

[Banking and Finance Law Daily Wrap Up, FAIR CREDIT REPORTING— Senators ask CRAs to help protect consumer credit scores, \(Apr. 28, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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Senators Warren and Schatz have written to the three major credit reporting agencies, urging them to ensure that Americans who are affected by the coronavirus pandemic won't have their credit affected permanently.

Senators Elizabeth Warren (D-Mass) and Brian Schatz (D-Hawaii) have sent letters to the three major credit reporting agencies (CRAs)—[Experian](#), [TransUnion](#), and [Equifax](#)—urging them to ensure that consumers' credit scores are not affected if they take advantage of relief under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act includes protections for homeowners, renters, and student loan borrowers. However, the senators warn that these protections do not guarantee that Americans will avoid lower credit scores that could negatively impact their ability to recover from this unprecedented crisis. The legislators also pointed out that many have debts that received no protections, including auto loans, credit card debt, payday loans, and other forms of debt.

In the letter, the senators asked each CRA what they are doing to prevent permanent negative damage to the credit scores of Americans affected by the COVID-19.

Warren and Schatz wrote in the letter that "Our economic revival depends on millions of Americans' ability to resume their lives after the pandemic abates and the economy reopens. Permanently marred credit scores pose a risk to individuals and to our collective recovery." According to the senators, when the crisis is over, "months of late or missed payments could add up to not just a mountain of debt, but a cratering credit score that takes away the shovel they might use to dig themselves out."

Mortgage relief. Warren and Schatz also worry that homeowners may not know if they are eligible for relief, or how to receive it. "If homeowners are unable to avail themselves of timely forbearance, their credit scores may suffer." The letter also states that the CARES Act leaves millions "without protections" because the mortgages forbearance provisions only covers an estimated 70 percent of mortgages on single family homes, and the protections do not extend to the over \$100 billion in private student loans. Additionally, Warren and Schatz expressed concern for those people that have other debts, including auto loans, credit card debt, payday loans, and other forms of debt that received no protections in the CARES Act.

Disaster scores. The letter expressed concern about possible lower credit scores since credit scores are crucial tools for Americans seeking to find a new job, take out a loan, or buy a new car or house. The senators pointed to recent changes made to credit calculations, and that the new FICO score would "start scoring consumers with rising debt levels and those who fall behind on loan payments more harshly," including one with personal loans, including those taken out during the pandemic.

Warren and Schatz explained that in a "code-based" program, the burden is on each consumer to call each of their creditors and report that they are experiencing financial distress to get a disaster code on their account. Further, the senators warn that even with a disaster code on their account, the protection is only temporary. "FICO reports that its algorithms continue to score negative information even if a disaster code has been placed on an account."

The lawmakers asked the CRAs to provide answers to the following by May 1:

1. What actions are they taking to ensure that individuals who receive mortgage payment forbearance, student loan suspension, or other debt protections under the CARES Act or state or local laws that provide consumer relief do not have adverse items put on their credit reports?

2. What actions are they taking to prevent adverse items from having a long-term negative impact on individuals who are eligible for and have received debt protections under the CARES Act or similar state or local laws, but who may have missed payments before claiming those protections?
3. What actions are they taking to prevent adverse items from having a long-term negative impact on individuals who are eligible for CARES Act protections but are unable to claim those protections of bureaucratic difficulties surrounding the program?
4. What actions are they taking to prevent adverse items from having a long-term negative impact on individuals who don't qualify for protections under the CARES Act and similar state laws?
5. Specifically, will the CRAs allow consumers to add COVID-19 related disaster codes to their credit reports if their lenders will not do so?
6. What additional actions are they taking to ensure individuals affected by this crisis do not have their credit ruined by unexpected illness, job loss, or other loss of income?

Companies: Equifax; Experian; TransUnion

LegislativeActivity: ConsumerCredit Covid19 FairCreditReporting Loans Mortgages OversightInvestigations