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America's Economic Solution for COVID-19:
J. Scott Scheel Proposes the Moratorium And Forbearance Debt Relief Act (MAFDRA)

The following is an Open Letter from J. Scott Scheel, one of the country's largest Commercial Real Estate investors and developers. He offers his solution of MAFDRA to avoid a massive dive of the national economy for millions of American workers, small business owner and employees. As a mentor to thousands of commercial property owners across the country who transact daily with tens of thousands of business owners, Scott knows that the MAFDRA "unilateral economic time-out" plan can simply and fairly solve what could become a massive critical extended nightmare for every debtor and creditor, including individuals, small and large businesses, financial institutions, and government entities. The simplicity of the program makes it extremely affordable to implement, with lasting long-term benefits.

It has quickly become obvious that the financial implications of the COVID-19 health crisis have the potential to have an *unprecedented impact* on our national economy. Even our most respected economic and financial authorities are uncertain as to how we can best make our way through this.

In prior emergencies, we have all witnessed what happens when grand proclamations are made promising help, relief and support. In the end, there was very limited benefit for those who really needed it most, and typically the only assured winners were the banks.

People are justifiably nervous. Recent government action regarding COVID-19 is now recognizing the strength of the American workforce. The American people are not asking to stop working or stop living their normal lives. We are being told to stop. Many of us are being forced to stop working, even though we know that this will seriously hurt our families. Of course, we want to do our part to flatten the curve and end the virus quickly. But if we are all supposed to be working together, and we are told that 95% of the 50% of Americans expected to contract COVID-19 will only experience mild or moderate symptoms of a cold or flu, why is it acceptable for all of us to be told to sacrifice our future, our family's well-being, and even risking our businesses and our careers? Are our country's leaders willing to make a sacrifice for us that will actually benefit hard-working people who are more than willing to fight through this challenge together?

Our plan has some similar components to the 90-day mortgage relief plan put forth by other legislators but our plan goes much further in addressing all revolving and installment debt. I firmly believe that the best solution is the COVID-19 Moratorium and Forbearance Debt Relief Act (MAFDRA), which is extremely simple

and fair. This will provide for a *full forbearance of payments and interest* for a duration equal to the length of the Federal State of Emergency and mandatory government-forced quarantine. The exact length of time cannot be determined at the inception, but it should begin immediately, and last for a minimum of 90 days. If the quarantine lasts for a shorter period of time, it will allow the country's economic engine to restart and regain some badly needed momentum. The longer the State of Emergency, the more lingering the economic hangover will last.

Following this initial period, the corresponding 2nd phase of COVID-19 Moratorium and Forbearance Debt Relief Act will go into effect. Simply put, Phase 2 shall be a two to six month period after the recovery date, characterized by the lifting of the Federal State of Emergency to allow for businesses to remobilize, restock and re-staff, and for the nation to resume its normal economic pace. This period extends no longer than six months regardless of the length of quarantine, unless this quarantine period should somehow and most unexpectedly exceed one year, which in that case MAFDRA Phase 2 will need to be amended based on the most current available information.

This plan will work if MAFDRA mandates that this forbearance applies to *all payments*, including bank debt, real estate, automotive, equipment finance, credit card payments, government payments, and so on. Furthermore, it should apply to all commercial and residential property payments. All owners of these properties will still be responsible for the necessary maintenance and operations of their properties. A payment forbearance will allow them to fulfill these obligations. It is critical that federal legislation mandates compliance by <u>all lending institutions registered in the U.S</u>. Any SBA loans made earlier in the in the crisis could be amended to make short term loans available to businesses in need of lines of credit for operational shortfalls.

MAFDRA provides for ALL DEBT PAYMENTS, including but not limited to:

- Student loans
- Home, residential and commercial mortgages
- Rent/lease payments
- Business loans
- Auto loans and leases
- Equipment loans
- Credit card payments
- Payments to government entities.

It will suspend tax collections and filings in the same way, including property taxes. To incentivize making payments by those who can afford to pay on time, those who stay current on debt and taxes will be given a 2% reduction, or a tax credit up to 5% of the amount supported, to be used at any time within the next 5 filing years to apply to 2021-2025 (Eligible in the first full calendar year after restoration).

MAFDRA provides for NO blanket cash payments from the government to individuals and NO debt forgiveness by any party. All payers will resume making their payments at the conclusion of the program, starting on a federally mandated date, in the same place where they left off before MAFDRA went into effect. This means that there must also be an across-the-board moratorium on interest. Everyone, including business owners, should be impacted in exactly the same way.

MAFDRA allows everyone to live in peace and to rest assured during the forced exile. No one needs to lose their home, their business, their livelihood, their life's work or any of their assets if they comply with the mandated need to act in the interest of the mutually greater good. The healthy and youthful should not be stripped of their own present and future lives as we all try to protect the immunodeficient and elderly.

For the average American worker, the largest monthly payments in forbearance would be applied to mortgages, vehicles, credit cards and student loans. Millions of people could then tend to the two essential remaining primary expenses of providing food for their families, and energy for their homes. Fortunately, with low energy costs and warm weather due, utility costs should also decrease in the weeks to come. Without additional economic stressors, Americans can tend to the health needs of themselves, their families, and the most vulnerable members of their communities. The previously announced $1000-plus checks and the expedited unemployment benefits will help many affected by this nationwide crisis.

Regarding small business owners: with bank loans, equipment payments and property leases in forbearance, they could concentrate their entrepreneurial spirit on finding ways to creatively maintain their cash flows and their customer base. Reducing the economic stress on businesses could enable them perhaps to maintain some staff employed who would otherwise have been laid off, and keep doors open that they otherwise would have had to close.

We all remember crises where investing massive amounts of cash in poorly executed solutions failed to achieve the intended results. Money and resources must be confidently directed where they are needed. We should not cast a wide net with gaping holes to address the root cause of an economic collapse. These artificial stresses resulting from poor solutions cause waves of default that undermine our entire economy and economic structure. Under these unprecedented conditions, with so much uncertainty, this typical response would cost us hundreds of billions of dollars in bailing out banks holding defaulted loans. This situation also has the potential to destroy the credit of millions of hard-working Americans, especially those who live paycheck-to-paycheck. We do not want to repeat the situation of the late 2000's when federal organizations were forced to pick the winners and losers in the failed aftermath of the banking and housing crisis. We already have borrowers on these debts that are happy to make them perform at pre-crisis levels. Why cause a default? Why write down the asset to crisis values and short the existing debt? Why cause losses on all sides?

In the past, when unexpected and unprepared-for disasters occurred, we rushed imprudently to inject capital into the situation, hoping to offset the negative impacts. Conversely, to avoid the same unintended consequences, we could take a collective "time out" and all support each other. This time of forbearance will keep us united throughout this process. If all participants are on equal footing in this way, it will work.

When this is over, everyone will be allowed to return to their posts to responsibly resume paying their debts in a much, much better place having avoided all of the chaos and destruction that could have wreaked havoc on the lives of innocent people all across our country.

MAFDRA must also include provisions that lending institutions *must* make small business loans and lines of credit available through this crisis. This will have a meaningful impact. The last time that interest rates dropped to these levels, lenders often chose to stop or dramatically slow the underwriting and processing of loans due to "uncertainty" and they massively capitalized themselves. Since the loan defaults won't occur this time with MAFDRA, banks can take an active role in jumpstarting the economy without fear of being shut down due to excessive defaults, such as happened in the Great Recession. We should not have mandatory government action without including a contingency to protect everyone (and not just the special interests and entitlements).

Lastly, to ensure that critical services and vital needs are met for all individuals, we should enact a 90 day moratorium on utility service interruptions. These billings will be paid by spreading them over a to-be-determined period of time, post crisis, at a reasonable interest rate. Those that can pay now will do so and may receive a tax credit for providing additional support to the overall economy during the crisis.

From a national and international standpoint, we can afford to sustain this plan. All foreign agents that are holding debt will need to wait as well, and this plan could be considered on a global basis. This is a minimal cost for a global pandemic of this proportion.

MAFDRA must be mandated immediately, before billions of dollars are spent that will not have a long-term impact. Compared to handing out billions of dollars in the form of checks to every American adult, once that cash is spent (wisely or not) the devastating economic threats will remain across all market sectors. Mortgage and car payments will still come due, and not be able to be paid. The sooner we act on MAFDRA, the more confidence we will give to consumers and to the markets.

MAFDRA's "time-out" scenario can be our solution. Federal legislation will allow the country to "skip" these months in all financial documents. April, May and June "financially didn't happen." They were skipped over and replaced by adding the same number of missing months to the back of all amortization schedules. Everything else remains the same. We keep it simple, and the country, and world can return to normalcy.

Learn more about MAFDRA and J. Scott Scheel at: MAFDRAUSA.com

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