Renters and Rental Market Crisis
Working Group
COVID-19, the Housing Market, and Federal Policy

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Urban Institute

Rental Crisis Working Group
September 23, 2020
Unemployment Rate by Housing Tenure

Source: American Community Survey.
Homeowners are Less Likely to Work in the Five Most Vulnerable Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Owner</th>
<th>Renter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation &amp; Food</td>
<td>10.7%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Construction</td>
<td>4.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>2.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Other Service</td>
<td>6.7%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Retail</td>
<td>5.8%</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

% In Vulnerable Industries

Note: The sample includes all individuals in the labor force.
MBA Forbearance Estimate

Source: Mortgage Bankers Association.
Owner’s Equity in Real Estate/Value of Household Real Estate

Source: Federal Reserve Bank of St. Louis.
Lessons Learned from 2008

1. Act fast—be willing to deal with a small amount of moral hazard in order to avoid disastrous effects. The GSEs and HUD had already announced more flexible forbearance and modification policies in advance of the passage of the CARES Act.

2. Standardize to the extent possible.
   - Making Home Affordable programs—standardized modifications through the Home Affordable Modification Program; foreclosure alternatives through the Home Affordable Foreclosure Alternatives
   - Only 1.7 million borrowers received HAMP modifications; an additional 6.7 million borrowers received proprietary modifications, many modeled on HAMP

3. When these programs end, make them permanent so they are there when you need them.
   - FHA HAMP continues; the GSE FlexMod Program is more streamlined than GSE HMAP
   - Two early intervention tools, repayment plans and forbearance has been standardized, and were in place for natural disasters as well as COVID-19

4. Lost opportunity: Streamlined refinancing—current programs are very limited.
MBA Purchase Applications Index

Sources: Mortgage Bankers Association (MBA) Weekly Mortgage Applications Survey.
Median Home Sale Price

Median Home Sale Price

($) (thousands)

2018 2019 2020

220 240 260 280 300 320 340

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Year-Over-Year Change

2018 2019 2020

0% 2% 4% 6% 8% 10% 12% 14% 16%

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Sources: Redfin, Urban Institute calculations.
% Decreases in Credit Availability:

Overall: 33.2%
Government: 19.3%
Conventional conforming: 22.9%
Jumbo: 58.6%

Source: Mortgage Bankers’ Association.
## The Mortgage Credit Box: Already Tightening Going into COVID-19, Accelerated by the Virus

(% of mortgages with designated characteristics)

<table>
<thead>
<tr>
<th></th>
<th>Ginnie Mae Purchase</th>
<th>Ginnie Mae Refi</th>
<th>Fannie Mae Purchase</th>
<th>Fannie Mae Refi</th>
<th>Freddie Mac Purchase</th>
<th>Freddie Mac Refi</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>% FICO &lt; 700</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan, 2019</td>
<td>65.2</td>
<td>70.2</td>
<td>17.9</td>
<td>29.3</td>
<td>14.5</td>
<td>23.5</td>
</tr>
<tr>
<td>Jan, 2020</td>
<td>61.6</td>
<td>65.6</td>
<td>13.9</td>
<td>14.8</td>
<td>12.3</td>
<td>16.2</td>
</tr>
<tr>
<td>August, 2020</td>
<td>58.7</td>
<td>61.7</td>
<td>11.8</td>
<td>8.9</td>
<td>11.1</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>% FICO &lt; 700; DTI &gt; 40</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan, 2019</td>
<td>44.2</td>
<td>38.5</td>
<td>9.2</td>
<td>13.6</td>
<td>6.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Jan, 2020</td>
<td>38.0</td>
<td>12.8</td>
<td>5.9</td>
<td>6.3</td>
<td>5.0</td>
<td>6.6</td>
</tr>
<tr>
<td>August, 2020</td>
<td>36.1</td>
<td>4.9</td>
<td>4.5</td>
<td>3.1</td>
<td>4.1</td>
<td>3.4</td>
</tr>
</tbody>
</table>

*Source: Urban Institute calculations from eMBS data.*
# FICO, DTI and LTV by Race/ethnicity (2019 originations)

<table>
<thead>
<tr>
<th>Borrower Race/Ethnicity</th>
<th>FICO score</th>
<th>Median CLTV, purchase mortgages</th>
<th>Median CLTV, refinance mortgages</th>
<th>Debt-to-income ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic White</td>
<td>752</td>
<td>90</td>
<td>74</td>
<td>36</td>
</tr>
<tr>
<td>Hispanic White</td>
<td>714</td>
<td>96.5</td>
<td>74.2</td>
<td>41</td>
</tr>
<tr>
<td>Black</td>
<td>694</td>
<td>96.5</td>
<td>79.6</td>
<td>41</td>
</tr>
<tr>
<td>Asian</td>
<td>763</td>
<td>80</td>
<td>70</td>
<td>38</td>
</tr>
<tr>
<td>Other</td>
<td>723</td>
<td>96.5</td>
<td>75</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>746</td>
<td>90</td>
<td>74</td>
<td>37</td>
</tr>
</tbody>
</table>

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- **Subscribe to our bi-monthly Newsletter or email blast:** Email spardo@urban.org or go to our web page, scroll down and sign-up.

- Download our monthly Housing Finance at-a-glance Chartbooks

- **Follow the work of our team on Twitter:**
  - @MortgageLaurie: Co-VP Laurie Goodman
  - @MyHomeMatters: Co-VP Alanna McCargo

Check the Housing Finance Policy Center website regularly:
www.urban.org/center/hfpc
Renters and Rental Market Crisis Working Group
The Renters and Rental Market Crisis Working Group
September 23, 2020

Faith Schwartz Perspective
Trends Homeownership v Rental (Multifamily)
2008-2009 Housing Crisis Compared to 2020 COVID-19 Crisis
Goal for today’s presentation:

- Share HOPE NOW experience for context in current state
  - Compare 2008-2009 Housing Crisis to 2020 COVID-19 Crisis
  - Unemployment
  - Unemployment by sector
  - Federal action
  - National coordination of CARES Act
  - Election Year Driving Stimulus Drought
  - Post election clarity
  - Anticipate active lame duck session
Lessons Learned from Housing Crisis Applied to COVID-19 Crisis

2008-2009 Housing Crisis

- Housing crisis leading to recession
- Disproportionately affected homeowners
- Private industry and Government created partnership
- Making Home Affordable suite rolled out
- Unemployment rose less in two years than it did in three months of COVID-19
- Communication, Data and Reporting drove slow but steady success
- Congressional oversight created pressure and opportunity

2020 COVID-19 Crisis

- Health crisis leading to rental housing crisis
- Unemployment shocked system
- Duration of health crisis remains unknown
- Congress passed CARES Act
  - Housing assistance created simple, easy to access liquidity for impacted home owners for 12 months
    - Distressed homeowner awareness campaign being coordinated today for proposed October distribution
    - Arrearage terms established
    - Not ideal for all borrowers but fair for Government backed loans
  - Housing assistance for impacted renters opaque
    - Renters have multiple barriers to assistance
    - Uncertainty regarding arrearage
- Unemployment impacting renters disproportionally while federal UI ‘add-on’ largely ended in July with millions of renters at risk of eviction and homelessness
- Meanwhile +$100 billion in unallocated CARES Act relief funds not centrally coordinated
Lessons Learned to Apply to Rental Housing Crisis

- Need communication, data and reporting established on national centralized basis

- Creating similar HOPE NOW public awareness campaigns must be created now for at risk renters and Multifamily property owners (this voluntary effort is underway for at risk homeowners)

- FHFA must lead and be held to account:

  “While the single-family forbearance program was modeled on prior disaster response efforts, the nationwide multifamily forbearance programs with tenant protections were developed from the ground up. After putting these programs in place, FHFA directed the Enterprises to create online lookup tools that allow renters and borrowers to determine whether either of the Enterprises own or guarantee the mortgage on the property where they live and therefore whether they are eligible for eviction protection or forbearance.” Calabria, 9/14/20 HFSC: https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-wstate-calabriad-20200916.pdf

- Innovative CDC ‘Eviction’ Guidance must be followed with Stimulus funding in the next COVID package
Renters and Rental Market Crisis Working Group
September 2020

Results from the RCWG survey
What do you see as the main value of the Renters and Rental Market Crisis Working Group?

- Share what the field is learning about evolving market dynamics and conditions: 53%
- Inform the design and implementation of public policy: 34%
- Increase the understanding among participants of the concerns, recommendations, and perspectives of other members: 13%

Other
Going forward in the fall, how frequently would you like the group to meet?

- Continue meeting once a week: 25%
- Meet every two weeks: 63%
- Meet once a month: 12%
- Other: 25%
Are there any topics that you'd like us to feature more prominently in our programming? If so, which topics?

- Lifting up state and local work across various types of communities (community responses to eviction, models of rental assistance/eviction prevention, tenant protection, CDFI responses and trends)

- Lessons learned from the last crisis and proactive policy responses

- Homeownership market, changing housing patterns related to COVID-19

- Capital market aspects of the rental housing crisis

- Impact on public, assisted and LIHTC properties

- Racial disparities

- More data on rent collection, foreclosure and eviction, as well as default rates on rental properties
Next steps

• Shifting to a **biweekly schedule** for working group and subgroup meetings beginning in October
  • First meeting in October on 10/14 and biweekly after

• **In addition to emergent issues, focus on:**
  • State and local impacts and implementation efforts
  • Lessons from the previous crisis and potential national policy solutions (starting today)
  • Capital market aspects of the rental housing crisis

• Subgroup effort to **create a forward-looking essay series on response and recovery**
Renters and Rental Market Crisis Working Group