

COVID-19 Impacts on Housing Stability in the Twelfth Federal Reserve District

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In the face of layoffs and furloughs due to the COVID-19 pandemic, many renters and homeowners across the country have struggled to make their mortgage or rent payments. [Banks have provided flexibility](#) to borrowers through loan deferrals and forbearance during the pandemic. The federal CARES Act provided stimulus payments to low- and moderate-income people and expanded unemployment insurance payments by states, [allowing many to continue paying their bills](#) during the early months of the pandemic. The CARES Act also included rental assistance to be disbursed by states, a moratorium on evictions for renters in federal housing assistance programs, and a foreclosure moratorium on properties with federally-backed mortgages. Some states and localities passed eviction moratoria of their own. These measures placed a temporary pause on many evictions and foreclosures. However, concerns about housing stability remain for renters and homeowners, many of whom continue to experience unemployment or income loss due to the pandemic, [which has had disproportionate health, housing, and economic impacts on communities of color](#).

This brief provides a snapshot of the issues facing low- and moderate-income renters, homeowners, and small, “mom and pop” landlords in the Twelfth Federal Reserve District. Our Community Development team conducted twelve semi-structured interviews with nonprofit community organizations and a public housing agency in July 2020. Most of the organizations we spoke with primarily serve low- and moderate-income households and offer housing counseling and other services. Some organizations operate and manage affordable housing developments and serve the rental tenants on their properties, while other organizations primarily serve homeowners or first-time homebuyers. We asked whether homeowners, renters, and small landlords were falling behind on housing payments or experiencing financial instability, and we asked what assistance was available or lacking to support them.

Main findings

- Renters of market-rate homes sought assistance from housing counseling agencies at unprecedented rates in recent months, according to our interviewees. Financial support for low- and moderate-income renters early in the pandemic provided some relief but did not reach everyone it was intended to reach. Additionally, subsidized affordable housing providers experienced some decreases and delays in rent collection.
- Our interviewees said that most low-income homeowners who requested it received forbearance during the pandemic, yet many did not receive information about the terms of their forbearance from their lender/servicer. Others received forbearance they did not request, disrupting their efforts to refinance or seek bankruptcy.
- Mom and pop landlords, who often provide housing to low- and moderate-income populations, received less rent from tenants since the pandemic began and faced challenges when seeking assistance, according to our interviewees.

Renters

While federal funds temporarily stabilized many households, renters are worried, and the response to the current crisis is uneven.

Housing organizations are receiving more calls from renters requesting counseling services and rent relief than before the pandemic.

The community housing organizations interviewed experienced increases in the number of renters requesting counseling services or assistance in paying for their rent. Since the pandemic began, many organizations have received more calls inquiring about assistance from renters than from homeowners. One organization in Hawaii reported a 150% increase in requests for counseling services, mostly from renters who were already late on rent and were worried about being evicted after the federal moratorium on evictions lifts. Another housing organization reported that one county agency in Arizona received 5,000 applications for rental assistance since March, as compared to the roughly 1,500 they receive in a typical year.

Federal rental relief disbursement has been slow and uneven, with nonprofits only able to fill part of the gap.

The CARES Act authorized funds to assist renters impacted by COVID-19 through HUD programs and Community Development Block Grants (CDBG). The HUD funding was intended to stabilize tenants who have housing vouchers or live in public housing. Cities and counties that chose to could use the additional CDBG funds for several purposes, including rental assistance for low- and moderate-income tenants in market-rate housing. Housing organizations interviewed were concerned about the uneven distribution of CARES Act funds across jurisdictions in some states. They also expressed frustration about challenges accessing the program for renters and landlords in financial need, noting that federal rental assistance was not widely publicized and was slow to be disbursed by states and municipalities.

Interviewees cited additional, limited sources of rental assistance for families and workers impacted by COVID-19. One housing agency raised \$400,000 to offer residents rental assistance and to help cover other costs such as utilities, medical bills, and food. In addition, organizations such as United Way have provided rental assistance in many communities.

Affordable housing providers face challenges.

The providers of subsidized affordable housing we spoke with reported differing levels of issues with late rent collection or nonpayment. Although a relatively high proportion of their tenants received CARES Act assistance or receive other Social Security or veterans' benefits, some were still unable to pay rent on time or at all. One organization noted that their rent collection was only 1% lower than their normal collection rate, while other property managers reported decreases around 25%. Another housing organization that operates 1,700 rental units across multiple sites had a 98% collection rate in June, but many rent payments were collected 25 to 30 days past due. This housing organization noted this late payment pattern was unusual for the tenants.

Homeowners

Many low- and moderate-income homeowners received forbearance during the pandemic, with some citing opportunities for better communication from lenders.

Some housing organizations saw dramatic increases in requests for assistance.

Most of the housing organizations interviewed reported an increase in the number of homeowners inquiring about options for mortgage assistance since the start of the pandemic. For example, in March and April, the number of calls received increased by 50% for one organization and close to 500% for another organization. However, a few organizations reported experiencing no increase in calls from homeowners inquiring about mortgage assistance.

Low-income homeowners sought information about mortgage forbearance.

Most homeowners who called housing agencies requested information on mortgage forbearance and asked for help in requesting forbearance from their lender or mortgage servicer. Mortgage [forbearance](#) is an agreement between a lender or a mortgage servicer and a borrower to pause or defer mortgage payments for a specific period of time. Many noted that homeowners did not understand what mortgage forbearance is—some homeowners thought that it is a forgiven payment. Most organizations we spoke with highlighted the significant need to educate homeowners on their options, including what mortgage forbearance is, and what may be best based on their unique financial situation. For example, forbearance can complicate a loan modification or bankruptcy proceedings.

Some organizations expressed concerns about homeowners who were behind on their mortgage before the pandemic, noting that they saw increased demand from homeowners for help with loan modification and foreclosure counseling in 2019. This uptick may be due in part to funding sources recently ending, including California's Keep Your Home CA and the federal Make Your Home Affordable programs.

There is inconsistency in the amount of information low-income homeowners have received about mortgage assistance options during the pandemic.

Although housing organizations signaled that most homeowners who request it do receive mortgage forbearance, there is little consistency in what information is provided to homeowners that request mortgage assistance. For example, although some low-income homeowners received written information about the terms of forbearance, housing organizations also heard from many homeowners that they received a verbal forbearance agreement from their lender/servicer and that written notification of forbearance approval was delayed.

Many low-income homeowners who sought counseling were uncertain about the terms of their forbearance, for example, whether they had received a three-month forbearance term or longer. They also had questions around the terms of reinstating a mortgage and repayment of deferred payments. Interviewees reported that in some cases homeowners were still receiving letters threatening foreclosure for nonpayment or notices of pre-foreclosure even after their mortgage went into forbearance.

Housing organizations raised questions about the unknown or unintended consequences of mortgage assistance.

Many housing organizations we spoke with expressed concern about the looming outcomes for homeowners who entered into mortgage forbearance periods. Housing counseling agencies expect to see a spike in calls from homeowners wondering about their options as forbearance periods end. For example, not all homeowners know whether the postponed payments were tacked on the end of the loan repayment period, if they will be spread out across payments, or if a [silent second mortgage](#) may have been created. Housing organizations reported that lenders/servicers were informing some homeowners with federally-backed loans that a lump sum

would be due at the end of the forbearance period, despite [regulatory guidance](#) that lenders/servicers should not require this term as a part of the forbearance agreement. It remained unclear whether servicers will automatically correct this for all mortgages in forbearance, or whether each homeowner will have to re-negotiate the terms of the mortgage forbearance.

Housing organizations also noted that as assistance programs to help homeowners pay for their mortgage rolled out, it was unclear how that assistance may impact a homeowner's existing mortgage forbearance. For example, it was unknown whether assistance received by a homeowner with a mortgage in forbearance would automatically nullify their forbearance, resulting in payment due. Furthermore, housing organizations asked what will happen if mortgage assistance does not cover the whole mortgage payment and the homeowner does not have adequate funds to cover the remainder of the payment. Organizations we spoke with indicated that little information is available on this issue.

Housing organizations are concerned about possible consequences of missed mortgage payments.

Interviewees noted the need to educate homeowners on the importance of keeping up on mortgage payments. Some homeowners were unaware of the consequences of missing mortgage payments, such as the potential future payment shock of a lump sum or late fees. Housing counseling agencies reported efforts to coach homeowners to reinstate their mortgage before their nonpayment becomes a serious problem.

Housing organizations report issues with non-requested forbearance and challenges reinstating payments.

Forbearance is not the best option for every homeowner and can complicate their efforts to refinance their loan or navigate bankruptcy proceedings. Interviewees noted that there was evidence of homeowners receiving notice that their mortgage is in forbearance without the homeowner requesting said forbearance. Housing organizations provided many examples of how unsolicited forbearance presented homeowners with unintended consequences. For example, some homeowners who were in negotiations to obtain a loan modification before the federal foreclosure moratorium went into effect unexpectedly had their mortgage placed into forbearance, upending their negotiation to modify their loan.

Another organization cited instances of homeowners being unable to reinstate their mortgage. For example, one homeowner's servicer advised them that payment was not due, despite the homeowner requesting to begin making their payment again. The homeowner was trying to reinstate their mortgage to make a payment on the current balance, in order to avoid an even larger payment shock when their forbearance period ended.

Small landlords

Mom and pop landlords, often operating on small margins, are being squeezed.

Small landlords face income reduction from missed rent payments and have little assistance available, with possible cascading impacts for tenants and local tax revenue.

Interviewees were concerned with the issues facing "mom and pop" landlords, many of whom rely on rent payments to pay the mortgage on their rental properties. This income loss may have cascading impacts for tenants and landlords. If tenants cannot afford rent payments, landlords will be left without income to pay for repairs, property taxes, or mortgage payments on rental properties. Potential foreclosures among small landlords could lead to building sales, which could then lead to evictions and loss of "market rate affordable" units due to upgrading and rent increases imposed by new owners. One small landlord in Northern Nevada

reported to a housing organization that their units were occupied, but no tenants were currently paying rent. Other organizations reported similar stories of small landlords seeing missed rent payments.

Options for financial assistance and counseling services for small landlords are limited.

Housing organizations reported that many small landlords do not have access to the same assistance as homeowners or renters. Some small landlords reported to housing organizations that they were denied pandemic-related assistance, such as forbearance or PPP loans. One respondent noted that, of the small landlords in Los Angeles County who applied for local assistance, only a small fraction were eligible. Early in the pandemic response timeline, one Community Development Financial Institution (CDFI) in Hawaii created a new security deposit collateral loan to aid mom and pop landlords whose rent collection has been reduced by the pandemic. With a tenant's security deposit as collateral, the CDFI would lend up to three months of rent and work directly with the tenant on affordable repayment of the loan. Although there was interest in the loan product, landlords were slow to take advantage of the loan.

Policy and practice opportunities

Interviewees offered several ideas for policy and practice solutions to stabilize housing as the COVID-19 crisis continues to unfold.

1) Tenants, homeowners, and small landlords need assistance to prevent eviction, foreclosure, and long-term damage to their credit.

With unemployment and [disruption to small businesses still high, especially for communities of color](#), these groups will need continuing financial assistance and other resources from government, the nonprofit community, and financial institutions.

2) Tenants need counseling and legal representation.

Some eviction proceedings continued during the pandemic or have recently resumed. Other issues arose when courts or landlords were unaware of whether a property was covered by the federal moratorium that prohibits eviction proceedings. Tenants need assistance understanding what aid is available, what their options are, and what their rights are in different jurisdictions.

3) Homeowners need information on counseling resources.

Some homeowners in distress do not know that there are housing counseling agencies available to help them understand their options. Some states require lenders/servicers to include information about housing counseling agencies in pre-foreclosure notices, but these did not go out during the federal foreclosure moratorium. The public and nonprofit sectors could step up to fill this need when mortgages become delinquent.

4) Nonprofit housing counseling agencies need dedicated funding for foreclosure prevention and related mortgage counseling.

There is no dedicated funding source for foreclosure counselors other than the one-time National Mortgage Settlement. These agencies are typically funded through a combination of fees from trustee sales after a foreclosure, which have been on hold during the pandemic, as well as contributions from states and banks, which have been diverted to pandemic response-related efforts. Housing counseling agencies predict that they will struggle to meet demand for their services after the federal foreclosure moratorium lifts.

5) Housing organizations need technical assistance to preserve affordable housing.

Nonprofit housing organizations reported their interest in gaining expertise to [preserve unsubsidized affordable housing](#) through [property acquisition and rehabilitation](#). Another interviewee requested technical assistance on foreclosure mitigation practices and operating rental assistance programs.

6) Policymakers and researchers need better data to pinpoint the needs of renters.

There is a lack of centralized data at the state or national level that is available to policymakers, researchers, or the public about how many renters struggle to pay their rent in particular geographic areas, making it hard to pinpoint the scale and location of the issue. While researchers work to collect eviction data from local courts to [track evictions](#), these data are typically retrospective. By comparison, we know more about the number of homeowners who are behind on their mortgage payments or facing foreclosure in specific ZIP Codes through the Home Mortgage Disclosure Act. Without widely-available state or national level sources of data on rents, rental assistance programs, delinquent rent payments, renter protections, and evictions, policymakers and service providers face challenges in assisting renters and preventing evictions.

Loss of employment and income during the pandemic poses a threat to housing stability, with ripple effects for communities. Factors such as the [small financial cushion of most Americans](#) and the [persistent Black-white wealth gap](#) make the challenge even greater. Renters, homeowners, and small landlords need support to prevent evictions, foreclosures, and a loss of local tax revenue from having cascading impacts on individual economic participation, household wellbeing, and municipal services. This brief provides a snapshot of the impacts of the pandemic that is based on the observations of housing organizations who have deep experience in their communities; more research is needed to understand the relative severity of the issues they raise across different geographic areas.

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