



Questions and Answers from COVID-19: Credit Reporting & Borrower Support (Lender Roundtable Series Webinar, 4/2/2020)

General Disclaimer:

This information is not intended to be legal advice and may not be used as legal advice. Every effort has been made to ensure this information is up-to-date. It is not intended to be a full and exhaustive explanation of the law in any area, nor should it be used to replace the advice of your own legal counsel. CBA strongly encourages you to consult with your team and legal resources to ensure that your organization and staff understand the implications of any new or different workaround options that you may offer to clients, and that they are applied consistently, especially if you do not regularly offer them.

For more information, check out CBA's [COVID-19 Resource Hub](#).

To schedule a call to discuss reporting options, please use the following link: <http://bit.ly/CBAOfficeHours>.

Topics:

General Credit and Disaster Questions

General Disaster Reporting FAQs

Technical Reporting Questions

Software Questions

Resilience Loan Questions



General Credit and Disaster Questions

Q1: What are some substantive measures nonprofit lenders have taken, or CBA recommend, to mitigate the financial hardship on borrowers?

A1: CBA's [COVID-19 resource hub](#) has outside resources that might have more information on industry-trends. We recommend checking out CAMEO's recent webinar, which highlights how other nonprofit lenders have approached these types of decisions, more about [deferment policies](#), in particular. Some of our members are offering 3 months of deferred payments, or just proactively reaching out to borrowers to come up with a new payment agreement that works for them.

Q2: Will the disaster code- (AW) be in the credit report as its being reported? I'm asking as a frontline person that clients may have questions on how it will look on their credit report.

A2: The natural and declared disaster code (AW) will show on credit reports as a text field next to accounts that have it added on. It will indicate the account is being impacted by a natural or declared disaster. Keep in mind, this applies to accounts individually rather than the client's entire credit history or credit report as a whole.

Once the crisis period is over and the lender removes the code from their reporting, there will not be a record of the code going forward. It will only appear on the borrower's file during the disaster period.

Q3: What affects does COVID-19 have on personal credit, even as lenders are putting the proper payment coding on the back end?

A3: If data furnishers put on the AW (disasters) or CP (forbearance) special comment code, or set the account into deferment, then the account should have a neutral impact on credit scores. Additionally, according to the CARES Act, clients who are on-time with their payments and reach workaround accommodations with their lenders should continue to report on-time. However, it is important for the client to meet the terms of their workaround. So, this should help protect credit during the disaster, for as long as the codes apply.

One of the bigger concerns that's still hard to predict is longer-term impacts, particularly as the COVID-19 pandemic doesn't seem to have a clear end point. Many options are still shorter-term, so there is still a lot to determine around impacts for things like balloon



payments at the end of the note or if lenders are able to offer any longer-term modifications or restructures.

Q4: Have credit bureaus made any collective statements about how they are handling the credit implications of this economic shock?

A4: Yes, you can find more information from the credit bureaus on each of their websites, with additional information about their responses. They've also issued a joint statement on the CARES Act: <https://www.cdiaonline.org/equifax-experian-transunion-endorse-cares-act/>

The Consumer Data Industry Association (CDIA) additionally has direct links to each of the credit bureaus' responses on their COVID-19 resource page, including a [downloadable fact sheet](#) with more information on from the bureaus and scoring companies.

General Disaster Reporting FAQs:

Q1: Do we have to report the AW special comment code?

A1: It's up to lenders if they apply this code. Under the FCRA, data furnishers are required to submit accurate data. The AW code, impacted by a natural or declared disaster, might best help provide an accurate look at a client's performance on an account. However, it might not be applicable to your clients. There instead could be other codes or other options (like restructuring the repayment terms or setting a client to interest-only payments) that are more accurate. This is a great question to take to your legal resources.

Additionally, keep in mind that codes like AW and CP (forbearance) provide some protection toward clients' credit. These codes have neutral impacts and can help protect credit during the time in which they're on an account. Codes like BT (interest-only payments) or options like just modifying terms and payment on their own do not carry this protection; however, as long as the client pays as agreed according to the new arrangement, they can still continue to build credit. This factor may be something that impacts your decision.

Q2: How long can we keep the special comment code on our clients' accounts?

A2: It's up to lenders how long they apply the AW code or any types of workarounds. CBA would recommend, if electing to use the AW code, that you first come up with policies around how long you might apply it, just so everyone is on the same page and can better



explain impact to clients. It's important to remember that the AW code will prevent that specific account from being factored into credit scores for as long as it's reported, so that might help contribute to your decision, as it can help provide time for the client to recover but also limits the credit building impact of the account (which may or may not be important during a disaster).

Q3: Can we just automatically put the disaster code AW on for all our clients?

A3: You can – but it might not be in everyone's best interest. Some clients who are able to continue paying as normal or who are close to paying off their loan might not want the code on their account, particularly if they're focused on continuing to build credit. This may be a much smaller number of clients, though, especially if the disaster lasts longer than anyone expects.

This should ultimately be a business decision, with input from your legal counsel. It's also an account level field, so you would have to apply it one-by-one to all accounts. Metro 2® software are generally not programmed with a blanket approach to applying workarounds, as that doesn't make a lot of sense. Many lenders offer different products, with different interest rates and amortization schedules, so workarounds tend to be more customized (even if offering the same generic option). This means lenders must individually update each account with the preferred workaround (and special comment code), which can require more work and more staff time. As burdensome as it may seem, especially for those with larger portfolios, failure to do so can lead to more work down the line, costing additional time and resources to fix any account that was not correctly updated. It can also negatively impact clients whose accounts are showing incorrectly, especially if they're following their agreed upon workaround.

Q4: When would you start reporting the special comment code AW? For the month that the disaster started (i.e. March) or the month that the first payment is deferred (i.e. April).

A4: If you're electing to use the AW code, it's up to you to determine in which month it first applies. This is likely going to vary based on your location and your clients. For those who already made March payments, it might not be applicable. But it may make sense to apply it for clients who had payments due at the end of the month who reached out to you to let you know they were running into potential trouble. Ultimately, this is up to each lender, but your legal resources may provide additional insight.



Q5: Can we report the account status as paid/closed?

A5: No – unless it has actually been paid off. This would indicate to other creditors that the client did pay off their loan and has no further obligations, which is not accurate and therefore contrary to your obligations as a data furnisher under the Fair Credit Reporting Act. In particular, if you try to report it again in the future, it will show up as a new account – even if the account number is the same – because an installment or mortgage account that has been reported as paid cannot suddenly become “open” again.

Q6: What if you arrange a temporary period to pay a lower amount with the lender? Will that payment be reported as a regular payment or as a fault payment?

A6: You can report the payment on-time, if the client is making the payment in line with the new agreement. You’ll want to make sure the scheduled monthly payment due is updated to reflect the new payment amounts. That should help your software better understand that the client is on-time if they make the new scheduled payment.

Additionally, if the client is already on-time at the time of the new agreement, you’ll for sure want to report them as current, as this helps meet data furnisher obligations set out in the CARES Act.

If you’re opting for something like a forbearance, you also can follow along with guidance from FAQ 45 in the Credit Reporting Resource Guide. There are some additional fields you’ll want to get updated in your software to get as accurate as possible with reporting.

Q7: Is the due date for the Metro 2® report the same this month?

A7: The normal due date still applies, but if you’re running into any issues or need more time to get workarounds correctly set up, please let the CBA staff know by emailing us at help@creditbuildersalliance.org. We all want accurate data rather than rushed data.



Technical Reporting Questions

Q1: Is it mandatory to report the Special Comment code AW or the account as deferred if a deferment plan is in place? Or can the data furnisher choose to report the accounts on time if this is their policy and it's applied equally to every workaround involving payment deferments?

A1: No, it's not absolutely mandatory to report these conditions, but you'll want to ensure you are accurately reporting any workaround or accommodation being offered to clients. These codes could help ensure that you're doing so, especially if your software has had issues reporting accurate workarounds in the past.

The bigger consideration is related to impact it will have on clients. The AW code and CP (forbearance code) will both cause more neutral impacts on credit scores than leaving these codes off. In the instance something doesn't correctly calculate in your software and a client is reported as incorrectly delinquent, there will be a bigger, more immediate impact on their credit scores than if these codes were in place.

But again, talk to your legal resources to determine what the best option is for your organization, particularly so you're following through with FCRA and the Cares Act accuracy duties.

Q2: If we are doing a reduced (not totally deferred) payment, do we still use the AW code? Or simply report as "paid as agreed" as we have agreed to take \$10 payments from all of our borrowers for April and May?

A2: Decision to use the AW code should be an organizational business decision, as it's not absolutely required to be reported. At the very least, you'll want to make sure the scheduled monthly payment reflects this reduced payment amount or your software may continue to calculate made or missed payments based on the original amount – which could lead to reporting delinquencies.

The AW code can provide an additional set of protection in the instance that this isn't calculating right. And it can also help explain that there is a reduced payment plan in place *because of* a disaster rather than any financial mismanagement from the client. BUT it's a lender's decision if they report this code.



Q3: Regarding the 3 reporting options such as the “AW” special comment code, is there guidance on field such as “payment status”? Shall “payment status” indicate delinquencies as usual if the account is in delinquent status?

A4: You can find more information on each of these options within the Credit Reporting Resource Guide (CRRG), including on how to treat payment status. If clients are delinquent, their delinquent status can continue to be reported. There are some options for resetting statuses to current – in line with workaround accommodations – but you should discuss this with legal resources prior to doing so and consult your FCRA requirements and CARES Act requirements. In particular, you can consult FAQ 44 (deferred), FAQ 45 (forbearance), and FAQ 58 (AW disasters) for more information on what to do if an account is delinquent.

Q5: When the deferment period is over, and there continues to remain an outstanding balance on loan, how should it be reported?

A5: It will depend on the remaining terms and amortization schedule of the loan. It can resume reporting as normal, with the original payment amount, and continue to be on-time – if the client is making the agreed upon payment. At the same time, your organization, in consultation with your legal resources, may determine it makes more sense to restructure the loan or modify terms or scheduled payment amount.

If, however, the client was delinquent going into the deferment and became current *because of the deferment*, the original delinquency would again apply – meaning the loan goes back to its previous status and previous date of first delinquency. It may require additional work with your software provider to ensure both fields are re-applied to the account, particularly the date of first delinquency, to prevent delinquencies from re-aging and remaining on the account longer than it should.



Software Questions

Q1: My organization deferred payments for 3 months for our borrowers. I assume that I would have to talk to our servicing software provider as to how to mark the accounts for credit reporting?

A1: Yes, check in with your software provider for which fields you need to update and which interact together automatically vs. those that may need manual entry. CBA is happy to talk through more of the basics around deferment, too, or check out [our tutorial](#) on reporting options.

Q2: Will Trakker and other software providers be able to accept the codes to be used under the COVID-19 circumstances?

A2: Please reach out to your software provider to verify if their software is set up for your preferred option. They'll be able to guide you through where you need to look in your software and what fields need to be updated. From our conversations with most CBA members' software providers, it does seem as the very basics have been built in – with some software providers looking to continue building out disaster reporting options.

Resilience Loan Questions

Q1: How do I access resilience loan funding from CBA Fund?

A1: We've currently allocated all the resilience funding to nine nonprofits across the country, but are actively fundraising so that we can support more organizations. If we do get more funding and are able to offer the funds through a competitive call for applications, we let our members know through a special email announcement.