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INSIGHT

Federal Housing Policy Responses to COVID-19

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The COVID-19 global pandemic and resulting economic recession presents many housing challenges, ranging from public health concerns about large populations of unsheltered homeless individuals to the impact of rising unemployment on housing stability. Housing in the United States is primarily a private market function regulated at the state and local level, and states and local governments have implemented a variety of housing policy responses to the pandemic. However, there has been demand for federal action to supplement and support those efforts. In response, the federal government increased its funding for housing programs and made policy changes to protect renters and homeowners and support other housing market participants. In addition to housing-specific interventions, policies such as one-time relief payments to individuals, federal increases to Unemployment Insurance (UI), and some fiscal relief to states and localities may be used directly or indirectly for housing needs.

Despite these actions, significant housing challenges remain. For example, according to Census data, during the last full week of May 18% of renters and 12% of owners reported having not made the current month's housing payment, with larger shares (33% and 16%) expecting not to pay the following month. Thus, there have been calls for further federal action to address outstanding housing challenges related to homelessness, the stability of renters and owners, the economic health of landlords and lenders, and the overall health of housing markets. Numerous bills have been introduced to provide additional resources or make other housing policy changes, including the Heroes Act, which recently passed the House. Heroes Act housing provisions are included in a separate bill, the Emergency Housing Protections and Relief Act of 2020 (H.R. 7301).

Increased Funding for Housing Programs

The CARES Act appropriated an additional $12.4 billion for HUD housing programs in FY2020. Some funds are to maintain existing rental assistance—including through the public housing, Housing Choice Voucher, and project-based Section 8 programs—as tenant income decreases lead to program cost increases. Other funds—such as for Emergency Solutions Grants (ESG) and Community Development Block Grants (CDBG)—are additional resources to address conditions created by the pandemic. ESG funds are meant to help communities address homelessness through shelter and rental assistance during

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the pandemic, while CDBG funds can be used for a variety of purposes to help communities address and recover from the effects of COVID-19.

Interventions in the Rental and Mortgage Markets

The CARES Act provides a 120-day moratorium on eviction filings and other protections for tenants in rental properties with federal assistance or federally related financing. These are designed to alleviate the economic and public health consequences of tenant displacement during the pandemic. They supplement temporary eviction moratoria and rent freezes implemented in states and cities by governors and local officials using emergency powers.

The CARES Act requires servicers to grant forbearance requests for affected borrowers with federally backed mortgages (up to 360 days for single-family mortgages and up to 90 days for multifamily mortgages). It also temporarily suspended foreclosures on federally backed single-family mortgages; federal agencies that back mortgages have since extended this moratorium.

In addition to the CARES Act, federal agencies and government-sponsored enterprises (GSEs) have taken various steps to assist borrowers, support continued mortgage lending, and assist mortgage servicers. (While the federal agencies and GSEs would ultimately bear most losses on mortgages they back, servicers largely bear the initial costs of mortgage forbearance or missed payments.) The Federal Reserve has also agreed to purchase mortgage-backed securities to help provide liquidity and stability in the mortgage market.

What Happens Next?

As the pandemic has gone on, there have been calls for additional federal policy interventions. Some calls have been for additional assistance to renters and homeowners so they do not fall behind in their payments and risk eviction or foreclosure, and possibly homelessness, when current moratoria or forbearance periods end. Such assistance could take various forms, including direct aid for renters and homeowners, expanded and extended UI, extended foreclosure or eviction moratoria, or additional relief payments to individuals or states. Further, some states and communities are thinking about the long-term outlook for people who were experiencing homelessness when the pandemic began, and if they will return to homelessness when federal, state, and local resources are no longer available.

Concerns have also been raised about the effects of missed rental payments on the financial health of landlords. Tenants who work in industries at risk of job loss may be more likely to rent units in single-family homes or small multifamily properties, and many of the smaller landlords of these properties may struggle to withstand months without rental income. Owners of rental properties were eligible for Small Business Administration Economic Injury Disaster Loans as authorized under the CARES Act.

In response to these concerns and others, the House-passed Heroes Act includes, among other provisions,

- $100 billion for an emergency rent relief fund;
- $75 billion for a homeowner relief fund;
- a second $1,200 relief payment for most households;
- a continuation of the current UI expansion;
- a replacement of the CARES Act eviction moratorium with a year-long moratorium applicable to all renters;
- changes to the CARES Act mortgage forbearance and foreclosure moratorium provisions, including expanding coverage to most mortgage loans;
- $1 billion for rental vouchers for homeless families;

- additional funding to maintain HUD rental assistance, as well as funding for rural rental assistance (which did not receive CARES Act funding); and
- access to loans or other financing for landlords and servicers.

The longer-term implications of COVID-19 on housing markets remain unclear. The pandemic's effects have implications for both housing supply and demand. The severity of those impacts, and how long they last, will depend on a variety of factors, including the duration of the public health threat and the timing and pattern of economic recovery. Impacts may also depend on local housing markets, geographic variation in prevalence of COVID-19 and local responses, and differences in housing stability and the health and economic consequences of the pandemic across demographic groups.

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