

AC Cutts &
Associates LLC

Impact of the CARES Act on Consumer Credit Reporting

Federal Reserve Bank of Philadelphia Workshop on Credit
Card Lending and Payments

September 16, 2020

The CARES Act Amendments to the Fair Credit Reporting Act

The CARES Act amended the FCRA with respect to how loan forbearances would be reported to credit reporting agencies (CRAs).

- ▶ Except for federally guaranteed student loans, the status of an account in a CARES Act forbearance program is frozen at the level of delinquency in effect when the account entered the accommodation.
- ▶ If an account is brought current, then the new, improved status, is to be reported.
- ▶ All federally held student loans were automatically deferred until September 30, 2020 and servicers were required to report the accounts as current to credit bureaus during this period.

Source: AC Cutts & Associates

Background: Possible Loan Accommodations

- A loan accommodation is any form of relief that lenders offer to a borrower in times of hardship (job loss, natural disaster, illness, and military deployment are examples).
- Lenders have always utilized some form of loan accommodations as tool to assist borrowers.
- Data furnishers have numerous options to choose from to indicate to a CRA that they have made an accommodation with their borrower.
- Data furnishers should consult CDIA guidance when considering options for reporting an accommodation (<https://www.cdiaonline.org/covid-19/>)
- Possible Accommodations are based on six of these possible options outlined below:

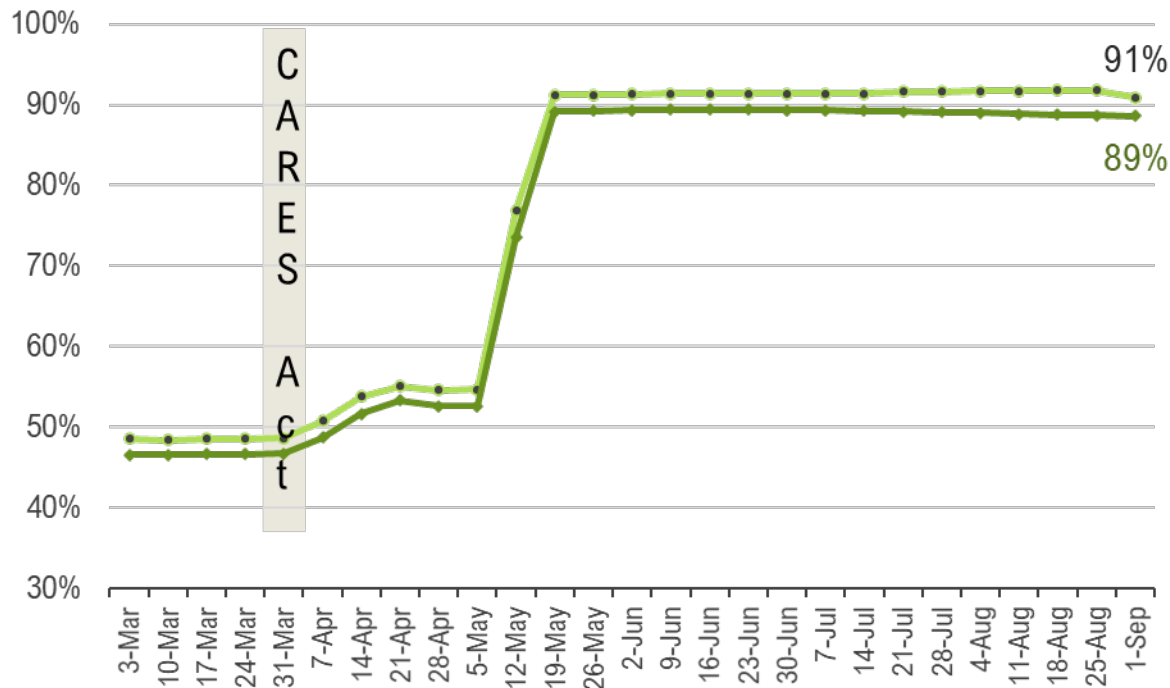
- Deferred
- Account Included in Forbearance
- Affected by Natural or Declared Disaster
- Loan Modification
- Partial Payment Plan
- Inferred - Account with a balance and no reported scheduled payment or special narrative code

Collectively Referred to as
“Possible Accommodations”

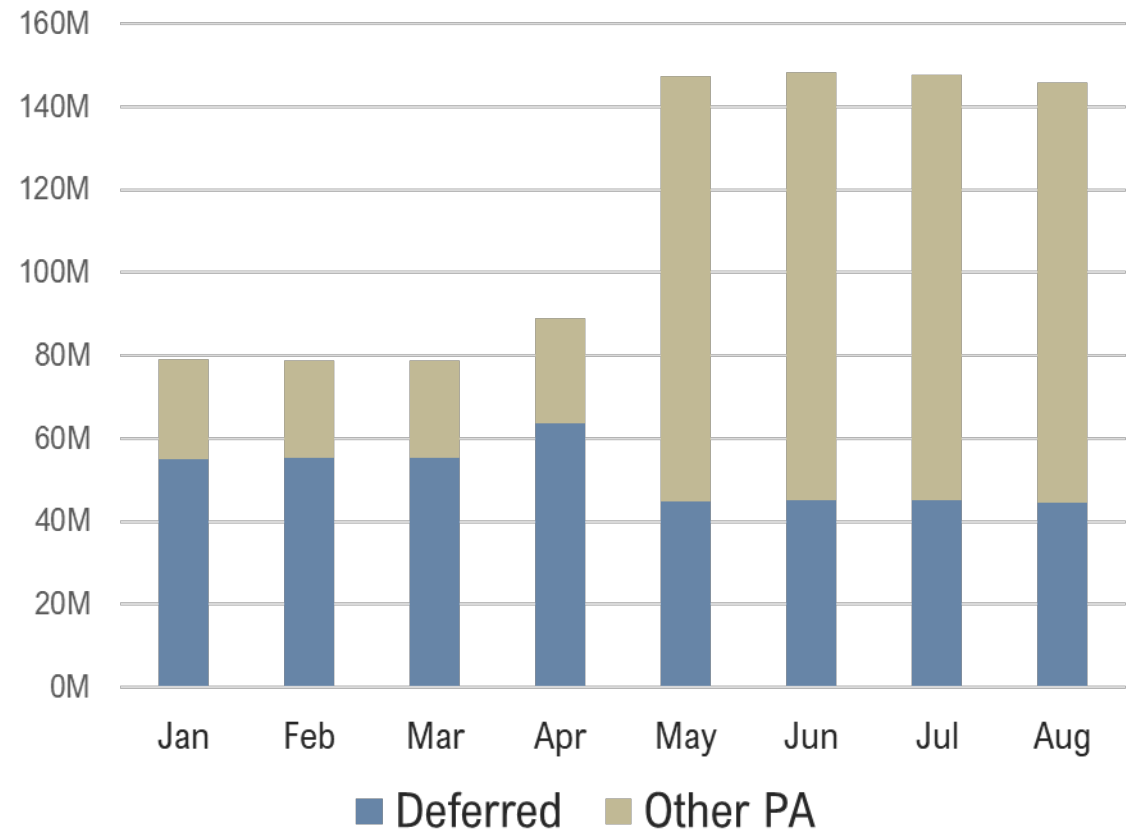
Student Loan Accommodation Reporting Evolved as CARES Act Mandates Were Implemented

The CARES Act states that loans held by the U.S. Department of Education will automatically have all payments suspended, be reported as current, with no interest accrual, through Sep 30, 2020

Possible Accommodations as a Share of Current Period Active Trades, %, NSA

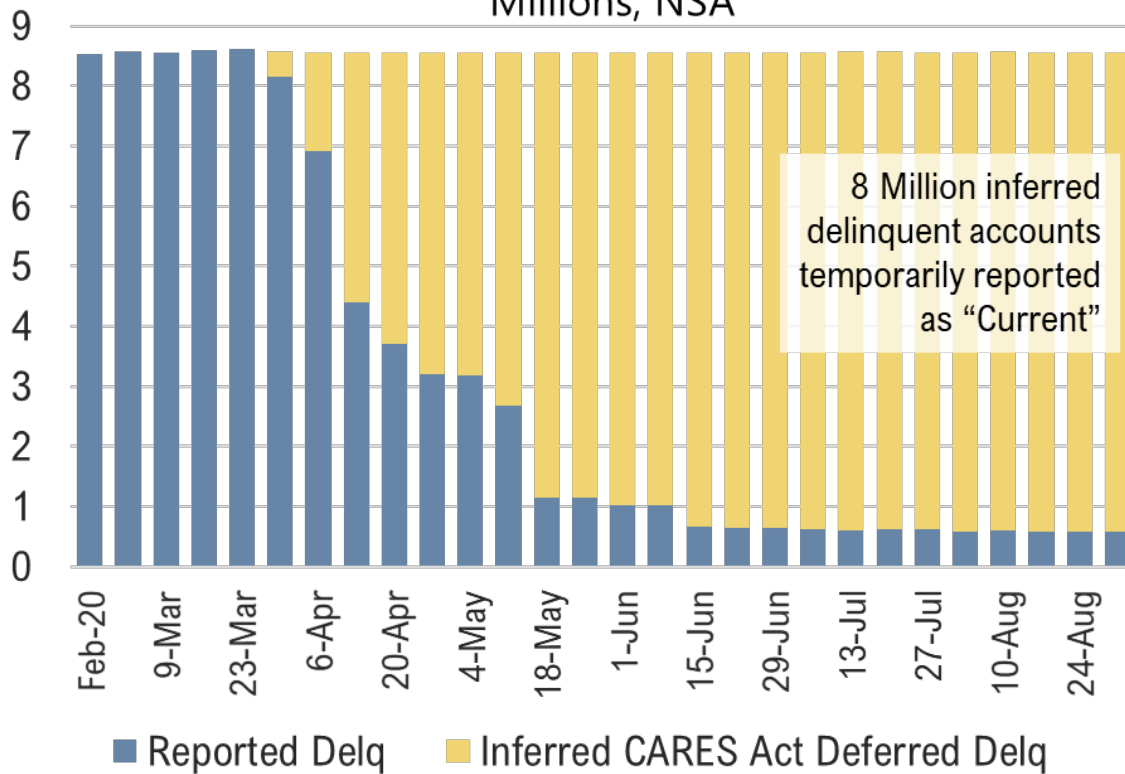


Reported Deferrals and Other Possible Accommodations on Student Loans, %, NSA

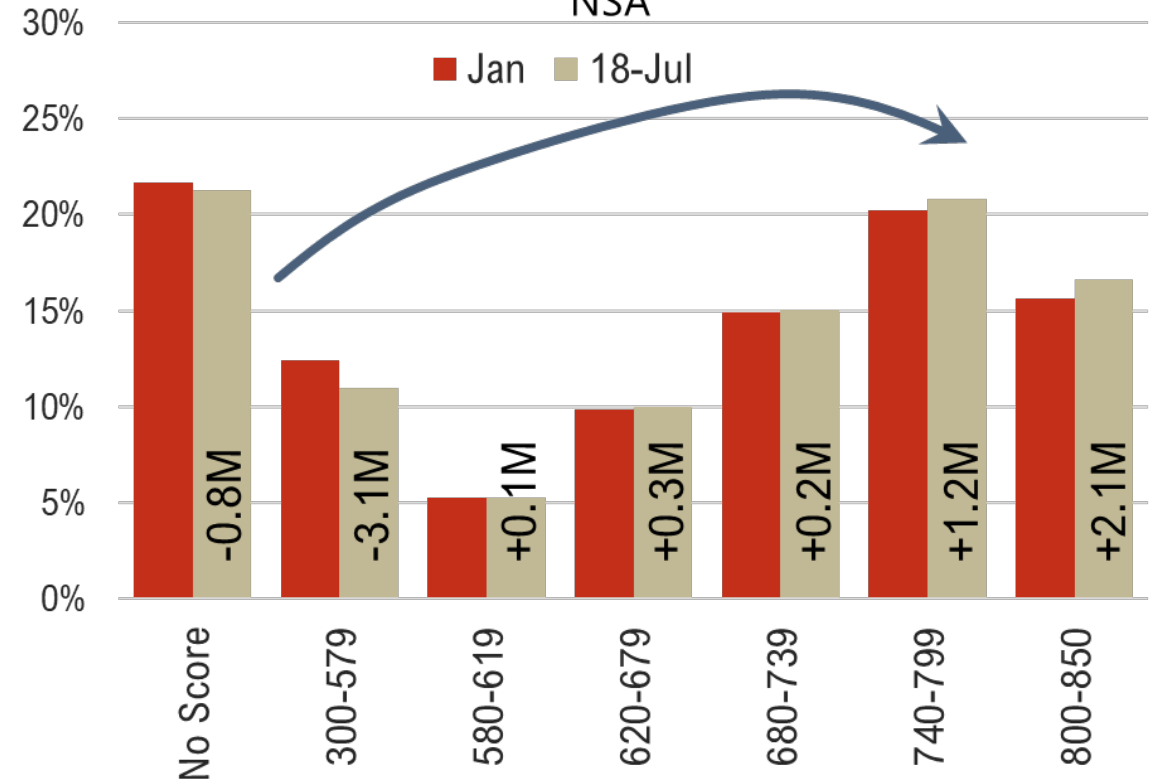


8 M Seriously Delq Student Loans Are Temporarily Reported As Current, Affecting Credit Scores

Seriously Delinquent Student Loans (90+ DPD), in Millions, NSA



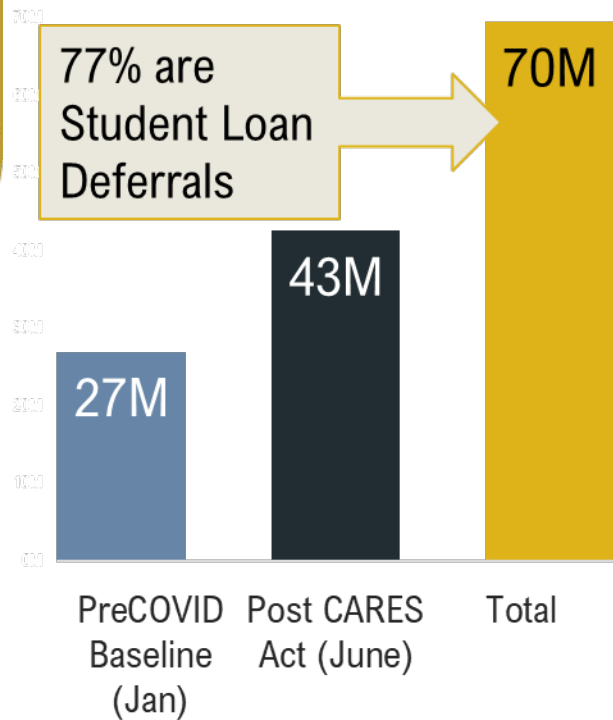
Total Population FICO® 8 Credit Score Distribution, % NSA



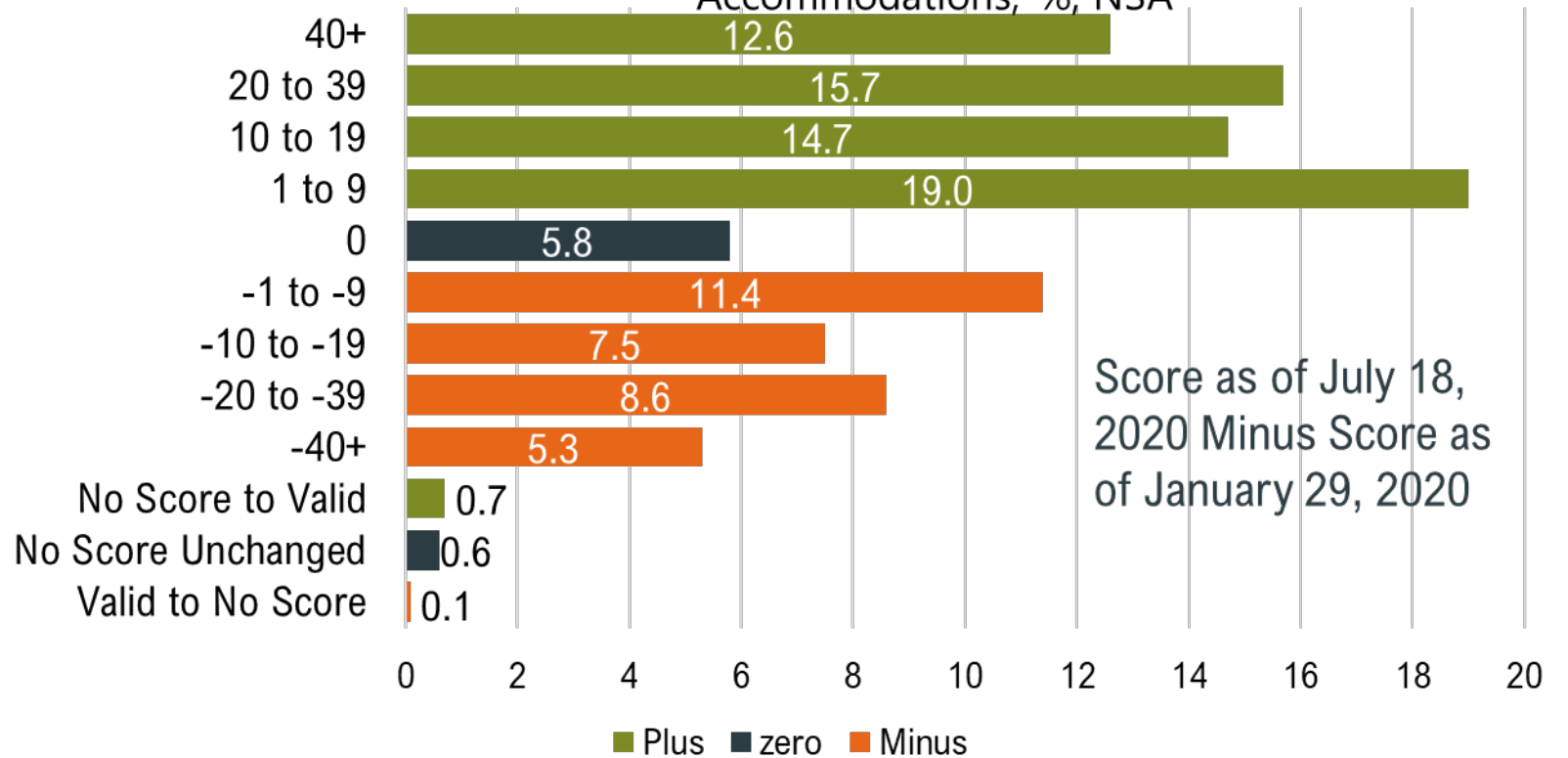
Source: AC Cutts & Associates; Equifax: www.equifax.com/business/market-pulse-credit-trends, Data through Sept 1 Experian Regulatory and Industry Update, July 30, 2020.

28% of Consumers with an Accommodation in July show a 20 point or more Improvement in FICO® 8 Score

Consumers with at Least One Reported Accommodation, in Millions, NSA



Distribution FICO® 8 Credit Score Changes for Consumers with Accommodations, %, NSA



Source: AC Cutts & Associates, Experian *Experian Regulatory and Industry Update*, July 30, 2020

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