

OPPOSE HB 5574

**HB 5574, House Amendment No. 1 (Rep. Delia C. Ramirez and Will Guzzardi)
“COVID-19 Emergency and Economic Recovery Renter and Homeowner Protection Act (“Act”)”**

Background

HB 5574 creates the Act, the stated purpose of which is to protect small business commercial and residential tenants and homeowners from eviction and foreclosure during the public health and economic crisis created by COVID-19. While the Act primarily focuses on landlords and tenants, it also impacts lenders and borrowers with the following provisions:

- §15: Cancellation of the obligation to make mortgage principal and interest payments during the “moratorium” (180-day period beginning on the effective date of the Act), to the extent permitted by federal law and subject to appropriation.
- §20: Foreclosure action forbearance during the moratorium.
- §25: Borrower forbearance program that (i) grants 180-day forbearance period for principal, interest, taxes and insurance payments; (ii) waives late fee and other penalties and charges during the forbearance period; and (iii) prohibits reporting any delinquency information to credit agency.
- §25: Loss mitigation options, including loan repayment term extension and forgiveness of the forborne payments.

Lender Opposition

Lenders oppose HB 5574, as amended, because:

- 1) It is inconsistent and redundant with many existing provisions of federal law (CARES Act and Fannie/Freddie guidance), which already establishes a foreclosure action moratorium and 180-day mortgage forbearance period that may be extended another 180 days.
- 2) It is inconsistent with IDFPF guidance to banks and credit unions that encourages them to offer mortgage payment accommodations, such as the deferral of payments at no cost, but does not suggest cancellation of debt.
- 3) It is inconsistent with the “Chicago Housing Solidarity Pledge,” which embodies an effort by the City of Chicago to generate lender and landlord support for deferred payment arrangements, suspension of foreclosure filings, neutral reporting to credit agencies and no late fees for missed payments, in response to economic hardship arising as a result of COVID-19; but which makes no reference to debt cancellation.
- 4) Federal law and Illinois regulatory guidelines sufficiently address the topic of COVID-19 forbearance and loss mitigation. HB 5574 goes beyond those standards with its creation of redundant and inconsistent provisions making compliance very burdensome. The proposed debt cancellation process is a non-starter, as an impermissible impairment of the loan contracts voluntarily entered into by borrowers with their lenders.
- 5) Under very difficult circumstances, lenders are doing an excellent job of serving their borrowers suffering from economic hardship due to COVID-19. The draconian provisions in HB 5574 are unnecessary and will generate unintended consequences that will harm consumers.

HB 5574, House Amendment No. 1 is **OPPOSED** by the Illinois Credit Union League, Community Bankers Association of Illinois and the Illinois Bankers Association. We ask that you vote “NO” on HB 5574, HAM #1.

OPPOSE THIS LEGISLATION!