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Committee on Ways and Means

Subcommittee on Select Revenue Measures

"Consequences of Inaction on COVID Tax Legislation

Testimony and Statement of Marc H. Morial

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Good afternoon, Chairman Thompson, Ranking Member Smith, and members of this subcommittee. I am Marc H. Morial, President and CEO of the National Urban League. Thank you for the opportunity to testify on the "Consequences of Inaction on COVID Tax Legislation."

Founded in 1910, the National Urban League was established as a nonpartisan, nonprofit civil rights organization dedicated to the economic empowerment of African Americans and other underserved populations. We conduct our work through a network of 90 Affiliates across 36 states and the District of Columbia and our Washington Bureau. The National Urban League proudly serves 2 million constituents each year. As a leading housing counseling agency approved by the U.S. Department of Housing and Urban Development (HUD), we operate housing programs at more than 30 of our Urban League affiliates. Since 2008, we have serviced over 300,000 clients and have first-hand knowledge from our clients on the housing situation in many communities of color throughout the country.

Today, I will focus my comments on the consequences of a failure to pass COVID legislation for tens of millions Americans facing eviction and foreclosure as a result of this biggest public health crisis in 100 years, one that has left million jobless, over 6 million infected with COVID-19, and 200,000 dead.[1]

Unemployment, Evictions, Foreclosures, and Comparisons to The Great Recession

The COVID-19 public health pandemic has quickly precipitated into an economic crisis, weakening the financial footing of American households across the country. According to a Census Bureau survey conducted in July, nearly 43.4 million Americans – or 25.3 percent of the adult population – either missed that month's rent or mortgage payment or have little to no confidence that they could pay August's on time. The situation is worse for Black and Latino households, for whom racial divides in housing access and homeownership rates long preceded the current economic fallout.

A worsening economic outlook will, unfortunately, lead to even higher unemployment, lower wages, and significantly less income for working families nationwide, many of whom were struggling to make ends meet long before the pandemic hit.

Today, there are more than 13.6 million Americans are out of work — more than at any other point since the Great Depression. Although the labor market appears to be climbing out of a deep hole, Black and Latino workers are experiencing disproportionate economic challenges, including an unemployment rate of 13.0 percent and 10.5 percent, respectively, compared to a white unemployment rate of 7.3 percent.[2] Black and Latino workers are more likely to be employed in low-wage jobs, which are less likely to offer remote work options or paid leave and health insurance benefits. Low wages leave workers with limited or no savings to backfill an unexpected and sustained loss of income.

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[1] COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, https://coronavirus.jhu.edu/map.html (accessed on Sept. 9, 2020).

[2] THE EMPLOYMENT SITUATION — AUGUST 2020, Bureau of Labor Statistics, Sept. 4, 2020 (accessed on Sept. 9, 2020 at https://www.bls.gov/news.release/pdf/empsit.pdf).

Evictions

Throughout the pandemic there has been a recognition that families are at high risk of eviction due to job loss, reduced income, and increases in household expenses. The Coronavirus Aid, Relief, and Economic Security Act **(**CARES) Act protection for renters included additional funding for HUD programs, including homelessness and eviction prevention, and an eviction moratorium that lasted until July 24, 2020. The Act covered renters whose landlords have federally backed mortgages or who otherwise receive federal assistance. The problem, according to the Urban Institute, is the measure did not cover about 72 percent of the rental housing market.[3] As many as 44 percent of Black rental households – 5.4 million – had little to no confidence they would be able to meet their next rent payment on time.[4] Even before the pandemic, nine of the 10 highest-evicting large U.S. cities had populations that were at least 30 percent Black. Among the eviction cases filed since the pandemic began, nearly two-thirds were in communities with above-average populations of color. With evictions clustered in lower-income Black neighborhoods, entire communities already struggling with massive job loss and business closures are disrupted by a churn of people moving in and out that severs close-knit social network.

Following the expiration of the CARES Act eviction moratorium, the Administration announced executive actions aimed at temporarily halting evictions. These actions didn't immediately institute an eviction moratorium but instead asked HUD, the Centers for Disease Control and Prevention (CDC), and Treasury to identify ways to stop evictions and existing resources that could be used to help people pay their rent. As a result, in September, the CDC issued a new eviction moratorium that halts evictions for many renters based mostly on 2019 or 2020 household income level until December 31. While this action does temporarily help, there are limitations: it is unclear if this moratorium will hold up against legal challenges, renters will still acquire rent related debt, and the action does not include additional funds to help people pay rent either now or once the moratorium ends. Without rental assistance, there is also a concern of the impact of people being not paying rent on landlords, especially small landlords. Nearly half (49.5%) of all rental units are single family or 2-4 unit buildings, many of which are owned by small businesses that do not have deep pockets or easy access to bank lines of credit. These small landlords must continue to pay their mortgages and other expenses. This order essentially amounts to an unfunded mandate for these small business owners."[5]

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[3] Federally Financed Rentals—That's One in Four US Rental Units, Urban Institute, (accessed on Sept. 9, 2020 at https://www.urban.org/urban-wire/cares-act-eviction-moratorium-covers-all-federally-financed-rentals-thats-one-four-us-rental-units).

[4] 1963-2020, Declaration of Principles, Commitment March: Get Your Knee Off Our Necks, Sept. 2020, (accessed Sept. 9, 2020 at https://nul.org/sites/default/files/2020-09/20.59.NUL_.2020.March_.Agenda.08.26.20.MEC_Final.pdf).

[5] President Lisa Rice, National Fair Housing Alliance, CDC Eviction Moratorium Not Enough and Will Cause Chaos In Courts, Sept. 3, 2020 (accessed on Sept. 9, 2020 at https://nationalfairhousing.org/2020/09/03/cdc-eviction-moratorium-not-enough-and-will-cause-chaos-in-courts/).

As we participate in today's hearing, the number of Americans on the brink of eviction range from 30 million to 40 million.[6] With supplemental federal unemployment insurance payments eliminated or greatly reduced, we are facing an unprecedented wave of eviction that will drive the nation even further into economic crisis and despair.

Eviction does not just mean the loss of a home. It means the loss of self-esteem, peace of mind, community and support systems and physical and mental health. This is especially true for children. Safe, affordable housing has always been at the heart of the National Urban League's mission. As economic first responders, Urban League affiliates around the country are keeping people in their homes with emergency rental assistance, intervention and counseling. We are seeing the devastating economic effects of the pandemic first-hand.

Evictions are not just a result of poverty; they are a cause of poverty. It can result in job loss and make it hard to find a new job. It can make it almost impossible to secure decent housing. It leaves scars that can last a lifetime.

Foreclosures

Under the CARES Act, homeowners experiencing financial hardship due to COVID-19 can be granted forbearance on a federally-backed mortgage loan. The program allows borrowers to delay their monthly payments for a year. Those payments are then tacked on to the end of the loan or paid back over time in a mortgage modification. Millions who took advantage of the program, however, have not found work or earned enough income to pay the arrearages in mortgage payments. And now, the danger of mortgage forbearance turning into foreclosures is rising, according to the Federal Reserve Bank of Atlanta[7], because: "The threat that forbearance will transition to foreclosure has regained power because the number of COVID-19 infections is increasing and the CARES Act unemployment insurance benefits will expire at the end of July." According to the report, unemployment benefits kept forbearance rates lower than some of the most pessimistic forecasts of 20 percent to 30 percent.

The risk of loss of Black homeownership is even more troubling. The Great Recession wiped out 50 years of rising Black homeownership, with the rate now as low as it was before the Fair Housing Act, the period in which housing discrimination was legal. [8]

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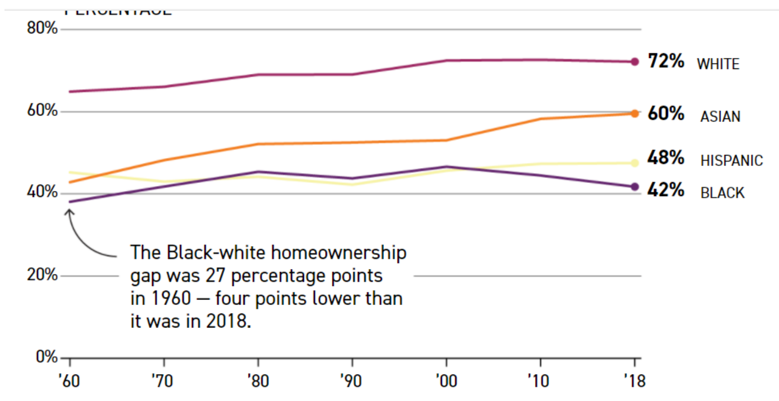
[6] Jacob Passey, Calculating America's Eviction Crisis: Up to 40 Million People Are at Risk of Being Kicked Out of Their Homes, Market Watch (Aug. 10, 2020) (accessed on Sept. 9, 2020 at https://www.marketwatch.com/story/calculating-americas-eviction-crisis-up-to-40-million-people-are-at-risk-of-being-kicked-out-of-their-homes-2020-08-07).

[7] Federal Reserve Bank of Atlanta, An Update on Forbearance Trends, July 2, 2020. (Accessed on Sept. 9 at https://www.frbatlanta.org/blogs/real-estate-research/2020/07/02/update-on-forbearance-trends).

[8] National Urban League, State of Black America Unmasked 2020, Executive Summary at 6 (accessed on Sept. 9, 2020 at http://sobadev.iamempowered.com/sites/soba.iamempowered.com/files/NUL-SOBA-2020-ES-web.pdf).



Sources: U.S. Census Bureau, Urban Institute

The current crisis is giving us flashbacks of the Great Recession when Black and Latino communities disproportionately lost their homes and hundreds of billions in collective home equity. To add insult to injury, this wealth was too often transferred to opportunistic vulture investment firms with no ties to the communities in distress. Tragically, many families have not yet recovered from these losses from over a decade ago. Congress must take swift action to ensure the COVID-19 crisis does not perpetuate and exacerbate the harmful legacy of redlining, discriminatory lending practices, disinvestment, and market failures, causing economic stability and housing access in communities of color in America.

Solutions

The solutions to this housing crisis are complex, but Congress has tools to address them. The National Urban League has called for the Senate to pass and the President to sign the Health and Economic Recovery Omnibus Emergency Solutions Act (referred to as the "HEROES Act"). This legislation includes $100 billion in emergency rental assistance and funding for 100,000 new emergency housing vouchers. The legislation would also establish a new moratorium on evictions for nonpayment for one full year and expand its terms to cover virtually all rental housing. This combined with the $100 billion for emergency rental assistance will ensure that homeowners and renters can pay for arrearages and future rent costs to protect their homes.

Among the revenue provisions (Division B) of the HEROES Act, the legislation would make changes to certain refundable and non-refundable credits aimed at taxpayers with dependents under the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), and Child and Dependent Care Tax Credit (CDCTC). In our 2020 State of Black America report issued last month, we called for solutions that "bolster[ ] economic security for Black families and stem[ ] patterns of wealth-stripping in Black communities." We called for an increase in the supply of affordable housing to support the stability needed for Black renters to begin building wealth and prepare for a future as homeowners. We also called for expansion of credits like the EITC and CTC to better support families struggling to meet housing and other needs.[9] Key provisions in the HEROES Act answered that call. Making the Child Tax Credit fully available, for example, would lift more than 700,000 black children out of poverty and improve the financial security of two million Black women. Picture a mother with a 2-year-old daughter and 7-year-old son works part time as a cleaner at an assisted living complex, earning $9,000 a year. If the HEROES Act were enacted, and her family were to receive the same Child Tax Credit as people with higher incomes, her family would receive a much needed $3,000 income boost. Now consider that there are millions of families like theirs across this country.[10]

A fully available Child Tax Credit would lift out of poverty 1 million Black, 1 million Latino, 850,000 non-Hispanic white, 120,000 Asian and Pacific Islander, and 70,000 Native American individuals, including children. It would be particularly beneficial for children of color; it would lift an estimated 710,000 Black children, 700,000 Latino children, 60,000 Asian and Pacific Islander children, and 41,000 Native American children out of poverty, and lift millions more children closer to the poverty line. The impacts on deep poverty would be even larger for Black and Latino children than for non-Hispanic white children.

Conclusion

The HEROES Act passed the House 119 days ago and remains with no further action in the Senate. Short of Congressional action, there is nothing on the horizon to address this looming eviction and foreclosure crisis that could cause tens of millions of Americans to lose their homes. Renters and homeowners of color are at particular risk. Congress must pass the HEROES Act immediately if this housing tsunami is to be averted.[11]

Without action by Congress, renters will struggle to pay past due rent and likely future rent as job and income losses continue; and if the Great Recession is any guide, mortgage foreclosures will follow. The Great Recession ended in 2009, but the number of foreclosures did not peak until the summer of 2010.

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[9] Funde Aderonmu, *By Policy and Practice: The Causes and Consequences of Racial Wealth Inequality*, National Urban League 2020 State of Black America Unmasked, (accessed on Sept. 9, 2020 at https://soba.iamempowered.com/policy-and-practice-causes-and-consequences-racial-wealth-inequality).

[10] Temporarily Expanding Child Tax Credit and Earned Income Tax Credit Would Deliver Effective Stimulus, Help Avert Poverty Spike, Temporarily Expanding Child Tax Credit and Earned Income Tax Credit Would Deliver Effective Stimulus, Help Avert Poverty Spike, July 2020 (accessed on Sept. 9, 2020 at https://www.cbpp.org/research/federal-tax/temporarily-expanding-child-tax-credit-and-earned-income-tax-credit-would).

[11] Marc Morial & Janet Marguia, *Congress Must Act Quickly to Avoid a Full-Blown Housing Crisis*, The Hill (July 9, 2020) (accessed on Sept. 9, 2020 at https://thehill.com/opinion/civil-rights/506592-congress-must-act-to-prevent-a-full-blown-housing-crisis).