

# Webinar 53

A Deeper Look at the New Credit Reporting Changes  
and How to Adjust Your Lending Approach



## AN OVERVIEW



- In March 2015, the National Consumer Assistance Plan was launched by the three nationwide consumer credit reporting companies – Equifax, TransUnion and Experian.
- The motivation for this act was to make credit reports more accurate and easier for consumers to correct any errors on their credit reports.
- The three credit bureaus implemented these changes over a three year period.



## CHANGE #1



- The three credit bureaus removed all civil judgments, federal tax liens and some state tax liens from their consumer credit reporting data bases effective by July of 2018.
- This initiative took effect in April 2018 and all three credit bureaus have removed these from their databases.
- Bankruptcy public record data will continue to be reported.



## CHANGE #2



- Medical Collections may not be added to credit reports until at least 180 days after the account is reported to the credit reporting agency and the removal of previously reported medical collections that have been paid or are being paid by insurance.
- In order for medical collections to be reported after the 180 days, they must meet a new standard of reporting criteria, which includes your name, address, social security number or date of birth.
- The data furnisher of the public record must visit the applicable courthouse at least once every 90 days to obtain newly filed or updated public records.



## CHANGE #3



- Medical Collections that are paid are no longer subjected to the 7 year cycle of remaining on a credit report and will fall off once they have been paid.
- Medical collections that were being reported by the 3 credit bureaus before the enactment dates of the new reporting criteria will not be subjected to the new reporting criteria and will remain on the credit reports for the 7 year reporting cycle unless they have been paid.




## QUESTIONS TO CONSIDER



- As lenders, how will we know if there are tax liens or civil judgements on a new or existing member's credit report?
- How can we determine if a new or existing member is in the new 180 day waiting period for medical collections?
- How do we engage a new or existing member about potential medical collections without infringing on their HIPPA privacy rights?



A background image showing several people in a professional setting, looking at and pointing to documents. The image is dimmed and serves as a backdrop for the title.

## Tax Liens and Civil Judgements

The loan application will have a section where we ask the applicant if they have ever filed bankruptcy or if they are a co-signer on a loan, etc. It may be as easy as going into the application's software and adding 'tax liens' just by checking a box. I have done this in 3 credit unions and took less than 5 minutes. Civil judgements are typically already included as a question on the application.

### **Problem solved, correct?**

Maybe, but we are going to have to change our culture some because typically when we are asking those questions we are giving the answers as much weight as when we ask for the member's phone number.



## GATHERING DATA



- This part of the application requires a whole new level of focus if the member answers “yes” to a tax lien or civil judgement.
- Ask for the member’s most recent installment payment statement to determine the extent of the tax lien.
- I have always taught that it is very unwise to do a loan with a tax lien because of the loss of top position of our collateral to the IRS.
- If we get the necessary documentation we will at least be able to make an informed decision.
- Without paperwork, it is essentially impossible to make a loan not knowing the existence or status of a tax lien.

# TIPS FOR LENDING



- The same process holds true with any civil judgment the member might say they have.
- Get any documentation you can, such as a settlement agreement or pay stubs to see if there is a wage garnishment.
- The most important part of these scenarios is that your people are trained to whatever processes and verbiage you come up with.
- Consistency in your message is critical for your team to deliver.





## Medical Collections

**Oh Boy...this part is not easy.**

New members will pose a bigger issue than existing because you will be pulling credit on them for the very first time. If they have a large dollar amount of collections in the 180 twilight zone, how will we know?

With existing members we might have the benefit of previous credit reports to at least ask about older collections and inquire about their status.

## WAYS TO ENGAGE



- Educate our members on the changes to the reporting criteria and ask if they are aware of any outstanding expenses.
- If there is a medical collection with the new criteria, we can educate them what it means and ask if there will be any more.
- We can certainly be straightforward and ask every member if they are aware of any existing collections that we might not be seeing right now.
- While these examples are not ideal, until we actually see medical collections with the new criteria start to show up on credit reports, we suggest you be as generic and non confrontational as possible.



## IMPORTANT INFORMATION



- Is your credit union fully aware of ALL of these changes?
- How is your credit union addressing these changes?
- What impact are you seeing to your member's credit scores (Credit karma has reported their average American could see as much as a 30 point increase in their score)?
- Do you have any specific verbiage that is working for your credit union?
- Have you implemented these changes in your lender training manuals?

## FINDING A WAY TO SAY YES



- Our jobs as management and as lenders has become extremely more difficult because of these changes. We must adapt to them and not allow ourselves to use them as an excuse to say no to new and existing members.
- We are updating our **University of Lending** training materials to reflect these changes, while continually adding solutions for you to implement as we become aware of them.
- Always remember no matter what new speed bumps are put in front of us, we are here to: **Serve the Underserved.**



# THANK YOU!



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