

Treatment of Credit Data in Credit Information Systems in the context of the COVID-19 pandemic



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Agenda

- Welcome
- Policy recommendations
 - Mahesh Uttamchandani
- Discussants
 - Lola Cano - Banco de España
 - Eric J. Ellman – CDIA USA
- Open discussion and Q&A
- Closing remarks



Mahesh Uttamchandani
ICCR Chair



Neil Munroe
ICCR Deputy Chair



Lola Cano
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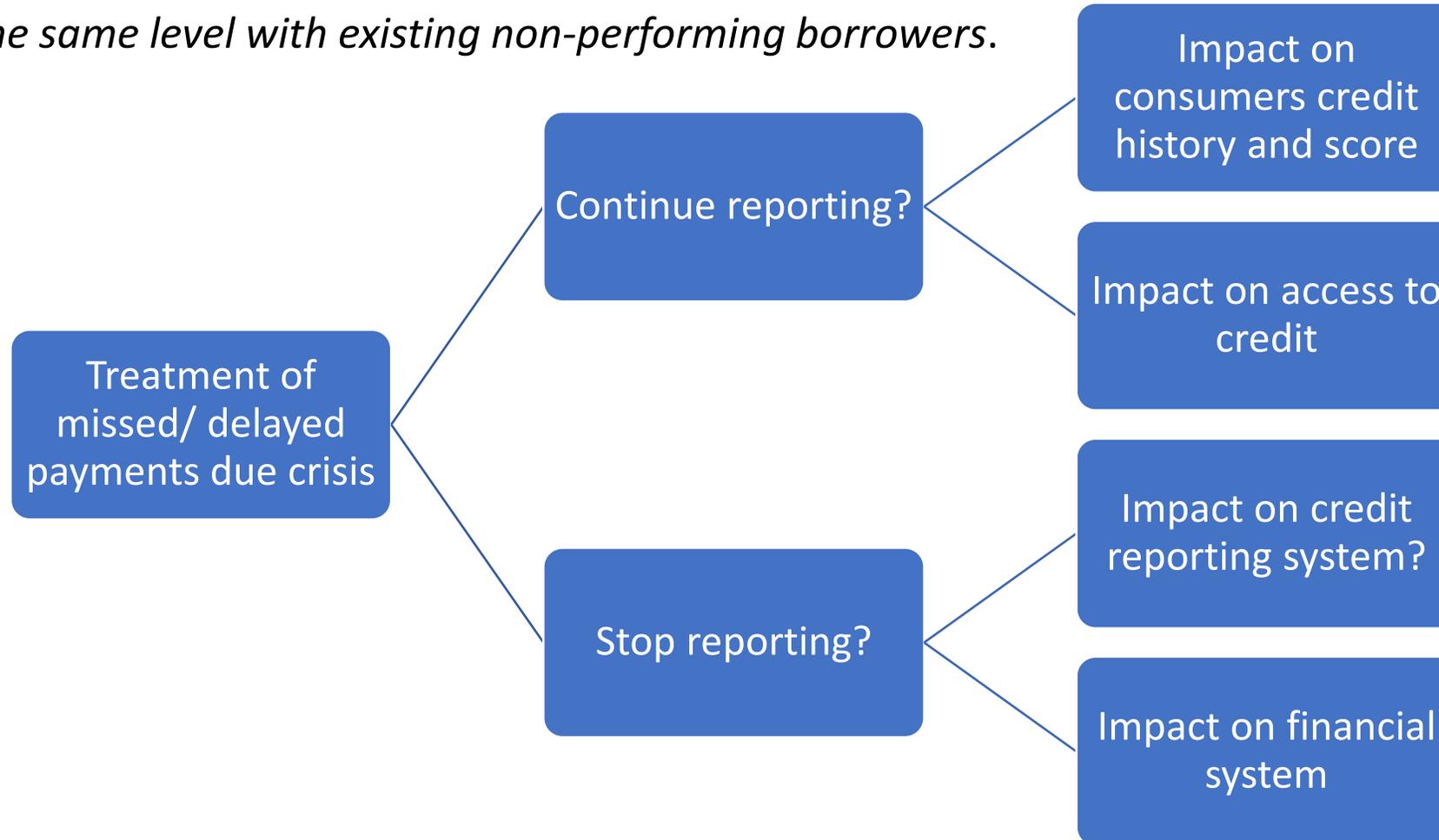
Eric J. Ellman
CDIA

OUTLINE

- Current challenge
- General practice
- Country Responses
- ICCR Policy Recommendations

CURRENT CHALLENGE

Crises impact good performing borrowers' ability to meet their scheduled payments relegating them to the same level with existing non-performing borrowers.





GENERAL PRACTICES DURING A CRISIS

View 1

Suppression or non-submission of payment delays due to a crisis

Arguments:

- Such delays are not a result of the borrower's own choice hence should not be reflected on their records.

Data gaps could negatively impact a consumer's credit score than reporting with safeguards. Affects integrity of systems and reliance that CPs can place

View 2

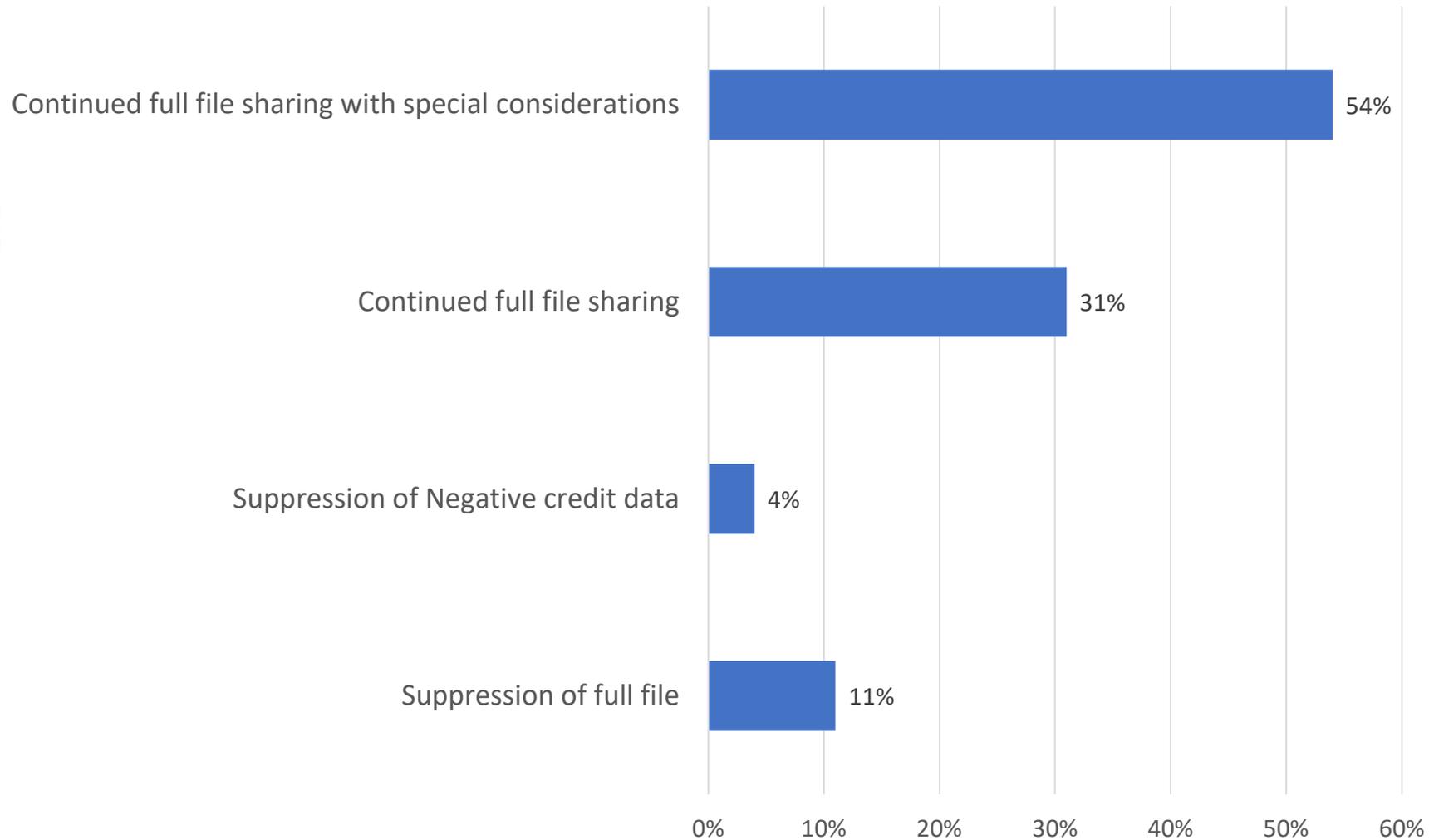
Data on payment delays, created under forbearance or deferred payment arrangements, should be submitted with the necessary safeguards

Arguments:

- Maintaining integrity of CRS while protecting borrowers.
- Importance of full data for credit risk management, policy formulation.

Consistent with ICCR's General Principle 1

Response from 26 Countries on Credit Information Reporting Related Policy Reforms



COUNTRY
RESPONSES

Source: WBG survey



ICCR POLICY RECOMMENDATIONS

- ICCR Note on “Treatment of Credit Data in Credit Information Systems in the context of the COVID-19 pandemic”
- 8 policy recommendations covering three main objectives:
 - safeguarding the integrity of credit reporting systems
 - safeguarding borrowers; and
 - improving transparency and disclosure regimes.

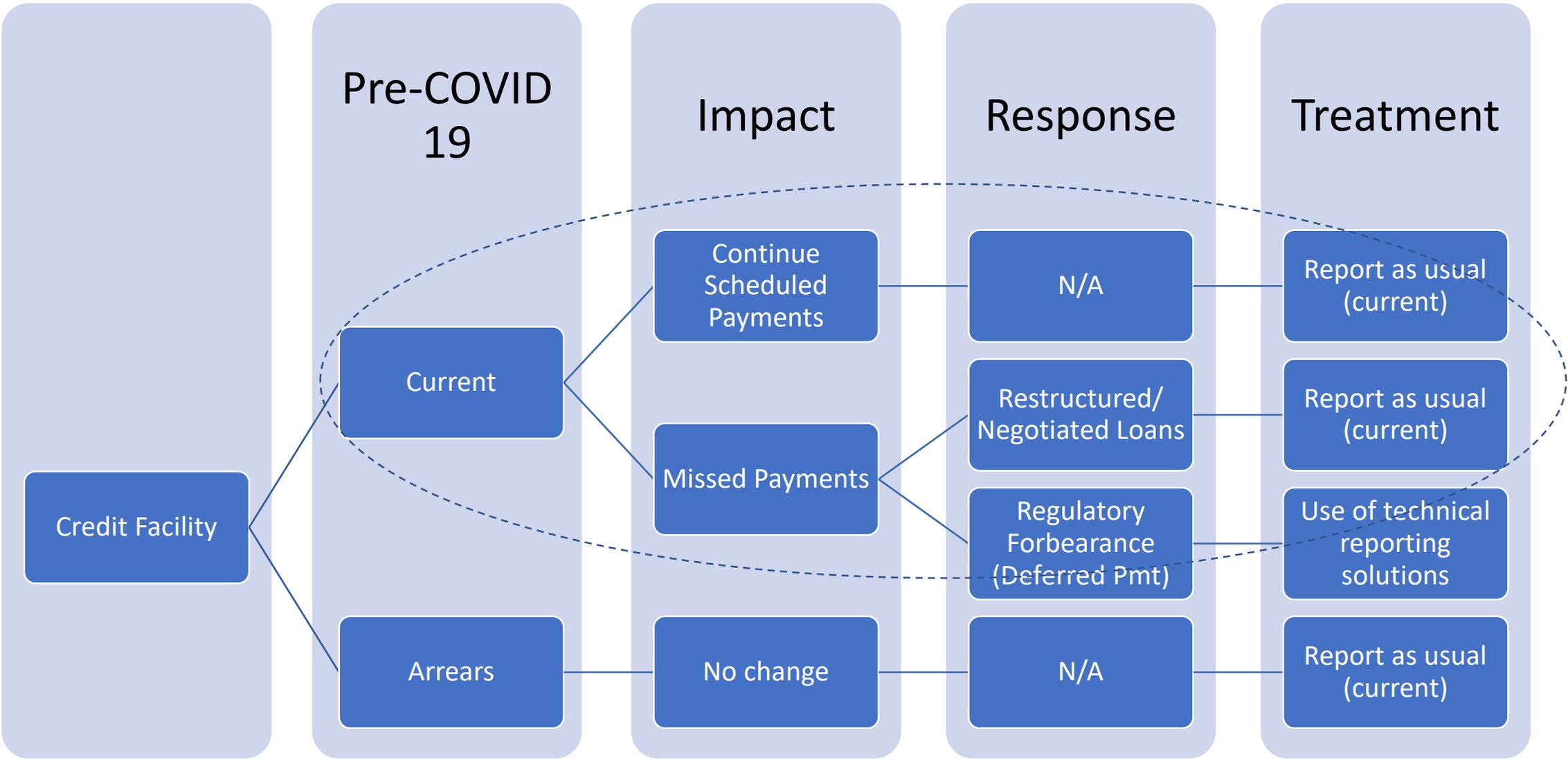


POLICY RECOMMENDATIONS

Safeguarding the integrity of the credit reporting systems

1. Promote *continued full (file) sharing* of credit information including reporting of missed payment data arising due to the crisis, with the necessary safeguards
2. Ensure *consistent interpretation and application* of the data reporting requirements by all credit providers and participants in the credit reporting system.
3. Ensure that CRSPs and CPs implement *adequate business continuity procedures* to offer full services (including complaints and dispute handling) during the crisis.

PR 1: Full File Reporting – safeguarding good borrowers





4. Implement measures to ensure minimal or no effect on credit risk scores of data subjects (due to negative reporting):
 - Implementation of different technical reporting solutions e.g. special credit reporting codes, identifiers or conventions
 - Periodic random reviews of data supplied to CRSPs.
5. Work with CRSPs and CPs to ensure data subjects are provided digital access, to free credit reports & scores during the crisis, where possible.
6. Enhance complaints and dispute handling capacity of regulatory authorities, CPs and CRSPs during the crisis, in view of the likely increase in complaints and disputes.

POLICY RECOMMENDATIONS

Safeguarding borrowers



POLICY RECOMMENDATIONS

Improving transparency and disclosure regimes

7. Promote *digitization of the process of accessing consumer reports* to ensure that the right for data subjects to access credit reports is not affected during the crisis.
8. *Enhance regulatory authorities' consumer and financial literacy programs* through publication of recommended plan of actions and availing additional useful resources to the borrowers. Some of the plan of actions include:
 - advising borrowers experiencing payment difficulties due to the crisis to approach credit providers to negotiate payment deferrals, restructuring of facilities.
 - publicizing how CPs and CRSPs will report and process payment delays, deferral and restructuring arrangements in a way that minimizes the impact on credit scores.
 - publicizing government intervention including policies and facilities.
 - more frequent review of credit reports.



World Bank Group Role

- Support the implementation of policy recommendations through technical assistance programs.
- Capacity building of credit reporting service providers
- Convener of global and regional forum to address emerging challenges.
- Influence policy formulation and updates.



DISCUSSANTS

OPERATIONS SUBJECT TO SPECIAL MEASURES DUE TO COVID-19: RECORDING IN BANCO DE ESPAÑA'S CCR

Lola CANO

Head of the CCR and other Microdata Division
Banco de España

Webinar: Credit Information Systems in the times of COVID 19:
Policy Considerations and Regulatory Responses

22nd April 2020

Financial reporting and CCR Department





INDEX

- 1. Main measures adopted**
- 2. Recording in Banco de España's CCR**
- 3. European-wide criteria**

Legal moratoria measures

Credit institutions are to apply compulsorily **debt repayment suspensions** of certain mortgages and other loans to physical persons under vulnerable situation due to the COVID-19 outbreak according to certain parameters

Voluntary moratoria measures

Spanish banking associations and individual banks have announced different measures to suspend debt repayments and improve the conditions of certain loans

Special measures launched

Public loans guarantees

The public development bank (Instituto de Crédito Oficial, ICO) has set up specific loan guarantees for legal persons and self-employed workers affected by the COVID-19 outbreak

Other measures

- Extension of the ICO public credit lines to companies and self-employed and of the public guarantees program for export companies
- Public guarantees for loan maturity extensions to farmers

Legal moratoria measures

- **Moratoria COVID-19**
 - Legal moratoria. COVID-19
 - ➔ Not forborne or renegotiated instrument
 - ➔ Renegotiated instrument

Voluntary moratoria measures

- **Moratoria COVID-19**
 - Banking association moratoria. COVID-19
 - ➔ Not forborne or renegotiated
 - ➔ Renegotiated instrument
 - Individual moratoria. COVID-19
 - ➔ Not forborne or renegotiated
 - ➔ Renegotiated instrument

Reporting to the CCR

Public loans guaranties

- **Type of main guarantee**
 - ➔ Government guarantee. COVID-19
 - ➔ Other public administration guarantee. COVID-19
 - ➔ Supranational institution guarantee. COVID-19

Separate reporting codes to signal and monitor the evolution of those operations

Not in the feedback information nor to institutions, nor to debtors.

⇒ First available in May. Applicable to March data



Accounting criteria

2nd April: 'Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis'

Still to be decided how to register

⇒ Separate reporting codes to signal and monitor the evolution of those operations

Reporting ⇒ AnaCredit



EUROPEAN CENTRAL BANK

EUROSISTEMA

Thanks for your attention!!
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INTERPLAY BETWEEN PRUDENTIAL MEASURES AND CREDIT REPORTING

- It is important to ensure that prudential measures adopted
 - accomplish the objective for which they were issued,
 - are practically implementable,
 - Compliment other measures (fiscal, monetary etc)
 - preserve the health of the financial system – speed the recovery phase and are sustainable.
- **How these directives are implemented will have important consequences in the credibility of the prudential policies and the integrity of the financial system in the long run.**

INTERPLAY BETWEEN PRUDENTIAL MEASURES AND CREDIT REPORTING

- Considerations when implementing measures:
 - Time frame of the directive.
 - Identify if the directive applies to a specific type of asset – describe the characteristics.
 - Establish rules for the duration of the directive: 1) when directive is issued; 2) while the directive is in effect; 3) when the directive expires and going forward.
 - Establish rules for the treatment across other systems and infrastructures e.g. credit reporting service provider (CRSP); collateral registries; insolvency/bankruptcy proceedings.
 - Coordination to avoid/ minimize conflict and counteracting.

INTERPLAY BETWEEN PRUDENTIAL MEASURES AND CREDIT REPORTING – PAST DUE DAYS

- Revision of past due days threshold will present the following practical considerations:
 - **Integrity of credit reporting data:** same variable will have three different meanings resulting in three different data sets – before, during and post crisis.
 - **Credit reporting systems calibration:** need to relook at definition of variables and validation rules on past due days in the systems.
 - **Credit scoring models** – pre-crisis models were based on past due thresholds and will require changing. The models will also require recalibration post the crisis.
 - **Treatment of data:** how will data treated as current during the crisis be treated once the period lapses.
 - Alignment with international standards like Basel and IFRS: the changes will affect ECL computations.

Practical Considerations – Open discussion

PR 1-3:

- Definition and implementation of technical reporting solutions:
 - special credit reporting codes,
 - Identifiers, or
 - conventions (such as freeze payment status)
- Consistency application of technical solutions.
- Flexibility in data submissions timelines.
- Level of connectivity and infrastructural capacity to enable effective business continuity.

PR 4-6

- Sustainability of the free reports and scores for duration of the crisis. Digital access can reduce cost of transmission and generation.
- Capacity to handle increasing complaints and disputes. Opportunity to leverage on technology for complaints and dispute handling.

PR 7-8

- Technological readiness, that is, proliferation of mobile banking apps for promoting digital access.
- Need to ensure accuracy, timeliness and dissemination (language and geographical reach) of policy pronouncements and periodic update of policies
- What programs can regulators undertake to ensure sustained financial literacy/awareness, to keep other stakeholders and consumers aware of changing policies etc.?