

COVID-19... WHAT DOES IT MEAN FOR MY FINANCES AND MY CREDIT REPORT?

Over the last few weeks, COVID-19 has changed our lives in many ways.

Many Australians that have lost their job or are experiencing reduced income are now unable to meet their debt repayment obligations.

Credit providers are working hard to ensure consumers affected by COVID-19 can access assistance and reduce their debt repayment obligations over the coming months.

Here are some tips to help you take control of your financial health.



I NEED HELP, WHERE DO I START?

The important first step is to contact your lender and ask what form of assistance is available for you.

Most lenders offer pauses or deferrals on mortgage repayments, for up to six months. For many, this extends to personal loans, credit cards and other loans.

Lenders are making the process as easy as possible, but you do need to take the first step and advise them you need help.

They also know many customers are finding it hard to contact them because of the increased demand. Fear not, your request can be backdated and you can still receive support even if you've been delayed in contacting them.



During those payment pauses, while you don't have to make principal or interest payments, interest will still accrue.

Once repayments begin again, you can then repay the additional interest over the life of the loan, or the length of the loan can be extended.

Keep credit for absolute necessity



Be mindful of how you use your available credit while any payment pause is in place.

It may be tempting to treat that credit as 'free money', but you will have to eventually repay the credit you use including interest charges.



HOW WILL THIS IMPACT MY CREDIT REPORT?

Under normal circumstances, missed loan repayments are recorded in your credit report as part of the 24-month record of Repayment History Information (RHI). Each month you miss a payment, the repayment history information will worsen.

However, if you have been granted COVID-19 assistance from your lender, a payment pause or deferral will not show as missed payments in your credit report.

Instead, the repayment history information will either be reported as 'up to date', or no repayment history information will be reported.

Additionally, lenders will not list defaults, as long as you have been granted assistance due to hardship resulting from COVID-19.



Contact your credit provider as soon as possible, so your credit report remains in its best possible condition.



WHAT ABOUT MY "CREDIT SCORE"?

Many websites provide access to a "credit score" based on your credit report.

While this score gives you a snapshot of the information in your credit report, keep in mind that most lenders don't rely on it when assessing a credit or loan application.

Credit providers also consider factors such as your income, expenses, employment status etc, which are not in your credit score.

Most lenders calculate their own credit score.

So the only score that really matters when you apply for credit will be the one used by the lender.



WILL I STILL BE ABLE TO ACCESS CREDIT IN THE FUTURE?

Remember repayments do not simply go away indefinitely, you will need to pay back over time. The good news is, seeking assistance due to COVID-19 will not exclude you from applying for credit in the future.

No matter what shows on your credit report, in order to approve a future credit application, all lenders will ask you about how COVID-19 affected you.

If you need assistance, let your lender know.

Lenders are doing their best to help Australians through these difficult times – and get back on track once the recovery begins.