



DATA FOR *PROGRESS*

THE JUSTICE  
COLLABORATIVE  
INSTITUTE

# ADDRESSING HOUSING PRECARITY IN THE CONTEXT OF CORONAVIRUS CRISIS

---

**Rachel D. Godsil** *Professor at Rutgers Law School  
Co-Founder and Co-Director of the Perception Institute  
Chancellor's Social Justice Scholar*

---

April 2020



# EXECUTIVE SUMMARY

---

Not leaving one's home, or "shelter in place," is the primary strategy to prevent the continued increase in coronavirus infection. In other words, safety from potentially deadly illness requires that people have homes, meaning that the harms generally associated with eviction or foreclosure are exponentially greater. Yet the massive job losses that already have occurred during coronavirus—over 10 million people sought unemployment in March—will leave more renters and homeowners unable to pay rent or make mortgage payments than any time since the Great Depression, exacerbating the homeless and housing crisis.

Voters, as shown through polling by Data for Progress, across all party lines want their government officials to take bold steps to protect people from losing their homes and falling into financial despair, including bi-partisan support for each of the following:

- ▶ 79% would support a ban on rent increases for as long as there remains a state of emergency.
- ▶ 81% would support a ban on evictions for as long as there remains a state of emergency.
- ▶ 84% would support a ban on foreclosures for as long as there remains a state of emergency.
- ▶ 76% would support a "suspend and forgive" rent program, under which the government—not the renter—would compensate landlords for lost rental income for as long as there remains a state of emergency.
- ▶ 78% would support a "suspend and forgive" mortgage payment program for as long as there remains a state of emergency.

- ▶ 80% would support a "sliding scale" rental assistance program that provides direct payments to tenants to ensure people can pay their rent despite coronavirus-related lost income for as long as there remains a state of emergency.
- ▶ 83% would support rental assistance to Americans experiencing homelessness for as long as there remains a state of emergency.
- ▶ 87% would support government assistance to non-profit housing providers to ensure that those providers are able to continue to provide stable housing to their tenants for as long as there remains a state of emergency.

In both the federal and many state governments, steps have been taken that while aimed at protecting everyone will ultimately leave far too many renters and landlords behind. Government plans already in existence recognize that scores of people will be financially unable to make rent and mortgage payments due to coronavirus. But the shortsightedness of plans that render any relief temporary is they ignore how a person struggling to pay rent in May or June will almost certainly be unable to come up with multiple months payments whenever the government deems the crisis over. If steps are not taken to offer long-term rental assistance or abate rents and allow mortgage payments to be deferred, a housing crisis will inevitably occur as renters and economically vulnerable homeowners are suddenly required in later months to pay the monies owed. The debt will be insurmountable.

All groups within government's reach can be protected through fair, reasonable, and available solutions. Government must allow rent payments

to be suspended and forgiven. But small landlords cannot be forgotten as many landlords are economically vulnerable themselves. Both from a fairness perspective and to prevent the economic consequences of landlords' deferring on their obligations, landlords should receive compensation for the rents owed. A failure to provide protections for landlords will only shift the crisis from one place to another.

Ideally, the federal government will provide direct payments to renters to cover their costs or provide states adequate funding to provide such assistance. However, in the event this does not occur, states are in a position to respond by imposing a crisis “mansion” tax on high-worth properties—akin to the transfer tax utilized in New York City and other municipalities—and earmarking it for rental assistance. This country has an enormous wealth gap between the top 1% and everyone else—and even with the losses the extremely wealthy may be experiencing in the stock market, a 1-4% tax on high-worth property is far from the economic devastation everyone is facing. Those who are “staying at home” in mansions should be willing to contribute to ensure that everyone can safely shelter in place as well and not have to battle both this virus and potential homelessness.

---

## Housing Crisis

---

As of 2018, there were over 38 million people in the United States at or below the poverty line. Not surprisingly, lower-income Americans are more likely to rent while wealthier Americans have significantly higher home ownership rates. More than 16 million renters are cost-burdened, spending more than a third of their salary on rent, and forty-percent of Americans report they could not come up with \$400 in an emergency.

While there has long been a housing crisis in the country, coronavirus makes the issue particularly dire. When staying at home to try to avoid a pandemic is required, having a home must be a right for all, not a privilege for some. With millions already out of work, and more certainly to follow, what happens when people unable to pay rent find themselves facing eviction?

Government officials at the federal, state, and local levels are engaged in action on a variety of fronts to address housing precarity. None are adequate. Even plans with the best of intentions only defer the problem for many instead of an actual solution to adequately protect people—homeowners, renters, and landlords—from the long-term consequences of the current crisis.

---

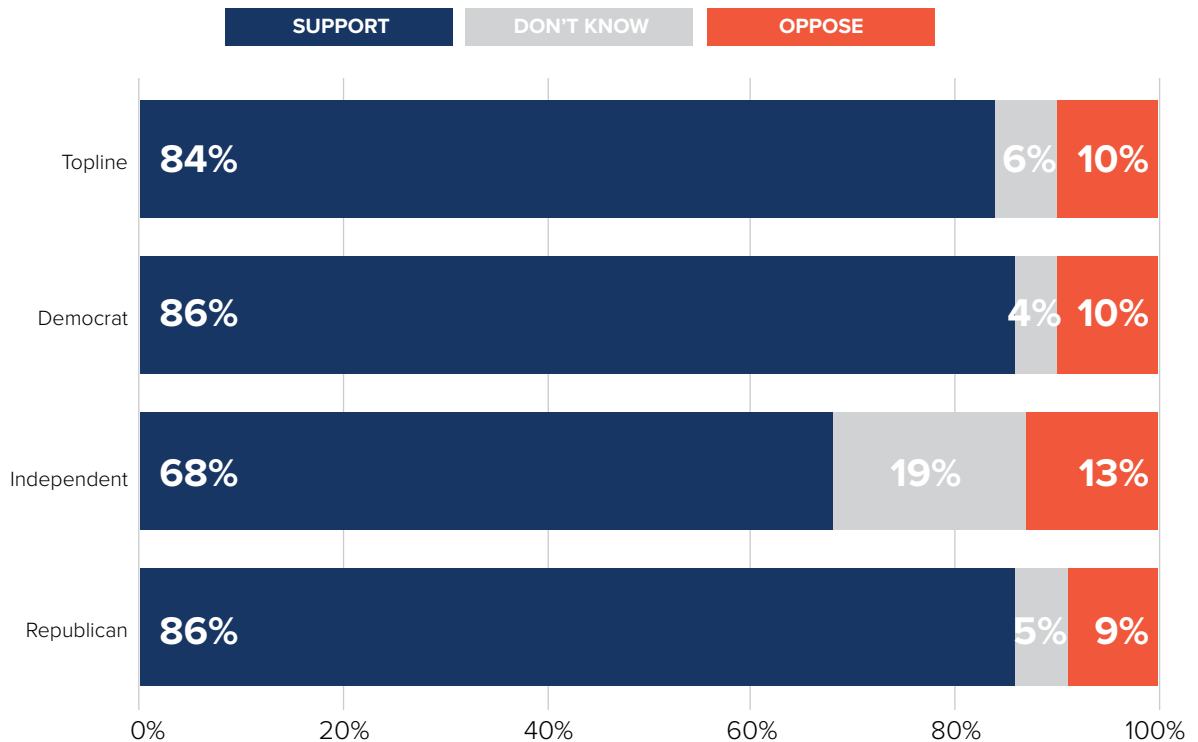
## The Current Proposals: Federal Response

---

Action at the federal level has occurred through the Department of Housing and Urban Development (HUD) which, on March 18, 2020, authorized the Federal Housing Administration (FHA) to implement a foreclosure and eviction moratorium for single family homeowners with FHA-insured mortgages for the next 60 days. The guidance, which applies to homeowners with FHA-insured Title II Single Family forward and Home Equity Conversion (reverse) mortgages, directs mortgage servicers to:

- ▶ Halt all new foreclosure actions and suspend all foreclosure actions currently in process.
- ▶ Cease all evictions of persons from FHA-insured single-family properties.

Would you support or oppose a ban on foreclosures for as long as there remains a state of emergency?



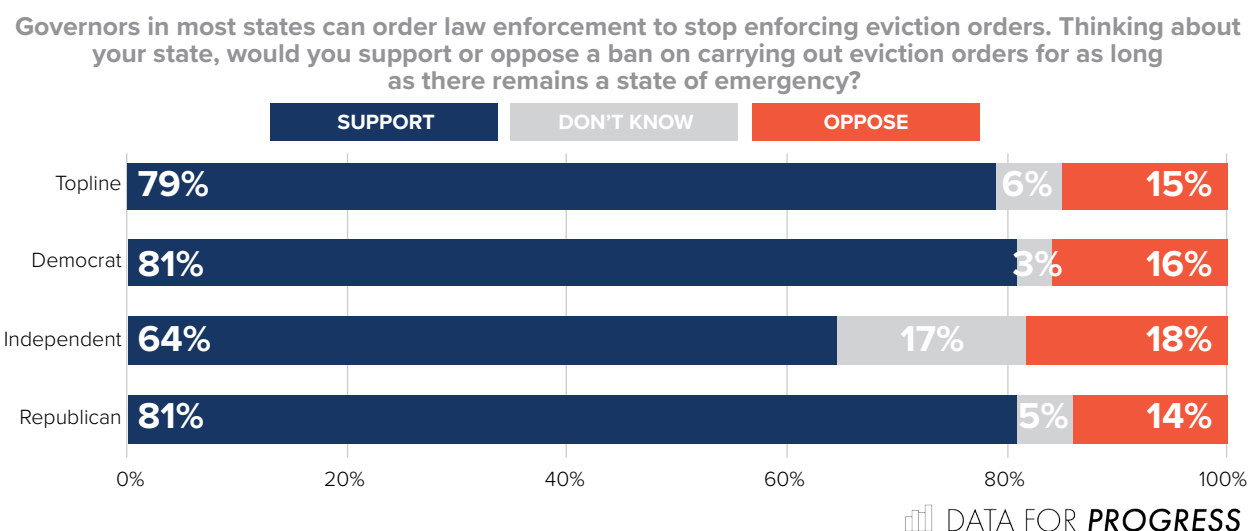
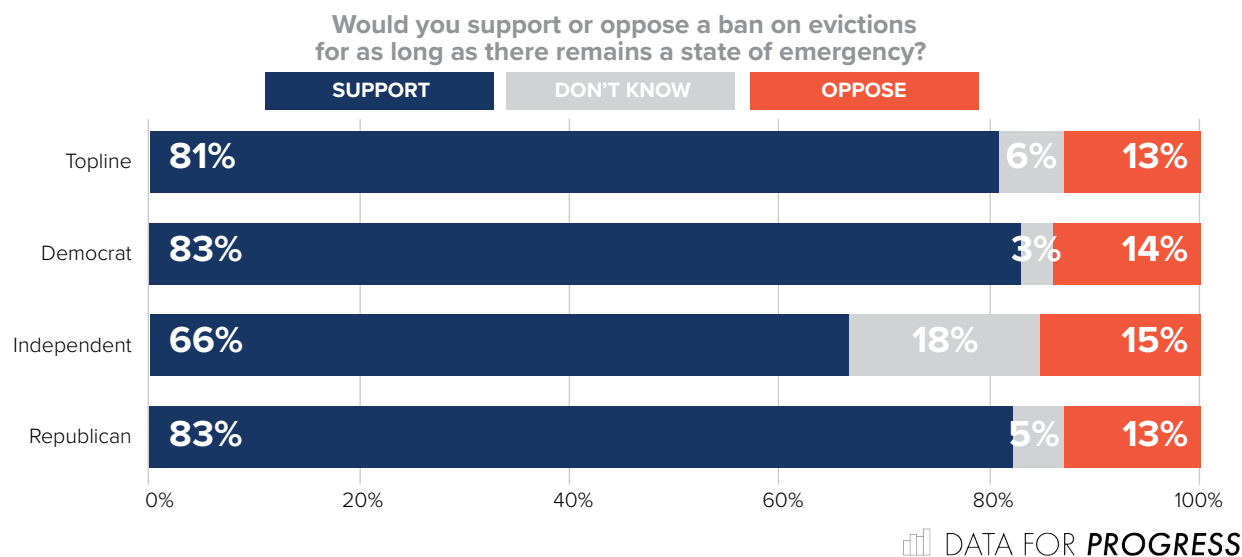
DATA FOR PROGRESS

Both foreclosures and eviction procedures are set to resume by the start of June. Only a small percentage of mortgages are FHA insured, and the number has actually been decreasing in recent years.

In addition, the Coronavirus Aid, Relief, and Economic Security Act (CARES), passed on March 28, 2020, makes it unlawful to evict renters living in single-family and multifamily properties financed by federally backed mortgages and renters living in federally assisted housing. This protection is estimated to apply to roughly 28% of the 43.8 million US rental units, leaving a significant majority of renters unprotected.

## The Current Proposals: State Efforts

States have responded to the housing precarity concerns raised by coronavirus in a variety of ways. A number of governors have issued complete eviction moratoria while others have issued emergency orders prohibiting state courts from ordering evictions when tenants can establish that they are unable to pay rent as a result of coronavirus. In New York, for example, there is a 90-day state-mandated halt, issued on March 20, 2020, to evictions as well as suspension of mortgage payments for 90 days for borrowers



who face financial hardship related to coronavirus. (See [Appendix A](#) for other examples). Not all states are protecting renters from eviction as Connecticut, Colorado, and Maine among other states are still allowing eviction orders to be filed despite the pandemic.

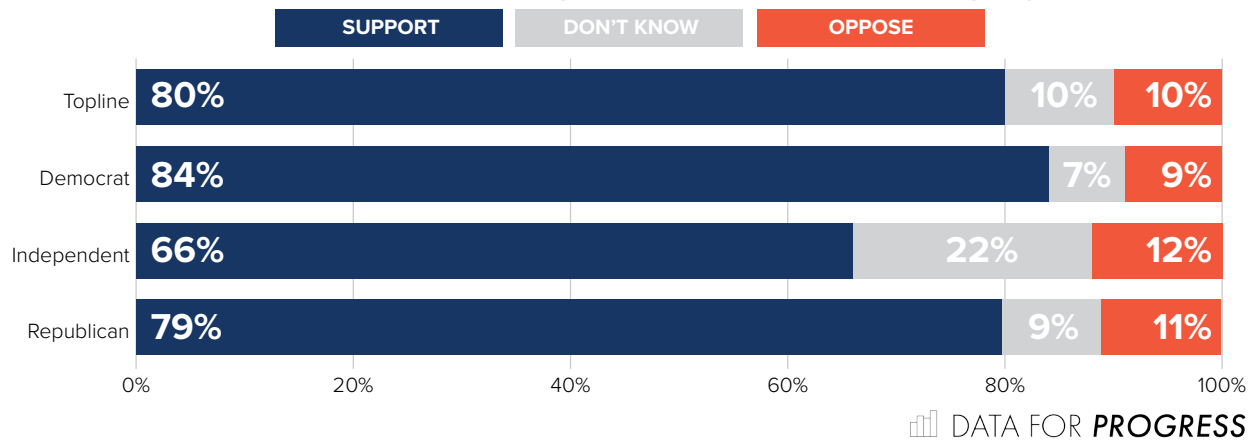
## Rental Assistance rather than Rent Strike

Government action to stop evictions and foreclosures is a positive step. It is not sufficient. Government actors must realize that any plan to protect all people from becoming homeless must

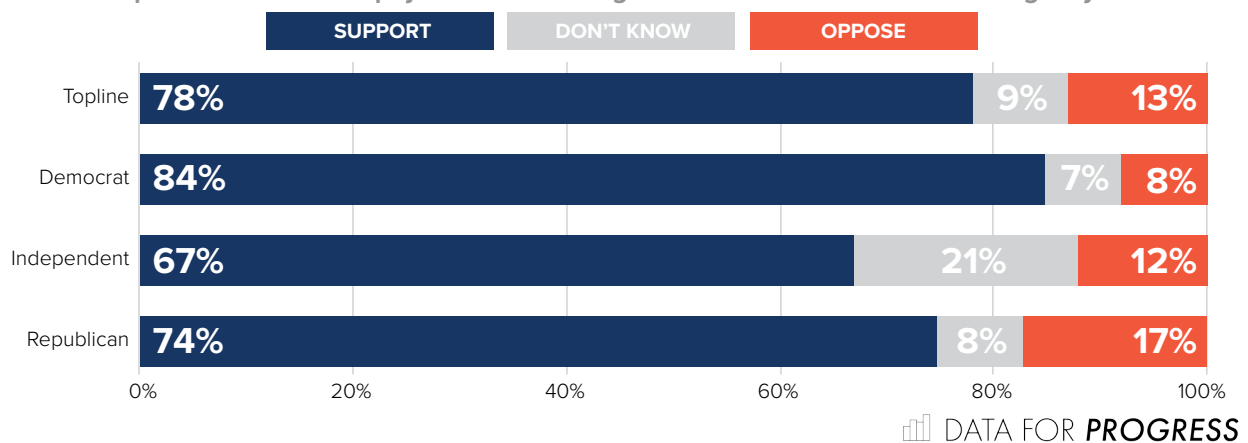
accommodate the reality that people who cannot pay bills during the crisis will likely not be able to pay them in the months after. Temporary halts on evictions fail to meet those goals for all people, specifically those who rent.

The federal government provided substantial protection for lenders and homeowners under CARE—the [\\$2 trillion economic rescue package](#)—those who lose their income can [defer mortgage payments](#) and then tack the missed payments onto to the end of their loan term. This cushion allows homeowners an opportunity to get back on their feet without the obligation of immediately repaying accrued debt.

Would you support or oppose a "sliding scale" rental assistance program to provide direct payments to tenants to ensure people can pay their rent despite coronavirus-related lost income for as long as there remains a state of emergency?



Would you support or oppose a "suspend and forgive" mortgage payment program, under which the government—not the homeowner—would compensate the mortgage provider for missed payments for as long as there remains a state of emergency?



Renters did not receive the same protections from the federal government and no state has yet stepped into the gap, rendering renters exceedingly vulnerable. The burden of having to pay for rent in this time of enormous economic hardship is leading activists to call for a rent strike across the country—which is understandable from the tenants' perspective.

If tenants refuse to pay rent, large landlords may be able to weather the refusal without significant financial hardship as a result of the protections they have available through the government-

backed loans. They can skip loan payments through forbearance programs and may have rental insurance.

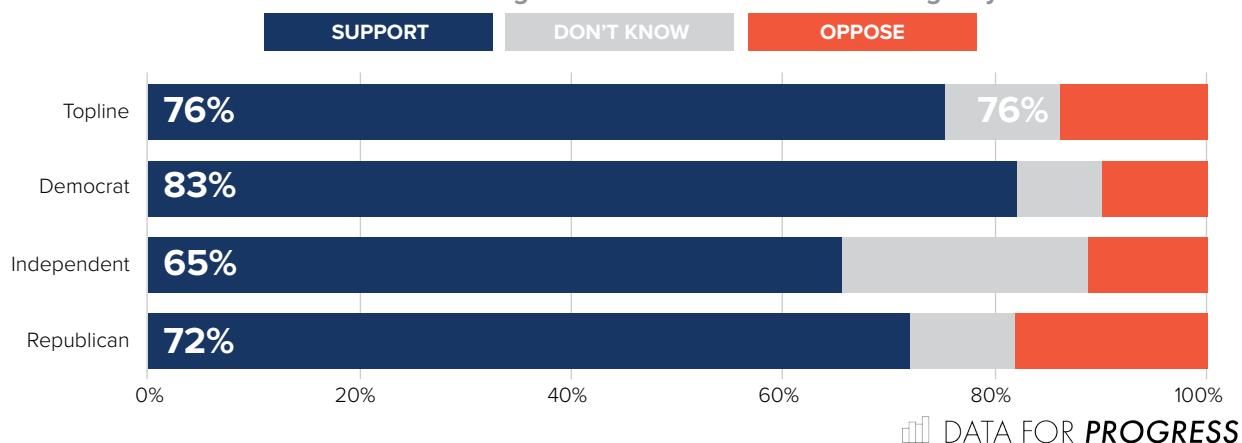
But a significant percentage of tenants rent from landlords who are economically vulnerable themselves. Just as renters may not be able to afford rent due to loss of income, landlords who do not receive expected income may themselves be unable to meet their own personal financial obligations. The solution is to provide rental assistance directly to tenants while finding a mechanism to make landlords who are losing rental payments due to coronavirus whole.

Legislation has been proposed in New York<sup>1</sup> that would address these concerns by providing emergency vouchers directly to landlords on behalf of those who have lost income due to coronavirus. The justification for this action is clear:

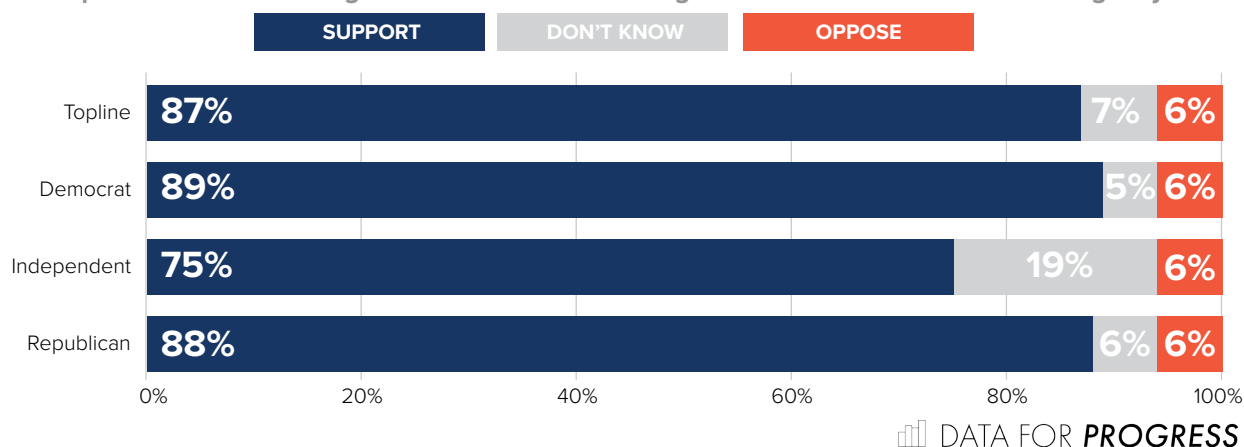
*With State and local governments mandating the shuttering of all but essential businesses in the interest of protecting public health, New York has seen a rapid and unprecedented economic decline. Many New Yorkers, facing severely reduced or entirely lost wages, will not be able to keep up with*

*rent payments during this time. With a three-month moratorium on evictions in place, the immediate danger of mass displacement has been averted, but only temporarily. Once the public health crisis abates and the moratorium is lifted, many New Yorkers will be vulnerable to losing their homes. Moreover, the precipitous loss of rental income by property owners will have an adverse effect on their ability to maintain their property, pay employees, meet mortgage obligations, and keep up with property taxes that local governments will need to cover essential services.*

**Would you support or oppose a "suspend and forgive" rent program, under which the government—not the renter—would compensate landlords for lost rental income for as long as there remains a state of emergency?**



**Given the coronavirus emergency, would you support or oppose government assistance to non-profit housing providers to ensure that those providers are able to continue to provide stable housing to their tenants for as long as there remains a state of emergency?**



To fund such measures, the Center on Budget and Policy Priorities argues that the federal government should provide states, territories, and tribes with flexible Emergency Assistance Grants to address unmet emergency needs, which would allow for rental assistance for those left jobless by the coronavirus crisis. In the event that the federal government does not meet this need, states should look to high income earners to address short-term need.

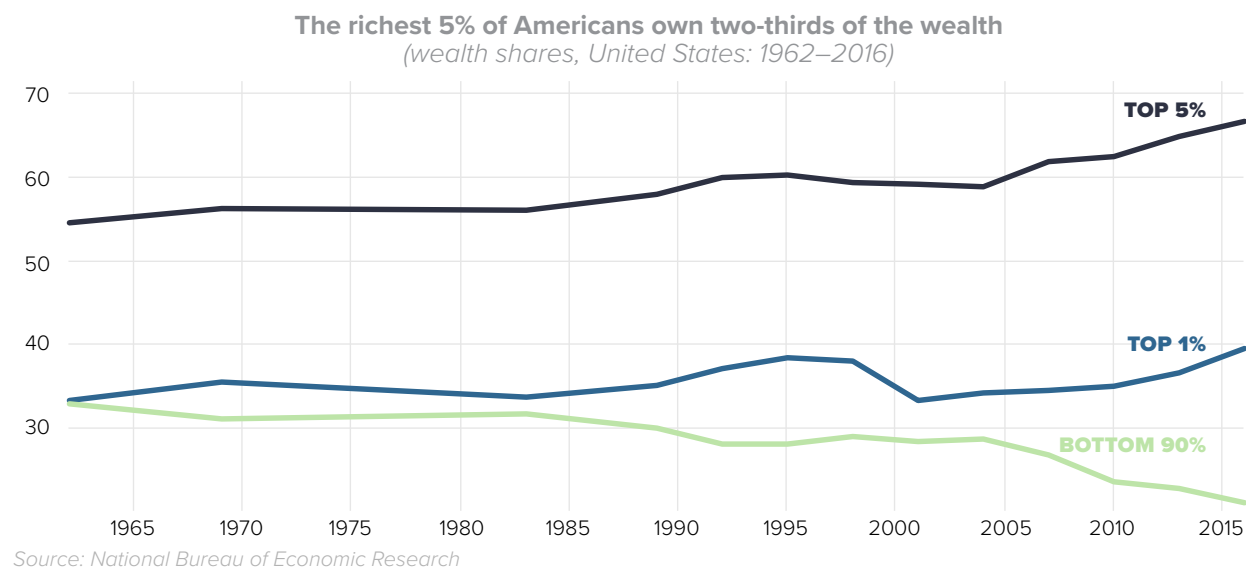
## How is this all paid for: The crisis “Mansion” Tax

The impediment to solutions at the state level are the effects upon state budgets stemming from the coronavirus hits to the economy. Yet the economic effects of the crisis vary wildly. For high income earners in industries that allow for virtual work, the stay in place rules have likely decreased spending and certainly haven’t caused economic distress.

Because of these differing effects, a solution may seem to be altering current state income taxes rates to become far more progressive during the crisis. Looking at states currently suffering significant effects from coronavirus,

the state tax rates would seem to leave ample room for a crisis tax. California is among the most progressive—with those making \$115,648 taxed at 9.3% and those earning over \$1 million at 13.3%. By contrast, New York’s rate for high income earners ranges from 6.41% for those earning over \$161,550 and reaches 8.82% only for those earning over \$2 million. Maryland has relatively flat tax rates, beginning at 4.75% and only reaching 5.75% once incomes reach \$300,000, Michigan’s is flat at 4.25%, and Washington and Florida have no state income tax at all.

However, even those who are currently in well-paying, stable jobs may suffer significant losses in the aftermath of the economic shutdown. And frankly, the differences between the income and wealth for the top 1% and particularly the top .01% and everyone else are so extreme that a more directed approach is warranted. The level of wealth inequality in the United States is even more acute. As the graph below displays, the National Bureau of Economic Research has found that the share of America’s wealth held by the nation’s wealthiest separates the top .01% from the rest of the country in degrees unprecedented since before the Great Depression.





To create a mechanism that addresses the concerns both of renters and small landlords at the state level and distributes the burden by those who can best afford to shoulder it, states should consider a variant on the “mansion tax” currently in operation in New York. However, rather than as transfer tax (given that few transfers are likely to take place during the crisis), the mansion tax can be a tax on existing single-family, owner occupied homes over a certain dollar value. (See [Appendix B](#) for example of New York City’s mansion transfer tax). The funds raised from this tax can be earmarked for rental assistance and the tax should be operative only as long as the crisis lasts. A mansion tax has the advantage of relying upon fixed assets with existing valuations and the rates can vary with state property values as well as existing tax burdens.

Obviously even before the coronavirus crisis, progressives have been arguing for a wealth tax, but for those who resisted this argument, the current pandemic should alter the calculus.

## CONCLUSION

---

The prospect of losing a home during this pandemic is truly catastrophic—creating the nightmare scenario of being on the streets at a time when even being near other people can be a life or death situation. Government

officials at the federal, state, and local levels have largely recognized the necessity of preventing foreclosures and evictions in the short-term. However, with respect to renters and those who rely upon rent for their economic well-being, current solutions only create future crises to solve.

Solutions are available that have wide, bi-partisan support. Homeowners and renters should be protected alike—protected from eviction and foreclosure and protected from a future situation where suddenly they are expected to have multiple months payments at once. And landlords who will lose out on any step to allow people to avoid rent payments must be able to receive assistance as well. We have a country with wide gaps in income and if ever there was a time for the one-percent to be asked to help provide for the rest to ensure we all can navigate this pandemic, the time is now.

## METHODOLOGY

---

From March 27, 2020 to March 28, 2020, Data for Progress conducted a survey of 2022 likely voters nationally using web panel respondents. The sample was weighted to be representative of likely voters by age, gender, education, urbanicity, race, and voting history. The survey was conducted in English. The margin of error is  $\pm 2.1$  percent.

## ENDNOTES

1. Also, New Jersey State senators [introduced a bill](#) on April 9, 2020 that would authorize a Governor to permit mortgage forbearance and rent payment responsibility reduction for residential property owners and tenants during a state of emergency.

COVER PHOTO  
Sam Trotman/Unsplash