Issue Brief:
COVID's Impact on California Housing

April 2021

Executive Summary

This Issue Brief responds to four questions posed to the Commission by Sen. Scott Wilk, Sen. Melissa Hurtado, Sen. Anna Caballero, and Sen. Steven Bradford:

1) How many households have essential workers, and how many of those workers live in overcrowded conditions?

2) How many homeowners or soon to be homeowners have been negatively affected by the inability of their tenants to pay rent due to COVID-19?

3) How many landlords and homeowners have been granted mortgage forbearance due to COVID-19 financial hardships?

4) What would be the socio-economic impacts of foreclosures due to COVID-19 when compared to previous economic downturns?

This Brief seeks to answer each of these questions, but also to provide additional data regarding other, related issues.

ESSENTIAL WORKERS AND OVERCROWDED HOUSING

Essential workers make up one-third to one-half of the state's workforce, or approximately 5.6 million to 8.5 million Californians. Based on work by the Public Policy Institute of California, we estimate that between 900,000 and 1.4 million essential workers live in overcrowded housing, defined as more than one person per room, excluding bathrooms. More broadly, CalMatters found that of Californians who live in overcrowded housing, approximately two-thirds, or 4.1 million people, either are an essential worker or live with an essential worker.

IMPACT ON MORTGAGE AND RENT PAYMENTS

According to our analysis of data from late-2020 to early-2021, roughly one in ten individuals in owner-occupied households in the state had fallen behind on their mortgage, and as the pandemic progressed the rate of those who were 90 days or more in arrears sky-rocketed. The situation was worse for renters, with roughly one in six having fallen behind on their rent. People of color and those with lower-incomes were especially likely to be behind in either their mortgage or rent.

Landlords have suffered as renters have been unable to pay. Individual investors are especially at risk. They are more likely than business entity landlords to own relatively small rental properties, and tenants in such properties are more likely to have fallen behind in their rent.

MORTGAGE FORBEARANCE

Roughly 6.7 million homeowners and small landlords nationwide were granted mortgage forbearance due to COVID-19 financial hardships between March and December 2020. The rate of loans in forbearance across the country peaked in late May, then declined steadily throughout the rest of 2020, and has essentially held steady at around 5 percent in early 2021.

In California, 4.9 percent of mortgages were in forbearance in early February, which placed the state eighth among the 15 states with the most loans in forbearance. Not all loans in forbearance are delinquent. A significant portion of mortgage holders who have entered forbearance have continued to make payments. In California, this accounted for about 40 percent of loans in forbearance in July.

SOCIO-ECONOMIC IMPACTS

Realtors project that 60,000 foreclosures could potentially occur in California in 2021. That is far fewer than occurred in 2008 during the Great Recession, in part because strong home equity gives homeowners more options than they had during the earlier period.

Nonetheless, foreclosures caused by the pandemic recession could have several negative consequences:

- Exacerbate the racial wealth gap, as happened during the Great Recession.
- A loss of affordable rental housing. Small landlords may be forced to turn over their properties to lenders due to foreclosure. Such landlords are more likely to own smaller properties, which are in turn more likely to be affordable.
- Negative impacts on the health and well-being of homeowners and small landlords.