Issue Brief: HOMEOWNERSHIP & COVID-19

CHACE
Campaign for Housing and Civic Engagement

•••• Stable homes build strong communities. ••••

Proven Solutions for Stabilizing Households

Many homeowners impacted by COVID-19-related financial hardships are currently missing mortgage, property tax, and utility payments. The impacts of job losses and economic activity contraction experienced in 2020 has disproportionately harmed both low-income workers, and black and minority households.[1] The current conditions will likely have long-ranging consequences for years to come.

The Challenge

While delayed repayment options may become available in the months ahead, federal response plans to date are not designed to resolve the increasing gap between income and expenses for many low-income homeowners. Without targeted intervention beginning now, and especially aimed at communities with the goal of eliminating disparate impact, thousands of Virginians are at risk of foreclosure and housing loss.

The Solutions

Homeowner Assistance Fund

A Homeowner Assistance Fund would provide crucial financing toward foreclosure prevention initiatives, including in Virginia. Direct financial assistance could be provided by grant, attached to the end of mortgage period over a number of years, or repaid upon resale. During and after the Great Recession, Congress funded homeownership programs in 18 state Housing Finance Agencies. Lessons learned from that era could provide meaningful federal interventions for homeowners.

Federal support provided widespread foreclosure prevention counseling and low-interest, long-term loans.

Similar to the Troubled Asset Relief Program's Hardest Hit Fund, new resources for state Housing Finance Agencies (HFA) could be used to help avoid housing defaults and foreclosure.

This approach could also be used to protect available single-family homes from a wave of predatory acquisitions.

Federal agencies that work closely with Virginia's housing finance agency (Virginia Housing) could direct borrower assistance packages for those who have lost jobs and incomes, to help immediately stabilize households. Extending forbearance agreements without interest or penalties would be another way to protect existing homeowners from losing their housing.

Expand Housing Counseling

The US Department of Housing & Urban Development (HUD) sponsors and certifies professional advisors to serve as housing counselors. Counselors are instrumental in guiding current and potential future homeowners through budgeting and financing considerations, as well as understanding the homebuying process.

Counseling is also a critical component of housing stability – enabling households who have lost income or remain at low incomes to keep their homes, as well as helping eligible households understand what programs and assistance may be available to help them purchase a home.

The demand for high-quality housing counseling services exploded in the wake of the Great Recession. The scale of the 2020 COVID-19 pandemic and loss of jobs, income, and other supports is likely to require greater intervention to protect homeowners. HUD needs to begin now to allocate substantial new resources to immediately expand housing counseling capacity for lower-income households, in addition to the other outlined housing stability solutions.

Note that higher rates of job and income loss among Hispanic and non-Hispanic black households may prompt higher rates of eviction and foreclosure among these subsets of households. Any further widening of tenure gaps between white and households of color will also have longer term implications for the persistent racial wealth gap.[2]

Emerging reports of disparate impacts from the Covid-19 crisis on both the health and economic conditions for households of color will require more direct resource intervention, particularly for their effect on housing tenure.[3]

Any federal homeownership and counseling programs disbursed through financial institutions should include substantial, dedicated resources toward community-based banks and Community Development Financial Institutions (CDFIs) to help homeowners. These institutions are intentionally and uniquely positioned to reach rural, urban, and Native communities of color that are often underserved by traditional banks.

Homeowner Risk Mitigation

Experience during the Great Recession showed the harm caused by predatory lending practices, especially among black homeowners.[4] The lost household wealth and economic activity caused by these actions can be avoided in the current housing market through swift implementation of best practices learned during the last decade. They can also lead to net increases of homeownership value that would help all Virginians. These include:

- Ensure responsible lending practices, including strong consumer protections, robust mortgage regulations, limit risk-based loan pricing
- affordable Federal Housing Administration loans;
- bolster fair-housing and community-reinvestment policy and enforcement

As well, a number of homeownership models could be employed that can promote greater housing resilience for residents, to weather future economic downturns and unexpected hardships without losing access to wealth creation and housing stability. Federal support for homeownership concepts such as community land trusts, cooperative, co-housing, tenant-organized purchase of for-sale rental buildings, and other models could include greater funding to acquire, finance, and sustain homeownership for residents.

Federal support could also include reducing regulatory barriers that render these approaches ineligible for mortgage or other support financing, as well as incentivize and encourage development of sustainable, tailored models for homeownership across states and localities.

All of these activities would help more households, and especially those who have not had equitable access to homeownership opportunities under current restrictions and access to capital and financing today.

What Congress Can Do

- Support increased and reliable federal housing assistance funding aimed especially at lower income households and communities of color.
- Increase low-barrier down payment assistance, low-interest rate fixed cost mortgages, and support tools for state housing finance agencies and locally-serving financial institutions aimed especially at lower income households and communities of color.
- Ensure adequate funding and other resources to expand and support housing counseling agencies to support existing and future low-income homeowners gaining and maintaining wealth and stability.
- Craft policies that do not exacerbate existing racial and income disparities in housing markets, by prioritizing vulnerable households and communities of color in federal aid.
- Pledge federal support to housing ownership efforts that also help address persisting inequities facing communities of color, including investments in infrastructure, high connection to opportunity, economic mobility, health and other core priorities.

[1] Financial and health impacts of COVID-19 vary widely by race and ethnicity, Pew Research Center, https://www.pewresearch.org/fact-tank/2020/05/05/financial-and-health-impacts-of-covid-19-vary-widely-by-race-and-ethnicity/
[2] Housing Vacancy Survey Report, Q1 2020, Enterprise Community Partners, https://www.enterprisecommunity.org/policy-and-advocacy/housing-vacancy-survey-report
[3] Linking Housing Challenges and Racial Disparities in COVID-19, Enterprise Community Partners, https://www.enterprisecommunity.org/blog/04/20/housing-challenges-racial-disparities-in-covid-19
[4] Lessons from the Last Recovery: How Black Homeowners Benefited from Appreciating Home Values, Urban Institute Housing Matters, https://housingmatters.urban.org/research-summary/lessons-last-recovery-how-black-homeowners-benefited-appreciating-home-values