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United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

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RANKING MEMBER

June 5, 2020

Memorandum

To: Members, Committee on Financial Services
From: FSC Majority Staff
Subject: June 10, 2020, Housing, Community Development, and Insurance Subcommittee hearing: "The Rent Is Still Due: America's Renters, COVID-19, and an Unprecedented Eviction Crisis"

On Wednesday, June 10, 2020 at 12:00 p.m. (EDT), the Subcommittee on Housing, Community Development, and Insurance will convene a virtual hearing entitled, "The Rent Is Still Due: America's Renters, COVID-19, and an Unprecedented Eviction Crisis," on the virtual meeting platform Cisco Webex. This will be a single panel with the following witnesses:

- **Cashauna Hill**, Executive Director, Louisiana Fair Housing Action Center
- **Mike Kingsella**, Executive Director, Up for Growth
- **Ann Oliva**, Visiting Senior Fellow, Center on Budget and Policy Priorities
- **Jenny Schuetz**, Fellow, The Brookings Institution

Impact of the COVID-19 Pandemic on Renters

There are approximately 44 million renter households in America, about a third of whom live in single-family home rentals, 4 percent in manufactured homes, and the remainder in multifamily housing.[1] Prior to the COVID-19 pandemic 47.5 percent of renter households in the U.S. were cost burdened, meaning they were paying over 30 percent of their income on rent,[2] and nearly 2 percent of renters (1.4 million adults and 810,000 children) were threatened with eviction over the course of just three months in 2017.[3] The Terner Center for Housing Innovation estimates that as a result of COVID-19, about 43 percent (or 7.1 million) of households likely impacted by the COVID-19 pandemic were already cost burdened.[4] While unemployment insurance (UI) may help renter households cover their rent, it is estimated that families receiving the minimum monthly UI benefit from their state plus the additional $600 provided by the federal government would still likely be cost burdened in all but six states and may still struggle to pay their rent.[5]

In fact, as the pandemic has progressed, more renters have been unable to pay their rent. According to a survey conducted by Apartment List, more than 30 percent of renters were unable to fully pay their rent at the beginning of May 2020 (an increase of 8 percent since April), with 22 percent of renters being unable to make any payment at all (an increase of 10 percent since April).[6] According to a U.S. Census Bureau survey conducted between May 14 to 20, 34 percent of renter participants

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[1] Joint Center for Housing Studies of Harvard University, "America's Rental Housing 2020," 2020.
[2] *Id.*
[3] *Id.*
[4] Terner Center for Housing Innovation, "Estimating COVID-19's Near-Term Impact on Renters," Apr. 24, 2020.
[5] *Id.*
[6] Apartment List, "In May, Even More Americans Missed Their Housing Payments," May 7, 2020.

responded that they had little to no confidence that they would be able to pay next month's rent on time.[7] Even among renters who have made their rent payments on time, there has been a concerning trend of increasingly relying on credit cards to do so. Zego, a digital rent payment platform, reported a 30 percent increase in tenants using credit cards to pay rent in April compared to the month prior.[8] While paying rent with a credit card may help renters avoid eviction in the short term, it could lead to them facing high interest rates and deeper debt that could impact their credit in the long term.[9] Many states and localities imposed eviction bans beyond the federal moratorium provided in the CARES Act, but as these bans have begun to expire, tenant advocates are reporting a sharp increase in the number of evictions being filed.[10]

Renters living in single-family rentals (SFR) owned or managed by private equity firms may be particularly vulnerable to evictions during the pandemic because, compared to other rental properties, private equity SFRs tend to be less regulated at the local level than multifamily rentals. For example, private equity SFRs are not subject to rental control laws in California, which allows firms to increase rents at their own discretion.[11] Following the 2008 financial downturn, private equity firms bought millions of single-family homes that had been foreclosed, converted them to rental properties and securitized the cash flows from these properties to create the first ever single-family rental-backed bonds.[12] Today, institutional investors, including private equity firms, own more than a quarter million single-family homes in the U.S., totaling $60 billion in equity.[13] Private equity firms are responsive to their investors' growth and return expectations, and some researchers have found that to maximize revenue for their investors such firms file evictions at the first sign of non- or partial-payment of rent[14] and at higher rates than other single-family properties.[15] In fact, private equity owners have filed hundreds of eviction cases during the pandemic, some of which appear to violate the CARES Act eviction moratorium.[16] Many private equity firms have also been found to inflate rents above market rate, shift property maintenance responsibilities onto tenants, and charge exorbitant, and sometimes illegal, fees.[17] In areas like California, private equity SFRs have also been found to be disproportionately located in communities of people of color.[18]

Going into the current crisis, households of color disproportionately rented their homes compared to White households,[19] experienced disproportionate rates of rent burden,[20] tended to have fewer savings,[21] and were more likely to work low-wage jobs,[22] all of which have made households of color more vulnerable to the financial shocks caused by the COVID-19 pandemic. Some of these pre-

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[7] U.S. Census Bureau, "New Household Pulse Survey Shows Concern Over Food Security, Loss of Income," May 20, 2020.
[8] Zego, "New Zego data finds credit card usage for rent payments up 30% in April," Apr. 8, 2020.
[9] The Real Deal, "More plastic in the pandemic: Credit-card rental payments up 30%," Apr. 15, 2020.
[10] E.g. *see* Wisconsin State Journal, "Eviction filings on rise with end of state moratorium amid COVID-19 Pandemic," May 29, 2020.
[11] Los Angeles Times, "As renters struggle to pay the bills, landlords and speculators cash in," Nov. 4, 2017.
[12] Aaron Glantz, "Homewreckers: How a Gang of Wall Street Kingpins, Hedge Fund Magnates, Crooked Banks, and Vulture Capitalists Suckered Millions Out of Their Homes and Demolished the American Dream," Oct. 15, 2019.
[13] New York Times, "A $60 Billion Housing Grab by Wall Street," Mar. 4, 2020.
[14] The Intercept, "You Think Your Landlord Is Bad? Try Renting From Wall Street," Jan. 20, 2018.
[15] Federal Reserve Bank of Atlanta, "Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Single Family Rentals," Dec. 2016.
[16] Private Equity Stakeholder Project, "Despite Pandemic and Eviction Moratoriums, Private Equity Landlords File Hundreds of Eviction Cases," Jun. 2, 2020.
[17] Federal Reserve Bank of Atlanta *supra* note 15.
[18] Meredith Abood, "Securitizing Suburbia: The Financialization of Single-Family Rental Housing and the Need To Redefine "Risk"," June 2017.
[19] Joint Center for Housing Studies of Harvard University *supra* note 1.
[20] National Low Income Housing Coalition, "Racial Disparities Among Extremely Low-Income Renters," Apr. 15, 2019.
[21] Prosperity Now, "The Unequal Impact of the COVID-19 Crisis on Households' Financial Stability," Apr. 2020.
[22] *Id*.

existing inequalities were significantly exacerbated by the 2008 crisis when Black and Latinx homeowners were disproportionately hit by foreclosures after they had been discriminatorily targeted for unaffordable, subprime mortgages.[23] Black and Latinx homeowners were collectively estimated to have lost $1 trillion in wealth due to the 2008 crisis.[24] Many, especially Black households, were unable to recuperate pre-2008 homeownership gains and were pushed into the rental market.[25] According to the Terner Center, Black and Latinx renters are overrepresented among the renter population that are expected to be financially impacted by COVID-19, making up 28 percent and 18 percent respectively, even though they only comprise 18 percent and 12 percent of the U.S. population, respectively.[26] According to U.S. Census data from May 2020, Latinx and Black households have been unable to pay their rent at higher rates than white households.[27]

Impact of Decreased Rent Payments

As renters struggle to make their rent payments on time, rental property owners may struggle to cope with losses in rental revenue. There are an estimated 10 to 11 million individual investor landlords managing an average of two units each.[28] Collectively, these "mom and pop" landlords own nearly half of all rental units (22.7 million units).[29] In contrast, it is estimated that fewer than 1 million business entity landlords own a little over half of the rental units in the U.S.(25.8 million units). Smaller landlords are more likely to have renters who are unable to pay the rent due to the pandemic. The Harvard Joint Center for Housing Studies (JCHS) estimated that renter households living in single-family homes and smaller multifamily are more likely to be impacted by the economic downturn caused by COVID-19. According to JCHS, over half of renters with at-risk wages live in single-family and small multifamily rentals.[30] In addition to losses in rental revenue, due to the COVID-19 pandemic, some housing properties have seen their monthly operational costs increase as much as $400,000 per month due to things like increasing cleaning to keep staff and residents safe.[31] This could ultimately result in harmful impacts on residents as landlords may struggle to afford to afford maintenance and other services that ensure that properties are safe and habitable for residents.

Decreased rent payments can also have a broader economic impact on America's communities. Rental income is used by landlords to cover their property taxes that fund essential public services, including health and emergency services that have become even more important during the pandemic.[32] Rental properties generate $58 billion in local property taxes each year.[33] Because of the COVID-19 pandemic, states and cities are already struggling to fund these services and have warned of mass layoffs of public-sector workers, including first responders.[34] Rental income also covers a landlord's operating

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[23] Rugh and Massey, "Racial Segregation and the American Foreclosure Crisis," Oct. 1, 2010.
[24] Center for Responsible Lending, "Collateral Damage: The Spillover Costs of Foreclosures," Oct. 24, 2012.
[25] Joint Center for Housing Studies of Harvard University *supra* note 1.
[26] Terner Center for Housing Innovation *supra* note 4.
[27] U.S. Census, "Household Pulse Survey Data Tables," accessed May 29, 2020.
[28] HUD Policy Development and Research, "Landlords," accessed May 17, 2020.
[29] *Id*.
[30]Joint Center for Housing Studies of Harvard University, "COVID-19 Rent Shortfalls in Small Buildings," May 26,2020.
[31] This figure is from Enterprise Community Partners operational cost testimonials from Plymouth Housing based in Seattle Washington. Plymouth Housing has 14 buildings and 1000 apartments for permanent supportive housing. Their 24-hour staff includes social workers and nurses. Operating costs associated with the pandemic have been roughly $400,000 a month.
[32] Washington Post, "The long-term impact of unpaid rent," May 11, 2020.
[33] We Are Apartments, "National Apartment Data," accessed on May 29, 2020.
[34] Washington Post, "Mass layoffs begin in cities and states amid coronavirus fallout, threatening education, sanitation, health and safety," Apr. 29, 2020.

and maintenance expenses, including pay for their employees and contractors. The apartment industry supports more than 680,000 jobs each year to operate and maintain properties across the U.S.[35]

Congressional Response to Date

In order to provide relief for renters, the CARES Act included an eviction moratorium and prohibition on late fees for nonpayment of rent or other charges until July 25, 2020 for renters living in "covered dwellings."[36] The eviction moratorium and prohibition on fees under the CARES Act is limited to properties that are federally subsidized or have a federally-backed mortgage. Despite the moratorium, some landlords have filed for evictions on tenants protected by the moratorium.[37] However, the eviction moratorium does not relieve tenants from having to pay any unpaid rent amounts during the moratorium, which a landlord may demand as a lump sum after the eviction moratorium expires.

In order to provide relief for housing providers, the CARES Act included multifamily mortgage forbearance for up to 90 days for federally backed mortgages. Single family rental property owners have access to the same mortgage relief under the CARES Act as other single family homeowners. However, the multifamily and single family mortgage relief provided is limited to federally backed loans, to the exclusion of approximately half of the multifamily mortgage market and approximately 30 percent of the single family mortgage market. Further, mortgage relief does not assist landlords who do not have mortgages associated with their rental homes at all, who are disproportionately mom and pop investors.

Additionally, the CARES Act included funding to ensure that HUD could make up for losses in assisted resident contributions for rent so that affected public housing agencies and landlords continue to receive the full rent amount plus additional funds to respond to the COVID-19 pandemic and keep their residents safe. However, the CARES Act did not include similar funding to make up for reductions in resident rent contributions from USDA-assisted residents.

Proposed Legislation

- **H.R. 6820, the Emergency Rental Assistance and Rental Market Stabilization Act of 2020 (Heck/Waters),** would provide $100 billion for an emergency rental assistance program through which funding would be allocated to states, territories, counties, and cities to help renters pay rent and utility bills and help rental property owners of all sizes continue to cover their costs.
- **H.R. 6741, the COVID-19 Mortgage Relief Act (Clay),** would provide additional forbearance protections for multifamily and single-family rental property owners. It would also ensure that mortgage servicers will have access to a Federal Reserve facility authorized in Section 4003 of the CARES Act to help them continue to advance payments during forbearance periods.
- **H.R. 6736, the Protect Rural Renters Act of 2020 (Axne),** would authorize $700 million for USDA's rental assistance programs.
- **H.R. 6859, the Public Housing and Section 8 Operational Response Act for COVID-19 (Velazquez),** would authorize $5 billion for the public housing operating fund and $3.5 billion for the Housing Choice Voucher program.
- **H.R. 6873, the Emergency Housing Assistance for Older Adults Act of 2020 (Porter),** would authorize $1.2 billion for Section 202 Supportive Housing for the Elderly program.
- **H.R. 7084, the Emergency Housing Voucher Act of 2020 (Waters),** would authorize $10 billion for new incremental vouchers targeted to people experiencing or at risk of homelessness and survivors of domestic violence – populations that have been significantly impacted by the COVID-19 pandemic.

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[35] We Are Apartments *supra* note 33.

[36] A covered dwelling can generally be defined as a rental unit in a property receiving federal subsidies or has a federally backed mortgage.

[37] ProPublica, "Despite Federal Ban, Landlords Are Still Moving to Evict People During the Pandemic," Apr. 16, 2020.

- **H.R. 6760, the Fair Housing Further Enforcement Emergency Act of 2020 (Green),** would authorize $297.5 million to ensure robust fair housing enforcement.
- **H.R. 6704, the Coronavirus Housing Counseling Improvement Act of 2020 (Axne),** would authorize $700 million in funding for NeighborWorks to support housing counseling services that help homeowners, renters, and people experiencing or at risk of homelessness navigate their housing options and rights.
- **H.R. 6806, the COVID-19 Emergency Housing Relief Act of 2020 (Cleaver),** would suspend work and community service requirements, time limits, and minimum rents for public housing residents and allow families receiving a Housing Choice Voucher more time to locate an apartment to rent.
- **H.R. 6899, the Know Your Housing Rights Act of 2020 (Dean),** would require HUD, USDA, and Fannie Mae and Freddie Mac, under the direction of FHFA, to establish and disseminate notice to renters to inform them of their rights, obligations, and relief provided by regulatory and legislative action related to COVID-19.
- **H.R. 6423 (Lawson)** would require creditors to offer affordable repayment and forbearance plans for unpaid utilities or rent after the moratorium.
- **H.R. ____, the Supporting HOMES During Health Emergency Act of 2020 (Clay),** would authorize $9 billion for the HOME Investment Partnerships Program to address the increased operational costs incurred by affordable rental housing owners to ensure the health and safety of residents and to ensure that ongoing construction of affordable rental housing is not halted.
- **H.R. 6800, the Heroes Act (Lowey)** included versions of several of the above bills listed above as well as other provisions related to rental housing, including:
    - Supplemental funding for Project-Based Section 8 Rental Assistance, Section 811 Supportive Housing for People with Disabilities Program, and the Housing Opportunities for People Living with AIDS program (section 110207).
    - A provision expanding the eviction moratorium to cover all renters and extending the length of the moratorium for an additional six months (section 110203).
    - A provision to require a Federal Reserve lending facility for rental property owners to help them deal with reduced rent revenue (section 110204).