

Subject Line: Credit Reporting in the U.S. During the COVID-19 Pandemic

Dear Valued FICO® Score Client

We at FICO recognize the significant challenges faced by lenders in these extraordinary times and we want to offer our assistance. With the recent passage of the CARES Act, we are writing to data furnishers to clearly communicate how various credit reporting actions they take during the COVID-19 pandemic will impact U.S. consumers' FICO® Scores.

CARES ACT APPLIES ONLY TO BORROWER ACCOMMODATIONS

It is important to note that the CARES Act governs how furnishers must report to the credit reporting agencies (CRAs) *only in circumstances where they have reached an accommodation with the borrower*. In those cases, furnishers must continue to report the account status as "current", provided the account was not already in a delinquent status prior to the accommodation. This reporting approach-- placing borrowers in a temporary deferred payment plan or in forbearance, along with reporting an account status as "current"-- will permanently ensure that a borrower's FICO® Score will not be impacted by late payments related to the effects of the COVID-19 pandemic.

COVID-19 REPORTING IN OTHER CIRCUMSTANCES – EFFECT OF SPECIAL COMMENT CODE "AW"

In instances *where a borrower accommodation has not been granted* (and therefore the data furnishing provisions of the CARES Act do not apply), the Consumer Data Industry Association (CDIA) provides guidelines that include [reporting options](#) available to furnishers for borrowers impacted by a disaster. A reporting option cited by the CDIA is to report special comment code AW ("affected by natural or declared disaster"). CDIA guidelines indicate that this code can either be reported along with an account in deferred status, or with *"the Account Status that applies to the account (credit grantor's decision)"*.

It is important to understand the effect that reporting special comment code AW will have on the FICO® Score. Because comment codes such as AW are temporary, are only reflected in the credit file at all three CRAs for as long as they are being furnished and do not include sufficient information to override the *"credit grantor's decision"* under CDIA guidelines to submit AW codes and apply the appropriate reporting of account status as either current or delinquent, all FICO® Score versions – going back 30 years – do not second guess and override the account status determined by furnishers. This means that if a tradeline is reported as current with special comment code AW, the score will treat that account as current. Likewise, **if a tradeline is reported in delinquent status with special comment code AW, the score will treat that account as delinquent**. The reporting of special comment code AW alone will not affect a consumer's FICO® Score.

We have adopted this approach to special comment codes for good reason. Because there is no way to determine *when* a special comment code has been added to the consumer's credit file at all three CRAs, electing to ignore delinquencies based solely on the presence of the code would mean that ALL historical delinquencies would have to be ignored, including those that occurred prior to the disaster. For the same reason, once the period of disaster ends and a furnisher ceases reporting code AW, it will no longer be possible to identify that some of the reported missed payments on that account occurred while the consumer was impacted by a disaster. In both cases, the payment information of a tradeline would be inappropriately considered.

To summarize, only lenders are in a position to assess how their customers have been impacted by the COVID-19 pandemic, and to report all key credit data fields in a manner that best reflects each customer's situation. The reporting of special comment code AW alone, however, should not be viewed as a way of providing consumers relief with respect to the FICO® Score. As they are reported to the CRAs, payment status, amounts past due (if any), and balance information will continue to be important and considered in the calculation of the FICO® Score.

This information has been posted to our website and is the best place to get up to date information on this topic: <https://www.fico.com/en/covid-19-credit-reporting-impact-US> .

Again, we recognize that we are operating in extraordinary times and we want to offer our assistance to your organization. Please do not hesitate to reach out to us at ScoreSupport@fico.com to discuss any questions that you may have about the FICO® Score's treatment of the various reporting scenarios covered in this note.

Best regards,

Your FICO® Score Support Team