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Landlords, lenders feel the strain of economic relief measures

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Harvest Prude

WASHINGTON—The pandemic unexpectedly disrupted the housing market and Gina Lee's real estate business in Northern Virginia. The day after coordinating one sale, she had to cancel it because the buyer got laid off.

Another of Lee's clients, a landlord, recently called her in a panic. The client, whose name Lee withheld for privacy reasons, had a tenant who had not paid rent since March and owed her more than $10,000, putting her at risk of not being able to pay her own mortgage. Lee said her client sought legal counsel, but the moratorium on evictions means she may have to continue suffering losses.

The $2.2 trillion coronavirus economic aid package Congress passed in March included a 120-day ban on evictions for renters and a 60-day mortgage foreclosure moratorium. When those expired, federal housing agencies began issuing protections for renters and homeowners. In August, President Donald Trump signed an executive order that prompted the Federal Housing Finance Agency and the Federal Housing Administration to extend those moratoriums. In September, the president issued a broader order that covers even more renters and landlords and prevents evictions through the end of the year.

"This policy has protected more than 28 million homeowners and enabled roughly 200,000 families facing foreclosure pre-COVID to stay in their homes," FHFA Director Mark Calabria said in testimony before the House Financial Services Committee last week. But the policy has left other property owners falling through gaps in the pandemic safety net.

"While the most recent eviction moratorium executive order provides temporary relief to families, it places huge burdens on housing providers," said Vince Malta, president of the National Association of Realtors. "More than 40 percent of rental units nationally are owned by mom-and-pop owners who will struggle to pay bills in light of this decision."

Lee's husband, Dillon, works as a mortgage lending officer. He said more clients have refinanced their mortgages and taken advantage of lower interest rates than have entered forbearance in the past few months. Of those who hit pause on their mortgage payments, he noted that "none … really needed to do it." He didn't doubt many homeowners needed the forbearance policy but said others decided to apply as a precaution.

The renters and homeowners who have delayed their housing payments will still owe that money when the moratoriums end. "Either that or property owners are going to have to eat those costs," said Joel Griffith, a researcher of financial regulations at the Heritage Foundation. “If you’re a middle-income person with limited savings, it’s very difficult to collect [those losses.]”

The Mortgage Bankers Association reported the rates of loans in forbearance as of Monday was 6.93 percent, the lowest level in the past five months. Diego Zuluaga, the associate director of financial regulation studies at the Cato Institute, said early congressional action helped people make their payments.

“I’m slightly concerned about the length of duration of the program,” Zuluaga said. “The longer we go on, the more likely it is the forbearance we have today will turn into delinquencies. I’m not sure Congress, in particular, is thinking about the impact that is going to come at the end of the year.”

The National Association of Realtors wants lawmakers to provide emergency housing assistance directly, rather than just waive the need to pay.

“This will help thousands of struggling Americans avoid eviction while also ensuring property owners are protected from the resulting loss of income,” Malta said, adding that the end of the moratoriums could “create an eviction avalanche come January that would reverberate across the entire American economy.”