



COVID-19 Impact on Consumer Debt & Credit

October 27, 2020



Introductions

▶ **Katrina Delgrosso**

- ▶ *Head of Mid-Atlantic Campus & Event Development*
- ▶ *College Ave Student Loans*

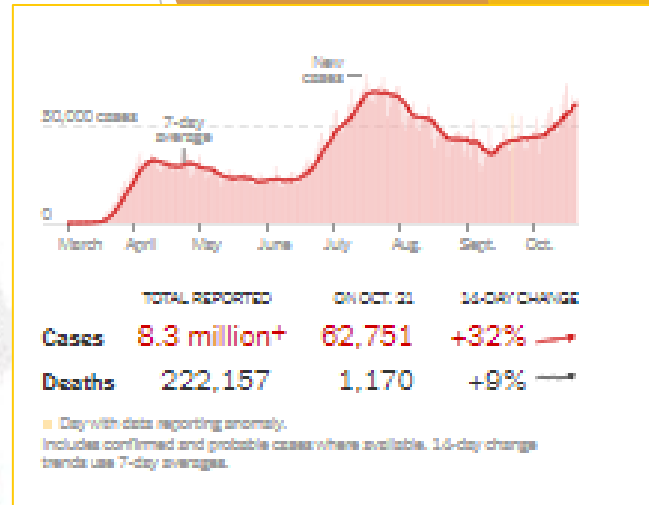
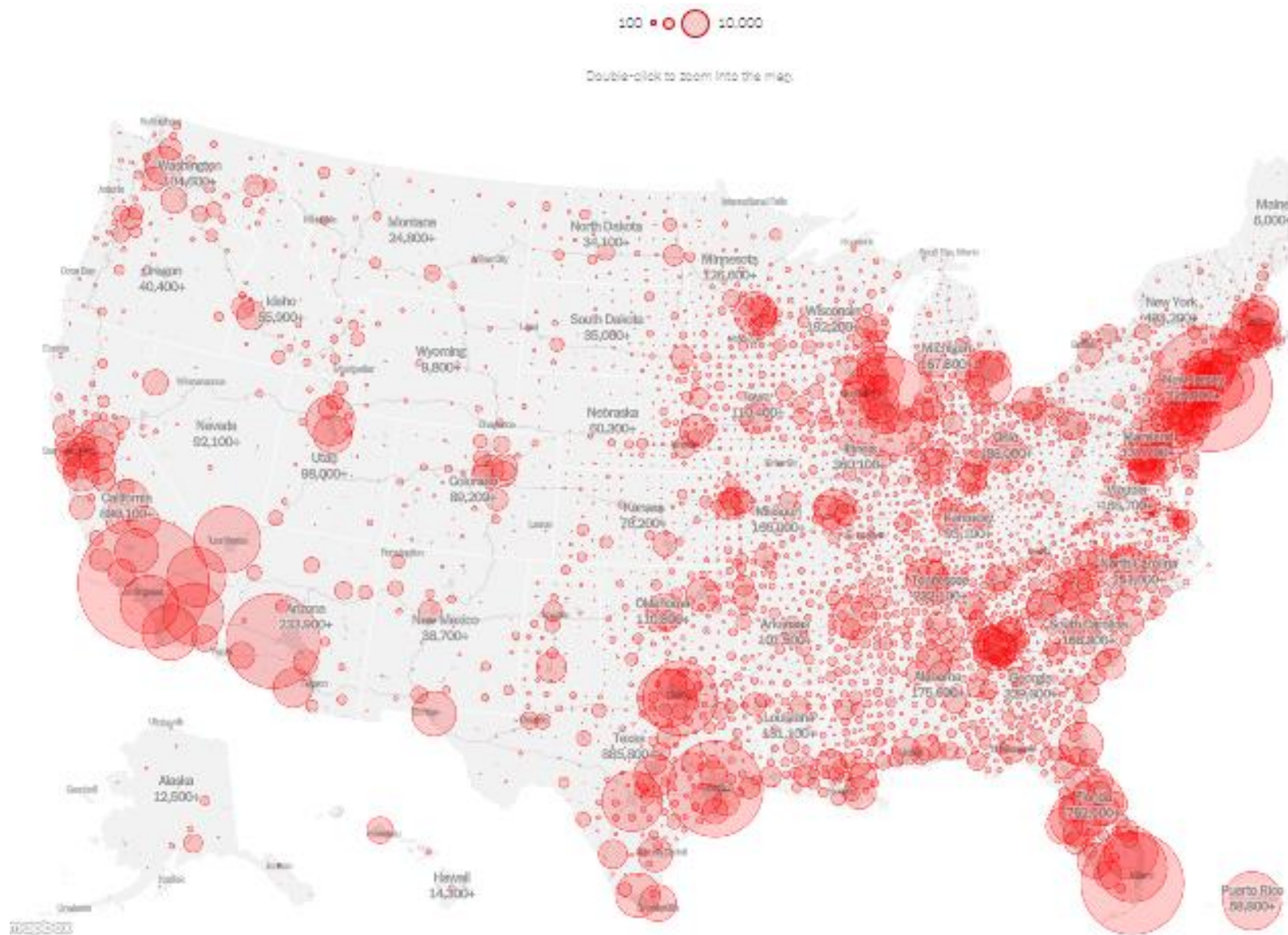


▶ **Bill Ayers**

- ▶ *Head of Campus Development*
- ▶ *College Ave Student Loans*



COVID-19 US Map



Sources: State and local health agencies. Population and demographic data from Census Bureau.

Source: New York Times
Date: 10/22/2020

Agenda

- ❑ **Consumer Credit Overview**
 - ▶ What is consumer credit?
 - ▶ How credit works
 - ▶ How credit is reported and measured
 - ▶ Why do you need credit?
- ❑ **How has COVID-19 Impacted Consumer Credit**
 - ▶ CARES Act
 - ▶ Natural disaster status
 - ▶ Credit cards
 - ▶ Student loans
 - ▶ Credit scores
 - ▶ Payment delinquencies
- ❑ **Final Thoughts - Managing Your Credit During COVID-19**

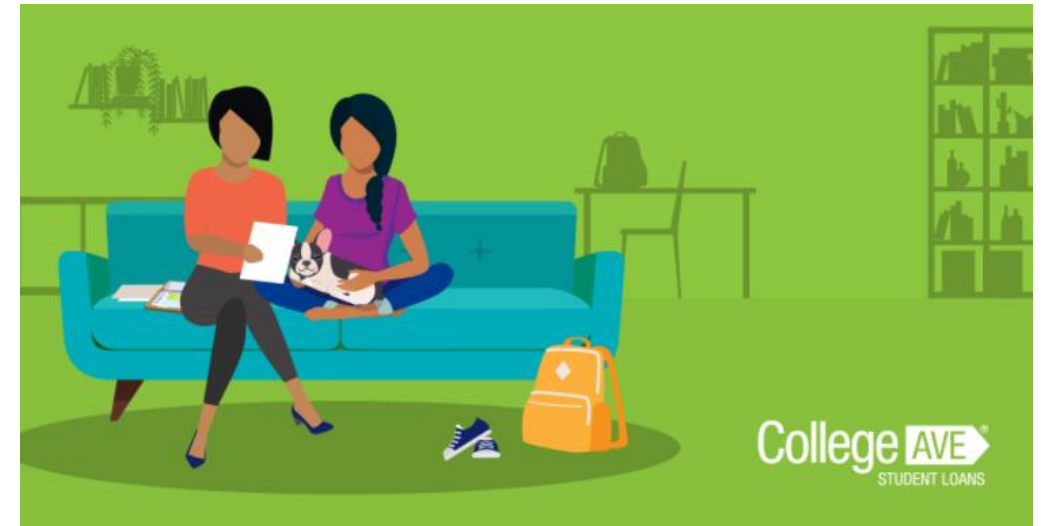
Consumer Credit Overview

Poll Question #1

- ❑ *Which generation has the highest change in average debt since 2015?*
 - ▶ *Generation Z*
 - ▶ *Millennials*
 - ▶ *Generation X*
 - ▶ *Boomers*

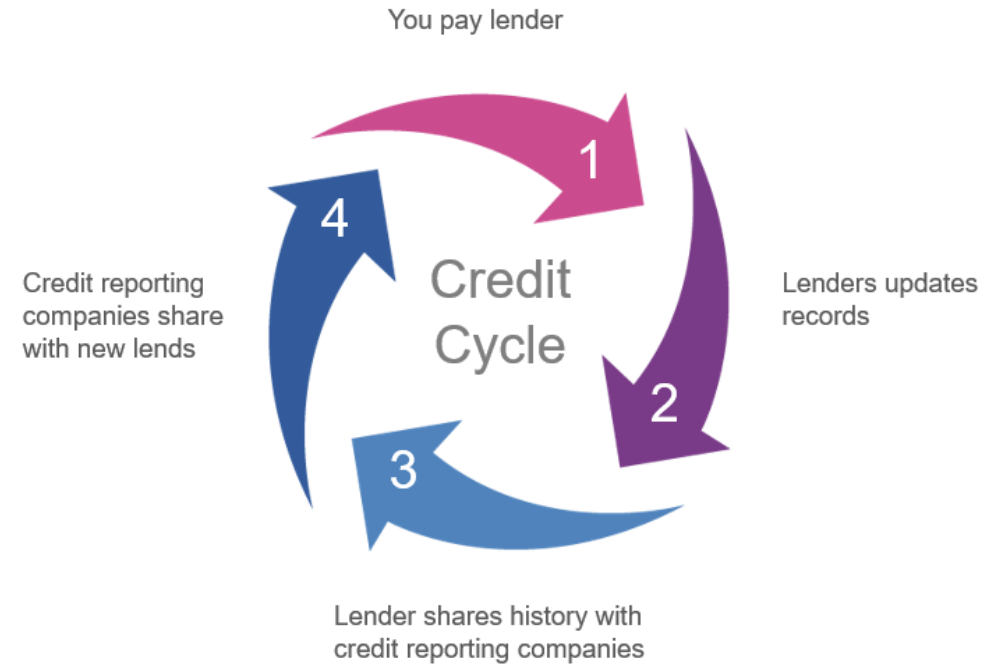
What is Consumer Credit?

- Ability to borrow money or access goods or services with the understanding that you'll repay later
- Lenders, merchants and service providers (known collectively as creditors) grant credit based on their confidence you can be trusted to pay back what you borrowed
- “Good credit” is when creditors consider you worthy of their trust, or creditworthy



How Credit Works

- Creditors look to **credit history**—the record of borrowing and repaying—as a first step in determining whether to issue credit
- Credit history is summarized in files known as **credit reports**, compiled by three independent credit bureaus—Experian, TransUnion and Equifax
- Banks, credit unions, credit card issuers and other creditors voluntarily report borrowing and repayment information to the **credit bureaus**



How Credit is Reported

❖ Credit report includes:

- ▶ Credit card accounts, borrowing limits and current outstanding balances
- ▶ Loan amounts taken and how much to be repaid
- ▶ Monthly payments, if on time, late or missed
- ▶ Financial setbacks such as mortgage foreclosures, repossessions and bankruptcies

Experian JOHN CONSUMER | Report number 0966-2654-65 | June 30, 2015 | Print report | Logout

Personal information | Personal statements | Potentially negative items | Accounts in good standing | Credit inquiries | Important messages | Dispute Cart (0)

Your credit report

Note: This sample consumer credit report is provided to you for education purposes only in connection with your Experian Credit Educator™ services. The information provided in this consumer credit report are examples only to illustrate the type of information a consumer may find in a consumer credit report, but is not inclusive of all information that may appear.

Below is all the information currently in your credit report. The payment history guide and common questions will help explain your credit information. Print this page or write down your report number for future access. To return to your report in the future, log on to experian.com/foip and select "Credit Access" or "Disputes" and then follow the steps.

To dispute information, first select the item from the list below and the dispute reason that most closely explains the reason you feel the item is inaccurate, or select "Other" and type in your own explanation. You can also upload any documents you may have that support your claim by clicking "Upload" and/or enter any additional information to further explain your dispute by using the free form text box. Your requests, including both disputes and any statements you may elect to add to your credit report to explain information, will be stored in a virtual cart as you continue your session. When finished, you will be given a chance to review all of your requests before they are submitted. Depending on the nature of your requests, you may be prompted for alternative actions, such as selecting a different dispute reason for a particular dispute. You may cancel or edit your requests at any time up until the time they are submitted. Once your requests are successfully submitted, you will receive a green confirmation message for each item.

Helpful Toolkit

- Experian Credit Educator?
- Fixed center
- Freeze center
- Know your rights
- Common questions
- Credit score

1 855 246 9409
Contact us by phone - Monday through Friday, 9 a.m. to 5 p.m. in your time zone.

Address
Experian
P.O. Box 9701 Allen, TX 75013

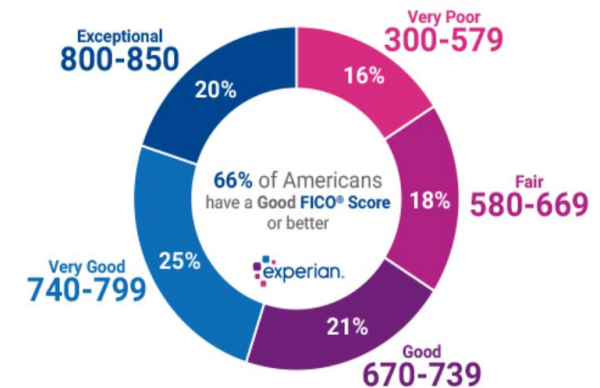
Document upload
Submit documents supporting your claim electronically at experian.com/upload.

Any pending disputes will be highlighted below. + Expand all - Collapse all

Personal information			
Name(s) associated with your credit			
Name	Name identification number		
JON CONSUMER	3055 + Dispute		
JONATHAN CONSUMER	25152 + Dispute		
J CONSUMER	20726 + Dispute		
Address(es) associated with your credit			
Address	Address identification number	Residence type	Geographical code
1475 MAIN ST ANYTOWN USA 12345-1475	0122937323	Single family	0-70010-17-2520 + Dispute
1036 MAIN ST APT143 ANYTOWN USA 12345-3043	0122958660	Apartment complex	0-1020410-17-2520 + Dispute
Other personal information associated with your credit			
Social Security number variation(s)			
XXX-XX-2530			+ Dispute
XXX-XX-1680			+ Dispute
Year of birth			
1991			+ Dispute
Spouse or co-applicant			
JANE			+ Dispute
Notices			

How Credit is Reported

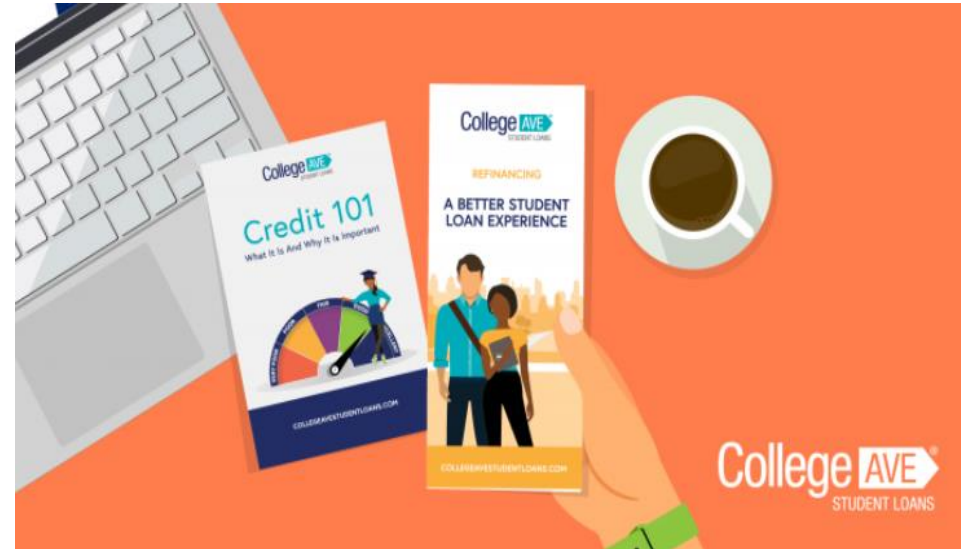
- ❑ **Credit trade line** is a record of activity for any type of credit extended to a consumer and reported to a credit reporting agency
 - Combined, trade lines are used to calculate a consumer's credit score
- ❑ **Credit score** is a three-digit number used to determine a credit decision. It distills the information on your credit reports to a simple and fair measurement.



Why Do You Need Credit?

Credit does not equal debt!

- Don't confuse credit with debt; build a positive credit history so you can get the best terms when you decide to take on debt



How has COVID-19 Impacted Consumer Credit?

How the CARES Act Impacts Consumer Credit

- ❑ US federal government put in place **Special Protections** that change the way most creditors report information to credit bureaus
- ❑ Goal of the CARES Act is to protect consumers who have been impacted by COVID-19 through agreements with creditors to modify normal payment schedules
 - Protects consumer payment history on credit report
 - Provides an **Accommodation** to defer one or more payments, make partial payments, forbear any delinquent amounts, modify a loan or contract, or any other assistance or relief granted to a consumer who is affected by COVID-19



Poll Question #2

❑ All Accommodations provided by the CARES Act are automatic, so consumers do not have to submit requests.

▶ *True*

▶ *False*

How the CARES Act Impacts Consumer Credit

- Department of Education has automatically placed all federal student loans in **Administrative Forbearance** or **“Payment Holiday”**
- Suspended payments on all federal loans from March 13, 2020 through September 30, 2020 (and subsequently extended to **December 31, 2020**)



Poll Question #3

A student's credit score cannot be negatively impacted while the CARES Act is in place.

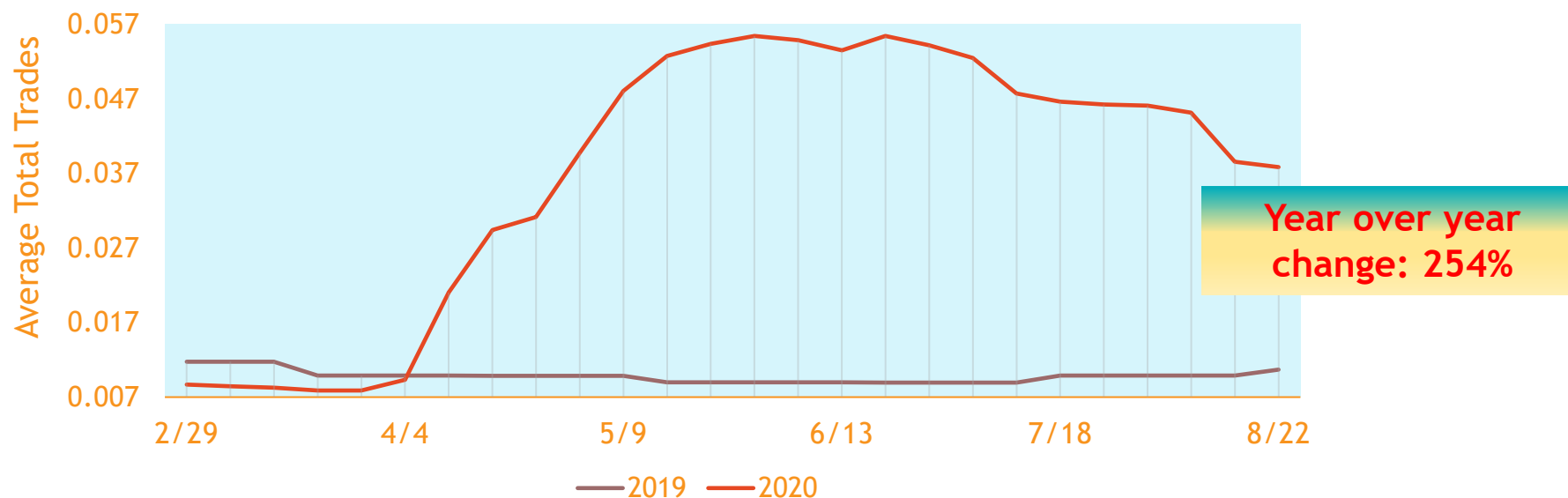
▶ *True*

▶ *False*

Impact of COVID 19 on Credit Reports - Natural Disaster Codes

- ❖ **Disaster codes** - Natural disasters may affect consumers' credit reports and potentially their financial well-being. Credit bureaus use a standardized approach for reporting natural disaster assistance that financial institutions may provide. COVID-19 has been declared a natural disaster.

Total average number of trades affected by natural disaster since onset of COVID-19

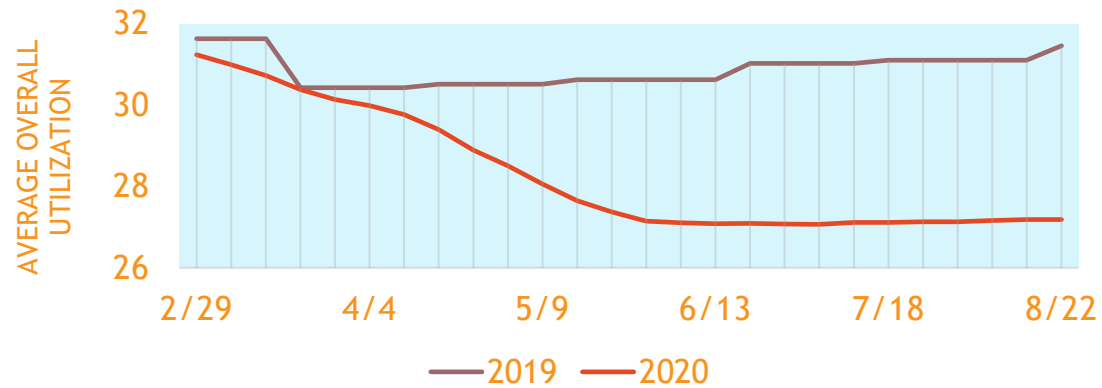


Source: Experian, COVID-19 Impact governance report, Release 21

How has COVID-19 Impacted Credit Cards

Impact of COVID 19 on credit cards

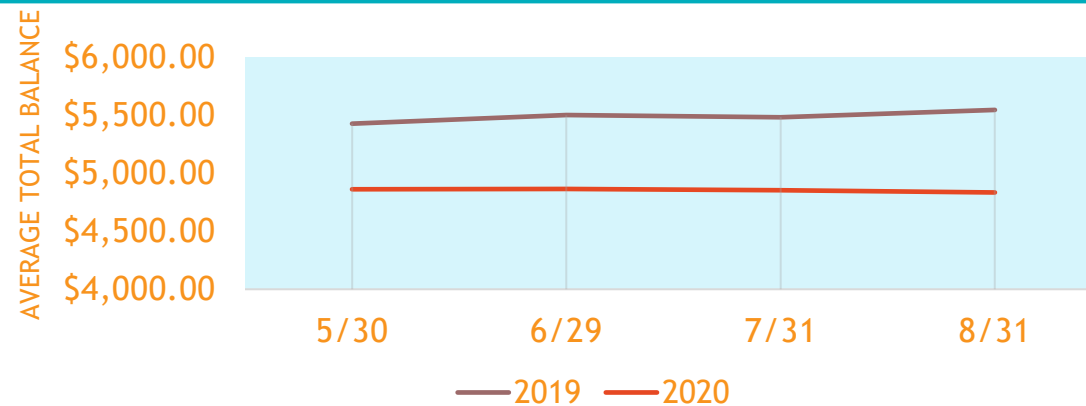
Credit Utilization – overall balance to credit ratio



2019 average ratio: 31.4%
2020 average ratio: 27.1%

Year over year change: -
14%

Total balance – (\$)

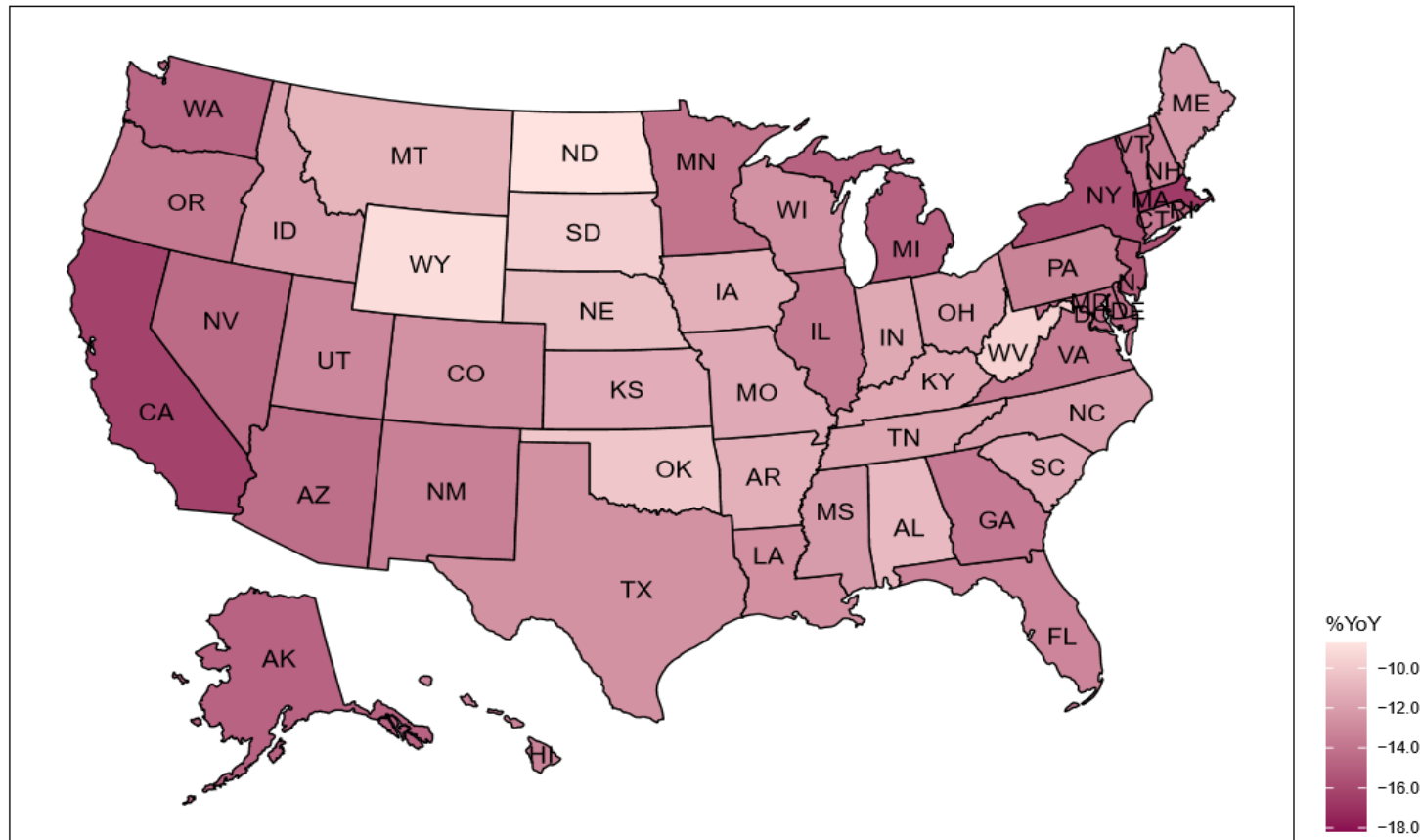


2019 average balance: \$5547
2020 average balance: \$4835

Year over year change: -
13%

Impact of COVID 19 on Credit Cards

- ❖ Consumer spending as reflected in utilization decrease on a yearly basis

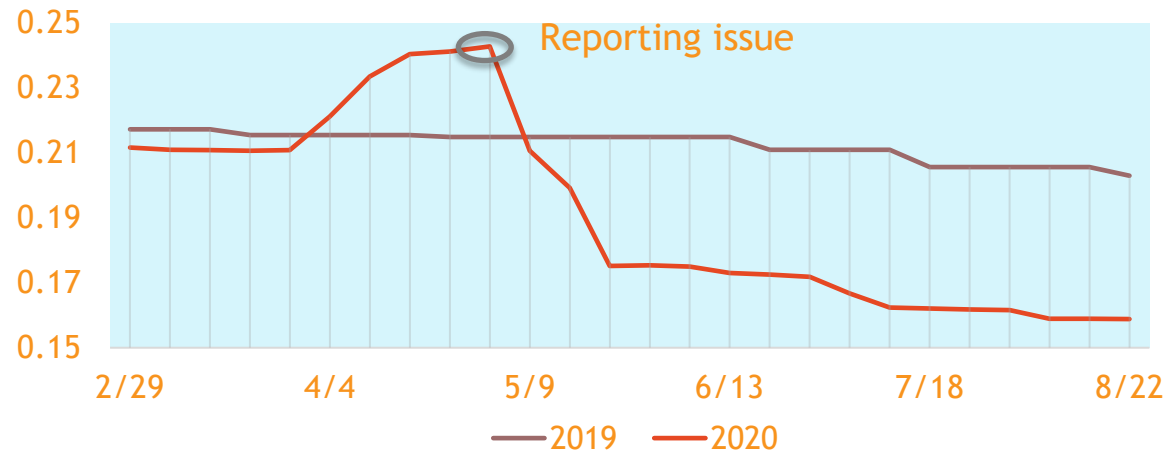


Source: Experian, COVID-19 Impact governance report, Release 21

How has COVID-19 Impacted Student Loans

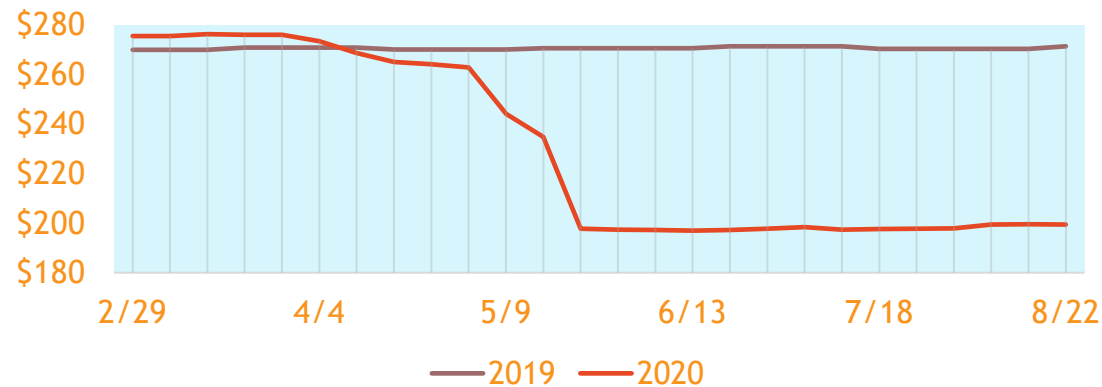
Impact of COVID 19 on student loans

Average total of deferred student loans per consumer



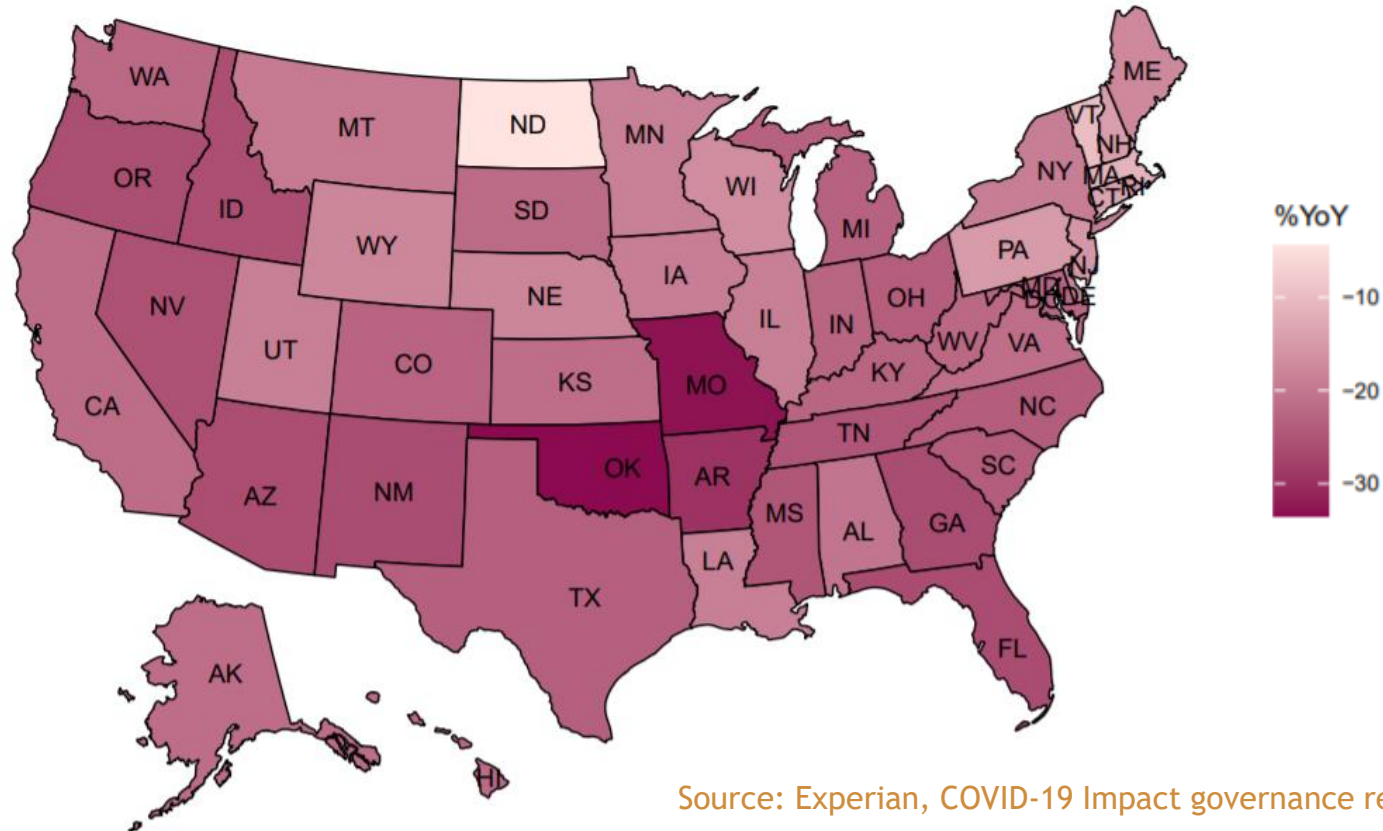
2019 total: 0.20
2020 total: 0.16
Year over year change: -22%

Average monthly scheduled student loan payments (\$)



2019 average payment: \$271
2020 average payment: \$199
Year over year change: -27%

Total # of Deferred Student Loans

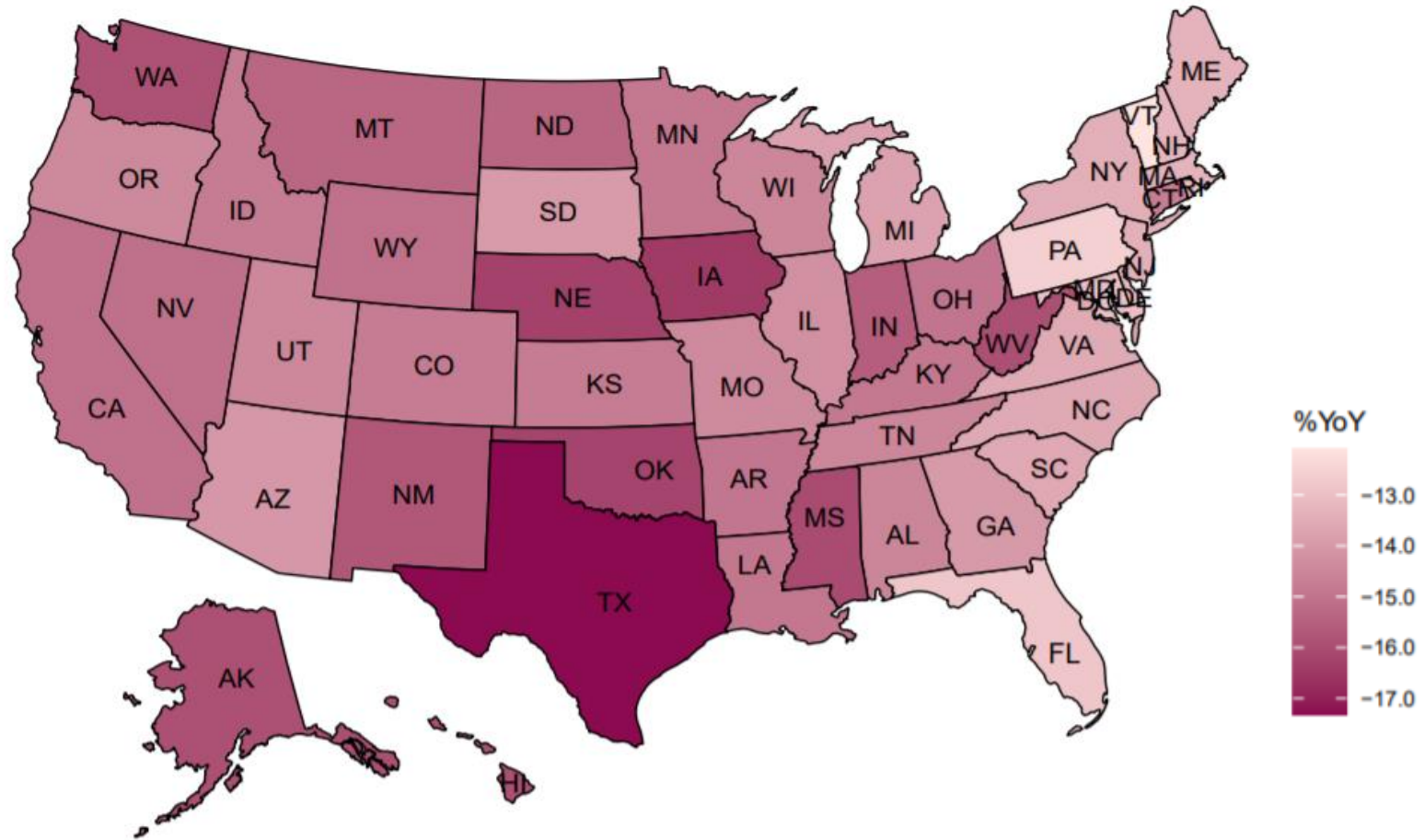


Source: Experian, COVID-19 Impact governance report, Release 21

- ❖ In addition, new federal student loan volume in the fourth quarter of the 2019-20 academic year dropped by a record 42% compared with the fourth quarter of 2018-2019*.

* Source: <https://www.forbes.com/sites/markkantrowitz/2020/08/24>

Total Monthly Student Loan Payments (\$)

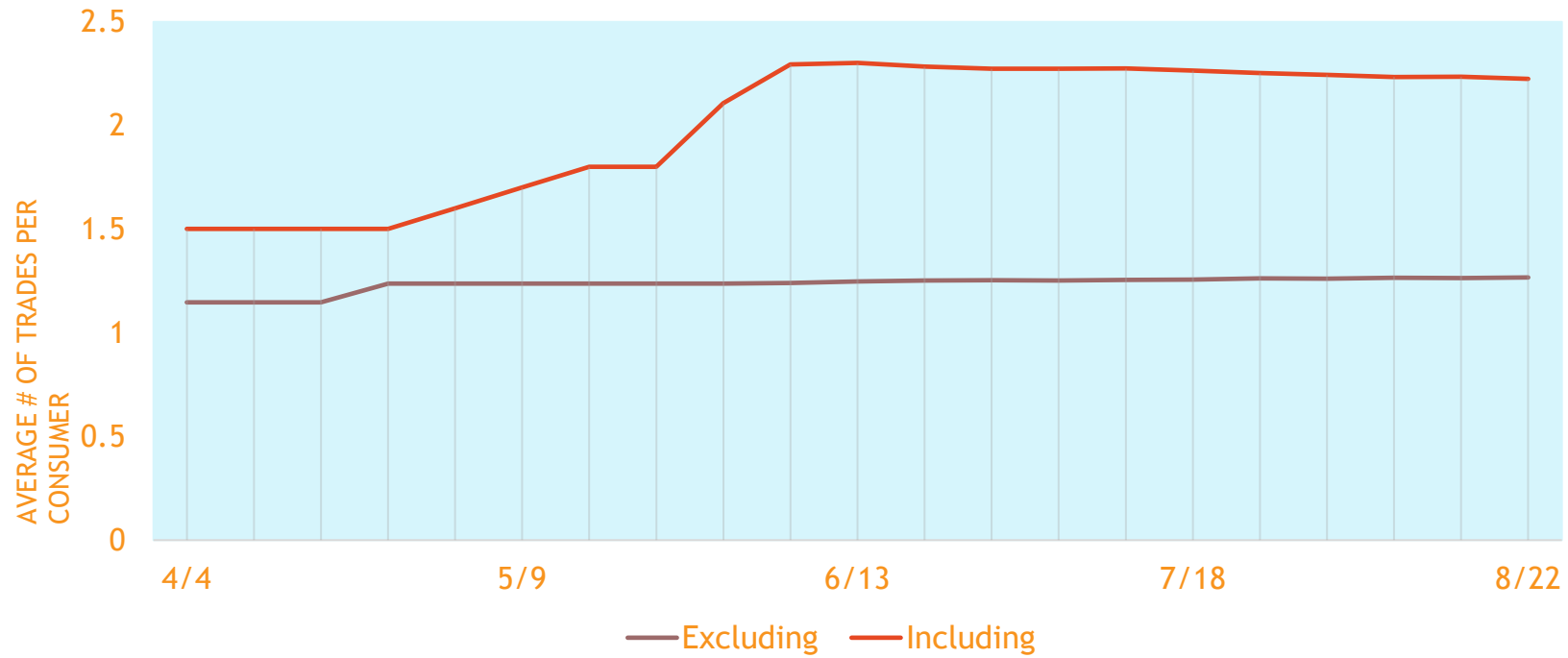


Source: Experian, COVID-19 Impact governance report, Release 21

Impact of COVID 19 on Student Loans

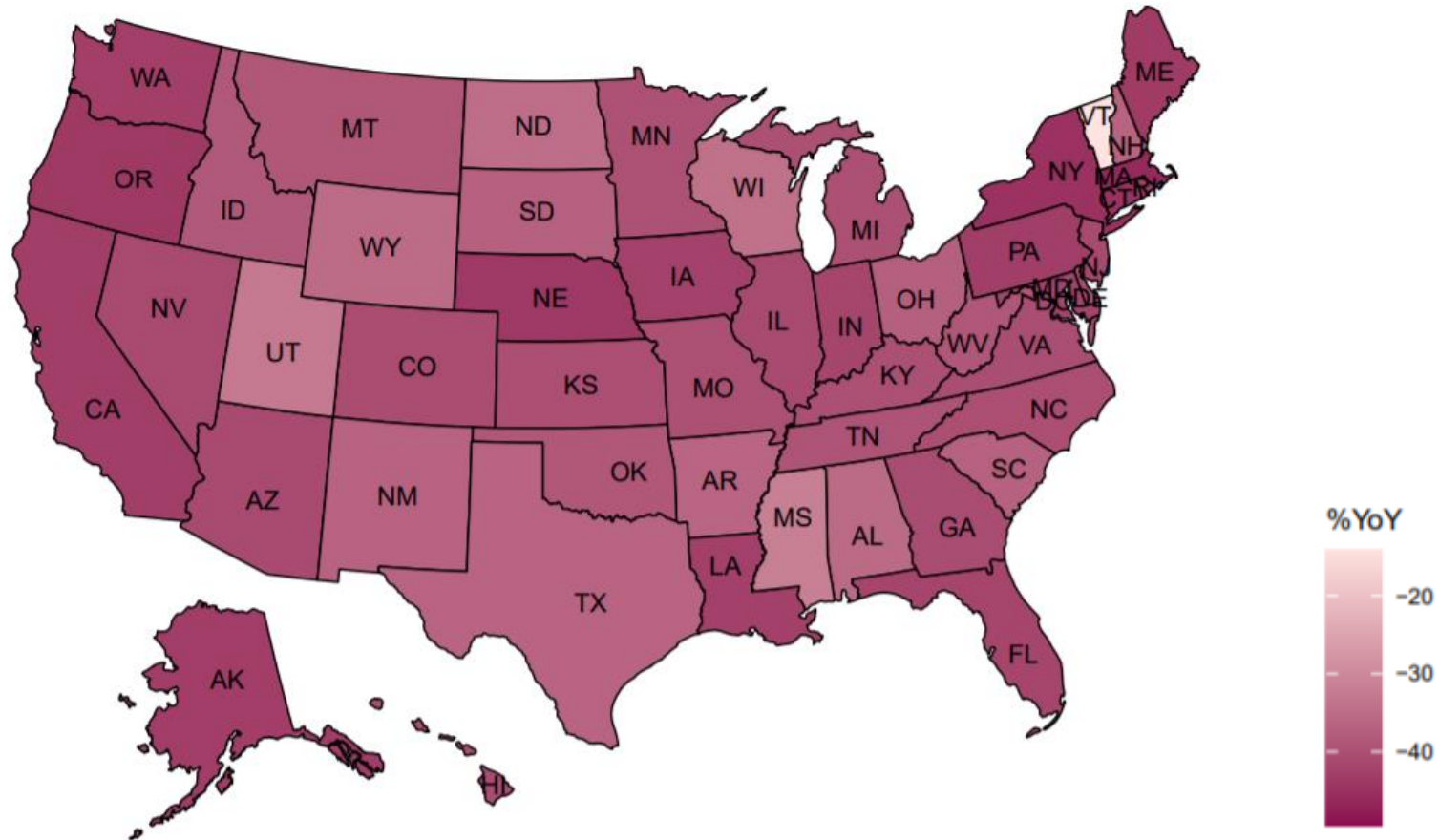
- ❖ Total number of trades with a modification to payment terms –
Excluding versus Including student loans since April 2020

Reporting on conditions: Excluding vs Including Student Loans



Source: Experian, COVID-19 Impact governance report, Release 21

Total Number of Student Forbearance Trades



Source: Experian, COVID-19 Impact governance report, Release 21

How has COVID-19 Impacted Credit Scores

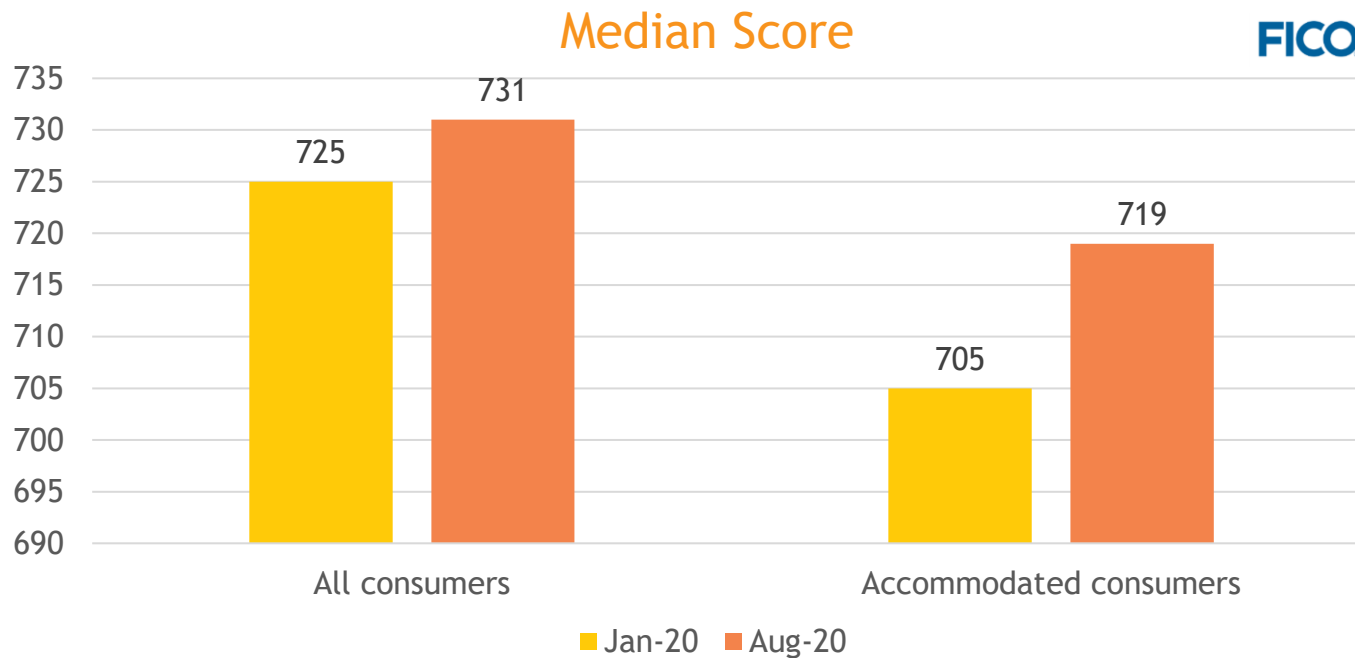
Poll Question #4

- ▶ *In 2019, which state has the highest average credit score?*
- ▶ *New York*
- ▶ *Florida*
- ▶ *Minnesota*
- ▶ *Oregon*

Impact of COVID 19 on Credit Scores

- ❖ In general, credit scores have been going up since Jan 2020, especially for the accommodated consumer.

FICO® Score 9



Source: Experian, COVID-19 Impact governance report, Release 21

How has COVID-19 Impacted Delinquencies

How has COVID-19 Impacted Delinquencies

- ▶ Despite record unemployment and pay cuts, a review of early credit report data shows that delinquency is down across most credit products.
- ▶ CARES Act likely contributed to the decline in delinquency rates
- ▶ Due to the CARES Act (Administrative Forbearance), federal student loans are not reported delinquent
- ▶ Delinquencies may rise as CARES Act aid expires

Average Delinquencies per Consumer	
30 days delinquent	-8.7%
60 days delinquent	-2.5%
90 days delinquent	-2.4%

Mortgage Accounts	
30 days delinquent	-4.7%
60 days delinquent	-5.5%
90 days delinquent	-6.2%

Credit Cards	
30 days delinquent	-3.9%
60 days delinquent	-4.6%
90 days delinquent	-4.1%

Auto Loans	
30 days delinquent	-1.9%
60 days delinquent	-0.5%
90 days delinquent	-0.3%

Managing Your Credit During COVID-19

- Continue to make payments on time.
- Creditors typically do not report an account late until the consumer has missed an entire 30-day payment cycle.
- If you think you may be unable to pay a bill, contact your provider before your payment is due.
- Creditors may have options for working with you that will not negatively impact your credit score.
- Creditors may include a statement in your account indicating you were “affected by a natural or declared disaster”.

❖ **Check your credit regularly - the 3 major credit reporting bureaus now offer consumers free weekly credit reports through April 2021.**

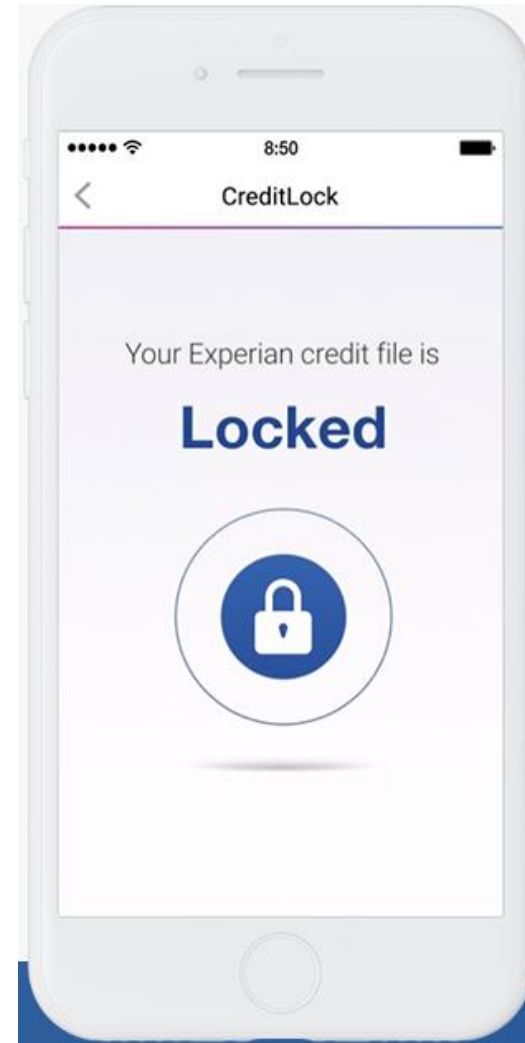
www.annualcreditreport.com



Managing Your Credit During COVID-19

COVID Scams to be Aware of:

- Phishing emails and text messages
- Zoombombing
- Information about government checks
- Appeals for donations
- Offers for treatment
- Sale of in-demand products



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Please complete the session survey!

Thank you for attending!

Contact Information - Your PASFAA Representative



Say Hello!

If you have a question, suggestion, or just need a little more detail, you can contact us using any of the options below.

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schools@collegeave.com

College Ave Website

<https://www.collegeavestudentloans.com/>

Borrower Services

844-422-7502

studentloans@collegeave.com

For Help Servicing or Repaying a Loan

844-803-0736

collegeaveservicing.com

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