

U.S. Government Financial Relief During COVID-19

Loans and Credit Card Relief for COVID-19 - It's no surprise that banks and credit card companies are leading the way in trying to keep consumers stable financially. When the Federal Reserve lowered the interest rate to zero percent in March, it meant any money-lending institution could make a profitable loan to just about any customer.

Bank of America details a full list of assistance programs on its website that include waiving non-sufficient fund and monthly maintenance waivers and refunds for overdraft fees as well as assistance on credit card and loan payments.

But you have to visit the company website and make your request for help online.

- [COVID-19](#)
- [Maureen Milliken](#)
- May 18, 2020

COVID-19 Loans: What Are Your Options?

With a stunning 36.5 million and counting Americans out of work because of the COVID-19 pandemic, there are a lot of people scrambling to pay their bills until they have a paycheck again.

Business owners aren't doing any better. An estimated 100,000 small business in the U.S. have permanently shut down because of the pandemic, according to study by the National Bureau of Economic Research.

That all adds up to a lot of people who are looking for [financial relief from the coronavirus](#).

One lifeline – loans, whether they be for personal or business use – are an option, particularly if a quick recovering economy emerges. Here's where you can one.

Personal Loans During COVID-19

In a recent survey, 21% of those responding who were recently laid off said they plan to borrow money from family, friends or the bank.

That's a lot of people looking to borrow money.

And there are ways to do it, even for those laid off. Borrowers need good credit and a source of income – the bank wants to be sure they can make payments. Income doesn't have to be a paycheck, it can come from other consistent sources, like [Social Security](#), a pension or alimony.

“Taking out a personal loan during a time of crisis can be a solid financial move, given you find the terms that meet your needs and fit within the long-term capacity of your finances,” said Jared Weitz, CEO and founder of United Capital Source Inc.

But Dennis Shirshikov, a financial analyst at FitSmallBusiness.com warns there are drawbacks. “Turning to personal financing during a crisis to support yourself or your business should only be done after cost-cutting measures,” he said. “If you take out a personal loan before you start reducing expenses, a significant portion of the loan will be wasted.”

Those who are confident they can manage a loan should first check with the local financial institution that they have a relationship with. Credit unions are a great option for members looking for a loan. Many have good deals for members, particularly if the credit union is tied to a business or industry, and the borrower is still drawing paycheck.

Online Loan Marketplaces

Another place to look for a loan is online loan marketplaces. Potential borrowers fill out an application and a variety of lenders make a pitch, offering a credit limit and rates.

Some of the most popular are Credible.com, Experian’s Credit Match and Lendingclub.

If looking online, be sure to go with a trusted source, and particularly [avoid payday loans](#) and other high-interest options that will sink you into more financial hot water. The [Federal Trade Commission](#) has information regarding bad online loan options on its website.

Home Equity Line of Credit

Those with equity in their home may be eligible for a [home equity line of credit](#) or a [home equity loan](#). These are generally low-interest, but keep in mind you’re putting your house on the line if you can’t make the payments.

“Homeowners are currently living with historically high levels of equity and may be able to take advantage of a home equity loan or refinancing on their home,” said Weitz. “If you have recently experienced a loss in income or hit to your personal business, tapping into your home equity can provide the cushion needed to withstand shifts in the market and economy.”

401(k) Hardship Loan

Those still working who have a 401(k) can look into a [401\(k\) loan](#) or hardship withdrawal.

With the loan, you’re borrowing the money from yourself at a low interest rate. Payments are made monthly, usually over two to five years. The cap is usually \$50,000 or half of the balance in your account. The biggest drawback is that if you lose your job before the loan is paid back, you have to pay back what you borrowed in 90 days.

Hardship withdrawal terms are up to the employer, and, as with the loan, if you lose your job the financial penalty can be great.

Loan Alternatives for Personal Debt

It's a good idea to consider other options before borrowing money, said Anna Barker, personal finance expert and founder of LogicalDollar.

“If you're considering a personal loan because you need money, but are struggling to repay what you already owe, you should seriously think about whether it's the best option for you,” she said. “The way to get out of debt is not to take on more debt. So, if you're in that situation, a better idea would be to focus solely on paying off your existing loans.”

While paying down debt is not a quick fix like a loan can be, it pays off in the long run. There are several ways to manage debt, including doing it yourself, enlisting the help of a [nonprofit credit counseling agency](#) or consolidating debts.

- [Debt management](#) – A nonprofit credit counseling agency provides a counselor who can help you budget, and reduce the interest rate on your credit cards. . The benefit is reduced monthly payments and a chance to improve your credit score, making you a better candidate for a personal loan in the future.
- [Debt consolidation](#) – Applying for a 0% interest credit card with a large enough limit, then using it to pay off the balances on high-interest cards and other debts will give you one monthly payment to deal with. But it can be a slippery slope if you keep using the card and accumulating debt.
- [Debt settlement](#) – This is an attempt to pay less than what you owe on credit card debt. If your bank account has at least half of what you owe on credit cards – and you or someone you hire negotiates well — you could settle your debt for far less than what you owe. Do it yourself – Set a strict budget, then, while making minimum payments on most of your credit cards, pick one to pay extra on until the balance is paid off. Once that card is paid off, go to the next one.
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With that in mind, here are some of the relief services you might take advantage of at specific banks and card companies.

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If you're not sure what COVID-19 related assistance programs you might be qualified for from the government, there is a [website to answer your questions](#). Just answer a few questions there and it will tell you what programs and assistance you can get assistance from.

Here is a rundown of the most impactful debt-relief options in the stimulus bill.

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Unemployment Benefits

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The average state payout for unemployment is \$300 a week and last 26 weeks. That timetable has been expanded to 39 weeks and freelancers and gig workers would qualify for the first time.

From a coronavirus standpoint, people unable to work because they are sick, quarantined or need to care for children because of COVID-19, were receiving an extra \$600 a week, but as mentioned, that benefit end in July.

401(k) Penalties Waived

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Paycheck Protection Program for Small Businesses

The [Paycheck Protection Program](#) was the second-most popular part of the CARES Act because it allowed thousands of businesses to stay afloat despite quarantine measures in every state that kept residents at home for at least two months.

The decision to quarantine most of the country was a shot-in-the-arm to delivery services, but shut down restaurants, shopping malls, theme parks and sporting events that count on live customer experiences to make their money.

The PPP stumbled out of the gate for several reasons, but seems to have found its purpose now that the rules governing loan forgiveness were changed to help employers reach the goals set for loan forgiveness.

Big Business Gets Some Breaks

Companies with more than 500 employees and deemed “severely distressed” will receive large grants or loans.

The passenger airline industry, for example, will get \$25 billion in grants (money they won’t pay back) and another \$25 billion in loans they are expected to pay back.

There is \$17 billion in loans to companies considered critical to national security and \$425 billion for other businesses, states and cities.

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Other Beneficiaries

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The target audience for the new law is companies with less than 500 employees. Those companies will receive a tax credit on next year's tax bill for offset the cost of providing it to their employees.

The intention of the new law is to give two weeks of paid sick leave at 100% of your normal salary – up to \$511 per day – for a total of \$5,110. That is just the first of many qualifiers for this program so check with your company's Human Resources Department before making plans.

Benefits of Paid Sick Leave

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- You could get an additional 10 weeks paid family and medical leave at two-thirds pay, up to \$200 a day (and \$10,000 aggregate), if you're a parent caring for children whose school has closed.
- Employees must have worked at least 30 days to be eligible.
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Tax Break ... Sort of

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If you expect a refund, you can file anytime.

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To suspend payments, borrowers should contact their service providers and enroll in the forbearance program.

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Many states and cities are offering low-interest loans for small businesses. More information is available on the [SBA website](#).

What's Next in COVID-19 Relief Options?

The Democrats were so impressed with the public reception of the CARES Act – especially the \$1,200 stimulus check — that they rushed an even bigger package the House of Representatives that has no chance of staying intact when and if the Senate takes it up.

The [HEROES Act](#) was a \$3 trillion economic stimulator that included handouts for nearly every individual and business in America.

Of course, it revived the ever-popular \$1,200 stimulus check to anyone making under \$75,000 but threw in a bonus for families, saying that up to three children could join in the fun of having a sizeable amount of money land in your bank account with no restriction on how it could be spent.

The \$600 ‘bonus check’ for unemployment was part of the bill, extending that barrel of cash six more months, through the end of January 2021.

And then there was a \$200 billion cutout for “[Hazard Pay](#)” to reward all the essential workers who put their lives in danger throughout the coronavirus pandemic. The list of eligible workers

included first responders, grocery store workers, cleaning and maintenance, truck drivers and just about anybody else who reported to work during the crisis.

Senate Republicans has done nothing but denounce the HEROES Act as nothing more than a liberal wish-list and promised to come up with their own version sometime this summer. Like everything else related to COVID-19, no one is really sure if that's going happen.

Scammers Alert

The Federal Trade Commission has posted a warning that scammers are looking at panic-stricken consumers as easy prey for opportunities to take money or steal personal information.

Scammers could be using fake social media posts, texts or email posts that sound like news on treatments or information on where to make donations for relief funds and it's all fake.

Here are the FTC's warnings about scammers:

- Don't click on links from sources you don't recognize
- Ignore emails claiming to come from the Center for Disease Control
- Avoid online offers for vaccinations or treatments
- If someone is asking for donations in cash, gift cards or wiring money, stay away!
- Beware of "investment opportunities" in any company claiming that says it can detect, prevent or cure coronavirus.

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[Bill Fay](#), Staff Writer

Bill “No Pay” Fay has lived a meager financial existence his entire life. He started writing/bragging about it seven years ago, helping birth Debt.org into existence as the site’s original “Frugal Man.” Prior to that, he spent more than 30 years covering college and professional sports, which are the fantasy worlds of finance. His work has been published by the Associated Press, New York Times, Washington Post, Chicago Tribune, Sports Illustrated and Sporting News, among others. His interest in sports has waned some, but his interest in never reaching for his wallet is as passionate as ever. Bill can be reached at bfay@debt.org.