CONSUMER FINANCIAL PROTECTION BUREAU | MARCH 2021

Housing insecurity and the COVID-19 pandemic

Consumer Financial Protection Bureau

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Executive Summary

In 2020, those who have fallen behind at least three months on their mortgage increased 250 percent to over 2 million households, and is now at a level not seen since the height of the Great Recession in 2010. Collectively, these households are estimated to owe almost $90 billion in deferred principal, interest, taxes and insurance payments.[1] At the same time, we are facing a rental crisis, with over 8 million rental households behind in their rent. While there are significant differences from the last crisis, particularly a more stable mortgage market and substantial homeowner equity, there are a significant number of households at risk of losing their housing just as the U.S. economy is poised to emerge from the pandemic—a disproportionate number of them from communities of color. This report summarizes some of the relevant data and research on the impact of the pandemic on the rental and mortgage market, and particularly its impact on low income and minority households.

[1] Black Knight, blackknightinc.com/blog-posts/slow-and-steady-improvement-in-forbearances-continues-despite-weekly-increase

1. Introduction[2]

11 million renter[3] and homeowner[4] households were significantly overdue on their regular housing payments as of December 2020, placing them at heightened risk of losing their homes to foreclosure or eviction over the coming months. Black and Hispanic[5] households were more than twice as likely to report being behind on their payments than white households.[6] Households with incomes below $75,000 were more than twice as likely to be behind than households with incomes above $75,000.[7] These disparities held true across all forms of tenure, for both homeowners and renters.[8]

Families that do not have access to safe, affordable, and stable housing, also referred to as housing insecurity, face the prospects of homelessness as well as a host of other negative outcomes. Housing insecurity has been associated with higher rates of depression,[9] higher rates of suspension and expulsion from school,[10] and increased risks of chronic health conditions,[11] to name a few. In the midst of a pandemic, housing insecurity can make it difficult for households to comply with public health measures such as quarantining or restricting their number of close contacts.

Federal, state, and local policymakers have taken significant steps to help households navigate housing insecurity during the COVID-19 pandemic—from stimulus payments and enhanced unemployment assistance, to forbearance and moratoria on foreclosure and eviction. These government actions have reduced foreclosures and evictions so far; however, as these measures begin to expire, many households will face difficulties navigating significant payment arrearages or permanent income losses. Households that attempt to downsize, such as homeowners that

[2] This report was prepared by Kristin Wong.

[3] Moody's Analytics' February 2021 baseline economic outlook (see Table 2)

[4] Black Knight Mortgage Monitor, December 2020, blackknightinc.com/data-reports (see Figure 2)

[5] In this report, Hispanic includes individuals of all races that identify as Hispanic. Unless otherwise noted, the categories of Black, white, and Asian do not include individuals that identify as Hispanic.

[6] Census Household Pulse Survey, Week 21 (December 9 – December 21)

[7] Ibid.

[8] Ibid.

[9] Gilman SE, Kawachi I, Fitzmaurice GM, Buka L. Socio-economic status, family disruption and residential stability in childhood: relation to onset, recurrence and remission of major depression. Psychol Med. 2003 Nov. pubmed.ncbi.nlm.nih.gov/14672243

[10] Simpson G, Glenn Fowler M. Geographic Mobility and Children's Emotional/Behavioral Adjustment and School Functioning. Pediatrics. 1994 Feb. pediatrics.aappublications.org/content/93/2/303.short

[11] Busacker A, Kasehagen L, Association of residential mobility with child health: an analysis of the 2007 National Survey of Children's Health. Matern Child Health J. 2012 Apr. pubmed.ncbi.nlm.nih.gov/22527774/

choose to sell their homes to avoid foreclosure, may have few new housing options given the already limited supply of affordable housing.

Historically, housing insecurity has disproportionately affected communities of color. Discrimination, once endorsed by the government through redlining, has made Black and Hispanic families pay more for housing than white families over the decades. This has had severe consequences. Researchers estimated that during the Great Recession, Black and Hispanic borrowers were 76 percent and 71 percent more likely, respectively, to have lost their homes to foreclosure than white borrowers.[12] Many of these households are still recovering.

Given the widening gaps brought by the pandemic, addressing disparities in housing insecurity will play a key role in addressing the nation's racial inequities. Recent research has linked government actions, such as eviction moratoria, to lower transmission and mortality rates from COVID-19.[13] These studies point to the importance of government action to stabilize outcomes for the most impacted communities.

[12] Center for Responsible Lending, responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.pdf

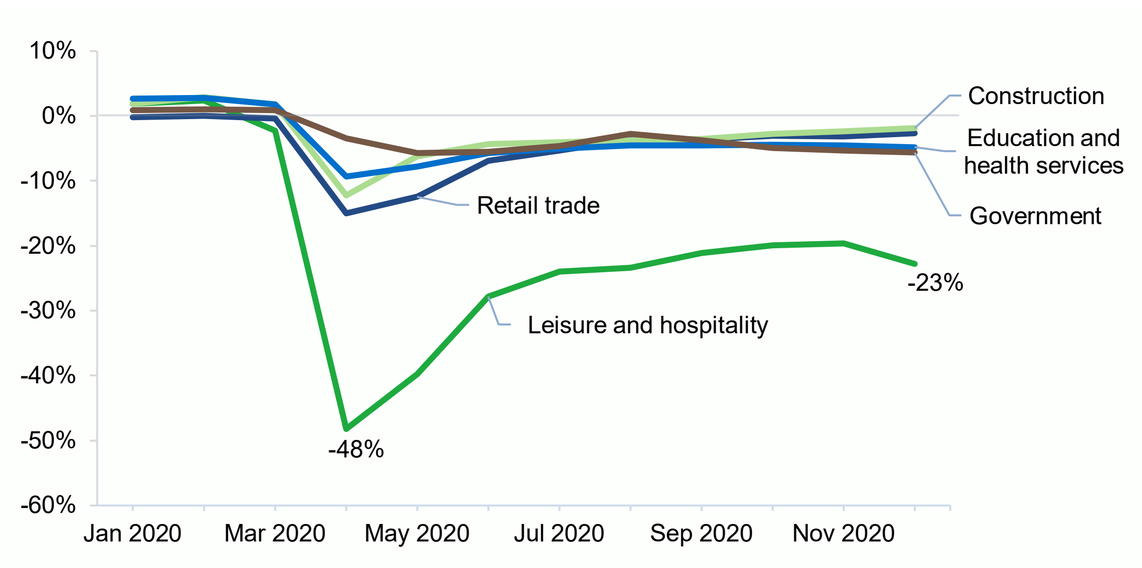
[13] Leifheit, et al., Expiring Eviction Moratoriums and COVID-19 Incidence and Mortality (November 30, 2020), ssrn.com/abstract=3739576

2. Impacts of the pandemic

11 million renter and homeowner households were significantly overdue on their regular housing payments as of December 2020, placing them at heightened risk of losing their homes over the coming months. Some of these households were already behind on their payments before the pandemic began, but many households experienced income shocks such as a job loss, reduced hours, or the death of a family member.

At the beginning of the pandemic, employment fell swiftly and dramatically in response to public safety measures and falling consumer demand. Nine months later, despite some recovery, employment remains low. For example, leisure and hospitality employment remains 23 percent below 2019 levels (Figure 1). This represents a deficit of 3.8 million jobs, many of which were held by low-income households.

FIGURE 1: YEAR-OVER-YEAR PERCENTAGE CHANGE IN EMPLOYMENT BY SECTOR, JANUARY 2020 – DECEMBER 2020[14]

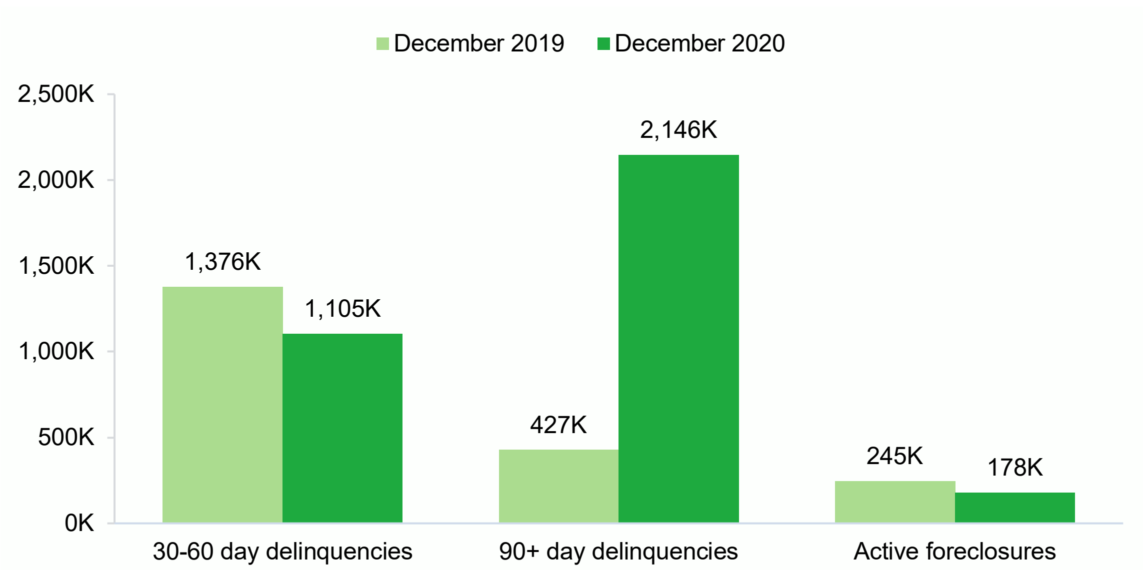


Source: CFPB analysis of Bureau of Labor Statistics data

[14] This chart shows a sample group of employment sectors, primarily those that experienced the greatest changes in employment both in terms of volume and percent over the shown period.

The number of homeowners behind on their mortgage has doubled since the beginning of the pandemic—six percent of mortgages were delinquent[15] as of December 2020, up from three percent in March 2020.[16] Most of the delinquent loans, 2.1 million borrowers, were more than three months behind on payment, signaling severe economic distress (Figure 2).

FIGURE 2: YEAR-END MORTGAGE DELINQUENCIES COMPARISON 2019 VS. 2020



Source: Black Knight Mortgage Monitor, December 2020

The data suggest renters are struggling even more than homeowners. As of December 2020, an estimated 8.8 million renter households were behind on their rental payments.[17] Low income renters were more likely to report that they were behind (Figure 3). More than one in four renters with incomes under $25,000 reported that they were behind on their rent.

[15] Throughout this report, "delinquent" refers to borrowers who are behind on their scheduled payments. Many of these borrowers are in forbearance and are reported as current on their credit reports, in accordance with the CARES Act.

[16] Black Knight Mortgage Monitor, December 2020, blackknightinc.com/data-reports

[17] Moody's Analytics' February 2021 baseline economic outlook

FIGURE 3: SHARE OF RENTER HOUSEHOLDS BEHIND ON RENT BY INCOME, DECEMBER 2020[18]

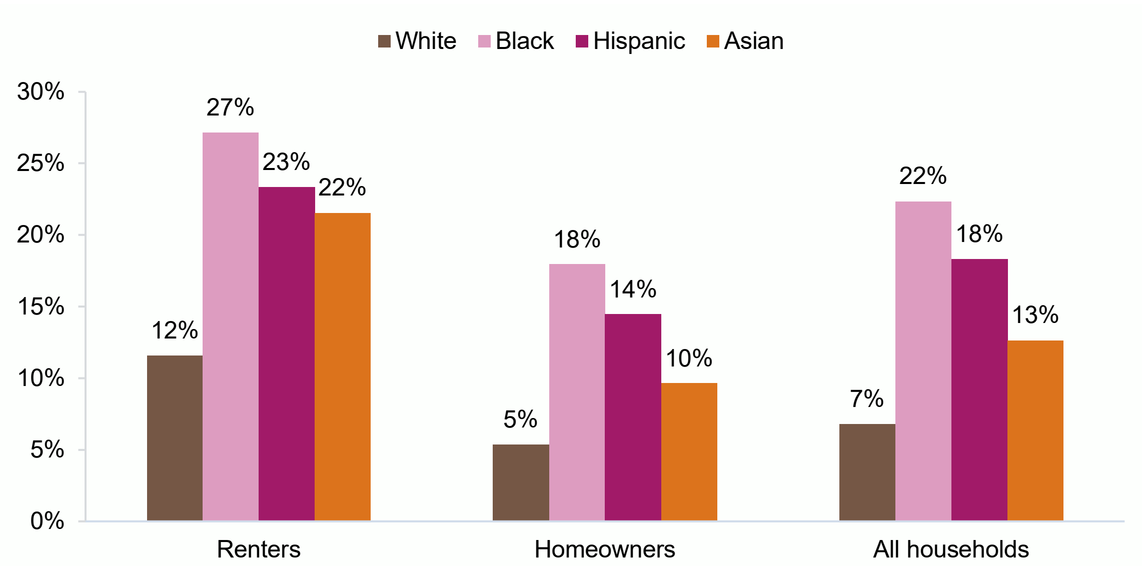
Source: CFPB analysis of Census Household Pulse Survey, Week 21 (December 9 – December 21)

[18] CFPB tabulations from the Census Household Pulse Survey are based on "Household currently caught up on rent payments" and "Household currently caught up on mortgage payments." They exclude respondents that "did not report," they include renters that "occupy without rent" and homeowners that "own free and clear."

3. Disparities

Communities of color have disproportionately suffered the health and economic impacts of the COVID-19 pandemic, including increased levels of housing insecurity. As of December 2020, Black and Hispanic households were more than twice as likely to have reported being behind on housing payments than white households (Figure 4).

FIGURE 4: SHARE OF HOUSEHOLDS BEHIND ON HOUSING PAYMENTS BY RACE/ETHNICITY AND TENURE, DECEMBER 2020



Source: CFPB analysis of Census Household Pulse Survey, Week 21 (December 9 – December 21)

Black and Hispanic households are more than twice as likely to rent than white households;[19] this explains some of the disparity. But even among mortgage holders, and across all income groups, Black and Hispanic homeowners were more likely than white homeowners to report that they were behind on their payments.[20]

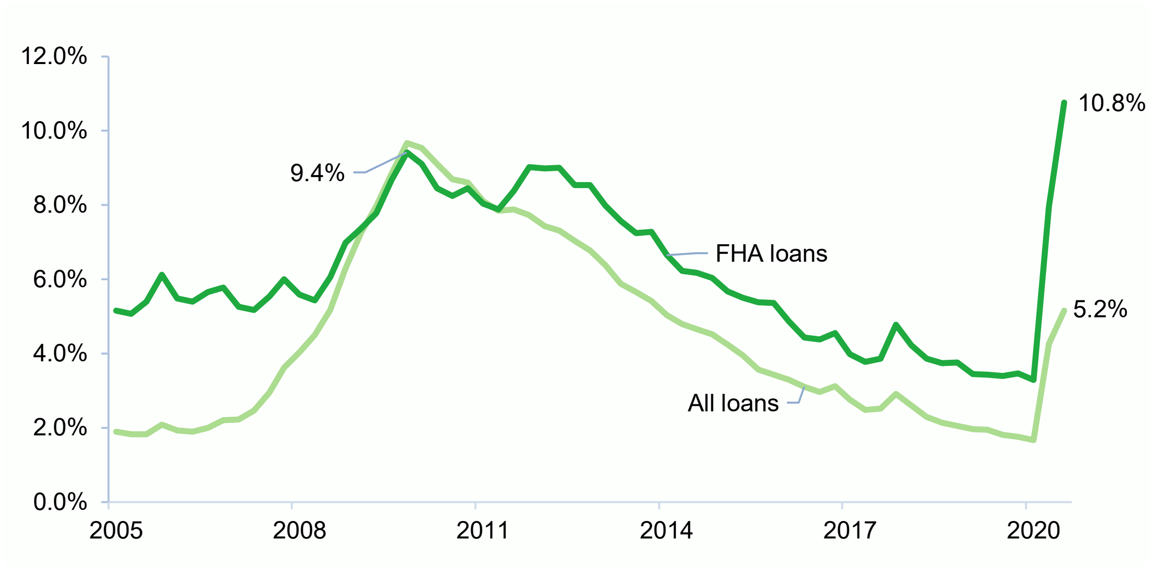
Mortgage loans insured by the Federal Housing Administration (FHA loans) have fared significantly worse than other loan types; their delinquency levels exceed those that were seen in the last financial crisis (Figure 5). Given that FHA loans typically serve minorities, low-income

[19] USAFacts, usafacts.org/articles/who-is-renting-in-america-cares-act

[20] Census Household Pulse Survey, Week 21 (December 9 – December 21)

borrowers, and first-time borrowers,[21] it is likely that a large share of the 2.1 million seriously delinquent loans are held by borrowers of color.

FIGURE 5: SERIOUS MORTGAGE DELINQUENCY RATE BY LOAN TYPE, Q1 2005 – Q3 2020

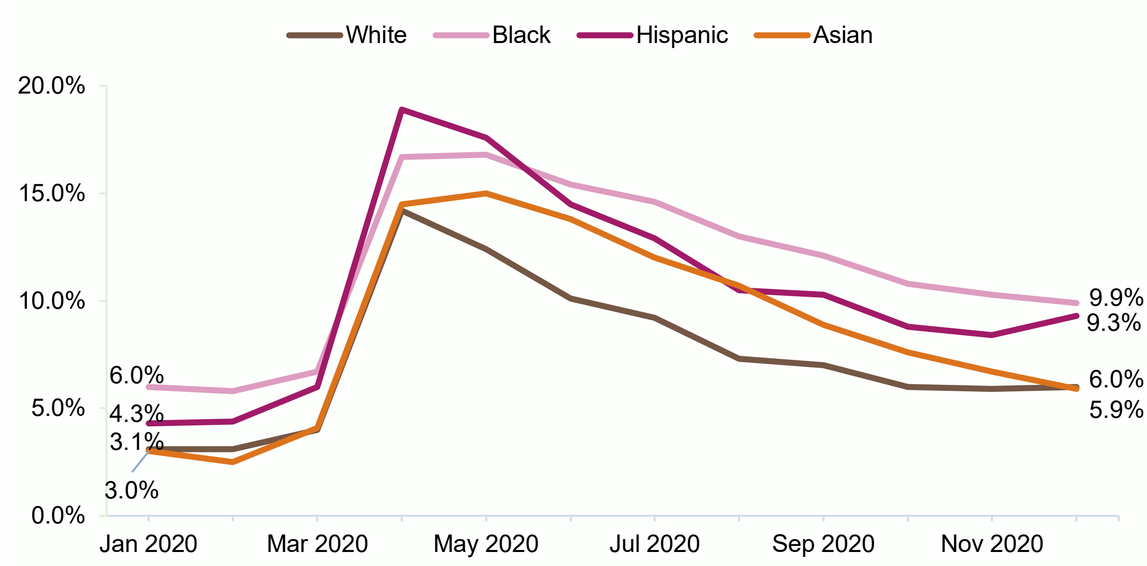


Notes: Not seasonally adjusted, serious mortgage delinquency includes loans 90+ days delinquent and loans in foreclosure
Source: Mortgage Bankers Association, National Delinquency Survey, Q3 2020

A multitude of factors contribute to these disparities in housing insecurity. Most simply, households of color were more likely to spend a larger share of their income on housing before the pandemic and were more likely to suffer an income shock during the pandemic. As of December 2020, the unemployment rates for Black adults and Hispanic adults were 3.9 and 5.0 percentage points higher than before the pandemic (Figure 6). In comparison, the white unemployment rate was 2.9 percentage points higher than before.

[21] U.S. Department of Housing and Urban Development, hud.gov/sites/dfiles/Housing/documents/2020FHAAnnualReportMMIFund.pdf

FIGURE 6: UNEMPLOYMENT RATE BY RACE AND ETHNICITY, JANUARY 2020 – DECEMBER 2020[22]



Source: Federal Reserve Bank of St. Louis

[22] The categories of white, Black, and Asian include individuals that identify as Hispanic.

4. Current and future risks

Given the dramatic and unforeseeable challenges raised by the COVID-19 pandemic, policymakers swiftly responded to the crisis with updated mortgage relief policies, and foreclosure and eviction moratoria. These measures have been crucial lifelines to housing insecure consumers; however, many of these measures are nearing or have already reached their expiration dates. Additionally, many households, particularly renters, will have significant arrears that these policies may not fully address.

Homeowners

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, homeowners with GSE (Fannie Mae and Freddie Mac) and federally-backed mortgages have the right to request and obtain a forbearance for up to 180 days, and an extension for another 180 days (for a total of 360 days). Guidance from the GSEs, FHA, the Department of Veterans Affairs (VA), and the United States Department of Agriculture (USDA) allow up to 18 months of forbearance. Privately-owned mortgages are not covered by the CARES Act, but many servicers and investors offer similar protections for those loans. As of January 2021, there were 2.7 million borrowers in active forbearance (Table 1). Of these borrowers, more than 900,000 will have been in forbearance for over a year as of April 2021 and have more than three months of missed payments.[23]

TABLE 1: MORTGAGE LOANS IN FORBEARANCE BY LOAN TYPE, JANUARY 2021

Metric	Fannie & Freddie	FHA & VA	Other**	Total
Loans in Forbearance*	929,000	1,140,000	675,000	2,744,000
UPB of Loans in Forbearance ($Bil)*	$193	$195	$160	$548
Share of Loans in Forbearance*	3.3%	9.4%	5.2%	5.2%
Active Loan Count (Mil)*	27.9	12.1	13.0	53.0

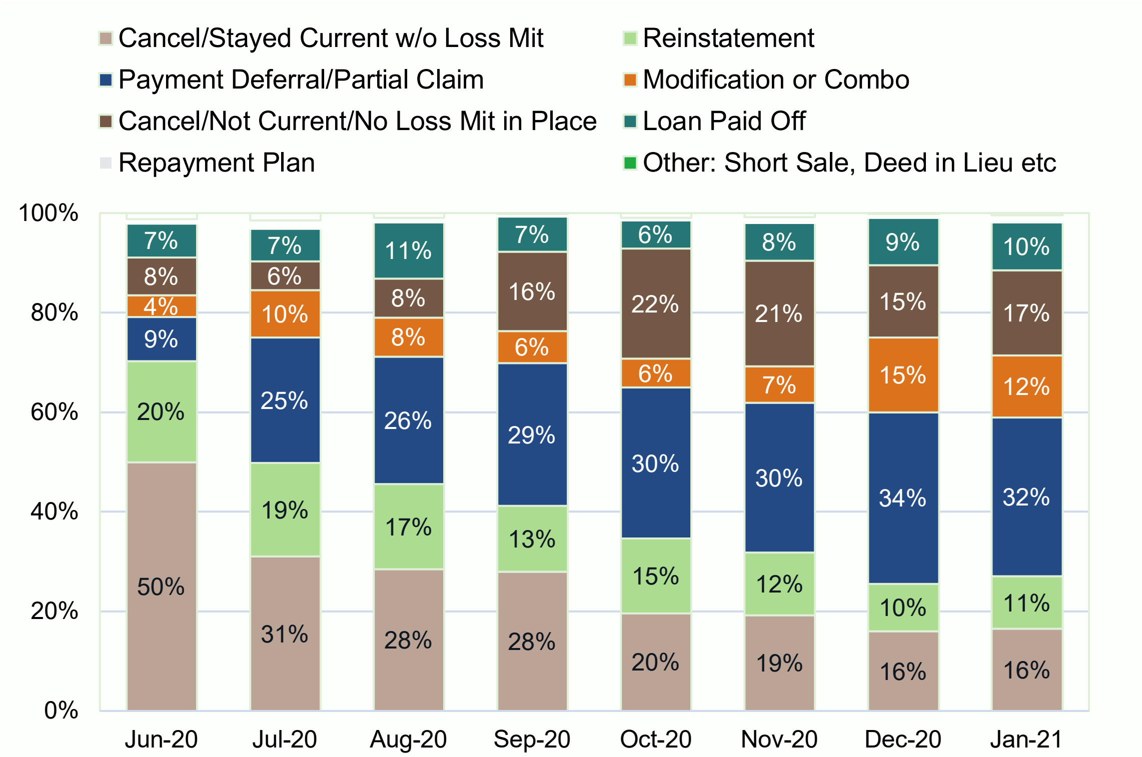
Notes: *Figures in this table are based on observations from Black Knight's McDash Flash data set and are extrapolated to estimate the full mortgage market; **Other category includes held in portfolios, private labeled securities, or by other entities
Source: Black Knight Mortgage Monitor, December 2020

Most borrowers that have exited forbearance so far have been able to resume payments without any issue—28 percent remained current during forbearance, making their regular payments; 26 percent took a payment deferral or partial claim, placing the deferred amount at the end of the

[23] Black Knight Mortgage Monitor, December 2020

loan; and 16 percent were able to repay the deferred amount in one lump-sum directly after the end of forbearance.[24] However, many of those exits occurred after six or fewer months of forbearance. Borrowers who have been in forbearance longer are more likely to be experiencing severe hardship, and they are more likely to have trouble resuming payments (Figure 7). It will be critical to monitor these borrowers in the coming months.

FIGURE 7: MONTHLY FORBEARANCE EXITS BY REASON, JUNE 2020 – JANUARY 2021

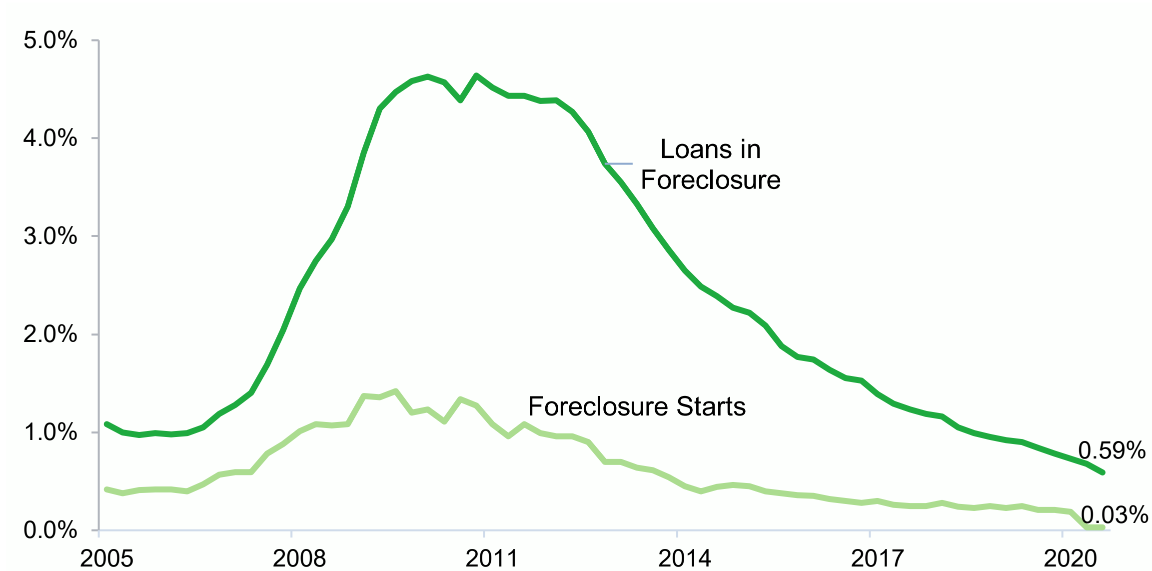


Source: Mortgage Bankers Association Weekly Forbearance and Call Volume Survey, February 2021

The CARES Act and guidance from the GSEs, FHA, VA, and USDA have prohibited lenders and servicers of GSE and federally-backed loans from beginning foreclosures through June 2021. As a result, the rates of foreclosures starts and loans in foreclosure were at historic lows in 2020 (Figure 8). When foreclosure moratoria begin to end, these metrics will be key to gauging the housing insecurity of homeowners, especially for the 2.1 million borrowers that are more than 90 days delinquent on their mortgage and may have heightened risk of foreclosure initiation.

[24] Mortgage Bankers Association Weekly Forbearance and Call Volume Survey, February 2021

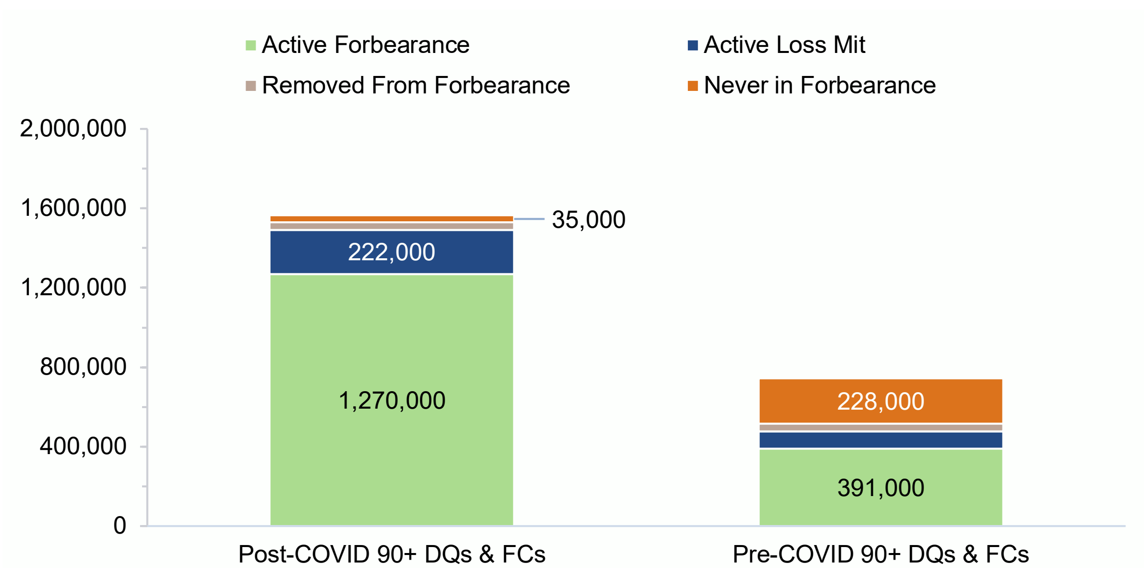
FIGURE 8: MORTGAGE LOANS IN FORECLOSURE AND FORECLOSURE STARTS, Q1 2005 – Q3 2020



Notes: Not seasonally adjusted
Source: Mortgage Bankers Association, National Delinquency Survey, Q3 2020

Of particular risk are the 263,000 borrowers that are more than 90 days behind on housing payments but have not taken forbearance (Figure 9). If these borrowers do not reach an agreement with their servicers on a workout option before the moratoria expire, these borrowers will have limited options to avoid foreclosure initiation when the moratoria end.

FIGURE 9: MORTGAGE LOANS 90+ DAYS DELINQUENT OR IN FORECLOSURE BY FORBEARANCE STATUS, ENTERING JANUARY 2021

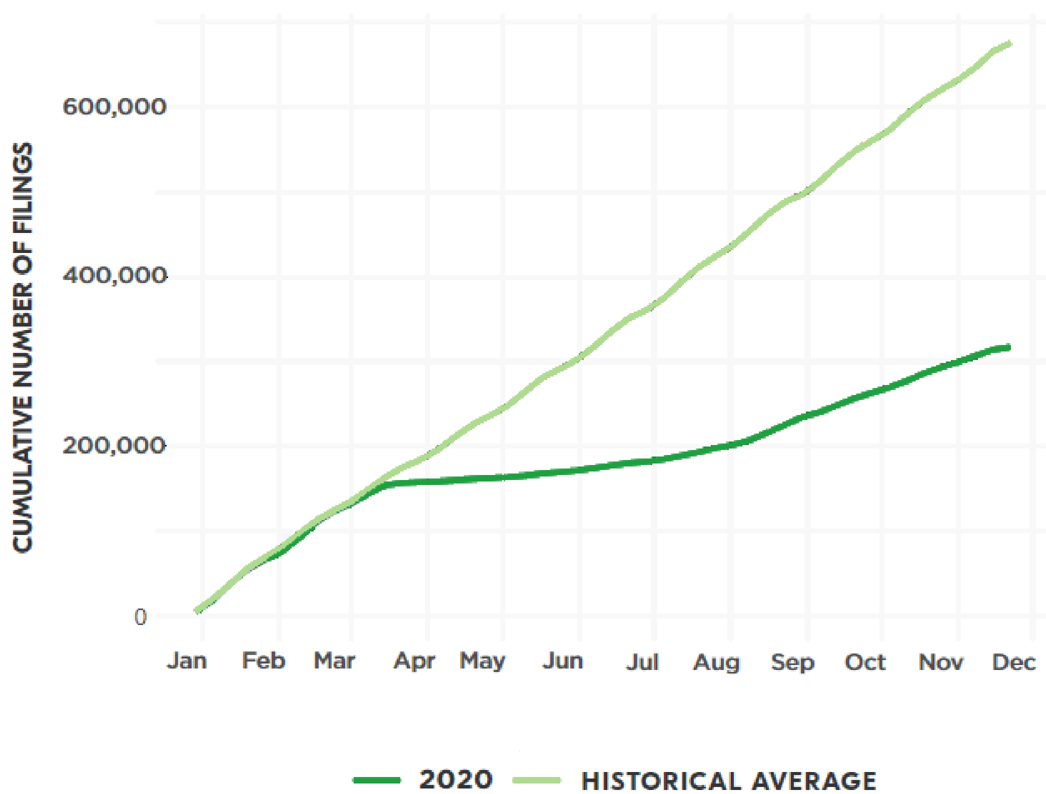


Source: Black Knight Mortgage Monitor, December 2020

Renters

Protections for renters have been less robust than those for homeowners. Federal, state, and local governments enacted eviction moratoriums that have slowed the pace of evictions, yet thousands of renters continue to be evicted weekly (Figure 10). Unlike for homeowners, there are no formal policies that allow renters to defer housing payments. Additionally, low-income renters face preexisting barriers such as limited affordable housing—just 36 rental units are affordable and available for every 100 extremely low-income renter households,[25] and often lack access to legal counsel when given an eviction notice.

FIGURE 10: CUMULATIVE EVICTION FILINGS ACROSS SELECT CITIES AND STATES IN 2020 VS. HISTORICAL AVERAGE



Source: Eviction Lab (Princeton University), Eviction Tracking System data

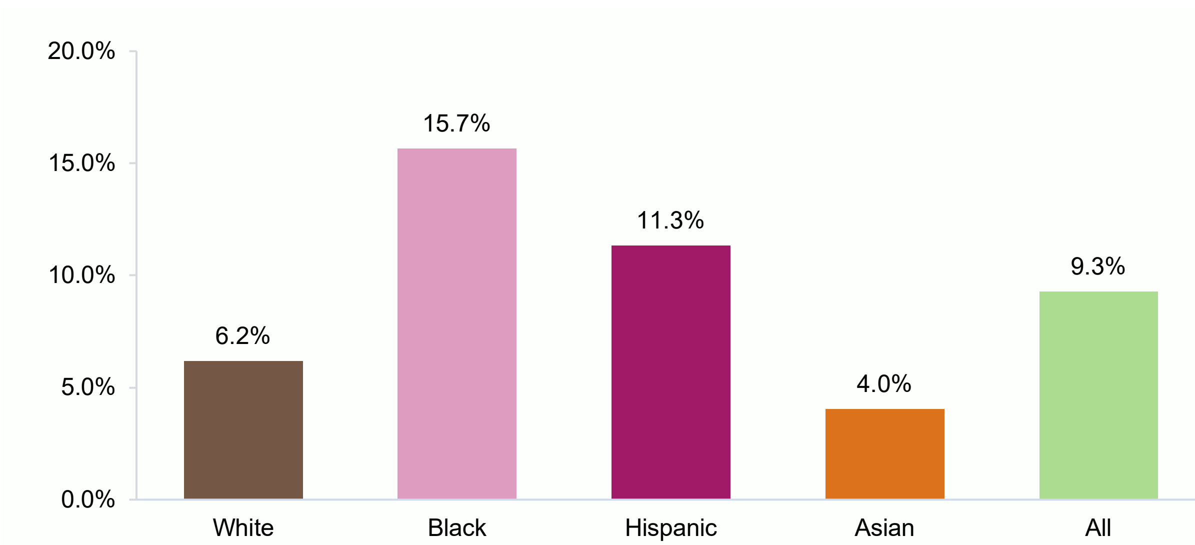
As discussed earlier, 8.8 million renters were behind on their rental payments as of December 2020. Many of these renters are protected by the eviction moratoria but will be at risk of losing

[25] National Low Income Housing Coalition (NLIHC), reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf; NLIHC defines extremely low-income households as "those with incomes at or below the poverty line or 30% of the area median income (AMI), whichever is greater"

their homes once the policies end. In August 2020, some estimates projected that up to 30 to 40 million individuals in 13 to 17 million renter households were at risk of eviction over the course of the pandemic, assuming no further interventions.[26] In comparison, approximately 900,000 renter households are evicted in a typical year.[27]

As of December 2020, 9 percent of renters reported that it is likely they will be evicted in the next two months, with rates highest for Black and Hispanic renters (Figure 11). Since Black and Hispanic households are more than twice as likely to be renters than white households, an eviction crisis would fall hardest on communities of color.

FIGURE 11: SHARE OF RENTERS THAT REPORT IT IS LIKELY THEY WILL BE EVICTED, DECEMBER 2020



Source: CFPB analysis of Census Household Pulse Survey, Week 21 (December 9 – December 21)

For most renters, there are no programs akin to mortgage forbearance that allow them to defer their rental payments for an extended period. Additionally, there are no across-the-board programs available to deal with missed rental payments once the eviction moratoria end; homeowners can repay missed payments using the equity from their home when they sell or refinance, or modify their loan so that they can repay their missed payments in manageable installments.

In one survey of small landlords, only 40 percent reported that they offered some sort of rent deferment plan.[28] Small landlords, those that own fewer than 10 rental units, have been

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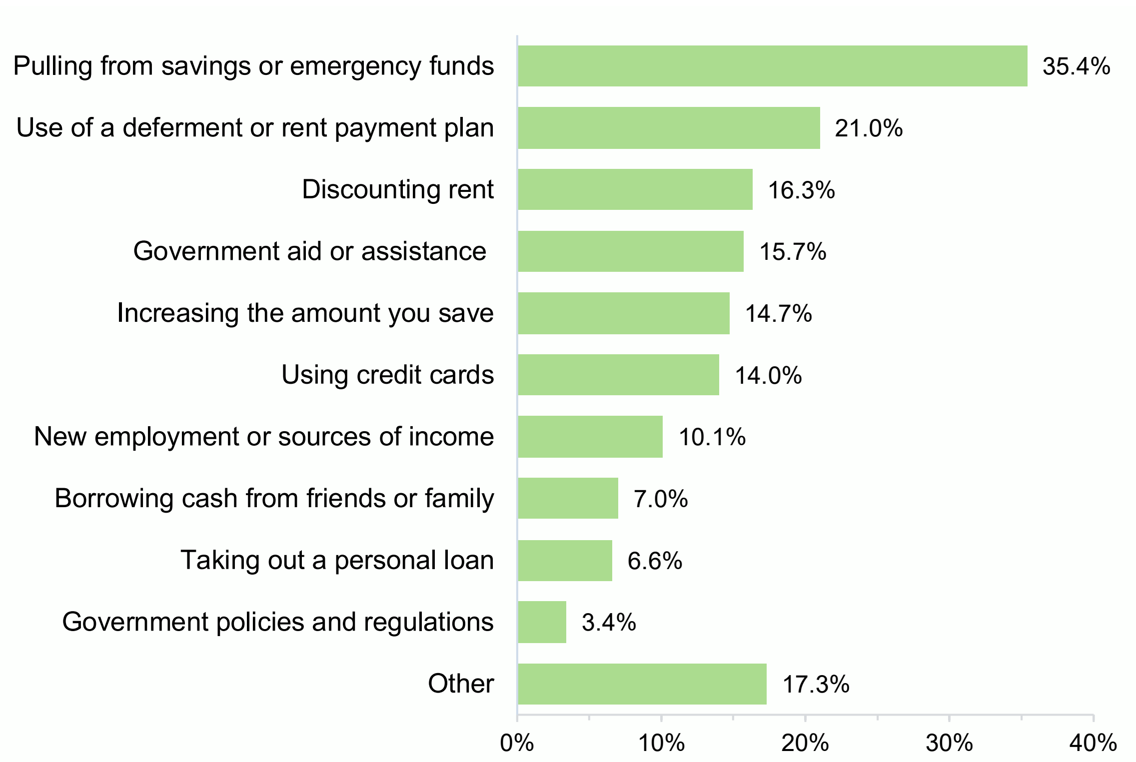
[26] Aspen Institute, aspeninstitute.org/blog-posts/the-covid-19-eviction-crisis-an-estimated-30-40-million-people-in-america-are-at-risk

[27] Eviction Lab, Princeton University, evictionlab.org/national-estimates

[28] Avail.co, avail.co/blog/landlords-and-renters-struggling-to-make-ends-meet-during-covid-19-uncertainty

struggling during the pandemic as well. For this subset of landlords, many reported dipping into savings or using credit cards to make it through the pandemic (Figure 12). Small landlords own more than half of all rental units in the U.S.[29]

FIGURE 12: POLICIES OR COURSES OF ACTIONS THAT HELPED LANDLORDS DURING COVID-19, AUGUST 2020



Source: Avail.co, August 2020 National Survey of Avail Landlords

In December 2020, the federal government allocated $25 billion to the Emergency Rental Assistance program to assist renters cover rent and utilities, as well as the arrears on these housing costs. During the same time period, researchers estimated that renters owed $44.1 billion in total back rent (Table 2). For the average delinquent renter, that is over three months and $5,015 of missed rent and utilities .[30] Consumer advocates have recommended that policymakers dedicate $100 billion in order to cover the rental payments of cost-burdened low-income renters.[31]

[29] Urban Institute, urban.org/urban-wire/black-and-hispanic-landlords-are-facing-great-financial-struggles-because-covid-19-pandemic-they-also-support-their-tenants-higher-rates

[30] Moody's Analytics' February 2021 baseline economic outlook

[31] National Low Income Housing Coalition, nlihc.org/sites/default/files/Need-for-Rental-Assistance-During-the-COVID-19-and-Economic-Crisis.pdf

TABLE 2: ESTIMATES OF DELINQUENT RENTERS AND OUTSTANDING PAYMENTS, FEBRUARY 2021

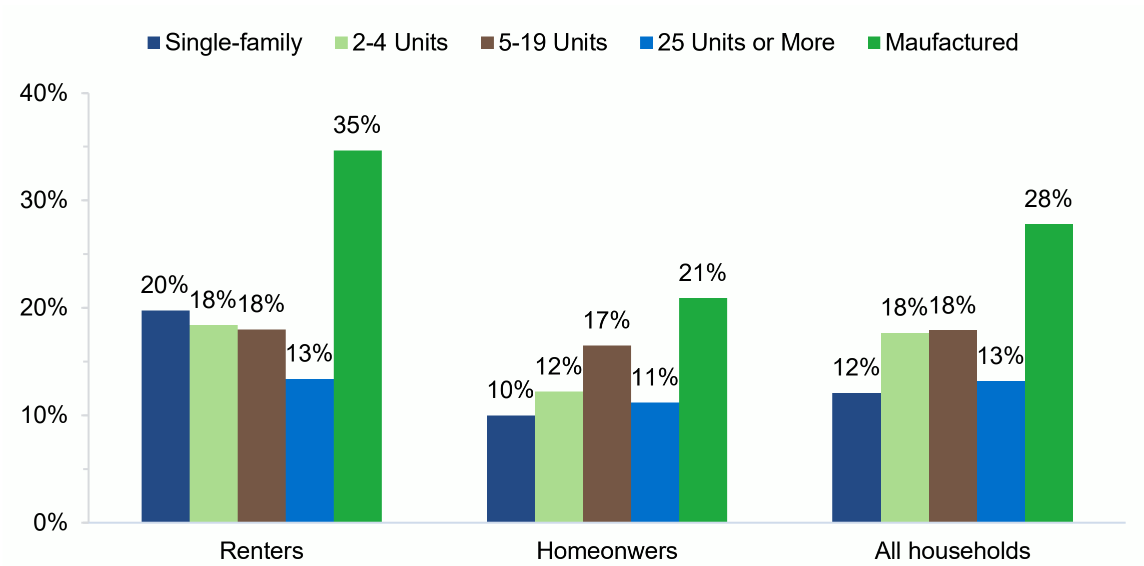
Metric	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	Jun '21
Delinquent rent, utilities & late fees, $Bil	44.1	52.6	36.3	31.9	34.9	38.5	41.2
Number of delinquent renters, Mil	8.8	9.4	7.3	6.0	6.3	6.6	6.7
Amount delinquent per renter, $	5,015	5,586	4,964	5,282	5,499	5,854	6,148
Rent, utilities & late fees, $ per month	1,425	1,420	1,410	1,401	1,397	1,399	1,400
Rent	1,134	1,130	1,120	1,110	1,105	1,105	1,105
Utilities	291	290	290	291	292	294	295
Late fees	50	50	50	50	50	50	50
Average months delinquent	3.4	3.8	3.4	3.6	3.8	4	4.2

Notes: Based on Moody's Analytics' February 2021 baseline economic outlook; assumes no additional fiscal relief; includes all delinquent renters, not just renters impacted directly by the pandemic
Sources: Census Pulse Survey, BLS CES, Census HVS, Equifax, Moody's Analytics

Manufactured housing

The 22 million Americans living in manufactured homes face greater housing security risk than those living in other forms of housing during the COVID-19 pandemic.[32] As of December 2020, 28 percent of residents of manufactured homes reported being behind on their housing payments compared to 12 percent of single-family home residents, and 18 percent of residents in small-to-mid sized multi-unit buildings (Figure 13).

FIGURE 13: SHARE OF HOUSEHOLDS BEHIND ON THEIR HOUSING PAYMENTS BY STRUCTURE TYPE, DECEMBER 2020



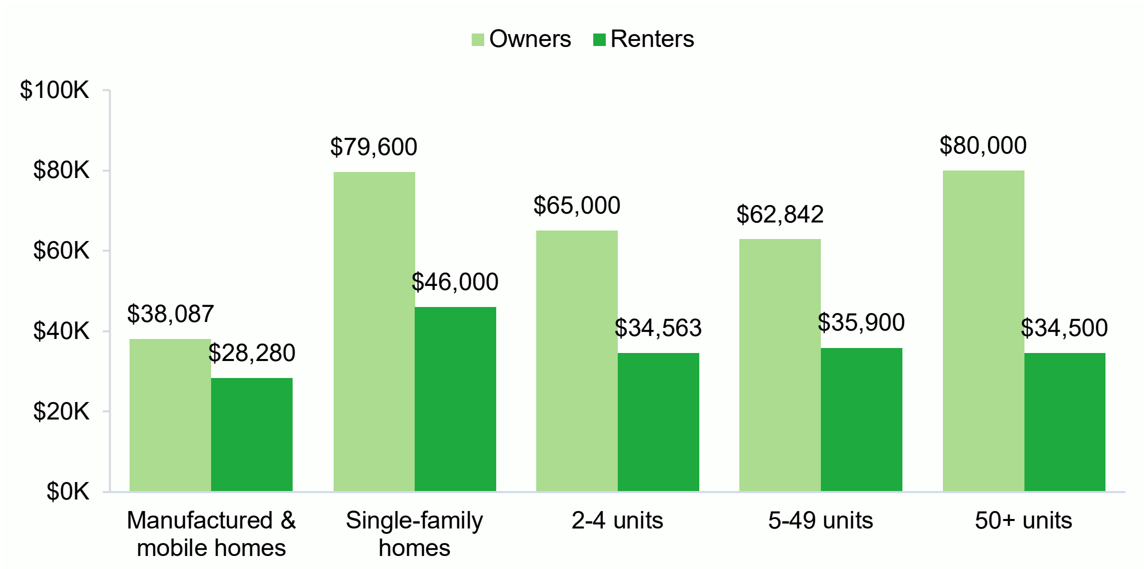
Source: Joint Center for Housing Studies (Harvard University) analysis of Census Household Pulse Survey, Week 21 (December 9 – December 21)

Both homeowners and renters living in manufactured homes are generally more economically vulnerable. On average, they have lower incomes (Figure 14), and are more likely to work in occupations affected by the pandemic.[33]

[32] Urban Institute, urban.org/urban-wire/22-million-renters-and-owners-manufactured-homes-are-mostly-left-out-pandemic-assistance

[33] Urban Institute, urban.org/urban-wire/22-million-renters-and-owners-manufactured-homes-are-mostly-left-out-pandemic-assistance

FIGURE 14: MEDIAN HOUSEHOLD INCOME OF OWNERS AND RENTERS BY HOUSING TYPE



Source: Urban Institute analysis of 2013-18 American Community Survey

Additionally, most owners of manufactured homes do not have CARES Act covered mortgages securing their homes. Many owners of manufactured homes finance their purchase with personal property loans instead of mortgage loans, the majority of which are not covered by the CARES Act. And even homeowners that do use traditional mortgages are less likely to obtain federally-backed ones. Outside of the CARES Act, homeowners that use personal property loans to purchase their homes have fewer consumer protections than those using a mortgage.[34] These protections can make these homeowners more vulnerable in the case of foreclosure or repossession.

The uncounted: the need for further research

This report provides some of the basic metrics policymakers should be aware of as they navigate key decisions in the upcoming months of the COVID-19 pandemic. However, it would be irresponsible to not mention the consumers that are not reflected in the above data points.

Data on renters and evictions remains limited. There exists no data source that provides timely, nationwide data on evictions, without which it is difficult to understand the true extent of the

[34] CFPB, files.consumerfinance.gov/f/201409_cfpb_report_manufactured-housing.pdf

eviction crisis. Moreover, there is no formal tracking of renters who are evicted without a formal filing or whose leases are not renewed at the end of the term.

Furthermore, many consumers are in more informal housing arrangements such as land contracts or informal lease agreements. These consumers, who were economically vulnerable before the pandemic, face even higher risks of housing insecurity as they lack access to many basic consumer protections.

Households that appear to be thriving in the data may be struggling in real life. Many households rely on untraditional forms of financing to prevent falling behind on their housing payments, whether that may be credit cards, emergency savings, or family and friends. Additionally, their distress may be masked by temporary government assistance such as stimulus payments. These consumers need assistance too, even if they are not counted in the data above. Future research could provide insight into long-term debt and credit concerns arising from the pandemic.

Finally, one strength of the current housing market is that, on average, homeowners have considerable equity, and home prices in most parts of the country are still rising.[35] But long forbearance can erode equity,[36] and foreclosures can negatively impact neighborhood housing values.[37] An area that will require continued attention in this crisis is the impact of forbearance and foreclosure on home values and neighborhoods, as well as more granular information about the distribution of equity among homeowners and communities.

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[35] Black Knight Mortgage Monitor, December 2020, blackknightinc.com/data-reports

[36] Black Knight, blackknightinc.com/blog-posts/deferred-payments-during-forbearance-beginning-to-erode-equity-positions

[37] W. Scott Frame, *Estimating the effect of mortgage foreclosures on nearby property values: A critical review of the literature*, Fed. Res. Bank of Atlanta (2010), econstor.eu/bitstream/10419/57661/1/683563785.pdf