What States Should Do: Stabilizing Consumer Finances During the Coronavirus Crisis

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State leadership is crucial to ensure an economic recovery from the coronavirus crisis. States play a critical role in protecting consumers, and state action is imperative in a crisis like the current pandemic. States can be more nimble and are closer to the needs of residents on the ground than the federal government.

Below are top recommendations for state action with links to more in-depth resources explaining how to reduce COVID-19 economic shocks to individuals and families.

Assistance should be targeted to vulnerable consumers and communities, including low-income communities with a high proportion of laid-off low-wage workers and workers that continue to work on the front line during the crisis; communities of color and immigrant communities; older adults; and people with disabilities.

This relief should be granted in a self-executing automatic fashion wherever possible. Cumbersome or web-based application processes and discretion on how or when to give relief all too often result in discrimination.

State Action to Stabilize Consumer Finances During the Coronavirus Crisis

Auto Finance: Clear consistent policies that prohibit repossessions, late fees, or interest on unpaid interest and that require lenders to offer forbearances for those unable to pay car loans are needed. A family car can allow for social distancing, drive-through testing, and shopping without taking public transportation. After the initial crisis, a car will once again be vital in many communities for access to employment, day care, schooling, medical care, and other services. Yet **cars can be repossessed immediately after one missed payment** with little to no oversight in most states.

Credit Reporting: Consumers should be allowed to place "COVID-19 alerts" on their credit reports and states should not allow lenders, employers, landlords, or credit scoring models to take COVID-19 related information into account. The crisis will damage the credit reports of tens of millions of consumers, and lower credit scores will impede their ability to get affordable credit, jobs, and housing. The federal response to this looming credit reporting calamity has been weak, and states must step in to help their residents.

Criminal Justice Debt: Key actions include suspending fines, fees, and criminal justice debt collection and enforcement; releasing anyone in jail or prison for nonpayment or nonappearance at a debt-related hearing; and ensuring that additional debts are not imposed on people during the crisis. Criminal justice debt is disproportionately borne by low-wage workers and people of color—populations especially vulnerable to financial devastation caused by the pandemic. Many will lose jobs and be unable to pay criminal justice debts through no fault of their own. States must act so that inability to pay does not trap families in poverty or entangle them in the criminal system--especially at a time when outbreaks are spreading through jails and law enforcement.

Debt Collection: Debt collection activity should be suspended, especially wage garnishments, bank account seizures, offsets of benefits, and car repossessions, which deprive families of the means to pay for or obtain food, utilities, rent, medicine, and other essentials. New and existing lawsuits and asset hearings must also be halted. States should not allow collectors to use the courts at a time when consumers are told to stay at home to avoid health risks and cannot defend themselves.

Medical Debt: Appropriate testing and treatment is key to ending the COVID-19 crisis. During the state of emergency, testing, treatment, and vaccines must be available at no cost to patients, and consumer protections must be implemented for all medical debt once the crisis has passed. Fears over medical debt may make consumers reluctant to seek COVID-19 testing and treatment, which will exacerbate the crisis. States must make clear that no one will be punished for seeking the care they need.

Mortgage Relief: States should issue emergency regulations that impose a 180-day moratorium on all mortgage foreclosure-related actions and on evictions; prohibit non-judicial foreclosures; and require accessible and uniform forbearance agreements. Not all mortgages are covered by the federal CARES Act and for those that are the relief is minimal or temporary. States must provide additional protections to keep consumers safe in their homes at this critical time, both during and immediately after the emergency period.

Preventing Garnishment of Stimulus Checks: States can help shore up consumers and their own local economies by using judicial and executive orders, emergency regulations, and legislation, to protect consumer stimulus payments from garnishment. The stimulus checks are meant to help pay for food, utilities, rent, medicine, and other basic needs at a time when many have lost income—not to be directed away from families to creditors collecting on old debts.

Utility Services: States must ensure that utility services are kept on during the crisis and that people have access to telecommunications. Executive orders or state utility commissions must ban all regulated and unregulated utility service shut-offs and prohibit utilities from imposing late fees and engaging in negative credit reporting. Especially with so many shelter-at-home orders in place, affordable electric, gas, water, sewer, and telecommunications (including broadband internet) service is essential to keep consumers connected to their communities and to remain safe.

What States are Doing

To find out what other states have already done, see:

- State restrictions on collection of non-mortgage consumer debt
- Limits on home foreclosures through moratoriums and stays
- Utility shutoff moratoriums
- Eviction moratoriums

The National Consumer Law Center's COVID-19 & Consumer Protections webpage will continue to be updated during the crisis, and other materials on what states can do more generally to protect and advance the interests of everyday consumers are also available.

If you would like to discuss an issue area or report new restrictions on debt collection or foreclosures, contact National Consumer Law Center Attorney Michael Best (mbest@nclc.org).