Stop Predatory Investing Act

Sponsored by Senators Brown, Wyden, Smith, Reed, Merkley, Fetterman, Warren, and Baldwin

We face a shortage of 3.8 million homes, and aspiring homeowners across the country are unable to find a place they can afford. In the middle of this incredible housing shortage, large investors, including private equity firms, Real Estate Investment Trusts, and publicly traded companies, have bought up a growing number of single-family homes.

The National Association of Realtors reported that institutional buyers bought over 13% of homes sold in 2021, with purchase rates as high as 28% in Texas and 19% in Georgia.[1] While small investors own a large number of rental homes, large, institutional investors increased their purchases at the height of the pandemic and have continued to purchase a significant share of single-family homes.[2]

The share of investor purchases made by large investors with portfolios of 100 properties or more grew from 14% in September 2020 to 26% in September 2021.[3] Large investors are also particularly concentrated in certain markets and neighborhoods. In Atlanta, 25% of the homes purchased in 2021 were bought by investors.[4] In certain Atlanta area zip codes, the percentages jumped to over 50%. In Phoenix, 21% of purchases went to large investors in 2021.[5] Also in 2021, Cleveland saw an overall 16% of homes purchased by investors, with one zip code reaching 70%.[6] Many large investors rely on technology, their lower cost of funds, and their ability to pay all cash to outcompete aspiring homeowners. And their purchases also typically focus on smaller, more affordable homes– taking critical starter homes that could otherwise go to first time homebuyers out of the market.[7]

The *Stop Predatory Investing Act* would a prohibit an investor who acquires 50 or more new single-family rental homes after the date of enactment from deducting interest or depreciation on those properties. If an investor sold one of those properties to a homebuyer or qualified nonprofit, they can deduct the interest and depreciation for the year in which the property is sold. To continue to incentivize affordable rental housing and the construction of new housing supply, the bill would allow owners to continue to take deductions on properties that are financed using Low-Income Housing Tax Credits (LIHTC) and still in their affordability period, and on build-for-rent single-family housing. And to protect renters in existing single-family rental housing, the bill would not disallow deductions for single-family rental homes purchased before enactment.

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1 https://www.nar.realtor/sites/default/files/documents/2022-impact-of-institutional-buyers-on-home-sales-and-single-family-rentals-05-12-2022.pdf
2 https://www.corelogic.com/intelligence/total-investor-home-purchases-are-unlikely-to-dip-due-to-rising-interest-rates/
3 https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2022.pdf, page 12
4 https://www.washingtonpost.com/business/interactive/2022/housing-market-investors/
5 Id.
6 Id.
7 https://www.banking.senate.gov/imo/media/doc/Brunner%20Testimony%208-2-222.pdf, page 3

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