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Congress Takes Big Step to Stabilize Employers and Families; More Needed

*An initial assessment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act
March 26, 2020*

With the anticipated passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, Congress is taking bold steps to protect jobs, stabilize nonprofits and small businesses, and directly assist laid-off workers and other households during this unprecedented health and economic crisis.

Congress took some action on five of Habitat's initial recommendations by: 1) broadening the right to mortgage forbearance; 2) providing small business assistance that includes nonprofits; 3) extending temporary protections from foreclosure and eviction to all federally-based or assisted properties; 4) sending one-time, direct cash assistance to low-to-middle income households to help with rent, mortgage, and other essential expenses; and 5) encouraging greater charitable giving.

While Habitat for Humanity applauds the passage of this greatly needed relief package and the bipartisan action that made it possible, we will continue advocating to Congress and the administration for housing stability and nonprofit relief.

What follows is an overview of key elements of the CARES Act relevant to Habitat affiliates and the families we serve. Habitat will be providing deeper analysis and more detailed guidance as we learn more about its implications for Habitat affiliates.

Assistance for Nonprofits

1. New Small Business Administration Loans (forgivable for 8 weeks of payroll and other expenses)

- Congress allocated \$349 billion for new section 7(a) SBA loans to nonprofits and other small businesses with 500 or fewer employees.
- These loans can be used to cover payroll expenses, employee benefits such as sick or medical leave, rent payments, interest on mortgage payments, and interest on any other debt obligation incurred before the covered period.
- The loans are forgivable in an amount equal to 8 weeks of total payroll costs, interest paid on mortgages, rent payments, and utility payments—*so long as employment is sustained, laid-off employees are rehired, or the positions are repopulated*. Otherwise, the forgivable portion of the loan is reduced in a manner proportionate to reduced employment.
- To streamline application and origination, the Act delegates authority to SBA-approved lenders to make and approve loans. Borrowers simply need to have been in operation as of February 15, 2020 and have had employees or independent contractors receiving compensation. Borrowers do not need to show harm from COVID-19, per se.
- The loans are 100% guaranteed by the federal government, can be repaid over up to 10 years, and are available for up to \$10 million, depending on employer size.

2. Streamlined Economic Impact Disaster Loans (\$10,000 advances available)

- Congress allocated \$10 billion for SBA's Economic Injury Disaster Loans (EIDL) for nonprofits and small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).
- The interest rate for nonprofits is 2.75%.
- An eligible entity who has applied for an EIDL loan due to COVID-19 can request an advance of up to \$10,000 on that loan, which the SBA must distribute within 3 days.
- For borrowers obtaining a new section 7(a) SBA loan, the EIDL grant advance would be subtracted from any amount forgiven.
- Advance payments may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.
- The Act waives the requirement that credit not be available elsewhere.

3. Payroll Tax Deferral (2 years)

- The Act allows employers and self-employed individuals to defer payment of the 6.2-percent Social Security tax that employers pay on employee wages. Half of the amount could be paid by December 31, 2021 and the other half by December 31, 2022.

4. Refundable Payroll Tax Credit to Encourage Employee Retention

- For nonprofits that do not qualify for or participate in the 7(a) program, for example large nonprofits, the Act creates a refundable payroll tax credit of up to \$5,000 per employee per quarter.
- The credit is available to businesses or nonprofits whose (1) operations were fully or partially suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.

5. Partial Reimbursement for Employer-Paid Unemployment Benefits

- The Act provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits for laid-off employees.

6. Charitable Deduction

- The Act encourages taxpayers to contribute to charitable organizations and churches in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize their deductions or not.

7. Flexibility on Benefits and Completion Timelines for AmeriCorps/CNCS

- Segal AmeriCorps Education Awards: The Act provides CNCS with a waiver to allow AmeriCorps members to earn the full value of their Segal AmeriCorps Education Award if COVID-19 prevented them from fulfilling their service hour requirements.
- Fixed Amount Grants: The Act provides CNCS with the flexibility to allow Fixed Amount Grant recipients to access their full federal award to maintain operations even if their AmeriCorps members were exited early, suspended or serving in a limited capacity due to COVID-19. This may not be applicable to state-run AmeriCorps programs which some affiliates participate in.



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- Funding Carryover: The Act provides CNCS with the authority to carryover unexpended FY20 funds and apply these resources to FY21 activities and programs.
- AmeriCorps NCCC: The Act extends age limits (maximum 26 years) and terms of service (not to exceed 1 year) for NCCC members who want to continue participating in the program after the COVID-19 disaster declaration ends. HFHI does not manage this program but many affiliates participate.

Direct Assistance to Households

8. Broad One-Time “Rebate”

- The Act enables a direct payment of \$1,200 to adults and \$500 for children.
- All U.S. residents with adjusted gross income up to \$75,000 (\$112,500 for heads of households; \$150,000 filing jointly) are eligible.
- The assistance is reduced as incomes approach \$99,000 (\$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children), and phased out completely above those limits.

9. Boost in Unemployment Assistance for Workers

- The Act provides an *additional* \$600 per-week payment to each recipient of unemployment insurance for up to four months, on top of what states currently provide.

Stabilizing Homeowners and Renters

10. Mortgage Forbearance

- The Act provides up to 180 days of forbearance for all borrowers with 1- to 4-unit properties and a federally-backed mortgage loan who have experienced a financial hardship related to the COVID-19 emergency.
- Applicable mortgages include those purchased by Fannie Mae and Freddie Mac, insured by HUD, VA, or USDA, or directly made by USDA.
- For multifamily borrowers (5 or more units), 90 days of forbearance is available for mortgage loans purchased, insured, or assisted by Fannie Mae, Freddie Mac, or HUD.

11. Foreclosure Protection

- The Act prohibits foreclosures on all federally-backed mortgage loans relating to 1- to 4-unit properties for a 60-day period beginning on March 18, 2020. This includes those purchased by Fannie Mae and Freddie Mac, insured by HUD, VA, or USDA, or directly made by USDA.

12. Eviction Protection

- For 120 days beginning on the date of enactment, landlords are prohibited from initiating legal action to recover possession of a rental unit or to charge fees, penalties, or other charges to the tenant related to such nonpayment of rent where the landlord’s mortgage on that property is insured, guaranteed, supplemented, protected, or assisted in any way by HUD, Fannie Mae, Freddie Mac, the rural housing voucher program, or the Violence Against Women Act of 1994.



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- Also, borrowers receiving forbearance on residential mortgage loan payments for multifamily properties with federally-backed loans may not evict or charge late fees to tenants for the duration of the forbearance period.

13. Credit Protection

- The Act requires furnishers to credit reporting agencies who agree to forbearance or modified payments with respect to an obligation or consumer impacted by COVID-19, to report the credit obligation or account as current or as the status reported prior to the accommodation during the period of accommodation unless the consumer becomes current.
- Such credit protection is available beginning January 31, 2020 and ends at the later of 120 days after enactment or 120 days after the date the national emergency declaration related to the coronavirus is terminated.

New Housing Appropriations

14. Community Development Block Grants (\$5 billion)

- Funds will enable nearly 1,240 states, counties, and cities to rapidly respond to COVID-19 and the economic and housing impacts caused by it.

15. Homeless Assistance Grants (\$4 billion)

- Funds will enable state and local governments to address coronavirus among the homeless population and provide prevention funding for individuals and families who would otherwise become homeless due to coronavirus.

16. Housing Choice Voucher Program (\$1.25 billion)

- Funds will preserve Section 8 voucher rental assistance for seniors, the disabled, and low-income working families, who will experience loss of income from the coronavirus.

17. Project-Based Rental Assistance (\$1 billion)

- This additional funding will make up for reduced tenant payments as a result of coronavirus.

18. Indian Housing (\$300 million)

- \$200 million for the Indian Housing Block Grant program and \$100 million for imminent threats to health and safety as a result of COVID-19.

19. Public Housing Operating Fund (\$685 million)

- Funds will provide Public Housing Agencies with additional operating assistance to make up for reduced tenant rent payments, as well as to help contain the spread of coronavirus in public housing properties.

20. Other

- The Act also provides \$65 million for Housing Opportunities for Persons with Aids (HOPWA), \$50 million for Section 202 Housing for the Elderly, and \$15 million for Section 811 Housing for Persons with Disabilities.