

House of Cards?

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Workout and bankruptcy professionals braced themselves for a wave of consumer and commercial bankruptcy filings because of the COVID-19 economic recession. After all, shuttered businesses led to the highest rates of job loss in recent memory. Business interruption and job loss usually result in bankruptcy filings. Instead, we saw a major drop in filings.

While expert opinions vary, the drop in filings may be attributed to some of the following: (1) limited access to the court system; (2) federal aid from the \$1.2 trillion CARES Act; (3) moratoriums preventing evictions and foreclosures; and (4) the inability to spend money on entertainment, travel and dining.

However, many of the emergency measures taken to address the economic impact of the pandemic are set to expire soon:

- Student loans – More than 40 million holders of federal loans are due to start making monthly installments again on October 1, 2021*.
- Federal unemployment benefits – At least 25 states have stopped or are set to stop the extra \$300-per-week benefits under Pandemic Emergency Unemployment Compensation before the federal program lapses in September. The 25 states turning down the federal cash have announced different end dates for the program. Benefits expire June 12 in Alaska, Iowa, Mississippi and Missouri, with the other 21 states falling off through July 10, 2021.
- Moratorium on Foreclosures – the Department of Housing and Urban Development, Department of Veterans Affairs and Department of Agriculture announced a coordinated extension and expansion of forbearance and foreclosure relief programs. These protections were due to expire in March. In February 2021, these programs were extended for federally guaranteed mortgages, as follows:
 - foreclosure moratorium for homeowners was extended through June 30, 2021;
 - mortgage payment forbearance enrollment window was extended until June 30, 2021 for borrowers who wish to request forbearance;

- six months of additional mortgage payment forbearance, in three-month increments, was provided for borrowers who entered forbearance on or before June 30, 2020.

- Moratorium on Evictions – More than 11 million Americans are behind on their rent and many could be pushed from their homes when the federal eviction moratorium expires in June, CNBC.com reported**. The government-backed mortgage buyers Freddie Mac and Fannie Mae have prohibited landlords of single-family properties with Freddie Mac-backed and Fannie Mae-backed mortgages from evicting tenants until at least September 30, 2021.
- Stimulus checks – Currently, there is no legislation to support a fourth stimulus check, with there actually having been very little progress made to incorporate such a plan.

Travel and restaurants are open. During the pandemic, many Americans were able to save money by not going out to eat or by not taking vacations. However, most restrictions on restaurants and other businesses have been lifted. Restaurant and hotel bookings are up. Airplane tickets are selling fast. Consumers spent more on gyms, salons and spas in recent weeks than they have since the coronavirus pandemic began. By all indications, the U.S. economic recovery is picking up steam as Americans increase their spending, particularly on in-personal services which were tattered by the pandemic.

As we near post-pandemic life, what happens now? Americans will hopefully, return to jobs that were absent during the pandemic. But they will also start spending money on dining, vacations and personal services that had not been available during the pandemic until now. This will coincide with no foreseeable additional stimulus money, no extended unemployment benefits, no moratoriums on evictions and foreclosures, and the need to start making student loan payments.

Have we built a house of cards? It is too soon to tell, then again there is a strong likelihood that bankruptcy and workout professionals will be in high demand in the coming months.

The attorneys at Sandberg Phoenix are well prepared to handle these demands. We can answer any questions you have about these financial impacts and can protect your claims and collateral in the event a bankruptcy does get filed.

** American Bankruptcy Institute, "Frozen But Not Forgiven, U.S. Student Loans Are Coming Due Again Soon," June 8, 2021*

*** CNBC, "Millions Of Americans Could Face Eviction As Housing Protection Expires In June," May 31, 2021*