Evictions and Foreclosures in the Time of Covid

Covid-19 has created an unprecedented shut down around the world as counties have struggled to contain the highly contagious virus. As businesses shut down, a large proportion of citizens found that their incomes were either dramatically reduced or outright erased, particularly in the lower income sectors like restaurant and other service workers. In response to the income reductions faced by so many, state and federal governments struggled with the appropriate level of relief response to prevent additional crises hitting Americans in the form of mass homelessness. Federally insured mortgages, like those underwritten by Fannie Mae (Federal National Mortgage Association or FNMA), and Freddie Mac (Federal Home Loan Mortgage Corporation or FHLMC), the Federal Housing Administration (FHA) and Veterans Administration (VA) all imposed moratoria on foreclosures and evictions through the end of 2020, but not all home loans are underwritten by such agencies.

Some states filled the gap for homeowners who were struggling due to business closures and loss of income, but often these moratoria created additional uncertainty about what happened once the moratoria are lifted. Since the Great Recession, state courts have often relied upon the filing fees associated with evictions and foreclosures, as well as traffic tickets, but with the moratoria and the significantly reduced traffic that has come from stay-at-home orders, many local courts have faced budget shortfalls that are creating significant delays for all court matters, not just traffic and housing issues. Some have suggested that property taxes may provide a reasonable alternative to the filing fees paid by lenders and landlords, and traffic fines, but even this alternative may come with added unintended consequences, as homeowners may find themselves less capable of paying their annual tax bills under present economic circumstances.

As a final concern, landlords have complained that the moratoria that have been in place have impaired their ability to demand payment from tenants who are not suffering the impacts of Covid, which can impair the landlords’ ability to maintain properties in a responsible manner, pay their own mortgages, and/or use the proceeds of rent to pay their own living expenses. While some argue that the loss of landlords might represent a net societal benefit, freeing up more properties for ownership by individuals who might otherwise not have access to affordable homeownership, many people choose to rent for the convenience of relying on a property

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manager or landlord to take care of maintenance and repairs. Furthermore, some property managers have invested heavily in their properties, sometimes foregoing more traditional retirement plans in favor of investment in real estate, and in so doing, may now well face significant instability and potential economic ruin themselves based upon such investments. As policymakers, state and federal governments may still face a long road of decisions ahead, trying to determine the most equitable and sustainable way to apportion the economic pain that Covid is inflicting on citizens, and the priorities may shift as time wears on.

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