



March 26, 2020

MEMORANDUM

TO: NCSHA Members
FR: NCSHA Policy and Government Affairs Staff
RE: Coronavirus Relief Legislation

The Senate passed unanimously late March 25 the Coronavirus Aid, Relief, and Economic Security (CARES) Act, after reaching agreement among Democratic, Republican, and White House negotiators. The House is expected to pass the bill Friday.

The comprehensive legislation includes many programs and provisions to provide relief to individuals, businesses, and state and local governments affected by the coronavirus. It will provide direct financial checks to many Americans, expand unemployment insurance, offer hundreds of billions in loans to both small and large businesses, provide funds to state and local governments, and extend additional resources to healthcare providers.

This memorandum summarizes the housing-specific provisions in the bill, including supplemental appropriations for HUD and other housing programs, increased liquidity for state and local municipal bond issuers, and forbearance for homeowners and multifamily properties. The bill also gives the HUD Secretary broad authority to waive existing program regulations if necessary. It does not include the Housing Assistance Fund NCSHA and others sought, extensions of Housing Credit procedural deadlines NCSHA has asked IRS to implement, or provisions from the Affordable Housing Credit Improvement Act.

Several members of Congress, congressional staff, and advocates have begun discussing the need for and possible components of a fourth coronavirus relief package. While the discussions about it are very preliminary and its enactment is uncertain, NCSHA will continue to pursue these changes and others to help HFAs address the serious COVID-related housing needs.

HUD Program Supplemental Appropriations

HUD would receive \$12.4 billion in funding from the supplemental appropriations package, providing:

- \$5 billion for the Community Development Fund;
- \$4 billion for homeless assistance through Emergency Solutions Grants;
- \$1.25 billion for Tenant-Based Rental Assistance, including \$850 million for increased public housing agency administrative and operational expenses and \$400 million for increased per-unit voucher costs due to COVID-19;
- \$1 billion for Project-Based Rental Assistance;
- \$685 million for the Public Housing Operating Fund;
- \$300 million for Native American programs, including \$200 million for the Native American Housing Block Grants program and \$100 million for the Indian Community Development Block Grant program;
- \$65 million for the Housing Opportunities for Persons with AIDS (HOPWA) Program;
- \$50 million for the Section 202 Housing for the Elderly program;
- \$50 million for additional administrative expenses incurred by HUD due to COVID-19;
- \$15 million for the Section 811 Housing for Persons with Disabilities program;
- \$5 million for the HUD Inspector General to provide oversight for the additional funds being distributed; and
- \$2.5 million for fair housing activities including enforcement and outreach.

The Coronavirus Relief Fund

The legislation would appropriate \$150 billion to a newly created Coronavirus Relief Fund that would be administered by state, local, and tribal governments to help alleviate the financial impacts of COVID-19. States, local governments, and tribal governments would be able to use the funds for:

- necessary expenditures incurred due to COVID-19;
- activities that were not already approved by the governmental entities' most recent budgets; and
- costs incurred between March 1, 2020, and December 30, 2020.

Each of the 50 states would receive funding based on the state's population, with each state to receive a minimum of \$1.25 billion. \$3 billion would be reserved for the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Northern Marianas, and American Samoa. A further \$8 billion would be reserved for tribal governments.

Local governments can qualify for direct funding by certifying they will use the funds according to the three criteria described above. If a local government successfully applies for funds, its share — based on population — will be taken from the amount that would otherwise have been provided to its state. The legislation requires Treasury to distribute the funds no later than 30 days after the bill is signed by the President.

Liquidity for State and Local Municipal Bond Issuers

The bill would provide \$500 billion for the Secretary of the Treasury to provide assistance to eligible businesses, states, and municipalities for losses incurred as a result of coronavirus. This assistance can be in the form of loans, loan guarantees, and other investments.

Up to \$454 billion of this amount may be used for loans, loan guarantees, and other investments in programs or facilities established by the Federal Reserve to provide liquidity to the financial system that supports lending to eligible businesses, states, or municipalities through loans and purchasing direct or secondary obligations of such entities. Eligible municipalities include political subdivisions of states and instrumentalities of a municipality, state, or political subdivision of a state.

The bill allows for significant leveraging of the funds provided, with some estimates predicting that the total amount of investment this provision could allow would be roughly \$4.5 trillion. The bill also requires the Treasury Secretary to “endeavor” to use its authority to provide “liquidity to the financial system that supports lending to States and municipalities.”

Homeownership Foreclosure Moratorium and Forbearance

The bill allows homeowners who have a “federally backed mortgage loan” which is secured by a first or subordinate lien and who are experiencing a financial hardship due to the COVID-19 emergency to request forbearance on their loans, regardless of delinquency status during the “covered period.” Federally backed mortgage loans include FHA-insured forward and reverse mortgages, USDA- and VA-guaranteed or insured mortgages, loans sold to or securitized by Fannie Mae or Freddie Mac, and Section 184 and 184A guaranteed mortgages.

The only documentation required of the borrower is an attestation to a financial hardship caused by the COVID-19 emergency. Owners of the full range of single-family property types — one- to four-unit properties and individual units in condominiums and cooperatives — would be eligible.

The bill states that servicers, upon receipt of such a forbearance request, shall provide forbearance for up to 180 days to the homeowner, which may be extended for an additional 180-day period. During the forbearance period, the homeowner would not accrue any forbearance-related fees, penalties, or interest beyond the amounts scheduled.

Additionally, the legislation provides for a 60-day foreclosure moratorium, except with respect to vacant or abandoned property. Specifically, servicers of federally backed mortgage loans may not initiate any judicial or non-judicial foreclosure process, move for a foreclosure judgment or order of sale, or execute a foreclosure-related eviction or foreclosure sale, for not less than the 60-day period beginning on March 18, 2020.

Forbearance of Federally Backed Multifamily Mortgage Loans

The legislation would allow owners of multifamily properties with federally backed loans to request forbearance of their servicers if the owner/borrower is experiencing a financial hardship during the COVID-19 emergency, as long as the borrower was current on their mortgage payments as of February 1, 2020. The owner must request forbearance during the “covered period,” which is from the date of enactment of the bill until either the termination of the COVID-19 natural emergency declaration or December 31, 2020, whichever is sooner.

Once a borrower requests forbearance — either orally or in writing — the servicer must document the financial hardship and provide up to 30 days of forbearance. The servicer must, upon request, extend the forbearance period for up to two additional 30-day periods, for a total possible forbearance period of 90 days. The borrower may discontinue the forbearance at any time.

In order to be eligible for forbearance, the owner must not evict or initiate eviction of any tenant solely for nonpayment of rent or fees for the full period of the forbearance. They also cannot charge the tenant late fees or penalties for late payment of rent.

The bill applies the forbearance opportunity to borrowers with multifamily mortgage loans that are insured, guaranteed, supplemented, or assisted in any way by the federal government or in connection with any HUD program or related program administered by any federal agency, or for loans purchased or securitized by either Fannie Mae or Freddie Mac. NCSHA is working now to determine whether the language in the bill would allow for forbearance for any Housing Credit property, regardless of whether the property is financed in part with HUD or other federal funds or meets any of the other conditions specified in the bill.

Moratorium on Evictions

For 120 days after the enactment of the bill, owners of certain rental properties may not initiate any legal action to evict a tenant for nonpayment of rent or charge any fees or penalties to a tenant for nonpayment of rent. Rental properties covered under this provision include properties financed with any housing program covered under the Violence Against Women Act (which includes HUD-financed properties as well as Housing Credit properties), properties participating in the rural housing voucher program, and properties with federally backed mortgage loans.

FEMA Disaster Relief Fund

The legislation provides an emergency appropriation of \$45.4 billion for the Federal Emergency Management Administration (FEMA) Disaster Relief Fund, allowing FEMA to continue response and recovery activities and reimbursements to affected states and localities. A total of \$25 billion of this funding is set aside for major disaster declarations pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. As of this writing, seven states

— California, Florida, Iowa, Louisiana, New York, Texas, and Washington — have received major disaster declarations for the COVID-19 pandemic, although others are expected to follow.

Additional Appropriations

The bill also includes \$340 billion of emergency appropriations, including:

- \$117 billion for hospitals and veterans' healthcare;
- \$25 billion for transit;
- \$16 billion for the Strategic National Stockpile;
- \$15 billion for the Supplemental Nutrition Assistance Program (SNAP);
- \$11 billion for vaccines and other medical activity;
- \$4.3 billion for the Centers for Disease Control;
- \$1.5 billion for the Economic Development Administration (EDA); and
- \$900 million for the Low-Income Home Energy Assistance Program (LIHEAP).