Housing Insecurity in the Time of COVID-19

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The views expressed here are those of the speakers and do not necessarily represent the views of the Federal Reserve Bank of St. Louis or of the Federal Reserve System.
Overview

• Housing distress during the Great Recession: Is that what we should expect again?
  – Mortgage distress
  – Homeownership rates
  – Families doubling up in response to evictions and foreclosures

• Latest evidence on housing insecurity
In 2009, 10% of U.S. Mortgages in Serious Distress

Source: Mortgage Bankers Association

Peak mortgage distress in 2009:
- IL: 11.2%
- USA: 9.7%
- MO: 6.2%
So Far, This Shock Looks Like 2007-08

Share of Mortgages 90+ Days Delinquent or in Foreclosure

<table>
<thead>
<tr>
<th>Year</th>
<th>IL</th>
<th>USA</th>
<th>MO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6.6%</td>
<td>6.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2007</td>
<td>4.0%</td>
<td>3.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2009</td>
<td>11.2%</td>
<td>9.7%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Q2.2020</td>
<td>4.9%</td>
<td>4.3%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: Mortgage Bankers Association
HOMEOWNERSHIP RATES
Older Boomers Set the Standard

Source: Census Bureau and our calculations

Homeownership Rate by Generation

- Older baby boomers (1946-55)
- Younger baby boomers (1956-64)
- Older Gen X (1965-72)
- Younger Gen X (1973-80)
- Older millennials (1981-88)
- Younger millennials (1989-96)

Source: Census Bureau and our calculations

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- Younger Gen X (1973-80)
- Older millennials (1981-88)
- Younger millennials (1989-96)

Approximate average age of group:

Source: Census Bureau and our calculations
Younger Millennials 21% Below Younger Gen Xers — But That Was Near Housing-Bubble Peak

Source: Census Bureau and our calculations
Homeownership Gaps Changed Little in 25 Years

Homeownership Rate by Race and Ethnicity

Homeownership gaps:
Hispanic-white -29ppt
Black-white -28ppt

Source: Census Bureau and our calculations

Homeownership gaps:
Hispanic-white -26ppt
Black-white -31ppt


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1994
Bursting Bubble Hit Black Homeownership Rate Hardest

Change in Homeownership Rate by Race and Ethnicity Since 2006 (in percentage points)

- Non-Hispanic white: -2.5 percentage points
- Hispanic or Latino: -2.2 percentage points
- Black alone: -5.8 percentage points

Source: Census Bureau and our calculations
FAMILIES DOUBLING UP
Where Do People Who Lose Housing Go?

Average U.S. Family Size (Persons)

Source: Census Bureau and our calculations
Family Size Increases After Recessions

Average U.S. Family Size (Persons)

Effects of 1990-91 recession
Effects of 2001 (mild) recession
Effects of 2007-09 recession

Source: Census Bureau and our calculations

Represents 9-10 million people “doubling up” compared with baseline; the number is even larger when compared to 2005 housing peak.
Will Housing Distress Be As Severe This Time as During the Great Recession?

• The economic shock is at least as bad.
  – We don’t have a bursting housing bubble, but the pandemic is global and much more regressive (hurts lower incomes more) than the housing collapse.

• The financial system probably won’t implode this time.

• Monetary and fiscal policy responses have been more timely and vigorous, but public health policies have fallen short.

• Bottom line: Housing insecurity could be similar in magnitude to the Great Recession.
HOUSEHOLD PULSE SURVEY
Executive Summary: Current Situation

• Black, Hispanic, and Asian households; those lacking a bachelor’s degree; and Gen Z, millennials and Gen X have higher housing distress than their peer groups.

• Housing distress is higher among renters than owners.

• Gen X is experiencing more distress than we would expect along several dimensions; income loss likely plays a role.

• Gen X was hit hard by the Great Recession; how much of current instability has links to the past?
Data on Housing Distress

- Second Phase of Census Bureau’s [Household Pulse Survey](#): runs every 2 weeks, most recent was Aug. 19-31.
- “Is this household currently caught up on [rent/mortgage] payments?”
- “How confident are you that your household will be able to pay your next rent or mortgage payment on time?”
- “How likely is it that your household will have to leave this home or apartment within the next two months because of [eviction/foreclosure]?”
HOMEOWNERS
Similar Rates of Distress Across District States

Share of Owners Not Current on Mortgage, by Geographic Area: Week 13, August 19-31

Geographic Area

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Around 10% of Black, Hispanic, and Asian Owners Are Behind On Mortgage

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Those Lacking a Diploma Experiencing Sharply Higher Distress

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Youngest Generations and Gen X Facing More Distress

Share of Owners Not Current on Mortgage, by Generation: Week 13, August 19-31

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
RENTERS
Higher Distress in Illinois, Indiana but Can’t Say for Sure

Share of Renters Not Current on Rent, by Geographic Area: Week 13, August 19-31

Source: Census Bureau’s Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Roughly Double the Distress Among Renters; Similar Inequities

Share of Renters Not Current on Rent, by Race and Ethnicity: Week 13, August 19-31

Hispanic White Black Asian
%
Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts.
Among Renters, College Degree More Strongly Associated with Security

Source: Census Bureau’s Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Gen X Renters Exhibit Highest Distress Despite Their Age

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
WHAT’S GOING ON WITH GEN X?
Around Half of Gen X Families Lost Income

Share of Families that Experienced Loss of Employment Income Since March 13, 2020, by Generation: Week 13, August 19-31

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Food Insecurity Rate Also Elevated for Gen X

Source: Census Bureau's Household Pulse Survey, calculations by Lowell Ricketts. Note: Bands indicate 90% confidence intervals.
Unusual Distress Among Gen X

• Based on the life cycle of financial outcomes, we would expect this group to exhibit relatively better outcomes.
• Among renters, Gen X had the highest rate of distress.
• Among owners, Gen X had a distress rate comparable to Millennials and Gen Z.
• The high rate of lost income is certainly part of the story.
• While speculative, this may also reflect scarring from the Great Recession.
COMMUNITY DEVELOPMENT
Housing Insecurity Resources

- National Low-Income Housing Coalition, NLIHC’s National Moratorium Webpage: https://nlihc.org/national-eviction-moratorium
- Consumer Financial Protection Bureau: https://www.consumerfinance.gov/coronavirus/
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