TEXAS A&M UNIVERSITY
Real Estate Center

Residential Rental Protection and COVID-19

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On March 18, 2020, in response to the COVID-19 crisis, the Federal Housing Finance Agency announced a minimum 60-day moratorium on foreclosures and evictions of single-family properties backed by Fannie Mae and Freddie Mac, providing shelter stability to more than 19 million of the nation's leveraged homeowners. The Department of Housing and Urban Development offered similar protection to Federal Housing Administration-insured mortgages. The Coronavirus Aid, Recovery, and Economic Security (CARES) Act, signed on March 27, mandated a forbearance for all borrowers with federally backed mortgages, delaying payments for at least 90 days (and up to a full year).

These federal policies also apply to approximately 28 percent of renters. In general, however, the multifamily housing sector lacks a centralized relief mechanism, forcing the remaining 31.5 million renting households to rely on a patchwork of state and local programs.

Texas responded on March 19 when the state's supreme court issued a one-month pause on all eviction trials, hearings, proceedings, and executions of writs of possession (the physical process of forced removal). On April 6, this policy was extended through the end of April with the possibility of additional modifications as the situation develops. Many counties, such as Travis and Dallas, have gone a step further and mandated an eviction moratorium through May. Tarrant County suspended evictions indefinitely. Most of these actions do not apply to tenants who are engaged in criminal activity or who have made threats of violence.

The Takeaway

A surge in residential evictions can have reverberating effects on individuals and society. To minimize those effects, protections have been put into place at the federal, state, and county levels to keep tenants in their homes in the wake of the COVID-19 crisis.

Leading Drivers of Evictions

The eviction moratoria have been implemented to protect tenants who are unable to pay rent due to the

unexpected coronavirus crisis. More than 400,000 Texans filed for unemployment insurance during the last two weeks of March, and claims accelerated at the beginning of April. A quarter of the job losses occurred in the accommodation and food services industry, which has the highest concentration of workers who are renters (Table 1).

Table 1. Texas Housing Tenure and Coronavirus-Related Job Loss

Industry	Unemployment Insurance Claims	Renter Households
Accommodation and Food Services	169,945	66%
Administrative/Support & Waste Management/Remediation Services	55,975	54%
Retail Trade	84,704	48%
Arts, Entertainment, and Recreation	21,474	47%
Health Care and Social Assistance	87,421	44%
Other Services (Excluding Public Administration)	44,535	44%
Construction	32,572	41%

Note: Initial unemployment insurance claims from March 16 through April 3.The occupational industry of the survey respondent is used to calculate the renter-household percentage.
Source: Bureau of Labor Statistics (Local Area Unemployment Statistics Program) and IPUMS USA (American Community Survey 2012-2016)

Given the disparities in housing tenure by industry, it is useful to understand how different populations are affected by evictions. Nationwide, residential evictions are seven times more prevalent for tenants than for homeowners, with 3.1 percent of renters forced from their residence each year compared with just 0.4 percent of homeowners (Table 2). In 2017 this translated to the removal of 280,000 homeowners and 1.3 million renter-households. This discrepancy was even larger in the Houston and San Antonio Combined Statistical Areas (CBSA). Half of 1 percent of homeowners were evicted in these regions compared with 3.8 and 4.2 percent of tenants in Houston and San Antonio, respectively. Dallas CBSA, meanwhile, had slightly lower eviction rates than the rest of the nation.

Table 2. 2017 Evictions and Eviction Rates

Geography	Homeowners	Renters
Dallas	3,000 (0.2%)	31,000 (3.0%)
Houston	7,200 (0.5%)	32,000 (3.8%)
San Antonio	2,700 (0.5%)	12,000 (4.2%)
United States	280,000 (0.4%)	1,300,000 (3.1%)

Note: The eviction rate is calculated as the ratio of respondents forced to move in the past two years by a landlord, bank, or government to the total number of respondents.
Source: 2017 American Housing Survey

Failure to pay is the most common cause of evictions for both homeowners and renter households. Renters, however, are more likely to be financially constrained and less able to overcome unexpected expenses or income shocks. Nationally, 39 percent of homeowners have a bachelor's degree or higher compared with 26 percent of renters. These educational differences contributed to income disparities between the two populations in 2017 (Table 3).

Table 3. 2017 Household Income by Tenure (and Eviction Status)

Geography	Homeowners	Renters
Dallas CBSA	$78,400	$42,000 ($28,250)
Houston CBSA	$80,000	$35,000 ($33,000)
San Antonio CBSA	$68,000	$38,000 ($36,400)
United States	$74,000 ($64,500)	$35,000 ($32,000)

Note: The income levels in parentheses are for households who had been evicted in the previous two years. Household incomes for evicted homeowners are excluded at the CBSA level due to small sample sizes.
Source: 2017 American Housing Survey

Less education also hinders the flexibility and dynamism necessary to adapt to structural changes in the labor market. For example, the current wave of automation is disproportionately affecting service occupations typically filled by individuals with lower levels of formal education (for more on this, read "Robot Revolution: Automation and the Changing Job Landscape"). In addition to the short-term shock to the labor market, the COVID-19 pandemic may structurally change the global, national, and local economies.

Eviction Consequences

The prevalence of evictions in disadvantaged communities comes with consequences for individuals and society as a whole. Faced with time and resource constraints, landlords are forced to screen potential tenants based on limited criteria. A previous eviction often serves as an automatic disqualification during background checks. Recent evidence shows evictions cause persistent declines in credit access and credit scores, further limiting the financial flexibility needed to adjust to economic shocks. Leasing barriers following an eviction lead to an increased probability of homelessness, a tragic problem across many of the nation's largest metropolitan areas. There is suggestive evidence that evictions lead

to increased criminal activity and the deterioration of physical and mental health.

The residential eviction moratoria enacted across the country are designed to prevent such negative outcomes. Neither tenants nor homeowners can be forcibly removed from their homes during this time, but monthly rents are still due. As the country returns to work, tenants may face multiple months of rent on top of late fees or penalties that may have accrued. Without a more comprehensive solution, the payment pauses may simply delay the inevitable, with a spike of evictions occurring as courts reopen. Many mortgagees, however, are protected through the forbearance under the CARES Act.

It's no surprise that the initial policy response focused on renters and leveraged homeowners, who account for three-quarters of American households. Without the threat of immediate eviction, they can reallocate resources to food, medical expenses, and other necessities during the crisis.

Landlords, however, are also affected by the COVID-19 shock. Three-quarters of landlords are individuals or small businesses who own just two to four units. They have their own bills to pay (e.g., mortgage payments) and may be experiencing layoffs or reductions in earnings. While halting evictions buys time for tenants who can't afford to pay rent, delayed payments could force landlords into similar financial pitfalls.

Moreover, the cash freeze from foregone or delayed payments could reverberate through the financial system and economy. While tenants and homeowners may forego payments in the next several months, mortgage servicers (who collect the payments) are still required to pay the bondholder of the loans. It's unclear if emergency loans or other forms of liquidity will be offered to loan servicers or mortgage bankers, leaving upstream operations of housing supply with few options. These entities may be better off on average than tenants and struggling homeowners, but they play a critical role in the housing-supply chain and economy as employers, financiers, and service providers. Their vulnerability may be less apparent, but it still exists. Negative disruptions on the financial side of the real estate market could have severe consequences on housing affordability and availability in the long run.

The unprecedented nature of this global pandemic has caused great uncertainty in many aspects of people's lives. The government initially responded with eviction and foreclosure moratoria, but additional policies and legislation are expected in coming months. Determining the optimal policy response may be as complicated as the structure of the virus itself. As they did when weighing the tradeoffs between responsible public health policy and reopening the economy, our leaders must carefully balance the shelter stability of households and the institutional structure that provided that housing and will be expected to do so in the future.

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