HOUSING PARTNERSHIP NETWORK

Policy Recommendations in Response to COVID-19

The impact of COVID-19 has been immediate and severe on low-income residents and people of modest economic means and the mission-driven groups that develop and operate affordable housing for this population, and it is getting worse. Despite limited eviction moratoria and mortgage forbearance available to some owners, the problems will remain long beyond the time when those expire. A robust and sustained federal housing response is required so residents and owners are not burdened by mounting debt from which they cannot recover. The economic strain is also likely to damage communities' ability to meet the affordable housing needs that predate the pandemic. Below is our set of recommended actions that the federal government could take to keep the current health and economic crisis from becoming a housing crisis as well.

Ensure residents remain safely and stably housed

- **Provide $48 billion in Home Investment Partnership Program (HOME) funding.** HOME could be used immediately to provide rental assistance for residents of non-assisted units, operational support for affordable projects, homeowner assistance and to address a wide variety of multi-family and single-family housing expenses and needs. HOME is our most flexible and proven affordable housing program that allows states and localities to respond to the needs in their communities with, in addition to rental support includes increased operating costs for cleaning, help to low income homeowners and money to bridge delays in affordable housing construction. More details on this proposal are available here.

- **Provide emergency rental assistance to extremely low and low-income households.** In addition to the rental assistance provided through the HOME proposal, we think there may be particular need for rental assistance targeted at extremely low and very low income households who could be facing mounting debt after eviction moratorium expire without the means to make up back rent. One way to do this would be to expand the Emergency Solutions Grant (ESG) program through which impacted Americans can access short-term rental assistance to keep renters in their homes.

- **Ensure there is adequate help available for homeowners.** Mortgage assistance, foreclosure prevention and other support to low- to moderate-homeowners will protect households hardest hit by an economic downturn and prevent an additional housing crisis on top of the health crisis. In the event of a deep recession, we also expect there to be a need for programs for down payment assistance, homeowner renovation and home construction to stabilize and revitalize neighborhoods. One proposal to do this is through a Housing Assistance Fund that would available to state housing finance agencies to address the needs of homeowners.

Ensure that affordable housing can continue to be developed with minimal disruption to meet our national affordable housing need

- **Establish a 4% minimum rate for bond financed deals**. With the lowered federal borrowing rates, "4 percent" the Low Income Housing Tax Credit (Housing Credit) is at an all-time low of 3.08 percent and will likely continue to decline. This threatens the viability of critically important and needed housing properties under development or rehabilitation. This would also provide parity to the 9 percent Housing Credit rate, for which Congress enacted a minimum rate as part of the response to the 2008 economic collapse in recognition of the critical role of affordable housing in the recovery.

- **Allow developments to access 4 percent Housing Credits by lowering the "50 percent test" to 25 percent (for buildings placed in service after January 20, 2020)**. This will stimulate additional affordable housing production by allowing developments to access credits, while also allowing for more flexibility around issues that have arisen from the crisis that have impacted the availability of bond financing, including delays and increased costs. These unexpected and increased project costs are putting projects into jeopardy as the expected bond allocation for the project will no longer represent 50% of the total costs, therefore disallowing any 4% credits being used to make the project financing work. A bipartisan House letter in support of these changes can be found here.

- **Enable Fannie Mae and Freddie Mac to Prevent Destabilization in the Housing Credit Market**. The Housing Credit has broad, bipartisan support and has served as the most effective program at producing affordable housing. In previous economic downturns, the market for Housing Credits has been adversely affected, leading to less affordable housing production when it is needed most. Fannie Mae and Freddie Mac, both significant investors in the market, can play a vital countercyclical role in stabilizing the flow of capital to affordable housing. However, Fannie Mae and Freddie Mac are each currently limited to $500 million in Housing Credit investments per year by the Federal Housing Finance Agency (FHFA). Lifting these caps will prevent market destabilization that would diminish the effectiveness of the Housing Credit.

- **Provide relief from standard deadlines**. The pandemic has already led to consequential delays in transactions, construction, inspections; we encourage immediate legislative action to extend three key deadlines Housing Credit deadlines for one year: 10 percent test deadlines, placed in service deadlines, and rehabilitation expenditure deadlines. We also urge Congress to look at deadlines for other critical federal community development programs including the Capital Magnet Fund and New Markets Tax Credit to ensure the current deadlines do not lead to unintended consequences.

Support recovery through investment in communities

- **$1 Billion in Funding to the CDFI Fund**. Community Development Finance Institutions are "financial first responders" during disasters, and have proven their adaptability to help underserved communities survive and rebound. For example, as soon as the mandatory business closures were issued, CDFIs reached out to their borrowers with accommodations to ease economic disruptions. CDFIs also responding to COVID-19 themselves and need capital assistance to maintain their financial health in order to be a resource to their communities.

- **$2.5 Billion to the Capital Magnet Fund (CMF).** CMF encourages private investment into communities for affordable housing and economic development. It provides funding that non-profit developers and lenders cannot find elsewhere – funding to do predevelopment work, creating revolving loan funds, establish loan loss reserves, and provide loan guarantees. This request would allow communities to stabilize and recover from the economic effects of the pandemic. More on this proposal is available here.

- **Increase the 9 percent Housing Credit Allocation by 50 percent.** Increasing the annual 9 percent Housing Credit allocation would finance hundreds of thousands of affordable homes for low-income households in much more dire need of affordable housing as a result of the economic crisis brought on by COVID-19.

In addition, HPN recommends that Congress work with appropriate federal agencies to provide broad flexibility in respond quickly to changing needs and extend deadlines during the COVID-19 pandemic.

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