

Helping Consumers Avoid Credit Problems if They Have Been Impacted by Coronavirus (COVID-19)

March 22, 2020

Overview

Questions come up about the impact of the spread of Coronavirus has on consumers' credit histories. The Consumer Data Industry Association ("CDIA") and its credit bureau members have answers. For years, the credit bureaus have had systems in place to minimize or eliminate the negative credit impact of the extreme events, like a natural disaster, or a pandemic.

Consumers who have been impacted (directly or indirectly) by Coronavirus are strongly encouraged to contact their lenders and creditors. Lenders and creditors have programs and plans to assist their customers in a time of a financial crisis, like a pandemic. Lenders and creditors typically offer forbearance or deferred payments programs for their customers who need help. In many cases, a consumer will be reported as "paid as agreed".

Consumers should contact their lenders and creditors first

If a consumer is impacted (directly or indirectly) by Coronavirus, the very first thing that consumer should do is contact his or her lender or creditor. Lenders and creditors have a variety of tools in place to help consumers, but these institutions can help only they know that there is a problem. Lenders and creditors may defer payments or place consumers into forbearance programs.

"For borrowers that may be experiencing a hardship, I encourage you to reach out to your [mortgage] servicer." *Mark Calabria, Director, Federal Housing Finance Agency (FHFA).*

The Consumer Financial Protection Bureau ("CFPB") has informed consumers that "if [they are] not able to pay [their] bills on time, [consumers should] contact [their] lenders and servicers to let them know about [their] situation."¹

¹ CFPB, [Protect yourself financially from the impact of the coronavirus.](#)

Five federal and state regulators have encouraged financial institutions to work with consumers during this public health emergency.² These agencies “encourage financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. The agencies view loan modification programs as positive actions that can mitigate adverse affects on borrowers due to COVID-19.”³

“[w]ith regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral.” *Five federal and state banking agencies.*

When a consumer is placed into a forbearance plan, a deferred payment plan, or some other special abatement program, credit reporting codes have been created by the credit bureaus to make sure that the consumer’s credit is not treated negatively.

The federal and state banking agencies wrote on March 22, that “[w]ith regard to loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral.”⁴

Reporting to the credit bureaus

CDIA has guidance for the approximately 15,000 lenders and creditors who report data to the nationwide credit bureaus to handle a wide variety of data reporting

The nationwide credit bureaus long ago put systems in place to accept reporting from lenders and creditor for handle mass events like Coronavirus

² On March 10, 2020 five federal financial institution regulators and state regulators issued a [joint statement](#) “encourage[ing] financial institutions to meet the financial needs of customers and members affected by the coronavirus.” (“Agencies Joint Statement, March 10, 2020”). This statement was restated in a [Financial Industry Letter 22-20](#) on March 22, 2020 (“FIL 22-20”). These five agencies (the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Conference of State Bank Supervisors) “recognize the potential impact of the coronavirus on [consumers].” These agencies encourage “financial institutions [to] work constructively with borrowers and other customers in affected communities. Prudent efforts that are consistent with safe and sound lending practices should not be subject to examiner criticism. These five agencies are the Federal Reserve (“FRB”), the Conference of State Bank Supervisors (“CSBS”), the Consumer Financial Protection Bureau (“CFPB”), the Federal Deposit Insurance Corporation (“FDIC”), the National Credit Union Administration (“NCUA”), and the Office of the Comptroller of the Currency (“OCC”).

³ [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus](#) (“Agencies Joint Statement, March 22, 2020”).

⁴ *Id.*, Agencies Joint Statement, March 22, 2020.

scenarios. CDIA and our credit bureau members are doing our part to help consumers who have been impacted (directly or indirectly) by Coronavirus. To help lenders and creditors offer help consumers affected by Coronavirus, CDIA has [guidance](#) for lenders and creditors who put an account either (a) into forbearance as a result of a consumer’s inability to make payments due to natural or declared disasters, or for other national crises, or (b) into a deferred payment status.

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.

Low or no credit score impact

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® Score.”⁵ VantageScore makes clear that “[a] loan placed in a deferred payment or forbearance plan will not result in a negative impact.”⁶ The same is true for a natural disaster coding: “[t]he 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...”⁷

When a consumer is in a deferred payment or forbearance program reported to a credit bureau, or with a natural disaster code, there is no negative scoring impact.

Conclusion

Questions come up about the impact of the spread of Coronavirus has on consumers’ credit histories. CDIA and its credit bureau members have answers. For years, the credit bureaus have had systems in place to minimize or eliminate the negative credit impact of the extreme events, like a natural disaster, or a pandemic.

Consumers who have been impacted (directly or indirectly) by Coronavirus are strongly encouraged to contact their lenders and creditors. This is the advice banks and bank regulators have given. Lenders and creditors have programs and plans to assist their

⁵ FICO Website, [Protecting Your Credit during the Coronavirus Outbreak](#).

⁶ VantageScore Website, [VantageScore statement advising on scoring options for those impacted by COVID-19 \(Coronavirus\)](#). VantageScore notes that when a loan is in a deferred payment for forbearance, that loan “will continue to positively impact one’s credit history and credit score, while the related balance and payment obligations under the plan will not be considered for purposes of a credit score calculation during the forbearance period. The net impact to a consumer’s VantageScore credit score is ‘set to neutral,’ so the consumer’s credit score is not harmed.

⁷ *Id.*

customers in a time of a financial crisis, like a pandemic. Lenders and creditors typically offer forbearance or deferred payments programs for their customers who need help. In many cases, a consumer will be reported as “paid as agreed”. Yet, the only way a consumer can get the help she deserves is by asking for help from their lenders and creditors. Asking for help should be the first call or the first click.

Key terms

- A **deferred payment** is a loan arrangement in which the borrower is allowed to start making payments at some specified time in the future.
- **Forbearance** is a period during repayment in which a borrower is permitted to temporarily postpone making regular monthly payments. The debt is not forgiven, but regular payments are suspended until a later time. As an example, forbearance may be granted if a borrower is experiencing temporary financial difficulty. The consumer may be making reduced payments, interest-only payments or no payments.

Additional resources

Nationwide credit bureaus

- Equifax: [COVID-19 \(Coronavirus\) and Your Credit Score](#)
- Experian: [COVID-19 \(Coronavirus\) and Your Credit Report](#)
- TransUnion: [Managing Your Credit Through a Financial Hardship](#)

Score developers

- FICO: [Protecting Your Credit during the Coronavirus Outbreak](#)
- VantageScore: [VantageScore statement on scoring options for those impacted by COVID-19 \(Coronavirus\)](#)

Government agencies

- CFPB: [Protect yourself financially from the impact of the coronavirus.](#)
- Interagency information:
 - [Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus](#) (March 22, 2020).
 - [Financial Institution Letter, FIL-22-2020](#) (March 22, 2020).
 - [Interagency Press Release, Agencies encourage financial institutions to meet financial needs of customers and members affected by coronavirus](#) (March 9, 2020).

About the Consumer Data Industry Association

The Consumer Data Industry Association (CDIA) is the voice of the consumer reporting industry, representing consumer reporting agencies including the nationwide credit bureaus, regional and specialized credit bureaus, background check and residential screening companies, and others. Founded in 1906, CDIA promotes the responsible use of consumer data to help consumers achieve their financial goals, and to help businesses, governments and volunteer organizations avoid fraud and manage risk. Through data and analytics, CDIA members empower economic opportunity all over the world, helping ensure fair and safe transactions for consumers, facilitating competition and expanding consumers' access to financial and other products suited to their unique needs. Find us online at www.cdiaonline.org.