

HOW LOAN DEFERRAL OPTIONS CAN PROTECT YOUR CREDIT HEALTH



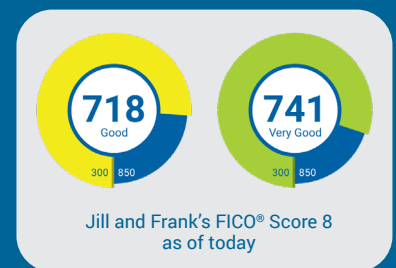
With the coronavirus pandemic impacting every corner of the U.S. economy, millions of Americans have lost jobs or are suffering financial hardship. Many are worried about paying their bills on time and protecting their hard-earned credit health.

The good news is that your lender might be able to help. Here's how you can find out what options may be available to defer payments until you can get back on your feet and keep your FICO® Scores from being negatively impacted by coronavirus.



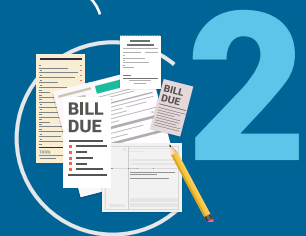
JILL AND FRANK EXPERIENCE FINANCIAL HARDSHIP

Jill and Frank have worked hard and built up solid FICO® Scores by keeping their credit utilization low and paying their bills on time. Frank is a chef and has lost his job due to coronavirus. Jill is an event planner and is not able to find work either. They only have enough money in savings to cover one or two months of bills.



JILL AND FRANK CAN'T PAY ALL OF THEIR BILLS

After just a few weeks, their savings are starting to run dry. They will be unable to make the payments on their mortgage and credit cards, accruing additional interest and hurting their FICO® Scores.



THEY CONTACT THEIR LENDERS TO EXPLAIN THE SITUATION

Jill and Frank have heard that due to the unique nature of coronavirus, banks and other lenders are offering special options for consumers like them to place their accounts in a temporary deferred payment plan. They contact their lenders to ask what options are available.

What are loan forbearance and deferred payment plans?

Many lenders are offering consumers special payment options. It's important to understand what these different terms mean.

With **loan forbearance**, the lender permits the borrower to pay either a reduced payment or no payment for a temporary short-term period. Typically, interest continues to accrue.

With a **deferred payment plan**, the lender temporarily suspends your payments for a period of time. Interest typically doesn't accrue or can be waived if it is a subsidized federal loan, like some student loans.

Importantly, neither of these options make financial obligations go away – you'll be expected to pay the amounts owed after the forbearance or deferred payment plan ends.

What to ask your lender about payment relief:

It's important that you know the details of your forbearance or deferred payment plan agreements with lenders before finalizing them, to ensure your accounts remain in good standing. Some key things to know:

- › How long does the agreement last?
- › Will you still be responsible for making some payments during the period of the agreement?
- › Will the deferred payment amounts be due when the temporary program ends, or will they extend the term of the loan?
- › Will interest still accrue on the account(s) during the period of the agreement?
- › How will the situation be reported to credit bureaus?



4

THE LENDERS EXPLAIN AVAILABLE OPTIONS

Jill and Frank's mortgage lender offers them a new agreement: they can defer payments for 90 days, meaning they can skip their next three payments in exchange for extending the life of their mortgage by three months at the end of the loan.

JILL AND FRANK ENTER INTO A DEFERRAL PROGRAM

Jill and Frank clarify the terms of the agreement in writing with their lender. They won't accrue additional interest during the 90 days. They are relieved that the deferred payment plan won't lead to additional costs or negative impacts to their FICO® Scores while they get back on their feet.



5



6

THE LENDER REPORTS TO THE CREDIT BUREAUS (EQUIFAX, EXPERIAN, TRANSUNION)

The lender continues to report the account to the credit bureaus. The report includes that Jill and Frank's mortgage is in a temporary deferred payment plan and the account status is **current**. This ensures that their FICO® Scores won't be impacted by this program for the 90-day period.

JILL AND FRANK'S DEFERRAL STATUS IS REMOVED

Once Jill and Frank are back on their feet and the 90-day period has ended, they resume paying their bills on time. The lender resumes reporting their account to the credit bureaus as normal, and they continue building their credit health.



7

LEARN MORE AT:

ficoscore.com/coronavirus