - Current Balance = outstanding balance amount
 - Terms Duration = Blank
 - Terms Frequency = D (Deferred)
 - Scheduled Monthly Payment Amount = zero
 - Amount Past Due = zero
 - Payment History = use character "D" for months when payments are deferred. History codes read from left to right starting with the current month.
 - Special Payment
 - ✓ Payment Type = deferred
 - ✓ Deferred Payment Start Date = date the first payment will be due if you know when that will be
 - Special Comment = AW
 - b. **Option 2:** Report the Account Status that applies to the account (credit grantor's decision), along with Special Comment Code AW (Affected by natural or declared disaster)
2. **Derogatory Accounts** (Deed in Lieu, Collection, Foreclosure Completed, Voluntary Surrender, Repossession, Charge off, Government Claim)
 - a. Continue reporting the derogatory status and add Special Comment Code AW.
3. **Debt Buyers and Collection Agencies**
 - a. Continue reporting Account Status 93 (Collection)
 - b. Add Special Comment Code AW
 - c. If accounts are sold to another company or given back to the original creditor, report Account Status Code DA to delete the account.
4. **Accounts in Forbearance**
 - a. *For consumers making reduced payments or interest-only payments;*
 - Current Balance = outstanding current balance, reflecting any payments made
 - Account Status Code = appropriate code that specifies the status of the account for each month the account is in forbearance (e.g., current, 30 days delinquent, 60 days delinquent)
 - Terms Frequency = frequency for payments due
 - Terms Duration = terms of the loan, which can be changed if the terms of the loan are extended
 - Scheduled Monthly Payment Amount = new payment due
 - Amount Past Due = total amount that is 30 days or more past the due date, if the account is delinquent during the forbearance period
 - Payment History Profile = M2R will automatically set this based on the account status code
 - Special Comment Code = CP (Account in forbearance)

Accounts in Forbearance cont.

b. For consumers making no payments;

- Current Balance = outstanding balance amount, reflecting any payments made
- Account Status Code = 11 (current account)
- Terms Frequency = D for deferred
- Terms Duration = blank fill
- Scheduled Payment = zero fill
- Amount Past Due = 0
- Payment History = Value D for each month the account is in forbearance. History codes read from left to right starting with the current month.
- Special Payment
 - ✓ Payment Type = deferred
 - ✓ Deferred Payment Start Date = date the first payment will be due if you know when that will be.
- Special Comment Code = CP (Account in forbearance)

c. If the consumer was delinquent going into the forbearance period and no payments were required, the two fields below must be considered when the consumer begins repayment:

- Account Status Code = appropriate code that specifies the status of the account when the account comes out of forbearance
- Date of First Delinquency = if the Account Status is delinquent, the original date of the first 30 day delinquency that led to the Account Status being reported, prior to forbearance

Question 2 - If I report using the recommended guidance above and report Special Comment AW or CP, how will the consumers' credit scores be affected

Answer – According to CDIA, the country's leading score developers, VantageScore and FICO note that forbearance and deferred payment scenarios have a neutral impact on a consumer's credit score so consumers in one of these programs, as reported to the nationwide credit bureaus, should have no negative impact as a result of Coronavirus. FICO noted that "the placement and reporting of an account in forbearance or a deferred payment plan in and of itself does not negatively impact a FICO(r) Score." VantageScore makes clear that "[a] loan placed in a deferred payment or forbearance plan will not result in a negative impact." The same is true for a natural disaster coding: "the net impact is that a consumer's VantageScore credit score will not go down, either because negative information is neutralized because of the natural disaster."

Question 3 - Is it mandatory to use Special Comment "AW" or is it optional?

Answer – It is not a mandatory comment. If you do choose to use it please do so in accordance to the guidelines above.

Question 4 - Should "AW" be reported when a loan is put into forbearance by the credit grantor –and not at the request of the consumer?

Answer – This is a business decision for each creditor to make.

Question 5 - How long should we report an account with Special Comment AW?

Answer – This is a business decision for each creditor to make. It needs to be applicable to the account and based on your company's guidelines. Special Comments do need to be reported every month that they apply.

Question 6 - Do we place the Special Comment Code “AW” on every account if the consumer resides in the natural or declared disaster area? If the consumer is not experiencing hardship, is the special comment required?

Answer – It is not necessary to report the Special Comment Code AW just because the consumer resides in the disaster area. If the consumer is not experiencing hardship you may make the decision to not report the AW code. Note: AW is an account level code so it will apply to all borrowers on the account.

Question 7 - If the account was already past due at the time of the natural or declared disaster, do we still report Special Comment “AW” on the account?

Answer – It is recommended that you report AW for the account even if it was already past due at the time of the disaster. It is still helpful to the consumer if you follow one of the reporting options in FAQ 1. And when no payments are due during this time period you are not reporting any new delinquencies during this time period.

Question 8 - What Special Comment should be reported if another comment already applies to the account? Should we report the original comment or AW?

Answer – This is a business decision for each creditor to make. If there is more than one comment the applies to an account, it is up to the creditor to make the decision of which one makes the most sense for reporting.

Question 9 - Can the data furnisher completely suppress reporting of the account for a certain time period?

Answer – Suppressing reporting of an account is never recommended by the CDIA or Consumer Reporting Agencies. Accounts immediate begin to age and data becomes stale. Stale information always leads to increased consumer disputes because the account information is not up to date which makes it difficult for other creditors to make informed decisions.

Question 10 - What affect does Special Comment “AW” have on the various fields on the account?

Answer – Special Comment AW does not affect other fields on the account. AW is only added to the account as further clarification and does not affect how other field data is displayed.

Question 11 - What is the impact of following the standard guidance? How does it help my consumers?

Answer – Using the recommended guidelines above allows all of the standard processes to remain consistent with how data is handled.

Question 12 – How does the AW code get removed after the disaster is over? Does it remain on the account permanently?

Answer – Once the disaster is over and the AW code no longer applies you will need to remove the Special Comment code AW from the account. The history of the AW code will remain on the account.

Question 13 – If we are offering free skipped payments should these be reported as deferred payments?

Answer – Yes. Using the AW code clarifies why the consumer is not obligated to make any payments at this time. If you don’t have a deferred payment start date, because we don’t know when this will end, that is ok. You can still use the AW code.

Question 14 – Is it valid to report deferred accounts as “Paid as agreed” such as Account Status 13 and Special Comment Code AU – Paid in full for less than full balance?

Answer - No. Deferred accounts are not paid accounts. When an account is deferred you are simply not requiring any payment during a specified period of time from the consumer. If the consumer has an outstanding balance, they will be required to pay it in the future. Once the deferred period has ended, if you make an arrangement with the consumer to pay a lesser amount than is actually owed then you can report the account status as 13 – Paid in Full 0 Balance, with a Special Comment Code if applicable.

Question 15 – When the disaster is over, do we go back to reporting the account as it was, without the AW code?

Yes. Once the disaster period is over you will stop reporting the AW code. You can do this by selecting the blank option in the Special Comment list. You will then start reporting the account with the applicable Account Status, Schedule Payments and any other codes and data that applies. Remember to refer to the above guidelines for accounts that were already in forbearance before the disaster.