



## **Work Life Services Newsletter May 2021**

**Call our toll-free number 1-800-364-6352 for assistance**

### **Dealing with Loans and Credit Card Debt You Can't Pay After COVID-19**

**Learn about different kinds of potential relief if you can't make payments on a personal loan, small business loan, or credit card debt.**

By Amy Loftsgordon, Attorney

With coronavirus (COVID-19) limiting many people's ability to work and earn a paycheck, you might find it difficult or impossible to keep up with your loan payments or credit card bills. Fortunately, a significant number of banks, credit unions, and other financial institutions, as well as credit card issuers, are rolling out assistance programs for those who've been financially affected by the outbreak.

In this article, you'll get information about various options that might be available to you if you're worried about falling behind in payments on a personal loan, small business loan, or credit card.

#### **Available Help for Personal Loans and Small Business Loans**

Many banks, credit unions, and other financial institutions are offering loan extensions and deferred payment options if you'll have trouble making payments on an existing loan. And, if you need more money right away, lenders are also offering emergency loans.

#### **If You Have a Personal Loan or Small Business Loan**

Most lenders and creditors are making efforts to adjust or alter terms on existing loans if the borrower is facing a financial hardship due to the coronavirus outbreak. For instance, your lender might work with you to extend your repayment term or otherwise restructure your debt obligation to say, reduce the interest rate. Your lender might also offer payment accommodations, such as allowing you to skip some payments or extending the due dates, which would help you avoid a delinquency and negative credit bureau reporting.

To find out what kind of relief is available to you, contact your lender.

#### **If You Need Money Now**

Many lenders are also easing terms for new loans to help customers deal with any impact on their cash flows due to COVID-19. Also, the U.S. Small Business Administration (SBA) is offering disaster assistance loans to small businesses impacted by coronavirus.

## **Help for Small Businesses Under the Federal Stimulus Plan**

Under the federal “Coronavirus Aid, Relief, and Economic Security Act” or the “CARES Act” (H.R. 748), which President Trump signed into law on March 27, 2020, you might qualify for capital to cover the cost of retaining employees, a quick infusion of cash to cover other expenses, or debt relief on your current or potential SBA loan. To learn more, contact with your local SBA District Office.

## **Other Kinds of Assistance**

Banks, credit unions, and other financial institutions are also offering other forms of help to customers like:

- Waiving automated teller machine (ATM) fees and increasing ATM daily cash withdrawal limits
- Waiving overdraft fees
- Offering or expanding their payday alternative loan programs (you should avoid payday loans if possible)
- Waiving early withdrawal penalties on time deposits, like certificates of deposit (CDs), and easing restrictions on cashing out-of-state and non-member checks

## **Available Assistance for Credit Card Debts**

Credit card issuers, like Bank of America, Capital One, Chase, Citi, U.S. Bank, and Wells Fargo, have released statements on their websites announcing that they’ll offer different kinds of help during the COVID-19 outbreak, like giving credit line increases and providing increased fraud security. But be careful about increasing your credit line. While having more credit available might help your credit score if you don’t use it (because your utilization ratio would go down), if you charge more on your card after getting the increase, it could be very difficult to dig yourself out of that debt.

## **Instead, you might consider asking if any of the below options are available:**

- Getting a collection forbearance (a temporary amount of time during which you don’t have to make payments, though interest might still accrue)
- Skipping payments (also called “deferring” payments), perhaps without accruing interest
- Making a lower minimum payment
- Getting a lower interest rate or an interest waiver
- Obtaining a payment deadline extension
- Getting a waiver of late charges

Many issuers are offering these kinds of options. Contact your card issuer by phone, online, or its app to find out what alternatives are available to you and to work something out. To avoid hurting your credit, pay the amount you and creditor agree upon and stick to the terms of the agreement.

On the downside, some of these options could end up costing you more in the long run. So, generally, you should try to make at least the minimum payment on your credit card accounts on time if you can. Take advantage of these emergency measures only if you’re in dire need, meaning your livelihood is significantly affected, or you don’t have savings you can use.

## **When the Federal CARES Act Prohibits Adverse Credit Reporting**

Under the federal CARES Act, if you make an agreement with a creditor to defer one or more payments, make a partial payment, forbear any delinquent amounts, modify a loan or contract, or get any other assistance or relief (called an "accommodation" under the law) because you were affected by COVID-19, the creditor can't report the account as delinquent to the credit reporting agencies if you weren't already delinquent. But you have to come to an agreement with the creditor first to avoid adverse reporting, and you have to stick to the terms of the agreement. Don't unilaterally stop making your payments, delay your payments, or pay less than you're supposed to.

If you were already delinquent at the time of the agreement, the creditor can keep reporting the delinquent status unless you bring the account current. In the case of a charge off, the creditor may continue to report it as a charge off.

## **Beware of Scams**

You should be on the lookout for scams related to coronavirus and debt relief. Be extra careful if you receive an email with a coronavirus-related subject line. Scammers might send you messages advertising assistance with your overdue bills that have malicious attachments or links to fraudulent websites designed to trick you into revealing sensitive information. Avoid clicking on links in unsolicited emails and don't open email attachments.

Also, be wary of attempts to contact you through social media, texts, or phone that are related to COVID-19 and debt assistance. Don't give out your personal or financial information, like your name, password, PIN, or other account information, in response to an email or other solicitation.

## **Getting Help**

If you need help managing your debts and financial situation, consider speaking with a nonprofit credit counseling agency, like those affiliated with the [National Foundation for Credit Counseling](#). A credit counselor will discuss strategies with you, as well as tell you about ways to reduce your debt and other financial obligations. You should, however, avoid for-profit debt relief services.

If you need legal advice about how to handle your debts and creditors, talk to a knowledgeable debt settlement attorney in your area.