



CBA TRAINING INSTITUTE

Credit Reporting for Clients Facing Extenuating Circumstances



Reporter Webinar
10.17.2019

Join Our Virtual Trainings

10/24/19
2 – 3 pm ET

**Addressing Coerced Debt:
Emerging Solutions from Texas**
bit.ly/coerced_debt

**9/30/19-
11/4/2019**
2 – 3:30 pm ET

Credit as an Asset:
6 week e-training (on Mondays)
bit.ly/CAAA_19

Upcoming *Credit as an Asset* Training in Detroit

CBA will host a one-day *Credit as an Asset* Training in conjunction with the Midwest Asset Building Conference.

When: Tuesday, November 12th, 2019
9:00 am - 5:00 pm

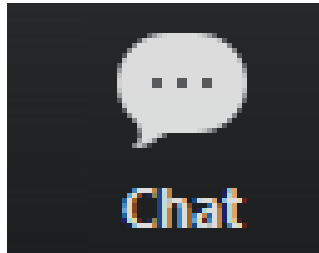
Where: Detroit Federal Reserve Bank

Register: <https://creditasanasset-detroit.eventbrite.com>

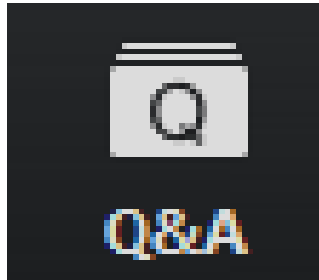
Questions? Contact us at: training@creditbuildersalliance.org



Reminder!



Tech questions? Chat the chair. If you choose to raise your hand, please still chat the chair.



Questions for the presenter? Type them into the Q&A box. These will be answered at the end.

Meet the Presenter



Elisabeth Johnson-Crawford
Chief Technical Officer
Credit Builders Alliance

Disclaimer

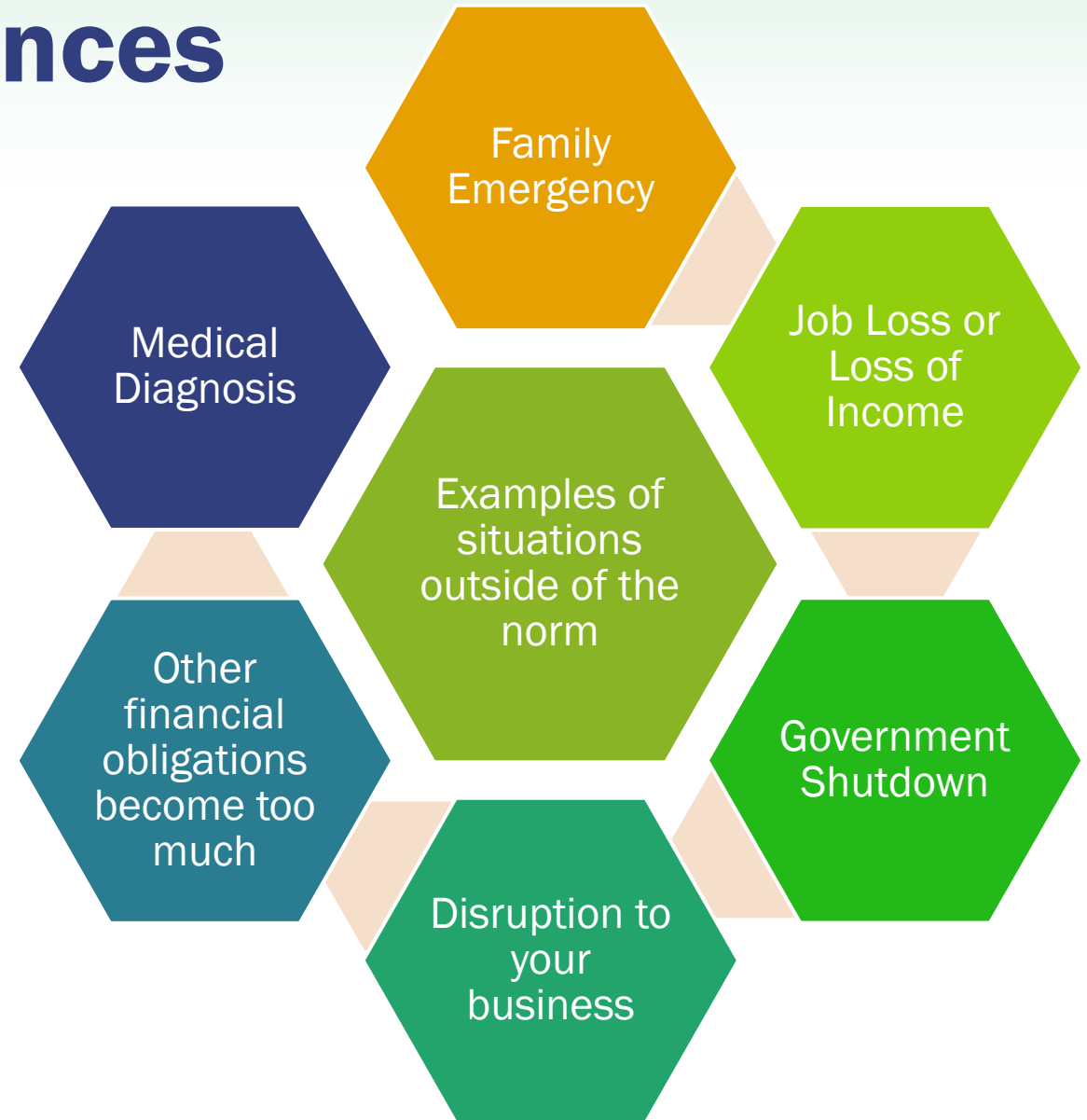
This information is not intended to be legal advice and may not be used as legal advice.

Every effort has been made to assure 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.

Understanding Extenuating Circumstances

Extenuating Circumstances

Extenuating Circumstances occur when individuals have difficulty paying their debts, often as a result of an unexpected event or disruption.



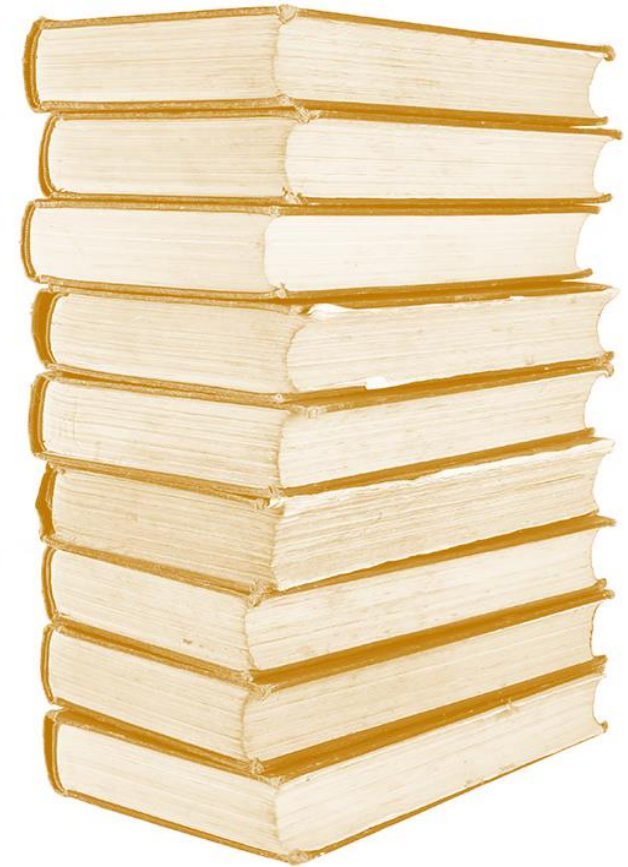
Extenuating but Accurate Information

**Policies should cover
basic reporting
responsibilities AND
how to handle
extenuating
circumstances**

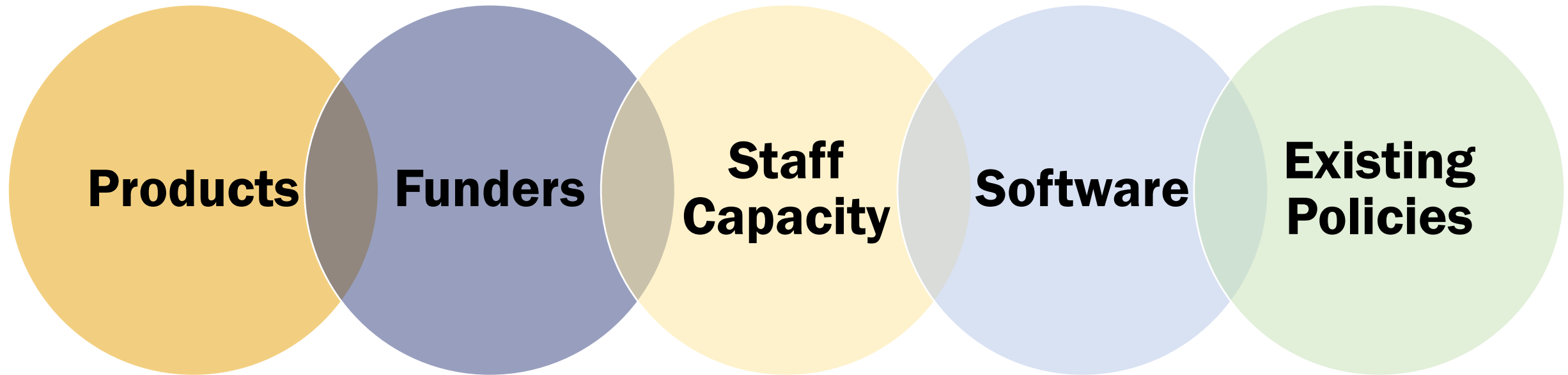
- **The Fair Credit Reporting Act (FCRA) promotes accuracy, fairness, and privacy of information reported to the credit reporting agencies**
- **FCRA Requirement: Written credit reporting policies and procedures**

Policies & Procedures

- **Fit your loan fund and goals**
- **Need to be written down & updated to include new products & borrower situations, as they occur**
- **Revisited regularly, with insight from staff, board, and/or legal resources**
- **Explain how to respond to both everyday and unexpected situations while maintaining accuracy**



Considerations for Policies on Extenuating Circumstances



Policies for Extenuating Circumstances

- 1. What common situations do your clients face?**
- 2. Who should clients reach out to when facing extenuating circumstances?**
- 3. What types of evidence or documentation will you require before working with clients?**
- 4. How do you ensure consistency and fairness for all clients in similar circumstances?**
- 5. How do you communicate options with clients?**

Reporting on Extenuating Circumstances

**Via
Metro
2®
Codes**

- Special Comment Codes
- Equal Credit Opportunity Act (ECOA) Codes
- Consumer Information Indicators

**Via
Metro
2®
Fields**

- Terms, Duration, Frequency
- Scheduled Monthly Payment Amount
- Balance/Past Due
- Additional “segments” that provide more information

Changes to Metro 2® Codes

Special Comment Codes are reported if a specific condition applies in order to tell a more accurate story of an account.

Common codes:

AC – Paying under a partial payment agreement

AS – Account closed due to refinance

AU – Account paid in full for less than the full balance (settled)

AW – Affected by natural or declared disaster

AX – Account paid via collateral (or security)

BT – Interest-only payment, principal deferred

CP – Account in forbearance

Changes to Metro 2® Fields

- **Simpler Changes:** Updating terms, duration, scheduled payment amounts
- **More Complex Changes:** Adding information through additional segments, retroactive adjustments, updating balance/past due

Do NOT manually edit Metro 2® files to make changes.

Understanding Special Comment Codes

Meet Eduardo

Eduardo's company recently relocated and laid off all of its local workers. Eduardo reaches out to his local CDFI, concerned he may have issues paying his SBA loan – which he is using to start a small business.

What options may be available to assist Eduardo?



Special Comment Code

BT: Interest-Only Payments

Uses

Short-term needs

Longer-term needs

Seasonal work

Unexpected changes

Short-term

Considered current as long as they make interest payments

Long-term

Payments eventually go back to principal + interest

May include balloon payment

Reporting Interest-Only Arrangements

Account Status:

- **Current month's account status**

Balance:

- **Outstanding account balance**
- **Past Due: Outstanding amount 30 days or more past due**

Scheduled Monthly Payment:

- **Interest-only payment (Make sure to set back to principal + interest at end of this period!)**

Special Comment Code:

- **BT: Interest-only payments**

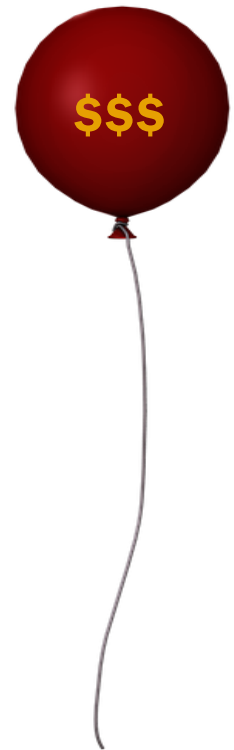
Forbearance versus Deferment

	Forbearance	Deferment
Provide temporary suspension of payments	x	x
Interest continues to accrue	x	
Is a viable long-term option		x
Might not be feasible options for lenders	x	x

Consequences of Forbearance and Deferment

At the end of forbearance or deferment, customers may expect to see the following:

- **Increased monthly payments**
- **Balloon payment due immediately upon first payment**
- **Balloon payment at end of note**



Reporting Forbearance and Deferment: Initial Considerations

- 1. What is the account status when this arrangement begins?**
- 2. Is the borrower required to make payments during this period?**
- 3. Are you setting this account to forbearance or deferment?**
- 4. How long will this arrangement last?**
- 5. What possible software limitations will impact your reporting?**

Special Comment Code

CP: Forbearance

Uses

- Short-term or long-term
- Unexpected change
- Natural disaster survivor
- Abuse survivor

Short-term

- Borrower allowed to make reduced interest-only, or no payments
- Status generally current

Long-term

- Payments eventually back to principal + interest
- May include balloon payment and/or accrued interest

Reporting Forbearance: Important Fields

Are payments due?

**For more information:
Check out FAQ 45 in
the CRRG**

If yes:

**Update to show new arrangement. Would expect to see balance update each month as payments come in.
Use SCC: CP.**

If no:

Update to show no payment due. Status set to current for duration of forbearance. Use SCC: CP.

If no payment is due:

If software allows, include K4 segment with date payments will restart.

Reporting Deferment: Important Fields

**There is no special
comment code to
indicate deferment**

**Update to show no
payment due.
Status set to
current for duration
of forbearance.**

**If software allows,
include K4 segment
with date payments
will restart.**

**If account were
delinquent going into
deferment:

Set status to current
but may be reset after
deferment ends.
Original Date of First
Delinquency applies.**

**For more information:
Check out FAQ 44 in the CRRG**

Meet Shawna

Shawna has been running consistently behind on her home repair loan. She makes payments as often as she can, usually each month, but has not brought her account current in the last four months.

What options may be available to assist Shawna?



Special Comment Code

AS: Refinance

Uses

Closing old account

Rolling balance over to new account

Avoiding charge-off

Short-term

Original loan is marked as paid

New loan is current as long as terms are met

Long-term

New opportunity for positive tradeline

But: Potential for a second derogatory account

Reporting Refinances

Account Status of Original Account:

- **13: Paid or closed account/zero balance**

Payment Rating:

- **Represents status of the account at the time it was closed***

Balance and Past Due:

- **\$0**

Special Comment Code:

- **AS or AT**

**Date of first delinquency is required if account has a payment rating other than on-time.*

Special Comment Code

C0: Loan modified (not a government plan)

Uses

Update account status, duration, scheduled payment amount

Avoiding charge-off or other default

Short-term

Options to report during a trial period

Report current as long as new terms are met

Long-term

Opportunity to return to a positive tradeline

But: Potential to revert to a derogatory account status

Reporting Modified Loans

Account Status*:

- **11: Current (or as applies)**

Terms Duration:

- **Often longer than originally reported if stretching out repayment period (From Date Opened to new maturity date)**

Scheduled payment amount:

- **New regular payment amount going forward**

Special Comment Code:

- **C0 (or CN if part of federal program)**

**Date of first delinquency is required if account has a status other than Current.*

Meet Pernell

Pernell runs a small catering company. His community was just hit head on by a hurricane. While Pernell's house and family came out mostly unscathed, he's not sure how the next few months will look for his business as the community begins to recover.

What options may be available to assist Pernell?



Options for Natural Disasters

Special Comment Code: AW

- **Option 1: Attach special comment code and continue reporting account**
- **Option 2: Attach special comment code and report as deferred**

Other Options

- **Can work with impacted clients on other workouts or possible restructures**
- **It is up to each lender if and how they work with impacted clients**

Special Comment Code AW: Option 1

Report the account status that applies to the account and add the special comment code: AW – affected by natural or declared disaster

Previously: Could report delinquent accounts as current if impacted by a natural disaster

Now: Select account status that most accurately applies to the account. May possibly be current, even if delinquent.

Recommendation: Discuss this option with legal resources if considering setting delinquent accounts on-time

Special Comment Code AW: Option 2

Report the account as in deferred, but add the special comment code: AW – affected by natural or declared disaster

Considerations: How long will this period last?

Impact: Borrower is considered on-time for the duration of this deferral but can slip back to a delinquent status as soon as this period ends

Recommendation: Discuss this option with legal resources about how this option might be applied and options for helping impacted borrowers *after* this period ends

Q: What impact do these types of circumstances have on credit scores?

A: It depends!



- **What else is on the credit report?**
- **Some Special Comment Codes indicate more derogatory behavior than others**
- **Some Special Comment Codes are more neutral or keep an account from being included in score**
- **Clients' ability to pay and meet new schedule or terms**

Additional Resources

Additional Guidance



The CRRG

The Credit Report Resource Guide (CRRG) effectively serves as your credit reporting dictionary

- **Published annually by the Consumer Data Industry Association (CDIA)**
- **Defining document for Metro 2®, the credit reporting language**
- **Formatting guidelines**
- **Available codes and meaning**
- **Contact Bureau Services Team for instructions to access a free downloadable copy**



2019 CRRG Pages to Bookmark

**Field
Definitions for
Consumer
and Account
Identifying
Information**

- **Beginning on 4-19**

**Special
Comment Codes**

- **Beginning on 5-26**

**Frequently
Asked
Questions**

- **Deferment: 6-44**
- **Forbearance: 6-45**
- **Restructure/Refinance: 6-41
(restructure) and 6-68 to 6-69
(modifications)**
- **Natural Disasters: 6-59 and 6-60**

Additional Training Resources

CBA REPORTER RESOURCES

What are you looking for?

Metro2 Reporting
VIEW

eOscar Dispute Management
VIEW

I'm new to reporting
VIEW

Check out www.cbatraininginstitute.org

Free access for CBA members!

E-Learning Catalog

CBA Reporter 101: Covers policies and procedures and best practices for reporting

CBA Reporter 102: Covers communication with borrowers and more technical aspects of reporting

More to come in late 2019!



CBA Reporter 101

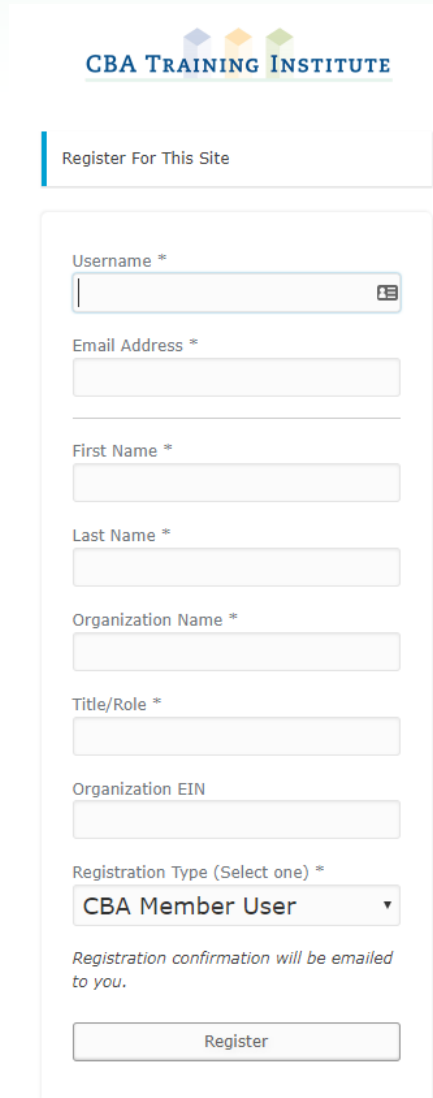
This course will explore the process of reporting loan data through CBA Reporter. After completion of this course, you will gain a basic understanding of how CBA's Reporter services works functionally, your responsibilities as a data furnisher, monthly reporting duties, and best practices for success.



CBA Reporter 102

This course will build upon CBA Reporter 101 and continue to explore the process of reporting loan data through CBA Reporter. After completion of this course, you will learn more about the basics of credit reporting, how to communicate with borrowers around credit reporting and some of the key technical components of the Metro 2® file.

Creating an Account on the Training Institute



The screenshot shows the registration page for the CBA Training Institute. At the top, the logo consists of three colored squares (blue, orange, green) above the text "CBA TRAINING INSTITUTE". Below the logo is a link "Register For This Site". The registration form itself is a vertical stack of input fields, each with an asterisk indicating it is required. The fields are: Username, Email Address, First Name, Last Name, Organization Name, Title/Role, and Organization EIN. Below these is a dropdown menu for "Registration Type (Select one)" with "CBA Member User" selected. A note states "Registration confirmation will be emailed to you." At the bottom of the form is a "Register" button.

CBA TRAINING INSTITUTE

[Register For This Site](#)

Username *

Email Address *

First Name *

Last Name *

Organization Name *

Title/Role *

Organization EIN

Registration Type (Select one) *

CBA Member User

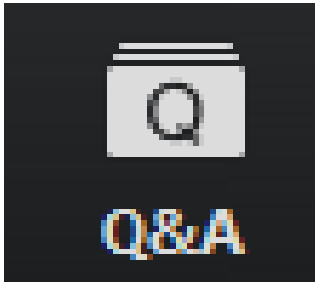
Registration confirmation will be emailed to you.

Register

1. Visit www.cbatraininginstitute.org
2. Click “Register” from the top right of main page
3. Fill out the requested information, including EIN
4. Select “CBA Member User” from Registration Type
5. Submit! Allow **24-48 business hours** for your account to be created

Important Reminder: This is a separate site and a separate user account than your Secure Site credentials.

Q&A



**Type your questions into
the Q&A box!**

Thank You!

help@creditbuildersalliance.org