

COVID-19 and the U.S. Economy

While the global pandemic created by the COVID-19 virus is a public health priority, its impact on the U.S. and global economy is already being felt. It has disrupted financial markets and is predicted to trigger an economic recession.

According to a [2016 report by the JPMorgan Chase Institute](#), half of all small businesses have less than 27 days' worth of financial cushion. Unemployment insurance claims have shown a sizeable spike with an estimated 16.8 million Americans filing for unemployment as of March 21. Analysts expect the numbers to keep rising. While most business are experiencing negative impacts, some retailers are struggling to keep up with the unprecedented consumer demand due to online purchasing increases. Despite [rapid growth in e-commerce](#) products like disposable gloves, bread machines, and cough medicine, the U.S. economy is beginning to experience a contraction, or recession. Economists are currently advising that the primary fiscal policy, aside from immediate response to COVID-19, needs to be a “cushion” to the downward shock.

CARES Act

To address this need, Congress passed a \$2 trillion federal response bill, also known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, with the goal of providing some economic relief. Federal Reserve Chairman Jerome Powell has also taken steps to safeguard the financial market, cut interest rates to nearly zero, and launched several emergency lending programs. In recent remarks, [Chairman Powell shared](#) that “as a society, we should do everything we can to provide relief to those who are suffering, for the public good” and the CARES Act is an important step in honoring that commitment. As the Federal Reserve implements these lending programs, inflation is not a first-order

concern. Chairman Powell has projected that the economic rebound will be robust, but the economy depends heavily on containing the virus. Only then can the economy reopen with confidence.

Businesses nationwide have had to close their doors, and tenants are struggling to pay rent. Americans are unsure of what they can expect next. The future seems uncertain and leaders nationwide are faced with unprecedented challenges. There are reports that Congress is considering another stimulus package as well as other actions focused on economic recovery. Government leaders, at the federal, state and local levels, have the responsibility to examine when and how to reopen the country as the coronavirus pandemic continues to keep Americans at home. Below are some ways the current federal stimulus package plans to aid the economic wounds of the pandemic.

Stimulus Checks

Checks for millions of Americans, a key part of the stimulus bill, started rolling out this week. According to an [expected timeline from the House Ways and Means Committee](#), the Internal Revenue Service (IRS) announced it will make about 60 million payments to Americans through direct deposit. During the first week of May, the IRS will begin issuing paper checks to individuals and issued at a rate of approximately 5 million per week. Based on current estimates, the distribution of paper checks could take up to 20 weeks.

Payment Protection Program

Functioning on a first-come-first-serve basis, businesses with less than 500 employees can apply for the nearly \$350 billion in loans available through the CARES act. The maximum loan amount is \$10 million which may be forgiven, essentially becoming a grant subject to the program's guidelines. The loan program, known as the Paycheck Protection Program (PPP), is intended to

support businesses so they can assist with either keeping current workers or rehire those who were laid off. The deadline to apply is June 30 and is retroactive to February 15. More information is available from the [U.S. Small Business Administration](#) or local banks.

Credit Scores Protections

[Negative credit scores](#) has become a key concern for many during these financially troubling times. The CARES Act provides relief to an individual's credit score based on financial impacts of COVID-19. For consumers who have sought relief from their lenders due to the pandemic, lenders are required to report to credit bureaus that consumers are current on their loans. A key feature of this support is that the consumer must have been current on payments prior to the pandemic. More support is being contemplated in Congress, such as the introduction of the [Disaster Protection for Workers' Credit Act of 2020](#) to establish a minimum 4-month moratorium on negative credit reporting during the COVID-19 pandemic along with other consumer protections to help during recovery. [The National Consumer Law Center](#) (NCLC) has a list of consumer protections resources for those affected by COVID-19, such as state relief efforts and responses to mitigate debt collections.

Rental Protections

The CARES Act eviction moratorium covers all federally financed rentals providing 120 days of eviction relief for tenants in federally backed housing. While it can help stabilize renters during an economically insecure time, it doesn't cover everyone. [The Urban Institute estimates](#) that eviction moratoria covering federally financed properties will apply to roughly 12.3 million, or 28 percent, of the 43.8 million rental units in the U.S.

Some states have taken action to pause or suspend renter evictions, at least temporarily. In New York, [Senator Brad Hoylman and Assemblyman Jeffrey Dinowitz, along with Senator Liz Krueger](#), announced the NYS Tenant Safe Harbor Act. This new legislation would strengthen Governor Andrew Cuomo's 90-day moratorium on evictions by prohibiting landlords from evicting tenants for non-payment of rent that accrued during the current State of Emergency and for six months after it ends. In the West, Arizona Governor Doug Ducey issued an [Executive Order](#) halting evictions for small businesses and nonprofit organizations. On March 16, California Governor Gavin Newsom issued an [Executive Order](#) protecting renters and homeowners. More recently, he issued an additional [Executive Order](#) ordering a halt to evictions of tenants unable to pay rent because of the pandemic. The order takes effect for rents due on April 1 and it only applies to tenants who were not already behind on their payments. Washington Governor Jay Inslee placed a [moratorium on some evictions](#) that currently extend through April 17. It prevents landlords from issuing 14-day pay-or-vacate notices and prevents them from issuing 20-day termination notices. Additional information on state Executive Orders related to housing, or other classifications, can be found on the [CSG COVID-19](#) resource page.