



## Three Strategies For Landlords After The Moratorium Expires

business customers credit risk CRE

**Summary:** The federal eviction moratorium has ended, which gives landlords more control over their income flow. Yet, the situation is still complicated for landlords and the community financial institutions that lend to them. We explore the economic landscape and provide three strategies for lenders to use with their landlord customers.

Rent is still historically high in many places. According to the Apartment Guide, the cities with the highest average rent are New York City (\$3825), San Francisco (\$3188), Boston (\$3117), San Jose (\$2476), and Washington D.C. (\$2199). Needless to say, there are many happy landlords out there!

Yet, not all landlords have high-paying tenants. Many have struggled during the pandemic. But, now, the recent ending of the federal eviction moratorium provides an opportunity for landlords to start looking for new, paying tenants. If this shift is successful, landlords behind on loans to community financial institutions (CFIs) could start paying back those loans. Yet, the process is complicated, particularly if some states choose to extend moratoriums of their own. Even as landlords evict non-paying tenants, there's no telling what conditions they will discover and how long it will take to rent it out.

Although landlords now have more flexibility in selecting their tenants, there are still some challenges ahead. We map out the current situation and provide strategies for CFIs to help their landlord's tenants.

### Avoiding a domino effect

According to US Census figures, there are about 23MM rental units in the US spread across 17MM properties. Around 6MM tenants are behind on rent, owing billions to landlords. The situation has turned into one of passing the buck: the pandemic has hurt tenants who were laid off and so they were allowed to stop paying rent during the moratorium period. Landlords, unable to make mortgage payments, needed accommodations on their loans. Due to state moratoriums or difficulty in finding new tenants, many financial institutions could still wind up holding non-paying loans and may wind up taking possession of properties they don't want.

### Tapping into available federal aid

In order for landlords to get paid, eviction is not the only option. In some cases, tenants who are behind can still get aid to help them catch up. Federal rental assistance that was supposed to help tenants has gone largely untapped, with just \$5 billion of \$46.5 billion appropriated so far. Landlords who believe they have good tenants facing hard times may want to help them get assistance so they can start catching up on back rent. If government money can help start cash flowing again to landlords, then landlords can start catching up on their loan payments.

What if federal funding isn't available? All of this makes for a fluid situation and one that CFIs with loans to landlords will need to monitor closely and carefully.

Here are **three strategies** CFIs may want to discuss with their landlord customers who are behind on mortgages and are dealing with non-paying tenants.

1. **Analyze tenant situations** and try to determine which tenants to try to evict and which to try to work with. For the **most troublesome tenants**, try to start eviction notices immediately, once the moratorium is lifted.
2. For **more desirable tenants, try to work out a payment schedule** to help them catch up. Find out if federal rental assistance has been obtained or applied for. If not, encourage tenants to apply and be prepared to help with the process. As of July, 2.5 million tenants had applied but only 500K had been approved. Another 1.5MM were still waiting, while 700K had been rejected. To find out how the program works, start with the Emergency Rental Assistance Program site.
3. For **landlords who are unable or unwilling to take action** to help regain the upper hand on the rental issues, start a conversation about what comes next. This might mean selling properties at a loss to help pay off loans or, as a last resort, facing foreclosure.

Right now, your landlord borrowers are getting the lay of the land with their tenants, post-eviction moratorium. Having these strategies available to discuss with them when the time is right will help get everyone back on track more quickly.

## LOOKING TO GROW YOUR LOAN PORTFOLIO?

Financial institutions are looking for ways to boost their loan portfolio. Depending on your portfolio concentration, you may need C&I loans or choose a hedging solution to satisfy the long-term, fixed-rate needs of your customers. Check out our [Lending Services](#) to find the right solution for your institution.

## ECONOMY & RATES

Rates As Of: 10/06/2021 05:43AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.04	0.00	-0.05
6M	0.06	0.01	-0.03
1Y	0.09	0.01	-0.02
2Y	0.30	0.02	0.18
5Y	0.99	0.03	0.63
10Y	1.53	0.05	0.62
30Y	2.09	0.05	0.45
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	ORER	
0.05	3.25	0.07	

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