



Impact of the COVID-19 Pandemic on New England Homeowners and Renters

Nicholas Chiumenti, Policy Analyst
New England Public Policy Center

The views expressed in this presentation are solely those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of Boston or the Federal Reserve System. Any errors or omissions are the responsibility of the authors.

Background

- ▶ What share of renters and homeowners have people employed in “high-risk” occupations?
 - ▶ High-risk = at high risk of layoff or furlough due to business closures
- ▶ How many households are at risk of missing their housing payment (either mortgage or rent) as a result of job loss?
 - ▶ What is the magnitude of these missed housing payments?
- ▶ Full report is available on our website at www.bostonfed.org/neppc
- ▶ [Economic Fallout of the COVID-19 Pandemic in New England](#) also available on our website.

Key definitions used in the report

- ▶ **High-risk jobs** are occupations that...
 - ▶ Are nonessential, and
 - ▶ Cannot be done from home, and
 - ▶ Are paid hourly

- ▶ **At-risk households** are those where...
 - ▶ Income after job loss (earned in high-risk jobs) is less than their monthly housing payment **plus** a low-cost food budget.

Key findings

- ▶ **More than one-third of households** in New Hampshire have at least one person at high-risk of being unemployed
- ▶ Without any assistance, about **95,000 New Hampshire households** would be at risk of missing their monthly mortgage or rent payment
 - ▶ These missed payments could total \$119 million every month.
- ▶ With assistance from the CARES Act, the number of at-risk households (and missed housing payments) is substantially reduced.
 - ▶ With CARES Act support, about **19,000 New Hampshire households** are still at risk, with about **\$28 million** in missed housing payments every month.

All New England states saw a dramatic surge in unemployment insurance (UI) claims

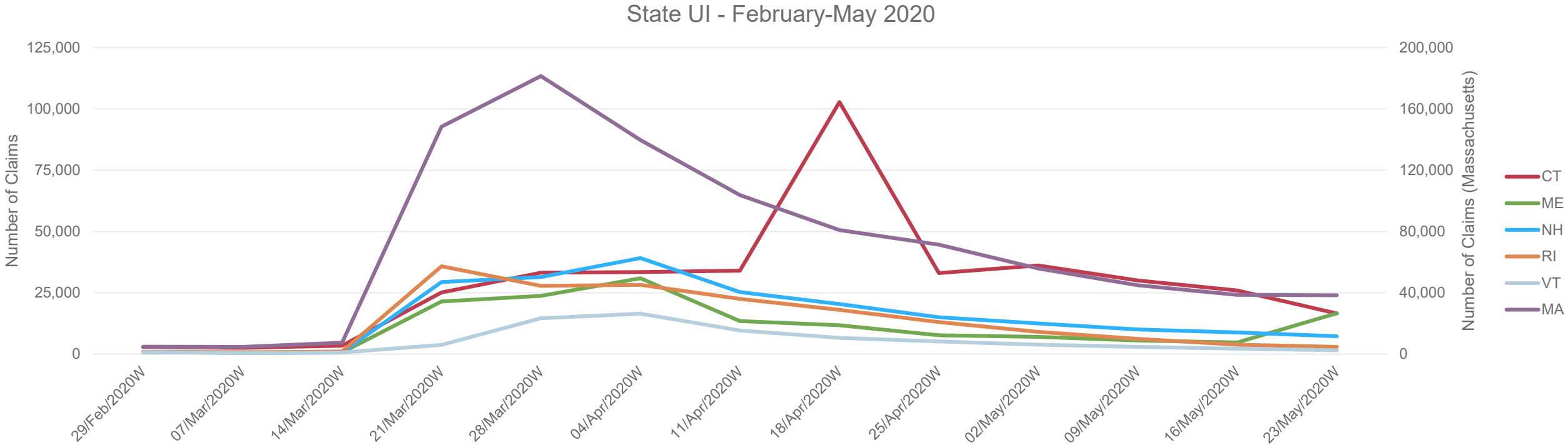


Figure uses non-seasonally adjusted initial unemployment claims.

The cumulative total number of initial claims for March 21 through May 23 are: New England (1,837,111), Connecticut (370,418), Maine (130,471), Massachusetts (902,885), New Hampshire (198,905), Rhode Island (167,697), Vermont (66,735).

Sources: Department of Labor, NBER, and Haver Analytics

New England average unemployment insurance (UI) claims as a share of the labor force were higher than the US average.

Initial claims as a share of labor force
(10 Week Period Ending May 23)

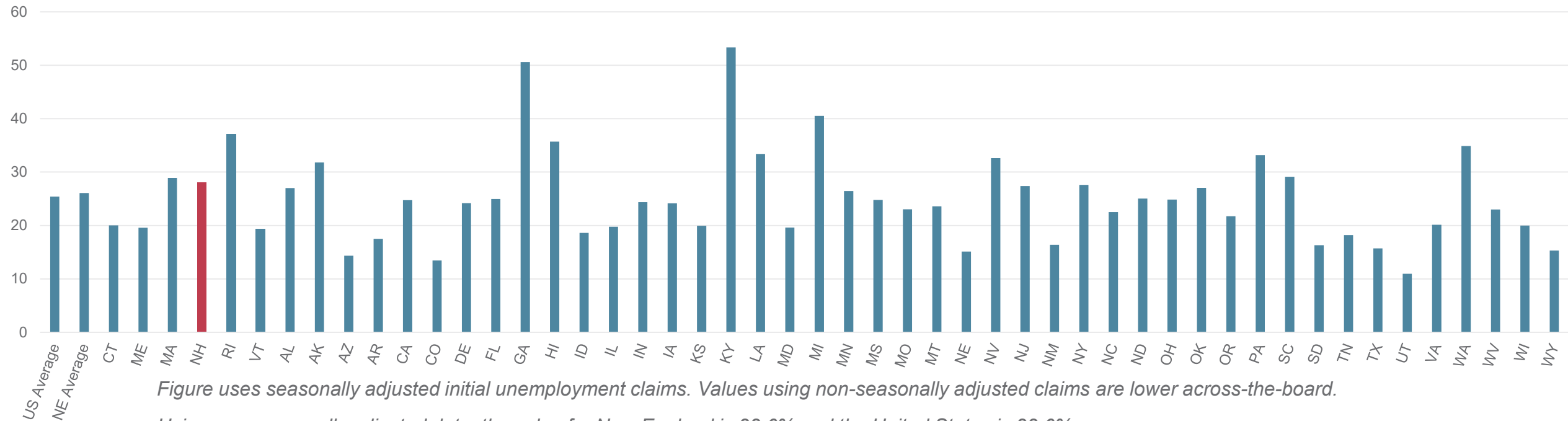


Figure uses seasonally adjusted initial unemployment claims. Values using non-seasonally adjusted claims are lower across-the-board.

Using non-seasonally adjusted data, the value for New England is 22.6% and the United States is 22.6%.

Unemployment Rates in April from the household survey for New England states: CT(17.5)*, ME(10.6), MA(15.1), NH(16.3), RI(17), VT(15.6)

Sources: US Department of Labor and BLS

Renter households are more likely to have a housing payment and have all adults employed in occupations with high layoff risk

High-Risk Employment among Homeowners and Renters

New England states and United States

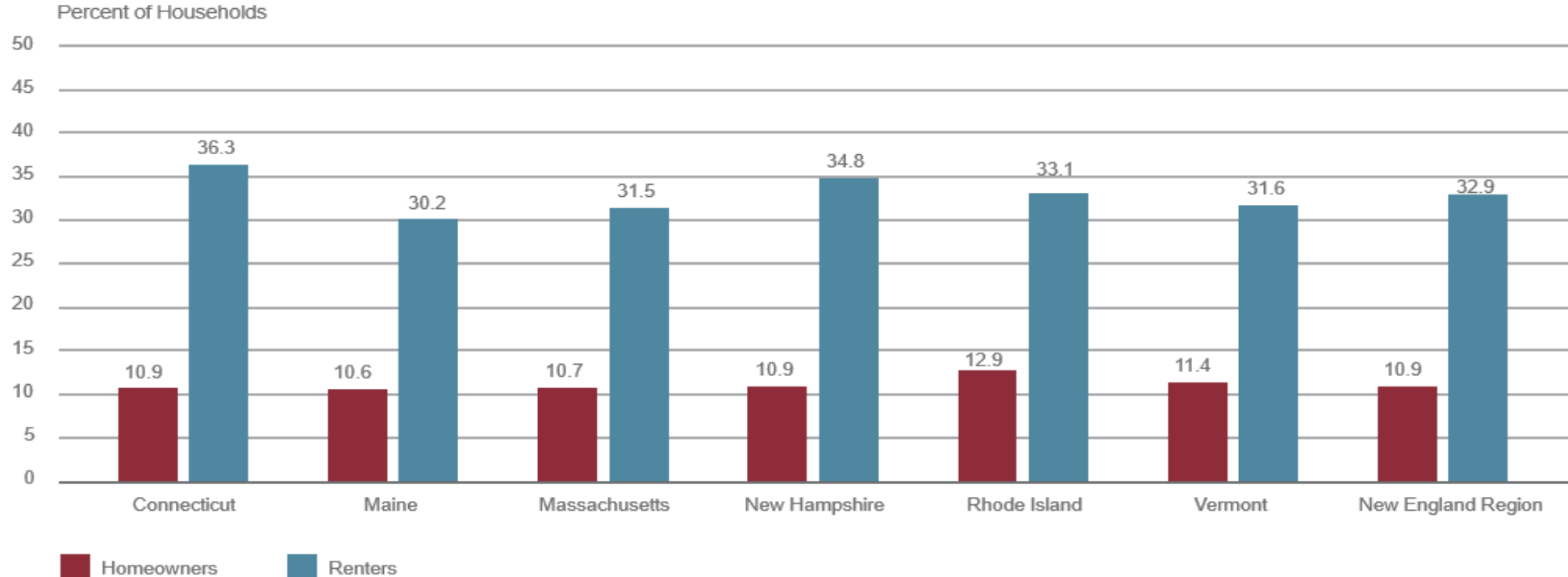
	Share of all homeowners			Share of all renters		
	With a monthly mortgage payment	With at least 1 employed person in high-risk occupation	With all employed persons in high-risk occupations	With a monthly rent payment	With at least 1 employed person in high-risk occupation	With all employed persons in high-risk occupations
United States	62	35	16	95	40	25
New England Region	66	35	15	96	36	22
Connecticut	66	34	14	96	38	26
Maine	60	37	17	94	34	23
Massachusetts	68	33	13	97	34	20
New Hampshire	64	39	16	97	40	26
Rhode Island	69	36	16	97	33	23
Vermont	63	36	17	94	43	26

Note(s): Employed persons in a household are those at or above the age of 16 and employed in 2018. Households with housing payments are those with a mortgage (including second mortgages) or paying cash rent. Workers are at high risk of unemployment if their job is nonessential, cannot be done from home, and is paid hourly. The definition used here is based on one used in Gascon (2020), with adjustments made to essential occupations that better match Massachusetts's state-level policy. Source(s): 2018 American Community Survey one-year estimates

In NH, about 11% of homeowners, and 35% of renters are at risk missing a housing payment.

Share of Households at Risk of Missing Their Monthly Housing Payments

Not including CARES Act financial support, New England states



Households are unable to pay their monthly rent or mortgage if their total household income, excluding income earned in high-risk or high-contact occupations, is less than their monthly housing costs plus a low-cost food budget. Only those households with housing payments such as a mortgage (including second mortgages) and cash rent are included. Households with housing payments are those with a mortgage (including second mortgages) or paying cash rent. High-risk occupations are those defined in Gascon (2020), and to include those non-essential occupations deemed essential based on state policy.

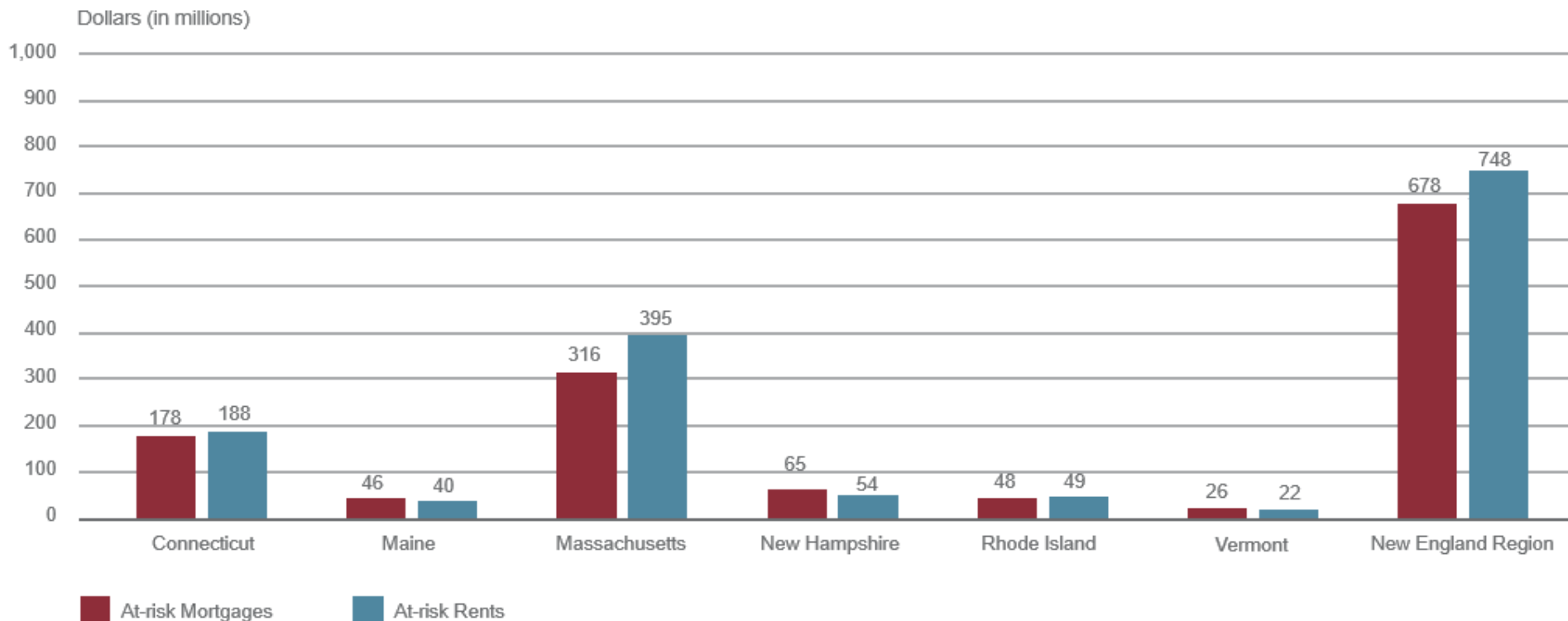
*For the US average, 11 percent of homeowners and 36 percent of renters are at risk of not making their housing payments.

Source(s): 2018 American Community Survey 1-year estimates; USDA Food Plans: Cost of Food Report for December 2018.

The total projected value of missed mortgage and rent payments is nearly \$119 million every month in New Hampshire

Total Monthly Value of At-risk Rent and Mortgage Payments

Not including CARES Act financial support, New England states



Note(s): Estimated unpaid mortgage and rent values are inflation adjusted to 2020 dollars. Calculated as the total value of all rent/mortgage payments (including second mortgages) of households who are unable to meet their monthly payment housing cost payments. Households with housing payments are those with a mortgage (including second mortgages) or paying cash rent. High-risk occupations are those defined in Gascon (2020), but with adjustment to include salaried workers who are non-essential and cannot work from home, and to include those non-essential occupations deemed essential based on state policy.

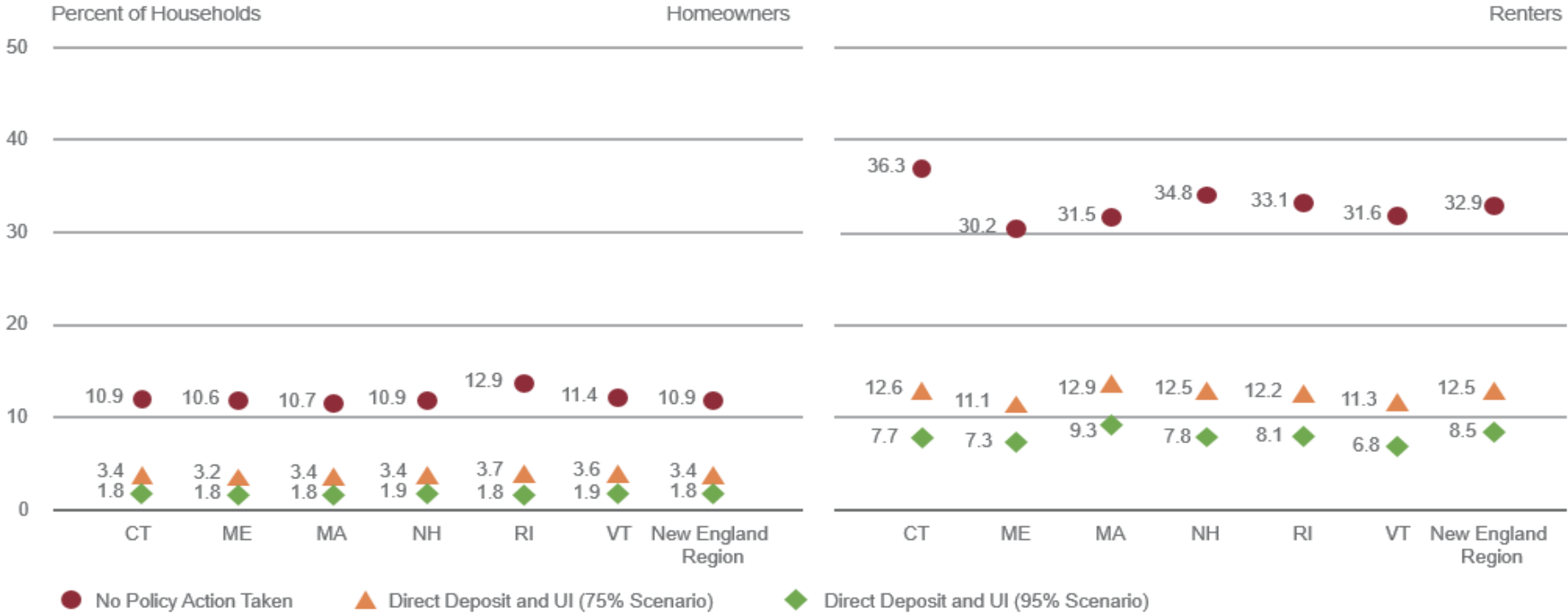
Source(s): 2018 American Community Survey 1-year estimates. USDA Food Plans: Cost of Food Report for December 2018.

Impact of the CARES Act

- ▶ Up to \$1,200 per adult and \$500 per child
- ▶ Additional \$600 in UI benefits on top of state portion
 - ▶ Expanded worker classes to encompass contract and gig workers
- ▶ Two scenarios:
 - ▶ 75% of those eligible for UI receiving benefits (middle-case)
 - ▶ 95% of those eligible for UI receiving benefits (best-case)

The CARES Act's UI expansion and direct payments to households are likely to have a major impact on households' ability to meet monthly housing payments.

Share of Households at Risk of Missing Their Monthly Housing Payments Including CARES Act financial support, New England states

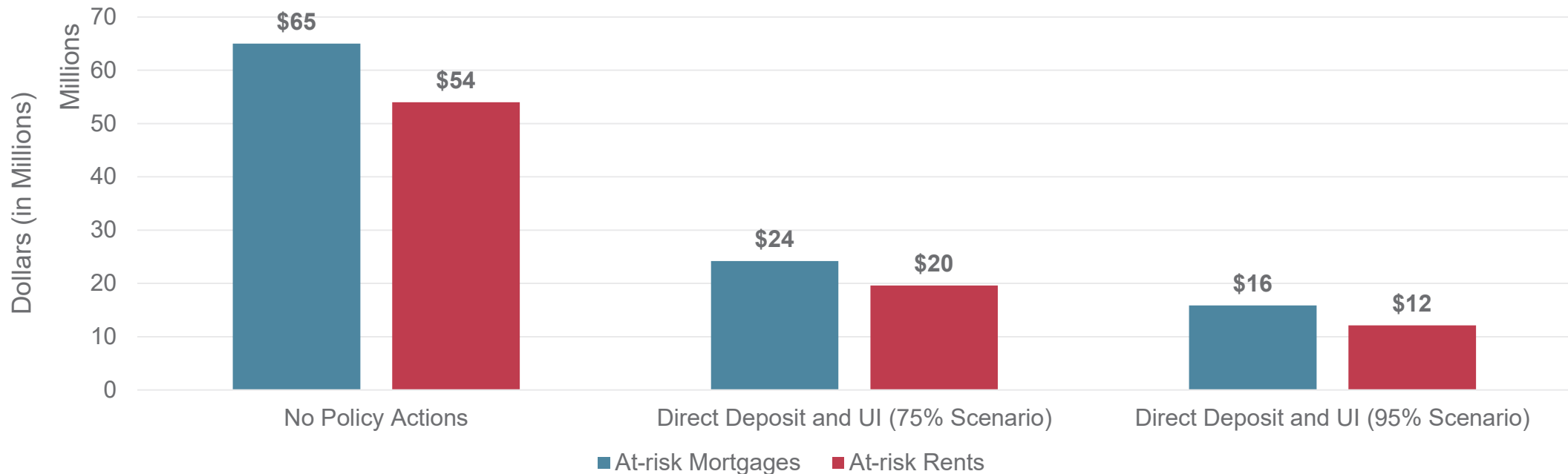


Note(s): The 2020 CARE Act provided households with up to \$1,200 for individuals and \$500 per child, as well as extended unemployment insurance with \$600 weekly federal supplement to a broad class of workers. Households are unable to pay their monthly rent or mortgage if their total household income, excluding income earned in high-risk or high-contact occupations, is less than their monthly housing costs plus a low-cost food budget. Only those households with housing payments such as a mortgage (including second mortgages) and cash rent are included. Households with housing payments are those with a mortgage (including second mortgages) or paying cash rent. The 95% scenario assumes 95 percent receive UI benefits. Eighty percent of households are assumed to receive their direct payments through direct deposit.

Source(s): 2018 American Community Survey one-year estimates; USDA Food Plans: Cost of Food Report for December 2018; IRS Filing Season Statistics; TAXSIM v9.

Even with support, at-risk housing payments could total \$28 million per month between April and July 2020

Total Monthly Value of At-risk Rent and Mortgage Payments
With CARES Act financial support, New Hampshire



Source(s): 2018 American Community Survey one-year estimates; USDA Food Plans: Cost of Food Report for December 2018; IRS Filing Season Statistics; TAXSIM v9.

Conclusion

- ▶ Even with CARES Act supports, about 238,000 households in New England are still at risk of missing housing payments
 - ▶ These missed payments could total \$350 million per month between April and July 2020
 - ▶ In New England missed payments could total \$1.42 billion during these 4 months
- ▶ Expanded UI benefits will end in July,
 - ▶ If employment has not improved by then, more households could be at-risk of missing housing payments
- ▶ State policies have prevented evictions, and in some cases foreclosures, but missed payments are still accruing
- ▶ Households will primarily feel financial pressure from missed payments, but they could begin to burden other aspects of the housing market as well, such as property owners.

nick.chiumenti@bos.frb.org

www.bostonfed.org/neppc