CSBS

The Examiner

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"Good questions outrank easy answers."

? Paul Samuelson, America's 1st Nobel Laureate in Economics, was born on this day in 1915

In this Issue...

CFPB, CSBS Issue Consumer Guide on Mortgage Relief Options

To guide homeowners with federally backed loans through the process of obtaining mortgage relief, the Conference of State Bank Supervisors (CSBS) and the Consumer Financial Protection Bureau (Bureau) today released a Consumer Relief Guide [PDF][link] with borrowers' rights to mortgage payment forbearance and foreclosure protection under the federal CARES Act.

CFPB and state regulators are committed to protecting Americans having financial hardship during the COVID-19 national health emergency. The consumer relief guide details what homeowners need to know to get the help they need, including a summary of borrowers' rights under the CARES Act, steps to access mortgage relief and repayment options.

John W. Ryan, CSBS president and CEO: “State regulators are hearing from borrowers who are confused about mortgage relief, and, in some cases, getting inconsistent information about forbearance. And that’s why we’re partnering with the CFPB and Director Kraninger to release this guide for homeowners.

“Consumer protections and local economic health are the top priorities for state regulators, so they are helping citizens across the country access mortgage relief and understand their rights under the CARES Act.”

Kathleen L. Kraninger, CFPB Director: “CFPB is working hand-in-hand with other federal and state regulators to protect consumers during this national emergency. CSBS has been a key partner as we all work together for consumers. This guide will help consumers to understand their options for mortgage relief during this challenging and unprecedented time.”

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In addition to this guide, the Bureau has a centralized webpage [link] with information on how consumers can protect their finances during the pandemic, and this week launched a joint housing website [link] with other federal regulators.

CSBS maintains a state tracker with useful consumer information on topics such as mortgage forbearance, modification of loan terms, stays on evictions, restrictions on overdraft fees and more plus some common COVID-19-related scams on the COVID-19 Consumer Resources webpage.

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Simply Stated #22: Protecting Paychecks - An

Unprecedented Program from Four Perspectives

Host: Matt Longacre
Guests:
Jami Flynn, Supervisory Processes Director, CSBS
Jane Gingrich
Mike Stevens, Executive Vice President, CSBS

20 million jobs lost. More than 30 million unemployment applications. A $2 trillion rescue package. Over 1,000,000 COVID-positive Americans. When every number you hear these days is so large, so staggering, it's hard not to grow numb to just how unprecedented our current situation is.

One of those big, staggering changes lies within a program Congress approved to help small businesses. The Paycheck Protection Program, or PPP, was included in the $2 trillion rescue package, and it's designed to try and help businesses keep employees on the payroll.

The concept is simple: small businesses could sign up for the program through their bank, receive funds covering up to 8 weeks of expenses to keep employees on the payroll, and if they kept those employees paid through that time, the loan would be forgiven.

But implementation of this very simple concept was anything but.

For starters, the Small Business Administration, the government group assigned with administering these funds, has never handled a program even close to this size. The SBA's loan volume in 2019 was $28 billion. The two waves of PPP loans being distributed over the last two months is $669 billion dollars. For comparison, if the PPP program were passed alone in 2019, it would have been 10% of the entire US budget. It would have been comparable in size to the entire planned budget in 2019 for the Department of Defense. That's how big of a number we're talking about.

Second, the loans needed to be distributed, and quickly to rescue sinking businesses. Most programs of this size take years to develop, and the PPP program was launched in a matter of weeks. This has led to all sorts of concerns. What qualifies as a "small business?" Will this money make it into the hands of the businesses it was intended for? How will we be sure employers will keep their employees?

I wanted to unravel these questions from a few different angles. First, I talk to an expert on PPP to learn how the program was constructed in theory and explore it from a macro level. Then, I spend some time with a small business owner who, despite being better informed than most, still faced some significant hurdles to getting approved – both for her own business and for her clients. And finally, I speak to an expert who understands the small institutions tasked with delivering these loans – community banks.

Stay with us. There's a lot of great content in this episode. I'm Matt Longacre, and this is Simply Stated.

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The Historic and Horrific 2020 Job Losses in Perspective

By Thomas F. Siems, Ph.D., CSBS Senior Economist and Director of Research

The U.S. Bureau of Labor Statistics (BLS) recently reported that 20.5 million workers were dropped from employers' April payrolls and that the nation's official unemployment rate shot up to 14.7% from 4.4% the previous month. The numbers are truly staggering, reflecting the significant impact that the COVID-19 pandemic has had on the economy due to measures to contain the spread of the virus. In one month, more wage earners lost their jobs than the population of Florida…or the population of New York. In one month, the unemployment rate increased by 10.3 percentage points. This is the largest one-month jump in the history of the series. Moreover, the over-the-month rate increase exceeded the official unemployment rate in every month since the beginning of the series in 1948, except for two months in late 1982 when the rate hit 10.8%.

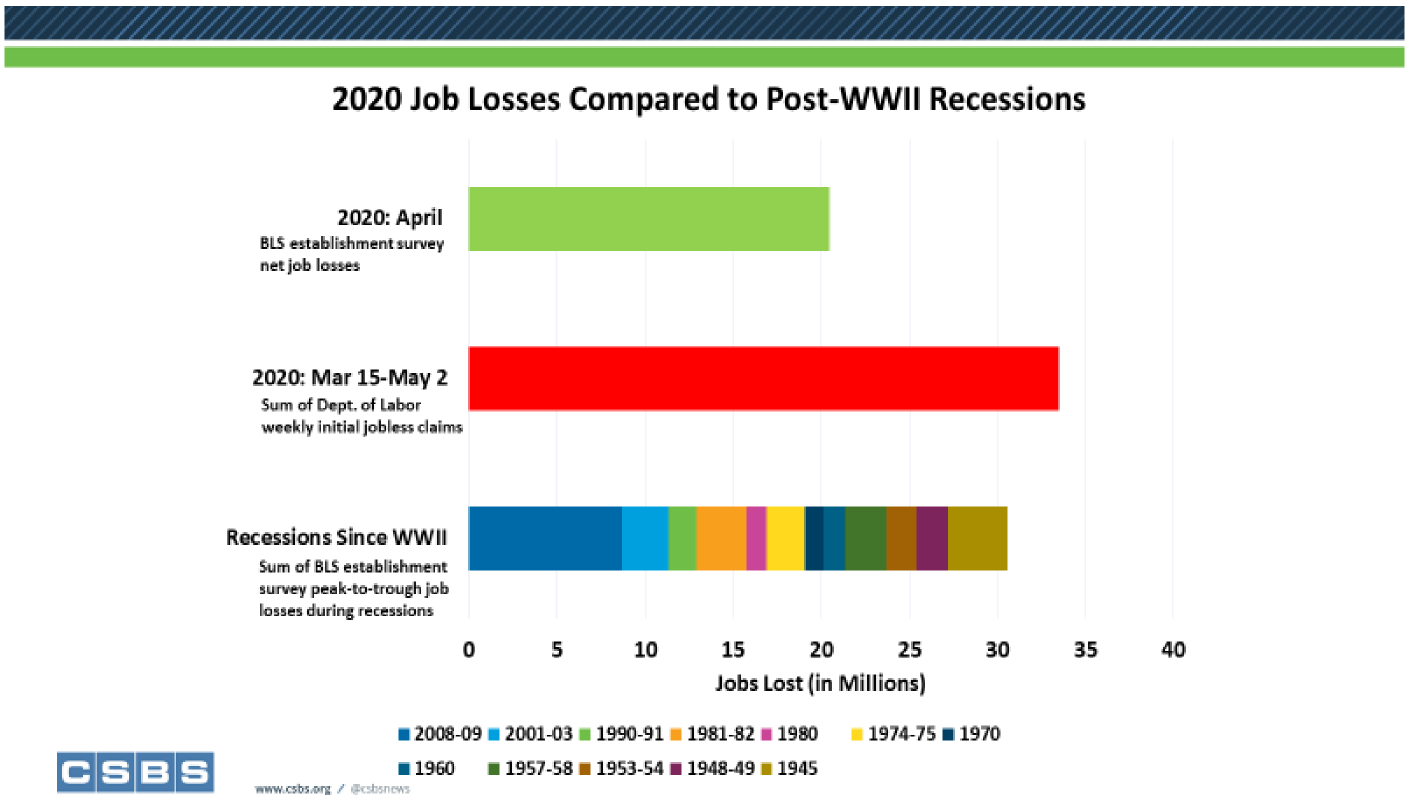
And yet, while it seems like these figures could not be worse, both surveys used to report the monthly employment situation do not tell the entire story. First, the establishment survey?used to measure nonfarm payroll employment, hours worked, and earnings by industry?counts workers as employed if they were paid for any part of the month, including when the survey period ended on April 12. Second, workers who were absent from their jobs and not paid are not counted as employed, even if they are continuing to receive benefits.

Similarly, the household survey?used to measure labor force status, including to calculate the unemployment rate?was conducted from April 12 to April 18. The BLS notes that there was an extremely large increase in both the number of unemployed on temporary layoff and the number of workers classified as employed but absent from work. And that if those counted as employed but absent from work had instead (and probably more correctly) been classified as unemployed on temporary layoff, the reported unemployment rate would have been about 5 percentage points higher.

Both surveys suffer from a timing bias in that they reflect responses only at mid-month, as well as potential misclassification errors. And because the lockdown procedures implemented since the pandemic that started in March continue to result in more layoffs and business closures, the last two monthly BLS reports have likely understated the depth of job losses across the nation.

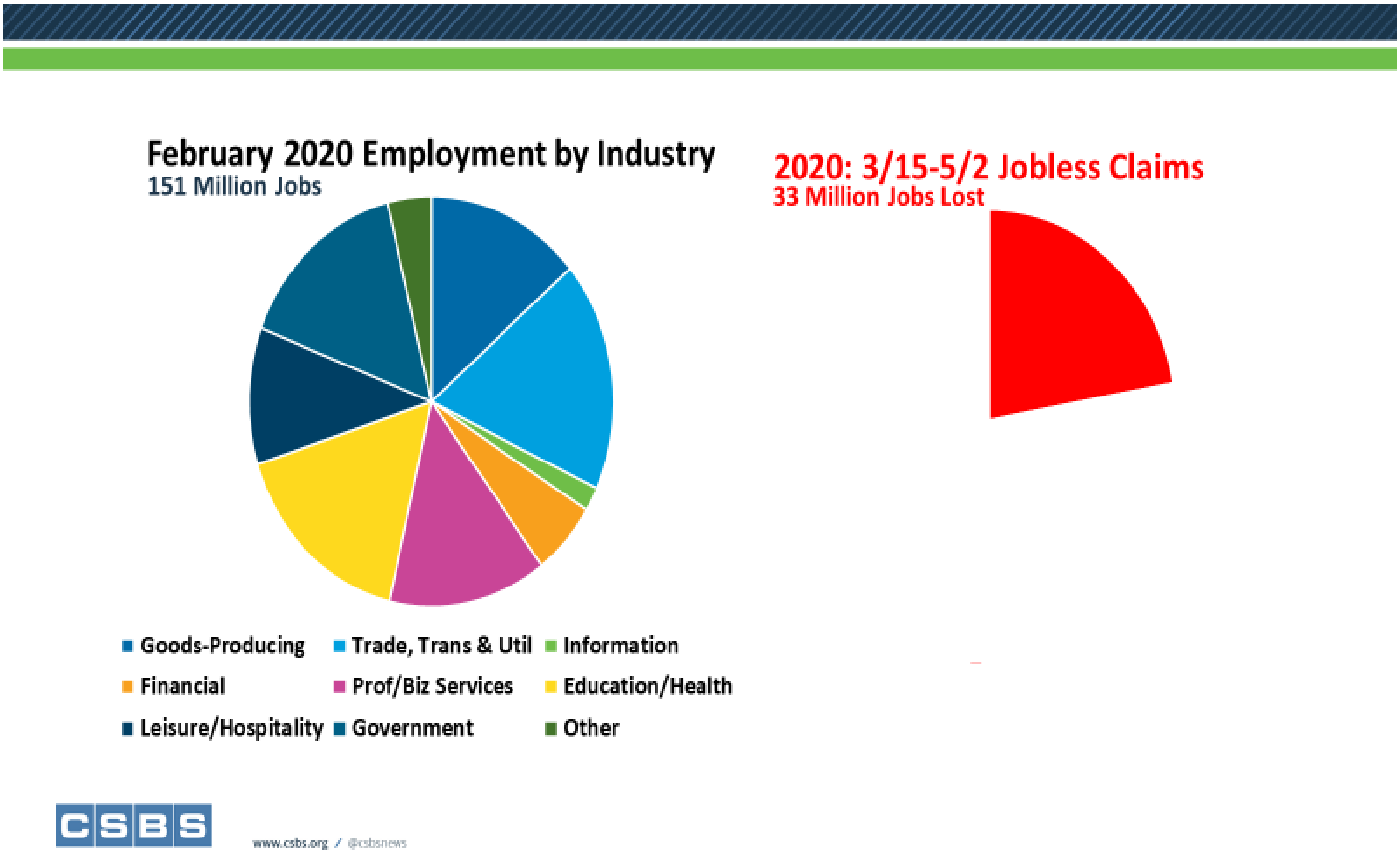
For a more high-frequency accounting of unemployed workers, the U.S. Department of Labor (DOL) reports weekly unemployment insurance claims. However, it is important to note that the DOL figures are gross job losses, not net job losses as reported in the BLS establishment survey, and that seasonal factors are likely over-emphasizing the current number of unemployed workers. Even so, the weekly DOL reports have clearly shown that the U.S. labor market has taken a stunning, historic and horrific hit. Over the past seven weeks, the DOL has reported that more than 33 million American workers?roughly 22% of the February 2020 labor force?have filed for initial unemployment insurance benefits.

To put that figure in perspective, the nearby bar chart compares both April 2020 job losses reported by the BLS and the last seven weeks of initial claims reported by the DOL with the net jobs lost over all of the post-World War II recessions. In less than two months, more workers joined the ranks of the unemployed than the sum of all the net jobs lost over the past twelve economic downturns.



Moreover, the nearby pie chart compares the percentage of jobs lost to the February 2020 percentage of employment by industry. Again, more jobs were lost in the last seven weeks than were employed in any of these individual industry sectors.

Stunning. Historic. Horrific.



While the federal government has gone to extreme measures to cushion the economic impact to many affected workers and businesses, the way forward must come from businesses committed to reopening, workers dedicated to providing value-added products and services, and consumers willing to spend, interact and engage with others. Certainly, a vaccine or treatment would help everyone feel more comfortable intermingling in shops, at work, in theatres and concert halls, at sporting events, and in other ways. But to get these workers back on the job, we will need to learn how to reopen the economy with the risk of the virus still in our midst.

In many areas, we are already seeing the ingenuity of business leaders and workers lead to a big readjustment in the way transactions are completed. The way out is through the creative genius and unwavering, resilient spirit of the American people. I remain confident that together we will overcome both the virus and the aftereffects from the Great Lockdown. Remain hopeful, my friends.

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