RESEARCH REPORT

# An Equitable Framework for Housing Policy Solutions for COVID-19 and Beyond

## Reflections on Lessons from Hurricane Katrina and the Great Recession

*Corianne Payton Scally, Elizabeth Champion, and Michael Neal*

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# Executive Summary

Housing is a foundation for economic mobility and opportunity, but many Americans struggle to afford a place to live. And racist policies and practices—historical and ongoing—have created entrenched inequities in access to homeownership, housing quality, and resource-rich neighborhoods. The COVID-19 pandemic has made these problems worse. Record levels of job losses, tightening credit markets, and a growing risk of evictions and foreclosures threaten housing stability. The loss of low-cost units, low vacancy rates, and housing construction downturns could reduce housing supply. Homeowners and housing developers may also face greater risks in the future because of weak labor market conditions and broader economic uncertainty.

But our housing systems have been tested before, so we can learn from past crises like Hurricane Katrina in 2005 and the mortgage crisis and subsequent Great Recession in 2007–09. This time, though, policymakers can do more than craft housing response policies that return households to a pre-pandemic status quo. Instead, they can embrace economic mobility and racial equity as their goals, aiming to foster not only economic success but also people's power and autonomy and their sense of being valued in their communities (Ellwood and Patel 2018).

We reviewed 10 federal policies and programs and one local planning process adopted in response to Hurricane Katrina and the Great Recession, along with initial federal, state, and local responses to COVID-19, for their efficacy in promoting economic mobility and racial equity. Most programs focused on one aspect of economic mobility—economic success—without the others. None of the programs articulated racial equity as an explicit goal or process. However, the outcomes of these programs were sometimes unintentionally equitable.

Paying attention to past lessons, we distill four policy principles for ensuring that the needs of all housing market participants are met in a way that promotes mobility from poverty and racial equity.

1. **Keep all renters and homeowners housed while targeting those with the greatest need and maximizing their choices.** Provide payment relief to renters and homeowners—including unemployment benefit boosts, rental assistance, and mortgage forbearance and refinancing. Prevent evictions through moratoriums and rent and fee reductions or forgiveness. Set a low bar for assistance by simplifying eligibility requirements and processes and allow gradual transitions off of assistance.
2. **Maintain an affordable supply of housing and financing.** Provide payment relief to owners of small rental properties through mortgage forbearance, and support tenants through rental assistance.

Help homeowners responsibly access low mortgage rates and home equity. Provide incentives for lenders to reach payment agreements or workout plans to modify loan terms with borrowers, including owners of small rental properties. Increase capital for mission-based organizations to buy at-risk units.

3. **Stabilize communities by increasing power and autonomy and the sense of belonging.** Increase emergency funds to the hardest-hit areas, and ensure inclusive local recovery planning.
4. **Center people in policy response.** Provide households with individualized attention and financial counseling. Focus holistically on household circumstances, and address consumer debt and credit issues. Make assistance easier to find, and design materials and processes to be accessible to people in crisis.

In the short term, policymakers and practitioners should target help based on evidence of who is at the highest risk for housing-related hardships because of the COVID-19 pandemic. They should then pursue strategies based on an analysis of the most significant failures in existing housing systems, especially failures that disproportionately affect these high-risk groups. This work will sow the seeds for an equitable housing policy framework that extends beyond the current crisis to actively root out structural racism and foster long-term economic mobility.

# An Equitable Framework for Housing Policy Solutions for COVID-19 and Beyond

Housing is a foundation for economic mobility and opportunity, but many Americans struggle to afford a place to live. And racist policies and practices—historical and ongoing—have created entrenched inequities in access to homeownership, housing quality, and resource-rich neighborhoods. The COVID-19 pandemic has exacerbated these problems, worsening a national housing affordability crisis and stretching already inadequate systems for ensuring that low-income households can afford to rent, buy, and remain in their homes. It has also laid bare the structural racism that keeps people of color, particularly Black and Latinx households, segregated into low-paying jobs and low-cost rental housing, increasing their risk of exposure to COVID-19 and to COVID-19-related job and housing insecurity.*

But our housing systems have been tested before, so past crises can inform the response and recovery from the pandemic, which falls somewhere between a natural disaster—with its immediate loss of homes, businesses, and jobs—and the slowly building crisis of an economic recession. Specifically, policy responses to two recent crises—Hurricane Katrina, which hit the Gulf Coast in 2005, and the mortgage crisis and subsequent Great Recession in 2007–09—can inform a more equitable housing recovery from the COVID-19 crisis. Both previous crises inspired a comprehensive suite of short- and long-term housing recovery programs, and some of the lessons have already been applied to the current crisis. But there is more to learn and to implement.

Housing policies and programs have yet to comprehensively promote mobility from poverty and racial equity as explicit goals, both in general and in response to crises (box 1). Recovery programs have often failed to fold racial equity into their design, implementation, and evaluation. Racial equity is both an outcome, when race no longer determines one's outcomes and everyone has what they need to thrive, and a process, whereby those most affected by racism are "meaningfully involved in the creation and implementation of the institutional policies and practices that impact their lives."[1] Without an

* We have chosen to use the terms "Black" and "Latinx" throughout this report, even when they differ from terms used in source materials, because they may be more inclusive of the way members of these populations self-identify. But we also recognize that not every member of these populations identifies with these terms. We know that language is constantly evolving—and so will we.

explicit focus on economic mobility and racial equity, COVID-19 recovery policies are likely to exacerbate widening housing and economic inequities, such as the large gap between white and Black homeownership rates, currently at a 50-year high at 30.1 percent.[2]

BOX 1

**Defining Economic Mobility and Racial Equity**

- **Economic mobility** means "all people achieve a reasonable standard of living with the dignity that comes from having power over their lives and being engaged in and valued by their community" (Ellwood and Patel 2018, 2).
- **Racial equity** is both an outcome, when race no longer determines one's outcomes and everyone has what they need to thrive, and a process, whereby those most affected by racism are "meaningfully involved in the creation and implementation of the institutional policies and practices that impact their lives."[a]

[a] "What Is Racial Equity," Center for Social Inclusion, accessed September 24, 2020. https://www.centerforsocialinclusion.org/our-work/what-is-racial-equity/.

Homeownership is an important source of household wealth and a key vehicle for wealth building, but according to the US Partnership on Mobility from Poverty, such *economic success* is not enough to advance economic mobility.[3] *Power and autonomy* and *being valued in community* are equally important, implying that a holistic approach to recovery policies must address all three factors of economic mobility.

With the COVID-19 pandemic, policymakers can do more than craft housing response policies that return households to a pre-pandemic status quo. Instead, they can embrace economic mobility and racial equity as their goals, aiming to foster not only economic success but also people's power and autonomy and their sense of being valued in their communities. This report seeks to break down and evaluate lessons from past programs to advance a comprehensive framework for an equitable housing recovery—advancing both mobility from poverty and racial equity—from the COVID-19 crisis. The rest of the report contains

- a synthesis of warning signs from past and current crises that require swift policy responses;
- a review of who was at risk in past housing crises and who is at risk in the COVID-19 pandemic;

- an analysis of past policies that can inform responses to the pandemic crisis, particularly policies that have a demonstrated record of advancing economic mobility and racial equity; and
- a framework of four policy principles and associated strategies that if pursued comprehensively should provide the necessary scaffolding for an equitable recovery (keep homeowners and renters housed, maintain the supply of affordable housing and financing, stabilize communities, and center people in policy response—all while advancing mobility from poverty and racial equity).

# Concerns for (Another) Housing Crisis

The affordability crisis is among the greatest challenges that the US housing market faces today, but past crises have produced massive shocks that resulted in families' losing their homes. Since the COVID-19 outbreak first flared in the US in March 2020, signs have pointed to stressors within the housing market similar to those experienced after Hurricane Katrina and during the Great Recession. Below, we discuss the key characteristics of these two past crises and their housing impacts and highlight warning signs across housing supply, employment, and credit markets that policymakers should pay attention to during the response to COVID-19.

## Hurricane Katrina: Sudden Destruction, Slow Recovery

In August 2005, Hurricane Katrina made landfall as a Category 3 storm after peaking as a Category 5 the day before, devastating towns and cities along the Gulf Coast. In New Orleans, levees that held back waterways flowing in and around the city broke, resulting in massive flooding that destroyed homes and entire communities.

The housing impacts of Hurricane Katrina on New Orleans were twofold: a sudden destruction of housing and massive displacement of residents followed by a slow, prolonged rebuilding that prevented people from returning. The sudden loss of housing stock exacerbated an existing affordability crisis; the storm damaged nearly 16,400 units of rental housing affordable to households with extremely low incomes (those who make less than 30 percent of the area's median income), which was 20 percent of all damaged rental units in the city (82,000). (Washington, Smedley, and Reece 2006). This loss of stock caused large and sudden rent increases in many of the most damaged areas as the housing supply shrunk faster than demand. In addition, the US Department of Housing and Urban Development (HUD) planned and executed the demolition of four of New Orleans's largest public housing complexes during the recovery period, further shrinking the supply of affordable units and delaying residents' ability to return. Because of past policies that codified residential segregation, racially and economically segregated areas bore the brunt of the disaster. More than three-quarters of concentrated poverty areas were flooded, and 80 percent of the residents in these areas were nonwhite (Brookings Institution 2005). The Lower Ninth Ward, which had a high rate of Black homeownership, experienced devastating flooding.

Housing reconstruction efforts were slow and uneven and created steep, often insurmountable, barriers for displaced and returning residents who hoped to rebuild (Washington, Smedley, and Reece 2006). One report found that in the short term, progress was made more quickly on the repairing of single-family homes than on the repairing of multiunit properties and in the owner market than in the rental market (McCarthy and Hanson 2008). Additionally, the labor market for construction was tight after the storm as demand suddenly exploded, and permits were issued more rapidly for repairs than for reconstruction, which may have slowed rebuilding.

## The Great Recession: Loss of Equity, Home, Community

The Great Recession was a global economic downturn that lasted from December 2007 to June 2009. It was largely caused by flaws in the global housing finance system that started a chain reaction when risky mortgage loan terms reset, homeowners defaulted, and investors in complex repackaged mortgages had few mechanisms and little motivation to avoid foreclosures (Immergluck 2009). This put homeowners at great risk for losing their home equity as housing prices plummeted and for losing their homes if they could not make their mortgage payments because of rising payment amounts, recession-related job insecurity, and an inability to sell their homes.

Many homeowners lost home equity as the housing market crashed, finding themselves "underwater" on their mortgages when the value of their homes sank below the amount owed on their mortgages (Immergluck 2009). This meant that if homeowners were behind on their payments—because they had "exotic" mortgages that increased their interest rates and payments over time or because the recession had affected their employment status—they could not sell their homes to pay off their remaining mortgage debt and avoid foreclosure.

And many homeowners did end up losing their homes to foreclosure; in some cases, entire blocks and neighborhoods were lost. Long legacies of "segregation structured the causes of the crisis, as well as the geographic and social distribution of its costs, on the basis of race," affecting Latinx and Black homeowners and neighborhoods disproportionately (Rugh and Massey 2010, 645). From being offered riskier loans to experiencing excessive foreclosures and losing significant home equity as a result, Black homeowners in Black neighborhoods were disadvantaged compared with white homeowners living in white neighborhoods (Rugh, Albright, and Massey 2015). Latinx homeowners also experienced higher rates of foreclosure and lived in neighborhoods hit hard by the crisis (Hall, Crowder, and Spring 2015).

## The Warning Signs: Then and Now

### HOUSING SUPPLY STRESSORS

Three of the greatest stressors on the housing supply are the loss of units that are affordable to the households with the lowest incomes, low housing vacancy rates, and a downturn in housing construction. These circumstances can drive up housing costs and limit choices for people and families with the lowest incomes. Although the evidence of marked shifts in these stressors at the time of this writing is not strong, policymakers and practitioners should remain alert to these warning signs.

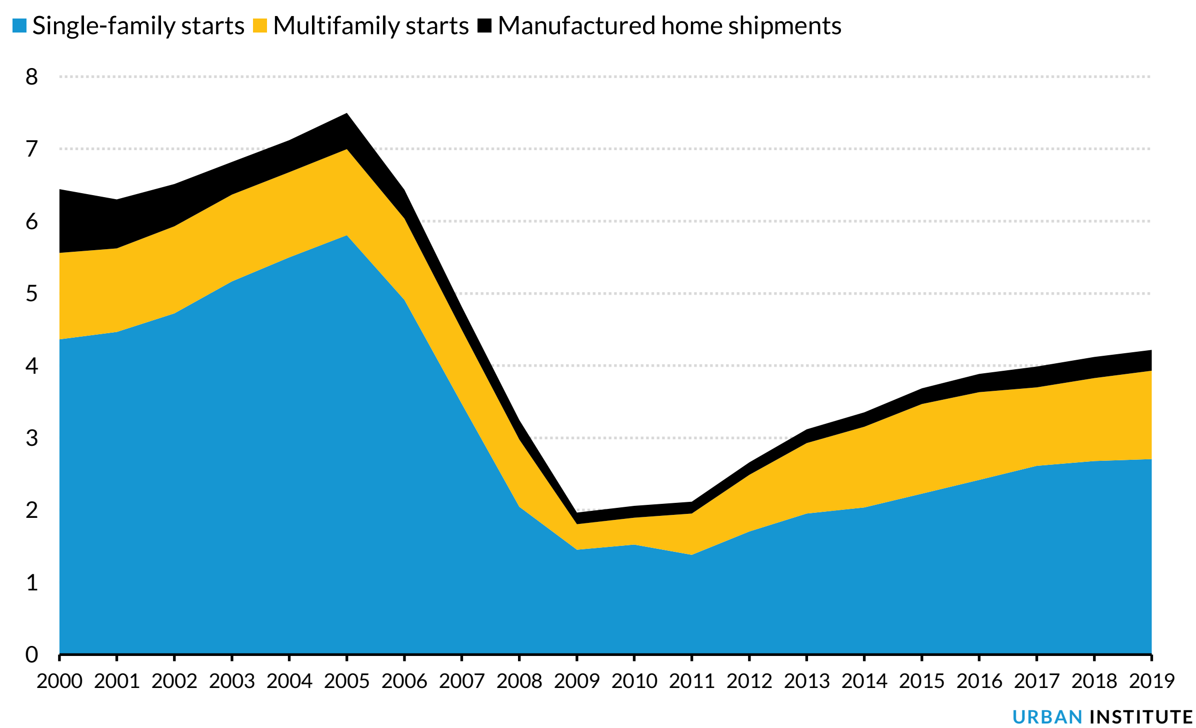
- **Loss of low-cost supply.**[4] In the aftermath of the Great Recession, between 2012 and 2017, the number of units that rent for less than $600 fell by 3.1 million (La Jeunesse et al. 2019), contributing to a shortage of 3.6 million homes in an affordable price range for the nation's more than 11 million families with extremely low incomes (Aurand et al. 2020). Between 2005 and 2013, institutional investors helped shrink the stock of available low-cost small starter homes by nearly 1 million units, often converting them to rental units and removing the first rung of the housing ladder for many first-time homebuyers.[5] From 2001 to 2015, institutional investors were a growing share of the owners of midsize rental properties (5–24 units). (These units are generally older and have relatively lower rents, making them prime candidates for acquisition and upgrading.) These ownership changes have helped keep rents on the rise (Joint Center for Housing Studies 2020).
- **Low vacancy rates, particularly for rental housing.** In 2018, the national vacancy rate for both owner-occupied and rental units fell to its lowest point since 1994, 4.4 percent, indicating an inadequate supply for meeting the demand for housing units and contributing to rising prices (Joint Center for Housing Studies 2019). In New Orleans after Hurricane Katrina, the lack of available rental units kept Katrina survivors from returning to their hometown (Turner and Zedlewski 2006). And after the Great Recession, rental vacancy rates tightened nationally as current and potential homeowners shifted to or remained in the rental market. Preliminary research on the pandemic-induced recession suggests that

multifamily vacancy rates will *increase* as much as 2.5 percent, which could keep rents lower but also contribute to increased investor acquisition and upgrading.[6]

- **Housing construction trends.** Housing construction came to a halt during the Great Recession and was slow to resume. This constraint on new supply contributed to sustained price increases in the existing stock. Figure 1 shows the number of housing starts per 1,000 people, a measure of the pace of housing production relative to the underlying demand for units. Housing starts peaked in 2005 and then began to plummet, and construction activity has remained below pre-2006 levels since the Great Recession (Neal, Goodman, and Young 2020). When construction of rental units began again, they were more likely to be aimed at the upper end of the market (Joint Center for Housing Studies 2020). During the COVID-19 pandemic, stay-at-home orders slowed housing construction early on, but single-family housing starts have largely recovered to pre-pandemic levels, topping 1 million in August 2020. How the pandemic will affect the construction industry in the future remains ambiguous, and major changes have yet to play out in the data.[7]

FIGURE 1

**Housing Starts per 1,000 People, 2000–19**




**Source:** Adapted from Michael Neal, Laurie Goodman, and Caitlin Young, "Housing Supply Chartbook" (Washington, DC: Urban Institute, 2020).
**Note**: The dips in 2001 and 2007–09 correspond with recessions.

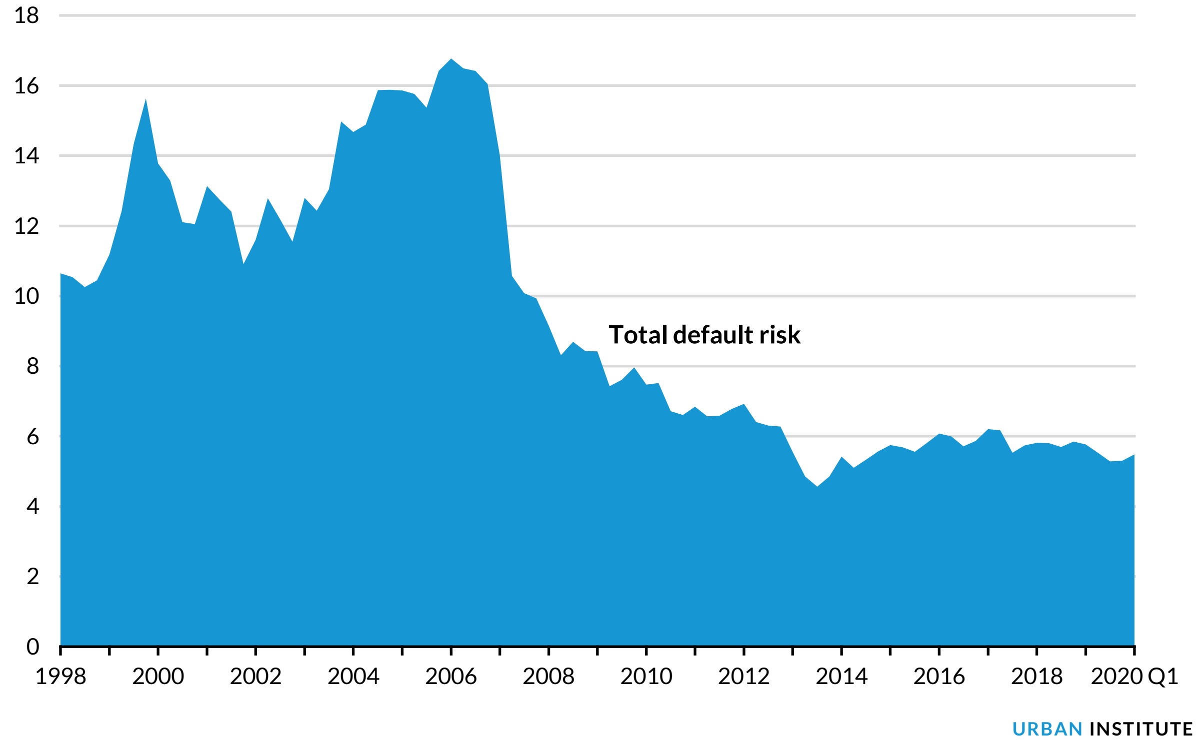
### EMPLOYMENT AND CREDIT STRESSORS

Some households' ability to pay for the housing they have or the housing they desire will be reduced because of unemployment or tightening credit markets, both of which can result in foreclosures and evictions.

- **High unemployment**. After Hurricane Katrina, the unemployment rate in Louisiana rose sharply, to 12.1 percent (Bureau of Labor Statistics 2006). During the Great Recession, the national unemployment rate peaked at 10.6 percent.[8] In 2020, early research indicates that the unemployment rate during the pandemic peaked at an even higher rate, around 14.4 percent in April.[9] So far in the COVID-19-related economic downturn, the jobs recovery has proved to be uneven. Black women appear to face the largest barriers to returning to work, recovering only 34 percent of the jobs lost in the early months of the pandemic, while Black men have recovered fewer than 40 percent of the jobs lost.[10]
- **Tightening credit markets.** Credit conditions tightened significantly during the Great Recession and have remained tight, restricting access to credit, including mortgages.[11] Figure 2 shows that the level of risk taken by all actors in the mortgage market has been steadily declining, including during and after the Great Recession. Early research on the effects of the COVID-19 crisis on credit indicate that to mitigate risk exposure, lenders may have paused credit-limit increase programs (Santucci 2020).
- **Rising foreclosures and evictions.**[12] Because of the severity of the downturn during the Great Recession, many Americans were unable to make their mortgage payments, resulting in an estimated 3.8 million foreclosures between 2007 and 2010 (Dharmasankar and Mazumder 2016). And before the pandemic, around 1 million evictions were taking place each year among renters.[13] Estimates of the number of households at risk of eviction during the COVID-19 crisis because of an inability to pay range from 13 to 17 million.[14] Once the mortgage forbearance and eviction moratoriums currently in place expire, households will struggle to keep their homes if they still cannot pay.

FIGURE 2

**Total Default Risk Taken by the Mortgage Market, First Quarter 1998 to First Quarter 2020**




**Source:** Adapted from the Urban Institute's Housing Credit Availability Index, which is available at https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-credit-availability-index.

**Note:** Lower default risk indicates tighter credit standards, which have persisted since the Great Recession (December 2007 to June 2009).

# Populations at Risk: Then and Now

During the earlier crises we examined, people of color, renters, and people who work for low wages were at high risk for housing instability. In the pandemic, the factors that can increase the risk for housing instability—including job and income loss and exposure to the virus—are more likely to affect these same groups. In a domino effect, if rents are not paid, owners of small rental properties could lose their properties. Finally, homeowners and housing developers appear less affected in the short term, but widespread downturns in employment, housing and real estate markets, and the financial sector could increase their risks. This section explores the populations that experienced housing instability as a result of Hurricane Katrina and the Great Recession and those facing it now because of the pandemic, coupling lessons from the past with the unique challenges of today.

## People of Color

Past crises have disproportionately affected people of color, particularly Black and Latinx individuals and families.[15] Legacies of racial discrimination in selling, leasing, and financing housing have purposefully and harmfully concentrated people of color into racially segregated communities (Rothstein 2017). Data from the Federal Emergency Management Agency show that Hurricane Katrina disproportionately harmed the region's Black communities, including renters and those experiencing poverty (Logan 2006). In New Orleans, Black homeowners were concentrated in the areas that flooded the most when the levies broke (Morse 2008). In 2010, after the Great Recession, the unemployment rate was higher among Black people (16.0 percent) and Latinx people (12.5 percent) than among white people (8.7 percent).[16] And in the post-recession recovery, racial wealth and homeownership gaps widened. The widening wealth gap was partly driven by worsening disparities in homeownership (a home is commonly people's largest asset).[17] Families of color lost greater shares of their wealth as a result of the crisis than white families did: Black and Latinx families lost 47.6 percent and 44.3 percent, respectively, while white families lost 26.2 percent (McKernan et al. 2014).

The prospects of losing a job and having difficulty paying housing costs are greater for people of color even without the added stress of the COVID-19 pandemic. People of color are more likely to be renters than non-Latinx white households are and are more likely to have difficulty paying rent.[18] People of color have consistently reported lower confidence in their ability to pay next month's rent.[19] In addition, a higher share of Black and Latinx renters work in the service industry, meaning they are at higher risk for losing their jobs or having their hours cut as the pandemic continues to disrupt the economy.[20] Latinx people are experiencing nearly three times as many COVID-19 cases as white people are and are hospitalized at a rate 4.6 times greater.[21] Also, COVID-19 mortality rates for Black Americans are more than twice that of white Americans, and their rates of hospitalization are more than 2.6 times greater.

## People Who Work for Low Wages

People who work for low wages are highly vulnerable to economic downturns because they have fewer financial assets to help them weather an unemployment spell than people with higher wages who may have accumulated greater savings (Wagmiller 2003). In New Orleans, 13 percent of workers were in lower-wage food and accommodations jobs and faced difficulties acquiring new skills or transitioning back to jobs in the post-Katrina labor market (Holzer and Lerman 2006). During the Great Recession, lower-wage industries accounted for 22 percent of job losses, although these sectors rebounded quickly (National Employment Law Project 2014). During the pandemic, a greater share of renters and homeowners who are young or have low incomes are working in industries such as service, entertainment, retail, and transportation that are vulnerable to a COVID-19 income shock through either an outright job loss or a reduction in hours. And legacies of employment and wage discrimination by race and ethnicity, as well as gender, have resulted in the occupational segregation of people of color—particularly Black women and Latinx men and women—into low-wage jobs.[22]

Most families with low incomes have only a few hundred dollars in liquid assets such as cash or savings, and more than half the families with the lowest incomes lack home equity, which could be tapped to bridge financial gaps in times of need (Wagmiller 2003). The pandemic and the subsequent economic downturn have hit people ages 18 to 29 particularly hard. A recent survey found that a majority of young adults (52 percent) were living with their parents; 18 percent of those who moved back home because of the pandemic cited a job loss or other financial reasons.[23]

People who work for low wages often live in specific neighborhoods, putting entire communities at risk of significant crisis if large numbers of households cannot make their housing payments. In Washington, DC, for example, the number of workers in industries vulnerable to the direct effects of decreased demand because of COVID-19 (such as a job loss or a reduction in hours) is distributed unevenly, with workers in only 10 out of 47 neighborhoods accounting for almost 50 percent of all vulnerable jobs. Not surprisingly, these vulnerable neighborhoods also have a higher share of Black residents.[24]

## Renters

Renters have been particularly vulnerable during past crises. Hurricane Katrina destroyed nearly 82,000 rental units in Louisiana—nearly 16,400 of which were affordable to households with extremely low incomes—displacing renters and exacerbating the affordability crisis in New Orleans (Washington, Smedley, and Reece 2006). After Katrina, many renters in New Orleans found out they had few legal rights. Many were unsure whether they could reclaim their security deposits, and they had no say in whether their homes were rebuilt or repaired. When renters who had evacuated wanted to return, they faced few options for housing and a more expensive rental market because of the limited reconstruction of rental properties and the planned demolitions of affordable units.[25] In less than two years, the Great Recession increased by 2 percentage points the share of renters paying more than half their incomes for housing. Financially stressed renters did not have the relief options that were available to struggling homeowners under federal loan modification programs but were more at risk of being unable to pay for housing costs because of their lower incomes and higher unemployment rates (Joint Center for Housing Studies 2011b).

Today, renters have less savings, lower incomes, and less access to credit than homeowners do. Nationwide, 47.4 percent of renter households pay 30 percent or more of their income in rent. Out of this total, nearly a quarter pay 50 percent or more.[26] In 2018, the median income for renters was $40,531, compared with $78,045 for homeowners. Nearly half of renters do not have a credit card, compared with 14 percent of homeowners. This means that many renters will likely have trouble bridging a financial gap should one arise.[27] Many renters are already struggling, and few receive federal rental assistance even if they qualify (Kingsley 2017). Long-term consequences for struggling renters include losing their financial ability to become homeowners. For communities with high proportions of vulnerable renters, a widespread inability to pay rent could lead to significant displacement and neighborhood change.[28] In some cases, it could lead to homelessness. One initial estimate based on April 2020 unemployment numbers projected that higher unemployment rates could lead to a 40 to 45 percent increase in homelessness, or nearly 250,000 people nationwide, although unemployment rates have declined since these estimates were calculated.[29] The model also found that Black and Native American populations are likely to be hit harder than other racial or ethnic groups.

## Owners of Small Rental Properties

Today, owners of small rental properties account for more than half of units that rent for less than $750 a month, representing a crucial source of low-cost rental housing.[30] Among building types, buildings with two to four units have the largest share of owners of color: 15 percent of owners are Latinx, and 13 percent are Black.[31] A recent study showed that during the COVID-19 pandemic, Black and Latinx owners of small rental properties are more likely to offer their tenants a rent payment plan, potentially indicating that these landlords are more dedicated to keeping their tenants.[32]

Financial pressures are expected to increase as tenants struggle to pay their rent. A recent national survey of owners of rental properties found that nearly 31 percent have felt more financial pressure to sell their properties during the pandemic than before it, primarily because of a reduction in rental income.[33] Furthermore, for those who do not wish to sell, small rental property owners often face constrained refinancing and credit options. During the Great Recession, credit options for smaller properties (one to four units) were more limited than options for larger multifamily properties because these properties were perceived to have higher default risks (Joint Center for Housing Studies 2011a). If owners are unable to access credit and stay afloat, there could be ripple effects: they could lose their assets, renters could lose an affordable home, and communities could lose an important source of low-cost rental housing.

## Owners of Single-Family Homes

Homeowners benefit from having a valuable asset, their home, that they can leverage in hard times, but they can also lose that equity or their ability to pay for their home during a recession. During the Great Recession, homeowners experienced substantial and unprecedented losses. Between 2007 and 2010, approximately 3.8 million homes went into foreclosure (Dharmasankar and Mazumder 2016). Between the first quarter of 2006 and the third quarter of 2012, homeowners collectively lost more than $7 trillion in home equity (Ellen and Dastrup 2012).

Today, with higher incomes, steadier employment, and greater financial assets, homeowners are better equipped than renters to weather a housing crisis. Home prices will continue to support homeownership through price appreciation and home equity, and homeowners can borrow against their home equity. However, if homeowners with lower incomes experience wage cuts and job losses, they may struggle to pay their housing costs, particularly if they were receiving assistance from programs set to expire over the next several months. Homeowners unable to pay their monthly mortgage will not be able to take advantage of historically low rates to lower their payments, shorten the term of their mortgage, or access any accumulated housing equity and may face foreclosure. Foreclosures have devastating long-term consequences for homeowners; their likelihood of buying another house in later years is reduced, their living arrangements may become less secure, and they may default on other debts more often (Diamond, Guren, and Tan 2020).

Heading into this crisis, Black and Latinx homeowners had already accrued a smaller financial benefit from homeownership than white homeowners because of historically racist housing policies, including the systematic devaluation of homes in majority-Black neighborhoods and lower home equity (Neal, Choi, and Walsh 2020; Perry, Rothwell, and Harshbarger 2018). Black and Latinx workers are more likely than white workers to lose their jobs because of the COVID-19 pandemic, which increases the chance that they will not be able to make a mortgage payment. In turn, these households may have difficulty accessing the refinancing options that could help them get through the crisis and build assets.

### Housing Developers

Considering the housing supply's inability to meet existing needs, concerns have arisen that developers are being forced to delay construction activity and projects because of the COVID-19 pandemic. The time it takes to complete a single-family or multifamily property has already been steadily increasing over the past five years.[34] Current forecasts look promising for the industry, but ongoing external risk factors could put significant upward pressure on building costs for development of both single-family and multifamily affordable housing.[35] For example, lumber prices have risen more than 170 percent since mid-April 2020 because of a simultaneous increase in demand and lumber mill shutdowns, putting the affordability of new homes at risk.[36]

Investors are critical sources of equity for affordable housing developers today. For example, the low-income housing tax credit (LIHTC) is the primary program through which housing developers can preserve existing affordable rental units and fund new ones. Through the LIHTC, an investor partners with a housing developer to provide capital to help finance a construction project. In return, the investor gets certain tax benefits (Scally, Gold, and DuBois 2018). Evidence shows that in 2009, when investor demand collapsed in the wake of the financial crisis, construction on many LIHTC units was delayed or halted entirely (Joint Center for Housing Studies 2011b; Scally et al. 2018b). When investors pull out of LIHTC projects, the construction and the preservation of affordable rental housing slow across the US, meaning that critical units are lost for good, lack necessary repairs, or are not built where needed (Scally et al. 2018b). Some experts expect that the pandemic will delay new affordable housing projects as equity investors wait out the market volatility.[37]

## Promising Policy Responses to Past and Current Crises

Lessons from policy responses to previous housing crises can provide the scaffolding to support a new framework for equitable recovery from the COVID-19 pandemic for the groups discussed earlier that are at highest risk for negative outcomes. Both past successes and failures can inform the future, and some lessons learned have already been applied to initial COVID-19 emergency response programs.

The following discussion is based on a comprehensive scan of housing-focused, short-term emergency response and longer-term recovery programs created in response to Hurricane Katrina and the Great Recession. The highlighted policies have been evaluated generally for their effectiveness and when compared with other major concurrent policy responses have performed better in advancing mobility from poverty and tracking program outcomes by race (table 1). Some programs discussed below were not designed or implemented with these explicit goals in mind and even failed to achieve their primary policy objectives. However, we include these programs to provide examples of both promising policy approaches and programs that provide valuable lessons related to trying to make meaningful progress toward these goals.

TABLE 1

**Policy Report Card on Economic Mobility and Racial Equity, Hurricane Katrina and Great Recession**

| | Economic Mobility | | | Racial Equity | | |
|---|---|---|---|---|---|---|
| **Policy** | **Economic success** | **Power and autonomy** | **Belonging in community** | **Process** | **Race of program participants reported** | **Outcomes** |
| **Hurricane Katrina** | | | | | | |
| Disaster Housing Assistance Program | X | X | | | X | |
| Community Development Block Grants-Disaster Recovery | X | X | X | | | |
| Unified New Orleans Plan | X | X | X | X | | |
| **Great Recession** | | | | | | |
| Home Affordable Refinance and Home Affordable Modification Programs | X | | | | | |
| National Foreclosure Mitigation Counseling Program | X | X | | | X | |
| Neighborhood Stabilization Program, Round 2 | | | X | | | |
| Hardest Hit Fund | X | X | | | X* | |

**Source:** Authors' analysis of federal response and recovery programs created in response to Hurricane Katrina and the Great Recession.

**Note:** * These data are not available or aggregated at a national scale.

## Hurricane Katrina: Supporting Homeowners and Renters; Rebuilding Communities

Hurricane Katrina was an unprecedented natural disaster and required an unprecedented response. The federal government's disaster relief work in response to Katrina is estimated to have cost more than $120 billion, the most in US history.[38] Short-term response programs included emergency rehousing (like trailers, housing vouchers, and rental assistance) for those whose homes had been damaged or destroyed. Long-term recovery programs included help for renters to find new homes and the Road Home program and assistance to homeowners and property owners to rebuild. The Federal Housing Administration (FHA), which is part of HUD, initially issued a 90-day moratorium on foreclosures for all FHA-insured loans on properties in areas affected by Katrina and extended this moratorium twice (McCarthy 2008). Many programs were criticized for shortcomings such as the slow deployment of financial and other resources and for their struggle to achieve long-term recovery goals (Reardon, Ionescu-Heroiu, and Rumbach 2008).[39]

### DISASTER HOUSING ASSISTANCE PROGRAM

The Disaster Housing Assistance Program (DHAP) was instituted two years after the hurricane and provided a time-limited, declining rental subsidy and case management services to households that still did not have permanent housing (Buron and Locke 2013). It primarily supported those having trouble transitioning from the Federal Emergency Management Agency's assistance program and temporary housing units because of the limited supply of affordable rental units.

***Economic mobility***. This program exemplifies the mobility principles of power and autonomy and economic success because it kept renters housed while giving them more autonomy over their housing decisions during recovery. In a departure from other housing recovery programs, heads of household were required to meet with a case manager to develop a plan to re-attain self-sufficiency. Additionally, individualized coaching and service provider referrals (primarily in the form of housing assistance like housing search assistance and housing vouchers) gave control back to households. Two years after the program ended, evaluators found that a majority of participants were satisfied with their housing and their neighborhoods and felt the program had helped them get back on their feet. When recipients were interviewed for a follow-up survey in 2011, a large share were experiencing economic hardship, with household incomes and employment rates no better than when the recipients had entered the program (Buron and Locke 2013). However, gaining employment income was not the focus of the program's case management activities, and the onset of the Great Recession may have made isolating the effects of the program difficult.

***Racial equity.*** Racial equity was not an explicit goal in the program's design or implementation. However, even though the equity of outcomes by race was not studied, DHAP program administrators did disaggregate program data by race, a practice that is relatively uncommon in housing recovery programs. A program evaluation that studied a sample of 36,000 households that participated in DHAP found that 86 percent of program participants were Black.[40] For comparison, before the storm, Black residents were 37 percent of the population of the New Orleans metropolitan area and 67 percent of the City of New Orleans.

### DISASTER RECOVERY COMMUNITY DEVELOPMENT BLOCK GRANTS

Disaster Recovery Community Development Block Grants (CDBG-DR) were another policy lever used in Katrina recovery. CDBG-DR differs from the traditional CDBG program in that the appropriations are supplemental and made by Congress for the purposes of disaster relief, restoration of infrastructure, and economic revitalization. These funds are more flexible; HUD can waive certain provisions of the Housing and Community Development Act of 1974 or add alternative requirements or provisions to respond to emergencies. Although the primary eligible activities are largely the same, the administration of CDBG-DR grants allows for more extensive planning costs, and the beneficiaries can include more households with higher incomes, as was the case for the Katrina-related appropriation (70 percent of regular CDBG funds must benefit low- and moderate-income households) (HUD 2017). CDBG-DR funds can be used for the demolition, rehabilitation, or reconstruction of single-family or multifamily units; buyouts of properties in a floodway; loans and grants to businesses; job training; the improvement of public facilities; and more (HUD 2019). Because the grants are nimble, many advocates say they are an easy way to get aid on the ground fast. However, criticisms of the program's implementation included that the grants did not advance racial equity or sufficient mobility from poverty for renters and that spending transparency and outcome measures were missing.

***Economic mobility.*** Resources were targeted toward low- and moderate-income households but primarily benefited homeowners, rather than vulnerable renters. In the aftermath of Katrina, Congress allowed HUD to drop the share of CDBG funds primarily benefiting low- and moderate-income people from the statutory 70 percent of total funds to 50 percent (Gotham 2014). A significant portion of the funds were then set aside for homeowners to relocate or sell their damaged properties to Louisiana. Providing funds for homeowners to repair and rebuild or to sell and relocate bolsters those households' power and autonomy over their housing outcomes. For those who stayed and rebuilt, the grants also contributed to their sense of belonging in community by facilitating their return and recovery. Finally, the funding supported economic success because it meant homeowners did not have to pay all their expenses out of pocket. Although $1 billion was allocated for the repair and reconstruction of affordable rental housing, approximately 80 percent of Louisiana's total CDBG-DR funds were ultimately directed toward homeowners (Gotham 2014). The Road Home Small Property Program, which was a subprogram of Road Home and was funded through CDBG-DR, provided rebuilding assistance to owners of rental properties with one to four units in exchange for their agreement to meet program requirements to rent the units to low- and moderate-income households (Spader and Turnham 2014). Complex eligibility criteria created a high barrier to entry for rental property owners. As of 2010, only 4,449 rental property owners in Louisiana had received assistance, compared with 124,516 homeowners in Louisiana.

***Racial equity.*** Policymakers did not design this program with racial equity in mind and saw inequitable outcomes as a result. Specifically, Louisiana's method of calculating grants for homeowners through another Road Home subprogram, using CDBG-DR funds, penalized Black homeowners. A house in a primarily Black neighborhood was generally worth less than one of the same age and with nearly identical characteristics in a mostly white neighborhood.[41] By calculating eligible amounts based on pre-storm property values, which were lower for Black homeowners, instead of the actual cost of repairs, the program perpetuated racial disparities (Gotham 2014). The preference for owner-occupants over landlords and renters arguably exacerbated inequities that existed before the storm and ran counter to the mobility principle of belonging in community.

## UNIFIED NEW ORLEANS PLAN

In the storm's aftermath, some initial recovery plans were disastrous (Olshansky and Johnson 2010). The most infamous was known as the "green dot map." It suggested relocating to higher ground the people and development in areas at high risk for flooding; however, most of the higher-risk areas were predominately Black.[42] The proposal was swiftly and publicly rejected because of a lack of consultation with the very communities it would affect. A plan with comprehensive community input took nearly two years to be enacted and adopted. The Unified New Orleans Plan was a five-month effort to create a comprehensive recovery plan for New Orleans and covered everything from planning for where and how new affordable housing would be built to planning for enhanced city services and economic development. The people involved in creating the Unified New Orleans Plan were a team of expert planners, a citizen and leader liaison board (which held open, biweekly sessions), local and displaced New Orleans residents, and other community stakeholders. The planning process was organized by 12 city districts, which then formed district planning committees to promote and advocate for the plan's implementation. Aspects of the Unified New Orleans Plan were incorporated into the citywide master plan completed in 2010. The planning process strengthened the resolve of community members to engage in future public participatory processes and strengthened community ties.[43]

***Economic mobility.*** The Unified New Orleans Plan and the process used to create it exemplify all three aspects of the definition of mobility from poverty. It included hundreds of neighborhood meetings, focus groups, and grassroots outreach efforts. Because the plan covered a wide variety of topics—including affordable housing preservation, transportation, and job creation opportunities—it was paramount that any stakeholder who wanted a seat at the table had one. This type of inclusivity gives people power over their lives, engages them with the community, and shows that people are valued. The plan also incorporated job training opportunities and support services, which speak to important components of economic success.

***Racial equity.*** The planners and community members involved in the Unified New Orleans Plan process were deliberate in their inclusion of racial equity principles. The planners made sure that Community Congresses, three public participatory planning events that featured extensive discourse and deliberation around planning priorities, were racially representative of New Orleans and included displaced New Orleans residents through web technology and teleconferencing (America*Speaks* 2006).

## The Great Recession: Stemming the Tide of Foreclosures

After the Great Recession, many federal policies and programs were enacted to try to keep homeowners housed. As home values declined precipitously, these programs tried to prevent foreclosures from happening, help homeowners navigate the foreclosure process and understand their options, and reinvest in communities already hit hard by the crisis. Program implementation was complicated by the need to untangle the ties that connected a single homeowner to a complicated web of investors that owned pieces of the homeowner's mortgage (Immergluck 2009).

### HOME AFFORDABLE REFINANCE AND HOME AFFORDABLE MODIFICATION PROGRAMS

The Home Affordable Refinance Program and the Home Affordable Modification Program tried to help homeowners stay in their homes with reduced monthly mortgage payments. The primary mechanism was refinancing or modifying the home mortgage through the existing mortgage servicer.

***Economic mobility.*** For those who were able to access these programs, their economic success may have been bolstered by preserving the home as an important asset. However, the problem with these programs was that they were primarily aimed at people who still had income and could simply lower their monthly payments to meet a target payment-to-income ratio, rather than people who had lost their jobs. They were also initially bogged down in complicated eligibility requirements that reduced take-up rates (Amronin, Dokko, and Dynan 2020). Furthermore, in many cases, the loan servicer found it more profitable to take the home into foreclosure than to modify the loan. Homeowners who experienced foreclosure were likely to experience diminished economic success and power and autonomy as they lost the ability to influence their housing outcomes (Bogle et al. 2020).

***Racial equity***. Data from the two programs are not available disaggregated by race. Racial equity was not an explicit program goal or outcome measured. Notably, in July 2010, the unemployment rate for Black workers was 15.6 percent, while the rate for white workers was 8.6 percent (Allegretto and Pitts 2010). As this program served only those who still had income, the outcomes and implementation may have been inequitable.

### NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM

Another Great Recession–era program was the National Foreclosure Mitigation Counseling Program (NFMC). It significantly lowered the likelihood of foreclosure and reduced delinquency for clients by providing homeowners at risk for foreclosure with expert, unbiased counseling, including budgeting and financial management education tailored to a homeowner's unique financial conditions. The program's theory was that homeowners who work with a trusted expert would be more likely to engage with and understand alternatives to foreclosure provided by the servicer.

***Economic mobility.*** Counselors helped homeowners understand the terms of their modified mortgage loans, buttressing borrowers' power and autonomy over their financial future. The program served more than 2 million homeowners facing foreclosure, increasing their likelihood of a positive outcome amid challenging market conditions. Counseled clients were 2.38 times as likely to receive a loan modification as similar borrowers who were not counseled and were 70 percent less likely to redefault on a modified loan (Temkin et al. 2014). Counseling and loan modifications in lieu of foreclosure boost short- and long-term economic success by giving borrowers a more manageable monthly mortgage payment and helping them retain their home as a financial asset.

***Racial equity.*** Racial equity was not an explicit goal in the program's design or in the process of selecting geographic targets for the program's implementation. The program did, however, track participants by race. NFMC clients were disproportionately people of color. Across all 10 rounds of the program, more than half of all clients served were people of color even though more than 80 percent of US homeowners at the time were non-Latinx white people (Scally et al. 2018a).

### NEIGHBORHOOD STABILIZATION PROGRAM

Although many Great Recession–era policies were focused on stabilizing individuals and households, some were focused on stabilizing communities suffering from the foreclosure crisis. Through three separate rounds, the Neighborhood Stabilization Program (NSP) provided grants to every state, certain local communities, and other organizations to buy foreclosed-on and abandoned homes to stabilize neighborhoods and stem the decline in home values. Rounds one and three were allocated by formula, but the program's second round (NSP2) provided $2 billion to be awarded by competitive grants to states, local governments, and nonprofit entities. NSP2 is the only round that received a comprehensive program evaluation. Overall, the program's principles were robust, but in practice, NSP2 fell short of its goal of stabilizing local housing market outcomes (Spader et al. 2015). The average census tract with an NSP2 investment received sparse funding under the program. On average, only seven properties per census tract received funding. Because of the low per-tract number of properties assisted by NSP2, most activities were not spatially concentrated; however, strategies and outcomes varied across market types.

***Economic mobility.*** NSP exemplified the economic mobility principle of belonging in community while emphasizing assistance to vulnerable households with low incomes. The program sought to keep people housed in place by preventing the displacement of residents either directly through foreclosure or indirectly through a decline in neighboring property values. This reinforced that residents were valued by and belonged in their communities. NSP grantees had to use at least 25 percent of their allocated funds to buy and develop abandoned or foreclosed-on homes or residential properties that would then be used to house people whose incomes did not exceed 50 percent of the area's median income.[44] All NSP-funded activities had to benefit low- and moderate-income people whose incomes did not exceed 120 percent of the area's median income.

***Racial equity.*** Racial equity was not an explicit program goal or outcome measured. However, across 19 sample counties, the census tracts where NSP2 grantees invested funds, on average, had higher shares of Black and Latinx populations. The ultimate impact of the NSP2 investments on housing market outcomes for these residents is ambiguous.

### HARDEST HIT FUND

After the Great Recession, the Hardest Hit Fund was established to channel nearly $10 billion through state housing finance agencies to support locally tailored foreclosure mitigation and prevention initiatives.[45] The US Treasury Department administered the program, which was part of the Troubled Asset Relief Program, a large federal initiative to address the financial crisis. The housing-related funds were allocated to states that had experienced particularly acute declines in home prices or severe unemployment. The Hardest Hit Fund helped support programs for 18 states and the District of Columbia. Assistance varied by state but ranged from mortgage payment assistance to blight elimination to reinstatement (a onetime payment to bring a mortgage current). As of the second quarter of 2020, the Hardest Hit Fund had helped 410,985 homeowners (US Department of the Treasury 2020).

***Economic mobility.*** The program's primary aim was to preserve homeownership and prevent avoidable foreclosures. One of the most common initiatives that states undertook with the Hardest Hit Fund money was mortgage assistance. It provides financial relief to homeowners while they regain their financial footing, buttressing their economic success. It also bolsters homeowners' power and autonomy by helping them retake control over their housing outcomes.

***Racial equity.*** The Treasury Department collects data on and monitors states' use of Hardest Hit Fund money. However, because states do not report data in a uniform way, the department cannot effectively evaluate the program (GAO 2018). Over the fund's lifetime, some states have consistently reported cumulative performance data on borrower characteristics, including race.[46] However, the rigor of the performance measurements and reporting varies by state.

## COVID-19 and the Initial Response: Preventing Foreclosures and Evictions

How long the COVID-19 crisis will last and how deep it will cut are unknown, but promising policy innovations are already being implemented to prevent foreclosures and evictions. These initial responses demonstrate important improvements over historical housing crisis responses. However, additional response and recovery solutions are needed to further advance racial equity and economic mobility. Potential shortcomings are highlighted below.

### RENT RELIEF

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was passed in March 2020, appropriated $12.4 billion in additional funding to HUD to support specific programs and activities. For example, these funds are being used to augment existing rental assistance programs like project-based rental assistance and Section 202 Housing for the Elderly, as well as to expand assistance to communities of color, Native Americans, and disadvantaged communities (Congressional Research Service 2020).

State and local governments also quickly mobilized to provide rent relief, often targeting renters who do not receive federal assistance. Funding was pooled from various sources, including general revenue, federal resources, and state and local housing trust funds. Many programs capped the amount of rent they would cover, typically between $500 and $1,500 per month, but some also offered flexible funds to cover other expenses, including back-rent, security deposits, or legal aid. Some provided flexible cash assistance.[47] More than a dozen states are using the $5 billion in CDBG funding from the CARES Act to fund emergency rental and mortgage assistance programs.[48]

***Potential shortcomings.*** The rent relief need is greater than the initial funding. As of October 1, 2020, the Urban Institute estimated that $1.1 to $2.1 billion in rental assistance would be needed each month to return households that have suffered a job loss to their previous rent burden, capped at 30 percent.[49] To relieve the rent burden for both households that were rent burdened before the pandemic and those newly rent burdened would cost an estimated $11.8 to $13.0 billion each month. In addition to this funding shortfall, many state and local programs are expansions of existing ones and have the same eligibility criteria constraints (e.g., maximum income caps, loss-of-income requirements, and residency requirements). Some programs added a requirement that applicants demonstrate that their job loss or loss of income is directly tied to the COVID-19 pandemic.[50]

### MORTGAGE FORBEARANCE

Mortgage forbearance programs reflect lessons learned from the Great Recession—namely, that temporarily postponing payments is a significant way to provide mortgage relief. The CARES Act put in place protections for homeowners with mortgages that are backed by a federal agency or a government-sponsored enterprise (GSE) such as Fannie Mae or Freddie Mac. It provided for mortgage payment forbearance for up to 180 days for all borrowers who experience financial hardship because of the pandemic. Under the CARES Act, rental property owners could enter forbearance if their tenants could not pay rent because of pandemic-related income loss.[51] In June, the Federal Housing Finance Agency (FHFA) announced that Fannie Mae and Freddie Mac were allowing servicers to extend forbearance agreements for owners of multifamily rental properties already in forbearance for up to three months, totaling up to six months.[52]

***Potential shortcomings***. The options for homeowners whose mortgages are not federally backed—an estimated 14.5 million mortgages—are less clear. Some servicers of loans that are not backed by a GSE are providing forbearance plans or other relief options, but these policies are not uniform and often have varied eligibility criteria and repayment options (National Housing Law Project 2020).[53]

### EVICTION AND FORECLOSURE PREVENTION

Another promising policy innovation is using eviction moratoriums to keep renters housed even if they temporarily cannot pay rent because of pandemic-related financial hardships. The CARES Act instituted a 120-day federal eviction moratorium for renters who live in properties with a federally backed mortgage or who participate in federal housing assistance programs. This ban forbade owners of these properties from filing new evictions against tenants for nonpayment of rent and from charging late fees for nonpayment. An estimated 12.3 to 19.9 million US renter households were covered by this moratorium, which expired on July 24, 2020 (Acosta, Bailey, and Bailey 2020). In September, the Centers for Disease Control and Prevention issued a new national eviction moratorium that goes through the end of 2020 and covers all renters with proof of hardship.[54] This temporary halting of evictions for nonpayment of rent blocks all phases of the eviction process and applies to every state and territory with reported coronavirus cases.

Some state and local governments have instituted their own eviction protections and moratoriums that either work in concert with federal initiatives or provide additional protections.[55] The Eviction Lab's "COVID-19 Housing Policy Scorecard" tool allows for comparisons of state-level policies.[56] Governments that rate highly have enacted more comprehensive tenancy preservation measures. These include barring late fees and rent raises and providing housing stabilization (i.e., increasing housing assistance or reducing or canceling tenants' debt when moratoriums begin to expire). Other common approaches of top-scoring states are related to eviction order enforcement and include prohibiting removals if tenants have COVID-19-related hardships, prohibiting removals for nonpayment of rent, and prohibiting removals except in emergencies (e.g., serious code violations or when a person poses a substantial risk of harm to another person or the property). Most top-scoring states have also stopped utility disconnections.[57]

In August 2020, the FHA and the FHFA announced the third extension of their foreclosure moratoriums, this time through December 31, 2020, for homeowners with FHA- or FHFA-insured single-family mortgages already covered by the CARES Act.[58]

***Potential shortcomings.*** The CARES Act eviction moratorium applied only to certain properties. Many state and local governments issued moratoriums that might have covered renters not protected by the CARES Act, but these moratoriums were not uniform across states and tiers of government.[59] Also, some renters had trouble finding out whether the CARES Act moratorium applied to their property. The FHFA created online tools to help renters determine whether their homes were protected but did not announce them until almost six weeks after the CARES Act passed.[60] Additionally, the repayment options that renters will have to make up back-rent when the moratoriums expire remain unclear. Some argue that the Centers for Disease Control and Prevention order will only delay evictions and that renters will accumulate substantial debt during this period.[61]

### ECONOMIC IMPACT AND UNEMPLOYMENT PAYMENTS

Initial weekly unemployment claims skyrocketed in late March 2020 as large sectors of the economy began to temporarily shut down to prevent the spread of COVID-19. The CARES Act authorized a first round of stimulus payments, called "economic impact payments." These onetime payments of $1,200 were distributed automatically to tax filers with adjusted gross incomes of up to $75,000 for individuals and up to $150,000 for married couples filing jointly based on either 2018 or 2019 tax returns.[62] This payment set a low bar for assistance as the eligibility requirements were minimal. The Federal Pandemic Unemployment Compensation program was the second round of stimulus authorized by the CARES Act; through states, it provided a boost of $600 a week to people already collecting regular unemployment insurance benefits. Because these payments were based on state unemployment systems, they were relatively easy to qualify for.[63]

In August 2020, states were authorized to implement the Lost Wages Assistance program, which provides claimants in most unemployment insurance programs up to $400 a week in additional benefits, starting with weeks of unemployment that end on or after August 1, 2020, and ending December 27, 2020. To qualify, most people simply self-certify they lost employment because of the pandemic.[64] Early analysis of a national survey shows that among those who received unemployment insurance and stimulus payments, food insecurity declined, along with worry about meeting basic needs such as paying rent or a mortgage, debts, utility bills, and medical costs (Karpman and Acs 2020).

***Potential shortcomings.*** Unemployment payments are processed through state unemployment systems. The record-high numbers of people filing for unemployment insurance because of the pandemic quickly overwhelmed the capacity of many state unemployment agencies, and states' limited capacity to ramp up delayed the distribution of benefits.[65]

# Four Principles for an Equitable Housing Recovery

With the COVID-19 crisis, policymakers have an unprecedented opportunity to learn from the past and better leverage policies for crisis response and recovery to address long-standing shortcomings across the multiple systems that both supply housing and help make it affordable for renters and homeowners. Paying attention to past lessons, we distill four policy principles for ensuring that the needs of all housing market participants are met in a way that promotes racial equity and economic success while building power and autonomy and a sense of being valued in community. These are summarized in box 2 and detailed further in the narrative that follows. Pursued together, these principles address the needs of stakeholders across housing systems and, if followed, will help policymakers avoid a patchwork approach that creates winners and losers. For each principle, we suggest tested strategies—approaches that have been used in previous crises (or the current one) and have a solid evidence base—along with some promising solutions.

BOX 2

**Four Policy Principles and Associated Strategies for an Equitable Housing Recovery**

1. Keep all renters and homeowners housed while targeting those with the greatest need and maximizing their choices.
   - Provide payment relief to renters, including unemployment benefit boosts and rental assistance.
   - Provide payment relief to homeowners, including mortgage forbearance and refinancing.
   - Prevent evictions through moratoriums and rent and fee reductions or forgiveness.
   - Set a low bar for assistance by simplifying eligibility requirements and processes.
   - Transition gradually from emergency assistance.
2. Maintain an affordable supply of housing and financing.
   - Provide payment relief to owners of small rental properties through mortgage forbearance.
   - Support tenants through rental assistance.
   - Help homeowners responsibly access low mortgage rates and home equity.
   - Provide incentives for lenders to reach payment agreements or workout plans to modify loan terms with borrowers, including owners of small rental properties.
   - Increase capital for mission-based organizations to buy at-risk units.
3. Stabilize communities by increasing power and autonomy and the sense of belonging.
   - Increase emergency funds to the hardest-hit areas.
   - Ensure inclusive local recovery planning.
4. Center people in policy response.
   - Provide households with individualized attention and financial counseling.
   - Focus holistically on household circumstances, and address consumer debt and credit issues.
   - Make assistance easier to find.
   - Design materials and processes to be accessible to people in crisis.

In the short term, policymakers and practitioners should target help based on evidence of who is at the highest risk for housing-related hardships because of the COVID-19 pandemic. They should then pursue strategies based on an analysis of the most significant failures in existing housing systems, especially failures that disproportionately affect these high-risk groups. This work will sow the seeds for an equitable housing policy framework that extends beyond the current crisis to actively root out structural racism and foster long-term economic mobility.

Overall, the recommended strategies try to advance economic mobility and racially equitable processes and outcomes. However, when used in previous crises, most of these strategies did not explicitly specify racial equity as a goal. They also tended to focus more on economic success than increasing power and autonomy and a sense of belonging in community. Going forward, we recommend advancing racial equity in goals and processes—in selecting targets, allocating resources, and ensuring local implementation capacity—while elevating the voices of people of color in setting policy priorities and program guidelines (Scally et al. 2020). Tracking outcome metrics by race and ethnicity is also crucial to holding programs accountable for achieving equitable results.

## Principle 1: Keep All Renters and Homeowners Housed While Targeting Those with the Greatest Need and Maximizing Their Choices

The following strategies are promising ways to advance economic mobility and racial equity while keeping homeowners and renters safely housed during a pandemic. Research shows that helping people pay their housing costs, preventing housing loss by stopping foreclosures and evictions, and ensuring gradual transitions out of assistance promote economic success. Power and autonomy are supported when households receive individualized counseling that promotes their best outcomes and assistance is easy to find. Finally, staying housed in place is essential to belonging in community. Both homeowners and renters of color need housing assistance and could be better targeted for help in the future. Tracking outcomes by race and ethnicity was relatively common when these strategies were previously deployed but could be more consistent and intentional.

- **Provide payment relief to renters, including unemployment benefit boosts and rental assistance.** Boosts in unemployment benefits target those suffering some of the pandemic's worst impacts and give households the flexibility to address their most urgent needs. Rental assistance programs focus on the economic success of renters so they can pay the rent and stay housed (Fischer, Rice, and Mazzara 2019). A large body of evidence points to rental assistance through housing vouchers as promoting greater choice in living environment, including the opportunity to live in communities with lower rates of poverty and less racial segregation (Chetty, Hendren, and Katz 2016).

- **Provide payment relief to homeowners, including mortgage forbearance and refinancing.** Proactive mortgage forbearance programs provide payment relief and give homeowners time to regain employment or increase their income, often while allowing missed mortgage payments to be tacked onto the end of the life of the loan. Policies that help homeowners reduce their mortgage payments through refinancing, shorten their loan's term, or responsibly access their housing equity can also help.
- **Prevent evictions through moratoriums and rent and fee reductions or forgiveness.** Passing or extending eviction moratoriums and temporarily preventing the removal of tenants for nonpayment of rent can help renters stay in their homes. Reducing monetary penalties for late rent payments—for example, by barring late fees and rent increases—and promoting rent reduction or forgiveness can also prevent evictions.
- **Set a low bar for assistance by simplifying eligibility requirements and processes.** Simple, straightforward eligibility criteria for assistance can save time, money, and lives. Limiting eligibility criteria to local residency requirements and income thresholds can get funds quickly into the hands of those who need them.[66] Additionally, eliminating the requirement that applicants document a layoff or job loss may remove barriers to assistance for those who need it immediately.
- **Transition gradually from emergency assistance.** A phased approach—like DHAP's declining rental subsidy—gives more autonomy to program participants. A gradual transition from emergency assistance allows renters and homeowners to make decisions based on opportunities as they arise rather than a looming benefits cliff.

## Principle 2: Maintain an Affordable Supply of Housing and Financing

Past policy responses to housing crises have largely ignored important aspects of preserving the affordable housing supply, including supporting affordable financing opportunities for struggling owners of small rental properties and for homeowners and encouraging mission-based investors to step in when these owners need to sell. Learning from past lessons, the following promising practices fill gaps in previous policy responses and build on several policies that were being explored before the pandemic or are being explored now.

These strategies strive to advance economic mobility across its three-prong definition. Preserving the affordability of units at risk for being sold and becoming more expensive allows residents to remain housed in place, signaling their value within the community. Providing payment relief and workout plans for mortgage modifications all reinforce economic success and support increased power and autonomy by allowing households to maintain control over their housing outcomes. Where possible, to most effectively pursue racial equity, clear goals and targets should be set in advance, and processes should reflect the needs and desires of people of color who own homes or small rental properties and amplify their voices. Requirements to frequently monitor and evaluate who is being helped by these strategies will ensure that outcomes are intentionally racially equitable.

- **Provide payment relief to owners of small rental properties through mortgage forbearance.** Automatic forbearance on mortgages (both government-backed and privately held) for one-to-four-unit properties that meet simple eligibility criteria, such as showing financial hardship from the pandemic, can help prevent the loss of lower-cost units and preserve intergenerational wealth, including among Black and Latinx owners (Choi, Zhu, and Goodman 2018).
- **Support tenants through rental assistance.** Rental assistance for tenants can also help owners of small rental properties weather the COVID-19 crisis. Research indicates that during summer 2020, 35 percent of landlords dipped into savings to cover operating costs.[67] Furthermore, an estimated 58 percent of owners of small rental properties lack access to credit to cover emergencies, such as lost rent payments, and they may lack sufficient assets to pledge to a lender if rental income stops.[68] Restoring enhanced unemployment benefits, which expired on July 1, 2020, would likely help some tenants make at least a portion of their monthly rent. In addition, survey results from owners and managers of rental housing suggest that expanding the Housing Choice Voucher program would help ensure not only that more tenants eligible for housing assistance actually receive it but also that more “mom and pop” landlords can secure guaranteed rental income via supplemental rent payments from the government.[69]
- **Help homeowners responsibly access low mortgage rates and home equity.** To help struggling homeowners refinance their mortgages and to make mortgages more available again, changes are needed in how forbearance interplays with sales of mortgages to the GSEs, Fannie Mae and Freddie Mac (Neal, Zhu, and Schwartz 2020). This includes allowing a loan originator to deliver a loan to the GSE even if the homeowner has already elected forbearance (which means payments will be missed) and removing the burden on the mortgage servicer to absorb loan losses when a borrower misses multiple payments in the first two years of payments. These penalties plus new fees (e.g., an adverse market fee of 5 percent charged by the GSEs, due to take effect in December 2020)[70] drive up the costs of lending and borrowing and tighten credit markets. Research suggests that eliminating

these penalties would increase the opportunities to buy a home or to refinance a mortgage for nearly 255,000 borrowers (Goodman and Neal 2020).

- **Provide incentives for lenders to reach payment agreements or workout plans to modify loan terms with borrowers, including owners of small rental properties.** In July 2020, the FHA announced a suite of loss mitigation tools to help mortgage servicers work with affected homeowners who have FHA-insured, single-family mortgages to bring their mortgages current at the end of their forbearance period. The government is also encouraging private lenders to work with customers to create manageable repayment plans at the end of the forbearance period, and most lenders are motivated to do so. One large private lender is automatically moving the accrued amount owed to the end of the life of the loan.[71]
- **Increase capital for mission-based organizations to buy at-risk units.** To prevent the loss of low-cost units through sales to investors who would raise rents, public and private funds—both equity and debt—for acquiring and renovating unsubsidized rental properties are necessary (Turner et al. 2019). Cities like San Francisco, Minneapolis, and Chicago have already taken this approach, and a national program could be modeled after the NSP, with funds administered through state housing finance agencies to strategically acquire rental properties from distressed owners (Poethig et al. 2020). New mission-based owners could commit to longer-term affordability restrictions in exchange for favorable financing, a feature of many existing housing finance programs.

## Principle 3: Stabilize Communities by Increasing Power and Autonomy and the Sense of Belonging

Stabilizing communities is crucial for preserving a sense of belonging in and being valued by community. Belonging promotes upward mobility because "being valued in community facilitates access to material and cultural resources" (Acs et al. 2018). Hurricane Katrina destabilized communities by creating a disaster-induced diaspora, and many people never returned to New Orleans—in some cases, because of the sweeping demolition of public housing; in others, because of home repair costs that were insurmountable.[72] In the Great Recession, whole communities suffered sharp declines in home values, and some never recovered (Hyra and Rugh 2016). These setbacks for renters and homeowners threaten their long-term economic success and limit their power and autonomy over their housing decisions. Because of legacies of racial discrimination in housing markets and programs, communities of color are most vulnerable to destabilization in the face of crisis. More strategies that center racial equity and mobility from poverty are needed. Two are highlighted below that reflect past lessons in emergency response and long-term planning for recovery and rebuilding.

- **Increase emergency funds to the hardest-hit areas.** Many past crises have required fast and efficient delivery of emergency funds through public programs such as CDBG-DR and NSP to the areas hit hardest. In the COVID-19 crisis, funds that could be used toward any of the strategies discussed earlier in this report would be most helpful. This might require a temporary shift in the authorized uses of funds or a permanent change to allow greater long-term flexibility in responding to crises and changing needs. Funds could be distributed directly to local governments or to states and could use a race-conscious method for targeting resources (McCargo, Choi, and Walsh 2020).
- **Ensure inclusive local recovery planning**. Too often, urban planning and recovery planning neglect or harm communities of color by excluding them from the decisionmaking process.[73] Long-term recovery across deeply affected communities will require extensive, inclusive, and cross-sector community engagement efforts that address racial inequities, empower residents, and restore and foster a sense of belonging in community beyond housing needs.

## Principle 4: Center People in Policy Response

Too often, policies intended to help people through a crisis require a user's manual. Layers of confusing text on unnavigable websites and in documents shroud good ideas and programs, making assistance hard to find and eligibility requirements difficult to decipher. At the same time, the people who need to consume this information are deeply affected by the trauma of their ongoing circumstances. The following strategies holistically advance mobility from poverty and racial equity by ensuring that households have access to the information that will give them agency over their housing and financial decisions during a crisis, equip them with economic tools to use in emergencies, and help them remain housed in place.

- **Provide households with individualized attention and financial counseling.** Individualized attention and case management help homeowners and renters understand their options and make decisions in their best interest. Financial counseling around household-determined goals can tailor options to individual circumstances and needs. This exemplifies the mobility principle of power and autonomy and has been a key component of many of the more successful post-crisis recovery programs, such as NFMC and DHAP.

- **Focus holistically on household circumstances, and address consumer debt and credit issues.** Policymakers should expand their definition of a household. Today, the share of 18- to 29-year-olds living with their parents is the largest it has been since the Great Depression.[74] This is likely to affect a household's finances, patterns of future housing demand, and housing consumption. Stabilizing a family's housing is crucial, but broader issues around consumer credit and debt often need to be addressed in tandem. Arguably, recovery from the Great Recession was slowed because the ensuing assistance programs did not do enough to address consumer debt in conjunction with housing-related debt.[75]
- **Make assistance easier to find.** Federal, state, and local governments could collaborate on an independent, comprehensive search tool that allows residents to check their eligibility for local, state, and federal programs.
- **Design materials and processes to be accessible to people in crisis.** Clear, coordinated channels of communication can help people access programs while mitigating trauma. The Red Cross recommends communicating accurate and consistent information during a crisis.[76] After Hurricane Katrina, the Road Home program established a website and a hotline that allowed homeowners to pre-register and sent updates using the contact information that people provided.[77] NFMC provided a call center for homeowners facing foreclosure during the Great Recession and beyond. Importantly, any materials created to communicate program information—from eligibility criteria, to uses of funds, to application materials and reporting requirements—should be human-centered and designed simply, with the end user in mind. Navigation should be intuitive, content should not be overly complex, and it should be available in multiple languages and to those with low levels of literacy.

## The Importance of Tracking and Evaluating Progress

To show that this comprehensive framework works, improving monitoring and evaluation efforts that prioritize racial equity and mobility from poverty is crucial. A lack of data is a key challenge to burgeoning racial equity and mobility initiatives. Past recovery programs have often failed to monitor outcomes by race, but doing so is crucial for understanding what works, what does not, and why. However, these data are difficult to collect and even more difficult to report on because of nondiscrimination requirements in lending; government agencies, lenders, and mortgage servicers should ensure these data are collected without adversely affecting mortgage credit decisions. Additionally, recovery efforts need to expand what they measure beyond economic success. To advance mobility across all three aspects of the definition, practitioners should pay special attention to local measures of power and autonomy and belonging in community, in addition to economic success. Examples of ways to measure these outcomes include conducting a survey of program participants about general self-efficacy to measure power and autonomy and assessing a sense of belonging in community through a belonging uncertainty scale, which uses three questions to measures people's concern that they do not fit in a particular group. Other examples of metrics can be found in the US Partnership on Mobility from Poverty's Measuring Mobility Toolkit.[78]

# Conclusion

Ultimately, policymakers and practitioners need to ask themselves who will benefit from the recovery from the COVID-19 pandemic and how. Much of the initial policy response was rightly targeted toward keeping homeowners and renters housed. However, costs could shift to different housing industry participants—namely, lenders, mortgage servicers, and landlords—if household financial struggles continue beyond the temporary measures enacted so far. Many of the quick policy responses to the pandemic have prioritized short-term economic stabilization while missing opportunities to promote longer-term success, agency, and community belonging. And without more targeted strategies, racial inequities will grow.

A comprehensive policy response must promote racial equity and all three aspects of mobility from poverty across processes and outcomes to have the greatest chance of propelling an equitable housing recovery from the pandemic. This requires applying the four policy principles—keep renters and homeowners housed, maintain an affordable supply of housing and financing, stabilize communities, and center people in policy response—by pursuing complementary strategies at the federal, state, and local levels. It is paramount that those at the highest risk for harm be thoughtfully centered and carefully targeted by all emergency and long-term policy responses.

The recovery from the COVID-19 housing crisis is likely to be long. However, we must strive not to return to the racially inequitable status quo. Under current systems, people—particularly Black and Latinx people—have little ability to determine and meet their housing needs on their own terms and build assets, and this often chips away at community belonging. With this crisis, we have an opportunity to advance racial equity and economic mobility—keeping people housed is essential, and using an equitable framework may help pave the way for long-term recovery and a better future.

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# About the Authors

**Corianne Payton Scally** is a principal research associate in the Metropolitan Housing and Communities Policy Center at the Urban Institute, where she explores the design, implementation, and outcomes of affordable housing and community development policy and programs for vulnerable populations across US communities, from large cities to rural towns. From evaluating federal programs to assessing philanthropic investments, her research focuses on affordable rental housing—finance, construction, preservation, and community capacity and opposition—and the hardships and needs of vulnerable renters and the communities they live in. She holds a PhD in planning and policy development from Rutgers University.

**Elizabeth Champion** is a research assistant in the Metropolitan Housing and Communities Policy Center. Her research interests include housing finance, housing affordability, and the economic development of rural and urban communities. She holds a BA in economics with a minor in international relations from Boston University.

**Michael Neal** is a senior research associate in the Housing Finance Policy Center at the Urban Institute. Neal's research focuses on the housing market, racial equity, and broader macroeconomic and financial conditions. Previously, Neal worked at Fannie Mae, where he was a director of economics in the Economic and Strategic Research division. Before his service at Fannie Mae, Neal was the assistant vice president for the National Association of Home Builders' Economic and Housing Policy Department. Neal has also worked at the US Congress Joint Economic Committee, within the Federal Reserve System, in the Congressional Budget Office, and at Goldman Sachs. Neal has an MPA from the University of Pennsylvania and a BA in economics from Morehouse College.

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500 L'Enfant Plaza SW
Washington, DC 20024

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