



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

April 11, 2014

The Honorable Mark Takano  
1507 Longworth House Office Building  
Washington, D.C. 20515

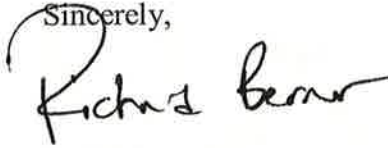
Dear Representative Takano:

Thank you for your letter of March 6 requesting the OFR study the risks in single-family rental securitizations.

We are aware of the recent trend in rental securitizations. A recent research brief published on the Federal Reserve Board's website highlighted the growth in this activity (see Raven Molloy and Rebecca Zarutskie, "Business Investor Activity in the Single-Family-Housing Market," FEDS Notes, December 5, 2013). Questions like those raised in your letter are always of interest to our researchers and analysts and we thank you for bringing to our attention these transactions and any potential financial stability risks they pose.

The financial crisis showed that financial markets can be particularly sensitive to housing market risk, and for that reason, we agree that housing-related financial products deserve a special focus. To that end, we have focused on structured real estate products, particularly mortgage backed securities held in real estate investment trusts, in our recent annual report (at page 16). Our current financial stability research agenda, outlined in our report, does not specifically focus on rental-backed securities. However, we fully intend in our ongoing research on housing finance and financial stability to investigate queries such as those you raise regarding how these products are structured and what impact they could have on other market segments. As you know, we report regularly to Congress on threats to financial stability and our monitoring of such threats could be informed by our ongoing research on these related real estate products.

I would be happy to make myself or members of my research team available to you to discuss our work, and how it might inform some of your questions. Such a discussion would allow us to provide more specific views on the area squarely within our mandate: possible impacts on financial stability should these securities grow in popularity.

Sincerely,  
  
Richard B. Berner