



National
Consumer Law
Center

COVID-19 Crisis: Consumer Financial Protection Policy Recommendations

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The COVID-19 pandemic requires an aggressive response to both preserve public health and help individuals, families, and communities weather the disruptions that efforts to contain the pandemic require. These steps — largely for federal policymakers but also for states — will not only help preserve access to the basic necessities of life during the present and growing economic crisis. They will also help people stay in isolation to limit the risk of spreading contamination. The recommendations below are focused on direct relief for consumers and individuals with debt burdens, which should be in addition to other efforts to provide broader fiscal relief and to support small businesses.

First Principles

Broad relief for real people. This is likely to be the worst economic downturn since the Great Depression and it cannot be handled by our regular, already inadequate, safety net measures. Nor can we count on “trickle down” from aid to businesses, though many small businesses are hurting and also need help.

Protect vulnerable individuals and communities and prevent disparate impacts. Low-income individuals, front-line workers, the elderly, people with disabilities, people affected by the criminal justice system, and communities of color have long been disadvantaged and will all face special challenges. While individuals and families across the income and wealth spectrum are impacted by this crisis, direct support is especially critical for those struggling to preserve their homes, cars, and funds for medical care and other necessities, often without the savings, family or community support that wealthier communities have.

Clear messages and operational simplicity. We cannot waste time or funds with elaborate procedures or criteria to get people aid. Neither government agencies nor creditors or other businesses are set up to handle a flood of individual requests, questions, or applications. Relief should be designed with simple, self-executing rules.

What to Do

Homes

Impose an immediate moratorium on home foreclosures and evictions. This moratorium should apply to the initiation of foreclosures and evictions as well as to those already in process. States and localities should also be required to suspend foreclosures and evictions related to tax liens or utility payments. Repayment can wait until this public health crisis abates and must be affordable. The moratorium should cover manufactured homes, whether titled as real or personal property, and should prohibit evictions in manufactured home communities. Servicers making advances should be provided with a source of liquidity to cover such payments and with

legal protections necessary to promote forbearances and loan modifications. Funding for housing counseling and legal services should be increased immediately to provide consumers with the assistance to stave off foreclosure.

Stop terminations of utility services. A home without [electric, gas, and water/sewer service](#) is dangerous. [Telecommunications and broadband](#) are also critical to allow people to access telehealth and online classrooms, apply for benefits, avoid going out if they are sick, and even call 911. Shut-offs of water/sewer, gas, electricity, telecommunication services and broadband, along with late fees and penalties, should be suspended during this emergency. Disconnected customers should be reconnected to these essential services immediately. Post-crisis, utilities should be required to offer reasonable long-term payment plans to all customers, and bill payment assistance and arrearage forgiveness for low-income households.

Health-Related Expenses

Stop medical debt. [Economic barriers](#) must not impede access to testing and treatment for COVID-19-related care. The crisis will also exacerbate the burden of medical debt for households that will face financial struggles during and after the state of emergency. Public funds must cover COVID-19 related care and we must expand access to health care and insurance with expansive and flexible coverage.

Waive hygiene costs and medical co-pays for incarcerated people. Incarcerated people should be provided with hygiene and disinfectant products at no cost to them or their loved ones. Medical co-pays and costs related to the crisis should be waived. With visitation limited or stopped altogether, incarcerated people and their loved ones should have access to easy, frequent, and free phone, video, and electronic communication.

Credit and Debt

Require loan forbearance for all types of credit obligations. Banks, auto lenders, and other creditors should be required to provide forbearances on loan payments for the duration of the crisis. Loan forbearances should remain in place for a period after the crisis abates to allow people to get back on their feet financially before having to begin repayment. Creditors should be provided with a source of liquidity to cover the cost of these forbearances.

Cancel student debt. [Student debt cancellation](#) would provide relief for low-income borrowers who may otherwise have trouble paying medical or housing bills in addition to their student debt, and for anyone whose income is affected by the crisis. By wiping out the debt altogether or reducing balances while leaving borrowers on track for loan forgiveness, federal student debt cancellation would be a powerful and effective economic stimulus as well as assisting those affected by the pandemic.

Halt debt collection efforts. Debt collection activity by collectors, creditors, and government entities should be suspended. [Collection lawsuits](#) and asset hearings should be postponed and initiation of new cases prohibited or immediately stayed. Courts should stay or lift existing writs and garnishment orders and should not issue new ones. Debt collectors and creditors collecting debt should be allowed to contact consumers in writing only and should be prohibited from engaging in harassment.

Stop collection of government fines and fees. Governments should cancel, or at minimum suspend, collection and enforcement of fees and fines, including “user fees” charged to people impacted by the criminal justice system. Nonpayment or failure to appear at a hearing should

not result in driver's license or professional license suspensions, issuance or enforcement of arrest warrants, jailing, probation or parole revocation, interest or late fees, or other adverse consequences. Anyone already being held for nonpayment of fines or fees should be promptly released.

Protect cars, bank accounts, income, and benefits. All new and existing garnishments, setoffs, repossessions of and other ways to seize or deprive the consumer of the use or benefit of wages, income, bank accounts, [cars](#), and other household assets should be stopped. Employers and banks should be instructed to suspend any garnishments already in place. Governments should stop administrative garnishments or offsets of Social Security, public benefits, wages, pensions, tax refunds, and other government payments. All requests to stop automatic payments should be promptly honored.

Prevent debts from ballooning with fees and interest. Late fees, default interest rates, and interest on unpaid interest should be prohibited, both for traditional debts and for fines or fees owed to government entities. Bank accounts should stop charging overdraft or nonsufficient funds fees.

Prevent immediate adverse impacts for those in bankruptcy. Any stimulus or relief payments must be protected from being seized by creditors. Consumers in repayment plans need grace periods or relief. Homes and tax refunds should be protected for consumers who need to file bankruptcy.

Scams and Predatory Lending

Stop price gouging through predatory lending. Predatory lenders are likely to use the crisis as an opportunity to profiteer off exploitative high-cost loans. Price gouging is prohibited during emergencies, and high-cost loans are a form of price gouging. Interest rates on any new credit extended during the emergency should be capped.

Prevent and remedy scams. Consumers need protection when they are fraudulently induced to send a payment. The institution that gave the scammer an account should be required to reimburse the consumer's bank. For-profit debt settlement companies should be prohibited from overcharging consumers: prohibit all fees except as a percentage of the amount saved on successful settlements.

Financial Recovery After the Medical Crisis Abates

Require flexible options for repayment. People will not suddenly have the means to cover back payments in the immediate aftermath of the COVID-19 response. Creditors, landlords, utility providers and others should not be allowed to demand lump sum full payment after the forbearance period. For credit with fixed terms, missed payments should be added to the end of the term. For other types of obligations, a reasonable payment plan should be required. Borrowers who still face financial hardship after the crisis should be offered loan modifications and other loss mitigation options.

Increase funding for housing counselors and legal services. The financial impacts on families will be wide-ranging and will linger long after the health crisis is over. People will need access to services to sort through our complicated financial system.

Prohibit negative COVID-19-related credit reporting. There should be a permanent moratorium on all negative credit reporting related to payments missed during the crisis and longer protections upon request for people who face lasting financial hardship from the outbreak. Protecting consumers' credit reports and giving people the ability to manage their finances during a crisis will speed a return to normalcy and economic growth. Consumers should also have access to free credit reports and credit scores during the COVID-19 outbreak and for up to a year after the end of the outbreak to effectively monitor their credit.

Fix our broken system. We cannot wait for the next crisis to fix the dysfunctions that are exacerbating this one. Going forward, we will need to address the continuing, long-term burdens, and impacts of the Great Recession, the student loan crisis, growing inequality, and the [COVID-19 crisis](#); make lending and other financial products equitable, affordable, and sustainable through life's ups and downs; ensure that people have access to basic utilities; end regressive government fines and fees that trap people in poverty and in a broken criminal justice system; address rampant problems in the credit reporting and debt collection markets; and create a just economy that works for everyone.

For more information on responses to the COVID-19 crisis, visit:

**[The National Consumer Law Center's Covid-19 & Consumer Protections online resources](#)
[or Americans for Financial Security Education Fund](#)**

[NCLC's Surviving Debt: Expert Advice For Getting Out of Financial Trouble](#) is free online during this unprecedented crisis. The print version is also available to purchase with bulk discounts at NCLC's Digital Library [bookstore](#).