

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

February 1, 2021

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: February 4, 2021, Full Committee Hearing entitled, “More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus”

The full Committee will hold a hearing entitled, “More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus,” on Thursday, February 4, 2021, at 10:00 a.m. remotely via the virtual meeting platform, Cisco WebEx. There will be one panel with the following witnesses:

- **Clarence Anthony**, CEO and Executive Director, National League of Cities
- **Derrick Johnson**, President and CEO, National Association for the Advancement of Colored People (NAACP)
- **Janet Murguía**, President and CEO, UnidosUS
- **William Spriggs**, Chief Economist, The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
- **Dr. Michael Strain**, Economist, American Enterprise Institute

Overview

As of February 1, 2021, the coronavirus disease 2019 (COVID-19) pandemic has caused over 102 million infections and over 2.2 million deaths worldwide, with more than 25.8 million infections and 436,000 deaths in the United States alone.¹ The daily mortality rates for COVID-19 since mid-November 2020 make it the leading cause of death in the United States.² The COVID-19 pandemic has disproportionately affected low-income communities and people of color. For example, in substantially non-white counties that have a high rate of poverty, residents have a nine times greater chance of death from COVID-19 than in mostly white, similar-income counties.³ COVID-19 has also taken a substantial economic toll. The national unemployment rate peaked at 14.7% in April 2020 when 20.5 million people in the United States lost their jobs.⁴ The unemployment rate in the United States remains at 6.7%, significantly higher than the 3.5% pre-pandemic unemployment rate.⁵ Real gross domestic product (GDP) for the third quarter of 2020 is 3.4% below the level of real GDP for the fourth quarter of 2019, the most recent quarter before the onset of the pandemic.⁶

¹ [WHO Coronavirus Disease \(COVID-19\) Dashboard](#), World Health Organization (Last Accessed Feb. 1, 2021).

² Daily mortality rates for heart disease and cancer, which for decades have been the two leading causes of death, are approximately 1,700 and 1,600 deaths per day, respectively. Woolf, et al, [COVID-19 as the Leading Cause of Death in the United States](#), Journal of American Medical Association (Dec. 17, 2020).

³ Adhikari et al., [Assessment of Community-Level Disparities in Coronavirus Disease 2019 \(COVID-19\) Infections and Deaths in Large US Metropolitan Areas](#) (July 28, 2020).

⁴ [Unemployment rate jumps to 14.7 percent, the worst since the Great Depression](#), Washington Post (May 8, 2020).

⁵ [Unemployment rate remains at 6.7%, employers cut 140,000 jobs last month](#), ABC News (Jan. 8, 2021).

⁶ [Gross Domestic Product \(Third Estimate\), Corporate Profits \(Revised\), and GDP by Industry, Third Quarter 2020: Technical Note](#), U.S. Bureau of Economic Analysis (Dec. 22, 2020).

The Response and Relief Act

The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (Response and Relief Act), which passed Congress as part of the 2021 Consolidated Appropriations Act, became law on December 27, 2020.⁷ The Response and Relief Act supplemented the stimulus and relief provisions in previous COVID-19-related legislation. Among other economic relief, the Response and Relief Act provided \$25 billion in emergency rental assistance, extended the Centers for Disease Control and Prevention (CDC) eviction moratorium through January 31, 2021, and provided \$600 in direct economic stimulus payments to eligible individuals. Additionally, the legislation amended the Paycheck Protection Program (PPP) by making business expenses paid with the loans tax deductible, increasing the number of forgivable uses of PPP loans, simplifying the process for receiving loan forgiveness for loans of \$150,000 or less, and requiring demographic reporting for loan recipients to better track diversity data. The Response and Relief Act also established a \$9 billion capital facility for minority depository institutions and community development financial institutions (CDFIs), in addition to \$3 billion for the CDFI fund; augmented healthcare, nutrition, and transportation programs; and expanded broadband internet access.

CARES Act Stimulus Programs

The CARES Act appropriated \$500 billion to Treasury's Economic Stabilization Fund, of which up to \$25 billion was available to passenger airlines, up to \$4 billion to cargo airlines, and up to \$17 billion to businesses critical to maintaining national security. As of November 9, Treasury had approved over \$28.2 billion to 610 applicants in the aviation industry.⁸ Despite support provided in the CARES Act, the aviation industry continues to struggle with over 123,000 airline workers losing their jobs since February 2020.⁹ The remainder appropriated to the Fund — approximately \$454 billion — was made available to support Federal Reserve lending facilities such as the Main Street Lending Program (MSLP) and Municipal Liquidity Facility (MLF). On November 19, former Treasury Secretary Mnuchin wrote to the Fed requesting the return of any unused portion of funds committed to the Fed's facilities, and on November 20, the Fed Chair agreed.¹⁰ Data from the Fed indicates that approximately \$138 billion in unused funding from emergency lending facilities was returned to Treasury at the end of December.¹¹ The Response and Relief Act eliminated the CARES Act facilities and what remained of the \$454 billion appropriation, although the Fed and Treasury retained the authority to set up emergency lending facilities, so long as they are not identical to those created following the CARES Act.^{12 13}

The CARES Act also established the Paycheck Protection Program (PPP) at the Small Business Administration. The PPP provides forgivable loans to small businesses and certain non-profit organizations through financial institutions, including banks and credit unions. The program has been modified and expanded several times by Congress. The SBA re-opened the PPP loan portal on January 13, 2021 to applications for first and second draw loans.¹⁴

President Biden's American Rescue Plan

⁷ Consolidated Appropriations Act, 2021, [Pub. L. No. 116-260](#).

⁸ U.S. Treasury, [Payroll Support Program Payments](#) (Aug. 12, 2020).

⁹ [Taxi drivers and airline workers forced to brink of starvation as travel is at a standstill](#), CNN (Jan. 22, 2021).

¹⁰ Federal Reserve Chair Powell [letter](#) to Treasury Secretary Mnuchin (Nov. 20, 2020).

¹¹ Compare [Federal Reserve Statistical Release H.4.1](#), Board of Governors of the Federal Reserve System (Jan. 7, 2021) with [Federal Reserve Statistical Release H.4.1](#), Board of Governors of the Federal Reserve System (Dec. 28, 2021).

¹² House Financial Services Committee, [Waters releases extended statement for the record on the Consolidated Appropriations Act](#), (December 22, 2020)

¹⁴ [SBA Re-Opening Paycheck Protection Program to Small Lenders on Friday, January 15 and All Lenders on Tuesday, January 19](#), Small Business Administration (Jan. 13, 2021).

¹⁴ [SBA Re-Opening Paycheck Protection Program to Small Lenders on Friday, January 15 and All Lenders on Tuesday, January 19](#), Small Business Administration (Jan. 13, 2021).

On January 14, 2021, then-President-elect Joseph R. Biden announced the American Rescue Plan (the Plan), a \$1.9 trillion legislative proposal to address the health and economic impacts of the COVID-19 pandemic.¹⁵ The Plan would provide relief to individuals, communities, and businesses, stimulate the economy, invest in health measures such as vaccination infrastructure, and provide \$9 billion to invest in cybersecurity infrastructure.¹⁶ According to one estimate, in contrast to no additional fiscal support, the Plan would increase real GDP by roughly 4 percent at the end of 2021 and 2 percent at the end of 2022.¹⁷

Economic Stimulus.¹⁸ The Plan would provide \$1,400 in direct payments, supplementing the \$600 direct stimulus payments included in the Response and Relief Act, to bring the second round of total direct stimulus to \$2,000. The Plan would provide \$15 billion in “flexible, equitably distributed” grants to more than one million of the “hardest hit” small businesses. The Plan would also allocate \$35 billion to state, local, tribal, and non-profit small business financing programs, which they could leverage to generate as much as \$175 billion in low-interest loans and venture capital to help entrepreneurs.

Housing Relief.¹⁹ The Plan would provide \$25 billion in rental assistance and \$5 billion to help cover home energy and water costs and arrears. The Plan would also extend the moratoriums on evictions and foreclosures, as well as the forbearance period for properties with federally guaranteed mortgages until September 30, 2021. Additionally, the Plan would include \$5 billion in emergency assistance to secure housing for people experiencing homelessness.

Employment Benefits.²⁰ The Plan would extend \$400 per week unemployment benefits through September 2021 to most workers, including those who have exhausted regular unemployment benefits and workers who do not typically qualify for benefits. The Plan urges Congress to raise the federal minimum wage to \$15 an hour. The Plan would provide emergency paid leave to 106 million Americans through September 2021, providing a maximum paid leave benefit of \$1,400 per week for eligible workers and full wage replacement to workers earning up to \$73,000 annually.

Community Relief.²¹ The Plan would provide \$350 billion in emergency funding for state, local, and territorial governments to continue to pay frontline public workers. The Plan would also provide \$20 billion in relief for struggling public transit agencies and \$20 billion to support Tribal governments’ response to the pandemic. The Plan would also provide \$130 billion for health and social distancing measures at schools to facilitate safe reopening, \$35 billion for public higher education institutions, and up to an additional \$1,700 directly to college students.

Health Measures.²² The Plan would allocate \$50 billion to expand COVID-19 testing capacity, \$30 billion into the Disaster Relief Fund for supplies and protective gear, and \$20 billion in a national vaccination program. The Plan would expand the Federal Medicaid Assistance Percentage to 100% for the administration of vaccines and provide 100% federal reimbursement for critical emergency response resources to states, local governments, and Tribes, including deployment of the National Guard. The Plan would further invest \$10 billion in expanding domestic manufacturing of pandemic supplies using the executive authorities under the Defense Production Act.

¹⁵ [Joe Biden Unveils a \\$1.9 Trillion Plan to Stem the Virus and Steady the Economy](#), Time Magazine (Jan 14, 2021).

¹⁶ [President-elect Biden Announces American Rescue Plan](#), Build Back Better (Jan. 2021).

¹⁷ [The macroeconomic implications of Biden’s \\$1.9 trillion fiscal package](#), Brookings Institution (Jan. 28, 2021).

¹⁸ *Id.* at 9 and 17.

¹⁹ *Id.* at 10-11.

²⁰ *Id.* at 8-9 and 12.

²¹ *Id.* at 6-7 and 17-18.

²² *Id.* at 3-5.

A Growing Wave of Evictions and Increasing Housing Insecurity

The economic impact of the COVID-19 pandemic has taken a heavy toll on renters. More than 50% of renters lost income in the early part of the pandemic, and renters – particularly Black and Latinx renters – have been more likely to lose employment than homeowners.²³ According to the U.S. Census Bureau’s Household Pulse Survey, 19% of renter households reported that they were not caught up on rent in December of 2020, with Black and Latinx renters more likely to be behind than White renters.²⁴ Moody’s Analytics has estimated that U.S. renters owe more than \$57 billion collectively in unpaid rent, utilities, and additional fees.²⁵ Meanwhile, according to the latest Census Bureau Pulse Survey data, over 8 million homeowners were not caught up on mortgage payments with homeowners of color more than twice as likely to be behind compared to their white counterparts, which threatens to compound inequitable housing and homelessness trends.²⁶ During the second quarter of 2020, there were an estimated \$16.3 billion in mortgage arrears.²⁷ Between March and October of 2020, it is estimated that each homeowner in forbearance had missed \$3,200 in cumulative mortgage payments.²⁸

Prior to imposition of the CDC eviction moratorium order, researchers predicted that between 29 and 40 million renters could be evicted by the end of 2020 due to financial instability.²⁹ While the CDC order has helped some families remain in their homes, it has several significant shortcomings; for example, renters must be aware of its protections and submit a form to their landlord to be protected by the order.³⁰ The CDC eviction moratorium order would have expired on December 31, 2020 but for the Relief and Response Act, which extended the order through January 31, 2021.³¹ On January 20, 2021, President Biden requested the CDC extend their eviction moratorium through at least March 31.³²

State and Local Governments Expect Continuing Budgetary Shortfalls

States have faced significant declines in tax revenue as a result of reduced economic activity during the COVID-19 pandemic. Moody’s Analytics estimates that state and local governments will have shortfalls of between \$268 and \$468 billion between fiscal year 2020 and 2022.³³ The U.S. Conference of Mayors has requested \$250 billion in aid for fiscal year 2020.³⁴ The National League of Cities has requested the same, and an additional \$250 billion for fiscal year 2021. Without additional federal support, the Economic Policy Institute estimates that 5.3 million public sector jobs could be lost by the end of 2021.³⁵

²³ Alexander Hermann, [Using the Census Bureau’s Household Pulse Survey to Assess the Economic Impacts of COVID-19 on America’s Households](#), Joint Center for Housing Studies (July 2, 2020).

²⁴ [Measuring Household Experiences during the Coronavirus Pandemic](#), United States Census Bureau (Jan. 12, 2021).

²⁵ [Nearly 20% of renters in America are behind on their payments](#), CNBC (Jan. 25, 2021).

²⁶ [Week 22 Household Pulse Survey](#), U.S. Census Bureau (Jan. 27, 2021).

²⁷ Gary V. Engelhardt and Michael D. Eriksen, [Housing-Related Financial Distress During the Pandemic](#), Research Institute for Housing America (Sep. 17, 2020).

²⁸ Cherry et al., [Government and Private Household Debt Relief During COVID-19](#), National Bureau of Economic Research (Jan. 2021).

²⁹ Benfer et al., [The COVID-19 Eviction Crisis: an Estimated 30-40 Million People in America Are at Risk](#), The Aspen Institute (Aug. 7, 2020).

³⁰ [P.L. 116- 260](#)

³¹ [P.L. 116- 260](#)

³² [Biden Signs Executive Order to Extend Eviction Moratorium. Is More Rent Relief Next?](#), Forbes (Jan. 20, 2021).

³³ [Dan White, U.S. State and Local Government Shortfall Update, Moody’s Analytics](#) (Sept. 21, 2021).

³⁴ Marc. H. Morial, [Cities are the Economic Engine of the Nation; Congress Must Act Now to Deliver Relief](#), National Urban League (Jan. 18, 2021).

³⁵ Josh Bivens; David Cooper, [Without federal aid to state and local governments, 5.3 million workers will lose their jobs by the end of 2021](#), Economic Policy Institute (June 10, 2020).

Certain Small Businesses Face Disproportionate Challenges During Pandemic

According to a study by McKinsey and Company, restaurant revenues dropped by over 50% between mid-March, when lockdowns first went into place, and April 2020.³⁶ Restaurants and bars have lost an estimated 2.4 million jobs since the start of the pandemic, with more than 110,000 such businesses – or about one in six – being forced to permanently close.³⁷ Between consumer anxiety about dining out and shifting lockdown and sanitation requirements, restaurants have struggled to recover – indeed revenues may take years to return to pre-pandemic levels. In the dining industry, and for small businesses in general, the impact has taken a disproportionate toll on communities of color. According to a June 2020 study by the National Bureau of Economic Research, the number of working business owners decrease by 22% from February to April 2020.³⁸ The number of Black business owners dropped 41% and Latinx business owners dropped by 31% in this same time period. A study by the Brookings Institute found that businesses in majority Black neighborhoods received PPP loans less frequently, waited longer for PPP loans, and were more likely to apply through fintech or online lending platforms which frequently carry less favorable interest terms and repayment terms compared to traditional banks.³⁹

Challenges to Consumers During the COVID-19 Pandemic

The COVID-19 pandemic has caused severe financial stress to consumers, who have seen historically high rates of unemployment or underemployment.⁴⁰ The Consumer Financial Protection Bureau reported receiving elevated numbers of complaints during the COVID-19 pandemic, with mortgage credit card, credit reporting, and debt collection complaints topping the list.⁴¹ While student loan payments were paused for most federal student loan borrowers under the CARES Act, private student loan borrowers did not receive federal protections, and student loan payments may resume in the near future unless further action occurs, adding further uncertainty to consumers with student debt.

The Continuing Need to Enhance Medical Supplies and Equipment

The COVID-19 Pandemic has revealed significant gaps in the U.S. ability to rapidly deploy key medical equipment and supplies in the face of ever-changing requirements. The rollout of COVID-19 vaccines has not met expectations, with ⁴²critical gaps and vulnerabilities in medical and drug supply chains complicating efforts to rapidly deploy vaccines, such as syringes with low dead space needles.⁴³ In addition, the emerging COVID-19 variants may require additional changes in production lines or the cooperation of different corporations. Funds to exercise the authorities of the Defense Production Act of 1950 can help boost domestic production, secure supply chain for critical vaccine production, and help foster collaboration between companies where it is most needed.⁴⁴ On January 21, 2021 President Biden invoked the Defense Production Act, a law which can force companies to produce emergency medical supplies.⁴⁵

³⁶ Haas et al., [Eating out\(side\): Restaurant dining in the next normal](#), McKinsey & Company (Aug. 28, 2020).

³⁷ [Quick Facts](#), Independent Restaurant Association (last accessed Feb. 1, 2021).

³⁸ Robert W. Fairlie, [The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey](#), National Bureau of Economic Research (June 2020).

³⁹ Sifan Liu and Joseph Parilla, [New data shows small businesses in communities of color had unequal access to federal COVID-19 relief](#), Brookings Institute (Sept. 17, 2020).

⁴⁰ Congressional Research Services, [Unemployment Rates During the COVID-19 Pandemic: In Brief](#) (Jan. 12, 2021).

⁴¹ [July 2020 Complaint Bulletin](#), Consumer Financial Protection Bureau (July 16, 2020).

⁴² [Why N95 Masks Are Still In Short Supply In The U.S.](#), National Public Radio (Jan. 27, 2021).

⁴³ Reuters, [U.S. goal to squeeze more COVID shots from Pfizer vials hampered by syringe production](#) (Jan. 25, 2021).

⁴⁴ [Vaccine Distribution, Supply Chain Issues, Testing, Still Present Challenges in Federal Pandemic Response](#), Government Accountability Office. (Jan 28, 2021).

⁴⁵ [Biden releases national COVID strategy, will order agencies to use Defense Production Act](#), The Hill (Jan 21, 2021).