COVID-19 RECOVERY OUTLOOK:
EVICTIONS IN RENTAL HOUSING

June 16, 2020
By Natalia Carrizosa

Additional OLO research on COVID-19 recovery is available here: www.montgomerycountymd.gov/olo.

The economic disruption resulting from the COVID-19 pandemic has impacted the ability of tenants in rental housing to pay the rent. In response, Governor Hogan and Maryland Court officials halted evictions during the emergency.[1] Furthermore, the federal CARES Act temporarily prohibits initiating eviction of tenants in properties that receive federal assistance or financing.[2] This paper discusses eviction policies during the COVID-19 emergency, examines data on residents that are struggling to afford the rent, and describes policy tools for preventing a wave of evictions when moratoria expire. This paper aims to further inform the housing element of the Council's Economic Development Platform during the COVID-19 recovery period.

SUMMARY OF KEY TAKEAWAYS

- Renters in Montgomery County are at risk of a wave of evictions when temporary moratoria expire, and low-income households and Black and Latinx residents face the highest risk;
- Small landlords may face relatively large impacts from the COVID-19 crisis; and
- Policy tools to prevent or limit a wave of evictions include non-financial assistance and tenant protections as well as financial assistance for tenants facing eviction.

EVICTION POLICIES DURING EMERGENCY

During the COVID-19 emergency, many states halted one or multiple steps of the eviction process. Some states and localities also sealed eviction records, prevented landlords from taking certain actions against tenants (e.g. charging late fees, reporting tenants to credit bureaus or raising the rent), created or expanded financial or legal assistance for tenants, or barred utilities from disconnecting service.

Types of Eviction Moratoria Implemented in By State Governments

Prohibit notices of eviction	Suspend eviction filings	Suspend eviction hearings	Stop issuance of eviction orders	Suspend enforcement of orders

The Eviction Lab at Princeton University developed a scorecard to rate states' COVID-19 eviction policies. The scorecard gave Maryland a rating of one star out of five, placing its residents at higher risk of a surge of evictions after the emergency. Although Maryland halted eviction hearings, stopped courts from issuing eviction orders, and stayed pending eviction orders, landlords were permitted to file eviction cases during the emergency. Furthermore, the State did not implement certain tenant protections, such as sealing eviction records, prohibiting landlords from reporting tenants to credit bureaus, or requiring landlords to offer a grace period or payment plan to pay rental debt.[3]

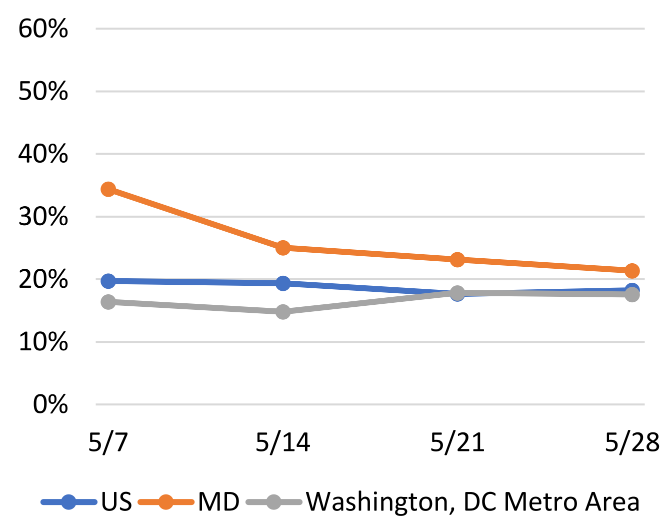
HOUSEHOLDS AT RISK OF EVICTION

Eviction moratoria have expired or are set to expire in most states by the end of July. Furthermore, by the end of July, the unemployed will no longer receive the additional $600 in weekly federal unemployment benefits provided as part of the CARES Act. Emily Benfer of Columbia Law School and other housing experts predict that states will experience a wave of evictions when temporary protections and assistance expire.[4] While it is not possible to determine how many households will face eviction, available data provide insight into the characteristics of renter households that face the greatest difficulty affording the rent.

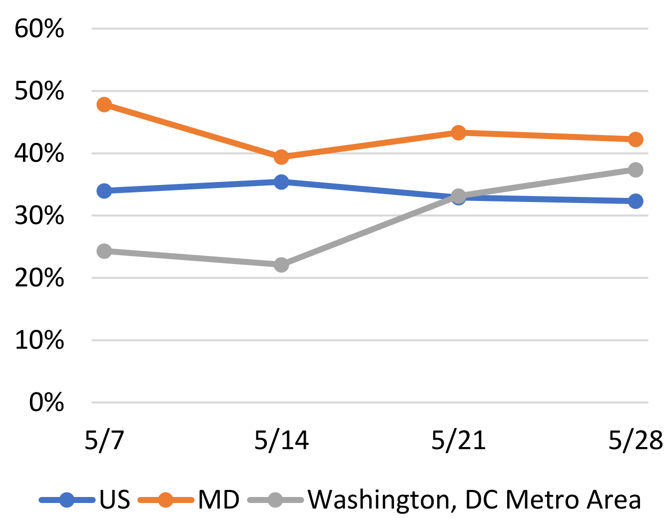
A household that spends more than 30% of its income on rent is considered to be "cost-burdened". The Joint Center for Housing Studies at Harvard University (JCHS) estimates that one in five renter households in the United States are likely to become cost-burdened or become more severely cost-burdened as a result of the COVID-19 emergency, impacting their ability to pay the rent. This estimate includes one in ten renter households who are at risk of becoming newly cost-burdened.[5]

The U.S. Census Bureau's weekly Household Pulse Survey (HPS), developed in response to the COVID-19 emergency, includes questions regarding rent payments among households.[6] HPS data show that on the week of May 28, 18% of renter households in the Washington, DC Metropolitan Area reported deferring or not paying the last month's rent on time, and 37% reported they had either had little or no confidence in their ability to pay next month's rent on time or already deferred it. These rates are similar to national rates for the same time period.

Households That Deferred or Did Not Pay Last Month's Rent On Time



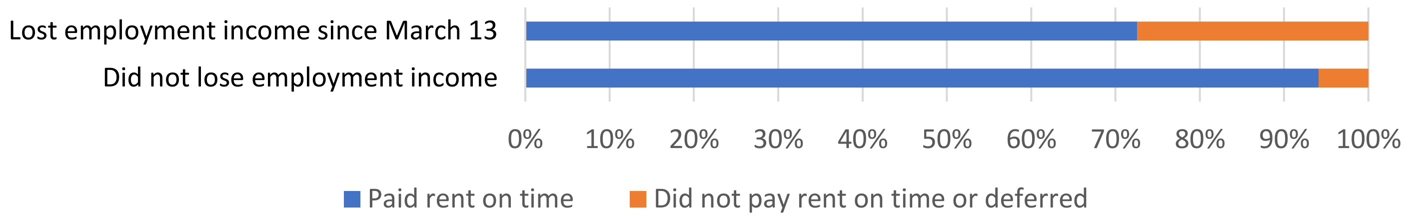
Households With No or Low Confidence They Can Pay Next Month On Time



Source: U.S. Census Bureau, Household Pulse Survey Data Tables

Among those households that reported loss of employment income since March 13, more than one-quarter reported that they deferred or did not pay the last month's rent on time, compared with 5% of other households.

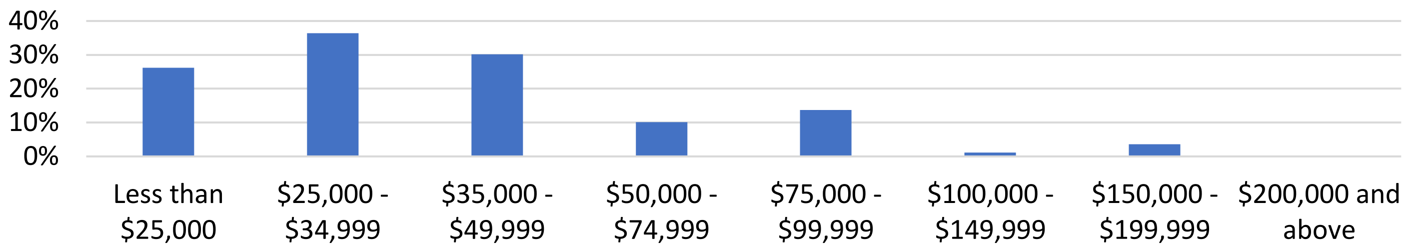
Households in the Washington, DC Metropolitan Area That Deferred or Did Not Pay Last Month's Rent On Time, Week Starting May 28



Source: U.S. Census Bureau, Household Pulse Survey Data Tables

HPS data also show that nonpayment rates were highest among households with low incomes. Households with annual incomes between $25,000 and $34,999 were the most likely (36%) to have deferred or not paid the last month's rent on time, followed by those with incomes between $35,000 and $49,999 (30%).

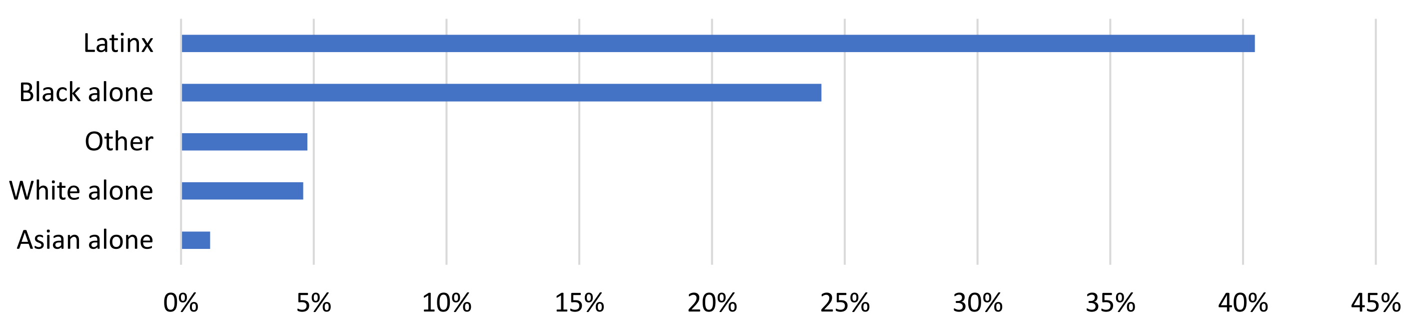
Households in the Washington, DC Metropolitan Area That Deferred or Did Not Pay Last Month's Rent on Time By Household Income, Week Starting May 28



Source: U.S. Census Bureau, Household Pulse Survey Data Tables

Disparities in nonpayment rates by race and ethnicity are large: 40% of Latinx and 24% Black respondents reported they deferred or did not pay the rent on time last month, compared with only 5% of White respondents.

Households in the Washington, DC Metropolitan Area Reporting They Deferred or Did Not Pay Last Month's Rent on Time By Race and Ethnicity, Week Starting May 28



Source: U.S. Census Bureau, Household Pulse Survey Data Tables

Montgomery County-specific HPS data are not available. Data from U.S. Census Bureau indicate the Montgomery County had approximately 128,000 renter-occupied units between 2013 and 2018.[7] If renter households in Montgomery are similar to those in the Washington, DC Metropolitan area as a whole, approximately 23,000 households may have deferred or not paid last month's rent on time, and 47,000 may have little or no confidence in their ability to pay next month's rent on time.

IMPACT ON LANDLORDS

While eviction moratoria temporarily protect renters, they do not provide relief to landlords who have lost rental income. Landlords use rental income to make property tax, mortgage, insurance and utility payments as well as to fund building maintenance.[8]

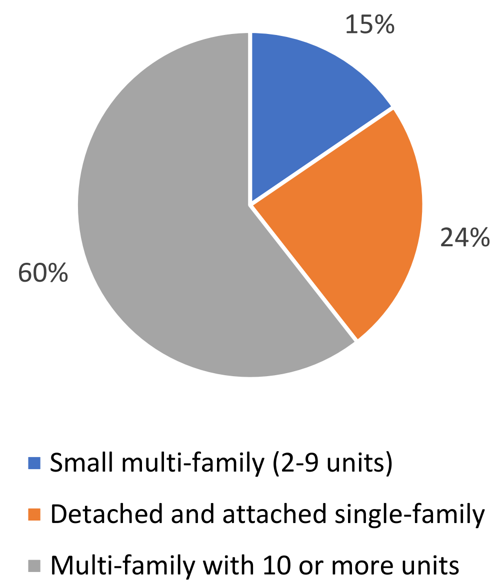
Like renter households, the impact of the COVID-19 emergency is not evenly distributed among landlords. Data collected by the National Multifamily Housing Council (NMHC) indicate that at the national level, 95% of tenants in market-rate professionally managed apartments made full or partial rent payments, either on time or late, in May of 2020, compared with 97% in May of 2019.[9]

However, NMHC's data exclude subsidized housing as well as single-family rentals and "small" or "mom and pop" landlords.[10] The Joint Center for Housing Studies of Harvard University estimates that single-family and small multi-family buildings with 19 units or less, many of which are excluded from the NMHC dataset, are more likely than larger buildings to house tenants that face difficulties paying the rent during and after the COVID-19 emergency for two reasons:

- Tenants in single-family homes and small multi-family buildings are more likely than tenants in larger buildings to work in the industries hardest hit by COVID-19; and
- Small multi-family buildings tend to charge lower rents than large buildings, and tenants in these buildings tend to have lower incomes.[11]

Therefore, while national data do not currently show large reductions in rent payment rates among large landlords, landlords of relatively few units are likely to be more severely impacted. As shown in the chart to the right, multi-family buildings with 2-9 units and detached and attached single-family homes accounted for nearly 40% of all renter-occupied housing units in Montgomery County between 2013 and 2018.

Renter-Occupied Housing Units in Montgomery County By Type of Structure, 2013-2018



Source: 2018 American Community Survey, 5-Year Estimates

BEYOND EVICTION MORATORIA: APPROACHES FOR PREVENTING OR LIMITING A WAVE OF EVICTIONS

The Eviction Lab and the Urban Institute describe two categories of tools to prevent a wave of evictions: (1) non-financial assistance and tenant protections around eviction processes; and (2) financial assistance for tenants. Although both categories of tools primarily target tenants, financial assistance also provides relief to landlords who benefit from tenants using assistance to pay the rent.

The table on the following page describes options for non-financial assistance and tenant protections. The first set of non-financial protections give tenants additional time to recover income or identify other resources to help them remain housed in the near term. The second set helps tenants avoid eviction and remain securely housed in the longer term.

Types of Non-Financial Assistance and Tenant Protections to Prevent Wave of Evictions

Near-term	• Keep eviction moratoria in effect for a period of time after the state of emergency ends to give tenants more time to avoid eviction • Require landlords to give tenants a grace period or offer payment plans for rent payments • Prohibit rent raises during the COVID-19 emergency
Longer-term	• Detach rental debt from tenancy or canceling rent debts • Guarantee free legal counsel to tenants in eviction cases • Provide or require mediation before eviction process begins • Seal some eviction records, such as cases that did not result in a judgment for the landlord • Assign dedicated judges or creating a specialized housing court for landlord-tenant matters to ensure judges are familiar with rules established during the emergency.

Sources: "COVID-19 Housing Policy Scorecard Methodology," Eviction Lab, Princeton University, April 20, 2020, < https://evictionlab.org/covid-housing-scorecard-methods/ > and Brennan, M.,"When Moratoria Lift, How Can State and Local Governments Avoid a COVID-19 Eviction Surge", Housing Matters: An Urban Institute Initiative, May 20, 2020.

Many state and local governments had programs in place prior to the COVID-19 emergency to provide financial assistance to households at risk of eviction. During the emergency, many jurisdictions expanded these emergency rental assistance programs or created new ones. The Urban Institute reviewed 43 programs that were created or repurposed to assist renter households impacted by the COVID-19 emergency. A small number of programs also provide direct assistance to landlords. The Urban Institute recommends that state and local governments:

1. Build new financial assistance on existing programs and capacity, including in the nonprofit sector;
2. Make programs flexible, for example by allowing recipients to use assistance for other needs like food and medication; and
3. Prioritize populations with the greatest unmet need rather than those that are most financially stable.[12]

TAKEAWAYS

When states' eviction moratoria expire in the coming months, renters are at risk of a wave of evictions. Researchers have identified a variety of tools to prevent or limit this wave. In the short-term, policymakers may:

- Consider how best to target protections and assistance to residents at highest risk of eviction, including households with low incomes and Latinx and Black residents;
- Take into account the impact of the COVID-19 emergency on small landlords and their role in providing housing to low-income residents in designing assistance programs;
- Determine what role new tenant protections can play in limiting evictions after moratoria expire; and
- Examine how emergency rental assistance programs should be adapted in response to the emergency, such as through increased flexibility or approaches for prioritizing residents with the greatest unmet need.

In the longer term, policymakers may consider which policy changes are temporary and which need to be ongoing, including tenant protections implemented in response to the emergency as well as any changes to emergency rental assistance programs.

Endnotes

[1] Stay of Eviction Orders for the Sixth District, District Court of Maryland, March 12, 2020, < https://www.mdcourts.gov/sites/default/files/import/coronavirus/District6-stayofeviction.pdf >, Temporarily Prohibiting Evictions of Tenants Suffering Substantial Loss of Income Due to COVID-19, Order of the Governor of the State of Maryland, March 16, 2020, < https://governor.maryland.gov/wp-content/uploads/2020/03/Executive-Order-Temp-Evictions-Prohibiting.pdf > ; Prohibiting Termination of Residential Services and Late Fees, Order of the Governor of the State of Maryland, < https://governor.maryland.gov/wp-content/uploads/2020/03/Executive-Order-Prohibit-Termination-of-Residential.pdf >; and Administrative Order on Suspension During the COVID-19 Emergency of Foreclosures, Evictions, and Other Ejectments Involving Residences, The Court of Appeals of Maryland, < https://mdcourts.gov/sites/default/files/admin-orders/20200325suspensionofforeclosuresevictions.pdf >.

[2] McCarty, M., and Carpenter, D., "CARES Act Eviction Moratorium", Congressional Research Service, April 7, 2020, < https://crsreports.congress.gov/product/pdf/IN/IN11320#:~:text=CARES%20Act%20Section%204024(b,for%20the%20nonpayment%20of%20rent.&text=It%20also%20bars%20those%20landlords,during%20the%20120%2D%20day%20period >.

[3] "COVID-19 Housing Policy Scorecard", Eviction Lab, updated 5/26/2020, < https://evictionlab.org/covid-policy-scorecard/md/ >.

[4] Fields, S., "U.S. looking at "a tsunami of evictions" as moratoriums expire", *Marketplace*, May 29, 2020, https://www.marketplace.org/2020/05/29/u-s-looking-at-a-tsunami-of-evictions-as-moratoriums-expire/

[5] Airgood-Obyrcki, W., "How Much Assistance Would It Take to Help Renters Affected By COVID-19," Blog Post, Joint Center for Housing Studies of Harvard University, April 28, 2020, < https://www.jchs.harvard.edu/blog/how-much-assistance-would-it-take-to-help-renters-affected-by-covid-19/ >

[6] Questionnaires were sent via sent via email and/or text message using contact information for households in the Census Bureau's Master Address File. Further details on survey methodology are available at: Fields JF, Hunter-Childs J, Tersine A, Sisson J, Parker E, Velkoff V, Logan C, and Shin H. Design and Operation of the 2020 Household Pulse Survey, 2020. U.S. Census Bureau. Forthcoming. < https://www2.census.gov/programs-surveys/demo/technical-documentation/hhp/2020_HPS_Background.pdf > accessed 6/9/2020.

[7] U.S. Census Bureau; American Community Survey, 2018 American Community Survey 5-Year Estimates, Table S2502; generated by Natalia Carrizosa; using data.census.gov; <https://data.census.gov/cedsci/>; (15 June 2020).

[8] Schuetz, J., "Halting evictions during the coronavirus crisis isn't as good as it sounds," *The Avenue*, The Brookings Institution, March 25, 2020, < https://www.brookings.edu/blog/the-avenue/2020/03/25/halting-evictions-during-the-coronavirus-crisis-isnt-as-good-as-it-sounds/ >.

[9] "NMHC Rent Payment Tracker," Research & Insight, National Multifamily Housing Council, < https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/ > accessed 6/11/2020

[10] "NMHC Rent Payment Tracker FAQs," Research & Insight, National Multifamily Housing Council, < https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/nmhc-rent-payment-tracker-faq/ > accessed 6/11/2020.

[11] Airgood-Obyrcki, W., "COVID-19 Rent Shortfalls In Small Buildings," Blog Post, Joint Center for Housing Studies at Harvard University, May 26, 2020, < https://www.jchs.harvard.edu/blog/covid-19-rent-shortfalls-in-small-buildings/ >.

[12] Greene, S., Batko, S., "What Can We Learn From New State and Local Assistance Programs for Renters Affected by COVID-19?", Blog Post, Housing Matters, The Urban Institute, May 6, 2020, < https://housingmatters.urban.org/articles/what-can-we-learn-new-state-and-local-assistance-programs-renters-affected-covid-19 >.