

UP FOR GROWTH[®] LEGISLATIVE NOTE

H.R. 6515, *The Rent and Mortgage Cancellation Act of 2020*

Rep. Ilhan Omar (D-MN)

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BACKGROUND

As the COVID-19 crisis creates incredible public health and economic challenges, millions of families and individuals face dire financial situations. Unprecedented job loss, unemployment claims reached 30 million in the first 5 weeks of the crisis, means that millions of renters and homeowners will need immediate and comprehensive financial assistance to stay in their homes. Rent payments are the cornerstone of the housing ecosystem, and without consistent cash flow property owners face severe financial constraints, are unable to maintain properties, and cannot make their own mortgage payments. This payment disruption leaves lenders without important cash flows, which has far-reaching economic consequences and may lead to a housing crisis. Large scale rental assistance is critical for keeping Americans in their homes and for avoiding a collapse of the housing market.

On April 17, 2020, in response to the growing economic consequences of the COVID-19 crisis, Rep. Ilhan Omar (D-MN) introduced *The Rent and Mortgage Cancellation Act of 2020*. This act would cancel all rent and mortgage payments from April 1, 2020, until 30 days after the termination of the national emergency. The bill also would establish a relief fund for landlords and lenders. Finally, it would create a property acquisition fund for all properties sold in the 5-year period after enactment of the bill.

LEGISLATIVE SUMMARY

The Rent and Mortgage Cancellation Act of 2020 proposes to provide critical relief to renters and property owners during the COVID-19 crisis. The bill's provisions include:

1. Cancellation for all rent and mortgage payments from April 1, 2020, through 30 days after the end of the nationally declared emergency related to the COVID-19 crisis. The cancellation would apply retroactively, and all rent and mortgage payments made from April 1, 2020, through the date of enactment would be reimbursed to renters and mortgage borrowers.
2. All renters and mortgage borrowers with existing agreements (including renters who do not have a formal lease agreement) would be eligible for the cancellation. There would be no income or proof of hardship requirements placed on recipients.
3. The cancellation would cover all rental payments and mortgages and prohibit the charging of any debt or arrearages for canceled payments, eviction or foreclosure for nonpayment, the imposing of any fees, penalties, or interest, and any adverse impact on a renter or mortgage holder's credit score. Renters and mortgage holders would have the right to civil action against any landlord

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or mortgage holder who violate the bill's provisions and penalties would range from \$5,000 for the first offense to \$50,000 or forfeiture of property for the third offense.

4. The bill would establish a Landlord Relief Fund, which would be administered by HUD and covers the cost of lost rental income during the bill's covered period. Nonprofit landlords would be prioritized and would receive relief funding first. In order to qualify for relief funding, landlords would have to agree to certain "fair rental requirements" for the entire 5-year period after receiving funds. Such "fair rental requirements" include:
 - a. Rent freeze that prohibits increasing rental rate on any units for the entire 5-year period;
 - b. Only just-cause evictions are allowable;
 - c. Prohibition of source of income discrimination for any rental units, including for Section 8 voucher holders;
 - d. Nondiscrimination against renters based on sexual orientation, gender identity or expression, criminal record, credit history, or immigration status; and,
 - e. Landlords may not retaliate against tenants, charge arrearages, or report tenants to credit agencies.
5. The bill would establish a Lender Relief Fund, which would be administered by HUD with funds directed to mortgage holders to cover canceled payments. To qualify, lenders must agree to "fair and inclusive lending requirements" for the 5-year period after receipt of funds, including:
 - a. Detailed reporting on residential mortgage loans, including race, ethnicity, age, credit score, and zip codes of borrowers as well as information on pricing and interest rates.
6. The bill would establish the Affordable Housing Acquisition Fund, which would be administered through HUD and mandate that nonprofit organizations, public housing agencies, cooperative housing associations, land trusts, or eligible state or local authority receive first right of refusal on any multifamily housing property marketed for sale in the 5-year period after the enactment of the bill. Eligible purchasers would have 60 days to put in an offer on the property. Affordable Housing Acquisition Fund dollars would be available to these purchasers and would cover the cost of acquisition up to the fair market value of the project. The acquired property must follow all affordable housing guidelines, must provide residents with supportive services, and must have a tenant-controlled operating board.

LEGISLATIVE ANALYSIS

The COVID-19 crisis has taken an unprecedented toll on public health, the economy, and the labor market, and large scale federal intervention is critical for mitigating the impact of the crisis and preventing long-term economic crisis. Rental and mortgage assistance are key pieces of this intervention. Eviction and foreclosure moratoriums offer temporary protection, but the housing ecosystem depends on consistent payments and these temporary suspensions are only delaying a massive eviction crisis or housing market collapse.

While H.R. 6515 offers assistance to families and individuals struggling as a result of the COVID-19 crisis, the bill's provisions fail to target those most in need and may have unintended consequences. The bill's sweeping eligibility increases efficiency of program delivery and relieves the burden on renters and homeowners to seek out assistance, but the program's scale raises questions about equity and cost-effectiveness. Low and moderate-income households are most likely to be negatively impacted by COVID-19 as these households are more likely to work in at-risk industries and are less likely to have sufficient savings to weather the crisis.¹ Targeted financial assistance that provides relief to impacted, already burdened households is a more effective program than blanket rent and mortgage cancellations. This bill also carries a huge price tag — one month

of nationwide rental payments alone total almost \$50 billion.² Covering the cost of all rental and mortgage payments for the months-long crisis will be an incredibly expensive program. Federal financial resources are best used to protect the most vulnerable households and those most financially impacted by the crisis.

COVID-19 has immediate economic consequences, but financial assistance is necessary during the recovery period as well. H.R. 6515 coverage would only last for 30 days after the end of the nationally declared emergency, but the return to full employment and large scale economic recovery will take more time. The termination of rental and mortgage cancellation will still leave these vulnerable households on the hook for future payments without any federal assistance. Federal rental and mortgage assistance policies that extend into the recovery period will ensure that families and individuals do not face a financial cliff at the end of the emergency period.

Finally, the requirements for the landlord and lender relief funds will have unintended consequences on the housing market during the recovery period. A five-year rent freeze ignores important market forces, leaves landlords with limited cash flows for maintenance and renovations, and will limit development of new multifamily housing. The pre-crisis housing market was already undersupplied and experiencing an affordability crisis, and these sweeping rent freezes will compound the affordability crisis in the recovery period. Additionally, some landlords may decide that the cost of requirements outweigh the benefits of rental assistance relief. This may lead to a massive sell off of properties that would overload housing markets and leave renters vulnerable to eviction.

Large scale federal intervention to protect renters and homeowners is essential in the immediate and longer-term wake of the COVID-19 crisis, but more targeted support for the most vulnerable households is a more effective policy solution.

ABOUT UP FOR GROWTH®

Up for Growth® is a national 501(c)(3) organization that forges policies and partnerships to achieve housing equity, eliminate systemic barriers, and create more homes.

¹ Choi, Jun Hyun, Laurie Goodman, and Jun Zhu. (2020). We Must Act Quickly to Protect Millions of Vulnerable Renters. Urban Wire. Urban Institute. Retrieved from: <http://www.urban.org/urban-wire/we-must-act-quickly-protect-millions-vulnerable-renters>

² EcoNorthwest. (2020). Emergency Rental Assistance: National and State Estimates. Unpublished Report.



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