NCLC National Consumer Law Center

Credit Reports and the COVID-19 Crisis: What States Should Do to Help Consumers

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The COVID-19 crisis will damage the credit reports of tens of millions of consumers, who will see their scores nosedive because of mass unemployment and loss of income. Lower credit scores will impede consumers' ability to get affordable credit, jobs, housing, and to generally recover when this crisis is over.

Yet the response to this looming credit reporting calamity in the March 2020 federal stimulus bill was meaningless window dressing. The credit reporting provision in Section 4021 of the stimulus bill is weaker and more deficient than even the middling current industry practice for disaster victims. Not only does the credit reporting provision do barely anything to protect consumer's credit records from the devastating economic effects of this crisis; it may end up harming consumers more than it helps.

Section 4021 primarily protects consumers who are still current on their bills and who are approved for a forbearance, workout, or similar accommodation. For that narrow group of consumers, their accounts still will be reported as current. But consumers who do not receive a forbearance or accommodation from their creditor – or who are unable to get one before they fall behind -- are out of luck. This group will include millions of people who are unable to reach their creditors because of long phone hold times, who are too overwhelmed by job losses or dealing with COVID-19 afflicted family, or whose creditors are heartless enough to tell them no. If a consumer does manage to get a forbearance or accommodation, but has already a missed payment because of job loss or illness due to COVID-19, the creditor will continue to report them as delinquent unless they manage to catch up during the forbearance period – hardly likely for consumers facing economic disaster.

Furthermore, even when a consumer is able to obtain forbearance or other relief, Section 4021 does not require the creditor to report the natural disaster code currently recommended by the credit reporting agencies. This code prevents the account from being considered by credit scoring models.

WHAT STATES CAN DO

Now that Congress has failed to adequately protect consumers' credit records in this massive pandemic, it's up to the states to protect consumers from the economic damage of COVID-19. While federal laws preempt some actions by states, here are steps that states can take:

- Allow consumers impacted by COVID-19 to report to credit and other consumer reporting agencies (CRAs) that they have been affected by COVID-19 and require such CRAs to include a COVID-19 alert in their credit or other consumer report.
- If a consumer's credit or other consumer report includes a COVID-19 alert, or if the consumer informs the user of a consumer report that information in their report was the result of the economic impact of COVID-19, the user is required to disregard COVID-19 related information. Users would include lenders, employers, or landlords.

- If the consumer's credit or other consumer reports includes a COVID-19 alert, prohibit credit scoring models from treating as a negative factor any adverse events that occurred during the COVID-19 crisis.

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