

Summary

Senators Jack Reed (D-RI) and Sherrod Brown (D-OH) have introduced legislation, [S. 3620](#), to create a Housing Assistance Fund, and Representative David Scott (D-GA) has introduced legislation to establish a similar Homeowner Assistance Fund, [H.R. 6729](#). Both bills would provide \$75 billion through [state Housing Finance Agencies \(HFA\)](#) to help avoid a housing default and foreclosure crisis for lower-income homeowners due to the COVID-19 crisis. The Senate bill would also allow states to help low-income renters avoid eviction. We expect the bill sponsors will be able to reconcile their differences, and NCSHA is supportive of either approach. NCSHA is advocating for the inclusion of the Fund in the next coronavirus relief bill.

**For purposes of this document, we refer to the Fund as the Housing Assistance Fund.*

Questions and Answers

Why do we need the Housing Assistance Fund?

- 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. Millions will struggle to make mortgage and rent payments until they get back on their feet and many won't catch up even when they do without assistance.
- We know from the Great Recession that job loss increases the likelihood of default as much as a [35 drop in home equity](#) and states with large increases in their unemployment rates tended to experience [relatively large increases in foreclosures](#).
- While we don't know yet exactly how bad the housing hardship from COVID-19 will be, CoStar projects [millions of delinquencies](#) by the end of the year and Moody's forecasts there could be up to [2 million foreclosures](#) eventually.
- The Housing Assistance Fund would use a proven delivery system – each state's housing finance agency – to avoid the worst of these outcomes.
- The Fund would enable state HFAs to provide mortgage payment assistance, assistance to allow borrowers to reinstate their mortgages following a period of forbearance, principal reduction, and other assistance to prevent eviction, mortgage delinquency or default and foreclosures. It would also allow HFAs to help homeowners with utility payments, including broadband access, which is critical for children's access to their schools while distance learning is in place.

Aren't the foreclosure moratorium and forbearance allowances in the Coronavirus Aid, Relief, and Economic Security (CARES) Act enough to help homeowners?

- The CARES Act provides a 60-day foreclosure moratorium only for federally backed mortgage loans. It also allows owners with federally backed mortgage loans to request

as much as 360 days of forbearance on their loans without any related fees, penalties, or interest beyond the amounts scheduled.

- While the CARES Act provides temporary relief for some homeowners, without further action, it simply provides a short-term delay in the impending foreclosure crisis. Once the foreclosure moratorium and forbearance allowance expire, homeowners will be faced with months of unpaid mortgage payments without the resources to become current on their loans. Congress has not yet provided a solution to this problem.

Why should state HFAs administer the Housing Assistance Fund?

- Only state HFAs have the [experience and capacity](#) to deliver homeownership assistance to the rural areas, suburban communities, and urban neighborhoods throughout their states. They served more than 150,000 homeowners in 2018 alone, with a median income of \$57,000. More than one-third were minority households.
- Congress turned to HFAs after the Great Recession to help alleviate defaults and foreclosures through the [Hardest Hit Fund \(HHF\)](#). Eighteen state HFAs administered \$8.5 billion in HHF funds to assist more than 400,000 homeowners through 2019. States have limited HHF funds remaining, and not all states received HHF funding, so the Housing Assistance Fund is needed
- A new study by Ohio State University and other researchers found that borrowers who received HHF assistance were [28 percent less likely to default](#) on their mortgages than those who did not. The study concludes that HHF [prevented a total of \\$9 billion in losses](#) to lenders, investors, the secondary market, and local governments, while keeping borrowers in their homes.
- HFAs will draw on this experience when setting up their Housing Assistance Fund programs. The high-level of cooperation between HFAs ensures that those HFAs who were not in HHF will benefit from the expertise and experience of those who did.

Why do we need \$75 billion in funding?

- Congressional sponsors of the Housing Assistance Fund considered the amount of funding allocated to the 17 states and the District of Columbia under the HHF and how much would be needed to provide a similar level of resources for all 50 states, territories, and tribal entities. They also considered the number of jobs already lost as compared to the number lost in the Great Recession, and adjusted accordingly.
- NCSHA estimates that *at least* \$75 billion will be needed to prevent homeowner defaults and foreclosures resulting from the COVID-19 pandemic. Our estimate is based on the average amount of mortgage assistance provided to homeowners under the Hardest Hit Fund—\$20,882—adjusted according to an estimate by the research firm Black Knight for the number of likely forthcoming delinquencies—3.5 million. When the costs of administering a program such of this are factored in, total need is calculated at just over \$80 billion.
- Black Knight's estimate of likely foreclosures is based on a mid-range unemployment forecast from Goldman Sachs. If, however, unemployment levels exceed the Goldman Sachs estimate, as the Federal Reserve Bank of St. Louis has forecast, for more

delinquencies could occur. In a worst-case scenario, the Housing Assistance Fund may need as much as \$160 billion or more.

How will the money be allocated to states?

- The Housing Assistance Fund would be established within the Department of the Treasury. The distribution formula would consider each state's number of unemployment claims relative to the nationwide number of unemployment claims. Every state would receive no less than \$250 million.

How fast will states be able to stand up Housing Assistance Fund programs?

- The HHF program experience will enable state HFAs and Treasury to hit the ground running with the Housing Assistance Fund. NCSHA is developing a detailed playbook based on lessons learned that will further accelerate and strengthen the program's launch.
- Treasury would be required by law to distribute at least half of each states Housing Assistance Fund allocation to the HFAs within six months of enactment, and the remaining funding within a year, ensuring HFAs receive the funding in time to help borrowers who are exiting CARES Act forbearances. In addition, the legislation allows HFAs to use monies from the Housing Assistance Fund to support their existing HHF programs.

How will the American public know how these funds are being used?

- The Housing Assistance Fund requires the Secretary of the Treasury to release quarterly public reports on the use of funds. In addition to the uses of funds, these reports will include the amount of funds disbursed; the number of households and individuals assisted; the acceptance rate of applicants; the average amount of assistance provided per household; the average length of assistance provided per household; the income ranges of households for each household receiving assistance; and the outcome 12 months after the household receives assistance.