

## Congress Passes Third COVID-19 Federal Relief Package

On March 26th, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

As “Phase Three” of an extensive federal relief package, this legislation includes nearly \$2 trillion in relief intended to mitigate the enormous economic effects of COVID-19 (also known as coronavirus) on the American economy and bolster the nation’s ability to fight the ongoing public health emergency.



The CARES Act is the culmination of two tumultuous weeks of political wrangling in Washington, D.C., where the Capitol Complex was shuttered except for members of Congress, Trump Administration officials and their staffs who have been hashing out the details of urgently needed legislation.

### **Executive Summary**

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a \$2 trillion stimulus package with significant implications across housing and nearly all other aspects of the economy.
- Those with mortgages backed by federal loans can request six months of mortgage forbearance; tenants of homes that receive this forbearance can neither be evicted nor charged fees or penalties for the nonpayment of rent.
- The CARES Act appropriates to the Department of Housing and Urban Development (HUD) \$5 billion in additional funding for Community Development Block Grants (CDBG) as well as additional funds for housing programs designed to support vulnerable communities

### **Context**

In the face of the economic and social disruption caused by the coronavirus, Congress has passed three pieces of legislation aimed at combatting the virus and its impact. It initially passed two significant response packages to address health-sector needs and support American families. On March 26, the “Phase 3” stimulus package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law. With an estimated \$2 trillion price tag, the third package is the largest and perhaps most significant stimulus package in American history.

This piece summarizes the implications of the CARES Act specifically for housing.

### **Division A – Keeping Workers Paid And Employed, Health Care System Enhancements, And Economic Stabilization**

## **Congress Passes Third COVID-19 Federal Relief Package (Cont'd)**

### **Title IV – Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy**

The primary focus of Title IV is that it authorizes the Treasury to make \$500 billion in loans directly to businesses impacted by the coronavirus (for analysis of the implications of the CARES Act for financial services, see here). Also included in the Title, however, are a number of seemingly disparate sections with a much wider focus, ranging from reforming the governance of Federal Reserve meetings to making it easier for banks to restructure troubled debt. This Title has three sections with implications for the housing market.

#### ***Section 4022. Foreclosure Moratorium And Consumer Right To Request Forbearance***

Single-family homes that are backed by a federal mortgage loan may request forbearance of up to a year.

<i>Mortgage Terms</i>	
Foreclosure	Lender attempts to recover the balance of a loan from a borrower, usually by forced sale of assets
Refinancing	Replacing an existing loan with an entirely new loan with different terms
Loan modification	A permanent alteration of the terms of an existing loan
Forbearance	A temporary alteration of the terms of an existing loan, designed to provide loan relief. Forbearance usually involves lower payments or paused payments. Unlike loan modification, however, this alteration is not permanent, with an expectation that eventually normal terms will resume and the full balance is paid off later.

For the purposes of this section, “single-family” means homes designed for one to four families, and a “federally backed mortgage loan” is a loan insured by a federal agency, most obviously the Federal Housing Administration (FHA) or the Department of Veterans Affairs. Any borrower experiencing direct or indirect financial hardship relating to the coronavirus is able to request 180 days forbearance, regardless of delinquency status. This period can be extended another 180 days at the request of the borrower. During this period of forbearance, no fees or interest will be applied to the borrower.

In addition, servicers of federally backed mortgage loans cannot initiate foreclosure proceedings or foreclosure-related evictions for at least 60 days beginning March 18, 2020. This restriction does not apply to vacant or abandoned properties.

#### ***Section 4023. Forbearance Of Residential Mortgage Loan Payments For Multifamily Properties With Federally Backed Loans***

Under this section, the forbearance options available to single-family borrowers are extended to borrowers in multifamily properties, for example apartment buildings. This forbearance, however, has additional requirements; borrowers must be current on their payments and not evict a tenant or charge late fees or other penalties to tenants during the period of forgiveness. Multifamily forbearance will also cease on either the end of the national emergency or December 31, 2020, whichever comes sooner.

## **Congress Passes Third COVID-19 Federal Relief Package (Cont'd)**



### ***Section 4024. Temporary Moratorium On Eviction Filings***

For 120 days from the enactment of the Act (March 27, 2020), lessors of all properties backed by federal mortgage loans can neither evict tenants nor charge fees or penalties for the nonpayment of rent.

### **Division B – Emergency Appropriations for Coronavirus Health Response and Agency Operations**

#### **Title XII, Department of Housing and Urban Development**

Division B sets out additional agency appropriations to enhance agency preparedness in the face of the threats raised by the coronavirus. These sums include additional funds to the Department of Housing and Urban Development (HUD).

Under the CARES Act, states will receive an additional \$5 billion in funding to be made available to the Community Development Block Grant (CDBG) program. The CDBG program is one of the longest running examples of HUD assistance and provides funding to community-development activities with a view to the provision of affordable housing. Block grants can be distinguished from categorical grants in that they are less specific and afford states far more discretion in usage.

The CARES Act also provides for \$4 billion in additional funding for homeless assistance grants, \$1.25 billion for tenant-based rental assistance, and \$685 million for public housing in addition to funding other programs designed to provide housing assistance to the elderly, people with disabilities, and people with AIDS.

This Title also appropriates \$35 million to HUD, which will remain available until September 30, 2020, for coronavirus expenses and HUD salaries, and a further \$15 million for the Office of Public and Indian Housing and the Office of Community Planning and Development.

#### **Conclusion**

Similar to the battles waged by our state and local association partners to defeat eviction moratoria and other adverse policies, we will continue to make the industry's voice heard in Washington and remind policymakers of the unintended consequences and immense challenges facing the industry during this unprecedented public health emergency.

Lawmakers must remember that owners and operators are tasked with ensuring the viability of apartment communities. Rental housing providers must pay mortgage payments, employee payroll and benefits, insurance premiums and tax obligations. They, too, are experiencing financial hardships – sometimes tenfold – as renters in communities across the country struggle.

## **Rent Strike Idea Gaining Steam During COVID-19 Crisis**

*By: Jim Salter*

With millions of people suddenly out of work and rent due at the first of the month, some tenants are vowing to go on a rent strike until the coronavirus pandemic subsides.

New York, Boston, Los Angeles, San Francisco and St. Louis are among many cities that have temporarily banned evictions, but advocates for the strike are demanding that rent payments be waived, not delayed, for those in need during the crisis. The rent strike idea has taken root in parts of North America and as far away as London.

White sheets are being hung in apartment windows to show solidarity with the movement that is gaining steam on Twitter, Instagram and other social media sites. Fliers urging people to participate are being posted in several cities, including bus stops in St. Louis, where 27-year-old Kyle Kofron still has his job at an ice cream factory, but his three roommates have suddenly found themselves unemployed. Their property manager so far hasn't agreed to a payment plan, Kofron said.

"For me personally, with everyone losing their jobs and unable to pay, it's really the only thing we can do," Kofron said of the strike. "It's just like we the people have to do something. We just can't stand idly by while the system takes us for a ride."

Stay-at-home orders and strict limits on gathering sizes have forced shops, restaurants and bars to shut down indefinitely. Many service industry workers thrust into unemployment are living paycheck-to-paycheck in the best of times. Now, many say they don't have the money to pay rent.

Some politicians have expressed support, if not directly for a strike, then for a temporary rent moratorium, including Democratic presidential candidate Bernie Sanders.

In New York, the state hit hardest so far by the pandemic, Democratic state Sen. Mike Gianaris of Queens introduced a bill that would forgive rent and mortgage payments for 90 days for people and small businesses struggling because of the coronavirus. It has 21 co-sponsors.

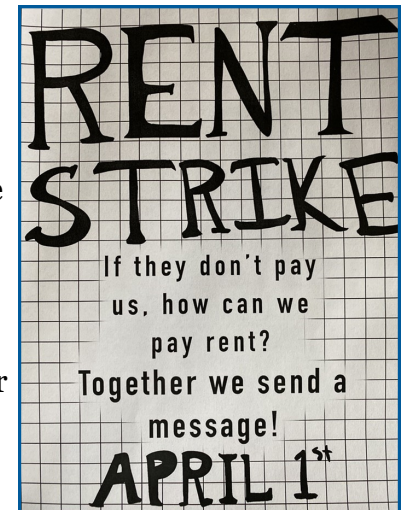
"Tenants can't pay rent if they can't earn a living. Let's #CancelRent for 90 days to keep people in their homes during the #coronavirus crisis," Gianaris said on Twitter.

Strike advocates aren't waiting for legislative approval. Activist organizations in many places are leading the push for a strike. A group called Rent Strike 2020 is organizing on the national level.

"Our demands to every Governor, in every state, are extremely simple: freeze rent, mortgage, and utility bill collection for 2 months, or face a rent strike," Rent Strike 2020's website states.

Advocates in St. Louis are encouraging those who can afford rent to join the movement in solidarity with those who can't. Without a large number of participants, landlords will simply evict strikers, said Chris Winston, of For the People STL.

Others say a rent strike could further worsen the economy if landlords and property managers themselves are forced to default on loans. Some strike advocates have urged banks to suspend requiring payments from landlords and property management companies so that those groups can better absorb their own financial losses from a rent strike or moratorium.



## Rent Strike Idea Gaining Steam During COVID-19 Crisis (Cont'd)

Matthew Chase, an eviction attorney in St. Louis County, said property management companies and landlords have employees to pay, utility bills and other costs. A widespread rent strike could force them to lay off their own workers, cut back on property maintenance or even close apartment complexes.

Chase cited one client who relies on income from renting a couple of homes.

“She’s the big, bad landlord to these rent strike folks,” Chase said.

Nick Kasoff, who lives in the St. Louis suburb of Ferguson, calls himself a “small-time landlord.” He had words of warning for anyone refusing to pay their rent.

“Courts are closed, but they won’t be closed forever,” Kasoff wrote on Facebook. “If you choose not to pay rent when you are able, your landlord will be down there filing an eviction the day they open back up. You will lose your home, ruin your credit, and make it difficult to get any sort of decent housing in the future. A ‘rent strike’ isn’t going to liquidate capitalism and make you a homeowner, it’s going to demolish your credit and make you homeless.”

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