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Congress needs to provide eviction and mortgage relief now before the coming crisis

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As the coronavirus pandemic rages on, tens of millions of Americans are struggling to remain in their homes.

Congress acted forcefully in the spring to help strapped renters and homeowners, but that help is about to run out. More is needed, and fast. Through rental relief, a generous refinancing option and a first-time home buyer tax credit, low- and moderate-income households can get vital near-term help and a longer-term foothold in the middle class.

With a national eviction moratorium and broad mortgage forbearance, Congress initially prevented a wave of economic distress, saving vulnerable families from choosing between paying their rent or their mortgage and putting food on their table. That relief, however, will soon expire. Evictions will resume in January, and those who were first to receive forbearance will have to begin paying their mortgages again in March.

Congress must address this. And this time, lawmakers should not simply delay the moment of reckoning for families struggling to cover their housing costs, but help them meet these costs over the long term. Otherwise, their prospects for recovery, and those of the nation, will dim. First, and most pressing, is rental relief. We estimate that renters will owe close to \$70 billion in unpaid rent by the time it comes due in January, or \$5,400 for the typical family that has fallen behind. House Democrats have provided a place to start, passing legislation that would cover much of this cost, allowing these families to stay in their homes and helping mom-and-pop landlords avoid crippling losses.

The nation also faces a deeper and more long-standing rental crisis. Even before the economic fallout from the virus, a quarter of tenants were paying more than half of their income on rent, leaving little to cover medical bills or school books, much less to set aside for retirement, their kids' education or a down payment on a home. This unsustainable situation is being driven by a long-running shortfall in the construction of affordable rental homes, which is driving up rents more quickly than wages, putting renters further and further behind.

To make sure that in staving off a near-term rental crisis we are not simply repairing a pothole on a collapsing bridge, Congress must dramatically scale up its support for affordable rental housing. One efficient way to do this is to convert a small, temporary fee being charged on mortgages to cover the payroll tax cut of 2011 into a permanent one that funds housing programs. This change would raise more than \$50 billion over the next decade and could be used in part to expand the Housing Trust Fund and Capital Magnet Fund, programs designed to increase the number of affordable homes for rent.

As mentioned, homeowners also face the looming prospect of expiring relief. Because forbearance isn't forgiveness, those who first took the lifeline offered by Congress face a daunting backlog as their mortgage payments come due again early next year.

Congress should help them manage the coming strain, but in a way that puts them on sounder financial footing over the long term. To do this, lawmakers should offer those of modest means with a government-backed mortgage the opportunity to refinance into a 20-year mortgage at a fixed rate comparable to the government's borrowing costs — currently less than 1 percent. By dramatically lowering their interest rate, lawmakers will allow borrowers to sweep their debt overhang into an affordable new loan.

And by shortening their loan term, they will allow borrowers to build wealth in their home at about twice the pace they are today. If limited to those who make below the area median income, we estimate that with very high participation the program would cost about \$170 billion, covering the incentives needed for lenders to make these low-margin loans and the compensation needed for Fannie and Freddie to create a secondary market for them.

Congress could also expand the offer to first-time home buyers. When paired with the \$15,000 refundable tax credit that President-elect Joe Biden proposed for first-time home buyers to use toward a down payment, this would not only increase the wealth-building power of homeownership for low- and moderate-income families but put that opportunity within reach of more families. This combination would be especially helpful to the many families of color who have been unable to build wealth through homeownership because they are unable to come up with the needed down payment. Thus, it could begin to bridge both the racial homeownership gap and the racial wealth gap.

Lastly, Congress and the new administration need to rethink how to reform Fannie and Freddie, the behemoths of housing finance. For the Trump administration, reform has meant preparing them for a return to control by private investors, whose interests would again reign over the housing needs of the nation. This path has led them to make policy decisions that are exacerbating the strain created by the coronavirus and will only make matters worse in the coming months, with a more expensive and less stable mortgage market. More disconcerting still, the Trump administration is considering turning them back over to private control even before Fannie and Freddie are adequately capitalized, in part simply to avoid giving the incoming administration a say in their future.

It is critical that policymakers get the nation's mortgage market off this ill-conceived course, stepping in to stop the current administration if needed. We must turn the focus of policymaking back to how Fannie and Freddie can help serve the nation's serious affordable housing needs rather than the interests of private shareholders. While this is no doubt a longer-term effort, there are a number of plans out there that offer a promising place to start.

In the meantime, the economic fallout from the virus is straining millions of renters and homeowners. If not addressed, next year we will begin to see a wave of evictions and foreclosures that will do untold damage to these families and the broader economy, making the eventual recovery slower and more expensive. Congress must act quickly to avert this social and economic toll and to begin the difficult work of addressing the affordable housing crisis that left us so vulnerable heading into the pandemic — and that threatens to leave us even more vulnerable coming out of it.

This should be neither controversial nor partisan. It is clear that absent legislative action, yet another wave of economic distress is coming our way. And it is clear that we must address the nation's growing crisis in affordable housing. What is needed now is for policymakers to appreciate the costs, and the opportunities, created by the intersection of the two.

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