

MEMORANDUM

To: Democratic Members, Committee on Financial Services
From: Majority Committee Staff
Re: Proposed Legislative Responses to COVID-19
Date: March 18, 2020

PROPOSALS TO HELP THE ECONOMY DURING THE COVID-19 CRISIS

Protecting Consumers and Bolstering the Economy

- 1. At Least \$2,000/month for All Adults and \$1000 for Each Child.** The Federal Reserve would be directed through a money-financed fiscal program, to fund automatic stabilizers in the form of at least \$2,000 for every adult and an additional \$1000 for every child for each month of the crisis. Adults would be eligible to withdraw these funds from financial institutions or receive them directly in the mail via the IRS. This funding tool would enable the Federal Reserve to more directly stimulate the economy and provide families with the ability to purchase necessities like food and medicines. This provision would also prevent payments from going to millionaires and billionaires.
- 2. Suspend All Consumer and Small Business Credit Payments** (mortgages, car notes, student loans, credit cards, small business loans, personal loans, etc.) during the pandemic. This bold step would enable consumers and small businesses, including small farms, to weather the crisis by eliminating debt payments for the duration of the crisis at a time when many Americans will be confined to their homes and unable to work or bring in income. Borrowers who make payments during this period, should have their payments applied to their accounts as timely. Borrowers with payment suspensions should not accrue any interest or fees during the payment suspension period, and should be provided with affordable options to repay arrearages.
- 3. Establish a Facility by the Federal Reserve or Treasury to Reimburse Creditors, and Servicers for Lost Revenue and Expenses, Including Payment Advances.** This provision would finance the suspension of the credit products listed above to ensure that financial institutions remain solvent as a result of millions of consumers not paying their bills.
- 4. Suspend All Negative Consumer Credit Reporting During the Pandemic.** There would be a total moratorium on negative reporting during the pandemic and for 120 days thereafter. Afterwards, consumers could add their names to a database for continued protection, similar to Chairwoman Waters' legislation related to suspending reporting during a government shutdown. In addition, consumer credit reporting agencies would be prohibited from lowering a consumer's credit score. Rep. Sherman introduced a version of this bill last week, and the House passed similar legislation focused on consumers affected by a government shutdown as part of H.R.3621, Comprehensive CREDIT Act of 2020.
- 5. Prohibit Debt collection, Repossession, and Garnishment of Wages During the Pandemic.** This provision would ban the collection of all consumer debt, including medical debt, and prohibit the garnishment of wages or repossession of assets during the pandemic, and for 120 days after the pandemic ends.
- 6. Ensure Protections for Territories.** This provision would ensure that persons residing in U.S.

Territories receive the same protections and relief of this Act as persons residing in states.

Support for Renters, Homeowners, and People Experiencing Homelessness

- 7. Provide \$5 billion in Emergency Homeless Assistance.** This funding would enable state and local governments to finance housing and health related services including by paying for emergency use of hotels and motels, for the hundreds of thousands of people currently experiencing homelessness, and as a result, are at greater risk of contracting the disease.
- 8. Ban All Evictions, Foreclosures, and Repossessions--Including Manufactured Homes, RVs, and Cars Nationwide.** Because businesses are closing and many people do not have access to unemployment insurance or paid sick leave, an eviction and foreclosure ban is needed to ensure that people can safely quarantine in their homes, if necessary. Vehicles should not be repossessed during the pandemic as Americans will need their transportation in order to obtain food or medical care. A foreclosure moratorium should include a ban on initiating judicial or non-judicial foreclosures, moving for order of sale, continuing any foreclosure process, or executing foreclosure sales and post-foreclosure evictions. Los Angeles County is among several jurisdictions that have already instituted a ban on evictions.
- 9. Suspend Rental and Utility Payments for Assisted Renters and Provide Rental and Utility Payment Assistance for Non-Assisted Renters.** The Federal government should immediately suspend rental and utility payments for Federal public and assisted housing residents to ensure they have the financial resources necessary to address the expected economic hardships of the crisis. The Federal government should provide sufficient funding for housing providers to account for this loss of revenue as well as increased administrative costs associated with mitigating COVID-19 risks in assisted housing developments. Similarly, the Federal government should provide \$100 billion to help non-assisted renters who meet certain economic conditions cover their rent and utility payments.
- 10. Require Forbearance for Mortgages on Rental Properties.** To the extent that owners of rental properties continue to have trouble servicing their debt during the suspension of rental and payment and evictions even with the rental assistance fund, they should get forbearance on their mortgages as necessary. The National Community Stabilization Fund, National Multifamily Housing Council, and National Apartment Association support this proposal.
- 11. Provide \$10 billion for Community Development Block Grants.** This funding will allow state and local governments to have a flexible resource to address the needs of their communities when mitigating the impacts of COVID-19, including establishing teams to perform mobile testing of vulnerable populations, such as people experiencing homelessness, delivering meals to people with mobility issues, and purchasing cleaning supplies. The federal government should waive the cap on the amount of CDBG funds that can be spent on services, including for funds that have previously been appropriated, to allow communities more flexibility to respond to COVID-19.
- 12. Provide Waivers and Authorities to Modify Existing Programs to Respond to the Crisis.** The federal government should enable communities, and housing and homeless service providers to tap into current resources to quickly respond to COVID-19 by providing the necessary waivers and authorities to utilize federal funds that have previously been appropriated, including unused CDBG funds. Federal housing programs should also be modified as necessary to ensure appropriate responses to the pandemic. For example, in-person inspection requirements should be waived for the Housing Choice Voucher program, as should in-person appraisal requirements for

federally backed mortgages.

13. Suspend the Work and Community Service Requirements in Federal Housing Programs.

This provision would suspend the work and community service requirements in Federal housing programs for the duration of the crisis to ensure residents do not feel compelled to go to work or participate in other activities to keep their housing.

14. Provide \$300 million for Servicer Coordinators to Assist Elderly Households. The Service Coordinator Grant program funds the work of service coordinators to support seniors and people with disabilities living in HUD-assisted housing, and will need additional funding to ensure medical and other services are provided to elderly residents who are the most vulnerable to the health impacts of the virus.

15. Provide \$290 million for Fair Housing Enforcement. \$90 million to ensure that fair housing organizations as well as state and local agencies have sufficient resources to deal with an expected increase in fair housing complaints and to investigate housing discrimination, including financial scams that target protected classes, which are already starting to occur. \$200 million to ensure that HUD's Office of Fair Housing and Equal Opportunity has sufficient resources to ensure robust enforcement of the Fair Housing Act in light of the pandemic, including ensuring that funding amounts in this relief package are implemented in a way that affirmatively furthers fair housing.

Assistance to Small Businesses

16. Suspension of Commercial Rental Payments by Private Sector Actors. This would support small businesses and non-profit organizations that are struggling with the decision to stay open in the face of significant changes in public and consumer demand and with paying their bills.

17. Support Additional Grants for Small Businesses. This provision would support at least \$50 billion in new grants for the Small Business Administration to provide to negatively affected small businesses, including minority- and women-owned small businesses. (Small Business Committee)

18. Tax Rebates for Small Businesses. This provision would rebate 100% of pay roll taxes paid by small businesses this year, and 200% of pay roll taxes paid by small businesses in "hot spots." (Ways and Means Committee)

19. Utilize the Community Development Financial Institutions (CDFI) Fund to support small businesses as well as low-income communities. This provision would provide a supplemental appropriation of \$500 million for Fiscal Year (FY) 2020, and similar to the American Recovery and Reinvestment Act of 2009, matching funds and limitations on awards would be waived to provide flexibility in deploying resources to vulnerable populations and impacted small businesses.

Support to State, Territory, and Local Governments

20. Support State, Territory, and Local Government Financing. This provision would authorize a program that requires the Federal Reserve to support state, territory, and local debt issuance in response to the coronavirus outbreak given the critical role these governments are playing.

21. Waive Matching Requirements for Municipal Governments. This provision would waive the requirement that state, territory or local governments first obtain matching funds prior to receiving certain federal grants.

Facilitating the Mobilization of Essential Health and Safety Supplies

22. Additional Funding for Emergency Production of Medical Supplies. This provision would appropriate an additional \$1 billion for FY 2020 to the Defense Production Act fund, which can be used to prioritize the domestic production capacity for goods such as personal protective equipment and vaccines to bolster government efforts to stem the COVID-19 pandemic.

Protect Financial Stability and Transparent Markets

23. Disclose Supply Chain Disruption Risk. This provision would require the SEC to implement a rulemaking that would require public companies to identify and disclose risks in their global supply chains; the impacts a supply chain disruption would have on their workforce, suppliers, and customers; and to develop and disclose contingency plans they will take to mitigate these risks and impacts.

24. Disclose Global Pandemic Risk. Mandate the SEC to implement a rulemaking that would require public companies to publicly disclose their risks and exposures to public health events that the World Health Organization classifies as “pandemics,” and the steps they are taking to mitigate these risks and exposures. This would provide clarity to market participants and would have the effect of codifying SEC Chairman Clayton’s guidance stating that “how companies plan and respond to the events as they unfold can be material to an investment decision.”

25. No Federal Rulemaking During the Crisis. Federal financial regulators would be prohibited from adopting rules not directly related to responding to the coronavirus for the length of the crisis.

26. Temporary Ban on Stock Buybacks and Dividends. This provision would impose a temporary ban on corporate stock repurchase activities and paying dividends until the impacts of the coronavirus on the American financial system have ended to ensure that companies are using their excess cash to pay workers, shore up their bottom lines, and invest in their communities.

27. Promoting Responsible Use of Government Assistance to Corporations. This provision would require large corporate beneficiaries of government assistance to comply with restrictions on executive compensation, golden parachutes, stock buybacks, and dividend payments. In addition, such corporations would be required to make additional human capital disclosures, environmental, social and governance disclosures, and political campaign contribution disclosures. Finally, such companies would be required to publicly describe how the financial assistance provided to the company was used to support the company’s employees.

28. Support Global Economic Cooperation.

- Authorize the Administration’s requests to participate in the replenishments of two concessional windows at the multilateral development banks—the 19th replenishment of the World Bank’s International Development Association (IDA-19), to which the U.S. has pledged \$3 billion; and the fifteenth replenishment of the African Development Fund (AfDF-15), to which the U.S. has pledged \$514 million.
- Authorize the Administration’s request for the U.S. to participate in the 7th general capital increase for the African Development Bank, to which the U.S. has pledged approximately \$437 million of paid-in capital.
- Authorize the Administration’s request to double the U.S. commitment to IMF’s emergency backstop facility, known as the New Arrangements to Borrow, or NAB (from \$39 billion to approximately \$78 billion), in order to provide additional resources to the IMF in the event of a major financial crisis or to deal with exceptional situations that pose a systemic threat. Early authorization of the U.S. commitment to this agreement would demonstrate U.S. support for

global financial stability and also send a positive signal to shareholders and to the markets that developing countries will be supported during a global downturn.

PROPOSALS TO REBUILD THE ECONOMY POST-COVID-19

- 1. Pass H.R. 5187, the Housing Is Infrastructure Act.** This provision would support \$100 billion in infrastructure spending to support the long-term availability of affordable housing.
- 2. Reauthorize the State Small Business Credit Initiative.** This provision would provide \$10 billion to promote recovery post-pandemic. This program was initially created in 2010 to support small businesses in the wake of the 2008 recession and provides states with grants to finance new and existing small business growth.
- 3. Forgive a Minimum of \$10,000 of Student Loan Debt for Each Indebted Borrower.** While Trump announced that he will waive interest on student loans during the crisis, without a reduction in principal, student loan borrowers will continue to struggle to make payments, jeopardizing a fragile economic recovery. Forgiveness of this debt will stimulate the economy by freeing up funds that borrowers would have spent on debt service. Now, these funds could be spent on goods and services, allowing millions of people to support our nation's small businesses and jumpstart the economy.
- 4. Minimize the Economic Impacts on Women, Minorities and Diverse-Owned Businesses.** This provision would provide financial literacy education and access to banking services for unbanked women and minorities; require companies to publicly report their board diversity and their spending with diverse asset managers; create lending and capital opportunities focused on diverse owned businesses, including supporting minority depository institutions (MDIs) by passing H.R. 5322, the Ensuring Diversity in Community Banking Act (Meeks), and requiring the Federal Reserve to temporarily provide zero percent interest rate loans to MDIs and CDFIs. This provision would also establish a new technical assistance facility for MDIs and Impact Banks to support investments into technology and branch expansion, similar to a program available to credit unions. This provision would also provide the Minority Business Development Agency \$3 billion to support full implementation of the Initiative to Build Growth Equity Funds for Minority Businesses. Immediate funding of the Initiative will allow the grant awardee to quickly respond to capital needs of minority businesses that have been exacerbated by the COVID-19 health crisis.
- 5. Pandemic Risk Insurance Act.** This provision would create a reinsurance program similar to the Terrorism Risk Insurance act for pandemics, by capping the total insurance losses that insurance companies would face. This is a request from the National Retail Federation.
- 6. Reinstate the FHA-FFB Partnership.** This Partnership was an Obama-era initiative that supports financing for affordable multifamily housing that was arbitrarily discontinued under the Trump Administration. Advocate and industry stakeholders support requiring HUD to reinstate this Partnership to help stimulate the economy in response to the pandemic.
- 7. National Strategy.** This provision would update the 2017 "Pandemic Influenza Plan" and the National Planning Frameworks to add the requirement that preparedness and recovery planning include a pre-crisis menu of options focused on economic, monetary, and consumer financial issues (such as those discussed in this memo).
- 8. Regulatory Guidance.** Requiring agencies to automatically issue guidance when a pandemic is declared.

9. Require Flexible Repayment Options. Borrowers should be provided with affordable opportunities to repay arrearages over time without late fees or back interest.