

Wall Street Landlords *turn American Dream into* **a Nightmare**



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*Wall Street's big bet on the home rental market,
and the bad surprises in store for tenants,
communities, and the dream of homeownership*

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1. EXECUTIVE SUMMARY

se·cu·ri·ty
noun

the state of being free from danger or threat.

se·cu·ri·ty
noun

a tradable financial asset.

Ten years ago, the market crashed and over 9 million families lost their homes — through foreclosure, short-sale or surrender to a lender. One big contributing factor, it became clear afterward, was the practice of bundling mortgages into securities to be sold, resold, and scattered around the world, leaving many banks and nonbank lenders with little motivation to care if a property was fairly priced or a homeowner was truly capable of making the payments.

Since the crisis, Wall Street has plunged back into the housing market in a new way that raises some of the same old concerns. National and global private equity firms like the Blackstone Group and Colony Capital have been behind the purchase of tens of thousands of single-family homes, which they have then turned into rental properties. Since 2013, many of these large Wall Street speculators have bundled their rentals together, securitized them, and created “single-family rental bonds.” The largest of these pools have been given triple A (AAA) ratings by bond agencies.¹ But in May of this year, it became public that the U.S. Securities and Exchange Commission (SEC) is investigating whether some single family rental securitizations relied on inflated property values.² And in September, as part of its investigation, the SEC subpoenaed evidence from the three largest institutional investor-owned companies, Invitation Homes, American Homes 4 Rent and Starwood Waypoint Homes.

What impact is this “new asset class” having on the housing market?

What is the impact on tenants, on homeownership, on the community?

This report takes a closer look at these questions and explores the character, scope and implications Wall Street’s role in the new world of mass single-family rentals (SFR). We look at the four largest companies in the market and the impact they are having on consumers and communities, using data analysis, review of company communications with investors, and over 100 interviews with tenants living in Wall Street-owned homes.

IMPORTANT FACTS

- The first securitization of single-family rentals occurred in November 2013, by
- ¹ Lane, Ben. “\$1B rental securitization earns AAA rating from Morningstar.” May 16, 2014. Housing Wire. Accessed [here](#)
² Scully, Matt. “SEC Probes Rental Home Values in Private-Equity Bond Deals.” May 8th, 2017. Bloomberg News. Accessed [here](#)

- Invitation Homes.
- Since then ten more companies have entered into the market, generating 39 securitizations totaling approximately \$19.2 billion³
 - The number of single-family rentals has been growing dramatically—from 10.5 million units in 2005 to 17.5 million in 2015, a 67 percent increase⁴.
 - By the end of 2016, HUD, Fannie Mae and Freddie Mac had auctioned some 104,258 delinquent mortgages at hugely discounted prices. Over 95% of them were sold to Wall Street private equity firms and hedge funds, and many were turned into rental properties⁵.
 - In November 2017, Starwood Waypoint and Blackstone’s Invitation Homes merged into a combined portfolio of 82,000 properties, making it one of the largest landlords in the country and the second largest residential real-estate company in the world.
 - Institutional investors own over 200,000 single-family rental homes concentrated in a few small markets and that number is expected to continue growing⁶.

MAJOR CONCLUSIONS

- When houses are sold to cash-carrying investors for conversion into rentals, prospective homeowners and “mom and pop” landlords are crowded out of the market, and communities suffer — particularly communities of color.
- Wall Street landlords are accountable to investors to increase profits. That pressure is, compounded by Bond Rating Agencies when they threaten to downgrade securitization deals if landlords fail to set “competitive rents” and minimize “loss” through speedy evictions and aggressive fee collection.
- Tenants are negatively impacted, with large annual rent increases, fee gouging, a high rate of evictions, and rampant habitability issues.
- The damaging effects, like those of the predatory lending that led to the financial crisis, appear to disproportionately impact low and moderate income families and communities of color.
- Federal government policies have spurred the trends discussed here. For example, most of these large institutionalized companies are receiving a huge tax break, being exempt from federal taxes due to their status as Real Estate Investment Trusts (REITs).
- Wall Street landlords have become a growing political lobbying force, with the 2014 launch of a new trade group called the National Rental Home Council

³ Outstanding balance as of December 2016 based on data from the Securities Industry and Financial Markets “U.S. Securitization Year in Review 2016”. Accessed [here](#). The 39 securitizations includes 31 single-borrower and 8 multi-borrower deals as reported by Amherst Capital Market Update: “U.S. Single Family Rental - Institutional Activity in 2016/2017. August 2017. Accessed [here](#) and KBRA’s data reported in a press release “KBRA Assigns Ratings to CoreVest American Finance 2017-1”. Oct 31. 2017.
⁴ Goodman, Laurie and Karan Kaul. “Fannie Mae’s Financing of Single-Family Rentals: Good Pilot, but Plenty to Think About”. February 2017. Urban Institute. Accessed [here](#)
⁵ Data based on October 2016 Report “Report to the Commissioner on Post Sale Reporting FHA Single Family Loan Sale Program” prepared by HUD and FHA
⁶ Amherst Capital Market Update: “U.S. Single Family Rental - Institutional Activity in 2016/2017. August 2017. Accessed [here](#)

All this adds up to an unprecedented shift in the ownership of houses, from homeowners to mega-corporate investors and from “mom and pop landlords” to Wall Street landlords. In the post foreclosure-crisis landscape of America, Wall Street private equity firms with the explicit support of the federal government are laying the foundation for a new kind of rental housing market — one that harms vulnerable renters and communities in unprecedented ways.

Top Policy Recommendations
full version at the end of the report

Local & State Policies

- 1. *Protect Tenants*
 - a. Establish rent control and just cause eviction laws that cover single-family rentals
 - b. Prohibit excessive and/or hidden fees
- 2. *Advance Homeownership and Community Control of Housing*
 - a. Establish a “right of first refusal” policy giving tenants first chance to purchase the home when it is being sold. Non-profit organizations and public agencies should get the “second chance” if tenants do not purchase
- 3. *Monitoring*
 - a. Require public disclosure to city/county government by large-scale owners of single-family rentals, for transparency around what properties they own and what they are doing with them
 - b. Local government should monitor this industry, tracking their growth and their performance as landlords, and any potential fair housing violations
 - c. Institute a “speculators fee” to cover the costs of tracking and monitoring and sharing that data with advocates can

Federal Policies

- 1. *Fannie Mae, Freddie Mac and HUD should Protect Tenants and Communities*
 - a. They must only provide financing for large single-family rental investors if the units are affordable, strong tenant protections are in place and they are prohibited from discriminating against voucher holders
 - b. For all sales of distressed mortgages and single-family properties they must require rigorous mortgage modification programs, right of first refusal, rent control, just cause eviction protections and non-discrimination based on source of income
 - c. They must prioritize mission driven developers and CDFIs as purchasers of non-performing loans and distressed properties.
- 2. *Congress should establish national rent control and just cause eviction rules for the largest owners of single family and multi family properties.*
- 3. *The SEC should require Private funds and other firms to provide more information about their portfolio companies, including their impact - including as a landlord - on the communities in which they do business.*



2. INTRODUCTION

The Bulnes Family

After losing their home to foreclosure in 2012, Vanessa and Richard Bulnes counted themselves lucky to find a nearby house to rent. Their new home, like their old one, had been foreclosed on and bought up by investors. Although the rent was higher than their mortgage payments had been, it was a place where Vanessa, her family’s sole income earner since her husband’s stroke in 2008, could continue to run the in-home daycare center she had operated for 22 years.

But in 2013 the county found dangerous levels of lead in the soil during a permitting check. That was when Vanessa Bulnes first learned that their landlord, who would have to give permission for the county to remediate the problem, was a corporation called Waypoint Homes, an affiliate of the \$10 billion private equity firm GI Partners. She reached out to Waypoint repeatedly and tirelessly for years, trying to get the needed authorization. Meanwhile, the federal agency that helped fund her program installed a rubber mat in her backyard as a temporary remedy.

In November 2016, the owners finally fixed the lead problem. But it was too late. By then the agency had lost patience and canceled Vanessa’s contract, forcing her to close her lifelong business and depriving the family of its main source of income. While Vanessa was searching for new work, she and her husband fell behind on the rent. Before long, they got served with an eviction notice.

The New Rental-Home Empires

Since the financial crisis, tens of thousands of American families have found themselves, like the Bulneses, renting homes from large and distant companies. Many of these companies were founded or financed by Wall Street investment funds.

In 2014, while Vanessa was struggling to maintain her home day care, Waypoint Homes joined with Starwood Property Trust, an international Real Estate Investment Trust worth nearly 180 million dollars and part of the larger Wall Street investment giant, Starwood Capital⁷. The resulting company, Starwood Waypoint Residential Trust, then merged with another single-family rental company, Colony American Homes, to become Colony Starwood Homes. Colony American Homes, which was launched in 2010 by Colony Capital (now called Colony Northstar), a global real-estate investment company headquartered in Los Angeles, had its own Wall Street origin story and network of wealthy investors. The merger meant the combined company controlled over 30,000 homes and \$7.7 billion in assets⁸.

But the mergers didn't stop there. In August 2017, a second merger was announced between Colony Starwood and Invitation Homes, a single-family rental company controlled by the New York-based private-equity giant, The Blackstone Group. This combined entity, called Starwood Waypoint, owns more than 82,000 single-family homes across the country. The Blackstone Group, in turn, is part of a galaxy of private equity funds, hedge funds, and other Wall Street-oriented partnerships and corporations that began snapping up homes after the housing bubble burst ten years ago, with a view to putting some of them on the rental market, at least until the right moment arrived to sell.

Single-family home rental used to be a small-scale and local business, built around direct ties between landlords and tenants. In the new Wall Street rental empires, the relationships are impersonal, property managers come and go, and the executives who call the shots often have trouble hearing the voices of their tenants over the clamor of their investors.

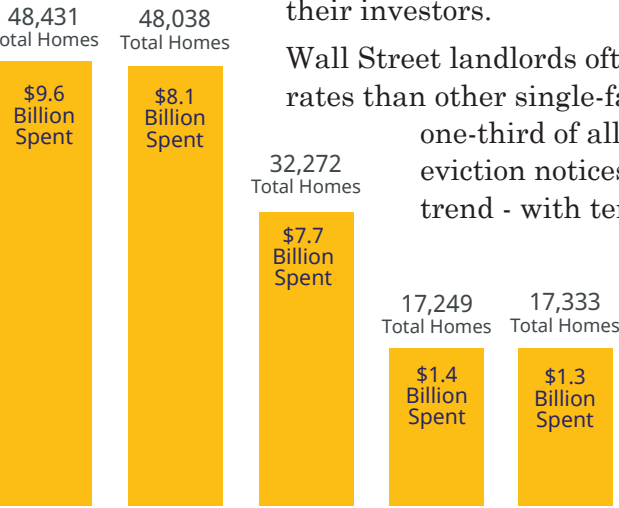


Figure 1

⁷ Corporate worth based on FY 2015 revenues. As of September 2017 Starwood Property Trust reported 227 million in revenues. For complete financials see [Reuters' corporate profile of the company](#).
⁸ Business Wire. "Colony Starwood Homes Announces Closing of \$7.7 Billion Merger of Starwood Waypoint Residential Trust with Colony American Homes, Creating the Premier Single-Family REIT". January 2016. Accessed [here](#).

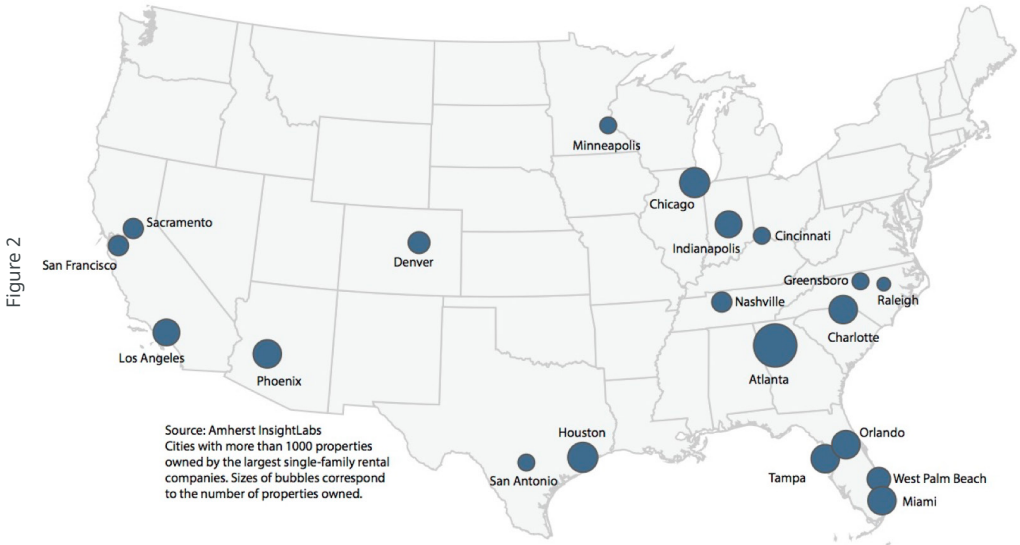
Wall Street landlords often evict tenants at astonishingly higher rates than other single-family landlords: in the Atlanta area, nearly one-third of all Starwood Waypoint tenants received eviction notices in 2015. Rent increases follow the same trend - with tenants facing as much as \$1000/month increases. Across the nation, single-family homes are currently exempt from local rent-control laws, which is a big part of the market's appeal to Wall Street. Investor pressure has also led to fee-gouging of a kind previously associated with credit cards and payday loans. Dissatisfied with the agreed-on rent,

these companies create extra revenue streams of excessive late charges and maintenance fees that shift the costs and responsibilities of traditional landlords onto tenants to an unprecedented extent.

The damage falls on communities as well as tenants. When giant, far-off entities begin to mass-purchase single-family homes in a given concentrated area, it becomes harder for local families to buy, and harder for a neighborhood to maintain a stabilizing critical mass of owner occupancy.

For these Wall Street speculators, the recession of 2008 was not economically and emotionally devastating as it was for Vanessa, Richard, and so many others; *it was a market opportunity*.

The story of Vanessa and Richard illustrates how the commodification and financialization of housing can wreak havoc on ordinary Americans. As families like theirs struggled to weather the economic storm, hedge funds, private equity firms, and other financial actors swooped into the market to purchase hundreds of thousands of foreclosed homes. For these Wall Street speculators, the recession of 2008 was not economically and emotionally devastating as it was for Vanessa, Richard, and so many others; it was a market opportunity. The foreclosure crisis and 2008 financial collapse had few winners, but companies like Starwood Waypoint and Invitation Homes -- and their Wall Street corporate backers -- were among them. They have benefitted from the deception and fraud that saddled so many families of color with subprime and booby-trapped mortgages, leading to foreclosures that disproportionately affected African American and Latino families like the Bulneses. Lower post-crisis home prices could have been an opportunity to increase affordable homeownership, but too often instead Wall Street buyers swept in, while neighborhood families were left out of the game altogether,



unable to compete with cash buyers or denied access to credit.

Uncle Sam, Wall Street Enabler

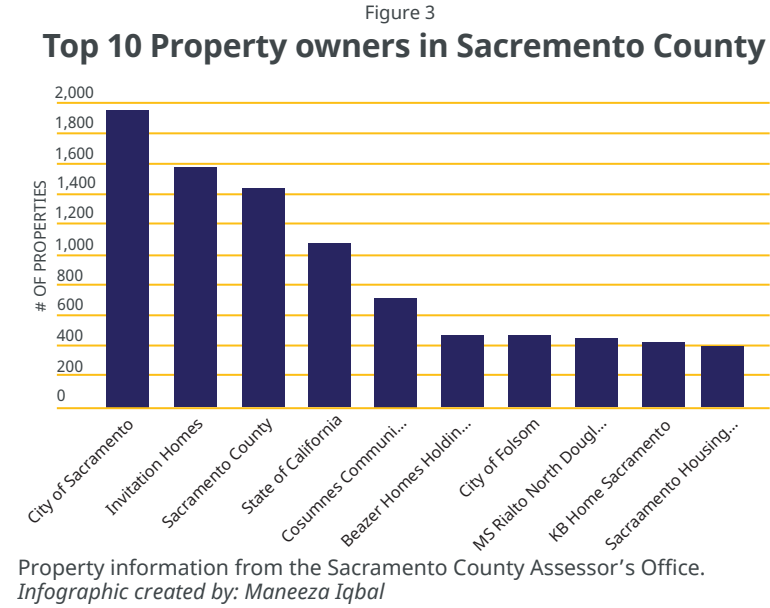
Beginning in 2014 the Government Sponsored Entities (GSE) - Fannie Mae and Freddie Mac - began selling pools of delinquent mortgages in bulk to the highest bidder, with very limited conditions applied to protect the homeowners in danger of losing their homes, or the communities those homes were situated in. The Federal Housing Administration (FHA) also sold such pools. In many cases, the highest

bidders have been hedge funds, private equity firms, and other giant investment companies.

These sales contributed to the fact that today, *nine big Wall Street firms are collectively the absentee landlords of more than 200,000 single family homes in 13 states*. While that’s a small proportion of all single-family rental properties nationally, it accounts for a large percentage of homes in the concentrated geographies where these companies buy. For instance, in Sacramento County, California, Invitation Homes is the single largest private landlord in the county - and the second largest property owner after the county of Sacramento itself.⁹

Industry spokespeople portray the single-family rental boom as a temporary phenomenon. But while there has been some retrenchment recently, many of the big players clearly see more growth ahead. Starwood Waypoint says it plans to spend \$400 to \$500 million or approximately \$30 million per month in 2017 in its favored markets¹⁰. On June 5, 2017, Starwood Waypoint purchased 3,106 homes in California from GI Partners, a private investment firm based in San Francisco, which increased the company’s total properties in California by 40%¹¹. Last month, on November 16th, the merger between Blackstone’s Invitation Homes and Starwood Waypoint Homes was completed, giving the new merged entity, operating as Invitation Homes, approximately 82,00 properties. This makes them the largest landlord of single-family homes in the country and the second largest real-estate company in the word.

It did not have to be this way. Sensible and timely action against abusive and deceptive mortgage lending and securitization would have prevented millions of foreclosures, and a more robust response to the foreclosure crisis once it began would have prioritized directly helping homeowners to keep their homes- as the government did in response to



the Great Depression.

Even after the crisis, Fannie and Freddie -- and the Federal Housing Finance Agency, which oversees them - could have focused on using vacant homes to help the families and communities most impacted by the financial crisis, rather than transferring them to Wall Street investors. That would have meant making a serious effort, as many housing advocates urged, to make it easier for local families and community groups to buy up stranded homes, giving them preference over absentee investors and speculators. Unfortunately, that is not what they did. Instead, Fannie and Freddie set up systems that disproportionately benefitted Wall Street buyers, and then provided a loan guarantee that lowered the cost of capital for a major Invitation Homes deal. An industry analyst commented on the deal:

“Shifting corporate risk to taxpayers has been a profitable business over the past few decades, and throughout history. We expect we will see more of this shift in the coming years.”¹²

Even now, the Federal government could - and should - move away from policies that help these big-money players snap up vacant properties in bulk. Where such investors do acquire homes, federal, state and local governments urgently need to establish or strengthen eviction rules, rent control laws, and real-estate tax policies, among other tools, to make sure renters are treated decently and local access to housing is protected. If such policies are not put in place, government will continue to actively encourage the growth of harmful large-scale corporate ownership.

The enormous political influence of Wall Street in general and the private equity industry in particular helps explain these damaging policies. In 2014, the single family rental industry created the National Rental Home Council (NRHC) to lobby for its interests. These firms did well under the Obama administration, and their leaders, along with other Wall Street interests, enjoy unprecedented positions of power and access in the Trump administration. Blackstone CEO Stephen Schwartzman (the former chair of the President’s economic advisory council) remains a close Trump advisor, as does Colony founder Thomas Barrack, who was the single largest individual donor to Trump’s campaign and chaired his inauguration committee.

¹² Olick, Diana. “Government’s Fannie Mae Will Back PE Giant Blackstone’s Rental Homes Debt”. CNBC, Jan 25, 2017. Accessed [here](#).

⁹ Manoucheri, David. “How One Company Effects Rent Prices in Northern California. November 6th, 2017. KCRA. Accessed [here](#).
¹⁰ Colony Starwood, Transcript of 2017 1st Quarter Earnings Calls. March 2017. Accessed through Seeking Alpha [here](#)
¹¹ Colony Starwood Homes, Form 8-K. United States Securities and Exchange Commission. June 5, 2017. Accessed [here](#)





TENANT SPOTLIGHT
Maricella Castillo
Sacramento, California

“Living in a Waypoint property has been an actual nightmare. No family should have to pay to live like this.

My husband and I both grew up in Sacramento, met in high school and then a few years later got married and had our daughter and son. He served in the military for several years - and Waypoint was the first home we moved into

after he got out of the service - now as a disabled veteran.

Within less than three years, my rent went from \$1250 to \$1600. They say you shouldn't spend more than 30% of your income on rent or else you're considered "rent burdened." So \$1200 worked for us. I could feed my family on that. But with the additional \$400 a month - that cuts into our ability to feed my kids and meet our basic needs. We finally decided to move out - and since we're moving out now, I was just able to buy my daughter warm pajamas for winter for the first time. It's cold at night - I can't believe I've had to wait this long to be able to afford my little 6 year old girl warm clothes for the night!

There's been also been a lot of problems with getting someone out to maintain the house. We've had leaky pipes for years and our stove has been broken for an entire year and a half. Instead of fixing it, they come in and make minor adjustments and then within a week its broken again. I'm a cook - how am I supposed to cook for my family without a stove? Our backyard fence is also awful and rotten - so bad its a hazard and I can't even have our kids play in the backyard! There are building code violations. Our shower is rotting out because there is no ventilation in the master bedroom and the window sealed shut. Theres a giant hole in one of our walls that we asked them to fix when we moved in but instead of fixing it they just put a mirror on top of it. And our carpet was installed so badly we can't walk around barefoot in our own house - in all of the seams there are tacks are sticking out so it wasn't safe for us. The maintenance people, their hands are tied.

Living here has been an actual nightmare. If we had had rent control, we would be doing great right now. We would have been able to save and we would have been able to take a vacation with our family for the first time - we've never been able to be able to afford that before. We need to repeal the state law in California that restricts rent control from homes like ours so we can stay in our homes and hold these huge Wall Street landlords accountable.

It is not okay for them to treat people like this!”



3. HOW DID WE GET HERE?

The Rise of Single-Family Rentals as an Investable Asset Class

In 2008, the whole world saw the result of the growing financialization of the housing market, together with the unregulated, reckless greed of Wall Street. Financiers and speculators took the global economy to the edge of collapse, while wreaking havoc on ordinary Americans like Richard and Vanessa Bulnes.

Now, casino-like gambling in the housing market is back in a new form: the Wall Street financialization of rental housing.

STAGE 1: THE INFLUX OF GLOBAL CAPITAL

After Wall Street crashed the global economy in 2008, leading to massive losses of wealth in low-income communities of color, private equity firms and other institutional investors created an array of new companies to acquire extremely discounted homes through auction, short sale, or the purchase of distressed loans. This was called the REO (Real Estate Owned home) to Rental business.

Blackstone, the world's largest private equity firm, created Invitation Homes in 2012 and spent over \$10 billion amassing a portfolio of more than 48,000 homes, at times spending over \$150 million a week. Similarly, Colony Capital, the world's fifth largest private equity firm, created Colony American Homes, the second largest single-family

rental company, with \$550 million in initial investment. In 2016, Colony American Homes merged with Starwood Capital’s Starwood Waypoint Residential Trust to become Colony Starwood Homes, and in August of 2017 the company announced a merger with Invitation Homes.

Figure 4: Largest Single-Family Rental Companies¹³

Company	Total Homes	Debt	Publicly Traded	Initial Institutional Backer	Total Corporate Investment
Invitation Homes	48,038	Yes	Yes	Blackstone	\$8.9 Billion
American Homes 4 Rent	48,000	Yes	Yes	Alaska Permanent Fund	\$9.6 Billion
Colony Starwood Homes*	30,844	Yes	Yes	Colony Capital, Starwood Capital	\$5.9 Billion
Progress Residential	17,333	Yes	No	Goldman Sachs ¹²	\$3.0 Billion
Tricon (post Silver Bay merger)	17,249	Yes	No	Tricon Capital	\$1.4 Billion
Main Street Renewal (Amherst)	9,231	Yes	No	Amherst Holdings/ Stone Point Capital	\$1.25 Billion
Cerberus Capital Management	5,700	No	No	Cerberus Capital Mgt Fund	\$615 million
Altisource Residential	5,414	Yes	Yes	Altisource Asset Mgt Corp	\$739 million
Home Partners of America	4,844	Yes	No	BlackRock and KKR	\$1.5 Billion
HavenBrook Homes	4,000	No	No	Pacific Inv. Mgt Co	\$600 million
StreetLane Homes	3,400	No	No	GTIS Partners and 643 Capital Mgt	\$445 million ¹³
Total Homes:	196,598			Total Investment:	\$35 billion

*Colony Starwood has now merged with Invitation Homes

STAGE 2: TURNING SINGLE-FAMILY RENTAL HOUSING INTO A COMMODITY FOR TRADING

Beginning in late 2013, the financial industry was able to take single-family rental housing one step further, turning it into a trading commodity by selling bonds backed by the future rent checks of thousands of single family homes, through the process referred to as securitization. Sound familiar? The process is very similar to the mortgage-backed securitization made infamous by the 2008 financial crisis. Invitation Homes issued the first single-family-rental-backed security for \$500 million in 2013. Since then ten more companies have entered into the market, generating 39 securitizations totaling \$19.2

¹³ Rahmani, Jade, Tomasello, Ryan and Brian Jones. Keefe, Bruyette & Woods. “Single-Family Rental Primer, 5th Edition”. September 28, 2016. Accessed [here](#)
¹⁴ Based on information provided by Pintar Investment Company, Progress Residential’s local operating partner in California. Accessed [here](#).
¹⁵ Business Wire. “GTIS Partners and 643 Capital Management Announce Launch of StreetLane Homes; Emerges as Top-10 Vertically-Integrated Provider of Single-Family Rentals to Millennial Marketplace”. January 4, 2017. Accessed [here](#)

billion with \$17.5 billion still outstanding¹⁶

STAGE 3: BECOMING PUBLICLY-TRADED COMPANIES WITH SHAREHOLDERS

Single-family rental companies have taken their business into the stock market. Some of the largest of these companies are, or were, publicly traded, including Invitation Homes/ Colony Starwood and American Homes 4 Rent. When they go public, single-family rental companies become accountable to shareholders and face increasing pressure to deliver short-term financial returns, which often come at the expense of long-term productivity and social responsibility. Short-termism is a key byproduct of the modern financialized economy.

4. WALL STREET’S RENTAL EMPIRES PUT FAMILIES AND COMMUNITIES AT RISK

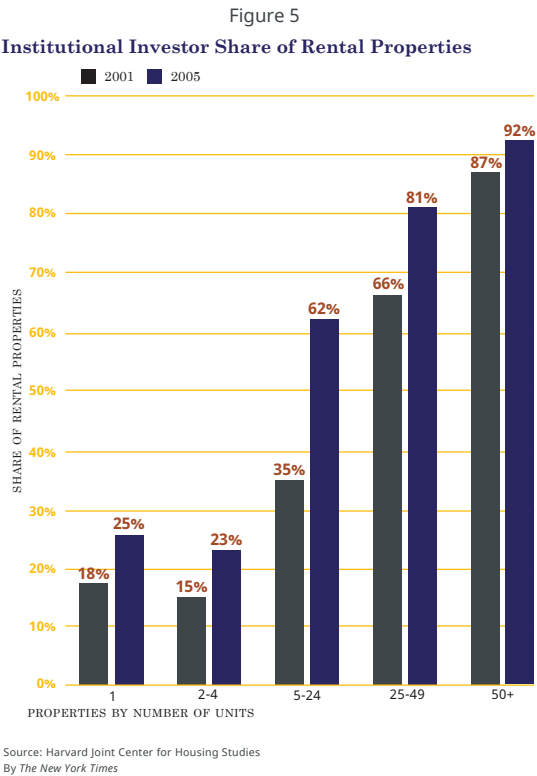
Tenants, first-time homebuyers, and local

communities have been hurt by the rise of these new Wall Street landlords and their business model of mass home rental. The damaging effects, like those of the predatory lending that led to the financial crisis, have fallen disproportionately on low and moderate income families and communities of color.

Diminished Opportunities for Homeownership

“The American Dream no longer requires homeownership,” the single-family rental industry argues.¹⁷ That is a debatable proposition. Homeownership remains the greatest source of wealth and security for millions of American families, and besides being an important financial investment, it’s a significant source of emotional stability as a place to raise children, create community and develop roots. Renter protection policies that prevent unjust evictions, exorbitant rent

increases and require habitability standards can provide this same level of financial and emotional stability for renter households. However, the NRHC and its’ affiliated Wall Street rental conglomerates have actively opposed including rental protections as part of their newly envisioned American Dream. But the key point may be that while the industry portrays itself as responding to



¹⁶ Outstanding balance as of December 2016 based on data from the Securities Industry and Financial Markets “U.S. Securitization Year in Review 2016”. Accessed [here](#). The 39 securitizations includes 31 single-borrower and 8 multi-borrower deals as reported by Amherst Capital Market Update: “U.S. Single Family Rental - Institutional Activity in 2016/2017. August 2017. Accessed [here](#) and KBRA’s data reported in a press release “KBRA Assigns Ratings to CoreVest American Finance 2017-1”. October 31, 2017.
¹⁷ Hoya Capital Real Estate. “The American Dream No Longer Requires Homeownership”. Published on SeekingAlpha.com. Jun 28, 2017. Accessed [here](#).



“When I found my home I fell in love. I’ve lived here for four years —

TENANT SPOTLIGHT
Renita Barbee

and while I love my home and make a decent salary as a city dispatcher — we just can’t afford it. My mother passed earlier this year who helped pay the rents and my husband has had two strokes - we have no other choice but to leave. When I first moved into this home, the rent was \$1850. Only four years later and my most recent increase notice stated to take my rent from \$2120 to more than \$3000 — **a nearly \$800 rent increase all at once**. That’s when I got involved with ACCE and joined with other tenants of Invitation Homes organizing together to start pushing back. We started sending letters, and protesting at Blackstone Group’s headquarters. That’s when my landlord sent a letter saying the rent increase was only \$2330 and that the initial increase was a mistake. Even so, my family can’t afford it. My husband and daughter will move in with relatives, and I plan to rent a room from a coworker until I get on my feet again. If companies like Invitation Homes keep these rent increases up — we’ll all end up on the street. We need rent control for single-family homes like mine to keep us in our homes!”

a market shift, it is also methodically creating that shift. These companies target neighborhoods with high job growth and limited housing supply - conditions that make it easier to set high rents and to impose high rent increases over time. This hurts renters and crowds out individual buyers. In what one Starwood Waypoint executive describes as industry “strike zones,” prospective home buyers often find it impossible to compete with cash-carrying Wall Street investors.¹⁸

18 Colony Starwood Homes, Transcript of 2016 4th Quarter Earnings Calls. Feb 28,2017. Accessed through Seeking

Invitation Homes, for instance, focuses on “markets that we expect will exhibit lower new supply, stronger job and household formation growth, and superior NOI [net operating income] growth relative to the broader U.S. housing and rental market.”¹⁹ The company looks for houses with three or more bedrooms, two or more baths, and priced between \$100,000 to \$400,000²⁰ - the same kind of houses that many first-time home buyers are seeking. Starwood Waypoint has concentrated its recent acquisitions in what it calls its “subscale markets,” including Charlotte, Raleigh, and Nashville, where the company does not currently own enough homes to “fully optimize scale.” These are the same cities where Starwood Waypoint planned to spend much of a total 2017 acquisition budget of \$400 to \$500 million, or approximately \$30 million per month.²¹

Higher Rents

“For me to work 12-14 hour days and barely have enough to pay increasing rents to a multi-billion dollar Wall Street giant, *it’s like sharecropping all over again*” said Merika Reagan, a Waypoint tenant and a member of ACCE. Merika and her family are not alone. To gain investor confidence, single-family rental companies promise to set competitive market rates for rent and to aggressively pursue evictions if

Alpha [here](#)
19 Invitation Homes Inc. “Form S-11: Registration Statement Under the Securities Act of 1933 of Securities of Certain Real Estate Companies.” United States Securities and Exchange Commission. Jan 6, 2017. Page 1. Accessed [here](#).
20 Colony Starwood Homes “Form 10-K.” United States Securities and Exchange Commission. Page 4. Accessed [here](#).
21 Colony Starwood, Transcript of 2017 1st Quarter Earnings Calls. May 9, 2017. Accessed through Seeking Alpha [here](#)

Invitation Homes/Starwood Waypoint

- Institutional backer(s): Blackstone Group (will own 41% of the company post-merger), Starwood Capital, Colony Capital (exited)
- Total Homes: 82,000 (post-merger)
- Annual Revenue 2016: \$1.5 billion¹
- Major Markets: South Florida, Southern California; Atlanta, Ga.

Invitation Homes started out as the single-family-rental arm of the Blackstone Group, the private equity firm founded by Peter G. Peterson and Stephen A. Schwarzman, two alumni of Lehman Brothers.² After the financial crisis, Blackstone’s Invitation Homes acquired nearly 50,000 homes with the idea of renting them out until the moment seemed right to sell. Even before its merger with Starwood Waypoint, which was then the 3rd largest real estate investment trust, or REIT, Invitation Homes was itself one of the largest single family rental REITs.³

Blackstone is the biggest alternative asset management firm in the world with \$387 billion in assets under management.⁴ It is also the single largest investor in US housing through investments in single family homes, along with at least 46,000 apartments⁵ and tens of thousands of mortgages.⁶

Starwood Waypoint was known as Colony-Starwood Homes until July of 2017⁷, named after two other private equity firms, Colony Capital and Starwood Capital, that, like Blackstone, assembled portfolios of homes following the global financial crisis and took those portfolios public.⁸ When Colony Capital sold its stake earlier this year, Colony-Starwood changed its name to Starwood Waypoint, the former name of the Starwood Capital-backed company.⁹

Starwood Waypoint and its predecessors have bought, renovated, and leased over 30,000 homes across the United States.¹⁰

Invitation Homes announced a merger with Starwood Waypoint in August, 2017. With the closing of this transaction, Invitation Homes’ stockholders will own approximately 59% of the combined company’s stock, while Starwood Waypoint will own the remaining 41%.¹¹ Barry Sternlicht, the founder and CEO of Starwood Capital, and Jonathan Gray, the head of real estate for Blackstone, will both serve on the board of the combined company.¹² Its homes will be concentrated in Florida (26,000, 32%), California (15,600, 19%), Atlanta (10,600, 13%), Chicago (5,000, 6%), and Phoenix (5,000, 6%).¹³

1 INVH, SFR 2016 Forms 10K.
2 “Ex-Lehman Official Joins New Venture,” New York Times, Oct 22, 1985.
3 Single-Family Rental Primer, 5th Edition, Keefe, Bruyette & Woods, Sept 28, 2016.
4 Blackstone Group 3Q17 Presentation, Oct 19, 2017.
5 <http://www.livcor.com/company>, accessed Nov 9, 2017, “How Blackstone won Stuy Town,” The Real Deal, Aug 16, 2016.
6 Through Bayview. FHFA Enterprise Non-Performing Loan Sales Report, Dec 2016. Report to the Commissioner on Post Sale Reporting, Distressed Asset Stabilization Program, Mar 2017.
7 “Colony Starwood Homes to Change Name to Starwood Waypoint Homes,” Media Release, Jul 18, 2017.
8 Colony Starwood Homes Form 10K, Feb 28, 2016.
9 “Colony Starwood Homes rebranding as Starwood Waypoint Homes,” HousingWire, Jul 19, 2017.
10 US Single Family Rental – An Emerging Institutional Investment Class, Amherst Capital Management, Sept 2017.
11 Invitation Homes, Starwood Waypoint merger presentation, Aug 10, 2017.
12 “Welcome to the neighborhood: Blackstone, Starwood merger to create nation’s biggest single-family landlord,” The Real Deal, Aug 10, 2017.
13 Invitation Homes, Starwood Wavpoint merqer presentation, Aug 10, 2017.

payments are even more than a single day late. The largest of these companies have similar track records when it comes to rent increases. In the first quarter of 2017, Starwood Waypoint reported a quarterly rent growth of 4.7% nationally for tenants renewing their leases,²² while Invitation Homes reported rent increases of 5.3% during the same period for tenants renewing their leases.²³ However, year over year growth nationally stands at roughly 2.7%²⁴ meaning that the big Wall Street single family rental companies charge nearly double the nation’s average.

In California, rental increases are even higher.

Starwood Waypoint, for example, reported 8% rent increases for tenants renewing their lease and 13%²⁵ rent increases for new tenants in Northern California properties.²⁶ Year over year rent increases above 5% are common in the hottest markets and in the second quarter of 2017, Starwood Waypoint reported a total rental increase (for both lease renewals and new tenants)²⁷ of 9.6% for Northern California and 6% in Southern California, Phoenix, and Atlanta²⁸ Likewise, Invitation Homes reported total rent increase of 7% in the Western states for the third quarter of 2017²⁹. Rental increases for the overall market are much lower than those reported by single-family rental companies, even in areas with the highest demand. For example, in Los Angeles and San Bernardino rents rose by 3.9% and in Riverside, Phoenix, and Vallejo rents rose by just over 4%. In Atlanta, the city with the most Wall Street investment, the overall rents grew by 2.4% - less than half of the rental increase reported by Starwood Waypoint³⁰. Additionally, based on an analysis of Zillow rental data, rents in the single-

22 Colony Starwood Homes, Transcript of 2017 1st Quarter Earnings Calls. May 9, 2017. Accessed through Seeking Alpha [here](#).
23 Invitation Homes, Transcript of 2017 1st Quarter Earnings Call. May 2017. Accessed through Seeking Alpha [here](#)
24 Salviati, Chris. “Apartment List National Rent Report.” Apartment List. Nov 1st 2017. Accessed [here](#).
25 Refers to renewal rent growth. According to Starwood Waypoint, “Renewal Rent Growth” is defined as the percentage change in monthly contractual rent resulting from all lease renewals that became effective during a measurement period for an identified population of rental units and is calculated by dividing (a) the aggregate contractual first month rent (excluding rent concessions and incentives) on lease renewals executed during the applicable measurement period for an identified population of rental units by (b) the aggregate contractual last month rent for such identified population of rental units before renewal.” Form 8-K. June 5, 2017
26 Colony Starwood Homes, Transcript of 2017 1st Quarter Earnings Calls. May 2017. Accessed through Seeking Alpha [here](#)
27 Total Rent Increase refers to same-store blended rent increase, which is defined by Starwood Waypoint as “the weighted average rent growth on all new leases (replacement leases) and renewals during a measured period, and is calculated by dividing (a) the aggregate contractual first month rent on all new leases and lease renewals executed during the applicable period for an identified population of occupied rental units by (b) the aggregate contractual last month rent for such identified population of rental units before renewal or new lease. This calculation does not include lease escalations or step-ups for multi-year leases.” Form 8-K. June 5, 2017
28 Colony Starwood Homes. Transcript of 2017 3rd Quarter Earnings Call. November 2017. Accessed through Seeking Alpha [here](#)
29 Invitation Homes, Transcript of 2017 3rd Quarter Earnings Call. November 2017. Accessed through Seeking Alpha [here](#)
30 Overall rent data provided by Apartmentlist: Rentonomic. Accessed [here](#).

When large corporate landlords acquire smaller portfolios of homes, tenants often face even more dramatic rent increases. For example, when Colony Starwood purchased thousands of homes from GI Portfolio, it promised investors it would raise rents on the newly acquired homes. Colony Starwood disclosed to investors that GI Portfolios had only raised rents each year by 4.8% for lease renewals, 1.9% for new tenants, and 3.3% overall. Colony Starwood promised their investors to increase that to it's corporate average of 5.7%, 6.2% and 5.7% respectively³⁰.

This means corporate consolidation of single family rentals led directly to substantial rent increases for tenants. For new tenants, the increase is even more dramatic as Colony Starwood promises to raise rents 6.2% each year. The GI Portfolio Colony Starwood purchased already had high rent levels to begin with. The average monthly rents for the over 3,000 homes were \$1,921 in Northern California (\$1.27/sq ft), \$1,735 in Miami (\$1.18/sq ft), \$1,794 in Southern California, (\$1.17/sq ft) and \$1,648 in Chicago (1.14/sq ft).

benefit from rent control protections in a number of cities, including Los Angeles and Oakland. But nowhere do such laws cover single-family homes, whose tenants are in fact left with very few legal safeguards.

Tenants with pets face even higher rents and rent increases since most of the company now charge additional rent (not just a security deposit) for tenants with animals. Invitation Homes reported that “pet rents” charged by the company are up 300% year-over-year and now account for \$1.5 million in additional corporate income³¹.

Single-family rental companies are also under pressure from rating agencies to develop systems for imposing “competitive” rents. If they don’t, rating agencies threaten to downgrade their securitization deals. As Kroll Bond Rating Agency disclosed in its Single-Family Rental Rating Methodology, “KBRA will review a

31 Invitation Homes, Transcript of 2017 1st Quarter Earnings Call. May 2017. Accessed through seeking alpha [here](#).

family market have outpaced rents in multifamily housing in the areas most targeted by investors. In 2014, as the largest companies were becoming fully operational, the percent change in the price of rent for single-family homes was 50% higher than percent change in the price of rent for apartments in Sacramento, 38% higher in Denver, and 30% higher in Miami, San Antonio, Orlando, and Charlotte. While the rent differentials have evened out in the last two years, in 2016 single-family rental rates rose by 6% more than apartment rents in Los Angeles, 5% more in Denver and Tampa, and 4% more in Nashville and San Antonio. The fact that the highest rent increases occurred at the same time the mega-corporations began business suggests that these companies may significantly drive up rents in the markets where they operate. It is also important to note that apartment renters

American Homes 4 Rent

- Institutional backer: Alaska Permanent Fund (sold stake in late 2016)
- Total Homes: 46,026
- Market Value: \$6.26 billion¹⁴
- Annual Revenue 2016: \$878 million¹⁵
- Major Markets: Texas, Georgia, North Carolina

American Homes 4 Rent is the second largest single-family rental REIT in the United States. The company was founded by Wayne Hughes, the founder and former CEO of Public Storage, one of the country’s biggest self-storage companies.¹⁶ In 2012, the \$53-billion Alaska Permanent Fund made a \$600 million seed investment in American Homes 4 Rent that helped build its portfolio. Alaska sold its stake late last year for more than \$900 million, reaping a profit of more than 50%.¹⁷

Like Invitation Homes and Colony Starwood, American Homes 4 Rent has grown through acquisition. In February 2016, American Homes 4 Rent acquired American Residential Properties (ARPI) in the first public-to-public merger transaction in the single family rental sector. ARPI was founded in 2008 through the formation of American Residential Properties, LLC, a private investment firm focused on investing in REO to rental properties in the Phoenix area. At the time when it was acquired, ARPI’s portfolio totaled 8,900 homes, primarily concentrated in Phoenix, Dallas, Houston, and Atlanta.^{18 19}

As of September 30, 2017, American Homes 4 Rent owned 46,026 single-family properties. American Homes 4 Rent’s primary markets include Texas (15% of homes), Atlanta (8.7%), and Charlotte (6.6%).²⁰

14 <http://investors.ah4r.com/corporateprofile.aspx?iid=4392539>, accessed Nov 9, 2017.
15 AMH Form 10K, Feb 24, 2017.
16 “American Homes 4 Rent files for up to \$1.25 billion IPO,” Reuters, June 4, 2013.
17 “Permanent Fund makes winning bet on a startup,” Alaska Dispatch News, Nov 14, 2016.
18 “American Homes 4 Rent, American Residential Properties complete merger,” Housingwire, Mar 1, 2016.
19
20 AMH Form 100. Nov 3, 2017.



TENANT SPOTLIGHT

José Castillo

ACCE Member

“When I moved into my home I was told initially that I was in a program to buy it. However, after several years and after Waypoint merged with Colony Starwood, I learned they were just giving me the run around and that homeownership was never going to happen. In January I received a notice to renew the lease and I asked them to fix some serious issues with the property - including broken pipes which were causing serious sewage leakage in my home. After one of the major

leakages, we were forced to sit with raw sewage in my mother’s bedroom breathing in mold and bacteria until they came to look at it three weeks later. Instead of fixing the pipes, their solution was to merely clean the carpet.

As anticipated, not too long after, there was a sewage leakage again.

So, I filed another complaint. Five days later, I received in the mail a 60-day notice to vacate.

Over the time I’ve lived there, I’ve paid them over \$90,000 in rent. I didn’t think that fixing the pipes or a new carpet was too much to ask for. Families shouldn’t have to face an eviction because they asked to live in a habitable home.”

company’s strategy for determining rental rates, including which concessions or rent reductions are appropriate... If a company lacks a comprehensive, strategic approach to setting rental rates, KBRA may reduce its gross potential rent forecast and increase its vacancy assumptions to account for the risk that the portfolio may be adversely impacted due to underperforming management.”³³ The threat of downgrading forces single-family rental companies to systemize rent collection and minimizing “concessions,” discounts or deferred payment plans for families in crisis. While increased accountability ensures reliable investor yield, it means it is far less likely that tenants will be able to negotiate with their landlords about the rent level or about late-fee forgiveness - a process that often leads to tenants of small landlords being able to stay in their homes when working with another human face that also resides in that same community. Similar to stories we heard of millions of homeowners getting the run around from big banks as an attempt to receive loan modifications on their predatory mortgages during the height of the foreclosure crisis, tenants of Wall Street landlords also have a hard time finding a real human to talk to in negotiating rent increases, maintenance issues and other problems.

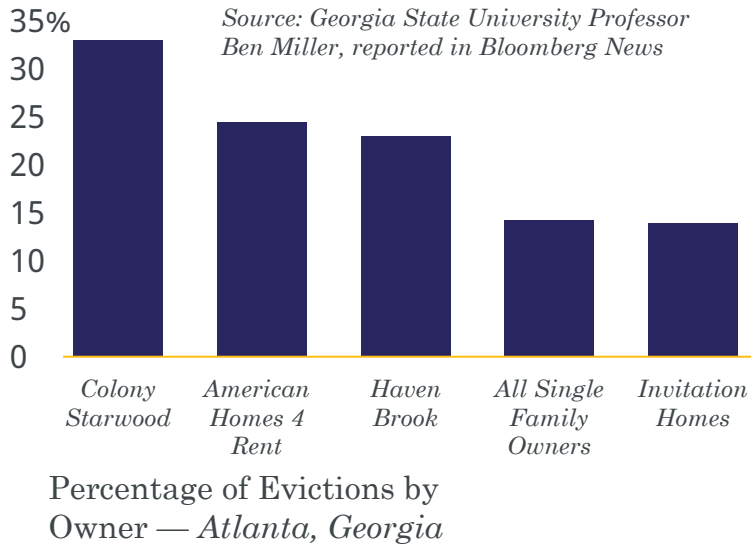
This inability of tenants to negotiate with their landlord is exacerbated by the growing practice by large companies to set rents at a national level rather than depend on local property managers. If rents and fees are established by national executives through data algorithms and strictly imposed upon lower-level staff, there are fewer opportunities for

32 Starwood Waypoint Homes. Form 8-K. United States Securities and Exchange Commission. June 5, 2017. Accessed [here](#).

33 Kroll Bond Rating Agency. “Single-Family Rental Securitization Methodology.” Jan 4, 2017. Accessed [here](#).

tenants to contest rent increases or charges they regard as unfair. Invitation Home’s recent move toward a “National Lease” with standardized fees is another example of greater central control over the property management process.

Figure 6



A Spike In Evictions

In order to maximize rental revenues, companies have pursued aggressive eviction policies, particularly where vacancy rates are low. Although tenant turnover costs companies an average of \$1,500³⁴, single-family rental companies have found that they can easily recover that cost through late fees, court fines, or retaining tenants’ security deposits. Rating agencies and investors often pressure these companies into adopting strict eviction practices. According to Kroll Bond Rating Agency, “delinquent tenants should generally be contacted immediately following missed payment dates, and it is expected that the eviction process will begin shortly thereafter... KBRA will evaluate eviction strategies to determine whether adequate controls are in place to ensure compliance with local laws while providing for the timely removal of tenants.”³⁵ If a company is unable to “remove” tenants in a “timely manner” and lacks a “detailed eviction plan,” KBRA threatens to increase the loss assumptions in its risk model, which can result in a lower rating. The constant monitoring of rental rates, late payments, and “concessions” to tenants prevents local staff from negotiating with residents and forces them to initiate eviction processes.

Large single-family rental companies appear to be evicting tenants at a higher rate than “mom-and-pop” owners, according to a December 2016 analysis by the Federal Reserve Bank of Atlanta. Using publicly available parcel-level eviction data from Fulton County, researchers found that Starwood Waypoint, American Homes 4 Rent, and Havenbrook homes all had higher rates of eviction than other single-family rental owners. The largest

34 Green Street Advisors. “Single-Family Rental Primer.” June 6, 2016. Accessed [here](#).

35 Kroll Bond Rating Agency. 2017. “Single-Family Rental Securitization Methodology.” January 4, 2017. Page 11. Accessed [here](#).



TENANT SPOTLIGHT
Cecilia & Carlos Reyna
ACCE Members

repairs which caused us to cover the cost ourselves. I work as a garment worker, my husband Carlos works in a furniture factory and together we work incredibly hard. But recently we were hit again with another \$400 per month rent increase for December - and we just can’t afford it. It’s impossible to find any comparable housing that is affordable around here - leaving us facing the possibility of having becoming homeless this year. *The stress is killing us.*

“When we rented our small house from Waypoint Homes in Compton four years ago, we were excited about the opportunity to have a stable, decent place to live at a reasonable cost. That changed as Waypoint raised our rent over \$300 per month, and refused to pay for some basic

investors in single-family rental properties were 18% more likely to issue eviction notices than small firms, even when controlling for property and neighborhood characteristics. Over 30% of all county evictions were filed by Starwood Waypoint, nearly 25% by American Homes 4 Rent, and nearly 15% by Invitation Homes. Starwood Waypoint was the worst offender - with nearly one third of all tenants given eviction notices in 2015. When researchers sought to understand the factors at work, the strongest predictor of whether a tenant would get an eviction notice turned out to be the concentration of African Americans in a given neighborhood³⁶.

In California, it is difficult to conduct a similar analysis since eviction data is not publicly accessible. However, a recent survey of tenants in Los Angeles County suggests that evictions by large single-family rental companies are common. Over a fifteen-day period, an MIT researcher visited over 300 homes and found four notices of eviction, including

36 Raymond, Elora, Richard Duckworth, Ben Miller, et al. “Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Single- Family Rentals”. Federal Reserve Bank of Atlanta: Community and Economic Development Discussion Paper. No. 04-16. December 2016. Accessed [here](#)

Tricon American Homes

- Institutional backer: Tricon Capital
- Total Homes: 16,800 homes
- Annual Revenue 2016: \$111 million²¹
- Major Markets: California, Arizona, Georgia, Canada

Tricon is a diversified real estate developer, investor, and property manager. Tricon American Homes was set up after the global financial crisis to acquire US homes. Many of Tricon’s properties were acquired through foreclosure or through purchase of overbuilt homes by developers that were common at the time.²²

Tricon American Homes is owned by Canadian asset manager Tricon Capital, which is publicly traded on the Toronto Stock Exchange. Tricon is a principal investor and asset manager focused on the residential real estate industry in North America with approximately \$3.0 billion (C\$4.0 billion) of assets under management.²³

Tricon has five main business segments: Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities, Tricon Luxury Residences, and Private Funds and Advisory. Tricon’s US single-family rental arm owns and operates roughly 16,800 homes in 16 markets across nine states, mostly located in the Sun Belt, including 10 markets with at least 500 homes each. Tricon American Homes is headquartered in Orange County and employs around 390 people.²⁴

In February 2017, Tricon acquired Silver Bay Real Estate Trust corporation. With this acquisition, Tricon ranks as the fifth largest publicly-traded single family rental owner.²⁵

21 Tricon Capital 2016 annual report.
22 Tricon Capital 2016 annual report.
23 Tricon Capital 2016 annual report.
24 Tricon Capital 2016 annual report.
25 “Massive single-family rental merger: Tricon Capital to acquire Silver Bay Realty Trust for \$1.4 billion.” HousingWire. Feb 28, 2017.

two court orders and two notices to pay or quit (see Appendix 2 for photos). At one home in the San Fernando Valley, Invitation Homes had posted a large “Keep Out” sign next to a “pay or quit notice,” while covering the home in caution tape and placing a large construction cone in front of the door. Marking a home in this dramatic way may be a tactic used by such companies to shame or humiliate tenants. In a survey of 100 tenants, moreover, three reported receiving eviction notices due to late payments of just two or three days. One elderly woman, a Starwood Waypoint tenant, said she had had a three-day pay-or-quit notice posted on her door and a \$100 late fee imposed because of an outstanding rent balance of just \$40. This tenant, who lives in Los Angeles, told the company she would be able to pay the remaining \$40 on the third of the month, when she received her social security check. Nevertheless, she said, Starwood Waypoint refused to waive the \$100 charge. Another Starwood Waypoint tenant, living with three roommates, said that after falling just two days behind on the rent, his household received a three-day pay-or-quit notice taped to the door and a \$100 late fee.

Fee Gouging

These late-fee stories reflect a broader industry strategy of maximizing profits through the aggressive pursuit of “ancillary revenue opportunities” such as fees, tenant charge backs (when a landlord pays for a repair and charges the tenant later for the cost), or new service charges for surveillance technology and other “smart home” features. In a pattern that mirrors the practices of payday lenders and other financial predators, single-family rental companies make a significant portion of their profits from hidden fees rather than by relying just on the “sticker price” of the official rent. Starwood Waypoint, according to the company’s former CEO, treats failure to harvest the “low hanging fruit” of ancillary revenues as “revenue leakage.” Employees, the former CEO told investors, are expected to impose every fee they can “legitimately do under the lease.”³⁷ These practices disadvantage the most vulnerable residents, particularly those with variable pay schedules that result in late rent payments or those who need to move suddenly and end their lease early.

In 2017, Invitation Homes attributed a 6% increase in property earnings to the

37 Colony Starwood, Transcript of 2016 4th Quarter Earnings Calls. Feb 2017. Accessed through Seeking Alpha [here](#).



TENANT SPOTLIGHT
Merika Reagan
ACCE Member

“For me to work 12-14 hour days and barely have enough to pay skyrocketing rents to a billion dollar Wall Street landlord, is like share cropping all over again.”

“I was born and raised in San Francisco. Thanks to high rents, I was priced out of the city I was born and raised in. Four years ago, my wife and I moved into our current home as renters. When we moved into our home it was owned by a company called Waypoint Homes. It seemed so positive and promising. The company had a point system and even talked about working with us to one day own the property. After the first two-year lease was up, the only rent increase we received was for \$50. But after Colony Starwood merged with Waypoint in early 2016 things began to change, the point system disappeared and our path to eventually owning our home disappeared also.

When our last lease expired in May 2017 and we were not offered a 2-year lease, but instead were only given the option to go month-to-month with a \$1000 a month rent increase or sign another one-year lease with an increase of \$350 per month – neither of which we could come anywhere close to affording. I wanted to stay because I have no other options. When I have done housing searches for a home similar to the one I am in, the rent is way too high! My wife and I know that if we leave this home we would have to leave Oakland entirely – leave our home, my business, our community and our life. I have already been displaced from one city - and to be faced with the threat of being displaced from Oakland felt like a disaster.”

implementation of a “national lease” which “standardizes rental fees across the portfolio,”³⁸ and to a system designed to “track resident delinquency on a daily basis”³⁹ in order to continually assess late fees. In the 2017 first quarter earning call, Invitation Homes credited its national lease and automated tenant-charge system with driving a 22% increase in ancillary income, resulting in \$2 million of additional revenue.⁴⁰ These mechanisms, the company boasted to investors, guaranteed that “fees are being charged appropriately, so they are not at the discretion of our local folks but go through the process automatically.”⁴¹ For Invitation Homes, in short, the elimination of the human element a tenant would traditionally have with a mom-and-pop landlord is an important point of company pride.

Similarly, Starwood Waypoint reported a 90% revenue jump between 2015 and 2016, primarily through the acquisition of new homes, but also a result, the company said, of the enhanced implementation of “smart home service charges, tenant charge backs, late charges and early-termination charges.”⁴² Assessing late charges, collecting eviction fees, and withholding security deposits allow these companies to reduce the costs associated with tenant turnover and potentially even generate revenue by displacing residents. Starwood Waypoint reports a turnover cost per home of \$270⁴³, which is far less than its average one-month’s rent security deposit paid by tenants.⁴⁴

Shifting The Cost Of Maintenance

Under the terms of a 34-page lease provided by one Starwood Waypoint tenant, residents are responsible for all maintenance repairs that “do not constitute Major Repairs and are not Landlord’s obligation pursuant to Local Laws, including... routine insect control, replacement of light bulbs, checking and maintaining smoke and carbon monoxide detectors, maintenance of exterior landscaping... maintenance and repair of the appliances at the Premises, repair and maintenance of all sewer and sink backups and blockages... repair of any broken glass, [and] regardless of cause.” The lease goes on to say that “residents’ failure to maintain any item for which the resident is responsible will give the Landlord the right to hire a vendor of its choosing to perform such maintenance and charge the resident to cover the cost... Residents’ failure to maintain or repair any item for which the resident is responsible will also be deemed a default of lease” (see Appendix). Thus, according to the contract, residents are required to pay for routine maintenance and minor repairs with serious health and safety implications such as drainage, fumigation, and carbon monoxide or smoke detector replacements. Residents are also responsible for fixing appliances such as stoves and refrigerators - repairs that can be very expensive and sometimes pose health and habitability risks.

38 Invitation Homes Inc. “Form S-11: Registration Statement Under the Securities Act of 1933 of Securities of Certain Real Estate Companies.” United States Securities and Exchange Commission. January 2017. Pg 74

39 Invitation Homes Inc. “Form S-11: Registration Statement Under the Securities Act of 1933 of Securities of Certain Real Estate Companies.” United States Securities and Exchange Commission. January 2017. Pg 115

40 Invitation Homes, Transcript of 2017 1st Quarter Earnings call. May 2017. Accessed through seeking alpha [here](#)

41 Invitation Homes, Transcript of 2017 1st Quarter Earnings call. May 2017. Accessed through Seeking Alpha [here](#)

42 Colony Starwood Homes. Form 10-K. United States Securities and Exchange Commission. Filed Feb. 28, 2017. Page 47

43 Refers to the cost of Repairs and Maintenance required for re-renting homes. Invitation Homes, Transcript of 2017 1st Quarter Earnings call. May 2017. Accessed through seeking alpha [here](#)

44 Based on interviews and surveys,, tenants report that the average security deposit is one month’s rent.



TENANT SPOTLIGHT

Eva Jimenez & Ramon de la Rosa

ACCE Members

“My husband and I have lived in our home for 12 years - first as homeowners, but after we we were hit with a predatory loan and foreclosed on, we became tenants of Waypoint in 2011. As time went by, our landlord refused to address increasing maintenance issues including a much needed roof repair. In 2016, despite their negligence to fix these issues, Waypoint said our rent was set to go up \$600.

We couldn’t afford the rent increase and knew we would be forced out of our home if we couldn’t pay it. That’s when we got involved with ACCE and with other tenants of Waypoint in similar situations. Through letters, emails, calls, and organizing — after several months — we were able to get Waypoint to stop the rent increase altogether and were able to stay in our home!”

In another recent survey, tenants in Starwood Waypoint’s Los Angeles County homes said their contracts allowed only one or two fumigations and one pipe cleaning a year. A tenant in Sylmar reported that after being charged \$240 to have his pipes snaked, he decided to do all future repairs himself. “They are hurting us financially... they are swindling us,” he said. “It’s ridiculous.” A neighbor living in a house owned by Invitation Homes said the maintenance company “fixes [the property] enough to bring it up to standard, but you have to pay for that.” In addition to home maintenance costs, many tenants have reported paying \$100 a month or more for landscaping and \$140 a year for rental insurance, upon penalty of eviction⁴⁵. These payments aren’t going directly to the landlord, but are required by the rental contract, upon penalty of eviction.

Shifting maintenance responsibilities onto tenants can prove profitable and make such companies appear more attractive to investors. Starwood Waypoint’s annual report cites a 51% increase (from \$17,167 million to \$25,844 million) in “other property income,” which includes automated “smart home” features and other service charges, tenant charge backs, late charges and early-termination charges.⁴⁶ Similarly, American Homes 4 Rent reported in a fourth quarter earnings call to investors that its annual maintenance cost per house came to \$2,034, excluding a \$582 average cost per house billed directly to tenants as “tenant chargebacks.” This suggests that tenants may be paying more than a fifth of overall maintenance costs.

45 Abood, Meredith. “Securitizing Suburbia: The Financialization of Single-Family Rental Housing and the Need to Redefine Risk”. Master’s Thesis submitted to Massachusetts Institute of Technology. June 2017

46 Colony Starwood Homes. Form 10-K. For the fiscal year ended December 31, 2016. Securities and Exchange Commission. Pg 47. Accessed [here](#)

Companies also boast to their investors about savings achieved through “better tenant education.” During a quarterly reporting call in February 2017, for example,

*Starwood Waypoint spoke of a nearly 9% reduction in operating costs that the company credited partly to educating residents about “their responsibility for maintaining their home” while providing them with “a wide ranging suite of self-help tools developed for driving down costs for us and our residents.”*⁴⁷

At American Homes 4 Rent, all maintenance calls are forwarded to a central call center where, according to the company, its representatives try to “resolve the problem over the phone” or “assist the tenant in fixing the issue.”⁴⁸ This kind of “education,” tenants say, pressures them into making and paying for repairs themselves.

These companies also use technological platforms to reduce ongoing maintenance and operating costs such as tenant selection and rent collection. Although the largest companies all have internalized management operations and district offices, they typically handle complaints and rent collection through online systems or centralized call centers. Such practices reduce staffing costs, they say; American Homes 4 Rent for example, reports just one paid staff person per 100 homes, while Colony Starwood has just 304 employees managing over 32,000 homes.

Increased Inequality through Financialization

It is important for us to understand that the sudden growth of Wall Street investors in the single-family rental market is not an isolated phenomenon, but is part of the growing “financialization” of the entire economy. Financialization, often defined as the growing dominance of financial institutions and tools, has led to an economy in which wealth accumulation increasingly occurs from financial channels rather than through trade of goods and services and commodity production.⁴⁹ 60 years ago, homes were predominantly owned by the people that lived in them or near them - where wealth was built locally for families to

47 Colony Starwood Homes. Transcript of 2016 4th Quarter Earnings call. Feb 28, 2017. accessed through Seeking Alpha [here](#)

48 American Homes 4 Rent. Transcript of 1st Quarter Earning. May 5, 2017. Accessed through Seeking Alpha [here](#)

49 Aalbers, Manuel. “The Financialization of Home and the Mortgage Market Crisis.” *Competition & Change* 12 (2): 148–66. 2008. Pg 151.

Progress Residential

- Institutional backer: Pretium Partners
- Total Homes: 19,269 homes
- Major Markets: Atlanta, Tampa, Phoenix, and Houston

Former Goldman Sachs partner Donald Mullen Jr and Curt Schade, a Bear Stearns high-yield and distressed sale and trading veteran, founded Progress in 2013.²⁶ A decade ago, as the head of Goldman Sachs’ mortgage and credit business, Mullen bet against the U.S. housing market in what became known as “The Big Short.”²⁷

The firm is managed by Pretium Partners, which Mullen and Schade founded as part of a broader distressed-mortgage strategy.²⁸ Pretium Partners has acquired at least 10,000 mortgages from HUD, Fannie Mae, and Freddie Mac.²⁹

On June 30, 2017, Pretium had \$3.4 billion in assets under management.³⁰ As of 2016, Progress Residential’s homes were concentrated in Atlanta (15%), Tampa (11%), Phoenix (9%), and Houston (8%).³¹

26 “Progress Residential bests Blackstone with new SFR bond,” Reuters, Jan 28, 2015.

27 “Former Goldman exec behind “The Big Short” looking to raise \$1B to buy up foreclosed homes,” The Real Deal, Oct 5, 2016.

28 “Progress Residential bests Blackstone with new SFR bond,” Reuters, Jan 28, 2015.

29 FHFA Enterprise Non-Performing Loan Sales Report, Dec 2016. Report to the Commissioner on Post Sale Reporting, Distressed Asset Stabilization Program, Mar 2017.

30 Pretium Form ADV brochure, Sept 20, 2017.

31 Single-Family Rental Primer, 5th Edition, Keefe, Bruyette & Woods, Sept 28, 2016.

be handed down for generations. Recently however, with the decline in homeownership post foreclosure-crisis and the rise of corporate landlords, profit-making in housing is increasingly derived from the trade of housing debts and equity through financial markets controlled and profited by a few Wall Street elite.

This increasing dominance of finance as a means of wealth accumulation has resulted in windfall profits for financial elite, and led to unprecedented levels of wage and wealth inequality by redistributing tenants' rent payments to wealthy investors and redirecting the benefits of home price appreciation to private equity funds and corporate executives rather than homeowners.⁵⁰ For example, in June of this year, Thomas Barrack and his investment firm Colony NorthStar sold 11 million shares of Colony Starwood Homes, grossing nearly \$400 million.⁵¹

After the merger with Invitation Homes, John Bartling, President and CEO of Starwood Waypoint homes, was awarded a severance package of three times his base salary and a targeted bonus, according to disclosure documents.⁵² In the year prior to the merger, Bartling received a reported \$2.5 million in compensation with a base pay of \$875,000, bonuses of \$810,000 and stock options worth nearly \$800,000. As part of the merger, Fredrick Tuomi, who will remain CEO of the combined company was awarded a base salary of \$800,000 and annual performance bonus between \$600,000 and \$1.8 million depending on performance. He was also given an "annual long-term incentive award" worth an estimated \$3.5 million and a "special equity award" worth \$7 million⁵³.

The housing market has played a central role in both bolstering the financial sector and exacerbating economic inequality. Housing currently accounts for \$163 trillion, or nearly half of all global financial assets⁵⁴ and the financialization of homes is the foundation on which the precariously stacked cards of a financialized economy rests. As Leilani Farha, United Nations special rapporteur on the right to housing argues, "the 'financialization of housing... whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on global markets.... disconnects housing from its social function of providing a place to live in security and dignity and hence undermines the realization of housing as a human right," she wrote in a recent report to the United Nations. Between 1980 and 2002, the finance sector's share of total U.S. profits tripled from 15% to 45%, while wage inequality increased by over 25%.⁵⁵

The vast majority of the wealth and profits generated by these firms derives from financialization itself, not the use of financialization to facilitate production new homes or rehabilitate. While wealthy investment firms redistribute incomes of the poor and

50 For more See: Lin, Ken-Hou, and Donald Tomaskovic-Devey. "Financialization and U.S. Income Inequality, 1970–2008." *American Journal of Sociology* 118 (5): 1284–1329. doi:10.1086/669499. 2013; Corkery, Michael. "Wall Street's New Housing Bonanza." *New York Times*, January 29, 2014 and Palley, Thomas. "Financialization: What It Is and Why It Matters." *PERI Working Papers*. January 2007

51 Glanz, Aaron. "Trump Friend Thomas Barrack Cashes Out of Colony Starwood Homes". The Nation. June 11, 2017. Accessed [here](#)

52 Invitation Homes and Starwood Waypoint Homes. Joint Proxy Statement/Information Statement and Prospectus. October 16, 2017. Accessed [here](#)

53 Invitation Homes. Form 8-K. United States Securities and Exchange Commission. Sept 19, 2017. Page 2. Accessed [here](#)

54 Farha, Leilani. *Report of the Special Rapporteur on Adequate Housing as a Component of the Right to an Adequate Standard of Living, and on the Right to Non -Discrimination in This Context*. 2017.

55 Farha, Leilani. *Report of the Special Rapporteur on Adequate Housing as a Component of the Right to an Adequate Standard of Living, and on the Right to Non -Discrimination in This Context*. 2017.

TENANT SPOTLIGHT

Sheri Eddings
ACCE Member, Los Angeles

Sheri Eddings began renting her South LA house from Invitation Homes in 2013, shortly after Blackstone Group launched the company as a venture to take advantage of the massive discounts to large investors on foreclosed properties provided by banks and government entities like Fannie Mae. Sheri lives in the home with her daughter, and likes living there in part because it is close to another daughter and her grandkids. Sheri, who has worked for many years as a sales rep for a carpet company, began by paying \$1800 per month in rent. Over the next four years, Invitation Homes raised the rent by 22%, or \$400 per month, so Sheri now pays \$2200 per month - and it will go up to \$2300 per month next year. However, during the same period of time Invitation Homes had attempted to raise her rent by 56%, or \$1000 per month, and Sheri had to request that this outrageous increase be lowered.

Sheri has also had to deal with a number of communication problems with Invitation Homes. During her last contract renewal process, despite the fact that the company was aware that Sheri had a pet when she moved in, they tried to force her to pay a \$500 pet deposit for her dog; the pet deposit was removed after Sheri protested. And

on a repair visit, after a contracted maintenance employee tripped on a piece of uneven floor, Sheri says the employee was reprimanded by the company when they found out that he had commented to Sheri that the floor was in need of repair. "I have spoken with many tenants who have had the experience that

Invitation Homes maintenance staff
is overwhelmed and can't handle the
level of work assigned to them.

The last time I needed a repair I had to call multiple times over several days to get a response." Sheri likes living in her home but believes that Invitation Homes should eliminate the unfair rent increases.



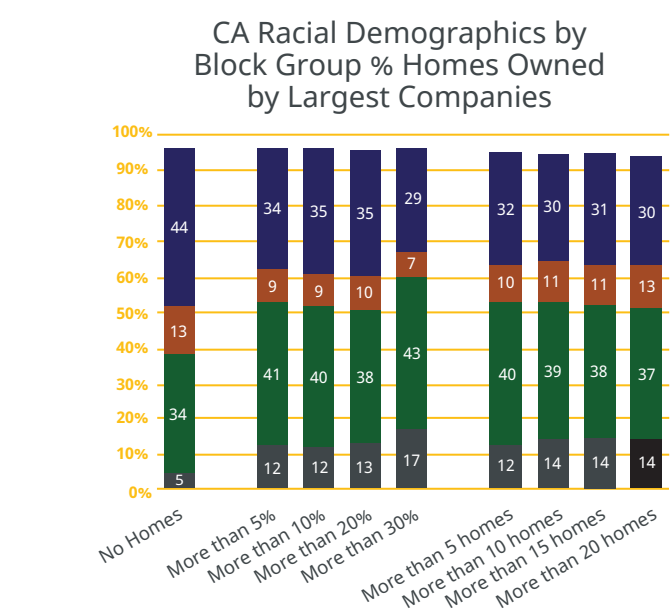


Figure 7

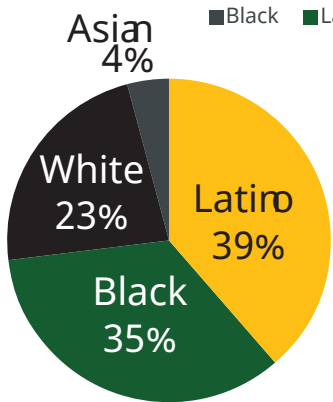
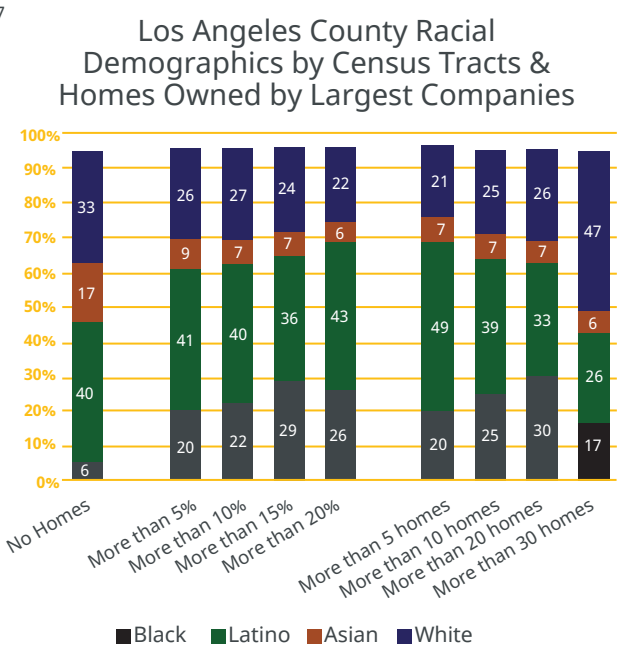


Figure 8

Wall Street Landlord's tenants by race

working-class to line their own pockets, those same investors have less incentive to invest in sectors of the economy that would yield greater job growth for those same renters. The ability of financial companies and investors to use renters as a source of profit in the midst of a stagnant economy not only exacerbates income inequality, it threatens the right to housing itself.

Continued Racial Disparities

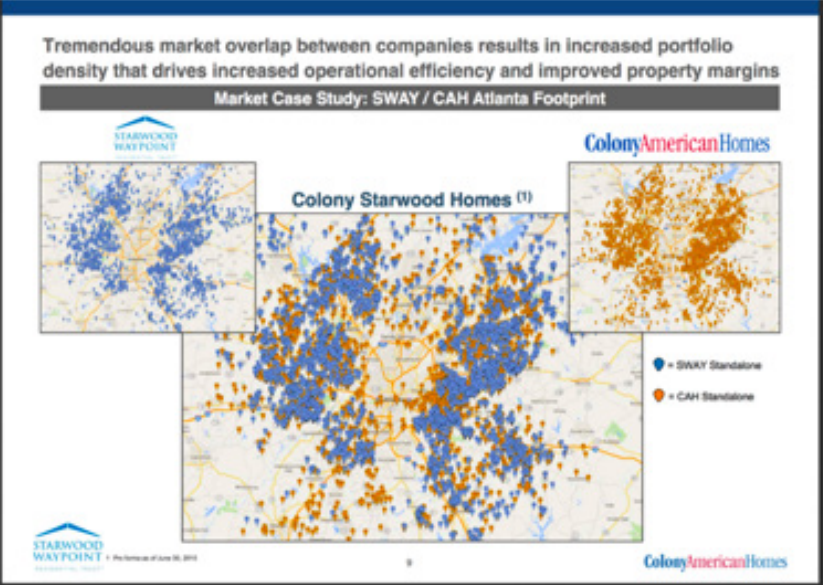
Like the Bulnes’ neighborhood, Latino and African-American neighborhoods were hit the hardest by the foreclosure crisis. Historically, these are the same neighborhoods that were shut out of homeownership through redlining decades ago - a practice of denying mortgages and other financial services based on the racial or ethnic

makeup of those zip codes. According to the website PropertyRadar, on the Bulneses’ six-block street alone, at least 35 properties were foreclosed between January 2006 and December 2012.⁵⁶ The Wall Street takeover over homes across the country often happens in neighborhoods that have higher levels of Latino and African American residents - stripping wealth and ownership from communities of color and putting it into the hands of large corporations while creating a continued barrier for those communities to rebuild the wealth lost from the foreclosure crisis.

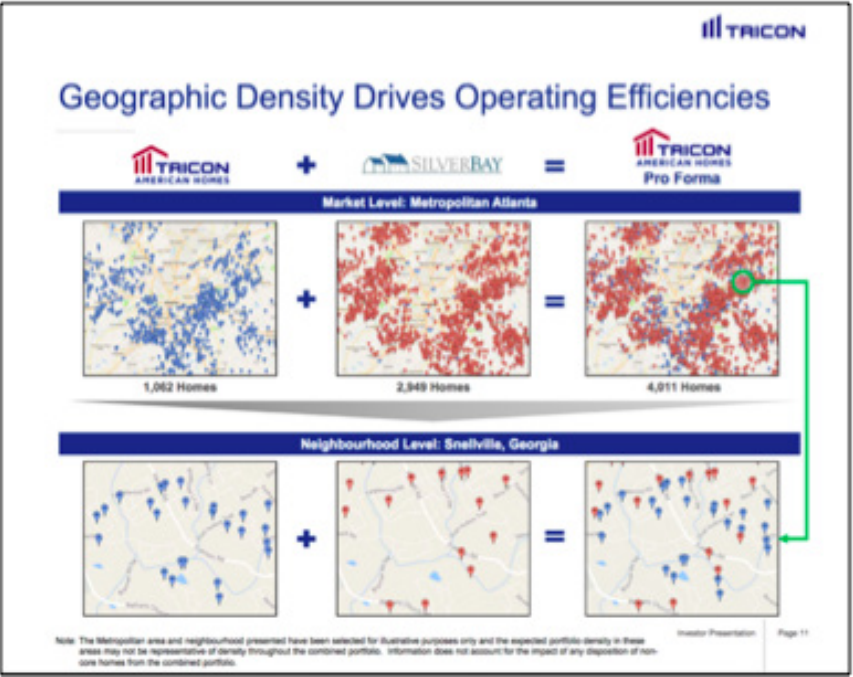
Shown in *Figure 8*, based on a survey conducted by a MIT masters student in urban planning, of 100 tenants of Invitation Homes and Starwood Waypoint tenants done in LA County in 2016, 78% of all tenants were families of color. An analysis done by this same student, found that in California census block groups without institutional investment are 5% African American compared with 15% African American for those with more than 15-20 homes owned by one of the largest companies. Similarly in LA County, census

56 Stavely, Zaidee. “From Foreclosure to Eviction: One Family’s Struggle to Recover.” July 7, 2017. KQED. Accessed [here](#).

Figure 10



Slides from investor presentations by Colony Starwood and Tricon showing the “market synergies” resulting from their respective mergers

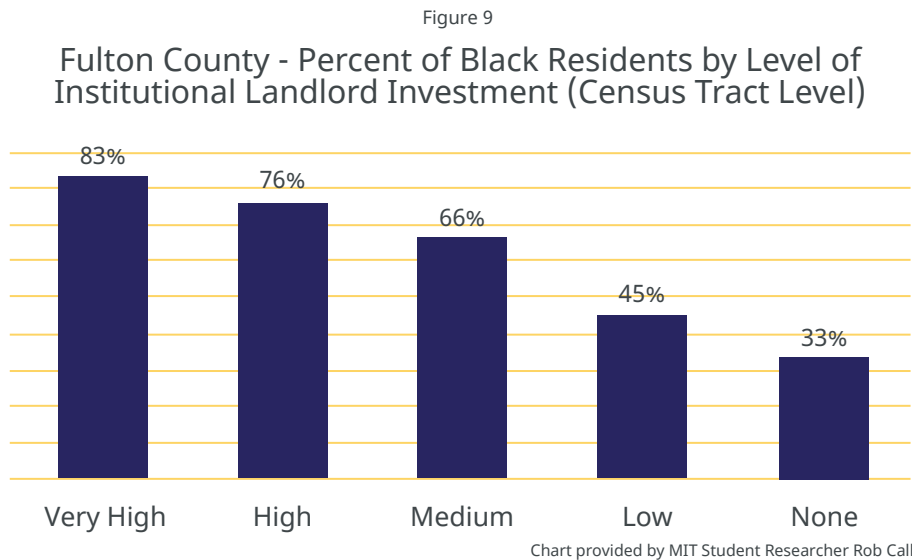


tracts with no homes owned by the largest landlords are 6% African American. Census tracts with more than 20 homes owned by the largest companies, by comparison, are 30% African-American⁵⁷.

This trend is not only true in California. A similar analysis conducted by another MIT student researcher, Robert Call, found similar trends in Fulton County, Georgia. Census tracts with no institutional investment were 33% black, whereas neighborhoods with “very high” or “high” levels of investment were over 75% Black. Fulton County and the city of Atlanta, which are 44.3% Black and 54% Black, respectively, have received

57 Abood, Meredith. “Securitizing Suburbia: The Financialization of Single-Family Rental Housing and the Need to Redefine Risk”. Master’s Thesis submitted to Massachusetts Institute of Technology. June 2017

among the most institutional investment in single-family rentals in the nation⁵⁸. The concentration of institutional investment in Black communities will likely hinder wealth building and result in greater racial disparities.



5. MARKET MONOPOLIZATION & GROWING POLITICAL POWER

Market Monopolization

Having completed its merger with Starwood Waypoint, Blackstone’s Invitation Homes now has a combined portfolio of 82,000 properties, making it one of the largest landlords in the country and the second largest residential real-estate company in the world. All told, one-fourth of the country’s single-family rental homes are now owned by institutional investors, with more than 200,000 families paying their rent to just nine giant Wall Street-backed firms. According to a report by the Harvard Joint Center for Housing Studies, the majority share of all U.S. rental units (52.2 percent) are owned by institutional investors, and the investor-owned share of single-family homes increased by nearly 40% from 2001 to 2015.⁵⁹

Additionally, single-family rental companies like Starwood Waypoint and American Homes 4 Rent are increasingly partnering with developers to acquire newly constructed homes. In 2017, Starwood Waypoint reported that “new builds” account for 5% of the company’s portfolio and about one in five of the homes the company purchases are from a developer.⁶⁰ Starwood Waypoint now has relationships with over 30 builders and plans to purchase at least 600 homes in the coming years.⁶¹

In order to decrease operating costs, single-family rental companies look for merger and acquisition opportunities that will lead to greater market share in selected geographies, helping them achieve economies of scale in the management of their properties. In its prospectus, Invitation Homes emphasizes the company’s “disciplined market and asset

selection,” which increases “local density” and “drives “operational efficiency.”⁶² Similarly, Starwood Waypoint highlights its focus on markets with the greatest opportunities for home price appreciation and strong rental demand, where it “can attain property operating efficiencies as a result of geographic concentration.”⁶³ When the two companies began discussing a potential merger with investors, they touted an 83% overlap between their portfolios.

Executives of Invitation Homes and Starwood Waypoint characterized the market impact of their merger as minimal, inasmuch as they would together account for only 1% of all single family rentals. In some parts of the country, however, their presence is far more conspicuous and influential. In Sacramento, Invitation Homes is the second largest property owner, after the City itself, and the largest single family home landlord, position them well to impact, if not set, rent prices. In a single zip code of the Northern California city of Fairfield, for example, California Invitation Homes and Colony Starwood own a combined 339 properties - 12.5% of the total single-family rentals in that particular area⁶⁴.

Increased market power through strategic mergers and acquisitions not only creates “economies of scale”; it also enables companies that enter a market early to maintain a permanent competitive advantage. New or emerging companies seeking to enter the single-family rental market cannot acquire the deeply discounted homes that were available during the foreclosure crisis, and thus face substantial barriers to entry. These barriers allow existing companies to retain market dominance, and thus increasing their impact on rent prices.

A Growing Political Force

Single-family rental companies are marshalling their collective political clout. In 2014, Starwood Waypoint launched the National Rental Home Council (NRHC), a non-profit trade association that seeks to combat negative press coverage and “communicate the industry’s value proposition, promote and defend the industry to stakeholders, policymakers and regulators, and reframe the existing stigma around renters.”⁶⁵ Members of the Council include Invitation Homes, American Homes 4 Rent, Tricon American Homes, Altisource Rental Homes, FirstKey Homes, Roofstock, National Rental Homes, and over a dozen others.

One big concern of the industry is that negative attention from community advocacy organizations or elected officials could hinder its business practices. “Numerous tenant rights and consumer rights organizations exist throughout the country and operate in our markets, and we may attract attention from some of these organizations and become a target of legal demands, litigation and negative publicity...” Such organizations, according to Invitation Homes’ prospectus, “might... attempt to bring claims against us on a class action basis for damages or injunctive relief and to seek to publicize our

58 Call, Robert. “Post-Crisis Investmetn in Single-Family Homes in Fulton County, Georgia”. Master’s Thesis submitted to Massachusetts Institute of Technology. February 2017.
59 Michael Kolomatsky. “Mom and Pop Own Fewer Rentals.” August 17, 2017. New York Times. Accessed [here](#).
60 Colony Starwood, Transcript of 2017 3rd Quarter Earnings Calls. March 2017. Accessed through Seeking Alpha [here](#).
61 Colony Starwood, Transcript of 2017 3rd Quarter Earnings Calls. March 2017. Accessed through Seeking Alpha [here](#)

62 Invitation Homes. Form S-11. United States Securities and Exchange Commission. January 2017. Page 102. Accessed [here](#)
63 Colony Starwood Homes. Form 10-Q. For the quarterly period ended March 31, 2016. United States Securities and Exchange Commission. Page 32. Accessed [here](#)
64 Statistics based on property address data downloaded from propertyradar.com and the 2011-2015 American Community Survey.
65 National Rental Home Council. “NRHC Marketing.” Feb 5, 2014. Accessed [here](#).

activities in a negative light... We cannot anticipate what form such legal actions might take, or what remedies they may seek.”⁶⁶

“Consumer organizations have become more active and better funded in connection with mortgage foreclosure-related issues,” Silver Bay observed in a recent report to investors. “[S]ome of these organizations may shift their litigation, lobbying, fundraising and grassroots organizing activities to focus on landlord-tenant issues.” These companies are particularly worried that local advocacy groups will band together in a push for rent control rules that extend to single-family as well as multi-family residences; If that idea gained political traction, Silver Bay warned, its rental income could be negatively affected.⁶⁷

Some of the leaders of this burgeoning industry don’t necessarily need a trade association to have their voices heard at the highest levels of policy-making in the country. The CEO of Blackstone Group, the parent company of Invitation Homes, is Stephen Schwarzman, former chair of President Trump’s Economic Advisory Council and still a close Trump ally and advisor. The CEO of Colony Capital - and former part-owner of Starwood Waypoint - is Thomas J. Barrack, another member of the Trump inner circle. Barrack helped found a political action committee, Rebuilding America Now, which raised \$23 million for the Trump campaign; he also chaired Trump’s inauguration committee, helping to raise an astonishing \$100 million - nearly twice the amount raised for the 2009 inauguration of President Obama. Thomas Barrack told the Washington Post that he and Trump began talking about the presidency as early as 1987, that the talk grew more serious in 1999, and that “fewer people are closer to Trump and that the two talk weekly.”⁶⁸



Blackstone CEO, Stephen Schwarzman, pictured right. Getty Images.

66 Invitation Homes. Form S-11. January 2017. United States Securities and Exchange Commission. Page 27. Accessed [here](#).

67 Silver Bay Realty Trust Corp. Form 10-k. For the fiscal year ending December 31, 2015. Page 22 United States Securities and Exchange Commission. Accessed [here](#).

68 Kranish, Michael. ‘He’s better than this,’ says Thomas Barrack, Trump’s loyal whisperer”. The Washington Post. Oct. 11, 2017. Accessed [here](#).

6. HOW GOVERNMENT ROLLED OUT THE RED CARPET FOR THE RISE OF WALL STREET LANDLORDS

The creation of the single-family rental asset class would not have been possible without explicit government support. Through an REO-to-rental pilot program, along with bulk sales of distressed loans and seemingly minor changes in the tax and regulatory environment, the federal government has been playing an active, central, and continuous role in facilitating the rise of single-family rental housing as an institutionalized and financialized investment vehicle.

Federal Agencies Open The Floodgates

In 2012, The Federal Housing Finance Agency (FHFA) joined a group of other federal agencies to create a “REO-to-Rental” pilot program that allowed investors to buy pools of foreclosed properties from the government if they agreed to maintain them as rental units. The initiative sold 2,500 properties located in Chicago, Riverside, Los Angeles, Atlanta, Las Vegas, Phoenix, and various cities in Florida; these remain the areas of the country with among the highest concentrations of large-scale investor ownership. According to Meg Burns, FHFA’s Associate Director for Housing and Regulatory Policy, the program was designed to “gauge investor appetite” for scatter-site single-family housing and to determine whether bulk sales could “stimulate housing markets” by “attracting large, well-capitalized investors.”⁶⁹ By creating a business model and actively seeking private-industry partners, the REO Pilot Initiative helped legitimize single-family rentals as a space for institutional investment and provided an initial portfolio for the emerging private-equity backed companies.⁷⁰

69 Burns, Meg. 2012. “An Examination of the Federal Housing Finance Agency’s Real Estate Owned (REO) Pilot Program.” presented at the U.S. House of Representatives Committee on Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises, May 7, 2012. Accessed [here](#).

70 Fields, Desiree. “Distressed-as-Desirable Assets: Post-Crisis Representations of Housing.” In Urbino, Italy. Aug 29, 2015 Accessed [here](#).



Eric Gay / Associated Press

As of October 2016, FHA had sold over 104,258 mortgage loans and transferred over \$17.7 billion in unpaid balances⁷² at a discount of 25-50%⁷³. According to HUD’s post-sales reporting documents, large-scale private equity firms purchased over 98% of these distressed properties. Bayview Asset Management, part-owned by the Blackstone Group, bought nearly 28,000 home loans, accounting for 30% of total sales⁷⁴. If the distressed loans resulted in foreclosure or short sale, rental companies like Invitation Homes (Blackstone’s other affiliate) could easily purchase the properties from their private-equity colleagues. According to HUD, less than 13% of the distressed mortgages resulted in a performing loan modification. Thus, the majority of the housing stock ended up in foreclosure (55%), short sale (13%) or deed-in-lieu (12%), or remained unresolved (33%).⁷⁵ As HUD and FHA auctioned off billions of dollars of discounted loans to Wall Street firms, while refusing to require principal reduction or offer a right of first refusal to non-profit developers, activists and politicians criticized the program as little more than a government-subsidized transfer of wealth to the 1%.⁷⁶

In June of 2016, responding to appeals from community groups across the country, and from Senator Elizabeth Warren, Representative Mike Capuano, and the US Conference

71 Bernanke, Ben. “Housing Market in Transition.” presented at the 2012 National Association of Homebuilders International Builders’ Show, Orlando, Florida. February 10, 2012. Accessed [here](#).
72 Department of Housing and Urban Development - Federal Housing Administration. “Report to the Commissioner on Post Sale Reporting FHA Single Family Loan Sale Program” prepared by HUD and FHA. Accessed [here](#)
73 Department of Housing and Urban Development - Federal Housing Administration. “Report to the Commissioner on Post Sale Reporting FHA Single Family Loan Sale Program”. January 22, 2016. Accessed [here](#)
74 Department of Housing and Urban Development - Federal Housing Administration. “Report to the Commissioner on Post Sale Reporting FHA Single Family Loan Sale Program”. January 22, 2016. Accessed [here](#)
75 Data based on October 2016 Report “Report to the Commissioner on Post Sale Reporting FHA Single Family Loan Sale Program” prepared by HUD and FHA
76 California Reinvestment Coalition. “CRC Survey of Community-Based Organizations on hte Impact of REO to Rental”. Jun 2015.

of Mayors, FHA announced new rules that, at least on their face, required investors to “consider” principal reduction first, while limiting interest rate increases, prohibiting investors from abandoning low-value properties, and created new opportunities for non-profit and government buyers⁷⁷. Despite the changes, however, only 2% of the 8,107 loans sold in 2016 went to non-profit investors, while nearly 60% were sold to Bayview⁷⁸. Government auctions of distressed loans and foreclosed properties continue to provide large corporate firms with a steady supply of homes⁷⁹ (see Appendix 4).

Backing The Billionaires

In 2017, Invitation Homes disclosed in its prospectus that the company had received a 10-year \$1 billion loan from Wells Fargo and that Fannie Mae would securitize and back the principal and interest⁸⁰. Essentially, Fannie Mae had agreed to provide a government-backed guarantee for a billion-dollar company’s loan. This federal backing allowed Invitation Homes to benefit from lower interest rates and more favorable loan terms than the single-family rental industry had ever received before, and appears to have been a result of sustained industry lobbying.

For years, single-family rental companies have argued that government guarantees for multifamily loans - available since the 1990s - “unfairly advantaged” apartment investors over companies owning “distributed apartments’ in the form of scattered-site single-family rental properties.”⁸¹ In redefining single-family rental housing as an alternative form of multifamily, the industry successfully persuaded Fannie Mae and Freddie Mac to overlook regulations that prohibit the government-sponsored entities from investing in new or emerging asset classes.

Fannie Mae and Freddie Mac have thus far not publicly stated that they will continue to support the single-family rental industry, instead claiming that they are using the Invitation Homes deal to gather more “information.” “This transaction,” Fannie Mae told the Wall Street Journal, “helps us gather data and test the market to ensure we are delivering the right solutions that meet the increasing demand for single-family rental housing across all demographics.”⁸² Yet it seems unlikely that Invitation Homes competitors will support a federal decision to back the loans of one single-family rental company and not others.⁸³

In addition to government guarantees, the industry and some housing policy researchers have argued that single-family rental companies should be able to benefit from other government subsidies that support rental housing. For instance, the Urban Institute,

77 Lane, Ben “FHA announces sweeping changes to non-performing loan sales program”. HousingWire. June 30, 2016. Accessed [here](#)
78 U.S. Department of Housing and Urban Development - Federal Housing Administration. “Single Family Loan Sale 2016-2 Sales Result Summary”. Bid date. Sept 14, 2016
79 California Reinvestment Coalition. “CRC Survey of Community-Based Organizations on hte Impact of REO to Rental”. June 2015.
80 Olick, Diana. “Government’s Fannie Mae will back PE giant Blackstone’s rental homes debt”. CNBC. January 25, 2017. Accessed [here](#)
81 Davis, Cindy. 2017. “Fannie Mae Has Taken Step That Could Increase Single-Family Rental Expansion - Tampa Homes For Sale.” REMAX. Tampa Homes For Sale. February 18. Accessed [here](#)
82 Dezember, Ryan, and Nick Timiraos. 2017. “Blackstone Wins Fannie’s Backing for Rental Home Debt.” Wall Street Journal, January 24, sec. Markets. Accessed [here](#)
83 Swanson, Brena.. “OwnAmerica CEO: What the Single-Family Rental Market Looks like under Trump Administration.” December 9, 2016. Accessed [here](#)

a Washington, D.C.-based think-tank that has regularly co-published reports with the single-family rental industry, released a report in 2015 suggesting that single-family rental companies should be able to access the low-income housing tax credit (LIHTC) program to support their “multi-site multi-family” housing operation.⁸⁴ Allowing billion-dollar companies backed by multi-billion-dollar private equity funds to access additional real estate tax credits may result in a marginal increase in semi-affordable rental units, yet it will also provide unnecessary subsidies to an industry that has already received a federal transfer of discounted homes and discounted mortgages, as well as federal debt support.

The Regulated Deregulation of Tax Law

While the majority of government support for the single-family rental housing industry occurred after the crisis, the financialization of single-family rental housing also depended on existing regulations that had helped financialize other housing sectors such as multi-family and residential home mortgages. Minor adjustments in the tax codes and arcane financial regulations since the 1960s provided the foundation on which the single-family rental “revolution” could prosper.

Nearly all of the large institutionalized companies -- including Invitation Homes, Colony Starwood, and American Homes 4 Rent -- are organized as Real Estate Investment Trusts (REITs). REITs are credited as one of the major “innovations” that led to the financialization of the multi-family market in the 1990s. In the past, commercial real estate had been owned primarily by wealthy individuals, corporations, and institutional investors. REITs helped usher in a new era in which investors could purchase shares of real estate just as they might purchase shares of corporate stock. Perhaps most importantly for the likes of Invitation Homes and Colony Starwood, REITs are exempt from federal taxes (although shareholders pay individual income tax on the dividends). By enabling real estate companies to maintain greater profit margins, tax exemption creates a significant incentive for investors and investment funds to get into this market. Without government-sanctioned REIT status, single-family rental companies would be treated as ordinary domestic corporations, subjecting them to U.S. federal income tax at regular corporate rates.

Although REITs were created through tax laws in the 1960’s, more than two decades passed before they began to attract much investor interest. Beginning in the 1980s, several federal laws facilitated the expansion of REIT’s; including the Tax Reform

Act of 1986 and the Omnibus Budget Reconciliation Act of 1993. Both measures removed restrictions on REIT ownership and investor structures and allowed REITs to operate and manage properties in addition to owning them. These acts of public policy “laid the groundwork for REITs to become actively managed, fully integrated operating companies and led to the IPO boom of the mid-1990s.”⁸⁵ In addition, the Omnibus Budget Reconciliation Act of 1990 made it easier for pension funds and other institutional investors to own REIT shares. With increased investor demand, REIT shares skyrocketed and multifamily housing became more integrated in the global financial markets. “It is easy to forget, but just 25 years ago the entire market for apartment REITs was only about \$100 million... Today, the sector exceeds \$100 billion,” Gary Beasley, former Co-CEO of Starwood Waypoint, pointed out in 2012.⁸⁶ Investors are now hopeful that single-family rentals will go through a similar financial revolution.

Another key factor in the rise of the single-family rental asset class was access to the securitization market – access made possible by a series of legislative and regulatory actions over the last twenty years. Although there has been no explicit legislation relating to this market, single-family rental securitization highly depends on a set of federal actions that expanded the market for mortgage-backed securities. The Secondary Mortgage Market Enhancement Act (SMMEA), for example, improved the marketability of mortgage-backed securities by declaring AA-rated mortgage bonds equivalent in risk to U.S. treasury securities and other government bonds, thereby spurring investment by banks and pension funds. The Tax Reform Act of 1986 also played a part, by authorizing the creation of Real Estate Mortgage Investment Conduits (REMICs), which are financial entities formed as part of securitization deals that have the legal power to assemble mortgages into pools or tranches and issue pass-through securities. The new single-family rental securities depended both on the ratings criteria established by SMMEA and the ability to form REMICs authorized by the 1986 Tax Reform Act.

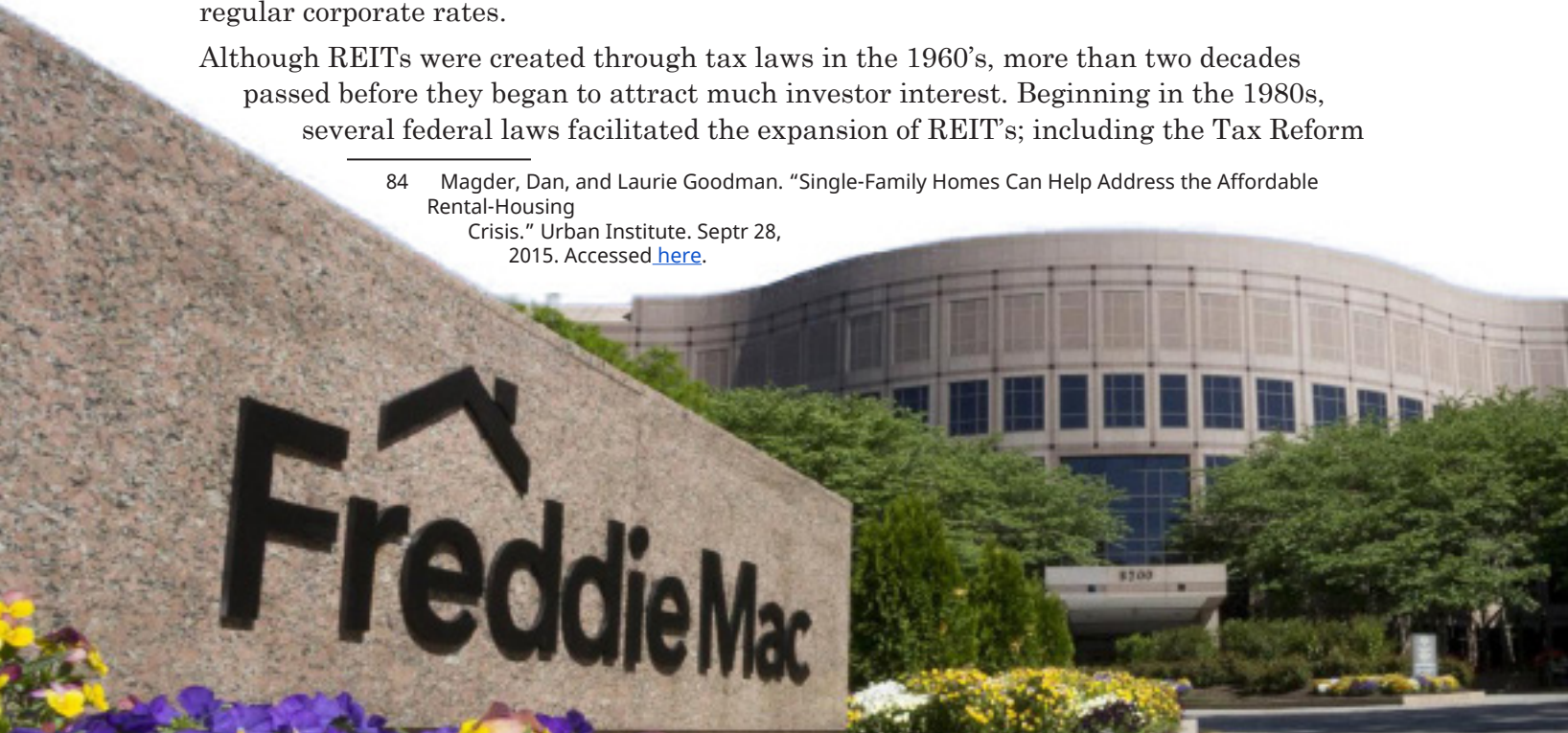
While the legal and tax structures formed through government regulation are complicated and confusing, the primary purpose of these securitization and REIT laws was to spur investment by making real estate capital more “liquid.” Liquidity, in finance speak, refers to how easy it is to convert an asset into cash, and in the case of single-family rental, it describes the ability of investors to easily purchase and sell homes. Real estate has traditionally been fairly illiquid since selling property is typically a brokered process that takes time and has high transaction costs. REITs and securitization allowed investors to snap up pieces of real estate quickly and easily, but this liquidity had to be created by and through government regulation.

Thus far the federal government has actively propped up the single-family rental industry without imposing any restrictions on affordability or creating additional protections for tenants or prospective homebuyers. As evident from Chapter 2, the government’s role in further financialization housing put communities and tenants at risk.

The next chapter outlines strategies at the local, state, and federal level to protect tenants, stabilize communities and reassert the importance of housing as a locally-owned asset for community building rather than a globalized investment for wealth extraction.

84 Magder, Dan, and Laurie Goodman. “Single-Family Homes Can Help Address the Affordable Rental-Housing Crisis.” Urban Institute. Sepr 28, 2015. Accessed [here](#).

85 Barclays. “U.S. REITs: REITs 101. Jul 17, 2012 Accessed [here](#)
86 Davis, Cindy. “Fannie Mae Has Taken Step That Could Increase Single-Family Rental Expansion - Tampa Homes For Sale.” REMAX. Tampa Homes For Sale. Feb 18, 2017. Accessed [here](#)





7. POLICY RECOMMENDATIONS

The following are broad policy recommendations for action at the Local, State and Federal level that would address a number of the specific problems raised by Wall Street ownership of single family rentals, as well as contributing to more affordable and sustainable rental housing and community development overall.

Local and State Policies

- Protect tenants and preserve housing affordability by establishing rent control and just cause eviction rules that cover occupants of single family rental housing as well as multi-family properties.
- Prohibit discrimination based on source of income – such as Section 8 vouchers and other types of rental subsidy or support- and ensure these protections apply to single-family as well as multi-family renters.
- Prohibit abusive and hidden fees and ancillary charges, require landlords to provide basic services required to make apartments habitable, and maintain a clear and level playing field on included operating and maintenance costs.
- Provide additional resources for local governments to maintain single- family rental housing when landlords fail to do so by imposing a modest additional fee on large scale purchasers / owners of such properties.
- Require public disclosure and reporting to city / county

government by large scale single-family rental property owners, including information on the business and financial plans for the operation and maintenance of the assets; on income and expenses each year; and on rent increases, evictions, and attempted evictions on a regular basis.

- Create a ‘right of first refusal’ if and when single-family properties are sold, so that tenants have the first opportunity to purchase, along with appropriate supports for low- and -moderate income tenants in particular, including housing counseling, and alignment of down-payment assistance and other funding programs. Mission-driven not-for-profit developers, community land trusts and tenant associations should have the second ‘right of first refusal’ if tenants do not purchase.

Federal Policy

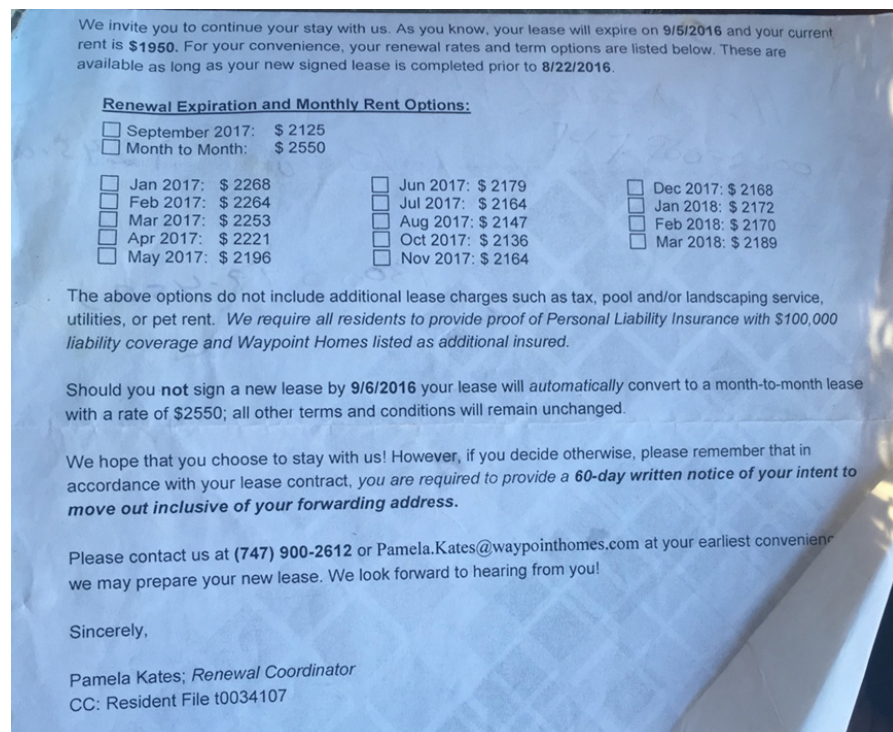
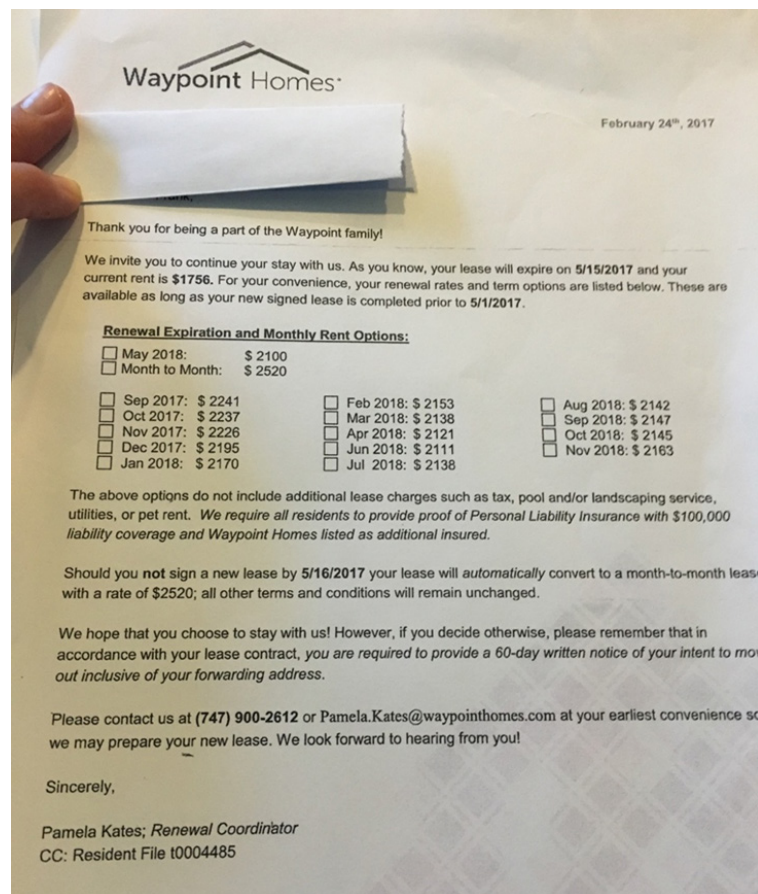
Many of the below policy recommendations are specific to GSE’s. GSE’s, or Government-Sponsored Enterprises, are [financial services](#) corporations created by the [U.S. Congress](#). With respect to the below policy recommendations, the GSE’s in question are Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation).

- The GSEs should only provide financing for large single-family rental portfolios if the units serve low- and -moderate income families earning under 60 percent AMI, if tenant protections are established, and if owners are prohibited from discriminating against tenants based on their source of income.
- Sales of non-performing loans (delinquent mortgages) and distressed properties (typically vacant properties), by the GSE’s and by the Federal Housing Administration (FHA), an agency within HUD, must not incentivize speculation, or act to favor Wall Street ownership of housing assets over other ownership structures. They should encourage both affordable homeownership and affordable rental housing, and make it

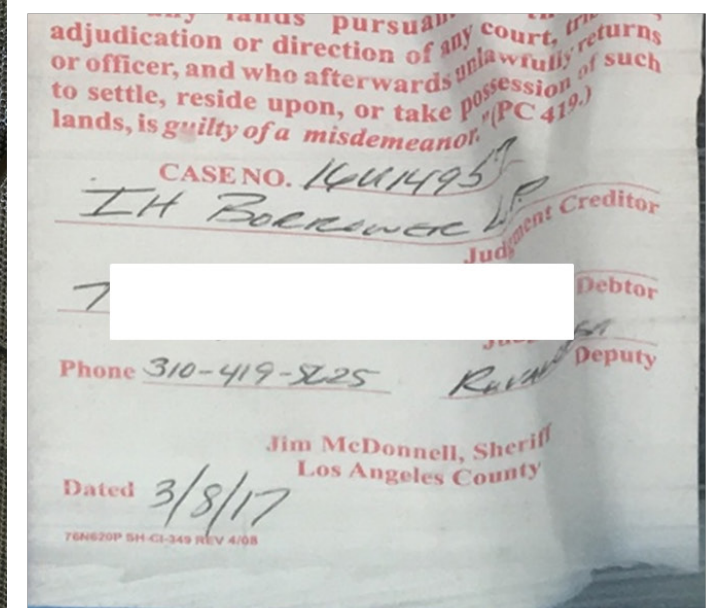
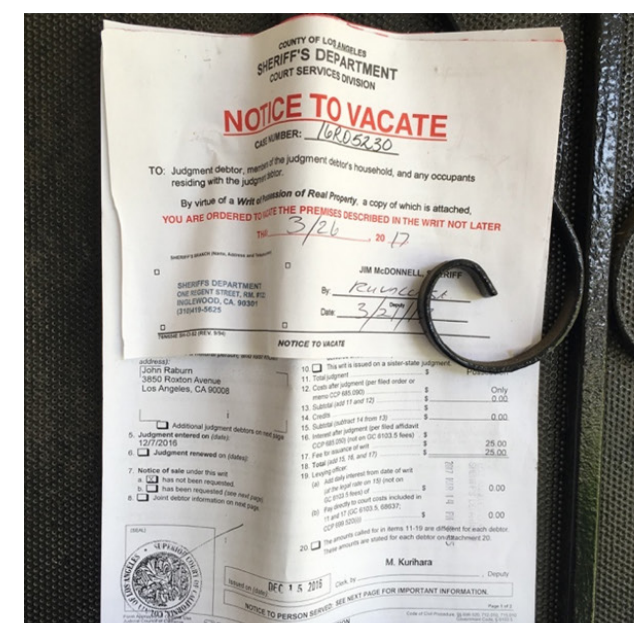
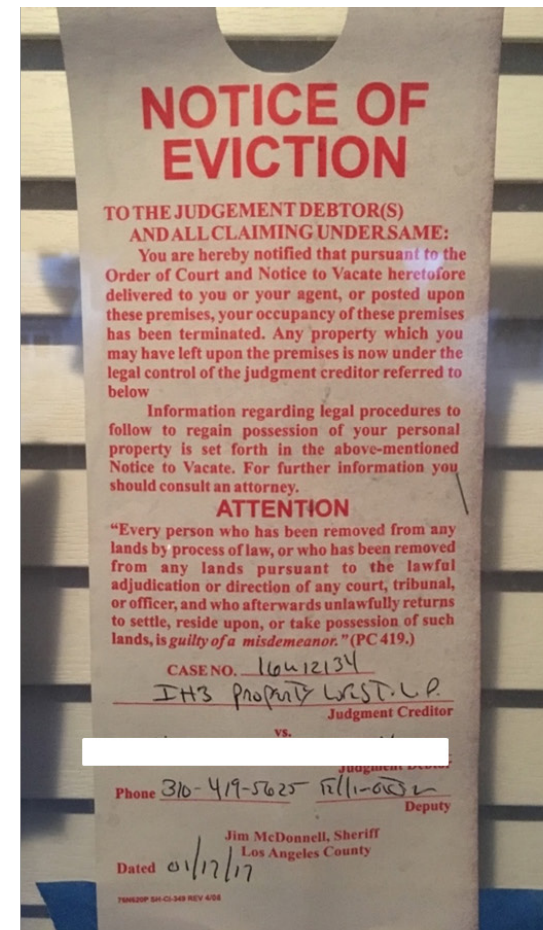
easier for low- and -moderate income people to pay sustainable housing costs and live in thriving communities.

- GSE and FHA sales of distressed mortgages and of single-family properties must have conditions to protect homeowners, tenants and communities, including s rigorous mortgage modification programs, rights of first refusal, rent control and just cause eviction protections and non-discrimination based on source of income (ie. Section 8 vouchers). These conditions must be enforced, including by refusing future sales to firms that violate them.
- The GSE’s and FHA should prioritize and favor mission driven developers and CDFIs as purchasers of non-performing loans and distressed properties.
- Congress should establish national rent control and just cause eviction rules for the largest owners of single family and multi family properties.
- The SEC should require Private funds and other firms to provide more information about their portfolio companies, including their impact - including as a landlord - on the communities in which they do business.

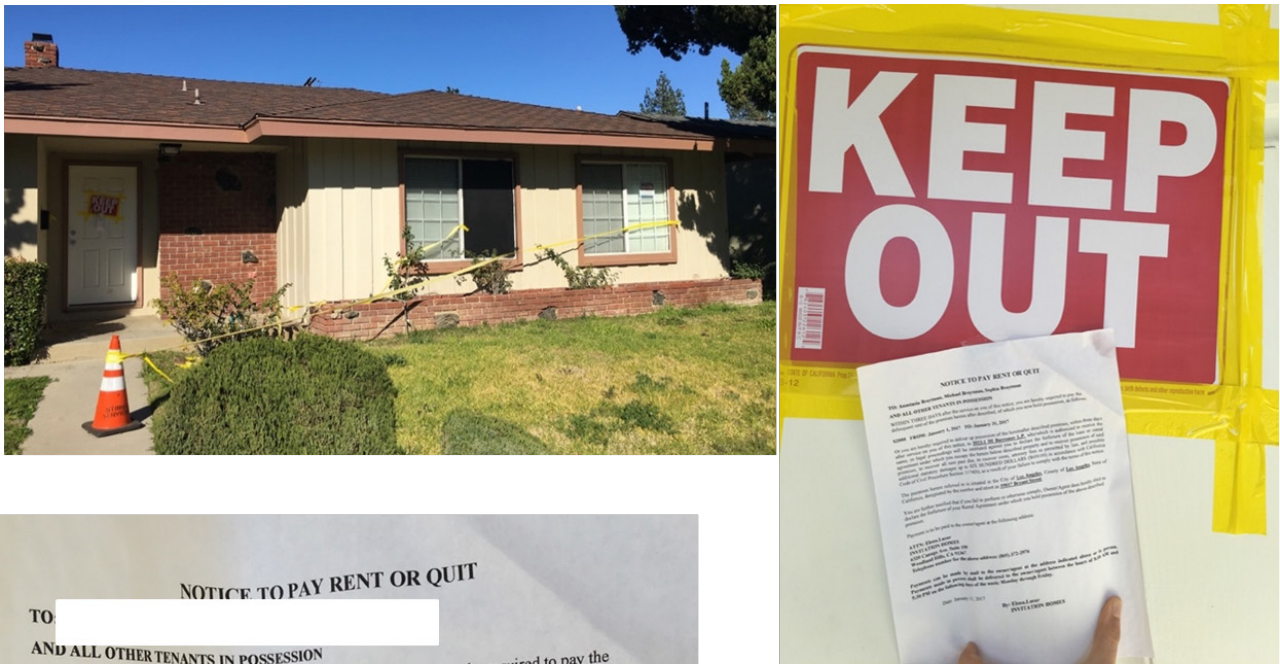
Appendix 1: Tenant Rent Increases



Appendix 2: Eviction Notices



Appendix 2: Eviction Notices



NOTICE TO PAY RENT OR QUIT

TO [REDACTED]

AND ALL OTHER TENANTS IN POSSESSION

WITHIN THREE DAYS after the service on you of this notice, you are hereby required to pay the delinquent rent of the premises herein after described, of which you now hold possession, as follows:

S2888 FROM: January 1, 2017 TO: January 31, 2017

Or you are hereby required to deliver up possession of the hereinafter described premises, within three days after service on you of this notice, to **2013-1 IH Borrower L.P.**, who/which is authorized to receive the same, or legal proceedings will be instituted against you to declare the forfeiture of the lease or rental agreement under which you occupy the herein below described property and to recover possession of said premises, to recover all rent past due, to recover costs, attorney fees as permitted by law, and possible additional statutory damages up to SIX HUNDRED DOLLARS (\$600.00) in accordance with California Code of Civil Procedure Section 1174(b), as a result of your failure to comply with the terms of this notice.

The premises herein referred to is situated in the City of **Los Angeles**, County of **Los Angeles**, State of California, designated by the number and street as **19817 Bryant Street**.

You are further notified that if you fail to perform or otherwise comply, Owner/Agent does hereby elect to declare the forfeiture of your Rental Agreement under which you hold possession of the above-described premises.

Payment is to be paid to the owner/agent at the following address:

**ATTN: Elena.Lazar
INVITATION HOMES
6320 Canoga Ave, Suite 150
Woodland Hills, CA 91367
Telephone number for the above-address: (805) 372-2976**

Payments can be made by mail to the owner/agent at the address indicated above or in person. Payments made in person shall be delivered to the owner/agent between the hours of 8:30 AM and 5:30 PM on the following days of the week: Monday through Friday.

Date: January 11, 2017

By: **Elena.Lazar
INVITATION HOMES**

FILE COPY

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar Number and address):
**Chris Evans, SBN 202135
Kimball, Tirrey & St. John LLP
555 South Flower Street, Suite 3400
Los Angeles, CA 90071
TELEPHONE NO. (213) 337-0050
E-MAIL ADDRESS:**

ATTORNEY FOR (Name): **Plaintiff**

ATTORNEY FOR (Name): ☒ JUDGMENT CREDITOR ☐ AGENT OF RECORD

SUPERIOR COURT OF CALIFORNIA, COUNTY OF **LOS ANGELES**

STREET ADDRESS: **1725 MAIN STREET, RM102**

CITY AND ZIP CODE: **SANTA MONICA, CA 90401**

BRANCH NAME: **LOS ANGELES SUPERIOR COURT SANTA MONICA / WEST DISTRICT**

PLAINTIFF: **CAH 2014-1 Borrower LLC**

DEFENDANT: **John Rabum**

LOCKOUT PRIOR TO **2-8-17** ENTERED INTO CIVAS

WRIT OF ☐ EXECUTION (Money Judgment) ☒ POSSESSION OF ☐ Personal Property ☒ Real Property ☐ SALE ☐ Limited Civil Case ☐ Small Claims Case ☐ Unlimited Civil Case ☐ Other

1. To the Sheriff or Marshal of the County of: **LOS ANGELES**

2. To any registered process server: You are authorized to serve this writ only in accord with CCP 699.080 or CCP 715.040.

3. (Name): **CAH 2014-1 Borrower LLC**

4. Judgment creditor ☒ assignee of record ☐ Judgment debtor (name, type of legal entity stated in judgment if not a natural person, and last known address):
**John Rabum
3850 Roxton Avenue
Los Angeles, CA 90008**

5. Judgment entered on (date): **12/7/2016**

6. ☐ Judgment renewed on (date):

7. Notice of sale under this writ
a. ☒ has not been requested.
b. ☐ has been requested (see next page)

8. ☐ Joint debtor information on next page.

9. ☒ See next page for information on real or personal property to be delivered under a writ of possession or sold under a writ of sale.

10. ☐ This writ is issued on a sister-state judgment.

11. Total judgment: \$

12. Costs after judgment (per filed order or memo CCP 685.090): \$

13. Subtotal (add 11 and 12): \$

14. Credits: \$

15. Subtotal (subtract 14 from 13): \$

16. Interest after judgment (per filed affidavit CCP 685.050) (not on GC 6103.5 fees): \$

17. Fee for issuance of writ: \$

18. Total (add 15, 16, and 17): \$

19. Levying officer: \$

(a) Add daily interest on date of writ (at the legal rate on 15) (not on GC 6103.5 fees) of \$

(b) Pay directly to court costs included in 11 and 17 (GC 6103.5, 68637): \$

20. ☐ The amounts called for in items 11-19 are different for each debtor. These amounts are stated for each debtor on Attachment 20.

M. Kunihara, Deputy

Issued on (date) **DEC 15 2016** Clerk, by

NOTICE TO PERSON SERVED: SEE NEXT PAGE FOR IMPORTANT INFORMATION.

Page 1 of 2

Form Approved by the State Bar of California
Form 100 (Rev. January 1, 2012)

WRIT OF EXECUTION

Page 1 of 2

State of Civil Procedure §§ 685.050, 685.090, 686.010, 686.020, 686.030, 686.040, 686.050, 686.060, 686.070, 686.080, 686.090, 686.100, 686.110, 686.120, 686.130, 686.140, 686.150, 686.160, 686.170, 686.180, 686.190, 686.200, 686.210, 686.220, 686.230, 686.240, 686.250, 686.260, 686.270, 686.280, 686.290, 686.300, 686.310, 686.320, 686.330, 686.340, 686.350, 686.360, 686.370, 686.380, 686.390, 686.400, 686.410, 686.420, 686.430, 686.440, 686.450, 686.460, 686.470, 686.480, 686.490, 686.500, 686.510, 686.520, 686.530, 686.540, 686.550, 686.560, 686.570, 686.580, 686.590, 686.600, 686.610, 686.620, 686.630, 686.640, 686.650, 686.660, 686.670, 686.680, 686.690, 686.700, 686.710, 686.720, 686.730, 686.740, 686.750, 686.760, 686.770, 686.780, 686.790, 686.800, 686.810, 686.820, 686.830, 686.840, 686.850, 686.860, 686.870, 686.880, 686.890, 686.900, 686.910, 686.920, 686.930, 686.940, 686.950, 686.960, 686.970, 686.980, 686.990, 687.000, 687.010, 687.020, 687.030, 687.040, 687.050, 687.060, 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Appendix 3: Tenant Contract

Handwritten note: That Mrs. Henzel is L. Faren 50-74

result of an act or omission of Resident, Landlord shall have the right to charge Resident the reasonable cost of the Major Repair as additional rent, subject to Local Laws. Resident must be physically present on the day of scheduled repair work to grant access to Landlord's vendors. Resident will be charged a trip fee ("Trip Fee") if repair work or service has to be rescheduled due to Resident's failure to be present or grant access or it is determined that the necessary repair was resident caused or a repair that is Resident's responsibility.

Resident, at its sole cost and expense, shall be responsible for the performance of all maintenance and repairs in, around, and of the Premises that do not constitute a Major Repair and are not Landlord's obligation pursuant to Local Laws, including maintaining the Premises in a clean, sanitary condition; routine insect control; replacement of light bulbs; checking and maintaining all smoke and carbon monoxide detectors and replacing batteries as needed; replacement of air filters no less frequently than once every thirty (30) days; maintenance of exterior landscaping as set forth in the Landscaping Addendum or other specific requirements imposed by an applicable HOA; maintenance and repairs of equipment and appliances at the Premises; repair and maintenance of all sewer and sink backups or blockages, unless caused by defective plumbing parts or tree roots invading sewer lines (provided, however, that Landlord shall be responsible for such repair and maintenance of sewer and sink backups and blockages for the first thirty (30) days following the Commencement Date); repair or replacement of any broken glass, regardless of cause; and all repairs or replacements necessitated by Resident or Resident's family, pets or guests, excluding ordinary wear and tear. Any damage to the Premises caused by Resident's pets shall not be considered normal wear and tear.

In addition, Resident, at its sole cost and expense, shall be responsible for installation and maintenance of any items required for the protection of the Premises against extreme weather conditions, storms, and natural disasters. Resident agrees to protect pipes and water fixtures against freezing. If an official hurricane "warning" is issued, Resident also agrees to install hurricane shutters, if shutters are provided by Landlord, and prepare the Premises for a hurricane and to remove such protections when such warning is lifted or expires.

Resident's failure to maintain any item for which Resident is responsible will give Landlord the right to hire a vendor of its choosing to perform such maintenance and charge Resident to cover the cost of such maintenance. Resident's failure to maintain or repair any item for which Resident is responsible will also be deemed a default of the Lease. Landlord will have all remedies available to Landlord pursuant to this Lease and under applicable state law as a result of Resident's failure to cure such default within the timeframe determined by Landlord.

Except as specifically allowed by Local Laws, routine repairs and maintenance that may be necessary at the Premises shall NOT excuse Resident from the timely payment of Rent.

13.3. ALTERATIONS; REPAIRS. Other than as specifically outlined herein, Resident will not make any alterations, or improvements in or about the Premises, including painting, wallpapering, adding or changing locks, installing antenna or satellite dishes, placing signs, displays or exhibits, without the prior written consent of Landlord. Resident also is required to obtain any and all necessary permits required by Local Laws before commencing a Landlord-approved improvement. Any work performed on the Premises whether by Resident or other parties shall be as an independent contractor or agent of Resident and not an employee or agent of Landlord. Resident further warrants that he or she will be accountable for any mishaps and/or accidents resulting from such work and will defend, indemnify, and hold harmless Landlord and Landlord's agents for, from and against all claims, losses and damages including mechanics and other liens. At Landlord's election, all improvements to the Premises shall be the property of Landlord and shall remain attached to and be a part of the Premises when Resident vacates, subject to Local Laws.

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Appendix 3: Tenant Contract

14. MOLD. Mold consists of naturally occurring microscopic organisms which reproduce by spores. The mold spores spread through the air and the combination of excessive moisture and organic matter allows for mold growth. Reducing moisture and proper housekeeping significantly reduces the chance of mold and mold growth. Resident agrees to maintain the Premises free of dirt, debris and moisture that can harbor mold. Resident shall, at its sole cost and expense, (a) clean any mildew or mold that appears with an appropriate cleaner designed to kill mold; (b) clean and dry any visible moisture on windows, walls and other surfaces, including personal property as quickly as possible; (c) use all air-conditioning, if provided, in a reasonable manner and use heating systems in moderation; (d) keep the Premises properly ventilated by periodically opening windows and other openings in the Premises to prevent water from entering the Premises; (e) use reasonable care to close all fans, if any, in the bathroom(s) and kitchen while using those facilities and notify Landlord of any inoperative exhaust fans; (g) hang shower curtain inside bathtub when showering and only shower in bathtub; (h) immediately notify Landlord of any water intrusion, including roof or plumbing leaks, drips or "sweating" pipes; (i) immediately notify Landlord of overflows from bathroom, kitchen or laundry facilities; (j) immediately notify Landlord of any significant mold growth on surfaces in the Premises; (k) not leave clothes, towels, laundry, or other items comprised of fabric in wet or damp piles for an extended period of time; and (l) allow Landlord, with appropriate notice, to enter the Premises to make inspections regarding mold and ventilation.

Landlord reserves the right to terminate the tenancy and Resident agrees to vacate the Premises in the event Landlord in its sole judgment feels that either there is mold or mildew present in the Premises which may pose a safety or health hazard to Resident or other persons and/or Resident's actions or inactions are causing a condition which is conducive to mold growth. Resident acknowledges and agrees that Landlord and Landlord's employees, agents, successors, and assignees will not be responsible for damages or losses due to mold growth to the extent resulting from Resident, members of Resident's household or Resident's guests or invitees failure to comply with these requirements.

15. PEST CONTROL.

15.1. PEST CONTROL. Resident is responsible for keeping the Premises clean and free of all pests and, at its sole cost and expense, shall be responsible for all pest control. Subject to Local Laws, Landlord shall have no responsibility for any damage done to Resident or any other person or property at the Premises as a result of pests or pest control treatment.

Resident must notify Landlord in writing within one (1) week of the Commencement Date of any suspected pest infestation. Within thirty (30) days of such notice, Landlord shall arrange for treatment of the Premises a maximum of two (2) times at no cost to Resident. Resident hereby accepts and assumes all responsibility for all pest control thereafter, subject to Local Laws. Any pests, including insects and rodents, not reported to Landlord in writing within the first week of move-in will be presumed to have entered the Premises after the start of your residency.

15.2. BEDBUGS. "Bedbug" is the name given to a parasitic insect that feeds on the blood of warm-blooded animals, including humans. More information is available at the website for the U.S. Centers for Disease Control: www.cdc.gov/nceh/ehs/topics/bedbugs.htm. Landlord has no knowledge of any bedbug infestation or presence in the Premises.

It is unlawful and a material breach of this Lease for Resident to allow any materials that are infested with bedbugs to be brought to the Premises. To reduce the risk of bedbugs, Resident should: (a) avoid used furniture, clothing, bedding (including mattresses) and luggage; (b) completely encase in a zippered cover any used mattress brought to the Premises; (c) carefully inspect and clean any luggage used in traveling or brought to the Premises by guests; and (d) avoid sharing vacuum cleaners with others and regularly empty and/or replace vacuum cleaner bags or canisters.

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Appendix 4: 2016 Loan Sale Results

Single-Family Loan Sale 2016-2 Results

Pool Number	Purchaser	Homes
111	Bayview Acquisitions LLC	1310
217	Bayview Acquisitions LLC	227
219	Bayview Acquisitions LLC	465
220	Bayview Acquisitions LLC	536
221	Bayview Acquisitions LLC	1177
222	Bayview Acquisitions LLC	718
223	Bayview Acquisitions LLC	310
308	Community Loan Fund of New Jersey Inc	64
305	Hogar Hispano	137
109	Matawin Ventures Trust Series 2016-2	52
112	Matawin Ventures Trust Series 2016-2	738
107	Rushmore Loan Management Services LLC	1151
108	Rushmore Loan Management Services LLC	636
110	Rushmore Loan Management Services LLC	42
113	Rushmore Loan Management Services LLC	544

Total Sold	8107
Total Sold to Bayview	4743
Percent Sold to Bayview	59%