

COVID-19 Financial System Update - May 19

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Transcript

The current economic situation is unprecedented. How do you put it into perspective? We compare unemployment and jobless claims to crises past and try to get a handle on just how severe of a downturn we are having.

People are reporting struggles with their mortgage servicers and getting forbearance or other mortgage payment relief. CSBS and the Consumer Financial Protection Bureau released a consumer relief guide to explain your rights when asking for forbearance and what to expect when you call your servicer.

There's still more than \$100 billion left in Paycheck Protection Program money for small businesses. But what is it like on the ground for business owners applying? We highlight one firm's experience getting a loan.

And last but not least, the U.S. House of Representatives passed a \$3 trillion package. The bill seems to be a starting point for negotiations with the Senate, but what all is in it?

It's Tuesday, May 19, this is Matt Longacre, and here's the latest as of 11 a.m. Eastern:

Let's get a grip on the unemployment situation

The unemployment reports are bad, and it's hitting low-income families especially hard. Federal Reserve Chairman Jerome Powell says that 40% of all homes making less than \$40,000 per year have experienced job loss. But how bad is this compared to previous crises?

Late last week, CSBS Senior Economist Tom Siems [tried to provide some perspective](#) on the unemployment situation.

Siems looks primarily at two numbers: the U.S. Department of Labor unemployment report and the Bureau of Labor Statistics (BLS) unemployment claims for the past seven weeks. The Department of Labor report, while it is likely a more accurate assessment of the situation, only covers through the end of April. The BLS report, while more current, is a measure of gross unemployment claims and may not capture those who returned to work.

The Department of Labor Report (the one that's behind), estimates 20.5 million unemployed Americans, or 14.7%. The BLS report (that's the one that includes those who returned to work) estimates some 33 million new unemployment claims.

Now, if you take the total job losses of all recessions since World War II, you would come up with just over 30 million jobs lost. The unemployment claims are larger than entire industries, including the entire government payroll, the entire education and health industry and the entire leisure and hospitality industry.

One way Congress has tried to mitigate this blow has been to extend grants to small businesses through the Paycheck Protection Program...

But what has the experience been like for small business owners?

We spoke with Jane Gingrich, a Maryland-based accountant who runs her own firm and has both applied for a PPP loan and helped her clients apply. Here's a clip of our conversation...

[Clip]

You can [listen to the full PPP podcast](#) by subscribing to this channel or by checking the

show notes.

Another method to help stave off financial hardship has been to get consumers mortgage payment relief through something called “forbearance.”

However, state regulators report that many consumers are confused about their rights in the forbearance process. What are the repayment options? What proof do they have to provide to get forbearance?

CSBS and the CFPB teamed up to create a new guide for consumers. The [“Consumer Relief Guide – Your Rights to Mortgage Payment Forbearance and Foreclosure Protection”](#) explains the steps to obtain forbearance, loans that are eligible, the terms of forbearance, how your credit score is protected during forbearance, and more.

You can access that guide in the show notes.

And that’s not all... Congress is debating another stimulus bill that could be even larger than the \$2 trillion CARES Act.

The Democrat-controlled House of Representatives has passed the \$3 trillion HEROES Act as a starting point for negotiations with the Republican-controlled house.

Some key highlights of the bill include (And bear with me, even this summarized list is quite long):

- For governments:
 - Nearly \$1 trillion in financial relief to state, local and tribal governments as well as U.S. territories.

- \$75 billion to states and localities to provide direct assistance to consumers for mortgage payments, property taxes, utilities and other housing costs.
- For businesses & financial institutions:
 - \$1 billion in support for Community Development Financial Institutions
 - \$10 billion in grants to small businesses
 - Changes to the PPP loan program to increase eligibility, extend the loan terms, reserve funds for smaller businesses and many other changes.
 - A moratorium on debt collection for small businesses and nonprofits
 - Access to banking services for cannabis-related legitimate businesses
- For Consumers:
 - \$100 billion in emergency rental assistance
 - \$5 billion for public housing
 - Suspension of negative credit reporting
 - Prohibiting the garnishment of COVID19 Stimulus payments
 - Up to \$10,000 in debt relief for private student loans per student
 - The suspension of student loan payments through Sept. 30, 2021, with no interest accruals.
 - Additional protections for bankruptcy proceedings; and
- For the mortgage industry:
 - Creates a mortgage servicer lending facility through the Federal Reserve

CSBS and state regulators have been pushing for a mortgage servicer lending facility to protect the mortgage industry and ensure mortgage servicers are able to provide the consumer relief promised by Congress in the CARES Act.

The HEROES Act was sent to the Senate. All indications are that the Senate will pursue

its own path, if they act at all, on another relief bill, and both chambers would need to negotiate a final product.

That's all for today.

If your state or federal agency is taking action, if you've got a consumer resource, or if you've got financial news, please share it with us. You can send your news and activity to newsroom@csbs.org, and we will go through responses to share the most relevant news of the day.

Thank you. Please stay tuned, and bear with us as we work to bring all the news to you in the coming weeks.

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Podcast Length

7:52

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