



# Foreclosure Crisis Increases the Need for Affordable Rental Housing

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**T**he foreclosure crisis is damaging the already shaky affordable rental market, according to a recently released study by Harvard's Joint Center for Housing Studies. The study, "America's Rental Housing: The Key to a Balanced National Policy" examines recent mortgage market events in the context of long-standing affordability problems that plague millions of renters. The study concludes that the current housing debacle not only adds to the number of households competing for low-cost rentals but the run up in foreclosures is not increasing the supply of affordable rental units.



improve prior to putting the units back on the market. But, you might argue, shouldn't the weak homebuyer market result in owners opting to rent units they can't sell? Wouldn't the over-supply of housing units result in lower rents? Again, the data do not support this. Last year in the U.S. monthly rents reached a record high of \$775. The weak home buying market is helping to expand the supply of mostly higher priced rental units.

Given the monthly carrying cost of the units, owners are unable or unwilling to lower the rent. Most renters do not have the income to take advantage of these opportunities, resulting in the market having limited ability to absorb the excess capacity.

## POLICY IMPLICATIONS FOR FLORIDA

In February 2008 Florida had one foreclosure filing for every 254 households, a rate that trailed only Nevada and California. In February 2008, over 32,000 foreclosures were initiated in Florida, second only to California<sup>1</sup>. There are two distinct policy responses to foreclosures – one focuses on efforts to keep people who are facing foreclosure in their home, the other focuses on what to do with vacant homes after foreclosure. A lot of attention has been focused on efforts to assist homeowners facing foreclosure. What to do with vacant units after foreclosure is just now starting to get attention.

Local governments and their nonprofit partners, should begin discussions with local lenders about the disposition of their REO properties. This could include buying the properties at a negotiated discount from the lender and maintaining them as affordable rental units.

As the foreclosure crisis deepens, the need for affordable rental units will continue to rise. This is coming at a time when the number of rental units produced in the nation is dropping and rents are rising. It also comes at a time when large segments of the assisted inventory are at risk from Section 8 and Year 15 expiring use agreements. As we develop a response to rising foreclosures, the need for affordable rental units cannot be overlooked.



<sup>1</sup>Source: *America's Rental Housing: The Key to a Balanced National Policy*, [www.jchs.harvard.edu/](http://www.jchs.harvard.edu/).