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.

Part I: Essential Workers and Overcrowded Housing

This section assesses the housing status of California’s essential workers, and responds to the first question from the Legislature: “How many households have essential workers, and how many of those workers live in overcrowded conditions?” We also address related questions, such as the disproportionate representation of low-wage workers, people of color, and immigrants among essential workers.

Researchers estimate that essential workers make up anywhere between one-third to one-half of the state’s workforce, or approximately 5.6 million to 8.5 million Californians.

The Public Policy Institute of California has estimated that 16 percent of essential workers live in overcrowded housing. Using this rate, we estimate that between 900,000 and 1.4 million essential workers live in overcrowded housing.

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.
California’s Essential Workers

HOW MANY ESSENTIAL WORKERS ARE THERE?
There is no single definition of an “essential worker.” The Department of Homeland Security identifies essential workers as those employed in 16 broad industries including healthcare/public health; education; food and agriculture; energy; and transportation and logistics.¹ California’s Public Health Officer identifies workers in 13 sectors as part of the state’s essential workforce.² Even using these definitions, it is difficult to gauge exactly how many essential workers there are at any given time. Jobs can vary among specific industries or some sectors might be experiencing layoffs or hiring. Nevertheless, researchers have sought to quantify how many essential workers there are in California.

As of 2018, there are an estimated 17 million Californians in the state’s workforce, according to the federal government.³ Three recent studies concluded that roughly one-third to one-half of the state’s workers – approximately 5.6 million to 8.5 million Californians – are essential workers:

- The Public Policy Institute of California (PPIC) estimates that approximately one-third to one-half of California’s labor force is employed in essential occupations in a typical year.⁴ Applying PPIC’s rate to 2018 data from the Bureau of Labor Statistics,⁵ we estimate that between 5.6 million and 8.5 million of California’s workers are essential.
- The Milken Institute estimates that, as of 2019, roughly half of California’s workforce – approximately 8.3 million people – are essential.⁶
- On the national level, Brookings Institution researchers estimate that as of 2018, there were anywhere from 49 million to 62 million people – 34 percent to 43 percent of the total U.S. workforce – employed in essential industries.⁷ If we assume that the share of essential workers is the same in California as in the U.S., then approximately 5.8 million to 7.3 million California workers would be employed in essential industries.

WHO ARE ESSENTIAL WORKERS?
The UC Berkeley Labor Center provided a profile of frontline essential jobs in California who are likely to be at risk of workplace exposure to COVID. Researchers found that overall, the rate of low-wage work among frontline essential jobs (39 percent) is higher than for California workers as a whole (32 percent). Looking at race and ethnicity, Latinx workers had the highest rate of employment in the identified frontline jobs (55 percent), followed by Black workers (48 percent). Collectively, researchers did not find a substantial difference in the gender

California Guidance on Essential Workforce Sectors
1. Health and Public Health Sector
2. Emergency Services Sector
3. Food and Agriculture Sector
4. Energy Sector
5. Water and Wastewater Sector
6. Transportation and Logistics Sector
7. Communications and Information Technology Sector
8. Government Operations and Other Community-Based Essential Functions
9. Critical Manufacturing Sector
10. Financial Services Sector
11. Chemical Sector
12. Defense Industrial Base Sector

breakdown of frontline essential workers (45 percent men versus 42 percent women). However, they did find that men or women were overrepresented when looking at specific occupations. For example, men made up a greater share of construction laborers (98 percent), truck drivers (93 percent), and laborers & materials movers (80 percent), while women made up a greater share of secretaries (91 percent), registered nurses (83 percent), and personal care aides (81 percent). Nearly half (48 percent) of immigrant workers are employed in the selected frontline essential jobs, as compared to 41 percent of U.S. born workers. However, researchers note that the dataset used in the analysis is believed to undercount undocumented workers and thus likely underestimates the number of immigrant workers in these occupations.⁸

### California’s Overcrowded Housing

The generally accepted definition of overcrowding is a household with more than one person per room – including bedrooms, kitchens, and living rooms but excluding bathrooms – and severely overcrowded households have over 1.5 people per room.⁹ According to our calculations of 2019 data from the U.S. Census Bureau, the state’s overcrowding rate is 8.2 percent, more than double the national rate of 3.4 percent. California’s renter-occupied households (13.4 percent) face much higher rates of overcrowding than its owner-occupied households (4 percent).¹⁰

### California’s Renter-Occupied Households Experience Much Higher Rates of Overcrowding than its Owner-Occupied Households

#### Share of households living in overcrowded housing conditions

<table>
<thead>
<tr>
<th></th>
<th>Owner-occupied Households</th>
<th>Renter-occupied Households</th>
<th>All Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moderate Overcrowding</td>
<td>Severe Overcrowding</td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>2%</td>
<td></td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>4%</td>
<td></td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td>6%</td>
<td></td>
<td></td>
<td>10%</td>
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<tr>
<td>8%</td>
<td></td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>10%</td>
<td></td>
<td></td>
<td>14%</td>
</tr>
<tr>
<td>12%</td>
<td></td>
<td></td>
<td>16%</td>
</tr>
</tbody>
</table>

Notes: Overcrowding is defined as households with more than one person per room – including bedrooms, kitchens, and living rooms but excluding bathrooms – and severely overcrowded households have over 1.5 people per room. Source: U.S. Census Bureau, Data Table B25014: Tenure by Occupants Per Room.

We also found that overcrowding rates vary sharply by county, with the state’s highest rates of overcrowding in central and southern California. Overcrowding is most severe among renters in Monterey County and Madera County, where approximately one-fifth of renter-occupied households are overcrowded. Monterey County also has the highest rate of overcrowding among owner-occupied households at 6.85 percent, which is less than one-third its overcrowding rate for renter-occupied households.
CALIFORNIA ESSENTIAL WORKERS LIVING IN OVERCROWDED HOUSEHOLDS

The Public Policy Institute of California (PPIC) found that 16 percent of essential workers live in overcrowded housing, compared to 12 percent of nonessential workers. We applied PPIC’s overcrowding rate for essential workers (16 percent) to the previously calculated estimate of California’s essential workforce (5.6 million to 8.5 million) and found that an estimated 900,000 to 1.4 million essential workers in California live in overcrowded housing. PPIC researchers also found that workers in some sectors, such as farming (31 percent) and food preparation/serving (29 percent), have an even higher likelihood of living in overcrowded housing.

Workers in Essential Jobs May Live in Overcrowded Households

<table>
<thead>
<tr>
<th>Essential Job Sector</th>
<th>Share of Essential Workers Living in Overcrowded Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming, Fishing, and Forestry</td>
<td>31%</td>
</tr>
<tr>
<td>Food Preparation and Serving</td>
<td>29%</td>
</tr>
<tr>
<td>Sales</td>
<td>25%</td>
</tr>
<tr>
<td>Production</td>
<td>23%</td>
</tr>
<tr>
<td>Transportation and Moving</td>
<td>21%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>20%</td>
</tr>
<tr>
<td>Installation and Maintenance</td>
<td>17%</td>
</tr>
<tr>
<td>Personal Care</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>16%</td>
</tr>
</tbody>
</table>

Notes: A household is overcrowded if there is more than one occupant per room. This analysis excludes group quarters such as correctional facilities for adults, nursing homes, college/university student housing. Essential occupations were identified by PPIC based on the list of essential jobs in California’s stay at home order. Includes only sections where share of essential workers living in overcrowded households is higher than the statewide share. Source: Marisol Cuellar Mejia and Paulette Cha. “Overcrowded Housing and COVID-19 Risk among Essential Workers.” The Public Policy Institute of California. May 12, 2020. https://www.ppic.org/blog/overcrowded-housing-and-covid-19-risk-among-essential-workers/.
Looking more broadly, reporters at CalMatters sought to quantify how many Californians live in an overcrowded household that includes at least one essential worker (but may also include one or more non-essential workers). They estimated that as of 2017, 4.1 million Californians lived in such households. This would represent approximately two-thirds of their estimated total of 6.3 million Californians living in overcrowded households at that time. Of the 4.1 million, 92 percent were people of color.\(^{12}\)

### Share of Californians living in overcrowded housing who are an essential worker or live with an essential worker

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic</td>
<td>74.4%</td>
</tr>
<tr>
<td>Asian/Pacific Islander</td>
<td>12.4%</td>
</tr>
<tr>
<td>Black</td>
<td>3.4%</td>
</tr>
<tr>
<td>Multiracial</td>
<td>8.1%</td>
</tr>
<tr>
<td>Native American</td>
<td>0%</td>
</tr>
<tr>
<td>White</td>
<td>1.4%</td>
</tr>
<tr>
<td>Others</td>
<td>0.3%</td>
</tr>
</tbody>
</table>


Policymakers should bear in mind that all of the key calculations in this section – such as the percentage of essential workers living in overcrowded housing and the number of Californians living in overcrowded households that include at least one essential worker – are based on data from before the pandemic. More recent data is not yet available, but it is possible that the economic dislocations caused by the pandemic have increased overcrowding for essential workers.

### SHARE OF U.S. WORKERS LIVING IN OVERCROWDED HOUSING BY OCCUPATION

On the national level, researchers at the Center for Immigration Studies analyzed the share of workers living in overcrowded conditions by occupation. The Center did not seek to calculate the total number of essential workers in overcrowded housing, but researchers identified the share of workers in broad job categories – some of which are deemed essential - who live in overcrowded housing.

They found that – among the occupations analyzed - the workers who are most likely to live in crowded housing are employed in farming, fishing, and forestry; building cleaning and maintenance; construction; food preparation; transportation and moving; healthcare support; production; personal care and service; installation, maintenance and repair; and sales and related jobs.\(^{13}\)
Workers in certain occupations are more likely to live in overcrowded housing

Share of U.S. workers in overcrowded housing by occupation


Part II: Impact on Mortgage and Rent Payments

This section assesses the impact of the pandemic on the ability of Californians to afford mortgage and rental payments, and the impact on landlords when tenants are unable to pay rent. This section responds to the second question posed by the Legislature, “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?”

Even before the pandemic, Californians were burdened by high housing costs, with nearly a third of homeowners and roughly half of renters spending at least 30 percent of their income on housing.

During the pandemic, millions have fallen behind on their housing 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 “seriously delinquent” – defined as 90 days or more in arrears – skyrocketed. Although the rate of serious delinquency remained far below its peak during the Great Recession, the highest rates afflicted some areas with traditionally struggling economies.

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 – groups that have been disproportionately affected by the pandemic recession – were especially likely to be behind in either their mortgage or rent.
In turn, 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 (single-family homes or properties with few units), and tenants in such properties are more likely to have fallen behind in their rent.

Landlords of color are more vulnerable than their White counterparts to the financial pressures of the pandemic. Black and Latino landlords, for example, are more likely to have lower incomes and to have a mortgage on their rental properties.

**California’s Renters and Homeowners**

There are over 21 million Californians living in 7.2 million owner-occupied housing units and nearly 17 million Californians living in approximately 5.9 million renter-occupied housing units across the state. Owner-occupied units accounted for 54.8 percent of all housing units; renter-occupied units accounted for 45.2 percent. Approximately 70 percent of the state’s owner-occupied households have a mortgage and 30 percent do not.

**Nearly half of California’s occupied housing units are rentals**

**PRE-EXISTING HOUSING COST-BURDENS**

Even before the pandemic, many households were putting a significant amount of their income towards housing costs. The Joint Center for Housing Studies of Harvard University estimates that as of 2019, 16.7 percent (1.2 million) of California’s owner-occupied households were moderately cost-burdened (paying 30 percent to 50 percent of their income on housing) and 13 percent (900,000) were severely cost-burdened (paying over half of their income on housing). The rates were even higher for renter households: 24.2 percent (1.4 million) were moderately cost-burdened and 27.3 percent (1.6 million) were severely cost-burdened.
Over half of California renters were experiencing cost burdens prior to the COVID pandemic

Share of California households with cost burdens (2019)

<table>
<thead>
<tr>
<th></th>
<th>Owners</th>
<th>Renters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderately Burdened</td>
<td>29.6%</td>
<td>51.6%</td>
</tr>
<tr>
<td>Severely Burdened</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Moderately cost-burdened households pay 30 to 50 percent of their income on housing. Severely cost-burdened households pay over 50 percent of their income on housing.

Effect of the Pandemic

The pandemic's impact on housing affordability continues to change, but it is clear that a significant portion of California homeowners and renters are struggling to keep up with their housing payments. Commission staff analyzed U.S. Census Bureau data (see sidebar for details) from a three-month period stretching from mid-November to mid-February, the most recent data available at the time of this report's writing.

HOMEOWNERS

We found that 10.8 percent of California respondents living in owner-occupied housing reported at some point during the three-month period that they were behind on their payments. This three-month period included six Census Bureau surveys, and the delinquency rate for each of these individual surveys ranged from 8.3 percent to 15.2 percent.

By contrast, the delinquency rate for California homeowners from 2017 to 2019 – before the onset of the pandemic – was 2 percent.¹⁷

A substantial portion of delinquent households may be behind by at least 90 days, referred to as being “seriously delinquent.” CoreLogic found that the rate of seriously delinquent mortgages skyrocketed throughout California this past summer. In March 2020, the seriously delinquent mortgage rate in California was 0.6 percent; by July, it had reached 3.8 percent.¹⁸ These statewide increases tracked with a national increase in the rate of seriously delinquent mortgages, which reached 4.1 percent in July.¹⁹
While this rate is just a third of California's seriously delinquent mortgage rate peak of 11.4 percent during the Great Recession, nonetheless "some of the same areas that struggled in the previous foreclosure crisis are again seeing elevated delinquency rates, particularly areas in the Inland Empire and Central Valley." El Centro in Imperial County experienced the highest rate of seriously delinquent mortgages at 5 percent, followed by Bakersfield at 4.8 percent, Riverside and Stockton at 4.5 percent, and Los Angeles at 4.1 percent. San Francisco and San Jose experienced the lowest rates of seriously delinquent mortgages at 2.7 percent and 2.2 percent, respectively.

Some homeowners fall behind on their payments, but later recover their financial health. For example, the national recovery rate for delinquent loans was 30 percent in October, and was even higher in some California cities. However, relatively few loans that fall at least 90 days behind ever emerge from delinquency. The recovery rate for those loans was just 11 percent in December.

### Seriously Delinquent Mortgage Rates in California – 2019 vs. 2020

![Serious Delinquency Rate Chart](chart.png)


**RENTERS**

Renters are struggling even more than homeowners. Our analysis of Household Pulse Survey data found that 16.9 percent of respondents who live in renter-occupied households were behind on their payments, compared to 10.8 percent of those living in owner-occupied housing. Responses were similar nationally, with 18.7 percent of renters behind in payments compared to 10.3 percent of those in owner-occupied households.
Renters are having more difficulty making their housing payments than homeowners
Share of renters/homeowners behind on their housing payments

![Bar chart showing the share of renters and homeowners behind on their housing payments in the United States and California.](chart)

**Notes:** Percentages reflect data collected during six separate survey rounds: November 11 to 23, November 25 to December 7, December 9 to 21, January 6 to 18, January 20 to February 1, and February 3 to February 15. Excludes households that did not respond.

**Source:** U.S. Census Bureau Household Pulse Survey Data Tables, Housing Tables 1a. and 1b. https://www.census.gov/programs-surveys/household-pulse-survey/data.html

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**U.S. Census Bureau Household Pulse Survey**

In April 2020, the U.S. Census Bureau launched an experimental bi-weekly survey – the Household Pulse Survey – to try to collect timely information on how individuals (not households) are being impacted by the pandemic. While the data provides some insight into how people are responding to the pandemic, it does not come without concerns. The Census Bureau warns that the sample sizes of subpopulations within the survey are small, which may lead to large standard errors. Additionally, the survey was lengthened at the beginning of August leading respondents to skip questions towards the end of the survey, including the housing questions. Some researchers cite that this non-response was heightened among populations who are younger, have lower levels of education, and identify as Black or Latino, raising concerns that the data likely understates the number of people having difficulty paying their housing payments.23

Commission staff conducted an analysis of the Household Pulse Survey (see below), focusing on data collected during six separate survey rounds over a three month span: November 11 to 23, November 25 to December 7, December 9 to 21, January 6 to 18, January 20 to February 1, and February 3 to 15. Using the Census Bureau’s data tables, we combined the survey estimates for these six rounds and for each demographic characteristic, we divided the number of respondents that reported that they were behind on their housing payments by the total number of individuals within that demographic characteristic that responded whether they were caught up on their housing payments. We excluded adults who did not report their housing payment status or whether they live in renter- or owner-occupied housing. See Appendix A for our individual calculations for all of the selected time periods.
CALIFORNIANS OF COLOR

For both renters and owners, the struggle to keep up with housing payments has been most difficult for Californians of color. Black and Latinx homeowners, for example, were over two times as likely as Whites to report being behind in their payments. Similar gaps existed for renters.

**Californians of color are more likely to fall behind on housing payments**

Share of Californians behind on housing payments by race/ethnicity

![Graph showing the share of Californians behind on housing payments by race/ethnicity and income.](image)

Notes: Percentages reflect data collected during six separate survey rounds: November 11 to 23, November 25 to December 7, December 9 to 21, January 6 to 18, January 20 to February 1, and February 3 to February 15. Excludes households that did not respond.

Source: U.S. Census Bureau Household Pulse Survey Data Tables, Housing Tables 1a. and 1b. [https://www.census.gov/programs-surveys/household-pulse-survey/data.html](https://www.census.gov/programs-surveys/household-pulse-survey/data.html)

CALIFORNIANS WITH LOW-INCOMES

Californians in low-income households struggled more to make their housing payments than Californians with high-incomes. This is true for both those in renter- and owner-occupied housing. Low-income renters – with a household income of less than $25,000 a year – were nearly six times as likely to be behind on their housing payments as high-income renters – with a household

**Lower-income Californians struggle more to pay their housing payments**

Share of Californians behind on housing payments by income

![Graph showing the share of Californians behind on housing payments by income.](image)

Notes: Percentages reflect data collected during six separate survey rounds: November 11 to 23, November 25 to December 7, December 9 to 21, January 6 to 18, January 20 to February 1, and February 3 to February 15. Excludes households that did not respond.

Source: U.S. Census Bureau Household Pulse Survey Data Tables, Housing Tables 1a. and 1b. [https://www.census.gov/programs-surveys/household-pulse-survey/data.html](https://www.census.gov/programs-surveys/household-pulse-survey/data.html)
income of over $100,000 a year. Similarly, low-income homeowners were almost four times as likely to be behind on their housing payments as high-income homeowners.

**CALIFORNIANS WITH LESS FORMAL EDUCATION**

Californians with less formal education had a harder time making their housing payments, for both those in renter-occupied and owner-occupied households. For example, California renters with less than a high school education were more than three times as likely as renters with a Bachelor’s degree or higher to be behind on their housing payments.

**Californians with less formal education are more likely to fall behind on their housing payments**

Share of Californians behind on housing payments by education level

![Bar chart showing share of Californians behind on housing payments by education level.](https://www.census.gov/programs-surveys/household-pulse-survey/data.html)

Notes: Percentages reflect data collected during six separate survey rounds: November 11 to 23, November 25 to December 7, December 9 to 21, January 6 to 18, January 20 to February 1, and February 3 to February 15. Excludes households that did not respond.

Source: U.S. Census Bureau Household Pulse Survey Data Tables, Housing Tables 1a. and 1b. https://www.census.gov/programs-surveys/household-pulse-survey/data.html

**OTHER RESEARCH**

Other researchers have analyzed the same Census Bureau data, although using different time periods, and their findings are similar to ours:

- The Terner Center for Housing Innovation at the University of California, Berkeley found that 9 percent of homeowners with a mortgage and 14 percent of renters in California were behind on their housing payments in August. They also found that households of color were more likely to be behind on their housing payments than White households.  
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- The Center for Budget and Policy Priorities estimated that in February, 18 percent of U.S. renters were behind on their rent payments. Furthermore, Black (29 percent), Latino (22 percent), and other/multiracial (19 percent) renters were having a more difficult time paying for their rent than Asian (16 percent) and White (13 percent) renters. Looking at data from January and February, they estimated that 16 percent of California renters were behind on their rent.  
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- The Joint Center for Housing Studies of Harvard University found in December that 18.4 percent of U.S. renters and 10.6 percent of homeowners were behind on their housing payments. They...
also found that for both U.S. renters and homeowners, people of color have had more difficulty paying their housing payments as compared to White individuals. Additionally, lower-income individuals have had more difficulty paying their housing payments when compared to those with higher-incomes.26

- The U.S. Department of Housing and Urban Development estimated that 14.5 percent and 16.2 percent of U.S. renter households were behind on their rent in August and September respectively. They also found that U.S. renter households with a pre-pandemic income of less than $25,000 were more than twice as likely as higher-income households (over $50,000) to report not being caught up on their rental payments.27

Additionally, research outside of the Household Pulse Survey has established related findings with regards to race and ethnicity. A Pew survey conducted in August 2020 found that Black (28 percent) and Hispanic (26 percent) respondents were more likely than Asian (15 percent) or White (11 percent) respondents to have had problems paying their rent or mortgage since the start of the pandemic.28

**Landlords**

**HOW MANY LANDLORDS ARE THERE?**

There are approximately 6.2 million rental housing units across the state. A little over one-third (35 percent) are single-family homes. Another 15 percent of units are in small multi-family structures with two- to four-units, 23 percent are in buildings with five- to 19-units, and 25 percent are in buildings with 20 or more units. The remaining two percent are mobile homes or other types of housing, including boats, RVs, and automobiles.29 Because landlords can own more than one property, it is not clear how many landlords there are in California.

*Single-family homes account for over one-third of California's rental housing units*

*Share of California's rental units by structure type (2018)*

Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied. Other structure types include boats, RVs, and automobiles.
Individual Investors Versus Business Entity Landlords

When tenants cannot pay rent, the burden may be especially difficult for individual investor landlords, who may have greater difficulty than business entity landlords in making their own mortgage, tax or insurance payments, or in accessing business assistance programs. Individual investors are also more likely than business entity landlords to own relatively small rental properties (single-family homes or properties with few units), and tenants in such properties have a lower median income and are more likely to have fallen behind in their rent.

SMALLER PROPERTIES

A 2018 national survey found that individual investors owned about 72 percent of all U.S. rental properties, but those properties encompassed only 41 percent of all rental units. Almost three-quarters of properties with one- to four-units were owned by individual investors. If we apply the percentage of rental units owned by individual investors nationally (41 percent) to California’s rental stock of approximately six million units, then roughly 2.5 million of California’s rental units would be owned by individual investors.

TENANTS IN SINGLE-FAMILY AND SMALL MULTI-FAMILY RENTAL PROPERTIES

Tenants in single-family and small multi-family properties are having a harder time making their rental payments. Tenants in small multi-family properties were already more vulnerable, as their median household income was 11 percent lower than that of all renter households. While renters in single-family homes typically have higher incomes, they are more likely than renters in larger multi-family buildings to be families with children, and pay higher rents. Not surprisingly, they are more likely to have fallen behind on rent. Two studies from September 2020 – one by the U.S. Department of Housing and Urban Development and one by Harvard – found that a larger share of renters in single-family homes and small buildings are behind on their rent, compared to renters in larger properties.

An analysis of August data by UC Berkeley reached a similar conclusion for California: renters of single-family homes were most likely to be behind on rent, followed by those in two- to four-unit properties.

SOME LANDLORDS OF SMALLER PROPERTIES WITH MORTGAGES ARE FACING INCREASED PRESSURE TO SELL

In October, Avail and the Urban Institute conducted a survey about the pressures facing landlords. The survey, which included 1,381 responses from landlords who own rental property, found that nearly 31 percent of respondents said that they had felt more pressure to sell their properties during the pandemic than before the pandemic. Furthermore, landlords with lower-incomes and mortgages felt an increased pressure to sell as compared to landlords with higher-incomes and without mortgages. For example, 50.9 percent of landlords making less than $50,000 a year felt an increased pressure to sell as compared to just 18.8 percent of landlords without a mortgage, making over $150,000 a year.
LANDLORDS OF COLOR ARE AT A GREATER FINANCIAL RISK
Evidence suggests that Black and Hispanic landlords are more vulnerable to the pandemic. A separate survey conducted by Avail and the Urban Institute in August 2020 found that in comparison to White landlords, Black and Hispanic landlords have lower incomes, own fewer properties, and are more likely to have a mortgage.37

Black and Hispanic landlords are more financially vulnerable

Part III: Mortgage Forbearance
This section assesses mortgage forbearance in California and across the country, and responds to the third question from the Legislature, “How many landlords and homeowners have been granted mortgage forbearance due to COVID-19 financial hardships?”

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.

While many low- and moderate-income homeowners have received mortgage forbearance, small landlords often face greater challenges to obtaining relief.
Understanding Delinquency and Forbearance

While mortgage delinquency always means that a borrower is past due on their mortgage, the same is not necessarily true for mortgages in forbearance. Some borrowers who have been granted mortgage forbearance continue to make their monthly mortgage payments on time and thus avoid becoming delinquent on their loan. This was true for 40 percent of Californians in forbearance in July, although no recent data is available to determine how many are continuing to make their mortgage payments while they are in forbearance. As the pandemic has progressed, it is possible that more people may have fallen behind and have become delinquent. For example, by February 2021, just 12 percent of borrowers in mortgage forbearance nationwide continued to make their monthly mortgage payments. It is only mortgages that are past due, regardless of whether they are in forbearance or not, that are considered delinquent. This means that measures of mortgage delinquency include both past due mortgages that are in forbearance as well as past due mortgages that are not in forbearance. Policymakers should bear in mind that these terms are not one and the same and cannot be used interchangeably.

Most homeowners and landlords throughout the country are eligible for forbearance through the CARES Act, although it is important to emphasize that forbearance is not automatically granted; rather, it must be requested by homeowners and landlords seeking mortgage relief. About 70 percent of all outstanding single-family mortgages are federally-backed and are therefore eligible to request forbearance through the CARES Act. The remaining 30 percent are privately owned and are not eligible for forbearance through the Act. Those with privately owned mortgages may still be able to receive forbearance from their banks and private lenders. On March 25, Governor Newsom announced that major banks including Citigroup, JP Morgan Chase, U.S. Bank, Wells Fargo, and nearly 200 state-chartered banks, credit unions, and mortgage lenders and servicers agreed to provide mortgage payment forbearances of up to 90 days for Californians who request it.
MORTGAGE FORBEARANCE RATES

The national mortgage forbearance rate peaked at nine percent in late May, representing 4.7 million homeowners and small landlords in forbearance across the country and more than $1 trillion in unpaid principal. Since its peak in May, the forbearance rate has steadily declined – dropping to 7.7 percent by the end of July, 6.8 percent by the end of September, and 5.3 percent by the end of November – and has essentially plateaued since the end of the year. By the beginning of March, 5.1 percent of all mortgages were in forbearance plans, representing an estimated 2.7 million homeowners and small landlords and about $545 billion in unpaid principal.

California’s rate of mortgage forbearance is similar to this current national rate, with 4.9 percent of mortgages – 364,000 homeowners and small landlords – in forbearance plans.

California’s forbearance rate of 4.9 percent ranks eighth out of the 15 states with the highest number of loans in forbearance. Texas has the nation’s highest rate of loans in forbearance – 7.6 percent.

Mortgage and real estate data analytics firm Black Knight reports that a large number of forbearance plans are likely to still be active when the first wave of forbearances begins to expire – originally set for March 2021, now set for September 2021 – because of the slow rate of improvement in the national forbearance rate. According to their projections, more than 2.5 million plans could still be active when borrowers’ 360 day forbearance provisions end in March, although many borrowers now have the option to request an extension of their forbearance for an additional six months.

CHALLENGES TO RECEIVING FORBEARANCE

A lack of awareness, outreach, and clear information made it difficult for some homeowners and small landlords to receive mortgage forbearance. Nonprofit community organizations and a public housing agency surveyed by the Federal Reserve Bank of San Francisco said many homeowners they spoke with did not understand mortgage forbearance and were uncertain about the terms

National Mortgage Forbearance Rate

of their forbearance plan and its repayment. While the survey found that most homeowners who requested forbearance received it, “there is little consistency in what information is provided to homeowners that request mortgage assistance.” Some homeowners received written information about their forbearance plan, while others received a verbal agreement from their mortgage lender/servicer and were told that written notification was delayed. The organizations surveyed noted that some homeowners even received “letters threatening foreclosure for nonpayment or notices of pre-foreclosure even after their mortgage went into forbearance,” or were told that a lump sum payment would be required at the end of their forbearance period, despite guidance from the federal government to the contrary.

Small landlords often face more difficulty receiving forbearance. According to analysis by the Urban Institute, just 12.4 percent of single-family and two- to four-unit rental properties nationwide are federally financed and covered by the CARES Act, compared to 48.9 percent of larger, multifamily properties. The Federal Reserve Bank of San Francisco found that “many small landlords do not have access to the same assistance as homeowners or renters,” with some small landlords reporting that they were denied pandemic-related assistance such as forbearance or Paycheck Protection Program loans. A nationwide survey of small landlords – with the majority of respondents residing in California – provided further insight into the need for outreach and education about forbearance provisions. While 48 percent of Black, 35 percent of Hispanic, and 32 percent of White landlords nationwide have federally-backed mortgages and are therefore eligible for forbearance through the CARES Act, “42 percent of [landlords] with federally-backed mortgages said they didn’t know whether their servicers provide forbearance, and 11 percent said that their servicers do not provide forbearance.” Other landlords who were aware about the forbearance provision were reluctant to accept it, citing concerns about repayment after their forbearance ended and uncertainty “about whether their tenants would be in a better financial position to repay their rents in the future.”
Part IV: Socio-Economic Impacts

This section assesses the impact of foreclosures, and responds to the fourth question from the Legislature, “What would be the socio-economic impacts of foreclosures due to COVID-19 when compared to previous economic downturns?”

Realtors predict that 60,000 foreclosures could potentially occur in California. 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. This is because homeowners of color are likely to hold a relatively high share of their total worth in their homes, and thus foreclosures help to reduce the chance for passing on wealth to future generations.
- 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.
- Negatively impact the health and well-being of homeowners and small landlords. The stress of foreclosure can have harmful mental and physical consequences.

Projected Foreclosures Due to COVID-19

Foreclosures due to COVID-19 are projected to be significantly less than the nearly 250,000 that occurred statewide in 2008. Realtors predict that 60,000 foreclosures could potentially occur in California. Many experts cite increased levels of home equity and a booming housing market as indications that foreclosures due to COVID-19 will be minimal compared to the previous foreclosure crisis.

At the end of 2020, 46 percent of mortgaged homes throughout California were considered to be “equity-rich,” meaning “the combined estimated amount of loans secured by those properties was 50 percent or less of their estimated market value.” The share of equity-rich homes in California increased during 2020, due largely to increasing home prices. Upward price pressure pushes up the market value of homes without increasing the amount of secured loans, and thus increases the likelihood that homes will be “equity-rich.” Home price growth is “one of the biggest drivers of home equity,” according to mortgage and data analytics firm CoreLogic. A shortage of homes for sale in California – active listings in January 2021 had fallen 53.4 percent from 2020 – and lowered mortgage interest rates have contributed to an increase in home prices across the state. The state’s median home price increased 21.7 percent from January 2020 to January 2021. As a result, many homeowners have experienced increases in their home equity.

“With a greater cushion of equity,” notes Don Layton of Harvard’s Joint Center for Housing Studies, “troubled homeowners have dramatically improved options: a greater ability to access funding...
(e.g. home equity lines) to keep paying monthly expenses until family finances might recover, improved ability to qualify for and support a loan modification, and, if push comes to shove, the ability to sell the home and monetize their increased net worth while reducing monthly payment obligations. And with a low supply of homes on the market, distressed homeowners are likely to find eager buyers for their homes rather than face foreclosure. Homeowners during the Great Recession were much less likely to have such cushions of equity. Thirty-seven percent of mortgaged homes in California had negative equity in 2009, meaning homeowners owed more than the value of the home. Just 1.7 percent of California homes had negative equity in mid-2020.

Nonetheless, the 60,000 foreclosures that may occur due to COVID-19 in California could exacerbate the racial wealth gap among homeowners of color, result in a loss of affordable rental housing, and negatively impact the health and well-being of homeowners and small landlords who experience foreclosure.

**WIDENING RACIAL WEALTH GAPS AMONG HOMEOWNERS OF COLOR**

As referenced above in Section II, August data showed that households of color in California were more likely than White households to be behind on their mortgage payments. These high rates of mortgage delinquency among communities of color “reflect the impact of the pandemic on employment sectors in which [they] often work.” Sixty-five percent of California workers in industries highly affected by the pandemic – retail, restaurants, travel and tourism, arts and entertainment, personal services – are people of color. Continued financial struggles due to the COVID-19 pandemic are likely to cause these homeowners of color to fall further behind on their mortgage payments, thereby placing them at higher risk of foreclosure.

Foreclosures among California’s Hispanic and Black communities will severely hinder their efforts to accumulate wealth to pass on to future generations. Before the pandemic, unequal access to homeownership and affordable housing was cited as one of three key causes contributing to the racial wealth gap in California. While 68 percent of White Californians and 66 percent of Asian/Pacific Islander Californians were homeowners in 2019, the same is true for just 49 percent of Latinx Californians and 41 percent of Black Californians.

Foreclosures among California’s Hispanic and Black communities will severely hinder their efforts to accumulate wealth to pass on to future generations.

As the California Budget and Policy Center notes, “a house is often a family's greatest investment, and it represents the largest single segment of their wealth portfolio.” This is especially true for Latinx and Black families who own homes – on average the home constitutes 65 percent of Latinx family wealth and 56 percent of Black family wealth, compared to just 38 percent of White homeowners’ wealth – and thus an increase in foreclosures would represent an even more devastating assault on wealth accumulation for Latinx and Black Californians than for Whites.
Foreclosures that occurred due to the Great Recession similarly affected homeowners of color and exacerbated the racial wealth gap. Black and Latino Californians were more than twice as likely to experience foreclosure than their White counterparts. In 2007, a home comprised “73.1 and 61.8 percent of the typical Hispanic and Black homeowners’ total wealth, respectively, compared with just 46.5 percent for the typical white homeowner.” As home values plummeted during the Recession, these foreclosed homeowners not only lost all wealth they may have had in the home, “both invested up front in the form of a down payment and accumulated over time through home value appreciation and built-up equity,” but they were then “forced to re-enter the housing market as renters,” where “sudden new demand for rental housing caused rents to soar.” And as their foreclosed homes grew in value after the Recession, these foreclosed homeowners of color missed out on opportunities to build and accumulate wealth.

**LOSS OF AFFORDABLE RENTAL HOUSING**

“If [small landlords] are forced to turn their properties over to lenders due to foreclosure,” the Economic Roundtable predicts, “it is likely that many properties will disappear from the affordable housing stock, exacerbating the [housing] crisis.” Properties overseen by small landlords, particularly two- to four-unit buildings, tend to be more affordable than other types of rental units and as a result, tend to house more low-income tenants of color who have been disproportionately impacted by the COVID-19 pandemic. Compared to single-family rentals and units in larger buildings, two- to four-unit buildings cost $35 to $245 less in rent each month, have a lower median household income of $35,500, and house a larger share of Black and Hispanic tenants (44 percent) as well as workers in vulnerable industries, including food and accommodation, construction, entertainment, and retail (35 percent).

In California, two- to four-unit buildings comprise nearly 19 percent of the rental market in the San Francisco, Oakland, and Hayward metro area; 14 percent of the Los Angeles, Long Beach, and Anaheim rental market as well as the Riverside, San Bernardino, and Ontario rental market; and 12 percent of the San Diego and Carlsbad rental market. Of the nearly 1 million renter households in California behind on their rent payments, 20 percent live in these more affordable two- to four-unit buildings. This is the second most

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**Percent of Renter Households Behind on Housing Payments, by Building Type**

![Graph showing the percentage of renter households behind on housing payments by building type.](https://ternercenter.berkeley.edu/research-and-policy/ongoing-housing-crisis/)
impacted type of renter household statewide after the 42 percent of households behind on their rents in single-family rental units, which tend to have more expensive rents than two- to four-unit buildings.\textsuperscript{81}

The failure of these smaller, more affordable two- to four-unit properties in the long term “may mean increasing consolidation of these properties by Wall Street-backed firms similar to what we saw with the acquisition of foreclosed single-family homes during the Great Recession, depriving communities of wealth-building opportunities and threatening to push up rents.”\textsuperscript{82} If this happens, tenants in these properties may become more cost-burdened than they already are – more than half of California renter households paid more than 30 percent and a quarter paid more than 50 percent of their total income in rent before the pandemic\textsuperscript{83} – and may experience poor maintenance upkeep, complex rental agreements, and exorbitant fees from bureaucratic landlords just as renters in investor-owned single-family properties have experienced in the aftermath of the Great Recession.\textsuperscript{84}

**DETRIMENTAL PHYSICAL AND MENTAL HEALTH EFFECTS**

The foreclosure process is a “potent psychological stressor,” that can have significant effects on the health and well-being of families and individuals who experience it. Its prolonged nature – the process can take anywhere from six months to more than a year to complete\textsuperscript{85} – and feelings of personal responsibility or lack of control over outcomes can contribute to symptoms of stress and depression.\textsuperscript{86} Californians of color, who are more likely than their White counterparts to be behind on their mortgage payments, are already experiencing negative health effects related to stress and worry about the COVID-19 pandemic. These symptoms could worsen significantly – and dangerously – if homeowners and small landlords in these communities face foreclosure in the coming months.

A survey conducted by the California Health Care Foundation found that Black, Asian, and Latinx Californians are more likely than White Californians to experience negative health effects due to stress or worry caused by the COVID-19 pandemic, including trouble falling or staying asleep or sleeping too much, poor appetite or overeating, frequent headaches or stomachaches, and worsening chronic conditions like diabetes or high blood pressure. Latinx and Asian Californians in particular were more likely to experience difficulty controlling one’s temper, while Latinx and Black Californians were more likely to experience increasing alcohol or drug use.\textsuperscript{87} These negative symptoms could worsen if coupled with the stress of foreclosure.

Foreclosures that occurred due to the Great Recession had serious impacts on the health and well-being of those who experienced it. In 2015, researchers examined data on foreclosures and hospital and emergency room visits in California, Arizona, Florida, and New Jersey – states which together “comprised almost 50 percent of all the foreclosure filings in the U.S. in 2008,” \textsuperscript{88} and found that “a rise in foreclosures is associated with significant increases in hospital and emergency room visits for conditions including mental health problems, heart attack, and stroke, as well as for conditions such as hypertension, that could be prevented by appropriate care.” These researchers estimate that the 2.82 million foreclosures that occurred nationwide in 2009 resulted in an additional 2.21 million non-elective visits, increasing the costs of hospitalizations for non-elective
Black, Asian, and Latinx Californians Are More Likely Than White Californians to Experience Some Symptoms of Stress and Worry Related to the COVID-19 Pandemic

Q: Has worry or stress related to the COVID-19 outbreak caused you or someone in your household to experience the following in the past 3 months?

- Trouble falling or staying asleep, or sleeping too much:
  - White: 19%
  - Latinx: 27%
  - Asian: 29%
  - Black: 37%

- Poor appetite or overeating:
  - White: 18%
  - Latinx: 27%
  - Asian: 29%
  - Black: 35%

- Difficulty controlling one's temper:
  - White: 19%
  - Latinx: 29%
  - Asian: 27%
  - Black: 18%

- Frequent headaches or stomachaches:
  - White: 18%
  - Latinx: 29%
  - Asian: 23%
  - Black: 27%

- Increasing alcohol or drug use:
  - White: 14%
  - Latinx: 10%
  - Asian: 18%
  - Black: 21%

- Worsening chronic conditions like diabetes or high blood pressure:
  - White: 8%
  - Latinx: 14%
  - Asian: 19%
  - Black: 17%


conditions by more than $5.57 billion in 2009. Further, researchers with the Centers for Disease Control and Prevention found that foreclosure-related suicides – as coded in the National Violent Death Reporting System – more than tripled from 2005 to 2010, suggesting that “foreclosure was a very central risk factor for some individuals who died by suicide during the U.S. housing crisis.”

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## Appendix A: Household Pulse Survey Data

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<thead>
<tr>
<th></th>
<th>Owner-Occupied</th>
<th>Renter-Occupied</th>
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<tbody>
<tr>
<td><strong>ALL</strong></td>
<td>10.8%</td>
<td>12.1%</td>
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<tr>
<td><strong>Hispanic Origin &amp; Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hispanic or Latino (may be of any race)</td>
<td>19.1%</td>
<td>13.0%</td>
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<tr>
<td>White</td>
<td>3.7%</td>
<td>6.5%</td>
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<tr>
<td>Black</td>
<td>8.9%</td>
<td>30.6%</td>
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<td>Asian</td>
<td>15.4%</td>
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<td>Another Race/ Multiracial</td>
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<td>10.4%</td>
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<tr>
<td><strong>Education</strong></td>
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<td>Less than high school</td>
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<td>High school or GED</td>
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<td>Some college/ associate's degree</td>
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<tr>
<td>Bachelor's degree or higher</td>
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<td><strong>Household Income</strong></td>
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<td>Less than $25,000</td>
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<tr>
<td>$100,000 and above</td>
<td>7.8%</td>
<td>7.0%</td>
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</tbody>
</table>
Notes


20. Selma Hepp, see endnote 18.


25. Center on Budget and Policy Priorities, see endnote 23.


28. Kim Parker, Rachel Minkin and Jesse Bennett. "Economic Fallout From COVID-19 Continues To Hit Lower-Income Americans the
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April 2021

https://www.urban.org/urban-wire/six-facts-you-should-know-about-current-mortgage-forbearances

43. Selma Hepp, see endnote 18.

44. Black Knight, see endnote 22.


50. Andy Walden, see endnote 49.

51. Andy Walden, see endnote 48.

52. Black Knight, see endnote 22.


55. Eileen Hodge and Elizabeth Mattiuzzi, see endnote 53.

56. Marin Scott. “Landlords and Renters Struggling to Make Ends Meet


30. Carolina Reid and Meg Heisler, see endnote 24.


33. U.S. Department of Housing and Urban Development’s Office of Policy Development and Research, see endnote 27.

34. Joint Center for Housing Studies of Harvard University, see endnote 16.

35. Carolina Reid and Meg Heisler, see endnote 24.


39. Consumer Financial Protection Bureau, see endnote 38.


41. The White House, see endnote 40.


64. Dhara Singh, see endnote 62.

65. California Association of Realtors, see endnote 63.


68. Selma Hepp, see endnote 18.

69. Carolina Reid and Meg Heisler, see endnote 24.


73. Esi Hutchful, see endnote 71.


76. Sarah Mikhitarian, see endnote 74.


80. Carolina Reid and Meg Heisler, see endnote 24.

81. Carolina Reid and Meg Heisler, see endnote 24. Also, the Urban Institute, see endnote 79.


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PMC4933518/#:~:text=Financial%20distress%20may%20have%20
direct%20adverse%20effect%20on%20health.

89. Fowler, Katherine A., et al, see endnote 86.