

Pandemic Could Become an Eviction Epidemic

By: Jann Swanson | Mon, Aug 2 2021, 1:25 PM

With the federal moratorium on evictions expiring on July 31, it is becoming apparent that there is a real housing crisis looming. Not one like we saw in 2007 and 2008 when housing prices plummeted, and millions of homeowners defaulted on their mortgages. This time around, the federal government and both government and private sector lenders took a lot of steps to protect homeowners and continue to do so. The worst impact of the pandemic is poised to hit an entirely different cohort of households, those who rent their homes. So far, government actions have protected most tenants, but they have **not been afforded the soft landing options available to homeowners** when the pandemic is declared "over."

Perhaps, however, the looming disaster is starting to get some attention. On Friday both the Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA) took some baby steps, extending the GSE and FHA moratoria on single-family real estate owned (REO) evictions until September 30. REO are properties that have been acquired by FHA and the GSEs through foreclosures or deeds-in-lieu.

The agency actions were in response to an announcement on Thursday from President Joseph R. Biden that federal agencies will use their authority to **extend their respective eviction moratoria through the end of September**, to provide continued protection for households living in federally-insured, single-family properties.

Biden has also asked Congress to extend the federal eviction moratorium until August 1. In June the Centers for Disease Control and Prevention (CDC) issued an extension beyond the then scheduled June 30 expiration. That order was challenged in court by landlords but was allowed by the Supreme Court. Justice Brett M. Kavanaugh, however, wrote in a concurring opinion that any future extensions would require Congressional action.

At issue is a \$47 billion rental relief program funded by the \$1.9 trillion American Rescue Plan passed in March. The Treasury Department said 290,000 tenants received \$1.5 billion in relief in June, but the program has been plagued with delays and hindered by red tape, principally at the state and local levels. Tenant groups have been lobbying the White House to delay the expiration date so the program can have a chance to function. *The New York Times* says it isn't clear whether there are enough votes in the Senate to move the deadline.

Neither FHFA nor HUD estimated how many tenants would benefit from the new deadlines, but it can't be many. Foreclosures have been held to a minimum over the last 18 months by a moratorium on that activity, so REO inventories are probably low. It doesn't appear that evictions of tenants from GSE financed multifamily units are affected by Friday's announcement. The HUD foreclosure moratorium will be allowed to expire on schedule on July 31, but any occupants of foreclosed buildings will be covered by the eviction protections.

As an indication of the enormity of the problem, the National Apartment Association, the largest trade association representing residential landlords, has just sued the federal government over the current moratorium, saying it has cost its members **\$27 billion in unpaid rent owned by some 10 million tenants**.

Sema K. Sgaier and Aaron Dibner-Dunlap of Surgo Ventures, a nonprofit health organization, broke down other numbers in an article in the *Times* this week. They say almost 15 percent of renting households owe back rent, an average of \$3,800 per household.

The numbers in large urban areas are staggering they say. Nearly 300,000 renters owe an average of \$5,300 each in Los Angeles County (for perspective, this is less than two months arrearage at the metro's average rent). In New York City, over 400,000 renters are behind by a collective \$2 billion. Chicago, Dallas, Houston, Miami-Dade, Philadelphia, Phoenix and San Diego all show at least 55,000 families at risk of eviction for nonpayment.

A large part of what can turn from a rental crisis into a homelessness crisis can be averted, the authors say, if state and local governments get their act together and disperse the federal relief moneys. In California, for example, over \$1 billion in aid has been applied for but only \$158 million put in tenant hands. "South Carolina is faring worse: under \$1 million has been disbursed, out of \$39 million requested."

They also cite a huge eligibility gap. Of the 6.2 million households who are behind on their rent, half make more money than the federal program allows and aren't eligible. The result is that at-risk households in nearly every county are still catastrophically behind.

While it is clear there is a need for quick action to stave off a rental crisis/homelessness pandemic, it would be interesting to see an analysis of the potential effects on the overall housing market if wholesale evictions commence. Are landlords going to be able to rent their properties with millions of potential tenants lacking money for security deposits or with damaged credit? Might smaller single-family investors start to dump vacant properties on the market? How will the nascent build-to-rent industry fare in such an environment?

Time is growing short to figure all of this out.

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