



History of private equity and venture capital from Wikipedia.



ROOT CAUSES OF HOUSING AND LAND JUSTICE: THE WALL STREET LANDLORDS

The money to buy, rent, construct, and rehabilitate housing comes from a growing web of financial actors who are increasingly distant from the needs of tenants and homeowners. As bankers, lenders, speculators, and investors pursue profit, people of color are often exploited and excluded. The results include a decline in Black homeownership in the last ten years,¹ over 50% of Latinx and Black households spending more than 30% of their monthly income,² and the highest rates of homelessness in the country experienced by Native Hawaiians and Pacific Islanders, Native Americans/American Indians and Alaska Natives.³

A United Nations report defined the “financialization of housing” as:

“structural changes in housing and financial markets whereby massive amounts of global capital have been invested in housing as a commodity, as security for financial instruments that are traded on global markets, and as a means of accumulating wealth.”⁴

The current trend of financializing housing accelerated in the 1980s with federal deregulation of the financial system. This led to a crisis among savings and loan associations, primary issuers of home mortgages. Further deregulation in the 1990s, such as the repeal of the Glass-Steagall Act of 1933, enabled commercial banks and financial lenders to become the new primary issuers of home mortgages.⁵ As growing economic inequality produced a larger pot of global capital, investors increasingly looked to real estate to derive profits.⁶

The financialization of housing caused the housing bubble to emerge and collapse in the early 2000s. Home mortgages were packaged together to form new financial products that were sold and resold to investors easier than individual mortgages. Investors speculated on the prices of these products, artificially inflating the value of homes and driving up profits when sold. As investors’ demand for new mortgages increased, lenders targeted lower-income people of color (who otherwise would have difficulty qualifying for a loan) to take on “subprime” mortgages with deceptive and predatory terms. They also marketed these loans with higher fees and adjustable rates even if buyers of color had high incomes and “good” credit.⁷ In fact, a Black woman was 5 times more likely to receive a subprime

loan than a white man with the same income. When these complex and high-risk financial products unraveled, the housing finance system collapsed. The number of lenders foreclosing upon households tripled in two years (2006-2008), with the greatest impact affecting borrowers of color.⁸

In the aftermath, new private equity investors purchased foreclosed homes from the Federal Housing Administration (FHA) at a discount and converted them to rental housing.⁹ Foreclosed homeowners of color had no choice but to rent the very properties they once owned, at rents higher than mortgage payments. New stricter lending policies disproportionately excluded these owners from returning to homeownership.¹⁰

During the coronavirus pandemic, corporate investors increased investments in rental housing, at times purchasing entire communities of single-family houses for rental conversion.¹¹ Rent payments, like mortgages, are now bundled into securities with the help of banks, and those securities are sold to other investors.¹²

Government regulation has failed to keep pace with financialization. Discriminatory bank lending continues almost fifty years after the passage of the Fair Housing Act in 1968, the Equal Credit Opportunity Act of 1974, and the Community Reinvestment Act of 1977.¹³ The Dodd-Frank Act, passed during the foreclosure crisis, has had limited impact on the growth of unregulated private lenders and complex financial products.¹⁴ Private equity firms and corporate landlords generally escape public scrutiny, absent tenant organizing.¹⁵ Policymakers must address these systemic inequalities in our financing system to ensure housing is a public good that benefits us all rather than a commodity for the privileged few.

This combination of lending and speculation (enabled by weak regulations) has turned the housing market into an increasingly exclusive class of investment held by institutional investors. Customers seeking to buy a home are locked out while competing with private equity firms. Renters interact more frequently with corporate landlords and the algorithms that direct property management decisions, including setting rents and issuing eviction notices. These systems disproportionately harm renters and homeowners of color and can devastate entire communities as evictions and displacement continue unabated.



Rent Guidelines Board meeting at Cooper Union, May 2, 2023. Credit: Ben Fractenberg/THE CITY

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 - 2 Martinez, Matthew [U.S. Housing Cost Burden Declines Among Homeowners but Remains High for Renters](#), PRB, April 15, 2022. (Research from the Joint Center for Housing Studies at Harvard University shows 42% of white households, 42% of Asian households, 52% of Latinx households, and 54% of Black households experienced rental cost burden in 2019.)
 - 3 National Alliance to End Homelessness, [Racial Inequalities in Homelessness](#), by the Numbers, 2020.
 - 4 Farha, Leilani; UN. Human Rights Council. [Special Rapporteur on Adequate Housing as a Component of the Right to an Adequate Standard of Living](#); 2017.
 - 5 Michael Stone, [Housing and the Financial Crisis: Causes, Consequences, Cures](#), UMass Boston, Sept. 2009.
 - 6 Id.
 - 7 Badger, Emily, [The Dramatic Racial Bias of Subprime Lending during the Housing Boom, Blacks and Latinos were more than twice as likely as comparable Whites to receive such high-cost loans](#), Bloomberg City Lab, Aug. 16, 2013.
 - 8 Bocian, Li, Ernst, [Foreclosures by Race & Ethnicity. Center for Responsible Lending Research Report](#), June 18, 2010.
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 - 10 See [Bhutta & Canner, Mortgage Market Conditions and Borrower Outcomes: Evidence from the 2012 HMDA Data and Matched HMDA Credit Record Data](#), FED. RES. BULL., Nov. 2013, at 37; [Torok & Torok, What Happened to the American Dream? An Analysis of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Its Effect on Home Ownership](#), 17 SCHOLAR 95, 123 (2014); [Glantz, Martinez, For People of Color, Banks are Shutting the Door to Homeownership](#), Reveal, Feb. 15, 2018; [NCRC, Home Mortgage and Small Business Lending in Baltimore and Surrounding Areas](#), November 2015.
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 - 13 Jones, Schmitt, and Wilson, 50 years after the Kerner Commission, Economic Policy Institute, February 2018.
 - 14 Schwarcz, Zaring, [Regulation by Threat: Dodd-Frank and the Nonbank Problem](#), University of Chicago Law Review Article 2, 84.4, 2017.
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ROOT CAUSES AND SYMPTOMS OF HOUSING AND LAND INJUSTICE

