Center for American Progress

What happens when Wall Street owns the neighborhood?

By David Sanchez and Sarah Edelman February 27, 2014

Over the past few years, institutional investors have bought hundreds of thousands of single-family homes across the country and rented them out. Now, Wall Street firms have created a security that is backed by these homes and supported by their rental incomes. This tool lowers their cost of buying and renting these homes and could supercharge the single-family rental industry. Here are some important questions we need to ask about the potential impacts of this new trend:

For the housing market:

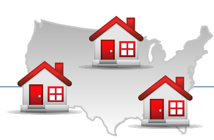
Investors of all sizes purchased 42 percent of homes in December 2013. At the same time, it remains difficult for all but those with the highest credit scores to get a mortgage to buy a home.

> *Can we sustain a housing recovery so heavily dependent on investor demand?*

For homebuyers:

Many investors are able to come to the table with cash or much cheaper sources of financing than the average homebuyer.

> *Will homebuyers with mortgages be able to compete with these investors when buying a home?*



For tenants:

This new brand of landlord manages single-family homes from a distance. They have access to far more resources than the average small landlord but responsibility for the homes is spread among multiple parties with different interests.

> *Will large, automated systems result in better service, or will it be harder to get help when tenants deal with property managers and mortgage servicers rather than directly with owners?*

For homeowners and communities:

Investors have played a valuable role in stabilizing housing prices and rehabbing homes, but we do not know whether they will invest in neighborhoods for the long term.

> *If investors sell many of their properties at once, will these sales trigger a new round of price declines or evictions?*