

# End Hedge Fund Control of American Homes 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 ban on hedge funds owning and controlling large parts of the housing market. American families should not have to compete with multi-billion-dollar corporations when purchasing a home. It's past time we give every American family a fair chance to become a homeowner and put an end to hedge funds taking over the housing market.

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. As of June 2022, the Urban Institute estimates that large hedge funds and other institutional investors owned roughly 574,000 single-family homes. Data from the first three months of 2023 shows this trend continuing, with hedge funds purchasing 27 percent of single-family homes.<sup>i</sup>

Predatory hedge funds disproportionately target Black families and vulnerable single parents, as revealed in a recent House Financial Services Committee report.<sup>ii</sup> 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 End Hedge Fund Control of American Homes Act** seeks to put an end to this harmful practice of hedge funds buying up and owning single-family homes.

- Prevents hedge funds from continuing to purchase single-family homes - imposes an immediate 50% tax on the fair market value of any future purchase of a single-family home by a hedge fund.
- Requires large hedge funds to sell off existing ownership of all single-family homes over 10 years or face significant tax penalties.
- Each year over ten years, large hedge funds would have to sell at least 10% of the total number of single-family homes they own until they own zero. Hedge funds would be subjected to a tax penalty for each single-family home owned above the maximum allowable amount for that year.
- Tax revenues would be reserved for down payment assistance for people seeking to purchase homes sold by the hedge funds.
- Families and individuals who don't own any residential real estate are eligible for down payment assistance grants funded by the tax penalties paid by hedge funds.
- Exempts nonprofit organizations, public housing agencies and other government entities, and home builders from the taxes.
- Includes an explicit certification process for a purchaser to confirm that they do not own a majority interest in any other single family residential real estate.

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. Banning hedge funds from the single-family housing market will help enable more families the opportunity to purchase a home and combat the growing large investor landlord model.

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<sup>i</sup> <https://www.urban.org/research/publication/profile-institutional-investor-owned-single-family-rental-properties>

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