

Advocates Applaud Passage of \$1.9 Trillion COVID-19 Economic Stimulus to Help Americans but Congress Must Ensure EIPs Feed Families, Not Debt Collectors

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Washington, D.C. – Advocates at the National Consumer Law Center praised Congress for passing the \$1.9 trillion American Rescue Plan Act of 2021 to help struggling families. But they noted that more needs to be done, especially to address the immediate risk, if Congress does not act quickly, that the new payments may be seized by debt collectors.

Under key elements of the American Rescue Plan (ARP):

- individuals will receive up to \$1,400 in economic income payments (EIP) and an additional \$300 per week for unemployment benefits through Labor Day.
- The package also includes an expanded Child Tax Credit of up to \$3,600 per child paid in part through advance monthly payments,
- \$20 billion for rental assistance (which can also be used for utility arrearages and current bills),
- \$10 billion to help prevent foreclosures through the Homeowner's Assistance Fund,
- \$7.6 billion for broadband for schools and libraries to help close the homework gap for students,
- \$4.5 billion for energy bills through the Low Income Home Energy Assistance Program (LIHEAP) and \$500 million for emergency low-income water assistance.
- The stimulus package also closes a longstanding loophole that encouraged predatory post-secondary schools to target servicemembers and veterans for their military education benefits, and eliminates taxes for cancelled student debt from December 31, 2020 through January 1, 2026.

"The stimulus is an essential shot in the arm to help families pay for food, rent, medicine, and auto loans, and stay connected to essential utility services," said National Consumer Law Center

Associate Director Lauren Saunders. But Saunders noted that the new bill, unlike the December stimulus bill, fails to prohibit debt collectors from garnishing bank accounts to grab stimulus payments. “Now Congress must take immediate action to ensure that the economic stimulus payments feed families as intended rather than debt collectors.”

“The Homeowner Assistance Fund, which provides the first cash assistance for homeowners during the pandemic, will help prevent thousands of foreclosures, especially in communities of color,” said Alys Cohen, staff attorney at the National Consumer Law Center. “This new program will help homeowners facing COVID hardships catch up on their mortgages, property tax or insurance payments, and utility bills. COVID-19 and its economic impacts have hit communities of color the hardest, and the looming foreclosure crisis threatens to widen the racial wealth gap. The fund is an important step forward in helping struggling homeowners and working toward racial equity.”

“Families have fallen farther and farther behind with their utility bills, and the Low Income Home Energy Assistance Program (LIHEAP) and Emergency Low-Income Water Assistance funds will help them stay connected to essential energy and water service. We appreciate that Congress is taking steps to address this pressing need to keep the water, lights, and internet on,” said Olivia Wein, attorney at the National Consumer Law Center. “The digital divide has set back the educational attainment of a tragic number of students during this pandemic so we are grateful for the broadband funding that will help connect students to online classes and resources.”

“It is great news that Congress will end the loophole that led for-profit schools to target servicemembers and veterans using predatory recruitment tactics to grab their military education benefits. And Congress has paved the way to ensure that student loan borrowers are able to access loan relief without fear of an unfair tax penalty,” said Persis Yu, director of NCLC’s Student Loan Borrower Assistance project. “The Biden Administration must now address the need for widespread student debt cancellation, as the \$1.7 trillion student debt crisis disproportionately burdens low-income and Black and brown borrowers.”

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