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## FREQUENTLY ASKED QUESTIONS ON THE CREDIT REPAIR FRAMEWORK

### ○ **What is the Credit Repair Framework?**

It is an initiative that was rolled out by the Central Bank of Kenya (CBK) in partnership with local commercial banks, microfinance banks and mortgage finance companies with the aim of enhancing access to credit to those consumers who were adversely impacted by the COVID-19 pandemic thereby defaulting on their mobile loans.

### ○ **What is the overall objective of the Credit Repair Framework?**

The framework seeks to improve the credit standing of mobile phone digital borrowers whose loans are non-performing and have been reported as such to Credit Reference Bureaus (CRBs).

Through the Framework, the institutions will provide a discount of at least fifty percent of the non-performing mobile phone digital loans outstanding as at end October 2022, and update the borrowers' credit standing from non-performing to performing.

### ○ **How does the Credit Repair Framework work?**

Lenders with borrowers with non-performing mobile phone digital loans outstanding as at end October 2022 will contact their eligible borrowers and enter into a repayment plan with the borrowers for a period up to May 31 2023, for the balance of the loan. In the repayment plan, the lenders will provide to the borrowers a discount of at least 50% of the non-performing mobile phone digital loans outstanding to motivate them to settle their loans.

### ○ **How long will the Credit Repair Framework run?**

The limited framework will expire on May 31 2023. Upon expiry of the Framework, the credit standing of the borrowers with respect to these loans will depend on their repayment performance during the six-month period.

### ○ **Which loan facilities will be covered by the Credit Repair Framework?**

The framework will cover loans with a repayment period of 30 days or less and were offered by these institutions through mobile phones and became non-performing mobile phone digital loans outstanding as at end October 2022.

- **How many consumers will be impacted by the Credit Repair Framework?**

It is anticipated that the framework will impact over 4.2 million mobile phone digital borrowers who were adversely listed with CRBs to enable them to repair their credit standing. The categories of the borrowers covered in the framework are mainly in the personal and micro-enterprises sectors and were adversely impacted by the COVID-19 pandemic. Accordingly, the framework is expected to enable this segment of borrowers to access credit and other financial services as they rebuild their lives and livelihoods.

- **What is the estimated value of the facilities that will be impacted by the Credit Repair Framework?**

The total value is approximately Ksh.30 billion, equivalent to 0.8 percent of the gross banking sector loan portfolio of Ksh.3.6 trillion at end October 2022. Through the framework, the institutions will provide a discount of at least fifty percent of the non-performing mobile phone digital loans outstanding.

- **What are the obligations of the lenders during the period of the Credit Repair Framework?**

During the duration of the framework, lenders will be expected to provide at least 50% discount of the non-performing mobile loans outstanding balance amount (principal and interest) as at end of October 2022 besides updating borrowers credit standing from non-performing loan (NPL) to performing status. Lenders are requested to come with a way forward that is favorable to clients to pay these facilities. Repayment of these loans will be continuously updated to the CRBs during the period of the framework.

- **What are the obligations of borrowers during the Credit Repair Framework?**

To be able borrowers enjoy the relief that comes with the framework, the affected borrowers will be expected to honor their payment obligations on their credit facilities when they fall due. This will enable them to build a good credit history based on their payment behavior and thereby obtain loans at better rates.

When borrowers experience challenges in repaying their loans, they should proactively engage their lenders. The borrowers are also advised to review periodically their credit reports to track their credit scores and verify the accuracy of the reports – since they are entitled to one free credit report per year.

- **How will this Credit Repair Framework enhance access to credit to borrowers adversely listed by CRBs?**

Borrowers who adhere to the repayment plan will have their profiles updated as performing instead of non-performing. This will impact their credit scores positively and enhance access to affordable credit facilities.

- **What will happen to those who breach the repayment plan during the Credit Repair Framework?**

Borrowers who do not adhere to the repayment plans with lenders will revert back to standard classification – which is non-performing loans. This will impact their credit score and lower their chances of access cheaper credit facilities.

- **I am of one those earmarked to enjoy the Credit Repair Framework but I don't have money now to commit to a repayment plan. What do I do?**

The credit repair framework will run up to May 31, 2023. During this time, you can reach out to your lenders to negotiate for an affordable repayment plan that will be manageable to you and make arrangements on how to pay.

- **How is the Credit repair different from deletion?**

Credit repair does not involve any deletion of information but an opportunity to repay the loan based on your ability and to enjoy a 50% discount and updating your record in CRBs to performing status.

- **What happens after the expiry of the Credit Repair Framework?**

Lender and borrower will only enter into a repayment plan of the remaining loan balance up to May 31, 2023. Upon expiry of framework, the credit standing of the borrower will depend on their repayment performance during the 6 months period.

- **I was also affected by the pandemic and wasn't able to repay my mobile loans. How can I find out whether I also qualify for the Credit Repair Framework?**

Before you can approach your lender, it is recommended to check your credit status as stored in the relevant CRB. If you wish to check with TransUnion, you can do so by texting your name to 21272 or downloading the TransUnion Nipashe app from the Google app store. You can then identify any non-performing mobile loans and the outstanding balance amount as at end of October 2022 and contact the respective lender for a credit repair engagement. You are also welcome to visit the TransUnion Kenya office for a customer service to assist you.

- **What are the benefits of Credit Repair Framework over a total deletion from CRB listing?**

Unlike deletion from CRB, credit repair will enable borrowers to enjoy at least 50% discount on their non-performing mobile loans outstanding balance amount (principal and interest) as at end of October 2022 besides updating credit status from non-performing loan (NPL) to performing status.

Conversely in cases where the borrowers only had one listing which is NPL, deletion from CRB will lead to erosion of a credit activity as well as credit scores. Under the current risk-based pricing, thin files with no credit activity are considered undetermined and therefore will limit access to credit since they have no score.

- **How will I be able to confirm the credit status of my loan after the Credit Repair Framework?**

If you wish to check with TransUnion, you can do so by texting your name to 21272 or downloading the TransUnion Nipashe app from the Google app store. You are also welcome to visit the TransUnion Kenya office for a customer service representative to assist you.

It is noteworthy to remember that upon expiry of framework, your credit standing as a borrower will be your repayment performance during the 6 months period.

- **How do I maintain a good credit score after the Credit Repair Framework expires?**

To maintain a good credit score, it is recommended that you borrow what you can afford to repay without default. You should borrow wisely and pay promptly.

- **I have not been affected by the Credit Repair Framework. How can I access and monitor my credit score and report stored in CRB?**

You can check your credit status as stored in CRB by texting your name to 21272 or downloading the TransUnion Nipashe app from Google app store. Subscription to the TransUnion Nipashe enables you to receive alerts whenever one of your loans is in arrears for your action before it gets to non-performing status.

**Ends**