MEMORANDUM

To: Democratic Committee Members

CC: Chairwoman Waters

From: Majority Committee Staff

Re: Proposed Package 4 Related to COVID-19

Date: April 6, 2020

The CARES Act included several Committee priorities, but Democrats made clear that it was only a down payment on the relief that is needed to fully address the historic negative health and economic effects of COVID-19. For the next package, the Committee Staff recommends policy proscriptions focused on both the crisis and the recovery. The recommended Financial Services Committee proposal would:

1. Support renters, homeowners, and those experiencing homelessness;
2. Help Families and Protect consumers;
3. Assist small and minority-owned businesses, and non-profits;
4. Assist community financial institutions;
5. Support state, territory, tribal, and local governments;
6. Promote financial stability and market transparency; and ,
7. Strengthen oversight, transparency, and accountability of the administration of taxpayer funds.

FINANCIAL SERVICES COMMITTEE PRIORITIES FOR 4TH CORONAVIRUS PACKAGE

1. SUPPORTING RENTERS, HOMEOWNERS, AND PEOPLE EXPERIENCING HOMELESSNESS

During the Crisis

- **Eviction Ban for All Renters.** This provision would broadly ban all evictions for nonpayment of rent regardless of whether the property has a federally backed loan. Federally backed loans only comprise approximately 50 percent of the overall multifamily mortgage market, leaving many renters vulnerable to eviction and homelessness. Tenants would be eligible to receive assistance through the Emergency Rental Assistance Fund to make rent payments.
- **Establish an Emergency Rental Assistance Fund.** This provision would provide $100 billion to help renters who are struggling to make their rent and utility payments on time. Without this assistance, the eviction moratorium could cause severe strain for rental property owners who will lose revenue as renters top paying rent, and will only delay the eviction process, which will undoubtedly increase homelessness and housing instability. This provision would prevent renters from facing a potential lump sum payment of as much as 4 or more months of back-rent at the end of the eviction moratorium.
- **Suspension of Work and Other Requirements.** This provision would require public housing authorities to suspend work and community service requirements, minimum rents,

and time limits, to ensure that federally assisted residents are not unduly burdened or compelled to leave their residence during the pandemic.

- **Financing for Hotels and Motels Serving Helping House Homeless Populations.** This provision would direct the Treasury to use its authority under Section 4003(d) to backstop a lending facility at the Federal Reserve that supports hotels and motels that make available at least 10 percent of their rooms for persons experiencing homelessness or who have contracted COVID-19. The Treasury Secretary could forgive the loan balance if the hotel or motel makes at least 50 percent of its rooms available.
- **Foreclosure Moratorium, Repossession Ban, and Forbearance for All Homeowners and Multifamily Property Owners.** This provision would broaden the foreclosure and forbearance relief for homeowners and multifamily property owners with federally backed mortgages included in the CARES Act to include all homeowners and multifamily property owners. 30 percent of the single-family mortgage market and a little under 50 percent of the multifamily market are not federally backed, leaving these homeowners and rental property owners vulnerable. Multifamily property owners that receive forbearance would be required to extend rent relief to all tenants in need of assistance for the duration of the forbearance and would be required to notify tenants about how they can request this relief. This provision would also ban repossessions of manufactured homes, RVs, and automobiles as a significant number of people live in such units and could be left homeless if repossessed. This provision would also prohibit servicers from demanding a full, one-time lump sum payment after the forbearance period and require servicers to offer flexible and affordable repayment options and loan modifications, including extension of the loan term. It would also ensure homeowners are notified of their rights and would provide greater uniformity and specificity on the kinds of loan modifications that will be available to borrowers after forbearance periods to help ensure that they can resume making affordable payments.
- **Liquidity for Mortgage Servicers.** This provision would explicitly grant mortgage servicers access to a program or facility established by the Board of Governors of the Federal Reserve System (Federal Reserve) that is backstopped by the Department of the Treasury (Treasury) as authorized by the CARES Act, subject to certain conditions. Providing forbearance to homeowners without a clear liquidity facility for servicers who will continue to advance principal and interest payments for the duration of the forbearance could lead to major disruptions in the housing market. Such access would only be provided for mortgage servicers that comply with the other provisions of this bill, including the foreclosure moratorium, forbearance requirements, and post-forbearance repayment and loan modification requirements.
- **Establish a Homeowner Assistance Fund.** This provision would create a $35 billion fund to support lower income homeowners who may need additional assistance, such as assistance with utility payments, homeowners' association fees, property taxes, and principal reductions, beyond the foreclosure and forbearance relief provided to ensure they can stay in their homes.

During the Recovery

- **Housing Is Infrastructure Act (H.R. 5187).** This provision would authorize approximately $100 billion to invest in the nation's housing infrastructure through existing programs with well-established rules and distribution systems, which in turn would produce or preserve an estimated 1.8 million affordable homes. Following the pandemic, these investments will stimulate the economy by providing new construction related jobs, as well as ensuring families have stable housing to help them find and maintain employment.

- **Infrastructure Bank.** This provision would create a National Infrastructure Development Bank—a government-owned corporation that would issue loans, loan guarantees, and tax-exempt bonds to support a wide range of transportation, housing, energy, environmental, and telecommunications projects.
- **Reinstatement of the FHA-FFB Partnership.** This provision would reinstate an Obama-era initiative that supported financing for affordable multifamily housing. This would help stimulate the economy and facilitate recovery from the pandemic.
- **Neighborhood Revitalization and Affordable Homeownership Inventory.** This provision would provide homeowners or mission-focused single-family developers with a "first look" opportunity to purchase lower-value foreclosed homes in sales held by HUD or the Government Sponsored Enterprises (GSEs). This will stimulate the economy, prevent neighborhood blight, and support housing markets by ensuring that foreclosed homes get into the hands of actors who will immediately put them back into productive use rather than sit vacant. This provision would also provide $5 billion for a grant program targeted for localities that are struggling with vacant properties and deferred maintenance needs. By investing in these neighborhoods, this provision will help stabilize neighborhoods, increase the availability of safe and healthy homes, and prevent a cycle of disinvestment that will only exacerbate an economic downturn with blight and demolition.
- **Extension of GSE Qualified Mortgage (QM) Patch.** This provision would extend the GSE QM patch expiration date from January 2021 to January 2022 to avoid requiring complex rulemaking that would otherwise need to occur immediately – during the worst of the COVID-19 pandemic. The GSE QM patch is the exemption Fannie Mae and Freddie Mac mortgages have from the Dodd-Frank Qualified Mortgage rule. This extension will enable the CFPB to focus on helping consumers during the worst of the COVID-19 crisis and will prevent the need for mortgage lenders to revise procedures and lending standards at the same time that the economy is struggling to recover from the pandemic.

Necessary Technical Edits to Housing Provisions of the CARES Act

- Clarify that any financial benefits derived from COVID-19 related legislation (e.g. direct payment checks, extended unemployment, paid sick leave) cannot be counted as income for the purposes of calculating rent for HUD and USDA-assisted renters;
- Provide funding for USDA's Rural Housing Service to absorb loss of rent contributions from tenants experiencing income losses (the CARES Act provided such funding for HUD but did not include funding for USDA's rural housing programs despite equivalent provisions in place to allow tenants to recertify their income and thereby adjust their rent to account for any income losses);
- Ensure that the District of Columbia is eligible to receive CDBG funds that will be allocated under an updated formula developed by HUD;
- Ensure that mortgage servicers who have pledged collateral to Ginnie Mae will not face barriers to accessing the Federal Reserve facility created in the CARES Act;
- Ensure that the foreclosure moratorium applies to foreclosures already in progress; and,

- Ensure consistency in terminology when referring to financial hardship with regard to mortgage forbearance.

Requested Appropriations for FSC Housing Programs

- **$100 billion for Emergency Rental Assistance Fund** (as described above).
- **$11.5 billion for Homeless Assistance Grants**. This provision would authorize an additional $11.5 billion, sufficient funding to address the needs of an estimated 550,000 persons experiencing homelessness in the U.S. during the pandemic. The CARES Act only included $4 billion for homeless assistance grants.
- **$3 billion for Targeted Section 8 Vouchers**. This provision would fund 60,000 targeted Section 8 vouchers that would be prioritized for people experiencing homelessness, which will be critical to transition homeless individuals to permanent housing after the crisis is over and the temporary shelter or assistance provided to respond to it has ended.
- **$35 billion for a Homeowner Assistance Fund** (as described above).
- **$297.5 million for Fair Housing Enforcement**. This provision would provide an additional $297.5 million in funding for increased fair housing enforcement, oversight, and education. The CARES Act only provided $2.5 million in funding for limited activities under HUD's Fair Housing Initiatives Program (FHIP) and Fair Housing Assistance Program (FHAP). These limitations do not enable FHIP grantees to increase their complaint intake and investigations capacity, even though these grantees accounted for 75 percent of nationwide complaint intake in 2018.
- **$700 million for Housing Counseling.** This provision would provide $700 million for HUD's housing counseling program to help homeowners and renters make the best financial choices under difficult circumstances.
- **$300 million to Support Seniors and People with Disabilities.** This provision would provide $300 million to ensure that 3,500 communities can hire a service coordinator to assist senior and disabled residents during the coronavirus pandemic. According to LeadingAge, less than half of HUD-assisted senior communities have the funding needed to employ a service coordinator. The CARES Act provided only $10 million in additional funding.
- **$5 billion for a Neighborhood Revitalization Grant Program** (as described above).
- **$100 billion to fund H.R. 5187, the Housing Is Infrastructure Act.**

2. HELPING FAMILIES AND PROTECTING CONSUMERS

During the Crisis

- **Monthly Direct Payments for Individuals and Families.** This provision would require monthly payments of $2,000 per month for most adults and $1,000 for children to be funded by the Federal Reserve and paid monthly until the economy shows consistent job growth and the unemployment rate has at least returned to within 2 percentage points from the start of the present recession. This provision would also give the unbanked and underbanked access to their funds through a simple, no fees bank account that they can open at a financial institution or Federal Reserve bank.
- **Require Banks and Credit Unions to Cash Stimulus Checks for Free.** This provision would require insured depository institutions to cash federal stimulus checks for free.

- **Suspension of Negative Credit Reporting**. This provision would suspend negative consumer credit reporting during the COVID-19 pandemic and other declared major disasters plus 120 days. Consumers with continued hardship after the 120-day post-pandemic or major disaster period could apply for additional time. Credit score furnishers are also prohibited from creating and/or implementing new credit scoring models that would lower existing consumer credit scores during the COVID-19 pandemic or during other major disaster periods. This provision would also permanently prohibit reporting consumer medical debt arising from the cost of treatment for COVID-19 or medical expenses arising out of other declared major disasters.
- **Preservation of State Consumer Protections over Credit Reporting.** This provision would eliminate a provision of the CARES Act that preempts state consumer protections related to credit reporting.
- **Prohibition of Debt Collection**. This provision would prohibit debt collectors from taking any adverse action, such as filing litigation or garnishing wages, against consumers during the pandemic period, and for the following 120 days. It would also specifically protect all COVID-19 stimulus payments from adverse debt collection actions, including writs of garnishment.
- **Protections for Private Student Loans Borrowers**. This provision would extend protections for federal student loan borrowers in the CARES Act to the millions of private student loan borrowers, who are disproportionately persons of color and have approximately $130 billion in outstanding loans, by extending the payment and interest pause under the CARES Act to private student loan borrowers.
- **Waiver of Big Bank Fees like Overdrafts**. This provision would prohibit overdraft fees during the crisis on bank transactions, such as debit card transactions and ATM withdrawals. The provision also limits other fees, such as those placed on checks, recurring payments, and account transfers.
- **Consumer and Investor Fraud Working Group**. This provision would direct the CFPB and Securities and Exchange Commission (SEC) to form a Consumer and Investor Fraud Working Group to coordinate and provide resources information for consumers and investors on assistance available to them under various governmental programs, as well as describe steps individuals can take to protect themselves from fraud and scams related to the Coronavirus. This provision also requires monthly reporting to Congress on steps the CFPB, SEC and the Consumer and Investor Fraud Working Group are taking to help consumers and investors.

During the Recovery

- **$10,000 in Loan Forgiveness to Private Student Loan Borrowers.** This provision would forgive the lesser of $10,000 or the balance of private student loans in a lump sum payment after the resumption of student borrower payments.
- **Financial Literacy Education Commission Emergency Response.** This provision would provide financial literacy education, including information on access to banking services and other financial products, for individuals seeking information and resources as they recover from any financial distress caused by the coronavirus disease (COVID-19) outbreak and future major disasters.

- **Disclosures and Protections for Student Borrowers When Payments Resume**. This provision would aid borrowers upon resumption of payments by amending the Truth in Lending Act (TILA) to require student loan servicers to provide accurate repayment options and resources, set minimum industry standards for all student loan transactions, prohibit servicers from omitting or misrepresenting loan servicing information, and revise disclosures to borrowers when their loan is sold or transferred or if the borrower is identified as at-risk of default.

Requested Appropriations for FSC Consumer Programs

- **$60 billion to forgive $10,000 in private student loan debt** for an estimated six million borrowers.

3. ASSISTING SMALL BUSINESSES, MINORITY-OWNED BUSINESSES, AND NONPROFITS

During the Crisis

- **Reauthorization of the State Small Business Credit Initiative (SSBCI)**. This provision would reauthorize $10 billion to the SSBCI program, initially created in 2010 to support small businesses, including minority-owned businesses, in the wake of the 2008 recession, providing states with grants to finance new and existing small business growth.
- **Mandating Treasury's Lending Program to Support Mid-Size Businesses and Nonprofits**. This provision would remove Treasury's discretion and mandate it work with the Federal Reserve to establish a lending program for nonprofits and mid-size companies (between 500 to 10,000 employees).
- **Prohibition of Confessions of Judgment During Crisis**. This provision would prohibit lenders from including confessions of judgement clauses in the terms and conditions of loans provided during and up to one year after the pandemic.
- **Preserving Existing Loan Arrangements for Small Businesses**. This provision would prevent lenders from accelerating arrangements on existing loans as a result of a business' participation in a program under the CARES Act.
- **Growth Equity Funds for Minority Businesses**. This provision would provide $3 billion in grants through the Minority Business Development Agency (MBDA) to minority-owned businesses, and would codify the MBDA.
- **Strengthening Minority Depository Institutions (MDIs).** This provision would support MDIs by establishing 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, and direct the Federal Government to make greater use of MDIs.
- **Utilizing Diverse Asset Managers**. The Treasury and Federal Reserve shall report to Congress data about the asset managers and other third-party companies contracted to manage or advise on the loans, loan guarantees and other investments made under the CARES Act, or any other lending or purchasing activity by Treasury or the Federal Reserve in response to the coronavirus crisis, including the process to solicit contracts, whether diverse managers participated in the bid, and how many, if any, diverse asset managers received bids, and the amount of assets they manage.

During the Recovery

- **Pandemic Risk Insurance**. This provision would create a federal reinsurance program similar to the Terrorism Risk Insurance Program for pandemic risks in order to promote the availability and affordability of insurance coverage that includes pandemic risks.

Requested Appropriations for FSC Small and Minority Owned-Businesses and Non-Profits Programs

- **$10 billion for State Small Business Credit Initiative (SSBCI).**
- **$3 billion for MBDA grants.**

4. ASSISTING COMMUNITY FINANCIAL INSTITUTIONS

During the Crisis and Recovery

- **Support for Community Development Financial Institutions (CDFI) Fund**. This provision would authorize $1 billion for the CDFI Fund, and similar to the American Recovery and Reinvestment Act of 2009, waive matching funds and limitations on awards to provide flexibility in deploying resources to vulnerable populations and impacted small businesses.
- **Zero-Interest Loans for Community Financial Institutions to Support Small Businesses**. This provision would direct the Federal Reserve to provide zero-percent interest rate loans to community financial institutions, including minority depository institutions (MDIs) and CDFIs, participating in the Paycheck Protection Program (PPP) established by the CARES Act.
- **Expanding Community Bank and Credit Union Support to Small Businesses**. This provision would require at least 25 percent of loans made by insured depository institutions through Federal Reserve programs or facilities that support small businesses be conducted by banks and credit unions, including MDIs and CDFIs, with less than $50 billion in total assets. The provision would also allow credit unions to exclude loans made pursuant to a CARES Act small business lending program from the Member Business Loan cap provided they are well-rated and well-capitalized.
- **Enhanced Authority for Federal Home Loan Banks**. This provision would provide enhanced authorities for the Federal Home Loan Banks to help them better serve community financial institutions and their other members, and fulfill their mission during the pandemic.

Requested Appropriations for Community Financial Institutions Programs

- **$1 billion for CDFI Fund.**

5. SUPPORTING STATE, TERRITORY, TRIBAL, AND LOCAL GOVERNMENTS

During the Crisis and the Recovery

- **Municipal Government Financing**. This provision would clarify the Federal Reserve's authority and revise the facility created by the CARES Act to explicitly require the Federal

Reserve to support state, territory, tribal, and local debt issuance by purchasing longer-dated municipal bonds and new debt issuances in the primary market, as well as prioritizing jurisdictions that have higher levels of poverty.

- **Investments in Persistent Poverty Areas**. This provision would direct the Treasury Secretary, to the greatest extent possible, to ensure that at least 10 percent of the $500 billion worth of loans, loan guarantees, and other investments authorized by Section 4003 of the CARES Act are used to support counties with a poverty rate of at least 20 percent over the last 30 years. Treasury would also be authorized to provide technical assistance to such counties to encourage participation in the program.
- **Waiver of Matching Requirements for Municipal Governments**. This provision would waive requirements that state, territory, tribal, or local governments first obtain matching funds prior to receiving certain federal grants.

Requested Appropriations for FSC State and Local Assistance Programs

- **$10 Billion in Funding for Community Development Block Grant (CDBG) Program**. This provision would authorize an additional $10 billion in funding for CDBG, which is a critical resource for communities, since the funding is flexible and can be used towards various activities to help address the coronavirus and its health and economic impacts. The CARES Act provided $5 billion for CDBG.

6. PROMOTING U.S. AND GLOBAL FINANCIAL STABILITY AND TRANSPARENT MARKETS

During the Crisis

- **Elimination of Treasury Secretary's Waiver Authority**. This provision would eliminate the Treasury Secretary's authority to waive stock buyback, dividend, and executive compensation conditions provided under the Section 4003(d) of the CARES Act, and impose additional conditions related to maintaining workforce levels, and worker pay.
- **Temporary Halt to Rulemakings Unrelated to COVID-19**. This provision would temporarily prohibit federal financial regulators from adopting rules not directly related to responding to the coronavirus response through the length of the crisis.
- **Responsible Use of Government Assistance to Corporations**. This provision would require large public companies receiving government assistance to protect workers during this pandemic, and to make additional human capital disclosures, environmental, country-by-country tax disclosures, social and governance disclosures, diversity and inclusion accountability, and political campaign contribution disclosures. This provision would also require these corporate beneficiaries to establish worker representation on their corporate boards.
- **Temporary Ban on Stock Buybacks**. This provision would impose a temporary ban on corporate stock repurchase activities 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.

- **Equity Stake for Workers**. This provision would condition government assistance by requiring large public corporations to provide common stock to workers in addition to their full traditional cash compensation.
- **Supply Chain Disruption Risk Disclosures**. 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, such as the HOME program.
- **Global Pandemic Risk Disclosures**. This provision would 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."
- **IMF Catastrophic Containment and Relief Fund**. This provision would authorize a $100 million U.S. contribution to the International Monetary Fund's (IMF) Catastrophic Containment and Relief Fund to allow the IMF to provide rapid debt service relief on IMF obligations to poor and vulnerable countries in times of crisis.
- **Debt Relief for Developing Countries**. This provision would direct the Treasury Secretary to negotiate in appropriate international forums the suspension of debt service payments by low-income countries to their external creditors through 2021.

During the Recovery

- **Regulatory Guidance for Pandemics**. This provision would require agencies to automatically issue guidance when a pandemic and/or national disaster is declared.
- **Future Planning for Pandemics**. This provision would revise America's pandemic and disaster plans to include potential economic actions and require the Secretary of the Treasury to provide the President with an analysis of gaps and a list of potential economic, financial, and monetary actions to be used by decisionmakers in a future crisis.
- **North American Development Bank**. This provision makes certain technical corrections to ensure the continuation of the North American Development Bank and the US-Border Border Environmental Cooperation Commission and free up $225 million of funds for US-Mexico environmental border activities. It also authorizes callable capital for the NAD Bank and makes certain other technical changes to related legislation.

7. STRENGTHENING OVERSIGHT OVER COVID-19 FINANCIAL ASSISTANCE

Additional Reporting Requirements

- Make reporting for Treasury programs the same as Federal Reserve programs. This provision would require the Treasury Secretary to make the same reports to Congress for transactions made under 4003(b)(1)-(3) as those required to be submitted by the Federal Reserve under Section 4026(b)(2) of the CARES Act for transaction made under 4003(b)(4), and require the Treasury Secretary and the Federal Reserve to submit to Congress and the Special Inspector

General for Pandemic Recovery quarterly summaries of their CARES Act and related lending and purchasing activities to response to the coronavirus crisis, which shall include, among other information:

- o a description of the categories of financing; a listing of the eligible businesses receiving financing;
- o disclosure of diversity data and commitment to maintain investments in diversity polices and with diverse vendors; and
- o an explanation of the reasons the Secretary or Federal Reserve determined it to be appropriate to provide financing under this Act, including a justification of the price paid for and other financial terms associated with the applicable transaction.

Necessary Technical Changes for FSC Oversight Programs

- Adding the Committee on Financial Services to the list of Congressional Committees that receive updates from Pandemic Response Accountability Committee and
- Expressly authorizing the Congressional Oversight Committee to share information with the Financial Services Committee so that the Committee may issue a subpoena on the Congressional Oversight Committee's behalf.

Requested Appropriations for FSC Oversight Programs

- **$75 million for SIGPR funding**
- **$10 million for Congressional Oversight Commission**