Informative Report on Question 3:
LEGAL-FINANCIAL ARCHITECTURE

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1. REGULATORY TIMELINE

- March 3, 2020: The Federal Reserve (the Fed) begins cutting target for federal funds rate to move closer to the 0-0.25% mark
- March 6, 2020: Coronavirus Preparedness and Response Supplemental Appropriations Act becomes law
- March 15, 2020: The Fed resumes use of large-scale Quantitative Easing (QE) asset purchase measures
- March 17, 2020: The Fed revives Primary Dealer Credit Facility (PDCF) and Commercial Paper Funding Facility (CPFF)
- March 18, 2020: The Fed revives Money Market Mutual Fund Liquidity Facility (MMLF); Families First Coronavirus Relief Act (FFCRA) becomes law.
- March 19-20, 2020: The Fed establishes first of its dollar liquidity international swap lines for a selected range of foreign central banks.
- March 23, 2020: The Fed establishes Primary Market Corporate Credit Facility (PMCCF) and Secondary Market Corporate Credit Facility (SMCCF) and makes QE measures open-ended.
- March 27, 2020: Coronavirus Aid, Relief, and Economic Security (CARES) Act becomes law.
- April 9, 2020: The Fed establishes Main Street Lending Program (MSLP) and Municipal Liquidity Facility (MLF).
- April 16, 2020: The Fed establishes Paycheck Protection Program Liquidity Facility (PPPLF).
- April 24, 2020: Paycheck Protection Program and Health Care Enhancement Act (PPP) becomes law.
- April 29, 2020: The Fed issues Federal Open Market Committee (FOMC) statement/forward guidance on maintenance of low interest rates.
- May 15, 2020: U.S. House of Representatives passes proposed second round of COVID-19 relief legislation through $3 trillion Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act. Senate Majority Leader Mitch McConnell (R-KY) announces the bill will be "dead on arrival" in Senate.
- June 3, 2020: PPP updated Paycheck Protection Program Flexibility Act.

- June 17, 2020: Federal housing agencies extend original June 30 end date for foreclosure and eviction moratoriums (applying to occupants of certain single family homes) until August 31 for homeowners with certain federally-backed mortgages.
- July 17, 2020: The Fed extends MSLP to allow for loans to non-profit organizations.

2. INTRODUCTION

The economic impact of the COVID-19 crisis in the United States has elicited an unprecedented array of monetary and fiscal policy relief measures. If not for the fact that the global economy's last epochal crisis was touched off little more than a decade ago, the scale and variety of the current response would appear even more striking. As after the inception of crisis in 2007, the most prominent elements of the response today have come through the twin arms of Congressional stimulus legislation (the $2 trillion CARES Act; the $484 billion PPP) and, more notably, the vastly expanded money-printing operations effected through the Fed and the Treasury. From late February to early June alone, the Fed's balance sheet expanded from approximately $4 to $7 trillion. Marking one of the most significant shifts from 2007-2008, this time around, the Fed's interventions began in earnest already *before* a full-fledged meltdown of the financial markets became imminent—in mid-March 2020—following the evident onset of a COVID-19-inspired collapse in the real economy that would soon become several times worse than any experienced during the Great Recession.

Further erasing the once notionally all-important line between monetary and fiscal policy, the Fed's ensuing actions have witnessed it moving beyond more traditional interest rate-related measures (e.g. cutting the federal funds rate, forward guidance) in two key directions. First, the Fed has embarked along a path of backstopping financial markets through asset purchase and other facilities devoted to liquidity provision of the kind that were the cornerstone of its response to the last crisis (e.g. securities purchasing through QE, repo operations, supporting money market mutual funds, international swap lines, etc.).[1] A combination of re-instituted facilities from the past together with certain newly instituted/expanded ones, these more conventional of the Fed's unconventional liquidity provision measures have generally become more open-ended than after 2007. Likewise, they have also become more focused, colloquially put, on 'bailing out' shadow banking institutions of various kinds—a sign of both the greater severity of the current crisis and a new post-2007 normal that has witnessed the power of the 'too big to fail' financial sector generally having expanded. Along the second direction, still via an ostensible avenue of liquidity provision, the Fed has instituted a whole new array of unconventional measures that push it more openly into direct credit provision: through lending to small- and medium-sized businesses and non-profit organizations (e.g. the MSLP), direct lending to/subsidization of larger corporations

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[1] Jeffrey Cheng, Dave Skidmore, and David Wessel, What's the Fed doing in response to the COVID-19 crisis? What more could it do? June 19, 2020, https://www.brookings.edu/research/fed-response-to-covid19/.

and connected parts of the investor strata holding corporate debt (e.g. the PMCCF and SMCCF) and lending to state and municipal governments (through finally taking the plunge into propping up the municipal bond market). A less discussed third arm of intervention—through tax policy—has been flexed most visibly by tax cuts included in the CARES Act. At a sum of $650 billion, these were overwhelmingly directed to corporations and the investor class.[2]

Of course, like with the other elements of the overall policy response, the distributional effects of the CARES Act tax cuts are complex and capable of being fully comprehended only over time. Still, with respect to the larger question of distributional justice and the policy response to the COVID-19 economic crisis, the less than 3% of the cuts that were targeted to families earning less than $100,000 is emblematic of the relative de-prioritization of the proverbial middle and working class residents of Main Street in relief efforts, not to mention those communities of color who have borne the clearly disproportionate health and economic brunt of the Pandemic. Indeed, as much is also indicated by the enormous difficulty that has surrounded the further reauthorization, much less expansion, of key CARES Act provisions devoted to enhanced unemployment benefits, student loan forbearance, and a moratorium on foreclosures and evictions from certain types of federally funded housing, a crucial part of the seawall against a tsunami of some 20-million evictions that renters will become again subject to after the end of July.[3]

With that summary in hand, we move directly to discussing these and other issues in greater detail in the main sections of the report below.

3. FISCAL AND MONETARY POLICIES AT THE FEDERAL LEVEL

On a high level, macroeconomic policies can be distinguished between monetary and fiscal policies. Monetary policy in the United States is managed by the U.S. central bank, the Fed. Fiscal policy and stimulus programs on the other hand are administered by the government, or executive branch, at the federal, state or local level. To avert economic crises and recessions, central banks and governments aim to increase money supply in the market—these policies are known as expansionary monetary or fiscal policies. Traditionally, expansionary monetary policies employed by the Fed include discounting of the nominal interest rate down to zero, referred to as the zero lower bound, or ZLB, and open market operations, i.e. buying and selling of U.S. government securities.# Federal government entities, such as the Internal Revenue Service (IRS) or the Small Business Administration (SBA) often make use of the two following expansionary fiscal policies: Increase of fiscal spending by means of loans to businesses or payments to individuals, and tax cuts. The following section will address the most relevant policies—monetary and fiscal—that have been applied by the U.S. federal government to address the economic consequences of the COVID-19 crisis.

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[2] Jack Rasmus, What Lies Ahead, July 20, 2020, https://www.counterpunch.org/2020/07/20/what-lies-ahead-2/.

[3] Jen Kirby, America's Looming Housing Crisis Explained, July 8, 2020, https://www.vox.com/21301823/rent-coronavirus-covid-19-housing-eviction-crisis. The moratorium on foreclosures from properties with federally backed mortgages has been extended, although as of July 17 only through August 31, 2020.

3.1 MONETARY POLICY AGAINST COVID-19 CONSEQUENCES

The Fed operates under a 'dual mandate' from Congress to promote the goals of maximum employment, and stable prices.[4] The expansionary monetary policies discussed here are targeted towards increasing price stability, and rely on the Fed's emergency lending powers of Section 13(3) of the Federal Reserve Act (FRA).[5]

When the Pandemic started spreading in the United States and *prior to the enactment of the CARES Act* on March 27, 2020, the Fed announced a set of measures.[6] Firstly, the Fed made use of the most prominent expansionary monetary policy: it cut the benchmark interest rate close to zero, returning to a range of 0 to 0.25%.[7] Second, it announced measures to increase the flow of credit to employers, consumers, and businesses. This included purchasing commercial papers to provide liquidity to businesses to meet immediate needs like payrolls (Commercial Paper Funding Facility, or CPFF); offering loans to large banks and broker-dealers in exchange for collateral (Primary Dealer Credit Facility, or PDCF); offering loans to eligible financial institutions to buy assets from money market mutual funds (Money Market Mutual Fund Liquidity Facility, or MLFF); offering loans to banks holding asset-backed securities (ABS), using them as collateral (Term Asset-Backed Securities Loan Facility, or TALF); and creating a large corporate bond purchasing program (Primary and Secondary Market Corporate Credit Facility, or PMCCF and SMCCF).

After enactment of the CARES Act, the Fed launched another set of measures, providing credit to banks that give out paycheck protection program loans (Paycheck Protection Program Liquidity Facility, or PPPLF), supporting lending up to $600 billion to small and medium-sized businesses (Main Street Lending Program, or MSLP), and buying debt from local municipalities in the amount of $500 billion (Municipal Liquidity Facility, or MLF).[8] The measures are targeted towards five different groups: (1) large employers (the corporate credit facilities), (2) financial institutions (exceptions for dealers, mutual funds, and ABS), (3) small businesses (the main street lending), (4) employees (the paycheck protection program) and (5) municipalities (the municipal liquidity facility). In the following, we will briefly detail the two largest programs to support businesses: the SMCCF and the Main Street Lending Program.

Buying government debt, such as Treasury securities, is a common instrument the Fed has made use of to increase liquidity in the market. The *Secondary Market Corporate Credit Facility*, or SMCCF), however, is targeted towards buying BBB- or above rated bonds (with a remaining maturity of 5 years or less) from large employers with significant U.S. operations and a majority

[4] 1977 Amendment to the Federal Reserve Act.
[5] Federal Reserve Act, enacted in 1913, amended in 1977.
[6] Fed, Federal Reserve announces extensive new measures to support the economy, March 23, 2020, https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm.
[7] Jeanna Smialek and Neil Irwin, Fed Slashes Rates to Near-Zero and Unveils Sweeping Program to Aid Economy, March 15, 2020, https://www.nytimes.com/2020/03/15/business/economy/federal-reserve-coronavirus.html.
[8] FSC Majority Staff, Memo on Monetary Policy and the State of the Economy, June 17, 2020, https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-20200617-sd002.pdf.

of U.S.-based employees.[9] Unless extended by the Fed, the facility will cease purchasing corporate bonds by September 30, 2020.[10] The Fed of New York is lending money to a special purpose vehicle (SPV) that purchases corporate debt from companies. The Fed is secured by the assets of the SPV, which currently consist of a $75 billion equity investment from the Treasury.[11] According to the term sheets, the Facility will leverage the Treasury equity at 10 to 1 when buying corporate funds, leading to a total size of the Facility of $750 billion.[12] This large amount of corporate debt—making up about 10% of the $9 trillion U.S. corporate debt market)[13]—could have negative consequences, and eventually lead to the next financial crisis.[14] The Fed itself has warned about the financial stability risk associated with high levels of corporate debt.[15] Also, in its report, the Fed pointed out that the likelihood of defaults could spread risks and that corporate default rates were likely to increase sharply.[16]

The *Main Street Lending Program*, administered by the Fed of Boston, supports small and mid-sized businesses with $600 billion in loans. The Fed has set up an SPV that purchases participations in loans to businesses originated by eligible lenders. The Program gives out five-year loans with the principal and interest payments deferred for two years to businesses up to 15,000 employees and $5 billion in revenue. However, the take up of the program was slow because many businesses found the terms unattractive.[17] As a response, the Fed reduced the original minimum loan size from $1 million to $ 250,000 in June.[18]

In addition to monetary policy, the Fed also took *supervisory and regulatory actions* in response to COVID-19. In March, the Fed announced two actions to support the U.S. economy: (1) a statement on the use of *capital and liquidity buffers* encouraging banks to use their resources to support households and businesses; and (2) a change to the *capital requirements* allowing a more gradual phase in of automatic distribution restrictions when a bank's capital levels decline.[19] In May, the Fed further relaxed capital requirements by allowing banks to exclude U.S. Treasury

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[9] Fed, Secondary Market Corporate Credit Facility (SMCCF) Term Sheet, June 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200615a1.pdf.
[10] SMCCF Term sheet, June 15, 2020.
[11] SMCCF Term sheet, June 15, 2020.
[12] SMCCF Term sheet, June 15, 2020.
[13] Sifma, US Bond Market Statistics, https://web.archive.org/web/20161121204930/http://www.sifma.org/research/statistics.aspx.
[14] Matt Wirz and Nick Timiraos, The next coronavirus financial crisis: Record piles of risky debt, *Wall Street Journal,* March 19, 2020, https://www.wsj.com/articles/the-next-coronavirus-financial-crisis-record-piles-of-risky-corporate-debt-11584627925.
[15] Jesse Hamilton and Craig Torres, Fed Issues More Warnings of High-Risk Corporate Debt, *Bloomberg,* May 6, 2019, https://www.bloomberg.com/news/articles/2019-05-06/fed-issues-more-warnings-on-hazards-of-high-risk-corporate-debt.
[16] Fed, Financial Stability Report, May 15, 2020, https://www.federalreserve.gov/publications/files/financial-stability-report-20200515.pdf.
[17] FSC Memo on Monetary Policy, June 17, 2020.
[18] FSC Memo on Monetary Policy, June 17, 2020.
[19] Fed, Federal banking agencies provide banks additional flexibility to support households and businesses, March 17, 2020, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200317a.htm.

securities from the calculation of the supplementary leverage ratio[20] and by neutralizing[21] the Liquidity Coverage Ratio (LCR) to support banks' participation in the Fed's Money Market Mutual Fund and Paycheck Protection Program liquidity facilities.[22] In June, the Fed modified the Volcker Rule's prohibition of banks to invest or sponsor hedge funds and private equity funds.[23] Also, in June after stress testing, the Fed began requiring large banks to preserve capital by suspending share repurchases, capping dividend payments, and limiting dividends for the third quarter of 2020.[24]

3.2 FISCAL POLICY IN THE COVID-19 CRISIS

On March 27, the President signed a historic $2.2 trillion coronavirus relief bill that was passed a few days before by Congress. It is the largest stimulus package of this kind in modern American history and accounts for 50% of total federal spending in 2019.[25] The stimulus package consists of several components, with loans to large businesses accounting for the largest share (see graph).[26]

[20] https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200515a.htm.

[21] Assigning them a risk weight of zero percent.

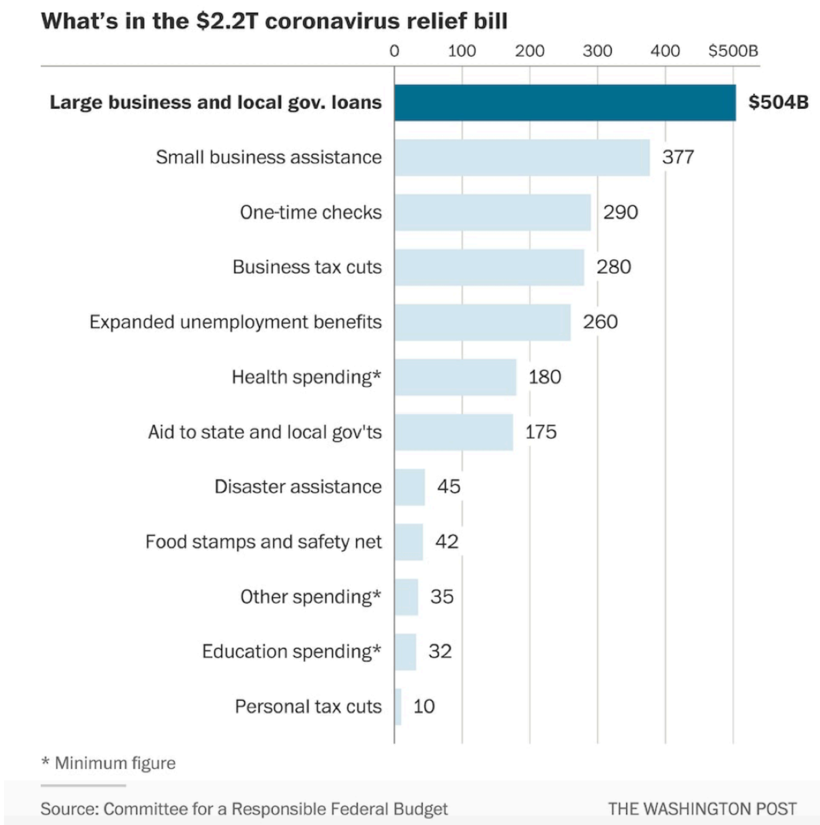
[22] Fed, Regulators temporarily change the supplementary leverage ratio to increase banking organizations' ability to support credit to households and businesses in light of the coronavirus response, May 15, 2020, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200505a.htm.

[23] Fed, Financial regulators modify Volcker rule, June 25, 2020, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200625a.htm.

[24] Fed, Federal Reserve Board releases results of stress tests for 2020 and additional sensitivity analyses conducted in light of the coronavirus event, June 25, 2020, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200625c.htm.

[25] Jeff Stein, What's in the $2.2 trillion coronavirus Senate stimulus package, *Washington Post*, March 26, 2020, https://www.washingtonpost.com/business/2020/03/26/senate-stimulus-bill-coronavirus-2-trillion-list-what-is-in-it/.

[26] Jeff Stein, Washington Post, March 26, 2020.



$500 billion for large businesses and airlines: Congress appropriated $500 billion to the Treasury's Economic Stabilization Fund (ESF) to provide loans, loan guarantees or other investments, either directly or through facilities administered by the Fed, to businesses, nonprofits, states, territories, and municipalities under Title IV of the CARES Act.[27] Of the $500 billion, the Treasury can make up to $25 billion available to passenger airlines, up to $4 billion to cargo airlines, and up to $17 billion to businesses critical to maintaining national security.[28] Unlike the PPP loans, recipients are required to repay assistance with interest. Title IV of the CARES Act also provides up to $32 billion to continue payment of employee wages, salaries, and benefits at airline-related industries. As of May 12, the Treasury has approved over $25 billion in Payroll Support Program assistance to 352 applicants, including the major passenger air carriers, more than 260 smaller passenger air carriers, and a number of cargo air carriers and contractors.[29] *Aid for hospitals*: The bill allocates many billions to help prepare the healthcare system for the Pandemic. The centerpiece is a $100 billion fund for hospitals. That money can be used for protective gear for health-care workers, testing supplies and emergency operation centers. *Business*

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[27] Congressional Research Service (CRS), Treasury and Federal Reserve Financial Assistance in Title IV of the CARES Act, April 28, 2020; Financial Services Committee (FSC), Hearing Memo on Oversight of the Treasury Department's and Federal Reserve's Pandemic Response, June 30, 2020, https://www.congress.gov/116/meeting/house/110839/documents/HHRG-116-BA00-20200630-SD002-U1.pdf.

[28] FSC Hearing Memo, June 30, 2020.

[29] CRS, Treasury and Federal Reserve Financial Assistance, April 18, 2020.

tax cuts: The Coronavirus package has also relaxed tax laws for businesses, allowing companies to deduct higher expenses, which is estimated at $280 billion.[30]

Aid for small businesses and nonprofits: The CARES Act also assigned a large amount to help small companies with fewer than 500 employees.[31] The Paycheck Protection Program loans are administered by the U.S. Small Business Administration, an independent federal agency. PPP loans have an interest rate of 1%, and have a maturity of either two or five years. Loan payments will be deferred for six months and will be fully forgiven if the funds are used for payroll costs (at least 60% of the amount), interest on mortgages, rent, and utilities.[32] The initial $349 billion of PPP funds were exhausted on April 16. Congress then passed the Paycheck Protection Program and Health Care Enhancement Act (Enhancement Act) to provide an additional $310 billion to the PPP, including a $60 billion set-aside for small depository institutions.[33]Approximately $128 billion in PPP funds remained as of June 20.[34] During the Pandemic, the SBA was heavily criticized for failing to pay out the PPP loans to small businesses. Small business owners have reported that they have waited over a month or are still waiting for a loan payment.[35]

Stimulus checks for individuals: Section 2201 of the CARES Act mandates the Internal Revenue Service to provide economic impact payments (EIPs), direct payments, or stimulus payments to individuals and families. Payments ($1,200 per adult and $500 per child)[36] were automatically issued to households if they have filed a 2019 income tax return and are being distributed through direct deposit, or by paper check. Reported figures from June 2020 show the delivery of 159 million EIPs worth more than $267 billion.[37] While the CARES Act excludes undocumented immigrants and temporary visa holders without a social security number, the HEROES Act, which was passed by the House in May and is awaiting approval by the Senate, would make individuals with an individual taxpayer identification number eligible for stimulus relief. [38]

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[30] Jeff Stein, Washington Post, March 26, 2020.
[31] Jeff Stein, Washington Post, March 26, 2020.
[32] SBA, Paycheck Protection Program, https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program#section-header-5.
[33] FSC Majority Staff, One Pager on Paycheck Protection Program and Health Care Enhancement Act, April 22, 2020.
[34] SBA, PPP Report, June 20, 2020.
[35] Amara Omeokwe and Yuka Hayashi, SBA Under Fire for Failing to Get Aid to Struggling Small Businesses, Wallstreet Journal, April 8, 2020, https://www.wsj.com/articles/sba-under-fire-for-failing-to-get-aid-to-struggling-small-businesses-11586343600.
[36] FSC Hearing Memo, June 30, 2020.
[37] IRS, IRS Announce Delivery of 159 Million Economic Impact Payments, June 3, 2020.
[38] Shahar Ziv, 4.3 Million Adults Eligible For Two $1,200 Stimulus Checks If HEROES Act Signed Into Law, May 15, 2020, https://www.forbes.com/sites/shaharziv/2020/05/15/43-million-adults-eligible-for-two-1200-stimulus-checks-if-heroes-act-passes/#330dc88426c4.

Aid for state and local governments: Under Title V of the CARES Act, the law directs the Treasury to distribute the $150 billion Coronavirus Relief Fund to governments in states, territories, and tribal areas.[39] As of May 30, $147 billion of the funds have been spent.

One major question remains: How is this stimulus package *funded*? A professor and former asset manager cut right to the essence: "We print the damn money."[40] To finance such a large stimulus bill within a couple of days, two steps and the cooperation of two institutions are necessary. First, the Treasury allows the government deficit to increase massively. Second, the Fed then buys large amounts of government debts. On March 23, the Fed announced for the first time in history to buy unlimited amounts of government debt.[41] Goldman Sachs analysts estimate the Fed will buy $2.4 trillion in Treasury securities as part of its bond-buying program.[42] But the Fed is not an ordinary bondholder. When the Treasury makes payments on bonds to the Fed (paying interest or paying the debt off at maturity), all the money eventually moves back to the Treasury because the Fed needs to pay its profits to the Treasury by law. It is as if the Treasury never issued the bonds in the first place.[43]

3.3 DISTRIBUTIONAL QUESTIONS OF MONETARY AND FISCAL POLICIES

Both monetary and fiscal policies have targeted groups that were strongly affected by the current Coronavirus crisis. These include small businesses and their workers, airline workers, uninsured Americans,[44] nonprofits and tribes. Other than that, the fiscal and monetary measures do not target minorities or poor people. Powell, Chair of the Bureau of Labor Statistics, acknowledged the disproportionate impact of the employment situation on communities of color.[45] He stresses that "the rise in joblessness has been especially severe for lower-wage workers, for women, and for African Americans and Hispanics."[46] Indeed, the SBA was facing the critique that it was not treating small businesses equally. Many minority-owned business owners, mostly women and African Americans, did not receive any loans.[47] For that reason, in May Senator Cory Booker sent a letter to the major banks, demanding demographic data on PPP loan recipients.[48] With the amount of the PPP loans decreasing to $70,000, hope remains that individually-owned

[39] CRS, The Coronavirus Relief Fund (CARES Act, Title V): Background and State and Local Allocations, April 14, 2020.
[40] Matt Phillips, How the Government Pulls Coronavirus Relief Money Out of Thin Air, *New York Times*, April 15, 2020, https://www.nytimes.com/2020/04/15/business/coronavirus-stimulus-money.html.
[41] Matt Philips, New York Times, April 15, 2020.
[42] Matt Philips, New York Times, April 15, 2020.
[43] Matt Philips, New York Times, April 15, 2020.
[44] The Families First Coronavirus Response Act and the Paycheck Protection Program and Health Care Enhancement Act each appropriate $1 billion to reimburse providers for conducting COVID-19 testing for the uninsured. See https://www.hrsa.gov/CovidUninsuredClaim.
[45] FSC Hearing Memo, June 30, 2020.
[46] FSC Hearing Memo, June 30, 2020.
[47] Sarah Kolinovsky, For minority-owned businesses shut out of coronavirus loans, an ongoing push for access, ABC News, May 20, 2020, https://abcnews.go.com/Business/minority-owned-businesses-shut-coronavirus-loans-ongoing-push/story?id=70655015
[48] Sarah Kolinovsky, ABC News, May 20, 2020.

businesses, which are often owned by African Americans or women, will receive the urgently needed money.[49]

4. SPECIFIC FINANCIAL ISSUES AND RELIEF

4.1. INSURANCE PAYMENTS

For general insurers, COVID-19-related insurance claims are expected primarily for event cancellations and workers' compensation claims (for exposure to the virus during normal working duties), but not for most non-life products (e.g. business interruption, travel insurance), many of which contain exclusion clauses for communicable diseases and epidemics/pandemics (generally introduced in the aftermath of SARS).[50] Life insurers are potentially facing higher claims due to higher mortality rates, and investment risk related to the assets they manage, including market volatility due to COVID-19, and low yields in a low interest rate environment.

Unemployment insurance benefits are typically determined under state law. After exhausting regular state benefits, additional unemployment benefits may be available through December 31, 2020 under the federal Pandemic Emergency Unemployment Compensation program of the CARES Act, which expands states' ability to provide unemployment insurance for many workers. In particular, the federal stimulus fund was paying an additional $600 per week to each unemployed worker between March and July, 2020.[51]

4.2. HOUSING RELIEF

Under the CARES Act, there is foreclosure protection and mortgage forbearance for homeowners with federally-backed or funded mortgages, free of fees.[52] These measures are available to owner-occupiers as well as landlords of multifamily rental properties. Relief began on March 18 through at least August 31. Those experiencing financial hardship due to COVID-19 can request an extension for an additional 180 days. Forbearance means that payments are paused, not forgiven—different programs are available at the end of the period to determine a repayment schedule, depending on the type of loan.

Prior to passage of the CARES Act, the Secretary of Housing and Urban Development implemented an eviction moratorium for all single-family mortgages, insured by the Federal Housing Administration. After the eviction protection under the CARES Act expired, the President

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[49] Sarah Kolinovsky, ABC News, May 20, 2020.
[50] See https://home.kpmg/xx/en/home/insights/2020/03/do-insurers-have-covid-19-covered.html.
[51] See https://edd.ca.gov/about_edd/coronavirus-2019/cares-act.htm#PAC.
[52] This includes loans purchased or securitized by Fannie Mae or Freddie Mac, as well as the Federal Housing Administration, the US Department of Veterans Affairs, and the US Department of Agriculture.

issued an Executive Order on August 8, extending the eviction moratorium until August 31 and announced continuous support to minorities facing eviction problems.[53]

4.3. TAX RELIEF AND POLICY PROPOSALS

The CARES Act provides for a number of tax relief measures:

- Employee retention credit, equal to 50% of eligible employee wages paid by an eligible employer in a 2020 calendar quarter, subject to a wage cap of $10,000 per eligible employee.[54]
- Payroll tax deferral relief, available to any employer wishing to defer the 6.2% employer portion of the Social Security tax component of the Federal Insurance Contributions Act (FICA) tax,[55] unless they already have received forgiveness of SBA loans issued under the Payment Protection Program.[56] The deferred payroll tax amount can then be paid in two installments in 2021 and 2022.
- Tax favored withdrawal distributions from IRAs, up to $100,000, to be repaid within three years with no tax penalty.
- Retroactive tax relief measures, such as liberalization of Net Operating Loss (NOL) deduction rules, faster depreciation for real estate qualified improvement property, and suspension of excess business loss disallowance rule for losses that arise in tax years beginning in 2018-2020.[57]

Additionally, two new refundable payroll tax credits were put in place to fully reimburse the cost of providing employees with required paid sick leave and expanded family and medical leave for reasons related to COVID-19. This relief is provided under the Families First Coronavirus Response Act (FFCRA).[58] Eligible employers are businesses and tax-exempt organizations that have fewer than 500 employees and are required to pay "qualified sick leave wages" and/or "qualified family leave wages" under the FFCRA.[59] Credits are to be claimed on federal employment tax returns while federal employment tax deposits can be immediately reduced.

The House of Representative passed the $3-trillion HEROES Act on May 15, 2020, intended as the next stimulus bill (and currently being evaluated by the U.S. Senate). It provides

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53 Executive Order on Fighting the Spread of COVID-19 by Providing Assistance to Renters and Homeowners, August 8, 2020, https://www.whitehouse.gov/presidential-actions/executive-order-fighting-spread-covid-19-providing-assistance-renters-homeowners/.

54 See https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act.

55 This only applies to FICA owed on the first $137,700 of an employee's 2020 wages paid during the deferral period. The deferral period began on March 27, 2020 and will end on December 31, 2020.

56 Section 2302 of the CARES Act. See https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020.

57 See https://www.marketwatch.com/story/the-most-important-covid-19-related-federal-tax-relief-measures-including-some-that-can-result-in-hefty-tax-refunds-2020-04-10.

58 The FFCRA was signed on March 18, 2020 and is effective April 1, 2020, through December 31, 2020.

59 See https://www.irs.gov/newsroom/covid-19-related-tax-credits-general-information-faqs.
Allocable qualified health plan expenses and the eligible employer's share of Medicare tax on the qualified sick leave wages can be included in the credit. The FFCRA also provides a similar credit for self-employed individuals.

potentially for another round of direct stimulus checks, mortgage and debt relief, student loan forgiveness, payroll tax cut, hazard pay, unemployment benefits extension for six more months, housing and food assistance, and nearly $1 trillion for state and local governments to pay workers.

5. CONCLUSION

Since the first steps were taken in March 2020 to harness the power of monetary and fiscal policies to address the economic effects of the COVID-19 Pandemic, Congress, relevant parts of the executive branch, and the Federal Reserve have embarked on interventionary measures of unprecedented scale and scope. The United States' aborted reopening has run headlong into a renewed wave of COVID-19 morbidity and mortality, and as of the writing of this report, legislative action—taken principally through the CARES Act and the Fed's raft of conventional and unconventional money-printing measures—has produced results that are both mixed and yet to be fully deciphered. After their initial height of disturbance in March 2020, financial markets have undergone a swift and sharp rebound that remains intact for now. Meanwhile, the acrimonious debate over the sequel to the CARES Act leaves greater uncertainty about the state of a real economy that the crisis left far more battered to begin with. With respect to distributional questions, tensions have emerged over extending/expanding the relatively smaller number of programs that had been devoted to front line economic protections for individuals, families, and small businesses in the first place. Similarly, we find an accumulating corpus of reportage and technical analysis about how these and related programs have often been poorly targeted or even subject to manipulation and outright graft by more powerful economic interests.[60] Nonetheless, *any* safety net-style stimulus measures are important amidst the deep structural inequality that characterizes the U.S. political economy.[61] Whether any eventual passage out of the COVID-19 shock will produce a more equitable realignment of the economy rather than a perpetuation or intensification of existing patterns of inequity (as followed from the "fixes" to the 2007 crisis) remains an open question.

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[60] See, e.g., Brendan Fischer and Kedric Payne, How Lobbyists Robbed Small Business Relief Loans, April 30, 2020, https://www.nytimes.com/2020/04/30/opinion/coronavirus-small-business-loans.html; David Autor, et al., An Evaluation of the Paycheck Protection Program Using Administrative Payroll Microdata, *MIT Working Paper*, July 22, 2020, http://economics.mit.edu/files/20094.

[61] See, e.g., Raj Chetty, et al., How Did COVID-19 and Stabilization Policies Affect Spending and Employment: A New Real-Time Economic Tracker Based on Private Sector Data, *Opportunity Insights Working Paper*, June 17, 2020, https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf. Also see the Opportunity Insights real-time data tracker and accompanying non-technical publications at technical working papers at https://tracktherecovery.org/.