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Analysis of the American Rescue Plan Act of 2021

Congress includes mortgage assistance and a total of \$47 billion in housing relief in latest COVID-19 relief package

March 10, 2021

Congress passed a major COVID-19 relief and economic recovery package on March 10 that includes significant housing assistance for homeowners and renters impacted by the pandemic. The bill is expected to be signed into law by the President no later than March 14.

The bill, known as the *American Rescue Plan Act of 2021*, has several components of particular relevance to the Habitat network, our mission, and the communities and families with which we work. High among these is the inclusion of \$9.96 billion for a Homeowner Assistance Fund to prevent defaults and foreclosures for homeowners financially impacted by the pandemic. The fund has been a top federal advocacy focus for Habitat and our Cost of Home campaign since the pandemic began last March.

In addition to the Homeowner Assistance Fund, the bill invests another \$37 billion in housing relief, including: \$39 million for USDA's Section 502 and 504 home loan programs; \$100 million for housing counseling; \$5 billion for home energy and water bill assistance; and \$32 billion for emergency rental assistance, emergency housing vouchers and homelessness prevention. Other highlights of the bill include: the continuation of federal unemployment benefits through Sept. 6, 2021; \$7 billion in additional funds for the second draw of the Paycheck Protection Program; extension of the Employee Retention Tax Credit; \$852 million for AmeriCorps as a whole; and \$350 billion in aid to state and local governments, which can be used for COVID-19-related assistance to households, nonprofits and impacted businesses, and could possibly alleviate the need for cuts to state and local housing programs.

These and other key elements of the bill are described in greater detail below.

New Homeowner Assistance Fund

Addressing a gap in previous relief efforts, the bill dedicates significant new resources for stabilizing homeowners at risk of default, foreclosure or displacement due to the pandemic. It appropriates \$9.96 billion for a new Homeowner Assistance Fund to support programs operated by states, U.S. territories and tribal nations that prevent foreclosures and preserve homeownership for households experiencing financial hardship after Jan. 21, 2020.

Funds can be used to support:

- mortgage payment assistance
- other financial assistance to reinstate a mortgage following forbearance, delinquency or default
- reductions in principal or interest rate
- utility and internet service payments
- homeowners insurance, flood insurance and mortgage insurance
- homeowners' and condominium association fees or other common charges
- other assistance needed to promote housing stability for homeowners



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States can also use the funds as reimbursement for prior expenditures they made to stabilize homeowners during the pandemic.

The Treasury Department will administer the fund and allocate resources to each state requesting assistance based on their relative share of unemployment, delinquent mortgagors and mortgages in foreclosure. Disbursements to states must begin within 45 days of bill enactment. States must request allocations within that timeframe to receive them. Each requesting state, DC and Puerto Rico will receive a minimum allotment of \$50 million. A total of \$30 million will be set aside for territories.

States must use at least 60% of their grants to assist homeowners earning at or below 100% of area median income or 100% of nationwide median income, whichever is greater. With the remaining funds, states must prioritize socially disadvantaged individuals. This term is not defined for the Homeowner Assistance Fund, but in other contexts, including Small Business Administration programs, it includes minority households.

With nearly 4 million homeowners currently behind on their mortgage, many soon exiting forbearance with more than six-months of missed payments, and many more still recovering from lost income, the Homeowner Assistance Fund provides a critical resource for bridging homeowners back to sustainable homeownership. It is also an important tool for helping affiliates recover missed mortgage payments and for preserving homeownership gains in communities of color hit hard by job cutbacks and losses.

Other housing and community investments

USDA Section 502 and 504 home loans

The bill provides an additional \$39 million for direct loans made under the USDA Section 502 and 504 loans, which support low-income homeownership in rural areas. Section 502 loan funds may be used to build, renovate or relocate a home in a rural area. Section 504 loans help very low-income owners of modest, single family homes in rural areas repair their homes.

Housing counseling services

The bill allocates \$100 million to support housing counseling services for households facing housing instability, including homeowners, renters, individuals experiencing homelessness and individuals at risk of homelessness. Forty percent of funds are reserved for programs that focus on minority and low-income households or neighborhoods with high concentrations of these populations. Funds are available to HUD-approved counseling intermediaries, state housing finance agencies and NeighborWorks organizations (the latter limited to 15% of total grant funds).

Emergency assistance for renters

The bill allocates \$21.5 billion in short-term emergency rental assistance to states and localities, building on the \$25 billion authorized in December in the *Consolidated Appropriations Act of 2021*. This funding will help renters economically impacted by the pandemic pay rent and utility arrears to stay in their homes, providing relief for small landlords as well.

Emergency housing vouchers

The bill allocates \$5 billion for emergency housing vouchers to stabilize individuals and families experiencing or at risk of homelessness. These funds can be used to provide additional and renewed emergency vouchers. They can also be used to sustain existing, traditional housing vouchers for which costs have risen due to declining tenant incomes or other extraordinary circumstances of the pandemic.



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HOME for homelessness assistance and supportive services program

The bill allocates \$5 billion through the HOME Investment Partnership Program to support persons experiencing homelessness. The funding will support tenant based rental assistance, the development of affordable housing, supportive services such as housing counseling and homelessness prevention, and the acquisition and development of non-congregate shelters to be converted into permanent housing or used as an emergency shelter.

Wrap-around services for homeless schoolchildren

The bill sets aside \$800 million of the Elementary and Secondary School Emergency Relief Fund to identify and provide children and youth experiencing homelessness with wrap-around services amid the pandemic.

Rural rental property assistance

The bill provides \$100 million to support households residing in USDA-subsidized homes who are struggling to pay rent during the pandemic.

Fair housing resources

The bill includes \$20 million for HUD's Fair Housing Initiatives Program to provide additional resources to fair housing organizations to address fair housing inquiries, complaints, investigations, and education and outreach needs during or relating to the pandemic.

Home energy and water assistance

The bill includes \$4.5 billion for the Low-Income Home Energy Assistance Program to help cover home energy costs and arrears for households impacted by the pandemic, as well as \$500 million for water bill assistance for low-income households.

AmeriCorps (formerly the Corporation for National and Community Service)

The agency AmeriCorps received \$852 million, including \$620 million appropriated to AmeriCorps State and National and \$80 million appropriated for AmeriCorps VISTA, both priority programs for Habitat. The bill would increase the AmeriCorps living allowance for all AmeriCorps programs to make service more accessible and inclusive; increase the diversity, cultural experiences and number of AmeriCorps members and AmeriCorps Seniors volunteers serving in communities across the country; and help to stabilize existing national service programs and expand into new communities.

Disaster relief

The bill allocates \$50 billion for the Federal Emergency Management Agency's Disaster Relief Fund to respond to COVID-19 and other major disasters and emergencies declared by the President. The measure also provides \$400 million for FEMA's Emergency Food and Shelter Program and \$100 million for Emergency Management Performance Grants. Funding will remain available through Sept. 30, 2025.

Economic relief

Unemployment benefits and extended eligibility

To help workers harmed by the economic fallout of the pandemic, the bill extends the federal government's \$300 weekly supplemental unemployment assistance until Sept. 6, 2021. This assistance would otherwise expire March 14. The bill also continues through Sept. 6 to make benefits available for those not traditionally eligible for unemployment benefits, including self-employed workers and staff of religious and very small nonprofits.



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Direct payments and child tax credits

The bill provides a third round of direct payments — \$1,400 per eligible individual or \$2,800 for joint-filers — to singles earning up to \$75,000 and couples earning up to \$150,000. The credit phases out as incomes approach \$80,000 and \$160,000 respectively. Also, families with children will continue to be eligible for a child tax credit, which is increased to \$3,000 per child (\$3,600 if under age 6) and is now fully refundable if it exceeds tax liabilities. Similar income limits apply. These payments could help many homeowners and renters hit hard by the pandemic to meet housing payments and other basic expenses.

Paycheck Protection Program loans

The bill adds \$7.25 billion to the program. However, it makes no changes to the PPP second draw requirement that gross receipts decline by 25%. Nonprofits had sought the repeal of this restriction. Further, the PPP application deadline is still March 31, 2021.

Employee Retention Tax Credit

The bill extends the ERTC from July 1 through the end of 2021. The ERTC is a credit against payroll taxes available to nonprofits and businesses that did not receive a PPP loan but 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 20% year-over-year.

State and local government aid

The bill provides \$350 billion in fiscal aid to state and local governments. Guardrails limit the use of funds to responding to the COVID-19 public health emergency, offsetting revenue losses, providing premium pay for essential workers, and investing in water, sewer or broadband infrastructure. Eligible uses for responding to COVID-19 include assistance to households, nonprofits, small businesses and impacted industries. In total, the bill allocates \$195.3 billion for states, \$65.1 billion for counties, \$45.6 billion for metropolitan cities, and \$19.5 billion for non-entitlement units of local government (generally smaller localities). The remainder is divided among territories and tribal nations. While states and localities may or may not spend this aid directly on housing relief, these resources could potentially alleviate cuts to local and state housing programs that support the homebuilding work of Habitat and other mission-driven housing providers.

In a related measure, the bill sets aside an additional \$10 billion for critical infrastructure projects to help states, territories and tribal governments carry out capital projects directly enabling work, education and health monitoring, including remote options, in response to COVID-19.

For more information:

If you have any questions about the information included in this analysis document, please reach out to Robert Hickey, director of housing policy development and analysis, at rhickey@habitat.org.