

Hello Everyone,

“Sergeant, we have crossed some strange boundary here. The world has taken a turn to the surreal.” Captain Miller (Tom Hanks) in “Saving Private Ryan”

It sure seems like that to me.

Today’s missive will close out our Covid-Government-Housing series. It never had much of a catchy title anyway. :>)

When the rent forbearance and eviction rules expire on December 31st will we see 20 million newly homeless people thrown out on the streets? (As some headlines say.) Probably not. But the pressure is rising for those at the lower end of the economic scale.

To them, *“The world has taken a turn to the surreal”* in 2020.

Signed, Your In-Covid-world- “There’s-No-Place-Like-Home-For-The-Holidays”-Takes-On-A-Whole-New-Meaning Financial Advisor,

Greg

KKOB 2020.12.14 Covid, Renters, and Homelessness

Bob: So, Greg, we left off on Friday talking about how government policies had contributed to the rapid rise in homelessness. Especially in big government, high regulation states like California and New York. And we left off at how Covid was making matters worse.

Greg: Right. And it isn’t necessarily Covid as much as it is government’s reaction to Covid that is setting the table for another surge in homelessness. And it is renters who will be the most vulnerable.

Let me cite some very good research from *wolf street* to explain.

In America, about 44 million households (that’s 107 million Americans) rent homes,

apartments, or mobile homes. Even before Covid, the economy was slowing, and the number of late and partial payments was rising. But it's our November and early December data that has analysts concerned.

According to the National Multifamily Housing Council, only 75% of renters have made full (or even partial) rent payments this month. That means 2.76 million households are now behind. Now in fairness, they have two more weeks to pay, but *it is the trend that is worrisome.*

As it stands now, an *additional* (!) 1.36 million people are behind by a month or more on their rental obligations. Now, some Internet sites trumpet, "*20 million about to be foreclosed upon!*" That's not true.

But, don't minimize the millions (!) that are fearing eviction could be in their future.

Bob: But isn't there forbearance on evictions because of Covid? I mean if government lockdowns take away your job, it isn't very fair to make you pay rent with no income.

Greg: You are spot on. The trouble is the CDC ban on evictions ends on December 31st. And, of course, the natural tendency will be to blame the landlords.

And while we all feel for the poor, blaming so-called mean-spirited landlords isn't fair. Many landlords have been extremely understanding through the Covid situation. They want to help their struggling tenants. And people forget, landlords must continue

to carry all the expenses without the offsetting income.

Thus, there are no winners here.

Oh, and for the investors out there. The stress is working its way up (!) the financial ladder.

If you look at the most recent bank balance sheets, it is stunning how fast bank reserves are falling. And it makes sense. Millions of landlords, renters, homeowners, and businesses just don't have the money to pay on their loans.

So, the banks are eating into their rainy-day funds (their reserves) to push through this mess. And I understand if your listeners don't have a whole lot of sympathy for banks. But the last thing we need is another Lehman Brothers-esque banking crisis.

Bob: But now we have some politicians wanting to shut it all down again. And I know many politicians are really concerned about public safety. I get that. But, if, and I mean if, we can contain Covid, you're saying homelessness may be an unintended consequence.

Greg: It's already happening. So our solution has been to print trillions. But we're learning this method isn't very efficient and it's making many people more dependent on government. Oh, and it burdens the kids with trillions of debt. Not fair.

So, what is government to do? The opposite of what we are doing now.

To me, there are three pieces to this. Health, housing, and jobs.

- We must stop rewarding the uber wealthy at the expense of the rest of us. Tear down the legal barriers that prevent competition and reinforce monopolies. You'll be surprised how many David's will arise to take on the Goliaths. New jobs will follow.
- Instead of more centralized control, we must push authority down. Trust those closest to their communities to do the right thing...both financially and medically. Efficiencies will rise and costs will fall.
- Next, with respect to the affordable housing problem----lift the onerous government fees, taxes, and mandates and let builders build. You'll be surprised how fast our construction guys will respond.

Anyway, there is more, but this is turning into more of a rant than a financial update. Apologies.

Bob: No apologies needed. And I don't think you'd get much argument from this audience. How do people reach you?

Greg: My number is 250-3754. Or go to my website at zanettifinancial.com.

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