Why Congress Should Enact the Emergency Rental Assistance and Rental Market Stabilization Act of 2020

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Summary

Senator Sherrod Brown (D-OH) and Representative Denny Heck (D-WA) have introduced The Emergency Rental Assistance and Rental Market Stabilization Act of 2020, S. 3685 and H.R. 6820. The legislation would provide $100 billion through the Emergency Solutions Grant program to protect millions of low-income renters from the threat of eviction and homelessness due to the COVID-19 crisis. The funds would be administered by state housing finance agencies (HFAs) and other organizations focused on their communities’ most urgent renter assistance needs. NCSHA strongly supports this legislation and is advocating for its inclusion in the next coronavirus relief bill.

Questions and Answers

Why do we need Emergency Rental Assistance?

- Tens of millions of Americans have already lost their jobs due to the economic fallout from the COVID-19 pandemic. Others have suffered reductions in pay, as their hours are cut and business dries up. These individuals and families are likely to be unable to make rent payments until they once again become financially stable, which could take some time.

- Estimates from the Terner Center for Housing Innovation and the Urban Institute suggest that the most economically vulnerable renters may need $19.5 billion - $24 billion, respectively, in rental assistance per month.

- It’s not just renters who are hurt. Affordable apartment owners and managers depend on monthly rent to pay their mortgages and maintain their properties. Many will be forced to deplete critical operating reserves and defer essential health and safety maintenance in order to avoid default.

Why is the Emergency Solutions Grant program the optimal approach?

- ESG is designed to help people quickly regain stability in times of crisis, and has an existing infrastructure for the provision of rental assistance for up to 24 months. Because of this existing infrastructure, funding should be able to be deployed quickly to those in need.

- The current ESG program is modelled on the Homelessness Prevention and Rapid-Rehousing (HPRP) program, which was created after the 2008 financial crisis and successfully used under those similar circumstances.
• Every state and territory has a state-level grantee that can administer the assistance in all parts of the state. While ESG also provides assistance directly to localities, those entities would either be able to stand up their own rental assistance program or transfer their ESG resources under this legislation to the state for administration within their jurisdiction.

• ESG rental assistance is flexible enough to help residents with rental arrearages, application fees, security deposits, last month’s rent, utility payments and deposits, moving costs, housing search and placement, case management, legal services, and credit repair.

*How would the legislation work?*

• The bill would provide rental assistance for households with incomes at or below 80 percent of area median income (AMI) who have an inability to attain or maintain housing stability or have insufficient resources to pay their rent, utilities, or related housing costs due to financial hardships. This is different than regular annual ESG funding, which is limited only to households earning no more than 30 percent of AMI.

• Applicants’ household income would be calculated as of the time of application. This means that households that have lost income recently due to the pandemic would be eligible for assistance in accordance with their current income, and not what they were earning prior to a recent job loss or income reduction.

• Program grantees, including state agencies, would have to spend at least 60 percent of the funds within two years and all of the funds within three years.

• Unlike regular annual ESG appropriations, which state-level grantees are required to subgrant to nonprofit and local entities, state-level grantees receiving ESG funding under the bill may directly administer up to 100 percent of the allocation they receive. State-level grantees also have the option of sub-granting funds to nonprofits, localities, Public Housing Authorities, or other entities or partnering with these organization in the administration of the program.

• Grantees would not be required to match funding, and could use up to 10 percent of their allocation for administrative expenses (annual ESG funding requires a match and administration fees are capped at 7.5 percent).

*Are the eviction moratorium and forbearance allowances in the Coronavirus Aid, Relief, and Economic Security (CARES) Act enough to help renters?*

• The CARES Act provides for a 120-day moratorium on evictions for households living in rental properties financed with most federal programs, including the Low Income Housing Tax Credit, or with federally backed mortgage loans. It also allows for
forbearance for multifamily properties with federally backed mortgages for up to a 90-day period.

- While the CARES Act provides temporary relief for some renters, without further action, it simply provides a short-term delay in the impending eviction and homelessness crisis. Once the eviction moratorium and forbearance periods expire, renters will be faced with months of unpaid rent without the resources to become current on their payments. Rental assistance is complementary to the actions Congress took in the CARES Act to prevent evictions and homelessness.

- Moreover, households who live in rental properties that are not covered under the CARES Act may be unable to access a respite from rental payments.

**What advantages do state HFAs bring in administering emergency rental assistance?**

- HFAs are able to reach all communities—whether urban, suburban, or rural—with the capacity to get federal resources to the people who need it quickly and efficiently. They have a long history of administering numerous forms of rental assistance and stand ready to use their expertise during this time of crisis. In fact, nearly every state HFA already administers some type of rental assistance program.

- Twenty-one HFAs already administer the ESG program as their state’s state-level grantee. In other states we expect the HFA may be a subgrantee or other partner in the administration of a program should Congress provide rental assistance through ESG.

- Since the pandemic began, at least seven state HFAs have stood up emergency rental assistance programs using whatever resources may be available to them. There has been incredible demand for these programs, however, the resources HFAs have is limited. Federal rental assistance could buttress the work the HFAs have already begun.