

Ranking Member Pat Toomey (R-Pa.)  
Opening Statement  
Full Committee Hearing: How Institutional Landlords are Changing the  
Housing Market  
February 10, 2022

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Thank you, Mr. Chairman. And welcome to our witnesses.

In October, this Committee held a hearing criticizing people who invest in—and even build—rental housing. It looks that's again the plan for today's hearing. And why is that?

This morning inflation came in at 7.5%, the fastest pace in nearly 40 years. Housing costs are skyrocketing even faster. Rents increased around 12% in 2021. Home prices jumped an astounding 17%.

Whether you're a renter or a homebuyer, housing is taking up more and more of your paycheck, with inflation quickly eroding the rest. Wages are rising, but inflation is increasing faster. And that means workers are falling farther and farther behind.

This is a direct result of the administration's massive overspending. The administration is desperate for someone else to blame. But there's nothing wrong with people renting homes instead of, or before, becoming homeowners. And there's also nothing wrong with investors—whether institutions or individuals—putting their own money to work to meet the needs of these renters.

This is a simple issue of supply and demand. Institutional investors are the ones with the deepest pockets, the ones with the most capital available to invest in building new housing stock. Just imagine how expensive housing would be if some Democrats got their wish and most institutional investors were driven out of the housing market.

Instead of blaming those who actually build housing stock, Democrats should take a look at their own role in creating this disaster. Housing is expensive and getting more expensive in part because this administration has doubled down on 50 years of failed big government housing policies.

Its illegal eviction moratorium deterred landlords from investing in new housing stock and likely contributed to rent increases. Its March 2021

wasteful \$1.9 trillion spending bill included almost \$22 billion in rental assistance even though \$25 billion in rental assistance Congress provided in 2020 was not close to spent. Its reckless tax-and-spend Build Back Better plan seeks another \$35 billion in rental and downpayment subsidies that would further increase the demand for housing.

It has broken from decades of bipartisan efforts to reform the failed GSE model that now subsidizes the purchase of even \$1 million homes. It has pushed the GSEs to take on more loans to risky borrowers.

Today, we will hear from two witnesses—Tobias Peter and Joel Griffith—about the negative effects of these failed policies. They will testify to the role of monetary policy in contributing to rapid house price inflation. They will testify to the increase in risky mortgage lending at the GSEs. Their testimony also will make clear that we need a different direction.

To improve housing affordability for all Americans—whether renters or owners—we should pursue reforms that leverage the power of free enterprise to increase housing supply and make markets more competitive. To that end, we need to scale back the role of government and increase the role of private capital.

We need to phase-out demand-side subsidies that just drive increases in house prices and rents. We need to end the failed GSE model that fosters excessive risk taking and risks taxpayer bailouts. And we need to end the GSE conservatorships that confer on the government far-reaching power to replace market forces with executive fiat.

The state of the housing market affirms the urgency of reform. The housing market is cyclical. It's a question of when—not if—there will be a housing downturn.

The housing finance system is not prepared. The system is still dominated by the very same GSEs that did so much to cause the crisis. The \$7 trillion behemoths actually have an even larger market share than they had before the crisis, and they still remain “too big to fail.”

Just as before the financial crisis, these flaws in the system continue to encourage excessive risk taking, risk future taxpayer bailouts, undermine market forces, and threaten financial stability. They also do little to make housing more affordable. 50 years and many hundreds of billions of dollars

in federal housing assistance have had no meaningful impact on homeownership rates—64% in 1970 compared to 65% in 2021.

Last month, the Chairman reiterated the housing finance reform principles that he had released in 2019. His principles overlap considerably with the reform principles I've released. I look forward to continuing to work with the Chairman to develop consensus on this critical issue.

Meanwhile, I hope the administration will finally engage on reform. Treasury has still not met its obligation to deliver a reform plan to Congress—it's now 4 months overdue.

Instead of shifting blame for its reckless mismanagement of the economy, the administration should look to opportunities for bipartisan legislation—like housing finance reform—that relies on free enterprise—not government—to make housing affordable for all Americans, whether they own or rent.