White Paper

FEDERAL RESERVE BANK *of* NEW YORK

CURRENT RESPONSES TO HOUSING INSECURITY:

A Focus on Vulnerable Residential Renters and Landlords

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Current Responses to Housing Insecurity

The COVID-19 pandemic exacerbated the nation's existing affordable housing crisis, accelerating racial disparities and placing almost two million struggling households into deep rental debt.[1] Without eviction protections, families and individuals already vulnerable to the lingering economic effects of the pandemic may now face homelessness and long-term residential instability.[2]

On July 31, 2021, the federal eviction moratorium that kept an estimated 30 million people in their homes at the height of the pandemic officially expired.[3] While the Centers for Disease Control and Prevention (CDC) issued a subsequent order on August 3, 2021 to temporarily halt evictions in counties where COVID-19 is spreading rapidly, the U.S. Supreme Court ruled later that month that the CDC exceeded its statutory authority by imposing the nationwide eviction moratorium, effectively ending it.[4] The ruling means that eviction proceedings can resume where state or local moratoriums are not currently in place.

To meet needs, Congress appropriated $46.6 billion in emergency rental assistance to help households pay rent and utility costs, including past-due rent and certain fees.[5] Across the country, states and localities have established programs to distribute these funds. But the rate at which funds are being distributed lags far behind the estimated need in most places, and reporting fails to distinguish between funds simply approved and funds paid to households. Housing experts largely attribute the lag to delays in federal support for rent relief, and the massive level of administrative infrastructure needed to develop and deploy these programs. Additionally,

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This White Paper reflects a series of meetings hosted by the Federal Reserve Bank of New York's Community Development Unit, in collaboration with other organizations, on housing insecurity and the looming evictions crisis.[6] It is designed to facilitate discussion to help remedy these critical issues. The observations and views in this White Paper reflect what was heard from participants in the roundtable meetings and do not reflect the views of the Federal Reserve Bank of New York or the Federal Reserve

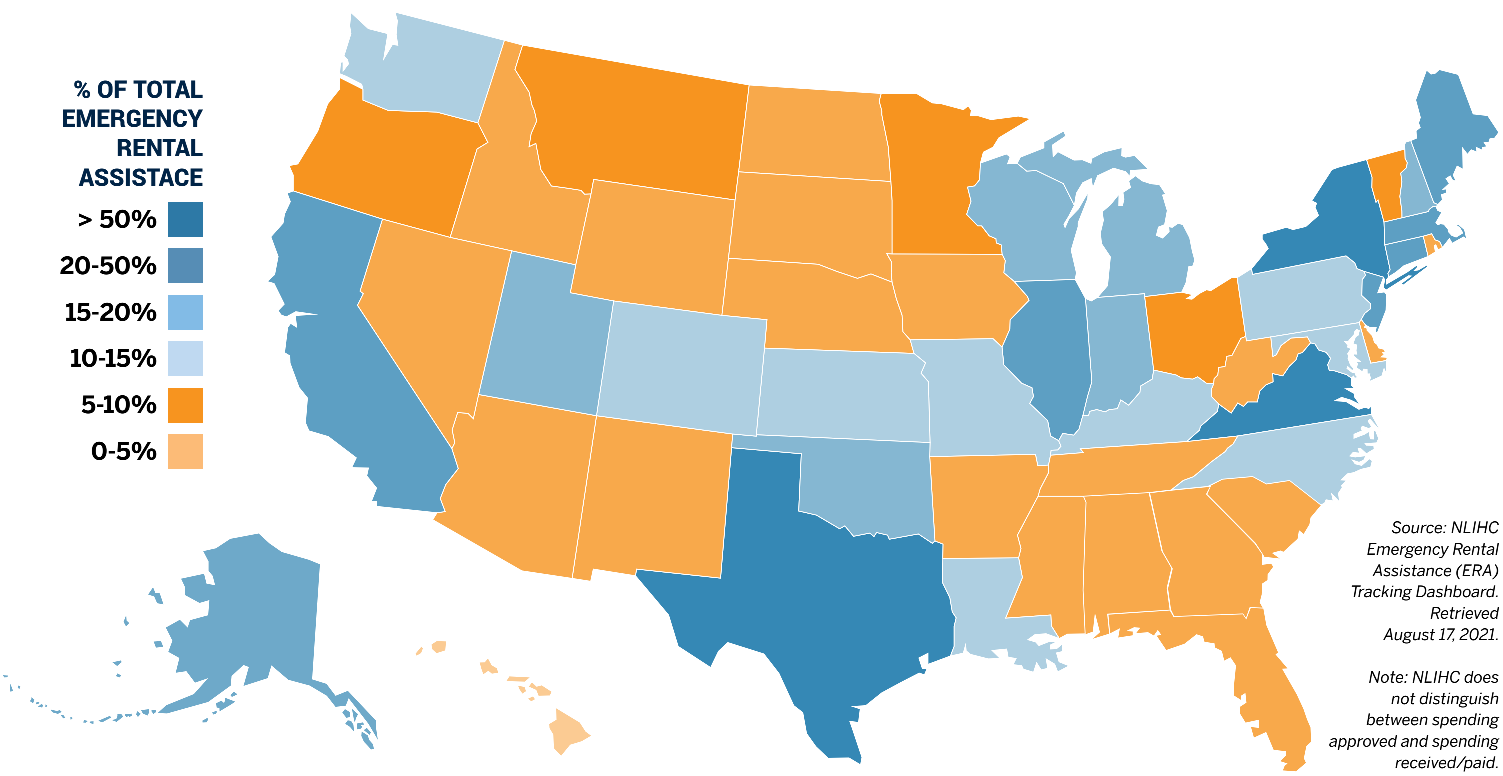
[1] https://www.philadelphiafed.org/community-development/housing-and-neighborhoods/household-rental-debt-during-covid-19-update-for-august-2021
[2] https://www.law.nyu.edu/sites/default/files/upload_documents/evictions_collinson_reed.pdf
[3] https://www.vox.com/2021/8/1/22604762/federal-eviction-protections-moratorium-ended-rental-relief-funds
[4] https://www.cdc.gov/coronavirus/2019-ncov/covid-eviction-declaration.html; https://www.supremecourt.gov/opinions/20pdf/21a23_ap6c.pdf
[5] https://www.supremecourt.gov/opinions/20pdf/21a23_ap6c.pdf
[6] We thank the following individuals for their helpful insights and participation in these discussions: Claudia Aiken, Peggy Bailey, Vicki Been, Tiffany Butcher, Mark Castle, Eileen Divringi, Karen Dynan, Anne Fadullon, Jimmy Gastner, Christopher Golden, Sandra Haviland, Elizabeth Kneebone, Lauren Lowery, Claudia Monterrosa, Matthew Murphy, Rasheedah Phillips, Elora Raymond, Davin Reed, Shamus Roller, Charles Rutheiser, Sarah Saadian, Patricia Sampson, Jessica Schwartz, Denise Scott, Callahan Seltzer, and Barika Williams. We also thank our New York Fed colleagues: Jessica Battisto, Marisa Casellas-Barnes, Tony Davis, David Erickson, Jack Gutt, Otho Kerr, Claire Kramer Mills, Michael Nelson, Javier Silva, Ellen Simon, and Angela Sun.

some jurisdictions designed programs that require documentation exceeding federal requirements, which ultimately limits who receives the assistance.[7] The National Low Income Housing Coalition's (NLIHC) compilation of the latest figures on rental debt distribution shows that very few states have approved or distributed greater than a third of their federal emergency rental assistance. The most successful states as of August 2021 were Virginia (57.2%) and Texas (53.4%).[8]

Although certain state and local governments extended their eviction moratoriums, housing experts still expect a wave of evictions this year, prompting an immediate need to alleviate the pressures on renters and landlords. In response, the Federal Reserve Bank of New York (New York Fed), in partnership with the Federal Reserve Bank of Philadelphia (Philadelphia Fed), the Local Initiatives Support Corporation (LISC), and the Housing Initiative at Penn (HIP), convened a roundtable of housing practitioners, policymakers, and funders to identify solutions. This roundtable discussion is part of the New York Fed's broader body of work seeking to enable economic mobility for low- and moderate-income households, especially those facing poverty or structural disparities related to race or ethnicity. Below are key takeaways that we heard from experts on the experiences of renters and landlords.

GRAPH 1
The Rollout of Emergency Rental Assistance is Unequal

Share of Rent-Relief Spending Approved or Received



Source: NLIHC Emergency Rental Assistance (ERA) Tracking Dashboard. Retrieved August 17, 2021.

Note: NLIHC does not distinguish between spending approved and spending received/paid.

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[7] https://www.housinginitiative.org/uploads/1/3/2/9/132946414/final_spring_2021_era_survey.pdf
[8] https://www.cnbc.com/2021/08/11/this-map-shows-how-much-rental-assistance-states-have-distributed.html

Spotlight on the Second District

While tenants and landlords await aid disbursement, eviction and displacement risk remains a top concern in the Second District – encompassing New York, the 12 northern counties of New Jersey, Fairfield County in Connecticut, Puerto Rico, and the U.S. Virgin Islands. Although select Census data on renters is not available for Puerto Rico and the U.S. Virgin Islands, data for New York, New Jersey, and Connecticut shows that in each of these states, more than one in ten renters were behind on rent as of July 2021.

Perhaps nowhere is the need greater than in New York. Before the pandemic, 46.3% of the homes in New York were renter-occupied – a higher percentage than any other state, according to New York University's Furman Center. As of July 2021, over 800 million adults in the state, or nearly one in four, reported being behind on rent. The rollout of emergency rental assistance in the state has changed rapidly within the span of a few short months. Despite having set aside over $2.7 billion in rent relief, New York was one of two states where no aid had been sent out by the end of June 2021. After ramping up efforts, the state committed to dispersing nearly $600 million in August 2021. As of August 2021, the National Low Income Housing Coalition reports that New York has approved or paid 53.3% of its rental aid, putting it behind Virginia (57.2%) and Texas (53.4%) as the third most successful state. However, what remains unclear is exactly how much aid has been put directly into the pockets of New York renters.

Seven New York counties opted to administer their own local rental assistance programs, which potentially allows for more efficient aid disbursement to tenants and landlords. Residents of the cities of Rochester and Yonkers; Monroe and Onondaga counties; and the towns of Hempstead, Islip, and Oyster Bay must apply with their local programs for emergency rental assistance and are ineligible for assistance from the state-administered Emergency Rental Assistance Program.

TABLE 1
Second District Renters Remain Behind on Rent and Fear Displacement

State	% of Adults Behind on Rent	Adults Behind on Rent	Individuals in Households Behind on Rent	% of Renters Behind on Rent and Fear Likely Displacement within Two Months	Adults Behind and Fear Likely Displacement within Two Months	Individuals in Households Behind and Fear Displacement within Two Months
New York	22%	862,337	1,819,519	4%	170,654	360,078
New Jersey	17%	232,366	486,914	9%	120,693	252,908
Conneticut	18%	84,891	205,235	6%	26,717	64,592

Source: U.S. Census Bureau Household Pulse Survey Week 33; data collected from June 23 through July 5, 2021. This survey does not include data for Puerto Rico and the U.S. Virgin Islands.

Renters Cut Back on Essential Goods to Remain in Their Homes

Households are making significant tradeoffs to pay rent and remain in their homes, with severe implications that rental aid alone cannot address. Housing is the single largest expenditure for most households and is often one of the most significant factors in determining financial well-being. Prior to the pandemic, one in four renters spent more than half their monthly income on housing.[9] Now, with nearly 7 million fewer jobs than pre-pandemic, lost income and job opportunities compound the difficult decisions families are making to pay for basic needs, pay down debts, and meet emergency expenses.[10]

National data shows that while homeowners have experienced slight improvements in housing cost burdens, renters have shown no sign of improvement over the past ten years.[11] One national study of county-level data finds that severe housing cost burden, defined as spending more than 50% of income on rent, adversely affects health and is linked to barriers to living long and well. Across counties in the study, increases in the share of households severely cost burdened are associated with more food insecurity, more child poverty, and more people in poor or fair health.[12]

Notably, a recent survey by HIP finds that renter households in California cut back on essential goods – such as food (55.5%), transportation (50.0%), and medical care (34.6%) – to remain housed during the pandemic.[13] These renters are reducing costs to make life more affordable and to have enough resources to pay rent. In doing so, they are often still unable to pay their rent in full.

TABLE 2
Renters Cut Back on Essential Goods to Stay Housed

Adjustment	Percent of Survey Participants
Delayed bill payment	77.8%
Cut back on clothing purchases	68.6%
Took on more debt (i.e. credit cards, borrowing money, etc.)	57.6%
Reduced total food consumption	55.5%
Cut back on transportation costs	50.0%
Cut back on utilities (i.e. electricity, water, garbage, etc.)	43.0%
Went without medicine or seeing a doctor	34.6%
Cut back on educational expenses	23.1%

Source: Housing Initiative at Penn (HIP) survey of 16,100 applicants to the California COVID-19 Rental Relief Program; Data collected in July 2021. [14]

[9] https://www.jchs.harvard.edu/americas-rental-housing-2020
[10] https://www.bls.gov/news.release/empsit.nr0.htm
[11] https://www.jchs.harvard.edu/state-nations-housing-2019
[12] https://www.countyhealthrankings.org/reports/2019-county-health-rankings-key-findings-report
[13] https://www.housinginitiative.org/uploads/1/3/2/9/132946414/hip_carr_7.9_final.pdf
[14] https://www.housinginitiative.org/uploads/1/3/2/9/132946414/hip_carr_7.9_final.pdf

Renters Take on Debt to Remain in Their Homes

Rent debt continues to be a significant issue for renter households. The Philadelphia Fed estimates that almost 2 million households, or 6% of all renter households, will owe an average of $8,500 in back rent and utilities by October 2021.[15] Although, nationally, the share of renters with debt is trending downward – partially explained by the rollout of emergency rental aid and other federal and state stimuli – those who tend to be behind on rent are overwhelmingly low-income households, households that have experienced job and income loss, and households of color. Another study by the Philadelphia Fed finds that before the pandemic, Hispanic and Black households were disproportionately housing insecure and more likely than other households to have previously held rental debt.[16]

Renters impacted by the COVID-19 pandemic have had to make difficult financial decisions, sometimes relying on informal debt to pay for expenses. For instance, HIP's renter survey in California found that, on average, tenants accrued nearly $3,050 in debt to pay rent, adding to their existing rent debt owed to landlords. This "shadow debt" includes credit card debt, payday or title loans, and money borrowed from friends and family members.[17] Shadow debt accrued to pay rent is not reimbursable through rent relief programs, highlighting an important gap that was revealed through data collected in HIP's renter survey.

Renters are Virtually Invisible in Data

Housing experts cite substantial knowledge gaps on tenants, especially those at risk of eviction. Comprehensive data on renter households is limited, forcing policymakers and housing advocates to rely on estimates. The Philadelphia Fed projects that over 6 million households will owe over $16 billion in rent by October 2021.[18] The Aspen Institute Financial Security Program and the Eviction Defense Project estimate that more than 15 million people are at risk of being evicted from their homes with the expiration of the federal moratorium.[19] To quickly and effectively respond, policymakers need more granular data to understand renters, including unit-level data, payment trends, vulnerabilities and tradeoffs faced by households, and overall financial hardships.

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[15] https://www.philadelphiafed.org/community-development/housing-and-neighborhoods/household-rental-debt-during-covid-19-update-for-august-2021
[16] https://www.philadelphiafed.org/community-development/housing-and-neighborhoods/renters-experiences-during-covid-19
[17] https://www.housinginitiative.org/uploads/1/3/2/9/132946414/hip_carr_7.9_final.pdf
[18] https://www.philadelphiafed.org/-/media/frbp/assets/community-development/briefs/updatedhouseholdrentdebt-final.pdf
[19] https://www.aspeninstitute.org/publications/with-federal-moratorium-expiring-15-million-people-at-risk-of-eviction/

One expert noted, "We know very little, especially compared to mortgage payments – just basically how people pay [rent]."

Much Remains Unknown About Property Owners

There is also little comprehensive data about property owners, or landlords. For some time, housing experts have discussed the idea that "mom and pop" owners – those with a single property, a few rental units, or a rental unit in their own home – are some of the largest owners of the lower cost housing stock, nationally. Many of these owners and units fall outside existing surveys, databases, and registries. Most national surveys of property owners rely on trade organizations to contact owners, and many small landlords are not a part of those groups. Further, many local rental registries are incomplete. We can expect that those who own the fewest units are the least likely to know about these registries, and are likely to have the highest cost associated with registering relative to their rental income (i.e. the cost of a registration fee and/or the cost of increased compliance and regulation).

Innovative State and Local Models Assist Renters and Landlords

In the face of the challenges posed both by the pandemic and the longstanding gaps in affordable housing, state and local policymakers, service providers, and tenant organizations are developing solutions for renters. Well-designed, efficient rental assistance can be a lifeline for landlords and their tenants. When these programs are successful, tenants can stay in their apartments, landlords can pay their bills, and court systems can reduce a growing backlog of eviction cases. Experts emphasized the importance of addressing chronic housing insecurity with short-term relief programs and long-term solutions, while improving data collection along the way.

Housing experts noted a patchwork of protections, programs, and practices created for tenants and landlords across the country:

RENT RELIEF

The State of **California** launched one of the first rent relief programs using Emergency Rental Assistance funds in March 2021.[20] While initially the program faced challenges expending relief dollars, the State of California made significant improvements through programmatic adjustments that increased the generosity of the benefit and decreased the application burden,

[20] https://housing.ca.gov/covid_rr/

coupled with increased resources for administering the program. As noted in the roundtable conversations, as well as existing research, such reflective "course correction" in program design and implementation is critical for jurisdictions aiming to expend their funds.[21] As of August 31, 2021, over $425 million, or over one-third of the state's rent relief funds, had been paid out to tenants and landlords.[22]

EVICTION DIVERSION

The State of **New York** extended its eviction moratorium for COVID-related residential and commercial evictions until January 15, 2022. New York's eviction protections for renters impacted by the pandemic are now one of the most expansive in the nation.[23] Although the state, like many others, has struggled to disburse billions of dollars in rent relief, the extended eviction protections will potentially keep hundreds of thousands of struggling residents in their homes while they await emergency rental assistance. As of August 31, 2021, New York has obligated or distributed more than $1.2 billion in funding, including more than $300 million in direct payments to more than 23,000 landlords.[24]

The City of **Philadelphia** rolled out a robust Eviction Diversion Program, which involves mediation between landlords and tenants before an eviction can proceed.[25] Eviction diversion programs not only keep parties out of costly court hearings, they also encourage reluctant or unaware tenants and landlords to access rent relief. A roundtable participant commented that the availability of rental assistance funds allowed for the City of Philadelphia to work in partnership with local court systems to address issues around nonpayment and avert evictions. As of July 2021, 91.2% of households that completed Philadelphia's mediation program avoided an eviction proceeding.[26]

DATA AND PARTNERSHIPS

The Federal Reserve Bank of **Atlanta** partnered with the Atlanta Regional Commission and the Georgia Institute of Technology to build the Atlanta Regional Eviction Tracker by capturing court data in a five-county region.[27] The tool has allowed practitioners to locate hot spots where eviction filings are happening – typically in neighborhoods with higher rates of poverty, lower incomes, and majority people of color. The tool has also been used by local initiatives, such as

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[21] https://nlihc.org/sites/default/files/ERA-Programs-Case-Study.pdf
[22] https://nlihc.org/resource/new-treasury-data-show-june-uptick-era-spending-eviction-moratorium-expiration-looms
[23] https://www.npr.org/2021/09/02/1033634413/new-york-extends-its-eviction-moratorium-through-end-of-2021
[24] https://www.governor.ny.gov/news/governor-hochul-signs-new-moratorium-covid-related-residential-and-commercial-evictions-law
[25] https://eviction-diversion.phila.gov/#/
[26] https://www.phillyvoice.com/evictions-moratorium-philadelphia-rental-assistance-extension-aug-31-pa-supreme-court/
[27] https://metroatlhousing.org/atlanta-region-eviction-tracker/

the Save Our Atlanta Residents project, which aims to build an equity fund for eviction prevention and rental assistance.[28]

Other participants in the roundtable shared their strategy of employing Freedom of Information Act (FOIA) requests to collect data from local courts. One roundtable attendee reported that they are actively working with "mission-driven" property owners and landlords – those who are motivated to share information on tenant payment history – to understand tenants' underlying issues and gather insights not captured in data. Such efforts highlight the need for comprehensive national data on rent payments and eviction.

On a national level, the Consumer Financial Protection Bureau recently released an online tool to help renters and landlords impacted by the pandemic easily find and apply for payment assistance for rent, utilities, and other expenses.[29]

Experts Share Solutions to Mitigate Housing Insecurity

In December 2020, the New York Fed hosted a similar roundtable and shared key takeaways in a white paper, The COVID-19 Eviction Cliff: Key Issues and Insights to Help Mitigate a Crisis. Research from both the New York Fed and the Philadelphia Fed indicates that an extended federal eviction moratorium offered relief for households, allowing for the reallocation of household resources to necessities like groceries, and resulting in reduced evictions, food insecurity, and mental stress.[30] However, the federal evictions moratorium is not a long-term solution to the challenges facing tenants and landlords. Finding solutions to these challenges, which threaten neighborhood safety and stability, is critical to avoid intensifying existing racial, gender, and economic disparities. Below are select short-term and long-term solutions highlighted by housing experts for states seeking to mitigate housing insecurity:

Expand flexibility on qualifications for assistance. As more restrictions are built into fiscal-support programs, it becomes harder for some residents to access them. This is especially true for those who are unable to document income and those who have informal leasing agreements. Interested stakeholders should understand the full effect of program restrictions and the potential impact of barriers when designing relief programs.

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[28] https://saportareport.com/new-initiative-aims-to-prevent-tens-of-thousands-of-metro-atlanta-evictions/sections/reports/seankeenan/
[29] https://www.consumerfinance.gov/about-us/newsroom/cfpb-releases-online-tool-to-help-renters-and-landlords-access-federal-assistance/
[30] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3801217

Design program websites that meet renters where they are. The rollout of rent relief programs highlighted how technological systems should be designed with the end-user in mind. Websites to access assistance should be available in relevant languages, mobile-friendly, and must withstand heavy traffic. Renters and landlords reported consistent website glitches, slow-loading pages, and confusing error messages. If a user does not have broadband or high-speed internet access at home, state and local administrators might establish a phone line, as is standard with other federal programs.

Allow for eviction notices to be solved in mediation or arbitration. Experts note that mediation effectively allows renters and landlords to communicate with one another, also resulting in greater entry into rent relief programs. An effective eviction diversion program combines three elements: advocacy (someone to advocate on the tenant's behalf, ideally a legal aid lawyer); assistance (wraparound services that resolve the dispute, like rental assistance); and an alternative to court (mediation or out-of-court settlement hearings). [31]

Fill gaps with philanthropic dollars. Given the magnitude of this crisis, many believe that the bulk of fiscal support should come from the government. However, the challenges in distribution and the hurdles for some vulnerable populations to qualify for support prompts a need for philanthropic dollars to fill the gaps. Specifically, nonprofit and community-based social service providers might distribute money provided by a philanthropic entity.

Leverage health care systems. Health care systems can be strong partners in preventing evictions. They could proactively screen for patients' social determinants of health and invest in housing as an upstream intervention. They could become advocates for local, state, and federal health-promoting policies, including those that address eviction as a public health crisis. They could establish and support robust resources for at-risk individuals, such as in-house medical-legal partnerships, to help families meet their housing and social needs. Finally, health care systems and providers might proactively seek multi-sectoral collaborations with non-traditional partners, such as the New York Fed, Chambers of Commerce, community-based organizations, and affordable housing experts.

Implement a reverse waterfall of multiple programs and players. The most effective way to cover all those in need of rental assistance is to layer programs – a reverse waterfall – starting with programs that have broad coverage and mechanisms for determining need (e.g. income support for those unemployed). Then, backing up these programs with rental assistance for

[31] https://thehill.com/opinion/finance/565690-with-federal-moratorium-expiring-states-and-localities-must-step-up

those not covered, based on ability to demonstrate hardship and to meet eligibility criteria for government assistance. Following would be further backing from government emergency grants, and finally, backing by philanthropic programs for those not helped by the previous programs and players.

With the end of the national eviction moratorium, the New York Fed aims to understand the seeds of housing insecurity and the looming eviction crisis. The nation's poorest renters, who have long spent a disproportionate share of their income on rent, have been further stressed by the COVID-19 pandemic. We hope the solutions posed here will be useful to housing practitioners and policymakers in addressing this critical situation.

About the New York Fed's Community Development Unit

The New York Fed's Community Development Unit works with community leaders to understand community needs and with capital providers to foster economic opportunities. We are searching for ideas that can tear down barriers to economic mobility for low- and moderate-income people; our focus is on the economic drivers of health, household financial well-being, and climate-related risks. Our goal is to elevate those ideas and connect them with funding.