Eviction Regime Severity and Household Formation*

Natalia Kovrijnykh,[†] Igor Livshits,[‡] and Jacob Shepard[§]

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Abstract

This paper investigates how eviction policy affects individuals' rental choices and welfare across the income distribution. We develop a parsimonious model of rental housing with limited commitment, in which eviction policy influences tenants' ability to commit to rent payments and thereby shapes the pricing and availability of rental housing. The model predicts that stricter eviction regimes expand the set of available rental housing and facilitate household formation, as more individuals are able to rent. Importantly, the effects are heterogeneous: the poorest individuals are always excluded from the rental market; those with intermediate incomes benefit from stricter eviction policy because it allows them to enter the rental market or rent larger housing; richer tenants are worse off because they face a higher likelihood of eviction following adverse income shocks. To test the model, we construct a novel index of eviction regime severity across U.S. jurisdictions. We show that stricter eviction regimes are associated with lower cohabitation with parents and greater household formation among young people, with the strongest effects among individuals with intermediate incomes, consistent with the model's predictions.

Keywords: Evictions, Eviction Regime Severity, Rental Housing, Household Formation

JEL Codes: D14, D86, G51, R21, R31

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[†]Department of Economics, Arizona State University. Email: natalia.kovrijnykh@asu.edu.

[‡]Federal Reserve Bank of Philadelphia and BEROC. Email: igor.livshits@phil.frb.org.

[§]Department of Economics, Arizona State University. Email: jpshepard@asu.edu.

1 Introduction

Eviction is one of the most traumatic economic shocks individuals can experience, with lasting adverse effects that extend beyond the residential and financial spheres to physical and mental health, parenting, and other aspects of life.[1] Yet designing policy around eviction prevention is far from straightforward.[2] Protecting unlucky tenants from eviction must be balanced against ensuring that landlords are adequately compensated; otherwise, they may be unwilling to supply rental housing.[3]

In this paper, we emphasize that the tradeoff created by eviction policy varies substantially across the income distribution, making household heterogeneity central to policy design and welfare assessment. We develop a parsimonious model of the rental market that provides a sharp theoretical characterization of how eviction policy affects the housing supply landlords are willing to offer, rental market outcomes, and welfare. Heterogeneity plays a key role: a stricter eviction regime benefits poorer renters by increasing the *availability* of rental housing but harms richer renters by raising the cost of adverse income realizations. The model also yields testable implications for the effects of eviction policy on household formation, which we confirm in the cross-sectional data.

Our simple one-period model has the following main ingredients. Individuals cannot commit to paying rent, and failure to pay leads to eviction with some probability, forcing the individual to their outside housing option (which can be interpreted as homelessness or living with friends or relatives). This outside option is also available as a free alternative to renting. Households differ in ex-ante productivity, observed at the time of contracting, which determines stochastic income realized after the rental contract is signed. Landlords are risk-neutral, competitive, and operate a linear technology for providing rental housing. The rental market is segmented, with prices reflecting both housing size and the observable productivity of the prospective renter. In equilibrium, rental prices incorporate the risk of nonpayment.

In the illustrative model, we assume that individuals' preferences over consumption and housing are quasi-linear in consumption. This stark assumption allows us to explicitly characterize the equilibrium and highlights the key tradeoff by abstracting from consumption smoothing and complementarities between housing and non-housing consumption.[4] Under quasi-linear utility, rent repayment is determined by both an individ-

[1]See Desmond and Kimbro (2015) and Collinson et al. (2024) among others.

[2]See, e.g., Abramson (2024) and Imrohoroglu and Zhao (2022).

[3]A similar trade-off between partial insurance and commitment was highlighted by Zame (1993) for credit markets and quantified by Chatterjee et al. (2007) and Livshits et al. (2007) for the institution of personal bankruptcy.

[4]We establish the robustness of our findings by numerically analyzing a more general model specifica-

ual's willingness to pay and their ability to pay. For any rental contract, willingness to pay depends on the severity of the eviction regime but not on income, while the opposite is true for ability to pay. This dichotomy makes the theoretical analysis tractable.

We characterize the set of rental housing that landlords are willing to offer to an individual, the individual's rental choice, and welfare. The set of available houses is larger under a stricter eviction regime, modeled as a higher probability of eviction conditional on nonpayment. We also establish sufficient conditions for individuals to prefer renting to their outside option whenever a rental unit is offered. Together, these results yield our main testable implication: household formation—defined as the set of individuals who rent rather than take the outside option—is larger under a stricter eviction regime. Moreover, we show that the effect of eviction severity on household formation is strongest among individuals with intermediate income levels. Heterogeneity is also central to welfare assessment. The poorest individuals are excluded from the rental market regardless of the eviction policy and are therefore unaffected by it. Stricter eviction regimes benefit individuals with intermediate incomes by allowing them to enter the rental market or rent larger housing, but they harm richer tenants who are unconstrained in their housing choices yet face a higher likelihood of eviction following adverse income shocks.

To test our model's predictions empirically, we propose a novel measure of eviction regime severity across jurisdictions in the United States. We construct the "Eviction Regime Severity Index" (ERSI) as the fraction of eviction filings that result in eviction judgments—that is, the fraction of filings reaching the final stage of the judicial process.[5] We validate the measure, showing that it is negatively associated with rental delinquencies after controlling for other determinants. Moreover, we find that the ERSI serves well as a proxy for state fixed effects, capturing about half of the variation explained by including state fixed effects directly. We then use our measure of eviction regime severity to test the model's predictions. We find that eviction severity is negatively correlated with living with parents and positively correlated with being a household head among young individuals. The effect is strongest among individuals with intermediate income levels, consistent with the model's predictions.

The rest of the paper is organized as follows. The next subsection reviews the related literature. Section 2 presents the theoretical model and derives analytical results and testable implications. Section 3 describes the data, the construction and validation of the eviction regime severity index, and the empirical tests of the model's predictions.

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tion in Appendix C.

[5]We also examine an alternative measure: the number of "threatened" households who receive at least one eviction filing divided by the number of eviction filings in that jurisdiction. All of our results are robust to using this alternative measure, see in Appendix B.3.

Section 4 concludes. Proofs, additional figures and tables, and numerical examples are provided in the Appendix.

1.1 Related Literature

Since mortgage performance—particularly missed mortgage payments—was at the center of the Great Financial Crisis, a large body of research has examined mortgages and foreclosures. By contrast, evictions remain far less studied. Although sociologists have long examined evictions (with the seminal work by Desmond, 2017 being a prime example), the economics literature on the topic is still in its infancy.[6] Similarly, there is limited research on rental nonpayment and its determinants and consequences.[7]

The economics literature on evictions falls broadly into two categories. The first consists of quantitative theory papers calibrated to aggregate data (e.g., Imrohoroglu and Zhao, 2022; Abramson, 2024; Corbae et al., 2023). The second comprises empirical studies that use bespoke datasets from specific rental markets (e.g., Humphries et al., 2024; Collinson et al., 2024; Ellen et al., 2021). Relative to this literature, our contribution is threefold. First, we develop a parsimonious model that yields sharp theoretical predictions. Second, we construct a novel measure of eviction regime severity across U.S. jurisdictions, which allows us to test the predictions of our model in cross-sectional data. Third, we focus on how eviction policies affect household formation.

Among the quantitative studies, two that are especially relevant to our work are Corbae et al. (2023) and Abramson (2024). Corbae et al. (2023) develop a dynamic model with search frictions and examine the landlord's decision of when to evict—a margin we abstract from entirely. In contrast, in our setting, eviction conditional on nonpayment is exogenous. Instead, we focus on landlords' decisions regarding which housing units to offer and at what prices, as they internalize tenants' endogenous repayment choices. Abramson (2024) calibrates a dynamic model of evictions using data from San Diego County and, similar to our findings, shows that policies making eviction more difficult can hurt renters by increasing equilibrium rents and homelessness.

Importantly, whereas in Corbae et al. (2023) and Abramson (2024) rental nonpayment is effectively exogenous and triggered solely by unemployment events, in our model—with a continuous distribution of income shocks—the probability of nonpayment is endogenous and depends on the rent level. A key analytical challenge in determining equi-

[6] See Ahmad and Livshits (2024) for a detailed discussion of the state of the eviction literature.

[7] Two notable exceptions are Pattison (2024), who uses the Survey of Income and Program Participation (SIPP) to document patterns of missed rental payments, and Humphries et al. (2024), who do so using a proprietary dataset on low-income rental properties in the Midwest.

librium pricing in our setup (relative to loan pricing in, e.g., Eaton and Gersovitz, 1981) arises from this endogeneity: the rental price affects the probability of nonpayment, which in turn affects the rental price, making price determination a fixed-point problem.[8] As a result, one of the central contributions of our paper is to characterize a tractable equilibrium in which the risk of nonpayment is endogenous to the rental price itself.

A recurring finding in the empirical eviction literature is that tenant-protection policies can backfire by reducing the affordability or availability of rental housing. This mechanism is central to our paper. On the theoretical side, we demonstrate it through a sharp analytical characterization of equilibrium outcomes. On the empirical side, rather than focusing on a specific policy intervention—such as the "right-to-counsel" programs studied by Ellen et al. (2021), Abramson (2024), and Collinson et al. (2024), or eviction moratoria studied by Arefeva et al. (2024)—we exploit cross-sectional variation in eviction policies across U.S. jurisdictions to examine how eviction regime severity affects household formation.

Another strand of the housing literature that examines unintended consequences of policy interventions focuses on rent control.[9] To our knowledge, only two papers study the interaction between rent control and eviction policies. Geddes and Holz (2025) and Gardner and Asquith (2025) both examine the case of San Francisco and find that the introduction of rent controls significantly increased the number of eviction filings by strengthening landlords' incentives to evict.

Lastly, there is a large literature on household formation that studies young adults' decisions of whether to remain with their parents or move out.[10] Our contribution to this literature is to examine how the decision to form a household is shaped by eviction policy. Notably, this decision is affected both directly—through the perceived likelihood of eviction following rent nonpayment—and indirectly—through the resulting affordability and availability of rental housing.

[8] Abramson (2024) addresses this issue by assuming that the probability of repayment is *unaffected* by the rent level.

[9] The literature on how rent control can distort housing markets is longstanding and includes papers such as Glaeser and Luttmer (2003). More recent empirical studies of the causal impacts of rent control include Diamond et al. (2019), Autor et al. (2014), and Sims (2007). Kholodilin (2024) reviews the empirical literature on rent control, which generally finds that rent controls lead to higher rents for uncontrolled units and lower housing construction.

[10] See, for example, Haurin et al. (1993), Whittington and Peters (1996), and Ermisch and Di Salvo (1997), who find that housing costs and wage opportunities play an important role in the decision to form a household. More recently, Paciorek (2016) and Cooper and Luengo-Prado (2018) examine the short- and long-run determinants of household formation and how these vary with economic and demographic conditions.

2 The Model

2.1 Environment

We consider a one-period model of the rental housing market with limited commitment. The economy is populated by a continuum of heterogeneous individuals and competitive landlords. Individuals derive utility from consumption c and housing h, with utility function $U(c, h)$, strictly increasing and concave in both arguments. Each individual receives exogenous stochastic income zy. Productivity $z > 0$, heterogeneous across individuals, is publicly observed at the beginning of the period and drawn from a continuous distribution. The stochastic component y is i.i.d. across individuals, drawn from a continuous distribution with c.d.f. $F(y)$, and realized at the end of the period.

Landlords are risk neutral and operate a linear technology that produces rental housing at cost $\delta > 0$ units of the consumption good per unit of housing. They offer contracts that depend on an individual's productivity z. A contract specifies the housing size h and the corresponding rental price $P(h, z)$. Since prices depend explicitly on productivity, the housing market is fully segmented. Competition ensures that landlords break even in expectation in each submarket.

Individuals cannot commit to paying rent. Default entails a stigma cost $\chi > 0$. With probability $\rho \in (0, 1)$, the defaulter is evicted, incurring an additional utility loss $\gamma > 0$, losing access to the rented housing h, and instead consuming the outside option $\underline{h} > 0$, which can be interpreted as homelessness or living with friends or relatives. With probability $1 - \rho$, eviction does not occur, and the individual enjoys h without paying rent. As an alternative to entering the rental market, individuals may choose the outside option $\underline{h}$ at no cost.

The timing is as follows. At the beginning of the period, productivity z is publicly observed and landlords offer contracts. Given z, each individual decides whether to accept a rental contract or choose the outside option. If renting, the individual selects housing h. Income y is then realized, after which the renter decides whether to pay or default. If default occurs, eviction is realized stochastically. Finally, the individual consumes.

To keep the analysis tractable and to highlight the core mechanism, we impose the following simplifying assumptions. Preferences are quasi-linear in consumption,

$$U(c, h) = c + \theta \ln h, \quad c \geqslant 0,$$

and income y is uniformly distributed on $[0, \bar{y}]$. In addition to yielding sharp analytical predictions, quasi-linearity allows us to isolate the mechanism specific to housing from other considerations, such as state-contingent consumption smoothing and complementarities between consumption and housing. In Appendix C, we show that our main results extend to more general and empirically relevant utility specifications.

2.2 Agents' Problems and Pricing of Housing

We now set up the agents' problems and derive the equilibrium pricing of rental housing.

Let $V^r(z)$ denote the expected utility of an individual with productivity z conditional on renting. The individual's overall expected utility, accounting for the choice between renting and the outside option, is

$$V(z) = \max\{V^r(z),\ E_y zy + \theta \ln \underline{h}\}.$$

Let $\mathcal{H}(z)$ denote the set of rental housing options available to an individual with productivity z, determined endogenously in equilibrium (see the next subsection). Since partial repayment results in the same punishment as full default, tenants optimally choose only between full repayment and default. The renter's problem can therefore be written as

$$V^r(z) = E_y zy + \max_{h \in \mathcal{H}(z)} E_y \begin{cases} (1-\rho)\theta \ln h + \rho(\theta \ln \underline{h} - \gamma) - \chi, & \text{if } zy < P(h,z), \\ \max\{-P(h,z) + \theta \ln h;\ (1-\rho)\theta \ln h + \rho(\theta \ln \underline{h} - \gamma) - \chi\}, & \text{otherwise.} \end{cases}$$

After choosing h, income y is realized. If $zy < P(h,z)$, paying rent would result in negative consumption, which is infeasible, so the tenant defaults. If instead

$$zy \geqslant P(h,z), \tag{1}$$

the tenant is *able to pay*. However, repayment occurs only if the tenant is also *willing to pay*, which requires

$$\theta\rho \ln \frac{h}{\underline{h}} + \chi + \rho\gamma \geqslant P(h,z). \tag{2}$$

Note that condition (2) does not depend on y; it restricts the set of contracts landlords are willing to offer, since any contract violating it would *never* be honored by a tenant. By contrast, the ability-to-pay condition (1) depends on realized income and may be violated for low realizations of y.

Competition among landlords implies that in each submarket (h,z) contracts must satisfy the break-even condition

$$\Pr(zy \geqslant P(h,z)) \cdot P(h,z) = \delta h,$$

where the left-hand side is expected repayment and the right-hand side is the cost of providing housing.[11] With a uniform distribution of y, this condition simplifies to a quadratic equation in $P(h, z)$:

$$\left(1 - \frac{P(h, z)}{z\bar{y}}\right) P(h, z) = \delta h.$$

The equilibrium price, if it exists, is the lower root of this equation (otherwise a landlord can profitably undercut at a lower price):

$$P(h, z) = \frac{z\bar{y}}{2}\left(1 - \sqrt{1 - \frac{4\delta h}{z\bar{y}}}\right), \text{ where } h \leqslant \bar{h}(z) \equiv \frac{z\bar{y}}{4\delta}. \tag{3}$$

We immediately have the following simple property of the pricing function:

Lemma 1 (Lower Price for Richer Tenants) *The equilibrium price $P(h, z)$ defined by (3) is strictly decreasing in z for every $h \leqslant \bar{h}(z)$.*

The intuition is straightforward. Higher productivity z increases the range of income realizations under which rent repayment is feasible, reducing default risk. As a result, landlords offer lower break-even prices to more productive individuals.

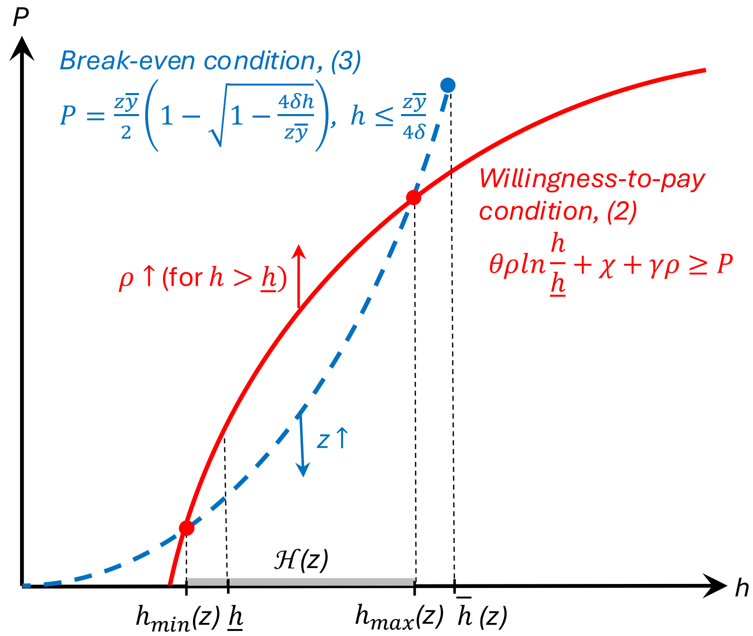
2.3 Availability of Houses and Household Formation

We now characterize the set of houses $\mathcal{H}(z)$ that landlords are willing to offer given productivity z, using the conditions derived above. Figure 1 illustrates this characterization.

The solid red line in Figure 1 plots the willingness-to-pay condition (2) at equality, so all contracts lying weakly below this line satisfy condition (2). The dashed blue line plots the landlord break-even condition (3). The right endpoint of this line represents the largest house size consistent with the break-even condition, $\bar{h}(z)$. For a house h to be offered to an individual with productivity z, its price must satisfy both the willingness-to-pay condition (2) and the break-even condition (3). Graphically, this requires the contract $(h, P(h, z))$ to lie on the blue line and weakly below the red line. If the two lines do not intersect, no houses are offered to such an individual.

[11] Note that the price $P(h, z)$ directly enters the probability of repayment. This complication relative to the seminal paper by Eaton and Gersovitz (1981) makes equilibrium price determination a fixed-point problem—probability of default is directly impacted by the price, which is in turn affected by the default probability. To get around this conceptual problem, Abramson (2024) simplifies the analysis by restricting to environments where the probability of default is independent of P. The binary nature of the income distribution in Corbae et al. (2023) yields a similar simplification.

Figure 1: Determination of the Set of Available Houses, $\mathcal{H}(z)$



Analytically, the set of h for which both (2) holding with equality and (3) are satisfied is given by the solutions to the following equation:

$$\theta\rho \ln \frac{h}{\underline{h}} + \chi + \rho\gamma = \frac{z\bar{y}}{2}\left(1 - \sqrt{1 - \frac{4\delta h}{z\bar{y}}}\right). \tag{4}$$

If there is no h solving (4) (for example, when z, χ, and γ are sufficiently small), then no houses are offered to individual z. Equation (4) has at most two roots. The smallest house offered to individual z, denoted by $h_{\min}(z)$, is the smallest solution to (4). Denote the largest house offered to individual z by $h_{\max}(z)$. If $\bar{h}(z)$ and its corresponding break-even price satisfy the willingness-to-pay condition (2), then $h_{\max}(z) = \bar{h}(z)$. Otherwise, $h_{\max}(z)$ is the largest solution to (4) (this is the case depicted on Figure 1). Thus, $\mathcal{H}(z) = [h_{\min}(z), h_{\max}(z)]$, as indicated by the shaded region in Figure 1. The following lemma summarizes this analysis.

Lemma 2 (The Set of Available Houses) *(i) If* (4) *has no solution, then* $\mathcal{H}(z) = \emptyset$. *Otherwise,* $\mathcal{H}(z) = [h_{\min}(z), h_{\max}(z)]$.

(ii) $h_{\min}(z)$ *is the smallest solution to* (4).

(iii) If $\bar{h}(z)$ *satisfies* (2), *then* $h_{\max}(z) = \bar{h}(z)$. *Otherwise,* $h_{\max}(z)$ *is the largest solution to* (4).

It is worth noting that the absence of very small houses, $h < h_{\min}(z)$, in the set of offered rentals is driven by the tenant's incentives to pay rent, which in turn depend on $\underline{h}$. In the limit as $\underline{h} \to 0$, the left-hand side of (2) approaches $+\infty$, and the constraint is therefore always satisfied. Thus, while landlords' break-even condition can in principle price arbitrarily small houses, individuals are not willing to pay the break-even price for them, which eliminates such houses from the offered set.

We now turn to comparative statics. Our first result states that more productive individuals face a larger set of housing options. Graphically, this result follows from the fact that the blue line moves down with z.

Proposition 1 (More Houses Available to Richer Tenants) *If $\mathcal{H}(z) \neq \emptyset$ then $\mathcal{H}(z)$ is strictly increasing in z: $h_{\min}(z)$ is strictly decreasing in z and $h_{\max}(z)$ is strictly increasing in z.*

Thus, poor individuals face especially limited housing options and might be more constrained in their choice of housing.

Since individuals will never pay for a house weakly smaller than their free outside option $\underline{h}$, the relevant set of choices is

$$\hat{\mathcal{H}}(z) = \mathcal{H}(z) \cap (\underline{h}, \infty).$$

We will refer to $\hat{\mathcal{H}}(z)$ as the set of acceptable available houses. When $\chi = \gamma = 0$, any house satisfying (2) must strictly exceed $\underline{h}$, so $\hat{\mathcal{H}}(z) = \mathcal{H}(z)$. Graphically, the value $\underline{h}$ is located at the intersection of the red line with the horizontal axis if $\chi = \gamma = 0$, and to the right of it otherwise (as depicted on Figure 1).

We next study how the severity of the eviction regime affects the set $\hat{\mathcal{H}}(z)$.

Theorem 1 (More Houses Available in Stricter Eviction Regimes) *If $\hat{\mathcal{H}}(z) \neq \emptyset$, then $\hat{\mathcal{H}}(z)$ is weakly increasing in ρ. If $h_{\max}(z) < \bar{h}(z)$, then $\hat{\mathcal{H}}(z)$ is strictly increasing in ρ.*

Theorem 1 shows that stricter eviction regimes expand the set of acceptable housing options. Graphically, an increase in ρ shifts the red willingness-to-pay curve upward for $h > \underline{h}$, thereby expanding the interval $[h_{\min}(z), h_{\max}(z)]$. Intuitively, a higher ρ raises the expected cost of default, which raises tenants' willingness to pay and makes a wider range of contracts sustainable.

We now establish that sufficiently poor individuals are excluded from the rental market. Define $\underline{z} \equiv 4\delta\underline{h}/\bar{y}$, which is the productivity level at which $\bar{h}(\underline{z}) = \underline{h}$.

Proposition 2 (Poor Are Excluded from the Rental Market) *(i) There exists a threshold productivity $\hat{z} \in [\underline{z}, \infty]$ such that $\hat{\mathcal{H}}(z) = \emptyset$ if and only if $z < \hat{z}$.*

(ii) The threshold is finite, $\hat{z} < \infty$, if and only if $\theta\rho\left(\ln\frac{\theta\rho}{\delta\underline{h}} - 1\right) + \chi + \rho\gamma > 0.$

Proposition 2 establishes the existence of a threshold productivity below which no acceptable rental options are offered. For $z \leqslant \underline{z}$, landlords are only willing to offer houses $h \leqslant \underline{h}$. Graphically, this corresponds to the right endpoint of the blue curve lying weakly to the left of $\underline{h}$. Hence, individuals with $z \leqslant \underline{z}$ are necessarily excluded from the rental market. Notably, the lower bound $\underline{z}$ does not depend on the eviction regime severity ρ.

The next result shows how the threshold $\hat{z} = \hat{z}(\rho)$ varies with ρ: when the eviction regime is stricter, the marginal renter who is just offered an acceptable option has lower productivity.

Proposition 3 (More Potential Renters in Stricter Eviction Regimes) *The threshold $\hat{z}(\rho)$ is strictly decreasing in ρ.*

Although individuals with $z \geqslant \hat{z}$ are offered acceptable contracts, they may still prefer the outside option. Using the willingness-to-pay condition (2), we can show that if χ and γ are low enough, then the individual who is offered acceptable houses is always better off renting than taking the outside option:

Proposition 4 (All Who Can Rent Do) *If χ and γ are sufficiently small, then $V^r(z) > E_y zy + \theta \ln \underline{h}$ for all z such that $\hat{\mathcal{H}}(z) \neq \emptyset$.*

Thus, when the utility costs of eviction are small, all individuals offered acceptable housing options choose to rent. Those with $z < \hat{z}$ are excluded from the rental market, while those with $z \geqslant \hat{z}$ rent. Combining Propositions 3 and 4, we obtain the following implication for household formation:

Theorem 2 (More Household Formation in Stricter Eviction Regimes) *Suppose χ and γ are sufficiently small. Then household formation—defined as the set of individuals who rent rather than taking the outside option $\underline{h}$ in equilibrium—is strictly increasing in ρ.*

In Section 3.4, we show empirically that this general implication holds in the data. Our analysis further indicates that the impact of stricter eviction regimes on household formation is heterogeneous across the income distribution. The poorest individuals with productivity below $\hat{z}(1)$ are excluded from the rental market regardless of ρ. On the other hand, relatively rich individuals who rent at ρ will continue renting at $\rho' > \rho$. Thus, neither group changes its renting decision as eviction severity increases. The margin of adjustment when eviction regime severity increases from ρ to ρ' comes from individuals with intermediate productivity, $z \in (\hat{z}(\rho'), \hat{z}(\rho)]$. Consequently, we expect the effect of eviction severity on household formation to be strongest among middle-income groups, a pattern that also holds in the data.

2.4 Characterization of the Housing Choice

We now characterize the equilibrium housing choice of an individual. The analysis depends on whether the willingness-to-pay constraint (2) binds at the optimal choice. When it does not bind, the choice of h is *unconstrained*; when it binds, the individual is restricted to the largest house landlords are willing to offer. Since (2) relaxes with z (Lemma 1), the unconstrained case arises below some threshold z^u, while the constrained case arises above it.

If (2) does not bind at the optimal rental choice, the optimal housing choice is

$$h^u(z) = \arg\max_{h \leqslant \bar{h}(z)} \frac{P(h,z)}{z\bar{y}} \Big(\theta(1-\rho)\ln h + \theta\rho \ln \underline{h} - \rho\gamma - \chi\Big) + \left(1 - \frac{P(h,z)}{z\bar{y}}\right)(\theta \ln h - P(h,z)),$$

where $P(h,z)$ is given by (3). We refer to $h^u(z)$ as the *unconstrained* choice.

If (2) is violated at $h^u(z)$, the unconstrained choice is not feasible. In this case, the renter's optimal choice, denoted $h^r(z)$, satisfies $h^r(z) < h^u(z)$, and the renter selects the largest house landlords are willing to offer, $h^r(z) = h_{max}(z)$, as defined in Lemma 2. The threshold z^u is the productivity level at which the unconstrained and constrained choices coincide, $h^u(z) = h_{max}(z)$.

Finally, by Proposition 2, if $z < \hat{z}$ then $\hat{\mathcal{H}}(z) = \emptyset$, so the individual chooses the outside option $\underline{h}$. Even when $\hat{\mathcal{H}}(z) \neq \emptyset$, the individual may still prefer $\underline{h}$ if χ and γ are sufficiently high. Let z^{rent} denote the threshold above which the individual strictly prefers renting. When χ and γ are low, Proposition 4 implies $z^{rent} = \hat{z}$. In general, $z^{rent} \geqslant \hat{z}$.

Combining these cases, let $h^*(z)$ denote the equilibrium housing choice of an individual with productivity z. Then:

Proposition 5 (Equilibrium Housing Choice) *There exist thresholds z^{rent} and z^u with $\hat{z} \leqslant z^{rent} \leqslant z^u$ such that*

$$h^*(z) = \begin{cases} \underline{h}, & z \leqslant z^{rent}, \\ h_{max}(z), & z \in (z^{rent}, z^u), \\ h^u(z), & z \geqslant z^u. \end{cases}$$

The sharp characterization in Proposition 5 relies on quasi-linear preferences, which allow us to distinguish outcomes based on whether the willingness-to-pay constraint (2) binds. This tractability will be central in the next subsection, where we study how individual welfare varies with the eviction regime ρ.

2.5 Heterogeneous Effects of Eviction Regime Severity on Welfare

We now examine how the welfare effects of stricter eviction regimes vary across the income distribution. Our analysis shows that poorer individuals benefit from a stricter regime, while richer individuals are hurt by it.

Theorem 3 (Stricter Eviction Regime Benefits Poor, Hurts Richer Individuals) *(i) Let $z < \hat{z}(1)$ so that the individual is always excluded from the rental market. Then $V(z; \rho)$ does not vary with ρ.*

(ii) Let $\rho < \rho'$ and $z \in [\hat{z}(\rho'), \hat{z}(\rho))$, so that an individual with productivity z has acceptable rental options at ρ' but not at ρ. If χ and γ are sufficiently small, then $V(z; \rho') > V(z; \rho)$.

(iii) Let $z \in (z^{\text{rent}}(\rho), z^{u}(\rho))$, so that the renter is constrained by (2). Then $V(z; \rho)$ is strictly increasing in ρ.

(iv) Let $z > z^{u}(\rho)$, so that the renter is unconstrained by (2). Then $V(z; \rho)$ is decreasing in ρ, strictly decreasing if χ and γ are sufficiently small.

Theorem 3 emphasizes that effects of ρ on welfare are heterogeneous across income groups. The poorest individuals are excluded from the rental market regardless of ρ, and hence an increase in ρ has no effect on them (part (i)). Part (ii) reflects the extensive margin: stricter eviction regimes expand access to the rental market, allowing some individuals to rent who otherwise would not, which increases their welfare. Parts (iii) and (iv) capture the intensive margin: the effect of eviction severity on those already renting. When an individual rents but (2) binds (part (iii)), the individual pays their reservation rent, so the expected cost is the same whether rent is repaid or not. Thus, there is no direct negative effect of eviction. At the same time, a higher ρ increases the individual's willingness to pay, allowing access to a larger house closer to the preferred size. As a result, welfare rises with ρ. In contrast, for richer renters for whom (2) does not bind (part (iv)), the equilibrium price $P(h, z)$ is independent of ρ. The only (first-order) effect of a stricter eviction regime is a higher probability of eviction, which lowers expected utility. Thus, for $z \geqslant z^{u}$, welfare is strictly decreasing in ρ.

To summarize, our model highlights the importance of heterogeneity in evaluating eviction policy. A stricter regime benefits relatively poor individuals by enabling them to enter the rental market or to rent a larger home closer to their preferred size. By contrast, it harms richer tenants, who are unconstrained in their housing choice but face a higher likelihood of eviction when income realizations are low.

3 Empirical Analysis

In this section, we first describe the data used in our empirical analysis. We then introduce our eviction regime severity index and explain why it provides an economically meaningful measure of eviction policies. Finally, we show that the data confirm the predictions of our theoretical model.

3.1 Data Description

To construct our measure of eviction regime severity, we use data from the Eviction Lab, which reports annual eviction filings, threatened households, and eviction judgments at the census-tract level.[12] In this dataset, eviction "filings" are the number of cases landlords file in court to remove tenants from a property in a given year. It is common for a landlord to issue a series of eviction filings against the same household. To account for this, "threatened" households are defined as the number of unique households that receive at least one eviction filing in a given year. "Judgments" are the number of court-enforced evictions in which renters were ordered to leave, counted once per household that received an eviction judgment. Filing, threatened, and judgment *rates* are calculated as the corresponding numbers per 100 renter households.[13] We use data from 2000 to 2018, the years covered in the publicly available Eviction Lab data, to construct our index at both the state and county levels.

To test the model's predictions for household formation, we use data from the American Community Survey (ACS) conducted by the U.S. Census Bureau. For individual-level variables, we use annual data from 2014 to 2019. For census-tract-level variables, we use four consecutive five-year ACS samples—2011–2015, 2012–2016, 2013–2017, and 2014–2018.

For data on rental nonpayment, we use the Survey of Income and Program Participation (SIPP) from the 2014, 2018, and 2019 panels. While the 2014 and 2018 panels contain multiple waves, we restrict attention to the first wave of each to avoid issues of attrition, which are likely correlated with rental nonpayments and evictions. In the resulting sample, 10% of renters report having been behind on rent in the past 12 months, indicating that nonpayment is a relatively common phenomenon.[14]

[12] See Gromis et al. (2022) for the data source.

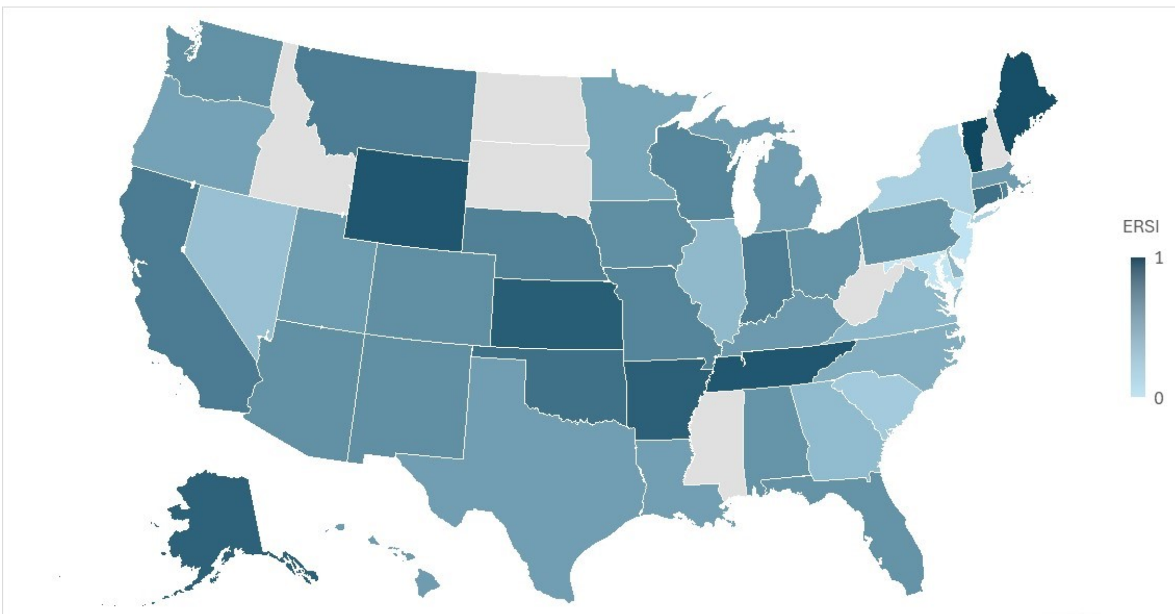
[13] In our sample, the average filing rate is 8%, the average threatened rate is 6.1%, and just under half of threatened households (2.8% of all renters) received an eviction judgment.

[14] For comparison, the share of homeowners who report missing a housing payment in that sample is 4%.

3.2 Eviction Regime Severity Index

To enable empirical analysis of eviction policies, we construct a simple and accessible measure of eviction regime severity across U.S. jurisdictions. We define the Eviction Regime Severity Index (ERSI) as the ratio of eviction judgments to eviction filings in a jurisdiction.[15] To construct the index, we sum each jurisdiction's annual counts of judgments and filings over 2000–2018 and compute ERSI as the total judgments divided by the total filings.[16]

Figure 2: Eviction Regime Severity Index by U.S. States



Note: Missing data for some states are due to the lack of coverage in the Eviction Lab data.

Our preferred notion of a jurisdiction is the U.S. state, but we also present analysis using the county-level ERSI (see Appendix B.2). There are compelling arguments for treating both states and counties as the relevant jurisdiction for eviction regimes: while most legislation is enacted at the state level, many counties and cities have their own regulations and legal practices. State-level ERSI values are mapped in Figure 2 and listed

[15]There are several categorization of states' eviction regimes based on the *letter of the law* in the legal literature—see for example Rabin (1983), Mercer-Falkoff (1980), and Hatch (2017). We have also attempted constructing our own index based on the data from LawAtlas Project (Policy Surveillance Program, 2023). However, the legalistic indexes do not appear successful at quantitatively capturing the severity of the eviction regimes as they do not correlate with the outcomes of interest—for example, regressions in Merritt and Farnworth (2021) show that the categorization in Hatch (2017) does not have a clear relation with eviction filing rates across states. The correlation of our ERSI with Hatch (2017)'s categorization—indexing pro-tenant as 0, pro-landlord as 1, and in between as 0.5—is 0.07.

[16]Our index is robust to changes in the range of years used to construct it.

in Table B1 in Appendix B.1, while county-level values are mapped in Figure B1 in Appendix B.2.

Because of concerns about the quality of the judgment data (for example, the implausibly low numbers reported for New Jersey) and as a robustness check, we also examine an alternative measure: the ratio of threatened households to eviction filings. "Threatened" can be interpreted as correcting for multiple-counting, since many tenants receive several filings in the same year at the same address. This alternative measure captures the idea that jurisdictions with laxer eviction regimes have landlords filing more aggressively, resulting in more filings per threatened household. The correlation between this alternative index and our original index is 0.81 at the state level and 0.63 at the county level. Most of our results are robust to using this alternative measure (see Appendix B.3.)

3.3 Index Validation

In this section, we validate the index by testing whether higher ERSI is negatively related to rent nonpayment, conditional on observables. We perform two exercises. First, using the SIPP data, we regress an indicator for being behind on rent on the ERSI. Table 1 reports the results. Column (1) presents estimates without controls, while column (2) adds controls for income, rent, and other demographics. The coefficient on ERSI is negative in both specifications and becomes statistically significant at the 10% level once controls are included.

While the advantage of the SIPP is that it contains information on rental nonpayments, the dataset is small and the data quality is limited. We therefore turn to the Eviction Lab data and use the threatened rate as a proxy for rental nonpayment. Specifically, we regress threatened rates at the census-tract level on the state ERSI, controlling for tract-level characteristics such as median rent and unemployment. Table 2 reports the results.[17] We find that locations with higher ERSI values tend to have significantly lower threatened rates. In addition, the ERSI serves as a useful proxy for state fixed effects, capturing roughly half of the variation in the regression R-squared explained by including state fixed effects directly.

We also compute the ERSI at the county level, for all counties in which the Eviction Lab reports tract-level data. While we cannot re-run the regression on rental nonpayments because of SIPP data limitations, we do re-run the regression on threatened rates using county-level ERSIs. The results, reported in Table B4 in Appendix B.2, closely mirror

[17] Using the filing rate instead of the threatened rate as a proxy for rental nonpayment produces similar results, see Table B2 in Appendix B.1.

Table 1: Regression of Rental Nonpayment on ERSI Using SIPP

	(1)	(2)
Eviction Regime Severity Index	-0.015	-0.021*
	(0.013)	(0.013)
Log Monthly Household Income		-0.007***
		(0.002)
Log Monthly Rent		-0.001
		(0.002)
College Degree		-0.060***
		(0.005)
Unemployment Spell		0.020***
		(0.006)
Age		0.007***
		(0.001)
Age^2		-0.000***
		(0.000)
Year Fixed Effect		X
Mean	0.100	0.100
Obs	17,852	17,852
R^2	0.000	0.016

Note: The outcome variable is a binary variable that equals 1 if the household has been behind on rent payment in the past 12 months and 0 otherwise. Observations only include renter households, individual characteristics are of the household head. Column (2) includes year fixed effects. Regressions are weighted using the SIPP sample weights. Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

Table 2: Regression of Census Tract Average Threatened Rates on ERSI Using ACS

	(1)	(2)	(3)	(4)
Eviction Regime Severity Index	-13.510***	-12.964***		
	(2.071)	(1.349)		
Log Median Rent		0.725	1.116***	2.062***
		(0.468)	(0.348)	(0.655)
Log Median Renter Household Income		0.347	0.068	0.581
		(0.309)	(0.261)	(0.397)
Unemployment Rate		0.063**	0.095***	0.085**
		(0.033)	(0.020)	(0.034)
Log Median Home Value		-2.288***	-0.888***	-1.069**
		(0.520)	(0.318)	(0.578)
State Fixed Effect			X	
Year and Demographic Controls		X	X	X
Mean	6.062	6.042	6.042	6.042
Number of Observations	37,200	29,239	29,239	29,239
R^2	0.135	0.399	0.518	0.299

Note: The outcome variable is the average eviction threatened rate of the census tract for the previous five years, conditional on availability. Only one observation is used per census tract, the last year it is observed. Tracts with average filing rates above 100 are excluded. The control variables consist of the 5-year tract variables from the ACS, as well as the state ERSI. Demographic controls include tract education and age compositions. Column (2) includes the state ERSI, while (3) includes state fixed effects. Column (4) includes only the control variables. Regressions are weighted by number of renting households per the census tract, and standard errors are clustered at the county level. Robust standard errors are reported in parentheses.

those in Table 2, further validating our measure of eviction regime severity.

3.4 Testing the Model's Predictions

We now turn to testing the model's prediction regarding household formation. Recall that Theorem 2 states that household formation increases with the severity of the eviction regime, ρ. Greater severity allows landlords to offer more rental housing, enabling individuals who previously chose the outside option (such as living with parents) to enter the rental market.

We test this prediction using two regressions. In the first, we use ACS data to construct a binary variable equal to 1 if the individual lives in a household where a parent or parent-in-law is the household head, and 0 otherwise.[18] We regress this variable on the ERSI—the empirical counterpart of ρ in the model—together with additional controls. Table 3 reports the results.

In our main specification (columns (1)–(3)), we restrict the sample to individuals ages 18 to 35, excluding students. The coefficient on the ERSI is negative and significant at the 1% level, consistent with the model's prediction. Our theoretical analysis further suggests that the effect of eviction regime severity on entering the rental market is strongest among individuals with intermediate income levels. To test this, we interact the ERSI with binary indicators for income quartiles. The estimated effects of the ERSI on living with parents are negative across all quartiles, strongest for the third quartile, stronger for the second than for the first, and weakest for the fourth quartile. This pattern indicates that as income increases, the effect of the ERSI on living with a parent first becomes more negative and then less negative, consistent with the model's predictions.[19] Taken together, these results highlight the importance of heterogeneous policy effects across the income distribution.

Intuitively, our predictions are most relevant for younger individuals deciding whether to move out of their parents' homes, so we expect the effect of the ERSI on household formation to be smaller for older individuals. To check this, column (4) of Table 3 reports results from a "placebo" regression—the same specification as column (3), but for individuals ages 40 to 60. For this group, the estimated relationship between eviction

[18] We cannot observe whether an unmarried individual is living with a parent of their partner due to ACS data limitations. So this construction of the dependent variable would incorrectly identify such an individual as having formed a household (i.e., not living with parents). This issue will not arise in our second regression specification, reported in Table 4.

[19] Strictly speaking, in the model as ρ increases, high-z individuals' value from renting declines, and they may begin opting out of the rental market in favor of the outside option (see the proof of part (iv) of Theorem 3). Intuitively, this theoretical effect seems unlikely to be important in practice, and our regression results confirm that.

Table 3: Regression of Living with a Parent on ERSI Using ACS

	Ages 18-35 (1)	Ages 18-35 (2)	Ages 18-35 (3)	Ages 40-60 (4)
Eviction Regime Severity Index	-0.063***	-0.048***	-0.060***	0.001
	(0.002)	(0.002)	(0.004)	(0.002)
Log Income		-0.017***		
		(0.000)		
Income Quartile 2			-0.074***	-0.023***
			(0.003)	(0.001)
Income Quartile 3			-0.148***	-0.045***
			(0.002)	(0.001)
Income Quartile 4			-0.242***	-0.064***
			(0.002)	(0.001)
ERSI × Income Quartile 2			-0.010**	-0.006**
			(0.005)	(0.002)
ERSI × Income Quartile 3			-0.023***	-0.007***
			(0.005)	(0.002)
ERSI × Income Quartile 4			0.023***	-0.004*
			(0.004)	(0.002)
Log Average State Home Value		0.111***	0.125***	0.016***
		(0.002)	(0.002)	(0.001)
Age		-0.021***	-0.018***	-0.003***
		(0.000)	(0.000)	(0.000)
Year and Demographic Controls		X	X	X
Mean	0.281	0.281	0.281	0.053
Obs	2,712,552	2,712,552	2,712,552	5,040,625
R^2	0.001	0.195	0.213	0.082

Note: The outcome variable is a binary variable that equals 1 if the individual lives in a household in which their parent or a parent-in-law is the head of the household, and 0 otherwise. Columns (2) through (4) include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor currently in school, of ages 18 to 35 for columns (1) through (3), and ages 40 to 60 for column (4). Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

regime severity and living with parents is small and insignificant.[20] Thus, a stricter eviction regime is associated with lower cohabitation with parents among the young, while having little effect on it among middle-aged individuals.

In our second regression testing household formation, the dependent variable is a binary indicator equal to 1 if the individual is the household head or the spouse, unmarried partner, or housemate of the household head, and 0 otherwise. The rest of the specification is the same as in Table 3. The results, reported in Table 4, are consistent with those from the first regression and extend to this alternative test. In particular, stricter eviction regimes are associated with greater likelihood of being a household head among young individuals, and the effect first increases and then decreases with income.

Our results on household formation are robust both to using county-level ERSI (see

[20] As expected, the average cohabitation-with-parents rate is also lower for ages 40–60 than for ages 18–35.

Table 4: Regression of Being a Household Head on ERSI Using ACS

	Ages 18-35 (1)	Ages 18-35 (2)	Ages 18-35 (3)	Ages 40-60 (4)
Eviction Regime Severity Index	0.072***	0.046***	0.056***	0.000
	(0.002)	(0.002)	(0.003)	(0.002)
Log Income		0.022***		
		(0.000)		
Income Quartile 2			0.085***	0.088***
			(0.002)	(0.002)
Income Quartile 3			0.180***	0.145***
			(0.002)	(0.001)
Income Quartile 4			0.303***	0.180***
			(0.002)	(0.001)
ERSI $\times$ Income Quartile 2			0.021***	0.005
			(0.005)	(0.003)
ERSI $\times$ Income Quartile 3			0.033***	0.004
			(0.005)	(0.003)
ERSI $\times$ Income Quartile 4			-0.020***	-0.000
			(0.004)	(0.003)
Log Average State Home Value		-0.166***	-0.185***	-0.079***
		(0.002)	(0.002)	(0.001)
Age		0.024***	0.020***	0.001***
		(0.000)	(0.000)	(0.000)
Year and Demographic Controls		X	X	X
Mean	0.623	0.623	0.623	0.872
Obs	2,712,552	2,712,552	2,712,552	5,040,625
R^2	0.001	0.286	0.310	0.202

Note: The outcome variable is a binary variable that equals 1 if the individual is a household head or a spouse/unmarried partner/housemate of a household head, and 0 otherwise. Columns (2) through (4) include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor currently in school, of ages 18 to 35 for columns (1) through (3), and ages 40 to 60 for column (4). Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

Tables B5 and B6 in Appendix B.2) and to using the alternative index based on the threatened rate (see Tables B10 and B11 in Appendix B.3). Moreover, the results are robust to controlling for the individuals' college attainment and allowing for the effects of the policy to vary across the educational groups (see Tables B3 and B7)—stricter eviction regimes facilitate household formation for both educational groups.

4 Conclusion

Using a simple model, we have examined how eviction regime severity affects availability and affordability of rental housing to prospective tenants across income distribution. One of our main theoretical insight is that a stricter eviction regime benefits relatively poor individuals by improving rental affordability and enlarging their choice sets. This prediction is consistent with our empirical findings: stricter regimes are associated with greater household formation among young people, with the strongest effects observed in the lower middle class. To conduct the empirical analysis, we constructed a novel index of eviction regime severity using data from the Eviction Lab. We show that this index is negatively correlated with available measures of rental non-payment.

Future empirical research could investigate the extent to which eviction regimes in the United States are shaped by state laws versus local (city or county) regulations. Our index can be constructed at either jurisdictional level.

An interesting direction for further theoretical analysis is to model the supply of rental housing more explicitly. While our framework assumes a perfectly elastic, constant-marginal-cost supply of rental units, a more realistic approach would allow for increasing marginal costs, for example due to a fixed factor such as land. Such a model would generate equilibrium price effects from the entry of additional renters in response to a stricter eviction regime. These price spillovers would further harm richer tenants and attenuate the positive effects of stricter regimes on poorer ones.

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Appendices

A Omitted Proofs

Proof of Lemma 1: Differentiating (3) with respect to z, we have

$$\frac{\partial P(h,z)}{\partial z} = \frac{\bar{y}}{2}\left[1 - \sqrt{1 - \frac{4\delta h}{z\bar{y}}} - \frac{4\delta h}{2z\bar{y}\sqrt{1 - \frac{4\delta h}{z\bar{y}}}}\right].$$

Denote $t = \sqrt{1 - \frac{4\delta h}{z\bar{y}}}$. Since $\frac{4\delta h}{z\bar{y}} = 1 - t^2$,

$$\frac{\partial P}{\partial z} = \frac{\bar{y}}{2}\left[1 - \frac{t}{2} - \frac{1}{2t}\right] = \frac{\bar{y}}{4t}\left[2t - t^2 - 1\right] = -\frac{\bar{y}}{4t}(t-1)^2 < 0$$

since $t < 1$. □

Proof of Proposition 1: The upper bound of $H(z)$ is either the right-most root of (4) or $\bar{h}(z)$. The latter is strictly increasing in z. The left-hand side of (4) is independent of z, while the right-hand side is strictly decreasing in z by Lemma 1. This means that the curve representing the right-hand side moves downward in the (h, P) space, while the curve representing the left-hand side remains unchanged. Hence the left root ($h_{min}(z)$) moves to the left while the right-most root moves to the right. □

Proof of Theorem 1: The upper bound of $\hat{\mathcal{H}}(z)$ is either the right root of (4) or $\bar{h}(z)$. The latter does not vary with ρ. Since $\hat{\mathcal{H}}(z) \neq \emptyset$, the right root exceeds $\underline{h}$. The right-hand side of (4) is independent of ρ, while the left-hand side is strictly increasing in ρ for $h > \underline{h}$. This means that the curve representing the left-hand side moves upward in the (h, P) space, while the curve representing the right-hand side remains unchanged. Hence the left root ($h_{min}(z)$) moves to the left while the right root moves to the right. Hence the fact that $h_{max}(z)$ is strictly increasing in ρ follows from (4).

The lower bound of $\hat{\mathcal{H}}(z)$ is either $h_{min}(z)$ or $\underline{h}$. The latter does not vary with ρ. If the upper bound is $h_{min}(z)$ then $h_{min}(z) > \underline{h}$. In this case, as we saw above, $h_{min}(z)$ is strictly decreasing in ρ. □

Proof of Proposition 2: (i) The threshold $\hat{z}$ is defined as the level of z for which $\hat{\mathcal{H}}(z)$ is a singleton. Let $\tilde{z}$ be the level of z for which (4) has only one root. If this root weakly exceeds $\underline{h}$, then $\hat{z} = \tilde{z}$. Otherwise, $\hat{z}$ is the level of z for which $h_{max}(z) = \underline{h}$. Since the right-hand side of (4) is strictly decreasing in z (Lemma 1), for z below $\hat{z}$ $\hat{\mathcal{H}}(z)$ is empty, and for z above $\hat{z}$, it becomes an interval.

Recall that $\bar{h}(z) = z\bar{y}/(4\delta)$ is the largest h satisfying (3). If $\bar{h}(z) < \underline{h}$, then $\hat{\mathcal{H}}(z)$ is empty. Defining $\underline{z}$ as $\bar{h}(\underline{z}) = \underline{h}$, we have that $\hat{z}$ must strictly exceed $\underline{z}$.

(ii) We first show $P(h, z)$ given by (3) approaches δh as $z \to \infty$. Denote $\varepsilon = \frac{4\delta h}{z\bar{y}}$. We have $\varepsilon \to 0$ as $z \to \infty$. Use the Taylor expansion

$$\sqrt{1-\varepsilon} = 1 - \frac{\varepsilon}{2} - \frac{\varepsilon^2}{8} + O(\varepsilon^3),$$

which gives

$$P(h, z) = \frac{z\bar{y}}{2}\left(\frac{\varepsilon}{2} + \frac{\varepsilon^2}{8} + O(\varepsilon^3)\right) = \delta h + \frac{\delta^2 h^2}{z\bar{y}} + O\left(\frac{1}{z^2}\right).$$

Hence

$$\lim_{z\to\infty} P(h, z) = \delta h,$$

and moreover $P(h, z) > \delta h$ for finite z.

Graphically, it means that in the limit the blue line on Figure 1 becomes a straight line with slope δ. For $\hat{z}$ to be finite, we need that at the point h at which the slope of the red line equals δ, the red line is strictly above δh. That is, at $z \to \infty$, the two lines intersect (twice). The slopes of the red line—the left-hand side of (2)—is $\theta\rho/h$, which equals δ at $h = \theta\rho/\delta$. At this point, the vertical coordinate of the red line is $\theta\rho \ln \frac{\theta\rho}{\delta\underline{h}} + \chi + \gamma\rho$. It exceeds the vertical coordinate of δh evaluated at $h = \theta\rho/\delta$ if $\theta\rho\left(\ln\frac{\theta\rho}{\delta\underline{h}} - 1\right) + \chi + \gamma\rho > 0$, which is the condition provided in the statement of the proposition. □

Proof of Proposition 3: The result follows from the construction of $\hat{z}$ (see the proof of Proposition 2) and the fact that since $h > \underline{h}$, the left-hand side of (4) is strictly increasing in ρ (see the proof of Theorem 1). □

Proof of Proposition 4: Denote $h^r(z) \in \hat{\mathcal{H}}(z)$ to be the optimal choice of h by individual z conditional on renting, and $P^r(z) = P(h^r(z); z)$ the corresponding equilibrium price. Then $\Delta(z) = V^r(z) - (E_y zy + \theta \ln \underline{h})$ can be written as

$$\begin{aligned}\Delta(z) &= \frac{P^r(z)}{z\bar{y}}\left[(1-\rho)\theta\ln h^r(z) + \rho(\theta\ln\underline{h} - \gamma) - \chi\right] + \left[1 - \frac{P^r(z)}{z\bar{y}}\right](\theta\ln h^r(z) - P^r(z)) - \theta\ln\underline{h} \\ &= \theta\ln\frac{h^r(z)}{\underline{h}} - \frac{P^r(z)}{z\bar{y}}\left(\rho\theta\ln\frac{h^r(z)}{\underline{h}} + \rho\gamma + \chi\right) - \left[1 - \frac{P^r(z)}{z\bar{y}}\right]P^r(z).\end{aligned}$$

Using (2) and $\chi = \gamma = 0$, $\Delta(z) \geqslant (1-\rho)\theta\ln(h^*/\underline{h})$. Since the individual will never pay a positive price for a house $h \leqslant \underline{h}$, $h^* > \underline{h}$, and thus $\Delta(z) > 0$. By continuity, the inequality also holds for χ and γ sufficiently close to zero. □

Lemma 3 $\Delta(z) = V^r(z) - (E_y zy + \theta \ln \underline{h})$ *is strictly increasing in* z.

Proof: Suppose not, i.e., $\Delta(z) \geqslant \Delta(z')$ for $z < z'$. The individual z's optimal house is available to individual z' by Proposition 1. Then the individual z' can rent $h^*(z)$, and by (3) would get a strictly lower rent for that house compared to individual z. That would give them a strictly higher Δ. A contradiction. □

Lemma 4 *Denote the individual's objective function by*

$$F(h,z) = \frac{P(h,z)}{z\bar{y}}\Big(\theta(1-\rho)\ln h + \theta\rho\ln\underline{h} - \rho\gamma - \chi\Big) + \left(1 - \frac{P(h,z)}{z\bar{y}}\right)(\theta \ln h - P(h,z)),$$

where $P(h,z)$ *is defined by* (3). *The function* $F(\cdot, z)$ *is strictly concave on* $(\underline{h}, \bar{h}(z))$.

Proof: Define

$$s(h) = \sqrt{1 - \frac{4\delta h}{z\bar{y}}} \in (0,1].$$

For $0 < h < \bar{h}(z)$ we have

$$P'(h,z) = \frac{\delta}{s(h)} > 0, \qquad P''(h,z) = \frac{2\delta^2}{z\bar{y}\, s(h)^3} > 0.$$

Differentiating F twice with respect to h yields

$$F''(h,z) = -\frac{\theta}{h^2}\left(1 - \frac{\rho}{2}(1-s(h))\right) - \frac{2\theta\rho\,\delta}{z\bar{y}\,h\,s(h)} - \frac{2\delta^2}{(z\bar{y})^2 s(h)^3}\,(\theta\rho\ln(h/\underline{h}) + \rho\gamma + \chi) < 0$$

for all $h \in (\underline{h}, \bar{h}(z))$. □

Proof of Proposition 5: The threshold $z^{rent} \geqslant \hat{z}$ is defined as the level of z above which the individual rents and below which they choose the outside option. Its existence is implied by Lemma 3 above: if an individual with productivity z rents, then so does an individual with productivity $z' > z$. Note that this threshold can in principle be infinite (just at $\hat{z}$ can be infinite, see part (ii) of Proposition 2).

The level z^u is defined as the level of z such that $h^u(z) = h_{max}(z)$. The fact that the individual rents $h_{max}(z)$ between z^{rent} and z^u follows from the fact that the individual's objective function is strictly concave on $(\underline{h}, \bar{h}(z))$ by Lemma 4. □

Proof of Theorem 3: (i) For $z < \hat{z}(1)$, $V(z) = E_y zy + \theta \ln \underline{h}$, independent of ρ.

(ii) $V(z;\rho) = E_y zy + \theta \ln \underline{h}$ and $V(z;\rho') = V^r(z;\rho') > E_y zy + \theta \ln \underline{h}$, where the inequality follows from Proposition 4. Thus $V(z;\rho') > V^r(z;\rho)$.

(iii) The expected utility of a renter when (2) binds is

$$
\begin{aligned}
V^r(z) &= Ezy + \frac{P^r(z)}{z\bar{y}}\left((1-\rho)\theta\ln h^r(z) + \rho(\theta\ln \underline{h} - \gamma) - \chi\right) + \left[1 - \frac{P^r(z)}{z\bar{y}}\right](\theta\ln h^r(z) - P^r(z)) \\
&= Ezy + \theta\ln h^r(z) - \frac{P^r(z)}{z\bar{y}}\left(\rho\theta\ln\frac{h^r(z)}{\underline{h}} + \rho\gamma + \chi\right) - \left[1 - \frac{P^r(z)}{z\bar{y}}\right]P^r(z) \\
&= Ezy + \theta\ln h^r(z) - \frac{P^r(z)}{z\bar{y}}P^r(z) - \left[1 - \frac{P^r(z)}{z\bar{y}}\right]P^r(z) \\
&= Ezy + \theta\ln h^r(z) - P^r(z).
\end{aligned}
$$

Since the individual is just indifferent between paying and not, there is no direct negative effect of an increase in ρ on their utility coming from the fact that they lose the house with a higher probability. The only effect is through being able to live in a bigger house, as $h^r(z) = h_{max}(z)$ and $h_{max}(z)$ is increasing in ρ by Theorem 1. Since the individual's objective function is strictly concave (see Lemma 4), it is strictly increasing in h to the left of $h^u(z)$. Thus the individual's utility is strictly larger with a larger ρ than with a smaller ρ.

(iv) When (2) does not bind, the equilibrium price $P^r(z)$ is pinned down by (1) and is independent of ρ. Thus, differentiating

$$
V^r(z) = Ezy + \theta\ln h^r(z) - \frac{P^r(z)}{z\bar{y}}\left(\rho\theta\ln\frac{h^r(z)}{\underline{h}} + \rho\gamma + \chi\right) - \left[1 - \frac{P^r(z)}{z\bar{y}}\right]P^r(z)
$$

with respect to ρ (and using the Envelope theorem for the optimal choice $h^r(z;\rho)$) we have

$$
\frac{\partial V^r(z)}{\partial \rho} = -\frac{P^r(z)}{z\bar{y}}\left(\theta\ln\frac{h^r(z)}{\underline{h}} + \gamma\right) < 0.
$$

If χ and γ are high enough, it is possible that as ρ increases, $V^r(z)$ eventually falls below the value of the outside option, $E_y zy + \theta\ln\underline{h}$. In that case, a further increase in ρ leaves $V(z)$ unchanged. However, if χ and γ are low enough, the individual will remain a renter even for high ρ (Proposition 4), and hence $V(z) = V^r(z)$ is strictly decreasing in ρ whenever (2) does not bind. □

B Additional Tables and Figures

B.1 State-Level ERSI

Table B1: ERSI by State

State	ERSI	State	ERSI	State	ERSI
Alabama	0.504	Louisiana	0.438	Ohio	0.511
Alaska	0.809	Maine	0.932	Oklahoma	0.715
Arizona	0.525	Maryland	0.017	Oregon	0.426
Arkansas	0.825	Massachusetts	0.451	Pennsylvania	0.510
California	0.653	Michigan	0.446	Rhode Island	0.607
Colorado	0.534	Minnesota	0.395	South Carolina	0.174
Connecticut	0.712	Mississippi	*NA*	South Dakota	*NA*
Delaware	0.281	Missouri	0.597	Tennessee	0.876
Florida	0.509	Montana	0.648	Texas	0.447
Georgia	0.273	Nebraska	0.625	Utah	0.463
Hawaii	0.460	Nevada	0.235	Vermont	0.968
Idaho	*NA*	New Hampshire	*NA*	Virginia	0.292
Illinois	0.280	New Jersey	0.025	Washington	0.520
Indiana	0.641	New Mexico	0.533	West Virginia	*NA*
Iowa	0.540	New York	0.138	Wisconsin	0.585
Kansas	0.834	North Carolina	0.343	Wyoming	0.883
Kentucky	0.471	North Dakota	*NA*		

Note: Missing data for some states are due to lack of coverage in the Eviction Lab data.

Table B2: Regression of Census Tract Average Filing Rates on ERSI Using ACS

	(1)	(2)	(3)	(4)
Eviction Regime Severity Index	-23.755***	-21.728***		
	(3.166)	(2.568)		
Log Median Rent		0.400	0.982*	2.525**
		(0.664)	(0.587)	(1.010)
Log Median Renter Household Income		1.035**	0.565	1.529**
		(0.520)	(0.394)	(0.674)
Unemployment Rate		0.052	0.090***	0.067
		(0.045)	(0.030)	(0.053)
Log Median Home Value		-3.324***	-0.988**	-1.272
		(0.729)	(0.415)	(0.788)
State Fixed Effect			X	
Year Fixed Effect		X	X	X
Demographic Fixed Effects		X	X	X
Mean	7.846	7.793	7.793	7.793
Number of Observations	37,207	29,239	29,239	29,239
R^2	0.152	0.338	0.498	0.218

Note: The outcome variable is the average eviction filing rate of the census tract for the previous five years, conditional on availability. Only one observation is used per census tract, the last year it is observed. Tracts with average filing rates above 100 are excluded. The control variables consist of the 5-year tract variables from the ACS, as well as the state ERSI. Demographic controls include tract education and age compositions. Column (2) includes the state ERSI, while (3) includes state fixed effects. Column (4) includes only the control variables. Regressions are weighted by number of renting households per the census tract, and standard errors are clustered at the county level. Robust standard errors are reported in parentheses.

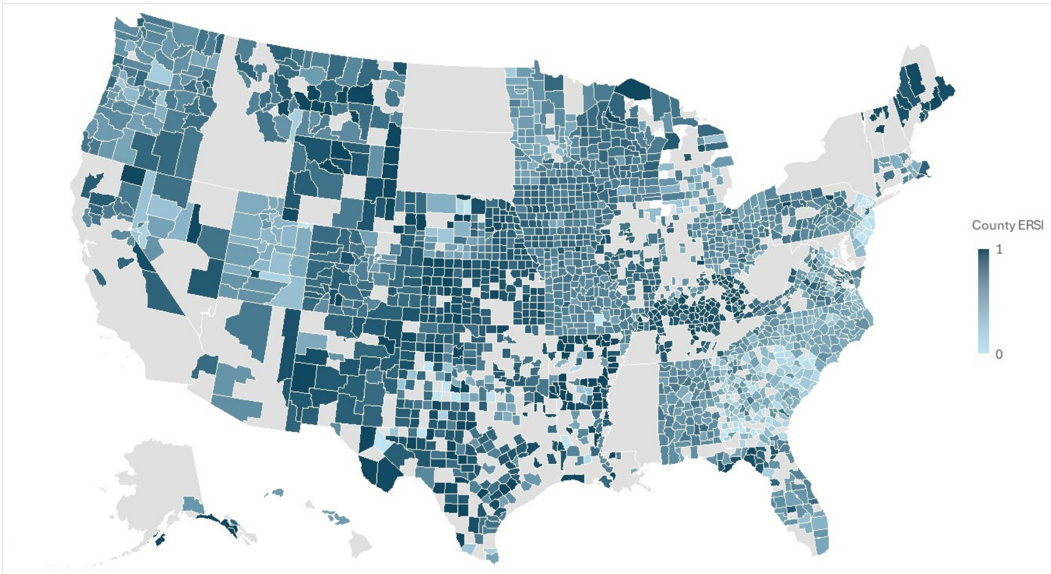
Table B3: Regressions of HH Formation on ERSI by College Degree Using ACS

	Living with a Parent (1)	Being a Household Head (2)
ERSI	-0.062***	0.063***
	(0.004)	(0.004)
Income Quartile 2	-0.074***	0.083***
	(0.003)	(0.003)
Income Quartile 3	-0.145***	0.173***
	(0.003)	(0.003)
Income Quartile 4	-0.237***	0.279***
	(0.002)	(0.002)
ERSI $\times$ Income Quartile 2	-0.004	0.017***
	(0.005)	(0.005)
ERSI $\times$ Income Quartile 3	-0.012**	0.026***
	(0.005)	(0.005)
ERSI $\times$ Income Quartile 4	0.040***	-0.024***
	(0.005)	(0.005)
College Degree	-0.006***	0.043***
	(0.002)	(0.002)
ERSI $\times$ College Degree	-0.023***	0.005
	(0.004)	(0.004)
Log Average State Home Value	0.131***	-0.193***
	(0.002)	(0.002)
Age	-0.015***	0.017***
	(0.000)	(0.000)
Year and Demographic Controls	X	X
Mean	0.254	0.656
Obs	2,537,006	2,537,006
R^2	0.186	0.274

Note: The outcome variable in column (1) is a binary variable that equals 1 if the individual lives in a household in which their parent (or a parent-in-law) is the head of the household, and 0 otherwise. The outcome variable in column (2) is a binary variable that equals 1 if the individual is a household head or a spouse/unmarried partner/housemate of a household head, and 0 otherwise. Regressions include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor in school, of ages 21 to 35. Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

B.2 County-Level ERSI

Figure B1: Eviction Regime Severity Index by U.S. County



Note: Missing data for some counties are due to the lack of coverage in the Eviction Lab data.

Table B4: Regression of Census Tract Average Threatened Rates on County ERSI

	(1)	(2)	(3)	(4)
County ERSI	-11.337***	-10.998***		
	(1.532)	(0.962)		
Log Median Rent		0.052	-0.201	2.062***
		(0.572)	(0.302)	(0.655)
Log Median Renter Household Income		0.602	-0.170	0.581
		(0.376)	(0.265)	(0.397)
Unemployment Rate		0.057*	0.078***	0.085**
		(0.032)	(0.017)	(0.034)
Log Median Home Value		-2.168***	-0.916***	-1.069*
		(0.551)	(0.327)	(0.579)
County Fixed Effect			X	
Year Fixed Effect		X	X	X
Demographic Controls		X	X	X
Mean	6.062	6.043	6.054	6.043
Obs	37,200	29,239	29,107	29,239
R^2	0.140	0.398	0.638	0.299

Note: The outcome variable is the average eviction filing rate of the census tract for the previous five years, conditional on availability. Only one observation is used per census tract, the last year it is observed. Tracts with average filing rates above 100 are excluded. The control variables consist of the 5-year tract variables from the ACS, as well as the county ERSI. Column (2) includes the county ERSI, while (3) includes county fixed effects. Column (4) includes only the control variables. Regressions are weighted by number of renting households per the census tract, and standard errors are clustered at the county level. Robust standard errors are reported in parentheses.

Table B5: Regression of Living with a Parent on County ERSI Using ACS

	Ages 18-35 (1)	Ages 18-35 (2)	Ages 18-35 (3)	Ages 40-60 (4)
County ERSI	-0.056***	-0.084***	-0.101***	0.010***
	(0.003)	(0.003)	(0.006)	(0.003)
Log Income		-0.018***		
		(0.000)		
Income Quartile 2			-0.085***	-0.024***
			(0.004)	(0.002)
Income Quartile 3			-0.153***	-0.039***
			(0.004)	(0.002)
Income Quartile 4			-0.261***	-0.062***
			(0.003)	(0.001)
County ERSI $\times$ Income Quartile 2			-0.018**	-0.009**
			(0.009)	(0.004)
County ERSI $\times$ Income Quartile 3			-0.056***	-0.032***
			(0.008)	(0.004)
County ERSI $\times$ Income Quartile 4			0.041***	-0.017***
			(0.007)	(0.003)
Log Average County Home Value		-0.129***	-0.115***	-0.016***
		(0.003)	(0.003)	(0.001)
Age		-0.022***	-0.018***	-0.003***
		(0.000)	(0.000)	(0.000)
Year and Demographic Controls		X	X	X
Mean	0.269	0.269	0.269	0.052
Obs	1,047,123	1,047,123	1,047,123	1,825,953
R^2	0.001	0.192	0.212	0.081

Note: The outcome variable is a binary variable that equals 1 if the individual lives in a household in which their parent (or a parent-in-law) is the head of the household, and 0 otherwise. Columns (2) through (4) include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor in school, of ages 18 to 35 for columns (1) through (3), and ages 40 to 60 for column (4). Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

Table B6: Regression of Being a Household Head on County ERSI Using ACS

	Ages 18-35 (1)	Ages 18-35 (2)	Ages 18-35 (3)	Ages 40-60 (4)
County ERSI	0.086***	0.097***	0.113***	0.026***
	(0.003)	(0.003)	(0.005)	(0.001)
Log Income		0.23***		
		(0.000)		
Income Quartile 2			0.089***	0.083***
			(0.004)	(0.003)
Income Quartile 3			0.183***	0.142***
			(0.004)	(0.002)
Income Quartile 4			0.325***	0.189***
			(0.003)	(0.002)
County ERSI × Income Quartile 2			0.039***	0.010*
			(0.008)	(0.006)
County ERSI × Income Quartile 3			0.075***	0.011**
			(0.008)	(0.005)
County ERSI × Income Quartile 4			-0.045***	-0.029***
			(0.007)	(0.005)
Log Average County Home Value		0.123***	0.104***	0.009***
		(0.003)	(0.003)	(0.002)
Age		0.025***	0.021***	0.001***
		(0.000)	(0.000)	(0.000)
Year and Demographic Controls		X	X	X
Mean	0.636	0.636	0.636	0.875
Obs	1,047,123	1,047,123	1,047,123	1,825,953
R^2	0.001	0.276	0.303	0.185

Note: The outcome variable is a binary variable that equals 1 if the individual is a household head or a spouse/unmarried partner/housemate of a household head, and 0 otherwise. Columns (2) through (4) include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor in school, of ages 18 to 35 for columns (1) through (3), and ages 40 to 60 for column (4). Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

Table B7: Regressions of HH Formation on County ERSI by College Degree Using ACS

	Living with a Parent (1)	Being a Household Head (2)
County ERSI	-0.123***	0.148***
	(0.006)	(0.006)
Income Quartile 2	-0.081***	0.084***
	(0.004)	(0.004)
Income Quartile 3	-0.142***	0.166***
	(0.004)	(0.004)
Income Quartile 4	-0.235***	0.275***
	(0.004)	(0.004)
County ERSI × Income Quartile 2	-0.015*	0.039***
	(0.009)	(0.009)
County ERSI × Income Quartile 3	-0.057***	0.080***
	(0.008)	(0.009)
County ERSI × Income Quartile 4	0.029***	-0.012***
	(0.008)	(0.008)
College Degree	-0.045***	0.091***
	(0.003)	(0.003)
County ERSI × College Degree	0.041***	-0.076***
	(0.006)	(0.006)
Log Average County Home Value	-0.109***	0.097***
	(0.003)	(0.003)
Age	-0.015***	0.017***
	(0.000)	(0.000)
Year and Demographic Controls	X	X
Mean	0.243	0.667
Obs	986,858	986,858
R^2	0.184	0.268

Note: The outcome variable in column (1) is a binary variable that equals 1 if the individual lives in a household in which their parent (or a parent-in-law) is the head of the household, and 0 otherwise. The outcome variable in column (2) is a binary variable that equals 1 if the individual is a household head or a spouse/unmarried partner/housemate of a household head, and 0 otherwise. Regressions include year, race, gender, and marital status fixed effects. Regressions include only individuals not in group quarters, of ages 21 to 35. Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

B.3 Alternative ERSI: Threatened/Filings, State Level

Table B8: Regression of Rental Nonpayment on Threatened ERSI Using SIPP

	(1)	(2)
Threatened ERSI	-0.035*	-0.038*
	(0.020)	(0.020)
Log Monthly Household Income		-0.007***
		(0.002)
Log Monthly Rent		-0.001
		(0.002)
College Degree		-0.060***
		(0.005)
Unemployment Spell		0.020***
		(0.006)
Age		0.007***
		(0.001)
Age^2		-0.000***
		(0.000)
Year Fixed Effect		X
Mean	0.100	0.100
Obs	17,852	17,852
R^2	0.000	0.023

Note: The outcome variable is a binary variable that equals 1 if the household has been behind on rent payment in the past 12 months and 0 otherwise. Observations only include renter households, individual characteristics are of the household head. Column (2) includes year fixed effects. Regressions are weighted using the SIPP sample weights. Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

Table B9: Regression of Census Tract Average Threatened Rates on Threatened ERSI

	(1)	(2)	(3)	(4)
Threatened ERSI	-27.514***	-24.742***		
	(2.379)	(1.516)		
Log Median Rent		0.999**	1.116***	2.062***
		(0.405)	(0.348)	(0.655)
Log Median Renter Household Income		0.202	0.068	0.581
		(0.301)	(0.261)	(0.397)
Unemployment Rate		0.101***	0.095***	0.085**
		(0.023)	(0.020)	(0.034)
Log Median Home Value		-1.370***	-0.888***	-1.069**
		(0.475)	(0.318)	(0.578)
State Fixed Effect			X	
Year and Demographic Controls		X	X	X
Mean	6.062	6.042	6.042	6.042
Number of Observations	37,200	29,239	29,239	29,239
R^2	0.219	0.460	0.518	0.299

Note: The outcome variable is the average eviction threatened rate of the census tract for the previous five years, conditional on availability. Only one observation is used per census tract, the last year it is observed. Tracts with average filing rates above 100 are excluded. The control variables consist of the 5-year tract variables from the ACS, as well as the state threatened ERSI. Demographic controls include tract education and age compositions. Column (2) includes the state ERSI, while (3) includes state fixed effects. Column (4) includes only the control variables. Regressions are weighted by number of renting households per the census tract, and standard errors are clustered at the county level. Robust standard errors are reported in parentheses.

Table B10: Regression of Living with a Parent on Threatened ERSI

	Ages 18-35 (1)	Ages 18-35 (2)	Ages 18-35 (3)	Ages 40-60 (4)
Threatened ERSI	-0.041***	-0.038***	-0.068***	-0.012***
	(0.003)	(0.003)	(0.006)	(0.003)
Log Income		-0.017***		
		(0.000)		
Income Quartile 2			-0.087***	-0.026***
			(0.007)	(0.003)
Income Quartile 3			-0.180***	-0.059***
			(0.007)	(0.003)
Income Quartile 4			-0.257***	-0.073***
			(0.006)	(0.003)
Threatened ERSI × Income Quartile 2			0.010	0.001
			(0.008)	(0.003)
Threatened ERSI × Income Quartile 3			0.025***	0.014***
			(0.008)	(0.003)
Threatened ERSI × Income Quartile 4			0.030***	0.008***
			(0.007)	(0.003)
Log Average State Home Value		0.117***	0.133***	0.017***
		(0.002)	(0.002)	(0.001)
Age		-0.021***	-0.018***	-0.003***
		(0.000)	(0.000)	(0.000)
Year and Demographic Controls		X	X	X
Mean	0.281	0.281	0.281	0.053
Obs	2,712,552	2,712,552	2,712,552	5,040,625
R^2	0.000	0.195	0.212	0.082

Note: The outcome variable is a binary variable that equals 1 if the individual lives in a household in which their parent or a parent-in-law is the head of the household, and 0 otherwise. Columns (2) through (4) include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor in school, of ages 18 to 35 for columns (1) through (3), and ages 40 to 60 for column (4). Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

Table B11: Regression of Being a Household Head on Threatened ERSI

	Ages 18-35 (1)	Ages 18-35 (2)	Ages 18-35 (3)	Ages 40-60 (4)
Threatened ERSI	0.050***	0.045***	0.081***	0.011***
	(0.003)	(0.003)	(0.005)	(0.004)
Log Income		0.022***		
		(0.000)		
Income Quartile 2			0.100***	0.098***
			(0.007)	(0.005)
Income Quartile 3			0.221***	0.158***
			(0.006)	(0.004)
Income Quartile 4			0.325***	0.181***
			(0.006)	(0.004)
Threatened ERSI $\times$ Income Quartile 2			-0.007	-0.009*
			(0.008)	(0.005)
Threatened ERSI $\times$ Income Quartile 3			-0.029***	-0.014***
			(0.008)	(0.005)
Threatened ERSI $\times$ Income Quartile 4			-0.038***	-0.000
			(0.006)	(0.004)
Log Average State Home Value		-0.173***	-0.233***	-0.080***
		(0.002)	(0.002)	(0.001)
Age		0.024***	0.017***	0.001***
		(0.000)	(0.000)	(0.000)
Year and Demographic Controls		X	X	X
Mean	0.623	0.623	0.623	0.872
Obs	2,712,552	2,712,552	2,712,552	5,040,625
R^2	0.000	0.286	0.309	0.202

Note: The outcome variable is a binary variable that equals 1 if the individual is a household head or a spouse/unmarried partner/housemate of a household head, and 0 otherwise. Columns (2) through (4) include year, race, gender, and marital status controls. Regressions include only individuals not in group quarters nor in school, of ages 18 to 35 for columns (1) through (3), and ages 40 to 60 for column (4). Income is winsorized at zero before adding one and taking log. Robust standard errors are reported in parentheses.

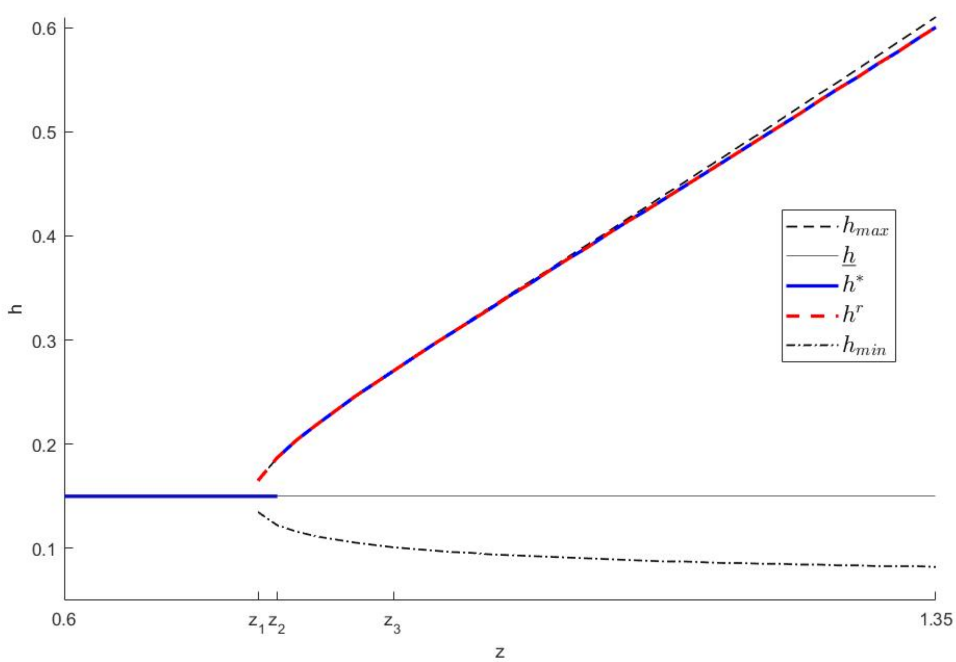
C Generalized Model: Numerical Examples

In Section 2 we considered a stark case of quasi-linear utility that made our theoretical analysis tractable. In this section, we numerically verify that our mechanism extends to the case with a more general utility function. We set the utility function to

$$U(c, h) = \frac{[\alpha c^{\nu} + (1-\alpha)h^{\nu}]^{\frac{1-\sigma}{\nu}}}{1-\sigma},$$

which is standard in the housing literature.[21] The income distribution is uniform on $[\underline{y}, \bar{y}]$.[22]

Figure B2: Available Housing and Optimal Housing Choice as Functions of z



Note: This figure depicts the maximum housing size available to individuals, h_{max}, the minimum housing size available, h_{min}, the choice of rental housing conditional on renting, h^r, and the optimal choice of housing (either renting or choosing $\underline{h}$), h^*, as functions of the productivity parameter z. The value for ρ is set at 0.15.

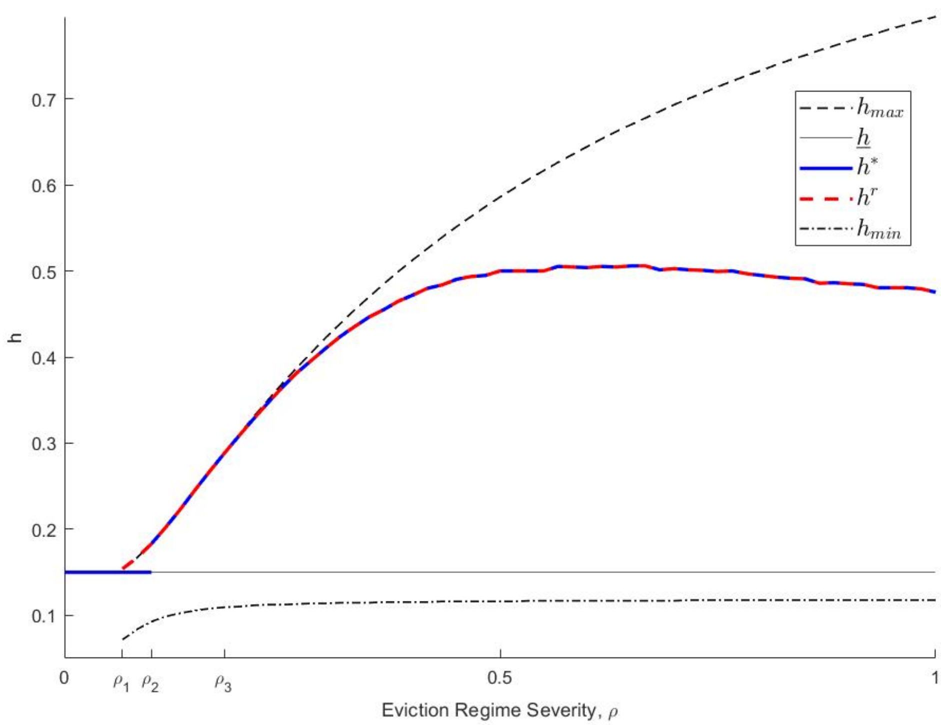
Figure B2 plots the set of available housing and the individual's optimal housing choice as a function of z for a fixed value of the eviction regime severity, $\rho = 0.15$. The dashed red and black lines plot $h_{min}(z)$ and $h_{max}(z)$, respectively. The solid red line plots

[21]See, e.g., Kaplan et al. (2020).

[22]We use the following parameter values: $\sigma = 1.5$, $\nu = -0.5$, $\alpha = 0.6$, $\chi = 0.1$, $\gamma = 0.25$, $\underline{h} = 0.15$, $\delta = 0.35$, $\underline{y} = 0.2$, and $\bar{y} = 1.5$.

the housing choice conditional on renting, $h^r(z)$, while the blue line plots the optimal housing choice, $h^*(z)$. Note that $h_{min}(z)$ is strictly decreasing in z and $h_{max}(z)$ is strictly increasing in z, consistent with Proposition 1. The properties of the optimal housing choice are consistent with Proposition 5. When the productivity is low ($z < z_1$), landlords do not offer any houses for rent, and the individual is forced to choose the outside option. For $z \in [z_1, z_2)$, a rental market emerges ($\mathcal{H}(z) \neq \emptyset$), but the individual's optimal choice remains the outside option. For $z \in [z_2, z_3)$, individuals choose to rent, but their choice is constrained by the maximum available housing, $h_{max}(z)$. Finally, for $z \geqslant z_3$, the optimal choice of housing is no longer constrained by $h_{max}(z)$.

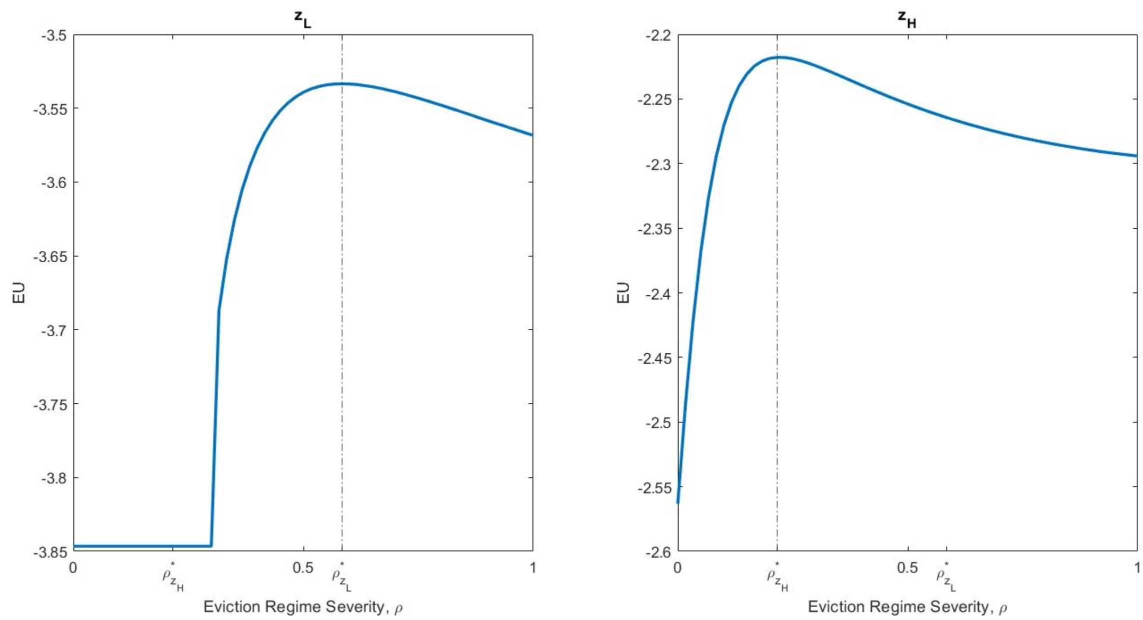
Figure B3: Available Housing and Optimal Housing Choice as Functions of ρ



Note: This figure depicts the maximum housing size available to an individual, h_{max}, the choice of rental housing conditional on renting, h^r, and the optimal choice of housing (either renting or choosing $\underline{h}$), h^*, for varying values of the eviction regime severity parameter, ρ. The value of z is set at 0.85.

Figure B3 is the counterpart of Figure B2 but for a fixed $z = 0.85$ and varying ρ. Note that h_{max} is strictly increasing in ρ, consistent with Theorem 1. For low enough eviction regime severity ($\rho < \rho_1$), individuals lack the commitment power to secure a lease, resulting in exclusion from the rental market. When ρ reaches ρ_1, the set of acceptable available houses, $\hat{\mathcal{H}}$, becomes non-empty. However, for $\rho \in [\rho_1, \rho_2)$ the individual's optimal choice remains at the outside option, $\underline{h}$. In the subsequent range, $\rho \in [\rho_2, \rho_3)$, renting becomes preferable to the outside option. However, in this range the individual's choice of housing is constrained by what landlords are willing to offer: $h^* = h_{max}$. Finally, for $\rho \geqslant \rho_3$, the choice of housing is no longer constrained by h_{max}. Notice that h^* can decrease with ρ in this range. As the expected cost of nonpayment and eviction keeps rising, the individual may choose to decrease their house size to partially lower that cost.

Figure B4: Expected Utility



Note: This figure depicts the effect of eviction regime severity, ρ, on expected utility, $V(z;\rho)$, for two levels of z, where $z_L < z_H$. $\rho^*_{z_L}$ corresponds to the utility maximizing level of ρ of an individual with productivity z_L, which lies to the right of $\rho^*_{z_H}$, the level of eviction regime severity preferred by and individual with productivity z_H. The value for z_L and z_H are set to be 0.65 and 1.65, respectively.

Finally, we examine how eviction regime severity affects the expected utility of individuals at different productivity levels. Figure B4 plots the expected utilities of individuals with productivities $z_L = 0.65$ and $z_H = 1.65$ (left and right panels, respectively) as functions of ρ.

Theorem 3 shows that a stricter eviction regime benefits poor individuals and hurts richer individuals. This result is present in the numerical example in Figure B4. The figure demonstrates that for two productivity levels, $z_L < z_H$, the utility-maximizing eviction severity is higher for the lower-productivity individual ($\rho^*_{z_L} > \rho^*_{z_H}$). This highlights the heterogeneous welfare effects of eviction policy, which stem from the key trade-off: stricter enforcement expands the housing supply and improves prices, but it also increases the cost of default and limits the ability to insure against income shocks. This result is driven by the fact that the housing supply constraint binds more severely for lower-productivity individuals, who therefore benefit more from the market-expanding effects of stricter enforcement.

Overall, our numerical examples demonstrate that the model's key mechanisms are not dependent on the strong functional form assumptions used for the analytical results. Furthermore, the interaction between eviction severity and the rental market generates differential outcomes when accounting for individual heterogeneity.