



FINANCIAL SERVICES
INNOVATION COALITION

The Looming Real Estate Crisis Plus Opportunity Zones Will Exponentially Expand the Wealth Gap

It is not a secret that the real estate market is suffering during this COVID-19 pandemic. Social distancing has caused businesses to shutter which has led to a decline in commercial real estate values. With workers forced to stay home, many people are unable to pay their rents and mortgages. These delinquencies will eventually lead to a large number of evictions and foreclosures.

While Congress included some mortgage and rental relief in the CARES Act, a comprehensive plan needs to be created. Understand the insufficiencies of the CARES act, the U.S. House of Representatives included additional mortgage and rental relief in the recently passed HEROES Act. These new provisions, while beneficial, are still not sufficient to stem the oncoming disaster.

It is no secret, that the small business and worker protection provisions in the first two bills were insufficient to the task of helping the average American. The main cause of this inefficacy is the cumbersome and exclusionary bureaucratic process used to distribute the relief. The big concern going forward is that any new housing relief will be burdened by the same inefficiencies and will only lead to more suffering.

One should remember that for every house, restaurant or other building that goes into foreclosure, there is an Opportunity Fund with billions of dollars in tax-free capital gains waiting to acquire the property for pennies on the dollar. This will allow investors to make exponential gains when they sell these properties 10 years from now tax-free.

This will be a greater transfer of wealth from the middle class to the wealthy than that of the Great Recession.

To avoid this result, we propose this practical solution:

- Congress should enact a law to allow both landlords and mortgage holders to submit vouchers to the Federal Reserve for unpaid rents and mortgage payments.
- This will allow for the retention of the status quo and stem the tide of foreclosures and evictions that is sure to arise from the pandemic.

CONGRESS SHOULD ACT NOW ON THIS COMMON SENSE SOLUTION.

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