United States Senate
WASHINGTON, DC 20510

April 27, 2020

Mark Begor
Equifax
1550 Peachtree Street NW
Atlanta, GA 30309

Dear Mr. Begor:

We write seeking information about your efforts to ensure that Americans emerge from the coronavirus disease 2019 (COVID-19) pandemic without a permanent mark on their financial records that prevents them from recovering and moving on with their lives, and that their credit scores are not affected if they take advantage of relief to which they are entitled under the recently passed *Coronavirus Aid, Relief, and Economic Security* (CARES) *Act*.

COVID-19 has triggered an unexpected economic crisis. Twenty-two million Americans filed for unemployment in the last four weeks, unemployment and other benefits have been slow to arrive, and yet families are still receiving bills that they cannot afford to pay.[1] If American families and consumers are piled under a mountain of debt during this pandemic and once it ends, the country will struggle to emerge from a deep recession. This is particularly true if consumers receive a permanent blot on their financial records in the form of a lower credit score. Credit scores are crucial tools for Americans seeking to find a new job, take out a loan, buy a new car or house, and even get basic health and other insurance.

The CARES Act included a number of important protections for families that lose jobs or income due to the pandemic. It gives certain homeowners, with federally backed mortgages, who are facing a hardship due to the pandemic the right to up to 360 days of mortgage forbearance – essentially allowing them to hit pause on their mortgage payments during the COVID-19 crisis and to make up those payments later.[2] The law also offers limited protections against penalties for nonpayment for residents living in federally-backed housing – including time-limited foreclosure and eviction protections.[3]

The CARES Act also includes protections for student loan borrowers. Under the new law, borrowers with federally-held student loans receive automatic suspension of both principal and

[1] CNN Business, "22 million Americans have filed for unemployment benefits in the last four weeks," Anneken Tappe and Tami Luhby, Apr. 16, 2020, https://www.cnn.com/2020/04/16/economy/unemployment-benefits-coronavirus/index.html.
[2] CARES Act, Sec. 4022-4023, https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf. The CARES Act also provides for forbearance protections for some federally backed multifamily residential properties.
[3] CARES Act, Sec. 4022-4023, https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf. The CARES Act also provides for forbearance protections for some federally backed multifamily residential properties.

interest payments until September 30, 2020.[4] Borrowers do not need to apply for suspension, and interest rates will be automatically set at 0% until September 30.

And numerous cities and states have also passed legislation that contains additional protections for consumers that are unable to pay their bills.[5]

But these new legal protections alone will not ensure that Americans avoid the permanent mark on their financial records that could negatively impact their ability to recover from this unprecedented crisis.

One problem is that homeowners may not know if they are eligible for relief, or how to receive it. Eligible homeowners are able to access forbearance under the CARES Act by "submitting a request to the borrower's servicer" and "affirming that the borrower is experiencing a financial hardship during the COVID-19 emergency."[6] Most homeowners deal directly with their mortgage servicers, so many may be unaware that the federal government owns, guarantees, or insures their loan or that their loan is backed by Fannie Mae or Freddie Mac.[7] Without this knowledge, homeowners who are experiencing financial hardship due to the COVID-19 pandemic may not realize that they can request these protections to help ease their financial burdens during the crisis, or may not know how to do so.

If homeowners are unable to avail themselves of timely forbearance, their credit scores may suffer. Missed payments begin to impact credit scores after 30 days,[8] which means that Americans who were impacted during the initial wave of this crisis in early- to mid-March are already seeing their scores lowered.

And the CARES Act leaves millions without protections. The bill's forbearance provisions, cover an estimated 70% of mortgages on single family homes, leaving millions of Americans without the ability to hit pause on their mortgage payments.[9] And the protections do not extend to over $100 billion in private student loans, leaving millions of borrowers out in the cold.[10]

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[4] CARES Act, Sec. 3513, https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf.

[5] Credit Karma, "Coronavirus federal, state, and local relief measures," Apr. 20, 2020, https://www.creditkarma.com/advice/i/coronavirus-us-state-local-relief-measures/.

[6] CARES Act, Sec. 4022, https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf.

[7] Consumer Financial Protection Bureau, "Guide to coronavirus mortgage relief options," Apr. 6, 2020, https://www.consumerfinance.gov/about-us/blog/guide-coronavirus-mortgage-relief-options/.

[8] Equifax, "When Does a Late Credit Card Payment Show Up on Credit Reports?" https://www.equifax.com/personal/education/credit/report/when-late-credit-card-payments-post/.

[9] Wall Street Journal, "Struggling Borrowers Want To Pause Their Mortgage Payments. It Hasn't Been Easy," Orla McCaffrey and Andrew Ackerman, April 3, 2020, https://www.wsj.com/articles/mortgage-relief-from-coronavirus-crisis-is-off-to-rocky-start-11585906200.

[10] Student Borrower Protection Center, "The CARES Act Leaves Behind Millions of Student Loan Borrowers," Tariq Habash, Mar. 27, 2020, https://protectborrowers.org/the-cares-act-leaves-behind-millions-of-student-loan-borrowers/; Forbes, "Senators Seek Help for Student Loan Borrowers Left Out Of Coronavirus Relief Bill," Wesley Whistle, Apr. 7, 2020, https://www.forbes.com/sites/wesleywhistle/2020/04/07/senators-seek-help-for-student-loan-borrowers-left-out-of-coronavirus-relief/#83591df7ee77; Nerdwallet, "2019 Student Loan Debt Statistics," Teddy Nykiel, Dec. 20, 2019, https://www.nerdwallet.com/blog/loans/student-loans/student-loan-debt/.

These borrowers are in substantially the same positions as their peers – they took out money to pursue an education, or to buy their first home, only to have their ability to pay impacted by an unforeseen global crisis – yet they aren't receiving the same protections. This means that 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. And countless American families and consumers have other debts that received no protections in the CARES Act. That includes auto loans, credit card debt, payday loans, and other forms of debt. The impact of their inability to pay these debts because of the COVID-19 pandemic will hit even harder because of anti-consumer changes recently made to credit calculations: reports from earlier this year suggest that the new FICO score would "start scoring consumers with rising debt levels and those who fall behind on loan payments more harshly," including those "who sign up for personal loans," such as those to help bridge the crisis.[11]

Creditors have also touted disaster scores as a means of protecting credit scores during COVID-19, but they are not effective. First, this code-based regime places the burden on each consumer to call each of their creditors and report that they are experiencing financial distress as a result of a disaster, such as a hurricane, tornado, fire, or other natural disaster. A CFPB study showed that relatively few eligible consumers are able to receive this relief.[12] Second, for those consumers who are able to get their creditors to place a disaster code on their account, it provides at best temporary protection to their credit report. FICO reports that its algorithms continue to score negative information even if a disaster code has been placed on an account.[13] Vantage Score does treat accounts with a disaster code as "credit neutral," but only for the period during which it the code remains on the account.[14] When the credit removes the code, then Vantage Score resumes consideration of negative account information in calculating a consumer's credit score.

As one consumer expert put it, "[r]eporting negative information with a code doesn't work because that negative information is still in the system."[15]

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. To help us understand your efforts to ensure this unforeseen crisis does not negatively affect the millions of consumers and families for years, we ask that you answer the follow questions by May 1, 2020.

1. What actions are you taking to ensure that individuals who receive mortgage payment forbearance, student loan suspension, or other debt protections under the CARES Act or

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[11] The Wall Street Journal, "FICO Changes Could Lower Your Credit Score," AnnaMaria Andriotis, Jan. 23, 2020, https://www.wsj.com/articles/fico-changes-could-lower-your-credit-score-11579780800.
[12] Consumer Financial Protection Bureau, "Natural Disasters and Credit Reporting," November 2018, https://files.consumerfinance.gov/f/documents/bcfp_quarterly-consumer-credit-trends_report_2018-11_natural-disaster-reporting.pdf.
[13] CNBC, "Here's how to protect your credit during the coronavirus pandemic if you're struggling to pay bills," Megan Leonhardt, Apr. 2, 2020, https://www.cnbc.com/2020/04/02/how-to-protect-your-credit-if-the-pandemic-affected-you-financially.html.
[14] *Id*.
[15] The Wall Street Journal, "No Coronavirus Break for Consumer Credit Scores," Julie Bykowicz and Ted Mann, Mar. 31, 2020, https://www.wsj.com/articles/no-coronavirus-break-for-consumer-credit-scores-11585668691.

state or local laws that provide consumer relief do not have adverse items put on their credit reports?

2. What actions are you 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 you 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 you 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 you allow consumers to add COVID-19 related disaster codes to their credit reports if their lenders will not do so?

6. What other actions are you taking to ensure individuals affected by this crisis do not have their credit ruined by unexpected illness, job loss, or other loss of income?

Sincerely,

Elizabeth Warren
United States Senator

Brian Schatz
United States Senator