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Private Equity Stakeholder Project (PESP) – Statement for the Record

June 28, 2022 Hearing of the U.S. House Committee on Financial Services, Subcommittee on Oversight and Investigations

Where Have All the Houses Gone? Private Equity, Single Family Rentals, and America's Neighborhoods

Chairman Green, Ranking Member Emmer, and Members of the Subcommittee, thank you for the opportunity to provide a statement today.

My name is Jim Baker with the Private Equity Stakeholder Project. The Private Equity Stakeholder Project is a non-profit organization focused on tracking the impacts of investments by private equity firms and similar Wall Street firms on ordinary people, including residents of apartments, rental homes, and mobile homes.

We appreciate the opportunity to comment on private equity landlords, the single-family rental industry and the impacts of both on renters and homebuyers.

Since the Global Financial Crisis of 2008, private equity firms and large corporate landlords have acquired growing portions of US housing, helping to drive up rents and home prices to unprecedented levels. The impact of private equity investment in housing has been sharpest in the single-family rental industry, which did not exist prior to 2010 and was created by private equity firms to capitalize on home ownership being further out of reach for many. Rents for single-family rentals have grown more than 13% over the past year and have grown even more sharply in some areas – for example by 39% in Miami and 19% in Phoenix.[1]

Some of the very same communities that saw the most foreclosures during the 2008 Global Financial Crisis are the geographies where private equity-backed single-family rental landlords now have the greatest presence and where residents have faced dramatic rent increases.[2]

Just over a decade ago no single landlord owned more than 1,000 single-family rental units.[3] Since then, private equity firms and other corporate landlords have acquired more than 430,000 homes across the US.[4] These are not small companies – Invitation Homes, Pretium Partners, American Homes 4 Rent, Amherst Holdings, and Cerberus Capital/ FirstKey Homes cumulatively own or operate almost 300,000 homes and have drawn growing attention for their impacts on housing, homebuyers, and renters.[5]

The investment thesis of private equity-backed single family rental landlords was that the Global Financial Crisis, foreclosures, and the more limited availability of mortgages would put homeownership out of reach for many, forcing them to be renters. “We believe tight credit availability is preventing new households from being able to obtain mortgages to purchase their first home,” Pretium Partners wrote to investors in 2016, adding “Households that have been unable to obtain mortgages have become renters, thus driving high occupancy rates and robust rent growth.”[6] As these same firms have in recent years aggressively competed with homebuyers for limited housing stock in some areas, this prediction has increasingly become a self-fulfilling prophecy.

Single family rental firms’ dramatic growth and ongoing acquisitions

Private equity-backed rental home companies’ acquisitions have only accelerated during the COVID-19 pandemic.

For example, Pretium Partners’ rental home company Progress Residential went from 40,000 homes in January 2021 to 80,000 homes as of March 2022.[7]

In the first quarter of 2022, investors made up a record 28% of single-family home sales, according to a report published last week by the Harvard Joint Center for Housing Studies. That's up from 19% in the first quarter of 2021 and 16% between 2017 and 2019. "Investors with large portfolios (at least 100 properties) drove much of this growth,” wrote the Harvard researchers.[8]

Even with rising interest rates, private equity firms’ and other investors’ acquisitions of single-family homes are likely to continue. In April, the *Wall Street Journal* reported that large investors had only deployed about one-quarter of the $89 billion in capital they have amassed to spend on rental homes.[9]

Some large investors have projected that the share of rental homes owned by private equity firms and other large landlords will grow by one-third annually, hitting several million homes, or a 40 per cent market share, by 2030. Others have even projected that large single family rental landlords will get to 50 per cent market share in the next five years.[10]

Global investors pushing out American homebuyers

What is striking about the growth of the single-family rental industry is the degree to which private equity firms draw capital from global investors into the US single family home market, outcompeting first-time homebuyers. For example:

- In April 2021, the *Wall Street Journal* reported that Singapore’s sovereign-wealth fund GIC was backing plans to buy single-family rental homes across the southeastern U.S.[11]

- Canada's Public Sector Pension Investment Board in January 2021 formed a $700 million rental-home venture in partnership with Pretium Partners that has bought thousands of homes.[12]
- German insurer Allianz SE said in 2021 it was investing in a venture to buy more than $4 billion of U.S. rental homes.[13]

A December 2021 investigation by the *Washington Post* and the International Consortium of Investigative Journalists, drawing on the Pandora Papers leak of offshore financial records and focusing on Rutherford County, Tennessee, showed Pretium Partners' "pouring money into rental homes, part of an unprecedented flow of global finance into US suburbs that has left stressed tenants in its wake."[14]

The investigation also pinpointed how Pretium Partners was able to grab the lion's share of the home inventory away from ordinary families by quickly making all-cash offers, noting that investors like Pretium "have cash and the power to negotiate" and "Progress Residential and similar firms are devouring the housing supply and outbidding families."[15]

To compound investors' wealth, the fund used a series of complex legal arrangements to aggressively shield profits from U.S. taxes.[16]

Eviction filings during the COVID-19 pandemic

The Private Equity Stakeholder Project tracked eviction filings during the COVID-19 pandemic across dozens of counties in Georgia, Florida, Tennessee, Texas, Arizona and Nevada.

Large single family rental landlords like Pretium Partners, Invitation Homes, and Amherst Holdings were among the most frequent eviction filers we saw, including during the period that the CDC Eviction Moratorium was in effect.[17] For example:

- Pretium Partners' rental home companies filed to evict more than 3,000 residents.
- Invitation Homes filed to evict more than 2,100 residents.
- Amherst Holdings filed to evict more than 1,200 residents.

We also found that Pretium Partners' rental home companies filed to evict residents in majority-Black counties in Georgia at significantly higher rates than they did residents in majority-white counties in Florida.[18]

Katrina Chism, a Pretium Partners tenant from Georgia, provided testimony to a July 2021 hearing of the House Select Subcommittee on the Coronavirus Crisis, saying:

"I felt expendable, and they showed me I was. I was not given any consideration as a long-term tenant with no evictions on my record ever. I felt as if I had broken the law somehow while we were in the middle of a pandemic. There was no concern for my life or my son's life as they focused on their profit margin. I was not profitable so I was booted out with almost no notice, instead of being able to renew my lease or at least have a few months to make another plan."

If the COVID-19 pandemic was a test of how landlords would deal with renters in challenging times – then some of the largest single-family rental landlords including Pretium Partners, Invitation Homes, and Amherst Holdings failed that test miserably, filing to evict thousands of residents despite federal and state eviction moratoria and even as tens of billions of dollars of rental assistance remained available to help residents to stay in their homes.

Recommendations

We believe policymakers should take steps to protect tenants and homebuyers from predatory behavior in the housing market, and limit corporate control over our homes:

Transparency into corporate landlords and practices:

- The widespread use of shell companies has made it difficult for tenants to know who owns their home. City, state, and national government should require corporate landlords to disclose beneficial ownership through landlord registries.
- Create a corporate landlord consumer complaint database similar to the CFPB consumer complaint database so residents have a forum to get responses to complaints and there is a means to track landlords' practices.
- Require large corporate landlords to provide regular disclosures of numbers of eviction filings and evictions as well as average rent increases.

Enact broad tenant protections:

- Enact Just Cause Eviction legislation requiring corporate landlords to have good cause for filing to evict residents.
- Implement and fund Right to Counsel laws, so tenants facing eviction are guaranteed legal representation and a fair chance to stay in their homes.
- Limit annual rent increases by corporate landlords, including mandatory fees, to 3%.
- Eliminate state preemptions that obstruct localities from strengthening renter protections.

Thank you.

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THE NATIONAL RENTAL HOME COUNCIL

HOW AMERICA'S LARGEST SINGLE-FAMILY LANDLORDS PUT PROFIT OVER PEOPLE

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Introduction

Over the past decade, housing in the U.S. has become increasingly consolidated into the hands of corporations, while rents and home prices have skyrocketed to unprecedented levels. Tenants in single-family rental (SFR) homes are facing a particularly tight squeeze; nationally, rents in this type of housing have increased more than 13% over the past year, and in metro areas like Miami and Phoenix single-family rents have increased a staggering 39% and 19%, respectively.[1]

Unsurprisingly, the metro areas facing the highest single-family rent increases are the same communities where the largest single-family rental companies have the greatest presence, and where the 2008 foreclosure crisis wreaked havoc on homeowners, especially homeowners of color. Increasingly, these SFR corporations have sought to shape public policy and perceptions of the housing market to secure unchecked growth and profit.

To advance their interests, the largest SFR landlords rely on the National Rental Home Council (NRHC), a public relations tool that deflects scrutiny and portrays the SFR industry as the benevolent saviors of the housing market. Throughout its history the NRHC leadership has been dominated by the largest SFR companies in the country. As landlords, large corporate rental companies are associated with high eviction rates,[2] underinvestment in maintenance, steep fines for tenants, large rent increases, and aggressive buying tactics that lock would-be homeowners out of the market.[3]

Rather than accept their talking points, we should investigate what these companies say to their investors and what their tenants say about living in these homes. Based on these companies' track records, we should all be concerned about their ambitious plans for continued expansion, and the billions of dollars investors have flooded the rental market with over the past year.[4]

The Rise of the Single-Family Rental Home Industry and the Creation of the National Rental Home Council

The consolidation of single-family rentals into the hands of investor landlords began in the aftermath of the 2008 foreclosure crisis. As recently as 2011, before home prices hit rock bottom, no single entity owned over 1,000 SFR units,[5] but by 2021, corporate landlords had acquired an estimated 350,000 homes across the country.[6] The five largest SFR operators, who comprise the leadership of the National Rental Home Council, cumulatively own or operate almost 300,000 homes and have come under increasing scrutiny for their negative impacts on the housing market.[7]

The foreclosure crisis and the federal response created the perfect conditions for rapid consolidation, transferring thousands of homes, especially from households of color trapped by predatory debt, to Wall Street-backed landlords, often through government-subsidized acquisitions after mass foreclosures. Without question, the SFR industry would not exist in its current form if not for vital support from Fannie Mae, Freddie Mac and the Federal Housing Administration to large corporate landlords. In addition to incredibly generous loan terms, Fannie, Freddie and the Federal Housing Administration auctioned non-performing mortgages to investors in such high volumes that by 2016, 95 percent of Fannie and Freddie's distressed loans went to Wall Street investors.[8]

Mergers and acquisitions of smaller companies have also been a critical source of growth for the largest SFR companies. For example, in 2017, Invitation Homes merged with Starwood Capital, which had previously merged with Colony American Homes, to become the largest SFR operator in the country.[9]

The largest SFR companies made a bet that the foreclosure crisis would lock broad swathes of the country out of homeownership, creating a captive pool of renters. In a 2016 pitch to investors, Pretium Partners, the parent company of Progress Residential, explicitly said, "We believe tight credit availability is preventing new households from being able to obtain mortgages to purchase their first home . . . Households that have been unable to obtain mortgages have become renters, thus driving high occupancy rates and robust rent growth."[10]

> **The five largest SFR operators, cumulatively own or operate almost 300,000 homes and have come under increasing scrutiny for their negative impacts on the housing market.**

In this context, Invitation Homes, American Homes 4 Rent, Progress Residential, Starwood and Colony American Homes joined together to form the NRHC in 2014.[11] This came amid growing scrutiny and weeks after California Congressman Mark Takano called for federal regulators to investigate the SFR industry and the practice of selling rent-backed securities.[12] The new group partnered with the lobbying and public relations firm Glover Park Group (now Finsbury Glover Hering), which was founded by Clinton-Gore administration veterans and has close ties with the private equity, banking, and real estate industries.[13] Continuing this trend, following increasing scrutiny, in 2022 Pretium Partners hired a former Glover Park director and ex-NFL communications head, Jocelyn Moore, as their newest Senior Managing Director leading corporate affairs.[14]

Growth and Corporate Consolidation in Single-Family Rentals

The Wall Street-backed segment of the SFR industry has grown dramatically over the past decade, while families across the country have struggled with displacement, loss of their homes, and financial devastation since the foreclosure crisis. Amidst job losses and mass death during the COVID-19 pandemic, the buying frenzy has only accelerated.

Many across the industry have remarked that SFRs have proven to be a resilient or profitable asset class, expressing recent speculation that Wall Street-backed landlords could own as much as 50% of all SFRs within the next five years,[15] or, more conservatively, that investor-ownership of SFRs could reach 40% of market share by 2030.[16] The Chief Executive of Tricon Residential, estimates institutional ownership of SFRs will increase by about one million homes in the next decade.[17]

Recent research indicates that large investors have only spent about one-quarter of the $89 billion they have raised to invest in SFR and build-for-rent homes,[18] which, based on the largest companies' harmful track record, should concern us all.

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The National Rental Home Council

Founded in 2014, the NRHC is the primary lobbying and advocacy group for the SFR industry. Like more established real estate trade groups such as the National Multifamily Housing Council and the National Association of Realtors, the NRHC exerts influence both directly, by lobbying for legislation and donating to elected officials, and indirectly, by repeating talking points to the press that reinforce their desired narrative about their industry.

The NRHC has nearly 80 member companies and claims to speak for the whole SFR industry, including "mom and pop" landlords, but there are only four companies that have almost exclusively occupied the organization's leadership positions since its founding: Invitation Homes, Progress Residential, American Homes 4 Rent, and Tricon Residential. Executives from these four corporations have consistently held the President, Vice-President, Secretary, and Treasurer positions. By 2020, the FirstKey Homes CEO had joined the board, and is currently the NRHC chair.[19]

This tight grip suggests that the NRHC prioritized unrestricted growth and continued dominance for these five companies, who already account for almost 300,000 of the estimated 350,000 corporate-owned SFR homes across the country.[20]

	2020[21]	2019[22]	2018[23]	2017[24]
Invitation Homes	Treasurer	Treasurer and Director	Treasurer and Director	President and Treasurer
American Homes 4 Rent	Vice-President	Vice-President	Vice-President	Director
Progress Residential	Secretary	Secretary and Director	Secretary and Director	Secretary
Tricon Residential	President	President	President	Director
FirstKey Homes	Director	N/A	N/A	N/A

The National Rental Home Council's Anti-Tenant Policy Advocacy

While the public face of the NRHC is one of a friendly, pro-affordability industry group, the group's origins and advocacy indicate that they push for policies that put their financial interests above the well-being of their tenants.

The actual policies the NRHC advocates for are worded vaguely on their website, using general language about increasing access to quality and affordable housing. The top section of their advocacy page is titled "Renter's Rights," which they describe as policies that improve "access and choice" in housing and that "encourage our residents to be good citizens."[25]

Contradicting this seemingly pro-tenant language, the NRHC lobbies against tenant protections and policies that would keep rents affordable. Their website states they intervene at the state level to combat what they call "harmful rent control policies,"[26] and they were vocally opposed to the CDC's eviction moratorium in 2020.[27] Individually, the companies who make up the board of the NRHC have contributed heavily to block rent control and other forms of tenant protections. Invitation Homes spent over $1 million in 2018 to block Proposition 10 in California, which would have loosened rent control preemption; Blackstone spent another $6 million.[28]

Several of the companies in the NRHC's leadership have explicitly indicated SFRs are a good financial investment specifically due to the increasing inaccessibility of homeownership.[29] Yet, the NRHC wants to present a different public image, stating on their website that SFRs are "not a bet against homeownership."[30]

Their lobbying activity also indicates they are more allied with powerful real estate interests than their public statements suggest. The NRHC spent $200,000 on lobbying in 2021 in partnership with three lobbying firms whose other clients include Invesco (the behemoth investment management company), the National Association of Realtors, and the Association of Real Estate Investment Trusts. Eight of the 10 individual lobbyists they worked with in 2021 are part of the revolving door between government office and lobbying firms, having previously held roles in federal government.[31]

The Corporations Leading the NRHC

We should be deeply concerned about the NRHC's plans to influence policy at the state and local level, because their leadership and largest members have a documented history of maximizing profits at the expense of tenant safety and well-being.[32] Below are short profiles of the largest NRHC members, showing the massive rent increases, eviction filings, dangerous lack of maintenance, steep fines and fees, and more, that these companies have imposed on tenants and communities.

Invitation Homes

Invitation Homes is the nation's largest owner of single-family rental homes with 82,000 properties.[33] Invitation Homes was founded in 2012 by the Blackstone Group, the largest private equity firm in the world, specifically to acquire foreclosed single-family homes to rent them out.[34] The company expanded rapidly through 2016 and grew significantly by merging with Starwood Capital in 2017.

Invitation Homes has fallen under scrutiny for callous treatment of tenants and deferred maintenance in the homes it owns. A 2018 Reuters story found that in speaking with tenants across the U.S., "The picture that emerges isn't as much one of exceptional service as it is one of leaky pipes, vermin, toxic mold, nonfunctioning appliances and months-long waits for repairs."[35] News articles have detailed horror stories from Invitation Homes tenants, like one family that became sick and developed breathing problems after Invitation Homes failed to repair a water leak in the home's attic, leading to "high levels of pathogenic mold."[36]

Another example is Marvia Robinson who asked if Invitation Homes would accept rental assistance to cover her back-rent during the pandemic; instead, Invitation Homes suggested she sell her plasma, hair, or eggs, or obtain a payday loan.[37]

Despite the broad devastation of the COVID-19 pandemic, Invitation Homes recorded their most profitable year ever in 2020.[38] Invitation Homes' profits in 2021 increased 33% or $65.3 million from 2020.[39] In a Q3 2021 investor call, the company noted that it had raised rental prices 30% in Phoenix, 29% in Las Vegas, 21% in Tampa, 20% in Atlanta, and 19% in Jacksonville.[40] Notably, while the company's revenue from its rental properties was 9.3% higher in 2021 than in 2020, the amount the company spent on property operation and maintenance increased by just 3.8%.[41]

Progress Residential/Pretium Partners

Progress Residential and its parent private equity firm Pretium Partners have grown exponentially since 2012, and currently own a portfolio of approximately 80,000 homes across nearly 40 markets.[42] According to a December 2021 *Washington Post* investigation, Progress has been growing its portfolio by up to 2,000 homes a month,[43] including their 2021 acquisition of single-family rental company Front Yard Residential in partnership with Ares Management,[44] and their recent purchase of over 2,000 properties from Zillow's failed iBuying venture.[45]

Pretium's founder and CEO Don Mullen is a former Goldman Sachs executive who famously led a team of mortgage brokers to bet against the mortgage market during the 2008 financial crisis. *New York Magazine* described Mullen in 2012 as "a guy whose most famous trade was a successful bet on the full-scale implosion of the housing market [who] is now swooping in to pick up the pieces on the other end."[46]

Like Invitation Homes, Progress Residential has been the subject of reports of problems from tenants. Many of the issues relate to the company's customer service practices,[47] patchwork repairs,[48] and a strategy of passing costs onto tenants that normally would be covered by a landlord.[49] In January 2022, the city of Columbia Heights, MN, a suburb of Minneapolis, revoked the rental license of Pretium Partners' HavenBrook Homes on the basis of conditions so horrendous, they "put residents' lives at risk," and notified tenants they needed to vacate their homes within 45 days because the company had failed to resolve maintenance issues at multiple properties.[50]

In February 2022, Minnesota Attorney General Keith Ellison announced that he had filed a lawsuit against Pretium and HavenBrook Homes for "shameful," "deceptive," and "fraudulent" practices in failing to repair and maintain their rental homes. Ellison alleged that the company was in violation of Minnesota law, claiming to provide high-quality service while extracting profit from tenants and leaving them in "uninhabitable homes."[51]

Additionally, Pretium Partners' eviction practices during the COVID-19 pandemic despite federal and state eviction moratoriums, and led the U.S. House of Representatives Select Subcommittee on the Coronavirus Crisis to launch an investigation and oversight hearing into Pretium and three other companies for filing for thousands of evictions during the pandemic.[52]

American Homes 4 Rent

American Homes 4 Rent owns over 57,000 properties, making it the third largest owner of single-family rental homes in the U.S.[53] Founded in 2011, American Homes 4 Rent laid out their playbook in their 2013 IPO: buying large volumes of distressed homes at bargain prices, generating "attractive" cash flow from rents, and benefiting from future price appreciation.[54]

Like its peers, there is no shortage of horror stories from tenants living in American Homes 4 Rent properties. A 2019 story in *The Atlantic* highlighted the problems of several American Homes 4 Rent tenants, including a Georgia tenant who filed multiple maintenance requests for leaking pipes. When the company refused to make repairs and a pipe finally burst, thousands of dollars worth of the tenant's belongings were ruined. In another case, a Florida tenant whose home was wired incorrectly said the company called her a "drama queen" when she complained that the temperature inside the house was as high as 100 degrees, a danger to her four-month-old son. According to the tenant, American Homes 4 Rent did not send anyone to make repairs for a week and a half.[55] The Better Business Bureau has received 830 complaints about American Homes 4 Rent over the last three years.[56]

From 2019 to 2021, American Homes 4 Rent's rental revenue increased 16.4%,[57] returns boosted by the fact that they increased rents on vacant homes by 11% in 2021.[58] On its Q3 2021 earnings call, American Homes 4 Rent COO Bryan Smith stated, "We're really excited and optimistic about the ability to push rents next year."[59] In addition to revenue increases from rent, the company's fee revenue soared 63.8% from 2019 to 2021.[60] American Homes 4 Rent's 2021 profits were $55.7 million higher than in 2020, a 36% increase.[61]

FirstKey Homes

Private equity firm Cerberus established a platform in 2008 to buy distressed mortgage-backed securities following the financial crisis.[62] In 2015 Cerberus formed **FirstKey Homes** to manage properties it had acquired through its platform and signaled its intention to buy more.[63] Today, FirstKey Homes manages Cerberus' portfolio of 42,000 homes.[64]

Cerberus, like many of its peer companies, appears to be betting that many households will be locked out of homeownership. A former FirstKey executive stated that the housing bubble "created a permanent rental class out there that will continue to drive demand for these properties in the future."[65]

FirstKey has developed a reputation for "unusually aggressive tactics to recover late rent" in the Memphis, TN area.[66] *The Washington Post* examined FirstKey's business practices in Shelby County, where Memphis, TN is located, and found that the company filed for eviction at twice the rate of other property managers and threatened renters with eviction at a higher rate than any other large property managers in the area, going to court more than 400 times in 2018 just in Shelby County.[67]

In addition to aggressive eviction filings in Memphis, *The Washington Post* reported that FirstKey had failed to keep its residences up to code. In 2018, its rate of code violations was higher than other Memphis-area SFR owners, earning Cerberus the title of number one residential code violator.[68]

Tricon Residential

Canada-based **Tricon Residential** entered the single-family rental business in 2008, with a strategy of buying real estate at steeply discounted prices.[69] Tricon currently owns and operates about 30,000 single family rentals in the U.S. with plans to increase to 50,000 homes by 2024.[70]

Tricon has purchased hundreds of homes in lower income neighborhoods and communities of color in Charlotte, North Carolina, many of which were occupied by renters who received Section 8 assistance. Tricon described a strategy to its investors of purposefully decreasing the proportion of its tenants who are on government assistance in order to "improve tenant quality," and "[focus] on raising rents." [71] Tricon has stated that it planned to refuse to renew the leases even of Section 8 tenants who are in "good standing" in Charlotte. The Charlotte Housing Authority and local non-profits called out Tricon for this behavior and its role in making the city's affordable housing crisis worse, by "raising rents sharply, refusing to renew leases for some tenants who receive government rental assistance and buying from Charlotte's rapidly shrinking supply of cheaper homes."[72]

Tricon's 2021 profits more than tripled from 2020, skyrocketing from $113 million to $517 million.[73] Tricon told investors this increase was fueled in part by fees and costs passed to tenants, like renter's insurance and air filter replacements, allowing Tricon to take in $640 per home, per month in this kind of revenue.[74] Tricon anticipates it can grow this figure to between $850 and $950 monthly per home.[75]

The CEO of Toronto-based Tricon has also said many of its tenants want to own homes, but "they may have tons of student debt or medical debt, which we know has swelled in the U.S. over the last decade and has made it difficult for many people to qualify for a mortgage."[76] Tricon attributes part of its success to homeownership falling "increasingly out of reach," making single family rentals appealing and drawing immense investor interest and capital.[77]

In 2020, a group of investors led by the Blackstone Group began a $300 million investment in Tricon.[78] In announcing the investment, Tricon said, "Blackstone inherently understands our business...We are excited to have the support of one of the world's largest real estate investors."[79]

Tricon told investors this increase was fueled in part by fees and costs passed to tenants, like renter's insurance and air filter replacements, allowing Tricon to take in $640 per home, per month in this kind of revenue. Tricon anticipates it can grow this figure to between $850 and $950 monthly per home.

Demands & Recommendations

Although industry groups like the National Rental Home Council claim that increasing corporate ownership of single-family rentals is a positive thing, tenant stories make it clear what happens when we allow the SFR industry to pursue maximum profits at the expense of safe, decent, affordable housing for their tenants. The following measures are necessary steps to fix our current housing nightmare, ensure quality, safe, affordable housing, and guarantee renters a degree of power in negotiating with the billion-dollar companies that own their homes.

We call on the National Rental Home Council to require its members adopt these policies across their full portfolios:

- **Adopt Just Cause Eviction Protections for all tenants;**
- **Limit rent increases to no more than 3% annually;**
- **Keep all properties up to habitability standards, and immediately address any and all issues of health and safety; and**
- **Negotiate a grievance procedure with all tenants that includes:**
  - Timely responses from management;
  - Timely action by management to address issues;and
  - Recognition of tenants unions

We call on policymakers to enact the following legislation to protect tenants from predatory behavior in the housing market, and limit corporate control over our homes:

Enact broad tenant protections:

- Enact Just Cause Eviction legislation limiting the reasons a landlord can evict tenants. Establish rent control laws that limit annual rent increases to 3% annually, including mandatory fines and fees.
- Legally recognize tenants' right to organize and bargain collectively, and mandate that landlords recognize and negotiate with tenant unions.
- Eliminate state preemptions that obstruct localities from strengthening the aforementioned renter protections.Implement and fund Right to Counsel laws, so tenants facing eviction are guaranteed legal representation and a fair chance to stay in their homes.

Restrict corporate control of housing:

- The widespread use of LLCs has made it difficult for tenants to know who owns their home. City, state, and national governments must require disclosure of full ownership through landlord registries.
- Enact anti-speculation taxes and regulations.
- End federal support for Wall Street landlords including repealing Opportunity Zones and 1031 Exchanges; eliminating no-strings, low-cost financing via Fannie and Freddie; and increasing penalties for landlords who engage in abusive practices.
- Expand public banking as an alternative to Wall Street financing by for-profit investors.

Invest in social and public housing: We desperately need alternatives to profit-driven, Wall Street control of housing. This requires massive federal investment in social and public housing, and policies that support tenant ownership, permanent affordability, and tenant power.

Pension funds that invest in real estate and private equity funds that are undermining the rental housing market need to adopt better due diligence measures. They should require current and potential investors to disclose potential harms to tenants, and negotiate tenant protections into limited partnership agreements (LPAs). Fund trustees and staff should also consider divesting from harmful investments that lead to tenant evictions in their home states and cities.

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PANDEMIC EVICTOR

Don Mullen's Pretium Partners Files to Evict Black Renters, Collects Billions From Investors.

Pilar Sorensen
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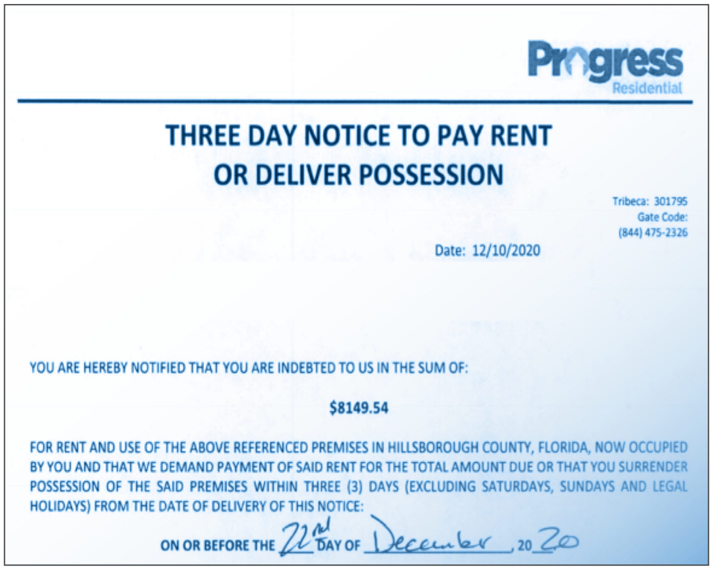
APRIL 2021

Private Equity Stakeholder Project

Key Points


Progress Residential

THREE DAY NOTICE TO PAY RENT OR DELIVER POSSESSION

Tribeca: 301795
Gate Code:
(844) 475-2326

Date: 12/10/2020

YOU ARE HEREBY NOTIFIED THAT YOU ARE INDEBTED TO US IN THE SUM OF:

$8149.54

FOR RENT AND USE OF THE ABOVE REFERENCED PREMISES IN HILLSBOROUGH COUNTY, FLORIDA, NOW OCCUPIED BY YOU AND THAT WE DEMAND PAYMENT OF SAID RENT FOR THE TOTAL AMOUNT DUE OR THAT YOU SURRENDER POSSESSION OF THE SAID PREMISES WITHIN THREE (3) DAYS (EXCLUDING SATURDAYS, SUNDAYS AND LEGAL HOLIDAYS) FROM THE DATE OF DELIVERY OF THIS NOTICE:

ON OR BEFORE THE 22nd DAY OF December, 20 20

- Pretium Partners is a private equity and debt firm focused on US single-family rental homes, headed by former Goldman Sachs partner Donald Mullen. Mullen made millions betting against the mortgage market during the 2008 Global Financial Crisis.

- In January 2021, Pretium Partners through its single-family rental company Progress Residential, became the second-largest owner and operator of single-family rental homes in the United States when it acquired Front Yard Residential and took the company private. Pretium now owns 55,000 rental homes.

- Combined, Progress Residential and Front Yard Residential have filed to evict more than 1,300 residents during the COVID-19 pandemic, with most evictions filed after the Centers for Disease Control and Prevention (CDC) eviction moratorium went into effect in September 2020.

- The companies have filed nearly 500 eviction actions since the beginning of 2021. Nearly half of these filings were in two counties in Georgia – DeKalb and Clayton – with majority Black populations.

- Since the beginning of 2021, Progress Residential and Front Yard Residential have filed to evict residents in majority-Black DeKalb and Clayton Counties in Georgia at much higher rates than they have in majority-white Seminole and Polk Counties in Florida.

- Progress Residential and Front Yard Residential have advanced eviction cases against residents affected by the COVID-19 pandemic, a number of whom submitted hardship declarations pursuant to the CDC's eviction moratorium.

- Progress Residential has also challenged at least one resident's CDC hardship declaration in court, calling the CDC Eviction Moratorium an "unconstitutional overreach" in a recent filing.

- Pretium Partners' and Ares Management's Front Yard Residential has also drawn complaints from predominantly Black residents in Minneapolis who say the company is failing to maintain their homes.

- Pretium Partners has drawn on investments from private equity firms, pension funds, insurance companies, and other institutional investors, including:

    - Ares Management
    - Landmark Partners
    - Canada's Public Sector Pension (PSP)
    - American Equity Investment Life Insurance
    - Tennessee Consolidated Retirement System

Introduction

Pretium Partners is a private equity and debt firm focused on US housing. The firm's founder and CEO is former Goldman Sachs partner Donald Mullen, who is famous for "the big short," in which he led Goldman to bet against the mortgage market during the Global Financial Crisis of 2007. Mullen made a fortune as homeowners, particularly homeowners of color, lost their homes in record numbers.[1]

In an email sent in the fall of 2007, for example, Mullen predicted a windfall when mortgage-related investments were downgraded. "Sounds like we will make some serious money," he wrote.[2]

Mullen left Goldman Sachs in 2012 to form Pretium Partners.[3] Pretium Partners now owns more than 55,000 rental homes and single-family rental operator Progress Residential.[4]

New York Magazine said of Mullen in 2012, "A guy whose most famous trade was a successful bet on the full-scale implosion of the housing market is now swooping in to pick up the pieces on the other end."[5] Mullen and Pretium Partners helped form the institutional single-family rental (SFR) industry – directly benefiting from the loss of the American Dream for thousands of homeowners who were then forced to rent homes.[6]

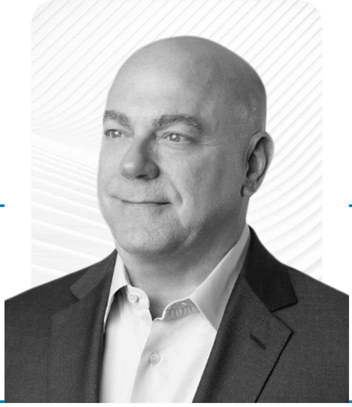
In January of 2021, Pretium, together with private equity firm Ares Management, acquired Front Yard Residential, another single-family rental owner, in a move that took Progress from fourth to second-largest owner of rental homes in the United States. Pretium's largest-ever deal also makes Pretium a larger player in about three quarters of its existing geographies, "allowing it to expand its scale and improve operating efficiencies in those areas."[7]

According to Pretium, the single-family industry generates above average net operating income—propelled by "revenue-generating income and cost-saving technologies that should result in continued margin expansion."[8] But in markets where Progress Residential is now far more concentrated as a single-family rental owner, such as Phoenix, Atlanta, and several cities in Florida, the market dominance widens the scope of mismanagement and residential woes. Corporate single-family rental owners have for years faced complaints of aggressive eviction practices and deferred maintenance. Renters have fewer choices, as do individual homebuyers.

Residents of Front Yard Residential homes, now owned by Pretium Partners and managed by Progress Residential, report maintenance and repair requests going unanswered.[9] Residents in Minneapolis-St. Paul have received reminders regularly to pay their rent even as they have dealt with leaks in their ceilings or holes in their floors.

Combined, Progress Residential and Front Yard Residential have filed to evict more than 1,300 residents during the COVID-19 pandemic. Most of the eviction actions identified were filed after the Centers for Disease Control and Prevention eviction moratorium went into effect on September 4, 2020.[10] Progress Residential and Front Yard Residential have filed a disproportionate number of evictions in majority-Black DeKalb and Clayton Counties in Georgia.

> **"Sounds like we will make some serious money."**
>
> **– 2007 email from Don Mullen, who led Goldman Sachs' bet against the mortgage market.**



Pretium Partners' eviction filings disproportionately impact Black renters

Progress Residential and Front Yard Residential have been among the most prolific filers of eviction actions during the COVID-19.

The Private Equity Stakeholder Project has tracked eviction filings by corporate landlords during the past several months across select counties in Arizona, Georgia, Florida, Texas, Nevada, Oklahoma and Tennessee.[11]

Despite the CDC Eviction Moratorium, which took effect on September 4, 2020, and remains in place as of the publication of this report, Progress Residential and Front Yard Residential have filed to evict growing numbers of residents.

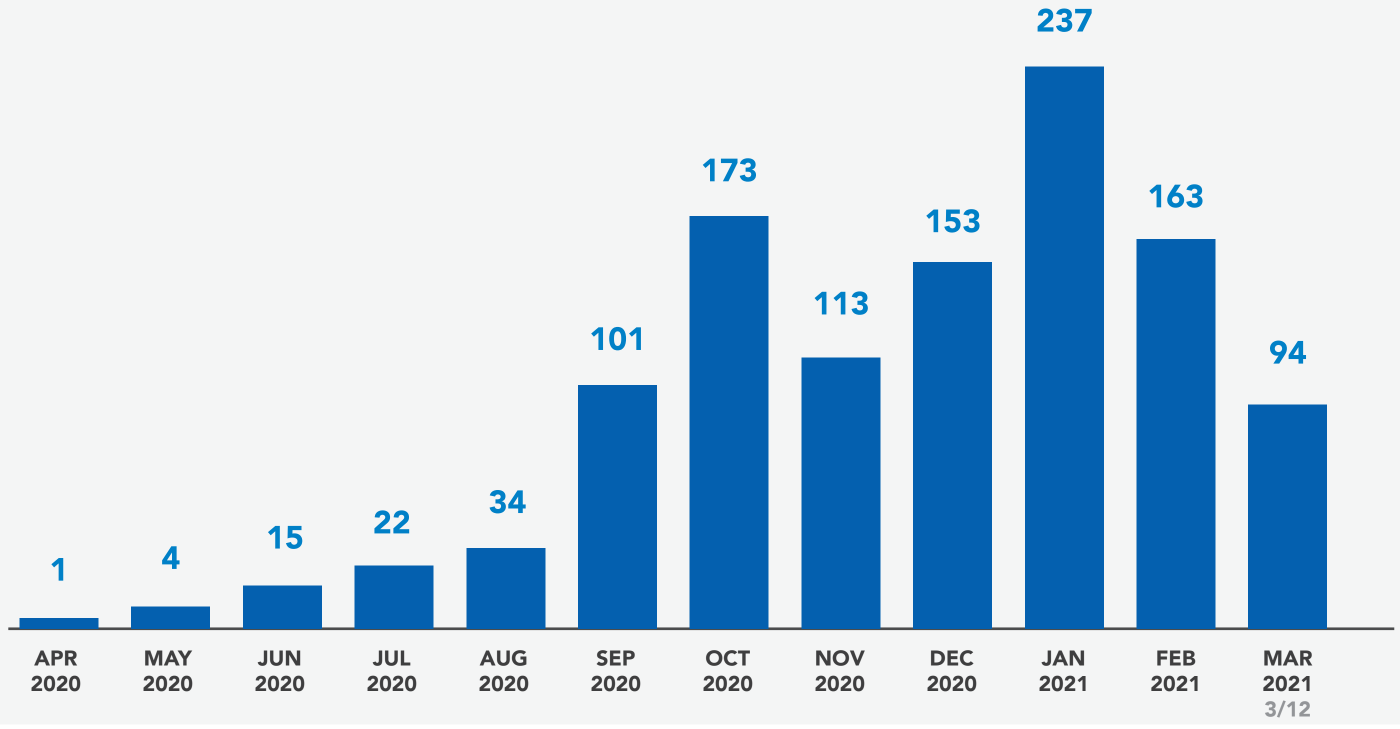
The companies have filed nearly 500 eviction actions since the beginning of 2021 (through March 12).

Almost half (246) of these filings were in two Georgia counties – DeKalb and Clayton – which have majority Black populations.

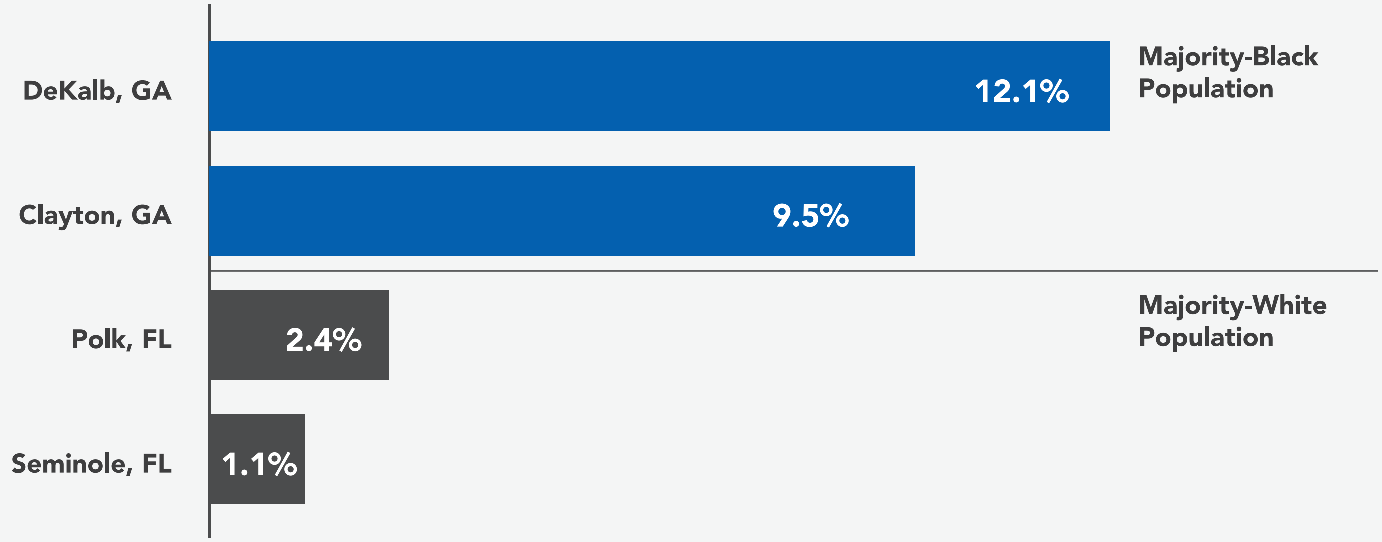
Since January 1, 2021, Progress Residential and Front Yard Residential have filed to evict more than 12 percent of the company's residents in DeKalb County, Georgia, where 55 percent of residents are Black. In Clayton County, Georgia, with a population that is almost 73 percent Black, the landlords have filed to evict 9.5 percent of residents since the beginning of the year.[12]

By comparison, Progress Residential and Front Yard Residential have filed to evict a much smaller share of residents in two majority-white counties in Florida, Seminole and Polk. Since January 1, 2021, Progress Residential and Front Yard Residential and filed to evict 2.4 percent of their residents in Polk County and 1.1 percent of residents in Seminole County.[13]

PROGRESS RESIDENTIAL/FRONT YARD RESIDENTIAL EVICTION FILINGS
(select counties in GA, AZ, FL, TX, NV, OK and TN)



PROGRESS RESIDENTIAL/FRONT YARD RESIDENTIAL EVICTION FILING RATE SINCE JANUARY 1, 2021
(through March 12)



COUNTY	STATE	FILINGS SINCE 1/1/21	WHITE (NOT HISPANIC/ LATINO)	BLACK	LATINO	HOMES (PROGRESS + FRONT YARD)	EVICTING FILING RATE (FILINGS/ HOMES)
DeKalb	GA	155	29.3%	54.8%	8.5%	1,284	12.1%
Clayton	GA	91	9.1%	72.8%	13.4%	958	9.5%
Polk	FL	9	56.9%	16.2%	24.6%	370	2.4%
Seminole	FL	2	58.9%	13.1%	22.5%	454	1.1%

Progress Residential and Front Yard Residential continue to advance evictions against residents impacted by COVID-19

In October 2020, NBC News highlighted the story of Christina Velez, a Progress Residential resident who lost her job running the staffing team on a Covid-19 treatment trial. Faced with a $2,440 rent bill on the Boca Raton, Florida, home she shares with her daughter, Velez began calling Progress Residential to ask whether it would give her time to come up with the money.[14]

"I told them I was affected by Covid, but it didn't matter to them," Velez said. "They are not very patient."[15]

Not once, Velez said, did Progress representatives tell her about a nationwide eviction moratorium ordered by the federal government to let tenants hurt by Covid-19 stay in their homes if they could not pay their rent.[16]

"I said, 'There's got to be something for people affected by Covid and being furloughed,'" Velez, 46, reported telling Progress. "There's nothing we can do," the company representative replied, she said.[17]

Velez said she sold her car to pay Progress. By jumping through hoops, Velez has managed to pay enough to hang on to her rental home. She has a new job, but she has still had to battle demands from Progress to pay $450 in legal fees associated with her eviction filing.[18]

Velez' case is hardly the only example of Progress Residential and Front Yard Residential moving to evict renters impacted by the COVID-19 pandemic.

Answers provided by residents of Front Yard and Progress Residential to eviction cases filed by the firms show that both corporate landlords have advanced eviction cases against residents affected by the COVID-19 pandemic, a number of whom submitted hardship declarations pursuant to the CDC's eviction moratorium.

(Note: Names of residents have been removed below. Case citations are provided.)

Progress Residential resident, Hillsborough County, Florida, February 11, 2021

> *"[Resident] was working as an entertainment rigger before the shutdown due to COVID-19 and being part of the live entertainment industry, was among the first to be out of work. We are in the midst of applying for rental assistance, but they have not come through yet. [Resident] is scheduled for work through the end of April, which would give us the funds to follow through with a move in May… We also have two other children in the home who we are caring for. We have no other means of housing at the moment, even though we have been actively seeking every avenue, we haven't found an*

"I told them I was affected by Covid, but it didn't matter to them. They are not very patient"

– Progress Residential resident Christina Velez, October 2020.

> **"We have no other means of housing at the moment, even though we have been actively seeking every avenue"**
>
> **– Feb 2021 plea from Progress Residential renter facing eviction. Progress Residential evicted the family just days later.**

alternative housing option. We are confident if eviction is delayed until the end of May, we will be capable of moving into proper housing, essentially keeping us from becoming homeless with our 3 children."[19]

Despite the resident's plea for additional time, Progress Residential evicted the family just days later, on February 15, 2021.[20]

Front Yard Residential resident, Palm Beach County, Florida, January 14, 2021

"This letter is to inform the proper people of the importance of shelter the residence provides for my family at this time. Since the Pandemic issue arose, my income has had a significant impact negativewise. I have provided my property manager with every effort in assistance with crisis alleviation programs. Also, I am providing receipts for all payments I am making in attempts to keep balance low. I have emailed Ms. Santos [of Front Yard Residential/Havenbrook Homes] with comm action program that is assisting with overdue rent balance for Havenbrook. I am the sole provider for a wife and four school age children that are currently homeschooling. I will pay back any rent and fees that accumulate during this period. But please consider arrangements with my family other than EVICTION."[21]

The resident also provided a copy of a CDC eviction moratorium hardship declaration that he had signed in October 2020.[22]

A month later, on February 18, Front Yard Residential filed a Motion for Immediate Default Judgment of possession with the court. The eviction case is was open as of March 21, 2021.[23]

Progress Residential resident, Hillsborough County, Florida, January 22, 2021

"The complaints that the plaintiff has made should not be enforced. The eviction Moratorium states that it ends on January 31, 2021. They sent [the eviction notice] to me before the end date. This action coming in the midst of the pandemic with all the other problems has made my daughter despondent because of the added fees. My son has special needs and would negatively his ability to live in a men's shelter. I would also like the court to determine the amount of rent to be paid until I can get answers from the awaiting agencies.

> **"I will pay back any rent and fees that accumulate during this period. But please consider arrangements with my family other than EVICTION."**
>
> **– Jan 2021 letter from Front Yard Residential resident. Front Yard Residential later filed a Motion for Default Judgment to advance the eviction proceeding.**

> **"Progress Residential are making a hard time worse."**
>
> **– Jan 2021 response from Progress Residential tenant. Progress Residential obtained an eviction judgment against the resident.**

I have been told that the moratorium has been extended, I have contacted the Department of Social Services. I have applied for the Housing Choice Voucher, I have contacted several local churches, I am waiting for their replies for all. I have emailed the landlord an application that has to be completed by them for rental assistance from the Department of Social Services. My family and I will become homeless if evicted. I am trying my best.

I am asking that all fees to be waived. Progress Residential are making a hard time worse. The agencies say that they are only going to pay back rent. My income has been reduced seventy five percent. I have applied for several jobs. I have been told that I am not old enough for social security. I have received a stimulus check during the pandemic to help with some bills.

My son and grandson are also named in the complaint, however they were not responsible for the rent. I am afraid that an eviction on their credit will inhibit their chances of getting a job, an apartment or a home. I do not agree to the amount being charged.

I understand that there has been an extension, this will give us enough time for us to get answers from the different agencies and we will be able to move forward from there. This has only been a difficult time because of this pandemic, I don't know what else to do."[24]

Despite the renter's request for more time, Progress Residential filed a Motion for Immediate Default on February 8. On February 15 the court entered a judgment for possession with a note that the writ of possession was to be issued "after the expiration of CDC Order 85 FR 55292 on April 1, 2021, unless extended."[25]

Progress Residential resident, Hillsborough County, Florida, January 22, 2021

"I am a single mother residing in the residence with my 3 minor children, 2 of which are disabled. My children's father does not reside in the home with us; however, he was providing me with financial support until he suffered a reduction in his monthly income as a result of the Covid-19 pandemic. I am unable to

> **"My son and grandson are also named in the complaint, however they were not responsible for the rent. I am afraid that an eviction on their credit will inhibit their chances of getting a job, an apartment or a home."**
>
> **– Jan 2021 response from Progress Residential tenant. Progress Residential obtained an eviction judgment against the resident.**

work due to being my son's primary caregiver. I am currently in the process of seeking rental assistance from charitable and governmental agencies. Once I have been approved for that assistance, I will submit those funds to the plaintiff or deposit them in the court registry. I would however make the court aware that I meet the criteria as an adversely affected tenant under the current CDC eviction moratorium which prohibits me from being evicted from the residence until after January 31, 2021, which has now been extended to March 31, 2020 by presidential executive order as of January 20, 2021. I have submitted a signed and dated CDC declaration form to the court and plaintiff as required. See attached CDC declaration form. I would respectfully request that the court schedule my case for hearing or grant me an order for temporary relief as a protected tenant under the current CDC eviction moratorium."[27]

On February 19 Progress Residential filed a Motion for Immediate Default against the resident and sought a writ of possession to have the resident removed from the property.[28]

On February 22 the court issued a Judgment for Possession, ordering the clerk to issue a Writ of Possession directing the sheriff to evict the defendant and place Progress Residential in possession of the home after the expiration of the CDC eviction moratorium on April 1, 2021.[29]

Progress Residential uses court to challenge resident's CDC hardship declaration

Progress Residential has also taken the step of trying to challenge at least one resident's CDC hardship declaration through the court, calling the CDC Eviction Moratorium an "unconstitutional overreach."

In a March 3 filing, Progress Residential noted:

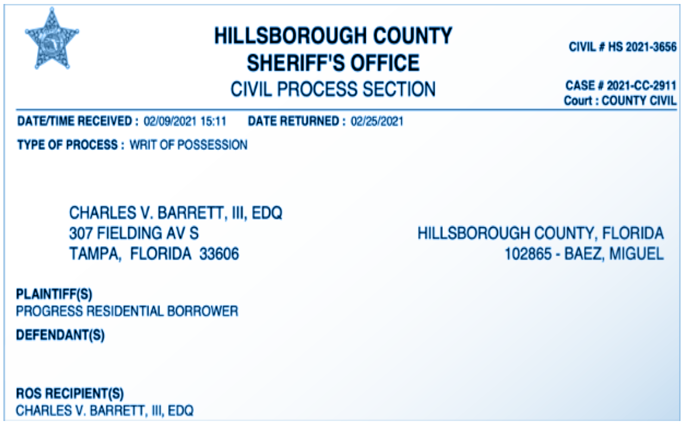
"Comes now Plaintiff, Progress Residential Borrower 13, LLC, a Delaware limited liability company authorized to do business in Florida, as landlord, by and through its undersigned attorney, who hereby alleges the Declaration filed by the Defendants claiming coverage under 86 FR 8020, Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19, and moves for an entry of an order to lift stay on the writ of possession, and as grounds therefor states as follows:

1. CDC Order 86 FR 8020, Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19, is an unconstitutional overreach into the general police power retained by the states…"[30]

The case was ongoing as of March 21, 2021. The court had not yet ruled on Progress Residential's motion challenging the resident's CDC hardship declaration.[31]

"CDC Order 86 FR 8020, Temporary Halt in Residential Evictions to Prevent the Further Spread of Covid-19, is an unconstitutional overreach…"

– March 2021 court filing by Progress Residential challenging a resident's



HILLSBOROUGH COUNTY
SHERIFF'S OFFICE
CIVIL PROCESS SECTION

CIVIL # HS 2021-3656

CASE # 2021-CC-2911
Court : COUNTY CIVIL

DATE/TIME RECEIVED : 02/09/2021 15:11 DATE RETURNED : 02/25/2021

TYPE OF PROCESS : WRIT OF POSSESSION

CHARLES V. BARRETT, III, EDQ
307 FIELDING AV S
TAMPA, FLORIDA 33606

HILLSBOROUGH COUNTY, FLORIDA
102865 - BAEZ, MIGUEL

PLAINTIFF(S)
PROGRESS RESIDENTIAL BORROWER

DEFENDANT(S)

ROS RECIPIENT(S)
CHARLES V. BARRETT, III, EDQ

Front Yard Residential renters in Minnesota complain of company's failure to maintain homes

In addition to filing to evict hundreds of residents despite the CDC eviction moratorium, Pretium Partner and Ares Management-owned Front Yard Residential has also drawn complaints from predominantly Black residents in Minneapolis who say the company is failing to maintain their homes.

In North Minneapolis, resident Colleen has had to deal with a home in disrepair for over a year, with no response from Front Yard's property management arm, HavenBrook Homes. "I have a leak in my roof that leaks water into my bedroom, a big hole in my porch, mold in my bathroom and more. I have tried calling HavenBrook Homes many times but I just get sent to a call center and then nobody comes out to make any repairs."

Shanika Henderson, another Front Yard Residential resident, likewise lives with water and mold issues: "While HavenBrook Homes has never come out to make any repairs, and hasn't answered any of my phone calls, they still make sure to send out a reminder at the start of every month to pay rent. In fact, when the COVID-19 pandemic began in March, they sent me a few notices that they would not be carrying out any repairs unless they were very urgent, but they still wanted to remind us to pay our rent on time."[32]

"HavenBrook is only reachable when the rent is due, but not when repairs are needed," added Henderson, who has been a tenant in a Front Yard/HavenBrook single-family home for 7 years. "I can't get ahold of anyone. I've got vents that kick up dust when they run and stifling heat in the summer."[33]

The Twin Cities tenant organizing group United Renters for Justice/Inquilinxs Unidxs (IX) has found 273 complaints, including water damage and plumbing issues, infestations, black mold or mildew, entry or access blockage, and rent increases or withholding of security deposit. IX found that 35 percent of Front Yard residents complained of leaks, water damage, flooding, or plumbing issues, and nearly a quarter of residents faced some sort of infestation issue.[34]

"When it comes to repairs, HavenBrook is often missing in action," said Chloe Jackson, a tenant organizer with United Renters for Justice. "One tenant had no water for

> **"While HavenBrook Homes has never come out to make any repairs, and hasn't answered any of my phone calls, they still make sure to send out a reminder at the start of every month to pay rent. In fact, when the COVID-19 pandemic began in March, they sent me a few notices that they would not be carrying out any repairs unless they were very urgent, but they still wanted to remind us to pay our rent on time."**
>
> – Front Yard Residential resident Shanika Henderson, Minnesota

> **"When the COVID-19 pandemic began in March, they sent me a few notices that they would not be carrying out any repairs unless they were very urgent, but they still wanted to remind us to pay our rent on time."**
>
> **– Front Yard Residential resident Shanika Henderson, Minnesota**

a week and another went weeks without heat. Another had a giant hole open up in their ceiling. Another's stove caught fire. These are emergency situations, yet HavenBrook wouldn't make repairs."[35]

Front Yard owns 479 homes in the Minneapolis/St. Paul area. IX compiled a list of 209 violations in these properties as reported to the City of Minneapolis from 2018 to 2020, including 18 counts of failure to restore required utility, 14 counts of failure to repair or replace glass, and 14 counts of general plumbing or gas repair issues.[36]

2018 investigation found a pattern of complaints from Progress Residential renters

Progress Residential was the subject of a Hearst Television National Investigative Unit investigation which uncovered **"a pattern of complaints from renters and former employees about the company's customer service, standards, billing practices, response times and internal culture. The concerns span markets, states and years."**[37]

In addition, the unit's investigation found attorneys general in eight of the nine states where Progress operated at the time — Arizona, Florida, Georgia, Indiana, Mississippi, North Carolina, Tennessee and Texas — had received complaints about the company.[38]

"I was just so fed up," said Dave Mehan, a Progress Residential resident in Arizona. "I'll never do business with them again... because they're awful."[39]

In Georgia, Progress Residential residents Laura and Gus Andersen complained to the company after a water heater pipe burst inside the rental home they had moved into just days before. Despite frequent and persistent requests to Progress Residential, the company did not immediately fix the damage and test for mold, the Andersens reported.[40]

In the interview, Andersen said she would "never again" rent from Progress Residential, which, she said, had "failed us." "They literally and figuratively left us out to dry," Andersen said.[41]

COMPLAINTS
8 of 9 Attorney General

> **"They literally and figuratively left us out to dry,"**
>
> – Laura Andersen, Progress Residential resident, Georgia

Pretium Partners' Growing Single Family Rental Empire

The 2008 recession and foreclosure crisis enabled private equity firms like Pretium Partners, the Blackstone Group, and Starwood Capital to create the institutional single-family rental industry. While companies like Pretium swept in at the ready, collecting thousands of cheap homes at once even as late as 2014, acquisitions later slowed due to rising prices. Homes were not up for auction in bulk anymore, and Wall Street investors became pickier when making acquisitions. With the distress caused to homeowners and renters from the COVID-19 pandemic, the dynamic is poised to shift, with an avalanche of evictions and foreclosures waiting to happen with no direct assistance to homeowners, renters, and small landlords.[42]

Pretium's residential real estate business has $9.3 billion in assets under management (companywide assets under management is $18 billion, split between residential real estate, mortgage finance, and corporate debt).[43] Donald Mullen is once again ready to buy thousands of homes across the country.

Following the company's January 2021 acquisition of Front Yard Residential, Pretium became the second-largest operator of single-family rental properties in the United States with a portfolio of more than 55,000 rental homes.[44]

Single-family rental companies have seen their occupancy increase during the COVID-19 pandemic – many renters in cities across the United States who maintained

Atlanta, GA
Baltimore, MD
Birmingham, AL
Charlotte, NC
Chicago, IL
Columbus, OH
Dallas-Fort Worth, TX
Fort Meyers, FL
Greensboro, NC
Huston, TX
Indianapolis, IN
Jacksonville, FL
Kansas City, MO
Louisville, KY
Memphis, TN
Miami, FL
Nashville, TN
Oklahoma City, OK
Orlando, FL
San Antonio, TX
St. Louis, MO
Tampa, FL
Washington, D.C.

employment made their exit, opting for suburban detached homes with more space. Overall, the industry had an average of 95.3 percent occupancy rate by the third quarter of 2020, an increase from the first quarter of 2020. But the demand by both owner-occupied and single-family rental homes "has meant a shortage of units for sale to companies that want to rent them out."[47]

Private equity firms and institutional investors back Pretium's acquisitions and evictions

Pretium Partners has drawn on investments from private equity firms, pension funds, insurance companies, and other institutional investors to support its growing portfolio of single-family rental properties, its aggressive evictions of residents during the COVID-19 pandemic, and its other practices that have drawn complaints.

In 2018, Pretium raised its most recent real estate fund, Pretium Residential Real Estate Fund II, drawing more than $1 billion from a group of investors from around the world, including insurance companies, pension funds, and wealthy individuals.[48]

A few institutions stand out as key backers on Pretium's acquisitions – private equity firms Ares Management and Landmark Partners, public pension funds Canadian Public Sector Pension and Tennessee Consolidated Retirement System, and fixed annuity company American Equity Investment Life Insurance.

Many have made or increased investments with Pretium even as the firm's affiliates have filed to evict hundreds of residents despite the COVID-19 pandemic and the CDC Eviction Moratorium.

Ares Management partners with Pretium to acquire Front Yard Residential

Private equity firm Ares Management invested in Pretium Partners' January 2021 acquisition of Front Yard Residential, which owned almost 15,000 single-family rental properties throughout the United States, providing capital to support the buyout. Ares Management's business includes credit, private equity, and real estate, which together total $197 billion in assets under management (AUM).[49]

Front Yard Residential owns "affordable" rental homes in working class communities with concentrations of homes in Georgia, Florida, Texas, Tennessee.[50]

On January 11, 2021, Pretium Partners and Ares Management finalized their $2.5 billion acquisition of Front Yard Residential. The bid to buy Front Yard Residential and its portfolio of nearly 15,000 homes was higher than an earlier offer for the company – the value of Front Yard Residential's portfolio of homes increased significantly during the COVID-19 pandemic.[51]

Prior to the takeover, Front Yard Residential was a publicly traded company that had been seeking a buyer—only months before, the company had a definitive agreement to be taken private by Amherst Holdings, another private equity owner of single-family rental properties.

The Amherst transaction was valued at $2.3 billion.[52] The deal fell through amid concerns about the volatility of the SFR market as the COVID-19 pandemic ravaged the world and world. However, Front Yard Residential maintained high lease rates and rental income through 2020. By the second quarter of 2020, Front Yard's rental revenue of $55.1 million was already 1.5 percent higher than the prior quarter, and 6.9 percent higher than the second quarter of 2019.[53]

Front Yard Residential affiliates have filed at least 400 eviction actions since Ares and Pretium Partners entered into a definitive agreement to acquire Front Yard Residential in October 2020 and 170 eviction actions since the deal closed on January 11, 2021.[54]

Landmark Partners leads $1.5 billion investment in Pretium Partners' 2013 single-family rental fund

In December 2019, Connecticut-based private equity firm Landmark Partners led the $1.5 billion recapitalization of Pretium Partners' 2013 single-family rental fund, which owned 20,000 rental homes.[55]

Landmark Partners had around $21 billion in assets under management at the time of the acquisition.[56]

Pretium Partners property management company Progress Residential continue to manage the homes.[57]

$700 million Investment by Canadian Public Sector Pension support's Pretium's expansion

In January 2021, the Canadian Public Sector Pension, announced a $700 million joint venture with Pretium Partners to acquire rental homes across the southwestern and southeastern United States. The Canadian Public Sector Pension manages the pension plans of four public sector groups in Canada: the Canadian Forces, the Public Service, the Reserve Force, and the Royal Canadian Mounted Police.[58]

"We can think of no better partner to expand our presence in this increasingly attractive asset class and look forward to working with Pretium to deliver compelling results for our beneficiaries," Carole Guérin, the Public Sector Pension's managing director of real estate said in the release.[59]

The Public Sector Pension joint venture with Pretium has drawn scrutiny in the Canadian media. In February, the Toronto Star ran a story headlined "Why a Canadian Crown corporation is banking on the downfall of the American Dream" that profiled the stories of Progress Residential residents.[60]

At the time the Public Sector Pension joint venture was announced, Progress Residential and Front Yard Residential had already filed more than 1,000 eviction actions during the COVID-19 pandemic as of March 2020. The companies have filed hundreds more eviction actions since.

American Equity Investment Life Insurance backs Pretium with up to $2.25 billion

In October 2020, just days after NBC News highlighted Pretium Partners filing to evict residents despite the CDC Eviction Moratorium, fixed annuity company American Equity Investment Life Insurance announced a $1 billion strategic partnership with Pretium Partners that could expand to up to a $2.25 billion investment.[61]

American Equity Investment Life Insurance had a $56 billion investment portfolio at the time of the transaction.[62]

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April 2020

CERBERUS CAPITAL MANAGEMENT'S THREE-HEADED ATTACK ON HOMEOWNERS, TENANTS

THE PRIVATE EQUITY GIANT'S FORAYS INTO THE SINGLE-FAMILY HOME RENTAL AND MORTGAGE BUSINESS HAVE HARMED RENTERS, PROSPECTIVE HOMEBUYERS, AND HOMEOWNERS.

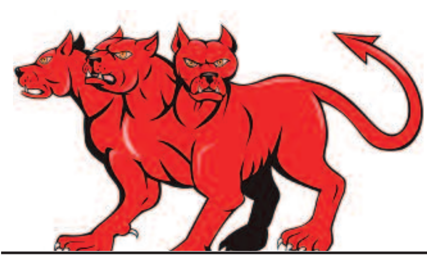
CERBERUS CAPITAL MANAGEMENT

Cerberus Capital Management LP is an alternative investment firm founded by Stephen Feinberg and William Richter in 1992. The New York-based firm, with $42 billion in assets under management, focuses on private equity and real estate investments.[1]

Cerberus's executives have close ties to federal politics. Feinberg serves as chair of Donald Trump's Presidential Intelligence Advisory Board[2], and there are two notable Cerberus board members as well: Dan Quayle, who was Vice President of the United States under George H.W. Bush[3], and John Snow, United States Treasury Secretary under George W. Bush.[4]

CERBERUS'S INVESTMENTS IN MORTGAGES, RENTAL PROPERTIES

Cerberus has long been an active investor in US housing, investing primarily in residential mortgages and single-family



KEY POINTS

- **Private equity and debt firm Cerberus Capital Management has multiple portfolio companies active in the housing sector.**
- **Through its single-family home rental company, FirstKey Homes, Cerberus owns over 20,000 homes across the US.**
- **FirstKey has filed to evict residents at high rates in cities such as Memphis, Atlanta, and Phoenix.**
- **Despite the COVID-19 pandemic, Cerberus has advanced eviction cases against some residents of its single-family rental homes.**
- **In Memphis, TN, FirstKey has been cited dozens of times for code violations at homes it owns.**
- **Cerberus' FirstKey competes with individual homebuyers, making it more difficult for first time homebuyers to purchase homes.**
- **In the United Kingdom, Cerberus owns mortgage management company Landmark Mortgages, which has been criticized for keeping homeowners in "mortgage prisons".**

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homes that the firm converts to rental properties. Cerberus established its "Residential Opportunities" platform in 2008 to "capitalize on opportunities to acquire distressed residential mortgage-backed securities following the Global Financial Crisis."[5]

In 2013, FirstKey Mortgage began operations as Cerberus's mortgage securitization company. It services, facilitates, and acquires large-scale mortgage packages.[6]

Cerberus formed FirstKey Homes in 2014 as a vehicle for single-family housing acquisitions. With more than 21,000 homes in the US throughout 26 markets, the landlord is poised to continue to grow. In 2018, FirstKey Homes CEO Martin Esteverena said that the company, then with a portfolio of 14,000 homes, planned to triple its size.[7]

In the United Kingdom, Cerberus-owned Landmark Mortgages Limited manages a portfolio of mortgages that it acquired from UK Asset Resolution (UKAR), an arm of the government, established in response to the global financial crisis.[8]

FIRSTKEY HOMES SERVING EVICTION NOTICES TARGETING CERTAIN AREAS

In December 2018, an investigation by the *Washington Post* reported that in the Memphis, Tennessee area, FirstKey Homes was responsible for twice as many eviction filings of any other rental home property manager.[9]

According to the *Post*, FirstKey Homes leases allowed residents only five days after the due date to pay rent before being hit with a 10 percent late fee. Previously, residents had 10 days to come up with rent.[10]

In order to provide "a competitive edge to [its] single-family rental strategy in a scalable and efficient manner," FirstKey Homes files eviction notices at higher rates than peers.[11]

FirstKey was the largest single family home landlord In the Memphis area as of 2018, with nearly 1,800 houses. According to the *Post's* analysis, FirstKey also filed for eviction at twice the rate of any other single-family rental property manager there. In the first three quarters of 2018, *FirstKey's filings amounted to 435 eviction notices*.[12]

FirstKey has continued to file large numbers of eviction filings in Memphis. In the first two months of 2020, FirstKey filed 89 eviction filings in Shelby County, where Memphis is located.[13]

According to the company, the eviction notices were not filed with the intent to actually evict residents, but to motivate residents to pay rent quickly. Known as "pay and stay," tenants can pay what is owed up until the time of stated eviction while staying in their home. With each filing, though, the company collects more on penalties and fees.[14]

The *Washington Post* story detailed the story of Cassandra and Terry Brown. The Browns paid $965 a month to rent the same home they had owned before losing it in the 2008 financial crisis. In 2018, Cassandra was back in eviction court battling a balance that started at $1,058 but had grown to $2,243. Included in the penalty was a 10 percent late fee and an attorney's fee. By the time Ms. Brown faced a judge she owed more than double the rent due. The Brown family had faced eviction four times since FirstKey Homes had owned their home.[15]

Similarly, FirstKey resident Marrena Shorter faced eviction *11 times in four years*. The Memphis Housing Authority covered nearly a third of her $1,200 rent while she covered the rest through work as a cook at a hospital, struggling to pay on time while looking after her disabled son.[16]

FIRSTKEY HOMES MARKETS

CITY	STATE	HOMES FOR RENT AS OF 2/24/20
Atlanta	GA	159
Indianapolis	IN	126
Charlotte	NC	93
Miami	FL	84
Orlando	FL	79
Kansas City	MO	78
Chicago	IL	72
Dallas	TX	64
Houston	TX	61
Winston-Salem	NC	57
Phoenix	AZ	47
Memphis	TN	47
Las Vegas	NV	43
St. Louis	MO	35
Tampa	FL	35
Birmingham	AL	31
Jacksonville	FL	25
Raleigh-Durham	NC	24
Fort Myers	FL	24
Kansas City	KS	11
Cincinnati	OH	10
San Antonio	TX	9
Charleston	SC	7
Columbus	OH	2
Louisville	KY	0

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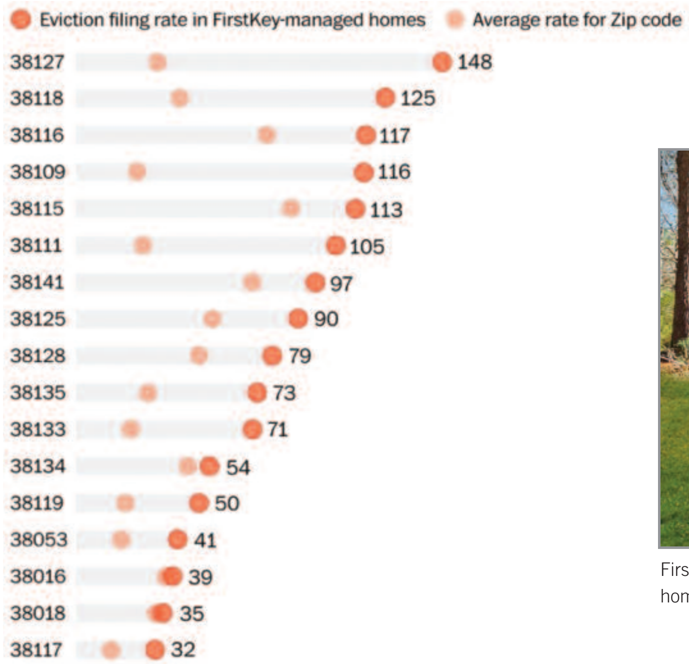
RENTAL HOMES MANAGED BY FIRSTKEY FOR CERBERUS CONSISTENTLY HAVE A HIGHER RATE OF EVEICTION FILINGS THAN OTHER SINGLE-FAMILY RENTALS IN THE SAME AREA

Evictions per 100 homes in Zip codes where Cerberus owns more than 20 rentals and made at least nine eviction filings from September 2015 to October 2018



FirstKey Home in Riverdale, GA in Clayton County, where 38.7 percent of the homes are targeted for eviction. Photo courtesy of FirstKey Homes

Totals in some zip codes are greater than 100 because of multiple eviction filings against one property.
Source: Shelby County, Tenn., General Sessions Court
Armand Emamdjomeh and Dan Keating/The Washington Post

CLAYTON COUNTY, GEORGIA

FirstKey's aggressive evictions do not appear to be isolated to Memphis.

An analysis of eviction filings in Clayton County, Georgia, for example, shows similar eviction practices by FirstKey Homes.

Clayton CountRy consists of six municipalities in the suburbs of Atlanta, Georgia—College Park, Forest Park, Jonesboro, Lake City, Lovejoy, Morrow, and Riverdale. According to the county's real property records, as of February 2020, Cerberus SFR Holdings LP and Cerberus SFR Holdings II LP own 328 homes in the county.[17]

In just 22 months, between May 2018 and February 2020, FirstKey Homes or Cerberus entities filed for eviction at least 222 times through the Clayton County Magistrate Court.[18]

The company filed for eviction against seven individuals at least four times in less than two years.

Filing for eviction against 127 households out of 328 households is a 40 percent rate of filing, assuming all homes are occupied.

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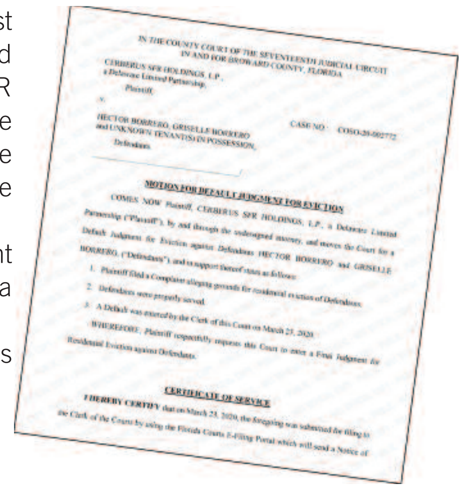
CERBERUS CONTINUES TO ADVANCE SOME EVICTIONS DURING COVID-19 PANDEMIC

While state and federal authorities have advised people to stay at home during the COVID-19 pandemic and federal lawmakers and a number of states and cities have called for a halt to evictions, Cerberus has advanced some eviction cases at its single-family rental homes.

For example:

- On March 18, 2020 FirstKey Homes filed an eviction case against a tenant in Clayton County, Georgia.[19]
- On March 27, Cerberus SFR Holdings LP filed a motion for clerk's default against a tenant in an eviction case in Miami-Dade County.[20] On March 19, Cerberus had served notice to the tenant, stating: "You are being sued by CERBERUS SFR HOLDINGS, LP, a Delaware Limited Partnership, to require you to move out of the place you are living for the reasons given in the attached complaint." The notice advised the tenant to "Write down the reason(s) why you think you should not be forced to move."[21]
- On March 23, Cerberus SFR Holdings LP filed a motion for default judgment against tenants in Broward County, Florida, where it asked the court to "Enter a Final Judgment for Residential Eviction against Defendants."[22]
- Cerberus has several active eviction cases in Cook County, Illinois, though the cases have been continued until late May and June by orders of local judges.

Cerberus reports that it has halted new eviction filings during the pandemic.


IN THE COUNTY COURT OF THE SEVENTEENTH JUDICIAL CIRCUIT
IN AND FOR BROWARD COUNTY, FLORIDA

CERBERUS SFR HOLDINGS, L.P.,
a Delaware Limited Partnership,
Plaintiff,
v.
HECTOR BORRERO, GRISELLE BORRERO
and UNKNOWN TENANT(S) IN POSSESSION,
Defendants.

CASE NO.: COSO-20-002772

MOTION FOR DEFAULT JUDGMENT FOR EVICTION

COMES NOW Plaintiff, CERBERUS SFR HOLDINGS, L.P., a Delaware Limited Partnership ("Plaintiff"), by and through the undersigned attorney, and moves the Court for a Default Judgment for Eviction against Defendants HECTOR BORRERO and GRISELLE BORRERO, ("Defendants"), and in support thereof states as follows:

1. Plaintiff filed a Complaint alleging grounds for residential eviction of Defendants.
2. Defendants were properly served.
3. A Default was entered by the Clerk of this Court on March 23, 2020.

WHEREFORE, Plaintiff respectfully requests this Court to enter a Final Judgment for Residential Eviction against Defendants.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on March 23, 2020, the foregoing was submitted for filing to the Clerk of the Court by using the Florida Courts E-Filing Portal which will send a Notice of

FIRSTKEY CODE VIOLATIONS

In addition to aggressive eviction filings, the *Washington Post* also reported that FirstKey Homes had a history of failing to keep its residences up to code for tenants. In 2018, its rate of code violations was higher than other Memphis-area single family rental owners. FirstKey even caught the attention of the Memphis Blight Elimination Steering Team, which published a list of the top 10 residential code violators. For occupied homes, Cerberus-owned properties were at the top of the list, with 46 violations at the beginning of 2018.[23]

"They don't care. They are just here to lease their properties without consequence," said Memphis Public Works Director Robert Knecht, who oversees code enforcement.[24]

"They don't care. They are just here to lease their properties without consequence," said Memphis Public Works Director Robert Knecht, who oversees code enforcement.[24]

A former FirstKey resident, Kelly Jones reported toilets that did not flush and that she had holes in her floors, nonfunctioning air conditioning, and rats in her kitchen. In 2018, Jones sued FirstKey Homes over the state of her home. The case settled without trial within the year and Jones received a settlement of $5,000-$10,000 from FirstKey, according to the *Post*.[25]

In Indianapolis, Indiana, FirstKey Homes made the news for refusing to allow a resident to move out of her home when she feared for her safety. Dorothy Black's home was shot at seven times while she was in her living room watching TV. When Black tried to get out of her lease, FirstKey initially refused and noted that she would be responsible for the repairs connected to the gunfire damage. It was only after Black contacted the local TV station that FirstKey allowed her to move out, offering to rent her a different home.[26,27]

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A rental home in Phoenix, AZ, where FirstKey Homes has contributed to the shortage of housing stock for first time and individual homebuyers. Photo courtesy of FirstKey Homes.

CERBERUS BUYS SINGLE-FAMILY RENTALS, LOCKING FIRST TIME BUYERS OUT OF HOMEOWNERSHIP

In the Phoenix, Arizona area, Cerberus and FirstKey have been active buyers in the single-family market.

Like other institutional single family rental landlords, Cerberus typically pays cash and is willing to outbid individual homebuyers, including first time homebuyers looking to make a home in Phoenix.[28]

"Too many potential first-time buyers are now watching houses they want purchased by a Wall Street investor," wrote the *Arizona Republic* in April 2018.[29]

Indeed, the *Phoenix Business Journal* reported that Cerberus purchased almost 600 homes between November 2017 and April 2018. Cerberus purchased homes for under $300,000, which were in short supply, limiting the homes available to first time homebuyers.[30] The homes are now rented under FirstKey Homes and Phoenix-area partner Bullseye Property Management.[31]

" Too many potential first-time buyers are now watching houses they want purchased by a Wall Street investor," wrote the Arizona Republic *in April 2018.[29]*

CERBERUS-OWNED UK-BASED LANDMARK MORTGAGES SUBJECTS HOMEOWNERS TO "MORTGAGE PRISON"

In the United Kingdom, the Financial Conduct Authority (FCA) defines "mortgage prisoners" as borrowers who are "unable to switch to a better deal even though they [are] up to date with their payments." As of January 2020, the FCA estimates 250,000 people are living in a mortgage prison, which arose out of the financial crisis in 2008.[32]

In 2016, Cerberus Capital Management acquired mortgages once held by UK-based defunct bank Northern Rock and created a portfolio company, Landmark Mortgages, to manage them. Cerberus bought the portfolio of 65,000 mortgages for £13 billion from UK Asset Resolution (UKAR), a holding company of UK government-owned businesses, claiming to the government *that it would offer homeowners better mortgage deals*. At the time of the sale, UKAR noted: "by returning ownership to the private sector the option to be offered new deals, extra lending, and fixed rates should become available to them."[33]

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The government's sale of mortgages from Northern Rock as well as (also defunct) Bradford & Bingley in 2018 have come under scrutiny by public officials including Members of Parliament Seema Malhotra and Lord McFall of Alcluith. MP Malhotra, leading the inquiry of the ordeal that created mortgage prisoners, in May 2019 stated, "we will be looking to make recommendations about how to deal with the most vulnerable cases and about whether the restrictions people face are right and fair."[34]

Lord McFall added, "in some of the case studies I've seen, people with a mortgage would be paying an extra £40-50,000 in the mortgage before it's completed. That is totally unacceptable."[35] McFall had been told by UKAR that mortgage customers would be able to renegotiate mortgage terms with Landmark, the same information they had received from Cerberus.

For example, Mr. Neale and Rachel Neale reported to the BBC that they had kept up to date with their mortgage payments, but that that did not keep Landmark from issuing default notices. Unfortunately, with Rachel dealing with Crohn's Disease, Adrian had to resort to phoning Landmark to settle the issue each time. He said that it had an adverse effect on his business as well, making it difficult to gain credit to get building gigs: "It's held me back massively really in my business."[36]

As of November 2018, Lisa and Mark Elkins paid close to 5 percent interest on their mortgage, significantly more than market rate. Having borrowed £20,000 from loved ones and working multiple jobs, their only option was to sell their home. According to the BBC, the Elkins had paid an extra £30,000 since 2007, having been trapped in the above market mortgage rates.[37]

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Endnotes

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