

The HOPE (Humans Over Private Equity) for Homeownership Act

Sen. Jeff Merkley – Rep. Adam Smith

Our nation faces a housing affordability crisis. While some of our housing challenges, including a supply shortage, will take years to remedy, others can be addressed immediately, including a taxing hedge funds owning and controlling large parts of the housing market. American families should not have to compete with multi-billion-dollar corporations when looking for a home to buy or rent. Now, hedge funds are trying to take that slice of the American economy off the plates of working families and put it on their own balance sheets.

Large scale hedge fund investors are taking over the housing market at an alarming and accelerating rate. In 2011, no single entity owned over 1,000 single-family rental units. In 2022, large institutional investors and hedge funds owned about 700,000 single family home rentals, and financial analysts forecast that this ownership footprint will grow to 40% of all single family homes rentals by 2030.

In 2024, the Federal Trade Commission (FTC) fined Invitation Homes, the country's largest landlord of single-family homes, requiring them to pay \$48 million for deceiving renters, charging junk fees, withholding security deposits, and a list of other abuses. Two weeks before paying this record fine, Invitation Homes announced they had purchased 580 single-family homes in Tampa, Denver, and the Carolinas for a total of \$216 million to turn into rentals. The picture is clear -- one company could mobilize hundreds of millions of dollars to buy-up hundreds homes before families ever had the chance to get their foot in the door.

Predatory hedge funds disproportionately target Black families and vulnerable single parents, as revealed in a recent House Financial Services Committee report.ⁱ The report found these investors focus on neighborhoods with larger Black populations and approximately 30% more single mothers than the national average. Additionally, studies show that hedge funds are 68% more likely than small landlords to file for evictions and often impose high rent increases, inflated fees, and deteriorating housing conditions to maximize profits.

The HOPE (Humans Over Private Equity) for Homeownership Act seeks to put an end to this harmful practice of hedge funds buying up single-family homes:

- Establishes a new tax penalty of 15% of the sale price (or \$10,000, if greater) for hedge funds buying additional single family homes.
- Takes away depreciation and mortgage interest tax breaks, and imposes a new \$5,000 per home tax penalty for hedge funds failing to sell off 10% of their currently owned single-family homes each year over a 10-year period.
 - Hedge funds must sell homes to families who don't own any other residential property, not to other hedge funds or corporations.

The purchasing of single-family homes by hedge funds, especially in the current housing market, serves only to make profits for the investors and provides no value to the communities where these homes are located. People should not have to go up against hedge funds when they are trying to buy a home in their community. Taxing hedge fund activity in the single-family housing market will help give more families the opportunity to purchase a home and combat the growing large investor landlord model.

ⁱ <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408381>