



May 5, 2020

MEMORANDUM

TO: Interested Parties

FR: NCSHA Staff

RE: Quantifying the Needs for and Benefits of the “Housing Assistance Fund”

Executive Summary

The “Housing Assistance Fund” proposed by Senator Reed, Senator Brown, and Representative Scott would provide resources to the states to help unemployed and economically struggling homeowners and renters avoid mortgage defaults, foreclosures, and evictions due to the COVID-19 pandemic. The Housing Assistance Fund as proposed is modeled on the Hardest Hit Fund program created to address similar needs in the wake of the Great Recession.

NCSHA, which represents the agencies that would deliver Fund resources in each state, estimates that states as a group will need at least \$75 billion through the program. We estimate that this investment would substantially reduce mortgage defaults and save the housing system upwards of \$70 billion.

Estimated Funding Need

States utilized the Hardest Hit Fund, which is the model for the Housing Assistance Fund, to provide \$6.9 billion to assist roughly 335,000 homeowners – an average of roughly \$20,800 per homeowner.¹

Last month, Black Knight produced a range of estimates for forthcoming mortgage delinquencies based on several leading unemployment forecasts.² Using a mid-range unemployment forecast of 15 percent, from Goldman Sachs, Black Knight projects 3.5 additional delinquencies (on top of the 2 million delinquencies currently).

¹ Data comes from U.S. Treasury Department reports [linked here](#).

² The analysis is [linked here](#).

Providing the same level of assistance to these 3.5 million homeowners as the Hardest Hit Fund provided would cost roughly \$73 billion. This estimate does not include any costs to the states to deliver the assistance, which the Housing Assistance Fund proposal budgets at 10 percent.

While it may be the case that not all delinquent homeowners would require Housing Assistance Fund relief, delinquencies also could be higher than Goldman Sachs projects. If unemployment were to reach 32 percent, as the Federal Reserve Bank of St. Louis has forecast, Black Knight estimates additional delinquencies could reach 8 million, implying a potential funding need for the program of more than \$160 billion.³

The proposed \$75 billion for the Housing Assistance Fund is, we believe, appropriate.

Projected Benefits

The primary beneficiaries of the Housing Assistance Fund would be homeowners and renters who are able to maintain their housing stability in the face of significant hardship.

An independent study by researchers at Ohio State University, Washington University, and the University of North Carolina found that Hardest Hit Fund support through state HFAs reduced the long-term probability of mortgage defaults by 28 percent.⁴

In so doing, the program saved lenders and other housing system entities an average of \$79,000 per loan.⁵ This implies a \$75 billion investment in the Housing Assistance Fund could generate systemic savings of nearly \$70 billion.

³ Ibid.

⁴ The study is [linked here](#).

⁵ Ibid.