



VantageScore Treatment of Deferments and Credit Reporting of Consumers Affected by Natural or Declared Disasters

The [VantageScore](#) credit scoring models are built to mitigate the impact that missed payments might have on a person's credit score in times of financial distress, including situations like the current COVID-19 pandemic.¹ These options include a forbearance (in the form of a deferred payment plan) and the use of the disaster code "AW." These are two separate options.

The [Credit Reporting Resource Guide](#) published by the Credit Data Industry Association (CDIA) includes FAQ # 45, which addresses the reporting of accounts in forbearance and FAQ #58, which sets forth the available options for reporting an account which had been adversely affected by a natural or declared disaster. Lenders should refer to these sources or their credit bureau representatives to determine the proper reporting steps for each option.

This document should not be used to provide lenders or others with any guidance on reporting, but solely to explain the impact such reporting may have on credit scores generated using VantageScore credit scoring models. The impact is based on an analysis of several hypothetical situations using VantageScore credit scoring models.

Lenders should never make a credit decision based solely on a credit score. VantageScore always encourages lenders to reassess credit policies and model validation, especially during times of economic dislocation. Lenders may find that they need to readjust score cut-offs throughout their new account, portfolio management, and collections & recovery policies.

Lenders are encouraged to perform the proper due diligence to ensure consumers can pay back loans and other accounts that they apply for during the period in which the natural/declared disaster code is impacting their credit score.

¹ VantageScore Solutions, LLC does not generate any credit scores or furnish any credit reports. Rather, VantageScore is an independently managed company that develops and owns the intellectual property rights to the VantageScore credit scoring models. VantageScore does not own or maintain credit data pertaining to specific individual consumers and does not furnish any credit data pertaining to specific individual consumers.

DEFERMENT/FORBEARANCE with No Due Payment

For VantageScore 1.0, 2.0, 3.0 and 4.0:

- If a loan is placed in deferment and the lender does not report any missed payments during the deferment period (following the **FAQ #45 forbearance with no payment due** guidelines) the consumer's credit score will not take into account any negative payment information for the duration of deferment; hence, the consumer's credit score will not be impacted as a result of not making payments under this situation.
- However, if a loan is placed in deferment and the lender DOES report missed payments during the deferment period (not following the FAQ #45 forbearance with no payments due guidelines) the consumer's credit score will take into account new negative payment information for the duration of deferment; hence, the consumer's credit score will be harmed. **Lenders should refer to FAQ #45 forbearance with no payments due for proper reporting steps.**

For VantageScore 3.0 and 4.0:

- Any loan in deferment would not be included in any attributes that take into account balances or utilization (since they are deferring this debt). There may be cases, however, where placing into deferment status an account with low balances as compared to the credit limit or original loan amount will in turn adversely impact a consumer's overall utilization or balance-to-loan ratio and the score may decline as a result. However, the impact is generally less than the impact of taking into account missed payments over the deferment period if the missed payments are still reported by the lender.

AW Comment Code = Affected by Natural or Declared Disasters

For VantageScore 1.0 and 2.0:

- For the duration of time in which the AW code is on the account, the account is completely ignored in the calculation of the score.
- In other words, if the AW code is found on the account, payment history, balance, credit limit, utilization, account age, or any other credit file information related to the account are not included in the VantageScore 1.0 and 2.0 score calculations.

For VantageScore 3.0 and 4.0:

- For the duration of time in which the AW code is on the account, the entire negative payment history on the account is specifically ignored in the score calculation.
- In other words, if the AW code is found on the account, the VantageScore 3.0 and 4.0 models specifically remove from the score calculation any missed payment history prior to, as well as during, the disaster period, ensuring there is no negative impact on the score. Other credit file information related to the account will continue to be included.

Lenders are also responsible for removing the natural/declared disaster code once the impact on a consumer's financial well-being has dissipated.

What is the score impact of any missed payments during the disaster period once the AW code is removed?

- If the AW code was added to an account and the lender also placed all payments in deferment during the period of time the AW was in place (following the **FAQ #58 Option 1** guidelines), when the AW code is removed payment activity on the account while the code was in place will not impact the consumer's credit score.
- If the AW code was added on the account and the lender did not choose to defer payments in accordance with FAQ #58 Option 1 guidelines, when the AW code is removed any negative payment information reported by the lender during the disaster period will be included in the score calculation. **Lenders should refer to FAQ #58 Option 1 for proper reporting steps.**

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VantageScore®

FREQUENTLY ASKED QUESTIONS:
**HOW TO PROTECT MY CREDIT SCORE WHEN GENERATED USING
VANTAGESCORE IF FINANCIAL HARDSHIPS, DUE TO COVID-19
(Coronavirus), PREVENT ME FROM PAYING MY BILLS**

The COVID-19 pandemic has and is expected to continue to have a devastating impact on the financial health of many consumers in the United States. If you are suffering or expect to suffer financial hardships as a result of the crisis, the following Q&A will address and clarify several options to protect your credit score¹ calculated with the credit scoring models from VantageScore Solutions, LLC (VantageScore).²

Please note that the COVID-19 pandemic (Coronavirus) and ensuing financial crisis is a rapidly evolving situation and policies and laws may change. These changes may impact your options in the future.

I've been temporarily furloughed from work and need to put some expenses on my credit card. I'm worried that my score will go down if my balances go up too much or I miss a payment. What should I do?

VantageScore first recommends you contact your lender. Lenders have options to assist borrowers who have been financially impacted by situations beyond their control, such as the COVID-19 pandemic. These options might include an account forbearance in the form of a deferred payment plan. There is also a special code that lenders can use when they report information about your credit accounts to the credit bureaus. These options can mitigate the negative impact from such things as delinquencies and high credit card utilization on your credit score calculated using a VantageScore credit scoring model.

¹ This article is intended solely to describe the possible impact that an action may have on a credit score that is generated using the credit scoring models of VantageScore Solutions, LLC. It is not intended to provide any credit or financial advice or guidance or to recommend the taking of any specific action. The possible impacts described herein are based on hypothetical situations and the actual impact on a credit score may vary depending on various factors, including, among other things, a person's actual circumstances and history.

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What are the benefits of a forbearance in the form of a deferred payment plan?

An account forbearance in the form of a deferred payment plan will allow you to suspend your scheduled payments on an account for a period of time, without penalties, so that you can use these funds for other expenses during a time of crisis such as COVID-19 pandemic.

How do I begin the process for a deferred payment plan or an adjustment of reporting to the credit bureaus in order to prevent my credit score from decreasing?

The first step is to contact your lender or the company that “services” your loan. Your servicer is often the company that sends you monthly bills or account statements. Lenders and servicers have the ability to help you pursue a variety of programs to ease the financial burden of this crisis and they have instructions regarding how to report that information to the three national credit bureaus.

If I enter into a deferred payment plan, what is the potential impact on my credit score calculated using a VantageScore credit scoring model?

In most cases a forbearance/deferred payment plan will have a neutral impact on your credit score when calculated using a VantageScore credit scoring model. Your score should not go down if you and your lender pursue this scenario. This is true for all versions of the VantageScore model. An added potential benefit in the case of newer VantageScore models, such as VantageScore 3.0 and 4.0, would be the removal of balances associated with the account in forbearance from the calculation of your score, which in most cases leads to a score increase.

If I miss payments during the deferred payment period, do those delinquencies impact my credit score when it is calculated using a VantageScore credit scoring model after the period ends?

By definition, you will not owe payments on a loan so you will not be reported “delinquent,” but talk to your lender about what plans and terms are available.

How long does a deferred payment plan last?

The length of time that a forbearance or a deferred payment plan is in place is up to your lender’s discretion.

What other options do I have other than a forbearance/deferred payment plan?

You can also discuss with your lenders and servicers the possibility of adding a code to your account(s) which indicates that you have been “affected by a natural or declared disaster.” Lenders have the option to use this code whether a situation has been officially declared a natural disaster or not. The use of this code is separate from entering into a forbearance program.

What are the benefits of adding a disaster code to the information my lender supplies to the credit bureaus?

When your credit score is calculated using VantageScore models 3.0 or 4.0, it should not decrease due to a missed payment when a disaster code is in effect. When a lender or servicer adds a disaster code on an account, it alerts those VantageScore models that your file might have been impacted by a natural disaster or an equivalent situation like the current pandemic. As a result, VantageScore models 3.0 or 4.0 will not take into account any current or previously missed payments while the natural disaster code is in effect. Your balance and credit limit associated with such accounts may continue to impact your credit score depending on how the account is reported by your lender/servicer.

When your credit score is calculated using our earlier models, VantageScore models 1.0 or 2.0, an account with a disaster code will be completely excluded from the calculation of the score.

What happens if I miss payments on my account while the natural disaster code is in place?

Missed payments on an account while the disaster code is in place are not considered in any of our VantageScore models.

If I miss payments on my loan when the disaster code is in place and/or payments are deferred, what happens once the disaster code is lifted?

It is up to the lenders to decide how to report the status of your account while the disaster code is in effect and how that information is reported can impact the score when the code is lifted. Lenders are provided with information about how to report your credit information while the disaster code is in place in order to enable you to miss payments without penalty. If lenders report the status of your account in accordance with that information, your credit score calculated with VantageScore models will not be impacted negatively by missed payments occurring during the disaster period even when the code is lifted.

Do all credit scoring models treat the disaster code similarly?

The consumer-friendly treatment of the disaster code is a relatively new innovation developed by VantageScore Solutions. VantageScore 4.0 and VantageScore 3.0 models help consumers by not taking into account any current or previously missed payments while the natural disaster code is in effect but considering other positive information about the account. Earlier versions of the VantageScore model (versions 1.0 and 2.0) also provide a relief by removing the account impacted by the disaster altogether from the score calculation during the time the disaster code is in place.

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