

FINANCIAL HARDSHIP ASSISTANCE AND CREDIT REPORTING

You may be experiencing financial difficulty and have reached out to your lender for hardship assistance. This is what you need to know.

HOW DOES CREDIT REPORTING WORK?

Australia operates a comprehensive credit reporting system. This means banks, credit unions and licenced finance companies share information about their customers' credit accounts (including home loans, credit cards, permanent overdraft accounts, personal loans and car loans) with credit reporting bodies, who consolidate this information into a credit report.



WHAT IS A CREDIT REPORT?

A credit report is a record of your credit history. It may include:

- **personal information** to identify you,
- information about **loans and other credit accounts** you've opened or applied for,
- month-by-month **repayment history** of your loan and credit accounts
- if you've agreed to a **financial hardship arrangement**, which shows as financial hardship information: **A** or **V**

You can request a **free copy of your credit report**, every 3 months, from any of the credit reporting bodies:

Equifax
www.equifax.com.au

Experian
www.experian.com.au

illion
www.illion.com.au

WHAT IS REPAYMENT HISTORY INFORMATION?

Repayment history information in a credit report is shown as a 24 month history to indicate payments that are:

- **On time and up-to-date:** **0** or **✓** (mean the same thing)
- **Overdue:** shown as a figure **1 - 6** depending on months overdue or shown as an **X** when repayments are seven or more months overdue (unless a financial hardship arrangement applies)

If you've missed a repayment, restarting your payments and getting back up to date as soon as you can will help improve your credit report.

Repayment History Information (RHI)

←----- (Read dates from right to left)

ACC ID	2021										2020								2019						
	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
123				X	6	5	4	3	2	1	0	0	0	0	0	0	0	0	0	0	2	1	0	0	0

WHAT IS A FINANCIAL HARDSHIP ARRANGEMENT?

A financial hardship arrangement is an agreement between you and your lender to adjust or defer your loan repayment obligations because something has happened which has impacted on your ability to repay. A natural disaster is an example of when this might happen, but other circumstances such as illness or job loss might also lead to such an outcome.

YOUR HARDSHIP APPLICATION IS PENDING / DECLINED

There is no change to your credit report due to this application. Your repayment history information will continue to show late or missed repayments for your credit account.

YOUR HARDSHIP APPLICATION IS APPROVED

If you've agreed to a financial hardship arrangement with your lender, your credit report will include financial hardship information. This information shows the type of arrangement you agreed with your lender, and will appear in your credit report, alongside your repayment history information.

There are two types of financial hardship information that can be included in your credit report, depending on the arrangement



reflects a **temporary arrangement or deferral**



reflects a **permanent change** and the loan is varied

WHAT WILL A FINANCIAL HARDSHIP ARRANGEMENT MEAN FOR MY CREDIT REPORT?

Financial Hardship Information and Repayment History Information

Your credit report repayment history is normally based on payments required under your loan or credit agreement. Depending on your circumstances, when you seek financial hardship assistance from your lender, your lender will work with you to determine what is best for you.

This could be a short, temporary financial hardship arrangement, or a long-term or permanent financial hardship arrangement. **Agreeing to a financial hardship arrangement with your lender can help protect your credit history.**

Both a short-term and long-term arrangement is reflected in your credit report, alongside your repayment history information. **If you meet the requirements of the hardship arrangement with your lender, your credit report will reflect that you are up to date (i.e., 0 or ✓) on your credit or loan account for that month. If you don't make the revised payments required under the financial hardship arrangement, the missed payments will be shown as part of your repayment history.**

NOTE: If you agreed to a financial hardship arrangement and you do not meet the terms of what is agreed with your lender, the balance of all missed, reduced, or deferred payments may become immediately payable and be shown on your credit report, meaning the account may appear very overdue. The hardship arrangement may come to an end and the overdue amount may become payable.

To help you understand how your credit report may be impacted by a financial hardship arrangement, the below example goes through the **three steps commonly followed by lenders**. It shows repayment history information for a customer who is complying with a financial hardship arrangement.

ACC ID	2023						2022						2021								
	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
235			0 / ✓	0 / A	0 / A	0 / A	0 / A	0 / A	0 / A	0 / A	0 / A	0 / A	2	1	0	0	0	0	0	0	0

←----- (Read dates from right to left)

1 This individual has agreed to a temporary financial hardship arrangement (shown by an **A**) with their lender under which they make reduced payments or no payments for three months. The individual meets the obligations of the arrangement (shown by a **0** or ✓)

2 By the end of the three months, the individual agrees with their lender to make normal payments for six months to catch up on the arrears (shown by an **A** as another temporary financial hardship arrangement). The individual makes the payments on time (shown by a **0** or ✓)

3 By the end of the six months, the individual has recovered financially, and a more permanent financial hardship arrangement may be applied to the loan (shown by a **✓**).

Financial hardship information – for both temporary or permanent arrangements – only stay on your credit report for 12 months.

TO PROTECT YOUR CREDIT REPORT IT IS IMPORTANT TO MEET YOUR REVISED REPAYMENT PLAN AS AGREED WITH YOUR LENDER UNDER THE FINANCIAL HARDSHIP ARRANGEMENT.

It's important to know:-

- Only financial hardship arrangements in respect to consumer loans** like credit cards, home loans, personal loans, permanent overdraft accounts and car loans **will appear on the credit report**.
- Hardship arrangements with **phone, internet and utility companies and most buy-now-pay-later accounts will not be recorded**.
- The **reasons for your financial hardship arrangement** will not be included in the report.
- Credit reporting bodies **may not use financial hardship information** when they **calculate your credit score**.
- Financial hardship information **stays on a credit report for 12 months**, so 12 months after the arrangement ends it is not possible to see that you experienced a period of hardship on that account.

Further help and support

Make sure to communicate with your lender ...

- before the end of the temporary financial hardship arrangement so you can make plans for the payments that were deferred during the arrangement (and which will otherwise be immediately payable in full when the arrangement ends)
- if you still struggle to make any of the agreed reduced payments, even under a financial hardship arrangement.

For more information visit www.creditsmart.org.au

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CLEARER CREDIT HISTORY

Disclaimer: The examples provided here represent broad concepts. Details may vary between lenders.
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