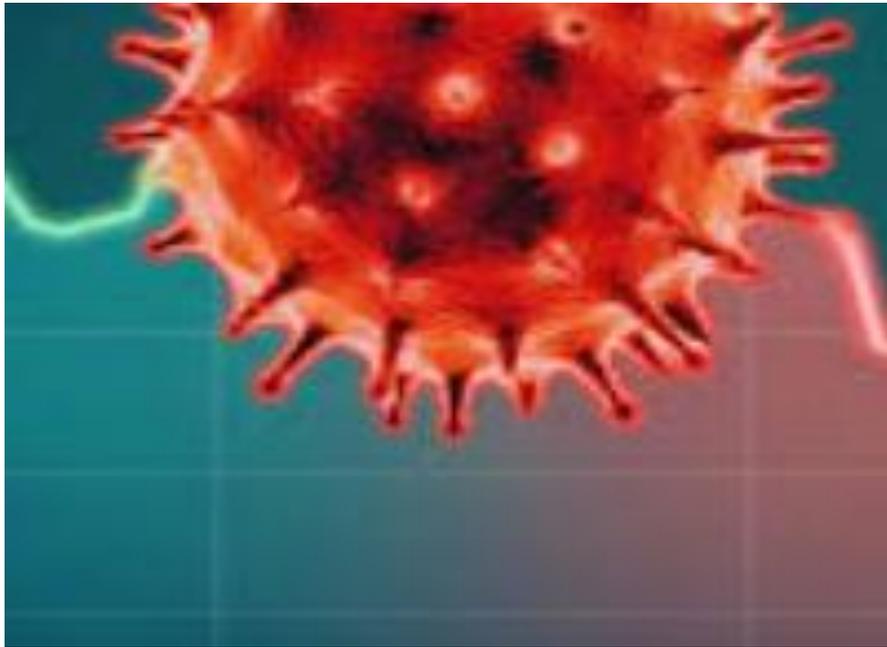


# Treatment of Credit Data in a Crisis: Practical Considerations and Challenges



April 30, 2020



- The webinar will begin shortly.
- **Please connect to the webinar via audio only and place all devices on mute whilst the webinar is in progress.**
- The webinar will be recorded and the recording made available after the event
- *Your moderator for the webinar is Luz Maria Salamina*

# Agenda

- Welcome
  - Mahesh Uttamchandani
- Policy recommendations
  - Neil Munroe
- Discussants
  - TU UK – Dave Webber
  - Experian – Tony Hadley
  - CDIA – Eric J. Ellman
  - ALACRED – Giovanna Cardellicchio
  - ACCIS – Enrique Velazquez
  - FEBIS – Silvia Amaral
  - BIIA – Peter Sheerin
  - ACIPE – Bohdan Pshenychnyi
- Open discussion and Q&A
- Closing remarks



Mahesh Uttamchandani  
ICCR Chair  
Practice Manager WBG



Neil Munroe  
ICCR Deputy Chair  
Deputy Managing  
Director BIIA



Dave Webber  
Transunion UK



Tony Hadley  
Experian



Eric J. Ellman  
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Giovanna Cardellicchio  
ALACRED



Enrique Velazquez  
ACCIS



Silvia Amaral  
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Peter Sheerin  
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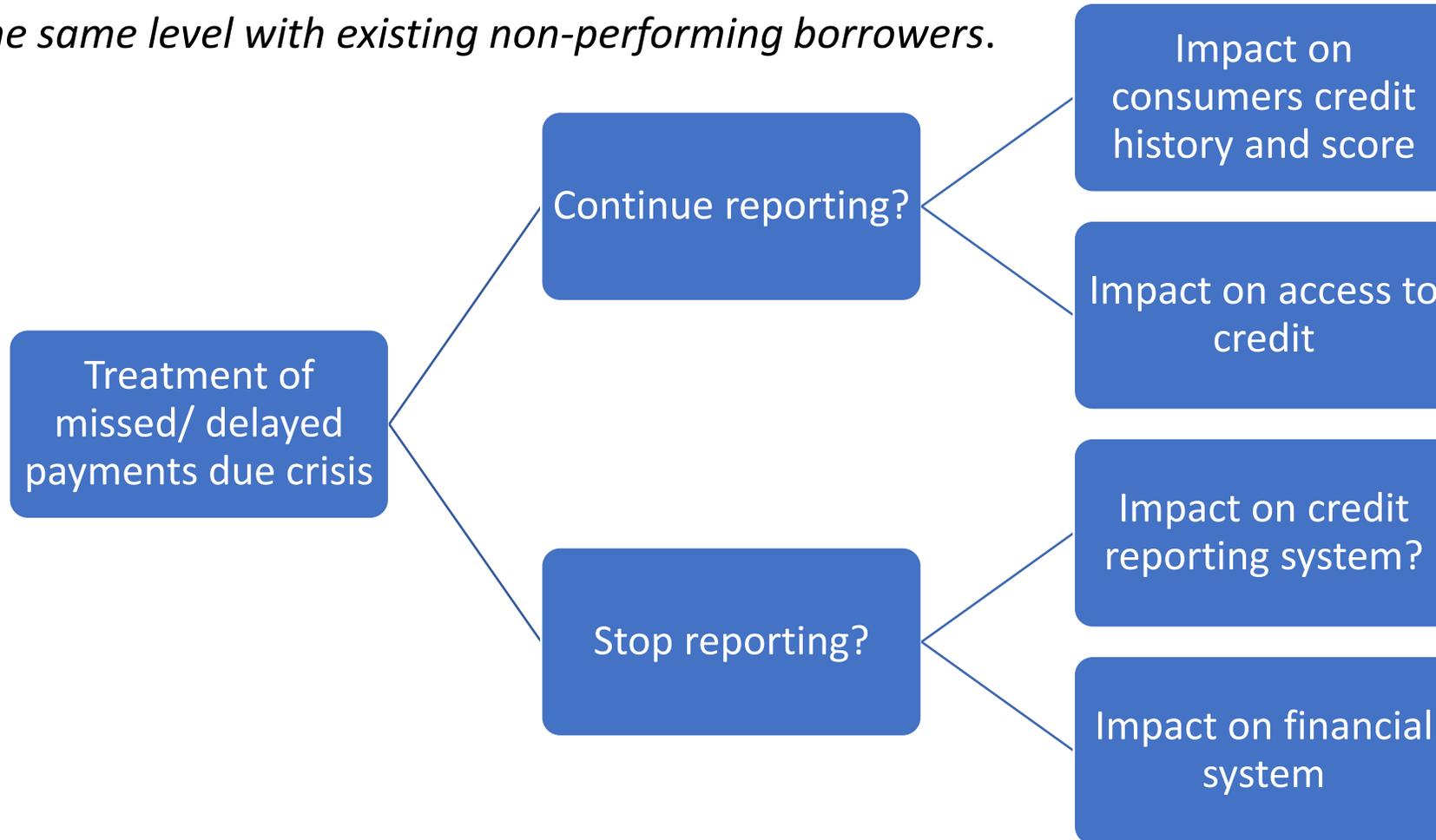
Bohdan Pshenychnyi  
ACIPE

# OUTLINE

- Current challenge
- General practice
- Country Responses
- ICCR Policy Recommendations

# CURRENT CHALLENGE

*Crises impact good performing borrowers' ability to meet their scheduled payments relegating them to the same level with existing non-performing borrowers.*





# GENERAL PRACTICES DURING A CRISIS

## View 1

### ***Suppression or non-submission of payment delays due to a crisis***

#### Arguments:

- Such delays are not a result of the borrower's own choice hence should not be reflected on their records.

Data gaps could negatively impact a consumer's credit score than reporting with safeguards. Affects integrity of systems and reliance that CPs can place

## View 2

### ***Data on payment delays, created under forbearance or deferred payment arrangements, should be submitted with the necessary safeguards***

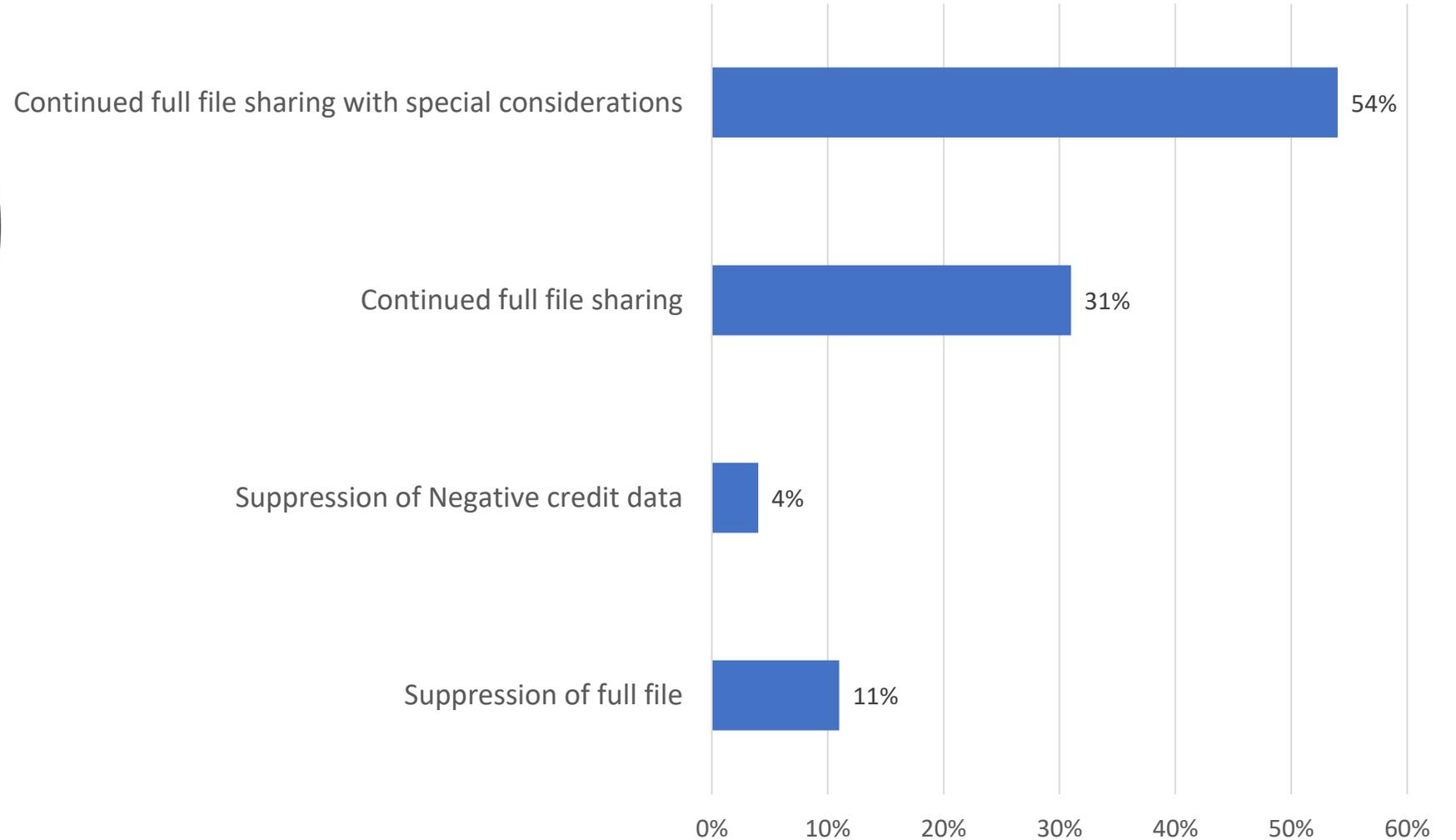
#### Arguments:

- Maintaining integrity of CRS while protecting borrowers.
- Importance of full data for credit risk management, policy formulation.

Consistent with ICCR's General Principle 1

# COUNTRY RESPONSES

## Response from 26 Countries on Credit Information Reporting Related Policy Reforms



Source: WBG survey



## ICCR POLICY RECOMMENDATIONS

- ICCR Note on “Treatment of Credit Data in Credit Information Systems in the context of the COVID-19 pandemic ”
- 8 policy recommendations covering three main objectives:
  - safeguarding the integrity of credit reporting systems
  - safeguarding borrowers; and
  - improving transparency and disclosure regimes.

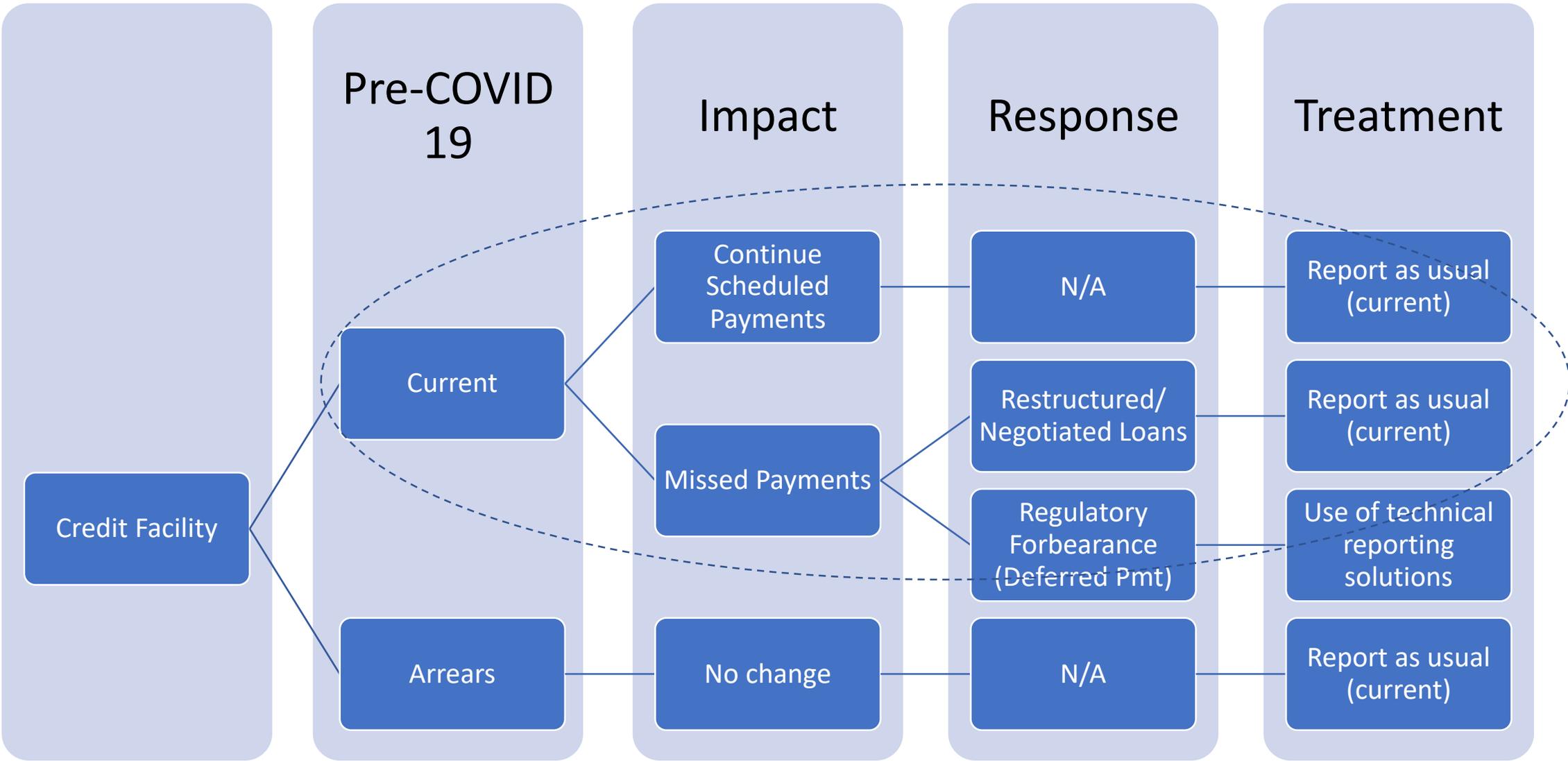


## POLICY RECOMMENDATIONS

### *Safeguarding the integrity of the credit reporting systems*

1. Promote *continued full (file) sharing* of credit information including reporting of missed payment data arising due to the crisis, with the necessary safeguards
2. Ensure *consistent interpretation and application* of the data reporting requirements by all credit providers and participants in the credit reporting system.
3. Ensure that CRSPs and CPs implement *adequate business continuity procedures* to offer full services (including complaints and dispute handling) during the crisis.

# PR 1: Full File Reporting – safeguarding good borrowers





4. Implement measures to ensure minimal or no effect on credit risk scores of data subjects (due to negative reporting):
  - Implementation of different technical reporting solutions e.g. special credit reporting codes, identifiers or conventions
  - Periodic random reviews of data supplied to CRSPs.
5. Work with CRSPs and CPs to ensure data subjects are provided digital access, to free credit reports & scores during the crisis, where possible.
6. Enhance complaints and dispute handling capacity of regulatory authorities, CPs and CRSPs during the crisis, in view of the likely increase in complaints and disputes.

## **POLICY RECOMMENDATIONS**

### *Safeguarding borrowers*



## POLICY RECOMMENDATIONS

### *Improving transparency and disclosure regimes*

7. Promote *digitization of the process of accessing consumer reports* to ensure that the right for data subjects to access credit reports is not affected during the crisis.
  
8. *Enhance regulatory authorities' consumer and financial literacy programs* through publication of recommended plan of actions and availing additional useful resources to the borrowers. Some of the plan of actions include:
  - advising borrowers experiencing payment difficulties due to the crisis to approach credit providers to negotiate payment deferrals, restructuring of facilities.
  - publicizing how CPs and CRSPs will report and process payment delays, deferral and restructuring arrangements in a way that minimizes the impact on credit scores.
  - publicizing government intervention including policies and facilities.
  - more frequent review of credit reports.



## World Bank Group Role

- Support the implementation of policy recommendations through technical assistance programs.
- Capacity building of credit reporting service providers
- Convener of global and regional forum to address emerging challenges.
- Influence policy formulation and updates.



# DISCUSSANTS



**Dave Webber**  
Data Strategy and Content  
Licensing Director at  
TransUnion UK

# UK “Emergency Payment Freeze” for COVID-19

Dave Webber – Data Strategy Director, TransUnion

29<sup>TH</sup> APRIL 2020



# UK Credit Data Eco-System



### UK Government

HM Treasury

### Regulators

FINANCIAL CONDUCT AUTHORITY

stay connected

Ofwat

Information Commissioner's Office

### Trade Associations

UK FINANCE

Energy UK

FLA

### Credit Report Providers / Aggregators

credit karma

ClearScore

CreditExpert from Experian®

comparethemarket.com

Confused.com

Money Super Market

gocompare.com

Uswitch

### CRA's

experian™

EQUIFAX

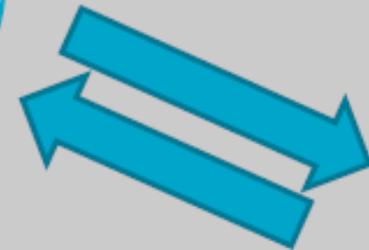
TransUnion™

### SCOR

steering committee on reciprocity

### Data Providers / Data Users

### Consumers





**Tony Hadley**  
Senior Vice President, Regulatory  
& Government Affairs at Experian





**Eric J. Ellman**

Senior Vice President for Public  
Policy and Legal Affairs  
at Consumer Data Industry  
Association (CDIA)





# Background on the U.S. Credit Reporting System

- Data furnishers, credit bureaus, and users must all comply with the federal Fair Credit Reporting Act (“[FCRA](#)”)
- Data furnishers report information to the credit bureaus on the Metro 2<sup>®</sup> Format, a universal, standard data reporting format created by the credit bureaus and CDIA, in consultation with data furnishers



# Reporting on consumers in financial distress

- The Metro 2<sup>®</sup> Format has reporting codes in place to handle the reporting of consumers in financial distress, for whatever reason is caused by that financial distress
- A data furnisher will find an accommodation with a consumer on a credit extension or a loan, often called forbearance or deferred payment plan



# Reporting on consumers in financial distress

- When a furnisher reports on a consumer in forbearance or in a deferred payment plan to the credit bureaus, the bureaus will note on the credit file that a consumer is in such a plan
- The leading U.S. score modeling companies, VantageScore and FICO, will treat these scores as neutral so the consumer should not be penalized



# Reporting on consumers impacted by a natural or declared disaster

- When a furnisher reports on a consumer with a disaster code to the credit bureaus, the bureaus will note on the credit file that a consumer is impacted by a disaster
- The leading U.S. score modeling companies, VantageScore and FICO, have consumer-centric treatment of disaster codes



# COVID-19 and credit reporting

- Lenders and creditors are strongly encouraged by financial regulators to find accommodations for consumers, like forbearance and deferred payment plans. This may also include placing disaster codes on consumer files



# COVID-19 and credit reporting

- In late-March, Congress passed the [CARES Act](#). Sec. 4021 of the CARES Act amends the FCRA. Under the law, data furnishers that find an accommodation with consumers must report that consumer as “current” when reporting to credit bureaus.
- The FCRA amendments under the CARES Act largely codifies existing practices under the Metro 2<sup>®</sup> Format.



**Giovanna Cardellicchio**

Vice President of ALACRED  
General Manager of APC Buro,  
Panama



**ALACRED**



**Enrique Velazquez**

Director General of the  
Association of Consumer Credit  
Information Suppliers ACCIS





**Sílvia Amaral da Fonseca  
Hamburg**

General Manager of FEBIS



Federation of Business Information Services



**Peter Sheerin**

Member of Executive  
Committee BIIA





**ACIPE**



**Bohdan Pshenychnyi**

Chairman of the Board of ACIPE  
Director of Ukrainian Bureau of  
Credit Histories

ASSOCIATION OF CREDIT INFORMATION PROVIDERS IN EURASIA

# ACIPE. Credit Reporting Transferring in Pandemic

➤ Official period of quarantine till:



Azerbaijan  
04.05.2020



Georgia  
22.05.2020



Kyrgyzstan  
10.05.2020



Kazakhstan  
11.05.2020



Ukraine  
11.05.2020  
+ 30 days



Tajikistan  
no quarantine



Moldova  
15.05.2020

➤ Limitations \ Changes in procedures for financial companies and banks:

Ukraine	Georgia	Kazakhstan	Moldova	Kyrgyzstan	Tajikistan	Azerbaijan
Ban on fines / penalties for loan products	Banks offer three months grace period for loan payments (all retail and Small business loans, Medium and Large loans individually)	Banks offer three months grace period for - special social categories (disabled people, orphans, parent families, etc.) - individuals with worsened financial condition; - Small and Medium business special categories; Prevention of deterioration of credit history for this period in a credit bureau.	No penalties / fines for loan products in case of signing additional agreements to the main contract	Ban on fines / penalties for loan products	No changes and limitations	Banks offer six months grace period for loan payments (all retail and Small business loans, Medium and Large loans individually) Prevention of deterioration of credit history for this period in a credit bureau.

➤ No Limitations \ Changes for credit bureaus.

➤ No Interruption of credit history updates by banks, financial companies.



Sharing of other  
experiences and  
Q&A



CLOSING