Rental Arrears in the Pandemic

Responding to the U.S. Rent Debt Crisis with a Precision County-Level Approach

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surgo VENTURES

A LOOMING EVICTION CRISIS

With the reversal of the national moratorium on evictions slated for late July, millions of Americans behind on rent may soon face homelessness. Precise tools are needed to adequately measure housing needs and response effectivenesses over time.

Due to the catastrophic impacts of the COVID-19 pandemic, between $8 and $53 billion had been owed in rent by 9–14 million renters across the United States as of early 2021. The national moratorium on evictions, which has masked the true extent of the crisis, is now in legal peril and pending reversal in late July. As the nation continues to mitigate COVID-19 and rebuild, many people will soon need urgent housing support. While $50 billion in Emergency Rental Assistance (ERA) funds have been deployed, they have not reached those who need it most. Limited human resources and financial support need to be strategically directed to the communities most in need to prevent a public health emergency from becoming one of homelessness. Yet, current tools fall short—sparse underlying data have resulted in inactionable estimates that are either too broad, not timely, or error-prone. Many questions remain: which communities are most vulnerable to an eviction crisis, and how has vulnerability evolved over time? How effectively has ERA support “stanched the bleeding” and which communities still require targeted support? How long will the crisis last?

Directing Efforts to the Most Economically Vulnerable

To understand and guide a proactive, hyper-local response to the eviction crisis, Surgo Ventures has developed county-level rental arrears estimates. Decision-makers and community organizations can use these data on an interactive tool to guide and evaluate policy responses, ensuring efforts are allocated to our neighbors most vulnerable to eviction and homelessness. This white paper describes where renters are most at risk of eviction, how this has changed over time, and what type of response may be needed to prevent a housing crisis. The data and key findings are for:

- **State and local policymakers,** so they can appropriately target assistance to the communities most in need.
- **Local tenant advocacy organizations,** so they can brace for eviction filings and resource staff accordingly.

KEY FINDINGS

1 After alarming winter surges, national arrears have declined but have plateaued at levels in line with the height of unemployment in April 2020.

- We estimate 6.2M households are behind on rent (95% CI: 5.8m–6.8m), which represents 14.7% of all renting households (95% CI: 13.7%–15.7%), for a total of $3,700 per household and $23B nationally.
- As of early July 2021, eight percent of counties are at especially grave risk with more than 1 in 5 households facing rental debt.

2 Renters in the South have been impacted most severely and face the steepest bill, yet counties are in crisis across each region.

- In the South, 16% of households face rental arrears with $8.4B total dollars owed as of July 2021—the most of any U.S. region.
- The Northeast also has 16% in arrears as of July 2021—driven by severely impacted counties with large rental populations—however, regional debt is lower at $5.5B with fewer total renters overall.
- Fewer renters are affected in the West (14% of households as of July 2021), though dollars owed per renter is high, resulting in the second-highest total debt owed at $7.0B.
- Though the Midwest has a lower overall burden with fewer renters affected (13%) and the lowest total debt ($3.3B), counties with greater arrears than the regional average should still be considered in crisis.

3 There are large differences in arrears between counties even within the same state, signaling a need for a targeted response.

For example:

- Compared to a peak in Nov. 2020, rental arrears in South Carolina have improved somewhat from 25% to 22% now—yet counties within the state do not follow the same pattern, signaling a need for a hyperlocal response.
- In Georgia, as of July 2021, 14% of Columbia County renters are behind on payment, yet the rate is nearly double just next door in Richmond County (24%).

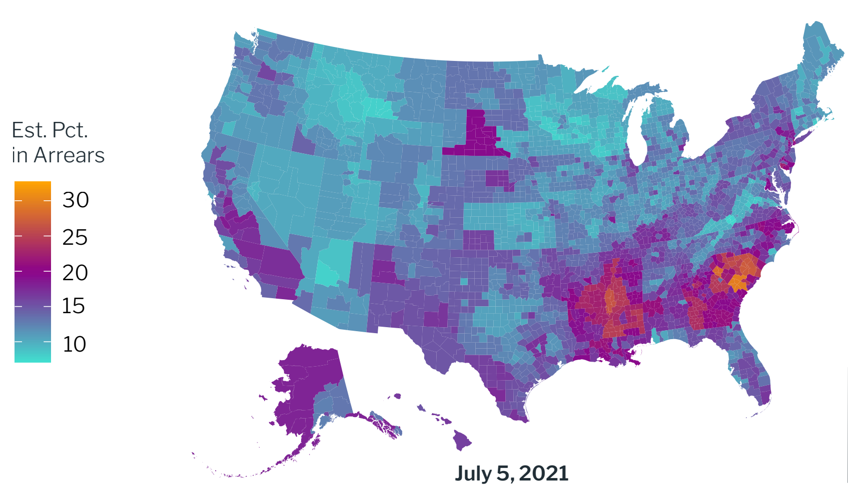


Figure 2c (from Figure 2, page 6). Estimated Percent of County-Level Renters in Arrears with Rental Debt in July 2021. **Source:** Household Pulse Survey Wave 33.

Explore our estimates and insights on our interactive tool at precisionforcovid.org/rental_arrears

Advocate

- **Sound the alarm** on counties that are worsening to maximize resources and minimize inequity
- **Encourage** continued collection of U.S. Household Pulse Survey data as it is currently the only nation-wide source of high-frequency data on rental distress
- **Advocate** even as the national moratorium ends, simplified eligibility requirements, and improved, user-friendly data systems to process and track funding applications and disbursement

Respond with Precision

- **Prioritize** financial and other resources by need rather than by crude metrics like population size by using county-level estimates
- **Provide** monetary support in high debt areas, allocating the right level of funding according to estimates
- **Enhance** targeted outreach to high debt communities to build awareness around tenant rights and assistance availability
- **Provide** additional diversion and recovery services in areas with many renters affected to expand tenant protections before, during, and after federal assistance
- **Enact** policies that extend emergency eviction moratoria locally and convert a portion of rental debt into consumer debt, especially in areas of severe housing burden

Investigate Further

- **Identify** counties that are improving and learn from their experiences
- **Examine** the impact of national and state policies to help renters, including Economic Impact Payments and Emergency Rental Assistance
- **Understand** why the reduction in arrears has stalled, despite an improving labor market, and what drives inefficient program delivery
- **Uncover** the complex influences that race, income, education, living quarters, and other important factors play in who falls behind

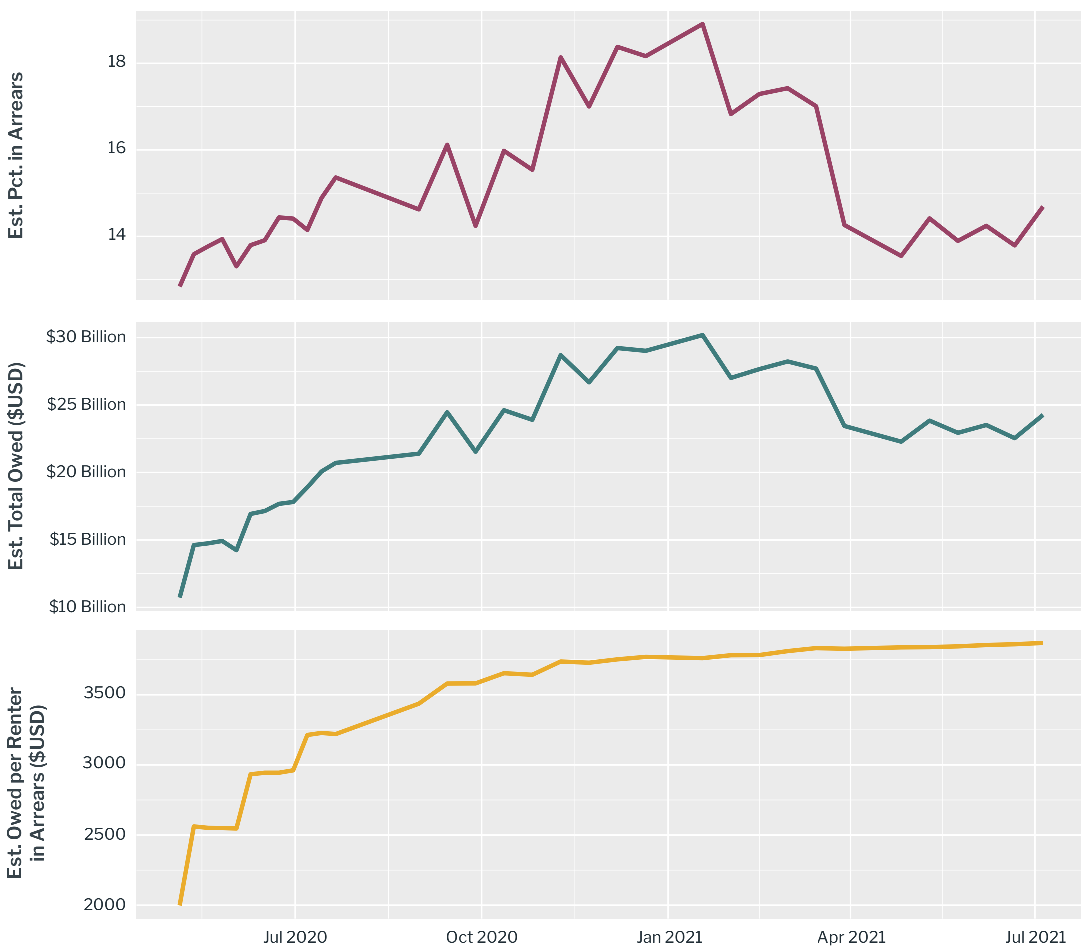
Detailed Insights

FINDING 1:

After alarming winter surges, national arrears have declined but have plateaued at levels in line with the height of unemployment in April 2020.

As the COVID-19 pandemic spread across the United States, rental arrears surged in parallel—both in terms of the numbers of renters affected and total dollars owed overall, across months, and per renter (Figure 1). Arrears peaked in January 2021 with more than 19% of households behind on rent, yet began to decline through April 2021. Despite an improving economy, progress since has plateaued, with household arrears rates hovering around 14.7% (95% CI: 13.7%–15.7%), putting 6.2M renter households at risk of eviction (95% CI: 5.8M–6.8M). These rates are similar to those a year prior at the height of unemployment. Both debt owed per household ($3700) and nationally ($23B) remain high, indicating that renters are not yet able to pay off debt owed and are being left behind in the recovery. Some communities are more affected than others—across 259 counties (8%), more than 1 in 5 renter households remain in arrears as of early July 2021.

Figure 1. National Trends in Estimated Arrears



Trends are improving but leaving many people behind.

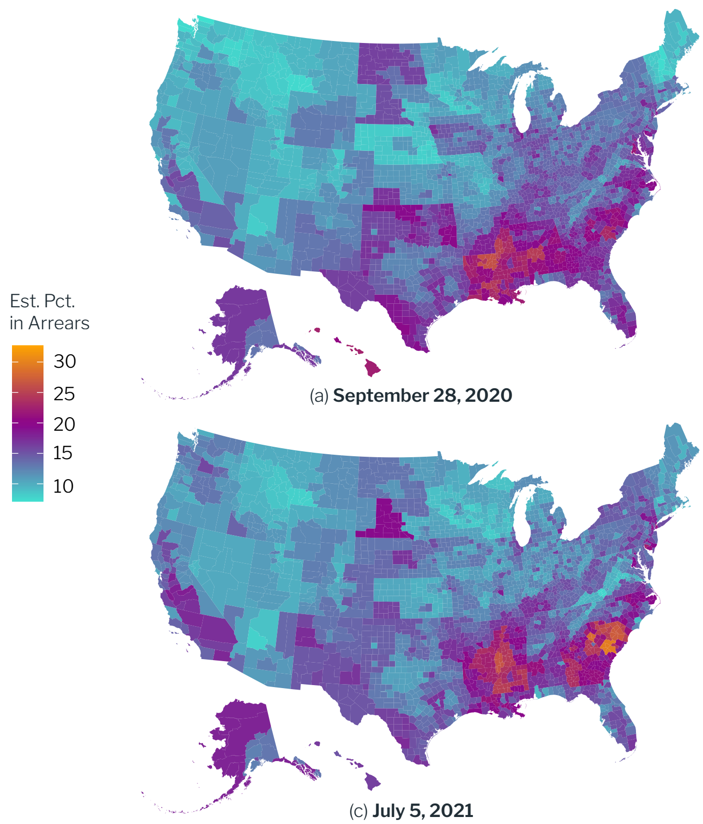
National trends in the estimated percent of renters in arrears with rental debt, estimated total dollar amounts owed, and estimated dollars owed per renter in arrears overtime.
Source: Household Pulse Survey Wave 33. *Data as of July 2021*

FINDING 2:

Renters in the South have been impacted most severely and face the steepest bill, yet counties are in crisis across each region.

Currently, the South is most affected with 16% of households behind on rental payments and $8.4B total dollars owed as of July 2021—the most of any U.S. region. Of counties with over 20% of households in arrears—meaning more than 1 in 5 renter households are behind on payment—nearly all have been in Southern areas. This has been a consistent pattern, right from the early stages of the pandemic and at peak arrears rates in the U.S. (Figures 2–3).

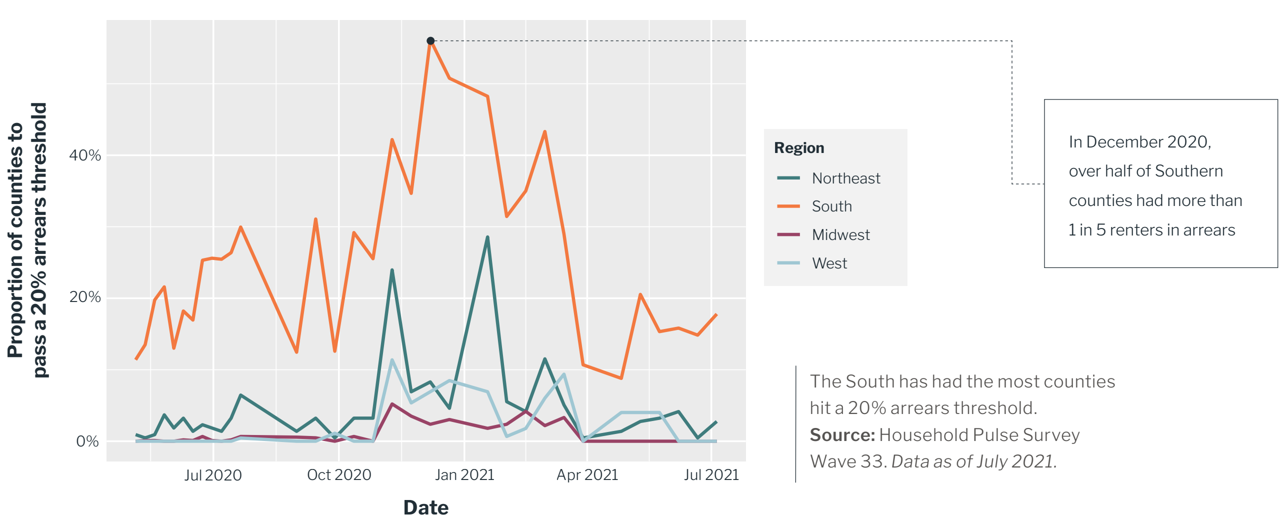
Figure 2. Estimated Percentage of Renters in Arrears



Southern counties continue to be especially impacted.

Estimated percent of county-level renters in arrears with rental debt during a) early pandemic, b) peak arrears, and c) current stages. **Source:** Household Pulse Survey Waves 15, 24, and 33. *Data as of (a) September 2020, (b) February 2021, and (c) July 2021.*

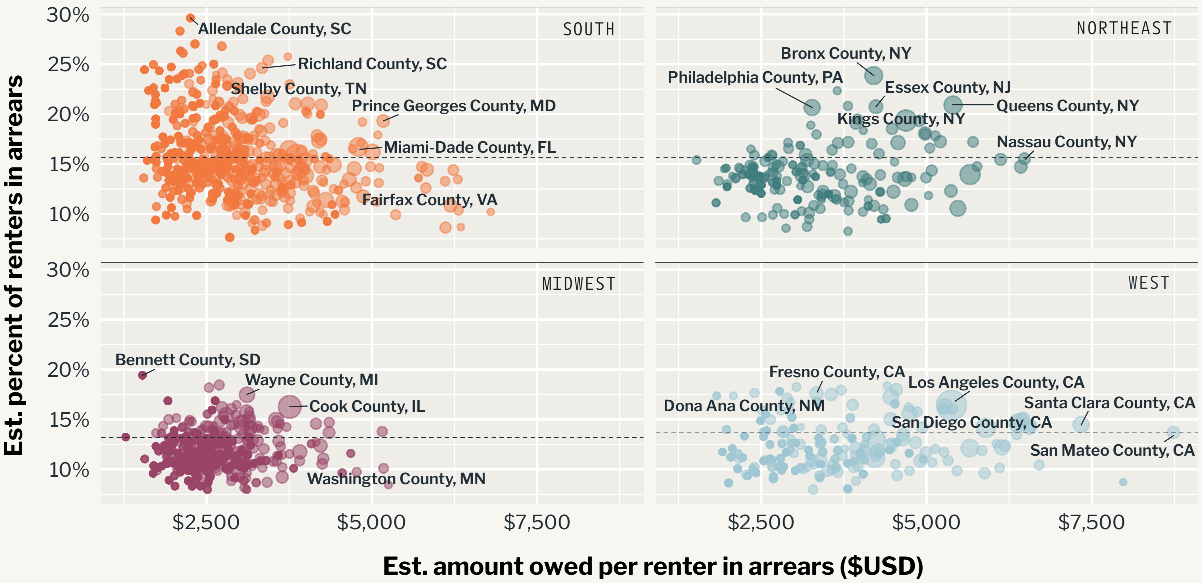
Figure 3. Timeseries of the Proportion of Counties with More Than 20% of Renters in Arrears



The South has had the most counties hit a 20% arrears threshold. **Source:** Household Pulse Survey Wave 33. *Data as of July 2021.*

CURRENT REGIONAL SNAPSHOT

County-Level Percent of Renters in Arrears vs. Arrears Debt Owed Per Renter by U.S. Census Region



In the South, many households are behind but owe comparatively smaller amounts.

As of July 2021, though many Southern renters are behind on payment (16% of households), due to low household rent, total dollar amounts owed per renter are relatively low (Figure 4). Yet, with so many renters affected, these arrears result in $8.4B owed—the highest total regional debt. Counties could consider implementing local emergency eviction moratoria policies, especially in areas with more than 20% of renters in arrears. Additional resources could also be deployed in these areas, such as personnel to assist with cumbersome assistance applications and local legal advocates to help tenants defend against eviction. States with a large number of counties exceeding the 20% threshold, including South Carolina, Georgia, Mississippi, and Alabama (Figure 2c), are particularly in need of rapid interventions. At the time of release, none of these states have implemented extensions to the eviction moratoria.

Though less affected compared to other regions, many larger Midwestern counties have a higher than average proportion of renters in arrears.

The Midwest has the lowest proportion of renters in arrears (13%) and total debt owed ($3.3B) with lower dollar amounts owed per renter as of July 2021. While this implies a calmer landscape, there are still many counties in crisis with higher proportions of renters in arrears compared to the regional mean (e.g. Cook County, Illinois, home to Chicago; or Wayne, MI, home to Detroit).

Large Northeastern counties with many renters affected drive the high regional average.

Like the South, the Northeast also has 16% of households in arrears as of July 2021, however, this is driven by several counties with particularly large rental populations with many renters behind on payment (e.g. New York and New Jersey counties) (Figure 4). With fewer renters overall, total debt owed is lower compared to the South but still significant at $5.5B. Funding and additional resources should be directed to these particularly large counties affected (e.g. New York boroughs, including the Bronx, Brooklyn, and Queens) and to other highly vulnerable counties falling above the regional mean (e.g. Essex County, New Jersey).

In the West, fewer households are behind but high rents drive huge arrears.

As of July 2021, while fewer renters are affected in the West (14% of households), total debt owed is second-highest at $7B with high household rent and average amounts owed per renter (Figure 4). In addition to providing funding and additional resources, counties could consider implementing policies to grant quick access to partial subsidies during processing of the full assistance application. This could be particularly useful in California, where the share of severely cost-burdened renters is particularly high—meaning over half of paychecks are spent on rent.

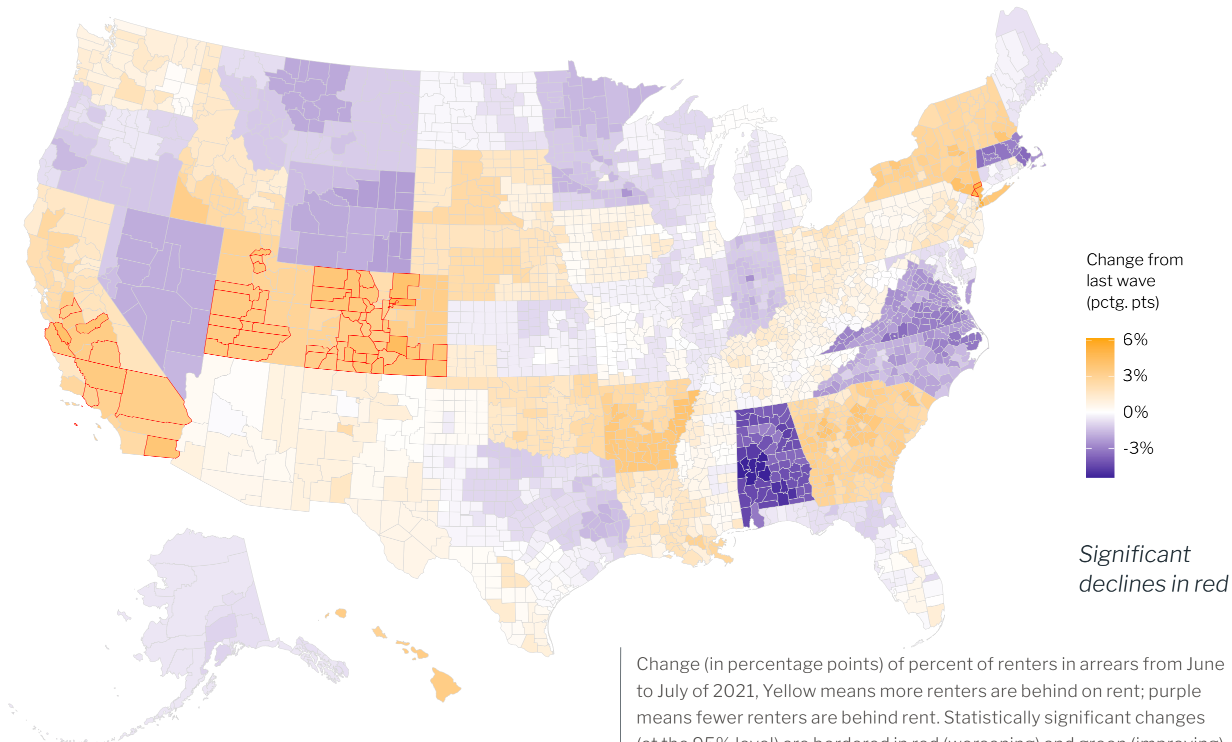
Figure 4. Counties are sized according to their renting population; regional means weighted by county renter population size are indicated by the dotted line. **Source:** Household Pulse Survey Wave 33. *Data as of July 2021.*

FINDING 3:

There are large differences in arrears between counties even within the same state, signaling a need for a targeted response.

Some areas are changing more than others, with heterogeneity in the change in arrears across counties (Figure 5). Most changes are not statistically significant since the last survey, with the exception of some in California, Utah, Colorado, and a handful in New York. Unfortunately, these counties all worsened.

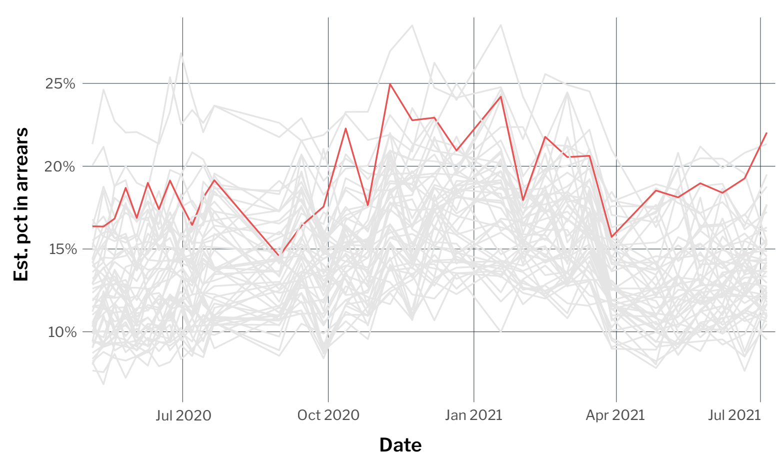
Figure 5. Wave 33: Change in Arrears from Last Survey



Change (in percentage points) of percent of renters in arrears from June to July of 2021, Yellow means more renters are behind on rent; purple means fewer renters are behind rent. Statistically significant changes (at the 95% level) are bordered in red (worsening) and green (improving). **Source:** Household Pulse Survey Waves 32–33.

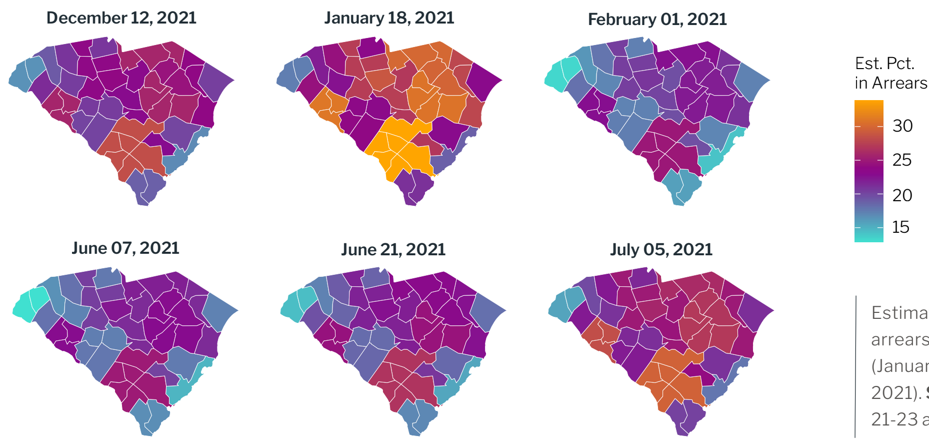
Though South Carolina has improved somewhat from the worst of the crisis, decreasing from 25% in February 2021 to 22% of households in early July, the state has had one of the highest arrears rates across the U.S. (Figure 6). A county-level view also shows that proportion of renters affected has shifted differently across counties over time (Figure 7). Many South Carolina counties do not follow state patterns (Figure 8), indicating that decision-makers need to take a precision approach. Even some neighboring counties may require different response strategies.

Figure 6. South Carolina State-Level Arrears Trend



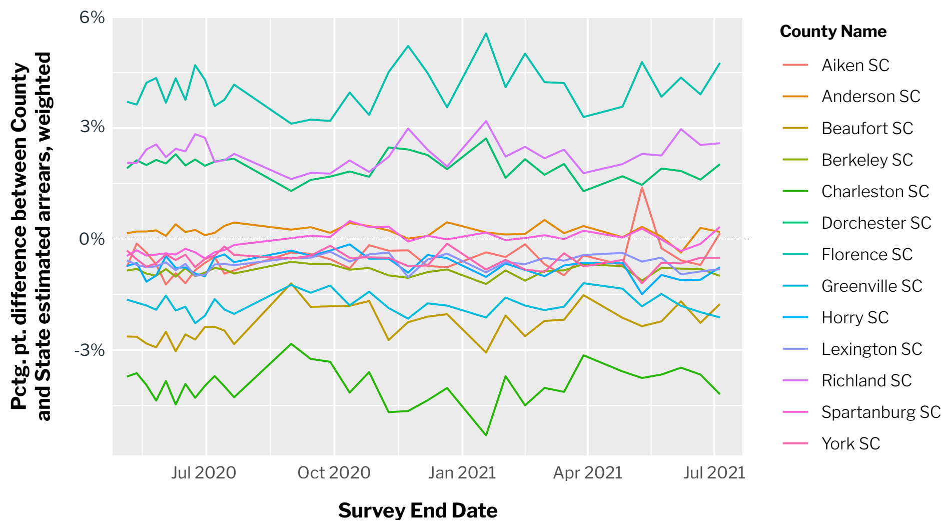
State-level trends in the estimated percent of renters in arrears over time; South Carolina is highlighted in red. **Source:** Household Pulse Survey Wave 33. *Data as of July 2021.*

Figure 7. South Carolina: From Large State Swings in Winter to Subtle Compositional Effects in Spring



Estimated percent of county-level renters in arrears with rental debt during peak arrears (January 2021), and current stages (June-July 2021). **Source:** Household Pulse Survey Waves 21-23 and 31-33.

Figure 8. Focus on South Carolina: Gaps in Arrears Burden Over Time

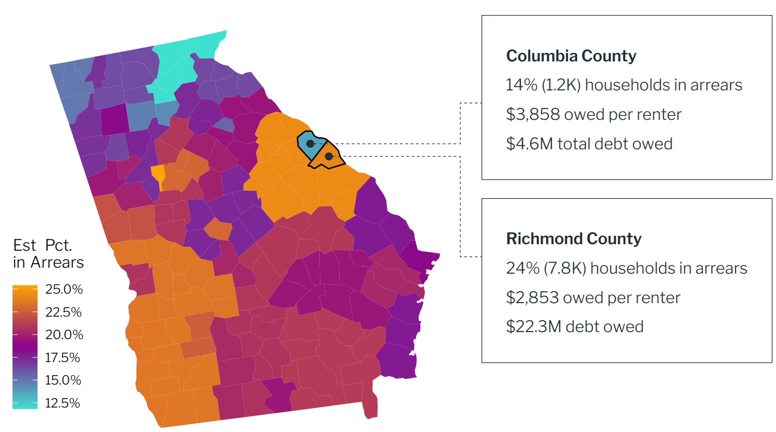


Change (in percentage points) of percent of renters in arrears between county estimates and state mean estimates over time. Figure displays only large counties in South Carolina with at least 12,000 renter households. **Source:** Household Pulse Survey Wave 33. *Data as of July 2021.*

In Georgia, as of July 2021, 14% of Columbia County renters are behind on payment, yet the rate is nearly 2x as high in neighboring Richmond County (24%) (Figure 9). And since Richmond has nearly four times the renter population as Columbia (about 32K vs 8K households), Columbia County owes $4.6M in debt—while Richmond owes five times more ($22.3M).

Source: Household Pulse Survey Wave 33. *Data as of July 2021.*

Figure 9. Estimated Percent of Renters in Arrears in Georgia, with a Focus on Columbia and Richmond Counties



CONCLUSION

The economic impacts of COVID-19 will continue to reverberate in the coming months, and many Americans cannot recover rental debts on their own. Households behind on payments tend to be the populations most impacted by COVID-19, including people of color.

Our findings indicate that some counties are more vulnerable to an eviction crisis and have evolved differently over time. To avoid a national housing crisis as the ban on evictions is lifted, decision-makers need to be proactive and strategically distribute resources to areas in most need for an equitable recovery. Surgo's county-level estimates can support advocating for and designing and evaluating a precision response to improve service delivery to the most vulnerable at risk of eviction.

What to expect in the future from this work?

Upcoming work utilizing these estimates aims to understand the impact of race to shed further light on structural bias and quantify the policy impact of stimulus payments. Surgo Ventures' methodology can also be extended to answer other questions addressed by the Household Pulse Survey and other large nationally-representative surveys.

METHODOLOGY

Current microdata from the U.S. Census Bureau Household Pulse Survey (HPS) is used to model rental arrears, and we apply this model to a larger, pre-COVID American Community Survey dataset to predict rental arrears for all households in the United States. County-level estimates for all 50 states are generated through area-weighted aggregates. Surgo adds value to estimation methods by pooling more granular microdata, rather than relying on state-level estimates. The modeling also accounts for a full set of controls that take other important influences into account beyond income-level, including race, living quarters, and education, to more accurately estimate household-level arrears for any household in the US. A full methodology is described in a technical manuscript.

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