Congress of the United States
House of Representatives
Washington, DC 20515–3302

October 29, 2024

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, D.C. 20024

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Dear Director Thompson and Director Chopra:

In the wake of the 2008 housing crisis, the Federal Housing Finance Agency (FHFA) introduced the "Real Estate-Owned (REO) to Rental" program, which allowed institutional investors to purchase large portfolios of foreclosed homes at significant discounts on the condition they rent them out. While the intention behind this program was to stabilize housing markets, it has contributed to a surge in institutional investment in single-family homes across the country.[1] Over the past decade, the share of single-family homes bought by investors has increased dramatically, from 15% in 2012 to nearly a quarter of all purchases by 2021.[2] Similar federal incentives, such as the Low-Income Housing Tax Credit (LIHTC) and FHFA's multifamily loan program, encourage institutional investors to dominate the rental market through the purchase of multifamily properties.

We write to request an investigation into the effects of these federal programs and the broader impacts of institutional participation in residential real estate, especially as rising housing and rental costs continue to price out many North Carolinians. We are concerned that the policies designed to allow institutions to acquire large numbers of properties have had unintended and harmful effects on working families, first-time homebuyers, and renters alike. It is critical that we evaluate the effectiveness of these programs so they may serve their intended purpose and be optimized to assist Americans experiencing housing insecurity.

The Research Triangle area has seen a significant increase in housing prices in recent years. From 2020 to 2023, median home prices increased by over 25% in Raleigh, Cary, Chapel Hill, and Durham.[3] Wake County has seen an increasing share of properties purchased by institutional investors, with reports estimating that nearly 18% of all homes purchased in 2022 in the region were bought by such investors.[4] These large firms,

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[1] https://nlihc.org/resource/gao-releases-report-institutional-investments-single-family-rental-housing
[2] https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/
[3] https://247wallst.com/housing/2024/09/11/home-prices-have-doubled-in-these-north-carolina-cities-since-the-pandemic/
[4] https://wraltechwire.com/2022/02/24/investors-are-buying-1-in-4-homes-in-raleigh-1-in-5-in-durham/

often backed by Wall Street capital, are able to outbid middle- and low-income buyers, leaving them with few options.[5]

This surge in investor activity has not only driven up home prices but has also had a significant impact on rental affordability. Nationally, rents increased by 17.5% in 2021 alone, with Raleigh and Durham among the hardest hit by rising rents.[6] Many institutional investors have been accused of inflating rents. A 2022 report by *ProPublica* found that these companies were behind a significant number of above-average rent hikes across multiple markets.[7] Across North Carolina, renters have expressed concern over the lack of transparency and recourse when dealing with large-scale landlords, which further exacerbates housing insecurity.[8]

We are also concerned by evidence that many institutional landlords are engaging in predatory and anti-consumer behavior. A Congressional investigation in 2022 found that excessive fees, neglectful maintenance, and unjustified evictions have become common business practices in investor-owned properties.[9] In North Carolina, tenants have reported being hit with unexpected fees, facing significant delays in necessary repairs, and being evicted for minor lease violations.[10] These exploitative practices disproportionately impact low-income renters, many of whom are already struggling due to rising rent prices.

It is imperative that we explore whether federal programs, such as the REO-to-Rental program and others that promote institutional investor participation, have disproportionately benefited large financial institutions at the expense of working families and first-time homebuyers. Programs such as the Low-Income Housing Tax Credit (LIHTC), while designed to promote affordable housing development, can end up benefiting institutional investors who dominate the application process and enjoy easy access to capital markets.[11] [12] Similarly, Fannie Mae and Freddie Mac's multifamily loan initiative has incentivized large investors to purchase multifamily rental properties, sometimes leading to higher rents that push out long-time residents.[13] [14]

Additionally, while Section 8 Housing Choice Vouchers are meant to provide stability for low-income renters, institutional investors are increasingly acquiring properties that cater to voucher holders, knowing that the federal government guarantees a portion of the rent. This creates an incentive to overcharge both the government and the tenants while offering substandard living conditions.[15]

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[5] Sarah K. Lynch-Caput, *When Wall Street Becomes America's Landlord: How Wall Street Single-Family Rental Investment Firms are Infiltrating American Neighborhoods and Disrupting the Housing Market* (Washburn Law Journal, Vol. 63) p. 449-480

[6] https://www.axios.com/local/raleigh/2022/06/07/triangle-rents-are-surging-raleigh-durham

[7] https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent

[8] https://spectrumlocalnews.com/nc/charlotte/news/2024/03/28/north-carolina-resident-expressing-concerns-about-corporate-landlords-

[9] https://www.congress.gov/117/meeting/house/114969/witnesses/HHRG-117-BA09-Wstate-RaymondE-20220628.pdf

[10] https://myfox8.com/news/ftc-sues-corporate-landlord-for-predatory-tactics/

[11] Edward L. Glaeser and Joseph Gyourko, *Rethinking Federal Housing Policy* (Washington: AEI Press, 2008), p. 11.

[12] https://www.federalreserve.gov/econresdata/feds/2015/files/2015084pap.pdf

[13] https://www.wsj.com/articles/fannie-and-freddie-can-make-rental-housing-less-affordable-critics-say-11550577602

[14] https://www.thenation.com/article/society/freddie-mac-private-equity-housing/

[15] https://scholar.harvard.edu/files/mdesmond/files/desmondperkins.cc_.2016.pdf

We urge your agencies to investigate the aggregate effects of these policies on housing affordability, particularly in regions like the Research Triangle where housing markets are being reshaped by institutional investment.

Specifically, we ask that your investigation include:

- **A critical evaluation of federal programs** that provide incentives to institutional real estate interests, and recommendations to strengthen these programs so that they will serve their intended purpose.
- **The impact of institutional ownership on home prices and rental rates**, regardless of participation in federal housing programs;
- **How investor-driven practices, such as rent inflation, are contributing to the displacement of middle- and low-income families**;
- The **exploitative business models** of these investors and their effects on tenants' rights, living conditions, and financial well-being.

Federal housing policy should prioritize the housing needs of everyday Americans, not speculative profits. I urge you to act swiftly in probing these programs and practices so that Congress and housing agencies can better understand the role of institutional investors in housing affordability and provide solutions.

Thank you for your attention to this critical issue, and we look forward to working together to increase affordable housing and combat housing insecurity for all Americans.

Sincerely,

Deborah K. Ross
Member of Congress

Valerie Foushee
Member of Congress