

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

July 20, 2020

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: July 23, 2020, Full Committee Hearing entitled, “The Heroes Act: Providing for a Strong Economic Recovery from COVID-19”

The Committee on Financial Services will hold a hearing entitled, “The Heroes Act: Providing for a Strong Economic Recovery from COVID-19,” on Thursday, July 23, 2020 at 10:30 a.m. in room 2128 Rayburn House Office Building . Members who wish to participate remotely may do so via Cisco Webex. This hearing will have the following witnesses:

- **The Honorable Shaun Donovan**, former Secretary, U.S. Department of Housing and Urban Development, and former Director, U.S. Office of Management and Budget
- **The Honorable Robert Reich**, Carmel P. Friesen’s Professor of Public Policy, Goldman School of Public Policy, University of California, Berkeley, and former Secretary, U.S. Department of Labor
- **Mr. John W. Rogers, Jr.**, Chairman, Co-CEO & Chief Investment Officer, Ariel Investments
- **Mr. Steven Davis**, Labor Economist, William H. Abbot Professor of International Business and Economics, The University of Chicago Booth School of Business

Overview

The Coronavirus Disease 2019 (COVID-19) pandemic has brought the U.S. economy into a recession and experts indicate the crisis is getting worse.¹ The daily number of new COVID-19 cases now exceeds 60,000 – higher than when the pandemic was at its peak.² More than half of states are seeing increases in COVID-19 cases and on July 12, Florida reported the highest number of new cases in a single day by any state since the pandemic began and has since reported 4,982 deaths.³ As of July 20, 2020, there have been more than 3.8 million cases and at least 140,157 deaths in the U.S.⁴ In June, unemployment increased by 7.6 percent or 12 million, since February.⁵ 1.5 million public sector employees have been laid off since March,⁶ and state governments are projected to face budget shortfalls of \$615 billion over the next year.⁷

¹ WHO, <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---13-july-2020> (July 13, 2020).

² CDC, “Cases in the U.S.,” (last accessed July 14, 2020).

³ Available at: <https://floridahealthcovid19.gov/>.

⁴ Available at: <https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/cases-in-us.html>

⁵ BLS, “The Employment Situation – June 2020”

⁶ “How COVID-19 is driving big job losses for state and local government,” *Pew Charitable Trusts*, (June 16, 2020),

⁷ “States continue to face large shortfalls due to COVID-19 effects,” *Center for Budget and Policy Priorities*, (June 15, 2020),

On May 15, 2020, the House passed H.R. 6800, the Heroes Act, a \$3 trillion legislative response that contains numerous provisions that span the jurisdiction of several Committees.⁸

Protecting First Responders and Essential Workers: The Defense Production Act

The Defense Production Act of 1950 (DPA)⁹ authorizes the Federal government to prioritize its procurement contracts, allocate scarce goods, and provide assistance to companies to produce critically needed supplies. During COVID-19, U.S. health workers have been forced to work with limited or sometimes no appropriate personal protection equipment (PPE) and have been asked to reuse N95 masks.¹⁰ Testing production has faced bottlenecks, and both PPE and testing supplies are running low in the states that are now facing spikes in infections and hospitalizations.¹¹ However, while the CARES Act appropriated \$1 billion to boost production of medical supplies and equipment, the Defense Department has only spent \$212 million.¹² In contrast, governors have been calling for the President to use his authorities to address the spike by using the DPA to significantly increase testing supplies.¹³

The Heroes Act would improve the DPA by: explicitly applying it to PPE, testing materials, and vaccines; deconflicting the DPA and federal efforts with those of state procurement efforts; requiring better planning to boost production of supplies and equipment; promoting better coordination between private sector actors and the U.S. government; and, improving the DPA to provide for future preparedness.

Protecting Renters, Homeowners, and People Experiencing Homeless

Renters and the Eviction Crisis. More than 36 percent of renters were unable to fully pay their rent at the beginning of July 2020, with 21 percent of renters unable to make any payment at all.¹⁴ As of July 8, more than 47 percent of renters reported that they were unemployed.¹⁵ Families receiving minimum monthly unemployment insurance plus the \$600 provided by the CARES Act are still cost burdened in all but six states.¹⁶ The COVID-19 Eviction Defense Project estimates that 19 to 23 million, or one in five renters in the U.S., will be at risk of eviction by the end of September 2020.¹⁷

The CARES Act included an eviction moratorium and prohibition on late fees for nonpayment of rent or other charges until July 25, 2020 for “covered dwellings.”¹⁸ The CARES Act also included funding to make up for losses in HUD-assisted resident rent payments and provide additional resources to housing providers to respond to COVID-19. However, the CARES Act leaves a considerable portion of renters susceptible to eviction and does not help with accrued unpaid rent amounts. Further, the CARES Act did

⁸ This memo will primarily focus on Division K of H.R. 6800.

⁹ 50 U.S.C. 4501 et. seq.

¹⁰ Press Briefing by Vice President Pence and Members of the Coronavirus Task Force, July 8, 2020,

<https://www.whitehouse.gov/briefings-statements/press-briefing-vice-president-pence-members-coronavirus-task-force-july-8-2020/>

¹¹ See, e.g., *Another PPE shortage? Protective gear for medical workers begins to run low again*, Chicago Sun Times (July 7, 2020)

<https://chicago.suntimes.com/coronavirus/2020/7/7/21316726/protective-gear-for-medical-workers-shortage-ppe>; Natalia V. Navarro, *Colorado Still Has A Serious Shortage Of Personal Protective Equipment*, Colorado Public Radio, Jun. 12, 2020.

¹² Department of Defense Spend Plan for the Coronavirus Aid, Relief and Economic Security “CARES” Act, Public Law 116-136

¹³ Arkansas governor calls on Trump to invoke Defense Production Act to increase testing capacity, ABC News, June 28, 2020,

<https://abcnews.go.com/Politics/arkansas-governor-calls-trump-invoke-defense-production-act/story?id=71491985>

¹⁴ Apartment List, “Missed Housing Payments Continue Piling Up In July” July 8, 2020.

¹⁵ U.S. Census Bureau, “Week 9 Household Pulse Survey: June 25-June 30,” July 8, 2020.

¹⁶ Turner Center for Housing Innovation *supra* note 2.

¹⁷ Aspen Institute, “20 Million Renters Are at Risk of Eviction; Policymakers Must Act Now to Mitigate Widespread Hardship,” June 19, 2020.

¹⁸ A covered dwelling can generally be defined as a rental unit in a property that is receiving federal subsidies or has a federally backed mortgage.

not provide support for USDA's rural rental assistance programs. The Heroes Act would address these shortfalls by providing \$100 billion for emergency rental assistance, funding for losses in rent payments for HUD and USDA-assisted residents, and expanding and extending the eviction moratorium to cover all rental properties until March 27, 2020.

Protecting Homeowners from Foreclosures. As of July 5, 2020, 4.1 million homeowners (8.2%) are in forbearance.¹⁹ Mortgages were the most commonly mentioned financial product in complaints to the CFPB referencing the COVID-19 crisis.²⁰ The HUD Inspector General found that "several servicers [falsely] gave the impression that lump sum payments would be required at the end of the forbearance period."²¹ The CARES Act foreclosure moratorium expired on May 17, 2020 and its forbearance relief is limited to homeowners with federally backed mortgages.²² The Federal Housing Finance Agency (FHFA), HUD, USDA, and the Department of Veterans Affairs (VA) have all administratively extended foreclosure moratoriums until August 31, 2020 and provided flexibilities and guidance for lenders and servicers.²³ However, this limited relief excludes approximately 30 percent of the single-family mortgage market.

The Heroes Act addresses these shortfalls by expanding foreclosure and forbearance relief to all homeowners, extending the foreclosure moratorium for 6 months, strengthening servicer requirements, and requiring loss mitigation post-forbearance to help homeowners achieve affordable payments. The Heroes Act also includes \$75 billion for a Homeowner Assistance Fund, targeted to lower income homeowners to help them pay mortgage and utility bills.

Protecting People Experiencing Homelessness. People experiencing homelessness are particularly vulnerable to COVID-19.²⁴ They are twice as likely to be hospitalized, two to four times as likely to require critical care and two to three times as likely to die when they contract the disease.²⁵ Additionally, without intervention, more than 20,000 people who are homeless could require hospitalization and nearly 3,500 could die.²⁶ Experts estimate that \$15.5 billion is needed to ensure that homeless service providers are able to provide housing that follows ongoing social distancing guidelines.²⁷ The CARES Act provided \$4 billion for homeless assistance, and the Heroes Act would provide the additional funding to reduce the number of people living in homeless encampments and congregating in shelters with alternative accommodations. The Heroes Act would also provide an additional \$1 billion to fund Housing Choice Vouchers targeted to people experiencing or at risk of homelessness and survivors of domestic violence.

¹⁹ Mortgage Bankers Association, "[Forbearance and Call Volume Survey](#)," Jul. 13, 2020.

²⁰ U.S. PIRG, "[Analysis of CFPB Consumer Complaints March-April 2020](#)," May 14, 2020.

²¹ HUD Office of the Inspector General, "[Some Mortgage Loan Servicers' Websites Offer Information about CARES Act Loan Forbearance That Is Incomplete, Inconsistent, Dated, and Unclear](#)," Apr. 27, 2020.

²² A federally backed mortgage is purchased or securitized by Fannie Mae or Freddie Mac; insured by the Federal Housing Administration (FHA), including reverse mortgages or Home Equity Conversion Mortgages (HECMs); guaranteed, directly provided by or insured by the VA; guaranteed, directly provided by, or insured by the USDA; or guaranteed under HUD's Native American or Native Hawaiian Home Loan Guarantee programs.

²³ FHFA, "[FHFA Extends Foreclosure and Eviction Moratorium](#)," Jul. 17, 2020; HUD, "[Mortgagee Letter 2020-19](#)" Jul. 17, 2020; Department of Veterans Affairs, "[Circular 26-20-22](#)" Jul. 17, 2020; USDA, "[USDA Extends Foreclosure and Eviction Relief on Single Family Direct Loans](#)," Jul. 23, 2020.

²⁴ Centers for Disease Control and Prevention, "[People who are homeless are at risk of COVID-19](#)," updated June 12, 2020.

²⁵ Dennis Culhane et al., "[Estimated Emergency and Observational/Quarantine Capacity Need for the US Homeless Population Related to COVID-19 Exposure by County; Projected Hospitalizations, Intensive Care Units and Mortality](#)," updated March 27, 2020.

²⁶*Id.*

²⁷*Id.*

Protecting Consumers and Student Borrowers

Millions of consumers who are currently unable to make payments on credit cards, car payments, and other obligations could face diminished future credit opportunities such as purchasing a car, a home, and employment. Consumer complaints submitted to the CFPB's database surged between March and June, with credit reporting issues making up 61 percent of the complaints for this time period, and debt collection as the second most complained about issue.²⁸ Consumer Reports notes widespread problems with consumers using or inquiring about forbearance programs offered by the CARES Act, but erroneously receiving deductions on their credit scores for doing so.²⁹

The Heroes Act suspends negative credit reporting for consumers and suspends debt collection for consumers, small businesses, and nonprofits until 120 days after the pandemic ends. In addition, the bill bans credit reporting for COVID-19 medical debts. Creditors are also required to modify loan obligations so that borrowers are provided reasonable and sustainable repayment options for fixed payment loans, open end credit products, and debt arising from other obligations.

Before the pandemic more than one in seven student loan borrowers were more than 90 days delinquent and almost half did not pay down their balances over the previous quarter.³⁰ Research has shown the student loan crisis is particularly acute for borrowers of color,³¹ as well as private student loan borrowers.³² The number of private student borrowers not making repayment progress increased by 36 percent during the pandemic.³³ The Heroes Act would provide up to \$10,000 in loan repayment assistance, as well as pause borrower payments, debt collection, interest capitalization, and negative credit reporting to economically distressed private student loan borrowers.

Supporting Small Businesses, Minority-Owned Businesses, and Non-Profits

Small businesses, minority-owned businesses and non-profits continue to struggle during the pandemic.³⁴ Community financial institutions, including minority depository institutions (MDIs) and community development financial institutions (CDFIs), serve these communities that often lack access to capital and lending options. The Heroes Act provides \$1 billion to the CDFI Fund to support small businesses and non-profits. The Act also includes set asides in the Paycheck Protection Program (PPP) for CDFIs and MDIs and extends PPP through December 31, 2020. Further, the Heroes Act directs the Federal Reserve to make the Main Street Lending Program available to non-profits, which it recently did on July 17.³⁵

²⁸ Ed Mierzwinski and Mike Litt, U.S. PIRG Education Fund, Gideon Weissman, Frontier Group, "[Consumer Complaints Break Records](#)," (July 17, 2020).

²⁹ Scott Medintz, "[Taking advantage of financial aid isn't supposed to hurt your credit, but some consumers are being dinged](#)," Consumer Reports (June 2, 2020).

³⁰ Michael Calhoun and Ashley Harrington, "[The next COVID-19 relief bill must include student debt cancellation](#)," Brookings (Jun. 3, 2020).

³¹ *Id.* Also see UnidosUS, NAACP, et al, "[Quicksand: Borrowers of Color & the Student Debt Crisis](#)," (Sep. 2019).

³² This estimate was provided by the Student Borrower Protection Center based on data made available by the Department of Education's [National Center for Education Statistics](#).

³³ Ben Kaufman, "[Amid the Coronavirus, Struggling Private Student Loan Borrowers Pause Payments without a Path to Get on Track](#)," Student Borrower Protection Center (Jun. 8, 2020).

³⁴ U.S. Congress. House. Committee on Financial Services, Subcommittee on Diversity and Inclusion. Hearing on "Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic." 116th Cong., 2nd sess. July 9, 2020.

³⁵ House Committee on Financial Services, "[Heroes Act Fact Sheets](#)," May 15, 2020; House Committee on Small Business "[Heroes Act Section Summary](#)," May 15, 2020; and Federal Reserve, "[Main Street Lending Program](#)," accessed July 20, 2020.

State, Territory, Tribal, and Local Governments

State, territory, and local governments are also struggling. The CARES Act provided limited funding through the Coronavirus Relief Fund and the Federal Reserve established the Municipal Liquidity Facility. However, Illinois is the only jurisdiction to utilize the MLF, and market experts believe the MLF is too strict in design to be useful to most jurisdictions.³⁶ The Heroes Act expands the MLF by: reducing the population threshold for city and county issuers to 50,000 residents; including territories; lowering the interest rates on bonds to the federal funds rate; and extending the maximum maturity for bonds to ten years. The Heroes Act would also provide nearly \$1 trillion in direct aid to state, territory, and local governments.³⁷

Providing Oversight and Protecting Taxpayers

The CARES Act created several mechanisms for monitoring the executive branch's implementation efforts, including establishing a Special Inspector General for Pandemic Recovery (SIGPR) to oversee the Treasury Department's and Federal Reserve's administration of \$500 billion in emergency economic relief. However, the President declared in his CARES Act signing statement that he would ignore provisions requiring SIGPR to report to Congress when the Administration refuses or fails to provide the SIGPR with information.³⁸ In addition, the Administration has removed officials tasked with overseeing the COVID-19 response³⁹ and the Government Accountability Office has identified transparency and accountability failures.⁴⁰ The Heroes Act provides for enhanced oversight by strengthening and adding to CARES Act requirements.

Legislation

- **H.R. 6800, the Heroes Act (Lowey).** This bill provides: \$1 trillion to state, local, territorial and tribal governments; \$175 billion to support renters and homeowners; a second round of economic stimulus payments; an extension of unemployment benefits to January 2021; a new employee retention tax credit; an extension and expansion of a more transparent PPP and Economic Injury Disaster Loan (EIDL) program; an expansion of the MSLP to support small businesses and non-profits; an expansion of the MLF to support territories and more local governments, and the creation of new facilities to support mortgage servicers and landlords, among other provisions.

³⁶ Brian Chappatta, "Fed Should Act Like HEROES With Municipal Bonds - The central bank is sitting idly by while state and local government finances deteriorate." Bloomberg Opinion (Jul. 13, 2020).

³⁷ House Appropriations Committee, "State and Local Coronavirus Relief Funds." (accessed Jul. 14, 2020).

³⁸ The White House, *Statement by the President* (Mar. 27, 2020).

³⁹ NYT, *Trump Ousts Pandemic Spending Watchdog Known for Independence* (Apr. 7, 2020).

⁴⁰ Government Accountability Office, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts* (June 25, 2020).