



## Model State Consumer Protection Guidance Related to the COVID-19 Pandemic

March 23, 2020

The Conference of State Bank Supervisors (CSBS) developed the following model guidance to assist state regulatory agencies in providing consumers with information to protect themselves against predatory schemes related to the COVID-19 pandemic. This guide offers the following information and resources that state agencies can offer to consumers:

- Ways for consumers to protect their finances
- Predatory schemes and warning signs
- Government assistance for consumers at the state and federal level

CSBS also created a web page with this content that will be updated as events progress and additional resources become available. Please visit the CSBS [Consumer Resources web page](#) for updates.

### Background – The Economic Impact of the COVID-19 Pandemic

On March 11, 2019, the World Health Organization (WHO) declared the COVID-19 virus a global pandemic.<sup>1</sup> COVID-19 has caused state and local governments across the United States to order the closing of non-essential businesses and other establishments. As a result, stock markets have declined sharply, and the U.S. economy has come to a halt. The negative impacts on the economy cannot be overstated and are not yet fully known. What is known is that consumers are facing extreme pressure on their personal finances, and therefore, are quite susceptible to fraudulent and predatory financial services schemes. The goal of this guide is to inform consumers of financial service protections, predatory schemes to lookout for, and who to contact if they become a victim.

### Information to Share with Consumers

#### *State Financial Regulators on the Frontlines of Consumer Protection*

With state financial regulators committed to consumer protection, state agencies are positioned to interact directly and quickly with consumers and their issues related to COVID-19 predatory schemes. States agencies should promote their ability to process consumer complaints and highlight efforts to pursue resolutions on behalf of consumers.

#### *Ways in Which Consumers Can Protect Themselves*

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<sup>1</sup> <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>



Consumers can protect themselves by working with licensed and reputable service providers, looking for potential scams, and understanding available consumer protection resources. The following state and federal resources are publicly available for consumers:

- **Filing a Complaint with State Regulators:** State agencies should notify consumers that they stand ready to receive consumer complaints related to financial services and promote these efforts through the communication outlets available to the agency. State agency template language for this communication to consumers:

Need to File a Complaint Related to Financial Service or Transaction?

To the consumers [insert State], if you need assistance verifying a license, learning about the legitimacy of financial service or product or filing a complaint about a financial transaction, please contact [insert State Agency Name] right away. Contact [insert State Agency contact information] to get the help you need.”

- **NMLS Consumer Access:** Consumers can use the Nationwide Multistate Licensing System (NMLS) Consumer Access [website](#) to verify a financial service provider’s license. This public website allows consumers to confirm whether a financial service provider is actively licensed in any given state and view regulatory actions. The website allows consumers to verify licensing for both financial services companies and individuals.
- **HUD-approved Housing Counselor:** HUD provides consumers with the ability to speak with HUD-approved housing counselors across the United States. Housing counselors are available to answer questions related to renting, default, foreclosure avoidance, credit issues and reverse mortgages. Consumers can find a HUD-approved housing counselor in their state [here](#).
- **CFPB Resources:** The Consumer Financial Protection Bureau (CFPB) developed a central webpage to assist consumers in protecting their finances during the COVID-19 pandemic [here](#). One of the many CFPB resources is a [blog](#) intended to help consumers navigate personal financial impacts of COVID-19 including:
  - Steps to take if consumers lose income, have trouble paying bills or difficulties meeting other financial obligations.
  - Contacting lenders, servicers and debt collectors.
- **State Attorneys General:** For other COVID-19 related scams, such as price gouging, consumers can contact their state’s attorney general. Consumers can find contact information for their attorney general’s office at the National Association of Attorneys General [website](#).
- **Federal Trade Commission:** The Federal Trade Commission (FTC) works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide



information to help consumers spot, stop and avoid them.<sup>2</sup> Consumers will find valuable guidance related to COVID-19 on their [website](#).

### *Predatory Schemes and Warning Signs*

Predatory and fraudulent actors in the financial service industry use fear and vulnerabilities to dupe consumers into entering agreements or purchasing products that are not in their best interests. Here are some of the common predatory schemes and potential warning signs consumers should be aware of, particularly in times of financial stress:

- **Advance Fee Loan Scam:** In times of need, consumers may shop for various loans to extend their financial flexibility. Scammers may ask consumers to pay fees upfront for nonexistent loans, and once the consumer provides the payment, they never hear from the scammer again. These perpetrators may offer loans over the phone and ask for fees to be wired directly to an individual. The FTC offers additional guidance on this scam [here](#).
- **Bailout Anticipation Loans:** Congress is working to provide financial relief for those in need. Relief may come in many forms, such as government checks to consumers and unemployment assistance. It will take time for the government to process the relief provided from these programs. Scammers may prey on those who need immediate assistance, by offering short-term loans. Consumers should be encouraged to contact their state financial regulator to learn whether this activity is permissible in their state.
- **Foreclosure Bailouts:** Some homeowners may be contacted by unscrupulous scammers claiming to be able to reduce monthly mortgage payments or take other measures to prevent foreclosure. Many of these scammers claim to be credit counselors or attorneys who have special relationships with creditors and will offer to negotiate deals with creditors to reduce or forgive payments in exchange for an upfront fee. Consumers should research the companies and individuals they are working with prior to paying any fees.
- **Rent-to-Buy:** Scammers will claim that if the consumer surrenders the title to their property, they will be able to remain in the property as a renter and repurchase it at a later date. The scammer will then offer terms with exorbitantly steep payments, and consumers end up owing more on the mortgage than the rent-to-buy home is worth. The perpetrator then keeps the home and the equity the owner has put into the property.
- **Equity Skimming:** Regulations are currently in place to protect consumers from foreclosure bailout and other “equity skimming” schemes. The Mortgage Assistance Relief Services (MARS) Rule prohibits companies from charging consumers until a written offer for a loan modification or other relief from the original lender is extended.

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<sup>2</sup> <https://www.consumer.ftc.gov/about-us>

Consumers should be suspicious of any service asking for upfront payment. Lawyers are exempt from the prohibition on upfront payment. Consumers can verify that they are dealing with a lawyer licensed to practice law where they live on their state bar association's website. Links to all state bar websites are available [here](#).

- **Advance Fees for Debt Counseling and Debt Adjustment:** Consumers must be aware of debt counseling and debt adjustment schemes that require upfront fees before services are performed. State regulators can support consumers by verifying a license (if required) and providing information about what, if any, upfront fees can be charged before services are provided. Debt adjustment/settlement services typically include an agreement with the consumer to distribute, supervise, coordinate, negotiate or control the distribution of money or evidences thereof among one or more of the consumer's creditors. When using these services, consumers may relinquish a great deal of control over their finances; it is important for consumers to know who they are working with when entering into an agreement.
- **Imposter Scams:** Consumers should be aware of imposter scams, especially during times of crisis. These scams come in many varieties but ultimately the scammer impersonates someone the consumer trusts in order to convince the victim to send them money. Relevant examples include family emergency scams and government imposter scams. More information can be found on the FTC's website [here](#).
- **Fraudulent Health Claims/Sales:** Consumers should be highly suspicious of any prevention, treatment or cure of the coronavirus from untrustworthy sources. Consumers should verify all claims of these products with the Centers for Disease Control and Prevention (CDC) and the World Health Organization (WHO).
- **Charitable Donation Requests:** Unfortunately, scammers will not hesitate to take advantage of consumers' goodwill in times of crisis. To avoid becoming the victim of a charity scam, consumers should verify that the charity is registered with a Secretary of State. Consumers can visit the National Association of Secretaries of State [website](#) and use the 'Find Your Secretary of State' feature. Consumers may also benefit from checking the charity's Charity Navigator rating at [www.charitynavigator.org](http://www.charitynavigator.org) or Better Business Bureau rating at [www.give.org](http://www.give.org).
- **Mobile App Scams:** Scammers are also creating and manipulating mobile apps designed to track the spread of COVID-19 for the purposes of installing malware that will compromise users' devices and personal information.
- **Supply Scams:** Scammers are creating fake shops, websites, social media accounts, and email addresses claiming to sell medical supplies currently in high demand, such as surgical masks. When consumers attempt to purchase supplies through these channels, fraudsters pocket the money and never provide the promised supplies.

### *Government Assistance for Consumers*



Federal agencies are introducing several measures to provide immediate financial relief to consumers. Congress is also working on multiple legislative packages aimed at providing direct relief to consumers and businesses. Below is a short list of what federal agencies have implemented to this point, but consumers should be on the lookout for new initiatives in the coming days, weeks and months.

State agencies should, first and foremost, promote the consumer assistance programs offered in their state. The assistance programs listed below are federal programs. Please note that this information is not intended to overshadow the consumer relief initiatives taking place at the state level, but rather it is meant to supplement the states' efforts.

Federal Government Assistance for Consumers (as of March 23, 2020):

- **Forbearance Plans and Temporary Halt on Foreclosures:** On March 18, 2020, the Trump administration directed U.S. Department of Housing and Urban Development (HUD) to suspend all evictions and foreclosures on HUD-backed properties until the end of April. The Federal Housing Finance Agency (FHFA) directed Fannie Mae and Freddie Mac to suspend all foreclosures and evictions for at least 60 days for homeowners with mortgages backed by the government-sponsored enterprises.

Additionally, HUD and the FHFA have highlighted existing forbearance plans as a means of combating the economic shock of COVID-19. GSE forbearance plans suspend mortgage payments and waive associated fees for borrowers facing different hardships, including the impacts of coronavirus.

Assistance programs can differ by loan type; for more information on consumer assistance programs visit the following websites:

- [HUD](#) for Federal Housing Administration (FHA) loans and Home Equity Conversion Mortgage (HECM) loans for seniors
  - [FHFA](#) for Fannie Mae and Freddie Mac backed loans
  - U.S. Dept. of Veterans Affairs ([VA](#)) for VA loans
  - U.S. Dept. of Agriculture ([USDA](#)) for USDA loans
- **Student Loan Interest Waiver Announcement:** On March 13, 2020 the Trump administration announced that the interest on all student loans held by federal government agencies will be waived until further notice. For updates regarding federal student loans please visit the U.S. Department of Education's [website](#).