Advocates Urge CFPB to Prevent Rental Debt From Becoming a Barrier to Housing

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New Policy Brief Highlights Legal Aid and Non-Profit Attorneys’ Experiences Representing Clients With COVID-19 Related Rental Debt

WASHINGTON– Today, advocates at the National Consumer Law Center sent to the Consumer Financial Protection Bureau a policy brief, Assisting Consumers with Rental Debt During COVID-19: Legal Aid and Non-Profit Attorneys Share Their Experiences, and urged CFPB Director Rohit Chopra to take action to prevent rental debt from becoming a barrier to decent housing, particularly for low-income renters and people of color.

“Renters have been especially hard hit by the COVID-19 pandemic, and the Bureau should do everything in its power to protect their ability to obtain decent and affordable housing,” said Ariel Nelson, staff attorney at the National Consumer Law Center.

The brief presents the results of a survey of 82 legal aid and non-profit attorneys from 27 states and the District of Columbia who worked with consumers with rental debt between June and August 2021. The vast majority (71%) of attorneys who represented consumers with rental debt pre-pandemic reported an increase in the number of consumers with alleged rental debt from June to August 2021 compared to their caseload pre-pandemic.

Alleged rental debt can haunt a renter long after they have vacated a housing unit, whether they left because of an eviction or voluntarily moved out. Rental debt can lead to wage garnishment, harassment by debt collectors, and negative marks on credit reports resulting in lowered credit scores.

“Negative credit report entries can present a long-term barrier to renters obtaining new housing,” said Chi Chi Wu, staff attorney at the National Consumer Law Center. “In fact, about half (49%) of the attorneys who responded to the survey reported their clients had trouble finding housing as a result of alleged rental debt reported on a credit report.”

An accompanying letter to the CFPB reiterates and elaborates on requests from NCLC’s October 5, 2021 letter that the Bureau:

- Require debt collectors, including attorneys for landlords, to provide notice about Emergency Rental Assistance Program (ERAP) funds.
- Prohibit debt collectors from seeking payment for amounts that were or will be paid by ERAP or similar funds and require collectors to pause collection efforts, including evictions, where the collector has notice that an application for ERAP funds has been submitted.
- Clarify that states are not preempted from adopting laws to exclude pandemic-era eviction and other negative information from tenant screening reports.
- Prohibit credit reporting of rent arrears if ERAP funds have been paid or an application has been submitted, and require deletion of any such collection items.