COVID-19 RECOVERY OUTLOOK:
COST-BURDENED RENTER HOUSEHOLDS

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

The economic disruption caused by the COVID-19 pandemic has disproportionately impacted renter households that were already cost-burdened, meaning they paid at least 30% of their income in rent. Jurisdictions across the United States took a variety of steps to assist tenants in rental housing that cannot afford the rent, including placing moratoria on evictions and creating rental assistance programs. This paper presents data on the impact of the pandemic on cost-burdened renter households and evictions and sets forth expert recommendations for meeting the needs of cost-burdened renter households as the pandemic continues. This paper aims to further inform the housing element of the Council's Economic Development Platform.

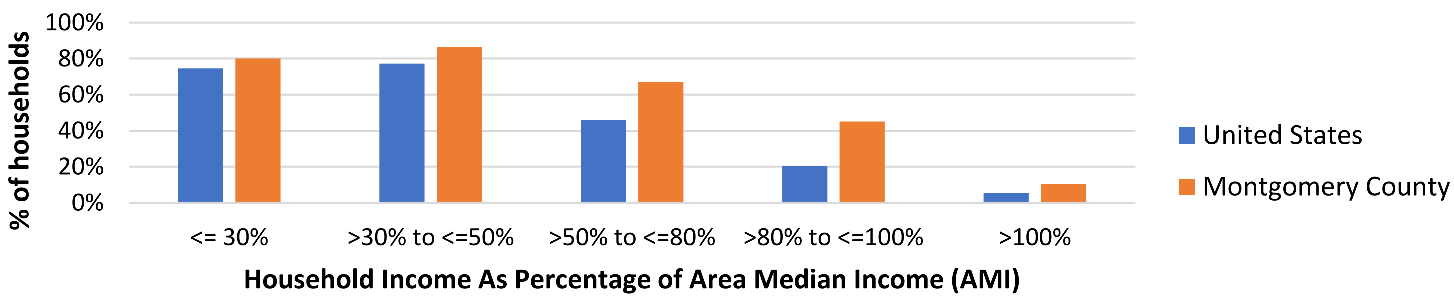
SUMMARY OF KEY TAKEAWAYS

- Low-income households that were cost-burdened before the pandemic are the most likely to face housing insecurity as a result of the pandemic;
- Eviction moratoria and rental assistance programs have been successful in halting evictions;
- Despite these successes, cost-burdened households remain at risk of losing their housing.

COST-BURDENED RENTER HOUSEHOLDS PRIOR TO THE PANDEMIC

National data collected prior to the pandemic show that the vast majority of renter households with incomes below 50% of their area's median income were cost-burdened, meaning they paid more than 30% of their annual income on rent. The median income was $118,678 in the Washington, DC Metropolitan Area in 2017.[1] For example, 80% of renter households in Montgomery County that earned 30% of the area's median income, or about $36,000, or less, paid 30% or more of their income in rent.

Percentage of Renter Households that Pay More Than 30% of Income In Rent, By Household Income Level Relative to Area Median Income, 2013-2017



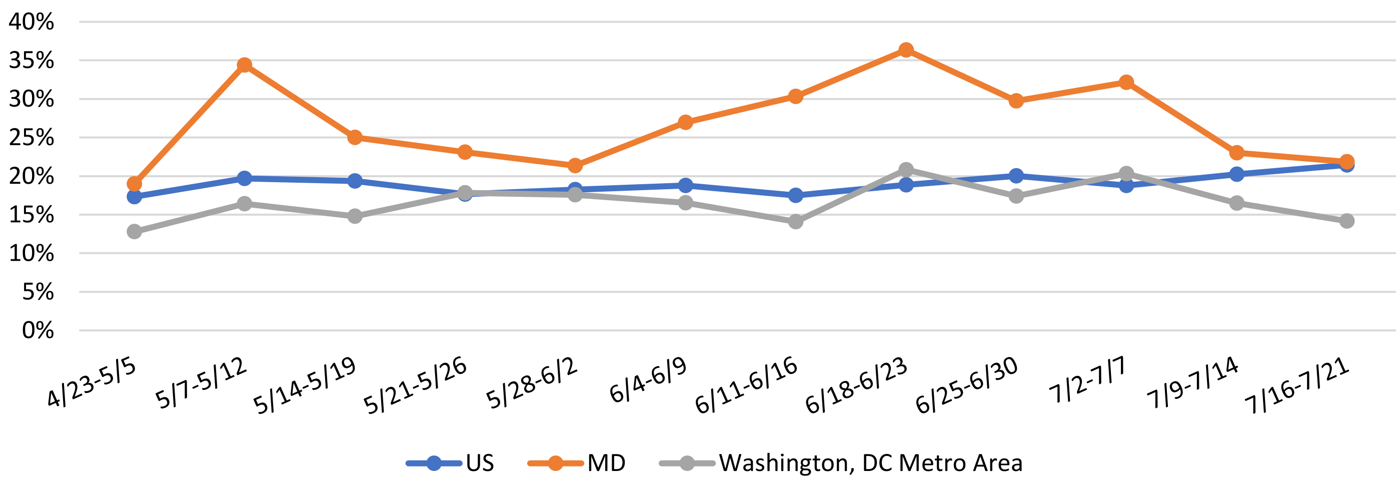
Source: U.S. Department of Housing and Urban Development Comprehensive Housing Affordability Strategy Data, 2013-2017

Low-income households also faced a declining supply of low-cost rental housing. In Montgomery County. A recent analysis by the Planning Department found that the number of units renting for less than $1,250 in 2018 inflation-adjusted dollars declined by over 2,500 units between 2010 and 2018.[2]

HOUSING INSECURITY DURING THE COVID-19 PANDEMIC

Between April and July, the percentage of respondents to the U.S. Census Bureau's Household Pulse Survey reporting that they deferred or did not pay the last month's rent on time increased from 17% to 21%. Data for Maryland show a similar change from April to July, but the nonpayment rate reached as high as 36% in June.

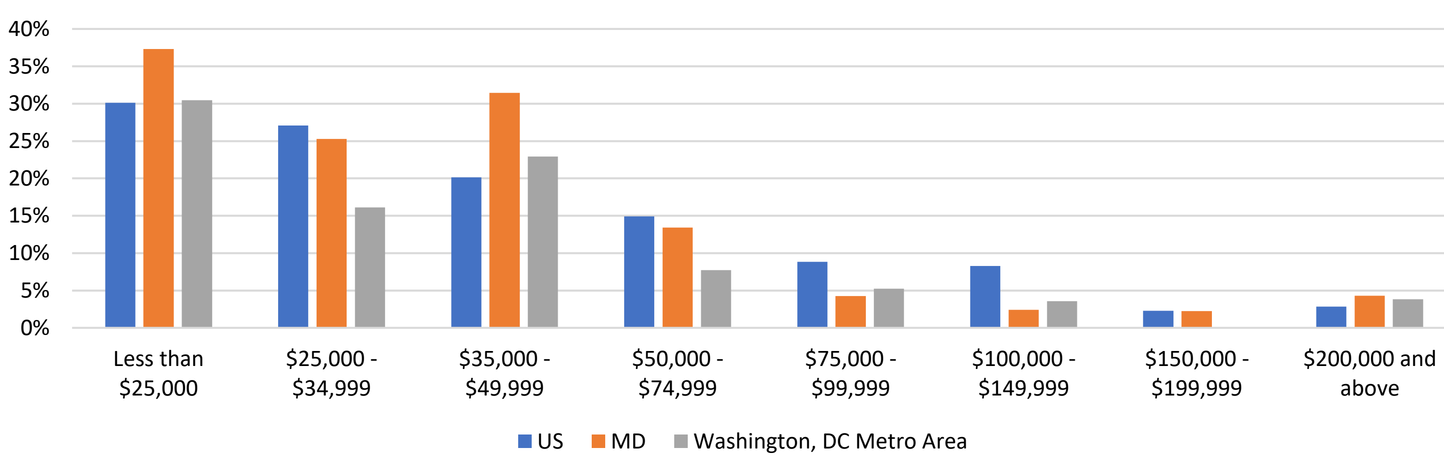
Percentages of Respondents Reporting They Deferred or Did Not Pay Last Month's Rent On TIme, April - July, 2020



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

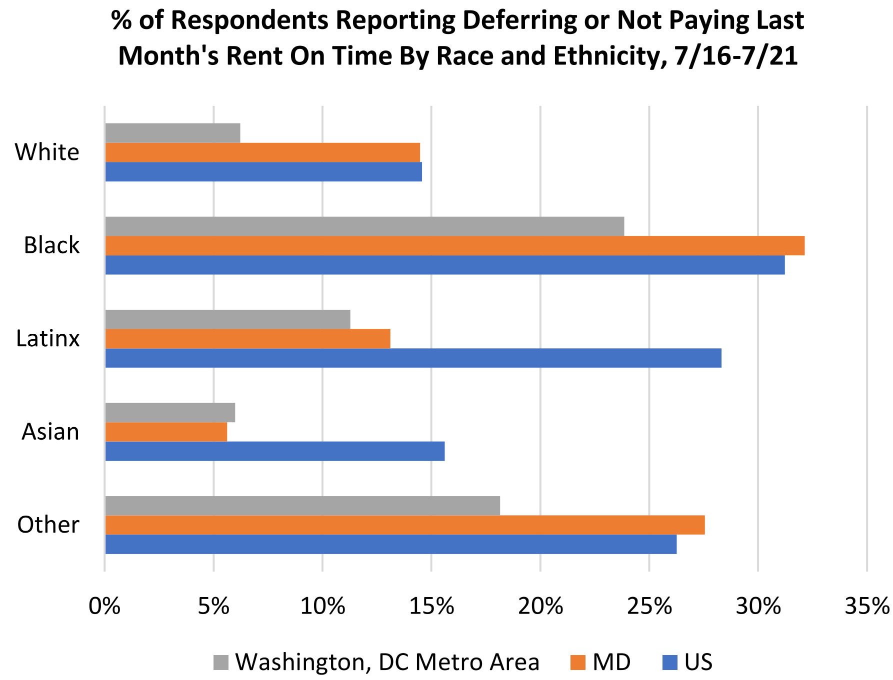
Low-income households are the most likely to have experienced income losses as a result of the COVID-19 pandemic.[3] Accordingly, the percentage of respondents that deferred or did not pay the last month's rent on time on the week of July 16 varied significantly by income. For example, 30% of households earning less than $25,000 reported not paying on time in the Washington, DC area, compared with 4% of those earning $100,000 to $149,000. Many households now struggling to pay the rent were cost-burdened prior to the pandemic.

Percentage of Respondents Reporting Deferring or Not Paying Last Month's Rent on Time By Household Income, 7/16-7/21



Source: U.S. Census Bureau, Household Pulse Survey, Week 12

Additionally, the percentage of respondents reporting deferring or not paying last month's rent on time varied significantly by race and ethnicity. In particular, 31% of Black respondents and 28% of Latinx respondents nationally reported deferring or not paying the rent on time, compared with less than 15% of White respondents. Nonpayment rates were also highest among households with children, and respondents with lower levels of educational attainment. Respondents ages 65 and older were less likely to report deferring or not paying the rent on time than younger respondents.[4]



Source: U.S. Census Bureau, Household Pulse Survey, Week 12

EVICTION FILING TRENDS

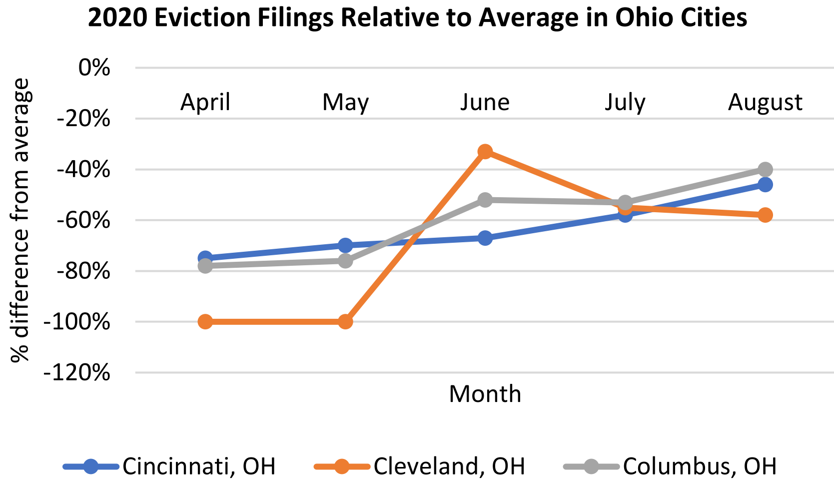
Given the economic impacts of the pandemic on cost-burdened tenants, studies have estimated that between 29% and 43% of renter households (or about 30 to 40 million people nationally) will be in arrears on their rent and therefore at risk of eviction by the end of the year.[5] For the first months of the COVID-19 emergency, a patchwork of federal, state and local policies, particularly eviction moratoria, protected renter households across the country from eviction. However, many of these protections, including the federal eviction moratorium that applied to renters living in federally-assisted housing nationally as well as 30 state-level moratoria, had expired by the end of July, if not earlier.

In July, the Federal Reserve Bank of Cleveland analyzed eviction filings in 44 jurisdictions that implemented a variety of policies to prevent evictions. They found that in all jurisdictions, even those that did not establish eviction restrictions or bans, eviction filings dropped sharply in late March and early April. Trends in eviction filings since that time have varied depending each jurisdiction's policies and whether moratoria have expired.[6] In particular:

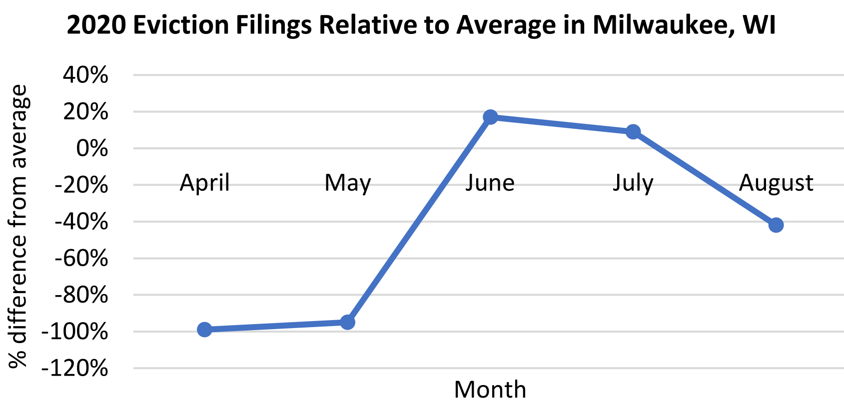
1. Jurisdictions that did not implement eviction moratoria experienced gradual increases in eviction filings beginning in late April and early May;
2. By July 7, eviction filings in jurisdictions with no bans or restrictions on eviction filings or hearings in effect were close to prior-year levels;
3. Jurisdictions that implemented bans or restrictions on eviction hearings and/or filings did not experience increases in eviction filings until restrictions were lifted or eased.

The Eviction Lab at Princeton University offers more recent data on eviction filings. Filings in many jurisdictions without moratoria in effect are below average but increasing.

For example, the State of Ohio did not implement a statewide eviction moratorium. Some cities halted evictions locally: Cincinnati and Columbus stopped eviction hearings between mid-March and early June. Cleveland stopped both filings and hearings. Filings have increased significantly since the moratoria expired. However, as of the end of August, eviction filings in these cities are between 40% and 60% below the average for this time of year.



Source: Eviction Tracking System, Eviction Lab at Princeton University



Source: Eviction Tracking System, Eviction Lab at Princeton University

In Wisconsin, the Governor blocked landlords from filing evictions between March 27 and May 26. Eviction Lab data show that filings rose dramatically after the moratorium was lifted. Eviction filings were above average in June and July, and below average in August. Together, these data show that jurisdictions that banned filings saw sharper increases after the bans expired compared with those that only banned hearings.

The above data indicate that the predicted wave of evictions has not yet occurred. Of note, these data do not include cases of tenants vacating their homes without being legally evicted. Researchers to a few factors that may have limited eviction filings during the summer:[7]

1. The federal eviction moratorium that expired on July 25th required landlords to give tenants 30 days' notice before filing an eviction case, preventing them from filing during most of August;
2. Federal Pandemic Unemployment Compensation, which provided a $600 weekly supplement for unemployed workers through July 25, helped households afford the rent in the summer months;
3. States, cities and counties have used CARES Act funding to provide emergency rental assistance to tenants, and this assistance is likely to have prevented many evictions; and
4. Landlords may have less of an incentive to pursue eviction if they do not anticipate finding another tenant who will be able to pay the rent.

OUTLOOK FOR HOUSING INSECURITY AND EVICTIONS

On September 1, the Centers for Disease Control and Prevention (CDC) issued an order prohibiting landlords from evicting tenants in residential properties in the United States, if the tenant files a declaration saying they meet income and other criteria. The order expires on December 31, 2020.[8] This order is unprecedented and may face legal challenges. During the first two weeks that the order went into effect, news reports indicated that evictions are continuing because tenants do not know how to qualify, and that courts are uncertain as to how to interpret the order.[9] The order may nonetheless reduce the immediate risk of a large wave of evictions. However, renter households face both short-term and long-term risks despite this order.

Short-Term and Long-Term Risks for Renter Households That Cannot Afford the Rent[10]

Short Term	Long Term
• Some landlords are harassing nonpaying tenants, shutting off utilities and/or failing to make repairs. • Landlords are increasingly accepting credit card payments for rent, and tenants are at risk of mounting high-interest debt. • Landlords may still pursue eviction of tenants that do not sign declaration saying they meet the CDC's eviction ban criteria.	• Nonpaying tenants will be subject to eviction when the CDC's order expires, as it does not prevent tenants' rental debts from accruing and does not provide funds for rental assistance. • Landlords that do not receive rent payments may struggle to pay their mortgages or their taxes or maintain their properties, impacting the supply of safe housing for low-income households.

Researchers have identified numerous tools for eviction prevention.[11] A recent report from the Aspen Institute argues that, in addition to a nationwide moratorium like that ordered by the CDC, two tools can play critical roles for protecting housing for vulnerable renter households:[12]

1. $100 billion in federal emergency rental assistance; and
2. Guaranteeing a civil right to counsel to tenants in rental housing, which ensures tenants in housing court have access to legal representation and is shown to improve tenant's housing stability.

TAKEAWAYS

The COVID-19 pandemic has had a significant impact on housing insecurity among already cost-burdened renter households. In the short term, the recent federal eviction moratorium reduces but does not eliminate the immediate risk of a wave of evictions, and nonpaying households face other immediate risks to their housing stability. In the long term, nonpaying households that do not receive rental assistance will be subject to eviction after the CDC's order expires. To address these risks, policymakers may:

- Consider the limits of eviction moratoria in protecting renter households' housing stability;
- Advocate for increased federal funding for emergency rental assistance; and
- Examine the feasibility of guaranteeing tenants a civil right to counsel.

Endnotes

[1] FY 2020 Median Family Income Documentation System, U.S. Department of Housing and Urban Development, https://www.huduser.gov/portal/datasets/il/il2020/2020MedCalc.odn , accessed 9/9/2020

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[4] Housing Table 1b. Last Month's Payment Status for Renter-Occupied Housing Units, by Select Characteristics: United States, U.S. Census Bureau Household Pulse Survey, Week 12.

[5] Benfer, E., et al., "The COVID-19 Eviction Crisis: an Estimated 30-40 Million People in America Are at Risk," The Aspen Institute, August 7, 2020, < https://www.aspeninstitute.org/blog-posts/the-covid-19-eviction-crisis-an-estimated-30-40-million-people-in-america-are-at-risk/ > accessed 9/4/2020.

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