



## Debt Collection Challenges Amid the Coronavirus (COVID-19)

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A recent poll taken since the coronavirus outbreak paints a grim picture of American household finances: Almost two-thirds of respondents (64%) anticipate that lost wages due to the pandemic will yield at least a \$500 shortfall when trying to pay monthly bills. Nearly half of those households (27% of all respondents) predict a shortfall of \$1000 or more.

Nearly 3.3 million Americans filed unemployment claims last week, by far the largest number ever. (By comparison, that figure is almost five times the number of claims made during the worst week of the Great Recession in March 2009.)

And yet, political leaders and everyday Americans don't need poll numbers or statistics to tell them what they can observe merely by walking down the street: businesses are shuttered, incomes have been cut, and consumer spending is way down as households conserve their dwindling resources.

In light of these extraordinary circumstances, it is unsurprising that federal and state officials are implementing restrictions on debt collection. Below are some of the major federal and state restrictions on debt collection and loan servicing, as of this writing. Be sure to check out [Hudson Cook's COVID-19 Resource Page](#) for further updates.

### Major Federal Action Affecting Debt Collection

- **Federal student loans.** As part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), principal and interest payments on federal student loans are automatically suspended. Servicers of such loans are expected to suspend such payments without waiting for consumer requests. For more information the CFPB has published [this resource page](#).
- **Credit reporting.** Under the federal CARES Act, furnishers of credit information must report accounts as current where the consumer satisfactorily makes payments (or does not need to make payments) pursuant to any accommodation plan reached during the pandemic. Accommodations include deferments, partial payments, forbearance, loan modifications, or other borrower assistance. Importantly, this provision covers the period beginning January 31, 2020, and extends until 120 days after the President rescinds the national emergency declaration. The provision does not apply to charged off accounts.
- **TCPA.** The FCC issued a [declaratory ruling](#) on March 20 that clarifies the scope of the "emergency purpose" exception to the Telephone Consumer Protection Act . The TCPA generally bars calls and texts to wireless numbers unless the consumer has consented to them, or

if the communication is made for “emergency purposes.” The FCC’s new declaratory ruling stresses that debt collection calls — even those made for the purpose of collecting a medical debt relating to COVID-19 — do not qualify for the emergency purpose exception. Under the ruling, to qualify as an emergency-purpose communication (i) the caller must be a hospital, health care worker, or government official; and (ii) the content of the call must be for informational purposes only, made necessary by the COVID-19 outbreak, and directly relate to an imminent health or safety risk.

#### Major State Action Affecting Debt Collection

- **Nevada.** Financial regulators have ordered all Nevada-licensed collection agencies to close, and all out-of-state collection agencies operating in Nevada to cease collection efforts. That order is effective until April 16 but may be extended.
- **Massachusetts.** The Massachusetts Attorney General [issued an order](#) on March 27 prohibiting all debt collection calls, new collection lawsuits, new garnishment efforts, and other collection activities.
- **Other states.** For information on the myriad state laws affecting the collection industry, please see Hudson Cook’s dedicated [COVID-19 state resource page](#).