



July 20, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

Re: Ensuring the Coronavirus (COVID-19) response package protects families

Dear Leaders McConnell and Schumer:

Months after the first case of COVID-19 in the United States, America remains in the midst of a public health and economic crisis without precedent in our modern history. Many millions of Americans are out of work and struggling to make ends meet. Among those who still have jobs, millions are forced to choose between financial stability and their own health. At this moment, the financial condition of so many families across the country is fundamentally out of their control. And this financial fragility is creating new risks to individuals' health and safety.

The situation is truly unprecedented. Among lower-income Americans who were earning \$40,000 or less before the crisis, 39% percent have lost a job or income.¹ In June, 20% of renters missed their payments, with an additional 12% making only partial payments.² 4.3 million homeowners have sought forbearance from their loans.³ The pandemic is disproportionately affecting the finances of families of color. Black and Latinx unemployment, for

¹ Board of Governors of the U.S. Federal Reserve, *Report on the Economic Well-Being of U.S. Households in 2019 - May 2020* (online at: <https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-financial-repercussions-from-covid-19.htm>).

² How Has the Pandemic Affected Rent and Mortgage Payments?, *The New York Times* (June 18, 2020) (online at: <https://www.nytimes.com/2020/06/18/realestate/missed-rent-and-mortgage-payments-coronavirus.html>).

³ Mortgage Bankers Association, *How Has the Pandemic Affected Rent and Mortgage Payments?* (June 16, 2020) (online at: <https://www.mba.org/2020-press-releases/june/share-of-mortgage-loans-in-forbearance-increases-to-855>).

example, is significantly higher than for white workers.⁴ In May, more than 45 percent of Black and Latinx adults said that they had experienced material hardship, almost double the share of whites. The CARES Act took important steps to protect Americans through the early months of the crisis. But as key protections from CARES begin to expire, there is a need for new protections to ensure families can make it through this extraordinary national emergency.

Americans are looking to Congress for guidance, assistance, and assurance that they can emerge from the crisis and get back on their feet. To that end, Consumer Reports urges the Senate to put consumers first as it develops the next COVID-19 relief package. The bill should enhance struggling Americans' financial resiliency, prevent predatory behavior, and keep Americans healthy and safe in their homes. As discussed in more detail below, Consumer Reports urges the Senate to enact the following protections in the next COVID-19 relief package:

Enhance Financial Resiliency

- **End surprise medical bills.**
- **Protect borrowers with education debt.**
- **Extend mortgage relief options** to all types of residential loans and properties.
- **Prohibit negative credit reporting** for the duration of the crisis and beyond.

Prevent Unfair and Predatory Behavior

- **Adopt a 36% federal rate cap for all loans.**
- **Prohibit price gouging** on essential items.
- **Require refunds** for all airline travel cancelled due to COVID-19.

Keep Americans Healthy and Safe

- **Preserve access to utilities** by enacting a moratorium on all utility service cut-offs, including electric, water and internet service providers (ISPs); barring utility providers from charging late or reconnection fees; and implementing workable plans for consumers to catch up in due time.
- **Enhance broadband access** by providing a government reimbursement for internet service for laid off and low-income individuals.
- **Set mandates for health and safety procedures** during air travel.
- **Ensure Americans remain protected by existing law** when working, shopping, or otherwise participating in the economy.

Enhance Financial Resiliency

Many Americans are entering this uncertain time with already limited savings or financial cushion. According to a 2019 Federal Reserve Board survey, almost 40 percent of American

⁴ Recession Led by Services Sector Is Particularly Painful for Latino Workers, *The Wall Street Journal* (July 5, 2020) <https://www.wsj.com/articles/recession-led-by-services-sector-is-particularly-painful-for-latino-workers-11593941401>

adults wouldn't be able to cover an emergency expense of \$400.⁵ For millions of Americans, that emergency has arrived, in the form of a public health crisis that has threatened their livelihoods and ability to pay their bills. Consumer Reports has been urging all lenders to make assistance available to their borrowers, and to provide reasonable paths to repayment that enable the borrowers time to get back on their feet.⁶ But it will require an unprecedented government response to ensure Americans can weather this tremendous hardship and not fall further behind financially.

End surprise medical bills

Surprise medical bills are financially devastating for families. Out of fear of incurring unanticipated costs, families may forgo medical screenings and care. The limited steps that Congress and the Administration have taken to protect consumers from out-of-pocket costs related to COVID-19 are welcome, but leave large loopholes, not the least of which is that they do not have an impact on health care costs not directly related to COVID-19. As Congress considers solutions to lower barriers to health care access and mitigate the economic impact of the pandemic, we urge you to include a ban on surprise bills to ensure that families are not faced with devastating financial burdens, and can seek necessary care at this critical time.

Protect Borrowers with Education Debt

Even before the crisis, education debt held back millions of Americans. There are 45 million Americans who collectively owe \$1.6 trillion in education debt. This kind of debt is the second largest in the nation, after mortgages, and can be particularly devastating for borrowers facing financial hardship. Even before the pandemic-induced financial crisis, another borrower was defaulting once every three seconds in the U.S. Most people in default on federal undergraduate loans were disproportionately low-income, Black, or first-generation students and owe less than \$10,000. As the lender, the federal government can garnish wages automatically, and can offset federal benefits to recover federal student loan debt. And loan servicers sometimes work actively against the borrower's interest - pushing borrowers into unnecessary default, or steering them away from money-saving options.

While CARES Act relief to student borrowers with federally-held loans was a start, more needs to be done. Borrowers with commercial FFEL or private loans did not get CARES Act relief. The student loan system is broken, and must be fixed. In the near term, we urge the Senate to cancel \$10,000 of education debt for all student loan holders, so that those borrowers most at risk of default are provided with protection in this time of need. In addition, we urge the Senate to extend forbearance and interest waivers for all types of education debts, including private student loans.

⁵ Report on the Economic Well-Being of U.S. Households in 2018 (May 2019), 2, <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

⁶ Letter from Consumer Reports' Syed Ejaz to Citibank Chief Executive Officer Michael Corbat Re: Relief for borrowers affected by the COVID-19 crisis: <https://advocacy.consumerreports.org/wp-content/uploads/2020/06/Citibank-Letter-1.pdf>.

Extend mortgage relief options to all types of residential loans and properties

Millions of homeowners have sought forbearance of their mortgage obligations due to the severe financial hardship they are experiencing as a result of the novel coronavirus.⁷ Unfortunately, CARES Act home mortgage relief, which allows borrowers to request forbearance for up to a year with no additional penalties, only applies to federally-backed mortgage loans. This limitation does nothing to help the estimated 14.5 million homeowners with loans that are not backed by the federal government. Homeowners with mortgages in the private market need and should be extended the same protections available to those with government-backed loans.

Prohibit negative credit reporting

Without sufficient protections in place, consumers struggling under financial hardship caused by the COVID-19 crisis will see negative information being reported to credit reporting agencies, and as a consequence will see their credit scores plummet. A low credit score does more damage than just keeping consumers from being able to obtain loans with lower interest rates - it can prevent consumers from obtaining gainful employment, housing, and reasonably-priced auto insurance. Where a good credit score increases access to credit, a low credit score can become a significant obstacle to financial stability. As consumers emerge from the COVID-19 crisis, their credit score will be one of the most important determinants of their ability to recover.

Congress should protect consumer credit scores by enacting a ban on all negative credit reporting for the duration of the public health emergency. This can be done through a direct ban on the furnishing and reporting of negative credit information, or through the use of disaster codes in addition to a ban on such codes being used to lower consumers' scores. Giving consumers time to manage their debt obligations and establish workable paths to repayment will allow them to steadily recover. Letting credit scores fall will only keep consumers stuck, suffering the financial impact of the pandemic long after it is over.

Prohibit Predatory Behavior

Cap interest on loans at 36%

Millions of Americans who are suddenly out of work or have lost income due to the pandemic have sought relief from their debts via forbearance and deferrals either required by law or provided voluntarily by their creditors. But as this relief runs out, these consumers -- many of whom were already under financial strain -- are more likely to be targeted by predatory lenders.

Payday, title, and other predatory loans are often marketed as swift ways to make ends meet in the short term. What borrowers find instead are poorly-structured loans with triple-digit annual interest rates, making them nearly impossible to repay without rolling the loan over again and again. These loans are debt traps - the majority of payday loans are rolled over 8 to 10 times.

⁷ Coronavirus Pandemic Fuels Rapid Increase in Missed Mortgage Payments, The Wall Street Journal (April 13, 2020) (online at: <https://www.wsj.com/articles/coronavirus-pandemic-fuels-rapid-increase-in-missed-mortgage-payments>).

As consumers suffer the financial impacts of the COVID crisis, they need protection from predatory lenders looking to take advantage of their hardship and dire circumstances.

For this reason, the Senate should support a federal interest rate cap at 36% for all loans. Congress already enacted this rate cap for military servicemembers and should extend this protection to all Americans. This would both curb predatory lending, and prevent evasions of state interest rate caps by shady online lenders that partner with banks. A 36% interest rate cap is needed now more than ever, as the Consumer Financial Protection Bureau has gutted its own ability-to-repay rule, allowing predatory lenders to issue loans even more recklessly than before. Any policy that falls short of capping interest rates at 36% would allow predatory lending to continue to thrive in the midst of one of the greatest financial crises in the history of the United States.

Ban Price Gouging During Emergencies

In a national emergency, consumers need to have reliable and affordable access to essential supplies, and should not be compelled to pay excessive prices because of opportunistic seller behavior. During the COVID-19 crisis, consumers have experienced excessive price hikes on hand sanitizer, protective equipment, and a wide range of other products as unscrupulous sellers took advantage of normal supply channels being disrupted or uncertain. State attorneys general have stepped up to bring cases against some of these sellers in their states, but a federal role is needed to more effectively protect consumers against this abuse. The Senate should clarify that price gouging during an emergency is an unfair practice, and provide strong enforcement authority to the Federal Trade Commission and the state attorneys general.

Require Refunds for all airline travel cancelled due to COVID-19

Since the COVID-19 crisis began and Americans found themselves needing to cancel their spring plans, consumers have been expressing deep frustration about their inability to get refunds from the airlines. The Department of Transportation received 25,000 complaints from consumers about refunds in two months alone - an enormous bump from any previous year. Consumers - who don't know if or when they will be able to travel again - are being offered vouchers for future travel when they need full cash refunds. The airlines received massive bail-outs in previous legislation, but have simultaneously been holding on to their own customers' dollars, in the form of vouchers. We urge the Senate to mandate that airlines provide refunds to all consumers whose travel was disrupted by COVID-19. Many consumers are in desperate need of cash to replace lost wages, and they have no use for a voucher for possible future travel. These consumers should not be forced to give interest-free loans or total write-offs to airlines they just bailed out with billions of tax dollars.

Keep Americans Healthy and Safe

Preserve access to utilities

Maintaining access for consumers to basic utilities is a critical public health priority during the pandemic -- first and foremost, access to water. Health officials have emphasized the importance of hygienic practices, particularly hand-washing, in order to prevent the spread of COVID-19. However, during a time of economic distress, the threat of water shut-offs is very real for many families. While some states have enacted executive orders prohibiting water shut-offs and requiring reconnections of water service, not all states have acted. Therefore, Congress needs to enact a nationwide moratorium on water shut-offs to protect public health. Access to electricity and natural gas are also critical to health and safety at home, and should receive the same protection against shut-off.

Ensure connectivity

Families across the country are more dependent than ever on the internet. As millions of Americans have shifted to working, learning, and receiving medical care at home because of the pandemic, the necessity and value of a reliable, affordable internet connection have never been clearer. Now is not the time for service cut-offs. Many more consumers need better, more reliable and affordable access to the internet. Providing a direct subsidy to help the neediest consumers pay their monthly internet service bill is a straightforward solution and will help immediately. Longer term, investments in broadband infrastructure are needed to expand access to the internet and make it affordable for more consumers.

Set mandates for health and safety procedures during air travel

As states start to reopen and some Americans begin traveling, they are finding that airlines and airports are not taking consistent and effective approaches to protecting health and safety. After months of inaction, in early July, the U.S. Department of Transportation issued only suggested guidelines to address passenger health and safety concerns during the pandemic. The Department's voluntary guidelines provide too much leeway to airlines and airports, creating too much uncertainty. Consumers should not be left to have to evaluate on their own the risks of each airline and airport's safety procedures. Given that the Department has not taken the necessary actions, the Senate should act to ensure that these health and safety standards are mandatory and consistent, to ensure there is a reliable, enforceable commitment to protect passengers when they travel during this unprecedented crisis.

Ensure Americans remain protected by existing law

We urge the Senate to resist calls to shield businesses, health care entities, nursing homes, and schools from legal accountability for negligently failing to take reasonable steps to protect health and safety, which would make everyone less safe -- by removing long standing bedrock protections in the law and undermining the important safety incentives they create.

Conclusion

Consumers are urgently waiting for Congress to take broad action to protect them from the financial impacts of the COVID crisis. If Congress continues to wait, consumers will continue to suffer. Congress must enact the above protections in the next COVID-relief package and ensure that consumers emerge from this crisis able to recover.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Friedman".

David Friedman
Vice President, Advocacy

Cc: Members of the U.S. Senate