



# Increasing Rental Counseling Capacity and Awareness as a Prescription for COVID-19

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The COVID-19 pandemic has had unprecedented consequences for the US housing market, hitting both homeowners and renters hard. But America's 43.8 million renter households, already less able to afford housing before the pandemic, have been more exposed to income disruption and have received less housing relief. Protections in the Coronavirus Aid, Relief, and Economic Security (CARES) Act extended only to one in four renters and expired in July. A broader eviction moratorium issued by the Centers for Disease Control and Prevention (CDC), though providing conditional, temporary relief, will leave millions of renter households deeply in debt upon its expiration, currently scheduled for December 31, 2020.

As the pandemic drags on and back rent payments mount, the risk of mass evictions looms. Beyond that, impacts to vulnerable renters' finances and credit scores could have long-term effects on the future of homeownership, with big implications for such policy concerns as addressing racial homeownership gaps and wealth equity. Now is the time to take steps to avert the pending crisis.

In the 2008 mortgage crisis, a substantial investment in foreclosure prevention counseling, including more than \$853 million authorized by Congress, enabled more than 1,700 agencies to counsel more than 2 million homeowners, helping many of them avoid foreclosure (Scally et al. 2018). With a similar commitment and enough resources, housing counseling could provide similar protections for renters at risk of eviction during the COVID-19 pandemic.

## About the Mortgage Markets COVID-19 Collaborative

Initially convened in March 2020 by the Urban Institute, the Mortgage Markets COVID-19 Collaborative (MMCC) brings together a wide range of experts and stakeholders who share data and discuss how the mortgage market's response to the current pandemic can ensure equity, inclusion, and sustainability for homeowners

The COVID-19 public health crisis has created wide-ranging disruptions and a fast-moving economic downturn, with job losses and consumer hardships that are rippling through housing markets and crippling the housing finance system. Congress has quickly passed stimulus packages, and the major federal housing agencies have enacted federal and state forbearance and foreclosure and eviction moratoriums to help homeowners struggling to make their mortgage payments during this pandemic. In addition, the Federal Reserve and the US Department of the Treasury are taking actions to bolster the housing market by buying mortgage-backed securities at unprecedented levels and creating vehicles to bring liquidity to the mortgage servicing system that supports more than 48 million homeowners with mortgages.

This crisis has the potential to be more disruptive and far reaching than the 2008 crisis, with different implications and ramifications, given its potential length, national scale, unemployment projections, and loss and default projections.

The housing crisis in 2008, natural disasters, and similar incidents have taught us that aligned, coordinated, and intentional engagement by mortgage industry, nonprofit, and consumer groups is critical to developing and implementing thoughtful, evidence-based, and effective policies and practices that will mutually benefit consumers and the mortgage industry.

The MMCC seeks to

- produce a shared repository of data, research, and policy proposals; and
- increase understanding among all participants of the existing data and research and of the concerns and perspectives of other industry and community stakeholders.

For more information about the MMCC or to see the list of collaborators and research assembled, visit the program page at <http://www.urban.org/policy-centers/housing-finance-policy-center/projects/mortgage-markets-covid-19-collaborative>.

But there is a paucity of rental housing counseling capacity and funding to meet the current crisis. For the first nine months of 2020, rental counseling sessions represented only 13.7 percent of all US Department of Housing and Urban Development (HUD) housing counseling activity (according to HUD's 9902 report from the third quarter of 2020).<sup>1</sup> Clients face several barriers, including a shortage of rental housing counselors and a lack of digital access for low-income or rural clients. But the housing counseling industry can expand to meet the need if financial resources are made available.

This brief examines the evolving state of renters' housing and financial security, the landscape of rental housing counseling, and the potential for counseling to help renters maintain housing through the pandemic. Based on lessons learned from the role expanded housing counseling played to help homeowners reduce the risk of default and foreclosure after the Great Recession, we posit that rental

housing counseling might help renters manage budgets and debt, reduce rental arrears, prevent evictions, or arrange for a planned move if they cannot afford the apartment. The partnerships developed with legal services organizations and the infrastructure to expand service delivery remain intact, pending resources to tailor them for renters' needs.

Although there are mechanisms to deliver a tailored renter counseling and eviction prevention program, a major infusion of resources is required to help stave off a wave of potential evictions and the downstream negative implications it would have on the housing market, housing policy goals, and American renters.

## Vulnerable Renters Face a Crisis

More than one in three US households are renters. Rented homes house 107 million Americans, and 29 percent of renter households are families with children (JCHS 2020). Tabulations of the 2019 American Community Survey show that Black households (58.0 percent are renters) and Hispanic households (51.9 percent) rent at far higher rates than white households (27.9 percent) and Asian households (39.4 percent). Renters are more likely to earn less than owners. Nearly half (46.1 percent) were rent burdened in 2019 (table 1).

**TABLE 1**  
**US Renter Market Demographics**

	Count	Share of market
<b>Race or ethnicity</b>		
Non-Hispanic white	23,514,000	51.8%
Black or African American	8,934,000	19.7%
Asian or Pacific Islander	2,523,000	5.6%
Hispanic or Latino	8,918,000	19.6%
Other race or two or more races	1,511,000	3.3%
<b>Gross income spent on rent</b>		
Less than 30.0 percent	21,227,000	46.7%
30.0 percent to 49.9 percent	10,512,000	23.1%
50.0 percent or more	10,454,000	23.0%
Total rent-burdened households	20,200,000	46.1%

Source: 2019 American Community Survey.

Note: Rent-burdened households spend at least 30 percent of their annual income on rent.

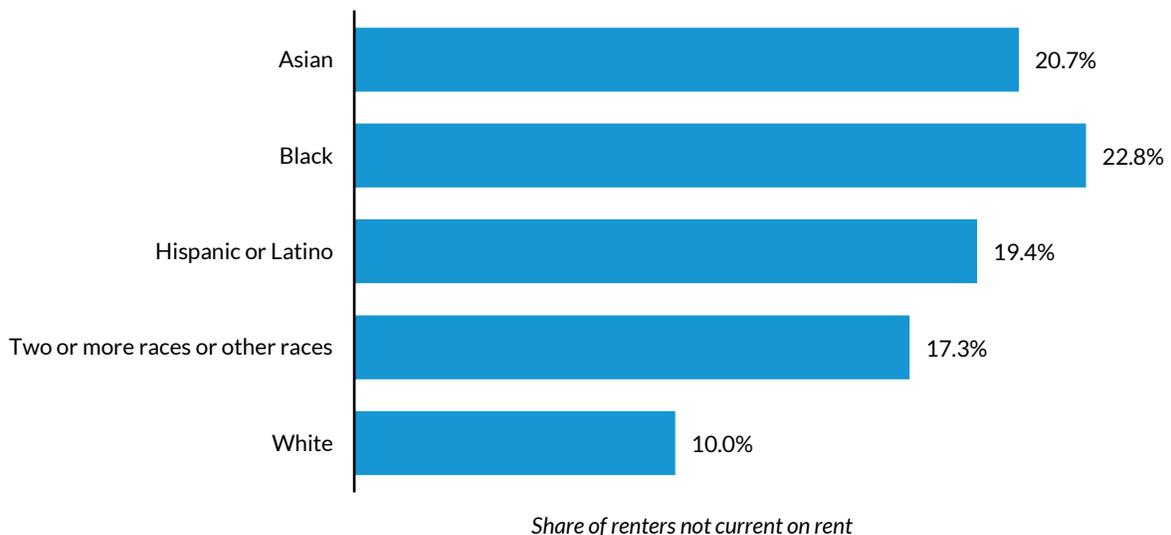
Even before COVID-19, many renters faced challenges keeping up with rent. Black renter households were already the most vulnerable to economic instability. They have the lowest median income, the lowest median liquid assets, and the highest unemployment rate among all racial and ethnic groups. Data from the ongoing Census Pulse Survey show that a larger share of Black and Hispanic households reported difficulty paying rent in 2019 than white households. One-third of Black households often or sometimes had trouble paying rent, which was 9 percentage points higher than for white households.

During the pandemic, renters face new and unprecedented challenges sustaining their housing. America's 44 million renter households are more vulnerable than America's 78 million homeowner households to the income disruption that stay-at-home policies and mass layoffs bring (Goodman and Magder 2020).

The CARES Act temporarily banned evictions for nonpayment of rent for one in four renters—those living in federally subsidized or federally backed properties.<sup>2</sup> Effective September 4, 2020, the CDC ordered a nationwide halt for certain evictions for nonpayment of rent. Participating renters must declare that they meet the conditions of relief in writing, are still expected to make all rent payments after the eviction moratorium expires, and are not protected from eviction for other causes.<sup>3</sup>

By September 2020, 15.2 percent of renters were behind on rent, with Black renters remaining the most likely to be behind at 22.8 percent, 12.8 percentage points higher than white renters (figure 1). Hispanic households, also experiencing record-high unemployment rates, are also significantly more vulnerable than white or Asian households.<sup>4</sup>

**FIGURE 1**  
**Share of Households Not Current on Rent, by Race or Ethnicity**



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**Source:** US Census Pulse Survey for the week of September 28, 2020.

**Notes:** Households that are white, Black, Asian, two or more races, or other races are non-Hispanic. Hispanic renters may be of any race.

Before the CDC eviction moratorium, half of renters behind on rent reported likelihood of eviction in the next two months.<sup>5</sup> In a report prepared for the National Council of State Housing Agencies, STOUT reported that as of September 14, 2020, there were between 9.7 million and 14.2 million households that might be unable to pay rent and be at risk of eviction.<sup>6</sup> The report estimated that by January 2021, the rent shortfall for these households will be between \$25.1 billion and \$34.3 billion.

Recent estimates have projected as much as \$70 billion could be owed by year-end 2020.<sup>7</sup> Further, some renters are covering rent payments by taking on debt, which could put them in a precarious position. Given a slow economic recovery and uncertainty over further relief, it is reasonable to expect ongoing elevated unemployment, high rent burden among low-income renter households, continued accumulation of unpaid rent, and continued risk of eviction beyond January 2021.<sup>8</sup>

Unemployment benefits and rental subsidies to tenants or landlords have the greatest potential to broadly alleviate rent burdens (Strochak et al. 2020). It is challenging for consumers during a time of distress to navigate the complex provisions and requirements of these programs while potentially negotiating with landlords who may have conflicting interests. As we learned during the mortgage crisis of 2008 and natural disasters like Hurricanes Harvey, Maria, and Irma, advisers to help households navigate distress are critical, and housing counselors can be independent, trusted third parties.

In the next section, we describe the landscape of rental housing counseling and what we have learned about what works.

## The Renter Counseling Landscape

The US Department of Housing and Urban Development's Housing Counseling Program counsels consumers on seeking, financing, maintaining, renting, or owning a home. The program also addresses homelessness through counseling and helps homeowners in need of foreclosure assistance. Counseling is provided by HUD-approved housing counseling agencies.

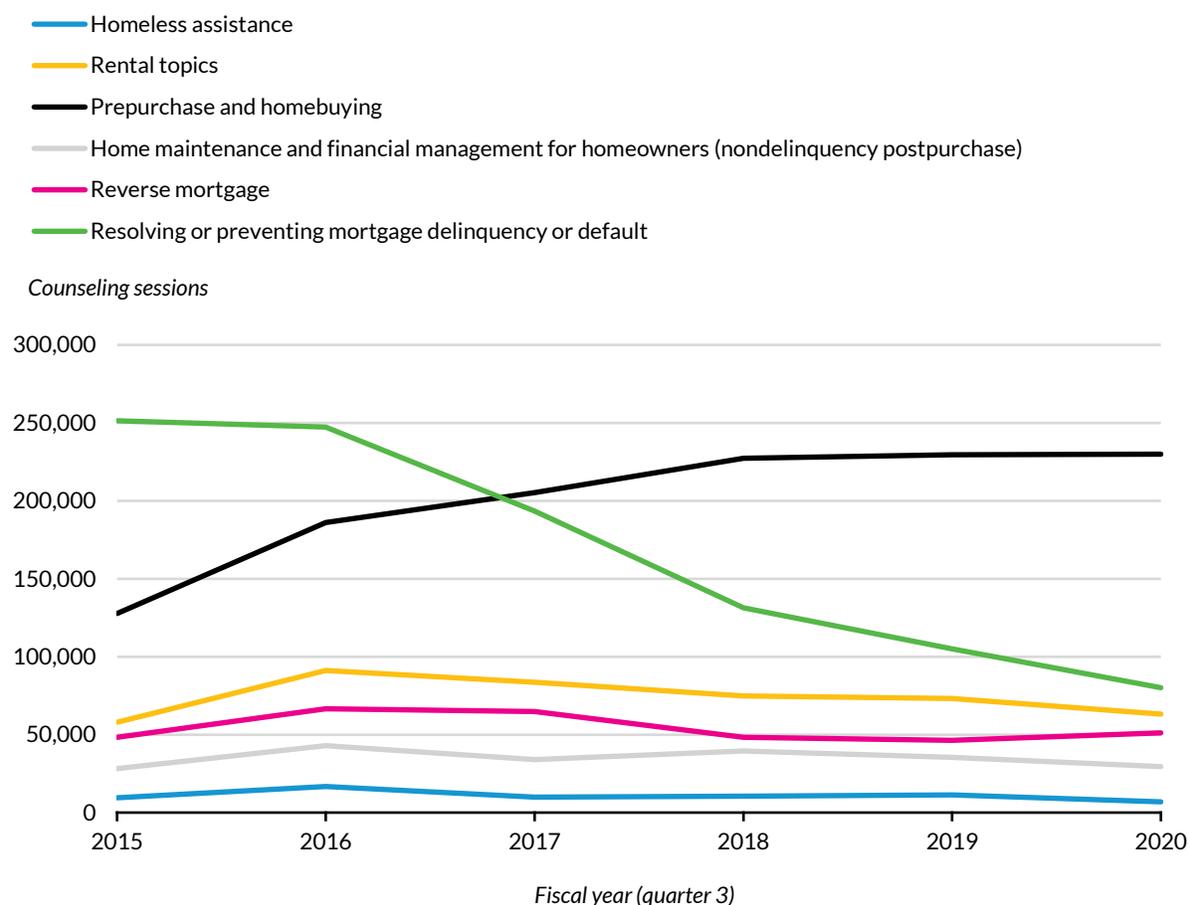
HUD's Housing Counseling Program is authorized by Section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x).<sup>9</sup> The statute authorizes the program to serve both renters and owners ("counseling and advice to tenants and homeowners with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and in meeting the responsibilities of tenancy or homeownership") (12 U.S.C. 1701x (a)(1)(iii)). HUD is authorized to set requirements, standards, and performance measures for both homeownership counseling and rental housing counseling (12 U.S.C. 1701x (g)(1)(A)).<sup>10</sup>

Agencies approved by HUD to provide housing counseling services, and who employ housing counselors certified by HUD, are listed on HUD's public website<sup>11</sup> or are available by telephone at (800) 569-4287.

Homeownership counseling, both prepurchase and postpurchase, has received the lion's share of attention and funding since the Great Recession, but other types of housing counseling regulated by HUD (e.g., rental housing counseling) are also available.

FIGURE 2

Rental Counseling Sessions, by Counseling Topic



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Source: US Department of Housing and Urban Development 9902 reports.

Note: Data as of the third quarter of 2020.

Rental housing counseling is defined at 5 C.F.R. 100 as “counseling related to the rental of residential property, which may include counseling regarding future homeownership opportunities when provided in connection with HUD’s Housing Counseling Program, or required under or provided in connection with HUD Programs as defined in § 5.111. Rental housing counseling may also include the decision to rent, responsibilities of tenancy, affordability of renting and eviction prevention.” HUD’s reporting requirements give a slightly different definition of rental topics covered by the rental counseling reporting requirement: “HUD rental and rent subsidy programs; other federal, state or local assistance; fair housing; housing search assistance; landlord tenant laws; lease terms; rent delinquency.”<sup>12</sup>

HUD has also developed outreach materials for rental counseling.<sup>13</sup> The target population for rental counseling is diverse, ranging from young people renting their first apartment to people with a history of homelessness finding more stable housing, job seekers needing mobility for work, victims of

discrimination, migrant or transient workers, tenants in manufactured or mobile homes, and even small landlords seeking information about their rights and responsibilities.

In fiscal year 2019, 89,857 households received rental counseling. Through the third quarter of 2020, 63,222 people received rental counseling. This is dwarfed by the 398,678 households who received homeownership counseling through the third quarter of 2020 (229,917 received prepurchase counseling and 160,761 received postpurchase delinquency, nondelinquency, and reverse mortgage counseling).

HUD also classifies and tracks rental workshops, which deliver educational information that is not customized to the client’s individual situation or need. Through June 30, 2020, 5,764 clients participated in rental counseling workshops. According to the latest HUD 9902 report, an additional 116,541 clients participated in financial literacy workshops, but these workshops are not limited to renters.

## Types of Rental Counseling

There are many types of rental counseling that cover the full cycle of renting. The types of rental counseling described below are not defined by HUD. We created these categories based on analysis of HUD requirements related to rental counseling and industry practices. We emphasize the types of rental counseling that could be expanded to help renters navigate the pandemic. All housing counselors meeting HUD standards, including rental housing counselors, must help families prepare a sustainable household budget, identify housing goals and barriers and develop an action plan, and provide referrals to housing and nonhousing resources that helps families ensure stable housing.

**TABLE 2A**  
**Rental Counseling Types**

Counseling type	Example
<p><b>Decision to rent</b> Rental counselors can help people enter the rental market. Rental counselors advise clients about budgeting, establishing credit, saving for a security deposit, assessing consumer debt, and understanding utility costs and renters’ insurance. Rental counselors can help clients determine if they are eligible for housing assistance and apply for subsidy programs.</p>	<p>The Homeless Prevention Center in Rutland, Vermont, helps transition people experiencing homelessness to a stable rental apartment. Improving a renter’s financial history is difficult to do in a short time. But transitional housing services allow households the opportunity to establish themselves as responsible tenants. There are program rules that all households must follow, including saving a share of their income, respecting quiet hours, and keeping their units in good condition, which can provide some measure of a positive image to a prospective landlord when combined with completing the Rental 101 course.<sup>a</sup></p>

Counseling type	Example
<p><b>Search for a rental unit</b>  Rental counselors will help prospective renters distinguish housing needs from wants and ensure housing options are affordable. Rental counselors will be aware of housing resources, be they public, subsidized, or unsubsidized. Where to rent includes mobility and location information: what neighborhoods provide the most opportunity (jobs, education, community facilities) and at what affordability level. Finally, this type of counseling includes advice about tenant rights, including how to recognize and report housing discrimination and rental scams.</p>	<p>Housing Opportunities Made Equal of Virginia Inc. (HOME) is a HUD-approved housing counseling agency that focuses on the housing search and the importance of location. HOME's tenancy program combines mobility counseling, tenant education, and landlord recruitment services to assist households with a housing choice voucher to find housing of their choice. Landlords and tenants benefit from HOME's services. By offering landlords motivated, prescreened, responsible tenants at no charge, landlords help voucher holders move to neighborhoods of opportunity that they may not otherwise have discovered, with lower concentrations of poverty, better job opportunities, good schools, lower crime rates, and greater access to healthy amenities.<sup>b</sup></p>
<p><b>Responsibilities of tenancy</b>  A rental counselor can educate families on the rights and responsibilities of tenancy, including the obligation to pay rent, maintain the apartment or home, and even the benefits of renters' insurance. The rental counselor is expected to understand the basic rules governing the landlord-tenant relationship in her state and locality, explain the role of the property manager, and emphasize the importance of the move-in inspection. The rental counselor can review the landlord or property manager's right to gain access to the unit and the tenant's responsibilities toward unit cleanliness and maintenance.</p>	<p>Virginia Housing (formerly the Virginia Housing Development Authority), like other state housing finance agencies, has had a robust housing counseling program.<sup>c</sup> To help direct attention to the importance of rental housing, its Housing Education Department developed a free, user-friendly "How to Be a Successful Renter" eBook, available at <a href="http://vhda.com/RenterEd">vhda.com/RenterEd</a>. It concentrates on paying rent on time, maintaining the property, and abiding by all lease provisions.<sup>d</sup></p>
<p><b>Financial capability</b>  Rental counselors can work with families to ensure they can afford and continue to pay rent. They may help families with budgeting, saving for an emergency fund, addressing credit issues, or dealing with unexpected shocks such as divorce, illness, or unemployment. Rental housing counselors connect families to resources to help them afford housing costs, such as energy-saving programs, heating assistance, or basic benefits that might help scarce dollars stretch further. Some families may wish to evaluate whether homeownership is an option; in those cases, the counseling is usually called prepurchase counseling to prepare renters who may become first-time homebuyers.</p>	<p>The National Council on Agricultural Life and Labor Research Fund Inc.'s innovative \$tand by ME initiative provides financial coaching opportunities through the Delaware Financial Empowerment Partnership. The coaching enables people to establish their goals and work toward them using resources provided by their coaches.<sup>e</sup></p>

Counseling type	Example
<p><b>Termination of lease (voluntary and involuntary)</b> Rental counselors can explain how to terminate a lease voluntarily and the conditions under which a security deposit may be returned. Tenants may terminate a lease if the landlord is not compliant with repairs or conditions of habitability. Landlords may terminate a lease if the tenant does not adhere to responsibilities, including payment of rent, following house rules, and maintaining the apartment.</p>	<p>Founded in 1981, the Central American Resource Center (CARECEN) fosters the comprehensive development of the Hispanic community by providing direct services while promoting grassroots empowerment, civic engagement, and human rights advocacy. In fiscal year 2016, CARECEN helped 465 tenants who were experiencing possible involuntary displacement, threats and intimidation, discrimination, lack of repair and maintenance, illegal rent increases, and illegal evictions. It provided technical assistance to 1,072 tenants and associations and nearly 35 multifamily units and associations to help them secure their rights and form and empower tenant groups.<sup>f</sup></p>
<p><b>Prepurchase counseling</b> This type of counseling falls in the homeownership counseling category but is predominantly provided to renters. Generally, housing counseling agencies have specialists who work with first-time homebuyers to prepare for the rights and responsibilities of ownership. Rental counselors may refer clients to a prepurchase counseling program, or they may work with the client to improve their credit score and savings during their tenancy.</p>	<p>The Greater Phoenix Urban League works with clients to establish banking relationships, start saving, and eventually purchase a home. The housing counselor also provides clients a spending plan tool to track expenses. Housing counselors provide advice regarding secured credit cards to get started and information on down payments and individual development accounts (IDAs), which allow first-time homebuyers to save \$5,000 and receive \$15,000 in IDA match funds for down payments and closing costs. They also can connect clients to additional resources and funds.<sup>g</sup></p>

**Note:** HUD = US Department of Housing and Urban Development.

<sup>a</sup>HUD, “Rental Counseling Supports Housing Options,” *The Bridge* 5, no. 8 (February 2017).

<sup>b</sup>HUD, “Rental Counseling Supports.”

<sup>c</sup>“Housing Counseling HUD-Approved Intermediaries and State Housing Finance Agencies,” HUD, accessed December 13, 2020, <https://www.hudexchange.info/programs/housing-counseling/intermediaries-shfa/>.

<sup>d</sup>HUD, “Rental Counseling Supports.”

<sup>e</sup>“Financial Coaching Success Story: \$tand by ME,” HUD, accessed December 13, 2020, <https://www.hudexchange.info/programs/housing-counseling/the-bridge/2018-11/Stand-by-Me/>.

<sup>f</sup>HUD, “Rental Counseling Supports.”

<sup>g</sup>HUD, “Rental Counseling Supports.”

TABLE 2B

**Specialty Counseling Types**

**Mobility counseling**

Empirical studies by Raj Chetty and others have found evidence that children who grow up in high-opportunity, low-poverty neighborhoods have better outcomes than children who grow up in high-poverty, low-opportunity neighborhoods.<sup>a</sup> Based on this research, HUD has undertaken a mobility demonstration project<sup>b</sup> to test whether housing voucher holders are more successful in moving to high-opportunity neighborhoods with the help of a mobility counselor. The HUD Housing Counseling Program does not define or set standards for mobility counseling, though some HUD rental counseling agencies provide this service.

**Disaster prevention and recovery counseling**

In recent years, housing counselors have played an expanded role in the prevention of and recovery from natural disasters. The services are highly specialized to help clients obtain temporary housing, obtain FEMA benefits, and negotiate insurance claims.

**Lease-purchase agreements, manufactured housing, or shared-equity housing**

These are unique rental and ownership hybrid models. Rental counselors may assist clients to assess eligibility, navigate program requirements, and understand participant responsibility.

**Note:** FEMA = Federal Emergency Management Agency; HUD = US Department of Housing and Urban Development.

<sup>a</sup>See the website for Opportunity Insights at <https://opportunityinsights.org/>.

<sup>b</sup>“Housing Choice Voucher (HCV) Mobility Demonstration,” HUD, accessed December 13, 2020,

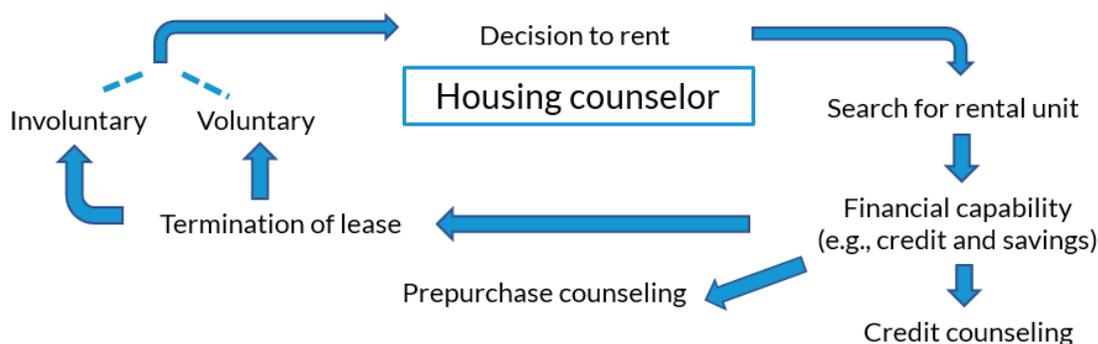
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/hcv/mobilitydemo](https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/mobilitydemo).

Some rental counselors work with legal services organizations to prevent eviction by negotiating arrearages or accessing local resources such as one-shot eviction prevention programs run by charities or local governments. They may assess defenses to eviction, including payment and discrimination. If eviction is unavoidable, they may help the family find another place to live and minimize damage to savings and credit.

A visual representation of these rental housing counseling services might look like this:

FIGURE 3

**Rental Housing Counseling Services**



**Rental Counseling’s Effectiveness and Impact**

HUD collects data on rental counseling activity and outcomes. For the first three quarters of fiscal year 2020, the HUD 9902 report shows that 63,222 households received rental counseling. Of these, 11,046

were reported as having avoided eviction, and 15,485 were reported as improving living conditions. More than 150,000 households who received either rental or ownership counseling improved their financial capacity (e.g., increased discretionary income, decreased debt load, increased savings, or increased credit score). These outcomes have been reported only since 2015.

Few rigorous studies of rental counseling outcomes have been published. HUD provided its most detailed, descriptive examination of rental counseling results in a 2008 report (Herbert, Turnham, and Rodger 2008, 114–15). In that study, HUD shows that of the 380,000 clients who received rental counseling in fiscal year 2007, about three-quarters completed the counseling, including about one-quarter that were referred to another agency for assistance. Of the clients who completed counseling and were not referred to another agency, about two-thirds remained in their current housing and one-third found alternative housing or received housing search assistance (Herbert, Turnham and Rodger 2008).

An extensive collection of studies has found positive outcomes associated with homeownership counseling of various types (Myhre and Watson 2017). Of relevance are the findings of a rigorous study of the impact of foreclosure prevention counseling during the 2008 housing crisis. Counseled borrowers were up to three times more likely to avoid foreclosure compared with similar, uncounseled borrowers (Mayer et al. 2011). The National Foreclosure Mitigation Counseling (NFMC) Program was designed to help homeowners avoid foreclosure or create the best possible outcome if staying in their home was not an option. Rental housing counseling builds on the same foundation. These findings suggest that eviction prevention during the current crisis may yield similar benefits.

More broadly, evidence shows that financial capability counseling and coaching can improve peoples' finances.<sup>14</sup> Kaiser and coauthors' (2020) comprehensive meta-analysis of 76 randomized experiments found positive, causal effects of financial education on financial behaviors. In a randomized field study of very low-income housing voucher holders in New York, Collins (2010) found that a financial fitness course given by a HUD-approved housing counseling agency improved savings balances and credit scores.

Credit counseling has been shown to produce positive consumer financial outcomes. In a study of the National Foundation for Credit Counseling's nationwide "Sharpen Your Focus" credit counseling program, Moulton and Roll (2016) found that clients receiving credit counseling reduced their total debt and revolving debt relative to a matched comparison group. The study also concluded that credit counseling agencies can be a doorway to additional targeted services, information, and referrals.

## **Housing Counseling Agencies Are Beginning to Address Challenges for Renters Affected by the COVID-19 Pandemic**

Many aspects of rental housing counseling have direct application to renters during the pandemic. Various national and state eviction moratoriums have different terms and requirements. For example, the CDC's national eviction moratorium requires tenants to make various declarations under penalty of perjury. Landlords may proceed to evict tenants who are not aware of the declaration requirement or

who do not provide an adequate declaration (CDC 2020). Tenants may be unable to pay rent because of job loss or illness and may need assistance applying for unemployment benefits or looking for new work. Tenants may be unaware of COVID relief and other emergency funds available to assist with rent payments and other expenses. Tenants may be unsure about renewing a lease if they have returned to shelter with family. Tenants may be unaware of legal services and other resources. Tenants and landlords may need to work together to create a plan to clean, sanitize, and maintain common areas of the building.

The Housing Partnership Network (HPN) recently obtained bank foundation support for its renter counseling program. It points out that COVID needs are different from holistic rental housing counseling meeting HUD standards. “Renters are in crisis,” Meaghan McCarthy, vice president for affordable housing and consumer empowerment at HPN, noted in an interview. “Their immediate need is for emergency funds for rent or eviction prevention assistance. HUD should consider relaxing its requirements for a budget and an action plan when a rental client is facing a COVID-related crisis.” HPN says the important aspects of rental counseling now are knowing the local laws and safety net resources and linking to legal services. McCarthy also noted that several HPN members are linking clients to COVID-relief funds.

Moreover, many renters are facing a “perfect storm” of financial stressors during the pandemic, according to McCarthy, potentially falling behind on rent payments, consumer debt, and even medical debt. A “COVID Financial Shield Scheme” is being tested in two London boroughs to coordinate solutions across multiple creditors, other institutions, and landlords and involves local housing agencies, health care networks, and local government.<sup>15</sup>

The skills housing counselors gained from the NFMC Program and other disaster recovery experiences could translate well to today’s looming rental housing crisis. Like the Great Recession, the COVID-19 pandemic has caused high unemployment and job loss. Foreclosure mitigation counselors helped homeowners apply for and negotiate mortgage modifications, a skill they can apply to helping renters negotiate lease modifications. Housing counselors both during the Great Recession and during the pandemic can help clients deal with budget and debt challenges. Collaborations between housing counseling agencies and legal services organizations were critical for success during the mortgage meltdown and will be similarly important for challenging or preventing evictions.

Moreover, housing counselors who focus on rental assistance and the organization networks that support them say there is tremendous fear from tenants about talking with landlords and property managers during the COVID crisis—similar to the fear experienced by homeowners who found that their mortgage was unaffordable because of predatory terms or unexpected job loss. In short, there is a lack of understanding and a lack of options.<sup>16</sup>

In response, some housing counseling agencies are bringing on rental counseling as an additional service that they were not focused on before the pandemic. A key feature of the congressional appropriations for the NFMC Program was the investment Congress provided for training, technical

assistance, reporting, and outcome evaluations. A similar investment to increase rental counseling capacity would be well spent.

With training, counseling agencies with expertise on homeownership issues can add rental housing counseling to their menu of services. One strategy for expanding rental housing counseling capacity has been through partnerships to complement existing agency knowledge and skills.<sup>17</sup> For example, NeighborWorks America's (NeighborWorks) affiliate United Housing, in Memphis, has partnered with the city to do rent relief and partnered with the local Legal Aid to help with eviction protections. Nationally, NeighborWorks has convened its affiliates to share what is working and approaches during the pandemic, including sharing lessons between homeownership counseling and rental counseling, and even groups solely focused on multifamily rentals are taking lessons from some of the homeownership-focused organizations in terms of service delivery.<sup>18</sup> Another avenue to expand capacity is to build on existing credit counseling programs by adding a focus on rental housing.

## Financial Viability of Rental Counseling Programs

One of the big challenges is how to pay for rental counseling, which accounts for only a small portion of the \$53 million Congress provided in 2020 to HUD's Housing Counseling Program (HUD 2020).

Housing counseling programs typically cost more to run than the revenues they produce. Expenses in a counseling program are primarily fixed expenses of the housing counseling staff and supervision, office space and other expenses, and the costs of reporting and oversight systems. Revenues in a counseling program may include client fees, HUD housing counseling grants, other charitable public or private grants, and occasional fee-for-service arrangements with real estate professionals. Agencies usually derive two types of fees from rental counseling programs: workshop fees charged to clients (ranging from \$25 to \$99 per workshop, though many agencies provide workshops without charge) and grants. As a comparison, a study of the NFMC Program found loss mitigation counseling for homeowners cost \$500 per client (Mayer et al. 2011). Rarely will a landlord pay a fee for service to a counseling agency to triage their waiting list or address a client at risk of eviction. In 2008, agencies estimated that rental counseling clients received four hours of one-on-one counseling, on average (Herbert, Turnham, and Rodger 2008).

In *The State of the Housing Counseling Industry 2008*, only 25 percent of rental or homeless counseling came from private sources, versus 54 percent of pre- and postpurchase counseling. Sixty percent of rental counseling funding came through either the Community Development Block Grant (CDBG), HOME, or other federal programs. The 2008 study also estimated the cost of providing housing counseling. For agencies specializing in rental counseling, the average cost of services per client was \$252 before 2008 (Herbert, Turnham and Rodger 2008).

To illuminate the situation during the pandemic, we spoke with representatives of agencies providing assistance as the crisis unfolds. They cited a dire need for funding. Many have cobbled together various national and local resources. "This work is completely underfunded," said Bruce

Dorpalen, executive director of the National Housing Resource Center (NHRC). “There is much greater opportunity than the ability to deliver.”

Ellie Pepper, relationships and innovations director at the NHRC, paints a piecemeal landscape of rental counseling funding: “Some groups are using HUD dollars, some ESG [HUD Emergency Solutions Grants Programs], some CDBG, and some have private or philanthropic support. Now there’s also some extra CARES money.”

The Family & Intercultural Resource Center (FIRC), serving workers in the high-cost ski resort towns of Summit County, Colorado, illustrates the need for and the effectiveness of trusted counseling relationships with local governments during the COVID crisis. The organization is a rental-focused service provider in HomeFree-USA’s network to bridge financial strength and homeownership success for people of color. Before COVID, FIRC had four counselors and community resource coordinators. Quickly shifting their services and harnessing resources from towns, the county, and an additional grant from the Colorado Department of Local Affairs, “we were able to build a team of 12 to 14 full-time people to connect with people in the community who needed housing support,” Michael Infante, family support manager at FIRC, noted in an interview. Infante highlighted that “between March through April, we provided assistance to 1,000 households. That’s more than the eight years I have been here.”

Others are exploring landlord-pay models or are directly counseling landlords. The National Foundation for Credit Counseling is exploring ways to partner with landlords and property managers to help fund counseling services, especially nonprofits and mission-oriented market developers of affordable housing.

The NHRC points to programs in northeastern cities with a lot of two-to-four-unit buildings, as a vibrant world of landlord-tenant training for people buying them. Urban Institute research focused on two-to-four-unit buildings as a key concern under COVID-19 because of the high number of minority tenants and owners.<sup>19</sup> NeighborWorks Blackstone River Valley in Rhode Island is one such example of a program where mom-and-pop landlords get training on best practices.<sup>20</sup>

HPN member Champlain Housing Trust’s rental counseling program has assisted its property management portfolio for some time. It has given a lot of thought to the value of rental counseling to the property owner, in terms of preventing evictions, and how to meet the needs of those affected by COVID-19. Although some property managers contribute to the housing counseling budget, HPN reports that it is rare.

While encouraging, these piecemeal efforts cannot serve the current level of need. But this is not uncharted territory. Housing counseling for distressed owners played a critical role during the 2008 mortgage crisis by providing reliable housing counseling resources. New laws and programs for loss mitigation and foreclosure prevention required homeownership counseling to execute. The role of a trusted, regulated, and independent adviser to navigate housing distress was critical. Many real estate professionals are paid based on transaction size and lack a duty to act in the consumer’s best interest. There was a lot of mistrust of mortgage servicers and banks.

Prioritizing and funding housing counseling as part of the mortgage relief programs in response to the 2008 mortgage crisis helped many owners avoid foreclosure. Although Congress had appropriated \$40 million for housing counseling before 2007, it increased the funding to more than \$200 million in both 2008 and 2009.<sup>21</sup> This strong commitment enabled NeighborWorks and other stakeholders to quickly design and implement a massive, direct response to the crisis, reaching more than 2 million homeowners at risk of foreclosure. This unprecedented program offers important and relevant lessons about collaboration, deployment, standardization, and monitoring and evaluation (Sally et al. 2018).

## Policy Recommendations

The COVID-19 pandemic has put millions of renters into an untenable position. Many have lost income because of the economy or health challenges and are at risk of eviction once moratoriums expire. Financial assistance combined with a tailored, large-scale rental counseling program can help people avoid mass evictions and help stabilize vulnerable renters and their landlords. Expanded rental housing counseling availability and accessibility can connect these families to independent, trusted third-party services and resources that may help them avoid eviction for nonpayment of rent.

To implement this solution, we present four recommendations to public officials and to members of the private real estate industry.

### 1. Expand Public and Private Support for Rental Counseling

A key barrier to expanding the program is a lack of funding for renter counseling. The Health and Economic Recovery Omnibus Emergency Solutions Act, introduced in the House of Representatives, would provide \$100 million for housing counseling, including rental counseling.<sup>22</sup> A federal investment in the program will help people avoid costs associated with financial stress, evictions, and involuntary moves.

The federal government is not the only possible source of investment. Landlords benefit when tenants pay rent and when vacancies and turnover are low. Some rental counseling programs have created contractual agreements to help landlords manage their application and waiting list processes or to intervene with tenants at risk of eviction. These models should be studied and replicated to better understand how a landlord-paid model could serve renters and landlords.

### 2. Expand Capacity for Effective Counseling from Reputable Agencies

Housing counseling agencies are approved by HUD and are held to government standards of expertise and independence.<sup>23</sup> They are required to act in the renter's best interest and can help renters secure an apartment, understand the rights and responsibilities of tenancy, budget and save for rent, improve credit, and prevent eviction, especially when they have strong partnerships with legal aid organizations. Rental counseling can be customized to fit the unique needs of rural renters, tenants in manufactured or mobile homes, renters at risk of homelessness, tenants in single-family rental units, and others. Some

housing counseling agencies even provide services geared toward landlords of two-to-four-unit buildings, generally mom-and-pop owners who benefit from advice on landlords' rights and responsibilities. Similarly, the existing network of nonprofit credit counseling agencies represents a delivery model on which to build capacity expeditiously.

Expanded rental counseling resources through HUD would benefit responsible nonprofit credit counseling agencies that meet HUD standards. This should be accompanied by an outreach and awareness campaign so that renters are aware of responsible and effective sources of assistance when they face a threat to their housing stability.

### **3. Develop and Provide Standard Trainings, Protocols, and Support for Housing Counselors, Real Estate Professionals, and Landlords on COVID-19-Related Issues and Specialized Rental Counseling Needs**

The changing federal, state, and local rules on evictions, rental assistance, and emergency funds are confusing for tenants. Targeted training on COVID-19 issues and relief opportunities will give rental housing counselors the skills to navigate a complex and fragmented system of relief, teaching them how to help renters negotiate back rent payments, avoid late fees and penalties, access federal and local relief funds, and avoid inaccurate or derogatory information on their credit history. Unique issues raised by homelessness, manufactured housing, accessibility challenges, and other specialized areas can be supported by professional training and education. Continuing education should be offered to landlords, building agents, and other real estate professionals to make them aware of the services of rental housing counseling agencies. As with the mortgage foreclosure prevention program, standardized counseling should be delivered alongside financial assistance.

Like the National Foreclosure Mitigation Counseling Program, a large national commitment to rental housing counseling can highlight model partnerships between HUD housing counseling agencies, private landlords, legal services providers, tenant advocacy organizations, and homeless shelter providers. Successful programs and partnerships can be replicated or expanded as they were under the NFMC Program.

### **4. Research the Effectiveness of Rental Housing Counseling**

Compared with the research documenting the effectiveness of prepurchase and delinquency-prevention housing counseling, there is little research on the effectiveness of rental housing counseling. By cooperating with property owners, demonstrations with well-designed research could assess the benefits of rental housing counseling and evaluate the costs and benefits of rental housing counseling to landlords.

# Conclusion

Millions of renters are facing multiple crises related to the COVID-19 pandemic, including health challenges, job loss, and reduction of income. With enough resources, HUD housing counseling agencies can help renters access local emergency funds, navigate complex eviction moratoriums, negotiate with landlords, and budget their dwindling resources. Rental counseling could provide families tools to avoid eviction and regain housing stability. Today's renters are tomorrow's homeowners, and without interventions like rental housing counseling, the racial homeownership gap may widen even further.

## Notes

- <sup>1</sup> "Housing Counseling HUD-9902 Quarterly Reports," US Department of Housing and Urban Development, accessed December 13, 2020, <https://www.hudexchange.info/programs/housing-counseling/9902-quarterly-reports/>.
- <sup>2</sup> Laurie Goodman, Karan Kaul, and Michael Neal, "The CARES Act Eviction Moratorium Covers All Federally Financed Rentals—That's One in Four US Rental Units," *Urban Wire* (blog), Urban Institute, April 2, 2020, <https://www.urban.org/urban-wire/cares-act-eviction-moratorium-covers-all-federally-financed-rentals-thats-one-four-us-rental-units>.
- <sup>3</sup> Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19, 85 Fed. Reg. 55292 (September 4, 2020).
- <sup>4</sup> Jung Hyun Choi, Jun Zhu, and Laurie Goodman, "COVID-19 Policy Responses Must Consider the Pandemic's Impact on Young Renters and Renters of Color," *Urban Wire* (blog), Urban Institute, April 7, 2020, <https://www.urban.org/urban-wire/covid-19-policy-responses-must-consider-pandemics-impact-young-renters-and-renters-color>.
- <sup>5</sup> Mary K. Cunningham analysis of Census Pulse Survey data, September 22, 2020.
- <sup>6</sup> "Analysis of Current and Expected Rental Shortfall and Potential Evictions in the U.S.," National Council of State Housing Agencies, September 28, 2020, <https://www.ncsha.org/resource/current-and-expected-rental-shortfall-and-potential-eviction-filings/>.
- <sup>7</sup> Will Parker, "Struggling Rental Market Could Usher in Next American Housing Crisis," *Wall Street Journal*, October 27, 2020, <https://www.wsj.com/articles/struggling-rental-market-could-usher-in-next-american-housing-crisis-11603791000>.
- <sup>8</sup> "Analysis of Current and Expected Rental Shortfall," National Council of State Housing Agencies.
- <sup>9</sup> It was not until 1974 that Congress increased the scope of the Housing and Urban Development Act to include tenants in rental housing as recipients of housing counseling efforts (Herbert, Turnham, and Rodger 2008, 9). By 1994, there were nearly 250,000 counseling clients assisted by HUD-approved agencies, of which nearly half were renters, a little more than a quarter were current homeowners, a sixth were homeless, and about a tenth were prepurchase clients. Thus, at the start of the 1990s, prepurchase counseling accounted for the smallest share of counseling clients. Interestingly, renters accounted for the largest share, even though most of HUD's support for counseling derived from concerns about low-income homebuyers (Herbert, Turnham, and Rodger 2008, 10–11).
- <sup>10</sup> "Housing counseling" is often used to capture the range of services offered by housing counseling agencies. There is an important distinction between sessions offered to groups in classes or workshops and sessions held with individuals. "Education" is generally used to refer to group sessions that are not tailored to an individual's circumstances, while "counseling" generally refers to one-on-one sessions that focus on an individual's circumstances and goals (Herbert, Turnham, and Rodger 2008, 7). HUD's requirements, standards, and performance measures are described in 24 C.F.R. 214. These regulations apply to all agencies participating in

HUD's Housing Counseling Program and to all organizations or entities that deliver housing counseling, including homeownership counseling or rental housing counseling, required under or provided in connection with HUD programs (24 C.F.R. 214.1).

- <sup>11</sup> "HUD Office of Housing Counseling, HUD Approved Housing Counseling Agencies," US Department of Housing and Urban Development, accessed December 13, 2020, <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.
- <sup>12</sup> "Section 9: Households Receiving One-on-One Counseling, by Purpose," US Department of Housing and Urban Development, accessed December 13, 2020, <https://www.hudexchange.info/programs/housing-counseling/9902/completing-the-9902/#section-9-households-receiving-one-on-one-counseling>.
- <sup>13</sup> "Flyers, Posters, and Fact Sheets," US Department of Housing and Urban Development, accessed December 13, 2020, <https://www.hudexchange.info/programs/housing-counseling/housing-counseling-works/#flyers-posters-and-fact-sheets>.
- <sup>14</sup> Janneke Ratcliffe, "Effective Financial Education: Five Principles and How to Use Them," Consumer Financial Protection Bureau, June 14, 2017, <https://www.consumerfinance.gov/about-us/blog/effective-financial-education-five-principles-and-how-use-them/>.
- <sup>15</sup> Rohan Martyres, "How a COVID-19 Financial Shield Can Protect the Health of Those on Low-Incomes," Guy's & St Thomas' Charity blog, August 20, 2020, <https://www.gsttcharity.org.uk/get-involved/news-and-opinion/views/how-covid-19-financial-shield-can-protect-health-those-low>.
- <sup>16</sup> August 29, 2020, interview with Rebecca Steele, president and chief executive officer of the National Foundation for Credit Counseling; and interview with Bruce Dorpalen, executive director of the National Housing Resource Center, and Ellie Pepper, relationships and innovations director of the National Housing Resource Center.
- <sup>17</sup> Interview with Hoskins and Barackman-Eder.
- <sup>18</sup> Interview with Hoskins and Barackman-Eder.
- <sup>19</sup> Jung Hyun Choi and Caitlin Young, "Owners and Renters of 6.2 Million Units in Small Buildings Are Particularly Vulnerable during the Pandemic," *Urban Wire* (blog), Urban Institute, August 10, 2020, <https://www.urban.org/urban-wire/owners-and-renters-62-million-units-small-buildings-are-particularly-vulnerable-during-pandemic>.
- <sup>20</sup> Interview with Hoskins and Barackman-Eder.
- <sup>21</sup> Funds were appropriated to HUD for the Housing Counseling Program and to Neighborhood Reinvestment Corporation (i.e., NeighborWorks America) for the National Foreclosure Mitigation Counseling Program.
- <sup>22</sup> Health and Economic Recovery Omnibus Emergency Solutions Act, H.R. 6800, 116th Cong. (2020).
- <sup>23</sup> After August 1, 2021, HUD will require every housing counselor to pass an examination that includes rental counseling topics.

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