COVID-19: Mortgage, Consumer, and Student Loan Information

Below is information related to several consumer topics affected by the COVID-19 pandemic and government responses. If you are in need of legal help with any of these matters, we may be able to help. Click here to learn how to apply.

Home Ownership and Mortgages

- On March 19, 2020, Gov. Holcomb issued an order that “paused” foreclosure cases while there is an ongoing public health emergency. This pause does not mean that homeowners do not have to pay their mortgage. Failure to pay your mortgage may result in foreclosure actions being filed or heard in court after the state of emergency ends. If you believe a foreclosure has been wrongfully filed against you, you can contact Indiana Legal Services, Inc. to request legal assistance. Click here to find out how to apply.
- Additionally, on March 18, 2020 the U.S. Department of Housing and Urban Development announced a 60 day pause on foreclosures in FHA-backed mortgages as well as mortgages controlled by Fannie Mae and Freddie Mac.
- If you are unable to pay your mortgage, you should call your mortgage servicer to discuss your situation. You may be able to refinance, get a loan modification, workout a repayment plan, or get a forbearance. You can also contact a HUD-approved housing counselor to see if they can provide assistance. Per the Governor’s order, the Indiana Department of Financial Institutions and Indiana Community Housing Development Authority are required to work with financial institutions to identify tools to help promote housing stability.

Consumer debt and debt collection

- If you have debts you are unable to afford, you can contact your lenders and loan servicers and explain your situation. You may be able to work out a realistic payment plan. Federal banking agencies have issued a joint statement encouraging lenders to work with borrowers who may be unable to meet payment obligations due to COVID-19.
- If a debt has been sent to collections, you have legal rights when it comes to debt collectors’ efforts to collect a debt. If you believe a debt collector is violating your rights, you can contact Indiana Legal Service, Inc. to request legal assistance. Click here to find out how to apply.
Cancelling automatic bill payments

- If a change in your financial situation means you will no longer be able to afford monthly expenses, you should take actions to cancel any automatic withdrawals from your bank account. This will avoid overdraft or insufficient funds fees.
- According to the Consumer Financial Protection Bureau, to stop automatic payments from your bank account you should: (1) call and write the company telling them you are “revoking authorization” for them to take automatic payments out of your account; (2) call and write your bank to tell them you are “revoking authorization;” (3) monitor your account and inform your bank immediately if you see a payment that is not authorized. You can also give your bank a “stop payment order,” either over the phone or in writing at least three business days before a payment is scheduled.
- Note that just because an automatic bill payment is stopped, this does not cancel your contract with that company. Gov. Holcomb has issued an order that providers of essential utility services such as gas and electric, broadband, telecom, water and wastewater services are prohibited from discontinuing service to any customer during the public health emergency.

Student Loans

- The Federal CARES Act was signed into law on March 27, 2020, in response to the ongoing COVID-19 emergency. There are several provisions related to employment, student loans, etc. This section discusses student loans.
  - **Federal Student Loans**
    - For non-defaulted federally held student loans, the CARES Act provides automatic suspension of principal and interest payments through September 30, 2020. Your federal student loan servicer should suspend payments without any action from you. Because the CARES Act is so new, it is not clear whether loan servicers will automatically stop auto-debit payments. To be safe, you should revoke authorization for the automatic payments (discussed above).
    - Suspended payments count toward any student loan forgiveness program, as well as any rehabilitation program for borrowers with defaulted loans. The CARES Act also suspends “involuntary collection” of defaulted federally held loans. It’s not clear what “involuntary collection” includes, but the act specifically covers non-judicial wage garnishment, tax offsets, and federal benefit offset.
  - **Private Student Loans**
    - The CARES Act only provides suspension of payments and interest on non-defaulted *federally held student loans*. This does not include student loans owned by banks, schools, or other private entities, or federal loans owned by commercial lenders, and Perkins Loans.
    - If you are unable to afford monthly payments on privately held student loans, you should explore options. For federal student loans held by commercial lenders you can investigate income-driven repayment plans, forbearance, and deferment. Even if you are already on an income-driven repayment plan, you can contact your servicer to recalculate your monthly payment. For privately held student loans, you can contact your lender to see if there are options to reduce or postpone payments.
As we all practice safe social distancing, we are more vulnerable to scams. There are a number of possible scams including debt collection scams, foreclosure relief scams, and student loan scams. The Federal Trade Commission offers some tips to avoid falling victim to a scam.

If someone contacts you asking you to disclose personal information or give them money, you should make certain the request is legitimate. If you think you have been the victim of a scam, you can submit a complaint to the Indiana Attorney General’s Office and the Federal Trade Commission.