S. Hrg. 117–667

HOW PRIVATE EQUITY LANDLORDS ARE CHANGING THE HOUSING MARKET

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING HOW THE PRIVATE EQUITY BUSINESS MODEL HAS BEEN PREYING ON PEOPLE SINCE THE HOUSING CRISIS

OCTOBER 21, 2021

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

Available at: https://www.govinfo.gov/

U.S. GOVERNMENT PUBLISHING OFFICE

52–203 PDF WASHINGTON : 2023

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

SHERROD BROWN, Ohio, *Chairman*

JACK REED, Rhode Island
ROBERT MENENDEZ, New Jersey
JON TESTER, Montana
MARK R. WARNER, Virginia
ELIZABETH WARREN, Massachusetts
CHRIS VAN HOLLEN, Maryland
CATHERINE CORTEZ MASTO, Nevada
TINA SMITH, Minnesota
KYRSTEN SINEMA, Arizona
JON OSSOFF, Georgia
RAPHAEL WARNOCK, Georgia

PATRICK J. TOOMEY, Pennsylvania
RICHARD C. SHELBY, Alabama
MIKE CRAPO, Idaho
TIM SCOTT, South Carolina
MIKE ROUNDS, South Dakota
THOM TILLIS, North Carolina
JOHN KENNEDY, Louisiana
BILL HAGERTY, Tennessee
CYNTHIA LUMMIS, Wyoming
JERRY MORAN, Kansas
KEVIN CRAMER, North Dakota
STEVE DAINES, Montana

LAURA SWANSON, *Staff Director*
BRAD GRANTZ, *Republican Staff Director*

ELISHA TUKU, *Chief Counsel*
MEGAN CHENEY, *Professional Staff Member*

DAN SULLIVAN, *Republican Chief Counsel*
JONATHAN MCKERNAN, *Republican Detail*

CAMERON RICKER, *Chief Clerk*
SHELVIN SIMMONS, *IT Director*
CHARLES J. MOFFAT, *Hearing Clerk*

C O N T E N T S

THURSDAY, OCTOBER 21, 2021

WITNESSES

Additional Material Supplied for the Record

HOW PRIVATE EQUITY LANDLORDS ARE CHANGING THE HOUSING MARKET

THURSDAY, OCTOBER 21, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., via Webex and in room 538, Dirksen Senate Office Building, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order. Today's hearing is in a hybrid format. Our witnesses are testifying in person, one of them in person—thank you for joining us in person, sitting by yourself—and the other four virtually. Members have the option to appear either in person or virtually.

For those joining remotely, a few reminders. Once you start speaking there will be a slight delay. To minimize background noise, please click your Mute button until it is your turn to speak. You should also have one box on your screen labeled "Clock". For those of you joining virtually you will hear a bell ring when you have 30 seconds remaining and then again when your time has expired. If there is a technology issue we will move on and try to come back.

Our speaking order will be as usual, by seniority, Republican, Democrat, Republican, Democrat.

One thing seems to be pretty much certain in this economy: no matter what happens to most Americans—a financial crisis, a global pandemic—Wall Street finds a way to profit off of everybody else's pain.

We remember 2008. That was my second year in the Senate. Sitting on this Committee we saw what happened in our country. Nine million workers lost jobs. Workers' savings were wiped out. Ten million families lost their homes and everything that went with them—months and years of mortgage payments, their neighborhood school, the family pet, the stability of knowing where you live, where your kids would go to school, maybe even where you would attend church for the next 20 or 30 years. All that changes when someone is evicted or loses a home.

As families watched their dreams crumble, Wall Street—no surprise—found new opportunities to profit from the devastation it created. As families—disproportionately families of color, who had been targeted with predatory loans—lost their homes, private equity firms with access to cheap cash were waiting to scoop them up.

Following the financial crisis of '08, private equity funds bought families' homes in cash, often at foreclosure auctions. They bought the loans of the hardest-hit borrowers in bulk from FHA and the GSEs. Professional investors were not shy about what made it possible, and profitable, for them to buy up tens of thousands of homes.

They told investors, and these are all quotes, "Recent turbulence in U.S. housing and mortgage markets," created a "unique opportunity." The availability of large quantities of single-family homes at "distressed prices," and "strong demand from tenants" meant the opportunity for "attractive yields."

"Unique opportunity" for "attractive yields." What could possibly go wrong for Wall Street?

Think about that. In plain English, that meant take advantage of the foreclosure crisis, of course, the crisis that turned homeowners' lives upside down and gutted their hard-earned savings, to give Wall Street billionaires the chance to buy up homes for less than they are worth and rent them out at a steep profit. And this is personal to me in the sense that the ZIP code that Connie and I live in, in Cleveland, 44105, that ZIP code had more foreclosures in 2007 than any ZIP code in the United States.

Let us also be clear. There would be, quote, "strong demand from tenants" because Wall Street preyed on people and cost them their homes. They would have to rent at those higher prices, locking in tenants, with no other options, for years into the future.

The largest investors in the world went on a buying spree, and they shopped strategically. Neighborhoods with good schools, in Atlanta, Phoenix, Tampa, and Charlotte, became the centers of investment. By 2020, just seven cities contained more than half of the homes owned by institutional investors. Nobody ever accused them of being stupid.

And as some private equity funds were buying single-family homes, another group of funds started targeting—and this is maybe even worse, maybe not, but we will see—started targeting manufacturing housing communities. The nearly 38,000 manufactured housing communities around the country have traditionally been owned by small, local companies. The families who live there own their homes, but rent the lot where their home is placed. Many of the families who live in manufactured housing communities are low-income or on fixed incomes. Their median income is $35,000 a year. That does not leave room for a rent increase or a broken-down car, let alone being able to afford to pick up and relocate the home they own to a cheaper lot.

So when big investors began buying up these communities after the crisis, many of them raised rents, they added new fees, they changed their policies of the previous owner, all without fixing up the communities the way they promised residents they would.

Residents like Ms. Hook, who is joining us remotely today, and like manufactured homeowners I met in Iowa a couple of years ago, are left with an impossible choice: abandon the home they own with nowhere to go, with literally nowhere else to take their home, or pay rent, or try to pay rent they cannot afford.

That private equity business model has been preying on people since the housing crisis. No one should be surprised that in the turmoil of a public health and economic crisis, Wall Street runs a similar playbook.

Today, there are few affordable options in many places. When private equity comes in and buys up homes in their town, renters are often left with no choice other than to accept the rising rents. And remember what, in the book *Evicted*, Matthew Desmond says, "The rent eats first." You have to pay your rent before you can do almost anything else.

One of the largest single-family rental firms reported "record-breaking results" at the end of 2020. A resource for manufactured home community investors reported that properties just became more valuable.

It is a variation on the same theme, no matter the industry. They buy up companies like Toys 'R Us and Sears, lay off workers to show a profit on their balance sheet, then close the business. They buy up local newspapers, fire journalists, and any oversight or coverage of their corporate greed tends to disappear. They buy up nursing homes, they raise the prices, and they neglect residents.

It is all the same. Private equity profits depend on squeezing every last nickel from workers and renters, without any kind of real investment in their employers or their communities.

It is a symptom of one of the biggest problems in our economy. The Wall Street system is not set up to prize long-term investment. Private equity is all about the quick buck; everyone else be damned.

Today, we will look at how these firms have changed the housing market. We will hear from witnesses about how this hurts pretty much everyone except the big investors—renters pay higher rents or are forced out, families hoping to someday own their own home are priced out. We will begin to hear what we need to do to make sure that every family, whether in Columbus or Atlanta or Charlotte, has a safe, affordable place to call home.

Ranking Member Toomey.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman, and welcome to our witnesses.

I must say I am a bit puzzled by today's hearing topic. It seems intended to demonize people who use their own money to buy, and even build, as little as 1 percent of the single-family houses in America.

At least one of today's witnesses represents a group that rejects the concept of private property altogether, stating on their website as they do, and I quote, "we envision a United States where land and housing are publicly owned," end quote. Let me just say for the State ownership of homes. In fact, it is a big part of the American dream.

Now there is nothing wrong with people renting homes instead of, or before, becoming homeowners, and there is nothing wrong with investors putting their own money to work to meet the needs of renters.

Now if Democrats are concerned about investors crowding out homebuyers then I hope they would agree that taxpayers certainly should not subsidize loans to investors. Unfortunately, the Biden administration has a different view. The Administration lifted existing restrictions on the ability of Fannie and Freddie to buy loans from single-family investors.

That is a taxpayer giveaway. That is why I am introducing legislation to prohibit the GSEs from acquiring investor property mortgages, and I hope my colleagues will cosponsor it.

Today what I think we need to focus on is the $3.5 trillion elephant-in-the-room, the Democrats' reckless tax-and-spend spree, which includes $300-plus billion for housing.

Billions of this aid is not targeted. Some of these programs have weak means testing and loopholes. Forget work requirements, even for able-bodied adults with no dependents. They, and many people of above-average income, will do quite well under some of these programs.

Let us consider a few of the bill's misguided housing provisions. Start with the $9 billion in downpayment assistance for "first time" and "first generation" homebuyers. Well, this is rife with problems. First of all, you can qualify even if you or your parents previously owned a home. So much for "first time" and "first generation."

Second, you do not have be low income. A member of Congress could qualify for a taxpayer-funded downpayment in Washington, DC, under this program.

Third, there is an invitation to mortgage fraud. A homebuyer only has to attest to being a first-generation homebuyer. There is no other diligence is required. And in fact, lenders are explicitly exempt from liability even if they knowingly accept a false attestation.

But worst of all, this program is a thinly disguised attempt to give assistance to homebuyers based more on the color of their skin than their financial need, something that is very likely unconstitutional.

Democrat Chairwoman Maxine Waters has said the objective of this program is to "help address the racial wealth and home ownership gaps." The director of the liberal National Fair Housing Alliance has said, "you cannot address issues of racial inequity if you do not address housing inequity. It is an impossibility. They're so inextricably linked." And thus, the bill text directs the HUD Secretary to allocate funds in part based on, quote, "racial disparities in home ownership rates," end quote.

Now increasing wealth and home ownership rates among minorities is a fine goal, but designing race-based policies and benefits is not.

The Democrats reckless tax-and-spend bill also has $80 billion for renovating public housing. Now this is a bit odd because the Biden administration requested only $40 billion. So why does this bill have $80 billion?

Well, it just so happens that the New York City Housing Authority wanted $40 billion all for itself. But our Democrat colleagues knew they could not very well pass a bill that sent 100 percent of that money to New York City. It might be a bit of a problem for the 48 Democratic senators who do not represent New York.

So instead, Majority Leader Schumer publicly promised to, quote, “double down” on the Administration’s proposal and, quote, “use all of my power as majority leader . . . to secure a funding package that can restore and transform [the NYC Housing Authority],” end quote.

And lo and behold, we now have $80 billion, not to be distributed using the existing formula, mind you, but rather by executive fiat. It certainly looks a lot like Senator Schumer is securing a $40 billion earmark, or should we call it the “Schumark.” So it looks like half of all the bill’s public housing dollars will go to a housing authority plagued by scandals, bribery, and chronic mismanagement.

It is also distressing to see Democrats pouring billions into outdated public housing projects that concentrate poverty and crime and trap families in generational cycles of dependency and despair. Twenty years ago, both parties recognized the flaws in Government-controlled housing. That is why Congress capped the number of public housing units with the Faircloth amendment. Now, Democrats’ reconciliation bill would waive this sensible law so new public housing units can go up. This is a remarkable return to Government-owned housing, and one that we will once again regret.

So we need to try something different than Big Government socialism to help make housing affordable. We need to leverage the power of free enterprise, including private equity, to promote housing for all Americans. To that end, in March I proposed principles to guide housing finance reform discussions. Since then, the Administration has shown no interest in reform, and even missed a September 30th deadline to report on its reform plan.

In light of the issues that I have raised today, I hope this Committee will hold hearings soon on long overdue topics like housing finance reform, and mark up any reconciliation legislation so we have an opportunity to debate and offer amendments on housing policy.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

I will introduce today’s witnesses. Sofia Lopez is the Deputy Campaign Director for Housing at the Action Center on Race and the Economy. She conducts research in support of housing and racial justice campaigns across the country.

Ms. Holly Hook is an independent author and resident of Swartz Creek Estates in Swartz Creek, Michigan. She became involved with MHAction in 2019, after the private equity firm Havenpark Capital purchased her community.

Mr. Norbert Michel, who is joining us in person, is the Vice President and Director of the Center for Monetary & Financial Alternatives at the Cato Institute; Michael Hendrix is a Senior Fellow and Director for State and Local Policy at the Manhattan Institute; and Dr. Desiree Fields is an Assistant Professor of Geography and Global Metropolitan Studies at the University of California, Berkeley. Her research and writing is focused on housing financialization.

Ms. Lopez, if you would proceed.

STATEMENT OF SOFIA LOPEZ, DEPUTY CAMPAIGN DIRECTOR ON HOUSING, ACTION CENTER ON RACE AND THE ECONOMY

Ms. LOPEZ. Chairman and Ranking Member of the Committee, I really appreciate the invitation to speak with you today about how private equity landlords are changing the housing market. My name is Sofia Lopez. I am the Deputy Campaign Director on Housing at the Action Center on Race and the Economy. We are a national organization working at the intersection of racial justice and Wall Street accountability.

A common claim by the largest single-family landlords is that their institutional capital is professionalizing the single-family rental industry, but there are many stories from tenants who are hurt by the so-called professionalization. For example, Dean, a leader at Inquilinxs Unidxs por Justicia, or Renters United for Justice in Minneapolis, Minnesota. He moved into a HavenBrook home unit and started to see fees pile up: A $10 "property administration fee," a payment portal that would crash and trigger 8 percent late fees, and $25 service fees based on a requirement that Dean had already complied with.

HavenBrook alleges that Dean owes thousands of dollars in fees, and despite the threat of eviction he is fighting back because he knows that these fees are wrong.

This is an example of the private equity business model in housing, which enables record-breaking profits, even during a pandemic. And it depends on exploiting tenants. This model includes rent increases, and one particularly egregious example, an Invitation Homes tenant in California faced a nearly $800-per-month rent increase, to over $3,000 per month in rent. This year, single-family rents rose to 13.9 percent from last year, beating even multifamily rental increases.

Second, fines and fees. In 2016, fees and tactics like withholding rent, tenants' security deposits generated $26 million in revenue for Colony Capital, and one CEO described the failure to capture fee revenue as, quote, "revenue leakage."

Third, inadequate maintenance. In Minneapolis, HavenBrook tenants have reported waiting up to a year for essential repairs, including holes in roofs and ceilings, broken stairways, flooding, faulty electrical systems, broken appliances, pest infestation, black mold, and more. Tenants are left to either fix these problems themselves or live in unsafe conditions.

Fourth, aggressive pursuit of evictions. Even during a pandemic, Pretium Partners, the second-largest single-family rental landlord, which includes HavenBrook Homes, Progress Residential, and Front Yard Residential, led the pack, having filed 2,000 evictions since mid-March of 2020.

And fifth, opaque and confusing ownership structures. Publicly available landlord names are often a string of consonants, numbers. And in addition to that, confusing financial relationships with holding companies and the use of multiple tenant-facing brands make even asking questions an enormous challenge for tenants.

Despite the industry's claims that they only make up 2 percent of the Nation's single-family rental market, institutional investor ownership is most heavily concentrated in a handful of markets and neighborhoods. In fact, Memphis, which is 64 percent Black, has the lowest Black home ownership rate of the 50 largest cities and the highest share of investor ownership. A recent Core Logic report explains, quote, "Investors are likely more attracted to locations where tenant rights are far more favorable to landlords," end quote.

These landlords are focused on specific home price range, square footage, and critical quality of school districts. Because of the market segment focus, the fact that they have billions of dollars in cash to spend, and are willing to buy properties sight unseen, first-time and lower-income prospective home buyers are simply not able to compete.

And often new units never even make it to market through arrangements like build-to-rent. For example, the largest single-family rental landlord, Invitation Homes, and the third-largest homebuilding, Pulte Group, recently announced a partnership to build more build-to-rent communities. It is not a stretch to imagine that in some communities if you want to live in a particular part of town, in a high-performing school district, you would have to rent from one of these landlords.

The clearest fix for private equity's abuses would be establishing comprehensive, nationwide tenant protections from exorbitant rent increases, prohibition on excessive fines and fees, just cause eviction protections, and a tenant rights to counsel, to give tenants a fair shot in defending themselves. This would benefit tenants across all housing types. For example, a set of multifamily developments in New York are currently facing mass evictions by private equity landlords, Greenpoint Partners and Carlyle Group, in an effort to boost their profits by increasing rent on existing tenants.

In addition, there are many avenues to regulate private equity in housing by examining their financing, partnerships and mergers, concentration of ownership in particular communities, and shedding much-needed light on where and how they operate. At a minimum, the expansion of private equity into our homes is a moment to create a more transparent housing market, where landlords cannot hide behind LLCs and tenants know who the owners of their homes are.

Our housing market is rapidly consolidating, and as the largest landlords, builders, and financiers increasingly partner with one another, our communities and neighbors will continue to feel the consequences unless we follow the lead of tenants and housing justice organizers in creating a more just housing system.

Thank you.

Chairman BROWN. Thank you, Ms. Lopez.

Ms. Hook, you are recognized for 5 minutes.

STATEMENT OF HOLLY HOOK, MANUFACTURED HOME RESIDENT AND MHACTION LEADER IN SWARTZ CREEK, MI

Ms. HOOK. OK. Thank you, Chairman Brown and Members of the Committee. My name is Holly Hook and I am a resident of Swartz Creek Estates in Swartz Creek, Michigan. I am a member of MHAction, who are made up of mobile home residents who organize our neighbors and fight to save our communities.

Everyone has the right to a safe, affordable home and community. We need the Federal Government to work with us to ensure everyone this basic right. Right now, predatory investors threaten this human right for millions of families.

I bought my manufactured home because I needed an affordable place. In our communities, seniors and families often own their homes but rent land from a common landlord. This creates lower housing costs. We loved our community. Like so many others, it was friendly, well-maintained, and walkable.

In 7 years, I paid off my house and had reasonable lot rent that covered land, sewer, and garbage. My neighbors were mostly low-income seniors who retired to our community.

Nobody knew that our community was for sale until a notice appeared on our doors in July 2018, saying Havenpark Capital, a private equity firm, had bought us, and our lot rent had gone up 22 percent, effective in 1 month. I needed answers, but Havenpark only offered an investor site. At the top was a statement, quote, "creating stable, long-term income."

It costs thousands to move our homes. We had two options. We could pay the giant increases or we could just walk away and lose our homes. Havenpark admits this on their investor website by stating, quote, "It is difficult for tenants to move their homes. As a result, operating cash-flow is among the highest of any real estate class."

The rent hikes and fees kept going. Havenpark unbundled administrative fees, school taxes, sewer charges, and trash fees from our rent. Monthly payments rose 40 percent by June of 2019, and as of this year they have gone up over 50 percent. My old lot rent was $310 per month, for just the lot. Now I am paying over $200 more.

Our sense of security and independence is gone. Worst hit is the elderly and the disabled, who live on fixed incomes. Havenpark now takes most of their income. Some fear losing their homes. Many moved out, including my 80-year-old neighbor, who is now in a small senior apartment, and we know of residents forced to use food pantries due to the increases.

Havenpark kept raising rents and fees during COVID and sent letters threatening those who could not pay in full. They refused partial payments, though the CDC moratorium allowed them.

In another Havenpark community across town, a lady named Mary worked five jobs to keep up with the increases until she got COVID last spring. Havenpark tried evicting her while she waited for a relief payment. Havenpark only backed off when a reporter asked questions about her case.

And let us be clear. These big increases do not come back to us. Havenpark has cut back on maintenance. A nearby community they own lost their water in a storm, and they would not fix the generator in a timely manner. State officials had to get involved after residents went without water for several days.

Our communities are not alone and Havenpark is not the only actor doing such things. Roughly 2 million people live in communities owned by the 50 largest community owners. Many operate like Havenpark, devastating seniors and families. And now some of the biggest private equity companies in the world are buying up mobile home parks.

Outrageously, this trend is fueled by those who say they support affordable housing. We were astonished to learn that Havenpark Capital got their financing through a subsidiary of Enterprise Community Partners, the national affordable housing nonprofit, and Fannie Mae. Both Fannie Mae and Enterprise claim they advance affordable housing, but when they finance predatory investors like Havenpark, they destroy it.

We have called on Fannie Mae and Freddie Mac and their regulator, the FHFA, to add safeguards against rent and fee gouging, unfair evictions, and unsafe conditions in their manufactured home community financing. We need financing to support us, the residents, not passive investors. We want financing products allowing nonprofits, public entities, and resident-owned cooperatives to buy our communities and keep them affordable and healthy.

Thank you for your time.

Chairman BROWN. Thank you very much, Ms. Hook.

Mr. Michel, welcome, and thank you for joining us in person.

STATEMENT OF NORBERT MICHEL, VICE PRESIDENT AND DIRECTOR, CENTER FOR MONETARY & FINANCIAL ALTERNATIVES, CATO INSTITUTE

Mr. MICHEL. Good morning. Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for the opportunity to testify at today's hearing. I am happy to be here in person. My name is Norbert Michel. I am Vice President and Director for the Center for Monetary and Financial Alternatives at the Cato Institute. The views that I express in this testimony, however, are my own, and they should not be construed as representing any official position of the Cato Institute.

In my testimony today I will argue that private equity firms, or other large investors, driven by a profit motive are not responsible for price inflation in U.S. housing markets. Instead, failed Federal policies that boost demand are the main culprit, and I will expand on this argument with three main points.

First, the evidence does show that institutional investors have played, and still play, a very small role in the single-family housing market. Their share of purchases has varied over the last decade or so, but they tend to account for somewhere between one-tenth of a percent and 1.5 percent of home purchases. As of 2019, institutional operators owned, at most, 2 percent of the roughly 15 million detached, single-family rental homes in the United States, and less than half-a-percent of the total number of single-family homes.

While their share is much smaller than that of individual investors, we should not fixate on that share or the share of other investors. We should, instead, embrace private investors in housing markets and not fall victim to the notion that investing in itself is a harmful, zero-sum game, a principle that applies even to housing markets.

Second, the share of institutional, corporate, and individual investors combined is extremely small compared to the level of involvement of the Federal Government. Combined, Fannie, Freddie, and the FHA, just those three, have been behind more than half of outstanding mortgage debt for decades, even before the 2008 financial crisis, and in some years responsible for a share of close to

70 percent. From 2009 to 2020, Fannie and Freddie's annual share of the total mortgage-backed securities market average 70 percent. Including Ginnie Mae securities, the Federal share of the mortgage-backed securities market averaged 92 percent per year over this period.

Virtually all Federal housing policies, even those outside of the GSEs and FHA, are geared toward increasing demand, and because housing markets are almost always supply constrained, these policies will consistently put upward pressure on prices and rents. Such policies include providing housing allowances to military and other Government employees.

I have personally been involved in my own, not entirely tragic story, of having to bid against an embassy employee for a rental home. That individual had a housing allowance that was tied to inflation, and he submitted a long-term lease application that offered to pay an escalating rent each year. And I know from speaking to other real estate agents that I am not alone in coming into this situation. The economic principles are exactly the same for other types of assistance and subsidies that pay for housing. They place upward pressure on prices.

My third and final point is that the Biden administration's housing policies, as well as many that are being considered in the budget reconciliation process, only double down on these types of failed Federal policies from the past. They too will artificially boost demand even more than we are used to in the housing markets, thus promising to make price inflation worse and waste more taxpayer money. These policies move the U.S. housing market further in the wrong direction, which means toward less affordability.

The following list provides just a few examples: $10 billion for First-Generation Downpayment Assistance Fund; $80 billion to create new public housing projects; $72 billion for the HOME Investment Partnerships Program; $10 billion for a new housing investment fund; $75 billion for Section 8 rental housing vouchers, more than triple the current level of funding. And the partial list of items in my written testimony includes $4.5 billion just for the HUD Secretary to, quote, "implement and oversee the programs," many of which already exist. That figure alone represents an 8 percent increase for HUD's fiscal year 2022 budget.

The main problem with all of these policies is that they boost demand while doing nothing to address supply constraints, and more tragically, while doing nothing to address the underlying economic and social issues that make it difficult for people to earn income and build wealth. We should expect nothing from these policies but the same poor results that they have produced in the past.

Thank you for your consideration, and I am happy to answer any questions you might have.

Chairman BROWN. Thank you, Mr. Michel.

Mr. Hendrix is recognized remotely. Mr. Hendrix.

STATEMENT OF MICHAEL HENDRIX, SENIOR FELLOW AND DIRECTOR FOR STATE AND LOCAL POLICY, MANHATTAN INSTITUTE

Mr. HENDRIX. Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for inviting me to participate in today's hearing. My name is Michael Hendrix, and I serve as a Senior Fellow and Director of State and Local Policy at the Manhattan Institute.

I have to say I agree with Ranking Member Toomey that today's hearing topic seems misguided. Large investment firms, including those in private equity, buy just 1 to 2 percent of homes sold nationally, and they own less than one-tenth-of-1-percent of the housing market in America. Big finance is still a tiny player in housing.

But housing is a hot market today, and investors both large and small are seeing opportunities to invest, so I am open to discussing how these private dollars can go to expanding access and affordability for Americans looking for a place to call home. Yet many in Congress are embracing this Administration's plans to regulate and legislate their way to a bigger Government role in housing.

For instance, the reconciliation bill being considered now doubles down on failed public housing and throws more subsidy money at a limited supply of homes, a recipe for prices to keep rising.

These are not answers to America's housing crisis. Housing demand is far outpacing housing supply. But the roots of this crisis lie not in financial speculation but in Government regulation.

Localities have made it practically illegal to build enough homes to meet demand, leading to inflated prices. Yet this hearing suggests a skepticism for private sector investment in more housing and more housing supply, and if not the private sector then that leaves us with the public sector, specifically public housing. That would be a mistake.

Rather than helping the private sector solve the Government's crisis, Congress plans to bail out failed public housing system. This money has few limits on how it is spent. Senate Majority Leader Chuck Schumer has promised to hand over the bulk of these dollars to the scandal-plagued New York City Housing Authority, or NYCHA. Back in April, Senator Schumer called on President Joe Biden to double his planned spending of $40 billion on public housing. He wanted all of the original money just to pay NYCHA's repair bill, and he got it, an increase to $80 billion in spending on public housing and enormous influence on securing half of it for a NYCHA bailout.

Here is the reality: NYCHA is what we get when we get more public housing, and that should scare every American, especially for the survivors of public housing. NYCHA is the Nation's oldest and largest public housing system, housing more people than the city of Atlanta, and long held up as a model of what Government can achieve when it takes charge of housing.

And in 2018, NYCHA's own tenants sued the Housing Authority for its squalid living conditions. Then the Federal Government sued too, finding that the housing agency had worked harder to cover-up its, quote, "dangerous problems" than to actually fix them. It turns out that the Nation's largest and greatest public housing system poisoned over a thousand children with lead exposure, then lied and covered it up.

Sometimes more money means more problems. Despite record levels of funding, quote, "New York public housing isn't getting better," admitted the *New York Times*.

A public housing slush fund only harms accountability and leaves structural problems in place. Spending $40 billion to repair NYCHA amounts to roughly $250,000 for every family living in public housing in New York City. Do we really believe we will not get more of the same?

Bailing out scandal-plagued public housing authorities like NYCHA is not the answer. Neither is condemning private sector solutions to America's housing crisis. It is time we did better for Americans in need of affordable housing. We can and we must do better.

Thank you.

Chairman BROWN. Thank you very much, Mr. Hendrix.

Dr. Fields, you are recognized for 5 minutes, remote.

STATEMENT OF DESIREE FIELDS, ASSISTANT PROFESSOR OF GEOGRAPHY AND GLOBAL METROPOLITAN STUDIES, UNIVERSITY OF CALIFORNIA, BERKELEY

Ms. FIELDS. Thank you, Chair Brown, Ranking Member Toomey, and Members of the Committee, for the opportunity to testify today. My name is Desiree Fields and I am Assistant Professor of Geography and Global Metropolitan Studies at the University of California, Berkeley.

My research considers the intersection of financial processes, housing, and digital technologies. A particular focus of my scholarship is the role of institutional investors as landlords. I examined how single-family rental homes have become the site of new financial asset classes, the organizational forms and growth strategies common to institutional landlords, and the critical role of technological advances in the institutionalization of single-family rental, or SFR.

Single-family homes have always been a meaningful share of the U.S. rental housing sector, but before the 2008 financial crisis the market was highly fragmented and largely opaque to institutional investors. This also changed in the wake of 2008. Large pockets of discounted but newer homes were available in suburban Sunbelt markets. Mortgage credit was also constrained, and rental demand was rising. Together with new information technologies, these market conditions allowed investors to aggregate ownership of single-family homes, efficiently coordinate management, and develop structured finance opportunities in SFR.

Today, what began as an opportunistic trade has evolved into a full-blown industry. Individually and through their lobby group, the National Rental Home Council, SFR operators position themselves as strengthening communities and creating solutions to America's housing crisis. While compelling, this messaging does not fully capture how private equity landlords are changing America's housing market nor how the new round of investor-led growth since the start of the COVID–19 pandemic may deepen these changes.

The ways private equity landlords are changing the housing market is linked to the geography of corporate SFR. The industry's messaging, as we have heard today, is that they comprise just 2 percent of the SFR market. But institutional landlords do not acquire properties uniformly across the country. To achieve efficiencies of scale, they have focused on suburban Sunbelt markets hit hard by the 2008 crisis, concentrating especially on Florida, Georgia, Texas, North Carolina, and Arizona.

Furthermore, they do not search uniformly across all single-family homes in their target markets. Investors use a specific set of neighborhood and built environment criteria, and they limit their acquisitions to properties they can purchase near or below median prices. This segmented geography sheds light on how corporate landlords have been able to increase rent so dramatically during the pandemic.

Amid the generally heightened demand for space and amenities seen during the pandemic, a flood of capital into SFR is enabling institutional investors to outcompete would-be homebuyers in their target markets, channeling them back to renting and generating spillover demand for SFR homes. Thus, while SFR operators claim to provide quality, affordable housing, they have, in fact, pushed outsized rent increases on tenants, especially during the pandemic. Rent increases by the largest operators have ranged as high as 15 percent on new leases in some markets. Corporate landlords are also creating new fees and ancillary services on top of rent as a way of driving up revenues.

In addition to the implications of institutional SFR for housing costs and home ownership opportunities, we should consider their wider consequences. Corporate landlords advance a rhetoric of reinvesting in distressed communities and strengthening neighbors. This rhetoric is contradicted by their behavior, which indicates they put investment priorities ahead of community stability.

Large SFR owners are more likely to file for eviction than mom-and-pop landlord, and they are more likely to use aggressive, serial eviction filings as a rent collection strategy. They also employ specialists who petition for property tax reductions, seeking out cost savings by minimizing contributions to the local tax base.

Finally, institutional operators use their financial clout in the political area, to organize against efforts to expand tenant protections and to support politicians who are friendly to their interests. These examples show how the SFR industry wields power that has implications for the public beyond the tenants who actually live in their properties.

In closing, I would like to emphasize that institutional investors backed by private equity have already changed the housing market. Their behavior has potentially far-reaching social and economic consequences, but so far they have effectively shielded themselves from meaningful public scrutiny and responsibility.

As I hope my testimony makes clear, institutional landlords enjoy outsized power and influence in our housing market, and it is vital to intervene with research-informed policies that support tenants, homebuyers, and communities.

Thank you again, and I look forward to your questions.

Chairman BROWN. Thank you, Dr. Fields.

We have heard testimony today about private equity firms buying up manufactured housing communities and homes across the country, and how residents, because of that, suffer.

I will start with you, Ms. Hook. When Havenpark and other private equity firms buy a community and raise the rents, what sacrifices have you and other residents had to make to keep your homes?

Ms. HOOK. Yeah, it is quite bad. In my community alone, a lot of senior citizens on fixed income, they get $800 a month. I know one woman who has to go to a food bank on occasion now. There is another community north of me where people have had to band together and start utilizing food banks because of the rent increases. And I know of the other community, right across town, this poor woman was working five jobs trying to keep up with these rent increases, and I know a few seniors, just in my community alone, where they have had to go back to work and come out of retirement. You know, they have hip problems, back issues, they cannot stand for very long, and they have to go back to working in a grocery store in order to keep up with these rent increases. I have also heard of where senior citizens and people with health issues have had to choose between paying these heightened rent fees or paying for medications that they need.

Chairman BROWN. Thank you, Ms. Hook.

Ms. Lopez, what are some of the most problematic elements of the private equity single-family rental business model?

Ms. LOPEZ. Thank you for the question. As I enumerated, I think that rent increases are a particularly damaging impact. I want to begin, I guess, by focusing on the people who actually live in these homes today who have reported these immense rent increases. I was reading that Invitation Homes actually just this year announced that they would be increasing rent by 8 percent for tenants who are planning to renew, and 11 percent for tenants who are coming in to new, vacant properties. So that is a fairly dramatic issue.

I would add, on top of that, fines and fees, as I mentioned in my testimony. This is the primary revenue-generating strategy for these companies, and it is really across the board and has been pretty well documented.

Inadequate maintenance, for sure. I submitted, in my written testimony, a story of one tenant who said that there was flooding in her home, in the basement, covering an outlet. So standing water covering an outlet that had been improperly installed by her landlord, Havenbrook Homes. And as the water rose over it she was told that in order to turn off the electricity to defuse an otherwise hazardous situation she would have to do it herself. And this just fits with the pattern of what I have heard from tenants again and again, this attitude that tenants need to fix these kinds of things because no one is going to come fix it for them.

And then I would also touch on these aggressive eviction practices, which Dr. Fields also mentioned. In the interest of making sure that these private equity-backed companies are able to meet the obligations of the kinds of financing that they take on, evictions are paramount, and these companies have to be aggressive in pursuing them. Otherwise, they risk the tool that allows them to procure and acquire more of these homes in the future.

Chairman BROWN. Thank you, Ms. Lopez.

Dr. Fields, we hear that these big investors only own, the estimate 1 or 2 percent of single-family rental homes nationwide. We know in some regions the percentages are much higher. Where are these investors buying homes, and why are they choosing these communities?

Ms. FIELDS. Sure. So the geography of the corporate single-family rental market largely tracks with the markets where the housing bubble before 2008 was the largest and where price declines were the steepest afterwards. So some of the top areas for the major single-family rental operators include Atlanta, Phoenix, Tampa, South Florida, generally, and then the Dallas-Fort Worth region.

And investors are, you know, they are using acquisition engines or acquisition algorithms in order to zero in on the properties that meet their investment criteria. They are typically looking for three-bedroom, two-bathroom, single-family homes, priced at the mid-range of the local market, and Invitation Homes, for example, is looking for homes that average about 1,800 square feet with three bedrooms and two bathrooms in attractive neighborhoods, in infill locations that have proximity to major employment centers, desirable schools, and transportation corridors.

In other words, I would suggest that the operators are competing directly with would-be homebuyers——

Chairman BROWN. Dr. Fields, thank you, and I am sorry to interrupt but I have just a few seconds.

Ms. Lopez, Dr. Fields mentioned algorithms and technology. What are your thoughts about that, how investors use technology to buy and manage homes around the country? Ms. Lopez.

Ms. LOPEZ. I appreciate that question. You know, what I find fascinating is that some of the same private equity companies who invest in actually acquiring the homes also invest in the technological advances that allow them—and platforms, very specifically, that allow them to purchase more of these homes. So I would say that there is an interesting interplay between this field of iBuyers that exists—so Zillow is an example, Redfin is an example, Opendoor and Offerpad—and actually there has been an increasing interplay between some of these iBuyers selling directly to institutional owners, and for me I see all opportunity for the acquisition of homes to rapidly accelerate because of those technological advances, because of the investments in the technology themselves, and also the needs of companies on both sides. It is a partnership that is geared toward consolidating the market even further.

Chairman BROWN. Thank you. Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman. Public housing is a veiled model of delivering assistance. Let's face it. It is costly. It traps families, often in multigenerational cycles of poverty.

A generation ago, by the way, there was a very broad, bipartisan consensus to move away from public housing. In 1998, Congress voted, with overwhelming bipartisan support, to cap the net number of public housing units. Senator Durbin even referred to public housing as, quote, "vertical slums."

So that cap is still in place today. Such is the durability of this consensus. But our Democratic colleagues now want to eliminate that cap, and as I mentioned in my opening remarks, and I think Mr. Hendrix did as well, Senator Schumer, in particular, appears to have effectively added $40 billion for this "Schumark" to public housing in order to bail out the New York City Housing Authority.

So my question for Mr. Hendrix is, is there really a justification for the New York Housing Authority getting half of all of this money? For instance, does New York City provide half of all the public housing in America? Is the New York City Housing Authority one of the best-run public housing authorities in America that deserves the additional resources? Could you elaborate on that a little bit?

Mr. HENDRIX. Thank you for the question. There is, in my opinion, no justification for awarding failure. NYCHA has failed as public housing and has failed to keep its residents safe. New York's progressive public advocate has named NYCHA the city's worst landlord for 3 years straight. The only justification for spending $80 billion in public housing, that New York wanted $40 billion, Senator Schumer promised to double support for public housing, even though NYCHA's share of public housing nationwide is only 20 percent. So half of all public housing funding, potentially even more, going for 20 percent of housing. And they will take more if they can get it.

No doubt, NYCHA has problems. It is falling apart. But a no-strings-attached slush fund I believe is not the answer. How can Congress trust NYCHA to safely house families when the families cannot even trust the agency? We should be embracing private sector solutions to America's housing crisis, not doubling down on NYCHA.

Senator TOOMEY. Thank you. Mr. Michel, one of the concerns I have is the lack of means testing, or at least the lack of sufficient means testing and an almost complete lack of work requirements in many of the housing provisions in the Democrat tax-and-spend bills. One of my concerns is the effect this is going to have on the incentives to work.

What are your thoughts on the effect that these programs will have on the incentive to work and the ability of people to build a middle-class, and if you could do that briefly, because I do have one more question.

Mr. MICHEL. All right. It will continue to destroy it, as that has been going on for decades now, well over 50 years. It becomes part of an open-ended assistance system that literally destroys the incentive to become a productive member of society. It creates and perpetuates a subculture, if you will.

Senator TOOMEY. And if you undermine and eliminate the incentive to work you really undermine the ability to work your way into the middle class, it seems to me.

Mr. MICHEL. Yes. When I say that, that is what I mean, eliminate the incentive to build a career and build wealth.

Senator TOOMEY. Exactly. So this both for Mr. Michel and Mr. Hendrix. There is no question housing prices have been going up. They have been going up, actually, very dramatically, across the board. If you ask me, the monetary policy that we have been pursuing, that has driven up the price of virtually every asset class I can think of, from commodities to energy, equities, crypto assets, real estate, that is a big part of this.

Let me ask you both briefly, and I apologize, I know there is not much time. What could we be doing that would be a constructive way—let us assume we got our monetary policy right sometime in the reasonably near future—what could we be doing to increase the availability of affordable housing?

Mr. MICHEL. Well, we have to stop increasing demand. You have supply constrained markets in housing all the time, and all Federal policy is geared toward doing is making it easy to get a loan and increasing demand. There is no way that that policy ends in anything on than higher prices. And the way that we do that is primarily through Fannie and Freddie. So we have got to shrink their footprint. There is no way around that.

Senator TOOMEY. Mr. Hendrix, did you have anything you wanted to add?

Mr. HENDRIX. I could not agree more with my fellow witness. We have more money chasing after an ever-vanishing supply of homes. We need to get the supply of homes increased. We need more private sector investment. Investment in public housing is not the answer. Having more Government money chasing after an ever-smaller supply of homes is also not the answer.

Senator TOOMEY. Thanks very much, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey. Senator Tester is recognized from his office, remote.

Senator TESTER. Yeah. I have got a question for Ms. Hook before Yeah. I have got a question for Ms. Hook. Before I start any questions, I just want to say that housing across this country has increased because of demand, and if anybody on this call has a way that we could increase supply so that houses become more affordable and what role the Government could play, I would love to hear it. Because quite honestly, unless you are making a lot of money right now you cannot afford a house in this country.

And so we have got a huge problem out there. We have got businesses who cannot startup. We have got businesses that cannot expand because there is no workforce housing. There is no housing for people who make regular wages. And if we do not wake up to what we are going to do—and I do not believe Government should be building houses, but I will tell you this, freaking Fannie Mae and Freddie Mac and doing away with the 30-year mortgage would be insane. I just want to get that off of my chest.

All right. Ms. Hook, I want to thank you for being here today. I want to thank you for your story. I have, unfortunately, heard similar stories from folks in Montana facing challenges, I believe from the same private equity firm that has impacted your community in Michigan.

So could you expand, from your testimony, on what transition to ownership was like for you and your neighbors? When this happened, what did it do? How much did your rent go up? And did any of the benefits of your rental agreement change for the better?

Ms. HOOK. Thank you very much for your question, Senator Tester. What happened when we changed ownership is we residents had zero say in who our park was sold to. We just received notices taped to our doors saying, "Hey, We are Havenpark. We are happy to acquire your community, and we are going to increase your rent." At the time it was about a 22 percent increase, which was about $70. My original base rent was $300, just for the dirt that my home sits on, and immediately it jumped up to $370, which for me at the time, I am a writer. I do not make a ton of money, and that was actually a pretty big increase for me at the time, and for the seniors in my community on Social Security and fixed income it was even worse because a lot of them, they cannot go back to work and raise their income, like I can work harder and make more money.

Senator TESTER. So are you familiar with resident-owned communities?

Ms. HOOK. I am somewhat familiar with resident-owned communities. I know my friend in Montana, who lives in Great Falls, was pursuing that option. You may have heard of her. We know that there are not very many resident-owned communities right now. I know ROC USA specializes in resident-owned. What we would like to see out of Fannie and Freddie is more funding for resident-owned community options so that residents can purchase their own communities and run their own communities and ensure that all investments and rent actually goes back into the community and making conditions better for all residents.

But unfortunately, these private investors come in and they pay such a high dollar for our communities that we can never afford to buy them back, so it effectively closes the market to us and pretty much they own the entire local market because they tend to buy groups of communities.

Senator TESTER. Yeah, and I do not care what percentage it is, if you live in one of those communities and your rent is jacked up and you have no way to increase the amount of money that you are making, other than working two or three or four or five jobs, as you pointed out in your testimony, the street becomes the option. And for a country that has the rich history that we have had, and a vibrant middle class that we have, to put folks in that middle class out on the street is something we should be very, very concerned about.

And make no mistake about it. I have lived a very good life. I have been able to pay my bills without having to work three or four jobs. I have worked two most of my life, but not three or four. But if you are put in a situation where your fixed costs are going up, especially if you are on a fixed income, you do not have a lot of options. There are not a lot of options out there.

I want to talk to Dr. Fields for a second. Dr. Fields, the private equity firm that has bought some of the manufactured home places has also bought multifamily housing, in Great Falls, in particular, and maybe in other communities within our State that I am just not aware of. They bought apartment buildings, and it is similar problems that have arisen with the rents. The rents have been jacked to the point where people are having to make decisions that, quite honestly, are not reasonable.

And, in fact, HUD–VASH vouchers, in some cases, are no longer effective, for a number of reasons. So what more do we need to do? I am talking about the U.S. Senate, Congress, the agencies out there, to make sure that those HUD–VASH vouchers are not taken advantage of in these private equity transitions.

Ms. FIELDS. Sure. Thanks for the question. Yeah, certainly I think the kinds of rent increases that you are describing are common whether we are talking about single-family rental homes, apartment buildings, manufactured housing, and that is because investors are really trying to deliver returns to their investors and to pay back the debts they have taken out to finance their portfolio acquisitions.

In terms of what the Senate can do in order to ensure that HUD vouchers, you know, can actually cover the cost of housing in communities controlled by these types of investors, you know, I do think it is important that we do think about housing as a public good, even if we do not have the Government involved in, you know, building new housing and owning new housing. You know, the fact is that these investors are providing a good that everyone needs in order to survive, and, you know, if they are able to take out huge credit facilities and deliver returns to investors and pay themselves, there is no reason that they would not be able to keep rents at a moderate level that would ensure that people could actually use their HUD housing vouchers.

Senator TESTER [presiding]. All right. Thanks, Dr. Fields. I will pass it off to my friend, Senator Tillis.

Senator TILLIS. Thank you, Senator Tester, and thank you all for being here. I know this hearing is supposed to be about structural issues and housing, but, Mr. Hendrix, I want to go back and touch on NYCHA. We have our friends on the other side of the aisle on what I believe is a spending spree to redistribute a mass amount of taxpayer dollars, $80 billion to public housing.

Half of this total, though, $40 billion, has been earmarked by Senator Schumer to go directly to New York. In fact, he publicly said he will use "all of my power as majority leader to secure a funding package that can restore and transform NYCHA," half of $80 billion. It would seem that Senator Schumer believes that the American taxpayer simply exists to funnel money to New York, and we know its long history of sex scandals, bribery, general incompetence.

So Mr. Hendrix, how does $40 billion compare to NYCHA's usual budget?

[No response.]

Senator TILLIS. Mr. Hendrix.

[No response.]

Senator TILLIS. Mr. Michel? We will try to see if the Committee staff have coms problems.

Mr. MICHEL. Sorry. I do not know their annual budget. Sorry.

Senator TILLIS. Well, I think that the Democrats' $80 billion funding total was equivalent to $85,000 for every family in public housing. We will see if we can get Mr. Hendrix back online, because I would like to cover some of this.

But while we are waiting I wanted to talk about the landscape. You know, again, we are here talking about, under the pretense of examining structural deficiencies and problems in national housing market, yet the target of the hearing, in part, has been on private equity businesses and really private housing enterprises writ large. But they are only an exceedingly low portion of the Nation's housing stock. Eighty-five percent of single-family residence homes are owned by individuals and small proprietors. Twenty-two percent are in the rural markets. Institutional ownership of single-family housing rentals accounts for 0.19 percent of the U.S. housing market.

So if we are trying to find a way to provide better housing, more affordable housing, one of the things that I think that our Committee should focus on, and I saw this when I was Speaker of the House in North Carolina, are the obstacles to building affordable housing—regulatory overreach, waters of the U.S. That is one of my favorites, because it brought a bipartisan opposition to my State of North Carolina, at the city, and the county, and the State level, because it was artificially inflating the cost of housing, hurting the people that this Committee, I think, wants to focus on the most. The barriers, we are creating the barriers. We are, I think, creating an artificial crisis with the amount of institutional investment that is moving into the real estate market. I do not know what it is, but I do not think it is a disturbing number now.

Mr. Michel, do you have anything to say about that?

Mr. MICHEL. Yes. So I am from New Orleans, and I am familiar with some regulatory issues.

Senator TILLIS. I lived in Westwego.

Mr. MICHEL. Oh, OK. So you know, the entire metropolitan area is essentially wetlands, so that is a problem, and that is still going on. It is a supply problem. It is not a demand problem. And what we have done with Federal policy is——

Senator TILLIS. We are at about a 60 percent low for new housing starts. Is that right?

Mr. MICHEL. Somewhere between 50 and 60, I believe that is correct, yes. And at the same time, we are continuing to increase demand. That can only end one way, and that makes housing less affordable. And the houses themselves are less affordable, which also does impact rents. So it is a two-pronged problem on that side of the market.

Senator TILLIS. I just recall—and then I will turn to Senator Warren—but back shortly after I became Speaker I met with a town who wanted me to provide—we spent 45 minutes of an hour-long meeting talking about affordable housing. It was a great discussion, things that we could do at the State and local level, workforce housing, a number of things that we need. Rural areas, urban areas, they are all in need. In the last 15 minutes, they pitched me on the idea of giving them local authority to require that every new single-family home be mandated to have fire suppression systems, sprinkler systems, which, for a $100,000 house would probably increase that house by about 10 or 15 percent.

But that is the sort of mentality that we have to get past if we really want to get to a point to where we are producing affordable housing and we are reducing the regulatory barriers that are the real cause, or, I think, a substantial cause for why we continue to have the challenges that we do.

Senator TILLIS [presiding]. On behalf of the Chair I turn to Senator Warren.

Senator WARREN. I appreciate that, but I think we are not connected with our folks online. Is that right? We are connected? We are not connected?

So we are just going to adjourn temporarily? Recess. That is right. We are not adjourning. Recess. Thank you. I am glad one us is a lifer in this. OK. Thank you.

Chairman BROWN [presiding]. Senator Warren.

Senator WARREN. Thank you very much, Mr. Chairman. This is an important hearing for us to have. Yesterday, in my Economic Policy Subcommittee, witnesses discussed the damage the private equity industry has done to communities across this country. It is good that we are continuing this discussion today, specifically in the context of housing.

Manufactured or quote/unquote “mobile homes” are a critical avenue to affordable housing for millions of Americans. A few decades ago, these communities were generally owned by mom-and-pop businesses. But the private equity industry saw an opportunity. Residents of manufactured home communities often own their own homes but not the land underneath, and since most of these homes are not actually mobile, Wall Street vultures realized that families were effectively stuck in place, sitting ducks.

One of these vultures is a private equity-backed company called Hometown America. In 2006, Hometown purchased a manufactured housing community called Oakhill, that is home to 175 resident families in Attleboro, Massachusetts. Now, Ms. Lopez, from what you have seen, when private equity or other Wall Street firms purchase a manufactured home community does the quality of life for residents of that community generally improve?

Ms. LOPEZ. Thank you so much for the question, Senator. No. I mean, what is typical from my experience when private equity purchases housing, whether it is mobile home parks, single-family rentals, multifamily properties, they typically follow the same playbook—rent increases, the tenants are hit with impossible new fees and fines, and maintenance almost always deteriorates. And in this case, because tenants have bought their own trailers, as mentioned, it really expensive, if not impossible, to relocate, and absolutely, that is a quality that they are banking on.

Senator WARREN. Yeah. So when companies like Hometown buy up these communities they have responsibilities, legal responsibilities, as landlords, like responsibility to maintain the property. And this is particularly important for the residents at Oakhill because the home sites in this area are subject to flooding.

So, Ms. Lopez, from your experience observing how corporate landlords behave, do you think that Hometown was proactive in making the repairs to make sure that residents have quality living conditions?

Ms. LOPEZ. I do not know the specifics of the situation, but based on all of the patterns that I have seen I think it would be highly unlikely.

Senator WARREN. Well, you guess right on this one. Hometown implemented a policy that specifically put the burden of these repairs on the residents, and yet, at the same time, Hometown increased the rents so that they could further pad their own profits. Now remember, as you say, most of these homes are not on wheels, so the residents have to choose between either paying the higher rent or, in some cases, just abandoning their housing.

Nobody should be surprised that the private equity industry is forcing residents to make this choice, and doing it just so that they can pad their own profits. Private equity firms get rich by loading companies and real estate they buy with debt, then stripping out all the assets, extracting whatever value they can, and charging exorbitant fees. That is the business model. And for communities like Oakhill this means increasing the rents, refusing to make home repairs, and squeezing every penny out of the residents that they possibly can.

Ms. Lopez, what does Congress need to do to ensure that residents at Oakhill and other manufactured home communities across this country are not being gouged by private equity firms?

Ms. LOPEZ. I appreciate this question. To me, the most effective way to stop private equity abuses, as I mentioned in my testimony, would be a comprehensive set of tenant protections that would safeguard against things like exorbitant rent increases, excessive fines and fees, providing just cause eviction protections, and also a tenant's right to counsel, to protect against the worst parts of what you are describing.

On the other side, there are many ways to begin to regulate private equity. I think the Stop Wall Street Looting Act is an excellent piece of legislation that starts to take away the ability to take on excessive risks in ways that harm tenants and workers.

But I also think that taking a look at the financing that these companies engage in, the mergers and acquisitions that they engage in, and the ways in which they geographically target are all ways that we could begin to develop legislation that takes on exactly the role of private equity in housing.

Senator WARREN. Thank you. That is a very comprehensive answer, and I think you are right, there are a lot of ways that we can approach this. I very much appreciate your mentioning my Stop Wall Street Looting Act, because it would fundamentally reform the private equity industry and end its most predatory practices. That would leave the residents in Oakhill and other manufactured home communities safer from Wall Street's clutches. So I am going to keep working on that one, and I am looking forward to getting some help on it.

Thank you very much, Mr. Chairman.

Chairman BROWN. Thank you, Senator Warren. Senator Smith from Minnesota is recognized from her office.

Senator SMITH. Thank you very much, Chair Brown. Thank you for holding today's hearing. This is an important issue and something that is directly affecting the lives of my constituents in Minnesota. As large institutional landlords have increasingly been buying up swaths of previously affordable single-family homes in Minnesota, there are a number of concerns that I have heard from my constituents about this. And Ms. Lopez has cited some specific stories from Minnesota renters in her opening statement, but I would just like to just share a couple of other examples of what I have heard from my office in Minnesota.

Shanika Henderson, for example, says, "Starting at the beginning of the pandemic, Havenbrook stopped responding to repair requests in my home. The basement leaks during the winter and has ruined many of the items in my home. In my home there are issues with the porch falling in, electrical issues, broken steps, broken windows, screens that are broken. I have been reporting many of these issues since October of 2020," she says, "and had to do many of the fixes myself."

And then one more from Jimmy Harris, who described heat not working, and "a large hole of dirt, around three feet tall in the basement, where a rat has come through, leaving an infestation." And these are just some of the concerns that I have heard.

Mr. Chair, I ask that the full statement from Renters United for Justice be entered into the record, as well as a *Minneapolis Star-Tribune* story describing the situation more fully.

Chairman BROWN. Without objection, so ordered.

Senator SMITH. Thank you very much.

With these concerns in mind I have a question, something that I discussed with Julia Gordon, who is the Federal Housing Commissioner nominee, a few months ago. So many of the properties that we are talking about today were required by institutional landlords through bulk sales by Federal agencies after the 2008 financial crisis. So that got the properties off the books of the Federal Government, but it concentrated them in the hands of large institutional buyers.

So I would like to ask Ms. Lopez and then Dr. Fields, what do you think that we should be doing to level the playing field for ordinary home buyers so that large institutional buyers do not end up buying the large bulk of the available properties in certain regions, areas?

Ms. LOPEZ. Thank you so much for the question. I am happy to answer. You are absolutely right in your characterization, and actually, from what I have seen, there are actually plans to revisit bulk sales. So HUD actually has a proposed bulk sale coming up, if I am not mistaken, in November, and from what I have seen there has been some discussion of ensuring that half of those properties make their way into the hands of community organizations. I personally would like to see a higher ratio of those properties end up in the hands of community organizations and not in the hands of the kinds of landlords that I described in my testimony and that you shared stories of just now.

I think that is one start. I think there are a lot of other opportunities. Unfortunately, as people exit their mortgage forbearance period that we will start to see more foreclosures, and I think we do need to think very seriously about how to make sure that those end up in the hands of more homeowners, that people never lose their homes to begin with, and that, least of all, they go to these particular kinds of landlords.

Senator SMITH. Thank you very much.

Dr. Fields, I would love to hear your response to this too, and it seems to me that it is virtually impossible for individual home buyers to participate, to compete in this bulk marketplace, and that puts them at a distinct disadvantage in terms of being able to make sure that these homes stay in single-family ownership.

Ms. FIELDS. Thank you for the question, Senator. So I would like to mention that I think most of the large-scale single-family operators that are active today and that are the largest players in the industry, most of them did acquire their homes not through bulk sales but through individual transactions. It is certainly true that investors have taken advantage of bulk sales, including fix-and-flip investors and some rent-to-own schemes that have not turned out so well for the people that are trying to purchase homes. So I think it is an issue, although not exactly within my core area of expertise.

However, I do agree with Ms. Lopez that I think it is important to ensure that bulk sales, that we can level the playing field for bulk sales, and I think increasing the proportion of properties that can go into the hands of community-based organizations, and particularly community land trusts, would be incredibly important, because community land trusts do keep housing permanently affordable over the long term, and it really represents a very sustainable use of public funds.

And the other thing I would say is that we could consider policies such as a cap on the assets under management of these large-scale investors as a way of potentially breaking up some of their monopoly power in the markets where they have the largest footprints. Thank you.

Senator SMITH. Thank you. Thank you very much, Mr. Chair.

Chairman BROWN. Senator Smith, if you have another question or two, feel free, because Senator Warnock is about to get back. But if you have any questions.

Senator SMITH. OK. I do have one more question, and then when Senator Warnock returns I am happy to cede back.

My question is about property maintenance. Many of the concerns that I have heard from Minnesotans are around maintenance issues, and too often it seems like these single-family rental properties are being mismanaged—we have heard stories about that today—by landlords that are thousands of miles away, that are clearly focused on squeezing profit out of these properties and not focused on building strong communities.

Pretium, which bought HavenBrook Homes earlier this year, says they are trying to make up for past institutional owners' mismanagement, and, I mean, I hope that they are right. But so far Minnesotans just do not seem to be seeing any improvement. And even if there are new owners, even if these new owners are able to address these problems, it does not address the fact that the incentives for institutional buyers are simply never going to be aligned with building strong community.

So I wonder—I will come back to Ms. Lopez and Dr. Fields—what should policymakers be considering as we think about how to align property acquisition and property management incentives with what we need to accomplish, so that communities are not hurt by these large property owners?

Ms. LOPEZ. I particularly appreciate the question. I would say, kind of starting with your characterization, I completely understand the dynamic where newer companies have come to acquire some of the homes and there is this challenging situation where tenants are dealing with poor maintenance issues. To me, the things that would be most beneficial are comprehensive tenant protections, including a right to counsel, to allow tenants to be able to fight back in situations where landlords' legal obligations to tenants are not being met.

I think that there are also some aspects of expanding, perhaps, what some of the legal obligations actually are, so understanding the relationship between tenants and landlords as one of consumers, right, and if a consumer is not actually getting what they are paying for there has to be some kind of way that they can seek a redress for that.

I would also say, though, that in a situation like this one, what seems important to me is actual opportunity for this particular landlord to talk to the tenants who are being impacted. I know that is something that the people in Minnesota have been asking for, for some time, and it has not happened, and I think given the statements of Pretium, in particular, they have an interest in actually having that conversation if, as they say, they plan to address some of those longstanding issues.

Senator SMITH. Thank you.

Chairman BROWN. Thank you, Senator Smith. Senator Warnock from Georgia is recognized for 5 minutes.

Senator WARNOCK. Thank you so very much, Mr. Chair, for holding this important hearing on housing, and thank you for the way you have consistently emphasized that this is a Committee not just focused on banking, but we are also focused on housing and the concerns of ordinary people. That work is so critically important.

Chairman BROWN. Senator Warnock, that was one of the reasons I wanted you on this Committee, so thank you.

Senator WARNOCK. Thank you. Thank you kindly.

We are in the middle of a housing crisis, and we have seen it so clearly in Atlanta and in the State of Georgia. And it is so important that we understand how private equity affects the marketplace so that we can find solutions for ordinary people.

Private investments in housing is a complicated issue, and it is important that we understand it correctly. Professional investors are less than 1.16 percent of the national single-family rental market, a little over 1 percent. However, as Dr. Fields has already pointed out in her testimony, private equity landlords do not acquire properties uniformly across the country. In Georgia, over 5 percent of all homes are owned by single-family rental home companies, well above the national average. And in Atlanta, three companies—Invitation Homes, Tricon, and American Homes 4 Rent—own 21,727 properties, which is 70 percent more than the size of their portfolio in any other city.

Dr. Fields, could you speak to the effects of this targeted private equity investment on the housing market in cities like Atlanta, and what guardrails have States or local governments successfully deployed to protect tenants in these homes, or to protect individual home buyers looking to compete with private investment companies to purchase a home in today's market?

Ms. FIELDS. Thank you for the question, Senator Warnock. Starting with the last part of your question first, unfortunately I do not think we have seen a terrible amount of intervention by State and local governments, either in support of tenants of corporate landlords or in support of home buyers who are being outbid by these investors, which is why it is so important that we are having this hearing today.

In terms of the kinds of consequences that we see for the housing markets where institutional investors have the largest footprints, we have already discussed many of these consequences. So the rent increases in places like Atlanta, Phoenix, Las Vegas, Tampa have all been above 10 percent, I believe as high as 13 percent on new leases in Atlanta in the past year. So we are seeing very rapid increases in rent. We are seeing, you know, the rollout of new kinds of fees that tack on extra costs to the cost of rent every month.

And I think especially important to point out, in addition to shutting out home buyers from wealth creation while creating more demand for themselves, we are also learning that corporate landlords evict tenants and file for eviction at much higher rates than smaller-scale landlords, and this often works as a strategy of intimidation against tenants, and also fosters further housing insecurity by adding late fees, attorney fees, and other costs onto rent arrears.

So I think overall the picture is one of increased costs in housing insecurity for tenants and diminished home ownership opportunities for people who are in a position to buy.

And I think, you know, just to add on a little bit to some of what Ms. Lopez was saying, in addition to comprehensive tenant protections, I think we should also look at things like supporting tenant associations for these large-scale landlords. In many cases, because they are living in single-family homes, tenants are often atomized from one another, do not have any way of communicating with other tenants who rent from the same landlord and might be experiencing the same problems. And I think supporting tenant associations and perhaps even collective bargaining rights for tenants of large-scale landlords would go a long way toward easing of the power imbalance that tenants face in this market. Thank you.

Senator WARNOCK. Thank you so much. I think it is critically important that we understand the impact of private equity on the housing market. You speak of rents being unaffordable and home ownership out of reach, which is we tried to offer some policy solutions. My Downpayment Toward Equity Act is an effort to address some of this. But there is a lot more that we have to do. So thank you so very much for your insights.

Chairman BROWN. Thank you, Senator Warnock. I apologize to the witnesses. Because we have had three votes today the attendance has been down, and I know a lot of people had questions, but I think we are going to adjourn the meeting.

We have had some misinformation in today's hearing. I want to just clear up a few things. The percentage of homes private equity owns in the whole country really does not tell us much. These firms are not buying properties evenly across the country, as witnesses affirmed. They are buying in large volumes in a targeted group of communities, in a targeted group of neighborhoods within those communities, as Senator Warnock has seen in Atlanta, one of the centers of this. If you want to rent a home in the neighborhood where your kids go to school in Atlanta or Columbus, you do not have a lot of options. That is a lot of power for one single, big, national, Wall Street firm.

I think we all tire of this idea that, quote, "this talk would take away the incentive to work." We know people in this country want to work. The incentive to work is pretty basic. It is the same for the people in the middle class and people aspiring to the middle class, as it is someone in upper income brackets, it is to make enough money for your family.

The idea that someone who is low income has some kind of pathology where they would not want to work to make more money, all because they got a $300 a month tax cut, the Child Tax Credit that Senator Warnock and I and others have worked on, the biggest tax cut for working families in this country in history, or they got help finding an affordable apartment, it is pretty ridiculous, and frankly, saying that they do not want to work is pretty offensive.

Work unites all of us. That is why I talk so often about the dignity of work—it is why Dr. King and Pope Leo sort of invented the term—to do something productive for ourselves and our family, because all work has dignity. If some of my colleagues are so concerned about some Americans missing out on that inherent dignity I would suggest they look a little harder at the wealthiest sliver of the country, making millions off investment income, often much of it—pardon me for saying this—often much of it inherited. Perhaps we could attach a few work requirements to their tax breaks.

The Senate Committee on Banking, Housing, and Urban Affairs is adjourned.

[Whereupon, at 11:29 a.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

One thing seems to be pretty much certain in this economy: no matter what happens to most Americans—a financial crisis, a global pandemic—Wall Street will find a way to profit off of everybody else's pain.

We all remember 2008.

Nearly nine million workers lost their jobs. Workers' savings were wiped out.

And nearly 10 million families lost their homes and everything that went with them—months and years of mortgage payments, their neighborhood school, the family pet, the stability of knowing where you live, where your kids would go to school, and where you'd attend church for the next 20 or 30 years.

But as families watched their dreams crumble, Wall Street found new opportunities to profit from the devastation it created.

As families—disproportionately families of color, who had been targeted with predatory loans—lost their homes, private equity funds with access to cheap cash were waiting to scoop them up.

Following the 2008 financial crisis, private equity funds bought families' homes in cash, often at foreclosure auctions. And they bought the loans of the hardest-hit borrowers in bulk from FHA and the GSEs.

These professional investors weren't shy about what made it possible—and profitable—for them to buy up tens of thousands of homes.

They told investors: "recent turbulence in U.S. housing and mortgage markets," created a "unique opportunity." And the availability of large quantities of single-family homes at "distressed prices," and "strong demand from tenants" meant the opportunity for "attractive yields."

"Unique opportunity" for "attractive yields."

Think about that—in plain English, that meant take advantage of the foreclosure crisis—the crisis that turned homeowners' lives upside down and gutted their hard-earned savings—to give Wall Street billionaires the chance to buy up homes for less than they're worth, and rent them out at a steep profit.

And let's also be clear—there would be, quote, "strong demand from tenants" because Wall Street preyed on people and cost them their homes. They would have to rent at those higher prices, locking in tenants, with no other options, for years into the future.

The largest investors in the world went on a buying spree. And they shopped strategically.

Neighborhoods with good schools in Atlanta, Phoenix, Tampa, and Charlotte became the centers of investment. By 2020, just seven cities contained more than half of the homes owned by institutional investors.

And as some private equity funds were buying single-family homes, another group of funds started targeting manufacturing housing communities.

The nearly 38,000 manufactured housing communities around the country have long been owned by small, local companies. The families who live there own their home, but rent the lot where their home is placed.

Many of the families who live in manufactured housing communities are low-income or on fixed incomes. Their median income is $35,000 a year. That doesn't leave room for a rent increase or a broken down car—let alone being able to afford to pick up and relocate the home they own to a cheaper lot.

But when big investors began buying up these communities after the crisis, many of them raised rents, added new fees, and changed their policies—all without fixing up the communities the way they promised residents they would.

Residents like Ms. Hook, who we'll hear from today, and like manufactured homeowners I met in Iowa, are left with an impossible choice: abandon the home they own with nowhere to go—with literally nowhere else to take their home—or pay rent they can't afford.

That private equity business model has been preying on people since the housing crisis. So no one should be surprised that in the turmoil of a public health and economic crisis, Wall Street is running a similar playbook.

Today, in many cities and towns there are few affordable options. When private equity comes in and buys up homes in their town, many renters are left with no choice other than to accept the rising rents.

One of the largest single-family rental firms reported "record-breaking results" at the end of 2020, and a resource for manufactured home community investors reported that the properties just became more valuable.

It's a variation on the same theme, no matter the industry:

They buy up companies like Toys 'R Us and Sears, lay off workers to show a profit on their balance sheet, then close the business.

They buy up local newspapers, fire journalists, and any oversight or coverage of their corporate greed tends to disappear.

They buy up nursing homes, raise the prices, and neglect residents.

It's all the same—private equity profits depend on squeezing every last nickel from workers and renters, without any kind of real investment in their employers or their communities.

It's a symptom of one of the biggest problems in our economy—the Wall Street system is not set up to prize long-term investment. Private equity is all about the quick buck—everyone else be damned.

Today, we'll look at how these firms have changed the housing market—and not for the better.

We'll hear from our witnesses about how this hurts pretty much everyone except the big investors—renters pay higher rents or are forced out and families hoping to someday own their own home are priced out.

We'll also begin to hear what we need to do to make sure that every family—whether they rent or own, whether they're in Columbus or Atlanta or Charlotte—has a safe, affordable place to call home.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Thank you, Mr. Chairman. And welcome to our witnesses.

I'm a bit puzzled by today's hearing topic. It seems intended to demonize people who use their own money to buy—and even build—as little as 1 percent of homes in the single family housing market.

At least one of today's witnesses represents a group that rejects the concept of private property altogether, stating on their website that "we envision a U.S. where land and housing are publicly owned." Let me just say for the record, private ownership is vastly preferable to the State. That's the American dream after all.

There's nothing wrong with people renting homes instead of, or before, becoming homeowners. And there's nothing wrong with investors putting their own money to work to meet the needs of renters.

Now if Democrats are concerned about investors crowding out homebuyers, I hope they would agree that taxpayers shouldn't subsidize loans to investors. Unfortunately, the Biden administration has a different view. It lifted existing restrictions on the ability of Fannie and Freddie to buy loans from single-family investors.

That's a taxpayer giveaway. And it's why I'm introducing legislation to prohibit the GSEs from acquiring investor property mortgages. I hope my colleagues will cosponsor it.

Today, what I think we need to focus on is the $3.5 trillion elephant-in-the-room: the Democrats' reckless tax-and-spend spree, which includes $300-plus billion for housing.

Billions of this aid is not targeted. Some of these programs have weak means testing and loopholes. And forget work requirements—even for able-bodied childless adults. They, and many people of above-average income, will do quite well under some of these programs.

Let's consider a few of the bill's misguided housing provisions.

Start with the $9 billion in downpayment assistance for "first time" and "first generation" homebuyers. It's rife with problems.

First, you can qualify even if you or your parents previously owned a home. So much for "first time" and "first generation."

Second, you don't have be low income. A member of Congress could qualify for a taxpayer-funded downpayment under this program.

Third, it's an invitation to mortgage fraud. A homebuyer only has to attest to being a first generation homebuyer. No other diligence is required. In fact, lenders are exempt from liability even if they knowingly accept a false attestation.

But worst of all, this program is a thinly disguised attempt to give assistance to homebuyers based more on the color of their skin than their financial need—something that's very likely unconstitutional.

Democrat Chairwoman Maxine Waters has said the objective of this program is to "help address the racial wealth and home ownership gaps." The director of the liberal National Fair Housing Alliance has said, "you cannot address issues of racial inequity if you do not address housing inequity—it is an impossibility. They're so inextricably linked." Thus, the bill text directs the HUD Secretary to allocate funds in part based on "racial disparities in home ownership rates."

Increasing wealth and home ownership rates amongst minorities is a fine goal. But designing race-based policies and benefits is not.

The Democrats reckless tax-and-spend bill also has $80 billion for renovating public housing. But that's odd. The Biden administration requested only $40 billion. So why does this bill have $80 billion?

It just so happens that the NYC housing authority wanted $40 billion for itself. But our Democrat colleagues knew they couldn't pass a bill that sent 100 percent of the money to New York City. That would be a bit of a problem for the 48 Democratic senators who don't represent New York.

So instead, Majority Leader Schumer promised to "double down" on the Administration's proposal and "use all of my power as majority leader . . . to secure a funding package that can restore and transform [the NYC Housing Authority]."

And lo and behold, we now have $80 billion not to be distributed using the existing formula but rather by executive fiat. This certainly looks a lot like Senator Schumer securing a $40 billion earmark, or "Schumark." So it looks like half of all the bill's public housing dollars will go to a housing authority plagued by scandals, bribery, and chronic mismanagement.

It's distressing to see Democrats pouring billions into outdated public housing projects that concentrate poverty and crime and trap families in generational cycles of dependency and despair. Twenty years ago, both parties recognized the flaws in Government-controlled housing. That's why Congress capped the number of public housing units with the Faircloth amendment.

Now, Democrats' reconciliation bill would waive this sensible law so new public housing units can go up. This is a remarkable return to Government-owned housing, and one that we will again regret.

We need to try something different than Big Government socialism to help make housing affordable. We need to leverage the power of free enterprise—including private equity—to promote housing for all Americans.

To that end, in March I proposed principles to guide housing finance reform discussions. Since then, the Administration has shown no interest in reform, and even missed a September 30th deadline to report on its reform plan.

In light of the issues I've raised today, I hope this Committee will hold hearings soon on long overdue topics like housing finance reform, and markup any reconciliation legislation so we have an opportunity to debate and offer amendments.

PREPARED STATEMENT OF SOFIA LOPEZ

DEPUTY CAMPAIGN DIRECTOR ON HOUSING, ACTION CENTER ON RACE AND THE ECONOMY

OCTOBER 21, 2021

Written Testimony before the
Committee on Banking, Housing, and Urban Affairs,
U.S. Senate

Hearing on
"How Private Equity Landlords are Changing the Housing Market"

Sofia Lopez
Action Center on Race & the Economy (ACRE)

October 21, 2021

Since the Foreclosure Crisis, private equity investments in single family rental housing have dramatically accelerated. A common refrain by the largest private equity landlords is that **they are professionalizing the single family rental industry**, which is otherwise owned by mom and pop landlords.[1] The people who most deeply understand the problems with private equity in housing are the tenants who live with the effects of this so-called "professionalization."

Dean is a member of housing justice organization Inquilinxs Unidxs por Justicia (Renters United for Justice) in **Minneapolis, Minnesota**. After moving into a HavenBrook Homes rental, Dean started to see the fees pile up - a bizarre $10 "property administration fee," a payment portal that would crash and trigger 8 percent late fees, and $25 service fees based on a requirement - that Dean had complied with - that his utilities are registered in his own name. HavenBrook alleges Dean owes thousands in fees and has filed to evict him. Despite the threat of losing his home he is fighting back because he knows these fees are incorrect and part of a predatory practice.

Inquilinxs Unidxs member **Rachel** told me she and her two children became HavenBrook Homes tenants when she left an abusive relationship. Rachel listed dozens of maintenance issues, the most severe of which was dangerous flooding, with standing water over an outlet with a plugged-in dehumidifier that HavenBrook had installed in a way that violated their own lease requirements. Faced with a dangerous emergency, Rachel called for help and was told to turn the electricity off herself, which would require her to wade through electrified standing water. Since then, Rachel has had to put up with broken stairs, cracks in the walls, and black mold in her ceiling. Rachel said "[HavenBrook] doesn't respond to emails. They don't respond to voicemails, they don't pick up the phone. It's all about the money for them. They don't care. I don't expect a landlord to hold my hand, but I expect decency."

---

[1] Frankel, T. C., & Keating, D. (2018, December 25). Eviction filings and code complaints: What happened when a private equity firm became one city's biggest homeowner. *The Washington Post*. Retrieved from https://www.washingtonpost.com/business/economy/eviction-filings-and-code-complaints-what-happened-when-a-private-equity-firm-became-one-citys-biggest-homeowner/2018/12/25/995678d4-02f3-11e9-b6a9-0aa5c2fcc9e4_story.html.

Tenants in North Carolina living in Progress Residential and Tricon homes shared their frustrations with both companies, who give no reason when they choose not to renew leases, and large rent increases for tenants who are able to renew. One Tricon resident shared they would like to find a less expensive rental or buy a home. The sad reality is that this tenant would likely be in competition with the same billions in private equity as a prospective homebuyer.

These examples are not simply anecdotal, they represent corporate decision-making taking place in every community where private equity has moved into our homes, and that enables record-breaking profits, even during a pandemic. The private equity business model in housing depends on exploiting tenants for profit, and they have used the pandemic to expand their reach, acquiring more homes and forcing more aspiring homeowners to compete with multi-billion dollar investment companies.

Private Equity's Move into Single Family Rentals

Before 2007, the single family rental (SFR) sector amounted to no more than 10 million homes, owned and operated by "mom and pop" landlords, and in 2011 no entity owned over 1,000 SFR units.[2] By 2018, one study estimated institutional investors owned as many as 300,000 SFRs, and according to data from private equity-backed landlord Pretium Partners, as of 2021, institutional investors owned approximately 350,000 homes.[3] [4]

The Foreclosure Crisis birthed this asset class, triggering a massive transfer of homes from households, especially households of color trapped by predatory debt, to Wall Street through millions of foreclosures. As home prices bottomed out, buyers representing these institutional investors were dispatched to county courthouses across the country to bid on foreclosed single family homes, often with the owners still living in them, with the goal of renting them out.

During this time, these companies were the beneficiaries of bulk non-performing loan sales held by Fannie Mae, Freddie Mac, and the Department of Housing and Urban Development, which were intended to determine if bulk sales could "stimulate housing markets" by "attracting large,

[2] Christophers, B. (2021). How and Why U.S. Single-Family Housing Became an Investor Asset Class. *Journal of Urban History*. https://doi.org/10.1177/00961442211029601.
[3] *Ibid*.
[4] Pretium. (2021, July 28). Setting the Record Straight: American Households and Communities Benefit from Professional Ownership of Single-Family Rental Homes. Retrieved from https://pretium.com/wp-content/uploads/2021/07/Pretium-Sets-the-Standard-for-Professional-Single-Family-Rental-Ownership.pdf.

well-capitalized investors."[5] Blackstone, Colony Capital, Starwood Capital, Waypoint Real Estate Group, and American Homes 4 Rent emerged as the dominant institutional landlords.[6]

By 2016, Blackstone-backed Invitation Homes owned nearly 50,000 SFRs split between California, Florida, Atlanta, Phoenix, Seattle, and Chicago, accounting for 85 percent of the company's revenue.[7] In 2017, Invitation Homes got a boost from a Fannie Mae loan guarantee for $1 billion dollars over 10 years.[8] In the following years, through mergers and acquisitions, Invitation Homes became the largest SFR landlord in the country. In 2019, Blackstone cashed out, netting about $7 billion since Invitation Homes went public in 2017.[9]

With massive support from the federal government, in the face of mass foreclosures and evictions, these companies, and in particular Invitation Homes, proved the financial viability of the SFR model. In fact, just last year, in spite of the pandemic, Invitation Homes recorded their most profitable year ever.[10] In addition to federal support, investments in tech played a critical role in supporting the success and growth of the SFR industry, with 'proptech' evolving to facilitate all aspects of the business, from research and acquisition to the management of geographically dispersed properties. The frenzy has only accelerated with the pandemic, with investors banking on a growing segment of the population that is locked out of homeownership.

The Private Equity Business Model and Its Impact on Tenants

Private equity's business model is fairly standardized across industries, and entails cutting costs, maximizing "efficiencies, and leveraging debt."[11] As in other industries, this is a recipe for disaster in rental housing. For tenants, this translates into exorbitant rent increases, endless fines

[5] Abood, M., *et al*. (n.d.). *Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership.* (p. 35) ACCE Institute, Americans for Financial Reform, & Public Advocates. Retrieved from https://d3n8a8pro7vhmx.cloudfront.net/acceinstitute/pages/1153/attachments/original/1570049936/WallstreetLandlordsFinalReport.pdf.
[6] Christophers, B. (2021). How and Why U.S. Single-Family Housing Became an Investor Asset Class. *Journal of Urban History*. https://doi.org/10.1177/00961442211029601.
[7] *Ibid*.
[8] Mari, F. (2020, March 4). A $60 Billion Housing Grab by Wall Street. *The New York Times Magazine*. Retrieved from https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html.
[9] Dezember, R. (2019, November 21). Blackstone Moves Out of Rental-Home Wager With a Big Gain. *The Wall Street Journal*. Retrieved from https://www.wsj.com/articles/blackstone-moves-out-of-rental-home-wager-with-a-big-gain-11574345608.
[10] Colarossi, N. (2021, March 30). U.S. Largest Provider of Single-Family Rent Homes Made Largest Profit Ever Amid Pandemic. *Newsweek*. Retrieved from https://www.newsweek.com/us-largest-provider-single-family-rent-homes-made-largest-profit-ever-amid-pandemic-1579817.
[11] America for Sale? An Examination of the Practices of Private Funds: Hearing before the Committee on Financial Services, U.S. House of Representatives, 116th Cong. pp. 151-152 (2019) (Testimony Submitted by Americans for Financial Reform). Retrieved from https://financialservices.house.gov/uploadedfiles/chrg-116hhrg42474.pdf.

and fees, inadequate maintenance, aggressive pursuit of evictions, and opaque and convoluted ownership structures that make even asking questions an enormous challenge.

Furthermore, the kind of financing these companies frequently use means that, as landlords, they are cutthroat in rent and fee collections. For example, in 2017, when Invitation Homes went public, the majority of its debt was in the form of rent-backed securities at deeply discounted rates, underwritten assuming 94 percent occupancy.[12] [13] To maintain the cash flow necessary to repay these debts, and the bond rating necessary to procure more cheap financing to acquire more homes, non-paying tenants need to be evicted quickly.

Rent Increases - There are countless stories of outrageous rent increases. One particularly egregious example is an Invitation Homes tenant in California who faced a nearly $800 per month rent increase to over $3,000 per month in rent.[14] This year, tenants at private equity-backed HavenBrook Homes rentals in the Twin Cities have reported rent increases of $100-$200 per month, and when tenants struggle to sign digital lease renewals, month-to-month arrangements are triggered with automatic 20 percent monthly rent increases. This year, American Homes 4 Rent and Invitation Homes increased rents on vacant homes by 11 and 10 percent, respectively, with Invitation Homes increasing rents for renewing tenants to 8 percent.[15]

Fines and Fees - In addition to rent increases as a tool to boost profits, one CEO described the failure to capture fee revenue as "revenue leakage."[16] For example, the practice of requiring utilities to be in the company's name, and charging tenants the cost of utilities with an added fee, is an example of a common revenue generating practice.[17] In 2016, fees and "clawbacks," including withholding tenants' security deposits, generated $26 million in revenue for Colony Capital.[18]

[12] Christophers, B. (2021). How and Why U.S. Single-Family Housing Became an Investor Asset Class. *Journal of Urban History*. https://doi.org/10.1177/00961442211029601.
[13] Mari, F. (2020, March 4). A $60 Billion Housing Grab by Wall Street. *The New York Times Magazine*. Retrieved from https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html.
[14] Abood, M., *et al*. (n.d.). *Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership.* (p. 16) ACCE Institute, Americans for Financial Reform, & Public Advocates. Retrieved from https://d3n8a8pro7vhmx.cloudfront.net/acceinstitute/pages/1153/attachments/original/1570049936/WallstreetLandlordsFinalReport.pdf.
[15] Clark, P. (2021, May 7). Rent Surges on Single-Family Homes With Landlords Testing Market. *Bloomberg*. Retrieved from https://www.bloomberg.com/news/articles/2021-05-07/rent-surges-on-single-family-homes-with-landlords-testing-market.
[16] Abood, M., *et al*. (n.d.). *Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership.* (p. 16) ACCE Institute, Americans for Financial Reform, & Public Advocates. Retrieved from https://d3n8a8pro7vhmx.cloudfront.net/acceinstitute/pages/1153/attachments/original/1570049936/WallstreetLandlordsFinalReport.pdf.
[17] Mari, F. (2020, March 4). A $60 Billion Housing Grab by Wall Street. *The New York Times Magazine*. Retrieved from https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html.
[18] *Ibid*.

Maintenance - In the name of "efficiencies" institutional landlords habitually offload maintenance costs onto tenants. For example, one tenant's 39-page lease renewal from Invitation Homes held him responsible for addressing hypothetical bedbug infestations; excused Invitation Homes from liability for property damage, including the hazards of living with mold; and included an agreement whereby the tenant would consent to leave the home if he was taken to court again, on top of a rent increase.[19] In Minneapolis, HavenBrook tenants have reported waiting up to a year for essential repairs, including holes in roofs and ceilings, broken stairways, lead paint, flooding, faulty electrical systems, broken and inoperable appliances, pest infestations, and black mold. These companies leave tenants to either fix these problems themselves, or live in unsafe and even life-threatening conditions.

Evictions - Evictions have taken on a new meaning in light of the COVID-19 pandemic. Pre-pandemic, private equity-backed corporate landlords in Atlanta were evicted tenants at higher rates than smaller landlords.[20] Since the onset of the pandemic, the largest landlords have claimed that evictions are bad for tenants and landlords. However, according to an eviction tracker compiled by the Private Equity Stakeholder Project, corporate and private equity-backed landlords have evicted over 100,000 tenants in communities in 21 states. Among the largest private equity-backed landlords, Invitation Homes has filed over 1,100 evictions and Pretium Partners, which includes HavenBrook Homes, Progress Residential, and Front Yard Residential, has filed over 2,000 evictions since mid-March of 2020.[21]

Convoluted Ownership and Lack of Transparency - Often, the publicly listed ownership of private equity-owned homes includes a string of consonants and numbers. This, in addition to convoluted financial relationships with holding companies and the use of tenant-facing brands, leaves tenants unsure who really owns their homes.

For example, in 2021, landlord conglomerate Pretium Partners, in partnership with private equity company Ares Management, acquired Front Yard Residential, a previously publicly traded single family residential company headquartered in the US Virgin Islands, for $2.4 billion.[22] Front Yard Residential had previously purchased HavenBrook Homes, an entity that many tenants still pay

---

[19] *Ibid*.
[20] Raymond, E., *et al*. (2017). *Housing Instability: Single-Family Evictions in One Atlanta Metro County*. Federal Reserve Bank of Atlanta. Retrieved from https://www.atlantafed.org/community-development/publications/partners-update/2017/01/170216-housing-instability-single-family-evictions-in-one-atlanta-metro-county.aspx.
[21] Private Equity Stakeholder Project. (n.d.). Private Equity & Corporate Landlord Evictions Tracker. Retrieved October 18, 2021, from https://docs.google.com/spreadsheets/d/1lgntfTGWT4rbylrmtYDiEWJODbrHAofNMrKaqcHXG9E.
[22] Cutchin, J. (2020, October 26). Ares Backs $2.4 Billion Deal for Front Yard Residential. *Los Angeles Business Journal*. Retrieved from https://labusinessjournal.com/news/2020/oct/26/ares-backs-24-billion-deal-front-yard-residential/.

their rent to across the country.[23] Pretium already owned Progress Residential, which was already among the largest SFR companies. After the Front Yard acquisition, Pretium became the second largest SFR landlord, and today operates 70,000 SFR properties under various tenant-facing brands.[24] [25] These convoluted relationships create a situation where tenants don't know where to turn when they face a critical issue, all by design.

Market Influence

Despite claims to make up only 2 percent of the nation's SFR market, institutional investors' ownership is concentrated to varying degrees in a handful of markets. In the depths of the Foreclosure Crisis, purchases of single family rentals were concentrated in foreclosure hot spots like Phoenix, Atlanta, Las Vegas, Sacramento, Miami, Charlotte, Los Angeles, Denver, and more.[26] By 2020, institutional investors owned 11.3 percent of single family rentals in Charlotte, 9.6 percent in Tampa, and 8.4 percent in Atlanta.[27] In 2021, the 10 metropolitan statistical areas with the highest investor shares, in order, are Memphis, Atlanta, Lubbock, McAllen, Brownsville, Phoenix, Beaumont, Salt Lake City, Boise, and El Paso.[28] From the same CoreLogic report: "**Investors are likely more attracted to locations where tenant rights are more favorable for landlords, have high population growth and high house price growth."**

The concentration of investor ownership is not race-neutral. Memphis, which is 64 percent Black, has the lowest rate of Black homeownership of the 50 largest cities, and the highest share of investor ownership.[29] Cerberus Capital Management, Pretium Partners, American Homes 4 Rent, and others bought a combined 7,000 homes in Shelby County (where Memphis is located), with a median value of $145,000, in the last two years.[30] Researchers found similar relationships in Los Angeles, Fulton County, GA, and Atlanta, where higher concentrations of housing stock

---

[23] Front Yard Residential Corporation. (2019, August 9). Front Yard Residential Corporation Announces Transformative Acquisition and Reports Second Quarter 2018 Results. Retrieved from https://ir.frontyardresidential.com/news-releases/news-release-details/front-yard-residential-corporation-announces-transformative.

[24] Pretium. (2021, October 19). Pretium and Ares Management Announce $2.4-Billion Take-Private Transaction with Front Yard Residential. Retrieved from https://pretium.com/pretium-and-ares-management-announce-2-4-billion-take-private-transaction-with-front-yard-residential/.

[25] Pretium. (2021, July 28). Setting the Record Straight: American Households and Communities Benefit from Professional Ownership of Single-Family Rental Homes. Retrieved from https://pretium.com/wp-content/uploads/2021/07/Pretium-Sets-the-Standard-for-Professional-Single-Family-Rental-Ownership.pdf.

[26] Mari, F. (2020, March 4). A $60 Billion Housing Grab by Wall Street. *The New York Times Magazine*. Retrieved from https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html.

[27] *Ibid.*

[28] Malone, T. (2021). *Single-family Investor Activity Surges in the Second Quarter*. CoreLogic, Inc. Retrieved from https://www.corelogic.com/intelligence/single-family-investor-activity-surges-in-the-second-quarter/.

[29] Powell, A. (2021, October 16). Home buying competition from investors could impact the Black-white wealth gap in Shelby County. *The Grio*. Retrieved from https://thegrio.com/2021/10/16/home-buying-competition-from-investors-black-wealth-gap/.

[30] *Ibid.*

owned by institutional SFR investors correlated with higher concentrations of Black residents compared with neighborhoods with little or no SFR investment.[31]

In general, private equity-backed investors are incredibly specific in the kinds of homes they acquire. Early in the feeding frenzy buyers for institutional investors focused their purchases on "3-4 bedroom homes in the $300-$600 thousand price range, concentrated in high performing school districts."[32] In 2020, Invitation Homes was pursuing 1,700-2,400 square foot homes, and selling off larger homes in response to challenges renting them out.[33] What's more, a Reuters report captures how tenants can feel they have no choice but to rent from institutional landlords because of proximity to their children's schools, their jobs, and their relatives.[34]

Because of the market segment where SFR landlords are focused, and the fact that they have cash and are willing to buy sight-unseen, first-time, particularly lower-income, prospective home buyers are not able to compete.[35] [36] Given the relationship between race and income, it is reasonable to believe the people hurt the most are prospective home buyers of color.

Dry Powder

Soon after the onset of the pandemic, institutional investors began amassing stockpiles of cash to buy more homes. Starwood Capital CEO Barry Sternlicht, among others, said: "when it's really ugly, it's a good time to invest."[37] As of March 2021, the 20 largest corporate landlords had at least $245 billion ready to deploy to buy more homes.[38] According to Bloomberg, since the pandemic began, Nuveen Real Estate (JPMorgan Chase's asset-management arm), Brookfield Asset Management, and many more have committed billions in fundraising to single family

---

[31] Abood, M., *et al*. (n.d.). *Wall Street Landlords Turns American Dream Into American Nightmare: Wall Street's big bet on the home rental market, and the bad surprises in store for tenants, communities, and the dream of homeownership.* (pp. 30-31) ACCE Institute, Americans for Financial Reform, & Public Advocates. Retrieved from https://d3n8a8pro7vhmx.cloudfront.net/acceinstitute/pages/1153/attachments/original/1570049936/WallstreetLandlordsFinalReport.pdf.

[32] Mari, F. (2020, March 4). A $60 Billion Housing Grab by Wall Street. *The New York Times Magazine*. Retrieved from https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html.

[33] *Ibid*.

[34] Conlin, M. (2018, July 27). Spiders, sewage and a flurry of fees – the other side of renting a house from Wall Street. *Reuters*. Retrieved from https://www.reuters.com/investigates/special-report/usa-housing-invitation/.

[35] Malone, T. (2021). *Single-family Investor Activity Surges in the Second Quarter*. CoreLogic, Inc. Retrieved from https://www.corelogic.com/intelligence/single-family-investor-activity-surges-in-the-second-quarter/.

[36] Investment companies pricing out homebuyers. (2021, October 6). *NBC News*. broadcast. Retrieved from https://www.nbcnews.com/nightly-news/video/investment-companies-pricing-out-homebuyers-122940997741.

[37] Kallergis, K. (2020, May 7). "When it's really ugly, it's a good time to invest": Sternlicht on Starwood's hunt for opportunities. *The Real Deal*. Retrieved from https://therealdeal.com/2020/05/07/when-its-really-ugly-its-a-good-time-to-invest-sternlicht-on-starwoods-hunt-for-opportunities/.

[38] Myklebust, S., *et al*. (2021). *Cashing in on Our Homes: Billionaire Landlords Profit as Millions Face Eviction*. Bargaining for the Common Good, the Institute for Policy Studies, and Americans for Financial Reform Education Fund. Retrieved from https://ips-dc.org/wp-content/uploads/2021/03/Cashing-in-on-Our-Homes-FINAL-revised.pdf.

rentals.[39] Because of limited single family supply and economies of scale, investors are increasingly pursuing build-to-rent communities, including, for example, partnerships between the largest SFR landlord, Invitation Homes, and the third largest home builder, Pulte Group.[40] Between build-to-rent and pre-existing inventory, it's not a stretch to imagine that in some communities, if you want to live in a particular part of town with a high-performing school district, you would need to rent from one of these landlords.

Tech Infrastructure Supports Single Family Rentals

The rise and expansion of the SFR industry is fueled by investment in technological capability, from modeling that prices bids on homes based on future appreciation and rents, to smart home infrastructure like locks, temperature controls, and more.

iBuyers, companies that acquire homes from sellers offering speed and convenience, are both separate and related to institutional investors. They generally focus on mid-market homes, and after fixing them up, will sell these homes to the next buyer. At times, iBuyers partner with private equity-backed landlords, for example, investors bought 21 percent of Opendoor's 2021 first quarter sales, 16 percent from Offerpad, and 9 percent from Zillow.[41] Cerberus Capital Management, Invitation Homes, Tricon Residential, and Pretium Partners have all used iBuyers to source new homes.[42] Similar to build-to-rent, these homes are often never made available to consumers.

Generally, iBuyers have yet to turn a profit and selling their inventory to private equity in bulk is one way to hit revenue goals quickly. To fuel their aspirations for expansion in the single family sector, Opendoor and Zillow have sought a $2 billion credit facility and $450 million dollar bond respectively.[43] A Zillow spokesperson said: "For this to work we need to buy and sell as many homes as possible to generate the revenue and profit that we want. Then we…use that capital to go buy the next set of homes." OpenDoor, which went public via a SPAC in 2020, recently

[39] Clark, P. (2021, May 21). Mega Landlords Are Snapping Up Zillow Homes Before the Public Can See Them. *Bloomberg*. Retrieved from https://www.bloomberg.com/news/articles/2021-05-21/mega-landlords-are-snapping-up-zillow-homes-before-the-public-can-see-them.
[40] PulteGroup. (2021, July 26). PulteGroup and Invitation Homes Form Strategic Relationship to Build Single-Family Rental Projects in Select PulteGroup Communities. Retrieved from https://www.pultegroupinc.com/investor-relations/press-releases/press-release-details/2021/PulteGroup-and-Invitation-Homes-Form-Strategic-Relationship-to-Build-Single-Family-Rental-Projects-in-Select-PulteGroup-Communities/.
[41] Clark, P. (2021, May 21). Mega Landlords Are Snapping Up Zillow Homes Before the Public Can See Them. *Bloomberg*. Retrieved from https://www.bloomberg.com/news/articles/2021-05-21/mega-landlords-are-snapping-up-zillow-homes-before-the-public-can-see-them.
[42] *Ibid*.
[43] *Ibid*.

announced its willingness to purchase the majority of homes in the 40 markets where it operates.[44]

Conclusion

According to the Financial Times, private equity has just had its busiest six months in the last 40 years, and the industry shows no signs of stopping its expansion into our homes.[45] The private equity-backed SFR business model has become immensely lucrative because it is fairly standardized. To be clear, private equity has permeated every sector of the housing market, including subsidized and market-rate multifamily, mobile homes, student housing, and assisted living, and residents in these subsectors all face nightmarish practices.

For example, tenants living in Odin properties in Philadelphia, PA shared horror stories of inadequate maintenance, including leaks, faulty utilities, and one tenant who is too afraid to sleep most nights because there are rodents in the building, literally running across their face at night.

Anh-Thu, in Brooklyn, NY learned this spring that the building she has lived in for 12 years had been bought by a new landlord with the name 70 PPW LLC. The day after learning this news she received a 90-day notice to vacate. Anh-Thu quickly learned that her new landlord was a small private equity company, Greenpoint Partners, and that her apartment, along with many others in over 100 buildings had likely been illegally deregulated. Tenants are being harassed out of their homes, and Greenpoint's practices are supported by the Carlyle Group, private equity firm NW1, and the Texas Permanent Education Fund.

Tenants across the country are fighting back against what they know is wrong, and there are ways this committee can intervene to support them in ending private equity's abuses in housing, while also supporting aspiring homeowners.

The clearest fix would be establishing comprehensive, nationwide tenant protections like rent control, prohibition on excessive fines and fees, just cause eviction protections, and a tenant right to counsel. This would end exorbitant rent increases, frivolous and unfair fees, and landlord refusal to renew leases without a reasonable justification, and would give tenants a fair shot at defending themselves against evictions and unsafe living conditions.

At a minimum, the expansion of private equity into our homes is a moment to create a more transparent housing market, where landlords cannot hide behind LLCs and tenants know who the

[44] Strachan, M. (2021, August 13). Zillow, Other Tech Firms Are in an 'Arms Race' To Buy Up American Homes. *Vice*. Retrieved from https://www.vice.com/en/article/93ymxz/zillow-other-tech-firms-are-in-an-arms-race-to-buy-up-american-homes.

[45] Vandevelde, M. (2021, October 15). How private equity came to resemble the sprawling empires it once broke up. *Financial Times*. Retrieved from https://www.ft.com/content/2c56a7da-6435-469c-90d8-28e966f20379.

beneficial owners of their homes are. There are many avenues to pursue regulating private equity in housing that examine their financing, partnerships and mergers between the largest companies, concentrations of ownership in particular communities, and in general shedding much needed light on where and how they operate.

Our housing market is rapidly consolidating, and as the largest landlords, builders, and financiers increasingly partner with one another, our communities and neighbors will continue to feel the consequences, unless we follow the lead of tenants and housing justice organizers in demanding a more just housing system.

PREPARED STATEMENT OF HOLLY HOOK

MANUFACTURED HOME RESIDENT AND MHACTION LEADER IN SWARTZ CREEK, MICHIGAN

OCTOBER 21, 2021

Good morning and thank you, Chairman Brown, Ranking Member Toomey, and Members of the Committee. My name is Holly Hook and I'm a resident of Swartz Creek Estates in Swartz Creek, Michigan. I'm a member of MHAction, an organization made up of mobile home residents who organize our neighbors and fight to save our communities.

Everyone has the right to a safe, affordable home and community. We need the Federal Government to work with us to ensure everyone this basic right, especially as predatory investors are threatening this human right for millions of families.

I bought my manufactured home because I needed an affordable place. In our communities, seniors and families often own their homes but rent land from a common landlord. This creates lower housing costs. We loved our community. Like so many others, it was friendly, well-maintained, and walkable. In 7 years, I paid off my house and had reasonable lot rent that covered land, sewer, and garbage. My neighbors were mostly low-income seniors who retired to our community. No one knew that our community was for sale until a notice appeared on our doors in July 2018 saying Havenpark Capital had bought us, and our lot rent was going up 22 percent. I needed answers, but Havenpark only offered a site for investors that stated, "creating stable, long-term income."

It costs thousands to move our homes and many homes can't withstand a move. We had two options: pay the giant increases or lose our homes. Havenpark admited this on their investor website by stating, "It is difficult for tenants to move their homes. As a result, operating cash flow is among the highest of any real estate class."

The rent hikes and fees continued. Havenpark unbundled administrative fees, school taxes, sewer charges, and trash fees from our rent. Monthly payments rose 40 percent by June of 2019 and as of this year, they've risen over 50 percent. My lot rent and fees have gone from $310 per month to over $500 per month.

Our sense of security and independence is gone. My elderly and neighbors are hit the hardest. They live on fixed incomes. Havenpark now takes most of their income. Some fear losing their homes. Many moved out, including my 80-year-old neighbor who is now in a small senior apartment. Other residents are forced to use food pantries due to the increases. Some are even homeless.

Havenpark kept raising rents and fees during COVID and sent letters threatening those who couldn't pay in full. They refused partial payments, though the CDC moratorium allowed them.

In another Havenpark community across town, a lady named Mary worked multiple jobs to keep up with the increases until she got COVID last spring. She fell behind on the rent and Havenpark tried to evict her right away, while she waited for a rent relief payment. Havenpark only backed off when a reporter asked questions about Mary's case.

And let's be clear—these big increases don't come back to us. Havenpark has cut back on maintenance. A nearby community they own lost their water in a storm, and they wouldn't fix it in a timely manner. The local government got involved after residents were without water for days.

Our Michigan communities are not alone and Havenpark is not the only actor treating residents this way. Roughly 2 million people live in communities owned by the 50 largest community owners. Many operate like Havenpark, devastating seniors and families. And now some of the biggest private equity companies in the world are buying up mobile home parks.

Outrageously, this trend is fueled by those who say they support affordable housing. We were astonished to learn that Havenpark Capital got their financing through a subsidiary of Enterprise Community Partners, the national affordable housing nonprofit, and Fannie Mae. Both Fannie Mae and Enterprise claim they advance affordable housing. But when they finance predatory investors like Havenpark, they destroy it.

We've called on Fannie Mae and Freddie Mac and their regulator, the FHFA, to add safeguards against rent and fee gouging, unfair evictions, and unsafe conditions in their manufactured home community financing. We need financing to support us—the residents—not passive investors. We want financing products that will allow nonprofits, public entities, and resident owned cooperatives to buy our communities and keep them affordable and healthy. Thank you.

PREPARED STATEMENT OF NORBERT MICHEL

VICE PRESIDENT AND DIRECTOR, CENTER FOR MONETARY & FINANCIAL ALTERNATIVES, CATO INSTITUTE

OCTOBER 21, 2021

CATO INSTITUTE | CENTER FOR MONETARY AND FINANCIAL ALTERNATIVES

Testimony
Before the United States Senate Committee on Banking, Housing, and Urban Affairs
Hearing on "How Private Equity Landlords are Changing the Housing Market"

Norbert J. Michel
Vice President and Director
Center for Monetary and Financial Alternatives, Cato Institute

October 21, 2021

Introduction

Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for the opportunity to testify at today's hearing. My name is Norbert Michel and I am Vice President and Director for the Center for Monetary and Financial Alternatives at The Cato Institute. The views I express in this testimony are my own, and should not be construed as representing any official position of The Cato Institute.

It is always convenient to blame "Wall Street" and "speculators" for economic difficulties because those terms obscure the human component that drives specific economic outcomes, thus making it easy to deflect blame away from individuals and difficult to objectively evaluate particular claims. As evident by this hearing, the tactic is very effective – recent stories have stoked fears that large institutional investors (private equity firms) are causing rapid price increases in single family housing markets.[1]

Yet, research demonstrates that institutional investors play a very small role in the single family housing market – both in absolute terms and relative to large multifamily housing companies and other single family home investors.[2] A Philadelphia Federal Reserve Bank paper, for instance, shows that "from 2006 to 2014, the share of large institutional buyers of total purchases increases from virtually zero to 1.47 percent while the share of LLC purchases goes

---

[1] Ryan Dezember, "If You Sell a House These Days, the Buyer Might Be a Pension Fund," *The Wall Street Journal*, April 4, 2021, https://www.wsj.com/articles/if-you-sell-a-house-these-days-the-buyer-might-be-a-pension-fund-11617544801; Staff, "Institutional Investors, Higher Material Costs Lead To Rising Home Prices," *The Real Deal Real Estate News*, April 13, 2021, https://therealdeal.com/national/2021/04/13/institutional-investors-higher-material-costs-lead-to-rising-home-prices/; and, Staff, "Investors, Speculators Plow Into US Housing Market: Report," *The Real Deal Real Estate News*, June 21, 2019, https://therealdeal.com/national/2019/06/21/investors-speculators-plow-into-us-housing-market-report/

[2] For a list of the largest multifamily companies, see "The Top 15 Multifamily Property Managers of 2021," Multifamily.loans, January 22, 2021, https://www.multifamily.loans/apartment-finance-blog/the-top-15-multifamily-property-managers-of-2019.

up by 4.04 percentage points."[3] The authors claim that "despite the rise that began after 2010, in 2014 their shares remained small: The average share of large institutions as buyers was 1.47 percent."[4] Additional research by the Federal Reserve indicates that institutional investors comprised "1 to 2 percent of all single-family purchases from 2012 to 2014," while "purchases by other investors accounted for 18 to 19 percent of single-family home purchases during the same period," and that "buy-to-rent investors owned about 0.14 percent of the housing stock in 2014, whereas corporate investors owned 6 percent and individual investors owned 6 percent."[5]

Despite the small share, the evidence also suggests that "institutional investors contribute to the improvement of the local housing market by reducing vacancy rates as they shorten the amount of time distressed properties stay in REO [real estate owned foreclosure]," and that "institutional investors help lower local unemployment rates by increasing local construction employment."[6] Citing other research, the Urban Institute's Laurie Goodman argues that institutional investors "grew up in 2010-2013 buying distressed properties that no one else would buy and in fact put a floor on the market, so they provided a very, very valuable service and they basically cleaned up the distressed market, a lot of which required repairs."[7] Goodman also cites evidence that "institutional operators owned just 300,000 single-family units in 2019," approximately 2 percent of the roughly 15 million one-unit detached single-family *rental* homes in the United States, and less than 0.5 percent of the total number (80 million) of detached single-family homes in the United States.[8] More recent research by the National Rental Home Council (NRHC) estimates that 0.74 percent of single-family home purchases in the second quarter of 2021 were made by "large investors."[9] Put differently, the

---

[3] Lauren Lambie-Hanson, Wenli Li, and Michael Slonkosky, "Institutional Investors and the U.S. Housing Recovery," *Federal Reserve Bank of Philadelphia*, WP 19-45, November 2019, p. 17, https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2019/wp19-45.pdf.
[4] Lambie-Hanson, et al., pp. 10-11.
[5] James Mills, Raven S. Molloy, and Rebecca E. Zarutskie, "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class?," *Federal Reserve Board*, Working Paper 2015-084, p. 2, https://www.federalreserve.gov/econresdata/feds/2015/files/2015084pap.pdf.
[6] Lambie-Hanson, et al., p. 1. Separately, an Urban Institute report quotes Lambie-Hanson saying that "there really isn't any evidence in our research that institutional investors led to higher rents or greater eviction rates for our sample of counties tracked through the recovery." See Caitlin Young, "Institutional Investors Brought Higher Home Prices and Lower Vacancies to the Housing Recovery," *Urban Wire*, March 5, 2020, https://www.urban.org/urban-wire/institutional-investors-brought-higher-home-prices-and-lower-vacancies-housing-recovery.
[7] Jerusalem Demsas, "Wall Street Isn't To Blame For The Chaotic Housing Market," *Vox*, June 11, 2021, https://www.vox.com/22524829/wall-street-housing-market-blackrock-bubble. Also see Laurie Goodman and Edward Golding, "Institutional Investors Have a Comparative Advantage in Purchasing Homes That Need Repair," *Urban Wire*, October 20, 2021, https://www.urban.org/urban-wire/institutional-investors-have-comparative-advantage-purchasing-homes-need-repair.
[8] Demsas, "Wall Street Isn't To Blame For The Chaotic Housing Market."
[9] National Rental Home Council, "NRHC Analysis of Data Shows Just 0.74% of Home Purchases in Second Quarter of 2021 Made by Large Investors," October 15, 2021, https://www.rentalhomecouncil.org/wp-content/uploads/2021/10/Investor-purchases-Blog-Oct-2021.pdf.

NRHC estimates that 99.26 percent of single-family homes purchased in the second quarter of 2021 "were made by someone, or some entity, other than a large investor."[10]

In contrast, the federal government is heavily involved in the single-family home market, particularly in ways that increase demand by making it easier to obtain home mortgages. Given that housing markets are consistently supply constrained, there is little doubt that federal housing finance policies contribute greatly to higher home prices. Unfortunately, several new Biden administration policies, as well as multiple proposals being considered in the budget reconciliation process, promise to implement the same types of failed housing policies of the past. Collectively, these policies will further expand government intervention in housing markets at a great cost to millions of Americans, pushing up prices as well as rental rates, wasting taxpayers' money and making housing less affordable.

Excessive Government Involvement in U.S. Housing Markets

Federal intervention has increasingly become the norm in housing markets since the 1930s, and the perceived success of these policies has helped perpetuate and expand that involvement. The United States is the only major country in the world with a federal government mortgage insurer, government guarantees of mortgage securities, *and* government-sponsored enterprises (GSEs) in housing finance. As of 2010, comparing the United States with 11 other industrialized countries, only two have a government mortgage insurer (Netherlands and Canada), two have government security guarantees (Canada and Japan), and two have GSEs (Japan and Korea).[11] Denmark even maintains a prepayable fixed-rate 30-year mortgage without the need for GSEs or other government support, and at a lower cost to borrowers than in the United States.[12]

Most federal intervention in housing finance boosts demand, typically by making it easier to obtain a home mortgage. Federal policies encourage borrowing by supporting the operations of Fannie Mae, Freddie Mac, and Ginnie Mae, and by providing loan insurance through the Federal Housing Administration (FHA), the Veterans Affairs (VA) home-lending program, and the U.S. Department of Agriculture's Rural Development Program. Historically, the federal tax code has also promoted housing investment and consumption by allowing taxpayers to deduct mortgage interest and capital gains from the sale of a home from their

---

[10] National Rental Home Council, "NRHC Analysis of Data."
[11] Michael Lea, "International Comparison of Mortgage Product Offerings," *Research Institute for Housing America Special Report*, September 2010, https://business.sdsu.edu/_resources/files/real-estate/research/10122_research_riha_lea_report.pdf.
[12] Jesper Berg, Morten Bækmand Nielsen, and James Vickery, "Peas in a Pod? Comparing the U.S. and Danish Mortgage Finance Systems," Federal Reserve Bank of New York, *Economic Policy Review*, Vol. 24, no. 3, December 2018, https://www.newyorkfed.org/research/epr/2018/epr_2018_US-danish-mortgage-finance_berg; Frances Schwartzkopff, "World's Cheapest Mortgage May Be Around the Corner in Denmark," *Bloomberg*, March 21, 2019, https://www.bloomberg.com/news/articles/2019-03-21/world-s-cheapest-mortgage-may-be-around-the-corner-in-denmark; and, Frances Schwartzkopff, "20-Year Mortgages Hit Zero for First Time in Danish Rate History," Bloomberg, August 7, 2019, https://www.bloomberg.com/news/articles/2019-08-07/nordea-offers-20-year-mortgages-at-zero-interest-as-rates-plunge.

federal income tax liability. Additionally, the Basel capital requirements have long provided financial institutions with capital relief for holding mortgage-backed-securities (MBS) rather than whole loans, while Fannie Mae and Freddie Mac have long enjoyed lower equity requirements than banks.[13]

Prior to the 2008 financial crisis the federal government controlled a dominant share of the U.S. housing finance system, and that share has expanded. As of December 31, 2020, Fannie and Freddie (both of which remain in government conservatorship) had combined total assets of $6.6 trillion, representing approximately 42 percent of the nation's outstanding mortgage debt.[14] From 2008 to 2019, the FHA's annual market share of purchase loans ranged from 16.49 percent to 32.6 percent.[15] From 2009 to 2020, Fannie and Freddie's annual share of the total MBS market averaged 70 percent. Including Ginnie Mae securities, those that are backed by FHA mortgages, the federal share of the MBS market averaged 92 percent per year.[16]

Yet, the evidence suggests that the expansive federal role has done little to expand homeownership. Robust mortgage financing exists in virtually every developed nation of the world without the high degree of government involvement found in the United States, but the overall U.S. homeownership rate is below average among developed nations (64.5 percent in the United States versus 68.1 percent for Organisation for Economic Co-operation and Development (OECD) countries).[17] And even though the U.S. ownership rate has changed little since the 1960s, volatility of home prices and home construction in the United States were

---

[13] Norbert J. Michel and John Ligon, "Basel III Capital Standards Do Not Reduce the Too-Big-to-Fail Problem," Heritage Foundation Backgrounder no. 2905, April 23, 2014, http://thf_media.s3.amazonaws.com/2014/pdf/BG2905.pdf; and, Norbert J. Michel, "Strict Bank-Like Capital Rules Needed for Fannie Mae and Freddie Mac," Heritage Foundation Backgrounder no. 3474, March 9, 2020, https://www.heritage.org/sites/default/files/2020-03/BG3474.pdf.

[14] For the fiscal year ending December 31, 2020, Fannie Mae reported $4 trillion in total assets while Freddie Mac reported $2.6 trillion. See Federal National Mortgage Association, "Annual Report," December 31, 2020, p. 61, https://www.fanniemae.com/media/38271/display. p. 61; and Federal Home Loan Mortgage Corporation, "Annual Report," December 31, 2020, p. 34, http://www.freddiemac.com/investors/financials/pdf/10k_021121.pdf, p. 34. The 42 percent figures it is the author's estimate using the Federal Reserve's (now discontinued) 2019 reported total for mortgage debt outstanding ($15.8 trillion). See Board of Governors of the Federal Reserve System, "Mortgage Debt Outstanding, All holders (DISCONTINUED) [(MDOAH])," retrieved from FRED Economic Data, Federal Reserve Bank of St. Louis, October 15, 2021, https://fred.stlouisfed.org/series/MDOAH, October 15, 2021.

[15] See United States Department of Housing and Urban Development, "FHA Single Family Market Share, 2020 Q1," p. 4, https://www.hud.gov/sites/dfiles/Housing/images/FHASFMarketShare2020Q1.pdf.

[16] These figures include both single-family and multi-family MBS. Securities Industry and Financial Markets Association, "US MBS Securities: Issuance, Trading Volume, Outstanding," October 13, 2021, https://www.sifma.org/resources/research/us-mortgage-backed-securities-statistics/us-mortgage-backed-securities-statistics-sifma/; and, Ginnie Mae, *Insurance Summary*, March 2021, https://www.ginniemae.gov/data_and_reports/reporting/MonthlyIssuanceReports/Mar21_ISS.pdf.

[17] These figures represent the combined ownership rate for people who own their home outright and those who own a mortgage, for both the United States and all Organisation for Economic Co-operation and Development (OECD) countries, using 2019 data, as reported in the OECD Affordable Housing Database, October 15, 2021, available at https://www.oecd.org/housing/data/affordable-housing-database/.

among the highest in the industrialized world from 1998 to 2009.[18] Federal housing finance policies have, at the very least, magnified economic instability by inducing higher home prices.[19] Federal involvement expanded after the most recent financial crisis, for instance, and home prices have risen to 43 percent *more* than where they peaked prior to their 2007 crash.[20] The fact that prices are so far from the bottom of a housing cycle is worrisome, especially since empirical evidence links large increases in housing prices to banking crises.[21]

Other research, when examining asset price booms and busts in the OECD countries from 1970 to 2001, estimates that the probability of a real estate boom ending in a bust is 53 percent, whereas stock market booms have just a 13 percent probability of ending in a crash.[22] Another study estimates that a 1 percentage point increase in real home prices raises the probability of a U.S. financial crisis by 0.07 percent.[23] Moreover, the role of housing prices in U.S. financial crises is linked to high-leverage lending, where policies ensure that both borrowers and those who fund mortgages can do so with relatively little loss-absorbing equity. For decades, U.S. housing finance policy has helped increase the number of mortgages requiring low down payments used for financing homes, even though evidence clearly indicates that the risk of loan default increases (particularly among first-time home buyers) as the loan-to-value ratio increases.[24]

---

[18] Dwight M. Jaffee, "Reforming the U.S. Mortgage Market Through Private Market Incentives," in Satya Thallam, ed., *House of Cards: Reforming America's Housing Finance System*, George Mason University, Mercatus Center, March 2012, pp. 23-25, http://mercatus.org/sites/default/files/House_of_Cards_March_2012.pdf (accessed March 6, 2014).

[19] Broadly, federal housing policies have caused more than their share of economic turmoil. See Alex J. Pollock and Edward J. Pinto, "Political Disasters in US Housing: The Lessons of History," *Housing Finance International*, AEI Op-Ed, September 30, 2021, https://www.aei.org/op-eds/political-disasters-in-us-housing-the-lessons-of-history/.

[20] This 43 percent figure refers to the S&P/Case-Shiller U.S. National Home Price Index. See S&P Dow Jones Indices LLC, "S&P/Case-Shiller U.S. National Home Price Index [(CSUSHPISA])," retrieved from FRED Economic Data, Federal Reserve Bank of St. Louis, October 15, 2021, https://fred.stlouisfed.org/series/CSUSHPISA.

[21] Carmen M. Reinhart and Kenneth S. Rogoff, "Is the 2007 US Sub-prime Crisis so Different? An International Historical Comparison," *American Economic Review*, 98, no. 2 (May 2008): 339–44.

[22] Michael D. Bordo and Olivier Jeanne, "Boom-Busts in Asset Prices, Economic Instability, and Monetary Policy," NBER Working Paper no. 8966, June 2002, pp. 9–10.

[23] See Ray Barrell et al., "Bank Regulation, Property Prices and Early Warning Systems for Banking Crises in OECD Countries," *Journal of Banking and Finance*, Vol. 34, no. 9 (September 2010): 2255–64. Also see Mark Calabria, "The Role of Mortgage Finance in Financial (In)Stability," in *Homeownership Built to Last: Balancing Access, Affordability, and Risk after the Housing Crisis*, ed. Eric S. Belsky, Christopher E. Herbert, and Jennifer H. Molinsky (Washington: Brookings Institution Press, 2014), pp. 372–93.

[24] "Legislative Proposals to Determine the Future Role of FHA, RHS and GNMA in the Single- and Multi-Family Mortgage Markets," Testimony Before the House Financial Services Subcommittee on Insurance, Housing and Community Opportunity, 112th Cong., First Session, (September 8, 2011)(statement of Carol J. Galante), https://financialservices.house.gov/uploadedfiles/090811galante.pdf, pp. 14–15; Patric H. Hendershott and William R. Schultz, "Equity and Nonequity Determinants of FHA Single-Family Mortgage Foreclosures in the 1980s," NBER Working Paper no. 4440, August 1993, https://www.nber.org/papers/w4440; George M. Von Furstenberg, "Default Risk on FHA-Insured Home Mortgages as a Function of the Terms of Financing: A Quantitative Analysis," *Journal of Finance*, 1969, Vol. 24, no. 3 (June 1969), pp. 459-4–77; and Morris A. Davis et al., "A Quarter Century of Mortgage Risk," AEI Economics Working Paper no. 2019-04, May 2021, https://www.aei.org/research-products/working-paper/mortgage-risk-since-1990/.

Owning one's own home is commonly viewed as part of the American Dream, and policymakers – as well as special interest groups – regularly promote building wealth through buying a home. They also tout beneficial "spillover effects" from homeownership, such as increased engagement in civic institutions, greater political participation, and positive educational outcomes for children. However, much of the evidence for causal spillover effects – that is, the notion that owning a home *causes* people to change their behavior in beneficial ways – is weak, and the size of such spillover effects, where they do exist, does not appear to justify the historical level of government involvement.[25] Furthermore, other research has suggested that homeownership is associated with *negative* spillover effects, such as higher unemployment due to an incentive against relocating.[26] Finally, although home equity frequently represents a large portion of many Americans' wealth, purchasing a home can be a risky investment that depends entirely on home price appreciation, an attribute fundamentally in conflict with housing becoming more affordable.[27]

Price Appreciation and Ownership Rates: A Closer Look

While government intervention in housing has steadily increased, the overall rate of U.S. homeownership has remained nearly constant over the past 50 years.[28] On the other hand, the level of residential mortgage debt has increased more than fivefold – Federal Reserve data show that inflation-adjusted mortgage debt increased from about $3 trillion in 1970 (two years

---

[25] Jane R. Zavisca and Theodore P. Gerber, "The Socioeconomic, Demographic, and Political Effects of Housing in Comparative Perspective," *Annual Review of Sociology*, July 2016, Vol. 42, pp. 347-367, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6078393/; David R. Barker, "The Evidence Does Not Show That Homeownership Benefits Children," *Cityscape*, 2013, Vol. 15, No. 2, pp. 231-234, https://www.jstor.org/stable/41959125; and, Edward L. Glaeser and Jesse M. Shapiro, "The Benefits of the Home Mortgage Interest Deduction," National Bureau of Economic Research Working Paper no. 9284, October 2002, https://www.nber.org/system/files/working_papers/w9284/w9284.pdf.

[26] David G. Blanchflower and Andrew J. Oswald, "Does High Home-Ownership Impair the Labor Market?," National Bureau of Economic Research Working Paper no. 19079, May 2013, https://www.nber.org/system/files/working_papers/w19079/w19079.pdf.

[27] For *at least* the past 20 years, home prices have exhibited similar volatility to equity markets. Joe Cortright, "Why Homeownership Is Frequently A Bad Bet," *City Commentary*, July 15, 2019, https://cityobservatory.org/why-homeownership-is-frequently-a-bad-bet/. Also see Daniel Indiviglio, "Should the Government Encourage Home Ownership?," *The Atlantic*, June 17, 2010, https://www.theatlantic.com/business/archive/2010/06/should-the-government-encourage-home-ownership/58320/; and, Daniel Indiviglio, "The Fallacy of Eternal Home Price Appreciation," *The Atlantic*, April 6, 2010, https://www.theatlantic.com/business/archive/2010/04/the-fallacy-of-eternal-home-price-appreciation/38546/.

[28] Between 1940 and 1960 the U.S. homeownership rate increased from 44 percent to 62 percent. Research suggests that it is "likely that there was some commonality between the drivers of the increases in non-farm home ownership in the pre-1930s and the post-1940 periods." See Daniel K. Fetter, "The 20th-Century Increase in US Home Ownership: Facts and Hypotheses," *National Bureau of Economic Research*, July 2, 2013, p. 5, http://www.nber.org/chapters/c12801.pdf. One key factor—which explains approximately 17 percent of the homeownership rate increase from 1940 to 1960—was that people began buying homes at much younger ages than previously. Research also suggests that increasing income accounted for up to 50 percent of the increase from 1940 to 1960, and up to 20 percent may have resulted from tax benefits becoming more pronounced as income increased. See Daniel K. Fetter, "The 20th-Century Increase in US Home Ownership: Facts and Hypotheses," pp. 16-18.

after Fannie Mae became a GSE) to $15.8 trillion in 2019. While countless government programs are touted as boosting homeownership, these policies have tended to increase *mortgage* ownership. According to the Census Bureau, the homeownership rate was 64 percent in 1970. That's basically where it hovered for most of the 1980s and 1990s, higher than where it bottomed out in 2016, and almost exactly where it stood in the middle of 2019.[29]

There is, of course, much more to the home ownership story than just the national rate. For instance, the Census Bureau's American Community Survey (ACS) reports homeownership rates by core-based statistical area (CBSA), a statistic that can be paired with each CBSA's median price-to-income ratio.[30] These figures show a national ownership rate of 63.3 percent for 2019.[31] However, for the 25 CBSAs with the highest price-to-income ratios (the least affordable homes), the average ownership rate is just 61.8 percent. In San Jose and Los Angeles, both among the three CBSAs with the least affordable homes, the ownership rates are 56.6 percent and 48.6 percent, respectively. For the 25 CBSAs with the lowest price-to-income ratios (the *most* affordable homes), the average rate is 69.5 percent. For at least the last decade, federal policies have fueled debt and correspondingly rapid home price appreciation at a much higher rate in the entry-level segment (lower-priced homes) of the market.[32]

Overemphasis on Rates and Demand Rather Than Supply

Even if the aforementioned positive spillover effects from home ownership clearly outweighed the negative ones, it would not automatically follow that the federal government should undertake a policy of actively encouraging people—especially those with low wealth—to finance home purchases with low-equity long-term debt. Such mortgages are risky for both borrowers and lenders, and the ability to consistently repay a mortgage in timely fashion – or consistently pay rent in a timely manner – is dependent on broad economic and social factors. Those factors, including education quality and regulatory barriers that hamper employment, ultimately determine the ownership and rental rates in the economy, and it is a mistake to assume that any particular ownership rate is the "correct" one. Policies that simply target the ownership rate are destined to fail precisely because they do nothing to change the underlying economic factors that govern the long-term rate of home ownership.

---

[29] U.S. Census Bureau, Homeownership Rate in the United States [RHORUSQ156N], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/RHORUSQ156N, October 15, 2021.
[30] These figures were provided to the author by the AEI Housing Center.
[31] According to Census data, the African American ownership rate in 2000 was 46.3 percent, *higher* than the 2019 rate of 44 percent. See United States Census Bureau, "Historical Census of Housing Tables: Homeownership by Race and Hispanic Origin," 2000, https://www2.census.gov/programs-surveys/decennial/tables/time-series/coh-ownershipbyrace/ownershipbyrace-tab.txt; and, United States Census Bureau, "Quarterly Residential Vacancies And Homeownership, Second Quarter 2021," July 27, 2021, Table 7, https://www.census.gov/housing/hvs/files/currenthvspress.pdf.
[32] See Edward J. Pinto, Norbert J. Michel, and Tobias Peter, "Comment Letter for Qualified Mortgage Definition under the Truth in Lending Act (Regulation Z), Consumer Financial Protection Bureau, Docket No. CFPB-2019-0039," September 18, 2019, https://www.aei.org/research-products/report/comment-letter-on-the-qualified-mortgage-definition/.

In 1994, President Clinton launched National Partners in Homeownership, a private–public cooperative, with an explicit goal of raising the U.S. homeownership rate from 64 percent to 70 percent by 2000.[33] Although the rate increased from 64 percent in 1994 to 69 percent in 2004, at a time when Fannie and Freddie went from holding (combined) 35 percent of the nation's mortgages to more than 43 percent,[34] more than 4 million people lost their homes during the 2008 financial crisis, and the rate fell back to 65 percent – only 1 percentage point higher than in 1968. This episode is emblematic of longstanding federal housing finance policy with a misplaced emphasis on the rate of ownership and federal intervention that boosts the quantity of home mortgages.

These demand-side policies have been particularly problematic because, compared to increasing the supply of housing, it is rather easy to boost demand. Housing supply is always relatively constricted in the sense that available land (in locations that people most desire to live) is a prerequisite for large scale home building, and also because a new home (or apartment building) takes at least several months to construct. In many areas, state and local regulatory restrictions have contributed heavily to supply constraints in housing markets, often by limiting the amount of land that can be used for particular types of housing.[35] Inducing demand in supply-constrained markets can only serve to put upward pressure on prices, and housing markets are no exception. Thus, federal housing finance policies have typically made it more expensive (everything else constant) to either buy or rent a dwelling. Nonetheless, inducing demand is precisely what federal policies have done for decades, and there appears to be no desire in Congress (or the administration) to reverse, or even slow, that trend.

Congress and Biden Administration Set To Further Interfere With Housing Markets While Increasing Risky Debt and Prices

Recent moves by the Biden administration, as well as multiple provisions in the new budget reconciliation bill, demonstrate a clear commitment to implementing the same types of failed housing policies that have consistently expanded government intervention in housing markets at a great cost to millions of Americans. For instance, the Treasury and the Federal Housing Finance Agency (FHFA) announced (on September 14, 2021) that they would suspend certain conditions (added in 2021) to the Preferred Stock Purchase Agreements (PSPAs) that

---

[33] Norbert Michel and John Ligon, "Fannie and Freddie: What Record of Success?," Heritage Foundation Backgrounder no. 2854, November 7, 2013, https://www.heritage.org/housing/report/fannie-and-freddie-what-record-success.

[34] These figures refer to *Total Mortgages Held or Securitized by Fannie Mae and Freddie Mac, as a Percentage of Residential Mortgage Debt Outstanding,* as reported by the FHFA. See Federal Housing Finance Agency, Data, *Enterprise Share of Residential Mortgage Debt Outstanding 1990 – 2010*, 2021, https://www.fhfa.gov/DataTools/Downloads/Pages/Current-Market-Data.aspx.

[35] Lee Ohanian, "Common-Sense Policy Reforms for California Housing," Cato Policy Analysis no. 920, August 31, 2021, https://www.cato.org/policy-analysis/common-sense-policy-reforms-california-housing; and, Vanessa Brown Calder, "Zoning, Land-Use Planning, and Housing Affordability," Cato Policy Analysis no. 823, October 18, 2017, https://www.cato.org/policy-analysis/zoning-land-use-planning-housing-affordability.

govern the conservatorships of Fannie Mae and Freddie Mac.[36] The PSPAs are key to protecting taxpayers against future bailouts and ensuring that Fannie and Freddie (the enterprises) do not further crowd out private capital,[37] but the administration has weakened those protections by suspending the provisions that capped the enterprises' purchases of multifamily housing loans, as well as single-family loans "with higher risk characteristics," second homes, and investment properties.[38] These last two provisions have nothing to do with helping people become homeowners, and they represent a naked give away to special interests that lobby to maximize real estate lending. Uncapping the enterprises' multifamily loan purchases is also a giveaway to corporate rent seekers and will likely do little, if anything, to increase the amount of housing that would otherwise go unbuilt.

Separately, the FHFA announced a new notice of proposed rulemaking to amend the Enterprise Regulatory Capital Framework (ERCF) enacted in 2020.[39] The ERCF framework was designed to strengthen the enterprises and protect taxpayers, and was among the most meaningful housing finance reforms since 2008. Yet, the administration wants to lower the enterprises' prescribed leverage buffer amount (PLBA) *and* the floor on the risk weight assigned to any retained credit risk transfer (CRT) exposures. Just as with weakening the PSPA provisions, it makes zero sense to lower the GSEs' capital requirements, especially when home prices have risen so much. Aside from the potential effect on home prices, rolling back these reforms will weaken the enterprises' capital position and force taxpayers to back more high-risk loans, thus increasing the risk of future bailouts. Of course, reducing the capital requirements is precisely what various special interest groups have been calling for since the FHFA originally proposed the ERCF. For instance, the cottage CRT industry, ironically a group that consists mostly of large investors and Wall Street firms, has long called for *no risk weight floor* on CRT exposures, which is equivalent to treating them as risk-free investments as safe, or safer, than U.S. Treasuries.

From a safety and soundness standpoint, the idea that CRTs completely eliminate the enterprises' risk is pure fantasy – they increase the enterprises' financial obligations and their

[36] Federal Housing Finance Agency, "FHFA and Treasury Suspending Certain Portions of the 2021 Preferred Stock Purchase Agreements," *News Release*, September 14, 2021, https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-and-Treasury-Suspending-Certain-Portions-of-the-2021-Preferred-Stock-Purchase-Agreements.aspx.
[37] Joel Griffith and Norbert Michel, "Revising the Preferred Stock Purchase Agreements of Fannie Mae and Freddie Mac May Be the Biggest GSE Bailout Yet," Heritage Foundation Backgrounder no. 3448, November 4, 2019, https://www.heritage.org/sites/default/files/2019-11/BG3448.pdf.
[38] Federal Housing Finance Agency, "FHFA and Treasury Suspending Certain Portions of the 2021 Preferred Stock Purchase Agreements," *News Release*, September 14, 2021, https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-and-Treasury-Suspending-Certain-Portions-of-the-2021-Preferred-Stock-Purchase-Agreements.aspx.
[39] Federal Housing Finance Agency, "Enterprise Regulatory Capital Framework Rule—Prescribed Leverage Buffer Amount and Credit Risk Transfer," Notice of proposed rulemaking, *Federal Register*, Vol. 86, no. 184, September 27, 2021, https://www.govinfo.gov/content/pkg/FR-2021-09-27/pdf/2021-20297.pdf.

value to either the enterprises or taxpayers is highly questionable.[40] Similarly, it makes little sense to lower the existing leverage buffer, a mechanism that serves as a part of a backstop to the enterprises' risk-based capital requirements. In addition to the tier 1 leverage ratio, the GSEs are supposed to maintain a fixed buffer of at least 2.5 percent tier 1 capital to adjusted total assets, and lowering this amount – or any of the risk-based requirements – cannot legitimately be described as improving the enterprises' safety and soundness because it does the exact opposite. If anything, the original rule should have required *higher* capital ratios, so that the enterprises' requirements were more in line with those of the Global Systemically Important Banks (GSIBs).

Nonetheless, the administration is now proposing to replace the fixed buffer with "a dynamic leverage buffer determined annually and tied to the stability capital buffer," a change that the FHFA estimates will reduce the enterprises' leverage buffers by about two-thirds.[41] Perhaps worse, the administration is setting up an even larger reduction in capital. The new proposal asks for comments on whether "the prudential risk weight floor of 20 percent on single-family and multifamily mortgage exposures [is] appropriately calibrated,"[42] a clear signal that the administration wants to lower the enterprises' overall capital requirements.

Harmful Programs Included in Reconciliation Package

Aside from these risky housing finance provisions, the administration and Congress are trying to use the budget reconciliation bill to implement multiple housing policies that will waste taxpayers' money and make housing *less* affordable. For instance, the House Financial Services Committee inserted $10 billion for the First-Generation Downpayment Assistance Fund, a program loosely designed to provide downpayment assistance to first-time homebuyers.[43] There is no doubt that it is difficult to save a large downpayment for a

[40] Federal Housing Finance Agency, "Performance Of Fannie Mae's And Freddie Mac's Single-Family Credit Risk Transfer," May 2021, https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/CRT-Overview-05172021.pdf. The report also explains (see page 23) that "CRT investors and counterparties are projected to receive a simple return [interest and premiums received less write downs and reimbursements divided by risk in force at issuance] of about 26 percent on the original reference pool UPB in the baseline scenario and 16 percent in the 2007 Replay."

[41] Federal Housing Finance Agency, "Enterprise Regulatory Capital Framework Rule—Prescribed Leverage Buffer Amount and Credit Risk Transfer," Figure 2, p. 53237.

[42] Federal Housing Finance Agency, "Enterprise Regulatory Capital Framework Rule—Prescribed Leverage Buffer Amount and Credit Risk Transfer," p. 53238. Even the Financial Stability Oversight Council (FSOC) officially stated that the enterprises' capital requirements should not be lower than those in the 2020 ERCF. United States Department of the Treasury, "Financial Stability Oversight Council Issues Statement on Activities-Based Review of Secondary Mortgage Market Activities," September 25, 2020, p. 4, https://home.treasury.gov/news/press-releases/sm1136.

[43] House Financial Services markup providing for reconciliation pursuant to S. Con. Res. 14, the Concurrent Resolution on the Budget for Fiscal Year 2022, Section 40201, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408300. Also see Norbert Michel, "House Financial Services Is Pushing For A Downpayment Assistance Program, Another Failed Policy From The Past," *Forbes*, September 17, 2021, https://www.forbes.com/sites/norbertmichel/2021/09/17/house-financial-services-is-pushing-for-a-downpayment-assistance-program-another-failed-policy-from-the-past/?sh=777c8ec94394.

mortgage, but it does not follow that the federal government should provide even a portion of those funds. Among other problems, subsidizing downpayments puts upward pressure on home prices, making it more expensive for everyone who buys a home and for those who rent. The way the proposal is written, there is little doubt that federal agencies will define *first time homebuyer* broadly, so that anyone who has not owned a home during the past few years will still qualify. Moreover, the funds will be available to states as well as *eligible entities*, including those who provide grants to buy shared equity homes, those for which lenders provide a second mortgage to the homeowner in return for sharing any profits when the home is later sold. Naturally, the best chance for earning a profit in this case is if home prices rise, so the policy design is all but an admission that the program helps put upward pressure on prices.

Unsurprisingly, downpayment assistance programs have a miserable track record in the United States, and in 2008 Congress eliminated the FHA's seller-funded downpayment assistance program because it was such a disaster.[44] A 2007 Government Accountability Office report showed that "the probability that loans with seller-funded downpayment assistance would result in claims against the [FHA's insurance] fund was 76 percent higher in the national sample and 166 percent higher in the MSA sample than it was for comparable loans without such assistance."[45] Separate from loans in that failed FHA program, delinquencies of single-family FHA loans with downpayment assistance are consistently higher than FHA loans without such assistance.[46] In fact, there is evidence that borrowers who provide even small downpayments from their own savings display lower default rates than those who receive downpayments from an outside source, possibly suggesting that *the act of saving* the money is an important signal of underlying attributes.[47] The following list provides several additional examples of harmful housing policies proposed in the reconciliation bill.[48]

---

[44] Legislative Proposals To Determine The Future Role Of FHA, RHS, and GNMA In The Single- And Multi-Family Mortgage Markets, Hearing Before The Subcommittee On Insurance, Housing, And Community Opportunity Of The Committee On Financial Services, U.S. House Of Representatives, 112th Congress, First Session, May 25, 2011, https://www.govinfo.gov/content/pkg/CHRG-112hhrg66870/html/CHRG-112hhrg66870.htm.

[45] U.S. Government Accountability Office, "Seller-Funded Down-Payment Assistance Changes the Structure of the Purchase Transaction and Negatively Affects Loan Performance," GAO-07-1033T, June 22, 2007, https://www.gao.gov/assets/gao-07-1033t.pdf; and, Bruce Foote, "Treatment of Seller-Funded Downpayment Assistance in FHA-Insured Home Loans," *Congressional Research Service*, March 11, 2009, https://www.everycrsreport.com/files/20090311_RS22934_8a19891e362701515226541e1e64be0c057e3d02.pdf.

[46] The monthly FHA Single-Family Loan Performance Trends Report is available online as far back as 2013, and it shows similarly above average delinquencies throughout the years. For one example, see U.S. Department of Housing and Urban Development, *Federal Housing Administration, Annual Report, Fiscal Year 2020*, p. 39, https://www.hud.gov/sites/dfiles/Housing/documents/2020FHAAnnualReportMMIFund.pdf.

[47] Austin Kelly, "'Skin in the Game': Zero Downpayment Mortgage Default," *Journal of Housing Research*, Vol. 17, no. 2, 2008, https://www.tandfonline.com/doi/abs/10.1080/10835547.2008.12091991.

[48] All references herein refer to the House Financial Services markup providing for reconciliation pursuant to S. Con. Res. 14, the Concurrent Resolution on the Budget for Fiscal Year 2022, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408300.

- Provides $80 billion for public housing "preservation and creation," with $66.5 billion to be allocated at the discretion of the Housing and Urban Development Secretary.[49] This funding level is troubling on its own, given the abject failure of public housing,[50] but it is even more disturbing given Senator Chuck Schumer's recent public plea for $80 billion to "help bring much-needed change to the housing authority in New York City."[51] In a 2018 lawsuit, the federal government detailed the decrepit conditions that the New York City Housing Authority trained its employees to hide from HUD inspectors, thus protecting their $2 billion per year transfer from federal taxpayers.[52] The markup also includes a separate $750 million appropriation for the HUD Secretary to "oversee the implementation" of these funds.
    - Another troubling component of the bill is a provision (Section 40001(d)(2)) that amounts to a functional repeal of the Faircloth amendment, a change that would allow a *net increase* in public housing project construction.[53] Allowing a net increase in public housing projects would be a major reversal of federal housing policy, one that upends a longstanding bipartisan agreement that public housing projects were a major failure.[54]
- Includes $72 billion for "activities and assistance" for the HOME Investment Partnerships Program,[55] a federal block grant program created by the Cranston-Gonzalez National Affordable Housing Act of 1990. Typically, Congress appropriates between $1.5 and $2 billion per year for this program.[56] The program has a troubling track record of fraud even at its existing level of funding,[57] and it already funds duplicative programs including downpayment assistance plans.[58] This total also includes $36 billion for the Housing Trust Fund, as well as $50 million for "existing technical

---

[49] Section 40001.
[50] See Howard Husock, "Public Housing and Rental Subsidies," *Manhattan Institute*, February 24, 2017, https://www.manhattan-institute.org/html/public-housing-and-rental-subsidies-10055.html.
[51] Charles Schumer, "NYCHA Needs Big Money For Major Progress," September 21, 2021, https://www.cityandstateny.com/opinion/2021/09/nycha-needs-big-money-major-progress/185481/.
[52] Kaja Whitehouse, Nolan Hicks, Yoav Gonen and Bruce Golding, "Feds: NYCHA Covered Up Public Housing Dangers For Years," *New York Post*, June 11, 2018, https://nypost.com/2018/06/11/feds-city-covered-up-public-housing-dangers-for-years/.
[53] The provision reads "Paragraph (3) of section 9(g) of the United States Housing Act of 1937 (42 U.S.C. 1437g(g)(3)) shall not apply to new funds made available under this section."
[54] Jenny Schuetz, "Four Reasons Why More Public Housing Isn't The Solution To Affordability Concerns," *Brookings Institute*, January 14, 2021, https://www.brookings.edu/blog/the-avenue/2021/01/14/four-reasons-why-more-public-housing-isnt-the-solution-to-affordability-concerns/.
[55] Section 40002.
[56] Katie Jones, "An Overview of the HOME Investment Partnerships Program," *Congressional Research Service*, R40118, January 4, 2021, https://sgp.fas.org/crs/misc/R40118.pdf.
[57] Joint Hearing entitled "Fraud in the HUD HOME Program," House Financial Services Committee, November 02, 2011, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=401964.
[58] Department Of Housing And Urban Development, Office Of Community Planning And Development, Home Investment Partnerships Program, Summary Of Resources, https://www.hud.gov/sites/dfiles/CFO/documents/20_2022CJ-HOME.pdf.

assistance providers" and $300 million for the HUD Secretary to oversee the implementation of these funds. The Housing Trust Fund is rife with waste – even though it received more than $1 billion since 2016, more than 65 percent of those funds were not disbursed, and the Fund completed production of 800 housing units, representing a cost of "one completed unit of housing for every $1.5 million in the fund."[59]

- Establishes a new Housing Investment Fund with an appropriation of $9.6 billion.[60] This fund is "a special account within the Community Development Financial Institutions Fund," and the appropriation includes $360 million for the CDFI Fund to administer and oversee the new Fund.[61]
- Includes $6 billion for the HUD Secretary to provide "direct loans, grants, and direct loans that can be converted into grants…to fund projects that improve the energy or water efficiency, implement green features, including clean energy generation or building electrification, electric car charging station installations, or address climate resilience of multifamily properties." The appropriation includes $76 million for the HUD Secretary to oversee the implementation of these funds, as well as $360 million for "expenses of contracts administered by the Secretary."[62]
- Appropriates $4 billion for the purpose of "providing direct loans, which may be forgivable, to owners of distressed [multifamily] properties for the purpose of making necessary physical improvements."[63] The appropriation includes $130 million for the HUD Secretary to oversee the implementation of these funds.
- Provides up to $75 billion for Section 8 rental housing vouchers,[64] an amount that is more than three times current federal assistance levels for tenant-based rentals.[65] This change will magnify upward pressure on rental prices.[66] The appropriation also includes $750 million for the HUD Secretary to oversee the implementation of these funds.

---

[59] Rep. Patrick McHenry (R-NC), "HUD's Housing Trust Fund Falls Short of Objective to Provide Support to Low-Income Americans," Press Release, April 15, 2021, https://republicans-financialservices.house.gov/news/documentsingle.aspx?DocumentID=407961.

[60] Section 40003.

[61] Community Development Financial Institutions are certified by the Community Development Financial Institutions Fund (the CDFI Fund), established in the U.S. Department of the Treasury. CDFIs are mainly private firms that receive public money from the CDFI Fund. CDFIs have been around since at least the 1930s (although not in their current form), but they proliferated in the 1960s and 1970s; more than 1,000 now exist. There is a dearth of academic literature on CDFIs partly because their operations are so diffuse and difficult to track. See Lehn Benjamin, Julia Sass Rubin, and Sean Zielenbach, "Community Development Financial Institutions: Current Issues and Future Prospects," *Journal of Urban Affairs*, 2004, Vol. 26, no. 2, pp. 177-195, https://www.tandfonline.com/doi/abs/10.1111/j.0735-2166.2004.00196.x.

[62] Section 40006.

[63] Section 40007.

[64] Section 40010.

[65] Peter G. Peterson Foundation, "How Does The Federal Government Support Housing For Low-Income Households?," July 29, 2020, https://www.pgpf.org/blog/2020/07/how-does-the-federal-government-support-housing-for-low-income-households.

[66] The larger the rental subsidy program becomes, in terms of number of renters and size of the subsidy, the more upward pressure the program will have on rental rates. A similar policy problem exists with military housing

- Separately appropriates $15 billion for Section 8 project-based rental assistance, with up to $348 million to provide technical assistance to recipients, and $40 million for the HUD Secretary to oversee the implementation of these funds.[67]
- Includes $4.5 billion to establish the Unlocking Possibilities Program, for the purpose of "awarding planning grants to develop and evaluate housing policy plans and substantially improve housing strategies," and for "awarding planning grants to streamline regulatory requirements and shorten processes."[68] The appropriation includes $70 million for the HUD Secretary to provide technical assistance to grantees, and also $150 million for the HUD Secretary to oversee the implementation of these funds.
- Appropriates $7.5 billion for a Community Restoration and Revitalization Fund, established to award grants for "community-led projects that create civic infrastructure to support a community's social, economic, and civic fabric, create fair, affordable and accessible housing opportunities, prevent residential displacement, acquire and remediate blighted properties, and promote quality job creation and retention."[69] The amount includes $1 billion for the HUD Secretary to provide technical assistance to grantees, and also $300 million for the HUD Secretary to oversee the implementation of these funds.
- Separately appropriates $1.99 billion to the HUD Secretary for the purpose of "administering and overseeing the implementation of [this bill] and the Department's programs generally, including information technology, inspections of housing units, research and evaluation, financial reporting, and other costs.[70]
- Separately appropriates $100 million to the HUD Secretary "to competitively award funds for technical assistance and capacity building to non-Federal entities, including nonprofit organizations that can provide technical assistance activities to community development corporations."[71]
    - Just the funds allocated (in the above-listed provisions) to HUD for "overseeing and implementing" sum to $4.5 billion, representing 8 percent of HUD's FY 2022

allowances in severely supply-restricted areas, such as the Hawaiian Islands. See Eric Pape, "Living Hawaii: How Military Policies Drive Up Rents on Oahu," *Honolulu Civil Beat*, June 17, 2015, https://www.civilbeat.org/2015/06/living-hawaii-how-military-policies-drive-up-rents-on-oahu/. For a more general view of how housing vouchers can lead to higher rental rates, see Robert Collinson and Peter Ganong, "How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?," *American Economic Journal: Economic Policy*, 2018, Vol. 10, no. 2, pp. 62-89, https://www.aeaweb.org/articles?id=10.1257/pol.20150176.

[67] Section 40011.
[68] Section 40104.
[69] Section 40106.
[70] Section 40301.
[71] Section 40302.

budget ($56.5 billion).[72]

Conclusion

All the average American has to show for decades of failed federal housing policies is excessive debt, high housing costs, volatile home prices, overregulation, distorted markets, and a trail of federal bailouts. The U.S. homeownership rate is almost exactly where it was in the 1960s, home prices have consistently outpaced income growth, and taxpayers have been forced to shell out hundreds of billions of dollars. Although it is convenient to blame "Wall Street," "private equity," and "speculators" for distorted housing markets, the truth is that the federal government is – and has been for some time – the dominant force in U.S. housing markets.

Rather than focus on underlying economic and social problems, and removing regulatory barriers that restrict supply, federal policies have consistently increased demand by making it easier to obtain home mortgages. There appears to be no momentum in Congress to reverse these trends. In fact, the new Biden administration policies, and multiple proposals being considered in the budget reconciliation process, will implement the same types of failed housing policies of the past. Collectively, these policies will further expand government intervention in housing markets at a great cost to millions of Americans. They will put even more upward pressure on prices and rental rates, waste taxpayers' money, and ultimately make housing less affordable.

Thank you for the opportunity to provide this information, and I welcome any questions that you may have.

[72] U.S. House Committee on Appropriations, "Appropriations Committee Releases Fiscal Year 2022 Transportation, and Housing and Urban Development, and Related Agencies Funding Bill," *Press Release*, July 11, 2021, https://appropriations.house.gov/news/press-releases/appropriations-committee-releases-fiscal-year-2022-transportation-and-housing.

PREPARED STATEMENT OF MICHAEL HENDRIX

SENIOR FELLOW AND DIRECTOR FOR STATE AND LOCAL POLICY, MANHATTAN INSTITUTE

OCTOBER 21, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for inviting me to participate in today's hearing. My name is Michael Hendrix, and I serve as a senior fellow and director of State and local policy at the Manhattan Institute. Along with my colleagues, we seek to advance freedom and opportunity across America's communities.

Today's hearing topic seems misguided. Large investment firms, including those in private equity, buy just 1 to 2 percent of homes sold nationally today. And they own less than one-tenth of 1 percent of the housing market in America. Big finance is still a tiny player in housing.

But housing's a hot market today, and investors both large and small are seeing opportunities to invest, so I'm open to discussing how these private dollars can go to expanding access and affordability for Americans looking for a place to call home. But it's difficult to be optimistic when many here are embracing this Administration's plans to regulate and legislate their way to a bigger Government role in housing.

For instance, the reconciliation bill being considered in Congress doubles-down on failed public housing and throws more subsidy money at a limited supply of homes, a recipe for prices to keep rising. These are not answers to America's housing crisis. And make no mistake: it is a crisis. Housing demand is far outpacing housing supply. We have a shortage of nearly four million homes nationwide. But the roots of this crisis lie not in financial speculation but in Government regulation.

Localities have made it practically illegal to build enough housing to meet demand, leading to inflated home prices. America is building homes at its slowest rate in 60 years, worsening a supply problem that has been decades in the making. Investors are snapping up homes because of supply restrictions, not in spite of them. The only answer to a housing shortage is to build more housing.

Yet this hearing suggests a skepticism for the private sector investing in more housing. That's what institutional investors are doing, after all; they're not shrinking the supply of shelter. In fact, many are building more homes, which is what America needs if it's going to get out of this crisis. And as Vox notes, "Since renters are on average less wealthy than mortgage-qualifying would-be homeowners, institutional investors might be creating more housing for lower-wealth Americans," particularly in desirable neighborhoods. [1]

If not the private sector then, that leaves us with the public sector—and specifically, public housing. That is a mistake.

Rather than helping the private sector solve a crisis of the Government's making, Congress' $3.5 trillion reconciliation bill plans to bail out America's failed public housing system. This money—an incredible $80 billion—has few limits on how it's spent. Senate Majority Leader Chuck Schumer has promised to hand over the bulk of these dollars to the scandal-plagued New York City Housing Authority (NYCHA). Worse yet, Sen. Schumer's colleagues want more failed NYCHAs through a backdoor repeal of limits on new public housing.

Back in April, Sen. Schumer called on President Joe Biden to double his planned spending of $40 billion on public housing. He wanted all of the original money just to pay NYCHA's repair bill. And he got it: an increase to $80 billion in spending on public housing and enormous influence on securing half of it for a NYCHA bailout. And even this may not be enough: NYCHA estimates its repair costs may be as high as $68.5 billion by 2028. In short, it's an $80 billion slush fund.

NYCHA is what we get when we get more public housing. And that should scare every American, especially for the survivors of public housing. NYCHA is the Nation's oldest and largest public housing system, housing more people than the city of Atlanta, and long held up as a model of what Government can achieve when it takes charge of housing.

And in 2018, NYCHA's own tenants sued the housing authority for its squalid living conditions. Then the Federal Government sued too, finding that the housing agency had worked harder to cover-up its "dangerous problems" than to actually fix them. It turns out that the Nation's largest and greatest public housing system poisoned over a thousand children with lead exposure, then lied and covered it up.

[1] Demsas, Jerusalem. "Wall Street Isn't To Blame for the Chaotic Housing Market". *Vox*, June 11, 2021. *https://www.vox.com/22524829/wall-street-housing-market-blackrock-bubble.*

And just this month, New York City public health officials admitted that NYCHA residents are dying from COVID–19 at nearly twice the city rate.

"The real disaster is the management at NYCHA and its culture of deception," said the U.S. attorney who sued the agency, and he's right. Just the other month, Brooklyn's district attorney charged nine NYCHA contractors with bribery over the authority's no-bid contracts. There's an "ecosystem of people willing to make and take bribes at NYCHA," found the Brooklyn DA.

Despite record levels of funding, "New York's public housing isn't getting better," admitted the *New York Times*.[2] Sometimes more money means more problems. A new paint job won't fix NYCHA's problems. A public housing slush fund only harms accountability and leaves structural problems in place. Spending $40 billion to repair NYCHA amounts to roughly $250,000 for every family living in public housing in New York City. Do we really believe we won't get more of the same?

We are now being promised more failure by striking a 1990s-era cap on public housing units known as the Faircloth Amendment. Housing authorities are being told they can build and expand, while it seems the private sector is being told the opposite. That means more demands for even more public housing dollars in the future. The backdoor repeal of the Faircloth Amendment in the reconciliation bill ensures America will trap more generations in public housing poverty.

Public housing has failed—look no further than NYCHA. It's time we did better for Americans in need of more affordable housing. Bailing out scandal-plagued public housing authorities is not the answer. Neither is condemning private sector solutions to America's housing crisis. We can—we must—do better.

Thank you.

[2] The Editorial Board. "New York's Public Housing Isn't Getting Better". *New York Times*, July 30, 2019. *https://www.nytimes.com/2019/07/30/opinion/new-yorks-public-housing-nycha.html*.

PREPARED STATEMENT OF DESIREE FIELDS

ASSISTANT PROFESSOR OF GEOGRAPHY AND GLOBAL METROPOLITAN STUDIES, UNIVERSITY OF CALIFORNIA, BERKELEY

OCTOBER 21, 2021

Testimony before the
Senate Committee on Banking, Housing, and Urban Affairs

Hearing on:
How Private Equity Landlords are Changing the Housing Market

October 21, 2021

Desiree Fields
Assistant Professor of Geography and Global Metropolitan Studies, UC Berkeley

Introduction

Thank you Chairman Brown, Ranking Member Toomey, and members of the Committee, for the opportunity to testify today.

My name is Desiree Fields. I am Assistant Professor of Geography and Global Metropolitan Studies at the University of California, Berkeley. My research considers the intersection of financial processes, housing, and digital technology. A particular focus of my scholarship is the role of institutional investors as landlords, and how advances in digital technology have facilitated the consolidation of property ownership in single-family rental housing.

I have conducted research in this area since 2013. My findings are published in reports for the Federal Reserve Bank of San Francisco and peer-reviewed journals in urban and economic geography. In past work I investigated the experiences of mortgage foreclosure among low-income homeowners and the consequences of private equity investment in New York City's rent-regulated housing sector. My current research program grows directly from these past studies.

I examine how single-family rental homes have become the site of new financial asset classes; the organizational forms and growth strategies common to large-scale single-family rental landlords; and the critical role of cloud and mobile computing, algorithms, and new sources of data and analytics in the institutionalization of single-family rental (SFR). At its core, my work is about how these processes of economic and technological change reinforce existing inequalities in the United States.

My comments will focus on charting changes the role played by institutional investors in the single-family rental market since the 2008 financial crisis. After presenting an overarching timeline of these changes and how they developed, I will address the rapid growth of investment in the SFR market over the course of the COVID-19 pandemic. Finally, I will discuss the current state of scholarly knowledge about the role of institutional investors in the SFR market, attending to implications for renters, would-be owner occupiers, communities, and urban development more broadly.

The issues addressed in my research have been the subject of significant media attention and wider public debate in recent months, and I am happy to be able to offer substantive context around these developments with the Committee today.

A note on terminology and scope: In this testimony, I refer to landlords in the SFR sector with terms such as institutional players, institutional investors, corporate operators, corporate landlords, and large-scale operators. These terms indicate portfolios of rental properties owned and/or financed by private equity and other alternative investors, often in combination with backing from pension funds, affiliates of larger companies, and home builders. Some of today's largest corporate landlords are now publicly listed on the stock market but have similar origins and continue to raise private capital; these companies are therefore included in my testimony.

I. Overview

Single-family homes have long constituted a meaningful share of the US rental housing sector, in 2018 accounting for about a third of all rental housing or about 15 million units.[1] Before the 2008 financial crisis, SFR homes were never owned or managed at scale by corporate actors. Small inventories (overwhelmingly a single property) owned by non-professional landlords (Savage, 1998) were the norm. This highly fragmented ownership pattern posed a challenge to market information and thus to consolidation of SFR.

Since 2008, SFR has been the site of a wave of consolidation led by private capital, including some of the world's largest alternative investment and private equity firms, most notably Blackstone. Today the five largest public and private operators together control close to 200,000 homes, with portfolios ranging from 15,000-80,000 properties (see Table 1).[2] Beyond these dominant players, numerous other operators own upwards of 1000 SFR homes.

Large-scale ownership by financial actors has changed the structure of the SFR sector, and in so doing helped initiate financial modes of capital accumulation in a sector where investors typically rely on income from rents and long-term capital gains. For example, rental flows from SFR homes started being securitized in 2013 and more than 50 transactions have been completed since,[3] offering low-cost debt to corporate landlords and investment opportunities to the bond

---

[1] Joint Center for Housing Studies (2020). America's Rental Housing 2020. Joint Center for Housing Studies of Harvard University.
[2] As I will discuss in greater depth elsewhere in this testimony, [my research on SFR real estate investment trusts shows that institutional SFR is geographically concentrated](#).
[3] Fields, D. (2019). Automated Landlord: Digital technologies and post-crisis financial accumulation. *Environment and Planning A*. DOI: 10.1177/0308518X19846514

market. Since 2012 four corporate landlords have gone public as real estate investment trusts (REITs) in the US; today Invitation Homes and American Homes 4 Rent remain publicly listed.[4]

Following a wave of growth by consolidation from 2015-2019, the pandemic has seen a flood of capital into the SFR sector. At least $30 billion worth of investor and capital transactions were announced since March 2020.[5] The current round of investor-led growth will foster the expansion of numerous existing operators and allow new institutional operators to enter the market. This phase of growth is also marked by new models including "build for rent", as well as a growing number of investment platforms catering to small-scale, individual investors in SFR.

Figure 1

II. How did we get here?

Precursors to today's consolidation of SFR include federal government interventions to the foreclosure crisis, the suburban geography of the crisis and the accompanying devaluation of relatively new homes, and the growth in renting and constrained mortgage credit seen in the years after 2008.

Leading up to the crisis, government inaction largely left borrowers to their own efforts to prevent foreclosure. Loan servicers' perverse incentives to pursue foreclosure, the failure to mandate lender participation in relief programs, and bankruptcy judges' inability to reduce mortgage principal all mitigated against the effectiveness of federal mortgage relief programs deployed after 2008.[6] These weaknesses undoubtedly contributed to the volume of foreclosed homes that would accumulate around the

---

[4] Tricon American Homes is the third-largest corporate landlord in the US but is owned by Tricon Residential, a publicly listed Canadian company that in 2017 acquired Silver Bay, one of the first SFR REITs in the US.
[5] Nguyen, D. (2021). Over $30 Billion in Capital is Chasing 35-year High in Single-family Rent Growth. John Burns Real Estate Consulting. https://www.realestateconsulting.com/the-light-35-year-high-in-single-family-rent-growth/
[6] Bratt, R, and Immergluck, D. (2015). The Mortgage Crisis: Historical Context and Recent Responses. *Journal of Urban Affairs* 37 (1): 32–37.

country. Between 2004 (when the US homeownership rate peaked at 69%) and 2014, seven million foreclosures were completed.[7]

The foreclosure crisis spared few parts of the US, but the metropolitan geography of home repossessions was spatially uneven and changed over time. Starting around 2006, foreclosed homes first accumulated in weak markets in formerly industrial centers of the Midwestern Rust Belt, particularly in low-income, predominantly African-American and Hispanic central city neighborhoods subjected to high levels of subprime and predatory lending.[8] Once the larger financial crisis hit in 2007-2008 repossessed properties accumulated more in suburban, middle-class neighborhoods in the Sun Belt (southern California, the Southwest, and the Southeast) .[9]

The housing bubble was most pronounced in the Sun Belt because prices increased rapidly in the 2000s and many homeowners took out mortgages just ahead of 2008, when prices peaked and "exotic" loan products (e.g. adjustable interest rate) were marketed to middle-class borrowers.[10] When the bubble burst, Sun Belt markets experienced the steepest, most rapid price declines.[11] It is difficult to overestimate the importance of this property devaluation for the construction of the institutional SFR market. Not just any properties were steeply devalued, but large, often relatively new or recently renovated suburban properties.

Rental demand surged due to the foreclosure crisis. A decade after homeownership peaked in 2004, the percentage of homes occupied by renters climbed from 31% to 36% in 2015, a rate last seen in the mid-1990s, when the federal government renewed efforts to boost homeownership. The conversion of single-family housing stock from owner-occupied or for-sale to renter-occupied helped meet this increased rental demand.[12]

The growth of renting goes hand in hand with tightened access to mortgage credit in the years following the 2008 crisis.[13] Even compared to historical credit availability rather than the exceptionally loose credit of 2004 to 2007, constrained mortgage lending lowered the probability

---

[7] Core Logic National Foreclosure Report: August 2014. http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-august-2014.pdf.
[8] Immergluck, D. (2010). The Accumulation of Lender-Owned Homes During the U.S. Mortgage Crisis: Examining Metropolitan REO Inventories. *Housing Policy Debate* 20 (4): 619–45.
[9] *Ibid*
[10] Aalbers, M. (2009). "Geographies of the Financial Crisis." *Area* 41 (1): 34–42; Immergluck, D. (2015). "A Look Back: What We Now Know about the Causes of the US Mortgage Crisis." *International Journal of Urban Sciences*, May, 1–17.
[11] *Ibid*
[12] Joint Center for Housing Studies (2015). "he State of the Nation's Housing. Joint Center for Housing Studies of Harvard University.
[13] Krainer, J. and McCarthy, E. (2014). Housing Market Headwinds. 2014–32. Economic Letter. Federal Reserve Bank of San Francisco. http://www.frbsf.org/economic-research/publications/economic-letter/2014/november/housing-mortgage-economy-economic-recovery/.

of ownership in the crucial years after 2008[14] when institutional players were amassing their initial portfolios.

In the wake of 2008, large pockets of discounted but newer houses were available in metropolitan areas recently subject to economic and population growth, but mortgage credit was constrained—and rental demand was rising. These market conditions were necessary, but not sufficient to enable the consolidation of SFR. A combination of advances in technology, policy, and investors' efforts to seek out returns in a low-interest rate environment have all been critical to SFR industry consolidation since 2008.

One of the signature responses to the 2008 crisis by central banks around the world, including the US, was to keep interest rates close to zero to boost market liquidity. This policy decreased the rate of return on financial assets, leading investors seeking yield toward riskier assets (such as property) and investment strategies (such as private equity).[15] Managers of alternative investment funds, such as Blackstone, benefited from this market turn. And with non-agency residential mortgage securitization at a standstill since 2008, the financial industry needed new products and revenue streams.[16] In this macroeconomic and investment context, the post-2008 inventory of discounted homes and growing rental demand rapidly emerged as a market opportunity.

To some extent, the REO[17] Pilot Program, launched in 2012 by the Federal Housing Finance Agency (FHFA), indicated state support for institutional landlords. The program sought to sell 2500 government-owned foreclosed properties for conversion to rental housing in bulk sales, focusing on hard-hit metropolitan areas including Atlanta, Chicago, Las Vegas, Phoenix, and parts of Florida. The CEO of Amherst Holdings, a company advising institutional investors, testified to the House Committee on Financial Services the program was influential in their decision to work toward "building the appropriate platform to shepherd the necessary capital to the market".[18] While real estate investors had long considered bulk purchases of distressed real estate, the REO Pilot Program signaled to large players that the state welcomed their role as landlords.

---

[14] Acolin, A, et al. (2016). Borrowing Constraints and Homeownership. SSRN Scholarly Paper ID 2720313. Rochester, NY: Social Science Research Network. http://papers.ssrn.com/abstract=2720313.
[15] Marriage, M. (2014). Pension funds seek 'sweet spot' in alternatives. *Financial Times.* http://www.ft.com/cms/s/0/5cb74072-0814-11e4-acd8-00144feab7de.html#axzz4AzSXKsFK
[16] Alloway, T, et al. (2014). "Zeal for Blackstone Home Rental Bond Fades." *Financial Times*, February 4. https://www.ft.com/content/74447996-8cf2-11e3-ad57-00144feab7de; Neumann, J. (2012). Plotting a Securitization Sequel. *Wall Street Journal*, http://www.wsj.com/articles/SB10000872396390444097904577535453115674034.
[17] REO refers to "real estate owned", the term used to describe foreclosed homes that have reverted to bank ownership.
[18] Committee on Financial Services (2012). *An Examination of the Federal Housing Finance Agency's Real Estate Owned (REO) Pilot Program*. Washington, DC.

Advances in technology coming to prominence since 2008 have been the linchpin in the consolidation of SFR.[19] Digital innovations like cloud and mobile computing helped automate core functions like rent collection and property maintenance, enabling more efficient management of large, geographically dispersed property portfolios and increasing market confidence in corporate landlords' management capabilities). With new sources of data and analytics, institutional landlords have developed in-house data platforms powered by algorithms to rapidly evaluate and submit offers on homes that meet their investment criteria. Using vertically integrated corporate structures ensures institutional landlords' access to a continuous flow of data they can analyze to seek out efficiencies and market opportunities. New information technologies enabled investors to aggregate ownership of resources, efficiently extract income flows, and securely convey these flows to capital markets.

Today, what began as an opportunistic trade has evolved into a full-blown industry, with a sophisticated ecosystem of players acquiring, building, and renting out properties on a long-term basis. Organized into a lobby group through the National Rental Home Council (NHRC), the SFR industry positions itself as a solution to the affordable housing crisis through delivering an exceptional housing product designed to meet the needs of millennials in the early years of family formation.

III. The pandemic boom in SFR

After a period of rapid growth from 2012-2014, when today's major brands established their portfolios by acquiring foreclosed homes in hard-hit Sun Belt metropolitan areas, industry growth slowed somewhat. From 2015-2019, large players like Invitation Homes, American Homes 4 Rent, Front Yard Residential, and Tricon American Homes got bigger mainly by acquiring or merging with smaller players.

Despite initial concerns the pandemic would precipitate a housing downturn, it instead sparked a surge of demand from investors and owner-occupiers alike. With the global search for investment yield ongoing, a wide range of new real estate investment platforms rolling out, and investors seeking safe haven in housing, SFR has boomed.[20] An industry-wide narrative has taken hold around the following idea: with new work-from-home and social distancing trends in the wake of COVID-19, the "subscription generation" wants more space - larger homes, away from dense urban areas - without the trouble and responsibilities of being a homeowner. In this narrative, by professionalizing the single-family rental market SFR operators are "rescuing" thousands of renters from the vast "shadow market" run by mom-and-pop landlords.

---

[19] *Supra* note 3.
[20] Burns, J. and Palacios, R. (2021). Investor Mania 2.0: How data, technology, and yield chasing are revolutionizing housing while raising risk levels. John Burns Real Estate Consulting.

Thus, the pandemic set off a new wave of investor-led growth in SFR, with more than 40 deals representing over $30 billion of investor and capital transactions since March 2020.[21] This round of growth is associated with:

- **Financing for newer strategies such as build-for-rent** (BFR, also known as build-to-rent): As the inventory of distressed real estate has dwindled and asset prices have risen, SFR companies are delving deeper into the housing supply chain with BFR as a strategy for growth that may widen profit margins through reduced maintenance requests, lower tenant turnover, and more efficient management practices;
- **Involvement of newer players**: favorable market fundamentals have drawn a host of new players interested in tapping into the SFR boom, including homebuilders like Lennar (which recently launched Upward America, a $1.25 billion joint BFR venture with Centerbridge Partners) and commercial real estate investors such as JLL;
- **Deals involving digital platforms** like Roofstock, Entera, and Fundrise that purport to simplify and democratize SFR investment by giving individual investors access to the same tools used by institutional investors;
- **A growing role for iBuyers**[22]: Invesco has backed property management platform Mynd to deploy up to $5 billion to acquire 20,000 homes in three years, and Mynd's CEO expects 15-20% of these acquisitions will originate from iBuyers (TK Business Insider article);
- **Substantial involvement of public pension funds**: Notable deals include a $1 billion joint venture between CalSTRS (California's $286.9 billion teachers' retirement system) and global investment manager PCCP LLC to build homes for rent; a plan for Tricon American Homes, the Teachers Retirement System of Texas and other investors to acquire $5 billion worth of existing homes; a $125 million investment by the Tennessee Consolidated Retirement System in a SFR fund operated by private equity firm Pretium Partners; and a $150 million investment by the State of Wisconsin Investment Board in a SFR fund managed by Hudson Advisors. Additionally, in 2019 the Arizona Teachers pension fund committed $400 million to a joint venture with Tricon American Homes to build homes for rent.

Despite the influx of new players and an expanded role for investment platforms geared for the masses, existing large players hold an early mover advantage and are poised to benefit from investors' interest in SFR. On recent earnings calls, Invitation Homes, American Homes 4 Rent, and Tricon American Homes all characterized 2021 as a banner year for fundraising, with more and more capital seeking exposure to the SFR asset class.

---

[21] *Supra* note 5

[22] iBuyers are real estate companies like Zillow, OpenDoor, and Redfin that use technology to price homes and provide "instant" offers to buy directly from sellers.

Private equity and alternative investment firms remain central to the SFR market. Blackstone, the investment giant that started Invitation Homes and exited SFR in 2019, has re-entered the market in a big way. In 2020 it took a $240 million minority stake in rental company Tricon American Homes and in 2021 the firm acquired rent-to-own company Home Partners of America for $6 billion. Pretium Partners, the private equity parent company of SFR operator Progress Residential (with more than 60,000 homes), has steadily expanded its market footprint. Just in the past two years, Pretium has: added 14,000 units when it and asset manager Ares acquired REIT Front Yard Residential for $2.5 billion, taking the company private; acquired 1000 properties from GTIS Partners for $300 million; accepted a $125 million investment from Tennessee Consolidated Retirement System; entered a $700 million joint venture with Canadian pension fund PSP and another joint venture with developer Crescent Communities to invest $1 billion in BFR communities.

Considering the vast amounts of capital pouring into SFR and the growing exposure of public pension funds to this asset class, it is an important moment to step back and consider what we know about the role of institutional landlords in the SFR market. Through lobbying and public relations efforts, SFR operators have tried to position themselves as positive actors helping alleviate the national housing crisis. Does this narrative hold up? What does it leave out of the frame?

IV. What do we know about corporate landlords in SFR?

While it is true that institutional players and private capital took on some level of market risk when they first entered the market in the immediate aftermath of the 2008 crisis, at this time it is appropriate to question the narrative that corporate landlords are stabilizing communities and alleviating the housing crisis. Available evidence raises concerns about the direct and indirect effects of institutional operators on tenants, would-be owner-occupiers, and communities more broadly, particularly in the markets where their footprint is the largest.

Segmented geographies of institutional SFR: A common refrain by SFR operators is that they control just a small share of the market. Indeed, the market snapshot provided by the National Rental Home Council, the trade and lobbying group for institutional SFR operators, states its members "comprise just 2 percent of the 16-million-home market" and emphasizes "most single-family investors hold fewer than 10 units".[23] This way of framing market share belies the fact that the institutional SFR industry is not evenly distributed throughout the country but is instead highly geographically segmented. A snapshot of the holdings of SFR REITs Invitation Homes, American Homes 4 Rent, Tricon American Homes, and Front Yard Residential (the latter recently taken private) shows a distinctive Sun Belt geography (see Table 1; see Figure 2).

[23] NRHC (2021). Resources and Research. https://www.rentalhomecouncil.org/resources-research/

This geography largely tracks with the markets where the pre-2008 housing bubble was most inflated and price declines the steepest afterwards, as well as analyses of the top markets for purchases by large-scale investors in the industry's period of rapid growth from 2012-2014 (see Table 2), and the economic geography of SFR securitization from 2013-2016.[24]

In addition to being concentrated in a relatively small number of markets, institutional SFR is also concentrated in specific market segments within metropolitan areas. That is, the "buy box", or the property attributes investors specify for acquisition, does not include all of the single-family homes in a given metropolitan area. Institutional operators use what they term an "acquisition engine" (American Homes 4 Rent) or "acquisition platform" (Invitation Homes) to undertake "disciplined market and asset selection".[25] These tools use data fed into a proprietary underwriting algorithm. These data might encompass "neighborhood desirability, proximity to employment centers, transportation corridors, community amenities, construction type, and required ongoing capital needs".[26] The algorithm uses these data in combination with target yield and other investor specifications to identify desirable properties and generate prices. Such software allowed SFR companies to scale up portfolios rapidly and deploy capital to the right submarkets and neighborhoods.[27]

Top 5 metropolitan areas for major SFR operators	**Number of homes**
Atlanta	23,000
Phoenix	13000
Tampa	13000
South Florida	9000
Dallas-Fort Worth	8900
Top 5 states for major SFR operators	**Number of homes**
Florida	37000
Georgia	27000
Texas	20000
North Carolina	15000
Arizona	13000
data based on most recent quarterly SEC filings	

Table 1

Top metropolitan areas for purchases by large-scale investors, 2012-2014.

Region	**State**	**Metro area**
Southeast	Florida	Jacksonville
		Miami
		Lakeland-Winter Haven
		Orlando
		Tampa
	North Carolina	Charlotte
		Raleigh
		Winston-Salem
	Georgia	Atlanta
	Tennessee	Memphis
Southwest	Arizona	Phoenix
		Tuscon
	Nevada	Las Vegas
West	California	Sacramento
		Vallejo

My tabulation of data from Mills, James, Raven Molloy, and Rebecca Zarutskie. 2017. "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class." Real Estate Economics, January, 1–32.

Table 2

[24] Fields, D., Kohli, R., Schafran, A. (2016). The Emerging Economic Geography of Single-Family Rental Securitization. Community Development Investment Center, Working Paper 2016-02. Federal Reserve Bank of San Francisco. https://www.frbsf.org/community-development/publications/working-papers/2016/january/emerging-economic-geography-single-family-rental-securitization/
[25] Invitation Homes (2021). Form 10-Q, March 31, 2021.
[26] Invitation Homes (2017). Form 10-K.
[27] Mills, James, Raven Molloy, and Rebecca Zarutskie. 2017. "Large-Scale Buy-to-Rent Investors in the Single-Family Housing Market: The Emergence of a New Asset Class." *Real Estate Economics*, January, 1–32. https://doi.org/10.1111/1540-6229.12189.

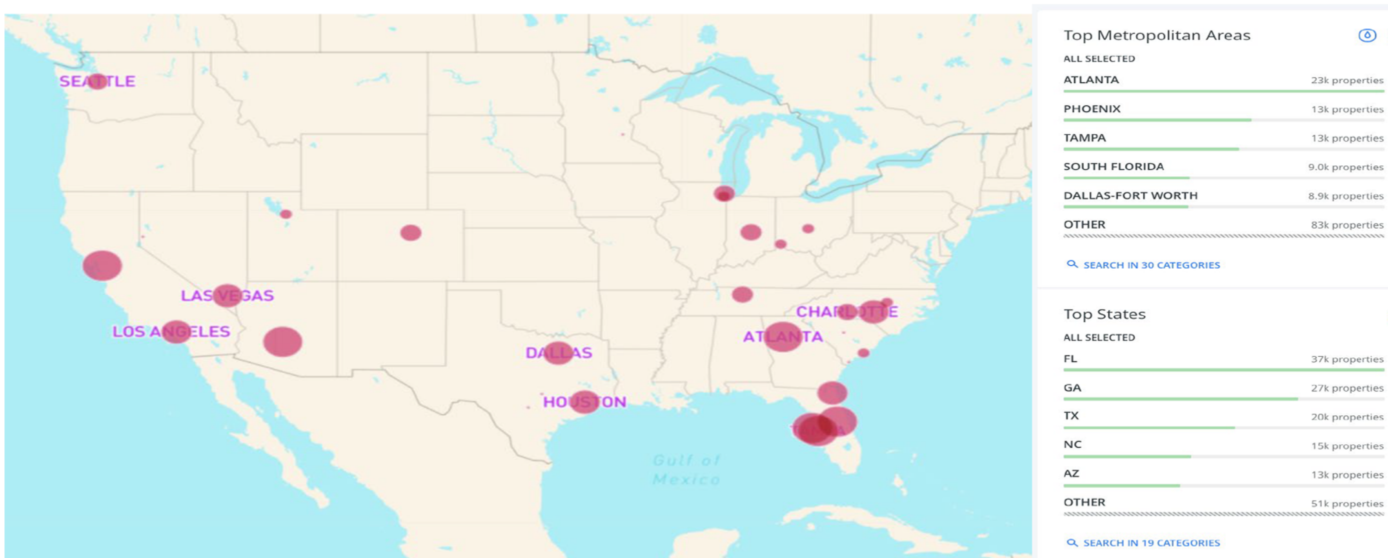


Figure 2: Geography of SFR homes owned by American Homes 4 Rent, Front Yard Residential, Invitation Homes, and Tricon American Homes. Data drawn from most recent SEC filings. Also viewable as an interactive map.

According to the NRHC, "three-bedroom, two-bathroom single-family homes priced at the mid-range of the local market" (2021) typically fall within the buy box for their members. For example, in the first quarter of 2020, Invitation Homes acquired 504 homes for an average price of $272,760[28]; just below the median home sales price of $279,900 in the South[29], the US region with lowest prices and one where Invitation Homes is highly active. Within their target markets, the company seeks out homes averaging "approximately 1,870 square feet with three bedrooms and two bathrooms "in "attractive neighborhoods in in-fill locations with multiple demand drivers, such as proximity to major employment centers, desirable schools, and transportation corridors".[30]

Policy conversations about institutional landlords' market share should be informed by the following considerations of their buy box and the geography of their target markets:

Institutional landlords do not look to acquire properties uniformly across the country. They depend on efficiencies that are possible when they achieve scale (usually a few thousand properties in a metropolitan area), so they concentrate their acquisition efforts on specific markets. For Invitation Homes, these are markets they "expect will exhibit lower new supply, stronger job and household formation growth, and superior net operating income ("NOI") growth relative to the broader United States housing and rental markets".[31]

Institutional landlords are not searching uniformly across all single-family homes within their target markets. They use a specific set of neighborhood and built environment criteria and limit acquisitions to properties they can purchase near or below median prices.

These considerations offer important context for **concerns about monopolization, competition with homebuyers, and high rents** raised in media accounts of institutional landlords published in recent years. For example, reporting in *The Wall Street Journal* highlighted how in one Nashville suburb, four institutional landlords collectively controlled three quarters of local rental houses, outcompeting would-be owner occupiers with all-cash, no-contingency offers and effectively gatekeeping access to particular neighborhoods and public schools, all while asking for rents almost a third higher than monthly ownership costs.[32] Journalists for *The Washington Post* found that after entering the Memphis market in 2015, private equity firm Cerberus Capital Management acquired 1800 rental homes in three years, making it the city's largest owner of

[28] *Supra* note 25
[29] FRED Economic Data (2021). Quarterly Median and Average Sales Prices of Houses Sold by Region, Q1 2020. Federal Reserve Bank of St Louis. https://fred.stlouisfed.org/release/tables?rid=97&eid=206085&od=2020-03-01#
[30] *Supra* note 25
[31] *Ibid*
[32] Kusisto, l. and Dezember, R. (2017). Meet your New Landlord: Wall Street. *The Wall Street Journal*. https://www.wsj.com/articles/meet-your-new-landlord-wall-street-1500647417

single-family homes.[33] This year, an article in *The Wall Street Journal* cited that the investor share of home purchases is growing most in "boomtowns" like Houston, Miami, Phoenix, and Las Vegas in the slice of the market with homes "priced below $300,000 and in good school districts", highlighting how "permanent capital competing with a young couple trying to buy a house" would "make housing permanently more expensive".[34]

An informed understanding of target markets and buy boxes corroborates these media accounts and pokes some holes in the SFR industry narrative of 2% market share. It also sheds some light on how corporate landlords have been able to increase rents so dramatically during the pandemic. Amid the generally heightened demand for space and amenities seen during the COVID-19 pandemic, the flood of capital into SFR is enabling institutional investors to outcompete would-be homebuyers, channeling them back to the rental market and generating spillover demand for SFR homes. Below I address how corporate landlords are exploiting this demand to their advantage with record rent increases (see Table 3 for an overview of key operators in the SFR industry).

Pandemic rent increases: While SFR operators claim to provide quality, affordable housing they have pushed outsized rent increases on tenants, particularly during the pandemic.

Tricon Residential's most recent rent push offers a clear-cut example of the rising cost of housing for tenants of the largest SFR operators. For the quarterly period ending June 30, 2021, rents on new leases in their single-family "same home portfolio" increased by 17.0% on average. For tenants renewing their leases, rents increased by 4.7%. The "blended" rental growth (combined average for new move-ins and renewals) for this period was 8.0%. Even during the beginning of the pandemic (April - June 2020), amidst widespread lockdowns, stay-at-home orders, high unemployment rates, and economic uncertainty, Tricon still pushed 8.0% rent increases on new leases.

---

[33] Frankel T and Keating D (2018) Eviction filings and code complaints: What happened when a private equity firm became one city's biggest homeowner. *The Washington Post.* *https://www.washingtonpost.com/business/economy/eviction-filings-and-code-complaints-what-happened-when-a-private-equity-firm-became-one-citys-biggest-homeowner/2018/12/25/995678d4-02f3-11e9-b6a9-0aa5c2fcc9e4_story.html*

[34] Dezember, R. (2021). If You Sell a House These Days, the Buyer Might Be a Pension Fund. *The Wall Street Journal.* https://www.wsj.com/articles/if-you-sell-a-house-these-days-the-buyer-might-be-a-pension-fund-11617544801

SFR Industry Snapshot

Company Name	Type	Scale	Geographic Distribution		Rent and rental increases				Home Profile	
	Public vs. Private	SFR Portfolio Size (in # of homes)	Number of active geographic markets	Geographic focus	Average monthly rent	Average rent increases (new leases)	Average rent increases (renewals)	Average rent increases (blended)	Average square footage	Average property age (in years)
Invitation Homes	Public	80,330	16	Florida + Western USA (70% of revenues) More recent expansion into Southeast and Texas	$1,915	8.0%	4.3%	-	1,870 ft2	-
American Homes 4 Rent	Public	53,348	35	Sunbelt (60% of their properties are in GA, NC, TX, TN, IN, FL, and AZ)	$1,730	-	-	6.9%	1,987 ft2	16.6
Tricon Residential	Public	24,961	21	Sunbelt, with a focus on the Southeast (45%), followed by Western markets (18%), Texas (17%), and Florida (16%)	$1,509	17.0%	4.7%	8.0%	1,630 ft2	26
Amherst Residential	Private	16,000 (1)	30	Midwest and Sunbelt	-	-	-	-	-	-
Front Yard (2)	Public	14,286	29	Southeast, Florida and Texas (68% of properties are in FL, GA, TX, TN)	$1,345	-	-	-	-	36

Source: Data based on latest SEC filing available (a dash indicates no data available)

(1) Because Amherst is private, the data here is a bit unclear. According to fortune.com 2021 article, they "own **or** manage" 16,000 SFR homes across the Sunbelt and Midwest (source)
(2) Front Yard is data based on September 202010Q and 2019 10K (last filings before they were acquired by Pretium and went private)

Table 3

American Homes 4 Rent is also capitalizing on high demand to increase rents. The largest rent hikes in AH4R's portfolio took place in Phoenix, Arizona where the average blended rental rate growth peaked at 12.2% for the first quarter of 2021, followed by Las Vegas, with an increase of 8.0% (American Homes 4 Rent, 2021). On recent earnings calls, investors worried that what they referred to as "eye-poppingly" large rent hikes could be considered insensitive against the backdrop of the pandemic, asking AH4R executives how they expected tenants to keep up with such marked increases. In response, CEO Dave Singelyn argued that given the strong migration flows from unaffordable cities in California to markets like Phoenix, Las Vegas, and Seattle, new tenants were not shocked by massive rent increases. Further, these prices were justified given the highly desirable nature of their professionally managed homes. While AH4R gives the impression that rental prices are being driven organically by record-level demand, in fact, AH4R artificially and intentionally constrains supply to keep prices high. For example, AH4R executives explained that they avoid flooding a single market with new homes at any given time (which would effectively lower prices) by phasing deliveries of BFR homes and spreading them across their fifteen BFR markets.

Similarly, Invitation Homes seems to be using Western housing markets, where rents are soaring, to increase revenues. In a recent investor call, they shared that West Coast markets were particularly strong, with Phoenix delivering 15% rent hikes, Nevada 12%, and Seattle 11%. Across their portfolio of 80,000 properties, Invitation Homes has been able to drive up rents by 8.0% on new leases, and by 4.3% on lease renewals. With the worst of the pandemic seemingly over, they shared that they have been able to drive rents up more aggressively, giving tenants less wiggle room to negotiate on lease renewals. They explained the need to find the "sweet spot" - namely, how much they can increase rents until it becomes more cost effective for tenants to go out and buy their own place.

These rent hikes are unsettling, and reflect that for corporate landlords, profit-driven bottom lines take precedence over community well-being. Across the board, SFR operators employ the language of community care, marketing themselves as supportive home providers committed to helping tenants stay-in-place. On earnings calls with investors about how they handled the impact of the pandemic on tenants, landlords stated they put in place "genuine care measures" (Invitation Homes), renewed their "commitment to residents" (American Homes 4 Rent), and facilitated "open dialogue" with residents about their concerns (Front Yard Residential). This language of care often directly contradicts the profit motives embedded in their business model and masks the real beneficiaries of the SFR industry: investors seeking a return on investment and anxious to see profit margins increase.

Ancillary fees as a new revenue stream: In addition to increasing rents, SFR operators are increasing profits by creating new fees and "ancillary services" charged in addition to monthly rent payments. Invitation Homes and American Homes 4 Rent are particularly vocal about the use of extraneous fees to increase total revenue.

Starting in 2020, increasing ancillary revenue became a major component of Invitation Homes' revenue strategy. A myriad of fees serves to squeeze more revenue from their portfolio, even when they are not substantially increasing their portfolio size. Such fees include tenant utility reimbursements, late fees, move out fees, pet fees, pest control services, landscaping services, smart home appliances, and other "miscellaneous" fees. Some services even rely on tenants providing free labor - for instance, HVAC filters are delivered every 90 days and residents are expected to install them themselves. These fees are at different stages of development and implementation. For instance, some services are still being piloted and rolled out, while others, like smart home devices, are now automatically included in a tenant's rent at an extra cost. Once a new service has been successfully piloted locally, Invitation Homes' model is to automate and standardize fees across the entire portfolio. Based on a recent earnings call, they are on track to secure ancillary income of $15-$30 million annually by the end of 2022.

Invitation Homes is not the only SFR operator relying on ancillary revenue to increase margins. Tenant charge-back fees feature prominently in AH4R's metrics. The ratio of tenant chargebacks in relation to their overall core revenue has increased significantly over the years, from 12.5% in 2017 to 17% in 2021. As of 2021, $45 million of their core revenue comes from tenant chargebacks. Furthermore, in a recent investor call, CEO Bryan Smith shared that they are exploring ancillary revenue in the form of smart home features and connectivity for their larger communities. Finally, they are exploring new revenue streams such as building homes for sale or offering their property management services to home builders, in addition to building and operating rental properties.

Front Yard and Tricon do not offer much detail into their ancillary strategy but do hint that it is part of their business model as well. For instance, in Front Yard's 2020 annual report to the SEC, when describing their increased revenue for the year, they state, "This increase is primarily attributable to improved occupancy, *increased fee and other income*, better collections and rent increases" (emphasis added). Similarly, Tricon has a "dedicated ancillary revenue team" that continuously offers new services to residents.

In addition to the implications of institutional SFR for housing costs and homeownership opportunities, it is helpful to think about broader potential consequences of this approach to the rental market. Below, I discuss how institutional SFR operators are **doubling down on unsustainable development models, undermining long-term community security and stability, and breeding imitation and potential for predatory models.**

Doubling down on unsustainable development models: SFR operators (and homebuilders) are rapidly acquiring land and control over development of new rental opportunities. These landlords are responding to competition and rising asset prices by buying more "upchain," leveraging industry relationships to gain access to raw land and capital. From land entitlement to building standardized homes to optimize pricing, they use their market power to control the housing supply chain every step of the way. Investments and innovation in technology related to homebuilding and leasing is allowing institutional landlords to rapidly accumulate land, develop homes, and operate properties.

American Homes 4 Rent has been particularly aggressive with its BFR strategy: as of 2020, they had 10,000 lots in their development pipeline and were aiming to have 11,000-13,000 lots by the end of 2021. According to a recent earnings call, their goal is to speed up land acquisition and development to deliver 3,000-4,000 homes annually by 2023. As of Q1 2021, they have half a billion dollars ($0.5 billion) invested in single-family homes under development and development land assets.

Institutional landlords' ability to channel billions of dollars to fuel large-scale suburban homebuilding operations could destabilize local markets and permanently alter the material landscape across the Sun Belt. We could be witnessing an era marked by "Levittowns 2.0", where standardized, mass produced homes are increasingly automated, connected, and remotely controlled.

Ultimately, this consolidation of land, technology, and power in the hands of private corporations could have massive implications for environmental and development regulations, particularly in areas where SFR operators and homebuilders control vast tracts of land. It is particularly alarming to note that some of the "hottest" markets attracting SFR investors - such as Phoenix and Las Vegas - are also plagued by climate change and environmental vulnerabilities, including scorching temperatures and droughts. Phoenix is the hottest American city in the summer, while Las Vegas relies on a manmade water reservoir that was recently at its lowest point since the 1930s. These trends point to the importance of approaching housing and climate policy together, so as to chart an alternative path forward.

Undermining long-term community security and stability: Evidence suggests that large corporate actors operate in ways that put their investment priorities ahead of community stability. My concerns in this area are threefold:

- **Eviction behavior**: Recent work focusing on Atlanta, the top market for institutional SFR operators, show large corporate landlords, especially those backed by institutional investors, are far more likely to pursue eviction than smaller landlords.[35] One such

[35] Raymond EL, Duckworth R, Miller B, et al. (2018) From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals. *Cityscape* 20(3): 159–188.

corporate landlord filed for eviction against a third of its tenants; two others filed against a quarter of their tenants.[36] Further work in Atlanta found that larger SFR owners more often engaged in serial eviction filings, or repeated filings against the same tenant, used not necessarily to remove the tenant but as a rent collection strategy.[37] In Memphis, First Key Homes, owned by Cerberus Capital Management, also engaged in serial filings, making their filings the highest in the area.[38] Such aggressive eviction filings are intimidating for tenants, potentially discouraging them from reporting problems to their landlords and fostering housing insecurity by adding late fees, attorney fees, and other costs to rent arrears.[39]

- **Community disinvestment**: Corporate landlords advance rhetoric of reinvesting in and stabilizing distressed communities, and purport to include well-performing public schools as a core acquisition criterion. However, given rising home values and projected growth of BFR, property taxes are a growing cost for corporate landlords. Large SFR companies employ specialists in negotiating tax appeals to petition for property tax valuation reductions, helping to maximize revenues by minimizing contributions to the local tax base. My own research uncovered that American Homes 4 Rent files 25,000 property tax appeals annually. Efforts to achieve cost savings at the expense of funding public services that benefit communities undercut corporate landlords' claims to be working to strengthen neighborhoods and offer an aspirational middle-class lifestyle.
- **Working against tenant interests:** Corporate landlords use their financial clout to organize against efforts to expand tenant protections. When Blackstone was still behind Invitation Homes, the firm contributed nearly $7 million (accounting for 1 of every 7 dollars of support) to back a 2018 campaign opposing a California ballot proposition to extend rent control to single-family homes [40]; ultimately the proposition was unsuccessful. This behavior demonstrates how corporate entities carrying out the institutionalization of SFR wield political power that has implications for the public beyond the tenants actually living in their properties.

[36] *Ibid*
[37] Immergluck, D. et al., (2020). Evictions, large owners, and serial filings: Findings from Atlanta. *Housing Studies,* 35(5), 903-924.
[38] *Supra* note 33
[39] *Ibid*
[40] Dayen, D. (2018). "Wall Street Is Spending Big to Protect Its Ability to Jack Up Rents in California." *The Intercept* (blog). October 12, 2018. https://theintercept.com/2018/10/12/prop-10-california-rent-control-wall-street/.

Finally, the SFR boom is **breeding imitation and potential for predatory investment models**: Once the largest SFR operators established the early mover advantage, a range of investment platforms emerged that appeal to retail real estate investors. Platforms like Roofstock, Entera, Fundrise, Yield Street, and Arrived Homes offer a range of "click and invest" SFR opportunities that purport to harness data science, artificial intelligence, and proprietary data to easily yield passive income from SFR homes, often for very low minimum investments (as little as $100 in some cases). Such schemes capitalize on the buzz institutional actors have created around SFR—and wider social anxieties about their market power—but may be of questionable benefit to retail investors. For example, a recent deal closed by Arrived Homes involved 187 investors investing $138,000 in a $300,000 rental home to receive a share of the $2195 monthly rent (see Figure 3).

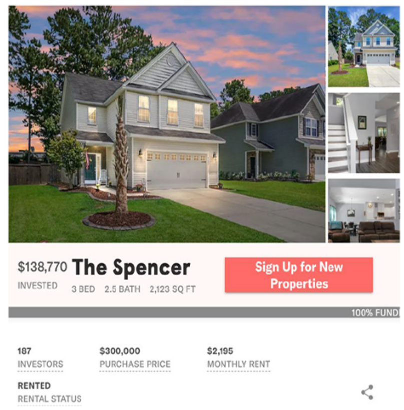


Figure 3: Recent Arrived Homes deal
https://arrivedhomes.com/properties/the-spencer

More troubling is the resurgence of rent-to-own schemes by institutional investors. The years after the 2008 crisis saw the resurgence of contract for deed sales[41] by nationally coordinated private equity firms who used backing from wealthy investors and pension funds to acquire distressed real estate from public institutions. Most active in in Black metropolitan areas and Black neighborhoods, firms like firms Harbor, Stonecrest, and Vision have recently engaged in the same kinds of practices local actors used in the mid-20th century: selling derelict homes at high interest rates, contracts offering little protection to buyers, and substantial markups from acquisition costs without making improvements to the property.[42] Under this business model buyers often forfeit the contract and leave the property after being unable to make repairs or

[41] Such sales enable buyers without access to mainstream mortgage financing to buy a home by putting money down and paying in installments, receiving title and starting to build equity once they pay off the principle in full. Widespread as a means for Black people to buy homes in the segregated real estate markets of the pre-Fair Housing Act 1950s and 1960s, contract for deed is associated with abusive terms and practices that often lead to repossession, including high interest rates, wide latitude to evict buyers, and sale of properties unfit for habitation. See Beryl Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America.*

[42] Stevenson A and Goldstein M (2017) Wall Street Veterans Bet on Low-Income Home Buyers. *The New York Times*, 21 December. Available at: https://www.nytimes.com/2016/04/18/business/dealbook/wall-street-veterans-bet-on-low-income-homebuyers.html; Seymour E and Akers J (2019) Portfolio solutions, bulk sales of bank-owned properties, and the reemergence of racially exploitative land contracts. Cities 89: 46–56; mmergluck D (2018a) Old Wine in Private Equity Bottles? The Resurgence of Contract-for-Deed Home Sales in US Urban Neighborhoods. *International Journal of Urban and Regional Research* 42(4): 651–665.

comply with local ordinances, but not before plowing into savings or taking on additional debt.[43] The resulting churn of tenants in and out of the same property tips it into further disrepair. Contract for deed schemes take advantage of buyers with poor credit or incomes insufficient to qualify for traditional mortgages, and more limited access to mainstream financial institutions. As more would-be homeowners are shut out of the hot housing market, we may see a new wave of such predatory rent-to-own business models.

Conclusion

In closing, I would like to emphasize that institutional investors backed by private equity have *already* changed the housing market. They are amassing significant market power in the markets and communities where they have the biggest footprint, to the detriment of the tenants who face dramatic rent increases rents and aggressive eviction filings, and the potential homebuyers they outbid, siphoning wealth from average Americans. As corporate landlords double down on unsustainable development models, undermine long-term community security and stability, and breed imitation and potential for predatory models their behavior has potentially far reaching social and economic consequences. Yet institutional landlords typically own properties through corporate vehicles, effectively shielding them from public scrutiny and responsibility, and from independent research. As I hope my testimony makes clear, institutional landlords enjoy outsized power and influence in our housing markets, and it is vital to intervene with research-informed policies that support tenants, homebuyers, and communities.

[43] Carpenter A, George T and Nelson L (2019) *The American Dream or Just an Illusion? Understanding Land Contract Trends in the Midwest Pre- and Post-Crisis*. Text. Joint Center for Housing Studies of Harvard University. Available at: https://www.jchs.harvard.edu/research-areas/working-papers/american-dream-or-just-illusion-understanding-land-contract-trends; Goldstein M and Stevenson A (2017) Market for Fixer-Uppers Traps Low-Income Buyers. *The New York Times*, 21 December. Available at: https://www.nytimes.com/2016/02/21/business/dealbook/market-for-fixer-uppers-traps-low-income-buyers.html

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM SOFIA LOPEZ

Q.1. The housing policy page on your organization's website states, "[w]e envision a U.S. where land and housing are publicly owned and used for the overall public good to ensure that every person is guaranteed a home." [1] While advocating for families to have access to safe and affordable housing is a fine goal, I am concerned with your organization's position that the pathway to accomplishing this goal requires increased Government ownership of housing stock.

Does the statement on your organization's website, "[w]e envision a U.S. where land and housing are publicly owned," mean that your organization supports collective ownership of all land or just a portion of land?

Should the law prohibit individual ownership of homes?

Do you oppose private property?

A.1. Senator, thank you for taking the time to engage with our website and for the chance to discuss the challenges of our current housing market.

ACRE believes there are critical limitations to a profit-based housing model, and the current affordability crises facing residents across the country are the result of this model. This means we need more democratic ownership of land, not less.

In the United States, private home ownership has been the primary vehicle to build wealth, which is critical to weathering large, unexpected expenses, covering the cost of higher education, and more. ACRE does not argue that the law should prohibit individual ownership of homes, however, the fact that the median net worth for White households is $188,200 compared to a median net worth of $24,100 for Black households is clear evidence of the limitations of relying on individual ownership to meet our Nation's housing needs and address the widening racial wealth gap. [2]

ACRE would not say we are opposed to private property, but our Nation's history has shown that a profit-based housing model will never ensure that all people in the U.S. are housed. This will require alternative models, like public housing and community ownership to ensure that we are prioritizing the need for shelter over speculation and runaway profit.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR REED FROM SOFIA LOPEZ

Q.1. Rhode Islanders are experiencing a particularly acute shortage of affordable housing supply right now. How do private equity companies and iBuyers influence the housing supply crisis that is happening across the country right now?

A.1. There is a shortage of low-cost homes affordable to renter households and for purchase by first-time, first-generation buyers. What affordable homes are available to first-time buyers are typi-

[1] Action Center on Race and the Economy, accessed October 28, 2021, *https://acrecampaigns.org/issues/levelingtheplayingfield/*.

[2] Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu (2020). "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances", FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020, *https://doi.org/10.17016/2380-7172.2797*.

cally within the same price and square footage range that private equity-backed landlords target for acquisition, putting prospective homeowners and large corporations with billions in cash in direct competition.[1 2]

For example, in Shelby County Tennessee, where Memphis is located, Cerberus Capital Management, Pretium Partners, American Homes 4 Rent, and more, bought over 7,000 homes, combined, with a median value of $145,000.[3] In 2021, Memphis is the metro area with the highest concentration of investor ownership, followed by cities with anticipated high price growth and few tenant protections.[4]

IBuyers have acknowledged the need to achieve scale for their businesses to be profitable. Opendoor, which recently went public via a SPAC, said they would be willing to buy the majority of homes for sale in the 40 markets where they operate today.[5] While iBuyers argue that they purchase, fix, and sell homes to consumers, the reality is they often partner with private equity companies who are hungry to increase their inventory, while the iBuyers create the scale they need to turn a profit. This means, despite the claims of iBuyers, many of the homes they sell are never marketed to consumers.[6]

Q.2. In what ways are ordinary homebuyers for owner-occupied housing disadvantaged when competing against iBuyers to purchase homes? How do these disadvantages compound when prospective homebuyers are first-time, first-generation, minorities, or women?

A.2. Homebuyers, particularly first-time, first-generation, minority and women prospective homebuyers are at a monumental disadvantage when it comes to competing with iBuyers.

Companies like Offerpad, Rocket Homes, Opendoor, and until recently Zillow, have huge quantities of cash at their fingertips, as well as sophisticated algorithms to predict where homes are most likely to appreciate in the future. Analysts of the iBuyer market have noted that one possible factor in Zillow's withdrawal from the iBuying sector is the fact that they were habitually paying more than the market average for homes. In September 2021, for exam-

[1] Mari, F. (2020, March 4). "A $60 Billion Housing Grab by Wall Street". *New York Times Magazine*. Retrieved from *https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html.*

[2] Investment Companies Pricing out Homebuyers. (2021, October 6). NBC News. broadcast. Retrieved from *https://www.nbcnews.com/nightly-news/video/investment-companies-pricing-out-homebuyers-122940997741.*

[3] Powell, A. (2021, October 16). "Home Buying Competition From Investors Could Impact the Black–White Wealth Gap in Shelby County". *The Grio*. Retrieved from *https://thegrio.com/2021/10/16/home-buying-competition-from-investors-black-wealth-gap/.*

[4] Malone, T. (2021). "Single-Family Investor Activity Surges in the Second Quarter". CoreLogic, Inc. Retrieved from *https://www.corelogic.com/intelligence/single-family-investor-activity-surges-in-the-second-quarter/.*

[5] Strachan, M. (2021, August 13). "Zillow, Other Tech Firms Are in an 'Arms Race' To Buy Up American Homes". *Vice*. Retrieved from *https://www.vice.com/en/article/93ymxz/zillow-other-tech-firms-are-in-an-arms-race-to-buy-up-american-homes.*

[6] Clark, P. (2021, May 21). "Mega Landlords Are Snapping up Zillow Homes Before the Public Can See Them". *Bloomberg*. Retrieved from *https://www.bloomberg.com/news/articles/2021-05-21/mega-landlords-are-snapping-up-zillow-homes-before-the-public-can-see-them.*

ple, data show Zillow paid $65,000 above the market average per home.[7]

First-time, first-generation, households of color, and women prospective homebuyers do not have the luxury of paying in cash or taking the risk of buying homes sight-unseen, much less paying a $65,000 premium to bolster their competitive advantage. Instead, because they cannot access the same cash or credit, many households are trapped renting—at times paying more than a mortgage, without building any equity, to private equity companies who are able to outcompete them on the open market, and who are able to purchase from iBuyers in bulk.

Q.3. IBuyers tend to concentrate their purchases in particular geographic areas. How does this impact those local housing markets? What competitive concerns are raised by this buying strategy?

A.3. Opendoor has expressed its need for scale and its interest in buying the majority of homes in the markets where it operates, while also seeking a $2 billion dollar credit facility to ensure its ability to do so.[8] Opendoor has yet to turn a profit, and Zillow recently left the iBuying business, and is selling their thousands of homes in inventory at steep discounts, with the first bulk sale of 2,000 homes going to Pretium Partners.[9] Because iBuying companies focus on a handful of markets, and they frequently partner with private equity-backed single family rental landlords, there are concerns about what options residents have in choosing a home. The algorithms these companies use are proprietary, and analysts and regulators, much less the general public, don't know exactly how iBuyers weigh school quality or proximity to employment centers, though we know these are critical variables driving home prices in general. It is reasonable to imagine that using their algorithms, iBuyers can zero in on desirable properties and crowd homeowners out, and in some circumstances sell those same properties to private equity companies, who in turn rent these homes rather than make them available for purchase.

Q.4. What actions would you recommend to Congress to further explore the impact of iBuyers and private equity companies on housing markets?

A.4. Members of Congress should dedicate time to engaging with tenants in properties owned by private equity landlords, homeowners who have bought from or sold to iBuyers, and people who have had to compete with both kinds of businesses to buy homes. These tenants and homeowners can speak most clearly to the detrimental impacts of both iBuyers and private equity and are well positioned to offer solutions.

Based on these conversations, members of Congress should consider sending letters of inquiry to better understand and document

[7] Stokel-Walker, C. (2021, November 11). "Why Zillow Couldn't Make Algorithmic House Pricing Work". *Wired*. Retrieved from *https://www.wired.com/story/zillow-ibuyer-real-estate/?utm-source=WIR-REG-GATE*.

[8] Strachan, M. (2021, August 13). "Zillow, Other Tech Firms Are in an 'Arms Race' To Buy up American Homes". Vice. Retrieved from *https://www.vice.com/en/article/93ymxz/zillow-other-tech-firms-are-in-an-arms-race-to-buy-up-american-homes.*

[9] Strachan, M. (2021, November 10). "Zillow Sells Thousands of Homes to Controversial Rental Powerhouse". *Vice*. Retrieved from *https://www.vice.com/en/article/k7wany/zillow-sells-thousands-of-homes-to-controversial-rental-powerhouse*.

the business practices and underlying risks associated with large scale iBuyers and private equity landlords. Furthermore, iBuyers should be required to disclose demographic information about who they buy from and sell homes to, to ensure they are not entrenching racism in housing.

Lastly, one of the easiest ways to begin to understand the role of both iBuyers and private equity companies is to require disclosure of the beneficial owners of real estate. Both iBuyers and private equity companies employ LLCs which can make it very difficult to know the owner of a given property, much less the scale and concentration of ownership. Requiring disclosures would facilitate research into concentrations of ownership within given markets and allow regulators and tenants to pursue claims of monopoly power. Even without disclosure, investigations into price-setting and monopoly should be done in markets that have demonstrated high rates of private equity ownership. Congress could also demand to know what inputs feed into iBuyers' algorithms, to assess how data-informed speculation harms communities of color in particular, and locks households out of home ownership opportunities, access to high performing schools, quality jobs, and more.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY FROM DESIREE FIELDS

Q.1. The Democrats' reconciliation bill contains a provision that would allocate $10 billion [1] to fund a new downpayment assistance program. Under this program, homebuyers would qualify for a taxpayer-funded downpayment equivalent to $20,000 or 10 percent of the purchase price of a home, whichever is greater. The program is purportedly targeted to "first time" and "first generation" homebuyers, even though an individual may qualify if they or their parents have previously owned a home. Chairwoman Waters has said that the objective of such a program is to "narrow [. . .] the racial home ownership gap."

You have written extensively about race and housing, saying, for example, "[housing] financialization may be placed in a much longer line of land and housing schemes where capital accumulation is predicated on the racialization of people and place" and that "financial violence is racial violence." [2]

Do you support a Federal downpayment assistance program that would, in part, target benefits based on race?

A.1. I have reviewed the relevant text of H.R. 5376 as reported by the Committee of the Budget, with modifications, focusing on Subtitle C-Homeownership Investments; Sec. 40201 First-Generation Downpayment Assistance. [3] As I understand it, this provision would allocate $6.825 billion in downpayment assistance funds to qualified homebuyers. It would also provide $2.275 billion for competitive grants for financial, community development organizations, and other nonprofit organizations that serve minority and low-in-

[1] Based on the latest House Rules Committee text, released October 28, 2021, *https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117HR5376RH-RCP117-17.pdf.*

[2] *https://escholarship.org/uc/item/5gd214jn*, accessed October 28, 2021.

[3] Based on the text released November 3, 2021: *https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117HR5376RH-RCP117-18.pdf.*

come communities. Remaining funds would support prepurchase counseling required for eligible homebuyers to access downpayment assistance, as well as HUD administration and oversight of the program.

In accordance with the goal of this appropriation to "increase equal access to home ownership", qualifying for downpayment assistance requires homebuyers be both a first-time and a first generation buyer. This focus recognizes that one's parents having owned a home facilitates intergenerational wealth transfers that increase home ownership opportunities for their offspring, e.g., by providing financial support for a downpayment on a home.

Historic racial inequalities in access to mortgage financing and insurance (and thus in parental wealth), discriminatory real estate practices, and the detrimental effects of the 2008 foreclosure crisis on Black home ownership and wealth have inequitably distributed home ownership opportunities along racial lines in the United States. As of Q3 2021, approximately 74 percent of White Americans own homes compared to 44 percent of Black Americans, 60 percent of Asian/Native Hawaiian/Pacific Islander Americans, and 57 percent of Americans of other races.[4] Since the 2008 financial crisis, the age gap between Black and White first-time buyers has grown, with Black first-time buyers now 6 years older than White first-time buyers (up from 3 years older in 2002).[5] In 2021, 83 percent of all home buyers were White[6] whereas according to the Census Bureau, approximately 59 percent of the U.S. population identified as White in 2020. While first-generation homebuyers can be defined in several ways, Black first-generation homebuyers outnumber White first-generation homebuyers according to every definition.[7]

Based on these racialized inequities in home ownership, it is reasonable to infer that the downpayment assistance provision of H.R. 5376 could indeed help narrow the racial home ownership gap. However, I did not find any text in the bill stating that benefits would be targeted based on race, nor that certain groups would be excluded based on race. White Americans are simply less likely to be first-time, first-generation homebuyers than Americans of other racial backgrounds, particularly Black Americans. And as a result, minority racial groups are more likely to meet the eligibility requirements of the downpayment assistance program, though qualified White homebuyers would also be eligible. Home ownership is the primary wealth creation mechanism available to average Americans. It is logical and appropriate to direct downpayment assistance to those who face the greatest barriers to purchasing a home, i.e., first-time, first-generation homebuyers.

---

[4] U.S. Census Bureau, "Quarterly Residential Vacancies and Homeownership", Third Quarter 2021; *https://www.census.gov/housing/hvs/files/currenthvspress.pdf.*

[5] Consumer Financial Protection Bureau, "Market Snapshot: First-Time Homebuyers" (March 2020); *https://files.consumerfinance.gov/f/documents/cfpb-market-snapshot-first-time-home-buyers-report.pdf.*

[6] National Association of Realtors, "2021 Home Buyers and Sellers Generational Trends"; *https://www.nar.realtor/sites/default/files/documents/2021-home-buyers-and-sellers-generational-trends-03-16-2021.pdf.*

[7] Urban Institute, "Down Payment Assistance Focused on First-Generation Buyers Could Help Millions Access the Benefits of Homeownership" (April 2021); *https://www.urban.org/urban-wire/down-payment-assistance-focused-first-generation-buyers-could-help-millions-access-benefits-homeownership.*

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA FROM DESIREE FIELDS

Q.1. What does your research say about the affordability of securitized single-family rental properties? What meaningful differences have you observed between securitized and nonsecuritized single-family rental properties, and why do you think these differences exist?

A.1. I preface my response to this question by noting that only about 10 landlords control enough single-family rental (SFR) homes to engage in securitization. Therefore, after a brief discussion of securitization and its purpose for SFR landlords, my response focuses on available data about such institutional scale operators.[1]

It is important to recognize that data limitations make it difficult to empirically assess affordability differences between institutional and smaller-scale operators. Institutional operators that are publicly listed as real estate investment trusts are required to publicly report some data but understandably are invested in representing themselves in the most favorable light possible in such reports. There is no public data and limited proprietary data that would enable fine-grained comparisons between landlords that control varying amounts of rental properties, particularly efforts to evaluate such differences across a range of metropolitan areas. Finally, securitization is only one difference that may play a role in affordability differences between institutional and noninstitutional operators.

SFR securitization is a relatively novel practice, first carried out in 2013 by Invitation Homes, then controlled by Blackstone.[2] The process of securitization bundles income streams, selling shares in the pool to investors as bonds. In the case of SFR securitization, the income streams are the rent checks that tenants pay to their landlord. Based on my research, about 50 SFR securitizations were publicly issued from 2013 to 2020. On average, each securitization has pooled the rent from about 3,500 homes. Institutional operators have raised nearly $30 billion in debt via SFR securitization.

Securitization is a form of leverage that allows SFR landlords to raise low-cost financing and generate higher returns for equity investors.[3] According to a 2018 study, "By 2016 SFR REITs and other large institutional investors had moved to an almost 100 percent cash buying rate for new properties" whereas smaller, individual investors purchased with all cash less than half the time.[4] All-cash purchases allow institutional operators to reduce reliance on other forms of financing and borrowing, lowering their costs and giving them a competitive edge against smaller operators who are more reliant on mortgages. To summarize, securitization gives institutional operators a market advantage, but it also creates pres-

[1] Varying definitions of institutional ownership exist; here I use the term to indicate landlords that control upwards of 5,000 properties.

[2] Blackstone exited its stake in Invitation Homes in 2019.

[3] Urban Institute, 2014; *https://www.urban.org/sites/default/files/publication/24676/412992-Single-Family-Securitized-Financing-A-Blueprint-for-the-Future-.pdf.*

[4] Chilton et al., 2018 "The Impact of Single-Family Rental REITs on Regional Housing Markets: A Case Study of Nashville, TN". Societies.

sure to deliver returns to investors, which can put upward pressure on rents.[5]

The above statement is especially true in an inflationary context. If operating expenses rise due to inflation, yields on leveraged portfolios will fall unless rents are increased to compensate. Similarly, yields are higher when purchase prices are lower; the rapid increase in house prices seen over the course of the pandemic could cut into the yields of institutional operators, prompting them to raise rents. As well, any rise in property taxes associated with increased home values is likely to be passed on to tenants in the form of rent increases.

According to a 2020 study,[6] the average monthly rent of the three largest publicly listed SFR landlords (Invitation Homes, American Homes 4 Rent, and Tricon American Homes) often outpaced the median rent of comparably sized rental units in markets where institutional operators have the biggest footprint. In Atlanta, the gross median rent for a 3-bedroom unit was $1,164/month (according to 2017 American Community Survey data) while average rents for these institutional operators ranged from $1,224–$1,525. In Tampa, the gross median rent for a 3-bedroom unit was $1,250/month (according to 2017 American Community Survey data) while average rents for these institutional operators ranged from $1,484–$1,678. In Phoenix, average rents for these institutional operators ranged from $1,236–$1,322, more in line with the gross median rent of $1,280/month for a 3-bedroom unit (according to 2017 American Community Survey data).

In 2021, SFR rents have increased substantially, in September rising by 12.2 percent year-over-year, with increases varying substantially between markets.[7] The markets in which institutional SFR operators have the biggest presence have seen particularly strong rental growth rates: rents increased 25 percent year-over-year in Miami, 20 percent in Phoenix, 15 percent in Las Vegas, 13 percent in Dallas, and 12 percent in Atlanta.[8] Within these markets, institutional operators have announced even steeper increases on new leases this year. For example, in Q3 2021, Invitation Homes posted increases of 29 percent on new leases in both Phoenix and Las Vegas, 20 percent in Atlanta, 18 percent in South Florida, and nearly 16 percent in Dallas.[9] Due to the density of properties controlled by operators like Invitation Homes in markets where their footprint is the largest, it is possible such landlords could be driving higher-than-average rent growth seen in such markets. Their behavior may also breed imitation by smaller landlords, who are able to observe asking rents via the online portals of institutional landlords.

However, data limitations make it challenging to offer a straightforward assessment of differences in affordability between institutional-scale operators who engage in securitization versus non-

[5] Amherst Capital Management, 2016; *https://www.amherstcapital.com/documents/20649/22737/US+SFR+Emerging+Asset+Class/9d84e0da-4a9f-4665-9880-88a4515d9d2b.*

[6] Colburn et al., 2020; "Capitalizing on Collapse: An Analysis of Institutional Single-Family Rental investors". *Urban Affairs Review*.

[7] CoreLogic, 2021; *https://www.corelogic.com/intelligence/u-s-single-family-rents-up-10-2-year-over-year-in-september/.*

[8] Ibid.

[9] Invitation Homes, 10-Q report, Q3 2021; *https://sec.report/Document/0001687229-21-000061/invh-20210930.htm.*

institutional operators. Institutionally owned SFR properties tend to be more clustered in higher-income neighborhoods with higher rents than SFR properties more generally, which tend to be located in low- to mid-income, diverse neighborhoods.[10] In order to conduct a robust comparison of rental rates between institutional and non-institutional operators, it would be necessary to access data on rents for each type of landlord within the same or comparable neighborhoods.[11]

One further issue to consider is how institutional operators may affect the affordability of home ownership. Such landlords are directly competing with homebuyers for the same types of properties (properties priced below the area median and located in decent school districts) and in many cases have been able to outcompete potential owner-occupiers due to their ability to make all-cash offers.[12] Homebuyers who lose out are diverted back to the rental market, increasing demand for homes like those controlled by institutional landlords (and potentially encouraging them to further increase rents). Moreover, the competition between big capital and owner-occupiers could make housing permanently more expensive.[13] Considerations of affordability related to institutional SFR operators should therefore also consider how investor activity may make housing more expensive for owner occupiers, putting home ownership beyond reach.

---

[10] Immergluck, 2018; "The Rise of Single-Family Rentership in the Sunbelt Metropolis". Housing Policy Debate.

[11] Such data may exist on a proprietary basis, but a renewed commitment to public data on property owners and managers, such as the 1998 Property Owners and Managers Survey carried out by the U.S. Census, would facilitate improved public understanding and research on such questions.

[12] Dezember, R. (2021); "If You Sell a House These Days, the Buyer Might Be a Pension Fund". *The Wall Street Journal. https://www.wsj.com/articles/if-you-sell-a-house-these-days-the-buyer-might-be-a-pension-fund-11617544801*

[13] John Burns Real Estate Consulting, 2021; "Investor Mania 2.0: How Data, Technology, and Yield-Chasing Are Revolutionizing Housing While Raising Risk Levels".

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

STATEMENT SUBMITTED BY ROC USA

ROC usa®
Resident Owned Communities
BETTER TOGETHER

Written testimony from ROC USA submitted to the U.S. Senate Banking Committee regarding the Full Committee Hearing: How Private Equity Landlords are Changing the Housing Market 10/21/2021

Millions of Lower Income Homeowners Face Losing the Homes They Own

An unsubsidized source of safe, decent and affordable housing for millions of Americans is under threat. Manufactured home communities, often called mobile home parks, make homeownership a possibility for lower income families. But these very homes are at risk from an avoidable structural weakness in the market.

The Problem

Most homeowners in manufactured home communities don't own the land beneath their homes – they're half renters and half owners. Therein is the structural weakness.

The land is owned by commercial investors in most cases and that means homeowners lack control over health and safety issues associated with basic infrastructure – roads, water, electric, wastewater and stormwater systems – which are beyond their control. Homeowners also worry they might be charged unexpected and excessive fees for their home sites or evicted entirely because the investor has decided to change the land use and evict them and their homes.

The premise of "like it or leave it" – as in if you don't like how the neighborhood is being managed, you can always move your home – overlooks that "mobile" homes these days aren't in fact very mobile. Many could not withstand a move. Affordable alternative sites are virtually impossible to find and moving a home – if it's possible – is expensive.

Hard-working Americans who own their homes shouldn't have face these threats. The problem is not insignificant. Nearly three million of these homeowners live throughout the U.S.

To be fair, many private owners of manufactured home communities serve their residents well.

However, the industry has attracted some aggressive investors whose business model is designed to maximize profits, knowing full well the immobility of their residents' homes and the vulnerability of owning a home on rented land.

How to Solve It

One clear structural solution is called "resident owned communities." That's when the residents of communities come together to form a cooperative corporation, purchase the land their homes sit on, and take control of their neighborhoods. Resident owned communities, or "ROCs," align ownership of the home and the land.

"*ROCs are one of the few sources of unsubsidized naturally occurring affordable housing in the country not subject to market-based rent increases*." (2019, Freddie Mac, Spotlight on Underserved Markets.)

Resident-owned communities represent a growing movement. More and more groups are seeking ownership and self-help. To support expansion of this proven model, they need legislative and regulatory actions and a comprehensive set of resources.

Today, roughly 1,000 manufactured home communities, or two percent of the 45,600 nationwide, are resident-owned. But organizers consider ROCs to be a growing grassroots movement that is timely, especially given the affordable housing crisis and the pace of sales of communities by long-time owners/developers.

Housing is infrastructure because housing *has* infrastructure. This is especially true for manufactured home communities, where too often standards for infrastructure basics have been ignored.

The Build Back Better infrastructure and reconciliation packages now being considered by Congress contain provisions specific to resident-owned manufactured home communities, including preservation and infrastructure resources.

Embedded within the Community Development Block Grant (CDBG) investment is a new federal manufactured housing infrastructure improvement grant program targeting manufactured home communities that have old and failing infrastructure that is putting the health and safety of low-income homeowners at risk. Many are in desperate need of water, sewer, electric, drainage, and road upgrades along with weatherization, energy-efficiency improvements, and storm and emergency shelters. Storm shelters often double as remote learning sites and community centers. Funding for these shovel-ready improvements will go a long way to make these low-wealth communities more livable and resilient.

Resident owned communities are also specifically called out in the new Housing Investment Fund that would direct funding to the CDFI Fund for affordable housing development.

Manufactured homes today are part of the national priority for creating the availability and affordability of housing. Ensuring that homeowners have control of the conditions in their communities is an important element if investments are to be both long-lasting and truly beneficial to low- and moderate-income homeowners.

We urge Congress to include these provisions in the final bill.

Background on The Organization Leading the Charge
ROC USA® works with homeowners who want ownership of the land. The organization's vision is a country in which the owners of efficient and affordable homes are economically secure in healthy and socially vibrant resident owned communities.

Today ROC USA and its 12 nonprofit affiliates support 281 resident owned communities. In 2019, 25 such ROCs bought their communities with its services. Today, co-ops have 19 MHCs under contract and 60 more in negotiation. They range in size from 4 homes to 430 homes, with an average of 68 homes per neighborhood.

ROC USA and its technical assistance provider affiliates have been creating and supporting ROCs in 21 states and has now launched a program called ROC Direct to work nationwide. ROC USA also operates a national Community Development Financial Institution – ROC USA® Capital – that has loaned more than $300 million in secured community financing since 2008.

The purchase of the community represents the transfer of a multi-million-dollar commercial real estate asset into the hands of a corporation owned by low- and very-low-income community residents. On average, about half of all households in ROCs are below 50% AMI and two-thirds are below 80% AMI.

ROCs are naturally occurring diverse communities. They reflect lower-income neighborhoods everywhere, housing higher numbers of older single women, people with disabilities, veterans, and, depending on location, people of color.

Land and homeownership are central parts of the long struggle for racial justice in this country and around the globe. ROC USA stands firmly for the importance of expanding ownership opportunities because housing security and wealth-building are essential solutions to broader and deeper problems.

A substantial part of what ROC USA does is grassroots adult education and training. The 38-year success of these communities is, in large part, due to the determination of these community leaders to govern their cooperative corporations, operate their businesses, and lead their neighbors in community revitalization and harmony. ROC USA stands shoulder to shoulder long-term with the ROCs in its network.

STATEMENT SUBMITTED BY HOMETOWN AMERICA

HOMETOWN AMERICA
COMMUNITIES®

Statement from Hometown America to the United States Senate Committee on Banking, Housing, and Urban Affairs, in Response to the October 21, 2021 Hearing on "How Private Equity Landlords are Changing the Housing Market"

Introduction

I am Stephen Braun, the Co-Chief Executive Officer for Hometown America. On October 21, 2021, during the Committee's hearing entitled, "How Private Equity Landlords are Changing the Housing Market," Senator Elizabeth Warren made false and misleading statements concerning Hometown America and its practices at the Oakhill manufactured housing community in Attleboro, Massachusetts. I am submitting this statement to the Committee to correct the record.

First, Senator Warren called Hometown America a "vulture," which is neither true nor helpful. Hometown America cares deeply about its residents and is a long-term investor in its communities. We do not prey on the vulnerable, but rather work hard to manage our communities so they will be stable, sustainable, and affordable for the long run. We are shocked and disappointed that Senator Warren lumped our company in with the few bad actors, who may fairly be accused of predatory practices in the land-lease space, and called us out as an example of something we are not.

Second, Senator Warren stated that "Hometown implemented a policy [at Oakhill] that specifically put the burdens of [property] repairs on the residents," which is an inaccurate statement she appears to have pulled from an aggressive and unsupported allegation in a legal complaint that was resolved as to Oakhill well before last week's hearing, by a voluntary agreement of the parties that is a matter of public record.

Third, Senator Warren stated that "Hometown increased the rents" at Oakhill. As explained in more detail below, this statement, particularly in the context in which it was given, is grossly misleading. Importantly, when Hometown acquired Oakhill in 2006, it made a decision to retain the then-existing below-market rents of the community's long-term residents and to charge higher fair market rents only for new residents coming into the community. Massachusetts' highest state court ultimately ruled that it was legally impermissible for Hometown to subsidize the longtime Oakhill residents in that manner. The court required Hometown to impose a single uniform rent rate upon all of the residents at Oakhill, regardless of Hometown's concern that doing so would result in hardships for some. Hometown made the necessary adjustment to comply with the court's judgment, and today, all rents at Oakhill are both uniform and considerably below market.

As demonstrated below, Hometown America's acquisition of the Oakhill manufactured housing community in 2006, and its actions over the 15 years since, are the antithesis of the predatory investor "playbook" outlined by witnesses and Senator Warren at the October 21, 2021 Committee hearing.

Hometown America is a Responsible Community Owner/Operator

Hometown America believes that land-lease manufactured housing communities offer an important pathway to affordable homeownership for millions of Americans. We recognize that there are some bad actors in the industry, but we are not one of them. Hometown America, like the majority of land-lease community owner/operators in the United States, is an experienced, professionally-managed company that takes its responsibilities to its residents seriously and always strives to do the right thing.

Founded in 1997, we are headquartered in Chicago and currently serve over 60,000 residents in 75 manufactured housing communities across 12 states – Arizona, California, Delaware, Florida, Illinois, Massachusetts, New Jersey, New Hampshire, New York, Pennsylvania, Rhode Island, and Virginia.

What differentiates Hometown America from some other operators is that we're long-term investors. We value the long-term viability of the market and our communities and seek to meet the housing needs of the middle class. We provide stable, affordable housing for tens of thousands of families across the country.

Manufactured housing is the largest form of unsubsidized affordable housing in the United States, with more than 22 million households across the country. Hometown America's communities offer a substantial discount compared to traditional homeownership when you compare market site rent versus a traditional mortgage payment. Rent increases in Hometown communities are often lower than rent increases for other forms of rental housing across the country.

Experienced community owner/operators like Hometown America are uniquely positioned to provide the capital needed to maintain the long-term viability of these communities, which, in turn, protects the value of our residents' investment in their homes. Management of these communities includes significant, continuous capital investments in infrastructure like roads, water and drainage systems, as well as the upkeep of amenities like clubhouses, pools, tennis courts, and golf courses. So-called "mom and pop" owners and resident-managed communities often seek out companies like Hometown America to buy their communities because they cannot keep up with the demands and costs of operating such complex properties.

Hometown America employees consistently deliver for our residents and the needs of the communities. We are proud of the fact that the average tenure for our U.S. employees is 7 years, and tenure for U.S. managers and regional staff is over 9 years. The average tenure for our executive team members is 19 years.

We are also committed to addressing housing insecurity and equity issues through our charitable work and community partnerships. Our diversity, equity and inclusion statement is not just a statement on our website. It's integral to the way we operate our company, and we take it very seriously. From our team members to our residents, we appreciate the likenesses and differences of each person, and we are focused on creating a community that puts diversity, equity, and inclusion practices at the center of our daily work.

Hometown America Has Made Significant Capital Improvements at Oakhill and Takes Its Routine Maintenance and Repair Responsibilities Very Seriously

Oakhill is an all-age, family community with 177 home sites. Hometown America's purchase of the community was completed only after residents were given notice of the prior owner's intent to sell, and a right of first refusal, under Massachusetts law.

At the time Hometown America acquired Oakhill, the community infrastructure was in disrepair. Far from allowing the community to deteriorate further, Hometown began investing heavily in Oakhill immediately upon purchase, and our investment has continued to this day. Our capital expenditures have included improvements to the roads, water and drainage systems, and street lights. Significantly, Hometown replaced the entire septic system for the community, which allowed Oakhill residents to have in-home laundry for the first time. Hometown also created a management office and resident function/amenity space in a building that had not previously been accessible to Oakhill residents.

Additionally, Hometown America brought in full-time, on-site, professional community management at Oakhill, a service not provided by the prior owner. And contrary to remarks made at the hearing, Hometown America has never implemented a policy at Oakhill of requiring residents to maintain or repair elements of their leased home sites that Hometown America is required by law to maintain or repair. Hometown America not only undertakes maintenance and repair work when it's legally required to do so; it will and does in some situations voluntarily undertake such work to resolve a resident complaint or concern even where it has no obligation to do so.

Hometown America Has Subsidized Tenants At Below-Market Rents Since It Acquired Oakhill

At the time Hometown America acquired the Oakhill community, the residents were paying well below market rent as month-to-month tenants. Hometown America could have immediately raised the rents of all existing residents to a then-current market rent rate, but we chose not to do so, because we were concerned that the existing residents, many of whom had low or fixed incomes, would then struggle to pay their rent and remain in their homes. Instead, Hometown America subsidized the tenancies of the existing Oakhill residents by keeping them at below-market rents, and we set and charged market rent rates only for new, incoming residents. To our surprise and disappointment, Massachusetts' highest court recently faulted Hometown's efforts to protect existing residents when it held as a matter of first impression that the time of entry into a manufactured housing community is not a sufficient basis for charging residents different rents if they receive the same services and occupy substantially similar lots.

The Supreme Judicial Court's unexpected and novel ruling in Blake v. Hometown America Communities, Inc., 486 Mass. 268 (2020), has thrown long-established and accepted rent structures into question, causing confusion and uncertainty for community owner/operators and residents across Massachusetts. We believe the SJC's decision in Blake will have unfortunate and unintended consequences, such as creating pressure on community owners to increase the rents of long-term tenants who are currently paying below-market rents, and undermining the long-term stability and viability of manufactured housing in Massachusetts.

In the wake of the Blake decision, Hometown America was required to equalize rents at Oakhill. Hometown sought a fair and reasonable way of doing so while still being able to maintain the same level of service and amenities the residents expect. Instead of raising the rents of all residents to the current market rent, as it could have done, Hometown America chose to charge a mid-point between the lowest rent charged at the community and market rent, so as not to impose larger rent increases on those residents who had been paying the least prior to the change. Hometown also offered new five-year leases to all Oakhill residents, while allowing those who wished to maintain their residencies on a month-to-month basis to continue to do so. Under the new uniform rent structure, established in early 2021, residents who came to Oakhill after Hometown acquired the community in 2006 actually received a rent reduction, residents who came to Oakhill before Hometown acquired the community received a rent increase, and all residents are now charged a uniform rate that is considerably below market.

Conclusion

We are justifiably proud of Hometown America's role in building strong communities and in providing quality affordable housing opportunities that will be economically viable for the long-term. We are committed to ensuring that Hometown America communities continue to be a great place to live. We welcome the opportunity to work collaboratively and constructively with all who are interested in achieving these goals.

I am personally available to any member of the Committee who may wish to discuss these issues further. On behalf of Hometown America, I thank the Committee for its consideration of this statement, and for its ongoing efforts to improve the lives of the American people.

STATEMENT SUBMITTED BY THE MANUFACTURED HOUSING INSTITUTE

Manufactured Housing Institute

Statement for the Record

The Manufactured Housing Institute

Before the:

U.S. Senate Banking Committee on Banking, Housing and Urban Affairs

Hearing Titled:

"How Private Equity Landlords are Changing the Housing Market"

Thursday, October 21, 2021
10:00 a.m.

1655 Fort Myer Drive, Suite 200, Arlington, VA 22209
(703) 558-0400 | info@mfghome.org
www.manufacturedhousing.org

On behalf of the Manufactured Housing Institute (MHI), the nation's only trade association representing all segments of the manufactured housing industry, we respectfully submit this written statement for the record to the United States Senate Committee on Banking, Housing and Urban Affairs regarding the hearing entitled "How Private Equity Landlords are Changing the Housing Market."

Land-lease manufactured housing communities providing quality affordable housing to millions of families and have a critical role in addressing the nation's housing supply shortage. Increased land values across the country have created a shortage of affordable housing and land-lease communities continue to offer desirable manufactured housing that is consistently more affordable than other homeownership options and commonly more affordable than rental housing. Research has shown that rent payment increases across land-lease communities over the last five years have been in the range of one to five percent, which is far below increases in apartment rent, median home prices and condominium association dues.

The vast majority of manufactured housing community owners and operators provide quality affordable housing opportunities, a commitment to serving residents, and a strong community building focus. In addition, many have started philanthropy programs to support residents with things like educational scholarships, home improvement grants, and other community enrichment causes (i.e., funding for residents who are helping others with things like transportation, home maintenance, and grocery deliveries). MHI strongly opposes the practices of a few bad actors, who are outliers in the industry. We urge Committee members not to wrongly conclude from isolated examples of questionable practices that such examples are common across land-lease communities - because they are not. These practices are the exception not the rule.

We appreciate the Committee's interest in ways that older manufactured housing communities can be preserved for residents as a part of your consideration of the role of private equity in the housing market. There are many strategies and policies that have been put forward by this Committee and its members to promote and preserve affordable housing in our industry. We thank you for that work and we stand ready to work with you on strategies to support land-lease manufactured housing communities, which we believe is an affordable housing success story.

High Satisfaction Among Residents in Manufactured Housing Land-Lease Communities

Because of the financial and lifestyle benefits of owning a manufactured home versus the limitations that come with renting an apartment or buying a condominium or other site-built home, millions of individuals and families have chosen to live in land-lease manufactured housing communities. There are more than 43,000 land-lease communities in the country with almost 4.3 million homesites. In addition, 31 percent of new manufactured homes are placed in land-lease communities. Demand for living in land-lease manufactured housing communities continues to rise because these communities provide an effective way for residents to become homeowners without the substantial barrier to entry posed by the down payment necessary for the purchase of land. In the aftermath of the pandemic, where families are seeking their own outdoor space and neighborhood amenities, the popularity of land-lease communities is growing, and occupancy rates are high.

As the Committee analyzes the supply of affordable homeownership in America, we believe land-lease communities offer a positive example of what affordable housing should look like. Land-lease communities provide much more than affordable housing. They offer a sense of neighborhood and often feature a range of amenities – such as swimming pools, clubhouses, and playgrounds – and events and activities to support residents' sense of community. In active senior lifestyle communities, residents enjoy resort-style amenities and an array of planned events and activities. In all-age communities, neighborhood settings with playgrounds, sports courts, and clubhouses offer families a place to thrive. Many offer events and programming, including after school programs.

In addition to high occupancy rates and increased demand demonstrating its attractiveness, the successful hybrid homeownership model of land-lease communities is also evidenced in consumer research that shows that residents who live in these communities are highly satisfied with their housing choice. U.S. Census data and independent research conducted by MHI shows that manufactured housing residents report high levels of satisfaction and that they are likely to recommend it to others.

In 2018, MHI conducted extensive research of manufactured housing residents and found that 95 percent of those living in active senior communities and 87 percent of those living in all-age communities are satisfied with their housing. More than two-thirds of residents in active senior communities said they are highly satisfied. Residents cite affordability and the ability to own their home as the top reasons for selecting manufactured housing. The vast majority (70 percent) said they planned to live in their homes for more than six years, with 40 percent responding that they plan to stay in their homes indefinitely.

Resident testimonials corroborate, and offer substance to, these findings. Below is a just a sampling of testimonials of residents about their choice to live in a land-lease community:

> *"My family has lived here for 15 years. I would recommend this place to raise your children as it is a great community. It's nice and quiet." - Belinda O.*

> *"The staff and crew have stepped up and are making this place a better one. A tree fell on my house, and someone was right over to make sure we were okay. The very next day, the tree was gone. They are always taking time to plan events within the community. I would like to thank everyone who works every day to make this community better." - Jenny J.*

> *"Truly enjoy living in this family friendly community. The staff have been working hard to keep the homes and community in great shape and are always so friendly and helpful. This is a great community to live in and at a super convenient location!" - Heather L.*

> *"This will be my first time being a homeowner and I am pleased with the service. The staff has been great assisting with everything. It has been a bumpy ride getting everything situated but my husband and I can go to the community manager if anything happens. I notice how the community area is kept up and see their employees working around the property. Looking forward to our future here!" - Caroline P.*

> *"Love this place. Very clean community with friendly people. The sales agent that helped me was informative, kind, and made me feel at home." - Yessica O.*

The difference for these residents is that the land-lease community has offered them the opportunity to own their own home in a community that is professionally managed and maintained. While there are outliers, as is the case for other forms of housing, the vast majority of investor-owned, land-lease communities in the United States are professionally managed, well-run and well-maintained by responsible, long-term owners. Investors and operators are responsible for infrastructure and capital improvements and are committed to providing residents high quality, professional services which are an integral component of residents' quality of life and lifestyle.

The benefits in lifestyle are the leading component of why people choose to live in a land-lease community. According to a recent 2020 study MHI commissioned examining why residents choose professionally managed land-lease manufactured housing communities, services and amenities delivered by professional management topped the list. Residents cited professionally landscaped grounds, snow removal, clubhouse, pool, social and activity clubs, fitness room, playground, lakes, and dog parks as important factors in their housing choice. Beyond amenities, residents give high marks to living in manufactured housing communities precisely because professional land-lease manufactured housing community owners and operators go above and beyond to provide their residents with the best living experiences possible. Community owners and operators work to ensure their residents feel like they are part of a community by organizing ongoing social events, celebrations during holidays, community sponsored parties, and back to school supply events. From education programs and youth sports programs to home renovation assistance and rental assistance, community owners and operators work to ensure their residents are supported.

During the COVID-19 pandemic, communities connected residents with social services resources, including information about employment opportunities, assisting them with filing for government benefits, grocery deliveries, and helping young residents obtain access to virtual schooling. While the demographic of those living in manufactured housing suggested to some that these residents would be more vulnerable during the pandemic, rent and mortgage payment performance outpaced other forms of affordable housing. Such performance can be attributed to professional management, where efforts were made to connect with and support residents and to a structure where both the landlord and the resident have shared interest in housing stability and maintaining a quality community lifestyle.

Both MHI and land-lease community owners and operators are also dedicated to ensuring community managers receive property management training and certifications. Through the Manufactured Housing Educational Institute's (MHEI) Accredited Community Manager (ACM) program, managers have access to a comprehensive study of manufactured housing community management topics geared to community owners, managers and other community management professionals. These topics include management and resident policies, community maintenance, leasing and sales, marketing communities, taxes, insurance, financial management, business planning, physical asset management, federal laws and fair housing laws.

Investor-Owned Land-Lease Community Model Makes Homeownership Attainable

Land-lease manufactured housing communities allow residents to own more home for less of an investment. Residents of manufactured homes pay significantly lower costs overall than those in site-built homes or rental housing. On average, rent paid by manufactured housing residents that live in land-lease communities is nine to 25 percent more affordable than market rents for comparable rentals, depending on the market. The average apartment rent in the United States as of August 2021 is $1,592, compared to an average rental of a manufactured home with land of $1,011.

For less per month, a resident in a land-lease manufactured housing community has a home of their own with a yard, no shared walls, no shared ingress/egress to homes such as hallways and elevators, no shared HVAC systems, and the sense of family and neighborhood that manufactured housing communities provide. In the 2020 study of residents of manufactured housing communities that MHI commissioned, 59 percent of residents of land-lease communities said that their rent is competitive or below average compared to other local housing options. Data corroborates this consumer study. Site-rent increases for land-lease manufactured housing communities in recent years have been generally below average when compared to rent increases in apartments and condominium association dues and assessments. According to DataComp, the largest provider of manufactured home appraisals, inspections, and market data about manufactured housing, the average site-rent increase in 2021 is approximately 3.6 percent. This is well below the five percent or greater average increase for apartment rents. With respect to U.S. single-family rentals, rents increased 9.3 percent in August 2021, the fastest year-over-year increase in over 16 years[1], according to the CoreLogic Single-Family Rent Index (SFRI).

Residents in all housing types (apartments, site-built homes, etc.) experience increases in costs over time due to taxes, maintenance costs and insurance, as well as the long-term trends of inflation in market values of real estate and rental rates. Factors that drive rent increases also apply equally to all housing types, including resident-owned manufactured housing communities, condominiums, co-ops, homeowner associations, apartments, and local governments. These factors include, but are not limited to, rising utility rates, general maintenance, insurance expenses, payroll and capital improvement projects, and increasing land values with corresponding tax increases. Like an owner of an apartment complex or other rental housing type, land-lease manufactured housing community owners have every interest in ensuring they can simultaneously provide quality residential services while also ensuring that the community remains competitive in the local housing market so that occupancy remains high.

In addition to competitive pricing, manufactured homes are often larger than the housing available in apartment complexes. Residents do not have to share walls with, or live above or below, their neighbors. Children can have a yard of their own to play in and families can enjoy pets or outside activities like gardening in their own space. Importantly, manufactured housing offers the opportunity for individuals to live in a home that they own.

Investor-Owned Land-Lease Community Owners and Operators Reinvest in Communities

MHI believes that manufactured housing communities should be preserved, expanded, and new communities opened. As manufactured housing is considered the largest form of unsubsidized housing in America, it is important to recognize that land-lease manufactured housing communities offer naturally occurring affordable housing. This means that community owners and operators are maintaining these communities without federal subsidy. Dedicated investor owners have the resources and expertise to steadily reinvest in the communities to ensure quality of life for residents. The institutional investor offers the capital needed to be invested for the long-term viability of the community including significant capital investment in infrastructure and amenities; long term hold; and responsible facilitation of replacement of older, pre-HUD Code homes. Their professional management ensures that the infrastructure necessary for the safety and well-being of residents including streets, water systems, sewer systems, electrical transformers, electric pedestals, landscaping, drainage, and all amenities – pools, clubhouses, sports courts, playgrounds, etc. – are safe and reliable.

---

[1] https://www.corelogic.com/intelligence/single-family-rent-growth-approaches-double-digits/#_ftn1

In the 2020 study commissioned by MHI, which also looked at the real operating conditions and investment/maintenance activities of owners and operators, the study found that capital expenditure (CapEx) is consistently dedicated to improvements each year to enhance the near-term and long-term value of the community. CapEx spending by professionally managed communities has continued to increase annually, at faster rates than cost-of-living adjustments. In MHI's commissioned research, which is representative of 1,000 communities, the average CapEx spending increased by 10-11 percent from \$1.6B to \$2.7B between 2015 and 2019, across over 15 community amenities and services. The study showed that community owners consistently make infrastructure upgrades including to streets, walkways, street lighting, water/sewer lines, and more. Owners also make a direct investment into their communities by purchasing new homes, which will either replace older "mobile" homes with new HUD Code manufactured homes or fill vacant lots and will be sold on-site.

It is important to recognize that many of these communities were constructed in the 1960s and 1970s and given their age are in need of significant infrastructure improvements. Often when communities are sold, it is because the original owner does not have the resources to make the infrastructure improvements that are needed. Making sure communities remain as affordable housing, and do not convert to another use, is critical. MHI is concerned about federal policies that, while well meaning, will divert capital investment to other uses, and not to land-lease communities. Such policies could have the unintended consequence of closure of communities at a time when federal intervention should be seeking to preserve and increase opportunities for quality homeownership in land-lease manufactured housing communities.

MHI's National Communities Council Code of Ethics

Members of MHI's National Communities Council (NCC) are comprised of community owners, managers, and individuals or companies whose primary business supports the development, finance, or operation of manufactured housing communities. In 2019, MHI's National Communities Council reaffirmed their commitment to ensuring residents of manufactured housing communities have the highest quality of lifestyle by approving a national Code of Ethics.

The NCC Code of Ethics outlines eight principles that NCC members must subscribe to as part of their membership with MHI. These principles include agreeing to engage in conduct and actions that promote and enhance the public image of manufactured housing and land lease manufactured housing communities; agreeing that positive customer and resident relations is an essential responsibility; and agreeing to engage in conduct that respects the interests of residents and others. While the upholding of these principles is already the norm of professional owners and managers, the NCC wanted to make clear that its membership should be providing their residents an outstanding homeownership experience.

During these unprecedented and challenging times, ensuring that families remain secure in their homes was of the utmost importance to our members. MHI's National Communities Council members were on the front lines of the COVID-19 national emergency, as states across the country issued stay-at-home orders. As millions of residents were confined to their homes, our members answered the call to serve – providing impacted residents flexible rent payment options, postponing scheduled rent increases, and providing additional resources and support including services like free lunches, grocery deliveries, and information about employment opportunities and filing for government benefits.

Throughout the pandemic, MHI encouraged all of its members to work with residents impacted by COVID-19, in the spirit of the principles outlined in the National Communities Council Code of Ethics, which are required for NCC membership.

Conclusion

With our nation facing an affordable housing shortage, manufactured housing is one solution that can help address this need. As you explore the impact of private equity in the housing market, it is important to be mindful that residents of professionally managed land-lease manufactured housing communities value their community's extensive offering of amenities and the ongoing investments made by community owners and operators.

Across land-lease communities today, we find that owners consistently improve and routinely make investments in their communities each year – enhancing near-term and long-term value of the community. Further, lease rates are competitive within their markets and increases are in line with or lower than other housing alternatives. The majority of communities offer quality, value, experience, and housing benefits, which has resulted in satisfied residents who choose to remain in these communities long-term.

MHI commends the Committee for advancing language in the 2020 Consolidated Appropriations Act directing HUD to issue guidance for the inclusion of manufactured housing in state and local government Consolidated Plans. We look forward to working with you to ensure HUD implements this, and other interventions, to support the White House's announced initiatives to boost the supply of manufactured housing in America.

We appreciate and share the Committee's concern about resident displacement when communities change ownership. We urge you to reject policies that will have the consequence of diverting capital investment from communities, which would compromise affordable land-lease communities at a time when federal intervention should be seeking to boost the supply of quality affordable homeownership options through land-lease communities. We believe that federal support for preservation of communities, particularly for infrastructure improvements, is the right approach.

Thank you for the opportunity to share our views on the important matter of preserving and increasing affordable housing across the country. Increased federal support for boosting the supply of manufactured housing will not only strengthen homeownership opportunities for millions of Americans but also provide more options to consumers hurt by unaffordable rents and the shortage of adequate housing options. Land-lease communities are critically important to the availability of affordable housing in America, and we look forward to working with you on ways to increase and preserve this attainable homeownership option for more families.

STATEMENT SUBMITTED BY INQULINXS UNIDXS FOR JUSTICIA (UNITED RENTERS FOR JUSTICE)

How Private Equity Landlords are Changing the Housing Market

U.S. Senate Committee on Banking, Housing and Urban Affairs

October 21, 2021

Testimony Submitted by Inqulinxs Unidxs for Justicia (United Renters for Justice)

The people who understand and can speak to the impact of private equity landlords are the tenants who rent from them.

At Inquilinxs Unidxs por Justicia (United Renters for Justice) we organize tenants in Minnesota. For over a year, we have been working with tenants living in HavenBrook Homes properties on Minneapolis' North Side. HavenBrook tenants' stories are devastating and unfortunately, very similar from one house to the next: outrageous rent increases, fines and fees; lack of repairs, leaving tenants living in unsafe conditions; evictions and more. It's clear this company cares more about their bottom line than tenants. They, and other companies like them, have no place in our homes.

HavenBrook Homes' parent company, Pretium Partners, which Chairman Brown sent a letter to on June 20, 2021, is a perfect example of a private equity landlord and the impact that this type of company has on the housing market and the implications of this business model for American families.

Pretium Partners is the asset management company that owns a set of large scale landlords, which includes Front Yard Residential and its subsidiary HavenBrook Homes. In January 2021 Pretium Partners, in collaboration with Ares Management corporation, acquired Front Yard Residential for $2.5 billion to form the second largest company in the Single Family Rental subsector. Pretium's acquisition of Front Yard created the second largest single family rental owner and operator in the US market, which Pretium now reports has an estimated 70K units. Don Mullen, Pretium Chairman and CEO, said of the merger that "the partnership looks forward to leveraging its operating platform and scale to capitalize on opportunities in the growing SFR *[single family rental]* market." and that "there is urgency among institutional investors to deploy capital to the asset class because of its record-high occupancy rates, stable cash-flow characteristics and potential for continued capital appreciation."

Based on our work with HavenBrook Homes' tenants in the Twin Cities, we have seen that using the eviction process, delaying urgent maintenance necessary for the health and safety of tenants, charging needless fees, raising rents, property neglect and disrespect are all pieces of a pattern of tenant abuse that puts these companies' profit margins first, and leaves Black and Brown tenants to live with the disastrous consequences.

Problems in hundreds of Minnesota homes

Our organization has spoken with renters in HavenBrook Homes, wholly owned by Front Yard Residential, in Northern Minneapolis. We have found egregious issues with this company in our area, including:

- Front Yard Residential/HavenBrook Homes properties in Northern Minneapolis received over 200 violations of city law since 2018;
- Tenants reported that the company has taken ***up to a year*** to complete needed repairs that pose a threat to resident safety and the property;
- The company has delayed addressing serious maintenance issues including:
    - Holes in roofs and ceilings;
    - Broken outdoor and indoor stairways that have caused injuries;
    - Lead paint - including in dwellings where children are present;
    - Flooding that has caused substantial water damage to properties;
    - Prolonged periods without workable appliances, including refrigerators, stoves and ovens;
    - Broken air conditioning and heating systems, including during hot summer and cold winter months; and
    - Pest infestations such as spiders, ants, rats and mice.
- Door to door research indicates over 35% of the 200 HavenBrook residents in North Minneapolis report issues with water leaks, plumbing and damage; nearly a quarter have indicated there is a pest infestation; and 1 in 10 have problems with black mold or mildew.
- Tenants trying to contact the local HavenBrook office have been directed to the company headquarters in Atlanta, only for Atlanta staff to direct them back to the local office.
- Refusal to sign year-long lease renewals and mandatory month-to-month leases with a required large increase in rent
- Rent increases up to $100-$200, or more for month-to-month leases, including during the pandemic

Our organizers found that tenants in Minnesota have been taken to eviction court for bogus charges of violating the safety of neighbors, which is the primary loophole allowing evictions during the pandemic in the area.

A May 2021 Minneapolis Star Tribune article describes one tenant's situation: "Last August, Vivian Johnson noticed that turning on a fan in her "smothering" north Minneapolis HavenBrook Home would cause the lights to short circuit, according to court documents. Then her television set "blew up." Johnson and her Legal Aid attorney made repeated requests for electrical repairs. Months went by before the landlord sent a licensed electrician to perform a safety check of the wiring, despite a city order."

Tenant Testimonies

Dean Zoller

After owning my own home for more than a decade, after my divorce I needed to find a new home. I now rent with HavenBrook Homes. Soon after moving into my home, I started to notice fees for things I didn't understand, like a $10 "property administration fee." I would go to pay my rent through the online portal, the site would crash, and I would end up with an 8% late fee. Per HavenBrooks requirements, I set up my utilities in my own name when I first moved in. However, I still was charged a $25 utility fee every month and vacant service charges. All of these fees have added up and HavenBrook Homes now says I owe them thousands of dollars. Pretium Partners, HavenBrook's parent company, disputes that I actually have these utility accounts in my own name, even though I get bills for gas, electricity, and water. I heard that *according to city staff, a representative for the landlord called the city and asked to have the utilities switched back to the company's name. Under threat of eviction, I am fighting back because I know this is the company's model and they are trying to pressure people like me who can least afford it.*

Rachel Jones

Over the past few years I have been through a lot of life changes. I became a HavenBrook renter because I needed to leave a toxic and abusive relationship, had an 18 year old and was newly pregnant. I knew North Minneapolis well and, with strained resources, needed to find affordable housing. For me, HavenBrook was the least-worst option. While I was looking around there were some flags - there was no shelving in the kitchen cabinets and HavenBrook told me I could build the shelving. There were smaller issues like cracks in the wall and I remember wondering if they were aesthetic or a larger issue. But I was desperate and needed to find a place.

The first Spring my family was in the home, the basement started flooding. The lease requires tenants to have dehumidifiers in the basement and it specifies the plug-in has to be off the ground. HavenBrook installed the dehumidifier and the plug is on the ground. There was standing water in the basement, covering the plug, with the dehumidifier plugged in. I was worried, and I called and called until eventually I reached the corporate office. The company told me I would need to turn the electricity off myself, which would have required me to wade through the water. After several days they were able to help, but the damage had been done. This was when I realized HavenBrook was not going to help no matter what. There have been flooding issues since then, there has been mold in the ceiling, and I have two young children. HavenBrook doesn't care. They don't respond. They don't respond to emails, they don't respond to voicemails, they don't pick up the phone. After doing some research and learning more about HavenBrook and more about Inquinxs Unidxs is about, I realized I have rights, and my problems are big problems. If this were one small thing here or there I could fix it, but these are constant issues. It makes me feel small and it makes it clear that I don't matter. It's all about the money for them. They don't care. I don't expect a landlord to hold my hand, but I expect decency.

Shanika Henderson

I have been in HavenBrook Home for 7 years. I have been trying to upgrade the last three years to a home that would be of assistance to my son who is premature with air conditioning, more bedrooms and a safer neighborhood. We have outgrown our space and it is not accommodating to my family's needs at this time. In trying to transfer homes within HavenBrook's properties, they treated me as a new renter. They would have required me to pay a new application fee, deposit and first and last month rent; before receiving it back for the current house. They also would have required a background check. I was only given three choices from HavenBrook knowing I had section 8 and I was not able to get into a new house. I feel cheated out of being able to have an adequate home. Now that I am looking on my own for houses, all I can find on the internet is owned by HavenBrook for single family homes besides apartment buildings.

Starting at the beginning of the pandemic, HavenBrook stopped responding to repair requests in my home. The basement leaks during the winter and has ruined many of my items in my home. In my home, there are issues with the porch falling in, electrical issues, broken steps, *broken windows, screens that are broken. I have been working with the city to try to get these issues addressed, but only a few of the items were fixed in a month's time and were reinspected by the city on 9/9/21 at 3:00pm. I have been reporting many of these issues since October of 2020 and had to do many of the fixes myself. I was not given a response and on their website it said they would not do the fixes due to COVID. I have had to put in a new front door (approx $298), Paint (approx $30), Bug spray for infestation (approx $10).*

I am on Section 8 and they raised my rent during the pandemic by 20% due to month to month lease.

Also in 2017, HavenBrook was given a citation for my property. They did not send me the warning from the city. They only sent me the citation when it was already due.

Jimmy Harris

The first day I moved in the house, the heat wasn't working, which forced me to stay at a family member's house for a few days. When I moved in there were holes for mice throughout the house. I reported this at the first inspection of the house, but it was never fixed. I reached out multiple times to report the mouse issues. Instead of fixing the holes, they just left sticky traps for me to use, even though there are physical holes in the home. There is a room in the house and in the basement I do not even use because of the infestation.

There is a large hole of dirt around 3 feet tall in the basement where a rat has come through the basement leaving an infestation I found in April 2021. Because of the lack of response from HavenBrook on the mouse issue and only leaving mouse traps, I went to pest control and paid for it myself.

I was charged late fees during the pandemic from being behind on rent, despite communicating to my landlord. Also in April, my rent went from $1235 rent and a $7 fee totaling $1242. In April, they increased my rent to $1291 with a $15 fee. Because of the mice, I wanted to move, but there was nothing available. Many of the houses that were affordable were also HavenBrook Homes, and I did not want to continue to rent from them. If I were to go to month-to-month, it would have been approximately $1549 per month, which forced me into a year lease. Now in August, they started charging an additional $14.95 fee for "Insurance Exemption". This has continued to be not affordable with the ongoing pressures of COVID.

I have reported many repair issues and the City of Minneapolis has conducted an inspection for these outstanding repairs that have not been fixed.

Additional documentation of Pretium and its subsidiaries' model and actions:

- Taking on A Billionaire Landlord in the Twin Cities article in Yes! Magazine
- Cashing in On Our Homes: Billionaire Landlord Profit as Millions Face Eviction repot
- The Billionaires Cashing In on the COVID-Era Eviction Crisis video

National and local media and research organizations have documented Pretium's and its subsidiaries' practices, including in the following articles:

- North Minneapolis renters wage a fight with private equity landlords - Star Tribune article
- Pandemic Evictor: Don Mullen's Pretium Partners Files to Evict Black Renters, Collects Billions From Investors - Report on Pretium's actions during pandemic
- Private Equity Landlord Seeking to Evict Renters Despite Ban - Bloomberg article
- Giant U.S. landlords pursue evictions despite CDC ban - Reuters article
- Feds target evictions by some of America's biggest landlords - CBS News article

LETTER SUBMITTED BY PRETIUM

Pretium

October 21, 2021

The Honorable Sherrod Brown
Chairman, Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patrick Toomey
Ranking Member, Committee on Banking, Housing, and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Brown and Ranking Member Toomey:

In anticipation of the hearing entitled "How Private Equity Landlords are Changing the Housing Market," we write to inform the Committee of factual inaccuracies in the written testimony of a hearing witness and request that you ensure an accurate rendering of the facts in the hearing record.

In her written testimony, Ms. Sofia Lopez alleges that Pretium acquired single-family residential properties to confuse property residents "by design." This is false. Pretium has, in fact, maintained the resident-facing websites, instead of changing those identities. Every resident receives information about how to submit maintenance requests or otherwise seek assistance from the company. Additionally, the HavenBrook Homes website, located at https://www.havenbrookhomes.com/, has a prominent link on the front page called "Contact Us," featuring a phone number and form for online message submission. The front page also includes a link for the "Resident Portal," where residents can make online payments and submit service requests. Likewise, the website for Progress Residential, located at https://rentprogress.com/, has a link on its top banner for "Current Residents" to make service requests by online submission, by email, or by telephone. It also includes a notice to indicate a contact phone number for maintenance emergencies.

In addition, Ms. Lopez's testimony relies on two residents, who, according to media reports, began living in HavenBrook homes prior to its acquisition by Pretium in January 2021. In our new role this year, Pretium has taken action to ensure that HavenBrook is operating to the Pretium standard – which entailed making substantial improvements to an underinvested set of HavenBrook properties by spending more than $46 million on renovations and maintenance to date. On average, Pretium makes $50,000 in direct investment in homes over a five-year period. Eighty percent of service requests are completed on the first visit, and for most emergencies, we have same-day service capability. Pretium also has the most employees per managed home of any scaled professional provider in order to support quality service to residents. Our goal is and has always been to identify best practices across our portfolio and to standardize those practices to create a better experience for our residents and set a higher standard of care for the industry as a whole.

Finally, Ms. Lopez criticizes the actions of Pretium during the COVID-19 pandemic. However, Pretium has abided by the CDC moratorium and even voluntarily extended our own moratorium to residents despite the expiration of the CDC moratorium in August. We have not evicted any resident with a CDC declaration for non-payment of rent.[1] In addition, Pretium has been and will continue dismissing pending evictions for residents with CDC declarations and for other residents on payment plans.

Pretium is proud of its industry-leading efforts to support residents during the COVID-19 crisis and beyond. Pretium has already **facilitated and secured more than $60 million in financial and rental assistance for thousands of residents**, and we continue to do more every day. This includes securing more than $30 million in emergency rental assistance and contributing more than $30 million in rent

[1] Ms. Lopez' testimony cites to a website for an advocacy group, where Pretium has had to previously provide court records to complete the record. *See* Pretium Partners, Letter to Chairman James E. Clyburn, House Select Subcommittee on the Coronavirus Crisis (July 27, 2021) *available at* https://docs.house.gov/meetings/VC/VC00/20210727/113955/HHRG-117-VC00-20210727-SD004.pdf.

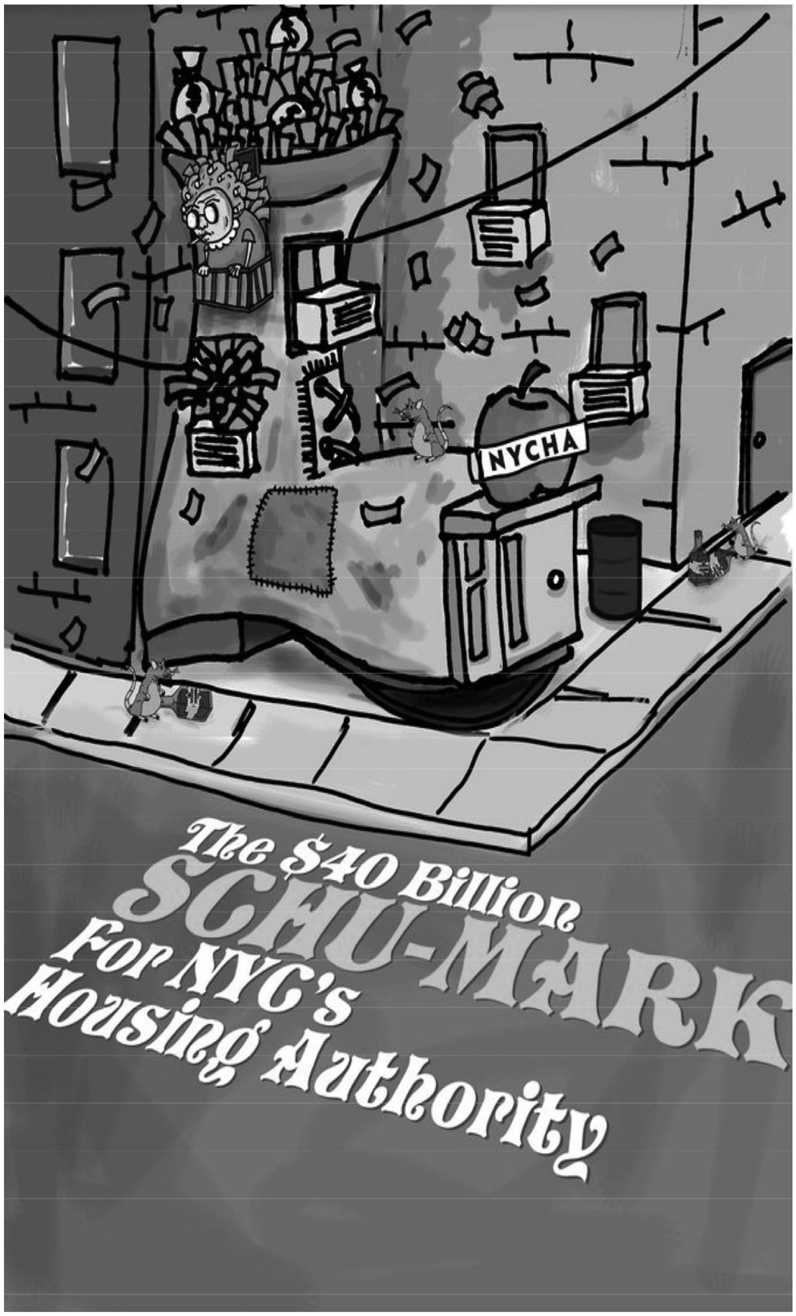
forgiveness and other financial assistance, including more than $4 million in utility bills for non-paying residents to ensure no interruption of service. We have provided more than 30,000 payment plans, quadrupled our outreach efforts to inform residents of available resources, and hired more than 20 employees dedicated to assisting residents with securing those resources.

We request that this letter be included in the hearing record.

Respectfully,

Pretium Partners LLC

SCHU-MARK GRAPHIC



"PROTECTING COMPANIES AND COMMUNITIES FROM PRIVATE EQUITY ABUSE"—PESP

Private Equity Stakeholder Project (PESP) – Statement for the Record

October 20, 2021 Hearing of the Senate Committee on Banking, Housing, and Urban Affairs, Subcommittee on Economic Policy

Protecting Companies and Communities from Private Equity Abuse

Chairman Warren, Ranking Member Kennedy, and Members of the Subcommittee, thank you for the opportunity to provide a statement for the October 20, 2021 hearing "Protecting Companies and Communities from Private Equity Abuse" by the Subcommittee on Economic Policy.

My name is Jim Baker and I am the executive director of the Private Equity Stakeholder Project. The Private Equity Stakeholder Project is a non-profit organization whose mission is to identify, engage, and connect stakeholders affected by private equity with the goal of engaging investors and empowering communities, working families, and others impacted by private equity investments.

This hearing could not come at a more critical time. The private equity industry has grown dramatically in recent years. Private equity and other private funds firms had less than $1 trillion in assets under management in 2004. They now manage more than $7.5 trillion, and are growing quickly.[1]

While the world and the global economy continue to struggle with the COVID-19 pandemic, private equity firms have taken advantage of the flood of cheap debt that the US Federal Reserve's and other central banks' stimulus efforts have made available to buy companies at a record pace and to extract debt-funded dividends from companies they currently own.[2]

In the first half of 2021, private equity firms had their busiest six months ever, announcing 6,298 deals worth $513 billion, according to the *Financial Times*.[3]

As private equity firms and deals have grown, they have come to impact growing numbers of people. In the past year, private equity firms have acquired companies with hundreds of thousands of workers such as G4S (530,000)[4] and Dunkin Brands (250,000).[5] A private equity-owned rural hospital company, LifePoint Health, is in the process of trying to acquire competitor Kindred Healthcare. The combined company will have 77,000 employees in 34 states and will be the largest private-equity-owned healthcare company in the US.[6]

Based on reports by the private equity industry's main lobbying group, the number of US employees at private equity-owned companies has increased substantially in recent years – from 8.8 million in 2018 to 11.7 million in 2020, a 33% increase.[7] This increase is striking as overall US employment dropped by 4.5% over the same period.[8]

Based on academic studies showing that private equity takeovers typically result in job losses at acquired companies,[9] this increase appears to be largely driven by private equity firms acquiring more and larger companies – putting the jobs of millions more US workers at risk.

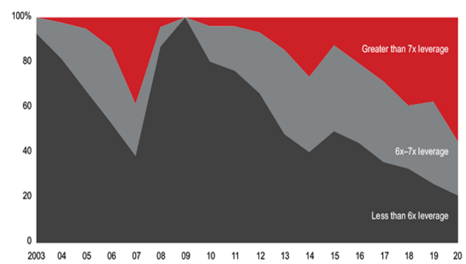
The private equity buying spree that we have seen over the past year is certain to continue. As of mid 2021, private funds managers had amassed a record $3.3 trillion of unspent capital.[10]

The house always wins – and workers, patients, communities and the planet often lose

Private equity firms almost always use debt, often very significant amounts of debt, to buy companies. This debt ends up on the balance sheets of the companies that are acquired, rather than the private equity firms themselves. Debt levels at private equity-owned companies have grown in recent years.

Consulting firm Bain & Co. reported earlier this year that for around half of 2020 buyouts, private equity firms utilized leverage greater than seven times the portfolio company's Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA), a proxy for cash flow.[11]

Share of US leveraged buyout market, by leverage level



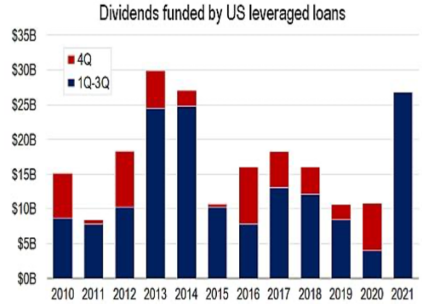
Source: Refinitiv LPC

"Despite the deep uncertainty surrounding the Covid-19 economy, debt multiples shot up in 2020, with almost 80% of deals leveraged at more than 6 times EBITDA—traditionally the level at which federal regulators start to raise eyebrows," Bain & Co. added.[12]

Debt-funded dividends

In addition to using record levels of debt to acquire new companies, in the past year private equity firms have also added record amounts of debt to the balance sheets of portfolio companies they already own to finance dividend recapitalizations, or debt-funded dividends.[13]

Dividends funded by US leveraged loans



Data through Sept. 22, 2021.
Data covers borrowers owned by private equity sponsors.
Source: LCD, an offering of S&P Global Market Intelligence

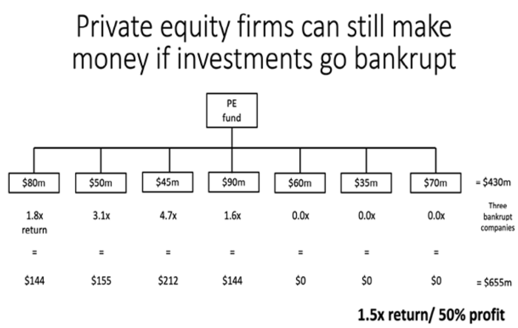
Dividend recapitalizations do nothing to grow private equity-owned businesses but instead are a way for private equity firms to extract cash from these companies. Instead, debt-funded dividends leave portfolio companies with more debt, making defaults and bankruptcies more likely. Credit rating agency Moody's noted in September that "The surge of dividend recapitalizations lays bare private equity firms' intentions to recoup their investments after paying high acquisition multiples."[14]

Heads I win, tails you lose

Private equity firms' heavy use of debt at portfolio companies (and limited investment of their own money), growing extraction of cash from portfolio companies through debt-funded dividends, and limitation on their own liability increasingly set up a "heads I win, tails you lose" structure where private equity firms can make substantial profits for themselves even as the companies they own struggle, default on debt, or go bankrupt.

Private equity firms typically invest in companies through funds that may acquire 20-30 companies, holding each of those companies for around 4-7 years. Private equity firms have a large incentive to identify and invest in companies in which they can dramatically grow cash flow over 4-7 years, either by growing revenue or cutting costs. Private equity firms are typically judged, and private equity executives paid, based on fund-level returns – i.e., the combined returns of all of the companies that a private equity fund has invested in.

As the hypothetical example at the right demonstrates, a private equity fund that invests in several companies and generates strong returns on some may still generate a profit for the private equity firm even if multiple portfolio companies go bankrupt and the private equity fund's stakes in those companies are wiped out. In this case even though three of seven companies went bankrupt, the private equity fund still generated a 1.5x gross return – i.e., a 50% profit.



Even when portfolio companies go bankrupt, private equity firms cannot lose any more than the limited capital they put in. On the other hand, when things go well, private equity firms' potential upside is unlimited and is magnified by high debt.

This structure means private equity firms' interests are often not aligned with those of portfolio company stakeholders such as workers, consumers, communities in which the companies operate, tenants, government payors, and others. Rather than being focused on the long-term sustainability of these businesses, private equity firms may instead be focused on how to grow cash flow as quickly as possible in a few years for their own benefit, regardless of the consequences to others.

We have seen these consequences in examining impacts of private equity investments on workers, climate change, healthcare, and civil rights, among other areas.

Private equity's impact on workers and jobs

The main US private equity lobbying group, the American Investment Council (AIC), has touted private equity's contributions to the US economy by employing millions of workers.[15] However, since private equity firms acquire companies with existing workers, they often do not create new jobs. Indeed, as economists have documented, when private equity firms take over a company, the total number of workers usually goes down.[16]

Job losses at private equity-owned companies

A 2019 study by researchers at Harvard Business School and the University of Chicago found that private equity takeovers result in significant job losses. The report found average job losses of 4.4% in the two years after a company was bought by private equity, relative to control companies.[17]

A 2019 report by the Private Equity Stakeholder Project, United for Respect, and Americans for Financial Reform found that in the prior decade, 597,000 people working at private equity and hedge fund-owned retail companies lost their jobs after their Wall Street-managed retailers went bankrupt or liquidated.[18]

These retail layoffs are especially troubling because they occurred while the retail industry added over one million additional jobs during the same period.[19] Over the same period, private equity and hedge fund-owned retailers added only around 76,000 jobs—creating only one job for every eight jobs that were eliminated — meaning that private equity cost the retail sector over half a million (521,000) in net job losses. These job losses spanned over 25 retailers, including household names like Sears, Toys "R" Us, Payless, Sports Authority, Claire's, and RadioShack.[20]

These job losses devastate local economies and ultimately ripple throughout the national economy as suppliers and local small businesses feel the downstream effects. Not only have private equity and hedge fund-owned retailers laid off hundreds of thousands of workers, the Wall Street-driven retail bankruptcies also have effects that are felt far beyond those retailers and their former employees. Businesses and their workers, including in the retail sector, not only provide direct jobs but also have multiplier effects on indirect jobs; in other words, their economic activity supports workers in other industries, such as those who manufacture and deliver the products sold at retailers and businesses where retail employees spend their income, like grocery stores or gas stations.

Private equity-owned retailers' suppliers and their employees suffer when the retailers go bankrupt, close stores, or shut down completely. For example, in July 2018, just months after Toys "R" Us shut down, Mattel, the maker of Barbie and Hot Wheels, announced it was laying off 2,200 workers after its sales dropped by 14 percent.[21] Then, in October 2018, toymaker Hasbro — which produces Play Doh, Transformers, and My Little Pony toys — announced it would lay off up to 10% of its employees. Hasbro's sales fell 12% in the third quarter 2018, a drop the company attributed primarily to the loss of Toys "R" Us.[22]

A January 2019 study by the Economic Policy Institute noted that for every 100 direct jobs lost at retailers, approximately 122 additional indirect jobs are lost.[23] Based on this multiplier, over the decade to 2019, the 597,000 documented direct retail job losses at private equity-owned retailers would have caused an estimated additional 728,000 indirect job losses, meaning Wall Street's gamble in retail has likely cost more than 1.3 million total job losses.

A 2011 National Bureau of Economic Research analysis of over 3,000 private equity acquisitions found that retail companies acquired by private equity experienced a 12 percent drop in employment over the subsequent five years.[24]

Job losses at private equity-owned companies are not limited to retailers, but extend to virtually every industry.

Case study: OpenGate Capital and HUFCOR

Private equity firm OpenGate Capital serves as a clear example of the private equity destroying, rather than createing, jobs. In 2017, OpenGate, a Los Angeles-based private equity firm bought HUFCOR, which manufactures portable room partitions for hotels and convention centers and has been operating in Janesville, Wisconsin for 120 years. This past summer, OpenGate announced that it would close the factory and shift its operations to Mexico, permanently laying off 166 workers, many of whom had spent their entire adult lives working for the company.[25]

HUFCOR was just the latest casualty in OpenGate's history of buying viable businesses and then running those companies into the ground, throwing employees out of work, sometimes without advance notice, and harming communities. In a span of less than four years, OpenGate Capital ran at least five companies out of business, putting more than 1,300 US workers out of their jobs.[26]

Poverty wages

In addition, the largest numbers of workers employed by private equity-owned companies appear to be concentrated in industries where employers typically pay low wages such as food service and hospitality (at least 1.8 million workers), retail (at least 1.1 million workers), security (1 million+ workers), healthcare (800,000+ workers), and call centers (500,000+ workers).[27]

Case study: Roark Capital

There are at least 1.5 million workers at food service companies owned by private equity firms. Roark Capital is the largest private equity owner of food service companies. In December 2020, Roark acquired Dunkin' Donuts, bringing the total number of people working at Roark Capital-owned food service companies or their franchisees to over 750,000. Many of the jobs at these Roark Capital-owned companies pay low wages with minimal benefits.

Sample wages at Roark Capital-owned food service companies

Company	Position	Average Wage[28]
Dunkin' Donuts	Crew Member	$11.07/hr
Arby's	Team Member	$10.98/hr
Culver's	Crew Member	$10.54/hr
Sonic Drive-In	Cook	$10.58/hr
Hardee's	Crew Member	$10.20/hr

The wages at these companies are so low that some of these companies' workers must turn to public assistance in order to afford health care, food, and other basic necessities. A report last year from the US Government Accounting Office (GAO) found that some of Roark Capital's chains (such as Sonic, Dunkin' Donuts, and Arby's) were among the companies with the most workers relying on public assistance.[29]
In March 2021, Roark Capital-owned Inspire Brands sent employees and franchisees a report of its government lobbying activity that bragged about its success in helping to kill the federal Raise the Wage Act, which would have raised the minimum wage to $15 per hour.[30]

In contrast to Roark Capital, many other large restaurant chains have realized that they could continue to operate profitably with a $15 minimum wage and decided they would no longer support the National Restaurant Association's (NRA) opposition to raising the minimum wage. For instance, in 2019, McDonalds sent a letter to the NRA stating that the company would "not use our resources, including lobbyists or staff, to oppose minimum wage increases," at any level, and that it would not "participate in association advocacy efforts designed expressly to defeat wage increase."[31]

Over 230 large employers, including Amazon, Best Buy, Costco, Target, CVS, and Walgreens have announced they will pay their workers $15 per hour or more. Yet only one of these companies is owned by a private equity firm and employs fewer than 1,000 workers.[32]

Nonetheless, Roark Capital's Inspire Brands has continued to oppose increases to the federal minimum wage, telling NBC News in October 2021 that "we don't support a one-size-fits-all approach to the minimum wage."[33]

Private equity and healthcare

Private equity increasingly makes up a substantial portion of investment in US healthcare companies, touching virtually every sector, and is expected to continue to grow. Asset managers have record levels of available capital earmarked for health care investment; as of 2019, private equity firms had $29.2 billion in capital waiting to be invested in health care.[34] These firms benefit from trillions of dollars of government health care spending.

As private equity ownership of health care companies grows and continues to benefit from taxpayer funded health care spending, it is essential for lawmakers to understand the risks associated with private equity investment in the industry and create policy that protects patients and supports health care workers.

Private equity and nursing homes

Concerns surrounding private equity ownership of nursing homes echo critiques of private equity in the broader health care industry. Private equity investors' outsized return expectations over short time horizons may lead to profit-seeking tactics that hurt patient care. High levels of debt left over from leveraged buyouts can leave nursing homes with less capital available for operations as more money is diverted to interest payments. Sale-leaseback transactions, where a company is made to sell its real estate to a third party and lease it back, can leave nursing homes with fewer assets and increased liabilities in the form of rent payments. Management fees and shareholder dividends can further bleed nursing home companies of money that could be invested into patient care.

A 2020 paper published in the National Bureau of Economic Research (NBER) made waves for its disquieting findings on how private equity ownership of nursing homes impacts operations and patient care, including increasing the mortality of Medicare patients by 10%. The study, "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes," analyzed data reported by Centers for Medicare and Medicaid Services by US nursing facilities between 2005 and 2017.[35]

Key findings from the study are summarized below:[36]

- Private equity ownership increases the short-term mortality of Medicare patients by 10%, implying 20,150 lives lost due to private equity ownership between 2005 and 2017.
- Taxpayer spending over a short-term Medicare patient stay at a private equity-owned nursing home increases by 11%.

- Average staffing decreases at private equity-owned nursing homes. After a private equity buyout, the number of hours provided by frontline nursing assistants decreases on average by 3% and overall staffing declines by 1.4%. The vast majority of time spent by frontline nursing assistants is used provide mobility assistance, personal interaction, and cleaning to minimize infection risk and ensure sanitary conditions.
- After a private equity firm buyout, patient mobility declines and pain intensity increases.
- Going to a private equity-owned nursing home increases the probability of taking antipsychotic medications – discouraged in the elderly due to their association with greater mortality – by 50%. Elevated antipsychotic use could also be partly explained as a substitution response to lower nurse availability.
- After a private equity buyout: management fees increase by 7.7%, lease payments increase by 75%, and interest payments increase by about 325%. Cash on hand decreases by about 38%.

The complex business structures used by many nursing home companies can obfuscate ownership and make it difficult to track quality and compliance across nursing homes with the same owner. These structures also allow owners to reap excessive profits while limiting financial transparency, primarily through use of related party services.

Nursing home companies often contract with third party entities that have the same owner to provide services and goods, such as management services, staffing, supplies, and lease agreements. These structures legally allow nursing home owners to siphon money out of nursing facilities and hide profits. Nursing home owners can further boost profits by overpaying related parties. Third-party arrangements are not unique to private equity – more than 70% of US nursing homes use operating funds to pay related parties – but many of the private equity-owned nursing homes studied by PESP appear to operate with these structures.

See our report: "Pulling Back the Veil on Today's Private Equity Ownership of Nursing Homes"

Case study: Private equity ownership of a safety net hospital system

Between 2010 and 2021, private equity firm Leonard Green & Partners owned Prospect Medical Holdings, a safety net hospital company with 17 hospitals in Pennsylvania, New Jersey, Connecticut, Rhode Island, and California.[37]

After Leonard Green acquired Prospect in 2010, it used the hospital chain as a platform to raise debt so it could siphon off hundreds of millions of dollars in dividends and fees. According to Prospect's own financial statements, the owners collected at least $658 million from the hospitals—despite dramatic operating challenges, substantially underfunded pensions, and increasing regulatory scrutiny.[38]
The largest dividend that Prospect's owners collected in 2018 directly contradicted a commitment Prospect made to state regulators. When it bought hospitals in Rhode Island in 2014, Prospect told regulators It wouldn't pay out any more dividends. Just four years later, the Leonard Green & Partners-led ownership collected an almost $460 million dividend. That same year, Prospect generated a $244 million net loss.[39]

As a result of that dividend, Prospect ran out of cash by early 2019, forcing the owners to provide emergency cash infusion.

Prospect was eventually able to pay off the existing $1.1 billion in debt it had accrued in part to fund dividends, but only by selling off the bulk of Prospect's real estate to a REIT. The transaction replaced debt with lease liabilities and left Prospect with fewer assets and greater liabilities.[40]

- Prospect's hospitals have some of the lowest quality ratings from the Centers for Medicare and Medicaid Services.[41]
- Prospect completely shut down all of its facilities in San Antonio in late 2020 — laying off nearly 1,000 workers — and sold its hospital building to a hotel developer.[42]
- Last year, the California Attorney General formally charged Prospect executives with "gross negligence" related to persistent mold contamination of a hospital pharmacy, including in equipment used to mix patient medications. The pending Attorney General proceedings could revoke or suspend the hospital's pharmacy permit.[43]

These kinds of problems are magnified in the COVID-19 era. A 2020 ProPublica investigation found that in in Rhode Island, poor infection control led to COVID-19 infection of 19 of the 21 geriatric psychiatric ward residents: six of them died. Six housekeeping staff also got COVID in part due to limited access to PPE. The head of the department died.[44]

Leonard Green currently owns at least 11 other health care companies.[45]

Private equity and dental care

In recent years, private equity firms have increasingly carved out a substantial portion of the US dental industry, primary through ownership of Dental Services Organizations (DSOs). DSOs are companies that handle the business side of dental practices, such as administrative, marketing, bookkeeping, and financial services.

While DSO-affiliated practices currently make up a relatively small portion of the broader dental industry, the number is rapidly increasing. Today, private equity firms have near-complete control of the DSO market. Nine of the top 10 DSOs are owned by private equity firms, and 27 of the top 30 DSOs are private equity-owned. This amounts to approximately 84% of practice locations that contract with the top 30 DSOs.[46]

Private equity's dominance of the dental services industry raises concern. The high returns typically targeted by private equity investors over short time horizons may create perverse incentives that are harmful to patients, including cost-cutting tactics, high financial leverage, and a focus on profit-maximizing procedures.

Of critical concern is how the DSO structure may emphasize "quantity of care over quality of care." DSO proponents often claim that DSOs have no impact on clinical operations, and focus entirely on business management services. However, investigations by regulators have found that the relationship between DSOs and dentists is murkier than represented. In some cases, the owners of DSOs, i.e., private equity firms, exert undue influence over practices to increase profits.

A 2013 joint investigation by the U.S. Senate Finance and Judiciary committees into DSOs and corporate dentistry affirmed these concerns. The investigation, "Joint Staff Report on the Corporate Practice of Dentistry in the Medicaid Program," found "a failure to meet quality and compliance standards, including unnecessary treatment on children; improper administration of anesthesia; providing care without proper consent; and overcharging the Medicaid program."[47]

Pressure to meet revenue targets has been shown to lead to over-booking and understaffing or rushing through treatments to maximize the volume of patients. It can also lead dentists and hygienists to push unnecessary or expensive procedures, such as drilling into healthy teeth, conducting unnecessary and costly x-rays or screenings, and performing medically unnecessary root canals.[48]

The potentially harmful impact on patients especially raises concern given that a significant portion of patients receiving care at DSO-affiliated practices are Medicaid eligible, which may exacerbate problems of inequity in oral health for low-income people. While DSOs' scale may allow for expanded access for underserved communities, it is critical that access does not come at the expense of quality for these communities in the service of maximizing profit for private equity investors.

See our report: "Deceptive Marketing, Medicaid Fraud, and Unnecessary Root Canals on Babies: Private Equity Drills into the Dental Care Industry"

Private equity in dentistry case study: Benevis/Kool Smiles – FFL Partners

Georgia-based Benevis, formerly known as Kool Smiles, has been owned by various private equity firms since 2004. Benevis has had a troubled history including Medicaid fraud and significant medical malpractice suits, leading to the company's bankruptcy and subsequent restructuring in 2020. Today, Benevis has 150 affiliates in 17 states and has 3,500 employees.[49]

In January 2018, Benevis paid $23.9 million to settle a federal lawsuit alleging that it performed and billed for medically unnecessary dental services performed on children insured by Medicaid.[50] The alleged activity took place under the ownership of private equity firm Friedman Fleischer & Lowe (FFL), which first invested in Benevis in 2004.[51] The settlement was the second largest False Claims Act dental settlement in history.[52]

The US Department of Justice (DOJ) alleged that Benevis facilities submitted claims for performing medically unnecessary tooth extractions and root canals on babies, and sought payments for baby root canals that were never performed. The DOJ also alleged that Benevis "routinely pressured and incentivized dentists to meet production goals through a system that disciplined 'unproductive' dentists and awarded 'productive' dentists with substantial cash bonuses based on the revenue generated by the procedures they performed."[53]

The DOJ found that the alleged fraudulent activity took place at 130 of Benevis-affiliated clinics, which submitted false claims to 17 different state Medicaid programs.[54]

FFL's high return expectations allegedly played a key role in incentivizing fraud. In particular, the DOJ amended complaint alleged that FFL sought to boost returns in order to attract investors to subsequent private equity funds:

> "Not only did FFL's interest in the profits of portfolio companies provide a significant incentive to maximize those profits, FFL also intended to sponsor additional private equity funds, and its success in attracting investors in subsequent funds would depend greatly on the returns earned by investors in existing funds managed by it."[55]

The complaint further alleges that FFL's requirements pressured staff to commit Medicaid fraud:

> "FFL…established the business requirements necessary to attain the desired rate of return from the Kool Smiles clinics and directed [Benevis] to undertake these steps necessary to achieve those returns knowing that those returns would and did include the submission of false Medicaid claims. Accordingly, FFL and Capital Partners II are liable for the submission of those false claims as detailed herein."[56]

Two months after settling the federal lawsuit, FFL sold Benevis to private equity firms Littlejohn & Co and Tailwind Capital.[57] Littlejohn and Tailwind held on to Benevis for less than 2.5 years before taking the company into bankruptcy in August 2020.[58]

Private equity in behavioral health

Private equity investors have shown substantial interest in the behavioral health sector, and this trend is expected to continue.

In 2018, behavioral health acquisitions and mergers reached a historic high at 97 known transactions, representing a 59% year-over-year increase from 2017. Private equity-driven transactions made up a substantial portion of deal activity; between 2017 and 2018, private equity buyers went from accounting for 48% of acquisitions in behavioral health to 69% of acquisitions.[59]

Private equity interest in behavioral health has focused on a few key areas: autism, eating disorders, and addiction treatment.[60] Firms employ a familiar model in behavioral health: they typically buy or create a platform investment, such as a large treatment center, and then acquire add-on investments to expand the company. Consolidation and improvements to tech and administrative functions are expected to drive value creation.[61]

However, private equity's tendency to demand outsized returns in a sector that is already vastly underfunded, and serves vulnerable populations, raises serious concerns about its potential impact on patient care.

For example, health researchers who surveyed former owners of companies sold to private equity firms found expectations of "meeting your numbers" post-sale and, as a result, the eagerness to fill beds even without adequate staffing.[62] These kinds of behaviors may be especially harmful where having adequate staffing and training is vital both to providing safe and effective treatment as well safe working conditions for staff.

Case study: Sequel Youth & Family Services – Altamont Capital

Sequel Youth and Family Services runs teen residential treatment facilities, therapeutic group homes, community-based programs, and alternative education programs for youth. The company serves 10,000 people at 50 locations in 21 states.[63] It is owned by Altamont Capital Partners, Palo Alto-based private equity firm with $2.5 billion assets under management.[64]

In the last several years, Sequel has come under immense scrutiny for the death of a teenager and numerous instances of child abuse, neglect, and poor quality of care at its facilities in multiple states.

Altamont acquired Sequel in August 2017 through a leveraged buyout from Canadian private equity firm Alaris Royalty.[65] Alaris reported generating $71 million profit, or 23% annual return, on its investment in Sequel.[66]

Both Altamont and Alaris added substantial debt to Sequel over the course of their ownership; In August 2016, Alaris completed a dividend recapitalization of Sequel in part to pay itself a dividend. After Altamont acquired sequel in a leveraged buyout, it took out debt financing at least two more times, in 2017 and 2018, totaling at least $94 million.[67]

The litany of horrific conditions at Sequel facilities includes:

- Michigan: In May 2020, a Black teenager living at Sequel-operated Lakeside Academy in Michigan, died after being restrained by seven staffers. The state of Michigan had substantiated 56 violations at Lakeside Academy since 2018, including multiple instances of inappropriate physical restraints.[68]
- Alabama: In February and March 2020, Alabama Disabilities Advocacy Program (ADAP) conducted an investigation of a Sequel facility in Courtland, Alabama. In its report in the investigation, ADAP wrote that the facility had "unsafe, squalid living conditions and a disturbing cultural and programmatic environment that further traumatizes extremely vulnerable children." [69]
- Utah: A June 2019 report had found that police were called to the Sequel-owned Red Rock Canyon School 72 times since 2017. During the same period, 23 staff members were investigated for child abuse, nine were charged, and four more were referred for charges.[70]
- Ohio: In September 2020, children housed at Sequel Pomegranate were removed from the facility after multiple incidents of improper restraints, sexual abuse and violence. The facility's license was revoked.[71]
- Iowa: Sequel's Clarinda Academy shut down in February 2021 following numerous allegations of excessive restraint, assault, and rape.[72]

For more information, see our report: "Understaffed, Unlicensed, and Untrained: Behavioral Health Under Private Equity"

How private equity has defrauded government health care programs

There is substantial overlap between the risks associated with private equity ownership of health care companies and the activities targeted by the False Claims Act (FCA), a federal law that establishes liability for individuals or companies that defraud governmental programs.

The FCA is commonly used to prosecute health care companies that defraud Medicaid, Medicare, and related programs by submitting false claims for a variety of activities. Fraudulent activities may include providing substandard care, providing medically unnecessary services, receiving kick-backs for services provided, filing claims for services not provided, and providing services by unlicensed or improperly licensed providers.[73]

In an effort to achieve the high returns often expected by private equity investors, companies' aggressive profit-seeking may result in fraudulent activity.

Since 2013, at least 25 private equity-owned health care companies have paid a total of at least $570 million to settle false claims act suits related to alleged billing fraud that took place under private equity ownership. Altogether, the private equity firms that owned those companies currently own nearly 200 other health care companies, many of which also bill Medicare, Medicaid, and other government health programs.

The alleged fraud in these suits included providing medically unnecessary procedures and substandard care, engaging in kickback schemes, and hiring unlicensed licensed providers.

Many of the private equity firms that paid settlements are frequent health care investors, suggesting that there are substantial due diligence and operational failures that have enabled the alleged fraudulent behavior. This raises questions about what steps investors are taking to ensure that other health care portfolio companies are in compliance with applicable laws and regulations.

For more information, see our report: "Money for Nothing: How Private Equity has Defrauded Medicare, Medicaid, and Other Government Health Programs, and How that Might Change"

Dividend recapitalizations at healthcare companies

As discussed earlier in this testimony, dividend recapitalizations are transactions by which private equity firms add debt to their portfolio companies' balance sheets in order to collect dividends for themselves. By saddling their companies with debt to extract cash, private equity firms put those companies at risk for restructuring, bankruptcy, or cost cutting to make up the interest payments and pay off debt.[74]

Given the concerns over the impact of dividend recapitalizations on the viability of companies, it is especially troubling that private equity investors would reap debt-funded dividends from their health care portfolio companies. Siphoning cash from providers of critical health services, such as hospitals, nursing homes, dental offices, mental health clinics, and others, may negatively impact affordability, quality, staffing, and access to care.[75]

Many health care companies draw a substantial portion of their revenue from publicly funded programs such as Medicare and Medicaid. Now, billions more dollars are flowing into the industry through stimulus funding aimed to address the COVID-19 pandemic.[76]

Private equity-backed health care companies are taking full advantage of the stimulus funding. An analysis by Bloomberg found that $2.5 billion in COVID-19 aid has gone to just three private equity-backed hospital companies—LifePoint Health (Apollo Global Management), Steward Health Care (Cerberus Capital Management), and Prospect Medical Holdings (Leonard Green & Partners).[77]

In February 2021, private equity firm Ares Management paid itself a $209 million debt-funded dividend from its physicians' practice DuPage Medical Group (DPMG)[78] after DPMG had collected almost $80 million in CARES Act dollars.[79]

As taxpayer-funded programs continue to provide valuable resources to the health care industry, it is essential to examine the role of private equity-backed dividend recapitalizations to ensure that that money goes where it is intended—and not primarily to benefit wealthy investors.

Case study: The Mentor Network – Centerbridge Capital

Private equity firm Centerbridge Partners owns behavioral health company The Mentor Network (Mentor). Mentor is a national network that provides residential and other services to adults and children with intellectual and developmental disabilities and brain and spinal cord injuries, and to youth with emotional, behavioral and medically complex challenges. It is one of the largest for-profit foster care companies in the US.[80]

In February 2021, Centerbridge took out debt on Mentor in part to pay itself a $375 million dividend.[81] This is the second debt-funded dividend Centerbridge has extracted from Mentor. In October 2019, just six months after it acquired Mentor, Centerbridge paid itself a $100 million debt-funded dividend from the company. In all, Centerbridge has collected almost half a billion dollars in debt-funded dividends from Mentor over the course of its two-year ownership.[82]

Mentor has come under fire for allegations of widespread abuse, neglect, and deaths in its foster care and group home programs. A 2017 investigation by the US Senate Committee on Finance found that at least 86 children died in a 10-year period while in the custody of Mentor. In only 13 of those deaths did the company conduct an internal investigation.[83]

The Senate committee released its final reports on Mentor in December 2020.[84] While the majority of the investigation covered the period prior to Centerbridge's ownership,[85] the reports found that problems have persisted since its acquisition. For example, just weeks before the final report was completed, state regulators in Oregon discovered so many violations at a Mentor home that they shut the facility down for good.[86]

Given the ongoing problems with Mentor facilities and services, it is appalling that Centerbridge would add substantial debt to Mentor in order to pay itself dividends rather than investing in operations to improve patient care.

For more information, see our report: "Dividend Recapitalizations in Health Care: How Private Equity Raids Critical Health Care Infrastructure for Short Term Profit"

Private equity and climate change

The private equity industry has pumped hundreds of billions of dollars into fossil fuel companies—buying up offshore drilling in the Gulf of Mexico, propping up fracking operations, expanding infrastructure through pipelines and export terminals, spewing pollution from gas and coal power plants—with minimal public scrutiny.

Unlike publicly-traded oil companies, the private equity industry has investments in fossil fuel assets that are—by definition—private and exempted from most public disclosure rules. There are no comprehensive disclosures of their holdings, let alone of their environmental and community impacts.

An analysis of deals tracked by data provider Pitchbook showed that private equity firms have invested around $1.1 trillion dollars into energy assets since 2010.[87] That is double the market value of Exxon, Chevron, and Royal Dutch Shell combined.[88]

Private equity's energy investments are dominated by fossil fuel holdings that are contributing to the climate crisis through emissions of methane, carbon dioxide and other greenhouse gases (GHG). These investments and operations have significant and long-lasting impacts on the planet and its people, with communities of color shouldering a disproportionate share of the harms of fossil fuels including compromised health[89] and damage from extreme weather tied to climate change.[90]

Scientists convened by the United Nations warned in August that steep cuts in emissions are crucial, requiring immediate action to shift away from fossil fuels.[91] As publicly listed oil majors face growing pressure from shareholders[92] and courts[93] to cut emissions, many are seeking to demonstrate progress by selling fossil fuel assets. However, private equity firms have repeatedly stepped up as buyers of those assets, negating progress on climate impacts.[94]

Thus, investors may find fossil fuel assets shifting from their portfolios' public market investments over to the private markets, where fossil fuel extraction and operations continue in the shadows. Simultaneously, fundraising by private equity firms has accelerated, with $460 billion in commitments in the first half of 2021, giving firms plentiful capital to deploy.[95]

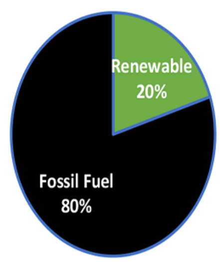
The Private Equity Stakeholder Project recently released a report entitled "Private Equity Propels the Climate Crisis" that explores the energy holdings for ten of the world's largest private equity managers which combined manage $3 trillion in assets:[96] Ares Management, Apollo Global Management, The Blackstone Group, Brookfield Asset Management/Oaktree Capital, The Carlyle Group/NGP Energy Capital, CVC Capital, KKR, Kayne Anderson, TPG Capital and Warburg Pincus.[97]

The private equity industry must take responsibility for its role in the climate crisis. Firms should disclose all energy holdings and impacts, a plan to swiftly transition to clean energy, and ensure investment practices align with a 1.5 degree Celsius scenario. Investors, regulators and policymakers must compel private equity firms to provide full transparency on their fossil fuel holdings and impacts and act now to ensure a livable future for all.

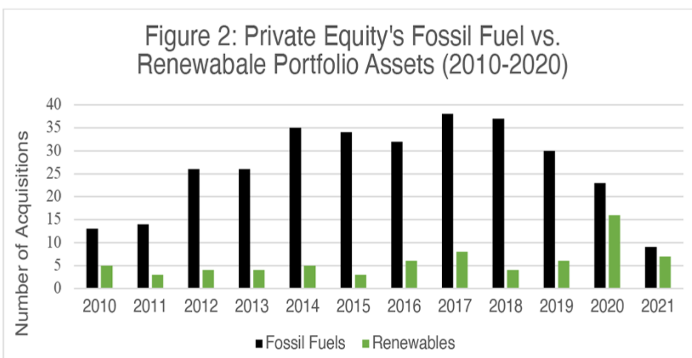
Fossil fuel investments eclipse clean energy

The ten private equity firms examined collectively own over 300 portfolio companies across the energy sector, with the vast majority related to oil, gas and coal.[98] Eighty percent of the energy assets held by these ten private equity firms reviewed are in fossil fuels, while only 20 percent are in renewables.

FIGURE 1: PRIVATE EQUITY ENERGY PORTFOLIO ASSET BREAKDOWN RENEWABLE VS FOSSIL FUEL



Fossil fuels continue to dominate energy investments by private equity despite the efforts of individual firms touting their Environmental, Social, Governance (ESG) investment strategies and appetite for renewables and the private equity industry trade group highlighting sustainable investments.[99]



A review of acquisitions by these firms year by year over the past decade illustrates the persistent focus on fossil fuel assets, as seen in the figure below. In 2020, the economic and fuel demand disruptions from the COVID-19 pandemic resulted in fewer fossil fuel deals for the ten firms examined, the smallest number of deals since 2011. By comparison, the number of acquisitions of renewable firms was higher than prior years – but was still behind the number of fossil fuel deals. So far in 2021, private equity managers continue to pursue new fossil fuel acquisitions to add to their existing oil and gas portfolios, in addition to renewable deals, which means their negative environmental impacts will be ongoing.

Beyond the number of deals executed, another measure of private equity's interest in fossil fuels is in the amount of capital deployed. In line with the lack of transparency across the industry, private equity firms do not consistently disclose the size of transactions. Based on the deal information available for the acquisitions examined, over the past decade the average fossil fuel deal was around $880 million, compared to the average for renewable deals of around $397 million.[100] In other words, on average, fossil fuel deals pursued by these ten firms were more than double the size of renewable deals.

Larger deals are heavily weighted toward fossil fuels; the ten private equity managers secured 83 deals over $500 million for companies in the oil and gas industry. Transactions in renewable energy trend toward smaller deals, with only 15 surpassing $500 million.

The combination of pursuing vastly more fossil fuel companies and transactions that are substantially larger indicates that private equity has pumped considerably more capital into dirty energy. Even with the recent uptick in renewable deals in 2020, private equity has directed a far smaller amount of money into climate solutions.

Fossil fuel holdings pose serious risks, provide low returns

Private equity firms' clients—institutional investors like pension funds—face risks from exposure to fossil fuels in their portfolios because of the mounting impacts of the climate crisis.[101] Institutional investors face the prospect of substantial losses through climate change risks including physical risks to assets from flooding, drought or fire; transition risks for investments in conventional energy with diminishing demand or stranded assets; and liability risk for failing to meet fiduciary obligations or duty of care by insufficiently accounting for climate change.[102]

Companies with extensive fossil fuel holdings are vulnerable in the transition to clean energy as fossil fuel consumption inevitably declines due to regulatory mandates and public demand.[103] Even the oil majors are acknowledging a permanent shift, with Royal Dutch Shell joining other oil majors in saying earlier this year that the world had reached peak oil production in 2019, and that going forward it expects annual declines.[104] Last September, British oil giant BP came to the same conclusion that oil demand peaked in 2019.[105]

Private equity's bets on energy have generally failed to deliver strong returns to investors over the past decade, despite hundreds of billions invested in the sector. Oil- and gas-focused funds have been among the lowest-yielding strategies for private capital over the past decade, lagging buyout firms by about five percentage points, according to a 2020 *Bloomberg* analysis of Preqin data.[106] An analysis of nearly 200 energy funds by *Cambridge Associates* also concluded in 2020 that returns trailed broader private equity returns.[107] The energy funds sponsored by many of the largest buyout firms, including Ares, Apollo, KKR and Carlyle, have posted negative returns.[108]

Private equity-backed oil and gas companies may be more susceptible to financial risks due to higher debt loads and volatility. In 2020, the disruptions to demand and price triggered by the pandemic resulted in an unusually high number of bankruptcies in the oil and gas sector, the majority of which were filed by companies owned by private equity firms—which also carried a higher debt burden.[109]

Code Red for communities of color and the climate

The climate crisis is accelerating with real time economic and social impacts, underscoring the urgency of immediate and meaningful action by corporations and governments. The summer of 2021 has clearly illustrated the crisis with a distressing number of events linked to climate change. A heat dome in the Pacific Northwest and Western Canada killed hundreds of people,[110] warped roadways[111] and left forecasters stunned.[112] At the same time, flooding in the Midwest overwhelmed infrastructure.[113] The parched Western U.S. is experiencing the worst drought conditions in two decades.[114] Intense wildfires on the West Coast sent smoke thousands of miles to contaminate air on the East Coast.[115] In Europe, catastrophic flooding killed hundreds in Germany and Belgium.[116]

The United Nations Intergovernmental Panel on Climate Change (IPCC) report published in August warned that sharp reductions in greenhouse gasses are urgently required. A 1.5 degree Celsius rise in global temperatures has become nearly unavoidable, due to decades of inaction and continued emissions from fossil fuel usage. The hazards unleashed by extreme weather and sea-level rise will accelerate in the coming decades, the report found, but even more devastating impacts could be ameliorated by an immediate shift away from fossil fuels.[117] UN Secretary General António Guterres said, "This report must sound a death knell for coal and fossil fuels, before they destroy our planet."[118]

The world's largest private equity firms contribute to the continued expansion of fossil fuel infrastructure and its associated harm towards marginalized communities. For instance, 64 percent of the total population living near the Blackstone Group's greenhouse gas (GHG) emitting facilities are people of color.[119] Similarly, 66 percent of the communities living around Arclight Capital's facilities are communities of color.[120] And 60 percent of the communities living around Ares Management's environmentally harmfully facilities are racially marginalized communities.[121]

From our sample of about 125 private equity-owned companies with domestic fossil fuel operations, communities in Oklahoma, Louisiana, New Mexico, and Texas each contend with substantial fossil fuel exposure. Low income and minority communities in south Texas bear the brunt of private equity's environmental and public health harms,[122] with over 70 private equity owned companies primarily operating in the extraction and production hotbeds of the Permian Basin and the Eagle Ford Shale (see Figure 3).[123]

The majority of people living near gas flaring in these two drilling regions are people of color.[124] Latina women in the Eagle Ford shale face significantly higher risk of giving birth prematurely.[125] Other studies have found similar results in Colorado,[126] Pennsylvania,[127] and Oklahoma.[128] Moreover, fracking wastewater contains potentially harmful chemicals and metals and has been tied to contamination of surface and groundwater. A 2016 study published in the *American Journal of Public Health* found the that although fracking activity was slightly more prevalent in white communities, fracking wastewater wells were more frequent in communities of color. [129]

Together, the Permian Basin in Texas and New Mexico, the Eagle Ford Shale in Texas and the Bakken Shale in North Dakota and Montana account for 83 percent of the gas flaring activity in the country. Half a million people living in those basins reside within three miles of a flare, with 39 percent living close to more than 100 flares.[130]

As nations prepare for the UN Climate Change Conference (COP26) in November, public and private sector actors must make strong commitments to cut their own emissions.[131] The IPCC report's "code red for humanity" brings increased urgency.[132] Seeking to restore its global leadership, the United States aims to cut its emissions by half within a decade.[133]

Adding to the urgency, the International Energy Agency released a Net Zero by 2050 roadmap, declaring that the pathway to achieve net-zero emissions is "narrow but achievable" and requires "nothing short of a complete transformation of the global energy system." The narrow pathway calls for no new oil, gas or coal projects to be developed, and for all existing operations to focus on emissions reduction.[134]

Given their massive fossil fuel exposure, private equity firms have an urgent responsibility to address the significant role they play in propelling the climate crisis, and must start being transparent about the financial and social risks of their continued exposure to the fossil fuel sector.

From sunlight to darkness – private equity shifts dirty energy into the shadows

Private equity firms continue to hold, build and buy more fossil fuel assets despite demands to urgently reduce emissions in order to forestall the worst of the climate crisis.

For example, Oaktree Capital has expanded its fossil fuel exposure, with at least three upstream acquisitions in 2020 including a $900 million commitment to FourPass Energy drilling company in Colorado,[135] a $700 million commitment to Banpu Kalnin Ventures to pursue upstream natural gas,[136] and a $1 billion deal with Diversified Energy & Gas to fund joint acquisitions to expand the company's footprint,[137] which in July 2021 acquired assets in Louisiana and Texas.[138]

Blackstone recently acquired midstream pipeline company Tallgrass Energy, which is developing a new oil export terminal in Louisiana that would emit more than 500,000 tons of greenhouse gasses annually and would be built over a historic graveyard for enslaved people, according to the *Times-Picayune*.[139]

Private equity firms have also shown a sizeable appetite for acquiring assets from publicly-traded oil majors that are looking to shed segments of their operations in response to public pressure and to reduce exposure to climate risks.[140] For example, the Carlyle Group recently acquired Occidental Petroleum's oil fields in Colombia and was in talks to acquire the company's oil fields in Ghana as well.[141] KKR's Contango Oil & Gas expanded its fracking operations by buying up all of ConocoPhillips' drilling assets in Wyoming in July 2021.[142]

Private equity firms are also acquiring fossil fuel assets from some of the world's largest producers, Abu Dhabi and Saudi Arabia, which are planning to expand production.[143] The *Financial Times* recently reported that pressure on publicly listed oil companies "in short-term production could shift to private or state-owned companies which face much less scrutiny over their activities."[144] Examples of such transactions include:

- In 2021, Brookfield bid $6.8 billion for Inter Pipeline, a major petroleum transportation and natural gas liquids processing business operating in Western Canada.[145]
- Private energy specialist EIG led a consortium in a $12 billion deal to buy a 49 percent stake in Saudi Arabia's pipelines in June 2021.[146]
- Several private equity firms have inked deals with the Abu Dhabi National Oil Company as well, including a $10 billion deal in 2020 by a consortium that included Brookfield Asset Management.[147]
- KKR participated in a $4 billion deal with the Abu Dhabi National Oil Company to buy a 40 percent stake in its pipelines in 2019.[148]
- In 2016, Brookfield invested in Brazil's NTS 2,000-kilometer (1,243-mile) gas pipeline network. Earlier this year, it increased its stake to 100 percent ownership.[149] This network is responsible for approximately 50 percent of gas consumption in Brazil.[150]

Stakeholders must act now to push private equity to exit fossil fuels

The accelerating climate emergency calls for dramatic action to reduce fossil fuels now. The private equity industry's energy investments contribute substantially to climate change, and thus, these asset managers must provide transparency to the public and investors about their fossil fuel holdings, emissions, and impacts on communities.

Based on the IPCC Climate Report, UN Secretary-General Guterres said, "The climate crisis poses enormous financial risk to investment managers, asset owners and businesses. These risks should be measured, disclosed and mitigated." He noted that corporations must align their portfolios with the Paris Agreement and that, "The public and private sector must work together to ensure a just and rapid transformation to a net-zero global economy."[151]

To date, the private equity industry has not adequately addressed its role in propelling climate change, which underscores the importance of engagement by stakeholders to press the industry to pivot away from fossil fuels.

Institutional investors whose capital is at risk must demand that their private market partners use their capital responsibly through investing in adherence to a 1.5 degree future. Investors should insist that private equity managers:

- Develop and disclose a plan with clear incremental benchmarks to shift energy portfolios to be pollution free
- Commit to no expansion of fossil fuel development or operations, in alignment with the IEA Net Zero 2050 roadmap[152]
- Provide a risk management strategy under a 1.5 degree warming scenario consistent with science-based emissions targets, as well as scenarios above 1.5 degrees
- Disclose all direct and indirect emissions (Scope 1, 2, and 3)[153] as well as other climate impacts such as spills, accidents, explosions, citations for environmental violations
- Engage with impacted communities to develop a just transition program both for the workforce and for communities impacted by current fossil fuel holdings
- Provide transparency on political spending and how it aligns with the UN PRI's Investor Expectations on Corporate Climate Lobbying[154] including:
    - Corporate and executive political spending – lobbying and campaign contributions
    - Political spending by portfolio companies and their executives
    - Membership in trade associations and how those trade associations' lobbying positions align with the goals of the Paris Agreement

Regulators like the Securities Exchange Commission (SEC) that oversee the stability of markets for investors have an important role to play as well. Under the current lax regulatory structure, private equity firms have produced subjective and vague reports of their efforts on environmental issues. For members of the public and investors, there is no way to discern which companies have greater climate impacts, which are engaged in greenwashing through misleading ESG policies, or which may be genuinely working to disclose and mitigate climate impacts and emissions.[155] The SEC is commencing a process to update climate disclosure requirements and received hundreds of comments in response to a request for public input in June 2021.[156]

Investors, regulators and policymakers must enact policies obliging private equity firms to provide full transparency on their fossil fuel holdings and the impacts of those holdings on the environment and on communities. The private equity industry must take responsibility for its role in the climate crisis and detail the steps it will take to transition to clean energy and certify that investment practices align with a 1.5-degree scenario, to ensure a livable future for investors and impacted communities alike.

For more information on the specific energy holdings of the largest private equity managers, please see the Private Equity Stakeholder Project's recent report, "Private Equity Propels the Climate Crisis."

Private equity and civil rights

A handful of private equity firms have invested heavily in companies providing services to prisons, jails, and detention facilities around the United States and the more than two million people housed at those facilities. Private equity-owned companies profiting from incarceration and detention include Securus and Global Tel Link (phone and communications), Wellpath and Corizon (healthcare), TKC Holdings (commissary), and Attenti (electronic monitoring).

The United States incarcerates more people than any other country in the world, both in terms of the number of individuals incarcerated and by percentage of population. In 2020, there were roughly 2.3 million people in the country's prisons and jails,[157] and about 1 in 113 adults in the U.S. were incarcerated;[158] if the number of imprisoned individuals in the U.S. were a city, it would be the fifth-largest in the country.[159]

Mass incarceration is overwhelmingly and discriminatorily aimed at communities of color**.** More than 60 percent of the U.S. incarcerated population are people of color, and according to the NAACP, "If African Americans and Hispanics were incarcerated at the same rates as whites, prison and jail populations would decline by almost 40%."[160]

While public and investor debate around the privatization of prisons, jails, and detention facilities has largely focused on publicly-traded companies such as CoreCivic and GEO Group, the largely private equity-owned firms that provide phone services, commissary services, healthcare, bail bonds and other services are more ubiquitous, serving thousands of prison, jail, and immigrant detention facilities around the country.

In addition, some of the same companies have been heavy political contributors opposing sentencing reform, bail reform, and other measures intended to reduce the incarceration rates. For example, just three days after California passed bail reform legislation in August 2018, an affiliate of private equity firm Endeavour Capital, then owner or Aladdin Bail Bonds, contributed $800,000 to become one of the largest funders of the successful effort to roll back the law.[161]

Most recently, private equity firm Warburg Pincus earlier this year acquired G4S, a gigantic security company with 530,000 employees globally.[162] Among other things, G4S runs a number of private prisons, jails, and immigration detention centers in the US, UK, South Africa, and elsewhere.[163]

Partial list of private equity-owned firms providing services to prisons, jails, and detention facilities:

Company	Industry/ Services	Scope	PE Owner(s)	Acquired
Securus/ Jpay	Telephone/ Communications	Serves more than 3,400 public safety, law enforcement and corrections agencies and over 1.2 million inmates across North America.[164]	Platinum Equity[165]	2017
GTL (Global Tel Link)	Telephone/ Communications	Serves approximately 2,300 facilities and 1.8 million inmates in 50 states, the District of Columbia and Puerto Rico.[166]	American Securities[167]	2011
TKC Holdings (Keefe Group/ Trinity Services Group/ Swanson Svcs/ ICSolutions)	Commissary/ Food/ Telephone/ Communications	Keefe Commissary Network serves more than 650,000 people weekly and 14 out of 17 outsourced state departments of corrections.[168] Telecommunications provider ICSolutions serves 300,000 people housed in over 400 correctional facilities nationwide.[169]	H.I.G. Capital[170]	2012
G4S	Private prisons, Detainee transportation	G4S runs private prisons, jails, and immigration detention centers in the US, UK, South Africa, and elsewhere.[171]	Warburg Pincus[172]	2021
Corizon Health	Healthcare	Corizon Health provides quality healthcare services to our clients at 220 facilities serving over 180,000 patients in 17 states.[173]	Flacks Group[174]	2020
Wellpath (Formerly Correct Care Solutions/ Correctional Medical Group Companies)	Healthcare/ Probation	Provides medical and behavioral health services for nearly 300,000 patients located in local, state and federal correctional facilities, as well as state hospitals and other facilities.[175]	H.I.G. Capital[176]	2013/ 2018
Comprehensive Health Services/ Caliburn	Detention Center Operations	Operated the Homestead child detention center in Florida as well as facilities in Texas[177]	DC Capital[178]	2018
Attenti	Electronic Monitoring	Global provider of electronic monitoring technologies to national, federal state and local correctional and law enforcement agencies around the world.[179]	Apax Partners[180]	2017
Sentinel Offender Services	Probation	Sentinel Offender Services is a private probation company that partners with community corrections, courts and law enforcement.[181]	Bison Capital Asset Management [182]	2012

Private equity firms' heavy use of debt at portfolio companies (and limited investment of their own money), growing extraction of cash from portfolio companies through debt-funded dividends, and limitation on their own liability increasingly set up a "heads I win, tails you lose" structure where private equity firms can make substantial profits for themselves even as the companies they own struggle, default on debt, or go bankrupt.

Even when portfolio companies go bankrupt, private equity firms cannot lose any more than the limited capital they put in. On the other hand, when things go well, private equity firms' potential upside is unlimited and is magnified by high debt.

This structure means private equity firms' interests are often not aligned with those of portfolio company stakeholders such as workers, consumers, communities in which the companies operate, tenants, government payors, and others. Rather than being focused on the long-term sustainability of these businesses, private equity firms may instead be focused on how to grow cash flow as quickly as possible in a few years for their own benefit, regardless of the consequences to others.

There is a critical need for reforms to address the growing impacts of private equity firms.

Thank you,

Jim Baker
Private Equity Stakeholder Project
2513 N Central Park Ave
Chicago, IL 60647

312-933-0230
jim.baker@PEstakeholder.org

[1] “A routinely exceptional year,” McKinsey, Feb 2017. “A year of disruption in the private markets,” McKinsey, Apr 2021.
[2] “Private equity chiefs get bumper payouts on back of Fed stimulus,” Financial Times, Mar 1, 2021. “Private Equity’s Dividend Spree Looks Like It’s Just Starting,” Bloomberg, Sept 15, 2021.
[3] “Private equity breaks 40-year record with $500bn of deals,” Financial Times, Jun 30, 2021.
[4] “G4S shareholders approve £3.8bn takeover by Allied,” Financial Times, Mar 16, 2021.
[5] https://inspirebrands.com/wp-content/uploads/2021/03/Inspire-Brands-Fact-Sheet_March-2021.pdf, accessed Oct 11, 2021.
[6] “LifePoint Health Announces Agreement to Acquire Kindred Healthcare,” LifePoint Health press release, June 21, 2021. http://www.lifepointhealth.net/news/2021/06/21/lifepoint-health-announces-agreement-to-acquire-kindred-healthcare; David Muoio, “LifePoint Health purchases post-acute services company Kindred Healthcare, commits to 3-year, $1.5B investment,” Fierce Healthcare, June 22, 2021. https://www.fiercehealthcare.com/hospitals/lifepoint-health-purchas-es-post-acute-services-company-kindred-healthcare-commits-to
[7] “Economic contribution of the US private equity sector in 2020,” Ernst & Young, prepared for the American Investment Council, May 2021, https://www.investmentcouncil.org/wp-content/uploads/ey-aic-pe-economic-contribution-report-final-05-13-2021.pdf. “Economic contribution of the US private equity sector in 2018,” Ernst & Young, prepared for the American Investment Council, October 2019, https://thisisprivateequity.com/wp-content/uploads/2019/10/EY-AIC-PE-economic-contribution-report-10-16-2019.pdf.
[8] From 156.9 million in December 2018 to 149.8 million in December 2020. THE EMPLOYMENT SITUATION — DECEMBER 2018, Bureau of Labor Statistics, Jan 4, 2019, https://www.bls.gov/news.release/archives/empsit_01042019.pdf. THE EMPLOYMENT SITUATION — DECEMBER 2020, Bureau of Labor Statistics, Jan 8, 2021, https://www.bls.gov/news.release/archives/empsit_01082021.pdf.
[9] “Private equity takeovers result in significant job losses,” Axios, Oct 7, 2019.
[10] “Private Equity Is Smashing Records with Multi-Billion M&A Deals,” Bloomberg, Sept 17, 2021.
[11] Bain & Co. Global Private Equity Report 2021.
[12] Bain & Co. Global Private Equity Report 2021.
[13] “Surging demand for leveraged loans propels dividend payouts to record pace,” S&P, Sept 23, 2021.
[14] “Private Equity’s Dividend Spree Looks Like It’s Just Starting,” Bloomberg, Sept 15, 2021.
[15] https://thisisprivateequity.com/wp-content/uploads/2019/10/EY-AIC-PE-economic-contribution-report-10-16-2019.pdf
[16] https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_2019122.pdf
[17] “Private equity takeovers result in significant job losses,” Axios, Oct 7, 2019.
[18] “Pirate Equity: How Wall Street Firms are Pillaging American Retail,” Private Equity Stakeholder Project, United for Respect, and Americans for Financial Reform, July 2019.
[19] U.S. Bureau of Labor Statistics, “Employment, Hours, and Earnings from the Current Employment Statistics survey,” Accessed May 1, 2019 https://data.bls.gov/timeseries/CES4200000001?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true.
[20] “Pirate Equity: How Wall Street Firms are Pillaging American Retail,” Private Equity Stakeholder Project, United for Respect, and Americans for Financial Reform, July 2019.
[21] Abha Bhattarai, “A Toys “R”’ Us death blow: Mattel to lay off 2,200 workers,” Washington Post, July 25, 2018, https://www.washingtonpost.com/business/2018/07/25/toys-r-us-death-blow-mattel-lay-off-workers/?utm_term=.01ceef24104a
[22] Chris Isidore, “Hasbro will lay off hundreds after Toys ‘R’ Us’ closure,” CNN Business, October 22, 2018, https://www.cnn.com/2018/10/22/business/hasbro-job-cuts-toys-r-us/index.html.
[23] Josh Bivens, “Updated employment multipliers for the U.S. economy,” Economic Policy Institute, January 23, 2019, https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/.
[24] Steven J. Davis, John C. Haltiwanger, Ron S. Jarmin, Josh Lerner, and Javier Miranda, “Private Equity and Employment,” National Bureau of Economic Research Working Paper Series, Paper #17399, 2011, https:// www.nber.org/papers/w17399.pdf, 29.
[25] https://www.theguardian.com/us-news/2021/jul/18/hufcor-factory-janesivlle-wisconsin-opengate-capital
[26] OpenGate Capital, which owns PennySaver, has closed other companies, too,” Orange County Register, Lauren Williams, June 25, 2015
[27] https://pestakeholder.org/largest-private-equity-owned-employers-concentrated-in-low-wage-industries/
[28] All wage information is from Indeed.com, accessed Oct 15, 2021.
[29] “Federal Social Safety Net Programs,” U.S. Government Accounting Office, October 2020. https://www.gao.gov/assets/gao21-45.pdf
[30] “This Fast Food Giant Bragged About Killing $15 Minimum Wage,” Newsweek, David Sirota, March 27, 2021. https://www.newsweek.com/this-fast-food-giant-bragged-about-killing-15-minimum-wage-1579273
[31] “McDonald’s Will No Longer Lobby Against Federal, State and Local Minimum-Wage Increases,” New York Times, Matt Stevens, March 27, 2019. https://www.nytimes.com/2019/03/27/business/mcdonalds-minimum-wage.html
[32] CareVet is owned by Comvest Partners and Compass Group Equity Partners.
[33] “Working for companies owned by well-heeled private-equity firms can mean lower wages for employees,” NBC News, Oct 9, 2021.
[34] “The Healthcare PE Investment Landscape,” Pitchbook Q3 2020 healthcare analyst report, September 2020.
[35] Atul Gupta, Sabrina T. Howell, Constantine Yannelis, Abhinav Gupta. "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes," NBER, February 13, 2021. https://bfi.uchicago.edu/working-paper/does-private-equity-investment-in-healthcare-benefit-patients-evidence-from-nursing-homes/

[36] Atul Gupta, Sabrina T. Howell, Constantine Yannelis, Abhinav Gupta. "Does Private Equity Investment in Healthcare Benefit Patients? Evidence from Nursing Homes," NBER, February 13, 2021. https://bfi.uchicago.edu/working-paper/does-private-equity-investment-in-healthcare-benefit-patients-evidence-from-nursing-homes/

[37] https://pmh.com/. Accessed May 6, 2020.

[38] https://www.propublica.org/article/rich-investors-stripped-millions-from-a-hospital-chain-and-want-to-leave-it-behind-a-tiny-state-stands-in-their-way

[39] https://pestakeholder.org/wp-content/uploads/2020/05/UPDATE-Leonard-Green-Prospect-Medical-Dividends-PESP-051420.pdf

[40] https://pestakeholder.org/broken-promises-rhode-island-regulators-question-leonard-greens-investment-in-prospect-medical-holdings/

[41] https://www.bloomberg.com/news/articles/2020-06-11/pe-owned-hospitals-paid-owners-millions-and-got-low-care-ratings

[42] https://www.sacurrent.com/the-daily/archives/2020/01/03/hotel-company-purchases-downtown-san-antonios-historic-nix-hospital-building

[43] https://www.propublica.org/article/investors-extracted-400-million-from-a-hospital-chain-that-sometimes-couldnt-pay-for-medical-supplies-or-gas-for-ambulances

[44] https://www.propublica.org/article/investors-extracted-400-million-from-a-hospital-chain-that-sometimes-couldnt-pay-for-medical-supplies-or-gas-for-ambulances

[45] https://www.leonardgreen.com/portfolio/

[46] https://pestakeholder.org/wp-content/uploads/2021/08/PESP_DSO_July2021.pdf

[47] "Baucus, Grassley Look to Stop Medicaid Payments to Dental Clinics that Skirt Oversight Regulations," US Senate Committee on Finance press release, July 23, 2013. https://www.finance.senate.gov/chairmans-news/baucus-grassley-look-to-stop-medicaid-payments-to-dental-clinics-that-skirt-oversight-regulations

[48] https://pestakeholder.org/wp-content/uploads/2021/08/PESP_DSO_July2021.pdf

[49] Gabrielle Masson and Katie Adams, "31 DSOs to know in 2020," Becker's Dental & DSO Review, April 9, 2021. https://www.beckersdental.com/dso-dpms/35984-30-dsos-to-know-in-2020.html ; Pitchbook, accessed June 2021.

[50] Department of Justice, "Dental Management Company Benevis and Its Affiliated Kool Smiles Dental Clinics to Pay $23.9 Million to Settle False Claims Act Allegations Relating to Medically Unnecessary Pediatric Dental Services," January 10, 2018. https://www.justice.gov/opa/pr/dental-management-company-benevis-and-its-affiliated-kool-smiles-dental-clinics-pay-239

[51] FFL Partners website: https://www.fflpartners.com/investments/benevis, accessed June 2021.

[52] "Berger & Montague, P.C. Whistleblower Team Leads Second Largest Ever False Claims Act Dental Case, Recovering More Than $23.9 Million," press release, January 10, 2018. https://www.prnewswire.com/news-releases/berger--montague-pc-whistleblower-team-leads-second-largest-ever-false-claims-act-dental-case-recovering-more-than-239-million-300581018.html

[53] Department of Justice, "Dental Management Company Benevis and Its Affiliated Kool Smiles Dental Clinics to Pay $23.9 Million to Settle False Claims Act Allegations Relating to Medically Unnecessary Pediatric Dental Services," January 10, 2018. https://www.justice.gov/opa/pr/dental-management-company-benevis-and-its-affiliated-kool-smiles-dental-clinics-pay-239

[54] Ibid.

[55] Benevis/Kool Smiles: United States of America et. al. v NCDR LLC et al. Third Amended Complaint Pursuant to the Federal False Claims Act. Civil Action No. 4:11-cv-792. https://bergermontague.com/wp-content/uploads/2018/01/Kool-Smiles-Third-Amended-Complaint.pdf pg. 16.

[56] Benevis/Kool Smiles: United States of America et. al. v NCDR LLC et al. Third Amended Complaint Pursuant to the Federal False Claims Act. Civil Action No. 4:11-cv-792. https://bergermontague.com/wp-content/uploads/2018/01/Kool-Smiles-Third-Amended-Complaint.pdf pg. 20.

[57] "Benevis Appoints Industry Veteran Rich Beckman as Chief Executive Officer," Benevis press release, April 12, 2019. https://www.businesswire.com/news/home/20190412005087/en/Benevis-Appoints-Industry-Veteran-Rich-Beckman-as-Chief-Executive-Officer

[58] "Benevis Enters Voluntary Chapter 11 Reorganization," Benevis press release, August 3, 2020. https://www.businesswire.com/news/home/20200803005461/en/Benevis-Enters-Voluntary-Chapter-11-Reorganization

[59] Sophea Chau and John Ferrara, "Q12019 Behavioral Healthcare Services," Capstone Headwaters, March 2019. http://capstoneheadwaters.com/sites/default/files/Capstone%20Headwaters%20Behavioral%20Healthcare%20Services%20M%26A%20Coverage%20Report_Q1%202019.pdf

[60] Bain & Company, "Global Healthcare Private Equity and Corporate M&A Report 2020." https://www.bain.com/globalassets/noindex/2020/bain_report_global_healthcare_private_equity_and_corporate_ma_report_2020.pdf

[61] Ibid.

[62] Brown B, O'Donnell E, Casalino LP. Private equity investment in behavioral health treatment centers. JAMA Psychiatry. 2019;77(3):229-230. doi:10.1001/jamapsychiatry.2019.3880

[63] "Sequel Youth & Family Services Expands into Texas," Press release by Sequel Youth & Family Services, April 16, 2020. https://www.prnewswire.com/news-releases/sequel-youth--family-services-expands-into-texas-301042148.html

[64] Altamont Capital Partners, January 2020 report. https://www.altamontcapital.com/wp-content/uploads/2020/01/Altamont-Firm-Overview-Jan2020.pdf

[65] "Altamont Capital Partners Invests In Sequel Youth & Family Services," Press release by Altamont Capital Partners, Septemer 5, 2017. https://www.prnewswire.com/news-releases/altamont-capital-partners-invests-in-sequel-youth--family-services-300513614.html

[66] "Alaris Royalty Corp. Provides Update on Sequel Redemption," Press release by Alaris Royalty Corp., August 1, 2017. https://www.alarisroyalty.com/news/article/198-alaris-royalty-corp-provides-update-on-sequel-redemption

[67] Pitchbook, accessed August 18, 2020; SEC filing Form 10Q for FS KKR Capital Corp., for the quarterly period ended March 31, 2019.https://www.sec.gov/Archives/edgar/data/1422183/000119312519141469/d740346d10q.htm

[68] "NBC News investigates MI youth center," WLIX News 10, August 15, 2020. https://www.wilx.com/2020/08/15/nbc-news-investigates-mi-youth-center/

[69] Alabama Disabilities Advocacy Program report on Sequel Youth and Family Services of Courtland, July 2, 2020. https://adap.ua.edu/uploads/5/7/8/9/57892141/sequel_attachments__a_b_and_c__r_.pdf

[70] Jessica Miller, "Since 2017, police have been called to Red Rock Canyon School in St. George 72 times, often for child abuse complaints," June 23, 2019. Salt Lake Tribune. https://www.sltrib.com/news/2019/06/23/heres-look-s-violent/

[71] https://www.10tv.com/article/news/investigations/10-investigates/state-agency-revokes-license-of-sequel-pomegranate-citing-recurring-incidents/530-5dd9cd1c-1bbf-4c67-a7aa-655bf0e4b951

[72] https://www.desmoinesregister.com/story/news/2021/02/05/clarinda-academy-iowa-closing-after-years-alleged-abuse-sexual-assault-teens/4414216001/

[73] Johns Hopkins Medicine Federal & State False Claims Act/Whistleblower Protections Policy. https://www.hopkinsmedicine.org/johns_hopkins_healthcare/providers_physicians/health_care_fraud_and_abuse/Federal_State_False_Claims_Act_Whistleblower_Protections_Policy.html

[74] https://pestakeholder.org/wp-content/uploads/2020/10/PESP-HC-dividends-10-2020.pdf

[75] "Adverse Reaction: How will the flood of private equity money into health care providers impact access to, cost and quality of care?" Private Equity Stakeholder Project, November 2019. https://pestakeholder.org/report/adverse-reaction-how-will-the-flood-of-private-equity-money-into-health-care-providers-impact-access-to-cost-and-quality-of-care/

[76] "Federal COVID-19 Provider Relief Funds: Following the Money," Urban Institute, June 10, 2020. https://www.urban.org/urban-wire/federal-covid-19-provider-relief-funds-following-money

[77] Sabrina Willmer, "A Wall Street Giant Tapped $1.5 Billion in Federal Aid for Its Hospitals," Bloomberg, September 14, 2020. https://www.bloomberg.com/news/articles/2020-09-14/a-wall-street-giant-tapped-1-5-billion-in-federal-aid-for-its-hospitals

[78] https://finance.yahoo.com/news/midwest-physician-admin-svcs-llc-055810965.html

[79] COVID Stimulus Watch, DuPage Medical Group. Accessed March 2021.

[80] https://www.thementornetwork.com/who-we-are/about-the-mentor-network/

[81] https://www.moodys.com/research/Moodys-affirms-National-Mentors-B2-CFR-outlook-to-negative--PR_439884

[82] https://www.moodys.com/research/Moodys-downgrades-National-MENTOR-Holdings-Incs-first-lien-credit-facilities--PR_417670

[83] https://www.buzzfeednews.com/article/aramroston/senate-finds-86-children-died-in-care-of-giant-for-profit

[84] https://www.grassley.senate.gov/news/news-releases/grassley-wyden-issue-reports-developmental-disability-care-facilities-iowa-and

[85] The 10-year period during which 86 children died occurred between 2005-2017, while Mentor was owned by private equity firm Vestar Capital Partners. Vestar remains an active investor in health care, including in Veritas Collaborative, a nationwide eating disorder treatment provider.

[86] https://webcache.googleusercontent.com/search?q=cache:GF9gfUjjLXQJ:https://www.finance.senate.gov/chairmans-news/grassley-wyden-issue-reports-on-developmental-disability-care-facilities-in-iowa-and-oregon+&cd=2&hl=en&ct=clnk&gl=us

[87] According to an analysis of data compiled by Pitchbook on private equity energy deals since 2010.

[88] Market capitalization of Exxon was $233 billion, Chevron was $188 billion, Royal Dutch Shell was $155 billion as of Sept. 2, 2021

[89] American Journal of Public Health, "Disparities in Distribution of Particulate Matter Emission Sources by Race and Poverty Status," April 2018 https://ajph.aphapublications.org/doi/pdf/10.2105/AJPH.2017.304297

[90] https://psci.princeton.edu/tips/2020/8/15/racial-disparities-and-climate-change

[91] New York Times, "A hotter future is certain, UN climate panel warns. But how hot is up to us." https://www.nytimes.com/2021/08/09/climate/climate-change-report-ipcc-un.html?smid=tw-nytimes&smtyp=cur August 9, 2021

[92] https://www.reuters.com/business/sustainable-business/shareholder-activism-reaches-milestone-exxon-board-vote-nears-end-2021-05-26/

[93] https://www.npr.org/2021/05/26/1000475878/in-landmark-case-dutch-court-orders-shell-to-cut-its-carbon-emissions-faster

[94] https://www.politico.com/news/2021/03/30/companies-green-planet-doesnt-always-win-478460

[95] PE News, "Private Equity fundraising surged to $459 billion in first half of year," July 12, 2021 https://www.penews.com/articles/private-equity-fundraising-surged-to-459bn-in-first-half-of-year-20210712

[96] Combined AUM as of June 30, 2021 per: Blackstone https://www.blackstone.com/press-releases/article/blackstone-reports-second-quarter-2021-earnings-results/, Kayne Anderson https://kaynecapital.com/about/, Apollo https://www.apollo.com/~/media/Files/A/Apollo-V2/press-release/agm-earnings-release-2q-2021.pdf, Ares https://www.aresmgmt.com/about-ares-management-corporation., KKR https://www.sec.gov/ix?doc=/Archives/edgar/data/1404912/000140491221000028/kkr-20210630.htm, Warburg Pincus https://warburgpincus.com/ and Carlyle https://www.carlyle.com/firm. As of March 31, 2021 CVC Capital https://www.cvc.com/, Brookfield https://www.brookfield.com/. TPG https://www.tpg.com/ accessed 8/10/21.

[97] The ten firms in this report (Ares Management, Apollo Global Management, Blackstone Group, Brookfield Asset Management/Oaktree Capital, Carlyle Group, CVC Capital, KKR, Kayne Anderson, TPG Capital and Warburg Pincus) are all in the top 25 of the PEI 300 2021 which is ranked based on the prior year's fundraising, except for Kayne Anderson which was ranked #71. Six of the ten in this report are listed in US News' Top Ten Largest Private Equity Firms from July 2021 based on AUM of the private equity division of alternative asset managers https://money.usnews.com/investing/funds/articles/top-10-largest-private-equity-firms. Not all the managers in the US News list have substantial fossil fuel or energy investments.
As of March 31, 2021 https://www.aresmgmt.com/about-ares-management-corporation
As of March 31, 2021 https://d18rn0p25nwr6d.cloudfront.net/CIK-0001176948/a143d5f3-54d5-40a7-b9c2-94692d41fffc.html

[98] To compile energy holding for private equity firms, the authors of this report have drawn information from Pitchbook, Securities and Exchange Commission (SEC) filings, company webpages, press releases, news stories and other sources. Because private equity firms are not required to provide a comprehensive disclosure of their holdings, our data may undercount portfolio companies or contain inaccuracies.

[99] https://www.investmentcouncil.org/sustainability/

[100] The average was determined based on publicly available announcements of deal size for 176 acquisitions, which represents nearly 60 percent of the 300 energy companies currently held by the ten firms examined in this report.

[101] World Bank blog, "How resilient are pension systems to climate change," Sept 30, 2020 https://blogs.worldbank.org/psd/overheating-pension-pots-how-resilient-are-pension-systems-climate-change and Center for International Environmental Law, Pension Funds: The imperative of climate change assessment," 2016 https://www.ciel.org/project-update/pension-funds-the-imperative-of-climate-change-assessment/

[102] Pension Funds: The imperative of climate change assessment," 2016 https://www.ciel.org/project-update/pension-funds-the-imperative-of-climate-change-assessment/

[103] CarbonTracker, "Mind the Gap: the $1.6 trillion energy transition risk," March 2018 https://carbontracker.org/reports/mind-the-gap/

[104] Hanna Ziady, "Shell says its oil production has peaked and will fall every year," *CNN*, February 11, 2021, https://www.cnn.com/2021/02/11/business/shell-oil-production-peak/index.html

[105] BP Plc, "Energy Outlook 2020 Edition," BP Plc, 2020, https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/energy-outlook/bp-energy-outlook-2020.pdf; Tom Randall and Hayley Warren, "Peak Oil Is Suddenly Upon Us," *Bloomberg*, November 30, 2020.

[106] Rachel Adams-Heard, "Private Equity Can't Escape the Pain of Shale Country's Collapse," *Bloomberg*, April 1, 2020, https://www.bloomberg.com/news/articles/2020-04-01/private-equity-can-t-escape-the-pain-of-shale-country-s-collapse

[107] Cambridge Associates, "Real Asset Dynamics: PE Energy," May 2020, pg. 4 https://www.cambridgeassociates.com/insight/real-asset-dynamics-pe-energy/

[108] Private Equity Stakeholder Project, Private Equity Energy Bets Burn Investors, March 2021 https://pestakeholder.org/wp-content/uploads/2021/04/PESP_Report_PrivateEnergy_March2021-v4-2.pdf

[109] https://pestakeholder.org/private-equity-backed-companies-dominate-2020-oil-and-gas-bankruptcies/

[110] CNN, "Hundreds died in the West's heat wave last week. Now another one is gearing up," July 7, 2021. https://www.cnn.com/2021/07/06/weather/pacific-northwest-heat-wave/index.html

[111] Newsweek, "Oregon roads buckle as record breaking temperatures descend on state during heat wave," June 28, 2021, https://www.newsweek.com/oregon-roads-buckle-record-breaking-temperatures-descend-state-during-heat-wave-1604716

[112] NBC, "How climate change 'loads the dice' for heat waves, "June 29, 2021, https://www.nbcnews.com/science/environment/heat-wave-west-coast-hints-climate-change-scientists-say-rcna1297

[113] The Detroit News, "Communities brace for more after rain overwhelms SE Michigan water system," June 27, 2021 https://www.detroitnews.com/story/news/local/michigan/2021/06/28/communities-brace-more-after-rain-overwhelms-se-mich-water-system/5359958001/

[114] San Francisco Chronicle, "California's 2021 Fires: What to know about this year's wildfires," July 2, 2021, https://www.sfchronicle.com/california-wildfires/article/2021-fire-season-questions-16283085.php

[115] NBC, "Watch July's wildfire smoke travel across the country," https://www.nbcnews.com/news/us-news/map-watch-july-s-wildfire-smoke-travel-across-country-n1275343

[116] CNN, "More than 150 people still missing in German floods, unlikely to be found, officials fear," July 22, 2021, https://www.cnn.com/2021/07/22/europe/germany-belgium-europe-floods-death-climate-intl/index.html

[117] New York Times, "A hotter future is certain, UN climate panel warns. But how hot is up to us." https://www.nytimes.com/2021/08/09/climate/climate-change-report-ipcc-un.html?smid=tw-nytimes&smtyp=cur August 9, 2021

[118] United Nations Press Release, August 9, 2021 "Secretary-General Calls Latest IPCC Climate Report 'Code Red for Humanity', Stressing 'Irrefutable' Evidence of Human Influence" https://www.un.org/press/en/2021/sgsm20847.doc.htm

[119] University of Massachusetts, Political Economy Research Institute, https://grconnect.com/green100/ry2018/index.php?search=yes&sortp=&company1=193&sectfac=sect&advbasic=

[120] University of Massachusetts, Political Economy Research Institute, https://grconnect.com/green100/ry2018/index.php?search=yes&company2=106

[121] University of Massachusetts, Political Economy Research Institute, https://grconnect.com/green100/ry2018/index.php?search=yes&company2=112

[122] *American Journal of Public Health* 106, no. 3, Jill E. Johnston, Emily Werder, and Daniel Sebastian, "Wastewater Disposal Wells, Fracking, and Environmental Injustice in Southern Texas," (January 21, 2016): 550–56, https://doi.org/10.2105/AJPH.2015.303000.

[123] Geographic operations for each portfolio company were gathered from company websites and various media sources.

[124] *Env. Health Pers.,* 128, no. 7, Cushing et al. "Flaring from Unconventional Oil and Gas Development and Birth Outcomes in the Eagle Ford Shale in South Texas." (2020), https://ehp.niehs.nih.gov/doi/10.1289/EHP6394.

[125] *Env. Health Pers.,* 128, no. 7, Cushing et al. "Flaring from Unconventional Oil and Gas Development and Birth Outcomes in the Eagle Ford Shale in South Texas." (2020), https://ehp.niehs.nih.gov/doi/10.1289/EHP6394.

[126] McKenzie et al. 2014. Birth Outcomes and Maternal Residential Proximity to Natural Gas Development in Rural Colorado. Env. Health. Pers., 122, 4. https://ehp.niehs.nih.gov/doi/10.1289/ehp.1306722.

[127] Currie et al. 2017. Hydraulic fracturing and infant health: New evidence from Pennsylvania. Science Advances, 3, 12, e1603021. https://advances.sciencemag.org/content/3/12/e1603021.

[128] Apergis et al. 2019. Fracking and infant mortality: fresh evidence from Oklahoma. Environmental Science and Pollution Research, 26, 32360– 32367. https://link.springer.com/article/10.1007/s11356-019-06478-z

[129] Jill E. Johnston, Emily Werder, and Daniel Sebastian, "Wastewater Disposal Wells, Fracking, and Environmental Injustice in Southern Texas," January 21, 2016): 550–56, https://doi.org/10.2105/AJPH.2015.303000.

[130] Environ. Research Letters, Vol 16 No 3, 034032, Feb 23, 2021, "Up in smoke: characterizing the population exposed to flaring from unconventional oil and gas development in the contiguous US." https://iopscience. iop.org/article/10.1088/1748-9326/abd3d4

[131] Thomson Reuters Foundation https://news.trust.org/item/20210722085024-pskwe

[132] United Nations Press Release, August 9, 2021 "Secretary-General Calls Latest IPCC Climate Report 'Code Red for Humanity', Stressing 'Irrefutable' Evidence of Human Influence" https://www.un.org/press/en/2021/sgsm20847.doc.htm
[133] NBC news, "Biden will commit to cutting US emissions in half by 2030 as part of Paris climate pact," April 22, 2021 https://www.nbcnews.com/politics/white-house/biden-will-commit-halving-u-s-emissions-2030-part-paris-n1264892
[134] International Energy Agency, Net Zero by 2050, https://www.iea.org/reports/net-zero-by-2050
[135] Press Release by FourPass Energy, "FourPass Energy and Oaktree Partner to Launch Oil and Gas Operating Company With $900 Million Commitment," Nov. 19, 2021. https://www.businesswire.com/news/home/20201119005298/en/FourPass-Energy-and-Oaktree-Partner-to-Launch-Oil-and-Gas-Operating-Company-With-900-Million-Commitment
[136] Hart Energy, "Oaktree Capital Pledges $600 million investment to fuel natural gas dealmaking," Dec 18, 2020 https://www.hartenergy.com/exclusives/oaktree-capital-pledges-600-million-investment-fuel-natural-gas-dealmaking-191486 and https://www.globenewswire.com/news-release/2020/12/16/2146064/0/en/Oaktree-Invests-100-Million-Pledges-Additional-600-Million-to-BKV.html
[137] Hart Energy, "Diversified Gas & Oil enters $1 billion acquisition partnership with Oaktree," Nov 10, 2020 https://www.hartenergy.com/exclusives/diversified-gas-oil-enters-1-billion-acquisition-partnership-oaktree-capital-190834
[138] Press Release by Diversified Energy, "Diversified Energy announces conditional acquisition with Oaktree participation," July 5, 2021, https://ir.div.energy/us-press-releases/detail/106/diversified-energy-announces-conditional-acquisition-with
[139] Times-Picayune, "Amid climate change, controversial $2.5B oil terminal moves forward in Plaquemines Parish," April 18, 2021 https://www.nola.com/news/environment/article_3c619b70-9c95-11eb-82c0-b7113194838f.html
[140] Politico, "When companies go green, the planet doesn't always win," March 30, 2021 https://www.politico.com/news/2021/03/30/companies-green-planet-doesnt-always-win-478460; Houston Chronicle, "Banks sell of energy loans, cut off credit lines to oil and gas," https://www.houstonchronicle.com/business/energy/article/Banks-sell-off-energy-loans-cut-credit-lines-to-15423228.php
[141] PE Stakeholder Project blog, "Carlyle Group expands oil investments while its energy fund underperform," May 26, 2021 https://pestakeholder.org/the-carlyle-group-expands-oil-investments-while-its-energy-funds-underperform/
[142] PE Stakeholder Project blog, "KKR's fracking footprint expands as Contango buys drilling assets sold by ConocoPhillips," https://pestakeholder.org/kkrs-fracking-footprint-expands-buys-drilling-assets-sold-by-conocophillips/
[143] Financial Times, A $140bn asset sale: the investors cashing in on Big Oil's push to net zero, July 5, 2021 https://www.ft.com/content/4dee7080-3a1b-479f-a50c-c3641c82c142?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosgenerate&stream=top
[144] Financial Times, A $140bn asset sale: the investors cashing in on Big Oil's push to net zero, July 5, 2021 https://www.ft.com/content/4dee7080-3a1b-479f-a50c-c3641c82c142?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosgenerate&stream=top
[145] Inter Pipeline press release, https://interpipeline.com/news-releases/inter-pipeline-board-recommends-acceptance-of-revised-brookfield-offer/; Bloomberg, "Brookfield wins Inter Pipeline backing for $6.8 billion deal," July 28, 2021 https://www.bloomberg.com/news/articles/2021-07-28/brookfield-wins-inter-pipeline-s-backing-for-6-8-billion-deal
[146] Reuters, "EIG-led consortium closes $12.4 bln Aramco pipelines deal," June 18, 2021 https://www.reuters.com/business/energy/eig-led-consortium-closes-124-bln-aramco-pipelines-deal-2021-06-18/
[147] Wall Street Journal, "GIP Brookfield invest 10 billion in Abu Dhabi gas infrastructure" June 23, 2020 https://www.wsj.com/articles/gip-brookfield-invest-10-billion-in-abu-dhabi-gas-infrastructure-11592917529
[148] Reuters, "ADNOC closes $4 billion pipeline deal with KKR and BlackRock," June 27, 2019 https://www.reuters.com/article/us-adnoc-blackrock/adnoc-closes-4-billion-pipeline-deal-with-kkr-and-blackrock-idUSKCN1TS15C
[149] Reuters, Brazil's Petrobras sells stake in NTS gas pipeline network, April 28, 2021, https://www.reuters.com/business/energy/brazils-petrobras-sells-stake-nts-gas-pipeline-network-2021-04-29/
[150] NTS, About Us, Accessed July 26, 2021, https://www.ntsbrasil.com/en/.
[151] United Nations Press Release, August 9, 2021 "Secretary-General Calls Latest IPCC Climate Report 'Code Red for Humanity', Stressing 'Irrefutable' Evidence of Human Influence" https://www.un.org/press/en/2021/sgsm20847.doc.htm
[152] International Energy Agency, Net Zero by 2050, https://www.iea.org/reports/net-zero-by-2050
[153] As defined in the Greenhouse Gas Protocol https://ghgprotocol.org/corporate-standard
[154] UN PRI Investor Expectations on Corporate Climate Lobbying https://www.unpri.org/Uploads/i/k/t/Investor-Expectations-on-Corporate-Climate-Lobbying_en-GB.pdf
[155] Private Equity Stakeholder Project, Letter to the SEC on Climate Risk Disclosure, June 2021 https://pestakeholder.org/wp-content/uploads/2021/06/PESP_Comment_to_SEC-on_Climate_Risk_Disclosure_June2021.pdf
[156] SEC public statement, Public Input Welcomed on Climate Change Disclosures, March 15, 2021 https://www.sec.gov/news/public-statement/lee-climate-change-disclosures
[157] "Mass Incarceration: The Whole Pie 2020," Prison Policy Initiative, Mar 24, 2020.
[158] "What percent of the U.S. is incarcerated?" (And other ways to measure mass incarceration), Prison Policy Initiative, Jan 16, 2020.
[159] https://www.cnn.com/2018/06/28/us/mass-incarceration-five-key-facts/index.html
[160] https://www.naacp.org/criminal-justice-fact-sheet/
[161] "Private-equity money backs an effort to overturn California law intended to help the poor," Washington Post, Oct 29, 2018.
[162] "G4S shareholders approve £3.8bn takeover by Allied," Financial Times, Mar 16, 2021.
[163] "G4S selected to run Wellingborough 'mega prison'," BBC News, Jul 9, 2020. "Garden Grove approves $1.8M contract outsourcing jail security service to G4S," LA Times, Sept 24, 2020. "South African prisoners sue G4S over torture claims," The Guardian, Feb 13, 2015.
[164] https://securustech.net/about-us/index.html accessed Oct 17, 2021.
[165] https://www.platinumequity.com/our-portfolio/portfolio/2017/securus, accessed Oct 17, 2021.

166 http://www.gtl.net/about-us/, accessed Sept 2, 2018.
167 https://www.american-securities.com/en/companies/GTL, accessed Oct 17, 2021.
168 https://www.keefegroup.com/companies/keefe-commissary-network-112, accessed Oct 17, 2021.
169 https://www.keefegroup.com/companies/icsolutions-115, accessed Oct 17, 2021.
170 In the Matter of the Joint Application of TKC Holdings, Inc., Transferor, Inmate Calling Solutions, LLC, and Securus Technologies, Inc., Transferee, Federal Communications Commission, Jun 10, 2018.
171 "G4S selected to run Wellingborough 'mega prison'," BBC News, Jul 9, 2020. "Garden Grove approves $1.8M contract outsourcing jail security service to G4S," LA Times, Sept 24, 2020. "South African prisoners sue G4S over torture claims," The Guardian, Feb 13, 2015.
172 "G4S shareholders approve £3.8bn takeover by Allied," Financial Times, Mar 16, 2021.
173 http://www.corizonhealth.com/About-Corizon/Locations, accessed Oct 17, 2021.
174 "FLACKS GROUP ACQUIRES CORIZON HEALTH INC., THE PREMIER CORRECTIONAL HEALTHCARE COMPANY IN THE U.S.," Media release, Jun 30, 2020.
175 https://wellpathcare.com/about/ accessed Oct 17, 2021.
176 https://higcapital.com/portfolio/company/277m, accessed Oct 17, 2021.
177 "Homestead detention center for immigrant children expected to reopen as soon as October," Miami Herald, Aug 15, 2019. "Firm that runs Homestead detention center is looking to hire 250 workers for Texas sites," Miami Herald, Jul 26, 2019. "Valiance Humanitarian Will Continue Quality Care Mission in Partnership With US Federal and State Agencies," Media release, Apr 7, 2021
178 Prospectus (S-1) for Caliburn International Corp, Oct 19, 2018. "
179 https://www.apax.com/investments/tech-telco/our-investments/attenti/, accessed Dec 19, 2018.
180 https://www.apax.com/investments/tech-telco/our-investments/attenti/, accessed Dec 19, 2018.
181 "Sentinel and GTL Form Partnership to Provide Offender Tracking and Monitoring Technology," Media release, Jul 27, 2018.
182 http://www.bisoncapital.com/portfolio, accessed Sept 3, 2018.

"HOW PRIVATE EQUITY LANDLORDS ARE CHANGING THE HOUSING MARKET"—PESP

Private Equity Stakeholder Project (PESP) – Statement for the Record

October 21, 2021 Hearing of the Senate Committee on Banking, Housing, and Urban Affairs

How Private Equity Landlords are Changing the Housing Market

Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for the opportunity to provide a statement for the October 21, 2021 hearing "How Private Equity Landlords are Changing the Housing Market" by the Senate Committee on Banking, Housing, and Urban Affairs.

My name is Mellissa Chang with the Private Equity Stakeholder Project. The Private Equity Stakeholder Project is a non-profit organization focused on tracking the impacts of investments by private equity firms and similar Wall Street firms on ordinary people, including residents of apartments, rental homes, and mobile homes.

We appreciate the opportunity to comment on how private equity landlords are changing the housing market. Our testimony focuses on a particularly important aspect of this issue, namely: private equity's growing role in owning manufactured home communities. In our work, we've seen private equity firms and institutional investors exploit the unique ownership structure of manufactured homes to generate outsized profits.

It is important to ground any policy discussion in a fundamental understanding of manufactured home residents and the unique challenges they face. To that end, our comments will outline several recommendations to help guide policy as you consider ways to present the 22 million people living in manufactured homes across America.[1]

MANUFACTURED HOUSING IS A VITAL SOURCE OF UNSUBSIDIZED AFFORDABLE HOUSING.[2]

U.S. manufactured homes are sometimes casually referred to as "mobile homes" or "trailers," but, in fact, they are a specific type of factory-built housing and must be constructed in accordance with the U.S. Department of Housing and Urban Development's (HUD's)

Manufactured Home Construction and Safety Standards Code.[3] Modern manufactured homes resemble single-family residences, often with multiple bedrooms, backyard patios or decks, and most are secured to a concrete foundation. They may be placed on the homeowners' private land, or the homes may be placed on rented or leased land, oftentimes inside a manufactured home community.[4]

Today, manufactured homes comprise 6.3% of the country's total housing stock. In rural areas, manufactured homes account for 14% of housing stock – significantly more than apartments, which only make up 6%.[5]

Approximately 2.9 million – or 43% – of the nation's manufactured homes are in communities where tenants rent or lease plots of land.[6] The Manufactured Housing Institute estimates that 31% of all new manufactured homes are placed in manufactured home communities.[7] In these communities, residents pay site rent and additional fees for shared amenities, services, and utilities.

At an average price of $81,900, manufactured homes are a vital source of affordable housing for rural and low-income families.[8] More than a quarter of manufactured-home owners earn less than $20,000 a year. For manufactured-home *renters,* more than a third earn less than $20,000 a year.[9] The median net worth of households living in manufactured homes is one quarter that of households living in traditional homes. [10]

Manufactured homes are a particularly important housing option for families who live on fixed incomes, like retirees and individuals unable to work due to disability. A 2018 survey by the Manufactured Housing Institute found that 33% of manufactured home residents were retired, and 18% cited disability payments as their primary source of income.[11]

While manufactured homes are sometimes thought of as mobile, manufactured homes are almost never moved once placed. Homes are often attached to a foundation and cannot stand a move. Furthermore, moving costs average $5,000 to $10,000, roughly five to seven years' worth of the homes' equity.[12] Finding a new lot to place the home is also difficult, as community owners may prefer to place newly constructed homes.[13]

It is also difficult for homeowners to sell their homes because of home sale restrictions imposed by the community owner, such as exclusive agent arrangements.[14] In addition, site rent increases hurt homeowners looking to sell – realtors estimate that for every $100 increase in space rent, a manufactured home loses $10,000 in value.[15]

The financial consequences of eviction are also more devastating for manufactured-home owners than residents in traditional rentals. When homeowners facing eviction cannot move or sell their home, the homeowners' only option is to abandon their home or try to sell it to the community owner – usually for a fraction of what it's worth – eroding any equity the home might have accrued. In some cases, homeowners must sell their homes for less than their mortgage, meaning they walk away from evictions saddled with even more debt. After evicting residents, community owners often rent out or re-sell these homes.[16]

With limited mobility and few alternative housing options, manufactured-home residents are vulnerable to exploitation by landlords looking to maximize profits. When site rent and fees are increased or communal maintenance issues ignored, homeowners often have no choice but to endure it.

This economic trap is not a side effect but a building block of the business model. Because of residents' inability to move and a high demand for affordable housing, cash flows from the investments tend to be highly stable, even during economic downturns.

According to analyst Green Street Advisors, the manufactured home sector is the only major real estate asset class that has not experienced a year-over-year decline in net operating income in any year since 2000. Green Street views manufactured home communities as offering the most favorable return profile among all property sectors (including apartments, office buildings, retail, hotels, industrial, and self-storage).[17]

Although manufactured homes are significantly cheaper than site-built homes, many manufactured-home owners still seek loans to help finance their home purchase, which often carry higher interest rates than loans for site-built homes.[18] This means that each month mobile home residents are on the hook for mortgage or rent payments on their home, rent payments on their plot, and fees. Furthermore, the type of loan often used to purchase manufactured homes has fewer protections against repossession.[19]

These data show that manufactured housing is a foundation in the structure of American housing. It supports some of the most precarious members of our society. Therefore, it is critical that our housing policy is structured to look after these residents wherever possible. And it's for these reasons that the emergence of private equity firms and corporate real estate investors at a massive scale in the industry is cause for concern.

WHY ARE MASSIVE INVESTORS BUYING INTO MANUFACTURED HOMES NOW?

Over the past 20 years, manufactured home communities increasingly have gone from "mom and pop" enterprises to ownership by private equity firms and large, multi-state corporations that seek to capitalize on manufactured-home owners' unique situation.

In 2017, private equity firm Apollo Global Management, with $270 billion in overall assets, bought Inspire Communities, a manufactured home community operator with 13,000 home sites.[20]

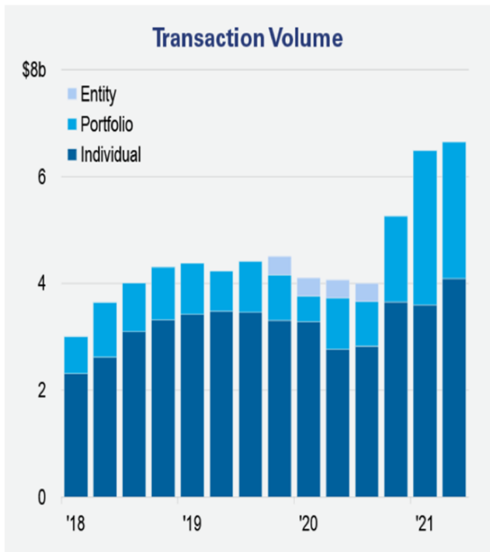
In mid 2018, Blackstone Group, one of the largest private equity and real estate firms in the world with $457 billion in assets, bought a portfolio of manufactured home communities in Arizona and California.[21]

In 2020, the Carlyle Group expanded its presence in manufactured home communities with a $230 million purchase of four manufactured home communities in Arizona. [22]

The purchase of manufactured home portfolios rose significantly in 2020. In the one-year period between July 2020 and June 2021, investors purchased $2.6 billion worth of mobile homes communities through portfolio acquisitions.[23]

The outsized growth of private equity and institutional investment during this time period raises particular concern given the economic turmoil created by the COVID-19 pandemic. Research by the Urban Institute found that residents in manufactured home communities were more likely to be employed in the industries most affected by the pandemic.[24] Loopholes and gaps in pandemic relief legislation also have made residents of manufactured homes easier to evict.[25]

In the last 24 months, institutional investors accounted for 23% of all manufactured home purchase volume – up from an average of 13% between 2017 and 2019. Four of the top 10 buyers in the last two years were institutional investors, with portfolio acquisitions comprising 83% of their purchases.[26]



The top 10 manufactured housing community owners own more than 540,000 home sites. Among the top ten are seven private equity firms and institutional investors, with control over at least 480,000 sites.[27]

Due to manufactured-home owners' limited mobility, investors can increase site rent prices and fees with little effect on demand. Investors also have few incentives to invest in properties and community amenities. As a result, residents are trapped and can be squeezed for every dollar. Residents report that elderly neighbors on fixed incomes are forced to choose between rent and medicine or food and working families struggle as rents dramatically increase but residents' incomes do not.

And, unlike traditional rental properties, evicting residents that are unable to keep up with rising site rents can be lucrative, as residents who are forced to leave may abandon their homes or sell to the investor at a steep discount. With such devastating consequences for evictions, manufactured-home residents are often reluctant to raise concerns or challenge wealthy investors.

YES! COMMUNITIES: PANDEMIC EVICTOR

The case of YES! Communities – one of the nation's largest owners of manufactured home communities – shows that the situation is dire. Policy intervention is a moral and economic imperative.

YES! Communities has 263 manufactured home communities in 22 states with major concentrations in Florida, Georgia, Iowa, Michigan, North Carolina, Oklahoma, South Carolina, Tennessee, and Texas.[28]

YES! was a portfolio company owned by Stockbridge Capital, a private equity real estate manager.[29] In August 2016, Stockbridge sold more than two-thirds (71%) of its investment in YES! Communities to two institutional investors, the sovereign wealth fund Government of Singapore Investment Company (GIC) and the Pennsylvania Public School Employees Retirement System (PSERS), the pension fund for teachers and other school employees in Pennsylvania.[30]

In June 2016, prior to the deal closing, the *Wall Street Journal* reported that the deal valued YES! at more than $2 billion. The *Journal* reported that GIC would get an initial yield from the company of slightly more than 6%, in addition to any appreciation in value of the underlying real estate.[31] US government sponsored housing lender Fannie Mae provided financing for the transaction.[32]

YES! Communities quickly became a very lucrative investment. By the end of 2017, Pennsylvania PSERS reported that its investment in YES! Communities had increased in value by 26% since the pension fund invested in August 2016. In just over a year YES! Communities had already returned $13.5 million in cash to Pennsylvania PSERS.[33]

PSERS' investment in YES! Communities, valued at $226 million at the end of 2017[34], was worth $628 million as of September 2021.[35] Between July 2019 and June 2020, the investment outperformed the FTSE NAREIT Equity REIT TR index by almost 25%.[36]

YES! Communities charges site rent to all residents, regardless of whether the resident rents or owns the home. In a 2018 memo to investors, YES! Communities reported an average home site rental rate of $415 a month for October 2017 – a 4% increase over the previous year. Site rent accounted for 60% of the company's revenue in 2016, according to the memo. YES! Communities' home site rental business accounted for 60% of the company's revenues in 2016.[37]

Home rentals and sales are also a meaningful source of revenue for YES! Communities. In 2017, almost a third of YES! Communities' residents rented their home, in addition to renting the land underneath the home. In October 2017, home rentals were an average $474. In 2016, YES! Communities sold 1,800 manufactured homes to new and existing residents. But even after a sale, YES! Communities continues to collect site rent from residents.[38]

YES! Communities has made headlines multiple times in recent years for its eviction practices. A 2018 report by the Atlanta Journal-Constitution, found that YES! Communities had filed evictions at almost twice the rate of other landlords in the metro Atlanta area. The investigation found that in 2016, YES! Communities had filed about 1,000 evictions for roughly 1,800 units.[39]

YES! Communities has also been a top eviction filer during the COVID-19 pandemic. Since March 2020, YES! Communities has filed more than 386 eviction actions. 90% of all YES! Communities' evictions were filed while the Centers for Disease Control's eviction moratorium was still in effect. A list of eviction actions by YES! Communities follows at the end of this testimony.

In November 2020, YES! Communities filed to evict a family in Jacksonville, Florida that was behind on rent. The resident provided a copy of a CDC Hardship Declaration on December 3.

Nonetheless, on December 21, 2020 a Duval County judge ordered the family to vacate the premises by the end of the month.[40]

In July 2021, YES! Communities filed an eviction action against a recently-deceased resident whose adult son still lived in the home. At the time of the filing, the resident owed less than $600 to YES! Communities. The resident and his son, who had lived in the community since 1988, owned their home and only paid monthly site rent.

In a handwritten note to the judge, the resident's son asserts that YES! Communities staff refused to accept two money orders as payment for July rent and explains that "it would take 30 days to obtain a refund." On July 3 and July 14, YES! Communities sent the resident two notices on non-payment. On July 27, YES! Communities filed to evict him and his father from their home and remove their home from the site. The case was dismissed in September after YES! Communities received the son's payments through a court registry transfer and the court learned that the father had died.[41]

In August of 2021, YES! Communities filed to evict a resident for $600 in unpaid rent. In her response to the eviction summons, the resident states:

"...I currently owe no funds for rent...On 15 July 2021...the collector for Woodland Estates...advised that if I turned over the property and keys or if I could pay the past due balance by 3 August 2021, no eviction would be filed. Going by her word, all funds were paid when I returned from out of state on 2 August 2021."

On August 3, YES! Communities filed to evict the resident. It took YES! Communities two weeks to file its withdrawal from the eviction action.[42]

The statements above cannot fully capture the harm that was done to these families. At a time when compassion and mercy are needed more than ever, YES! Communities appears to have little.

There is a moral imperative to intervene and repair the immediate and long-term harms created by YES! Communities, as these evictions were filed while the CDC eviction moratorium remained in effect.

PROTECTING RESIDENTS OF MANUFACTURED HOME COMMUNITIES

Even in the face of multi-billion-dollar, multinational investors, residents are joining together and fighting to protect their communities. Across the country, manufactured home residents are organizing, researching the real estate and private equity investors that have bought their communities, engaging their public officials and allies, and building coalitions with tenants.

They are demanding their homes, economic security, and health be protected from the impacts of short-term speculative investment and that private equity firms and institutional investors take steps to minimize the negative impacts of their investments on manufactured home residents.

They also believe that local, state, and federal governments play a critical role in protecting manufactured home residents from exploitative community owners and stemming predatory investments. They call for the following intervention:

PRESERVE AFFORDABILITY

The critical mechanism for protecting residents from exploitation and preserving affordability is stabilizing rent and fees, including lot fees, rents paid by tenants, and utility costs. Corporate owners determine rent and fee levels and should work directly with residents to ensure that rents are reasonable.

Local and state governments should establish rent regulations to stabilize rents and protect against unconscionable rent hikes. Such regulations allow for reasonable and gradual rent increases. Government regulations should protect against other abusive rent and fee practices, including demanding transparent, itemized billing, limits on passing on communal utility costs, and ensuring moratoriums on rent collections when homes are destroyed in disasters.

Preserving affordability also requires local governments to use local zoning and regulatory powers to allow for the development of manufactured home communities and protect existing communities from closure and conversion.

PROHIBIT UNJUST EVICTIONS

In addition to rent hikes, a key strategy of corporate community owners is aggressive eviction. If evicted, manufactured-home owners can often only resell their home for a fraction of what they paid for it or cannot resell at all and hand it over to the corporate owner. The residents leave the community with no equity – and, in many cases, no other home.

Renters of manufactured homes face a similar fate, some after investing in their home through a rent to own contract. Further, without protections against unjust eviction, residents may hesitate to register complaints about maintenance problems or to negotiate rent hikes out of fear of losing their homes.

States must enact good cause eviction laws to prohibit such manufactured home eviction mills. Good cause eviction laws enumerate allowable reasons for evicting a resident, such as nonpayment of rent or criminal activity, and mandate a notice period, an opportunity for the resident to cure the cause for eviction, and due process for eviction proceedings. And, critically, when there is no good cause for eviction, the community owner is required to offer the resident a renewal lease when the existing lease expires.

ENSURE SAFE AND HEALTHY COMMUNITY MAINTENANCE

As the owner of the land and all common spaces, the corporate community owner is responsible for keeping the community habitable, safe, and healthy. Another mechanism for extracting short term profits out of these communities is limited or even decreased maintenance. This leads to health and safety risks for residents, from sewer system failures to unplowed roads. Community owners, especially those with deep pockets, must invest in community infrastructure and safety and on-site managers.

Local, state, and federal government must ensure that community owners are held to a strong code of maintenance, implement transparent systems for residents to have input on maintenance, and have on-site managers. Basic standards include safe walkways and roads, well-maintained water and sewer systems, tree clearing, elimination of standing water, and accommodations for people with disabilities.

ENSURE RESIDENTS FAIR AND EQUAL TREATMENT

To feed their business model, corporate community owners also use their power to push vulnerable residents into exploitative arrangements and discriminate and retaliate against residents. Through consumer protection and civil rights laws and meaningful private and public enforcement of those laws, local, state, and federal governments must ensure residents are protected from:

- **Retaliation** for organizing their neighbors, speaking up, complaining about community conditions, or otherwise attempting to enforce their rights or protect their community;
- **Discrimination** at the hands of corporate investors on the basis of race, national origin, familial status, gender, sexual orientation, gender identity, disability, religion, age, or other protected classes, including exploiting residents based on their language proficiency or immigration status;
- **Fraudulent** or exploitative lease terms, such as rent to own contracts that deny residents basic tenant protections and force them to lose the investments they made in the home;
- Corporate community owners serving as exclusive real estate agents and controlling homeowners' right to sell their home, which often leaves residents with no choice but to abandon their homes, while corporate community owners benefit at their expense.

INSTITUTE TRANSPARENT, MEANINGFUL COMPLAINT PROCEDURES FOR RESIDENTS

Residents need a clear path to report problems with health and safety risks, mismanagement, lease provisions, invoices, and any other problems in their communities. This is especially true when the owner of their community is an out-of-state investor that they do not know and cannot contact. Community owners need to institute transparent, meaningful complaint procedures and states should require them.

PROVIDE A MEANINGFUL PATH FOR RESIDENT OR PUBLIC COMMUNITY OWNERSHIP

A critical step to protecting the affordability, viability, and safety of manufactured home communities is creating a path for residents or non-profit or public agencies to own them. Around the country, cooperative ownership of manufactured home communities has proven to work. When residents own their community, families and seniors can afford to stay and they invest in their community, its buildings, amenities, and infrastructure.[43]

State government can provide a meaningful path for resident or public ownership.

- **Effective laws:** Require the community owner to notify the residents, including but not limited to resident associations, as well as local and state governments, whenever the owner receives an offer to buy the community, is putting the community on the market, or intends to change the use;

- Give residents a **sufficient waiting period** to decide if they want to purchase the community and make an offer;
- Require seller to negotiate in good faith with the residents and offer them the **right to purchase the community** if they can match the existing offers;
- Provide public resources to help the residents, public agency, or non-profit finance the purchase; and
- **Enforce residents' rights** and penalize non-compliance by community owners.

STEM PREDATORY INVESTMENTS

We believe that the federal government and the government-sponsored enterprises (GSEs) play a key role in developing and sustaining affordable housing and healthy communities. We must ensure that the government is using its powers to protect low-income people from predatory investments and is not pressured by investors to support wealth extraction from low-income communities.

Manufactured housing is one of the three underserved markets that Fannie Mae and Freddie Mac are required to serve as part of their obligations under the Duty to Serve Program. Fannie Mae and Freddie Mac must increase financing opportunities for residents, government entities, and nonprofit organizations to purchase manufactured home communities. By reducing the housing quality and increasing the expenses for manufactured housing residents, private equity investors are decreasing access to manufactured housing for those who rely on it.

Fannie Mae and Freddie Mac should also take steps to prevent their other investments from undermining their duty to serve the manufactured housing market by requiring all purchasers to commit to the following as a condition for their financing:

- **Implement and comply with FHFA's pad lease protections** for tenants, including one-year renewable leases, 30-day written notice of rent increases, the right to cure defaults on rent payments, the right to sell the manufactured home without relocating it and assigning the pad lease to the new owner, and 60-day written notice of a planned closure or sale of a community;
- **Preserve affordability** with gradual rent increases and **prohibit unfair lease terms** like rent to own contracts and excessive fees; and
- Maintain safety and habitability with **regular property maintenance** and responsiveness to resident

CONCLUSION

Private equity investments striving for short-term gains and a quick exit are not intended to create a sustainable housing system or community. "Well-capitalized private-equity and publicly traded REITs are eager to acquire these properties, invest capital on cosmetic or deferred maintenance items, and realize improved performance [of] the properties typically within the first two years of ownership," Paul Adornato, an analyst with BMO Capital Markets, told the Wall Street Journal in 2016.[44] They will leave behind low-income residents who cannot afford the rent hikes and are pushed to homelessness, and communities that suffer from limited maintenance and frayed infrastructure.

Thank you,

Mellissa Chang
Private Equity Stakeholder Project
mellissa.chang@PEstakeholder.org

Private Equity Stakeholder Project
2513 N Central Park Ave
Chicago, IL 60647

Partial list of YES! Communities' eviction filings during the COVID-19 pandemic

Plaintiff	County	State	Filed	Case Number
YES HIDDEN OAKS LLC et al -	Alachua	FL	8/30/21	2021 CC 002970
YES HIDDEN OAKS LLC et al -	Alachua	FL	8/30/21	2021 CC 002969
YES COMPANIES FRED LLC AND YES HOMESALES LLC DBA WOODLAND ESTATES	Duval	FL	8/27/21	162021CC008879XX XXMA
YES PALMS OF ARCHER LLC et al -	Alachua	FL	8/27/21	2021 CC 002956
YES COMPANIES FRED LLC et al -	Alachua	FL	8/26/21	2021 CC 002933
YES WOODLAND ESTATES FL LLC D/B/A WOODLAND ESTATES	Duval	FL	8/24/21	162021CC008747XX XXMA
Yes Communities DBA Meadow Glen	Tarrant	TX	8/20/21	JP03-21-E00067846
Yes Communities DBA Meadow Glen	Tarrant	TX	8/20/21	JP03-21-E00067837
YES COMMUNITIES DBA MEADOW GLEN	Tarrant	TX	8/20/21	JP03-21-E00067841
YES COMMUNITIES DBA MEADOW GLEN	Tarrant	TX	8/20/21	JP03-21-E00067840
Yes Communities DBA Meadow Glen	Tarrant	TX	8/20/21	JP03-21-E00067839
YES COMMUNITIES DBA MEADOW GLEN	Tarrant	TX	8/20/21	JP03-21-E00067845
Yes Communities DBA Meadow Glen	Tarrant	TX	8/20/21	JP03-21-E00067838
YES PALMS OF ARCHER LLC -	Alachua	FL	8/19/21	2021 CC 002845
Yes Communities DBA Meadow Glen	Tarrant	TX	8/18/21	JP03-21-E00067822
Yes Communities DBA Meadow Glen	Tarrant	TX	8/17/21	JP03-21-E00067817
YES COMMUNITIES DBA MEADOW GLEN	Tarrant	TX	8/17/21	JP03-21-E00067811
YES COMMUNITIES DBA MEADOW GLEN	Tarrant	TX	8/17/21	JP03-21-E00067815
YES COMMUNITIES DBA MEADOW GLEN	Tarrant	TX	8/17/21	JP03-21-E00067818
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	8/17/21	162021CC008507XX XXMA
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	8/17/21	162021CC008509XX XXMA
YES COMMUNITIES WFC LLC D/B/A THE BRAKERS	Duval	FL	8/16/21	162021CC008450XX XXMA
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	8/16/21	162021CC008415XX XXMA
YES COMMUNITIES WFC LLC DBA THE BREAKERS	Duval	FL	8/16/21	162021CC008313XX XXMA
YES COMPANIES FRED LLC DBA WOODLAND ESTATES	Duval	FL	8/3/21	162021CC007944XX XXMA

YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	8/2/21	162021CC007849XX XXMA
YES COMPANIES WFC, LLC	Hillsboro ugh	FL	7/27/21	21-CC-080948
YES HOMESALES LLC DBA SLEEPY HOLLOW	Tarrant	TX	7/27/21	JP04-21-E00061114
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	7/21/21	162021CC007448XX XXMA
YES COMPANIES KEY LLC	Duval	FL	7/21/21	162021CC007468XX XXMA
YES COMPANIES KEY LLC	Duval	FL	7/21/21	162021CC007464XX XXMA
YES COMMUNITIES WFC LLC	Duval	FL	7/20/21	162021CC007411XX XXMA
YES COMPAINES KEY LLC D/B/A CRYSTAL SPRINGS ESTATES	Duval	FL	7/19/21	162021CC007329XX XXMA
YES COMPANIES FRED LLC	Duval	FL	7/19/21	162021CC007320XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATE	Duval	FL	7/19/21	162021CC007310XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	7/19/21	162021CC007303XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	7/19/21	162021CC007306XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	7/19/21	162021CC007304XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	7/19/21	162021CC007305XX XXMA
YES COMPANIES WFC, LLC	Hillsboro ugh	FL	7/16/21	21-CC-078019
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	7/15/21	162021CC007250XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	7/2/21	162021CC006695XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	7/1/21	162021CC006627XX XXMA
Yes Communities- El Lago	Tarrant	TX	6/25/21	JP08-21-E00104264
YES COMPANIES KEY, LLC	Polk	FL	6/25/21	2021CC-002945-0000-LK
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	6/23/21	162021CC006253XX XXMA
YES COMPANIES KEY LLC D/B/A OCEANWAY VILLAGE	Duval	FL	6/23/21	162021CC006257XX XXMA
YES PALMS OF ARCHER LLC	Alachua	FL	6/23/21	2021 CC 002074
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	6/22/21	162021CC006207XX XXMA
YES PALMS OF ARCHER LLC	Alachua	FL	6/22/21	2021 CC 002075
YES COMPANIES FRED LLC	Alachua	FL	6/21/21	2021 CC 002040
YES COMPANIES FRED LLC	Alachua	FL	6/21/21	2021 CC 002038
YES COMPANIES FRED LLC	Alachua	FL	6/21/21	2021 CC 002042
YES COMPANIES FRED LLC	Alachua	FL	6/21/21	2021 CC 002037
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	6/21/21	162021CC006145XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	6/21/21	162021CC006147XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	6/21/21	162021CC006140XX XXMA

YES PALMS OF ARCHER LLC	Alachua	FL	6/21/21	2021 CC 002055
YES PALMS OF ARCHER LLC	Alachua	FL	6/21/21	2021 CC 002036
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	6/18/21	162021CC006050XX XXMA
YES MOUNTAIN GATE LLC	Maricopa	AZ	6/18/21	CC2021099514
YES MOUNTAIN GATE, LLC	Maricopa	AZ	6/18/21	CC2021099519
YES PALMS OF ARCHER LLC	Alachua	FL	6/18/21	2021 CC 002033
YES PALMS OF ARCHER LLC	Alachua	FL	6/17/21	2021 CC 002011
YES PALMS OF ARCHER LLC	Alachua	FL	6/17/21	2021 CC 002012
MEADOW GLEN	Tarrant	TX	6/15/21	JP03-21-E00067571
MEADOW GLEN	Tarrant	TX	6/15/21	JP03-21-E00067572
MEADOW GLEN	Tarrant	TX	6/15/21	JP03-21-E00067573
MEADOW GLEN	Tarrant	TX	6/15/21	JP03-21-E00067574
YES PALMS OF ARCHER LLC	Alachua	FL	6/15/21	2021 CC 001993
YES PALMS OF ARCHER LLC	Alachua	FL	6/15/21	2021 CC 001994
YES PALMS OF ARCHER LLC	Alachua	FL	6/14/21	2021 CC 001995
MEADOW GLEN	Tarrant	TX	6/11/21	JP03-21-E00067543
MEADOW GLEN	Tarrant	TX	6/11/21	JP03-21-E00067544
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	6/9/21	162021CC005692XX XXMA
MEADOW GLEN	Tarrant	TX	6/7/21	JP03-21-E00067519
MEADOW GLEN	Tarrant	TX	6/7/21	JP03-21-E00067522
MEADOW GLEN	Tarrant	TX	6/7/21	JP03-21-E00067517
MEADOW GLEN	Tarrant	TX	6/7/21	JP03-21-E00067518
MEADOW GLEN	Tarrant	TX	6/7/21	JP03-21-E00067520
MEADOW GLEN	Tarrant	TX	6/7/21	JP03-21-E00067521
YES COMPANIES KEY LLC DBA CRYSTAL SPRINGS ESTATES	Duval	FL	6/7/21	162021CC005642XX XXMA
YES COMPANIES KEY, LLC	Polk	FL	5/28/21	2021CC-002465-0000-LK
YES MOUNTAIN GATE LLC	Maricopa	AZ	5/27/21	CC2021087517
YES PALMS OF ARCHER LLC	Alachua	FL	5/27/21	2021 CC 001813
YES COMPANIES KEY, LLC	Polk	FL	5/26/21	2021CC-002433-0000-LK
YES PALMS OF ARCHER LLC	Alachua	FL	5/20/21	2021 CC 001700
YES PALMS OF ARCHER, LLC	Alachua	FL	5/17/21	2021 CC 001672
YES MOUNTAIN GATE LLC	Maricopa	AZ	5/11/21	CC2021078068
MEADOW GLEN	Tarrant	TX	5/6/21	JP03-21-E00067423
MEADOW GLEN	Tarrant	TX	5/6/21	JP03-21-E00067424
MEADOW GLEN	Tarrant	TX	5/6/21	JP03-21-E00067420
MEADOW GLEN	Tarrant	TX	5/6/21	JP03-21-E00067422
MEADOW GLEN	Tarrant	TX	5/6/21	JP03-21-E00067421
YES COMMUNITIES WFC LLC D/B/A THE BREAKERS	Duval	FL	5/5/21	162021CC004735XX XXMA
YES COMPANIES WFC LLC D/B/A OAKS OF ATLANTIC BEACH	Duval	FL	5/4/21	162021CC004654XX XXMA
YES PALMS OF ARCHER LLC	Alachua	FL	4/21/21	2021 CC 001377
YES COMPANIES FRED LLC	Alachua	FL	4/20/21	2021 CC 001345

YES COMPANIES FRED LLC	Alachua	FL	4/20/21	2021 CC 001343
YES COMPANIES FRED LLC DBA HIDDEN OAKS	Alachua	FL	4/20/21	2021 CC 001361
YES COMPANIES FRED LLC	Duval	FL	4/19/21	162021CC004196XX XXMA
YES COMPANIES FRED LLC	Duval	FL	4/16/21	162021CC004149XX XXMA
YES COMMUNITES WFC LLC	Duval	FL	4/14/21	162021CC004086XX XXMA
YES COMPANIES FRED LLC D/B/A WOODLAND ESTATES	Duval	FL	4/14/21	162021CC004093XX XXMA
YES COMPANIES FRED LLC	Duval	FL	4/13/21	162021CC004020XX XXMA
Yes Communities	Tarrant	TX	4/8/21	JP07-21-E00097425
YES COMPANIES WFC LLC	Maricopa	AZ	3/25/21	CC2021051406
YES COMMUNITIES WFC LLC DBA THE BREAKERS	Duval	FL	3/24/21	162021CC003525XX XXMA
YES COMPANIES FRED LLC	Duval	FL	3/24/21	162021CC003524XX XXMA
YES HOME SALES DBA SLEEPY HOLLOW	Tarrant	TX	3/22/21	JP04-21-E00060400
YES COMMUNITIES WFC LLC DBA THE BREAKERS	Duval	FL	3/19/21	162021CC003317XX XXMA
YES COMMUNITIES WFC LLC DBA THE BREAKERS	Duval	FL	3/18/21	162021CC003245XX XXMA
YES PALMS OF ARCHER LLC	Alachua	FL	3/18/21	2021 CC 000963
YES PALMS OF ARCHER LLC	Alachua	FL	3/18/21	2021 CC 000962
YES PALMS OF ARCHER LLC	Alachua	FL	3/17/21	2021 CC 000954
YES PALMS OF ARCHER LLC	Alachua	FL	3/17/21	2021 CC 000960
YES PALMS OF ARCHER, LLC DBA THE PALMS OF ARCHER	Alachua	FL	3/17/21	2021 CC 000959
YES COMPANIES FRED LLC	Duval	FL	3/15/21	162021CC003165XX XXMA
Yes Communities	Tarrant	TX	3/11/21	JP07-21-E00097284
YES PALMS OF ARCHER, LLC DBA THE PALMS OF ARCHER	Alachua	FL	3/11/21	2021 CC 000904
CHALET CITY	Tarrant	TX	3/10/21	JP06-21-E00070787
CHALET CITY	Tarrant	TX	3/10/21	JP06-21-E00070788
CHALET CITY	Tarrant	TX	3/9/21	JP06-21-E00070762
CHALET CITY	Tarrant	TX	3/9/21	JP06-21-E00070763
YES HOMESALES LLC, DBA SLEEPY HOLLOW	Tarrant	TX	3/3/21	JP04-21-E00060309
YES COMPANIES EXP KEY LLC	Clevelan d	OK	2/23/21	SC-2021-604
YES COMPANIES EXP KEY LLC	Clevelan d	OK	2/23/21	SC-2021-603
YES COMPANIES EXP KEY LLC	Clevelan d	OK	2/23/21	SC-2021-606
YES COMPANIES EXP KY LLC	Clevelan d	OK	2/23/21	SC-2021-602
YES COMPANIES KEY LLC	Clevelan d	OK	2/23/21	SC-2021-605
YES MOUNTAIN GATE LLC	Maricopa	AZ	2/23/21	CC2021031781
YES MOUNTAIN GATE LLC	Maricopa	AZ	2/23/21	CC2021031778
YES MOUNTAIN GATE LLC	Maricopa	AZ	2/23/21	CC2021031767

Yes Companies EXP WFC, LLC	Oklahom a	OK	2/22/21	SC-2021-2690
Yes Companies EXP WFC, LLC	Oklahom a	OK	2/22/21	SC-2021-2688
Yes Companies EXP WFC, LLC	Oklahom a	OK	2/22/21	SC-2021-2691
Yes Companies EXP WFC, LLC	Oklahom a	OK	2/22/21	SC-2021-2689
Yes Companies EXP WFC, LLC	Oklahom a	OK	2/22/21	SC-2021-2687
Yes Companies EXP WFC, LLC	Oklahom a	OK	2/22/21	SC-2021-2685
YES PALMS OF ARCHER LLC	Alachua	FL	2/19/21	2021 CC 000596
YES PALMS OF ARCHER, LLC DBA THE PALMS OF ARCHER	Alachua	FL	2/19/21	2021 CC 000594
YES PALMS OF ARCHER LLC	Alachua	FL	2/17/21	2021 CC 000544
Yes Companies EXP WFC, LLC	Oklahom a	OK	2/11/21	SC-2021-2265
YES COMPANIES KEY LLC	Clevelan d	OK	2/9/21	SC-2021-518
YES COMPANIES KEY, LLC	Polk	FL	2/9/21	2021CC-000711-0000-LK
CHALET CITY	Tarrant	TX	2/8/21	JP06-21-E00070627
CHALET CITY	Tarrant	TX	2/8/21	JP06-21-E00070628
CHALET CITY	Tarrant	TX	2/8/21	JP06-21-E00070629
YES COMPANIES WFC LLC dba ROSEWOOD ESTATES	Maricopa	AZ	2/8/21	CC2021022491
YES COMPANIES KEY LLC	Clevelan d	OK	2/4/21	SC-2021-476
YES COMPANIES KEY LLC	Clevelan d	OK	2/2/21	SC-2021-440
Yes Companies EXP KEY, LLC	Oklahom a	OK	2/1/21	SC-2021-1951
Yes Companies EXP KEY, LLC	Oklahom a	OK	2/1/21	SC-2021-1953
Yes Companies EXP KEY, LLC	Oklahom a	OK	2/1/21	SC-2021-1950
Yes Companies EXP KEY, LLC	Oklahom a	OK	2/1/21	SC-2021-1952
Yes Companies Exp Key, LLC	Oklahom a	OK	2/1/21	SC-2021-1949
YES COMPANIES KEY, LLC	Hillsboro ugh	FL	1/28/21	21-CC-008589
YES COMPANIES EXP KEY LLC	Clevelan d	OK	1/26/21	SC-2021-382
Yes Communities El Lago II	Tarrant	TX	1/25/21	JP08-21-E00103543
YES COMPANIES EXP KEY, LLC D/B/A BURNTWOOD MOBILE HOME - OKC	Clevelan d	OK	1/22/21	SC-2021-324
YES COMPANIES EXP KEY, LLC D/B/A BURNTWOOD MOBILE HOME-OKC	Clevelan d	OK	1/22/21	SC-2021-323
YES COMPANIES EXP KEY LLC	Canadian	OK	1/21/21	SC-2021-127
YES COMPANIES EXP LLC	Canadian	OK	1/21/21	SC-2021-126
Yes Companies EXP WFC, LLC	Oklahom a	OK	1/21/21	SC-2021-1379
Yes Companies Exp WFC, Llc	Oklahom a	OK	1/21/21	SC-2021-1381

Yes Companies EXP WFC, LLC	Oklahom a	OK	1/21/21	SC-2021-1378
Yes Companies EXP WFC, LLC	Oklahom a	OK	1/21/21	SC-2021-1380
YES WESTLAKE LLC	Canadian	OK	1/21/21	SC-2021-122
YES WESTLAKE LLC	Canadian	OK	1/21/21	SC-2021-125
YES WESTLAKE LLC	Canadian	OK	1/21/21	SC-2021-121
YES WESTLAKE LLC	Canadian	OK	1/21/21	SC-2021-124
YES WESTLAKE LLC	Canadian	OK	1/21/21	SC-2021-123
YES PALMS OF ARCHER LLC	Alachua	FL	1/20/21	2021 CC 000209
YES PALMS OF ARCHER LLC	Alachua	FL	1/20/21	2021 CC 000207
YES PALMS OF ARCHER LLC	Alachua	FL	1/20/21	2021 CC 000210
YES PALMS OF ARCHER LLC	Alachua	FL	1/20/21	2021 CC 000211
YES PALMS OF ARCHER LLC	Alachua	FL	1/20/21	2021 CC 000208
Yes Communities	Tarrant	TX	1/15/21	JP07-21-E00097069
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-802
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-801
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-803
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-804
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-798
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-799
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-807
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-800
Yes Companies Exp Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-795
Yes Companies EXP Fred, LLC	Oklahom a	OK	1/15/21	SC-2021-806
CHALET CITY	Tarrant	TX	1/14/21	JP06-21-E00070511
Yes Companies EXP Key, LLC	Oklahom a	OK	1/14/21	SC-2021-681
Yes Companies EXP Key, LLC	Oklahom a	OK	1/14/21	SC-2021-682
Yes Companies EXP Key, LLC	Oklahom a	OK	1/14/21	SC-2021-680
YES PALMS OF ARCHER LLC	Alachua	FL	1/14/21	2021 CC 000139
YES PALMS OF ARCHER LLC	Alachua	FL	1/14/21	2021 CC 000138
Yes Companies Wfc Llc	Oklahom a	OK	1/11/21	SC-2021-251
Yes Companies EXP Key, LLC	Oklahom a	OK	12/30/20	SC-2020-15555
YES COMPANIES KEY, LLC	Polk	FL	12/30/20	2020CC-005217-0000-LK
Yes Companies Exp Key LLC	Oklahom a	OK	12/29/20	SC-2020-12827
Yes Companies Exp LLC	Oklahom a	OK	12/29/20	SC-2020-14649

YES HOME SALES DBA, SLEEPY HOLLOW	Tarrant	TX	12/21/20	JP04-20-E00060022
YES COMPANIES EXP KEY LLC	Canadian	OK	12/18/20	SC-2020-1335
YES COMPANIES EXP KEY LLC	Canadian	OK	12/18/20	SC-2020-1334
YES COMPANIES EXP KEY LLC	Canadian	OK	12/18/20	SC-2020-1336
YES WESTLAKE LLC	Canadian	OK	12/18/20	SC-2020-1337
MOUNTAIN GATE MOBILE HOME PARK	Maricopa	AZ	12/17/20	CC2020183591
Yes Companies EXP WFC, LLC	Oklahom a	OK	12/17/20	SC-2020-16230
Yes Companies EXP WFC, LLC	Oklahom a	OK	12/17/20	SC-2020-14206
Yes Companies EXP WFC, LLC	Oklahom a	OK	12/17/20	SC-2020-14759
Yes Communities	Tarrant	TX	12/16/20	JP07-20-E00096935
YES COMPANIES EXP KEY LLC	Clevelan d	OK	12/16/20	SC-2020-3930
YES COMPANIES EXP KEY LLC	Clevelan d	OK	12/16/20	SC-2020-3932
YES COMPANIES EXP KEY LLC	Clevelan d	OK	12/16/20	SC-2020-3931
Yes Companies WFC LLC	Oklahom a	OK	12/16/20	SC-2020-12460
Yes Companies WFC LLC	Oklahom a	OK	12/16/20	SC-2020-15554
Yes Companies Wfc Llc	Oklahom a	OK	12/16/20	SC-2020-17573
Yes Companies Exp Fred LLC	Oklahom a	OK	12/15/20	SC-2020-15739
Yes Companies Exp Fred LLC	Oklahom a	OK	12/15/20	SC-2020-15742
Yes Companies Exp Fred LLC	Oklahom a	OK	12/15/20	SC-2020-17533
Yes Companies Exp Fred LLC	Oklahom a	OK	12/15/20	SC-2020-17531
YES COMPANIES FRED LLC	Alachua	FL	12/15/20	2020 CC 003589
Yes Companies EXP Key, LLC	Oklahom a	OK	12/8/20	SC-2020-14645
YES COMPANIES WFC LLC	Maricopa	AZ	12/4/20	CC2020175390
YES COMPANIES EXP KEY LLC	Clevelan d	OK	12/2/20	SC-2020-3723
YES COMPANIES WFC LLC	Maricopa	AZ	11/30/20	CC2020172522
YES WESTLAKE LLC	Canadian	OK	11/24/20	SC-2020-1205
YES WESTLAKE LLC	Canadian	OK	11/24/20	SC-2020-1204
YES WESTLAKE LLC	Canadian	OK	11/24/20	SC-2020-1206
MOUNTAIN GATE MOBILE HOME PARK	Maricopa	AZ	11/23/20	CC2020169332
Yes Companies Exp WFC LLC	Oklahom a	OK	11/23/20	SC-2020-11449
Yes Companies Exp WFC LLC	Oklahom a	OK	11/23/20	SC-2020-18368
Yes Companies Exp WFC LLC	Oklahom a	OK	11/23/20	SC-2020-16233
Yes Companies Exp WFC LLC	Oklahom a	OK	11/23/20	SC-2020-16232
Yes Companies Exp WFC LLC	Oklahom a	OK	11/23/20	SC-2020-16231

YES COMPANIES FRED LLC	Alachua	FL	11/23/20	2020 CC 003317
YES PALMS OF ARCHER LLC	Alachua	FL	11/23/20	2020 CC 003318
YES COMPANIES EXP KEY LLC	Canadian	OK	11/19/20	SC-2020-1174
YES COMPANIES EXP KEY LLC	Clevelan d	OK	11/19/20	SC-2020-3611
Yes Companies EXP Key, LLC	Oklahom a	OK	11/18/20	SC-2020-14648
Yes Companies EXP Key, LLC	Oklahom a	OK	11/18/20	SC-2020-11452
YES WESTLAKE LLC	Canadian	OK	11/18/20	SC-2020-1154
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-13021
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-16411
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-15741
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-15737
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-15740
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-15736
Yes Companies EXP Fed LLC	Oklahom a	OK	11/17/20	SC-2020-15738
YES COMPANIES EXP KEY LLC	Clevelan d	OK	11/17/20	SC-2020-3525
YES COMPANIES EXP KEY LLC	Clevelan d	OK	11/17/20	SC-2020-3524
YEX COMPANIES EXP KEY LLC	Clevelan d	OK	11/17/20	SC-2020-3526
Yes Companies Exp Key LLC	Oklahom a	OK	11/16/20	SC-2020-12829
Yes Companies Exp Key LLC	Oklahom a	OK	11/16/20	SC-2020-15556
Yes Companies EXP KEY, LLC	Oklahom a	OK	11/16/20	SC-2020-15978
Yes Companies EXP KEY, LLC	Oklahom a	OK	11/16/20	SC-2020-14647
Yes Companies LLC	Oklahom a	OK	11/16/20	SC-2020-17779
Yes Communities	Tarrant	TX	11/9/20	JP07-20-E00096758
YES COMPANIES EXP KEY LLC	Clevelan d	OK	11/2/20	SC-2020-3310
YES COMPANIES KEY LLC	Clevelan d	OK	11/2/20	SC-2020-3311
Yes Companies EXP WFC, LLC	Oklahom a	OK	10/29/20	SC-2020-17777
Yes Communities El Lago I	Tarrant	TX	10/27/20	JP08-20-E00103022
YES COMPANIES FRED LLC	Alachua	FL	10/27/20	2020 CC 002928
MOUNTAIN GATE MOBILE HOME PARK % YES COMPANIES FRED LLC	Maricopa	AZ	10/26/20	CC2020153138
YES COMPANIES EXP KEY LLC	Clevelan d	OK	10/26/20	SC-2020-3294
Yes Companies Exp Key, LLC	Oklahom a	OK	10/22/20	SC-2020-18369

Yes Companies Exp Key, LLC	Oklahom a	OK	10/22/20	SC-2020-18441
Yes Companies Exp Key, LLC	Oklahom a	OK	10/22/20	SC-2020-15620
Yes Companies Exp Key, LLC	Oklahom a	OK	10/22/20	SC-2020-15621
Yes Companies Exp Key, LLC	Oklahom a	OK	10/22/20	SC-2020-11451
YES COMMUNITIES EXP LLC	Canadian	OK	10/21/20	SC-2020-1060
YES COMMUNITIES EXP LLC	Canadian	OK	10/21/20	SC-2020-1059
Yes Companies EXP WFC, LLC	Oklahom a	OK	10/21/20	SC-2020-12458
YES COMPANIES LLC	Canadian	OK	10/21/20	SC-2020-1058
Yes Companies WFC, LLC	Oklahom a	OK	10/21/20	SC-2020-17570
Yes Companies WFC, LLC	Oklahom a	OK	10/21/20	SC-2020-12347
MOUNTAIN GATE	Maricopa	AZ	10/20/20	CC2020150197
MOUNTAIN GATE MOBILE HOME PARK	Maricopa	AZ	10/20/20	CC2020150199
MOUNTAIN GATE MOBILE HOME PARK % YES COMPANIES FRED LLC	Maricopa	AZ	10/20/20	CC2020150190
MOUNTAIN GATE MOBILE HOME PARK C/O YES COMPANIES FRED LLC	Maricopa	AZ	10/20/20	CC2020150192
MOUNTAIN GATE MOBILE PARK % YES COMPANIES FRED LLC	Maricopa	AZ	10/20/20	CC2020150193
YES COMPANIES EXP KEY LLC	Clevelan d	OK	10/19/20	SC-2020-3180
YES COMPANIES EXP KEY LLC	Clevelan d	OK	10/19/20	SC-2020-3179
Yes Companies EXP WFC, LLC	Oklahom a	OK	10/19/20	SC-2020-12461
Yes Companies EXP WFC, LLC	Oklahom a	OK	10/19/20	SC-2020-14205
Yes Companies EXP WFC, LLC	Oklahom a	OK	10/19/20	SC-2020-14554
Yes Companies WFC, LLC	Oklahom a	OK	10/19/20	SC-2020-14555
YES COMPANIES WFC LLC	Maricopa	AZ	10/15/20	CC2020148004
YES COMPANIES WFC LLC	Maricopa	AZ	10/14/20	CC2020147124
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-17532
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-12832
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-12824
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-13869
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-12814
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-13880
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-12818
Yes Companies EXP Fred, LLC	Oklahom a	OK	10/13/20	SC-2020-12816

Yes Companies EXP Fred, LLC	Oklahoma	OK	10/13/20	SC-2020-13874
Yes Companies EXP Fred, LLC	Oklahoma	OK	10/13/20	SC-2020-13872
Yes Companies EXP Fred, LLC	Oklahoma	OK	10/13/20	SC-2020-12828
YES COMPANIES KEY LLC	Cleveland	OK	10/8/20	SC-2020-3042
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-17534
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-12823
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13881
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-12834
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-12830
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13877
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13878
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13870
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13879
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-12819
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13876
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-12821
Yes Companies Exp Fred, LLC	Oklahoma	OK	9/23/20	SC-2020-13875
MOUNTAIN GATE MOBILE HOME PAK % YES COMPANIES REED LLC	Maricopa	AZ	9/22/20	CC2020135510
Yes Communities El Lago I	Tarrant	TX	9/22/20	JP08-20-E00102829
YES COMPANIES EXP KEY LLC	Cleveland	OK	9/22/20	SC-2020-2843
CHALET CITY	Tarrant	TX	9/21/20	JP06-20-E00069901
Yes Communities DBA Meadow Glen	Tarrant	TX	9/21/20	JP04-20-E00059524
YES COMPANIES EXP KEY LLC	Canadian	OK	9/21/20	SC-2020-937
YES COMPANIES FRED LLC -	Alachua	FL	9/21/20	2020 CC 002468
YES COMPANIES FRED, LLC D/B/A WOODLAND ESTATES	Duval	FL	9/21/20	16-2020-CC-007177-XXXX-MA
Yes Companies EXP WFC, LLC	Oklahoma	OK	9/18/20	SC-2020-16209
Yes Companies EXP WFC, LLC	Oklahoma	OK	9/18/20	SC-2020-12459
Yes Companies EXP WFC, LLC	Oklahoma	OK	9/18/20	SC-2020-11658
Yes Companies EXP WFC, LLC	Oklahoma	OK	9/18/20	SC-2020-12462
Yes Companies EXP WFC, LLC	Oklahoma	OK	9/18/20	SC-2020-14207
YES COMPANIES EXP KEY LLC	Cleveland	OK	9/17/20	SC-2020-2740

YES COMPANIES EXP KEY LLC	Clevelan d	OK	9/17/20	SC-2020-2739
Yes Companies WFC, LLC	Oklahom a	OK	9/17/20	SC-2020-17572
YES PALMS OF ARCHER LLC -vs-	Alachua	FL	9/17/20	2020 CC 002430
Yes Communities	Tarrant	TX	9/16/20	JP07-20-E00096548
YES COMPANIES KEY, LLC D/B/A CRYSTAL SPRINGS ESTATES	Duval	FL	9/16/20	16-2020-CC-007073-XXXX-MA
MOUNTAIN GATE MOBILE HOME PARK	Maricopa	AZ	9/15/20	CC2020132120
YES COMPANIES WFC, LLC DBA CHAFFEE PINES	Duval	FL	9/15/20	16-2020-CC-007018-XXXX-MA
YES PALMS OF ARCHER LLC -vs-	Alachua	FL	9/15/20	2020 CC 002411
MOUNTAIN GATE MOBILE HOMES PARK % YES COMPANIES FRED	Maricopa	AZ	9/10/20	CC2020129953
MOUNTAIN GATE MOBILE HOMES PARK % YES COMPANIES FRED	Maricopa	AZ	9/10/20	CC2020129955
MOUNTAIN GATE MOBILE HOMES PARK % YES COMPANIES FRED	Maricopa	AZ	9/10/20	CC2020129947
CHALET CITY	Tarrant	TX	9/8/20	JP06-20-E00069851
MOUNTAIN GATE MOBILE HOME PARK C/O YES COMPANIES FRED, LLC	Maricopa	AZ	9/3/20	CC2020126759
Yes Companies EXP WFC, LLC	Oklahom a	OK	9/3/20	SC-2020-17776
YES WESTLAKE LLC	Canadian	OK	9/2/20	SC-2020-855
MOUNTAIN GATE MOBILE HOME PARK % YES COMPANIES FRED LLC	Maricopa	AZ	9/1/20	CC2020125282
Yes Companies Exp Key, LLC	Oklahom a	OK	9/1/20	SC-2020-17003
Yes Companies Exp Key, LLC	Oklahom a	OK	9/1/20	SC-2020-11450
Yes Companies Exp Key, LLC	Oklahom a	OK	9/1/20	SC-2020-11448
Yes Companies Exp Key, LLC	Oklahom a	OK	9/1/20	SC-2020-15979
Yes Companies Exp Key, LLC	Oklahom a	OK	9/1/20	SC-2020-14646
YES COMPANIES FRED, LLC D/B/A WOODLAND ESTATES	Duval	FL	9/1/20	16-2020-CC-006509-XXXX-MA
YES COMPANIES WFC LLC	Maricopa	AZ	9/1/20	CC2020125357
Yes - Summit Oaks	Tarrant	TX	8/28/20	JP01-20-E00092365
YES COMPANIES WFC, LLC D/B/A OAKS OF ATLANTIC BEACH	Duval	FL	8/27/20	16-2020-CC-006349-XXXX-MA
YES COMPANIES WFC, LLC D/B/A OAKS OF ATLANTIC BEACH	Duval	FL	8/27/20	16-2020-CC-006362-XXXX-MA
YES COMPANIES KEY, LLC D/B/A OCEANWAY VILLAGE	Duval	FL	8/25/20	16-2020-CC-006177-XXXX-MA
YES COMPANIES KEY, LLC D/B/A OCEANWAY VILLAGE	Duval	FL	8/25/20	16-2020-CC-006175-XXXX-MA
MOUNTAIN GATE MOBILE HOME PARK % YES COMPANIES FRED LLC	Maricopa	AZ	8/7/20	CC2020114078
YES COMMUNITIES WFC, LLC	Duval	FL	8/4/20	16-2020-CC-005393-XXXX-MA
YES COMPANIES EXP WFC, LLC DBA WESTMOOR	Oklahom a	OK	5/28/20	SC-2020-6991
MOUNTAIN GATE MOBILE HOME PARK	Maricopa	AZ	5/22/20	CC2020084124

mountain gate mobile home park c/o compnaies fred llc	Maricopa	AZ	5/21/20	CC2020083345
MOUNTAIN GATE MOBILE HOME PARK c/o YES COMPANIES FRED LLC	Maricopa	AZ	5/20/20	CC2020082604
YES COMPANIES KEY, LLC D/B/A CRYSTAL SPRINGS ESTATE	Duval	FL	3/24/20	16-2020-CC-003707-XXXX-MA
YES COMPANIES WFC, LLC D/B/A OAKS OF ATLANTIC BEACH	Duval	FL	3/24/20	16-2020-CC-003709-XXXX-MA
Yes Companies LLC	Maricopa	AZ	3/20/20	CC2020057456
Yes Companies LLC	Maricopa	AZ	3/20/20	CC2020057454
Yes Companies LLC	Maricopa	AZ	3/20/20	CC2020057470
Yes Companies LLC	Maricopa	AZ	3/20/20	CC2020057449
Yes Companies LLC	Maricopa	AZ	3/20/20	CC2020057464
YES COMPANIES WFC, LLC D/B/A OAKS OF ATLANTIC BEACH	Duval	FL	3/20/20	16-2020-CC-003691-XXXX-MA
YES COMPANIES EXP KEY LLC	Canadian	OK	3/19/20	SC-2020-491
YES COMPANIES EXP KEY LLC	Canadian	OK	3/19/20	SC-2020-492
YES COMPANIES EXP KEY LLC	Canadian	OK	3/19/20	SC-2020-490
YES COMPANIES EXP KEY LLC	Canadian	OK	3/19/20	SC-2020-489
YES WESTLAKE LLC	Canadian	OK	3/19/20	SC-2020-494
YES WESTLAKE LLC	Canadian	OK	3/19/20	SC-2020-496
YES WESTLAKE LLC	Canadian	OK	3/19/20	SC-2020-493
YES WESTLAKE LLC	Canadian	OK	3/19/20	SC-2020-497
YES WESTLAKE LLC	Canadian	OK	3/19/20	SC-2020-495
YES WESTLAKE LLC	Canadian	OK	3/19/20	SC-2020-498
YES COMMUNITIES WFC, LLC D/B/A THE BREAKERS	Duval	FL	3/18/20	16-2020-CC-003654-XXXX-MA
YES COMMUNITIES WFC, LLC D/B/A THE BREAKERS	Duval	FL	3/16/20	16-2020-CC-003630-XXXX-MA
YES COMPANIES EX P KEY LLC	Clevelan d	OK	3/16/20	SC-2020-1509
YES COMPANIES EXP KEY LLC	Clevelan d	OK	3/16/20	SC-2020-1511
YES COMPANIES EXP KEY LLC	Clevelan d	OK	3/16/20	SC-2020-1510
YES COMPANIES EXP KEY LLC	Clevelan d	OK	3/16/20	SC-2020-1512
YES COMPANIES KEY LLC	Clevelan d	OK	3/16/20	SC-2020-1507
YES COMPANIES WFC, LLC D/B/A OAKS OF ATLANTIC BEACH	Duval	FL	3/16/20	16-2020-CC-003510-XXXX-MA

[1] Manufactured Housing Institute. 2021. "2021 Manufactured Housing Facts." pg. 2. https://www.manufacturedhousing.org/wp-content/uploads/2021/05/2021-MHI-Quick-Facts-updated-05-2021.pdf.
[2] Innovations in Manufactured Homes and National Consumer Law Center. 2017. "First Steps Toward a Resident Purchase Opportunity." pg. 1. https://1to1fund.org/sites/default/files/resources/FirstSteps_Toward_a_Resident_Purchase_Opportunity.pdf.
[3] "Manufactured-housing consumer finance in the United States," US Consumer Financial Protection Bureau, Sept 2014, p. 8
[4] "Manufactured-housing consumer finance in the United States," US Consumer Financial Protection Bureau, Sept 2014, p. 9
[5] Zahalak, Tanya. 2020. "Manufactured Housing Landscape 2020." Fannie Mae. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/manufactured-housing-landscape-2020.
[6] Innovations in Manufactured Homes and National Consumer Law Center. 2021. "Promoting Resident Ownership of Communities." pg. 9. https://www.nclc.org/images/pdf/manufactured_housing/cfed-purchase_guide.pdf.

[7] Manufactured Housing Institute. 2021. "2021 Manufactured Housing Facts." pg. 2. https://www.manufacturedhousing.org/wp-content/uploads/2021/05/2021-MHI-Quick-Facts-updated-05-2021.pdf.
[8] Ibid.
[9] Zahalak, Tanya. 2020. "Manufactured Housing Landscape 2020." Fannie Mae. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/manufactured-housing-landscape-2020.
[10] Durst, Noah J., and Esther Sullivan. 2019. "The Contribution of Manufactured Housing to Affordable Housing in the United States: Assessing Variation Among Manufactured Housing Tenures and Community Types." Housing Policy Debate, (Jun), pg. 3. https://nlihc.org/sites/default/files/The-Contribution-of-Manufactured-Housing.pdf.
[11] Manufactured Housing Institute. 2019. "2018 Consumer Research: Key Findings." pg. 7. https://www.manufacturedhousing.org/wp-content/uploads/2019/03/MHI-2018-Consumer-Research-Key-Findings.pdf.
[12] Innovations in Manufactured Homes and National Consumer Law Center. 2021. "Promoting Resident Ownership of Communities." pg. 9. https://www.nclc.org/images/pdf/manufactured_housing/cfed-purchase_guide.pdf.
[13] Ibid.
[14] Ibid., pg. 6
[15] Lien, Tracey. 2017. "In Silicon Valley, even mobile homes are getting too pricey for longtime residents." Los Angeles Times, May 4, 2017. https://www.latimes.com/business/technology/la-fi-tn-silicon-valley-mobile-homes-20170504-htmlstory.html.
[16] Arnold, Chris. 2021. "Losing It All: Mobile Home Owners Evicted Over Small Debts During Pandemic." NPR, April 16, 2021. https://www.npr.org/2021/04/16/986559295/losing-it-all-mobile-home-owners-evicted-over-small-debts-during-pandemic. Innovations in Manufactured Homes and National Consumer Law Center. 2010. "Protecting Fundamental Freedoms in Communities." https://prosperitynow.org/sites/default/files/resources/groundwork.pdf.
[17] William P. Stalter, IV to PSERS Investment Committee. 2018. "PSERS Yes Holdings LP." pg. 4. https://www.psers.pa.gov/About/Board/Resolutions/Documents/2018/res01.pdf
[18] Zahalak, Tanya. 2020. "Manufactured Housing Landscape 2020." Fannie Mae. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/manufactured-housing-landscape-2020.
[19] Consumer Financial Protection Bureau. 2021. "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data." pg. 10. https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf.
[20] Mergr. n.d. "Apollo Global Management Acquires Inspire Communities." Accessed October, 2021. https://mergr.com/apollo-global-management-acquires-inspire-communities.
[21] Wilcox, Don. 2020. "Blackstone makes $395M equity investment in Tricon." Real Estate News Exchange, August 27, 2020. https://renx.ca/blackstone-395m-equity-investment-tricon-residential/#:~:text=In%202018%2C%20Blackstone%20made%20its%20first%20foray%20into,chairman%20and%20CEO%20of%20BREIT%2C%20in%20the%20release.
[22] Burks, Steve. 2020. "Carlyle Group acquires 4 Mesa mobile home parks for $230M." AZ Big Media, June 15, 2020. https://azbigmedia.com/real-estate/carlyle-group-acquires-4-mesa-mobile-home-parks-for-230m/.
[23] Crimmins, Haley. 2021. "Spotlight on Manufactured Housing Acquisitions, Pricing." Real Capital Analytics. https://www.rcanalytics.com/spotlight-manufactured-housing-2021/.
[24] Choi, Jung Hyun, and Laurie Goodman. 2020. "22 Million Renters and Owners of Manufactured Homes Are Mostly Left Out of Pandemic Assistance." The Urban Institute. https://www.urban.org/urban-wire/22-million-renters-and-owners-manufactured-homes-are-mostly-left-out-pandemic-assistance.
[25] Miranda, Leticia. 2021. "Mobile home dwellers hit even harder when facing eviction." NBC News, February 14, 2021. https://www.nbcnews.com/business/business-news/mobile-home-dwellers-hit-even-harder-when-facing-eviction-n1257497. Consumer Financial Protection Bureau. 2021. "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data." pg. 9. https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf.
[26] Crimmins, Haley. 2021. "Spotlight on Manufactured Housing Acquisitions, Pricing." Real Capital Analytics. https://www.rcanalytics.com/spotlight-manufactured-housing-2021/.
[27] Petosa, T., Bertino, N., Herskowitz, M., and Edwards, E. 2020. "Manufactured Home Community Financing Handbook." Wells Fargo. https://www08.wellsfargomedia.com/assets/pdf/commercial/financing/real-estate/mhc-handbook.pdf.
[28] YES! Communities. n.d. "Our Communities." Accessed October 10, 2021. https://www.yescommunities.com/About/Our-Communities.
[29] YES! Communities. 2016. "YES! Communities Announces Sale of Equity Interest and Consolidation of Portfolios." PR Newswire. https://www.prnewswire.com/news-releases/yes-communities-announces-sale-of-equity-interest-and-consolidation-of-portfolios-300313383.html.
[30] Whoriskey, Peter. 2019. "A billion-dollar empire made of mobile homes." The Washington Post, February 14, 2019. https://www.washingtonpost.com/business/economy/a-billion-dollar-empire-made-of-mobile-homes/2019/02/14/ac687342-2b0b-11e9-b2fc-721718903bfc_story.html.
[31] Grant, Peter. 2016. "Singapore Fund GIC Is in Talks to Buy Owner of Manufactured-Home Communities." The Wall Street Journal, Jun 28, 2016. https://www.wsj.com/articles/singapores-sovereign-wealth-fund-is-in-talks-to-buy-manufactured-home-owner-1467106203.
[32] YES! Communities. 2016. "YES! Communities Announces Sale of Equity Interest and Consolidation of Portfolios." PR Newswire. https://www.prnewswire.com/news-releases/yes-communities-announces-sale-of-equity-interest-and-consolidation-of-portfolios-300313383.html.
[33] "PSERS Real Estate Data as of 12/31/2017." n.d. PSERS. Accessed October, 2021. https://www.psers.pa.gov/About/Investment/Documents/performance/PMREreports/2017%204Q%20-%20Real%20Estate%20FINAL.pdf.
[34] Ibid.

[35] Stockbridge Capital Group. Form ADV (filed September 27, 2021). pg. 35. Accessed October 10, 2021. https://sec.report/AdviserInfo/Firms/149002/Form-ADV-149002.pdf.

[36] PSERS. 2020. "Investment Expenses Report FY 2020." https://www.psers.pa.gov/FPP/Presentations/Documents/Investment%20Expenses%20Report%20FY19-20%20Final.pdf.

[37] William P. Stalter, IV to PSERS Investment Committee. 2018. "PSERS Yes Holdings LP." pg. 2. https://www.psers.pa.gov/About/Board/Resolutions/Documents/2018/res01.pdf

[38] Ibid., pg.3

[39] Mariano, Willoughby. 2018. "Evictions: landlord says tough love helps tenants stay put." August 3, 2018. https://www.ajc.com/news/local/evictions-landlord-says-tough-love-helps-tenants-stay-put/FNYJhU8GrYoeBSltFDzGFK/.

[40] YES COMPANIES KEY, LLC V. ROBERT STEWART, JENNIFER JONES, AND SHASTA ALLEN (Duval County Court,, 2020).

[41] YES COMPANIES KEY, LLC, D/B/A CRYSTAL SPRINGS ESTATES V. CHARLES A. PERRI (Duval County Court, 2021).

[42] YES COMPANIES FRED, LLC DBA WOODLAND ESTATES V. PORSHA LATRICE WILLIAMS (Duval County Court, 2021).

[43] Innovations in Manufactured Homes and National Consumer Law Center. 2010. "Protecting Fundamental Freedoms in Communities." pg. 2. https://prosperitynow.org/sites/default/files/resources/groundwork.pdf.

[44] Grant, Peter. 2016. "Singapore Fund GIC Is in Talks to Buy Owner of Manufactured-Home Communities." The Wall Street Journal, Jun 28, 2016. https://www.wsj.com/articles/singapores-sovereign-wealth-fund-is-in-talks-to-buy-manufactured-home-owner-1467106203.