THE ROAD AHEAD FOR LOW INCOME RENTERS

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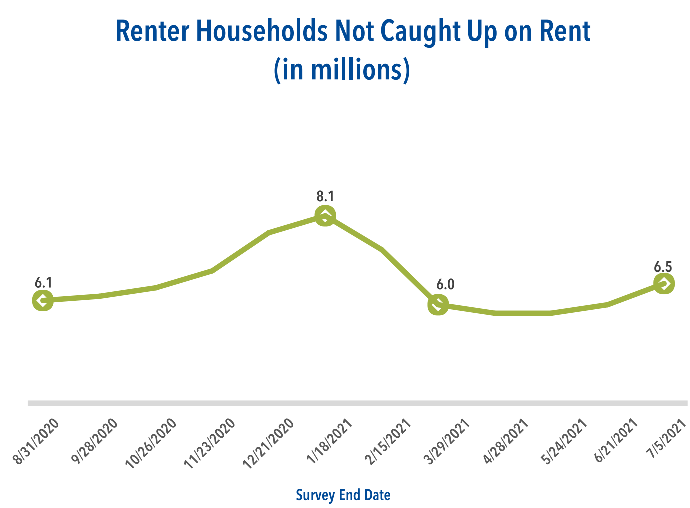
The COVID-19 crisis is not over, as significant challenges remain in ensuring equitable vaccine access and a safe return to pre-pandemic levels of employment. As the national discourse turns its attention to recovery from the pandemic, many low-income renters will continue to face severe struggles. The recovery will not reach all renters without concerted, targeted efforts.

In this note, we examine how renters have fared during the pandemic and their needs going forward. While Congress appropriated nearly $47 billion for emergency rental assistance (ERA) in December 2020 and March 2021, there are still reasons to be concerned about the prospects for low-income renters in the short- and long-term. In early July, approximately 6.5 million renter households were behind on rent. Millions more have relied on unsustainable means to meet their spending needs, like borrowing from friends and family or relying on loans or credit cards, and many have accumulated debts that ERA programs cannot address. The economic recovery from the pandemic has been uneven—lower-income households were more likely to lose jobs or wages and slower to regain employment. Consequently, many lower-income renters will continue to have trouble paying rent going forward. Even assuming a sustained economic recovery, simply returning to a pre-pandemic status quo would mean that millions of renters will continue to struggle to make ends meet.

As of early July, there were still nearly 6.5 million renter households behind on rent.

FIGURE 1



Source: U.S. Census Bureau. Household Pulse Survey, public use files.

WHAT THE PANDEMIC HAS MEANT FOR RENTERS

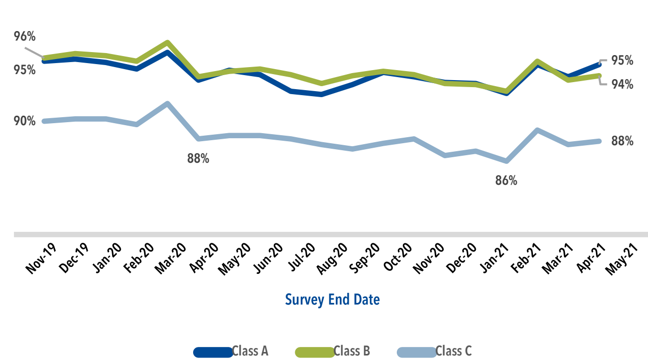
From the Census Bureau's Household Pulse Survey, we know that millions of renter households lost employment income and millions fell behind on their rent during the pandemic. By late March 2021, 52% of renter households (about 23 million households) had experienced some loss of employment income since the beginning of the pandemic. Lower-income renters were even more likely to have experienced a loss of a job or wages. As a result, many fell behind on rent. In August 2020, over 6 million renter households were behind, and by the beginning of 2021, the number had climbed to over 8 million households. While the number behind has fallen a bit in 2021, perhaps as households used stimulus checks and tax refunds to pay off debts, as of early July, there were still nearly 6.5 million renter households behind on rent (Figure 1). Over 2.5 million of those households have annual incomes less than $25,000, and another million earn less than $35,000. The Household Pulse Survey may underestimate the number of households behind on rent, if delinquent renters are reluctant to answer surveys or less likely to be reached by an online poll.

The Pulse survey does not ask renters how far behind on rent they had fallen—likely some were just a week or two late in paying their rent, while others were months behind. Based on their analysis of the Pulse and another survey, the University of Southern California's Understanding America Survey, researchers at the National Equity Atlas estimate that delinquent households owed about $3,300 on average in June (National Equity Atlas, 2021). There is likely wide variation in what households owe, however. The NYU Furman Center found that in New York City, renters who had struggled to pay rent in 2019 were likelier to fall further behind during the pandemic. Delinquent renters who had fallen into "extreme" rental arrears of $10,000 or more accounted for just 3% of all renters in their sample of affordable housing units, but they accounted for 50% of the total rent owed (Raetz, Waldinger, & O'Regan, 2021).

Given the absence of an authoritative source of data on the amount of back rent owed by all renters across the country, multiple estimates published in early 2021 ranged from $13.2 billion to $57.3 billion (Goodman, Reynolds, & Choi, 2021). The $47 billion in emergency rental assistance allocated in December 2020 and March 2021, which can be used both for arrears and upcoming rent payments, can help many renters erase their arrears and remain stably housed, if it reaches them before national and local government officials allow eviction moratoriums to expire and the number of evictions to ramp up.

FIGURE 2

Share of Renters Making Full or Partial Payments in Professionally Managed Properties, by Property Class



Source: RealPage, 2021.

> **Renters who have remained caught up on rent may have done so by unsustainable means.**

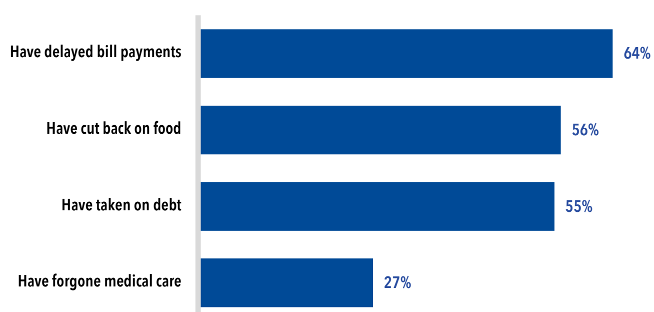
Low-income renters are most directly and immediately threatened by accumulating rent arrears, but many are also experiencing other financial hardships because of the pandemic. Renters who have remained caught up on rent may have done so by unsustainable means—using credits cards or loans, selling assets or drawing down savings, or borrowing from friends and family—but ERA cannot assist households who have already paid the rent at great personal harm to themselves. RealPage estimates that the full or partial payment rate in their Class C properties (roughly the lowest quartile of market-rate units) was generally just about two percentage points lower than before the pandemic (Figure 2). Given widespread income losses, the sustained payment rate means many lower-income renters were likely prioritizing paying their rent before paying for other basic needs.

Lower-income households are more likely to turn to alternative financial services like payday or title loans, which can create further financial difficulties (FDIC, 2020). On average, 12 million Americans each year take out payday loans, and 7 out of 10 borrowers use them for regular expenses like rent and utilities (Pew Charitable Trusts, 2016). Detailed lending data from alternative financial service providers are not available, so we do not know the full extent to which lower-income renters had to use such services in 2020. Federal relief efforts may have made it easier for some households to avoid such services (Toh & Tran, 2020; Cooper, Mullins, & Weinstock, 2021), but during the pandemic, several publicly traded lenders reported record profits (Scigliuzzo, 2021). A survey of Los Angeles County renters in July 2020 found that more than 40% of renters who paid late or made partial payments had taken out payday or other emergency loans to pay the rent (Manville, Monkkonen, Lens, & Green, 2020). By January 2021, 55% of Los Angeles County renters who applied for emergency rental assistance had taken on additional debt (Reina, Aiken, & Goldstein, 2021). A nationwide survey in January found that nearly half of lower-income adults whose households lost employment income had taken on debt (Menasce Horowitz, Brown, & Minkin, 2021).

To make a rent payment, households also may have cut back on other basic needs. According to the Pulse biweekly survey, while an average of approximately 16% of renters were not caught up on rent between August 2020 and early June 2021, 30% had changed their spending due to loss of income. Pre-pandemic research shows that many housing cost-burdened renters make ends meet by cutting back on food, health and medicine, clothing, and transportation (Rosen et al., 2020), and the economic downturn in 2020 intensified that struggle for many. The Housing Initiative at Penn's survey of renters in Los Angeles County in January 2021 found that 64% of ERA applicants had delayed bill payments during the pandemic, 56% had cut back on food, and 27% had forgone medical care (Figure 3). These cutbacks can have harmful long-term consequences.

FIGURE 3

Financial Hardships Beyond Rent for ERA Applicants

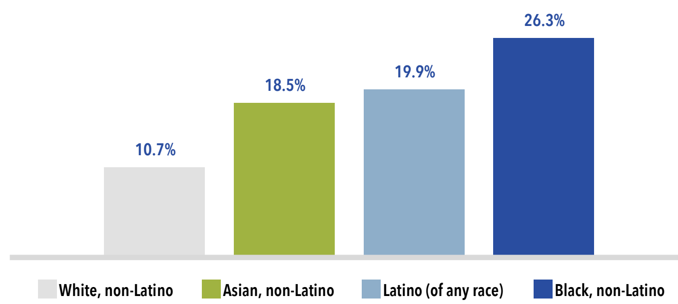


Source: Reina, Aiken, & Goldstein (2021). Survey of Los Angeles County residents who applied for emergency rental assistance.

Just as Black and Latino workers saw much larger and more sustained increases in unemployment during the pandemic, renters of color have been more likely than white renters to be struggling throughout the entire downturn. Between August 2020 and early July 2021, over 26% of Black renters were behind on rent, as were 20% of Latino renters and 19% of Asian renters, compared to just 11% of white renters (Figure 4).

FIGURE 4

Share of Renters Behind, August 2020-June 2021, by Race/Ethnicity



Source: U.S. Census Bureau, Household Pulse Survey, pooled results from Weeks 13 (August 19-31, 2020) to 33 (June 23-July 5, 2021).

In addition to these deep racial and ethnic disparities among renters, several other groups are likelier to have fallen behind on rent. While 15.5% of all renters were behind in early July, 22% of renters with household incomes less than $35,000 were behind, as were 30% of low-income renters with children, and 24% of renters with less than a high school education. That these groups are at higher risk is not surprising: job losses in 2020 were concentrated among the lowest-wage workers, school and childcare have increased challenges for parents, and many jobs that required less education (like retail or food service) could not be performed remotely in 2020 and were instead eliminated.

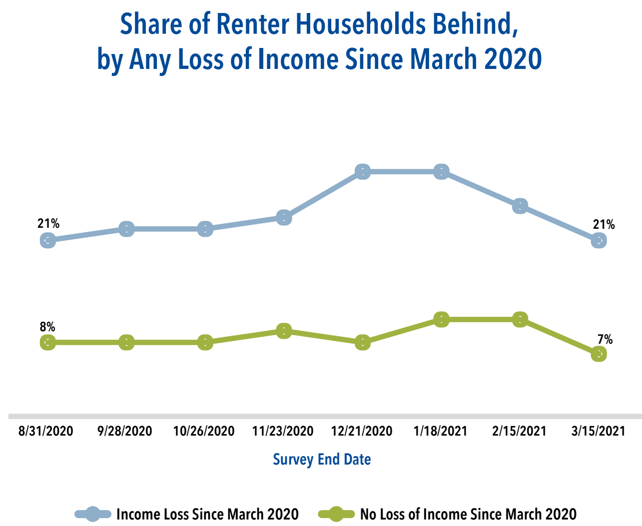
From August 2020 to March 2021, the Household Pulse Survey asked renters whether they or someone in their household had experienced any loss of income since March 13, 2020, and whether they were currently caught up on rent.[1] While some of these households were out of work for months, others could have had relatively small or temporary disruptions to their income. Households reporting

1 Beginning in April 2021, the survey question was changed to ask whether renters had experienced a loss of household income in the last four weeks.

any lost employment income since March 2020 were far more likely to be behind than households without income loss, even a year after the start of the pandemic. Over that entire period, renters with income loss were 2.5 times more likely to be behind on rent than those not experiencing income loss (Figure 5).

For lower-income renters, it can be difficult to get caught up on missed payments, since many were already housing cost-burdened (paying more than 30% of their incomes on housing) and operating on tight budgets before the pandemic. Researchers at the Terner Center found that among a group of renters in affordable housing, more than half of those who fell behind on rent in April 2019 were still behind at the end of the year (Kneebone, Underriner, & Reid, 2021). A return to employment will not immediately resolve financial difficulties for low-wage workers and low-income renters. A low-wage worker who returned to work after a relatively short spell of unemployment may continue to carry debt they cannot pay off.

FIGURE 5



Source: U.S. Census Bureau, Household Pulse Survey.

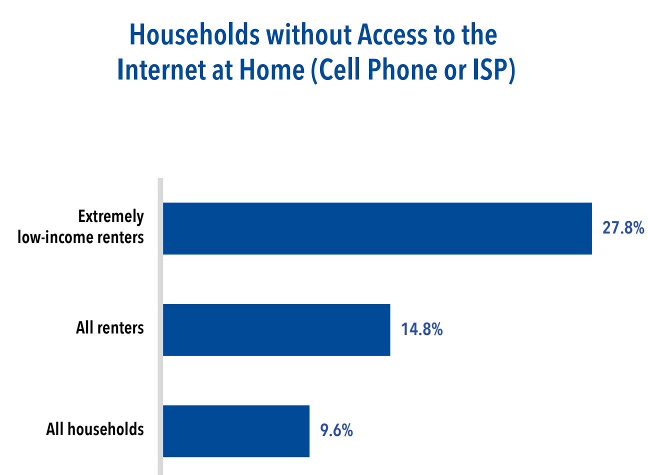
CHALLENGES TO GETTING ERA TO ALL RENTERS IN NEED

All low-income renters who have experienced financial hardship during or due, directly or indirectly, to the coronavirus pandemic and who are at risk of homelessness or housing instability are eligible for financial assistance through federally funded ERA programs. However, there are reasons to be concerned that not all eligible renter households will be reached by ERA programs and will not have their rental arrears erased.

First, many renters may not be aware of local resources for emergency assistance or do not know how to apply. A survey conducted by the Federal Reserve Bank of Philadelphia in January 2021 found that 23% of renters who may have needed rental assistance did not apply, because they were not aware of local programs, and another 54% did not know how to apply for assistance (Akana, 2021).[2] The survey was conducted prior to the opening of Treasury ERA-funded programs and when emergency rental assistance was not available in some states and localities. Nonetheless, it is probable that many renters in need missed opportunities to apply for assistance because they could not find resources in time. Even with greater funding available now, many renters in need will not benefit from ERA programs without significant outreach efforts.

Second, some of the very lowest-income renter households will struggle with online applications. Nearly 28% of extremely low-income renters do

FIGURE 6



Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2019.

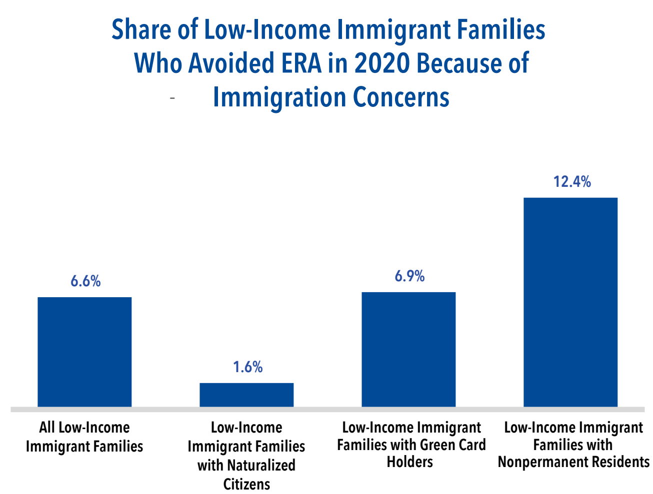
2 This excludes respondents who said they did not apply to rental assistance because they did not need it.

not have access to the internet at home, neither through traditional ISP services nor through a cell phone (Figure 6). In some of the poorest states in the country, including South Carolina, Arkansas, and Louisiana, the share of extremely low-income renters without internet access at home is closer to 35%.

Third, some renters may see the initial list of program requirements and conclude they are not eligible, or they may avoid applying for other reasons. The Urban Institute's Well-Being and Basic Needs Survey has shown that low-income immigrant families avoided applying for ERA in 2020 out of concerns that participation would affect future immigration status. More than one in ten low-income immigrant families with nonpermanent residents avoided ERA for this reason (Figure 7). Low-income immigrant families may continue to avoid ERA, unless a focused effort is made to reach them.

Other renters may disqualify themselves after seeing an initial list of requirements. The renters in greatest need may be more likely to struggle to meet documentation requirements. Many low-income renters are working in the informal economy—working low-wage, not fully documented jobs in domestic service, construction, food and beverage, or as self-employed service providers—and they may be less able to document a loss of income during the pandemic. Low-wage workers who are paid in cash may have trouble proving income, and so they may be hesitant to participate in ERA programs. Renters with informal leases may not be aware that landlord attestation of rental arrears can substitute for a lease in many jurisdictions. Renters may not be aware that their local program can provide direct-to-tenant assistance if their landlord refuses to participate.

FIGURE 7



Source: Bernstein, Gonzalez, & Karpman (2021).

Finally, there are several circumstances in which low-income renters in genuine need may not be eligible for assistance. Renters who have made rent payments at great personal cost—with credit cards, payday loans, or loans from friends and family—cannot use ERA to eliminate those debts. Renters who moved and owe rental arrears on a former home may not be eligible if they are not currently at risk of homelessness or housing instability.

Programs should simplify applications and documentation requirements as much as possible

In order to expedite getting assistance to extremely low-income renters and Black, Indigenous and other people of color in need, programs should invest in targeted outreach to disadvantaged groups. Many programs are currently working with trusted community partners—smaller nonprofits and community-based organizations with established connections in the neighborhoods where renters in need and vulnerable groups are likeliest to be found—to get the word out. Programs should simplify applications and documentation requirements as much as possible, and borrow from other programs that have already streamlined their applications. They should make self-attestation of income, hardship, and residence easy—and, just as important, they should let prospective applicants know that self-attestation is possible when documents are unavailable. Programs should make it simple to offer assistance directly to renters when landlords are unresponsive or choose not to participate. NLIHC's surveys of ERA programs have found that programs that have undergone more iterations since the beginning of the pandemic (e.g., starting with CARES Act funds before shifting to Treasury Emergency Rental Assistance funds) tended to require less landlord documentation and less stringent tenant requirements in later versions, and the administrators behind such programs reported fewer concerns with fraud (Reina et al., June 2021). Program administrators with experience are learning and adapting to get assistance to the most vulnerable renters as quickly as possible.

PAYING RENT GOING FORWARD

Low-income renters may have a more difficult time paying rent in future months than they had pre-pandemic, for various reasons. Many such renters are carrying additional debt and will be juggling delinquent bills and rent payments. In the survey conducted by Pew in January 2021, 44% of those whose financial situation was harmed during the pandemic said it would take them at least three years to return to pre-pandemic circumstances.

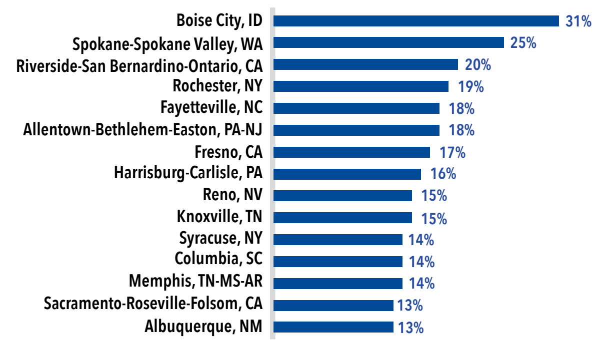
The economic recovery has been slower for low-wage workers, so even many renters who had financial security before the pandemic will remain worse off for some time. High-wage workers were much more likely to keep their jobs or return to work sooner than low-wage workers. By tracking private payrolls, Opportunity Insights estimates that relative to January 2020, employment rates among workers in the bottom wage quartile were still 23.6% lower in March 2021, while employment rates for high-wage workers were 2.4% higher. Estimates produced by economists at the Federal Reserve paint a similar picture: in February 2021, when the official unemployment rate was 6.2%, they estimated the unemployment rate for the lowest wage-quartile workers was still 22% (Brainard, 2021). While falling unemployment is encouraging, there is still some distance to go for low-wage workers.

Finally, the out-migration of some households from expensive to less expensive metros may affect rent levels in some cities. ApartmentList shows that while median rents fell in some large metros like New York City and San Francisco during the pandemic,[3] median rents continued to rise in some smaller metros like Boise (up 31%), Spokane (25%), Fresno (17%), and Knoxville (15%) (Figure 8). As the median rents in those cities increase, rents at the bottom of the market are likely to rise as well, putting additional pressure on low-income renters.

THE INADEQUACY OF THE PRE-PANDEMIC STATUS QUO

FIGURE 8

Metros with Large Increases in Median Rent, March 2020-May 2021



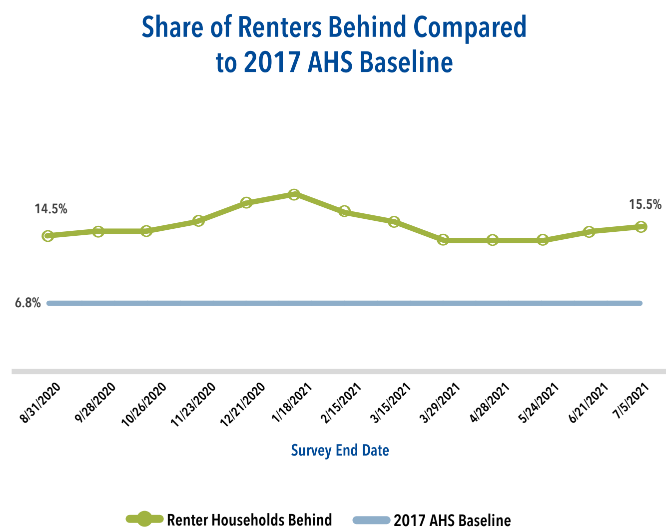
Source: Salviati, Popov, & Warnock (2021)

Even setting aside these numerous pandemic-related challenges that low-income renters will face in the coming months, if we see a sustained, robust economic recovery that returns us to a pre-pandemic status quo, millions of renters will struggle to make ends meet. In 2019, nearly 82% of renters with incomes less than 50% of area median income (AMI)—over 14 million households—were housing cost-burdened, spending more than 30% of their income on rent. Over 7.5 million households were extremely low-income (earning less than 30% of AMI) and severely housing cost-burdened, spending more than half their income on rent (NLIHC, 2021b).

Pre-pandemic housing surveys are not directly comparable to the Census Pulse Survey, but they suggest millions of renters will continue to fall behind on rent even after our full recovery from the pandemic and the economic crisis. In the 2017 American Housing Survey, 6.8% of renters said they had made a late or partial payment or missed a payment in the last three months. Presumably, a smaller share were currently behind on rent at the time of the survey, but we cannot be certain.

3 While the median rent fell in cities like New York City and San Francisco, that did not translate into greater affordability for the lowest-income renters, as the most affordable submarkets likely saw increased demand (Rampell, 2021).

FIGURE 9



Source: US Census Bureau, Household Pulse Survey

Regardless, in the pre-pandemic status quo, millions of renters routinely struggled to pay their rent.

The pandemic was economically devastating to many low-income households precisely because they struggled to afford their housing even when economic times were better. In 2019, when the unemployment rate hit a 50-year low and the economy was in comparatively good health, 10 million renter households spent more than half of their incomes on rent, and there were only 37 affordable and available homes for every 100 extremely low-income renters (NLIHC, 2021b). The shortage of affordable housing for the lowest-income renters forces them into unsustainable budgets and continuously puts them in danger of eviction and financial disaster.

The economic recovery has been slower for low-wage workers, so even many renters who had financial security before the pandemic will remain worse off for some time.

While we continue to focus on ensuring that emergency rental assistance is deployed quickly to help low-income renters in need, long-term policy solutions are needed to end the financial precarity that so many renters regularly endure. The Housing Choice Voucher program should be fully funded, so that every eligible renter receives assistance. An annual investment of at least $45 billion into the national Housing Trust Fund is needed to expand the supply of homes affordable to the lowest-income people, through construction, preservation, and rehabilitation. Renters also need access to a permanent national housing stabilization fund, which would provide short-term financial assistance and housing stabilization services to renters as soon as they fall into need, before they face eviction. Finally, renters need greater legal protections—legislation prohibiting "source-of-income" discrimination against voucher holders, a right to counsel during eviction proceedings, and "just-cause" eviction protections that limit the reasons renters can be forced from their homes. As we look to recover from the devastation caused by the pandemic, we should also aim to ensure that the lowest-income households will not be so grievously harmed by the next disaster.

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