

ISSUE: Rethink Fannie Mae and Freddie Mac's Backing of Private Equity Investors in the Single Family Rental Market

In January, Fannie Mae agreed to back a 10-year, \$1 billion loan to Invitation Homes (IH), the country's largest owner of single-family rental homes and a division of the private equity firm The Blackstone Group L.P. This marks the first time that either Fannie Mae or Freddie Mac has guaranteed the debt of an institutional owner of single-family rental housing.³⁶ The number of single-family rental units increased 35 percent from 2006 to 2016,³⁷ as Blackstone and other large institutional investors bought up hundreds of thousands of foreclosed single-family properties at rock-bottom prices and converted them to rentals.

U.S. homeownership has also fallen to a 50-year low since the housing crisis amid strict lending standards, mounting student debt, and would-be buyers' savings and credit diminishing during the recession. Even as millennials and first-time homebuyers now enter the market, they are having difficulty finding affordable houses to buy.³⁸ IH homes are in the segment of single-family market suffering some of the tightest housing supply. The share of new homes 1,800 square feet or less (the typical size of entry-level homes) has fallen from an average of 34 percent of new single-family housing supply in 1999-2004 (prior to the housing downturn) to 21 percent in 2015, a nearly 40 percent decline (see Figure 8).³⁹ IH single-family rentals average approximately 1,850 square feet and their portfolio of homes are in 13 desirable markets concentrated in the Western U.S and Florida.⁴⁰ IH and other institutional buyers of single-family homes compete with homebuyers seeking affordable homes to purchase.

Who Can Act:

The Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac

NCRC's Position:

Fannie Mae should improve access to affordable homeownership in traditionally underserved communities instead of backing private-equity giants on Wall Street that are converting single family properties into rentals. Among other steps, the Enterprises should improve their pricing for low- and moderate-income borrowers, increase their affordable loan product offerings, and improve marketing and outreach to African-American borrowers and other underserved borrowers and markets that are suffering specific setbacks in access to homeownership.

³⁶ December, R. (2017, January 24). Blackstone wins Fannie's backing for rental homes. Retrieved from <http://www.marketwatch.com/story/blackstone-wins-fannies-backing-for-rental-homes-2017-01-24>. MarketWatch

³⁷ Invitation Homes SEC Filing, *Amendment No. 1 to Form S-11 Registration*, Preliminary Prospectus dated January 23, 2017.

³⁸ CNBC, *Why the supply of homes for sale is the lowest since 1999* (January 24, 2017).

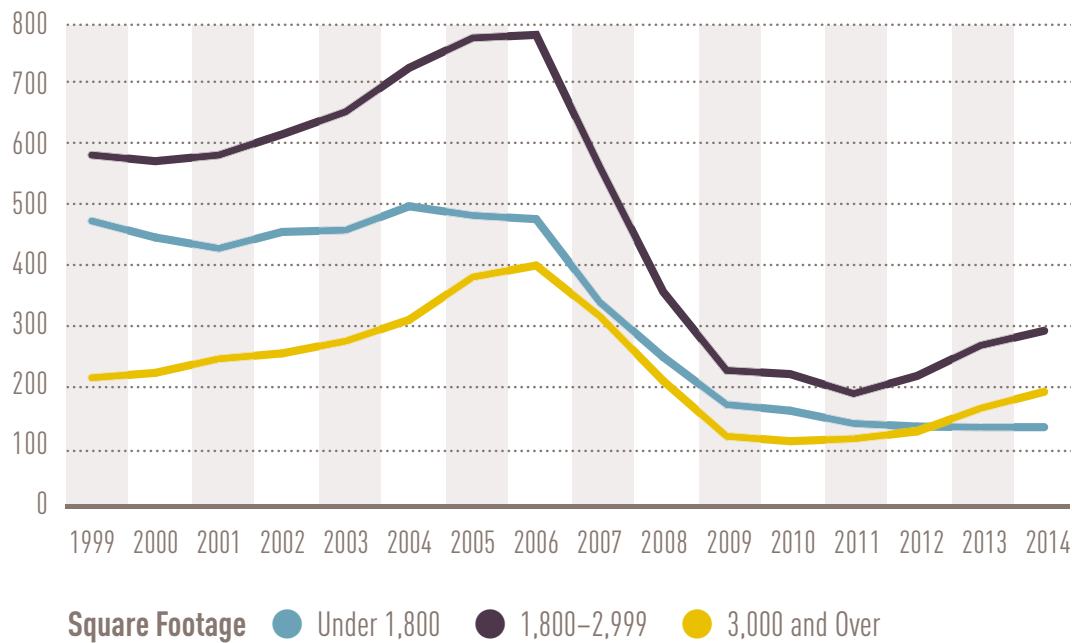
³⁹ Ibid at 51. Also see: Joint Center for Housing Studies of Harvard University, *State of Housing* (2016).

⁴⁰ Id.

With regard to the Blackstone deal, Fannie Mae must attach affordability and tenant protections to these rentals.

Construction of Smaller Single-Family Homes Has Yet to Rebound

New Single-Family Homes Completed (Thousands)



Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

FIGURE 11. Source: Harvard Joint Center for Housing Studies, *The State of the Nation's Housing 2016*, www.jchs.harvard.edu. All rights reserved