



**Statement for the Record**  
**House Financial Services Committee**  
**Housing and Insurance Subcommittee**  
**“The Characteristics and Challenges of Today’s Homebuyers”**  
**March 20, 2024**

Dear Chairman Davidson, Ranking Member Cleaver, and Members of the Subcommittee,

We write today to thank you for holding the hearing on the Characteristics and Challenges of Today’s Homebuyers, and appreciate the opportunity to submit a statement for the record. Both existing and prospective homebuyers in the United States struggle to navigate through a largely depleted housing stock, posing a particular challenge for low- and moderate-income (LMI) families. We welcome the Subcommittee’s interest and commitment to better understanding challenges faced by these households.

Our organization, the National Community Stabilization Trust (NCST), is a national nonprofit that supports families and communities by restoring distressed single-family homes, strengthening neighborhoods, and increasing sustainable and affordable homeownership opportunities.<sup>1</sup> NCST offers a multifaceted approach to revitalize vacant and defaulted properties, further best practices for community development across the nation, and advance federal policies to support affordable and equitable homeownership.<sup>2</sup>

To ensure NCST’s policy recommendations are rooted in the practitioner perspective, the organization manages a nonprofit-led advocacy coalition called the Homeownership Alliance<sup>3</sup> consisting of housing organizations and community development financial institutions (CDFIs) across the country. The Alliance ensures NCST’s policy recommendations yield efficient delivery of affordable, owner-occupied units on the ground. Together, NCST and the Homeownership Alliance work to elevate the successes and pitfalls of homeownership policies, address the decreasing single-family housing stock that hinders potential homebuyers from entering the market, and advocate for enhanced resources to improve affordable homeownership opportunities for LMI communities.

Today’s homebuyers are faced with an unprecedented economic landscape due to record-high mortgage rates, construction costs, and interest rates. While the COVID-19 pandemic exacerbated the affordability challenges facing American households, large institutional investors have and continue to lock owner-occupant purchasers out of the market, particularly those seeking reasonably-priced single-family homes.

### **Private Equity Takes Advantage of Low Affordable Supply**

The presence of institutional investors has dramatically increased over the past 24 years, and their overall market share in the housing space sits at around 30%.<sup>4</sup> These buyers have a comparative, financing

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<sup>1</sup> [About](#), (March 2024). NCST.

<sup>2</sup> [Property Acquisition](#), (2024). NCST.

<sup>3</sup> Established by NCST in 2021, the [Homeownership Alliance](#) is a practitioner-led coalition of 19 CFIs and nonprofit housing developers serving 16 states.

<sup>4</sup> [What Drove Home Price Growth and Can it Continue?](#), (June 2022). Freddie Mac Economic & Housing Research Note.

advantage that allows them to pay with all-cash offers, and they frequently fast-track their purchases by waiving common steps in the buying process — most notably inspection processes — that would otherwise be too risky for individual buyers to forego.

A recent report from Redfin shows that institutional investors purchased over 26% of low-priced U.S. homes that sold in the fourth quarter of 2023 alone — the highest share ever recorded.<sup>5</sup> Investor activity is increasingly widespread, and its impacts on communities of color are alarmingly disparate. In 2021, approximately 30% of home sales in majority Black neighborhoods were to investors, compared to just 12% in other zip codes.<sup>6</sup> Addressing predatory behavior of private investors in the housing market is critical, especially coupled with the devastatingly low supply for potential homebuyers. Tackling this issue will in turn provide an equal and fair opportunity for homebuyers across all communities to be able to build home equity and achieve the American dream of homeownership.

The Indianapolis Metropolitan Planning Organization released a report detailing the role of corporate investors and the threat they pose to homeownership.<sup>7</sup> The report noted that investors are buying undervalued homes in underinvested communities, predominantly communities of color, and turning these units into single family rentals (SFRs). These actions are turning homeownership into a distant dream by making owning a home more expensive than renting, limiting the opportunity to build home equity. Additionally, listing prices in areas of significant corporate investor presence, such as the Martindale-Brightwood neighborhood in Indianapolis, have increased as much as 262% in the last 5 years.<sup>8</sup>

In an effort to combat institutional investors and effectively address the issues stated above, NCST has endorsed the Stop Predatory Investing Act, a bill introduced by Senator Sherrod Brown (D-OH) that would prohibit large investors from receiving tax breaks and instead incentive the sale of their acquired properties back to homeowners or nonprofits.<sup>9</sup>

### **Impacts of Limited Supply on the Homebuyer**

In a recent report by the National Association of Realtors (NAR), the shortage of available affordable homes for middle-income homebuyers is drastic, with a missing 320,000 listings from the market at a value up to \$265,000.<sup>10</sup> With limited affordable housing stock, rising costs, and insufficient public investment in homebuyer assistance programs, finding an affordable home has become an arduous task nationwide. Available financial assistance through initiatives such as the Special Purpose Credit Programs (SPCPs) and Down Payment Assistance (DPA) are beneficial,<sup>11</sup> but can only be fully utilized through an increase in the available housing supply. Limited supply has constrained the opportunities available to those seeking to build equity through

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<sup>5</sup> [Investors Bought 26% of the Country's Most Affordable Homes in the Fourth Quarter — the Highest Share on Record](#), (Feb. 2024). Redfin.

<sup>6</sup> [Investors bought a record share of homes in 2021. See where.](#) (Feb. 2022). The Washington Post.

<sup>7</sup> [Central Indiana Housing Study](#). (2023). Indianapolis Metropolitan Planning Organization.

<sup>8</sup> [Who owns Indy's houses?](#) (Aug. 2023). Historic Urban Neighborhoods of Indianapolis.

<sup>9</sup> [S.2224](#).

<sup>10</sup> [Housing Affordability & Supply Report](#). (June 2023). National Association of Realtors.

<sup>11</sup> NCST has endorsed the Down Payment Toward Equity Act, which would provide \$25,000 in downpayment assistance to eligible first-generation, first-time homebuyers. [H.R.4231](#).

homeownership because there simply are not enough units. Therefore, increasing the number of affordable units is vital to furthering the effectiveness of SPCPs and DPA.

### **NCST's Expansion of Affordable Owner-occupied Supply**

NCST focuses on how vacant, defaulted, and distressed homes can be rehabilitated to increase supply and create affordable homeownership opportunities. This is achieved through our collaboration with over 300 community buyers, as well as our creation of the Homeownership Alliance. NCST develops innovative methods to stabilize communities by ensuring distressed units are rehabilitated, brought into the market, and sold at an affordable price point to prospective LMI homeowners.

*Acquisition Bridge Fund (ABF)*. One avenue to create new homeowners and simultaneously counter predatory investors is our organization's launch of the Acquisition Bridge Fund. This initiative provides early mission-based bridge capital to support home seekers who have been pre-approved for conventional or portfolio mortgage financing for a home purchase. This bridge capital helps home seekers operate in limited-supply markets competitively with cash buyers, including large institutional investors. Eligible properties include single-family properties with a purchase price at or below \$250,000. Ensuring affordability for these homebuyers is crucial, particularly as home prices remain out of reach for many LMI families, resulting in a below-average homeownership rate.<sup>12</sup>

ABF is structured as a revolving fund using philanthropic investments to help homebuyers access early, flexible capital to purchase residential properties and compete with cash investors. Eligible ABF homebuyer clients can access this resource by working with NCST to identify an eligible property for the program, after which NCST acquires the property on the homebuyer's behalf utilizing ABF interim capital for the initial purchase. This structure allows the homebuyer to secure their preferred property quickly and subsequently finance their purchase of the property from NCST with the assistance of a lender.

Based on reports we are receiving from on-the-ground practitioners, the ABF could not come at a more crucial time. One of our partners, National Faith Homebuyers<sup>13</sup> a longtime community buyer and housing counseling organization out of Detroit, noted that 30-40% of the buyers they serve have lost out to cash buyers in their quest to find a home. The ABF levels the playing field for potential homeowners amid inflationary pressures, narrowing supply, and a severe lack of affordable units exacerbated by an increased investor presence.

*Developing Affordable Starter Homes (DASH) Fund*. NCST has also taken on a lending initiative to better support small, women-owned and/ or minority-owned developers seeking to revitalize distressed communities. The DASH Fund<sup>14</sup> provides flexible and well-priced capital to small entrepreneurs who acquire, renovate, and re-sell single-family homes to owner-occupants in neighborhoods suffering from disinvestment. By supporting

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<sup>12</sup> The National Association of Realtors found that first-time homebuyers made up 32% of all homebuyers in 2023. This is a welcome increase from the 26% in 2022, but the rate is still below the 38% average seen since 1981. [2023 Profile of Home Buyers & Sellers](#), (Nov. 2023). National Association of Realtors.

<sup>13</sup> [National Faith Homebuyers](#) is a nonprofit 501(c)(3) organization assisting people who need assistance purchasing and staying in a home. The organization serves homebuyers in Detroit, MI and Atlanta, GA.

<sup>14</sup> [Dash Fund](#), (2024). NCST.



emerging developers through flexible financing and project management, DASH helps to accelerate the production of quality, affordable units made available for LMI households.

To ensure DASH yields the intended outcome of affordable owner-occupancy, completed rehabilitation projects are limited to a maximum sales price of no more than \$350,000 to preserve affordability. The small developer receiving the funds is required to commit to homeownership as the intended outcome, and the program is designed to support a broad group of eligible developers by providing small balance loans, as opposed to a handful of developers conducting this work with larger credit lines.

NCST has partnered with the Neighborhood Impact Investment Fund and Baltimore City Department of Housing & Community Development to launch DASH in Baltimore. We support any Congressional efforts to replicate this program at a larger scale, allowing CDFIs and lenders greater ability to support small, mission-driven developers in their crucial work of rehabilitating and developing dormant supply.

*First Look*. NCST's flagship property acquisition program, First Look,<sup>15</sup> delivers real estate-owned (REO) inventory, as well as non-performing loans and re-performing loans, to nonprofits with affordable homeownership as central to their mission. First Look gives our local community buyers the opportunity to obtain properties in their market areas before the units are marketed more broadly. In many cases, REO properties can be acquired at discounts to assist the financial feasibility for nonprofit buyers to rehabilitate these properties for new homeowners.

Our First Look approach has proven to be a best practice to make more single-family homes available to eligible households and nonprofits, as opposed to large investors. Over the past 15 years, this method has produced over 28,000 transactions totaling over \$1.8 billion and provided over \$325 million in savings to our community buyers.<sup>16</sup> Our success and experience led NCST to be a natural partner to HUD for the National First Look Program<sup>17</sup> and facilitated FHA First Look REO sales from 2011 to 2016. In 2022, the FHA issued a mortgagee letter<sup>18</sup> improving the program's Claims Without Conveyance of Title (CWCOT) process as a means to expand affordable housing supply. This regulatory action allowed a 30-day exclusive period, giving buyers (owner-occupants, HUD-approved nonprofits, and government entities) an opportunity to bid on foreclosed properties ahead of investors. NCST views this as a welcome first step and continues to engage with the Department regarding our additional recommendations<sup>19</sup> to improve community outcomes amid the sale of distressed assets.

Specifically, in order to expand the pool of certified buyers and ensure these properties end up in the hands of responsible entities with a mission of community revitalization, NCST has called on HUD to establish a Certified Buyer Program, managed by a qualified and experienced third-party provider on behalf of HUD, solely for CWCOT First Look eligibility. The Preserving Homes and Communities Act of 2024, introduced by Senator

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<sup>15</sup> [Property Acquisition](#), (2024). NCST.

<sup>16</sup> [About](#), (2024), NCST.

<sup>17</sup> [FHA First Look Sales Method for NSP Grantees](#), (2024). Department of Housing and Urban Development.

<sup>18</sup> [Mortgagee Letter 2022-08](#), (May 2022). Department of Housing and Urban Development.

<sup>19</sup> [NCST's Response to ML 2022-08](#), (June 2022). NCST.

Jack Reed (D-RI), would codify such a program in law, permitting well-equipped nonprofit entities such as NCST to carry out activities related to approval and monitoring under CWCOT.<sup>20</sup>

For over a decade, we have collaborated with our broad pool of buyers purchasing distressed assets and returning them to productive use in communities. Not only does this legislation have the potential to unlock new affordable supply for aspiring homeowners, but it would prioritize economic mobility for American families over corporate investor interests. As such, we urge Congress to take swift action in passing the Preserving Homes and Communities Act.

### **Importance of a Nonprofit Delivery System**

It is NCST's fundamental belief that robust engagement with on-the-ground, mission-driven practitioners is a central component in revitalizing the nation's dormant housing stock and enhancing opportunities for equitable homeownership, as opposed to relying on market forces alone. Embracing a nonprofit delivery system as a method to responsibly rehabilitate and resell distressed properties guarantees these units are kept in the hands of owner-occupants. In fact, some members of the Homeownership Alliance have cited instances of potential, and in some cases successful, collaboration between mission-based nonprofits and investors.

For example, the Atlanta Neighborhood Development Partnership Inc.<sup>21</sup> (ANDP) recently launched a pilot program with specialized investment firm, Pretium,<sup>22</sup> to bring more affordable housing opportunities to families in the region. Pretium is offering ANDP an opportunity to purchase vacant homes that the firm intends to sell prior to listing the properties on the Multiple Listing Service. ANDP will provide needed repairs and improvements and then sell the homes at affordable rates - with some units targeted for rental at affordable prices to families from below 80% up to 120% AMI. Additionally, Pretium is helping ANDP tap into market expertise to better support the organization's homeownership and single-family rental options. ANDP also receives support from Investment Management Firm, MYND,<sup>23</sup> who assists the organization in acquiring and managing SFRs under ANDP's broader portfolio of responsibly-managed rental units. Over the next 7 to 12 years, the two entities will convert roughly 50% of these affordable rental properties into single-family owner-occupied homes, creating more homeowners through a public-private partnership that centers ANDP's mission of furthering affordable homeownership in the metro Atlanta region.

Additionally, the Indianapolis Neighborhood Housing Partnership (INHP)<sup>24</sup> was approached to buy back 90-100 homes from an investor who had recently acquired a large sum of single-family homes in the Indianapolis area. This initiative was intended to localize ownership to retain affordable rentals for the area, and would have placed a number of properties back on the market for owner-occupied homeownership. Unfortunately, due to the high price point and the refusal from the investor to divide their holdings, the sale to INHP did not actualize. However, this represents yet another example of potential partnerships between institutional investors and mission-driven nonprofits; even these preliminary discussions showcase investors' interest in and recognition

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<sup>20</sup> [S.3784](#).

<sup>21</sup> [About ANDP](#), (2024). Atlanta Neighborhood Development Partnership Inc.

<sup>22</sup> [About](#), (2024). Pretium Partners.

<sup>23</sup> [Overview](#), (2024). Mynd Investment Management.

<sup>24</sup> [Mission and Impact](#), (2024). INHP.



of the impactful work of community-serving organizations. Should this sale have materialized, INHP could have grown its scale while working with market players to improve homeownership outcomes for LMI families within the organization's service area.

Supporting mission-driven developers as key contributors to supply for LMI homebuyers will ensure an increase of affordable units for this population. Nonprofit organizations, such as NCST's community buyers and members of the Homeownership Alliance, are best equipped to respond to community needs. Willing investor partners can provide the sale of properties to expand the portfolio of units available for sale at affordable rates. This unlocks more supply opportunities for owner-occupancy, as well as responsibly-managed rental units while charting a path for homeownership for those households. Congress can support these efforts, by providing flexible capital to nonprofit developers,<sup>25</sup> incentivizing these partnerships wherein a for-profit entity empowers a nonprofit's mission, and designing national programs based on proven local models.

Congress can also support homeownership by passing the Neighborhood Homes Investment Act. This bipartisan legislation would create a tax credit to build or rehabilitate 500,000 owner-occupied homes over a decade.<sup>26</sup> NCST supports the Neighborhood Homes Investment Act as a way to bridge the valuation gap faced by many communities where the price of the home is lower than the cost to construct or rehabilitate. With this mission in mind, NCST co-leads the Neighborhood Homes Coalition, a collective advocacy effort aimed at advancing the Neighborhood Homes Investment Act to passage.<sup>27</sup>

In addition to the above recommendations, NCST and the Homeownership Alliance urge members of this subcommittee to collaborate with the Administration in reforming a number of existing housing programs to better support opportunities for equitable and affordable homeownership, including but not limited to the Community Development Block Grant (CDBG) program,<sup>28</sup> the Capital Magnet Fund (CMF),<sup>29</sup> and FHA's 203(k) Rehabilitation program.<sup>30</sup> Doing so would not only enable recipients to maximize program funding, but would also encourage grantees and subgrantees to carry out all eligible activities as defined by statute, including homeownership.

NCST appreciates the opportunity to submit a statement for the hearing record, and we stand ready to further collaborate with the subcommittee on any of the items articulated herein. For any questions or points of clarification, please contact NCST's Director of Homeownership Alliance, Elisabeth Coats, at [ecoats@ncst.org](mailto:ecoats@ncst.org). We thank the subcommittee for prioritizing the importance of affordable homeownership.

Sincerely,

The National Community Stabilization Trust (NCST)

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<sup>25</sup> In 2023, NCST and the Homeownership Alliance submitted a proposal to the Department of Treasury calling for the creation of a \$25 million set-aside called the [Homeownership Finance Fund](#). This program would provide a dedicated pool of flexible financing to support homeownership production and homebuyer assistance activities.

<sup>26</sup> [H.R. 3940](#).

<sup>27</sup> [Neighborhood Homes Investment Act](#). Neighborhood Homes Coalition.

<sup>28</sup> [Response to HUD's NPRM on CDBG and Section 108 Programs](#), (Mar. 2024). NCST.

<sup>29</sup> [Homeownership Alliance Response to July 2023 Capital Magnet Fund Request for Information](#), (Sep. 2023)

<sup>30</sup> [Response to FHA Draft Mortgagee Letter on 203\(k\) Program](#), (Jan. 2024). NCST.