With Protections Expiring, Millions are in Danger of Losing Their Home

By: Jann Swanson | Tue, Mar 2 2021, 10:28 AM

What happens to homeowners and landlords when the federal, state, and local protections put in place during the pandemic go away? The Consumer Financial Protection Bureau (CFPB) is **warning that the answer is hanging in the balance.**

Moratoria on foreclosures and evictions coupled with widespread availability of forbearance plans have held disaster at bay, but CFPB says 2.1 million families are behind at least three months on mortgage payments, and another 8.8 million are behind on rent. The aggregate 11 million represent 10 percent of total U.S. households. Homeowners alone are estimated to owe almost $90 billion in missed payments. The last time this many families were behind on their mortgages was during the Great Recession.

"Put simply," the report says, "**we have very little time to prevent millions of families from losing their homes**."

CFPB Acting Director Dave Uejio says, "I am deeply concerned that a mass wave of evictions and foreclosures will turn millions of families out on the streets. Such an event will not only be a humanitarian and public health disaster but will have repercussions throughout the housing sector and our economy at large.

"It's common sense that safe, affordable, and stable housing provides the foundation for people's well-being, financial and otherwise. Stable homes mean stable neighborhoods and communities. When people lose their homes, their lives, health, and finances are all disrupted. Even the *threat* of losing a family's home can force tough financial decisions, including skipping payments on food, medicine, and heat to keep a roof over their head."

This danger is much higher in certain communities. The ban on evictions is generally available only to tenants in properties held in real estate owned (REO) portfolios belonging to Fannie Mae and Freddie Mac (the GSEs), the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and the U.S. Department of Agriculture (USDA). In some cases, owners of multifamily properties financed by those agencies are also prevented from evicting non-paying tenants.

Nine percent of renters, who do not have the same protections or options as homeowners, **say that they are likely to be evicted.** Black and Hispanic households are more likely to report being at risk.

The 2.1 million homeowners who are more than 90 days in arrears on mortgage payments will probably experience severe financial hardship when forbearance ends. Of these families, an estimated 263,000 families are seriously behind on their mortgages and not in forbearance, putting them at higher risk of foreclosure once federal and state moratoria end.

Many families, particularly in Black and Hispanic communities, **have not fully recovered from the last financial crisis**, more than a decade ago. And those same communities are once again bearing a disproportionate financial and health burden during the pandemic, through no fault of their own. Black and Hispanic families are more than twice as likely to report being behind on housing payments than white families.

Twenty-eight percent of manufactured home residents are behind on their housing payments, compared to 12 percent of single-family home residents, and 18 percent of residents in small-to-mid-sized multi-unit buildings.

The Acting Director says, given its roots in the aftermath of the Great Recession, CFPB is uniquely equipped to address the current looming housing crisis and, where possible, will use its authority to keep people in their homes. It will also try to coordinate public and private efforts to save homes and attempt to prevent the weight of this crisis falling upon communities which are already struggling. "In those unfortunate instances where families can no longer stay in their homes, we will do everything we can to ensure that people are treated with dignity, families are able to preserve as much of their equity as possible, and everyone can make a smooth transition to other safe, secure, and affordable housing."

Lenders, landlords and mortgage servicers are also working to keep people in their homes. Lenders realize the chaos of the last housing crisis wasn't good for their bottom line, either. Most mortgage servicers are reaching out to the record number of homeowners in forbearance and other homeowners struggling to make payments. Many landlords have dipped into their own savings or run up credit card debt to cover expenses during the pandemic.

The report notes that Federal Housing Finance Agency, FHA, VA, and USDA have extended **most of the pandemic relief measures through at least June 30, 2021.** After that date, families who cannot resume making regular payments will need to make an agreement with their lender to avoid foreclosure. Residential eviction protections for renters are extended through March 31, 2021.

Uejio says it is a priority to get a firm picture of the crisis and he has directed CFPB research teams to increase efforts to track mortgage performance metrics and evictions. "We need to know more about homeowners and communities to help them overcome the inevitable financial impacts of a crisis of this magnitude. While there are significant differences compared to the last mortgage crisis, including a more stable mortgage market and substantial homeowner equity, we need to know more.

"We don't know if the most vulnerable communities, hit the hardest by COVID-19 and its financial impacts, have sufficient equity to buffer them from the consequences of extended forbearances and job loss. Cascading foreclosures in a neighborhood can bring down housing values, shrinking equity. Families hit hardest by the pandemic and its financial impacts may not be able to find adequate alternate and safe housing, even if they are able to sell their homes without losses. The scale of housing insecurity among both renters and homeowners presents new risks to families and the communities they live in. We will be working hard to understand these interlocking risks."

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