Freddie Mac Multifamily Analysis Shows Impact of Expanded Benefits on Unemployed Renters During COVID-19

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MCLEAN, Va., March 31, 2021 (GLOBE NEWSWIRE) -- A new analysis from Freddie Mac (OTCQB: FMCC) Multifamily examines how expanded unemployment benefits and federal stimulus payments affected unemployed renters' income during COVID-19 and its potential impact on the ability to pay rent.

"The COVID-19 pandemic created huge shifts in unemployment and put uncertainty on working families about how they would pay their rents," said Steve Guggenmos, vice president of Freddie Mac Multifamily Research and Modeling. "And while economic indicators and unemployment levels have shifted throughout the pandemic, the availability of benefits and stimulus continues to play a role in how renters and the apartment market as a whole can weather the pandemic."

In this report, Freddie Mac studied the available state and federal unemployment benefits from April 2020 and looked forward to August 2021 to show the potential impact of replacing income for unemployed renters. The analysis assumes the individual worker is eligible to collect both state unemployment benefits and federal stimulus payments.

For example, Freddie Mac examined a hypothetical worker earning $40,000 in pre-pandemic income in Nevada, which has unemployment benefits similar to the national average. From April 2020 through August 2021, that worker will receive about 95% of their earnings replaced by state and federal unemployment benefits and stimulus checks.

The paper outlines several key findings:

- **In more than half the states, benefits nearly replaced pre-pandemic income:** In 37 out of 50 states plus the District of Columbia, a median income renter/worker would receive less income from their unemployment benefits than if they were working. However, in well over half of states, a median income renter/worker who lost their job at the onset of the pandemic will receive within 10% of their lost income in benefits, essentially replacing their pre-pandemic income.

- **On average, between 30% and 40% of benefits would pay for a median-priced rental:** In more than half the states, a median income renter/worker would be paying between 30% and 40% of their combined unemployment benefits and stimulus payments to afford a median-priced rental unit. In 17 other states, a median income renter could pay less than 30% of their benefits and stimulus and afford a median-priced rental unit.

- **Rent burdened areas with higher median incomes receive less replacement income to put towards rent:** Typically, renters paying more than 30% of their income toward rent are considered rent burdened. In California, a median-income renter would pay 48% of their unemployment benefits and stimulus toward rent – the highest rate in the nation. Areas with higher median incomes saw unemployment benefits replace a lower percentage of their lost income.

While some of the larger markets in the country have been severely affected by the pandemic, nationally the apartment market has weathered the downturn well. Over the year, the Multifamily Apartment Investment Market Index® (AIMI®) remained positive nationally in most markets, but some local markets felt the impact of the pandemic more acutely and experienced substantial contractions.

Since the beginning of the COVID-19 crisis, Freddie Mac has taken numerous actions to help struggling homeowners and renters with financial hardships related to COVID-19. For COVID-19 updates and resources for our Multifamily Business, follow this link. You can also visit the Freddie Mac consumer education website, My Home® by Freddie Mac for more resources.

Download the full report to learn more about our findings.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income. Freddie Mac securitizes about 90% of the multifamily loans it purchases, thus transferring the majority of the expected credit risk from taxpayers to private investors.

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