

# PRIVATE EQUITY STAKEHOLDER PROJECT

September 19, 2023

Sandra L. Thompson, Director  
Federal Housing Finance Agency,  
400 7th Street, S.W.,  
Washington, D.C. 20219  
*Via fhfa.gov*

## **RE: Suspended Counterparty Program; RIN 2590–AB23**

Dear Director Thompson,

The Private Equity Stakeholder Project (PESP) is a financial watchdog organization that seeks to bring transparency and accountability to the private equity industry for the benefit of impacted communities and investors.

We appreciate this opportunity to comment upon the Federal Housing Finance Agency’s (FHFA) proposed amendments to the Suspended Party Program (SCP). PESP strongly supports expanding the categories of covered misconduct on which a suspension could be based to include sanctions arising from certain forms of civil enforcement. Specifically, amending the definition of “conviction” to include civil judgments and material breaches of contract could help prevent problematic corporate landlords from exploiting tenants, while using federal funds to do so.

Private equity landlords have recently garnered scrutiny for their inroads in residential real estate investment. Spanning the industries of single-family and multi-family rental properties, as well as manufactured housing, private equity firms have participated in a trend of Wall Street property ownership that is increasingly expensive, and decreasingly hospitable, for tenants.

After purchasing apartments, private equity landlords have been connected to steep rent increases, junk fees, inadequate maintenance, and problematic eviction filings.<sup>1</sup> These practices are in line with private equity's business model, which requires high rates of return on short timelines, heavily incentivizing firms to prioritize cost cutting and revenue generation.

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<sup>1</sup> Vogell, Heather. “When Private Equity Becomes Your Landlord.” ProPublica, 7 Feb. 2022, [www.propublica.org/article/when-private-equity-becomes-your-landlord](http://www.propublica.org/article/when-private-equity-becomes-your-landlord).

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For example, in 2020, the private equity firm CIM Group purchased Southern Towers, a five-building apartment complex of over 2,000 units in Northern Virginia with the help of a \$346 million loan with a 2.2% interest rate from Freddie Mac.<sup>2</sup> Subsequently, in November 2022, tenant organizers with African Communities Together filed a complaint with the FHFA, which detailed CIM Group’s predatory practices, including insufficient eviction notices, unreasonable pricing practices, unresolved maintenance issues, and unaffordable rent increases.<sup>3</sup>

Progress Residential, the largest single-family rental home company in the U.S., is another salient example of corporate landlord misconduct. It is owned by the private equity firm Pretium Partners. In January 2021, Pretium and another private equity firm, Ares Management, purchased the SFR company Front Yard Residential, which owned more than 14,500 rental homes, and merged it with Progress.<sup>4</sup>

In 2018, Front Yard Residential received a \$508.7 million loan that was backed by Freddie Mac, during the FHFA’s two year single family rental pilot program. This loan included 264 properties in Hennepin County, Minnesota, where Minneapolis is located and which accounted for \$33 million of the total loan.<sup>5</sup> PESP has detailed Progress and Front Yard’s serious neglect of maintenance and repairs, resulting in hazardous, unsanitary, and unsafe conditions for tenants in our April 2023 report, *Progress for Who? Progress Residential Preys on Renters as It Buys Up Homes in Tennessee and the U.S. South*.<sup>6</sup>

Given such examples of private equity landlordship, the FHFA is right to take civil actions and breaches of contract that occur as a result of such misconduct into consideration when considering a counterparty’s suspension. In each of these examples, the private equity landlord obtained financing from Freddie Mac for initial property acquisitions. However, since their misconduct is not of the sort that results in conviction, they would have no basis for suspension under the current rule. It is

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<sup>2</sup> Nicoll, Alex. “A Band of Immigrant Tenants Went to War with Their \$31 Billion Landlord. It’s a Sneak Peek at What’s to Come across America.” *Business Insider*, 27 Dec. 2022, [www.businessinsider.com/southern-towers-apartment-tenants-battle-investor-landlord-2022-11](https://www.businessinsider.com/southern-towers-apartment-tenants-battle-investor-landlord-2022-11).

<sup>3</sup> Letter to FHFA from ACC “Request for Immediate Investigation into Predatory Practices of Federally-Funded Entity, the CIM Group,” 8 Nov., 2022, <https://africans.us/sites/default/files/Formal%20Complaint%20Against%20CIM%20Group.pdf>.

<sup>4</sup> Kalinoski, Gail. “Pretium, Ares Close \$2.5B Acquisition of Front Yard Residential.” *Multi-Housing News*, 13 Jan. 2021, [www.multipropertynews.com/pretium-ares-close-2-5b-acquisition-of-front-yard-residential/](https://www.multipropertynews.com/pretium-ares-close-2-5b-acquisition-of-front-yard-residential/).

<sup>5</sup> Freddie Mac Loan Numbers 505039591, 505039605, 505039613.

<sup>6</sup> Bankson, Madeline, and Jordan Ash. *New Report: Progress for Who? Progress Residential Preys on Renters as It Buys Up Homes in Tennessee and the U.S. South*, Private Equity Stakeholder Project, 17 Apr. 2023, [pestakeholder.org/reports/new-report-progress-for-who-progress-residential-preys-on-renters-as-it-buys-up-homes-in-tennessee-and-the-u-s-south/](https://pestakeholder.org/reports/new-report-progress-for-who-progress-residential-preys-on-renters-as-it-buys-up-homes-in-tennessee-and-the-u-s-south/).

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therefore necessary to finalize the Proposal so that the FHFA can explicitly decline further financing to corporate landlords with poor track records.

We appreciate the opportunity to comment on the Proposal. We strongly support expanding the categories of covered misconduct under the SCP, as it would foreclose a major source of financing for corporate landlords with poor track records. If you have any questions, please contact PESP Policy Director, Chris Noble, at [chris.noble@pestakeholder.org](mailto:chris.noble@pestakeholder.org).

Best,

A handwritten signature in black ink, appearing to read 'C. Noble', with a period after the first initial.

Chris Noble, Esq.  
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Private Equity Stakeholder Project