“Don't forget to tell your favorite people that you love them.”

? Actress and diplomat Shirley Temple, born on this day in 1928

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The Great Lockdown’s Devastating Impact on U.S. Employment

By CSBS Senior Economist and Director of Research Thomas Siems

This week’s addition of 4,427,000 new jobless claims suggests a potential real-time U.S. unemployment rate of roughly 19.5%. Over the past five weeks, nearly 26.5 million Americans have been added to the unemployment rolls, more than the population of Australia, and enough to wipeout all the job gains made over the recent historic long 114-month jobs expansion following the 2008-09 financial crisis. Indeed, total payroll
employment appears to have returned to a level not seen since 1998.

It’s stunning. In just over a month, the U.S. unemployment rate has increased 16 percentage points from its 50-year low of 3.5%. In just over a month, a weekly average of 6.6 million Americans filed for unemployment insurance, a number more than 30 times the average over the previous year and 20 times more than the average since the end of the 2008-09 financial crisis. In just over a month, in response to the economic shutdown brought on by the spread of the deadly and highly contagious coronavirus known as COVID-19, the Federal Reserve’s balance sheet has increased by more than $2.5 trillion and U.S. fiscal authorities have passed four legislative bills totaling nearly $3 trillion.

Similar to previous blogs (April 9, April 2, and March 26), I examine the impact these job losses appear to have on state-level unemployment rates. This time, the nearby animation shows the progression of projected state-level unemployment rates based on each state’s weekly initial jobless claims going back to the end of February.
Based on these calculations, seven states currently have unemployment rates exceeding 25%, with a total of 14 states with unemployment rates above 20%. By way of comparison, during the 2008-09 financial crisis, no state exceeded a 14% unemployment rate; now there are 41. Only two states have projected unemployment rates less than 10%.

The states with the largest increases in projected unemployment rates since February are shown in the table below:

<table>
<thead>
<tr>
<th>State</th>
<th>February Unemployment Rate</th>
<th>Current Projected Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawaii</td>
<td>2.7%</td>
<td>28.4%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>4.2%</td>
<td>28.1%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>4.7%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Michigan</td>
<td>3.6%</td>
<td>27.5%</td>
</tr>
</tbody>
</table>
For the most populous states, the projected unemployment rate increases since February are as follows:

- California (3.9% to 20.2%)
- Texas (3.5% to 12.6%)
- Florida (2.8% to 13.8%)
- New York (3.7% to 18.3%)

It’s worth noting that while I expect April unemployment rates to be much higher than the February and March figures, they are unlikely to rise to the levels shown here. Initial weekly jobless claims for unemployment insurance may not correspond to numbers compiled in the official household survey and the payroll employment reports. It all depends on whether survey respondents are counted as “in the labor force” or not, which depends on whether laid-off workers are “searching for work” or not.

In any case, based on lockdown orders that continue to keep numerous businesses closed and many workers and consumers at home, I expect the ranks of the unemployed to continue to swell throughout April and into May and perhaps beyond. And despite all the monetary and fiscal stimulus measures put in place thus far to help businesses and workers bridge the gap during this time, which is becoming known as the Great
Lockdown, I don’t expect an economic recovery to begin until the third quarter of 2020, at best. The significant negative impact to business cash flows and employment is too much to overcome quickly. And even once businesses begin to resume operations, it is likely we will experience a double-dip, or W-shaped recovery, as consumers and businesses cautiously navigate a new normal characterized by new social distancing and other safety-related measures.

Indeed, in order to return to an expansion like we experienced over the last decade, uncertainty must be reduced, and confidence must be restored. Workers and consumers will need to once-again feel comfortable engaging with strangers in large groups. And that may not happen until a vaccine is developed and widely available and/or people know whether they are immune to COVID-19 and possible future strains.

In time, the U.S. economy will reopen. Workers will return to work and consumers will return to consuming. Once we get passed this crisis, the long-run potential and outlook for the U.S. economy is good. We are a resilient nation with resilient people. Together, we will overcome. Take care of yourself and take care of others.

My thanks to Brennan Zubrick and Jake Vick on the CSBS Data Analytics Team for their help creating these charts and to Cameron Meek on the CSBS Communications Team for creating the animation.

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FHFA Mortgage Servicer Plan Only a First Step

Statement by John Ryan, CSBS president and CEO, on the mortgage servicer plan announced by FHFA Director Mark Calabria:

"FHFA’s commitment to provide partial support to GSE mortgage servicers during this unimaginable national challenge is an important step, but only a first step. Additional
efforts are needed to ensure servicers are able to provide the support to consumers promised by Congress.

"The GSE servicers will continue to have to fund significant obligations. In addition, the GSE servicers are one slice of the nonbank market. State regulators maintain the call for the Federal Reserve and Treasury to establish a credit facility as a backstop to ensure servicers have access to predictable and reliable funding to avoid breakdowns in the mortgage finance system.

"State regulators' primary focus is on protecting consumers. When this crisis has passed, we will continue to build on longstanding work on enhanced prudential regulatory standards for the nonbank servicers regulated by the states. State regulators committed to crafting consistent standards for mortgage servicers with federal counterparts, Ginnie Mae and FHFA at the National Mortgage Policy Summit in November 2019."


State-licensed, nonbank mortgage company overview:

- Nonbanks produce 66% of Ginnie Mae eligible and GSE eligible loans
- Nonbanks provide nearly 90% of lending to first-time home buyers, low- to moderate- earners and veterans
- Non-Ginnie Mae, non-GSE unpaid principle balance is approximately $866 billion, or about 17% of the dollar volume
- Approximately four million loans serviced are outside of Ginnie Mae and GSE eligibility, or about 15% of the total loan count

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CSBS COVID-19 Resources

As fallout from the COVID-19 pandemic continues across the country, state regulators are providing resources to consumers, financial institutions and fellow regulators to help support the financial system and maintain public health.

To keep up with the latest news and data on COVID-19, visit the CSBS COVID-19 information page. If you are a consumer, check out the CSBS COVID-19 Consumer Resources page for information on consumer relief programs and tips on how to avoid coronavirus-related scams.

ICYMI: COVID-19 Financial System Updates

On the latest financial system update, host Matt Longacre covers the plight faced by mortgage servicers during the COVID-19 pandemic, and the emerging consensus among policymakers that relief must be provided soon to ensure the safety of America's housing finance system.

CSBS Asks FDIC to Provide More Brokered Deposit Relief to Help Ag and Small Businesses

The FDIC has the authority to provide relief for small banks in revising brokered deposit restriction rules, which ultimately would aid community banks and rural communities, CSBS said in a comment letter today.

Specifically, CSBS wants the FDIC to allow less than well-capitalized institutions to
gradually reduce their reliance on brokered deposit funding over time by allowing adequately capitalized institutions to renew or rollover brokered deposits held before the institution became less than well capitalized under the prompt corrective action (PCA) rules. Doing so could minimize the so-called liquidity “cliff effect” created by brokered deposit restrictions.

The letter addresses an issue raised recently in public remarks by FDIC Chairman Jelena McWilliams, who said Congress needs to act to amend the brokered deposit restrictions to reduce unintended consequences arising from interactions with PCA rules.

However, the FDIC has enough flexibility under the existing brokered deposit statute to make improvements, said CSBS. The improvements would allow banks, particularly those in rural areas and markets that increasingly lack ample local deposits to meet the legitimate credit needs of the community, to provide critical credit to agricultural customers and small businesses.