



COVID-19: The Financial Industry and Consumers Struggling to Pay Bills

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A growing number of cases of Coronavirus Disease 2019 (COVID-19) have been identified in the United States, significantly impacting many communities. For background on the coronavirus, see CRS In Focus IF11421, *COVID-19: Global Implications and Responses*, by Sara M. Tharakan et al. While this situation is evolving rapidly, the [economic impact may be large](#) due to illnesses, quarantines, and other business disruptions.

Consequently, many Americans may lose income and face financial hardship due to the coronavirus outbreak. This Insight focuses on regulatory and policy responses relating to the financial services industry for consumers who may have trouble paying their bills.

Payment Relief for Consumer Loans

On Monday, March 9, federal and state financial regulators [coordinated a statement to the financial industry](#), encouraging it to help meet the needs of consumers affected by the coronavirus outbreak. They stated that “financial institutions should work constructively with borrowers and other consumers in affected communities,” as long as they employ “prudent efforts that are consistent with safe and sound lending practices.” This statement was similar to financial regulators’ [past statements](#) during disruptive events, such as natural disasters and government shutdowns. Since then, in order for financial institutions to be in a better position to support consumers’ financial needs during this time, federal bank regulators have made adjustments to bank regulation (for more information, see CRS Insight IN11278, *Banking Regulators’ Response to COVID-19*, by Andrew P. Scott and David W. Perkins) and provided liquidity to financial markets in response to COVID-19 (for more information, see CRS Insight IN11259, *Federal Reserve: Recent Actions in Response to COVID-19*, by Marc Labonte). Moreover, financial regulators have also encouraged financial institutions to provide [small dollar loans to affected consumers](#).

During previous natural disasters, government shutdowns, or other similar events, the financial industry has responded by providing financial assistance to some affected consumers. For example, they sometimes help consumers having temporary difficulties paying their mortgages, credit cards, or other loans through forbearance plans, which are agreements that allow extended time for consumers to become current on their payments. Financial institutions may also agree to limit late or other fees and extend

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credit to ease consumer financial struggles amid the outbreak. However, some of these efforts may be more difficult for some institutions if they require changes in credit contracts.

In response to the coronavirus outbreak, some banks have recently [announced](#) measures to offer various forms of assistance to affected consumers. In addition, on Friday, March 27, the President signed the CARES Act (P.L. 116-136), which grants consumers a right to request forbearance for many types of mortgages (Section 4022) and for most federal student loans (Section 3513). However, [concerns exist](#) about whether the financial industry can process a potentially large volume of loan modification requests.

The coronavirus outbreak is more widespread than previous events and financial institutions may have different capacities to be able to enter into these agreements due to their financial situations. Because of the potential strain on the financial system, it might be challenging for institutions to provide this support, and these efforts may be insufficient to provide widespread assistance without direct government intervention. Chairwoman Maxine Waters has introduced H.R. 6321, which would reimburse creditors for incurred costs due to consumer loan forbearance. Other types of government policies outside of the financial industry are also being implemented, such as support for [small businesses](#) and [unemployed workers](#).

Other Potential Responses to Help Consumers

Other policy options may be available to help consumers having trouble paying their bills, such as reducing credit score impacts and increasing the availability and accessibility of consumer resources.

Consumers can harm their [credit scores](#) when they miss consumer loan payments, which can impact their access to credit in the future. In response, Section 4021 of the CARES Act requires financial institutions to report to the credit bureaus during this period that consumers are current on their credit obligations if they enter into an agreement to defer, forbear, modify, make partial payments, or get any other assistance on their loan payments from a financial institution and fulfil those requirements. Before this law was enacted, lenders could choose whether to report loans in forbearance as paid on time; with this law, these options are no longer voluntary for the lender.

Some affected consumers may still experience harm to their credit record because lenders generally can still choose whether to enter into an assistance agreement with an individual consumer. While financial regulators have encouraged lenders to work with consumers, and the CARES Act gave consumers a right to request forbearance in certain cases, for many types of consumer loans (such as auto loans and credit cards), different financial institutions may use different criteria to decide which consumers receive assistance. Therefore, consumers' ability to protect their credit scores could vary widely.

Communication and financial education may also play an important role. Many consumers having trouble paying their bills may not realize that their financial institutions can provide loan forbearance, access to credit, or other assistance under extenuating circumstances. The Consumer Financial Protection Bureau (CFPB) has published [resources for consumers](#) affected by the coronavirus, including those having [trouble paying their bills or experiencing a loss of income](#). Financial institutions also can conduct outreach to consumers to let them know about their possible options.

In recent weeks, there have also been concerns about the increasing elder financial fraud scams related to the coronavirus outbreak. On March 10, the Federal Trade Commission (FTC) [published a warning](#) about rising coronavirus scams, and since then, has published [additional consumer resources](#). On March 16, Ranking Member Patrick McHenry and other members of the House Financial Services Committee sent a [letter to CFPB Director Kraninger](#) expressing their concerns about the increasing elder financial fraud cases due to the coronavirus and requested an update to applicable guidance for financial institutions. In addition, on March 26, a bipartisan group of 34 Senators sent a [letter to the FTC](#) urging them to better inform and assist seniors affected by coronavirus fraud.

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