Statement of
Yung Chun, Ph.D., Senior Data Analyst
And
Michal Grinstein-Weiss, Ph.D., Director,
Social Policy Institute at Washington University in St. Louis

Maryland House of Delegates, House Economic Matters Committee

Requirement and Prohibitions
During and After a State of Emergency and Catastrophic Health Emergency
(Foreclosure Relief Act of 2021, HB 1009)

February 22, 2021

Dear Chair and Members of the House Economic Matters Committee,

We are Yung Chun, Senior Data Analyst and Michal Grinstein-Weiss, Director, of the Social Policy Institute at Washington University in St. Louis (hereafter SPI). We are here to express our favor of House Bill 1009, Requirements and Prohibitions During and After a State of Emergency and Catastrophic Health Emergency (hereafter Foreclosure Relief Act of 2021), as individual researchers and housing research experts, not as representatives of SPI or Washington University.

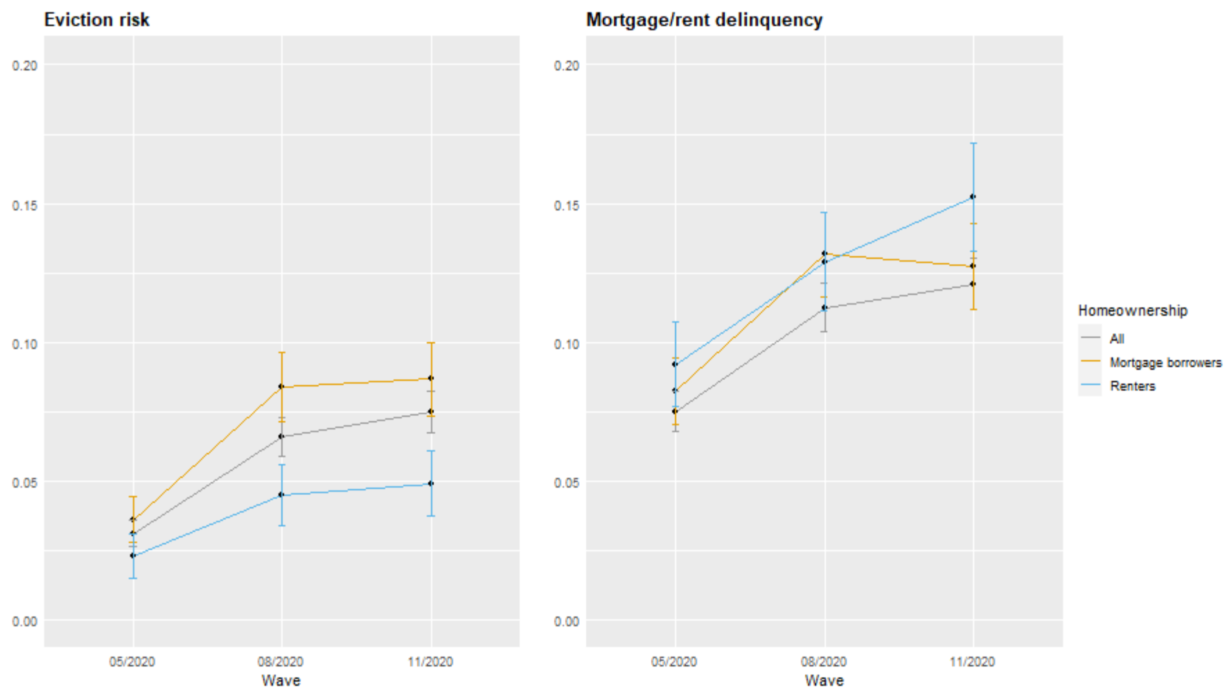
To explore the socioeconomic impacts of the COVID-19 pandemic on U.S. families, the SPI, administered the Socioeconomic Impacts of COVID-19 Survey (Social Policy Institute, 2020). The survey has been administered in three waves – late April and early May (Wave 1), late August (Wave 2), and November and early December (Wave 3) – to over 5,000 samples each time. The longitudinal nature of this survey series enable to us to explore housing-related hardship experiences of U.S. families during the pandemic. We observe that:

- U.S. households are at risk of eviction and mortgage/rent delinquency during the pandemic.
  - The risks are heightenedas the pandemic is prolonged.
- Mortgage borrowers are more likely to be foreclosed/evicted than renters despite having lower rates of housing payment delays.

U.S. households are at risk of eviction and mortgage/rent delinquency during the pandemic

The housing crisis of U.S. households is not a new story. In 2019, one in 200 homeowners (0.4%) were foreclosed; another one in 20 homeowners (4.5%) were delayed in paying their mortgage in the same period (CoreLogic, 2019). The risk of eviction has increased during the pandemic, where stable and adequate housing is even more critical. In May 2020, 3.1% and 7.5% of our survey respondents report that they were forced to move by a landlord/mortgage lenders and experienced mortgage/rent payment delay, respectively. That risk of eviction/foreclosure far exceeds the risk during the 2009 housing market burst (2.2%).

Our nationally representative survey reports that more U.S. families confronted housing-related hardships as the pandemic persists. Over the course of the pandemic, the eviction/foreclosure rate has increased from 3.1% (May) to 6.6% (August) and to 7.5% (November). Likewise, the rent/mortgage delinquency rate also increased from 7.5% (May) to 11.2% (August) and to 12.1% (November). Strikingly, contrary to conventional wisdom that homeownership promotes housing stability, we found that homeowners became more vulnerable to the eviction risk than renters; in August and November, mortgage borrowers were almost twice as likely to be evicted by a mortgage lender than renters (See Figure 1, left). This is contrary to our findings regarding mortgage/rent delinquency; that is, renters were similarly or more likely to delay housing cost payments than mortgage borrowers (See Figure 1, right).



The conflicting findings on eviction risks and housing payment delays between mortgage borrowers and renters reflect that homeowners are in a blind spot of public benefits during the pandemic. Federal, state, and local governments have provided a number of housing subsidies for renters, including rental assistance programs, eviction moratoriums, and protections for renters under the Coronavirus, Aid, Relief, and Economic Security Act (CARES Act). Homeowners, on the other hand, have been the focus of only two Federal remedies– mortgage forbearance and foreclosure moratorium – neither of which require extra public expenditure (Consumer Financial Protection Bureau, 2020). Alarmingly, forbearance relief will expire for most homeowners this spring, and foreclosure moratoria are scheduled to end this winter.

Due to the lengthy foreclosure/eviction process, a time lag exists between the mortgage payment delinquency and foreclosure/eviction. The high level of mortgage delinquency and rent payment delay would exacerbate the risks not only for mortgage borrowers but also for "mom and pop" landlords (Broady et al., 2020), exposing them to housing hardship and foreclosure due to an erosion of asset liquidity. Our recent survey in November 2020 reports that more than one-third of respondents (35.6%) said their savings would last less than three months. Given that liquid assets buffer the financial crisis for the hardest-hit families (Roll & Despard, 2020), lack of liquid assets will endanger thousands of homeowners at risk of foreclosure and homelessness without proactive remedies from the public sector.

Conclusion

Infection and eviction (as well as other housing-related hardships) are inseparable. The COVID-19 infection rate is primarily determined by its reproductive number (R0); if R0 is below one, then the infection will eventually diminish in the population. Otherwise, it will keep spreading. Social distancing is a key practice that minimizes the R0 by reducing the frequency and duration of contact individuals have with each other (Sen-Crowe et al., 2020). The most powerful and effective way to keep social distancing is by staying home. The Emergency Homeowner Protections Bill is essential not only for families hardest hit by the pandemic but also for society. We, Yung Chun and Michal Grinstein-Weiss, hereby urge a favorable report on the Forclosure Relief Act of 2021 (HB 1009).

Additional suggestions

As housing researchers, we argue that the bill should be the first step but not the last. The bill postpones impending housing and financial disasters rather than eradicates the problem homeowners may confront after the expiration, including paying back missed bills. Furthermore, this measure could shift the financial risks to mortgage lenders, exposing them to erosion of liquid assets. More proactive and sustainable remedies are needed. Such remedies require monetary costs as well as public consensus that every member is related to one other, especially in the era of contagion. Indeed, this housing situation impacts every member of society. If mortgage borrowers are unable to pay off their mortgage, their financial risks shift to their mortgage lenders. If a family is evicted, the coronavirus could spread rapidly to neighborhoods. Indeed, stable shelter is a fundamental human need for individuals and an imperative tool for society to combat the spread of the coronavirus.

References

Broady, K. E., Edelberg, W., & Moss, E. (2020, September 21). *An eviction moratorium without rental assistance hurts smaller landlords, too*. Brookings Institute. https://www.brookings.edu/blog/up-front/2020/09/21/an-eviction-moratorium-without-rental-assistance-hurts-smaller-landlords-too/

Consumer Financial Protection Bureau. (2020). *Learn about mortgage relief options and protections*. https://www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/mortgage-relief/

CoreLogic. (2019). *Loan Performance Insights Report*.

Roll, S., & Despard, M. (2020). Income Loss and Financial Distress during COVID-19: The Protective Role of Liquid Assets. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3733862

Sen-Crowe, B., McKenney, M., & Elkbuli, A. (2020). Social distancing during the COVID-19 pandemic: Staying home save lives. *Ajemjournal.Com*. https://doi.org/10.1016/j.ajem.2020.03.063

Social Policy Institute. (2020). *Socioeconomic Impacts of COVID-19 Survey*. https://socialpolicyinstitute.wustl.edu/items/covid-19-survey/