

## **New Credit Bureau Reporting for Assignments for Conditional Disability Discharge** Based on Consumer Data Industry and NCHELP Recommendations

July 2006

### **Perkins Loans**

***Non-defaulted loan*** - The consumer data industry recommends that the school report Status Code '05' and the Payment Rating that is consistent with the current or delinquent status of the account on the date a school submits a disability claim to the Department (i.e., 0, 1, 2, 3, 4, 5 or 6). Status Code '05' is defined as 'Account transferred to another office' and the Payment Rating indicates that the payment for this month was current or delinquent. Since the account is being transferred to the Department for further processing, this status is applicable. Additionally, any credit history already established by the borrower would be retained for historical credit reporting purposes. No further reporting by the school would be required, as Status Code '05' is a final status. Since the Department will be responsible for the loan after assignment, it is not necessary to require further reporting by the school.

In summary, the school should report Status Code '05', Payment Rating 0, 1, 2, 3, 4, 5 or 6 and a Payment History Profile Grid that represents the accurate account history that should be retained for the account.

***Defaulted loan (previously reported by the school as Status Code 93 – Collection)*** – The consumer data industry recommends that the school report Status Code '05', Payment Rating 'G' and Special Comment Code 'AL'. Status Code '05' is defined as 'Account transferred to another office', Payment Rating 'G' indicates that the account was a Collection prior to the transfer, and Special Comment Code 'AL' states 'Student loan – permanently assigned to government'. All collection history already reported would be retained for historical credit reporting purposes. No further reporting by the school would be required, as Status Code '05' is a final status. Since the Department will be responsible for the loan after assignment, it is not necessary to require further reporting by the school.

## **FFEL Loans**

***Non-defaulted loan held by the lender*** – The consumer data industry recommends that the lender report Status Code '05' and the Payment Rating that is consistent with the current or delinquent status of the account on the date a lender submits a claim to the guarantor or receives payment from the guarantor (i.e., 0, 1, 2, 3, 4, 5 or 6). Status Code '05' is defined as 'Account transferred to another office' and the Payment Rating indicates that the payment for this month was current or delinquent. Since the account is being transferred to the Department for further processing, this status is applicable. Additionally, any credit history already established by the borrower would be retained for historical credit reporting purposes. No further reporting by the lender would be required, as Status Code '05' is a final status. Since the Department will be responsible for the loan after assignment, it is not necessary to require further reporting by the lender.

In summary, the lender should report Status Code '05', Payment Rating 0, 1, 2, 3, 4, 5 or 6 and a Payment History Profile Grid that represents the accurate account history that should be retained for the account.

***Defaulted loan held by the guarantor*** - The consumer data industry recommends that the guaranty agency report Status Code 'DA', which is defined as 'Deletes Entire Account'. Since the claim is being filed with the Department and the Department will be responsible for further processing of the loan, as well as credit reporting, the original Collection Account reported by the guaranty agency should be deleted. Otherwise, the borrower will have two Collection Accounts on their credit report: one from the guaranty agency and one from the Department. Since the Department will be responsible for further credit bureau reporting on the loan after the loan has been assigned, only the Department should be reporting on the loan as a Collection Status '93'. Once the account is deleted by the guaranty agency, no further reporting would be required.

*(from further discussion)* We are recommending deletion of the guarantor tradeline for two reasons. The first is that this follows the current process in place for mandatory assignments to the Department. There are no known issues with the deletion of the guarantor tradelines in this program and we believe this will hold true for the TPD assignment process. Secondly, we support deleting the guarantor tradeline in order to prevent multiple collection accounts representing the same loan on a consumer file. The original lender's default status will remain on file to reflect a default claim being paid by the guarantor, thus, the borrower's default status will continue to be reported. When the Department begins its reporting, the "Date of First Delinquency" from the original lender must be used—that date will tie the loan back to the original lender's tradeline at the time of default purchase. The "Original Loan Amount" must also be reported as the claim amount. Using the same "Date of First Delinquency" and "Original Loan Amount" eliminates any gap in reporting since the time period is accounted for in any declining balance.

## **U.S. Department of Education**

The consumer data industry recommends the traditional 'full file' reporting, which includes reporting every account, every month, regardless of change in status. It is critical for consumers and credit grantors who review the data on our files to have access to the current month's status information, even if it is the same as prior months. In particular, a Status Code '11' on our files that is not updated on a monthly basis prompts unnecessary consumer complaints, which will be forwarded on to the Department for verification.

***Non-defaulted loan*** - The consumer data industry recommends that a 'deferred' statement be included with the reporting of the Status Code '11'. In the Metro Format, Special Comment Code 'D' represents 'Student Loan – Payment Deferred'. In the Metro 2 Format, Terms Frequency 'D' represents 'Deferred'. If Metro 2 is used, the K4 Segment could also be included, which would allow the reporting of the potential Deferred Payment Start Date.

If the Total and Permanent Disability is granted, the Status Code '13' should be reported to indicate the account is paid. The deferred code should not be reported.

If the Total and Permanent Disability is not granted, the deferred code should be removed and the account should be reported normally as current or delinquent, until ultimately paid.

***Defaulted loan*** - The consumer data industry recommends that a 'deferred' statement be included with the reporting of the Status Code '93'. In the Metro Format, Special Comment Code 'D' represents 'Student Loan – Payment Deferred'. In the Metro 2 Format, Terms Frequency 'D' represents 'Deferred'. If Metro 2 is used, the K4 Segment could also be included, which would allow the reporting of the potential Deferred Payment Start Date.

If the Total and Permanent Disability is granted, the Status Code '62' should be reported to indicate the account is paid. The deferred code should not be reported.

If the Total and Permanent Disability is not granted, the deferred code should be removed and the account should continue to reported as Status '93', until ultimately paid.