



COVID-19: A Crisis for Renters, Landlords and the US Economy

A Proposal for Rental Assistance

PROBLEM

Renters Need Assistance Paying Rent
Most Landlords Cannot Remain Solvent Without Rental Payments
Heading for Another 2008-2010-Like Housing Crisis

PROPOSED SOLUTION

Rental Assistance Advances to All COVID-Impacted Renters
Administered through Tax Program (Similar to Earned Income Credit)
Amounts Advanced to Be Repaid Over Up to 10 Years through Tax Returns
Amounts Advanced May Be Forgiven for Certain Low-Income Taxpayers

Single-Family Rental Home Facts

- There are 43 million renter households in the U.S. (accounting for 109 million individuals), comprised of 23 million single-family rental homes (67 million individuals) and 20 million apartment rentals (42 million individuals).¹
- American families – including military families, millennials, working families, and seniors – are attracted to the comfort, convenience, and affordability offered by single-family rental homes.
- The average income of renter households in 2018 was just over \$40,000.
- More than 95% of single-family rental homes are owned by individual “mom and pop” landlords who own one to four single-family rental homes.
- Rental homes are financed in a variety of ways, including residential mortgages, commercial mortgages, private loans, and other forms of debt. Much of this debt is not government sponsored or guaranteed and therefore not subject to the safety and security of the recent mortgage payment moratoriums.

¹ *Single-Family Rental: An Evolving Market*, Freddie Mac, December 2018. www.freddiemac.com



The Problem

According to an article in Forbes magazine published in November 2019 – months before the COVID-19 outbreak – more than 70% of Americans were classified as financially at-risk, with middle income earners being the most vulnerable. Now, many of these Americans will undoubtedly face economic hardship brought about by job loss or work stoppage during and after the COVID-19 crisis.

Owner-landlords of rental homes will not have the capacity to continue maintaining these homes or servicing the associated debt if there is a break in the rental cycle. As noted recently by the *Urban Institute*², most owner-landlords operate homes on the thinnest of margins and all are responsible for complying with a wide array of financial obligations, from local taxes to maintenance to insurance premiums to debt servicing.

Renters Need Assistance

Impacts All Renters

Caused by Significant Unemployment/Reduced Income from COVID-19 Crisis Including Shelter-in-Place Government Requests

Housing/shelter is a non-discretionary necessity of every American. Most Americans have limited savings and will not have the ability to meet their rental payment obligations if they face an economic hardship due to job loss or work stoppage during and after the COVID-19 crisis. A temporary eviction moratorium does not solve their problem. Rental and utility costs will continue to accrue and be payable at the end of the moratorium. The stress and angst of not being able to meet basic housing needs is unmeasurable.

Rental Homeowners Need Rent to Pay Expenses

“Mom and Pop” Landlords Own Approximately 22 Million Single-Family Rental Homes - Without Rental Payments, Most Single-Family Rental Home Landlords Cannot Cover the Cost of Maintaining Homes, Property Taxes, Insurance and Mortgages

Owner-landlords of rental homes are dependent on rent collections to be able to perform maintenance on the homes and meet monthly obligations like property taxes, insurance and mortgage payments. More than 95% of single-family rental homes are owned by individual “mom and pop” landlords who own one to four homes. Without the receipt of rental payments,

² *Avoiding a COVID-19 Disaster for Renters and the Housing Market*, The Urban Institute, April 2020.
www.urban.org



many owners of single-family rental homes will have immediate liquidity issues, and most will have liquidity issues if the crisis extends even a few months.

Long-Term Impact to Housing Market

Without Rental Payments, Many Single-Family Rental Homes are at Risk of Foreclosure - Heading for Another 2008-2010-Like Housing Crisis

Owner-landlords of rental homes who do not collect rent will not have the ability to make payments on loans secured by the homes. Many of these loans are not secured by GSE sponsored mortgages. The recent mortgage payment moratoriums for GSE sponsored loans is already putting pressure on the mortgage industry. The potential for a 2008-2010-like housing mortgage crisis is real. With more than 23 million single-family rental homes, if even a small percentage of these homes default on their mortgages or property taxes, there will be more homes at risk than in 2008. Putting this number of homes (and therefore, homeowners) at risk will undoubtedly cause a housing and economic crisis at least as significant as the 2008-2010 crisis.

A Proposed Solution

A Solution That Provides Short-Term Economic Liquidity Relief for Renters and Landlords and Avoids Another Housing Crisis like that of 2008-2010

This Proposed Solution can be Implemented Quickly

This Proposed Solution Provides Rental Assistance to all Renters

This Proposed Solution is Structured as a Loan to Minimize Cost to the Federal Government

The following is a proposal for a federal program to provide rental assistance to all American renters impacted by a COVID-19 hardship. **The program is designed as a long-term interest-free loan administered through the federal tax system.** Some portion (or all) of the loan may be forgiven for select taxpayers as determined by policymakers.

- I. Renter completes a *Rent & Utility Relief Request* form provided by the renter's landlord (hard copy or electronic copy) or through the website of the administering federal agency (likely HUD or Treasury). Renters who include utility payments with their monthly rent may also include these utility payment amounts in their request for relief.
- II. Renters are eligible for rent and utility relief to the extent they experience financial hardship through job loss, furlough, work stoppage, or illness related to COVID-19 that results in a decline in household income and inability or diminished capacity to pay rent. Renters must provide proof of hardship as part of their request for relief.



- III. The *Rent & Utility Relief Request* form is completed by the renter and submitted to their landlord who then credits the renter's account.
- IV. A renter may request rent and utility relief either in full or part for periods beginning April 2020 and extending until the program is terminated by federal agency.
- V. On a monthly basis, the landlord presents a claim to the administering federal agency for the credits provided to renters. The claim includes details related to the renters who received assistance. The administering federal agency will then forward payment to the landlord.
- VI. When the renter files their 2020 tax return, they claim the amount of assistance they were entitled to and received (as reported by the landlord on a 1099-like form). The claim is reconciled to amounts the renter received from their landlord during 2020. Any variance, positive or negative, will be an adjustment to 2020 (and beyond) federal income tax liability. *(This is like the federal tax program for "Earned Income Credit" and advanced payments from employers)*
- VII. The renter will pay back the amount of the credit received over a period of up to ten (10) years. The government may make provisions that forgive the relief loan (or some portion thereof) for certain taxpayers.

*Note: The solution proposed herein is for single-family rental assistance. While there are minor differences as to facts and impacts, all COVID-impacted Americans need housing assistance. This proposed solution is easily adaptable to be a one solution fits all for all housing related costs – mortgage payments, rental payments and utility costs. **THIS SOLUTION WILL PROVIDE LIQUIDITY FOR RENTERS – AMERICANS WHO NEED ASSISTANCE FOR THEIR FAMILIES AND WILL HELP SUPPORT THE ECONOMY DURING THIS DIFFICULT TIME.***