



Wednesday, October 14, 2020

# Renters and Rental Market Crisis Working Group





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# Counseling for Renters

# Lessons learned from the 2008 crisis

- New laws and programs for loss mitigation and foreclosure prevention required homeowner counseling to effectively execute.
- Trusted advisors to navigate distress are critical. There was a lot of mistrust of mortgage servicers and banks.
- Consumers need an independent, trusted third party.
- Prioritizing and funding housing counseling as part of relief made a difference.
- Congress appropriated ~\$40 million/yr for housing counseling pre-crisis, and over \$200 million in the two years immediately following the crisis.
- Consumers need someone who has to act in the consumer's best interest, CFPB was an outgrowth of last crisis.
- Housing Counseling works. Foreclosure mitigation counseling and prevention was effective in keeping people in their homes.

# 2020 (thru Q3) Housing Counseling by the numbers

**63,222** - Rental housing counseling

**229,917** – Pre-purchase counseling

**160,761** - Post-purchase (dq,non-dq & reverse mortgage)

Data: Counts as of Q3 2020

Sources: Department of Housing and Urban Development

- **Homeownership counseling 6X more cases reported than renters**
- Infrastructure built out for pre and post purchase including foreclosure prevention and loss mitigation

## Housing counseling is:

- Regulated by HUD
- Independent expert advice
- Played a critical role for homeowners during the Great Recession

## Housing counseling is not:

- Legal services
- Leasing agent
- Tenant services
- Fair Housing
- Credit repair
- Mobility counseling
- Disaster relief

# Impact and outcomes

## *FY 2019 Outcomes for renters (HUD):*

### *Renters:*

- 23,796 improved conditions of rental unit
- 17,743 avoided eviction

### *Owners & Renters:*

- 152,370 improved their financial capacity (e.g. increased discretionary income, decreased debt load, increased savings, increased credit score)

Data: Counts as of Q3 2020

Sources: Department of Housing and Urban Development

# Issues

- Sustainable and predictable funding sources for rental counseling
- More rental counselor capacity to support tenants and landlords
- Training on COVID issues and increased access for renters impacted by the crisis
  - Mitigating negative impacts on rental households' ability to become homeowners in the future
- Specialized rental counseling needs (ex. Manufactured housing communities)
- Research on effectiveness
  - Synergies with financial counseling and applying lessons from what works

# Rental counseling need: The US rental population and risk

- 43.8 million households rent in the US
- Almost half of rental households put 30 percent or more of their annual income toward rent
- COVID-19 put 20 percent of rental households at risk given rates of job loss by industry

## Gross Income Spent on Rent (Thousands)

	Count	Share
Less than 30.0 percent	21,227	46.7%
30.0 percent to 39.9 percent	10,512	23.1%
50.0 percent or more	10,454	23.0%
Total Rent Burdened *	20.2 Million	46.1%

## Rental Properties At Risk

At Risk Rental Households (Millions)	8.9
Share of Rental Total Market	20%

Source: Urban Institute Brief [How Much Assistance Is Needed to Support Renters through the COVID-19 Crisis?](#)

Data as of 2018

Source: 2018 American Community Survey and 2018 RHFS



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# Mitigating Evictions through Education, Counseling and Technology



Shekar Narasimhan

Chairman of the Board

# Renter Education

- Based on the success of homeownership education program and identified need, VH developed renter education curriculum
- Curriculum resulted from consultation with an array of industry partners through a series of convened forums
- Originally provided as free downloadable e-book and then as free on-line program
- The curriculum covers a variety of relevant topics including:
  - ▶ Are You Financially Ready to Rent?
  - ▶ The Ins & Outs of Credit
  - ▶ How to Find the Right Place
  - ▶ Handling the Application Process
  - ▶ Life as a Renter: Rights & Responsibilities

# Housing Counseling

- Typically non-profits or publicly affiliated organizations
- May involve combination of fee & free services
- Services include:
  - Homeownership/Renter education
  - Eviction counseling
  - Foreclosure mitigation counseling
  - Linkage to credit counseling
- HUD approved agencies provide:
  - Some level of consistency,
  - access to HUD funding (modest at best),
  - staff holding national certification (beginning August 2021)
- VH supports network with training and funding (\$2 for every \$1 of HUD funding)

# Financial Technology (fintech) & Innovation

- Benefits associated with on-line platform illustrated by VH homeownership education program – approx. 19,000 annual participants - 75% use on-line course
- Opportunity to optimize housing education on smartphone/tablet
- Adopting virtual approach to housing counseling using tele-medicine model could enhance access in underserved areas
- Use of outcome-based evaluation studies of interventions (VH – HOME grant)
- What is appropriate funding model?
  - User Fees
  - Public grants
  - Foundations
  - Private sector (ad supported?)

# Observations

- Ready Access to Financial Education Programs is Critical to Household Success
- Adoption of readily accessible grade-level appropriate national curriculum for financial education could have tremendous positive impacts for our economy and society
- The standardized curriculum could form the foundational module for housing education efforts
- Education & Counseling of Interest to Housing Finance Industry to support households to meet mortgage/rent obligations
- Adoption of technology needs to consider household access to technology platforms