

What is a

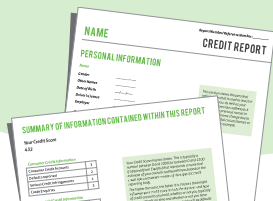
TEMPORARY FINANCIAL HARDSHIP ARRANGEMENT ?

Under a temporary financial hardship arrangement, your repayment history will show that you've met your obligations as long as you make the reduced payments on time.

This protects your credit report while you are in financial hardship.

Financial hardship information does not exclude you from applying for credit in the future. It cannot be used in calculating your credit score, and will come off your credit report after 12 months.

You will need to talk to your lender when the arrangement is due to end, or if you still struggle to make the reduced payments.



What is a credit report?

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

- **personal information** to identify you,
- **information about loans and other credit** you have opened or applied for,
- **a month-by-month repayment history**,
- **financial hardship information** if you've agreed to a financial hardship arrangement.

Check your credit report for free

You can access your credit report held by each of the credit reporting bodies for free, every three months:

- Equifax (www.equifax.com.au) or call 13 83 32
- Experian (www.experian.com.au) or call 1300 783 684
- Illion (www.illion.com.au) or call 13 23 33

Visit creditsmart.org.au for more information about your rights when it comes to your credit report and credit score.

This explanation applies to you if:

- You are experiencing financial hardship and having trouble making credit account payments; and
- You and your lender have agreed to temporarily defer your payment obligations.

This is known as a temporary financial hardship arrangement.



What is a repayment history?

A repayment history is a 24 month view of how you manage and pay your loan and credit accounts:

- **o** or **✓** means you are up-to-date with repayments (and mean the same thing)
- **1 to 6** indicates how many months your repayments have been overdue (unless a temporary financial hardship arrangement applies)
- **X** means repayments are 7 or more months overdue

A good repayment history can help when you apply for credit in the future.

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 stays on your credit report for 24 months.

Financial hardship assistance may take different forms depending on your circumstances and what you agree with your lender.

Two types of financial hardship information can be included in your credit report, depending on the type of arrangement:

- A** reflects a **temporary arrangement**.
- V** reflects a **permanent change** and the loan is varied.

If you agree to either a temporary arrangement or deferral with your lender, as long as you make the agreed repayment on time, your history will show you are up to date (i.e. **O or **✓**) and include an **A** or **V** (depending on the type of the arrangement).**

Your repayment history is normally based on payments required under your loan agreement. If you agree to a financial hardship arrangement, your repayment obligations under the arrangement replace those of your loan agreement.

What is reported is whether you maintain your financial hardship arrangement as per the new agreement.

For example, if your normal repayments are \$1,000, but under a financial hardship arrangement you are expected to temporarily pay \$500, this will appear as up to date as long as you pay \$500 on time (i.e., **O** or **✓**).

EXAMPLE



Gil's loan repayments are \$2,000 per month. He stays up to date until April 2023, but then his work hours are cut down. **He misses April's payment and doesn't know when things will return to normal.**

In May, Gil speaks to his lender to explain the situation, and they agree to a temporary financial hardship arrangement (shown by an **A**) under which he can make reduced payments (i.e., \$1,000) for the next three months.

From May to July, Gil makes reduced payments on time.

CREDIT REPORT - HISTORY				
2022				
	June	July	Aug	
	0	0	0	
Sept	0	Oct	Nov	Dec
0	0	0	0	0
2023				
Jan	Feb	Mar	Apr	
0	0	0	1	
May	June	July	Aug	
0/A	0/A	0/A		
Sept	Oct	Nov	Dec	
2024				
Jan	Feb	Mar	Apr	



Each month the difference between Gil's normal (\$2000) and reduced payments (\$1000) is temporarily deferred. The balance of the temporarily deferred payments needs to be dealt with by the end of this part of the arrangement: unless Gil speaks to his lender by then, his history will show missed payments. (See 'What if things go wrong?').

step 2

Gil speaks to his lender in July (i.e. by the end of the temporary arrangement) and advises them that his work hours are returning to normal. But while he is confident normal payments of \$2,000 can be resumed, Gil can't immediately repay the balance of the temporarily deferred payments.

They agree for Gil to make normal payments for the next 6 months, before the lender adjusts the loan to finalise the financial hardship arrangement. This is **another temporary financial hardship arrangement** (shown by an **A**).

CREDIT REPORT - HISTORY				
2022				
...	June	July	Aug	
	0	0	0	
Sept	Oct	Nov	Dec	
0	0	0	0	
2023				
Jan	Feb	Mar	Apr	
0	0	0	1	
May	June	July	Aug	
0/A	0/A	0/A	0/A	
Sept	Oct	Nov	Dec	
0/A	0/A	0/A	0/A	
2024				
Jan	Feb	Mar	Apr	
0/A				

step 3

Gil makes normal repayments on time for the next 6 months. By the end of this second arrangement, Gil and his lender are now confident he has financially recovered.

The lender adjusts the loan by adding the balance of the temporarily deferred payments back into Gil's loan (which means they can now be paid off over the rest of the loan term).

This is a variation of the loan and is a permanent change (shown by a **V** in February).

From then on, Gil keeps up with repayments, and no further financial hardship information is recorded in his history.

As it only stays for 12 months, the financial hardship information will disappear completely from Gil's credit report by March 2025.

CREDIT REPORT - HISTORY

2022			
...	June	July	Aug
	0	0	0
Sept	Oct	Nov	Dec
0	0	0	0
2023			
Jan	Feb	Mar	Apr
0	0	0	1
May	June	July	Aug
0/A	0/A	0/A	0/A
Sept	Oct	Nov	Dec
0/A	0/A	0/A	0/A
2024			
Jan	Feb	Mar	Apr
0/A	0/V	0	0

WHAT IF THINGS GO WRONG?

Things can go wrong when:

- you have agreed to reduced payments under a financial hardship arrangement, but **you don't make those reduced payments on time**,
- a part of **your arrangement is coming to an end and you haven't made arrangements to deal with the temporarily deferred payments**, either by paying them or agreeing to another arrangement.

In both cases, unless you communicate with your lender, the arrangement to help you through your financial hardship may be ended prematurely.

If this happens, the balance of **all missed, reduced or deferred payments** - before and during the arrangement - **can become immediately payable and be reflected on your credit history, so your account will appear very overdue.**



Communicate with your lender as soon as possible if:

- **you struggle to make payments**, even under a financial hardship arrangement; or
- **your arrangement is coming to an end**, so you can agree on the next steps.

EXAMPLE 1

CREDIT REPORT - HISTORY

2022			
...	June	July	Aug
	0	0	0
Sept	Oct	Nov	Dec
0	0	0	0
2023			
Jan	Feb	Mar	Apr
0	0/A	0/A	0/A
May	June	July	Aug
4			
Sept	Oct	Nov	Dec
2024			
Jan	Feb	Mar	Apr

In February 2023, Kel and his bank agree to a temporary financial hardship arrangement for 3 months.

Under this arrangement, Kel's monthly payment is deferred fully between February and April so Kel doesn't have to make any repayments until May. Kel's lender explains to him that they will need to talk before the end of the arrangement about how to deal with these temporarily deferred payments.

Unfortunately, Kel doesn't speak to his lender before the arrangement ends. As a result, the 3 temporarily deferred payments plus another missed one in May now add up to **4**.

EXAMPLE 2

CREDIT REPORT - HISTORY

2022			
...	June	July	Aug
	0	0	0
Sept	Oct	Nov	Dec
0	0	0	0
2023			
Jan	Feb	Mar	Apr
0	0	0	0/A
May	June	July	Aug
0/A	0/A	0/A	1/A
Sept	Oct	Nov	Dec
4			
2024			
Jan	Feb	Mar	Apr

In April 2023, Vic agrees with her bank to make half-payments for 6 months under a temporary financial hardship arrangement.

On the 5th month however, she **misses a payment and doesn't communicate with her lender.**

Vic's credit history now shows **1** for the missed payment under the temporary financial hardship arrangement.

In the 6th month, **Vic still makes no attempt to communicate with her lender, so the arrangement is cancelled early.**

As a result, the balance of all deferred and missed payments are now counted, adding up to **4**.



How long does financial hardship information stay on my credit report?

Financial hardship information only stays on your credit report for 12 months.

From that point, it's not possible to tell that a financial hardship arrangement was in place.

If I seek financial hardship assistance, will I still be able to access credit in the future?

Seeking financial hardship assistance does not exclude you from applying for credit in the future. If your credit report has financial hardship information, a potential lender may need more information about your current financial standing and if you can afford the new loan.

No matter what has happened over the last 12 or 24 months, making your payments on time now will help you look better to other lenders.

**FREE AND CONFIDENTIAL
FINANCIAL
COUNSELLING**

To help people in financial difficulties, many services offer reliable, professional counselling services, such as the

National Debt Helpline

(ndh.org.au - 1800 007 007).

ASIC's MoneySmart website also contains a list of free counselling services.

(moneysmart.gov.au/managing-debt/financial-counselling)

For more information, visit creditsmart.org.au

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

Temporary FHA - v2.4 - 150622

© ARCA (Australian Retail Credit Association) 2022