

The Right to Rent: The Solution to the Foreclosure Crisis

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The Right to Rent

Temporarily amend the foreclosure process. Families facing foreclosure have the option to stay in their homes as renters paying the market rent.

- Only applies to owner-occupied homes below a cutoff value.
- Temporary measure – it only applies to foreclosures on mortgages taken out during the bubble years.

The Right to Rent: How it Works

- 1) During the foreclosure process, the judge (or appropriate court officer) asks the homeowner if they are interested in staying in the house as renters.
- 2) If the homeowner is interested, the judge picks an appraiser to determine the market rent of the house.
- 3) The owner then has the option to stay as a renter paying the appraised rent, which is adjusted in future years for inflation.

The Right to Rent: Advantages

- 1) It involves no taxpayer dollars.
- 2) It requires no new bureaucracy.
- 3) It can begin helping homeowners immediately.
- 4) It provides homeowners with housing security, with little moral hazard risk.
- 5) It keeps homes occupied.
- 6) It gives banks a real incentive to negotiate terms that allow homeowners to stay in their house as owners.

The Right to Rent: Options

- 1) The cutoff for the house price (e.g. median price for the area).
- 2) The rental period guaranteed for former homeowners (e.g. 5 years, 20 years –Grijalva bill, until owner-occupant moves in – New Jersey)
- 3) The period of mortgage issuance to cover (e.g. 2002-2007?)
- 4) Mandatory buy-back option (Alpert Plan – New York Times)