

The GOP Senate is about to pass a bill that is great for progressives.

Elizabeth Warren's Housing Coup

REVIEW & OUTLOOK

Republicans want to show voters they're doing something to ease housing costs. The result, alas, is a pork-filled bill hitting the Senate floor this week that is big win for Massachusetts Sen. Elizabeth Warren and the political left.

The Senate's 21st Century ROAD to Housing Act is a melange of some 40 bills. Call it a blueprint for a bigger Washington. It establishes multiple grant and loan programs for "affordable" housing while expanding federal power over local zoning. The worst provision is a ban on large investors purchasing singlefamily homes to rent.

Companies like Amherst and Invitation Homes that buy and then rent single-family homes have become a popular scapegoat for high housing prices. The real leading culprit is the Federal Reserve's pandemic-era monetary policy. Historically low mortgage rates followed by inflation fueled price appreciation and resulted in a lock-in effect for owners that is constricting the supply of homes for sale.

Note

Large investment firms mopped up foreclosed homes after the 2008 housing crash, placing a floor on prices. They account for less than 1% of the single-family housing stock, and the number of rental homes has declined on net by 900,000 since 2017. They manage fewer homes in pricy markets like Los Angeles (0.3%), Boston (0.02%) and Washington, D.C. (0.07%).

President Trump thinks the investor ban polls well and likes to say "people live in homes, not corporations." But who does he think lives in rental homes—hedge fund managers? Most tenants are lower-income. The Senate bill could force many of them out of their homes.

Investors who own 350 or more homes would be barred from buying new ones with a few exceptions—namely, if home builders construct homes specifically for rental purposes; if investors make substantial renovations to bring homes into compliance with local building codes; or if they buy them from other large investors.

Note

Investors would still be required to sell any homes they acquire under these exemptions within seven years. This may not be enough time to recoup their investment, especially since they would have to pay hefty taxes and transactions costs upon selling a home. They also face risk if prices fall.

Note

Smaller firms will likely exit the market because they couldn't expand. If investors are forced to unload properties, where will their tenants go? Amherst estimates that roughly 85% of its tenants wouldn't qualify for a mortgage because of credit constraints or other underwriting restrictions. The American Enterprise Institute's Ed Pinto and Tobias Peter warn that federal agencies and government-sponsored enterprises might seek to prevent evictions by easing underwriting standards to enable tenants to buy homes that investors are forced to sell. This would increase the risk and costs for taxpayers who backstop mortgages.

The bill implicitly acknowledges the potential for collateral damage by giving the Treasury Secretary carte blanche authority to issue rules to "minimize market disruptions" and "mitigate, to the extent possible, negative impacts on consumers and communities." Treasury could also redefine "large institutional investor," "single-family home," and "excepted purchase."

In other words, Treasury would have the power to rewrite the provision. Don't Republicans want to pare back the administrative state? We're told the Trump team demanded this unfettered discretion because they realize Ms. Warren's drafted language would cause problems in the housing market.

Imagine how a Democratic administration will exploit this sweeping power. How about a nationwide eviction moratorium or rent control? The bill also instructs the Housing and Urban Development Department to establish housing “best practices” for local governments— solar panels on all homes!

Oh, and don’t forget a grant program to reward local governments that “promote dense development” and “mixed-income housing,” an idea Ms. Warren campaigned on during her presidential bid in 2020. She sent out an exuberant press release on Tuesday listing all of the left-wing groups endorsing the bill.

Eager to claim a housing victory, the White House is pressuring Senate Republicans to pass the bill and wants the House to accept it. But why do Republicans want to provide a down payment for Ms. Warren and fellow progressives to expand Washington control over housing in their states?

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