



Urban League of  
Philadelphia

*Empowering Communities.  
Changing Lives.*

House Urban Affairs  
Wednesday, September 21, 2022 @ 9am  
9:00 a.m., Room 205, Ryan Office Building

---

Good morning members of the House Committee on Urban Affairs. Today, I would like to submit testimony on the issue of accessible housing in the Commonwealth of Pennsylvania and the work we do at the Urban League of Philadelphia to address this problem. As an affiliate of the National Urban League, we are committed to empowering underserved communities. We believe everyone has the right to safe, stable, and accessible housing to build and retain equity in our communities.

### **The Rise of Private Equity Firms:**

Last year, nearly a third of American house sales went to people who had no intention of living in them, according to a report from Pew Charitable Trusts. In the last three months of 2021, private equity purchased nearly 20% of all US homes.

First-time homebuyers are forced to compete with private equity firms to buy property. A ProPublica analysis of National Multifamily Housing Council data found that private equity is now the most prominent backer among the 35 largest owners of multifamily buildings. Additionally, a House Financial Service Committee survey found that private equity homeownership has been increasing more quickly than previously realized. The report found that between March 2018 and September 2021, the five largest single-family home rental companies—Invitation Homes, American Homes 4 Rent, Cerberus Capital Management, Pretium Partners, and Amherst Residential—acquired a total of 76,235 homes. These firms can squeeze out homebuyers because they leverage debt through financial instruments and do not need to take out a traditional mortgage.

These private equity buyers target low-income majority Black neighborhoods. Not only does this practice reduce the attainable housing stock, but these companies increase rental rates and are more likely to evict tenants. At the federal and state level, there is growing recognition that private equity is disastrous for homeownership. At the national level, Congressman Adam Smith introduced federal legislation Saving Homes from Acquisition by Private Equity (SHAPE) Act. This legislation creates a federal real estate transfer tax (100% of the property sale price) that would be charged to large private equity firms. All the revenue from the tax would go to HUD's Housing Trust Fund. Some governments have placed restrictions on investors from competing with local home buyers for homes at the local level. In Ohio, state legislatures have introduced a bill that would impose a 45-day



Urban League of  
Philadelphia

*Empowering Communities.  
Changing Lives.*

waiting period once a private investment firm is the highest bidder on a rental property in foreclosure.

At the Urban League, we witness this practice often. It has become more difficult for first time home buyers to compete with higher interest rates and the lack of affordable housing in Philadelphia.

**Impact:**

Black and Brown's households have lost gains in homeownership. During the worst pandemic, there was a 30-point percentage gap between Black and White homeownership, the largest since 1980.

There have been programs on the national and local levels to help address this, including Special Purpose Credit Programs and Philadelphia's Turn the Key Program. The Turn the Key Program, funded through the Neighborhood Preservation Initiative (NPI), was launched by Philadelphia City Council this past April and called for 1,000 affordable homes to be built across the city. The state could help by providing down payment assistance and closing costs to support consumers who lack the funds needed to close, but otherwise have financial profiles that conform to those sought by mortgage lenders and other financial institutions.

Homeownership is crucial for communities, particularly underserved communities of color, to build equity and create generational wealth. We need more intentionality in our housing policies and programs across the Commonwealth while also strengthening protections for our renters. We need to take the necessary steps to ensure every Pennsylvania resident has access to affordable housing.

Thank you for bringing attention to this important issue.

Abraham Reyes Pardo  
*Director of Housing*

The Urban League of Philadelphia  
121 South Broad Street 6<sup>th</sup> floor  
Philadelphia, PA 19107