

Nonpayment and Eviction in the Rental Housing Market ^{*}

John Eric Humphries, Scott Nelson, Dam Linh Nguyen
Winnie van Dijk & Dan Waldinger[†]

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Abstract

Recent research has documented the prevalence and consequences of evictions in the U.S. However, our understanding of the drivers of eviction and the scope for policy to reduce evictions remains limited. We use novel lease-level ledger data from high-eviction rental markets to characterize several determinants of landlord eviction decisions: the persistence of shocks to tenant default risk, landlords' information about these shocks, and landlords' costs of eviction. Our data show that non-payment is common but is often tolerated by landlords, and that tenants frequently recover from default, suggesting that landlords face a trade-off between initiating a costly eviction or waiting to learn whether a tenant can continue paying. We develop and estimate a dynamic discrete choice model of the eviction decision that captures this trade-off. Estimated eviction costs are high, on the order of 2 to 3 months of rent, and for a majority of evictions, landlords evict only after learning a tenant is likely a persistent non-payer. As a result, while moderately-scoped policies can generate additional forbearance for tenants, they do not prevent most evictions. Compared to policies that create delays in the eviction process, increasing filing fees or providing short-term rent subsidies for delinquent tenants are more likely to prevent evictions of tenants who will pay going forward.

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[†]Humphries: Yale University. Nelson: Chicago Booth. Nguyen: New York University. Van Dijk: Yale University. Waldinger: New York University.