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Analysis of Current and Expected Rent Shortfalls and Potential Evictions in the United States

Executive Summary

With very limited prospects for additional economic relief measures from Congress through the end of the year and given the slow economic recovery from COVID-19, many expect to see increasing levels of unemployment, increased rent burden among low-income renter households, a continued buildup of unpaid rent, and the risk of a real eviction crisis starting in the New Year. Stout Risius Ross, a global investment bank and advisory firm, recently prepared a report and analysis for the National Coalition of State Housing Agencies, titled [*Analysis of Current and Expected Rental Shortfall and Potential Evictions in the U.S.*](#) The Stout report estimates that there are between 9.7 million and 14.2 million renter households in the United States that are currently unable to pay rent and are at risk of being evicted. By January 2021, barring any additional rental assistance from the federal government, the report predicts that up to 8.4 million renter households could experience an eviction filing for failure to pay rent and that the rent shortfall for these renters will be between \$25.1 billion and \$34.3 billion.

➤ Impact of the CARES Act's Rental Assistance

The ability of renter households to pay rent and thus avoid being at risk of eviction largely depends on the current economic environment and the potential for a strong economic recovery. In response to the pandemic, many states have created or expanded key emergency rental assistance programs, funded through a range of federal (CARES Act), state, and local resources. The National Low Income Housing Coalition (NLIHC) recently published a report on [*Emergency Rental Assistance Programs in Response to COVID-19*](#) which identified 438 programs (68 state and 370 local programs) created or expanded in response to COVID-19 and its economic fallout. These programs range in size from \$15,000 to \$103 million for local programs and from \$400,000 to \$167 million for state programs. Approximately \$3.9 billion was devoted to state and local assistance with \$2.7 billion provided for emergency rental assistance. This funding was provided primarily through Community Development Block Grants, Emergency Solutions Grants, and the Coronavirus Relief Fund.

NLIHC found that most programs provided emergency rental assistance on a short-term basis for one to three months, despite the much longer duration of the pandemic and economic crisis. Most programs asked households to demonstrate COVID-related hardship, income eligibility, and proof of residency, and these requirements created complications for tenants and landlords alike. NLIHC also reported that few programs specifically targeted extremely low-income renters, prioritized extremely low-income renters or have set-asides devoted to this population.

The magnitude and duration of need for assistance has greatly outpaced the available funding, and the expiration of the supplemental \$600 in weekly unemployment insurance authorized by the CARES Act at the end of the July left many renter households financially vulnerable. Some states offered an additional six weeks of \$300 in supplemental unemployment insurance, but this relief has started to expire, with many renters experiencing greater difficulties paying their rent.

➤ **Projected Rents and Eviction Estimates**

Stout’s Analysis of Current and Expected Rental Shortfall and Potential Evictions in the U.S. is based on the Household Pulse Survey and the American Household Survey administered by the U.S. Census Bureau, along with housing data from the Center on Budget and Policy Priorities. Based on responses as of September 14, 2020, Stout estimates there are somewhere between 9.7 million and 14.2 million renter households that are unable to pay rent and at risk of eviction. Stout’s low range estimate of 9.7 million renter households is based on renter households that have indicated no or slight confidence in their ability to pay next month’s rent and excludes those households that receive certain forms of rental assistance (including public housing and Section 8 vouchers). The range jumps to 14.2 million renter households when including all renter households that have indicated no or slight confidence in their ability to pay next month’s rent, and a portion of renter households that have indicated moderate confidence in their ability to pay next month’s rent. Importantly, this second range does not make any exclusions for the renter households that receive rental assistance.

The report estimates that the rent shortfall for these households at the end of September 2020 was between \$12.2 billion and \$16.7 billion. This rent shortfall is only expected to increase—between \$25.1 billion and \$34.3 billion—by January 2021. The estimate includes the consideration that a portion of renters will make partial payments through credit cards or other riskier options of accessing capital but does not take into account interest or fees that may be charged for nonpayment of rent.

Analyzing the data by income category, Stout estimated the range of renter households that may be unable to pay rent and would be at risk of eviction, the number of estimated eviction filings by January 2021, and the estimated rent shortfall by January 2021 for each income bracket used in the Household Pulse Survey (see graph below).

Income Bracket	Estimated Range of Renter Households Unable to Pay Rent and at Risk of Eviction	Estimated Eviction Filings by January 2021	Estimated Range of Rent Shortfall by January 2021
Annual Income <\$20,000	3,040,000—4,530,000	2,670,000	\$3,642,000,000—\$5,422,000,000

Annual Income \$20,000—\$34,999	2,080,000—3,260,000	1,920,000	\$4,572,000,000—\$6,778,000,000
Annual Income \$35,000—\$49,000	1,510,000—2,330,000	1,380,000	\$4,413,000,000—\$6,169,000,000
Annual Income \$50,000—\$74,000	1,880,000—2,410,000	1,420,000	\$6,352,000,000—\$7,657,000,000
Annual Income \$75,000—\$99,000	750,000—980,000	580,000	\$3,098,000,000—\$3,824,000,000
Annual Income \$100,000+	530,000—780,000	460,000	\$4,428,000,000—\$6,045,000,000
Total	9,790,000—780,000	8,430,000	\$26,505,000,000—\$35,895,000,000

Source: Stout (September 25, 2020). *Analysis of Current and Expected Rental Shortfall and Potential Evictions in the U.S.*

Based on the results, renter households with the lowest incomes are more likely to not be able to pay rent and are, therefore, at greater risk of facing eviction. Specifically, renter households with annual incomes of less than \$50,000 represent 71 percent of the estimated eviction filings by January 2021.

Stout found that 54 percent of renters experienced job loss as a result of the economic fallout caused by COVID-19. Of those renters who reported losing their jobs, nearly half were full-time employees and almost a third were part-time employees or self-employed. Additional estimates found that nearly 16.5 million renter households have at least one worker in an industry immediately affected by the various efforts (local, state and federal) to stop the spread of the pandemic. Based on Stout's analysis, nearly 50 million people currently live in renter households that are likely experiencing some form of immediate job and/or income loss. With so many renters facing economic hardships, predictions show up to 8.4 million households could experience an eviction filing by January 2020.

Alternatively, researchers at the Federal Reserve Bank of Philadelphia released a recent report, [U.S. Household Debt, During COVID-19](#), which used payroll, joblessness and unemployment insurance data to try to create a more precise estimate of how many households nationwide are behind on their rent. The report estimated that by December 2020, some 1.34 million renter households will be behind on their rent as a result of pandemic-related job losses, which equates to roughly 4.2 percent of all renter households. Altogether, these households will owe roughly \$7.2 billion in rent by December, averaging to around \$5,400. These households include 2.8 million adults and 1.1 million children and are more likely to include people of color or have a woman as the head of the household. The report did not observe households' actual savings or non-housing-related costs, but estimated these from other sources, and they did not factor in whether households were struggling with their rent prior to losing their jobs. The report considered a range of rental debt outcomes, such as average debt accumulated for those with any debt, to inform efforts to provide emergency rental assistance.

➤ Renter Household Stability

For low-income renters, any change in income or employment exacerbates the financial strain that they were already experiencing prior to the pandemic. Between June and September, Stout reported that 33 percent of rental households did not make an on-time rent payment. Due to these late payments, 66 percent of renters expressed concern about being evicted within the next six months, and two-thirds had not made a full rent payment in August. Using credit cards, taking out high-interest payday loans, and depleting savings and emergency funds are just some of the measures renters are using to continue paying rent.

Recent data from the Urban Institute also shows nearly 60 percent of low-income families with young children who reported challenges paying for basic needs had trouble paying rent in June and July. Seventy percent of unemployed or laid-off families reported the same. Even for working low-income families, nearly half reported challenges paying rent.

Small businesses, including many private landlords with low-income renters or renters who receive rental assistance, are also having to use emergency funds to pay for rental property expenses. Stout reports that in August, approximately 35 percent of landlords reported using their savings to pay for expenses that are typically covered by rent income from tenants.

Stout found that among landlords owning residential investment properties, roughly a third are from low-to-moderate income households, and property income constitutes up to 20 percent of their total household income. Landlords with low-to-moderate incomes, therefore, have less access to capital compared to large corporate property investors and landlords. Many of these properties are more affordable to low-income renters, who have been especially impacted by the COVID-19 pandemic and resulting economic fallout. This has resulted in a cascading effect on landlords, especially those who serve low-income renters, and puts both landlord and renter in a similarly dire economic situation going forward.

➤ **Impact of CDC Eviction Moratorium**

On September 4, the Centers for Disease Control and Prevention (CDC) ordered an immediate, nationwide halt on evictions of any renter household due to the nonpayment of rent until December 31, 2020. The eviction moratorium was enacted under Section 361 of the Public Health Service Act to temporarily halt residential evictions to prevent the further spread of COVID-19, due to the rising housing insecurity exacerbated by the COVID-19 recession. The Stout report estimates that close to 20 million renters will face the threat of eviction in January. When estimating the number of monthly eviction filings, Stout took the assumption that in the current economic climate landlords will file an eviction notice after a tenant falls three months behind in rent payments and that a portion of those households that would have received an eviction notice under the three-month criteria will be protected under the CDC order, deferring their eviction until January 2021. The Urban Institute also reported that one in three American renters had little to no confidence in their ability to pay next month's rent in July and predicted as many as 40 million people faced potential eviction without the moratorium in place.

It's important to note that the actual number of renter households that may experience an eviction filing could vary based on renters' awareness of the CDC moratorium and the degree to which courts are consistently applying the CDC moratorium. For example, in September, the Texas Supreme Court ruled that when pursuing eviction citations, landlords will have to inform renters about the eviction moratorium requirements and include the form needed to apply for protection. The ruling also stipulated that landlords must notify the court immediately upon

receiving the declaration in an already-filed case, and that the court must immediately abate the action absent certain limited exceptions. However, Maryland's District Court has stated that even after the tenant has provided the declaration to the landlord, the court will still hear eviction cases and determine the merits of the case and/or the amount that is due for possession but will withhold entering a judgement until after the CDC order expires, at which point judgement will be entered automatically.

➤ **Conclusion**

The Stout analysis concludes that there are currently between 23.3 million and 34.0 million individual renters who are unable to pay rent and at risk of being evicted. Stout estimates that these renter households have already accumulated between \$12.2 billion and \$16.7 billion of shortfall in their owed rent. Furthermore, Stout estimates that more than 20 million individual renters could experience an eviction filing by January 2021, with the rent shortfall for these households estimated to be between \$25.1 billion and \$34.3 billion.

With COVID-19 cases currently increasing nationwide and all 50 states experiencing severe revenue declines, it is unlikely that low-income families will recover any stability before the CDC's eviction moratorium ends. For both renters and landlords, federal rental relief is necessary. Without Congress providing additional unemployment and rental assistance, it's hard to imagine how low-income renters and landlords will cope in 2021. Due to the CDC moratorium on evictions, some families could decide to hold off paying rent or utilities, prioritizing other essentials. Others may do their best to cover housing payments, leading to food insecurity, insufficient health insurance coverage, and strains in affording other basic needs. Conversely, without rental income, a significant number of private landlords—who may be coping with their own unemployment or additional expenses related to the COVID-19 pandemic—will also struggle to pay their mortgages, utility bills, property taxes, maintenance costs, staffing, and other property-related expenses. The longer the federal government waits to provide rental assistance at scale, the larger the debts of both renters and landlords will grow, and the more limited their resources will become.