

Recognizing Renters in the Foreclosure Crisis

Challenges and Opportunities

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Renters in America

In 2008, 35 million households rented.

This was 32% of American households.

Renting tends to serve younger Americans and those with lower incomes but most Americans rent at some point in their lives.

Historically, renting has provided a safety net for households in an economic downturn or otherwise in transition.

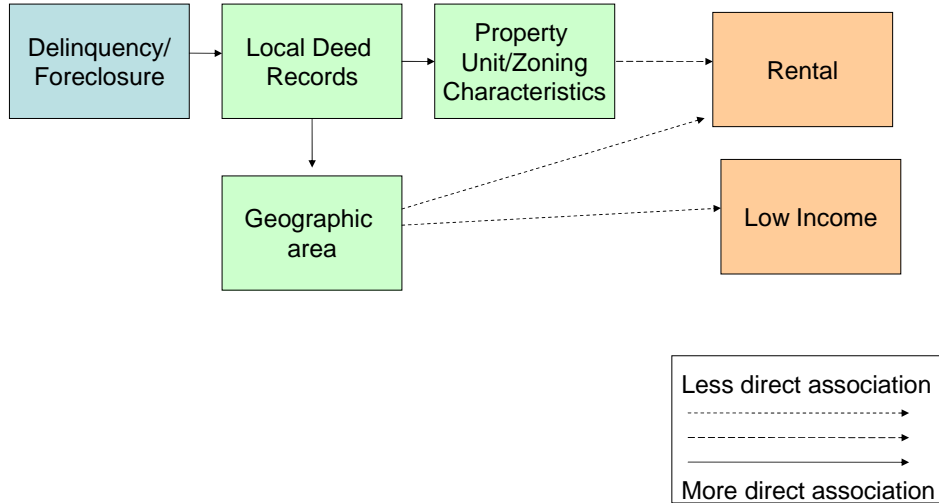
My intentions

1. Review recent NLIHC research
2. A look at California data
3. Implications for rental markets and renters: What we know and what we think we know
4. Observations on the policy stages in accepting renters
5. A review of policy and proposals

NLIHC research

- NLIHC conducted a survey of 1500 HUD approved counselors and related rental eviction service providers
- NLIHC has an ongoing project to use foreclosure data to better identify, quantify and track the issue of renters in foreclosure.
- State and national policy responses

The links in our foreclosure data analysis (A Plea for Better Data)



The multi-unit/rental link

	Properties	Units
Total	14,993	23,440
Single-Unit	10,257	10,257
Percent of Total	68%	44%
Multi-Unit	4,736	13,183
Percent of Total	32%	56%

• We can say with relative certainty: 1/3 of properties are multi-unit, accounting for 56% of units

• Estimating the share of rental properties is sensitive to the assumptions, but the significance of the sector is clear.

Estimated Percent Renter-Occupied Assuming...		
	the owner lives in the multi-unit property	all units in multi-unit properties are rented
all single-units are owner-occupied	36%	56%
85% of single-units are owner-occupied	43%	63%

Source: NLHC tabulations of Warren Group Data 2007 14,993 foreclosures from January 2007 to March 2008

The geography/income and tenure link

Property Foreclosure Rate by Neighborhood Typology, New England (CT,MA, NH, RI)

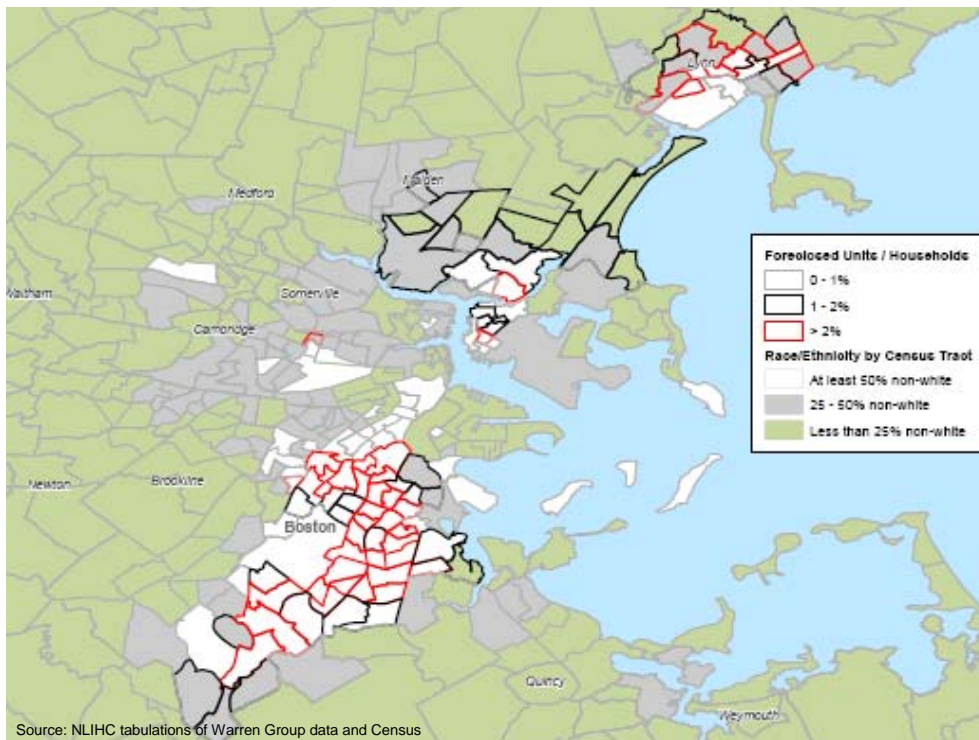
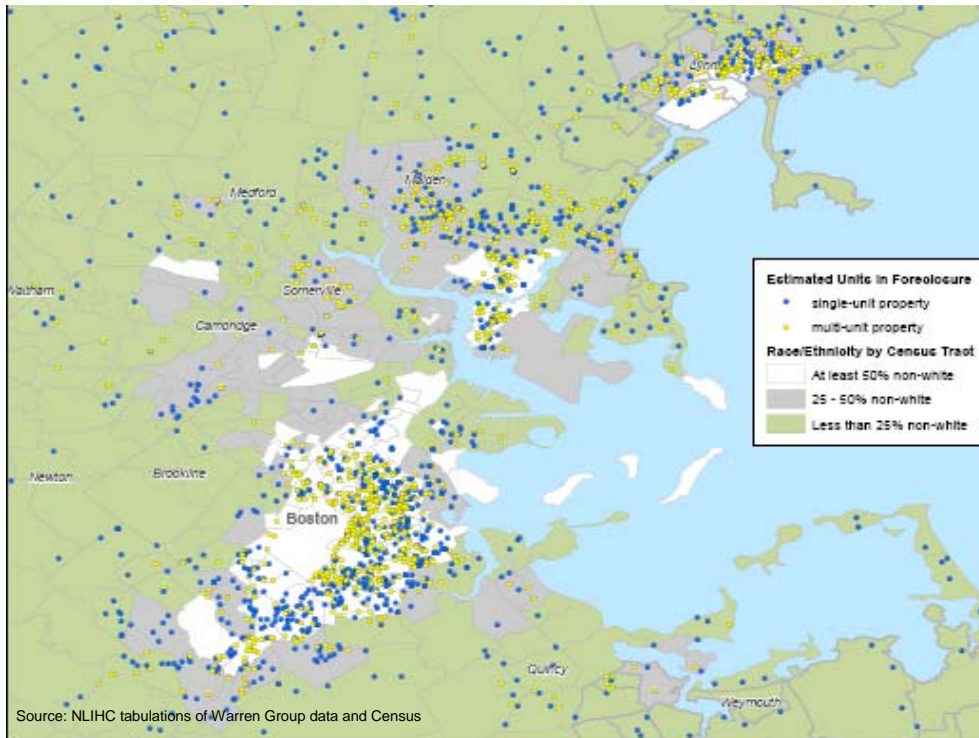
		Percent Renter			
		Low	Average	High	Total
Poverty Rate	Low	0.24%	0.21%	0.27%	0.23%
	Average	0.33%	0.35%	0.28%	0.33%
	High	0.26%	0.75%	1.06%	0.99%
	Total	0.26%	0.38%	0.88%	0.50%

Source: NLHC tabulations of Warren Group Data 2007 14,993 foreclosures from January 2007 to March 2008

Foreclosure in New England* by Housing Type and Census Tract Race and Poverty Characteristics**			
14,993 foreclosures from January 2007 to March 2008			
Foreclosed Units/ Total Households (Multi-unit Properties in Foreclosure/Total Properties in Foreclosure)***			
	White Quartile	Middle Half	Non-White Quartile
Low Poverty	0.21% (7%)	0.24% (8%)	0.52% (8%)
Average Poverty	0.28% (10%)	0.32% (17%)	0.60% (31%)
High Poverty	0.63% (26%)	0.46% (33%)	1.32% (58%)

*Data from CT, MA, NH, RI. **The White Quartile is the bottom quarter of tracts in each state ranked by the proportion non-white population, the Middle Half contains tracts ranking between the 26th & 75th percentiles, and the Non-White Quartile is the top quarter. A tract is categorized as being "low poverty" if its poverty rate ranks in the bottom third within the state, "average" if it ranks in the middle third, or "high" if it ranks in the top third. *** Foreclosed properties (and units) include those scheduled for auction and those already owned by their lenders as a result of foreclosure (REO)

Source: NLHC tabulations of Warren Group Data 2007 14,993 foreclosures from January 2007 to March 2008



Rentals are over a third of foreclosed units in California

Residential Foreclosures in California	Properties			Units		
	Total	% Owner	% Renter	Total	% Owner	% Renter
Single-Family	344,347	71%	29%	345,833	70%	30%
Condominium	44,920	69%	31%	44,920	69%	31%
Multifamily	15,716	42%	58%	43,446	15%	85%
Other	6,270	57%	43%	6,980	51%	49%
Total	411,253	69%	31%	441,179	65%	35%

Note: Excludes three properties that were not classified as owner- or renter-occupied. For owner-occupied properties with multiple units, one unit is considered owner-occupied and the remainder are considered renter-occupied. Regardless of the property's classification, all properties with more than 5 units are assumed to be entirely renter-occupied.

NLIHC Analysis of ForeclosureRadar.com Data January 1, 2007 through March 15, 2009 and Census data for Public Use Microdata Areas (PUMAS)

Largest California regions have significant rental foreclosures

	Properties	Property Characteristics		Units		
	Total	Single-Family	% Renter	Total	% Renter	Renter Unit Concentration Index
Los Angeles	68,514	77%	26%	79,243	36%	102
Riverside	54,443	93%	31%	54,949	22%	96
San Bernardino	39,841	92%	31%	42,918	36%	101
San Diego	31,678	65%	34%	34,880	40%	107
Sacramento	29,720	91%	35%	31,408	38%	104
Orange	20,263	68%	27%	22,302	33%	97
San Joaquin	18,805	93%	22%	19,840	35%	100
Contra Costa	18,217	86%	27%	19,014	30%	91
California	411,253	84%	69%	441,179	65%	100

NLIHC Analysis of ForeclosureRadar.com Data January 1, 2007 through March 15, 2009

Race/ethnicity, poverty, and foreclosure in California

Unit Foreclosure Rate (Adj Units / Household * 100)									
Poor PUMAs (2007)	White and Non-White PUMAs (2007)								
	Least White (Bottom Quartile)			Mixed Race/Ethnicity			Most White (Top Quartile)		
	Mean	Median	Count (PUMAs)	Mean	Median	Count (PUMAs)	Mean	Median	Count (PUMAs)
	Least Poor (Bottom Quartile)	1.88	1.88	2.00	2.15	1.65	30.00	2.22	1.78
Middle Half	4.74	3.99	25.00	4.43	3.47	66.00	2.21	1.76	26.00
Most Poor (Top Quartile)	4.22	3.35	31.00	5.01	3.86	21.00	2.15	1.68	6.00

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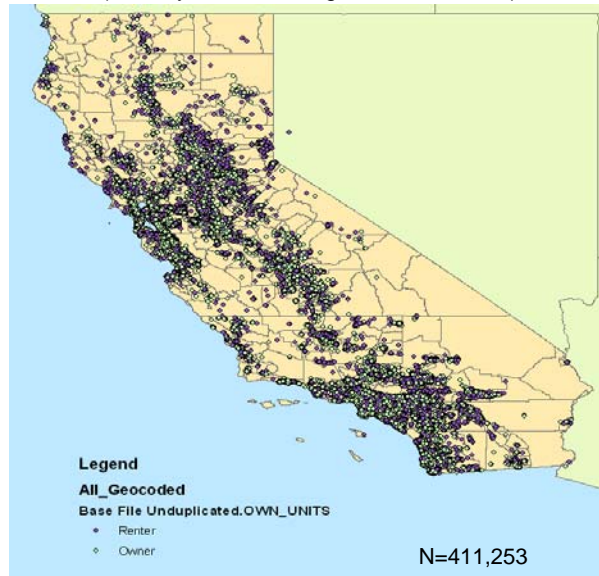
Race/ethnicity, poverty, and foreclosure in California

Unit Foreclosure Rate (Adj Units / Household * 100)									
Poor PUMAs (2007)	Renter and Owner PUMAs (2007)								
	Owner (Bottom Quartile Renter)			Mixed Tenure			Renter (Top Quartile Renter)		
	Mean	Median	Count (PUMAs)	Mean	Median	Count (PUMAs)	Mean	Median	Count (PUMAs)
	Least Poor (Bottom Quartile)	2.81	1.90	34.00	1.33	1.18	22.00	0.54	0.54
Middle Half	6.45	4.84	23.00	3.93	3.26	69.00	1.96	1.10	25.00
Most Poor (Top Quartile)	14.19	14.19	1.00	5.39	5.06	26.00	3.05	2.38	31.00

NLIHC Analysis of ForeclosureRadar.com Data January 1, 2007 through March 15, 2009 and Census data for Public Use Microdata Areas (PUMAs)

Rental foreclosures occur across California

Rental Foreclosures Occur Statewide in California
(January 1, 2007 through March 15, 2009)



Source NLIHC Analysis of ForeclosureRadar.com Data

Tenants Together report

- More than 225,000 renters live in units that went through foreclosure in 2008.
- 62% of callers to Tenants Together Tenant Foreclosure Hotline lived in homes considered “owner occupied.” 50%-75% in individual county surveys.
- Hidden Impact: California Renters in the Foreclosure Crisis
www.tenants-together.org/article.php?id=665

Foreclosures affect renters nationwide

In 2008, a fifth of properties in foreclosure were rentals.

Many foreclosures have multiple units.

NLIHC estimates **40%** of the families that face eviction due to foreclosure are renters.

56% in New England (NLIHC)

Over 50% in New York City (Furman Center)

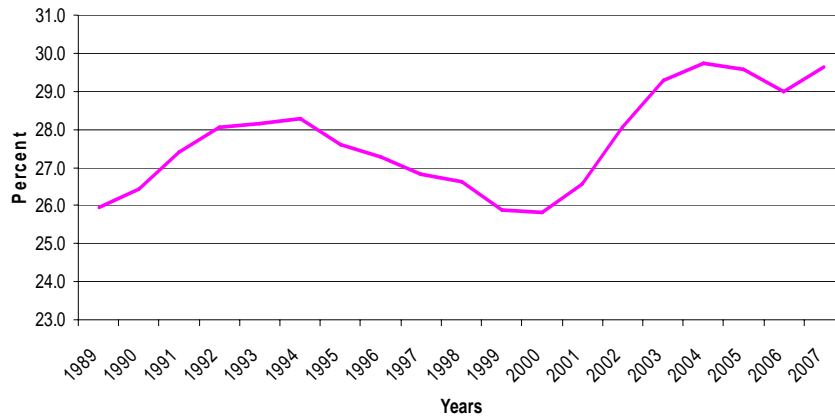
Over 60% in Minneapolis (Ryan)

etc. see (www.nlihc.org/template/page.cfm?id=159)

The impact on the rental market and renters

Nearly half of all renters now pay over 30% of income for housing

Median renter cost burden (1989-2007)
Gross rent as a percent of income



How “housers” talk about income

AMI = Area median income

ELI = Extremely Low Income = 0 -30% of AMI

VLI = Very Low Income = 31-50% of AMI

LI = Low Income = 51-80% of AMI

MI = Moderate Income = 81%-120% of AMI

Lowest income households face severe housing cost burdens

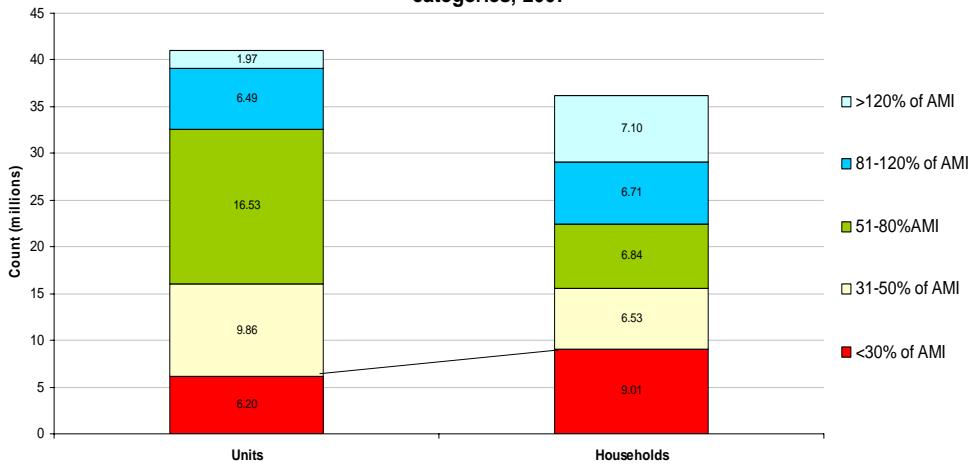
Percent of Renter Households Spending >50% of Income on Gross Rent (2007)	
Income Category	2007
Extremely Low Income	70%
Very Low Income	31%
Low Income	7%
Not Low Income	1%
Total	24%

NLIHC tabulations of 2007 ACS data

Supply is the problem

There is a 2.8 million absolute deficit of ELI rentals

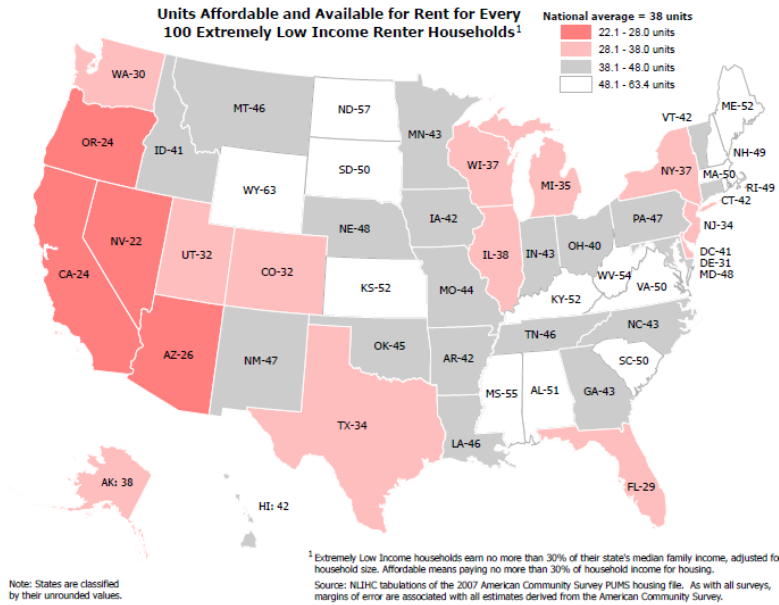
Rental homes and renters in the US, matched by affordability and income categories, 2007



NLIHC Tabulations of 2007 Census American Community Survey Data

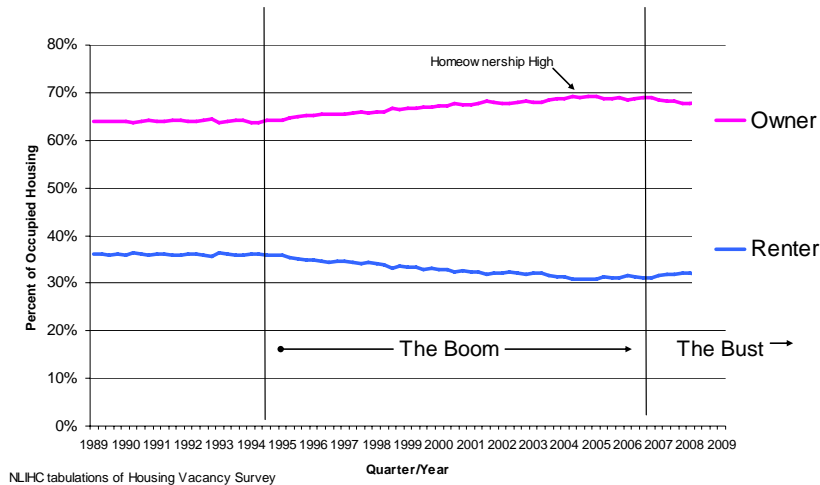
The gap exists nationwide

No state has more than 63 affordable homes for every 100 ELI renters



Two decades of renting and owning (Quarterly)

US Households: Percent Owner and Percent Renter Quarterly 1989-2009 (Q1)



The outlook for renters

Nationally, the proportion and number of renters will increase.

Even if more households avoid foreclosure

Demand for lower rent homes will increase.

Incomes are falling.

Poorer job prospects (not everyone can live with mom and dad).

Households falling out of ownership will rent.

“Shadow market” of unsold for-sale homes grows.

Provides more options for higher income renters but will likely not affect low or even “median” rents.

Commercial apartment loans look fragile

Large building have maintained low foreclosure rates thus far but with falling property values, tight credit, imminent refinancing, this may change. This will have Large local impacts as hundreds or thousands of units foreclose at once.

Policy embrace of renting and renters is uncertain

Homelessness in a recession

“Based on estimates of the depth likely to be reached by the current recession, 1.5 million additional Americans are likely to experience homelessness over the next two years, over and above the number who usually become homeless.”

What is needed is not more shelters but to,

“prevent homelessness, and to rapidly rehouse families that do become homeless.”

National Alliance to End Homelessness. (2008) Homelessness Looms as Potential Outcome of Recession.

Recognizing renters: Policy stages

Stages in the recognition of renters in the foreclosure crisis

1. Renters are the problem (denial and anger)
2. Renters in trouble (bargaining and depression)
3. Renters as part of the solution (acceptance)

Addressing renters in trouble: Policy responses

- Federal responses
 - \$1.5 Billion in Emergency Shelter Grant Program
 - Homeless Prevention and Rapid Rehousing (HPRP)
 - Tenant protections
 - 90 day notice and right to remain up to 6 months with lease (does not preempt stronger local laws)
 - Part of anti-predatory lending bill (H.R. 1728) in House
 - Section 109 of Emergency Economic Stabilization Act requires Treasury Secretary to work toward allowing tenants to stay in place in assets owned by feds.
 - American Recovery and Reinvestment Act
 - Extends 1728 type protections to NSP acquisitions

Renters are part of the solution: Policy responses

- Local efforts
 - Prince William county started an inspection program aimed at separating good landlords from bad.
 - New Jersey provided funds for nonprofits to purchase and rent foreclosed homes to owners.
- Federal Efforts
 - NSP – Allows use on rental housing
 - Freddie Mac and Fannie Mae have instituted REO rental programs
 - Freddie's is provides Own-to-rent as a foreclosure mitigation

Getting beyond the current crisis: The Canaries

Subprime borrowers, small landlords, and low income people in general have been the canaries in the coal mine of this financial crisis.

The major responses thus far have been limited to:

- 1) Trying to resuscitate the canaries while they are still in the mine.
- 2) To ask what the heck canaries were doing in the mine in the first place.

Neither of these are solutions. We need to about the business of removing the canaries from the mine and fixing the mine itself.

Conclusion

We need to use this opportunity to recognize a balanced housing policy that provides security of tenure for owners and renters, and eviction for “just cause.”

We need to recognize a unified housing market, that renting and owning is a family choice and that households and housing moves with the economy between the two.

Housing policy must provide families with a choice of housing but primarily address the persistent gap between what the lowest income households can afford and what they earn.