

# COVID-19 Considerations for Credit Reporting

## Financial Services

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020 to provide stimulus to those adversely affected by COVID-19. Portions of this act and additional guidance from state regulators and the Consumer Financial Protection Bureau (CFPB) may have an impact on credit reporting processes.

### Legal / Regulatory Updates

#### Loan Accommodations<sup>1</sup>

- The CARES Act provides mortgage forbearance and student loan payment suspension for certain Federally-backed loans.
- Individual state regulators (e.g. NYDFS) have also issued their own loan forbearance guidance.

#### Credit Reporting Updates

- Section 4021 of the CARES Act modifies FCRA in cases where a furnisher provides an accommodation to a borrower to include the following updates:
  - Report the account as current throughout the covered period<sup>2</sup>; or
  - Report the account as the same delinquent status prior to the accommodation but if the borrower brings the account current during the covered period, the furnisher should report the account as current.
- On April 1, 2020, the CFPB issued a Policy Statement acknowledging the operational impact of COVID-19 on the disputes process and does not plan to penalize furnishers who do not adhere to the statutory timeframes (i.e. 30 to 45 days per dispute) if they are making good faith efforts on disputes investigations.<sup>3</sup>

### Key Considerations

- Confirm operational readiness to address the updated requirements including the following key areas:
  - Manual overrides to delinquency statuses calculated from servicing system data; and
  - Discussions with system vendors and / or internal IT teams on implementing updated reporting requirements where applicable.
- Review and confirm the implementation of Natural Disaster / Forbearance reporting requirements per the Credit Reporting Resource Guide<sup>®</sup> (CRRG) and business processes with relevant stakeholders (including Legal and Business functions) and consider the following:
  - Confirm if using FAQ 44 (Deferred and no Special Comment Code), FAQ 45 (Forbearance and Special Comment Code “CP”), or FAQ 58 (Natural Disaster and Special Comment Code “AW”) per the CRRG and in which scenarios each would apply (e.g. does the borrower have to call in to confirm they are impacted or should the logic apply to the whole portfolio).
  - Confirm hierarchy of Special Comment Codes if multiple codes apply to an account. Note Special Comment Code is not a “sticky” field so needs to be reported every period it applies.
  - Update Payment History Profile field values as appropriate since the covered period retroactively started on January 31, 2020.
- Implement updated procedures and training materials to ensure compliance with latest guidance.
- Assess resource capacity due to COVID-19 disruptions and increased loan accommodation volume across multiple product lines to ensure accurate furnishing and timely resolution of disputes.
- Continue to stay up to date on the latest credit reporting guidance and its impact on existing processes.

<sup>1</sup> Accommodations include forbearance, deferrals, and modifications.

<sup>2</sup> The “covered period” is from January 31, 2020 to 120 days after the enactment of the CARES Act or 120 days after the National Emergency declaration concludes, whichever is later.

<sup>3</sup> Note it is unclear if this would protect furnishers in a civil lawsuit so best practice would be to comply with the statutory timeframes.



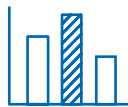
Compliance with the Fair Credit Reporting Act (FCRA) has become a high-risk issue for financial institutions of all sizes due to increased regulatory scrutiny and enforcement actions. To date, the Consumer Financial Protection Bureau (CFPB) has issued millions of dollars in fines associated with enforcement actions for non-compliance and **nearly half of all CFPB consumer complaints in 2019 related to credit reporting.**

FTI has experience developing customized solutions for clients to assist with FCRA compliance and furnishing data challenges, based on key areas of focus and need through three core service offerings:



**Current State Assessment**

- End to end evaluation of credit reporting processes including furnishing and disputes against industry best practices.
- Review and remediation of policies and procedures against regulatory expectations.
- Development of tailored target operating models depending on an institution’s size and product portfolio.



**Metro 2<sup>®</sup> File Analysis/  
Data Analytics**

- Evaluation of the Metro 2<sup>®</sup> furnishing file accuracy using proprietary logic to identify key risk areas and illogical conditions.
- Creation of customized dashboards to monitor FCRA Key Risk Indicators (KRIs) related to both furnishing and disputes.



**Tradeline Testing**

- In depth review of a sample of accounts from the servicing system to the Metro 2<sup>®</sup> File to help identify root causes of system logic and data discrepancies.
- Recommendations on process improvements and controls to reduce future furnishing errors.

## Sample Engagements

### Situation

- FTI professionals have been involved in numerous engagements relating to FCRA across a wide range of products and industries, including Mortgage, Auto Finance, Credit Cards, Small Balance Installment Loans, and Deposit products.

### Role

- The projects have also involved conducting data analytics to evaluate Metro 2<sup>®</sup> furnishing files totaling over 60 million tradelines and testing the accuracy and integrity of the information furnished to the CRAs.
- These engagements have included conducting remediation efforts to correct inaccurate reporting, implementing software or system enhancements or changing servicing systems to improve reporting, and determining the potential impact on consumers.
- These engagements have included drafting or assessing policies, procedures, and processes relating to Appendix E addressing Interagency Guidelines Concerning the Accuracy and Integrity of Information Furnished.

### Outcome

- The work has been used by clients to furnish with accuracy and integrity.
- It has also assisted outside counsel in conjunction with regulatory examinations and enforcement actions brought by the CFPB and OCC.



## Consent Order Experience

### Situation

- FTI professionals have been engaged as the Independent Consultant in CFPB Consent Orders that address issues pertaining to unfair, deceptive, or abusive acts or practices, the requirements of the Fair Credit Reporting Act, and debt collection matters.

### Role

- These engagements required an independent assessment of the company's compliance management systems, internal control systems and / or monthly compliance testing procedures.
- As part of the engagements, accounts and tradelines were evaluated for systemic inaccuracies leveraging data analytics and tested on a sample basis to identify furnishing errors.

### Outcome

- Independent reports were issued to senior management, board of directors and often provided to the CFPB.



### On Point Experience

- **Consumer Lending Specialists:** FTI professionals have extensive experience in the consumer lending sector, including creation of several captive finance companies, multiple securitizations over \$100B, negotiations for sale of consumer receivables, and acquisitions and sales of finance subsidiaries. We have considerable expertise in all key aspects of consumer and auto lending and servicing.
- **Industry Relationships:** FTI has served companies, boards of directors, secured lenders, bondholders, equity investors, and other stakeholders in auto lending assignments, including audit client relationships.
- **Financial Services Experience:** Our past engagements include financial advisory services to a wide array of consumer lenders, vendors, third parties, and other market participants.

<p><b>49</b></p> <p>49 of Global 100 corporations are clients</p>	<p><b>96</b></p> <p>Advisor to 96 of the world's top 100 law firms</p>
<p><b>8/10</b></p> <p>Advisor to 8 of the world's top 10 bank holding companies</p>	<p><b>\$4.1BLN</b></p> <p>NYSE listed market capitalization<sup>1</sup></p>

<sup>1</sup> Number of total share outstanding as of February 17, 2020, times the closing share price of February 25, 2020

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