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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

February 3, 2025

The Honorable Pete Hegseth
Secretary
U.S. Department of Defense
1000 Defense Pentagon
Washington, D.C. 20301-1000

Dear Secretary Hegseth:

In the wake of the Department of Justice's (DOJ) recent antitrust lawsuit against RealPage, joined by ten states across the country,¹ we write with significant concern about whether companies and landlords using RealPage may be price gouging military families.

The Department of Defense (DoD) provides service members a Basic Allowance for Housing (BAH) to cover the costs of owning or renting privately managed housing.² But families continue to report that BAH rates are not keeping up with rising housing costs.³

In fiscal year 2023, DoD spent \$24 billion on BAH.⁴ There are long-held concerns, however, that landlords are raising rents to pocket these BAH increases, rather than raising rents because of market conditions.⁵ One recent study found that it was "common for landlords to base their rent on the BAH for a particular rank."⁶ These findings raise significant concerns that landlords are profiteering by taking taxpayer money that is intended to support military families.

¹ U.S. Department of Justice, "Justice Department Sues Six Large Landlords for Algorithmic Pricing Scheme that Harms Millions of American Renters," press release, January 7, 2025, <https://www.justice.gov/opa/pr/justice-department-sues-six-large-landlords-algorithmic-pricing-scheme-harms-millions>.

² Congressional Budget Office, "How the Military's Basic Allowance for Housing Compares with Civilian Housing Costs," March 6, 2024, p. 1, <https://www.cbo.gov/system/files/2024-03/59570-Military-Housing.pdf>.

³ Blue Star Families, "Military Family Lifestyle Survey, '2023 Comprehensive Report Housing and Relocation,'" p. 2, https://bluestarfam.org/wp-content/uploads/2024/03/BSF_MFLS_Comp_Report_Housing_Relocation.pdf; U.S. Department of Defense, "DoD Announces Immediate and Long-Term Actions to Help Strengthen the Economic Security and Stability of Service Members and Their Families," September 22, 2022, <https://www.defense.gov/News/Releases/Release/Article/3167769/dod-announces-immediate-and-long-term-actions-to-help-strengthen-the-economic-s/>.

⁴ Congressional Budget Office, "How the Military's Basic Allowance for Housing Compares with Civilian Housing Costs," March 6, 2024, p. 1, <https://www.cbo.gov/system/files/2024-03/59570-Military-Housing.pdf>.

⁵ Army Times, "Leaders face questions over rent increases, spouse employment and more," Karen Jowers, October 12, 2023, <https://www.armytimes.com/pay-benefits/2023/10/12/leaders-face-questions-over-rent-increases-spouse-employment-and-more/>; HawaiiBusiness magazine, "In Hawai'i's Housing Crunch, Tenants Are Vulnerable to Rent Hikes and Evictions. Here's What They Need to Know," Noelle Fujii-Oride, June 21, 2023, <https://www.hawaiibusiness.com/hawaii-housing-rental-rights-protection-challenges/>.

Services provided by RealPage may enable landlords to raise rents even more aggressively to the detriment of military families. RealPage's services YieldStar and AIRM help landlords exchange proprietary information about lease terms and rents in order to maximize revenue.⁷

In August 2024, the Justice Department and attorneys general in eight states filed an antitrust lawsuit alleging that RealPage engaged in an "unlawful scheme to decrease competition among landlords in apartment pricing and to monopolize the market for commercial revenue management software that landlords use to price apartments."⁸ Last month, two more state attorneys general joined the suit, and the Justice Department expanded the lawsuit to six of the nation's largest landlords.⁹ RealPage's tactics allegedly included exerting significant pressure on landlords to accept their recommendations to increase prices, including an "auto accept" feature which automatically adjusted rents for property managers.¹⁰ If a landlord or property manager rejected a recommendation, a "pricing advisor" from RealPage allegedly reached out and pushed them to take the recommendation.¹¹ In 2022, a vice president of RealPage credited their software for increasing apartment rents by over 14.5%.¹²

In 2022, DoD increased the BAH for 28 military housing areas where rental housing costs increased by an average of more than 20 percent.¹³ The lawsuit of DOJ and state attorneys general alleges that RealPage contributed to excessive rental costs in several of these places, including San Diego,¹⁴ Wilmington,¹⁵ and Houston.¹⁶ Similarly, in 2021, DoD selected Spokane, Washington as one of the five military housing areas to receive a temporary 20 percent BAH hike;¹⁷ the antitrust suit alleges that RealPage contributed to drastic increases in rent prices in this area, where

⁶ Old Dominion University, "The State of the Region," October 2022, p. 66, https://ceapodu.com/wp-content/uploads/2022/10/SOR2022v3_100622.pdf.

⁷ ProPublica, "Rent Going Up? One Company's Algorithm Could Be Why," Heather Vogell, Haru Coryne, Ryan Little, October 15, 2022, <https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent>.

⁸ U.S. Department of Justice, Office of Public Affairs, "Justice Department Sues RealPage for Algorithmic Pricing Scheme that Harms Millions of American Renters," August 23, 2024, <https://www.justice.gov/opa/pr/justice-department-sues-realpage-algorithmic-pricing-scheme-harms-millions-american-renters>.

⁹ U.S. Department of Justice, "Justice Department Sues Six Large Landlords for Algorithmic Pricing Scheme that Harms Millions of American Renters," press release, January 7, 2025, <https://www.justice.gov/opa/pr/justice-department-sues-six-large-landlords-algorithmic-pricing-scheme-harms-millions>.

¹⁰ Complaint, U.S. Department of Justice vs Realpage, INC., U.S. District Court for the Middle District of North Carolina, 1:24-cv-00710, 2024, p. 3, <https://www.justice.gov/opa/media/1364976/dl?inline>.

¹¹ *Id.*, p. 26.

¹² The Real Deal, "RealPage algorithm could be driving up rents," October 17, 2022, <https://therealdeal.com/new-york/2022/10/17/realpage-algorithm-could-be-driving-up-rents/>.

¹³ U.S. Department of Defense, "DoD Announces Immediate and Long-Term Actions to Help Strengthen the Economic Security and Stability of Service Members and Their Families," September 22, 2022, <https://www.defense.gov/News/Releases/Release/Article/3167769/dod-announces-immediate-and-long-term-actions-to-help-strengthen-the-economic-s/>.

¹⁴ State of California Department of Justice, Attorney General Rob Bonta, "Attorney General Bonta Files Lawsuit Against RealPage for Unlawfully Enabling Landlords to Raise Rents of Californians," August 23, 2024, <https://oag.ca.gov/news/press-releases/attorney-general-bonta-files-lawsuit-against-realpage-unlawfully-enabling>.

¹⁵ Port City Daily, "Wilmington rental market cited in national landlord collusion lawsuit," Peter Castagno, August 26, 2024, <https://portcitydaily.com/latest-news/2024/08/26/wilmington-rental-market-cited-in-national-landlord-collusion-lawsuit/>.

¹⁶ The Houston Chronicle, "How an algorithm could be artificially raising rents for thousands of Houston renters," Marissa Luck, September 13, 2024, <https://www.houstonchronicle.com/business/real-estate/article/realpage-rent-collusion-lawsuit-houston-apartment-19719687.php>.

¹⁷ Military Times, "It's final: Hard-hit troops in 56 areas can apply for a temporary increase in their housing allowance," Karen Jowers, September 27, 2021, <https://www.militarytimes.com/pay-benefits/mil-money/2021/09/27/its-final-hard-hit-troops-in-56-areas-can-apply-for-a-temporary-increase-in-their-housing-allowance/>.

Fairchild Air Force Base and Joint Base Lewis McChord are located.¹⁸ Florida has also opened an investigation into whether RealPage is violating antitrust laws; notably, military housing rents increased across Florida during 2022 and 2023 including in Miami, West Palm Beach, Volusia County, and Fort Myers Beach.¹⁹

In addition to harming military families, unsustainable housing prices have negative implications for recruitment and retention for the U.S. Armed Forces. Increasing housing costs have forced some families to delay permanent change of station moves and choose housing in unsafe neighborhoods or in unsatisfactory conditions. A recent military family lifestyle survey found that “housing costs remain the top contributing factor to financial stress for active-duty famil[ies]” and that “higher out-of-pocket housing costs may influence military families’ likelihood to recommend military service.”²⁰ A majority of those who live in civilian housing “continue to pay well over \$200 per month in housing costs out of pocket”²¹ on top of their BAH. These predatory housing practices are especially detrimental to military families because “unlike civilian peers, military families do not have the opportunity to stabilize their housing costs due to frequent relocation.”²²

A recent Government Accountability Office (GAO) report on military housing confirmed the negative impacts of high housing prices on military families, finding that “some service members reported having to take on debt or commute long distances to afford quality housing.”²³ GAO determined that existing DoD guidance is “insufficient to address military population effects on local housing market.”²⁴ “GAO’s statistical analyses found that counties with higher military populations were associated with having higher median rents and rent-to-income ratios.”²⁵ Local government officials also acknowledged the largely insufficient housing supply and issues with affordability.²⁶ In its report, GAO recommended that DoD develop a comprehensive list of critical housing areas, regularly update said list, obtain and use feedback on the financial and quality-of-life effects of limited supply or unaffordable housing on service members, develop a plan for DoD to respond to and address those effects, and clearly define the roles and responsibilities of installation commanders and military housing offices in addressing housing needs.²⁷

The Department of Defense has a responsibility to protect military families from predatory private housing companies and ensure that taxpayer dollars meant for military families are not being pocketed by unscrupulous landlords. We seek information that DoD may have on whether algorithms such as those used by RealPage are artificially driving up housing prices for military

¹⁸ KomonNews, “WA joins federal antitrust lawsuit against real estate company for alleged rent-fixing,” Denise Whitaker, August 23, 2024, updated August 24, 2024, <https://komonews.com/news/local/washington-state-joins-federal-antitrust-lawsuit-against-real-estate-company-for-alleged-rent-manipulation-real-page-inflate-attorney-general-bob-ferguson-rental-paycheck-client>.

¹⁹ Miami Herald, “Is a software company owned by Miami billionaire’s firm the reason your rent spiked?” Gabriela Henriquez Stoikow, August 20, 2024, <https://www.miamiherald.com/news/politics-government/state-politics/article290528684.html>.

²⁰ Blue Star Families, Military Family Lifestyle Survey, “2023 Comprehensive Report Housing and Relocation,” p. 2, https://bluestarfam.org/wp-content/uploads/2024/03/BSF_MFLS_Comp_Report_Housing_Relocation.pdf.

²¹ *Id.*, p. 2.

²² *Id.*, p. 6.

²³ U.S. Government Accountability Office, “Military Housing: DOD Should Address Critical Supply and Affordability Challenges for Service Members,” October 30, 2024, GAO Highlights, <https://www.gao.gov/products/gao-25-106208>.

²⁴ *Id.*, p. 44.

²⁵ *Id.*, p. 44.

²⁶ *Id.*, p. 42.

²⁷ *Id.*, p. 46.

families, as well as members of the community who do not receive BAH.²⁸ We are also interested in DoD's broader strategy to ensure landlords are not using RealPage's services to price gouge military families. Therefore, we ask that you provide answers to the following questions by February 17, 2025.

1. How effective have DoD's targeted BAH temporary hikes been at ensuring that military families have access to safe, clean, and affordable housing?
2. How many reports has DoD received, if any, involving landlords increasing rents in response to BAH increases?
3. Has DoD conducted any assessments or made any determinations regarding whether landlords in military communities are using RealPage's YieldStar or AIRM products to price gouge military families?
 - a. If so, what have these assessments found?
 - i. How many military families rent from landlords who use YieldStar or AIRM products?
 - ii. Have these products contributed to rent increases for these families?
 - iii. What information or data has DoD collected to determine the impact of rent-setting algorithms on BAH rates?
 - iv. What information or notifications has DoD provided to service members or military families in these communities to help prevent them from being gouged by landlords using these algorithms?
 - b. If not, why not?
4. What language, if any, does DoD include in its housing agreements with private companies to ensure programs like RealPage's YieldStar or AIRM products are not used to influence their rent prices?
5. Does DoD policy allow private military housing companies to collect data on renters and share it with other landlords, whether through RealPage or through other means?
6. How does DoD protect military families' personal information from being disclosed by private housing companies who provide military housing?

Thank you for your attention to this important matter.

Sincerely,



Ranking Member
Senate Committee on Banking,
Housing, and Urban Affairs



Ruben Gallego
United States Senator

²⁸ Island News, "JBPHH residents call rent increase 'predatory attacks' from Lendlease landlords," Shanila Kabir, November 16, 2023, https://www.kitv.com/news/local/jbphh-residents-call-rent-increases-predatory-attacks-from-lendlease-landlords/article_3c906006-84ee-11ee-ab4d-abd5bc15113d.html.



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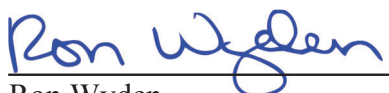
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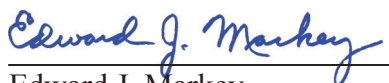
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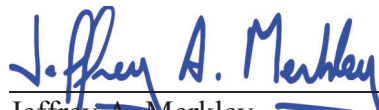
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